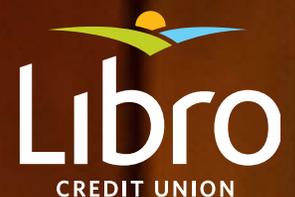


# A Story of Strength

2020 ANNUAL REPORT



The logo for Libro Credit Union features a stylized graphic of a green hill with a yellow sun rising over it, positioned above the word "Libro" in a large, white, sans-serif font. Below "Libro" is the text "CREDIT UNION" in a smaller, white, sans-serif font.

Libro  
CREDIT UNION



Libro Credit Union came through 2020 with strength, and with many lessons learned. Even in a turbulent year, we're proud to say our social purpose and our values carried us forward. We continued growing prosperity for individuals, businesses and communities across southwestern Ontario and, as we shared the experience of 2020, we protected prosperity too.

This is the story of the year we had together,  
of the impact we have made  
and of the work we continue to do.

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# The Opportunities of 2020

**We all know 2020 was an unforgettable year, for all kinds of reasons. For me, amid all the challenges and difficulties, it was a year that presented the opportunity to learn. As a society, we will never be the same. Look at the changes we've embraced. There was a lot to learn from 2020.**

Libro Credit Union, as the largest in southwestern Ontario and a leading voice in the Canadian credit union movement, entered the year in a position of strength, staying strong all year and experiencing significant growth in our portfolio: we're now more than \$1 billion bigger than the previous year – and that boosts the impact we can make. As this document shows, the challenges included pressure on profits; we know, however, that our credit union is coming through the storm with confidence.

“

**As a society, we will never be the same. Look at the changes we've embraced. There was a lot to learn from 2020.**

”

The challenges to us as people, and the opportunities for personal and professional growth, are the most important part of our recent collective experiences. This past year has reminded us the economy is more than just numbers. At its heart, it is healthcare, daycare, long-term care, education, skills training and much more. It exists in our need for decent housing and jobs, and in the need to promote our local food producers and other businesses.

Our economy is diverse, just as much as the people who come together

to drive it. As we seek economic and social growth – as we say at Libro, growing prosperity in southwestern Ontario by transforming banking – we must remember the human stories that make it possible, and we must celebrate and thank every one of the frontline workers in essential services such as Libro who keep us moving forward. Special thanks to every Libro staff member for their role in our success.

And we thank and celebrate everyone who banks with Libro. In 2020, thousands more people became Libro Owners and entrusted their business to the credit union, enhancing the ways in which we can make an impact on southwestern Ontario and its prosperity. Your strength adds to our strength, and your voices add to ours.

If you're reading this and considering banking with Libro for the first time, you have my thanks, too. In these pages, you will see why we are all so passionate about what we can do together, and why we are so committed to encouraging others to become involved.

We grew stronger in 2020 and, with the lessons learned and advances made – especially in the digital services we offer – we are powering forwards into 2021 and beyond.



**Steve Bolton**  
President & CEO, Head Coach

# Libro supports community in tough times

**The true strength of a community is shown when we face challenges. There is a comfort when as a society, we are able to rely on each other. In 2020, we were challenged in many ways, and the communities served by Libro Credit Union were shown this financial institution is a trusted partner. More than an active participant in those communities, Libro led the way to support and encourage the credit union's Owners.**

As the Chair of Libro's Board of Directors, I am amazed every day by the resilience and creativity shown by the staff and leadership of our credit union. When I assumed the role during our first ever virtual Annual General Meeting in April 2020, I knew we were in for an eventful time. I could never have imagined how eventful it would be, and of course remarkable times continue even now.

“

**Now, more than ever, we are saying “thank you”.**

”

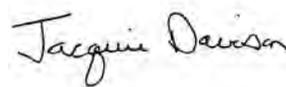
As we consider the successes of 2020, it's important we reflect on the values that are core to this credit union. Libro is based on cooperative principles, and everyone involved in Libro is committed to serving our communities. That's why being part of its governance structure means so much to my fellow Directors and myself. We're here to make sure everyone involved in the day-to-day business at Libro knows what matters to the people right here in southwestern Ontario.

Now, more than ever, we are saying “thank you”. We are grateful to our staff who have worked so hard to achieve a successful year during unprecedented events that have affected so many aspects of our lives. Libro's employees have continued to service Owners, helped to keep

our economy running and, as a result, face increased personal risks. As Board Chair, I want to say a special thank-you to each of them: we are better off because of this courage and hard work. We see you and want you to know you matter.

In this Year in Review document, there are many examples of the positive effect Libro has on people in the communities we serve. Our members are community. Their commitment to Libro, drives us to continue to give back and strengthen our collective resolve.

If community matters to you, please consider doing business with Libro. We should all be facing society's challenges together, and there's no better way to do that than by joining a credit union.



**Jacquie Davison**  
Chair, Board of Directors



# Purpose is Everything

The credit union has been a Certified B Corporation® (B Corp™) since 2018. This sets standards for our impact on the community, the environment and more, and keeps us accountable every year as we maintain our commitment to using business as a force for good™.



Some companies are using their business power as a force for good, making a positive impact in their communities and strengthening their business at the same time. And those businesses are thriving. Despite the major challenges presented by the Covid-19 pandemic, the common thread among companies that are weathering the storm most successfully is an authentic and integrated commitment to a purpose larger than profitability or growth. In the last financial

crisis in 2008, certified B Corps were 63% more likely to survive than other businesses of similar size. These companies were more resilient and had stronger relationships with their workers, customers and through their supply chain. Proof that doing good is good for business. With consumer demand on the rise for these types of businesses, it's good news for Libro, our Owners and communities.

As a certified B Corp that exists to grow prosperity in southwestern Ontario, Libro is focused on four pillars and we influence them in everything that we do.



## EMPLOYMENT

Increasing productive employment and decent work and reducing talent shortages.



## FINANCIAL RESILIENCE

Improving financial capacity and resilience of people, businesses and organizations.



## LOCAL FOOD ACCESSIBILITY

Improving food systems to increase access to local food.



## HOUSING

Enhancing access for all to adequate, safe and affordable housing.



STREAMLINERS ESPRESSO BAR, LIBRO BUSINESS OWNER

# Choosing Libro

**Libro Credit Union entered 2020 in a position of strength, and, even in the toughest times, we continued to welcome new Owners. We know that Libro keeps growing because we're there for you – with the services you need and the values you share.**

And we know people choose Libro because we are different. We treat people like people and we look beyond the numbers when we make decisions.

Our strength is based on the financial coaching we offer. Your coach supports you through days of all kinds, however challenging they become, making sure you have consistent, high-quality support.

We know Libro's business Owners enjoy special support from us. The relationships we're building with businesses over time are a foundation for the credit union and southwestern Ontario. Local business is the lifeblood of communities.



## 108,361

**TOTAL LIBRO OWNERS AT THE END OF 2020**



## 6,315

**NEW OWNERS IN 2020**

More than 58% were younger than 50



## 9,820

**BUSINESSES BANK WITH LIBRO**

LIBRO BUSINESS OWNER

# Lost Cycle

In 2019, Courtney Grafton created Lost Cycle, a spin studio that offers intense, full-body spin class, designed to transform your body and mind. Since then, she's worked with financial Coach Thomas to build her business to 25 bikes, with every class sold out and a waitlist for members.

Libro was there to support throughout 2020, when Lost Cycle twice had to close its doors due to pandemic restrictions, and Courtney pivoted in the face of adversity. "We paused everyone's payments and did live classes for free on Instagram then uploaded to YouTube so others could watch."

Now she's looking ahead again and ready to change, whatever the future may bring: "Our goal is to operate at full capacity and keep people safe."

“

Thomas (downtown London location) is my go-to when I'm in a crisis. It was nice to have him mentor me through and when I pitched my idea to Libro, I liked that it was a coaching process. It made me feel supported and it's OK to not know all the answers.

Courtney Grafton, Owner, Lost Cycle

”



# Advances in 2020

This past year brought rapid change in so many aspects of our lives, and Libro Credit Union was ready to react, adapt and think fast. The challenges of 2020 brought opportunities to make advances in how we do business, while always remembering our purpose - the 'why' of our business.

Throughout the pandemic, we've worked to balance protecting public health with providing the best possible Owner service. Nothing could be more important than the safety of Libro Owners, staff and everyone in our

community. At the same time, we safeguarded the financial health of everyone involved in the credit union, continuing to provide all of our services through a variety of channels.

## WE'RE THERE WHEN YOU NEED US

Libro reacted quickly to events, making changes to our service model so we could maintain services. When we couldn't welcome Owners in person, we made sure they could do their banking online, by phone, at ATMs and more.

We moved fast during 2020 to double the capacity of our contact centre, Libro Connect, training more staff to support Owner requests that came in by phone and through electronic messages. We pick up the phone within seconds.



TRACY, LIBRO CONNECT REPRESENTATIVE

## OUR CONTACT CENTRE, LIBRO CONNECT

Calls to Libro Connect include support across all of our business as a full-service financial institution, including accounts, loans, investments, credit cards

and more. We're there with advice and a friendly ear – and everyone at Libro Connect lives and works in southwestern Ontario.



### 13 Seconds

AVERAGE WAIT TIME FOR CALLS  
FROM JAN. 1 - DEC. 31 2020.



### 80,939

TOTAL INBOUND CALLS  
IN 2020.



### 22,237

TOTAL ELECTRONIC  
MESSAGES RECEIVED BY  
LIBRO CONNECT IN 2020.

## WE EXPANDED OUR DIGITAL SERVICES. OWNERS CAN NOW:



**OPEN ACCOUNTS ONLINE**



**LOAD IN THEIR LIBRO DEBIT CARD AND  
PAY WITH THEIR MOBILE PHONE**



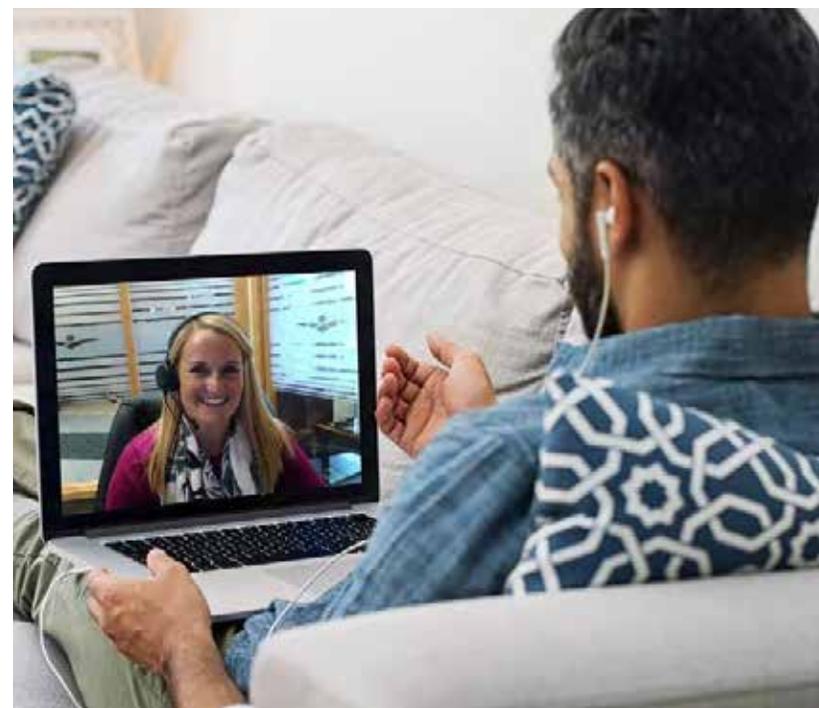
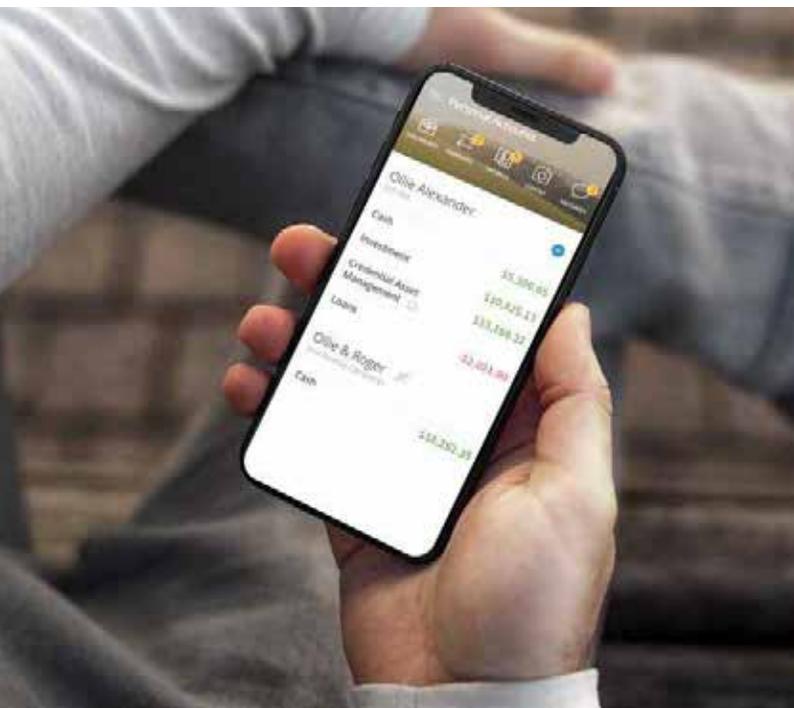
**SHARE DOCUMENTS DIGITALLY**



**SEND MONEY MORE SECURELY**

We became the first financial institution in Canada to offer scheduled Interac e-transfers.

And those were just the new parts. We already had advanced online and mobile services with enhanced security. We found new, better ways to communicate, introducing financial coaching by video calls and online webinars instead of in-person seminars. We even had our coaches reaching out to thousands of Owners to ask how they were doing.



Just like everybody else, we've had to be quick to change as we continued to do business all year. We've been careful to follow public health guidelines, and that means asking Owners to do the same. And, where we could, we worked at a safe distance from each other and from you, to reduce the risk of spreading COVID-19.

**THANK YOU TO EVERYONE FOR THEIR UNDERSTANDING AND KINDNESS!**



LIBRO BUSINESS OWNER

# Mornington Coop

Libro Owner Mornington Communications has been bringing home technology to customers since 2008 and in recent times has been working especially hard to meet the demand for high-speed internet. It offers mobile, TV, phone and security services and has had its headquarters in Milverton for more than 100 years.

“In about the last five years, we’ve kicked up our expansion efforts. Our financial institution at the time didn’t share the same outlook and would have stifled our plans. From the time we first started talking with Libro, it was clear our goals aligned. Libro’s modern approach to banking has been able to provide flexible financing that doesn’t restrict our cash reserves, ultimately accelerating our growth.”

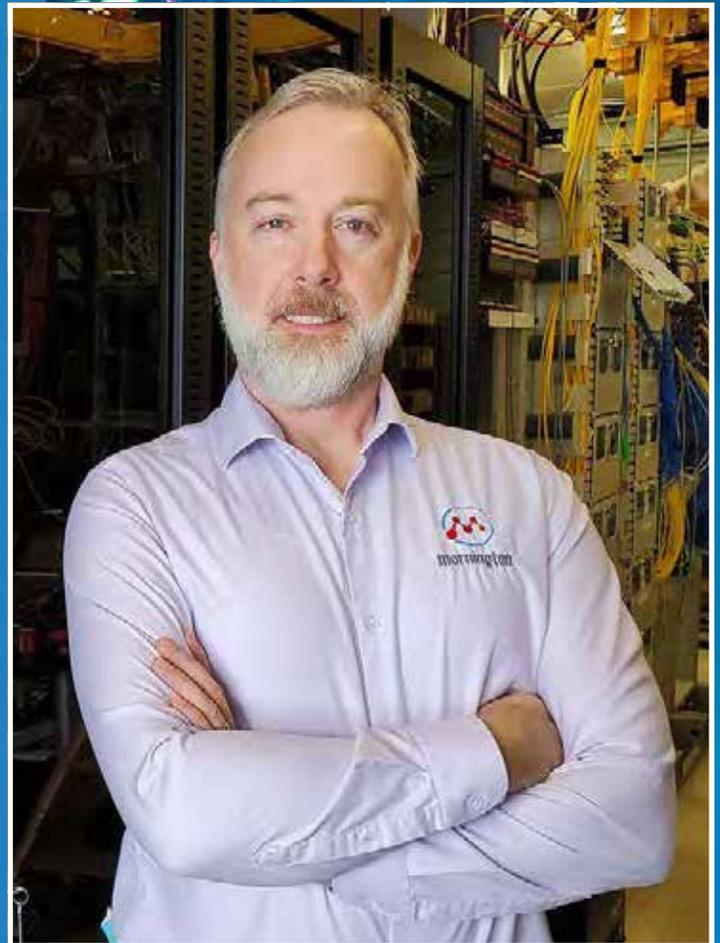
“Just as Libro Credit Union believes in “banking with higher purpose”, Mornington believes in “connecting local communities”. As a Co-operative, we best serve our members by being long-term sustainable; Mornington’s revenues goes back into the community by connecting the under-served and continuing to grow our network.”

“

**Our local Libro rep, Robin Blythe, is just down the road at the Listowel branch. Robin is readily accessible and always looking for solutions to the various situations our business face, helping us to make strong, fact-based decisions.**

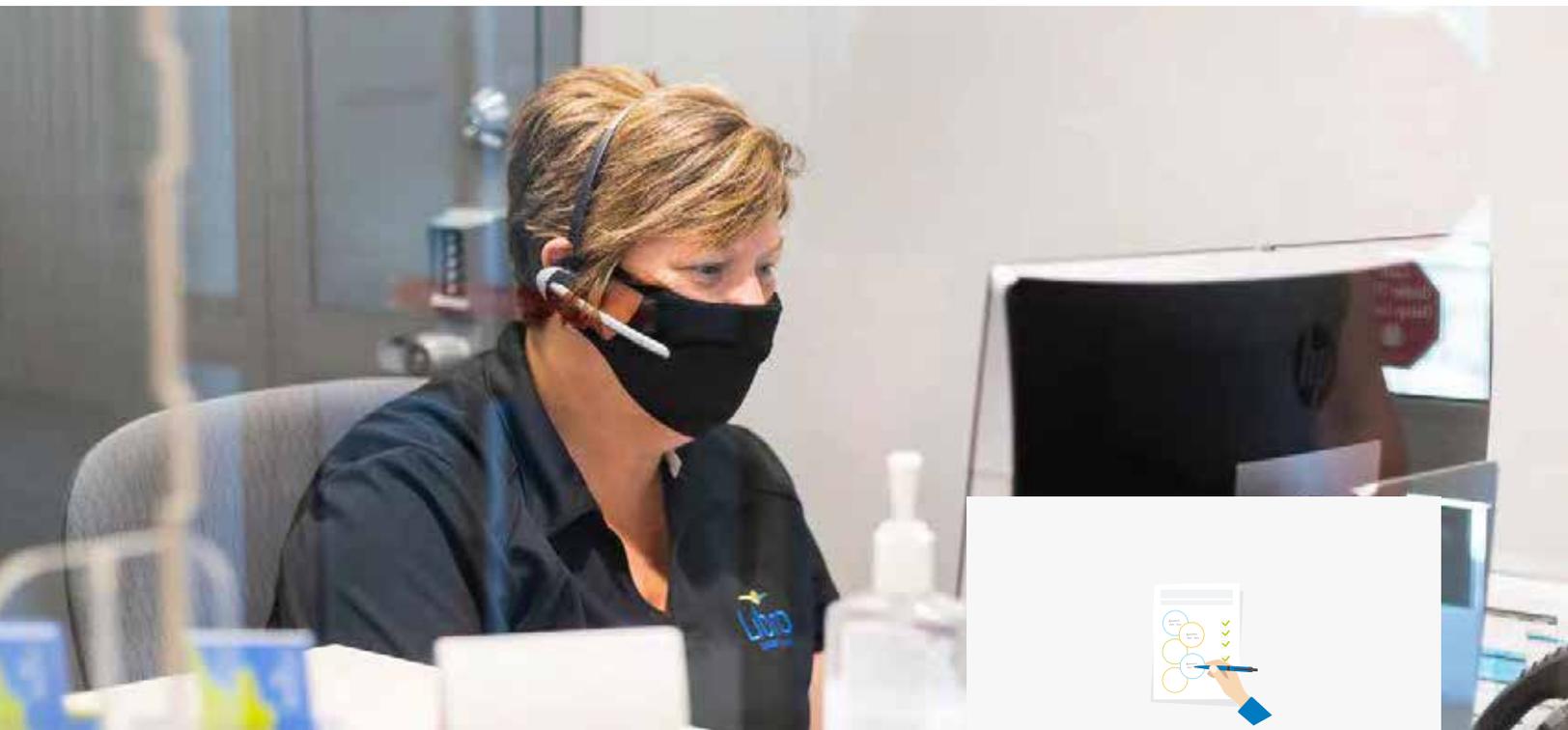
Ken Naylor, General Manager

”



# Planning for the future

Our social purpose is to grow prosperity in southwestern Ontario, and we apply that thinking in everything we do, approaching Owners wherever possible to offer support. During a year of massive disruption and difficulties, we continued our purpose and combined it with efforts to protect prosperity, moving fast to support Owners and communities. And we did all we could to be proactive, seeking ways to connect with Owners and find out their needs.



## CARING CALLS

We reached out to thousands of Owners in what we called Caring Calls. In many cases, we just called to ask how they were doing. Every time, we offered support and coaching based on their needs. We estimate our various teams across the credit union made more than 10,000 of these calls during 2020.



# 10,000

CARING CALLS IN 2020

Having a financial plan is key to our success, and to yours. So our financial coaches work hard to develop long-term relationships with Libro Owners, inviting people to make the Prosperity Plans that set their goals.

**That's how we thrive - by planning for the future together.**



# 8,289

PROSPERITY PLANS  
COMPLETED IN 2020



# 4.5 OUT OF 5

OWNER SATISFACTION

We measure Owner satisfaction through feedback surveys.

## LIBRO WAS THERE FOR SUPPORT

Libro had full participation in the government programs designed to help people through the pandemic, making sure Owners had full support, both in funding terms and in the coaching that could make a real difference to their financial wellbeing.

### CANADA EMERGENCY BUSINESS ACCOUNT

**2,640**

FUNDED LOANS IN 2020

**\$124.2 MILLION**

ACCESSED BY OWNERS IN 2020

### BUSINESS DEVELOPMENT CANADA CO-LENDING PROGRAM

**\$4 MILLION**

ACCESSED BY OWNERS IN 2020

### LOAN REPAYMENTS POSTPONED

At a stressful time for so many, our Libro coaches met with Owners and discussed their needs, postponing loan repayments where needed.

**\$381 MILLION\***

AGRICULTURE AND COMMERCIAL  
LOANS WITH PAYMENTS  
POSTPONED IN FULL OR IN PART

**\$217 MILLION\***

RESIDENTIAL MORTGAGES WITH  
PAYMENTS POSTPONED IN FULL  
OR IN PART

**\$5 MILLION\***

PERSONAL LOANS WITH PAYMENTS  
POSTPONED IN FULL OR IN PART

**\$3.9 BILLION**

TOTAL LOANS



COZYN'S GARDEN GALLERY, LIBRO BUSINESS OWNER

# Growing Together

It's been another year of growth for Libro, and again it has been unprecedented growth. Our credit union is rapidly increasing in size and, in fact, it's more than \$1 billion larger than a year before, in terms of its Assets Under Management, a common measure of the size of financial institutions.

Thank you to everyone who is showing their trust for Libro by doing business with us. Libro Owners make it possible for us to have an impact on southwestern Ontario, its people and its communities.

## \$9.6 BILLION

TOTAL PORTFOLIO

12.8% GROWTH OVER 2020

## \$6.1 BILLION

ASSETS UNDER MANAGEMENT

18.6% GROWTH OVER 2020

## \$688 MILLION

INCREASE IN DEPOSITS

18.5% GROWTH OVER 2020

LIBRO BUSINESS OWNER

# London Bicycle Café

At Libro, we always listen to feedback from Owners and the public, and we love it when they come to us with good ideas.

When Ben Cowie, Libro Owner and the enthusiast behind the London Bicycle Cafe, asked us to offer his customers specialized loans for cargo bikes, we sat down together to find a way. Starting at close to \$5,000, cargo bikes aren't cheap, but they pay off over time in saving motoring costs, promoting better health habits and, above all, avoiding carbon emissions.

“

“We're still in very early days, but the potential is apparent,” Ben Cowie said. “Libro is the first financial institution in Canada to take this step toward decarbonization of the transportation sector. The program has enabled a few early adopters to get started, and a few more to start dreaming.”

”

If you're one of the people dreaming about a new bike, just give us a call. We're ready to help.





# Investing in People

Libro's positive culture is always vital to our success, and it really came to the fore through 2020, with protecting staff and public health our key aim during tumultuous times.

## OUR CULTURE

Our 'Be Libro' statement expresses the values we all share.

### BE LIBRO

WHY

To **grow prosperity** in southwestern Ontario by transforming banking.

HOW

Be epic humans  
Be passionately accountable  
Be bold explorers  
Be mutually inclusive

WHAT

Inspiring financial happiness  
Joyful in our work

## COOPERATIVE DEMOCRACY

Anyone who's a Libro Owner can have a say in how the credit union is run. Owners elect the Owner Representatives who form the 10 Regional Councils connecting us to the needs and voices of our communities. Owner Representatives elect the Board of Directors at our Annual General Meeting. It's all run on cooperative principles, meaning our impact on communities in southwestern Ontario is a major part of the decisions we make.

## LIVING WAGE

Libro is a Living Wage Employer, guaranteeing to pay all staff at or above the highest Living Wage in southwestern Ontario. This means everyone can meet their basic costs such as food, transportation, childcare and shelter. In 2020, Ontario Living Wage Network held the rate at the previous year's figure of \$17.55, agreeing the pandemic meant there should be no change.



## AWARD-WINNING PEOPLE

**Here are some of our outstanding successes.**

Three Achievement In Marketing Excellence Awards from the Canadian Credit Union Association, celebrating our Making Cents of Money Blog, our Tech Savvy campaign increasing awareness of online banking and the event to announce our new location in Old East Village, London.

An Award of Merit in the International Association of Business Communicators' Virtuoso Awards for our campaign My Life Here, which told the stories of Libro Owners in southwestern Ontario.

## TOP AWARD - 16 YEARS IN A ROW

In 2020's Financial Service Excellence Awards, credit unions were voted the best for customer service for the 16th year in a row. This is a national award announced by Ipsos and the winner is chosen by customers across the financial service industry.



Emily Strybosch, Brand Specialist, was named on the London Inc magazine 20 under 40 list of people to watch, and won a youth leadership award from the Canadian Credit Union Association.



Rick Hovenaars, who retired as Libro Chief Financial Officer in 2019, won the CCUA Distinguished Credit Union Leader Award for 2020.

## EMPLOYEES



# 705

EMPLOYEES AT LIBRO

## TRAINING



WE INVESTED AN AVERAGE OF

# \$1,310

PER FULL-TIME EQUIVALENT  
STAFF POSITION IN 2020

# \$844,950

TOTAL INVESTMENT IN  
LEARNING & DEVELOPMENT

## WELLNESS



# 323

LIBRO STAFF ARE REGISTERED WITH  
OUR PROACTIVE WELLNESS PROGRAM.

## YEARS OF SERVICE



# 42%

42% OF STAFF HAVE 10+ YEARS  
OF SERVICE.

That's 293 people with Libro for  
more than 10 years.

## GENDER DISTRIBUTION



# 73%

73% OF LEADERS AT LIBRO ARE FEMALE

LIBRO STAFF:

# 76% 24%

WOMEN

MEN

BOARD MEMBERS:

# 45% 55%

WOMEN

MEN

For the first time in our history, Libro's Board  
Chair and Vice Chair are both women.

LIBRO BUSINESS OWNER

# CORE Lifestyle and Recreation Complex

CORE Lifestyle & Recreation Complex is a state-of-the-art multi-sport, multi-purpose facility in Kitchener, offering sports, events and more. With easy access to major transportation routes, it's an exciting local business that makes a major contribution to the community, and to the health and wellbeing of people in it. The 65,000-square-foot facility is also an Elite Athlete Performance Centre, welcoming top athletes in a variety of sports.

The challenges of 2020 brought uncertainty. Like so many businesses, the complex had to close for periods and, when it reopened, it needed to react to new health & safety protocols, including capacity restrictions. Working with Libro, CORE was able to defer loan payments and access government funds including the Canada Emergency Business Account.

Mario Halapir, General Manager of CORE, said

“

**Our business, considers Libro a true “partner” in our quest to run a sustainable business, while providing much needed support of our local community. As a partner, Libro understands our challenges and shares our passion for our business model. This relationship has helped us navigate through this pandemic and we will always feel confident in dealing with future challenges with Libro in our corner.**“

”



& Recreation Com





# Promoting Strong Communities

**When our communities are strong everyone wins. In 2020 we stepped up our game to tackle some of the biggest challenges facing our region.**

Everyone at Libro is proud of our record of community involvement, which has been a constant in our history of more than 75 years. This past year created an urgent need to act on behalf of people in difficulty, and Libro acted quickly.

In April 2020, we adjusted our annual grant program and instead channelled \$320,000 to United Way organizations across southwestern Ontario. This change, put in place in a matter of days, supported their valuable work helping vulnerable people who were the hardest-hit by the pandemic.



## \$320,000

**TO UNITED WAY ORGANIZATIONS**

## THOUGHT LEADERSHIP

At Libro, we know we have influence when we use our voice, so we are careful to use it well. During 2020, Libro continued to act as a thought leader, speaking out in public, through media, social media and other channels, on issues including:

- The need for better internet services in rural areas.
- Sharing stories of leaders who exemplify our values on International Women's Day.
- Campaigning to support nonprofits and local businesses.

## BLACK LIVES MATTER

Making a clear statement that Black Lives Matter, and putting action into words by establishing a new staff council on Diversity, Equity and Inclusion, to discuss related issues and recommend actions.

## ADVOCACY

Part of using our voice is taking an active approach to government relations and advocacy with leaders in southwestern Ontario, and those making decisions that affect southwestern Ontario.

In 2020, that included:

- Advocating on the terms of a new Ontario Credit Union Act, which creates opportunities for credit unions to increase their share of business in our industry.
- Giving feedback to more than 15 formal consultations begun by municipal, provincial and federal government.
- Proactive outreach to government representatives including, for the first time, a structured program of conversations with municipal leaders, to increase awareness of Libro's pillars.



## THE LOYAL 2 LOCAL CHALLENGE

During 2020, Libro encouraged the community to support local businesses, and we started with our own staff. In two rounds of spending, the credit union have all 700 of our staff a budget to spend in any way they wanted - as long as it showed their passion for a local business.

The total investment was about \$116,000, putting that money to work in local economies while also getting people talking about the value small

businesses bring to communities. We bought everything from socks to cakes to rounds of golf, sharing on social media our praise for hard-working entrepreneurs.

And the idea spread fast. In response to our Loyal 2 Local Challenge, people and organizations across Canada joined in. That included 55 credit unions, showing the positive values shared by so many in our movement.

# #Loyal2LocalChallenge



UPTOWN MEATS & DELI, LIBRO BUSINESS OWNER

# Partnership

**When you're a Libro Owner, you share in the profit. The events of 2020 brought unexpected pressures and had an effect on our profits and profit-sharing. We're proud of the success we have achieved, and even more proud to keep all of our profits in southwestern Ontario and to share them with Owners.**

Our strength as a credit union is all about the relationships we can form. That's true for every Owner, because we're in this for the long term, seeking to support you throughout your life.

Libro loves to build partnerships with organizations, too. Guided by our four pillars, we work closely with groups that share our values and goals, and together we boost the impact we can have on our communities.

In 2020, we provided more than \$1.3 million dollars in direct funding to community organizations and students through our community investment programs. Libro staff also contributed their time and skills to multiple initiatives.

Here are some highlights of projects supported:

## AGSCAPE

Since 2018, Libro has partnered with AgScape to support the delivery of agriculture and food lessons with the goal to increase awareness of the food systems and agriculture, and to ignite interest in related careers. With our contribution, the program has reached over 800 students across southwestern Ontario. In 2020 we extended our partnership and announced an additional \$45,000, to be invested by Libro over three years. That means the program will reach more than 4,200 students in our service area.

## RECOVERY AND REBUILDING THE REGION: DESIGN CHALLENGES

Our partnership with Pillar Nonprofit Network, TechAlliance, Communitech and WEtech Alliance invited pitches for collaborative solutions to pandemic-related problems. We invited 'made in southwestern Ontario' ideas to support economic recovery and community prosperity with measurable social, environmental and economic impact.

### There were three winners:

- Go Fog It, a London business using fogging technology to sanitize high-traffic indoor areas.
- Beecuz, a London nonprofit equipping young people with tools to address and care for their mental health.
- The Working Centre's Project 4000, a Kitchener collaboration to grow food in shipping containers.



**LENA SCHREYER,  
BEECUZ**

## WETECH ALLIANCE SCALEUP TECH ACCELERATOR

Powered by Libro, this program supports tech entrepreneurs in Windsor-Essex and Chatham-Kent looking to scale up their business. In 2020, the program was redesigned to focus on the support and recovery of tech businesses and assist in taking new product ideas and revenue lines from minimum viable product (MVP) to market.



### 4-year lookback | Overall Impact:

- 19 companies supported - 90% survival rate
- 151 people employed by ScaleUp companies
- 122 Products + Services in market
- + 8.7M Users engaged
- + \$19M Revenue

## YOUTH OPPORTUNITIES UNLIMITED JOAN'S PLACE

We're thrilled to be a supporter of Joan's Place, the project creating 35 affordable housing units in downtown London. This Youth Opportunities Unlimited program will support young women and babies, helping them to have a stable home during the most vulnerable time of their lives. With the affordable housing and the support services of the additional youth resources located on the main floor, this project will be transformative for our community.



## I SHARE & P SHARE

Everyone who partners with Libro can share in the success. Here's how we're sharing our profits for 2020.

The challenges of the year had an effect on income and on how much we can share with Owners. We did have a strong year, though, and we're proud to keep every dollar of profit right here in southwestern Ontario.

# \$2.66 MILLION

CLASS P PROFIT SHARING  
AND DIVIDENDS



# \$5.05 MILLION

CLASS I INVESTMENT  
SHARE DIVIDENDS



# \$7.71 MILLION

DIRECTLY RETURNED TO OWNERS

# \$11.8 MILLION

NET INCOME BEFORE  
PROFIT SHARING AND TAXES



DECREASED 54% OVER 2019

# 85.34%

EFFICIENCY RATIO

That's a rating based on how many dollars we spend to earn revenue. In 2020, we spent 85 cents to earn every dollar of revenue.

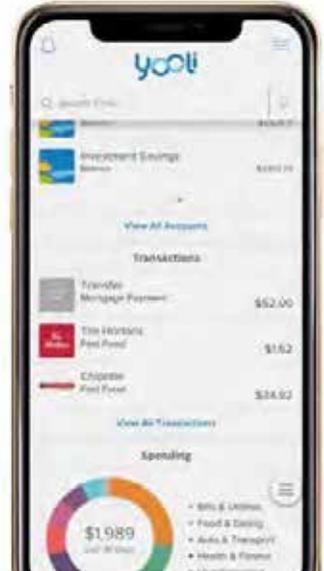
## WE'RE LOOKING AHEAD

Like so many others, Libro found 2020 a challenging year. We're all pleased to have come through it with significant profits and a major impact on our communities.

We know the pandemic isn't over and there are more challenges to come. We also spent the year learning and growing – and we're ready for whatever 2021 can bring. The past year built our strength because of – not despite – the difficult times, and we're still looking ahead.

## COMING SOON!

There are exciting developments to come, including the launch of Yooli – that's YOU and LIBRO – our financial planning app that helps you to take control of your earning and spending, while continuing the human conversations that make financial planning work for us all.

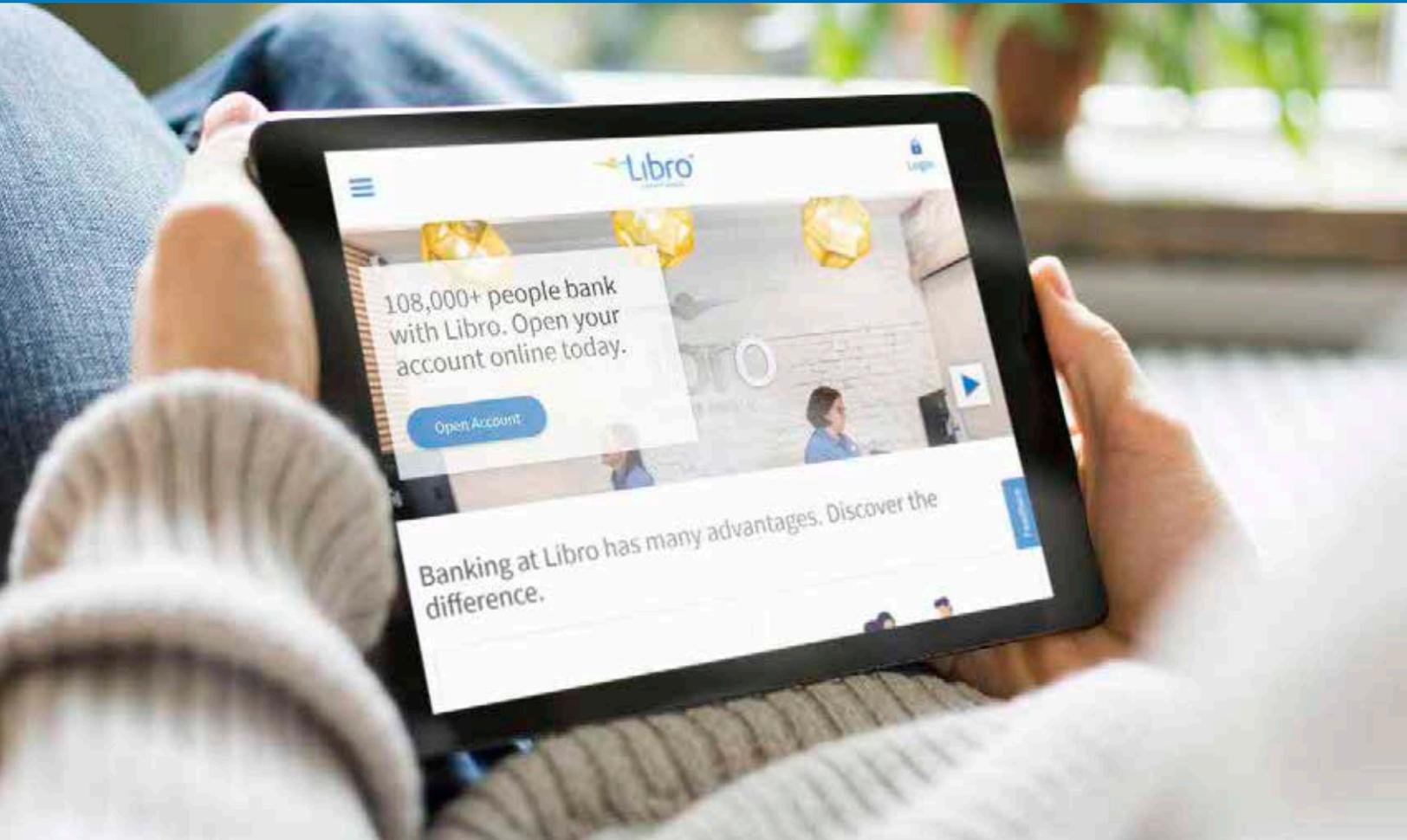


## NOW IS YOUR CHANCE TO BE A PART OF LIBRO!

You can join entirely online and book a meeting with a Libro Coach all from the comfort of your couch.

Visit [libro.ca/join](https://libro.ca/join)

Open Account



# Management Discussion and Analysis

## A Deeper Look at Libro

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## 2020 FINANCIAL OVERVIEW

To **Be Libro** is to be passionate about growing prosperity for the people, families, businesses and organizations right across southwestern Ontario. As a certified B Corp and cooperative, Libro uses its resources for good, in pursuit of this purpose. This past year, Libro has responded to unique challenges with swift action to balance public health needs with delivering the best possible Owner service. Libro slowed some planned changes and focused our resources to respond to the changing needs of our staff and Owners. We continue to work hard to become leaner, smarter, more data-driven, clearer in our roles, and better-equipped to make a difference for our Owners.

In a year unlike any other, some of our accomplishments included:

- Sharing \$14.7 million to Owners through dividends and profit-sharing distributions
- Surpassing \$6 billion in Assets Under Management and \$1 billion in wealth assets under management
- Responding to the COVID-19 pandemic with a commitment to staff and Owner safety and maintaining essential service. The capacity of Libro Connect, our contact centre, was doubled overnight and remote work was enabled for hundreds of Libro staff.
- Launching government programs as part of a full-service offering to help much needed funds get into the hands of Owners in a difficult time.
- Supporting our communities with a donation of over \$300,000 to United Way and our Loyal 2 Local initiative where staff were given funds to support local businesses.
- Developing and testing our new app for tracking and consolidating an Owner's financial picture in a single user-friendly place, before a planned launch to Owners in 2021. We also accelerated our digital offerings to make it easier to open accounts, renew GICs, make mobile payments, schedule e-transfers and talk to a coach through video.
- Continuing our Moments Matter journey through the rollout of sales strategies training to build and sustain a proactive advice and service culture that builds loyalty through positive experiences for Owners.
- Implementing the recommendations of our Lending Operations review to improve accountability, effectiveness, and realignment of roles.

These accomplishments happened in a year when nearly every aspect of how we live, work and connect is rapidly changing. Libro and everyone around us is adapting to and impacted by the uncertainty connected to the COVID-19 pandemic and the need to protect both health and prosperity.

From an economic perspective, there continues to be significant stress on revenue and profitability for many businesses, stress on income for families, and reduced spending due to both lower income and reduced access to goods and services. The unemployment rate in southwestern Ontario increased in 2020 from the lows experienced in 2019, ending at 8.07% in December. In the southwestern Ontario market, housing demand continued to grow, market supply remained tight, and the average sales price for a home in southwestern Ontario surpassed \$500,000.

The Bank of Canada and Government of Canada responded to the pandemic by implementing various measures to stabilize the economy and assist families. In March 2020, the Bank of Canada lowered their policy rate by 150 basis points to 0.25%. The Government also invested heavily and broadly to support people, businesses and communities. Libro played our part through the administration of \$124.2 million in loans to businesses through the Canada Emergency Business Account Program ("CEBA") and other government programs.

**\$4.96 BILLION**

**TOTAL ASSETS**

**\$6.1 BILLION**

**TOTAL ASSETS UNDER MANAGEMENT**

**\$11.8 MILLION**

**NET INCOME (PRE-TAX)**

Libro ended the year with \$6.1 billion assets under management. Assets under management include on and off balance sheet loans and investments managed by Libro's wealth advisors.

Reflecting on growth in 2020, Libro reached a total year-end portfolio of \$9.6 billion. Portfolio represents the total of all on-balance sheet loans and deposits as well as funds under administration. Total net loans grew 3.9%, given the impacts of the pandemic, an expected reduction in pace from the 9.2% growth experienced in the prior year. In 2020, deposit growth surged to 18.5% compared to 9.1% in 2019 due to government stimulus and a change in savings behaviour. The imbalance between loan and deposit growth this year contributed to compressed financial interest margin, elevated liquidity, and a significant increase in investment balances.

Libro ended the year with net income, before distributions and tax, of \$11.8 million compared to prior year of \$26 million. The decreased net income was due to a reduction in financial margin mentioned above, an increase in the provision for credit losses to reflect increased credit risk, and an unrealized loss in our interest rate swaps of \$5.1 million.

## FINANCIAL PERFORMANCE SUMMARY

### Net Interest Income

Net interest income is the largest component of revenue for Libro. It represents interest earned from Owners on loans and our investment portfolio, less interest paid to Owners on their deposits and investment shares, and interest paid on debt obligations, including securitization financing costs. Libro experienced increasing compression in its net interest margin in 2020, where net interest income as a percentage of total assets decreased from 2.2% in 2019 to 1.9% in 2020. Interest income decreased \$1.4 million to \$153.7 million. Interest expenses decreased by \$3.6 million or 5.8% from 2019. For the year, net interest income increased \$2.2 million to \$94.9 million, an increase of 2.4%.

The Bank of Canada reduced the policy rate in three successive cuts totalling 150 basis points in March 2020. As a result, our Prime rate was reduced from 3.95% in February 2020 to 2.45% in April 2020 and for the remainder of the year. The reduction in prime reduces the interest income earned on loans. More significantly, the surge in deposits resulted in Libro holding \$963.8 million in investment balance that earned an effective rate of less than 1%.

### Non-Interest Income

Non-interest income includes income from service fees, commissions from mutual funds, insurance, and credit cards, foreign exchange, income from property, and mark to market valuation adjustments on interest rate swap agreements. Total non-interest income was \$14.2 million in 2020, a decrease of \$5.9 million from 2019. Included in non-interest income is a loss on the mark to market valuation of Libro's interest rate swaps of \$5.1 million, compared with a \$1.0 million gain in 2019.

### Credit Loss Provision

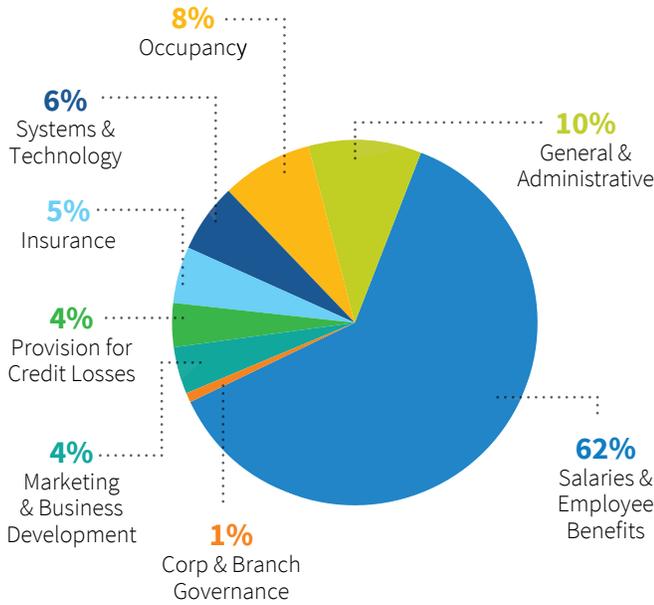
The provision for credit losses represents management's best estimate of potential loss during the year. In accordance with IFRS 9, Financial Instruments, Libro uses a data model with various inputs including historical loan data, industry data, and forward-looking macro-economic assumptions to calculate the allowance for impaired loans. Libro also considers management's assessment of watch list accounts, delinquencies, and relevant market information in the assessment of expected credit losses. Due to limitations of the model in the context of the pandemic and the high level of uncertainty for the future, management felt an additional judgmental overlay was necessary to include in the provision in 2020.

The provision for credit losses in 2020 ended the year at \$4.1 million compared to a recovery position of \$2.1 million in the prior year. While delinquencies and write offs remain low in 2020, the provision for credit losses is primarily driven by the increased credit risk due to the COVID-19 pandemic.

### Operating Expenses

Operating expenses in 2020 were \$93.1 million, an increase of \$4.2 million or 4.8% over 2019. Throughout the year, we continued our commitment to investing in strategic initiatives that position Libro for future growth and success.

Libro's largest operating expense continues to be the ongoing investments in our employees, including competitive salaries and commitment to paying a Living Wage, providing comprehensive benefits and pension, and training programs dedicated to helping staff deliver the best service for owners. Other operating expenses include general and administrative, marketing and business development, systems and technology, and occupancy costs. The COVID-19 pandemic contributed to a decline of various expenses categories relative to plan as we navigated through 2020.



## Net Income

Net income (before profit sharing and taxes) was \$11.8 million, a decrease of \$14.2 million or 54.5% over 2019. Total revenue decreased by \$3.7 million or 3.3% compared with 2019. Revenue growth was muted in both net interest activities and investment income due to interest rate reductions during the year in response to the pandemic.

### NET INCOME In Millions



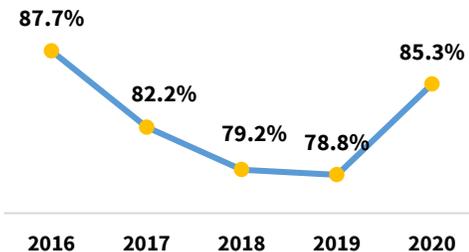
Even with Libro's increasing commitment to its employees and Owners, operating expenses as a percentage of total assets decreased to 1.9% in 2020 from 2.1% in 2019. This ratio has continued to decline since 2015, demonstrating our commitment to managing operating expenses while engaging in strategic initiatives that improve our competitiveness and efficiency. In 2020, this metric was also influenced by the growth of assets driven by higher investment balances and loan growth.

### OPERATING EXPENSES % of Total Assets



The operating efficiency ratio is calculated by dividing operating expenses by revenue and represents how many cents it costs to earn one dollar of revenue. A lower ratio indicates a more efficient business operation. In 2020, operating efficiency was 85.3% compared to 78.8% in 2019. The efficiency ratio in 2020 was negatively impacted by the reduction in interest rates and loss on interest rate swaps which reduced revenue as described earlier. Libro continues to focus on improving efficiency by growing organically and gaining the benefits of our scale.

### EFFICIENCY

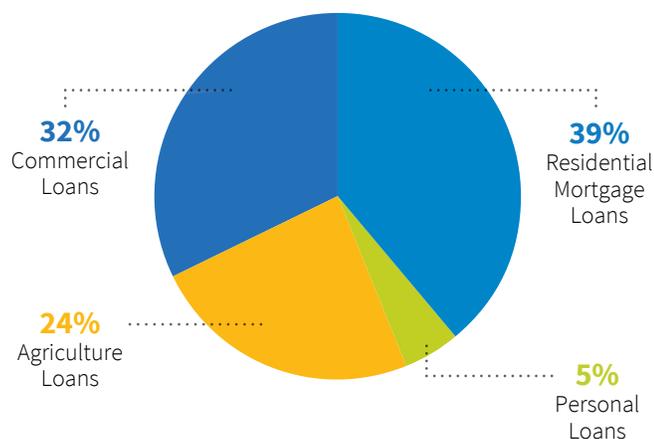


## FINANCIAL POSITION SUMMARY

In 2020, Libro experienced significant deposit growth and tepid loan growth. On-balance sheet assets grew to \$4.96 billion from \$4.2 billion in the prior year. This was driven by increased net loans to Owners, which grew by \$146.6 million, or 3.9%, to \$3.9 billion. Loan growth was driven by increased commercial loans which grew 10.9% and residential mortgage loans which grew 5.1% over prior year. The increase in assets was also due to over \$963 million of investments due to higher liquidity as a result of deposit growth discussed below.

### Loans to Owners by class

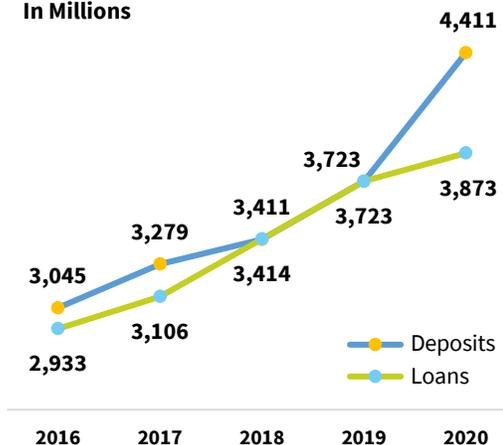
% of total loans



Libro's investments in businesses and organizations in southwestern Ontario are financed primarily through Owners entrusting their money to Libro in the form of deposits. Deposits grew by \$688.0 million, or 18.5% compared to the previous year, over double the rate of growth of the previous year. This significant deposit growth was driven by increased savings rates and the influx of stimulus money Owners received from the Government of Canada in response to the pandemic.

### DEPOSITS & LOANS

In Millions



### Securitization

Libro securitizes a portion of its loan volumes through Canada Mortgage and Housing Corporation sponsored programs. This is used by Libro to access cost-effective funding to supplement growth and manage liquidity. At the end of 2020, Libro had liabilities associated with securitized consumer mortgage loans of \$140.6 million, up from \$127.2 million in 2019. The proceeds from securitization transactions, in combination with strong deposit growth, have are reflected in increased investment balances and high liquidity.

### Assets Under Management

Libro's off-balance sheet assets consist of our wealth portfolio, which is comprised largely of mutual fund assets held by Owners. Owner balances at December 31, 2020 were \$1 billion up from \$896.6 million in 2019. Sales of mutual funds continue to be strong and are measured at their market value and have been impacted by the resilience of the equity markets in 2020.

In addition, assets under management at the end of December include \$122.9 million of loans administered on behalf of the Government of Canada. It also included \$3.2 million of loans administered under the Business Development Corporation Co-Lending loan program.

Total assets under administration were \$6.1 billion at December 31, 2020, up 18.6% over the previous year.

## CAPITAL AND LIQUIDITY MANAGEMENT

### Capital Management

Libro's capital management objectives are to maintain appropriate capital levels to ensure compliance with regulatory requirements under current and projected economic conditions, and to provide an appropriate cushion to ensure its ongoing stability. The principles and key elements of Libro's capital management framework are outlined in the Board Capital Management Policy.

Libro's regulatory capital ratios remain strong and above the requirements of the Credit Unions and Caisses Populaires Act, 1994 (the "Act"), and Ontario Regulation 237/09. Libro's capital adequacy ratio was 7.00% as of December 31, 2020, (7.93% at the end of 2019), in excess of the 4.0% stipulated in the Act. Libro's risk weighted capital adequacy ratio was 11.35% at the end of 2020, (12.02% at the end of 2019), in excess of the 8.0% stipulated in the Act. In addition, Libro's capital quality also exceeds regulatory minimum requirements. Total regulatory capital at the end of 2020 was \$346.8 million (\$335.7 million at the end of 2019).

CAPITAL (\$000)	2020	2019
Leverage Ratio	7.00%	7.93%
Risk Weighted Ratio	11.35%	12.02%
Total Tier 1 Capital	329,298	325,615
Total Tier 2 Capital	17,541	10,127
Total Regulatory Capital	346,839	335,742

### Internal Capital Adequacy Assessment Process

Libro annually performs an Internal Capital Adequacy Assessment Process (ICAAP), in line with Financial Services Regulatory Authority (FSRA) requirements. The ICAAP ensures that Libro has adequate capital in relation to its risk profile, has a strategy for maintaining its capital levels, and develops and employs appropriate risk management techniques. Libro's ICAAP naturally aligns with the strategic planning process and the Enterprise Risk Management (ERM) program to ensure that enough capital is set aside for ongoing operations, future development, and any key risks that may materialize during the course of business. Libro's growth projections, current asset-liability management risk measurement techniques, and the capital impact from various stress testing scenarios have been utilized

to determine capital requirements. In 2020, care was taken to consider the impacts of the COVID-19 pandemic within the various stress tests in the ICAAP.

### Liquidity Management

Libro carefully manages its liquidity to ensure that Owners' requirements are met at all times. By ensuring that sufficient, readily accessible or liquid assets are available, Libro is able to meet Owner demand for withdrawals and deposit redemptions, fund loans and business operations. Libro must meet the liquidity requirements outlined in the Act and the related liquidity requirement regulations. Generally, Libro targets liquidity levels in the 9% to 11% range.

Libro's liquidity ratio was 21.85% at December 31, 2020, compared with 11.20% at December 31, 2019. The combination of significant deposit growth and proceeds from securitization resulted in the increase in the liquidity ratio in 2020.

Libro continues to participate in securitization programs issuing mortgage-backed securities and participating in the Canada Mortgage Bond program. This is used by the credit union to access cost-effective funding and to manage liquidity risk, credit risk and interest rate risk.

Libro maintains a borrowing facility with Central 1 Credit Union. Libro can draw on these facilities as required to finance operations. Our core facilities provide borrowing capacity of \$83 million CAD and \$3.5 million USD in addition to other loan facilities of \$35 million CAD. As at year-end, no amounts were drawn on the borrowing facility.

## ENTERPRISE RISK MANAGEMENT

### Overview

Libro recognizes that managing risk, not avoiding risk, is required to operate a successful financial institution. We consider risks from the perspective of living our values and fulfilling our business objectives as expressed through our strategic business plan. Libro's Board of Directors and all employees are responsible for ensuring that the risks to which we are exposed are aligned to the Board-approved risk appetite. A clear risk appetite enables Libro to make better strategic and tactical decisions on a risk-reward basis with consideration for its capacity to manage associated risks. We use our ERM framework to consider risk in decision-making and ensure that the risk exposures for Libro are mitigated effectively.

## Risk Principles & Culture

Libro's risk-management culture is embedded throughout the organization. Employees at all levels of the organization share a common risk philosophy. Every employee is accountable for achieving the best results for his or her business unit and for Libro as a whole. Business decisions are made at all levels of the organization and every team member has a role in managing risk, including identification, communication and escalation of risk concerns. Libro applies seven key principles to how risk is managed for our credit union.

-  **Create a risk aware culture**
-  **Reinforce that risk is a lens we use to look at our business**
-  **Be consistent with our principles based approach**
-  **Use clear language that all staff understand**
-  **Ensure we're not complicating our business**
-  **Provide comfort to the Board that we're "in-control"**
-  **Easily meet regulatory requirements**

## Risk Governance Model

Libro operates within a Three Lines of Defence model to help provide a consistent, transparent, and clearly documented allocation of accountabilities and segregation of functional responsibilities. This segregation of responsibility helps to establish a robust control framework and encourages the continuous improvement of risk management at Libro.

1. Libro's business units form the First Line of Defence, performing daily risk management activities.
2. Risk and compliance functions form the Second Line of Defence, providing oversight and offering independent, effective challenge to first line risk management actions.

3. Internal Audit forms the Third Line of Defence, providing independent, objective assurance to the Board of Directors.

Risk governance also includes determining an appropriate organizational structure, and clearly defining authority and responsibility for risk decisions.

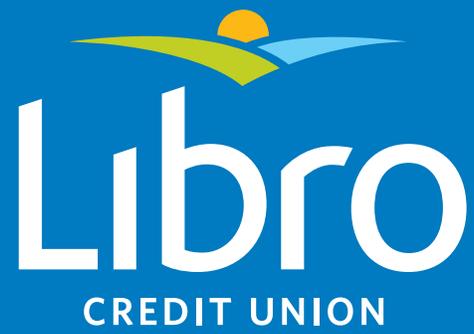
## 2021 ECONOMIC OUTLOOK AND LOOKING AHEAD

Libro's results and operations have been and will continue to be impacted by the COVID-19 pandemic and related uncertain macroeconomic environment. Two key elements of uncertainty remain the behaviour of the virus itself and its variants as well as the timeline for vaccinating the population.

While the approval of a vaccine for use was earlier than originally anticipated, the vaccine rollout in Canada has not been without delays and is subject to various logistical risks. The Bank of Canada expects that until the virus is controlled, and there is no longer a need for the various public health measures in place, the recovery will be choppy and uneven. It is expected that certain industries, businesses, and families will feel the ongoing impact of the pandemic more than others.

The Bank of Canada's current mandate is to hold interest rates low through 2022. Bank of Canada overnight benchmark rate is at an all-time low of 0.25%. The Bank does not want to enter a negative rate environment so it is expected that the overnight rate will not be cut further. Thus, Libro is forecasting the policy rate to remain at 0.25%, or the lower bound, until 2023.

Libro continues to look forward to our Libro 20.0 vision, focusing energy on initiatives that will ensure our long-term sustainability and relevance in our sector. We are living in a period with an unprecedented pace of change, with opportunities and challenges presented by economic and societal impacts of the pandemic, accelerated digital advances, and changing customer expectations. To remain strong and relevant in the future, we are increasing investment in digital development to utilize technology to make better, faster decisions for the benefit of Owners. And we continue to invest in Libro's staff, so they are confident and knowledgeable in delivering service to Owners within a safe and supported workplace.



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