



GROWING FOR MORE IMPACT

2019 IN REVIEW



Libro Credit Union is growing, with a purpose. In 2019, we had record growth – our assets under management grew by 12.5% – and we returned \$14.7 million directly to Libro Owners.

This is the story of our year, and our plans to continue to use our company's growth to make an impact in the ways that matter to us, and to you.



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We've had a record-setting year



Photo: Erin Woodgate Photography

In the last year we have had record growth and achieved so much, including passing the milestone that lets me say Libro Credit Union is now a \$5 billion organization. Our successful year is thanks to the trust placed in us by Libro Owners across southwestern Ontario, and part of that is our pledge, as a Certified B Corp®, to use business as a force for good.

Now we're looking ahead and seeking to grow, in the next decade, to become a \$20 billion financial institution run with a purpose beyond profit. The growth we are experiencing shows it can be done, and we will do it for the right reasons: to make an impact on southwestern Ontario, and as our next step in growing as a business and community leader in this region.

Consider what a bigger Libro can achieve: more and better support for Owners, staff, communities as we work together to grow prosperity. And, the more

people who do business with us, the stronger we become, so consider this an invitation to join Libro or increase your business with us. Add your strength to the work we are doing.

“Our successful year is thanks to the trust placed in us by Libro Owners across southwestern Ontario...”

New pillars, adopted in 2019, further focus the impact Libro will achieve. They will influence our business model, strategic priorities, operations, products and services, partnerships, advocacy and more - everything we do will happen after considering how it aligns with our principles, as outlined in these pillars.

As a company, we're getting smarter, more data-driven, more efficient, more open to new ways of thinking and more profitable, so we can have more of an impact on our communities and ready for changes in our industry and beyond. Just imagine four times the impact on those four focus areas of employment, financial resilience, local food accessibility and housing.

If you are already part of Libro, thank you for your business. If you're not, please consider talking to a Libro coach about what we can do for you, and what we can all do.

We're growing for positive impact – let's do it together.

Steve Bolton
President & CEO, Head Coach

A major player in our economy



Board Chair Gary Baker, centre, with other Board members. Back from left: Christopher Mendes, Bryan Aitken, Alan DeVillaer, Jacquie Davison. Front from left: Dennis Hogan, Ronda Stewart, Chris Smith, Donna Taylor, Janet Boot and Marycatharine Kusch.

It's been an eventful, rewarding and prosperous year for Libro Credit Union, and personally rewarding for me as the Chair of the Board in this credit union's evolving system of governance. We can all be very proud of the hard work the Board, the management team and all of our staff and Owners have contributed to achieving yet another record breaking year of growing prosperity in southwestern Ontario. 2019 has reaffirmed Libro's status as a financial and economic force, and an organization with deep roots in the communities of southwestern Ontario. Together, we have created exciting opportunities to thrive in our communities for many years to come.

"We have a rock-solid foundation for future success for the next decade and beyond..."

The prosperity shared by Libro Owners is the foundation of Libro's prosperity, and it's all designed as a relationship that keeps us connected and growing together. We call it our "virtuous circle", in which Owner investments are put to work strategically, boosting our economy and those who benefit from it, and continuing the cycle.

With the evolution of our governance structure this year, we've revitalized our connection to the communities in our Regions. We have strengthened our community connections by establishing a network of Regional Councils, made up of the Owner

Representatives that Libro Owners elect to represent them. In addition to creating opportunities for more engaged Owners, this unique approach enables deeper conversations about the unique issues, challenges and needs within our communities, and how Libro can lead the discussion of the future of southwestern Ontario as we seek to grow prosperity for our Owners and the communities we serve.

The 43 legacy credit unions that form Libro Credit Union have bonded into a major player in the economic life of southwestern Ontario. The voices of Owners have come together with a clear message: combining our strength makes us all stronger. We have a rock-solid foundation for future success for the next decade and beyond, all based on the needs of our owners, our communities and created while listening to the people we serve.

A special thank you to each and every one of you who has placed your trust in our credit union. I strongly encourage you to recommend and refer us to everyone you know, so they can join us in this powerful movement to grow prosperity for us all.

Gary Baker
Chair of the Board of Directors

Our Purpose

At Libro, we pursue our purpose through four focus areas. We call them our Pillars and we consider them every time we make a decision, in all areas of our business.

We've identified four Libro pillars as the key areas we will focus on to deliver our promise to grow prosperity in southwestern Ontario. These pillars address some of the top challenges and opportunities our region faces and where we

believe Libro can have a strong voice/influence/impact. We don't have all the answers yet on how to influence these areas and we're listening and learning as we work on finding ways to influence these areas.

We adopted these four Pillars during 2019 and we continue to have conversations, within Libro and with our partners, about how we use them to drive us forward.



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





LIBRO OWNERS THE MEJIA FAMILY

Choosing Libro

It's been a record year for Libro and the 106,790 people who can call themselves Owners - because they really do own this thriving company.

People choose Libro because we're different. Our values mean we see the person as more important than the numbers.

We're committed to working with you to set your goals, as part of our culture of providing you with straightforward advice and friendly service, and to help you reach your goals.

Our social purpose guides us as we work to make an impact in the community, and make sure you are part of that, too.

We believe our values are a big part of why so many people want to join Libro. And if you're not already a part of Libro, here's why you should join.

We're ready to support your business goals, so you can devote your time to the passions that make your business work. We'll be there with the services you need.



106,790

**CURRENT
LIBRO OWNERS**



7,201

**NEW OWNERS IN 2019
67% WERE YOUNGER THAN 50**



9,566

**BUSINESSES BANK
WITH LIBRO**



LIBRO BUSINESS OWNER

Doug Tarry Homes

Doug Tarry Homes are St. Thomas-based builders and developers, building in St. Thomas, Dorchester, Strathroy and Central Elgin. Creating communities and homes that respect the environment and make a better living space for everyone. With a history going back to 1954, they have more than 40 staff and build about 100 homes a year. They're enthusiastic about their

relationship with Libro, which started after the company moved from doing business with a bank. Doug Tarry, of Doug Tarry Homes said:

"Libro works with us as a

partner. When we brought Libro in to talk to us, it was really about trying to problem-solve around what was holding us up from growing.

"By making the change, we've doubled in value as a company and doubled in profits within three years. It's allowed us to tap this massive reservoir of potential that we had. Libro has a pragmatic approach. They brought in a team from different disciplines within Libro to figure out the best way to put the package together to make it work for us. It was just common sense."



Digital Advances

In 2019 Libro continued to make digital advances, to serve Owners better.

Owners can now book coaching sessions online 24/7, with timely reminders and helpful tips on how to come prepared.

We made joining Libro and adding accounts online easier than ever.

Think switching all your transactions from your old bank is hard? Well we have that covered too – providing a way to switch all your routine payments over with ease through our FinTech partner ClickSWITCH.

For business Owners who have more complex banking needs, we launched a new Commercial Online Banking service and partnered with FinTech EncoreFX to support moving money internationally and to make foreign exchange quick and easy.

MAKING CENTS OF MONEY BLOG

We launched a blog alongside a suite of new calculators helping southwestern Ontario to Make “Cents” of Money. You can read it at libro.ca/blog.



Community Advances

We opened four new locations: more than any other year.

We're now open in Windsor, Old East Village, Woodstock and Downtown Kitchener.

Libro is adding locations to serve Owners better, and designing them to meet community needs.

They all show our commitment to advice, experience and community, and they're all tailored to the needs of that area.

Libro now has 36 locations across southwestern Ontario and remains ready to serve Owners wherever they are based.





LIBRO BUSINESS OWNER

Revkor London

Angela Rivard, founder of Revkor London, made the decision to move to Libro because she believes in supporting local companies.

“When I found out that Libro was coming into Old East Village, I thought: ‘That’s my kind of company.’ I left the bank I was with for 20 years and switched to Libro. We do everything we can to support local.”

Revkor started in 2012, when Angela developed a new workout using resistance bands in her basement because, as a new mother, she wanted a way to work out at home. She went

on to feature on the TV show Dragon’s Den and Revkor, which franchised in 2015, has locations in London, Cambridge, New Liskeard and Saskatchewan. Revkor London can be found at 532 Adelaide Street North.



Planning for the future

It's all about financial coaching.

You're making the decisions, and we're there to coach you along the way. That's part of what makes Libro different: we'll talk with you about your options and we will never push you into buying anything. If you're prospering, the people around you are prospering, too, and that will spread until the community prospers. That's good business for us and for everyone in southwestern Ontario. Partnering with Libro makes us all stronger.

The first step is to make a plan. Partnering with Libro means we'll sit down with you to complete a Prosperity Plan - it expresses your goals and priorities, now and in the future. Because Libro always takes the long-term view. We want to build a relationship that lasts.

\$3.7 BILLION

**MADE AVAILABLE TO OWNERS
AS LOANS**

*We're putting money to work in
southwestern Ontario.*



4.52 OUT OF 5

OWNER SATISFACTION

We measure Owner satisfaction through feedback surveys - and we're pleased to be exceeding our target of 4.5 out of 5.



8,647

**PROSPERITY PLANS COMPLETED
13% MORE THAN 2018**





LIBRO BUSINESS OWNER

ScrunShes

We love good ideas, and we love working with the entrepreneurs that bring them to us, wherever they have reached on their business journey.

Libro will support entrepreneurs at any stage of their career, but the girls behind ScrunShes, a London business launched in 2019, are a special inspiration to us all.

Sisters Gabriella and Sophia De Benedictis, who are aged nine and 10, opened an account at the credit union to support their business selling

colourful ways to keep hair under control. Their scrunchies are all named after women who have influenced them, such as their relatives, and they take orders on Instagram at @ScrunShes, delivering orders the next day with help from their dad, Dave and mom, Cindy.

***“I’m very proud of them,” Dave said.
“Their entrepreneurship came out early!
Libro’s been really great, helping us to
set up an account and encouraging them.
Thank you!”***



Prospering Together

We've had a year of tremendous success - and we want to thank everyone who has entrusted their money, time and business to Libro.

It was a record year for growth. In 2019, we announced we are now a \$5 billion organization.

We're delighted that our deposit growth and loan growth have become closely-matched in 2019. That's exactly how credit unions work - we take deposits and put them to work, using the income they generate to make an impact.

IT'S ALL ABOUT TRUST

We know that 106,790 Owners bank with Libro because they trust us and our banking services. Thank you to everyone who's just joined us or has been with us for the longer term. What we do is all about you.

\$8.5 BILLION

TOTAL PORTFOLIO



9.6% GROWTH OVER 2018

\$5.2 BILLION

ASSETS UNDER ADMINISTRATION



12.5% GROWTH OVER 2018

\$312 MILLION

INCREASE IN DEPOSITS



9.1% GROWTH OVER 2018



LIBRO BUSINESS OWNER

HealthIM

HealthIM is a software company doing vital work connecting services when people need it most.

They've built a system designed to support law enforcement agencies when they're responding to a mental health crisis call. It helps them collect their observations, decide the best course of action and communicate well with healthcare partners.

"We were awarded funding from the Ontario government to partner with a local community and enhance our technology," says Chief Technology Officer Daniel MacKenzie. "It was offered on a reimbursement basis, which meant we had to spend money to get the grant.

"We were approaching financial institutions to see who was willing to hear our story, understanding us and work with us to make this happen. We were referred to the Williamsburg branch of Libro and we made a pitch that was a success. It was crucial for us."

He added: "We've been impressed by the level of support and the way Libro will reach out to us proactively to guide us through what's possible for us."

Over the last six years, HealthIM has grown to 12 staff while working closely with a Libro Coach and also receiving advice from specialists in areas such as cash management and currency conversion.

Investing in People

We want to offer the best possible service, so we want to recruit the most talented staff. At Libro, we're super-proud of the team of 714 people who work hard to keep the credit union thriving.

OUR CULTURE

Everybody at the credit union is pledged to grow prosperity in southwestern Ontario using the shared values expressed in our Be Libro statement.

- **Act as Epic humans**
- **Who are Passionately Accountable**
- **Staying open-minded as Bold Explorers**
- **And remaining Mutually Inclusive of everyone, whoever they are.**

B CORP

We're a Certified B Corporation® (B Corp™), firmly committed to using business as a force for good™. We want to inspire others to do it, too, because we're part of a global movement that sets standards measuring our impact on staff, community, Owners, suppliers, the community and the environment.



In 2019, Libro was named one of the Best For The World® among B Corps, making us one of the top-rated 10% of the companies involved.

LIVING WAGE

We promise to pay a Living Wage that meets every employee's basic needs for food, clothing, childcare, shelter, transportation and more. Libro chooses to make sure all staff earn at or above the highest Living Wage in southwestern Ontario. In 2019, it increased to \$17.55 an hour.

LIBRO IS A DEMOCRACY

Every Libro Owner can vote to choose the Owner Representatives that form a vital part of our governance structure.

These passionate advocates for credit unions join together to make 10 Regional Councils connecting us to communities and the issues that matter to them. The Owner Representatives elect the Board of Directors at our Annual General Meeting.

In 2019, we launched a new governance structure designed to continue our connections to the community and to ensure a clear voice for Owners in our decision-making.

Our customers own the company - meaning customer value and shareholder value are the same.



ACHIEVEMENT

Libro won the National Credit Union Learning Excellence Award at the Canadian Credit Union Association annual conference.

It recognized the success in training staff about the values and principles behind Lean, a holistic approach to efficiency that encourages us all to use less while achieving more.





LIBRO COMMUNITY PARTNER

Habitat for Humanity

Across Libro, we're proud to partner with Habitat for Humanity, a non-profit with values that mirror our own as it works to help families into homes. Libro staff got involved from Waterloo Region to Essex County, and from Sarnia to London to Clinton to Simcoe.

We rolled up our sleeves to provide practical help at build projects, provided financial literacy workshops for clients and supported the work through grants.



714

EMPLOYEES AT LIBRO

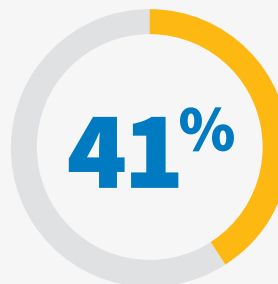
WELLNESS



482 LIBRO STAFF ARE REGISTERED WITH OUR PROACTIVE WELLNESS PROGRAM, WHICH HAS A 90% ATTENDANCE RATE.

It offers regular time with a health coach who supports wellness choices on diet, exercise and more.

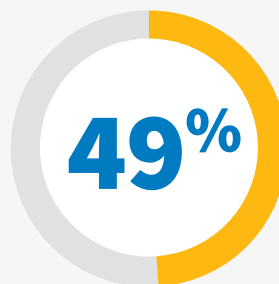
YEARS OF SERVICE



41% OF STAFF HAVE 10+ YEARS OF SERVICE.

That's 292 people with Libro for more than 10 years.

GENDER DISTRIBUTION



49% OF LEADERS AT LIBRO ARE FEMALE.

LIBRO STAFF:
79% WOMEN
21% MEN

BOARD MEMBERS:
45% WOMEN
55% MEN

TRAINING



WE INVESTED AN AVERAGE OF

\$1,327

PER FULL-TIME-EQUIVALENT STAFF POSITION IN 2019.

That's up 31% over 2018. In total, Libro invested almost \$860,000 in staff learning and development. That included our Moments Matter service training program, refreshing and enhancing the people skills of all our staff, which continues in 2020.

CHRISTINE GREYDANUS, BABY ALISTER,
JACK GREYDANUS, JENNA AND JOSEPH GORZEMAN



LIBRO OWNERS

The Greydanus Family

The Greydanus family are Libro Owners and, as entrepreneurs and boosters of the local community, have a whole range of businesses in the Petrolia area. Their interests include farming, greenhouses, the restaurant sector and more. In 2020, the family is starting construction of a five-storey, 31-room hotel in Petrolia and Libro is the funding partner for the project.

Jenna Greydanus-Gorzeman, who owns and operates Crabby Joe's in Petrolia, said the family has experienced frustrations with big banks but her experience with Libro – where she opened her first account 30 years ago – was different.

“I’ve always felt like an Owner,” she said. “There’s no feeling that you’re just a number, because there is that personalized experience over the years.”

“The relationship I have with Libro is more than you have with a bank. You know the people you are dealing with. When you walk in, they know who I am and where I am in terms of my goals. I know I’m in good hands.”

Building Strong Communities

We're using our business as a force for good.

When we earn profit, it's not just for profit's sake - it is so we can help the region grow and prosper. We put that profit to good use fuelling positive impact. Growth for Libro means growth in our communities.

IMPACT INVESTING

In 2019 we entered into our first impact investing opportunity - the Verge Breakthrough Fund, aimed at enabling investors to leverage their portfolio to create positive community impact in a pooled approach. Our contribution of \$265,000 helped Verge to deploy \$2.2 million

through loans to support affordable housing developments, community real estate and established social enterprises. At the end of 2019 all \$2.2 million had been deployed through 15 loans, which all remain in good standing.

VOLUNTEERING

All Libro staff are encouraged to volunteer in their communities, in their own time and as part of the Libro teams that regularly go out together to support those who need it in their communities.

The adoption of our new Pillars in 2019 gives us an opportunity to refocus how we make an impact.

EACH ONE | TEACH ONE

FINANCIAL LITERACY WORKSHOPS YEAR AT A GLANCE



30+ Workshops

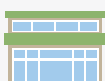


300+ Attendees



50 Libro Trainers

WORKSHOP LOCATIONS



Unemployed Help Centre
Windsor



Centre for Employment
and Learning
Wingham



Monica Place
Kitchener



Access Centre for
Regulated Employment
London



Huron Women's
Shelter
Goderich

and many more!



LIBRO COMMUNITY PARTNER

WETech Alliance

Working together with key strategic partners has been part of our success in building strong communities. WETech Alliance helps grow tech companies and champion innovation in Windsor-Essex and Chatham-Kent. This is a great example of a partnership that started off with a grant and has grown into a fantastic collaboration that is creating measurable change. Over the past four years together we've helped entrepreneurs launch their businesses, created new jobs, brought innovative products to market and helped generate \$10 M in local revenue.

Adam Castle, one of WETech's leaders, has been banking at Libro since 2012, long before the birth of WeTech. He said:

"I had no idea what a relationship with a bank should or could look like, but that changed when I met with a Libro Coach and planned a path forward."

WETech is one of the partners involved in the Libro Cluster. You can find out more here.



58

NEW JOBS

80

NEW PRODUCTS
IN MARKET

\$10M

REVENUE

268,932

USERS ENGAGED

Partnership Pays Off

WE SHARE OUR PROFIT

Libro believes in partnership, because we all know we are stronger when we work together. And one of the best parts of that is, when we have success, so does everyone who partners with us.

\$26 MILLION

NET INCOME BEFORE
PROFIT SHARING AND TAXES



INCREASED 40% OVER 2018

78.79%

EFFICIENCY RATIO

That's a rating based on how many dollars we spend to earn revenue. In 2018, we spent 79 cents to earn every dollar of revenue.

\$9.8 MILLION

CLASS P PROFIT SHARING
AND DIVIDENDS



\$4.9 MILLION

CLASS I INVESTMENT
SHARE DIVIDENDS



\$14.7 MILLION

DIRECTLY RETURNED TO OWNERS



\$1.5 MILLION

REINVESTED BACK INTO COMMUNITIES

That includes the Libro Prosperity Fund, student awards, sponsorships and strategic partnerships.





LIBRO BUSINESS OWNER

Arda Wigs Canada

Arda Wigs Canada is the Canadian franchise of a U.S.-based company, Arda Wigs LLC. Specializing in wigs and crafting materials, it supplies individuals, costumers, prop-makers, theatre groups and more, and employs eight people in its 8,700-square-foot warehouse in Kitchener. It's proudly a Pink business, striving to be a welcoming and safe space for anyone, regardless of their race, disability, sexuality or gender identity.



Owner Alexandra Gerlach had the chance to start the wig franchise and distributorship for Canada in 2014 after 11 years running her own costume shop. In 2019, opportunity presented itself to expand her passions into crafting materials as the North America's distributor of Lumin's Workshop

foam clay and crafting products. With help from financing from Libro, Alexandra was able to get ahead of the demand curve for the new line, and as a result of the Libro-funded shipment, Arda Wigs Canada's sales in November-December 2019 had doubled, when compared with the same period in 2018.

She said: "Libro has been absolutely amazing and so supportive. My Libro coach helped me find the answers and coached me through applying for a large loan, which I had never done before. Banking with Libro has made it so fantastically easy."

"They know my story and they know me. They invested the time to get to know me and proposed a solution that had my business in mind."

We Have a Shared Purpose

Libro exists to grow prosperity in southwestern Ontario by transforming banking.

We call this the Virtuous Circle - it shows how our day-to-day business connects to community impact, and how everyone involved in Libro has a part to play. It shows:

The more we grow

The more impact we will have

IT'S TIME TO JOIN LIBRO

Not an Owner right now? Join the thousands who will have their first coaching conversations in 2020. Plan your future with us.

(And if you're already a Libro Owner – thank you!)



Management Discussion and Analysis

A Deeper Look at Libro

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2019 FINANCIAL OVERVIEW

Libro has a purpose beyond profit. Helping Owners achieve their goals, supporting businesses to create a thriving local economy and contributing to strong and prosperous communities, is why Libro exists. In 2019, we celebrated many successes. Some of the highlights include:

- We will be sharing \$14.7 million to Owners through dividends and profit-sharing distributions
- Surpassing \$5 billion in Assets Under Management
- Starting “Moments Matter” training to build and sustain a proactive advice and service culture that builds loyalty through positive experiences for Owners
- Opening new locations in Downtown Kitchener, Old East Village in London, Woodstock, and the Windsor Accelerator
- As a B Corp, Libro was named a Best for the World 2019 Honoree for earning in the top 10% on the B Impact Assessment
- Launching commercial online banking, enhanced online security and making it easier for new Owners to join Libro. Work on mobile wallets and payments is underway
- Engaging in a Lending Operations review and started implementing the recommendations to improve accountability, effectiveness, and realignment of roles
- Announcing our new Libro Pillars: Employment, Financial Resilience, Local Food Accessibility and Housing, along with a commitment to create positive impact in these areas
- Moving to a regional governance model that will allow better decision-making and engagement from our Owner Representatives
- Announcing Libro 20.0 – a broad and ambitious vision to grow Libro to expand the impact we have on prosperity for southwestern Ontario, our Owners and our staff

In October, Libro reached a new milestone of \$5 billion assets under management. Assets under management include on and off balance sheet loans and investments managed by Libro’s wealth advisors, and investment shares.

\$4.2 BILLION

TOTAL ASSETS

\$5.2 BILLION

ASSETS UNDER MANAGEMENT

\$26 MILLION

NET INCOME (PRE-TAX)

Libro ended the year strong with a net income, before distributions and tax, of \$26 million, a 40.2% increase over 2018. This was driven by strong loan growth, sustained net interest margins, a net recovery in our credit provision, and by managing our operating costs.

Reflecting on growth in 2019, Libro reached a total year-end portfolio of \$8.5 billion. Portfolio represents the total of all on-balance sheet loans and deposits as well as funds under administration. Loan growth performance was strong throughout the year at 9.2%, relatively consistent with the 9.8% growth in 2018. In 2019, deposit growth was a comparable 9.1%, a significant increase over the 4.0% deposit growth in 2018. The balance between loan and deposit growth this year allowed Libro to fund loans from deposits, replenish investments, reduce debt, and strengthen liquidity.

This financial performance took place during a year where the Canadian economy continued to operate near its potential, against the backdrop of global economic uncertainty due to trade conflicts. The Bank of Canada (BoC) maintained its policy rates at 1.75% throughout 2019.

The unemployment rate in southwestern Ontario remained low throughout 2019, ending at 5.04% in December. The resiliency of the labour market, in combination with a larger working-age population and continued low mortgage rates, has supported inflated household debt levels so far.

In the southwestern Ontario market, housing demand continued to grow and sales and new listings in 2019 were above the 5-year average. Throughout the year, market supply remained tight and there were increases in the average sale price in southwestern Ontario.

The agricultural sector was challenged in 2019 due to a late start to the planting season causing reduced yields in addition to limited access to the Chinese market. Overall in Ontario, farm profitability continues to be squeezed by lower yields and rising operating expenses.

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 throughout 2019 due to the maintenance of competitive rates for owners on both loans and deposits coupled with the Bank of Canada holding prime rates steady. Net interest income as a percentage of total assets decreased from 2.25% to 2.19% in 2019.

Interest income increased \$18.5 million to \$155.1 million, fueled by loan growth and investment income. Interest expenses increased by \$12.6 million or 25.3% from 2018, primarily due to the increase in deposit growth at competitive rates as well as continued utilization of securitization in 2019. For the year, net interest income increased \$5.9 million to \$92.6 million, an increase of 6.7%.

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 \$20.1 million in 2019, an increase of \$1.4 million from 2018. Included in non-interest income is a gain on the mark to market valuation of Libro's interest rate swaps of \$1.0 million, compared with a \$66 thousand loss in 2018.

Credit Loss Provision

The provision for credit losses represents management's best estimate of potential loss during the year. With the adoption of IFRS 9, Financial Instruments (IFRS 9) on January 1, 2018, Libro began using a data model that uses 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.

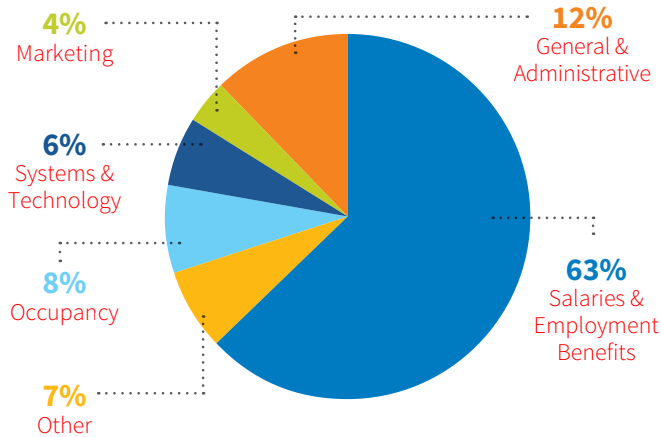
The provision for credit losses in 2019 ended the year in an income position of \$2.1 million compared to an expense position of \$3.4 million in the prior year. The 2019 provision is due to higher than normal recoveries on commercial loans, lower than normal write offs, and consistently low delinquency throughout the year.

Operating Expenses

Operating expenses in 2019 were \$88.8 million, an increase of \$5.4 million or 6.4% over 2018. Throughout the year, we continued our commitment to investing in strategic initiatives that position Libro for future growth and success.

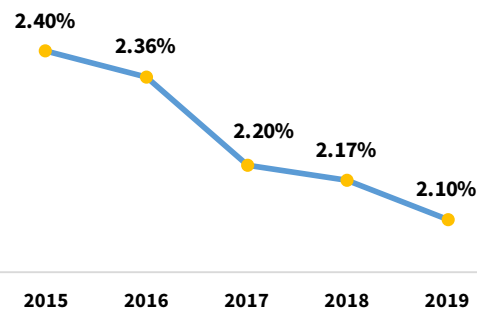
Libro's largest operating expense continues to be the ongoing investments in our employees, including competitive salaries and commitment to paying a Living Wage, providing comprehensive benefits and pension, and training programs dedicated to helping staff deliver the best service for owners. Other operating expenses include general and administrative, marketing and business development, systems and technology, and occupancy costs.

OPERATING EXPENSES



Even with Libro's increasing commitment to its employees and Owners, operating expenses as a percentage of total assets decreased to 2.10% in 2019 from 2.17% in 2018. This ratio has continued to decline since 2015, which demonstrates our commitment to managing operating expenses while engaging in strategic initiatives that improve our competitiveness and efficiency. Libro continues to focus on managing costs to ensure our operations are as efficient as possible while still making the necessary investments to grow.

OPERATING EXPENSES % of Total Assets

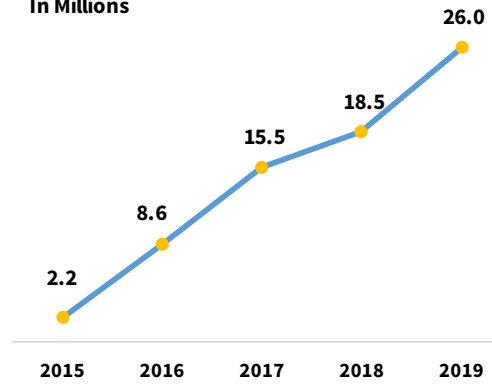


Net Income

Net income (before profit sharing and taxes) was \$26.0 million, an increase of \$7.5 million or 40.2% over 2018. Total revenue increased by \$7.3 million or 6.9% compared with 2018. Revenue growth was strong in both net interest activities and investment income thanks to significant loan growth and increased investment balances. Although our total expenses increased in 2019, the rate of operating expense growth of 6.4% was lower than our rate of revenue growth for the year.

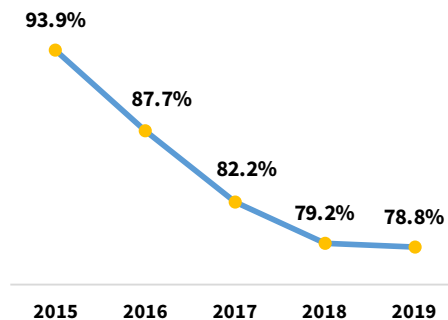
NET INCOME

In Millions



The operating efficiency ratio is calculated by dividing operating expenses by revenue. A lower ratio indicates a more efficient business operation. In 2019, operating efficiency was 78.8% compared to 79.2% in 2018. Libro continues to focus on improving efficiency by growing organically and gaining the benefits of our scale.

EFFICIENCY

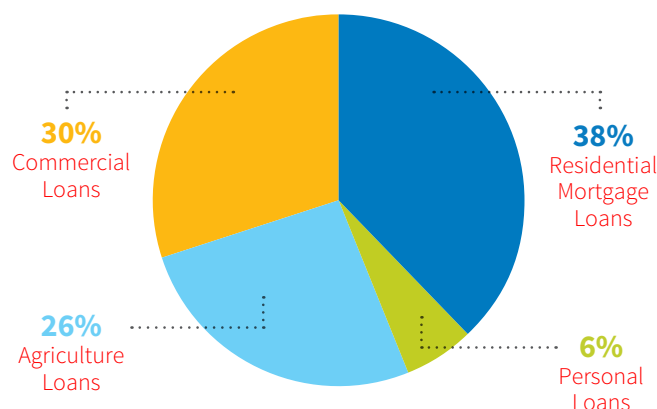


FINANCIAL POSITION SUMMARY

In 2019, Libro experienced strong and balanced growth. On-balance sheet assets grew to \$4.2 billion from \$3.9 billion in the prior year. This was driven largely by increased loans to Owners, which grew by \$312.8 million, or 9.2%, to \$3.7 billion. Loan growth was driven by significant increases in commercial and agricultural loans, with combined growth of 11.6%. Libro also continues to increase market share in residential mortgages, which grew by 7.7% over the prior year.

LOANS TO OWNERS BY CLASS

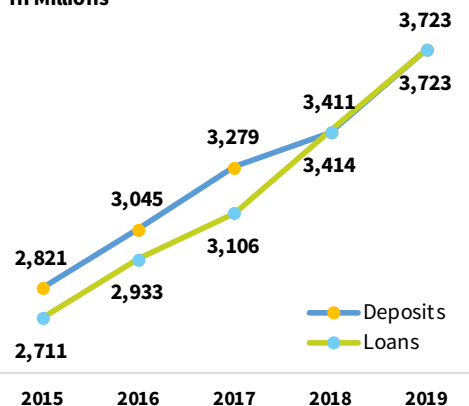
% of total loans



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 \$312.1 million, or 9.1% compared to the previous year, consistent with the loan growth rate. Balanced growth in both loans and deposits is an important part of Libro's sustainable approach to funding new business and growing our existing owner base in southwestern Ontario.

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 2019, Libro had liabilities associated with securitized consumer mortgage loans of \$127.2 million, up from \$77.7 million in 2018. The proceeds from securitization transactions, in combination with strong deposit

growth, have enabled Libro to further replenish investment balances, reduce debt, and improve liquidity.

Assets Under Administration

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, 2019 were \$925.2 million, up from \$734.6 million in 2018. Sales of mutual funds continue to be strong and are measured at their market value and have been impacted by the strength of the equity markets in 2019 compared to the lows experienced in late 2018.

Total assets under administration were \$5.2 billion at December 31, 2019, up 12.5%.

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 are strong and well 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 7.93% as of December 31, 2019, (8.17% at the end of 2018), in excess of the 4.0% stipulated in the Act. Libro's risk weighted capital adequacy ratio was 12.02% at the end of 2019, (12.6% at the end of 2018), 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 2019 was \$335.7 million (\$314.7 million at the end of 2018).

| CAPITAL (\$000) | 2019 | 2018 |
|----------------------------|---------|---------|
| Leverage Ratio | 7.93% | 8.17% |
| Risk Weighted Ratio | 12.02% | 12.60% |
| Total Tier 1 Capital Total | 325,615 | 301,018 |
| Tier 2 Capital | 10,127 | 13,731 |
| Total Regulatory Capital | 335,742 | 314,749 |

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.

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 11.20% at December 31, 2019, compared with 10.41% at December 31, 2018. The combination of strong deposit growth and proceeds from securitization resulted in the increase in the liquidity ratio in 2019.

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 \$74 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.

2020 ECONOMIC OUTLOOK

The Canadian economy continued to operate near its potential in 2019, with low unemployment, stable inflation, and strong consumer spending. Despite the uncertainty in the global economy, most economic forecasts are calling for moderate growth in 2020 and 2021 in Canada.

Overall, Canadian GDP growth in 2019 was around 1.6% and is forecasted to increase to 1.7% in 2020 and 1.9% in 2021. Economic activity is expected to improve and grow above the rate of potential, supported by business investment, increases in household spending as labour income continues to grow, and continued housing activity fueled primarily by new construction and population growth. The main risks we see to the outlook today are ongoing global trade tensions, significant coronavirus disruption possible in the short-term, lower oil prices, and reduced foreign demand. At this point, economists are indicating the potential for at least one rate decrease in 2020.

Ontario's economic expansion phase is forecast to continue. With continued high demand for housing, Ontario is expected to lead housing price growth in

Canada over the next two years. This is expected to cause many existing homeowners to remain in their current home and renovate to suit their needs.

The overall employment landscape in Ontario continues to show positive signs as year over year employment growth approaches a 20-year high and the unemployment rate remains close to 30-year lows. The labour market will likely cool off yet remain positive in 2020 despite global trade factors. Southwestern Ontario is seeing continued support in the labour market through 2020 with planned large-scale projects planned such as the Gordie Howe bridge in Windsor and new petrochemical plant investment in Sarnia.

Despite the labour market growth, Ontarian consumer spending growth declined in 2019 and is expected to continue this trajectory into 2020 as households rebalance their debt to savings. Inflated debt levels will remain as one of the most prominent risk factors facing Ontario households.

In the agricultural sector, Ontario grain producers endured a turbulent growing season in 2019 with unseasonable rain fall and early snow while trade tensions reduced demand. The adverse environmental factors and extreme weather events will continue be threats in the coming years.

LOOKING AHEAD TO LIBRO 20.0

Libro is well positioned for the future, reflected in our Libro 20.0 vision and supported by 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 the opportunities and challenges presented by our economic and competitive environments, 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. We are aggressively deploying our Market Development strategy to create spaces in new and existing areas to enable and encourage conversations with Owners. And we're investing in our staff, so they are confident and knowledgeable delivering our value proposition to Owners.



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