



# From Strength to Strength

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2022 Annual Report

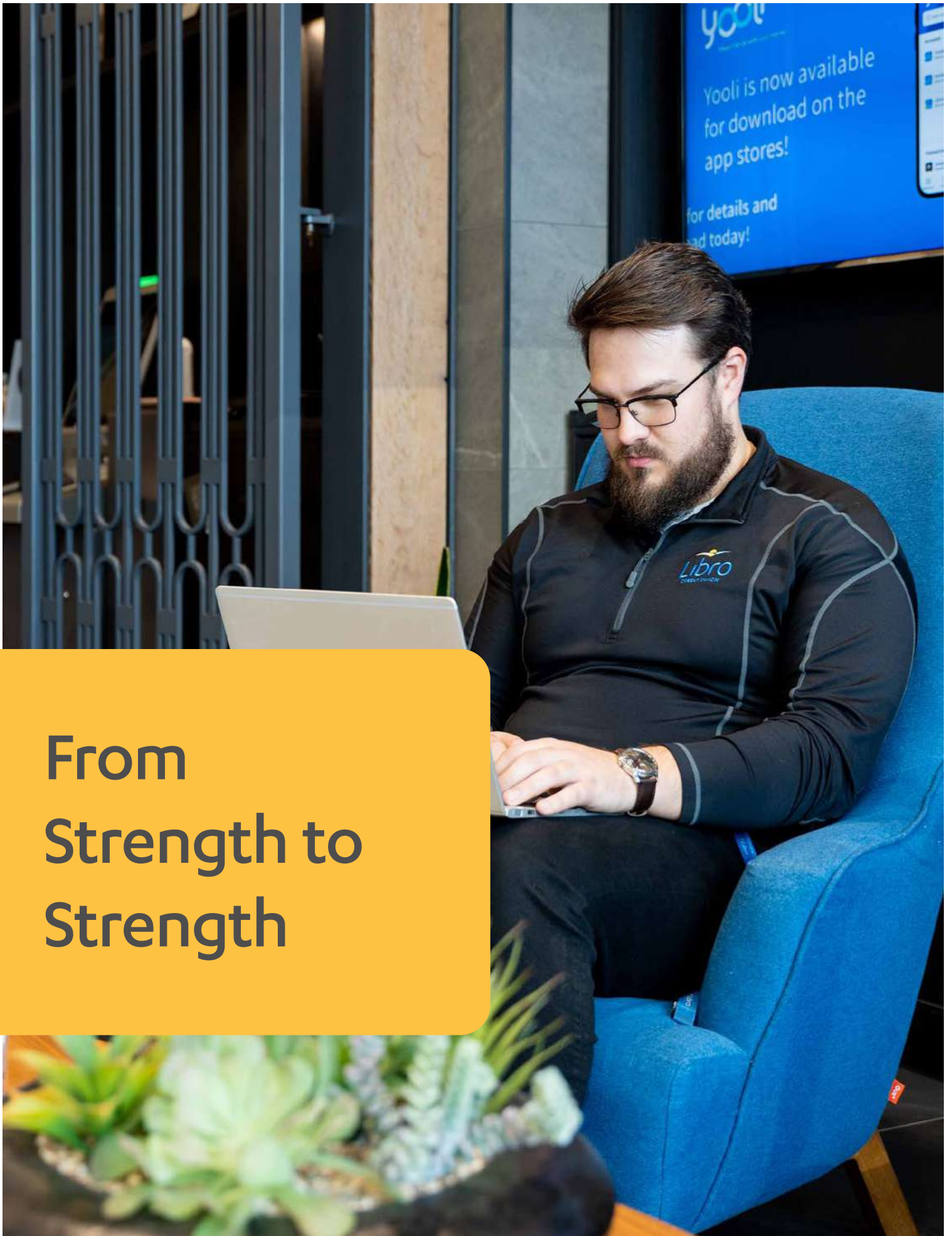
# Our Journey to Reconciliation

Libro Credit Union is a financial co-operative that operates within the territories of the Attawandaron, the Haudenosaunee, the Anishinaabeg and the Lūnaapéewak peoples.

Our head office is situated on the territory of the Chippewas of the Thames First Nation, Oneida Nation of the Thames, and Munsee-Delaware Nation in the area we call London.

We are grateful for the opportunity to live and work here and are thankful for the generations of people who have taken care of this land for thousands of years. We also recognize the contributions of First Nations, Metis, Inuit, and other Indigenous peoples who continue to live in these communities.

Libro Credit Union is committed to acknowledging and appreciating the Indigenous peoples' historic connection to this land and aspire to be an ally, working towards delivering on the Truth and Reconciliation Commission Calls to Action.



# From Strength to Strength

# Stronger Together

Libro Credit Union is marking a successful year and indeed going from strength to strength. With change and challenges all around, we know having a financial institution like Libro – where we treat people like people – makes a positive difference in more than 113,000 lives every day, boosting Owners’ financial resilience as we build success together.

We call Libro’s customers Owners, because everyone who joins Libro owns a piece of the place where they bank. We know Owners joined our credit union faster than ever before in 2022, and they’re sticking around, too, as they enjoy the personalized financial coaching that’s central to our services. If you’re a Libro Owner, thank you! Please spread the word about us. If you’re not, I hope you’ll take a look at our [website and join us](#).

Our ultimate goal is to make an impact, as a purpose-based business putting its profits to work in the community. We support Owners in person at our 36 locations in local communities, and online with services like Yooli, our app that equips you to build budgets, track spending, gain financial insights and more.

That’s part of why Libro staff are so passionate about supporting Owners. These are people who answer the phone as fast as they can. Who call you back. Who own problems, end-to-end, and see them through. That’s the culture underpinning our credit union, a certified B Corp® and a cooperative run on democratic principles.

One collective success this year came with the Series 6 Investment Share offering we completed in the summer. The biggest and most successful investment share offering in the history of Libro it added \$96.8 million to our capital base and involved Owners from every part of southwestern Ontario. This phenomenal outcome makes Libro stronger as we seek to have an impact on people and communities. Thank you to everyone involved.

And we do see those challenges in the world, and reaffirm our commitment to supporting Owners, whatever comes their way. On climate change, for example, we know many people are already feeling its effects; the science shows there is much more to



come. It’s a real challenge for us all, and Libro’s role is the same as always: we stand ready to support Owners and we stay true to our values. The entire Libro team would say the same.

I’m proud to be part of that phenomenal team, and that made a decision I shared in 2022 all the more difficult. After 35 years with Libro, 11 of them as CEO, I decided to retire, effective March 2023. It’s tough to leave an organization that I absolutely love, and I am excited to focus more on family and friends.

In my time with Libro, we have achieved much. We have repositioned ourselves as a purpose-based organization, as a thought leader whose opinions matter, as a B Corp and more. Our credit union, which is 50 times larger than when I started, grew more in the last 11 years than the previous history combined, all the while changing lives and communities for the better. And we know this purpose-led credit union, that uses business as a force for good, will have continued success, having appointed Shawn Good as the new CEO.

I know Shawn well, and I know he is the right person to lead Libro to the next iteration of its success. Libro has gone from strength to strength. I’m excited to see what comes next.

A handwritten signature in black ink, consisting of a stylized 'S' and 'B'.

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

# Building Strength Together

As we reflect on the events of 2022, at Libro Credit Union we can celebrate another remarkable year for our purpose-driven financial institution. We are marking another period of healthy profits and growth, the latest in a story of success that runs for almost 80 years and includes more than 40 legacy credit unions across southwestern Ontario. And that profit will help build prosperity for people and communities in southwestern Ontario.

At Libro, we seek to lead positive changes in four key areas. We want everyone to have access to good-quality housing they can afford. We support work to create meaningful employment in our communities. We celebrate farmers and promote local food accessibility. And, above all, we want to build financial resilience in everyone we encounter, because we know we can all become stronger by working together.

A sense of collective strength is at the heart of our credit union. Everyone involved in helping Libro to thrive knows that, as a cooperative and a certified B Corp®, it's a team effort. Over the years, our staff team has grown in size and expertise while maintaining the community connections that make such a difference to us all. Our Owner representatives, elected by Owners to guide Libro, show their dedication as they engage in our unique, award-winning governance structure. And the Owners who give us their business are our greatest strength of all. People are joining in their thousands. Thank you, and welcome!

As we prepare this report, we are saying goodbye to our CEO and Head Coach, Stephen Bolton after 35 years



serving the credit union. We thank him for his guidance and leadership at the helm for the past 11 years.

As we report on the positive results from 2022 and celebrate Steve's influence, we look forward to a strong 2023 and welcome Shawn Good as our new CEO. Shawn is returning to his roots in southwestern Ontario, bringing with him 25 years of experience in the credit union sector. During recent eventful times, we have experienced a great deal of change, gaining resilience and experience with it. At Libro, we know we have increased our agility as a company and grown stronger each year as a result. Now, as always, we're looking forward, knowing that our present strength is just the start, and there is so much more success to come.

A handwritten signature in black ink that reads "Jacquie Davison".

**Jacquie Davison**  
Chair, Board of Directors

## Introducing Our New CEO

Meet Shawn Good, Libro Credit Union's Chief Executive Officer from May 1, 2023. The credit union's Board of Directors selected Shawn following a national executive search process.

The new CEO enjoys hockey, fishing, and time at his family's cottage in northern Ontario. He began his career with Mennonite Savings and Credit Union (now Kindred Credit Union) and, in his varied career, has held Executive and Board roles at organizations across Canada within the credit union sector. He brings a track record of leadership that is rooted in values, purpose, and strategic clarity, as a means to make a difference for all stakeholders.



# Purpose and Pillars

## Helping people and communities be better off

At Libro our Purpose is to grow prosperity in southwestern Ontario by transforming banking. We deliver on that Purpose by helping people in the region be financially resilient, adequately, safely, and affordably housed, meaningfully employed and food secure.

In 2022, [Libro was recognized with a gold rating in a new Corporate Knights report](#) that assesses the social purpose practices of Canadian companies. It shows our work to use our entire operation, resources, and influence to be a positive force in society.



### Financial Resilience

In times of economic uncertainty, we continue to see, more than ever, the importance of providing coaching that empowers Owners to be financially better off. Libro coaches make an effort to learn about Owners, and provide tailored advice and relevant products & services to help them their work towards their own goals.



### Local Food Accessibility

Helping everyone to access healthy local food right here in southwestern Ontario will always be important to us, and not just because our roots are in agriculture. We're excited to be a partner in this progressive industry. While Food Accessibility is one of our pillars, we know all these issues are intertwined with the financial resilience of our Owners, including Agri-business, and community members.



### Housing

With the supply of housing an issue across Southwestern Ontario along with rapidly increasing costs all along the housing spectrum, understanding the unique circumstances of Owners and supporting them with advice and services is a priority for us. So is supporting organizations that help vulnerable members of our communities to be safely and affordably housed.



### Employment

Creating a positive and inclusive culture, and positive outcomes for our staff is a top priority for Libro. Libro's practices ensure we are contributing to the financial, physical, professional, and social well-being of our staff. The local businesses we support are making major contributions to employment in our region. And we proudly partner with organizations that create and strengthen meaningful employment.

FROM STRENGTH TO STRENGTH

# People are Choosing Libro

We're always thrilled to welcome a new Libro Owner! All of our customers are Owners because everybody owns a piece of the company – and everyone is welcome. Entrusting your banking to Libro makes the credit union stronger and increases our impact on community. And more and more people are getting the message – our total number of new Owners was the highest it's been for six years.



**113,579**

Total Owners  
December 31, 2022



**7,594**

New Owners in 2022.  
853 of them are  
businesses



**10,637**

Businesses and other  
organizations bank  
with Libro



**4.36/5**

Owner  
Satisfaction

Join Libro Today!

[Open Account ›](#)



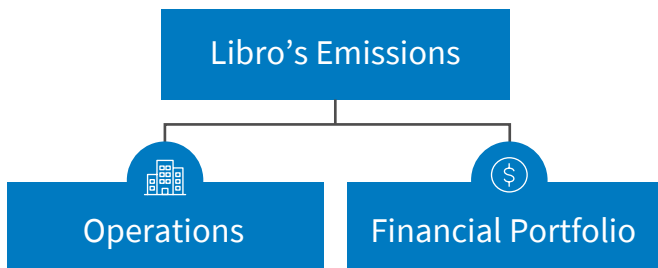
Libro Staff Ishit & Mikala

# Our Climate Change Journey

## Libro recognizes climate change challenges

Climate change affects us all. Stakeholders and regulators are increasingly demanding financial institutions to take action to fight climate change. Libro recognizes that climate change is already presenting challenges, and we know the challenges will increase over time. We are committed to supporting Owners affected by this complex issue. Libro Owners and their prosperity are at the centre of everything we do and that's why we have spent 2022 setting the foundations for learning about climate change, our impact and what we can do.

At Libro, we recognize we play a unique role in enabling a just transition to a net-zero economy. As a credit union, we know our impacts lie with our buildings, daily operations and in our financial portfolio.



## What does Net-Zero mean?

Net-zero is a target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere.

## Libro is doing the work

- We have partnered with [Green Economy London](#) to track our greenhouse gas (GHG) emissions and the impact from our buildings, daily operations of our business and business travel. We're working to reduce them.
- We are developing a seven-year road map to help Libro achieve energy reduction through building updates and exploring renewable energy opportunities at our London administration building, which is our largest location and holds our highest direct GHG emissions.
- We are integrating sustainable energy design for our future branch renovations and builds.
- We are in the process of calculating our financed emissions impact – defined as the indirect greenhouse gas emissions attributable to financial institutions due to their involvement in providing capital or financing (EY, 2022).
- We have joined the [Partnership for Carbon Accounting Financials \(PCAF\)](#), a global industry-led initiative to measure and disclose the greenhouse gas emissions financed by loans and investments.

We expect to disclose both our operational and financed emissions baselines by 2024 and after that we will report annually on our progress in reducing emissions. The work we have done so far will support data-driven net-zero commitments in the future, and help us to develop our strategy.

Our decision to offer exclusively responsible investment options for all new mutual fund accounts opening in 2021 has continued to increase our Owners' investments while making a positive societal impact.



FROM STRENGTH TO STRENGTH

\$96.8 Million  
Stronger



Thank  
You!

## Series 6 Investment Share Offering

Libro has been celebrating the biggest and most successful share offering in our history as one of the milestones of 2022, and of our 80-year history as a credit union.

Our Series 6 Investment Share offering attracted Owners from every part of the credit union – every corner of southwestern Ontario, and from all of our 36 locations – and the outcome was wonderful, with \$96.8 million invested.

We're always thrilled when Owners entrust their money to us, and this was special. This trust from Owners strengthens our capital base and makes the credit union stronger, while reminding us all: when we invest in our cooperative financial institution, we are helping to make good things happen. There is a community impact, and that investment pays off for Libro Owners.



Coach Arlene & Libro Owner Darby

Join Libro Today!

Open Account >

# Responsible Investing at Libro

Libro Owners are investing responsibly with help from their credit union, and it's paying off. In 2021, we announced that all new mutual fund accounts would exclusively offer responsible investing options, utilizing NEI Investments through Credential Asset Management Inc. Libro was the first Canadian credit union to make this move, and we are proud of it.

We know that Owners are putting their money to work in the right way, increasing their investments with their mutual funds, while remaining confident they are making a positive impact on society. At Libro, responsible investing means working towards a better tomorrow while still making competitive returns – and, yes, you can do both.

**Despite challenging market conditions in 2022, assets with NEI grew another 10% to \$294.3 Million.**

**In our Libro Wealth Management offer, responsible investing assets grew at least 19.3% to \$110 Million.**

Here's how that approach to investment can have an immediate impact. On behalf Libro Owners, NEI:

- Engaged in 297 dialogues with companies on Environmental, Social, and or Governance issues (ESG) issues, such as Diversity, Equity, and Inclusion (DEI), drug pricing transparency, and emissions reduction targets
- Published 53 policy actions
- Voted in 863 corporate meetings

And there are measurable impacts. Here are some examples.

## NEI Environmental Leaders Fund Positive impacts for every \$10 Million invested



**26 million gallons**  
of water saved & treated

=

**240 households'**  
annual water consumption



**150 Mwh**  
of renewable  
energy generated

=

**10 households**  
annual electricity  
consumption



**370 tonnes**  
of materials recovered  
& treated

=

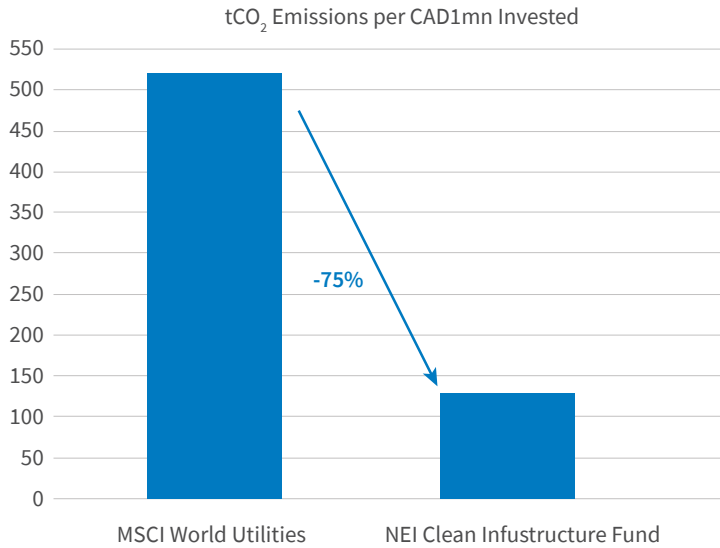
**160 households'**  
annual waste

*Mutual funds are offered through Credential Asset Management Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise stated, mutual fund securities and cash balances are not insured nor guaranteed, their values change frequently and past performance may not be repeated. Credential Asset Management Inc. and Northwest & Ethical Investments L.P. are all wholly owned subsidiaries of Aviso Wealth Inc.*

*Source: Impax Investments. The environmental impact data for the NEI Environmental Leaders Fund is representative of the portfolio holdings and AUM as of December 31, 2021. This data is based on the most recently reported annual environmental data for all holdings and is based on a C\$10 million investment. For further explanation of the impact methodology (which is based on equity value) please see <https://impaxam.com/investment-philosophy/impact-reporting/>.*

FROM STRENGTH TO STRENGTH

## NEI Clean Infrastructure Fund Positive impacts for every \$1 Million invested



\$1 million investment implies the avoidance of 391 tonnes of CO<sub>2</sub> per year.

Equivalent to the emissions from:

- 1,305 round-trip flights from Toronto to Montreal
- 49 car trips around the world

Source: Ecofin, Cyberanalytics & Bloomberg

Using the XTRACKERS MSCI WORLD UTILITIES UCITS ETF as proxy for the MSCI World Utilities Index



Libro Owner Stacey & Coach Stephen



“

When Scott Austin finishes talking with his coach and gets up to leave the Libro locations he regularly visits in Goderich and Clinton, he thanks us in an unusual way: he shouts “Libro rocks!” to the whole room.

Scott’s been a Libro Owner for more than 30 years and, having moved to retirement planning mode, is a keen saver with the credit union. He loves to drop by to add to his savings accounts and he’s a big fan of Libro GICs. During 2022, he invested in Libro’s Series 6 Investment Share offering, after discussing it with fellow investors and agreeing that putting their money into the credit union was good for investor and for the community.

*“I know that Libro is all about the community,” he says, full of praise for his coach, Aaron Wybrow. “It’s about a bricks and mortar establishment you can walk into and talk with someone. My dealings with Aaron have been great – he’s there when I need him. And the website is really easy to use, when I need it.”*

- Libro Owner Scott Austin

Libro Owners, The Egli Family



# Building on Success in 2022

# Building on Success in 2022

Our credit union exists to make a difference – that’s why it was founded by people who came together around kitchen tables and combined their financial strength. Now we’re marking another year of growth and other successes, knowing that everything we do is increasing our impact, guided by our [pillars](#). We’re celebrating the work we do, and the purpose behind it.

**\$4.9 Billion**  
Total Owner Deposits

**\$11.6 Billion**  
Total portfolio  
6.6% growth over 2021

**\$7 Billion**  
Assets under management  
3.3% growth over 2021

## When you call Libro, we pick up the phone

At Libro Connect, our call centre staffed by people who live and work in southwestern Ontario, we’re ready to answer your call as fast as we can. Other financial institutions may keep you hanging on for hours, but we measure our call response times in seconds, and share them openly every year. We’re proud to pick up the phone faster than you can grab a coffee.

Meanwhile, our colleagues at Libro Connect are increasing their services to Owners, so your credit union can support with an increasing range of products and services over the phone. And they also found time for proactive follow-up service calls to 2,018 Owners and handled more than 56,000 mailers, all while fielding more than 100,000 calls and electronic messages.



Libro Connect Team

**18 Seconds**  
Average wait time for calls in 2022

**78,415**  
Total inbound calls in 2022

**23,064**  
Total electronic messages received by Libro Connect in 2022

# Success in Digital Services

With accelerated change all around us, we know we need to work hard to supply Owners with the seamless banking services they expect. And we're determined to deliver the best possible experiences online, in person, or however you want to connect with us: it's all part of the commitment to financial coaching that helps people to prosper.

We know Owners want virtual meetings, electronic signing, easy appointment booking and more, so we've made sure we're delivering, using technology to create a cohesive financial experience, wherever they are when they need us.

In digital services, we spent 2022 making updates and improvements to give Owners more control. We made it more convenient to join Libro online,

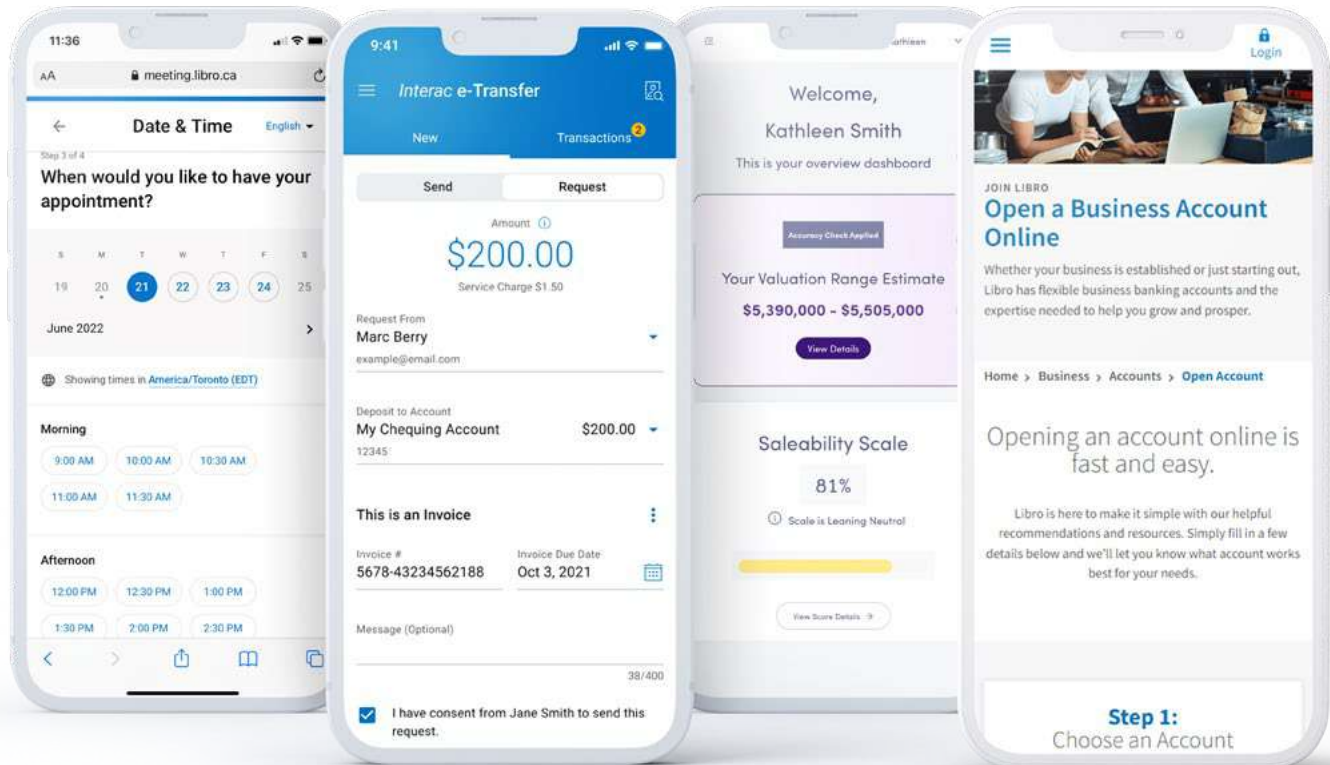
introducing for the first time online account opening for businesses, and upgraded our *Interac* e-Transfer platform, giving it a refreshed look and better functionality for everyone, especially Business Owners. This year we started using JUDI.AI, an online platform that helps us to know more about the small businesses who bank with Libro, and their borrowing needs. We revamped [libro.ca](https://libro.ca), ensuring users with accessibility needs were front and centre in our thinking and now the same effort is under way with online banking, where we've launched enhancements, with more to come. And our work with business valuation software platform *interVal*, introduced in late 2021 and developed throughout 2022, continues to help Owners to gain a deeper understanding of their company's financial position.

Book a Meeting

Interac e-Transfer

interVal

Online Business Account Opening





Make friends with your money.

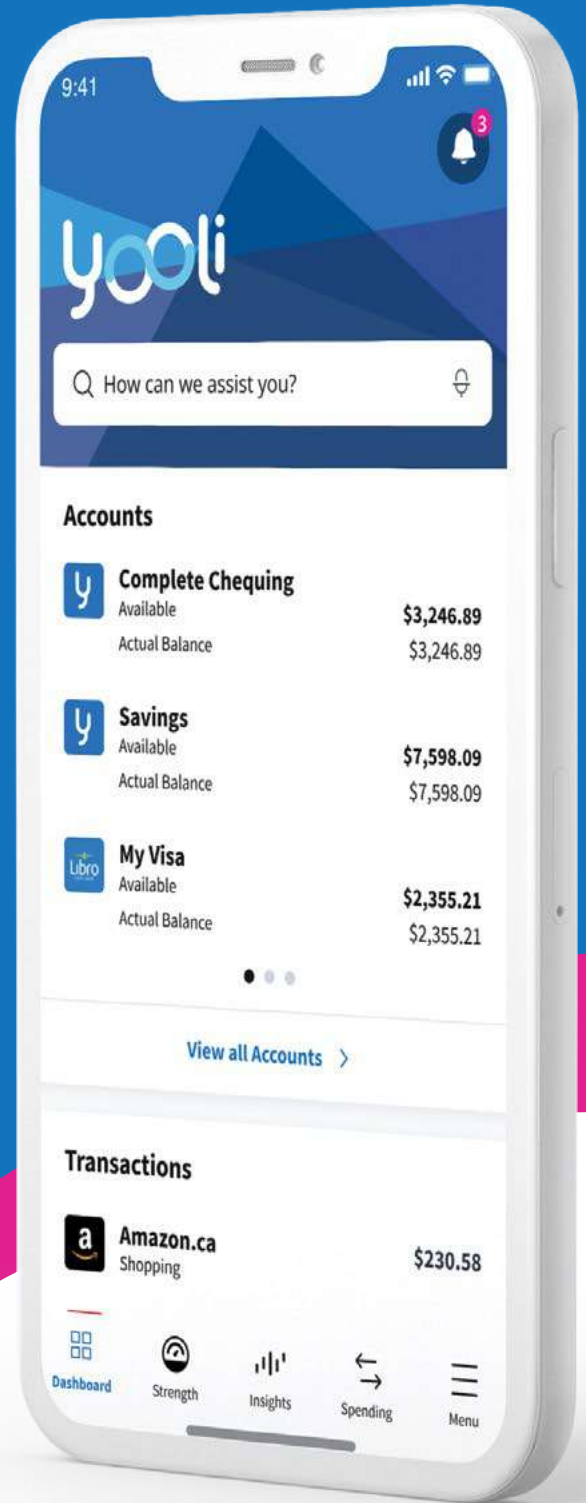
## The insightful app to boost your financial resilience

Libro is making sure Owners are equipped with the tools they need to succeed in a world of accelerated change. With our money management app Yooli – it’s all about you and Libro – we’re working to build financial resilience in Owners.

Yooli, the sidekick to our online banking app, supports people in creating budgets, helping them to track their spending and understand their financial wellbeing. Users keep a pulse on their money with Yooli, and receive insights that keep them on track to their goals, and have a financial health score to help them understand how they’re doing. And Yooli groups all your accounts and transactions in one place, no matter where you bank.

When we make decisions at Libro, we always consider our pillars, and the most prominent one is Financial Resilience. We want everyone to be better off, because it grows the credit union and increases our impact, and because we know we become stronger by lifting each other up.

**2,766**  
Enrolled Users  
January 13, 2023





# Success in Communities

## The Arkona success story

One of the biggest stories of our year comes from the small-yet-vibrant agricultural community of Arkona. The Libro Credit Union location in this Ontario oasis proved to be outstanding in its field, recording phenomenal portfolio growth of more than \$110 million, more than double the portfolio growth of any other location in the credit union. So what went right?



*“This is a strong community and people know that Libro is part of the community. We have a long history of relationship-building and shared success, so all the local business people in the ag and rural community know that Libro is here for them. The number represents business expansions, farm purchases, investment planning and more, and shows the complex needs of people in the agriculture sector.”*

**Annette Looper**  
Senior Relationship Manager, Lambton, Kent and Middlesex counties



*“We see high trust from Owners in Arkona. Many of our staff have been here for a long time, so they know everyone, from the long-term Owners to the new people we love to bring in. We get a lot of referrals because people know us and, the better we know people, the better we get at giving a personalized service and financial coaching.”*

**Michelle Lines**  
Community Manager, Arkona



*“People feel a connection to Libro because they understand it really is theirs. They feel like they are part of Libro and they want Libro to succeed. This is the link between credit union and community that we’re developing everywhere – right down to the roots.”*

**Natalie Close**  
Regional Manager, Community Banking, Lambton, Kent and Middlesex counties



Arkona Team

# Location Updates Across our Network

At Libro, we promise the best possible service and financial coaching, however you want to access it. And we love being in the heart of our communities, flying the Libro colours high. Our credit union has [36 locations across southwestern Ontario](#) where you can sit down with a Coach and talk about your goals and financial wellness.

We invest thoughtfully in our physical spaces, with a rolling program of facilities maintenance in all branches ensuring they offer the experience Owners expect today. Owner needs and service vary from location to location, so we always design our spaces for flexibility and to meet local needs.

This year, we were grateful for the patience of our London South Owners, whose location moved to a nearby spot in the same plaza at Wellington & Southdale, and we're now welcoming people to our beautiful new building at 849 Wellington Rd.

Meanwhile, it was hard to miss our London Downtown location's move to a versatile, beautiful space at 578 Richmond St., right in the heart of the city, on the edge of Victoria Park. And there's a full refurbishment under way in our busy Essex location, where we're changing things around to make sure we're maximising the space as we keep growing fast.



London South



London Downtown



London Downtown Team

# Community Investment Programs

There are many ways to partner with Libro, and it's our goal to support everyone to become more financially resilient. One of the ways we support people in our communities is by funding initiatives aligned with our pillars, and supporting students through scholarships. And we know that partnership means more than providing funds, so we also use our time, expertise and voice to help create stronger communities. Here are some great examples of ways we make an impact on people around us.

## Annual Grants

20 projects supporting stronger communities and aligned to our pillars received \$317,118.

[Click here for more details.](#)



## Student Awards

34 Student Award recipients, announced in July, received financial coaching and \$2,000 each for a total of \$68,000 in scholarship funds.

[See the list of winners.](#)



## Sponsorship Donations and Partnerships

Total Investment through partnerships, sponsorships, and donations was \$966,804 distributed to 150 organizations.



# \$1,351,922

**Total investment in community through Grants, Sponsorships, Donations and Scholarships in 2022**



STEAM Education Centres  
Annual Grant Recipient



Listowel Student Award Winner Katie



**Libro Owners Aaron De Brum and Nadine Ivankovic, who live in Strathroy, have been home owners since November 2022. Before that, they spent just over a year working with Libro Coach Mike Jesus, building their knowledge and financial resilience with each conversation until they were ready to buy.**

*Aaron said: “It was a long process, especially with how the market was so hot. We reached out to our coach, Mike, multiple times about where our max budget was and where we might feel comfortable. He was really patient with us. He set up meetings after hours, to fit our schedule, and it’s really easy to reach out to Mike and get an answer the same day. He helped us to feel comfortable with coming to a purchase.”*

- Libro Owners Aaron and Nadine



# Investing in People

Prosperity Day  
with Libro  
**Jill Fang**  
ADMIN - Information Systems  
Table #45  
Workshop 2  
ASK ME ABOUT

Prosperity Day  
with Libro  
**Stacey Spasic**  
ADMIN - Information Systems  
Table #89  
Workshop 2  
ASK ME ABOUT

## INVESTING IN PEOPLE



**796**  
Employees  
at Libro



**34%**  
of our colleagues have more than 10 years of service –  
that's 274 of us.

37 people have been with Libro for more than 30 years.



**72%**  
of Libro staff  
identify as women

**50%**  
of our Executive  
Leadership Team  
identify as women



**45%**  
of Board  
Members identify  
as women



London West Team



Libro Coach Kym

## Staff Training



In 2022, Libro invested \$1.67 million in staff training because we're determined to equip everyone with the tools they need for success. That's an average of \$2,137 per person (based on an average of 782 staff through the year).



701 Libro staff are registered with our proactive wellness program, with an attendance rate of 96% for sessions with our wellness coaches.

# Diversity, Equity, and Inclusion

Libro is committed to fostering an environment in which everyone feels valued and included – an environment that values diversity of life experiences and perspectives and that promotes respect for everyone’s view of their own prosperity. 2022 was a year of learning, celebrating, and listening. Our Diversity, Equity and Inclusion council continues to help Libro take action and we see the passion and commitment of many staff on helping Libro be a more inclusive organization. This is a journey and we are committed to walking the talk.

## Highlights of 2022 include:

- Celebrated and provided learning resources for Black History Month, Mental Health Week, International Women’s Day, and Pride Month.
- Observed National Day of Truth and Reconciliation and held a Virtual Sharing Circle lead by Michele-Elise Burnett, a Métis MNO citizen with Algonquin roots, Bear Clan, and President of Kakekalanicks, an Indigenous arts and consultancy company which helps promote and educate Indigenous art and artists to a broad audience. Michelle-Elise provided an overview of Indigenous history, and then invited us to learn through open conversation.
- Added new training opportunities on topics such as gender pronouns, psychological safety, acceptance and belonging. Diversity, equity and inclusion training is now standard for all Libro staff.
- Partnered with Diverse Solutions Strategy Firm to help guide Libro in the creation of our DEI strategy and action plans. To understand our current state, we conducted surveys and provided 1:1 office hours with our consultant to gain input from staff, Owners, community partners, vendors and the communities we serve about their experiences with us. Also, we conducted an analysis of Libro programs and policies, which will inform our work in 2023.



# At Libro, People Matter

## Every customer is a shareholder

Libro has a unique, award-winning democratic structure that keeps Owners connected with how we run the business. All Libro Owners can have a say in electing Owner Representatives, who help Libro to make decisions with regular meetings, other conversations and, of course, our Annual General Meeting, where they elect the Board of Directors. Every Owner is a shareholder and all Owners bank with Libro. This is a cooperative financial institution founded as a democracy, making sure we will always listen to our customers.

## We're a Living Wage Employer

Libro has been a Living Wage employer since 2016, guaranteeing that everyone who works for our credit union earns enough to cover the actual costs of living in our community. Libro uses the highest Living Wage in our service area, which is \$20.70, the amount needed in Huron and Perth counties. And we are proud to support the [Ontario Living Wage Network](#) with a \$30,000 sponsorship over three years, to help the network drive growth and champion the benefits of paying a living wage.

## Agile Squads – adding to the culture at Libro

In January 2022, Libro began using a new way to collaborate: Agile Methodology. Following a successful pilot program and a great deal of learning, we have been integrating this approach into Libro's organizational culture, using it, along with the latest data, to advance project work in areas focused on the best possible Owner experience. Our Agile Teams, empowered to make decisions that get results, bring together people from a variety of areas and focus them on more effective and efficient problem-solving.

## Awards

We're proud to share that Libro's own Jamie Carson is among the brightest and best in the credit union system as one of the 2022 winners of the [National Credit Union Young Leaders Awards](#). Jamie is our Regional Manager, Business Banking, supporting Owners in Windsor, and Essex, Lambton, Kent and Middlesex counties.



## Excellence in Communications and Marketing

We're always proud to celebrate connections with professional organizations. In 2022, two examples of our work in communications and marketing were recognized with awards from the London chapter of the International Association of Business Professionals. Libro won Awards of Excellence in IABC London's Virtuoso Awards, one for our marketing campaign Make Money Better (in partnership with Tenzing Communications) and one for last year's annual report.





# Community Partnerships

## HOUSING

We were proud to contribute to the [Imagine Build](#) to support efforts to build housing for indigenous people on Oneida Nation of the Thames. This project, with grassroot origins and in true spirit of reconciliation and action, aims to build four accessible and affordable homes.

Libro supported [Indwell's Dogwood Suites](#), a supportive affordable housing community in Simcoe that opened in May 2022, to equip each one of the 51 units with a kitchenette – and help tenants, with the support of Indwell staff and food security programs, put into practice learned skills around nutrition.

We continue our [partnership with four chapters of Habitat for Humanity](#): Heartland Ontario and Brant-Norfolk, Waterloo and Windsor Essex. In addition to financial contributions going towards affordable housing projects and financial literacy efforts, Libro has worked with two chapters to provide direct financing and mortgage agreements with individual homeowners, freeing capacity within Habitat to stretch their dollars further.

Libro partnered and provided funding to:

- The Inn of the Good Shepherd Transitional Housing in Sarnia.
- The Inn Out of the Cold St. Thomas-Elgin.
- The Bridge Youth Resource Centre – Tiny Home Community Initiative in Leamington.
- Awarded grants to the Hamilton Urban Core Community Health Centre (HUC), St. Leonard's Community Services, United Way Perth Huron and Fresh Start Support Services for housing initiatives.

entrepreneurs and small business, creating and strengthening meaningful employment in the region. And we contribute funds through sponsorships and our [Annual Grants program](#) – in 2022, we supported WE build a Dream, Nature Conservancy of Canada (NCC), Ohana Landing and WIL Counselling & Training for Employment.

## FINANCIAL RESILIENCE

This year, we also focused our efforts on providing Owners with resources to increase their financial literacy. We hosted 12 webinars with topics that ranged from Budgeting to Family Farm Succession and added new content to the learning section on our website. Libro staff delivered financial resilience workshops to people in our service area through the Each One Teach One program, and we funded and partnered with community groups working on this same goal such as Junior Achievement.

Each one Teach One Program. Through our partnership with Junior Achievement, we supported the delivery of 115 financial literacy programs to nearly 3,000 students in southwestern Ontario.

## LOCAL FOOD ACCESSIBILITY

We have heard from our community partners and have seen in our communities the increasing need for food to support vulnerable populations. We were proud to support The Food Bank of Waterloo Region Fresh Approaches Food Centre, an on-site food processing room that allow them to increase the variety, quality and quantity of fresh and frozen food distributed. We maintain our partnership with Urban Roots London, and our support has enabled them to significantly increase the amount of produce grown, harvested, and distributed into the local food system. We also provided funds for food accessibility projects to [9 organizations across our service area](#) through our Annual Grants.

## EMPLOYMENT

We are proud to continue partnering with organizations such as the Small Business Centres, WEtech Alliance, the University of Windsor, Pillar Nonprofit Network and more, who support

# Partnership Pays Off in a Big Way

Libro Owners really do own a piece of the company, and that means they get a share of the profits. For our credit union, there's no difference between customer value and shareholder value, because every customer is a shareholder. And every year, millions of dollars in profits are shared with Owners, based on how much business they have with Libro. So we're stronger together and, the more you increase your relationship with us, the higher the profit share. Libro's in the relationship business. To find out more, [head to our website.](#)

**\$10.39 Million**  
Class P Profit Sharing and Dividends

+

**\$9.24 Million**  
Class I Investment Shares Dividends

=

**\$19.63 Million**  
Directly returned to Owners



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**\$56 Million**  
Net income before taxes  
and profit sharing

Libro Business Owners Christina & Teri  
of 21 Tours and Events and Libro Coach Prema



“

We love all of the entrepreneurs who bring their business banking to Libro, and Todd's Dogs is a great example of the businesses we support every day. Todd Ellerby, who switched to Libro from a big bank three years ago, started with a hot dog cart 20 years ago and has been selling delicious meals from food trucks for nine years. He has two trucks and employs nine people.

*“I never banked with a credit union before and I was looking for something different than the big banks. Libro was new here in Woodstock, and I went in to see someone and discussed what my needs were.”*

*“Libro has just been fantastic from day one. They call me if there are any issues, or if there are new products available, or just to check in. I've never had that kind of service from a banking institution.”*

- Todd Ellerby | Todd's Dogs

# From Strength to Strength

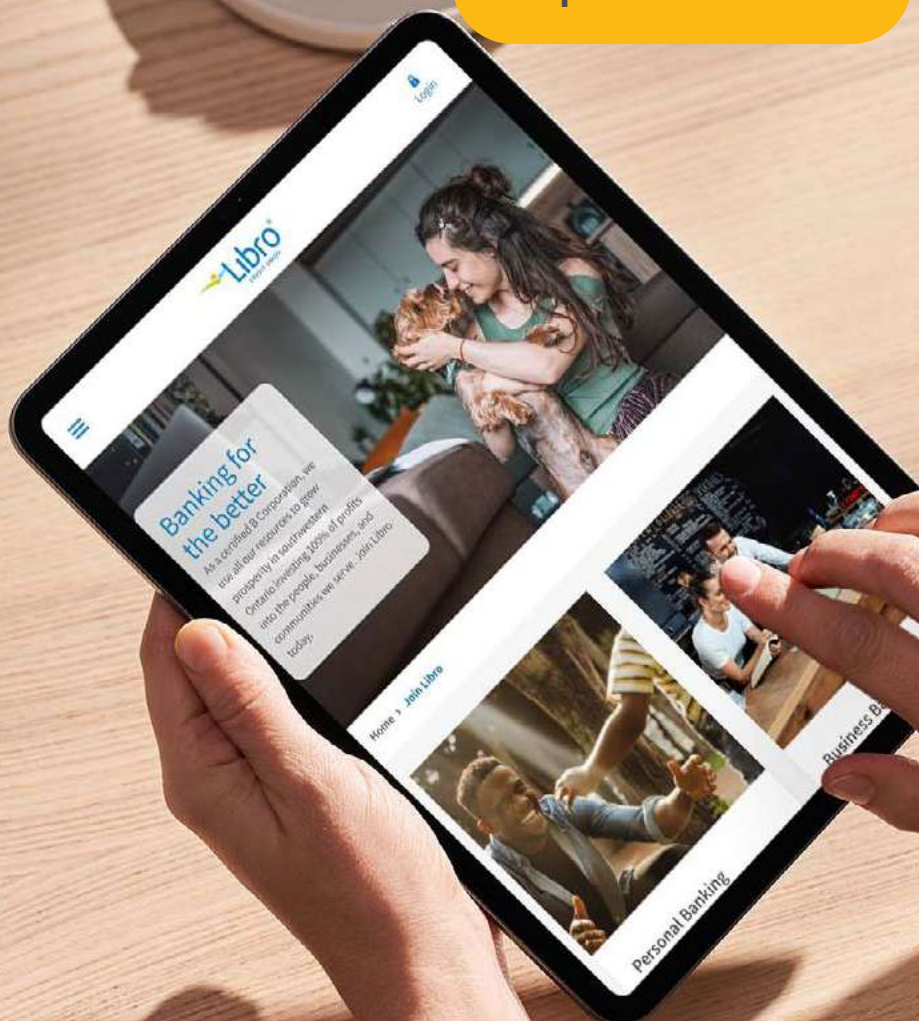
It really has been a year filled with successes, showing that being part of a credit union creates unique potential for us all to thrive. As always, we make sure we're looking ahead, staying responsive to Owners' needs in a changing world, and making sure we have the best possible impact on the people and communities of southwestern Ontario.

You, too, can be a part of that impact. It's easy to start the conversation. [Head to our website to find out more.](#)

If you're already an Owner, Thank you!

If you're not, we're inviting you in. It only takes five minutes to join Libro online right now!

[Open Account >](#)



# Management Discussion and Analysis

A Deeper Look at Libro

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## 2022 Financial Overview

This financial overview is provided to support interpretation of Libro's financial results and should be read in conjunction with the 2022 audited financial statements. This overview may include forward looking statements, which inherently contain management assumptions, estimates, and forecasts.

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. We are focused on continuous improvement, making timely data-driven decisions, exploring for a strong future, and becoming even better-equipped to make money better for Owners.

In 2022, some key accomplishments included:

- Sharing \$19.6 million with Owners through dividends and profit-sharing distributions
- Surpassing \$7.0 billion in Assets Under Management, including \$1.2 billion in wealth assets under management.
- Raising \$96.8 million of capital through the Series 6 Investment Share offering so Libro can continue its growth with a strong capital base.
- Contributing \$1.4 million in direct funding through partnerships with over 100 community organizations and student scholars.
- Continued our investment in the VERGE Breakthrough Fund for impact investing, reaching over \$4 million in loans to 43 local social enterprises since 2015.
- Continuing commitment to exclusively responsible investment options for all new mutual fund accounts, through NEI Investments – further aligning Libro's pursuit of purpose and positive impact on environmental, social and governance factors.
- Moved to newly-built locations that will better meet community needs for both London Downtown and London South locations.
- Continuing our sales and service training to build and sustain a proactive advice and service culture that builds loyalty through positive experiences for Owners, piloting a new leadership development program, and working to improved diversity, equity and inclusion through learning on topics such as unconscious bias and truth and reconciliation.

- Moved to a newly-built modern location in the Watford community, and committed to new locations that will better meet community needs for both our London Downtown and London South locations.

These accomplishments happened in a year of significant economic uncertainty for Owners and Libro's business. The Bank of Canada responded to high inflation by increasing its policy rate from an all time low of 0.25% at the start of the year to 4.25% by December 2022.

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 rising prices. In southwestern Ontario, the unemployment rate remains low, and the housing market shows signs of decline.

At the height of the pandemic, the Government invested heavily and broadly to support people, businesses and communities. Libro continues administration of loans to businesses through the Canada Emergency Business Account Program ("CEBA") and other government programs.

Lastly, in March 2022 the Ontario Government enacted the new Credit Union and Caisse Populaires Act, 2020. The new Act provides updates on regulations outlining how credit unions can continue to grow and evolve to serve Owners. With this new Act, the regulator introduced several new Rules to ensure capital adequacy, liquidity adequacy, and sound business practices throughout the industry. The new Act and Rules ensure credit unions in Ontario continue to remain stable and competitive in a rapidly changing environment. Further discussion on the new Rules and their impact to Libro's capital and liquidity management is outlined below.

# \$5.7 Billion

Total Assets  
Growth of 5%

# \$7.0 Billion

Total Assets Under Management  
Growth of 3%

# \$56.0 Million

Net income before taxes  
and profit sharing

Libro ended the year with \$7 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 2022, Libro reached a total year-end portfolio of \$11.6 billion. Portfolio represents the total of all on-balance sheet loans and deposits as well as funds under administration. Total loans grew 13.5%, a slight decrease but consistent with the 15.9% growth experienced in 2021. Deposit growth was flat at 0.13% in 2022 compared to 10.9% in 2021. The imbalance between loan and deposit growth required Libro to utilize lines of credit and securitization programs to support and maintain liquidity.

Libro ended the year with net income, before distributions and tax, of \$56 million compared to the prior year of \$25 million. With rising interest rates, Libro experienced a \$19 million increase in net interest margin and \$16 million unrealized gains on the valuation of our interest rate swaps, while limiting increases in operating expenses to \$8 million. The Financial Performance Summary provides more detailed analysis below.

## 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. 2022 was a volatile year for interest margin with many factors contributing to an increase of 18% in net interest income. The Bank of Canada increased its policy rate by 4% in 2022 and Libro increased its prime rate by 4%, all in a period of only 9 months. Libro's average prime rate was 4.13% for the year compared to 2.45% in 2021. Rising interest rates increase interest revenue on variable loans, interest expense on variable deposits and investment shares, and interest expense on borrowing and financing transactions. In addition to rapidly rising rates, the imbalance between loan growth and deposit growth contributed to rising net interest income. Overall, net interest income as a percentage of total assets increased from 2.0% in 2021 to 2.2% in 2022.

Interest income increased \$39 million or 25% to \$194 million driven by strong volumes and rising interest rates. Interest expenses increased by \$20 million or 40% driven by higher interest rates paid on deposits, the issuance of investment shares to increase capital and increased borrowing to support liquidity.

### 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 valuation changes on interest rate swap agreements. Total non-interest income was \$40.7 million in 2022, an increase of \$13.8 million from 2021. Included in non-interest income is a gain on the valuation of Libro's interest rate swaps of \$16.4 million, compared to a \$5.0 million gain in 2021. The accounting treatment for interest rate swaps contributes to some volatility in earnings each year with the mismatch in timing of the valuation gains and the receipt of the cash flows. In 2022, Libro also recorded a gain of \$1.1 million on the sale of the London Downtown branch when the branch was relocated.

### Credit Loss Provision

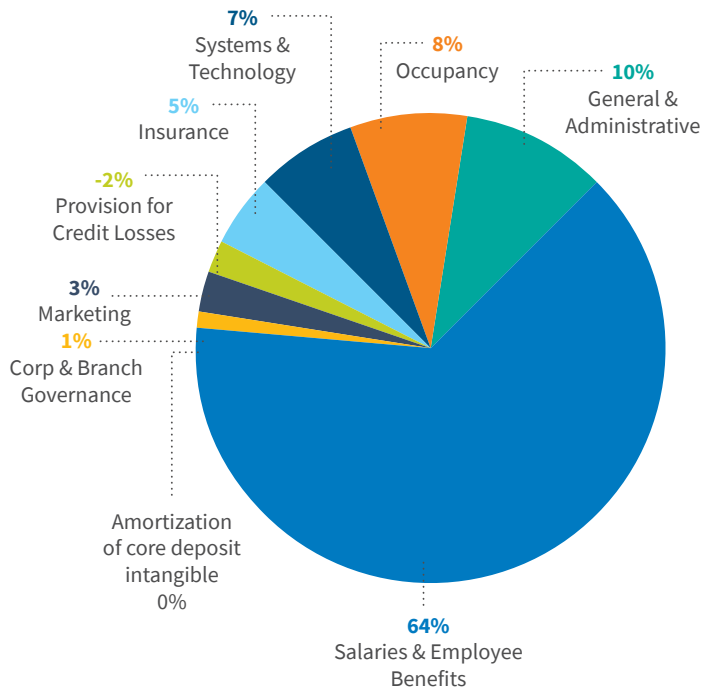
The provision for credit losses represents management's best estimate of potential loss during the year. In accordance with IFRS 9, Financial Instruments, Libro uses a data model with various inputs including historical loan data, industry data, and forward-looking macro-economic assumptions to calculate 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.

The provision for credit losses in 2022 ended in a recovery position of \$1.8 million. The provision is affected by changes in our expected credit loss balance at year-end and net losses experienced in the year. The recovery in 2022 was a result of improvements and resolutions on previously credit impaired loans. In 2022, we saw a decrease in credit impaired loans compared to 2021, offset by additional expected credit losses added for new loans. Delinquencies and write off losses remained low in 2022.

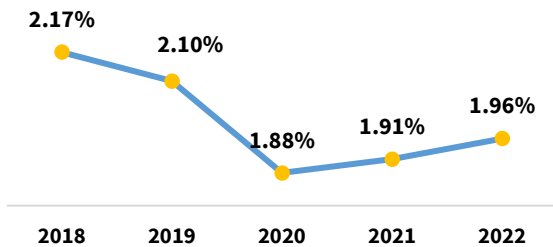
### Operating Expenses

Operating expenses in 2022 were \$111 million, an increase of 8% over 2021. 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 of \$72.8 million, 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. In addition to salaries and benefits, there were also

increases from prior year in systems and technology expenses as we invest in our digital delivery strategy, insurance premiums, and occupancy costs to maintain and protect staff and Owners in all locations.



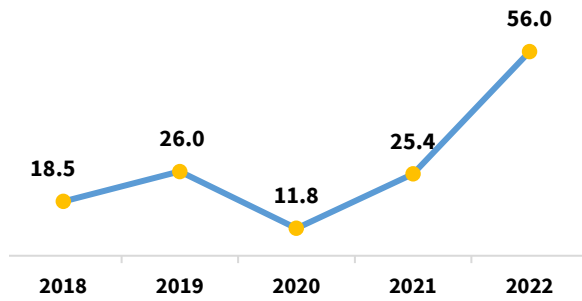
### Operating Expenses % of Total Assets



### Net Income

Net income (before profit sharing and taxes) was \$56.0 million, an increase of \$30.5 million or 120% over 2021. Total revenue increased by \$32.8 million or 24.8% compared with 2021. Income was positively impacted by increased interest income driven by strong loan growth, rising rates and the gains on interest rate swaps mentioned in the non-interest income section.

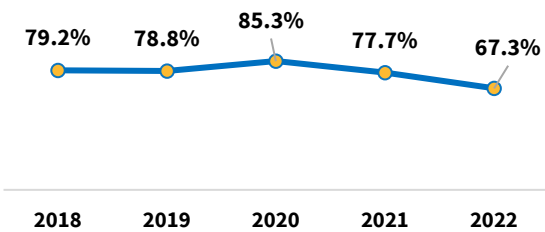
### Net Income In Millions



### Efficiency

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 2022, operating efficiency was 67.3% compared to 77.7% in 2021. This ratio is inclusive of the non-operating gains on swaps and investments mentioned above. Libro continues to focus on improving efficiency of core operations by growing organically and gaining the benefits of our scale.

### Efficiency



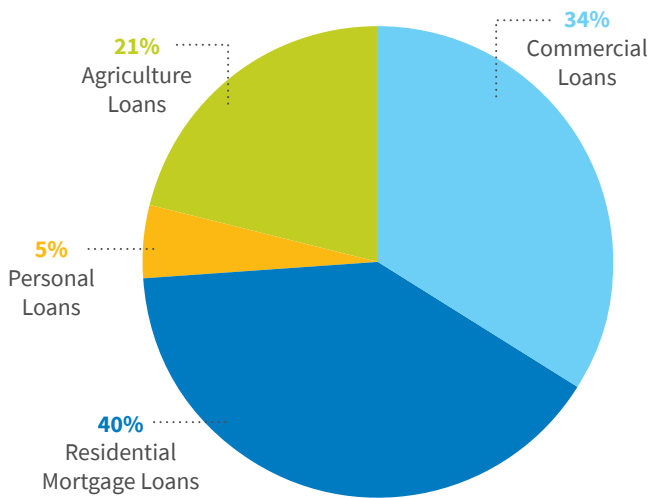
### Financial Position Summary

In 2022, Libro experienced strong loan growth and flat deposit growth. On-balance sheet assets grew to \$5.68 billion from \$5.39 billion in the prior year. This was driven by increased net loans to Owners, which grew by \$605.8 million, or 13.5%, to \$5.1 billion. To fund loan growth Libro redeemed investments, used term borrowing, and securitized loans. Loan growth was driven by personal loans which grew 22.6%, commercial loans grew by 15.5% and residential mortgages grew by 13.6% over the prior year. This growth is net of a reclassification of non-



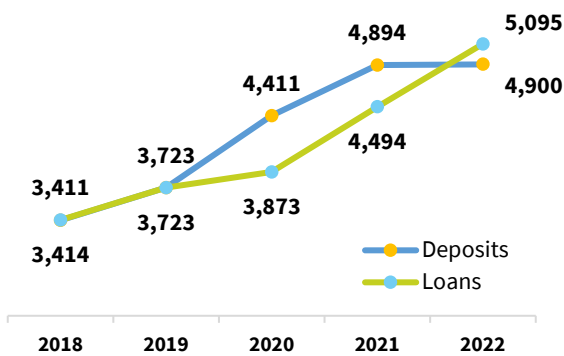
owner-occupied mortgage loans from commercial loans to retail loans as part of the new Act enacted in 2022. More detail on this impact is discussed under Capital Management.

**Loans to Owners by Class**  
% of total loans



Deposits grew just \$6.5 million, or 0.13% from the previous year. As we emerge from the pandemic, government stimulus has ended and Owners’ spending has increased.

**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 2022, Libro had liabilities associated with securitized consumer mortgage loans of \$129.2 million

**Assets Under Management**

Libro’s off-balance sheet assets include the wealth portfolio, which is comprised largely of mutual fund assets held by Owners. Owner balances at December 31, 2022 were \$1.18 billion slightly down from \$1.22 billion in 2021. Sales of mutual funds remain strong and the decrease in portfolio reflects the declines in market value due to volatility in the market.

Assets under management also include \$142 million of loans administered on behalf of the Government of Canada.

Total assets under administration were \$7.0 billion at December 31, 2022, up 3% over the previous year.

**Capital And Liquidity Management**

**Capital Management**

Libro’s capital management objectives are twofold: maintain appropriate capital levels to ensure compliance with regulatory requirements under current and projected economic conditions and 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.

**2022 Changes to Capital Management**

In 2022, the Ontario government proclaimed a new Credit Unions and Caisses Populaires Act and Ontario Regulation 105/22 (together the “Act”) into effect. The new Act continues to set minimum capital requirements for credit unions in Ontario. It also established a new Capital Adequacy Rule (“Capital Rule”) issued by the Financial Services Regulator Authority of Ontario (“FSRA”) as the guidelines for capital management. This Rule provides detailed guidance on the calculation of each capital metric, sets regulatory minimums for each metric, and establishes capital management requirements. A summary of these ratios and minimums is included in Note 12[a] of Libro’s audited financial statements. The most significant changes in the new Act and Capital Rule impacting Libro’s capital management are:

- A new retained earnings ratio calculated as retained earnings and contributed surplus as a percentage of risk-weighted assets. This new ratio requires additional focus on the quality of capital and Libro’s profitability.

- A new supervisory capital minimum for the total capital ratio. Total capital is calculated as total capital as a percentage of risk weighted assets. This ratio minimum establishes a mandatory buffer above previous regulatory minimum on total capital. This increases the amount of total capital required to maintain compliance.
- Accumulated other comprehensive income (“AOCI”) is now included as regulatory capital. Prior to the new Act, only AOCI losses on Libro’s defined benefit pension plan were included in regulatory capital calculation.
- Change in definition of residential mortgages. Previously, a property had to be owner occupied to qualify for residential mortgage for capital purposes, however the new Act removes this requirement. As a result, Libro reclassified approximately \$200 million of non-owner occupied mortgages from commercial loans to retail mortgages in 2022.

### Libro’s Capital Position

Libro’s regulatory capital ratios remain strong and above the requirements of the Act in effect at December 31, 2022. Note that the comparative ratios provided for 2021 and 2020 are calculated under the previous Act and have not been recalculated under the new Act and Rule. At December 31, 2022, Libro’s capital leverage ratio was 8.98%, an increase from 7.07% at the end of 2021, in excess of the 3.0% stipulated in the Act. Libro’s risk weighted capital adequacy ratio was 14.13%, compared to 10.78% at the end of 2021, in excess of the 8.0% stipulated in the Act. In addition, Libro’s was on compliance with all other ratios required in the Capital Rule. Total regulatory capital at the end of 2022 was \$541 million compared to \$381 million at the end of 2021. The increased capital is a result of \$96.8 million of investment shares issued in 2022, net income of \$37 million and AOCI of \$10 million.

<b>CAPITAL (\$000)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Retained Earnings Ratio	55.55%	N/A	N/A
Leverage Ratio	8.98%	7.07%	7.00%
Total Capital Ratio	14.13%	10.78%	11.35%
Total Tier 1 Capital	512,765	354,150	329,298
Total Tier 2 Capital	28,418	27,003	17,541
Total Regulatory Capital	541,183	381,153	346,839

### 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 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 2022, care was taken to consider the impacts of the new Act and Rule in addition to various stress tests in the ICAAP.

### Liquidity Management

Libro carefully manages its liquidity to ensure 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 sustain business operations. Libro must meet the liquidity requirements outlined in the Act and the related liquidity requirement regulations. Similar to the discussion above, the new Act proclaimed in 2022 saw FSRA establish a Liquidity Adequacy Rule (“Liquidity Rule”), which provides calculation details of liquidity ratios, minimum requirements for each ratio, and establishes standards for liquidity management for Ontario credit unions. The Liquidity Rule outlines 3 key ratios for monitoring liquidity:

- Liquidity coverage ratio (“LCR”) calculated as high quality liquid assets as a percentage of net cash outflows
- Net stable funding ratio (“NSFR”) calculated as available stable funding as a percentage of total required stable funding
- Net cumulative cash flow (“NCCF”) calculated as total cash inflows less total cash outflows

There was no significant impact to Libro’s liquidity management strategy as a result of the new Liquidity Rule. In addition to the measurements outlines above, Libro monitors daily liquidity using a simple liquidity ratio.

The imbalance between loan and deposit growth was the primary driver that reduced liquidity over the course of the year. At year end, liquidity is within Libro's target range and in compliance with all regulatory requirements.

LIQUIDITY	2022	2021	2020
Liquidity Coverage Ratio	209%	509%	622%
Net Stable Funding Ratio	132%	148%	164%
Net Cumulative Cash Flow	10 months	12 months	12 months

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 \$85 million CAD and \$3 million USD in addition to other loan facilities of \$45 million CAD. As at year-end, Libro had drawn \$36 million on the clearing line and \$35 million on other loan facilities.

## 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 business objectives as expressed through the strategic business plan. Libro's Board of Directors and all employees are responsible for ensuring 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. Libro uses its ERM framework to consider risk in decision-making and ensure the risk exposures for Libro are mitigated effectively.

## Risk Principles & Culture

Libro's risk-management culture is embedded throughout the organization with all employees accountable for making decisions in the best interest of Libro Owners as a whole. Business decisions are made

at all levels of the organization and every team member has a role in managing risk within Libro's risk appetite, including identification, communication, and escalation of risk concerns.

## 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.

## Credit Risk

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union's direct lending, trading, investment and hedging activities. Granting loans to Owners is one of the credit union's primary sources of income and Libro grants credit through consideration of an Owner's credit history, character, collateral, and capacity for debt. Owners' financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected.

Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures. Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit enquiries.

To manage credit risk, Libro secures collateral against all types of loans. In the event that an owner is unwilling or

unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the Owner's overall credit worthiness including credit history, character, capacity for debt, and type of loan granted.

## Liquidity Risk

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board Policy limits to ensure the credit union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high quality liquid financial assets, monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios, and maintaining access to credit facilities through Central 1. Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization.

## Market Risk

Market risk is defined as the risk that the credit union's ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12 month period using most likely assumptions. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impacts of rate shock scenarios are measured against the most likely forecast ("MLF") as defined above. The resulting change in the forecast because of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate

scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors Policy.

## 2023 Economic Outlook and Looking Ahead

The Bank of Canada has signalled that they expect rates to remain more stable through 2023 as they monitor the impact of the 2022 rate increases on inflation. Labour markets remain tight, however, core inflation has yet to show sustained improvement. The Bank of Canada expects inflation to fall in 2023 and to reach its 2% target in 2024.

Libro's results and operations have been and will continue to be impacted by the uncertain macroeconomic environment. With stable elevated interest rates and competition for liquidity in the sector, Libro expects pressure on interest rate margins because of higher deposit interest expense in 2023. Libro also expects the elevated rates to have downward pressure on loan growth in 2023.

Libro continues to look forward to implementing initiatives that will ensure long-term sustainability and relevance. We are living in a period with an unprecedented pace of change, with opportunities and challenges presented by economic uncertainty, accelerated digital advances, and changing customer expectations. To remain strong and relevant in the future, Libro is increasing investment in digital development to utilize technology to make better, faster decisions for the benefit of Owners. At the same time, Libro continues to invest in staff, so they are confident and knowledgeable in delivering service to Owners within a safe and supported workplace.



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