

# Focused for Financial Well-Being

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2023 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.

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2023 Annual Report

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# Leadership and strategic clarity

Libro Credit Union is at an important moment in its history. For over 80 years we have focused on serving Owners through seasons of growth, change, and challenge. Today the traditional structure of the financial services sector is in the midst of significant change and evolution. This brings both opportunity and risk. Libro is focused on completing the important work fundamental for future success while navigating the current economic headwinds and industry disruption.

In this annual report, we are telling a story of the year we had in 2023 and how it is bridging to a new strategic direction for our credit union. We're looking ahead, even as everyone in the financial sector navigates those headwinds, because we know our purpose, values, owner loyalty, employee commitment, and financial strength position us well to thrive.

Even as I joined the credit union as its President & CEO on May 1, Libro was experiencing an environment with disruption on several fronts, from economic upheaval in the wider world to fast-paced change in our own industry. But Libro was and remains in a position of strength, thanks to the work done by so many, over more than 80 years. I want to pay tribute here to Stephen Bolton, who retired as President & CEO on March 8 after 35 years with the credit union – 11 of them as CEO – for his long tenure as an inspirational, impactful leader.

There is much to celebrate. During 2023, we welcomed our highest-ever number of new Owners in a year, with 8,081 people and businesses joining the credit union. Thank you to all of you, and to everyone who does business with Libro. It means so much to know more than 117,000 of you are entrusting your banking to us. We can point to successes in our strong liquidity, capitalization and revenue, with a margin that has proved healthier than most of our sector.

During 2023, we began the process of developing a new long-term strategy, with the goal of establishing strategic clarity for the next part of our journey. We completed a thorough assessment phase in 2023, setting us up to make informed choices and decisions



in 2024 on our path forward. The strategy process gives us the opportunity to ask ourselves critical questions about who we are, who we serve, how Libro can remain relevant in the future, and, importantly, how we can thrive together.

We remain a purpose-led credit union guided by our values. We are for-Purpose, as a B Corporation®, an associate member of the Responsible Investment Association, a Living Wage employer and more. With a purpose beyond profit, we seek to be a force for positive change, making decisions that have a positive long-term impact on the financial well-being of our Owners, communities, and staff, while maintaining the high-quality Owner service that, in 2023, saw credit unions share the [Ipsos Customer Service Excellence Award](#) for the 19th year in a row. Thank you to everyone who voted for us.

**Shawn Good**

President & CEO, Head Coach

# Staying resilient and looking ahead



The strength of communities is central to our success and we appreciate having the combined strength of Libro Credit Union's Owners behind us. We use that to drive the positive impact that everyone at Libro is determined to make.

In 2023, as we looked ahead, adjusting to a new reality, exploring new ways of working and, of course, welcoming so many new Owners, conversations were drawn to well-being. The impact of isolation on our communities and, in particular, our young people led to increased focus on mental health and well-being; across southwestern Ontario, the number of unhoused individuals increased dramatically, leading to conversations around housing needs; and the impact of climate change continues to require all of us to find different ways to live.

At Libro we are focused on the financial well-being of Owners and communities, providing our award-winning high standard of service every time as we

continue to support people and organizations in building their financial resilience.

I want to recognize that 2023 was a pivotal year for the Board of Directors. We have welcomed Shawn Good as our new CEO and he has brought momentum for change, making Libro stronger and even more ready to weather economic storms. This is vital as we live through events such as the unprecedented interest rate activity in recent years impacting our results for the year. The Board is delighted at the diligence of staff in navigating the changing landscape. And you can read more about the work of the Board and everyone involved in our governance structure on [Page 22](#).

We know there are more challenges ahead, and there's never been a better time to access the financial coaching Libro provides. Staying focused on financial well-being is about putting people and communities first as we build our success together.

*Jacquie Davison*

**Jacquie Davison**

Chair, Board of Directors





# B Corp

Libro is committed to **using business as a force for good**. As a B Corp®, we're part of a global community of businesses that meet high standards of social and environmental impact.

In 2021 we earned a score of 129.2 in our B Impact assessment. The median score for ordinary businesses who complete the assessment is currently 50.9. The B Impact Assessment evaluates how a company's operations and business model impacts their workers, community, environment, and customers.

## Overall B Impact Score

How Libro was assessed



- 129.2 - Overall B Impact Score
- 80 - Qualifies for B Corp Certification
- 50.9 - Median Score for Ordinary Businesses

B Corps recertify every three years to ensure they're keeping up and improving. While 2023 was not a recertification year for Libro, we participated in consultations about the evolution of the B Corp standards. The B Corp standards are at the heart of the B Corp movement. The standards will evolve to ensure the certification continues to be relevant and differentiate leading companies.

When we joined the B Corp movement in 2018, there were approximately 2,600 certified B Corps globally, and today, there are more than 8,000 B Corps working to create more inclusive workspaces, improve their climate impact, and respond to the ever-changing issues in the world.



# People are Choosing Libro

We're always excited to welcome new Libro Owners and in 2023 more than 8,000 individuals and businesses joined the credit union – the largest number in any year in our history. We want to thank everyone who has their banking with Libro and we want you to know that, with you on board, we're a stronger financial institution with a greater impact on the community.



**117,128**

Total Owners  
December 31, 2023



**8,081**

New Owners in 2023.  
809 of them were  
businesses



**10,933**

Businesses and other  
organizations bank  
with Libro



**4.41/5**

Owner  
Satisfaction

Join Libro Today!

[Open Account ›](#)



# You care about the planet And so do we



In our interconnected world, climate change has impacts on everyone, everywhere.

Financial institutions play a pivotal role in addressing this challenge globally and at a local level; and are being called upon to reduce their environmental impact on people and planet and to help their clients do the same. Managing our footprint and helping limit the effects of climate change will have a direct impact on our Owners' well-being.

As we develop an updated strategy, we are committed to building an approach that supports Owners today, with a view to being sustainable and enduring long into the future.

## Understanding our impact so we can support you.

One step in supporting our Owners in the face of climate change is having a better understanding of the impact associated with our operations and our lending, to help us to make data driven reduction plans. As such, we have measured both our operational and financed lending emissions for 2021 and 2022.

Operational emissions include those generated from running our business through leased and owned buildings, business travel and employee commuting. Financed emissions result from projects or types of businesses funded by Libro through our lending.

As we get ready to share our GHG emissions totals and plans to reduce we are working to improve our data quality and accuracy of calculations. Here are a few key insights from our research to date:

- Our financed emissions account for over **95%** of our total emissions. While our operational impact is small in comparison, we are committed to reducing both our direct and financed environmental footprint. This finding also underscores our belief that Libro can empower our Ownership, enabling them to play a pivotal role in reducing their own environmental impact.
- Of our operational emissions, most of our emissions stem from how our employees get to and from work and how we heat and cool our buildings. We are deploying tactics to make reductions in both areas.
- We calculated our financed emissions on three asset classes: Residential Mortgages, Commercial Real Estate and Business Loans. Over **90%** of our financed emissions are attributed to business loans. We see this as an exciting opportunity to work with small and medium-sized businesses to help them become more resilient against the impacts of a changing climate.





## Guided by our pillars

As an organization guided by a purpose beyond profit, Libro Credit Union works to remind everyone every day that we are seeking to make a positive impact. One of the most important ways we define that impact is through connections to our company pillars, as the key areas where we focus when making our decisions.



### Financial Well-being

We work to improve financial capacity and resilience of people, businesses and other organizations. With financial coaching at the core of the support we provide Libro Owners, we know it's our goal to empower people to strengthen their finances. To do this, we work to know people well, and provide tailored advice and relevant products & services to help Owners work towards their goals.



#### Employment

Increasing productive employment and decent work.



#### Housing

Enhancing access to adequate, safe and affordable housing.



#### Food accessibility

improving food systems to increase access to local food.

# Responsible Investments Putting Your Money To Work

Libro Owners are investing responsibly with help from their credit union, and it’s paying off. Since 2021, we have been offering new mutual fund accounts exclusively via 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. Over time we worked hard to expand the responsible investing options available to all Owners, and the response has been overwhelmingly positive. We know that Owners are putting their money to work in the right way, increasing their investments, 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.

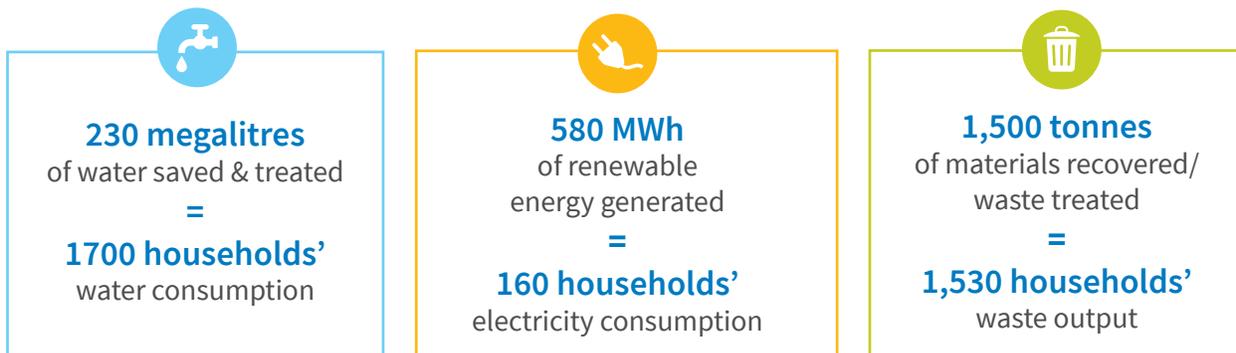
## Helped by improving market conditions late in 2023:

- Responsible investments with NEI grew another 23% to over \$361 million
- In our Libro Wealth Management offer, similar assets grew 10% to over \$121 million

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

- Engages with hundreds of companies annually on ESG issues such as greenhouse gas emissions, water dependency, deforestation reduction, and more.
- Publishes policy actions on topics such as inequality, human rights in the supply chain and net-zero alignment.

## NEI Environmental Leaders Fund Positive impacts for every \$15 million invested:



Source: Impax Asset Management. Based on most recently reported annual environmental data for holdings and assets under management as of 31 December 2022.

Mutual funds and other securities are offered through Aviso Wealth, a division of Aviso Financial 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 funds and other securities are not insured nor guaranteed, their values change frequently and past performance may not be repeated. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete. This report is provided as a general source of information and should not be considered personal investment advice or a solicitation to buy or sell any mutual funds. Aviso Financial 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/>.

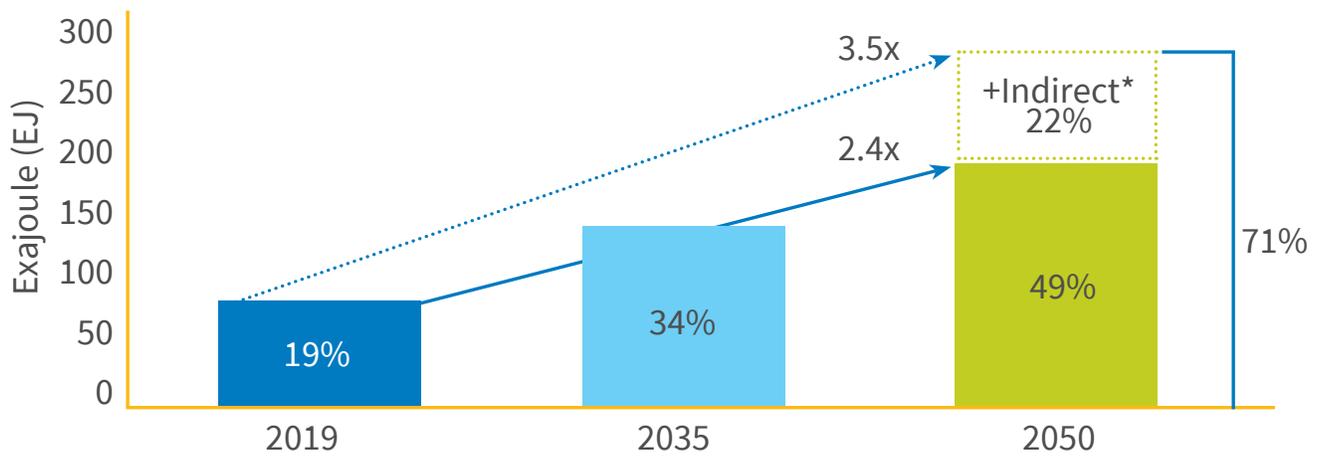
## NEI Clean Infrastructure Fund positive impacts:

\$1 million (CAD) investment implies the avoidance of 386 tonnes of carbon per year. That’s the equivalent to the emissions of 1,287 round-trip flights from Toronto to Montreal – or about 48 car trips around the world.

Measurable impact on emissions reduction. The fund is more than 66% cleaner than the respective grids in which the underlying companies operate.

### GROWTH OF CLEAN INFRASTRUCTURE

Massive growth in electricity consumption with renewables expected to capture 70% of the transition to cleaner electricity generation<sup>1</sup>



Source: [Fund-Feature-NEI-Clean-Infrastructure-Fund-en.pdf \(neiinvestments.com\)](#)





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## The Corley Family

Cortez and Evalena, and daughters Hannah and Harper, are all Owners banking in our Waterloo location. We couldn't be more happy to have them as part of the credit union for the past seven years, as we've helped them to focus on financial well-being.

Evalena said that, when considering if they should join Libro, they focused on whether we could be a good fit for their family – and decided that was a 'yes'.

*“Because we have such a great relationship with our coaches, the support was there,” Evalena said. “When you add in Ownership, and also your ability to feel like you're a part of decision-making at the credit union, it all works out very well.”*

- Libro Owners | [The Corley Family](#)

# Building on strong foundations

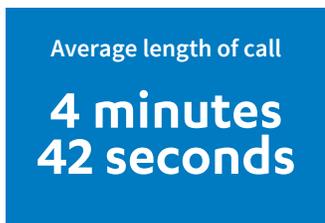
When people do business with Libro, it strengthens our position as a financial institution and makes it possible for us to do so much together. All of our impact comes back to Owners and the trust they place in us. With a strong foundation of capital and more than 80 years of building trust among Owners, we know it's all made possible by the relationships we build with the people we support.



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

If you've ever been on hold for an hour or three, you'll know that banking by phone can be a frustrating experience. The amazing Coaches at our contact centre, Libro Connect, are determined to change that. Libro Credit Union is the financial institution where real people still pick up the phone – and fast. Even with tens of thousands of requests for support through 2023, Libro Connect still answered calls in an average of less than 30 seconds. Get off hold and get on to Libro!

In 2023 we introduced the service **Wealth @ Libro Connect**, to help us support the **4,500** who invest with us.



# Making an impact on people and communities

We know that people talk about Libro and community impact in the same breath – and we’re proud to channel investment into worthy causes year-round. Here are some of the ways we make an impact as a purpose-based financial institution with deep roots in its communities.



## Annual Grants

21 projects supporting stronger communities and aligned to our pillars received **\$310,000**. For details about the organizations and projects, please visit [Annual Grants Recipients | Libro CU](#).



## Student Awards

The 34 Student Award Recipients were announced in July. They have 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 \$959,900 distributed to over 150 organizations. [See some of our current community partners.](#)



# \$1,337,900

**Total investment in community through Grants, Sponsorships, Donations and Scholarships in 2023**

# We're proud to be with you in-person

Libro teams are now happily enjoying refurbished buildings in our locations in Essex, Leamington, and St. Thomas, where renovation work began in 2023. We're always proud to talk about our presence in towns and cities in our service area, including communities supported by online services. Owners will always expect streamlined and accessible digital services, and we know that our physical spaces remain relevant and vibrant, even as Owners' needs drive change in the use of our buildings.

Over our long history, credit union branches have been seen as places to carry out transactions. However, in recent years people's needs have been changing, and in-person transaction volume continues to decline. So Libro is moving towards using physical spaces for more flexible purposes, including:

**Meeting new Owners:** We love to connect with new people who want to find out how their business can

drive our work in promoting financial well-being. Our physical branches are the best place for these important conversations, even as digital tools and channels continue to evolve.

**Providing in-person coaching:** Owners often expect and prefer in-person coaching discussions, including when it involves investments and financial planning and large life decisions such as home purchases. Our Libro coaches are now more mobile than ever, and our locations are still the gathering point for many of these discussions.

We will continue our branch renovations, which planned through a refresh cycle to ensure we maintain a standard expected by Owners and communities. And, when we renovate locations, we do so with the future in mind. We build flexibility into the design, to help us to use the space in a more fluid way today, and we consider how we can adapt the space in the future, as change continues.





Make friends with your money.

## Boost your Financial Well-being with our money management app

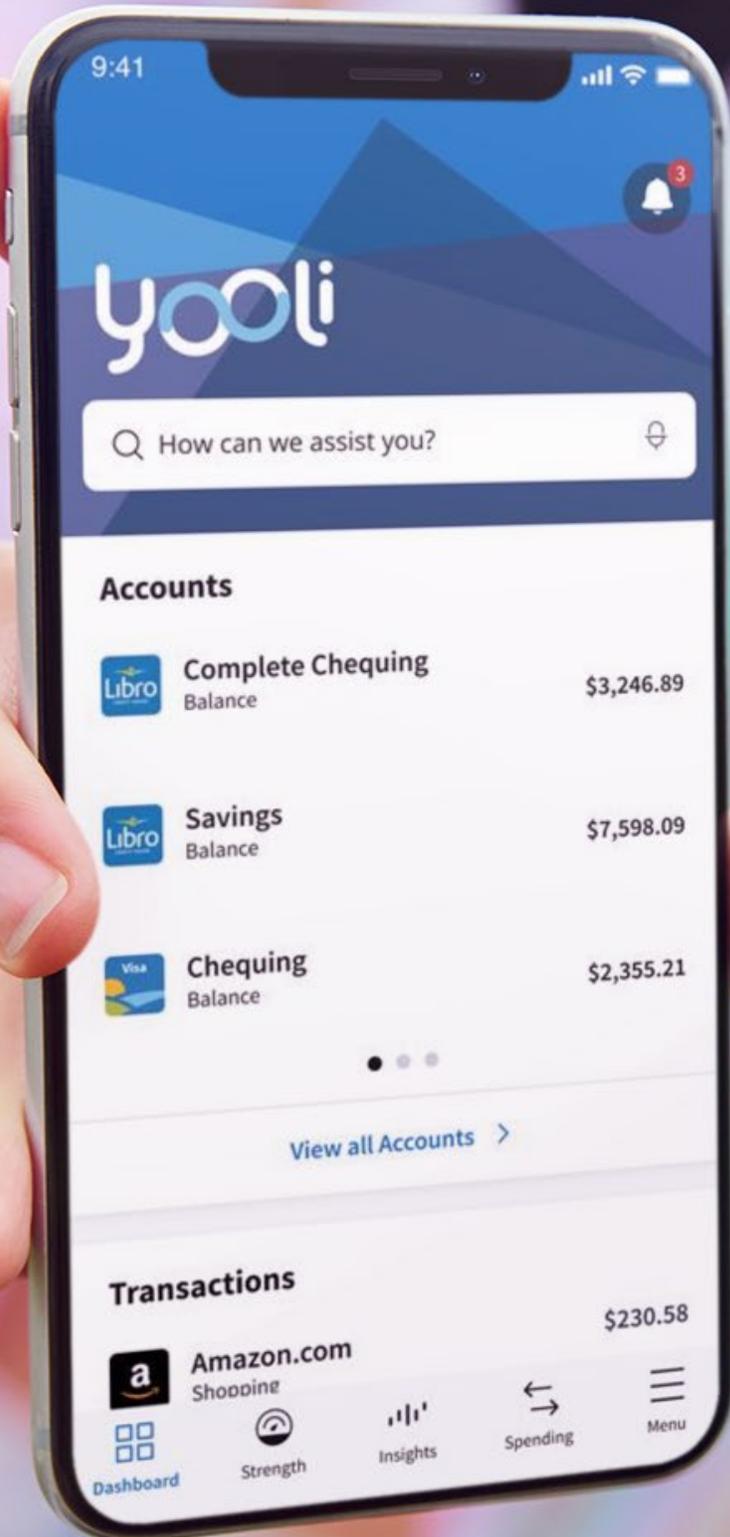
Everyone at Libro is determined to make a difference for Owners, and a big part of that is making sure the right tools are available for money management in fast-paced times.

We're supporting Owners with our money management app Yooli – it's where (Yo)u and (Li)bro work together, to focus on financial well-being. Financial coaching, at the centre of how we work, is increasingly enhanced by digital services like Yooli. With personalized insights, advice, and a better picture of your finances, with budgeting, spending trackers, insights and more, there's no better way to understand your accounts and transactions in one place.

And coming soon is integration in Libro's online banking. We started this work in 2023, launching it to staff as a test group, and we couldn't be more excited to bring it to Owners in 2024, encouraging better financial habits and well-being every day.

# 5,512

## Enrolled Users January 1, 2024



# Connecting you with online services

We will always work hard to offer the seamless digital services Libro Owners expect, and that means we have teams tirelessly bringing updates and improvements online, all year round. In 2023, we've seen exciting steps forward as we make sure we – and you - are ready for the future and we're all working to grow financial wellbeing together. Our latest advances have included:

## Online Banking

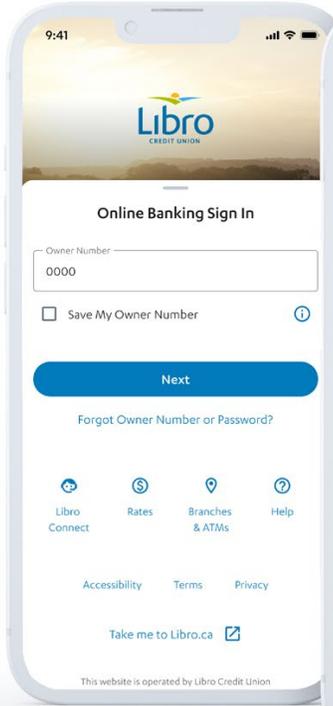
A relaunch of our Mobile Banking after a full rebuild and rebranding, all designed to make it accessible and easy to use. And we completed most of the work on a relaunch of online banking for 2024.

## Libro Wealth Strategies

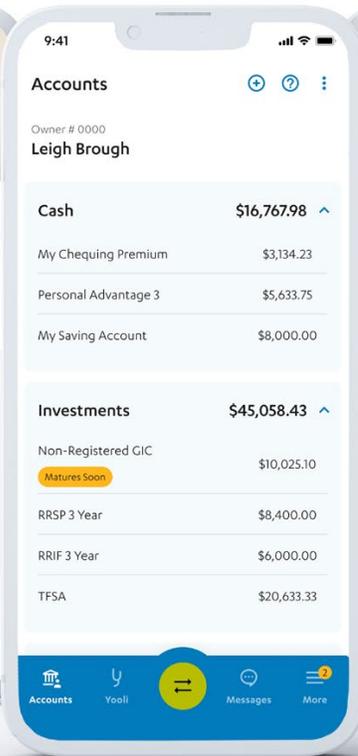
A new online centre designed to support Owners in growing their wealth. The website for Libro Wealth Strategies is a focus on our wealth and insurance services, and the Advisors who deliver them.

## CardWise

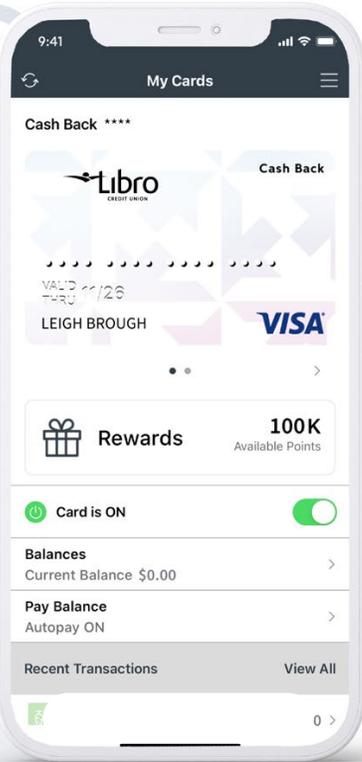
Cardwise, the new credit card site that's easy to use and supports Owners with financial information, insights, controls, alerts and more.



Online Banking



Libro Wealth Strategies



CardWise



## My Fit Room Studio

There's a focus on well-being at My Fit Room Studio, run by sisters Brianne Roder and Morgan Hutton for the last eight years – with support from Libro Credit Union. The credit union was there to support as they have launched, run and grown their boutique fitness studio, offering in-person and online programs from their base in Forest.

Over the years, the superfit entrepreneurs have been supported by many Libro Coaches, each with their own areas of specialty, from financial planning to mortgages to cash transfer fees.

*“Libro is like a community,” said Brianne. “It’s like a small town – they care about small business and hear our story. Every employee that works there has been helpful. They’re always looking out for the best for our business.”*

- Brianne and Morgan | My Fit Room Studio

# Investing in People

The deep strength in our credit union has always come from the people who make it work, and that means Owners, staff and the Directors and Owner Representatives who become directly involved in our Governance structure. Libro's people are the ones who drive our determination to make a difference in the world around us.



**824**  
Employees  
at Libro

**585**  
of Libro staff  
are women



**239**  
of Libro staff  
are men



Investment in staff training 2023:

**\$1,941,423**

Average per staff:

**\$2,361**

For the third year in a row, our investment in staff training was its highest ever: in 2023, that was \$1,941,423. That's an average of \$2,361 per staff – again, the highest-ever.



**34%**

of our colleagues have more than 10 years of service – that's 279 of us.

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

## Staff Training

Our culture of continuous learning, paired with a commitment to high-quality Owner service, drives ongoing investments in staff training and wellness. We know Libro Owners deserve the best financial coaching we can provide, and our Coaches' skills, experience and training is part of how we promote financial well-being in everyone we support.



### Living Wage



Libro Credit Union is a proud Living Wage Employer and a supporter of the Ontario Living Wage Network.

All Libro employees are guaranteed, at least, a Living Wage of \$22.75, which reflects the rate for the Huron-Perth region, the highest outside the GTA. A Living Wage is the rate needed by a worker to cover basic expenses and participate in their community, and we encourage employers to join this movement.

**93%**

A total of 424 staff took part in our employee health & wellness coaching program, with an attendance rate of 93% for sessions with wellness consultants.



**72%**

Libro's staff engagement score, a measure of overall satisfaction with the credit union, remains strong - and near top quartile in all of Canada.

# 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, creates and upholds a psychologically safe culture, and promotes respect for everyone’s view of their own prosperity.

Here are some of our highlights in this area from 2023.

**With support from a Diversity, Equity and Inclusion consultant, we set priorities as we continued work on staff education, including:**

- Trauma-informed de-escalation training through the Crisis Prevention Institute to support our frontline staff and leaders.
- Bite-sized education opportunities about how to report inequity, psychological safety in teams and more.
- Mental Health First Aid training – completed by half of our branch leadership teams
- Updated Accessibility for Ontarians with Disabilities Act training to ensure inclusive access
- Hosted staff-focused events to encourage open discussion about topics such as National Day for Truth and Reconciliation, Mental Health, and National Coming Out Day.

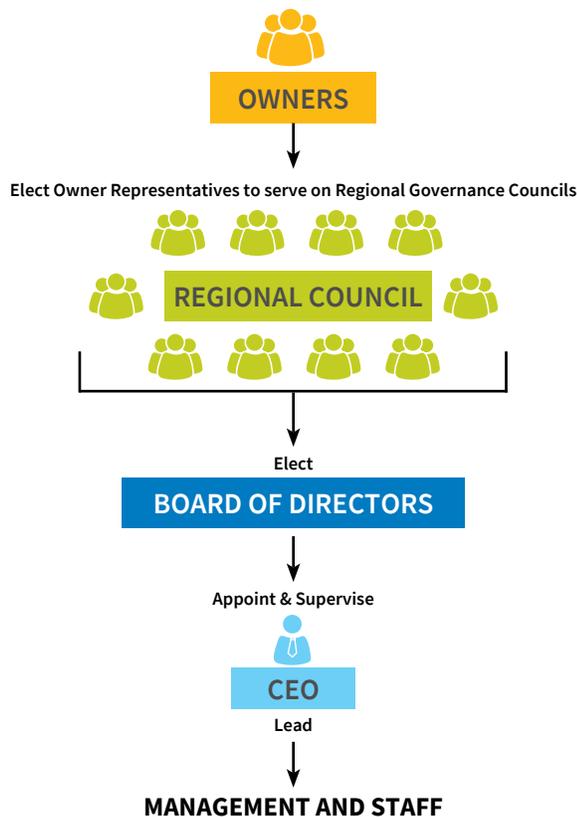
Also in 2023, Libro’s staff Diversity, Equity and Inclusion Council merged with our Culture Team to form a new staff-led group to help us drive towards a diverse, inclusive, and vibrant culture for all stakeholders. In 2023 we transitioned inclusion work from the council to key roles inside the credit union, to help ensure appropriate time and resources are allocated.



# Powering Connected Governance

As part of a member-owned and purpose based cooperative, we value strong governance. Libro is a democracy, and when you join Libro, you become an Owner, and that means you have a say in how we do business and how our business impacts the communities where you live, work and play.

The voices of Owners are heard through our unique [Owner Representative Governance](#) structure. These elected representatives sit on Regional Councils, are highly informed on governance, strategic and community-based initiatives, and carry the vote of Owners for Board elections and important governance decisions.



  
**74%** of Owner Representatives  
 voted for Director elections in 2023

## Libro Board of Directors

[Libro Directors](#) ensure Owners continue to be placed first in all that we do. Their mandate includes the overall responsibility and authority for the strategic direction of the credit union including leadership, stewardship, corporate governance and monitoring performance. The Board meets five times each year, with Directors serving on board committees and acting as liaisons to Regional Councils. For their work, Directors receive remuneration, which is approved by our Owner Representatives.

## Libro Governance Elections

Each year [Owners elect](#), by ballot or through acclamation, Owner Representatives in each Libro Region to begin a term on the Regional Council the following January. These passionate individuals in turn elect our Board of Directors on behalf of all Owners at Libro’s Annual General Meeting. For Board recruitment, the Director Recruitment Committee works to ensure qualified, diverse candidates are put forward for consideration. For the 2023 election there were four vacancies, each with three-year terms, that were each filled via voting by Libro’s Owner Representatives.

### Leadership Diversity

| Roles                       | 2023 | 2022 | 2021 | 2020 |
|-----------------------------|------|------|------|------|
| Women Directors             | 45%  | 45%  | 45%  | 45%  |
| Women Owner Representatives | 53%  | 47%  | 55%  | 49%  |
| Women Executives            | 43%  | 50%  | 50%  | 50%  |
| Women Managers/Supervisors  | 73%  | 73%  | 70%  | 73%  |
| Women Staff                 | 71%  | 72%  | 76%  | 77%  |

## Board Retirements

This year, we celebrate with Bryan Aitken (19 years), Stephanie Soulis (11 years), and André Vashist (2 years), who are leaving the Board following tremendous service to Libro. We thank each of them for their dedication and passion to Libro and our Owners.

|   | Director                          | First Elected | Years of Term | Committee Service  | Role                 |
|---|-----------------------------------|---------------|---------------|--|----------------------|
|    | Jacquie Davison<br>Chair          | 2014          | 2022-2025     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• People and Culture</li> <li>• Risk and Credit</li> <li>• Director Recruitment</li> </ul> | Ex-Officio           |
|    | Marycatharine Kusch<br>Vice Chair | 2018          | 2021-2024     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• People and Culture</li> </ul>  | Chair<br>Ex-Officio  |
|    | Bryan Aitken<br>Director          | 2014          | 2021-2024     | <ul style="list-style-type: none"> <li>• People and Culture</li> <li>• Risk and Credit</li> </ul>  | Member<br>Vice-Chair |
|    | Jeff Brown<br>Director            | 2023          | 2023-2026     | <ul style="list-style-type: none"> <li>• Risk and Credit</li> </ul>  | Member               |
|   | Alan DeVillier<br>Director        | 2017          | 2023-2026     | <ul style="list-style-type: none"> <li>• Risk and Credit</li> <li>• Director Recruitment</li> </ul>  | Chair<br>Member      |
|  | Christopher Mendes<br>Director    | 2014          | 2022-2025     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• People and Culture</li> </ul>  | Member<br>Vice-Chair |
|  | Jodi Simpson<br>Director          | 2020          | 2023-2026     | <ul style="list-style-type: none"> <li>• People and Culture</li> <li>• Director Recruitment</li> </ul>   | Chair<br>Member      |
|  | Stephanie Soulis<br>Director      | 2021          | 2021-2024     | <ul style="list-style-type: none"> <li>• People and Culture</li> <li>• Risk and Credit</li> </ul>  | Member<br>Member     |
|  | Ronda Stewart<br>Director         | 2022          | 2022-2025     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• Director Recruitment</li> </ul>  | Member<br>Member     |
|  | Garrett Vanderwyst<br>Director    | 2020          | 2023-2026     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• Risk and Credit</li> </ul>   | Vice-Chair<br>Member |
|  | André Vashist<br>Director         | 2022          | 2022-2023     | <ul style="list-style-type: none"> <li>• Audit and Finance</li> <li>• People and Culture</li> </ul>  | Member               |

# Bringing Agri-food education to the classroom

## Partnership spotlight - AgScape

AgScape’s mission is to empower Ontario youth and educators to understand their relationship to the agriculture and food system and ignite interest in related careers.

Through experiential and science-based programs, AgScape provides young people with the tools and knowledge necessary to make informed decisions about the agri-food industry, including, the foods that they eat, the practices involved in their production, and the career opportunities available within the sector.

Libro has been a supporter of AgScape since 2019. In 2023 we renewed our partnership and pledged a contribution of \$60,000 over the course of three more years. This multi-year investment in AgScape will provide longer-term sustainable support to help empower students with agri-food knowledge and inspire them to make food related career choices.

### Lesson Delivery by Topic Impact September 2020 - July 2023



# Our credit union is staying strong

In our story of 2023, we are recognizing the challenges in recent economic conditions and bridging to a strategy to take us into the future. At Libro, we know that building relationships for the long-term is the key to success. Despite economic upheaval and fast-changing conditions, we know we remain strong, thanks to partnerships old and new, reinforced by financial coaching that focuses on Owners' needs. We continue to share our profits back with Owners, one of the many ways we make a positive impact on people's financial well-being.



**\$3.52 Million**  
Class P Profit Sharing and Dividends

+

**\$12.75 Million**  
Class I Investment Shares Dividends

=

**\$16.27 Million**  
Directly returned to Owners

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**\$17.6 Million**  
Net income before taxes  
and profit sharing





“

## Melchers Construction

Part of Libro for more than 10 years, the family company Melchers Construction is a prime example of the Business Owners we love to support. Owner Chris Melchers said the 33-year-old company moved to the credit union from a big bank because it “just made sense”.

A big supporter of working with local companies like Libro, Chris regularly talks with his coach about his finances and appreciates the connection with real people in his community – and banking services that are about more than just numbers.

He said: *“One of the biggest differences between dealing with Libro and one of the big banks is when you ask for something and it goes for approval, they know who you are. It always seems so easy – it’s always been very seamless.”*

- Chris Melchers | Melchers Construction

# You should Be Libro

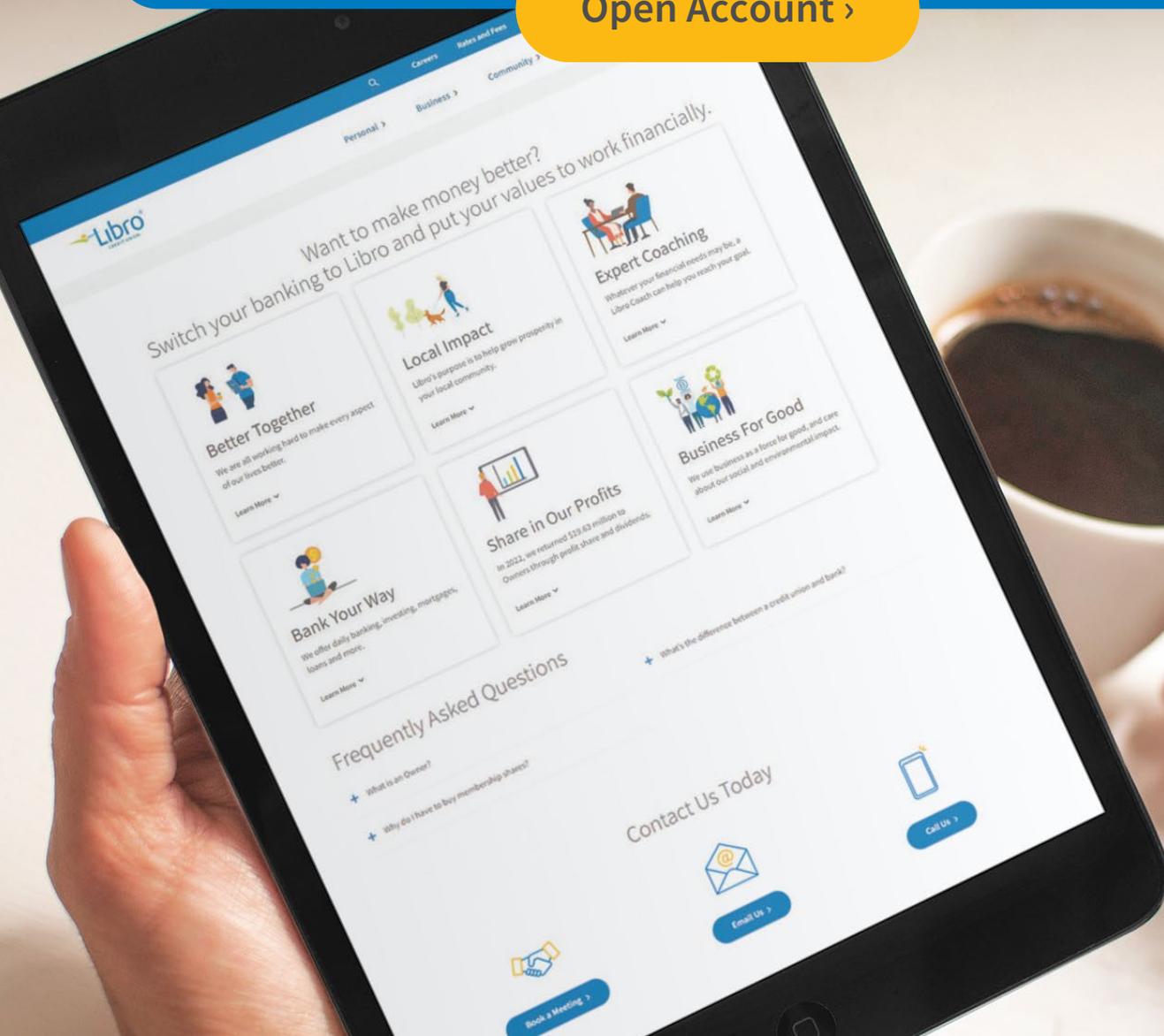
Everybody at Libro Credit Union is passionate about making a difference. We're growing our credit union so we can grow its impact on the financial well-being of people, communities and businesses. We drive that by building relationships with more and more Libro Owners every year.

We want you to join Libro. If you're already an Owner, thank you. Please spread the word about our work and recommend Libro to your friends and neighbours. And if you're considering joining, we want to chat with you. Here's how to start!

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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## 2023 Financial Overview

This financial overview is provided to support interpretation of Libro's financial results and should be read in conjunction with the 2023 audited financial statements. This overview may include forward looking statements, which inherently contain management assumptions, estimates, and forecasts.

Libro ended the year with \$7.3 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 2023, Libro reached a total year-end portfolio of \$12.0 billion. Portfolio represents the total of all on-balance sheet loans and deposits as well as loans and funds under administration. On balance sheet loans grew 3.0%, a significant decrease from the 13.5% growth we experienced in 2022. Deposits grew 5.4% in 2023 compared to 0.13% in 2022. Given the higher interest rate environment the pace of loan growth slowed with more owners taking advantage of higher deposit rates.

Libro ended the year with net income, before distributions and tax, of \$17.6 million compared to the prior year of \$56 million. With rising interest rates, Libro experienced a \$4.2 million increase in net interest margin. Non-interest income declined \$20.7 million compared to prior year because of \$4.9 million of unrealized losses on the valuation of interest rate swaps compared to a gain of over \$16 million in the prior year. Increases in operating expenses was \$7.7 million and the provision for credit losses increased \$14.1 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. Libro's average prime rate was 6.94% for the year compared to 4.13% in 2022. Net Interest income continues to be strong given the current economic environment. With a higher rate environment and three rate increases in 2023, interest earned on loans grew but the pace of loan growth significantly slowed.

Interest income increased \$83 million or 43% to \$277 million driven by higher interest rates and better returns on the portfolio. Interest expenses increased by \$79 million or 114% driven by higher interest rates paid on

deposits and investment as owners shifted funds from low-cost demands to higher cost GICs.

### 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 \$20.0 million in 2023, a decrease of \$20.7 million from 2022. Included in non-interest income is a loss on the valuation of Libro's interest rate swaps of \$4.9 million, compared to a \$16.4 million gain in 2022. The accounting treatment for interest rate swaps contributes to some volatility in earnings each year with the mismatch in timing of the valuation gains/losses and the receipt of the cash flows.

### 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 expense in 2023 was \$12.3 million. The provision is affected by changes in our expected credit loss balance at year-end and net losses experienced in the year. The expense in 2023 was driven primarily by a write-off of one commercial loan valued at \$9.9 million, with an increase in credit impaired loans, whereas 2022 saw a decrease in credit impaired loans and low delinquencies and write off losses.

# \$5.99 Billion

Total Assets • Growth of 5%

# \$7.3 Billion

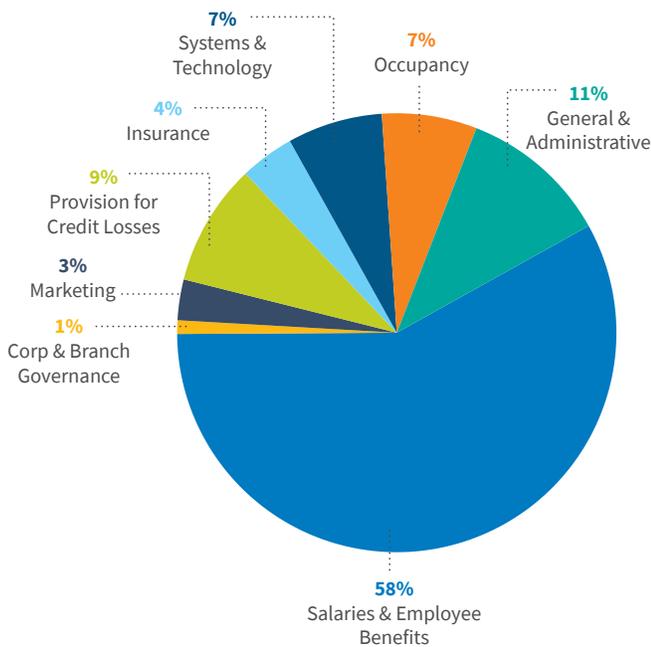
Total Assets Under Management  
Growth of 4%

# \$17.6 Million

Net income (PRE-TAX) • Decrease of 69%

## Operating Expenses

Operating expenses in 2023 were \$119 million, an increase of 7% over 2022. 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 \$76.5 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 general and administrative expenses to supplement resources and support the strategic process, systems and technology expenses as we invest in our digital delivery strategy, and occupancy costs to maintain our 36 locations.

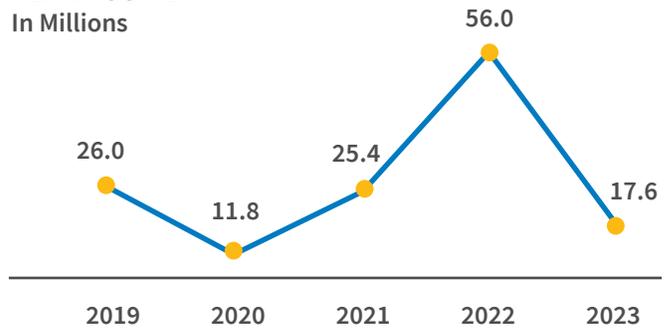


## Net Income

Net income (before profit sharing and taxes) was \$17.6 million, a decrease of \$38.3 million or 69% over 2022. When normalized for both the impacts of the provision for credit losses and the interest rate swaps, net income (before profit sharing and taxes) would be \$34.8 million in 2023 compared to \$37.7 million in 2022 and the financial foundation associated with ongoing operations remain strong.

### NET INCOME

In Millions

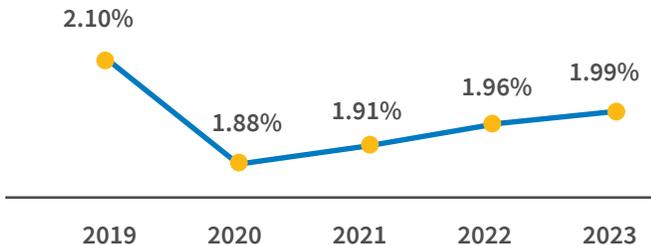


## Efficiency

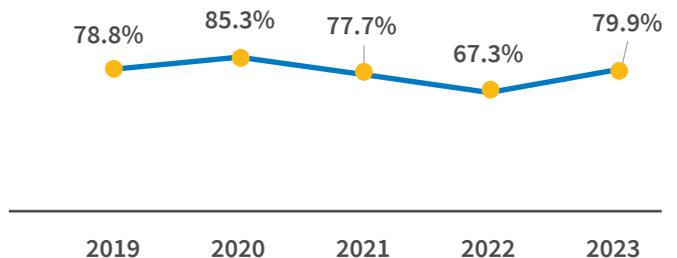
The operating efficiency ratio is calculated by dividing operating expenses by revenue and represents how many cents it costs to earn one dollar of revenue. A lower ratio indicates a more efficient business operation. In 2023, operating efficiency was 79.9% compared to 67.3% in 2022. This ratio is inclusive of the non-operating losses 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.

## OPERATING EXPENSES

% of Total Assets



## EFFICIENCY

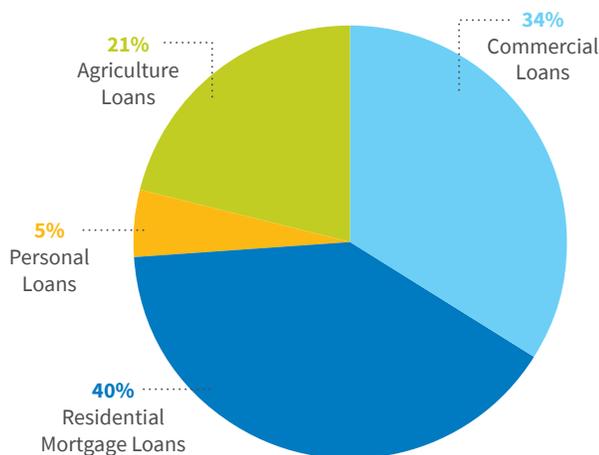


## Financial Position Summary

In 2023, Libro experienced more balanced growth than the prior year with deposits outpacing loan growth. On-balance sheet assets grew to \$5.99 billion from \$5.68 billion in the prior year. This was driven by increased net loans to Owners and investments, which grew by \$152.5 million (3%) and \$138.9 million (30%) respectively. With more balanced growth this year, Libro had growth investments and paid down term borrowing. Loan growth was driven by retail mortgages which grew 5%, commercial loans grew by 1%, agriculture loans grew by 3% and personal loans grew by 1% over the prior year.

### LOANS TO OWNERS BY CLASS

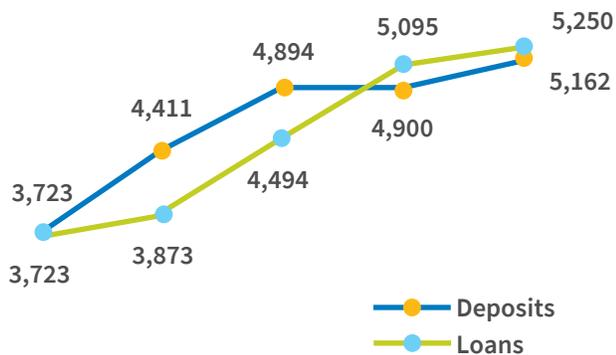
% of total loans



Deposits grew \$262 million, or 5.4%, compared to \$6.5 million or 0.13% growth experienced in 2022

### 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 2023, Libro had liabilities associated with securitized consumer mortgage loans of \$197.9 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, 2023 were \$1.21 billion up from \$1.18 billion in 2022. Mutual funds are impacted by market volatility.

Assets under management also include \$69 million of loans administered on behalf of the Government of Canada, down \$72.0 million from 2022 as some Owners began paying these loans off in advance of year end.

Total assets under administration were \$7.3 billion at December 31, 2023, up 4.4% 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.

### Capital Management

Libro is required to comply with the capital requirements outlined in Credit Unions and Caisses Populaires Act and Ontario Regulation 105/22 (together the "Act"). The Act sets minimum capital requirements for credit unions in Ontario. Libro also must comply with the Capital Adequacy Rule ("Capital Rule") issued by the Financial Services Regulator Authority of Ontario ("FSRA"). 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.

## Libro's Capital Position

Libro's regulatory capital ratios remain strong and above the requirements of the Act. At December 31, 2023, Libro's capital leverage ratio was 8.79%, a decrease from 8.98% at the end of 2022, and in excess of the 3.0% stipulated in the Act. Libro's risk weighted capital adequacy ratio was 14.17%, compared to 14.13% at the end of 2022, and in excess of the 8.0% stipulated in the Act. In addition, Libro's complied with all other ratios required in the Capital Rule. Total regulatory capital at the end of 2023 was \$557 million compared to \$541 million at the end of 2022. The increased capital is a result of earnings in the year, while other capital components remained relatively consistent with the prior year.

| <b>CAPITAL (\$000)</b>   | <b>2023</b> | <b>2022</b> | <b>2021</b> |
|--------------------------|-------------|-------------|-------------|
| Retained Earnings Ratio  | 5.71%       | 5.55%       | N/A         |
| Leverage Ratio           | 8.79%       | 8.98%       | 7.07%       |
| Total Capital Ratio      | 14.17%      | 14.13%      | 10.78%      |
| Total Tier 1 Capital     | 526,188     | 512,765     | 354,150     |
| Total Tier 2 Capital     | 30,460      | 28,418      | 27,003      |
| Total Regulatory Capital | 556,648     | 541,183     | 381,153     |

## 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. 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 Owners' requirements are always met. By ensuring that sufficient, readily accessible or liquid assets are available,

Libro can 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, including FSRA's 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

In addition to the measurements outlines above, Libro monitors daily liquidity using a simple liquidity ratio. At year end, liquidity was elevated in anticipation of CEBA loan repayments and as a result of slower loan growth during the year. Libro's target range are a result of high deposit growth in 2023. At year end, all ratios comply with regulatory requirements outlined above.

| <b>LIQUIDITY</b>         | <b>2023</b> | <b>2022</b> | <b>2021</b> |
|--------------------------|-------------|-------------|-------------|
| Liquidity Coverage Ratio | 618%        | 209%        | 509%        |
| Net Stable Funding Ratio | 132%        | 132%        | 148%        |
| Net Cumulative Cash Flow | 12 months   | 10 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 \$105 million CAD and \$3 million USD in addition to other loan facilities of \$50 million CAD. As at year-end, balances outstanding were nil.

## 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 complies with all limits set by the Board of Directors Policy.

## 2024 Economic Outlook and Looking Ahead

Economic growth is anticipated to remain close to zero through the first quarter of 2024, with interest rate increases continuing to weigh on household spending, business investment, and slowing foreign demand restraining exports.

While consumption is supported by strong population growth, it is projected to continue declining through 2024 in part due to slow growth in labour income. In addition, consumer spending continues to be constrained by high debt-servicing costs and weak consumer confidence.

While housing resale activity has been weak, new construction activity has picked up at the start of 2024. The boost to new construction comes from strong population growth, the recent easing in financial conditions, and the waning effects of past increases in interest rates. Resale activity is projected to increase in the second half of 2024 from its current low levels with moderate housing price growth. Business investment is expected to remain weak through the first half of 2024, held back by slow demand and still-elevated borrowing costs. It is anticipated to improve in the second half of 2024 with the diminishing impact of past interest rate increases as well as easing financial conditions and higher demand.

Libro's results and operations have been and will continue to be impacted by the uncertain macroeconomic environment and a challenging environment for retail mortgage and business loan growth. Competition for deposits remains elevated, balancing both costs pressures on household budgets and modest increases in household savings rates.





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