

ANNUAL REPORT 2022

FirstOntario

CREDIT UNION



MAKING A DIFFERENCE TOGETHER.



STU WALKER BOARD CHAIR

As I approach the end of my first year as Board Chair, I would like everyone to know it's been an honour to serve FirstOntario Credit Union in this role alongside my fellow Directors on this path of growth, innovation, and success. Your Board of Directors consists of six women and six men who work together to ensure FirstOntario's continued success for all stakeholders.

Our membership is strong. There is strength in knowing the number of people who count on us to guide them on their financial journeys show no signs of slowing down. We welcome new members every day - people who come for day-to-day banking, business support, insurance, wealth, and investment opportunities. This includes people from the arts and entertainment industry through Creative Arts Financial and those who prefer an exclusive digital banking experience with Saven Financial. I am pleased to announce that our membership now includes the Chatham community, with the merger of Heritage Savings & Credit Union, currently in progress.

There is also strength in knowing our Board of Directors, executive leadership and employees are dedicated to our membership. We continuously look for ways to offer a better banking experience. We're also focused on how we can grow as a purpose-driven organization that makes a positive impact - one that is trusted, recognized, and valued.

Last year, FirstOntario finalized a new strategy to move us forward through the next four years. We've developed a solid plan with goals to keep FirstOntario competitive, relevant, and growing. Guided by our social purpose statement, "We exist to unite communities for a sustainable future", FirstOntario has identified key areas where we can make a difference to our members and our communities. Our objective is to continue as a respected organization backed by an inclusive culture of people, who care about one another and who want to do what's best for our members. We're committed to offering products and services to people of all ages, life stages and backgrounds. Our credit union takes pride in being socially conscious and every decision we make is based on our shared values.

Reflecting on our credit union family, we were saddened to learn of the passing of Alexander (Lex) Gracie, one of FirstOntario's founders and a credit union system pioneer. Lex started on the Board of Stelco Credit Union, which evolved to become FirstOntario in 2000. He also devoted close to four decades to the credit union movement. Lex held many volunteer leadership positions including Board Chair for CUMIS Insurance, Credit Union Central of Ontario, Credit Union Central of Canada and served as president of the World Council of Credit Unions. His contributions to the credit union system are invaluable. It is because of people like Lex that the co-operative financial model is so strong today.

FirstOntario remains committed and focused on the co-operative model by reinvesting our profits to help our communities and members alike. Last year, FirstOntario was proud to support the Niagara 2022 Canada Summer Games, which celebrate amateur sports. FirstOntario played a significant role in welcoming more than 5,000 participants to the Niagara region. We invited employees and members to cheer on competing athletes, participated in the opening and closing torch relay runs and celebrated during the 13 for 13 Cultural Festival. The Canada Games were truly memorable and just one of the many initiatives our Community Impact team and FirstOntario's Blue Wave volunteers supported in 2022. We were also excited to announce an important new initiative in 2022, a five-year, \$50,000 commitment to Hamilton Food Share, a hub that supports local food banks across Hamilton, Niagara and Haldimand.



Blue Wave employee volunteers stayed busy helping with the return of some in-person events in 2022, like the Cancer Assistance Program Care Walk, the Coldest Night of the Year event to support local charities, FirstOn the Field Flag Football and Ticats BeFit Program with the Hamilton Tiger-Cats welcoming elementary students to Tim Horton's Field, Tim Hortons Smile Cookie campaign and community clean ups. Our Blue Wave employee volunteers delivered fresh apples to schools as part of student nutrition programs and FirstOntario once again worked with the United Way Halton & Hamilton in supporting key initiatives to bring awareness to homelessness with Sleepless in Our Cities.

In 2022, FirstOntario also celebrated 10 years of small business support through our annual 1Awards competition. This event offers cash and in-kind services to local entrepreneurs to help them move to the next level in their business development. The partnerships we've built in our communities through this program have been extraordinary, and together we've invested close to \$2 million back into the small businesses that help make our communities prosper.

FirstOntario's annual Education Awards recognized 13 post-secondary students through \$13,000 dispersed in scholarships. These awards support first and second-year students in college and university.

In closing, I would like to remind you, that as a member you have a voice, and at FirstOntario we are always listening. I would like to thank our employees for their dedication and commitment to excellence and to also thank you, our members, for the support and the trust you continue to place in us. Together, we've all contributed to strengthening our credit union and can share in celebrating the many successes and achievements made throughout the year.





LLOYD SMITH CEO

With commitment to FirstOntario's values and our members' financial well-being, we faced 2022 with confidence. We performed well and we achieved important goals. Although the year presented new economic challenges, we faced them all together. I'm proud of our members' ongoing support, our employees' commitment to our members and FirstOntario's accomplishments.

FirstOntario's financial results for 2022 were strong. We exceeded performance goals and increased regulatory capital. We achieved steady growth and solid earnings for the past several years and 2022 was the same with earnings reaching \$40 million in income before taxes. An important pillar in our strategic plan is corporate relevance, with credit union growth and financial sustainability noted as key performance indicators. FirstOntario has achieved annualized growth in funds under management between 7.2% and 8.5% demonstrating our health, stability, and vibrancy.

FirstOntario made essential technology enhancements to further our digital journey and position our credit union for growth and innovation. Our banking system upgrade was a significant advancement, ensuring our ability to offer new products and tools to better serve members. Technology upgrades are challenging, and we appreciate our members' support as we worked through this transition. We are well positioned to advance FirstOntario's digital capabilities now and into the future.

Working with members to support their financial success will always be our priority. When economic turbulence and rising rates proved to be challenging, we stood by our members and created programs to assist with managing loans and mortgages.

Our efforts to offer members new and modern facilities continued in 2022. We invested in a full renovation of our Norwich location, and we completed planning for the 2023 relocation of our Thorold branch to a newly updated space across the street.

We were excited to welcome Heritage Savings & Credit Union members to the FirstOntario family, successfully closing the formal merger process in September 2022. We've connected with the Chatham-Kent community to get ready to launch a fully branded, full service FirstOntario location in 2023. We look forward to our new community and we'll continue to explore merger opportunities with other credit unions in the future.

Saven Financial, a division of FirstOntario Credit Union, achieved impressive growth in its second year of operation. Memberships more than doubled reaching almost 4,000 across Ontario with deposits nearing \$300 million. We'll continue to see Saven grow by increasing awareness and strengthening its digital platform. An important upgrade planned for the spring of 2023 ensures Saven's platform will provide the highest security as we prepare to deliver new products for members, including the launch of a Tax Fee Savings Account (TFSA) in 2023.

Through Creative Arts Financial, a division of FirstOntario Credit Union, we serve the unique needs of the arts and entertainment industry. We are committed to expanding the capabilities of its digital platform, enhancing the member experience, and increasing promotion to grow membership across Canada.

FirstOntario makes a positive impact by connecting with partners and like-minded organizations to support important community initiatives and programs. There is an increasing need to address food insecurity and the number of people and families accessing support continues to grow. We responded by donating \$230,000 to student nutrition programs and \$140,000 to food banks across our regions.

In support of financial literacy, our partnership with Brock University aims to reach students. Grade 4 classes learned to put financial concepts into practice through the interactive Goodman Lemonade program while university students benefited from our FinTip\$ podcasts. FirstOntario employees continued to offer Each One Teach One financial literacy seminars and free webinars. On CHCH Morning Live, we began season 14 of Finance Friday and launched Wealth Wednesday - a new segment designed to share information and increase understanding about investments and saving.

We are proud to be recognized as a Top Employer Hamilton/Niagara 2023. Our employees are directly linked to our success and our ability to deliver outstanding member service and support community initiatives is because of the talent and drive of our people. We continue to focus on employee experience, engagement, and culture. This recognition strengthens our position as an employer of choice.

We begin 2023 with a new four-year strategic plan, which sets our credit union's financial and growth priorities and inspires us by affirming why we exist through our social purpose statement, "We exist to unite communities for a sustainable future". This plan is built on six key pillars that encompass what we aim to achieve. It sets direction and metrics for our performance, and challenges us to envision our credit union once we have achieved our goals, strengthened our credit union, and furthered our journey to grow as a purpose-driven organization.

Our Board and leadership teams rise to every challenge and opportunity. Together, we strive to ensure FirstOntario is an exceptional credit union, while remaining focused on what truly sets us apart - the positive impact we can make in our communities.

I want to thank all FirstOntario employees for their commitment to serving our members. Our success and many achievements are possible because of their hard work and contributions throughout the year.

I thank our members for your ongoing support, and I sincerely value your trust in us. I am excited about leading our credit union's ongoing journey as we continue to evolve to meet your changing needs, to offer superior financial services and to ensure our credit union remains strong and vibrant for the future.





Connecting Communities for a Stronger Tomorrow.

We believe there is power in connection. By supporting our employees, members and communities, FirstOntario connects with people and causes in a way that maximizes our collective impact to make a significant difference.

FirstOntario supports initiatives and programs designed to improve the lives of our members and our communities, and we strive to be a hands-on contributor in their success.

Our contributions go far beyond donations and sponsorships. We believe in the importance of creating meaningful connections and supporting a variety of programs and initiatives that strengthen our communities and make a difference in the places we all live and work.

\$53,000

to support affordable housing, fighting hunger and youth health and wellness on behalf of Creative Arts Financial and Saven Financial.

The AFC | Raising the Roof | Feed Ontario | Children's Mental Health Ontario

\$230,000

Provided to student nutrition programs

\$140,000

Given to food insecurity

\$13,000

Given to students through education awards

1 Awards \$200,000

In prizes and in-kind support

1,130

Blue Wave hours in 2022

Over \$37,000

To support United Way



FirstOntario is a Living Wage Champion and member of the Ontario Living Wage Network (OLWN).

We are committed to investing in a skilled, healthy and vibrant workforce. Paying a living wage is an important investment in our employees and the long-term prosperity of our communities.



We're proud to be named as a Top Employer in Hamilton-Niagara.

This special annual designation recognizes employers that lead their industries in offering exceptional places to work and offer the most progressive and forward-thinking programs.

FirstOntario is committed to fostering an environment where employees feel valued, motivated and engaged.



Providing Hands-on Community Impact

FirstOntario's employee-led Blue Wave volunteer program demonstrates how we go beyond traditional forms of community support. Our community volunteerism continued to ramp up in 2022, providing tangible hands-on contributions to organizations, events and initiatives across our communities.

We are committed to continue actively engaging in the community to make a meaningful difference and celebrate the enthusiasm, contributions and many achievements of our Blue Wave employee volunteers.



1,130 HOURS



263 VOLUNTEERS



78 EVENTS
85 SCHOOLS

Focus on NUTRITION and FOOD SUPPORT

Building healthy, growing and vibrant communities for all!

FirstOntario is more than just a financial institution. We help bring about meaningful change and create strong communities by developing community relationships with like-minded organizations and leveraging our credit union's unique skills, expertise and commitment.

Key pillars of our community focus

Student Nutrition and Food Support

Financial Literacy

Affordable Housing and Homelessness Awareness



29,000 Students Helped

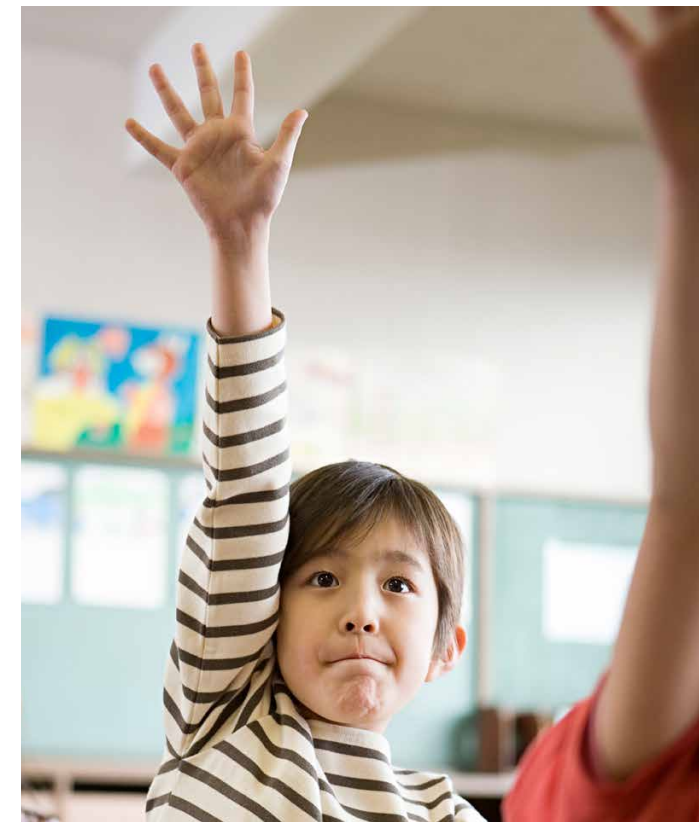


Over \$2 million in support since 2014



72 Schools

\$230,000 donated in 2022



Student nutrition programs are key to successful learning. Access to healthy food and snacks while in school help fuel young students with energy and nutrition for a full day of learning.

Our support of nutrition programs has continued to grow since we began in 2014 and totals over \$2 million in contributions to ensure students across our regions have access to healthy snacks and breakfasts while at school. Working closely with our partner agencies ensured FirstOntario directed dollars to programs that benefitted students as they shifted back to in school learning. Our support ensured 29,000 students had access to healthy food. At the start of the 2022 school year, Blue Wave employee volunteers eagerly stepped in to provide hands-on support by delivering fresh local fruit and produce to 72 schools ensuring students received a healthy start to a day of learning.

AGENCIES WE SUPPORT



Season of Giving

Hands-on support from our Blue Wave volunteers was an important part of how we were able to give to our communities, along with FirstOntario's donation of \$135,000 to local food banks this year. In the last three years, our support has exceeded \$300,000 to help address food insecurity and assist key community agencies and partners in their efforts.

FirstOntario continued our support of the CHCH Toy Drive by accepting monetary donations at our branches and donations made by e-Transfer leading up to the holidays. This year, nearly \$33,000 was collected and, these donations helped support more than 1,000 families across Hamilton, Halton and Niagara. Once the toys were purchased to fulfill the wish lists, remaining donations were distributed to Hamilton Food Share, Food4Kids Hamilton, Food4Kids Halton and the Hamilton Optimists Club. Since 2020, FirstOntario members and people throughout our community have donated over \$56,000 to ensure a bright holiday season for children in our communities.

MAKING A DIFFERENCE TOGETHER



Focus on AFFORDABLE HOUSING and HOMELESSNESS AWARENESS

Hamilton Food Share

Ongoing challenges and the impact of additional economic pressures resulted in increased need in our community. In 2022, FirstOntario answered the call for support by creating a partnership with Hamilton Food Share, a non-profit organization that acts as a hub for food banks by collecting and distributing food for people in need in Hamilton, Niagara and Haldimand. Our five-year commitment provides a total of \$50,000 for Hamilton Food Share's Priority Food Project, helping to ensure local food banks have support needed to have staples like dairy and frozen meat available.



The health of the community is reflected in the access to affordable housing

Coming together with key partners like Penn Terra Group Limited and Bethlehem Housing and Support Services, FirstOntario created a residential complex for 127 families and offered safe, clean long term (guaranteed 99 years) affordable housing in St. Catharines. We continue our commitment to these families and the important work of Bethlehem Housing and Support Services through the lead sponsorship of the annual Empty Bowls fundraiser and hands-on Blue Wave support. This successful partnership is supporting our work with other municipal governments and private enterprise and also included contributing to a national credit union panel on Housing Affordability and Supply - where we added our unique perspective on the important contributions credit unions make in their communities.



Caring Beyond our Borders

FirstOntario joined with the rest of Canada's credit union system to raise funds in support of the people in Ukraine. FirstOntario sent a \$10,000 corporate donation to the Canada-Ukraine Foundation to help provide much needed humanitarian aid and opened an account to accept member and community donations for the Canada-Ukraine Foundation, collecting \$9,422 in additional support.



United Way
Halton & Hamilton



Our commitment to the United Way continued to be an important way for our employees, members and the community to support those in need. Together, our efforts resulted in over \$37,000 in donations.

Raised over \$9,300

FirstOntario supported the second annual Sleepless in our Cities event. Dave Corbett, a director on our business banking team, took on the challenge of sleeping in his car one night in February to raise awareness of the challenges that youth and adults face in poverty and highlight the trials of precarious housing across our communities and to raise funds. In the two years FirstOntario has participated, more than \$20,000 has been raised for this important initiative.

Employee giving plus corporate donation \$21,000

FirstOntario employees raised more than \$18,000. With an increased corporate donation, FirstOntario contributed a total of \$21,000.

Season of Giving donation \$7,400

To help relieve additional pressure placed on local food banks we donated \$7,400 to United Way to help respond to increased needs across our communities.

INCREASED COMMUNITY NEED IN 2022



Homelessness, Safe and Affordable Housing Initiatives

- Coldest Night of the Year - Neighbour to Neighbour
- Coldest Night of the Year - Norfolk County Youth Unlimited
- Coldest Night of the Year - Start Me Up Niagara
- Coldest Night of the Year - Inn of Oxford
- Bethlehem Housing - Empty Bowls Fundraiser
- Halton Women's Place - Hope in High Heels Walk
- Sleepless in our Cities - United Way Halton & Hamilton



Health and Wellness

- Hamilton Health Sciences Foundation
- Hotel Dieu
- Cancer Assistance Program
- Dr. Bob Kemp Hospice
- Joseph Brant Hospital Foundation
- Pathstones
- St. Joseph's Healthcare Foundation



Caring for Communities

- ACTRA
- Big Brothers and Big Sisters of North and West Niagara
- Big Brothers and Big Sisters of Oxford County
- Wesley
- Burlington Community Foundation
- Runanthropic
- Ontario Credit Union Foundation
- CHCH Christmas Toy Drive
- Hamilton Arts Council



Food Insecurity Programs and Agencies

To help support the continued challenges around food insecurity, **\$140,000** was donated to individual food banks across our regions.

- Project Share Niagara Falls
- The Hope Centre Welland
- Community Care St. Catharines & Thorold
- Brock University Students Food First Support Program
- Neighbour to Neighbour
- Good Shepherd
- Hamilton Food Bank
- Burlington Food Bank
- Fare Share Food Bank Oakville
- Cayuga Food Bank
- Tillsonburg Helping Hand Food Bank
- Simcoe Caring Cupboard Food Bank
- Salvation Army - Woodstock/Norwich/Ingersoll
- Bethlehem Housing - Holiday celebration
- Food4Kids Niagara
- Food4Kids Hamilton
- The AFC
- Chatham Outreach for Hunger
- United Way





Focus on FINANCIAL LITERACY and LEARNING

Knowledge is power. FirstOntario is committed to helping build solid financial literacy foundations to help make important decisions with confidence.

Financial Literacy Sessions and Education for students

Through our unique partnership with Brock University and the Goodman School of Business we continued to provide innovative student-centred programming to help teach financial concepts and strengthen financial literacy through the Goodman Lemonade and FinTip\$ programs.

Goodman Lemonade sees school-aged students participate in online and in-class workshops, activities and a presentation from FirstOntario on budgeting, revenue, expenses and profit. Grade 4 students learned financial concepts and how to brainstorm, design and market a lemonade stand business. The learnings culminated in student teams setting up their lemonade stand on Brock's campus and putting their plan into action.

Designed for university students, **FinTip\$** is a unique digital program that features a Brock student interviewing a FirstOntario financial expert, to provide student-focused information about a series of financial topics. This year we successfully delivered four **FinTip\$** segments that shared tips and knowledge about Budgeting at School, Credit Scores, Good versus Bad Debt, and Debt Repayment.



14 Webinars and Online Sessions

Literacy and Wellness Programs

Each One, Teach One (EOTO) is an important program we offer to provide foundational literacy sessions. Created by Vancity Credit Union and with the support of the Canadian Credit Union Association (CCUA), the program covers a variety of topics including: basic budgeting, building a healthy credit history, identity theft and fraud prevention, RRSPs and TFSAs, home buying readiness, and much more.

23 Episodes of Finance Friday

FirstOntario's Finance Friday segments on CHCH Morning Live provide relevant financial insights and information to viewers. For well over a decade we've proudly been a source of information that delivers a better understanding and confidence when it comes to making important financial decisions.



Launched Wealth Wednesday

In July we expanded our financial literacy segments on CHCH Morning Live to include timely topics for viewers about wealth strategies. Once a month our FirstOntario experts discuss wealth and investment-related topics and tips.



Education Awards

GRETA BULMER

LUCAS CINO

\$13,000 in scholarships in 2022

FirstOntario has recognized over 100 students in the community and awarded over \$135,000 to continuing education since 2005.

FirstOntario supports continued education for youth through leadership opportunities and funding for post-secondary education across our regions including: McMaster University, Mohawk College, Brock University, Niagara College and Fanshawe College.

CIARA KINSELLA

SOPHIE LAMB

HANNAH MEIJERINK

ASIA WOODTKE

GENEVIEVE LAMBERT

MAYA LEKHI

HANNAH BIRO-VALVASORI

ALYSSA MUZYKA

ETHAN SCHRIEBER

ARWEN ARZADON

LAUREN SINGHUBER

Focus on SPORTS and CULTURE

Supporting vibrant cultural events and sporting programs that enrich community life for everyone.

Cultural enrichment and program support continues to be a big part of our community commitment through our ongoing investment in the naming rights of facilities across our regions. Our engagement with our partners helped to connect additional local organizations to add value and deepen these community relationships. In 2022, we saw the return of the FirstOn the Field program that invites over 800 young students across the community to join players at Tim Hortons Field to have fun, learn and be active through the flag football initiative. Our support of the BeFit program also enabled students to get moving and interact with professional soccer and football players while learning the importance of physical health and financial well-being. Our Blue Wave volunteers helped bring these two student programs to life and throughout the season during home games, engaged with Tiger-Cats fans in our FirstOntario Community Lounge.

These are just a few ways we strengthened relationships and contributed to our communities through our important partnerships.

Everyone benefits when we work and engage with our partners to make meaningful connections to support like-minded community organizations.



Hamilton Tiger-Cats



Hamilton Bulldogs and Bulldogs Foundation



Hamilton Forge FC



Toronto Rock Lacrosse (playing out of FirstOntario Centre)

We make a difference with our partnerships by reinvesting our profits into the neighbourhoods where our members work and play.



FirstOntario Performing Arts Centre, St. Catharines



FirstOntario Concert Hall, Hamilton



FirstOntario Arts Centre, Milton



FirstOntario Centre, Hamilton

MAKING A DIFFERENCE TOGETHER



Focus on LOCAL BUSINESS



The 1Awards is a proud celebration of the businesses that make our communities unique and help them thrive. Through the annual spotlight on small business in the Hamilton, Halton, Brant and Niagara regions we can support continued growth by offering cash and in-kind services.

Over \$1.8 million in cash and in-kind services since 2012.



FirstOntario was a proud sponsor of the Niagara 2022 Canada Summer Games that welcomed over 5,000 athletes, coaches and staff from August 6 - 21 to compete in a variety of sports across venues in Niagara.

Our commitment included the 13 for 13 Cultural Festival and two legs of the Torch Relay. The 13 for 13 Cultural Festival highlighted the 13 provinces and territories in Canada and FirstOntario supported the Ontario night of celebrations that included entertainment, food, art and dance.

We were honoured to sponsor both the first and the final legs of the Torch Relay that started in Thorold on June 25 and ended in St. Catharines July 31. FirstOntario members and employees were given the opportunity to participate by entering a contest to become one of the torch bearers in each of these relays.

The 2022 Canada Games also highlighted the spirit of cooperation as FirstOntario was one of three local Niagara credit unions that came together to support a key community initiative.

We were proud to contribute to the success of these Games by supporting the young athletes working towards achieving their goals while showcasing Niagara region and the community we have been part of for over 80 years.

STRONG BUSINESSES mean STRONG COMMUNITIES.

This year marked 10 years of the 1Awards, and a return to in-person competition. Together with our 1Awards partners we have invested more than \$1.8 million into our local business communities since the 1Awards began. Winners share cash and in-kind services so they can continue to offer the products and services our communities depend on and get to the next level.

Congratulations to the 2022 winners!



In 2022:

\$200,000 awarded | 39 applicants, 10 finalists | 4 winners



Strong and Vibrant. Trusted and Valued. Focused.

Through our strength, innovation and focused engagement, our commitment to supporting our members and our communities ensures continued growth and connection that benefits everyone.

FirstOntario believes in the value of connection and of working together. With the dedication of our employees, we are committed to continuing to come together to support our members and our communities in unique ways that support impactful influence, positive difference and a stronger tomorrow.



FINANCIAL HIGHLIGHTS

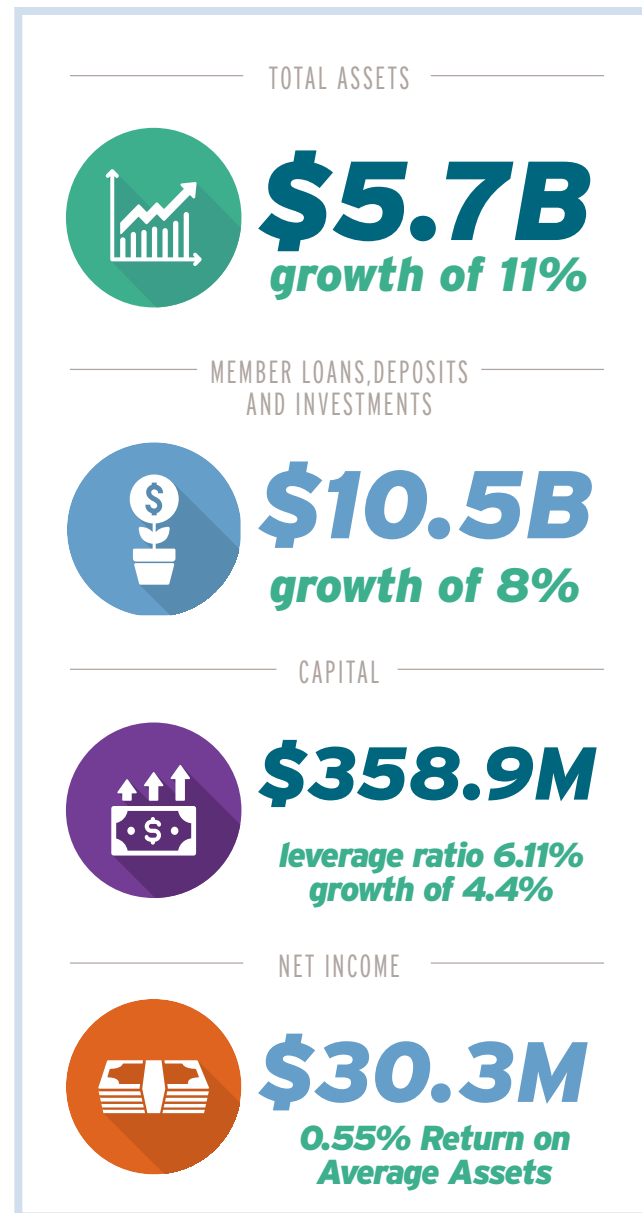
Overview

FirstOntario is a member-driven co-operative, focused on our members' financial well-being. As a leading local employer, we use our financial strength for the benefit of both members and our communities. Despite a challenging year due to the pandemic and the re-opening of economies, which led to increased inflation and higher interest rates - through the support of our members, your credit union managed to deliver strong financial results in 2022.

Red-hot housing prices peaked in early 2022, with rising rates causing lower Ontario home sales with forecasts for 2023 home sales presenting decreases to 2001 levels. Recession fears are growing for 2023, and job losses continue to be announced, which is attributed to the central banks fight against inflation. Despite these facts, FirstOntario continued to support the needs of our members in 2022 and will continue to do so. FirstOntario's history of focusing on the needs of members and our communities dates back to its grass roots beginnings in 1939. FirstOntario has continued to build upon our successes to remain a strong and viable credit union supported by the trust and commitment of our members, communities, and partners.

During 2022, Assets Under Management (AUM) grew by almost 8% (2021, 2% growth), ending the year at \$6.3 billion. AUM include credit union assets including on and off-balance sheet loans, member investments managed by our Wealth Advisors, and member credit card receivables.

FirstOntario's financial model is diversified to have many different sources of revenue. This focus on diversifying revenues continues to enhance our ability to generate profitability over the long-term and helps to safeguard the credit union as our capital levels increase. This diversification also allows FirstOntario to consistently support the membership, our communities, and partners, through member service initiatives, providing competitive rates, financial products, ongoing financial support, much needed student nutrition programs, donations and sponsorships.



During 2022, profitability remained strong from retail and commercial lending as well as deposit-taking and other financial services.

FirstOntario's portfolio of alternative investments enables the credit union to grow other income, commonly referred to as non-margin income, affording us additional income to provide expanded financial services to our members. The alternative investments portfolio achieved a gross return exceeding 13%

(2021, 23%), with fair value increases in industrial real estate and increases in fair values for the completion of commercial real estate projects.

In addition to highlights listed above, we are pleased to present more of FirstOntario's accomplishments during 2022, including:

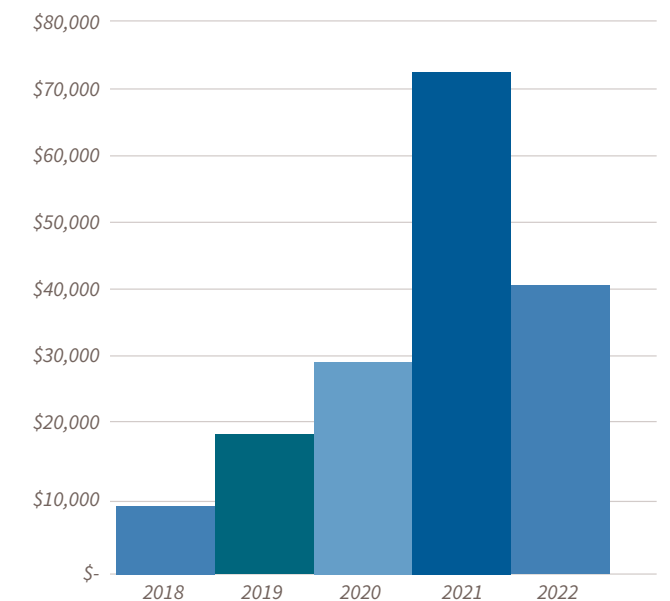
- Completing updates to FirstOntario's banking system and ATM software offering member service enhancements. We also continued to manage expenses by creating efficiencies to enhance the core components of profitability, which supports additional growth in the future.
- Welcoming Heritage Savings & credit union into the FirstOntario family. This credit union serves the members in the Chatham-Kent region, and we are excited about the growth opportunities now available to FirstOntario in this region. Our new branch in Chatham will be supported with more product and service options and better interest rates on loans and deposits.
- Launching FirstOntario Wealth Connect, a new service for members that offers a direct line to our wealth team through Advisors who can help answer investment questions and provide personalized advice. We have seen a significant uptake and participation in Wealth Connect.
- Being recognized as a top employer in the Hamilton-Niagara region. This achievement represents our commitment to support our employees through experience, engagement, and a culture of caring.
- Arranging a five-year extension for our partnership with Hamilton Sports Group, supporting the Hamilton Tiger-Cats and Forge FC, with a focus on providing social and community impact. This partnership also supports youth health and wellness by delivering unique community programs for students in the Hamilton region.
- Celebrating 10 years of FirstOntario's 1Awards, with nearly \$200,000 in cash and in-kind professional services awarded to local entrepreneurs throughout our communities. Over the history of the 1Awards, almost \$2 million has been invested into our local business communities throughout the Hamilton, Halton, Brant, and Niagara regions.

- Embarking on a long-term partnership with Hamilton Food Share, with a \$50,000 commitment over the next five years to provide food to those in need. We also continue to support food banks throughout all our communities. In total, FirstOntario invested nearly \$385,000 to support those vital organizations that keep food sources safe and accessible throughout our communities.

As a result of our diversified revenue sources, and management of expenses, FirstOntario continued to generate a robust income, ending the 2022 year with a strong financial position and capital ratios.

The following chart shows FirstOntario's pre-tax earnings over the past five years:

Pre-Tax Income
(in thousands of dollars)



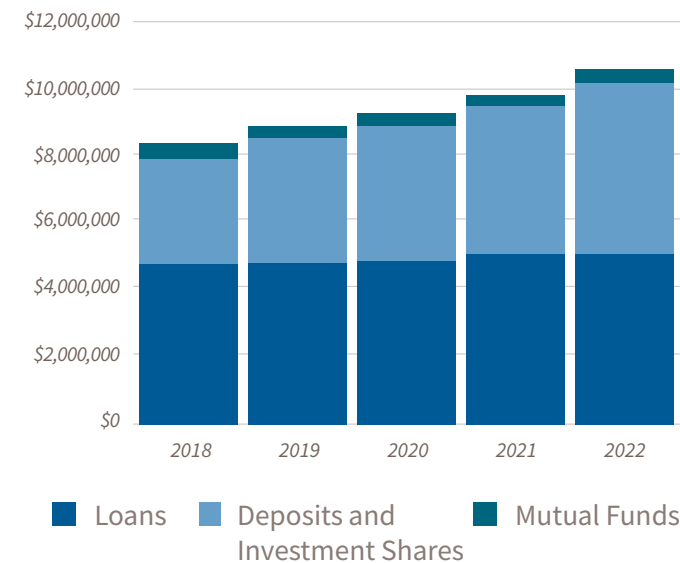
FirstOntario's pre-tax income for 2022 was \$40.4 million (2021, \$73.0 million), a decrease of \$32.6 million over 2021. Net interest and other revenues decreased by 16.0%, combined with expenses increasing by 7.6%. A significant increase in the overnight rates set by the Bank of Canada increased the rates paid to members in deposits and investment share dividends. Members with fixed-rate products such as our mortgage portfolio were protected from rate changes, with interest rate hedging and other activities protecting FirstOntario's financial position.

During 2022, net interest and other income was \$135.7 million (2021, \$161.7 million), a decrease of \$26.0 million. Net interest income decreased \$8.5 million, operational non-margin income decreased \$0.1 million, other income representing alternative non-margin income decreased by \$16.5 million, and a higher provision for expected credit (loan) losses by \$0.7 million. Expenses increased by \$6.8 million to \$95.4 million (2021, \$88.6 million). Salaries and benefits increased by \$3.1 million, technology costs increased by \$1.6 million and remaining expenses increased by \$2.1 million.

Funds Under Management

FirstOntario exists to help our members meet their financial needs by providing credit, deposit, and investment services. A key indicator of our success is the total loans, deposits, and investments members have with us. These are called our Funds Under Management (FUM). Our FUM growth was 8.1% (2021, 5.7%), increasing to \$10.5 billion, continuing a multi-year trend of growing FUM and involvement with our members.

Funds Under Management (in thousands of dollars)



Members entrusted us with an additional \$0.8 billion (2021, \$0.5 billion) in loans, deposits, and investments in 2022. FirstOntario's loan portfolio increased by \$435 million (2021, \$107 million) or 9% throughout the year. Loans are funded by member deposits and external funding partners.

Member deposits and investment shares grew by \$362.5 million (2021, \$355.5 million) or 8.1%. Finally, our members' mutual fund holdings decreased by \$10.6 million (2021, \$53.9 million increase) a 2.9% decline.

Secured Borrowings and Securitization Liabilities

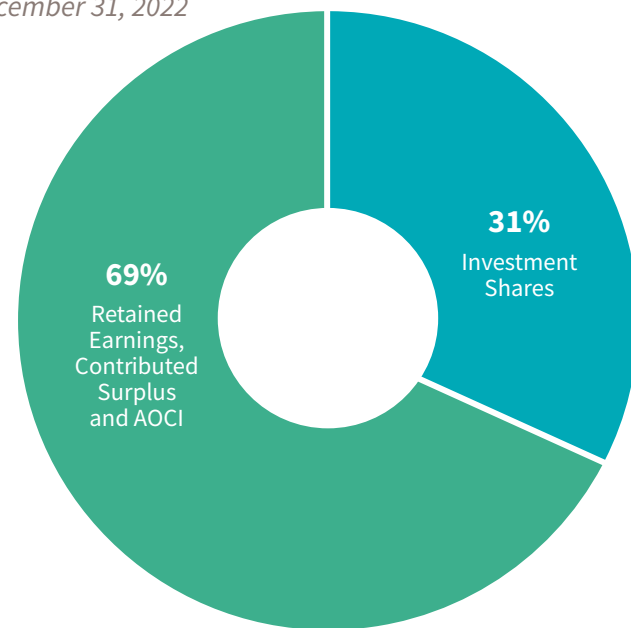
During the year, secured borrowings and securitization liabilities increased by \$168.1 million (2021, \$108.3 million decrease) to \$589.8 million (2021, \$421.8 million) due to funding required to support lending growth.

Members' Equity

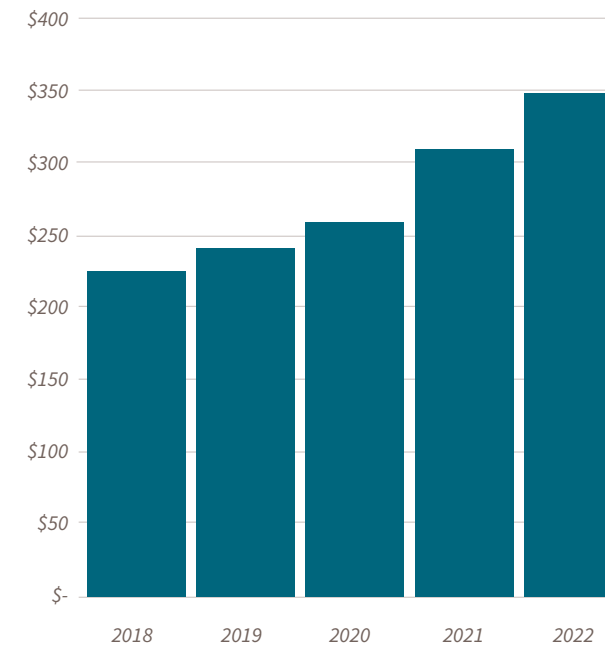
Members' equity increased to \$347.3 million (2021, \$314.2 million), a growth of \$33.1 million (10.5%). Retained earnings, contributed surplus, and accumulated other comprehensive income make up 69% (2021, 65%) of members' equity.

The increase in members' equity in 2022 was the result of net earnings and an increase in our Accumulated Other Comprehensive Income (AOCI).

Members' Equity December 31, 2022



Members' Equity (in millions of dollars)



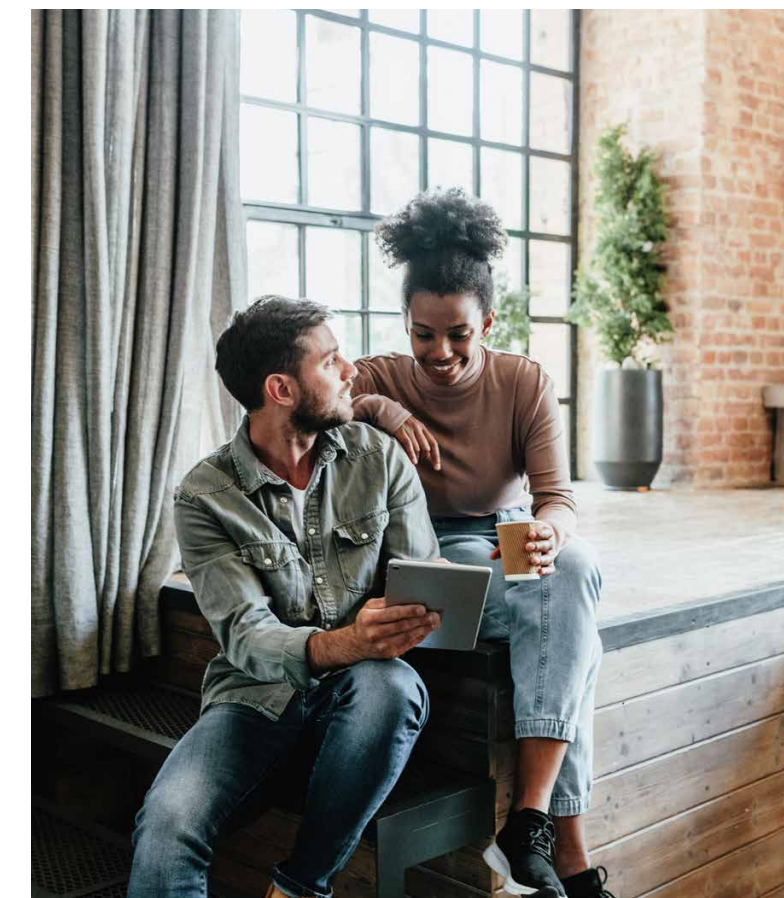
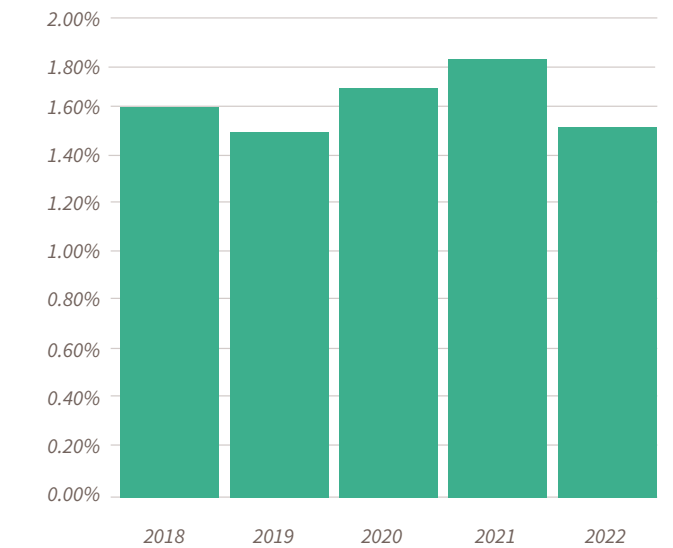
Net Interest Income

Net interest income is the difference between interest paid by members on loans and interest earned on our portfolio of marketable security investments minus the interest paid to members on their deposits and interest paid on external debt obligations. FirstOntario derived 61% (2021, 57%) of its revenue, consisting of net interest and other income, from net interest income. The ability to grow net interest income is primarily dependent upon growth in member loans and deposits.

Net interest income is impacted by changes in interest rates over time (interest rate risk). FirstOntario strives to minimize interest rate risk, sustaining a high but stable net interest income over several years. The Bank of Canada rapidly increased interest rates throughout 2022, resulting in significant increases in the variable interest rates attached to FirstOntario's lending and deposit products, along with increases in the rates charged and paid by members for new fixed-rate term products issued in the year. As such, the interest earned on loans and advances increased from \$156.1 million in 2021 to \$170.2 million, and the interest paid to members on deposits increased from \$47.7 million to \$75.7 million. These increases were a result of the increase in the variable rates, new loans, deposits in

the year at fixed rates, and overall organic growth in both FirstOntario's loans and deposit portfolios. Hedging activity helped to offset the effect of higher interest rates on the credit union. A return to the ultra low rate environment experienced over the past few years is not expected in the short to medium term, and interest income and expenses are expected to remain at higher levels going forward.

Net Interest Income (% of Average Assets)



Other Income – Operations and Alternative Initiatives

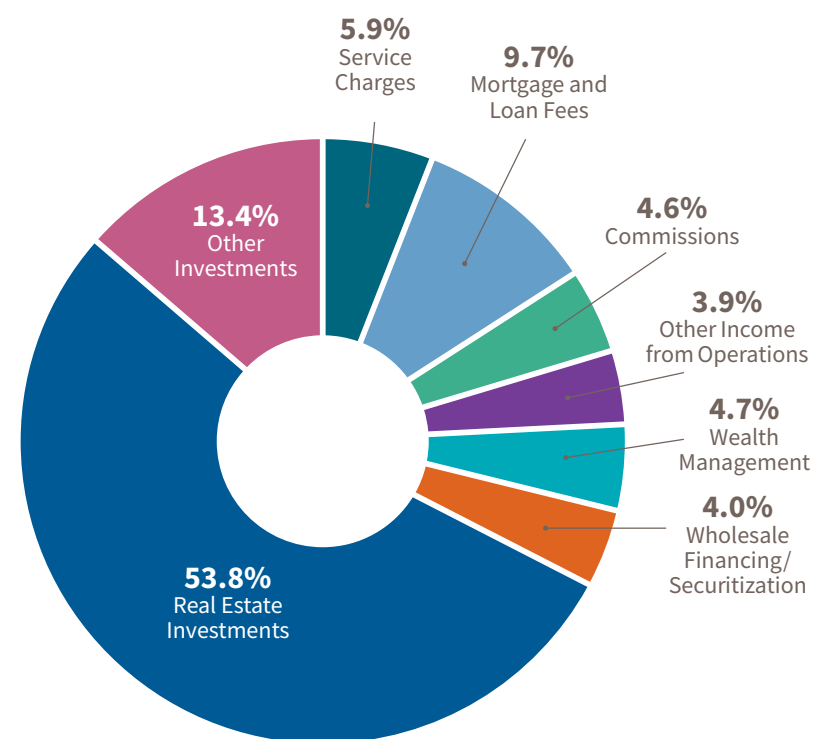
Other income decreased to \$52.3 million (2021, \$69.0 million), which is a return on average assets of 0.95% (2021, 1.36%). FirstOntario's peer credit unions in Ontario average 0.40%. As a percentage of net interest and other income, other income is 39% (2021, 43%).

The distribution of FirstOntario's non-interest income sources is depicted in the following chart:

In Thousands of Dollars	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Income	Mix	Income	Mix
Operational Income				
Service Charges	\$ 3,091	5.9%	\$ 2,885	4.2%
Mortgage and Loan Fees	5,083	9.7%	4,693	6.8%
Commissions	2,390	4.6%	2,303	3.3%
Other	2,015	3.9%	2,849	4.1%
Alternative Income				
Wealth Management	2,468	4.7%	2,421	3.5%
Wholesale Financing/Securitization	2,067	4.0%	3,967	5.8%
Real Estate Investments	28,124	53.8%	20,233	29.3%
Other Investments	7,076	13.4%	29,623	43.0%
Total Other Income	\$ 52,314	100.0%	\$ 68,974	100.0%

Other Income

12 months ended December 31, 2022



Operational income decreased slightly in 2022 from \$12.7 million to \$12.6 million (1.2% decline), with slight increases in mortgage and loan fees and service charges offset by decreases in other operational income.

FirstOntario's financial model emphasizes growing non-margin income, referred to above as Alternative Income which includes wealth management. These models utilize the wholesale financing markets associated with mortgage-backed securities contained within programs sponsored by the Canada Mortgage and Housing Corporation (CMHC), real estate investments that include property development projects, multi-residential and retail commercial complexes and equity investments in public and private markets. Income from these sources decreased by \$16.5 million

to \$39.7 million (2021, \$56.2 million). This decrease was largely due to reduced income from real estate and other investments resulting from decreases in the Global and Canadian sectors of the economy, which were the result of central governments' fight on inflation and the rapid interest rate increases made by the Bank of Canada in 2022.

FirstOntario also entered into transactions in the normal course of business by transferring recognized financial assets directly to third parties or Special Purpose Entities (SPE's). FirstOntario securitizes mortgage-backed securities through programs sponsored by CMHC and other third-party programs. In situations where FirstOntario transfers the risks and rewards of ownership, de-recognition of that asset occurs. In some cases, FirstOntario retains the rights to certain cash flows related to these de-recognized assets, which are recorded in other income. As a result of lower market spreads, changes in the interest rate environment as an outcome of central bank rate tightening and structural changes in the marketplace for CMHC-sponsored securitization platforms, wholesale financing and securitization income declined to \$2.1 million (2021, \$4.0 million).

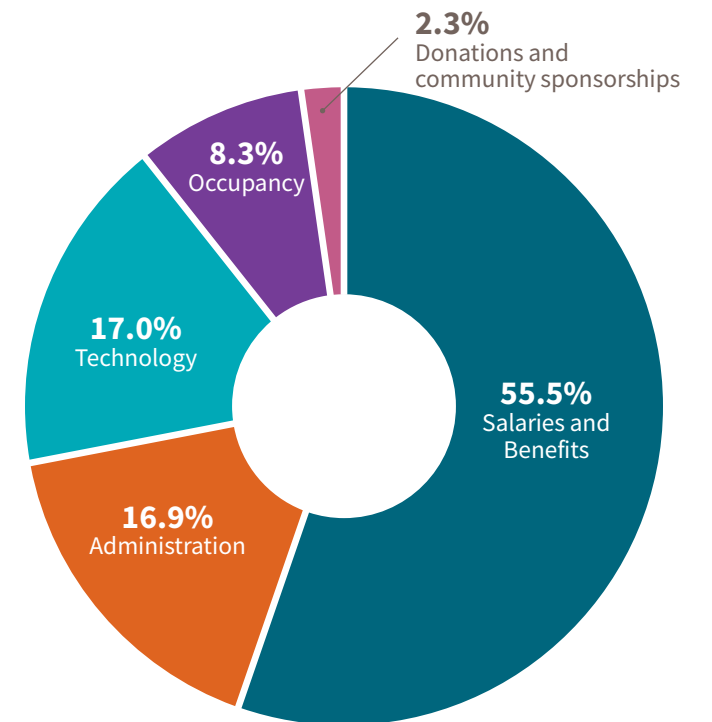
Operating Expenses

In 2022, FirstOntario's non-interest operating expenses were \$95.4 million (2021, \$88.6 million). Financial institutions also measure operating expenses as a percentage of average assets. As financial institutions grow their assets, expenses assessed as a percentage of average assets should decline. During the year, FirstOntario's operating expenses as a percentage of average assets amounted to 1.74% (2021, 1.75%).

Employee salaries and benefits for 2022 were \$52.9 million (2021, \$49.8 million). Salaries and post-employment benefits increased by 6.3%. Employee benefit costs increased by 2.91% since medical and dental benefit utilization returned to normal levels. As a percentage of average assets, FirstOntario's employee salaries and benefits expenses were 0.96% (2021, 0.98%).

Non-Interest Expenses

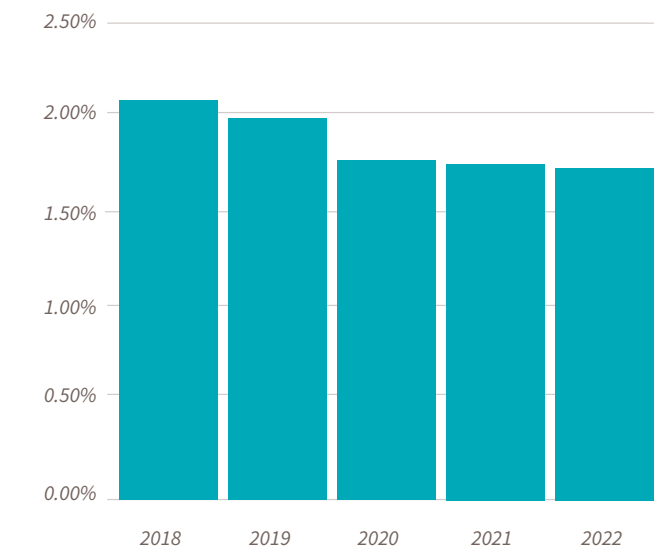
12 months ended December 31, 2022



Other operating expenses were \$42.5 million (2021, \$38.9 million), an increase of 9.3%. This increase was mainly due to increases in technology expenses, administrative costs, as well as donations and community sponsorships. As a percentage of average assets, FirstOntario's other expenses were 0.78% (2021, 0.77%).

Non-Interest Expenses

(% of Average Assets)



Loan Portfolio

The following chart summarizes FirstOntario's total loans including on-balance sheet and off-balance sheet securitized loans. Growth is the percentage of period-over-period increase and the Portfolio Mix is the ratio of a category to the total loan portfolio.

In Thousands of Dollars	December 31, 2022		December 31, 2021	
Total Loan Portfolio	\$5,293,101		\$4,858,093	
	Growth	Portfolio Mix	Growth	Portfolio Mix
Personal Loans	30.3%	2.4%	2.0%	2.0%
Residential Mortgage Loans	8.8%	78.2%	1.4%	78.4%
Commercial Loans	7.5%	19.4%	5.7%	19.6%
Total	9.0%	100.0%	2.2%	100.0%

Growth continued in FirstOntario's residential mortgage loan portfolio through our branches and continued focus on building relationships with mortgage brokers. New members joining FirstOntario through mortgage brokers are introduced to FirstOntario's full suite of financial products and services.

In 2022, FirstOntario's commercial loan portfolio increased by 7.5% (2021, 5.7%). We continued to use a cautious approach to attracting new commercial members, keeping in mind the current economic challenges. Net provisions for commercial loan losses decreased by \$1.3 million with the release of specific loan provisions resulting from specific loan payouts. Over the past five years, FirstOntario's commercial loan write-offs averaged 0.18% of the commercial loan portfolio.

Commercial loans are generally secured by mortgages on land and buildings. The geographic and industry diversification within FirstOntario's commercial portfolio continues to improve. As of

December 31, 2022, 22% (2021, 19%) of the on-balance sheet loan portfolio is associated with five of our largest commercial members. Commercial loans are well secured with average outstanding loan balances at 35.3% of the value of security as determined by qualified appraisers.

Approximately \$146.7 million (2021, \$216.0 million) in residential mortgages was securitized in 2022. Securitization levels are dependant upon targeted liquidity metrics, funding available from deposits and the availability of insured and insurable mortgages

Allowance for Expected Credit (Loan) Losses

The allowance for Expected Credit Losses (ECL) is governed by Board policy, reviewed on an annual basis, and approved by the Audit & Risk Committee of the Board. In compliance with IFRS 9 – Financial Instruments, the allowance is determined on an "expected credit loss" basis. The allowance is set up on loan origination. FirstOntario uses an advanced data analytics model, as required by IFRS 9, which utilizes FirstOntario's detailed loan level historical data, industry data, and macro-economic data to calculate the allowance. Watch List accounts, delinquencies, credit quality and member bankruptcies are used by the model. The provision for ECL is monitored to ensure compliance with Board policy and regulatory requirements.

While FirstOntario's loan portfolio performed well during 2022, we continued to underwrite loans with an abundance of caution. In particular, the pandemic affected the Canadian economy over the past three years and the economy continues to recover from the effects of this global health crisis. With various business closures, supply challenges, and the delayed reopening of various world economies, high inflation gripped the global economy. This high inflation led to Central banks around the globe to rapidly increase overnight interest rates. These rate increases resulted in higher interest payments from borrowers with variable rate products and for those with loan maturities in the year. Additionally, given expected recession fears in 2023, many companies are announcing global layoffs in anticipation of these hardships. The 2022 unemployment rates remain low; however, unemployment is expected to increase into 2023, and some borrowers may experience

financial difficulties. FirstOntario's commercial customers may also be impacted with reduced consumer spending due to recessionary impacts, job losses, and higher debt servicing costs resulting from increased interest rates. Throughout 2022, FirstOntario continued to establish the year-end allowance with a prudent view that considers the potential impact of these issues.

The following chart provides a summary of FirstOntario's allowance for ECL. Our loan portfolio continues its strong performance, with low delinquency levels and write-offs during the year.

Amounts in Thousands	Dec 31, 2022	Dec 31, 2021
On Balance Sheet Loan Portfolio	\$ 5,131,835	\$ 4,584,572

Allowance for ECL

Stage 3	\$ 4,046	\$ 4,238
Stage 1 and 2	7,730	6,228
	\$ 11,776	\$ 10,466

Annual provision for ECL \$ 1,538 \$ 786

Net Write-offs \$ 228 \$ 357

Impaired loans net of related security

Impaired loans	\$ 34,822	\$ 31,071
Related security less expected costs	30,776	26,833
	\$ 4,046	\$ 4,238

Delinquency > 90 Days 0.04% 0.02%

% of Loan Portfolio

Allowance for ECL

Stage 3	0.08%	0.09%
Stage 1 and 2	0.15%	0.14%
	0.23%	0.23%

Provision for impaired loans 0.03% 0.02%

Net Write-offs 0.00% 0.01%

Impaired Loans 0.68% 0.68%



FirstOntario's gross impaired loans increased to \$34.8 million (2021, \$31.1 million) and this increase is attributed to commercial loans, personal loans, and residential mortgages. While there are impaired commercial loans, the commercial loan portfolio has a 0.0%, 30-day delinquency (2021, 0.03%). FirstOntario holds security related to these loans in the amount of \$30.8 million (2021, \$26.9 million). The overall 90-day delinquency has remained at a low level of 0.04% (2021, 0.02%).

FirstOntario uses an internal risk-rating grid to assess and monitor the loan portfolio, as well as new loans, both retail and commercial. The majority of FirstOntario's retail loan portfolio, 92% (2021, 93%), has a risk rating of "B" or better. The commercial portfolio has 98% (2021, 98%) of loans rated as Satisfactory or Superior. These measures and the performance of the loan portfolio indicate FirstOntario has a very strong lending operation.

Investments

FirstOntario's investment portfolio is divided into two main categories, alternative non-margin income (alternative) investments and liquidity, and other statutory investments. Liquidity investments consist of marketable securities and are required to ensure FirstOntario meets regulatory liquidity guidance expectations.

Amounts in Thousands	2022	2021
Alternative Investments		
Managed Funds and Other	\$ 173,443	\$ 151,636
Real Estate Joint Ventures	141,070	109,099
Loans	1,983	5,425
Retained Rights - loan securitizations	37,324	41,528
	353,820	307,688
Liquidity and Statutory Investments		
Marketable Securities	164,686	182,535
Shares - Central 1	5,595	5,488
	170,281	188,023
Other Investments		
	2,100	2,221
	\$ 526,201	\$ 497,932

Alternative investments as at December 31, 2022 represent 6.14% (2021, 5.92%) of total assets. Managed funds are a diversified portfolio of investments actively managed by external Investment Advisors. FirstOntario has entered into agreements to jointly own and develop retail mall complexes and develop multi-tenant residential properties. Retained rights are associated with wholesale financial market transactions involving securitized insured mortgages.

Investment in Affiliates

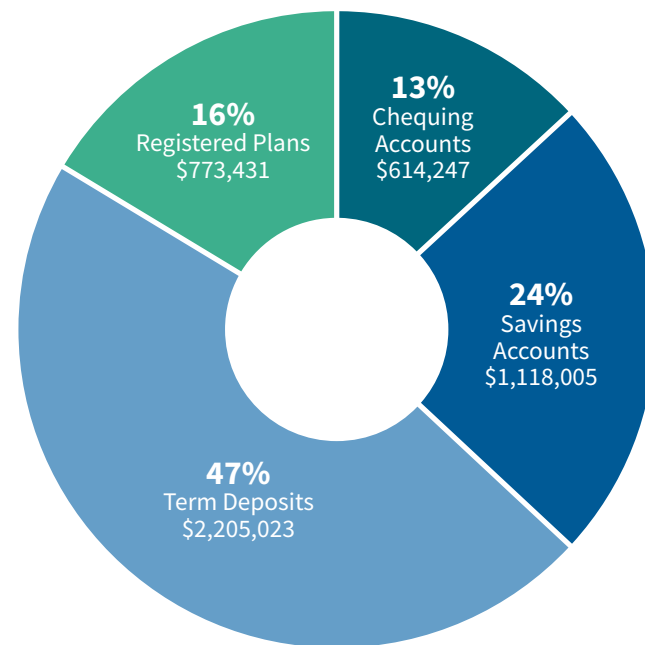
FirstOntario is a member of Central 1 Credit Union. Central 1's primary function is to provide access to the Canadian payments system and offer digital banking platform services for use by its member credit unions.

Deposit Portfolio

FirstOntario grew its deposit base by 8.1% (2021, 9.0%). Term deposit accounts increased by 29.6%, savings accounts decreased by 10.8%, chequing accounts declined by 4.4% and registered plans increased by 3.4%. The current average cost of member deposits is 2.96% (2021, 1.21%). As of December 31, 2022, 20.8% (2021, 15.6%) of deposits were sourced from deposit brokers with the portfolio having 59% (2021, 47%) of deposits maturing beyond the next 12 months.

Deposits

December 31, 2022 (in thousands of dollars)



Risk Management

FirstOntario's Board of Directors is responsible for the oversight of FirstOntario's risk management function. The Board sets FirstOntario's philosophy, policies, procedures, and controls to manage operational risk. The Audit & Risk Committee of the Board has the following risk management responsibilities:

- The development and monitoring of controls to support the Enterprise Risk Management Framework
- The review of enterprise risk reports issued to the Board
- The management of risk and controls related to the safeguarding of assets and financial reporting

All FirstOntario employees have a role in risk management. Our Risk Management Division includes a Chief Risk Officer, a Vice President, Risk, and a team of professionals, who together oversee all risk management activities throughout FirstOntario.

Enterprise Risk Management

Enterprise Risk Management (ERM) provides a process to identify, measure, treat, and report on significant risks within FirstOntario. ERM is a discipline that helps FirstOntario achieve its strategic objectives within the risk appetite and tolerances set by FirstOntario's Board of Directors.

During 2022, the Audit & Risk Committee reviewed and discussed FirstOntario's complete inventory of risks, paying special attention to significant and emerging risks. The Audit & Risk Committee also reviewed the process Management went through to document and rate the effectiveness of the controls in place to reduce inherent risks within the credit union.

Through FirstOntario's Internal Audit Services Department, FirstOntario conducted testing of documented controls to provide a level of independence and assurance that the risk controls as stated are effective. FirstOntario takes both an integrative and holistic approach to managing and mitigating identified risks.

FirstOntario's approach to managing and mitigating specific risks are as follows:

Credit Risk

Credit risk is the risk of financial loss to FirstOntario should a borrower, co-borrower, obligor, or guarantor fail to meet payment obligations in accordance with agreed terms. This risk primarily arises from FirstOntario's loans and advances to members. FirstOntario's lending philosophy is established by its Board-approved Credit Risk Management Policy.

The Credit Risk Management Policy provides detailed guidance to Management that includes:

- Creating operational credit policies covering eligible purposes of loans, collateral requirements, credit assessment, risk rating and reporting and compliance with regulatory requirements
- Establishing a lending authority structure for the approval and renewal of member loans
- Set limits on concentrations of exposures related to members, industries, and geographic locations

Interest Rate Risk

Interest rate risk is the risk to net interest income associated with changing interest rates on FirstOntario's interest-bearing loans and investments and interest-bearing deposits and other debt obligations.

FirstOntario is required by legislation to measure and manage interest rate risk. We comply with this requirement through a Board-approved Structural Risk Management Policy. FirstOntario uses sophisticated industry standard tools and techniques to aid in monitoring and controlling interest rate risk within sensible limits. An Asset & Liability Committee, made up of Senior Management, reviews FirstOntario's interest rate risk on a regular basis.

One of the tools used with interest rate risk is an income simulation model. The purpose of the model is to simulate the 12-month net interest income of the current mix of business considering current and forecasted interest rates (yield curves), growth assumptions on new business (loans and deposits), behaviours of members (impacted by prepayment assumptions), and competitive pricing conditions. The main form of interest rate risk measurement is the use of a parallel shock test that is sustained for a 12-month period. The purpose of the shock test is to have a single test that will replicate many of the unexpected interest rate risks facing FirstOntario. For this purpose, FirstOntario uses a 1% shock rate; however, depending on market and economic conditions, this shock rate can and will be amended from time to time.

If Management determines the level of interest rate risk to be too high or approaching Board policy limits, strategies are evaluated and implemented to mediate the issue. Some of these strategies are internally focused, such as product pricing on loans and deposits, while other strategies are external. With respect to external strategies, FirstOntario engages in the use of interest rate derivatives, primarily where FirstOntario will swap fixed-rate funding for floating rate funding or vice versa.

Liquidity Risk

FirstOntario is required by the credit unions and Caisses Populaires Act, 2020 to maintain certain levels of liquidity. Under the regulations, FirstOntario must establish and maintain sensible levels of liquidity that are sufficient to meet its cash flow needs, including deposit withdrawals and all other obligations as they come due. FirstOntario complies with this requirement through its Board-approved Liquidity Risk Management Policy. This policy addresses limits on the sources, quality and the amount of liquid assets needed to meet normal operations, contingency funding for significant deposit withdrawals and regulatory requirements.

To ensure FirstOntario continually maintains the minimum liquidity levels, Management measures and monitors liquidity levels on a regular basis. As set by Board policy, FirstOntario's operational liquidity as a percentage of deposits and borrowings is to be maintained at a minimum of 8%. Generally, Management targets liquidity levels in the 9% to 13% range, allowing FirstOntario to balance liquidity risk and net interest income returns. When liquidity levels decrease or are forecasted to decrease close to minimum levels, steps are taken to restore liquidity levels. Management also prepares detailed monthly and three-month cash flow forecasts. If there is any risk of liquidity dropping below the policy minimum of 8%, a plan for corrective action is developed and implemented. As of December 31, 2022, FirstOntario's liquidity ratio was 10.37% (2021, 13.63%).

To ensure FirstOntario has adequate sources of liquidity, Management has developed a liquidity plan, which sets out various liquidity sources. Primary liquidity source comes from member deposits. FirstOntario also has three external liquidity sources. These sources include funding from deposit brokers, securitization of residential mortgage loans through the issuance of Mortgage-Backed Securities and Canada Mortgage Bonds, and the sale of commercial mortgage loans through other credit unions and other credit union affiliated partners. As part of FirstOntario's contingency liquidity plan, \$343 million is available in operating loan facilities with Central 1 Credit Union and Caisse Centrale Desjardins. On December 31, 2022, the outstanding balance was \$122 million (2021, \$nil). These loans are generally used to fund mortgages until they are securitized, at which time the loans are replaced by long-term debt associated with the securitization.

In addition to the above, FirstOntario also uses the Liquidity Coverage Ratio (LCR) to manage and monitor liquidity risk levels. The LCR quantifies the proportion of highly liquid assets held by FirstOntario relative to the riskiness of its modeled deposit and other liability cash flow. The LCR stress-tests the balance sheet over a 30-day period to ensure adequate liquidity is held. As at December 31, 2022, FirstOntario's LCR ratio was 203%, double the regulatory minimum of 100%.



Foreign Exchange Risk

FirstOntario members have the opportunity to buy and sell U.S. dollars (cash, cheques and drafts). In addition, FirstOntario provides members with U.S. dollar deposits i.e., chequing, savings, and short-term deposits. Through our portfolio of alternative investments, FirstOntario holds a diversified set of investments that are denominated in U.S. dollars, which are similarly exposed to foreign exchange risk. By providing foreign currency services and holding U.S. dollar investments, FirstOntario is exposed to foreign exchange risk, which is the risk to income that could result from changes in U.S. currency rates.

To measure and control FirstOntario's exposure to U.S. currency risk, the credit union tracks the net U.S. position (U.S. dollar assets minus U.S. dollar liabilities) daily. Within our Liquidity Risk

Management Policy, the maximum U.S. currency exposure FirstOntario can take is less than or equal to 3.0% of total deposit liabilities and 10.0% of alternative assets denominated in U.S. dollars. Management operates on a day-to-day basis at a lower limit of between \$200,000 and \$300,000.

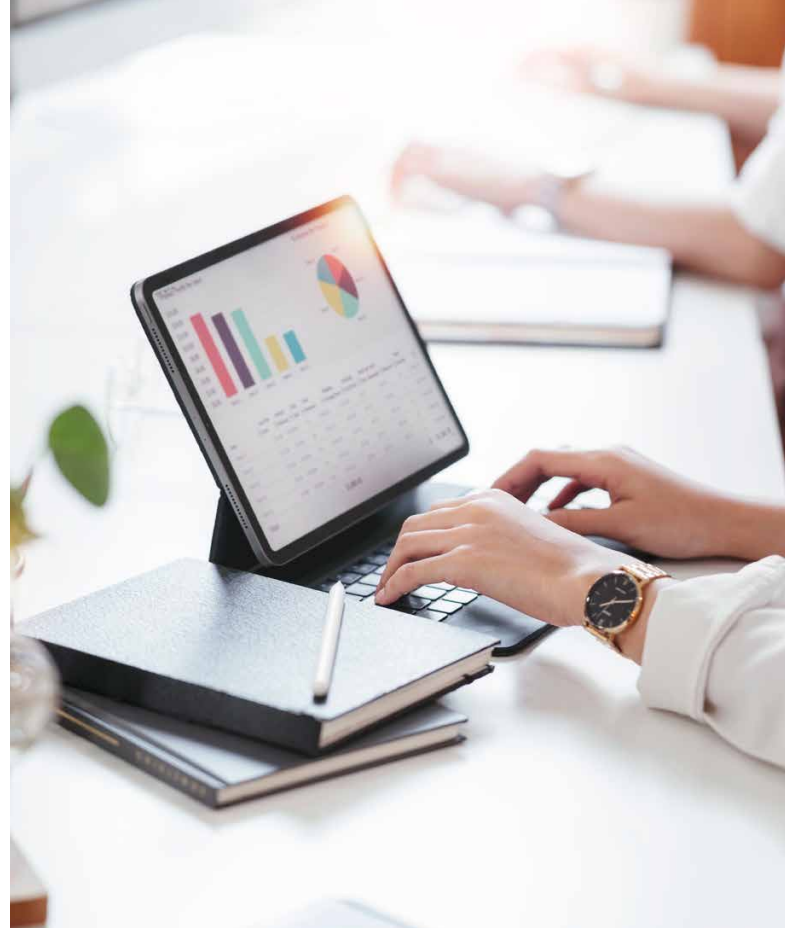
To ensure we maintain our foreign exchange risk within policy limits, FirstOntario enters various foreign exchange forward contracts. These are contracts to purchase U.S. dollars in the future at an agreed upon exchange rate.



Capital Risk Management

Capital is monitored monthly on both a capital leverage and a risk-weighted basis. During 2022, FirstOntario conducted an Internal Capital Adequacy Assessment Process (ICAAP) incorporating a new model that utilizes industry best practices in evaluating capital considering a financial institution's risk inventory. In general terms, the ICAAP is an assessment of FirstOntario's risk profile and determines if FirstOntario has enough capital to support that risk profile. The ICAAP includes a three-year financial forecast and is an important component of the annual planning process. Future capital requirements are based on planned asset growth, alternative investments, and fixed asset acquisition plans. The ICAAP indicates FirstOntario's capital levels are \$14.9 million above the ICAAP and ERM risk requirements.

The following chart summarizes FirstOntario's capital position for 2022, 2021 and 2020:



Capital Metrics

(Amounts in thousands)

	As at Dec 31, 2022	As at Dec 31, 2021	As at Dec 31, 2020
Capital	\$ 358,878	\$ 343,693	\$ 292,542
Leverage ratio	6.11%	6.61%	5.94%
Regulatory Minimum (limit)	3.00%	4.00%	4.00%
Tier 1 Capital Ratio	11.38%		
Regulatory Minimum (limit)	6.50%		
Retained Earnings to Risk Weighted Assets Ratio	7.98%		
Regulatory Minimum (limit)	3.00%		
Capital Conservation Buffer	4.04%		
Regulatory Minimum (limit)	2.50%		
Total Capital Ratio (prior would be Risk weighted Capital Ratio)	12.04%	13.55%	12.90%
Regulatory Minimum (limit)	8.00%	8.00%	8.00%
Total Supervisory Capital Ratio	12.04%		
Regulatory Minimum (limit)	10.50%		

During the year, FirstOntario's regulator updated requirements and set new rules for monitoring the credit union's capital position. FirstOntario implemented the new metrics and revised existing capital metrics as required by the new rules. FirstOntario actively manages and monitors its capital metrics to ensure prudent capital levels. As shown in the table above, FirstOntario's capital levels remain well in excess of regulatory minimums.

Summarized Consolidated Statement of Financial Position

December 31, 2022 with comparative figures for December 31, 2021 to December 31, 2018

(amounts in thousands)	2022	2021	2020	2019	2018
Assets					
Loans to Members	\$ 5,144,955	\$ 4,594,142	\$ 4,266,253	\$ 3,996,068	\$ 3,609,006
Cash	16,132	34,638	26,892	25,712	62,317
Investments	526,201	497,932	559,892	540,122	495,853
Fixed assets	48,530	52,790	56,105	57,700	39,109
Other assets	18,684	14,568	11,079	8,392	6,109
Derivative assets	8,961	5,211	2,140	1,648	443
	\$ 5,763,463	\$ 5,199,281	\$ 4,922,361	\$ 4,629,642	\$ 4,212,837
Liabilities and Members' Equity					
Members' Deposits and Shares	\$ 4,765,709	\$ 4,380,520	\$ 4,034,238	\$ 3,659,537	\$ 3,332,404
Secured borrowings and securitization liabilities	589,813	421,736	529,999	652,340	608,088
Other liabilities	59,876	80,849	95,491	78,002	45,573
Derivative liabilities	771	1,969	2,582	1,211	1,195
Investment shares	108,780	110,476	112,293	110,261	106,934
Retained earnings and contributed surplus	237,862	208,896	154,006	132,257	121,649
Accumulated other comprehensive loss	652	(5,165)	(6,248)	(3,966)	(3,006)
	\$ 5,763,463	\$ 5,199,281	\$ 4,922,361	\$ 4,629,642	\$ 4,212,837

Summarized Consolidated Statement of Income

(amounts in thousands)	2022	2021	2020	2019	2018
Interest Income	\$ 177,026	\$ 157,779	\$ 168,942	\$ 151,742	\$ 132,950
Interest Expense	92,060	64,321	87,800	86,053	68,036
Net Interest Income	84,966	93,458	81,142	65,689	64,914
Provision for impaired loans	(1,538)	(786)	(5,970)	(3,297)	(2,445)
Other income	52,314	68,974	38,862	42,447	31,418
Net Interest and Other Income	135,742	161,646	114,034	104,839	93,887
Operating Expenses					
Salaries and employee benefits	52,885	49,775	48,075	51,512	46,504
Administrative	16,062	14,885	15,224	15,188	17,856
Technology	16,260	14,718	12,825	11,556	11,084
Occupancy	7,931	7,728	8,210	8,116	7,485
Donations and community sponsorships	2,238	1,531	530	1,436	1,550
Total Operating Expenses	95,376	88,637	84,864	87,448	84,479
Income Before Income Taxes	40,366	73,009	29,170	17,391	9,408
Income Taxes	10,108	14,553	4,407	3,247	1,339
Net Income for the Period	\$ 30,258	\$ 58,456	\$ 24,763	\$ 14,144	\$ 8,069

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. Further detailed information on our 2022 financial results can be found in our 2022 Annual Report available online at www.firstontario.com/about-us/governance/our-annual-reports.



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