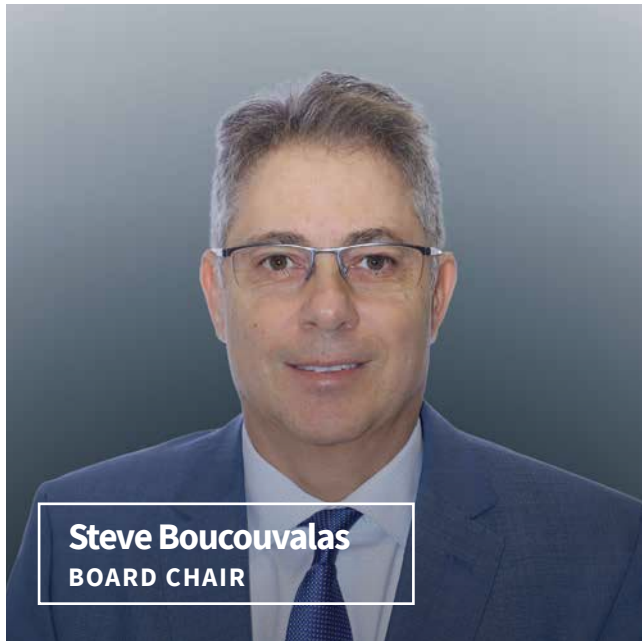




United in purpose,

we thrive as one.

A N N U A L R E P O R T 2 0 2 3



The six men and six women who make up FirstOntario's Board of Directors are dedicated to overseeing that FirstOntario continues on a path of success and sustainable growth. We do this while always keeping our membership and the communities we support top of mind. We know 2023 was a challenging year, as the after-effects of the pandemic lingered, along with higher interest rates and inflation impacting the economy. Despite those challenges we look back at 2023 with a sense of pride and accomplishment – our members have a more robust selection of products, services, and options when it comes to financial support and our communities feel the impact of the contributions from FirstOntario.

It's critical to our credit union to be able to assess our members' needs so we can introduce new tools and resources to help achieve their financial goals. It's also important to consider everyone's unique way of banking – people have different preferences as far as how they manage their money, and that is a balance we've managed to maintain. While we strive to take care of our current membership, we're always looking ahead for opportunities where we can continue to grow.

We finalized our merger activities with Heritage Savings & Credit Union in 2023, making all FirstOntario products and services available to these members. We're thrilled to have expanded our geographical footprint with a FirstOntario location in the Chatham-Kent region and are happy to be working with these members to help them reach their financial goals.

There is a foundational element to FirstOntario that I think all our members have in common – and that is our commitment to our communities. When I say members, I'm including our talented group of employees who strive to provide an exceptional member experience, support, and guidance for everyone who chooses to use our services.

A significant number of our staff make up FirstOntario's Blue Wave employee volunteer team, a group that is committed to donating their time to help our neighbours, local charities and those in need. Together, we've accomplished a great deal and continue to make an impact through donations, sponsorships and hands-on work at numerous events. Some of our Blue Wave volunteers start their days at local schools, helping to prepare food for kids as part of student nutrition programs.

In 2023, we were humbled to receive a \$50,000 grant from Equitable Bank in recognition of FirstOntario's efforts in addressing food insecurity. Along with this generous award, we were pleased to contribute a total of \$300,000 to support community-wide student nutrition programs throughout 2023. The enthusiastic participation of our Blue Wave employee volunteers is an integral part of our commitment to helping our communities. The need to help those who are struggling continues to grow, and we are dedicated to doing our part to help everyone in our communities succeed.

FirstOntario's partnership in the 2023 Grey Cup Festival gave us a unique opportunity – on a national stage no less,

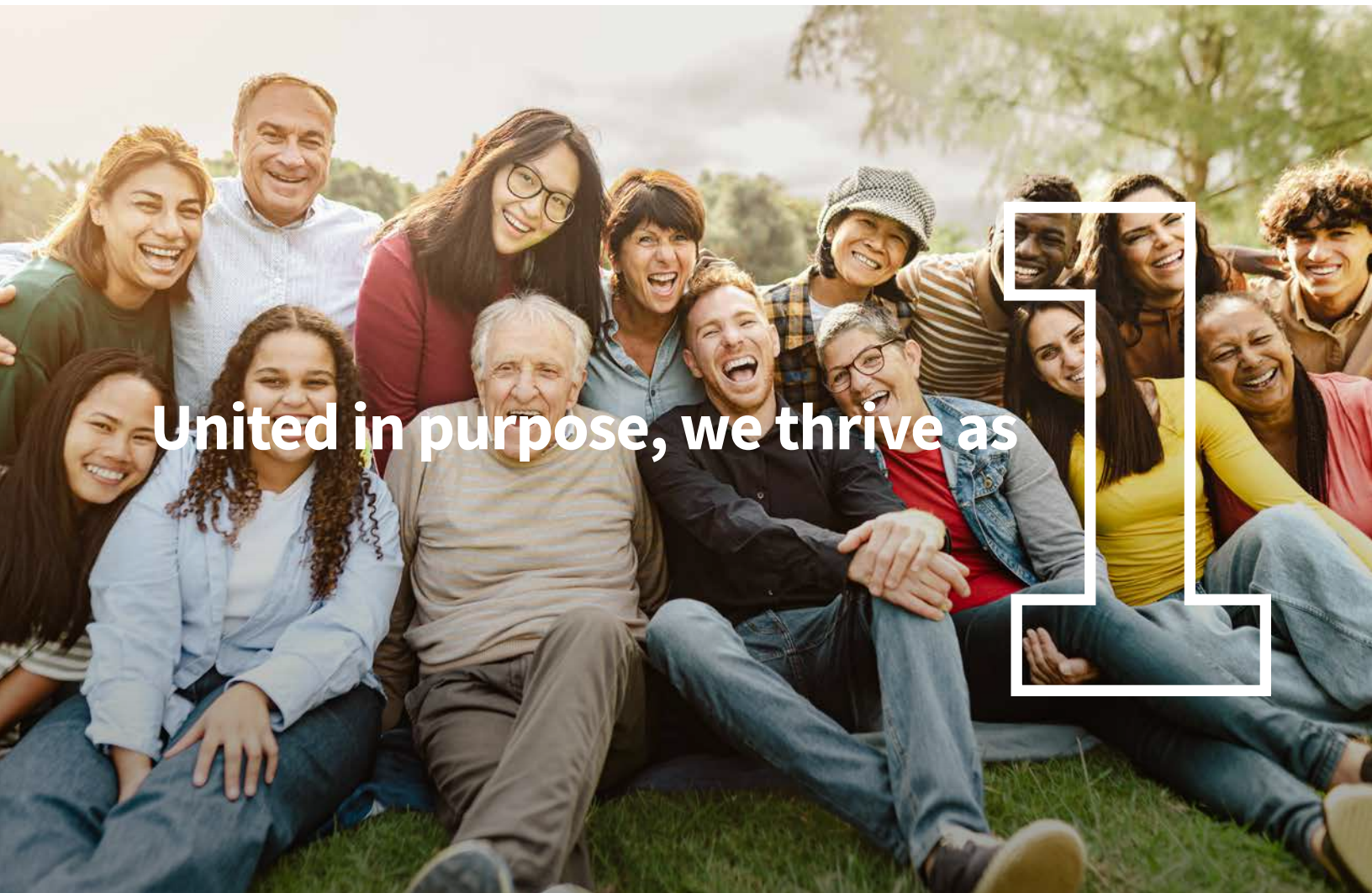
to showcase the power of what we do. We were pleased to be able to share our experience and take part in this special event with many of our fellow credit unions.

FirstOntario's 1Awards partners continue to work with us to deliver an incredible experience for local entrepreneurs, providing them with cash and in-kind services to help their businesses grow and thrive. Last year, we saw a record number of applicants in our 1Awards program. Over the first 11 years of this program, FirstOntario, along with our 1Awards partners have provided more than \$2 million in cash and in-kind services to small businesses and many of the past recipients have experienced real growth and are thriving.

Credit unions also have a unique role to play in supporting environmental, social and governance (ESG) issues. ESG issues are an important focus in FirstOntario's new

strategic plan. We've already begun to take steps to address ESG issues in our communities by reaching out to members and partners alike, to ask for their perspectives on how to build FirstOntario's new ESG programs. Thanks to the continued support of our members, FirstOntario is committed to doing our part to use our position of strength to support ESG initiatives throughout our communities.

Together, we are all working to build a strong tomorrow for members, communities and employees alike. Thank you all for your continued support and for joining us on this journey.



United in purpose, we thrive as



Every year is full of successes, opportunities and challenges and 2023 was no different. What sets successful organizations apart is how they navigate and embrace those opportunities and challenges. At FirstOntario, we approach them with thoughtful consideration and with a lens of doing what is best for our members, communities and employees.

Similar to other financial institutions, our credit union was impacted by rising interest rates and inflationary pressures. These factors affected our year-over-year results, with lower reported net income. Despite these lower earnings, we are forecasting much higher earnings starting in 2024.

FirstOntario is well-capitalized, our lending portfolio is healthy and our annualized growth in funds under management came in at 6.4%.

This past year we completed a successful Investment Share Offering (ISO) to further enhance the strength and stability of the credit union. This was our first ISO since 2015 and it proved to be very successful through the diligent work of our employees and solid support by our members.

We also focused on ensuring our products and services remain competitive and relevant. To serve the needs of our members, we updated our business chequing accounts, launched a new Debit Mastercard® and we were one of the first credit unions to offer a First Home Savings Account (FHSA).

Protecting members' accounts is another priority for us which is why we introduced 2-Step Verification for members logging in to their accounts online. This additional measure of security provides members with peace of mind, knowing that access to their money is well secured. We will never take any shortcuts when it comes to protecting the security of our members' money and confidential information.

We successfully finalized all operational merger activities with the former Heritage Savings & Credit Union, unveiling our newest FirstOntario branch location in Chatham-Kent and offering all FirstOntario products and services to members throughout the region. We remain active and open to future opportunities to join forces with other like-minded credit unions.

Providing an exceptional member experience is central to what we do. We continually review our operations to ensure we are structured in a way to be efficient and optimized for success. Our James Street South location in downtown Hamilton is now focused solely on serving small business members. As we all know, small businesses are the engine of any local economy.

We are on an ongoing journey to ensure doing business with FirstOntario is as easy as possible for our members. In 2023, we improved in the area of operational excellence through continuously improving our workflows and automating processes designed to deliver a better experience for our members. Good progress was made throughout the year and ongoing improvement remains our focus.



Community is in our credit union's DNA

FirstOntario remains committed to taking advantage of developments and innovations in technology to enable our credit union to bring new features and benefits to members. Throughout the year, we introduced digital enhancements, modernized our mobile app and enhanced our online presence to provide members the ability to bank conveniently from anywhere and at any time.

Saven Financial continues its evolution and growth, particularly in its product offerings. Along with some of the best rates in the market, we have continued to add to our digital platform. In 2023, we introduced a Tax-Free Savings Account (TFSA) with a choice between a High Interest Savings Account (HISA) and a Guaranteed Investment Certificate (GIC).

Saven also now offers a First Home Savings Account (FHSA) demonstrating our commitment to providing Saven members great rates and a robust suite of products. Saven was also recognized by the website money.ca as one of the top FHSA plans in Canada.

Creative Arts Financial – a division of FirstOntario Credit Union – is inspired by people who work in the arts and entertainment industry and it continues to focus on serving this community. We understand these members

have unique financial needs and we're proud to offer specialized products and service to support them in achieving their goals.

Community is in our credit union's DNA. We believe it's our responsibility to use our leadership platform to make positive contributions to our communities. We are committed to being an employer of choice and we were named a top employer this past year in Hamilton and Niagara, along with being a certified Living Wage Employer. We want to provide rewarding careers and a healthy and vibrant work environment for our employees.

Throughout 2023, the first year of our four-year strategic plan, we made good progress toward achieving a number of goals and completed important groundwork to support future growth and success. As CEO, I appreciate the support received from our members, the Board of Directors as well as the dedication and hard work of our employees. We are excited about 2024 and the many ways we will work to make our credit union even better for our members and employees.



Creating synergies that support impact

We believe there is power in connection. Through strong relationships that support our employees, members, and communities, FirstOntario connects with causes and people in a way that maximizes our collective impact to make a positive difference.

FirstOntario supports initiatives, programs and collaborations designed to improve the lives of our members and strengthen our communities. We strive to be a hands-on contributor in their success. Beyond donations and sponsorships, we believe in the importance of creating meaningful connections and support that builds healthy, growing and collaborative communities.

2023 HIGHLIGHTS





Beyond donations and sponsorships



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

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.



FirstOntario's employee-led Blue Wave volunteer program demonstrates our hands-on contribution and how we go beyond traditional forms of community support. Our volunteerism in 2023 provided tangible contributions to organizations, events and initiatives across our communities and was an important part of how we were able to give back.



1,528
HOURS



261
VOLUNTEERS



91
EVENTS
92
SCHOOLS





Key pillars of our community collaboration

FirstOntario is about more than just providing financial services. We believe in working with like-minded community organizations and through our collective skills, knowledge, and commitment, we can create strong communities and support meaningful change.



**Student
Nutrition and
Food Support**



**Financial
Literacy**



**Affordable
Housing and
Homelessness
Awareness**

Nutrition and Food Support

Student nutrition programs are key to successful learning. Our support since 2014 continues to grow with more than \$2.3 million given to students across our regions to ensure access to healthy food and snacks in school. In 2023, the number of students accessing programs increased significantly and our support ensured 112,000 students were able to participate. Blue Wave employee volunteers regularly delivered local fruit and produce and help in schools on a weekly basis. With our commitment and long-standing student nutrition support, we were awarded a \$50,000 grant from Equitable Bank that was directed to our program partners.



OVER
\$2.3 MILLION IN
SUPPORT SINCE 2014



112,000
STUDENTS HELPED ACROSS ALL
OUR COMMUNITIES

\$250,000
DONATED IN 2023



\$50,000
GRANT FROM
EQUITABLE BANK

76
SCHOOLS SUPPORTED WITH
REGULAR DELIVERY OF LOCAL
FRUIT AND PRODUCE

IN-SCHOOL PROGRAMS
SUPPORTED EVERY WEEK

Agencies We Support



Affordable Housing and Homelessness Awareness

FirstOntario continues our commitment to families impacted by the affordable housing crisis and the important work of Bethlehem Housing and Support Services through our lead sponsorship of the annual Empty Bowls fundraiser and Blue Wave support. This successful partnership forms the foundation for work with other municipal governments and private enterprise as we develop opportunities in other communities.



Financial Literacy and Learning

Knowledge is power and FirstOntario is committed to helping build solid financial literacy foundations to help those in our communities make important financial decisions with confidence.



Literacy and Wellness Programs

- FirstOntario’s financial literacy sessions deliver customized information and in 2023 topics included: basic budgeting, building a healthy credit history, identity theft and fraud prevention, Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs), home buying readiness, and much more.
- FirstOntario’s Finance Friday segments on CHCH television’s Morning Live program provide much needed financial insights and information to viewers. For over a decade FirstOntario has proudly been a source of information to deliver a better understanding and give viewers confidence when it comes to making important financial decisions.

- FirstOntario experts appear monthly on CHCH Morning Live to discuss wealth strategies, investment topics and tips as part of Wealth Wednesday.

Financial Literacy and Support for Students



Grade 4 students learn financial concepts and how to brainstorm, design and market a lemonade stand business through the Goodman Lemonade program. Learnings culminate in student teams setting up their own lemonade stand on Brock’s campus and putting their plan into action.



FinTip\$ is a digital program that features a Brock University student interviewing a FirstOntario financial expert to provide student-focused information on financial topics. In 2023, FinTip\$ segments shared tips and knowledge about food budgeting, when it makes sense to borrow money, when the Ontario Student Assistance Program (OSAP) isn’t enough, and information about credit unions.



\$8,000

IN SCHOLARSHIPS IN 2023

FIRSTONTARIO HAS RECOGNIZED 150 STUDENTS AND AWARDED MORE THAN \$143,500 TO CONTINUING EDUCATION SINCE 2005

FirstOntario supports continuing education and funding for post-secondary education through youth leadership opportunities with McMaster University, Mohawk College, Brock University, Niagara College and Fanshawe College.



Collaboration and community support

Connecting and building relationships makes a difference in the strength, growth and resilience of a community. Throughout 2023, this was a key driver in the initiatives we supported including some of the following.



YWCA Toque Fundraiser

FirstOntario, along with the Hamilton Tiger-Cats, launched the Made in the Hammer toque campaign to support YWCA Hamilton in their goal to provide women and children facing adverse situations with a stable home, resources, and opportunities to rebuild their lives. For every toque sold, \$15 was donated directly to the YWCA and raised a total of \$4,500.

CHCH Toy Drive

FirstOntario's support of the CHCH Toy Drive continued in 2023 by accepting monetary donations at our branches and through donations made by e-Transfer leading up to the holidays. This year, \$33,000 was collected and these donations helped purchase 1,500 gifts for children and families across Hamilton, Halton and Niagara. Since 2020, FirstOntario members have donated \$90,000 to ensure a bright holiday season for children in our communities.

United Way

Supporting United Way through employee and community efforts resulted in over \$38,000 in donations.



United Way
Halton & Hamilton

Season of Giving

Giving our time through Blue Wave volunteerism was an important part of our support, along with FirstOntario's donation of \$110,000 to local food banks to help address food insecurity and assist key community agencies and partners in their efforts.

Kevin Tom, Chief Investment Officer, slept in his car overnight as part of the United Way's third annual event in February to raise awareness of poverty and highlight the trials of precarious housing across our communities. FirstOntario has participated in this event since its beginning, raising over \$30,000 for this important initiative.

FirstOntario employees raised more than \$18,000 in our annual United Way pledge campaign.

A team of 13 FirstOntario Blue Wave employee volunteers stepped up to raise over \$4,400 for United Way initiatives by pulling a UPS air freighter 50 feet in just 25.65 seconds.



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 and Country Harvest Soupfest
- Halton Women's Place - Hope in Every Step Walk
- Sleepless in our Cities - United Way Halton & Hamilton



Food Insecurity Programs and Agencies

\$110,000 was donated to individual food banks across our regions.

- Project Share Niagara Falls
- The Hope Centre Welland
- Community Care St. Catharines & Thorold
- 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



Health and Wellness

- Hamilton Health Sciences Foundation
- Hotel Dieu Shaver - Hope in Motion
- Cancer Assistance Program
- Dr. Bob Kemp Hospice - Handbags for Hospice
- Joseph Brant Hospital Foundation
- St. Joseph's Healthcare Foundation
- South Gate Centre
- Why Not Us
- Charity of Hope
- George Brown Food Court Social supporting students with mental health
- Paris to Ancaster (P2A) Cycling Classic



Caring for Communities

- Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)
- Big Brothers and Big Sisters of North and West Niagara
- Big Brothers and Big Sisters of Oxford County
- Living Rock – 21st annual Soupfest
- Wesley
- Burlington Community Foundation
- Runanthropic
- Ontario Credit Union Foundation
- CHCH Christmas Toy Drive
- Hamilton Arts Council



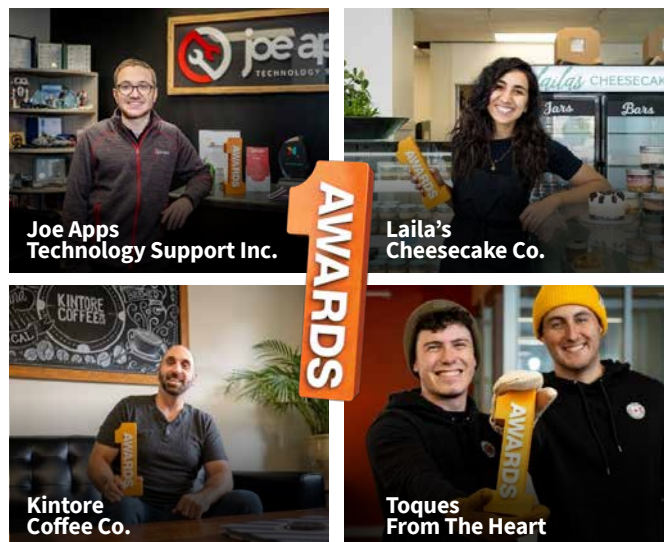


Collaboration with local business

Over \$2 million in cash and in-kind services since 2012.

Together with our 1Awards partners, FirstOntario has invested over \$2 million into the local business landscape, supporting the entrepreneurs who make our communities unique. Wrapping up its 11th year in 2023, FirstOntario's 1Awards shines a spotlight on small businesses in the Hamilton, Halton, Brant, and Niagara regions. Winners share cash and in-kind services so they can offer the products and services their communities depend on while helping them continue to grow.

2023 Winners



\$200,000 CASH AND IN-KIND SERVICES AWARDED IN 2023

84 APPLICANTS, 10 FINALISTS

4 WINNERS



Collaboration in sports and culture

Everyone benefits when FirstOntario engages with our partners to make meaningful connections and support like-minded community organizations.

That's why cultural enrichment and program support is a big part of our commitment. Through ongoing investment in the naming rights of facilities across our communities and engaging with partners in unique ways, we connect local organizations to add value and deepen relationships.

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



Hamilton Tiger-Cats



Toronto Rock Lacrosse
(playing out of
FirstOntario Centre)



Hamilton Bulldogs and
Bulldogs Foundation



- Supported the unveiling of a statue of former Major League Baseball pitcher and Cy Young Award winner, Fergie Jenkins, in his hometown of Chatham.
- Proud supporter of the Bulldog's and the inaugural home opener in their new Brantford location.
- BeFit and FirstOn the Field support that saw more than 800 students participate with Ticats players at Tim Hortons Field to learn the importance of physical activity and fun through flag football. For the first time, the event was also brought on the road to five Six Nations schools in the fall. Our Blue Wave employee volunteers help bring these two student programs to life.
- Welcomed four key community partners to the FirstOntario Community Lounge at Hamilton's Tim Hortons Field to help us engage with the local community and Ticats fans during the regular season. During these games they each set up their activations and information tables, providing additional engagement and community outreach with fans visiting the lounge. We received positive feedback on the value this opportunity provided to these partners and look forward to building on this experience for next season.
- Throughout the year, almost 900 tickets to events and games were offered to members, community partners and employees through contests and as donations to support community partner fundraising.

FirstOntario makes a difference by reinvesting a portion of our profits into the neighbourhoods where our members work and play.





2023 Grey Cup Festival

FirstOntario was a proud sponsor of the 2023 Grey Cup Festival that saw 100,000 visitors experience the best of Hamilton and Niagara during the 110th Grey Cup in November.

As a signature partner, we were excited to be part of the celebrations that brought world-class events and entertainment to the region. FirstOntario was the presenting partner of the Grey Cup Festival Volunteer Program where more than 800 volunteers supported activities during the week of November 12, leading up to the Grey Cup on November 19. FirstOntario's Blue Wave employee volunteers participated and demonstrated our commitment to the community and the importance of volunteerism.



Our presence during Grey Cup Week focused on support for food insecurity, affordable housing and homelessness and strengthening our brand as a community partner. We did this by participating in key initiatives throughout Grey Cup Week to support the James Street Festival, Community Race to the Cup and the Santa Claus Parade.

Over our three days at the James Street Festival, we engaged with fans through games and contests and highlighted a collection of toques, mitts and scarves that were donated to those in need after the festival. The Community Race to the Cup provided an opportunity to support the collection of food donations as more than 2,000 students, led by FirstOntario CEO Lloyd Smith and CFL alumni, raced from Hamilton’s Gage Park to Tim Hortons Field. Almost 700 pounds of non-perishable food for Hamilton Food Share was collected at this event and through donations made at Hamilton-area FirstOntario branches. Our support culminated with our participation in Hamilton’s annual Santa Claus Parade.

FirstOntario also had the opportunity to participate in the Sport Tourism Business Summit in Niagara and highlight the collaboration of local partners and sport coming together to benefit the community.

We were proud to contribute to the success of the 2023 Grey Cup Festival and support our values of community and partnership while showcasing the region we have been a part of for more than 80 years.





Environmental, social & governance

FirstOntario's four-year strategic plan, guides our primary purpose of providing our members with trusted financial services while upholding our values as a cooperative financial institution. The plan recognizes FirstOntario's foundation as a strong and vibrant community-based organization and sets a path for continued focus on this journey. FirstOntario is now taking steps to understand Environmental, Social & Governance (ESG) issues and their impacts on the credit union, its employees, members, and communities.

By looking at ESG, we are identifying and managing the interconnected environmental, social, and corporate governance issues that significantly impact both the credit union and the many communities we serve.

FirstOntario is proud of our community contributions and we would like our members, employees and partners to learn more about what we do to help strengthen environmental, social, and economic well-being in our world. To these ends, we are taking guidance from financial regulators, global ESG reporting standards, while also looking at how our peers are approaching ESG issues.

In late 2023, FirstOntario randomly surveyed members and our employees to better understand how ESG issues relate to their communities. We also interviewed many of our largest community partners to gauge how important these issues were to their organizations and customers.

Credit union's across the country are concerned about the impact of severe weather events like the wildfires and floods that have destroyed properties and businesses in many communities. To learn more about climate risk and how we can help our communities thrive, FirstOntario has joined the Canadian Credit Union Association's (CCUA) Climate Change subcommittee, to better understand how we can contribute to building member and community resilience.

FirstOntario is well known for our dedication to supporting important social issues that impact our communities. You can learn more about our efforts in the community impact section – Creating Synergies that Support Impact – of this annual report.

As our world continues to evolve, we understand the importance of adapting to these the many changes ahead. We also value and celebrate the diverse backgrounds, identities, abilities, and practices of those we serve. To further understand and embrace this diversity and to create a sense of belonging for everyone, FirstOntario employees and leadership have

united in purpose by completing diversity and Indigenous Truth and Reconciliation specific training to better understand how our differences make us all stronger.

In 2023, FirstOntario also established a cross-functional ESG Oversight Committee to guide us forward on our ESG journey.

As a financial service provider in a constantly evolving world, FirstOntario's approach to ESG issues are being designed to create long-term value for our members, employees, and communities. We believe that we can live our values as a cooperative financial institution by addressing both the financial and community wellbeing.



Purpose Driven. Strong. Trusted. Collaborative.

Our financial co-operative is built on strong values, a responsibility to our members and a purposeful commitment to collaboration with local partners and our communities. Through the dedication of our employees, FirstOntario continues to support our members and communities in unique ways that provide impactful influence, continued growth and a measurable difference.

A photograph of a business meeting. In the foreground, a person's hand is holding a black pen over a document. Another person's hand is pointing at a document in the background. A smartphone is on the table. The scene is brightly lit, likely from a window. The text "Financial Highlights" is overlaid in the center.

Financial Highlights

Overview

- FirstOntario Credit Union (“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.
- 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. In 2023, FirstOntario issued an investment share offering which raised over \$54 million, establishing capital levels above regulatory minimums.
- FirstOntario’s portfolio of alternative investments enables the credit union to grow other income, commonly referred to as non-margin income, affording credit union additional income to provide expanded financial services to our members. 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, as well as much needed student nutrition programs, donations and sponsorships.
- As a result of our diversified revenue sources, and management of expenses, FirstOntario continues to generate positive net income, ending 2023 in a stable financial position along with strong regulatory capital ratios.

Net Income

Pre-tax income \$5.5 million (2022, \$40.4 million)

- FirstOntario has been strategically navigating through the ongoing economic downturn to protect our members and maintain profitability.
- Targeted initiatives in 2023 have led FirstOntario to participate in new programs to protect margin, issue an investment share series to increase our capital levels, expand counterparty relationships, and more actively manage interest rate risk.
- The key drivers resulting in a decrease in 2023 net income include:
 - Net interest income decrease of \$15.6 million
 - Operational income increase of \$1.3 million
 - Alternative income decrease of \$17.2 million
 - Recovery of loan losses in the period net year over year change of \$3.7 million
 - Operating expense increase of \$7.0 million
- The Ontario economic growth is forecasted to remain slow in 2024 as high interest rates continue to strain household budgets through mortgage rate renewals and high levels of household debt.
- Although inflationary pressures are easing, they remain elevated, and uncertainty in the labour market prevails as wages increase at a rate outpacing productivity growth. Key drivers in the forecast include:
 - Ontario GDP growth to retract to 0.9%
 - Average unemployment rate to rise to 6.7% (2022, 5.8%)
 - Near-term inflation to average 3% to 3.5% over the next two years
- Per Central 1’s economic forecasts, Ontario is anticipated to experience positive momentum in 2025, fueled by continued population growth and reassessment of current monetary policies.

TOTAL ASSETS



\$6.1B
growth of 5%

MEMBER LOANS, DEPOSITS AND INVESTMENTS



\$11.2B
growth of 6%

CAPITAL



\$413M
growth of 15%

NET INCOME



\$6.9M
0.12% return on average assets

Net Interest Income

\$69.4 million (2022, \$85.0 million)

- Net interest income was impacted by continued changes in interest rates as the Bank of Canada increased their benchmark overnight interest rate by 75 basis points (2022 – increase of 400 bps). FirstOntario strives to minimize interest rate risk, sustaining a positive net interest income over several years.
- Although the interest rate increases were less than the prior year, this continued to push 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.
- The interest earned on loans and advances increased from \$170.2 million in 2022 to \$237.1 million, and the interest paid to members on deposits increased from \$75.7 million to \$159.5 million. These increases were a result of the increase in interest rates, and overall organic growth in both FirstOntario’s loans and deposit portfolios. A shift in member deposits was noted with many more members electing to hold term deposit products.
- Hedging activity helped to offset the effect of higher interest rates on the credit union’s net interest margins. A return to the ultra-low rate environment experienced prior to 2022 is not expected in the short to medium term, and interest income and expenses are expected to remain at higher levels going forward. FirstOntario greatly expanded its hedging activities in response to the changing rate environment, constantly targeting defined risk management levels and minimizing its interest rate risks.

Other Income

Operations and Alternative Initiatives

Total Other Income

- Total Other Income \$36.4 million (2022, \$52.3 million)
 - Return on average assets of 0.62% (2022, 0.95%). FirstOntario’s peer credit unions in Ontario average 0.36% (2022, 0.40%).
 - As a percentage of net interest and other income, other income is 34% (2022, 39%).

Operational Income

- Increasing in 2023 from \$12.6 million to \$13.9 million (10.7% increase), with increases in mortgage and loan fees, commissions and service charges.

Alternative Income

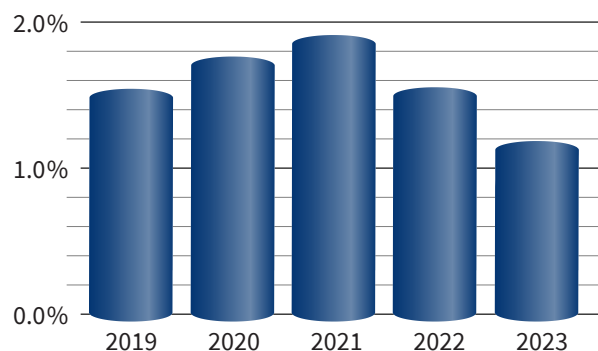
- Decreased by \$17.2 million to \$22.5 million (2022, \$39.7 million). This decrease was largely due to reduced income from real estate and other investments due to weaker performance of the global and Canadian economy. This was the result of central governments’ fight on inflation and the rapid interest rate increases made by the Bank of Canada throughout 2022 and 2023.

YEAR END 2023

\$69.4 million
OF NET INTEREST INCOME

NET INTEREST INCOME

(% of Average Assets)

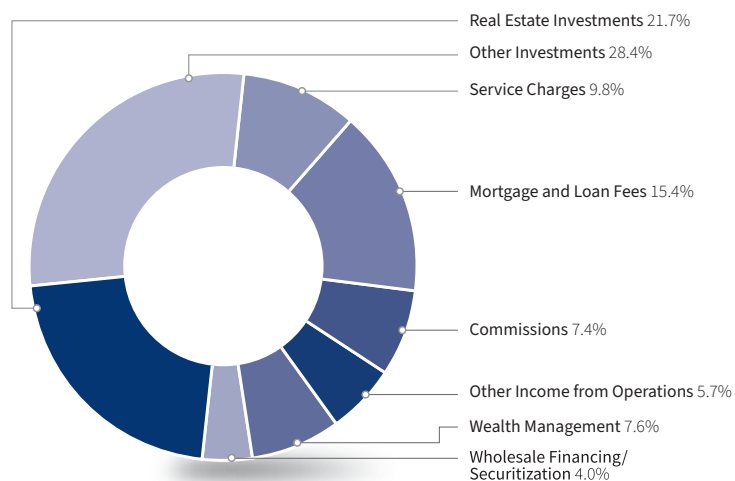


YEAR END 2023

\$36.4 million
OF OTHER INCOME

OTHER INCOME

(12 months ended December 31, 2023)



Operating Expenses

\$102.4 million (2022, \$95.4 million)

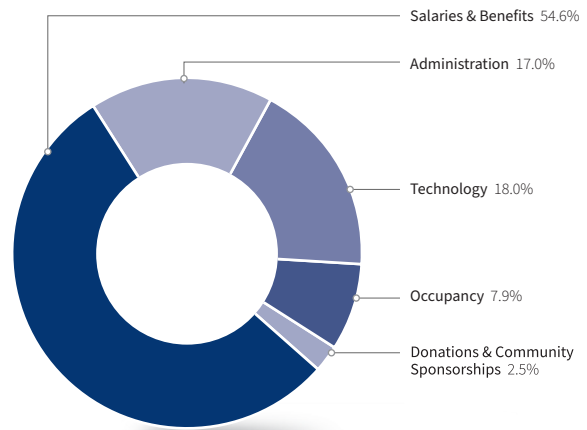
- Salaries and benefits increased by \$3.1 million, technology costs increased by \$2.2 million and remaining expenses increased by \$1.7 million.
- Employee salaries and benefits for 2023 were \$56.0 million (2022, \$52.9 million).
 - Salaries and post-employment benefits increased by 6.3% (2022, 6.7%) due mainly to internal restructuring costs.
 - Employee benefit costs increased by 4.8% (2022, 2.9%) with supplemental group benefits driving the increase.
 - As a percentage of average assets, FirstOntario's employee salaries and benefits expenses were 0.95% (2022, 0.96%).
- Other operating expenses were \$46.4 million (2022, \$42.5 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 0.79% (2022, 0.78%).
- 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 1.73% (2022, 1.74%), despite the inflationary environment.

2023 OPERATING EXPENSES

\$102.4 million

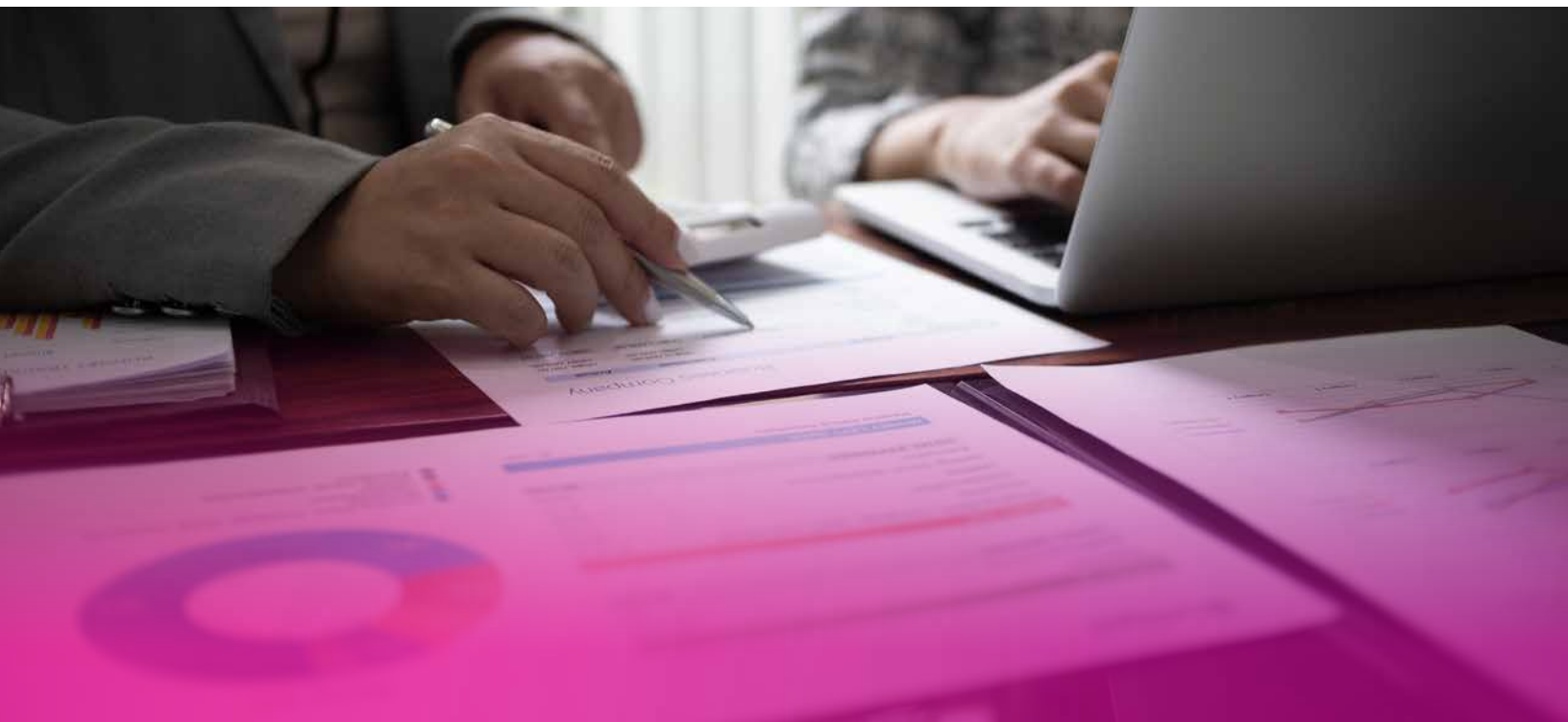
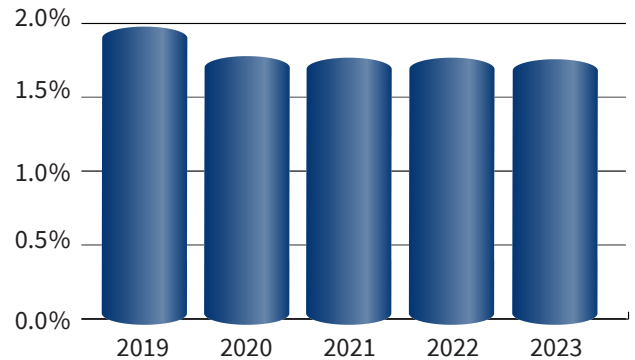
NON-INTEREST EXPENSES

(12 months ended December 31, 2023)



NON-INTEREST EXPENSES

(% of Average Assets)





Lending 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:

<i>In Thousands of Dollars</i>	December 31, 2023		December 31, 2022	
Total Loan Portfolio	\$ 5,614,442		\$ 5,293,101	
	Growth	Portfolio Mix	Growth	Portfolio Mix
Personal Loans	25.5%	2.9%	30.3%	2.4%
Residential Mortgage Loans	0.2%	73.9%	8.8%	78.2%
Commercial Loans	27.2%	23.2%	7.5%	19.4%
Total	6.1%	100.0%	9.0%	100.0%

Residential mortgage loans

- FirstOntario's residential mortgage loan portfolio remained relatively flat throughout the year (growth offset regular mortgage repayments).
- Approximately \$18.8 million (2022, \$146.7 million) in residential mortgages was securitized in 2023, and additionally \$232.3 million (2022, \$51.2 million) packaged into new mortgage-backed security pools as part of our liquidity needs. Securitization levels are dependent upon targeted liquidity metrics, funding available from deposits and the availability of insured and insurable mortgages.

Commercial loans

- Commercial loan portfolio increased by 27.2% (2022, 7.5%).
- FirstOntario's commercial loans are generally secured by mortgages on land and buildings. The geographic and industry diversification within FirstOntario's commercial loan portfolio continues to improve.
- As of December 31, 2023, 17% (2022, 22%) 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 40.3% of the value of security as determined by qualified appraisers.

Allowance for Expected Credit (Loan) Losses

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.

- FirstOntario's gross impaired loans decreased to \$32.2 million (2022, \$34.8 million) and this decrease is mainly attributed to a reduction of impaired commercial loans. FirstOntario holds security related to these loans in the amount of \$30.3 million (2022, \$30.8 million). While there are impaired commercial loans, the remaining commercial loan portfolio has a 0.0%, 30-day delinquency (2022, 0.0%). The overall 90-day delinquency has remained at a low level of 0.25% (2022, 0.04%).
- 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, 90% (2022, 92%), has a risk rating of "B" or better.
- The commercial portfolio has 99% (2022, 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.
- Net provisions for commercial loan losses decreased by \$3.2 million mainly attributed to release of one commercial stage 3 loan as a result of full member repayment of the term loan payout. Over the past five years, FirstOntario's commercial loan write-offs averaged 12.22% of the impaired commercial loan portfolio.
- While FirstOntario's loan portfolio performed well during 2023, high inflation led to Central banks around the globe to rapidly increase overnight interest rates throughout 2022 and 2023. These rate increases resulted in higher interest payments from borrowers with variable rate products and for those with loan maturities in the year. FirstOntario continues to monitor its loan portfolio and underwrite its new loans with appropriate due diligence.
- Additionally, given the continued slow pace of economic growth anticipated for 2024, ongoing inflationary pressures, and increasing unemployment rates in Ontario, some borrowers may experience financial difficulties.
- FirstOntario's commercial customers may also be impacted with reduced consumer spending due to persistent recessionary impacts, job losses, and higher debt servicing costs resulting from increased interest rates. Throughout 2023, FirstOntario continued to establish the year-end expected credit loss provision with a prudent view that considers the potential impact of payment pressures borrowers may experience.
- Our loan portfolio continues its strong performance, with low delinquency levels and write-offs during the year.

<i>Amounts in Thousands</i>	<i>Dec. 31, 2023</i>	<i>Dec. 31, 2022</i>
On Balance Sheet Loan Portfolio	\$5,466,113	\$5,131,835
Allowance for ECL		
Stage 3	\$1,897	\$4,046
Stage 1 and 2	7,431	7,730
	\$9,328	\$11,776
Annual (recovery) provision for ECL	(\$2,138)	\$1,538
Net Write-offs	\$310	\$228
Impaired loans net of related security		
Impaired loans	\$32,194	\$34,822
Related security less expected costs	30,297	30,776
	\$1,897	\$4,046
Delinquency > 90 Days	0.25%	0.04%
% of Loan Portfolio		
Allowance for ECL		
Stage 3	0.03%	0.08%
Stage 1 and 2	0.14%	0.15%
	0.17%	0.23%
(Recovery) provision for impaired loans	(0.04%)	0.03%
Net Write-offs	0.01%	0.00%
Impaired Loans	0.59%	0.68%

Investments

FirstOntario's investment portfolio is divided in two main categories

Alternative non-margin income investments

- Managed funds are a diversified portfolio of investments actively managed by external investment advisors.
- Real estate joint ventures - FirstOntario has entered into agreements to jointly own and develop retail mall complexes and develop multi-tenant residential properties in our communities.
- Retained rights are associated with wholesale financial market transactions involving securitized insured mortgages.

Liquidity, and other statutory investments

- These investments consist of marketable securities and are required to ensure FirstOntario meets regulatory liquidity guidance expectations.
- 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 5.6% (2022, 8.1%).
 - Term deposit accounts increased by 22.5%.
 - Savings accounts declined by 21.8%
 - Chequing accounts declined by 3.8%
 - Registered plans increased by 4.3%.
- The current average cost of member deposits is 4.24% (2022, 2.96%). As of December 31, 2023, 27.1% (2022, 20.8%) of deposits were sourced from deposit brokers with the portfolio having 65.9% (2022, 59.1%) of deposits maturing beyond the next 12 months.

Secured Borrowing and Securitization Liabilities

- Secured borrowings and securitization liabilities decreased by \$72.4 million (2022, \$168.1 million increase) to \$517.4 million (2022, \$589.8 million) as a result of reduced securitization activity in the period.

Members' Equity

- Members' equity increased to \$402.8 million (2022, \$347.3 million), a growth \$55.5 million (16.0%). Retained earnings, contributed surplus, and accumulated other comprehensive income make up 60% (2022, 69%) of members' equity.
- In 2023, FirstOntario raised over \$54 million in new investment shares by issuing a new investment series to enable the credit union to retain a surplus in its regulatory capital requirements.
- The increase in members' equity in 2023 were the result of net earnings, new investment shares issued, and an increase in our Accumulated Other Comprehensive Income (AOCI).

Amounts in Thousands

Alternative Investments

	2023	2022
Managed Funds and Other	\$161,731	\$173,443
Real Estate Joint Ventures	146,582	141,070
Loans	539	1,983
Retained Rights - loan securitizations	30,913	37,324
	339,765	353,820

Liquidity and Statutory Investments

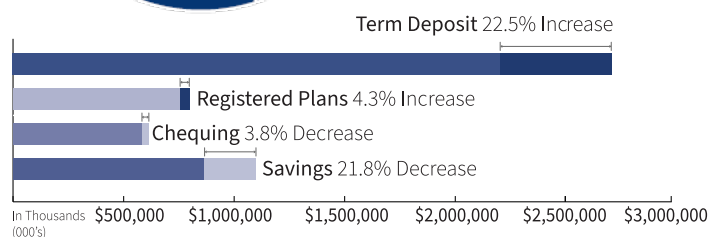
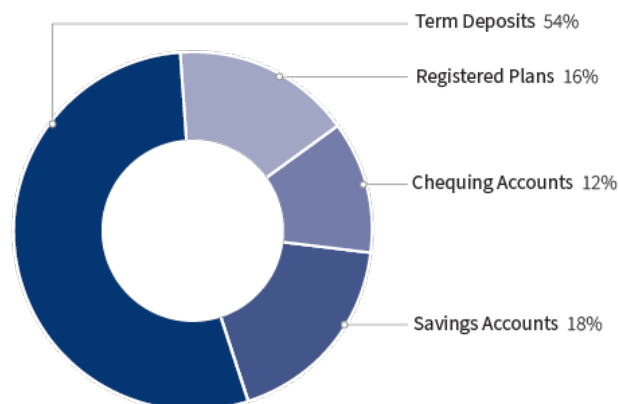
Marketable Securities	139,044	164,686
Shares - Central 1	5,645	5,595
	144,689	170,281

Other Investments

	2,142	2,100
	\$486,596	\$526,201

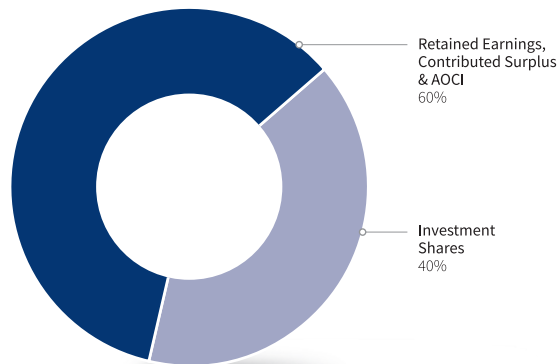
DEPOSITS

(December 31, 2023)



MEMBERS' EQUITY

(December 31, 2023)

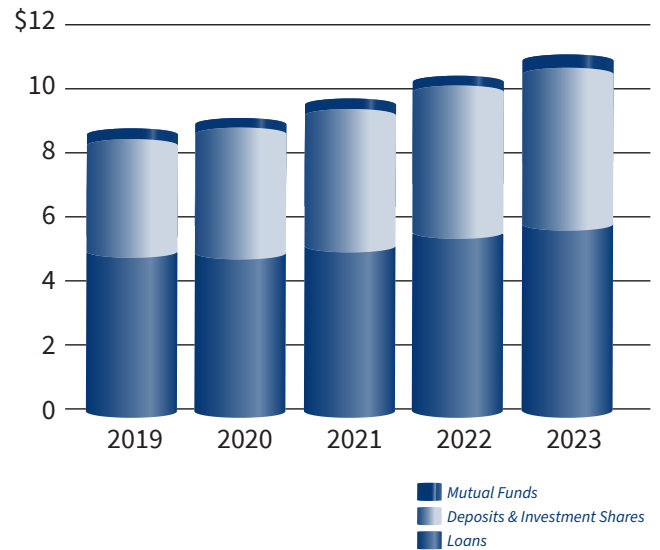


Funds Under Management

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 6.4% (2022, 8.1%), increasing to \$11.2 billion, continuing a multi-year trend of growing FUM and involvement with our members.
- FUM includes credit, deposit, and investment services.
- Members entrusted us with an additional \$0.7 billion (2022, \$0.8 billion) in loans, deposits, and investments in 2023.
 - FirstOntario's loan portfolio increased by \$321.3 million (2022, \$435 million) or 6.1% throughout the year. Loans are funded by member deposits and external funding partners.
 - Member deposits and investment shares grew by \$312.7 million (2022, \$362.5 million) or 6.5%.
 - Members' mutual fund holdings increased by \$37.6 million (2022, \$10.6 million decrease) or 10.6%.

FUNDS UNDER MANAGEMENT
(in billions 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 Risk Committee of the Board oversee 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 Senior Vice President, and a team of professionals, who together oversee all risk management activities throughout FirstOntario.

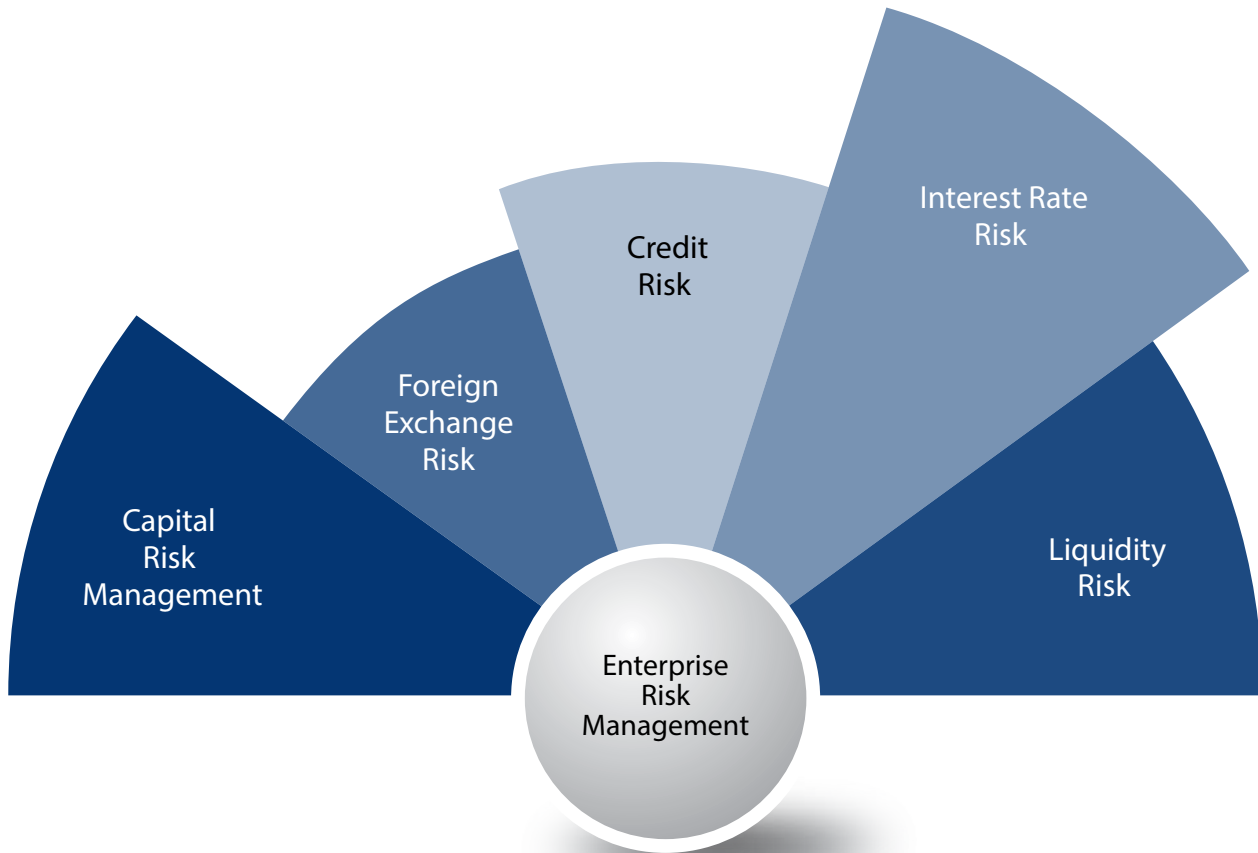


Enterprise Risk Management

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 2023, the Risk Committee reviewed and discussed FirstOntario's complete inventory of risks, paying special attention to significant and emerging risks. The 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.

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, other rate scenarios are considered including, but not limited to; 2% and 3% parallel shocks, curve steepener, curve flattener, short rates up and down, and other permutations. FirstOntario also measures Duration of Equity, Economic Value of Equity and Key Rate Durations and maintains these metrics within low, targeted ranges.

If management determines the level of interest rate risk to be too high, strategies are developed, evaluated and implemented to address and bring interest rate risk metrics within targeted ranges. FirstOntario engages in the use of interest rate derivatives, primarily where FirstOntario will swap fixed-rate funding for floating rate funding or vice versa. During 2023, FirstOntario expanded its use of interest rate derivatives to manage interest rate risk, increasing the notional value of interest rate swaps as a percentage of funds under management to 17% (2022, 3%). The expanded use of interest rate swaps is intended to minimize interest rate risk and help FirstOntario achieve higher and more stable net interest income in subsequent years. At year end, FirstOntario held notional values of \$1.9 billion (2022, \$276 million) in interest rate swaps and \$39.7 million (2022, \$23.5 million) in bond forwards.

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 and the next 12 months of securitization liabilities, is to be maintained at a minimum of 8%. Generally, management targets liquidity levels in the 8% to 16% 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, 2023, FirstOntario's liquidity ratio was 12.06% (2022, 10.37%).

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, 2023, the outstanding balance was \$120 million (2022, \$122 million). These loans are generally used for short-term funding needs.

FirstOntario is using the following metrics to manage liquidity risk:

Liquidity Coverage Ratio (“LCR”):

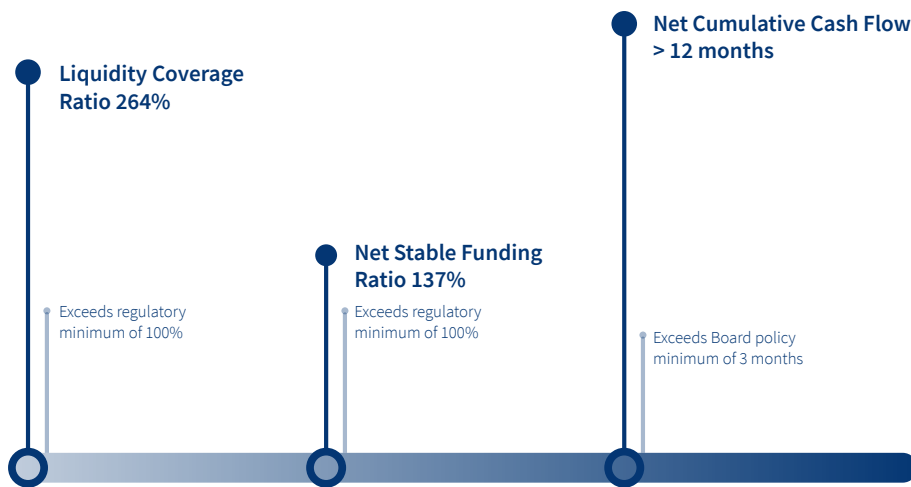
To manage and monitor liquidity risk levels. The LCR quantifies the proportion of highly liquid assets held by FirstOntario relative to the riskiness of its modeled deposit and other liability cash flow. The LCR stress-tests the balance sheet over a 30-day period to ensure adequate liquidity is held.

Net Stable Funding Ratio (“NSFR”):

To a standard that will require credit unions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a credit union’s regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR aims to limit overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off-balance-sheet items, and promotes funding stability. In addition, the NSFR approach offsets incentives for institutions to fund their stock of liquid assets with short-term funds that mature just outside the LCR’s 30-day horizon.

Net Cumulative Cash Flow (“NCCF”):

To a liquidity metric that measures a credit union’s survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands up to a 12-month time horizon. It measures a credit union’s detailed cash flows, in order to capture the risk posed by funding mismatches between assets and liabilities, after the application of assumptions around the functioning of assets and modified liabilities.



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 \$500,000 for core banking activity and \$5 million for alternative assets denominated in U.S. dollars.

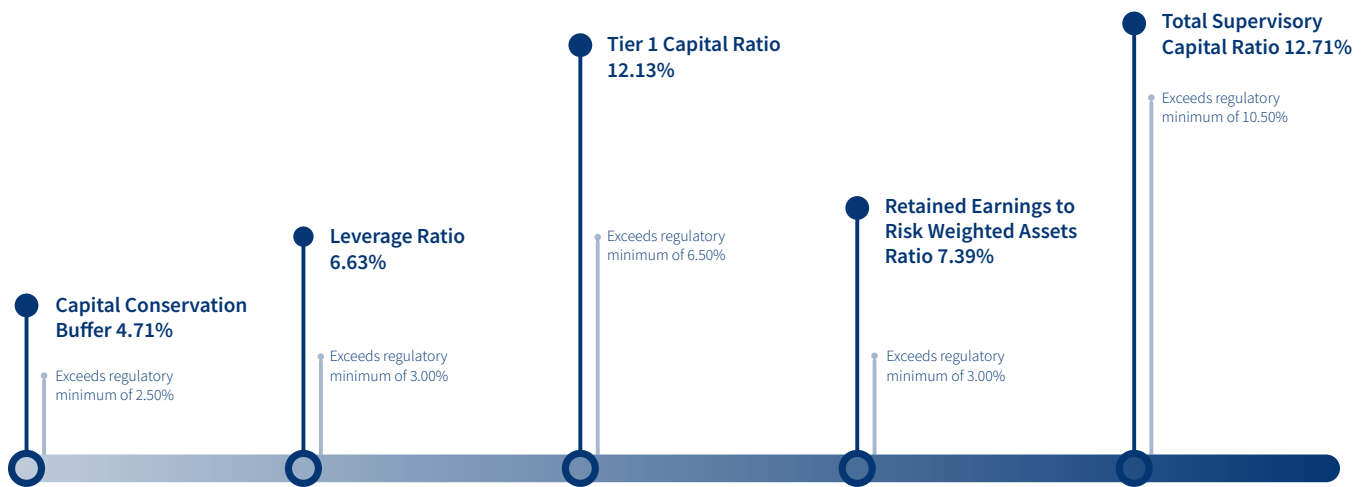
To ensure we maintain our foreign exchange risk within policy limits, FirstOntario enters various foreign exchange forward contracts. At year end, FirstOntario held notional values of \$157 million (2022, \$167.3 million). These are contracts to purchase U.S. dollars in the future at an agreed upon exchange rate.



Capital Risk Management

Capital is monitored monthly on both a capital leverage and a risk-weighted basis. FirstOntario conducts an Internal Capital Adequacy Assessment Process (ICAAP) utilizing 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 were at a deficit of \$23.9 million below the ICAAP and ERM risk requirements. Given the findings, FirstOntario issued a new investment share series in 2023 to maintain adequate capital levels.

The following chart summarizes FirstOntario's capital position for 2023:



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, 2023 with comparative figures for December 31, 2022 to December 31, 2019

<i>(amounts in thousands)</i>	2023	2022	2021	2020	2019
Assets					
Loans to members	\$5,481,255	\$5,144,955	\$4,594,142	\$4,266,253	\$3,996,068
Cash	14,736	16,132	34,638	26,892	25,712
Investments	486,596	526,201	497,932	559,892	540,122
Fixed and intangible assets	43,907	48,530	52,790	56,105	57,700
Other assets	20,412	18,684	14,568	11,079	8,392
Derivative assets	10,619	8,961	5,211	2,140	1,648
	\$6,057,525	\$5,763,463	\$5,199,281	\$4,922,361	\$4,629,642
Liabilities and Members' Equity					
Members' deposits and shares	\$5,066,759	\$4,765,709	\$4,380,520	\$4,034,238	\$3,659,537
Secured borrowings and securitization liabilities	517,443	589,813	421,736	529,999	652,340
Other liabilities	63,056	59,876	80,849	95,491	78,002
Derivative liabilities	7,520	771	1,969	2,582	1,211
Investment shares	159,663	108,780	110,476	112,293	110,261
Retained earnings and contributed surplus	239,901	237,862	208,896	154,006	132,257
Accumulated other comprehensive loss	3,183	652	(5,165)	(6,248)	(3,966)
	\$6,057,525	\$5,763,463	\$5,199,281	\$4,922,361	\$4,629,642

Summarized Consolidated Statement of Income

<i>(amounts in thousands)</i>	2023	2022	2021	2020	2019
Interest Income	\$258,736	\$177,026	\$157,779	\$168,942	\$151,742
Interest Expense	189,341	92,060	64,321	87,800	86,053
Net Interest Income	69,395	84,966	93,458	81,142	65,689
Recovery (provision) for ECL	2,138	(1,538)	(786)	(5,970)	(3,297)
Other Income	36,379	52,314	68,974	38,862	42,447
Net Interest and Other Income	107,912	135,742	161,646	114,034	104,839
Operating Expenses					
Salaries and employee benefits	\$ 55,963	52,885	49,775	48,075	51,152
Administrative	17,383	16,062	14,885	15,224	15,188
Technology	18,422	16,260	14,718	12,825	11,556
Occupancy	8,086	7,931	7,728	8,210	8,116
Donations and community sponsorships	2,551	2,238	1,531	530	1,436
Total Operating Expenses	102,405	95,376	88,637	84,864	87,448
Income Before Income Taxes	5,507	40,366	73,009	29,170	17,391
Income tax (recovery) provision	(1,389)	10,108	14,553	4,407	3,247
Net Income for the Period	\$6,896	\$30,258	\$58,456	\$24,763	\$14,144



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