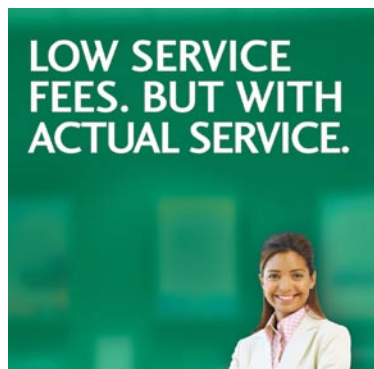
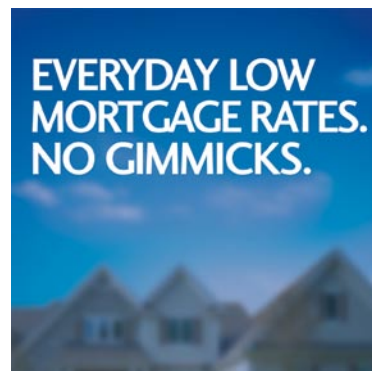


2007 ANNUAL REPORT

GROWING STRONGER TO BETTER SERVE OUR MEMBERS AND COMMUNITY.



OUR VISION, MISSION AND VALUES

OUR VISION

Working together for consistent FIRST quality Member service.

At FirstOntario Credit Union, we believe that creating a sustainable competitive advantage is only possible by positively differentiating ourselves from competitors on the basis of superior service.

Largely as a result of accessible technology, price and products have become commodities. We have to be competitive enough to offer a full range of options to Members but also recognize that, by itself, this will not ensure success.

We must be the best we can be at service in the eyes of our Members.

OUR MISSION

FirstOntario exists to help our Members meet their financial needs.

At FirstOntario Credit Union, everything we do must support our fundamental purpose – helping Members meet or exceed their individual financial needs and goals.

OUR VALUES

STEWARDSHIP We will keep Members' assets safe and secure, and look after their financial interests.

WORKING TOGETHER By working together we will provide exceptional service to our Members, as well as a supportive environment that values the contribution of all employees.

COMMUNITY We will support and contribute to the communities we serve, as well as the credit union system to which we belong.

INTEGRITY We will conduct ourselves with openness and honesty, and treat everyone with dignity and respect.

LEARNING We will be a continuous learning organization, fostering the learning and growth of both Members and employees.

BOARD OF DIRECTORS

	TERM EXPIRES
OTTO PENNER Chair	2008
VAL NARDUZZI Vice-Chair	2008
RON NESS Corporate Secretary	2009
KEN BOLTON	2009
ALAN BRATTON	2008
RON FLEET	2007
SANDRA GRIBBEN	2009
MURRAY McDIARMID	2007
BRIAN POWER	2007
CATHERINE ROGERS	2008
SANDY SHAW	2009
EVE SIGFRID	2007

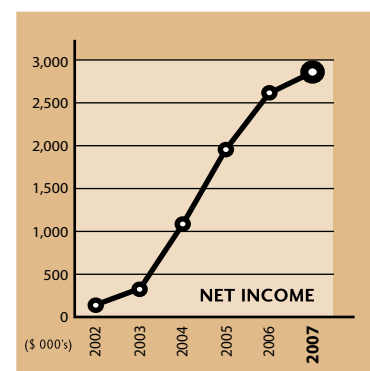
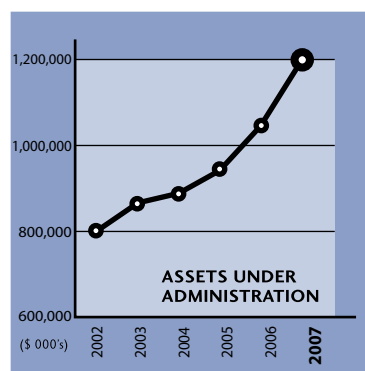
REPORT OF THE BOARD OF DIRECTORS AND INTERIM PRESIDENT & CHIEF EXECUTIVE OFFICER

FirstOntario continues to focus on building a strong, viable credit union; one that remains committed to serving the financial needs of all our Members.

As we look forward, we would be remiss if we didn't recall the past year. Fiscal 2007 was a challenging year in the history of our credit union. On October 20, 2006 our Hamilton area employees, represented by the Canadian Office of Professional Employees, went on strike. Despite efforts of all parties to resolve the labour disruption, the strike continued for 8½ months. Unfortunately, the outstanding issues could not be resolved through collective bargaining and the parties agreed to binding arbitration on June 29, 2007. The process of binding arbitration will result in an independent third-party Arbitrator deciding the outcome of the outstanding issues.

Although the strike was isolated to four branches and various administration services in the Hamilton area, it had an impact on the entire credit union. We would like to thank you, our Members for your patience, understanding and tolerance during this difficult time. With the strike behind us, our focus has been on returning operations back to normal. All employees and managers have been working together to restore relationships and refocus our energies on serving you – our Members – in a professional manner.

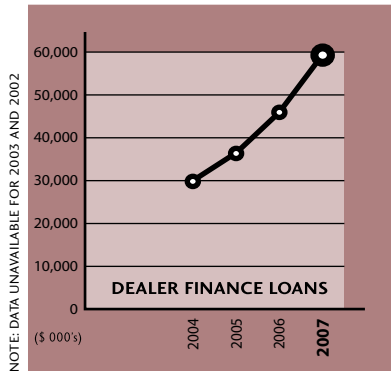
As we look back on 2007, there were considerable accomplishments. We are pleased to report a net income of \$2.86 million, an increase of \$230,000 from 2006. Maintaining a healthy and growing profit is necessary to ensure the credit union has sufficient capital to finance Member growth in loans and deposits. Secondly, profits enable improvements to be made in our product and service offerings. In the competitively-priced financial service industry, this is a constant challenge. And finally, profits position our credit union to withstand unexpected shocks or significant changes in the financial services industry. One such event is the sub-prime mortgage meltdown in the United States. Although the Canadian residential mortgage market



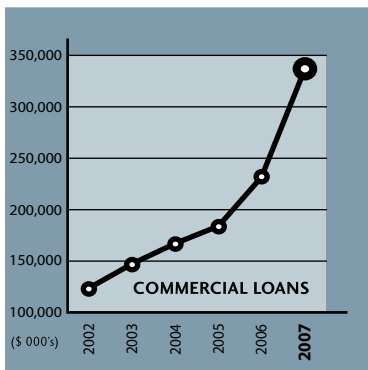
operates differently than in the United States, its impact has negatively affected the Canadian capital markets. We are pleased to report that FirstOntario's investment portfolio did not require any write down, since we were not holding investments in mortgage backed securities. However, the credit union has recently seen a significant increase in the cost of financing Member loan and mortgage growth. While we believe the cost of borrowing and Member deposit rates will return to past trends, we anticipate reduced profits in 2008.

On the lending side of the business, we lent more to Members than at any other time in our history, thereby helping Members achieve their dreams of homeownership, renovating those homes, borrowing to invest in RRSPs, and purchasing new or used vehicles. Our Dealer Finance Centre, a used car loan-underwriting department, provided more than \$37 million in used car loans to various Members, an increase of over \$10 million from 2006. Our Commercial Services department had an exceptional year in lending to corporate borrowers. In total, we lent more than \$123 million in commercial mortgages, which are well-secured and supported by strong corporate covenants. Since introducing our Everyday Low Price Mortgages in 2005, more and more Members have taken advantage of rates that are among the lowest in the industry. It is rewarding to see more Members throughout the credit union taking advantage of our lending products.

During this past summer, we began planning our Fall deposit campaign. Of particular interest to Members was our decision to amend the product terms and conditions of our high interest Investment Savings



Account. On October 1, 2007 we re-launched this improved savings product, providing features and benefits that have positioned our product as one of the best in the financial service industry. In early 2008, we plan to make this same savings product available for registered deposits. This deposit product enhancement is just one example of efforts we continue to make to ensure our products and services are competitively priced, and relevant to our Members.



Over the past several years, more and more Members have

taken advantage of our wealth management services. FirstOntario is fortunate to have several qualified Credential Investment Advisors who work with Members to create investment and retirement plans that meet their goals, by using a wide range of investment options. During 2007, our Member wealth management portfolios increased by more than \$10 million. We are gratified by the response of so many Members to our wealth management services.

Continued support of the communities in which we operate remains central to our commitment as your credit union. Through the work of the many employees at FirstOntario who live and breathe the co-operative principle of concern for community, we are proud to have supported The United Way, Canadian Cancer Society, Out of the Cold program, our youth Members through our Student Education bursaries and many other deserving charities.

Following the resignation in June 2007 of our former President & CEO, John Lahey, the Board appointed Lloyd Smith, our VP Treasury

& Corporate Services to the position of Interim President & CEO. A professional search was undertaken for a new incumbent. We are pleased to welcome Kelly McGiffin as the new President & CEO, effective November 15. Kelly joins us from Valley First Credit Union in Penticton, British Columbia. He has been in the credit union system for the past 30 years, holding various positions of responsibility, including Chief Executive Officer for Powell River Credit Union and Comox Valley Credit Union. We wish Kelly every success in this critical role at FirstOntario.

As we move forward into 2008, credit union employees are busy focusing on serving you, our Members. We are also actively working on fulfilling our 2008 business plan, which includes projects designed to make our credit union stronger and better positioned for the future. We remain committed to our Vision, Mission and Values and will continue to work hard to make FirstOntario your first choice as a financial service provider. With new leadership and a dedicated group of employees, we believe our credit union is well positioned to meet the needs and demands of you - our Members, our Owners.




OTTO PENNER
 CHAIR




LLOYD SMITH
 INTERIM PRESIDENT & CEO

BRANCHES

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486 Upper Sherman Avenue 1 800 616-8878
50 Dundurn Street South, Dundurn Place 1 800 616-8878
95 Highway 8, Stoney Creek 1 800 616-8878

BURLINGTON

895 Brant Street 1 800 616-8878
3300 Fairview Street, Cumberland Square Plaza 1 800 616-8878

OAKVILLE

333 Kerr Street 1 800 616-8878

SIMCOE

140 Queensway East, Simcoe Mall 1 800 616-8878

CAYUGA

5 Talbot Street East 1 800 616-8878

TILLSONBURG

157 Broadway 1 800 616-8878

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215 Pelham Road 905 685-5555
486 Grantham Avenue, Linwell Plaza 905 685-5555

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