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The information presented in this report has been prepared using a variety of sources, including unaudited reports submitted to DICO by Ontario's credit unions and caisses populaires. While DICO believes that the information contained in this report would be useful to readers, and considers the financial statements to be reliable, their accuracy and completeness cannot be guaranteed.

Ce document est également disponible en français.

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Summary Results 2Q2011

Selected Aggregate Sector Performance Indicators	As at June 30 th	
	2011	2010
Number of Insured Institutions	161	181
Regulatory Capital (Aggregate Leverage Ratio)	7.23 %	7.47 %
Class 1 Institutions (Leverage)	8.35 %	7.95 %
Class 2 Institutions (BIS)	13.62 %	13.97 %
Liquidity	14.34 %	13.95 %
Asset Growth	6.76 %	5.22 %
Delinquency (greater than 30 days)	1.27 %	1.33 %
	Year to Date (annualized)	
Net Interest Income (Financial Margin)	2.51 %	2.53 %
Other Income	0.69 %	0.70 %
Return on Average Assets (ROAA)	0.48 %	0.56 %
Return on Regulatory Capital	6.62 %	7.57 %
Efficiency Ratio	81.44 %	82.99 %

Capital

Aggregate capital increased by \$79.4 million during the latest twelve months although the aggregate leverage ratio declined to 7.23% compared to 7.47% at 2Q10 and 7.52% at 4Q10. The change in the latest quarter is primarily the result of adjustments relating to conversion to the new International Financial Reporting Standards (IFRS) which became effective January 1, 2011 and in particular the accounting treatment of mortgage securitizations and employee benefit plans. Total impact to capital from those institutions that have converted to IFRS is 0.26% (or 0.19% in total aggregate sector capital). Further impact on aggregate regulatory capital is likely as more institutions with later financial year ends convert to IFRS throughout 2011.

In contrast, the aggregate leverage ratio for Class 1 institutions increased to 8.35% from 7.95% at 2Q10 and 8.32% at 4Q10 while aggregate risk weighted capital (BIS) for Class 2 institutions has decreased to 13.62% from 13.97% in 2Q10.

There were no credit unions under the minimum regulatory capital levels in 2Q 2011.

Growth

Sector assets increased by \$2.1 billion or 6.76 % in the latest twelve months to \$32.4 billion. This higher than normal increase is due in part to the conversion

ELECTRONIC PUBLICATION:

The Sector Outlook is available in PDF format (portable document file format), which can be read using Adobe Acrobat Reader. It can be downloaded from the Insured Institution section on DICO's website at www.dico.com

NOTE :

Income Statement results are based on most recent aggregate year to date annualized information for each institution. Comparative results may not always agree with previously reported information for the same period as a result of additional information received after the reporting date.

Results are based on the latest available information as at July 27, 2011.

to IFRS and the treatment of mortgage securitization transactions which are now reported on the balance sheet. Previously, these assets were considered "off balance sheet" items and did not appear in the financial statements. Total loans increased by \$1.8 billion or 7.1%, while deposits increased by \$1.6 billion or 5.7% in the same period. Off-balance sheet assets increased by \$40 million to \$5.0 billion.

Profitability

Return on average assets decreased to 0.48% from 0.56% at 2Q10, although increased from 0.39% at 1Q11. The financial margin decreased marginally to 2.51% from 2.53% at 1Q10. Loan costs increased slightly by 1 basis point to 0.12% while operating expenses fell by 9 basis points to 2.50%. The efficiency ratio has improved to 81.44% from 82.99%.

Credit Risk

Total loan delinquency declined to 1.27% compared to 1.33% at 2Q10. In contrast, commercial loan delinquency increased to 2.53% from 2.19% during the last 12 months although has declined from 2.87% at 1Q11.

Loan Mix

The loan mix reflects the continued decline in personal lending and stronger growth in residential mortgage lending. Residential mortgage loans increased substantially by \$1.3 billion (9.5%) during the past 12 months. This growth is due in part to changes under IFRS which retains securitization transactions on balance sheet. During the same time, commercial loan growth slowed to 5.6% while personal loans increased by 0.6%.

Product	% of loan portfolio		Change (\$ millions)	% Change in Outstanding Loans
	2011	2010		
Personal Loans	11%	12%	\$18	0.6%
Mortgage Loans	56%	55%	\$1,300	9.5%
Commercial Loans	28%	29%	\$397	5.6%
Agricultural Loans	5%	4%	\$62	5.9%

Loan Yields

Overall loan yields continued to decline. Residential mortgages account for the majority of the loan mix and a greater proportion than previously, due to the effect of the mortgage securitizations coming back onto credit union balance sheets. This change in accounting treatment would also have the effect of reducing the yield on the residential mortgage portion of the portfolio as the mortgages brought back on the balance sheet would generally be insured mortgages with lower interest rates.

Selected Loan Yields (YTD annualised)	As at June30 th	
	2011	2010
Total Loans	4.60%	4.83%
• Personal Loans	6.57%	6.45%
• Mortgage Loans	3.83%	4.23%
• Commercial Loans	5.34%	5.34%
• Agricultural Loans	4.61%	4.51%

	ONTARIO SECTOR		Selected Bank Information
	% average assets*, Year to date at . . .		
	2 Q 11	2 Q 10	4 Q 2010
PROFITABILITY			
Net Interest and Investment Income	2.51%	2.53%	1.72%
Loan Costs	0.12%	0.11%	0.26%
Other (non-interest) Income	0.69%	0.70%	1.75%
Total Income	3.07%	3.12%	3.21%
Total Non-Interest Expenses (Operating Expenses)	2.50%	2.59%	2.15%
Net Income/(Loss) before Taxes and Non-recurring & Extraordinary Items	0.57%	0.53%	1.06%
Efficiency Ratio (% Operating Expenses to Total Income)	81.44%	82.99%	80.39%
Efficiency Ratio (% Operating Expenses, before dividends & interest rebates to Total Income)	79.44%	80.93%	67.16%
Return on Average Assets (ROA) before dividends etc.	0.56%	0.63%	0.77%
Return on Average Assets (ROA)	0.48%	0.56%	
Return on Regulatory Capital before dividends etc.	7.68%	8.53%	14.01%
Return on Regulatory Capital	6.62%	7.57%	
CREDIT RISK, as at the quarter-end			
Gross Delinquency greater than 30 days (% of total loans)	1.27%	1.33%	
Gross Delinquency greater than 90 days (% of total loans)	0.77%	0.86%	
OFF BALANCE SHEET ACTIVITY			
Off balance Sheet Assets (\$millions)	5,019	4,979	
(Includes mutual fund sales and administered loans etc.)			
Income on Off Balance Sheet Activity (% Other Income)	14.39%	14.22%	
OTHER INDICATORS, as at the quarter-end			
Total Number of Active Insured Institutions	161	181	
Total Assets (\$ millions)	32,437	30,380	2,817,981
Average Assets per insured institution (\$ millions)	201.5	167.8	
Median Assets (\$ millions)	63.1	56.5	
Regulatory Capital (as a percentage of net assets)	7.23%	7.47%	
Number of Insured Institutions below 5% Capital	3	10	
Liquidity	14.34%	13.95%	
* Year to date annualized unless otherwise stated.			
Totals may not agree due to rounding			

Sector Financial Statements

Balance Sheet 2Q 2011

	ONTARIO SECTOR			
	2 Q 11	2 Q 10	2 Q 11	2 Q 10
	(\$000)	(\$000)	(Percentage of Total Assets)	
ASSETS				
Cash and Investments	5,206,635	4,895,908	16.1%	16.1%
Personal Loans	3,023,016	3,004,628	9.3%	9.9%
Residential Mortgage Loans	15,020,923	13,720,953	46.3%	45.2%
Commercial Loans	7,487,342	7,090,381	23.1%	23.3%
Institutional Loans	73,086	79,921	0.2%	0.3%
Unincorporated Association Loans	15,763	13,201	0.0%	0.0%
Agricultural Loans	1,110,436	1,048,568	3.4%	3.5%
Total Loans	26,730,565	24,957,650	82.4%	82.2%
Total Loan Allowances	144,730	169,083	0.4%	0.6%
Capital (Fixed) Assets	361,931	356,534	1.1%	1.2%
Intangible & Other Assets	282,348	339,371	0.9%	1.1%
Total Assets	32,436,750	30,380,380	100.0%	100.0%
LIABILITIES				
Demand Deposits	11,116,243	10,444,741	34.3%	34.4%
Term Deposits	9,787,623	9,509,457	30.2%	31.3%
Registered Deposits	7,543,070	6,999,288	23.3%	23.0%
Other Deposits	232,288	174,777	0.7%	0.6%
Total Deposits	28,679,225	27,128,264	88.4%	89.3%
Borrowings	886,646	465,628	2.7%	1.5%
Other Liabilities	562,412	557,035	1.7%	1.8%
Total Liabilities	30,128,283	28,150,926	92.9%	92.7%
MEMBERS' EQUITY & CAPITAL				
Membership Shares	76,511	78,518	0.2%	0.3%
Retained Earnings	1,403,610	1,236,210	4.3%	4.1%
Other Tier 1 & 2 Capital	828,306	911,049	2.6%	3.0%
Accumulated Other Comprehensive Income	39	3,678	0.0%	0.0%
Total Members' Equity & Capital	2,308,580	2,229,454	7.1%	7.3%
Total Liabilities, & Members' Equity & Capital	32,436,863	30,380,380	100.0%	100.0%

Totals may not agree due to rounding

Sector Financial Statements

Income Statement 2Q 2011

	ONTARIO SECTOR		Canadian Chartered Banks **
	Percentage of Average Assets *		
	2 Q 11	2 Q 10	4 Q 2010
Interest and Investment Income			
Loan Interest Income	3.81%	3.96%	2.11%
Investment Income	<u>0.35%</u>	<u>0.36%</u>	<u>0.71%</u>
	4.16%	4.32%	2.82%
Interest Expense			
Interest Expense on Deposits	1.54%	1.68%	0.83%
Interest Rebates & Dividends on Share Capital	0.00%	0.01%	
Dividends on Investment Capital & Other Capital	0.08%	0.07%	
Other Interest Expense	0.03%	0.03%	
Other Interest Expense and Dividends	<u>0.11%</u>	<u>0.11%</u>	<u>0.27%</u>
	1.65%	1.79%	1.10%
Net Interest & Investment Income	<u>2.51%</u>	<u>2.53%</u>	<u>1.72%</u>
Loan Costs	0.12%	0.11%	0.26%
Net Interest & Investment Income after Loan Costs	2.39%	2.42%	1.46%
Other (non-interest) Income	<u>0.69%</u>	<u>0.70%</u>	<u>1.75%</u>
Net Interest, Investment & Other Income	<u>3.07%</u>	<u>3.12%</u>	<u>3.21%</u>
Non-interest Expenses			
Salaries and Benefits	1.34%	1.38%	1.10%
Occupancy	0.23%	0.24%	0.36%
Computer, office & other equipment	0.25%	0.26%	
Advertising & Communications	0.15%	0.16%	
Member Security	0.13%	0.13%	
Administration	0.24%	0.26%	
Other	<u>0.16%</u>	<u>0.18%</u>	<u>0.69%</u>
	2.50%	2.59%	2.15%
Net Income/(Loss) Before Taxes and Non-recurring & Extraordinary items	<u>0.57%</u>	<u>0.53%</u>	<u>1.06%</u>
Non-recurring & Extraordinary gains/(losses)	0.00%	0.12%	0.00%
Taxes	0.09%	0.10%	0.27%
Minority Interests	<u>0.00%</u>	<u>0.00%</u>	<u>0.02%</u>
Net Income/(Loss)	<u>0.48%</u>	<u>0.56%</u>	<u>0.77%</u>
Average Assets (\$000)	31,893,505	29,929,868	2,690,210,000

* Year to date annualized

** Source: Canadian Bankers Association, Detailed Financial Statistics.

Totals may not agree due to rounding.

Selected Financial Trends

