

Ontario Credit Unions and Caisses Populaires

SECTOR OUTLOOK

3Q2010

INSIDE

Summary Results	Page 1
Sector Financial Highlights	Page 3
Sector Financial Statements	Page 4
Selected Performance Trends	Page 6



Ontario

Deposit Insurance
Corporation of Ontario

Société ontarienne
d'assurance-dépôts

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 Institutions section on DICO's Web site at **www.dico.com**.

NOTE : Income Statement results are now based on aggregate year to date annualized information for each institution. Comparative results have been restated to reflect this change. Results are based on latest available information. Comparative results, therefore, 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 November 9, 2010.

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.

SUMMARY RESULTS 3Q10

Selected Aggregate Sector Performance Indicators	As at September 30	
	2010	2009
Number of Insured Institutions	174	191
Regulatory Capital (Aggregate Leverage Ratio)	7.47%	7.18%
Class 1 Institutions (Leverage)	8.22%	7.80%
Class 2 Institutions (BIS)	14.02%	13.42%
Liquidity	14.14%	14.52%
Asset Growth	4.66%	5.62%
Delinquency (greater than 30 days)	1.58%	1.49%
	Year to Date (annualized)	
Net Interest Income (Financial Margin)	2.56%	2.39%
Other Income	0.69%	0.86%
Return on Average Assets (ROAA)	0.50%	0.27%
Return on Regulatory Capital	6.80%	3.81%
Efficiency Ratio	83.94%	87.65%

Capital

Aggregate capital increased by \$178.9 million during the latest twelve months and the aggregate leverage ratio increased to 7.47% compared to 7.18% at 3Q09 as a result of higher earnings and the issuance of additional investment share capital. The overall leverage ratio for Class 1 institutions increased to 8.22% while aggregate risk weighted capital (BIS) for Class 2 institutions increased to 14.02%.

Growth

Sector assets increased by \$1.37 billion or 4.66% in the latest twelve months to \$30.7 billion. Total loans increased by \$1.2 billion or 5.1%, while deposits increased by \$1.4 billion or 5.29% in the same period. Off-balance sheet assets increased by \$114 million to \$5.2 billion.

Profitability

Return on average assets increased by 0.23% to 0.50% from 0.27% at 3Q09. This was primarily due to a higher net interest income, and lower loan costs and operating expenses.

The financial margin increased by 0.17% to 2.56%. Also, loan costs fell by 0.03% to 0.16% and operating expenses declined by 0.08% to 2.60%.

As a result of these changes, the efficiency ratio has improved significantly to 83.94% from 87.65%.

Credit Risk

Total loan delinquency increased modestly to 1.58% compared to 1.49% at 3Q09. In contrast, commercial loan delinquency increased significantly to 2.97% from 2.20% during the same period.

SUMMARY RESULTS 3Q10

Loan Mix

The loan mix reflects the continued stronger growth of commercial lending and further decline in personal lending. Commercial loans have increased 6.1% in the latest twelve months and now account for approximately 29% of total loans. In contrast, personal loans have declined by a further 2.9% and now account for only 12% of total loans.

Product	% of Loan Portfolio		Change (\$millions)	% Change in Outstanding Loans
	2010	2009		
Personal Loans	12%	13%	(\$90)	(2.9%)
Mortgage Loans	55%	55%	\$806	6.1%
Commercial Loans	29%	28%	\$451	6.8%
Agricultural Loans	4%	4%	\$48	4.8%

Loan Yields

Overall loan yields continue to decline as a result of the reduction in overall interest rates and a further decline in higher yielding personal loans

Selected Loan Yields (Year to Date annualized)	As at September 30	
	2010	2009
Total Loans	4.87%	5.16%
Personal Loans	6.48%	6.76%
Mortgage Loans	4.27%	4.63%
Commercial Loans	5.40%	5.51%
Agricultural Loans	4.57%	4.86%

SECTOR FINANCIAL HIGHLIGHTS 3Q2010

	ONTARIO SECTOR		Selected Bank Information
	Year to date at . . .		
	3 Q 10	3Q09	2Q 2010
PROFITABILITY	% average assets *		
Net Interest and Investment Income	2.56%	2.39%	1.68%
Loan Costs	0.16%	0.19%	0.29%
Other (non-interest) Income	0.69%	0.86%	1.78%
Total Income	3.09%	3.06%	2.72%
Total Non-Interest Expenses (Operating Expenses)	2.60%	2.68%	2.08%
Net Income/(Loss) before Taxes and Non-recurring & Extraordinary items	0.50%	0.38%	1.08%
Efficiency Ratio (% Operating Expenses to Total Income)	83.94%	87.65%	79.40%
Efficiency Ratio (% Operating Expenses, before dividends & interest rebates to Total Income)	81.63%	85.09%	65.7%
Return on Average Assets (ROA) before dividends etc.	0.59%	0.36%	0.79%
Return on Average Assets (ROA)	0.50%	0.27%	
Return on Regulatory Capital before dividends etc.	7.99%	4.77%	
Return on Regulatory Capital	6.80%	3.81%	
CREDIT RISK, as at the quarter-end			
Gross Delinquency greater than 30 days (% of total loans)	1.58%	1.49%	
Gross Delinquency greater than 90 days (% of total loans)	0.87%	0.91%	
OFF BALANCE SHEET ACTIVITY			
Off balance Sheet Assets (\$millions) at. (Includes mutual fund sales and administered loans etc.)	5,233	5,119	
Income on Off Balance Sheet Activity (% Other Income)	15.53%	24.74%	
OTHER INDICATORS, as at the quarter-end			
Total Number of Active Insured Institutions	174	191	
Total Assets (\$ millions)	30,715	29,347	2,667,131
Average Assets per insured institution (\$ millions)	176.5	153.6	
Median Assets (\$ millions)	58.7	46.4	
Regulatory Capital (as a percentage of net assets)	7.47%	7.18%	
Number of Insured Institutions below 5% Capital	6	10	
Liquidity	14.14%	14.52%	
* Year to date annualized unless otherwise stated.			
Totals may not agree due to rounding			

SECTOR FINANCIAL STATEMENTS

BALANCE SHEET 3Q2010

	ONTARIO SECTOR		Percentage of Total Assets	
	3 Q 10 (\$000)	3Q09 (\$000)	3 Q 10	3Q09
ASSETS				
Cash and Investments	4,980,556	4,789,531	16.2%	16.3%
Personal Loans	3,001,514	3,091,307	9.8%	10.5%
Residential Mortgage Loans	13,944,591	13,138,585	45.4%	44.8%
Commercial Loans	7,133,201	6,681,318	23.2%	22.8%
Institutional Loans	77,185	80,311	0.3%	0.3%
Unincorporated Association Loans	15,912	11,373	0.1%	0.0%
Agricultural Loans	1,048,188	1,000,378	3.4%	3.4%
Total Loans	25,220,592	24,003,272	82.1%	81.8%
Total Loan Allowances	177,972	160,475	0.6%	0.5%
Capital (Fixed) Assets	355,311	359,234	1.2%	1.2%
Intangible & Other Assets	336,472	355,221	1.1%	1.2%
Total Assets	30,714,960	29,346,783	100.0%	100.0%
LIABILITIES				
Demand Deposits	10,605,314	9,579,872	34.5%	32.6%
Term Deposits	9,605,290	9,699,717	31.3%	33.1%
Registered Deposits	7,063,395	6,653,462	23.0%	22.7%
Other Deposits	183,555	144,578	0.6%	0.5%
Total Deposits	27,457,553	26,077,630	89.4%	88.9%
Borrowings	449,450	564,494	1.5%	1.9%
Other Liabilities	547,940	623,615	1.8%	2.1%
Total Liabilities	28,454,944	27,265,740	92.6%	92.9%
MEMBERS' EQUITY & CAPITAL				
Membership Shares	76,495	77,531	0.2%	0.3%
Retained Earnings	1,261,994	1,141,278	4.1%	3.9%
Other Tier 1 & 2 Capital	921,527	862,234	3.0%	2.9%
Total Members' Equity & Capital	2,260,016	2,081,044	7.4%	7.1%
Total Liabilities, & Members' Equity & Capital	30,714,960	29,346,783	100.0%	100.0%

Totals may not agree due to rounding

SECTOR FINANCIAL STATEMENTS

INCOME STATEMENT 3Q2010

	ONTARIO SECTOR Percentage of Average Assets *		Canadian Chartered Banks **
	3 Q 10	3Q09	2Q 2010
Interest and Investment Income			
Loan Interest Income	3.99%	4.25%	2.02%
Investment Income	<u>0.36%</u>	<u>0.39%</u>	<u>0.70%</u>
	4.35%	4.65%	2.72%
Interest Expense			
Interest Expense on Deposits	1.67%	2.13%	0.79%
Interest Rebates & Dividends on Share Capital	0.02%	0.01%	
Dividends on Investment Capital & Other Capital	0.07%	0.08%	
Other Interest Expense	0.03%	0.03%	
Other Interest Expense and Dividends	<u>0.11%</u>	<u>0.12%</u>	<u>0.25%</u>
	1.79%	2.25%	1.04%
Net Interest & Investment Income	<u>2.56%</u>	<u>2.39%</u>	<u>1.68%</u>
Loan Costs	0.16%	0.19%	0.29%
Net Interest & Investment Income after Loan Costs	2.40%	2.20%	1.39%
Other (non-interest) Income	<u>0.69%</u>	<u>0.86%</u>	<u>1.78%</u>
Net Interest, Investment & Other Income	<u>3.09%</u>	<u>3.06%</u>	<u>3.17%</u>
Non-interest Expenses			
Salaries and Benefits	1.39%	1.43%	1.11%
Occupancy	0.24%	0.25%	0.33%
Computer, office & other equipment	0.25%	0.28%	
Advertising & Communications	0.15%	0.15%	
Member Security	0.13%	0.12%	
Administration	0.27%	0.28%	
Other	<u>0.17%</u>	<u>0.17%</u>	<u>0.64%</u>
	2.60%	2.68%	2.08%
Net Income/(Loss) Before Taxes and Non-recurring & Extraordinary items	<u>0.50%</u>	<u>0.38%</u>	<u>1.09%</u>
Non-recurring & Extraordinary gains/(losses)	0.08%	-0.02%	0.00%
Taxes	0.08%	0.08%	0.27%
Minority Interests	<u>0.00%</u>	<u>0.00%</u>	<u>0.02%</u>
Net Income/(Loss)	<u>0.50%</u>	<u>0.27%</u>	<u>0.80%</u>
Average Assets (\$000)	30,088,003	28,559,530	2,636,783,000

* Year to date annualized

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

Totals may not agree due to rounding.

SELECTED FINANCIAL TRENDS

