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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 3Q 2011

Selected Aggregate Sector Performance Indicators	As at September 30 <sup>th</sup>	
	2011	2010
Number of Insured Institutions	157	174
Regulatory Capital (Aggregate Leverage Ratio)	7.31 %	7.46 %
Class 1 Institutions (Leverage)	8.26 %	8.09 %
Class 2 Institutions (BIS)	13.79 %	14.05 %
Liquidity	13.82 %	14.14 %
Asset Growth	7.90 %	4.60 %
Delinquency (greater than 30 days)	1.16 %	1.59 %
	Year to Date (annualized)	
Net Interest Income (Financial Margin)	2.51 %	2.56 %
Other Income	0.65 %	0.69 %
Return on Average Assets (ROAA)	0.63 %	0.50 %
Return on Regulatory Capital	8.58 %	7.54 %
Efficiency Ratio	79.10 %	81.50 %

### Capital

Aggregate capital increased by \$129.8 million during the latest twelve months although the aggregate leverage ratio declined to 7.31% compared to 7.46% at 3Q10. The change 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 on aggregate sector capital to date is approximately 0.18%.

The aggregate leverage ratio for Class 1 institutions increased to 8.26% from 8.09% at 3Q10 while aggregate risk weighted capital (BIS) for Class 2 institutions has decreased to 13.82% from 14.14% in 3Q10.

One Class 1 credit union did not meet the minimum regulatory capital level.

### Growth

Sector assets increased by \$2.4 billion or 7.90 % in the latest twelve months to \$33.1 billion. This higher than normal increase is due in part to the conversion to IFRS and the treatment of mortgage securitization transactions which are now reported on balance sheet. Total loans increased by \$2.3 billion (8.3%) and deposits increased by \$1.5 billion (5.6 %) in the same period. Off-balance sheet assets decreased by \$204 million to \$5.2 billion.

**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](http://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. Comparative results may therefore 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 1, 2011.**

**Profitability**

Return on average assets increased to 0.63% from 0.50% at 3Q10. The financial margin decreased slightly to 2.51% from 2.56% at 3Q10. During this period, loan costs decreased significantly to 0.09% from 0.17% while operating expenses fell by 9 basis points to 2.49%. The efficiency ratio has improved to 79.1% from 81.5%.

**Credit Risk**

Total loan delinquency declined to 1.16% compared to 1.59% at 3Q10. Likewise, commercial loan delinquency also decreased to 2.25% from 2.96% during the past 12 months.

**Loan Mix**

The loan mix reflects a continued decline in personal loans (0.04%) in contrast with strong growth of 12.2% or \$1.7 billion in residential mortgage lending. This growth is due in part to changes under IFRS which retains securitization transactions on balance sheet. During the same period, commercial loan growth was 7.2%.

Product	% of loan portfolio		Change (\$ millions)	% Change in Outstanding Loans
	2011	2010		
Personal Loans	11 %	12 %	(\$ 12)	( 0.4 %)
Mortgage Loans	57 %	56 %	\$ 1,703	12.2 %
Commercial Loans	28 %	28 %	\$ 511	7.2 %
Agricultural Loans	4 %	4 %	\$ 912	8.4 %

**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 annualized)	As at September 30 <sup>th</sup>	
	2011	2010
Total Loans	4.59 %	4.87 %
• Personal Loans	6.47 %	6.48 %
• Mortgage Loans	3.86 %	4.28 %
• Commercial Loans	5.33 %	5.37 %
• Agricultural Loans	4.59 %	4.58 %

	ONTARIO SECTOR		Selected Bank Information
	% average assets*, Year to date at ...		
	3 Q 11	3 Q 10	3 Q 2011
<b>PROFITABILITY</b>			
Net Interest and Investment Income	2.51%	2.56%	1.64%
Loan Costs	0.09%	0.17%	0.18%
Other (non-interest) Income	0.65%	0.69%	1.69%
Total Income	3.07%	3.08%	3.15%
Total Non-Interest Expenses (Operating Expenses)	2.49%	2.58%	2.11%
Net Income/(Loss) before Taxes and Non-recurring & Extraordinary items	0.59%	0.50%	1.04%
Efficiency Ratio (% Operating Expenses to Total Income)	80.93%	83.89%	79.96%
Efficiency Ratio (% Operating Expenses, before dividends & interest rebates to Total Income)	79.13%	81.47%	66.98%
Return on Average Assets (ROA) before dividends etc.	0.70%	0.59%	0.79%
Return on Average Assets (ROA)	0.63%	0.50%	
Return on Regulatory Capital before dividends etc.	9.53%	7.54%	13.13%
Return on Regulatory Capital	8.58%	6.71%	
<b>CREDIT RISK, as at the quarter-end</b>			
Gross Delinquency greater than 30 days (% of total loans)	1.16%	1.59%	
Gross Delinquency greater than 90 days (% of total loans)	0.73%	0.89%	
<b>OFF BALANCE SHEET ACTIVITY</b>			
Off balance Sheet Assets (\$millions) (Includes mutual fund sales and administered loans etc.)	5,214	5,418	
Income on Off Balance Sheet Activity (% Other Income)	14.52%	15.16%	
<b>OTHER INDICATORS, as at the quarter-end</b>			
Total Number of Active Insured Institutions	157	174	
Total Assets (\$ millions)	33,126	30,700	2,993,599
Average Assets per insured institution (\$ millions)	211.0	176.4	
Median Assets (\$ millions)	63.5	58.7	
Regulatory Capital (as a percentage of net assets)	7.31%	7.46%	
Number of Insured Institutions below 5% Capital	3	7	
Liquidity	13.82%	14.14%	

\* Year to date annualized unless otherwise stated.

Totals may not agree due to rounding

# Sector Financial Statements

## Balance Sheet 3Q 2011

	ONTARIO SECTOR			
	3 Q 11 (\$000)	3 Q 10 (\$000)	3 Q 11 (Percentage of Total Assets)	3 Q 10
<b>ASSETS</b>				
Cash and Investments	5,099,214	4,977,236	15.4%	16.2%
Personal Loans	2,987,655	2,999,850	9.0%	9.8%
Residential Mortgage Loans	15,634,020	13,930,722	47.2%	45.4%
Commercial Loans	7,647,906	7,137,285	23.1%	23.2%
Institutional Loans	71,191	77,202	0.2%	0.3%
Unincorporated Association Loans	17,147	15,912	0.1%	0.1%
Agricultural Loans	1,134,636	1,047,256	3.4%	3.4%
Total Loans	27,492,555	25,208,228	83.0%	82.1%
Total Loan Allowances	139,810	178,117	0.4%	0.6%
Capital (Fixed) Assets	367,089	353,672	1.1%	1.2%
Intangible & Other Assets	307,155	338,951	0.9%	1.1%
<b>Total Assets</b>	<b>33,126,203</b>	<b>30,699,970</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES</b>				
Demand Deposits	11,294,021	10,596,093	34.1%	34.5%
Term Deposits	9,870,229	9,621,281	29.8%	31.3%
Registered Deposits	7,589,960	7,064,405	22.9%	23.0%
Other Deposits	234,076	181,112	0.7%	0.6%
Total Deposits	28,988,285	27,462,891	87.5%	89.5%
Borrowings	1,188,230	423,933	3.6%	1.4%
Other Liabilities	561,520	554,813	1.7%	1.8%
<b>Total Liabilities</b>	<b>30,738,035</b>	<b>28,441,637</b>	<b>92.8%</b>	<b>92.6%</b>
<b>MEMBERS' EQUITY &amp; CAPITAL</b>				
Membership Shares	76,663	76,615	0.2%	0.2%
Retained Earnings	1,479,930	1,259,342	4.5%	4.1%
Other Tier 1 & 2 Capital	826,088	913,780	2.5%	3.0%
Accumulated Other Comprehensive Income	5,488	8,595	0.0%	0.0%
<b>Total Members' Equity &amp; Capital</b>	<b>2,388,169</b>	<b>2,258,333</b>	<b>7.2%</b>	<b>7.4%</b>
<b>Total Liabilities, &amp; Members' Equity &amp; Capital</b>	<b>33,126,204</b>	<b>30,699,970</b>	<b>100.0%</b>	<b>100.0%</b>

Totals may not agree due to rounding

# Sector Financial Statements

## Income Statement 3Q 2011

	ONTARIO SECTOR		Canadian Chartered Banks **
	Percentage of Average Assets *		
	3 Q 11	3 Q 10	3 Q 2011
<b>Interest and Investment Income</b>			
Loan Interest Income	3.81%	3.99%	2.03%
Investment Income	0.35%	0.36%	0.75%
	<b>4.16%</b>	<b>4.34%</b>	<b>2.78%</b>
<b>Interest Expense</b>			
Interest Expense on Deposits	1.53%	1.66%	0.83%
Interest Rebates & Dividends on Share Capital	0.00%	0.02%	
Dividends on Investment Capital & Other Capital	0.09%	0.07%	
Other Interest Expense	0.03%	0.03%	
Other Interest Expense and Dividends	0.12%	0.12%	0.31%
	<b>1.65%</b>	<b>1.78%</b>	<b>1.14%</b>
<b>Net Interest &amp; Investment Income</b>	<b>2.51%</b>	<b>2.56%</b>	<b>1.64%</b>
Loan Costs	0.09%	0.17%	0.18%
<b>Net Interest &amp; Investment Income after Loan Costs</b>	<b>2.42%</b>	<b>2.39%</b>	<b>1.46%</b>
Other (non-interest) Income	0.65%	0.69%	1.69%
<b>Net Interest, Investment &amp; Other Income</b>	<b>3.07%</b>	<b>3.08%</b>	<b>3.15%</b>
<b>Non-interest Expenses</b>			
Salaries and Benefits	1.34%	1.38%	1.10%
Occupancy	0.23%	0.24%	0.29%
Computer, office & other equipment	0.25%	0.25%	
Advertising & Communications	0.14%	0.15%	
Member Security	0.13%	0.13%	
Administration	0.23%	0.27%	
Other	0.16%	0.16%	0.72%
	<b>2.49%</b>	<b>2.58%</b>	<b>2.11%</b>
<b>Net Income/(Loss) Before Taxes and Non-recurring &amp; Extraordinary items</b>	<b>0.59%</b>	<b>0.50%</b>	<b>1.04%</b>
Non-recurring & Extraordinary gains/(losses)	0.13%	0.08%	0.00%
Taxes	0.08%	0.09%	0.24%
Minority Interests	0.00%	0.00%	0.01%
<b>Net Income/(Loss)</b>	<b>0.63%</b>	<b>0.50%</b>	<b>0.79%</b>
Average Assets (\$000)	32,329,819	30,158,569	2,932,563,000

\* Year to date annualized

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

Totals may not agree due to rounding.

# Selected Financial Trends

