

Ontario Credit Unions and Caisses Populaires

# SECTOR OUTLOOK

## 1Q2009

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**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](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. 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.

**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.***

# FINANCIAL HIGHLIGHTS IQ09

Selected Aggregate Sector Performance Indicators	As at March 31 <sup>st</sup> , 2009	
	2009	2008
Regulatory Capital ( Total)	7.06%	7.20%
Class 1 Institutions (Leverage)	7.05%	8.48%
Class 2 Institutions (BIS)	13.08%	13.49%
Liquidity (Gross)	13.18%	13.76%
Asset Growth	5.6%	6.40%
Delinquency (greater than 30 days)	1.14%	1.05%
	Year to Date (annualized)	
Net Interest Income (Financial Margin)	2.36%	2.62%
Other Income	0.85%	0.77%
Return on Average Assets (ROAA)	0.20%	0.41%
Return on Regulatory Capital	2.90%	5.64%
Efficiency Ratio	90.3%	85.10%

## Capital

Aggregate capital increased by \$43.9 million during the latest twelve months. Aggregate regulatory capital declined to 7.06% compared to 7.20% at IQ08. Aggregate capital (leverage) for Class 1 institutions is 7.05% while aggregate capital (BIS) for Class 2 is 13.08%.

## Growth

Assets increased by \$1.5 billion or 5.6% in the latest twelve months to \$28.3 billion. Total loans increased by \$1.6 billion or 7.1% while deposits increased by \$1.7 billion or 7.2% in the same period. Off-balance sheet assets declined by \$789 million to \$4.5 billion.

## Profitability

The return on average assets (ROAA) fell to 0.20% compared to 0.41% for the same period in 2008. Factors influencing this large decline include the write down of investments relating to asset backed commercial paper, a continued reduction in spreads resulting from lower interest rates, and a significant increase in loan costs attributable to the on-going economic recession. Net interest income declined from 2.74% to 2.36% as a result of lower interest rates and declining investment income while loan costs increased from 0.11% to 0.19% year over year. In contrast, other income increased to 0.85% from 0.77% and operating expenses declined to 2.79% compared to 2.89% at IQ08. The efficiency ratio has increased to 90.3% from 84.99% as at IQ08 although has improved from 92% as of 4Q08.

## Credit Risk

Overall gross delinquency has increased to 1.35% compared to 1.05% at IQ08. During the same period, commercial loan delinquency increased to 1.86% from 1.40%. Under the current economic conditions, it is expected that both loan costs and delinquencies will continue to increase.

# FINANCIAL HIGHLIGHTS IQ09

## Loan Mix

The loan mix continues to change along with the increase in commercial lending and decrease in personal lending. Commercial loans have increased 16% year over year and now account for more than 28% of total loans compared to 13% for personal loans.

Product	% of Loan Portfolio		Change (\$millions)	% Change in Outstanding Loans
	2009	2008		
Personal Loans	13%	14%	\$ 62	2%
Mortgage Loans	55%	56%	\$521	4%
Commercial Loans	28%	26%	\$888	16%
Agricultural Loans	4%	4%	\$ 85	10%

## Loan Yields

The overall loan yield continues to decline as overall interest rates have declined over the past 12 months and the gradual shift away from higher yielding personal loans.

Selected Loan Yields (Year to Date annualized)	As at March <sup>st</sup> , 2009	
	2009	2008
Total Loans	5.27%	6.13%
Personal Loans	6.95%	8.59%
Mortgage Loans	4.73%	5.31%
Commercial Loans	5.58%	6.65%
Agricultural Loans	5.02%	6.13%

# FINANCIAL HIGHLIGHTS | Q09

	Selected Bank Information		
	Year to date at...		
	1 Q 2009	1 Q 2008	1 Q 2009
	% average assets*		
<b>PROFITABILITY</b>			
Net Interest and Investment Income	2.36%	2.74%	1.60%
Loan Costs	0.19%	0.11%	0.36%
Other (non-interest) Income	0.85%	0.77%	1.34%
Total Income	3.01%	3.40%	2.58%
Total Non-Interest Expenses (Operating Expenses)	2.72%	2.89%	2.05%
Net Income/(Loss) before Taxes and Non-recurring & Extraordinary items	0.29%	0.51%	0.53%
Efficiency Ratio (% Operating Expenses to Total Income)	90.29%	84.99%	79.42%
Efficiency Ratio (% Operating Expenses, before dividends & interest rebates to Total Income)	87.15%	81.34%	
Return on Average Assets (ROA) before dividends etc.	0.31%	0.56%	0.45%
Return on Average Assets (ROA)	0.20%	0.41%	
Return on Regulatory Capital before dividends etc.	4.44%	7.24%	
Return on Regulatory Capital	2.90%	5.71%	
<b>CREDIT RISK, as at quarter-ended...</b>			
Gross Delinquency greater than 30 days (% of total loans)	1.35%	1.05%	
Gross Delinquency greater than 90 days (% of total loans)	0.77%	0.52%	
<b>OFF BALANCE SHEET ACTIVITY</b>			
Off balance Sheet Assets (\$millions) at. (Includes mutual fund sales and administered loans etc.)	4,508	5,297	
Income on Off Balance Sheet Activity (% Other Income)	28.06%	19.56%	
<b>OTHER INDICATORS, as at quarter-ended...</b>			
Total Number of Active Insured Institutions	197	204	
Total Assets (\$millions)	28,273,689	26,784,942	2,773,102,000
Average Assets per insured institution (\$millions)	143.5	131.3	
Median Assets (\$millions)	44.9	40.7	
Regulatory Capital (as per Ont Reg 76/95) (as a percentage of net assets)	7.06%	7.20%	
Number of Insured Institutions below 5% Capital	4	3	
Gross Liquidity as per Sections 16-18 of Ont Reg.76/95	13.18%	13.73%	
* Year to date annualized unless otherwise stated.			
Totals may not agree due to rounding			

# SECTOR BALANCE SHEET 1Q09

	Percentage of Total Assets			
	1 Q 2009 (\$000)	1 Q 2008 (\$000)	1 Q 09	1Q08
<b>ASSETS</b>				
Cash and Investments	4,213,471	4,234,523	14.9%	15.8%
Personal Loans	3,088,987	3,026,730	10.9%	11.3%
Residential Mortgage Loans	12,843,200	12,322,328	45.4%	46.0%
Commercial Loans	6,479,145	5,591,410	22.9%	20.9%
Institutional Loans	82,846	79,689	0.3%	0.3%
Unincorporated Association Loans	11,768	7,984	0.0%	0.0%
Agricultural Loans	951,142	866,363	3.4%	3.2%
Total Loans	23,457,088	21,894,505	83.0%	81.7%
Total Loan Allowances	144,495	122,926	0.5%	0.5%
Capital (Fixed) Assets	377,944	377,451	1.3%	1.4%
Intangible & Other Assets	369,681	401,388	1.3%	1.5%
<b>Total Assets</b>	<b>28,273,689</b>	<b>26,784,942</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES</b>				
Demand Deposits	8,911,187	8,386,323	31.5%	31.3%
Term Deposits	9,835,842	9,056,612	34.8%	33.8%
Registered Deposits	6,540,515	6,055,876	23.1%	22.6%
Other Deposits	135,161	209,503	0.5%	0.8%
Total Deposits	25,422,705	23,708,315	89.9%	88.5%
Borrowings	354,716	595,951	1.3%	2.2%
Other Liabilities	520,693	535,746	1.8%	2.0%
<b>Total Liabilities</b>	<b>26,298,114</b>	<b>24,840,012</b>	<b>93.0%</b>	<b>92.7%</b>
<b>MEMBERS' EQUITY &amp; CAPITAL</b>				
Membership Shares	78,374	79,253	0.3%	0.3%
Retained Earnings	1,101,896	1,106,872	3.9%	4.1%
Other Tier 1 & 2 Capital	795,305	758,804	2.8%	2.8%
<b>Total Members' Equity &amp; Capital</b>	<b>1,975,575</b>	<b>1,944,929</b>	<b>7.0%</b>	<b>7.3%</b>
<b>Total Liabilities, &amp; Members' Equity &amp; Capital</b>	<b>28,273,689</b>	<b>26,784,942</b>	<b>100.0%</b>	<b>100.0%</b>

Totals may not agree due to rounding

# SECTOR INCOME STATEMENT IQ09 (WITH INDUSTRY COMPARISON)

	Percentage of Average Assets		
	1 Q 2009	1 Q 2008	Canadian Chartered Banks** 1 Q 2009
<b>Interest and Investment Income</b>			
Loan Interest Income	4.38%	5.04%	2.40%
Investment Income	<u>0.46%</u>	<u>0.64%</u>	<u>1.07%</u>
	<b>4.84%</b>	<b>5.68%</b>	<b>3.47%</b>
<b>Interest Expense</b>			
Interest Expense on Deposits	2.33%	2.67%	1.47%
Interest Rebates & Dividends on Share Capital	0.01%	0.09%	
Dividends on Investment Capital & Other Capital	0.10%	0.07%	
Other Interest Expense	0.04%	0.11%	
Other Interest Expense and Dividends	<u>0.15%</u>	<u>0.26%</u>	<u>0.40%</u>
	<b>2.48%</b>	<b>2.94%</b>	<b>1.88%</b>
<b>Net Interest &amp; Investment Income</b>	<b><u>2.36%</u></b>	<b><u>2.74%</u></b>	<b><u>1.60%</u></b>
Loan Costs	0.19%	0.11%	0.36%
<b>Net Interest &amp; Investment Income after Loan Costs</b>	<b>2.17%</b>	<b>2.63%</b>	<b>1.24%</b>
Other (non-interest) Income	<u>0.85%</u>	<u>0.77%</u>	<u>1.34%</u>
<b>Net Interest, Investment &amp; Other Income</b>	<b><u>3.01%</u></b>	<b><u>3.40%</u></b>	<b><u>2.58%</u></b>
<b>Non-interest Expenses</b>			
Salaries and Benefits	1.43%	1.53%	1.08%
Occupancy	0.26%	0.26%	0.33%
Computer, office & other equipment	0.29%	0.30%	
Advertising & Communications	0.16%	0.17%	
Member Security	0.12%	0.12%	
Administration	0.28%	0.30%	
Other	0.18%	0.20%	<u>0.64%</u>
	<b><u>2.72%</u></b>	<b><u>2.89%</u></b>	<b><u>2.05%</u></b>
<b>Net Income/(Loss) Before Taxes and Non-recurring &amp; Extraordinary items</b>	<b><u>0.29%</u></b>	<b><u>0.51%</u></b>	<b><u>0.53%</u></b>
Non-recurring & Extraordinary gains/(losses)	-0.01%	0.01%	0.00%
Taxes	0.08%	0.11%	0.07%
Minority Interests	0.00%	0.00%	0.01%
<b>Net Income/(Loss)</b>	<b><u>0.20%</u></b>	<b><u>0.41%</u></b>	<b><u>0.45%</u></b>
<b>Average Assets (\$000)</b>	<b>28,013,627</b>	<b>26,380,393</b>	<b>2,738,045,000</b>

\* Year to date annualized

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

Totals may not agree due to rounding.

# SELECTED PERFORMANCE TRENDS

