

March 2011

Ontario Credit Unions and Caisses Populaires

SECTOR OUTLOOK 4Q10

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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.

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 February 8, 2011

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 4Q10

Selected Aggregate Sector Performance Indicators	As at December 31	
	2010	2009
Number of Insured Institutions	167	187
Regulatory Capital (Aggregate Leverage Ratio)	7.52 %	7.22%
Class 1 Institutions (Leverage)	8.32 %	7.88%
Class 2 Institutions (BIS)	14.17 %	13.44%
Liquidity	14.32 %	14.20%
Asset Growth	4.92 %	5.98%
Delinquency (greater than 30 days)	1.41 %	1.57%
	Year to Date (annualized)	
Net Interest Income (Financial Margin)	2.58 %	2.41 %
Other Income	0.72 %	0.84 %
Return on Average Assets (ROAA)	0.48 %	0.26 %
Return on Regulatory Capital	6.54 %	3.62 %
Efficiency Ratio	83.70 %	89.73 %

Capital

Aggregate capital increased by \$201.2 million during the latest twelve months and the aggregate leverage ratio increased to 7.52% compared to 7.22% at 4Q09 as a result of higher earnings and and the issuance of additional investment share capital. The overall leverage ratio for Class I institutions increased to 8.32% while aggregate risk weighted capital (BIS) for Class 2 institutions increased to 14.17%.

Growth

Sector assets increased by \$1.46 billion or 4.92% in the latest twelve months to \$31.0 billion. Total loans increased by \$1.2 billion or 5.1%, while deposits increased by \$1.5 billion or 5.58% in the same period. Off-balance sheet assets increased by \$52 million to \$5.5 billion.

Profitability

Return on average assets increased to 0.48% from 0.26% at 4Q09. This was primarily due to a higher net interest income, lower loan costs and operating expenses, and non-recurring items.

The financial margin increased to 2.58% from 2.41% at 4Q09. Loan costs fell by 6 basis points to 0.15% and operating expenses declined by 9 basis points to 2.64%. As a result of these changes, the efficiency ratio has improved significantly to 83.70% from 89.73%.

Non-recurring income increased by 4 basis points to 0.06%.

Credit Risk

Total loan delinquency declined to 1.41% compared to 1.57% at 4Q09. In contrast, commercial loan delinquency increased significantly to 2.61% from 2.20% during the same period.

Loan Mix

The loan mix reflects the continued decline in personal lending and stronger growth in commercial lending. Although commercial loan growth slowed in 2010, it remains fairly strong at 6.1%. 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%	(\$88)	(2.9%)
Mortgage Loans	55%	55%	\$829	6.3%
Commercial Loans	29%	28%	\$420	6.2%
Agricultural Loans	4%	4%	\$70	7.0%

Loan Yields

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 (YTD annualised)	As at December 31	
	2010	2009
Total Loans	4.90%	5.09%
Personal Loans	6.60%	6.60%
Mortgage Loans	4.29%	4.56%
Commercial Loans	5.40%	5.51%
Agricultural Loans	4.73%	4.73%

SECTOR FINANCIAL HIGHLIGHTS 4Q2010

	ONTARIO SECTOR		Selected Bank Information
	Year to date at . . .		
	4 Q 2010	4 Q 2009	4Q 2010
PROFITABILITY	% average assets *		
Net Interest and Investment Income	2.58%	2.41%	1.72%
Loan Costs	0.15%	0.21%	0.26%
Other (non-interest) Income	0.72%	0.84%	1.75%
Total Income	3.15%	3.04%	3.21%
Total Non-Interest Expenses (Operating Expenses)	2.64%	2.73%	2.15%
Net Income/(Loss) before Taxes and Non-recurring & Extraordinary items	0.51%	0.31%	1.06%
Efficiency Ratio (% Operating Expenses to Total Income)	83.70%	89.73%	80.39%
Efficiency Ratio (% Operating Expenses, before dividends & interest rebates to Total Income)	81.60%	85.65%	67.16%
Return on Average Assets (ROA) before dividends etc.	0.56%	0.40%	0.77%
Return on Average Assets (ROA)	0.48%	0.26%	
Return on Regulatory Capital before dividends etc.	7.64%	4.35%	
Return on Regulatory Capital	6.54%	3.62%	14.01%
CREDIT RISK, as at the quarter-end			
Gross Delinquency greater than 30 days (% of total loans)	1.41%	1.57%	
Gross Delinquency greater than 90 days (% of total loans)	0.83%	0.83%	
OFF BALANCE SHEET ACTIVITY			
Off balance Sheet Assets (\$millions) at. (Includes mutual fund sales and administered loans etc.)	5,473	5,421	
Income on Off Balance Sheet Activity (% Other Income)	25.16%	24.78%	
OTHER INDICATORS, as at the quarter-end			
Total Number of Active Insured Institutions	167	187	
Total Assets (\$ millions)	31,043	29,586	2,817,981
Average Assets per insured institution (\$ millions)	185.9	158.2	
Median Assets (\$ millions)	61.4	51.5	
Regulatory Capital (as a percentage of net assets)	7.52%	7.22%	
Number of Insured Institutions below 5% Capital	6	8	
Liquidity	14.32%	14.20%	

* Year to date annualized unless otherwise stated.

Totals may not agree due to rounding

SECTOR FINANCIAL STATEMENTS

BALANCE SHEET 4Q2010

	ONTARIO SECTOR		Percentage of Total Assets	
	4 Q 2010 (\$000)	4 Q 2009 (\$000)	4 Q 2010	4 Q 2009
ASSETS				
Cash and Investments	5,150,522	4,922,619	16.6%	16.6%
Personal Loans	2,954,044	3,042,457	9.5%	10.3%
Residential Mortgage Loans	13,999,801	13,170,910	45.1%	44.5%
Commercial Loans	7,230,321	6,809,582	23.3%	23.0%
Institutional Loans	77,834	95,432	0.3%	0.3%
Unincorporated Association Loans	15,042	9,677	0.0%	0.0%
Agricultural Loans	1,065,856	995,507	3.4%	3.4%
Total Loans	25,342,898	24,123,565	81.6%	81.5%
Total Loan Allowances	152,426	170,164	0.5%	0.6%
Capital (Fixed) Assets	360,067	351,265	1.2%	1.2%
Intangible & Other Assets	341,918	358,584	1.1%	1.2%
Total Assets	31,042,979	29,585,869	100.0%	100.0%
LIABILITIES				
Demand Deposits	10,720,644	9,915,742	34.5%	33.5%
Term Deposits	9,789,883	9,649,251	31.5%	32.6%
Registered Deposits	7,160,663	6,668,821	23.1%	22.5%
Other Deposits	207,676	171,208	0.7%	0.6%
Total Deposits	27,878,866	26,405,022	89.8%	89.2%
Borrowings	331,664	547,682	1.1%	1.9%
Other Liabilities	528,133	530,089	1.7%	1.8%
Total Liabilities	28,738,662	27,482,793	92.6%	92.9%
MEMBERS' EQUITY & CAPITAL				
Membership Shares	74,922	77,340	0.2%	0.3%
Retained Earnings	1,307,107	1,149,127	4.2%	3.9%
Other Tier 1 & 2 Capital	922,288	876,608	3.0%	3.0%
Total Members' Equity & Capital	2,304,317	2,103,075	7.4%	7.1%
Total Liabilities, & Members' Equity & Capital	31,042,979	29,585,869	100.0%	100.0%

Totals may not agree due to rounding

SECTOR FINANCIAL STATEMENTS

INCOME STATEMENT 4Q2010

	ONTARIO SECTOR Percentage of Average Assets *		Canadian Chartered Banks **
	4 Q 2010	4 Q 2009	4Q 2010
Interest and Investment Income			
Loan Interest Income	4.00%	4.20%	2.11%
Investment Income	<u>0.34%</u>	<u>0.40%</u>	<u>0.71%</u>
	4.34%	4.60%	2.82%
Interest Expense			
Interest Expense on Deposits	1.65%	2.01%	0.83%
Interest Rebates & Dividends on Share Capital	0.01%	0.05%	
Dividends on Investment Capital & Other Capital	0.07%	0.09%	
Other Interest Expense	0.03%	0.03%	
Other Interest Expense and Dividends	<u>0.11%</u>	<u>0.18%</u>	<u>0.27%</u>
	1.76%	2.19%	1.10%
Net Interest & Investment Income	<u>2.58%</u>	<u>2.41%</u>	<u>1.72%</u>
Loan Costs	0.15%	0.21%	0.26%
Net Interest & Investment Income after Loan Costs	2.43%	2.20%	1.46%
Other (non-interest) Income	<u>0.72%</u>	<u>0.84%</u>	<u>1.75%</u>
Net Interest, Investment & Other Income	<u>3.15%</u>	<u>3.04%</u>	<u>3.21%</u>
Non-interest Expenses			
Salaries and Benefits	1.39%	1.43%	1.10%
Occupancy	0.25%	0.27%	0.36%
Computer, office & other equipment	0.25%	0.28%	
Advertising & Communications	0.16%	0.17%	
Member Security	0.13%	0.12%	
Administration	0.26%	0.30%	
Other	<u>0.19%</u>	<u>0.16%</u>	<u>0.69%</u>
	2.64%	2.73%	2.15%
Net Income/(Loss) Before Taxes and Non-recurring & Extraordinary items	<u>0.51%</u>	<u>0.31%</u>	<u>1.06%</u>
Non-recurring & Extraordinary gains/(losses)	0.06%	0.02%	0.00%
Taxes	0.09%	0.07%	0.27%
Minority Interests	<u>0.00%</u>	<u>0.00%</u>	<u>0.02%</u>
Net Income/(Loss)	<u>0.48%</u>	<u>0.26%</u>	<u>0.77%</u>
Average Assets (\$000)	30,408,518	28,895,155	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

