

Sector Outlook Report 3Q19

Ontario Credit Unions and Caisses Populaires



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Notes

The Sector Outlook is published on a quarterly basis and provides analysis and commentary about the economy and most recent financial results reported by credit unions and caisses populaires in the Ontario sector.

Throughout this document, unless specifically indicated otherwise, references to credit unions means both credit unions and caisses populaires.

Disclaimer

The information presented in this report has been prepared using unaudited financial filings submitted by credit unions to FSRA as of October 26, 2019 and as such accuracy and completeness cannot be guaranteed. Income Statement results are based on aggregate year-to-date annualized information for each credit union.

Electronic Publication

The Sector Outlook is available in PDF format (readable using Adobe Acrobat Reader) and can be downloaded from the Publications section on the Credit Unions and Caisses Populaires page on FSRA's website at www.fsrao.ca.

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Financial Highlights

| | Sector | | | Credit Unions | | | Caisses Populaires | | |
|---|--------------------|---------|---------|--------------------|---------|---------|--------------------|---------|---------|
| | 3Q-2019* | 2Q-2019 | 3Q-2018 | 3Q-2019* | 2Q-2019 | 3Q-2018 | 3Q-2019* | 2Q-2019 | 3Q-2018 |
| Income Statement (% average assets) | | | | | | | | | |
| Net Interest Income | 1.82 ¹ | 1.78 | 1.97 | 1.79 ¹ | 1.77 | 1.92 | 1.96 ¹ | 1.88 | 2.26 |
| Loan Costs | 0.05 ² | 0.05 | 0.06 | 0.05 ¹ | 0.06 | 0.05 | 0.01 ³ | -0.02 | 0.10 |
| Other Income | 0.45 ² | 0.45 | 0.50 | 0.42 ³ | 0.43 | 0.47 | 0.63 ³ | 0.65 | 0.67 |
| Non-Interest Expense | 1.80 ¹ | 1.81 | 1.88 | 1.81 ¹ | 1.82 | 1.89 | 1.72 ¹ | 1.75 | 1.80 |
| Taxes | 0.06 ³ | 0.05 | 0.11 | 0.07 ³ | 0.06 | 0.09 | 0.01 ¹ | 0.02 | 0.23 |
| Net Income | 0.37 ¹ | 0.32 | 0.43 | 0.30 ¹ | 0.26 | 0.37 | 0.84 ¹ | 0.78 | 0.81 |
| Balance Sheet (\$ billions; as at quarter end) | | | | | | | | | |
| Assets | 68.3 ¹ | 66.8 | 62.0 | 59.6 ¹ | 58.3 | 54.1 | 8.7 ¹ | 8.5 | 8.0 |
| Loans | 58.9 ¹ | 57.6 | 54.5 | 51.3 ¹ | 50.1 | 47.6 | 7.6 ¹ | 7.5 | 7.0 |
| Deposits | 55.0 ¹ | 53.9 | 48.6 | 47.7 ¹ | 46.9 | 43.0 | 7.3 ¹ | 7.0 | 5.6 |
| Members' Equity & Capital | 4.66 ¹ | 4.49 | 4.30 | 3.90 ¹ | 3.74 | 3.59 | 0.76 ¹ | 0.75 | 0.71 |
| Capital Ratios (%) | | | | | | | | | |
| Leverage | 6.76 ¹ | 6.68 | 6.95 | 6.46 ¹ | 6.36 | 6.65 | 8.79 ³ | 8.91 | 9.00 |
| Risk Weighted | 13.29 ¹ | 13.19 | 13.62 | 12.79 ¹ | 12.65 | 12.99 | 16.54 ³ | 16.71 | 17.88 |
| Key Measures and Ratios (% except as noted) | | | | | | | | | |
| Return on Regulatory Capital | 5.46 ¹ | 4.83 | 6.06 | 4.65 ¹ | 4.04 | 5.50 | 9.52 ¹ | 8.73 | 8.88 |
| Liquidity Ratio | 11.1 ³ | 11.6 | 10.1 | 11.9 ³ | 12.3 | 10.4 | 5.7 ³ | 6.5 | 7.3 |
| Efficiency Ratio (before dividends/rebates) | 78.7 ¹ | 80.3 | 75.9 | 81.1 ¹ | 82.6 | 78.3 | 65.1 ¹ | 66.9 | 62.1 |
| Efficiency Ratio | 81.3 ¹ | 82.8 | 78.2 | 83.8 ¹ | 85.2 | 80.9 | 66.8 ¹ | 68.7 | 63.3 |
| Mortgage Loan Delinquency>30 days | 0.44 ³ | 0.41 | 0.43 | 0.46 ³ | 0.43 | 0.44 | 0.34 ³ | 0.27 | 0.37 |
| Commercial Loan Delinquency>30 days | 0.99 ³ | 0.85 | 0.72 | 0.98 ³ | 0.84 | 0.70 | 1.11 ³ | 0.95 | 0.89 |
| Total Loan Delinquency>30 days | 0.62 ³ | 0.56 | 0.54 | 0.63 ³ | 0.57 | 0.52 | 0.55 ³ | 0.49 | 0.68 |
| Total Loan Delinquency>90 days | 0.31 ³ | 0.30 | 0.29 | 0.32 ³ | 0.30 | 0.27 | 0.28 ¹ | 0.29 | 0.42 |
| Asset Growth (from last quarter) | 2.25 ¹ | 2.19 | 2.80 | 2.22 ¹ | 2.08 | 2.86 | 2.46 ³ | 2.90 | 2.40 |
| Loan Growth (from last quarter) | 2.30 ¹ | 1.63 | 3.18 | 2.31 ¹ | 1.37 | 3.24 | 2.22 ³ | 3.46 | 2.78 |
| Deposit Growth (from last quarter) | 1.96 ³ | 2.50 | 2.21 | 1.79 ³ | 2.40 | 2.25 | 3.14 ³ | 3.20 | 1.94 |
| Credit Unions (number) | 77 ² | 77 | 79 | 65 ² | 65 | 67 | 12 ² | 12 | 12 |
| Membership (thousands) | 1692 ³ | 1,698 | 1,665 | 1504 ³ | 1,509 | 1,477 | 188 ³ | 189 | 188 |
| Average Assets (\$ millions, per credit union) | 887 ¹ | 868 | 785 | 931 ¹ | 911 | 807 | 673 ¹ | 657 | 664 |
| | Better | Neutral | Worse | | | | | | |

* Trends are current quarter to last quarter

Sector Key Financial Trends

Table #1 - Selected Growth Trends

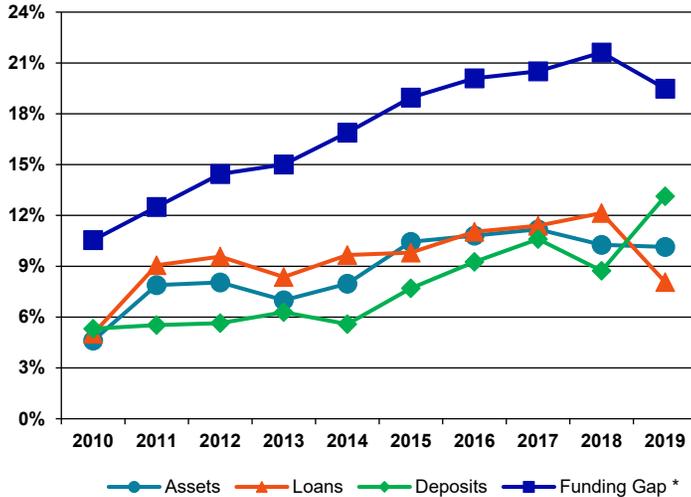


Table #2 - Selected Performance Trends

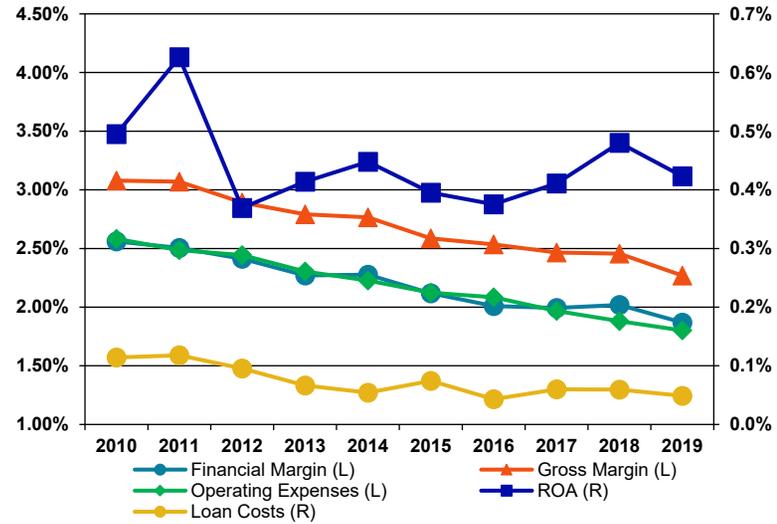


Table #3 - Efficiency Ratio and Return on Assets

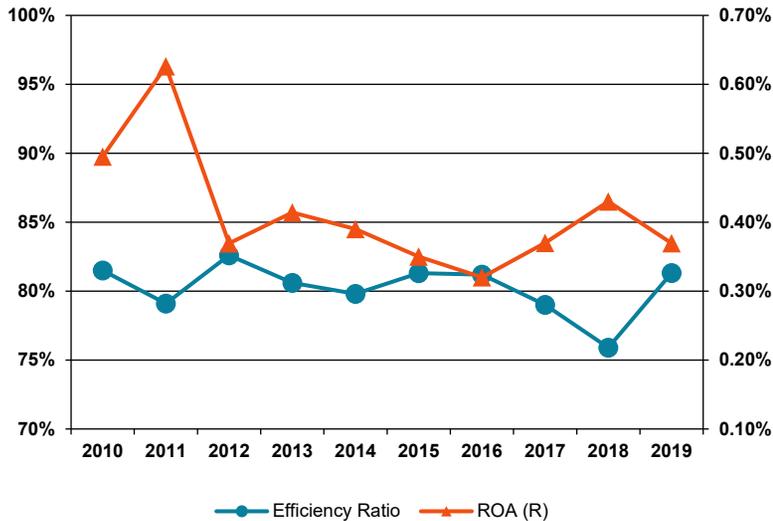
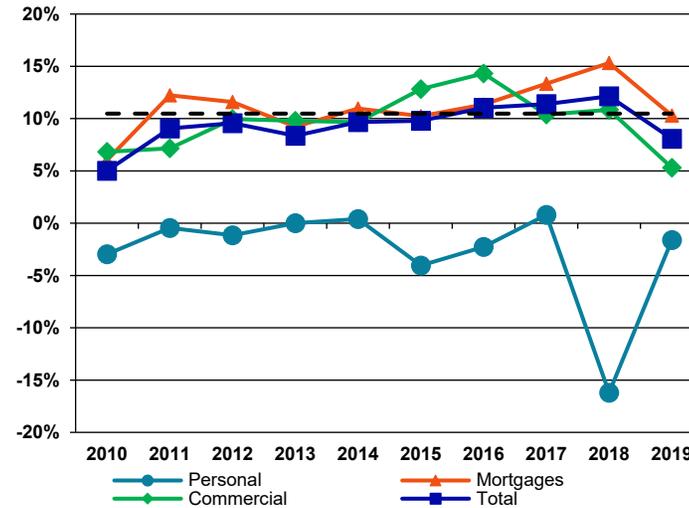
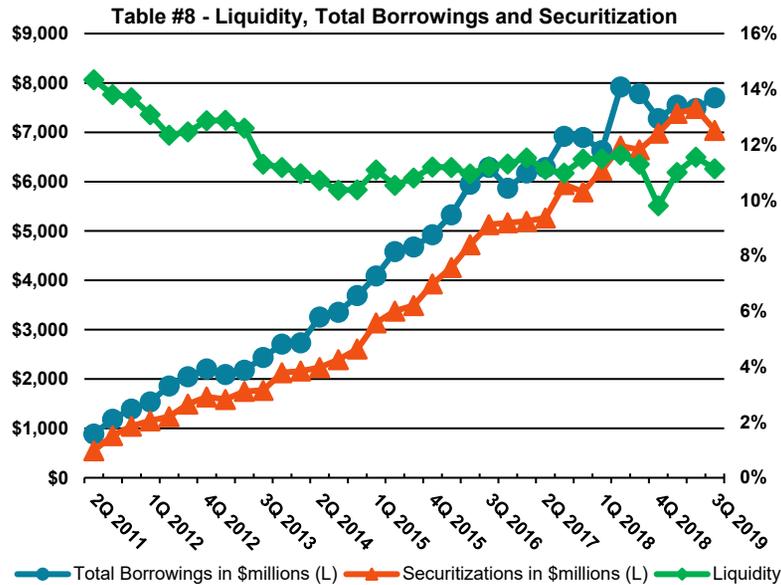
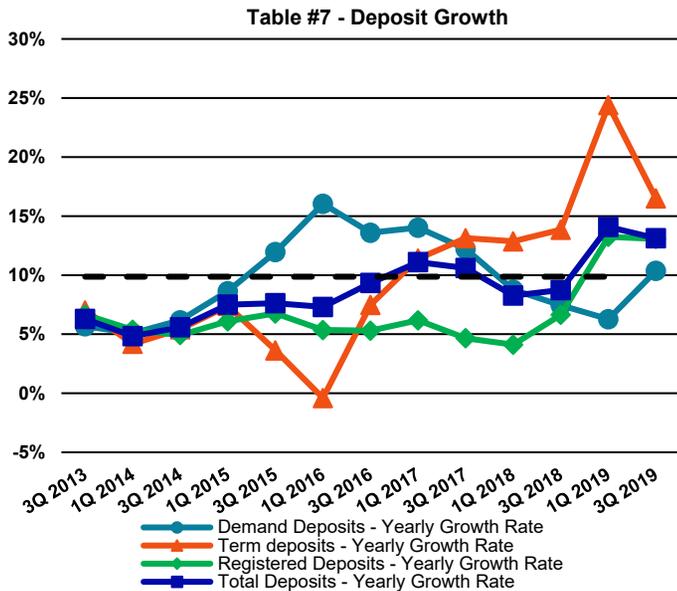
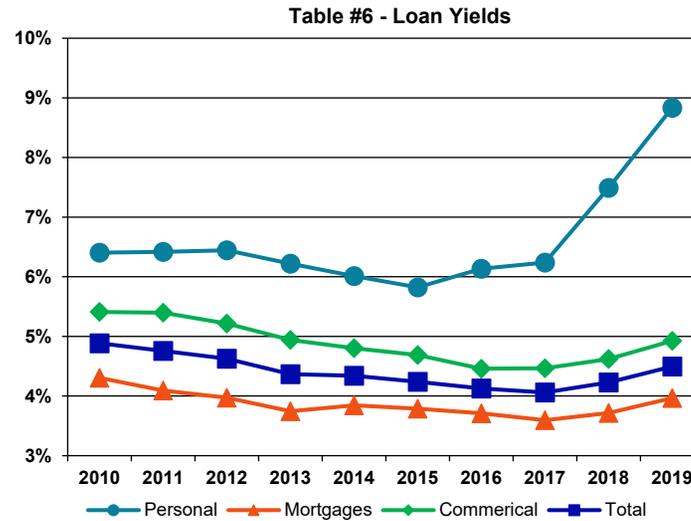
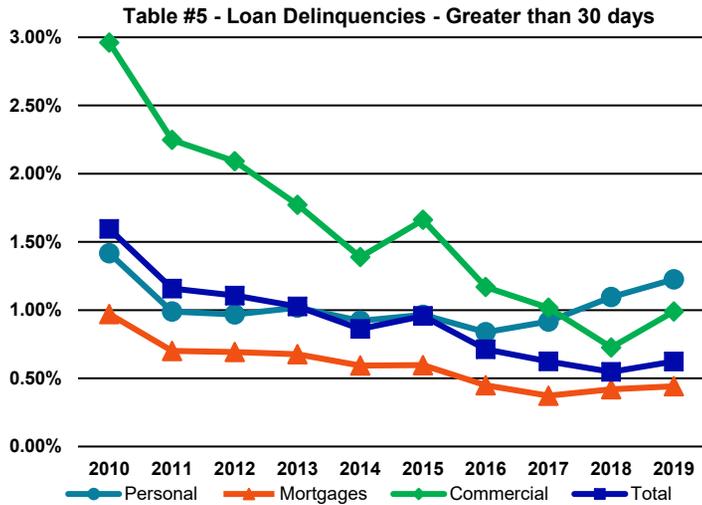


Table #4 - Loan Growth



Sector Key Financial Trends (Continued)



FSRA Observations 3Q-2019

- Profitability this quarter at 37 bps is down by 6 bps year over year (from 43 bps) but improved 5 bps from 32 bps recorded last quarter; within the sector, increasing loan interest and improving non-interest expenses continue to be more than offset by higher interest expense on deposits and lower other income.
- Mortgage loan delinquency over 30 days increased by 1 bp year over year and 3 bps quarter over quarter to 44 bps; trends are significant because of the continued high rate of growth in mortgage loan assets which represent 54.8% of sector assets, the effects of potentially higher interest rates on mortgages when renewed and high household debt levels.
- Total loan delinquency over 30 days has deteriorated year over year to 62 bps (from 54bps) reflecting the impact of commercial loan performance of 99 bps (worse by 17 bps year over year and 14 bps quarter over quarter).
- Asset growth (10.1% year over year) continues to be led by residential mortgages (10.3%), perhaps more impacted by tightened lending rules at banks than by interest rate movements, slowing sales volumes and/or reduced prices in some markets.
- In recent years, loan growth has outpaced deposit growth leading to reliance on securitization as a source of funding; this continues but not to the same order of magnitude.
- Liquidity increased 100 bps year over year to 11.1% as growth in liquid assets outpaced growth in deposits, borrowings and securitization transactions.
- Capital and capital ratios remain under pressure as growth in retained earnings (8.4%) has not been keeping pace with growth in assets (10.1%). To maintain minimum capital requirements and provide for future growth, credit unions have an increasing dependency on the issuance of investment shares (\$89 million, up 5.2% in 3Q19) which remain a significant portion of their capital composition (38.2% in 3Q19 versus 37.7% in 3Q18).

Economic Overview

At its meeting of October 30th, 2019 the Bank of Canada (the “Bank”) held its overnight rate at 1.75%, unchanged since October, 2018.

The Bank said that the outlook for the global economy has weakened further since its July report and growth in Canada is expected to slow in the second half of this year to a rate below its potential. This reflects the uncertainty associated with trade conflicts, continuing adjustment in the energy sector and the unwinding of temporary factors that boosted growth in the second quarter. It said business investment and exports are likely to contract before expanding again in 2020 and 2021. At the same time, government spending and lower borrowing rates are supporting domestic demand; activity in the services sector remains robust; employment is showing continuing strength and wage growth is picking up, although with some variation among regions; consumer spending has been choppy but will be supported by solid income growth and housing activity is picking up in most markets.

The Bank now projects real GDP will grow by 1.5 percent this year, 1.7 percent in 2020 and 1.8 percent in 2021. Overall, it expects inflation to track close to the 2 percent target over this horizon.

All things considered, the Governing Council judged it appropriate to maintain the current level of the overnight rate target. The Bank said it will be monitoring the extent to which the global slowdown spreads beyond manufacturing and investment and will pay close attention to the sources of resilience in the Canadian economy, which it notes as consumer spending and housing activity, as well as to fiscal policy developments.

In September, Statistics Canada said the household debt to income ratio edged down to 177.1 percent in the second quarter of the year, from 177.5 percent in the previous quarter. The ratio has been edging down since October 2018 and is attributed to a slowdown in borrowing and healthy income growth.

Housing Markets

In its October report, Bank of Canada stated it continues to monitor the evolution of financial vulnerabilities in light of lower mortgage rates and past changes to housing market policies.

The Toronto Real Estate Board reported that October 2019 sales in the GTA increased by 14.0% and average prices increased by 5.5%, each compared to the year earlier month. The Board notes that supply of new listings continues to be of concern with those in October 2019 down 9.6% compared to the year earlier month. This speaks to tightening market conditions and an accelerating rate of annual price growth.

Credit Union Sector Consolidation

There has been continued consolidation within the Ontario sector over the last twelve months with the number of institutions decreasing by 2 to 77; average asset size increased to \$887 million. The number of credit unions declined by two to 65 with average assets of \$931 million; caisse populaires remained at 12 with average assets of \$673 million. Consolidations should result in larger, more stable entities capable of achieving economies of scale.

Profitability

3Q-2019 vs 3Q-2018

As shown in Tables 2 and 3 on page 5, return on average assets for the sector decreased to 37 bps (down 6 bps or 14%) from the same quarter a year earlier as higher interest and investment income (up 16 bps to 3.62%), improved non-interest expenses (down 8 bps to 1.80%) and lower taxes (down 5 bps to 6 bps) were more than offset by higher interest and dividend expense (up 31 bps to 1.81%) and lower other income (down 5 bps to 45 bps).

Within the sector, return on average assets for credit unions decreased to 30 bps (down 7 bps or 19%) as improvements in interest and investment income (up 20 bps to 3.65%) and non-interest expenses (down 8 bps to 1.81%) were more than offset by higher interest and dividend expense (up 28 bps to 1.85%) and lower other income (down 5 bps to 42 bps).

Caisses profitability was 84 bps (slight decrease from 81 bps) mainly reflecting improvements in loan costs (down 9 bps to 1 bp), improved non-interest expenses (down 8 bps to 1.72%) and lower taxes (down 22 bps to 1 bp), offset by lower interest and investment income (down 10 bps to 3.45%), higher interest and dividend expense (up 21 bps to 1.49%) and lower other income (down 4 bps to 63 bps).

Out of 77 credit unions, five had negative returns on assets. FSRA closely monitors those that are unprofitable, identifies core challenges and works with the credit unions to develop strategies to restore profitability.

2Q 2019 Ontario Sector vs Canadian Sector*

*Most recent report by Canadian Credit Union Association; including Ontario sector

Ontario sector profitability of 32 bps was below that of the Canadian sector of 39 bps.

Capital

3Q-2019 vs 3Q-2018

Sector capital increased to \$4.7 billion (up \$363 million or 8.4%) from the year earlier quarter comprised of:

- Retained earnings of \$2.8 billion (up \$218 million or 8.4%);
- Investment and patronage shares of \$1.8 billion (up \$160 million or 9.9%); and
- Membership shares unchanged at \$65 million.

Within the sector, credit union capital increased to \$3.9 billion (up \$310 million or 8.6%) and consisted of:

- Retained earnings of \$2.1 billion (up \$146 million or 7.4%);
- Investment and patronage shares of \$1.7 billion (up \$161 million or 10.4%); and
- Membership shares unchanged at \$63 million.

Caisses capital increased to \$764 million (up \$52 million or 7.4%) comprised of:

- Retained earnings of \$690 million (up \$72 million or 11.7%);
- Investment and patronage shares of \$73 million (down \$1 million or 1.0%); and
- Membership shares unchanged at \$2 million.

As a percent of risk weighted assets, sector capital was 13.29%, down 33 bps from the year earlier quarter, as growth in risk weighted assets continued to outpace growth in capital. Credit union capital was 12.79% (down 20 bps) and caisses capital was 16.54% (down 134 bps). Leverage for the sector was 6.76% (down 19 bps) reflecting credit union leverage of 6.46% (down 19 bps) and caisses leverage of 8.79% (down 21 bps).

3Q-2019 vs 2Q-2019

Sector capital increased by \$170 million (3.8% from \$4.5 billion) from last quarter from issuances of investment shares of \$89 million (5.2% from \$1.7 billion) and increases in retained earnings of \$81 million (3.0% from \$2.7 billion); membership shares were unchanged.

Sector capital as a percent of risk weighted assets increased 10 bps (from 13.19%) in the previous quarter. Credit union capital increased 14 bps (from 12.65%) offset by caisses' capital that decreased 17 bps (from 16.71%). Leverage for the sector increased 8 bps (from 6.68%) reflecting increases at credit unions of 10 bps (from 6.36%) and a decrease at caisses of 12 bps (from 8.91%).

Liquidity (including Securitization)

3Q-2019 vs 3Q-2018

As shown in Tables 7 and 8, sector deposits increased by \$6.4 billion (up 13.1% to \$55.0 billion), securitizations increased by \$392 million (up 5.9% to \$7.0 billion) and borrowings decreased by \$280 million (down 30.3% to \$662 million), a net increase of \$6.5 billion (up 11.5% to \$62.7 billion) from the year earlier. However, liquid assets increased \$1.3 billion (up 23.2% to \$7.0 billion) resulting in an increase in liquidity to 11.1% (up 100 bps from 10.1% in 3Q18).

Deposits at credit unions increased by \$4.8 billion (up 11.1% to \$47.7 billion), securitizations increased by \$276 million (up 4.4% to \$6.6 billion) and borrowings decreased by \$36 million (down 5.8% to \$573 million), a net increase of \$5.0 billion (up 10.0% to \$53.8 billion). However, liquid assets increased \$1.3 billion (up 25.6% to \$6.5 billion) resulting in an increase in liquidity to 11.9% (up 150 bps from 10.4%).

Deposits at caisses increased by \$1.6 billion (up 28.9% to \$7.3 billion), securitizations increased by \$116 million (up 31.7% to \$483 million) and borrowings decreased \$252 million (down 73.9% to \$89 million), a net increase of \$1.5 billion (up 23.5% to \$7.8 billion). Liquid assets decreased by \$19 million (down 4.1% to \$465 million) resulting in a decrease in liquidity to 5.7% (down 160 bps from 7.3%).

In 3Q19, there were 33 credit unions (21 credit unions, 12 caisse populaires) with combined total assets of \$60.8 billion (89% of sector assets) participating in securitization programs.

3Q-2019 vs 2Q-2019

Sector deposits increased by \$1.1 billion (up 2.0% from \$53.9 billion), securitizations increased by \$56 million (up 0.8% from \$7.0 billion) and borrowings increased by \$160 million (up 31.9% from \$502 million), a net increase of \$1.3 billion (up 2.1% from \$61.4 billion) from last quarter. However, liquid assets decreased by \$122 million (down 1.7% from \$7.1 billion) resulting in a 50 bps decrease in liquidity (from 11.6%).

Efficiency Ratio (before dividends/interest rebates)

3Q-2019 vs 3Q-2018

As shown in Table 3, sector efficiency ratio deteriorated to 78.7% (up 280 bps from 75.9%) from the year earlier quarter. Credit unions worsened to 81.1% (up 280 bps from 78.3%) and caisses to 65.1% (up 300 bps from 62.1%).

3Q-2019 vs 2Q-2019

Compared to last quarter, sector efficiency improved by 160 bps (from 80.3%) reflecting improvements at credit unions of 150 bps (from 82.6%) and caisses of 180 bps (from 66.9%).

2Q-2019 Ontario Sector vs. Canadian Sector

Although non-interest expense as a percent of average assets for the Ontario sector (1.81%) was 11 bps better than the Canadian sector (1.92%), the efficiency ratio (82.8%) was 700 bps worse than the Canadian sector (75.8%). This gap is better than in 2Q-2018 when the spread was 740 bps with Ontario at 78.7% and the Canadian Sector at 71.3%.

Credit Quality (delinquency greater than 30 days)

3Q-2019 vs 3Q-2018

As shown in Table 5, total loan delinquency increased to 62 bps (up 8 bps from 54 bps) from the year earlier quarter. Credit unions reflected an increase to 63 bps (up 11 bps from 52 bps) however caisses decreased to 55 bps (down 13 bps from 68 bps).

Residential mortgage loan delinquency increased to 44 bps (up 1 bp from 43 bps) in the year earlier quarter. Credit unions reflected an increase to 46 bps (up 2 bps from 44 bps) and caisses decreased to 34 bps (down 3 bps from 37 bps).

Commercial loan delinquency increased to 99 bps (up 27 bps from 72 bps) from the year earlier. Within the sector, commercial loan delinquency increased at credit unions to 98 bps (up 28 bps from 70 bps) and at caisses to 111 bps (up 22 bps from 89 bps).

3Q-2019 vs 2Q-2019

Compared to last quarter, total delinquency for the sector increased by 6 bp (from 56 bps) reflecting increases at credit unions of 6 bps (from 57 bps) and at caisses by 6 bps (from 49 bps).

Residential mortgage loan delinquency for the sector increased by 3 bps (from 41 bps) reflecting increases at credit unions of 3 bps (from 43 bps) and at caisses of 7 bps (from 27 bps).

Commercial loan delinquency for the sector increased by 14 bps (from 85 bps) from the previous quarter reflecting increases at credit unions of 14 bps (from 84 bps) and at caisses of 16 bps (from 95 bps).

Growth

3Q-2019 vs 3Q-2018

Compared to the previous year, total sector assets increased to \$68.3 billion (up \$6.3 billion or 10.1%). This was largely due to growth in residential mortgage loans to \$37.4 billion (up \$3.5 billion or 10.3%), growth in commercial loans to \$16.8 billion (up \$0.8 billion or 5.3%) and increased cash/equivalents of \$8.3 billion (up \$1.7 billion or 25.4%). Within the sector, credit unions increased total assets to \$59.6 billion (up \$5.5 billion or 10.2%) reflecting growth in residential mortgage loans to \$32.4 billion (up \$2.6 billion or 8.7%), growth in commercial loans to \$15.1 billion (up \$1.1 billion or 7.7%) and increased cash/equivalents of \$7.4 billion (up \$1.6 billion or 27.9%). Caisses total assets increased to \$8.7 billion (up \$779 million or 9.8%) mainly attributed to growth in residential mortgage loans to \$5.0 billion (up \$886 million or 21.6%) offset by a decrease in commercial loans to \$1.7 billion (down \$236 million or 11.9%).

Note that in 1Q-2019 about \$400 million of commercial loans were reclassified as residential mortgages, the impacts of which are reflected in the consolidated sector and caisses populaires results.

3Q-2019 vs 2Q-2019

Total assets for the sector increased by \$1.5 billion (2.3% from \$66.8 billion) from last quarter reflecting growth of \$823 million (2.2% from \$36.6 billion) in residential mortgage loans, increases in commercial loans of \$505 million (3.1% from \$16.3 billion) and increased cash/equivalent balances of \$0.2 billion (1.9% from \$8.2 billion). Within the sector, total assets in credit unions increased by \$1.3 billion (2.2% from \$58.3 billion) reflecting increases of \$699 million (2.2% from \$31.7 billion) in residential mortgage loans, \$457 million (3.1% from \$14.6 billion) in commercial loans and \$123 million (1.7% from \$7.3 billion) in cash/equivalents. Caisses total assets increased by \$210 million (2.5% from \$8.5 billion) reflecting growth of \$124 million (2.6% from \$4.9 billion) in residential mortgage loans and in commercial loans of \$47 million (2.8% from \$1.7 billion).

2Q-2019 Ontario Sector vs. Canadian Sector

Ontario sector total assets growth rate of 10.7% was above the Canadian sector's (6.4%) attributable to growth in residential mortgages loans of 12.3% (vs 6.0%), commercial loans of 4.1% (vs 4.3%) and agricultural loans of 5.4% (vs 7.5%).

Sector Income Statements

| % of Average Assets (except as noted) | Sector | | | Credit Unions | | | Caisses Populaires | | | Canadian Sector ¹ |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|----------------|----------------|------------------------------|
| | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 | 2Q-2019 |
| Interest and Investment Income | | | | | | | | | | |
| Loan Interest | 3.39% | 3.37% | 3.23% | 3.42% | 3.40% | 3.26% | 3.19% | 3.15% | 2.99% | - |
| Investment Income | 0.24% | 0.21% | 0.24% | 0.23% | 0.20% | 0.19% | 0.26% | 0.26% | 0.56% | - |
| Total Interest and Investment Income | 3.62% | 3.58% | 3.46% | 3.65% | 3.60% | 3.45% | 3.45% | 3.41% | 3.55% | 3.64% |
| Interest and Dividend Expense | | | | | | | | | | |
| Interest Expense on Deposits | 1.46% | 1.44% | 1.16% | 1.49% | 1.47% | 1.19% | 1.22% | 1.21% | 0.98% | 1.61% |
| Rebates/Dividends on Share Capital | 0.06% | 0.05% | 0.06% | 0.05% | 0.05% | 0.05% | 0.07% | 0.07% | 0.06% | - |
| Dividends on Investment/Other Capital | 0.02% | 0.01% | 0.02% | 0.02% | 0.01% | 0.03% | 0.00% | 0.02% | 0.00% | - |
| Other Interest Expense | 0.27% | 0.28% | 0.26% | 0.28% | 0.29% | 0.26% | 0.20% | 0.21% | 0.25% | - |
| Total | 0.35% | 0.35% | 0.34% | 0.36% | 0.36% | 0.34% | 0.27% | 0.31% | 0.31% | 0.00% |
| Total Interest & Dividend Expense | 1.81% | 1.79% | 1.50% | 1.85% | 1.83% | 1.53% | 1.49% | 1.53% | 1.28% | |
| Net Interest & Investment Income | 1.82% | 1.78% | 1.97% | 1.79% | 1.77% | 1.92% | 1.96% | 1.88% | 2.26% | |
| Loan Costs | 0.05% | 0.05% | 0.06% | 0.05% | 0.06% | 0.05% | 0.01% | (0.02%) | 0.10% | 0.06% |
| Net Interest & Investment Income after Loan Costs | 1.77% | 1.73% | 1.91% | 1.74% | 1.71% | 1.87% | 1.94% | 1.91% | 2.16% | |
| Other (non-interest) Income | 0.45% | 0.45% | 0.50% | 0.42% | 0.43% | 0.47% | 0.63% | 0.65% | 0.67% | 0.51% |
| Net Interest, Investment & Other Income | 2.22% | 2.19% | 2.40% | 2.16% | 2.13% | 2.34% | 2.57% | 2.55% | 2.84% | |
| Non-Interest Expenses | | | | | | | | | | |
| Salaries & Benefits | 1.01% | 1.01% | 1.06% | 1.04% | 1.04% | 1.09% | 0.81% | 0.81% | 0.86% | |
| Occupancy | 0.17% | 0.15% | 0.18% | 0.17% | 0.16% | 0.18% | 0.13% | 0.13% | 0.18% | |
| Computer, Office & Other Equipment | 0.18% | 0.19% | 0.19% | 0.17% | 0.19% | 0.18% | 0.22% | 0.22% | 0.19% | |
| Advertising & Communications | 0.10% | 0.11% | 0.11% | 0.10% | 0.10% | 0.11% | 0.14% | 0.14% | 0.14% | |
| Member Security | 0.08% | 0.09% | 0.08% | 0.08% | 0.08% | 0.08% | 0.09% | 0.11% | 0.07% | |
| Administration | 0.16% | 0.16% | 0.15% | 0.16% | 0.16% | 0.15% | 0.17% | 0.18% | 0.19% | |
| Other | 0.10% | 0.10% | 0.11% | 0.09% | 0.10% | 0.10% | 0.17% | 0.16% | 0.17% | |
| Total Non-Interest Expenses | 1.80% | 1.81% | 1.88% | 1.81% | 1.82% | 1.89% | 1.72% | 1.75% | 1.80% | 1.92% |
| Net Income/(Loss) Before Taxes | 0.41% | 0.38% | 0.52% | 0.35% | 0.31% | 0.45% | 0.85% | 0.80% | 1.04% | |
| Taxes | 0.06% | 0.05% | 0.11% | 0.07% | 0.06% | 0.09% | 0.01% | 0.02% | 0.23% | |
| Net Income/(Loss) | 0.37% | 0.32% | 0.43% | 0.30% | 0.26% | 0.37% | 0.84% | 0.78% | 0.81% | 0.39% |
| Average Assets (Millions) | \$65,938 | \$65,183 | \$59,694 | \$57,508 | \$56,858 | \$51,999 | \$8,430 | \$8,325 | \$7,695 | \$239,731 |

¹ Summary results as reported by Canadian Credit Union Association; includes Ontario Sector

*Totals may not agree due to rounding

Sector Balance Sheets

As at \$millions

| | Sector | | | Credit Unions | | | Caisses Populaires | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|--------------|--------------|
| | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 |
| Assets | | | | | | | | | |
| Cash and Investments | 8,329 | 8,171 | 6,642 | 7,416 | 7,293 | 5,799 | 913 | 878 | 843 |
| Personal Loans | 2,310 | 2,309 | 2,348 | 1,673 | 1,671 | 1,699 | 637 | 638 | 649 |
| Residential Mortgage Loans | 37,418 | 36,595 | 33,926 | 32,426 | 31,727 | 29,820 | 4,992 | 4,868 | 4,106 |
| Commercial Loans | 16,824 | 16,319 | 15,977 | 15,078 | 14,621 | 13,996 | 1,745 | 1,698 | 1,981 |
| Institutional Loans | 109 | 105 | 89 | 51 | 39 | 41 | 59 | 67 | 48 |
| Unincorporated Association Loans | 86 | 103 | 89 | 67 | 85 | 79 | 19 | 18 | 9 |
| Agricultural Loans | 2,172 | 2,162 | 2,093 | 1,995 | 1,987 | 1,919 | 177 | 175 | 174 |
| Total Loans | 58,919 | 57,594 | 54,522 | 51,291 | 50,131 | 47,554 | 7,628 | 7,463 | 6,968 |
| Total Loan Allowances | 161 | 161 | 144 | 140 | 140 | 112 | 22 | 20 | 32 |
| Capital (Fixed) Assets | 668 | 650 | 498 | 615 | 600 | 460 | 53 | 50 | 38 |
| Intangible and Other Assets | 563 | 558 | 513 | 389 | 392 | 364 | 174 | 165 | 150 |
| Total Assets | 68,318 | 66,811 | 62,031 | 59,572 | 58,276 | 54,064 | 8,746 | 8,536 | 7,967 |
| Liabilities | | | | | | | | | |
| Demand Deposits | 22,447 | 21,530 | 20,340 | 19,046 | 18,346 | 18,210 | 3,402 | 3,184 | 2,130 |
| Term Deposits | 19,653 | 19,567 | 16,869 | 17,672 | 17,570 | 15,061 | 1,981 | 1,997 | 1,808 |
| Registered Deposits | 12,906 | 12,850 | 11,414 | 11,027 | 10,991 | 9,719 | 1,879 | 1,859 | 1,695 |
| Other Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Deposits | 55,006 | 53,947 | 48,624 | 47,745 | 46,907 | 42,991 | 7,261 | 7,040 | 5,633 |
| Borrowings | 623 | 502 | 949 | 534 | 396 | 609 | 89 | 106 | 341 |
| Securitized Assets | 7,079 | 6,983 | 6,647 | 6,596 | 6,467 | 6,280 | 483 | 516 | 367 |
| Other Liabilities | 945 | 884 | 1,510 | 797 | 761 | 594 | 148 | 123 | 915 |
| Total Liabilities | 63,653 | 62,317 | 57,729 | 55,672 | 54,532 | 50,474 | 7,981 | 7,785 | 7,255 |
| Members' Equity & Capital | | | | | | | | | |
| Membership Shares | 65 | 65 | 65 | 63 | 64 | 63 | 2 | 2 | 2 |
| Retained Earnings | 2,812 | 2,731 | 2,594 | 2,122 | 2,061 | 1,976 | 690 | 670 | 618 |
| Other Tier 1 & 2 Capital | 1,784 | 1,695 | 1,624 | 1,711 | 1,622 | 1,550 | 73 | 73 | 74 |
| AOCI | 4 | 3 | 19 | 5 | (3) | 1 | (1) | 6 | 18 |
| Total Members' Equity & Capital | 4,665 | 4,495 | 4,302 | 3,900 | 3,744 | 3,590 | 764 | 750 | 712 |
| Total Liabilities, Members' Equity & Capital | 68,318 | 66,811 | 62,031 | 59,572 | 58,276 | 54,064 | 8,746 | 8,536 | 7,967 |

*Totals may not agree due to rounding

Sector Balance Sheets

| | Sector % Increase/(Decrease) from | | | Credit Unions % Increase/(Decrease) from | | | Caisses Populaires % Increase/(Decrease) from | | |
|---|--------------------------------------|-------------|--------------|---|-------------|--------------|--|-------------|--------------|
| | 3Q-2019 \$millions | 2Q-2019 | 3Q-2018 | 3Q-2019 \$millions | 2Q-2019 | 3Q-2018 | 3Q-2019 \$millions | 2Q-2019 | 3Q-2018 |
| Assets | | | | | | | | | |
| Cash and Investments | 8,329 | 1.9% | 25.4% | 7,416 | 1.7% | 27.9% | 913 | 3.9% | 8.2% |
| Personal Loans | 2,310 | 0.0% | -1.6% | 1,673 | 0.1% | -1.5% | 637 | -0.2% | -1.9% |
| Residential Mortgage Loans | 37,418 | 2.2% | 10.3% | 32,426 | 2.2% | 8.7% | 4,992 | 2.6% | 21.6% |
| Commercial Loans | 16,824 | 3.1% | 5.3% | 15,078 | 3.1% | 7.7% | 1,745 | 2.8% | -11.9% |
| Institutional Loans | 109 | 3.7% | 22.8% | 51 | 30.3% | 23.0% | 59 | -11.9% | 22.6% |
| Unincorporated Association Loans | 86 | -17.0% | -3.2% | 67 | -21.0% | -15.3% | 19 | 1.9% | 102.4% |
| Agricultural Loans | 2,172 | 0.5% | 3.8% | 1,995 | 0.4% | 4.0% | 177 | 1.2% | 1.7% |
| Total Loans | 58,919 | 2.3% | 8.1% | 51,291 | 2.3% | 7.9% | 7,628 | 2.2% | 9.5% |
| Total Loan Allowances | 161 | 0.4% | 12.3% | 140 | -0.6% | 24.5% | 22 | 7.2% | -31.2% |
| Capital (Fixed) Assets | 668 | 2.8% | 34.1% | 615 | 2.6% | 33.8% | 53 | 5.4% | 37.8% |
| Intangible and Other Assets | 563 | 1.0% | 9.7% | 389 | -0.7% | 7.1% | 174 | 5.2% | 16.1% |
| Total Assets | 68,318 | 2.3% | 10.1% | 59,572 | 2.2% | 10.2% | 8,746 | 2.5% | 9.8% |
| Liabilities | | | | | | | | | |
| Demand Deposits | 22,447 | 4.3% | 10.4% | 19,046 | 3.8% | 4.6% | 3,402 | 6.8% | 59.7% |
| Term Deposits | 19,653 | 0.4% | 16.5% | 17,672 | 0.6% | 17.3% | 1,981 | -0.8% | 9.6% |
| Registered Deposits | 12,906 | 0.4% | 13.1% | 11,027 | 0.3% | 13.5% | 1,879 | 1.1% | 10.9% |
| Other Deposits | 0 | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 0 | 0.0% | 0.0% |
| Total Deposits | 55,006 | 2.0% | 13.1% | 47,745 | 1.8% | 11.1% | 7,261 | 3.1% | 28.9% |
| Borrowings | 623 | 24.0% | -34.4% | 534 | 34.7% | -12.3% | 89 | -15.8% | -73.9% |
| Securitized Assets | 7,079 | 1.4% | 6.5% | 6,596 | 2.0% | 5.0% | 483 | -6.5% | 31.7% |
| Other Liabilities | 945 | 6.9% | -37.4% | 797 | 4.7% | 34.1% | 148 | 20.3% | -83.8% |
| Total Liabilities | 63,653 | 2.1% | 10.3% | 55,672 | 2.1% | 10.3% | 7,981 | 2.5% | 10.0% |
| Members' Equity & Capital | | | | | | | | | |
| Membership Shares | 65 | -1.4% | -0.4% | 63 | -1.4% | -0.3% | 2 | -2.6% | -4.2% |
| Retained Earnings | 2,812 | 3.0% | 8.4% | 2,122 | 2.9% | 7.4% | 690 | 3.1% | 11.7% |
| Other Tier 1 & 2 Capital | 1,784 | 5.2% | 9.9% | 1,711 | 5.5% | 10.4% | 73 | -0.1% | -1.0% |
| Accumulated Other Comprehensive Income | 4 | 55.6% | -78.3% | 5 | -265.0% | 311.0% | (1) | -112.2% | -103.8% |
| Total Members' Equity & Capital | 4,665 | 3.8% | 8.4% | 3,900 | 4.2% | 8.6% | 764 | 1.9% | 7.4% |
| Total Liabilities, Members' Equity & Capital | 68,318 | 2.3% | 10.1% | 59,572 | 2.2% | 10.2% | 8,746 | 2.5% | 9.8% |

*Totals may not agree due to rounding

Sector Balance Sheets

As a percentage of Total Assets

| | Sector | | | Credit Unions | | | Caisses Populaires | | | Canadian Sector ¹ |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|---------------|---------------|------------------------------|
| | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 | 3Q-2019 | 2Q-2019 | 3Q-2018 | 2Q-2019 |
| Assets | | | | | | | | | | |
| Cash and Investments | 12.2% | 12.2% | 10.7% | 12.4% | 12.5% | 10.7% | 10.4% | 10.3% | 10.6% | 14.2% |
| Personal Loans | 3.4% | 3.5% | 3.8% | 2.8% | 2.9% | 3.1% | 7.3% | 7.5% | 8.2% | 4.7% |
| Residential Mortgage Loans | 54.8% | 54.8% | 54.7% | 54.4% | 54.4% | 55.2% | 57.1% | 57.0% | 51.5% | 49.9% |
| Commercial Loans | 24.6% | 24.4% | 25.8% | 25.3% | 25.1% | 25.9% | 20.0% | 19.9% | 24.9% | 24.3% |
| Institutional Loans | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.7% | 0.8% | 0.6% | 0.0% |
| Unincorporated Association Loans | 0.1% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.2% | 0.1% | 1.2% |
| Agricultural Loans | 3.2% | 3.2% | 3.4% | 3.3% | 3.4% | 3.6% | 2.0% | 2.0% | 2.2% | 3.8% |
| Total Loans | 86.2% | 86.2% | 87.9% | 86.1% | 86.0% | 88.0% | 87.2% | 87.4% | 87.5% | 83.9% |
| Total Loan Allowances | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.4% | -0.2% |
| Capital (Fixed) Assets | 1.0% | 1.0% | 0.8% | 1.0% | 1.0% | 0.9% | 0.6% | 0.6% | 0.5% | 1.0% |
| Intangible and Other Assets | 0.8% | 0.8% | 0.8% | 0.7% | 0.7% | 0.7% | 2.0% | 1.9% | 1.9% | 1.1% |
| Total Assets | 100.0% | 100.0% | 100.0% | 100.0% |
| Liabilities | | | | | | | | | | |
| Demand Deposits | 32.9% | 32.2% | 32.8% | 32.0% | 31.5% | 33.7% | 38.9% | 37.3% | 26.7% | 35.8% |
| Term Deposits | 28.8% | 29.3% | 27.2% | 29.7% | 30.1% | 27.9% | 22.6% | 23.4% | 22.7% | 33.2% |
| Registered Deposits | 18.9% | 19.2% | 18.4% | 18.5% | 18.9% | 18.0% | 21.5% | 21.8% | 21.3% | 15.5% |
| Other Deposits | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% |
| Total Deposits | 80.5% | 80.7% | 78.4% | 80.1% | 80.5% | 79.5% | 83.0% | 82.5% | 70.7% | 84.7% |
| Borrowings | 0.9% | 0.8% | 1.5% | 0.9% | 0.7% | 1.1% | 1.0% | 1.2% | 4.3% | 6.0% |
| Securitized Assets | 10.4% | 10.5% | 10.7% | 11.1% | 11.1% | 11.6% | 5.5% | 6.0% | 4.6% | 0.0% |
| Other Liabilities | 1.4% | 1.3% | 2.4% | 1.3% | 1.3% | 1.1% | 1.7% | 1.4% | 11.5% | 2.3% |
| Total Liabilities | 93.2% | 93.3% | 93.1% | 93.5% | 93.6% | 93.4% | 91.3% | 91.2% | 91.1% | 93.0% |
| Members' Equity & Capital | | | | | | | | | | |
| Membership Shares | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.6% |
| Retained Earnings | 4.1% | 4.1% | 4.2% | 3.6% | 3.5% | 3.7% | 7.9% | 7.8% | 7.8% | 5.5% |
| Other Tier 1 & 2 Capital | 2.6% | 2.5% | 2.6% | 2.9% | 2.8% | 2.9% | 0.8% | 0.9% | 0.9% | 1.0% |
| AOCI | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% | 0.0% |
| Total Members' Equity & Capital | 6.8% | 6.7% | 6.9% | 6.5% | 6.4% | 6.6% | 8.7% | 8.8% | 8.9% | 7.1% |
| Total Liabilities, Members' Equity & Capital | 100.0% | 100.0% | 100.0% | 100.0% |

¹As reported by Canadian Credit Union Association including Ontario Sector

*Totals may not agree due to rounding