



# Sector Outlook Report 2Q-2025

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 mean 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 Mar 31<sup>st</sup>, 2025 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](http://www.fsrao.ca).

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Quarter ended June 30<sup>th</sup>, 2025

## Financial highlights

	Sector		
	2Q-2025	1Q-2025	2Q-2024
<b>Income Statement (% average assets)</b>			
Net Interest Income	1.69	1.66	1.54
Loan Costs	0.12	0.10	0.05
Other Income	0.37	0.36	0.35
Non-Interest Expense	1.61	1.59	1.60
Taxes	0.05	0.05	0.03
Net Income	0.30	0.28	0.21
<b>Balance Sheet (\$ billions; as at quarter end)</b>			
Assets	102.14	100.32	98.10
Loans	89.06	87.77	85.08
Deposits	81.15	79.53	76.69
Members' Equity & Capital	7.20	7.19	6.94
<b>Capital Ratios (%)</b>			
Leverage	6.81	6.90	6.80
Risk Weighted	13.48	13.63	13.55
<b>Key Measures and Ratios (% except as noted)</b>			
Return on Regulatory Capital	4.25	3.91	2.95
Liquidity Ratio	11.96	11.74	12.4%
Efficiency Ratio (before dividends/rebates)	81.97	82.20	86.3
Efficiency Ratio	82.56	82.75	87.0
Mortgage Loan Delinquency>30 days	0.92	0.83	0.63
Commercial Loan Delinquency>30 days	1.82	1.83	1.60
Total Loan Delinquency>30 days	1.18	1.12	0.90
Asset Growth (from last quarter)	1.81	0.72	0.97
Loan Growth (from last quarter)	1.46	1.47	0.86
Deposit Growth (from last quarter)	2.04	1.07	0.86
Credit Unions (number)	52	52	57
Membership (thousands)	1,751	1,736	1,767
Average Assets (\$ millions, per credit union)	1,964	1,929	1,721
<b>* Trends are current quarter to last quarter</b>	<b>Better</b>	<b>Neutral</b>	<b>Worse</b>

## Sector key financial trends

Table #1 - Selected Growth Trends

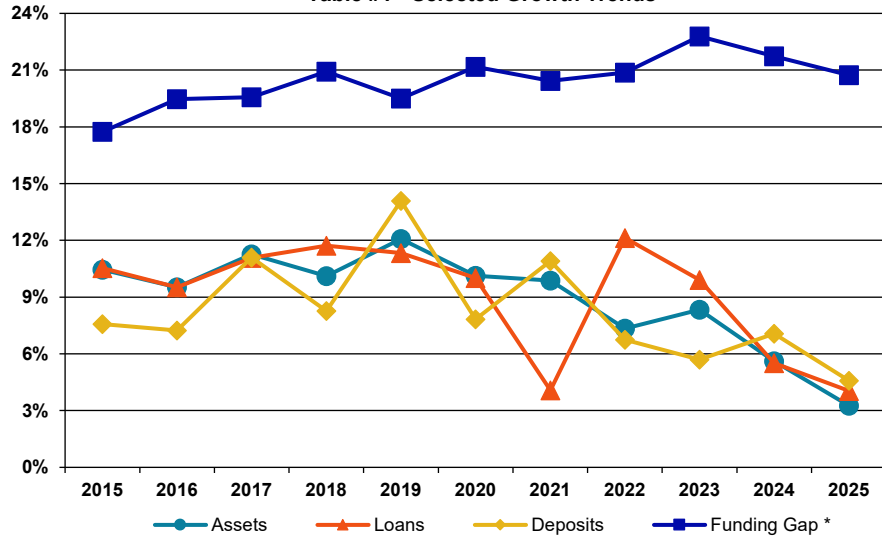


Table #2 - Selected Performance Trends

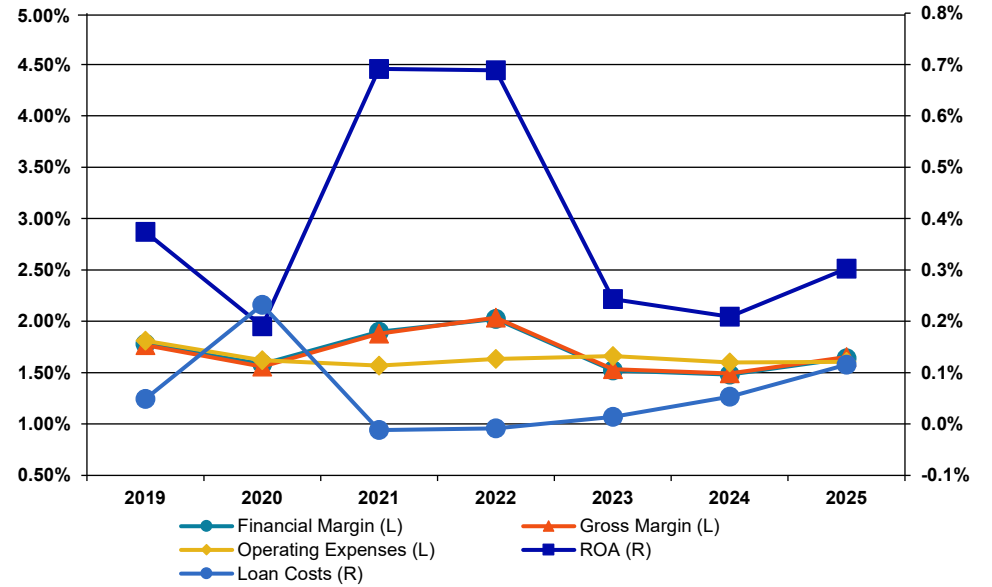


Table #3 - Efficiency Ratio and Return on Assets

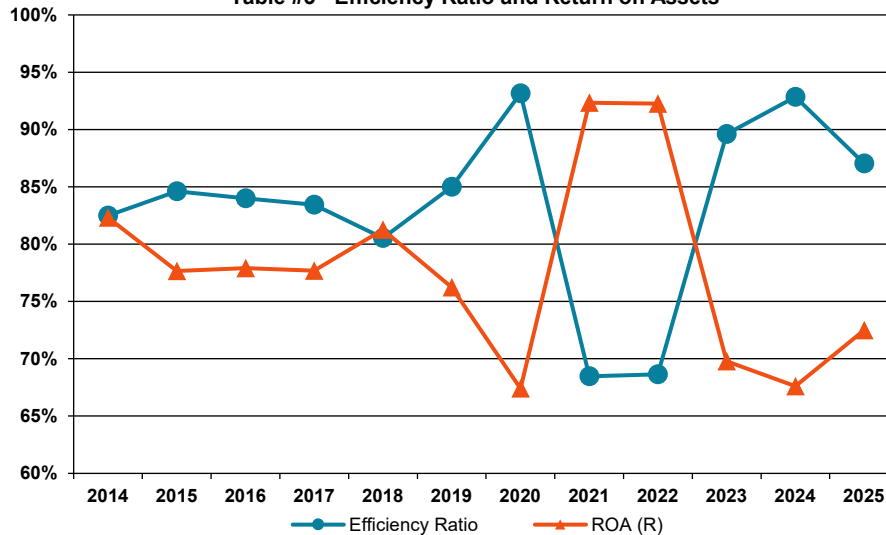
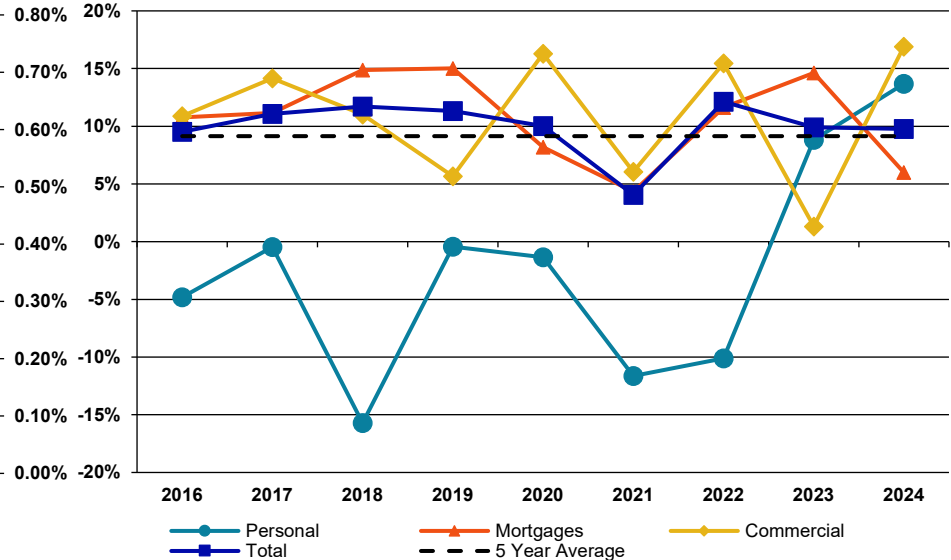
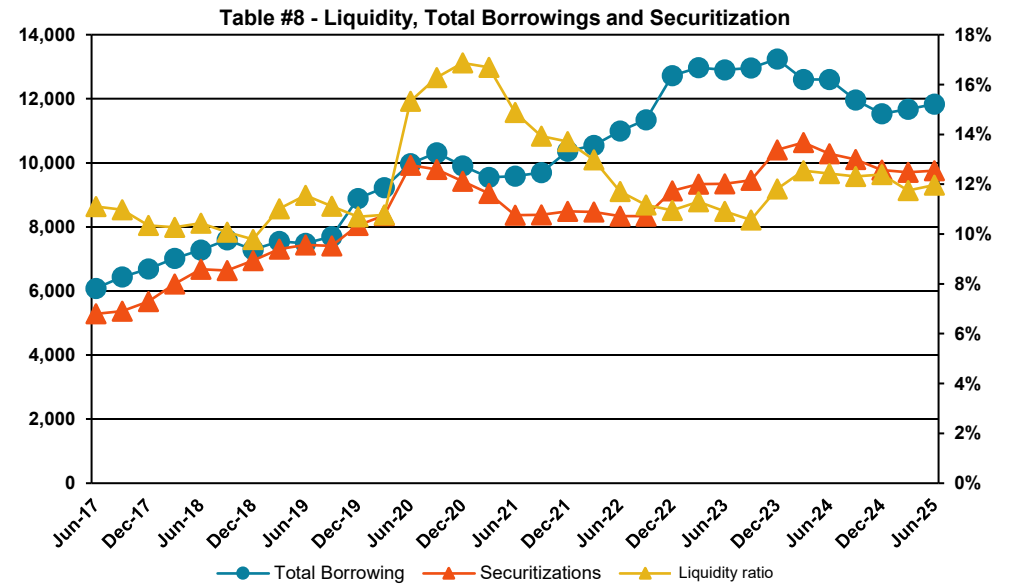
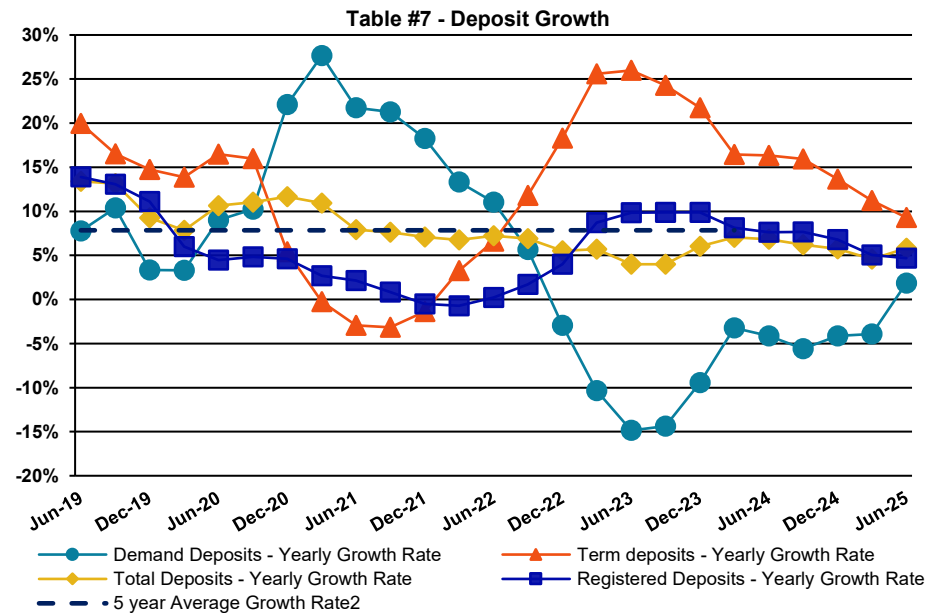
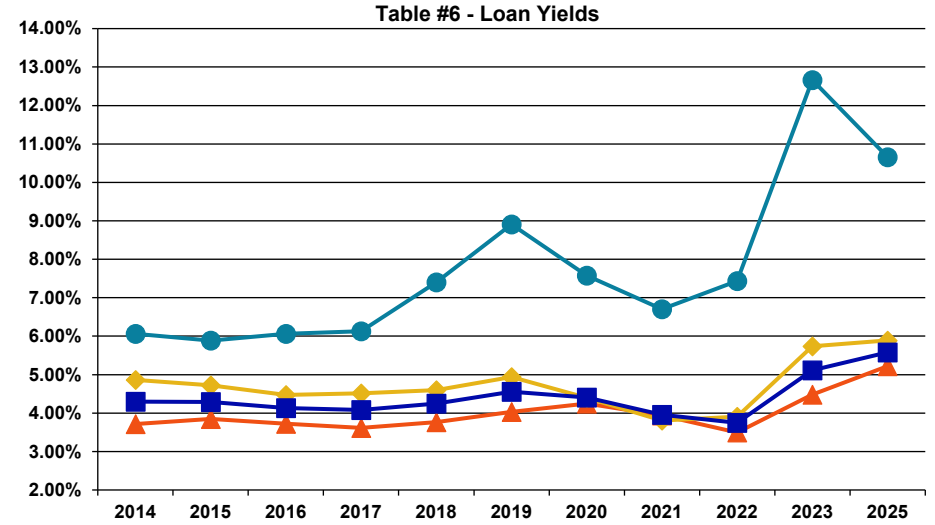
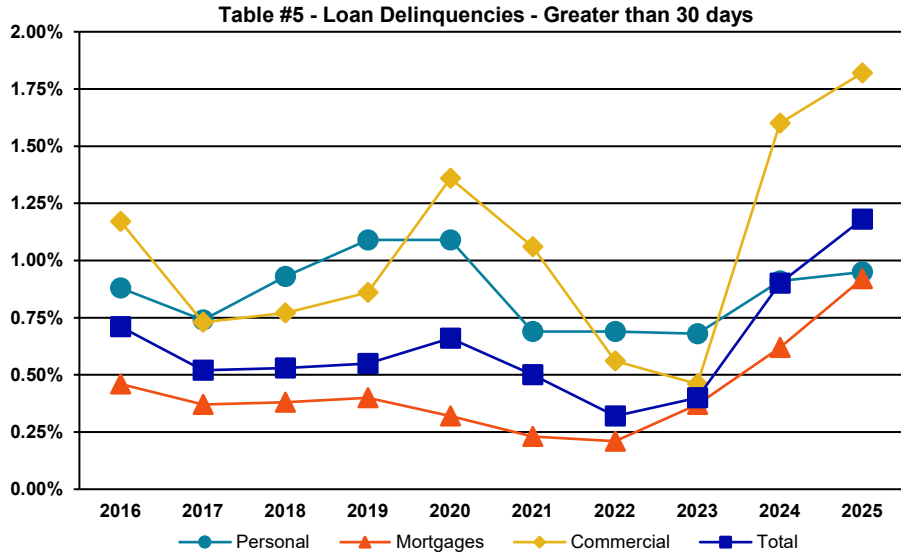


Table #4 - Loan Growth



## Sector key financial trends (continued)



## FSRA observations 2Q-2025

1. The sector included 52 institutions in 2Q 2025, the same as in the previous quarter and 5 less than in the year-earlier quarter.
2. As of the end of 2Q 2025, total sector assets reached \$102.14 billion, reflecting a year-over-year increase of \$4.04 billion or 4.12%. Year-over-year, residential mortgage loans grew by \$1.90 billion or 3.48%, remaining near historical growth rates, while commercial loans increased by \$1.69 billion or 6.68%.
3. Profitability remained strong, at 30 bps in 2Q 2025, increasing from 1Q 2025 by 2bps. The increase was driven by a decrease in interest expense on deposits, while interest income decreased in tandem with Policy Rate cuts. Borrowings have decreased 9.5% year-over-year, indicating that Credit Unions are actively paying down existing commitments, and looking to less expensive forms of capital. However, heightened trade tensions and tariffs imposed by the U.S. could place pressure on the financial margins of Credit Unions in Ontario.
4. The sector's liquidity ratio stood at 11.96% at the end of 2Q 2025, a decrease of 47 basis points from the same period of the previous year, and 22 points from the previous quarter. While Cash and Investments remain stable compared to the same period of the previous year, it has increased 4.4% from the previous quarter.
5. The total over 30-day loan delinquency rate stood at 1.18%, reflecting an increase of 28 basis points year-over-year and 6 basis points from the previous quarter. While we expect the pace of credit risk growth to be moderate, risks may escalate if trade tensions between Canada and the U.S. deteriorate further, particularly as employment and business sentiment in Canada continue to weaken. Commercial delinquencies over 30 days continued to drive the rise in delinquency rates.

6. Year-over-year growth in earnings was 5.42%, during which time total asset growth was 4.12%. This accounted for 57.6% of Total Member's Equity and Capital. Net Interest and Investment Income was 1.7% in 2Q 2025, 3bps higher than the previous quarter, and 15 basis points higher than the same quarter a year earlier, marking the first time since 1Q 2023 in which Net Interest Income hit this threshold.

## Economic overview

The Canadian economy in the second quarter of 2025 was marked by easing inflation and a steady monetary stance, with the Bank of Canada holding rates at 2.75%. Household debt burdens remained elevated, while housing activity stayed subdued, underscoring persistent financial strain despite moderating price pressures. Ontario, however, faced its sharpest contraction since the financial crisis, driven by weak exports, falling investment, and job losses.

### Bank of Canada

Inflation continued to ease in the second quarter of 2025. National CPI rose 1.9% year-over-year in June, compared with 2.3% in the first quarter. Core inflation remained close to 3%, indicating that underlying price pressures were still elevated relative to headline measures. The Bank of Canada maintained its policy rate at 2.75% through the second quarter. This decision followed a reduction implemented in March, reflecting the Bank's assessment that current conditions warranted a steady stance to balance easing price pressures against weaker growth momentum. This represented a substantial decline from the 4.75% policy rate in place one year earlier.

## Ontario economic outlook

Economic activity in Ontario weakened significantly in the second quarter. Real GDP declined 0.6%, reversing the 0.3% increase in the first quarter and making the largest contraction since 2008-2009 recession outside of the pandemic. Household consumption increased by 0.6%, but this was outweighed by tariff-related impacts on goods-producing industries. Exports declined 5.8%, while investment in machinery and equipment fell 9.8%.

Labour market conditions softened. Ontario employment decreased by 38,000 jobs in the second quarter, with losses concentrated in manufacturing and other trade-exposed sectors. The unemployment rate remained elevated at 7.8%, while wage growth continued to outpace inflation on a year-over-year basis. Provincial inflation averaged 1.7% in the second quarter, down from 2.2% in the first quarter.

## Household debt

Household financial pressures increased during the quarter. The national debt-service ratio edged up to 14.41% in the second quarter, reflecting continued strain from mortgage and non-mortgage interest payments. The ratio of household credit-market debt to disposable income rose to 174.9%, the highest level in a year.

## Housing markets

Housing activity remained soft across Ontario and Canada. In Ontario, existing home resales increased 2.1% in the second quarter to 38,000 units, although sales volumes remained below 3-year average (40,600 units). The average Ontario resale price was \$829,400, dropping from \$832,400 in the first quarter. Housing starts increased to 17,000 units, led by multi-unit construction, but remained below 3-year average (19,800 units).

Nationally, the average home price in June was 1.3% lower than one year earlier. In the Greater Toronto Area, prices fell 0.9% month-over-month and 5.5% year-over-year in June.

## Profitability

### 2Q-2025 vs 1Q-2025

Return on average assets (ROAA) in 2Q-2025 was 30 basis points, which is 2 basis points higher than 1Q 2025. Reductions in loan interest and investment income, 3 and 2 bps respectively, was offset by a 11-bps reduction in interest expense on deposits.

1 of 52 Credit Unions had negative returns on average assets as of June 30, 2025. FSRA closely monitors those that are unprofitable, identifies core challenges and works with Credit Unions to develop strategies to restore profitability.

### 2Q-2025 vs 2Q-2024

Quarter-over-quarter, ROAA increased by 9 basis points to 30 basis points due to the drop in interest on deposits of 33 basis points to 2.36% outpaced the decrease of loan interest income of 20 basis points to 4.17%. Other interest expenses fell 11 basis points year-over-year to 0.44% of average assets.

### 2Q-2025 Ontario sector vs 1Q-2025 Canadian sector\*

Ontario sector profitability of 30 basis points was 3 basis points lower than the Canadian sector of 33 basis points.

\*As reported by Canadian Credit Union Association, including Ontario sector

## Capital

### 2Q-2025 vs 2Q-2024

**Year-over-year, sector capital increased to \$7.20 billion (up \$262.34 million or 3.78%) which was comprised of:**

- Membership shares of \$51.96 million (down \$3.18 million or -5.77%);
- Retained earnings of \$4.15 billion (up \$213.37 million or 5.42%);
- Other Tier 1 & 2 Capital of \$2.97 billion (down \$30.41 million or -1.01%);
- AOCI of \$29.67 million (up \$82.56 million or 156.11%).

As a percentage of risk-weighted assets, sector capital was 13.48% in 2Q 2025, down 7 basis points from 2Q 2024. Leverage was 6.81% in 2Q 2025, up 1 basis point from 2Q 2024.

### 2Q-2025 vs 2Q-2024

Sector capital decreased by \$9.74 million or 0.14 % from \$7.19 billion from last quarter as retained earnings increased by \$80.13 million or 1.97% from \$4.07 billion, and other Tier One or Tier Two capital were down \$51.21 million or -1.70%.

Compared to the previous quarter, sector capital as a percent of risk-weighted assets was down 15 basis points from 13.63%; leverage was also down 9 basis points from 6.90%.

## Liquidity (including securitization)

### 2Q-2025 vs 2Q-2024

Sector deposits increased by \$4.46 billion or up 5.81% to \$81.15 billion year-over-year; securitizations dropped by \$268.88 million or down 4.36% to \$8.10 billion year-over-year; and borrowings were down by \$392.81 million or down 9.51% to \$3.76 billion. Total liability saw a net increase of \$3.78 billion or up 4.14% to \$94.94 billion from the year earlier. Liquid assets increased \$8.88 million or up 0.08% to \$11.57 billion resulting in a decrease in liquidity to 11.96% or down 47 basis points from 12.43% in 2Q 2024.

In 2Q 2025, 22 institutions with total assets of \$80.87 billion (or 79.17% of sector assets) participated in securitization programs.

### 2Q-2025 vs 1Q-2025

Sector deposits increased by \$1.62 billion or up 2.04% from \$79.53 billion, securitizations increased by \$185.67 million or up 2.35% from \$7.92 billion, while borrowings decreased by \$21.06 million or down -0.56% from \$3.76 billion from last quarter. Liquid assets increased by \$491.01 million or down 4.43% from \$11.08 billion but the total liquidity ratio shows a 22 basis points increase from 11.74 %.

## Efficiency ratio (before dividends/interest rebates)

### 2Q-2025 vs 2Q-2024

Ontario's sector efficiency ratio improved to 81.97% or down by 4.3% from 86.27% year-over-year.

### 2Q-2025 vs 1Q-2025

Compared to the previous quarter, sector efficiency improved by 0.23% from 82.20%.

### 2Q-2025 Ontario Sector vs 1Q-2025 Canadian Sector\*

Non-interest expense as a percent of average assets for the Ontario sector is 1.61% which was 22 basis points lower than the Canadian sector of 1.82%. However, the Ontario sector efficiency ratio improved by 0.23 % compared to the Canadian sector quarter-over-quarter, showing 4.1% improvement quarter-over-quarter.

\*As reported by Canadian Credit Union Association, including Ontario sector

## Credit quality (delinquency greater than 30 days)

### 2Q-2025 vs 2Q-2024

Total loan delinquency increased to 1.18% or up 28 basis points compared to the year-earlier quarter. Residential mortgage loan delinquency increased to 0.92% or up 29 basis points and commercial loan delinquency increased to 1.82% or up 22 basis points.

### 2Q-2025 vs 1Q-2025

Compared to last quarter, total loan delinquency rose by 6 basis points from 1.12%, within which residential mortgage delinquency increased by 11 bps from 0.83% and commercial delinquency fell by 1 basis point from 1.83%.

## Growth

### 2Q-2025 vs 2Q-2024

Total sector assets increased to \$102.14 billion (up \$4.04 billion or 4.12%) compared to the year-earlier quarter. This growth drives by increase in residential mortgage loans to \$56.41 billion (up \$1.90 billion or 3.48%) and commercial loans to \$26.91 billion (up \$1.69 billion or 6.68%), cash/investments of \$11.57 billion (up \$8.88 million or 0.08%).

## 2Q-2025 vs 1Q-2025

Total sector assets increased by \$1.82 billion (1.81% from \$100.32 billion) from last quarter reflecting an increase in residential mortgage loans of \$1.42 billion (2.59% from \$54.99 billion), a decrease in commercial loans of \$289.63 million (down 1.06% from \$27.02 billion), which cash/investments increased of \$491.01 million (4.43% from \$11.08 billion).

## 2Q-2025 Ontario sector vs 1Q-2025 Canadian sector\*

Ontario sector growth in total assets of 1.81% over the past quarter lagged the Canadian sector's growth of 2.7%. The was mainly driven by the agricultural lending seeing a 2.57% increase in Ontario, compared to an 8.3% increase nationally. However, Ontario Credit Unions saw a 2.59% increase in residential mortgage lending, compared to a 1.80% increase in the Canadian sector during the previous quarter.

## Sector income statements

% of Average Assets (except as noted)	Ontario Sector			Canadian Sector <sup>1</sup>
	2Q-2025	1Q-2025	2Q-2024	1Q-2025
<b>Interest and Investment Income</b>				
Loan Interest	4.17%	4.20%	4.37%	4.05%
Investment Income	0.36%	0.38%	0.44%	0.51%
<b>Total Interest and Investment Income</b>	<b>4.53%</b>	<b>4.58%</b>	<b>4.81%</b>	<b>4.57%</b>
<b>Interest and Dividend Expense</b>				
Interest Expense on Deposits	2.36%	2.45%	2.69%	2.39%
Rebates/Dividends on Share Capital	0.00%	0.00%	0.00%	0.00%
Dividends on Investment/Other Capital	0.03%	0.03%	0.04%	0.04%
Other Interest Expense	0.44%	0.45%	0.55%	0.23%
Total	0.48%	0.48%	0.58%	0.27%
<b>Total Interest &amp; Dividend Expense</b>	<b>2.84%</b>	<b>2.93%</b>	<b>3.27%</b>	<b>2.66%</b>
<b>Net Interest &amp; Investment Income</b>	<b>1.69%</b>	<b>1.66%</b>	<b>1.54%</b>	<b>1.94%</b>
Loan Costs	0.12%	0.10%	0.05%	0.10%
<b>Net Interest &amp; Investment Income after Loan Costs</b>	<b>1.58%</b>	<b>1.56%</b>	<b>1.48%</b>	<b>1.84%</b>
Other (non-interest) Income	0.37%	0.36%	0.35%	0.45%
<b>Net Interest, Investment &amp; Other Income</b>	<b>1.95%</b>	<b>1.92%</b>	<b>1.84%</b>	<b>2.30%</b>
<b>Non-Interest Expenses</b>				
Salaries & Benefits	0.88%	0.88%	0.90%	1.04%
Occupancy	0.12%	0.13%	0.12%	0.13%
Computer, Office & Other Equipment	0.18%	0.18%	0.18%	0.15%
Advertising & Communications	0.06%	0.06%	0.06%	0.00%
Member Security	0.07%	0.07%	0.08%	0.00%
Administration	0.21%	0.20%	0.19%	0.36%
Other	0.07%	0.07%	0.07%	0.15%
<b>Total Non-Interest Expenses</b>	<b>1.61%</b>	<b>1.59%</b>	<b>1.60%</b>	<b>1.82%</b>
<b>Net Income/(Loss) Before Taxes</b>	<b>0.34%</b>	<b>0.33%</b>	<b>0.24%</b>	<b>0.47%</b>
Taxes	0.05%	0.05%	0.03%	0.09%
<b>Net Income/(Loss)</b>	<b>0.30%</b>	<b>0.28%</b>	<b>0.21%</b>	<b>0.33%</b>
<b>Average Assets (Billions)</b>	<b>\$101</b>	<b>\$100</b>	<b>\$97</b>	<b>\$313</b>

<sup>1</sup>Summary results as reported by Canadian Credit Union Association, including Ontario Sector

\*Totals may not agree due to rounding

## Sector balance sheets

As at \$millions

	Sector		
	2Q-2025	1Q-2025	2Q-2024
<b>Assets</b>			
Cash and Investments	11,567	11,076	11,558
Personal Loans	2,293	2,222	2,150
Residential Mortgage Loans	56,409	54,988	54,513
Commercial Loans	26,913	27,202	25,228
Institutional Loans	159	160	155
Unincorporated Association Loans	40	41	44
Agricultural Loans	3,242	3,161	2,992
<b>Total Loans</b>	<b>89,056</b>	<b>87,773</b>	<b>85,083</b>
Total Loan Allowances	291	258	227
Capital (Fixed) Assets	688	691	685
Intangible and Other Assets	1,118	1,041	1,019
<b>Total Assets</b>	<b>102,139</b>	<b>100,324</b>	<b>98,099</b>
<b>Liabilities</b>			
Demand Deposits	26,379	25,673	25,895
Term Deposits	37,770	37,003	345,555
Registered Deposits	16,999	16,850	16,239
<b>Total Deposits</b>	<b>81,147</b>	<b>79,526</b>	<b>76,688</b>
Borrowings	3,736	3,757	4,129
Securitizations	8,101	7,915	8,470
Other Liabilities	1,951	1,931	1,870
<b>Total Liabilities</b>	<b>94,935</b>	<b>93,130</b>	<b>91,157</b>
<b>Members' Equity &amp; Capital</b>			
Membership Shares	52	52	55
Retained Earnings	4,153	4,073	3,940
Other Tier 1 & 2 Capital	2,969	3,020	3,000
AOCI	30	49	(53)
<b>Total Members' Equity &amp; Capital</b>	<b>7,204</b>	<b>7,194</b>	<b>6,872</b>
<b>Total Liabilities, Members' Equity &amp; Capital</b>	<b>102,139</b>	<b>100,324</b>	<b>98,099</b>

\* Totals may not agree due to rounding

Sector balance sheets	Sector % Increase/(Decrease) from		
	2Q-2025 \$Millions	1Q-2025	2Q-2024
<b>Assets</b>			
Cash and Investments	11,567	4.4%	0.1%
Personal Loans	2,293	3.2%	6.6%
Residential Mortgage Loans	56,409	2.6%	3.5%
Commercial Loans	26,913	-1.1%	6.7%
Institutional Loans	159	-0.3%	2.5%
Unincorporated Association Loans	40	-2.6%	-9.9%
Agricultural Loans	3,242	2.6%	8.3%
Total Loans	89,056	1.5%	4.7%
Total Loan Allowances	291	12.9%	28.3%
Capital (Fixed) Assets	688	-0.3%	3.5%
Intangible and Other Assets	1,118	7.4%	9.7%
<b>Total Assets</b>	<b>102,139</b>	<b>1.8%</b>	<b>4.1%</b>
<b>Liabilities</b>			
Demand Deposits	26,379	2.7%	1.9%
Term Deposits	37,770	2.1%	9.3%
Registered Deposits	16,999	0.9%	4.7%
Total Deposits	81,147	2.0%	5.8%
Borrowings	3,736	-0.6%	-9.5%
Securitized Assets	8,101	2.3%	-4.4%
Other Liabilities	1,951	1.0%	4.3%
Total Liabilities	94,935	1.9%	4.1%
<b>Members' Equity &amp; Capital</b>			
Membership Shares	52	-0.1%	-5.8%
Retained Earnings	4,153	2.0%	5.4%
Other Tier 1 & 2 Capital	2,969	-1.7%	-1.0%
Accumulated Other Comprehensive Income	30	-39.2%	-156.1%
Total Members' Equity & Capital	7,204	0.1%	3.8%
<b>Total Liabilities, Members' Equity &amp; Capital</b>	<b>102,139</b>	<b>1.8%</b>	<b>4.1%</b>

\* Totals may not agree due to rounding

## Sector balance sheets

As a percentage of total assets

	Sector			Canadian Sector <sup>1</sup>
	2Q-2025	1Q-2025	2Q-2024	1Q-2025
<b>Assets</b>				
Cash and Investments	11.3%	11.0%	11.8%	14.0%
Personal Loans	2.2%	2.2%	2.2%	3.6%
Residential Mortgage Loans	55.2%	54.9%	55.6%	49.2%
Commercial Loans	26.3%	27.1%	25.7%	26.5%
Institutional Loans	0.2%	0.2%	0.2%	0.7%
Unincorporated Association Loans	0.0%	0.0%	0.0%	0.0%
Agricultural Loans	3.2%	3.2%	3.1%	4.0%
Total Loans	87.2%	87.5%	86.7%	84.0%
Total Loan Allowances	0.3%	0.3%	0.2%	-0.3%
Capital (Fixed) Assets	0.7%	0.7%	0.7%	0.7%
Intangible and Other Assets	1.1%	1.0%	1.0%	1.6%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities</b>				
Demand Deposits	25.8%	25.6%	26.4%	34.9%
Term Deposits	37.0%	36.9%	35.2%	33.9%
Registered Deposits	16.6%	16.8%	16.6%	15.6%
Total Deposits	79.4%	79.3%	78.2%	84.5%
Borrowings	3.7%	3.7%	4.2%	5.4%
Securitizations	7.9%	7.9%	8.6%	0.0%
Other Liabilities	1.9%	1.9%	1.9%	2.6%
Total Liabilities	92.9%	92.8%	92.9%	92.5%
<b>Members' Equity &amp; Capital</b>				
Membership Shares	0.1%	0.1%	0.1%	0.5%
Retained Earnings	4.1%	4.1%	4.0%	5.9%
Other Tier 1 & 2 Capital	2.9%	3.0%	3.1%	1.1%
AOCI	0.0%	0.0%	-0.1%	0.0%
Total Members' Equity & Capital	7.1%	7.2%	7.1%	7.5%
<b>Total Liabilities, Members' Equity &amp; Capital</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Totals may not agree due to rounding