



BANK OF CANADA
BANQUE DU CANADA

CELEBRATING 75 YEARS
CÉLÉBRONS 75 ANS

Performance of the Cdn. Banking System and Credit Growth

February 18, 2010



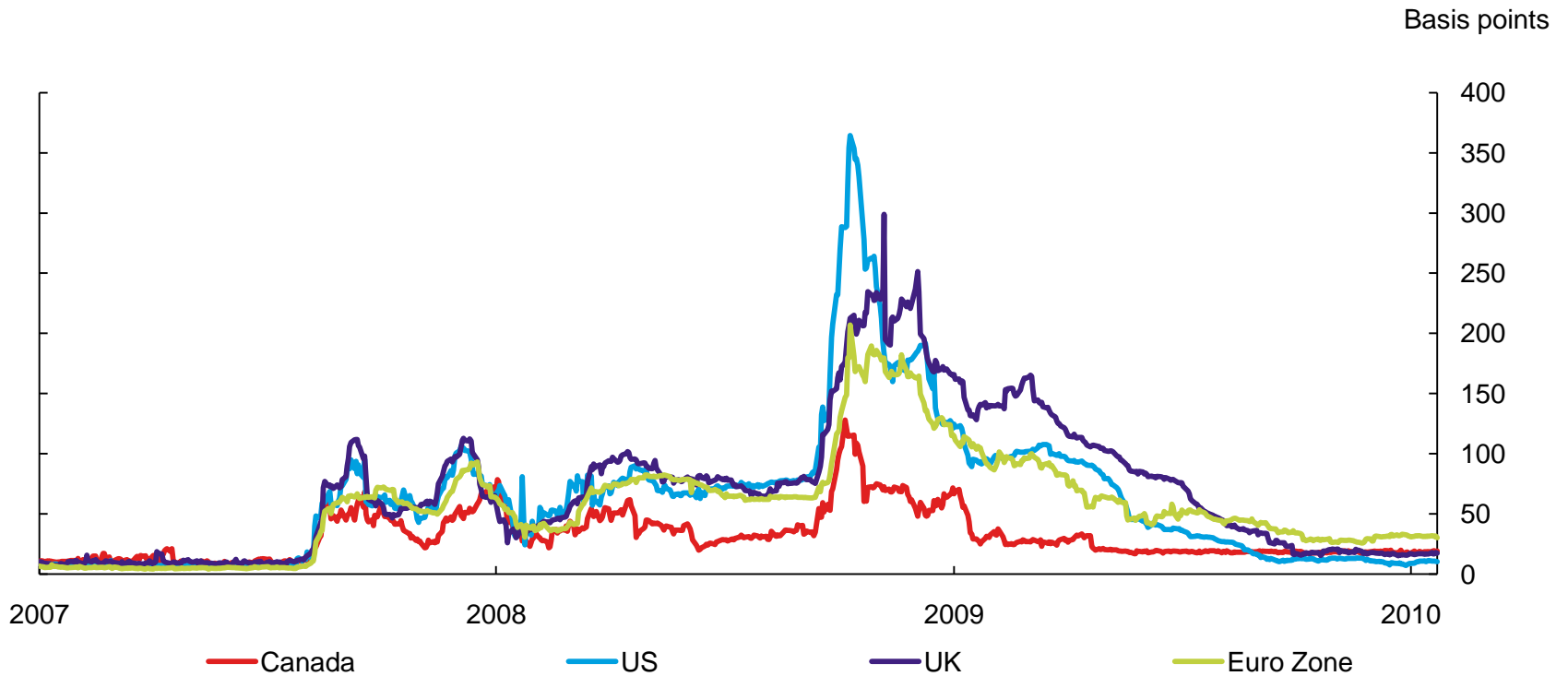
Graydon Paulin
Financial Stability Department



“I am a great believer in luck,
and I find the harder I work
the more I have of it.”

Short-term Funding Markets During the Turmoil

Difference between 3-month interbank offered rates and overnight index swap rates*



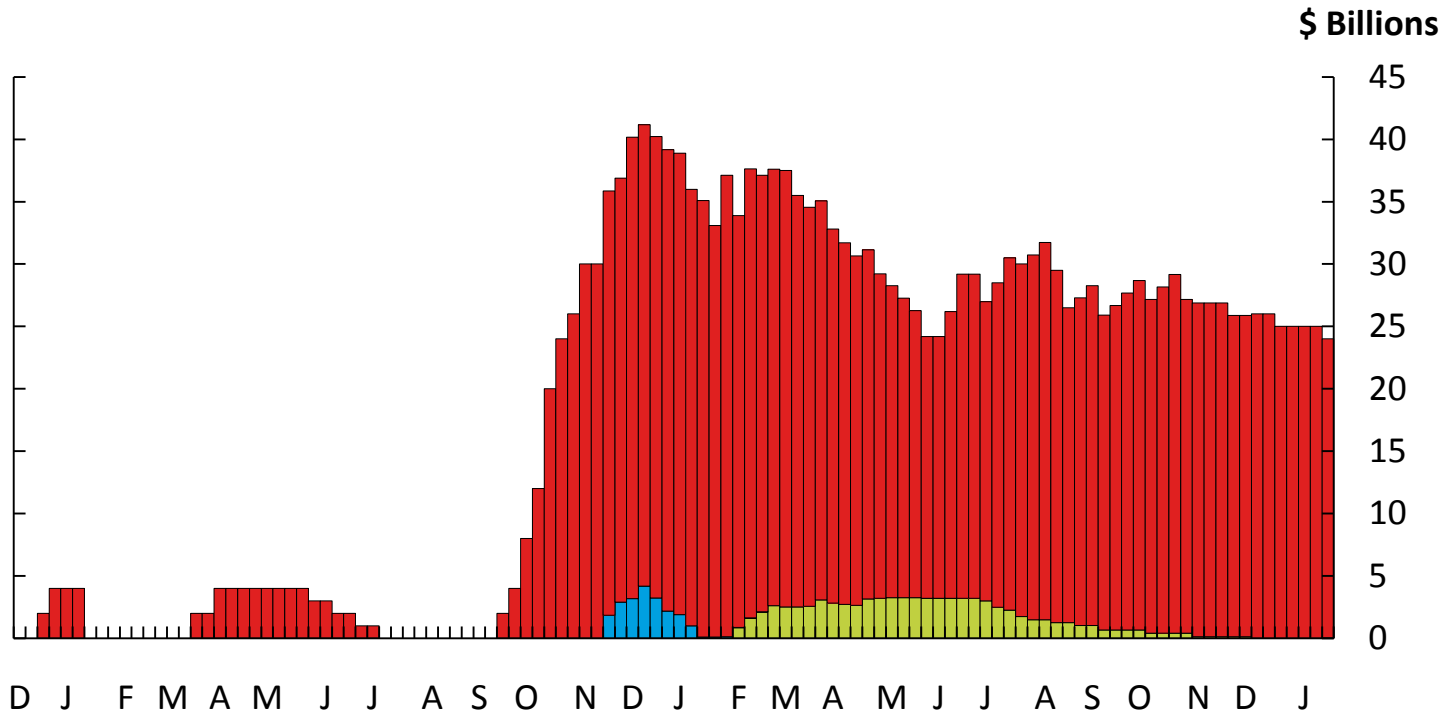
* For the United States and the United Kingdom, LIBOR; for the Euro area, EURIBOR; and for Canada, CDOR
 Source: Bloomberg

Last observation: 22/01/2010



Bank of Canada Extraordinary Liquidity Provision

Weekly Par Value Outstanding at Bank of Canada Facilities

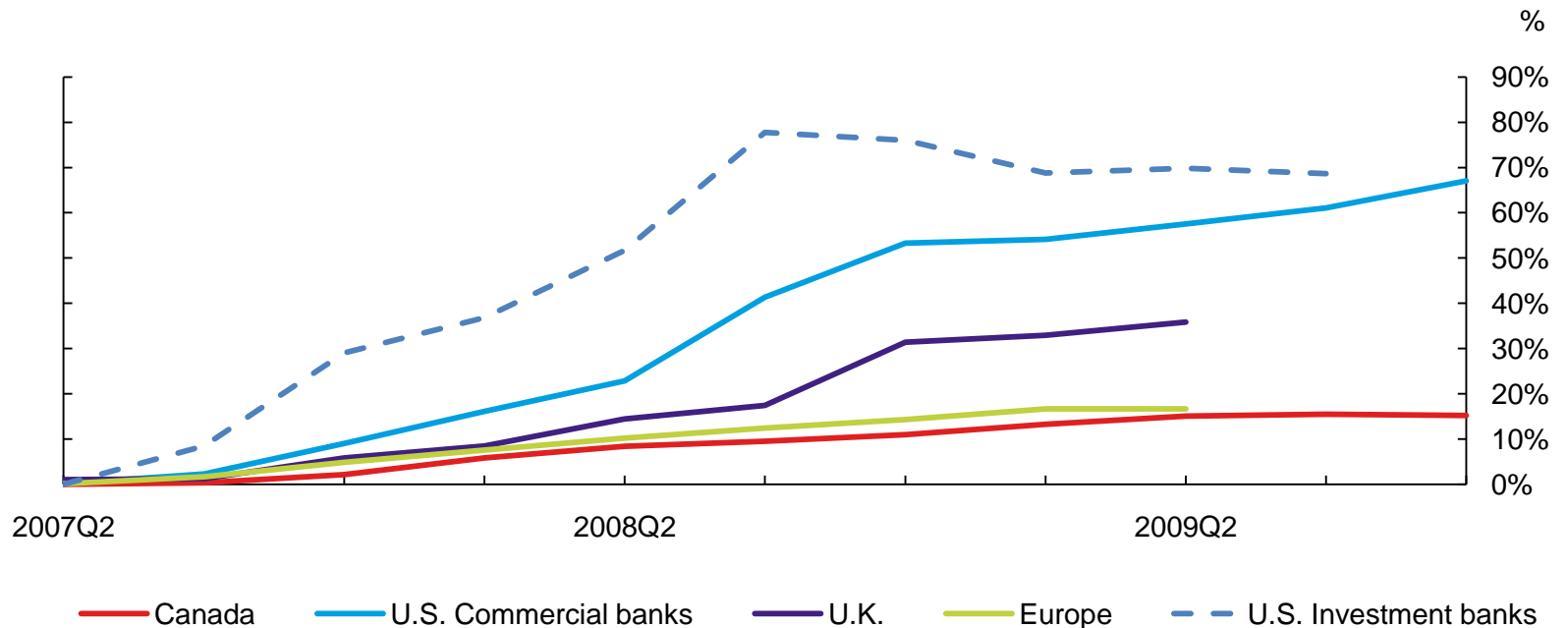


Source: Bank of Canada



Cumulative Writedowns by Banks

Cumulative Writedowns as a % of Total Shareholders' Equity



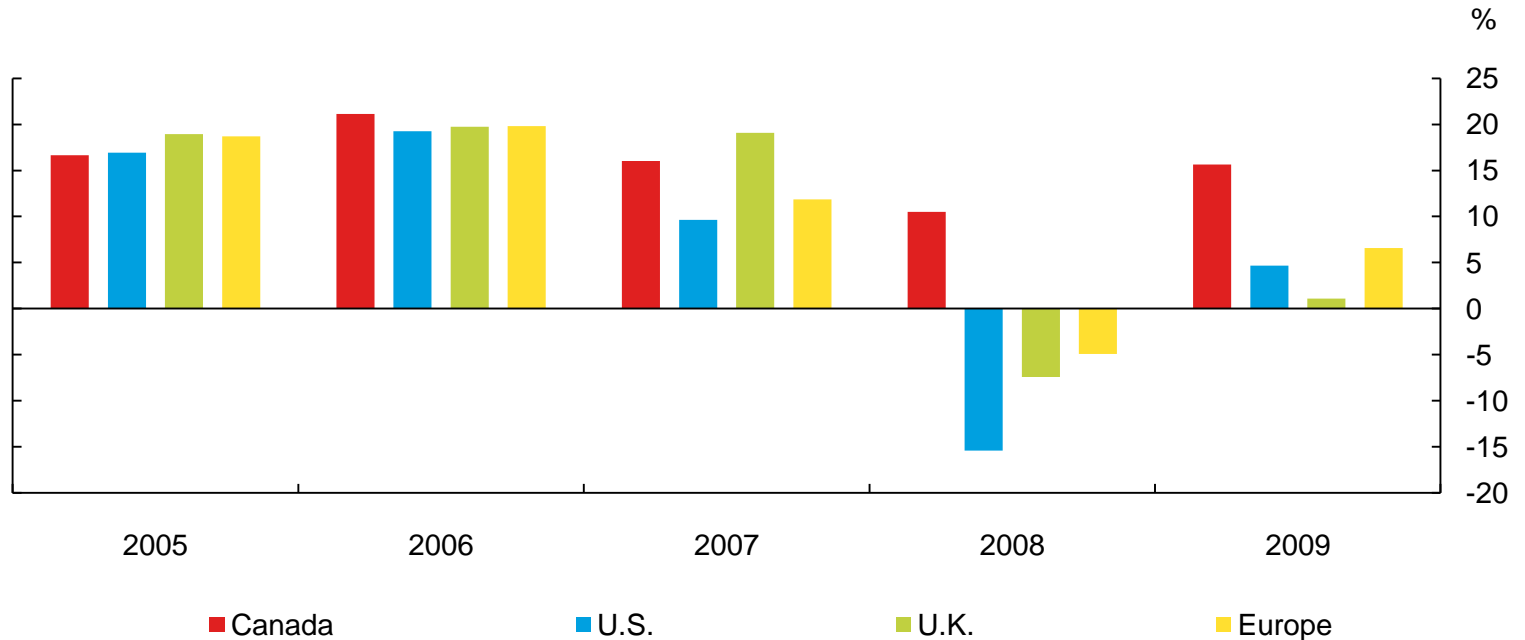
Source: Bloomberg

Last observation: 2009Q4



Rate of Return on Equity – Banks (2005-2009)

Average Return on Equity



Source: Bloomberg

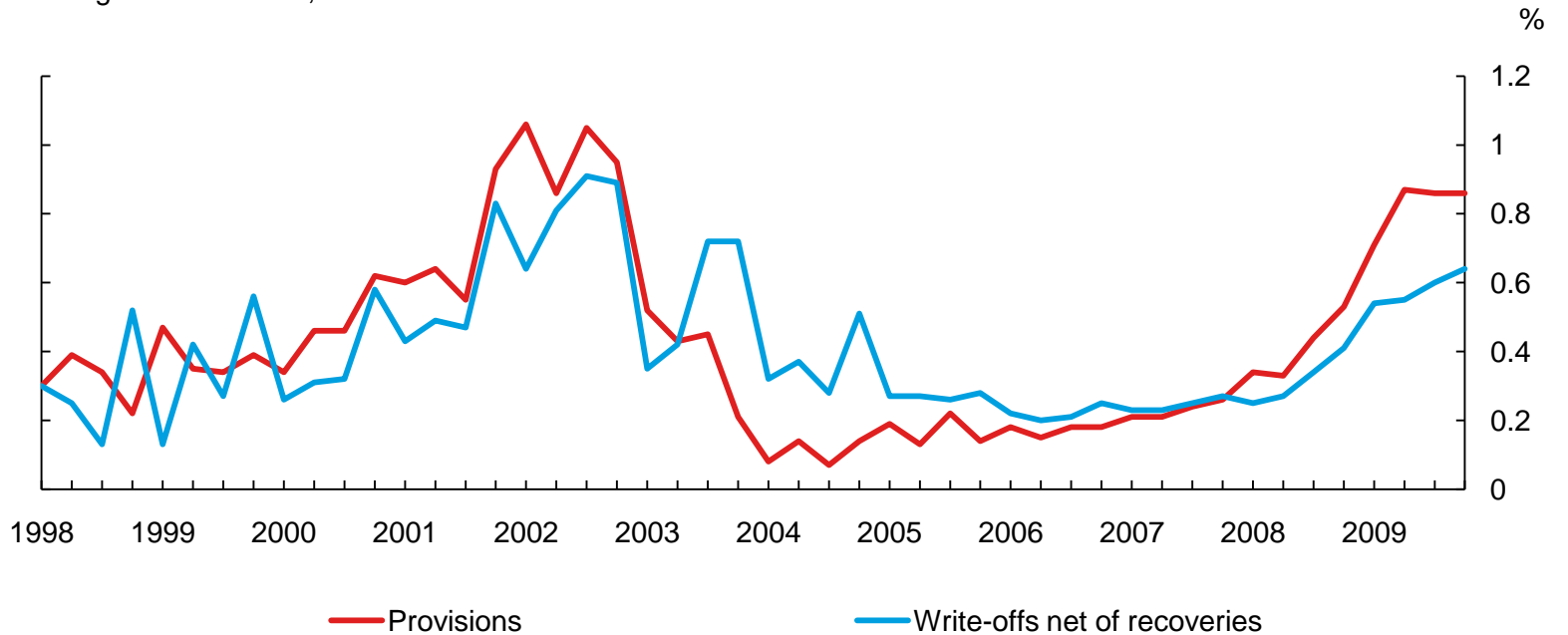
Last observation: 2009Q4 for Canada and U.S. And 2009H1 for Europe and U.K.



Evolution of Credit Losses -- Canadian Banks (1998-2009)

Loan related provisions and write-offs

As a share of gross total loans, annualized



Last observation: 2009Q4



Regulatory Structure for Banks

- OSFI supervises most “systemically important” financial institutions – limited shadow banking sector
- Principles-based supervisory approach -- substantial discretion to enunciate principles in “guidance”
- Comprehensive, risk-based methodology – focus on material risks and quality of institution’s risk management



Bank Capital and Leverage

- Higher capital standards
 - 7% Tier 1 and 10% Total capital
 - common equity component of 75% or greater (pre-turmoil)

- Assets-to-Capital Multiple (leverage ratio)
 - introduced in the early 1980s
 - typically a maximum of 20 (may be raised to 23)



Communication

- Extensive coordination among authorities who hold responsibility for the financial system
- Financial Institutions Supervisory Committee (FISC)
 - Department of Finance
 - Bank of Canada
 - Office of the Superintendent of Financial Institutions (OSFI)
 - Canada Deposit Insurance Corporation (CDIC)
 - Financial Consumer Agency of Canada (FCAC)



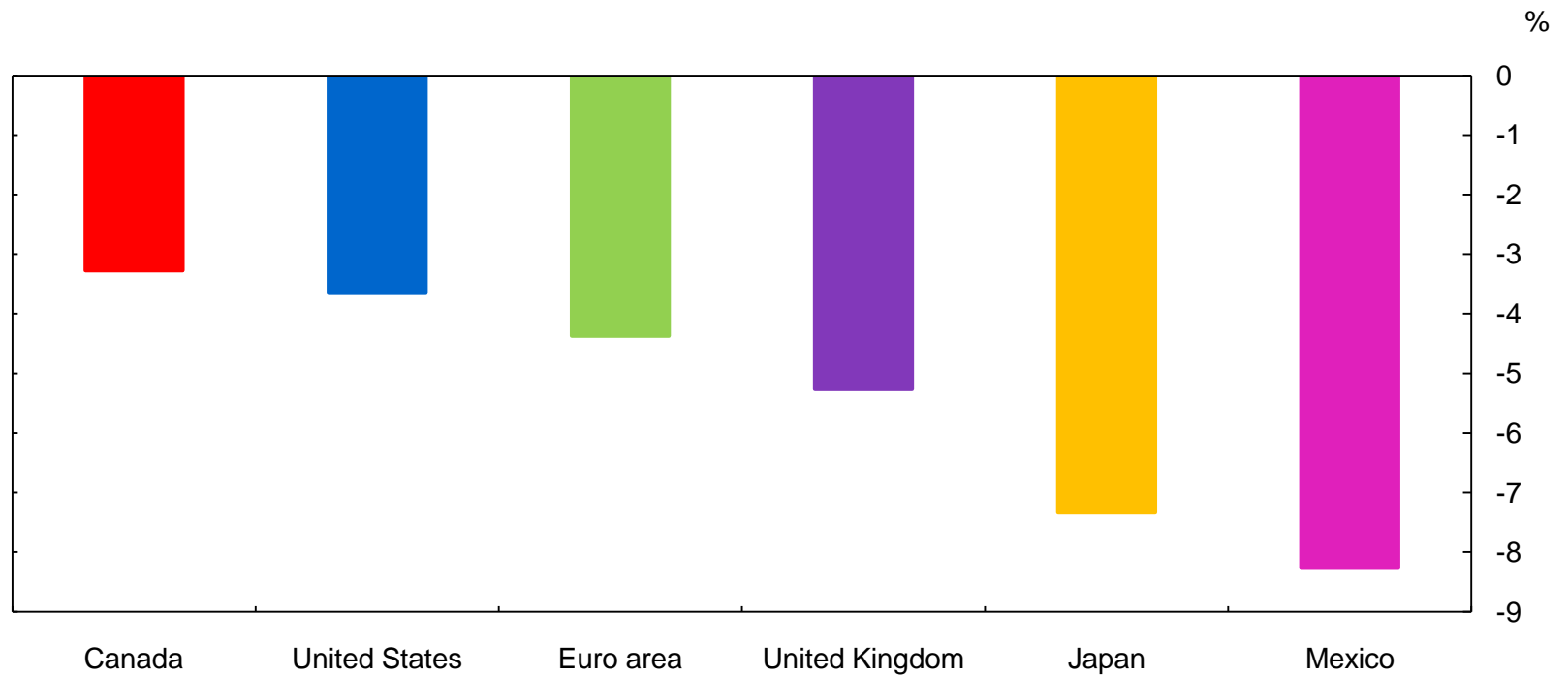
Product Design and Market Structure

- Limited use of securitization
 - e.g., originate-to-distribute model

- Features of the mortgage market
 - e.g., mortgage insurance required when loan-to-value exceeds eighty per cent

Economic Performance

Percentage change of real GDP from 2007Q4 to trough ^a

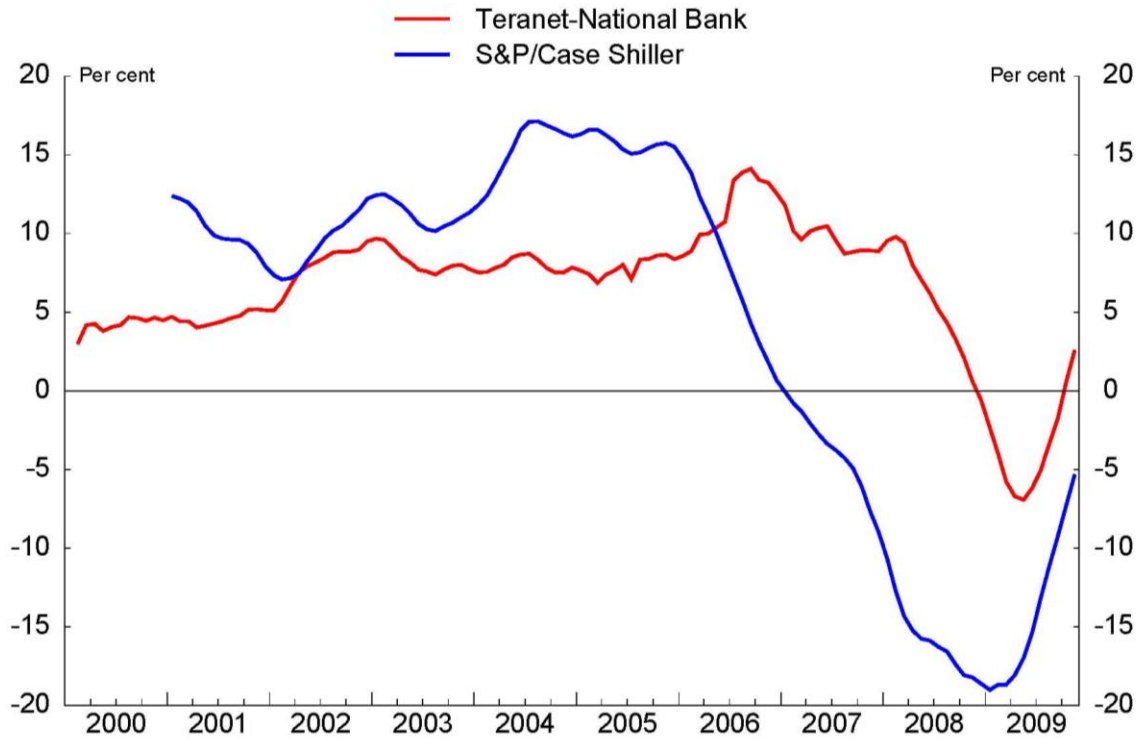


^a 2007Q4 corresponds to the start of the recession in the United States (based on NBER).

Source: OECD, and Bank of Canada calculations

Housing Prices (2000-2009)

Nominal House Prices, Canada and the United States
 Year-over-year growth rate, Monthly

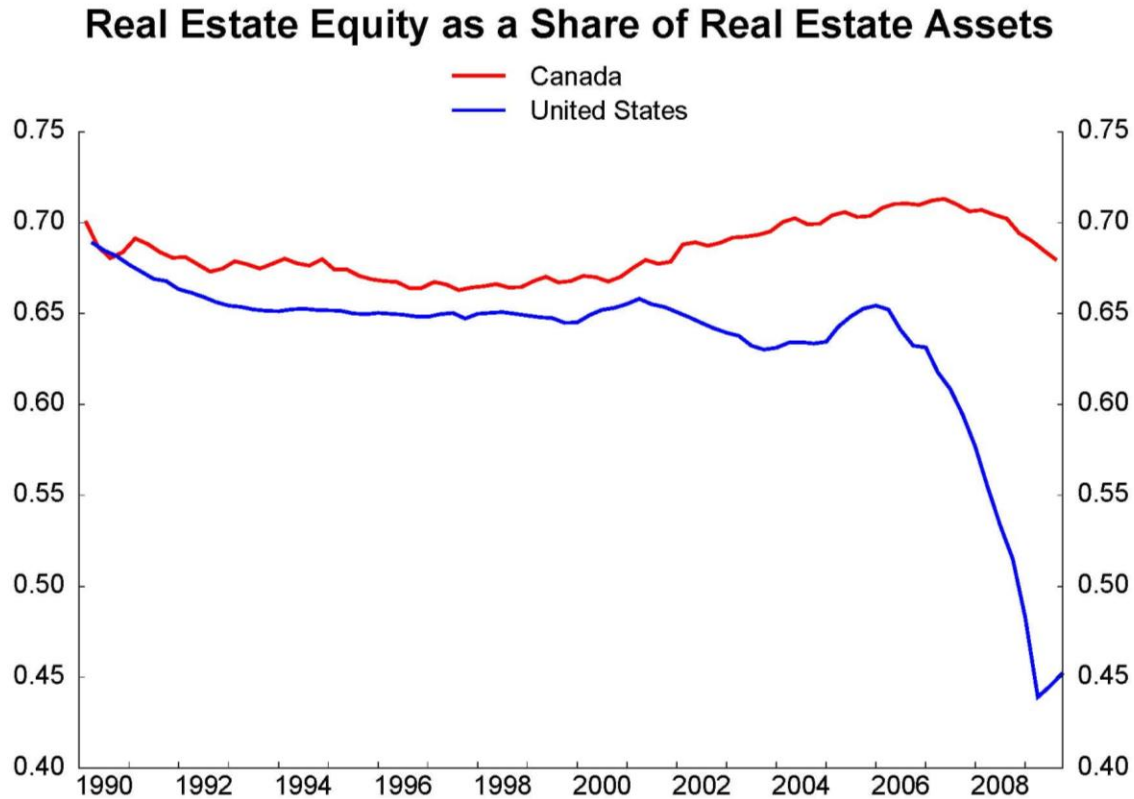


Teranet-National Bank Price Index: Nov 2009

Sources: Teranet-National Bank of Canada, S&P/Case Shiller



Real Estate Equity (1990-2009)

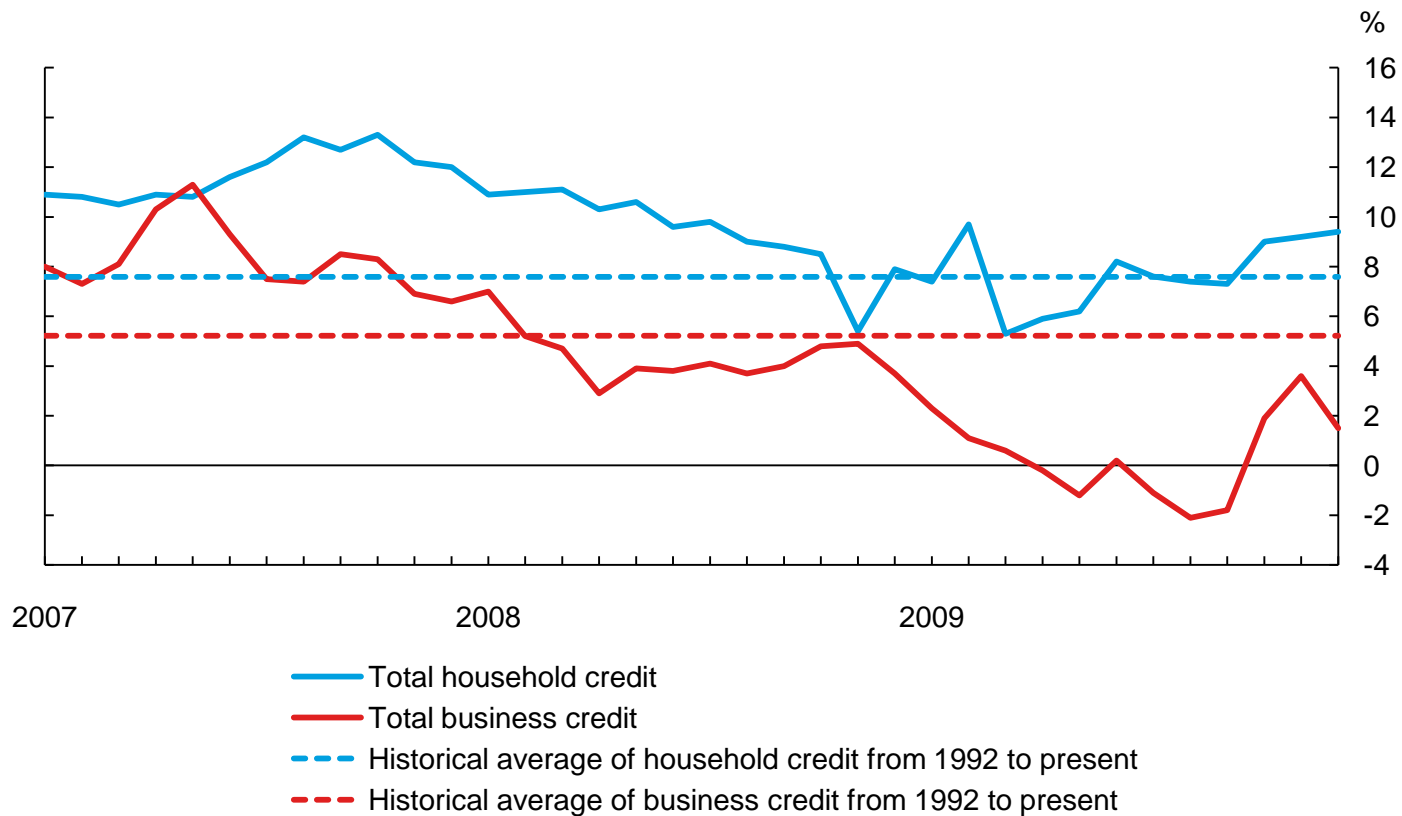


* Real estate equity = real estate assets excluding mortgages
Sources: Statistics Canada, U.S. Federal Reserve (at market value)

3q09

Household and Business Credit: Canada

3-month percentage change (at annual rates)

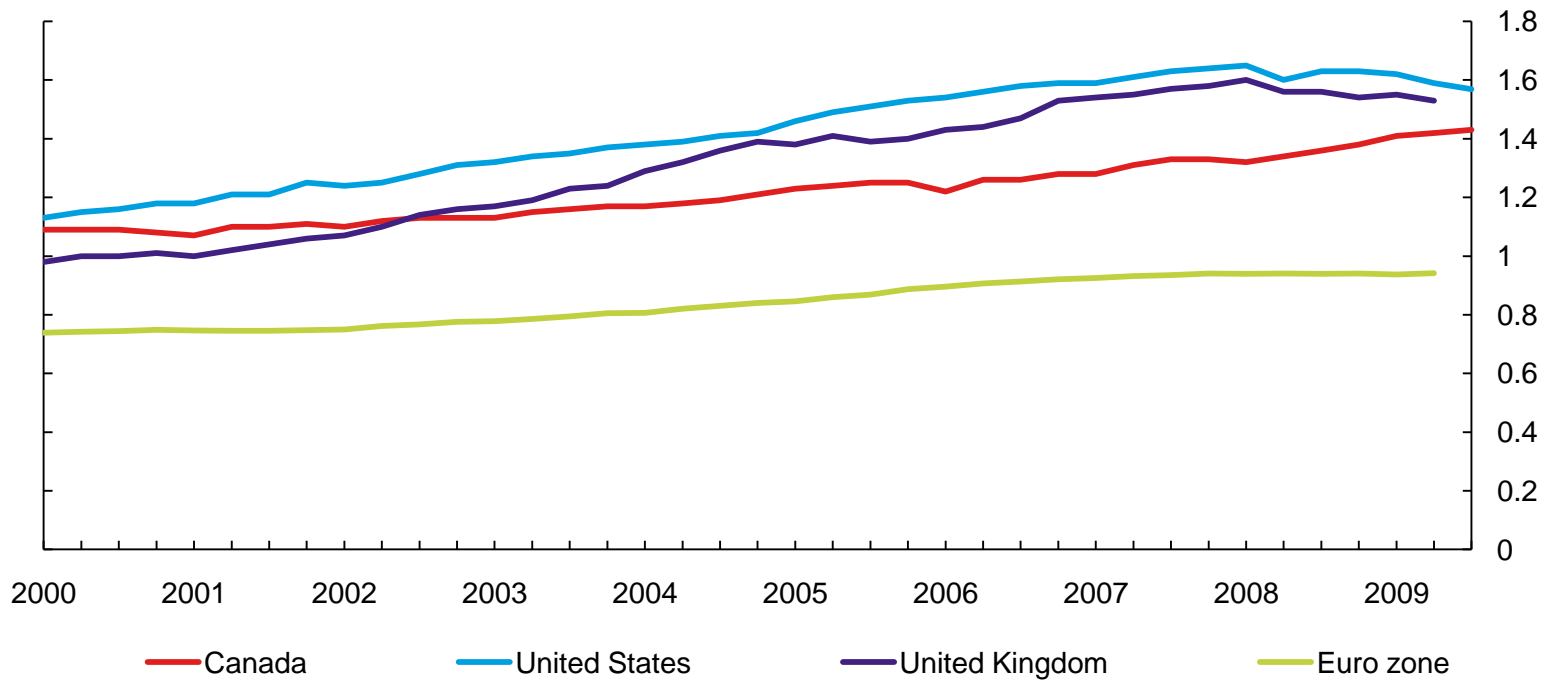


Source: Bank of Canada

Last observation: December 2009

Household Indebtedness : Canada (2000-2009)

Ratio of Household Debt to Personal Disposable Income



Sources: Statistics Canada, U.S. Federal Reserve, U.K. National Statistics, ECB

Last observation: 2009Q3