

FINANCE

Canadian banks enjoy record \$19B gains

CIBC revival sparks huge 50% growth in profits

MICHAEL KANE
CANWEST NEWS SERVICE

Canada's buoyant economy propelled profits at the big six banks to more than \$19 billion last year — 50 per cent higher than in 2005. The record gains are all the more impressive because they were achieved despite regulatory challenges and increased competition, said Diana Chant, leader of the financial services practice at PricewaterhouseCoopers.

But the numbers are also distorted because CIBC bounced back from a \$32-million loss in 2005 — when it paid about \$2.5 billion to settle its exposure in the Enron scandal in the U.S. — to a \$2.6-billion profit in 2006. "If you took CIBC out of the equation, the increase would be less than 50 per cent but the \$19 billion is still a record total for the banks," Chant said in an interview.

"And look at the wonderful first quarters the banks are recording in 2007. Many are close to, at, or over \$1 billion for the quarter when it wasn't that many years ago that hitting \$1 billion for the year was a pretty good thing." While some Canadians are scandalized by huge bank profits, the Canadian Bankers Association notes the big six paid \$217 million in taxes in B.C. alone last year, while bank shares account for 13 per cent of the Canada Pension Plan's Canadian equity holdings. The big six also employ 1.2 per cent of B.C.'s working population, compared to 1.0 per cent in forestry and 0.9 per cent in mining, oil and gas. Banks are doing well across many sectors because of the strong economy while loan losses "were exceedingly low, remarkably low," Chant said. However, bankers are "quietly concerned" about a potential weakening of Canada's credit market in the wake

Royal is king of Canadian banks

- Here are the Top 10 banks in Canada, as ranked by assets as of Oct. 31, 2006 (percentage change from Oct. 31, 2005):
- 1. Royal Bank of Canada:** \$537 billion (+14.3)
 - 2. Toronto-Dominion Bank:** \$393 billion (+7.6)
 - 3. Bank of Nova Scotia:** \$379 billion (+20.7)
 - 4. Bank of Montreal:** \$320 billion (+7.5)
 - 5. Canadian Imperial Bank of Commerce:** \$304 billion (+8.4)
 - 6. National Bank of Canada:** \$117 billion (+8.3)
 - 7. HSBC Canada:** \$57 billion (+12.8)
 - 8. ING Bank of Canada:** \$23 billion (+13.9)
 - 9. Laurentian Bank of Canada:** \$17 billion (+4.8)
 - 10. Citibank Canada:** \$15 billion (+14.3)

SOURCE: PRICEWATERHOUSECOOPERS

of the meltdown in the sub-prime lending market in the U.S. In the annual PwC banking survey released Monday, she also cautioned that financial results provide a limited perspective of the banking landscape where competition is intensifying, regulatory burdens are escalating, and earnings' drivers are shifting. The race for customers is accelerat-

ing with competition coming from both smaller players and global giants. Recognizing that the retail market is "the new battleground," Chant said the big six have been adding branches after slimming down for several years.

Scotiabank, for example, has opened six new branches in B.C. since February 2006, and is working on three more as part of the bank's national strategy to add 50 branches over two years.

TD, BMO and RBC each have strategies to expand in the U.S., while Scotiabank, the most international of Canadian banks, has added Turkey and Thailand to its global footprint, and CIBC is expanding in the Caribbean.

Still, the study shows Canada's banks are unranked in the global top 25 which is dominated by the U.K., France, the U.S. and Japan.

Although it would take the combined assets of Canada's big six to reach the \$1.6 trillion level of London's Barclays Bank, the global leader, Chant says bank mergers in Canada are likely to remain on the back burner for the life of the current minority government.

Meanwhile, the "war for talent" is just beginning with boomer retirements threatening to undermine the industry's increased emphasis on customer service, she said.

Last week a study by Deloitte warned talent shortages in Toronto could cost the city its status as North America's third-largest banking centre behind New York and Chicago.

FROM CI HOUSING: 'Pullback'

The breakdown of the March combined sales was 2,755 single-family residences, 1,167 condominiums, and 17 mobile homes. March 2006 sales in the same categories were 2,481, 990 and 15, respectively.

March saw 5,195 new listings coming to the market, an increase of 31.55 per cent from March 2006 when the new listings were 3,949, and an increase of 39.24 per cent from last month's 3,731 new listings.

The average combined residential sale price for March was \$415,321, a 27.63 per cent increase over March 2006 when the average price was \$325,399, and a 5.60 per cent increase over the February 2007 average price of \$393,307. Broken out, the following is a comparison of single-family, condominium, and mobile home average sale prices for March over 2006: single family \$462,811 / \$363,361; condominium \$308,187 / \$234,600; mobile home \$73,591 / \$39,093.

The combined residential median price for March was \$376,000, up 31.93 per cent from March 2006 when the median price was \$285,000, and up 3.58 per cent from last month's \$363,000.

Louie said people have to keep in mind that over the years, the average sale price of a Calgary home has dropped two or three times in a year. "If you project it out with just the

first quarter, we would be seeing enormous growth, but you have to realize that ... if you look at the past to project the future, there have been a couple of months every year where there has been a pullback," he said. "The prices are rising significantly. We expect the momentum to continue throughout the year even though there may be a month or two when it comes back. It will still overall be much higher than last year."

It will still overall be much higher than last year.

LAI SING LOUIE,
HOUSING ANALYST

says house prices in Alberta rose the most in the first two months of this year compared to other provinces.

In January and February, CREA said the average MLS sale price in Wild Rose Country reached \$336,377, a 34.5 per cent hike from the same period in 2006 (\$250,103).

Nationally, the average sale price was \$289,550, an increase of 10.3 per cent from a year ago (\$262,484).

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TUESDAY, APRIL 3, 2007

MARGIN CALLS

Whirlpool finds new repairman

SPOKESMAN • Whirlpool Corp. named a new 'Ol' Lonely' repairman to promote the dependability of its Maytag washing machines and dishwashers amid a recall of 2.8 million appliances.



Clay Jackson

Clay Jackson, a real estate agent from Richmond, Va., will be the fourth repairman since Maytag created the character in 1967 and follows actors Jesse White, Gordon Jump and Hardy Rawls in the role.

Whirlpool, which bought Maytag last year for \$1.68 billion, began a national search for the lonely Maytag repairman Jan. 26. Jackson, 33, was chosen from more than 1,500 people who auditioned, the company said in a statement.

Whirlpool recalled 2.5 million Maytag-brand dishwashers Feb. 1 in the U.S. and Canada, and 250,000 Maytag front-loading washing machines March 21, for fire risks, according to the U.S. Consumer Product Safety Commission and the company.

Rare Scotch whisky on block

AUCTION • A Scotch whisky blend bottled two years ago to mark the 200th anniversary of the birth of Johnnie Walker may fetch as much as \$31,600 when sold later this month, according to the auctioneer.

The bottle of Johnnie Walker 1805 was produced by Diageo PLC, the world's largest liquor maker, from a mix of whiskies at least 45 years old and mainly from distilleries that have since closed.

It goes on sale in London on April 25, the Bonhams auction house said Monday.

The prices collectors are willing to pay for Scotch have risen, though typically for older, single malts. Bonhams sold a half-sized bottle of malt about 150 years old for \$33,748 in November, while an anonymous Asian collector paid the equivalent of \$74,700 in September 2005 for the last bottle of 1926 Macallan malt whisky, a record for a public auction.

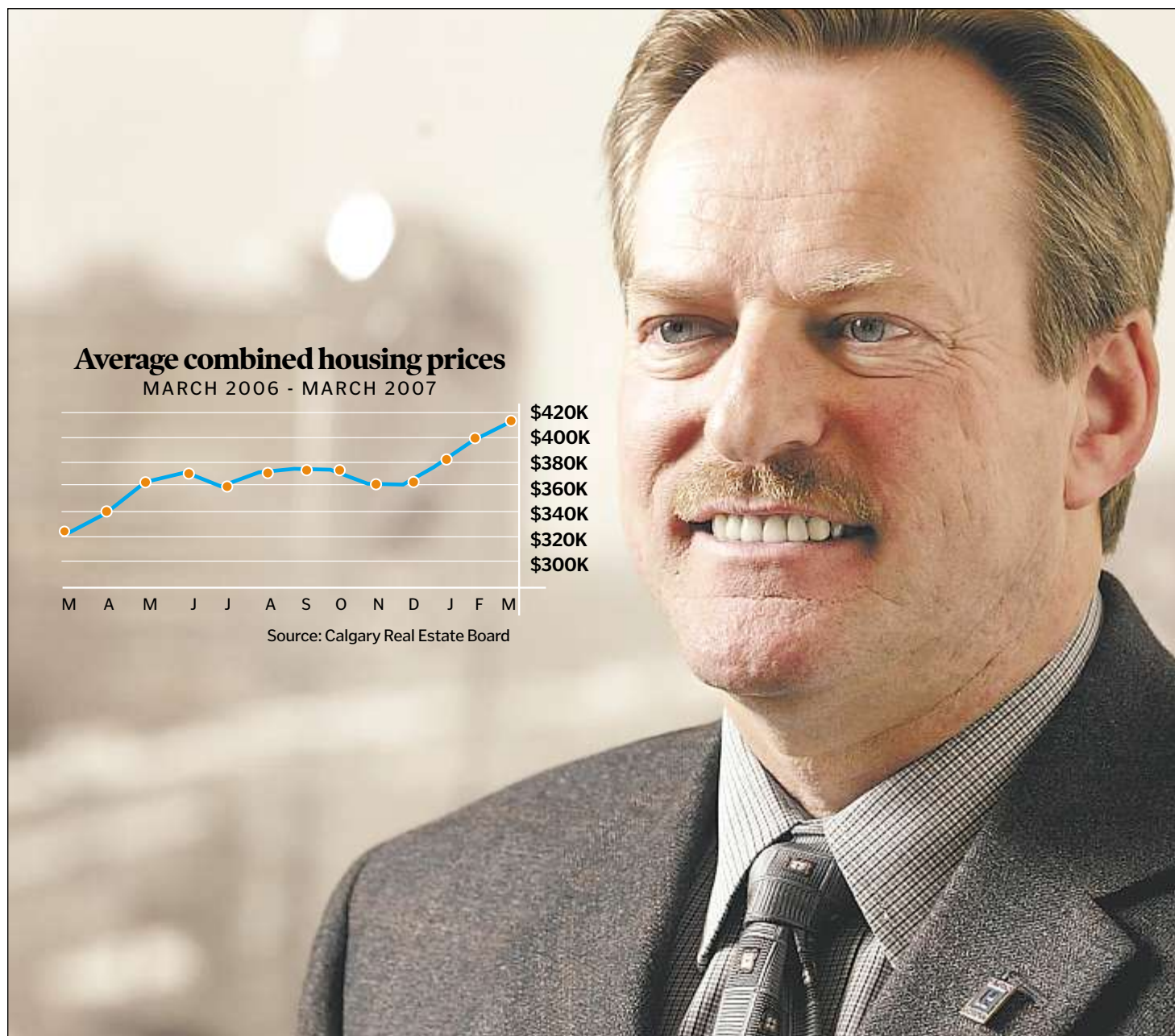
HERALD ENERGY



Husky Oil has been granted government approval to increase production at White Rose by 37 per cent

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REAL ESTATE 'FIRING ON ALL 8 CYLINDERS'



Ed Jensen, president-elect of the Calgary Real Estate Board, says there is more selection in the market this spring than last.

Housing pace hits March madness level

Single-family homes nearing \$500,000 mark

MARIO TONEGUZZI
 CALGARY HERALD

The average price of a single-family home in Calgary — which has increased by more than \$60,000 in the first three months of this year — is approaching \$500,000.

Calgary Real Estate Board numbers released Monday show the average sale price of a single-family home rose to nearly \$463,000 in March. Also, the average residential combined sale price (single-family, condominium and mobile) has crossed the \$400,000 barrier for the first time ever to the current more than \$415,000.

But despite the continued escalation in prices, homebuyers in Calgary are purchasing homes at a record pace. More residential properties sold through MLS in March than ever — nearly 4,000 — establishing a monthly sales record.

As well, more than 5,000 new listings came on the market in March for another all-time

“We are seeing good sales, but we’re not seeing these ridiculous numbers over the asking price. We’re seeing multiple offers.”

ED JENSEN, CALGARY
 REAL ESTATE BOARD

MLS high.

The total volume of business for the month was a staggering more than \$1.6 billion.

Could the local market hit \$500,000 this spring for the average sale price of a single-family home?

“I think that would be a real stretch,” said CREB president-elect Ed Jensen.

“The spring marketplace is always our fastest marketplace. I think this year is different than last year... We’ve got the product. Much more selection. We are seeing good sales, but we’re not seeing these ridiculous numbers over the asking price. We’re seeing multiple offers.”

Jensen said the housing market is “firing on all eight cylinders” but “nobody has a crystal ball” to determine what will happen this spring.

“Calgary’s economy is very strong... The interest rates are excellent. The job market is excellent... The demand is there,” said Jensen.

“The strength in our economy in Calgary is so strong that people as soon as they have the ability to budget to be able to step in to some place in the marketplace whether that be a residential home or a condominium-type product, whether it’s an apartment or not, they’re stepping in. We’re also seeing investors stay true to the marketplace.”

Lai Sing Louie, senior market analyst for the **Canada Mortgage and Housing Corp.** in Calgary, called the skyrocketing price of a single-family home in the past month “a big move” and “it is surprising to

see prices rise so significantly in light of all the supply that’s coming into the market. We have to attribute that to the even stronger demand for housing right now.

“Stats Canada recently updated their migration numbers for the Calgary CMA (Census Metropolitan Area) in 2006 and we found that there were 31,223 net migrants here so I think that’s probably fuelling the demand for resale. It’s a lot stronger than we thought initially would happen,” said Louie. “It’s going on a very strong pace... We’re fortunate that we’re seeing so much more listings coming on otherwise the price would be explosive like last year.”

“It’s an orderly sort of rise (this year). Last year, it was spiking and people were panicking, but even with this rise now people are not panicking. You don’t feel that sense in the marketplace. It’s like ‘OK, we’ll pay a little bit more.’”

March combined residential sales totalled 3,939, a 12.99 per cent increase over March 2006 when sales were recorded as 3,486, and a 17.65 per cent increase from February 2007 when the sales were 3,348.

SEE HOUSING, PAGE C6

Royal Dutch to privatize Shell

LISA SCHMIDT
 CALGARY HERALD

After acquiring nearly 99 per cent of **Shell Canada Ltd.** shares, **Royal Dutch Shell PLC** is moving to buy out the rest and take its Canadian subsidiary private.

The Anglo-Dutch energy giant said Monday it will now use compulsory acquisition provisions under Canadian business laws to buy remaining stock for \$45 a share.

The \$8.7-billion deal, expected to close by the end of June, ends a lengthy bid by Royal Dutch, which first offered \$40 a share back in October and failed to win over shareholders.

Sweetened to \$45 a share in January, the bid was accepted by more than half of the minority, which boosted the parent company’s stake to nearly 90 per cent from the 78 per cent of shares it already owned in Shell Canada. Royal Dutch had extended its offer to March 30 to allow remaining shareholders to sell their stock.

Chief executive Clive Mather and senior management will remain in their positions until the formal handover, details of which are still being worked out, Royal Dutch said in a statement.

Once the buyout is complete, Shell Canada’s stock will become a wholly owned subsidiary like its U.S. counterpart, **Shell Oil Co.**

Calgary-headquartered Shell Canada employs about 4,800 people across the country, but does not expect any major cuts to staffing levels, a spokeswoman said.

“That’s certainly not the intention of this exercise. (Royal Dutch) has said quite clearly they see Canada as place for investment,” said Jan Rowley.

Royal Dutch is seeking new sources of oil and gas after an accounting scandal in 2004 forced the company to repeatedly write down its reserves. The company said the buyout will simplify its North American operations and boost resources to develop oil-sands holdings.

Shell Canada owns a majority stake in the Athabasca Oil Sands Project, Canada’s third major mining project near Fort McMurray, which produces 155,000 barrels of oil per day. Shell and its partners, **Chevron Corp.** and **Western Oil Sands Inc.**, plan to spend \$12.8 billion to expand production another 100,000 bpd in the first of several expansions.

Analysts do not expect major changes for the upstream operations of Shell Canada, which is also a major natural gas producer, but say Royal Dutch will likely consolidate its refining and marketing operations in North America.

Royal Dutch, expected to run all of its North American operations from Houston, will also control Shell Canada’s stake in the Sable Island offshore natural gas project and interest in the \$16.2-billion Mackenzie Valley natural gas pipeline project.

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