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September 4, 2019

# **Q2 Fiscal 2019 Investor Presentation**

Concentra<sup>®</sup>

# Speakers



**Don Coulter**  
Msc, CPA, CA  
President and CEO



**Ryan Graham**  
CPA, CMA  
SVP, Chief Banking  
Officer



**Paul Masterson**  
CPA, CA, MBA  
SVP, Chief Finance  
Officer

# Caution Regarding Forward-Looking Statements

From time to time Concentra Bank (“Concentra”) makes written and verbal forward-looking statements. These are included in the MD&A, periodic reports to shareholders, regulatory filings, press releases, Concentra presentations and other Concentra communications. Forward-looking statements are made in connection with business objectives and targets, Concentra strategies, operations, anticipated financial results and the outlook for Concentra, its industry, and the Canadian economy. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of Concentra to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions, legislative and regulatory developments, changes in accounting standards, the nature of our customers and rates of default, competition, and other.

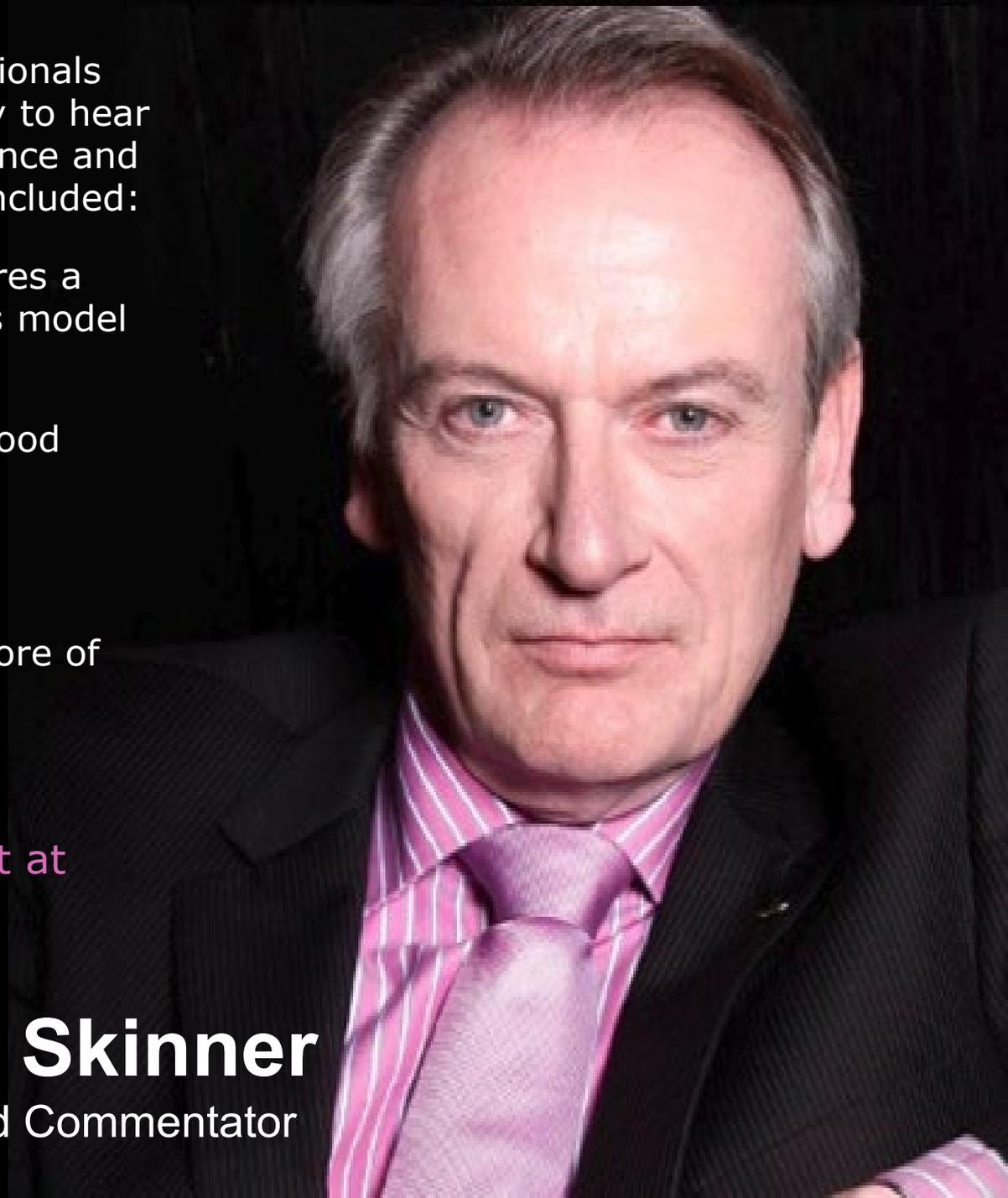
All material assumptions used in making forward-looking statements are based on management’s knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current credit, interest rate and liquidity conditions affecting Concentra and the Canadian economy. Although Concentra believes the assumptions used to make such statements are reasonable at this time, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by Concentra in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its lending business, a continuation of the current level of economic uncertainty that affects market conditions, continued acceptance of its products in the marketplace, and the current tax regime. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Concentra does not undertake to update any forward-looking statements that are contained herein.

Credit unions, industry professionals and partners joined us recently to hear Chris Skinner speak about finance and digital technology. Highlights included:

- Digital transformation requires a reinvention of your business model
- Understanding your core competencies is key—find good partners for the rest
- Critical success factors for transformation:
  - Put the customer at the core of everything you do
  - Be agile in your execution

Watch a short video excerpt at [concentra.ca](http://concentra.ca)

**Chris Skinner**  
Author and Commentator



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# Questions

- Questions are encouraged
- Type your questions on the side of the webinar presentation window
- We'll answer your questions at the end of the session

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Don Coulter

# Update from the President & CEO

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# Executing on our strategy

- We're carving out a unique identity in the Canadian financial services market.
- Our digital strategy focuses on creating a differentiated experience for customers, maturing our business intelligence, improving internal efficiency and establishing a digital banking foundation to foster new growth.
- Our Mid-Market Commercial Bank approach will focus on:
  - Customer experience
  - Specialized solutions
  - A user-friendly digital experience

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# Foundational activities

- **Strengthening our Foundation**
  - Shoring up our operations
  - Improving interactions with customers
  - Automating internal processes
- **Investing in Employees**
  - Jayleen Groff is our new Chief People Officer
  - We offer training for employees, including Indigenous Cultural Awareness training and sales training

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# Future-focused activities

- **Diversifying Revenue**
  - Making progress on specialized lending solutions
  - Expanding investments options
- **Building our Brand**
  - Concentra expects to rebrand next year
  - We are working on a design strategy, naming and testing

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# In conclusion

We're executing on our strategy, strengthening our foundation, diversifying our revenue, launching new products, forming new partnerships, investing in our people, and shoring up our operations.

We're building a future-focused brand and a unique bank founded on a great customer experience.

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Ryan Graham  
SVP, Chief Banking Officer

# How Concentra supports credit unions

## Current State of Credit Union Partnerships

Product Offering	Residential Mortgage Pool Sales	Residential Securitization	Commercial Markets	Credit Union Deposits
Description	Provides residential mortgages for purchase to credit union partners across Canada	Provides administration for credit union participation in the MBS/CMB program	<p>Origination: Works with credit unions on the origination of their own book of business</p> <p>Syndication: Provides commercial assets to credit unions to help diversify their book of business</p>	Allows credit unions to deposit excess liquidity to gain a higher yield (overnight accounts or term deposits)
Credit Unions Served	36 credit unions own a portion of a Concentra mortgage pool across Canada	24 of 56 credit union issuers in the CMHC-sponsored securitization program serviced by Concentra	<p>34 credit union originating partners</p> <p>80 credit union syndicate partners</p>	73 credit unions have deposits with Concentra across Canada

## Current State of Credit Union Partnerships

Product Offering	Foreign Exchange	Equipment Financing	Trust Services	Strategic Financial Management
<b>Description</b>	Allows credit unions to manage their own foreign exchange exposure online; also provides a technology platform to CU members to enhance CU services and generate non-interest revenue	Offers full lease services to commercial, industrial, agricultural and government customers	Enables credit unions with in-house data systems to use the trustee powers of Concentra for delivering a full range of registered products to CU members, along with estate-planning solutions	Provides customized balance sheet management solutions and expertise to credit union customers; identifies concerns and opportunities related to interest rate risk, profitability, capital and liquidity
<b>Credit Unions Served</b>	75 credit unions use Concentra's FX services across Canada	101 active credit union leasing partners 928 credit-union-sourced lease originations AUA	194 credit unions use Concentra's registered plans across Canada	44 credit unions served across Canada

# Future State of Credit Union Partnerships: Opportunities for Growth



INSURANCE  
LENDING



BUSINESS  
TRANSITION  
PLANNING

## Core Competencies

Specialization

Partnering

Innovation



SUPPLY-CHAIN  
FINANCING



MORTGAGE  
ANCILLARY  
PRODUCTS

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Paul Masterson  
SVP, Chief Financial Officer

# Q2 Fiscal 2019 Franchise Earnings

## Solid results in Q2

- Solid ROE% in Q2
  - Revenues up 6% from Q1
  - PCL increase from Q1 but remain lower than historical results
  - Expenses lower than Q1
  - Net Income down from Q1 (which was aided by PCL recoveries)

## Business highlights in Q2

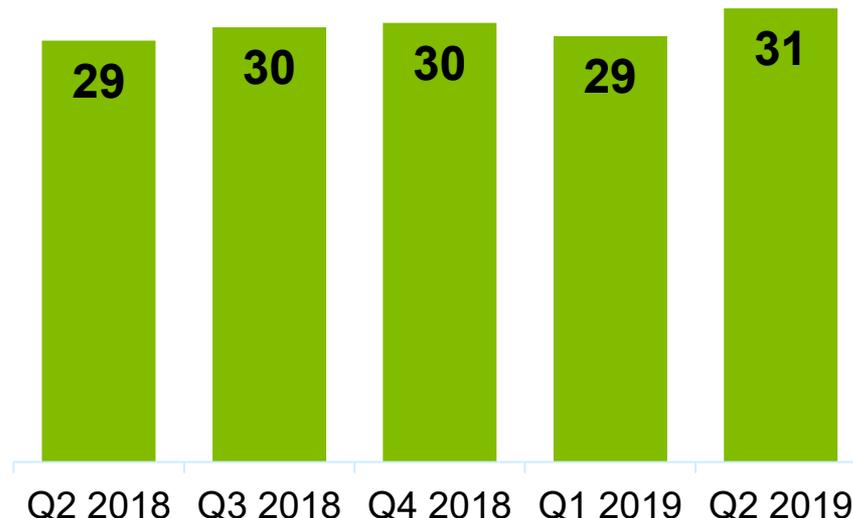
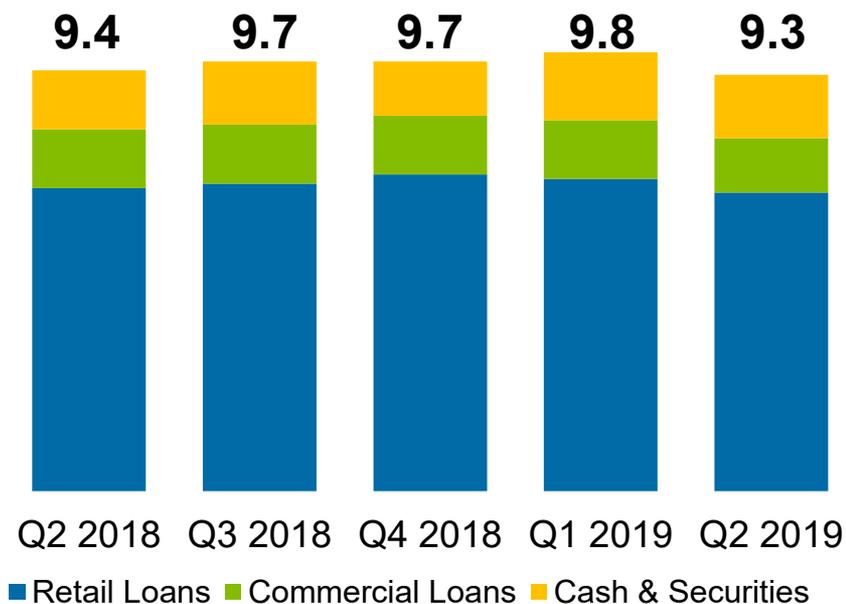
- Total assets declined and capital ratios strengthened
- Steady results in our Commercial Lending business
- Strong results in residential mortgages even as growth slowed during this quarter
- Very strong growth for our Consumer Lending business

	Q2/F19	Q1/F19	Q2/F18
<b>\$millions</b>			
Revenue	\$ 31.0	\$ 29.1	\$ 28.8
PCL	\$ 1.3	\$ (1.8)	\$ 0.3
Expenses	\$ 20.7	\$ 21.2	\$ 19.7
Net Income	\$ 9.0	\$ 9.7	\$ 8.9
ROE %	8.7%	9.3%	9.8%
Total Assets (\$B)	\$ 9.3	\$ 9.8	\$ 9.4

# Strong History of Financial Performance

Assets on Balance Sheet (\$B)

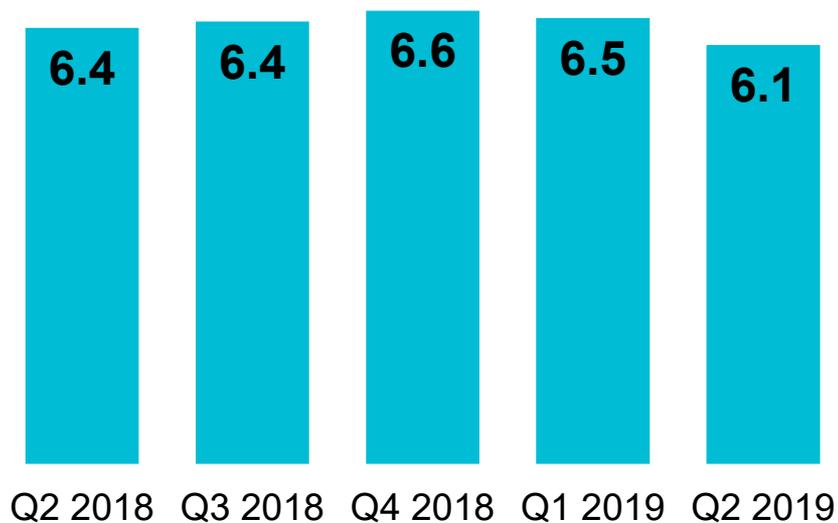
Revenue (\$M)



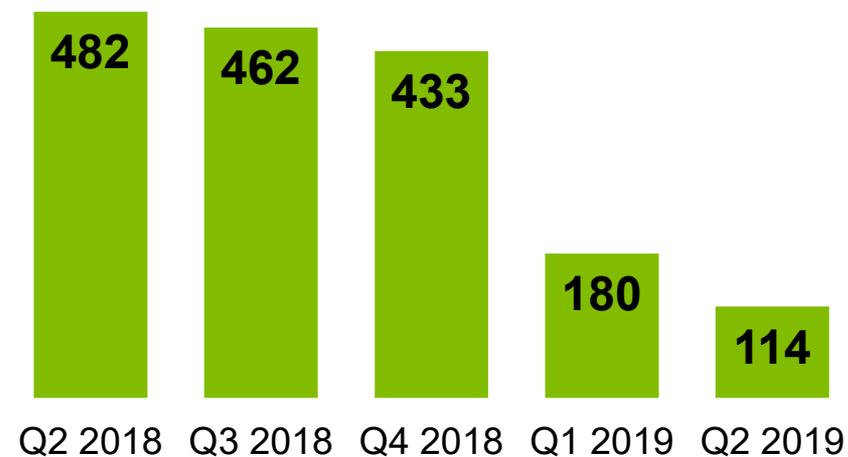
**Stable revenue growth**

# Residential Loans

Assets on Balance Sheet (\$B)



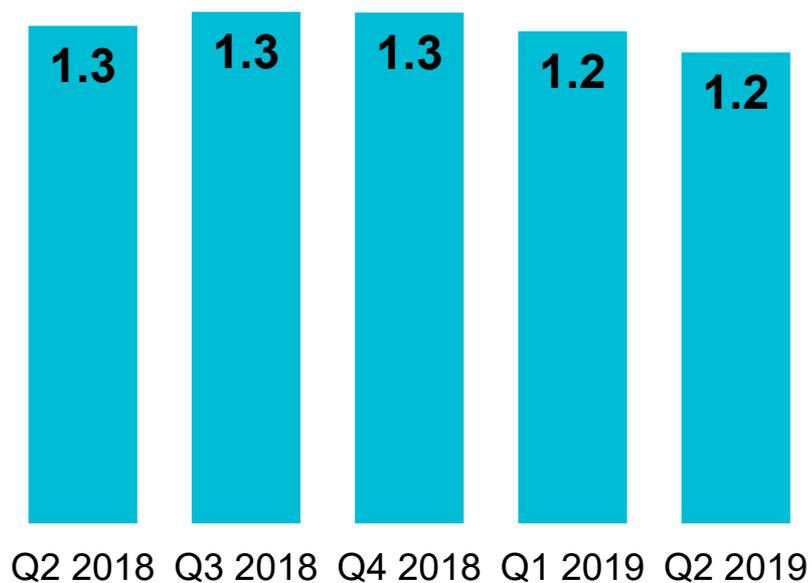
Loans Originated (\$M)



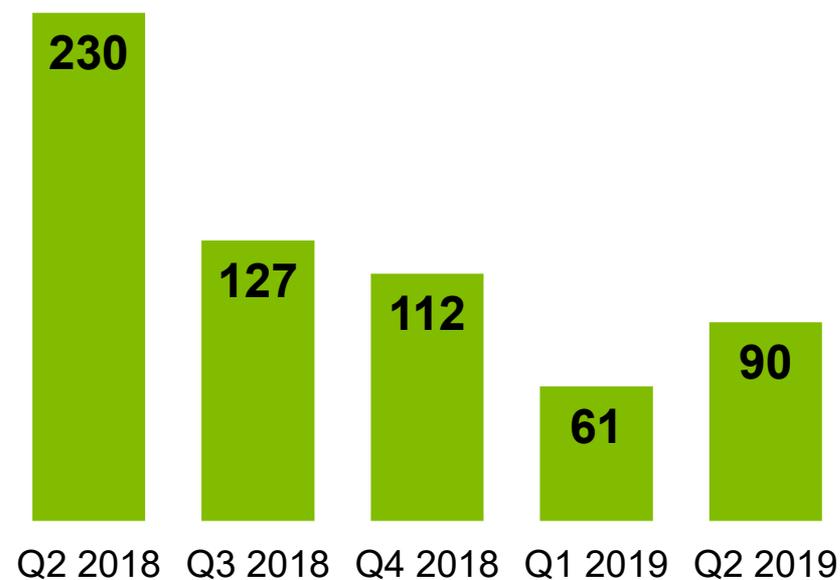
**A slow quarter for origination activity in Q2**

# Commercial Lending

Assets on Balance Sheet (\$B)



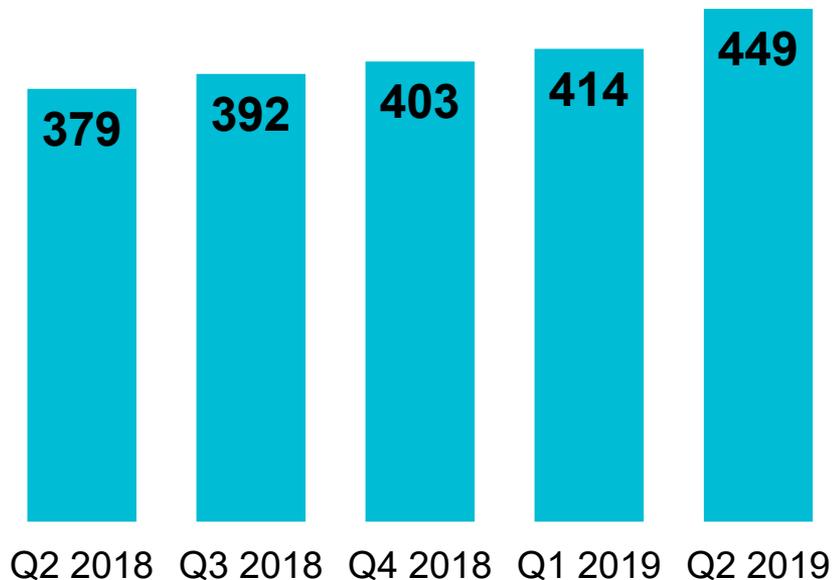
Loans Originated (\$M)



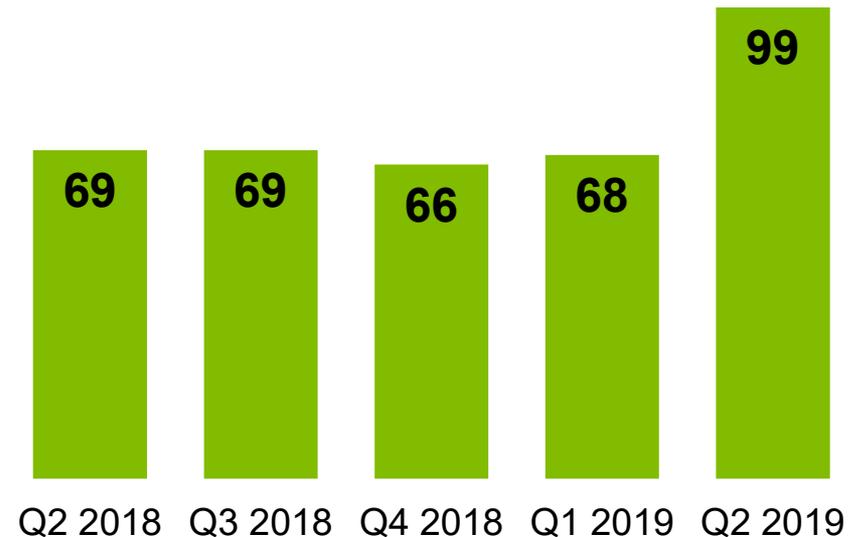
**Average origination activity in the quarter**

# Consumer Loans

Assets on Balance Sheet (\$M)



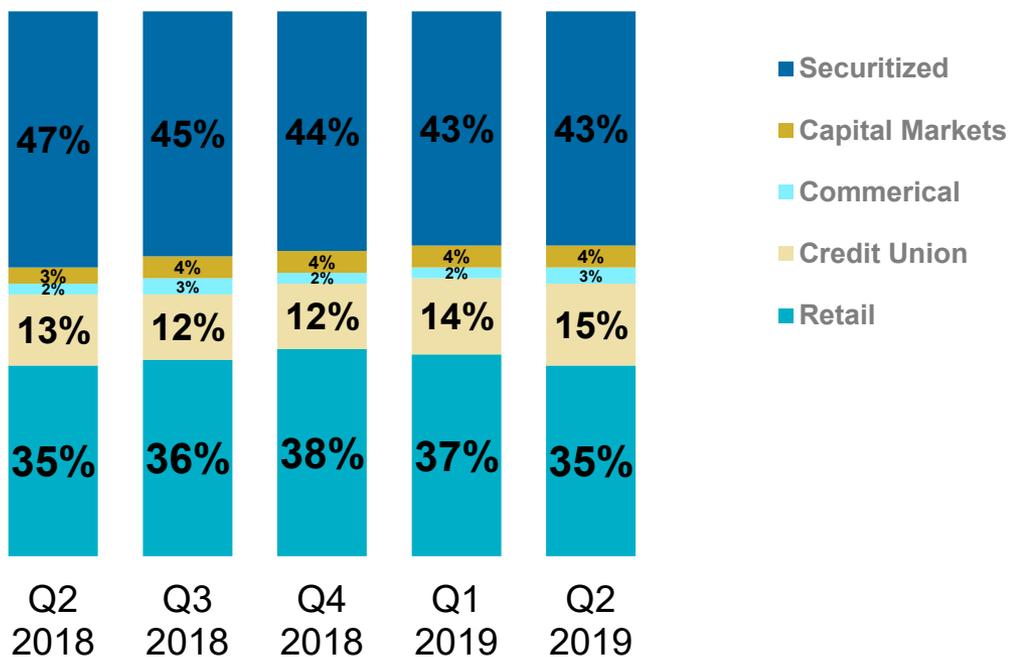
Loans Originated (\$M)



**Very strong growth in the quarter from consumer lending partnerships**

# Funding and Liquidity

Total Deposit by Source (%)



Total Liquid Assets (\$B)



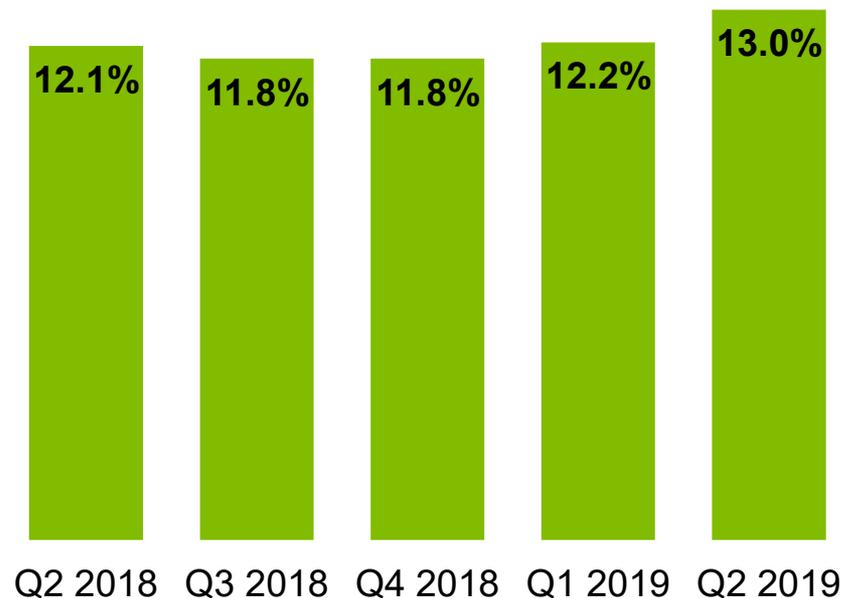
**Slowed retail growth and mix shifted towards credit union deposits**

# Strong Capital Ratios

Capital Ratios remain stable

Q2 F19	Ratio <sup>(1)</sup>	As prescribed by OSFI
CET1	13.0%	7.0%
Tier 1 Capital	16.9%	8.5%
Total Capital	17.4%	10.5%
Leverage Ratio	5.0%	as prescribed

CET1 RATIO



(1) As per OSFI's capital adequacy requirements

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# Questions

# Investor Relations Contact

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Chief Financial Officer

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[concentra.ca/investor](http://concentra.ca/investor)

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