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December 4, 2019

# **Q3 Fiscal 2019 Investor Presentation**

Concentra<sup>®</sup>

# Speakers



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



**Casey Fox**  
MBA, BSc, PAg  
Commercial Banking Director



**Paul Masterson**  
CPA, CA, MBA  
SVP, Chief Financial 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.

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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

# Concentra overview

- Our Purpose—*Creating the future of banking to enable your success*—means we're at the forefront of the change that is occurring in banking.
- We aim to make banking better for Canadians, through enhanced digital capabilities and innovations, services and solutions that really help you.
- We have both a Bank and a Trust company.
- We serve 200+ Canadian credit unions
- We have extensive customer relationships across the broad financial services marketplace.
- Our differentiation is the great service and value we provide.
- We focus on specialized lending to meet the needs of customers and credit unions.
- We partner with leading organizations to deliver our innovative offers and we have a passion for finding better ways of banking.

# Executing on our strategy

- Concentra is meeting change head on by transforming into a mid-market commercial bank while continuing to serve the credit union sector.
- Our many initiatives and projects for 2020 include:
  - Executing our digital strategy
  - Building our mid-market commercial bank
  - Originating mortgages
  - Growing retail deposits
  - Rebranding

# Partnering

- One of our three core competencies is partnering.
- In the space of three years, we've partnered with four FinTechs.
- In commercial markets, we partner with credit unions on their own originations and offer them commercial syndication investment opportunities.
- In Q3, Concentra formed a strategic alliance with Accord Financial Corporation that brings us one step further to becoming a mid-market commercial bank.

# Building our talent pool

- We are continually investing in our most important asset, our employees.
- In Q3, we flew all employees in the country to Saskatoon for an employee conference to learn about our strategy.
- We are ever-improving our policies and culture so employees have a positive experience at Concentra.
- Concentra does an excellent job of hiring top talent throughout Canada and accessing technology to allow employees to work from home. Nearly 10 per cent of our employees are remote workers.

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# Specialized lending

- We find unique solutions for our customers, leveraging partnerships, specialization and innovation to develop lending products.
- We choose target segments that have not been well served by the big banks' lending models.
- In Q3 we signed the first loan under our new First Nations Specific Claims financing initiative.

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Casey Fox

Commercial Banking Director

# **First Nations Specific Claims Financing Product**

# What is a Specific Claim?

- Specific claims are made by First Nations to the Government of Canada and relate to the:
  - Administration of land and other First Nation assets
  - Fulfillment of historic treaties and other agreements between Canada and its First Nations
- The federal government prefers negotiation over the courts but only within the confines of the Specific Claims Policy.
- The average cost for preparing and submitting a claim is \$2 million - \$3 million; however, it can be as high as \$10 million.
- Of 1,308 land claims from 650 First Nations filed, 448 have been accepted for negotiation and 74 are before the courts.

# Financing for Specific Claims

- Financing specific claims through law firms involves a contingency arrangement that can range from 15-30 per cent of the settlement amount.
- An average settlement is ~\$100 million, so the contingency method is more expensive than paying a law firm for actual work performed.
- Concentra has partnered with two specialty insurance companies to create a unique financing option.
- Concentra can finance the cost of a First Nation's preparation and administration of their claim. Administration is handled by a partner company of our insurance partner.
- Concentra's loan is repaid from the settlement proceeds in the case of a successful resolution, or from an insurance policy issued by our insurance partner in the case of an unsuccessful resolution.
- Concentra's financing offer includes a pre-settlement trust for each loan, with the trust as the borrower rather than the specific First Nation. The trustee is Concentra Trust.

# Development of this product

- Development of this initiative took more than 14 months.
- Concentra advanced its first loan under this initiative in October, with a First Nation in B.C.
- We have executed four additional term sheets with First Nations, which are expected to fund in 2019.
- We are expecting two more specific claims financing opportunities in the coming weeks and have a pipeline of five or six additional opportunities early next year.
- Once we have more experience with these opportunities, we will be in a position to offer syndication to interested credit unions.

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Paul Masterson  
SVP, Chief Financial Officer

# **Q3 Fiscal 2019 Franchise Earnings**

- **Solid results in Q3**

Solid ROE % in Q3

Revenues consistent with F18

PCL increase from Q2 due to negative economic forecasts

Expenses lower than Q2

Net Income down from Q2, driven by provisions

- **Business highlights in Q3**

Total assets and capital ratios stable

Very strong growth for our Consumer Lending business

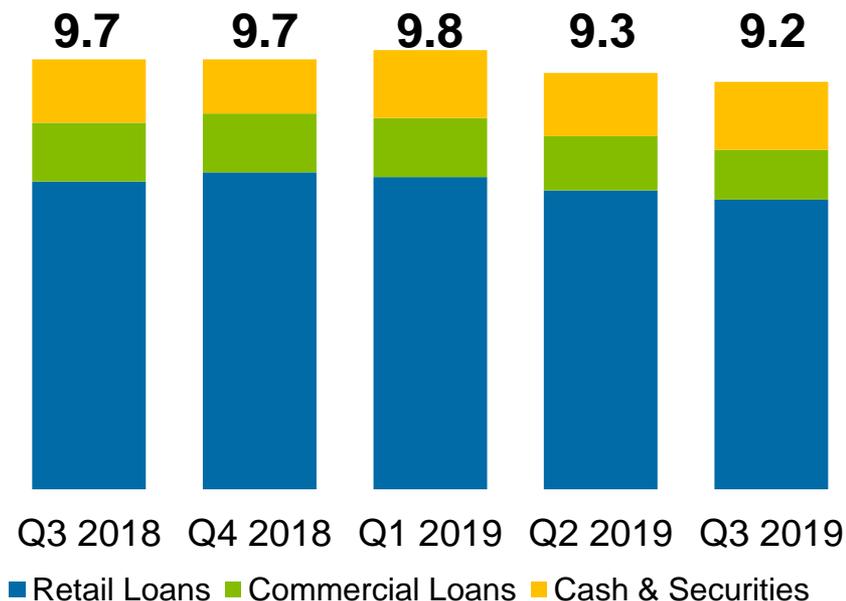
Strong results in residential mortgages even as growth slowed during this quarter

Steady results in our Commercial Lending business

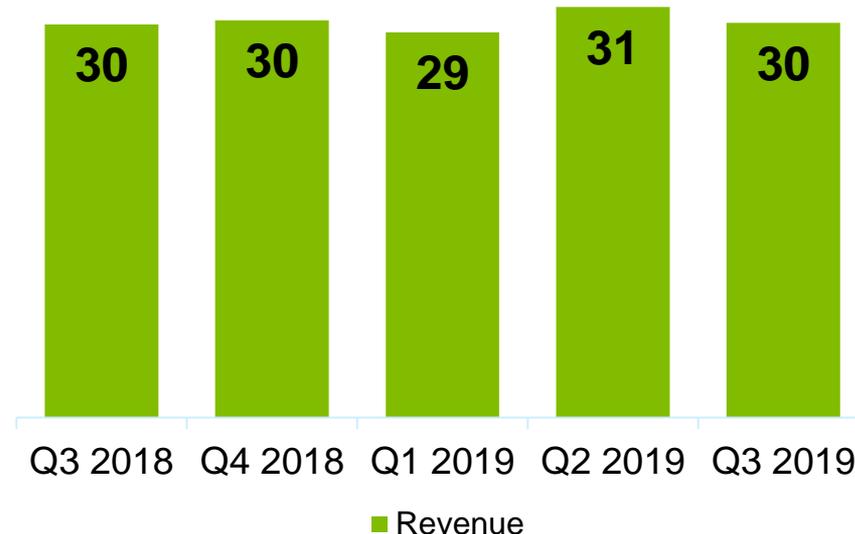
	Q3/F19	Q2/F19	Q3/F18
<b>\$millions</b>			
Revenue	\$ 29.7	\$ 31.0	\$ 29.7
PCL	\$ 3.9	\$ 1.3	\$ (5.6)
Expenses	\$ 19.6	\$ 20.7	\$ 21.6
Net Income	\$ 6.2	\$ 9.0	\$ 13.7
ROE %	7.5%	8.7%	11.2%
Total Assets (\$B)	\$ 9.2	\$ 9.3	\$ 9.7

# History of Strong Financial Performance

Assets on Balance Sheet (\$B)



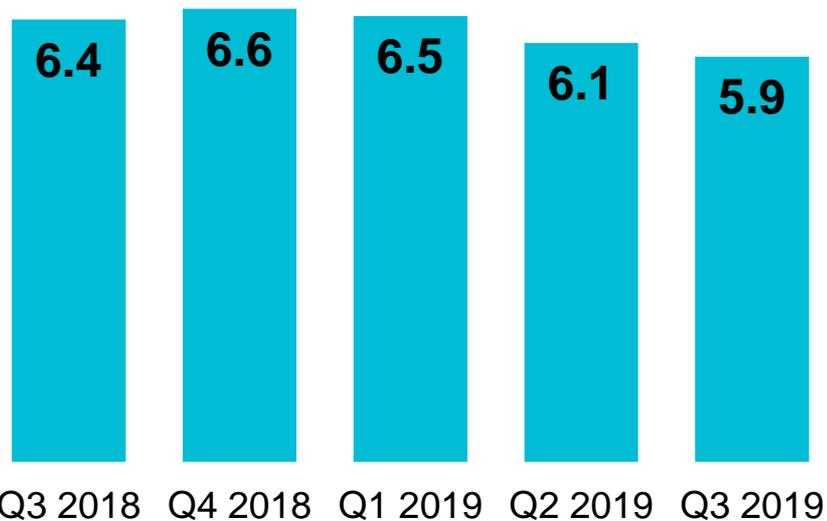
Revenue (\$M)



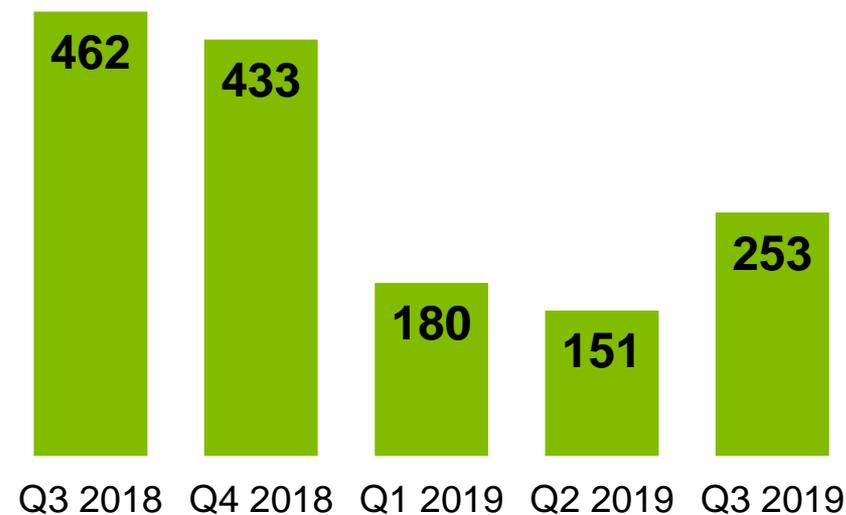
**Consistent revenue momentum and stable balance sheet**

# Residential Loans

Assets on Balance Sheet (\$B)



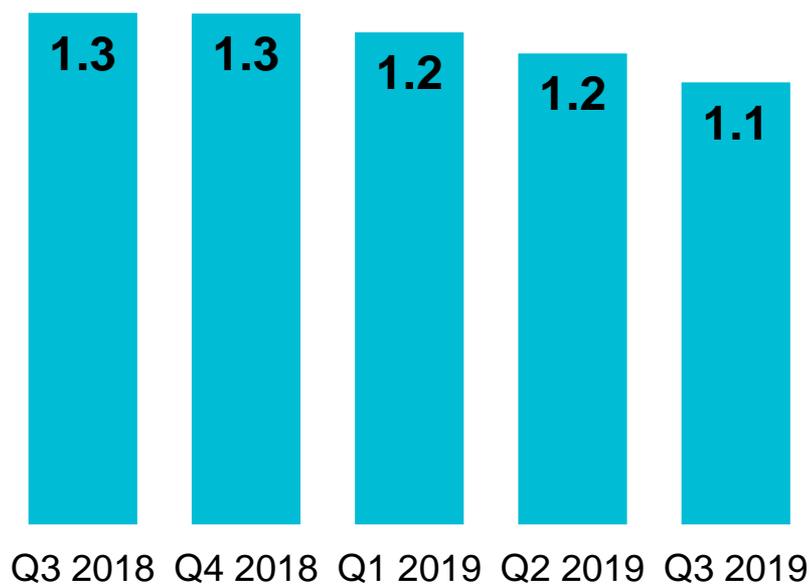
Loans Originated (\$M)



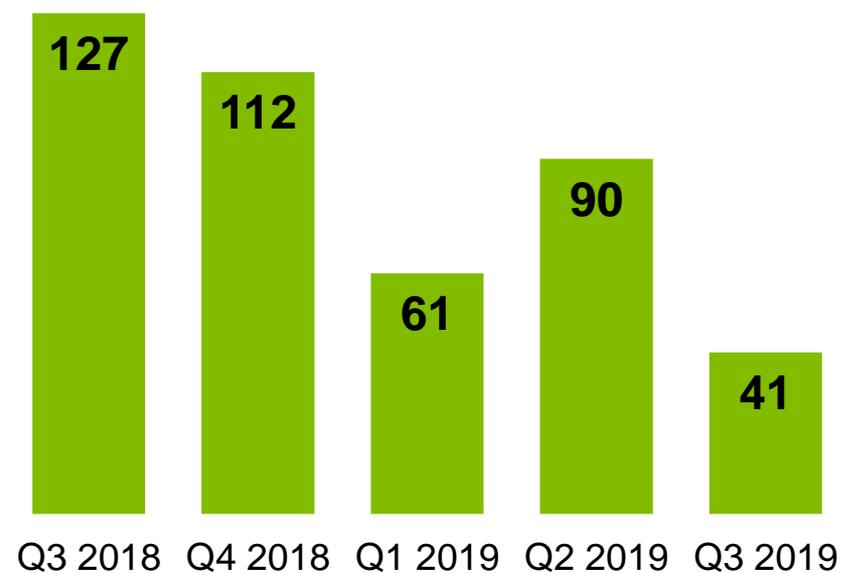
**Strongest quarter for originations in F2019 but still not at F2018 levels**

# Commercial Lending

Assets on Balance Sheet (\$B)



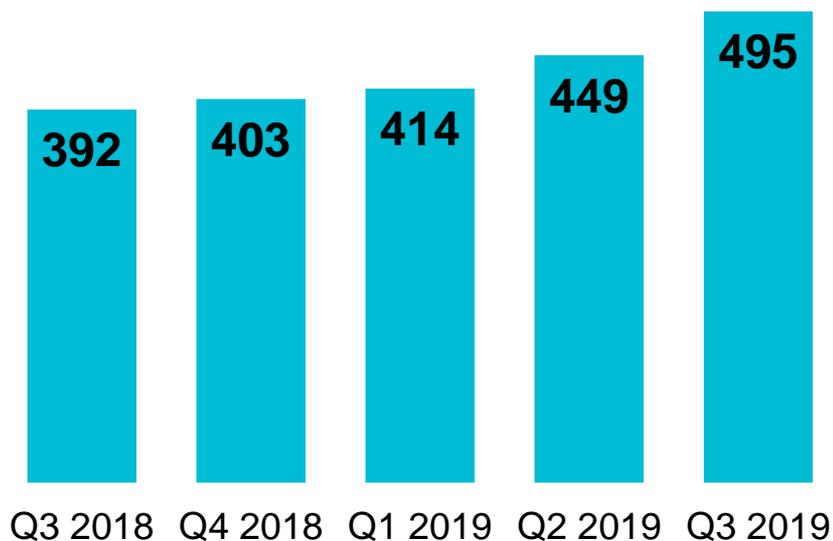
Loans Originated (\$M)



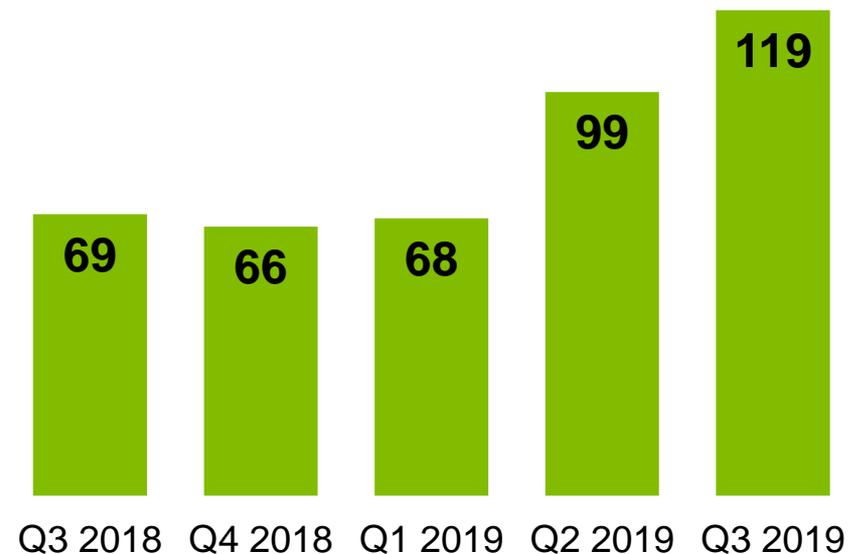
**Q3 was a slow quarter for origination activity**

# Consumer Loans

Assets on Balance Sheet (\$M)



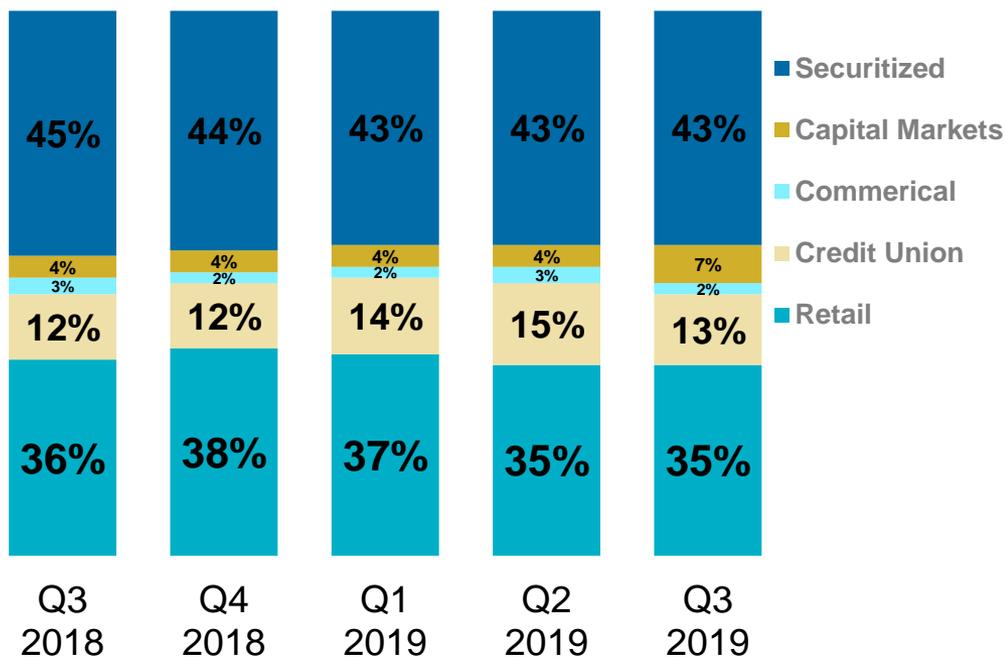
Loans Originated (\$M)



**Very strong growth in the quarter, closing in on \$0.5B portfolio**

# Funding and Liquidity

Total Deposit by Source (%)



Total Liquid Assets (\$B)



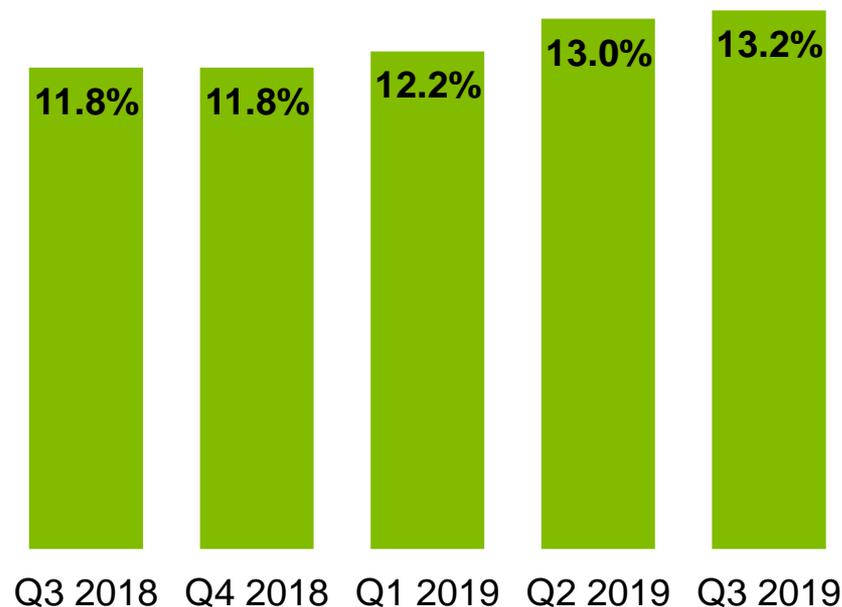
**Funding mix remained relatively stable to last quarter**

# Strengthening Capital Ratios

Capital Ratios remain strong

Q3 F19	Ratio <sup>(1)</sup>	As prescribed by OSFI
CET1	13.2%	7.0%
Tier 1 Capital	17.2%	8.5%
Total Capital	17.7%	10.5%
Leverage Ratio	5.1%	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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