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Q4 Fiscal 2019 Investor Presentation

Concentra[®]

Speakers



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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.

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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

Don Coulter

Update from the President & CEO

Concentra overview

- One of Canada's Best Managed companies 17 years in a row.
- Our purpose: *Creating the future of banking to enable your success.*
- We serve 227 Canadian credit unions
- We offer:
 - Commercial lending
 - Mortgages
 - Securitization
 - Foreign exchange
 - Cash and treasury management
 - Leasing solutions
 - Registered plans
 - Personal and corporate trust services
 - Estate planning and administration

We're committed to credit unions

- Since 2005, Concentra has returned more than \$84 million in dividends to our credit union shareholders.
- Our Net Promoter Score is above average for banks
- In Q4 2019 survey, credit unions asked for:
 - More consistent communication
 - Better understanding of our new strategy

Why and how we are changing

- Building for our future—we want to enhance our business model so that it is well diversified, making us a stronger and more sustainable organization.
- Diversifying our business model by building new direct businesses around our historical core business.
- Continuing to mature as a Schedule 1 bank—maturing our risk and compliance capabilities.
- Investing in our systems, technology and digital capabilities to modernize the bank.
- Adding new products and services to our credit union platform/product shelf as we execute our strategy.
- Striving to become more customer-centric.
- Our customers will be credit unions, consumers and mid-market commercial businesses in Canada.

Executing on our strategy

- We're making good progress on strategy execution although it is still early days.
- We remain focused on the three core competencies that anchor our strategy: Specialization, Partnerships, and Innovation.
- We've made some good progress so far:
 - We have introduced some innovative specialized lending products
 - We have started our journey on digital transformation
 - We have started to diversify our business model through the launch of some direct initiatives

Concentra Trust

- Focusing on profitable revenue growth, enhancing business effectiveness, and improving structure and efficiencies.
- Building and strengthening strategic relationships across the credit union system and our broader partner network.
- Delivering Trust solutions through a scalable, efficient model.

Investing in our employees

- Focus for Q4 2019 on foundational deliverables including continued development of our compensation framework.
- Training for employees including LinkedIn Learning, Agile training, technical skills training, sales training and leadership development.
- Workforce resource plan, sourcing, culture and change management.
- Formal change communications plan and employee Change Champions who help employees understand the changes.

Deposit Note Issuance

- In February 2020 we announced the successful execution of a \$200 million floating rate deposit note issuance to a broad group of investors in the debt capital markets.
- The Notes will mature on February 7, 2022 and will bear interest at a floating rate equal to three-month CDOR plus 47 basis points, reset quarterly.
- Our FRN attracted 13 investors (and was oversubscribed), including nine investors new to Concentra
- The issuance of the Note is consistent with the Bank's strategy to diversify its funding sources and enable growth.

Michel Cubric
VP, Residential Markets

Residential Markets Overview & New Initiatives

Concentra's Residential Markets Overview

- Mortgage portfolio stands at approximately \$5.9 billion
- Insured mortgages represent 69.5% and uninsured mortgages 30.5%
- In 2019 Concentra sold >\$200 million of mortgage assets to support our credit union partners
- Concentra executed its first purchase of reverse mortgages in 2019, creating a new source of business and revenue in a mature industry
- Launched a direct-to-consumer mortgage offering in the market in December 2019 in partnership with a FinTech, Savvyy

Market Overview and Concentra's RESL Performance

	Chartered Banks	Credit Unions and Caisses Populaires	Mortgage Finance Companies	MICs and Private Lenders	Concentra Bank
Market Share	75%	14%	10%	1%	N/A
Average Mortgage	\$237,400	\$158,000	\$249,900	N/A	\$558,143 (direct-to-consumer)
Delinquency Rate	0.23%	0.15%	0.23%	1.65%	0.20%

Sources: Canadian Bankers Association, CMHC Residential Mortgage data reporting of NHA MBS issuers, Statistics Canada 10-10-0006-01 Funds advanced, outstanding balances, and interest rates for new and existing lending, Bank of Canada, Fundamentals Research and CMHC calculations based on the Survey of Non-Bank Mortgage Lenders.

New Initiatives

- Direct-to-consumer offering not competing with credit unions, (credit unions have approximately five per cent of the market share)
- Concentra funded approximately \$5 million in two months, and is expected to cross \$10 million by April 2020
- Ongoing purchases of reverse mortgages from Home Equity Bank; purchased portfolio stands at \$70 million, with a WAIR of 6.25 per cent
- Leading-edge technology through partnership with Savvy—future state will enable client self-service capabilities

Mortgage Market Outlook

- Lower mortgage rates could offset impact of COVID-19, leading to a strong spring market (caution: unless we see a large spike in coronavirus cases in Canada and/or a big jump in unemployment)
- Changes to the benchmark rate used to determine the minimum qualifying rate for insured mortgages, also known as the stress test. These changes come into effect on April 6, 2020. The new benchmark rate will be the weekly median five-year fixed insured mortgage rate from mortgage insurance applications, plus two per cent
- Home prices in some of Canada's largest cities have been rebounding after the market slumped through 2018 and 2019. Shrinking supply in Toronto drove prices to their strongest gains in more than two years in January.

Paul Masterson
SVP, Chief Financial Officer

Q4 Fiscal 2019 Franchise Earnings

Solid results in Q4 2019

- Reduced ROE%
- Revenues up from F18
- PCL increased from F18
- Expenses increased from Q3
- Net Income down from Q3 due to timing of expenses

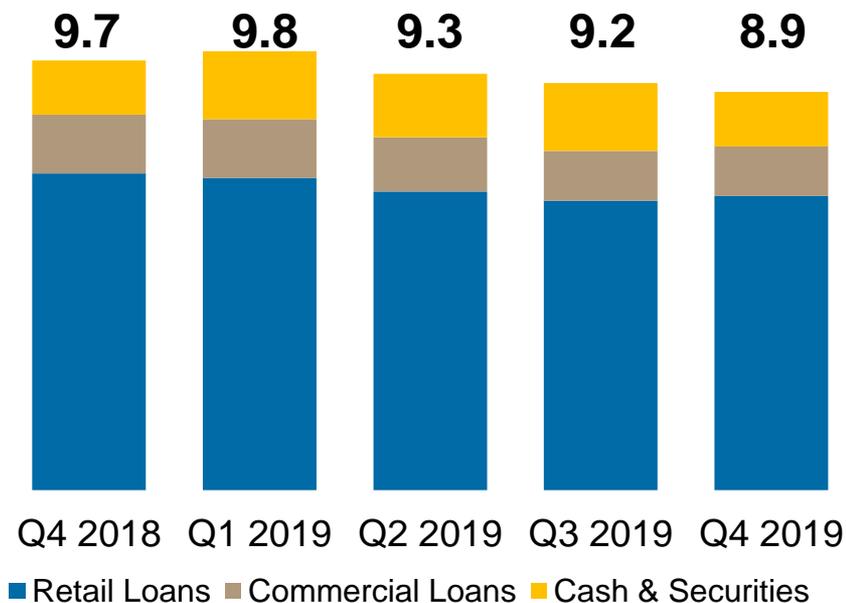
Q4 2019 Business Highlights

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

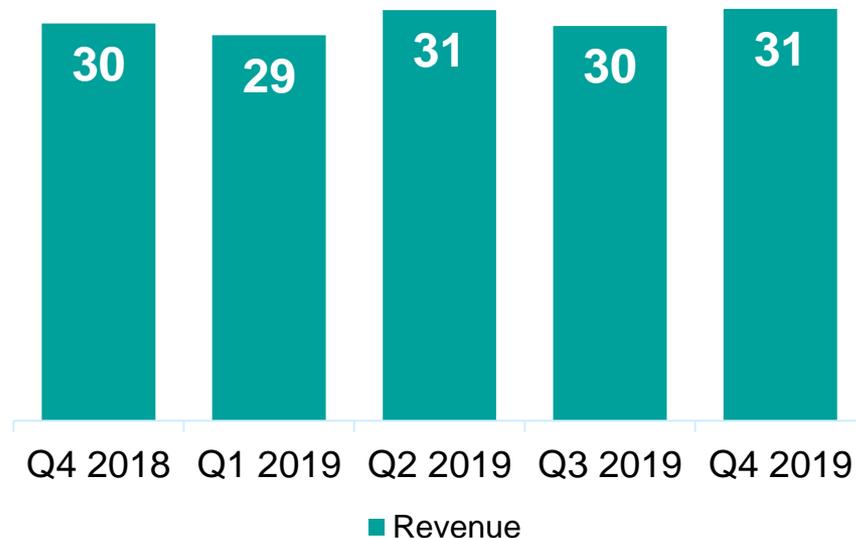
\$millions	Q4/F19	Q3/F19	Q4/F18
Revenue	\$31.1	\$29.7	\$29.9
PCL	\$3.4	\$3.9	\$0.8
Expenses	\$22.6	\$19.6	\$21.7
Net Income	\$5.1	\$6.2	\$7.4
ROE %	6.6%	7.5%	10.0%
Total Assets (\$B)	\$8.9	\$9.2	\$9.7

Strong History of Financial Performance

Assets on Balance Sheet (\$B)



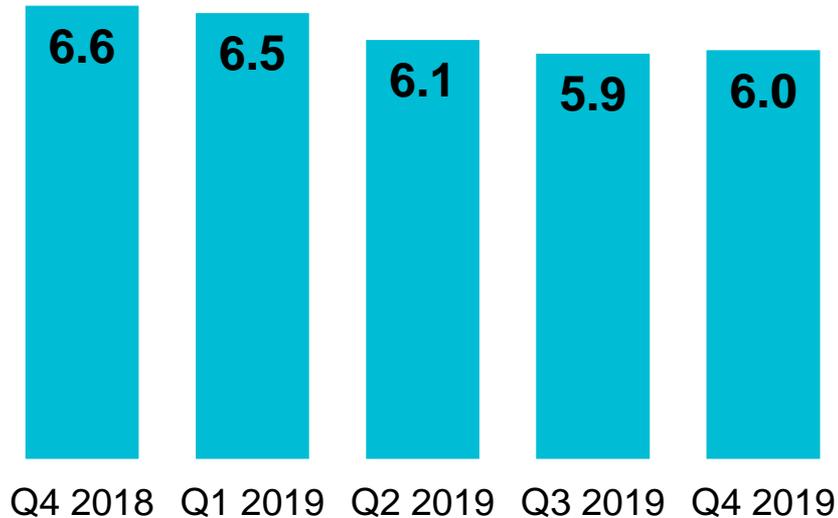
Revenue (\$M)



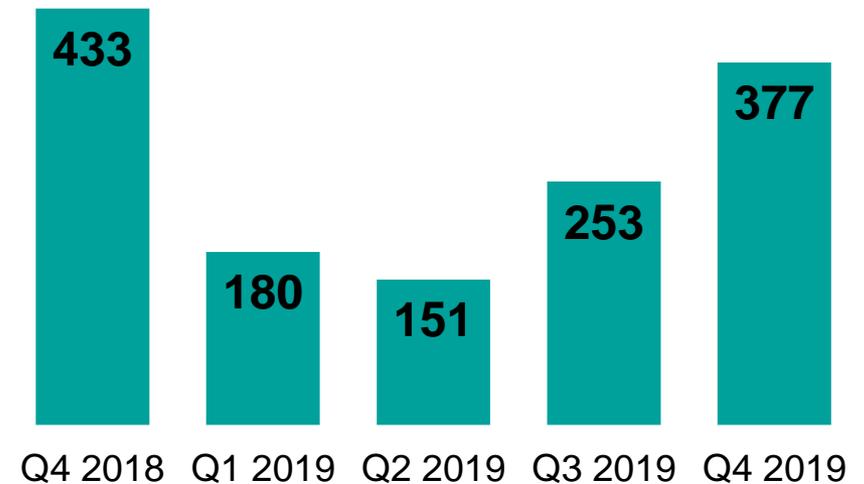
Consistent revenue momentum and stable balance sheet.

Residential Loans

Assets on Balance Sheet (\$B)



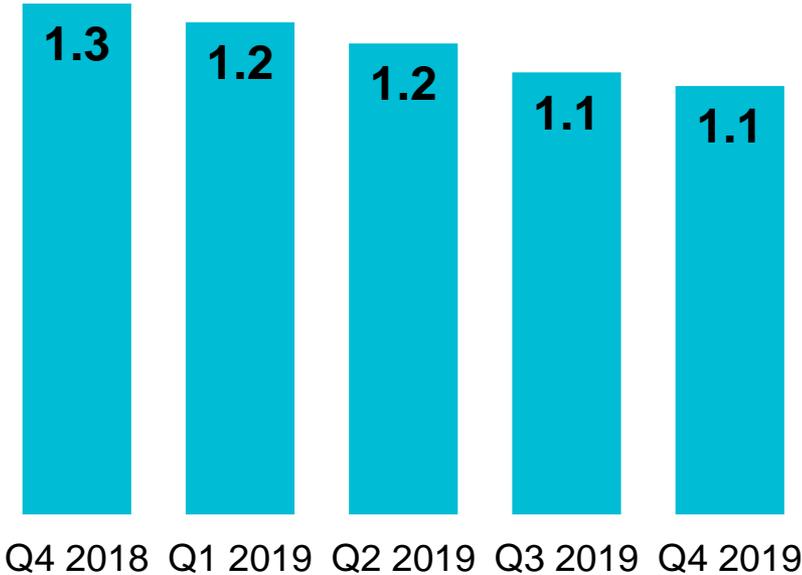
Loans Originated (\$M)



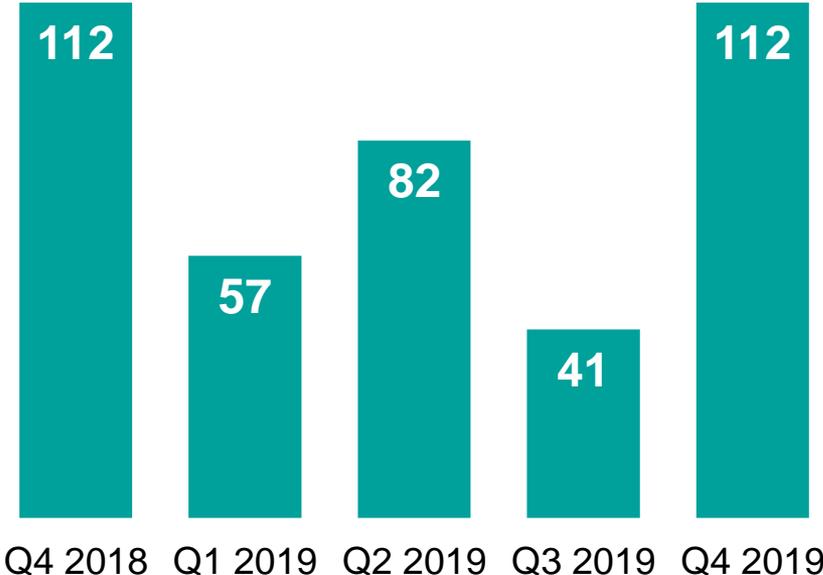
Strongest quarter for originations in F2019.

Commercial Lending

Assets on Balance Sheet (\$B)



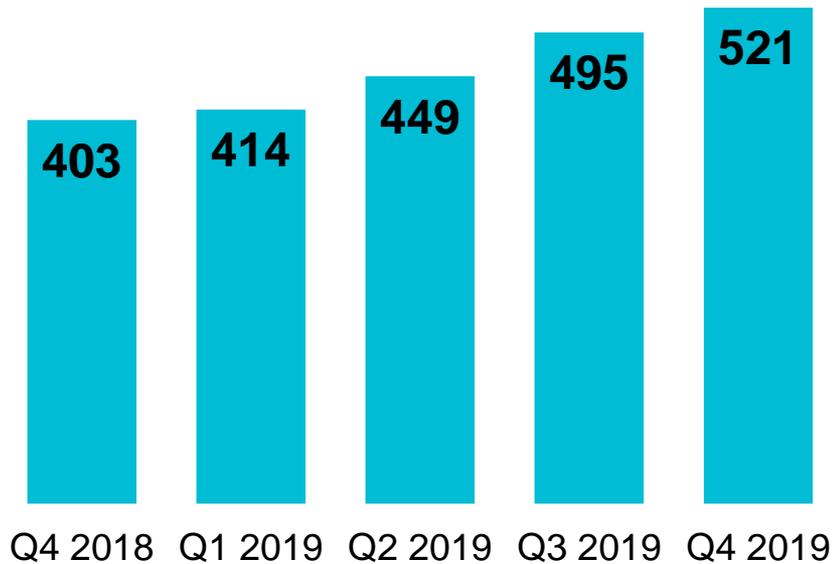
Loans Originated (\$M)



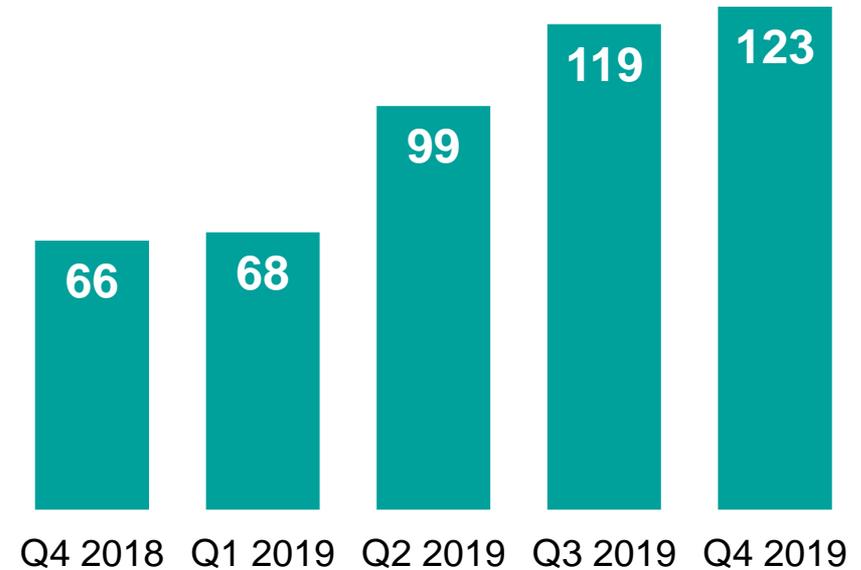
Increased origination activity in Q4.

Consumer Loans

Assets on Balance Sheet (\$M)



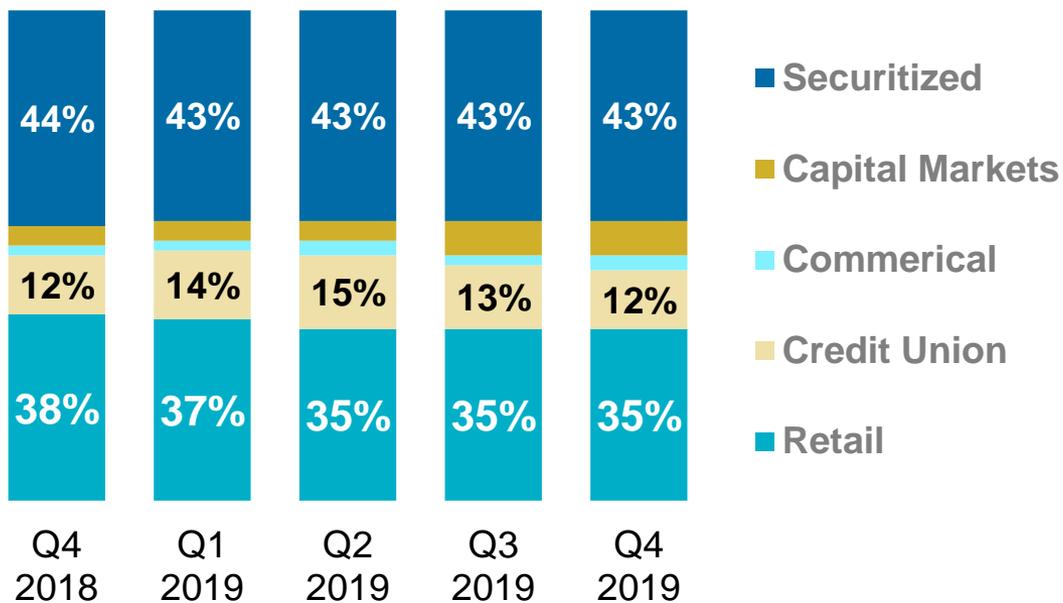
Loans Originated (\$M)



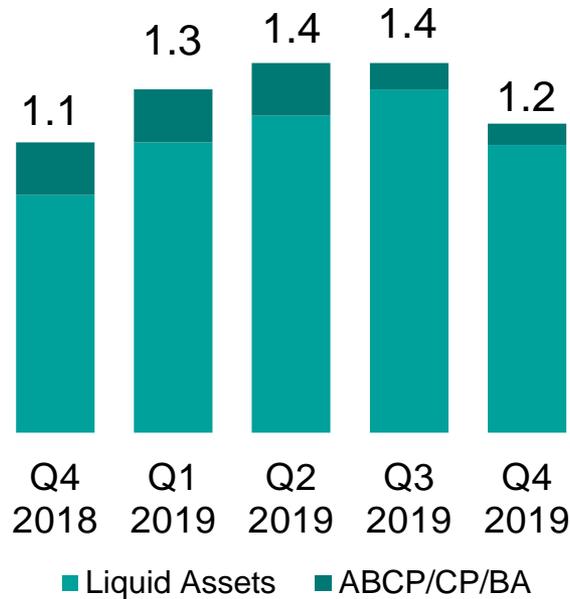
Very strong growth in the quarter, with portfolio balance above \$0.5B.

Funding and Liquidity

Total Deposit by Source (%)



Total Liquid Assets (\$B)



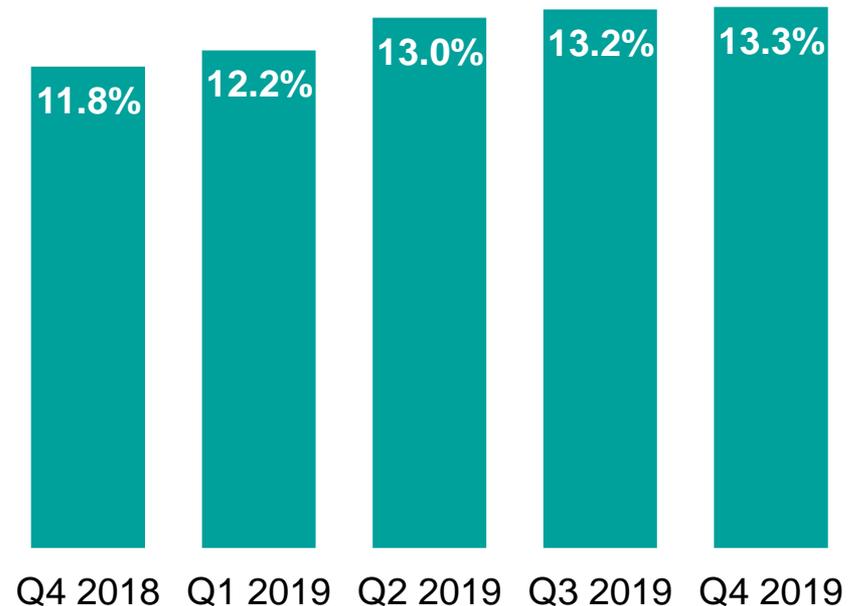
Funding mix remained stable to last quarter.

Strong Capital Ratios

CAPITAL RATIOS REMAIN STABLE

Q4 F19	Ratio ⁽¹⁾	As prescribed by OSFI
CET1	13.3%	7.0%
Tier 1 Capital	17.3%	8.5%
Total Capital	17.9%	10.5%
Leverage Ratio	5.2%	as prescribed

CET1 RATIO



(1) As per OSFI's capital adequacy requirements

Questions

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