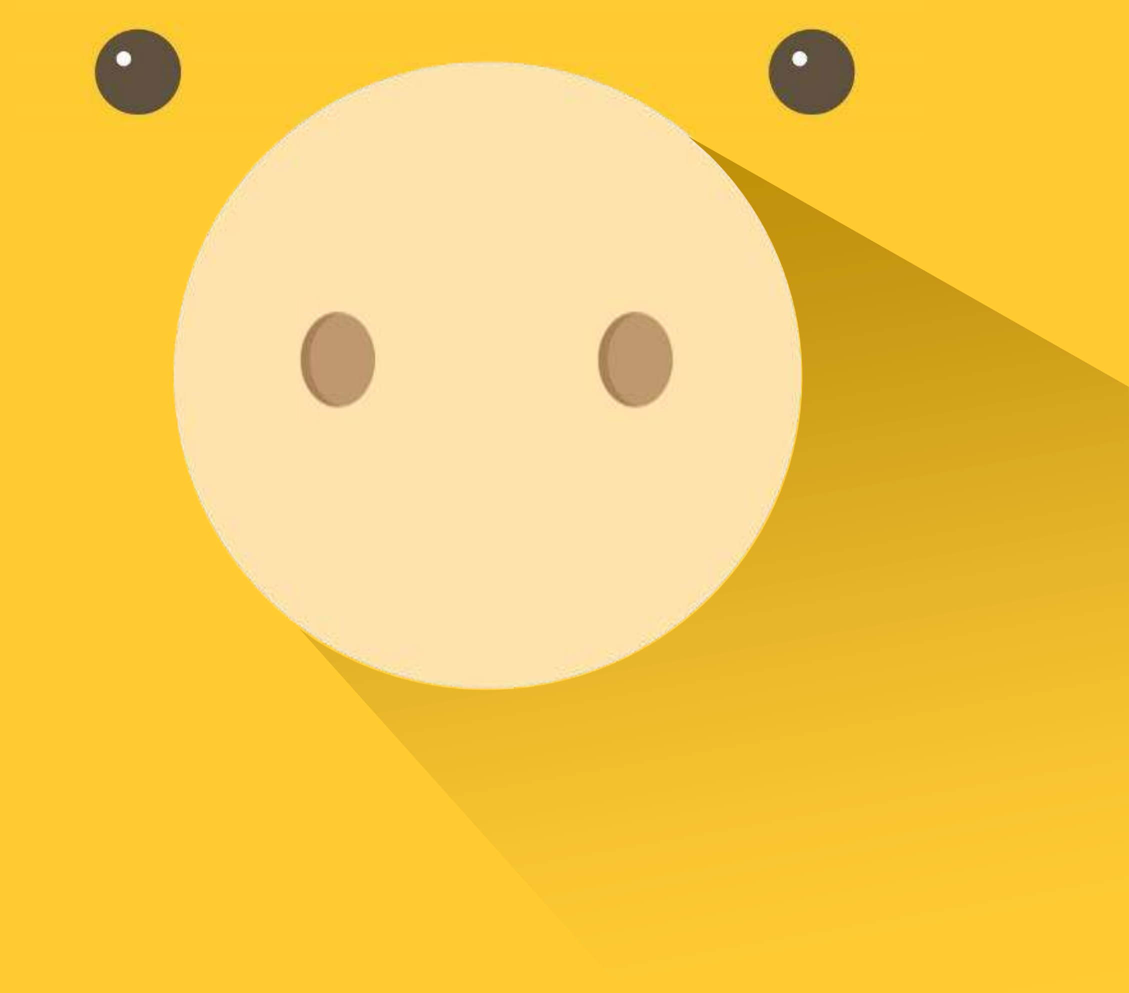
EQUITABLE BANK | October 2018

CHALLENGER

Credit & Debt Markets in a Rising Interest Rate Environment: Do Lenders Still Have Risk Concerns About Calgary?



Introduction

Equitable Bank

Company Overview

- Equitable Bank is the 9th largest Schedule I Bank, servicing clients coast to coast since 1970
- Equitable Bank manages ~$26 billion in assets and offers a diverse suite of lending and savings solutions
- Launched EQ Bank in 2016
- Publicly traded (TSX: EQB) with a market cap of $1.03 billion

Program Strengths

- Strength is in shorter term construction, bridge and repositioning transactions
- Ability to structure and participate in complex transactions with partners providing a "one-stop-shop" solution for borrowers and provide financing beyond the traditional 75% LTV level
- Open to sub-debt with the right lender/partner as well as participation in loan syndications, whether on an A/B or pari-passu structure
- The Commercial Finance Group (CFG) program covers most standard asset classes including multi-res, retail, office, industrial, retirement, self-storage, student housing, construction, condo inventory, hotel and land

Program Limitations

- Pricing on term financing remains somewhat wide of the market for standard asset class products
- Cannot provide secondary financing
- Limited land bucket

Equitable Bank

Competitive Advantage

- Service
- Smaller bank, more nimble with the ability to execute quickly
- Balance sheet lender with significant room to grow the portfolio
- Open to work with other lenders on loan syndications and complex transactions

2018 Opportunities

- Introduced hotel financing for 2018
- Emphasis on providing longer-term financing with rates commensurate with market
- Without the capital markets opening up, lenders are constantly having to manage individual borrower limits which will require either “selling down” and/or syndication of new facilities
- Grow the portfolio by targeting ~$2 billion in commercial originations

Case Study

Opportunity

- To finance the retrofit/construction of a 10-storey 90,300 sq. ft. office building and 32 3-storey residential townhomes

Challenges

- Two different asset classes on one parcel of land
- Limited g’tee to support both transactions
- Equity entirely comprised of appraisal surplus
- Environmental contamination on-site

Mitigating Factors

- Office asset 75% pre-leased and residential asset 100% pre-sold
- Great location
- Experienced sponsor and developer
- Stabilized LTV, LTC and DSC within parameters

Solution

- **Loan Amount**: $44.75MM over 2 facilities
- **Term**: 2 years
- **Amortization**: Interest Only
- **Prepayment**: Open
- **Loan-to-Value**: 68% (stabilized)
- **Loan-to-Cost:**
- **Recourse**: Yes

Exit Strategy

- EQB provided long-term debt at 80% occupancy with the 1st year I/O and amortized thereafter on the office asset and sales were utilized to pay-out the residential asset