

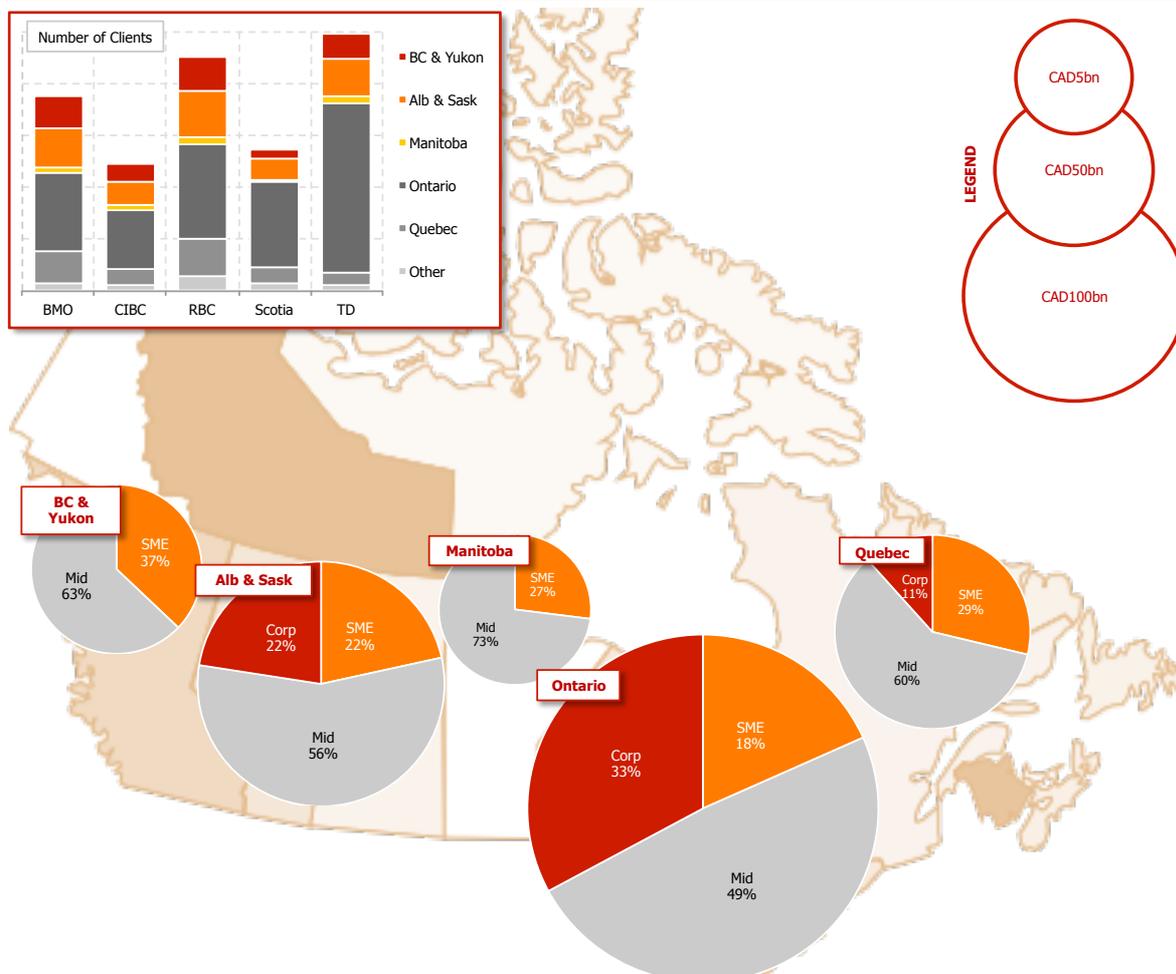
## Canadian Commercial Banking: regional variations

- Canada’s commercial banking market remains dominated by local champions...
- ... but there are significant regional differences in client productivity and industry-specific revenue opportunities.
- Banks seeking to grow their franchise or enter the market need province- and sector-specific strategies.

Much has been written about the oligopolistic nature of the Canadian banking market. In this report, however, and utilising our analysis of Canada’s Top 5 banks, we comment on significant regional variations that exist in productivity (here expressed as revenue per client and revenue per relationship manager) in the country’s commercial banking sector.

Ontario – by far the most densely-populated province of Canada - accounts for just over 50% of Top 5’s corporate and commercial banking operating revenue; Alberta & Saskatchewan is #2, followed by Quebec and British Columbia & Yukon. Scotiabank and TD Bank are particularly dependent on Ontario, while their peers are regionally better diversified, sourcing 12-20% of their revenues from other regions.

### Canada Top 5: Operating revenue by region; and number of clients by bank (FY13)

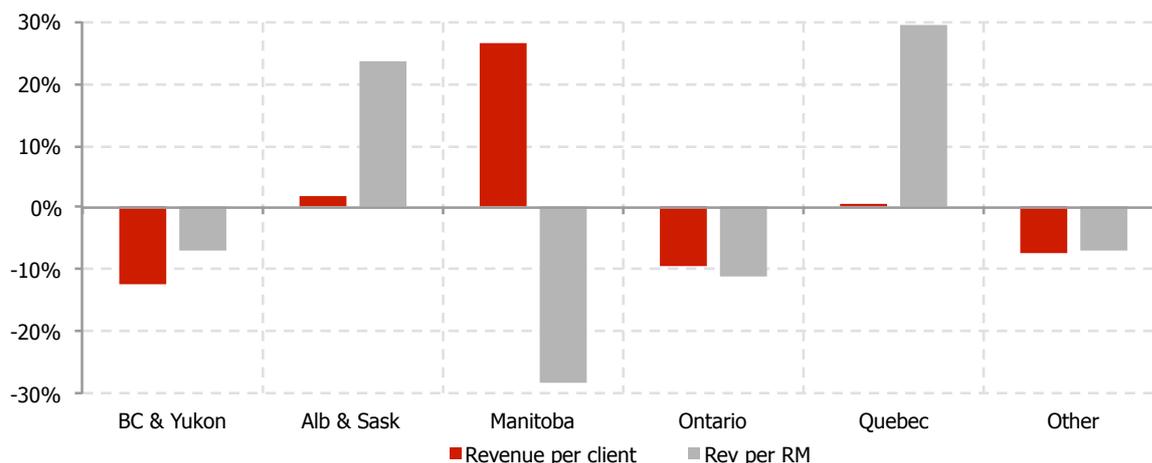


Source: Tricumen analysis.

Regional variations matter because the Top 5’s corporate client productivity varies greatly in different provinces. For example, our analysis shows that effective coverage of British Columbia requires c.30% more commercial banking offices than is the case in the neighbouring Alberta province. This in turn depresses the Top 5’s average productivity in British Columbia & Yukon relative to Alberta & Saskatchewan.

In the chart below, we show our analysis of the Top 5's revenue per corporate client and per relationship manager, by province. The differences are significant. Manitoba, while having the smallest revenue opportunity of the five main regions, produces 30% more revenue per client than the country's average. Quebec and Alberta excel in revenue per relationship manager, and are slightly ahead in revenue/client, probably due to less diversity in client types, which allows for more efficient coverage. Ontario, where the Top 5 produce an overwhelming proportion of their revenue, is below the national average on both counts, although this is partially due to large 'nationwide' clients being covered from Toronto.

**Revenue per RM and revenue per client by province (FY13)**



Source: Tricumen analysis.

The revenue opportunity in different industries/sectors also varies from one province to another. Large segments - manufacturing, supply chain, transport and wholesale - together account for just over 50% of the Top 5's commercial banking revenue opportunity in Canada; effective coverage of these sectors require a widespread network of relationship managers. 'Tier 2' sectors, however (franchise, professional services, real estate and retail) are more important to some provinces than to others, which is reflected in the Top 5's more selective coverage.

**Revenue opportunity, by province (FY13)**

	Agriculture	Auto	Energy	Franchise	Health	Manufact.	Prof Services	Real Estate	Retail	Supply Chain	TMT	Transport	Wholesale
British Columbia & Yukon	○	○	○	◐	○	●	◐	◐	◐	●	○	●	●
Alberta & Saskatchewan	◐	○	◐	◐	◐	◐	◐	◐	◐	◐	○	◐	◐
Manitoba	◐	○	○	◐	◐	◐	◐	◐	◐	◐	○	◐	◐
Ontario	○	○	○	◐	◐	◐	◐	◐	◐	◐	○	◐	●
Quebec	◐	○	○	◐	○	●	◐	○	◐	●	○	●	●
Other Provinces	○	○	○	◐	◐	◐	◐	●	◐	◐	◐	◐	◐

Source: Tricumen. Notes: (1) Full/empty circles indicate strong/weak revenue opportunity in a province. (2) Columns shaded in orange/grey indicate Tier 1/2 industry sectors, by total revenue opportunity.

This structure has important implications for market participants, as they need to tailor their client coverage to specific regions and industries. Existing players in the market may wish to look to specific client segments within provinces where they have potential to grow. Newer entrants, however, may see the best returns by targeting Alberta and Quebec where competition may be lighter and productivity greater.

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Situated near Cambridge in the UK, Tricumen is almost exclusively staffed with senior individuals with an extensive track record of either working for or analysing banks; and boasts what we believe is the largest capital markets-focused research network of its peer group.

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