

Concentra[®]

CONCENTRA BANK

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

OVERVIEW

Concentra Bank (the “Bank” or “Concentra”), is a Schedule 1 chartered bank, pursuant to the *Bank Act (Canada)*, With its bank charter, Concentra is able to operate in all provinces and territories providing a range of banking and trust services. Regulated by the federal Office of the Superintendent of Financial Institutions Canada (“OSFI”) with total assets of \$9 billion, Concentra forms an important part of Canada’s co-operative system as an organization owned by the credit union system. For more information visit the Bank’s website at www.concentra.ca and click on Investor Relations.

TABLE OF CONTENTS

CORPORATE PROFILE		FINANCIAL REVIEW – BALANCE SHEET	
Ownership	2	Loans	11
Business Line Overview	2	Credit Quality	13
KEY PERFORMANCE INDICATORS		Liquidity Management	14
Non-GAAP Measures	3	Deposits	14
FINANCIAL HIGHLIGHTS & OUTLOOK		Securitized	15
2019 Highlights	4	Short-Term Funding	16
2020 Outlook	4	Assets Under Administration	16
FINANCIAL REVIEW – RESULTS OF OPERATIONS		Capital Management	17
Net Interest Income	6	RISK MANAGEMENT OVERVIEW	
Provision for Credit Losses	7	Risk Culture	19
Non-Interest Income	8	Risk Appetite	20
Non-Interest Expense	9	Material Risks	23
Other Comprehensive Income	10		
Income Taxes	10		

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) is provided to enable readers to assess the financial condition and results of operations of Concentra for the year ended December 31, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 included in this report. This MD&A has been prepared with reference to the audited consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) and all amounts are presented in Canadian dollars. This MD&A is current as of March 4, 2020 when it was approved by the Bank’s Board of Directors (the “Board”) on the recommendation of the Audit and Conduct Review Committee.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time Concentra makes written and verbal forward-looking statements. These are included in the MD&A, periodic reports to shareholders, regulatory filings, press releases, Bank presentations and other Bank communications. Forward-looking statements are made in connection with business objectives and targets, Bank strategies, operations, anticipated financial results and the outlook for the Bank, 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 the Bank 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 customers and rates of default, competition, and other risks.

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 the Bank and the Canadian economy. Although the Bank 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 the Bank 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. The Bank does not undertake to update any forward-looking statements that are contained herein.

CORPORATE PROFILE

As a credit union owned Schedule 1 chartered bank, Concentra brings a competitive advantage to the credit union system through its ability to conduct business across the entire country. With an emphasis on building strong partnerships with both credit unions and non-credit unions alike, Concentra is able to offer a broad range of products and services to our customers. Concentra provides trust services through the Bank's federally incorporated subsidiary, Concentra Trust. Both companies are federally regulated by OSFI.

Ownership

Credit Union Central of Saskatchewan ("SaskCentral") holds 84.0% of the voting rights and is the controlling shareholder of the Bank. The remaining 16.0% of the common shares are held by various credit unions and co-operative entities across the country.

Business Line Overview

Concentra offers a diverse and competitive range of solutions to its clients through its two primary lines of business:

Commercial and Retail Banking

Commercial and Retail Banking is organized around the following portfolios of products/services:

- **Retail Banking:** through partnerships with external originators the Bank offers residential mortgages and consumer loans. The Bank also facilitates credit union participation in the National Housing Act Mortgage-Backed Securities ("NHA MBS") program through the provision of expertise and administrative support.
- **Commercial Banking:** offers lending solutions and investment opportunities by facilitating participation in commercial, agriculture and construction mortgages and loans, as well as commercial equipment financing origination and syndication services.
- **Treasury Services:** offers short/medium-term deposit products, intermediary derivative and foreign exchange products as well as asset-liability management consulting.

Trust

The Trust business is delivered through the Bank's wholly-owned subsidiary, Concentra Trust, and includes the following portfolios of products/services:

- **Registered Plans:** offers trustee and administrative services to credit unions and other organizations for a range of registered plan programs, such as RRSP's, etc.
- **Corporate Trust:** offers a wide range of corporate trust services including cemetery and funeral trusts, corporate issuances, custodianship, escrows and resource trusts.
- **Estates and Trusts:** specializes in planning and administering estates and trusts, acting as corporate executor, power of attorney or property guardian, along with other trustee and trust administration duties.

KEY PERFORMANCE INDICATORS

Non-GAAP Measures

Management monitors and reports a range of metrics to assess the performance of the business and the effectiveness of its strategy. A number of these measures are calculated using numbers which are not in accordance with GAAP or are not defined by GAAP and therefore do not have a standardized meaning that would ensure consistency and comparability with other companies. The key non-GAAP measures included in the MD&A are as follows:

Non-GAAP Measures	What it Represents and Why it Matters
Return on Equity ("ROE")	<ul style="list-style-type: none">• The earnings and returns that we are able to generate for our common shareholders, relative to the book value of our common equity• This measure demonstrates how efficiently we are using the investments that shareholders have made to generate profits
Expense Coverage Ratio	<ul style="list-style-type: none">• Non-interest income as a percentage of salaries and benefits• Provides a relative measure to gauge if fee for service activities are growing profitably
Efficiency Ratio	<ul style="list-style-type: none">• Non-interest expenses as a percentage of net interest income and non-interest income• Gauges how much it costs us to generate each dollar of net revenue and indicates how efficiently we operate
Operating Leverage Ratio	<ul style="list-style-type: none">• The difference between the year-over-year growth rate of net revenue and the year-over-year growth rate of non-interest expenses• The measure ensures that operations as a whole are growing profitability
Return on Investment ("ROI")	<ul style="list-style-type: none">• The dividends declared to common shareholders expressed as a percentage of their original invested capital
Capital to Risk Weighted Assets	<ul style="list-style-type: none">• The amount of loss absorbing capital invested in our business relative to the size of our risk adjusted asset base as prescribed by OSFI• Total regulatory capital is divided into three tiers: Common Equity Tier 1 (common equity), Tier 1 (qualifying preferred equity) and Tier 2 (general allowances)• Signifies our ability to protect our deposits and shareholders in the event of financial stress
Leverage Ratio	<ul style="list-style-type: none">• The leverage ratio assesses the ability of a company to meet financial obligations. At Concentra, this is reflected as Tier 1 capital divided by total balance sheet exposure as prescribed by OSFI• This measure supports our ability to maintain a prudent capital structure to support our asset base

FINANCIAL HIGHLIGHTS & OUTLOOK

2019 Highlights

Table 1: Select Financial Information
For the Year Ended December 31

(Thousands of Canadian Dollars)

	2019	2018	2017
Results of Operations			
Total revenue ²	\$ 120,988	\$ 114,879	\$ 106,609
Net interest income	96,428	90,407	83,497
Non-interest income	24,560	24,472	23,112
Non-interest expense	71,382	66,452	60,037
Net income	30,082	40,555	33,647
Credit Quality			
Net impaired loans	40,705	27,568	8,592
Net impaired loans as % of gross loans	0.54%	0.33%	0.11%
Provision for credit (recoveries) losses	6,894	(7,598)	618
Provision for credit (recoveries) losses as % of gross loans	0.09%	(0.09%)	0.01%
Financial Ratios			
Return on common equity	6.6%	10.0%	8.8%
Efficiency ratio	59.0%	57.8%	56.3%
Operating leverage ratio	(7.5%)	(2.2%)	(2.8%)
Expense coverage ratio	67.7%	71.5%	73.9%
Return on investment ⁽¹⁾	4.0%	4.0%	3.0%
Capital Adequacy Ratios			
Common Equity Tier 1 capital to risk weighted assets	13.3%	11.8%	13.1%
Tier 1 regulatory capital to risk weighted assets	17.3%	15.6%	17.5%
Total regulatory capital to risk weighted assets	17.9%	16.1%	17.5%
Leverage ratio	5.2%	4.6%	4.7%

⁽¹⁾ Following continuance on January 1, 2017 the Bank lost its ability to deduct dividends from taxable income. In anticipation of this change the Bank declared an additional Class A share dividend in November 2016 in addition to the regular annual dividend declared in May 2016 to take advantage of the tax deduction while still available. This additional dividend doubled the ROI for the 2016 year to 10.0%. Subsequent to continuance the bank adopted a quarterly dividend strategy at a reduced rate to reflect the change in tax treatment to the Bank. The first quarterly dividend was paid in June of 2017 resulting in only three quarterly dividends paid during the year.

⁽²⁾ Calculated as net interest income, plus non-interest income.

2020 Outlook

Corporate Strategy

Concentra has made significant investments in both technology and people in 2019 in order to strengthen its foundation. In particular, Concentra made investments in the Risk Management Group through the hiring of subject-matter experts, and in technology development for automation capabilities. This foundation will be critical in Concentra's goal to become Canada's leading bank for entrepreneurs and mid-market businesses, and the leading wholesale finance provider to Canada's credit unions. Additional direct to customer channels were launched in 2019: mobile mortgage lending, and direct to customer deposits. Both of these channels will be expanded in 2020 consistent with Concentra's direction to expand into direct to customer business as a compliment to the strong wholesale business already established.

Innovation will continue to be a focus in 2020. Concentra will leverage new and existing partnerships, and continue to invest in technology to increase quality of service for all its customers. Progress in this area has already begun in 2019 with partnerships that enable new product offerings of reverse residential mortgages and First Nations Specific Claims financing.

Asset Growth

Consumer lending balance sheet growth of 29% in 2019 provided a boost to Net Interest Margin and overall bank profitability. This portfolio is expected to achieve more modest growth in 2020 as capital is prioritized for mid-market commercial product offerings.

Concentra continued to experience decline in its residential mortgage balance in 2019, consistent with 2018, due to market factors. During 2019 these factors improved and strong residential mortgage origination volumes were re-established. This momentum is expected to continue into 2020 with balance sheet growth.

Commercial loan volumes declined overall with a stronger focus on quality, and capital management in anticipation of launch of new product offerings in 2020.

Credit Quality

Concentra's credit performance in 2019 was consistent with historical norms. Provisions are significantly higher than 2018 due to significant reductions in the credit risk of the Commercial portfolio that occurred in 2018, which resulted in a net credit recovery.

Provisions related to IFRS 9 continue to be volatile as economic forecasts have a strong impact on the provisions for credit loss. In 2020 Concentra expects credit losses consistent with historical norms, with higher concentration of provisions in Alberta due to continued economic challenges in that province.

The bank will continue to monitor existing portfolios and manage new originations volumes to ensure appropriate balance between risk and return.

Results of Operations

Concentra will continue to focus on optimizing the loan portfolio composition for higher risk adjusted return on capital. As part of execution of Concentra's long term strategy, direct to customer loans and deposits will increase as part of Concentra's overall portfolios.

Consistent with 2019, the Bank will continue to pursue additional deposit channels to diversify away from high cost broker nominee deposits. This will include expansion of both direct-to-customer and capital market offerings.

Expenses are expected to increase in 2020 primarily due to investments in technology consistent with the Bank's long term strategy for increased direct to customer capability and increased customer service quality.

FINANCIAL REVIEW – RESULTS OF OPERATIONS

Net Interest Income

Net interest income represents the difference between the interest earned on assets and interest paid on deposits and other funding liabilities. The Bank measures its interest income and expense as a percentage of the associated earning assets and funding liabilities (effective yield). Net interest margin represents the difference between the effective yields of the Bank's earning assets and funding liabilities.

Table 2: Net Interest Income and Margin
For the Year Ended December 31

(Thousands of Canadian Dollars)	2019				2018			
	Average Balance	Mix (%)	Interest	Yield (%)	Average Balance	Mix (%)	Interest	Yield (%)
Assets								
Cash	\$ 402,670	4	\$ 7,094	1.76	\$ 244,900	3	\$ 3,216	1.31
Securities								
Corporate portfolio	627,591	7	12,875	2.05	672,328	7	12,182	1.81
Securitized portfolio	392,354	4	6,946	1.77	344,851	4	5,753	1.67
Loans								
Residential mortgages – securitized	3,678,879	39	81,866	2.23	4,235,395	45	93,291	2.20
Residential mortgages – non-securitized	2,528,253	27	95,038	3.76	2,123,935	23	72,197	3.40
Consumer term loans ⁽¹⁾	454,651	5	27,916	6.14	379,594	4	22,846	6.02
Commercial mortgages, loans & leases	1,195,699	12	54,958	4.60	1,241,999	13	55,864	4.50
Other securitization assets	71,323	1	1,450	2.03	50,301	-	1,116	2.22
Total Earning Assets	9,351,420	99	288,143	3.08	9,293,303	99	266,465	2.87
Other assets	70,934	1	-	-	83,782	1	-	-
Total Assets	\$ 9,422,354	100	\$ 288,143	3.06	\$ 9,377,085	100	\$ 266,465	2.84
Liabilities & Shareholders' Equity								
Deposits								
Retail	\$ 3,117,395	33	\$ 84,251	2.70	\$ 3,005,202	32	\$ 74,736	2.49
Credit union	1,255,682	13	24,047	1.92	1,097,325	12	17,461	1.59
Commercial	220,650	2	3,425	1.55	194,280	2	2,156	1.11
Capital Markets	150,338	2	4,176	2.78	22,615	1	665	2.94
Securitization Liabilities								
CMB program	1,752,235	19	27,783	1.59	2,064,392	22	34,304	1.66
NHA MBS program	1,897,808	20	37,017	1.95	2,001,242	21	36,738	1.84
Multi-seller conduit	96,562	1	2,229	2.31	120,819	1	2,948	2.44
Loans and notes payable								
Lines of credit	4,534	-	160	3.53	16,947	-	611	3.61
Bearer deposit notes	280,341	3	6,374	2.27	218,877	2	4,159	1.90
Repurchase agreements	81,188	1	1,484	1.83	107,336	1	1,565	1.46
Total Funding Liabilities	8,856,733	94	190,946	2.16	8,849,035	94	175,343	1.98
Other liabilities	61,926	1	769	-	57,877	1	715	-
Shareholders' equity	503,695	5	-	-	470,173	5	-	-
Total Liabilities & Shareholders' Equity	\$ 9,422,354	100	\$ 191,715	2.04	\$ 9,377,085	100	\$ 176,058	1.88
Net Interest Income and Margin			\$ 96,428	1.02			\$ 90,407	0.96

⁽¹⁾ Interest income on consumer term loans is presented net of \$9,205 (2018 - \$5,884) in fees paid to a third party in exchange for providing a limited financial guarantee over certain consumer loans held by the Bank. These fees are reporting within other direct expenses in the consolidated statement of income in accordance with the requirements of IFRS.

In 2019, the Bank of Canada held key interest rates flat. The Canadian yield curve was inverted for most of the year. Concentra continues to manage interest rate risk within acceptable risk levels.

The Bank continues to shift concentration of loans to higher margin products; specifically a reduction in insured prime residential mortgage balance in 2019, with an increase in Consumer term loans. This shift has increased net interest margin in 2019 to 1.02%, an increase of 6 basis points from 2018.

Provision for Credit Losses

The provision for credit losses includes both the expected shortfall in cash flows on individual loans and portfolios of loans ("unrealized") and write-offs/recoveries on loans which are no longer considered collectible ("realized").

Table 3: Provision for Credit Losses

For the Year Ended December 31

(Thousands of Canadian Dollars)

	2019			2018		
	Unrealized	Realized	Total	Unrealized	Realized	Total
Retail Portfolio						
Residential mortgages	\$ 1,358	\$ 381	\$ 1,739	\$ 381	\$ 631	\$ 1,012
Consumer term loans	(431)	3,294	2,863	(532)	2,660	2,128
Commercial Portfolio						
Mortgages and loans	1,981	(52)	1,929	(11,192)	567	(10,625)
Finance leases	361	90	451	(804)	574	(230)
Securities	(88)	-	(88)	117	-	117
Total Provision for Credit (Recoveries) Losses	\$ 3,181	\$ 3,713	\$ 6,894	(12,030)	\$ 4,432	(7,598)
% of gross assets						
Retail Portfolio						
Residential mortgages	0.03	0.01	0.03	0.01	0.01	0.02
Consumer term loans	(0.08)	0.62	0.54	(0.13)	0.65	0.52
Commercial Portfolio						
Mortgages and loans	0.21	(0.01)	0.21	(1.04)	0.05	(0.99)
Finance leases	0.20	0.05	0.25	(0.35)	0.25	(0.10)
Securities	(0.01)	0.00	(0.01)	0.01	0.00	0.01
Total Provision for Credit (Recoveries) Losses	0.04	0.05	0.09	(0.13)	0.05	(0.09)

In 2019 the Bank recognized \$6.9 million in credit losses compared to a \$7.6 million recovery in 2018. The credit recovery in 2018 was primarily attributable to the improvement in credit quality of several troubled commercial accounts, an occurrence that was not likely to repeat in 2019 given the already low level of loans in special monitoring. The loss in 2019 is primarily attributable to \$2.0 million in unrealized credit losses within the commercial loans portfolio as the Bank experienced a deterioration in credit quality for several accounts. Staging and pessimistic economic forecasts used in the expected credit loss ("ECL") model resulted in an increase in unrealized credit losses for all loan portfolios.

Realized losses totaled \$3.7 million in 2019. This represented a \$0.7 million decrease from the previous year which was primarily attributable to residential mortgage and commercial loans, and finance leases. Realized credit losses on consumer loans increased \$0.6 million driven by significant growth in the portfolio. The majority of the consumer portfolio is comprised of loans subject to a cash reserve credit enhancement, reducing the overall loss rates within the consumer portfolio.

For further discussion on the credit performance of the Bank's loans portfolio and the impacts of the ECL model, see the Credit Quality section on page 13 of the MD&A.

Non-Interest Income

The Bank's non-interest income consists of the following major components:

- **Fee for service income:** fees generated through the Commercial and Retail Banking and Trust businesses as well as ancillary rental income.
- **Gain on financial instruments:** realized and unrealized gains and losses on financial instruments reported in net income. This includes loan and security sales, gains from securitizations, and the effects of derivatives which are not in designated hedging relationships.
- **Investment property income:** operating income generated by the Bank's investment property and changes in the associated fair value.

Table 4: Non-Interest Income
For the Year Ended December 31

(Thousands of Canadian Dollars)	2019		2018		Change	
	\$		\$		\$	%
Fee for Service Income						
Commercial and retail banking	\$	8,842	\$	8,506	336	4
Trust		9,437		8,365	1,072	13
Rental		598		604	(6)	(1)
		18,877		17,475	1,402	8
Gain on Financial Instruments						
Unrealized and realized gains on securities		569		914	(345)	(38)
Ineffective portion of fair value hedges		8		(5)	13	260
Realized gains on loans		1,828		1,058	770	73
Gain on derecognized securitizations		3,945		4,342	(397)	(9)
Unrealized and realized losses on derivatives		(733)		(52)	(681)	(1310)
		5,617		6,257	(640)	(10)
Investment Property Income						
Net operating income		141		409	(268)	(66)
Fair value adjustment		(75)		331	(406)	(123)
		66		740	(674)	(91)
Total Non-Interest Income	\$	24,560	\$	24,472	88	0

Non-interest income remained stable, finishing the year at \$24.6 million compared to \$24.5 million in 2018. Significant transactions in the non-interest income are as follows:

- Trust fee for service increased 13% over the prior year due to increased volumes in personal and corporate trust accounts, as well as growth in registered plans.
- Unrealized and realized gains on securities decreased 38% from prior year as there were significant realized gains on sales of NHA MBS securities in 2018 compared to 2019. The Bank significantly reduced volumes on securitization for most of 2019 which reduced the need for MBS securities as replacement assets. This resulted in less market opportunity to sell and replace the assets. The decrease in realized gains in the current year were partially offset by gains in bond securities, as well as unrealized gains on the Bank's strategic investment fund securities.
- Realized gains on loans increased \$0.8 million over prior year due to the gains on the sale of residential mortgages.
- Unrealized and realized losses on derivatives increased \$0.7 million year over year as a result of maturing swaps and market value adjustments from falling interest rates throughout 2019.

These increases were partially offset by a \$0.7 million decrease in investment property income as the property was sold in April 2019.

Non-Interest Expense

Table 5: Non-Interest Expense

For the Year Ended December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Salaries and Employee Benefits				
Salaries	\$ 29,140	\$ 26,838	2,302	9
Termination benefits	636	2,099	(1,463)	(70)
Employee benefits	6,517	5,357	1,160	22
Incentive compensation	4,172	5,815	(1,643)	(28)
	40,465	40,109	356	1
Other Operating Expenses				
Administrative	4,687	3,539	1,148	32
Insurance and licenses	3,323	2,854	469	16
Marketing and public relations	1,030	1,014	16	2
Governance	1,070	688	382	56
	10,110	8,095	2,015	25
Information Technology				
Computer software/hardware and equipment	7,495	6,523	972	15
Depreciation and amortization	827	908	(81)	(9)
	8,322	7,431	891	12
Professional and Advisory Services				
Consulting and other professional fees	5,800	3,744	2,056	55
Legal fees	619	287	332	116
	6,419	4,031	2,388	59
Occupancy				
Rent	735	1,399	(664)	(47)
Maintenance and other property expenses	628	698	(70)	(10)
Depreciation	1,047	375	672	179
	2,410	2,472	(62)	(2)
Total Non-Interest Expense Before Other Taxes				
	67,726	62,138	5,588	9
Capital and excise taxes	3,656	4,314	(658)	(15)
Total Non-Interest Expense	\$ 71,382	\$ 66,452	4,930	7
Key Expense Ratios:				
Expense coverage ratio	67.7%	71.5%		
Efficiency ratio	59.0%	57.8%		
Operating leverage ratio	(7.5%)	(2.2%)		

Expenses related to investments in Concentra's foundation for people and technology in conjunction with the long term strategy represented \$3.2 million of the \$4.9 million increase in total expenses from 2018. Total non-interest expense increased 7% in 2019 finishing the year at \$71.4 million. The increase was primarily attributed to the following:

- Salaries and employee benefits increased 1% year over year. In addition to normal inflationary increases and salary progression, overall expenses increased due to the hiring of additional roles designed to help mature the risk and oversight departments within the Bank. These increases were offset by reduced termination benefits and incentive compensation.
- Administrative expenses increased \$1.1 million partly due to an increase in fees paid to Sask Central for clearing and settlement.
- Insurance and licenses increased \$0.5 million due to increased costs for insurable retail deposits held by the Bank, as well as expanded corporate insurance policies to ensure that Bank is adequately protected.
- Information technology increased \$0.9 million as the Bank expands its technology in order to support the increasing digital demand of the Bank's strategic initiatives.
- Consulting and other professional fees increased \$2.1 million year over year primarily due to costs associated with developing the Bank's digital transformation, as well as various new projects to support the Bank's strategy.

As the increase in non-interest expenses was greater than the increase in net interest income and non-interest income, there was negative movement on the Bank's expense ratios. The expense coverage ratio and operating leverage ratio decreased to 67.7% and (7.5%) respectively, while the efficiency ratio increased to 59.0%.

Other Comprehensive Income

The Bank's other comprehensive income ("OCI") consists of gains/losses on the FVOCI securities, FVOCI loans and derivatives designated as cash flows hedges for securitization liabilities.

Table 6: Other Comprehensive Income
For the Year Ended December 31

(Thousands of Canadian Dollars)	2019	2018	Change	
			\$	%
FVOCI Securities				
Net unrealized gains	\$ 4,712	\$ 3,126	1,586	51
Realized gains reclassified to net income	(416)	(935)	519	(56)
Impairment reclassified to net income	(88)	117	(205)	(175)
Income tax recovery	(1,136)	(623)	(513)	(82)
	3,072	1,685	1,387	82
FVOCI Loans				
Net unrealized gains	1,378	988	390	39
Realized gains reclassified to net income	(1,665)	(750)	(915)	(122)
Impairment reclassified to net income	267	353	(86)	(24)
Income tax expense (recovery)	8	(157)	165	105
	(12)	434	(446)	(103)
Cash Flow Hedges				
Realized gains (losses) on designated derivatives	804	(227)	1,031	454
Reclassification of gains to net income	(779)	(985)	206	21
Income tax (recovery) expense	(6)	327	(333)	(102)
	19	(885)	904	102
Total Other Comprehensive Income	\$ 3,079	\$ 1,234	1,845	150

In 2019, OCI was \$3.1 million which represented an improvement over the prior year of \$1.8 million. As the majority of the Bank's securities and FVOCI loans carry fixed interest rates, typically a decrease in market interest rates would result in a positive mark to market adjustment being recognized through OCI. Consistent with 2018, previously recognized market value adjustments resulting from rate increases in prior years were reversed through OCI in 2019 as the underlying fixed rate securities approached maturity at their stated par values.

Income Taxes

As a Schedule 1 bank with operations across Canada, the Bank is subject to income tax in multiple jurisdictions. Current income tax represents the amount owed to tax authorities on the basis of the applicable tax law in each of these respective jurisdictions. Deferred income tax represents the temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and their values for tax purposes.

Table 7: Income Tax Expense
For the Year Ended December 31

(Thousands of Canadian Dollars)	2019			2018		
	Current	Deferred	Total	Current	Deferred	Total
Income taxes included in net income	\$ 14,563	\$ (1,933)	\$ 12,630	\$ 15,344	\$ 126	\$ 15,470
Income taxes included in OCI	1,134	-	1,134	453	-	453
Total Income Tax Expense	\$ 15,697	\$ (1,933)	\$ 13,764	\$ 15,797	\$ 126	\$ 15,923
Effective Tax Rate	28.9%	27.0%		27.0%	27.0%	

In 2019, an adjustment related to prior year classification of leases resulted in a one-time increase to both current and deferred taxes. As a result, the effective tax rate for 2019 is 28.9%, but is expected to return to 27% in 2020 consistent with prior years. While the effective tax rate increased to 28.9% in 2019, the total income tax expense recorded in the consolidated financial statements decreased by \$2.1 million as a result of the decrease in net income generated during the year.

FINANCIAL REVIEW – BALANCE SHEET

Loans

The Bank maintains portfolios of both retail and commercial loans. These portfolios are primarily sourced through credit unions, third party brokers, and other originators. Concentra's lending activity extends beyond funding and holding loans on-balance sheet as the Bank provides a valuable service to the credit union system through its sales and syndication activities. These activities include both partnering with an originating credit union to help fund transactions that would otherwise be too large for a single funder, and by leveraging its outside partnerships to allow credit unions to participate in deals that would otherwise be inaccessible to them.

Table 8: Loans Receivable

As at December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Retail Portfolio				
Residential mortgages – insured	\$ 4,162,969	\$ 4,590,398	(427,429)	(9)
Residential mortgages – uninsured	1,790,696	2,012,334	(221,638)	(11)
Consumer term loans	527,429	407,637	119,792	29
	6,481,094	7,010,369	(529,275)	(8)
Commercial Portfolio				
Mortgages	786,492	964,718	(178,226)	(18)
Term loans	131,649	105,596	26,053	25
Lines of credit and overdrafts	4,022	7,457	(3,435)	(46)
Finance leases	182,319	232,311	(49,992)	(22)
	1,104,482	1,310,082	(205,600)	(16)
Total Gross Loans	\$ 7,585,576	\$ 8,320,451	(734,875)	(9)
Allowance for credit losses	(26,746)	(21,600)	(5,146)	
Total Loans Receivable	\$ 7,558,830	\$ 8,298,851	(740,021)	(9)

As the Bank focused on higher return on capital products and managed capital for future growth in direct-to-customer lending, the Bank experienced an 8% decrease in its retail portfolio during 2019, finishing the year with a balance of \$6.5 billion. This decrease was primarily driven by an overall reduction in the insured and uninsured residential mortgage portfolios. Given unattractive market conditions leading into 2019, new originations of low earning insured residential mortgages was not prioritized until the fall of 2019.

Within the retail portfolio, consumer term loans also increased 29% over 2018 to finish the year at \$527.4 million. Consumer loans are generally sourced through fintech partnerships that provide the Bank with technology savvy solutions to reach a broad range of consumers. Current year growth was primarily attributed to a portfolio for which the Bank has secured a limited financial guarantee from the originator, reducing the overall credit risk exposure for the Bank. The limited financial guarantee is backed by a cash reserve account held on deposit with Concentra. As at December 31, 2019 approximately 61% of the consumer portfolio is now covered by the limited financial guarantee as compared to 42% in the prior year.

The commercial portfolio decreased 16% over the prior year with a balance of \$1.1 billion at year-end. This reduction in the portfolio was primarily driven by strategic realignment of the loan portfolio mix towards products with more attractive yields and lower credit exposure. The Bank continues to build out specialty lending products to diversify the commercial portfolio, including products such as First Nations land claim financing.

Table 9: Loans Geographic Concentration**As at December 31***(Thousands of Canadian Dollars)*

	2019							
	BC	AB	SK	MB	ON	QC	ATL	Other
Retail Portfolio								
Residential mortgages	\$ 706,436	\$1,513,606	\$ 197,187	\$ 103,589	\$3,154,983	\$ 3,391	\$ 273,246	\$ 1,227
Consumer term loans	54,861	80,031	22,198	15,863	194,990	122,605	35,703	1,178
Commercial Portfolio								
Mortgages	186,016	191,111	133,228	35,576	219,851	10,593	10,117	-
Term and revolving loans	26,909	22,043	15,699	17,849	47,119	5,365	-	687
Finance leases	11,599	24,218	60,058	9,353	66,005	6,425	3,885	776
Total Gross Loans	\$ 985,821	\$1,831,009	\$ 428,370	\$ 182,230	\$3,682,948	\$ 148,379	\$ 322,951	\$ 3,868
Geographic %								
Retail	12	24	3	2	51	2	5	1
Commercial	20	21	19	6	30	2	1	1
	2018							
	BC	AB	SK	MB	ON	QC	ATL	Other
Retail Portfolio								
Residential mortgages	\$ 808,893	\$1,538,510	\$ 264,147	\$ 112,302	\$ 3,544,134	\$ 4,845	\$ 327,736	\$ 2,165
Consumer term loans	38,669	69,287	17,332	11,595	163,180	81,934	24,445	1,195
Commercial Portfolio								
Mortgages	229,687	165,765	171,844	35,192	321,515	16,165	24,550	-
Term and revolving loans	10,105	30,314	41,829	1,268	26,565	1,968	1,004	-
Finance leases	12,123	29,234	86,741	12,575	77,106	8,020	5,559	953
Total Gross Loans	\$ 1,099,477	\$1,833,110	\$ 581,893	\$ 172,932	\$ 4,132,500	\$ 112,932	\$ 383,294	\$ 4,313
Geographic %								
Retail	12	23	4	2	52	1	5	1
Commercial	19	17	23	4	32	2	2	1

As a Schedule 1 chartered bank which operates on a national basis, Concentra's loan holdings are geographically diverse. The geographic concentration of Concentra's retail portfolio is fairly consistent with the population distribution across the country with the exception of Quebec, as provincial regulations have discouraged the Bank from actively pursuing business in this jurisdiction. Strategically the Bank does not target residential mortgages in excess of \$1.5 million, which has resulted in limited exposure in the Toronto and Vancouver markets. The geographic concentration of the commercial portfolio follows a similar distribution to the retail portfolio, with the exception of the higher concentration of loans within Saskatchewan due to the retention of legacy clients.

Credit Quality

Concentra's strategy is focused on the acquisition, funding and/or sale/syndication of loans with high quality credit. To achieve this objective the Bank employs stringent underwriting criteria and closely monitors its portfolios.

Underwriting guidelines and ongoing credit monitoring are generally completed at the macro level for the retail portfolio, focusing on indicators such as credit scores, geographic locations, and macro-economic factors. Underwriting guidelines and ongoing credit monitoring for the commercial portfolio are completed on a loan by loan basis and considers the relative financial health of the individual borrower, asset quality, and underlying collateral.

**Table 10: Loan Credit Quality and Allowance for Credit Losses
As at December 31**

(Thousands of Canadian Dollars)

	Gross Loans			Allowance for Credit Losses			% of gross loans	
	2019	2018	Change (\$)	2019	2018	Change (\$)	2019	2018
Retail Portfolio – Mortgages								
Low risk	\$ 4,348,215	\$ 4,822,006	\$ (473,791)	\$ (1,510)	\$ (947)	\$ (563)	0.03	0.02
Standard monitoring	1,571,953	1,745,574	(173,621)	(2,196)	(1,421)	(775)	0.14	0.08
Special Monitoring	28,957	28,939	18	(153)	(71)	(82)	0.53	0.25
Default	4,540	6,213	(1,673)	(960)	(1,154)	194	21.1	18.57
Retail Portfolio – Consumer								
Low risk	52,216	53,292	(1,076)	(4)	(3)	(1)	0.01	0.01
Standard monitoring	472,736	352,267	120,469	(5,704)	(4,136)	(1,568)	1.21	1.17
Special monitoring	2,250	1,770	480	(590)	(360)	(230)	26.22	20.3
Default	227	308	(81)	(195)	(276)	81	85.9	89.6
Commercial Portfolio								
Low risk	123,398	134,547	(11,149)	(482)	(124)	(358)	0.39	0.09
Standard monitoring	913,727	1,109,345	(195,618)	(4,727)	(4,598)	(129)	0.52	0.41
Special monitoring	20,456	37,609	(17,153)	(2,600)	(4,068)	1,468	12.71	10.82
Default	46,901	28,581	18,320	(10,180)	(6,822)	(3,358)	21.71	23.87
Totals	\$ 7,585,576	\$ 8,320,451	(734,875)	\$ (29,301)	\$ (23,980)	\$ (5,321)		
Allowance included in:								
Loans receivable				\$ (26,746)	\$ (21,600)			
Other liabilities				(724)	(815)			
Accumulated other comprehensive income				(1,831)	(1,565)			

The Bank utilizes an ECL model to calculate loss allowances for its portfolios of on-balance sheet assets and certain off-balance sheet credit commitments. Loss allowances under the ECL model reflect the present value of all cash shortfalls related to default events which may occur over a specified period of time, with consideration given to past events, current conditions and reasonable and supportable forward-looking information. The ECL model also incorporates a "staging" concept whereby the loss allowance is equal to the 12 month or lifetime ECLs based on the relative change in credit quality of the financial instrument since inception.

In 2019 allowances for credit losses increased overall by \$5.3 million, primarily driven by normal variation in credit quality of the Bank's loan portfolios and pessimistic economic forecasts used in the ECL model. Significant recoveries realized in 2018 arising from improvement in credit quality of several troubled commercial accounts resulted in a significant provision recovery in 2018, an occurrence that was not likely to repeat in 2019. In 2019 special monitoring loans in the commercial portfolio decreased overall, primarily driven by credit quality improvement and a reduction in the asset balance overall. Continued asset growth in the consumer portfolio contributed to a \$1.7 million increase in the allowances with the majority of the portfolio comprised of loans subject to a cash reserve credit enhancement, reducing the overall credit exposure. For residential mortgages, the allowance as a percentage of gross loans increased slightly for all monitoring ranges with the primary driver being economic conditioning and staging of loans.

Liquidity Management

As a federally regulated financial institution, the Bank monitors its liquidity position on a daily basis with reference to the Liquidity Adequacy Requirements ("LAR") Guideline prescribed by OSFI. To ensure ongoing compliance with the LAR Guideline, the Bank maintains a portfolio of high quality debt securities which qualify as liquid assets for regulatory purposes. These instruments consist primarily of federal government and government guaranteed securities, as well as some highly rated provincial and corporate bonds. In addition to its securities portfolio, the Bank also holds a certain amount of its own NHA MBS certificates for liquidity purposes. The securitization of residential mortgages into NHA MBS represents a key component of the Bank's liquidity management strategy; providing Concentra with the ability to quickly access liquidity by converting illiquid insured residential mortgages into government guaranteed securities.

In addition to the qualifying securities held for regulatory purposes, the Bank also holds a portfolio of short to medium-term securities which it uses to earn a yield on temporary inflows of excess liquidity. The majority of these securities consist of short-term paper backed by specifically pledged assets and bank notes, neither of which qualify as liquid assets under the LAR Guideline, due to the at-risk nature of the assets during a liquidity event. Although these bank notes and short-term asset backed paper do not qualify as liquid assets for regulatory purposes, given their short-term nature they generally qualify as cash inflows thereby positively affecting LCR. Additionally, given the high credit quality of the underlying issuers, the Bank still considers the medium to long term securities within this portfolio to be liquid for its own purposes as the securities held are actively traded in market.

Table 11: Liquid Assets and Securities

As at December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Qualifying Securities for Regulatory Purposes				
Government – federal	\$ 60,335	\$ 66,016	(5,681)	(9)
Government – federal guaranteed	102,399	163,513	(61,114)	(37)
Government – provincial	174,030	201,425	(27,395)	(14)
Corporate – non-financial institutions	22,606	15,456	7,150	46
Total Qualifying Securities	359,370	446,410	(87,040)	(19)
Cash	402,528	174,170	228,358	131
Residential mortgages held as NHA MBS ⁽¹⁾	332,703	268,203	64,500	24
Total Liquid Assets for Regulatory Purposes⁽²⁾	\$ 1,094,601	\$ 888,783	205,818	23
Non-Qualifying Liquid Securities				
Corporate – credit union	\$ -	\$ 9,996	(9,996)	(100)
Corporate – chartered bank	-	26,999	(26,999)	(100)
Corporate – non-financial institutions	-	26,964	(26,964)	(100)
Asset-backed	86,782	181,793	(95,011)	(52)
Total Non-Qualifying Liquid Securities	86,782	245,752	(158,970)	(66)
Total Liquid Assets	\$ 1,181,383	\$ 1,134,535	46,848	4
% of total assets	13	12		
% of total deposits	27	24		

⁽¹⁾ Represents residential mortgages the Bank has securitized into NHA MBS certificates which it continues to hold as part of its liquidity management strategy. These balances are included in residential mortgages in the consolidated balance.

⁽²⁾ Represents the carrying value of qualifying liquid assets before regulatory adjustments in accordance with OSFI's LAR guideline.

The amount of liquid assets held for regulatory purposes is influenced by a number of factors including the Bank's forecasted cash inflows and outflows over the next 30 days. The increase in liquid assets compared to the prior year is primarily attributable to the Bank's increase in cash and NHA MBS securities.

Deposits

Retail deposits consist of guaranteed investment certificates ("GICs") and registered plan deposits which are primarily sourced through third party relationships. These third party relationships provide Concentra with a stable and consistent source of funds for its balance sheet, with the majority of the funding over the past two years being represented by non-cashable GICs. A large portion of these deposits are scheduled to rollover on a laddered maturity providing further stability to Concentra's funding structure. Concentra continues to seek additional third party relationships to further diversify this source of funding.

Credit union deposits primarily consist of excess liquidity within the credit union system, which is held in non-statutory overnight accounts or invested in short to medium-term deposits. Given that these deposits are primarily sourced through the credit union's excess liquidity, the balances are subject to certain seasonal fluctuations. In particular, the agricultural cycle causes significant changes in the cash position of the prairie credit unions,

typically resulting in large inflows to the overnight accounts in the fall to correspond with harvest followed by a large outflow in the spring to correspond with seeding. As these fluctuations are predictable from year to year, there is an observable core within the credit union accounts which Concentra can rely upon throughout the year. In addition, Concentra has demonstrated the ability to raise significant funds nationally through special rate offerings used periodically throughout the year, providing the Bank with additional flexibility for managing its liquidity and short-term cash needs.

Capital markets deposits consist of floating rate notes issued to institutional investors with 1 to 5 year terms. The deposits are a strategic product leveraged to diversify the Bank's deposit sources, while gaining increased capital market exposure.

Commercial deposits and chequing accounts relate to clients in the Bank's direct banking operations. Although this segment has not been a targeted area of growth in recent years, the Bank has recently undertaken a shift in strategy which includes a renewed focus on direct banking relationships.

Table 12: Deposits

As at December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Notice/Demand Deposits				
Credit union overnight accounts	\$ 405,942	\$ 324,594	81,348	25
Credit union redeemable terms	3,960	9,821	(5,861)	(60)
Retail cashable GICs	305	2,199	(1,894)	(86)
Retail registered plans	96,578	94,330	2,248	2
Commercial chequing accounts	121,112	166,179	(45,067)	(27)
	627,897	597,123	30,774	5
Term Deposits				
Retail non-redeemable GICs	2,689,673	3,134,309	(444,636)	(14)
Retail online GICs	136	-	136	100
Retail registered plans	178,865	206,371	(27,506)	(13)
Credit union non-redeemable terms	630,030	718,149	(88,119)	(12)
Floating rate notes	150,512	150,368	144	-
Commercial non-redeemable terms	99,986	20,839	79,147	380
	3,749,202	4,230,036	(480,834)	(11)
Total Deposits	\$ 4,377,099	\$ 4,827,159	(450,060)	(9)
Deposits by Source:				
Retail	\$ 2,965,557	\$ 3,437,209	(471,652)	(14)
Credit union	1,039,932	1,052,564	(12,632)	(1)
Capital markets	150,512	150,368	144	-
Commercial	221,098	187,018	34,080	18

Deposits decreased 9% to \$4.4 billion by the end of 2019. This overall decrease was primarily driven by strategic liquidity management of third party sourced non-redeemable term GICs. The Bank manages liquidity through strategic pricing of term deposit products in order to align funding sources to forecasted loan originations. As loan balances reduced in 2019, deposit pricing was decreased in order to reduce volume of new deposits as well.

Securitizations

Table 13: Securitization Liabilities

As at December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Obligations Under the CMB Program				
Quarterly CMB issuances subject to a total return swap	\$ 1,528,689	\$ 1,879,662	(350,973)	(19)
	1,528,689	1,879,662	(350,973)	(19)
Obligations Under the NHA MBS Program				
Quarterly CMB issuances not subject to a total return swap	598,020	366,532	231,488	63
NHA MBS market pools	1,342,101	1,628,025	(285,924)	(18)
	1,940,121	1,994,557	(54,436)	(3)
Obligations to Multi-Seller Conduits	84,817	108,910	(24,093)	(22)
Total Securitization Liabilities	\$ 3,553,627	\$ 3,983,129	(429,502)	(11)

As an active participant in the NHA MBS and CMB securitization programs, securitization liabilities provide Concentra with additional funding diversification and have historically allowed the Bank to originate high volumes of insured residential mortgages at a lower cost of funds than retail deposits. With the exception of certain NHA MBS created from pools of multi-family or social housing mortgages, the creation and sale of NHA MBS certificates

does not qualify for derecognition under IFRS and consequently the funding received through these sales is recognized as a securitization liability in the consolidated balance sheet. Obligations presented under the CMB program require lump sum payouts at the end of term, while obligations presented under the NHA MBS program are amortizing liabilities that pay down as principal payments are received on the underlying mortgages and flowed through to the investors. The Bank also maintains a relationship that allows it to sell qualifying uninsured residential mortgages to an intermediate multi-seller structured entity. This arrangement allows the Bank to receive matched funding for certain uninsured mortgages helping further reduce its reliance on deposits.

Towards the latter half of 2018 market conditions resulted in diminishing returns related to insured residential mortgages and the Bank did not prioritize the origination of new insured residential mortgages for securitization into the NHA MBS and CMB programs until fall 2019, driving an overall reduction in securitization liabilities during the current year.

Short-Term Funding

The Bank maintains multiple revolving credit facilities and other short-term funding programs including a bearer deposit note program and securities sale and repurchase agreements to support day-to-day liquidity and cash management. The Bank's short-term funding is classified as loans and notes payable in the consolidated balance sheet with a total outstanding balance of \$420.3 million at year-end (2018 - \$314.5 million).

	2019			2018		
	Authorized	Drawn/ Encumbered	Available	Authorized	Drawn/ Encumbered	Available
Revolving Credit Facilities						
Secured line of credit	\$ 500,000	\$ 75,000 ⁽¹⁾	\$ 425,000	\$ 500,000	\$ 75,000 ⁽¹⁾	\$ 425,000
SaskCentral line of credit	100,000	403	99,597	100,000	3,908	96,092
	600,000	75,403	524,597	600,000	78,908	521,092
Other Short-Term Funding Programs						
Bearer deposit notes	500,000 ⁽²⁾	302,436	197,564	300,000 ⁽²⁾	151,840	148,160
Securities sale and repurchase agreements	1,150,000 ⁽²⁾	117,259	1,032,741	1,180,038 ⁽²⁾	158,567	1,021,471
	1,650,000	419,695	1,230,305	1,480,038	310,407	1,169,631
Total Short-Term Funding Programs	\$ 2,250,000	\$ 495,098	\$ 1,754,902	\$ 2,080,038	\$ 389,315	\$ 1,690,723

⁽¹⁾ Represents the authorized portion of the secured line of credit used to backstop the Bank's commercial letter of credit facilities. There was no outstanding balance on the secured line of credit at year-end in 2019 or 2018.

⁽²⁾ Internal policy utilization limit rather than external authorized limit.

No new facilities/programs were added in 2019 and there were no significant changes to the terms and conditions of the existing facilities/programs. The Bank does not currently maintain any long-term debt or other similar funding facilities.

Assets Under Administration

Assets under administration consists of: (1) assets over which the Bank has been named as trustee, custodian or other similar role; and (2) loans held by third parties which the Bank is responsible for servicing. The Bank will typically be entitled to a fee for the services it provides and consequently assets under administration growth is a key driver of the Bank's fee for service income. As these assets are held solely for the benefit of the client and the Bank's rights are limited to its fee entitlement, assets under administration are not recorded in the Bank's consolidated balance sheet. The major classes of assets under administration and the fees they generate are as follows:

- **Securitized:** residential mortgages securitized through the NHA MBS program which qualify for derecognition due to the specific asset characteristics or unique structure of the transaction. Concentra is responsible for servicing the assets post-securitization, but receives no trailing fee as servicing is compensated through the excess spread the Bank has retained on-balance sheet.
- **Retail:** pools of residential mortgages or consumer loans held by credit unions for which Concentra acts as servicer. Concentra receives an ongoing fee for the services provided based on the outstanding principal of the loans administered.
- **Commercial:** commercial mortgages, loans and leases owned, in whole or in part, by credit unions for which Concentra acts as servicer. Concentra receives an ongoing fee for the services provided based on the outstanding principal of the loans administered.
- **Registered plans:** assets held within a registered plan established by a credit union or commercial client over which the Bank has been named as trustee and, in certain cases, administrator. Depending on the agreement in place, the Bank receives an ongoing fee based on the value of the assets and/or the number of individuals enrolled within the registered plan. When credit unions are named as the administrator of these registered plans they hold the deposits on their own balance sheets allowing the funding to remain within the credit union system.

- **Escrows, custodianships and corporate trusts:** assets held within a variety of corporate trust structures for which the Bank has been named as trustee, as well as assets in escrow or custody accounts. The Bank receives an ongoing fee based on the value of the assets.
- **Estates, personal trusts and agencies:** assets held within personal estates for which the Bank is acting as executor/administrator, assets held in a variety of personal trust structures for which the Bank has been named as trustee and other similar arrangements for individuals where the Bank has been retained as an agent by a third party executor/trustee. The Bank receives an ongoing fee based on the value of the assets except for estates where the Bank is entitled to its fee only upon completion of its executor/administrator duties.

Table 15: Assets Under Administration

As at December 31

(Thousands of Canadian Dollars)

	2019	2018	Change	
			\$	%
Commercial and Retail Banking				
Securitized	\$ 2,259,239	\$ 1,686,966	572,273	34
Retail	351,105	333,608	17,497	5
Commercial	929,782	1,124,292	(194,510)	(17)
	3,540,126	3,144,866	395,260	13
Trust				
Registered plans	35,384,463	31,738,844	3,645,619	11
Escrows, custodianships and corporate trusts	1,057,874	760,392	297,482	39
Estates, personal trusts and agencies	111,339	98,125	13,214	13
	36,553,676	32,597,361	3,956,315	12
Total Assets Under Administration	\$ 40,093,802	\$ 35,742,227	4,351,575	12

Assets under administration increased 12% ending the year with a total balance of \$40.1 billion. The growth was driven primarily by the Trust segment as registered plans under administration increased by \$3.6 billion due to a combination of additional contributions by plan members and increased fair values of the plans' assets. The Commercial and Retail Banking segment further contributed to the growth as the \$395 million increase is due to an increase in multi-family/social housing loans during the year for which the Bank continues to act as servicer.

Capital Management

Capital is a key factor in the stability of a financial institution. A strong capital position assists the Bank in promoting confidence among depositors, creditors, counter-parties, regulators and shareholders. Concentra manages capital levels in accordance with policies as reviewed and approved annually by the Board, taking into account actual and forecasted capital needs. Concentra's goal is to be well capitalized, protect customer deposits, and provide capacity for internal growth and strategic opportunities, all while providing a satisfactory return for shareholders. Management reviews compliance with the policy at minimums on a monthly basis, while the Risk Committee and the Board review compliance with the policy on a quarterly basis.

Regulatory capital and capital ratios are calculated, reported, and managed in accordance with the requirements of the OSFI Capital Adequacy Requirements Guideline. OSFI requires federally regulated deposit taking institutions to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments.

Throughout 2019 and 2018, Concentra has been in compliance with OSFI prescribed capital adequacy requirements.

Under Basel III, Concentra calculates risk-weighted assets for credit risk using the Standardized Approach and for operational risk using the Basic Indicator Approach. Concentra's capital structure and regulatory ratios reported on the 'all in basis' were as follows:

Table 16: Regulatory Capital and Ratios**As at December 31***(Thousands of Canadian Dollars)*

	2019	2018
Common Equity Tier 1 Capital		
Common shares	\$ 134,252	\$ 134,252
Retained earnings	253,414	233,807
Accumulated other comprehensive income	3,235	156
Regulatory adjustments	(24,388)	(22,069)
Total Common Equity Tier 1 Capital	366,513	346,146
Additional Tier 1 Capital		
Non-cumulative preferred shares	110,987	110,987
Total Tier 1 Capital	477,500	457,134
Tier 2 Capital		
General allowances	16,506	14,881
Total Regulatory Capital	494,006	472,015
Total Risk Weighted Assets	\$ 2,763,860	\$ 2,926,878
Capital Ratios	OSFI Limit	
Common Equity Tier 1 capital to risk-weighted assets	7.0%	13.3%
Tier 1 capital to risk weighted assets	8.5%	17.3%
Total capital to risk weighted assets	10.5%	17.9%
Leverage Ratio⁽¹⁾	3.0%	5.2%

⁽¹⁾ The OSFI limit for the leverage ratio is presented in accordance with OSFI's Leverage Requirements Guideline which states that all institutions must maintain a leverage ratio that exceeds 3.0%. However, OSFI also provides each institution with an authorized leverage ratio which may differ from this amount. The authorized limit is considered supervisory information and is therefore not permitted to be disclosed.

The Bank's capital ratios strengthened in 2019. The increased capital ratios in 2019 were a result of the Bank's 5% overall decrease in risk-weighted assets ("RWA"). The following table summarizes the Bank's RWA calculation:

Table 17: Risk-Weighted Assets**As at December 31****2019****2018**

<i>(Thousands of Canadian Dollars)</i>	Net Exposure	Effective Risk %	Risk-Weighted Amount	Net Exposure	Effective Risk %	Risk-Weighted Amount
Cash	\$ 402,528	20	\$ 80,506	\$ 174,170	20	\$ 34,834
Securities	841,557	13	111,504	1,060,493	12	128,831
Retail Portfolio						
Residential mortgages – insured	4,161,193	-	11,597	4,588,955	-	5,155
Residential mortgages – uninsured	1,789,484	35	628,804	2,011,748	35	707,440
Term loans – unsecured	521,157	75	391,943	402,959	75	302,095
Commercial Portfolio						
Mortgages	770,877	98	754,552	951,192	101	962,038
Term and revolving loans	135,320	88	118,505	112,815	83	93,080
Finance leases	180,799	79	143,424	231,182	81	186,307
Other Assets	141,787	94	133,724	145,895	91	132,950
Total Assets	8,944,702		2,374,559	9,679,409		2,552,730
Off-Balance Sheet Items						
Credit commitments	590,838	31	180,849	592,571	30	178,338
Total Credit Risk	9,535,540		2,555,408	10,271,980		2,731,068
Operational Risk	-		208,452	-		195,810
Total Risk-Weighted Assets	\$ 9,535,540		\$ 2,763,860	\$ 10,271,980		\$ 2,926,878

The Bank uses the standardized approach for calculating risk-weighted assets by applying the OSFI-prescribed risk weight percentages to its on-balance sheet and off-balance sheet exposures. The year over year decrease in RWA is primarily a result of the on-balance sheet asset decline experienced in the current year.

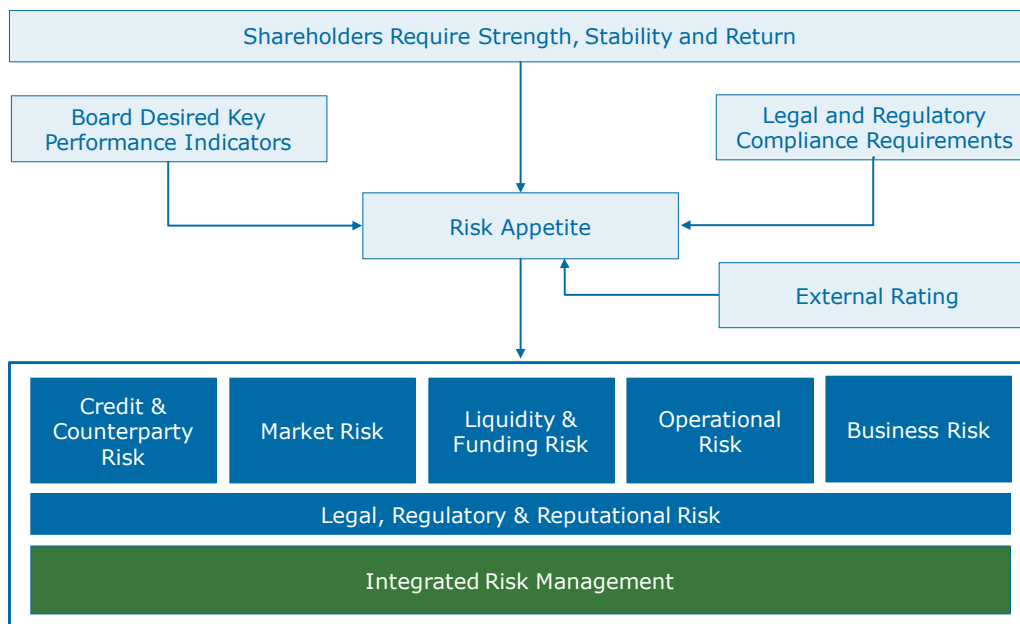
RISK MANAGEMENT OVERVIEW

Concentra has a prudent risk management culture that enables us to align our strategy and business model. Our Risk Governance Framework provides the overarching guidance for the risk frameworks, policies and programs at the Bank and allows effective management of enterprise-wide risks by:

- Providing a means by which the Board and management establish and reinforce the Bank’s risk culture
- Articulating and monitoring adherence to risk appetite through the Risk Appetite Framework
- Establishing a risk management system with the three lines of defense to identify, measure, monitor and control risks
- Establishing a formal hierarchy of risk governance and oversight committees to provide a structured and disciplined approach to risk management and informed decision making
- Establishing risk management policies and management guidelines, governed by the Corporate Policy Framework

The Board of Directors approves the Risk Governance Framework, Risk Appetite Framework, Corporate Policy Framework and Regulatory Compliance Management Framework.

The Risk Governance Framework reflects the Bank’s approach to risk governance through integrated risk management:



Risk Culture

Accountability lies at the core of Concentra’s risk culture.

Business decision makers have primary accountability for risk, while the Risk Management Group is primarily responsible for providing an enterprise-wide view of risk-taking activities by:

- Monitoring adherence to the Board's overall risk appetite and limit structure
- Ensuring appropriate focus on the identification of new and emerging risks
- Assuring effective and consistent application of risk management practices by formulating policies and procedures, monitoring risk exposures, and challenging key business proposals

Our approach is designed to ensure we only take as much risk as warranted by our business model, strategies, and policies, and that risk levels and types are transparent throughout the Bank. Business-line managers closest to the customer are risk owners, while the Risk Management Group provides independent oversight and controls. We leverage strong talent on the front line, in corporate functions, and in internal audit to ensure effective risk management.

To provide the foundation for risk culture, the Board establishes tone at the top by promoting risk awareness, conveying expectations that it does not support excess risk taking, and promoting a culture where employees are individually and collectively responsible for risk management.

The following risk principles guide employees in the corporate-wide management of risk:

- Integrate risk into decisions
- Use common sense and business judgement

- Actively communicate and manage risk
- Know lines of defense roles
- Know Concentra clients and business partners
- Balance risk and reward
- Clearly understand risks
- Protect the Concentra reputation and brand

Senior management implements and reinforces a sound risk culture and ensures any risks exceeding risk appetite are recognized, escalated and addressed in a timely manner. In addition, senior management ensures that employees are provided with incentives that reward appropriate behavior and penalize inappropriate actions.

Risk Appetite

Concentra’s risk appetite encompasses our capacity for risk, which enables us to balance our risk tolerances with return expectations.

Risk appetite is defined as a comprehensive expression of the types and size of risks to which the Bank wishes to be exposed or not to be exposed, given its strategy and business model. Our risk appetite is set based on an understanding of the Bank’s overall capacity to bear risk. Risk capacity represents the maximum risk the Bank can bear relative to its financial capital position, regulatory requirements, debt capacity, strength of core earnings, resilience of brand and reputation. We also consider various stakeholder expectations including management, regulators, rating agencies and shareholders with varying perspectives on risk appetite. As such, our risk appetite combines short-term management and earnings perspectives with longer-term solvency and rating views.

We assess our risk appetite in terms of desirability and tolerance. Desire for risk is the level and type of risks the Bank desires in order to meet profitability and growth objectives. Tolerance for risk is how much risk is the Bank willing to take expressed in terms of earnings and capital capacity. Risk appetite is embedded in core strategic planning, execution and review processes; where desirability and tolerance are explicitly stated, executed and reported against the capacity to bear risk.

The Concentra Risk Appetite Framework provides the basis for the development of risk management policies and processes that establish and monitor adherence to the approved risk appetite. This framework also establishes the requirement to align risk-taking with the Bank’s vision, strategy, risk philosophy and risk capacity. Delegation of authority and adherence to risk tolerances in day-to-day operations provides the basis for understanding and managing the risk profile of the Bank.

Three Lines of Defense

Concentra has adopted the Three Lines of Defense model to help provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. Our organizational structure continues to evolve and align to the Three Lines of Defense, improving the management of risk throughout the business operations of the Bank.

<i>Business Operations</i>	<i>Risk Management Group</i>	<i>Internal Audit</i>
First Line of Defense (risk takers)	Second Line of Defense (policy and risk methodology development, measurement, aggregation, monitoring and reporting)	Third Line of Defense (independent assurance)
<ul style="list-style-type: none"> • Owns and manages risk in day-to-day business operations. • Optimizes risk/return trade-off within risk appetite. • Embeds a risk aware culture within each business unit. • Operates within risk limits, tolerances, policies and legislative and regulatory requirements. 	<ul style="list-style-type: none"> • Develops and maintains the Risk Governance Framework, Risk Appetite Framework, Corporate Policy Framework and risk management policies. • Supports a risk aware culture. • Provides independent oversight of the First Line of Defense, including independent effective challenge. • Defines risk measurement methodology and develops risk models and tools. • Independently identifies, measures, monitors and objectively reports on the Bank’s risk profile. • Provides advice on risk mitigation, risk appetite and risk assessment and quantification approaches. 	<ul style="list-style-type: none"> • Provides independent assurance as to the effectiveness of the Risk Governance Framework and the effectiveness of the First and Second Lines of Defense. • Independently reviews adherence to controls, policies and regulatory requirements. • Identifies operational weaknesses and recommends and tracks remediation actions.

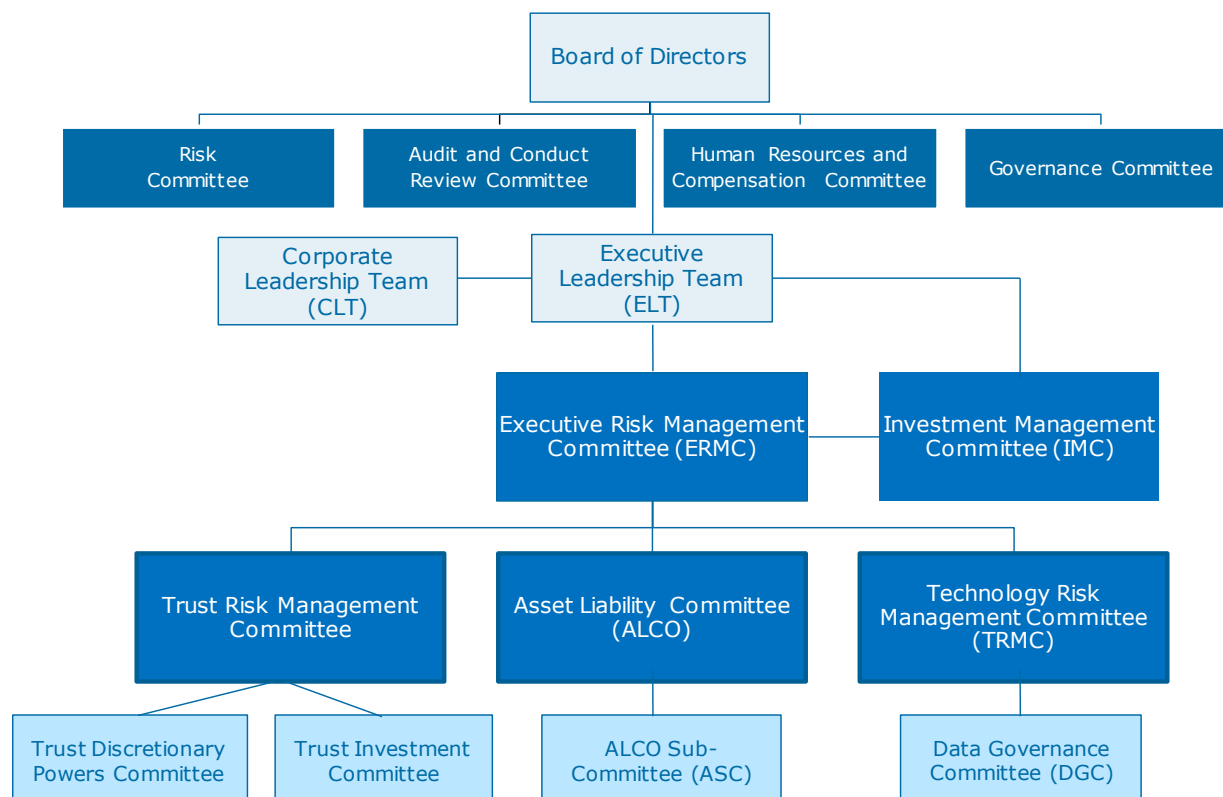
Chief Risk Officer and Risk Management Group Mandates

The Chief Risk Officer (CRO) reports functionally to the Board of Directors, through the Risk Committee, and directly to the President and Chief Executive Officer. The CRO is accountable for overall risk and compliance strategies, policies and processes of the Bank. The CRO establishes appropriate risk governance, oversight and controls for the Bank through a formal management risk committee structure, which ensures that there is a structured, disciplined process for decision making necessary to achieve the Bank’s strategic and financial objectives.

Under the leadership of the CRO within the second line of defense, the Risk Management Group is an independent and enterprise-wide function that is accountable for oversight and effective challenge of all significant and material risks faced by the Bank. The Risk Management Group reinforces enterprise wide risk culture; establishes risk frameworks, risk appetite and policies, and sets standards that address significant risk across the Bank; provides independent oversight to the effectiveness of the Bank’s risk and compliance processes; and reports on the enterprise risk profile independently of business segments.

Risk Management Committee Structure

A fundamental component of our Risk Governance Framework is the robust risk management committee structure.



The following chart outlines the key accountabilities of the risk management committees.

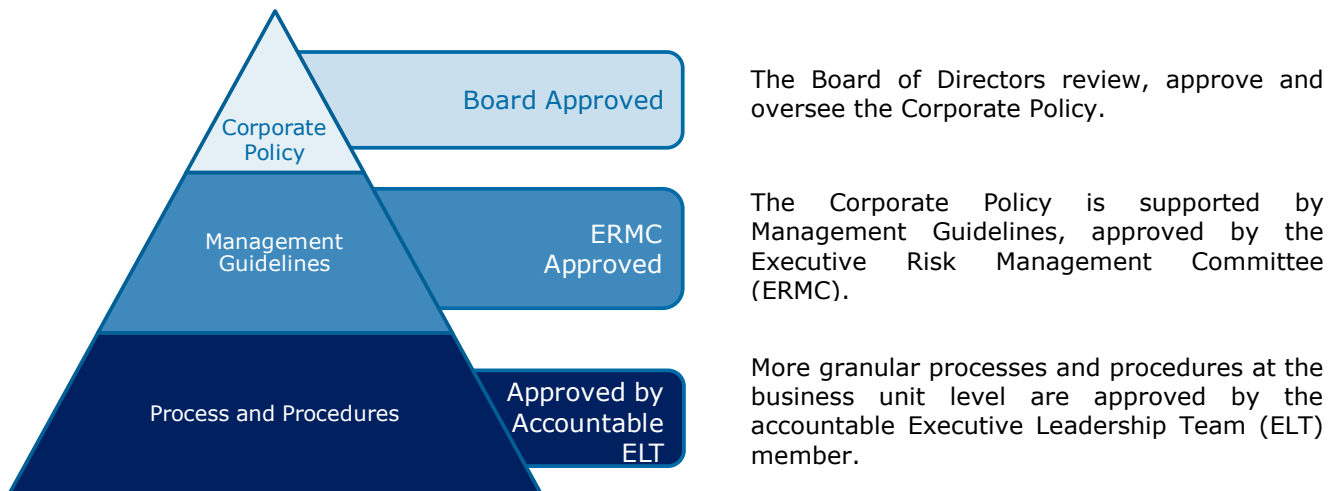
Executive Risk Management Committee	As the Bank’s senior risk committee, reviews the comprehensive assessment of current and emerging risks, individually and in aggregate and promotes an integrated and effective risk culture. The ERMC also assesses risk based capital requirements in light of the risks the Bank takes within its stated Risk Appetite and limits as set by Senior Management and the Board of Directors.
Investment Management Committee	Oversees the management of the investment portfolio and reviews and approves new business opportunities of economic substance. The IMC is accountable to approve the purchase and disposal of significant non-liquidity investments and to monitor their performance.
Asset Liability Committee	Oversees the management of the Bank’s non-trading market risk and each of its consolidated liquidity, funding and capital positions. The ALCO also reviews the short-term and long-term financial plan and reviews progress against the plan and forecasted results at least quarterly. In addition, the ALCO acts as a Liquidity Committee within the Liquidity Contingency Plan.

Technology Risk Management Committee	Ensures effective enterprise-level governance and controls are in place for managing information technology (IT) risk for the Bank. The TRMC provides oversight to the Bank's IT risk profile, related processes and assessments, policies and standards, and emerging IT risks.
Trust Risk Management Committee	Ensures effective governance and controls are in place to manage operational risks for Concentra Trust and reviews and approves new business opportunities of economic substance.
ALCO Sub-Committee	Oversees the management of structural market risk, funding and liquidity, and available capital positions. The ASC reports regularly to the ALCO on the Bank's risk profile in alignment with its accountabilities and responsibilities, and escalates key risk issues as appropriate.
Data Governance Committee	Works across existing functional teams to effectively inventory, prioritize and solve for data issues at the Bank, for the purposes of improving data quality. The DGC takes direction from the TRMC and reports monthly to the TRMC on its proceedings.
Trust Discretionary Powers Committee	Monitors fiduciary risk exposure including overseeing situations where Concentra Trust is required to exercise its discretion in matters pertaining to the management and administration of an estates, trust or agency account including the payment of income or capital, the sale of purchase of real estate or the interpretation of a Will or Trust document.
Trust Investment Committee	Monitors market risk exposure including overseeing the maintenance of investment policies for Concentra Trust and the management of trust funds.

Corporate Policy Framework

The management of risks across the material risk categories is done through the establishment of risk management policies and management guidelines, governed by the Corporate Policy Framework. The Corporate Policy Framework sets out the principles and authorities on Corporate Policy, the hierarchy of governing documents and the governance requirements for monitoring, measuring and reporting on compliance with Corporate Policy.

Risk management is integrated into the decision-making process through business unit level processes and procedures, designed to provide internal controls to support Corporate Policy and Management Guidelines.



Stress Testing

Stress testing is an important component of our risk management framework. Stress testing results are used to:

- ensure the Bank's Risk Appetite is commensurate with its risk capacity
- ensure the Bank has sufficient capital for its risk profile
- comprehensively address all potential sources of stress events
- ensure the Bank has a buffer to withstand extreme, unknown events/shocks/stresses
- ensure the Bank has capacity to recover from stress conditions

We incorporate the results of our stress tests into our Internal Capital Adequacy Assessment Process (ICAAP).

ICAAP

The ICAAP is an integral part of the Bank's Enterprise Risk Management program. The ICAAP supports the Bank in ensuring that capital targets and levels are adequate to support the material risks of business operations, that capital is effectively deployed and maintained, and that capital decisions are aligned with the Bank's Risk Appetite, Corporate Policies and Management Guidelines.

Material Risks

Material risks are those considered significant to the success of Concentra. The Bank takes on risks that are aligned with its strategic direction and risk appetite, and create value for shareholders.

Credit and Counterparty Risk

Credit risk is the risk of financial loss due to a borrower, guarantor or counterparty's inability or unwillingness to fulfill contractual payment obligations. Counterparty credit risk is the risk that a counterparty to a derivative or FX spot transaction could default before the final settlement of the transaction.

Activities in place to manage Concentra's credit risk profile within risk appetite and risk tolerances and limits include: maintaining prudent credit granting criteria, entering into transactions within the Bank's expertise, stress testing, maintaining underwriting guidelines and procedures, using legally enforceable bi-lateral and multi-lateral netting agreements and collateral arrangements with counterparties, and complying with regulatory expectations, regulations and guidelines. In addition, the Board approved business lending strategy guides credit activities within the risk appetite and capital capacity of the Bank.

The enterprise level credit risk profile is monitored by the ERM.

The Credit Risk function of Concentra is part of the Risk Management Group and is segregated from credit business generation activities. The Bank follows a dual stream approval process for credit transactions, where the First Line of Defense (Retail and Commercial Banking) recommends a transaction and the Second Line of Defense (Credit Risk function within the Risk Management Group) concurs with the recommendation. Both a recommendation and concurrence must occur for the transaction to be approved. In addition, Credit Risk conducts ongoing systematic reviews of the credit adjudication process and the condition of the credit portfolio, with regular reporting to the Board.

Market Risk

Interest rate risk in the banking book arises due to the duration mismatch between assets and liabilities. Adverse interest rate movements may cause a reduction in earnings and/or a reduction in the economic value of the Bank's assets or liabilities, resulting in a reduction of economic value of shareholders' equity.

Activities in place to manage Concentra's market risk profile within risk appetite and risk tolerances and limits include: monitoring exposure to changes in interest rates and foreign exchange rates, including simulating the impact of interest rate changes; using on- and off-balance sheet strategies to manage interest rate and foreign exchange risk; stress testing; and complying with regulatory expectations, regulations and guidelines.

Since March 2019, both the Canadian and US yield curves have become inverted, signaling an increasing risk of recession. The risk of recession increases the longer the yield curve remains inverted. The Bank continues monitoring and taking actions if needed to reduce interest rate risk. In 2019, the Bank entered into several derivative transactions to manage the Bank's interest rate risk.

Concentra's market risk is limited to the banking book only; Concentra does not have a trading book.

Liquidity and Funding Risk

Liquidity and funding risk is the risk of financial loss due to an inability to access sources of funds or to generate sufficient cash or cash equivalents in a timely manner to meet all commitments as they become due, without raising funds at adverse rates or selling on a forced basis.

Activities in place to manage Concentra's liquidity and funding risk profile within risk appetite and risk tolerances and limits include: daily monitoring of cash flows; investing a prudent portion of the investment portfolio in liquid, low-risk unencumbered instruments; acquiring credit union, commercial and retail deposits and accessing capital markets; diversifying funding sources; maintaining external credit facilities; maintaining investment grade market rating; maintaining a liquidity plan, funding strategy and contingency funding plan; stress testing; and complying with regulatory expectations, regulations and guidelines.

Model Risk

Model risk is the risk of adverse financial (e.g., capital, losses, revenue) and reputational consequences arising from the design, development, implementation and/or use of a model. It can originate from, among other things, inappropriate specification; incorrect parameter estimates; flawed hypotheses and/or assumptions; mathematical computation errors; inaccurate, inappropriate or incomplete data; inappropriate, improper or unintended usage;

and inadequate monitoring and/or controls.

Concentra uses models for a variety of purposes, including but not limited to credit adjudication, pricing, financial forecasting, loan loss provisioning, profitability assessment (e.g. risk-adjusted return on capital), capital adequacy, derivative valuation, interest rate risk analysis and liquidity forecasting. The Risk Management Group, through the Risk Review, Analytics and Reporting function, provides oversight to the design, development, validation, use and decommissioning of models through the model risk lifecycle.

Concentra uses models to conduct stress testing and develops mitigation plans for extreme but plausible stress events. Stress testing provides preparedness information should risk levels require capital and resource allocations. In addition, stress testing assists in understanding the Bank's ability to withstand unforeseen potential threats to its future profitability and capital adequacy. Stress testing results are used to assess capital adequacy within the ICAAP and set risk appetite levels within the risk capacity of the Bank. Sensitivity, scenario and reverse engineered analysis stress testing are undertaken by Concentra in accordance with OSFI's ICAAP Guideline.

In alignment with regulatory requirements, Concentra established a Three Lines of Defense (LOD) model risk governance structure and Model Risk Management Framework (MRMF) in 2019 to enhance model risk management. The Enterprise-Wide Model Risk Management Corporate Policy and related management guidelines were developed and approved in 2019 to support the MRMF.

The MRMF defines an end-to-end model life cycle, and the roles and responsibilities of stakeholders in different stages of the life cycle. The MRMF requires model documentation by the model owner or developer (1st LOD), and independent vetting/validation by the model reviewer (2nd LOD). The ERM must approve models with material model risk ratings before they are put into use.

Concentra uses a dynamic, centralized model inventory to manage and facilitate model oversight by the 2nd LOD. The validation of models by risk management is prioritized according to the materiality of the model. Preliminary reviews of some material models (i.e., IFRS 9 models and the RAROC model) were completed in 2019 and validation of the remaining material models is a key initiative in 2020.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from people, inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities.

Effective operational risk management is based upon a structured approach to the identification, analysis, evaluation, treatment, monitoring, review and reporting of risk. Key processes in place include risk and control self-assessments, oversight of significant transactions and new initiatives, policies and procedures, outsourcing program management, operational risk event tracking and maintenance of an appropriate internal control environment.

The enterprise level operational risk profile is monitored at the management level by the ERM. The Technology Risk Management Committee focuses specifically on the effectiveness of enterprise-level governance and controls for management information technology risk. The Trust Risk Management Committee ensures effective governance and controls are in place to manage fiduciary risk for Concentra Trust. Fiduciary risk is considered an element of operational risk and arises from the possibility that Concentra Trust is not performing fiduciary services with the applicable standard of care.

Strategic Risk

Strategic risk is the risk of exposure to loss resulting from a strategy that turns out to be defective or inappropriate, and is intrinsic to being in business.

Management assesses strategic risk in conjunction with strategy formulation to facilitate the selection of the most optimal strategic options. This assessment is done across four dimensions:

- Business risk - includes assessing the risk of competition, changing customer behaviors and impacts of other external forces such as changes in the economy and the overall market stability
- Capital adequacy - Concentra's financial capacity to absorb potential expected and unexpected losses resulting from our strategy is correlated to the contemplated changes in Concentra's overall risk profile and its earnings predictability and stability
- Concentra's risk appetite - assessing risk appetite adequacy is a derivative of targeted asset mix, customer segments, growth levels, required investments, targeted borrower risk profiles and industries
- Execution risk - assessing Concentra's capability to execute on strategies includes our people, technology, systems, processes and procedures

The strategic plan, encompassing a five-year time horizon, is approved by the Board on an annual basis. The strategic plan identifies Concentra's desired future state and approach to meeting target goals. The Bank undertakes operational planning and budgeting to develop the annual business plan. The fundamentals of Concentra's strategic shift towards the direct-to-customer business model are underpinned by new and existing partnerships with innovative third party providers, and a collective mindset focused on innovation and agility in

execution. Risk management is a key partner in selecting, prioritizing and executing on our strategic initiatives, including the direct and indirect business origination channels. The Bank's New Initiative Risk Assessment and New Initiative Risk Approval Process provide consistency in new initiative risk assessment and mitigation, and transparency in the coverage of pre and post launch controls.

A growing part of Concentra's strategic shift is aimed at leveraging digital platforms and data to differentiate the customer experience. In this strategic digitalization of the Bank, we're also acutely aware of the need to protect customer information and we extend this vigilance throughout the Bank, educating Concentra employees on risk-reduction strategies and raising awareness among our third party providers. Concentra's due diligence of its third party providers subjects them to standards driven by our own Risk Appetite Framework, which in turn reflect regulatory expectations.

Legal and Regulatory Risk

Regulatory compliance risk is the risk of regulatory sanctions or restricted business capacities due to non-compliance with applicable regulatory requirements within governing legislation and other legislation, regulations and regulators' expectations applicable to the operations of Concentra. A regulatory requirement requires the Bank to do (or prohibits it from doing) certain things or to act or conduct its affairs in a particular manner.

The Chief Compliance Officer ("CCO") is responsible to oversee the design, development, implementation and maintenance of the compliance programs for the Bank. Within this responsibility, the CCO ensures that key day-to-day controls throughout the Bank are sufficiently robust to control compliance with all regulatory and legislative requirements. Regulatory compliance matters are reported to the ERMC and to the Board through the Risk Committee.

Concentra has a Chief Anti-Money Laundering Officer ("CAMLO") who is responsible for ensuring corporate-wide measures to combat money laundering and terrorist financing activity risks within the entire Bank are in place. Further, the CAMLO is responsible for the design, development, implementation and maintenance of the Anti-Money Laundering and Anti-Terrorist Financing ("AML/ATF") Program for the Bank.

Concentra has a Privacy Officer who is responsible for the establishment, implementation and ongoing assessment of the Bank's privacy program and related controls.

Regulatory compliance management integration is facilitated throughout Concentra by designated Business Compliance Officers and Anti-Money Laundering Officers within Business Operations.

Reputation Risk

Reputation risk is the risk of negative publicity regarding the Bank's business conduct or practices which, whether true or not, could significantly harm the Bank's reputation or could materially and adversely affect the Bank's business, operations or financial condition.

Concentra has a Reputation Risk Management policy that provides guidance in the management of the Bank's reputation risk, a Code of Conduct/Conflict of Interest policy that must be followed by all Board members, officers and employees, and a Responsible Persons Assessment policy to assess the suitability and integrity of members of the Board and members of management who play a significant role in the management of Concentra. In addition, Concentra has a communications policy and crisis management processes in place to protect the Bank's image, brand and reputation. In 2019 the Bank formalized several new policies and guidelines to provide additional governance in the areas of fraud, data governance, acceptable use of corporate assets, and vendor and procurement management.

Other Risk Factors

In addition to the material risks described above, other risk factors in the Bank's operating environment can pose key vulnerabilities to Concentra. These risk factors are externalities that are systemic in nature and beyond the Bank's ability to control and the impacts can be difficult to predict.

Risk Monitoring and Reporting

Ongoing monitoring and reporting processes are in place through the risk management committees, the Corporate Policies and Management Guidelines, and the Chief Risk Officer and Risk Management Group Mandates. Monitoring and reporting of adherence to risk appetite and Corporate Policy is provided regularly to management and the Risk Committee of the Board. The Bank is committed to full and transparent disclosure, and communicates the development of significant risks to the Risk Committee as soon as possible.

