Concentra®

CONCENTRA BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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 over $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.

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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, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 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 February 27, 2019 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")	• 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	• 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	• 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	• 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")	• The dividends declared to common shareholders expressed as a percentage of their original invested capital
Capital to Risk Weighted Assets	• 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	• 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

2018 Highlights

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

(Thousands of Canadian Dollars)	**2018**	**2017**	**2016**
Results of Operations			
Total revenue	**$ 114,879**	$ 106,609	$ 104,638
Net interest income	**90,407**	83,497	78,467
Non-interest income	**24,472**	23,112	26,171
Non-interest expense	**66,452**	60,037	51,201
Net income	**40,555**	33,647	28,859
Credit Quality			
Net impaired loans	**27,562**	8,592	13,616
Net impaired loans as % of gross loans	**0.33%**	0.11%	0.18%
Provision for credit (recoveries) losses	**(7,598)**	618	14,084
Provision for credit (recoveries) losses as % of gross loans	**(0.09%)**	0.01%	0.18%
Financial Ratios			
Return on common equity	**10.0%**	8.8%	7.9%
Efficiency ratio	**57.8%**	56.3%	48.9%
Operating leverage ratio	**(2.2%)**	(2.8%)	16.2%
Expense coverage ratio	**71.5%**	73.9%	84.0%
Return on investment(1)	**4.0%**	3.0%	10.0%
Capital Adequacy Ratios			
Common Equity Tier 1 capital to risk weighted assets	**11.8%**	13.1%	10.2%
Tier 1 regulatory capital to risk weighted assets	**15.6%**	17.5%	13.9%
Total regulatory capital to risk weighted assets	**16.1%**	17.5%	14.8%
Leverage ratio	**4.6%**	4.7%	4.2%

(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.

2019 Outlook

Corporate Strategy

In 2018 Concentra welcomed a new CEO, Don Coulter. One of Don's key priorities for the year was to redefine the strategic direction of Concentra, in order to better position the Bank for future growth and success. Through consultation with senior leaders, the Board, and other key stakeholders, Don helped facilitate the creation of a new strategy for the Bank which was approved by the Board in November 2018.

Concentra has a competitive advantage in the market as it is one of the few organizations in Canada to hold both a federal bank license and a federal trust license. While Concentra has always provided products to consumers, in recent years the offerings have been facilitated primarily through indirect channels. To position Concentra to fully utilize the powers granted by its federal licenses, management is planning a strategic shift towards a direct-to-customer business model. The shift will allow Concentra to drive value for its shareholders and strengthen the credit union system as it continues to build on its partnerships with co-operative institutions.

As the financial services industry continues the trend of accelerated innovation, emerging technologies and evolving consumer preferences will continue to put pressure on service providers to stay relevant. Concentra recognizes that in order to be successful, it needs to be bold and innovative as it expands its direct-to-customer product offerings. As such, the Bank will continue to seek new partnership and collaboration opportunities with like-minded organizations in order to deliver the future of banking to its customers.

Concentra's ultimate goal is to be Canada's leading bank for entrepreneurs and mid-market businesses, and the leading wholesale finance provider to Canada's credit unions. To achieve this vision, the Bank will need to strengthen its foundation, beginning in 2019 with planned investments in both technology and people.

Asset Growth

As a result of the rising interest rate environment combined with the continued downward pressure on the residential mortgage market due to the additional stress tests required for borrower qualification, the Bank experienced a significant decline in profitability related to insured residential mortgages. Consequently, the Bank reduced its overall target for insured residential mortgage originations in 2018 and shifted its focus to higher yielding consumer and alternative mortgage lending. This shift in focus has reduced insured residential mortgages as percentage of total mortgages from 83.1% in 2017 to 69.5% in 2018. Management will continue to monitor market conditions throughout 2019, however based on current market forecasts it is anticipated that the Bank's appetite for insured mortgages will remain low throughout 2019, resulting in a further decline as a percentage of the overall portfolio.

Although Concentra expanded its risk appetite for alternative mortgages in 2018 and achieved a significant increase in exposure to that asset class, a further increase to risk appetite is not anticipated during 2019. Rather, the Bank intends to focus on the growth of consumer and commercial term loans through new partnerships, while concurrently developing the capability for more direct-to-customer product offerings.

Credit Quality

Concentra enjoyed an exceptional year for credit performance in 2018. The adoption of the expected credit loss model in accordance with IFRS 9 initially resulted in increased allowances recorded as an adjustment directly to opening retained earnings. As the Bank successfully reduced the overall credit risk within the commercial portfolio, a significant portion of the allowances recorded both in prior years and through the adoption of IFRS 9 were reversed through net income. As a result, the Bank recognized significant recoveries on credit loss provisions in 2018, an event that is unlikely to repeat in future years.

Although IFRS 9 will likely result in increased volatility of credit provisions, the overall percentage of write-offs on current and future impaired loans is expected to be acceptably low, reflecting the conservative underwriting and secured lending practices of the Bank. While the Bank has realized increased losses related to the expansion of alternative mortgages and consumer lending, the overall loss rates have been within expectations for these asset classes. The Bank will continue to monitor these portfolios to ensure an adequate balance between risk and return is maintained.

As a strategic priority in 2019, the Bank continues to expand its risk department through the recruitment of experienced banking professionals to compliment the skill sets of existing staff and further mature the risk oversight function at Concentra.

Results of Operations

Concentra anticipates competitive pressure on loan yields to continue while deposit costs are expected to move incrementally higher in 2019 due to the lagging effect of the Bank of Canada's rate increases combined with the anticipation of one or more additional rate increases to occur in 2019. To offset the anticipated increase in funding costs, the Bank intends to replace the runoff of its lower yielding insured residential mortgages with higher earning assets, resulting in continued growth of net interest income.

Strategically, the Bank will continue to pursue additional deposit channels to diversify away from high cost broker nominee deposits. This will include a focus on the development of direct-to-customer product offerings and continued expansion within the capital markets.

Management continues to focus on growing its core non-interest income to provide a stable source of income that does not utilize regulatory capital. Continued growth is expected within fee for service income as the bank expands its securitization administration and loan servicing products, while gains from additional loan sales and securitizations are expected to grow other non-interest income.

A modest increase in expense is anticipated in 2019 as the Bank continues to invest in various strategic initiatives to support the direct to customer strategy, create operational efficiencies through technology, and raise the overall quality of the Bank's product offerings.

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	**2018**				**2017**			
(Thousands of Canadian Dollars)	**Average Balance**	**Mix (%)**	**Interest**	**Yield (%)**	**Average Balance**	**Mix (%)**	**Interest**	**Yield (%)**
Assets								
Cash	**$ 244,900**	**3**	**$ 3,216**	**1.31**	$ 353,338	4	$ 3,795	1.07
Securities								
Corporate portfolio	**672,328**	**7**	**12,182**	**1.81**	880,789	9	11,818	1.34
Securitized portfolio	**344,851**	**4**	**5,753**	**1.67**	461,522	5	5,944	1.29
Loans								
Residential mortgages – securitized	**4,235,395**	**45**	**93,291**	**2.20**	4,532,821	48	102,764	2.27
Residential mortgages – non-securitized	**2,123,935**	**23**	**72,197**	**3.40**	1,447,988	15	40,264	2.78
Consumer term loans[(1)]	**379,594**	**4**	**22,846**	**6.02**	366,159	4	21,935	5.99
Commercial mortgages, loans & leases	**1,241,999**	**13**	**55,864**	**4.50**	1,270,540	14	54,488	4.29
Other securitization assets	**50,301**	**-**	**1,116**	**2.22**	35,951	-	805	2.24
Total Earnings Assets	**9,293,303**	**99**	**266,465**	**2.87**	9,349,108	99	241,813	2.59
Other assets	**83,782**	**1**	**-**	**-**	88,047	1	-	-
Total Assets	**$ 9,377,085**	**100**	**$ 266,465**	**2.84**	$ 9,437,155	100	$ 241,813	2.56
Liabilities & Shareholders' Equity								
Deposits								
Retail	**$ 3,005,202**	**32**	**$ 74,736**	**2.49**	$ 2,599,939	28	$ 58,262	2.24
Credit union	**1,097,325**	**12**	**17,461**	**1.59**	1,236,727	13	13,528	1.09
Commercial	**194,280**	**2**	**2,156**	**1.11**	170,010	2	1,555	0.92
Capital Markets	**22,615**	**1**	**665**	**2.94**	-	-	-	-
Securitization Liabilities								
CMB program	**2,064,392**	**22**	**34,304**	**1.66**	2,393,361	25	40,729	1.70
NHA MBS program	**2,001,242**	**21**	**36,738**	**1.84**	2,016,199	21	36,087	1.79
Multi-seller conduit	**120,819**	**1**	**2,948**	**2.44**	83,054	1	2,237	2.69
Loans and notes payable								
Lines of credit	**16,947**	**-**	**611**	**3.61**	3,716	-	95	2.56
Bearer deposit notes	**218,877**	**2**	**4,159**	**1.90**	233,151	2	2,822	1.21
Repurchase agreements	**107,336**	**1**	**1,565**	**1.46**	153,674	2	1,363	0.89
Subordinated debentures	**-**	**-**	**-**	**-**	22,849	-	918	4.04
Total Funding Liabilities	**8,849,035**	**94**	**175,343**	**1.98**	8,912,680	94	157,596	1.77
Other liabilities	**57,877**	**1**	**715**	**-**	71,498	1	720	-
Shareholders' equity	**470,173**	**5**	**-**	**-**	452,977	5	-	-
Total Liabilities & Shareholders' Equity	**$ 9,377,085**	**100**	**$ 176,058**	**1.88**	$ 9,437,155	100	$ 158,316	1.68
Net Interest Income and Margin			**$ 90,407**	**0.96**			$ 83,497	0.88

(1) Interest income on consumer term loans is presented net of $5,884 (2017 - $2,851) 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 2018, the Bank of Canada raised its key interest rate by 0.25% in January, July and October. Although the Bank raised its prime lending rate in step with the Bank of Canada, the majority of the Bank's assets and liabilities carry fixed interest rates with terms greater than one year, resulting in a lesser shift in the Bank's effective interest rates.

The Bank successfully executed its 2018 strategy to increase holdings in both alternative mortgages and consumer term loans, resulting in a 28 basis point increase in effective interest rates on earning assets. This was partially offset by a 20 basis point increase in effective interest rates on funding liabilities as the Bank took advantage of the ongoing shift in depositor preference toward longer term term deposits to lengthen the average duration of its funding base and reduce the liquidity risk associated with notice/demand deposits. The net result was an 8% increase in net interest income, finishing the year at a record amount of $90.4 million.

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	**2018**			**2017**		
(Thousands of Canadian Dollars)	**Unrealized**	**Realized**	**Total**	**Unrealized**	**Realized**	**Total**
Retail Portfolio						
Residential mortgages	**$ 381**	**$ 631**	**$ 1,012**	$ (1,037)	$ 688	$ (349)
Consumer term loans	**(532)**	**2,660**	**2,128**	(1,195)	4,523	3,328
Commercial Portfolio						
Mortgages and loans	**(11,192)**	**567**	**(10,625)**	(2,687)	(404)	(3,091)
Finance leases	**(804)**	**574**	**(230)**	(2,147)	2,877	730
Securities	**117**	**-**	**117**	-	-	-
Total Provision for Credit (Recoveries) Losses	**$ (12,030)**	**$ 4,432**	**$ (7,598)**	$ (7,066)	$ 7,684	$ 618
% of gross assets						
Retail Portfolio						
Residential mortgages	**0.01**	**0.01**	**0.02**	(0.02)	0.01	(0.01)
Consumer term loans	**(0.13)**	**0.65**	**0.52**	(0.33)	1.23	0.91
Commercial Portfolio						
Mortgages and loans	**(1.04)**	**0.05**	**(0.99)**	(0.25)	(0.04)	(0.29)
Finance leases	**(0.35)**	**0.25**	**(0.10)**	(1.18)	1.58	0.40
Securities	**0.01**	**0.00**	**0.01**	0.00	0.00	0.00
Total Provision for Credit (Recoveries) Losses	**(0.13)**	**0.05**	**(0.08)**	(0.08)	0.09	0.01

In 2018 the Bank recognized a $7.6 million in credit recoveries representing a significant improvement over the $0.6 million loss recognized in the previous year. This recovery is primarily attributable to an $11.2 million reversal in unrealized credit losses within the commercial loans portfolio as the Bank experienced a significant improvement in the credit quality with several troubled accounts being worked out during the year. The effects of this reduction in higher risk accounts was enhanced in the current year due to the staging impact of the new expected credit loss ("ECL") model, resulting in a higher recovery than would have been recognized in previous years.

The recovery of unrealized losses was partially offset by realized losses totaling $4.4 million. This represented a $3.2 million decrease from the previous year which was primarily attributable to consumer term loans and finance leases. Realized credit losses on consumer loans decreased $1.9 million as the Bank's legacy portfolio of unsecured loans continues to pay down and be replaced with loans subject to a cash reserve credit enhancement, reducing the overall loss rates within the consumer portfolio. The realized credit losses for finance leases also decreased $2.3 million as write-off activity stabilized after several leases which had defaulted during the oil and gas down turn were closed out and written-off in 2017.

For further discussion on the credit performance of the Bank's loans portfolio and the impacts of the new 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)*	**2018**	**2017**	**Change $**	**Change %**
Fee for Service Income				
Commercial and retail banking	**$ 8,506**	$ 8,110	396	5
Trust	**8,365**	7,439	926	12
Rental	**604**	670	(66)	(10)
	17,475	16,219	1,256	8
Gain on Financial Instruments				
Realized gains on securities	**914**	716	198	28
Ineffective portion of fair value hedges	**(5)**	(12)	7	58
Realized gains on loans	**1,058**	1,893	(885)	(44)
Gain on derecognized securitizations	**4,342**	1,145	3,197	279
Unrealized and realized gains on derivatives	**(52)**	897	(949)	(106)
	6,257	4,639	1,618	35
Investment Property Income				
Net operating income	**409**	434	(25)	(6)
Fair value adjustment	**331**	1,820	(1,489)	(82)
	740	2,254	(1,514)	(67)
Total Non-Interest Income	**$ 24,472**	$ 23,112	1,360	6

Non-interest income increased 6% finishing the year at $24.5 million compared to $23.1 million in 2017. The higher non-interest income is primarily attributed to the following:

- Commercial and retail banking fee for service increased 5% to $8.5 million in 2018. The increase is primarily due to additional fees collected for securitization administration done on the behalf of various credit union clients.
- Trust fee for service increased 12% over the prior year as the Bank completed a comprehensive market review which resulted in a revised pricing structure for certain trust services effective in Q4 of 2017.
- Realized gains on loans are primarily attributed to the gains on the sale of alternative residential mortgages in both 2017 and 2018. The current year decline in gains is the result of a shift in strategy as the Bank prioritized on balance sheet growth of alternative mortgages in the current year.
- Gain on derecognized securitizations increased by $3.2 million in 2018 as the Bank was able to leverage new and existing relationships to obtain a significantly more insured multi-family and social housing mortgages for securitization into the Canadian Mortgage and Housing Corporate ("CMHC") sponsored programs.

These increases were partially offset by a $1.5 million decrease in investment property income as the prior year included a significant positive fair value adjustment. In November 2018, the Bank accepted an offer to sell the building with an anticipated Q1 2019 closing date. As a result of this sales agreement the December 2018 carrying value of the building was determined based on the anticipated sales proceeds.

Non-Interest Expense

Table 5: Non-Interest Expense

For the Year Ended December 31 *(Thousands of Canadian Dollars)*	**2018**	**2017**	**Change $**	**Change %**
Salaries and Employee Benefits				
Salaries	**$ 26,838**	$ 25,516	1,322	5
Termination benefits	**2,099**	1,069	1,030	96
Employee benefits	**5,357**	4,793	564	12
Incentive compensation	**5,815**	5,906	(91)	(2)
	40,109	37,284	2,825	8
Other Operating Expenses				
Administrative	**3,430**	3,237	193	6
Insurance and licenses	**2,963**	2,389	574	24
Marketing and public relations	**1,014**	999	15	2
Governance	**688**	603	85	14
	8,095	7,228	867	12
Information Technology				
Computer software	**6,011**	5,436	575	11
Equipment	**512**	467	45	10
Depreciation and amortization	**908**	684	224	33
	7,431	6,587	844	13
Professional and Advisory Services				
Consulting and other professional fees	**3,744**	3,199	545	17
Legal fees	**287**	479	(192)	(40)
	4,031	3,678	353	10
Occupancy				
Rent	**1,399**	1,302	97	7
Maintenance and other property expenses	**698**	678	20	3
Depreciation	**375**	359	16	4
	2,472	2,339	133	6
Total Non-Interest Expense Before Other Taxes	**62,138**	57,116	5,022	9
Capital and excise taxes	**4,314**	2,921	1,393	48
Total Non-Interest Expense	**$ 66,452**	$ 60,037	6,415	11
Key Expense Ratios:				
Expense coverage ratio	**71.5%**	73.9%		
Efficiency ratio	**57.6%**	55.8%		
Operating leverage ratio	**(2.2%)**	(2.8%)		

Total non-interest expense increased 11% in 2018 finishing the year at $66.5 million. The increase was primarily attributed to the following:

- Salaries and employee benefits increased 8% year over year. In addition to the normal inflationary increases and salary progression that occurred throughout the year, overall expenses increased due to the expansion of the executive team and hiring of additional roles designed to help mature the risk and oversight departments within the Bank.
- Insurance and licenses increased $0.6 million as a result of increased deposit insurance costs related to the additional amount of insurable retail deposits held by the Bank, as well as expanded corporate insurance policies to ensure that Bank is adequately protected.
- Information technology increased 13% as the Bank continues to expand on its existing software suite in order to meet the ever increasing digital demand of today's marketplace.
- Capital and excise taxes increased $1.3 million over the prior year. The increase is attributed to increased excise taxes as the Bank did not have sufficient input tax credits in the current year to entirely offset amounts arising from the provincial allocations of HST.

The increased non-interest expenses offset the increased net interest income and non-interest income resulting in a negative movement on the Bank's expense ratios as the coverage ratio and leverage ratio decreased to 71.5% and (2.2%) respectively while the efficiency ratio increased to 57.6%.

Other Comprehensive Income

The Bank's other comprehensive income ("OCI") consists of gains/losses on the FVOCI securities (2017 – available-for-sale 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)*		**2018**		**2017**	**Change $**	**Change %**
Securities (FVOCI and Available-for-Sale)						
Net unrealized gains (losses)	**$**	**3,126**	$	(4,769)	7,895	166
Realized gains reclassified to net income		**(935)**		(684)	(251)	(37)
Impairment reclassified to net income		**117**		NA	117	-
Income tax recovery		**(623)**		1,459	(2,082)	(143)
		1,685		(3,994)	5,679	(142)
FVOCI Loans						
Net unrealized gains		**988**		NA	988	-
Realized gains reclassified to net income		**(750)**		NA	(750)	-
Impairment reclassified to net income		**353**		NA	353	-
Income tax recovery		**(157)**		NA	(157)	-
		434		NA	434	-
Cash Flow Hedges						
Realized (losses) gains on designated derivatives		**(227)**		3,760	(3,987)	(106)
Reclassification of gains to net income		**(985)**		(715)	(270)	(38)
Income tax expense		**327**		(815)	1,142	140
		(885)		2,230	(3,115)	(140)
Total Other Comprehensive Income (Loss)	**$**	**1,234**	$	(1,764)	2,998	145

Upon the adoption of IFRS 9, certain loans are now recognized at fair value through OCI as the Bank's stated business model for these assets is to realize cash flows through both the collection of contractual cash flows and the sale of the assets. Additionally, impairment charges for FVOCI assets recognized in net income are offset to OCI.

In 2018, OCI was $1.2 million which represented an improvement over the prior year loss of $1.8 million. As the majority of the Bank's securities and FVOCI loans carry fixed interest rates, typically an increase in market interest rates would result in a negative mark to market adjustment being recognized through OCI. However in 2018 the negative market value adjustments resulting from rate increases in prior periods were reversed through OCI as the underlying fixed rate securities approached maturity at their stated par values. Furthermore, in response to the rising rate environment the Bank also reinvested more heavily in short-term instruments during the current year, resulting in less volatile market value adjustments. These maturities combined with the reinvestment in short-term securities helped reduce the impact of the interest rate increases in 2018 and resulted in the Bank recognizing a net positive market value adjustment.

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	**2018**						**2017**					
(Thousands of Canadian Dollars)		**Current**		**Deferred**		**Total**		**Current**		**Deferred**		**Total**
Income taxes included in net income	**$**	**15,344**	**$**	**126**	**$**	**15,470**	$	13,118	$	(811)	$	12,307
Income taxes included in OCI		**453**		**-**		**453**		(644)		-		(644)
Total Income Tax Expense	**$**	**15,797**	**$**	**126**	**$**	**15,923**	$	12,474	$	(811)	$	11,663
Effective Tax Rate		**27.0%**		**27.0%**				26.8%		27.0%		

While the effective tax rate increased slightly to 27.0% in 2018, the total income tax expense recorded in the consolidated financial statements increased by $4.3 million as a result of the record 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)*	**2018**	**2017**	**Change $**	**%**
Retail Portfolio				
Residential mortgages – insured	**$ 4,590,398**	$ 5,060,080	(469,682)	(9)
Residential mortgages – uninsured	**2,012,334**	1,026,220	986,114	96
Consumer term loans	**407,637**	367,480	40,157	11
	7,010,369	6,453,780	556,589	9
Commercial Portfolio				
Mortgages	**964,718**	939,741	24,977	3
Term loans	**105,596**	122,821	(17,225)	(14)
Lines of credit and overdrafts	**7,457**	1,924	5,533	288
Finance leases	**232,311**	181,795	50,516	28
	1,310,082	1,246,281	63,801	5
Total Gross Loans	**$ 8,320,451**	$ 7,700,061	620,390	8
Allowance for credit losses	**(21,600)**	(22,061)	461	
Total Loans Receivable	**$ 8,298,851**	$ 7,678,000	620,851	8

The Bank achieved a 9% increase in its retail portfolio finishing the year with a balance of $7.0 billion. This growth was primarily achieved through successful execution of the strategy to rebalance the retail portfolio and shift a portion of its residential mortgages book from low earning insured residential mortgages to higher earning alternative mortgages. Although the uninsured nature of alternative mortgages will generally result in higher credit provisions, the Bank has a strong credit history with this asset class over the past several years and will continue to monitor and assess the performance of the existing portfolio before expanding its alternative mortgage holdings beyond current levels.

Within the retail portfolio, consumer term loans also increased 11% over 2017 to finish the year at $407.6 million. Consumer loans are generally sourced through fintech partnerships that provide the Bank with technology savvy solutions to reach a broad range of consumers. Although the majority of the consumer loans are considered unsecured lending, the current year loan growth was primarily attributed to a portfolio for which the Bank has secured a limited financial guarantee from the originator. The limited financial guarantee is backed by a cash reserve account held on deposit with Concentra. As at December 31, 2018 approximately 42% of the consumer portfolio is now covered by the limited financial guarantee as compared to 28% in the prior year.

The commercial portfolio increased 5% over the prior year with a balance of $1.3 billion at year-end. This growth was primarily the result of increased broker relationships through the equipment leasing division, allowing Concentra to reach a broader market, including the build out of specialty lending programs such as solar panel installations and equipment financing for national franchises.

Table 9: Loans Geographic Concentration

As at December 31 *(Thousands of Canadian Dollars)*	BC	AB	SK	MB	ON	QC	ATL	Other
				2018				
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**

	BC	AB	SK	MB	ON	QC	ATL	Other
				2017				
Retail Portfolio								
Residential mortgages	$ 821,187	$ 1,643,297	$ 298,806	$ 111,890	$ 2,868,698	$ 4,735	$ 335,427	$ 2,260
Consumer term loans	36,702	67,198	18,993	10,130	151,076	62,428	19,647	1,306
Commercial Portfolio								
Mortgages	139,460	171,693	207,875	35,997	309,805	25,868	49,011	-
Term and revolving loans	1,268	26,091	57,090	1,341	37,404	1,219	4	328
Finance leases	5,453	17,774	65,445	11,221	66,023	8,509	6,930	472
Total Gross Loans	$ 1,004,070	$ 1,926,053	$ 648,209	$ 170,579	$ 3,433,006	$ 102,759	$ 411,019	$ 4,366
Geographic %								
Retail	13	27	5	2	46	1	6	-
Commercial	12	17	27	4	33	3	4	-

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 $750 thousand, 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
For the Year Ended December 31

(Thousands of Canadian Dollars)	**Gross Loans**			**Allowance for Credit Losses**			
				IFRS 9			**IAS 39**
	2018	**2017**	**Change ($)**	**2018**	**2017[(1)]**	**Change ($)**	**2017**
Retail Portfolio – Mortgages							
Low risk	**$ 4,822,006**	$ 5,407,897	(585,891)	**$ (947)**	$ (1,269)	322	$ (1,694)
Standard monitoring	**1,745,574**	652,570	1,093,004	**(1,421)**	(657)	(765)	(205)
Special Monitoring	**28,939**	19,429	9,510	**(71)**	(41)	(30)	(4)
Default	**6,213**	13,333	(7,120)	**(1,154)**	(1,258)	104	(460)
Retail Portfolio – Other							
Low risk	**53,292**	28,834	24,458	**(3)**	(2)	(1)	(79)
Standard monitoring	**352,267**	330,502	21,765	**(4,039)**	(4,090)	(41)	(1,013)
Special monitoring	**1,770**	1,154	616	**(360)**	(230)	(130)	(873)
Default	**308**	61	247	**(276)**	(56)	(220)	(60)
Commercial Portfolio							
Low risk	**134,547**	102,597	31,950	**(124)**	(95)	(29)	(237)
Standard monitoring	**1,109,345**	1,020,081	89,264	**(4,598)**	(5,849)	1,247	(4,519)
Special monitoring	**37,609**	110,050	(72,441)	**(4,068)**	(17,289)	13,221	(8,539)
Default	**28,581**	13,553	15,028	**(6,822)**	(4,378)	(2,444)	(4,378)
Totals	**$ 8,320,451**	$ 7,700,061	620,390	**$ (23,980)**	$ (35,214)	11,234	$ (22,061)
Allowance included in:							
Loans receivable				**$ (21,600)**	$ (33,337)		$ (22,061)
Other liabilities				**(815)**	(665)		-
Accumulated other comprehensive income				**(1,565)**	(1,212)		-

[(1)] The Bank adopted IFRS 9 effective January 1, 2018 without retrospective restatement. As such, the opening adjustment for IFRS 9 was calculated using December 31, 2017 closing loan balances and recorded as an adjustment to opening retained earnings in 2018.

	Allowance under IFRS 9		**Allowance under IAS 39**
% of gross loans	**2018**	**2017[(1)]**	**2017**
Retail Portfolio – Mortgages			
Low risk	**0.02**	0.02	0.03
Standard monitoring	**0.08**	0.10	0.03
Special Monitoring	**0.25**	0.21	0.02
Default	**18.57**	9.43	3.45
Total	**0.05**	0.05	0.04
Retail Portfolio – Other			
Low risk	**0.01**	0.01	0.27
Standard monitoring	**1.17**	1.24	0.31
Special monitoring	**20.34**	19.93	75.65
Default	**89.61**	93.33	100.00
Total	**1.17**	1.21	0.56
Commercial Portfolio			
Low risk	**0.09**	0.09	0.23
Standard monitoring	**0.41**	0.57	0.44
Special monitoring	**10.82**	15.71	7.76
Default	**23.87**	32.30	32.3
Total	**1.19**	2.22	1.42

In 2018 as part of its adoption of IFRS 9, the Bank has utilized 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. The implementation of the ECL model increased the allowances previously reported as at December 31, 2017 by $13.1 million, with the increase being primarily being attributable to:

(1) allowances within the retail portfolio being assessed based on loan specific factors rather than on a collective/portfolio basis; and (2) recognition of lifetime ECLs, particularly within the special monitoring category of the commercial portfolio which saw its allowance double from 7.76% of gross loans to 15.71% of gross loans.

Following the implementation of the ECL model, the overall $11.2 million decrease in allowances during 2018 was primarily driven by shifts within the credit quality of the Bank's loan portfolios. Specifically, the commercial portfolio experienced a significant improvement in credit quality as several troubled accounts were worked out during the year reducing the special monitoring category by $72.4 million. Although this reduction in special monitoring loans included an additional $15.0 million of loans transferred to default status during the year, the net reduction of substandard risk accounts has reduced the allowance for credit losses from 2.22% to 1.19% of gross loans representing $10.8 million of the overall recovery.

The significant recoveries within the commercial portfolio were partially offset by a $0.8 million increase in allowances for the retail portfolio driven by asset growth. Although this growth was driven by a shift in asset mix towards alternative mortgages as part of the Bank's asset diversification strategy in 2018, insured mortgages still represent a high proportion of the overall residential mortgage book. This combined with the strong credit history the Bank has experienced in the alternative mortgage space results in allowances for residential mortgages continuing to be relatively low at 0.05% of gross loans. For consumer loans, the allowance as a percentage from gross loans has decreased slightly from 1.21% to 1.17% as riskier loans from a legacy portfolio continue to mature and be replaced with higher quality loans from the Bank's new origination channels.

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)*	**2018**	**2017**	**Change $**	**Change %**
Qualifying Securities for Regulatory Purposes				
Government – federal	**$ 66,016**	$ 67,794	(1,778)	(3)
Government – federal guaranteed	**163,513**	200,488	(36,975)	(18)
Government – provincial	**201,425**	212,886	(11,461)	(5)
Corporate – non-financial institutions	**15,456**	23,928	(8,472)	(35)
Total Qualifying Securities	**446,410**	505,096	(58,686)	(12)
Cash	**174,170**	425,245	(251,075)	(59)
Residential mortgages held as NHA MBS(1)	**268,203**	492,951	(224,748)	(46)
Total Liquid Assets for Regulatory Purposes(2)	**$ 888,783**	$ 1,423,292	(436,684)	(29)
Non-Qualifying Liquid Securities				
Corporate – credit union	**$ 9,996**	$ 2,831	7,165	253
Corporate – chartered bank	**26,999**	2,513	24,486	974
Corporate – non-financial institutions	**26,964**	3,013	23,951	795
Asset-backed	**181,793**	83,968	97,825	117
Total Non-Qualifying Liquid Securities	**245,752**	92,325	92,325	166
Total Liquid Assets	**$ 1,134,535**	$ 1,515,617	153,427	(25)
% of total assets	**12**	17		
% of total deposits	**24**	40		

(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 decrease in liquid assets compared to the prior year is primarily attributable to the Bank's reduction in demand deposits, thereby reducing the cash outflows in the LCR calculation. The shift to term deposits has allowed the bank to reduce the amount of liquid assets on hand, redeploying those funds into longer-term, higher yielding assets.

Deposits

Retail deposits consist of guaranteed investment certificates ("GICs") and registered plan deposits which are primarily sourced through the nominee markets by third party brokerage firms. These nominee 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 nominee 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 relate to the floating notes issued to a broad group of investors in November of 2018. The deposit notes offering was well received within the market and is aligned with the Bank's strategy of diversifying its deposit sources, while gaining increased exposure among institutional investors.

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)*	**2018**	2017	**Change $**	**%**
Notice/Demand Deposits				
Credit union overnight accounts	**$ 324,594**	$ 341,444	(16,850)	(5)
Credit union redeemable terms	**9,821**	23,072	(13,251)	(57)
Retail cashable GICs	**2,199**	91,900	(89,701)	(98)
Retail registered plans	**94,330**	90,214	4,116	5
Commercial chequing accounts	**166,179**	164,317	1,862	1
	597,123	710,947	(113,824)	(16)
Term Deposits				
Retail non-redeemable GICs	**3,134,309**	2,176,096	958,213	44
Retail registered plans	**206,371**	243,928	(37,557)	(15)
Credit union non-redeemable terms	**718,149**	621,155	96,994	16
Floating rate notes	**150,368**	-	150,368	-
Commercial non-redeemable terms	**20,839**	640	20,199	3,156
	4,230,036	3,041,819	1,188,217	39
Total Deposits	**$ 4,827,159**	$ 3,752,766	1,074,393	29
Deposits by Source:				
Retail	**$ 3,437,209**	$ 2,602,138	835,071	32
Credit union	**1,052,564**	985,671	66,893	7
Capital markets	**150,368**	-	150,368	-
Commercial	**187,018**	164,957	22,061	13

Deposits funding increased 29% to $4.8 billion by the end of 2018. This overall increase in deposits was driven by growth in broker sourced non-redeemable term GICs combined with a $150 million floating rate note issuance in the capital markets. Throughout 2018, the Bank continued to prioritize term funding resulting in the second consecutive year of declining broker sourced demand deposits. The overall shift away from demand deposits is consistent with Bank's liquidity management strategy as broker sourced demand deposits would be considered higher risk during a period of stressed liquidity.

Securitizations

Table 13: Securitization Liabilities

As at December 31 *(Thousands of Canadian Dollars)*	**2018**	**2017**	**Change $**	**%**
Obligations Under the CMB Program				
Quarterly CMB issuances subject to a total return swap	**$ 1,879,662**	$ 2,152,227	(272,565)	(13)
	1,879,662	2,152,227	(272,656)	(13)
Obligations Under the NHA MBS Program				
Quarterly CMB issuances not subject to a total return swap	**366,532**	254,192	112,340	44
NHA MBS market pools	**1,628,025**	1,800,721	(172,696)	(10)
	1,994,557	2,054,913	(60,356)	(3)
Obligations to Multi-Seller Conduits	**108,910**	132,849	(23,939)	-
Total Securitization Liabilities	**$ 3,983,129**	$ 4,339,989	(356,860)	(8)

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.

Market conditions experienced during 2018 have resulted in diminishing returns related to insured residential mortgages as compared to prior years. Consequently, the Bank is no longer prioritizing the origination of new insured residential mortgages for securitization into the NHA MBS and CMB programs resulting in 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 $314.5 million at year-end (2017 - $453.9 million).

Table 14: Short-Term Funding Programs	**2018**			**2017**		
As at December 31 *(Thousands of Canadian Dollars)*	**Authorized**	**Drawn/ Encumbered**	**Available**	**Authorized**	**Drawn/ Encumbered**	**Available**
Revolving Credit Facilities						
Secured line of credit	**$ 500,000**	**$ 75,000(1)**	**$ 425,000**	$ 500,000	$ 50,000(1)	$ 450,000
SaskCentral line of credit	**100,000**	**3,908**	**96,092**	100,000	40	99,960
	600,000	**78,908**	**521,092**	600,000	50,040	549,960
Other Short-Term Funding Programs						
Bearer deposit notes	**300,000(2)**	**151,840**	**148,160**	300,000(2)	227,974	72,026
Securities sale and repurchase agreements	**1,180,038(2)**	**158,567**	**1,019,433**	1,088,018(2)	225,188	862,830
	1,478,000	**310,407**	**1,167,593**	1,388,018	453,162	934,856
Total Short-Term Funding Programs	**$2,078,000**	**$ 389,315**	**$ 1,688,685**	$ 1,988,018	$ 503,202	$ 1,484,816

(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 2018 or 2017.
(2) Internal policy utilization limit rather than external authorized limit.

No new facilities/programs were added in 2018 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:

- ***Securitizations:*** 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)*	**2018**	**2017**	**Change $**	**%**
Commercial and Retail Banking				
Securitizations	**$ 1,686,966**	$ 969,401	717,565	74
Retail	**333,608**	437,044	(103,436)	(24)
Commercial	**1,124,292**	1,087,070	37,222	3
	3,144,866	2,493,515	651,351	26
Trust				
Registered plans	**31,738,844**	30,228,907	1,509,937	5
Escrows, custodianships and corporate trusts	**760,392**	555,766	204,626	37
Estates, personal trusts and agencies	**98,125**	95,415	95,415	3
	32,597,361	30,880,088	1,717,273	6
Total Assets Under Administration	**$ 35,742,227**	$ 33,373,603	2,368,624	7

Assets under administration increased 7% ending the year with a total balance of $35.7 billion. The growth was driven primarily by the Trust segment as registered plans under administration increased by $1.5 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 Bank securitized an additional $771.9 million in multi-family/social housing loans during the year for which it continues to act 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 2018 and 2017, 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)		2018	2017
Common Equity Tier 1 Capital			
Common shares		**$ 134,252**	$ 134,252
Retained earnings		**233,807**	213,127
Accumulated other comprehensive income		**156**	(1,423)
Regulatory adjustments		**(22,069)**	(21,736)
Total Common Equity Tier 1 Capital		**346,146**	324,220
Additional Tier 1 Capital			
Non-cumulative preferred shares		**110,987**	110,987
Total Tier 1 Capital		**457,134**	435,207
Tier 2 Capital			
General allowances (1)		**14,881**	-
Total Regulatory Capital		**472,015**	435,207
Total Risk Weighted Assets		**$ 2,926,878**	$ 2,482,856
Capital Ratios	**OSFI Limit**		
Common Equity Tier 1 capital to risk-weighted assets	**7.0%**	**11.8%**	13.1%
Tier 1 capital to risk weighted assets	**8.5%**	**15.6%**	17.5%
Total capital to risk weighted assets	**10.5%**	**16.1%**	17.5%
Leverage Ratio(2)	**3.0%**	**4.6%**	4.7%

(1) *The 2018 Capital Adequacy Requirements Guideline permits the automatic inclusion of Stage 1 and Stage 2 allowances calculated in accordance with IFRS 9, provided certain eligibility criteria are met by the institution. Previously general allowances were only included as Tier 2 capital with written permission from OSFI.*

(2) *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 reduced capital ratios in 2018 were a result of the Bank's 18% overall increase in risk-weighted assets ("RWA"). The following table summarizes the Bank's RWA calculation:

Table 17: Risk-Weighted Assets

As at December 31	**2018**			**2017**		
(Thousands of Canadian Dollars)	**Net Exposure**	**Effective Risk %**	**Risk-Weighted Amount**	**Net Exposure**	**Effective Risk %**	**Risk-Weighted Amount**
Cash	**$ 174,170**	**20**	**$ 34,834**	$ 425,245	20	$ 85,049
Securities	**1,060,493**	**12**	**128,831**	904,716	10	93,545
Retail Portfolio						
Residential mortgages – insured	**4,588,955**	**-**	**5,155**	5,058,485	-	7,647
Residential mortgages – uninsured	**2,011,748**	**35**	**707,440**	1,025,452	36	365,797
Term loans – unsecured	**402,959**	**75**	**302,095**	365,455	74	268,762
Commercial Portfolio						
Mortgages	**951,192**	**101**	**962,038**	925,508	101	936,765
Term and revolving loans	**112,815**	**83**	**93,080**	123,942	90	111,193
Finance leases	**231,182**	**81**	**186,307**	179,158	82	146,577
Other Assets	**145,895**	**91**	**132,950**	118,711	91	108,501
Total Assets	**9,679,409**		**2,552,730**	9,126,672		2,123,836
Off-Balance Sheet Items						
Credit commitments	**592,571**	**30**	**178,338**	706,907	25	179,516
Total Credit Risk	**10,271,980**		**2,731,068**	9,833,579		2,303,352
Operational Risk	**-**		**195,810**	-		179,504
Total Risk-Weighted Assets	**$ 10,271,980**		**$ 2,926,878**	$ 9,833,579		$ 2,482,856

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 increase in RWA is primarily a result of the on-balance sheet asset growth achieved in the current year, particularly within the uninsured residential mortgages book.

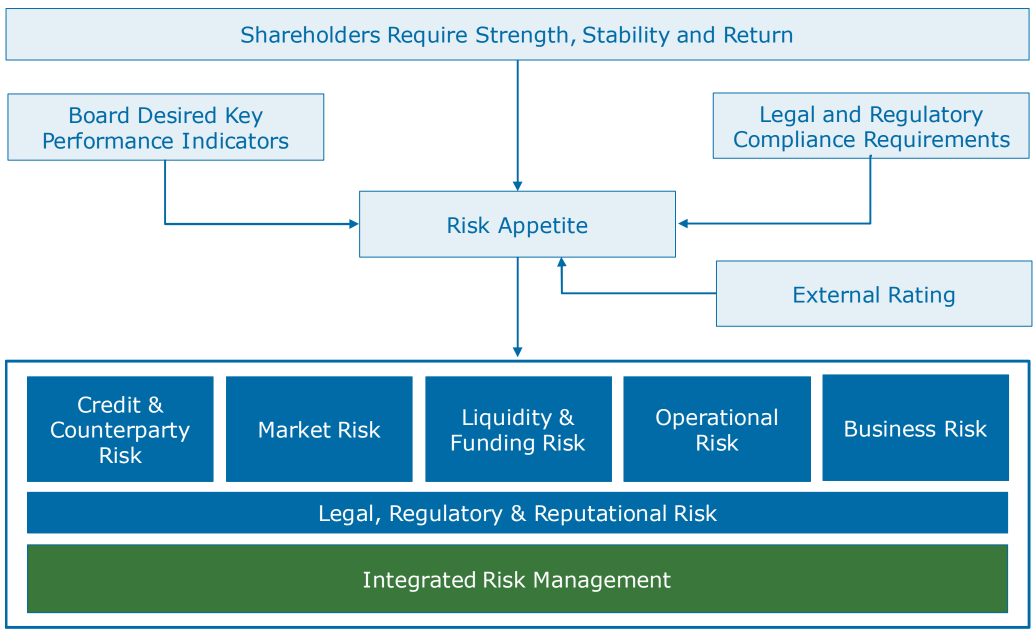
RISK MANAGEMENT OVERVIEW

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 and Corporate Policy 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.

Business Operations	***Risk Management Group***	***Internal Audit***
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)
• 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.	• 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.	• 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.

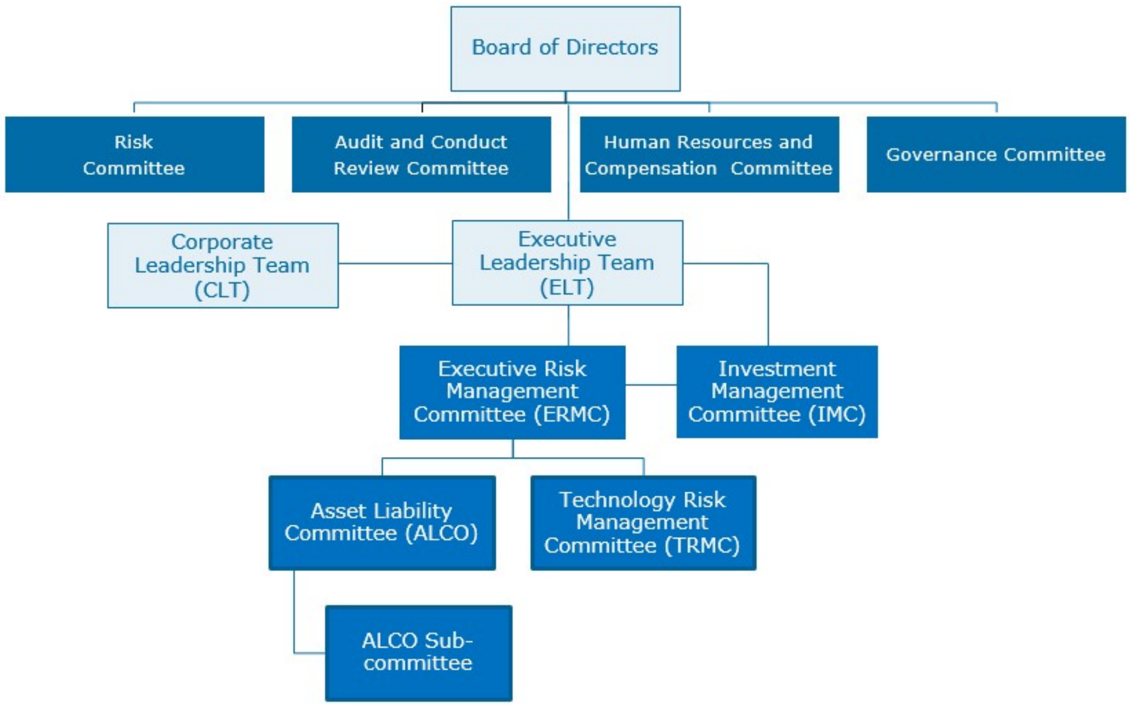
Chief Risk Officer and Risk Management Group Mandates

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.

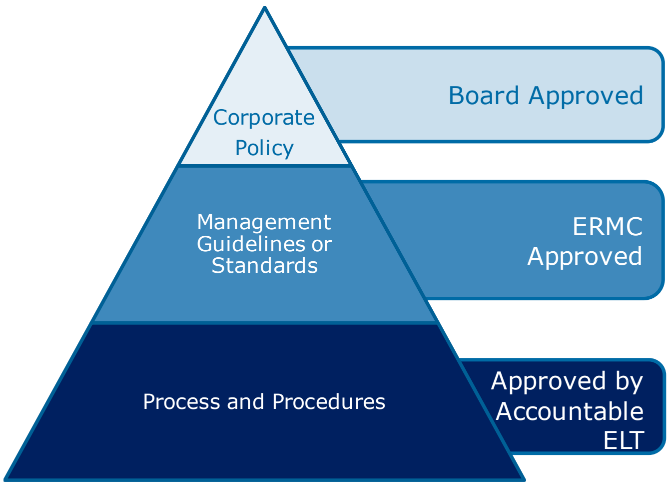
Executive Risk Management Committee	Concentra's senior risk committee reviews the Bank's comprehensive assessment of current and emerging risks, individually and in aggregate and promotes an integrated and effective risk culture. The ERMC also assesses risk based capital requirements in light of the risks the Bank takes within its stated risk appetite and limits as set by Senior Management and the Board of Directors.
Asset Liability Committee	Oversees the management of Concentra'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.
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.
Technology Risk Management Committee	Ensures effective enterprise-level governance and controls are in place for managing information technology (IT) risk for Concentra. The TRMC provides oversight to the Bank's IT risk profile, related processes and assessments, policies and standards, and emerging IT risks.

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 Concentra risk profile in alignment with its accountabilities and responsibilities, and escalates key risk issues as appropriate.

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.



The Board of Directors review, approve and oversee the Corporate Policy.

The Corporate Policy is supported by Management Guidelines, approved by the Executive Risk Management Committee (ERMC).

More granular processes and procedures at the business unit level are approved by the accountable Executive Leadership Team (ELT) member.

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.

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, and complying with regulatory expectations, regulations and guidelines. In addition, the Board approved credit risk strategy guides credit activities within the risk appetite and capital capacity of the Bank.

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

The Credit Risk function of Concentra is part of the Risk Management Group and is segregated from credit business generation activities. It is responsible for delegating credit approval limits to business units and approving loan, lease, consumer and residential mortgage applications in excess of the credit authority delegated. 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 (non-trading)

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.

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 liquidity contingency 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 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 addition to stress testing, the Bank uses models for a variety of purposes, including but not limited to 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.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes or systems, human error or from external events.

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 ERMC. The TRMC focuses specifically on the effectiveness of enterprise-level governance and controls for management information technology risk.

Business Risk

Business 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.

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. Operational planning and budgeting is undertaken to develop the annual business plan. The Concentra strategy and risk appetite are clearly and explicitly linked for successful implementation of the strategic plan and the mitigation of business risk.

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 financial loss, business sanctions or additional oversight, due to deterioration in stakeholders’ perception of Concentra from negative publicity, whether true or not. Reputation risk generally arises from a deficiency in managing another risk.

Concentra has 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.

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 Policy 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