Concentra®

CONCENTRA BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 $11 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, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2020. 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 3, 2021 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, continued impacts of the COVID-19 pandemic, 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
Efficiency Ratio	• Non-interest expenses as a percentage of total revenue • Gauges how much it costs us to generate each dollar of total revenue and indicates how efficiently we operate
Operating Leverage Ratio	• The difference between the year-over-year growth rate of total revenue and the year-over-year growth rate of non-interest expenses less incentive compensation and capital and excise tax • 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

2020 Highlights

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

(Thousands of Canadian Dollars)	**2020**	**2019**	**2018**
Results of Operations			
Total revenue[(1)]	**$ 121,307**	$ 120,988	$ 114,879
Net interest income	**95,944**	96,428	90,407
Non-interest income	**25,363**	24,560	24,472
Non-interest expense	**77,605**	71,382	66,452
Net income	**25,383**	30,082	40,555
Credit Quality			
Net impaired loans	**26,528**	40,705	27,568
Net impaired loans as % of gross loans	**0.30%**	0.54%	0.33%
Provision for credit (recoveries) losses	**8,894**	6,894	(7,598)
Provision for credit (recoveries) losses as % of gross loans	**0.10%**	0.09%	(0.09%)
Financial Ratios			
Return on equity	**5.2%**	6.6%	10.0%
Efficiency ratio	**64.0%**	59.0%	57.8%
Operating leverage ratio	**(6.8%)**	(7.5%)	(2.2%)
Return on investment	**4.0%**	4.0%	4.0%
Capital Adequacy Ratios			
Common Equity Tier 1 capital to risk weighted assets	**12.8%**	13.3%	11.8%
Tier 1 regulatory capital to risk weighted assets	**16.4%**	17.3%	15.6%
Total regulatory capital to risk weighted assets	**17.1%**	17.9%	16.1%
Leverage ratio	**4.4%**	5.2%	4.6%

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

2021 Outlook

Corporate Strategy

Concentra continues to focus on our digital strategy and modernization of the Bank with a diversification shift from its legacy indirect model to a more direct to consumer model through a mixture of direct to consumer businesses or aided through partnerships. The Bank has a long-term vision to be Canada's leading Mid-Market Bank. In 2021 we have big plans to launch an exciting new brand. It will align with our strategy and align with our compelling value position of being "The Bank that Does™". Through the F2021 plan, there are significant investments in the infrastructure of the Bank to create a more modern digital infrastructure to improve automation and efficiency.

Despite the COVID-19 backdrop, Concentra accomplished many initiatives during 2020 and started our journey to become "The Bank that Does™". We moved our digital strategy forward by focusing on our foundational capabilities and leveraging partnerships. This will continue throughout 2021 by creating modern & scalable platforms. We will see significant progress on our Smart Digital strategy, improve efficiency through automation and will launch our new brand in 2021.

Asset Growth

Modest asset growth is expected throughout 2021 and the Bank continues to optimize the business mix to drive profitability throughout 2021.

In 2020, we grew our direct business within our Residential Mortgages portfolio by hiring mobile mortgage specialists and launching a 5 Year Closed Variable Rate mortgage product. We will continue to grow the direct business as well as continuing to partner with third party vendors to grow this portfolio throughout 2021.

The consumer lending portfolio is expected to have sizable growth in 2021 to boost Net Interest Margin and overall profitability. This portfolio will include a partnership with a fintech to bring a credit card offering to Canadians.

Commercial loan origination activities in 2021 will be focused on higher risk-adjusted return on capital ("RAROC") business and include conventional construction loans, insured construction loans and First Nations specific claims financing. We will continue our syndication activities with our credit union partners who are seeking these types of transactions.

Credit Quality

Concentra's credit performance in 2020 was impacted by the pandemic but the Bank was able to actively manage the exposure within historical norms despite the impacts of COVID-19. Provisions are higher year over year due to somewhat pessimistic forward-looking indicators about the Canadian economy and high level of uncertainty that the pandemic has caused.

Provisions related to IFRS 9 continue to be volatile as economic forecasts have a strong impact on the provisions for credit loss. In 2021, 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 the execution of Concentra's long term strategy, direct to customer loans and deposits will increase as a percentage of Concentra's overall portfolio.

Consistent with 2020, the Bank will continue to pursue additional deposit channels to increase our funding base to enable growth of our lending programs. This will include expansion of both direct-to-customer and capital market offerings as well as partnering with a fintech to offer a new savings product to Canadians.

Expenses are expected to increase in 2021 as we build "The Bank that Does™", as well as focus on driving revenue growth through new and existing partnerships. Significant investments in our Smart Digital strategy to implement a digital platform and building teams within the Bank to support cybersecurity, network and cloud migration are planned for 2021. The expenses related to the launch of our new brand are also planned for 2021 so that we can execute on building out our key strategic initiatives.

Significant Developments: COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continues to have a significant adverse impact on the Canadian economy. Public health measures implemented in several jurisdictions to limit the spread of the virus resulted in temporary restrictive measures placed upon non-essential businesses during 2020. Further restrictive public health measures implemented in the fourth quarter to curb the second wave of the COVID-19 pandemic present the risk that economic activity could be adversely impacted beyond original expectations. The Bank continues to operate in an uncertain macroeconomic environment.

We enacted our business continuity plans in the first quarter upon the WHO declaring COVID-19 a pandemic. Steps taken to keep our staff safe include continued support of work from home arrangements, as well as restrictions on travel and in-person gatherings which remain in place. We have had no layoffs or furloughs related to the economic impact of the pandemic.

Results across all our business lines have been and continue to be impacted by downstream implications from the changes in the macroeconomic environment, including lower interest rates, modest consumer spending relative to pre-pandemic levels and fluctuations in credit spreads.

Despite these challenging conditions, the bank benefitted by going into the pandemic having a very good business franchise and strong capital and liquidity levels. Accordingly we weathered the economic challenges well and had good business and financial results in 2020.

Throughout the pandemic we have engaged in transparent and frequent communication with OSFI, providing a comprehensive view of our risk management response to COVID-19. Regular contact with and reporting to OSFI on our COVID-19 response will continue into the future as appropriate.

Given the uncertainty of the extent and duration of the COVID-19 pandemic and its impacts on the economy and society, as well as the timeline of the transition to a fully reopened economy, the future impact on our business and our financial results and condition remains uncertain. Despite recent positive vaccine trial results, the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty. Commencing in the first quarter of 2020, in response to the COVID-19 pandemic, we instituted various measures and programs to protect and support our employees and clients. We have and will continue to review the effectiveness of these measures and programs and adapt them accordingly.

On March 27, 2020 OSFI announced special treatment of capital and liquidity requirements for borrowers requesting payment deferrals. To track the payment deferral requests, Concentra created Special Account Teams for all credit portfolios to monitor the deferral request volumes and balances on a daily basis.

On August 31, 2020 OSFI announced the decision to discontinue the special regulatory capital treatment of deferrals, which permitted loan payment deferrals to be treated as performing, reflecting the temporary nature of these measures. The gradual phase out of this special capital treatment supports the ongoing stability of Canada's financial system by ensuring a smooth transition back to pre-existing requirements. Key measures announced for banks included (1) loans granted payment deferrals before August 31, 2020 were still eligible for the six-month special capital treatment; (2) loans granted payment deferrals after August 30, 2020 and on or before September 30, 2020 were eligible for the special capital treatment for up to three months; and (3) loans granted payment deferrals after September 30, 2020 were not eligible for the special capital treatment.

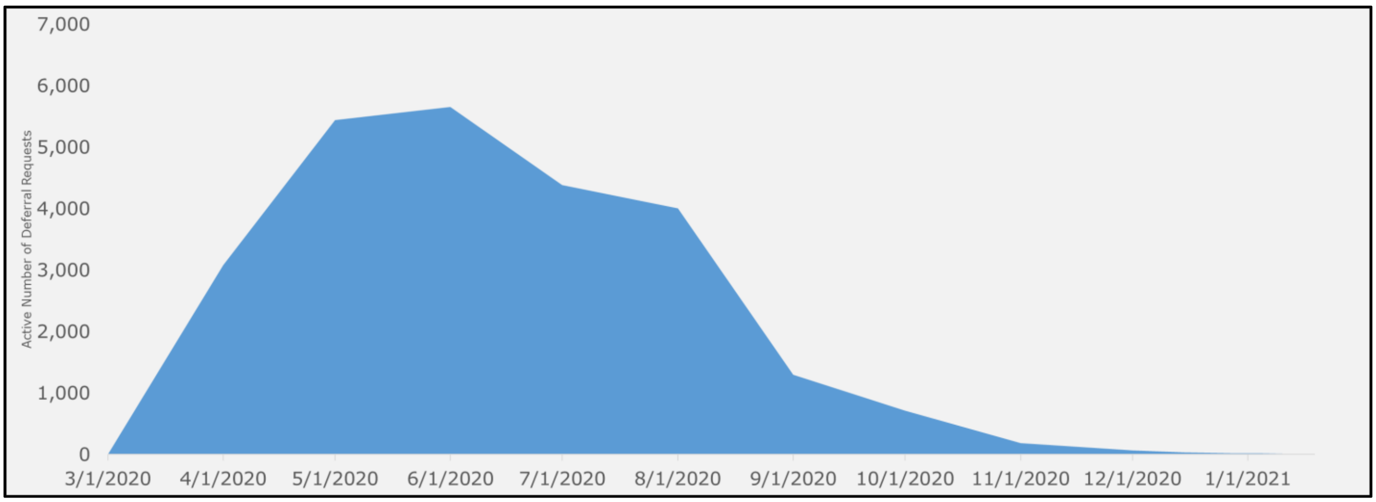
As of first week of June 2020, the number of active deferrals for the loans on Concentra's balance sheet peaked at 5,604 with a total loan value of $1.5 billion corresponding to approximately 21% of the Concentra's outstanding balance in aggregate credit portfolios.

Table 2: Aggregated Active Deferrals per Portfolio

As at: *(Thousands of Canadian Dollars)*	**December 31, 2020**		**June 4, 2020**	
	Number of Deferral Requests	**Loan Value of Deferral Requests**	Number of Deferral Requests	Loan Value of Deferral Requests
Residential Insured	**13**	**$3,843**	3,134	$803,386
Residential Uninsured	**3**	**805**	1,412	483,417
Residential Mortgages Total	**16**	**4,648**	4,546	1,286,803
Commercial Lending	**-**	**-**	84	203,963
Equipment Financing	**3**	**856**	287	45,089
Consumer Lending	**2**	**93**	687	9,315
Total	**21**	**$5,597**	5,604	$1,545,170

Following the peak observed in the first week of June 2020, the active deferral numbers for Concentra continuously declined, as the majority of the borrowers who applied for deferrals either resumed normal payments or paid out their loans. As at December 31, 2020, there were 21 total active deferrals with a total loan value of $5.6 million corresponding to 0.1% of the Concentra's outstanding balance in aggregate credit portfolios.

Aggregate Credit Portfolio Active Number of Deferrals Trending



On August 4, 2020 Concentra established the Special Account Management Unit (SAMU) to provide oversight and day-to-day management of the Bank's high-risk commercial loan portfolio with the objective of reducing exposure and minimizing loan losses. The portfolio includes accounts that were subject to loan payment deferrals, watch list accounts, delinquent and non-performing loans, and all the hospitality accounts as these were deemed higher risk due to the ongoing impact of the COVID-19 pandemic. The Bank took specific management action to reduce exposure in this portfolio because of COVID-19. The SAMU team works closely with borrowers and origination and servicing partners, developing workout solutions on an account-by-account basis, with the objective of returning loans to performing status or acceptable risk, restructuring, or achieving payout.

Cyber threats and phishing activity are affecting Canadian businesses, including the banking industry, more than ever. The Bank has enhanced its cyber security capacity throughout 2020 and continues to in 2021. Enhanced training on a variety of topics including cyber threats, protecting the confidentiality of information in remote working arrangements and theft and fraud detection and prevention continue to take place.

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 3: Net Interest Income and Margin

For the Year Ended December 31	**2020**				**2019**			
(Thousands of Canadian Dollars)	**Average Balance**	**Mix (%)**	**Interest**	**Yield (%)**	**Average Balance**	**Mix (%)**	**Interest**	**Yield (%)**
Assets								
Cash	**$707,213**	**7**	**$ 6,040**	**0.85**	$402,670	4	$ 7,094	1.76
Securities								
Corporate portfolio	**810,539**	**8**	**11,724**	**1.45**	627,591	7	12,875	2.05
Securitized portfolio	**414,090**	**4**	**4,763**	**1.15**	392,354	4	6,946	1.77
Loans								
Residential mortgages – securitized	**3,732,996**	**36**	**83,960**	**2.25**	3,678,879	39	81,866	2.23
Residential mortgages – non-securitized	**2,794,530**	**28**	**95,546**	**3.42**	2,528,253	27	95,038	3.76
Consumer term loans [(1)]	**493,115**	**5**	**26,741**	**5.42**	454,651	5	27,916	6.14
Commercial mortgages, loans & leases	**986,248**	**10**	**45,626**	**4.63**	1,195,699	12	54,958	4.60
Other securitization assets	**88,405**	**1**	**1,533**	**1.73**	71,323	1	1,450	2.03
Total Earning Assets	**10,027,136**	**99**	**275,933**	**2.75**	9,351,420	99	288,143	3.08
Other assets	**81,883**	**1**	**-**	**-**	70,934	1	-	-
Total Assets	**$10,109,019**	**100**	**$275,933**	**2.73**	$9,422,354	100	$288,143	3.06
Liabilities & Shareholders' Equity								
Deposits								
Retail	**$2,954,895**	**29**	**$79,148**	**2.68**	$3,117,395	33	$84,251	2.70
Credit union	**1,958,764**	**19**	**19,722**	**1.01**	1,255,682	13	24,047	1.92
Commercial	**394,290**	**4**	**3,641**	**0.92**	220,650	2	3,425	1.55
Capital Markets	**231,966**	**2**	**4,189**	**1.81**	150,338	2	4,176	2.78
Securitization Liabilities								
CMB program	**1,323,801**	**13**	**21,640**	**1.63**	1,752,235	19	27,783	1.59
NHA MBS program	**2,233,725**	**22**	**43,806**	**1.96**	1,897,808	20	37,017	1.95
Multi-seller conduit	**73,569**	**1**	**1,927**	**2.62**	96,562	1	2,229	2.31
Loans and notes payable								
Lines of credit	**12,684**	**-**	**182**	**1.43**	4,534	-	160	3.53
Bearer deposit notes	**268,172**	**3**	**4,571**	**1.70**	280,341	3	6,374	2.27
Repurchase agreements	**65,589**	**1**	**401**	**0.61**	81,188	1	1,484	1.83
Total Funding Liabilities	**9,517,455**	**94**	**179,227**	**1.88**	8,856,733	94	190,946	2.16
Other liabilities	**64,796**	**1**	**762**	**1.18**	61,926	1	769	1.24
Shareholders' equity	**526,768**	**5**	**-**	**-**	503,695	5	-	-
Total Liabilities & Shareholders' Equity	**$10,109,019**	**100**	**$179,989**	**1.78**	$9,422,354	100	$191,715	2.04
Net Interest Income and Margin			**$95,944**	**0.95**			$96,428	1.02

[(1)] Interest income on consumer term loans is presented net of $15,452 (2019 - $9,205) 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 reported within other direct expenses in the consolidated statement of income in accordance with the requirements of IFRS.

In 2020, the Bank of Canada cut the policy interest rate by 150 basis points due to the economic uncertainty of the COVID-19 pandemic. As a result, many of the Bank's asset yields fell as loans were renewed or funded at lower rates compared to the prior year. Correspondingly, cost of funds for the Bank's liabilities fell, however, for certain funding sources such as retail deposits, the reduction in cost of funds did not match the loss in yield on earning assets, resulting in margin compression. The Bank shifted its deposit mix heavily towards Credit Union deposits, a low cost of funds source, which offset margin compression. The Bank continues to manage interest rate risk within acceptable risk levels.

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 4: Provision for Credit Losses

For the Year Ended December 31		2020			2019	
(Thousands of Canadian Dollars)	**Unrealized**	**Realized**	**Total**	**Unrealized**	**Realized**	**Total**
Retail Portfolio						
Residential mortgages	**$ 1,253**	**$ 303**	**$ 1,556**	$ 1,207	$ 532	$ 1,739
Consumer term loans	**(78)**	**2,056**	**1,978**	(431)	3,294	2,863
Commercial Portfolio						
Mortgages and loans	**5,211**	**(23)**	**5,188**	1,982	(53)	1,929
Finance leases	**(460)**	**351**	**(109)**	391	60	451
Securities	**281**	**-**	**281**	(88)	-	(88)
Total Provision for Credit Losses	**$ 6,207**	**$ 2,687**	**$ 8,894**	$ 3,061	$ 3,833	$ 6,894
% of gross assets						
Retail Portfolio						
Residential mortgages	**0.02**	**0.00**	**0.02**	0.02	0.01	0.03
Consumer term loans	**(0.01)**	**0.39**	**0.38**	(0.08)	0.62	0.54
Commercial Portfolio						
Mortgages and loans	**0.74**	**0.00**	**0.74**	0.21	(0.01)	0.21
Finance leases	**(0.23)**	**0.18**	**(0.05)**	0.20	0.05	0.25
Securities	**0.02**	**0.00**	**0.02**	(0.01)	0.00	(0.01)
Total Provision for Credit Losses	**0.06**	**0.03**	**0.10**	0.04	0.05	0.09

In 2020, the Bank recognized $8.9 million in credit losses compared to a $6.9 million in 2019. The Provision for Credit Losses includes additions to the Bank's expected credit loss ("ECL") allowances, net of any realized write-offs or recoveries during the year, plus the impact of a limited financial guarantee for the Bank's consumer lending portfolio.

The COVID-19 pandemic presented an unforeseen and unprecedented shock to the Canadian economy in 2020 which resulted in heightened unemployment and a more pessimistic macroeconomic outlook relative to 2019. Unrealized credit losses were recorded as a result, with the Bank's commercial portfolio experiencing the most significant increase in unrealized PCLs as loans in higher risk industry sectors were reevaluated for credit risk in the context of the economic fallout from COVID-19. Since the outset of the pandemic, the Bank has actively managed credit risk in its commercial portfolio by reducing exposures to high risk industry sectors by way of selling loans and forgoing to renew certain loans upon maturing of the contractual term.

PCLs for the Bank's retail portfolio were consistent with 2019 as a high proportion of the residential mortgages portfolio are insured with lower allowance rates compared to the uninsured portfolio. The Bank's consumer term loans portfolio is primarily composed of loans that are structured to include a partial financial guarantee. This had a positive benefit in 2020 as it limited the impact of unrealized PCLs.

Realized losses totaled $2.7 million in 2020 compared to $3.8 million in 2019, representing a 29.9% decrease in realized PCLs. This decrease was due to lower write-offs within the consumer lending portfolio as the majority of the Bank's consumer loans are now subject to a cash reserve credit enhancement feature which reduces the overall loss rates for the portfolio. As of December 31, 2020, the COVID-19 pandemic has not had a material impact on realized write-offs as loan deferral arrangements have lessened the number of defaults that would have otherwise occurred.

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 12 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 5: Non-Interest Income

For the Year Ended December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**Change %**
Fee for Service Income				
Commercial and retail banking	**$ 8,123**	$ 8,842	(719)	(8)
Trust	**9,194**	9,437	(243)	(3)
Rental	**633**	598	35	6
	17,950	18,877	(927)	(5)
Gain on Financial Instruments				
Unrealized and realized (losses) gains on securities	**(881)**	569	(1,450)	(255)
Ineffective portion of fair value hedges	**(56)**	8	(64)	(800)
Realized gains on loans	**2,950**	1,828	1,122	61
Gain on derecognized securitizations	**5,838**	3,945	1,893	48
Unrealized and realized losses on derivatives	**(438)**	(733)	295	40
	7,413	5,617	1,796	32
Investment Property Income				
Net operating income	**-**	141	(141)	(100)
Fair value adjustment	**-**	(75)	75	100
	-	66	(66)	(100)
Total Non-Interest Income	**$ 25,363**	$ 24,560	803	3

Non-interest income increased slightly from prior year, finishing the year at $25.4 million compared to $24.6 million in 2019. The modest increase in non-interest income is primarily attributed to the following:

- Realized gains on loans increased by $1.1 million over prior year due the sale of a sub-portfolio of the consumer loans book early in 2020 back to the originating entity, as well as gains realized on the sale of certain commercial loans sold in the second quarter 2020 to manage credit risk exposure.
- Gains from derecognized securitizations increased by $1.9 million in 2020 due to favourable interest rate movement and the Bank leveraging existing relationships to obtain more insured multi-family and social housing mortgages for securitization into the Canadian Mortgage and Housing Corporation ("CMHC") sponsored programs.
- Commercial and retail banking fees decreased 8% over the prior year due to lower syndication, servicing fees, and banking fees from the Bank's various commercial, credit union and retail clients.
- Trust fee for service decreased 3% as a result of challenging economic conditions due to COVID-19 lockdown measures delaying certain trust services that are dependent on provincial court systems.
- Losses on securities in the current year of $0.9 million due to realized losses on the sale of certain investment fund securities.
- The Bank sold an investment property in 2019 and therefore income earned from this source was $nil in 2020.

Non-Interest Expense

Table 6: Non-Interest Expense

For the Year Ended December 31 *(Thousands of Canadian Dollars)*	**2020**	2019	**Change $**	**%**
Salaries and Employee Benefits				
Salaries	**$ 33,096**	$ 29,140	3,956	14
Termination benefits	**732**	636	96	15
Employee benefits	**6,838**	6,517	321	5
Incentive compensation	**5,556**	4,172	1,384	33
	46,222	40,465	5,757	14
Information Technology				
Computer software/hardware and equipment	**8,518**	7,495	1,023	14
Depreciation and amortization	**1,172**	827	345	42
	9,690	8,322	1,368	16
Other Operating Expenses				
Administrative	**3,862**	4,687	(825)	(18)
Insurance and licenses	**3,071**	3,323	(252)	(8)
Marketing and public relations	**935**	1,030	(95)	(9)
Governance	**706**	1,070	(364)	(34)
	8,574	10,110	(1,536)	(15)
Professional and Advisory Services				
Consulting and other professional fees	**5,036**	5,800	(764)	(13)
Legal fees	**1,410**	619	791	128
	6,446	6,419	27	-
Occupancy				
Rent	**764**	735	29	4
Maintenance and other property expenses	**740**	628	112	18
Depreciation	**1,137**	1,047	90	9
	2,641	2,410	231	10
Capital and excise taxes	**4,032**	3,656	376	10
Total Non-Interest Expense	**$ 77,605**	$ 71,382	6,223	9
Key Expense Ratios:				
Efficiency ratio	**64.0%**	59.0%		
Operating leverage ratio	**(6.8%)**	(7.5%)		

The Bank continued to invest in foundational elements of its strategic plan, growing both its personnel and digital capabilities in 2020, which represented $7.1 million. This increase was offset in savings in discretionary spending as management curtailed business as usual spending in response to economic uncertainty arising due to the COVID-19 pandemic. Non-interest expenses increased 9% in 2020 finishing the year at $77.6 million. The increase was primarily attributed to the following:

- Salaries and employee benefits increased 14% year over year. The Bank made significant investments in strategic human capital. A new mobile mortgage business unit was created in 2020, with good balance sheet growth during the year, which resulted from a commensurate addition of new mortgage professionals in the bank. Several key new roles were added related to our new digital banking strategy. The Bank also made the decision to in-source the entire Internal Audit function during the year, previously the function had been outsourced. There were other hires in Risk Management and Operations, in addition to normal inflationary increases and salary progression.
- Information technology increased $1.4 million as the Bank expands its technology in order to support the increasing digital demand of the Bank's strategic initiatives.
- Other operating expenses decreased $1.5 million mainly due to the reduction of travel, license and governance expenses due to cost containment measures put in place early in 2020 to manage expenses during the COVID-19 pandemic.
- Professional and advisory services were consistent year over year as we brought the internal audit function in house as well as limiting the use of consultants as a cost containment measure during the pandemic. These savings were offset by an increase in legal fees for contract development and analysis to support Concentra's new strategic initiatives.

The increase in non-interest expenses was greater than the increase in total revenue driving up the Bank's efficiency ratio to 64.0%. The operating leverage ratio reflects the continued strategic investments being made in the Bank.

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 7: Other Comprehensive Income

For the Year Ended December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**Change %**
FVOCI Securities				
Net unrealized gains	**$ 11,713**	$ 4,712	7,001	149
Realized gains reclassified to net income	**(32)**	(416)	384	92
Impairment (recovery) reclassified to net income	**281**	(88)	369	419
Income tax	**(3,222)**	(1,136)	(2,086)	(184)
	8,740	3,072	5,668	185
FVOCI Loans				
Net unrealized gains	**9,265**	1,378	7,887	572
Realized gains reclassified to net income	**(386)**	(1,665)	1,279	77
Impairment reclassified to net income	**11**	267	(256)	(96)
Income tax	**(2,394)**	8	(2,402)	(30,025)
	6,496	(12)	6,508	54,233
Cash Flow Hedges				
Realized (losses) gains on designated derivatives	**(7,121)**	804	(7,925)	(986)
Reclassification of gains (losses) to net income	**391**	(779)	1,170	150
Income tax	**1,813**	(6)	1,819	30,317
	(4,917)	19	(4,936)	(25,979)
Total Other Comprehensive Income	**$ 10,319**	$ 3,079	7,240	235

In 2020, OCI totaled $10.3 million compared to $3.1 million in 2019. Three separate Bank of Canada interest rate cuts in early 2020 had a positive mark to market adjustment for the Bank's securities and loans classified as FVOCI, the majority of which carry fixed interest rates.

Income Taxes

As a Schedule 1 bank with operations across Canada, the Bank is subject to income tax in multiple jurisdictions. The Bank's effective tax rate for 2020 was 27.0%, a decrease from 29.6% in 2019. This decrease was due to statutory corporate income tax rates reducing in Alberta and Nova Scotia, as well as other adjustments.

FINANCIAL REVIEW – BALANCE SHEET

Loans

The Bank maintains portfolios of both retail and commercial loans. These portfolios are primarily sourced through third party brokers, credit unions, 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 9: Loans Receivable

As at December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**Change %**
Retail Portfolio				
Residential mortgages – insured	**$4,998,030**	$4,162,969	835,061	20
Residential mortgages – uninsured	**2,438,650**	1,790,696	647,954	36
Consumer term loans	**527,116**	527,429	(313)	-
	7,963,796	6,481,094	1,482,702	23
Commercial Portfolio				
Mortgages	**563,028**	786,492	(223,464)	(28)
Term loans	**136,682**	131,649	5,033	4
Lines of credit and overdrafts	**405**	4,022	(3,617)	(90)
Finance leases	**199,662**	182,319	17,343	10
	899,777	1,104,482	(204,705)	(19)
Total Gross Loans	**$8,863,573**	$7,585,576	1,277,997	17

Allowance for credit losses	**(34,732)**	(26,746)	(7,986)	30
Total Loans Receivable	**$8,828,841**	$7,558,830	1,270,011	17

In 2020, the Bank focused its growth on loan products with lower credit risk profiles to manage its exposure in a time of economic uncertainty. The Bank experienced a 17% increase in total loans, which was driven by significant growth within its retail portfolio.

The retail portfolio increased by 23% over the prior year, finishing the year with a balance of $8.0 billion. Growth in the Bank's insured and uninsured residential mortgages drove the majority of the growth in retail with significant mortgage volumes brought on in the latter half of the calendar year. Consumer term loans were generally held static compared to the prior year despite selling an $81 million sub-portfolio back to the originating entity during Q1 2020. The Bank re-weighted the composition of the consumer portfolio to be more heavily concentrated in a portfolio for which the Bank has a limited financial guarantee backed by a cash reserve account held on deposit with Concentra, reducing the credit risk exposure for the Bank. As at December 31, 2020 approximately 83% of the consumer portfolio is now covered by the limited financial guarantee as compared to 61% in the prior year.

The commercial portfolio decreased 19% over the prior year, finishing the year with a balance of $0.9 billion. This reduction in the portfolio was driven by management action to reduce risk exposure to vulnerable industry sectors in the context of the COVID-19 pandemic. Exposures to higher risk industries such as hospitality, construction and commercial real estate were reduced by way of strategic loan sales and managing the renewal process to limit credit exposure on higher risk accounts for industries impacted by the economic slowdown caused by COVID-19. Refer to Note 18.1.4 of the Consolidated Annual Financial Statements for further detail on the Bank's credit exposures by industry.

Table 10: Loans Geographic Concentration

As at December 31				**2020**				
(Thousands of Canadian Dollars)	**BC**	**AB**	**SK**	**MB**	**ON**	**QC**	**ATL**	**Other**
Retail Portfolio								
Residential mortgages	**$ 941,055**	**$1,632,112**	**$254,719**	**$131,505**	**$4,135,483**	**$ 9,389**	**$331,260**	**$ 1,157**
Consumer term loans	**43,837**	**78,769**	**22,173**	**16,309**	**178,212**	**146,032**	**40,620**	**1,164**
Commercial Portfolio								
Mortgages	**135,412**	**82,736**	**86,707**	**13,214**	**207,191**	**17,116**	**20,652**	**-**
Term and revolving loans	**12,436**	**25,455**	**37,044**	**2,537**	**57,274**	**824**	**985**	**532**
Finance leases	**16,332**	**24,677**	**43,012**	**11,708**	**91,425**	**5,506**	**6,157**	**845**
Total Gross Loans	**$1,149,072**	**$1,843,749**	**$443,655**	**$175,273**	**$4,669,585**	**$ 178,867**	**$399,674**	**$ 3,698**
Geographic %								
Retail	**12**	**21**	**3**	**2**	**54**	**2**	**5**	**1**
Commercial	**18**	**15**	**18**	**3**	**40**	**3**	**3**	**-**
				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

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. 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 consider the relative financial health of the individual borrower, asset quality, and underlying collateral.

The COVID-19 pandemic spurred the Bank to evaluate its credit risk position and reduce exposures for high risk industry sectors throughout 2020. With this active management of credit exposure, the Bank expects that credit losses resulting from the economic conditions of the COVID-19 pandemic will not challenge the Bank's strong capital position.

Table 11: 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**	
	2020	**2019**	**Change ($)**	**2020**	**2019**	**Change ($)**	**2020**	**2019**
Retail Portfolio – Mortgages								
Low risk	**$5,578,756**	$4,348,215	$1,230,541	**$(2,489)**	$(1,509)	$ (980)	**0.04**	0.03
Standard monitoring	**1,820,960**	1,571,953	249,007	**(2,253)**	(2,196)	(57)	**0.12**	0.14
Special Monitoring	**32,155**	28,957	3,198	**(276)**	(153)	(123)	**0.86**	0.53
Default	**4,809**	4,540	269	**(1,053)**	(960)	(93)	**21.9**	21.1
Retail Portfolio – Consumer								
Low risk	**-**	52,216	(52,216)	**-**	(4)	4	**0.00**	0.01
Standard monitoring	**524,482**	472,736	51,746	**(7,490)**	(5,704)	(1,786)	**1.43**	1.21
Special monitoring	**1,787**	2,250	(463)	**(423)**	(590)	167	**23.6**	26.2
Default	**847**	227	620	**(736)**	(195)	(541)	**86.9**	85.9
Commercial Portfolio								
Low risk	**102,792**	123,398	(20,606)	**(552)**	(482)	(70)	**0.54**	0.39
Standard monitoring	**694,793**	913,727	(218,934)	**(3,735)**	(4,727)	992	**0.54**	0.52
Special monitoring	**66,922**	20,456	46,466	**(5,472)**	(2,600)	(2,872)	**8.18**	12.7
Default	**35,270**	46,901	(11,631)	**(12,981)**	(10,180)	(2,801)	**36.8**	21.7
Totals	**$8,863,573**	$7,585,576	1,277,997	**$(37,460)**	$(29,300)	$(8,160)		
Allowance included in:								
Loans receivable				**$(34,732)**	$(26,746)			
Other liabilities				**(885)**	(724)			
Accumulated other comprehensive income				**(1,843)**	(1,830)			

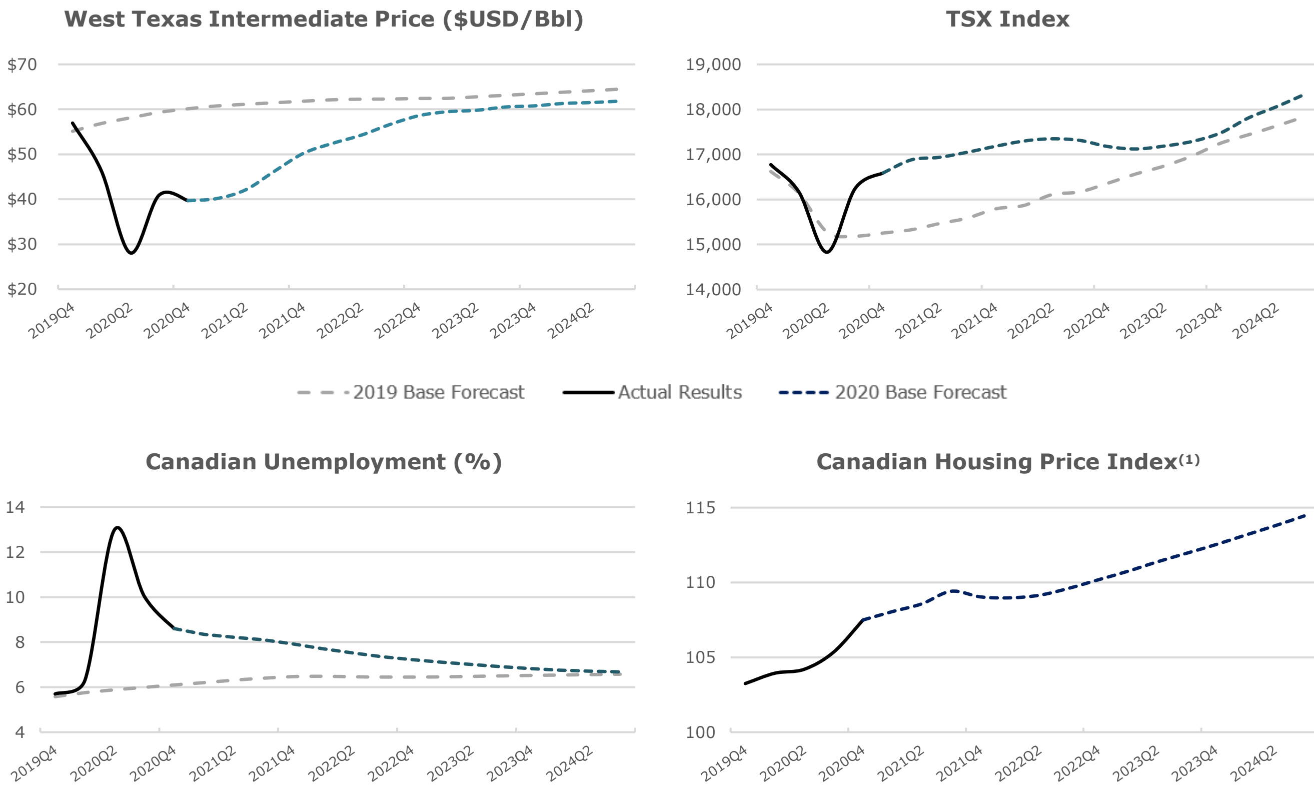
The Bank utilizes an ECL model to record loss allowances for its portfolios of on-balance sheet assets and certain off-balance sheet credit commitments. Loss allowances under the ECL model reflect the present value of all cash shortfalls related to default events which may occur over a specified period 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 either the 12 month or lifetime ECLs based on the relative change in credit quality of the financial instrument since inception.

In 2020 ECL allowances increased overall by $8.2 million, primarily driven by a significant and unprecedented shock to the Canadian economy due to the COVID-19 pandemic. Allowances increase both due to much more pessimistic forward-looking information used in the recording of ECLs and also the credit quality of the existing loan portfolios. The Bank actively managed its credit risk by reducing exposures to high risk industry sectors in the commercial portfolio, reducing the portfolio's gross outstanding by $205 million compared to 2019. The Bank's overall growth in the loans portfolio was concentrated in insured residential mortgages which carry a lower credit risk relative to the commercial and consumer portfolios.

Changes in the ECL allowances are a function of changes in both the probability of default and the expected loss given defaults of loans, which can change due to either a change in the economic outlook or the current credit quality of a borrower. During 2020, probabilities of default increased as a result of the deterioration of key macroeconomic indicators, such as unemployment rates, which drove an overall increase in the Bank's ECLs. Certain key macroeconomic indicators such as the TSX index improved since the onset of the pandemic. In cases where these indicators are used in modelling ECLs the Bank utilizes a combination of several macroeconomic indicators to evaluate overall economic conditions for provisioning. Credit quality of borrowers also drove an increase in ECL allowances as certain commercial loans fell into special monitoring during the year as a result of the COVID-19 pandemic.

The Bank relies on forward-looking macroeconomic factors, such as the Canadian equity index, unemployment rates, house price index and oil prices in measuring ECLs. These macroeconomic factors are considered key drivers of credit risk for the Bank's various loan portfolios and the Bank has estimated relationships between macroeconomic variables, credit risk and credit losses. The estimation and application of forward-looking information requires significant judgement.

The Bank uses forecasts generated by an external vendor that specializes in economic forecasting in both the Canadian and global markets. The external vendor provides multiple forecasted scenarios which are then assessed and probability-weighted by the Bank using judgement. In the selection of scenarios used for modelling ECLs, the Bank considered both the unprecedented impact and significant uncertainty COVID-19 has had to current economic conditions, including the timing of the economic recovery and associated uncertainty regarding the re-opening of the Canadian economy. Management compares the external vendor's forecasts to other sources of economic forecasts and considers the external vendor's assumptions to be generally aligned with the market consensus at this time. A comparison of the change in the Bank's key macroeconomic variables used in ECLs is shown below, comparing the base outlook at the end of 2019 with the 2020 base outlook, as well as the 2020 historical actual results:



(1) The Bank added HPI as a key macroeconomic variable for purposes of modelling ECL allowances for retail portfolios during 2020.

The Bank considers the total ECL allowances to be a reasonable estimate of future credit losses in the context of current economic conditions and a high level of uncertainty in economic outlook at the end of 2020. The Bank's estimates of ECLs require significant judgement and actual losses may differ materially if certain assumptions regarding the economic outlook do not materialize as forecasted.

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. 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 12: Liquid Assets and Securities

As at December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**%**
Qualifying Securities for Regulatory Purposes				
Government – federal	**$ 72,298**	$ 60,335	11,963	20
Government – federal guaranteed	**232,655**	102,399	130,256	127
Government – provincial	**263,914**	174,030	89,884	52
Corporate – non-financial institutions	**149,495**	22,606	126,889	561
Total Qualifying Securities	**718,362**	359,370	358,992	100
Cash	**763,710**	402,528	361,182	90
Residential mortgages held as NHA MBS[1]	**819,222**	332,703	468,519	146
Total Liquid Assets for Regulatory Purposes[2]	**$2,301,294**	$1,094,601	1,206,693	110
Non-Qualifying Liquid Securities				
Corporate – chartered bank	**$ 71,854**	$ -	71,854	100
Asset-backed	**141,857**	86,782	55,075	63
Total Non-Qualifying Liquid Securities	**213,711**	86,782	126,929	146
Total Liquid Assets	**$2,515,005**	$1,181,383	1,333,622	113
% of total assets	**23**	13		
% of total deposits	**40**	27		

(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. The increase in liquid assets compared to the prior year is primarily due to an increase in Credit Union deposits during 2020 which were invested in securities and NHA MBS.

Deposits

Retail deposits consist of guaranteed investment certificates ("GICs"), online savings deposits 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.

During 2020, Concentra launched online savings accounts through its partnership with a fintech firm to offer high interest savings accounts to a broad range of consumers. This strategic initiative provides the Bank with a digital banking solution to grow its deposit sources and introduce loan products to these customers in the future.

Credit union deposits primarily consist of excess operating cash 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 deposit notes issued to institutional investors. The deposits are a strategic product to diversify the Bank's deposit sources, while gaining increased capital market exposure. The Bank completed a $200 million capital note issuance in early 2020, which was well received in the market.

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 13: Deposits

As at December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**%**
Notice/Demand Deposits				
Credit union overnight accounts	**$656,208**	$405,942	250,266	62
Credit union redeemable terms	**35,598**	3,960	31,638	799
Retail cashable GICs	**32,154**	305	31,849	10,442
Retail registered plans	**103,070**	96,578	6,492	7
Retail online savings	**4,164**	-	4,164	100
Commercial chequing accounts	**192,600**	121,112	71,488	59
	1,023,794	627,897	395,897	63
Term Deposits				
Credit union non-redeemable terms	**2,200,958**	630,030	1,570,928	249
Retail non-redeemable GICs	**2,527,902**	2,689,673	(161,771)	(6)
Retail online GICs	**19,858**	136	19,722	14,501
Retail registered plans	**171,194**	178,865	(7,671)	(4)
Commercial non-redeemable terms	**190,476**	99,986	90,490	91
Capital markets floating rate notes	**199,998**	150,512	49,486	33
	5,310,386	3,749,202	1,561,184	42
Total Deposits	**$6,334,180**	$4,377,099	1,957,081	45
Deposits by Source:				
Credit union	**$2,892,764**	$1,039,932	1,852,832	178
Retail	**2,858,342**	2,965,557	(107,215)	(4)
Commercial	**383,076**	221,098	161,978	73
Capital markets	**199,998**	150,512	49,486	33

Deposits increased 45% to $6.3 billion by the end of 2020. This increase in deposits was primarily driven by an influx of liquidity from the Credit Union system after the declaration of the pandemic in 2020. The Bank manages liquidity through strategic pricing of deposit products in order to align funding sources to forecasted loan originations.

Securitizations

Table 14: Securitization Liabilities

As at December 31 *(Thousands of Canadian Dollars)*	**2020**	**2019**	**Change $**	**%**
Obligations Under the CMB Program				
Quarterly CMB issuances subject to a total return swap	**$998,461**	$1,528,689	(530,228)	(35)
	998,461	1,528,689	(530,228)	(35)
Obligations Under the NHA MBS Program				
Quarterly CMB issuances not subject to a total return swap	**1,133,368**	598,020	535,348	90
NHA MBS market pools	**1,726,445**	1,342,101	384,344	29
	2,859,813	1,940,121	919,692	47
Obligations to Multi-Seller Conduits	**63,409**	84,817	(21,408)	(25)
Total Securitization Liabilities	**$3,921,683**	$3,553,627	368,056	10

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.

In 2020 the Bank prioritized the origination of new insured residential mortgages for securitization into the NHA MBS and CMB programs, driving an overall increase in securitization liabilities during 2020.

Short-Term Funding

The Bank maintains multiple revolving credit facilities and other short-term funding programs including a bearer deposit note program, Bank of Canada facilities 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 $214.8 million at year-end (2019 - $420.3 million).

During 2020, the Bank was approved for the Bank of Canada's Standing Term Liquidity Facility (STLF) and Emergency Lending Assistance programs. Under these programs, the Bank may apply for the advance of funds for short term funding needs, provided eligible qualifying securities or mortgages are pledged as collateral for each advance. During the year, the Bank applied for, received and repaid one $100 million advance from the Bank of Canada STLF program. At December 31, 2020 the Bank had no balance outstanding on any Bank of Canada facilities. There were no other new facilities/programs added in 2020.

Table 15: Short-Term Funding Programs		**2020**			**2019**	
As at December 31 *(Thousands of Canadian Dollars)*	**Authorized**	**Drawn/ Encumbered**	**Available**	**Authorized**	**Drawn/ Encumbered**	**Available**
Revolving Credit Facilities						
Secured line of credit	**$400,000**	**$50,000[(1)]**	**$350,000**	$500,000	$75,000[(1)]	$425,000
SaskCentral line of credit	**100,000**	**-**	**100,000**	100,000	403	99,597
	500,000	**50,000**	**450,000**	600,000	75,403	524,597
Other Short-Term Funding Programs						
Bank of Canada facilities	-	-	-	-	-	-
Bearer deposit notes	**500,000[(2)]**	**214,480**	**285,520**	500,000[(2)]	302,436	197,564
Securities sale and repurchase agreements	**1,150,000[(2)]**	**-**	**1,150,000**	1,150,000[(2)]	117,259	1,032,741
	1,650,000	**214,480**	**1,435,520**	1,650,000	419,695	1,230,305
Total Short-Term Funding Programs	**$2,150,000**	**$264,480**	**$1,885,520**	$2,250,000	$495,098	$1,754,902

(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 2020 or 2019.
(2) Internal policy utilization limit rather than external authorized limit.

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 a fee based on the value of the assets within the estate or personal trust structure which may be collected throughout the term of the services provided.

Table 16: Assets Under Administration

As at December 31 *(Thousands of Canadian Dollars)*	**2020**	2019	**Change** $	%
Commercial and Retail Banking				
Securitizations	**$2,806,983**	$2,259,239	547,744	24
Retail	**147,470**	351,105	(203,635)	(58)
Commercial	**888,002**	929,782	(41,780)	(4)
	3,842,455	3,540,126	302,329	9
Trust				
Registered plans	**38,274,905**	35,384,463	2,890,442	8
Escrows, custodianships and corporate trusts	**1,147,904**	1,057,874	90,030	9
Estates, personal trusts and agencies	**146,096**	111,339	34,757	31
	39,568,905	36,553,676	3,015,229	8
Total Assets Under Administration	**$43,411,360**	$40,093,802	3,317,558	8

Assets under administration increased 8% ending the year with a total balance of $43.4 billion. The growth was driven primarily by the Trust segment as registered plans under administration increased by $2.9 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 $302 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, counterparties, 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 minimum 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 2020 and 2019, 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 17: Regulatory Capital and Ratios
As at December 31

(Thousands of Canadian Dollars)		**2020**	**2019**
Common Equity Tier 1 Capital			
Common shares		**$134,252**	$ 134,252
Retained earnings		**268,322**	253,414
Accumulated other comprehensive income		**13,544**	3,235
Regulatory adjustments		**(22,711)**	(24,388)
Total Common Equity Tier 1 Capital		**393,417**	366,513
Additional Tier 1 Capital			
Non-cumulative preferred shares		**110,987**	110,987
Total Tier 1 Capital		**504,404**	477,500
Tier 2 Capital			
General allowances		**18,810**	16,506
Total Regulatory Capital		**523,214**	494,006
Total Risk Weighted Assets		**$3,067,268**	$2,763,860
Capital Ratios	**OSFI Limit**		
Common Equity Tier 1 capital to risk-weighted assets	**7.0%**	**12.8%**	13.3%
Tier 1 capital to risk weighted assets	**8.5%**	**16.4%**	17.3%
Total capital to risk weighted assets	**10.5%**	**17.1%**	17.9%
Leverage Ratio [1]	**3.0%**	**4.4%**	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 remain strong overall in 2020. The decrease in capital ratios was a result of the Bank's risk-weighted assets ("RWA") increasing at a greater rate than capital. The following table summarizes the Bank's RWA calculation:

Table 18: Risk-Weighted Assets

As at December 31		**2020**			**2019**	
(Thousands of Canadian Dollars)	**Net Exposure**	**Effective Risk %**	**Risk-Weighted Amount**	**Net Exposure**	**Effective Risk %**	**Risk-Weighted Amount**
Cash	**$ 763,710**	**20**	**$152,742**	$402,528	20	$ 80,506
Securities	**1,294,261**	**16**	**210,518**	841,557	13	111,504
Retail Portfolio						
Residential mortgages – insured	**4,995,269**	**2**	**95,690**	4,161,193	-	11,597
Residential mortgages – uninsured	**2,437,270**	**35**	**848,245**	1,789,484	35	628,804
Term loans – unsecured	**518,635**	**76**	**394,813**	521,157	75	391,943
Commercial Portfolio						
Mortgages	**542,226**	**97**	**527,090**	770,877	98	754,552
Term and revolving loans	**136,839**	**87**	**118,737**	135,320	88	118,505
Finance leases	**198,602**	**77**	**153,260**	180,799	79	143,424
Other Assets	**177,099**	**94**	**166,106**	141,787	94	133,724
Total Assets	**11,063,911**		**2,667,201**	8,944,702		2,374,559
Off-Balance Sheet Items						
Credit commitments	**911,635**	**20**	**181,199**	590,838	31	180,849
Total Credit Risk	**11,975,546**		**2,848,400**	9,535,540		2,555,408
Operational Risk	**-**		**218,868**	-		208,452
Total Risk-Weighted Assets	**$11,975,546**		**$3,067,268**	$9,535,540		$2,763,860

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 growth in uninsured residential mortgages, cash and securities, offset by a decrease in the Bank's commercial portfolio.

RISK MANAGEMENT OVERVIEW

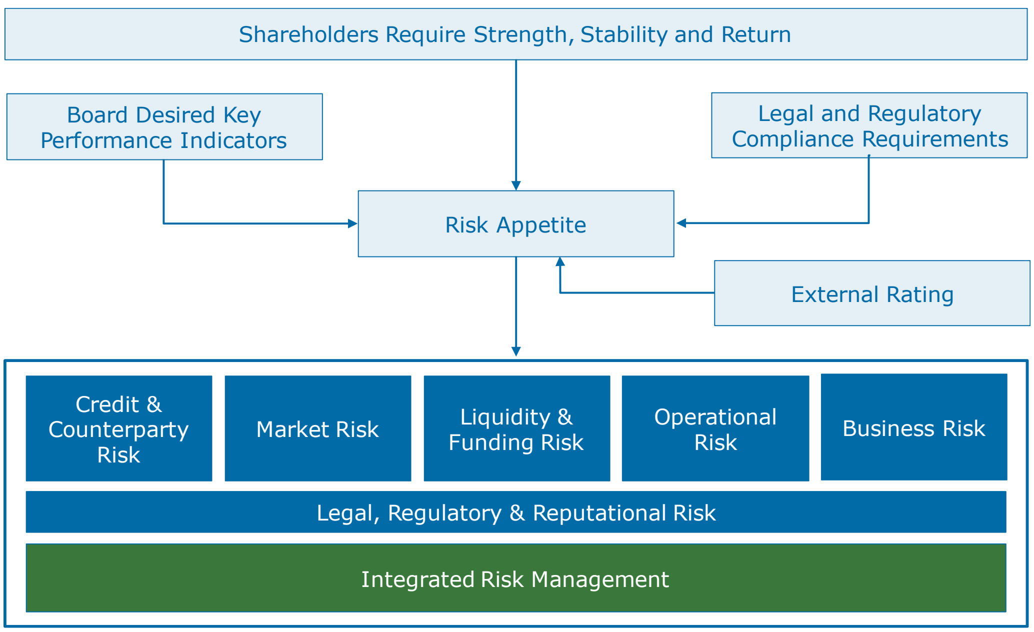
An important component of our risk management approach is to ensure that top and emerging risks, as they evolve, are identified, managed and incorporated into our existing risk management assessment, measurement, monitoring and escalation processes. Our management of the risks associated with the impact of the COVID-19 pandemic is outlined in the Significant Developments: COVID-19 section.

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 mitigate 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 challenge of control effectiveness. 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 the Bank is 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.

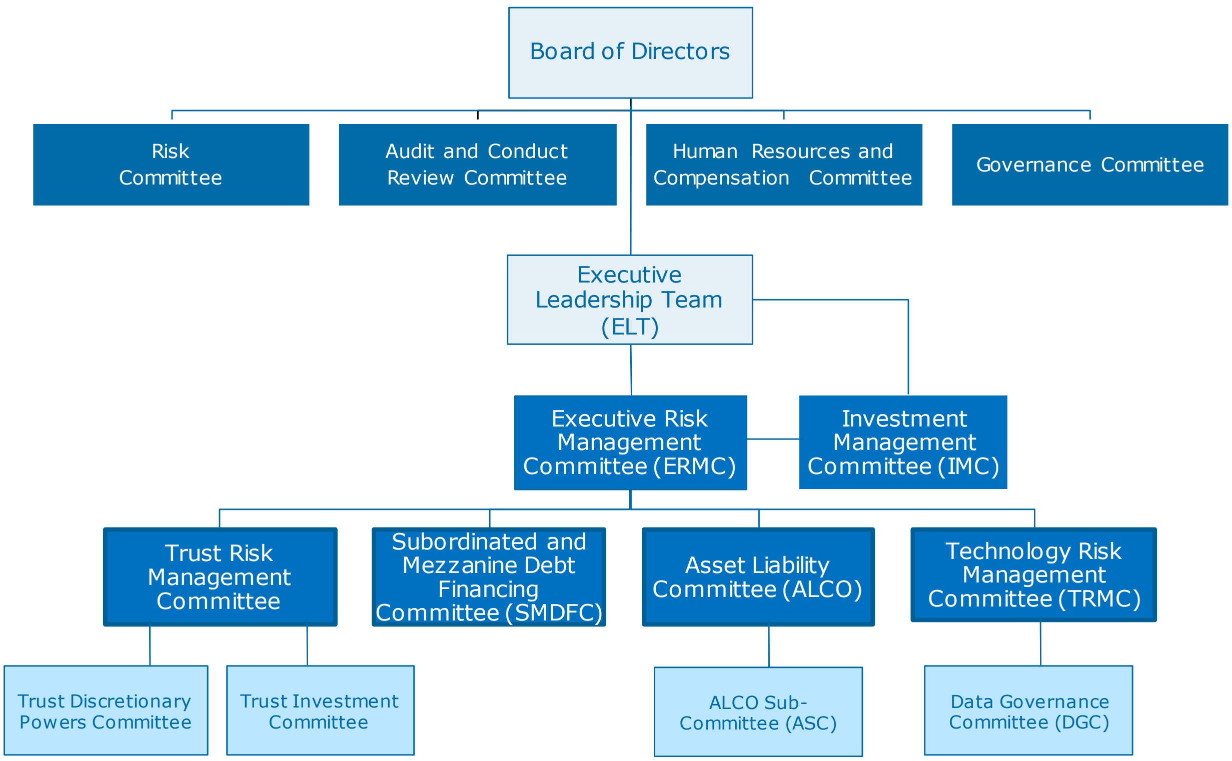
Chief Risk Officer and Risk Management Group Mandates

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.

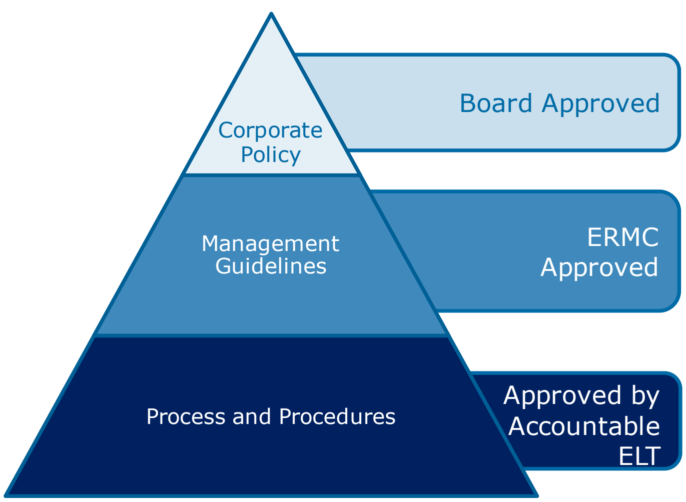
Executive Risk Management Committee	As the Bank's senior risk committee, reviews the comprehensive assessment of current and emerging risks, individually and in aggregate and promotes an integrated and effective risk culture. The ERMC also assesses risk based capital requirements in light of the risks 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 Contingency Funding Plan and Capital Committee within the Capital Recovery Plan.

Technology Risk Management Committee	Ensures effective enterprise-level governance and controls are in place for managing information technology (IT) and business continuity risk for the Bank. The TRMC provides oversight to the Bank's IT risk profile, related processes and assessments, policies and standards, emerging IT risks and business continuity program.
Trust Risk Management Committee	Ensures effective governance and controls are in place to manage all risks applicable to Concentra Trust. The Trust Risk Management Committee reviews and approves new Trust business opportunities of economic substance.
Subordinated and Mezzanine Debt Financing Committee	Reviews and approves all subordinated debt financing transactions and all mezzanine debt financing transactions. The SMDFC monitors performance of all the loans in the SMDF portfolio.
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	Manages fiduciary risk exposures including overseeing situations where Concentra Trust is required to exercise its discretion in matters pertaining to the management and administration of an estate, trust or agency account.
Trust Investment Committee	Manages fiduciary risk exposure by providing investment management oversight of accounts over which Concentra Trust is appointed as a fiduciary.

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.

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 ERMC.

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

Market Risk at Concentra refers to the interest rate risk in the banking book. Concentra does not have a trading book to trade actively in the capital markets. 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, 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.

Shortly after the pandemic started in March 2020, the Bank of Canada cut the policy interest rate by 150 bps and has maintained the rate at 25bps. Together with proactive interest rate risk management, the Bank's interest rate risk in the banking book has stabilized since then.

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 uses a Three Lines of Defense (LOD) model risk governance structure and Model Risk Management Framework (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 ERMC must approve models with material model risk ratings before they are put into production 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. Concentra validated all its material models 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, third-party risk 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 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 changes in the external business environment or failure to respond appropriately to these changes as a result of inaction, ineffective strategies or poor implementation of strategies.

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, geopolitical, regulatory, technological and social risks
- 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, regulations and regulators' expectations applicable to the operations of Concentra. A regulatory requirement obligates 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 regulatory compliance programs for the Bank. Within this responsibility, the CCO ensures that key day-to-day controls throughout the Bank are sufficiently robust to effectively mitigate the risk of non-compliance with 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 mitigate 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 have the potential to 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 on 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 2020 the Bank formalized several new policies and guidelines to provide additional governance in the areas of reputational risk, information security and cyber risk.

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.