MORNINGSTAR | DBRS

Rating Report
Concentra Bank

DBRS Morningstar
February 1, 2022

Contents

Carl De Souza
Senior Vice President, Global FIG
+1 416 597-7445
carl.desouza@dbrsmorningstar.com

John Mackerey
Senior Vice President, Global FIG
+1 212 806-3236
john.mackerey@dbrsmorningstar.com

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Concentra Bank	Long-Term Issuer Rating	A (low)	Trend Changed Jan. '22	Stable
Concentra Bank	Short-Term Issuer Rating	R-1 (low)	Trend Changed Jan. '22	Stable

Rating Drivers

Factors with Positive Rating Implications

- An upgrade of Concentra Bank's (Concentra or the Bank) ratings would be linked to an improvement in the Credit Union Central of Saskatchewan's (SaskCentral) short-term ratings, which are currently rated R-1 (low) with Stable trends by DBRS Morningstar.

Factors with Negative Rating Implications

- Alternatively, a downgrade of SaskCentral's ratings would negatively affect Concentra's ratings.
- In addition, DBRS Morningstar's Support Assessment (SA) would be affected if support from SaskCentral was reduced or was viewed as not sufficiently reliable, which would negatively affect Concentra's ratings.
- A sustained deterioration in liquidity or an inability to source funding through existing sources, including credit unions, would also lead to a negative rating action.

Rating Considerations

Franchise Strength

- Concentra's franchise strength is determined by its capacity to provide wholesale banking, capital markets, trust, and consulting services to 223 credit unions across Canada (excluding Desjardins Group), which collectively held assets totalling $276 billion (at Q3 2021). DBRS Morningstar believes it would be difficult for individual credit unions to find a cost-effective replacement for key services provided by Concentra.

Earnings Power

- The Bank generates relatively stable recurring earnings, although, as primarily a wholesale bank, profitability is relatively low compared with its peers. Although pandemic-related impacts pressured earnings in 2020, earnings bounced back in 2021, boosted by higher operating income and provision for credit losses (PCL) reversals.

Risk Profile

- Concentra asset quality is generally sound with a history of low loan losses on its residential mortgage portfolio (80% of its total loan portfolio). The geographic concentration of the Bank's loans in the Prairies as well as large single-party exposures within the commercial-lending portfolio, could exacerbate downside pressure on asset quality in an economic downturn.

Funding and Liquidity

- Although Concentra's funding position is well managed with good access to market funding, and interest rate risk remains manageable, DBRS Morningstar negatively views excessive reliance on wholesale funding. The Bank's liquidity buffer is solid (liquid assets represented approximately one-fifth of total assets at Q3 2021).

Capitalization

- Concentra maintains good levels of capital with capitalization remaining broadly stable. This is supported by healthy levels of internal equity generation. In DBRS Morningstar's assessment, the Bank's capital cushion is sufficient to absorb a stressed level of losses.

Financial Information

	For the Year Ended December 31 (IFRS)				
	2020	**2019**	**2018**	**2017**	**2016**
Return on Average Equity (%)	4.93	6.13	8.66	7.55	6.72
Efficiency Ratio (%)	63.97	59.00	57.85	56.32	48.93
Net Interest Margin (%)	0.97	1.05	0.98	0.91	0.92
Common Equity Tier 1 Ratio (%)	12.80	13.30	11.80	13.10	10.20
Net Impaired Loans / Total Net Loans (%)	0.30	0.54	0.33	0.11	0.18
Loan Loss Provision/Average Net Loans (%)	0.11	0.09	-0.10	0.01	0.20
Income before Provisions & Taxes (CAD millions)	44	50	48	47	53
Net Income (CAD millions)	25	30	41	34	29
Total Equity (CAD millions)	527	502	479	457	434
Total Assets (CAD millions)	11,064	8,945	9,679	9,127	9,437

Sources: DBRS Morningstar and company documents.

Issuer Description

Concentra provides wholesale financial, capital markets, and trust services to credit unions in Canada (except Québec). The Bank is indirectly owned by credit unions through their centrals. SaskCentral holds the majority (84%) economic and voting interest in Concentra while the remaining 16% is divided between credit union central organizations and credit unions across Canada.

Rating Rationale

On January 13, 2022, DBRS Limited (DBRS Morningstar) revised the trends on Concentra’s long-term and short-term ratings to Stable from Negative. DBRS Morningstar also confirmed its ratings on Concentra, including the Bank's Long-Term Issuer Rating at A (low) and Short-Term Issuer Rating at R-1 (low). Concentra's SA of SA1 reflects the willingness and ability of SaskCentral to support Concentra. SaskCentral owns 84% of Concentra and is instrumental in driving business activity and strategy at Concentra. As such, DBRS Morningstar views Concentra as a supported subsidiary of SaskCentral.

The Stable trends on Concentra’s ratings are based on the outlook for Saskatchewan’s Credit Union System (the System), which indirectly owns Concentra through SaskCentral. The trend changes to Stable from Negative reflect DBRS Morningstar’s view that, despite remaining uncertainties related to the Coronavirus Disease (COVID-19) pandemic, economic performance and oil prices have rebounded. Although System-wide impairments were elevated in F2020, there has been an improvement in the first nine months of F2021. Concentra is a contingent risk to the System through SaskCentral’s ownership, with Concentra’s total assets representing a significant 40% of total System assets at September 30, 2021. However, Concentra’s credit profile has remained resilient, and its financial performance has shown solid improvement.

Franchise Strength

Despite embarking on a new strategic direction and becoming more focused on profit maximization and growth, DBRS Morningstar views Concentra’s interconnectedness to the credit union system in Canada (excluding Québec) as a key driver in determining the Bank’s franchise strength. As an important provider of wholesale financial (including capital markets) and trust services to more than 90% of credit unions in Canada, Concentra has developed significant expertise in these areas. These services particularly benefit small to mid-sized credit unions that lack scale to access wholesale and capital markets or are unsure of solutions that best meet their needs. Additionally, by purchasing, selling, and syndicating loans from and to credit unions, Concentra offers credit unions investment opportunities outside their footprint areas, providing them with some yield pickup and asset diversification. These activities are core to Concentra's partnership with credit unions. While the Bank continues to operate on co-operative principles, excessive reliance on activities that do not provide direct and meaningful benefits to credit unions could have credit implications for DBRS Morningstar's assessment of the Banks' franchise strength.

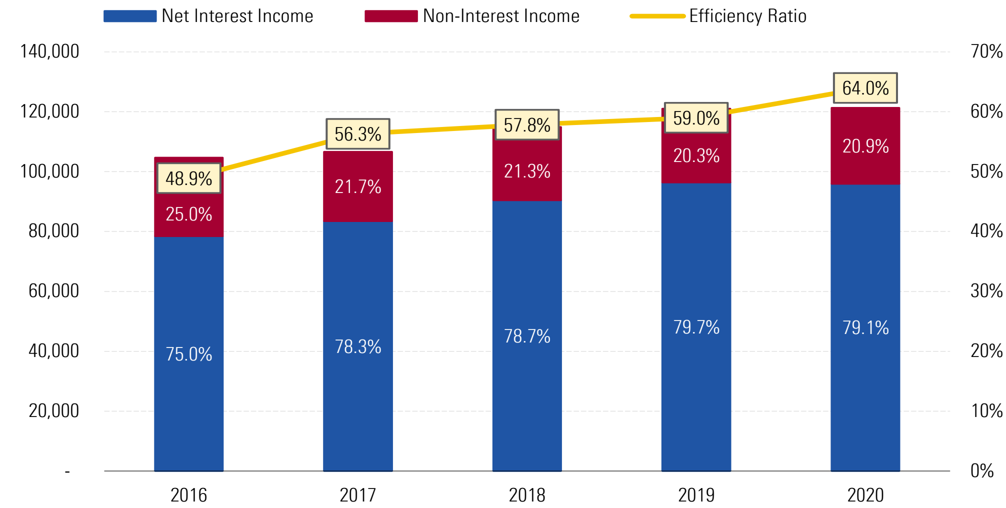
The Bank is indirectly owned by credit unions through their centrals. Credit unions' oversight of the Bank's activities is crucial because a capital shortfall at the Bank would need to be funded directly by SaskCentral as a majority owner and indirectly by credit unions in Saskatchewan through their 100% ownership of SaskCentral. A significant change in ownership at Concentra could alter the existing incentive structure and drive excessive stand-alone activities, which could be viewed as relatively unrelated to the credit union system. This would require DBRS Morningstar to re-evaluate the Bank's franchise strength and risk appetites with potential implications for its ratings.

The Bank's legacy business model is primarily focused on real estate secured lending while over the past three years, it has been gradually evolving the business with a diversification shift from its legacy indirect model to a more direct-to-consumer model. As such, Concentra Bank developed a new strategic direction that included relaunching under a new trade name in 2021, Wyth Financial (Wyth). Wyth intends to deliver innovative banking solutions to customers, including diverse deposit and mortgages as well as specialized lending solutions to niche mid-market businesses. The Bank rebranded and launched a digital direct-to-consumer banking platform last year, and there were significant investments planned in F2021 to create a more modern digital infrastructure to improve automation and efficiency.

Earnings Power

Concentra generates relatively stable recurring earnings, largely driven by spread income. Although earnings were under pressure in 2020 as a result of a decline in credit spreads and increased PCL because of the pandemic, earnings bounced back in 2021, boosted by higher operating income and PCL reversals. In DBRS Morningstar's view, although the Bank's PCL coverage is sufficient under normal operating conditions, loan losses could rise in the event of sustained economic stress given the geographic concentration of the Bank's loan portfolio in Alberta and, to a lesser extent, in Saskatchewan.

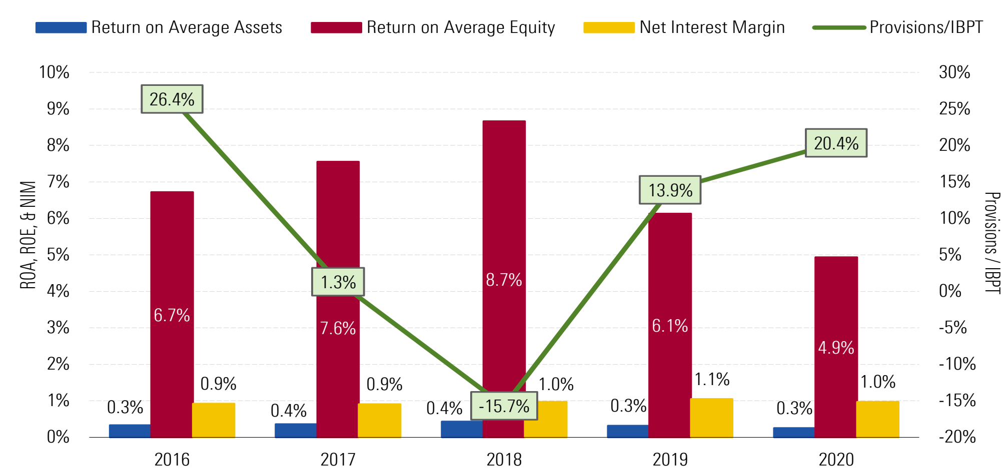
Exhibit 1 Revenue Mix versus Efficiency



Sources: DBRS Morningstar and company documents.

Concentra's net income decreased in F2020 by 15.6% year over year (YOY) to $25.4 million. Results in the first half of the fiscal year were affected by the pandemic, changes in the Bank of Canada interest rate, and economic uncertainty resulting in higher PCL. While there was a bounce back in the second half of F2020 (77% of overall F2020 earnings), F2020 operating expenses increased by 8.7% as a result of personnel and digital investments in the Bank's strategic plan, and PCL increased by 29.0% to $8.9 million. Income before provisions and taxes (IBPT) decreased by 11.9% YOY to $43.7 million. Net interest margins decreased by 8 basis points in F2020 to 0.97%, primarily caused by lower yields in certain asset classes resulting from lower interest rates. Given that Concentra is primarily wholesale funded, its interest spread is lower than that of its peers. Operating efficiency deteriorated to 64.0% in F2020 from 59.0% in the prior year, as Concentra continued to spend on initiatives to support a direct-to-consumer strategy and talent acquisitions.

Exhibit 2 Profitability Metrics



Sources: DBRS Morningstar and company documents.

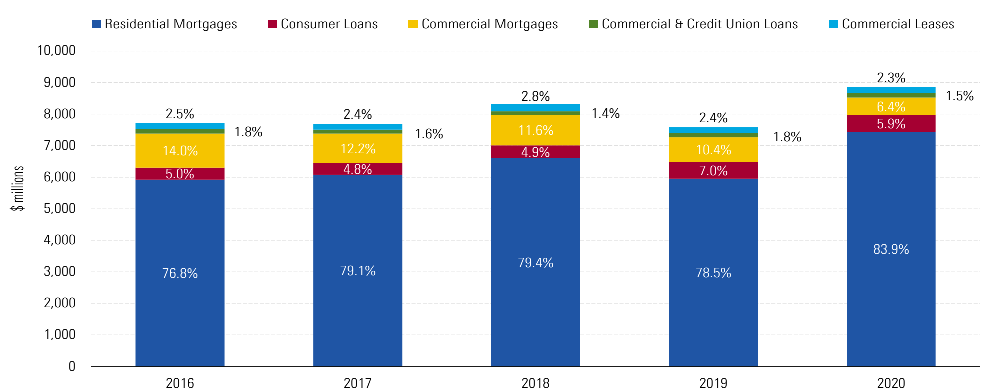
In the first nine months of 2021, Concentra's net income more than doubled YOY to $37.3 million. This was driven by higher operating revenue and a $6.3 million net release of PCLs (i.e.; improved macroeconomic forecast and lower loan default expectations), partially offset by the 18.7% increase in operating expenses. Despite the stagnant loan book growth, net interest income grew by 38.2% to $92.2 million over the same period, largely supported by lower cost of funding. As a result, net interest margin improved to 1.13% in the first nine months of 2021 compared with 0.97% as of year-end 2020. Noninterest income saw a 19% YOY decrease in 9M 2021, as the prior year's strong performance was driven in part by higher gains on financial instruments, while fees for service income remained broadly stable over the period. As a result, the proportion of noninterest income reduced to 16% of total operating revenue as of September 2021 from 24% for the same prior-year period. The efficiency ratio improved to 59.2% in the first nine months of September 2021 from 61.8% in the prior-year period as a result of higher operating revenues.

In DBRS Morningstar's assessment, since obtaining a banking licence, Concentra has become more focused on profit maximization and growth. The Bank's strategy and objectives, however, continue to be driven by its board and are expected to remain within the confines of co-operative principles, which DBRS Morningstar expects to restrict excessive risk-taking by Concentra. Furthermore, successful implementation of the Bank's Trust strategy, while continuing to provide fee-based services to credit unions, could enhance Concentra's capacity to generate noninterest income, which would be viewed positively by DBRS Morningstar.

Risk Profile

Concentra is predominately exposed to residential mortgage lending, most of which represents insured exposures, while commercial mortgages and unsecured consumer loans have been trending lower. DBRS Morningstar, however, remains cautious of excessive growth in the Bank's exposure to uninsured Alt-A residential mortgages. Additionally, as Concentra branches out into other types of lending, it could be exposed to less familiar structures and elements of operational risks. Increased appetite for riskier lending, particularly that which is unrelated to the credit union industry, would be viewed negatively by DBRS Morningstar.

Exhibit 3 Loan Portfolio Composition

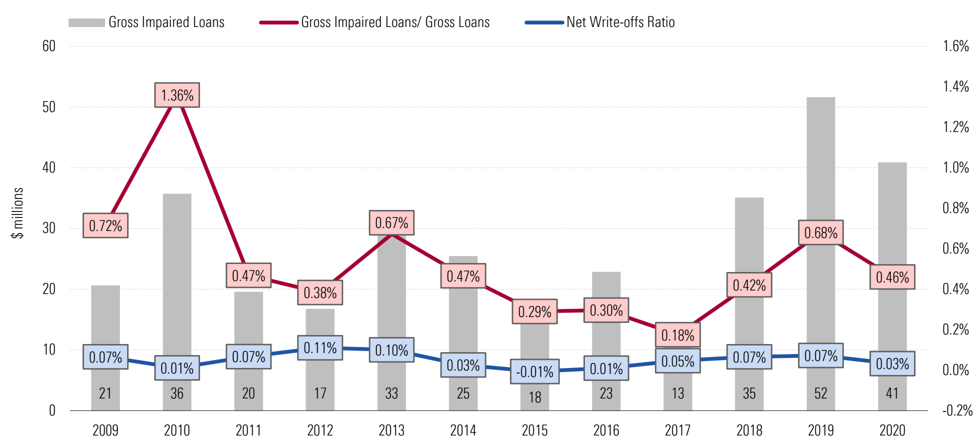


Sources: DBRS Morningstar and company documents.

Concentra has historically experienced low loan losses with net write-offs-to-net loans at 0.1% as of September, 30, 2021. Asset quality is generally sound with impaired loans averaging 0.41% of gross loans over 2016–2020. On account of lower impaired loan formations and an increase in loans returning to performing status, the ratio continued to improve to 0.23% by end-September 2021 from 0.46% in 2020 and 0.68% in 2019.

The Bank's residential mortgage book makes up more than 80% of the total loan portfolio. An important risk facing Concentra is the geographic concentration of its loans in the Prairies (Alberta, Saskatchewan, and Manitoba) as well as large single-party exposures within the commercial-lending portfolio. Particularly in Alberta, and to some extent also in Saskatchewan, volatile oil prices and the coronavirus pandemic have contributed to damping economic activity. In DBRS Morningstar's assessment, in the event that provincial economies experience a sustained economic downturn, delinquency, particularly in the commercial loan book, will potentially rise and could result in significant loan losses for Concentra.

Exhibit 4 Evolution of Credit Quality



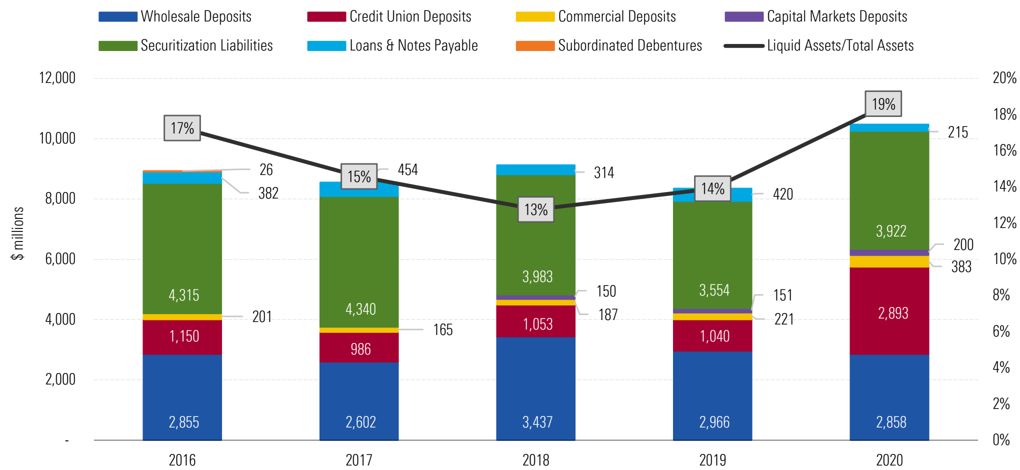
Sources: DBRS Morningstar and company documents.

Through its limited capital markets operations, Concentra is exposed to some market risk. The Bank provides credit unions with the capital markets expertise they lack, including foreign-exchange contracts and plain-vanilla interest-rate swaps for asset-liability management purposes entered into with major financial institutions.

Funding and Liquidity

DBRS Morningstar views Concentra's funding position to be well managed, but remains cautious about the Bank's reliance on wholesale deposits. As with other financial institutions, the Bank could face some runoff from credit union deposits in the near term as excess deposit savings are gradually channelled to finance domestic consumption and companies increase spending in line with the economic recovery. Positively, DBRS Morningstar notes that asset-liability duration mismatch is limited while the liquidity buffer is acceptable.

Exhibit 5 Funding & Liquidity Profile



Sources: DBRS Morningstar and company documents.

Concentra sourced about 37% of its funding from market-based sources as at September 30, 2021, mainly by securitizing insured residential mortgages. These mortgages are acquired from third parties and placed in pools of mortgage-backed securities. Although this has been a relatively secure source of funding for Concentra, it had been on a declining trend until a 10.4% increase in F2020 to $3.9 billion, as the Bank prioritized the origination of new insured residential mortgages for securitization into the NHA MBS and CMB programs. As at September 30, 2021, securitization liabilities reduced to $3.7 billion. Another major source of funding for the Bank is nominee deposits from Canada's large banks that contribute about 28% to total and provide a diversified market for funding one- to five-year terms. These represent bank client deposits that are placed with other financial institutions, such as Concentra, and tend to be higher-yielding term deposits. Credit union deposits are also a significant source of funding, about 23% of which constituted overnight deposits, against which Concentra is required to hold liquid assets to meet its Liquidity Coverage Ratio (LCR) requirements. Total deposits increased materially YOY by 44.7% in 2020 to $6.3 billion, primarily driven by increased liquidity from credit unions after the onset of the pandemic (i.e.; credit union deposits to total deposits increased YOY to 45.7% from 23.8%, while retail deposits to total deposits decreased to 45.1% from 67.8%); total deposits grew marginally in the first nine months of 2021 to $6.6 billion.

Although Concentra maintains good access to market funding, and interest-rate risk remains manageable, excessive reliance on wholesale funding is viewed negatively by DBRS Morningstar. Despite the coronavirus pandemic, Concentra has maintained a stable funding position given that it does not rely on redeemable high-interest savings accounts, which are subject to flight risk, and also because the term deposits it holds are laddered up to five years such that they match the duration of the Bank's loan assets.

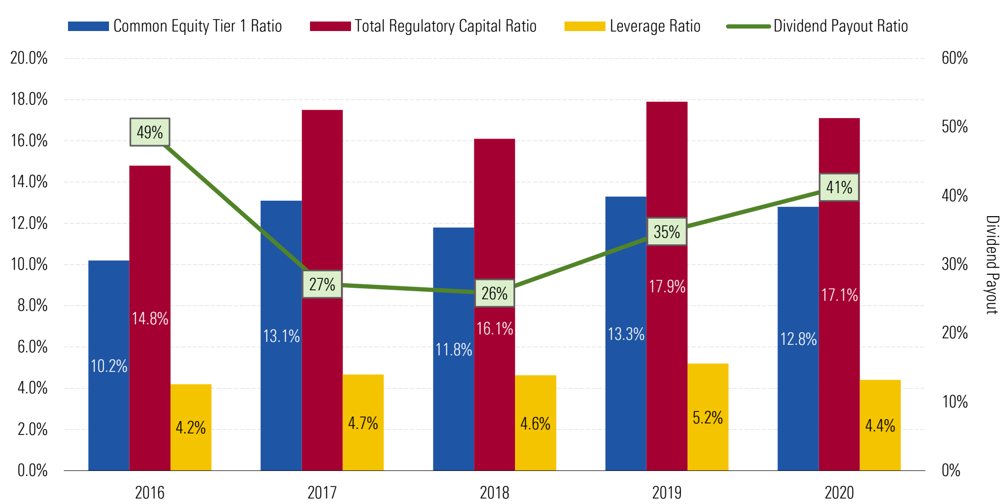
The liquid assets-to-total assets ratio improved to 20.1% in 9M 2021 from 18.6% in F2020, as credit unions parked their excess liquidity with Concentra. Although, traditionally, credit unions have opted to place overnight deposits with Concentra, the increase in credit union deposits since the onset of the global pandemic has mainly been in the form of term deposits. Furthermore, the Bank maintains an LCR that is significantly higher than regulatory requirements. DBRS Morningstar notes that Concentra monitors and manages its liquidity using Office of the Superintendent of Financial Institutions (OSFI) guidelines, which are Basel III compliant.

To bolster its liquidity position, Concentra maintains short-term funding programs (bearer deposit notes and repos) in addition to lines of credit with SaskCentral and a banking syndicate for cash management and emergency liquidity purposes. During 2020, the Bank obtained access to the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance programs, allowing the Bank to apply for the advance of funds for short-term funding needs (provided eligible collateral is pledged for each advance). In DBRS Morningstar's opinion, Concentra maintains a sufficient liquidity buffer that should allow it to cover short-term drawdowns in deposits.

Capitalization

Concentra maintains good levels of capital with healthy levels of internal equity generation. DBRS Morningstar views the Bank's capital cushion as sufficient to absorb stressed levels of loan losses.

Exhibit 6 Capitalization Trends



Sources: DBRS Morningstar and company documents.

All Concentra's regulatory capital ratios decreased in F2020, reflecting an increase in risk-weighted assets. The majority of the increase was related to residential mortgage growth and materially higher balances in cash and securities, partially offset by a decrease in commercial loans. Concentra's capital ratios remained broadly stable at Q3 2021 with a Total Capital Ratio of 17.0%, which remains significantly ahead of regulatory minimum requirements of 10.5%. Healthy internal equity generation more than offset a marginal increase in risk-weighted assets. DBRS Morningstar notes that capital management is based on an OSFI-prescribed Basel III-compliant approach, and capital ratios are calculated on an all-in basis.

The quality of Concentra's capital is solid with more than 75% representing CET1 capital. The remaining AT1 capital is non-viability contingent capital compliant and would be written down to nil if a trigger event was deemed to have occurred. Given the current structure of balance-sheet risk, DBRS Morningstar concludes that Concentra holds sufficient capital cushion to absorb potential losses under stressed operating conditions.

Credit Union Central of Saskatchewan

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		**Overall:**	**Y**	**R**
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	Y	R
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights:	**N**	**N**
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		**Overall:**	**N**	**N**
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks:	**N**	**N**
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance:	**N**	**N**
		Consolidated ESG Criteria Output:	**Y**	**R**

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

The Environmental factor does not affect the ratings or the trend assigned to SaskCentral. Although mining, oil, and gas extraction are major industries in the province of Saskatchewan, SaskCentral and the System have little or no direct exposure to these industries. While the branch network in the credit union System is the primary source of carbon footprint, branch network has been shrinking because of mergers and members using more online services, and credit unions have objectives to reduce carbon footprint and greenhouse gas emissions. Furthermore, SaskCentral has achieved BOMA BEST silver-level building certification. Climate and weather risks can affect SaskCentral given the Saskatchewan credit union System’s exposure to agricultural and mortgage lending; however, these loans are well secured and loss rates on loan portfolios remain very low across asset classes, currently showing minimal impact from changing weather patterns. SaskCentral has not signed the Task Force on Climate-Related Financial Disclosures.

Social

The Social impact of products and services is relevant to the rating of SaskCentral with credit unions playing an integral role in providing banking services to local communities and funding to small businesses and underbanked areas, and this is reflected in our assessment of the franchise building block; however, there is no impact to the assigned rating or trend. Credit unions provide members with access to investment funds that adhere to ESG standards. The credit union System operates on a community banking model where the social aspect of its activities strengthens its franchise, without the requirement or need to maximize profitability. Credit unions and SaskCentral have not reported large-scale data incidences of data theft or cybersecurity breaches; however, there have been large-scale thefts of credit and debit card information from third parties (i.e.; Equifax and Global Payments systems) that could potentially expose credit unions to reputational risk.

Governance

The Governance factor does not affect the rating or trend assigned to SaskCentral. The board of directors is responsible for overseeing the management through audit and risk committees that are independent of executive management. Despite turnover in the executive, new leadership has extensive experience leading credit unions and centrals. SaskCentral has not experienced any notable governance-related issues.

Concentra Bank Financial Information

	For the Year Ended December 31 (IFRS)				
	2020	**2019**	**2018**	**2017**	**2016**
Balance Sheet (CAD millions)					
Cash	764	403	174	425	194
Securities	1,294	842	1,060	905	1,434
Loans Receivable	8,829	7,559	8,299	7,678	7,697
Total Assets	11,064	8,945	9,679	9,127	9,437
Deposits	6,334	4,377	4,827	3,753	4,207
Securitization Liabilities	3,922	3,554	3,983	4,340	4,315
Total Liabilities	10,537	8,443	9,200	8,670	9,003
Total Equity	527	502	479	457	434
Income Statement (CAD millions)					
Net Interest Income	96	96	90	83	78
Non-Interest Income	25	25	24	23	26
Total Revenue	121	121	115	107	105
Operating Expenses	78	71	66	60	51
Income before Income Taxes	35	43	56	46	39
Income Tax Expense	9	13	15	12	10
Net Income	25	30	41	34	29
Profitability (%)					
Net Interest Margin	0.97	1.05	0.98	0.91	0.92
Net Interest Income/ Operating Revenue	79.09	79.70	78.70	78.32	74.99
Efficiency Ratio	63.97	59.00	57.85	56.32	48.93
Provisions/IBPT	20.35	13.90	-15.69	1.33	26.36
Operating Leverage	-8.45	-2.10	-2.93	-15.37	20.63
Return on Average Equity	4.93	6.13	8.66	7.55	6.72
Return on Average Assets	0.25	0.32	0.43	0.36	0.33
Risk Profile (%)					
Loan Loss Provision/Average Net Loans	0.11	0.09	-0.10	0.01	0.20
Net Write-offs/Average Net Loans	0.03	0.07	0.07	0.05	0.01
Gross Impaired Loans/ Gross Loans	0.46	0.68	0.42	0.18	0.30
GILs/Common Equity + Reserves	9.08	12.37	9.00	3.67	6.51
Loan Loss Allowances / GILs	84.87	51.77	61.55	163.54	125.65
Funding & Liquidity (%)					
Gross Loans/Total Deposits	139.93	173.30	172.37	204.85	183.34
Demand Deposits/Total Deposits	16.16	14.35	12.37	18.94	20.16
Liquid Assets/Short Term Debt & Deposits	32.49	28.42	25.58	35.44	38.71
Capitalization (%)					
Common Equity Tier 1 Ratio	12.80	13.30	11.80	13.10	10.20
Tier 1 Capital Ratio	16.40	17.30	15.60	17.50	13.90
Total Regulatory Capital Ratio	17.10	17.90	16.10	17.50	14.80
Leverage Ratio	4.40	5.20	4.63	4.66	4.20
Tangible Common Equity/ Risk Weighted Assets	12.75	13.26	11.83	13.06	10.32
Total Risk Weighted Assets/Total Assets	27.72	30.90	30.24	27.20	31.00
Adjusted Internal Equity Growth	2.90	4.00	6.43	5.50	3.41

Peer Group Comparison – FY 2020

	Concentra Bank	Median	Canadian Western Bank	Laurentian Bank of Canada	Bank of China (Canada)	HSBC Canada
Long-Term Issuer Rating:	A (low)		A (low)	A (low)	A (low)	A (high)
Short-Term Issuer Rating:	R-1 (low)		R-1 (low)	R-1 (low)	R-1 (low)	R-1 (middle)
Trend:	Stable		Stable	Stable	Stable	Stable
Period Ended:	12/31/2020		10/31/2020	10/31/2020	12/31/2020	12/31/2020
Income Statement Data (CAD millions)						
Net Interest Income	96	682	799	682	53	1,086
Non-Interest Income	25	98	98	289	17	938
Operating Expenses	78	437	437	734	26	1,293
Income before Provisions and Taxes (IBPT)	44	237	461	237	44	731
Loan Loss Provisions	9	92	92	116	2	327
Net Income	25	114	272	114	31	308
Income Statement Ratios (%)						
Return on Average Assets	0.25	0.28	0.83	0.26	0.81	0.28
Return on Average Equity	4.93	4.86	8.62	4.41	4.86	4.74
Return on Average Common Equity	5.03	4.86	9.06	4.33	4.86	4.82
Non-Interest Income/Total Revenue	20.91	24.36	10.92	29.72	24.36	46.34
Net Interest Margin	0.97	1.37	2.45	1.60	1.37	1.10
Efficiency Ratio	63.97	63.88	48.66	75.57	37.16	63.88
IBPT/ Avg. Risk-Weighted Assets	1.42	1.58	1.76	1.18	1.58	1.78
Provisions/IBPT	20.35	20.35	20.00	49.16	3.72	44.73
Balance Sheet Data (CAD millions)						
Total Assets	11,064	33,938	33,938	44,168	3,895	117,347
Deposits	6,334	23,920	27,310	23,920	2,919	73,089
Net Loans	8,829	30,008	30,008	33,020	2,847	62,272
Total Common Equity	416	2,367	2,942	2,367	661	5,782
Total Equity	527	2,611	3,332	2,611	661	6,882
Tangible Common Equity	502	1,870	2,973	1,870	661	5,615
Balance Sheet Ratios (%)						
Risk-Weighted Assets/Total Assets	27.72	44.53	79.69	44.53	71.56	34.10
Net Loans/Total Assets	79.80	74.76	88.42	74.76	73.09	53.07
Total Common Equity/Total Assets	3.76	5.36	8.67	5.36	16.98	4.93
Risk Profile Ratios (%)						
Loan Loss Provisions/Avg. Net Loans	0.11	0.31	0.31	0.35	0.06	0.52
Net Write-offs/Avg. Net Loans	0.03	0.10	0.17	0.10	0.00	0.16
Gross Impaired Loans/Gross Loans	0.46	0.58	0.85	0.82	0.03	0.58
Loan Loss Reserves/Gross Loans	0.39	0.52	0.53	0.52	0.39	0.65
Loan Loss Reserves/Gross Impaired Loans	84.87	63.62	61.96	63.62	0.00	111.78
Funding & Liquidity Ratios (%)						
Net Customer Loans/Deposits	139.38	110.46	110.46	138.04	97.53	85.20
Net Customer Loans/Total Funding	84.32	95.84	100.92	95.84	96.20	65.17
Liquid Assets/Total Assets	18.60	21.76	8.94	21.76	25.87	30.36
Capitalization Ratios (%)						
Common Equity Tier 1 Ratio (Basel III)	12.80	12.00	8.77	9.51	23.73	12.00
Tier 1 Ratio (Basel III)	16.40	14.50	10.86	10.75	23.73	14.50
Leverage Ratio	4.40	5.00	8.50	4.80	15.30	5.00
Capital Cushion (CAD millions)	178	479	479	493	466	2,001
Tangible Common Equity / Risk Weighted Assets	12.75	12.75	10.99	9.51	23.74	14.03
Total Dividend Payout	41.27	45.03	45.03	91.24	0.00	67.53

Note: DBRS uses a two-point average to calculate Average Equity and Asset Ratios.

Source: DBRS Morningstar and company documents.

Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organizations* (July 19, 2021) and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (February 3, 2021), which can be found on www.dbrsmorningstar.com under Methodologies & Criteria.

Ratings

Issuer	Obligation	Rating Action	Rating	Trend
Concentra Bank	Long-Term Issuer Rating	Trend Change	A (low)	Stable
Concentra Bank	Long-Term Senior Debt	Trend Change	A (low)	Stable
Concentra Bank	Long-Term Deposits	Trend Change	A (low)	Stable
Concentra Bank	Short-Term Issuer Rating	Trend Change	R-1 (low)	Stable
Concentra Bank	Short-Term Instruments	Trend Change	R-1 (low)	Stable

Source: DBRS Morningstar.

Ratings History

Issuer	Obligation	Current	2021	2020	2019
Concentra Bank	Long-Term Issuer Rating	A (low)	A (low)	A (low)	A (low)
Concentra Bank	Long-Term Senior Debt	A (low)	A (low)	A (low)	A (low)
Concentra Bank	Long-Term Deposits	A (low)	A (low)	A (low)	A (low)
Concentra Bank	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Concentra Bank	Short-Term Instruments	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

Source: DBRS Morningstar.

Previous Actions

- "DBRS Morningstar Confirms Concentra Bank's Long Term Ratings at A (low), Trend Remains Negative," April 1, 2021.
- "DBRS Morningstar Confirms Concentra Bank's Long Term Ratings at A (low), Trend Revised to Negative," April 6, 2020.
- "DBRS Confirms Concentra Bank at A (low)/R-1 (low), Stable Trends," September 25, 2019.

Related Research

- *A Closer Look at the Impact of Rising Rates on Canadian Banks' Profitability*, November 15, 2021.
- *Canadian Banks' and Insurers' Strong Capitalization and Liquidity Levels Lead to OSFI Lifting Capital Management Activity Restrictions*, November 9, 2021.
- *ESG Factors for Financial Institutions, Part One: Environmental Factors*, April 27, 2021.

Previous Reports

- Concentra Bank: Rating Report, October 7, 2020.
- Concentra Bank: Rating Report, October 7, 2019.
- Concentra Bank: Rating Report, October 11, 2018.

Note: All figures are in Canadian dollars unless otherwise noted.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.

MORNINGSTAR | DBRS

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: https://www.dbrsmorningstar.com/research/225752/highlights.pdf.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc.