



Concentra[®] **Annual Report 2020**

Building Resilience

Table of Contents

2	Who we are
3	Message from Lise de Moissac
5	Message from Don Coulter
8	Financial Performance
12	Business Review
16	Internal Audit
17	Concentra Trust
19	Leadership and Governance
21	Risk Management
23	Our Employees
27	Giving Back to the Community
29	Business Outlook
31	Contact Us

Concentra

Who we are

Concentra Bank's purpose is *creating the future of banking, to enable your success.*

Concentra Bank collaborates with fintechs and credit unions to offer Canadians mortgages, savings products, specialty banking products, commercial lending and leasing solutions, and more. With a Schedule I bank licence and a federally regulated trust licence, we are the leading provider of wholesale banking and trust solutions to Canadian credit unions.

Concentra Trust offers wealth management, personal and corporate trust services, estate planning and administration.

We have an investment-grade external debt rating from Dominion Bond Rating Services and have been named one of Canada's Best Managed Companies for 17 years running.

Concentra Bank continues to deliver strong and reliable dividends. To date, we have paid more than \$90 million in cumulative dividends to our common shareholders, and an additional \$25 million to our preferred shareholders.

Our headquarters are in Saskatchewan but our employees are located across Canada and we serve all provinces except Québec. (*S'il vous plait, soyez patient, Québec. Nous espérons y arriver un jour!*)

CONCENTRA BY THE NUMBERS

- Employs **343** people
- Serves **238** credit unions
- **\$11.1 billion** in total assets
- **\$43.4 billion** in assets under administration
- Net income of **\$25.4 million**
- Efficiency ratio of **64%**
- Return on common equity of **5.2%**



Message from Lise de Moissac

What a year.

Concentra Bank's Business Continuity Plan includes a Pandemic Plan, which management activated early in response to COVID-19, before the World Health Organization had declared a pandemic. Concentra remained committed to supporting its customers (businesses, individuals, brokers and credit unions) through this very challenging time, and to keeping employees safe and well. It succeeded.

The Bank helped thousands of customers to access payment deferrals and government relief. Its call centre and other employees worked longer hours and on weekends to help people who experienced hardship due to COVID-19. Concentra Bank donated money, time, expertise and equipment to help communities and credit unions in 2020.

A silver lining of 2020 was that Concentra's innovation grew and its strategic execution was focused and accelerated. Annually, the Board reviews Concentra's strategic and business plans, works with management to set short- and long-term direction, and generates financial targets aligned with specific objectives. In 2020, the Board and management conducted a scenario-based planning exercise around the pandemic. COVID-19 did not change Concentra Bank's strategy but spurred the Bank to refine it, and in the summer, the Board approved a narrowed focus on four strategic themes: commercial lending, niche retail, consumer lending, and wealth/Trust.

To succeed in these areas, Concentra will continue to grow new business and partnerships, diversify and lower its cost of funds, deepen its relationships with the credit union system, and make its assets work harder. The Bank will build momentum on emerging business and create options for future commerce, collaboration and partnerships through a digital platform strategy.

Concentra Bank's Board-approved growth strategy recognizes plenty of potential for Concentra and credit unions to increase their share of wallet in a market that is more than 90 per cent controlled by the big banks. Concentra is a long-time supporter of credit unions and its credit union partners will benefit from the Bank's growing expertise, partnerships, innovation, specialty products and balance sheet.

Concentra will continue to grow new business and partnerships, diversify and lower its cost of funds, deepen its relationships with the credit union system, and make its assets work harder.

The Board of Directors and I could not be more proud of this organization, which has not only survived but also bounced back from 2020. We thank Concentra's management and employees for their hard work and positive attitude during this difficult year.



Lise de Moissac
CHAIR OF THE BOARD



Message from Don Coulter

It was a challenging year as COVID-19 affected people's lives, the global economy, how we work and how we live. Yet Concentra has not only survived but also bounced back. We did not lay any employees off, and our purpose—creating the future of banking to enable your success—continues to drive us.

We set four objectives to help us through the pandemic, and we've succeeded on all of them:

- 1) Keeping our employees safe and happy:** To keep our employees safe, we restricted travel and transferred our entire workforce to work remotely by March 20. We met with and surveyed our employees all year to monitor their well-being, and implemented new events (including some fun challenges) to maintain our friendly culture. To assist employees whose partners were laid off or who were otherwise experiencing financial difficulty, Concentra offered a COVID-19 Employee Support Loan—a one-time loan with no proof of need or credit application required. We offered support for employees' mental and physical well-being via our employee assistance program, free online fitness classes, fun and easy fitness challenges, and virtual coffee chats. Our employees are doing well and remain engaged and productive.

2) Providing complete and transparent communication:

Concentra Bank was using multiple and multi-directional channels of communication prior to the pandemic, on a regular basis. In March, we ramped up the frequency of communication to employees, making sure they had the information they needed to work effectively and remain informed about the strength and direction of our business. Employee surveys show our communications are highly regarded.

3) Keeping Concentra strong and working: Although the beginning of the year was slow for Concentra Bank and the economy in general, our business rebounded in the third quarter, when we experienced strong growth and momentum. We are operating the Bank prudently and have strong risk management, including a high level of regulatory capital, which is in line with our internal capital target and well in excess of regulatory requirements. We also have a robust liquidity management framework and prudent credit metrics in place.

To help management and the staff execute many strategic projects efficiently and with a small workforce, in 2020 Concentra Bank began using Agile mindsets, methods and ways of working. Agile teams formed around key product lines and management is addressing resource and skill gaps to ensure a thoughtful approach and implementation. By adopting Agile mindsets, methods and ways of working, Concentra has enhanced its can-do culture and promoted collaboration across business lines and functional teams.

4) Bouncing back from the pandemic: In the third quarter, all our business lines started performing well, including real estate secured lending, commercial lending, consumer finance, equipment finance, and securitization. Although our retail and commercial banking team continues to focus on the impacts of COVID-19, our focus has shifted toward opportunities for 2021.

NEW PRODUCTS

Concentra Bank partners and works with fintechs, credit unions, commercial entities, and other innovative firms to bring unique products to Canadians; this helps us to keep the Bank financially strong. Some of the products we launched or enhanced in 2020 are:

- **Neo Savings:** In 2020, Neo Financial, a Calgary-based fintech company created by two of the co-founders of SkipTheDishes, collaborated with Concentra Bank to offer Neo Savings. Through this relationship, Neo is the first Canadian fintech to offer a CDIC-eligible high-interest savings account that works like an everyday banking account.
- **CADT:** In another Canadian first, in July, Blockchain Venture Capital Inc. launched CADT, a new stablecoin, with the support of custodial services from Concentra Trust. Each CADT is backed by a Canadian dollar held in custody in an account by Concentra Trust, which stabilizes the value of the CADT.
- **Mobile mortgages:** Our new mobile mortgage product has been very successful, going from a zero balance at the start of 2020 to more than \$100 million. We also added a new mortgage broker relationship and a new third-party originator, which are helping us to generate strong asset volumes.

The credit union system is a significant part of Concentra's strategy. We provide a number of products and offers to credit unions and their members and we saw a growth in that area in 2020. The value proposition we provide to credit unions is to help them strategically and operationally with the business of running a credit union, and to provide a strong financial return. As we build our expertise and product set, we see opportunities to share our capabilities with credit unions.

CORE COMPETENCIES: PARTNERSHIP, SPECIALIZATION AND INNOVATION

Ninety per cent of what we do at Concentra is through partnerships, one of our three core competencies. The other two—specialization and innovation—also draw heavily on our partners for execution and delivery.

Concentra Bank is more nimble than the big banks; this allows us to co-build innovative products and services with our partners and makes us attractive to fintechs. We've earned a reputation as a reliable, innovative partner and we're ramping up our efforts to attract, screen and develop productive partnerships. In 2020, we streamlined our screening process, developed partnership principles, and began to assess the pool of potential partners.

Specialization, our second core competency, includes our fintech lending relationships as well as reverse mortgages, First Nations lending and sub-debt and mezzanine finance. Each of these businesses provides significant market share opportunities and strong risk-adjusted returns on capital.

Concentra has specialized banking capabilities and federal banking powers that enable us to provide valuable products and services to credit unions. By assisting credit unions to run their business efficiently and extend their product shelf, we help them to attract, retain and serve their members. As Concentra improves and grows, we will be an even more valuable resource for Canadian credit unions.

Innovation is our third core competency; it is very important for us as we have big plans to offer banking in a different way for Canadians. We launched an innovation accelerator in 2020 and set up a small team to evaluate opportunities. We also held our third annual employee hackathon, an opportunity for the talented employees at Concentra Bank to pitch innovative ideas to enable the success of the Bank and our customers. These include new product ideas, improvements to operations to create efficiency, and ideas for the development of our employees. A submission we had implemented from our first hackathon turned out to be instrumental in helping us to offer the Canada Emergency Benefit Account (CEBA) rapidly in 2020 to help businesses through the pandemic.

DIGITAL TRANSFORMATION

Digital transformation is our priority project. We're creating a platform for businesses, individuals, and credit unions and their members to access our products directly or through our partners. In 2020, we selected a global digital vendor to help us build a scalable platform and another vendor to help us build a modern website. Work on both projects will continue into 2021. We also made progress in the areas of data analytics and automation.

WE'RE IN THIS TOGETHER

Although 2020 has been an extraordinarily challenging year, thanks to the resilience and creativity of our employees, the guidance of our Board of Directors, and the support of our customers, partners and the credit union system—2020 was a strong and successful year for Concentra in many ways.

To our Board members, employees, customers and partners, I hope that you, your families, and your organizations keep safe and well.



Don Coulter
PRESIDENT AND CEO

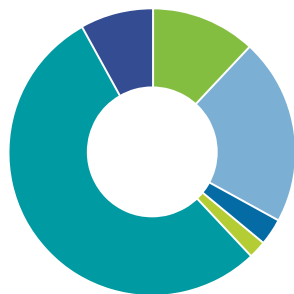
Financial Performance

FIVE-YEAR FINANCIAL OVERVIEW

(Thousands of Canadian Dollars)

	2020	2019	2018	2017	2016
Financial Position - Summary					
Assets					
Cash and securities	\$ 2,057,971	\$ 1,244,085	\$ 1,234,663	\$ 1,329,961	\$ 1,628,523
Retail loans	7,951,174	6,471,834	7,003,662	6,449,392	6,304,743
Commercial loans	877,667	1,086,996	1,295,189	1,228,608	1,391,870
Other assets	177,099	141,787	145,895	118,711	127,367
Total Assets	\$ 11,063,911	\$ 8,944,702	\$ 9,679,409	\$ 9,126,672	\$ 9,452,503
Liabilities and Equity					
Deposits	\$ 6,334,180	\$ 4,377,099	\$ 4,827,159	\$ 3,752,766	\$ 4,206,923
Securitization liabilities	3,921,683	3,553,627	3,983,129	4,339,989	4,314,901
Debt	214,745	420,276	314,456	453,811	407,561
Other	66,188	91,812	75,463	123,163	88,925
Shareholder's Equity	527,115	501,888	479,202	456,943	434,193
Total Liabilities and Equity	\$ 11,063,911	\$ 8,944,702	\$ 9,679,409	\$ 9,126,672	\$ 9,452,503
Results of Operations					
Total Revenue	\$ 121,307	\$ 120,988	\$ 114,879	\$ 106,609	\$ 104,638
Net interest income	95,944	96,428	90,407	83,497	78,467
Non-interest income	25,363	24,560	24,472	23,112	26,171
Non-interest expense	77,605	71,382	66,452	60,037	51,201
Net income	\$ 25,383	\$ 30,082	\$ 40,555	\$ 33,647	\$ 28,859
Credit Quality					
Net impaired loans	\$ 26,528	\$ 40,705	\$ 27,562	\$ 8,592	\$ 13,616
Net impaired loans as % of gross credit loans	0.30%	0.54%	0.33%	0.11%	0.18%
Provision for credit losses	\$ 8,894	\$ 6,894	\$ (7,598)	\$ 618	\$ 14,084
Provision for credit losses as % of gross credit loans	0.10%	0.09%	-0.09%	0.01%	0.18%
Financial Ratios					
Return on common equity	5.2%	6.6%	10.0%	8.8%	7.9%
Efficiency ratio	64.0%	59.0%	57.8%	56.3%	48.9%
Operating leverage ratio	-6.8%	-7.5%	-2.2%	-2.8%	16.2%
Expense coverage ratio	62.4%	67.7%	71.5%	73.9%	84.0%
Return on average assets	0.3%	0.3%	0.5%	0.4%	0.3%
Return on investment	4.0%	4.0%	4.0%	3.0%	10.0%
Capital Adequacy					
Common Equity Tier 1 capital to risk-weighted assets	12.8%	13.3%	11.8%	13.1%	10.2%
Tier 1 regulatory capital to risk-weighted assets	16.4%	17.3%	15.6%	17.5%	13.9%
Total regulatory capital to risk-weighted assets	17.1%	17.9%	16.1%	17.5%	14.8%
Leverage ratio	4.4%	5.2%	4.6%	4.7%	4.2%

LOAN DIVERSIFICATION



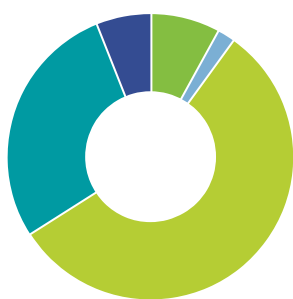
Retail by Province

British Columbia	12%
Alberta	21%
Saskatchewan	3%
Manitoba	2%
Ontario	54%
Other	8%



Commercial by Province

British Columbia	18%
Alberta	15%
Saskatchewan	18%
Manitoba	3%
Ontario	40%
Other	6%



By Asset Class

Commercial

Mortgages	8%
Loans and Leases	2%

Retail

Residential mortgages - insured	56%
Residential mortgages - uninsured	28%
Consumer term loans - unsecured	6%

Strong Regulatory Capital Ratios Based on The Standardized Approach

2020 | Regulatory Minimum

12.8% 7.0% COMMON EQUITY TIER 1 CAPITAL (CET1)	16.4% 8.5% TIER 1 CAPITAL	17.1% 10.5% TOTAL CAPITAL	4.4% BASEL III LEVERAGE RATIO
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Key Performance Indicators

Return on Common Equity

2020	5.2%
2019	6.6%
2018	10.0%
2017	8.8%
2016	7.9%
2015	8.7%

Efficiency Ratio

2020	64.0%
2019	59.0%
2018	57.8%
2017	56.3%
2016	48.9%
2015	59.7%

Return on Average Assets

2020	0.3%
2019	0.3%
2018	0.5%
2017	0.4%
2016	0.3%
2015	0.3%

Investment Grade Credit Ratings (DBRS) – Stable Trend

A (low) LONG-TERM ISSUER RATING/ LONG-TERM SENIOR DEBT	R-1 (low) SHORT-TERM ISSUER RATING/SHORT-TERM INSTRUMENTS	DBRS RATINGS CONFIRMED APRIL 6, 2020
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Gross Impaired Loans and Write-offs as a % of Gross Loans

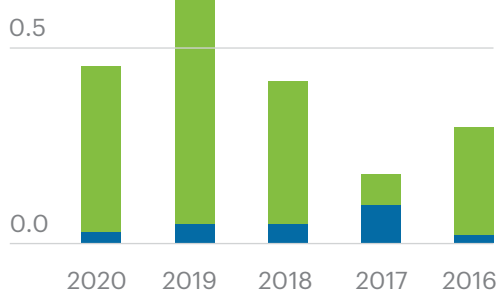
0.41%

Gross Impaired Loans

5 year average as % of gross loans

0.05%

Write-offs



Funding Sources

	2020	2019
Broker Term	26%	36%
Broker Demand	1%	1%
Direct Term	24%	9%
Direct Demand	9%	7%
Capital Markets Term	2%	2%
Securitization	38%	45%



Business Review

Despite COVID-19, Concentra Bank accomplished a lot in 2020.

DIGITAL TRANSFORMATION

By focusing on our foundational capabilities and leveraging partners, we are improving our speed to market, achieve scale, reduce costs, and offer products that support and delight our customers.

Our Agile teams are focused on network migration, our cloud environment, cybersecurity, data and analytics, automation, and our digital platform. In the spring, we completed 16 business, technology and enterprise workstreams to begin laying a foundation for people, processes and technology that will enhance our business. Toward the end of the year, we hired a global firm that specializes in technology for financial services to help us create new digital capabilities and a scalable digital platform. We also hired a firm to build a new website for us. Work on both projects will continue into 2021.

Also in 2020, we made progress in expanding our cybersecurity knowledge, implementing a security awareness program and deploying tools and training. We've created a cybersecurity strategy and 2021 roadmap. In a preliminary assessment, BitSight, a cybersecurity ratings company, scored Concentra at the top 10% of our industry.

BRAND TRANSFORMATION

We had planned to launch our new brand in 2020 but because of the pandemic, we have delayed the launch to 2021. We are ready to go with a new name, new look and a strong value proposition. We have developed a brand architecture and visual identity, and tested our new brand with our target markets.

In 2020, we began work on a new website, finalized our brand guidelines, conducted 10 customer journeys and three employee journeys, and completed the documentation to support a good user experience. We're building a culture where customer service is important to all employees. We are offering training and holding ongoing discussions to promote a mindset where our employees and customers know what we stand for, and where employees are empowered to use good judgment to give customers great advice and help customers succeed.

INNOVATION

Concentra Bank is adept at extracting innovation—growing and expanding our capabilities—and sees an opportunity for growth in exploring innovation—examining our ecosystem and any signals that point to the future, then determining what role we might play.

We engaged a firm to help us design an innovation accelerator model. Without disrupting the core business, a small team will uncover new business ideas and collaborate with leaders across the Bank, with the intent to pilot a new project in 2021. Our innovation accelerator model is a starting point for the innovative journey we envision.

CANADA EMERGENCY BENEFIT ACCOUNT (CEBA)

The pandemic spurred us to innovate when the federal government approved Concentra Bank to participate in CEBA, a COVID-19 relief program. Within a matter of weeks, we had developed an online application in collaboration with Cinchy, a Canadian data collaboration fintech with a platform designed to connect unlimited data sources within one networked architecture. Our solution supports 42 Atlantic Central, 35 Saskatchewan and five bilateral credit unions, and did not require additional FTE.

RESIDENTIAL MORTGAGES

In March 2020, Concentra Bank announced it would provide financial relief to its mortgage customers who were affected by COVID-19. This included up to a six-month payment deferral for mortgages and the opportunity for relief on mortgage payments. The number of deferrals declined from their peak at the end of May/early June to just two per cent of our residential mortgage book by the end of the third quarter.

The Canadian housing market was sustained by record levels of stimulus from the government to support households affected by the pandemic. Coupled with low mortgage rates, this resulted in a dramatic shift in home resale activity from spring to summer. The tight supply-demand conditions in the majority of the housing markets kept prices level or buoyed them higher. New prime and Alt-A mortgage volumes were very strong and mortgage renewal volumes came in ahead of our plan.

In 2020, we added a new Alt-A mortgage originator, hired more mobile mortgage specialists, and launched a 5 Year Closed Variable Rate Mortgage product. We teamed up with Savvyy.ai to develop origination capabilities and built an underwriting system in six months, and we have been enhancing and improving our Minimum Viable Product underwriting system through 2020.

SECURITIZATION

The Credit Union Securitization team at Concentra felt the impact of the pandemic in 2020. Our team was following new economic stimulus measures and changes to rules in our program, while processing nearly double the volume of the previous year.

Access to alternative funding sources was top of mind for many credit unions. Concentra is working with 10 credit unions through various stages of the new issuer pipeline and we assisted two new issuers in creating their first MBS issuances by the end of 2020.

Credit union securitization partners continue to show interest in custodial accounts with Concentra Trust, which are attractive as they allow for flexibility and easy access to liquidity because credit unions can hold MBS pools on their own balance sheet. This practice has been particularly useful for credit unions with excess liquidity.

COMMERCIAL LOAN ORIGINATIONS AND SYNDICATION OPPORTUNITIES

We are broadening our origination channels and our total loan authorizations (pre-syndication) presently exceed \$2.35 billion. We source commercial deals for our own balance sheet and as an investment opportunity for our credit union partners. In 2020, credit unions continued to buy and participate in Concentra-led loans, with 47 new syndications executed and an additional 21 loan syndications approved by syndicate partners.

New loan origination activities focused on higher RAROC business, including conventional construction loans, insured construction loans, and First Nations specific land claim settlement financing. We are sourcing term loans for the purpose of sale/syndication to credit union partners who are seeking these types of assets.

COMMERCIAL

We helped our clients through the pandemic with our swiftly established and well-managed Special Account Management Unit—a team we pulled together to guide us through pandemic-related deferrals, which peaked at 81 commercial accounts and have since been reduced to none. Overall delinquency in our leasing portfolio continues to be low as the portfolio performs well.

The Retail and Commercial Banking team will continue to focus on the impacts of COVID-19, including loan deferrals. However, the team's focus has been shifting to expanding opportunities and building for 2021. Priorities include fostering relationships with new originators, increasing asset pipelines, and enhancing capabilities for growth.

STRATEGIC FINANCIAL MANAGEMENT

Concentra experts provide customized balance sheet management solutions to our credit union partners. This offering identifies risks and opportunities with credit union balance sheet structures across a number of different areas including interest rate risk, profitability, capital and liquidity.

Credit union liquidity increased in 2020 for many credit unions. Deposit growth slowed in the second quarter but outpaced loan growth, and demand for asset purchases was high. Our consulting group supported credit unions through the impact of the pandemic to manage balance sheet implications and identify potential opportunities.

CONSUMER FINANCE

Over the last five years, the business line has established partnerships with several fintechs and originated more than \$1 billion in loan assets, which makes it the third-largest contribution margin business line for Concentra.

The pandemic fuelled increased demand for home improvement products nationwide and, as a result, Concentra realized a record level of funded volumes in the third quarter through our relationship with Financelt.

As of December 31, approximately 99 per cent of the initial COVID-19 payment deferral requests had resumed their regular scheduled payments and management remains cautiously optimistic about the outlook for consumer finance.

We purchased more reverse mortgage assets from Home Equity Bank in 2020. As reverse mortgages do not require contractual repayments throughout the term of the assets, there were no deferral requests related to COVID-19 on this portfolio.

FOREIGN EXCHANGE (FX)

We're working to launch a new FX execution platform in 2021. The new platform will give a modern look and feel to Concentra's online presence, provide better technology and a more complete suite of FX and international payments capabilities so that Concentra can be a one-stop shop for FX trades and FX payments.

EQUIPMENT FINANCING

The majority of credit unions do not have an in-house equipment financing solution to offer their commercial members. Concentra has had an equipment finance business and offering to our credit union partners for more than 16 years. We offer full lease services across a number of sectors, supported by an infrastructure that underwrites the lease, completes the fulfillment and funding process and will administer the lease on an ongoing basis.

Our nationwide equipment leasing team deals with a network of brokers and has financed equipment for transportation, construction, production, materials handling, forestry, IT, solar arrays, healthcare and co-gen facilities. Concentra also offers equipment leases at government rates and has done some financing for municipalities; e.g., for street lamps, roof repairs on ice rinks, or snow-clearing equipment.

OPERATIONAL EFFICIENCIES AND DATA MANAGEMENT

In 2020, we moved forward with maturing automation initiatives to increase productivity and harness the power of data and analytics to start to become a data-centric company. In 2020, we set up a Data and Analytics Centre of Excellence and Agile team (COE). This team is yielding good results. We released 10 operational management boards and set up regular analytics-led line of business reviews every two weeks as part of the Executive Leadership Team sprints. Through this COE, we have also improved our sourcing and use of data and enabled easier and more timely analytical insight in many line of business and functional teams; e.g., Risk, Mobile Mortgages and Real Estate Secured Lending.



Internal Audit

The Board, through its Audit and Conduct Review Committee, provides oversight over the performance of the Bank's internal audit function and the qualifications, performance and independence of the Bank's Internal Audit department.

The Internal Audit department plays an important role in the governance, risk and control environment at Concentra. It is considered the third line of defense in the risk management framework and the Chief Internal Auditor

has a direct reporting line to the Chair of the Audit and Conduct Review Committee, and administratively to the Chief Executive Officer.

In 2020, Concentra transitioned from an outsourced model of internal audit to one where the internal auditors are employees. The Bank hired a Chief Internal Auditor and team to work with the Committee and management to develop and execute a multi-year audit plan.



Concentra Trust

EXECUTOR AND ESTATE ADMINISTRATION

Concentra Trust offers comprehensive solutions for the effective planning, management and transfer of wealth to the next generation. We provide invaluable experience at a time of grieving to complete the myriad estate administration duties in an impartial and professional manner. Our clients can select full estate administration or discrete duties and administrative tasks to settle an estate efficiently and accurately.

TRUSTEE AND TRUST ADMINISTRATION

A Trust is a method of holding and protecting assets and can be used for many purposes, such as providing a gift to a minor, ensuring appropriate care and financial security of a spouse or disabled child, supporting philanthropic objectives, supplementing retirement benefits, or holding assets such as cottages and private businesses that are to be managed over the course of multiple generations. Concentra Trust has extensive experience in establishing and administering customized and complex Trusts, and is able to provide continuity of Trusteeship over the lifespan of a Trust.

REGISTERED PLAN ADMINISTRATION

With assets under administration of \$39.8 Billion, we provide registered plan solutions, including:

- Bare Trustee services RRSP, RRIF, TFSA, and RESP solutions
- Self-directed RRSP, TFSA, RRIFs
- Locked-in plan solutions

We also offer in-depth technical training workshops, in which a Concentra Trust registered products expert educates advisors in registered plans legislation, compliance, administration, estate settlement, and sales effectiveness tips. These interactive and informative workshops enable credit union partners to reduce risk, solve common client problems and provide exceptional client service to their members.

CONCENTRA TRUST YEAR IN REVIEW

Concentra Trust launched eight new products in 2020, including an education savings (RESP) grant in British Columbia and helping BVCI to launch CADT, a new Canadian stablecoin. We developed a registered plans training program and offered learning and development workshops for credit unions, and accredited them with popular badges that participants can add to their LinkedIn page. The appetite for these workshops is high and they are already fully booked for the first half of 2021.

In the summer, we asked credit unions across Canada, “How effective is your credit union at handling estates and retaining assets?” The responses provided us with insights into credit union estate operations—what aspects are working well and where there may be challenges. We provided the findings to credit unions in the *2020 Estate Effectiveness Survey* report, and conducted regional meetings to report on our findings. Concentra Trust’s Estate Effectiveness Consultation team guides credit unions through the process of achieving operational and executor experience excellence.

Concentra Trust grew our referral sources and partnerships to support a broader range of fiduciary and escrow services. Estates that are the subject of Will challenges and other legal disputes, guardianship appointments occurring through the courts, and escrow agent engagements supporting commercial and corporate transactions, are areas in which we will continue to expand in 2021.





Leadership & Governance

Concentra is a federally regulated financial institution.

The Boards of Concentra Bank and its wholly owned subsidiary Concentra Trust uphold high standards of corporate governance that reflect applicable legal and regulatory requirements as well as best practice.

REGULATORY ENVIRONMENT

The primary piece of legislation that governs Canadian banks is the *Bank Act*. The Office of the Superintendent of Financial Institutions (OSFI) oversees prudential regulation of Canadian banks, supervises banks and develops legislation and guidelines. The Financial Consumer Agency of Canada (FCAC) oversees consumer protection.

Banks must also comply with privacy legislation imposed by the Office of the Privacy Commissioner of Canada, and with Canada's anti-spam legislation (CASL), which protects consumers and businesses from the misuse of digital technology, including spam and other electronic threats.

Compliance is the second line of defense group responsible for providing oversight of Concentra's regulatory and compliance risk while providing effective challenge for the first line of defense's operational activities. The Compliance function includes oversight of anti-money laundering/anti-terrorist financing and reports any suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

BOARD OF DIRECTORS

The Boards of Directors of Concentra Bank and its wholly owned subsidiary Concentra Trust provide direction and leadership to ensure sound corporate governance, an appropriate risk profile, and Concentra's ability to achieve sustainable growth, generate profits, and create long-term value for stakeholders. The Boards embody a culture of continuous improvement and dedication to the co-operative system. They supervise the management of Concentra's business and affairs, oversee strategy and risk management, and challenge, advise and guide Concentra's senior management.

Concentra Bank operates under the *Bank Act* with a 12-person Board, comprising a majority of independent directors, elected in accordance with the legislative, regulatory and bylaw framework of a Schedule I chartered bank.

We have listed our Board of Directors and Executive Leadership Team on concentra.ca.

EXECUTIVE COMPENSATION

Total compensation for executives is a mix of base salary and incentives, designed to align with Concentra's strategy and achievement of corporate results over the short and longer term. We use a comparator group comprising large credit unions and small- to mid-sized financial institutions for the purpose of collecting relevant market data and benchmarking executive compensation. The Board of Directors may use discretion to ensure executive compensation appropriately reflects risk performance, as well as other unexpected circumstances that may arise during the year, and to eliminate the possibility of unintended outcomes determined solely by formulas.

SUBSIDIARIES AND PARTNERSHIPS

Concentra Trust is a wholly owned subsidiary of Concentra Bank that provides tailored solutions for estate planning and administration, Trusts, and registered plans. Concentra Trust has deepened its commitment to partnerships by embedding an estate and Trust specialist within partner

credit unions such as Coastal Community Credit Union and FirstOntario Credit Union. The model offers a holistic estate and Trust approach from the onset of estate planning dialogues through to the support and advice for executors, providing for the retention and consolidation of assets, insurance and banking opportunities for the credit union. The Estate and Trust Specialist is an expert who works in conjunction with wealth, retail, business banking and operations to provide comprehensive advice to members.

In 2020, we formalized a partnership playbook that will guide us in our partnerships. We have many partners and are always evaluating innovative companies and credit unions who can help us to help Canadians succeed. We've earned a reputation as a reliable, innovative partner and we're ramping up our efforts to attract, screen and develop productive partnerships through which we can support the credit union system and create the future of banking. In 2020, we have begun to improve our partner and third party onboarding, due diligence and risk assessment processes. In 2021, we plan to work through the innovation accelerator to identify additional partners who can assist us in the execution of our strategy.

KEY INITIATIVES IN 2020 FOR THE BOARD OF DIRECTORS

The Board's primary objective in 2020 was stewarding Concentra's response to the pandemic and overseeing the execution of Concentra's Business Continuity Management and Pandemic Plan. The Board received frequent communication from management to monitor liquidity and capital, loan payment deferrals, employee safety and well-being, cybersecurity and credit risks, and implications to business and strategy. Concentra remained strong throughout the year and regained momentum with a sound plan for growth and increased profitability into 2021.

The Board and senior management also made strategic adjustments to our corporate strategy in response to the pandemic and the evolving economic environment. While the overall strategic direction did not change, we adjusted priorities and refined the strategy; e.g., we refocused the scope, timing and approach of Concentra's digital transformation.



Risk Management

Concentra faces a variety of risks across all areas of business. We believe that managing risks in alignment with our risk appetite and business strategy is every employee's responsibility. All elements of our risk management framework provide for measured and prudent risk taking while striking an appropriate balance between risk and return. Within this framework, we leverage strong talent on the front line, in corporate functions, risk management and in internal audit to ensure effective risk management.

The Risk Management Group (RMG), as an independent enterprise-wide function, is accountable for oversight and effective challenge of all risks faced by Concentra. RMG performs several important activities including developing Concentra's Risk Appetite Framework, the associated risk appetite statements and the management control metrics;

establishing and communicating risk policies, guidelines and limits to manage risks in alignment with strategy and risk appetite; measuring, monitoring and reporting on risk levels; identifying and assessing emerging and potential strategic risks; concurring on transactions that exceed risk limits delegated to business lines; and ensuring compliance with applicable regulatory and anti-money-laundering and know-your-client requirements.

The risks categories faced and managed by Concentra include:

- Credit and counterparty risk
- Liquidity and funding risk
- Market risk
- Model risk
- Operational risk
- Regulatory and legal risk
- Reputation risk
- Strategic risk

Concentra's Chief Risk Officer (CRO) is the head of the RMG. The CRO is responsible, through RMG, for identifying, measuring, monitoring and reporting on the risks of Concentra on an enterprise-wide and disaggregated level, independently of the business lines or operational management. The CRO reports functionally to the Board of Directors, through the Risk Committee, and directly to the President and Chief Executive Officer.

The Bank's risk governance framework includes a strong and streamlined Risk Management Committee structure, which comprises Executive Risk Management Committee (ERMC), Asset Liability Committee, Investment Management Committee, Technology Risk Management Committee, Subordinated and Mezzanine Debt Financing Committee and Trust Risk Management Committee. The ERMC reviews the bank's comprehensive assessment of current and emerging risks, individually and in aggregate, and promotes an integrated and effective risk culture. The other aforementioned committees report/escalate to the ERMC.

Concentra's risk appetite encompasses our capacity for risk, which enables us to balance our risk tolerance with return expectations. Our 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 Concentra'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 Concentra's risk profile.

RMG YEAR IN REVIEW

The industry-wide unique operating circumstances of 2020 tested Concentra's operational resilience and our ability to deliver critical operations through a disruption of this magnitude. Our primary initial focus was on managing the impacts to our customers, our staff and our third party relationships. We responded by evoking our existing crisis management protocols and minimized the impacts of

pandemic-related disruptions with an efficient transition to a work-from-home environment, which was implemented fully within the first few weeks of March. We also made enhancements to our IT controls to manage the industry-wide increase in cyber threats.

We helped our clients through the pandemic with our Special Account Management Unit (SAMU)—a team we pulled together to guide us through pandemic-related deferrals and delinquencies. The SAMU remains responsible for administration of the commercial loan portfolio, and monitors deferrals and delinquencies across all loan portfolios.

We adjusted Concentra's third party risk management framework for the assessment of risks and controls affected by the pandemic environment, with a heightened focus on business continuity management, cybersecurity risks and controls, and credit risk management including the management of deferrals and collections, insurance, fraud and anti-money laundering.

In 2020, the Board of Directors approved a Risk Culture Action Plan to help employees understand how the three lines of defense work together to protect the Bank. The plan included webinars and training that employees received very well.

The Chief Risk Officer also participated in a webinar that Concentra offered to credit unions about the new reality of managing risk and clients in an era that has seen massive investments in digitization, changing consumer expectations, and new channels of communication.

Also in 2020, to ensure our business can manage the inherent and residual risks related to the new processes and underlying technologies associated with becoming a digital bank, our Technical and Operational Risk Management teams assessed Concentra's first line of defense capabilities and prioritized recommendations and best practices to protect the data and confidential information of our staff and customers.



Our Employees

The key to any organization's success is its people. We take good care of our employees and foster a positive culture that engages our employees and provides them opportunities to develop their skills.

SUPPORTING OUR EMPLOYEES THROUGH A PANDEMIC

Keeping our employees safe and happy was a key objective during the pandemic in 2020. Prior to the pandemic, nearly 10% of our employees worked remotely, but as of March 20, our entire national workforce had transitioned to a remote work environment. During the pandemic, we have been monitoring our employees' well-being and performance to ensure they were supported by their manager and have the tools to work productively in a remote environment.

In the fall, we asked our employees about their preferred work arrangements post-pandemic. With the options of returning to the office, working remotely, or doing a hybrid of both, approximately 80 per cent of our employees chose to continue working remotely. As a result, we'll reduce our leased office space in some locations.

As part of working remotely, our staff continues to work effectively to meet their deadlines, with the flexibility to manage and balance their family and work commitments as required. Technology and Agile ways of working help us to collaborate, stay connected to each other, and maintain our friendly culture.

MANAGING CHANGE

Executing on a new strategy is an exciting but significant undertaking. Our workforce is small, and one-quarter to one-third of employees are regularly engaged in organizational transformation initiatives. Recognizing the magnitude of the shift we have made to our business model, we're being thoughtful and deliberate about how we manage change.

In 2020, we convened a small Change Management team comprising leaders from human resources, communications, customer experience, operations and project management, who meet regularly to coordinate and manage change across the organization.

DIVERSITY AND INCLUSION

Our corporate culture is one in which all employees are to be treated with dignity, respect and fairness. Concentra has both a Diversity and Inclusion policy and a Respectful Workplace policy. We support diversity and inclusion by identifying and removing barriers in our processes, policies, practices and services that might adversely affect employees. We offer respectful workplace and bias awareness training and opportunities for employees to give their perspectives on our work.

Our Diversity Plan includes building a diversity calendar in 2021 for six to eight key initiatives. We will engage our employees and enlist volunteers to source speakers, educational material, volunteer opportunities and activities throughout each 4 – 6 week sprint focused on a particular topic.

In response to the Black Lives Matter protests in July, we convened a virtual forum to have a company-wide, open discussion about race. In October, in honour of Orange Shirt Day, we held a forum with an external speaker on treaties and reconciliation.

The Diversity and Inclusion team is developing an Inclusiveness Pledge that reinforces our commitment to diversity in plain language. We're also launching a new program of Diversity and Inclusiveness, focused on intersectionality issues, to increase employee engagement and awareness on important topics.

LEADERSHIP PRINCIPLES

Our six leadership principles—Agile, Accountable, Customer-Obsessed, Inspiring and One Team—are an important part of our culture and are measured and discussed as part of our performance assessments. Our employee recognition program is centred on these leadership principles so that our staff can formally and publicly acknowledge their colleagues when they witness behaviour that is aligned to the principles.

In 2020, we coached our employees and leaders on associated behaviours. The Senior Leadership Team discussed and shared feedback related to these principles in October, and we have planned future sessions to reinforce leading the principles and values across the organization.



Best Managed Companies Award

FOR THE LAST 17 YEARS, CONCENTRA HAS BEEN ONE OF CANADA'S BEST MANAGED COMPANIES.

EMPLOYEE ENGAGEMENT AND CULTURE

We had a high response rate to our annual employee engagement survey in 2020. Our engagement score of 77 continues to reflect strong employee engagement along with other dimensions that measure our employees' commitment to Concentra.

We foster regular, multi-directional communication, seeking employee feedback and making Concentra a challenging and inspiring place to work. We always communicate regularly, transparently and via multiple channels with our employees—from informal Cup of Joe with the CEO coffee chats to quarterly staff updates, and everything in between. Because of the pandemic, from March until October, our CEO communicated weekly with employees to help them stay informed. Results from an employee communications survey in April indicated high satisfaction with our corporate communications programs and activities.

TALENT DEVELOPMENT

To ensure coverage and training for critical roles during 2020, we completed a workforce assessment and matured our succession-planning program. We also completed talent reviews to identify gaps and opportunities for employee development. For the executive leadership team and other key roles identified during Corporate Succession Planning, our People Office is working with managers to finalize

individual development plans, which we will reinforce and expand upon during the 2021 objective-setting process.

With 343 employees across Canada, Concentra wants to be an employer of choice, attracting and retaining the best and brightest minds. We aim to provide solid learning and development opportunities for every employee, to meet their needs as life-long learners. We also want to ensure our leadership pipeline is well-supplied with talent from within.

TOTAL REWARDS

Concentra is committed to rewarding employees fairly and equitably, relative to each other and the external market in which we compete for talent. Our best-practice approach to total rewards includes a balanced view of all aspects that make a work environment appealing to new or existing employees. We focus not only on monetary components such as base pay and incentive compensation, but also on less tangible but still critical aspects such as work environment, opportunities for personal growth, benefits, paid time off, and community involvement. The four pillars that make up our total rewards strategy are Compensation, Benefits, Personal Growth and Culture. We believe all these components create a work environment that attracts, retains, motivates, engages and develops the workforce.

HEALTH AND WELLNESS

Concentra supports the health and wellness of our employees. We offer access to virtual fitness sessions and our fitness program reimburses each employee up to \$300 per calendar year toward the purchase of fitness memberships, fitness classes, fitness-related footwear and fitness equipment. We held activities and contests for employees during Canada's Healthy Workplace Month and during Mental Health Week, focusing on connection and resiliency during the pandemic. During Occupational Health and Safety week, we held virtual events focused on the ergonomic and mental health aspects of working remotely.

INNOVATION

In October, we held our third annual Hackathon, in which employees pitched executives on new project ideas. We award the two winning teams cash and a donation to charity. The winners in 2020 chose the Canadian Red Cross and the Nik Zoricic Foundation.





Giving back to the community

During this period of uncertainty, support for communities matters more than ever. It was difficult to witness the impact of COVID-19 on our communities, including empty shelves at the grocery store and people losing their income. We wanted to help, so in April we donated \$25,000 to Food Banks Canada, a charitable organization representing food banks nationwide, to support their first-ever nationwide appeal for donations.

Concentra also contributed \$200,000 to community initiatives nationwide through our Empowering Your Community program. It was Concentra's 10th year of teaming up with credit unions through this program to build healthy, strong communities. We selected two projects—Atlantic Village Effect in Nova Scotia and Hamiota Elementary School Growing Minds Reading Room in Manitoba—to receive \$25,000 each and another 17 projects to receive \$10,000 each. Since 2011, Concentra has awarded \$1.8 million to community projects nationwide.

We continue to support the University of Saskatchewan's Centre for the Study of Co-operatives. We have committed to a five-year funding agreement and one of our employees serves on the Centre's advisory board. Our seat on the board helps provide strategic direction to the Centre as well as financial integrity and feedback to the Johnson Shoyama Graduate School of Public Policy.

For a third year, we sponsored the Illuminate Universe National High School Business Conference with a \$10,000 donation and by offering a financial workshop. Concentra shares sponsorship of this event with Deloitte Canada and creates a business case for which students team up to pitch solutions. Concentra and Deloitte judge these pitches, provide feedback to the students and select a winning team. The event was held virtually this year because of the pandemic.

Every so often, Concentra has some older equipment for which we no longer have a need, and donates it to not-for-profit organizations. In 2020, Concentra donated 41 desktop computers, 26 laptop computers, five tablet computers, and eight monitors to three organizations: Computers for Schools, Regina Model Engineers, and the Cosmopolitan Learning Centre. We also donated 30 cell phones to SaskTel, which refurbishes them for its Phones for a Fresh Start program, which helps people fleeing domestic abuse.

EMPLOYEE VOLUNTEER PROGRAM

We give full-time employees three paid days each year to volunteer and we expanded this program in 2020 to include virtual volunteering during the pandemic. To date this year, employees have donated nearly 100 hours of service, with such organizations as The Financial Advisors Association of Canada, Hockey Regina, CFA Saskatchewan, Saskatoon Community Foundation, and Angels4Warmth.





Business Outlook

We are excited about 2021. Our strategy is solid and we have socialized it well with employees. The year will bring more challenges as COVID-19 continues, but we are in a good position to see significant progress on our Smart Digital strategy, strengthen our Customer-Obsessed focus, foster strength and resilience in our leaders, collaborate with innovators, and help Canadians succeed.

Our goals include fostering relationships with new originators, increasing asset pipelines, and enhancing capabilities for growth. We will continue to harvest revenue by defending and extending our core business, and build momentum on emerging business (e.g., retail deposits and mobile mortgages). We will also create options for future business and collaboration through our digital platform strategy.



Consistent with our purpose, we have a vision to become a differentiated bank that provides a positive experience for our customers, and offers proactive advice and specialized products.

Our Marketing and Communications team will work with our Operations team and People Office to help employees understand and live our new Customer Experience Guidelines and our new brand. Employee training and updates on this initiative will be part of our 2021 plan, with a view to launching our new brand later in the year.

For Concentra Trust, we will expand our registered plan offering in January to include a Registered Disability Savings Plan (RDSP). Credit unions will be able to participate in the RDSP through the Credit Union Deposit Program and Deposit Referral Program. We plan to grow our

personal Trust and Indigenous Trust business, and expand our commercial offerings beyond registered plans and into group benefit products and employee share purchase plans. We are interested in pursuing more corporate Trust business, such as funeral and cemetery Trusts, condominium Trusts and environmental remediation Trusts.

We are exploring several new partnerships and rolling out an automated, collaborative and streamlined process to bring new partners aboard. Fintechs and start-ups who work with us will feel the difference, and we hope our reputation as a bank that is easy for fintechs to deal with will continue to grow. We are keen to collaborate with fintechs who want access to the banking system as open banking gets underway in Canada.

As we said, we are excited about 2021.



Contact Us

We're here to help.

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