

Rating Report

Concentra Bank

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Concentra Bank	Long-Term Issuer Rating	A (low)	Confirmed Sep '19	Stable
Concentra Bank	Short-Term Issuer Rating	R-1 (low)	Confirmed Sep '19	Stable

See back of report for complete rating list.

Rating Drivers

Factors with Positive Rating Implications

- Though unlikely over the intermediate term, positive ratings pressure could arise from an upgrade on DBRS Limited's (DBRS Morningstar) ratings on Credit Union Central of Saskatchewan (SaskCentral; rated R-1 (low) with a Stable trend by DBRS Morningstar).

Factors with Negative Rating Implications

- Conversely, a reduction in SaskCentral's rating would negatively impact Concentra Bank's (Concentra or the Bank) ratings.
- A significant increase in Concentra's risk profile due to greater exposure to higher-risk assets at the Bank and its increased reliance on funding that is external to the credit union system in Saskatchewan (the System) could also negatively impact ratings by increasing contingent risk for SaskCentral.
- Excessive reliance on activities that do not provide direct and meaningful benefits to credit unions could lead to a reduction in DBRS Morningstar's assessment of the willingness and ability of SaskCentral to support Concentra.

Rating Considerations

Franchise Strength: Concentra's franchise strength is determined by its partnership with the credit union system in Canada (excluding Québec), which includes 241 credit unions across Canada with \$240 billion in assets. As an important provider of wholesale banking, capital markets and trust services to the majority of credit unions in Canada, DBRS Morningstar believes it would be difficult for individual credit unions to find a cost-effective replacement for Concentra.

Earnings Power: The Bank has relatively stable recurring earnings characterized by an increasing proportion of fee-based income, though earnings remain susceptible to spikes in provisioning expense and fair-value adjustments.

Risk Profile: Concentra has generally good asset quality with a low history of loan losses on its residential mortgage portfolio; however, the Bank's risk appetite has been progressively increasing.

Funding and Liquidity: Funding is largely generated through wholesale sources and overnight deposits and is, thus, less stable in DBRS Morningstar's opinion. However, wholesale maturities are staggered, which enables Concentra to appropriately manage its interest-rate risk and liquidity needs.

Capitalization: Concentra's capitalization weakened in 2018 as it increased balance-sheet risk. Internal equity generation was healthy and the Bank's capital cushion is sufficient to absorb normal levels of losses.

Financial Information

(in \$ millions, except for % or otherwise stated)	For the Year Ended December 31 (IFRS)				
	2018	2017	2016	2015	2014
Return on Average Equity	8.66%	7.55%	6.72%	7.04%	8.12%
Efficiency Ratio	57.85%	56.32%	48.93%	59.70%	55.44%
Net Interest Margin	0.98%	0.91%	0.92%	0.95%	1.06%
Common Equity Tier 1 Ratio	11.80%	13.10%	10.20%	11.60%	13.20%
Net Impaired Loans / Total Net Loans	0.33%	0.11%	0.18%	0.23%	0.31%
Loan Loss Provision/Average Net Loans	-0.10%	0.01%	0.20%	0.04%	0.13%
Income before Provisions & Taxes	48	47	53	37	38
Net Income	41	34	29	25	23
Total Equity	479	457	434	425	294
Total Assets	9,679	9,127	9,437	7,800	6,746

Source: DBRS Morningstar Analysis; Copyright © 2019

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 September 25, 2019, DBRS Limited (DBRS Morningstar) confirmed Concentra's (Concentra or the Bank) long-term ratings at A (low) and short-term ratings at R-1 (low). All trends are Stable. Concentra's Support Assessment (SA) of SA1 reflects SaskCentral's willingness and ability to support Concentra. SaskCentral owns 84% of Concentra and is instrumental in driving business activity and strategy at the Bank. As such, DBRS Morningstar views Concentra as a supported subsidiary of SaskCentral.

The ratings reflect Concentra's utility in providing certain wholesale financial and trust services to the System and, more broadly, to credit unions across Canada (except Québec). As such, a shift away from these core activities is viewed negatively by DBRS Morningstar. Although Concentra's financial performance has been robust, a higher risk appetite and increased exposures to Alt-A and consumer lending continue to be areas of concern for DBRS Morningstar. Concentra's reliance on wholesale deposits — which, in DBRS Morningstar's view, tend to be less stable than retail deposits — could also pressure liquidity under a stressed scenario.

Franchise Strength

DBRS Morningstar views Concentra's interconnectedness to the credit union system in Canada (excluding Québec) as a key driver when assessing the Bank's franchise strength. As an important provider of wholesale financial (including capital markets) and trust services to the majority 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, the Bank acts as a counterparty in plain-vanilla interest-rate swaps that allow credit unions to hedge interest-rate risk. Also, by purchasing, selling and syndicating loans from and to credit unions, Concentra offers credit unions investment opportunities outside their franchise areas, providing them with some yield pickup and asset diversification. These activities are core to Concentra's partnership with credit unions; however, DBRS Morningstar notes that excessive reliance on stand-alone activities, which could be viewed as relatively unrelated to the credit union system, could have a negative impact on DBRS Morningstar's assessment of Concentra's franchise strength.

The Bank is indirectly owned by credit unions through their Centrals. Since January 1, 2017, SaskCentral has held the majority (84%) economic and voting interest in Concentra while the majority of the remaining 16% is divided between credit unions (through their Central organizations) across Canada. While the Bank aims to be owned by credit unions and operate on cooperative principles, a significant change in ownership at Concentra could alter the existing incentive structure and would require DBRS Morningstar to reevaluate the Bank's franchise strength and risk appetites with potential implications for its ratings.

Credit unions' oversight of Concentra'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; therefore, excessive risk on Concentra's balance sheet implies contingent risk for the System. The Bank maintains a robust corporate governance structure that maintains good oversight of its activities. Consequently, Concentra's risk appetite is ultimately dictated by its Board of Directors, most of whom are associated with the cooperative sector or have prior experience in it. The majority of Concentra's Board members are independent of its executive management team.

In assessing Concentra's product range, DBRS Morningstar notes that, while credit unions are generally restricted from transacting outside their provincial boundaries, the Bank is able to provide national reach through its wholesale operations. Additionally, by consolidating wholesale banking expertise and investments from credit unions under one roof, the Bank can realize attractive terms in wholesale markets that smaller credit unions would find onerous to achieve. Concentra's management believes that conversion to a Schedule I bank and regulation by the Office of the Superintendent of Financial Institutions (OSFI; the primary regulator of Canada's Big Banks, including a global systemically important bank) have provided the Bank with greater market access.

Concentra primarily operates through two business lines – Wholesale and Trust:

Wholesale: Through this segment, Concentra enables credit unions to invest in pools of mortgage and commercial loans, which are either acquired outright or accessed via syndications. A portion of these loans are kept on Concentra's balance sheet and a portion are sold to credit unions. The Bank has extended its range of products to include pools of consumer loans. Additionally, Concentra facilitates credit unions' participation in the National Housing Act Mortgage-Backed Securities program by providing them with requisite expertise and administrative support. The commercial-leasing segment offers commercial-equipment financing and origination expertise. Through its capital markets function, Concentra offers term-deposit products, foreign-exchange products and asset-liability management consulting services. The Bank also acts as a counterparty to derivatives instruments on behalf of credit unions.

Trust: These are services credit unions are not allowed to offer directly (with the exception of credit unions in British Columbia), including administration of registered plans, corporate trust services as well as planning and administrative services related to estates and trusts. Trust services are provided through a wholly owned subsidiary, Concentra Trust (the Trust).

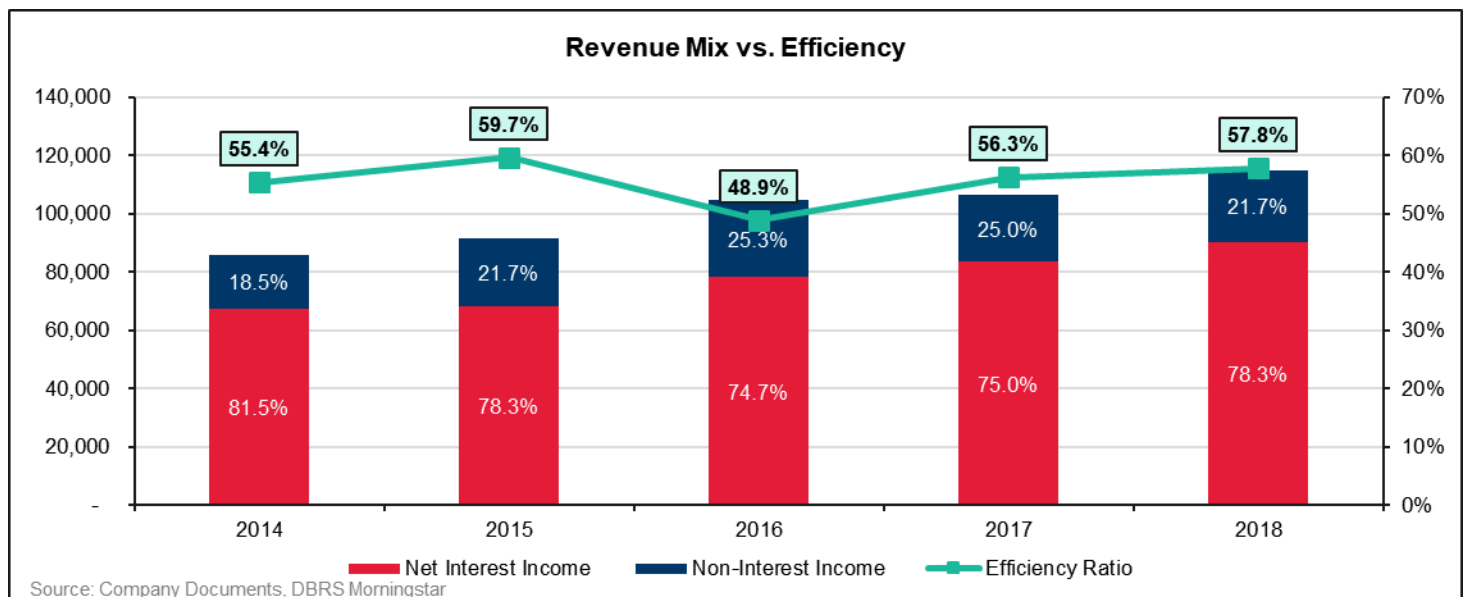
DBRS Morningstar notes that additions to the executive management team in 2018 aimed to create a team with significant expertise across wholesale banking functions and the credit union industry. These additions bring solid credit union industry experience alongside experience working in Canada's large banks and regulatory bodies. In 2019, to better align the Trust's offering to the Bank's overall strategy, Martha Moen was appointed as the head of the Trust business. Effective execution of Concentra's strategy to strengthen its Trust offering, particularly within the credit union space, will benefit its franchise in DBRS Morningstar's opinion.

Earnings Power

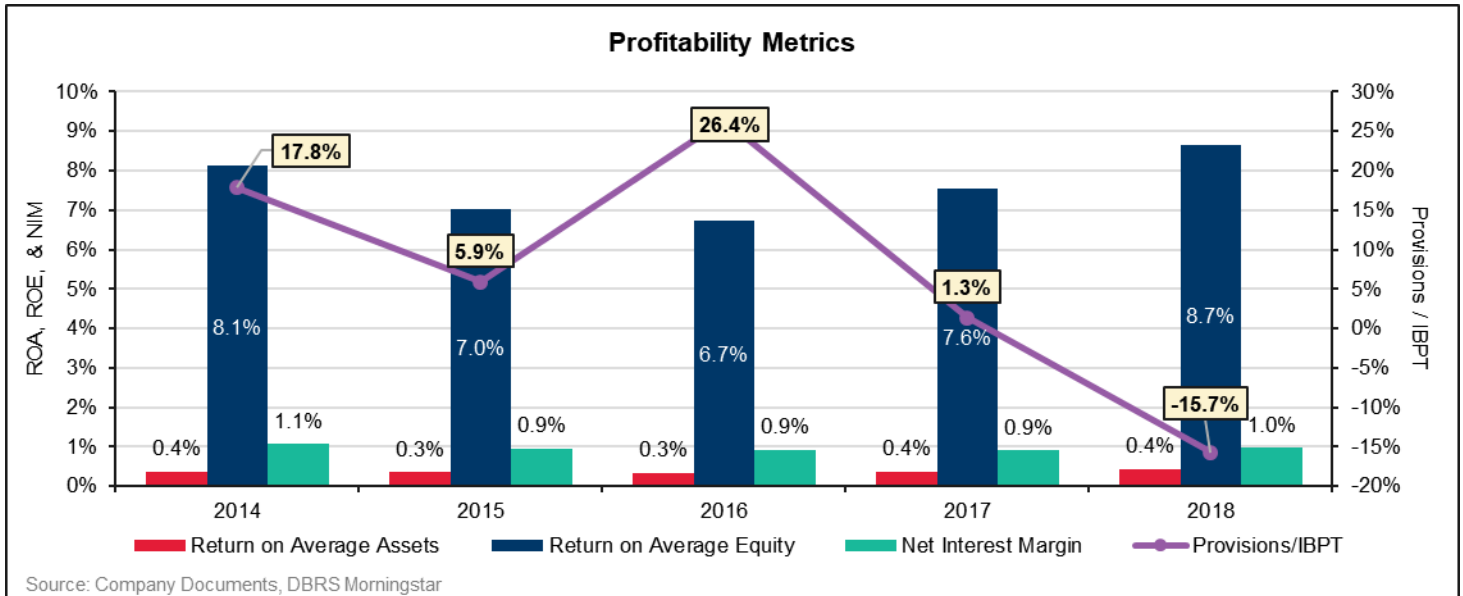
Concentra generates relatively stable recurring earnings, largely driven by spread income. Concentra's cost-to-income ratio remained elevated in 2018, largely driven by higher spend on initiatives to support a direct-to-customer strategy and talent acquisitions.

In DBRS Morningstar's assessment, since obtaining a banking license, Concentra has become more focused on profit maximization and growth. The Bank's strategy and objectives are nevertheless driven by its Board and are within the confines of cooperative principles, which DBRS Morningstar expects to restrict excessive risk-taking by Concentra.

Concentra generates relatively stable recurring earnings, although the majority of revenues (averaging 77% over the last five years) are derived from spread income. This is not unusual for small to mid-sized financial institutions in Canada that typically have limited fee-generating franchises. Non-interest income for the Bank largely stems from services offered to credit unions and securitization-related income, which together averaged 77% of non-interest income over F2014 to F2018. The securitization business has become less attractive for Concentra as spreads have narrowed; this could pressure an important source of non-interest income for the Bank and underscores the importance of diversifying sources of non-interest income. Successful implementation of its Trust strategy, while continuing to provide fee-based services to credit unions, could enhance Concentra's capacity to generate non-interest income, which would be viewed positively by DBRS Morningstar.



Concentra’s net income of \$40.6 million in F2018 was 21% higher than the prior year, mainly because of a significant reversal in provisions for credit losses (PCL) of \$7.6 million. Pre-provisioning income improved by a smaller 4% year over year (YOY) to \$48.4 million. Although the average growth in interest earnings assets was muted in F2018 at 1%, net interest income benefited from Concentra’s increased exposures to higher yielding Alt-A residential mortgage loans and consumer loans along with three interest-rate increases by the Bank of Canada. Consequently, net interest margins (NIM) improved to 98 basis point (bps) in F2018 from 91 bps in the prior year. Given that Concentra is primarily wholesale funded, its interest spread is lower than that of its peers. Operating efficiency deteriorated in F2018 largely driven by higher spend on initiatives to support a direct-to-customer strategy and talent acquisitions. The operating efficiency ratio could remain elevated over the intermediate as Concentra further invests in its business.



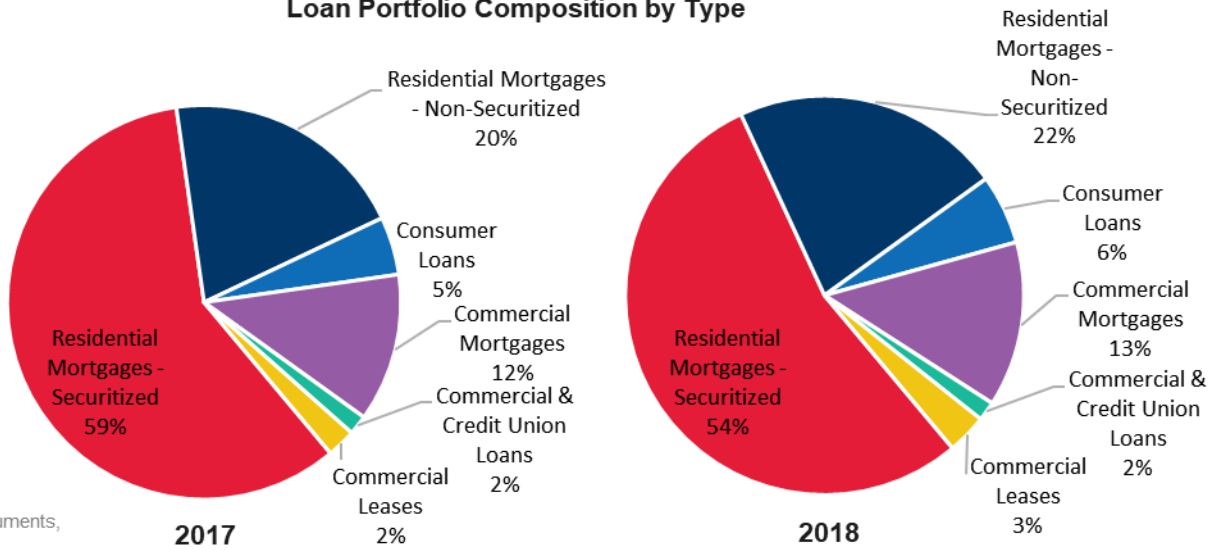
A recovery in PCLs in F2018 was driven by the resolution of several problem loans in Concentra’s commercial portfolio. In DBRS Morningstar’s assessment, Concentra could experience significant volatility in PCLs, given its exposure to commodity cycles through the geographic concentration of its loan portfolio in Alberta and, to a lesser extent, in Saskatchewan. Economies in these provinces are reliant on the energy, agricultural and mining sectors where performance can be volatile; however, in DBRS Morningstar’s assessment, Concentra generates sufficient income before provisions and taxes to cover PCLs under normal operating conditions.

Revenues improved to \$31 million in Q2 2019, a sequential increase of almost 7%, driven by stronger NIM and non-interest income. PCLs reverted to more normal levels in Q2 2019, which pushed net income down 7% on a sequential basis, although net income was slightly above Q2 2018.

Risk Profile

Concentra is predominately exposed to residential mortgage lending, most of which represents insured exposures; however, DBRS Morningstar remains cautious of excessive growth in the Bank’s exposure to uninsured Alt-A residential mortgages, commercial mortgages and unsecured consumer loans. Furthermore, 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.

Loan Portfolio Composition by Type



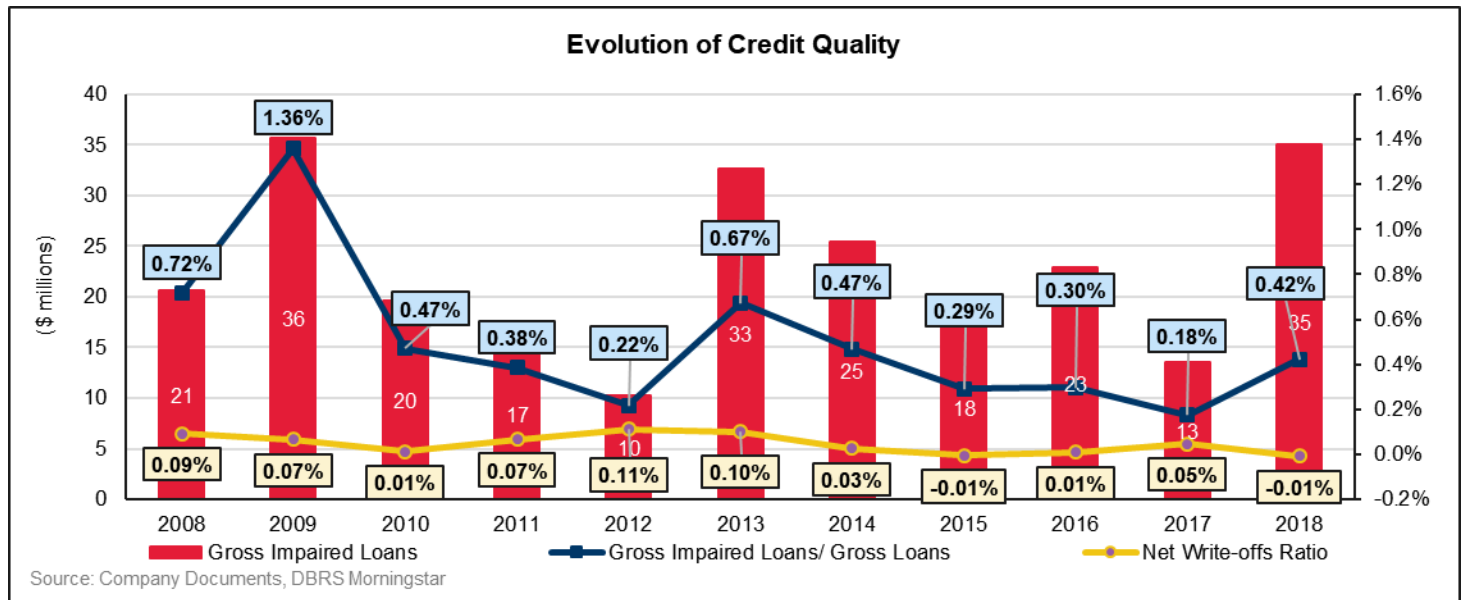
Source: Company Documents, DBRS Morningstar

Over the last three years, Concentra has purchased a consumer loans portfolio while also continuing to increase its allocation to Alt-A residential mortgage loans. These decisions were made in part to enhance returns for the Bank while also providing credit unions with access to higher-yielding loans and a small amount of geographic diversification. Alt-A loans are uninsured, typically with lower loan-to-value (LTV) ratios in the region of 65%, implying that loss given default on these loans could be manageable under normal market conditions; however, the quality of these loans can range from near-prime to just short of sub-prime. DBRS Morningstar understands that the majority of Concentra’s Alt-A portfolio is closer to prime. Furthermore, Concentra has been participating in the Alt-A segment of the residential mortgage market for over 20 years through the purchase of loans originated and serviced by third parties. These loans are originated based on Concentra’s underwriting criteria and, prior to purchasing these loans, the Bank conducts its own due diligence to ensure that mortgages have been underwritten based on requisite standards. Furthermore, Concentra reserves the right to put back Alt-A mortgages to the issuers of these mortgages if they have not been underwritten in accordance with its policies. DBRS Morningstar notes that the category of Alt-A loans represents borrowers with irregular incomes or those who have experienced life-changing events that prevent their access to mortgage loans from the large Canadian banks. These loans are serviced by their originators, who have demonstrated strong underwriting mechanisms and a low loss experience; however, Alt-A loans represent riskier credit with 90-day delinquencies that are significantly higher than prime mortgage loans. Excessive growth in Concentra’s on-balance sheet exposure to Alt-A lending that is unrelated to servicing credit union demand would be viewed negatively by DBRS Morningstar.

The securitized component of residential mortgages represents insured exposures that are also serviced by third parties. Concentra earns a spread on these assets upon placing them in pools of mortgage-backed securities. As these mortgages are largely insured by the Canada Mortgage and Housing Corporation (CMHC; rated AAA with a Stable trend by DBRS Morningstar), any shortfall up to the principal value of the loan would be covered by CMHC; therefore, these exposures represent low credit risk for Concentra. However, spreads on this type of activity have declined and, if Concentra decides to reduce participation in securitizations, its relative exposure to these low-risk assets will likely decline.

Concentra also purchases and sells commercial mortgages and consumer loans while taking part in commercial-lending syndicates. These loans are purchased mostly from within the credit union system. Underwriting guidelines and ongoing credit monitoring for the commercial portfolio is conducted individually for each loan, taking into consideration the borrower’s financial health, quality of assets and the underlying security. The sale of these loans to Concentra allows credit unions to reduce concentration risk and large single-party exposure while their purchase by other credit unions provides them with some geographic diversification. A significant portion of these loans is unrelated to credit unions and can represent commercial-lending syndications. While this provides Concentra with additional yield, excessive expansion of commercial lending that is unrelated to servicing credit unions would be viewed negatively by DBRS Morningstar as it would imply a reduction in the interconnectedness between Concentra and the credit union industry.

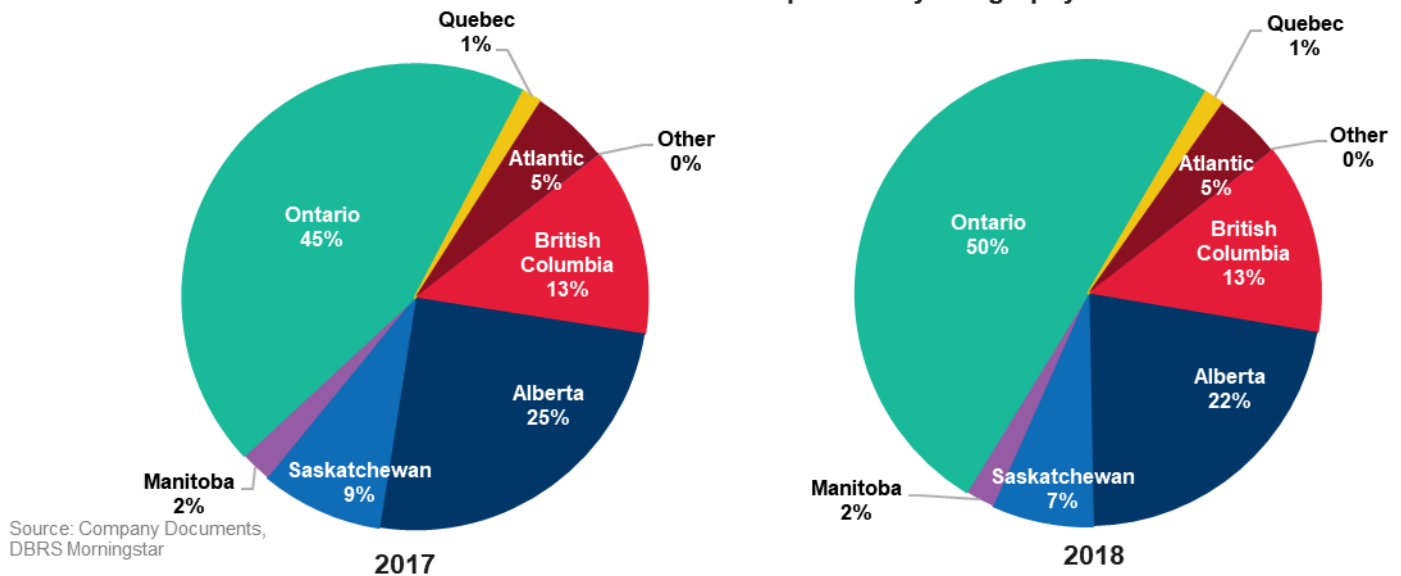
Consumer lending (mostly home improvement loans) and commercial-lease portfolios represent a smaller portion of Concentra’s gross loans at about 9% at F2018 compared with 7% in the prior year. These exposures allow the Bank and participating credit unions some yield pickup. Concentra is looking to expand its capacity to originate consumer loans, particularly through relationships with fintechs. DBRS Morningstar will monitor the growth of this portfolio and its utility to the credit union industry.



While Concentra’s asset quality remains solid, the Bank experienced an uptick in delinquencies because of a small number of large commercial accounts in 2018, resulting in the gross impaired loans-to-gross loans ratio increasing to 0.42% from 0.18% in the prior year. 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, low oil prices contribute to dampening economic activity. The Canadian oil benchmark declined sharply from its peak of \$90 per barrel in 2013 to \$18 per barrel in 2016, leading to a curtailment in business activity resulting in high vacancy levels in the office, retail and hospitality sectors. Although the benchmark oil price has recovered to \$40 per barrel, an element of overcapacity remains which is contributing to elevated levels of commercial delinquencies.

DBRS Morningstar also notes that excessive growth in Alt-A mortgage loans, which typically generate higher rates of delinquencies, could lead to a significant increase in loan impairment and write-offs in the event of a sustained downturn in Ontario, where Concentra has significant exposure to Alt-A lending. Positively, the net write-off ratio remains low for Concentra because its loans are mostly secured through real estate assets that have performed well in Canada.

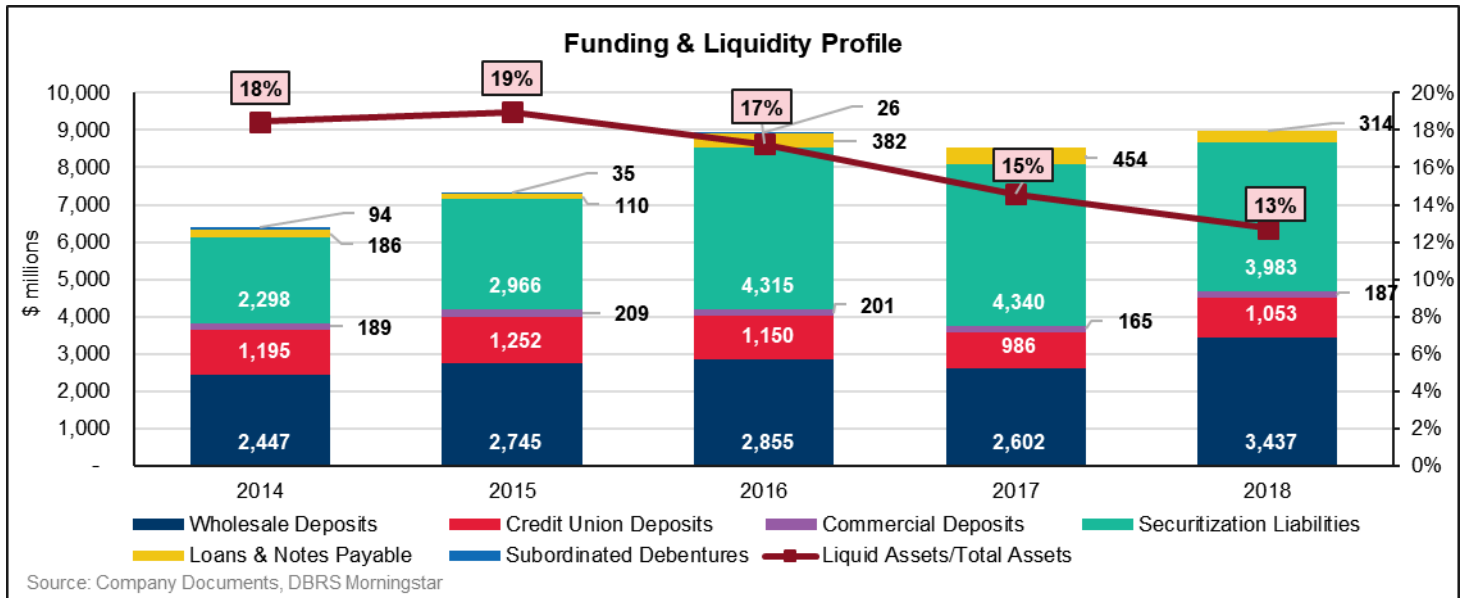
Loan Portfolio Composition by Geography



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 market-sourced funding. Positively, DBRS Morningstar notes that asset-liability duration mismatch is limited while the liquidity buffer is acceptable.



Concentra sources the majority of its funding from market-based sources, 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, declining spreads on securitizations are resulting in contraction in this business. The Bank’s next major source of funding are nominee deposits from Canada’s large banks. 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, 31% of which constituted overnight deposits at F2018, against which Concentra is required to hold liquid assets to meet its Liquidity Coverage Ratio (LCR) requirements. 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.

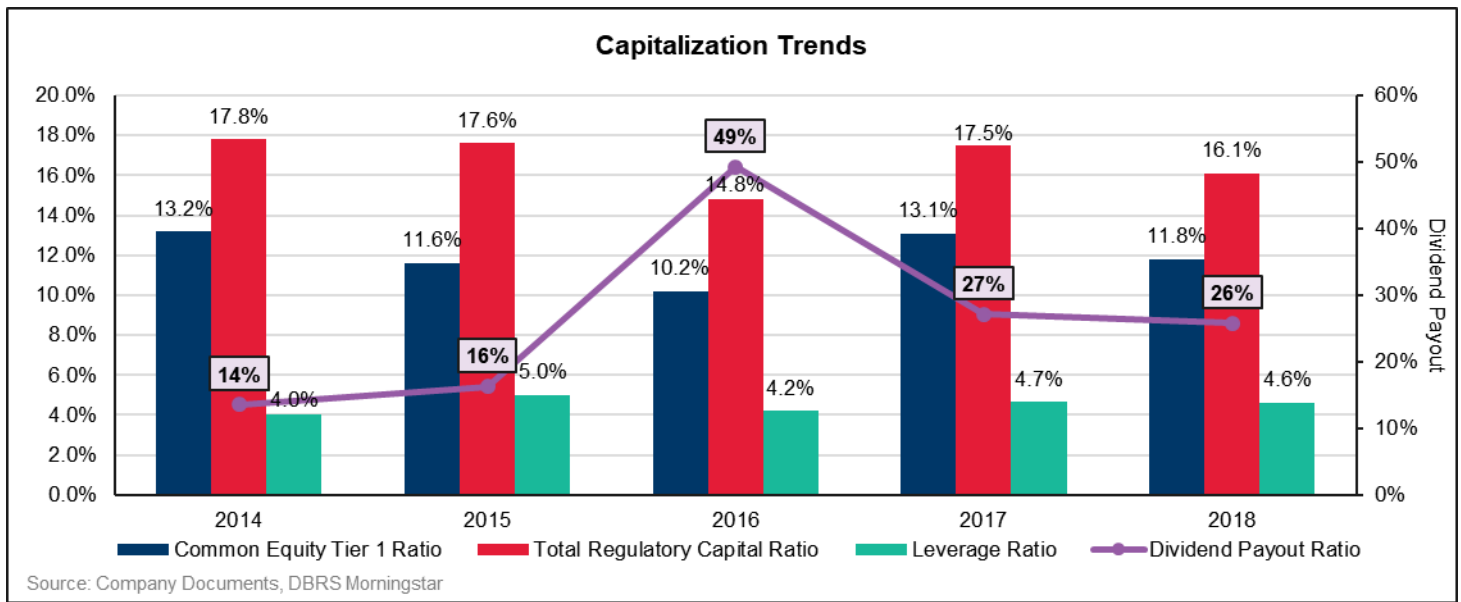
Concentra aims to continue diversifying its sources of funding while building channels for acquiring direct, retail and commercial relationship-based deposits. The strategy to generate direct-retail deposits is not predicated on building a branch network; rather, these deposits will be sourced primarily through digital channels. Additionally, Concentra will lean on its existing team of commercial bankers, while developing or sourcing requisite products, to develop direct commercial-banking relationships. DBRS Morningstar notes that the execution of Concentra’s strategy to source direct deposits and develop banking relationships could place it in competition with some credit unions; however, the shift from a wholesale-funded institution to one that relies on direct deposits will be gradual with any resulting impact on Concentra’s relationship with the credit union industry likely to be manageable.

The liquid assets-to-total assets ratio has declined over the last four years as Concentra deployed excess liquidity to purchase a consumer loans portfolio and increased its allocation toward Alt-A mortgage assets; however, the Bank has maintained an LCR that is significantly higher than regulatory requirements. DBRS Morningstar notes that Concentra monitors and manages its liquidity using OSFI guidelines, which are Basel III compliant. To bolster its liquidity position, Concentra maintains short-term funding programs (commercial paper and repos) in addition to lines of credit with SaskCentral and a banking syndicate for cash management and emergency liquidity purposes.

In DBRS Morningstar’s opinion, Concentra maintains a sufficient liquidity buffer that should allow it to cover short-term drawdowns in deposits. With limited duration mismatch, interest-rate risk is manageable.

Capitalization

Concentra maintains good levels of capital with reasonable levels of internal equity generation. DBRS Morningstar views the Bank’s capital cushion as sufficient to absorb normal levels of losses.



Concentra’s capital ratios declined in 2018 with a Total Capital Ratio of 16.1%, which remains significantly ahead of regulatory minimum requirements of 10.5%. Although internal equity generation was solid at 6.4% in 2018, the increase in risk-weighted assets associated with the Alt-A portfolio had a dampening effect on risk-based capital ratios. Concentra’s leverage ratio was mostly unchanged at 4.6% in 2018. As at Q2 2019, the TCR recovered to 17.4% as asset growth was constrained while the leverage ratio improved to 5.0%. 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 73% representing CET1 capital. The remaining AT1 capital is non-viability contingent capital compliant and would be written down to nil if a trigger event is 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 normal operating conditions.

While the Bank may consider raising capital outside the credit union system, possibly Tier 2 capital, sources of fresh capital are currently limited to internal equity generation, which strengthened in 2018. In order to support growth, however, Concentra can source capital from credit unions and restrict dividend payments. In DBRS Morningstar’s opinion, asset growth and mix will likely be constrained by the Bank’s ability to generate fresh capital.

Concentra Bank Financial Information

For the Year Ended December 31 (IFRS)

	2018	2017	2016	2015	2014
Balance Sheet (\$ thousands)					
Cash	174,170	425,245	194,379	53,713	80,163
Securities	1,060,493	904,716	1,434,144	1,426,479	1,164,538
Loans Receivable	8,298,851	7,678,000	7,696,613	6,223,756	5,448,613
Total Assets	9,679,409	9,126,672	9,436,734	7,799,706	6,746,485
Deposits	4,827,159	3,752,766	4,206,923	4,205,254	3,834,471
Securitization Liabilities	3,983,129	4,339,989	4,314,901	2,966,362	2,298,478
Total Liabilities	9,200,207	8,669,729	9,002,541	7,374,901	6,452,119
Total Equity	479,202	456,943	434,193	424,805	294,366
Income Statement (\$ thousands)					
Net Interest Income	90,407	83,497	78,467	68,309	67,399
Non-Interest Income	24,472	23,112	26,171	23,164	18,651
Total Revenue	114,879	106,609	104,638	91,473	86,050
Operating Expenses	66,452	60,037	51,201	54,607	47,706
Income before Income Taxes	56,025	45,954	39,353	34,694	31,508
Income Tax Expense	15,470	12,307	10,494	9,393	8,301
Net Income	40,555	33,647	28,859	25,301	23,207
Profitability					
Net Interest Margin	0.98%	0.91%	0.92%	0.95%	1.06%
Net Interest Income/ Operating Revenue	78.7%	78.3%	75.0%	74.7%	78.3%
Efficiency Ratio	57.8%	56.3%	48.9%	59.7%	55.4%
Provisions/IBPT	-15.7%	1.3%	26.4%	5.9%	17.8%
Operating Leverage	-2.93%	-15.37%	20.63%	-8.16%	-7.63%
Return on Average Equity	8.66%	7.55%	6.72%	7.04%	8.12%
Return on Average Assets	0.43%	0.36%	0.33%	0.35%	0.36%
Risk Profile					
Loan Loss Provision/Average Net Loans	-0.10%	0.01%	0.20%	0.04%	0.13%
Net Write-offs/Average Net Loans	-0.01%	0.05%	0.01%	-0.01%	0.03%
Gross Impaired Loans/ Gross Loans	0.42%	0.18%	0.30%	0.29%	0.47%
GILs/Common Equity + Reserves	9.00%	3.67%	6.51%	5.49%	8.10%
Loan Loss Allowances / GILs	61.5%	163.5%	125.7%	90.6%	79.6%
Funding & Liquidity					
Gross Loans/Total Deposits	172.3%	204.8%	183.3%	148.1%	142.3%
Demand Deposits/Total Deposits	12.4%	18.9%	20.2%	20.0%	21.1%
Liquid Assets/Short Term Debt & Deposits	25.6%	35.4%	38.7%	35.2%	32.5%
Capitalization					
Common Equity Tier 1 Ratio	11.8%	13.1%	10.2%	11.6%	13.2%
Tier 1 Capital Ratio	15.6%	17.5%	13.9%	16.2%	13.3%
Total Regulatory Capital Ratio	16.1%	17.5%	14.8%	17.6%	17.8%
Leverage Ratio	4.63%	4.66%	4.20%	5.00%	4.00%
Tangible Common Equity/ Risk Weighted Assets	11.9%	13.2%	10.4%	11.9%	13.5%
Total Risk Weighted Assets/Total Assets	30.2%	27.2%	31.0%	31.8%	30.3%
Adjusted Internal Equity Growth	6.4%	5.5%	3.4%	5.9%	7.0%

Sources: DBRS Morningstar analysis, Copyright © 2019.

Peer Group Comparison – FY2018

	Concentra Bank		Equitable Bank	Canadian Western Bank	Laurentian Bank of Canada	Bank of China (Canada)
Long-Term Issuer Rating:	A (low)		BBB	A (low)	A (low)	A (low)
Short-Term Issuer Rating:	R-1 (low)		N/A	R-1 (low)	R-1 (low)	R-1 (low)
Trend:	Stable	Median	Positive	Stable	Stable	Negative
Period Ended:	12/31/2018		12/31/2018	10/31/2018	10/31/2018	12/31/2018
Income Statement Data (\$ millions)						
Net Interest Income	90	348	348	725	706	64
Non-Interest Income	24	28	28	78	337	15
Operating Expenses	66	149	149	373	717	29
Income before Provisions and Taxes (IBPT)	48	227	227	410	324	51
Loan Loss Provisions	(8)	2	2	48	44	(13)
Net Income	41	166	166	265	225	46
Income Statement Ratios (%)						
Return on Average Assets	0.43%	0.73%	0.73%	0.95%	0.49%	1.21%
Return on Average Equity	8.66%	9.31%	13.70%	10.43%	9.31%	8.12%
Return on Average Common Equity	9.93%	9.93%	14.15%	11.04%	9.93%	8.12%
Non-Interest Income/Total Revenue	21.30%	18.97%	7.36%	9.76%	32.35%	18.97%
Net Interest Margin	0.98%	1.57%	1.53%	2.61%	1.57%	1.68%
Efficiency Ratio	57.85%	46.49%	39.72%	46.49%	68.70%	36.11%
IBPT/ Avg. Risk-Weighted Assets	1.65%	1.84%	3.17%	1.84%	1.60%	1.88%
Provisions/IBPT	-15.69%	0.92%	0.92%	11.78%	13.57%	-26.36%
Balance Sheet Data (\$ millions)						
Total Assets	9,679	25,037	25,037	29,021	45,895	3,851
Deposits	4,827	13,669	13,669	23,700	28,007	2,965
Net Loans	8,299	23,526	23,526	26,205	34,302	2,793
Total Common Equity	368	1,207	1,207	2,321	2,252	584
Total Equity	479	1,280	1,280	2,589	2,496	584
Tangible Common Equity	460	1,222	1,222	2,340	1,768	584
Balance Sheet Ratios (%)						
Risk-Weighted Assets/Total Assets	30.24%	44.10%	35.16%	80.93%	44.10%	69.79%
Net Loans/Total Assets	85.74%	85.74%	93.97%	90.29%	74.74%	72.53%
Total Common Equity/Total Assets	3.80%	4.91%	4.82%	8.00%	4.91%	15.17%
Risk Profile Ratios (%)						
Loan Loss Provisions/Avg. Net Loans	-0.10%	0.01%	0.01%	0.19%	0.12%	-0.48%
Net Write-offs/Avg. Net Loans	-0.01%	0.01%	0.01%	0.00%	0.13%	0.10%
Gross Impaired Loans/Gross Loans	0.42%	0.42%	0.17%	0.52%	0.53%	0.00%
Loan Loss Reserves/Gross Loans	0.26%	0.27%	0.11%	0.49%	0.27%	0.51%
Loan Loss Reserves/Gross Impaired Loans	61.55%	61.55%	64.98%	93.22%	51.32%	0.00%
Funding & Liquidity Ratios (%)						
Net Customer Loans/Deposits	172.14%	122.48%	172.12%	110.57%	122.48%	94.21%
Net Customer Loans/Total Funding	91.07%	94.39%	95.08%	101.93%	94.39%	92.95%
Liquid Assets/Total Assets	12.76%	12.76%	3.68%	7.71%	22.23%	26.93%
Capitalization Ratios (%)						
Common Equity Tier 1 Ratio (Basel III)	11.80%	11.80%	13.50%	9.20%	8.95%	21.74%
Tier 1 Ratio (Basel III)	15.60%	14.30%	14.30%	10.30%	10.16%	21.74%
Leverage Ratio	4.63%	5.00%	5.00%	8.00%	4.50%	13.81%
Capital Cushion (\$ millions)	140	396	572	517	395	396
Tangible Common Equity / Risk Weighted Assets	11.92%	11.92%	13.89%	9.96%	8.74%	21.74%
Total Dividend Payout	25.83%	25.83%	13.55%	39.11%	52.76%	0.00%

Sources: DBRS Morningstar analysis, Copyright © 2019.

Rating Methodology

The applicable methodology is the *Global Methodology for Rating Banks and Banking Organisations* (June 2019), which can be found on our website under Methodologies & Criteria.

Ratings

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

Rating History

Issuer	Obligation	Current	2018	2017	2016
Concentra Bank	Long-Term Issuer Rating	A (low)	A (low)	A (low)	A (low)
Concentra Bank	Long-Term Senior Debt	A (low)	A (low)	NR	NR
Concentra Bank	Long-Term Deposits	A (low)	A (low)	A (low)	NR
Concentra Bank	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	R-1 (low)	NR
Concentra Bank	Short-Term Instruments	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)

Previous Action(s)

- [“DBRS Assigns a Long-Term Senior Debt Rating of A \(low\) with a Stable Trend to Concentra Bank,”](#) November 1, 2018.
- [“DBRS Confirms Concentra Bank at A \(low\)/R-1 \(low\), Stable Trends,”](#) September 27, 2018.
- [“DBRS Confirms Concentra Bank at A \(low\)/R-1 \(low\), Stable Trends,”](#) September 28, 2017.

Previous Report

- Concentra Bank: [Rating Report](#), October 11, 2018.
- Concentra Bank: [Rating Report](#), November 27, 2017.
- Concentra Financial Services Association: [Rating Report](#), October 24, 2016.

Note:

All figures are in Canadian dollars unless otherwise noted.

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