



Third Quarter Report 2011

REPORT TO MEMBERS

CENTRAL REPORTS RESULTS FOR THIRD QUARTER OF 2011

Third quarter highlights compared to the same period last year:

- Central's Loss for the period of \$26.7 million, compared to a Profit of \$7.2 million
- Central's Return on equity of (17.0)%, compared to 4.8%
- Central's assets of \$14.7 billion, up 10.5% from \$13.3 billion
- B.C. system⁽¹⁾ Net operating income⁽²⁾ of \$91.3 million, versus \$102.7 million
- B.C. system assets of \$53.2 billion, up 9.2% from \$48.7 billion
- Ontario system⁽³⁾ Net operating income⁽²⁾ of \$35.5 million, versus \$20.2 million
- Ontario system assets of \$26.0 billion, up 14.5% from \$22.7 billion.

Central recorded a Net financial loss of \$29.0 million and a Loss of \$26.7 million during the third quarter, compared to Net financial income of \$13.8 million and Profit of \$7.2 million respectively, during the same period last year. Central's Other income was \$27.6 million, an increase of \$3.4 million over the same period last year, while Operating expenses decreased by \$4.1 million to \$25.8 million. Assets, at \$14.7 billion, increased 10.5% from \$13.3 billion as at September 30, 2010.

At quarter-end, Central's borrowing multiple for federal capital adequacy purposes was 17.0:1, while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes was at 31.2%. While Central's capital position is well within regulatory limits, the board of directors has determined that it is appropriate to increase Central's capital as a prudent measure to accommodate future system growth in a period of financial market volatility. Central will seek to operate at the lower end of the target range for its borrowing multiple through year end.

Global financial markets were very volatile in the third quarter of 2011 as the European sovereign debt crisis intensified, the United States credit rating was downgraded by Standard & Poor's and the United States Federal Reserve launched 'Operation Twist' in an attempt to lower long term interest rates and kick start the faltering U.S. economy.

Deteriorating consumer confidence prevented the United States economy from generating meaningful growth in the quarter while Germany's economy was the lone bright spot in Europe as exports flourished due to the weakening Euro.

Government of Canada yields fell aggressively across the curve as investors shifted out of higher risk assets and into government bonds. Interest rate swap spreads tightened and credit spreads widened as investors shored up liquidity and reduced risk.

The Canadian dollar weakened against the US dollar by over eight cents during the quarter in response to weakening commodity prices and a flight to quality and perceived safe haven in the US dollar.

Canadian economic data was steady over the quarter but the continuing problems in Europe led to economists pushing their rate hike expectations back as the Bank of Canada left its overnight rate unchanged at 1%. The current forecast is for a slowdown in the Canadian economy, enough to keep the Bank of Canada on hold well into the next year.

Financial markets are expected to remain volatile in the fourth quarter as global growth looks to be slowing, United States employment and housing prices remain depressed and European leaders try to implement a rescue plan for European banks and peripheral sovereigns.

The economic slowdown in the wider economy was also reflected in B.C. and Ontario in the third quarter. While there was some job growth in B.C, the Ontario labour market stagnated, with no significant change in employment or the unemployment rate. The latest readings of Small and Medium Enterprises (SME) business confidence, suggest real economic growth slowed to less than 1% annualized in the third quarter.

The B.C. system earned \$93.1 million before taxes, dividends and patronage refunds in the third quarter of 2011, down 9.3% from the \$102.7 million earned during the same period in 2010. Combined assets of the B.C. system in the same period rose 9.2%, year-over-year, to reach \$53.2 billion at quarter-end.

The Ontario system earned \$35.5 million before taxes, dividends and patronage refunds in the third quarter, up from the \$20.2 million during the same period in 2010. Combined assets of the Ontario system in the same period rose 14.5%, year-over-year, to reach \$26.0 billion at quarter-end. A significant part of the increase in system assets was due to the amalgamation of Meridian and Desjardins Credit

Unions which resulted in Meridian acquiring approximately \$1.4 billion in assets from Desjardins, a non-member of Central, in June 2011.

- (1) These documents include statements about the credit union system in British Columbia, referred to as the B.C. system. B.C. system financial information has been provided by the Financial Institutions Commission of British Columbia (FICOM), which makes available reports on information provided by British Columbia credit unions. Central has no means of verifying the accuracy of information provided by credit unions to FICOM or FICOM's subsequent compilation of that information. Reference to system information should be interpreted in this context.
- (2) System Net operating income is equivalent to income from recurring operations and does not include extraordinary items, patronage dividends or income taxes.
- (3) These documents include statements about Central's member credit unions in Ontario, collectively referred to as the Ontario system. Ontario system financial information has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available reports on information provided by Ontario credit unions. Central has no means of verifying the accuracy of information provided by credit unions to DICO or DICO's subsequent compilation of that information. Reference to system information should be interpreted in this context.

Management's Discussion and Analysis as at September 30, 2011

This portion of the Report to Members updates Central's Management's Discussion and Analysis (MD&A) for the year ended December 31, 2010, and provides a discussion and analysis of Central's financial condition and results of operations for the three month period ended September 30, 2011, compared to the corresponding period in the preceding fiscal year. Additional information on Central, including its Annual Information Form, may be found on SEDAR at www.sedar.com.

Effective January 1, 2011, Central adopted International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Except as otherwise indicated financial information for Central included in this MD&A has been prepared in accordance with Central's basis of presentation and its accounting policies as contained in Notes 2 and 3 of Central's interim consolidated financial statements for the three months ended March 31, 2011 which may be found on SEDAR at www.sedar.com.

Prior to 2011, Central had prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Information on the impact of the adoption of IFRS on Central's previously reported financial position and its results of operations can be found in the Transition to IFRS section below with further details provided in Note 4 of Central's interim consolidated financial statements.

Comparative information provided for the B.C. and Ontario credit union systems which were prepared under Canadian GAAP have not been restated. The adoption of IFRS allows entities to select certain accounting policies when more than one option is acceptable, or to make voluntary one-time transition elections. As such, certain transactions, including securitizations, may not be accounted for consistently by all credit unions in the B.C. and Ontario credit union systems. Readers are cautioned to interpret the results of the B.C. and Ontario credit union systems in this context.

Caution Regarding Forward-Looking Statements

From time to time, Central makes written and/or oral forward looking statements, including in this document, and in other communications. In addition, representatives of Central may make forward-looking statements orally to analysts, investors, the media and others. All such statements are intended to be forward-looking statements under applicable Canadian securities legislation.

Forward-looking statements, by their nature, require Central to make assumptions and are subject to inherent risk and uncertainties. Especially in light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond Centrals' control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements.

Central's MD&A for the year ended December 31, 2010 provides information on risk factors to which Central is exposed including industry specific risks, credit, liquidity, market and operational risks. The adoption of IFRS has not resulted in material changes to Central's risk profile from that described in Central's MD&A for the year ended December 31, 2010. Central's IFRS financial statements include the financial results of subsidiary entities not previously consolidated under Canadian GAAP which have active insurance operations. However, Central's resulting exposure to insurance risk is not significant to its overall financial position.

Under IFRS, direct securitization transactions entered into prior to 2010, which were off balance sheet under Canadian GAAP, are accounted for on balance sheet. Securitization accounting under IFRS differs significantly from Canadian GAAP; however the transition to IFRS does not alter the contractual cash flows on the underlying agreements.

Central has assessed these additional risk factors and updated its existing policies and procedures as described in its 2010 annual MD&A to reflect these changes. Further information is included in the Risk Management section below.

The foregoing list of risk factors is not intended to be exhaustive and other factors may adversely impact Central's results. Central does not undertake to update forward-looking statements except as required by applicable securities legislation.

Overall Performance and Interim Financial Condition

During the third quarter of 2011, Central recorded a Loss of \$26.7 million or 15.7 cents per share, compared to a Profit of \$7.2 million or 4.4 cents per share last year.

The Net financial loss was \$29.0 million compared with a Net financial income of \$13.8 million posted in the third quarter of 2010.

During the quarter, Canadian government bond yields fell aggressively across the curve as investors shifted out of higher risk assets and into government bonds. Interest rate swap spreads tightened and credit spreads widened as investors shored up liquidity and reduced risk. As Central is a purchaser of provincial and corporate bonds and pays fixed rates on interest rate swaps to neutralize its exposure to interest rates, these market developments had a net unfavourable impact on Central's income. Notes 23 & 24 of Central's interim consolidated financial statements indicate that Central had realized gains of \$30.3 million and unrealized losses of \$73.4 million resulting in a net total loss of \$43.1 million during the third quarter, compared to net gains of \$0.7 million the previous year.

Other income of \$27.6 million for the quarter was higher than the \$24.2 million earned in the third quarter of 2010. Note 25 of Central's interim consolidated financial statements provides details of the income earned in Central's various operating areas. Quarterly

Operating expenses were \$25.8 million, down from \$29.9 million in 2010 primarily reflecting lower salary and employee benefit expenses.

Central's capital ratios remain well within statutory limits. Central's borrowing multiple increased from 15.7:1 at December 31, 2010 to 17.0:1 at quarter-end, reflecting an increase in deposits taken primarily from its member credit unions, partially offset by an increase in Total Capital. At the quarter-end, Central's risk-weighted capital ratio was 31.2% compared to 34.5% at December 31, 2010.

Central announced on September 22, 2011, that its board of directors had authorized a call for capital from its Class A member credit unions. The call was completed on October 31, 2011 and resulted in an increase in Central's Share capital of \$100 million. Further details are provided in the Capital Resources section below.

Effective July 6, 2011 Central and the provincial centrals of Alberta, Manitoba and Saskatchewan (collectively the Prairie Centrals) completed the transition of Group Clearing for credit unions across the country from Credit Union Central of Canada (CUCC) pursuant to a joint venture agreement. Under the terms of the agreement, Central assumed the role of Group Clearer and now acts as the credit union system's financial institution connection to the Canadian payments system.

As a result of this transition, Central recognizes the Group Clearer assets and liabilities on its statement of financial position which had previously been recognized on CUCC's statement of financial position. In order to capitalize the increase in regulatory borrowings, on July 6, 2011, Central issued subordinated debt with par value of \$6.0 million to each of the Prairie Centrals. Central has the option to redeem this subordinated debt on or after July 6, 2016, subject to regulatory approval.

On the same date, the National Liquidity Fund Agreement (NLFA) was replaced by a new liquidity support structure governed by a contractual agreement entered into by Central and the Prairie Centrals.

B.C. System

B.C. system net operating income for the quarter was \$91.3 million, compared to \$102.7 million for the third quarter of 2010. Non-financial income and expense increased by 13.0% and 2.7% respectively from the same period last year, while B.C. system financial margin decreased by 4.0% or \$12.7 million year-over-year. The B.C. system's regulatory risk-weighted capital was 14.4% a slight decrease from 14.5% a year ago.

Demand for loans remained strong, with total B.C. system net loans increasing by 8.6% year-over-year to reach \$44.6 billion while deposits grew by 7.3%. Asset growth was mainly concentrated in residential mortgages which grew by 10.1% from a year ago and commercial mortgages, which grew by 8.2% year-over-year. B.C. system loan

delinquencies over 90 days decreased to 0.61% of total loans compared to 0.71% a year ago. System provisions for credit losses as a percentage of average loans were 0.51% as of September 30, 2011, a slight decrease from 0.56% one year earlier.

Overall liquidity within the B.C. system, including that held by Central, was 13.5% of deposit and debt liabilities, up from 12.3% a year ago. Deposits with credit unions grew year-over-year by 7.3%, below loan growth of 8.6%. Holdings of liquid assets increased by 14.7% year-over-year, while borrowings from Central and other lenders increased by 79.4%.

Ontario System

Ontario system net operating income for the quarter was \$35.5 million, compared to \$20.2 million for the third quarter of 2010. Non-financial income decreased by 50.0% from the same period last year, and non-financial expense remained flat year-over-year. Ontario system financial margin increased by 4.6% or \$6.8 million, year-over-year. The Ontario system's regulatory risk-weighted capital was 13.4% up slightly from 13.2% a year ago.

Demand for loans grew faster than deposits, as total Ontario system loans increased by 14.5% year-over-year to reach \$21.5 billion while deposits grew by 12.8% to \$22.9 billion. Residential mortgages grew by 20.0% from a year ago while commercial loans grew by 10.4% in contrast to personal loans which fell by 0.7%, year-over-year. The amalgamation of Meridian and Desjardins Credit Unions had a significant impact on the increase in Ontario system assets in the third quarter of 2011.

Credit quality of loan portfolios improved slightly over the past year as loan delinquencies over 90 days were 0.71% at September 30, 2011 compared to 0.84% a year ago. System provisions for credit losses as a percentage of loans have decreased during the past year to 0.47% versus 0.68% for the same period last year.

Overall liquidity within the Ontario system, including that held by Central, was 13.9% of deposit and debt liabilities as of September 30, 2011, compared to 13.8% a year ago. Holdings of liquid assets increased 16.7% year-over-year while borrowings from Central and other lenders increased by 147.3%.

Figure 1 - Selected Financial Information

	For the Three Months Ended		<u>Difference</u>
	September 30	September 30	
	<u>2011</u>	<u>2010</u>	
Earnings (\$ millions)			
Net financial income (expense)	\$ (29.0)	\$ 13.8	\$ (42.8)
Net financial and other income (expense)	(5.3)	37.7	(43.0)
Profit (Loss) for the period	(26.7)	7.2	(33.9)
Weighted average shares outstanding (\$ millions)	170.5	162.6	7.9
Earnings per Share (cents)			
Basic	(15.7)	4.4	(20.1)
Fully diluted	(15.7)	4.4	(20.1)
Return on			
Average assets	(0.7%)	0.2%	(0.9%)
Average equity	(17.0%)	4.8%	(21.9%)
Balance Sheet Data (\$ billions)			
Total assets	\$ 14.7	\$ 13.3	\$ 1.4
Average assets	14.7	13.2	1.5
Long term financial liabilities	6.5	6.3	0.2
Regulatory Capital Ratios			
Tier 1 capital ratio	19.9	23.7	(3.8)
Total capital ratio	31.2	36.3	(5.1)
Borrowing multiple (times)	17.0	15.5	1.5
Share Information			
Outstanding \$1 par value Shares (\$ thousands)			
Class A - credit unions	172,018	162,531	9,487
Class B - cooperatives	5	5	-
Class C - other	7	7	-
Outstanding \$0.01 par value Shares with redemption value of \$100 (\$ thousands)			
Class E - credit unions	32	32	-
Dividends per share (cents)			
Class "A", "B" and "C"	-	0.5	(0.5)
Class "E"	-	50.0	(50.0)

Total Revenues

Net Financial Income (Loss)

Central incurred a Net financial loss of \$29.0 million for the quarter, compared with Net financial income of \$13.8 million for the same period last year.

Interest margin, at \$14.1 million, increased from \$13.1 million in the third quarter of last year as average assets increased from \$13.2 billion to \$14.7 billion during the period. As a percentage of average assets, Interest margin decreased from 39.2 basis points in the third quarter of 2010 to 38.0 basis points in the third quarter of 2011.

During the quarter, Central recorded net unrealized losses of \$73.4 million compared to \$16.8 million during the same period last year. However, realized gains on the sale of financial instruments increased during the period from \$17.5 million in 2010 to \$30.3 million for the quarter ended September 30, 2011. Taken together, Central recorded an overall loss of \$43.1 million on its financial instruments compared to a gain of \$0.7 million in the third quarter of 2010.

Canadian government bond yields fell aggressively across the curve as investors shifted out of higher risk assets and into government bonds, while interest rate swap spreads tightened and credit spreads widened as investors shored up liquidity and reduced risk. The declining interest rates lead to mark-to-market gains on Central's securities portfolio during the quarter although the gains were reduced by the negative impact of widening credit spreads.

The decline in interest rates also led to mark to market losses on the derivatives portfolio which were exacerbated by the narrowing of interest rate swap spreads.

The decrease in short term interest rates also had a negative mark-to-market impact on trading deposits over the quarter.

Other Income

As indicated in Note 25 in Central's interim consolidated financial statements, Other income of \$27.6 million for the quarter was higher than the \$24.2 million earned in the third quarter of 2010. Central's proportionate share of the income of its affiliates recognized under the equity method of accounting decreased from \$0.9 million in 2010 to \$0.7 million during the third quarter of 2011. Income earned in Central's other operating areas increased from \$23.3 million in the third quarter of 2010 to \$26.9 million for the three months ended September 30, 2011 with revenues from Technology and payment services increasing by \$1.3 million compared to the same period in 2010 while Wholesale financial services revenues increased by \$0.7 million from 2010.

Operating Expenses

Operating expenses for the quarter decreased to \$25.8 million from \$29.9 million last year. Salary costs for the third quarter of 2011 were significantly lower compared to the same period in 2010. Central's financial results for the nine months ended September 30, 2011 do not meet the minimum performance threshold contained in Central's variable incentive plan. As such, Central has reversed the provision for the payment of variable compensation awards that had been recognized in its financial results for the six months ended June 30, 2011. The impact of this adjustment was a reduction in salary expense of \$3.3 million compared to the same period last year. The decrease in Other administrative expenses is primarily attributable to lower professional fees incurred.

Income Taxes

Central's combined federal and provincial statutory rate is 13.5%. Central's effective tax rate for the quarter was 14.1% compared to 8.2% for the same quarter in 2010. The 2010 effective tax rate reflects the impact of non-taxable items as described in Note 26 of the interim consolidated financial statements.

Statement of Financial Position

Cash and Securities

Cash and securities were \$11.3 billion at period end. Of this amount, \$2.1 billion represents reinvestment assets which are designated to offset obligations under the Canada Mortgage Bond (CMB) program. The remaining balance of \$9.2 billion comprises the statutory and excess liquidity pools and represents 73.0% of Central's total assets excluding the reinvestment assets, compared to \$7.9 billion and 66.9% a year ago.

The investment activity in Central's liquidity pool over the past 12 months continued to be conservative with investments made primarily in Canadian government debt (federal and provincial) and in senior bank debt (Figure 2).

Figure 2 - Cash and Securities (\$ millions - % total)

	Sep 2011		Sep 2010		Dec 2010	
Government & Guarantees	\$ 3,855.6		\$ 4,292.6		\$ 3,967.4	
Cash	83.9		85.6		121.3	
	<u>3,939.5</u>	42.7%	<u>4,378.2</u>	55.4%	<u>4,088.7</u>	48.4%
Corporate & Financial Institutions AA or Greater	5,074.5	55.0%	3,304.3	41.8%	4,187.6	49.5%
Corporate - A and other	204.1	2.2%	213.8	2.7%	176.7	2.0%
Total	<u>\$ 9,218.1</u>	100.0%	<u>\$ 7,896.3</u>	100.0%	<u>\$ 8,453.0</u>	100.0%

Loans

Total loan balances increased to \$1.5 billion from \$1.2 billion at the same time last year.

Figure 3 - Loans (\$ thousands)

	Sep 2011	Sep 2010	Dec 2010
Loans to Credit Unions	\$ 1,337,906	\$ 1,062,361	\$ 956,838
Loans to Commercial and Others	187,065	150,203	159,372
Securities acquired under rev repo agreements	9,595	-	-
	<hr/>	<hr/>	<hr/>
	\$ 1,534,566	\$ 1,212,564	\$ 1,116,210

* Total loan balances are before the allowance for doubtful loans and exclude accrued interest.

Secured loans to member credit unions increased to \$1.3 billion from \$1.1 billion at the same time last year. The amount advanced under Central's non-credit union loan facilities as at September 30, 2011 was \$187.1 million, up from \$150.2 million in 2010, primarily due to commercial lending which amounted to \$170.8 million as at 30 September 2011, compared to \$ 133.2 million a year ago. These loans represented 12.2% of Central's total loan portfolio at quarter-end, down from 12.4% a year ago.

As indicated in Note 10 of the interim consolidated financial statements, the amount charged to income for Provision for credit losses was \$3.8 million in the quarter compared to \$0.3 million for the same period in 2010.

Borrowings

Figure 4 below summarizes Central's Total borrowings as at 30 September 2011 together with comparative numbers for the end of the third quarter in 2010.

Total Debt securities issued as at September 30, 2011 were \$481.0 million compared to \$650.0 million a year ago. Of the total amount outstanding as at September 30, 2011, \$228.0 million was borrowed under Central's Mid Term Note facility and the remainder was borrowed through Central's Commercial Paper facility.

Deposits from Central's member credit unions at \$8.8 billion as at September 30, 2011 increased from \$7.5 billion a year ago. Credit union statutory deposits grew by \$0.3 billion over the year, to reach \$5.2 billion at September 30, 2011, reflecting the growth of both the B.C. and the Ontario credit union systems during the same period. Non-statutory deposits from credit unions increased by \$1.0 billion over the past year, reflecting higher amounts of excess liquidity in the credit union system.

Obligations related to assets sold under repurchase agreements decreased by \$130.0 million from a year ago to \$77.0 million, compared to \$207.0 million at September 2010.

Figure 4 - Borrowings (\$ millions)

Debt securities issued at amortized cost (\$ millions)	Sep 2011	Sep 2010	Dec 2010
Commercial Paper issued	\$ 253	\$ 423	\$ 395
Medium term notes issued	228	227	226
	<u>481</u>	<u>650</u>	<u>621</u>
Deposits and Trading Liabilities by type (\$ millions)			
Statutory Liquidity	5,214	4,900	4,982
Excess Liquidity	<u>3,597</u>	<u>2,575</u>	<u>3,231</u>
Deposits from member credit unions	8,811	7,475	8,213
Others	554	474	396
	<u>9,365</u>	<u>7,949</u>	<u>8,609</u>
Securities under repurchase agreements	<u>77</u>	<u>207</u>	<u>162</u>
Total Borrowings	<u>\$ 9,923</u>	<u>\$ 8,806</u>	<u>\$ 9,392</u>

Securitization Activities

As the senior rated entity in the credit union system and in the normal course of business, Central is involved in loan securitizations on behalf of member credit unions.

Member credit unions have securitized these loans either indirectly through Central via asset-backed commercial paper conduits (ABCP Conduits) sponsored by major Canadian bank-owned dealers or directly through Central by creating Government of Canada National Housing Authority (NHA) Mortgage Backed Securities (MBS).

For indirect securitizations, Central provides guarantees or acts as a swap counterparty to member credit unions but does not acquire legal title to the underlying mortgage assets. For direct securitizations, Central purchases the underlying mortgages from member credit unions. Central may retain the NHA MBS created in direct securitization transactions or sell them to Canada Housing Trust (CHT) under the CMB program.

Direct securitization transactions are accounted for on balance sheet while indirect securitizations are off balance sheet. Details of the balances included in the statement of financial position as at period end can be found in Note 12 of the interim consolidated financial statements.

Equity

The Statement of Changes in Equity summarizes the changes in the Equity for the period ending September 30, 2011. Central's equity increased by \$28.6 million during the period

to \$621.7 million, compared to an increase in equity of \$23.4 million during the same period last year.

Central's policy is to pay a quarterly dividend at an annualized rate of 2% of the redemption value of all class of shares outstanding during the period. As Central recorded a Net Loss during the third quarter of 2011, Central did not declare a dividend for the third quarter of 2011.

As discussed in the Capital Resources section below, Central's Class "A" members have been required to increase their holdings of Class "A" shares in the fourth quarter of 2011 which has been recorded as Share capital in the Statement of financial position.

Summary of Quarterly Results

Central's financial results for each of the last eight most recently completed quarters are summarized in the accompanying table (Figure 5). In general, Central's Net interest income has no discernible seasonal trend, and reflects the condition of prevailing financial markets. Non-interest income and non-interest expenses are generally consistent from quarter to quarter, although revenue from the technology and payments areas has a slight seasonal pattern, with fourth quarter revenue being approximately 5% to 10% higher than that of the first quarter. Gains and losses on disposal of financial instruments and changes in fair value of financial instruments may also have a significant impact on quarterly Profit, but their timing and magnitude are not predictable.

Third Quarter 2011 Compared to Second Quarter 2011

The Loss for the third quarter of 2011 was \$26.7 million, down from a Profit of \$9.7 million in the second quarter. Interest margin decreased to \$14.1 million in the third quarter compared to \$14.6 million in the second quarter of 2011 reflecting lower yields despite a slight increase in average assets from \$14.5 billion to \$14.7 billion. Interest margin as a percentage of average assets decreased from 40.3 bps to 38.0 bps.

Losses on disposal of financial instruments and changes in fair value of financial instruments were \$43.1 million overall compared to a gain of \$2.5 million in the second quarter as market conditions were less favorable in the second quarter.

Net operating expenses, defined as the difference between Other income and Operating expenses, decreased from negative \$5.4 million to a positive \$1.8 million. Other income on the strength of increased payments processing revenues increased from \$25.3 million in the second quarter of 2011 to \$27.6 million in the third quarter. Meanwhile, Operating expenses decreased from \$30.7 million in the second quarter to \$25.8 million in the third quarter reflecting decreases in salaries and other administrative expenses. The primary driver of the decrease was due to the reversal and non-accrual of the variable incentive

award which resulted in a decrease in salary expenses of \$3.6 million in 2011 compared to the previous quarter.

Figure 5 - Quarterly Earnings
(\$ thousands, except as indicated)

	2011/2010 Period Ended				2010/2009 Period Ended			
	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-09 **	31-Mar-10	30-Jun-10	30-Sep-10
Total interest income	\$ 79,993	\$ 82,570	\$ 85,814	\$ 85,414	\$ 51,203	\$ 72,230	\$ 75,558	\$ 78,826
Total interest expense	67,620	69,764	71,235	71,319	32,001	59,216	61,821	65,732
Interest margin	12,373	12,806	14,579	14,095	19,202	13,014	13,737	13,094
Gain on disposal of financial instruments	14,163	12,125	12,476	30,306	4,029	7,032	5,278	17,522
Changes in fair value of financial instruments	5,523	2,256	(9,939)	(73,432)	(2,168)	(6,536)	(972)	(16,800)
Recovery (provision) of credit losses	(4,203)	12	(442)	(3,794)	(1,308)	93	15	(310)
Other income	26,855	23,871	25,278	27,554	23,062	23,686	24,894	24,188
Operating expenses	(33,423)	(29,922)	(30,720)	(25,797)	(29,719)	(28,642)	(32,548)	(29,886)
Income taxes	(3,007)	(2,833)	(1,557)	4,359	(1,894)	(1,175)	314	(638)
Profit (loss) for the period	\$ 18,281	\$ 18,315	\$ 9,675	\$ (26,709)	\$ 11,204	\$ 7,472	\$ 10,718	\$ 7,170
Weighted average shares outstanding (millions)	163.4	166.6	168.1	170.5	162.6	162.6	162.6	162.6
Earnings per share *								
Basic (cents)	11.2	11.0	5.8	(15.7)	6.9	4.6	6.6	4.4
Diluted (cents)	11.2	11.0	5.8	(15.7)	6.9	4.6	6.6	4.4

* Earnings per share calculated for a central credit union must be taken in the context that member shares may not be traded or transferred.

** Periods prior to 2010 are prepared under Canadian GAAP and have not been restated under IFRS.

Capital Resources

Central's regulatory capital for both federal and provincial purposes were well within both Central's federal and provincial requirements.

Figure 6a - Capital Targets	Sep 2011	Sep 2010	Dec 2010	Target	Regulatory Requirement
Total Capital as % of Risk-Weighted Assets (Prov)	31.2%	36.3%	34.5%	> 10%	> 8%
Borrowing Multiple (Fed)	17.0:1	15.5:1	15.7:1	16.0:1-18.0:1	less than 20.0:1

The capital ratios (including prior periods) have been calculated using the revised regulatory guidelines which came into effect 1 January 2011.

Central's borrowing multiple for federal capital adequacy purposes was 17.0:1, up from 15.7:1 at December 2010 while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes decreased from 34.5% to 31.2% during the same period. The increase in the borrowing multiple is primarily driven by the increase in deposits taken from member credit unions.

Figure 6b - Capital Position (\$ thousands)	Sep 2011	Sep 2010	Dec 2010
Share Capital	\$ 172,062	\$ 162,575	\$ 164,983
Contributed Surplus	87,901	87,901	87,901
Retained Earnings	291,649	281,751	295,147
Tier 1 Capital	551,612	532,227	548,031
Tier 2 Capital	222,977	204,977	204,977
Total Capital	774,589	737,204	753,008
Statutory Capital Adjustments	(153,102)	(145,935)	(150,111)
Capital Base (Federal)	\$ 621,487	\$ 591,269	\$ 602,897
Capital Base (Provincial)	\$ 616,542	\$ 591,274	\$ 604,406
Prov Risk Weighted Assets	\$ 1,975,708	\$ 1,626,964	\$ 1,752,990

Central's regulatory capital base for federal purposes is calculated in Figure 6b above. As at September 30, 2011, Central's federal Tier 1 Capital was \$551.6 million and Total Capital before deductions was \$774.6 million, compared to \$532.2 million and \$737.2 million, respectively, a year earlier. The increase in the Total Capital before deductions over the past year primarily reflects the growth in retained earnings and Share Capital as well as the issue of subordinated debt with par value of \$18.0 million in connection with Central assuming the role of Group Clearer as discussed earlier in the report. The calculation of Central's capital base for provincial purposes is similar to the federal calculation.

Over the past several months, financial markets have been especially volatile, particularly given the issues facing the European Union and the impact that those issues are having on North American markets. These volatile markets, especially in the third quarter of 2011, resulted in only modest growth in retained earnings year-over-year. Total Capital has increased by 5.1% during the past year, with about half of that amount being contributed by the Prairie Centrals to support Group Clearer operations.

Meanwhile, the credit union systems in B.C. and Ontario have both experienced asset growth during the same period which has resulted in credit unions increasing their deposits with Central significantly over the past year as described in Figure 4. On November 16, 2011, Central issued a Notice of Redemption to note holders to redeem \$50 million in subordinated debt on December 21, 2011. The redemption of subordinated debt will reduce Central's Total Capital.

While Central's capital position is well within regulatory limits, the board of directors has determined that it is appropriate to increase Central's capital as a prudent measure to accommodate future system growth in a period of financial market volatility. Central will seek to operate at the lower end of the target range for its borrowing multiple through year end.

During the quarter, Central's Board authorized a capital call and increased the required holdings of Class "A" members in Class "A" shares up to an amount equal to 38 basis

points of each member's consolidated assets at the end of their last fiscal year. Class "A" shares outstanding as at September 30, 2011 represent approximately 24 basis points of total system assets as at last year-end. On October 31, 2011 Central's Class "A" members subscribed for a further \$100 million in Class "A" shares bringing total Class "A" shares outstanding to 38 basis points of the previous year's system assets.

Risk management

This portion of the Report to Members should be read in conjunction with the Risk Management section of Central's 2010 MD&A.

Credit Risk

The composition of Central's security portfolio is relatively unchanged from year-end as indicated above. Most of the portfolio is invested in Canadian federal and provincial government and senior bank debt. Details of Central's loan portfolio are found in Note 10 of the interim consolidated financial statements. Credit risk associated with Central's loans to its member credit unions is minimal because these loans are fully secured. Central has not previously experienced losses on any of these loans.

Under IFRS, Central recognizes Reinvestment assets and Secured loans to members which were off balance sheet under Canadian GAAP. Reinvestment assets are subject to the investment criteria of the CMB and IMPP programs which limits holdings primarily to government issued debt and repurchase agreements with qualifying financial institutions. Details of Central's Reinvestment asset holdings are included in Note 12 of the interim consolidated financial statements. Secured loans to members are comprised of loans to credit unions secured by insured residential mortgages, and as such, credit risk on these balances is considered minimal.

Liquidity Risk

Central's liquidity risk has not changed significantly during the quarter. Under IFRS, Central recognizes obligations related to securitization activities which were previously Off Balance Sheet. While this has resulted in an increase to Central's liabilities over those reported under Canadian GAAP, Central also recognizes Reinvestment assets and Secured loans to members in its Statement of financial position under IFRS, which assets are designated to satisfy these obligations as they come due.

Market Risk

Central's interest rate risk policy defines standards and sets acceptable risks limits on Central's interest margin and the fair value of Central's net assets over a 12-month horizon. Those limits are based on an immediate and sustained +/- 200 basis point shift in the yield

curve. The limit for fluctuations in interest income from the base forecast is 25.0% and the limit for changes in fair value of net assets from the base forecast is 20.0%.

The following table summarizes the pre-tax impact of a sustained 200 basis increase or decrease in interest rates on interest margin and fair value of Equity.

Interest Rate Sensitivity (\$ thousands)

	<u>Interest Margin</u>		<u>Fair Value of Net Assets</u>	
	Amount	Percentage of base forecast	Amount	Percentage of base forecast
Before Tax Impact of:				
200 bps increase in rates	3,184	6.0	(70,495)	(10.9)
200 bps decrease in rates	(3,158)	(6.0)	25,729	4.0

Events Subsequent to the End of the Reporting Period

As discussed in the Capital Resources section, Central announced during the quarter that its board of directors had authorized a call for capital from its Class A member credit unions. The call was made on October 31, 2011, and raised proceeds of \$100 million.

Proposed Merger with Credit Union Central of Alberta

On October 17, 2011, Central and Credit Union Central Alberta Ltd. announced the initiation of merger discussions with the objective of enhancing core services to more than 190 credit unions in Alberta, B.C. and Ontario. During this process, the centrals will evaluate whether an opportunity exists through consolidation, to achieve efficiencies, offer a stronger liquidity structure, greater diversification of funding sources and better capacity in the areas of finance, payments and trade services. Any proposal to merge would be subject to the approval of regulatory authorities and the boards of directors and shareholders.

Central's Accounting Policies and Estimates

Transition to IFRS

Central's Consolidated Interim Financial Statements, included in this Report to Members, have been prepared in accordance with International Financial Reporting Standards as described in Notes 2 and 3 of the Interim Consolidated Financial Statements.

Effective January 1, 2011, Central reports its financial results under IFRS. Accounting changes resulting from the transition to IFRS have generally been reflected in Central's opening IFRS consolidated statement of financial position on a retrospective basis. As such, most transactions which occurred prior to initial adoption of IFRS have been presented as though IFRS had always applied and adjustments for any differences between Canadian GAAP and IFRS have been reflected as an adjustment to opening retained earnings.

Central's IFRS opening statement of financial position has been prepared as of January 1, 2010, which is the first day of Central's earliest comparative period presented in its interim and annual financial statements for the year ended December 31, 2011. Central's opening IFRS statement of financial position is included in its interim financial consolidated financial statements for the three months ended March 31, 2011.

Central's profit for the nine month period ended September 30, 2010 under IFRS was \$25.4 million, which is \$5.5 million lower than the amount previously reported under Canadian GAAP. The impact of adopting the IFRS de-recognition standard accounted for a \$4.4 million loss, with other Canadian GAAP to IFRS adjustments making up the difference.

The tables below (Figures 7 & 8) summarize the overall impact of the transition from Canadian GAAP to IFRS. Note 4 to the consolidated interim financial statements includes additional details regarding the changes from Canadian GAAP to IFRS as at September 30, 2010 and for the period ended September 30, 2010.

Figure 7 - Central 1 IFRS vs CGAAP Reconciliation (\$ thousands)

30-Sep-10

	CGAAP	Securitization	Non Securitization	IFRS
Assets				
Cash and cash equivalents	85,649		85,648	85,648
Deposits with regulated financial institutions	133,657		138,825	138,825
Pledged trading assets			197,476	197,476
Reinvestment assets under the CMB and IMPP Programs		1,488,831	-	1,488,831
Non-pledged trading assets		(369,607)	4,624,065	4,254,458
Derivative assets		103,557	48,077	151,634
Loans	1,213,137	(2,092)	1,211,992	1,209,900
Investment securities	8,256,630	(43,227)	3,447,186	3,403,959
Secured loans to members		2,143,937	-	2,143,937
Current tax assets			12,805	12,805
Property and equipment	15,044		17,120	17,120
Intangible assets			4,462	4,462
Deferred tax assets		1,447	4,440	5,887
Investment in affiliates			128,805	128,805
Other	262,767		69,669	69,669
Total Assets	9,966,884	3,322,846	9,990,570	13,313,416
Liabilities				
Cash Overdraft	71,800		71,800	71,800
Deposits designated as trading			1,658,255	1,658,255
Derivative liabilities			168,005	168,005
Debt securities issued	650,352		650,352	650,352
Deposits	7,961,251	-	6,290,439	6,290,439
Obligations under the CMB and IMPP Programs		3,331,521	-	3,331,521
Subordinated liabilities	202,609		202,609	202,609
Provisions			7,076	7,076
Securities under repurchase agreement	206,676		206,676	206,676
Deferred tax liabilities		-	2,131	2,131
Other	292,999		123,129	123,129
Total Liabilities	9,385,687	3,331,521	9,380,472	12,711,993
Equity				
Share capital	162,575		162,575	162,575
Contributed surplus	87,901		87,901	87,901
Retained earnings	286,774	(7,752)	294,480	286,728
Accumulated other comprehensive income	43,947	(923)	51,177	50,254
Reserves	-		5,593	5,593
Total Equity Attributable To Members Of Central 1	581,197	(8,675)	601,726	593,051
Non-controlling interest			8,372	8,372
Total Equity	581,197	(8,675)	610,098	601,423
Total Liabilities and Equity	9,966,884	3,322,846	9,990,570	13,313,416

Figure 8 - Central 1 IFRS vs CGAAP Statement of profit and loss reconciliation
(\$ thousands)

30-Sep-10

	CGAAP	Securitization	Non Securitization	IFRS
Interest Income				
Securities	134,239	(11,529)	134,348	122,819
Deposits with regulated FI's	857		971	971
Loans	15,233		15,346	15,346
Secured loans and reinvestment assets		87,478	-	87,478
	<u>150,329</u>	<u>75,949</u>	<u>150,665</u>	<u>226,614</u>
Interest Expense				
Debt securities issued	7,735		7,959	7,959
Deposits	84,906		84,678	84,678
Subordinated debt	6,170		6,170	6,170
Obligations under the CMB and IMPP programs		87,962	-	87,962
	<u>98,811</u>	<u>87,962</u>	<u>98,807</u>	<u>186,769</u>
Interest margin	51,518	(12,013)	51,858	39,845
Gain on disposal of financial instruments	29,386	446	29,386	29,832
Changes in fair value of financial instruments	(30,864)	6,482	(30,790)	(24,308)
	<u>50,040</u>	<u>(5,085)</u>	<u>50,454</u>	<u>45,369</u>
Net financial income	50,040	(5,085)	50,454	45,369
Provision (recovery) for credit losses	190		202	202
	<u>49,850</u>	<u>(5,085)</u>	<u>50,252</u>	<u>45,167</u>
Other income	66,203		72,768	72,768
Net financial and other Income	116,053	(5,085)	123,020	117,935
Operating expenses				
Salaries and Benefits	40,663		40,805	40,805
Premises and equipment	6,959		7,065	7,065
Other administrative expenses	35,341		43,206	43,206
	<u>82,963</u>	<u>-</u>	<u>91,076</u>	<u>91,076</u>
Profit before income taxes	33,090	(5,085)	31,944	26,859
Income taxes	2,223	(727)	2,226	1,499
Profit for the period	30,867	(4,358)	29,718	25,360

Critical Accounting Estimates

The critical accounting estimates are those disclosed in Note 5 to Central's interim consolidated financial statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this Management's Discussion and Analysis, management evaluated Central's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Central's interim filings, as such term is defined under National Instrument

52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

Central evaluated the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the year ended December 31, 2010, the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011. Included in this evaluation was a review of the controls and procedures surrounding Central's transition to IFRS.

There has been no change in Central's design of internal controls and procedures over financial reporting that has materially affected Central's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

Central 1 Credit Union
Consolidated Statement of Financial Position
Unaudited

	Notes	(Thousands of dollars)		
		September 2011	September 2010	December 31 2010
Assets				
Cash and cash equivalents		\$ 83,883	\$ 85,648	\$ 121,294
Deposits with regulated financial institutions	7	109,558	138,825	140,565
Pledged trading assets	8	81,344	197,476	160,747
Reinvestment assets under the CMB and IMPP Programs	12	2,069,057	1,488,831	1,643,986
Non-pledged trading assets	8	5,000,409	4,254,458	4,253,134
Derivative assets	9	60,867	151,634	129,096
Loans	10	1,528,936	1,209,900	1,109,180
Investment securities	11	4,095,442	3,403,959	3,962,276
Secured loans to members	12	1,366,585	2,143,937	1,929,850
Current tax assets		-	12,805	3,185
Property and equipment		17,233	17,120	17,089
Intangible assets		2,831	4,462	4,106
Deferred tax assets	13	8,830	5,887	5,721
Investment in affiliates		131,533	128,805	128,862
Other	14	179,140	69,669	59,716
		<u>\$ 14,735,648</u>	<u>\$ 13,313,416</u>	<u>\$ 13,668,807</u>
Liabilities				
Cash overdraft		\$ -	\$ 71,800	\$ -
Deposits designated as trading	15	2,068,996	1,658,255	2,072,592
Derivative liabilities	16	233,975	168,005	80,123
Debt securities issued	17	480,839	650,352	620,524
Deposits	18	7,295,939	6,290,439	6,535,914
Obligations under the CMB and IMPP Programs	12	3,288,286	3,331,521	3,280,112
Subordinated liabilities	19	220,672	202,609	200,574
Provisions		6,175	7,076	6,453
Securities under repurchase agreements	20	76,802	206,676	162,358
Current tax liabilities		1,576	-	-
Deferred tax liabilities	13	3,729	2,131	2,138
Other	21	436,926	123,129	114,853
		<u>14,113,915</u>	<u>12,711,993</u>	<u>13,075,641</u>
Equity				
Share capital	22	172,062	162,575	164,983
Contributed surplus		87,901	87,901	87,901
Retained earnings		296,626	286,728	300,126
Accumulated other comprehensive income		50,325	50,254	26,190
Reserves		5,950	5,593	5,594
		<u>612,864</u>	<u>593,051</u>	<u>584,794</u>
Total equity attributable to members of Central 1		612,864	593,051	584,794
Non-controlling interest		8,869	8,372	8,372
		<u>621,733</u>	<u>601,423</u>	<u>593,166</u>
		<u>\$ 14,735,648</u>	<u>\$ 13,313,416</u>	<u>\$ 13,668,807</u>
Guarantees, commitments, and contingencies	27			
Subsequent events	32 & 33			

Approved by the Directors:

"Jack Smit"
Jack Smit, Chairperson

"Fred Wagner"
Fred Wagner, Chairperson - Audit Committee

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Consolidated Statement of Profit or Loss
Unaudited

	Notes	(Thousands of dollars)		(Thousands of dollars)	
		For the three months ended September 2011	September 2010	For the nine months ended September 2011	September 2010
Interest Income					
Securities		\$ 46,503	\$ 43,304	\$ 141,265	\$ 122,819
Deposits with regulated financial institutions		225	376	897	971
Loans		8,920	5,583	24,169	15,346
Secured loans and reinvestment assets		29,766	29,563	87,467	87,478
		<u>85,414</u>	<u>78,826</u>	<u>253,798</u>	<u>226,614</u>
Interest Expense					
Debt securities issued		3,179	3,588	10,815	7,959
Deposits		36,436	30,415	107,126	84,678
Obligations under the CMB and IMPP programs		29,553	29,664	88,095	87,962
Subordinated debt		2,151	2,065	6,282	6,170
		<u>71,319</u>	<u>65,732</u>	<u>212,318</u>	<u>186,769</u>
Interest Margin					
		14,095	13,094	41,480	39,845
Gain on disposal of financial instruments	23	30,306	17,522	54,907	29,832
Changes in fair value of financial instruments	24	(73,432)	(16,800)	(81,115)	(24,308)
Net financial income (loss)		(29,031)	13,816	15,272	45,369
Provision for credit losses	10	3,794	310	4,224	202
		<u>(32,825)</u>	<u>13,506</u>	<u>11,048</u>	<u>45,167</u>
Other income	25	27,554	24,188	76,703	72,768
Net financial and other income (loss)		<u>(5,271)</u>	<u>37,694</u>	<u>87,751</u>	<u>117,935</u>
Operating Expenses					
Salaries and employee benefits		10,701	13,280	40,949	42,575
Premises and equipment		2,383	2,499	7,207	7,065
Other administrative expenses		12,713	14,107	38,283	41,436
		<u>25,797</u>	<u>29,886</u>	<u>86,439</u>	<u>91,076</u>
Profit (loss) before income taxes					
		(31,068)	7,808	1,312	26,859
Income taxes	26	(4,359)	638	31	1,499
		<u>(35,427)</u>	<u>8,446</u>	<u>1,343</u>	<u>28,358</u>
Profit (loss) for the period					
		<u>\$ (26,709)</u>	<u>\$ 7,170</u>	<u>\$ 1,281</u>	<u>\$ 25,360</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Consolidated Statements of Comprehensive Income
Unaudited

	(Thousands of dollars) For the three months ended		(Thousands of dollars) For the nine months ended	
	September 2011	September 2010	September 2011	September 30 2010
Profit (loss) for the period	<u>\$ (26,709)</u>	<u>\$ 7,170</u>	<u>\$ 1,281</u>	<u>\$ 25,360</u>
Other comprehensive income (loss), net of tax				
Fair value reserves (available-for-sale assets)				
Net change in fair value ¹	26,037	14,186	39,639	19,775
Reclassification of gains on available-for-sale assets to profit or loss ²	(9,063)	(6,450)	(15,504)	(15,567)
	<u>16,974</u>	<u>7,736</u>	<u>24,135</u>	<u>4,208</u>
Other comprehensive income (loss), net of tax	<u>16,974</u>	<u>7,736</u>	<u>24,135</u>	<u>4,208</u>
Comprehensive income (loss), net of tax	<u>\$ (9,735)</u>	<u>\$ 14,906</u>	<u>\$ 25,416</u>	<u>\$ 29,568</u>
Income taxes (recoveries) deducted from the above items				
¹ Net change in fair value of available-for-sale assets	<u>\$ 4,100</u>	<u>\$ 2,254</u>	<u>\$ 6,309</u>	<u>\$ 3,097</u>
² Reclassification of gains on available-for-sale assets to profit or loss	<u>\$ (1,481)</u>	<u>\$ (1,077)</u>	<u>\$ (2,534)</u>	<u>\$ (2,598)</u>

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Statement of Changes in Equity
Unaudited

(Thousands of dollars)	Attributable to Equity holders						Non- Controlling Interest	Total Equity
	Share Capital	Contributed Surplus	Fair Value Reserve	Other Reserves	Retained Earnings	Equity Attributable to Members		
Balance at January 1, 2011	\$ 164,983	\$ 87,901	\$ 26,190	\$ 5,594	\$ 300,126	\$ 584,794	\$ 8,372	\$ 593,166
Total Comprehensive income for the period								
Profit for the period					1,303	1,303	(22)	1,281
Other comprehensive income, net of tax								
Fair value reserve (available for sale assets, net of tax)			24,135			24,135		24,135
Total comprehensive income	-	-	24,135	-	1,303	25,438	(22)	25,416
Transactions with owners, recorded directly in equity								
Dividends to members					(4,795)	(4,795)		(4,795)
Related tax savings					674	674		674
Class "E" shares redemption, net of tax					(326)	(326)		(326)
Transfer to reserves				356	(356)	-		-
Net Class "A", "B" and "C" shares issued	7,079				-	7,079		7,079
Preferred shares issued by subsidiaries							519	519
Total contributions and distributions to owners	7,079	-	-	356	(4,803)	2,632	519	3,151
Balance at September 30, 2011	\$ 172,062	\$ 87,901	\$ 50,325	\$ 5,950	\$ 296,626	\$ 612,864	\$ 8,869	\$ 621,733

Net income attributable to:

	<u>2011</u>	<u>2010</u>
Members of Central 1	1,303	25,360
Non-controlling interest	(22)	-
	<u>\$ 1,281</u>	<u>\$ 25,360</u>

Total Comprehensive income attributable to:

Members of Central 1	25,438	29,568
Non-controlling interest	(22)	-
	<u>\$ 25,416</u>	<u>\$ 29,568</u>

Central 1 Credit Union
Statement of Changes in Equity
Unaudited

	Attributable to Equity holders						Non-Controlling Interest	Total Equity
	Share Capital	Contributed Surplus	Fair Value Reserve	Other Reserves	Retained Earnings	Equity Attributable to Members		
Balance at January 1, 2010	\$ 162,580	\$ 87,901	\$ 46,046	\$ 6,625	\$ 266,485	\$ 569,637	\$ 8,372	\$ 578,009
Total Comprehensive income for the period								
Profit for the period					25,360	25,360		25,360
Other comprehensive income, net of tax								
Fair value reserve (available for sale assets, net of tax)			4,208			4,208		4,208
Total comprehensive income	-	-	4,208	-	25,360	29,568	-	29,568
Transactions with owners, recorded directly in equity								
Dividends to members					(7,173)	(7,173)		(7,173)
Related tax savings					1,024	1,024		1,024
Transfer to reserves				(1,032)	1,032	-		-
Net shares redeemed	(5)					(5)		(5)
Total contributions and distributions to owners	(5)	-	-	(1,032)	(5,117)	(6,154)	-	(6,154)
Balance at September 30, 2010	\$ 162,575	\$ 87,901	\$ 50,254	\$ 5,593	\$ 286,728	\$ 593,051	\$ 8,372	\$ 601,423

Central 1 Credit Union
Interim Consolidated Statements of Cash Flows
Unaudited

	(Thousands of dollars)		(Thousands of dollars)	
	For the three months ended		For the nine months ended	
	September 2011	September 2010	September 2011	September 2010
Cash flows from operating activities				
Profit (loss) for the period	\$ (26,709)	\$ 7,170	\$ 1,281	\$ 25,360
Adjustments for:				
Depreciation and amortization	781	465	3,617	3,119
Net interest income	(14,095)	(13,094)	(41,480)	(39,845)
Gain on disposal of financial instruments	(30,306)	(17,522)	(54,907)	(29,832)
Change in fair value of financial instruments	73,432	16,800	81,115	24,308
Income tax expense (recovery)	(4,359)	638	31	1,499
Provision for credit losses	3,794	310	4,224	202
Other items, net	(3,820)	10,945	(13,555)	15,191
	(1,282)	5,712	(19,674)	2
Change in trading assets	387,512	(332,247)	(431,188)	(409,644)
Settlement in transit	141,379	(30,311)	204,582	(3,358)
Change in loans	212,152	(10,185)	(418,356)	955,040
Change in trading liabilities	69,827	(322,987)	(34,326)	(144,967)
Change in deposits	(680,873)	148,991	757,107	(766,833)
	128,715	(541,027)	58,145	(369,760)
Interest received	72,371	79,059	239,159	221,999
Interest paid	(47,147)	(44,379)	(178,532)	(161,188)
Income tax paid	-	-	(300)	-
Net cash from operating activities	<u>153,939</u>	<u>(506,347)</u>	<u>118,472</u>	<u>(308,949)</u>
Cash flows from investing activities				
Change in deposits with regulated financial institutions	(98,861)	9,779	30,856	(79,128)
Change in reinvestment assets under the CMB and IMPP programs	(138,008)	(172,844)	(410,596)	(527,980)
Change in investment securities	(420,747)	604,704	(96,128)	377,904
Change in secured loans to members	194,382	231,511	550,313	735,535
Acquisition of property, plant and equipment	(342)	(60)	(1,615)	(2,663)
Acquisition of intangible assets	(269)	(1,125)	(578)	(1,802)
	(463,845)	671,965	72,252	501,866
Cash flows from financing activities				
Change in obligations under the CMB and IMPP Programs	(18,937)	-	(18,937)	-
Change in subordinated liabilities	18,000	-	18,000	-
Change in debt securities issued	(117,284)	22,844	(141,566)	181,980
Change in securities under repurchase agreements	(37,933)	(292,965)	(85,498)	(540,179)
Dividends paid	(2,035)	(2,390)	(7,213)	(23,428)
Issuance (redemption) of shares	2,413	(1)	7,079	(5)
	(155,776)	(272,512)	(228,135)	(381,632)
Increase (decrease) in cash and cash equivalents	(465,682)	(106,894)	(37,411)	(188,715)
Cash and cash equivalents - beginning of period	549,565	120,742	121,294	202,563
Cash and cash equivalents - end of period	<u>\$ 83,883</u>	<u>\$ 13,848</u>	<u>\$ 83,883</u>	<u>\$ 13,848</u>

See accompanying notes to the interim consolidated financial statements

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Central 1 Credit Union
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1. Incorporation and governing legislation

Central 1 Credit Union (Central) is domiciled in Canada and is governed by the Credit Union Incorporation Act (British Columbia) and is also subject to the provisions of the Financial Institutions Act (British Columbia) and the Cooperative Credit Associations Act (Canada). These financial statements of Central comprise Central and its subsidiaries.

Central is the primary financial facility and trade association for credit unions in British Columbia and its member credit unions in Ontario. The performance of the British Columbia credit union system and that of Central's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) plays an integral part in determining the results of Central's operations and its financial position.

2. Basis of preparation

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards (IFRS).

Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Central are provided in Note 4. This note includes reconciliations of equity and comprehensive income or loss for comparative periods previously reported under Canadian Generally Accepted Accounting Principles (GAAP) to those reported for those periods under IFRS.

The policies set out below have been consistently applied to all the periods presented and by all subsidiaries included in the interim consolidated financial statements.

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 18, 2011.

Cooperative Credit Associations Act (Canada)

Section 292 of the Cooperative Credit Associations Act (Canada) states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada)(OSFI), the financial statements are to be prepared in accordance with Canadian GAAP. Canadian GAAP for publicly accountable enterprises is IFRS, effective January 1, 2011. These accounting policies conform, in all material respects, to IFRS.

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(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value, except as described in Note 11.
- the assets and liabilities for defined benefit obligations are recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.

(c) Functional and presentation currency

These interim consolidated financial statements are presented in Canadian dollars, which is Central's functional currency.

(d) Use of estimates and judgements

In preparing the interim consolidated financial statements, management is required to make estimates and assumptions based on information as of the date of the financial statements. Certain amounts recorded in the financial statements, including financial instruments measured at fair value, recoverability of loans, accounting for securitization transactions, income taxes and pension and post-retirement benefits, require management to make subjective or complex judgments. Actual results could differ materially from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are described in Note 5.

3. Accounting policies

The accounting policies applied by Central in these consolidated interim financial statements are the same as those applied by Central in its consolidated interim financial statements as at and for the period ended March 31, 2011.

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New standards and interpretations not yet adopted

At September 30, 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these interim consolidated financial statements. Those which are expected to have a significant effect on Central's consolidated financial statements are discussed below.

Standards and Interpretations issued by the IASB

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 relating to financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

The IASB has decided to postpone the mandatory application of IFRS 9 until 2015. IFRS 9 is required to be applied retrospectively.

The main changes to the requirements of IAS 39 are summarized below.

All financial assets that are currently in the scope of IAS 39 will be classified as either amortized cost or fair value. The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist. Financial assets are to be measured at amortized cost if the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding and the entity demonstrates the intention of holding the financial assets for the collection of the contractual cash flows. With certain exceptions that are not anticipated to be significant to Central, all other financial assets are to be measured at fair value, with changes in fair value recognized in profit or loss.

An entity would be permitted to designate a financial asset otherwise meeting the amortized cost criteria at fair value through profit or loss if doing so significantly reduces or eliminates an accounting mismatch.

The second and third phases in IASB's project to replace IAS 39 will address the impairment of financial assets measured at amortized cost and hedge accounting. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's project to replace IAS 39.

The impact of these changes on Central's financial statements is not readily determinable at this time.

4. Adoption of IFRS

The accounting policies presented in the consolidated interim financial statements for the period ending March 31, 2011 have been applied in preparing the interim consolidated financial statements for the period ended September 30, 2011, the comparative information presented in these interim consolidated financial statements for the period ended September 30, 2010, and the year ended December 31, 2010.

In preparing its IFRS consolidated interim statement of financial position as at September 30, 2010, Central has adjusted the amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected Central's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Central 1 Credit Union
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The adjustments to Central's Canadian GAAP financial statements can be categorized as follows:

- 1) Consolidation of additional subsidiaries
- 2) Measurement changes on adoption of derecognition standard
- 3) Measurement changes on adoption of standards other than derecognition
- 4) Reclassification and presentation adjustments not impacting Equity

- 1) Consolidation of additional subsidiaries

On adoption of IFRS, Central consolidated CUPP Services Ltd. (CUPP) and Stabilization Fund Corporation (Stab Fund), which were Variable Interest Entities (VIE's) under Canadian GAAP. While Central holds all of the common shares of both entities, Central does not realize the majority of the benefits of ownership of these entities and thus was not required to consolidate them under Canadian GAAP.

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The adjustment to recognize these entities is as follows:

Interim consolidated statement of financial position	(Thousands of dollars)	
	As at	
	September 30,	
	2010	
	Increase	
	(Decrease)	
Cash and cash equivalents	\$	(1)
Deposits with regulated financial institutions		5,224
Non-pledged trading assets		4,757
Investment securities		(447)
Current tax assets		120
Deferred tax assets		54
Other assets		<u>1,783</u>
Total assets	\$	<u>11,490</u>
Deposits designated as trading	\$	(2,718)
Deposits		(9,839)
Provisions		7,076
Other liabilities		<u>3,006</u>
Total liabilities		<u>(2,475)</u>
Retained earnings		-
Reserves		5,593
Non-controlling interest		<u>8,372</u>
Total equity		<u><u>13,965</u></u>
		<u><u>\$ 11,490</u></u>

Interim consolidated statement of profit or loss	(Thousands of dollars)	
	For the three	For the nine
	months ended	months ended
	September 30,	September 30,
	2010	2010
	Increase	Increase
	(Decrease)	(Decrease)
Interest income	\$ 39	\$ 223
Interest expense	125	228
Change in fair value of financial instruments	62	78
Other income	2,180	6,565
Operating expense	(2,946)	(8,110)
Income tax	<u>(1)</u>	<u>(16)</u>
Total loss	<u><u>\$ (541)</u></u>	<u><u>\$ (1,032)</u></u>

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2) Measurement changes on adoption of derecognition standards

Prior to 2010, Central periodically transferred mortgages to either Canada Housing Trust (CHT) or Canada Mortgage Housing Corporation (CMHC). Under Canadian GAAP, these transactions were considered sales of receivables to a third party and the receivables were derecognized. As Central has not transferred substantially all the risks and rewards of the underlying mortgage assets the derecognition criteria in IAS 39 have not been met.

The impact of recognizing these assets is as follows:

Interim consolidated statement of financial position	(Thousands of dollars) As at September 30, 2010
	Increase (Decrease)
Reinvestment assets under the CMB and IMPP programs	\$ 1,488,831
Non-pledged trading assets	(369,607)
Derivative assets held for risk management	103,557
Loans	(2,092)
Investment securities	(43,227)
Secured loans to members	2,143,937
Deferred tax assets	<u>1,447</u>
Total assets	<u>\$ 3,322,846</u>
Obligations under the CMB and IMPP programs	\$ 3,331,521
Deferred tax liabilities	<u>-</u>
Total liabilities	<u>3,331,521</u>
Retained earnings	(7,752)
Accumulated other comprehensive loss	<u>(923)</u>
Total equity	<u>(8,675)</u> <u>\$ 3,322,846</u>

Central 1 Credit Union
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	(Thousands of dollars)	
	For the three months ended September 30, 2010	For the nine months ended September 30, 2010
	Increase (Decrease)	Increase (Decrease)
Interim consolidated statement of profit or loss		
Interest income	\$ 26,571	\$ 75,949
Interest expense	(29,664)	(87,962)
Gain on disposal of financial instruments	176	446
Change in fair value of financial instruments	(9,156)	6,482
Income tax	1,726	727
Total loss	<u>\$ (10,347)</u>	<u>\$ (4,358)</u>
Interim consolidated statement of comprehensive income		
Change in fair value of available-for-sale assets	(280)	(923)
Total other comprehensive loss	<u>\$ (280)</u>	<u>\$ (923)</u>

- 3) Measurement changes on adoption of standards other than derecognition
- a. Property, Plant and Equipment

On transition to IFRS, Central elected to re-measure its investment property at fair value, and reclassified its investment property as other assets. Under Canadian GAAP investment property was measured on a depreciated costs basis and classified as property, plant and equipment.

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The impact of this change is as follows:

	(Thousands of dollars)	
Interim consolidated statement of financial position	As at September 30, 2010	
Property and equipment	\$	809
Other assets		<u>1,403</u>
Total assets	\$	<u>2,212</u>
Deferred tax liabilities	\$	<u>318</u>
Total liabilities		<u>318</u>
Retained earnings		<u>1,894</u>
Total equity	\$	<u>2,212</u>
	For the three months ended September 30, 2010	For the nine months ended September 30, 2010
	Increase (Decrease)	Increase (Decrease)
Interim consolidated statement of profit or loss		
Operating expenses	\$	(17)
Income tax		<u>-</u>
Total profit (loss)	\$	<u>191</u>
		<u>(30)</u>
	\$	<u>161</u>

Under Canadian GAAP leases of computer equipment were classified as operating leases. Under IFRS, these leases are classified as finance leases.

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The impact of this change is as follows:

	(Thousands of dollars)	
Interim consolidated statement of financial position	As at	
	September 30,	
	2010	
	Increase	
	(Decrease)	
Property and equipment	\$ 1,267	
Total assets	<u>1,267</u>	
Deferred tax liabilities	\$ (4)	
Other liabilities	<u>1,297</u>	
Total liabilities	<u>1,293</u>	
Retained earnings	<u>(26)</u>	
Total equity	<u>(26)</u>	
Total liabilities and equity	<u>\$ 1,267</u>	
	For the three	For the nine
	months ended	months ended
	September 30,	September 30,
	2010	2010
	Increase	Increase
	(Decrease)	(Decrease)
Interest expense	\$ (111)	\$ (224)
Operating expenses	114	246
Income tax	<u>-</u>	<u>(3)</u>
Total profit	<u>\$ 3</u>	<u>\$ 19</u>

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The total impact of changes related to property, plant and equipment is as follows:

(Thousands of dollars)

Interim consolidated statement of financial position	As at September 30, 2010	
	Increase (Decrease)	
Property and equipment	\$ 2,076	
Other assets	<u>6,866</u>	
Total assets	<u>\$ 8,942</u>	
Deferred tax liabilities	\$ 1,096	
Other liabilities	<u>1,297</u>	
Total liabilities	<u>2,393</u>	
Retained earnings	<u>6,549</u>	
Total equity	<u>\$ 8,942</u>	
	For the three months ended September 30, 2010	For the nine months ended September 30, 2010
	Increase (Decrease)	Increase (Decrease)
Interim consolidated statement of profit or loss		
Interest expense	\$ (111)	\$ (224)
Operating expenses	(3)	137
Income tax	<u>14</u>	<u>9</u>
Total profit (loss)	<u>\$ (100)</u>	<u>\$ (78)</u>

b) Employee benefits

Under IFRS, Central's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings. The unrecognized actuarial gains and losses exceeding the corridor that were recognized in profit or loss for the year ending September 30, 2010 under Canadian GAAP were reversed.

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The impact of this change is as follows:

Interim consolidated statement of financial position	(Thousands of dollars)	
	As at	
	September 30,	
	2010	
	Increase (Decrease)	
Deferred tax assets	\$	(687)
Other assets		<u>(2,268)</u>
Total assets	\$	<u><u>(2,955)</u></u>
Deferred tax liabilities	\$	(324)
Other liabilities		<u>(4,809)</u>
Total liabilities		<u>(5,133)</u>
Retained earnings		<u>2,178</u>
Total equity		<u><u>2,178</u></u>
	\$	<u><u>(2,955)</u></u>
	For the three	For the nine
	months ended	months ended
	September 30,	September 30,
	2010	2010
Interim consolidated statement of profit or loss	Increase (Decrease)	Increase (Decrease)
Operating expenses	\$ (46)	\$ (140)
Income tax	<u>6</u>	<u>20</u>
Total loss	<u><u>\$ (40)</u></u>	<u><u>\$ (120)</u></u>

At period close, actuarial gains or losses recognized in Other comprehensive income are transferred from Accumulated other comprehensive income to retained earnings with the result that no amounts are recognized in AOCI at period-end.

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4) Reclassification and presentation changes

Adoption of IFRS resulted in changes to financial presentation.

(Thousands of dollars)

Interim consolidated statement of financial position	As at September 30, 2010
	Increase (Decrease)
Pledged trading assets	\$ 197,476
Non-pledged trading assets	4,619,308
Derivative assets held for risk management	48,077
Investment securities	(4,816,784)
Current tax assets	13,226
Intangible assets	4,462
Deferred tax assets	4,909
Investment in affiliates	128,805
Other assets	<u>(199,479)</u>
Total assets	<u>\$ -</u>
Deposits designated as trading	1,660,973
Derivative liabilities held for risk management	168,005
Deposits	(1,660,973)
Deferred tax liabilities	1,359
Other liabilities	<u>(169,364)</u>
Total liabilities	<u>-</u>
	<u>\$ -</u>

Central 1 Credit Union
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The aggregate impact of these changes on the interim consolidated statement of financial position as at September 30, 2010 is as follows:

(Thousands of dollars)

	Canadian GAAP	Transition to IFRS Increase (Decrease)	IFRS
Assets			
Cash and cash equivalents	\$ 85,649	\$ (1)	\$ 85,648
Deposits with regulated financial institutions	133,657	5,168	138,825
Pledged trading assets	-	197,476	197,476
Reinvestment assets under the CMB and IMPP Programs	-	1,488,831	1,488,831
Non-pledged trading assets	-	4,254,458	4,254,458
Derivative assets	-	151,634	151,634
Loans	1,213,137	(3,237)	1,209,900
Investment securities	8,256,630	(4,852,671)	3,403,959
Secured loans to members	-	2,143,937	2,143,937
Current tax assets	-	12,805	12,805
Property and equipment	15,044	2,076	17,120
Intangible assets	-	4,462	4,462
Deferred tax assets	-	5,887	5,887
Investment in affiliates	-	128,805	128,805
Other	262,767	(193,098)	69,669
Total assets	\$ 9,966,884	\$ 3,346,532	\$ 13,313,416
Liabilities			
Cash Overdraft	\$ 71,800	\$ -	\$ 71,800
Deposits designated as trading	-	1,658,255	1,658,255
Derivatives liabilities	-	168,005	168,005
Debt securities issued	650,352	-	650,352
Deposits	7,961,251	(1,670,812)	6,290,439
Obligations under the CMB and IMPP Programs	-	3,331,521	3,331,521
Subordinated liabilities	202,609	-	202,609
Provisions	-	7,076	7,076
Securities under repurchase agreements	206,676	-	206,676
Deferred tax liabilities	-	2,131	2,131
Other	292,999	(169,870)	123,129
Total liabilities	9,385,687	3,326,306	12,711,993
Equity			
Share capital	162,575	-	162,575
Contributed surplus	87,901	-	87,901
Retained earnings	286,774	(46)	286,728
Accumulated other comprehensive income	43,947	6,307	50,254
Reserves	-	5,593	5,593
Total Equity attributable to members of Central 1	581,197	11,854	593,051
Non-controlling interest	-	8,372	8,372
Total equity	581,197	20,226	601,423
	\$ 9,966,884	\$ 3,346,532	\$ 13,313,416

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The aggregate impact of these changes on the interim statement of profit or loss and the interim statement of comprehensive income for the three months ended September 30, 2010 is as follows:
(Thousands of dollars)

Interim statement of profit or loss	Canadian GAAP	Transition to IFRS Increase (Decrease)	IFRS
Financial income			
Securities	\$ 46,259	\$ (2,955)	\$ 43,304
Deposits with regulated financial institutions	374	2	376
Loans	5,544	39	5,583
Secured loans and reinvestment assets	-	29,563	29,563
	<u>52,177</u>	<u>26,649</u>	<u>78,826</u>
Financial expense			
Debt securities issued	3,477	111	3,588
Deposits	30,540	(125)	30,415
Obligations under the CMB and IMPP programs	-	29,664	29,664
Subordinated debt	2,065	-	2,065
	<u>36,082</u>	<u>29,650</u>	<u>65,732</u>
Interest margin	16,095	(3,001)	13,094
Gain on disposal of financial instruments	17,346	176	17,522
Change in fair value of financial instruments	(7,702)	(9,098)	(16,800)
Net financial income (loss)	25,739	(11,923)	13,816
Provision for credit losses	303	7	310
	<u>25,436</u>	<u>(11,930)</u>	<u>13,506</u>
Other income	22,008	2,180	24,188
Net financial and other income (loss)	<u>47,444</u>	<u>(9,750)</u>	<u>37,694</u>
Operating expenses			
Salaries and employee benefits	12,666	47	12,713
Premises and equipment	2,496	3	2,499
Other administrative expenses	11,729	2,945	14,674
	<u>26,891</u>	<u>2,995</u>	<u>29,886</u>
Profit (loss) before income taxes	20,553	(12,745)	7,808
Income taxes (recovery)	2,378	(1,740)	638
Profit (loss) for the period	<u>\$ 18,175</u>	<u>\$ (11,005)</u>	<u>\$ 7,170</u>
Other comprehensive income (net of tax)			
Net unrealized gains (losses) on available-for-sale assets	\$ 14,466	\$ (280)	\$ 14,186
Reclassification of gains on available for sale assets	(6,450)	-	(6,450)
	<u>8,016</u>	<u>(280)</u>	<u>7,736</u>
Comprehensive income (loss)	<u>\$ 26,191</u>	<u>\$ (11,285)</u>	<u>\$ 14,906</u>

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The aggregate impact of these changes on the interim statement of profit or loss and the interim statement of comprehensive income for the nine months ended September 30, 2010 is as follows:
(Thousands of dollars)

Interim statement of profit or loss	Canadian GAAP	Transition to IFRS Increase (Decrease)	IFRS
Financial income			
Securities	\$ 134,239	\$ (11,420)	\$ 122,819
Deposits with regulated financial institutions	857	114	971
Loans	15,233	113	15,346
Secured loans and reinvestment assets	-	87,478	87,478
	<u>150,329</u>	<u>76,285</u>	<u>226,614</u>
Financial expense			
Debt securities issued	7,735	224	7,959
Deposits	84,906	(228)	84,678
Obligations under the CMB and IMPP programs	-	87,962	87,962
Subordinated debt	6,170	-	6,170
	<u>98,811</u>	<u>87,958</u>	<u>186,769</u>
Interest margin	51,518	(11,673)	39,845
Gain on disposal of financial instruments	29,386	446	29,832
Change in fair value of financial instruments	(30,864)	6,556	(24,308)
Net financial income (loss)	50,040	(4,671)	45,369
Provision for credit losses	190	12	202
	<u>49,850</u>	<u>(4,683)</u>	<u>45,167</u>
Other income	66,203	6,565	72,768
Net financial and other income	<u>116,053</u>	<u>1,882</u>	<u>117,935</u>
Operating expenses			
Salaries and employee benefits	40,663	142	40,805
Premises and equipment	6,959	106	7,065
Other administrative expenses	35,341	7,865	43,206
	<u>82,963</u>	<u>8,113</u>	<u>91,076</u>
Profit (loss) before income taxes	33,090	(6,231)	26,859
Income taxes (recovery)	2,223	(724)	1,499
Profit (loss) for the period	<u>\$ 30,867</u>	<u>\$ (5,507)</u>	<u>\$ 25,360</u>
Other comprehensive income (net of tax)			
Net unrealized gains (losses) on available-for-sale assets	\$ 20,698	\$ (923)	\$ 19,775
Reclassification of gains on available for sale assets	(15,567)	-	(15,567)
	<u>5,131</u>	<u>(923)</u>	<u>4,208</u>
Comprehensive income (loss)	<u>\$ 35,998</u>	<u>\$ (6,430)</u>	<u>\$ 29,568</u>

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The aggregate impact of these changes on equity as at September 30, 2010 is as follows:
(Thousands of dollars)

	Share Capital	Contributed Surplus	Fair Value Reserves	Other Reserves	Retained Earnings	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Canadian GAAP:	\$ 162,575	\$ 87,901	\$ 43,947	\$ -	\$ 286,774	\$ 581,197	\$ -	\$ 581,197
IFRS Adjustments								
Additional subsidiaries				5,593		5,593	8,372	13,965
Adoption of derecognition standard					(7,752)	(7,752)	-	(7,752)
Property and equipment					6,549	6,549	-	6,549
Employee benefits					2,178	2,178	-	2,178
Financial instruments	-	-	6,307	-	(1,021)	5,286	-	5,286
	-	-	6,307	5,593	(46)	11,854	8,372	20,226
	\$ 162,575	\$ 87,901	\$ 50,254	\$ 5,593	\$ 286,728	\$ 593,051	\$ 8,372	\$ 601,423

Consistent with Central's accounting policy choice under IAS 7, *Statement of Cash Flows*, interest received, interest paid and taxes paid have been moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

5. Use of estimates and judgments

Allowance for credit losses

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are reviewed and approved by management. Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held-to-maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic condition. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

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Determining fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policy disclosed in Central's consolidated interim financial statements for the period ended March 31, 2011. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also Note 6 "Fair value of financial instruments" for further discussion.

Securitizations

In applying its policies on securitized financial assets, Central has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by Central over the other entity:

- When Central, in substance, controls the entity to which financial assets have been transferred, the entity is included in these interim consolidated financial statements and the transferred assets are recognized in Central's interim consolidated statement of financial position.
- When Central transfers financial assets to an unconsolidated entity and it retains substantially all the risk and rewards relating to the transferred assets, the transferred assets are recognized in Central's interim consolidated statement of financial position.
- When Central transfers substantially all the risks and rewards relating to the transferred financial assets to an unconsolidated entity, the assets are derecognized from Central's interim consolidated statement of financial position.
- When Central neither transfers nor retains substantially all the risks and rewards relating to a transferred financial asset and it retains control of the transferred asset, Central continues to recognize the transferred financial asset to the extent of its continuing involvement in that transferred financial asset.

Details of Central's securitization activities are given in Note 12.

Income taxes

Central computes an income tax provision in each of the jurisdictions in which it operates. However, the actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Estimation of income taxes includes reevaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

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In interim periods, the income tax provision is based on an estimate of projected annual earnings by jurisdiction. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings by jurisdiction. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Pension and post-retirement benefits

Central sponsors defined benefit plans providing pension and other post-retirement benefits to cover employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected rate of future compensation and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results will differ from results which are estimated based on assumptions.

6. Fair value of financial instruments

Certain financial instruments are recognized in the interim consolidated statements of financial position at fair value. These include derivative instruments, deposits designated as trading and securities and amounts on deposit classified either as available-for-sale or held for trading. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The best evidence of fair value is a quoted bid price for financial assets held or an offer price for financial liabilities from an active market.

Where independent quoted market prices do not exist, Central uses the quoted market prices for similar securities, other third party evidence or valuation techniques. Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received to obtain the instrument. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows and discount rates.

Financial instruments whose book values approximate fair value

Fair value is assumed to be equal to carrying value for cash, demand loans classified as loans and receivable and demand deposits classified as other liabilities because of their short-term nature.

Financial instruments for which fair value is determined using valuation techniques

The fair value of fixed rate performing loans is determined by discounting contractual cash flows at market interest rates. For both loans to and deposits with members, Central discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. The fair values of notes and subordinated debt is determined by discounting remaining cash flows by reference to current market yields on similar instruments.

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Fair value of assets and liabilities classified using the fair value hierarchy

Central measures fair value using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – Valuation technique based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

The following table presents the fair value of Central's assets and liabilities classified in accordance with the fair value hierarchy.

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September 30, 2011	(Millions of dollars)					
	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Cost ¹	Total Carrying Value
Assets						
Cash and cash equivalents	\$ 83.9	\$ -	\$ -	\$ 83.9	\$ -	\$ 83.9
Deposits with regulated financial institutions	-	-	-	-	109.6	109.6
Pledged trading assets	-	81.3	-	81.3	-	81.3
Reinvestment assets under the CMB and IMPP programs	-	2,069.1	-	2,069.1	-	2,069.1
Non-pledged trading assets	-	4,998.4	2.0	5,000.4	-	5,000.4
Derivative assets	-	60.9	-	60.9	-	60.9
Loans	-	-	-	-	1,528.9	1,528.9
Investment securities	-	4,044.0	8.9	4,052.9	42.5	4,095.4
Secured loans to members	-	-	1,366.6	1,366.6	-	1,366.6
Current tax assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	17.2	17.2
Intangible assets	-	-	-	-	2.8	2.8
Deferred tax assets	-	-	-	-	8.8	8.8
Investment in affiliates	-	-	-	-	131.5	131.5
Other	-	2.7	-	2.7	176.5	179.2
Total assets	<u>\$ 83.9</u>	<u>\$ 11,256.4</u>	<u>\$ 1,377.5</u>	<u>\$ 12,717.8</u>	<u>\$ 2,017.8</u>	<u>\$ 14,735.6</u>
Liabilities						
Deposits designated as trading	\$ -	\$ 2,069.0	\$ -	\$ 2,069.0	\$ -	\$ 2,069.0
Derivative liabilities	-	234.0	-	234.0	-	234.0
Debt securities issued	-	-	-	-	480.8	480.8
Deposits	-	-	-	-	7,295.9	7,295.9
Obligations under the CMB and IMPP Programs	-	3,288.3	-	3,288.3	-	3,288.3
Subordinated liabilities	-	-	-	-	220.7	220.7
Provisions	-	-	-	-	6.2	6.2
Securities under repurchase agreements	-	-	-	-	76.8	76.8
Current tax liabilities	-	-	-	-	1.6	1.6
Deferred tax liabilities	-	-	-	-	3.7	3.7
Other	-	-	-	-	436.9	436.9
Total liabilities	<u>-</u>	<u>5,591.3</u>	<u>-</u>	<u>5,591.3</u>	<u>8,522.6</u>	<u>14,113.9</u>
Net Assets	<u>\$ 83.9</u>	<u>\$ 5,665.1</u>	<u>\$ 1,377.5</u>	<u>\$ 7,126.5</u>	<u>\$(6,504.8)</u>	<u>\$ 621.7</u>
December 31, 2010	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Cost ¹	Total Carrying Value
Assets	\$ 121.3	\$ 10,209.8	\$ 1,941.9	\$ 12,273.0	\$ 1,395.8	\$ 13,668.8
Liabilities	-	5,432.8	-	5,432.8	7,642.8	13,075.6
Net Assets	<u>\$ 121.3</u>	<u>\$ 4,777.0</u>	<u>\$ 1,941.9</u>	<u>\$ 6,840.2</u>	<u>\$(6,247.0)</u>	<u>\$ 593.2</u>

¹Amounts carried at amortized cost include financial instruments classified as held to maturity, loans and receivable or other liabilities.

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The following table presents the changes in fair value for financial instruments included in Level 3 of the fair value hierarchy:

	(Millions of dollars)					
	<u>Fair Value at December 31, 2010</u>	<u>Purchases</u>	<u>Settlements</u>	<u>Transfers</u>	<u>Changes in fair value of assets in profit or loss</u>	<u>Fair Value at September 30, 2011</u>
Assets						
Securities - Trading	\$ 1.0	\$ -	\$ -	\$ -	\$ 1.0	\$ 2.0
Securities – Available for sale	1.9	0.3	(2.2)	-		-
Secured loans to members	1,929.9	-	(551.3)	-	(12.0)	1,366.6
Equity shares	<u>9.2</u>	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>	<u>8.9</u>
	<u>\$ 1,942.0</u>	<u>\$ 0.3</u>	<u>\$ (553.8)</u>	<u>\$ -</u>	<u>\$ (11.0)</u>	<u>\$ 1,377.5</u>
	<u>Fair Value at Jan 1, 2010</u>	<u>Purchases</u>	<u>Settlements</u>	<u>Transfers</u>	<u>Changes in fair value of assets in profit or loss</u>	<u>Fair Value at December 31, 2010</u>
Assets	<u>\$ 2,938.9</u>	<u>\$ 1.9</u>	<u>\$ (947.4)</u>	<u>\$ (18.4)</u>	<u>\$ (33.1)</u>	<u>\$ 1,941.9</u>

7. Deposits with regulated financial institutions

Amounts on deposit with regulated financial institutions classified as loans and receivables are as follows:

	(Thousands of dollars)		
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>December 31, 2010</u>
Amortized cost	<u>\$ 9,555</u>	<u>\$ 13,205</u>	<u>\$ 12,965</u>
Fair value	<u>\$ 9,324</u>	<u>\$ 13,535</u>	<u>\$ 13,202</u>

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Amounts on deposit with regulated financial institutions classified as available-for-sale are as follows:
(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amortized cost	\$ <u>100,003</u>	\$ 125,538	\$ 127,546
Fair value	\$ <u>100,003</u>	\$ 125,620	\$ 127,600

The total amounts on deposit with regulated financial institutions recorded in the interim consolidated statements of financial position are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
	\$ <u>109,558</u>	\$ 138,825	\$ 140,565

8. Trading assets

Trading assets included in the interim consolidated statements of financial position are as follows:
(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Government & guarantees	\$ 3,151,793	\$ 3,285,215	\$ 3,196,963
Corporate & financial institutions			
AA or greater	1,830,872	1,071,341	1,125,366
Other	<u>99,088</u>	<u>95,378</u>	<u>91,552</u>
Fair value	\$ <u>5,081,753</u>	\$ 4,451,934	\$ 4,413,881

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amortized cost	\$ <u>4,860,946</u>	\$ 4,309,672	\$ 4,354,554
Fair value	\$ <u>5,081,753</u>	\$ 4,451,934	\$ 4,413,881

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Pledged assets are those financial assets that may be repledged or sold by counterparties. Total pledged assets are as indicated below:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Trading assets	\$ 81,344	\$ 197,476	\$ 160,747
Amounts included in investment securities	<u>-</u>	<u>22,495</u>	<u>15,612</u>
	<u>\$ 81,344</u>	<u>\$ 219,971</u>	<u>\$ 176,359</u>

9. Derivative assets

The fair value of derivative assets is as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Interest rate swaps	\$ 59,572	\$ 150,881	\$ 127,385
Foreign exchange derivative contracts	<u>1,295</u>	<u>753</u>	<u>1,711</u>
	<u>\$ 60,867</u>	<u>\$ 151,634</u>	<u>\$ 129,096</u>

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10. Loans

(Thousands of dollars)			
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Due on demand - Credit unions	\$ 83,011	\$ 68,304	\$ 61,476
- Commercial and others	<u>6,417</u>	<u>11,994</u>	<u>5,033</u>
	<u>89,428</u>	<u>80,298</u>	<u>66,509</u>
Term - Credit unions	1,254,895	994,057	895,362
- Commercial and others	164,408	121,234	137,692
- Reverse repurchase agreements	9,595	-	-
- Officers and employees	<u>16,240</u>	<u>16,975</u>	<u>16,647</u>
	<u>1,445,138</u>	<u>1,132,266</u>	<u>1,049,701</u>
	1,534,566	1,212,564	1,116,210
Accrued interest	<u>7,085</u>	<u>2,824</u>	<u>2,468</u>
	1,541,651	1,215,388	1,118,678
Allowance for credit losses	<u>(12,715)</u>	<u>(5,488)</u>	<u>(9,498)</u>
	<u>\$ 1,528,936</u>	<u>\$ 1,209,900</u>	<u>\$ 1,109,180</u>

Officer and employee loans, which are part of their compensation packages, bear interest at rates varying from 1.80% to 4.80%.

Impaired loans are as follows:

	Gross Impaired	Specific Allowance	Collective Allowance	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Credit unions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and others	<u>14,498</u>	<u>(11,903)</u>	<u>(812)</u>	<u>1,783</u>	<u>1,164</u>	<u>1,152</u>
Total	<u>\$ 14,498</u>	<u>\$ (11,903)</u>	<u>\$ (812)</u>	<u>\$ 1,783</u>	<u>\$ 1,164</u>	<u>\$ 1,152</u>

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The activity in the allowance for credit losses during the year and the resulting year-end balances are as follows:

(Thousands of dollars)

	Specific Allowance	Collective Allowance	<u>Three months ended</u> <u>September 30,</u> <u>2011</u>	<u>Nine months ended</u> <u>September 30,</u> <u>2011</u>	<u>Three months ended</u> <u>September 30,</u> <u>2010</u>	<u>Nine months ended</u> <u>September 30,</u> <u>2010</u>	<u>For the year ended</u> <u>December 31,</u> <u>2010</u>
Balance at beginning of period	\$ 8,388	\$ 905	\$ 9,293	\$ 9,498	\$ 5,175	\$ 6,480	\$ 6,480
Net write-offs during the period	(372)	-	(372)	(1,007)	3	(1,194)	(1,387)
Provision for credit losses	<u>3,887</u>	<u>(93)</u>	<u>3,794</u>	<u>4,224</u>	<u>310</u>	<u>202</u>	<u>4,405</u>
Balance at end of period	<u>\$ 11,903</u>	<u>\$ 812</u>	<u>\$ 12,715</u>	<u>\$ 12,715</u>	<u>\$ 5,488</u>	<u>\$ 5,488</u>	<u>\$ 9,498</u>

11. Investment securities

Securities classified as held to maturity are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amortized cost	<u>\$ 10,402</u>	<u>\$ 27,835</u>	<u>\$ 26,875</u>
Fair value	<u>\$ 10,309</u>	<u>\$ 27,747</u>	<u>\$ 26,801</u>

Securities classified as available-for-sale are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amortized cost	<u>\$ 4,037,498</u>	<u>\$ 3,327,770</u>	<u>\$ 3,914,360</u>
Fair value	<u>\$ 4,085,040</u>	<u>\$ 3,376,124</u>	<u>\$ 3,935,401</u>

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The total amount of securities recorded in the interim consolidated statements of financial position is as follows:

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
	<u>\$ 4,095,442</u>	<u>\$ 3,403,959</u>	<u>\$ 3,962,276</u>

The composition of Central's securities portfolio is as follows:

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Government & guarantees	\$ 703,799	\$ 1,007,374	\$ 770,464
Corporate & financial institutions AA or greater	3,243,607	2,232,928	3,062,218
Other	<u>148,036</u>	<u>163,657</u>	<u>129,594</u>
	<u>\$ 4,095,442</u>	<u>\$ 3,403,959</u>	<u>\$ 3,962,276</u>

The above table includes **\$32.1** million (September 30, 2010 - \$32.1 million; December 31, 2010 - \$32.1 million) of equity investment securities that are measured at cost and for which disclosure of fair value is not provided because the fair value cannot be reliably measured.

At the period-end, securities having a par value of **\$850.0** million (September 30, 2010 - \$291.3 million; December 31, 2010 - \$ 384.3 million) were lodged or pledged with the Bank of Canada and the Canadian Depository for Securities as collateral for the transfer and receipt of payments.

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12. Secured loans to members

Through its participation in the CMB and IMPP programs as described in the accounting policy disclosed in Central's consolidated interim financial statements for the period ended March 31, 2011, Central recognizes its interest in the underlying residential mortgages as secured loans from its member credit unions. The par amounts outstanding on these secured loans are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Total amount of secured loans issued	\$ 4,240,559	\$ 4,240,559	\$ 4,240,559
Aggregate principal payments received	<u>(2,896,316)</u>	<u>(2,143,083)</u>	<u>(2,348,650)</u>
Remaining par value of secured loans to members in the Statement of financial position	<u>\$ 1,344,243</u>	<u>\$ 2,097,476</u>	<u>\$ 1,891,909</u>
The components of these balances are as follows:			
Remaining par value of secured loans under the CMB and IMPP programs	\$ 826,100	\$ 1,367,316	\$ 1,215,353
Remaining par value of secured loans retained by Central	<u>518,143</u>	<u>730,160</u>	<u>676,556</u>
	<u>\$ 1,344,243</u>	<u>\$ 2,097,476</u>	<u>\$ 1,891,909</u>

The secured loans are recognized at fair value in the interim consolidated statements of financial position are as follows:

Amortized cost	<u>\$ 1,351,447</u>	<u>\$ 2,110,057</u>	<u>\$ 1,903,352</u>
Fair value	<u>\$ 1,366,585</u>	<u>\$ 2,143,937</u>	<u>\$ 1,929,850</u>

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Valuation of secured loans to members

Key inputs into the model used to determine the fair value of secured loans to members include interest rates and mortgage prepayment rate. The following table summarizes the pre-tax impact of a sustained 200 basis points increase or decrease in interest rates used to determine the fair value of secured loans and equity.

	(Thousands of dollars)		
	As at September 30, 2011	As at September 30, 2010	As at December 31, 2010
<i>Change in value of secured loans to members:</i>	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
200 bps parallel increase in interest rates	\$ (7,913)	\$ (25,257)	\$ (19,963)
200 bps parallel decrease in interest rates	\$ 8,251	\$ 26,578	\$ 20,939

Mortgage prepayment rate changes the expected principal and interest cash flows of the secured loans. The pre-tax impact of a one percent increase or decrease in prepayment rate on the fair value of secured loans was less than one percent of equity as at each balance sheet date presented.

Central has recognized its obligations to CHT under the CMB program and to CMHC under the IMPP program at fair value in the Statement of Financial position. The contractual maturity dates of these obligations are as indicated below:

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amount due within one year	\$ 204,640	\$ 18,938	\$ 22,909
Amount due after one year, but within five years	<u>2,919,918</u>	<u>3,124,556</u>	<u>3,120,586</u>
	<u>3,124,558</u>	<u>3,143,494</u>	<u>3,143,495</u>
Accrued interest	<u>27,261</u>	<u>28,922</u>	<u>13,220</u>
Amortized cost	<u>\$ 3,151,819</u>	<u>\$ 3,172,417</u>	<u>\$ 3,156,715</u>
Fair value	<u>\$ 3,288,286</u>	<u>\$ 3,331,521</u>	<u>\$ 3,280,112</u>

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As principal and interest payments on the underlying mortgage assets are received, Central is required to reinvest those assets in on behalf of CHT and CMHC. These reinvestment assets, which are recognized in the interim consolidated statement of financial position at fair value, are as follows:

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Government & guarantees	\$ 1,977,487	\$ 1,266,791	\$ 1,402,888
Assets acquired under reverse repurchase agreements	73,579	165,141	162,256
Other	<u>17,991</u>	<u>56,899</u>	<u>78,842</u>
Fair value	<u>\$ 2,069,057</u>	<u>\$ 1,488,831</u>	<u>\$ 1,643,986</u>
Amortized cost	<u>\$ 2,047,823</u>	<u>\$ 1,473,622</u>	<u>\$ 1,634,868</u>

Central has entered into derivative contracts to modify its exposure to interest rate risk under the programs which are recognized as derivatives in the interim consolidated statement of financial position.

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Deferred tax assets:			
Financial instruments	\$ 3,618	\$ 1,926	\$ 1,324
Securitization transactions	1,546	1,448	1,488
Employee future benefits	2,533	2,088	2,371
Other	<u>1,133</u>	<u>425</u>	<u>538</u>
	<u>8,830</u>	<u>5,887</u>	<u>5,721</u>
Deferred tax liabilities:			
Financial instruments	574	30	29
Employee future benefits	157	238	152
Property, plant and equipment	1,840	1,734	1,820
Other	<u>1,158</u>	<u>129</u>	<u>137</u>
	<u>3,729</u>	<u>2,131</u>	<u>2,138</u>
	<u>\$ 5,101</u>	<u>\$ 3,756</u>	<u>\$ 3,583</u>

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Changes in deferred tax balances during the nine months period ended September 30, 2011 were as follows:

	<u>Balance as at</u> <u>January 1,</u> <u>2011</u>	<u>Recognized</u> <u>in Profit or</u> <u>Loss</u>	<u>Recognized in</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Balance as at</u> <u>September 30,</u> <u>2011</u>
Deferred tax assets:				
Financial instruments	\$ 1,324	\$ 2,841	\$ (547)	\$ 3,618
Securitization transactions	1,488	48	10	1,546
Employee future benefits	2,371	162	-	2,533
Other	<u>538</u>	<u>639</u>	<u>(44)</u>	<u>1,133</u>
	<u>5,721</u>	<u>3,690</u>	<u>(581)</u>	<u>8,830</u>
Deferred tax liabilities:				
Financial instruments	29	545	-	574
Employee future benefits	152	5	-	157
Property, plant and equipment	1,820	20	-	1,840
Other	<u>137</u>	<u>1,021</u>	<u>-</u>	<u>1,158</u>
	<u>2,138</u>	<u>1,591</u>	<u>-</u>	<u>3,729</u>
	<u>\$ 3,583</u>	<u>\$ 2,099</u>	<u>\$ (581)</u>	<u>\$ 5,101</u>

Changes in deferred tax balances during the nine months period ended September 30, 2010 were as follows:

	<u>Balance as at</u> <u>January 1,</u> <u>2010</u>	<u>Recognized</u> <u>in Profit or</u> <u>Loss</u>	<u>Recognized in</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Balance as at</u> <u>September 30,</u> <u>2010</u>
Deferred tax assets:				
Financial instruments	\$ 3,031	\$ (1,105)	\$ -	\$ 1,926
Securitization transactions	566	728	154	1,448
Employee future benefits	1,936	152	-	2,088
Other	<u>361</u>	<u>64</u>	<u>-</u>	<u>425</u>
	<u>5,894</u>	<u>(161)</u>	<u>154</u>	<u>5,887</u>
Deferred tax liabilities:				
Financial instruments	1,796	(1,766)	-	30
Securitization transactions	-	-	-	-
Employee future benefits	40	198	-	238
Property, plant and equipment	1,748	(14)	-	1,734
Other	<u>-</u>	<u>83</u>	<u>46</u>	<u>129</u>
	<u>3,584</u>	<u>(1,499)</u>	<u>46</u>	<u>2,131</u>
	<u>\$ 2,310</u>	<u>\$ 1,338</u>	<u>\$ 108</u>	<u>\$ 3,756</u>

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14. Other assets

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Settlements in-transit	\$ 121,165	\$ -	\$ -
Assets available for sale designated as trading	2,657	4,689	4,043
Assets available for sale at amortized cost	32,096	41,074	33,268
Investment property	6,473	6,867	6,766
Prepaid expenses	4,694	4,951	2,394
Pension asset	1,120	1,665	1,082
Accounts receivable and other	<u>10,935</u>	<u>10,423</u>	<u>12,163</u>
	<u>\$ 179,140</u>	<u>\$ 69,669</u>	<u>\$ 59,716</u>

At period-end, the amortized cost of the assets available for sale designated as trading was **\$2,630** thousand (September 30, 2010 - \$4,700 thousand; December 31, 2010 - \$3,978 thousand).

The fair value of Central's investment property has been arrived at on the basis of internal and external market information which reflects similar properties. The fair value of investment property as at the end of the period approximates its carrying value.

Rental income from investment property is recorded in other income in profit or loss.

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15. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amortized cost	<u>\$ 2,044,542</u>	<u>\$ 1,646,593</u>	<u>\$ 2,064,833</u>
Fair value	<u>\$ 2,068,996</u>	<u>\$ 1,658,255</u>	<u>\$ 2,072,592</u>

The contractual maturity dates of these liabilities are as follows:

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amount			
- due within three months	\$ 529,423	\$ 152,505	\$ 327,092
- due after three months, but within one year	306,535	619,189	886,945
- due after one year, but within five years	<u>1,186,014</u>	<u>858,682</u>	<u>836,130</u>
	<u>2,021,972</u>	1,630,376	2,050,167
Accrued interest	<u>22,570</u>	<u>16,217</u>	<u>14,666</u>
Amortized cost	<u>\$ 2,044,542</u>	<u>\$ 1,646,593</u>	<u>\$ 2,064,833</u>

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16. Derivative liabilities

The fair value of derivative liabilities is as follows:

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Interest rate swaps	\$ 231,258	\$ 167,598	\$ 78,893
Foreign exchange derivative contracts	<u>2,718</u>	<u>407</u>	<u>1,230</u>
	<u>\$ 233,975</u>	<u>\$ 168,005</u>	<u>\$ 80,123</u>

17. Debt securities issued

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Notes			
- due within three months	\$ 252,851	\$ 422,631	\$ 394,624
- due after one year and less than five years	<u>224,561</u>	<u>224,293</u>	<u>224,354</u>
	477,412	646,924	618,978
Accrued interest	<u>3,427</u>	<u>3,428</u>	<u>1,546</u>
	<u>\$ 480,839</u>	<u>\$ 650,352</u>	<u>\$ 620,524</u>

Central has established **\$45.8** million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits.

At September 30, 2011, \$nil amounts were drawn against these facilities. (September 30, 2010 - \$nil million; December 31, 2010 - \$nil million).

Central is authorized to issue up to \$1.5 billion in short-term commercial paper and up to \$1.5 billion in other borrowings which includes Central's medium-term note facility. At September 30, 2011, a par value of **\$253.2** million was borrowed under the short-term commercial paper facility (September 30, 2010 - \$423.0 million; December 31, 2010 - \$395.0 million) and a par value of **\$225.0** million was borrowed under the medium-term note facility (September 30, 2010 - \$225.0 million; December 31, 2010 - \$225.0 million).

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18. Deposits

Deposits classified as other liabilities are as follows:

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amount			
- Due on demand	\$ 1,095,995	\$ 878,818	\$ 946,830
- Due within three months	2,259,106	1,733,429	1,903,650
- Due after three months and within one year	1,910,999	1,723,979	1,783,578
- Due after one year and less than five years	1,988,376	1,918,245	1,862,171
- Due after five years and less than six years	<u>360</u>	<u>1,103</u>	<u>1,500</u>
	7,254,836	6,255,574	6,497,729
Accrued interest	<u>41,103</u>	<u>34,865</u>	<u>38,185</u>
	<u>\$ 7,295,939</u>	<u>\$ 6,290,439</u>	<u>\$ 6,535,914</u>

19. Subordinated liabilities

On December 21, 2006, Central issued a \$50 million note due December 21, 2016. The note bears interest at a fixed rate of 4.52% until December 21, 2011, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 1.00%. Central has issued a Notice of Redemption to redeem the note on December 21, 2011, as described in Note 33.

On October 9, 2009, Central issued \$150 million principal amount of 4.00% Series 2 Subordinated Notes due October 9, 2019. The notes bear interest at a fixed rate of 4.00% until, but excluding, October 9, 2014, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 2.40%. Central has the option to redeem the note on October 9, 2014, subject to regulatory approval.

On July 06, 2011, Central issued \$18 million principal amount of series 3 notes due July 06, 2021. The notes bear interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 06, 2016, and Central has the option to redeem the outstanding notes in whole or in part on July 06, 2016, subject to regulatory approval.

The notes are recognized in the interim consolidated statements of financial position at amortized cost.

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20. Securities under repurchase agreements

Securities under repurchase agreements are as follows:

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Amounts under the CMB and IMPP programs	\$ <u>76,802</u>	\$ <u>206,676</u>	\$ <u>162,358</u>

21. Other liabilities

(Thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Settlements in-transit	\$ 396,110	\$ 79,204	\$ 70,363
Post-employment benefits	18,032	14,610	16,879
Short-term employee benefits	1,059	3,925	5,114
Dividends payable	-	2,414	2,418
Trade amounts and other	18,274	19,289	17,963
Unearned insurance premiums	2,273	2,391	878
Finance leases	<u>1,178</u>	<u>1,296</u>	<u>1,238</u>
	<u>\$ 436,926</u>	<u>\$ 123,129</u>	<u>\$ 114,853</u>

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22. Share capital

Central may issue an unlimited number of class “A”, “B”, “C”, “D” and “E” shares and may, at its option and on the approval of the directors, redeem its shares. There are no restrictions on the number of shares that may be held by a member shareholder. The holders of each class of share are entitled to receive dividends as declared from time to time. The class “A”, “B”, “C” and “D” shares have a par value of \$1 per share, and the class “E” shares have a par value of \$0.01 per share and a redemption value of \$100.

In the event of liquidation, dissolution or winding-up, any surplus, profits or assets of Central shall be distributed proportionately among all shareholders.

The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of the B.C. credit union system and the assets of Central’s member credit unions in Ontario. This allocation is adjusted periodically to reflect changes in credit union assets. On matters concerning Central’s role as a trade association, Class A members are entitled to one vote for every 100 members of their members. Each Class B and C shareholder has one vote on certain issues.

The numbers of shares issued are as follows:

	(Thousands of shares)		
	<u>For the nine</u> <u>months ended</u> <u>September 30, 2011</u>	<u>For the nine</u> <u>months ended</u> <u>September 30, 2010</u>	<u>For the</u> <u>year ended</u> <u>December 31, 2010</u>
Class A – credit unions			
Balance at beginning of period	164,939	162,536	162,536
Issued for cash during the period	7,206	-	4,651
Redeemed during the period	<u>(127)</u>	<u>(5)</u>	<u>(2,248)</u>
Balance at end of period	<u><u>172,018</u></u>	<u><u>162,531</u></u>	<u><u>164,939</u></u>
Class B – co-operatives			
Balance at beginning and end of period	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>
Class C – other			
Balance at beginning and end of period	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>7</u></u>
Class E – credit unions			
Balance at beginning of year	3,163	3,163	3,163
Redeemed during the period	<u>(4)</u>	-	-
Balance at end of period	<u><u>3,159</u></u>	<u><u>3,163</u></u>	<u><u>3,163</u></u>

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The amounts outstanding are as follows:

	(Thousands of dollars)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Outstanding \$1 par value shares			
Class A – credit unions	\$ 172,018	\$ 162,531	\$ 164,939
Class B – cooperatives	5	5	5
Class C – other	7	7	7
Outstanding \$.01 par value shares			
Class E – credit unions	<u>32</u>	<u>32</u>	<u>32</u>
	<u>\$ 172,062</u>	<u>\$ 162,575</u>	<u>\$ 164,983</u>

The dividend amounts are as follows:

	(Thousands of dollars)	
	<u>For the nine</u> <u>months ended</u> <u>September 30,</u> <u>2011</u>	<u>For the nine</u> <u>months ended</u> <u>September 30,</u> <u>2010</u>
Dividend payable, balance at beginning of period	\$ 2,418	\$ 18,669
Declared during the period	4,795	7,173
Paid during the period	<u>\$ (7,213)</u>	<u>\$ (23,428)</u>
Dividend payable, balance at end of period	<u>\$ -</u>	<u>\$ 2,414</u>

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23. Gain on disposal of financial instruments

The components of gain on disposal of financial instruments are as follows:

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
Net gain on disposal of trading assets	\$ 38,961	\$ 9,980	\$ 58,413	\$ 15,620
Net gain on disposal of investment securities	10,493	7,526	18,038	18,165
Net gain (loss) on disposal of derivatives	(14,149)	16	(15,464)	(3,953)
Net loss on deposits	<u>(4,999)</u>	<u>-</u>	<u>(6,080)</u>	<u>-</u>
	<u>\$ 30,306</u>	<u>\$ 17,522</u>	<u>\$ 54,907</u>	<u>\$ 29,832</u>

24. Change in fair value of financial instruments

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
Trading Assets	\$ 130,907	\$ 72,629	\$ 161,442	\$ 139,317
Activities under the CMB and IMPP programs				
Reinvestment assets	10,007	873	12,115	4,566
Derivative assets and liabilities	15,069	12,791	11,290	26,185
Secured loans to members	(5,408)	(8,847)	(11,360)	(25,701)
Obligations to CHT and CMHC	(21,093)	(20,604)	(13,070)	(32,718)
Derivative assets and liabilities	(190,595)	(75,770)	(224,837)	(142,852)
Trading deposits	<u>(12,319)</u>	<u>2,128</u>	<u>(16,695)</u>	<u>6,895</u>
	<u>\$ (73,432)</u>	<u>\$ (16,800)</u>	<u>\$ (81,115)</u>	<u>\$ (24,308)</u>

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25. Other income

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	<u>September 30,</u> <u>2011</u>	September 30, <u>2010</u>	<u>September 30,</u> <u>2011</u>	September 30, <u>2010</u>
Membership dues	\$ 1,821	\$ 1,723	\$ 5,586	\$ 5,287
Provincial advertising assessment	736	229	1,376	921
Equity interest in affiliates	686	881	1,108	2,926
Insurance premiums and assessments	2,549	2,662	7,680	7,984
Technology and payment services				
- Processing	11,425	9,442	31,242	28,019
- Direct banking	4,681	4,944	14,058	13,201
- Other technology services	108	548	320	1,703
Wholesale financial services				
- Treasury services	1,152	734	2,524	1,883
- Funding and commercial	1,037	963	3,170	2,749
- Employee benefits & retirement services	253	225	744	672
- Registered plans	642	485	1,763	1,650
Trade and other services				
- Operations manual	372	345	1,107	1,037
- Property rents	233	206	703	552
- Risk management	778	555	2,261	1,610
- Other	<u>1,081</u>	<u>246</u>	<u>3,061</u>	<u>2,574</u>
	<u>\$ 27,554</u>	<u>\$ 24,188</u>	<u>\$ 76,703</u>	<u>\$ 72,768</u>

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26. Provision for income taxes

Income taxes reported in the interim consolidated financial statements are as follows:

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
Provision for income taxes in Statements of Profit or Loss	\$ (4,359)	\$ 638	\$ 31	\$ 1,499
Income tax benefit related to dividends accrued and share redemptions	<u>-</u>	<u>(345)</u>	<u>(727)</u>	<u>(1,024)</u>
Total	<u>\$ (4,359)</u>	<u>\$ 293</u>	<u>\$ (696)</u>	<u>\$ 475</u>

Components of income taxes recognized in the interim consolidated statements of profit or loss are as follows:

Current income taxes	\$ (1,744)	\$ 2,174	\$ 2,130	\$ 2,837
Deferred income taxes	<u>(2,615)</u>	<u>(1,536)</u>	<u>(2,099)</u>	<u>(1,338)</u>
Total	<u>\$ (4,359)</u>	<u>\$ 638</u>	<u>\$ 31</u>	<u>\$ 1,499</u>

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Central's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of **30.5%** (2010 – 30.5%) to income before taxes. The reasons for this are as follows:

	For the three months ended		For the nine months ended	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Combined federal and provincial statutory income tax rates	30.5	30.5	30.5	30.5
Reduction available to credit unions	(17.0)	(17.0)	(17.0)	(17.0)
Impact of completion of tax election as described below	-	-	-	(6.5)
Impact of non-taxable items	-	(5.7)	(2.6)	(1.6)
Tax exempt deposit insurance activities	-	(1.0)	(3.7)	(0.4)
Impact of equity interest in affiliates	0.2	(1.2)	(5.8)	(1.1)
Other	<u>0.4</u>	<u>2.6</u>	<u>0.8</u>	<u>1.8</u>
Total	<u><u>14.1</u></u>	<u><u>8.2</u></u>	<u><u>2.2</u></u>	<u><u>5.7</u></u>

On July 1, 2008 Central acquired substantially all of the assets of Credit Union Central of Ontario Limited (CUCO). The terms of the Combination Agreement (the Agreement) between Central and CUCO provided for the transfer of certain of these assets to Central in 2009 and the Agreement further required the parties to elect to transfer those assets at their adjusted cost base pursuant to subsection 85(1) of the Income Tax Act (ITA).

As such, Central acquired these assets on a tax-deferred basis during its 2009 fiscal year and recognized a future tax liability of approximately \$1.7 million. During the three months ended June 30, 2010, Central and CUCO determined that the election should more appropriately have reflected the fair value of the transferred assets. Accordingly, the parties agreed to amend the Agreement and the related tax election. Central and CUCO have jointly filed a revised election under subsection 85(1) of the ITA to reflect the transfer of these assets at their agreed value with the result that Central reverse the related future tax liability and record a credit to income tax expense of \$1.7 million during the second quarter of its 2010 fiscal year.

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27. Guarantees, Commitments and Contingencies

Effective July 6, 2011 Central and the credit union centrals of Alberta, Manitoba and Saskatchewan (the Prairie Centrals) completed the transition of Group Clearing for credit unions across the country from Credit Union Central of Canada (CUCC) to a joint venture.

Central is a Group Clearer under the rules of the Canadian Payment Association (the CPA). In addition to Central, the other members of the group are the Prairie Centrals. Under the rules of the CPA, Central guarantees payment of payment items drawn on or payable by the Prairie Centrals and their member credit unions.

Central is exposed to risk as a party to off-balance sheet financial instruments that, in the normal course of business, are used to meet its own and its credit union members' financial needs. These instruments include guarantees such as standby letters of credit as well as commitments to extend credits at agreed rates and terms.

(Contractual amounts in thousands of dollars)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Standby letters of credit	\$ 130,032	\$ 99,740	\$ 124,747
Commitments to extend credit	\$ 3,618,211	\$ 3,322,045	\$ 3,304,025

Central is involved in legal actions in the ordinary course of business, in which the likelihood of a loss and amount of loss, if any, is not readily determinable.

28. Financial instruments - Interest rate risk

The following table summarizes carrying amounts by the earlier of the contractual repricing or maturity dates for the following financial instruments.

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(Millions of dollars)	<u>Floating</u> ⁽¹⁾	<u>Within 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>Over 5 Years</u>	<u>Not Rate Sensitive</u>	<u>Total</u>
Assets							
Cash and cash equivalents	\$ 83.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83.9
Deposits with regulated financial institutions	-	105.7	-	3.7	-	0.2	109.6
Derivative assets	-	-	-	-	-	60.9	60.9
Investment securities	-	1,955.3	199.2	4,771.9	1,806.1	444.7	9,177.1
Reinvestment assets under the CMB and IMPP programs	-	205.7	622.1	1,203.4	-	37.9	2,069.1
Loans	273.7	656.1	267.0	319.9	17.9	(5.7)	1,528.9
Secured loans to members	-	124.5	418.9	800.9	-	22.3	1,366.6
Other assets	-	15.2	7.4	12.0	-	305.0	339.6
Total	357.6	3,062.5	1,514.6	7,111.7	1,824.0	865.2	14,735.7
Liabilities							
Deposits	1,096.0	2,788.5	2,217.5	3,174.4	0.4	88.1	9,364.9
Derivative liabilities	-	-	-	-	-	234.0	234.0
Debt securities issued	-	253.2	-	225.0	-	2.7	480.9
Obligations under the CMB and IMPP programs	-	4.0	200.7	2,919.9	-	163.7	3,288.3
Subordinated liabilities	-	68.0	-	150.0	-	2.7	220.7
Securities under repurchase agreements	-	76.8	-	-	-	-	76.8
Other liabilities	-	-	-	-	-	448.4	448.4
Equity	-	-	-	-	-	621.7	621.7
Total	1,096.0	3,190.4	2,418.2	6,469.3	0.4	1,561.4	14,735.7
On Balance Sheet Gap	(738.4)	(127.9)	(903.6)	642.4	1,823.6	(696.1)	-
Off Balance Sheet Gap	-	537.2	1,187.6	20.6	(1,745.4)	-	-
Total Gap – September 30, 2011	(738.4)	409.3	284.1	663.0	78.2	(696.1)	-
Total Gap – December 31, 2010	(703.7)	371.4	48.4	530.7	144.7	(391.5)	-

(1) Represents those instruments whose interest rates change immediately with a change in an underlying interest rate basis. An example would be prime rate loans.

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29. Financial instruments - Fair value

The following table sets out the fair values of on-balance sheet and derivative instruments of Central using the valuation methods and assumptions described in note 6. Fair values have not been attributed to assets and liabilities that are not considered financial instruments, such as capital assets.

(Millions of dollars)	Fair Value		Carrying Value		Unrealized Gain (Loss)	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30</u>	<u>September 30</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Cash and cash equivalents	\$ 83.88	\$ 85.65	\$ 83.88	\$ 85.65	\$ -	\$ -
Deposits with regulated financial institutions	109.58	139.13	109.56	138.80	0.02	0.33
Investment securities	9,177.10	7,855.80	9,177.19	7,855.89	(0.09)	(0.09)
Reinvestment assets under the CMB and IMPP programs	2,069.06	1,488.83	2,069.06	1,488.83	-	-
Derivative assets	60.87	151.63	60.87	151.63	-	-
Loans	1,527.78	1,210.84	1,530.06	1,209.90	(2.28)	0.94
Secured loans to members	1,366.59	2,143.94	1,366.59	2,143.94	-	-
Other assets	34.93	46.42	34.75	45.77	0.18	0.65
Liabilities						
Deposits designated as trading	2,069.00	1,658.25	2,069.00	1,658.25	-	-
Derivative liabilities	223.98	168.01	223.98	168.01	-	-
Debt securities issued	480.84	650.35	480.84	650.35	-	-
Deposits	7,355.05	6,335.31	7,295.94	6,290.44	(59.11)	(44.87)
Obligations under the CMB and the IMPP programs	3,288.29	3,331.52	3,288.29	3,331.52	-	-
Subordinated liabilities	227.11	203.54	220.67	202.61	(6.44)	(0.93)
Securities under repurchase agreements	76.80	206.68	76.80	206.68	-	-
Other liabilities	396.11	79.20	396.11	79.20	-	-
Total					<u>\$ (67.72)</u>	<u>\$ (43.97)</u>

Central's net unrealized loss on its financial instruments at December 31, 2010 was \$22.34 million.

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30. Capital management

Central's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions and provincial regulations administered by the Financial Institutions Commission of British Columbia. Pursuant to federal regulations, Central is required to maintain a borrowing multiple, the ratio of debt to regulatory capital, of 20.0:1 or less. Central targets an operating borrowing multiple of 16.0:1 to 18.0:1 to ensure that it has capacity to absorb sudden increases in system deposits or to increase external borrowings to meet member demand for funds.

Provincial regulations, which apply to Central, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings, which generally parallel the methodology used by OSFI to regulate Canadian chartered banks, require Central's risk-weighted capital, calculated by dividing capital by risk-weighted assets, to be no less than 8 percent. Furthermore, Central must maintain a risk-weighted capital ratio of at least 10 percent to enable member credit unions in British Columbia to risk-weight their deposits with Central at zero percent.

Central's capital base includes Tier 1 capital in the form of share capital, contributed surplus and retained earnings. Subject to certain conditions, Central may include its subordinated debt in Tier 2B capital. In calculating Central's capital base for both federal and provincial purposes, certain deductions are required for certain asset classes and investments.

At period end, Central was in compliance with these regulatory requirements.

31. Related parties

Transactions with key management personnel

Key management personnel include Central's Executive management and Vice-Presidents. Key management personnel and their immediate relatives have transacted with Central during the period as follows:

(Thousands of dollars)

	<u>September 30, 2011</u>		<u>September 30, 2010</u>
Mortgage loans outstanding at end of period	\$ 1,253	\$	1,318
Maximum mortgage loans outstanding during the period	\$ 1,267	\$	1,329

Mortgage loans to key management personnel bear interest at rates ranging from 2.58% to 4.80% and are secured over property of the respective borrowers. No impairment losses have been recorded against balances during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at period end.

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Key management personnel compensation for the period comprised:

	(Thousands of dollars)	
	<u>For nine</u> <u>months ended</u> <u>September 30,</u> <u>2011</u>	<u>For nine</u> <u>months ended</u> <u>September 30,</u> <u>2010</u>
Salaries and short-term employee benefits	\$ 3,248	\$ 3,182
Post-employment benefits	<u>190</u>	<u>255</u>
	<u>\$ 3,438</u>	<u>\$ 3,437</u>

In addition to their salaries, Central also provides non-cash benefits to key management personnel and contributes to post-employment defined plans on their behalf.

Board of directors

During the three month period, the members of Central's Board of directors received aggregate remuneration of **\$126 thousand** (period ended September 30, 2010 - \$124 thousand).

Significant Subsidiaries

	(% ownership of common shares outstanding)		
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Central 1 Trust Company	100%	-	-
Central Risk and Insurance Management Services Inc.	100%	100%	100%
CUPP Services Ltd.	100%	100%	100%
Stabilization Fund Corporation	100%	100%	100%

CUPP, subject to the approval of its Board of Directors, may declare patronage dividends to distribute some, or all, of its excess or revenue over expenditures during the period. Central participates in this patronage dividend in proportion to its use of services provided by CUPP, with the remainder issued to holders of the Non-Controlling Interest of CUPP.

The net assets of Stabilization Fund Corporation are retained for use by Central's member credit unions in Ontario, and as such, Stabilization Fund Corporation does not declare or pay dividends. Stabilization Fund Corporation is classified as a deposit insurance corporation for taxation purposes.

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Central's other subsidiaries represent less than 1% of Central's consolidated assets, revenue and profit or loss before tax.

Investments in affiliates

Central accounts for its interests in the following entities using the equity method of accounting:

(% ownership of common shares outstanding)

	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2010</u>
Credential Financial Inc.	40%	40%	40%
Credit Union Central of Canada (CUCC)	51%	50%	50%
CUMIS Group Limited	27%	27%	27%

32. Proposed merger with Credit Union Central Alberta

On October 17, 2011, Central and Credit Union Central Alberta Ltd. (Alberta Central) announced the initiation of merger discussions with the objective of enhancing core services to more than 190 credit unions in B.C., Alberta and Ontario. During this process, the centrals will evaluate whether an opportunity exists through consolidation, to achieve efficiencies, offer a stronger liquidity structure, greater diversification of funding sources and better capacity in the areas of finance, payments and trade services. Any proposal to merge would be subject to the approval of regulatory authorities, the boards of directors and shareholders.

33. Subsequent events

On October 31, 2011, Central's member credit unions in British Columbia and Ontario subscribed to Class "A" Shares with total par value of \$100 million.

On November 16, 2011, Central issued a Notice of Redemption to note holders to redeem the entire outstanding principal amount of its Series 1 Subordinated Notes due 2016, on December 21, 2011. The notes have a total par value of \$ 50 million.