First Quarter Report 2016
Report to Members

Central 1

Central 1 Reports Results for the First Quarter of 2016

First quarter highlights compared to the same period last year:

- Central 1's profit for the period is $8.5 million, compared to $11.4 million a year earlier.
- Central 1's return on average equity is 3.5 per cent, compared to 4.9 per cent a year earlier.
- Central 1's assets are $14.6 billion, compared to $13.6 billion a year earlier.
- Central 1's Tier 1 capital ratio is 33.3 per cent, compared to 38.0 per cent a year earlier.
- B.C. system's net operating income is $71.7 million, compared to $78.5 million a year earlier.
- B.C. system's assets are $67.1 billion, compared to $62.0 billion a year earlier.
- Ontario system's net operating income is $38.2 million, compared to $35.3 million a year earlier.
- Ontario system's assets are $40.8 billion, compared to $37.1 billion a year earlier.

Central 1 recorded a profit of $8.5 million for the quarter ended March 31, 2016, compared to $11.4 million for the same period in 2015. Net financial income decreased $4.3 million compared with the same period last year driven by lower gains on financial instruments, partially offset by an increase in other income of $3.7 million. Operating expenses increased by $3.6 million to $34.3 million. Assets increased $1.0 billion compared to the same period in the prior year driven by deposit growth in the B.C. and Ontario credit union systems. Central 1 was in compliance with all regulatory capital requirements throughout the first quarter of 2016.

The B.C. system earned $71.7 million before taxes, dividends, patronage refunds and extraordinary items in the first quarter of 2016, a decrease of $6.7 million or 8.6 per cent from the same period in 2015. Net interest income in the quarter increased $10.9 million over the previous year driven by loan growth. Non-interest expense increased $10.4 million over the same period last year, while non-interest income decreased $7.2 million over the same period last year. Combined assets of the B.C. system rose 8.2 per cent year-over-year to reach $67.1 billion.

The Ontario system earned $38.2 million before taxes, dividends, patronage refunds and extraordinary items in the first quarter of 2016, an increase of $2.9 million or 8.3 per cent from the same period in 2015. Net interest income in the quarter increased $10.7 million over the previous year driven by balance sheet growth. Non-interest income increased $6.9 million over the same period last year, while non-interest expense increased $14.7 million. Combined assets of the Ontario system rose 10.1 per cent year-over-year to reach $40.8 billion at the end of the quarter.

Management's Discussion & Analysis

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Management's Discussion and Analysis for the period ended March 31, 2016

This portion of the report updates Central 1 Credit Union's (Central 1) Management's Discussion and Analysis (MD&A) for the year ended December 31, 2015, and reviews and analyzes the financial condition and results of operations of Central 1 for the three-month period ended March 31, 2016, compared to the corresponding period in the prior fiscal year. The financial information included in this MD&A should be read in conjunction with Central 1's unaudited Interim Consolidated Financial Statements for the three-month period ended March 31, 2016 as well as Central 1's 2015 Annual Report for the year ended December 31, 2015. This MD&A is as at May 27, 2016.

The results presented in this MD&A and in the Interim Consolidated Financial Statements that follow are reported in Canadian dollars. Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 of the Interim Consolidated Financial Statements. Additional information on Central 1 may be found on SEDAR's website at www.sedar.com.

This MD&A also includes financial information about the credit union systems in British Columbia and Ontario. The British Columbia credit union system is made up of all credit unions in British Columbia while the Ontario credit union system is made up of only those credit unions that have contracted to become members of Central 1. In the discussions presented in this report, the two provincial systems are individually referred to as the "British Columbia (B.C.) credit union system" or "B.C. system" and the "Ontario credit union system" or "Ontario system". Where the term "system" appears without regional designation, it refers to Central 1's total membership, encompassing credit unions in both provinces.

Financial information for the B.C. system has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial credit union regulator. Financial information for the Ontario system has been provided by the Deposit Insurance Corporation of Ontario (DICO). The differing provincial regulatory guidelines reduce the comparability of the information between the two provincial systems. Central 1 has no means of verifying the accuracy of information provided by credit unions to FICOM or DICO or the subsequent compilation of that information by FICOM or DICO. This information is provided purely to assist the reader with understanding Central 1's results and should be read in the proper context.

Financial information provided by B.C. credit unions to FICOM and by Ontario credit unions to DICO has been prepared using reporting templates developed by FICOM and DICO, respectively. The format and accounting principles used to complete these templates are not fully consistent with IFRS. The net operating income of the B.C. and Ontario credit union systems reported herein is not equivalent to income from continuing operations as would be reported under IFRS.

During the first quarter, the B.C. Ministry of Finance released a summary of its initial public consultation on a review of the *B.C. Financial Institutions Act* and *Credit Union Incorporation Acts*. This review may impact the regulatory and statutory requirements of Central 1 and all B.C. credit unions. Also in the first quarter, the Ontario Ministry of Finance announced its planned changes with respect to the scheduled five-year review of the *Credit Unions and Caisses Populaires Act, 1994*. Changes to this Act may impact Ontario credit union system.

Central 1, in conjunction with the provincial centrals in Alberta, Saskatchewan and Manitoba and Credit Union Central of Canada (CUCC), has submitted a proposal to the Credit Union Prudential Supervisors Association to restructure the Group Clearer function performed by Central 1. This may result in changes to the way that credit unions perform payments and clearing functions in the future.

In January 2016, CUCC continued its transition to become the national trade association for credit unions. CUCC has been restructured and its trade association assets and liabilities have been transferred to the Canadian Credit Union Association (CCUA). CUCC's remaining assets and liabilities are now held by 189286 Canada Inc. Central 1 does not have significant influence over CCUA and has discontinued its use of the equity method accounting for its former interest in the trade association functions of CUCC.

Cautionary Note Regarding Forward-Looking Statements

From time to time, Central 1 makes written forward-looking statements, including in this MD&A, in other filings with Canadian regulators, and in other communications. In addition, representatives of Central 1 may make forward-looking statements orally to analysts, investors, the media and others. All such statements may be considered to be forward-looking statements under applicable Canadian securities legislation.

Within this document, forward-looking statements include, but are not limited to statements relating to Central 1's financial performance objectives, vision and strategic goals, the economic, market and regulatory review and outlook for the Canadian economy and the provincial economies in which Central 1's member credit unions operate. The forward-looking information provided herein is presented for the purpose of assisting readers in understanding Central 1's financial position and results of operations as at and for the periods ended on the dates presented. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "estimate", "plan", "will", "may", "should", "could", or "would" and similar expressions.

Forward-looking statements, by their nature, require Central 1 to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct and that financial objectives, vision and strategic goals will not be achieved. Central 1 cautions readers to not place undue reliance on these statements as a number of risk factors could cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors – many of which are beyond Central 1's control and the effects of which can be difficult to predict – include business and operations, compliance, credit and counterparty, insurance, liquidity, market, and operational risks.

Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact Central 1's results. Central 1 does not undertake to update forward-looking statements except as required by law.

Additional information about these and other factors can be found in the Overview and Risk Discussion sections of Central 1's 2015 Annual Report.

Economic Developments and Outlook

The following summaries of the economic environment, the state of financial markets and performance by both provincial systems in the first quarter of 2016 offer a context for interpreting Central 1's quarterly results and an insight into its future performance.

The Economic Environment

The global economy remained in slow growth mode in the first quarter, determined for the most part by the big economies of the United States, the Eurozone and China. In the United States, real GDP growth in the first quarter is estimated at 0.5 per cent annualized, down from 1.4 per cent in the previous quarter and 2.4 per cent last year. Personal consumption and government spending expanded while inventories, exports and private sector investment spending contracted. GDP growth is forecast to accelerate to an average 2.7 per cent annualized over the rest of this year.

In the Eurozone, real GDP growth in the first quarter is estimated at 1.3 per cent annualized. Consumption, investment and government spending increased while net exports declined. GDP growth is forecast to accelerate to between 1.3 per cent and 1.5 per cent annualized over the remainder of this year. In China, real GDP in the first quarter is estimated to have expanded by 5.1 per cent annualized with broad-based growth throughout the economy. GDP growth is forecast to accelerate and average 6.4 per cent in 2016.

In Canada, real GDP growth is forecast at 0.9 per cent annualized in the first quarter, up from 0.5 per cent in the previous quarter and 1.2 per cent last year. The economy continued to grow with the exception of fixed investment which contracted due to low energy and base metal prices. GDP growth is forecast to stall in the second quarter on reduced oil production caused by the wildfires in Alberta. GDP growth is forecasted at 1.7 per cent annualized in the second half of 2016. The 10-year Government of Canada bond yield fell to 1.2 per cent from 1.5 per cent in the previous quarter and is forecast to average 1.3 per cent this year. Domestic interest rates remained ultra-low while the U.S. Dollar to Canadian Dollar exchange rate reached a 12.5-year high of $1.46 in early February and has since steadily declined to $1.30 in May. The outlook for the exchange rate and the price of oil are modestly positive over the rest of this year.

Financial Markets

The quarter began with growing worries of a debt bubble in China, weaker U.S. economic data and the impact of sharply lower commodity prices on resource exporters. These factors contributed to the five year U.S. Treasury yields falling 65 basis points (bps) over the first half of the quarter and the S&P 500 index to decline over 10 per cent. There was a significant turnaround over the latter part of the quarter as the Federal Reserve and European Central Bank surprised markets with significantly more dovish statements than were expected.

The Bank of Canada (the Bank) was largely expected to cut rates at its January meeting, but held off despite West Texas Intermediate oil prices touching US$26.50 per barrel. The Bank pointed to the expected uplift in growth due to the planned fiscal stimulus from the Federal Government. Additional considerations that may have influenced the Bank include a lower Canadian dollar which touched levels not seen since the early 2000's. In the months that followed the Bank's decision to hold its key rate constant, Canadian economic data has trended stronger, along with commodities and general risk sentiment through the end of the first quarter. Canadian economic data has weakened since the end of the quarter with the market consensus forecasting a more mixed second quarter.

Credit markets put in a strong performance in March, rallying sharply from the market's risk aversion in February. Spreads narrowed across sectors including corporate, provincial and Canada Mortgage Bonds (CMB). The three-month Canadian Dollar Offered Rate has widened nearly 25 bps since the third quarter of 2015, despite no move from the Bank. Increased funding and capital costs are thought to be the prime cause of this widening.

System Performance

British Columbia

Net operating income for the first quarter was $71.7 million, compared to $78.5 million in the first quarter of 2015. Net interest income increased $10.9 million over the same period last year driven by loan growth. Non-interest expenses increased $10.4 million year-over-year. Salary and employee benefit expense increased $7.5 million from the same period last year while other expenses increased $3.6 million. Non-interest income decreased $7.2 million, led by lower income from trading financial instruments.

Total assets increased 8.2 per cent year-over-year to reach $67.1 billion at the end of the first quarter. Asset growth was led by personal mortgages which increased 5.2 per cent. Other increases included deposits at Central 1 and commercial mortgages, which increased 19.4 per cent and 6.5 per cent, respectively. Liability growth was led by non-registered demand deposits which increased 11.2 per cent, while borrowings against securitized mortgages increased 77.8 per cent and non-registered term deposits were up 4.1 per cent.

The system's rate of loan delinquencies over 90 days was 0.30 per cent of total loans at the end of March, down three bps year-over-year. Provision for credit losses as a percentage of loans was 0.30 per cent, down three bps. The system's loan loss expense ratio was 0.06 per cent annualized in the first quarter, down from 0.08 per cent in the first quarter last year.

The B.C. system's regulatory capital as a percentage of risk-weighted assets was 14.8 per cent at the end of March, a slight decrease from 15.0 per cent a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 14.2 per cent of deposit and debt liabilities, up from 12.9 per cent a year ago.

Ontario

Net operating income for the first quarter was $38.2 million, compared to $35.2 million in the first quarter of 2015. Net interest income increased $10.7 million over the same period last year driven by loan growth. Non-interest income increased $6.9 million, led by loan fees. Non-interest expenses increased $14.7 million year-over-year, driven by salary and employee benefit expense and, to a lesser extent, occupancy costs.

Total assets increased 10.1 per cent year-over-year to reach $40.8 billion at the end of the first quarter. Asset growth was led by residential mortgages and commercial mortgages and loans, which increased 11 per cent and 10.4 per cent, respectively. Liability growth was led by non-registered demand deposits, up 18.4 per cent, and borrowings, mostly against securitized mortgages, up 21.6 per cent.

The system's rate of loan delinquencies over 90 days was 0.52 per cent of total loans at the end of March, up five bps year-over-year. Provision for credit losses as a percentage of loans was 0.29 per cent, down four bps. The system's loan loss expense ratio was 0.06 per cent annualized in the first quarter, down from 0.08 per cent in the first quarter last year.

The Ontario system's regulatory capital as a percentage of risk-weighted assets was 13.6 per cent at the end of March, up from 12.8 per cent a year ago (Class 2 credit unions only). Aggregate liquidity of Ontario/Central 1 credit unions, including that held by Central 1, was 11.5 per cent of deposit and debt liabilities, up slightly from 11.3 per cent a year ago.

Overall Performance

The following table summarizes Central 1's Financial Overview as at March 31, 2016 with comparative.

Figure 1 – Financial Overview

	For the three months ended					
		Mar 31 2016		Mar 31 2015		Change
Earnings *(Millions of dollars)*						
Net financial income	$	11.4	$	15.7	$	(4.3)
Net financial and other income	$	43.6	$	44.3	$	(0.7)
Profit for the period	$	8.5	$	11.4	$	(2.9)
Earnings per Share *(cents)*						
Basic		2.3		3.4		(1.1)
Diluted		2.3		3.4		(1.1)
Return on						
Average assets		0.2%		0.3%		(0.1%)
Average equity		3.5%		4.9%		(1.5%)
Statement of Financial Position Data *(Millions of dollars)*						
Total assets	$	14,611.6	$	13,576.2	$	1,035.4
Average assets	$	14,730.8	$	13,456.4	$	1,274.4
Long-term financial liabilities	$	5,794.5	$	5,289.7	$	504.8
Weighted average shares outstanding	$	371.0	$	333.1	$	37.9
Regulatory Capital Ratios						
Tier 1 capital ratio		33.3%		38.0%		(4.7%)
Provincial capital ratio		42.7%		49.6%		(6.9%)
Borrowing multiple (times)		13.0		13.0		-
Share Information						
Outstanding $1 par value shares *(Thousands of dollars)*						
Class A - credit unions	$	370,952	$	332,962	$	37,990
Class B - cooperatives	$	5	$	5	$	-
Class C - other	$	7	$	7	$	-
Outstanding $0.01 par value shares with redemption value of $100 *(Thousands of dollars)*						
Class E - credit unions	$	32	$	32	$	-
Dividends per share *(cents)*						
Class A		0.62		2.43		(1.81)
Class B & C		0.25		0.27		(0.02)
Class E		-		-		-
Productivity Ratio %		78.5%		69.3%		9.2%
Productivity Ratio % - Non-Financial		106.1%		107.4%		(1.3%)

Statement of Financial Position

Cash and Liquid Assets

The following table summarizes Central 1's Cash and Liquid Assets for the Mandatory Liquidity Pool (MLP) and Wholesale Financial Services (WFS) as at March 31, 2016 with comparatives.

Figure 2 – Cash and Liquid Assets

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Liquid Assets	Mar 31 2016 Unencumbered Liquid Assets
Cash	$ 57.1	$ -	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities	6,451.0	2,294.1	81.1	2,375.2	1,234.2	1,141.0
Corporate and financial institutions AA or greater	776.8	2,148.8	187.6	2,336.3	194.1	2,142.3
U.S. dollar denominated corporate and financial institution securities AA or greater	98.4	283.5	-	283.5	-	283.5
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	198.9	-	198.9	-	198.9
Other assets	-	547.6	-	547.6	65.5	482.1
Total	$ 7,383.3	$ 5,472.9	$ 268.7	$ 5,741.6	$ 1,493.8	$ 4,247.8

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Liquid Assets	Mar 31 2015 Unencumbered Liquid Assets
Cash	$ -	$ 139.4	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities*	5,797.0	2,323.5	304.8	2,628.3	1,023.7	1,604.6
Corporate and financial institutions AA or greater	700.9	1,717.3	41.3	1,758.6	39.3	1,719.3
U.S. dollar denominated corporate and financial institution securities AA or greater	400.5	260.3	-	260.3	-	260.3
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	231.1	-	231.1	-	231.1
Other assets	-	393.4	-	393.4	-	393.4
Total	$ 6,898.4	$ 5,065.0	$ 346.1	$ 5,271.7	$ 1,063.0	$ 4,208.7

* This quarter previously excluded reinvestment assets in WFS

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Liquid Assets	Dec 31 2015 Unencumbered Liquid Assets
Cash	$ 283.7	$ -	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities	6,135.6	2,270.8	55.9	2,326.7	1,279.2	1,047.5
Corporate and financial institutions AA or greater	708.8	2,088.6	100.8	2,189.4	107.3	2,082.1
U.S. dollar denominated corporate and financial institution securities AA or greater	268.6	389.6	-	389.6	-	389.6
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	207.9	-	207.9	-	207.9
Other assets	-	541.0	-	541.0	-	541.0
Total	$ 7,396.7	$ 5,497.9	$ 156.7	$ 5,654.6	$ 1,386.5	$ 4,268.1

Cash and liquid assets increased $0.4 billion and $0.6 billion year-over-year in MLP and WFS, respectively, funded by higher deposits and obligations under the Canada Mortgage Bond Program, partially offset by lower debt securities outstanding. Cash and liquid assets in MLP and WFS represent 50.5 per cent and 37.5 per cent, respectively, of Central 1's total assets, both largely unchanged from the prior year.

Loans

The following table summarizes Central 1's Loans as at March 31, 2016 with comparatives.

Figure 3 – Loans

(Millions of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Loans to credit unions	**$ 447.8**	$ 334.2	$ 784.1
Syndicated commercial loans	**551.1**	216.7	518.7
Non syndicated commercial loans	**21.5**	32.5	16.0
Other loans	**9.6**	11.5	9.4
Residential mortgages	**128.2**	10.9	98.0
	710.4	271.6	642.1
Securities acquired under reverse repurchase agreements	**64.1**	279.4	48.9
	$ 1,222.3	$ 885.2	$ 1,475.1

* Total loan balances are before the allowance for credit losses and exclude accrued interest and premium.

Total loans increased $337.1 million compared to a year ago, driven by higher syndicated commercial loans, credit union loans, and residential mortgages. Syndicated commercial loans increased $334.4 million largely due to a large commercial lending transaction in the fourth quarter of 2015. Commercial loans represented 46.9 per cent of Central 1's total loan portfolio at year end, up 18.7 per cent from a year ago. Securities acquired under reverse repurchase agreements, generally used to support Central 1's credit union members' participation in the CMB Program, decreased $215.3 million.

Borrowings

The following table summarizes Central 1's Borrowings as at March 31, 2016 with comparatives.

Figure 4 – Borrowings

(Millions of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Deposits and trading liabilities by type			
Mandatory deposits	**$ 6,902.4**	$ 6,469.9	$ 6,904.2
Non-mandatory deposits	**2,766.3**	1,840.4	3,244.8
Deposits from member credit unions	**9,668.7**	8,310.3	10,149.0
Deposits from non-credit unions	**720.1**	786.6	601.7
	10,388.8	9,096.9	10,750.7
Accrued interest	**46.0**	46.1	46.1
	10,434.8	9,143.0	10,796.8
Debt securities issued at amortized cost			
Commercial paper issued	**550.7**	700.0	476.0
Medium-term notes issued	**600.0**	900.0	600.0
	1,150.7	1,600.0	1,076.0
Accrued interest and discount	**(0.3)**	(0.1)	(0.7)
	1,150.4	1,599.9	1,075.3
Obligations under the CMB Program	**1,062.7**	793.8	988.9
Accrued interest	**4.2**	5.7	0.7
	1,066.9	799.5	989.6
Securities under repurchase agreements	**159.6**	122.4	221.1
Accrued interest	**0.1**	0.1	0.1
	159.7	122.5	221.2
	$ 12,811.8	$ 11,664.9	$ 13,082.9

Borrowings increased $1.1 billion or 9.8 per cent year-over year. Credit union mandatory deposits grew $0.4 billion over the year, reflective of the growth within both the B.C. and the Ontario credit union systems during the same period. Non-mandatory deposits from credit unions increased $0.9 billion from the same period last year. The increase in non-mandatory deposits is reflective of the increased liquidity reported within the B.C. and Ontario credit union systems. Deposits from member credit unions represented 75.5 per cent of Central 1 total borrowing portfolio at year end, up from 71.6 per cent last year.

Wholesale term funding declined year-over-year, with both commercial paper and medium-term note funding lower, partially offset by higher obligations under the CMB program and securities under repurchase agreements. The overall decline in wholesale term funding was in line with the growth in deposits. Details of these balances can be found in Note 10 of the Interim Consolidated Financial Statements.

Equity

Central 1's equity increased $53.0 million from a year ago to $992.6 million. The increases in equity year-over-year were primarily due to additional Class A shares issued to member credit unions. Retained earnings also increased $42.2 million, of which $27.3 million was matched by a decline in accumulated other comprehensive income (AOCI), representing the reclassification of realized gains on available-for-sale investment securities into profit.

Statement of Profit

Net Financial Income

The following table summarizes Central 1's Net Financial Income for the three months ended March 31, 2016 with comparatives.

Figure 5 – Net Financial Income

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Interest margin	**$ 10,413**	$ 4,995	$ 8,260
Net realized and unrealized gains	**979**	10,708	5,961
Net financial income	**$ 11,392**	$ 15,703	$ 14,221

After a period of declining interest margin, Central 1's interest margin began increasing in the second half of 2015. This increase reflects growth in Central 1's balance sheet as well as an increased allocation of assets to lending and securitization activities. Net financial income for the quarter decreased $4.3 million compared to the first quarter of 2015. The decrease was driven by a decrease in net realized and unrealized gains partially offset by an increase in interest margin.

Interest margin increased $5.4 million due to higher credit union and commercial lending volumes driving higher interest income. Interest expense has also declined over the past year as the composition of liabilities has shifted to increased deposits from credit unions, resulting in lower external borrowings which typically carry higher interest rates than deposits.

In aggregate, net realized and unrealized gains decreased $9.7 million driven by lower net gains on interest earning assets compared to the same period of the prior year. Realized gains declined due to lower income on disposal of available-for-sale assets, of which changes in fair value in prior periods were recognized in AOCI. Unrealized gains also declined as gains in the first quarter of the prior year were significantly driven by the Bank's interest rate reduction in January 2015.

Other Income and Operating Expenses

The following table summarizes Central 1's Other Income and Operating Expenses for the three months ended March 31, 2016 with comparatives.

Figure 6 – Other Income and Operating Expenses

(Millions of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Other income			
Digital & Payment Services			
Payment processing and other fees	**$ 12.2**	$ 11.5	$ 12.6
Direct banking fees	**6.9**	6.9	7.4
Treasury related services	**4.4**	3.8	5.2
Membership dues and provincial advertising assessment	**3.2**	3.1	3.5
Trade and other services	**1.8**	2.4	1.8
Equity interest in affiliates	**2.8**	0.4	3.1
Income from investees	**0.5**	-	0.7
Insurance premiums and assessments	**0.5**	0.5	0.5
Total other income	**32.3**	28.6	34.8
Operating expenses			
Salaries and employee benefits	**19.0**	17.0	18.3
Premises and equipment	**1.8**	1.7	2.1
Other administrative expenses	**13.5**	12.0	12.8
Total operating expenses	**34.3**	30.7	33.2
Operating income (loss)	**$ (2.0)**	$ (2.1)	$ 1.6

Other income increased $3.7 million or 12.9 per cent from $28.6 million during the first quarter of 2015 to $32.3 million in the first quarter of 2016. The discontinuation of the use of equity method accounting for Central 1's interest in CUCC's trade association functions resulted in a recovery of $1.6 million during the first quarter of 2016 which was included in equity interest in affiliates.

Digital & Payment Services' revenues increased $0.7 million mainly from stronger transaction volumes in electronic payments partially offset by a decrease in paper payment volumes and network access revenues. Over the past few years credit unions across the country have worked to implement Central 1's Branch Remote Deposit Capture (BRDC) technology which allows for credit unions to convert paper-based payments items to electronic images for exchange with other financial institutions. As credit unions have completed their implementations, they have experienced costs savings and the volume of paper items processed by Central 1 has declined. This will result in a decline in revenues and expenses for Central 1 in the future, but the completion of the BRDC initiative will have a positive impact on credit union bottom lines.

Increased securitization services fee income together with increased standby and lending fees has driven a $0.6 million increase in treasury related services revenue, partially offset by decreased foreign exchange income. Decreases occurred in trade and other services, mainly driven by decreased rental income and recovery of operating expenses as well as the transfer out of the pension and retirement services. Excluding the one-time impact from CUCC restructuring, equity interest from affiliates increased $0.8 million during the current quarter from improved financial performance of the affiliated entities.

Operating expenses of $34.3 million increased $3.6 million or 11.7 per cent from $30.7 million in the prior year. Salaries and employee benefits expense increased $2.0 million which includes restructuring charges of $0.4 million incurred during the first quarter of 2016. Central 1's staff complement has increased over the past year in support of increased revenues, but also to support a number of corporate and support initiatives.

Other administrative expenses increased $1.5 million, primarily due to higher professional fees and management information system expenses. Central 1 has increased its use of external consultants over the past year to support the completion of certain initiatives. The completion of the second phase of Central 1's multi-phase Treasury system implementation resulted in increased costs to support Central 1's management information systems.

Summary of Quarterly Results

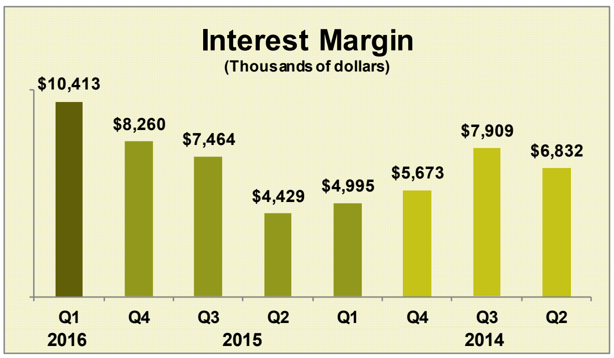
Quarterly Results

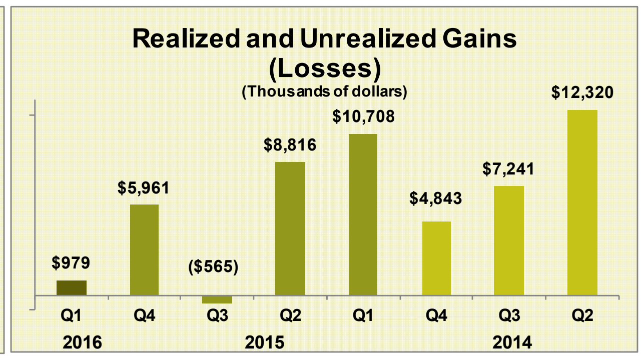
The following table summarizes Central 1's Quarterly Earnings for each of the last eight quarters.

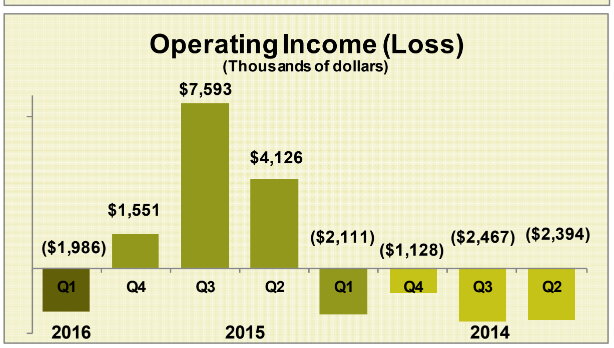
Figure 7 – Quarterly Earnings

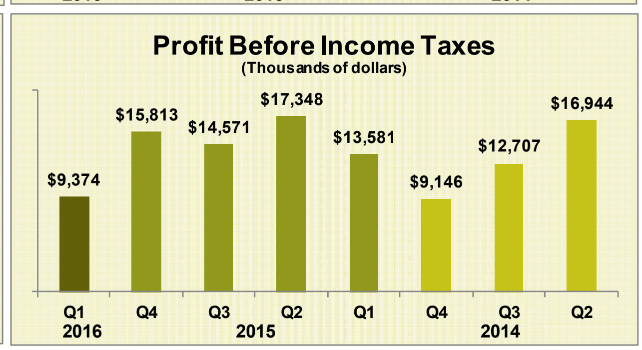
	2016	2015				2014		
(Thousands of dollars, except as indicated)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total interest income	**$ 48,059**	$ 47,355	$ 45,580	$ 41,559	$ 43,709	$ 46,453	$ 51,114	$ 47,131
Total interest expense	**37,646**	39,095	38,116	37,130	38,714	40,780	43,205	40,299
Interest margin	**10,413**	8,260	7,464	4,429	4,995	5,673	7,909	6,832
Realized and unrealized gains (losses)	**979**	5,961	(565)	8,816	10,708	4,843	7,241	12,320
Recovery (provision) of credit losses	**(32)**	41	79	(23)	(11)	(242)	24	186
	11,360	14,262	6,978	13,222	15,692	10,274	15,174	19,338
Other income	**32,274**	34,832	40,160	37,099	28,615	32,906	28,029	31,248
Operating expenses	**(34,260)**	(33,281)	(32,567)	(32,973)	(30,726)	(34,034)	(30,496)	(33,642)
Operating income (loss)	**(1,986)**	1,551	7,593	4,126	(2,111)	(1,128)	(2,467)	(2,394)
Profit before income taxes	**9,374**	15,813	14,571	17,348	13,581	9,146	12,707	16,944
Income taxes	**(882)**	(2,318)	(1,845)	(2,597)	(2,203)	(1,388)	(2,124)	(2,277)
Profit for the period	**$ 8,492**	$ 13,495	$ 12,726	$ 14,751	$ 11,378	$ 7,758	$ 10,583	$ 14,667
Weighted average shares outstanding *(millions)*	**371.0**	357.3	350.0	339.2	333.1	325.0	316.0	311.6
Earnings per share								
Basic *(cents)*	**2.3**	3.8	3.6	4.3	3.4	2.4	3.3	4.7
Diluted *(cents)*	**2.3**	3.8	3.6	4.3	3.4	2.4	3.3	4.7

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









Interest margin has increased over the most recent three quarters driven by increased net assets, higher commercial lending volumes, and the shift in the composition of liabilities, partially offset by the Bank of Canada rate reduction in the third quarter of 2015. Previous quarters reflected a reduction in interest margin due to lower lending to member credit unions and the lower interest rate environment arising from the Bank of Canada rate reduction in the first quarter of 2015.

Trading gains and losses and changes in fair value of financial instruments have a significant impact on quarterly profit or loss and their timing and magnitude are not predictable.

Results by Segment

Central 1's operations and activities are organized around four key business segments: MLP, WFS, Digital & Payment Services and Trade Services. Activities or transactions which do not relate directly to these four business segments, for example income from affiliates and income from property management services in B.C., are reported in "Other".

Q1 2016 vs Q1 2015

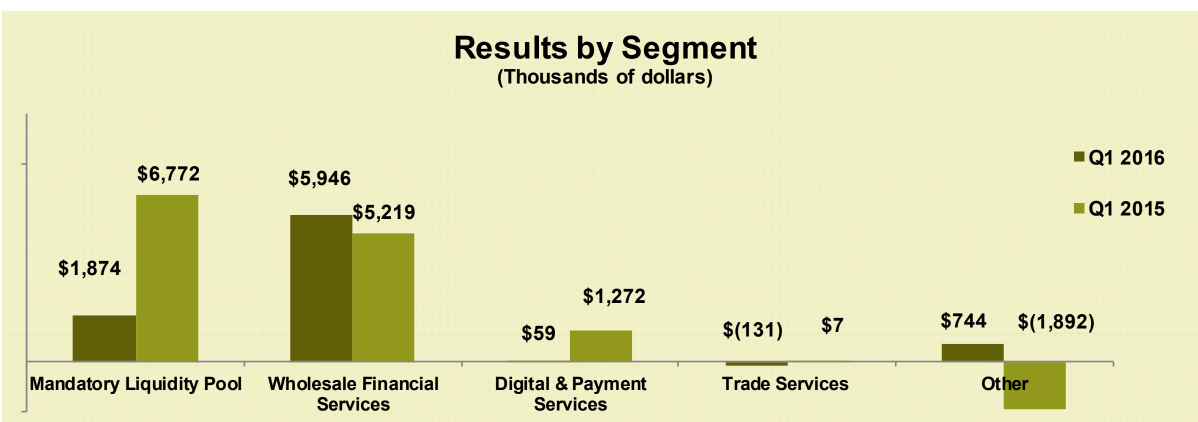
The following table summarizes Central 1's Results by Segment for the three months ended March 31, 2016 with comparative.

Figure 8 – Results by Segment

						For the three months ended March 31, 2016
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 4,354	$ 8,037	$ (53)	$ 68	$ (1,046)	$ 11,360
Other income	(187)	4,075	19,150	3,800	5,436	32,274
Net financial and other income	4,167	12,112	19,097	3,868	4,390	43,634
Operating expenses	1,869	4,820	19,025	4,029	4,517	34,260
Profit (loss) before income taxes	2,298	7,292	72	(161)	(127)	9,374
Income taxes (recoveries)	424	1,346	13	(30)	(871)	882
Profit (loss) for the period	$ 1,874	$ 5,946	$ 59	$ (131)	$ 744	$ 8,492

						For the three months ended March 31, 2015
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 10,085	$ 6,641	$ (69)	$ 109	$ (1,074)	$ 15,692
Other income	(222)	3,464	18,393	3,969	3,011	28,615
Net financial and other income	9,863	10,105	18,324	4,078	1,937	44,307
Operating expenses	1,764	4,040	16,803	4,201	3,918	30,726
Profit (loss) before income taxes	8,099	6,065	1,521	(123)	(1,981)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,219	$ 1,272	$ 7	$ (1,892)	$ 11,378

*Central 1's investment in CUCC and the related equity interest income from CUCC, previously included under Trade Services, was reported in the Other segment for the three months ended March 31, 2015.



Mandatory Liquidity Pool

MLP reported a profit of $1.9 million, a decrease of $4.9 million compared to the first quarter of 2015. The decrease is driven by a $5.7 million decrease in net financial income. Realized and unrealized gains decreased $4.6 million due to higher mark-to-market gains arising from the Bank's rate reduction in January 2015. Interest margin decreased $1.1 million reflecting lower rates earned on high quality liquid securities compared to rates paid on mandatory deposits of member credit unions partially offset by a 1.6 per cent increase in interest earning net assets. Operating expenses were broadly unchanged from the prior year but is anticipated to be higher in 2016 due to increased costs of operating Central 1's treasury system.

Wholesale Financial Services

WFS reported a profit of $5.9 million, an increase of $0.7 million compared to the first quarter of 2015. The increase is driven by an increase of $1.4 million in net financial income. Interest margin increased $6.5 million driven by a 6.7 per cent increase in interest earning net assets, higher credit union lending and commercial lending volumes and lower interest expense due to the change in the composition of funding liabilities. Realized and unrealized gains decreased $5.0 million driven by higher mark-to-market gains arising from the Bank's rate reduction in January 2015 and lower net gains on disposal of available-for-sale assets.

WFS' other income increased $0.6 million driven by higher securitization fees, commercial lending fees, and standby lending fees, partially offset by a decrease in foreign exchange income. Operating expenses increased $0.8 million due mostly to the increased costs of operating Central 1's treasury system.

Digital & Payment Services

Digital & Payment Services' profit decreased by $1.2 million from the first quarter of 2015. Other income increased $0.8 million largely due to electronic payment volumes driven by e-transfers transactions. The other business lines within Digital & Payments Services remained broadly unchanged compared to the same time last year.

Operating expenses increased by $2.2 million which was mostly attributed to increased development costs related to electronic payments and *MemberDirect*® online platform projects.

Trade Services

Trade Services reported a loss of $0.1 million compared to a breakeven in the first quarter of 2015. Membership dues revenues remained broadly unchanged while income from other sources and operating expenses were slightly below the same time last year.

Other

Other operating segment reported a profit of $0.7 million compared to a loss of $1.9 million during the first quarter of 2015. Excluding the one-time impact from CUCC restructuring, other income increased $0.8 million largely due to higher dividend income from The Co-operators and higher equity income from one of the affiliates. Excluding the impact of restructuring charges of $0.6 million, operating expenses were broadly unchanged from prior year.

Q1 2016 vs Q4 2015

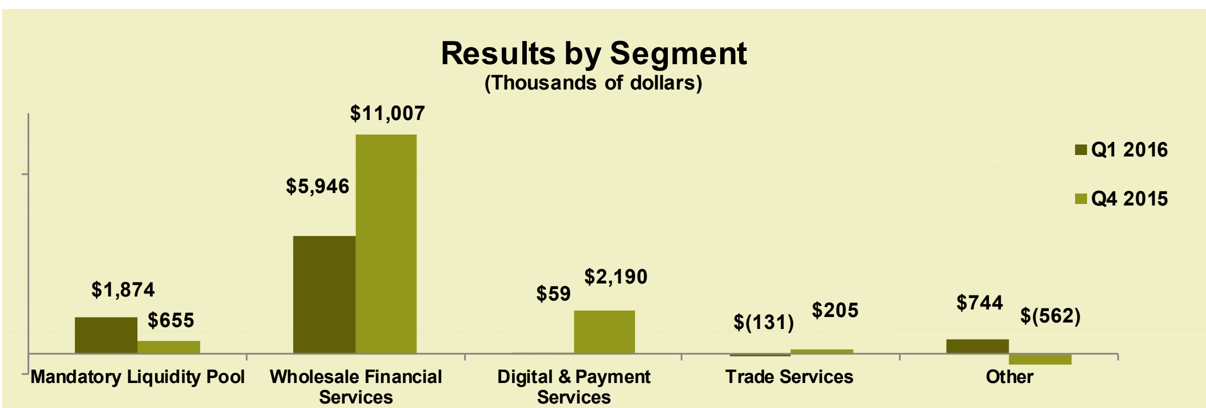
The following table summarizes Central 1's Results by Segment for the three months ended March 31, 2016 compared with the three months ended December 31, 2015.

Figure 9 – Results by Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the three months ended March 31, 2016
Net financial income (expense), including provision for credit losses	$ 4,354	$ 8,037	$ (53)	$ 68	$ (1,046)	$ 11,360
Other income	(187)	4,075	19,150	3,800	5,436	32,274
Net financial and other income	4,167	12,112	19,097	3,868	4,390	43,634
Operating expenses	1,869	4,820	19,025	4,029	4,517	34,260
Profit (loss) before income taxes	2,298	7,292	72	(161)	(127)	9,374
Income taxes (recoveries)	424	1,346	13	(30)	(871)	882
Profit (loss) for the period	$ 1,874	$ 5,946	$ 59	$ (131)	$ 744	$ 8,492

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the three months ended December 31, 2015
Net financial income (expense), including provision for credit losses	$ 2,380	$ 12,927	$ (50)	$ 54	$ (1,049)	$ 14,262
Other income	90	4,616	19,862	5,161	5,103	34,832
Net financial and other income	2,470	17,543	19,812	5,215	4,054	49,094
Operating expenses	1,686	4,379	17,192	4,999	5,025	33,281
Profit (loss) before income taxes	784	13,164	2,620	216	(971)	15,813
Income taxes (recoveries)	129	2,157	430	11	(409)	2,318
Profit (loss) for the period	$ 655	$ 11,007	$ 2,190	$ 205	$ (562)	$ 13,495

*Central 1's investment in CUCC and the related equity interest income from CUCC, previously included under Trade Services, was reported in the Other segment for the three months ended December 31, 2015.



Mandatory Liquidity Pool

MLP reported a profit of $1.9 million, an increase of $1.2 million compared to the fourth quarter of 2015. The increase was driven by a $2.0 million increase in net financial income. Realized and unrealized gains increased $1.7 million due to higher net gains on disposal of available-for-sale assets recognized in net financial income. Interest margin increased slightly despite a small decrease in interest earning assets. Operating expenses were higher than the fourth quarter of 2015 due to increased information technology charges.

Wholesale Financial Services

WFS reported a profit of $5.9 million, a decrease of $5.1 million compared to the fourth quarter of 2015. The decrease is driven by a decrease of $4.9 million in net financial income. Realized and unrealized gains decreased $6.6 million driven by lower net gains on interest earning assets. Interest margin increased $1.8 million driven by higher commercial lending balances throughout the quarter, partially offset by 6.6 per cent decrease in interest earning net assets.

WFS' other income decreased $0.5 million due to lower foreign exchange income, standby lending fees, and commercial lending fees partially offset by an increase in securitization fees. Operating expenses increased $0.4 million due to increased information technology charges.

Digital & Payment Services

Digital & Payment Services' profit decreased $2.1 million from the fourth quarter of 2015 driven by lower other income and higher operating expenses. The first quarter business activity for client development projects and switching and debit card services contributed to lower other income. This decrease together with a decrease in paper payment processing fees, partially offset by an increase in electronic payments volumes driven by e-transfers, has resulted in an overall decrease in other income of $0.7 million. Operating expenses increased $1.8 million which was mostly attributed to an increase in development cost for projects for payments services and *MemberDirect*® online platform.

Trade Services

Trade Services reported a loss of $0.1 million compared to a profit of $0.2 million in the fourth quarter of 2015, primarily attributable to lower other income, partially offset by lower operating expenses.

Membership dues and provincial advertising assessment revenues decreased $0.5 million as program activities offered under the Province-Wide Communications campaign decreased which also resulted in lower campaign costs. Other income from products and services provided by the various operating departments within Trade Services decreased $0.9 million largely due to a decrease in people solutions, marketing program activities and Cooperative Risk Solution services.

Operating expenses decreased $0.8 million, excluding the decrease in Province-Wide Communications campaign cost. The decreases were driven by decreased salaries and employee benefits expense, legal and consulting expenses together with decreased software related charges and officers and directors related activities from the last quarter.

Other

Other operating segment reported a profit of $0.7 million compared to a loss of $0.6 million in the fourth quarter of 2015. Excluding the one-time impact from CUCC restructuring, other income decreased $1.3 million largely due to a decrease in income from affiliates.

Excluding the one-time adjustment to post-employment benefits during the last quarter, operating expenses increased $0.3 million. The current quarter included a restructuring charge from ongoing operations of $0.6 million partially offset by $0.3 million of decreased dividend cost to an affiliate.

Statement of Cash Flows

Central 1's cash at the end of the quarter decreased $27.6 million since year end. Significant changes in balance sheet values that impact cash flows include investment securities which decreased, offset by an increase in trading assets. In aggregate, deposits also decreased, partially offset by an increase in cash inflows from financing activities.

These changes should be seen in context of Central 1's role as a liquidity provider whose assets are primarily cash and liquid securities.

Off-Balance Sheet Arrangements

In the normal course of business, Central 1 enters into off-balance sheet arrangements, which fall into the following main categories: derivative financial instruments, guarantees and commitments, and assets under administration.

Derivative Financial Instruments

The following table summarizes the notional off-balance sheet derivative financial instruments as at March 31, 2016 with comparatives.

Figure 10 – Derivative Financial Instruments

			Notional Amount
(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Interest rate contracts			
Bond forwards	**$ 81,000**	$ 206,000	$ 83,600
Futures contracts	**132,500**	75,000	205,000
Swap contracts	**25,251,988**	25,570,895	26,090,340
Options purchased	**-**	130,000	-
Options written	**-**	130,000	-
	25,465,488	26,111,895	26,378,940
Foreign exchange contracts			
Foreign exchange forward contracts	**231,481**	193,153	269,368
Other derivative contracts			
Equities	**249,347**	357,063	278,873
	$ 25,946,316	$ 26,662,111	$ 26,927,181

Central 1 acts as a swap intermediary between Canada Housing Trust and member credit unions and additionally provides derivative capabilities to member credit unions to be used in the asset/liability management of their respective balance sheets. These activities represented $8.0 billion and $13.9 billion, respectively, of the total derivative notional balances as at March 31, 2016.

Derivatives are recorded in the Interim Consolidated Statements of Financial Position at fair value and derivative values are calculated using notional amounts. However, the notional amounts are not recorded on the Interim Consolidated Statements of Financial Position as they do not represent actual amounts exchanged. Counterparty credit risk arising from derivative contracts is managed within the context of Central 1's overall credit risk policies and through the existence of Credit Support Annex (CSA) agreements in place with all of its non-credit union derivatives counterparties. Under a CSA, net fair value positions are collateralized with high-quality liquid securities. Central 1's credit exposure to its credit union counterparties is secured by the general security arrangements it has in place with each credit union.

The fair value of derivative positions is presented in Note 5 to the Interim Consolidated Financial Statements.

Guarantees and Commitments

The table below presents the maximum amount of credit that Central 1 could be required to extend if commitments were to be fully utilized, and the maximum amount of performance guarantees that could be in effect if the maximum authorized amount were transacted.

Figure 11 – Guarantees and Commitments

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Commitments to extend credit	**$ 4,212,276**	$ 4,082,519	$ 3,857,075
Guarantees	**$ 727,000**	$ 279,000	$ 687,000
Standby letters of credit	**$ 158,544**	$ 213,624	$ 145,392
Mortgage purchase commitment	**$ -**	$ -	$ 16,066

In the normal course of business, Central 1 enters into various off-balance sheet credit instruments to meet the financing, credit and liquidity requirements of its member credit unions. These are in the form of commitments to extend credit, standby commitments, and performance guarantees.

Commitments to extend credit and standby commitments may expose Central 1 to liquidity and credit risk, and are managed in accordance with the liquidity and funding risk policy and the credit and counterparty risk policy.

Performance guarantees are provided to enable member credit unions to enter transactions with counterparties without the need to have that counterparty individually assess the credit worthiness of each individual institution, and are also managed in accordance with risk policies.

Assets under Administration

The following table summarizes Assets under Administration (AUA) as at March 31, 2016 with comparatives.

Figure 12 – Assets under Administration

(Thousands of dollars)		Mar 31 2016		Mar 31 2015		Dec 31 2015
Registered Retirement Savings Plans	**$**	**1,602,817**	$	1,638,345	$	1,581,874
Tax-Free Savings Accounts		**685,749**		562,320		630,167
Registered Retirement Income Funds/Life Income Funds		**359,117**		349,385		362,875
Registered Education Savings Plans		**192,071**		178,780		187,005
Registered Disability Savings Plans		**15,445**		8,444		11,128
	$	**2,855,199**	$	2,737,274	$	2,773,049

AUA mainly include government approved registered plans for tax deferral purposes, which are administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services for the members of the B.C. credit union system, and the subsidiary provides the same services for members in the Ontario and Manitoba credit union systems. These assets are owned by members of Central 1's member credit unions.

As at March 31, 2016, AUA totaled $2.9 billion, up $0.1 billion or 4.3 per cent compared to the prior year. The increase is mainly due to the increased business from Ontario credit unions together with an increase in the Tax-Free Savings Accounts and Registered Education Savings Plans resulting from the introduction of the B.C. Training and Education Savings Grant.

Capital Management and Capital Resources

Central 1 manages capital to maintain strong capital ratios in support of the risks and activities of the organization while generating an appropriate rate of return for its members. In addition to the regulatory requirements, Central 1 considers the expectation of credit rating agencies, credit union system growth and internal capital ratios. The longer term strategic goal is to optimize the capital usage and structure through the use of an economic capital model to provide a better return for the capital invested by the members.

Capital Management Framework

Central 1's capital management framework provides the policies and processes for defining, measuring, and allocating capital across the organization. It defines the roles and responsibilities in assessing capital adequacy, dividends and management of regulatory capital requirements.

A key component to capital management is the annual capital planning process that involves different functional areas within Central 1, including Finance, Risk, and the payments and clearing functions. Capital planning has two key integrated components, the annual budget process in setting targets for the organization, and the Internal Capital Adequacy Assessment Process (ICAAP) in determining the required amount of capital to cover material risks to which the organization is exposed. The capital planning process includes forecasting growth in assets, earnings and projected market conditions. These components are updated and monitored regularly during the year.

Central 1's share capital, with the exception of nominal amounts, is entirely held by its Class A members, which, collectively, is comprised of B.C. and Ontario credit unions. Class A shares are held by member credit unions in proportion to their asset size. Central 1's policy requires an annual rebalancing of Class A share capital subscriptions so that member credit unions maintain Class A share capital in proportion to their assets.

Central 1's rules permit it to unconditionally require its Class A members to increase their investment in its share capital. Class A share calls are routinely scheduled each May and November to support the MLP. Under the terms of the Capital Policy, Central 1's Class A members are required to subscribe to additional Class A shares on a semi-annual basis to ensure that Central 1's MLP borrowing multiple meets regulatory requirements. As Class A members contribute the funding and capital, net earnings in the MLP are to be distributed to Central 1's Class A members as dividends on their Class A shares.

As announced in 2015, the Office of the Superintendent Financial Institutions (OSFI) will cease its supervision of provincial credit union centrals on January 15, 2017. As a result, OSFI will cease the duplicate regulation and supervision of centrals whose members are not "predominately federal credit unions."

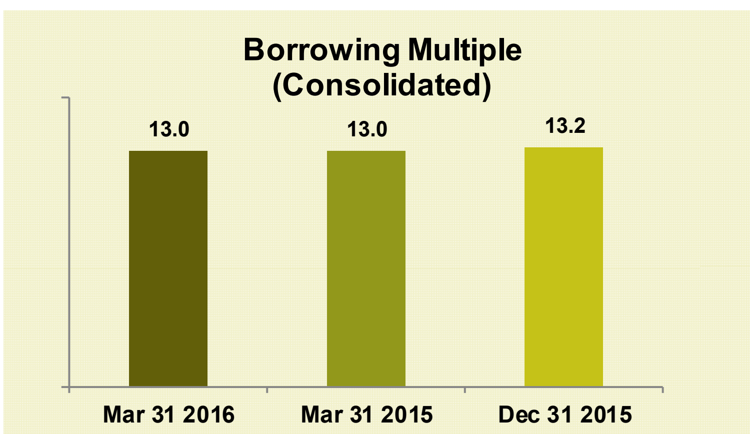
Regulatory Capital

As of March 31, 2016, Central 1's Tier 1 regulatory capital was $967.8 million and total capital before deductions was $1,190.5 million. In determining regulatory capital, adjustments are required to amounts reflected in Central 1's Interim Consolidated Statements of Financial Position. Deductions from capital are required for certain investments, including Central 1's substantial investments in affiliated cooperative organizations. The computation of the provincial capital base is broadly similar to the federal regulatory capital used for borrowing multiple purposes.

The following table summarizes Central 1's Capital Position as at March 31, 2016 with comparatives.

Figure 13 – Capital Position

(Millions of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Share capital	$ **371.0**	$ 333.0	$ 371.0
Contributed surplus	**87.9**	87.9	87.9
Retained earnings	**513.6**	471.4	507.0
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.0)	(4.6)
Tier 1 capital	**967.8**	888.3	961.3
Subordinated debt	**218.0**	218.0	218.0
Add: accumulated net after tax gain in investment property	**4.7**	4.0	4.6
Tier 2 capital	**222.7**	222.0	222.6
Total capital	**1,190.5**	1,110.3	1,183.9
Statutory capital adjustments	**(165.7)**	(162.3)	(162.2)
Capital base (federal)	$ **1,024.8**	$ 948.0	$ 1,021.7
Borrowing multiple - consolidated	**13.0:1**	13.0:1	13.2:1
Borrowing multiple - Mandatory Liquidity Pool	**15.3:1**	15.6:1	15.3:1
Borrowing multiple - Wholesale Financial Services	**12.2:1**	10.9:1	12.9:1



A year-on-year comparison and previous year end of Central 1's capital adequacy, measured under both provincial and federal regulations are provided above. Central 1 was in compliance with all regulatory capital requirements during this period.

At the end of March 2016, Central 1's consolidated borrowing multiple of 13.0:1 is same as a year ago and slightly lower when compared to 13.2:1 as at December 31, 2015. The next scheduled share call for Central 1's Class A Members is in May 2016 at which time it is anticipated that Class A Members will subscribe to sufficient additional Class A Shares to reduce the MLP business line borrowing multiple to its target of 15.0:1.

Note 21 to Central 1's Interim Consolidated Financial Statements provides further details of capital management.

Risk Discussion

This section of the MD&A should be read in conjunction with the Risk Discussion section of Central 1's 2015 Annual Report.

Central 1 manages risk and performs risk oversight based on a comprehensive risk governance framework, including risk management policies that establish frameworks, processes and a comprehensive risk appetite framework and statement.

Central 1 recognizes that reputation is among its most important assets, and actively seeks to maintain a positive reputation both for itself and for the credit union system. The potential for a deterioration of stakeholders' trust in the organization (i.e. a negative impact on Central 1's reputation) arises from a number of outcomes dealt with under the identified risk categories below. These potential impacts include revenue loss, litigation, and regulatory action.

Central 1's risk management framework assesses and monitors reputational threats and impacts that arise from its business activities. Central 1 continues to develop approaches for improving the assessment, measurement, and monitoring of reputation impact.

Compliance Risk

Central 1 is exposed to Compliance Risk in all areas of the organization, ranging from legislative and regulatory requirements enforced as a result of the products and services offered by the various business lines, or through the oversight and regulatory reporting obligations placed upon corporate control and support functions. Compliance Risk is managed by a framework that is in place to ensure that Central 1 continues to meet the requirements of:

- The law, to uphold its reputation and that of the credit union system;
- Government regulators, to be allowed to continue to do business;
- Financial system counterparties, to be able to provide products and services to the credit union system; and
- Internal policies and procedures, to help ensure a strong and efficient governance structure.

Credit and Counterparty Risk

Within the Treasury and Digital & Payment Services operations, Central 1 incurs credit risk through loans, payment services, the purchasing of credit instruments, and entering into contracts with counterparties in return for a bi-lateral value-exchange of services.

Central 1's policies establish the parameters within which the organization manages its credit and counterparty risk. These policies are implemented through a number of key business procedures. Together, the policies and procedures form a framework that includes:

- Application of safe and sound, stringent lending and/or funding criteria to all credit exposures prior to their acquisition;
- Clearly defined management and policy limits on the amount, types, and concentrations of credit risk;
- Regular evaluation and assessment of existing credit risk exposures and allowances; and
- Continuous monitoring of credit exposures so as to promptly identify deteriorating situations and take appropriate action.

Liquidity Risk

As Central 1 is a manager of its own liquidity and the mandatory liquidity of its member credit unions, making Central 1 responsible for ensuring that sufficient funds and liquid assets are available to meet both its own needs, and those of the system.

Central 1 manages its liquidity risk using a number of measures including stress tests to ensure it can respond in times of difficulty to meet its and its members' needs. It accepts deposits from its members, and maintains access to wholesale market funding sources, including commercial paper and securitization channels. Central 1 operates according to its Liquidity and Funding Plan, which is regularly reviewed and approved by the Board.

Further information with respect to the composition of Central 1's liquid asset buffer can be found at Figure 2 of this MD&A.

Contractual Obligations

The following table summarizes Central 1's Contractual Obligations as at March 31, 2016.

Figure 14 – Contractual Obligations

(Millions of dollars)	< 1 Year	1 - 3 Years	4 -5 Years	> 5 Years	Mar 31 2016 Total
Mandatory deposits	$ 3,185.1	$ 2,054.2	$ 1,729.0	$ 1.5	$ 6,969.8
Non-mandatory deposits	2,547.8	443.6	473.6	-	3,465.0
Securities sold short	-	-	30.0	-	30.0
Other debt outstanding	1,010.8	629.1	737.1	-	2,377.0
Subordinated liabilities	18.4	-	201.3	-	219.7
Operating leases	1.0	1.9	1.7	2.8	7.4
Finance leases	0.6	0.5	-	-	1.1
Total	$ 6,763.7	$ 3,129.3	$ 3,172.7	$ 4.3	$ 13,070.0

The following table summarizes Central 1's Carrying Amounts by Earlier of Contractual Repricing or Maturity Date as at March 31, 2016.

Figure 15 – Carrying Amounts by Earlier of Contractual Repricing or Maturity Date

(Millions of dollars)	Floating	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five years	Not Rate Sensitive	Total
Total assets	$ 289.9	$ 1,705.7	$ 1,664.3	$ 10,034.0	$ 244.3	$ 673.4	$ 14,611.6
Total liabilities	1,372.8	2,379.6	3,395.9	5,792.8	1.7	1,668.8	14,611.6
On-balance sheet gap	(1,082.9)	(673.9)	(1,731.6)	4,241.2	242.6	(995.4)	-
Off-balance sheet gap	-	836.7	(554.1)	108.3	(390.9)	-	-
Total gap Mar 31 2016	$ (1,082.9)	$ 162.8	$ (2,285.7)	$ 4,349.5	$ (148.3)	$ (995.4)	$ -

Market Risk

The level of market risk to which Central 1 is exposed varies depending on market conditions, future price and market movements and the composition of Central 1's investment, lending and derivative portfolios.

Central 1 manages its exposure to market risk through a range of governance and management processes. Central 1's policies detail the measurement of market risk and establish exposure limits in keeping with Central 1's overall risk appetite. Central 1 has established separate market risk appetites and limits for each of the MLP and WFS. The Risk Group independently monitors exposure against limits, investigates any breaches and reports them at the appropriate level for review and action. This management framework is complemented by a series of rigorous stress test scenarios that are run on a regular basis.

Central 1 will not incur market risk for speculative purposes or in pursuit of returns beyond those required to reasonably fulfill its primary mandate of safeguarding system liquidity.

Interest Rate and Credit Spread Risk

Central 1 regularly monitors its exposure to interest rate changes in order to assess their potential effects on financial margin. Value at Risk (VaR) provides an estimate of the negative movement in portfolio value, and Central 1's Corporate Risk Management Policy currently defines VaR exposure limits in relation to changes in portfolio value. Using a 99% confidence level, the one-day change in portfolio value is expected to be less than the exposure limit 99% of the time.

The following table summarizes Central 1's 1 day VaR at March 31, 2016.

Figure 16 – Value at Risk

(Millions of dollars)		Limit		VaR
Mandatory Liquidity Pool	$	10.5	$	(3.9)
Wholesale Financial Services	$	14.0	$	(3.0)

Note 20 to the Interim Consolidated Financial Statements provides additional information on the fair value of financial assets and liabilities compared to their carrying value.

Foreign Exchange Rate Risk

Central 1 has assets and liabilities denominated in several major currencies and buys foreign currencies from, and sells these currencies to, its member credit unions. The risk associated with changing foreign currency values is managed by applying limits on the amounts (short or long positions) that can be maintained in the various currencies and by utilizing derivative exchange contracts to lessen the impact of on-balance sheet positions.

The following table provides the Foreign Exchange Position as at March 31, 2016.

Figure 17 – Foreign Exchange Position

Currency (Thousands of dollars)	Balance Sheet in Native Currency	Off-Balance Sheet Items - FX Forwards	Net Position in Native Currency	BOC Closing Rate	CAD Equivalent
USD	51	1,157	1,208	1.2987	1,569

The impact of a 10 per cent change in exchange rates would not have a material impact on Central 1's financial results.

Strategic Risk

Through its continuous strategic planning process, Central 1 seeks to ensure that it chooses and effectively pursues a strategy that delivers value for its member credit unions.

The "Supporting Credit Union Success" discussion paper that Central 1 released during the first quarter sets out potential options for the future state of the central credit unions, including Central 1. A process of consultation with the credit union system has begun, aimed at determining which options are the optimal ones to pursue.

Accounting and Control Matters

Critical Accounting Policies and Estimates

A summary of significant accounting policies can be found in Note 3 to Central 1's audited 2015 Annual Consolidated Financial Statements, together with a discussion of critical accounting estimates and assumptions that affect the application of accounting policies and reporting amounts of assets, liabilities, income and expenses. Management is required to make subjective or complex estimates and judgements in certain significant areas of these financial statements.

Future Changes in Accounting Policies

The International Accounting Standards Board has issued new standards on financial instruments, revenues from contracts with customers, and leases. These new standards will be applicable to Central 1 in the future. Central 1 is not able to determine the impact of these standards on its financial statements at this time. Additional information can be found in Note 3 to the audited 2015 Annual 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 MD&A, management evaluated Central 1'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 1's interim filings, as defined under the Canadian Securities Administrators' 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 1 evaluated the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the quarter ended March 31, 2016. Based on that evaluation, management has concluded that the design of its internal monitoring controls and procedures over financial reporting was effective.

There has been no change in Central 1's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, Central 1's internal control over financial reporting during the period covered by this MD&A.

Related Party Disclosures

In the normal course of business, Central 1 grants loans to its key management personnel under the same terms as those offered to any other employees. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents. Details of Central 1's related party disclosures were disclosed in Note 22 of the Interim Consolidated Financial Statements.

Proposed Transaction

On December 18, 2014, Central 1, Concentra Financial Services Association and Credit Union Central of Saskatchewan signed a Memorandum of Understanding to explore opportunities to consolidate their trust services and wholesale financial business lines. The three organizations are investigating whether increasing the collective scale and market reach of their wholesale finance and trust services will provide enhanced levels of service and new solutions to the credit union system and improve credit unions' ability to compete with other financial institutions.

Interim Consolidated Financial Statements

For the Quarter Ended March 31, 2016

Central 1

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CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Financial Position (Unaudited)

(Thousands of dollars)	Notes	Mar 31 2016	Mar 31 2015	Dec 31 2015
Assets				
Cash		**$ 79,273**	$ 139,397	$ 106,834
Deposits with regulated financial institutions		**5,822**	6,222	6,104
Trading assets	4	**7,618,309**	6,075,390	6,765,557
Reinvestment assets under the Canada Mortgage Bond Program	4	**203,588**	84,099	165,146
Derivative assets	5	**118,668**	98,837	116,631
Loans	6	**1,241,058**	885,217	1,490,839
Investment securities	4	**4,977,242**	5,664,615	5,680,158
Current tax assets		**3,566**	-	397
Property and equipment		**18,755**	17,898	18,807
Intangible assets		**21,691**	14,226	19,897
Deferred tax assets		**14,571**	15,662	11,924
Investment in affiliates		**124,030**	120,720	125,767
Other assets	7	**185,002**	453,947	440,957
		$ 14,611,575	$ 13,576,230	$ 14,949,018
Liabilities				
Deposits designated as trading	8	**$ 7,317,249**	$ 5,822,266	$ 7,546,745
Obligations related to securities sold short	9	**30,005**	86,176	29,415
Derivative liabilities	5	**131,428**	151,495	130,805
Debt securities issued	10	**1,150,408**	1,599,911	1,075,344
Deposits	8	**3,117,560**	3,320,784	3,250,036
Obligations under the Canada Mortgage Bond Program	10	**1,066,864**	799,497	989,611
Subordinated liabilities	11	**219,748**	219,055	218,247
Provisions		**1,881**	2,541	1,882
Securities under repurchase agreements	10	**159,727**	122,456	221,211
Current tax liabilities		**-**	4,632	-
Deferred tax liabilities		**7,883**	6,151	7,407
Other liabilities	12	**416,252**	501,686	489,295
		13,619,005	12,636,650	13,959,998
Equity				
Share capital	13	**370,996**	333,006	370,996
Contributed surplus		**87,901**	87,901	87,901
Retained earnings		**513,571**	471,413	506,979
Accumulated other comprehensive income		**6,163**	33,441	9,231
Reserves		**3,980**	3,917	3,954
Total equity attributable to members of Central 1		**982,611**	929,678	979,061
Non-controlling interest		**9,959**	9,902	9,959
		992,570	939,580	989,020
		$ 14,611,575	$ 13,576,230	$ 14,949,018
Guarantees, commitments, and contingencies	19			

Approved by the Directors:

"Rick Hoevenaars"
Rick Hoevenaars, Chairperson

"Bill Kiss"
Bill Kiss, Chairperson - Audit and Finance Committee

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Profit (Unaudited)

		For the three months ended	
(Thousands of dollars)	Notes	Mar 31 2016	Mar 31 2015
Interest income			
Securities		**$ 40,004**	$ 37,657
Deposits with regulated financial institutions		**25**	31
Loans		**7,176**	5,643
Reinvestment assets		**854**	378
		48,059	43,709
Interest expense			
Debt securities issued		**3,506**	6,005
Deposits		**28,370**	28,371
Obligations under the CMB Program		**4,248**	2,804
Subordinated liabilities		**1,522**	1,534
		37,646	38,714
Interest margin		**10,413**	4,995
Gain (loss) on disposal of financial instruments	14	**(1,280)**	4,008
Change in fair value of financial instruments	15	**2,259**	6,700
Net financial income		**11,392**	15,703
Provision for credit losses	6	**32**	11
		11,360	15,692
Other income	16	**32,274**	28,615
Net financial and other income		**43,634**	44,307
Operating expenses			
Salaries and employee benefits		**18,943**	17,034
Premises and equipment		**1,798**	1,649
Other administrative expenses	17	**13,519**	12,043
		34,260	30,726
Profit before income taxes		**9,374**	13,581
Income taxes		**882**	2,203
Profit for the period		**$ 8,492**	$ 11,378

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Comprehensive Income (Unaudited)

	For the three months ended	
(Thousands of dollars)	Mar 31 2016	Mar 31 2015
Profit for the period	**$ 8,492**	$ 11,378
Other comprehensive income (loss), net of tax		
Fair value reserve (available-for-sale financial assets)		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale assets[1]	**(826)**	15,463
Reclassification of realized gains on available-for-sale assets to profit or loss[2]	**(2,273)**	(5,687)
	(3,099)	9,776
Item that will not be reclassified subsequently to profit or loss		
Net actuarial gain on employee benefits plans[3]	**31**	566
Other comprehensive income (loss), net of tax	**(3,068)**	10,342
Comprehensive income, net of tax	**$ 5,424**	$ 21,720

Income tax (recoveries) on items that may be reclassified subsequently to profit or loss		
[1] Net change in fair value of available-for-sale assets	**$ (245)**	$ 2,878
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	**$ (515)**	$ (1,116)
Income tax (recovery) on item that will not be reclassified subsequently to profit or loss		
[3] Net actuarial gain (loss) on employee benefits plans	**$ (31)**	$ 84

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Changes in Equity (Unaudited)

	Attributable to equity holders								
(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Balance at January 1, 2016	$ 370,996	$ 87,901	$ 506,979	$ 11,567	$ (2,336)	$ 3,954	$ 979,061	$ 9,959	$ 989,020
Total comprehensive income for the period									
Profit for the period			8,492				8,492	-	8,492
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(3,099)			(3,099)		(3,099)
Employee benefits reserve (net of tax)					31		31		31
Total comprehensive income	-	-	8,492	(3,099)	31	-	5,424	-	5,424
Transactions with owners, recorded directly in equity									
Dividends to members			(2,298)				(2,298)		(2,298)
Related tax savings			424				424		424
Transfer from reserves			(26)			26	-		-
Total contributions from and distributions to owners	-	-	(1,900)	-	-	26	(1,874)	-	(1,874)
Balance at March 31, 2016	**$ 370,996**	**$ 87,901**	**$ 513,571**	**$ 8,468**	**$ (2,305)**	**$ 3,980**	**$ 982,611**	**$ 9,959**	**$ 992,570**

Profit attributable to:		**2016**	2015
	Members of Central 1	**$ 8,492**	$ 11,378
	Non-controlling interest	**-**	-
		$ 8,492	$ 11,378

Total comprehensive income attributable to:			
	Members of Central 1	**$ 5,424**	$ 21,720
	Non-controlling interest	**-**	-
		$ 5,424	$ 21,720

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Changes in Equity (Unaudited)

(Thousands of dollars)	Attributable to equity holders: Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Balance at January 1, 2015	$ 333,118	$ 87,901	$ 467,072	$ 29,048	$ (5,949)	$ 3,751	$ 914,941	$ 9,902	$ 924,843
Total comprehensive income for the period									
Profit for the period			11,378				11,378	-	11,378
Other comprehensive income, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				9,776			9,776		9,776
Employee benefits reserve (net of tax)					566		566		566
Total comprehensive income	-	-	11,378	9,776	566	-	21,720	-	21,720
Transactions with owners, recorded directly in equity									
Dividends to members			(8,099)				(8,099)		(8,099)
Related tax savings			1,327				1,327		1,327
Class "E" shares redemption			(118)				(118)		(118)
Related tax savings			19				19		19
Net Classes "A", "B" and "C" shares issued	(112)						(112)		(112)
Transfer from reserves			(166)			166	-		-
Total contributions from and distributions to owners	(112)	-	(7,037)	-	-	166	(6,983)	-	(6,983)
Balance at March 31, 2015	$ 333,006	$ 87,901	$ 471,413	$ 38,824	$ (5,383)	$ 3,917	$ 929,678	$ 9,902	$ 939,580

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Cash Flows (Unaudited)

(Thousands of dollars)	For the three months ended Mar 31 2016	Mar 31 2015
Cash flows from operating activities		
Profit for the period	**$ 8,492**	$ 11,378
Adjustments for:		
Depreciation and amortization	**1,196**	1,185
Interest margin	**(10,413)**	(4,995)
(Gain) loss on disposal of financial instruments	**1,280**	(4,008)
Change in fair value of financial instruments	**(2,259)**	(6,700)
Income tax expense	**882**	2,203
Provision for credit losses	**32**	11
Other items, net	**(4,274)**	(424)
	(5,064)	(1,350)
Change in trading assets	**(835,667)**	(225,673)
Change in settlements in-transit	**201,394**	(24,794)
Change in loans	**251,863**	162,141
Change in deposits designated as trading	**(241,694)**	301,383
Change in obligations related to securities sold short	**832**	(100,360)
Change in deposits	**(130,665)**	(123,662)
Change in derivative assets and liabilities	**(3,676)**	(14,478)
	(762,677)	(26,793)
Interest received	**40,067**	39,442
Interest paid	**(32,125)**	(41,266)
Income tax paid	**(5,000)**	(20)
Net cash from operating activities	**(759,735)**	(28,637)
Cash flows from investing activities		
Change in deposits with regulated financial institutions	**300**	-
Change in reinvestment assets under the CMB Program	**(38,229)**	(17,673)
Change in investment securities	**700,591**	(171,481)
Change in property and equipment	**(553)**	(171)
Change in intangible assets	**(2,324)**	(1,443)
Net cash from investing activities	**659,785**	(190,768)
Cash flows from financing activities		
Change in debt securities issued	**77,399**	31,519
Change in obligations under the CMB Program	**70,898**	187,872
Change in securities under repurchase agreements	**(61,480)**	16,768
Dividends paid	**(14,428)**	(22,448)
Redemption of shares	**-**	(112)
Net cash from financing activities	**72,389**	213,599
Decrease in cash	**(27,561)**	(5,806)
Cash - beginning of period	**106,834**	145,203
Cash - end of period	**$ 79,273**	$ 139,397

See accompanying notes to the Interim Consolidated Financial Statements

1. General information

Central 1 Credit Union (Central 1) is domiciled in Canada with a registered office located at 1441 Creekside Drive, Vancouver, British Columbia V6J 4S7, Canada. Central 1 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 Interim Consolidated Financial Statements cover Central 1 and its subsidiaries.

Central 1 is the primary liquidity manager, payments processor 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 1'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 1's operations and its financial position.

2. Basis of presentation

These Interim Consolidated Financial Statements have been prepared in accordance with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board.

The Interim Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Central 1's Annual Consolidated Financial Statements for the year ended December 31, 2015.

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 May 27, 2016.

3. Accounting policies

These Interim Consolidated Financial Statements have been prepared using the same accounting policies as set out in Note 3 to Central 1's Annual Consolidated Financial Statements as at and for the year ended December 31, 2015.

4. Securities

Trading assets

Total trading assets included in the Interim Consolidated Statements of Financial Position are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Government and government guaranteed securities	**$ 5,395,356**	$ 4,275,010	$ 4,579,399
Corporate and major financial institutions AA[1] or greater	**1,888,296**	1,524,435	1,847,895
Other	**334,657**	275,945	338,263
Fair value	**$ 7,618,309**	$ 6,075,390	$ 6,765,557
Amortized cost	**$ 7,559,785**	$ 5,984,272	$ 6,713,809

[1] The credit ratings are provided by Dominion Bond Rating Services (DBRS).

Government and government guaranteed securities previously included insured residential mortgages packaged as National Housing Act Mortgage-Backed Securities. Government and government guaranteed securities have been retrospectively adjusted to capture securities only, with insured residential mortgages reflected in other.

Investment securities

Total investment securities classified as available-for-sale included in the Interim Consolidated Statements of Financial Position are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Government and government guaranteed securities	**$ 3,146,136**	$ 3,601,831	$ 3,663,936
Corporate and major financial institutions AA[1] or greater	**1,419,182**	1,554,613	1,605,733
Other	**411,924**	508,171	410,489
Fair value	**$ 4,977,242**	$ 5,664,615	$ 5,680,158
Amortized cost	**$ 4,979,554**	$ 5,630,431	$ 5,678,352

[1] The credit ratings are provided by DBRS.

The above table includes $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. There have been no changes in this amount from prior periods.

Reinvestment assets under the Canada Mortgage Bond Program

As principal payments on the underlying securitized assets are received, Central 1 is required to reinvest the proceeds on behalf of Canada Housing Trust (CHT). These reinvestment assets, which are recognized in the Interim Consolidated Statements of Financial Position at fair value, are as follows:

Reinvestment assets under the Canada Mortgage Bond (CMB) Program classified as fair value through profit or loss:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Government and government guaranteed securities	**$ 128,510**	$ 41,489	$ 101,919
Assets acquired under reverse repurchase agreements	**490**	3,179	-
Fair value	**$ 129,000**	$ 44,668	$ 101,919
Amortized cost	**$ 127,854**	$ 40,571	$ 101,022

Reinvestment assets under the CMB Program classified as available-for-sale:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Government and government guaranteed securities	**$ 74,588**	$ 39,431	$ 63,227
Fair value	**$ 74,588**	$ 39,431	$ 63,227
Amortized cost	**$ 73,950**	$ 38,786	$ 62,522
Fair value of total reinvestment assets under the CMB Program	**$ 203,588**	$ 84,099	$ 165,146

5. Derivative instruments

The following tables summarize the fair value of derivative assets and liabilities:

(Thousands of dollars)	Mar 31 2016 Asset	Mar 31 2016 Liability	Mar 31 2015 Asset	Mar 31 2015 Liability	Dec 31 2015 Asset	Dec 31 2015 Liability
Interest rate contracts						
Bond forwards	**$ 133**	**$ 132**	$ 45	$ -	$ 299	$ 147
Futures contracts	**263**	**21**	89	24	118	137
Swap contracts	**244,421**	**257,288**	259,473	312,152	238,348	252,275
Options purchased	**-**	**-**	827	-	-	-
Options written	**-**	**-**	-	827	-	-
	244,817	**257,441**	260,434	313,003	238,765	252,559
Foreign exchange contracts						
Forward contracts	**4,690**	**4,826**	2,199	2,288	5,105	5,485
Other						
Equity index-linked options	**9,329**	**9,329**	15,805	15,805	8,287	8,287
Total fair value before adjustment	**258,836**	**271,596**	278,438	331,096	252,157	266,331
Adjustment for master netting agreements	**(140,168)**	**(140,168)**	(179,601)	(179,601)	(135,526)	(135,526)
Fair value	**$ 118,668**	**$ 131,428**	$ 98,837	$ 151,495	$ 116,631	$ 130,805

The amounts that have been pledged and received as collateral are $20.3 million and $35.8 million, respectively, as at March 31, 2016.

All derivatives are traded over-the-counter except for futures which are exchange traded.

Hedge accounting

Central 1 uses interest rate swaps to hedge its exposure to changes in the fair values of select commercial loans which are at risk of changes in market interest rates. Interest rate swaps are matched to specific commercial loans. Central 1 has elected to adopt hedge accounting in respect of the swap and the loans.

The fair values of derivatives designated as fair value hedges are as follows:

(Thousands of dollars)	Mar 31 2016 Asset	Mar 31 2016 Liability	Mar 31 2015 Asset	Mar 31 2015 Liability	Dec 31 2015 Asset	Dec 31 2015 Liability
Interest rate contracts	**$ -**	**$ (2,188)**	$ -	$ -	$ 421	$ -

Fair value hedges are recorded at fair value and the commercial loans that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged (fair value hedge adjustment). To the extent that the change in the fair value of the derivative does not offset changes in the fair value of the hedged item (hedge ineffectiveness), the net amount is recorded directly in the Interim Consolidated Statements of Profit.

The following table presents the impact of fair value hedges on profit:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015
Change in fair value on hedging derivatives	**$ (2,609)**	$ -
Fair value hedge adjustment	**2,625**	-
Hedge ineffectiveness recorded in profit	**$ 16**	$ -

6. Loans

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Due on demand			
Credit unions	$ **96,492**	$ 49,832	$ 16,290
Commercial and others	**9,050**	20,093	3,263
	105,542	69,925	19,553
Term			
Credit unions	**351,358**	284,350	767,800
Commercial and others	**563,560**	229,056	531,388
Reverse repurchase agreements	**64,127**	279,376	48,880
Officers and employees	**9,533**	11,571	9,441
Residential mortgages	**128,208**	10,847	97,995
	1,116,786	815,200	1,455,504
	1,222,328	885,125	1,475,057
Accrued interest	**4,046**	717	1,285
Premium	**15,217**	64	14,998
	1,241,591	885,906	1,491,340
Allowance for credit losses	**(533)**	(689)	(501)
Amortized cost	$ **1,241,058**	$ 885,217	$ 1,490,839

Loans to officers and employees bear interest at rates varying from 2.49% to 2.75%.

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

(Thousands of dollars)	Specific Allowance	Collective Allowance	Mar 31 2016	Mar 31 2015	Dec 31 2015
Balance at beginning of period	$ **408**	$ **93**	$ **501**	$ 664	$ 664
Net write-offs (recovery) during the period	**-**	**-**	**-**	14	(77)
Provision (recovery) for credit losses	**-**	**32**	**32**	11	(86)
Balance at end of period	$ **408**	$ **125**	$ **533**	$ 689	$ 501

7. Other assets

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Settlements in-transit	$ **163,341**	$ 435,935	$ 427,167
Investment property	**1,370**	3,401	1,431
Prepaid expenses	**7,294**	5,394	4,581
Post-employment benefits	**3,272**	3,255	3,306
Accounts receivable and other	**9,725**	5,962	4,472
	$ **185,002**	$ 453,947	$ 440,957

8. Deposits

The contractual maturity dates of deposits designated as trading are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amounts			
Due within three months	**$ 1,453,066**	$ 1,387,999	$ 1,987,607
Due after three months and within one year	**1,840,401**	1,348,366	1,620,371
Due after one year and within five years	**3,943,260**	3,000,781	3,858,176
Due after five years	**1,320**	666	11,970
	7,238,047	5,737,812	7,478,124
Accrued interest	**35,323**	28,925	33,641
Amortized cost	**$ 7,273,370**	$ 5,766,737	$ 7,511,765
Fair value	**$ 7,317,249**	$ 5,822,266	$ 7,546,745

Deposits held at amortized cost are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amounts			
Due on demand	**$ 1,372,942**	$ 1,388,633	$ 1,371,545
Due within three months	**237,489**	300,491	431,726
Due after three months and within one year	**987,982**	697,181	922,457
Due after one year and within five years	**508,099**	917,321	510,816
Due after five years	**367**	-	1,000
	3,106,879	3,303,626	3,237,544
Accrued interest	**10,681**	17,158	12,492
Amortized cost	**$ 3,117,560**	$ 3,320,784	$ 3,250,036

9. Obligations related to securities sold short

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amortized cost	**$ 29,959**	$ 85,887	$ 29,350
Fair value	**$ 30,005**	$ 86,176	$ 29,415

10. Significant funding transactions

Debt securities issued

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amounts			
Due within three months	**$ 500,368**	$ 999,484	$ 320,863
Due after three months and within one year	**349,481**	-	454,004
Due after one year and within five years	**299,532**	598,592	299,461
	1,149,381	1,598,076	1,074,328
Accrued interest	**1,027**	1,835	1,016
Amortized cost	**$ 1,150,408**	$ 1,599,911	$ 1,075,344

Central 1 has established $51.0 million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At March 31, 2016, March 31, 2015, and December 31, 2015, there were no amounts drawn against these facilities.

Central 1 is authorized to issue up to $750.0 million in short-term commercial paper and up to $1.5 billion in other borrowings which includes Central 1's medium-term note facility. At March 31, 2016, a par value of $550.7 million was borrowed under the short-term commercial paper facility (March 31, 2015 - $700.0 million, December 31, 2015 - $476.0 million) and a par value of $600.0 million was borrowed under the medium-term note facility (March 31, 2015 - $900.0 million, December 31, 2015 - $600.0 million).

Obligations under the CMB Program

Central 1 has recognized its obligations to CHT under the CMB Program at fair value in the Interim Consolidated Statements of Financial Position. The contractual maturity dates of these obligations are indicated below.

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amounts			
Due after one year and within five years	**$ 1,041,898**	$ 584,034	$ 970,329
Due after five years	**-**	188,304	-
	1,041,898	772,338	970,329
Accrued interest	**4,193**	5,723	733
Amortized cost	**$ 1,046,091**	$ 778,061	$ 971,062
Fair value	**$ 1,066,864**	$ 799,497	$ 989,611

The underlying assets which are designated to offset these obligations are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Total reinvestment assets			
under the CMB Program (see Note 4)	**$ 203,588**	$ 84,099	$ 165,146
Assets recognized as securities (see Note 4)	**791,145**	712,757	822,051
Fair value	**$ 994,733**	$ 796,856	$ 987,197

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Assets recognized in loans			
Amortized cost	**$ 65,430**	$ -	$ -

Securities under repurchase agreements

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Amounts under the CMB Program	**$ 159,727**	$ 122,456	$ 170,325
Other	**-**	-	50,886
Amortized cost	**$ 159,727**	$ 122,456	$ 221,211

11. Subordinated liabilities

The following table summarizes the amount of subordinated liabilities outstanding at each period end:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Series 3	**$ 18,000**	$ 18,000	$ 18,000
Series 4	**200,000**	200,000	200,000
Principal amount	**218,000**	218,000	218,000
Discount	**(768)**	(1,464)	(824)
Accrued interest	**2,516**	2,519	1,071
Amortized cost	**$ 219,748**	$ 219,055	$ 218,247

On July 6, 2011, Central 1 issued $18.0 million principal amount of Series 3 subordinated notes due July 6, 2021. The notes bear interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 6, 2016, and Central 1 has the option to redeem the outstanding notes in whole or in part on or after July 6, 2016, subject to regulatory approval.

On April 25, 2014, Central 1 issued $200.0 million principal amount of Series 4 subordinated notes due April 25, 2024. The notes bear interest at a fixed rate of 2.89% until, but excluding April 25, 2019, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 0.81%. Central 1 has the option to redeem the notes on or after April 25, 2019, subject to regulatory approval.

12. Other liabilities

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Settlements in-transit	**$ 370,481**	$ 447,261	$ 432,913
Post-employment benefits	**22,868**	25,185	22,828
Short-term employee benefits	**8,304**	8,020	5,449
Dividends payable	**2,298**	8,099	14,428
Unearned insurance premiums	**815**	812	1,343
Accounts payable and other	**11,486**	12,309	12,334
	$ 416,252	$ 501,686	$ 489,295

13. Share capital

Central 1 may issue an unlimited number of Class "A", "B", "C", "D", and "E" shares and may, at its option and with 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, all shares participate equally in the surplus of Central 1, except that the amount paid to a member in respect of Class E shares held by that member shall not exceed $100 per Class E share.

The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of the British Columbia credit union system and the Ontario credit union system. This allocation is adjusted periodically to reflect changes in credit union assets. On matters concerning Central 1's role as a trade association, Class A members are entitled to one vote for every 100 of their members. Each Class B or C shareholder has one vote on certain issues.

The numbers of shares issued are as follows:

(Thousands of shares)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Class A – credit unions			
Balance at beginning of period	**370,952**	333,074	333,074
Issued during the period	**-**	-	38,000
Redeemed during the period	**-**	(112)	(122)
Balance at end of period	**370,952**	332,962	370,952
Class B – co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C – other			
Balance at beginning and end of period	**7**	7	7
Class E – credit unions			
Balance at beginning of period	**3,157**	3,158	3,158
Redeemed during the period	**-**	(1)	(1)
Balance at end of period	**3,157**	3,157	3,157

The amounts outstanding are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Outstanding $1 par value shares			
Class A – credit unions	**$ 370,952**	$ 332,962	$ 370,952
Class B – cooperatives	**5**	5	5
Class C – other	**7**	7	7
Outstanding $0.01 par value shares			
Class E – credit unions	**32**	32	32
	$ 370,996	$ 333,006	$ 370,996

The dividend amounts are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Dividend payable, balance at beginning of period	**$ 14,428**	$ 22,448	$ 22,448
Declared during the period	**2,298**	8,099	14,428
Paid during the period	**(14,428)**	(22,448)	(22,448)
Dividend payable, balance at end of period	**$ 2,298**	$ 8,099	$ 14,428

14. Gain (loss) on disposal of financial instruments

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

(Thousands of dollars)	Mar 31 2016	Mar 31 2015
Net gain on disposal of trading assets	**$ 3,484**	$ 19,269
Net gain on disposal of investment securities	**2,788**	6,803
Net loss on disposal of derivative instruments	**(6,054)**	(13,825)
Net loss on disposal of deposits designated as trading	**(1,618)**	(2,503)
Net gain (loss) on disposal of obligations related to securities sold short	**120**	(5,736)
	$ (1,280)	$ 4,008

15. Change in fair value of financial instruments

(Thousands of dollars)	Mar 31 2016	Mar 31 2015
Trading assets	**$ 6,776**	$ 48,016
Activities under the CMB Program		
Reinvestment assets	**227**	559
Derivative instruments	**2,579**	3,070
Obligations under the CMB Program	**(2,173)**	(13,537)
Derivative instruments	**3,728**	966
Trading liabilities		
Deposits designated as trading	**(8,897)**	(33,004)
Obligations related to securities sold short	**19**	630
	$ 2,259	$ 6,700

16. Other income

(Thousands of dollars)	Mar 31 2016	Mar 31 2015
Digital & Payment Services		
Payment processing and other fees	**$ 12,228**	$ 11,467
Direct banking fees	**6,921**	6,926
Treasury Related Services		
Treasury services and foreign exchange income	**1,095**	1,297
Lending fees	**2,728**	1,945
Trust services	**512**	516
Membership dues and provincial advertising assessment	**3,219**	3,078
Trade and Other Services		
Product compliance services	**393**	389
Property rents	**146**	279
Risk solutions services	**261**	317
Marketing and research programs	**431**	445
Employee benefits and retirement services	**102**	352
Other	**466**	596
Equity interest in affiliates	**2,733**	441
Income from investees	**510**	43
Insurance premiums and assessments	**529**	524
	$ 32,274	$ 28,615

17. Other administrative expenses

(Thousands of dollars)		Mar 31 2016		Mar 31 2015
Cost of sales and services	**$**	**2,734**	$	2,678
Cost of payments processing		**3,917**		4,041
Insurance claims and premiums		**291**		199
Management information services		**2,335**		1,544
Business development projects		**230**		202
Professional fees		**1,830**		1,364
Other		**2,182**		2,015
	$	**13,519**	$	12,043

18. Segment information

For management reporting purposes, Central 1's operations and activities are organized around four key business segments: Mandatory Liquidity Pool (MLP), Wholesale Financial Services (WFS), Digital & Payment Services and Trade Services. Activities or transactions which do not relate directly to these four business segments are reported in "Other".

A description of each business segment is as follows:

Mandatory Liquidity Pool

The MLP is responsible for providing extraordinary liquidity to the credit union systems in the event of a liquidity crisis. The pool is funded by the mandatory deposits of member credit unions, either by liquidity lock-in agreement or by statute. Central 1 manages the pool within the regulatory constraints and leverages its economies of scale to reduce costs associated with the pool. Assets held in the pool remain highly liquid in order to ensure immediate access to funds. Members receive a return on their deposits in the form of both interest and dividends which in aggregate equals to the return on the liquidity portfolio after expenses.

Wholesale Financial Services

The WFS supports the structural and tactical liquidity needs of member credit unions in pursuit of regular, day-to-day business objectives. The segment is funded by Class A members' non-mandatory deposits augmented by capital market funding and deposits from non-Class A members.

Centralized liquidity and funding services are concerned with managing the funds and fostering the system's growth, which involves credit unions lending and access to securitization vehicles, allowing members to take advantage of Central 1's strong financial ratings, industry expertise and access to the capital markets for short and long term funding. WFS also supports the short term liquidity requirement for the Digital & Payment Services segment. Central 1 also provides foreign exchange services, derivative capabilities and other ancillary treasury services under the WFS segment.

Digital & Payment Services

Digital & Payment Services represent the payment and settlement operations, network access, direct banking and the Group Clearer functions. Payment and settlement operations encompass processing paper items and electronic transactions such as automated funds transfer and bill payments on behalf of member credit unions. Central 1 also provides other payment services, including domestic and foreign wire transfers and *Interac* e-Transfers® within this segment. Network access operations works with key stakeholders to proactively plan and implement Canadian Payments Association (CPA) policy and change initiatives, procedures and/or technology changes.

Under the *MemberDirect®* brand, Central 1 develops and delivers direct banking products, which include online, mobile and phone banking, not only for member credit unions in British Columbia and Ontario but also for credit unions and other financial institutions across the country. *MemberDirect®* Services provides credit unions with personal electronic banking services that are, in turn, offered to individual retail members and business-to-business products for small and medium-size enterprises.

Central 1 is a Group Clearer under the rules of the CPA, a Large Value Transfer System (LVTS) participant, and acts as the credit union systems' financial institution connection to the Canadian payments system.

Trade Services

In other aspects of its trade association role, Central 1's services to its members include operational support, marketing and creative services, economics, compliance, risk management, communications, strategic and people solutions tailored to the needs of member credit unions. These value-added services give member credit unions access to a wealth of expertise, while remaining affordable through economies of scale.

Other

Other segment comprises enterprise level activities, which are not allocated to these four business segments, such as consolidation adjustments and corporate support functions. Corporate level tax items and charges associated with unattributed capital are included in corporate support functions. Central 1's investments in equity shares of system-related entities other than the wholly owned subsidiaries as described in Note 22, together with other assets and liabilities not allocated to the four business segments, are also included in the Other segment.

Central 1's investment in Credit Union Central of Canada (CUCC), previously included under Trade Services, was reported in the Other segment as at March 31, 2016.

Management reporting framework

Central 1's management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way the business segments are managed. This approach is intended to ensure that the business segments' results reflect all relevant revenue and expenses associated with the conduct of their businesses. Management regularly monitors these segments' results for the purpose of making decisions about resource allocation and performance assessment. These items do not impact the consolidated results.

The expenses in each business segment may include cost of services incurred directly as well as attributed corporate costs. For other costs not directly attributable to one of the business segments, a management reporting framework that uses assumptions, estimates and methodologies for allocating overhead costs and indirect expenses to each of the business segments is used. The management reporting framework assists in the attribution of capital and the transfer pricing of funds to the business segments in a manner that fairly and consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Central 1 does not have any inter-segment revenue between business segments. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. All other corporate level activities that are not allocated to the four business segments are reported under the other segment.

Basis of presentation

The accounting policies used to prepare these segments are consistent with those followed in the preparation of Central 1's Interim Consolidated Financial Statements as described in Note 3.

Periodically, certain business lines and units are transferred among business segments to closely align Central 1's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current period presentation.

Results by segment

The following table summarizes the segment results for the three months ended March 31, 2016:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 4,354	$ 8,037	$ (53)	$ 68	$ (1,046)	$ 11,360
Other income	(187)	4,075	19,150	3,800	5,436	32,274
Net financial and other income	4,167	12,112	19,097	3,868	4,390	43,634
Operating expenses	1,869	4,820	19,025	4,029	4,517	34,260
Profit (loss) before income taxes	2,298	7,292	72	(161)	(127)	9,374
Income taxes (recoveries)	424	1,346	13	(30)	(871)	882
Profit (loss) for the period	$ 1,874	$ 5,946	$ 59	$ (131)	$ 744	$ 8,492
Total assets at Mar 31 2016	$7,392,704	$ 6,469,485	$ 499,820	$ 10,082	$ 239,484	$14,611,575
Total liabilities at Mar 31 2016	$6,940,832	$ 6,034,271	$ 476,034	$ (8,365)	$ 176,233	$13,619,005
Total equity at Mar 31 2016	$ 451,872	$ 435,214	$ 23,786	$ 18,447	$ 63,251	$ 992,570

The following table summarizes the segment results for the three months ended March 31, 2015:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 10,085	$ 6,641	$ (69)	$ 109	$ (1,074)	$ 15,692
Other income	(222)	3,464	18,393	3,969	3,011	28,615
Net financial and other income	9,863	10,105	18,324	4,078	1,937	44,307
Operating expenses	1,764	4,040	16,803	4,201	3,918	30,726
Profit (loss) before income taxes	8,099	6,065	1,521	(123)	(1,981)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,219	$ 1,272	$ 7	$ (1,892)	$ 11,378
Total assets at Mar 31 2015	$6,955,635	$ 5,685,219	$ 683,853	$ 20,421	$ 231,102	$13,576,230
Total liabilities at Mar 31 2015	$6,523,543	$ 5,246,882	$ 651,728	$ 590	$ 213,907	$12,636,650
Total equity at Mar 31 2015	$ 432,092	$ 438,337	$ 32,125	$ 19,831	$ 17,195	$ 939,580

19. Guarantees, commitments and contingencies

Central 1 is a Group Clearer under the rules of the CPA and acts as the credit union systems' financial institution connection to the Canadian payments system. Pursuant to a joint venture agreement, Central 1 provides payment services to the credit union centrals of Alberta, Manitoba, and Saskatchewan (collectively, the Prairie Centrals). Central 1 guarantees payment of payment items drawn on or payable by the Prairie Centrals and their member credit unions. Each of the Prairie Centrals in return provides Central 1 with a guarantee for those payments.

In the normal course of business, Central 1 enters into various off balance sheet credit instruments to meet the financing, credit and liquidity requirements of its member credit unions. These are in the form of commitments to extend credit, standby commitments, and performance guarantees.

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Commitments to extend credit	**$ 4,212,276**	$ 4,082,519	$ 3,857,075
Guarantees	**$ 727,000**	$ 279,000	$ 687,000
Standby letters of credit	**$ 158,544**	$ 213,624	$ 145,392
Mortgage purchase commitment	**$ -**	$ -	$ 16,066

Amounts utilized under these agreements for commitments, guarantees, and letter of credit, respectively, on March 31, 2016 are $34.9 million, $315.0 million and $89.1 million (March 31, 2015 - $32.5 million, $53.5 million and $213.6 million; December 31, 2015 - $29.6 million, $313.5 million and $86.7 million).

Central 1 is also 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.

Pledged assets

In the normal course of business, Central 1 pledges securities and other assets as collateral. A breakdown of encumbered assets pledged as collateral is provided in the following table. These transactions are conducted in accordance with standard terms and conditions for such transactions.

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Assets pledged to Bank of Canada & Direct Clearing Organizations(1)(2)	**$ 56,119**	$ 54,356	$ 56,653
Assets pledged in relation to:			
Derivative financial instrument transactions	**20,266**	48,448	17,787
Securities lending	**194,638**	39,257	100,759
Obligations under the CMB Program	**859,474**	715,656	824,951
Reinvestment assets under the CMB Program	**203,588**	84,099	165,146
Securities under repurchase agreements	**159,727**	120,966	221,174
	$ 1,493,812	$ 1,062,782	$ 1,386,470

(1) Includes assets pledged as collateral for LVTS activities.
(2) Central 1 also acts as a Group Clearer on behalf of certain other credit union centrals. These centrals are required to pledge securities in respect of their LVTS settlements. Central 1 administers the collateral on their behalf.

20. Financial instruments – Fair value

Certain financial instruments are recognized in the Interim Consolidated Statements of Financial Position at fair value. These include derivative instruments, trading assets, investment securities, deposits designated as trading, and instruments held under the CMB Program. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by unadjusted quoted prices in active markets. When there is no quoted price in an active market, valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs are used to derive the fair value.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received. 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, discount rates and use of appropriate benchmarks and spreads.

Financial instruments whose carrying value approximate fair value

Fair value is assumed to be equal to the carrying value for cash, loans due on demand classified as loans and receivables and deposits due on demand classified as other financial 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 1 discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. The fair values of debt securities issued and subordinated debt are determined by discounting remaining cash flows by reference to current market yields on similar instruments.

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

Central 1 measures fair value using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. 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: Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a 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.

Transfers into and out of Levels 1, 2, and 3 occur when there are changes to the relevant inputs which are consistent with the characteristics of the asset or liability. Transfers are recognized at the end of the reporting period.

The following tables present the fair value of Central 1's assets and liabilities classified in accordance with the fair value hierarchy:

(Millions of dollars) Mar 31 2016	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets						
Cash	$ -	$ -	$ -	$ -	$ 79.3	$ 79.3
Deposits with regulated financial institutions	-	-	-	-	5.8	5.8
Trading assets	-	7,618.3	-	7,618.3	-	7,618.3
Reinvestment assets under the CMB Program	-	203.6	-	203.6	-	203.6
Derivative assets	-	118.7	-	118.7	-	118.7
Loans	-	-	-	-	1,241.0	1,241.0
Investment securities	-	4,935.8	9.3	4,945.1	32.1	4,977.2
Current tax assets	-	-	-	-	3.6	3.6
Property and equipment	-	-	-	-	18.8	18.8
Intangible assets	-	-	-	-	21.7	21.7
Deferred tax assets	-	-	-	-	14.6	14.6
Investment in affiliates	-	-	-	-	124.0	124.0
Other assets	-	-	-	-	185.0	185.0
Total assets	$ -	$12,876.4	$ 9.3	$ 12,885.7	$ 1,725.9	$ 14,611.6
Liabilities						
Deposits designated as trading	$ -	$ 7,317.2	$ -	$ 7,317.2	$ -	$ 7,317.2
Obligations related to securities sold short	-	30.0	-	30.0	-	30.0
Derivative liabilities	-	131.4	-	131.4	-	131.4
Debt securities issued	-	-	-	-	1,150.4	1,150.4
Deposits	-	-	-	-	3,117.6	3,117.6
Obligations under the CMB Program	-	1,066.9	-	1,066.9	-	1,066.9
Subordinated liabilities	-	-	-	-	219.7	219.7
Provisions	-	-	-	-	1.9	1.9
Securities under repurchase agreements	-	-	-	-	159.7	159.7
Deferred tax liabilities	-	-	-	-	7.9	7.9
Other liabilities	-	-	-	-	416.3	416.3
Total liabilities	$ -	$ 8,545.5	$ -	$ 8,545.5	$ 5,073.5	$ 13,619.0
Net assets (liabilities)	**$ -**	**$ 4,330.9**	**$ 9.3**	**$ 4,340.2**	**$ (3,347.6)**	**$ 992.6**

[1] Amounts carried at amortized cost include financial instruments classified as loans and receivables or other financial liabilities.

There were no transfers of financial instruments between the different levels of the fair value hierarchy during the period.

(Millions of dollars) Mar 31 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost(1)	Total Carrying Value
Assets	$ -	$ 11,881.6	$ 9.2	$ 11,890.8	$ 1,685.4	$ 13,576.2
Liabilities	-	6,859.4	-	6,859.4	5,777.2	12,636.6
Net assets (liabilities)	$ -	$ 5,022.2	$ 9.2	$ 5,031.4	$ (4,091.8)	$ 939.6

(Millions of dollars) Dec 31 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost(1)	Total Carrying Value
Assets	$ -	$ 12,686.0	$ 9.3	$ 12,695.3	$ 2,253.7	$ 14,949.0
Liabilities	-	8,696.6	-	8,696.6	5,263.4	13,960.0
Net assets (liabilities)	$ -	$ 3,989.4	$ 9.3	$ 3,998.7	$ (3,009.7)	$ 989.0

The following tables present the change in fair value for financial instruments included in Level 3 of the fair value hierarchy:

(Millions of dollars)	Fair Value at Dec 31 2015	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Mar 31 2016
Equity shares	$ 9.3	$ -	$ -	$ -	$ -	$ 9.3
Net assets	$ 9.3	$ -	$ -	$ -	$ -	$ 9.3

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Mar 31 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2
Net assets	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Dec 31 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ 0.1	$ 9.3
Net assets	$ 9.2	$ -	$ -	$ -	$ 0.1	$ 9.3

The following table sets out the fair values of on-balance sheet and derivative instruments of Central 1 using the valuation methods and assumptions. Fair values have not been attributed to assets and liabilities that are not considered financial instruments, such as property and equipment.

	Fair Value		Carrying Value		Unrecognized Gain (Loss)	
(Millions of dollars)	Mar 31 2016	Mar 31 2015	Mar 31 2016	Mar 31 2015	Mar 31 2016	Mar 31 2015
Assets						
Cash	**$ 79.3**	$ 139.4	**$ 79.3**	$ 139.4	**$ -**	$ -
Deposits with regulated financial institutions[1]	**5.8**	6.2	**5.8**	6.2	**-**	-
Trading assets and Investment securities	**12,595.6**	11,740.0	**12,595.6**	11,740.0	**-**	-
Reinvestment assets under the CMB Program	**203.6**	84.1	**203.6**	84.1	**-**	-
Derivative assets	**118.7**	98.8	**118.7**	98.8	**-**	-
Loans[2]	**1,241.1**	885.3	**1,241.1**	885.2	**-**	0.1
Other assets	**367.6**	622.4	**367.6**	622.4	**-**	-
Liabilities						
Deposits designated as trading	**7,317.2**	5,822.3	**7,317.2**	5,822.3	**-**	-
Obligations related to securities sold short	**30.0**	86.2	**30.0**	86.2	**-**	-
Derivative liabilities	**131.4**	151.5	**131.4**	151.5	**-**	-
Debt securities issued[1]	**1,151.6**	1,602.5	**1,150.4**	1,599.9	**(1.2)**	(2.6)
Deposits[1]	**3,124.3**	3,341.3	**3,117.6**	3,320.8	**(6.7)**	(20.5)
Obligations under the CMB Program	**1,066.9**	799.5	**1,066.9**	799.5	**-**	-
Subordinated liabilities[1]	**221.2**	226.8	**219.7**	219.1	**(1.5)**	(7.7)
Securities under repurchase agreements	**159.7**	122.5	**159.7**	122.5	**-**	-
Other liabilities	**426.0**	515.0	**426.0**	515.0	**-**	-
Total					**$ (9.4)**	$ (30.7)

[1] Where the carrying values are at cost, the fair value calculations for these instruments are based on Level 2 inputs.
[2] Where the carrying values are at cost, the fair value calculations for these instruments are based on Level 3 inputs.

21. Capital management

Central 1's capital levels are regulated under federal guidelines issued by the Office of the Superintendent Financial Institutions (OSFI) and provincial regulations administered by the Financial Institutions Commission of British Columbia (FICOM). Pursuant to federal regulations, Central 1 is required to maintain a borrowing multiple, the ratio of deposit liabilities and other loans payable to total regulatory capital, of 20.0:1 or less.

FICOM's requirements are for Central 1 to maintain a federal borrowing multiple of no more than 16.0:1 for the MLP business line and no more than 14.0:1 for the WFS business line.

In order to ensure that Central 1 maintains regulatory capital sufficient to absorb sudden increases in borrowings or a reduction in capital due to mark-to-market fluctuations, Central 1 targets an operating borrowing multiple of 15.0:1 for the MLP business line and 12.0:1 for the WFS business line.

Provincial regulations in British Columbia, which apply to B.C. credit unions as well as to Central 1, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings generally parallel the methodology used by OSFI to regulate Canadian chartered banks. Provincial Legislation requires Central 1's total capital ratio, calculated by dividing regulatory capital by risk-weighted assets, to be no less than 8.0%. FICOM guidance requires Central 1's total capital ratio to be no less than 10.0%. Additionally, Central 1 must maintain a total capital ratio of at least 10.0% to enable member B.C. credit unions to risk-weight their deposits with Central 1 at 0.0%.

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

Central 1 was in compliance with all regulatory capital requirements throughout the periods ended March 31, 2016, March 31, 2015, and December 31, 2015.

On May 5, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017. This announcement follows the federal government's decision in 2014 to cease the joint supervision of provincial credit union centrals by OSFI.

22. Related party disclosures

Related parties of Central 1 include:

- Key management personnel and their close family members;
- Board of Directors and their close family members;
- Entities over which Central 1 has control or significant influence;
- Central 1's post-employment plans as described in Note 29 of the Annual Consolidated Financial Statements as at December 31, 2015.

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents.

Loans to key management personnel and their close family members are as follows:

(Thousands of dollars)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Mortgage loans outstanding at end of period	**$ 386**	$ 686	$ 389
Maximum mortgage loans outstanding during the period	**$ 389**	$ 692	$ 692

The mortgage loans key members of management personnel bears interest at the rate of 2.50% and is secured over property of the borrower. No impairment losses have been recorded against this balance during the periods and as at December 31, 2015.

The following table presents the compensation to key management personnel:

(Thousands of dollars)		Mar 31 2016		Mar 31 2015
Salaries and short-term employee benefits	**$**	**738**	$	691
Post-employment benefits		**48**		55
Termination benefits		**115**		-
Other cash-based compensation		**-**		20
	$	**901**	$	766

In addition to their salaries, Central 1 also provides non-cash benefits to key management personnel and contributes to post-employment defined plans on their behalf.

Termination benefits represent amounts paid or payable, pursuant to contractual arrangements, to members of key management personnel who left or announced their intention to leave Central 1 during the period.

Other cash-based compensation includes relocation costs payable per contractual terms for certain executive officers.

Transactions with Board of Directors

During the period ended March 31, 2016, the members of Central 1's Board of Directors received aggregate remuneration of $129 thousand (March 31, 2015 - $146 thousand).

Significant subsidiaries

(% of ownership of common shares outstanding)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Central 1 Trust Company	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%

Subject to the approval of its Board of Directors, CUPP Services Ltd. may declare patronage dividends to distribute some, or all, of its excess of revenue over expenditures during the period.

Central 1's other subsidiaries represent less than 1.0% of Central 1's consolidated assets, revenue and profit before income taxes.

Transactions with subsidiaries are eliminated on consolidation, and are not disclosed as related party transactions.

Investments in affiliates

Central 1 uses the equity method of accounting to record its interests in the following entities over which Central 1 has significant influence:

(% of direct ownership of common shares outstanding)	Mar 31 2016	Mar 31 2015	Dec 31 2015
Credential Financial Inc.	**26%**	26%	26%
Credit Union Central of Canada	**-%**	51%	52%
The CUMIS Group Limited	**27%**	27%	27%
189286 Canada Inc.	**52%**	-%	-%

Central 1 has indirect ownership of shares of certain affiliates through investments in other companies.

In January 2016 CUCC continued its transition to become the national trade association for credit unions. CUCC has been restructured and its trade association assets and liabilities have been transferred to Canadian Credit Union Association (CCUA). Central 1 does not have significant influence over CCUA.

CUCC's remaining assets and liabilities are now held by 189286 Canada Inc. and Central 1 now owns 52% of 189286 Canada Inc.'s common voting shares. Among a total of five directors, one director from Central 1 was appointed to the Board of 189286 Canada Inc. Central 1 has no control but significant influence over 189286 Canada Inc. and therefore uses the equity method to account for its investment in 189286 Canada Inc.

Substantial investments

Central 1 also has substantial investments in the following entities over which Central 1 does not have significant influence:

(% of direct ownership outstanding)	Mar 31 2016	Mar 31 2015	Dec 31 2015
The Co-operators Group Limited	**21%**	21%	21%
Northwest & Ethical Investments L.P.	**26%**	26%	26%

23. Proposed transaction

On December 18, 2014, Central 1, Concentra Financial Services Association and Credit Union Central of Saskatchewan signed a Memorandum of Understanding to explore opportunities to consolidate their trust services and wholesale financial business lines. The three organizations are investigating whether increasing the collective scale and market reach of their wholesale finance and trust services will provide enhanced levels of service and new solutions to the credit union system and improve credit unions' ability to compete with other financial institutions.