First Quarter Report 2014

REPORT TO MEMBERS

CENTRAL 1 REPORTS RESULTS FOR FIRST QUARTER OF 2014

First quarter highlights compared to the same period last year:

- Central 1's Profit for the period of $20.6 million, compared to a Profit of $21.4 million
- Central 1's Return on equity of 9.4%, compared to 10.6%
- Central 1's assets of $12.4 billion, down 14.5% from $14.5 billion
- B.C. system(1) Net operating income(2) of $79.2 million, versus $68.8 million
- B.C. system assets of $59.4 billion, up 3.5% from $57.4 billion
- Ontario system(3) Net operating income(2) of $47.4 million, versus $45.0 million
- Ontario system assets of $33.3 billion, up 6.6% from $31.3 billion

Central 1 recorded Net financial income of $27.5 million and Profit of $20.6 million during the first quarter, compared to Net financial income of $29.6 million and Profit of $21.4 million respectively, during the same period last year. Central 1's Other income was $27.6 million, an increase of $0.2 million over the same period last year, while Operating expenses decreased by $1.8 million to $31.3 million. Assets, at $12.4 billion, decreased 14.5% from $14.5 billion as at March 31, 2013.

At quarter-end, Central 1's borrowing multiple for federal capital adequacy purposes was 12.8:1, while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes was at 44.4%.

During the first quarter, the Financial Institutions Commission of British Columbia (FICOM) designated Central 1 as a domestic systemically important financial institution (D-SIFI) within the Canadian credit union system. D-SIFIs are financial institutions whose failure could cause significant disruption to the wider financial system and economic activity. The systemically-important identification gives regulatory authorities the flexibility to define the optimal supervisory framework for the financial institutions under their jurisdiction.

In connection with its 2014 budget, the federal government announced that it plans to consult with both the provinces and the industry on a plan for eliminate joint supervision of provincial credit union centrals by the Office of the Superintendent of Financial Institutions (OSFI).

The Canadian economy continued to grow modestly in the first quarter of 2014. Demand for Canadian exports remains sluggish reflecting slow economic growth internationally. The US Federal Reserve begun tapering its Quantitative Easing (QE) programs as the US economy showed signs of recovery at the end of 2013. However, inclement weather slowed the US economy in the first quarter of 2014, particularity the housing sector.

The Canadian economy is expected to pick up in the second half of the year, following anticipated growth in the US economy. Demand for Canadian exports will be aided by the lower Canadian dollar, which depreciated by four cents relative to the US dollar during the first quarter. There remain concerns that macro-economic events such as Russia's annexation of Crimea, will disrupt the US economic recovery.

Yields on Government of Canada debt instruments increased during the first quarter, particularly in the longer end of the yield curve. Credit spreads narrowed across most sectors as investors expect credit to continue to perform well with US economic growth picking up over 2014. Swap spreads widened in the first quarter reflecting low instances of new corporate debt issues in the Canadian market as some issuers found more attractive funding in overseas markets.

Moderate economic growth appears to have continued in British Columbia in the first quarter. The average level of employment increased 0.5% from the fourth quarter, seasonally adjusted, while the unemployment rate averaged 6.2%, down from 6.6%. The re-sale housing market held steady in the first quarter, with seasonally adjusted unit sales down 2.0% from the fourth quarter while the average sale price increased four per cent. Confidence among operators of small and medium enterprises (SME) held steady and readings indicate the economy was growing at potential.

Economic growth in Ontario appears to have stalled in the first quarter. The average level of employment was little changed from the fourth quarter, seasonally adjusted, while the unemployment rate averaged 7.4%, also little changed. The re-sale housing market slowed in the first quarter, with seasonally adjusted unit sales down 8.0 % from the fourth quarter and average sale price up one per cent. The latest reading of SME business confidence suggests real GDP growth remained well below potential and slowed in the first quarter.

The B.C. system earned $79.2 million before taxes, dividends, patronage refunds, charitable donations, capital gains and other comprehensive income in the first quarter of 2014, up 15.1% from the $68.8 million earned during the same period in 2013. Combined assets of the B.C. system rose 3.5%, year-over-year, to reach $59.4 billion at the end of the first quarter.

The Ontario system earned $47.4 million before taxes, dividends, patronage refunds and extraordinary items in the first quarter, up from the $45.0 million during the same period in 2013. Combined assets of the Ontario system increased 6.6%, year-over-year, to reach $33.32 billion at quarter-end. Excluding new entrant Airline Financial, assets increased 6.5% to $32.28 billion.

(1) These documents include statements about the credit union system in British Columbia, referred to as the B.C. system. B.C. system financial information has been provided by FICOM, which makes available reports on information provided by British Columbia credit unions. Central 1 has no means of verifying the accuracy of information provided by credit unions to FICOM or FICOM's subsequent compilation of that information. Reference to system information should be interpreted in this context.

(2) System Net operating income is equivalent to income from recurring operations and does not include extraordinary items, patronage dividends or income taxes.

(3) These documents include statements about Central 1's member credit unions in Ontario, collectively referred to as the Ontario system. Ontario system financial information has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available reports on information provided by Ontario credit unions. Central 1 has no means of verifying the accuracy of information provided by credit unions to DICO or DICO's subsequent compilation of that information. Reference to system information should be interpreted in this context.

Management's Discussion and Analysis as at March 31, 2014

This portion of the Report to Members updates Central 1 Credit Union's ("Central 1") Management's Discussion and Analysis (MD&A) for the year ended December 31, 2013, and provides a discussion and analysis of Central 1's financial condition and results of operations for the three month period ended March 31, 2014 compared to the corresponding periods in the preceding fiscal year. Additional information on Central 1, including its Annual Information Form, may be found on SEDAR at www.sedar.com.

Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with Central 1's basis of preparation and its accounting policies as contained in Notes 2 and 3 of Central 1's interim consolidated financial statements for the three month ended March 31, 2014 which may be found on SEDAR at www.sedar.com.

As a D-SIFI, Central 1 is required to hold additional liquidity and capital buffers to increase Central 1's ability to absorb shocks from potential financial and economic stresses. Upon designating Central 1 as D-SIFI, FICOM implemented new liquidity restrictions on Central 1's securities within the Mandatory Reserve Pool (MRP) which are described under the Cash and Securities Section below. FICOM has also implemented additional capital requirements for Central 1's MRP and Excess Liquidity Pool (ELP) business lines which are described in the Capital Resources section of this MD&A.

Central 1 is considering to apply to the relevant Canadian securities regulators to cease to be a reporting issuer under Canadian securities legislation. As a result, Central 1 could cease to be a reporting issuer prior to the maturity of some of Central 1's publicly issued debt instruments in which case holders of the instruments may not have access to publicly filed continuous disclosure documents relating to Central 1 during the whole time period when the instruments are outstanding. However, Central 1 will continue to file its quarterly and audited annual statements on its website should it cease to become a reporting issuer.

Caution Regarding Forward-Looking Statements

From time to time, Central 1 makes written forward looking statements, including in this Report to Members, 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" and similar expressions of future or conditional verbs such as "will", "may", "should", "could" or "would".

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 not to 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 credit, market, liquidity and funding, operational, legal and regulatory compliance, insurance, reputation and strategic 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 applicable securities legislation.

Additional information about these and other factors can be found in the Overview section of our 2013 Annual Report and in the Risk Management section of this First Quarter 2014 Report to Members.

Overall Performance and Interim Financial Condition

During the first quarter of 2014, Central 1 recorded Profit of $20.6 million or 6.7 cents per share, compared to Profit of $21.4 million or 7.4 cents per share last year.

Net financial income was $27.5 million, down from $29.6 million posted in the first quarter of 2013.

Equity markets entered 2014 on a high and closed at a record high after giving almost 30% in 2013. Interest rates on five year US Treasuries rose by 1% over the year as the Federal Reserve began tapering its QE programs giving a nod to improving labour market conditions and GDP growth.

The Government of Canada yield curve steepened during the quarter as yields on longer date securities increased while short term yields remained largely unchanged. Credit spreads narrowed across most sectors as investors continue to expect to perform well as the US economy picks up later in the year. During the quarter, swap spread widened reflecting low instances of new Canadian corporate debt issues.

These market developments had a net favorable impact on Central 1's Net financial income for the quarter. Central 1 had realized gains of $15.1 million and unrealized gains of $4.9 million resulting in a net gain of $20.0 million during the first quarter, compared to a net gain of $21.8 million the previous year. Further information is included in notes 20 and 21 of the interim consolidated financial statements.

Interest margin for the quarter was $7.5 million, down from $7.8 million during the three months ended March 31, 2013. The overall liquidity of Central 1's investment holdings has improved over the past year as Central 1 transitions its investment holdings to meet OSFI's Liquidity Adequacy Requirements. This transition has resulted in Central 1 holding a larger proportion of government-issued securities than it held a year ago as identified in Figure 2 below.

Despite reduced risk exposures in the MRP and ELP, both portfolios turned in strong performances over the first quarter of 2014. The portfolios benefitted from mark-to-market gains on narrowing credit spreads on Provincial, Canada Mortgage and high-grade corporate bonds. Additionally, the portfolios realized gains on corporate and provincial bonds purchased when government rates and credit spreads were significantly higher. Central 1 unwound asset swaps on select securities in the ELP taking advantage of widening swap spreads and tightening credit spreads.

Other income of $27.6 million for the quarter was up marginally compared to the $27.4 million reported in the first quarter of 2013. Note 24 of Central 1's interim consolidated financial statements provides details of the income earned in Central 1's various operating areas.

Quarterly Operating expenses were $31.3 million, down from the $33.1 million reported in the first quarter of 2013. Salaries and employee benefits decreased from $20.5 million in the first quarter of 2013 to $17.9 million in the first quarter of 2014. The current quarter included a $1.0 million accrual for amounts payable pursuant to a contractual agreement with one member of Central 1's executive team who announced he will be leaving the organization at the end of 2014. Included in salaries and employee benefits in the first quarter of 2013 were restructuring charges totaling $4.9 million.

Central 1's capital ratios remain well within statutory limits. Central 1's borrowing multiple decreased from 13.1:1 at December 31, 2013 to 12.8:1 at quarter-end, reflecting both a decrease in borrowings and a higher level of retained earnings. At the quarter-end, Central 1's provincial risk-weighted capital ratio was 44.4% compared to 47.1% at December 31, 2013.

B.C. System

B.C. system net operating income for the first quarter was $79.2 million, compared to $68.8 million for the first quarter of 2013. Net interest income increased $10.6 million on higher interest income and lower interest expense. Non-interest income increased $0.9 million, but that increase was more than offset by non-interest expenses which increased $1.2 million over the first quarter of 2013.

Aggregate net loans increased by 3.9% year-over-year to reach $51.1 billion. Deposits increased 4.2% to $52.8 billion. Asset growth was mainly in personal and commercial mortgages which grew by 3.3% and 5.9% respectively. Deposit growth was mainly in non-registered demand deposits which increased 7.6%.

The system's rate of loan delinquencies over 90 days was 0.44% of total loans at the end of March, down five basis points year-over-year. Provision for credit losses as a percentage of loans was 0.32%, down four basis points. The system's loan loss expense ratio was 0.07% annualized in the first quarter, down from 0.1 % in the first quarter last year.

The B.C. system's regulatory risk-weighted capital ratio was 14.93% at the end of March, up from 13.85% a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 12.80% of deposit and debt liabilities, down from 13.00% a year ago.

Ontario System

The Ontario system's earnings before taxes, dividends and patronage refunds and extraordinary items was $47.4 million in the first quarter, up from $45.0 million in the first quarter of 2013. Excluding the new entrant, net operating income was $47.4 million as well. Financial margin increased $10.5 million as loan growth outweighed a slightly narrower spread. Meanwhile non-financial expenses increased $10.7 million, due mostly to salaries and benefits.

Ontario system net loans increased 9.8% year-over-year to reach $28.73 billion. Excluding the new entrant, loans increased 9.7% to $28.70 billion. Deposits climbed 5.1% to $28.19 billion. Excluding the new entrant, deposits increased 5.0% to $28.16 billion.

Asset growth was mainly in residential mortgages, up by 10.4% from a year ago, and commercial mortgages and loans which increased 11.1%. Liability growth was mainly in deposits, up 5.1% and borrowings, up 27.8%.

The system’s rate of loan delinquencies over 90 days was 0.58% of total loans at the end of the first quarter, up two basis points (bps) year-over-year. Provision for credit losses as a percentage of loans was 0.35% as of March 31, down three bps from a year earlier. The system’s loan loss expense ratio was 0.06% annualized in the first quarter, up one bps from the first quarter last year.

The Ontario system's regulatory risk-weighted capital ratio was 13.1% at the end of the first quarter, down 17 bps from a year earlier (Class 2 credit unions only). The regulatory liquidity ratio for the Ontario system, including that held by Central 1, was 11.0% as of March 31, down 204 bps from a year earlier.

Figure 1 - Selected Financial Information	**For the Three Months Ended**		
	March 31 2014	**March 31 2013**	**Change**
Earnings *($ millions)*			
Net financial income	$ 27.5	$ 29.6	$ (2.1)
Net financial and other income	55.1	57.7	(2.6)
Profit for the period	20.6	21.4	(0.8)
Weighted average shares outstanding *($ millions)*	307.2	291.4	15.8
Earnings per Share *(cents)*			
Basic	6.7	7.4	(0.7)
Fully diluted	6.7	7.4	(0.7)
Return on			
Average assets	0.7%	0.6%	0.1%
Average equity	9.4%	10.6%	(1.2%)
Balance Sheet Data *($ billions)*			
Total assets	$ 12.4	$ 14.5	$ (2.1)
Average assets	12.7	14.3	(1.6)
Long term financial liabilities	4.6	4.5	0.1
Regulatory Capital Ratios			
Tier 1 capital ratio	35.0%	31.2%	3.8%
Total capital ratio	44.4%	39.9%	4.5%
Borrowing multiple (times)	12.8	13.8	(1.0)
Share Information			
Outstanding $1 par value Shares *($ thousands)*			
Class A - credit unions	307,141	293,286	13,855
Class B - cooperatives	5	5	-
Class C - other	7	7	-
Outstanding $0.01 par value Shares with redemption value of $100 *($ thousands)*			
Class E - credit unions	32	32	-
Dividends per share (cents)			
Class "A"	3.97	1.07	2.90
Class "B" & "C"	0.34	0.34	-
Class "E"	-	-	-

On an annual basis, Central 1 distributes the earnings in the MRP to its Class A member as dividends on their Class A shares. Amounts accrued during the first quarter of 2014 represent the earnings of the MRP during that period. As the separation of investments in the MRP from the rest of Central 1's investment portfolio occurred during 2013 the earnings for the MRP in 2013 were based on the estimated earnings of the securities allocated to the MRP during the year.

Total Revenues

Net Financial Income

Central 1 recorded Net financial income of $27.5 million for the quarter (Figure 1, page 7), compared with net financial income of $29.6 million for the same period last year.

Interest margin decreased from $7.8 million in the first quarter of last year to $7.5 million this quarter as average assets decreased from $14.0 billion to $12.7 billion. As a percentage of average assets, Interest margin increased from 22.5 basis points in the first quarter of 2013 to 24.0 basis points in the first quarter of 2014.

During the quarter, Central 1 recorded net realized and unrealized gains of $20.0 million, compared to a net gain of $21.8 million in the first quarter of 2013. The narrowing of credit spreads across certain sectors compensated for the negative impact of higher interest rates on the valuation of the securities portfolio. Central 1 realized gains on the disposal of securities acquired during a period of wider credit spreads. On the derivatives portfolio, Central 1 realized losses in the quarter primarily from the restructuring of swapped asset positions, resulting in the migration of mark-to-market losses from unrealized to realized. Trading deposits were negatively impacted by the change in interest rates in the quarter.

Other Income

Other income of $27.6 million for the quarter was up slightly from the $27.4 million reported during the first quarter of 2013.

Central 1's Technology and Payments Services revenues increased from $15.7 million during the first quarter in 2013 to $16.4 million in the first quarter of 2014. Processing fees from paper and electronic payment increased over the prior year quarter by $0.6 million mainly due to higher processing volumes.

Foreign exchange income increased by $0.9 million from $0.8 million in the first quarter of 2013 to $1.7 million in the first quarter of 2014. Included in other income is Central 1's equity interest in affiliates which declined $0.7 million in the first quarter of 2014 compared to the same period a year ago. Marketing products and program revenues were up by $0.4 million due to increase in specific marketing programs in comparison to the first quarter of 2013.

Operating Expenses

Operating expenses reported in the first quarter of 2014 were $31.3 million compared with $33.1 million during the first quarter of 2013. Salaries and employee benefits expense of $17.9 million in the first quarter of 2014 was down from $20.5 million in the first quarter of 2013. The current quarter included an accrual of $1.0 million for amounts payable pursuant to a contractual agreement with one member of Central 1's executive team who announced he will be leaving the organization at the end of 2014. Salaries and employee benefits expense during the first quarter of 2013 included restructuring charges totalling $4.9 million.

After reflecting the impact of the non-recurring restructuring charges, salaries and employee benefit expenses increased from $28.2 million during the first quarter of 2013 to $30.3 million in the first quarter of 2014. This increase in costs year-over-year reflects an increase in staff complements in business lines such as Trade Services which correspond to increased revenues. The increase also reflects increased staffing in Central 1's corporate risk oversight functions as Central 1 continues to enhance its risk oversight capabilities.

Income Taxes

Central 1's combined federal and provincial statutory rate is 30.5%. Central 1's effective tax rate for the quarter was 13.5%, up from 12.9% in the first quarter of 2013.

The federal deduction available to credit unions which provides access to the preferential income tax rate for income that is not eligible for the small business deduction is being phased out over a five year period which began in 2013. The impact of the phasing out of the deduction will be mitigated to a large extent by the availability of a general rate reduction which Central 1 can apply to its active business income not benefitting from the credit union deduction.

During the first quarter of 2014 the Government of British Columbia announced that it will phase out the preferential tax treatment for B.C. credit unions over five years beginning in 2016. The impact of this change in the B.C. provincial income tax rates is expected to result in an increase in Central's future effective tax rate in future fiscal periods. The impact of this change in tax rates will depend on the timing of the recognition of income and expense items for tax purposes.

Statement of Financial Position

Cash and Securities

Cash and securities were $10.4 billion at period end. Of this amount, $0.2 billion represents reinvestment assets which are designated to offset obligations under the Canada Mortgage Bond (CMB) program. The remaining balance of $10.2 billion (Figure 2, page 10) comprises the MRP and ELP investment portfolios and represents 83.6% of Central 1's total assets, excluding reinvestment assets, compared to $10.1 billion and 78.9% a year ago.

The investment activity in Central 1's MRP and ELP over the past 12 months continued to be conservative with investments made primarily in Canadian government debt (federal and provincial) and in senior bank debt (Figure 2, page 10).

Investments in the MRP comprised primarily of high quality liquid assets that can be easily converted into cash at little or no loss of value, to be maintained under normal and stressed market conditions. Central 1 is in the process of transitioning its holdings in the MRP to ensure they will meet the criteria outlined in OSFI's Liquidity Adequacy Requirements and as a result of meeting OSFI's requirements, will also meet the collateral requirements under Bank of Canada's Standing Liquidity Facility.

FICOM also requires that the weighted average duration of the securities in the MRP be no greater than 1.0 and the use of derivatives in the MRP is prohibited. As these requirements have recently come into effect, Central 1 has been granted a transition period which ends in June, 2015 to bring the portfolio into compliance with these requirements.

Figure 2 - Mandatory and Excess Reserve Pools ($ millions - % total)

	31-Mar-14						31-Mar-13	
	MRP		ELP		TOTAL		TOTAL	
Government & Guarantees	$ 5,023.9		$ 953.2		$ 5,977.1		$ 4,116.9	
Cash	-		81.4		81.4		100.4	
	5,023.9	77.2%	1,034.6	28.2%	6,058.5	59.5%	4,217.3	417%
Corporate & Financial Institutions AA or Greater *	1,485.8	22.8%	$ 2,437.0	66.3%	3,922.8	38.5%	5,623.8	55.5%
Other	-	0.0%	203.1	5.5%	203.1	2.0%	283.3	2.8%
Total	$ 6,509.7	100.0%	$ 3,674.7	100.0%	$ 10,184.4	100.0%	$ 10,124.4	100.0%

* The credit ratings represent investment grade ratings provided by DBRS

Loans

Total loan balances decreased to $1.1 billion from $1.4 billion at the same time last year.

Figure 3 - Loans ($ millions)

	31-Mar-14	31-Mar-13	31-Dec-13
Loans to Credit Unions	$ 759.3	$ 1,016.2	$ 879.8
Non credit union loan facilities			
Syndicated commercial loans	173.5	170.7	168.2
Non syndicated commercial loans	21.5	21.8	16.4
Other loans	18.2	12.4	66.9
Mortgage pools	13.1	14.8	13.6
	226.3	219.7	265.1
Securities acquired under reverse repurchase agreements	68.6	210.4	12.2
	$ 1,054.2	$ 1,446.3	$ 1,157.1

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

Loans to member credit unions decreased to $0.8 billion from $1.0 billion at the same time last year. The amounts advanced under Central 1's non-credit union loan facilities as at March 31, 2014 was $226.3 million, up from $219.7 million in 2013, of which, commercial lending amounted to $195.0 million as at March 31, 2013, compared to $192.5 million a year ago. These loans represented 18.5% of Central 1's total loan portfolio at quarter-end, up from 13.3% a year ago. Meanwhile, securities acquired under reverse repurchase agreements saw a decrease from $210.4 million to $68.6 million as at March 31, 2014.

Borrowings

Figure 4 (page 11) summarizes Central 1's total Borrowings as at March 31, 2014 together with comparative numbers for the end of the first quarter of 2013.

Figure 4 - Borrowings ($ millions)

Debt securities issued at amortized cost ($ millions)	**31-Mar-14**	**31-Mar-13**	**31-Dec-13**
Commercial Paper issued	$ 576.4	$ 499.2	$ 527.2
Medium term notes issued	570.6	585.8	570.3
	1,147.0	1,085.0	1,097.5
Deposits and Trading Liabilities by type ($ millions)			
Mandatory Deposits	5,999.4	5,698.8	5,971.2
Non-Mandatory Deposits	1,845.4	2,815.0	1,879.2
Deposits from member credit unions	7,844.8	8,513.8	7,850.4
Others	602.2	637.3	716.1
	8,447.0	9,151.1	8,566.5
Securities under repurchase agreements	29.3	151.1	106.7
Total Borrowings	$ 9,623.3	$ 10,387.2	$ 9,770.7

Total Debt securities oustanding as at March 31, 2014 were $1.1 billion, essentially unchanged from a year ago. Of the total amount outstanding as at March 31, 2014, $0.6 billion was borrowed under Central 1's Medium Term Note facility and the remainder was borrowed through Central 1's Commercial Paper facility.

In aggregate, deposits from Central 1's member credit unions were $7.8 billion as at March 31, 2014, compared to $8.5 billion a year ago. Credit union mandatory deposits grew by $0.3 billion over the year, to reach $6.0 billion as at March 31, 2014, reflecting the growth of both the B.C. and the Ontario credit union systems during the same period. This was offset by a reduction in the excess deposits from credit unions of $1.0 billion over the past year.

Securitization Activities

As the senior rated entity in the credit union system and in the normal course of business, Central 1 is involved in loan securitizations on behalf of member credit unions.

Member credit unions have securitized these loans either indirectly or directly through Central 1 by creating Government of Canada National Housing Authority (NHA) Mortgage Backed Securities (MBS).

For indirect securitizations, Central 1 provides guarantees or acts as a swap counterparty to member credit unions but does not acquire legal title to the underlying mortgage assets. For direct securitizations, Central 1 purchases the underlying mortgages from member credit unions. Central 1 may retain the NHA MBS created in direct securitization transactions or sell them to Canada Housing Trust (CHT) under the CMB program.

Direct securitization transactions are accounted for on balance sheet while indirect securitizations are off balance sheet. Details of the balances included in the statement of financial position as at period end can be found in Notes 7, 11 and 16 of the interim consolidated financial statements.

Equity

The Statement of Changes in Equity summarizes the changes in equity for the three month period ended March 31, 2014. Central 1's equity increased by $10.7 million during the period to $887.1 million. The increase in equity can be attributed to the growth in retained earnings partially offset by decreases in the fair value reserve during the period. This is compared to an increase in equity of $35.6 million during the same period last year.

Summary of Quarterly Results

Central 1's financial results for each of the last eight most recently completed quarters are summarized in the accompanying table (Figure 5, page 13). Interest margin has generally declined quarter over quarter since mid-2011. Events in financial markets have resulted in a sustained period of low interest rates which has resulted in lower yields on both Central 1's interest bearing assets and its interest bearing liabilities.

Beginning in 2011 and continuing into 2013 Central 1 reduced the risk exposures in its investment portfolio which resulted in assets declining more than yields on liabilities over during that period. In the latter half of 2014, Central 1 began to transition the portfolio to meet the criteria in OSFI's Liquidity Adequacy Requirements. Central 1 is also transitioning the MRP to ensure that it meets the FICOM requirements which came into effect in 2014.

Gains and losses on disposal of financial instruments 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.

First Quarter 2014 Compared to Fourth Quarter 2013

Other income of $27.6 million in the current quarter was down from $34.1 million reported in the fourth quarter of 2013.

Central 1's Technology and Payments Services revenues were down from $18.8 million in the fourth quarter of 2013 to $16.4 million in the current quarter, primarily due to the completion of development efforts for various switching and debit card projects. Included in other income is equity interest in affiliates that declined by $0.9 million on weaker financial performance. Marketing products and program revenues were lower by $1.0 million in comparison to the fourth quarter of 2013 primarily due to the timing of specific marketing programs.

Operating Expenses

Operating expenses of $33.1 million reported in the fourth quarter of 2013 decreased to $31.3 million in the first quarter of 2014. Salaries and employee benefit expenses increased from $13.2 million in the prior quarter to $17.9 million at the end of the current quarter. The current quarter included a $1.0 million accrual of amounts payable pursuant to a contractual agreement with one member of Central 1's executive team who announced he will be leaving the organization at the end of 2014.

Within Technology and Payment Services salaries and employee benefit expenses increased from $7.7 million at the end of the fourth quarter of 2013 to $9.2 million at the end of the first quarter of 2014 related to the completion of several initiatives during the quarter, some of which had been planned for 2013 but were delayed.

The cost of Sales and services during the quarter were $2.8 million lower than the previous quarter primarily due to the specific marketing programs. Professional fees were down $2.1 million from the previous quarter as several one-time costs associated with implementing recommendations to enhance Central 1’s capital management and liquidity and funding risk management capabilities did no recur. Claims provision was up over the previous quarter by $0.7 million while premises and equipment, including depreciation was down $0.9 million from the previous quarter.

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

	2014/2013 Period Ended				2013/2012 Period Ended			
	30-Jun-13	**30-Sep-13**	**31-Dec-13**	**31-Mar-14**	**30-Jun-12**	**30-Sep-12**	**31-Dec-12**	**31-Mar-13**
Total interest income	$ 62,001	$ 54,159	$ 52,898	$ 48,873	$ 77,146	$ 74,791	$ 73,033	$ 64,398
Total interest expense	54,200	46,604	42,741	41,383	67,014	65,306	63,901	56,611
Interest margin	7,801	7,555	10,157	7,490	10,132	9,485	9,132	7,787
Gain (loss) on disposal of financial instruments	16,906	(4,157)	5,304	15,113	21,424	11,735	1,632	8,099
Changes in fair value of financial instruments	1,028	9,661	4,931	4,934	(27,212)	10,367	3,768	13,670
Recovery (provision) of credit losses	45	149	264	47	(553)	872	1,995	745
Other income	28,583	25,723	34,099	27,562	27,421	26,179	28,250	27,424
Operating expenses	(31,748)	(28,826)	(33,083)	(31,309)	(27,551)	(27,641)	(30,470)	(33,119)
Income taxes	(3,559)	(1,727)	(2,095)	(3,255)	(545)	(4,289)	(1,777)	(3,167)
Profit for the period	$ 19,056	$ 8,378	$ 19,577	$ 20,582	$ 3,116	$ 26,708	$ 12,530	$ 21,439
Weighted average shares outstanding (millions)	293.3	293.5	298.4	307.2	278.3	281.2	287.6	291.4
Earnings per share								
Basic *(cents)*	6.5	2.9	6.6	6.7	1.1	9.5	4.4	7.4
Diluted *(cents)*	6.5	2.9	6.6	6.7	1.1	9.5	4.4	7.4

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

Results by operating segment

The following table summarizes the segment results for the quarter ended March 31, 2014:

Results by segment

(Thousands of dollars)	For the quarter ended March 31, 2014				
	Mandatory Reserve Pool	Wholesale Financial Services	Trade Services	Other	Total
Net financial income, including recovery for credit losses	$ 13,919	$ 14,856	$ 149	$ (1,340)	$ 27,584
Other income	6	17,148	5,768	4,640	27,562
Net financial and other income	13,925	32,004	5,917	3,300	55,146
Net operating expenses	1,717	17,654	6,833	5,105	31,309
Profit (loss) before income taxes	12,208	14,350	(916)	(1,805)	23,837
Income taxes (recoveries)	1,904	2,239	(143)	(745)	3,255
Profit (loss) after income taxes	$ 10,304	$ 12,111	$ (773)	$ (1,060)	$ 20,582
Total assets at March 31, 2014	$ 6,731,037	$ 5,443,166	$ 23,670	$ 230,920	$ 12,428,793
Total liabilities at March 31, 2014	$ 6,325,869	$ 4,995,175	$ 3,028	$ 217,662	$ 11,541,734
Total equity at March 31, 2014	$ 405,168	$ 447,991	$ 20,642	$ 13,258	$ 887,059

As indicated in Note 24, Central 1’s operations and activities are organized around three key business segments: MRP, Wholesale Financial Services and Trade Services. Wholesale Financial Services includes the ERP business line as well as the Central 1’s Technology and

Payments Services profit centres. The Trade Services segment, which includes Central 1's insurance subsidiaries, delivers operational support, strategic consulting and research services tailored to the needs of member credit unions. All other operating activities, including Central 1's internal support functions, are included in 'Other' column above.

Capital allocated to Central 1's MRP business line includes Class A shares and a specified portion of retained earnings. Prior to 2014, Central 1 allocated capital to its non-MRP business lines on a notional basis based primarily on the regulatory capital required for each business line. Capital allocated to the MRP business line includes Central 1's Class A shares at the beginning of 2014 as indicated above.

Profit for the three months ended March 31, 2014 was $20.6 million. Through March 31, 2014 the MRP and Wholesale Financial Services segments had a combined profit of $22.4 million. Results in the MRP reflect realized and unrealized gains of $10.9 million while the ELP contains net realized and unrealized gains of $9.1 million. These gains reflect changes in financial markets, which remain volatile. Central 1 does not anticipate that that net gains will continue at this level in either the MRP or the ELP.

Central 1's Trade Services segment had a draw on margin of $0.8 million and Central 1's net expenses in the other segment were $1.1 million. This includes an accrual of $1.0 million for amounts payable pursuant to a contractual agreement with one member of Central 1's executive team who announced he will be leaving the organization at the end of 2014.

Capital Resources

Central 1 must ensure that it has sufficient regulatory capital to meet both its federal and provincial regulatory capital requirements. Federal regulations, which are applied to Central 1's consolidated statement of financial position, allow for a borrowing multiple of 20.0:1. Notwithstanding this federal requirement, FICOM has requires that Central 1 maintain a federal borrowing multiple of no more than 16.0:1 for the MRP business line and no more than 14.0:1 for the ELP business line.

Under provincial regulations, Central 1 is required to risk-weight its assets under a modified Bank for International Settlements (BIS) approach. FICOM's Internal Capital Target Guideline requires regulatory capital to be at least 10 per cent of risk-weighted assets to accommodate a buffer over the legislated 8 per cent risk-weighted asset requirement. This is consistent with the legislated 10 per cent risk-weighted asset requirements of Central 1 that permits B.C. credit unions to risk-weight their deposits with Central 1 at zero per cent.

Central 1's target range for its borrowing multiple is 12:1 to 15:1 (previously 14:1 to 17:1) and its level of Total Regulatory Capital as a percentage of Risk Weighted Assets is targeted to be in excess of 15%. This is to ensure that Central 1 has the capacity to absorb sudden increases in member deposits, an increase in external borrowings to meet member demand for loans from Central 1, and market volatility.

Figure 6a - Capital Targets

	31-Mar-14	31-Mar-13	31-Dec-13	Target	Regulatory Requirement
Total Regulatory Capital as % of Risk-Weighted Assets	44.4%	39.8%	47.1%	> 15%	> 10%
Borrowing Multiple - Consolidated	12.8:1	13.8:1	12.5:1	12.0:1 - 15.0:1	less than 20.0:1
Borrowing Multiple - MRP	16.1:1	N/A	15.4:1	14.0:1 - 15.5:1	less than 16.0:1
Borrowing Multiple - ELP	11.4:1	N/A	10.9:1	10.0:1 - 14.0:1	less than 14.0:1

Central 1's borrowing multiple for federal capital adequacy purposes was 12.8:1, down from 12.5:1 at December 2013 while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes decreased from 47.1% to 44.4% during the same period. The decrease in the borrowing multiple is primarily driven by the decrease in borrowings and the marginal increase in Retained earnings.

As at March 31, 2014 the federal borrowing multiple for Central 1's MRP business line was 16.1:1, which exceeds the FICOM requirement of 16.0:1. Central 1 has regularly scheduled semi-annual share calls in May and November of each year intended to increase its regulatory capital to reflect growth in credit union system assets. Prior to 2014, the Class A shares requested in Central 1's semi-annual share calls was determined in the context of Central 1's operating target range of 14:1 to 17:1. As the FICOM requirement came into effect early in 2014, FICOM granted Central 1 permission to temporarily exceed the 16.0:1 requirement until its next schedule share call.

Figure 6b - Capital Position ($ thousands)

	31-Mar-14	31-Mar-13	31-Dec-13
Share Capital	$ 307,185	$ 293,330	$ 307,185
Contributed Surplus	87,901	87,901	87,901
Retained Earnings	443,474	391,938	433,171
Less: Adjustments	(4,285)	(4,529)	(4,285)
Tier 1 Capital	834,275	768,640	823,972
Subordinated Debt	168,000	168,000	168,000
Add: Adjustments	4,285	4,529	4,285
Tier 2 Capital	172,285	172,529	172,285
Total Capital	1,006,560	941,169	996,257
Statutory Capital Adjustments	(150,205)	(148,217)	(151,827)
Capital Base	$ 856,355	$ 792,952	$ 844,430

Central 1's regulatory capital base for federal purposes is calculated in Figure 6b above. As at March 31, 2014, Central 1's federal Tier 1 Capital was $834.3 million and Total Capital before deductions was $1,006.6 million, compared to $768.6 million and $941.2 million, respectively, a year earlier. The increase in the Total Capital before deductions over the past year primarily reflects the growth in Retained earnings. The calculation of Central 1's capital base for provincial purposes is similar to the federal calculation.

On April 25, 2014, Central 1 issued $200 million principal amount of 2.89% 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 April 25, 2019, subject to regulatory approval. Both OSFI and FICOM have confirmed that these notes meet the criteria for inclusion in Tier 2 capital.

Risk management

This portion of the Report to Members should be read in conjunction with the Risk Management section of Central 1's MD&A for the year ended December 31, 2013.

Liquidity Risk

Liquidity risk is the risk of being unable to obtain funds at a reasonable price or within a reasonable time period to meet obligations as they come due. As manager of its own liquidity and that of its member credit unions, Central 1 is responsible for ensuring that managed assets are available to meet its own needs, together with those of the system. Central 1's liquidity risk has not changed significantly during the quarter.

Market Risk

Market risk refers to the risk of loss resulting from changes in market factors such as interest rates, foreign exchange rates and credit and swap spreads. 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. Market risk can have a direct impact on Central 1's earnings for those positions which are marked-to-market for accounting purposes.

Central 1's investment policy defines acceptable limits for interest rate risk. Those limits are based on the effects of +/- 200 basis point parallel shift in the yield curve. Such a yield curve shift must not result in more than a 25.0% decline in Interest margin from the base forecast over a 12 month horizon, while the maximum decline in the Fair Value of Net Assets cannot exceed 20.0%.

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

Interest Rate Sensitivity ($ thousands)

	MRP		ELP & OTHER	
	Interest Margin			
Before Tax Impact of:	Amount	Percentage of base forecast	Amount	Percentage of base forecast
200 bps increase in rates	$ 4,804	41.9%	$ (1,359)	(14.0%)
200 bps decrease in rates	$ (1,586)	(13.8%)	$ 1,422	14.6%
	Fair Value of Net Assets			
Before Tax Impact of:	Amount	Percentage of base forecast	Amount	Percentage of base forecast
200 bps increase in rates	$ 2,319	0.6%	$ (19,738)	(5.0%)
200 bps decrease in rates	$ (2,847)	(0.7%)	$ 14,398	3.7%

As at March 31, 2014, the interest margin for the MRP is very sensitive to interest rate movement and is positively impacted by a rising interest rate environment. It is estimated that the interest margin will decline by 13.8% and increase by 41.9% from base case in a 200 bps decrease and 200 bps increase in rates, respectively. This is mainly because of increase holdings of money market and floating rate instruments, which comprise approximately 36.0% of the MRP investment portfolio as at March 31, 2014.

As at March 31, 2014, the interest margin for the ELP is negatively impacted in a rising interest rate environment. It is estimated that the interest margin will increase by 14.6% and decline by 14.0% from base case in a 200 bps decrease and 200 bps increase in rates, respectively. This inverse sensitivity of interest margin with interest rate movement is mainly because of the various floating debt instruments that Central 1 holds in its ELP.

Credit spread risk arises from the possibility that changes in credit spreads will affect value of financial instruments. Central 1's policies establish overall credit spread limits for the entire portfolio, as well as separate limits for individual books. Credit spread risk is calculated daily and monitored by Internal Risk Management. Central 1 also regularly measures the credit spread impact of a series of extreme-yet-plausible stress tests on its portfolio.

Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk of potential adverse impact on Central 1's earnings and economic value due to currency rate movements and volatility. 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 stringent 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.

Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a debtor, for any reason, to fully honour financial or contractual obligations. Credit risk arises from traditional lending and investment activity and from settling payments between Central 1 and its counterparties associated with both on- and off-balance sheet financial instruments.

The composition of Central 1's securities portfolio is relatively unchanged from year-end as indicated in the Cash and Securities section (Figure 2, page 10). Most of the portfolio is invested in Canadian federal and provincial government and Canadian senior bank debt. Details of Central 1's loan portfolio are found in Note 9 of the interim consolidated financial statements. Credit risk associated with Central 1's loans to its member credit unions is minimal because these loans are fully secured. Central 1 has not previously experienced losses on any of these loans.

Insurance Risk

Central 1 is exposed to insurance risk through the activities of its subsidiaries, CUPP Services Ltd. and Stabilization Fund Corporation. Insurance risk refers to the potential loss that may arise where the amount or timing of benefit payments under insurance contracts exceeds that expected.

Central 1 manages its exposure to insurance risk by imposing underwriting limits, and by performing regular reviews of actual claims experience and product pricing.

Operational Risk

Operational risk is the exposure to loss resulting from inadequacies or failures concerning internal processes, people and systems.

Central 1 manages this type of risk through implementation of a comprehensive set of procedures and policies that are basic to its operating infrastructure including:

- developing and maintaining a comprehensive system of internal controls – integrated with ongoing internal and external evaluation and testing – encompassing segregation of functional activities, managerial reporting and delegation of authority;
- maintaining best industry practices in the area of operational risk management through continued monitoring and evaluation of Central 1's practices;
- selection and training of highly qualified staff, supported by policies that provide for skills upgrading, clear authorization levels and adherence to an employee code of conduct; and
- maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses, augmented by contingency business resumption plans for activation in response to systems failure or catastrophic events, including off-site data storage and back-up processing capabilities for all critical operations.

Central 1's Accounting Policies and Estimates

Central 1’s consolidated interim financial statements, included in this Report to Members, have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards.

Effective January 1, 2014 Central 1 recognizes regular way purchases and sales of financial assets on the trade date, whereas they were previously recognized on the settlement date. There were no adjustments to Central 1’s statement of financial position as at December 31, 2013 as a result of this change in accounting policy. The impact on Central 1’s statement of financial position as at March 31, 2013 was to increase assets by $355 million, increase liabilities by $354 million and increase Members’ Equity by $1 million. Profit and loss for three month period ended March 31, 2013 was increased by $1 million as a result of this change in accounting policy.

Note 3 of Central 1’s interim consolidated financial statements provides additional information on the impact of adopting these new and amended accounting standards on Central 1’s financial statements.

Critical Accounting Estimates

The adoption of these new and amended accounting standards has required management to exercise judgment in determining fair value. Note 3 of the consolidated interim financial statements contains information on these areas and should be read in conjunction with Note 4 of Central 1’s annual consolidated financial statements for the year ended December 31, 2013.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this Management's Discussion and Analysis, management evaluated Central 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 such term is 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, 2014. 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 Management's Discussion and Analysis.

During the quarter, phase 1 of a multi-phased treasury management system was implemented. This has resulted in changes in the design of certain processes and controls related to accounting for investments. As these changes were not finalized at quarter end and are expected to continue to be a work in progress for the near future, they could not be tested. Management has relied on the review and assessment of mitigating controls and procedures to obtain assurance and comfort around the relevant financial information and has concluded that there is no significant weakness that is likely to materially affect Central 1's financial reporting during the period covered by this Management's Discussion and Analysis.

Central 1 Credit Union
Interim Consolidated Statement of Financial Position
Unaudited

	Notes	March 31 2014	March 31 2013	December 31 2013	January 1 2013 (Note 3)
		(Thousands of dollars)			
Assets					
Cash		$ 81,372	$ 100,393	$ 74,153	$ 90,238
Deposits with regulated financial institutions	5	7,167	6,614	7,132	106,275
Pledged trading assets	6	9,423	81,809	64,443	135,572
Reinvestment assets under the CMB and IMPP Programs	7	178,621	1,694,200	306,914	1,652,244
Non-pledged trading assets	6	4,408,755	2,612,308	4,312,413	2,678,954
Derivative assets	8	41,093	36,117	29,383	34,018
Loans	9	1,056,074	1,449,800	1,157,972	2,069,521
Investment securities	10	5,726,246	7,371,288	5,553,354	6,393,659
Secured loans to members	11	185,037	497,640	229,620	561,511
Current tax assets		6,907	-	4,338	-
Property and equipment		16,238	16,510	16,111	17,303
Intangible assets		13,621	6,968	12,198	6,412
Deferred tax assets		7,478	6,547	6,371	6,389
Investment in affiliates		118,468	110,429	120,107	110,170
Other assets	12	572,293	552,350	299,933	294,231
		$ 12,428,793	$ 14,542,973	$ 12,194,442	$ 14,156,497
Liabilities					
Deposits designated as trading	13	$ 3,926,359	$ 2,149,715	$ 3,398,893	$ 2,286,078
Derivative liabilities	8	160,486	195,958	150,645	216,042
Debt securities issued	14	1,146,979	1,085,017	1,097,509	1,170,804
Deposits	15	4,520,684	7,001,375	5,167,617	6,564,336
Obligations under the CMB and IMPP Programs	16	654,514	2,341,655	831,762	2,259,992
Subordinated liabilities	17	170,433	170,411	169,139	168,859
Provisions		3,921	5,031	3,991	5,280
Securities under repurchase agreements		29,344	151,120	106,706	201,433
Current tax liabilities		-	3,268	-	2,580
Deferred tax liabilities		5,131	3,047	4,699	2,929
Other liabilities	18	923,883	593,675	387,143	471,074
		11,541,734	13,700,272	11,318,104	13,349,407
Equity					
Share capital	19	307,185	293,330	307,185	290,299
Contributed surplus		87,901	87,901	87,901	87,901
Retained earnings		443,474	393,347	433,171	374,841
Accumulated other comprehensive income		35,521	53,311	35,078	39,459
Reserves		3,132	5,207	3,130	4,985
Total equity attributable to members of Central 1		877,213	833,096	866,465	797,485
Non-controlling interest		9,846	9,605	9,873	9,605
		887,059	842,701	876,338	807,090
		$ 12,428,793	$ 14,542,973	$ 12,194,442	$ 14,156,497
Guarantees, commitments, and contingencies	25				

Approved by the Directors:

"Terry Enns"
Terry Enns, Chairperson

"Daniel A. Burns"
Daniel A. Burns, Chairperson - Audit and Finance Committee

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statement of Profit or Loss
Unaudited

	Notes	March 31 2014	March 31 2013
		(Thousands of dollars) For the three months ended	
Interest income			
Securities		$ 39,457	$ 38,476
Deposits with regulated financial institutions		42	93
Loans		6,956	8,913
Secured loans and reinvestment assets		2,418	16,916
		48,873	64,398
Interest expense			
Debt securities issued		4,738	5,568
Deposits		30,509	30,944
Obligations under the CMB and IMPP programs		4,672	18,472
Subordinated liabilities		1,464	1,627
		41,383	56,611
Interest margin		7,490	7,787
Gain on disposal of financial instruments	20	15,113	8,099
Changes in fair value of financial instruments	21	4,934	13,670
Net financial income		27,537	29,556
Recovery for credit losses	9	(47)	(745)
		27,584	30,301
Other income	22	27,562	27,424
Net financial and other income		55,146	57,725
Operating expenses			
Salaries and employee benefits		17,866	20,530
Premises and equipment		2,355	2,522
Other administrative expenses		11,088	10,067
		31,309	33,119
Profit before income taxes		23,837	24,606
Income taxes	23	3,255	3,167
Profit for the period		$ 20,582	$ 21,439

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Comprehensive Income
Unaudited

	(Thousands of dollars) For the three months ended March 31 2014	March 31 2013
Profit for the period	$ 20,582	$ 21,439
Other comprehensive income, 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[1]	9,694	18,247
Reclassification of realized gains on available-for-sale assets to profit or loss[2]	(9,251)	(4,395)
Other comprehensive income, net of tax	443	13,852
Comprehensive income, net of tax	$ 21,025	$ 35,291
Income tax (recoveries) deducted from the above items		
Income tax on items that may be reclassified subsequently to profit or loss		
[1] Net change in fair value of available-for-sale assets	$ 1,682	$ 2,945
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	$ (1,710)	$ (648)

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statement of Changes in Equity
Unaudited

(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
	Attributible to Equity holders								
Balance at January 1, 2014 (Note 3)	$ 307,185	$ 87,901	$ 433,171	$ 38,453	$ (3,375)	$ 3,130	$ 866,465	$ 9,873	$ 876,338
Total Comprehensive income for the period									
Profit for the period			20,609				20,609	(27)	20,582
Other comprehensive income, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				443			443		443
Total comprehensive income	-	-	20,609	443	-	-	21,052	(27)	21,025
Transactions with owners, recorded directly in equity									
Dividends to members			(12,208)				(12,208)		(12,208)
Related tax savings			1,904				1,904		1,904
Transfer from reserves			(2)			2	-		-
Total contributions and distributions to owners	-	-	(10,306)	-	-	2	(10,304)	-	(10,304)
Balance at March 31, 2014	$ 307,185	$ 87,901	$ 443,474	$ 38,896	$ (3,375)	$ 3,132	$ 877,213	$ 9,846	$ 887,059

Profit attributable to:	2014	2013
Members of Central 1	$ 20,609	$ 21,439
Non-controlling interest	(27)	-
	$ 20,582	$ 21,439

Total Comprensive income attributable to:		
Members of Central 1	$ 21,052	$ 35,291
Non-controlling interest	(27)	-
	$ 21,025	$ 35,291

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statement of Changes in Equity
Unaudited

(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
	Attributible to Equity holders								
Balance at January 1, 2013 (Note 3)	$ 290,299	$ 87,901	$ 374,841	$ 46,326	$ (6,867)	$ 4,985	$ 797,485	$ 9,605	$ 807,090
Total Comprehensive income for the period									
Profit for the period			21,439				21,439		21,439
Other comprehensive income, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				13,852			13,852		13,852
Total comprehensive income	-	-	21,439	13,852	-	-	35,291	-	35,291
Transactions with owners, recorded directly in equity									
Dividends to members			(3,148)				(3,148)		(3,148)
Related tax savings			440				440		440
Class "E" shares redemption			(4)				(4)		(4)
Related tax savings			1				1		1
Net Classes "A", "B" and "C" shares issued	3,031						3,031		3,031
Transfer from reserves			(222)			222	-		-
Total contributions and distributions to owners	3,031	-	(2,933)	-	-	222	320	-	320
Balance at March 31, 2013	$ 293,330	$ 87,901	$ 393,347	$ 60,178	$ (6,867)	$ 5,207	$ 833,096	$ 9,605	$ 842,701

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	
	March 31 2014	March 31 2013
Cash flows from operating activities		
Profit for the period	$ 20,582	$ 21,439
Adjustments for:		
Depreciation and amortization	1,094	1,105
Net interest income	(7,490)	(7,787)
Gain on disposal of financial instruments	(15,113)	(8,099)
Changes in fair value of financial instruments	(4,934)	(13,670)
Income tax expense	3,255	3,167
Recovery for credit losses	(47)	(745)
Other items, net	(2,738)	(1,728)
	(5,391)	(6,318)
Change in trading assets	(27,752)	131,460
Change in settlements in transit	271,117	(134,911)
Change in loans	102,879	619,742
Change in trading liabilities	520,282	(137,724)
Change in deposits	(642,430)	437,463
Change in derivatives assets and liabilities	(6,996)	(24,031)
	211,709	885,681
Interest received	51,179	58,906
Interest paid	(37,632)	(49,142)
Income tax paid	(4,515)	(4,532)
Net cash from operating activities	220,741	890,913
Cash flows from investing activities		
Change in deposits with regulated financial institutions	-	99,682
Change in reinvestment assets under the CMB and IMPP programs	128,129	(40,140)
Change in investment securities	(162,924)	(951,787)
Change in secured loans to members	44,265	62,759
Acquisition (disposition) of property, plant and equipment	(926)	34
Acquisition of intangible assets	(1,626)	(810)
	6,918	(830,262)
Cash flows from financing activities		
Change in obligations under the CMB and IMPP Programs	(179,315)	87,390
Change in debt securities issued	50,251	(87,565)
Change in securities under repurchase agreements	(77,398)	(50,318)
Dividends paid	(13,978)	(3,034)
Issuance of shares	-	3,031
	(220,440)	(50,496)
Increase in cash	7,219	10,155
Cash - beginning of period	74,153	90,238
Cash - end of period	$ 81,372	$ 100,393

See accompanying notes to the interim consolidated financial statements

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1. Incorporation and governing legislation

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 of Central 1 cover Central 1 and its subsidiaries.

Central 1 is the primary financial facility and trade association for credit unions in British Columbia and its member credit unions in Ontario. The performance of the British Columbia credit union system and that of Central 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 preparation

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 23, 2014.

Cooperative Credit Associations Act (Canada)

Section 292 of the Cooperative Credit Associations Act (Canada) states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"), the interim consolidated financial statements are to be prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and hence, IFRS for publicly accountable enterprises. These accounting policies conform, in all material respects, to IFRS.

(b) Basis of measurement

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

- Derivative financial instruments are measured at fair value
- Financial instruments through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value, except as described in Note 10.
- The assets and liabilities for defined benefit obligations are recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.

(c) Functional and presentation currency

These interim consolidated financial statements are presented in Canadian dollars, which is Central 1's functional currency.

(d) Use of estimates and judgments

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

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

Note 5 of Central 1's annual consolidated financial statements for the year ended December 31, 2013 contains information about significant areas of estimation, uncertainty and critical judgments that were used in applying accounting policies during the preparation of Central 1's annual consolidated financial statements for the year ended December 31, 2013.

(e) Segment information

Note 24 contains information on segment reporting in accordance with IFRS 8 Operating segments. This is the first reporting period for which Central 1 has disclosed results by operating segment and there is no comparative data available.

3. Accounting Policies

Except as indicted below, these interim consolidated financial statements have been prepared using the same accounting policies as set out in Note 3 to Central 1's consolidated financial statements as at and for the year ended December 31, 2013.

Trade date accounting

Effective January 1, 2014 Central 1 recognizes regular way purchases and sales of financial assets on the trade date, whereas they were previously recognized on the settlement date. There were no adjustments to Central 1's statement of financial position as at December 31, 2013 as a result of this change in accounting policy.

The following tables summarize the impact of change to trade date accounting as at January 1, 2013 and March 31, 2013:

(Thousands of dollars)

	Janauary 1, 2013	Change in Accounting Policy	As revised January 1, 2013
Statement of financial position			
Assets			
Investment securities	$ 6,386,581	$ 7,078	$ 6,393,659
Liabilities			
Other liabilities	$ 463,992	$ 7,078	$ 471,070

(Thousands of dollars)

	March 31, 2013	Change in accounting Policy	As revised March 31, 2013
Statement of financial position			
Assets			
Non-pledged trading assets	$ 2,620,943	$ (8,635)	$ 2,612,308
Investment securities	7,240,422	130,866	7,371,288
Other assets	319,441	232,909	552,350
	10,180,806	355,140	10,535,946
Liabilities			
Current tax liabilities	$ 3,064	$ 204	$ 3,268
Other liabilities	240,050	353,625	593,675
	243,114	353,829	596,943
Equity			
Retained earnings	$ 391,938	$ 1,409	$ 393,347
Accumulated other comprehensive income	53,409	(98)	53,311
	445,347	1,311	446,658
Statement of profit or loss			
Gain on disposal of financial instruments	$ 5,645	$ 2,454	$ 8,099
Change in fair value of financial instruments	14,496	(826)	13,670
Income taxes	(2,948)	(219)	(3,167)
	17,193	1,409	18,602
Other comprehensive income			
Net change in fair value, net of tax	$ 18,345	$ (98)	$ 18,247
Income tax (recoveries) deducted from the above item	$ 2,930	$ 15	$ 2,945

Operating segments

Also effective January 1, 2014, Central 1's management commenced disclosing its operating units which meet the definition of Operating segments in accordance with *IFRS 8 – Operating Segments*. Previously, discrete information was not available for these Operating segments and therefore comparative information has not been included in these interim consolidated financial statements. Further information is included in Note 24.

4. Fair value of financial instruments

Certain financial instruments are recognized in the interim consolidated statements of financial position at fair value. These include derivative instruments, deposits designated as trading and securities and amounts on deposit classified either as available-for-sale or held for trading. The fair value of a financial instrument is the 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. The best evidence of fair value is a quoted bid price for financial assets held or an offer price for financial liabilities from an active market.

Where independent quoted market prices do not exist, Central 1 uses the quoted market prices for similar securities, other third party evidence or valuation techniques. Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received to obtain the instrument. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows and discount rates.

Financial instruments whose book values approximate fair value

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

Financial instruments for which fair value is determined using valuation techniques

The fair value of fixed rate performing loans is determined by discounting contractual cash flows at market interest rates. For both loans to and deposits with members, Central 1 discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. The fair values of notes and subordinated debt is determined by discounting remaining cash flows by reference to current market yields on similar instruments.

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

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

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

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.

Central 1 Credit Union
Notes to the Interim Consolidated Financial Statements
Unaudited
Period ended March 31, 2014

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

March 31, 2014 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets						
Cash	$ -	$ -	$ -	$ -	$ 81.4	$ 81.4
Deposits with regulated financial institutions	-	-	-	-	7.2	7.2
Pledged trading assets	-	9.4	-	9.4	-	9.4
Reinvestment assets under the CMB and IMPP programs	-	178.6	-	178.6	-	178.6
Non-pledged trading assets	-	4,408.8	-	4,408.8	-	4,408.8
Derivative assets	-	41.1	-	41.1	-	41.1
Loans	-	-	-	-	1,056.1	1,056.1
Investment securities		5,684.9	9.2	5,694.1	32.1	5,726.2
Secured loans to members	-	-	185.0	185.0	-	185.0
Current tax assets	-	-	-	-	6.9	6.9
Property and equipment	-		-	-	16.2	16.2
Intangible assets	-	-	-	-	13.6	13.6
Deferred tax assets	-	-	-	-	7.5	7.5
Investment in affiliates	-	-	-	-	118.5	118.5
Other assets	-	-	-	-	572.3	572.3
Total assets	$ -	$ 10,322.8	$ 194.2	$ 10,517.0	$ 1,911.8	$ 12,428.8
Liabilities						
Deposits designated as trading	$ -	$ 3,926.4	$ -	$ 3,926.4	$ -	$ 3,926.4
Derivative liabilities	-	160.5	-	160.5	-	160.5
Debt securities issued	-	-	-	-	1,147.0	1,147.0
Deposits	-	-	-	-	4,520.7	4,520.7
Obligations under the CMB and IMPP programs	-	654.5	-	654.5	-	654.5
Subordinated liabilities	-	-	-	-	170.4	170.4
Provisions	-	-	-	-	3.9	3.9
Securities under repurchase agreements	-	-	-	-	29.3	29.3
Deferred tax liabilities	-	-	-	-	5.1	5.1
Other liabilities	-	-	-	-	923.9	923.9
Total liabilities	-	4,741.4	-	4,741.4	6,800.3	11,541.7
Net assets (liabilities)	$ -	$ 5,581.4	$ 194.2	$ 5,775.6	$ (4,888.5)	$ 887.1

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

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

December 31, 2013 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Cost[1]	Total Carrying Value
Assets	$ -	$ 10,225.2	$ 238.8	$ 10,464.0	$ 1,730.4	$ 12,194.4
Liabilities	-	4,381.3	-	4,381.3	6,936.7	11,318.0
Net assets (liabilities)	$ -	$ 5,843.9	$ 238.8	$ 6,082.7	$ (5,206.3)	$ 876.4

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

(Millions of dollars)	Fair Value at December 31, 2013	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at March 31, 2014
Secured loans to members	$ 229.6	$ -	$ (44.3)	$ -	$ (0.3)	$ 185.0
Equity shares	9.2	-	-	-	-	9.2
Net assets	$ 238.8	$ -	$ (44.3)	$ -	$ (0.3)	$ 194.2

	Fair Value at January 1, 2013	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at December 31, 2013
Net assets	$ 570.7	$ -	$ (329.3)	$ -	$ (2.6)	$ 238.8

Note 26 sets out the fair value of the financial instruments in the interim consolidated statement of financial position.

5. Deposits with regulated financial institutions

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

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Amortized cost	**$ 7,167**	$ 6,614	$ 7,132
Fair value	**$ 7,180**	$ 6,834	$ 7,165

6. Trading assets

Total trading assets included in the interim consolidated statements of financial position are as follows:

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Government & guarantees	**$ 2,791,383**	$ 1,354,983	$ 2,587,633	$ 1,431,450
Corporate & financial institutions AA[1] or greater	**1,559,148**	1,198,739	1,722,808	1,284,990
Other	**67,647**	140,395	66,415	98,086
Fair value	**$ 4,418,178**	$ 2,694,117	$ 4,376,856	$ 2,814,526

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

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Amortized cost	**$ 4,370,392**	$ 2,603,644	$ 4,337,025	$ 2,708,564
Fair value	**$ 4,418,178**	$ 2,694,117	$ 4,376,856	$ 2,814,526
Less pledged trading assets	**(9,423)**	(81,809)	(64,443)	(135,572)
Non-pledged trading assets	**$ 4,408,755**	$ 2,612,308	$ 4,312,413	$ 2,678,954

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

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Trading assets	**$ 9,423**	$ 81,809	$ 64,443	$ 135,572
Amounts included in investment securities	**22,174**	77,178	46,269	58,905
	$ 31,597	$ 158,987	$ 110,712	$ 194,477

7. Reinvestment assets under the CMB and IMPP programs

As principal and interest payments on the underlying securitized assets are received, Central 1 is required to reinvest those assets on behalf of CHT and CMHC. These reinvestment assets, which are recognized in the interim consolidated statement of financial position at fair value, are as follows:

Reinvestment assets under the CMB and IMPP programs classified as at fair value through profit and loss:

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Government and guarantees	**$ 91,360**	$ 297,229	$ 65,698
Assets acquired under reverse repurchase agreements	**2,866**	286,720	89,242
Fair value	**$ 94,226**	$ 583,949	$ 154,940
Amortized cost	**$ 93,783**	$ 582,351	$ 154,512

Reinvestment assets under the CMB and IMPP programs classified as available-for-sale:

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Fair value of government & guarantees	**$ 84,395**	$ 1,110,251	$ 151,974
Amortized cost	**$ 84,028**	$ 1,109,321	$ 151,715
Total reinvestment assets under the CMB and IMPP programs	**$ 178,621**	$ 1,694,200	$ 306,914

8. Derivative assets and liabilities

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

(Thousands of dollars)

	March 31, 2014		March 31, 2013		December 31, 2013	
	Asset	Liability	Asset	Liability	Asset	Liability
Interest rate contracts						
Forward rate agreements	**$ -**	**$ -**	$ -	$ -	$ -	$ 3
Futures rate agreements	**-**	**-**	57	-	-	-
Swap contracts	**104,621**	**223,659**	158,544	318,584	97,261	218,728
Options purchased	**267**	**-**	79	-	286	-
Options written	**-**	**237**	-	98	-	302
	104,888	**223,896**	158,680	318,682	97,547	219,033
Foreign exchange contracts						
Foreign exchange spot and forward contracts	**789**	**1,174**	1,073	912	1,567	1,343
Other						
Equity index-linked options	**16,512**	**16,512**	15,307	15,307	17,659	17,659
Total fair value before adjustment	**122,189**	**241,582**	175,060	334,901	116,773	238,035
Adjustment for master netting agreements	**(81,096)**	**(81,096)**	(138,943)	(138,943)	(87,390)	(87,390)
	$ 41,093	**$ 160,486**	$ 36,117	$ 195,958	$ 29,383	$ 150,645

All derivatives are traded over-the-counter (OTC) except for futures contracts which are exchange traded.

The amounts that have been pledged and received as collateral are $92.35 million and $6.09 million, respectively.

9. Loans

		(Thousands of dollars)		
		March 31, 2014	March 31, 2013	December 31, 2013
Due on demand	- Credit unions	**$ 171,183**	$ 35,670	$ 162,986
	- Commercial and others	**20,197**	4,644	4,107
		191,380	40,314	167,093
Term	- Credit unions	**588,126**	980,525	716,853
	- Commercial and others	**181,006**	186,945	180,496
	- Reverse repurchase agreements	**68,626**	210,424	66,874
	- Officers and employees	**11,953**	13,297	12,170
	- Mortgage pools	**13,141**	14,820	13,627
		862,852	1,406,011	990,020
		1,054,232	1,446,325	1,157,113
Accrued interest		**2,399**	4,633	1,444
		1,056,631	1,450,958	1,158,557
Allowance for credit losses		**(557)**	(1,158)	(585)
		$ 1,056,074	$ 1,449,800	$ 1,157,972

Officer and employee loans, which are part of their compensation packages, bear interest at rates varying from 2.49% to 3.23%.

Impaired loans are as follows:

	(Thousands of dollars)					
	Gross Impaired	Specific Allowance	Collective Allowance	**March 31, 2014**	March 31, 2013	December 31, 2013
Credit unions	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ -
Commercial and others	**557**	**(529)**	**(28)**	**-**	-	-
Total	**$ 557**	**$ (529)**	**$ (28)**	**$ -**	$ -	$ -

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

(Thousands of dollars)

	Specific Allowance	Collective Allowance	**For the period ended March 31, 2014**	For the period ended March 31, 2013
Balance at beginning of period	**$ 561**	**$ 24**	**$ 585**	$ 1,584
Net write-offs during the period	**19**	**-**	**19**	319
Provision (recovery) for credit losses	**(51)**	**4**	**(47)**	(745)
Balance at end of period	**$ 529**	**$ 28**	**$ 557**	$ 1,158

10. Investment securities

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

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Amortized cost	**$ 5,691,853**	$ 7,306,808	$ 5,518,948	$ 6,345,691
Fair value	**$ 5,726,246**	$ 7,371,288	$ 5,553,354	$ 6,393,659

The composition of Central 1's securities portfolio is as follows:

	(Thousands of dollars)			
	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Government & guarantees	**$ 3,185,727**	$ 2,761,905	$ 2,995,013	$ 2,735,237
Corporate & financial Institutions AA[1] or greater	**2,363,813**	4,425,068	2,376,386	3,479,314
Other	**176,706**	184,315	181,955	179,108
	$ 5,726,246	$ 7,371,288	$ 5,553,354	$ 6,393,659

[1] The credit ratings represent investment grade ratings provided by DBRS.

The above table includes **$32.1** million (March 31, 2013 - $32.1 million; December 31, 2013 - $32.1 million; January 1, 2013 - $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.

The above table also includes **$291.2** million (March 31, 2013 - $185.7 million; December 31, 2013 - $295.4 million; January 1, 2013 - $98.5 million) of third party MBS that were transferred to CHT under the CMB program as described in the significant accounting policies as disclosed in Central 1's consolidated financial statements for the year ended December 31, 2013.

At the period-end, securities having a par value of **$961.5** million (March 31, 2013 - $185.7 million; December 31, 2013 – $970.1 million; January 1, 2013 - $943.5 million) were lodged or pledged with the Bank of Canada and the Canadian Depository for Securities as collateral for the transfer and receipt of payments.

11. Secured loans to members

Through its participation in the CMB and IMPP programs as described in the accounting policy disclosed in Central 1's consolidated financial statements for the year end December 31, 2013, Central 1 recognizes its interest in the underlying residential mortgages as secured loans from its member credit unions.

The par amounts outstanding on these secured loans are as follows:

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Total amount of secured loans issued	**$ 4,240,559**	$ 4,240,559	$ 4,240,559
Aggregate principal payments received	**(4,056,092)**	(3,746,737)	(4,011,960)
Remaining par value of secured loans to members in the interim consolidated statement of financial position	**$ 184,467**	$ 493,822	$ 228,599

The components of these balances are as follows:

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Remaining par value of secured loans under the CMB and IMPP programs	**$ 92,919**	$ 247,382	$ 108,394
Remaining par value of secured loans retained by Central 1	**91,548**	246,440	120,205
	$ 184,467	$ 493,822	$ 228,599

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

	(Thousands of dollars)		
Amortized cost	**$ 184,904**	$ 495,675	$ 229,231
Fair value	**$ 185,037**	$ 497,640	$ 229,620

Key inputs into the model used to determine the fair value of secured loans to members include interest rates and mortgage prepayment rates. There is also an interrelationship between the level of interest rates and the mortgage prepayment rate, for example, in an environment where interest rates are on a downward trend, the prepayment rate generally tends to increase as mortgages are refinanced. The following table summarizes the pre-tax impact of a sustained 200 basis points increase or decrease in interest rates and a 1% increase or decrease in prepayment rates used to determine the fair value of secured loans and equity.

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Change in value of secured loans to members:	**Increase (Decrease)**	Increase (Decrease)	Increase (Decrease)
200 bps parallel increase in interest rates	**$ (158)**	$ (747)	$ (191)
200 bps parallel decrease in interest rates	**164**	793	202
1% increase in prepayment rate	**(1)**	(13)	(2)
1% decrease in prepayment rate	**1**	13	2

A change in the mortgage prepayment rate changes the expected principal and interest cash flows of the secured loans.

12. Other assets

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Settlements in-transit - payments	**$ 244,872**	$ 301,057	$ 280,976
Settlements in-transit - securities	**306,027**	232,909	-
Investment property	**5,552**	5,920	5,644
Prepaid expenses	**6,238**	5,391	3,714
Post-employment benefits	**3,353**	-	3,229
Accounts receivable and other	**6,251**	7,073	6,370
	$ 572,293	$ 552,350	$ 299,933

The fair value of Central 1's investment property has been arrived at on the basis of internal and external market information which reflects similar properties. The fair value of investment property as at the end of the period approximates its carrying value.

Central 1 earns rental income on its investment property. The terms of existing lease agreements range between 1 and 5 years. The lessee does not have an option to purchase the property on the expiry of the lease period. The rental income earned for the period is disclosed in Note 22.

13. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Amortized cost	**$ 3,718,575**	$ 2,138,404	$ 3,392,920
Fair value	**$ 3,926,359**	$ 2,149,715	$ 3,398,893

The contractual maturity dates of these liabilities are as follows:

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013
Amount			
Due within three months	**$ 985,643**	$ 279,267	$ 753,909
Due after three months and within one year	**726,796**	784,271	635,787
Due after one year and within five years	**1,985,264**	1,056,478	1,985,265
Due after five years	**750**	-	-
	3,698,453	2,120,016	3,374,961
Accrued interest	**20,122**	18,388	17,959
Amortized cost	**$ 3,718,575**	$ 2,138,404	$ 3,392,920

14. Debt securities issued

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Notes			
Due within three months	**$ 314,211**	$ 812,043	$ 527,248
Due after three months and within one year	**531,926**	-	269,700
Due after one year and within five years	**299,784**	269,444	299,469
	1,145,921	1,081,487	1,096,417
Accrued interest	**1,058**	3,530	1,092
	$ 1,146,979	$ 1,085,017	$ 1,097,509

Central 1 has established **$91.6** million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At March 31, 2014, March 31, 2013 and December 31, 2013, no amounts were drawn against these facilities.

Central 1 is authorized to issue up to $1.5 billion in short-term commercial paper and up to $1.5 billion in other borrowings which includes Central 1's medium-term note facility. At March 31, 2014, a par value of **$578.0** million was borrowed under the short-term commercial paper facility (March 31, 2013 - $500.0 million; December 31, 2013 - $528.0 million) and a par value of **$570.0** million was borrowed under the medium-term note facility (March 31, 2013 - $582.9 million; December 31, 2013 - $570.0 million).

15. Deposits

Deposits classified as other liabilities are as follows:

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Amount			
Due on demand	**$ 1,082,782**	$ 1,309,393	$ 1,040,423
Due within three months	**485,959**	1,403,894	688,463
Due after three months and within one year	**1,141,331**	1,340,159	1,258,919
Due after one year and within five years	**1,781,322**	2,909,609	2,146,019
	4,491,394	6,963,055	5,133,824
Accrued interest	**29,290**	38,320	33,793
	$ 4,520,684	$ 7,001,375	$ 5,167,617

16. Obligations under the CMB and IMPP programs securitization transactions

Central 1 has recognized its obligations to CHT under the CMB program and to CMHC under the IMPP program at fair value in the interim consolidated statement of financial position. The contractual maturity dates of these obligations are as indicated below.

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Amount due within one year	**$ 328,146**	$ 1,782,789	$ 507,499
Amount due after one year and within five years	**316,942**	431,932	316,942
Amount due after five years	**-**	87,310	-
	645,088	2,302,031	824,441
Accrued interest	**3,104**	12,504	2,264
Amortized cost	**$ 648,192**	$ 2,314,535	$ 826,705
Fair value of total obligations under the CMB and IMPP programs	**$ 654,514**	$ 2,341,655	$ 831,762

The underlying assets which relate to these obligations are as follows:

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Secured loans to members (Note 11)	**$ 185,037**	$ 497,640	$ 229,620
Total reinvestment assets under the CMB and IMPP programs (Note 7)	**178,621**	1,694,200	306,914
Assets recognized as non-pledged trading assets and investment securities (Notes 6 & 10)	**291,164**	185,745	295,384
Total assets supporting the CMB and IMPP programs	**$ 654,822**	$ 2,377,585	$ 831,918

17. Subordinated liabilities

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

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Series 2	**$ 150,000**	$ 150,000	$ 150,000
Series 3	**18,000**	18,000	18,000
Principal amount	**168,000**	168,000	168,000
Accrued interest	**2,433**	2,411	1,139
	$ 170,433	$ 170,411	$ 169,139

On October 9, 2009, Central 1 issued $150 million principal amount of 4.00% Series 2 notes due October 9, 2019. The notes bear interest at a fixed rate of 4.00% until, but excluding, October 9, 2014, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 2.40%. Central 1 has the option to redeem the note on October 9, 2014, subject to regulatory approval.

On July 6, 2011, Central 1 issued $18 million principal amount of series 3 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 July 6, 2016, subject to regulatory approval.

On April 25, 2014, Central 1 issued $200 million principal amount of 2.89% Series 4 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 April 25, 2019, subject to regulatory approval.

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

18. Other liabilities

(Thousands of dollars)

	March 31, 2014	March 31, 2013	December 31, 2013	January 1, 2013
Settlements in-transit - payments	**$ 373,925**	$ 190,195	$ 329,398	$ 417,089
Settlements in-transit - securities	**496,513**	353,625	**-**	7,078
Post-employment benefits	**21,905**	22,125	21,706	21,913
Short-term employee benefits	**7,327**	7,317	4,470	6,544
Dividends payable	**12,208**	3,148	13,978	3,034
Unearned insurance premiums	**3,460**	3,426	875	668
Trade amounts and other	**8,545**	13,839	16,716	14,748
	$ 923,883	$ 593,675	$ 387,143	$ 471,074

19. Share Capital

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

In the event of liquidation, dissolution or winding-up, any surplus, profits or assets of Central 1 shall be distributed proportionately among all shareholders.

The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of the B.C. credit union system and the assets of Central 1's member credit unions in Ontario. 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 and C shareholder has one vote on certain issues.

The numbers of shares issued are as follows:

	(Thousands of shares)		
	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the year ended December 31, 2013
Class A – credit unions			
Balance at beginning of period	**307,141**	290,255	290,255
Issued for cash during the period	**-**	3,033	16,888
Redeemed during the period	**-**	(2)	(2)
Balance at end of period	**307,141**	293,286	307,141
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 and end of period	**3,159**	3,159	3,159

The amounts outstanding are as follows:

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Outstanding $1 par value shares			
Class A – credit unions	**$ 307,141**	$ 293,286	$ 307,141
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
	$ 307,185	$ 293,330	$ 307,185

20. Gain (loss) on disposal of financial instruments

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

	(Thousands of dollars)	
	March 31, 2014	March 31, 2013
Net gain on disposal of trading assets	**$ 9,854**	$ 24,119
Net gain on disposal of investment securities	**9,175**	5,043
Net loss on disposal of derivatives	**(3,180)**	(21,051)
Net loss on disposal of deposits	**(736)**	(12)
	$ 15,113	$ 8,099

21. Change in fair value of financial instruments

	(Thousands of dollars) For the three months ended	
	March 31, 2014	March 31, 2013
Trading assets	**$ 8,803**	$ (15,389)
Activities under the CMB and IMPP programs		
Reinvestment assets	**(221)**	(691)
Derivative assets and liabilities	**-**	(7,164)
Secured loans to members	**(256)**	(1,065)
Obligations to CHT and CMHC	**(1,421)**	10,128
Derivative assets and liabilities	**2,530**	29,083
Trading deposits	**(4,501)**	(1,232)
	$ 4,934	$ 13,670

22. Other income

	(Thousands of dollars)	
	For the three months ended	
	March 31, 2014	March 31, 2013
Membership Dues	**$ 2,238**	$ 2,156
Provincial Advertising Assessment	**189**	454
Equity Interest in Affiliates	**1,121**	1,852
Insurance Premiums and Assessments	**1,247**	1,236
Technology and Payment Services		
- Processing fees	**10,511**	9,957
- Direct banking fees	**5,897**	5,766
Wholesale Financial Services		
- Treasury services	**77**	80
- Foreign exchange income	**1,661**	804
- Lending fees	**1,292**	1,379
- Employee benefits & retirement services	**326**	290
- Trust services	**553**	537
- Other	**38**	770
Trade and Other Services		
- Product compliance & design	**387**	417
- Property rents	**157**	245
- Risk management	**595**	598
- Marketing products & programs	**893**	514
- Research	**110**	126
- Other	**270**	243
	$ 27,562	$ 27,424

23. Provision for income taxes

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

	(Thousands of dollars) For the three months ended	
	March 31, 2014	March 31, 2013
Provision for income taxes in the interim consolidated statements of profit	**$ 3,255**	$ 3,167
Income tax benefit related to dividends accrued and share redemptions	**(1,904)**	(441)
Total	**$ 1,351**	2,726

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

	(Thousands of dollars)	
Current income taxes	**$ 3,907**	$ 3,204
Deferred income taxes (recovery)	**(652)**	(37)
Total	**$ 3,255**	$ 3,167

Central 1's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of **30.5 %** (2013 – 30.5%).

The federal deduction available to credit unions which provides access to the preferential income tax rate for income that is not eligible for the small business deduction is being phased out over a five year period which began in 2013. The impact of the phasing out of the deduction will be mitigated to a large extent by the availability of a general rate reduction which Central 1 can apply to its active business income not benefitting from the credit union deduction.

During the first quarter of 2014 the Government of British Columbia announced that it will phase out the preferential tax treatment for B.C. credit unions beginning in 2016.

	For the three months ended	
	March 31, 2014	March 31, 2013
	%	%
Combined federal and provincial statutory income tax rates	**30.5**	30.5
Reduction available to credit unions	**(15.4)**	(17.0)
Change in estimated future tax rates on deferred tax balances	**(1.5)**	-
Non-deductible and other items	**0.1**	(0.6)
	13.7	12.9

24. Segment Information

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

A description of each business segment is as follows:

Mandatory Reserve Pool

The MRP segment is responsible for providing extraordinary liquidity to the credit union system 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. Assets held in the pool remain highly liquid in order to ensure immediate access to funds. The net profits in the MRP business line are distributed to Class A members in the form of a dividend.

Wholesale Financial Services

The Wholesale Financial Services segment is comprised of the Excess Liquidity Pool ("ELP"), payment and settlement operations, direct banking and the group clearer function. The ELP supports the structural and tactical liquidity needs of member credit unions in pursuit of regular, day-to-day business objectives. The pool 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 ELP and fostering the system's growth, which involves lending funds to credit unions, accessing capital markets for short and long term funding, commercial loan syndications, and coordinating and administering securitization and other wholesale funding programs. Central 1 also provides foreign exchange services, derivative capabilities and other ancillary treasury services under the ELP. Payment and settlement operations encompass processing paper items and electronic transactions such as automated funds transfer ("AFT") 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 under this segment. Direct banking services 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. Central 1 is a group clearer under the rules of the Canadian Payments Association ("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

The Trade Services segment delivers operational support, strategic consulting and research services tailored to the needs of member credit unions. Among these services are strategic planning, research and analysis, insurance and risk management, project management and compensation advice.

Other

All other business level activities that are not allocated to these three business segments, including adjustments and other management reclassifications, corporate level tax items and residual unallocated revenue and expenses, are included in the "Other" segment. Any unallocated assets or liabilities are included in this business segment.

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 our business segments are managed. This approach is intended to ensure that our 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 costs or services directly incurred or provided on their behalf at the corporate level. 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 our business segments and assist 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 the three business segments are reported under the "Other" segment.

Results by segment

The following table summarizes the segment results for the quarter ended March 31, 2014:

(Thousands of dollars)

	Mandatory Reserve Pool	Wholesale Financial Services	Trade Services	Other	Total
Interest income	$ 24,779	$ 23,966	$ 73	$ 55	$ 48,873
Interest expense	21,782	18,243	(40)	1,398	41,383
Interest margin	$ 2,997	$ 5,723	$ 113	$ (1,343)	$ 7,490
Gain on disposal of financial instruments	6,428	8,682	-	3	15,113
Changes in fair value of financial instruments	4,494	404	36	-	4,934
Recovery for credit losses	-	47	-	-	47
Net financial income, including recovery for credit losses	13,919	14,856	149	(1,340)	27,584
Other income	6	17,148	5,768	4,640	27,562
Net financial and other income	13,925	32,004	5,917	3,300	55,146
Net operating expenses	1,717	17,654	6,833	5,105	31,309
Profit (loss) before income taxes	12,208	14,350	(916)	(1,805)	23,837
Income taxes (recoveries)	1,904	2,239	(143)	(745)	3,255
Profit (loss) after income taxes	$ 10,304	$ 12,111	$ (773)	$ (1,060)	$ 20,582
Total assets at March 31, 2014	$ 6,731,037	$ 5,443,166	$ 23,670	$ 230,920	$ 12,428,793
Total liabilities at March 31, 2014	$ 6,325,869	$ 4,995,175	$ 3,028	$ 217,662	$ 11,541,734
Total Equity Attributable to members of Central 1	$ 405,168	$ 447,991	$ 10,796	$ 13,258	$ 877,213
Non-Controlling interest	-	-	9,846	-	9,846
Total equity at March 31, 2014	$ 405,168	$ 447,991	$ 20,642	$ 13,258	$ 887,059

The accounting policies of the segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

25. Guarantees, commitments and contingencies

Central 1 is a Group Clearer under the rules of the Canadian Payments Association ("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 (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.

Central 1 is exposed to risk as a party to off-balance sheet financial instruments. These instruments include guarantees such as standby letters of credit as well as commitments to accept deposits at agreed rates and terms.

	(Thousands of dollars)		
	March 31, 2014	March 31, 2013	December 31, 2013
Standby letters of credit	**$ 166,965**	$ 189,610	$ 184,743
Commitments to extend credit	**$ 3,466,010**	$ 3,228,283	$ 3,312,499

Central 1 is involved in legal actions in the ordinary course of business, in which the likelihood of a loss and amount of loss, if any, is not readily determinable.

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26. Financial instruments - Fair value

The following table sets out the fair values of on-balance sheet and derivative instruments of Central 1 using the valuation methods and assumptions described in Note 4. Fair values have not been attributed to assets and liabilities that are not considered financial instruments, such as capital assets.

(Millions of dollars)	Fair Value		Carrying Value		Unrealized Gain (Loss)	
	March 31, 2014	March 31, 2013	**March 31, 2014**	March 31, 2013	**March 31, 2014**	March 31, 2013
Assets						
Cash	**$ 81.37**	$ 100.40	**$ 81.37**	$ 100.40	**$ -**	$ -
Deposits with regulated financial institutions[1]	**7.18**	6.81	**7.17**	6.61	**0.01**	0.20
Investment securities[1]	**10,144.42**	10,065.60	**10,144.42**	10,065.40	**-**	0.20
Reinvestment assets under the CMB and IMPP programs	**178.62**	1,694.20	**178.62**	1,694.20	**-**	-
Derivative assets	**41.10**	36.12	**41.10**	36.12	**-**	-
Loans[2]	**1,056.63**	1,452.40	**1,056.07**	1,449.80	**0.56**	2.60
Secured loans to members	**185.04**	497.64	**185.04**	497.64	**-**	-
Other assets	**735.00**	692.80	**735.00**	692.80	**-**	-
Liabilities						
Deposits designated as trading	**3,926.36**	2,149.71	**3,926.36**	2,149.71	**-**	-
Derivative liabilities	**160.49**	195.96	**160.49**	195.96	**-**	-
Debt securities issued[1]	**1,148.44**	1,086.42	**1,146.98**	1,085.02	**(1.46)**	(1.40)
Deposits from members[1]	**4,540.78**	7,041.78	**4,520.68**	7,001.38	**(20.10)**	(40.40)
Obligations under the CMB and the IMPP programs	**654.51**	2,341.66	**654.51**	2,341.66	**-**	-
Subordinated liabilities[1]	**172.53**	174.81	**170.43**	170.41	**(2.10)**	(4.40)
Securities under repurchase agreements	**29.34**	151.12	**29.34**	151.12	**-**	-
Other liabilities	**932.94**	605.02	**932.94**	605.02	**-**	-
Total					**$ (23.09)**	$ (43.20)

[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

27. Capital management

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

In January 2014, FICOM confirmed requirements for Central 1 to maintain a federal borrowing multiple of no more than 16.0:1 for its MRP business line and no more than 14.0:1 for its ELP 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 14.5:1 for its MRP business line to 12.0:1 for its ELP 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 (BIS). The provincial risk weightings generally parallel the methodology used by OSFI to regulate Canadian chartered banks. Provincial Legislation requires Central 1's risk-weighted capital, calculated by dividing capital by risk-weighted assets, to be no less than 8.0%. FICOM guidance requires Central 1's risk-weighted capital to be no less than 10.0%. Additionally, Central 1 must maintain a risk-weighted capital ratio of at least 10.0% to enable member B.C. credit unions to risk-weight their deposits with Central 1 at 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.

The federal borrowing multiple for Central 1's MRP business line was 16.1:1. Central received pre-approval from FICOM to exceed the required level of 16.0:1 temporarily until the next scheduled share call in May, 2014. At period-end, Central 1 was in compliance with all other regulatory capital requirements.

28. Related parties

Transactions with key management personnel

Key management personnel include Central 1's Executive Management and Vice-Presidents. Transactions between Central 1 and management personnel and their immediate relatives during the year are as follows:

	(Thousands of dollars) For the three months ended	
	March 31, 2014	March 31, 2013
Mortgage loans outstanding at end of period	**$ 942**	$ 1,396
Maximum mortgage loans outstanding during the period	**$ 1,060**	$ 1,412

Mortgage loans to key management personnel bear interest at rates ranging from 2.50% to 2.84% and are secured over property of the respective borrowers. No impairment losses have been recorded against balances during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at period end.

Key management personnel compensation for the period comprised:

	(Thousands of dollars) For the three months ended	
	March 31, 2014	March 31, 2013
Salaries and short-term employee benefits	**$ 645**	$ 686
Post-employment benefits	**57**	70
Termination benefits	**1,000**	2,833
	$ 1,702	$ 3,589

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

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.

Board of directors

During the three months ended March 31, 2014 the members of Central 1's Board of directors received aggregate remuneration of **$122** thousand (March 31, 2013 - $202 thousand).

Significant Subsidiaries

	(% ownership of common shares outstanding)		
	March 31, 2014	March 31, 2013	December 31, 2013
Central 1 Trust Company	**100%**	100%	100%
Central Risk and Insurance Management Services Inc.	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%
Stabilization Fund Corporation	**100%**	100%	100%

CUPP Services Ltd. ("CUPP"), subject to the approval of its Board of Directors, may declare patronage dividends to distribute some, or all, of its excess of revenue over expenditures during the period. Central 1 participates in this patronage dividend in proportion to its use of services provided by CUPP, with the remainder issued to holders of the Non-Controlling Interest of CUPP.

The net assets of Stabilization Fund Corporation ("SFC") are retained for use by Central 1's member credit unions in Ontario, and as such, SFC does not declare or pay dividends.

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

Investments in affiliates

Central 1 accounts for its interests in the following entities using the equity method of accounting:

	(% ownership of common shares outstanding)		
	March 31, 2014	March 31, 2013	December 31, 2013
Credential Financial Inc.	**40%**	40%	40%
Credit Union Central of Canada ("CUCC")	**50%**	51%	50%
CUMIS Group Limited	**27%**	27%	27%