First Quarter Report 2015

Report to Members

Central 1

CENTRAL 1 REPORTS RESULTS FOR FIRST QUARTER OF 2015

First quarter highlights compared to the same period last year:

- Central 1's Profit for the period is $11.4 million, compared to $20.6 million a year earlier.
- Central 1's Return on average equity is 4.9%, compared to 9.4% a year earlier.
- Central 1's Assets are $13.6 billion, compared to $12.4 billion a year earlier.
- B.C. system Net operating income is $78.5 million, compared to $79.2 million a year earlier.
- B.C. system Assets are $62.0 billion, up 4.5% compared to $59.4 billion a year earlier.
- Ontario system Net operating income is $35.3 million, compared to $45.9 million a year earlier.
- Ontario system Assets are $37.1 billion, up 11.2% compared to $33.3 billion a year earlier.

Central 1 recorded Net financial income of $15.7 million and Profit of $11.4 million during the first quarter, compared to Net financial income of $27.5 million and Profit of $20.6 million during the same period last year. Central 1's Other income was $28.6 million, an increase of $1.0 million over the same period last year, while Operating expenses decreased by $0.6 million to $30.7 million. Assets, which were $13.6 billion as at March 31, 2015, increased $1.2 billion from the same time in the prior year. Central 1 was in compliance with all regulatory capital requirements throughout the first quarter of 2015.

In connection with the 2014 budget, the federal government announced that it planned to cease the joint supervision of provincial credit union centrals by the Office of the Superintendent Financial Institutions (OSFI). On May 5, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017. Together with other changes in the regulatory framework, this will have an impact on the Canadian Credit Union system payments and clearing functions. Central 1 is working together with other Centrals and Credit Union Central of Canada to explore alternative operating models for payments and clearing.

While economic growth in the United States has been sluggish over the past few years, there are signs of improvement. The level of unemployment has declined over the past year, but wage growth remains sluggish. Conditions are in place for a strong performance in 2015 as the labour market is expected to continue improve and, when coupled with lower energy costs, should lead to improved consumer confidence. Downside risks remain as economic data outside of the labour markets has remained weak and many question the economy's capacity to absorb higher rates.

The Canadian economy showed signs of weakness at the start of the first quarter, but appeared to improve toward the end of quarter. Economic growth in 2015 is expected to decline relative to 2014 in part due to lower oil prices. Recent indicators suggest that growth will gradually pick up over the year, aided by a recovery in oil prices, a rebound in housing starts and a lower Canadian dollar.

The Bank of Canada surprised markets in January with a 25 basis point (bps) cut to its overnight rate, causing a sharp decline in Government of Canada (GOC) yields. U.S. Treasury yields also ended the quarter lower, as the U.S. Federal Reserve rate hike expectations were pushed out to the latter half of 2015. Global equities ended the quarter generally higher.

The B.C. Credit Union system earned $78.5 million before taxes in the first quarter of 2015, down from $79.2 million during the same period in 2014.

Net interest income increased slightly and while assets increased 4.5% year-over-year, lower loan yields have resulted in lower rate of return on assets. Provisions for credit losses as a percentage of loans outstanding were essentially unchanged. Non-financial income increased by $10.9 million, led by trading gains and equity interest in affiliates while Non-financial expenses increased by $12.1 million which includes an increase in salaries and employee benefits expense of $8.6 million.

The B.C. system's regulatory risk-weighted capital ratio was 15.0% at the end of March, up from 14.9% a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 12.9% of deposit and debt liabilities, up slightly from 12.8% a year ago.

The Ontario Credit Union system earned $35.3 million before taxes in the first quarter of 2015, down from $45.9 million during the same period in 2014.

Net interest income increased by approximately 4.1% to reach $197.6 million. Growth in system assets of 11.2% year-over-year was partially offset by lower loan yields. Provisions for credit losses as a percentage of loans outstanding declined slightly. Non-financial income declined $2.0 million, while Non-financial expense increased by $16.4 million. Non-Financial expense includes salaries and employee benefits which increased by $4.8 million and other expenses increased by $11.6 million.

The Ontario system's regulatory risk-weighted capital ratio was 12.8% at the end of the first quarter, down from 13.1% from a year earlier. Aggregate liquidity of Ontario credit unions, including that held by Central 1, was 11.3% as of March 31, 2015, up from 10.9% a year earlier.

Management’s Discussion & Analysis

Central 1

Table of Contents

Management's Discussion and Analysis for the period ended March 31, 2015

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, 2014, and reviews and analyzes the financial condition and results of operations of Central 1 for the three month period ended March 31, 2015 compared to the corresponding periods in the preceding fiscal year. The financial information included in this MD&A should be read in conjunction with Central 1's interim financial statements for the three month period ended March 31, 2015 which were authorized for issue by the Board of Directors on May 22, 2015. Additional information on Central 1 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 period ended March 31, 2015 which may be found on SEDAR at www.sedar.com.

These documents also include statements about the credit union systems in British Columbia and Ontario. The British Columbia credit union system is made up of all credit unions in British Columbia while the Ontario credit union system is made up of only those credit unions who have elected to become members of Central 1. In the charts and discussion presented in this report, the two provincial systems are individually referred to as the "British Columbia (B.C.) credit union system" or "B.C. system" and the "Ontario credit union system" or "Ontario system". Where the term "system" appears without regional designation, it refers to Central 1's total membership, encompassing credit unions in both provinces.

Financial information for the B.C. system has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial credit union regulator, which makes available information provided to it by B.C. credit unions. Financial information for the Ontario system has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available information it receives from Ontario credit unions. Central 1 has no means of verifying the accuracy of information provided by credit unions to FICOM or DICO or the subsequent compilation of that information by FICOM or DICO. This information is provided purely to assist the reader with understanding Central 1's results in their full context.

Financial information provided by B.C. credit unions to FICOM and by Ontario credit unions to DICO has been prepared using reporting templates developed by FICOM and DICO, respectively. The format and accounting principles used to complete these templates are not fully consistent with IFRS. As such, the financial statements for the B.C. and Ontario systems included within this report must be considered non-GAAP financial information. Central 1 is not able to reconcile the Net Operating Income (NOI) of the B.C. and Ontario credit union systems reported herein to an equivalent amount under IFRS. The NOI of the B.C. and Ontario credit union systems reported herein is not equivalent to Income from Continuing Operations as would be reported under IFRS.

In connection with the 2014 budget, the federal government announced that it planned to cease the joint supervision of provincial credit union centrals by the Office of the Superintendent Financial Institutions (OSFI). On May 5, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017. Together with other changes in the regulatory framework, this will have an impact on the Canadian Credit Union system payments and clearing functions. Central 1 is working together with other Centrals and Credit Union Central of Canada to explore alternative operating models for payments and clearing.

Central 1 is considering applying 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 would continue to make available both its quarterly and audited annual statements on its website if it ceased to be a reporting issuer.

Cautionary Note 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", "will", "may", "should", "could", or "would" and similar expressions.

Forward-looking statements, by their nature, require Central 1 to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct and that financial objectives, vision and strategic goals will not be achieved. Central 1 cautions readers 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 law.

Additional information about these and other factors can be found in the Overview section of our 2014 Annual Report and in the Risk Management section of this MD&A.

Overall Performance and Interim Financial Condition

The Economic Environment

While economic growth in the United States has been sluggish over the past few years, there are signs of improvement. The level of unemployment has declined over the past year, but wage growth remains sluggish.

Conditions are in place for a strong performance in 2015 as the labour market is expected to continue improve and, when coupled with lower energy costs, should lead to improved consumer confidence. Downside risks remain as economic data outside of the labour markets has remained weak and many question the economy's capacity to absorb higher rates.

The Canadian economy showed signs of weakness at the start of the first quarter, but appeared to improve toward the end of quarter. Economic growth in 2015 is expected to decline relative to 2014 in part due to lower oil prices. Recent indicators suggest that growth will gradually pick up over the year, aided by a recovery in oil prices, a rebound in housing starts and a lower Canadian dollar.

Global economic growth is expected to increase slightly in 2015 aided by an improving U.S. economy. Signs have emerged of slightly faster economic growth in Europe, though the risk of a Greek exit from the Euro or other geopolitical risks could offset this. On the other hand, China's export sector has slowed due to weak foreign demand and an appreciating currency, and is being supported by monetary policy. The Japanese economy is stuck in weak growth despite considerable monetary policy stimulus.

Financial Markets

At its January meeting, the Bank of Canada (the Bank) surprised markets with a 25 bps cut to its overnight rate.

The cut to the Bank's overnight rate caused a sharp decline in Government of Canada (GOC) yields. U.S. Treasury yields also ended the quarter lower, as the U.S. Federal Reserve rate hike expectations were pushed out to the latter half of 2015. The European Central Bank launched a larger than expected Quantitative Easing program, pushing European Government yields lower. Global equities ended the quarter generally higher.

British Columbia Credit Union System

The B.C. system earned $78.5 million before taxes in the first quarter of 2015, down slightly from the same period in 2014. Higher non- interest expense offset higher non-interest income while net interest income was little changed. Combined assets of the B.C. system rose 4.5%, year-over-year, to reach $62.0 billion at quarter-end.

Net interest income increased slightly and while assets increased 4.5% year-over-year, lower loan yields have resulted in lower rate of return on assets. Provisions for credit losses as a percentage of loans outstanding were essentially unchanged. Non-financial income increased by $10.9 million, led by trading gains and equity interest in affiliates while Non-financial expenses increased by $12.1 million which includes an increase in salaries and employee benefits expense of $8.6 million.

Net loans increased by 4.4% or $2.3 billion, led by commercial mortgages and personal mortgages. Cash and investments increased 4.8% or $0.3 billion. Deposits grew by 4.3% or $2.3 billion, led by non-registered demand and term products, and borrowings increased by 3.8% or $86.0 million. Members' equity and capital increased by 5.4% or $0.2 billion.

The B.C. system's regulatory risk-weighted capital ratio was 15.0% at the end of March, up from 14.9% a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 12.9% of deposit and debt liabilities, up slightly from 12.8% a year ago.

Ontario Credit Union System

The Ontario system earned $35.3 million before taxes in the first quarter of 2015, down from $45.9 million during the same period in 2014. Most credit unions recorded flat to modest earnings growth in the period, with decreases restricted to a small number of credit unions.

Net interest income increased $7.8 million to a total of $197.6 million, due to higher lending, partially offset by spread compression. The provision for credit losses remained low. Net operating expense increased by $16.4 million, led by increased salary and benefit and other administrative costs, respectively.

Loans and Deposits increased by 11.0% to $31.9 billion and 8.7% to $30.6 billion, respectively. Loan growth was mainly in residential mortgages, up 12.0%, and commercial mortgages and loans, up 12.5%. Liability growth was mainly in demand, term and registered deposits, up 8.7%, and other borrowings, up 40.0%.

The Ontario system's regulatory risk-weighted capital ratio was 12.8% at the end of the first quarter, down 13.1% from a year earlier. Aggregate liquidity of Ontario credit unions, including that held by Central 1, was 11.3% as of March 31, 2015, up 10.9% from a year earlier.

Financial Overview

Figure 1 - Selected Financial Information

	March 31 2015	March 31 2014	Change
Earnings *($ millions)*			
Net financial income	**$ 15.7**	$ 27.5	$ (11.8)
Net financial and other income	**$ 44.3**	$ 55.1	$ (10.8)
Profit for the period	**$ 11.4**	$ 20.6	$ (9.2)
Earnings per Share *(cents)*			
Basic	**3.4**	6.7	(3.3)
Fully diluted	**3.4**	6.7	(3.3)
Return on			
Average assets	**0.3%**	0.7%	(0.4%)
Average equity	**4.9%**	9.4%	(4.5%)
Statement of Financial Position Data *($ millions)*			
Total assets	**$ 13,576.2**	$ 12,428.8	$ 1,147.4
Average assets	**$ 13,456.4**	$ 12,657.1	$ 799.3
Long term financial liabilities	**$ 5,289.7**	$ 4,581.8	$ 707.9
Weighted average shares outstanding	**$ 333.1**	$ 307.2	$ 25.9
Regulatory Capital Ratios			
Tier 1 capital ratio	**38.0%**	35.0%	3.0%
Total capital ratio	**49.6%**	44.4%	5.2%
Borrowing multiple (times)	**13.0**	12.8	0.2
Share Information			
Outstanding $1 par value Shares *($ thousands)*			
Class A - credit unions	**$ 332,962**	$ 307,141	$ 25,821
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	**2.43**	3.97	(1.54)
Class B & C	**0.27**	0.34	(0.07)
Class E	**-**	-	-

During the first quarter of 2015, Central 1 recorded Profit of $11.4 million or 3.4 cents per share, compared to Profit of $20.6 million or 6.7 cents per share last year. Dividends on Class A Shares were accrued during the first quarter of 2015 represent the earnings of the Mandatory Liquidity Pool (MLP) during that period. Dividends are paid on an annual basis and based on the year-end audited results.

Statement of Profit or Loss

Net Financial Income

Central 1 recorded Net financial income of $15.7 million for the quarter (*Figure 1*), compared with Net financial income of $27.5 million for the same period last year.

Interest margin for the quarter was $5.0 million, down from $7.5 million during the three months ended March 31, 2014. Interest margin declined in the quarter due to lower Interest income earned on high quality liquid securities as well as spread compression.

Financial assets benefited from mark-to-market gains due to falling interest rates and narrowing credit spreads on provincial and corporate debt, but this was partially offset by mark-to-market losses on trading deposits and Obligations under the Canada Mortgage Bond (CMB) Program. During the quarter, Central 1 recorded realized gains of $4.0 million and recorded unrealized gains of $6.7 million resulting in a net gain of $10.7 million, compared to a net gain of $20.0 million in the first quarter of 2014. Notes 21 and 22 to the Interim Consolidated Financial Statements contain details of realized and unrealized gains recorded during the quarter.

Other Income and Operating Expenses

Central 1 provides an extensive range of financial and trade association services to its member credit unions, the majority of which are offered on a fee-for-service basis. In addition, certain key services of general benefit to Central 1's Class A members are funded by membership dues. Central 1 also collects a Provincial advertising assessment from its Class A members in British Columbia to fund the Province-Wide Communications Program. Figure 2 provides a summary of revenue from such services and related operating expenses.

Figure 2 - Other Income and Operating Expenses

(Millions of dollars - % of total)	For the three months ended			
	March 31 2015		March 31 2014	
	Amount	**% of Income**	Amount	% of Income
Other Income				
Membership dues and provincial advertising assessment	**3.1**	**10.8%**	2.4	8.7%
Equity interest in affiliates	**0.4**	**1.5%**	1.1	4.0%
Insurance premiums & assessments	**0.5**	**1.8%**	1.3	4.7%
Digital & Payment Services				
Payment processing and other fees	**11.5**	**40.0%**	10.3	37.3%
Direct banking fees	**6.9**	**24.2%**	5.9	21.4%
Treasury Related Services	**3.8**	**13.3%**	3.6	13.2%
Trade & Other Services	**2.4**	**8.4%**	3.0	10.7%
Total Other Income	**28.6**	**100.0%**	27.6	100.0%
Operating Expenses				
Salaries and employee benefits	**17.0**	**59.5%**	17.9	64.7%
Premises and equipment	**1.8**	**6.4%**	2.4	8.5%
Other administrative expenses	**11.9**	**41.4%**	11.1	40.3%
Total Operating Expenses	**30.7**	**107.3%**	31.3	113.5%
Net Operating Expense	**(2.1)**	**(7.3)%**	(3.7)	(13.5)%

Central 1 reported Other income of $28.6 million during the first quarter of 2015 which increased by $1.0 million compared to $27.6 million in the first quarter of 2014. Other income within Digital & Payment Services increased by $2.2 million in the quarter due to increased electronic payments transaction volumes and an increase in the number credit unions using MemberDirect® online services. Trade and Other Services' revenues decreased by $0.6 million in the first quarter of 2015 compared to the first quarter of 2014 primarily due to a decrease in marketing revenue. Provincial advertising assessment revenues increased $0.7 million as the specific campaign activities accelerated in the first quarter of 2015.

In aggregate, Operating expenses decreased $0.6 million from $31.3 million in the first quarter in 2014 to $30.7 million in the first quarter of 2014. Salaries and employee benefits expenses decreased from $17.9 million in the first quarter of 2014 to $17.0 million during the current quarter. Included in the first quarter of 2014 was an accrual of $1.0 million for termination provisions payable under a contractual arrangement with one member of Central 1's Executive Management Team. After adjusting for the one time impact of this cost, Salaries and employee benefits expense was broadly unchanged.

Other administrative expenses increased from $11.1 million in the first quarter of 2014 to $11.9 million in the first quarter of 2015. The costs of processing payment transactions increased by $0.7 million, reflective of higher payments transaction volumes in the Digital & Payments Services group.

Results by Operating Segment

The following table summarizes Central 1's results by operating segment results for the three months ended March 31, 2015 as compared to the quarter end March 31, 2014.

Figure 3 - Results by Segment

(Thousands of dollars)	For the three months ended March 31, 2015					
	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including recovery of credit losses	$ 10,085	$ 6,641	$ (69)	$ 109	$ (1,074)	$ 15,692
Other income	(222)	3,464	18,393	4,502	2,478	28,615
Net financial and other income	9,863	10,105	18,324	4,611	1,404	44,307
Operating expenses	1,764	4,044	16,803	5,408	2,707	30,726
Profit (loss) before income taxes	8,099	6,061	1,521	(797)	(1,303)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,215	$ 1,272	$ (667)	$ (1,214)	$ 11,378
Total assets at March 31, 2015	$ 6,955,635	$ 5,684,424	$ 683,853	$ 20,421	$ 231,897	$ 13,576,230

(Thousands of dollars)	For the three months ended March 31, 2014					
	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including recovery of credit losses	$ 13,919	$ 14,974	$ (74)	$ 109	$ (1,344)	$ 27,584
Other income	6	3,030	16,203	5,768	2,555	27,562
Net financial and other income	13,925	18,004	16,129	5,877	1,211	55,146
Operating expenses	1,717	3,739	15,925	6,851	3,077	31,309
Profit (loss) before income taxes	12,208	14,265	204	(974)	(1,866)	23,837
Income taxes (recoveries)	1,904	2,217	22	(143)	(745)	3,255
Profit (loss) for the period	$ 10,304	$ 12,048	$ 182	$ (831)	$ (1,121)	$ 20,582
Total assets at March 31, 2014	$ 6,731,037	$ 4,976,262	$ 466,904	$ 23,670	$ 230,920	$ 12,428,793

For the first quarter of 2015, MLP had a Profit of $6.8 million as compared to $10.3 million in the first quarter of 2014. Net financial income was $10.1 million in the first quarter of 2015 as compared to $13.9 million in the first quarter of 2014. The Bank's rate resulted in mark-to-market gains in the MLP, but is expected to have a negative impact on Interest margin in future periods as proceeds from maturing securities are reinvested in lower yielding instruments. Realized and unrealized gains were $6.5 million in the first quarter of 2015, down from $10.9 million in 2014.

Wholesale Financial Services had a Profit of $5.2 million in the first quarter of 2015 as compared to $12.0 million in the first quarter of 2014. Net financial income, including provision (recovery) for credit losses, was $6.6 million in the first quarter of 2015 as compared to $15.0 million in the first quarter of 2014. Interest margin was $2.5 million in the first quarter, of 2015 down from $5.8 million in 2014 while realized and unrealized gains totalled $4.1 million during the period, down from $9.1 million in the prior year. Interest margin has declined in the past year reflecting lower prevailing interest rates as well as increased holdings in government securities, which is due in part to lower credit union loan demand.

Within Wholesale Financial Services, Other income was $3.5 million in the first quarter of 2015 compared to $3.0 million in the first quarter of 2014. The increase in revenues is primarily due to an increase in standby fees on credit union loan facilities and increased securitization fees from credit union participants in the CMB

Program. However, foreign exchange income decreased in the first quarter of 2015 as compared to the first quarter of 2014, reflecting a weaker Canadian dollar. Operating expenses increased from $3.7 million in the first quarter of 2014 to $4.0 million in the first quarter of 2015.

Digital & Payment Services recorded a Profit of $1.3 million in the first quarter of 2015 as compared to breakeven in the first quarter of 2014. Within Digital & Payment Services, payment process revenues and Direct Banking fees increased by $2.2 million in aggregate in the first quarter of 2015 as compared to the first quarter of 2014. Operating expenses increased from $15.9 million in the first quarter of 2014 to $16.8 million in the first quarter of 2015. This is due primarily to increased Cost of sales and services related to increased due to increased electronic payment processing volumes as did costs associated with delivering services to credit unions using the MemberDirect® online platform.

Trade Services recorded an operating loss of $0.1 million during the first quarter, compared to a loss of $1.0 million during the first quarter of 2014. Central 1 recorded a restructuring provision in the first quarter of 2014 related to the wind down of insurance-related activities in the Ontario region. Effective July 1, 2014 the Master Insurance Program (MIP) previously administered by Central 1 on behalf of credit unions in Ontario, was transferred to The CUMIS Group (CUMIS).

The results of this segment also include a loss, under the equity method of accounting, related to Central 1's interest in Credit Union Central of Canada (CUCC). Central 1 incurs membership dues expenses to support CUCC's operations and collects dues from its member to cover a portion of these expenses. In the first quarter of 2015, Central 1 recorded a net charge to income of $0.7 million related to its interests in CUCC.

Central 1's Other operating areas reported a Loss of $1.2 million in the first quarter of 2015, little changed from the loss of $1.1 million in the first quarter of 2014. Operating expenses in the first quarter of 2015 were $2.7 million, down from $3.1 million in the first quarter of 2014. After adjusting for the one time impact of termination costs, Salaries and employee benefits expense increased by $0.6 million due to increased market based wages and increased staffing. Professional fees increased by $0.4 million over the first quarter of 2014 due to the implementation of a new governance structure, partially offset by a decrease of $0.2 million of other fees.

Income Taxes

Central 1's combined federal and provincial statutory tax rate is 31.0%. Central 1's effective tax rate for the quarter was 16.2%, an increase from 13.7% in the first quarter of 2014. The increase is primarily due to the phase out of the Credit Union deduction and the changes in estimated future tax rates on deferred tax balances that were recognized in 2014.

The federal deduction available to credit unions which provides access to a lower 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 partially mitigated 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.

British Columbia provides a lower tax rate for credit unions consistent with the federal credit union deduction. This lower rate will also be phased out 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 1's 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 $12.0 billion at period end. Of this amount, $0.1 billion represents reinvestment assets which are designated to offset Obligations under the CMB program. The remaining balance of $11.9 billion (*Figure 4*) comprises the MLP and Non-MLP investment portfolios and represents 88.2% of Central 1's total assets, excluding reinvestment assets, compared to $10.2 billion and 83.6% a year ago.

Central 1 manages its investment portfolios to meet or exceed all regulatory requirements in respect of liquidity and funding risk. Central 1 also manages its investment portfolios to meet the collateral requirements under the Bank of Canada's Standing Liquidity Facility. This has resulted in Central 1 holding a larger proportion of government-issued and government-guaranteed securities than it held a year ago as identified in *Figure 4*.

Figure 4 - Cash and Securities

(Millions of dollars - % of total)	**March 31 2015**				March 31 2014				December 31 2014	
	MLP	**Non-MLP**	**Total**	**%**	MLP	Non-MLP	Total	%	Total	%
Government & Guarantees	**$ 5,797.0**	**$ 2,239.4**	**$ 8,036.4**		$ 5,023.9	$ 953.2	$ 5,977.1		$ 7,879.3	
Cash	**0.0**	**139.4**	**139.4**		0.0	81.4	81.4		145.2	
	5,797.0	**2,378.8**	**8,175.8**	***68.8%***	5,023.9	1,034.6	6,058.5	*59.5%*	8,024.5	*70.4%*
Corporate & Financial Institutions AA or Greater *	**1,101.4**	**1,977.6**	**3,079.0**	***25.9%***	1,485.8	2,437.0	3,922.8	*38.5%*	2,856.8	*25.1%*
Other	**0.0**	**624.6**	**624.6**	***5.3%***	0.0	203.1	203.1	*2.0%*	518.0	*4.5%*
	$ 6,898.4	**$ 4,981.0**	**$ 11,879.4**	***100.0%***	$ 6,509.7	$ 3,674.7	$ 10,184.4	*100.0%*	$ 11,399.3	*100.0%*

* The credit ratings represent investment ratings provided by DBRS

Loans

Total Loan balances decreased to $0.9 billion from $1.1 billion at the same time last year. Loans to member credit unions decreased to $0.3 billion from $0.8 billion at the same time last year. The amounts advanced under Central 1's non-credit union loan facilities as at March 31, 2015 was $271.6 million, up from $226.3 million in 2014, of which, commercial lending amounted to $249.2 million as at March 31, 2015, compared to $195.0 million a year ago. Commercial loans represented 28.2% of Central 1's total loan portfolio at quarter-end, up from 18.5% a year ago. Securities acquired under reverse repurchase agreements increased from $68.6 million to $279.4 million as at March 31, 2015.

Figure 5 summarizes Central 1's total Loans as at March 31, 2015.

Figure 5 - Loans

(Millions of dollars - % of total)		**March 31 2015**			March 31 2014			December 31 2014	
Loans to Credit Unions	**$**	**334.2**	**37.8%**	$	759.3	72.0%	$	610.3	58.3%
Syndicated commercial loans		**216.7**	**24.5%**		173.5	16.5%		206.0	19.7%
Non syndicated commercial loans		**32.5**	**3.7%**		21.5	2.0%		27.0	2.6%
Other loans		**11.5**	**1.3%**		18.2	1.7%		11.1	1.1%
Mortgage pools		**10.9**	**1.2%**		13.1	1.3%		11.2	1.1%
		271.6	**30.7%**		226.3	21.5%		255.3	24.4%
Securities acquired under reverse repurchase agreements		**279.4**	**31.5%**		68.6	6.5%		181.7	17.3%
	$	**885.2**	**100.0%**	$	1,054.2	100.0%	$	1,047.3	100.0%

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

Borrowings

Deposits from Central 1's member credit unions were $8.4 billion as at March 31, 2015, up from $7.8 billion from a year ago. Credit union mandatory deposits grew by $0.5 billion over the year, reflective of the growth of both the B.C. and the Ontario credit union systems during the same period. Excess deposits from credit unions were $1.8 billion as at March 31, 2015, unchanged from the same period last year.

Total Debt securities outstanding as at March 31, 2015 were $1.6 billion, which was an increase of $0.5 billion from a year ago. The increase in Debt securities outstanding was primarily due to issuance of new Medium-Term Notes. Of the total amount outstanding as at March 31, 2015, $0.9 billion was borrowed under Central 1's Medium-Term Note facility and the remainder was borrowed through Central 1's Commercial Paper facility.

Direct securitization transactions are accounted for on balance sheet while indirect securitizations are off balance sheet. Total Obligations outstanding as at March 31, 2015 were $0.8 billion, which was an increase of $0.1 billion from a year ago. The increase in obligations is due to new participation in securitization transactions. Details of the balances included in the statement of financial position as at period end can be found in Notes 7, 11 and 17 of the interim consolidated financial statements.

Figure 6 summarizes Central 1's total Borrowings as at March 31, 2015.

Figure 6 - Borrowings

(Millions of dollars)	**March 31 2015**	March 31 2014	December 31 2014
Deposits and Trading Liabilities by type			
Mandatory deposits	**$ 6,508.7**	$ 5,999.4	$ 6,447.3
Excess deposits	**1,846.2**	1,845.4	1,828.1
Deposits from member credit unions	**8,354.9**	7,844.8	8,275.4
Other	**788.1**	602.2	656.1
	9,143.0	8,447.0	8,931.5
Debt securities issued at amortized cost			
Commercial Paper issued	**699.5**	576.4	668.2
Medium-term Notes issued	**900.4**	570.6	900.6
	1,599.9	1,147.0	1,568.8
Securities under repurchase agreements	**122.5**	29.3	105.7
Obligations under the CMB Program	**799.5**	654.5	595.2
	$ 11,664.9	$ 10,277.8	$ 11,201.2

Statement of Changes in Equity

Central 1's equity increased by $14.8 million during the three months ended March 31, 2015 to $939.6 million, compared to an increase in equity of $10.7 million during the same period in 2014. The increase in equity for both 2015 and 2014 was primarily due to increases in Retained earnings and Accumulated other comprehensive income resulting from changes in the fair value reserves of available-for-sale financial assets.

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 7*).

Figure 7 - Quarterly Earnings

(Thousands of dollars except as indicated)	2014/2015 For the three months ended				2013/2014 For the three months ended			
	June 30 2014	Sept 30 2014	Dec 31 2014	**March 31 2015**	June 30 2013	Sept 30 2013	Dec 31 2013	March 31 2014
Total interest income	$ 47,131	$ 51,114	$ 46,453	**$ 43,709**	$ 62,001	$ 54,159	$ 52,898	$ 48,873
Total interest expense	40,299	43,205	40,780	**38,714**	54,200	46,851	42,494	41,383
Interest margin	6,832	7,909	5,673	**4,995**	7,801	7,308	10,404	7,490
Gain (loss) on disposal of financial instruments	(21,252)	9,957	3,409	**4,008**	16,906	(3,910)	5,057	15,113
Changes in fair value of financial instruments	33,572	(2,716)	1,434	**6,700**	1,028	9,871	4,721	4,934
Provision (recovery) for credit losses	186	24	(242)	**(11)**	45	149	264	47
Other income	31,248	28,029	32,906	**28,615**	28,583	25,723	34,099	27,562
Net financial and other income	50,586	43,203	43,180	**44,307**	54,363	39,141	54,545	55,146
Operating expenses	(33,642)	(30,496)	(34,034)	**(30,726)**	(31,748)	(28,826)	(33,083)	(31,309)
Income taxes	(2,277)	(2,124)	(1,388)	**(2,203)**	(3,559)	(1,727)	(2,095)	(3,255)
Profit for the period	$ 14,667	$ 10,583	$ 7,758	**$ 11,378**	$ 19,056	$ 8,588	$ 19,367	$ 20,582
Weighted average shares outstanding *(millions)*	311.6	316.0	325.0	**333.1**	293.3	293.5	298.4	307.2
Earnings per Share* (cents)	4.7	3.3	2.4	**3.4**	6.5	2.9	6.5	6.7
Earnings per Share fully diluted (cents)	4.7	3.3	2.4	**3.4**	6.5	2.9	6.5	6.7

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

First Quarter 2015 Compared to Fourth Quarter 2014

Net Financial Income

Interest margin has declined quarter over quarter. Spread compression together with lower lending to member credit unions contributed to this decline.

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.

Other Income and Operating Expenses

Central 1 reported Other income of $28.6 million for the first quarter of 2015, which decreased $4.3 million from $32.9 million reported in the fourth quarter of 2014. Income decreases included processing fees, program activity, insurance, equity interest in affiliate, and dividend income, partially offset by increases in Direct Banking fees and loan fees.

Operating expenses decreased $3.3 million from $34.0 million in the fourth quarter of 2014 compared to $30.7 million in the first quarter of 2015. Salaries and employee benefits expenses declined from $17.4 million in the fourth quarter to $17.0 million in the current quarter. The first quarter higher statutory and other compensation expenses, offset by termination costs incurred in the prior quarter. Other administrative expenses decreased from $14.4 million in the fourth quarter of 2014 to $11.9 million in the first quarter of 2015. Professional fees declined $1.2 million mainly due to a decreased external consulting service fees. Operating expenses also declined quarter over quarter as the fourth quarter of 2014 included the the flow through of a dividend from one of Central 1's affiliates of $0.8

million paid to member credit unions.

Results by Operating Segment

The following table summarizes the operating segment results for the three months ended March 31, 2015 as compared to the quarter ended December 31, 2014:

Figure 8 - Results by Segment

(Thousands of dollars)						For the three months ended March 31, 2015
	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including provision (recovery) for credit losses	$ 10,085	$ 6,641	$ (69)	$ 109	$ (1,074)	$ 15,692
Other income	(222)	3,464	18,393	4,502	2,478	28,615
Net financial and other income	9,863	10,105	18,324	4,611	1,404	44,307
Operating expenses	1,764	4,044	16,803	5,408	2,707	30,726
Profit (loss) before income taxes	8,099	6,061	1,521	(797)	(1,303)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,215	$ 1,272	$ (667)	$ (1,214)	$ 11,378

(Thousands of dollars)						For the three months ended December 31, 2014
	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including provision (recovery) for credit losses	$ 5,199	$ 5,749	$ (74)	$ 66	$ (666)	$ 10,274
Other income	(107)	2,942	19,670	6,168	4,233	32,906
Net financial and other income	5,092	8,691	19,596	6,234	3,567	43,180
Operating expenses	1,561	3,903	16,181	5,397	6,992	34,034
Profit (loss) before income taxes	3,531	4,788	3,415	837	(3,425)	9,146
Income taxes (recoveries)	551	682	203	128	(176)	1,388
Profit (loss) for the period	$ 2,980	$ 4,106	$ 3,212	$ 709	$ (3,249)	$ 7,758

For the first quarter of 2015, MLP had a Profit of $6.8 million as compared to $3.0 million in the fourth quarter of 2014. Net financial income was $10.1 million in the first quarter of 2015 as compared to $5.2 million in the fourth quarter of 2014. Net financial income increased in the quarter primarily due to higher net gains on financial instruments in 2015 driven largely by the decline in the yield curve. Interest margin also increased slightly in the quarter.

Wholesale Financial Services had a Profit of $5.2 million in the first quarter of 2015 as compared to $4.1 million in the fourth quarter of 2014. Net financial income, including recovery of credit losses, was $6.6 million in the first quarter of 2015 as compared to $5.7 million in the fourth quarter of 2014 due to net gains on financial instruments in 2015 driven largely by the decline in the yield curve, offset by lower Interest margin. Other income of $3.5 million increased $0.5 million from $2.9 million in the fourth quarter of 2014 driven by increased lending fees. Operating expenses increased slightly by $0.1 million in the first quarter of 2015 as compared to the fourth quarter of 2014.

Digital & Payment Services Profit of $1.3 million decreased from $3.2 million in the fourth quarter of 2014. Revenue decreased by $1.3 million, largely due to a decrease in payment processing fees related to the switching and debit card services, partially offset by an increase in Direct Banking fees. Operating expenses increased from $16.2 million in the fourth quarter of 2014 to $16.8 million in the first quarter of 2015.

Trade Services recorded an operating loss of $0.1 million during the first quarter, compared to a loss of $1.0 million during the fourth quarter of 2014. The net loss was largely attributable to the wind down of insurance related activities. Program revenue and dues were also down quarter over quarter, whilst Operating expenses were little changed. The results of this segment also include a loss on Central 1's equity interest in CUCC that largely resulted in the overall Loss of $0.7 million.

Central 1's Other operating segment reported a loss of $1.2 million in the current quarter of 2015 compared with a loss of $3.4 million in the fourth quarter of 2014. Included in the Other segment was income recognized under the equity method of accounting from Central 1's affiliates which in aggregate was $0.8 million in the first quarter of 2015 as compared to $1.7 million in the fourth quarter of 2014. Operating expenses decreased from $6.2 million in the fourth quarter of 2014 to $2.7 million in the first quarter. Professional fees decreased $1.2 million quarter over quarter, whilst project costs also decreased $1.0 million.

Capital Management and Capital Resources

This portion of the Report to Members should be read in conjunction with the Capital Management and Capital Resources section of Central 1's MD&A for the year ended December 31, 2014.

Central 1's consolidated borrowing multiple is managed within a range of 12.0:1 to 14.0:1 (previously 12.0:1 to 15.0:1) and its level of Total Regulatory Capital as a percentage of Risk Weighted Assets is targeted to be in excess of 15.0%. 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.

Central 1's borrowing multiple for federal capital adequacy purposes was 13.0:1, up from 12.4:1 at December 2014 and its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes decreased from 60.6% to 49.6% during the same period. The increase in the borrowing multiple is primarily due to the increase in the demand and term deposits included in borrowing while total regulatory capital remained stable. The decrease in provincial risk weighted asset as a percentage of capital is mainly due to the increase in the investment securities assets.

As at March 31, 2015, the borrowing multiple for Central 1's MLP business line was 15.6:1, which is in compliance with 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 Mandatory deposits.

Central 1's regulatory capital base for federal purposes is calculated in *Figure 9*. As at March 31, 2015, within Central 1's borrowing multiple calculation, Tier 1 Capital was $888.3 million and Total capital before deductions was $1,110.3 million, compared to $834.3 million and $1,006.6 million, respectively, a year earlier. The increase in the Total capital before deductions over the past year includes subordinated debt issued in 2014 and the growth in Central 1's Retained earnings. In determining regulatory capital, adjustments are required to amounts reflected in Central 1's consolidated statement of financial position. These statutory capital adjustments mainly include Investments in entities where Central 1 has a substantial investment in ownership interest but does not control them.

Figure 9 - Capital Position

(Millions of dollars)	**March 31 2015**	March 31 2014	December 31 2014
Share Capital	**$ 333.0**	$ 307.2	$ 333.1
Contributed Surplus	**87.9**	87.9	87.9
Retained Earnings	**471.4**	443.5	467.1
Less: Accum Net After Tax Gain in Investment Property	**(4.0)**	(4.3)	(4.0)
Tier 1 Capital	**888.3**	834.3	884.1
Subordinated Debt	**218.0**	168.0	218.0
Add: Accum Net After Tax Gain in Investment Property	**4.0**	4.3	4.0
Tier 2 Capital	**222.0**	172.3	222.0
Total Capital	**1,110.3**	1,006.6	1,106.1
Statutory Capital Adjustments	**(162.3)**	(150.2)	(159.4)
Capital Base (Federal)	**$ 948.0**	$ 856.4	$ 946.7
Borrowing Multiple - Consolidated	**13.0:1**	12.8:1	12.4:1
Borrowing Multiple - Mandatory Liquidity Pool	**15.6:1**	16.1:1	15.5:1
Borrowing Multiple - Excess Liquidity Pool	**10.9:1**	11.4:1	10.1:1
Capital Base (Provincial)	**$ 932.3**	$ 846.2	$ 946.8
Provincial Risk Weighted Assets	**49.6%**	44.4%	60.6%

Note 29 of Central 1's interim consolidated financial statements provides further details with respect to Central 1's capital management.

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, 2014.

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

Liquidity Risk

Liquidity risk for an organization 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 manages its liquidity risk using a number of measures including stress tests to ensure it can respond in times of difficulty to meet its and its members' needs. Central 1 maintains Liquidity and Funding and Contingency Funding plans, respectively. Both are reviewed and approved by the Board of Directors.

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

Interest rate risk is the potential adverse impact on Central 1’s earnings and economic value due to changes in interest rates. As most of its balance sheet is made up of interest-bearing assets and liabilities with different maturity dates, Central 1 is exposed to interest rate changes. Central 1 also actively participates in a securitization program. To hedge some of its exposures in the securitization program, Central 1 sells short bonds issued by the Government of Canada.

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. Central 1 also enters into U.S. dollar-denominated derivatives with its members. These transactions result in foreign exchange exposure to Central 1.

Credit spread risk arises from the possibility that changes in credit spreads will affect the value of financial instruments.

Central 1 monitors the sources and direction of its market risk using a number of measures. Currently, Central 1 is implementing a comprehensive Value at Risk methodology to complement its existing market risk management tools and approaches.

Credit Risk

Credit risk is the risk of financial loss resulting from the failure, for any reason, of a debtor, issuer or other counterparty 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 has changed from year-end to voluntarily comply with OSFI’s Liquidity Adequacy Requirements. This change has resulted in Central 1 holding a larger proportion of government- issued securities, and a smaller proportion of corporate securities. 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 credit union lending portfolio has been assessed by management as low. Member credit union loans are secured and are granted based on quantitative and qualitative credit assessments. Central 1 has not previously experienced losses on any of these loans.

Counterparty Risk

Counterparty risk is the risk of loss if a transaction counterparty fails to honour its payment obligations under a derivative transaction. Central 1 has a small exposure to counterparties through its derivative trading activities on behalf of its members. Counterparty risk is affected by the credit worthiness of the counterparty and this is assessed as described above in the credit risk section.

Insurance Risk

Central 1 is exposed to insurance risk through the activities of its subsidiary, CUPP Services Ltd. 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/or systems.

Central 1 controls and manages this type of risk through a comprehensive set of procedures and policies that are basic to its operating infrastructure. Central 1 employs effective audited internal controls that are independently tested and evaluated. In addition, Central 1 follows strict segregation of duties, authority delegation and oversight and timely and informative managerial reporting.

Accounting and Control Matters

Central 1's interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

Central 1's 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, 2014.

Critical Accounting Estimates

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. Note 2 of the interim consolidated 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, 2014.

Future Changes in Accounting Policies

IFRS 9 - Financial Instruments

In July 2014, IASB issued the complete version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from the existing requirements of IAS
39.

Under IFRS 9, all financial assets that are currently in the scope of IAS 39 will be classified as amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist. For financial liability there were no changes to classification and measurement except for the recognition of changes in the fair value of an entity's own credit risk to be recognized in Other comprehensive income rather than in profit or loss.

IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model for calculating impairment on financial assets. A loss event will no longer need to occur before an impairment allowance is recognized. This will accelerate the recognition of impairment losses.

IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. It is required to be applied retrospectively when initially applied and it is expected that IFRS 9 will have a significant impact on Central 1's consolidated financial statements. Central 1 is not able to determine such impact at this time.

IFRS 15 - Revenue from Contracts with Customers

IASB published a new standard IFRS 15 Revenue from Contracts with Customers on May 28, 2014 to replace existing IFRS guidance. The standard introduces a new revenue recognition model for contracts with customers. It contains a single model that applies to contracts with customers and two approaches to recognizing revenue. Revenue may either be recognized over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the good or services is transferred to the customer. Significant estimates and judgement thresholds have been introduced which may affect the amount and/or timing of revenue recognized.

The IASB has tentatively proposed to defer implementation by one year with a new effective date of January 1, 2018, with early adoption permitted. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss. Central 1 is not able to determine the impact that IFRS 15 will have on the consolidated financial statements at this time.

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, 2015. Based on that evaluation, management has concluded that the design of its internal monitoring controls and procedures over financial reporting was effective. There has been no change in Central 1's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, Central 1's internal control over financial reporting during the period covered by this MD&A.

Proposed Transaction

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

Interim Consolidated Financial Statements

For the Quarter Ended March 31, 2015

Central 1

Table of Contents

Central 1 Credit Union
Interim Consolidated Statements of Financial Position
Unaudited

	Notes	March 31 2015	March 31 2014	December 31 2014
		(Thousands of dollars)		
Assets				
Cash		$ 139,397	$ 81,372	$ 145,203
Deposits with regulated financial institutions	5	6,222	7,167	6,198
Trading assets	6	6,075,390	4,418,178	5,778,553
Reinvestment assets under the Canada Mortgage Bond Program	7	84,099	178,621	65,518
Derivative assets	8	98,837	41,093	42,162
Loans	9	885,217	1,056,074	1,047,637
Investment securities	10	5,664,615	5,726,246	5,475,562
Secured loans to members	11	-	185,037	-
Current tax assets		-	6,907	3,175
Property and equipment		17,898	16,238	18,388
Intangible assets		14,226	13,621	13,246
Deferred tax assets		15,662	7,478	10,342
Investment in affiliates		120,720	118,468	122,390
Other assets	12	453,947	572,293	324,506
		$ 13,576,230	$ 12,428,793	$ 13,052,880
Liabilities				
Deposits designated as trading	13	$ 5,822,266	$ 3,859,651	$ 5,483,413
Obligations related to securities sold short	14	86,176	66,708	181,534
Derivative liabilities	8	151,495	160,486	104,174
Debt securities issued	15	1,599,911	1,146,979	1,568,840
Deposits	16	3,320,784	4,520,684	3,448,098
Obligations under the Canada Mortgage Bond Program	17	799,497	654,514	595,151
Subordinated liabilities	18	219,055	170,433	217,581
Provisions		2,541	3,921	2,958
Securities under repurchase agreements		122,456	29,344	105,698
Current tax liabilities		4,632	-	-
Deferred tax liabilities		6,151	5,131	5,971
Other liabilities	19	501,686	923,883	414,619
		12,636,650	11,541,734	12,128,037
Equity				
Share capital	20	333,006	307,185	333,118
Contributed surplus		87,901	87,901	87,901
Retained earnings		471,413	443,474	467,072
Accumulated other comprehensive income		33,441	35,521	23,099
Reserves		3,917	3,132	3,751
Total equity attributable to members of Central 1		929,678	877,213	914,941
Non-controlling interest		9,902	9,846	9,902
		939,580	887,059	924,843
		$ 13,576,230	$ 12,428,793	$ 13,052,880
Guarantees, commitments, and contingencies	27			

Approved by the Directors:

Terry Enns, Chairperson

Daniel A. Burns, Chairperson - Audit and Finance Committee

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Profit
Unaudited

	Notes	(Thousands of dollars) For the three months ended March 31 2015	March 31 2014
Interest income			
Securities		$ 37,657	$ 39,457
Deposits with regulated financial institutions		31	42
Loans		5,643	6,956
Secured loans and reinvestment assets		378	2,418
		43,709	48,873
Interest expense			
Debt securities issued		6,005	4,738
Deposits		28,371	30,509
Obligations under the CMB Program		2,804	4,672
Subordinated liabilities		1,534	1,464
		38,714	41,383
Interest margin		4,995	7,490
Gain on disposal of financial instruments	21	4,008	15,113
Changes in fair value of financial instruments	22	6,700	4,934
Net financial income		15,703	27,537
Provision (recovery) for credit losses	9	11	(47)
		15,692	27,584
Other income	23	28,615	27,562
Net financial and other income		44,307	55,146
Operating expenses			
Salaries and employee benefits		17,034	17,866
Premises and equipment		1,835	2,355
Other administrative expenses	24	11,857	11,088
		30,726	31,309
Profit before income taxes		13,581	23,837
Income taxes	25	2,203	3,255
Profit for the period		$ 11,378	$ 20,582

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 2015	March 31 2014
Profit for the period	$ 11,378	$ 20,582
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 of available-for-sale assets[1]	15,463	9,694
Reclassification of realized gains on available-for-sale assets to profit or loss[2]	(5,687)	(9,251)
	9,776	443
Item that will not be reclassified subsequently to profit or loss		
Net actuarial gains on employee benefits plans[3]	566	-
Other comprehensive income, net of tax	10,342	443
Comprehensive income, net of tax	$ 21,720	$ 21,025
Income tax (recoveries) on 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	$ 2,878	$ 1,682
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	$ (1,116)	$ (1,710)
Income tax on item that will not be reclassified subsequently to profit or loss		
[3] Net actuarial gains on employee benefits plans	$ 84	$ -

See accompanying notes to the interim consolidated financial statements

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

For the three months ended March 31, 2015

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

Profit attributable to:	2015	2014
Members of Central 1	$ 11,378	$ 20,609
Non-controlling interest	-	(27)
	$ 11,378	$ 20,582

Total comprehensive income attributable to:		
Members of Central 1	$ 21,720	$ 21,052
Non-controlling interest	-	(27)
	$ 21,720	$ 21,025

See accompanying notes to the interim consolidated financial statements

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

For the three months ended March 31, 2014

(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
	Attributable to equity holders								
Balance at January 1, 2014	$ 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

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Cash Flow
Unaudited

	(Thousands of dollars)	
	For the three months ended	
	March 31 2015	March 31 2014
Cash flows from operating activities		
Profit for the period	$ 11,378	$ 20,582
Adjustments for:		
Depreciation and amortization	1,095	1,094
Net interest income	(4,995)	(7,490)
Gain on disposal of financial instruments	(4,008)	(15,113)
Changes in fair value of financial instruments	(6,700)	(4,934)
Income tax expense	2,203	3,255
Provision (recovery) for credit losses	11	(47)
Other items, net	(424)	(2,762)
	(1,440)	(5,415)
Change in trading assets	(225,673)	(27,005)
Change in settlements in transit	(24,794)	271,117
Change in loans	162,141	102,879
Change in deposits designated as trading	301,383	520,450
Change in obligations related to securities sold short	(100,360)	(915)
Change in deposits	(123,662)	(642,430)
Change in derivative assets and liabilities	(14,478)	(6,972)
	(26,883)	211,709
Interest received	39,442	51,179
Interest paid	(41,266)	(37,632)
Income tax paid	(20)	(4,515)
Net cash from operating activities	(28,727)	220,741
Cash flows from investing activities		
Change in reinvestment assets under the CMB Program	(17,673)	128,129
Change in investment securities	(171,481)	(162,924)
Change in secured loans to members	-	44,265
Change in property and equipment	(81)	(926)
Acquisition of intangible assets	(1,443)	(1,626)
Net cash from investing activities	(190,678)	6,918
Cash flows from financing activities		
Change in obligations under the CMB Program	187,872	(179,315)
Change in debt securities issued	31,519	50,251
Change in securities under repurchase agreements	16,768	(77,398)
Dividends paid	(22,448)	(13,978)
Redemption of shares	(112)	-
Net cash from financing activities	213,599	(220,440)
Increase (decrease) in cash	(5,806)	7,219
Cash - beginning of period	145,203	74,153
Cash - end of period	$ 139,397	$ 81,372

See accompanying notes to the interim consolidated financial statements

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* as issued by the International Accounting Standards Board.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Central 1's annual consolidated financial statements for the year ended December 31, 2014.

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 22, 2015.

(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 judgements

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

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are described in Note 5 of Central 1's annual consolidated financial statements for the year ended December 31, 2014.

(e) Segment information

Note 26 contains information on segment reporting in accordance with *IFRS 8 Operating segments*.

3. Accounting policies

These interim consolidated financial statements have been prepared using the same accounting policies as set out in Note 3 to Central 1's consolidated financial statements as at and for the year ended December 31, 2014.

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, investment securities and deposits designated as 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. Valuation techniques which use quoted market data are used to derive the fair value of financial assets and financial liabilities.

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, discount rates and use of appropriate benchmarks and spreads.

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.

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

March 31, 2015 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets						
Cash	$ -	$ -	$ -	$ -	$ 139.4	$ 139.4
Deposits with regulated financial institutions	-	-	-	-	6.2	6.2
Trading assets	-	6,075.4	-	6,075.4	-	6,075.4
Reinvestment assets under the CMB Program	-	84.1	-	84.1	-	84.1
Derivative assets	-	98.8	-	98.8	-	98.8
Loans	-	-	-	-	885.2	885.2
Investment securities	-	5,623.3	9.2	5,632.5	32.1	5,664.6
Property and equipment	-	-	-	-	17.9	17.9
Intangible assets	-	-	-	-	14.2	14.2
Deferred tax assets	-	-	-	-	15.7	15.7
Investment in affiliates	-	-	-	-	120.7	120.7
Other assets	-	-	-	-	454.0	454.0
Total assets	$ -	$ 11,881.6	$ 9.2	$ 11,890.8	$ 1,685.4	$ 13,576.2
Liabilities						
Deposits designated as trading	$ -	$ 5,822.2	$ -	$ 5,822.2	$ -	$ 5,822.2
Obligations related to securities sold short	-	86.2	-	86.2	-	86.2
Derivative liabilities	-	151.5	-	151.5	-	151.5
Debt securities issued	-	-	-	-	1,599.9	1,599.9
Deposits	-	-	-	-	3,320.8	3,320.8
Obligations under the CMB Program	-	799.5	-	799.5	-	799.5
Subordinated liabilities	-	-	-	-	219.1	219.1
Provisions	-	-	-	-	2.5	2.5
Securities under repurchase agreements	-	-	-	-	122.5	122.5
Current tax liabilities	-	-	-	-	4.6	4.6
Deferred tax liabilities	-	-	-	-	6.1	6.1
Other liabilities	-	-	-	-	501.7	501.7
Total liabilities	-	6,859.4	-	6,859.4	5,777.2	12,636.6
Net assets (liabilities)	$ -	$ 5,022.2	$ 9.2	$ 5,031.4	$ (4,091.8)	$ 939.6

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

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

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	$ -	$ 10,322.8	$ 194.2	$ 10,517.0	$ 1,911.8	$ 12,428.8
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

December 31, 2014 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets	$ -	$ 11,320.6	$ 9.2	$ 11,329.8	$ 1,723.1	$ 13,052.9
Liabilities	-	6,364.2	-	6,364.2	5,763.8	12,128.0
Net assets (liabilities)	$ -	$ 4,956.4	$ 9.2	$ 4,965.6	$ (4,040.7)	$ 924.9

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, 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at March 31, 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2
Net assets	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2

	Fair Value at January 1, 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at December 31, 2014
Net assets	$ 238.8	$ -	$ (229.2)	$ -	$ (0.4)	$ 9.2

Note 28 sets out the fair value of the financial instruments in the interim consolidated statements of financial position.

5. Deposits with regulated financial institutions

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

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ 6,222**	$ 7,167	$ 6,198
Fair value	**$ 6,239**	$ 7,180	$ 6,130

6. Trading assets

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

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Government & guarantees	**$ 4,434,581**	$ 2,791,383	$ 4,313,822
Corporate & financial institutions AA[1] or greater	**1,524,435**	1,559,148	1,413,096
Other	**116,374**	67,647	51,635
Fair value	**$ 6,075,390**	$ 4,418,178	$ 5,778,553

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

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ 5,984,272**	$ 4,370,392	$ 5,735,466
Fair value	**$ 6,075,390**	$ 4,418,178	$ 5,778,553

7. Reinvestment assets under the Canada Mortgage Bond Program

As principal payments on the underlying securitized assets are received, Central 1 is required to reinvest the proceeds on behalf of Canada Housing Trust (CHT). These reinvestment assets, which are recognized in the interim consolidated statements of financial position at fair value, are as follows:

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

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Government and guarantees	**$ 41,489**	$ 91,360	$ 34,047
Assets acquired under reverse repurchase agreements	**3,179**	2,866	-
Fair value	**$ 44,668**	$ 94,226	$ 34,047
Amortized cost	**$ 40,571**	$ 93,783	$ 33,688

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

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Fair value of government & guarantees	**$ 39,431**	$ 84,395	$ 31,471
Amortized cost	**$ 38,786**	$ 84,028	$ 31,153
Fair value of total reinvestment assets under the CMB Program	**$ 84,099**	$ 178,621	$ 65,518

8. Derivative assets and liabilities

The following table summarizes the fair value of derivative assets and liabilities:

(Thousands of dollars)

	March 31, 2015		March 31, 2014		December 31, 2014	
	Asset	**Liability**	Asset	Liability	Asset	Liability
Interest rate contracts						
Forward rate agreements	**$ 45**	**$ -**	$ -	$ -	$ 40	$ -
Futures contracts	**89**	**24**	-	-	-	-
Swap contracts	**259,473**	**312,152**	104,621	223,659	134,266	196,236
Options purchased	**827**	**-**	267	-	79	-
Options written	**-**	**827**	-	237	-	85
	260,434	**313,003**	104,888	223,896	134,385	196,321
Foreign exchange contracts						
Foreign exchange spot and forward contracts	**2,199**	**2,288**	789	1,174	1,311	1,387
Other						
Equity index-linked options	**15,805**	**15,805**	16,512	16,512	16,849	16,849
Total fair value before adjustment	**278,438**	**331,096**	122,189	241,582	152,545	214,557
Adjustment for master netting agreements	**(179,601)**	**(179,601)**	(81,096)	(81,096)	(110,383)	(110,383)
	$ 98,837	**$ 151,495**	$ 41,093	$ 160,486	$ 42,162	$ 104,174

9. Loans

		(Thousands of dollars)		
		March 31, 2015	March 31, 2014	December 31, 2014
Due on demand	- Credit unions	**$ 49,832**	$ 171,183	$ 91,086
	- Commercial and others	**20,093**	20,197	15,699
		69,925	191,380	106,785
Term	- Credit unions	**284,350**	588,126	519,164
	- Commercial and others	**229,056**	181,006	217,378
	- Reverse repurchase agreements	**279,376**	68,626	181,664
	- Officers and employees	**11,571**	11,953	11,100
	- Mortgage pools	**10,911**	13,141	11,239
		815,264	862,852	940,545
		885,189	1,054,232	1,047,330
Accrued interest		**717**	2,399	971
		885,906	1,056,631	1,048,301
Allowance for credit losses		**(689)**	(557)	(664)
		$ 885,217	$ 1,056,074	$ 1,047,637

Officer and employee loans bear interest at rates varying from 2.49% to 3.05%.

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

	(Thousands of dollars)			
	Specific Allowance	Collective Allowance	**Three months ended March 31, 2015**	Three months ended March 31, 2014
Balance at beginning of period	$ 620	$ 44	**$ 664**	$ 585
Provision (recovery) for credit losses	11	14	**25**	(28)
Balance at end of period	$ 631	$ 58	**$ 689**	$ 557

10. Investment securities

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

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ 5,630,431**	$ 5,691,853	$ 5,451,535
Fair value	**$ 5,664,615**	$ 5,726,246	$ 5,475,562

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

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2013
Government & guarantees	**$ 3,601,831**	$ 3,185,727	$ 3,565,446
Corporate & financial institutions AA[1] or greater	**1,554,613**	2,363,813	1,443,716
Other	**508,171**	176,706	466,400
	$ 5,664,615	$ 5,726,246	$ 5,475,562

(1) The credit ratings represent investment ratings provided by DBRS.

The above table includes **$32.1** million (March 31, 2014 - $32.1 million; December 31, 2014 - $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.

11. Secured loans to members

Through its participation in the CMB Program as described in the accounting policy disclosed in Central 1's consolidated financial statements for the year end December 31, 2014, Central 1 recognizes its interest in the underlying residential mortgages as secured loans from its member credit unions. Secured loans to members represent securitizations prior to 2010 and have matured as of December 31, 2014.

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

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ -**	$ 184,904	$ -
Fair value	**$ -**	$ 185,037	$ -

12. Other assets

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Settlements in-transit	**$ 435,935**	$ 550,899	$ 308,449
Investment property	**3,401**	5,552	3,462
Prepaid expenses	**5,394**	6,238	3,785
Post-employment benefits	**3,255**	3,353	3,286
Accounts receivable and other	**5,962**	6,251	5,524
	$ 453,947	$ 572,293	$ 324,506

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 one and 10 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 23.

During 2014, Central 1 transferred a portion of investment property with a carrying value of $1.8 million to property and equipment.

13. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ 5,766,737**	$ 3,849,601	$ 5,460,889
Fair value	**$ 5,822,266**	$ 3,859,651	$ 5,483,413

The contractual maturity dates of these liabilities are as follows:

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Amount			
Due within three months	**$ 1,387,999**	$ 918,935	$ 1,444,494
Due after three months and within one year	**1,348,366**	726,796	1,329,197
Due after one year and within five years	**3,000,781**	2,182,998	2,660,085
Due after five years	**666**	750	150
	5,737,812	3,829,479	5,433,926
Accrued interest	**28,925**	20,122	26,963
Amortized cost	**$ 5,766,737**	$ 3,849,601	$ 5,460,889

Deposits designated as trading previously included Obligations related to securities sold short as at March 31, 2014.

14. Obligations related to securities sold short

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Amortized cost	**$ 85,887**	$ 66,444	$ 180,631
Fair value	**$ 86,176**	$ 66,708	$ 181,534

Obligations related to securities sold short were previously included within the deposits designated as trading classification as at March 31, 2014.

15. Debt securities issued

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Notes			
Due within three months	**$ 999,484**	$ 314,211	$ 425,457
Due after three months and within one year	**-**	531,926	542,692
Due after one year and within five years	**598,592**	299,784	598,408
	1,598,076	1,145,921	1,566,557
Accrued interest	**1,835**	1,058	2,283
	$ 1,599,911	$ 1,146,979	$ 1,568,840

Central 1 has established **$50.3** million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At March 31, 2015, March 31, 2014 and December 31, 2014, no amounts were drawn against these facilities.

Central 1 is authorized to issue up to $750.0 million in short-term commercial paper and up to $1.5 billion in other borrowings which includes Central 1's medium-term note facility. At March 31, 2015, a par value of **$700.0** million was borrowed under the short-term commercial paper facility (March 31, 2014 - $578.0 million; December 31, 2014 - $670.0 million) and a par value of **$900.0** million was borrowed under the medium-term note facility (March 31, 2014 - $570.0 million; December 31, 2014 - $900.0 million).

16. Deposits

	March 31, 2015	March 31, 2014	December 31, 2014
	(Thousands of dollars)		
Amount			
Due on demand	**$ 1,388,633**	$ 1,082,782	$ 1,198,444
Due within three months	**300,491**	485,959	395,962
Due after three months and within one year	**697,181**	1,141,331	669,325
Due after one year and within five years	**917,321**	1,781,322	1,163,557
	3,303,626	4,491,394	3,427,288
Accrued interest	**17,158**	29,290	20,810
	$ 3,320,784	$ 4,520,684	$ 3,448,098

17. Obligations under the Canada Mortgage Bond Program

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

	March 31, 2015		March 31, 2014		December 31, 2014	
	(Thousands of dollars)					
	Post 2010	**Pre 2010**	Post 2010	Pre 2010	Post 2010	Pre 2010
Due within one year	**$ -**	**$ -**	$ -	$ 328,146	$ -	$ -
Due after one year and within five years	**584,034**	**-**	316,942	-	584,034	-
Due after five years	**188,304**	**-**	-	-	-	-
	772,338	**-**	316,942	328,146	584,034	-
Accrued interest	**5,723**	**-**	1,615	1,489	3,218	-
Amortized cost	**$ 778,061**	**$ -**	$ 318,557	$ 329,635	$ 587,252	$ -
Fair value	**$ 799,497**	**$ -**	$ 322,004	$ 332,510	$ 595,151	$ -

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

	(Thousands of dollars)					
	March 31, 2015		March 31, 2014		December 31, 2014	
	Post 2010	**Pre 2010**	Post 2010	Pre 2010	Post 2010	Pre 2010
Secured loans to members (Note 11)	**$ -**	**$ -**	$ -	$ 185,037	$ -	$ -
Total reinvestment assets under the CMB Program (Note 7)	**84,099**	**-**	32,518	146,103	65,518	-
Assets recognized as trading assets and investment securities (Notes 6 & 10)	**712,757**	**-**	291,164	-	529,157	-
Fair value	**$ 796,856**	**$ -**	$ 323,682	$ 331,140	$ 594,675	$ -

18. Subordinated liabilities

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

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Series 2	**$ -**	$ 150,000	$ -
Series 3	**18,000**	18,000	18,000
Series 4	**200,000**	-	200,000
Principal amount	**218,000**	168,000	218,000
Discount	**(1,464)**	(453)	(1,494)
Accrued interest	**2,519**	2,886	1,075
	$ 219,055	$ 170,433	$ 217,581

On October 9, 2009, Central 1 issued $150.0 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 had the option to redeem the note on October 9, 2014, subject to regulatory approval. Central 1 received regulatory approval and exercised the option to fully redeem the Series 2 notes on October 9, 2014.

On July 6, 2011, Central 1 issued $18.0 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 $200.0 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.

19. Other liabilities

(Thousands of dollars)

	March 31, 2015	March 31, 2014	December 31, 2014
Settlements in-transit	**$ 447,261**	$ 870,438	$ 344,569
Post-employment benefits	**25,185**	21,905	25,679
Short-term employee benefits	**8,020**	7,327	4,759
Dividends payable	**8,099**	12,208	22,448
Unearned insurance premiums	**812**	3,460	864
Trade amounts and other	**12,309**	8,545	16,300
	$ 501,686	$ 923,883	$ 414,619

20. Share capital

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

In the event of liquidation, dissolution or winding-up, all shares participate equally in the surplus of Central 1, except the amount paid to a member in respect of Class E shares held by that member shall not exceed $100 per Class E share.

The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of the 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, 2015	For the three months ended March 31, 2014	For the year ended December 31, 2014
Class A – credit unions			
Balance at beginning of period	**333,074**	307,141	307,141
Issued for cash during the period	**-**	-	25,987
Redeemed during the period	**(112)**	-	(54)
Balance at end of period	**332,962**	307,141	333,074
Class B – co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C – other			
Balance at beginning and end of period	**7**	7	7
Class E – credit unions			
Balance at beginning of period	**3,158**	3,159	3,159
Redeemed during the period	**(1)**	-	(1)
Balance at end of period	**3,157**	3,159	3,158

The amounts outstanding are as follows:

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Outstanding $1 par value shares			
Class A – credit unions	**$ 332,962**	$ 307,141	$ 333,074
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
	$ 333,006	$ 307,185	$ 333,118

21. Gain (loss) on disposal of financial instruments

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

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Net gain on disposal of trading assets	**$ 19,269**	$ 10,601
Net loss on disposal of obligations related to securities sold short	**(5,736)**	(747)
Net gain on disposal of investment securities	**6,803**	9,175
Net loss on disposal of derivatives	**(13,825)**	(3,180)
Net loss on disposal of deposits designated as trading	**(2,503)**	(736)
	$ 4,008	$ 15,113

22. Change in fair value of financial instruments

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Trading assets	**$ 48,016**	$ 8,803
Activities under the CMB Program		
Reinvestment assets	**559**	(221)
Derivative assets and liabilities	**3,070**	-
Secured loans to members	**-**	(256)
Obligations under the CMB Program	**(13,537)**	(1,421)
Derivative assets and liabilities	**966**	2,530
Trading liabilities		
Trading deposits	**(33,004)**	(4,109)
Obligations related to securities sold short	**630**	(392)
	$ 6,700	$ 4,934

23. Other income

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Membership Dues	**$ 3,078**	$ 2,427
Equity Interest in Affiliates	**441**	1,121
Insurance Premiums and Assessments	**524**	1,247
Digital & Payment Services		
- Payment processing and other fees	**11,467**	10,306
- Direct banking fees	**6,926**	5,897
Treasury Related Services		
- Treasury services and foreign exchange income	**1,297**	1,744
- Lending fees	**1,945**	1,292
- Trust services	**516**	553
- Other	**43**	38
Trade and Other Services		
- Product compliance and design	**389**	387
- Property rents	**279**	157
- Cooperative risk solutions	**317**	595
- Marketing and research programs	**445**	1,003
- Employee benefits and retirement services	**352**	326
- Other	**596**	469
	$ 28,615	$ 27,562

24. Other administrative expenses

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Cost of sales and services	**$ 2,678**	$ 2,421
Cost of payments processing	**4,041**	3,379
Insurance claims and premiums	**199**	852
Projects and business development	**1,560**	1,275
Professional services	**1,364**	1,264
Other	**2,015**	1,897
	$ 11,857	$ 11,088

25. 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, 2015	March 31, 2014
Provision for income taxes in the interim consolidated statements of profit	**$ 2,203**	$ 3,255
Income tax benefit related to dividends accrued and share redemptions	**(1,346)**	(1,904)
	$ 857	$ 1,351

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

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Current income taxes	**$ 7,412**	$ 3,907
Change in deferred tax balances	**(5,209)**	(652)
	$ 2,203	$ 3,255

Central 1's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of **31.0%** (2014 – 31.0%).

The federal deduction available to credit unions which provides access to a lower 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 partially mitigated by the availability of a general rate reduction.

	For the three months ended	
	March 31, 2015	March 31, 2014
	%	%
Combined federal and provincial statutory income tax rates	**31.0**	31.0
Credit union deduction	**(6.8)**	(10.2)
General rate deduction	**(7.8)**	(5.2)
Rate differential on equity interests in affiliates	**(0.2)**	(0.9)
Change in estimated future tax rates on deferred tax balances	**-**	(1.5)
Other	**-**	0.5
	16.2	13.7

26. Segment information

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

A description of each business segment is as follows:

Mandatory Liquidity Pool

The MLP 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 MLP 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), that 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.

Digital & Payment Services

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

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 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 four business segments, including adjustments and other management reclassifications, Central 1's investments in equity shares of the various system-related entities other than the wholly owned subsidiaries as described in Note 30, 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 to the four business segments are reported under the "Other" segment.

Results by segment

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

(Thousands of dollars)

	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Interest income	$ 25,151	$ 18,471	$ -	$ 62	$ 25	$ 43,709
Interest expense	21,595	15,940	69	-	1,110	38,714
Interest margin	3,556	2,531	(69)	62	(1,085)	4,995
Gain (loss) on disposal of financial instruments	8,227	(4,231)	-	1	11	4,008
Changes in fair value of financial instruments	(1,698)	8,352	-	46	-	6,700
Provision (recovery) for credit losses	-	11	-	-	-	11
	10,085	6,641	(69)	109	(1,074)	15,692
Other income	(222)	3,464	18,393	4,502	2,478	28,615
Net financial and other income	9,863	10,105	18,324	4,611	1,404	44,307
Operating expenses	1,764	4,044	16,803	5,408	2,707	30,726
Profit (loss) before income taxes	8,099	6,061	1,521	(797)	(1,303)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,215	$ 1,272	$ (667)	$ (1,214)	$ 11,378
Total assets at March 31, 2015	$ 6,955,635	$ 5,684,424	$ 683,853	$ 20,421	$ 231,897	$ 13,576,230

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

(Thousands of dollars)

	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Interest income	$ 24,779	$ 23,966	$ -	$ 73	$ 55	$ 48,873
Interest expense	21,782	18,125	74	-	1,402	41,383
Interest margin	2,997	5,841	(74)	73	(1,347)	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
Provision (recovery) for credit losses	-	(47)	-	-	-	(47)
	13,919	14,974	(74)	109	(1,344)	27,584
Other income	6	3,030	16,203	5,768	2,555	27,562
Net financial and other income	13,925	18,004	16,129	5,877	1,211	55,146
Operating expenses	1,717	3,739	15,925	6,851	3,077	31,309
Profit (loss) before income taxes	12,208	14,265	204	(974)	(1,866)	23,837
Income taxes (recoveries)	1,904	2,217	22	(143)	(745)	3,255
Profit (loss) for the period	$ 10,304	$ 12,048	$ 182	$ (831)	$ (1,121)	$ 20,582
Total assets at March 31, 2014	$ 6,731,037	$ 4,976,262	$ 466,904	$ 23,670	$ 230,920	$ 12,428,793

The accounting policies of the segments are consistent with those followed in the preparation of the interim consolidated financial statements as disclosed in Note 3.

27. Guarantees, commitments and contingencies

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

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, 2015	March 31, 2014	December 31, 2014
Standby letters of credit	**$ 213,624**	$ 166,965	$ 221,939
Commitments to extend credit	**$ 4,082,519**	$ 3,466,010	$ 3,548,065

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.

Pledged Assets

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

	(Thousands of dollars)		
	March 31, 2015	March 31, 2014	December 31, 2014
Assets pledged to Bank of Canada & Direct Clearing Organizations[1 2]	**$ 54,356**	$ 60,616	$ 75,890
Assets pledged in relation to			
Derivative financial instrument transactions	**48,448**	93,735	31,053
Securities lending	**39,257**	10,375	119,047
Obligations under the CMB Program	**715,656**	300,144	538,153
Reinvestment assets under the CMB Program	**84,099**	178,621	65,518
Secured loans to members	**-**	185,037	-
Securities under repurchase agreements	**120,966**	31,597	107,683
	$ 1,062,782	$ 860,125	$ 937,344

(1) Includes assets pledged as collateral for LVTS activities.
(2) Excludes amount available at the Bank of Canada to support additional payment clearing transactions.

28. 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 property and equipment.

(Millions of dollars)	Fair Value		Carrying Value		Unrecognized Gain (Loss)	
	March 31, 2015	March 31, 2014	**March 31, 2015**	March 31, 2014	**March 31, 2015**	March 31, 2014
Assets						
Cash	**$ 139.40**	$ 81.37	**$ 139.40**	$ 81.37	**$ -**	$ -
Deposits with regulated financial institutions[1]	**6.24**	7.18	**6.22**	7.17	**0.02**	0.01
Trading assets and Investment securities	**11,740.01**	10,144.42	**11.740.01**	10,144.42	**-**	-
Reinvestment assets under the CMB Program	**84.10**	178.62	**84.10**	178.62	**-**	-
Derivative assets	**98.84**	41.10	**98.84**	41.10	**-**	-
Loans[2]	**885.34**	1,056.63	**885.22**	1,056.07	**0.12**	0.56
Secured loans to members	**-**	185.04	**-**	185.04	**-**	-
Other assets	**622.44**	735.00	**622.44**	735.00	**-**	-
Liabilities						
Deposits designated as trading	**5,822.26**	3,859.65	**5,822.26**	3,859.65	**-**	-
Obligations related to securities sold short	**86.18**	66.71	**86.18**	66.71	-	-
Derivative liabilities	**151.50**	160.49	**151.50**	160.49	**-**	-
Debt securities issued[1]	**1,602.53**	1,148.44	**1,599.91**	1,146.98	**(2.62)**	(1.46)
Deposits[1]	**3,341.32**	4,540.78	**3,320.78**	4,520.68	**(20.54)**	(20.10)
Obligations under the CMB Program	**799.50**	654.51	**799.50**	654.51	**-**	-
Subordinated liabilities[1]	**226.75**	172.53	**219.06**	170.43	**(7.69)**	(2.10)
Securities under repurchase agreements	**122.46**	29.34	**122.46**	29.34	**-**	-
Other liabilities	**515.01**	932.94	**515.01**	932.94	**-**	-
Total					**$ (30.71)**	$ (23.09)

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

29. Capital management

Central 1's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) and provincial regulations administered by the Financial Institutions Commission of British Columbia (FICOM). Pursuant to federal regulations, Central 1 is required to maintain a borrowing multiple, the ratio of 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 MLP 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 15.0:1 for its MLP 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 0.0%.

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.

As at March 31, 2015 and March 31, 2014, Central 1 was in compliance with these regulatory requirements.

On May 6, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017.

30. 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, 2015	March 31, 2014
Mortgage loans outstanding at end of period	**$ 288**	$ 942
Maximum mortgage loans outstanding during the period	**$ 293**	$ 1,060

Mortgage loan to a key member of management personnel bear interest at rate of 2.50% and is secured over property of the borrower. No impairment losses have been recorded against this balance during the period and no specific allowance has been made for impairment losses at period end.

Key management personnel compensation for the period comprised:

	(Thousands of dollars) For the three months ended	
	March 31, 2015	March 31, 2014
Salaries and short-term employee benefits	**$ 691**	$ 645
Post-employment benefits	**55**	57
Termination benefits	**-**	1,000
Other cash-based compensation	**20**	-
	$ 766	$ 1,702

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

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

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

Board of Directors

During the three months ended March 31, 2015, the members of Central 1's Board of Directors received aggregate remuneration of **$146.0** thousand (March 31, 2014 - $121.8 thousand).

Significant subsidiaries

	(% ownership of common shares outstanding)		
	March 31, 2015	March 31, 2014	December 31, 2014
Central 1 Trust Company	**100%**	100%	100%
CUPP Services Ltd.	**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.

Central 1's other subsidiaries represent less than 1.0% 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, 2015	March 31, 2014	December 31, 2014
Credential Financial Inc.	**40%**	40%	40%
Credit Union Central of Canada	**51%**	50%	51%
CUMIS Group Limited	**27%**	27%	27%

31. Proposed transaction

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