Second Quarter Report 2015

Report to Members

Central 1

CENTRAL 1 REPORTS RESULTS FOR SECOND QUARTER OF 2015

Second quarter highlights compared to the same period last year:

- Central 1's Profit for the period is $14.8 million, compared to $14.7 million a year earlier.
- Central 1's Return on average equity is 6.3%, compared to 6.6% a year earlier.
- Central 1's Assets are $14.1 billion, compared to $13.1 billion a year earlier.
- B.C. system Net operating income is $71.1 million, compared to $73.5 million a year earlier.
- B.C. system Assets are $64.3 billion, compared to $60.5 billion a year earlier.
- Ontario system Net operating income is $42.7 million, compared to $41.0 million a year earlier.
- Ontario system Assets are $38.1 billion, compared to $34.5 billion a year earlier.

Central 1 recorded Net financial income of $13.2 million for the quarter, compared with Net financial income of $19.2 million for the same period last year. Central 1's Other income was $37.1 million, an increase of $5.9 million over the same period last year, while Operating expenses decreased by $0.6 million to $33.0 million. Assets, which were $14.1 billion as at June 30, 2015, increased $1.0 billion from the same time in the prior year. Central 1 was in compliance with all regulatory capital requirements throughout the second quarter of 2015.

The second quarter began with concerns about the possibility of a near-term Greek exit from the Eurozone and the decline in Chinese equity markets. During the quarter, the risk of a Greek exit from the Eurozone has lessened and the People's Bank of China has eased monetary policy in an effort to engineer a soft landing. Nevertheless, expectations for the growth for the global economy have contracted.

While key underlying drivers for growth appear to be in place, it is anticipated that the U.S. economy will continue to grow at less than 3.0% per annum through 2015. Unemployment reached its lowest level in over seven years fueling expectations that the U.S. Federal Reserve will raise its target overnight rate before the end of the year.

The latest Canadian GDP data prompted speculation as to whether the economy was in a recession. The decline in energy prices has negatively impacted GDP for the energy sector, but it does not appear that lower energy prices have transmitted to the broader economy. Modest economic growth appears to have occurred in both British Columbia and Ontario in the second quarter.

The disappointing global economic developments as well as lower expected oil prices have led oil producers to cut investment spending more than anticipated leading to a downgrade of estimated economic growth in Canada. In response, the Bank of Canada cut its benchmark overnight lending rate by 25 basis points to 0.5% on July 15, 2015.

The B.C. system earned $71.1 million before taxes, dividends, patronage refunds and extraordinary items in the second quarter of 2015, down $2.4 million, or 3.2%, from the same period in 2014. Net interest income in the quarter was up $2.0 million over the previous year. Non-interest income declined $0.7 million over the same period last year, while operating expenses increased $3.7 million, or 1.1%, over the same period last year. Loan loss expense increased $3.5 million year-over-year. Combined assets of the B.C. system rose 6.3% year-over-year to reach $64.3 billion at quarter-end.

The Ontario system earned $42.7 million before taxes, dividends, patronage refunds and extraordinary items in the second quarter of 2015, an increase of $1.7 million, or 4.1%, from the same period in 2014. Net interest income in the quarter was up $9.0 million over the previous year. Non-interest income increased 9.4% over the same period last year, while operating expenses increased 6.2%, over the same period last year. Combined assets of the Ontario system rose 10.4% year-over-year to reach $38.1 billion at quarter-end.

Management's Discussion & Analysis

Central 1®

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Management's Discussion and Analysis for the period ended June 30, 2015

This portion of the report updates Central 1 Credit Union's (Central 1) Management's Discussion and Analysis (MD&A) for the year ended December 31, 2014, and reviews and analyzes the financial condition and results of operations of Central 1 for the three- and six- month periods ended June 30, 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 Consolidated Financial Statements for the three- and six- month periods ended June 30, 2015 which were authorized for issue by the Board of Directors on August 21, 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 the Interim Consolidated Financial Statements for the period ended June 30, 2015 which may be found on SEDAR at www.sedar.com.

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

Financial information for the B.C. system has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial credit union regulator, 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 and should be read in the proper context.

Financial information provided by B.C. credit unions to FICOM and by Ontario credit unions to DICO has been prepared using reporting templates developed by FICOM and DICO, respectively. The format and accounting principles used to complete these templates are not fully consistent with International Financial Reporting Standards (IFRS). 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 provincial credit union centrals and Credit Union Central of Canada (CUCC) 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, 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 Central 1's 2014 Annual Report and in the Risk Management section of this MD&A.

Overall Performance and Interim Financial Condition

The Economic Environment

The second quarter began with concerns about the possibility of a near-term Greek exit from the Eurozone and the decline in Chinese equity markets. During the quarter, the risk of a Greek exit from the Eurozone has lessened and the People's Bank of China has eased monetary policy in an effort to engineer a soft landing. Nevertheless, expectations for the growth for the global economy have contracted.

While key underlying drivers for growth appear to be in place, it is anticipated that the U.S. economy will continue to grow at less than 3.0% per annum through 2015. Unemployment reached its lowest level in over seven years fueling expectations that the U.S. Federal Reserve will raise its target overnight rate before the end of the year.

The latest Canadian GDP data prompted speculation as to whether the economy was in a recession. The decline in energy prices has negatively impacted GDP for the energy sector, but it does not appear that lower energy prices have transmitted to the broader economy. Modest economic growth appears to have occurred in both British Columbia and Ontario in the second quarter.

Financial Markets

The U.S. economy has been a relative bright spot, with the U.S. Federal Reserve expected to raise its overnight target rate by 25 basis points (bps) by the end of the year.

In Canada, Government of Canada bond yields increased slightly in response to the slump in commodity prices, particularly energy. In response to this weakness, the Bank cut its benchmark overnight lending rate by 25 bps on July 15, 2015. Swap spreads widened over the quarter as the mortgage season ramped up. High-grade government and corporate credit spreads also widened over the quarter. The TSX Index ended the quarter down 2.3%, while the S&P 500 declined by 0.2%.

British Columbia Credit Union System

Net operating income for the second quarter was $71.1 million, compared to $73.5 million in the second quarter of 2014. Net interest income for the second quarter of 2015 was up $2.0 million over the same period last year. Non-interest income decreased $0.7 million, while Non-interest expenses were up $3.6 million year-over-year. Non-interest income includes mark-to-market gains on financial instruments which were down $5.5 million over the previous year, but that decline was partially offset by revenue increases in other business lines.

The increase in Non-interest expenses of $3.7 million was largely driven by the increase in loan loss expense. Salary and employee benefit expenses increased marginally by 0.9%, offset by a decline in other expenses.

Aggregate net loans increased by 5.2% year-over-year to reach $54.4 billion. Asset growth was mainly in personal and commercial mortgages which grew by 3.7% and 9.0%, respectively. Deposits increased 6.2% to $56.8 billion. Deposit growth was mainly in non-registered demand and term deposits which increased 8.5% and 5.8%, respectively.

The system's rate of loan delinquencies over 90 days was 0.36% of total loans at the end of June, down four bps year-over-year. Provision for credit losses as a percentage of loans was 0.31%, down one bp. The system's loan loss expense ratio was 0.10% annualized in the second quarter, up from 0.07% in the second quarter last year.

The B.C. system's regulatory capital as a percentage of risk-weighted assets was 14.9% at the end of June, a slight decrease from 15.0% a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 14.5% of deposit and debt liabilities, up from 13.5% a year ago.

Ontario Credit Union System

Net operating income for the second quarter was $42.7 million, compared to $41.0 million in the second quarter of 2014. Net interest income for the second quarter of 2015 was up $9.0 million over the same period last year. Non-interest income increased 9.4%, while Non-interest expenses were up 6.2% year-over-year.

Aggregate net loans increased by 10.4% year-over-year to reach $32.9 billion. Asset growth was mainly in personal and commercial mortgages which grew by 12.0% and 14.0%, respectively. Deposits increased 8.0% to $31.2 billion. Deposit growth was mainly in non-registered demand and term deposits which increased 9.9% and 6.9% respectively.

The system's rate of loan delinquencies over 90 days was 0.51% of total loans at the end of June, down three bps year-over-year. Provision for credit losses as a percentage of loans was 0.31%, down four bps. The system's loan loss expense ratio was 0.03% annualized in the second quarter, down three bps from the second quarter last year.

The Ontario system's regulatory risk-weighted capital ratio was 12.5% at the end of the second quarter, down 0.6% from a year earlier (Class 2 credit unions only). The regulatory liquidity ratio for the Ontario system, including that held by Central 1 was 10.7% as of June 30, largely unchanged from a year earlier.

Financial Overview

The following table summarizes Central 1's Financial Overview as at June 30, 2015 with comparatives.

Figure 1 - Financial Overview

	For the three months ended Jun 30 2015	Jun 30 2014	Change
Earnings *(Millions of dollars)*			
Net financial income	**$ 13.2**	$ 19.2	$ (6.0)
Net financial and other income	**$ 50.3**	$ 50.6	$ (0.3)
Profit for the period	**$ 14.8**	$ 14.7	$ 0.1
Earnings per Share *(cents)*			
Basic	**4.3**	4.7	(0.4)
Fully diluted	**4.3**	4.7	(0.4)
Return on			
Average assets	**0.4%**	0.5%	(0.1%)
Average equity	**6.3%**	6.6%	(0.3%)
Statement of Financial Position Data *(Millions of dollars)*			
Total assets	**$ 14,106.9**	$ 13,128.4	$ 978.5
Average assets	**$ 13,351.8**	$ 12,886.8	$ 465.0
Long term financial liabilities	**$ 5,148.4**	$ 4,669.3	$ 479.1
Weighted average shares outstanding	**$ 339.2**	$ 311.6	$ 27.6
Regulatory Capital Ratios			
Tier 1 capital ratio	**37.6%**	36.8%	0.8%
Provincial capital ratio	**49.3%**	57.2%	(7.9%)
Borrowing multiple (times)	**13.1**	10.5	2.6
Share Information			
Outstanding $1 par value shares *(Thousands of dollars)*			
Class A - credit unions	**$ 349,952**	$ 315,907	$ 34,045
Class B - cooperatives	**$ 5**	$ 5	$ -
Class C - other	**$ 7**	$ 7	$ -
Outstanding $0.01 par value shares with redemption value of $100 *(Thousands of dollars)*			
Class E - credit unions	**$ 32**	$ 32	$ -
Number of shares outstanding *(Thousands of shares)*			
Class A - credit unions	**349,952**	315,907	34,045
Class B - cooperatives	**5**	5	-
Class C - other	**7**	7	-
Class E - credit unions	**3,157**	3,158	(1)
Dividends per share *(cents)*			
Class A	**0.43**	0.30	0.13
Class B & C	**0.27**	0.34	(0.07)
Class E	**-**	-	-

During the second quarter of 2015, Central 1 recorded Profit of $14.8 million, or 4.3 cents per share, compared to Profit of $14.7 million or 4.7 cents per share last year. Dividends on Class A Shares were accrued during the second quarter of 2015 representing the earnings of the Mandatory Liquidity Pool (MLP) during that period. Dividends are paid on an annual basis and are based on Central 1's year-end audited results.

Statement of Profit or Loss

Net Financial Income

Central 1 recorded Net financial income of $13.2 million for the quarter (*Figure 1*), compared with Net financial income of $19.2 million for the same period last year.

During the quarter, Interest margin was $4.4 million and net realized and unrealized gains were $8.8 million, compared to $6.8 million and $12.3 million, respectively, in the second quarter of 2014. Interest margin has declined year-over-year reflecting increased holdings of government securities. Realized gains includes gains on available for sale assets, for which changes in fair value in prior periods were recognized in Other comprehensive income.

Notes 22 and 23 to the Interim Consolidated Financial Statements contain details of realized and unrealized gains recorded during the quarter.

Other Income and Operating Expenses

The following table summarizes the Other Income and Other Expenses for the three- and six-months ended June 30, 2015 and June 30, 2014.

Figure 2 - Other Income and Operating Expenses

	For the three months ended				For the six months ended			
	Jun 30 2015		Jun 30 2014		Jun 30 2015		Jun 30 2014	
(Millions of dollars - % of total)	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Other Income								
Membership dues and provincial advertising assessment	**$ 3.2**	**8.6%**	$ 2.5	8.0%	**$ 6.3**	**9.6%**	$ 4.9	8.3%
Equity interest in affiliates	**2.5**	**6.7%**	2.3	7.4%	**2.9**	**4.4%**	3.4	5.8%
Income from affiliates	**3.3**	**8.9%**	0.4	1.3%	**3.4**	**5.2%**	0.5	0.9%
Insurance premiums and assessments	**0.7**	**1.9%**	1.6	5.1%	**1.2**	**1.8%**	2.9	4.9%
Digital & Payment Services								
Payment processing and other fees	**12.7**	**34.2%**	11.5	36.9%	**24.2**	**36.8%**	21.8	37.1%
Direct banking fees	**7.5**	**20.2%**	5.6	17.9%	**14.4**	**21.9%**	11.5	19.6%
Treasury related services	**4.1**	**11.1%**	4.2	13.5%	**7.8**	**11.9%**	7.7	13.1%
Trade and other services	**3.1**	**8.4%**	3.1	9.9%	**5.5**	**8.4%**	6.1	10.3%
Total Other Income	**37.1**	**100.0%**	31.2	100.0%	**65.7**	**100.0%**	58.8	100.0%
Operating Expenses								
Salaries and employee benefits	**17.2**	**46.4%**	18.3	58.7%	**34.2**	**52.1%**	36.2	61.6%
Premises and equipment	**1.9**	**5.1%**	2.5	8.0%	**3.7**	**5.6%**	4.9	8.3%
Other administrative expenses	**13.9**	**37.5%**	12.8	41.0%	**25.8**	**39.3%**	23.9	40.6%
Total Operating Expenses	**33.0**	**88.9%**	33.6	107.7%	**63.7**	**97.0%**	65.0	110.5%
Net Operating Income (Expense)	**$ 4.1**	**11.1%**	$ (2.4)	(7.7)%	**$ 2.0**	**3.0%**	$ (6.2)	(10.5)%

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.

For the Three Months Ended June 30, 2015 and June 30, 2014

Central 1 reported Other income of $37.1 million during the second quarter of 2015, compared to $31.2 million in the second quarter of 2014. Membership dues and the provincial advertising assessment increased by $0.7 million due to increased activity. Income from investees increased $2.9 million over the same period last year. Digital & Payment Services increased by $3.1 million reflecting increased electronic payments transaction volumes and the usage of MemberDirect® online services.

Income from affiliated entities increased $2.9 million over the same period last year. This includes a $1.5 million increase in the distribution from Northwest & Ethical Investments LP (NEI), and a $1.1 million increase in annual loyalty payment from The Co-operators Group Limited (The Co-operators). Central 1 participates in the earnings of NEI and periodically receives distributions from NEI. Pursuant to contractual agreements, Central 1 distributes substantially all amounts received to its member credit unions in proportion to their patronage of NEI.

In aggregate, Operating expenses decreased $0.6 million to $33.0 million in the second quarter of 2015 from $33.6 million in the second quarter of 2014. Salaries and employee benefits expenses decreased $1.1 million to $17.2 million in the current quarter. Included in the second quarter of 2014 was an accrual of $1.8 million for amounts payable pursuant to a contractual agreement with a member of Central 1's executive team who left Central 1 during the quarter. After adjusting for the one-time impact of this cost, Salaries and employee benefits expense increased during the current quarter by $0.7 million compared to the second quarter of 2014.

Other administrative expenses increased to $13.9 million in the second quarter of 2015 from $12.8 million in the second quarter of 2014. The current quarter included a $1.5 million distribution of amounts received from NEI to member credit unions. The costs of processing payment transactions increased by $0.6 million reflective of higher payment transaction volumes in the Digital & Payment Services group. Professional fees decreased by $0.8 million primarily related to the review of Central 1's governance structure.

Notes 24 and 25 to the Interim Consolidated Financial Statements contain details of Other income and Other administrative expenses recorded during the quarter.

For the Six Months Ended June 30, 2015 and June 30, 2014

Central 1 reported Other income of $65.7 million for the first six months of 2015, an increase of $6.9 million over the $58.8 million recorded in the first six months of 2014. Digital & Payment Services increased $5.3 million to $38.6 million during the first six months of 2015 due to increases in electronic payments transaction volumes and in the usage of MemberDirect® online services. Equity interest in affiliates decreased $0.5 million from the same period in 2014 while Income from affiliates increased $2.9 million. Trade and other services' revenues decreased $0.6 million which includes a decrease in marketing revenues and lower insurance premiums and assessments. Membership dues and provincial advertising assessment revenues increased $1.4 million as campaign activities accelerated during the first six months of 2015.

Operating expenses decreased by $1.3 million to $63.7 million for the first six months of 2015 from $65.0 million for the first six months of 2014. Salaries and employee benefits expenses declined from $36.2 million to $34.2 million. During the first six months of 2014, Central 1 incurred $2.9 million for amounts paid or payable pursuant to contractual agreements with members of Central 1's executive team who announced they would be leaving Central 1. Excluding the impact of these one-time costs, Salaries and employee benefits expense increased by $0.8 million primarily due to changes in market based wages.

Other administrative expenses increased to $25.8 million in 2015 from $23.9 million in 2014. The increase is primarily due to the distribution of $1.5 million received from NEI to member credit unions. Costs of payment processing increased by $1.1 million, while there was a decrease of $1.1 million in insurance claims and premium expenses.

Results by Operating Segment

For the Three Months Ended June 30, 2015 and June 30, 2014

The following tables summarize Central 1's Results by Operating Segment for the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Figure 3a - Results by Operating Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
				For the three months ended June 30, 2015		
Net financial income, including provision for credit losses	$ 3,286	$ 10,983	$ (64)	$ 46	$ (1,029)	$ 13,222
Other income	35	3,663	20,184	5,872	7,345	37,099
Net financial and other income	3,321	14,646	20,120	5,918	6,316	50,321
Operating expenses	1,801	4,231	16,662	6,536	3,743	32,973
Profit (loss) before income taxes	1,520	10,415	3,458	(618)	2,573	17,348
Income taxes (recoveries)	250	1,855	567	(103)	28	2,597
Profit (loss) for the period	$ 1,270	$ 8,560	$ 2,891	$ (515)	$ 2,545	$ 14,751

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
				For the three months ended June 30, 2014		
Net financial income, including recovery of credit losses	$ 2,658	$ 18,891	$ (70)	$ 61	$ (2,202)	$ 19,338
Other income	270	3,342	17,079	5,955	4,602	31,248
Net financial and other income	2,928	22,233	17,009	6,016	2,400	50,586
Operating expenses	1,902	4,170	15,727	7,069	4,774	33,642
Profit (loss) before income taxes	1,026	18,063	1,282	(1,053)	(2,374)	16,944
Income taxes (recoveries)	160	2,707	176	(159)	(607)	2,277
Profit (loss) for the period	$ 866	$ 15,356	$ 1,106	$ (894)	$ (1,767)	$ 14,667

For the second quarter of 2015, MLP reported a Profit of $1.3 million compared to $0.9 million in the second quarter of 2014. The increase is driven by an increase of $0.6 million in Net financial income. Realized and unrealized gains were $1.0 million in the second quarter of 2015, up from $45.0 thousand in 2014 due to higher net gains on disposal of securities, partially offset by unrealized losses due to the increase in the yield curve and widening credit spreads. Interest margin declined from $2.7 million in the second quarter of 2014 to $2.3 million in the current quarter. This decline reflects lower prevailing interest rates as well as increased holdings in government securities.

Wholesale Financial Services reported a Profit of $8.6 million in the second quarter of 2015 compared to $15.4 million in the second quarter of 2014. The decrease is driven by a decrease of $7.7 million in Net financial income before provision for credit losses. Realized and unrealized gains totaled $7.8 million during the period, down from $12.4 million in the prior year due to lower net gains on disposal of available-for-sale assets recognized in Net financial income and lower net unrealized gains. Interest margin was $3.2 million in the second quarter of 2015 down from $6.3 million in 2014. Interest margin has declined in the past year reflecting lower yields on government securities and lower credit union loan balances. Other income increased $0.3 million due to increased securitization fees and standby fees, offset by a decrease in foreign exchange income arising from the weakening of the Canadian Dollar against the U.S. Dollar.

Digital & Payment Services reported a Profit of $2.9 million in the second quarter of 2015 compared to $1.1 million in the second quarter of 2014. Payment processing revenues increased by $1.2 million due to increased electronic payments transaction volumes and an increase in switching and debit card services revenues. Direct banking fees increased by $1.9 million due to an increase in the usage of MemberDirect® online. Operating expenses increased by $1.0 million primarily due to increased electronic payment processing and costs associated with delivering services to credit unions using the MemberDirect® online platform.

Trade Services reported an operating loss of $0.4 million during the second quarter of 2015, compared to an operating loss of $0.1 million in the second quarter of 2014. Within Other income, Provincial advertising assessment revenues increased, offset by the impact of the wind down of insurance-related activities in the Ontario region which has resulted in both lower revenue and expenses. The decline in insurance-related activities was due to the transferal of the Master Insurance Program to The CUMIS Group Limited effective July 1, 2014. Income also declined within Risk solutions due to the elimination of service to an affiliate during the second quarter of 2015.

The results of this segment also include Central 1's equity interest in CUCC. Central 1 incurs membership dues expense to support CUCC's operations and collects dues from its members to cover a portion of these expenses. Central 1 also recorded income of $0.1 million in the current quarter related to its interests in CUCC compared to a net charge of $0.6 million to income during the same quarter in 2014.

Central 1's Other operating segment reported a Profit of $2.5 million in the second quarter of 2015 compared to a Loss of $1.8 million in the second quarter of 2014. Income from affiliates and other investees, net of associated interest, was $2.7 million, up from $0.5 million a year ago. This includes income under the equity method of accounting for investment in affiliates as well as income from other investees. Details of Central 1's significant investments are contained in Note 31 of the Consolidated Interim Financial Statements.

In addition, Operating expenses decreased by $1.1 million compared to the second quarter of 2014. Included in the second quarter of 2014 was an accrual of $1.8 million for amounts payable pursuant to a contractual agreement with a member of Central 1's executive team who left Central 1 during the quarter. Excluding the impact of this one-time cost, Operating expenses increased by $0.7 million compared to the same period in 2014. The increase is driven by the payment of $1.5 million distribution from NEI to member credit unions and an increase of $0.6 million in Salaries and benefits expense, partially offset by a decrease in professional fees of $0.7 million reflecting one-time costs associated with the implementation of Central 1's new governance structure and a decrease of $0.7 million in Premises and equipment.

For the Six Months Ended June 30, 2015 and June 30, 2014

The following tables summarize Central 1's Results by Operating Segment for the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Figure 3b - Results by Operating Segment

						For the six months ended June 30, 2015
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including provision for credit losses	$ 13,371	$ 17,624	$ (133)	$ 155	$ (2,103)	$ 28,914
Other income	(187)	7,127	38,577	10,374	9,823	65,714
Net financial and other income	13,184	24,751	38,444	10,529	7,720	94,628
Operating expenses	3,565	8,271	33,469	11,944	6,450	63,699
Profit (loss) before income taxes	9,619	16,480	4,975	(1,415)	1,270	30,929
Income taxes (recoveries)	1,577	2,701	816	(233)	(61)	4,800
Profit (loss) for the period	$ 8,042	$ 13,779	$ 4,159	$ (1,182)	$ 1,331	$ 26,129

						For the six months ended June 30, 2014
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including recovery of credit losses	$ 16,577	$ 33,865	$ (144)	$ 170	$ (3,546)	$ 46,922
Other income	276	6,372	33,282	11,723	7,157	58,810
Net financial and other income	16,853	40,237	33,138	11,893	3,611	105,732
Operating expenses	3,619	7,909	31,652	13,920	7,851	64,951
Profit (loss) before income taxes	13,234	32,328	1,486	(2,027)	(4,240)	40,781
Income taxes (recoveries)	2,064	4,924	198	(302)	(1,352)	5,532
Profit (loss) for the period	$ 11,170	$ 27,404	$ 1,288	$ (1,725)	$ (2,888)	$ 35,249

For the six months ended June 30, 2015, MLP reported a Profit of $8.0 million compared to $11.2 million for the six months ended June 30, 2014. The decrease is driven by a decrease of $3.2 million in Net financial income. Realized and unrealized gains were $7.6 million in the six months ended 2015, down from $10.9 million in 2014. Interest margin increased slightly from $5.7 million in 2014 to $5.8 million in 2015.

Wholesale Financial Services reported a Profit of $13.8 million in the six months ended June 30, 2015 compared to $27.4 million in the six months ended June 30, 2014. The decrease is driven by a $16.0 million decrease in Net financial income before provision for credit losses. Realized and unrealized gains totaled $11.9 million during the period, down from $21.4 million in the prior year due to lower net gains on disposal of securities and lower unrealized gains. Interest margin decreased from $12.2 million in 2014 to $5.7 million in 2015. Other income increased $0.7 million due to increased securitization fees and standby fees, offset by a decrease in foreign exchange income. The increase in standby fees is due to increased lines of credit extended to credit unions. Operating expenses increased from $7.9 million in the first six months of 2014 to $8.3 million in the first six months of 2015.

Digital & Payment Services reported a Profit of $4.2 million in the first six months of 2015 compared to a Profit of $1.3 million for the first six months of 2014. Other Income increased by $5.3 million, due to increased Payments revenues stemming from increased electronic payment transaction volumes and increased switching and debit card revenues. Direct banking fees also increased mostly due to an increase in the usage of MemberDirect® online services. Operating expenses increased by $1.8 million driven by $1.2 million of increased Costs of sales and services associated with increased revenues. Salaries and employee benefits expenses also increased reflecting a larger overall staff compliment to support increased revenues.

Trade Services reported an operating loss of $0.5 million in the first six months of 2015 compared to an operating loss of $1.1 million for the first six months of 2014. Included in the first six months of 2014 was a charge of $0.5 million for restructuring of insurance related activities in the Ontario region. In addition, Central 1 recorded a net charge to income of $0.4 million in the first six months of 2015 related to its interests in CUCC compared to $0.7 million in the same period in 2014.

Central 1's Other operating segment reported a Profit of $1.3 million for the first six months of 2015 compared to a Loss of $2.9 million for the first six months of 2014. Income from affiliates and other investees, net of associated interest, was $2.6 million, up from $0.5 million a year ago. This includes income under the equity method of accounting for investment in affiliates as well as income from other investees. During the first six months of 2014, Central 1 incurred $2.8 million for amounts paid or payable pursuant to contractual agreements with members of Central 1's executive team who announced they would be leaving Central 1. Excluding the impact of these one-time costs, Operating expenses increased by $1.4 million compared to same period in 2014. The increase is driven by the payment of the $1.5 million distribution from NEI to member credit unions. Salaries and benefits expense also increased by $1.1 million due to an increase in contract resources and market-based wages. These increases were partially offset by a decrease in professional fees of $0.6 million. Premises and equipment expenses decreased by $0.8 million.

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 15.0%, an increase from 13.7% in the second quarter of 2014. The increase is primarily due to the phase out of the credit union deduction and the resulting changes to estimated future tax rates on recognized deferred tax balances.

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 phase 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.

B.C. 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 Liquid Assets

The following table summarizes the Cash and Liquid Assets at Fair Value as at June 30, 2015 with comparatives.

Figure 4 - Cash and Liquid Assets

			Jun 30 2015		Jun 30 2014		Dec 31 2014	
(Millions of dollars - % of total)	MLP	Non-MLP	Total	%	Total	%	Total	%
Government and government guaranteed securities	$ 6,156.4	$ 1,824.2	$ 7,980.6		$ 7,018.7		$ 7,741.1	
Cash	-	83.7	83.7		118.5		145.2	
	6,156.4	1,907.9	8,064.3	68.1%	7,137.2	65.6%	7,886.3	69.2%
Corporate and financial institutions AA or greater *	860.2	2,167.7	3,027.9	25.6%	3,425.4	31.5%	2,856.8	25.1%
Other	65.0	683.7	748.7	6.3%	324.7	3.0%	656.2	5.8%
Total	$ 7,081.6	$ 4,759.3	$ 11,840.9	100.0%	$ 10,887.3	100.0%	$ 11,399.3	100.0%

* The credit ratings are provided by DBRS

Cash and liquid assets were $11.9 billion at period end, of which $0.3 billion represents securitization assets and the remaining balance comprised the MLP and Non-MLP investment portfolios. This represents 84.3% of Central 1's total assets, compared to $10.9 billion and 84.5% a year ago.

Loans

The following table summarizes Central 1's Loans as at June 30, 2015 with comparatives.

Figure 5 - Loans

(Millions of dollars - % of total)	Jun 30 2015		Jun 30 2014		Dec 31 2014	
Loans to Credit Unions	$ 470.5	41.3%	$ 597.0	60.3%	$ 610.3	58.3%
Syndicated commercial loans	229.2	20.1%	175.5	17.7%	206.0	19.7%
Non syndicated commercial loans	24.7	2.2%	20.6	2.1%	27.0	2.6%
Other loans	10.0	0.9%	22.1	2.2%	11.1	1.1%
Residential mortgages	12.0	1.1%	12.4	1.3%	11.2	1.1%
	275.9	24.2%	230.6	23.3%	255.3	24.4%
Securities acquired under reverse repurchase agreements	392.4	34.5%	161.8	16.4%	181.7	17.3%
	$ 1,138.8	100.0%	$ 989.4	100.0%	$ 1,047.3	100.0%

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

Loans were $1.1 billion as at June 30, 2015, up from $1.0 billion a year ago. Loans to member credit unions decreased to $470.5 million from $597.0 million at the same time last year. Loans to non-credit union borrowers as at June 30, 2015 were $275.9 million, up from $230.6 million in 2014, of which commercial lending amounted to $253.9 million as at June 30, 2015, compared to $196.1 million a year ago. Commercial loans represented 22.3% of Central 1's total loan portfolio at quarter-end, up 19.8% a year ago. Securities acquired under reverse repurchase agreements increased from $161.8 million to $392.4 million as at June 30, 2015.

Borrowings

The following table summarizes Central 1's Borrowings as at June 30, 2015 with comparatives.

Figure 6 - Borrowings

(Millions of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Deposits and trading liabilities by type			
Mandatory deposits	**$ 6,763.5**	$ 6,242.8	$ 6,447.3
Non-mandatory deposits	**2,243.0**	1,911.4	1,828.1
Deposits from member credit unions	**9,006.5**	8,154.2	8,275.4
Deposits from non-credit unions	**693.2**	696.2	656.1
	9,699.7	8,850.4	8,931.5
Debt securities issued at amortized cost			
Commercial paper issued	**672.5**	448.8	668.2
Medium-term notes issued	**599.9**	871.1	900.6
	1,272.4	1,319.9	1,568.8
Securities under repurchase agreements	**256.9**	83.8	105.7
Obligations under the CMB program	**847.3**	668.8	595.2
	$ 12,076.3	$ 10,922.9	$ 11,201.2

Deposits from Central 1's member credit unions were $9.0 billion as at June 30, 2015, up from $8.2 billion a year ago. Credit union mandatory deposits grew $0.5 billion over the year, reflective of the growth within both the B.C. and the Ontario credit union systems during the same period. Non-mandatory deposits from credit unions were $2.2 billion as at June 30, 2015, up from $1.9 billion from the same period last year.

Total Debt securities outstanding as at June 30, 2015 were $1.3 billion, little changed from the prior year. Of the total amount outstanding, $0.6 billion was borrowed under Central 1's Medium-term note facility and the remainder was borrowed through Central 1's Commercial paper facility.

Direct securitization transactions are accounted for on-balance sheet while indirect securitizations are off-balance sheet. Total Obligations outstanding as at June 30, 2015 were $0.8 billion, which was an increase of $0.1 billion from a year ago. The increase in Obligations is due to participation in new securitization transactions. Details of the balances included in the statement of financial position can be found in Notes 7, 11 and 17 of the Interim Consolidated Financial Statements.

Shareholders' Equity

Central 1's Equity increased by $54.9 million to $959.4 million from $904.5 million compared to the same time last year. The increase was primarily due to an increase in Class A share capital as well as the growth in Retained earnings, which offset a decrease in Other comprehensive income.

Summary of Quarterly Results

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

Figure 7 - Quarterly Results

	2014/2015 Period Ended				2013/2014 Period Ended			
(Thousands of dollars, except as indicated)	Sept 30 2014	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sept 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014
Total interest income	$ 51,114	$ 46,453	$ 43,709	**$ 41,559**	$ 54,159	$ 52,898	$ 48,873	$ 47,131
Total interest expense	43,205	40,780	38,714	**37,130**	46,851	42,494	41,383	40,299
Interest margin	7,909	5,673	4,995	**4,429**	7,308	10,404	7,490	6,832
Gain (loss) on disposal of financial instruments	9,957	3,409	4,008	**1,288**	(3,910)	5,057	15,113	(21,252)
Change in fair value of financial instruments	(2,716)	1,434	6,700	**7,528**	9,871	4,721	4,934	33,572
Recovery (provision) of credit losses	24	(242)	(11)	**(23)**	149	264	47	186
Other income	28,029	32,906	28,615	**37,099**	25,723	34,099	27,562	31,248
Net financial and other income	43,203	43,180	44,307	**50,321**	39,141	54,545	55,146	50,586
Operating expenses	(30,496)	(34,034)	(30,726)	**(32,973)**	(28,826)	(33,083)	(31,309)	(33,642)
Income taxes	(2,124)	(1,388)	(2,203)	**(2,597)**	(1,727)	(2,095)	(3,255)	(2,277)
Profit for the period	$ 10,583	$ 7,758	$ 11,378	**$ 14,751**	$ 8,588	$ 19,367	$ 20,582	$ 14,667
Weighted average shares outstanding *(millions)*	316.0	325.0	333.1	**339.2**	293.5	298.4	307.2	311.6
Earnings per share								
Basic *(cents)*	3.3	2.4	3.4	**4.3**	2.9	6.5	6.7	4.7
Diluted *(cents)*	3.3	2.4	3.4	**4.3**	2.9	6.5	6.7	4.7

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

Second Quarter 2015 Compared to First Quarter 2015

Net Financial Income

Central 1 recorded Net financial income of $13.2 million for the second quarter of 2015, compared with Net financial income of $15.7 million in the first quarter of 2015.

During the quarter, Interest margin was $4.4 million and net realized and unrealized gains were $8.8 million, compared to $5.0 million and $10.7 million, respectively, in the first quarter of 2015. Realized and unrealized gains were $1.3 million and $7.5 million, respectively, in the second quarter of 2015 and $4.0 million and $6.7 million, respectively, in the first quarter of 2015. The lower net gains during the quarter were driven by lower gains on disposal of available for sale assets. Financial assets in the first quarter also benefitted from the Bank of Canada rate cut in January 2015.

Interest margin 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

The following table summarizes Central 1's Other income and Operating expenses for the three months ended June 30, 2015 compared to the quarter ended March 31, 2015.

Figure 8 - Other Income and Operating Expenses

				For the three months ended		
		Jun 30 2015			Mar 31 2015	
(Millions of dollars - % of total)		Amount	% of total		Amount	% of total
Other Income						
Membership dues and provincial advertising assessment	**$**	**3.2**	**8.6%**	$	3.1	10.8%
Equity interest in affiliates		**2.5**	**6.7%**		0.4	1.4%
Income from affiliates		**3.3**	**8.9%**		0.0	0.0%
Insurance premiums and assessments		**0.7**	**1.9%**		0.5	1.7%
Digital & Payment Services						
Payment processing and other fees		**12.7**	**34.2%**		11.5	40.2%
Direct banking fees		**7.5**	**20.2%**		6.9	24.1%
Treasury related services		**4.1**	**11.1%**		3.8	13.3%
Trade and other services		**3.1**	**8.4%**		2.4	8.4%
Total Other Income		**37.1**	**100.0%**		28.6	100.0%
Operating Expenses						
Salaries and employee benefits		**17.2**	**46.4%**		17.0	59.4%
Premises and equipment		**1.9**	**5.1%**		1.8	6.3%
Other administrative expenses		**13.9**	**37.5%**		11.9	41.6%
Total Operating Expenses		**33.0**	**88.9%**		30.7	107.3%
Net Operating Income (Expense)	**$**	**4.1**	**11.1%**	$	(2.1)	(7.3)%

Central 1 reported Other income of $37.1 million for the second quarter of 2015 which increased $8.5 million from $28.6 million in the first quarter of 2015. Other income within Digital & Payment Services increased by $1.8 million in the quarter due to increases in electronic payments transaction volumes and the usage of MemberDirect® online services. Equity interests in affiliates increased by $2.1 million and the distribution from NEI together with the annual loyalty payments from The Co-operators increased by $3.3 million in total due to improved financial performance. Marketing and research programs income increased by $0.5 million primarily due to sponsor and trade show revenues associated with Central 1's annual conference. Additionally, lending fees increased by $0.4 million from the second quarter compared to the first quarter.

In aggregate, Operating expenses were $33.0 million in the second quarter, an increase of $2.3 million over the first quarter of 2015. Salaries and employee benefits expense increased slightly to $17.2 million in the second quarter from $17.0 million in the first quarter.

Other administrative expenses increased $2.0 million to $13.9 million in the second quarter from $11.9 million in the first quarter. The current quarter included the payment of $1.5 million distribution from NEI to member credit unions as well as an increase of $0.2 million in insurance claims and premium expenses. Premises and equipment expense was broadly unchanged in the second quarter.

Results by Operating Segment

The following table summarizes Central 1's Results by Operating Segment for the three months ended June 30, 2015 compared to the quarter ended March 31, 2015:

Figure 9 - Results by Operating Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
						For the three months ended June 30, 2015
Net financial income, including provision for credit losses	$ 3,286	$ 10,983	$ (64)	$ 46	$ (1,029)	$ 13,222
Other income	35	3,663	20,184	5,872	7,345	37,099
Net financial and other income	3,321	14,646	20,120	5,918	6,316	50,321
Operating expenses	1,801	4,231	16,662	6,536	3,743	32,973
Profit (loss) before income taxes	1,520	10,415	3,458	(618)	2,573	17,348
Income taxes (recoveries)	250	1,855	567	(103)	28	2,597
Profit (loss) for the period	$ 1,270	$ 8,560	$ 2,891	$ (515)	$ 2,545	$ 14,751

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
						For the three months ended March 31, 2015
Net financial income, including provision 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	4,040	16,807	5,408	2,707	30,726
Profit (loss) before income taxes	8,099	6,065	1,517	(797)	(1,303)	13,581
Income taxes (recoveries)	1,327	846	249	(130)	(89)	2,203
Profit (loss) for the period	$ 6,772	$ 5,219	$ 1,268	$ (667)	$ (1,214)	$ 11,378

For the second quarter of 2015, MLP reported a Profit of $1.3 million compared to $6.8 million in the first quarter of 2015. The decrease is driven by a decrease of $6.8 million in Net financial income. Realized and unrealized gains were $1.0 million, down from $6.5 million in the first quarter of 2015, due to financial assets in the first quarter benefiting from the Bank of Canada rate cut in January 2015. Interest margin declined from $3.6 million in the first quarter of 2015 to $2.3 million in the current quarter. This decline reflects a greater decline in rates earned on securities than the decline in rates on liquidity deposits. Operating expenses remained at $1.8 million.

Wholesale Financial Services reported a Profit of $8.6 million in the second quarter of 2015 compared to $5.2 million in the first quarter of 2015. The increase is driven by an increase of $4.4 million in Net financial income before provision for credit losses. Realized and unrealized gains totaled $7.8 million during the period, up from $4.1 million in the first quarter of 2015 due to favourable market impact on fixed rate liabilities. Interest margin increased from $2.5 million in the first quarter of 2015 to $3.2 million in the current quarter. Interest margin has increased in the past quarter due to lower interest expense arising from the maturity of Medium-term notes in the quarter. Other income increased $0.2 million due to increased securitization fees and standby fees, offset by a decrease in foreign exchange income.

Digital & Payment Services' Profit increased to $2.9 million from $1.3 million in the second quarter of 2015. Other income increased $1.8 million to $20.2 million in the current quarter compared to $18.4 million in the first quarter of 2015. The increase is related to a rise in Payment processing fees related to growth in electronic payments transaction volumes and an increase in switching and debit card services revenues. Direct banking fees also increased mostly due to an increase in the usage of MemberDirect® online services. Operating expenses decreased slightly in the current quarter.

Trade Services reported an operating loss of $0.4 million in the current quarter of 2015 compared to an operating loss of $0.1 million in the first quarter of 2015. Other income increased by $1.4 million. The second quarter included revenues and expenses related to Central 1's annual conference. In addition, Central 1's equity interest in CUCC reported an income of $0.1 million in the current quarter compared to a Loss of $0.4 million recorded in the first quarter of 2015. Operating expenses increased $1.1 million primarily related to the annual conference.

Central 1's Other operating segment reported a Profit of $2.5 million in the current quarter compared to a Loss of $1.2 in the first quarter of 2015. Income from affiliates and other investees, net of associated interest, was $2.7 million, up from a loss of $0.1 million in the prior quarter. This includes income under the equity method of accounting for investment in affiliates as well as income from other investees. Operating expenses increased $1.0 million primarily due to the payment of $1.5 million distribution received from NEI to member credit unions, partially offset by a decline in professional fees associated with the implementation of Central 1's new governance structure.

Capital Management and Capital Resources

This section of the report 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.

The following table summarizes Central 1's Capital Position as at June 30, 2015 with comparatives.

Figure 10 - Capital Position

(Millions of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Share capital	**$ 350.0**	$ 316.0	$ 333.1
Contributed surplus	**87.9**	87.9	87.9
Retained earnings	**484.8**	456.9	467.1
Less: accumulated net after tax gain in investment property	**(4.0)**	(4.3)	(4.0)
Tier 1 capital	**918.7**	856.5	884.1
Subordinated debt	**218.0**	368.0	218.0
Add: accumulated net after tax gain in investment property	**4.0**	4.3	4.0
Tier 2 capital	**222.0**	372.3	222.0
Total capital	**1,140.7**	1,228.8	1,106.1
Statutory capital adjustments	**(164.7)**	(157.2)	(159.4)
Capital base (federal)	**$ 976.0**	$ 1,071.6	$ 946.7
Borrowing multiple - consolidated	**13.1:1**	10.5:1	12.4:1
Borrowing multiple - Mandatory Liquidity Pool	**15.6:1**	15.1:1	15.5:1
Borrowing multiple - Wholesale Financial Services	**10.8:1**	7.6:1	10.1:1
Capital base (provincial)	**$ 960.5**	$ 1,061.1	$ 946.8
Provincial capital ratio	**49.3%**	57.2%	60.6%

Central 1's consolidated Borrowing multiple is managed within a range of 12.0:1 to 14.0:1. The Provincial capital ratio is the regulatory capital to risk weighted assets for provincial capital adequacy which 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 13.1:1, up from 12.4:1 at December 31, 2014. The Provincial capital ratio decreased from 60.6% to 49.3% 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. Total regulatory capital remained broadly unchanged. The decrease in the Provincial capital ratio reflects an increase in risk weighted assets over the period. The increase in risk weighted assets reflects increases in both on- and off-balance sheet amounts. The risk weighting of assets in Central 1's MLP and non-MLP portfolios was largely unchanged since year-end.

As at June 30, 2015, the Borrowing multiple for Central 1's MLP business line was 15.6:1, which is in compliance with FICOM's maximum 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 support growth in Mandatory deposits.

Central 1's Regulatory capital base for federal purposes is calculated in *Figure 10*. Within Central 1's Borrowing multiple calculation, Tier 1 capital was $918.7 million and Total capital before deductions was $1,140.7 million as at June 30, 2015, compared to $856.5 million and $1,228.8 million, respectively, a year earlier. The decrease in the Total capital before deductions over the past year is due to redemption of $150.0 million subordinated debt in October 2014. In determining regulatory capital, adjustments are required to amounts reflected in Central 1's consolidated statement of financial position. These statutory capital adjustments pertain to investments in entities where Central 1 has a substantial investment in ownership interest but does not control them.

Note 30 of Central 1's Interim Consolidated Financial Statements provides further details with respect to Central 1's Capital Management.

Risk Management

This section of the report 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 sufficient funds and liquid assets are available to meet both its own needs, and those of the system.

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

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.

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

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.

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.

Central 1's securities portfolio is invested substantially in government-issued and guaranteed securities, reflective of Central 1's voluntarily compliance with OSFI's Liquidity Adequacy Requirements, and a smaller proportion in corporate securities. All Canadian dollar denominated securities in the MLP meet the Bank of Canada's guidance for assets pledgeable as collateral under the Standing Liquidity Facility. The Wholesale Financial Services maintained a consistent allocation to high quality liquid securities to support its members.

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. Details of Central 1's loan portfolio are found in Note 9 of the Interim Consolidated Financial Statements.

Counterparty Risk

Counterparty risk is the risk of loss if a transaction counterparty fails to honour its payment obligations under a value-exchange transaction. Central 1 is exposed to counterparty risk largely through the derivative trading activities that it conducts on behalf of its members. Central 1's exposures are mitigated by collateral arrangements. 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 (IASB).

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, *Financial Instruments*, 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 liabilities 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. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date. 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

In May 2014, IASB published a new standard IFRS 15, *Revenue from Contracts with Customers*, to replace the current revenue recognition standards and interpretations. The standard introduces a single comprehensive model to account for revenue arising from contracts with customers and applies to all contracts with customers, except for contracts that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments.

The IASB has a mandatory effective date for annual periods beginning on or after 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 MD&A, management evaluated Central 1's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Central 1's interim filings, as 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 June 30, 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 June 30, 2015

Central 1

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

(Thousands of dollars)	Notes	Jun 30 2015	Jun 30 2014	Dec 31 2014
Assets				
Cash		**$ 83,659**	$ 118,534	$ 145,203
Deposits with regulated financial institutions	5	**6,048**	5,639	6,198
Trading assets	6	**5,818,867**	5,895,033	5,778,553
Reinvestment assets under the Canada Mortgage Bond Program	7	**100,801**	219,201	65,518
Derivative assets	8	**94,908**	47,471	42,162
Loans	9	**1,138,984**	990,328	1,047,637
Investment securities	10	**5,938,269**	4,873,708	5,475,562
Secured loans to members	11	**-**	80,396	-
Current tax assets		**-**	4,385	3,175
Property and equipment		**17,568**	16,348	18,388
Intangible assets		**16,263**	14,327	13,246
Deferred tax assets		**14,417**	9,024	10,342
Investment in affiliates		**122,491**	121,241	122,390
Other assets	12	**754,600**	732,737	324,506
		$ 14,106,875	$ 13,128,372	$ 13,052,880
Liabilities				
Deposits designated as trading	13	**$ 6,382,840**	$ 4,448,019	$ 5,483,413
Obligations related to securities sold short	14	**205,059**	243,238	181,534
Derivative liabilities	8	**126,934**	117,901	104,174
Debt securities issued	15	**1,272,433**	1,319,899	1,568,840
Deposits	16	**3,316,870**	4,402,422	3,448,098
Obligations under the Canada Mortgage Bond Program	17	**847,287**	668,766	595,151
Subordinated liabilities	18	**217,684**	369,037	217,581
Provisions		**2,274**	3,368	2,958
Securities under repurchase agreements	19	**256,949**	83,821	105,698
Current tax liabilities		**3,538**	-	-
Deferred tax liabilities		**6,401**	5,146	5,971
Other liabilities	20	**509,216**	562,283	414,619
		13,147,485	12,223,900	12,128,037
Equity				
Share capital	21	**349,996**	315,951	333,118
Contributed surplus		**87,901**	87,901	87,901
Retained earnings		**484,835**	456,905	467,072
Accumulated other comprehensive income		**22,802**	30,459	23,099
Reserves		**3,940**	3,379	3,751
Total equity attributable to members of Central 1		**949,474**	894,595	914,941
Non-controlling interest		**9,916**	9,877	9,902
		959,390	904,472	924,843
		$ 14,106,875	$ 13,128,372	$ 13,052,880
Guarantees, commitments, and contingencies	28			

Approved by the Directors:

"Rick Hoevenaars"
Rick Hoevenaars, Chairperson

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

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Profit (Unaudited)

		For the three months ended		For the six months ended	
(Thousands of dollars)	Notes	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Interest income					
Securities		**$ 35,966**	$ 38,470	**$ 73,623**	$ 77,927
Deposits with regulated financial institutions		**29**	29	**60**	71
Loans		**5,104**	6,463	**10,747**	13,419
Secured loans and reinvestment assets		**460**	2,169	**838**	4,587
		41,559	47,131	**85,268**	96,004
Interest expense					
Debt securities issued		**4,475**	5,204	**10,480**	9,942
Deposits		**27,498**	28,786	**55,869**	59,295
Obligations under the CMB Program		**3,587**	3,915	**6,391**	8,587
Subordinated liabilities		**1,570**	2,394	**3,104**	3,858
		37,130	40,299	**75,844**	81,682
Interest margin		**4,429**	6,832	**9,424**	14,322
Gain (loss) on disposal of financial instruments	22	**1,288**	(21,252)	**5,296**	(6,139)
Change in fair value of financial instruments	23	**7,528**	33,572	**14,228**	38,506
Net financial income		**13,245**	19,152	**28,948**	46,689
Provision (recovery) for credit losses	9	**23**	(186)	**34**	(233)
		13,222	19,338	**28,914**	46,922
Other income	24	**37,099**	31,248	**65,714**	58,810
Net financial and other income		**50,321**	50,586	**94,628**	105,732
Operating expenses					
Salaries and employee benefits		**17,210**	18,321	**34,244**	36,187
Premises and equipment		**1,849**	2,530	**3,684**	4,885
Other administrative expenses	25	**13,914**	12,791	**25,771**	23,879
		32,973	33,642	**63,699**	64,951
Profit before income taxes		**17,348**	16,944	**30,929**	40,781
Income taxes	26	**2,597**	2,277	**4,800**	5,532
Profit for the period		**$ 14,751**	$ 14,667	**$ 26,129**	$ 35,249

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 Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Profit for the period	**$ 14,751**	$ 14,667	**$ 26,129**	$ 35,249
Other comprehensive loss, net of tax				
Fair value reserve (available-for-sale financial assets)				
Items that may be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale assets [1]	**(5,638)**	3,058	**9,825**	12,752
Reclassification of realized gains on available-for-sale assets to profit or loss [2]	**(4,917)**	(8,267)	**(10,604)**	(17,518)
	(10,555)	(5,209)	**(779)**	(4,766)
Item that will not be reclassified subsequently to profit or loss				
Net actuarial gain (loss) on employee benefits plans [3]	**(84)**	147	**482**	147
Other comprehensive loss, net of tax	**(10,639)**	(5,062)	**(297)**	(4,619)
Comprehensive income, net of tax	**$ 4,112**	$ 9,605	**$ 25,832**	$ 30,630

Income tax (recoveries) on items that may be reclassified subsequently to profit or loss				
[1] Net change in fair value of available-for-sale assets	**$ (1,009)**	$ 494	**$ 1,869**	$ 2,176
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	**$ (964)**	$ (1,528)	**$ (2,080)**	$ (3,238)
Income tax (recovery) on item that will not be reclassified subsequently to profit or loss				
[3] Net actuarial gain (loss) on employee benefits plans	**$ 45**	$ (147)	**$ 129**	$ (147)

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Changes in Equity (Unaudited)

(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	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			26,110				26,110	19	26,129
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(779)			(779)		(779)
Employee benefits reserve (net of tax)					482		482		482
Total comprehensive income	-	-	26,110	(779)	482	-	25,813	19	25,832
Transactions with owners, recorded directly in equity									
Dividends to members			(9,619)				(9,619)		(9,619)
Related tax savings			1,576				1,576		1,576
Class "E" shares redemption			(138)				(138)		(138)
Related tax savings			23				23		23
Net Classes "A", "B" and "C" shares issued	16,878						16,878		16,878
Preferred shares issued by subsidiary							-	(5)	(5)
Transfer from reserves			(189)			189	-		-
Total contributions from and distributions to owners	16,878	-	(8,347)	-	-	189	8,720	(5)	8,715
Balance at June 30, 2015	**$ 349,996**	**$ 87,901**	**$ 484,835**	**$ 28,269**	**$ (5,467)**	**$ 3,940**	**$ 949,474**	**$ 9,916**	**$ 959,390**

Profit attributable to:	2015	2014
Members of Central 1	**$ 26,110**	$ 35,245
Non-controlling interest	**19**	4
	$ 26,129	$ 35,249

Total comprehensive income attributable to:	2015	2014
Members of Central 1	**$ 25,813**	$ 30,626
Non-controlling interest	**19**	4
	$ 25,832	$ 30,630

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Changes in Equity (Unaudited)

	Attributable to equity holders								
(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Balance at January 1, 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			35,245				35,245	4	35,249
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(4,766)			(4,766)		(4,766)
Employee benefits reserve (net of tax)					147		147		147
Total comprehensive income	-	-	35,245	(4,766)	147	-	30,626	4	30,630
Transactions with owners, recorded directly in equity									
Dividends to members			(13,234)				(13,234)		(13,234)
Related tax savings			2,065				2,065		2,065
Class "E" shares redemption			(110)				(110)		(110)
Related tax savings			17				17		17
Net Classes "A", "B" and "C" shares issued	8,766						8,766		8,766
Transfer from reserves			(249)			249	-		-
Total contributions from and distributions to owners	8,766	-	(11,511)	-	-	249	(2,496)	-	(2,496)
Balance at June 30, 2014	$ 315,951	$ 87,901	$ 456,905	$ 33,687	$ (3,228)	$ 3,379	$ 894,595	$ 9,877	$ 904,472

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 Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Cash flows from operating activities				
Profit for the period	**$ 14,751**	$ 14,667	**$ 26,129**	$ 35,249
Adjustments for:				
Depreciation and amortization	**1,180**	1,639	**2,275**	2,733
Interest margin	**(4,429)**	(6,832)	**(9,424)**	(14,322)
Gain (loss) on disposal of financial instruments	**(1,288)**	21,252	**(5,296)**	6,139
Change in fair value of financial instruments	**(7,528)**	(33,572)	**(14,228)**	(38,506)
Income tax expense	**2,597**	2,277	**4,800**	5,532
Provision (recovery) for credit losses	**23**	(186)	**34**	(233)
Other items, net	**(3,818)**	2,735	**(4,242)**	(27)
	1,488	1,980	**48**	(3,435)
Change in trading assets	**239,391**	(1,474,516)	**13,718**	(1,501,521)
Change in settlements in transit	**(293,584)**	(529,875)	**(318,378)**	(258,758)
Change in loans	**(253,654)**	64,820	**(91,513)**	167,699
Change in deposits designated as trading	**566,240**	578,728	**867,623**	1,099,178
Change in obligations related to securities sold short	**118,546**	175,180	**18,186**	174,265
Change in deposits	**(630)**	(113,494)	**(124,292)**	(755,924)
Change in derivative assets and liabilities	**(11,351)**	(36,845)	**(25,829)**	(43,817)
	366,446	(1,334,022)	**339,563**	(1,122,313)
Interest received	**48,056**	56,313	**87,498**	107,492
Interest paid	**(47,003)**	(47,382)	**(88,269)**	(85,014)
Income tax paid	**(17)**	(15)	**(37)**	(4,530)
Net cash from operating activities	**367,482**	(1,325,106)	**338,755**	(1,104,365)
Cash flows from investing activities				
Change in deposits with regulated financial institutions	**123**	1,421	**123**	1,421
Change in reinvestment assets under the CMB Program	**(16,654)**	(40,821)	**(34,327)**	87,308
Change in investment securities	**(282,298)**	849,278	**(453,779)**	686,354
Change in secured loans to members	**-**	104,374	**-**	148,639
Change in property and equipment	**(321)**	(1,215)	**(402)**	(2,141)
Change in intangible assets	**(2,506)**	(1,148)	**(3,949)**	(2,774)
Net cash from investing activities	**(301,656)**	911,889	**(492,334)**	918,807
Cash flows from financing activities				
Change in obligations under the CMB Program	**53,790**	15,861	**241,662**	(163,454)
Change in subordinated liabilities	**-**	200,000	**-**	200,000
Change in debt securities issued	**(326,794)**	171,307	**(295,275)**	221,558
Change in securities under repurchase agreements	**134,450**	54,445	**151,218**	(22,953)
Dividends paid	**-**	-	**(22,448)**	(13,978)
Issuance of shares	**16,990**	8,766	**16,878**	8,766
Net cash from financing activities	**(121,564)**	450,379	**92,035**	229,939
Increase (decrease) in cash	**(55,738)**	37,162	**(61,544)**	44,381
Cash - beginning of period	**139,397**	81,372	**145,203**	74,153
Cash - end of period	**$ 83,659**	$ 118,534	**$ 83,659**	$ 118,534

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 liquidity manager, payments processor and trade association for credit unions in British Columbia and its member credit unions in Ontario. The performance of the British Columbia credit union system and that of Central 1's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) plays an integral part in determining the results of Central 1's operations and its financial position.

2. Basis of 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 August 21, 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 and presentation 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 27 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 is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by unadjusted quoted prices in active markets. When there is no quoted price in an active market, valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs are used to derive the fair value.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows, discount rates and use of appropriate benchmarks and spreads.

Financial instruments whose carrying value approximate fair value

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

Financial instruments for which fair value is determined using valuation techniques

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

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

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

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

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

(Millions of dollars) Jun 30 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets						
Cash	$ -	$ -	$ -	$ -	$ 83.7	$ 83.7
Deposits with regulated financial institutions	-	-	-	-	6.0	6.0
Trading assets	-	5,818.9	-	5,818.9	-	5,818.9
Reinvestment assets under the CMB Program	-	100.8	-	100.8	-	100.8
Derivative assets	-	94.9	-	94.9	-	94.9
Loans	-	-	-	-	1,139.0	1,139.0
Investment securities		5,897.0	9.2	5,906.2	32.1	5,938.3
Property and equipment	-	-	-	-	17.5	17.5
Intangible assets	-	-	-	-	16.3	16.3
Deferred tax assets	-	-	-	-	14.4	14.4
Investment in affiliates	-	-	-	-	122.5	122.5
Other assets	-	-	-	-	754.6	754.6
Total assets	$ -	$11,911.6	$ 9.2	$ 11,920.8	$ 2,186.1	$ 14,106.9
Liabilities						
Deposits designated as trading	$ -	$ 6,382.8	$ -	$ 6,382.8	$ -	$ 6,382.8
Obligations related to securities sold short	-	205.1	-	205.1	-	205.1
Derivative liabilities	-	126.9	-	126.9	-	126.9
Debt securities issued	-	-	-	-	1,272.4	1,272.4
Deposits	-	-	-	-	3,316.9	3,316.9
Obligations under the CMB Program	-	847.3	-	847.3	-	847.3
Subordinated liabilities	-	-	-	-	217.7	217.7
Provisions	-	-	-	-	2.3	2.3
Securities under repurchase agreements	-	-	-	-	257.0	257.0
Current tax liabilities	-	-	-	-	3.5	3.5
Deferred tax liabilities	-	-	-	-	6.4	6.4
Other liabilities	-	-	-	-	509.2	509.2
Total liabilities	-	7,562.1	-	7,562.1	5,585.4	13,147.5
Net assets (liabilities)	$ -	$ 4,349.5	$ 9.2	$ 4,358.7	$ (3,399.3)	$ 959.4

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

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

(Millions of dollars) Jun 30 2014	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets	$ -	$ 10,994.2	$ 89.6	$ 11,083.8	$ 2,044.6	$ 13,128.4
Liabilities	-	5,478.0	-	5,478.0	6,745.9	12,223.9
Net assets (liabilities)	$ -	$ 5,516.2	$ 89.6	$ 5,605.8	$ (4,701.3)	$ 904.5

(Millions of dollars) Dec 31 2014	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 tables present the change in fair value for financial instruments included in Level 3 of the fair value hierarchy:

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Jun 30 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2
Net assets	$ 9.2	$ -	$ -	$ -	$ -	$ 9.2

(Millions of dollars)	Fair Value at Dec 31 2013	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Jun 30 2014
Secured loans to members	$ 229.6	$	$ (148.8)	$	$ (0.4)	$ 80.4
Equity shares	9.2	-	-	-	-	9.2
Net assets	$ 238.8	$ -	$ (148.8)	$ -	$ (0.4)	$ 89.6

(Millions of dollars)	Fair Value at Dec 31 2013	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Dec 31 2014
Net assets	$ 238.8	$ -	$ (229.2)	$ -	$ (0.4)	$ 9.2

Note 29 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)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ 6,048**	$ 5,639	$ 6,198
Fair value	**$ 6,083**	$ 4,873	$ 6,130

6. Trading assets

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 4,066,631**	$ 4,086,282	$ 4,175,669
Corporate and financial institutions AA[(1)] or greater	**1,475,317**	1,668,603	1,413,096
Other	**276,919**	140,148	189,788
Fair value	**$ 5,818,867**	$ 5,895,033	$ 5,778,553

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ 5,748,622**	$ 5,852,584	$ 5,735,466
Fair value	**$ 5,818,867**	$ 5,895,033	$ 5,778,553

Government and government guaranteed previously included insured residential mortgages. Government and government guaranteed have been adjusted to capture securities only, with insured residential mortgages reflected in Other.

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 Canada Mortgage Bond (CMB) Program classified as fair value through profit and loss:

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 56,640**	$ 85,087	$ 34,047
Assets acquired under reverse repurchase agreements	**-**	60,046	-
Fair value	**$ 56,640**	$ 145,133	$ 34,047
Amortized cost	**$ 55,734**	$ 144,870	$ 33,688

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Fair value of government and government guaranteed securities	**$ 44,161**	$ 74,068	$ 31,471
Amortized cost	**$ 43,479**	$ 73,733	$ 31,153
Fair value of total Reinvestment assets under the CMB Program	**$ 100,801**	$ 219,201	$ 65,518

8. Derivative assets and liabilities

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

(Thousands of dollars)	Jun 30 2015 Asset	Jun 30 2015 Liability	Jun 30 2014 Asset	Jun 30 2014 Liability	Dec 31 2014 Asset	Dec 31 2014 Liability
Interest rate contracts						
Forward rate agreements	**$ 34**	**$ -**	$ -	$ -	$ 40	$ -
Futures contracts	**22**	**79**	-	-	-	-
Swap contracts	**231,866**	**263,457**	111,541	182,219	134,266	196,236
Options purchased	**-**	**-**	211	-	79	-
Options written	**-**	**-**	-	215	-	85
	231,922	**263,536**	111,752	182,434	134,385	196,321
Foreign exchange contracts						
Forward contracts	**1,739**	**2,151**	1,684	1,432	1,311	1,387
Other						
Equity index-linked options	**12,526**	**12,526**	18,842	18,842	16,849	16,849
Total fair value before adjustment	**246,187**	**278,213**	132,278	202,708	152,545	214,557
Adjustment for master netting agreements	**(151,279)**	**(151,279)**	(84,807)	(84,807)	(110,383)	(110,383)
Fair value	**$ 94,908**	**$ 126,934**	$ 47,471	$ 117,901	$ 42,162	$ 104,174

9. Loans

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Due on demand			
Credit unions	**$ 58,688**	$ 86,579	$ 91,086
Commercial and others	**11,869**	17,833	15,699
	70,557	104,412	106,785
Term			
Credit unions	**411,818**	510,439	519,164
Commercial and others	**242,010**	188,881	217,378
Reverse repurchase agreements	**392,400**	161,756	181,664
Officers and employees	**10,097**	11,504	11,100
Residential mortgages	**11,959**	12,421	11,239
	1,068,284	885,001	940,545
	1,138,841	989,413	1,047,330
Accrued interest	**836**	1,343	971
	1,139,677	990,756	1,048,301
Allowance for credit losses	**(693)**	(428)	(664)
Amortized cost	**$ 1,138,984**	$ 990,328	$ 1,047,637

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

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

			For the three months ended		For the six months ended	
(Thousands of dollars)	Specific Allowance	Collective Allowance	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Balance at beginning of period	**$ 632**	**$ 57**	**$ 689**	$ 557	**$ 664**	$ 585
Net write-offs during the period	**(19)**	**-**	**(19)**	57	**(5)**	76
Provision (recovery) for credit losses	**23**	**-**	**23**	(186)	**34**	(233)
Balance at end of period	**$ 636**	**$ 57**	**$ 693**	$ 428	**$ 693**	$ 428

10. Investment securities

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ 5,915,994**	$ 4,846,004	$ 5,451,535
Fair value	**$ 5,938,269**	$ 4,873,708	$ 5,475,562

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 3,913,965**	$ 2,932,043	$ 3,565,446
Corporate and financial institutions AA[(1)] or greater	**1,552,540**	1,757,175	1,443,716
Other	**471,764**	184,490	466,400
Fair value	**$ 5,938,269**	$ 4,873,708	$ 5,475,562

[(1)] The credit ratings are provided by DBRS.

The above table includes $32.1 million of equity investment securities that are measured at cost and for which disclosure of fair value is not provided because the fair value cannot be reliably measured. There have been no changes in this amount from prior periods.

11. Secured loans to members

Through its participation in the CMB Program as described in the accounting policies disclosed in Central 1's consolidated financial statements for the year ended 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 represented securitizations prior to 2010, which had matured at December 31, 2014.

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ -**	$ 80,385	$ -
Fair value	**$ -**	$ 80,396	$ -

12. Other assets

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Settlements in-transit	**$ 736,082**	$ 713,885	$ 308,449
Investment property	**3,341**	5,460	3,462
Prepaid expenses	**5,660**	4,906	3,785
Post-employment benefits	**3,224**	3,387	3,286
Accounts receivable and other	**6,293**	5,099	5,524
	$ 754,600	$ 732,737	$ 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 lessees do 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 24.

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)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ 6,335,431**	$ 4,430,437	$ 5,460,889
Fair value	**$ 6,382,840**	$ 4,448,019	$ 5,483,413

The contractual maturity dates of these liabilities are as follows:

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amounts			
Due within three months	**$ 1,879,361**	$ 1,006,189	$ 1,444,494
Due after three months and within one year	**1,442,593**	967,976	1,329,197
Due after one year and within five years	**2,979,937**	2,429,706	2,660,085
Due after five years	**3,000**	5,034	150
	6,304,891	4,408,905	5,433,926
Accrued interest	**30,540**	21,532	26,963
Amortized cost	**$ 6,335,431**	$ 4,430,437	$ 5,460,889

Deposits designated as trading previously included Obligations related to securities sold short as at June 30, 2014.

14. Obligations related to securities sold short

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amortized cost	**$ 204,145**	$ 242,717	$ 180,631
Fair value	**$ 205,059**	$ 243,238	$ 181,534

Obligations related to securities sold short were previously included within Deposits designated as trading as at June 30, 2014.

15. Debt securities issued

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amounts			
Due within three months	$ **203,728**	$ 312,919	$ 425,457
Due after three months and within one year	**468,820**	705,547	542,692
Due after one year and within five years	**598,734**	299,508	598,408
	1,271,282	1,317,974	1,566,557
Accrued interest	**1,151**	1,925	2,283
Amortized cost	$ **1,272,433**	$ 1,319,899	$ 1,568,840

Central 1 has established $50.0 million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At June 30, 2015, June 30, 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 June 30, 2015, a combined par value of $674.5 million was borrowed under the short-term commercial paper facility (June 30, 2014 - $450.0 million; December 31, 2014 - $670.0 million) and a combined par value of $600.0 million was borrowed under the medium-term note facility (June 30, 2014 - $870.0 million; December 31, 2014 - $900.0 million).

16. Deposits

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amounts			
Due on demand	$ **1,420,643**	$ 1,403,196	$ 1,198,444
Due within three months	**461,510**	441,788	395,962
Due after three months and within one year	**681,332**	999,060	669,325
Due after one year and within five years	**739,511**	1,528,544	1,163,557
Due after five years and less than six years	**-**	5,311	-
	3,302,996	4,377,899	3,427,288
Accrued interest	**13,874**	24,523	20,810
Amortized cost	$ **3,316,870**	$ 4,402,422	$ 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 indicated below.

	Jun 30 2015		Jun 30 2014		Dec 31 2014	
(Thousands of dollars)	Post 2010	Pre 2010	Post 2010	Pre 2010	Post 2010	Pre 2010
Amounts						
Due within one year	$ **-**	$ **-**	$ -	$ 259,612	$ -	$ -
Due after one year and within five years	**827,232**	**-**	401,220	-	584,034	-
Due after five years	**-**	**-**	-	-	-	-
	827,232	**-**	401,220	259,612	584,034	-
Accrued interest	**1,776**	**-**	204	1,357	3,218	-
Amortized cost	$ **829,008**	$ **-**	$ 401,424	$ 260,969	$ 587,252	$ -
Fair value	$ **847,287**	$ **-**	$ 406,402	$ 262,364	$ 595,151	$ -

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

(Thousands of dollars)	Jun 30 2015 Post 2010	Jun 30 2015 Pre 2010	Jun 30 2014 Post 2010	Jun 30 2014 Pre 2010	Dec 31 2014 Post 2010	Dec 31 2014 Pre 2010
Secured loans to members (Note 11)	**$ -**	**$ -**	$ -	$ 80,396	$ -	$ -
Total reinvestment assets under the CMB Program (Note 7)	**100,801**	**-**	38,090	181,111	65,518	-
Assets recognized as trading assets and investment securities (Notes 6 & 10)	**746,590**	**-**	368,735	-	529,157	-
Fair value	**$ 847,391**	**$ -**	$ 406,825	$ 261,507	$ 594,675	$ -

18. Subordinated liabilities

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Series 2	**$ -**	$ 150,000	$ -
Series 3	**18,000**	18,000	18,000
Series 4	**200,000**	200,000	200,000
Principal amount	**218,000**	368,000	218,000
Discount	**(1,388)**	(1,400)	(1,494)
Accrued interest	**1,072**	2,437	1,075
Amortized cost	**$ 217,684**	$ 369,037	$ 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 bore 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. Securities under repurchase agreements

Securities under repurchase agreements are as follows:

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Amounts under the CMB program	**$ 256,949**	$ 83,821	$ 105,698

20. Other liabilities

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Settlements in-transit	**$ 453,824**	$ 503,549	$ 344,569
Post-employment benefits	**25,413**	22,073	25,679
Short-term employee benefits	**5,373**	5,117	4,759
Dividends payable	**9,619**	13,234	22,448
Unearned insurance premiums	**288**	758	864
Accounts payable and other	**14,699**	17,552	16,300
	$ 509,216	$ 562,283	$ 414,619

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

The numbers of shares issued are as follows:

	For the six months ended		For the year ended
(Thousands of shares)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Class A – credit unions			
Balance at beginning of period	**333,074**	307,141	307,141
Issued during the period	**17,000**	8,820	25,987
Redeemed during the period	**(122)**	(54)	(54)
Balance at end of period	**349,952**	315,907	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)	(1)
Balance at end of period	**3,157**	3,158	3,158

The amounts outstanding are as follows:

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Outstanding $1 par value shares			
Class A – credit unions	**$ 349,952**	$ 315,907	$ 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
	$ 349,996	$ 315,951	$ 333,118

22. 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 Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Net gain on disposal of Trading assets	**$ 7,711**	$ 9,143	**$ 26,980**	$ 19,744
Net gain on disposal of Investment securities	**5,881**	9,796	**12,684**	18,971
Net loss on disposal of Derivative assets and liabilities	**(11,619)**	(39,338)	**(25,443)**	(42,518)
Net loss on disposal of Deposits designated as trading	**(839)**	(568)	**(3,342)**	(1,304)
Net gain (loss) on disposal of Obligations related to securities sold short	**154**	(285)	**(5,583)**	(1,032
	$ 1,288	$ (21,252)	**$ 5,296**	$ (6,139)

23. Change in fair value of financial instruments

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Trading assets	**$ (20,873)**	$ (6,119)	**$ 27,143**	$ 2,684
Activities under the CMB Program				
Reinvestment assets	**(12)**	(182)	**547**	(403)
Derivative assets and liabilities	**(870)**	439	**2,200**	439
Secured loans to members	**-**	(121)	**-**	(377)
Obligations under the CMB Program	**3,156**	(51)	**(10,381)**	(1,472)
Derivative assets and liabilities	**18,632**	47,192	**19,598**	49,722
Trading liabilities				
Deposits designated as trading	**8,120**	(7,329)	**(24,884)**	(11,438)
Obligations related to securities sold short	**(625)**	(257)	**5**	(649)
	$ 7,528	$ 33,572	**$ 14,228**	$ 38,506

24. Other income

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Membership dues and provincial advertising assessment	**$ 3,241**	$ 2,500	**$ 6,318**	$ 4,926
Equity interest in affiliates	**2,428**	2,295	**2,869**	3,416
Income from investees	**3,277**	431	**3,320**	468
Insurance premiums and assessments	**668**	1,604	**1,191**	2,851
Digital & Payment Services				
Payment processing and other fees	**12,691**	11,474	**24,158**	21,780
Direct banking fees	**7,493**	5,605	**14,419**	11,502
Treasury Related Services				
Treasury services and foreign exchange income	**1,314**	2,256	**2,612**	4,001
Lending fees	**2,299**	1,355	**4,245**	2,647
Trust services	**534**	554	**1,049**	1,107
Trade and Other Services				
Product compliance services	**375**	371	**764**	758
Property rents	**209**	155	**488**	313
Risk solutions services	**385**	748	**703**	1,344
Marketing and research programs	**994**	1,043	**1,439**	2,045
Employee benefits and retirement services	**346**	315	**698**	641
Other	**845**	542	**1,441**	1,011
	$ 37,099	$ 31,248	**$ 65,714**	$ 58,810

25. Other administrative expenses

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Cost of sales and services	**$ 4,413**	$ 2,613	**$ 7,091**	$ 5,034
Cost of payments processing	**4,077**	3,513	**8,118**	6,892
Insurance claims and premiums	**409**	904	**608**	1,755
Projects and business development	**1,852**	1,493	**3,412**	2,768
Professional services	**1,056**	1,895	**2,420**	3,160
Other	**2,107**	2,373	**4,122**	4,270
	$ 13,914	$ 12,791	**$ 25,771**	$ 23,879

26. Provision for income taxes

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

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Provision for income taxes in the interim consolidated statements of profit	**$ 2,597**	$ 2,277	**$ 4,800**	$ 5,532
Income tax benefit related to dividends accrued and share redemptions	**(253)**	(178)	**(1,599)**	(2,082)
	$ 2,344	$ 2,099	**$ 3,201**	$ 3,450

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

	For the three months ended		For the six months ended	
(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Current income taxes	**$ 1,155**	$ 3,826	**$ 8,567**	$ 7,732
Deferred income taxes (recovery)	**1,442**	(1,549)	**(3,767)**	(2,200)
	$ 2,597	$ 2,277	**$ 4,800**	$ 5,532

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 phasing out the deduction will be partially mitigated by the availability of a general rate reduction.

	For the three months ended		For the six months ended	
	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
	%	%	**%**	%
Combined federal and provincial statutory income tax rates	**31.0**	31.0	**31.0**	31.0
Credit union deduction	**(6.8)**	(10.2)	**(6.8)**	(10.2)
General rate deduction	**(7.8)**	(5.2)	**(7.8)**	(5.2)
Rate differential on equity interests in affiliates	**(1.7)**	(1.7)	**(1.2)**	(1.4)
Change in estimated future tax rates on deferred tax balances	**0.1**	(0.3)	**0.1**	(0.2)
Other	**0.2**	0.1	**0.2**	(0.3)
	15.0	13.7	**15.5**	13.7

27. 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 supports the structural and tactical liquidity needs of member credit unions in pursuit of regular, day-to-day business objectives. The segment is funded by Class A members' non-mandatory deposits augmented by capital market funding and deposits from non-Class A members. Centralized liquidity and funding services are concerned with managing the funds and fostering the system's growth, which involves 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 Wholesale Financial Services segment.

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 within 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 including CUCC (Trade Services)

The Trade Services segment includes both Trade Services and Central 1's investment in the Credit Union Central of Canada (CUCC). Trade Services 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. CUCC is the national trade association which provides advocacy, research and policy services to the Canadian credit union system.

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 31, 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 each of the business segments is used. The management reporting framework assists in the attribution of capital and the transfer pricing of funds to the business segments in a manner that fairly and consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Central 1 does not have any inter-segment revenue between business segments. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. All other corporate level activities that are not allocated to the four business segments are reported under the "Other" segment.

Results by segment

The following table summarizes the segment results for the three months ended June 30, 2015:

(Thousands of dollars) Jun 30 2015	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including provision for credit losses	$ 3,286	$ 10,983	$ (64)	$ 46	$ (1,029)	$ 13,222
Other income	35	3,663	20,184	5,872	7,345	37,099
Net financial and other income	3,321	14,646	20,120	5,918	6,316	50,321
Operating expenses	1,801	4,231	16,662	6,536	3,743	32,973
Profit (loss) before income taxes	1,520	10,415	3,458	(618)	2,573	17,348
Income taxes (recoveries)	250	1,855	567	(103)	28	2,597
Profit (loss) for the period	$ 1,270	$ 8,560	$ 2,891	$ (515)	$ 2,545	$ 14,751

The following table summarizes the segment results for the three months ended June 30, 2014:

(Thousands of dollars) Jun 30 2014	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including recovery for credit losses	$ 2,658	$ 18,891	$ (70)	$ 61	$ (2,202)	$ 19,338
Other income	270	3,342	17,079	5,955	4,602	31,248
Net financial and other income	2,928	22,233	17,009	6,016	2,400	50,586
Operating expenses	1,902	4,170	15,727	7,069	4,774	33,642
Profit (loss) before income taxes	1,026	18,063	1,282	(1,053)	(2,374)	16,944
Income taxes (recoveries)	160	2,707	176	(159)	(607)	2,277
Profit (loss) for the period	$ 866	$ 15,356	$ 1,106	$ (894)	$ (1,767)	$ 14,667

The following table summarizes the segment results for the six months ended June 30, 2015:

(Thousands of dollars) Jun 30 2015	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including provision for credit losses	$ 13,371	$ 17,624	$ (133)	$ 155	$ (2,103)	$ 28,914
Other income	(187)	7,127	38,577	10,374	9,823	65,714
Net financial and other income	13,184	24,751	38,444	10,529	7,720	94,628
Operating expenses	3,565	8,271	33,469	11,944	6,450	63,699
Profit (loss) before income taxes	9,619	16,480	4,975	(1,415)	1,270	30,929
Income taxes (recoveries)	1,577	2,701	816	(233)	(61)	4,800
Profit (loss) for the period	$ 8,042	$ 13,779	$ 4,159	$ (1,182)	$ 1,331	$ 26,129
Total assets at Jun 30 2015	$ 7,217,899	$ 5,726,049	$919,362	$ 7,381	$236,184	$14,106,875
Total liabilities at Jun 30 2015	$ 6,774,002	$ 5,283,892	$884,349	$ (11,255)	$216,497	$13,147,485
Total equity at Jun 30 2015	$ 443,897	$ 442,157	$ 35,013	$ 18,636	$ 19,687	$ 959,390

The following table summarizes the segment results for the six months ended June 30, 2014:

(Thousands of dollars) Jun 30 2014	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income, including recovery for credit losses	$ 16,577	$ 33,865	$ (144)	$ 170	$ (3,546)	$ 46,922
Other income	276	6,372	33,282	11,723	7,157	58,810
Net financial and other income	16,853	40,237	33,138	11,893	3,611	105,732
Operating expenses	3,619	7,909	31,652	13,920	7,851	64,951
Profit (loss) before income taxes	13,234	32,328	1,486	(2,027)	(4,240)	40,781
Income taxes (recoveries)	2,064	4,924	198	(302)	(1,352)	5,532
Profit (loss) for the period	$ 11,170	$ 27,404	$ 1,288	$ (1,725)	$ (2,888)	$ 35,249
Total assets at Jun 30 2014	$ 6,800,603	$ 5,461,744	$614,170	$ 19,569	$232,286	$13,128,372
Total liabilities at Jun 30 2014	$ 6,387,234	$ 5,049,937	$566,555	$ (121)	$220,295	$12,223,900
Total equity at Jun 30 2014	$ 413,369	$ 411,807	$ 47,615	$ 19,690	$ 11,991	$ 904,472

28. 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 extend credit at agreed rates and terms.

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Standby letters of credit	**$ 84,467**	$ 189,117	$ 221,939
Commitments to extend credit	**$ 3,934,769**	$ 3,205,297	$ 3,228,065
Guarantees	**$ 320,500**	$ 323,000	$ 320,000

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

Pledged Assets

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

(Thousands of dollars)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Assets pledged to Bank of Canada & Direct Clearing Organizations(1)	**$ 57,632**	$ 61,136	$ 75,890
Assets pledged in relation to:			
Derivative financial instrument transactions	**4,306**	63,710	31,053
Securities lending	**20,145**	28,069	119,047
Obligations under the CMB Program	**749,489**	377,732	538,153
Reinvestment assets under the CMB Program	**100,801**	219,201	65,518
Secured loans to members	**-**	-	-
Securities under repurchase agreements	**265,766**	90,719	107,683
	$ 1,198,139	$ 840,567	$ 937,344

(1) Includes assets pledged as collateral for LVTS activities.

29. 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 Jun 30 2015	Fair Value Jun 30 2014	Carrying Value Jun 30 2015	Carrying Value Jun 30 2014	Unrecognized Gain (Loss) Jun 30 2015	Unrecognized Gain (Loss) Jun 30 2014
Assets						
Cash	**$ 83.66**	$ 118.53	**$ 83.66**	$ 118.53	**$ -**	$ -
Deposits with regulated financial institutions[1]	**6.08**	4.87	**6.05**	5.64	**0.03**	(0.77)
Trading assets and Investment securities	**11,757.14**	10,768.74	**11,757.14**	10,768.74	**-**	-
Reinvestment assets under the CMB Program	**100.80**	219.20	**100.80**	219.20	**-**	-
Derivative assets	**94.91**	47.47	**94.91**	47.47	**-**	-
Loans[2]	**1,139.28**	990.43	**1,138.98**	990.33	**0.30**	0.10
Secured loans to members	**-**	80.40	**-**	80.40	**-**	-
Other assets	**925.34**	898.06	**925.34**	898.06	**-**	-
Liabilities						
Deposits designated as trading	**6,382.84**	4,448.02	**6,382.84**	4,448.02	**-**	-
Obligations related to securities sold short	**205.06**	243.24	**205.06**	243.24	**-**	-
Derivative liabilities	**126.93**	117.90	**126.93**	117.90	**-**	-
Debt securities issued[1]	**1,276.01**	1,322.05	**1,272.43**	1,319.90	**(3.58)**	(2.15)
Deposits[1]	**3,333.40**	4,420.44	**3,316.87**	4,402.42	**(16.53)**	(18.02)
Obligations under the CMB Program	**847.29**	668.77	**847.29**	668.77	**-**	-
Subordinated liabilities[1]	**224.58**	372.84	**217.68**	369.04	**(6.90)**	(3.80)
Securities under repurchase agreements	**256.95**	83.82	**256.95**	83.82	**-**	-
Other liabilities	**521.44**	570.79	**521.44**	570.79	**-**	-
Total					**$ (26.68)**	$ (24.64)

[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.

30. 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 deposit liabilities and other loans payable to total regulatory capital, of 20.0:1 or less.

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

In order to ensure that Central 1 maintains regulatory capital sufficient to absorb sudden increases in borrowings or a reduction in capital due to mark-to-market fluctuations, Central 1 targets an operating borrowing multiple of 15.0:1 for the MLP business line and 12.0:1 for the Wholesale Financial Services 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 total capital ratio, calculated by dividing regulatory capital by risk-weighted assets, to be no less than 8.0%. FICOM guidance requires Central 1's total capital ratio to be no less than 10.0%. Additionally, Central 1 must maintain a total capital ratio of at least 10.0% to enable member B.C. credit unions to risk-weight their deposits with Central 1 at 0.0%.

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

Central 1 was in compliance with all regulatory capital requirements throughout the second quarter of 2015. On May 6, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017.

31. Related parties

Transactions with key management personnel

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

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Mortgage loans outstanding at end of period	**$ 395**	$ 1,161	**$ 395**	$ $1,161
Maximum mortgage loans outstanding during the period	**$ 686**	$ 1,185	**$ 692**	$ $1,330

The mortgage loan to a key member of management personnel bore interest at the rate of 2.50% and was secured over property of the borrower. No impairment losses have been recorded against this balance during the period and as at June 30, 2015, all mortgage loans to key management personnel have been repaid.

Key management personnel compensation for the period comprised:

(Thousands of dollars)	For the three months ended Jun 30 2015	Jun 30 2014	For the six months ended Jun 30 2015	Jun 30 2014
Salaries and short-term employee benefits	**$ 727**	$ 596	**$ 1,418**	$ 1,241
Incentive	**684**	513	**684**	513
Post-employment benefits	**53**	50	**108**	108
Termination benefits	**-**	1,843	**-**	2,843
Other cash-based compensation	**-**	-	**20**	-
	$ 1,464	$ 3,002	**$ 2,230**	$ 4,705

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.

Incentive compensation includes amounts paid in the current year reflecting achievement of performance objectives earned in the previous fiscal period.

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

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

Board of Directors

During the three months ended June 30, 2015, the members of Central 1's Board of Directors received aggregate remuneration of $166 thousand (June 30, 2014 - $219 thousand) and for the six months ended June 30, 2015 of $312 thousand (June 30, 2014 - $341 thousand).

Significant subsidiaries

(% of ownership of common shares outstanding)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Central 1 Trust Company	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%

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

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

Investments in affiliates

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

(% of direct ownership of common shares outstanding)	Jun 30 2015	Jun 30 2014	Dec 31 2014
Credential Financial Inc.	**26%**	26%	26%
Credit Union Central of Canada	**51%**	51%	51%
The CUMIS Group Limited	**27%**	27%	27%

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

Substantial investments

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

(% of direct ownership outstanding)	Jun 30 2015	Jun 30 2014	Dec 31 2014
The Co-operators Group Limited	**21%**	21%	21%
Northwest & Ethical Investments L.P.	**26%**	26%	26%

32. 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.