Central 1

Third Quarter Report 2012

REPORT TO MEMBERS

CENTRAL 1 REPORTS RESULTS FOR THIRD QUARTER OF 2012

Third quarter highlights compared to the same period last year:

- Central 1's Profit for the period of $25.6 million, compared to a Loss of $26.7 million
- Central 1's Return on equity of 13.0%, compared to (17.0)%
- Central 1's assets of $14.4 billion, down 2.0% from $14.7 billion
- B.C. system(1) Net operating income(2) of $100.5 million, versus $91.4 million
- B.C. system assets of $56.1 billion, up 5.5% from $53.2 billion
- Ontario system(3) Net operating income(2) of $28.5 million, versus $35.3 million
- Ontario system assets of $30.1 billion, up 15.7% from $26.0 billion

Central 1 recorded Net financial income of $30.3 million and Profit of $25.6 million during the third quarter, compared to Net financial loss of $29.0 million and Loss of $26.7 million respectively, during the same period last year. Central 1's Other income was $26.2 million, a decrease of $1.4 million over the same period last year, while Operating expenses increased by $1.8 million to $27.6 million. Assets, at $14.4 billion, decreased 2.0% from $14.7 billion as at September 30, 2011.

At quarter-end, Central 1's borrowing multiple for federal capital adequacy purposes was 14.0:1, while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes was at 38.1%.

Financial markets stabilized during the quarter against a weak global economic backdrop. Central banks across the world provided monetary stimulus to combat slowing economic growth due to fiscal consolidation and global uncertainty. The U.S. Federal Reserve embarked on a third round of quantitative easing focused on the purchase of Mortgage Backed Securities (MBS) in an attempt to boost employment levels and kick-start economic growth. The European Central Bank (ECB) unveiled an Outright Monetary Transactions program whereby the ECB would buy unlimited amounts of Eurozone sovereign debt upon a request for financial assistance from a member country.

As central banks attempt to re-inflate the global economy, more money is now chasing fewer investable assets. This secular trend picked up over the quarter as oil, gold, the S&P 500, credit indices and ten year U.S. treasuries rallied. Government of Canada bond yields were mixed across the curve but continued to underperform the U.S. market as the Bank of Canada (BoC) maintained its hawkish tone over the quarter while noting that global headwinds are dampening Canadian economic activity. This will likely keep rates on hold in Canada for the foreseeable future. The Canadian dollar strengthened 3.3 cents versus the U.S. dollar over the quarter to end at USD $1.02.

Europe's economy will continue to deteriorate and its recession deepen, extending through 2012 into 2013. The recovery in 2013 is expected to be weak due to fiscal drag, tight credit conditions, and subdued consumer spending weighed down by high unemployment. Real GDP growth of less than 1% in 2013 is predicted.

Canadian economic growth likely slowed in the third quarter as exports fell and the number of building permits issued slowed following the federal government's tightening of mortgage insurance rules. Third quarter economic growth is expected to be 1.5% and with a similar outlook for the fourth quarter. Overall, growth in 2012 is forecast to be 1.9% with 2013 at 2.0%. Forecast risk is on the downside for the rest of 2012 and well into 2013, with upside risk dependent on substantive policy actions in Europe and the U.S.

The trends in the wider economy were also reflected in British Columbia (B.C.) and Ontario. B.C.'s labour market growth was flat in the third quarter as the unemployment rate increased from 6.7% to 6.9%. Housing market activity in the province continued to slow in the third quarter, with seasonally adjusted unit sales down 9% from the second quarter and the average sale price down 3% in the re-sale market.

Economic growth continued to slow in Ontario in the third quarter with real GDP growth in the quarter estimated at an annualized rate of 0.5%, down from 1.4% in the second quarter. Labour market growth slowed, with only 11,600 new jobs added from the previous quarter, while the unemployment rate increased from 7.8% to 7.9%. Housing market activity also slowed in the Ontario re-sale housing market, with seasonally adjusted unit sales down 10% from the second quarter and the average sale price down 1%.

The B.C. system earned $100.5 million before taxes, dividends and patronage refunds in the third quarter of 2012, up 10.0% from the $91.4 million earned during the same period in 2011. Combined assets of the B.C. system in the same period rose 5.5%, year-over-year, to reach $56.1 billion at quarter-end.

The Ontario system earned $28.5 million before taxes, dividends and patronage refunds in the third quarter, down from the $35.3 million during the same period in 2011. Combined assets of the Ontario system in the same period rose 15.7%, year-over-year, to reach $26.0 billion at quarter-end. $1.3 billion of the increase in Ontario system assets can be attributed to DUCA Financial Services Credit Union Ltd. which became a Class A member of Central 1 on August 24, 2012.

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

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

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

Management's Discussion and Analysis as at September 30, 2012

This portion of the Report to Members updates Central 1 Credit Union's (Central 1) Management's Discussion and Analysis (MD&A) for the year ended December 31, 2011, and provides a discussion and analysis of Central 1's financial condition and results of operations for the three month period ended September 30, 2012, compared to the corresponding period in the preceding fiscal year. Additional information on Central 1, including its Annual Information Form, may be found on SEDAR at www.sedar.com.

Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with Central 1's basis of preparation and its accounting policies as contained in Notes 2 and 3 of Central 1's interim consolidated financial statements for the three months ended September 30, 2012 which may be found on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

From time to time, Central 1 makes written and/or oral forward looking statements, including in this document, 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 are intended to be forward-looking statements under applicable Canadian securities legislation.

Forward-looking statements, by their nature, require Central 1 to make assumptions and are subject to inherent risk and uncertainties. Especially in light of the uncertainty related to the financial, economic and regulatory environments, such risks and uncertainties – many of which are beyond Central 1's control and the effects of which can be difficult to predict – may cause actual results to differ materially from the expectations expressed in the forward-looking statements.

Central 1's MD&A for the year ended December 31, 2011 provides information on risk factors to which Central 1 is exposed including industry specific risks, credit, liquidity, market, insurance and operational risks.   There have been no substantial changes in Central 1's risk profile or in its management of risk as described in Central 1's Management Discussion and Analysis for the year ended December 31, 2011.

Further information is included in the Risk Management section below.

The risk factors described herein are not intended to be exhaustive and other factors may adversely impact Central 1's results. Central 1 does not undertake to update forward-looking statements except as required by applicable securities legislation.

Overall Performance and Interim Financial Condition

During the third quarter of 2012, Central 1 recorded a Profit of $25.6 million or 9.1 cents per share, compared to a Loss of $26.7 million or 15.7 cents per share last year.

Net financial income was $30.3 million compared with a Loss of $29.0 million posted in the third quarter of 2011.

Despite the deteriorating economic outlook, financial markets remained relatively stable during the quarter, underpinned by a commitment from the monetary authorities to provide liquidity and maintain accommodative monetary conditions. The Canadian government bond yield curve flattened, with yields at the shorter end of the curve rising. Credit spreads on provincial and corporate debt narrowed while interest rate swap spreads widened marginally.

As Central 1 holds provincial and corporate bonds and pays fixed rates on interest rate swaps to neutralize its exposure to interest rates, these market developments had a net favourable impact on Central 1's net financial income. Notes 18 and 19 of Central 1's interim consolidated financial statements indicate that Central 1 had realized and unrealized gains of $10.6 million and $10.3 million respectively resulting in a net gain of $20.9 million during the third quarter, compared to net loss of $43.1 million the previous year.

Interest margin for the quarter was $9.5 million, down from $14.1 million during the three months ended September 30, 2011. During the past year average yields on both Central 1's assets and its liabilities have declined, reflecting the prevailing low interest rate environment. During that period, yields on Central 1's investment portfolio have declined more sharply than deposit yields reflecting Central 1's decision to decrease its risk exposures.

The improvement in credit spreads during the quarter led to mark-to-market gains on Central 1's securities portfolio, although gains were reduced by the impact of higher short term interest rates. Meanwhile, the increase in interest rates and widening of interest rate swap spreads had a positive impact on the derivatives portfolio.

Other income of $26.2 million for the quarter was lower than the $27.6 million earned in the third quarter of 2011. Note 20 of Central 1's interim consolidated financial statements provides details of the income earned in Central 1's various operating areas.

Quarterly Operating expenses were $27.6 million, up from $25.8 million in 2011. Higher operating costs during the third quarter of 2012 reflect a provision for variable compensation awards in 2012, whereas Central 1's Operating expenses for the third quarter of 2011 reflect a reversal of accruals for variable compensation awards recorded in the first six months of 2011.

Central 1's capital ratios remain well within statutory limits. Central 1's borrowing multiple decreased from 15.3:1 at December 31, 2011 to 14.0:1 at quarter-end, primarily due to a higher level of retained earnings. At the quarter-end, Central 1's risk-weighted capital ratio was 38.1% compared to 34.8% at December 31, 2011.

During the third quarter of 2011, Central 1 made a call for capital from its Class A member credit unions. The call was completed on October 31, 2011 and resulted in an increase in Central 1's Share capital of $100 million. Further details are provided in the Capital Resources section below.

B.C. System

B.C. system net operating income for the quarter was $100.5 million, compared to $91.4 million for the third quarter of 2011. Non-financial income increased by 0.5% while non-financial expense decreased by 0.6% from the same period last year, while B.C. system interest margin increased by 2.3% or $7.0 million year-over-year. The B.C. system's regulatory risk-weighted capital was 14.2%, a decrease from 14.5% a year ago.

Demand for loans remained strong, with total B.C. system net loans increasing by 7.7% year-over-year to reach $48.0 billion while deposits grew by 5.1% to $49.5 billion. Asset growth was mainly concentrated in residential mortgages and commercial mortgages which grew by 4.9% and 11.9% respectively from a year ago. B.C. system loan delinquencies over 90 days decreased to 0.50% of total loans compared to 0.61% a year ago. System provision for credit losses as a percentage of average loans was 0.38% as of September 30, 2012, a decrease from 0.51% one year earlier.

Deposits with credit unions grew year-over-year by 5.1%, below loan growth of 7.7%. The excess of loan growth over deposit growth was primarily funded by a reduction in liquid assets which led to lower liquidity levels within the B.C. system. Overall liquidity, including that held by Central 1, was 13.2% of deposit and debt liabilities, down from 15.3% a year ago. Holdings of liquid assets decreased by 8.9% year-over-year, while borrowings from Central 1 and other lenders increased by 13.3%.

Ontario System

Ontario system net operating income for the quarter was $28.5 million, compared to $35.3 million for the third quarter of 2011. Interest margin for the third quarter of 2012 was $30.4 million higher than in the same period last year. However, this positive variance was more than offset by an increase in non-financial expenses which includes provisions for loan losses. Loan provisions in the Ontario system increased from 0.42% to 0.50% of loans during the third quarter of 2012. Ontario system regulatory risk-weighted capital at 13.4% was two basis points lower than a year ago.

Demand for loans grew faster than deposits, as total Ontario system loans increased by 17.4% year-over-year to reach $25.3 billion while deposits grew by 12.2% to $25.7 billion. Residential mortgages grew by 21.5% from a year ago while commercial loans grew by 16.5% and personal loans decreased by 0.9%, year-over-year.

The addition of DUCA Financial Services Credit Union Ltd. in the third quarter of 2012 contributed to the growth in loans and deposits in the Ontario system with $1.0 billion in loans and $1.1 billion in deposits.

The credit quality of loan portfolios improved over the past year as loan delinquencies over 90 days were 0.66% at September 30, 2012 compared to 0.71% a year ago. System provisions for credit losses as a percentage of loans have increased during the past year to 0.5% versus 0.47% for the same period last year.

In the Ontario system, the excess of loan growth over deposit growth was funded primarily by increased borrowings. Overall liquidity within the system, including that held by Central 1, was 12.5% of deposit and debt liabilities as of September 30 2012, compared to 13.9% a year ago. Holdings of liquid assets increased 7.0% year-over-year while borrowings from Central 1 and other lenders increased by 120.5%.

Figure 1 - Selected Financial Information	**For the Three Months Ended**		
	September 30 2012	**September 30 2011**	**Difference**
Earnings *($ millions)*			
Net financial income *(expense)*	$ 30.3	$ (29.0)	$ 59.3
Net financial and other income *(expense)*	57.4	(5.3)	62.7
Profit (Loss) for the period	25.6	(26.7)	52.3
Weighted average shares outstanding *($ millions)*	281.2	170.5	110.7
Earnings per Share *(cents)*			
Basic	9.1	(15.7)	24.8
Fully diluted	9.1	(15.7)	24.8
Return on			
Average assets	0.7%	(0.7%)	1.4%
Average equity	13.0%	(17.0%)	30.0%
Balance Sheet Data *($ billions)*			
Total assets	$ 14.4	$ 14.7	$ (0.3)
Average assets	14.3	14.7	(0.4)
Long term financial liabilities	4.5	6.5	(2.0)
Regulatory Capital Ratios			
Tier 1 capital ratio	29.4%	19.9%	9.5%
Total capital ratio	38.1%	31.2%	6.9%
Borrowing multiple (times)	14.0	17.0	(3.0)
Share Information			
Outstanding $1 par value Shares *($ thousands)*			
Class A - credit unions	283,130	172,018	111,112
Class B - cooperatives	5	5	-
Class C - other	7	7	-
Outstanding $0.01 par value Shares with redemption value of $100 *($ thousands)*			
Class E - credit unions	32	32	-
Dividends per share (cents)			
Class "A", "B" and "C"	0.5	-	0.5
Class "E"	50.0	-	50.0

Total Revenues

Net Financial Income

Central 1 recorded Net financial income of $30.3 million for the quarter, compared with Net financial loss of $29.0 million for the same period last year.

Interest margin decreased from $14.1 million in the third quarter of last year to $9.5 million this quarter as average assets decreased from $14.7 billion to $14.3 billion. As a percentage of average assets, Interest margin decreased from 38.0 basis points in the third quarter of 2011 to 26.3 basis points in the third quarter of 2012.

Over the past year, yields on both Central 1's investment portfolio and its deposits have decreased reflecting the prevailing low interest rate environment. During that period yields on securities have decreased more sharply than deposits. The decrease in investment yields reflects both the low level of interest rates as well as a shift in Central 1's investment strategy to reduce Central 1's risk exposures which began in the latter part of 2011. Starting in the fourth quarter of 2011 and continuing into 2012, proceeds from maturing securities, or from the disposal of securities, have been reinvested in shorter-term, lower yielding investments.

During the quarter, Central 1 recorded net unrealized gains of $10.3 million compared to a loss of $73.4 million during the same period last year. Realized gains on the sale of financial instruments decreased during the period from $30.3 million in 2011 to $10.6 million for the quarter ended September 30, 2012. Taken together, Central 1 recorded an overall gain of $20.9 million on its financial instruments compared to a loss of $43.1 million in the third quarter of 2011.

The Canadian government bond yield curve flattened, with yields at the shorter end of the curve rising as investors shifted out of government bonds into riskier assets. Credit spreads on provincial and bank debt narrowed while interest rate swap spreads widened marginally.

The narrowing of credit spreads during the quarter led to mark-to-market gains on Central 1's securities portfolio, although gains were reduced by the impact of higher short term interest rates.

Meanwhile, the increase in interest rates and widening of interest rate swap spreads had a positive impact on the valuation of the derivatives portfolio.

Other Income

As indicated in Note 20 in Central 1's interim consolidated financial statements, Other income of $26.2 million for the quarter was lower than the $27.6 million earned in the third quarter of 2011.

Revenues earned by Central 1's Technology and Payment Services group decreased from $16.2 million during the third quarter of 2011 to $15.7 million in the third quarter of 2012. Insurance premium and assessment income was $1.7 million during the third quarter of 2012, down from $2.5 million a year ago. This decrease reflects cost reductions associated with obtaining insurance coverage which have been passed on to Central 1's members as well as a reduction in the membership base of Stabilization Fund Corporation over the past year.

Operating Expenses

Operating expenses for the quarter increased to $27.6 million from $25.8 million last year. Salary and employee benefit expense was $15.2 million during the third quarter of 2012, up

$4.3 million over the same period in 2011. Central 1's third quarter results for 2012 reflect a provision of $1.4 million for variable compensation awards, whereas no such provision was included in Central 1's third quarter results in 2011. As Central 1's financial performance through the nine months ended September 30, 2011 did not meet minimum performance thresholds contained in Central 1's variable compensation plan, Central 1 reversed provisions for variable compensation awards totaling $2.4 million in the third quarter of 2011 that had been accrued in the first and second quarters of 2011.

Other administration expenses declined from $12.4 million in the third quarter of 2011 to $9.8 million in the third quarter of 2012. In 2011, Central 1 undertook an initiative to improve its payment processing infrastructure which became operational in the second quarter of 2012. Payment processing costs during the third quarter of 2012 were about $0.6 million lower than the same period in 2011, primarily reflecting savings realized as a result of the completion of this project.

During the third quarter, direct expenses related to Insurance programs offered by Central 1's subsidiaries declined by $0.6 million compared to the same period in 2011. These costs include both claims incurred and expenses incurred to obtain third party coverage as required. In 2011, Central 1 undertook a review of risk management processes amongst members of Stabilization Fund Corporation which has led to lower premiums. However, the decrease in insurance related expenses also reflects a reduction in the membership base of Stabilization Fund Corporation.

Income Taxes

Central 1's combined federal and provincial statutory rate is 30.5%. Central 1's effective tax rate for the quarter was 13.8%, down from 14.1% in the third quarter of 2011. Additional information is provided in Note 21 of Central 1's interim consolidated financial statements.

Statement of Financial Position

Cash and Securities

Cash and securities were $11.5 billion at period end. Of this amount, $2.4 billion represents reinvestment assets which are designated to offset obligations under the Canada Mortgage Bond (CMB) program. The remaining balance of $9.1 billion (Figure 2, pg. 10) comprises the minimum and excess liquidity pools and represents 75.8% of Central 1's total assets excluding reinvestment assets, compared to $9.2 billion and 73.0% a year ago.

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

Figure 2 - Liquidity Pool ($ millions - % total)

	30-Sep-12		30-Sep-11		31-Dec-11	
Cash & Liquid Securities						
Government & Guarantees	$ 3,824.0		$ 3,855.6		$ 3,404.8	
Cash	90.7		83.9		100.8	
	3,914.7	42.8%	3,939.5	42.7%	3,505.6	43.8%
Corporate & Financial Institutions AA or Greater *	5,061.0	55.3%	5,074.5	55.0%	4,365.6	54.6%
Other	170.5	1.9%	204.0	2.2%	127.4	1.5%
Total	$ 9,146.2	100.0%	$ 9,218.0	100.0%	$ 7,998.6	100.0%

* The credit ratings represent investment grade ratings provided by DBRS

Loans

Total loan balances increased to $1.8 billion from $1.5 billion at the same time last year.

Figure 3 - Loans ($ millions)

	30-Sep-12	30-Sep-11	31-Dec-11
Loans to Credit Unions	$ 1,499.9	$ 1,337.9	$ 2,174.4
Loans to Commercial and Others	206.7	187.1	208.2
Securities acquired under reverse repo agreements	94.3	9.6	105.3
	$ 1,800.9	$ 1,534.6	$ 2,487.9

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

Loans to member credit unions increased to $1.5 billion from $1.3 billion at the same time last year. The amounts advanced under Central 1's non-credit union loan facilities as at September 30, 2012 was $300.9 million, up from $196.7 million in 2011, of which, commercial lending amounted to $206.6 million as at September 30, 2012, compared to $187.1 million a year ago. These loans represented 11.5% of Central 1's total loan portfolio at quarter-end, down from 12.2% a year ago. Meanwhile, Securities acquired under reverse repo agreements saw an increase from $9.6 million to $94.3 million as at September 30, 2012.

Borrowings

Figure 4 (page 11) summarizes Central 1's total Borrowings as at September 30, 2012 together with comparative numbers for the end of the third quarter in 2011.

Figure 4 - Borrowings ($ millions)

Debt securities issued at amortized cost ($ millions)	**30-Sep-12**	**30-Sep-11**	**31-Dec-11**
Commercial Paper issued	$ 399.4	$ 252.8	$ 149.3
Medium term notes issued	312.6	224.6	224.6
	712.0	477.4	373.9
Deposits and Trading Liabilities by type ($ millions)			
Statutory Liquidity	5,480.0	5,214.0	5,340.1
Excess Liquidity	2,862.4	3,597.0	3,368.1
Deposits from member credit unions	8,342.4	8,811.0	8,708.2
Others	419.0	554.0	480.7
	8,761.4	9,365.0	9,188.9
Securities under repurchase agreements	296.3	77.0	57.0
Total Borrowings	$ 9,769.7	$ 9,919.4	$ 9,619.8

Total Debt securities issued as at September 30, 2012 were $712.0 million compared to $477.4 million a year ago. Of the total amount outstanding as at September 30, 2012, $312.6 million was borrowed under Central 1's Mid Term Note facility and the remainder was borrowed through Central 1's Commercial Paper facility.

Deposits from Central 1's member credit unions were $8.3 billion as at September 30, 2012 compared to $8.8 billion a year ago. Credit union minimum deposits grew by $0.3 billion over the year, to reach $5.5 billion at September 30, 2012, reflecting the growth of both the B.C. and the Ontario credit union systems during the same period. Non-statutory deposits from credit unions decreased by $0.7 billion over the past year.

Securitization Activities

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

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

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

Direct securitization transactions are accounted for on balance sheet while indirect securitizations are off balance sheet. Details of the balances included in the statement of financial position as at period end can be found in Note 10 of the interim consolidated financial statements.

Equity

The Statement of Changes in Equity summarizes the changes in Equity for the nine month period ended September 30, 2012. Central 1's equity increased by $79.4 million during the period to $804.1 million, primarily due to an increase in retained earnings. This is compared to an increase in equity of $28.6 million during the same period last year.

Summary of Quarterly Results

Central 1's financial results for each of the last eight most recently completed quarters are summarized in the accompanying table (Figure 5). In general, Central 1's Net interest income has no discernible seasonal trend, and reflects the condition of prevailing financial markets. Non-interest income and non-interest expenses are generally consistent from quarter to quarter, although revenue from the technology and payments areas has a slight seasonal pattern, with fourth quarter revenue being approximately 5% to 10% higher than that of the first quarter. Gains and losses on disposal of financial instruments and changes in fair value of financial instruments may also have a significant impact on quarterly Profit, but their timing and magnitude are not predictable.

Figure 5 - Quarterly Earnings

($ thousands, except as indicated)	2012/2011 Period Ended				2011/2010 Period Ended			
	31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11
Total interest income	$ 83,030	$ 79,212	$ 77,146	$ 74,791	$ 79,993	$ 82,570	$ 85,814	$ 85,414
Total interest expense	70,138	68,082	67,014	65,306	67,620	69,764	71,235	71,319
Interest margin	12,892	11,130	10,132	9,485	12,373	12,806	14,579	14,095
Gain on disposal of financial instruments	43,502	30,972	22,329	10,595	14,163	12,125	12,476	30,306
Changes in fair value of financial instruments	(28,629)	(1,986)	(27,108)	10,258	5,523	2,256	(9,939)	(73,432)
Recovery (provision) of credit losses	(1,084)	111	(553)	872	(4,203)	12	(442)	(3,794)
Other income	25,229	25,007	27,421	26,179	26,855	23,871	25,278	27,554
Operating expenses	(33,844)	(29,403)	(27,551)	(27,641)	(33,423)	(29,922)	(30,720)	(25,797)
Income taxes	(2,647)	(4,803)	(682)	(4,120)	(3,007)	(2,833)	(1,557)	4,359
Profit (loss) for the period	$ 15,419	$ 31,028	$ 3,988	$ 25,628	$ 18,281	$ 18,315	$ 9,675	$ (26,709)
Weighted average shares outstanding (millions)	239.5	274.2	278.3	281.2	163.4	166.6	168.1	170.5
Earnings per share								
Basic *(cents)*	6.4	11.3	1.4	9.1	11.2	11.0	5.8	(15.7)
Diluted *(cents)*	6.4	11.3	1.4	9.1	11.2	11.0	5.8	(15.7)

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

Third Quarter 2012 Compared to Second Quarter 2012

The Profit for the third quarter of 2012 was $25.6 million, up from a Profit of $4.0 million in the second quarter of 2012. Interest margin decreased to $9.5 million in the third quarter compared to $10.1 million in the second quarter of 2012 reflecting lower yields while average assets were lower at $14.3 billion compared to $14.5 billion in the previous quarter. Interest margin as a percentage of average assets decreased from 28.1 basis points to 26.3 basis points.

Gains on disposal of financial instruments were $10.6 million while changes in fair value of financial instruments resulted in a gain of $10.3 million, giving a net overall gain of $20.9 million, compared to an overall loss of $4.8 million in the second quarter of 2012 as market conditions improved in the third quarter of 2012.

Other income of $26.2 million during the third quarter of 2012 was down from $27.4 million during the second quarter of 2012. Technology and Payment Services revenues were $15.7

million during the third quarter, up slightly from $15.5 million in the second quarter of 2012. During the second quarter of 2012, Central 1 realized gains on the disposal of non-core assets and received dividends from organizations affiliated with the credit union system totaling $1.1 million, accounting for most of the decline in Other income between the second and third quarter.

In aggregate, Operating expenses during the third quarter of 2012 were $27.6 million, unchanged from the second quarter. Salary and benefit expense decreased from $15.7 million during the second quarter, to $15.3 million in the third quarter of 2012, while other administration expenses increased from $9.4 million to $9.8 million during the same period.

Nine Months Ended September 30, 2012 Compared to Previous Year

Profit for the first nine months of 2012 was $60.6 million, up from a Profit of $1.3 million in the first nine months of 2011. Interest margin decreased to $30.7 million in the first nine months of the year compared to $41.5 million in the same period last year reflecting lower yields while average assets remained flat. Interest margin as a percentage of average assets decreased from 38.5 basis points to 28.4 basis points.

Gains on disposal of financial instruments were $63.9 million while changes in fair value of financial instruments resulted in a loss of $18.8 million, giving a net overall gain of $45.1 million, compared to an overall loss of $26.2 million in the first nine months of 2011.

Other income of $78.6 million for the first nine months of the year was higher than $76.7 million earned in the comparable period in 2011, while Operating expenses were $84.6 million compared to $86.4 million incurred last year.

Central 1's Technology and Payment Services group recorded revenues of $45.5 million during the first nine months of 2012, down slightly from $45.6 million a year ago. Treasury services revenues increased about $1.3 million over 2011 reflecting an increase in foreign exchange transaction activity during the period. Included in Other income is Central 1's equity interest in affiliates which increased from $1.1 million in 2011 to $2.4 million in 2012. During the nine months ended September 30, 2012 Central 1 realized gains on the disposal of non-core assets and dividends from affiliated organizations which contributed a further $0.7 million to the increase in Other income compared to the same period in 2011.

Offsetting these positive variances was a decline in insurance premiums and assessment income which were $2.7 million lower in the first nine months of 2012 than in the first nine months of the previous year. The decrease reflects cost reductions associated with obtaining insurance coverage which have been passed on to Central 1's members as well as a reduction in the membership base of Stabilization Fund Corporation over the past year.

Operating expenses during the first nine months of 2012 were $1.8 million lower than the same period in 2012 even though salary and employee benefit expenses increased by $5.7 million during that period. Salary and employee benefit expenses for the nine months ended September 30, 2012 include a provision of $3.9 million for the payment of variable compensation awards. Central 1's financial results for the nine months ended September 30, 2011 did not include a provision for such awards as Central 1's financial performance during that period did not meet minimum performance thresholds contained in Central 1's variable compensation plan. Salary and benefit expenses for the first nine months of 2012 also reflect restructuring costs of approximately $1.5 million.

Other administration expenses decreased from $37.5 million for the nine months ended September 30, 2011 to $29.8 million for the same period in 2012. Costs of processing paper payments items were $1.3 million lower than the first nine months of 2011, due to improvements in infrastructure completed in the second quarter of the year. Direct expenses related to the provision of insurance programs offered by Central 1's subsidiaries declined about $2.4 million in the nine months ended September 30, 2012 compared to the same period in 2011. These costs include both claims incurred and expenses incurred to obtain third party coverage as required. In 2011 a review of risk management procedures amongst members of Stabilization Fund Corporation was completed which also contributed to the decline in other administration expenses incurred in the first nine months of 2012 compared to the same period in the preceding year.

Capital Resources

Central 1's regulatory capital levels, for both federal and provincial purposes, were well within the limits set by federal and provincial requirements.

Figure 6a - Capital Targets	Sep-12	Sep-11	Dec-11	Target	Regulatory Requirement
Total Capital as % of Risk-Weighted Assets (Prov)	38.1%	31.2%	34.8%	> 15%	> 10%
Borrowing Multiple (Fed)	14.0:1	17.0:1	15.3:1	15.0:1-17.0:1	less than 20.0:1

During the second quarter of 2012, Central 1's Board of Directors lowered the target range for Central 1's borrowing multiple to 15:1 to 17:1 (previously 15:1 to 18:1) and increased the Total Capital as a percentage of Risk Weighted Assets target to a minimum of 15% from a minimum of 10%. Central 1 seeks to operate at the lower end of the borrowing multiple range to ensure that it has 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 14.0:1, down from 15.3:1 at December 2011 while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes increased from 34.8% to 38.1% during the same period. The decrease in the borrowing multiple is primarily driven by the increase in Retained Earnings.

Figure 6b - Capital Position ($ thousands)	Sep-12	Sep-11	Dec-11
Share Capital	$ 283,174	$ 172,062	$ 272,062
Contributed Surplus	87,901	87,901	87,901
Retained Earnings	357,804	296,624	304,744
Less: Adjustments	(4,735)	(4,977)	(4,735)
Tier 1 Capital	724,144	551,610	659,972
Subordinated Debt	168,000	218,000	168,000
Add: Adjustments	4,735	4,977	4,735
Tier 2 Capital	172,735	222,977	172,735
Total Capital	896,879	774,587	832,707
Statutory Capital Adjustments	(151,811)	(153,102)	(154,600)
Capital Base	$ 745,068	$ 621,485	$ 678,107

Central 1's regulatory capital base for federal purposes is calculated in Figure 6b above. As at September 30, 2012, Central 1's federal Tier 1 Capital was $724.1 million and Total Capital before deductions was $896.9 million, compared to $551.6 million and $774.6 million, respectively, a year earlier. The increase in the Total Capital before deductions over the past year primarily reflects the growth in Share Capital and Retained Earnings. The calculation of Central 1's capital base for provincial purposes is similar to the federal calculation.

During the third quarter of 2011, while Central 1's capital position was well within regulatory limits, the Board of Directors determined that it was appropriate to increase Central 1's capital as a prudent measure to accommodate future system growth in a period of financial market volatility and to allow for the redemption of previously issued subordinated debt.

Accordingly, Central 1's Board authorized a capital call to increase the required holdings of Class "A" members in Class "A" shares and, on October 31, 2011 Central 1's Class "A" members subscribed for a further $100 million in Class "A" shares, bringing total Class "A" shares outstanding to 38 basis points of the previous year's audited consolidated assets of Class A members.

Risk management

This portion of the Report to Members should be read in conjunction with the Risk Management section of Central 1's MD&A for the year ended December 31, 2011.

Credit Risk

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

The composition of Central 1's securities portfolio is relatively unchanged from year-end as indicated in the Cash and Securities section (Figure 2, page 10). Most of the portfolio is invested in Canadian federal and provincial government and Canadian senior bank debt. Details of Central 1's loan portfolio are found in Note 8 of the interim consolidated financial statements. Credit risk associated with Central 1's loans to its member credit unions is minimal because these loans are fully secured. Central 1 has not previously experienced losses on any of these loans.

Liquidity Risk

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

Market Risk

Market risk refers to the risk of loss resulting from changes in market factors such as interest rates, foreign exchange rates and credit and swap spreads as well as the risk of credit migration and default. The level of market risk to which Central 1 is exposed varies depending on market conditions, future price and market movements and the composition of Central 1's investment, lending and derivative portfolios.

Central 1's interest rate risk policy defines standards and sets acceptable risk limits on Central 1's interest margin and the fair value of Central 1's net assets over a 12-month horizon. Those limits are based on an immediate and sustained +/- 200 basis point shift in the yield curve. The limit for fluctuations in interest income from the base forecast is 25.0% and the limit for changes in fair value of net assets from the base forecast is 20.0%.

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

Interest Rate Sensitivity ($ thousands)

	Interest Margin		Fair Value of Net Assets	
Before Tax Impact of:	Amount	Percentage of base forecast	Amount	Percentage of base forecast
200 bps increase in rates	$ (1,455)	(4.5%)	$ (32,656)	(5.0%)
200 bps decrease in rates	$ (402)	(1.2%)	$ 56,094	8.5%

Central 1 manages its exposure to credit spreads, credit migration and the risk of default through a range of governance and management processes. These include oversight by the Investment and Loan Committee, a committee of the Board of Directors, a comprehensive set of policies and corporate standards, independent measurement of market risk and adherence to a set of limits with appropriate monitoring, reporting and escalation of limit breaches.

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

Insurance Risk

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

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

Operational Risk

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

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

- developing and maintaining a comprehensive system of internal controls – integrated with ongoing internal and external evaluation and testing – encompassing segregation of functional activities, managerial reporting and delegation of authority;
- maintaining best industry practices in the area of operational risk management through continued monitoring and evaluation of Central 1's practices;

- selection and training of highly qualified staff, supported by policies that provide for skills upgrading, clear authorization levels and adherence to an employee code of conduct; and
- maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses, augmented by contingency business resumption plans for activation in response to systems failure or catastrophic events, including off-site data storage and back-up processing capabilities for all critical operations.

Central 1's Accounting Policies and Estimates

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

Critical Accounting Estimates

The critical accounting estimates remain unchanged from those disclosed in Central 1’s consolidated financial statements for the year ended December 31, 2011.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this Management's Discussion and Analysis, management evaluated Central 1's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Central 1's interim filings, as such term is defined under 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 September 30, 2012.

There has been no change in Central 1's design of internal controls and procedures over financial reporting that has materially affected Central 1's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

During the quarter the Payments department finalized operational and procedural changes. Although there were no changes made to the design of controls over financial reporting a number of enhancements to controls were being considered for implementation at quarter end. These enhancements will be included in the scope of controls testing in the fourth quarter.

Central 1 Credit Union
Interim Consolidated Statement of Financial Position
Unaudited

(Thousands of dollars)

	Notes	September 30 2012	September 30 2011	December 31 2011
Assets				
Cash and cash equivalents		$ 90,715	$ 83,883	$ 100,795
Deposits with regulated financial institutions	5	6,230	109,558	5,357
Pledged trading assets	6	214,964	81,344	51,652
Reinvestment assets under the CMB and IMPP Programs	10	2,395,212	2,069,057	2,205,742
Non-pledged trading assets	6	2,797,064	5,000,409	3,996,526
Derivative assets	7	39,911	60,867	41,347
Loans	8	1,800,383	1,528,936	2,482,412
Investment securities	9	6,084,859	4,095,442	3,891,039
Secured loans to members	10	668,259	1,366,585	1,167,423
Property and equipment		17,931	17,233	16,803
Intangible assets		5,901	2,831	2,568
Deferred tax assets		7,013	8,830	8,197
Investment in affiliates		114,387	131,533	112,601
Other assets	11	195,494	179,140	506,487
		$ 14,438,323	$ 14,735,648	$ 14,588,949
Liabilities				
Deposits designated as trading	12	$ 2,335,570	$ 2,068,996	$ 2,034,219
Derivative liabilities	7	226,570	233,975	211,967
Debt securities issued	13	715,364	480,839	375,516
Deposits	14	6,425,799	7,295,939	7,154,651
Obligations under the CMB and IMPP Programs	10	3,058,520	3,288,286	3,246,227
Subordinated liabilities	15	170,278	220,672	168,567
Provisions		6,006	6,175	5,798
Securities under repurchase agreements		296,332	76,802	57,020
Current tax liabilities		3,209	1,576	4,281
Deferred tax liabilities		3,068	3,729	3,094
Other liabilities	16	393,548	436,926	602,924
		13,634,264	14,113,915	13,864,264
Equity				
Share capital	17	283,174	172,062	272,062
Contributed surplus		87,901	87,901	87,901
Retained earnings		357,804	296,626	304,744
Accumulated other comprehensive income		60,462	50,325	45,612
Reserves		5,197	5,950	5,281
Total equity attributable to members of Central 1		794,538	612,864	715,600
Non-controlling interest		9,521	8,869	9,085
		804,059	621,733	724,685
		$ 14,438,323	$ 14,735,648	$ 14,588,949
Guarantees, commitments, and contingencies	22			

Approved by the Directors:

"Terry Enns"
Terry Enns, Chairperson

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

See accompanying notes to the interim consolidated financial statements

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

	Notes	(Thousands of dollars) For the three months ended September 30 2012	September 30 2011	(Thousands of dollars) For the nine months ended September 2012	September 30 2011
Interest income					
Securities		$ 36,881	$ 46,503	$ 114,268	$ 141,265
Deposits with regulated financial institutions		57	225	186	897
Loans		10,906	8,920	32,312	24,169
Secured loans and reinvestment assets		26,947	29,766	84,383	87,467
		74,791	85,414	231,149	253,798
Interest expense					
Debt securities issued		4,042	3,179	11,625	10,815
Deposits		32,281	36,436	98,146	107,126
Obligations under the CMB and IMPP programs		27,335	29,553	85,721	88,095
Subordinated liabilities		1,648	2,151	4,910	6,282
		65,306	71,319	200,402	212,318
Interest margin		9,485	14,095	30,747	41,480
Gain on disposal of financial instruments	18	10,595	30,306	63,896	54,907
Changes in fair value of financial instruments	19	10,258	(73,432)	(18,836)	(81,115)
Net financial income (loss)		30,338	(29,031)	75,807	15,272
Provision (recovery) of credit losses	8	(872)	3,794	(430)	4,224
		31,210	(32,825)	76,237	11,048
Other income	20	26,179	27,554	78,607	76,703
Net financial and other income		57,389	(5,271)	154,844	87,751
Operating expenses					
Salaries and employee benefits		15,298	10,986	47,534	41,774
Premises and equipment		2,552	2,383	7,255	7,207
Other administrative expenses		9,791	12,428	29,806	37,458
		27,641	25,797	84,595	86,439
Profit (loss) before income taxes		29,748	(31,068)	70,249	1,312
Income taxes (recovery)	21	4,120	(4,359)	9,605	31
Profit (loss) for the period		$ 25,628	$ (26,709)	$ 60,644	$ 1,281

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		(Thousands of dollars) For the nine months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Profit (loss) for the period	$ 25,628	$ (26,709)	$ 60,644	$ 1,281
Other comprehensive income, net of tax				
Fair value reserve (available-for-sale financial assets)				
Net change in fair value[1]	16,449	26,037	20,926	39,639
Reclassification of gains on available-for-sale assets to profit or loss[2]	(2,702)	(9,063)	(6,076)	(15,504)
Other comprehensive income, net of tax	13,747	16,974	14,850	24,135
Comprehensive income (loss), net of tax	$ 39,375	$ (9,735)	$ 75,494	$ 25,416
Income tax (recoveries) deducted from the above items				
1 Net change in fair value of available-for-sale assets	$ 2,649	$ 4,100	$ 3,406	$ 6,309
2 Reclassification of gains on available-for-sale assets to profit or loss	$ (430)	$ (1,481)	$ (925)	$ (2,534)

See accompanying notes to the interim consolidated financial statements

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

(Thousands of dollars)	Share Capital	Contributed Surplus	Fair Value Reserve	Other Reserves	Retained Earnings	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributible to Equity holders							
Balance at January 1, 2012	$ 272,062	$ 87,901	$ 45,612	$ 5,281	$ 304,744	$ 715,600	$ 9,085	$ 724,685
Total Comprehensive income for the period								
Profit for the period					60,644	60,644		60,644
Other comprehensive income, net of tax								
Fair value reserve (available-for-sale financial assets, net of tax)			14,850			14,850		14,850
Total comprehensive income	-	-	14,850	-	60,644	75,494	-	75,494
Transactions with owners, recorded directly in equity								
Dividends to members					(8,890)	(8,890)		(8,890)
Related tax savings (note 21)					1,242	1,242		1,242
Class "E" shares redemption, net of tax					(20)	(20)		(20)
Net Classes "A", "B" and "C" shares issued	11,112					11,112		11,112
Preferred shares issued by subsidiary						-	436	436
Transfer to (from) reserves				(84)	84	-		-
Total contributions and distributions to owners	11,112	-	-	(84)	(7,584)	3,444	436	3,880
Balance at September 30, 2012	$ 283,174	$ 87,901	$ 60,462	$ 5,197	$ 357,804	$ 794,538	$ 9,521	$ 804,059

Profit attributable to:		2012	2011
	Members of Central 1	$ 60,644	$ 1,303
	Non-controlling interest	-	(22)
		$ 60,644	$ 1,281

Total Comprensive income attributable to:		2012	2011
	Members of Central 1	$ 75,494	$ 25,438
	Non-controlling interest	-	(22)
		$ 75,494	$ 25,416

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

(Thousands of dollars)	Share Capital	Contributed Surplus	Fair Value Reserve	Other Reserves	Retained Earnings	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributible to Equity holders							
Balance at January 1, 2011	$ 164,983	$ 87,901	$ 26,190	$ 5,594	$ 300,126	$ 584,794	$ 8,372	$ 593,166
Total Comprehensive income for the period								
Profit for the period					1,303	1,303	(22)	1,281
Other comprehensive income, net of tax								
Fair value reserve (available-for-sale financial assets, net of tax)			24,135			24,135		24,135
Total comprehensive income	-	-	24,135	-	1,303	25,438	(22)	25,416
Transactions with owners, recorded directly in equity								
Dividends to members					(4,795)	(4,795)		(4,795)
Related tax savings (note 21)					674	674		674
Class "E" shares redemption, net of tax					(326)	(326)		(326)
Net Classes "A", "B" and "C" shares issued	7,079				-	7,079		7,079
Preferred shares issued by subsidiary							519	519
Transfer to (from) reserves				356	(356)	-		-
Total contributions and distributions to owners	7,079	-	-	356	(4,803)	2,632	519	3,151
Balance at September 30, 2011	$ 172,062	$ 87,901	$ 50,325	$ 5,950	$ 296,626	$ 612,864	$ 8,869	$ 621,733

Central 1 Credit Union
Interim Consolidated Statements of Cash Flows
Unaudited

	(Thousands of dollars)		(Thousands of dollars)	
	For the three months ended		For the nine months ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Cash flows from operating activities				
Profit (loss) for the period	$ 25,628	$ (26,709)	$ 60,644	$ 1,281
Adjustments for:				
Depreciation and amortization	1,085	781	2,731	3,617
Net interest income	(9,485)	(14,095)	(30,747)	(41,480)
Gain on disposal of financial instruments	(10,595)	(30,306)	(63,896)	(54,907)
Changes in fair value of financial instruments	(10,258)	73,432	18,836	81,115
Income tax expense (recovery)	4,120	(4,359)	9,605	31
Provision (recovery) of credit losses	(872)	3,794	(430)	4,224
Other items, net	(2,376)	(3,820)	(1,629)	(13,555)
	(2,753)	(1,282)	(4,886)	(19,674)
Change in trading assets	304,101	387,512	1,049,748	(431,188)
Settlements in transit	(2,540)	141,379	88,203	204,582
Change in loans	88,593	212,152	696,827	(418,356)
Change in trading liabilities	221,544	69,827	305,485	(34,326)
Change in deposits from members	(291,110)	(680,873)	(723,573)	757,107
	317,835	128,715	1,411,804	58,145
Interest received	56,493	72,371	217,447	239,159
Interest paid	(48,156)	(47,147)	(186,521)	(178,532)
Income tax paid	(104)	-	(11,031)	(300)
Net cash from operating activities	326,068	153,939	1,431,699	118,472
Cash flows from investing activities				
Change in amounts on deposit with regulated financial institutions	149,990	(98,861)	(904)	30,856
Change in reinvestment assets under the CMB and IMPP programs	(141,784)	(138,008)	(197,759)	(410,596)
Change in investment securities	(652,155)	(420,747)	(2,161,858)	(96,128)
Change in secured loans to members	166,428	194,382	489,898	550,313
Acquisition of property, plant and equipment	(172)	(342)	(2,817)	(1,615)
Acquisition of intangible assets	(2,392)	(269)	(4,098)	(578)
	(480,085)	(463,845)	(1,877,538)	72,252
Cash flows from financing activities				
Change in obligations under the CMB and IMPP Programs	-	(18,937)	(141,449)	(18,937)
Change in subordinated liabilities	-	18,000	-	18,000
Change in debt securities issued	-	(117,284)	337,989	(141,566)
Change in securities under repurchase agreements	169,391	(37,933)	239,247	(85,498)
Dividends paid	(2,955)	(2,035)	(11,140)	(7,213)
Proceeds from issue of shares	2,466	2,413	11,112	7,079
	168,902	(155,776)	435,759	(228,135)
Increase (decrease) in cash and cash equivalents	14,885	(465,682)	(10,080)	(37,411)
Cash and cash equivalents - beginning of period	75,830	549,565	100,795	121,294
Cash and cash equivalents - end of period	$ 90,715	$ 83,883	$ 90,715	$ 83,883

See accompanying notes to the interim consolidated financial statements

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1. Incorporation and governing legislation

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

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

2. Basis of preparation

(a) Statement of compliance

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

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

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 23, 2012.

Cooperative Credit Associations Act (Canada)

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

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value, except as described in Note 9.
- the assets and liabilities for defined benefit obligations are recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

In preparing the interim consolidated financial statements, management is required to make estimates and assumptions based on information as of the date of the financial statements. Certain amounts recorded in the financial statements, including financial instruments measured at fair value, recoverability of loans, accounting for securitization transactions, income taxes and pension and post-retirement benefits, require management to make subjective or complex 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 the same as described in Note 5 of Central 1's consolidated financial statements as at and for the year ended December 31, 2011.

3. Significant accounting policies

These consolidated financial interim financial statements have been prepared using the same accounting policies as set out in Central 1's consolidated financial statements as at and for the year ended December 31, 2011 except as described below:

Securitizations under the Canada Mortgage Bond (CMB) program and Insured Mortgage Purchase Program (IMPP)

Securitizations post 2009

Subsequent to 2009, Central 1 securitization activity primarily involves the facilitation of transfers of NHA MBS by its member credit unions by acting as a swap counterparty with CHT and through the provision of administrative services. In such instances, Central 1 records administration fees as other income when earned but Central 1 does not acquire an interest in the underlying mortgages.

From time to time, Central 1 may participate directly in securitization activities by acquiring an interest in third-party MBS and subsequently transferring those third-party MBS to CHT under the CMB program. The resulting obligation to CHT and the reinvestment assets are accounted for in the same manner as pre 2010 securitization transactions.

4. Fair value of financial instruments

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

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

Financial instruments whose book values approximate fair value

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

Financial instruments for which fair value is determined using valuation techniques

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

Note 23 sets out the fair value of the financial instruments in the interim consolidated statement of financial position.

5. Deposits with regulated financial institutions

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

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ 6,230**	$ 9,555	$ 5,357
Fair value	**$ 6,313**	$ 9,324	$ 5,478

Amounts on deposit with regulated financial institutions classified as available-for-sale are as follows:

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ -**	$ 100,003	$ -
Fair value	**$ -**	$ 100,003	$ -

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

(Thousands of dollars)

September 30, 2012	September 30, 2011	December 31, 2011
$ 6,230	$ 109,558	$ 5,357

6. Trading assets

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Government & guarantees	**$ 1,723,617**	$ 3,151,793	$ 2,370,661
Corporate & financial institutions AA[1] or greater	**1,241,299**	1,830,872	1,653,779
Other	**47,112**	99,088	23,738
Fair value	**$ 3,012,028**	$ 5,081,753	$ 4,048,178

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ 2,886,750**	$ 4,860,946	$ 3,868,510
Fair value	**$ 3,012,028**	$ 5,081,753	$ 4,048,178
Less pledged trading assets	**(214,964)**	(81,344)	(51,652)
	$ 2,797,064	$ 5,000,409	$ 3,996,526

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Trading assets	**$ 214,964**	$ 81,344	$ 51,652
Amounts included in investment securities	**80,393**	-	7,656
	$ 295,357	$ 81,344	$ 59,308

7. Derivative assets and liabilities

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

	(Thousands of dollars)					
	September 30, 2012		September 30, 2011		December 31, 2011	
	Asset	Liability	Asset	Liability	Asset	Liability
Interest rate contracts						
Futures contracts	**$ 185**	**$ 53**	$ -	$ 177	$ 136	$ 81
Swap contracts	**210,740**	**397,876**	330,597	501,460	294,422	464,729
Options purchased	**725**	**-**	-	-	21	-
Options written	**-**	**746**	-	645	-	21
	211,650	**398,675**	330,597	502,282	294,579	464,831
Foreign exchange contracts						
Foreign exchange forward contracts	**941**	**575**	1,295	2,718	592	960
Other derivative contracts						
Equities	**14,237**	**14,237**	18,476	18,476	16,122	16,122
Total fair value before adjustment	**226,828**	**413,487**	350,368	523,476	311,293	481,913
Adjustment for master netting agreements	**(186,917)**	**(186,917)**	(289,501)	(289,501)	(269,946)	(269,946)
	$ 39,911	**$ 226,570**	$ 60,867	$ 233,975	$ 41,347	$ 211,967

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

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8. Loans

		(Thousands of dollars)		
		September 30, 2012	September 30, 2011	December 31, 2011
Due on demand	- Credit unions	**$ 25,925**	$ 83,011	$ 22,848
	- Commercial and others	**7,065**	6,417	8,866
		32,990	89,428	31,714
Term	- Credit unions	**1,473,930**	1,254,895	2,151,569
	- Commercial and others	**185,353**	164,408	183,293
	- Reverse repurchase agreements	**94,319**	9,595	105,285
	- Officers and employees	**14,299**	16,240	16,013
		1,767,901	1,445,138	2,456,160
		1,800,891	1,534,566	2,487,874
Accrued interest		**5,461**	7,085	7,064
		1,806,352	1,541,651	2,494,938
Allowance for credit losses		**(5,969)**	(12,715)	(12,526)
		$ 1,800,383	$ 1,528,936	$ 2,482,412

Officer and employee loans, which are part of their compensation packages, bear interest at rates varying from 1.00% to 4.18%.

Impaired loans are as follows:

				(Thousands of dollars)		
	Gross Impaired	Specific Allowance	Collective Allowance	**September 30, 2012**	September 30, 2011	December 31, 2011
Credit unions	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ -
Commercial and others	**6,001**	**(5,316)**	**(653)**	**32**	1,783	1,171
Total	**$ 6,001**	**$ (5,316)**	**$ (653)**	**$ 32**	$ 1,783	$ 1,171

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

(Thousands of dollars)

	Specific Allowance	Collective Allowance	**Three months ended September 30, 2012**	**Nine months ended September 30, 2012**	Three months ended September 30, 2011	Nine months ended September 30, 2011	For the year ended December 31, 2011
Balance at beginning of period	**$ 10,926**	**$ 591**	**$ 11,517**	**$ 12,526**	$ 9,293	$ 9,498	$ 9,498
Net write-offs during the period	**(4,676)**	**-**	**(4,676)**	**(6,127)**	(372)	(1,007)	(2,280)
Provision (recovery) for credit losses	**(934)**	**62**	**(872)**	**(430)**	3,794	4,224	5,308
Balance at end of period	**$ 5,316**	**$ 653**	**$ 5,969**	**$ 5,969**	**$ 12,715**	$ 12,715	$ 12,526

9. Investment securities

Securities classified as held-to-maturity are as follows:

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ -**	$ 10,402	$ 10,186
Fair value	**$ -**	$ 10,309	$ 10,033

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

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ 6,025,738**	$ 4,037,498	$ 3,839,629
Fair value	**$ 6,084,859**	$ 4,085,040	$ 3,880,853

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
	$ 6,084,859	$ 4,095,442	$ 3,891,039

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Government & guarantees	**$ 2,100,395**	$ 703,799	$ 1,034,145
Corporate & financial Institutions AA[1] or greater	**3,819,695**	3,243,607	2,711,818
Other	**164,769**	148,036	145,076
	$ 6,084,859	$ 4,095,442	$ 3,891,039

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

The above table includes **$32.1** million (September 30, 2011 - $32.1 million; December 31, 2011 - $32.1 million) of equity investment securities that are measured at cost and for which disclosure of fair value is not provided because the fair value cannot be reliably measured.

The above table also includes **$54.9** million of third-party MBS that were transferred to CHT under the CMB program as described in Note 3 for securitizations post 2009.

At the period-end, securities having a par value of **$927.0** million (September 30, 2011 - $850.0 million; December 31, 2011 - $ 878.0 million) were lodged or pledged with the Bank of Canada and the Canadian Depository for Securities as collateral for the transfer and receipt of payments.

10. Secured loans to members

Through its participation in the CMB and IMPP programs prior to 2010 as described in the significant accounting policies disclosed in Central 1's consolidated financial statements for the year end December 31, 2011, Central 1 recognizes its interest in the underlying residential mortgages as secured loans from its member credit unions. The par amounts outstanding on these secured loans are as follows:

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Total amount of secured loans issued	**$ 4,240,559**	$ 4,240,559	$ 4,240,559
Aggregate principal payments received	**(3,579,370)**	(2,896,316)	(3,091,044)
Remaining par value of secured loans to members in the Statement of financial position	**$ 661,189**	$ 1,344,243	$ 1,149,515

The components of these balances are as follows:

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Remaining par value of secured loans under the CMB and IMPP programs	**$ 355,243**	$ 826,100	$ 698,405
Remaining par value of secured loans retained by Central 1	**305,946**	518,143	451,110
	$ 661,189	$ 1,344,243	$ 1,149,515

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

Amortized cost	**$ 663,955**	$ 1,351,446	$ 1,155,428
Fair value	**$ 668,259**	$ 1,366,585	$ 1,167,423

Valuation of secured loans to members

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

(Thousands of dollars)

Change in value of secured loans to members:	**As at September 30, 2012** **Increase (Decrease)**	As at September 30, 2011 Increase (Decrease)	As at December 31, 2011 Increase (Decrease)
200 bps parallel increase in interest rates	**(1,609)**	(7,913)	(5,306)
200 bps parallel decrease in interest rates	**1,694**	8,251	5,525

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

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

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amount due within one year	**$ 2,113,105**	$ 204,640	$ 1,009,649
Amount due after one year, but within five years	**866,765**	2,919,918	2,110,936
	2,979,870	3,124,558	3,120,585
Accrued interest	**23,432**	27,261	11,377
Amortized cost	**$ 3,003,302**	$ 3,151,819	$ 3,131,962
Fair value	**$ 3,058,520**	$ 3,288,286	$ 3,246,227

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

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Government & guarantees	**$ 2,159,373**	$ 1,977,487	$ 2,100,410
Assets acquired under reverse repurchase agreements	**235,839**	73,579	55,546
Other	**-**	17,991	49,786
Fair value	**$ 2,395,212**	$ 2,069,057	$ 2,205,742
Amortized cost	**$ 2,389,070**	$ 2,047,823	$ 2,188,579

Central 1 has entered into derivative contracts to modify its exposure to interest rate risk under the programs which are recognized as derivatives in the interim consolidated statement of financial position.

11. Other assets

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Settlements in-transit	**$ 137,690**	$ 121,165	$ 436,563
Assets available for sale designated as trading	**22,982**	2,657	2,182
Assets available for sale at amortized cost	**20,387**	32,096	56,597
Investment property	**6,104**	6,473	6,381
Prepaid expenses	**3,436**	4,694	2,950
Post-employment benefits	**228**	1,120	196
Accounts receivable and other	**4,667**	10,935	1,618
	$ 195,494	$ 179,140	$ 506,487

At period-end, the amortized cost of the assets available for sale designated as trading was **$22.8** million (September 30, 2011 - $2.6 million; December 31, 2011 - $2.1 million).

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

12. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Amortized cost	**$ 2,322,162**	$ 2,044,542	$ 2,013,781
Fair value	**$ 2,335,570**	$ 2,068,996	$ 2,034,219

The contractual maturity dates of these liabilities are as follows:

	September 30, 2012	September 30, 2011	December 31, 2011
Amount			
- due within three months	**$ 363,603**	$ 529,423	$ 89,286
- due after three months and within one year	**959,506**	306,535	622,843
- due after one year and less than five years	**980,287**	1,186,014	1,284,819
	2,303,396	2,021,972	1,996,948
Accrued interest	**18,766**	22,570	16,833
Amortized cost	**$ 2,322,162**	$ 2,044,542	$ 2,013,781

13. Debt securities issued

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Notes			
- due within three months	**$ 399,356**	$ 252,851	$ 149,354
- due after three months and within one year	**312,648**	-	-
- due after one year and less than five years	**-**	224,561	224,625
	712,004	477,412	373,979
Accrued interest	**3,360**	3,427	1,537
	$ 715,364	$ 480,839	$ 375,516

Central 1 has established **$83.5** million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At September 30, 2012, September 30, 2011 and December 31, 2011, no amounts were drawn against these facilities.

Central 1 is authorized to issue up to $1.5 billion in short-term commercial paper and up to $1.5 billion in other borrowings which includes Central 1's medium-term note facility. At September 30, 2012, **$400.0** million was borrowed under the short-term commercial paper facility (September 30, 2011 - $253.2 million; December 31, 2011 - $149.5 million) and **$312.9** million was borrowed under the medium-term note facility (September 30, 2011 - $225.0 million; December 31, 2011 - $225.0 million).

14. Deposits

Deposits classified as other liabilities are as follows:

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Amount			
- Due on demand	**$ 922,990**	$ 1,095,995	$ 1,016,528
- Due within three months	**1,555,344**	2,259,106	2,231,578
- Due after three months and within one year	**1,376,984**	1,910,999	1,893,371
- Due after one year and less than five years	**2,532,469**	1,988,376	1,969,499
- Due after five years and less than six years	**-**	360	375
	6,387,787	7,254,836	7,111,351
Accrued interest	**38,012**	41,103	43,300
	$ 6,425,799	$ 7,295,939	$ 7,154,651

15. Subordinated liabilities

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Series 1	**$ -**	$ 50,000	$ -
Series 2	**150,000**	150,000	150,000
Series 3	**18,000**	18,000	18,000
Principal amount	**168,000**	218,000	168,000
Accrued interest	**2,278**	2,672	567
	$ 170,278	$ 220,672	$ 168,567

On December 21, 2006, Central 1 issued $50 million principal amount of Series 1 notes due December 21, 2016. The notes bore interest at a fixed rate of 4.52% until December 21, 2011, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 1.00%. The notes were redeemed on December 21, 2011.

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

On July 6, 2011, Central 1 issued $18 million principal amount of series 3 notes due July 6, 2021. The notes bear interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 6, 2016, and Central 1 has the option to redeem the outstanding notes in whole or in part on July 6, 2016, subject to regulatory approval.

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

16. Other liabilities

(Thousands of dollars)

	September 30, 2012	September 30, 2011	December 31, 2011
Settlements in-transit	**$ 343,808**	$ 396,110	$ 554,478
Post-employment benefits	**21,721**	18,032	20,707
Short-term employee benefits	**5,104**	1,047	5,841
Dividends payable	**3,001**	-	5,251
Unearned insurance premiums	**1,337**	2,273	864
Finance leases	**1,178**	1,178	1,178
Trade amounts and other	**17,399**	18,286	14,605
	$ 393,548	$ 436,926	$ 602,924

17. Share Capital

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

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

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

The numbers of shares issued are as follows:

	(Thousands of shares)		
	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011	For the year ended December 31, 2011
Class A – credit unions			
Balance at beginning of period	**272,018**	164,939	164,939
Issued for cash during the period	**11,135**	7,206	107,206
Redeemed during the period	**(23)**	(127)	(127)
Balance at end of period	**283,130**	172,018	272,018
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	**3,159**	3,163	3,163
Redeemed during the period	**-**	(4)	(4)
Balance at end of period	**3,159**	3,159	3,159

The amounts outstanding are as follows:

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Outstanding $1 par value shares			
Class A – credit unions	**$ 283,130**	$ 172,018	$ 272,018
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
	$ 283,174	$ 172,062	$ 272,062

18. Gain on disposal of financial instruments

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

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
Net gain on disposal of trading assets	**$ 16,816**	$ 38,961	**$ 70,818**	$ 58,413
Net gain on disposal of investment securities	**3,132**	10,493	**7,001**	18,038
Net loss on disposal of derivatives	**(9,178)**	(14,149)	**(12,664)**	(15,464)
Net loss on disposal of deposits	**(175)**	(4,999)	**(1,259)**	(6,080)
	$ 10,595	$ 30,306	**$ 63,896**	$ 54,907

19. Change in fair value of financial instruments

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
Trading assets	**$ (4,471)**	$ 130,907	**$ (54,252)**	$ 161,442
Activities under the CMB and IMPP programs				
Reinvestment assets	**(3,354)**	10,007	**(11,021)**	12,115
Derivative assets and liabilities	**(12,836)**	15,069	**(37,751)**	11,290
Secured loans to members	**(1,493)**	(5,408)	**(7,691)**	(11,360)
Obligations to CHT and CMHC	**18,507**	(21,093)	**59,047**	(13,070)
Derivative assets and liabilities	**12,005**	(190,595)	**25,802**	(224,837)
Trading deposits	**1,900**	(12,319)	**7,030**	(16,695)
	$ 10,258	$ (73,432)	**$ (18,836)**	$ (81,115)

20. Other income

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
Membership dues	**$ 2,074**	$ 1,821	**$ 6,328**	$ 5,586
Provincial advertising assessment	**331**	736	**1,012**	1,376
Equity interest in affiliates	**922**	686	**2,352**	1,108
Insurance premiums and assessments	**1,729**	2,549	**5,200**	7,680
Technology and payment services				
- Processing	**10,211**	11,643	**30,437**	32,094
- Direct banking	**5,472**	4,571	**15,043**	13,526
Wholesale financial services				
- Treasury services	**1,002**	1,152	**3,768**	2,524
- Funding and commercial	**1,370**	1,037	**3,806**	3,170
- Employee benefits & retirement services	**296**	253	**864**	744
- Trust services	**669**	642	**1,713**	1,763
- Other	**58**	-	**713**	-
Trade and other services				
- Product compliance and design	**414**	372	**1,149**	1,107
- Property rents	**244**	233	**767**	703
- Risk management	**569**	778	**1,989**	2,261
- Marketing products & programs	**494**	260	**1,245**	966
- Other	**324**	821	**2,221**	2,095
	$ 26,179	$ 27,554	**$ 78,607**	$ 76,703

21. Provision for income taxes

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

	(Thousands of dollars) For the three months ended		For the nine months ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	September 30, 2011
Provision for income taxes in Statements of Profit or Loss	**$ 4,120**	$ (4,359)	**$ 9,605**	$ 31
Income tax benefit related to dividends accrued and share redemptions	**(419)**	-	**(1,245)**	(727)
Total	**$ 3,701**	$ (4,359)	**$ 8,360**	$ (696)

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

Current income taxes (recovery)	**$ 3,220**	$ (1,744)	**$ 8,430**	$ 2,130
Deferred income taxes (recovery)	**900**	(2,615)	**1,175**	(2,099)
Total	**$ 4,120**	$ (4,359)	**$ 9,605**	$ 31

Central 1's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of **30.5 %** (2011 – 30.5%) to income before taxes. The reasons for this are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011
	%	%	%	%
Combined federal and provincial statutory income tax rates	**30.5**	30.5	**30.5**	30.5
Reduction available to credit unions	**(17.0)**	(17.0)	**(17.0)**	(17.0)
Impact of non-taxable items	**-**	-	**-**	(2.6)
Tax exempt deposit insurance activities	**(0.2)**	-	**-**	(3.7)
Impact of equity interest in affiliates	**(0.4)**	0.2	**(0.4)**	(5.8)
Other	**0.9**	0.4	**0.6**	1.0
	13.8	14.1	**13.7**	2.4

22. Guarantees, commitments and contingencies

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

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

	(Thousands of dollars)		
	September 30, 2012	September 30, 2011	December 31, 2011
Standby letters of credit	**$ 216,623**	$ 130,032	$ 183,434
Commitments to extend credit	**$ 3,740,620**	$ 3,520,333	$ 3,185,384

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

23. Financial instruments - Fair value

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

(Millions of dollars)	**Fair Value**		**Carrying Value**		**Unrealized Gain (Loss)**	
	September 30, 2012	September 30, 2011	**September 30, 2012**	September 30, 2011	**September 30, 2012**	September 30, 2011
Assets						
Cash and cash equivalents	**$ 90.72**	$ 83.88	**$ 90.72**	$ 83.88	**$ -**	$ -
Deposits with regulated financial institutions	**6.31**	109.58	**6.23**	109.56	**0.08**	0.02
Investment securities	**9,096.87**	9,177.10	**9,096.87**	9,177.19	**-**	(0.09)
Reinvestment assets under the CMB and IMPP programs	**2,395.21**	2,069.06	**2,395.21**	2,069.06	**-**	-
Derivative assets	**39.91**	60.87	**39.91**	60.87	**-**	-
Loans	**1,801.11**	1,527.78	**1,800.38**	1,530.06	**0.73**	(2.28)
Secured loans to members	**668.26**	1,366.59	**668.26**	1,366.59	**-**	-
Other assets	**182.44**	156.13	**182.09**	155.95	**0.35**	0.18
Liabilities						
Deposits designated as trading	**2,335.57**	2,069.00	**2,335.57**	2,069.00	**-**	-
Derivative liabilities	**226.70**	223.98	**226.70**	223.98	**-**	-
Debt securities issued	**718.31**	487.63	**715.36**	480.84	**(2.95)**	(6.79)
Deposits from members	**6,468.64**	7,355.05	**6,425.80**	7,295.94	**(42.84)**	(59.11)
Obligations under the CMB and the IMPP programs	**3,058.52**	3,288.29	**3,058.52**	3,288.29	**-**	-
Subordinated liabilities	**174.08**	227.11	**170.28**	220.67	**(3.80)**	(6.44)
Securities under repurchase agreements	**296.33**	76.80	**296.33**	76.80	**-**	-
Other liabilities	**343.81**	396.11	**343.81**	396.11	**-**	-
Total					**$ (48.43)**	$ (74.51)

Central 1's net unrealized loss on its financial instruments at December 31, 2011 was $52.71 million.

24. Capital management

Central 1's capital levels are regulated under federal guidelines issued by the Office of the Superintendent of Financial Institutions and provincial regulations administered by the Financial Institutions Commission of British Columbia. Pursuant to federal regulations, Central 1 is required to maintain a borrowing multiple, the ratio of debt to regulatory capital, of 20:1 or less. Central 1 targets an operating borrowing multiple of 15.0:1 to 17.0:1 to ensure that it has capacity to absorb sudden increases in system deposits or to increase external borrowings to meet member demand for funds.

Provincial regulations, which apply to Central 1, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings, which generally parallel the methodology used by OSFI to regulate Canadian chartered banks, require Central 1's risk-weighted capital, calculated by dividing capital by risk-weighted assets, to be no less than 8 per cent. Furthermore, Central 1 must maintain a risk-weighted capital ratio of at least 10 per cent to enable member credit unions in British Columbia to risk-weight their deposits with Central 1 at zero per cent.

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.

At period-end, Central 1 was in compliance with these regulatory requirements.

25. Related parties

Transactions with key management personnel

Key management personnel include Central 1's Executive management and Vice-Presidents. Key management personnel and their immediate relatives have transacted with Central 1 during the period as follows:

	(Thousands of dollars) **For the three months ended September 30, 2012**	For the three months ended September 30, 2011
Mortgage loans outstanding at end of period	**$ 1,433**	$ 1,253
Maximum mortgage loans outstanding during the period	**$ 1,890**	$ 1,267

Mortgage loans to key management personnel bear interest at rates ranging from 2.5% to 3.8% and are secured over property of the respective borrowers. No impairment losses have been recorded against balances during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at period end.

Key management personnel compensation for the period comprised:

	(Thousands of dollars)	
	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
Salaries and short-term employee benefits	**$ 3,437**	$ 3,248
Post-employment benefits	**156**	190
	$ 3,593	$ 3,438

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

Board of directors

During the period, the members of Central 1's Board of directors received aggregate remuneration of **$174** thousand (period ended September 30, 2011 - $126 thousand).

Significant Subsidiaries

	(% ownership of common shares outstanding)		
	September 30, 2012	September 30, 2011	December 31, 2011
Central 1 Trust Company	**100%**	100%	100%
Central Risk and Insurance Management Services Inc.	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%
Stabilization Fund Corporation	**100%**	100%	100%

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

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

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

Investments in affiliates

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

	(% ownership of common shares outstanding)		
	September 30, 2012	September 30, 2011	December 31, 2011
Credential Financial Inc.	**40%**	40%	40%
Credit Union Central of Canada (CUCC)	**50%**	51%	50%
CUMIS Group Limited	**27%**	27%	27%