Third Quarter Report 2013

REPORT TO MEMBERS

CENTRAL 1 REPORTS RESULTS FOR THIRD QUARTER OF 2013

Third quarter highlights compared to the same period last year:

- Central 1's Profit for the period of $7.8 million, compared to a Profit of $25.6 million
- Central 1's Return on Equity of 3.7%, compared to 13.0%
- Central 1's assets of $12.2 billion, down 15.3% from $14.4 billion
- B.C. system[(1)] Net operating income[(2)] of $92.2 million, versus $99.7 million
- B.C. system assets of $58.6 billion, up 4.4% from $56.1 billion
- Ontario system[(3)] Net operating income[(2)] of $41.5 million, versus $29.6 million
- Ontario system assets of $32.4 billion, up 7.6% from $30.1 billion

Central 1 recorded Net financial income of $12.4 million and Profit of $7.8 million during the third quarter, compared to Net financial income of $30.3 million and Profit of $25.6 million respectively, during the same period last year. Central 1's Other income was $25.7 million, a decrease of $0.5 million over the same period last year, while Operating expenses increased by $1.2 million to $28.8 million. Assets, at $12.2 billion, decreased 15.3% from $14.4 billion as at September 30, 2012.

At quarter-end, Central 1's borrowing multiple for federal capital adequacy purposes was 12.6:1, while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes was at 43.9%.

Financial markets saw an increase in volatility over the third quarter of 2013 as the Federal Reserve surprised markets by deciding not to engage in the tapering of its Quantitative Easing (QE) programs at its September meeting. Heightened financial market and investor uncertainty was also a factor with the U.S. government close to hitting its debt ceiling and running out of borrowing capacity. The continuing political impasse in Washington on spending and debt led to concerns that economic growth would be negatively impacted.

On a more positive note, global economic data rebounded over the quarter as industrial production picked up in China and Europe and consumer confidence in the U.S. also improved. Equity fund flows into Europe rebounded sharply as European economic data improved and solvency fears in peripheral European economies subsided.

Canadian economic data was mixed over the quarter as housing market activity remained buoyant over the busy summer months while both CPI and GDP continued to trend below 2%.   Economists pushed out their forecasts for the first Bank of Canada rate hike to late 2014 as significant slack remains in the Canadian economy and inflation remains subdued. The TSX index gained over five percent for the quarter as precious metal prices recovered and many Canadian bank stocks touched all-time highs.

The five year Government of Canada rate ended the quarter modestly higher after rising sharply initially in September and subsequently falling after the Federal Reserve kept its QE programs unchanged. Canadian swap spreads narrowed over the quarter as Canadian financial institutions slowed their mortgage hedging activity and new corporate debt offerings were hedged by issuers. Credit spreads varied across market sectors as spreads narrowed on federal and provincial government backed securities; however, spreads widened on bank debt and many other corporate issuers.

Key current economic indicators were mixed in British Columbia in the third quarter. Confidence among operators of small and medium enterprises increased by a marginal 0.5% seasonally adjusted (SA) from the second quarter. The average level of employment declined by 0.1% SA from the second quarter, while the unemployment rate averaged 6.7% SA, up from 6.5% SA in the second quarter. The re-sale housing market expanded in the third quarter, with unit sales up 15.0% SA from the second quarter and average sale price up 6.0% SA.

Economic growth in Ontario appears to have virtually stalled in the third quarter despite some employment growth and higher resale housing market volume. Real GDP growth was approximately 0.2% at a seasonally adjusted annual rate. The average level of employment increased 0.3% SA from the second quarter, while the unemployment rate averaged 7.6% SA, little changed from the second quarter. The re-sale housing market expanded in the third quarter, with unit sales up 5% SA from the second quarter and average sale price up 2.0% SA.

The B.C. system earned $92.2 million before taxes, dividends, patronage refunds, charitable donations, capital gains and other comprehensive income in the third quarter of 2013, down 7.5% from the $99.7 million earned during the same period in 2012. Combined assets of the B.C. system rose 4.4%, year-over-year, to reach $58.6 billion at the end of the third quarter.

The Ontario system earned $41.5 million before taxes, dividends, patronage refunds and extraordinary items in the third quarter, up from the $29.6 million during the same period in 2012. Combined assets of the Ontario system rose 7.6%, year-over-year, to reach $32.4 billion at quarter-end. $0.3 billion of the increase in Ontario system assets can be attributed to ComTech Credit Union Ltd. Which became a Class A member during the quarter.

(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, 2013

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, 2012, and provides a discussion and analysis of Central 1's financial condition and results of operations for the three and nine month periods ended September 30, 2013 compared to the corresponding periods in the preceding fiscal year. Additional information on Central 1, including its Annual Information Form, may be found on SEDAR at www.sedar.com.

Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with Central 1's basis of preparation and its accounting policies as contained in Notes 2 and 3 of Central 1's interim consolidated financial statements for the three and nine months ended September 30, 2013 which may be found on SEDAR at www.sedar.com.

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

Caution Regarding Forward-Looking Statements

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

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

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

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

Additional information about these and other factors can be found in the Overview section of our 2012 Annual Report and in the Risk Management section of this Q3 2013 Report to Members.

Overall Performance and Interim Financial Condition

During the third quarter of 2013, Central 1 recorded Profit of $7.8 million or 2.7 cents per share, compared to Profit of $25.6 million or 9.1 cents per share last year.

Net financial income was $12.4 million, down from $30.3 million posted in the third quarter of 2012.

Financial markets saw an increase in volatility during the third quarter of 2013 as the Federal Reserve surprised markets by not engaging in the tapering of its QE programs at its September meeting.

The five year Government of Canada rate ended the quarter modestly higher after rising sharply initially in September and subsequently falling after the Federal Reserve kept its QE programs unchanged. Canadian swap spreads narrowed over the quarter as Canadian financial institutions slowed their mortgage hedging activity and new corporate debt offerings were hedged by issuers. Credit spreads varied across market sectors as spreads narrowed on federal and provincial government backed securities; however, spreads widened on bank debt and many other corporate issuers.

These market developments had a net favorable impact on Central 1's Net financial income for the quarter. Central 1 had realized losses of $4.5 million and unrealized gains of $9.6 million resulting in a net gain of $5.1 million during the third quarter, compared to net gain of $20.9 million the previous year. Further information is included in notes 20 and 21 of the consolidated interim financial statements.

Interest margin for the quarter was $7.3 million, down from $9.5 million during the three months ended September 30, 2012. 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 lower levels of risk within Central 1's securities portfolio.

The improvement in credit spreads across certain sectors compensated for the negative impact of higher interest rates on the valuation of the securities portfolio. On the derivatives portfolio, Central 1 realized losses in the quarter primarily from the restructuring of swapped asset positions, effectively migrating losses from unrealized to realized. Overall, as interest rates increased, the unrealized gain on derivatives outweighed realized losses for the quarter. Trading deposits were negatively impacted by the change in interest rates in the quarter.

Other income of $25.7 million during the quarter was down from $26.2 million during the third quarter of 2012. Note 22 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 $28.8 million, up from $ 27.6 million in 2012. Salaries and employee benefits were down $0.3 million from 2012, while non-salary related expenses increased by $1.5 million. The increase in expenses is mostly attributed to legal and consulting fees of $1.0 million compared to the same period last year. The increase in professional fees reflects the costs of implementing recommendations resulting from the review of Central 1's capital management, and liquidity and funding risk management processes undertaken in 2012.

Central 1's capital ratios remain well within statutory limits. Central 1's borrowing multiple decreased from 14.4:1 at December 31, 2012 to 12.6:1 at quarter-end, reflecting both a decrease in borrowings and a higher level of retained earnings. At the quarter-end, Central 1's provincial risk-weighted capital ratio was 43.9% compared to 38.9% at December 31, 2012.

B.C. System

B.C. system net operating income for the third quarter was $92.2 million, compared to $99.7 million for the third quarter of 2012. Excluded from net operating income is a capital gain of $110.5 million realized by a member credit union on the sale of one of their subsidiaries.

Non-interest expenses increased $8.5 million, mostly on "other" non-financial expenses such as insurance fees, regulatory fees, etc. Non-interest income increased $1.4 million, while net interest income was little changed.

Aggregate net loans increased by 4.8% year-over-year to reach $50.3 billion. Deposits increased 5.2% to $52.0 billion. Asset growth was mainly in personal and commercial mortgages which grew by 3.1% and 7.6% respectively. Deposit growth was mainly in non-registered term and demand deposits which increased 5.8% and 4.7% respectively.

The B.C. system's rate of loan delinquencies over 90 days was unchanged at 0.50% of total loans at the end of September. System provision for credit losses as a percentage of average loans was 0.35% as of September 30, 2013, down from 0.37% one year earlier. The B.C. system's loan loss expense ratio was 0.06% annualized in the third quarter, down from 0.07% in the third quarter last year.

The B.C. system's regulatory risk-weighted capital ratio was 14.5% at the end of September, up from 14.2% a year ago. Aggregate liquidity of B.C. credit unions, including that of Central 1, was 13.1% of deposit and debt liabilities, down from 13.2% a year ago.

Ontario System

Ontario system net operating income for the quarter was $41.5 million, compared to $29.6 million for the third quarter of 2012. Financial margin fell $1.2 million as a narrower lending spread offset loan growth. Loan costs declined $17.8 million while all other non-financial expenses increased $5.9 million.

Combined assets of the Ontario system in the same period rose 7.6% from one year earlier, to reach $32.4 billion at quarter-end. Ontario system net loans increased 9.1% year-over-year to reach $27.6 billion. Deposits climbed 7.1% to $27.5 billion.

The addition of ComTech Credit Union Ltd. in the third quarter of 2013 contributed to the growth in loans and deposits in the Ontario system with $0.2 billion in loans and $0.2 billion in deposits.

Asset growth was mainly in residential mortgages, up by 9.9% from a year ago, and commercial mortgages/loans which increased 9.6%. Liability growth was mainly in non-registered term deposits, up 9.0%, non-registered demand deposits, up 5.4%, and registered deposits, up 7.4%.

The Ontario system's rate of loan delinquencies over 90 days reached 0.61% of total loans at the end of the third quarter, down from 0.66% one year earlier. Provision for credit losses as a percentage of loans was 0.37% as of September 30, down 13 basis points from a year earlier.

The system's loan loss expense ratio was 0.07% annualized in the third quarter, down 29 basis points from the third quarter last year.

The Ontario system's regulatory liquidity ratio was 13.1% as at the end of September, down 20 basis points from a year ago (Class 2 credit unions only). The regulatory liquidity ratio for the Ontario system, including that held by Central 1 was 11.2% as of September 30, down 131 basis points from a year earlier.

Central 1 Credit Union
Figure 1 - Selected Financial Information

	For the Three Months Ended September 30 2013	For the Three Months Ended September 30 2012	Change
Earnings *($ millions)*			
Net financial income	$ 12.4	$ 30.3	$ (17.9)
Net financial and other income	38.3	57.4	(19.1)
Profit for the period	7.8	25.6	(17.8)
Weighted average shares outstanding *($ millions)*	293.5	281.2	12.3
Earnings per Share *(cents)*			
Basic	2.7	9.1	(6.4)
Fully diluted	2.7	9.1	(6.4)
Return on			
Average assets	0.2%	0.7%	(0.5%)
Average equity	3.7%	13.0%	(9.4%)
Balance Sheet Data *($ billions)*			
Total assets	$ 12.2	$ 14.4	$ (2.2)
Average assets	12.6	14.3	(1.7)
Long term financial liabilities	5.0	4.5	0.5
Regulatory Capital Ratios			
Tier 1 capital ratio	34.4%	29.4%	5.0%
Total capital ratio	43.9%	38.1%	5.8%
Borrowing multiple (times)	12.6	14.0	(1.4)
Share Information			
Outstanding $1 par value Shares *($ thousands)*			
Class A - credit unions	293,428	283,130	10,298
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"	1.08	0.50	0.58
Class "B" & "C"	0.35	0.50	(0.15)
Class "E"	-	50.00	(50.00)

Total Revenues

Net Financial Income

Central 1 recorded Net financial income of $12.4 million for the quarter (Figure 1, page 7), compared with Net financial income of $30.3 million for the same period last year.

Interest margin decreased from $9.5 million in the third quarter of last year to $7.3 million this quarter as average assets decreased from $14.3 billion to $12.6 billion. As a percentage of average assets, Interest margin decreased from 26.3 basis points in the third quarter of 2012 to 23.0 basis points in the third quarter of 2013.

The decrease in Interest margin continues a trend that began in 2011 when Central 1 undertook to reduce the risk exposures in its investment portfolio. Compared to the third quarter in 2012, the risk on the portfolio has been significantly reduced, and the decline in Interest margin is expected to continue into the rest of 2013 as yields on securities have declined relative to yields on Central 1's deposits and other borrowings.

During the quarter, Central 1 recorded net unrealized gains of $9.6 million compared to gains of $10.3 million during the same period last year. Realized losses on the sale of financial instruments amounted to $4.5 million compared to a gain of $10.6 million in 2012. Taken together, Central 1 recorded an overall gain of $5.1 million on its financial instruments compared to a gain of $20.9 million in the third quarter of 2012.

The improvement in credit spreads across certain sectors compensated for the negative impact of higher interest rates on the valuation of the securities portfolio. On the derivatives portfolio, Central 1 realized losses in the quarter primarily from the restructuring of swapped asset positions, effectively migrating losses from unrealized to realized. Overall, as interest rates increased, the unrealized gain on derivatives outweighed realized losses for the quarter. Trading deposits were negatively impacted by the change in interest rates in the quarter.

Other Income

As indicated in Note 22 to Central 1's interim consolidated financial statements, Other income of $25.7 million for the quarter was slightly lower than the $26.2 million earned in the third quarter of 2012.

Included in other income is Central 1's equity interest in affiliates which increased from $0.9 million in the third quarter of 2012 to $1.5 million in the third quarter of 2013. Offsetting this positive variance were declines in insurance premiums and assessment income of $0.3 million and in Treasury revenues of $1.0 million over the same period last year.

Operating Expenses

Operating expenses incurred in the third quarter were $28.8 million, an increase of $1.2 million from the $27.6 million incurred in the third quarter of 2012.

Salaries and employee benefits were only marginally down by $0.3 million from 2012, while non-salary related expenses increased by $1.5 million. The increase in expenses is mostly attributed to legal and consulting fees of $1.0 million compared to the same period last year. This increase in expenses was to support the implementation of recommendations resulting from the 2012 review of Central 1's capital management, and liquidity and funding risk management processes.

Income Taxes

Central 1's combined federal and provincial statutory rate is 30.5%. Central 1's effective tax rate for the quarter was 17.4%, up from 13.8% in the third quarter of 2012.

The 2013 federal budget announced on March 21, 2013 proposed to phase out the deduction available to credit unions which provides access to the preferential income tax rate for income that is not eligible for the small business deduction. This amendment was enacted during the second quarter of 2013 and will increase Central 1's effective tax rate in 2013 and future periods.

The impact of the phasing out of the deduction will be mitigated to a large extent by the availability of a general rate reduction which Central 1 can apply to its active business income not benefitting from the credit union deduction.

Statement of Financial Position

Cash and Securities

Cash and securities were $10.3 billion at period end. Of this amount, $0.5 billion represents reinvestment assets which are designated to offset obligations under the Canada Mortgage Bond (CMB) program. The remaining balance of $9.8 billion (Figure 2, page 9) comprises the Mandatory Reserve and Excess pools (previously known as the Minimum and Excess Liquidity pools) and represents 83.8% of Central 1's total assets excluding reinvestment assets, compared to $9.1 billion and 75.8% a year ago.

The investment activity in Central 1's Mandatory Reserve and Excess pools 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 9).

FICOM has provided Central 1 with expectations related to the investment policy for the Mandatory Reserve pool and associated borrowing multiple requirements for both the Mandatory Reserve pool and Central 1's other business activities.

It is anticipated that the investments in Central 1's investment pools will comprise primarily of High Quality Liquid Assets (HQLA) that can be easily and immediately converted into cash at little or no loss of value, to be maintained both under normal and stressed market conditions. HQLA will meet the eligibility criteria outlined in OSFI's draft Liquidity Adequacy Requirements and as a result of meeting OSFI's requirements, will also meet the collateral requirements under Bank of Canada's Standing Liquidity Facility.

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

	30-Sep-13		30-Sep-12		31-Dec-12	
Cash & Liquid Securities						
Government & Guarantees	$ 4,920.5		$ 3,824.0		$ 4,159.6	
Cash	53.4		90.7		90.2	
	4,973.9	50.7%	3,914.7	42.8%	4,249.8	46.3%
Corporate & Financial Institutions AA or Greater *	4,638.1	47.3%	$ 5,061.0	55.3%	4,764.3	51.9%
Other	193.1	2.0%	170.5	1.9%	164.8	1.8%
Total	$ 9,805.1	100.0%	$ 9,146.2	100.0%	$ 9,178.9	100.0%

* The credit ratings represent investment grade ratings provided by DBRS

Loans

Total loan balances decreased to $1.3 billion from $1.8 billion at the same time last year.

Figure 3 - Loans ($ millions)

	30-Sep-13	30-Sep-12	31-Dec-12
Loans to Credit Unions	$ 1,032.6	$ 1,499.9	$ 1,834.3
Syndicated commercial loans	170.4	162.0	167.8
Non syndicated commercial loans	16.4	30.4	21.4
Securities acquired under reverse repurchase agreements	11.4	94.3	11.5
Mortgages	14.1	20.3	17.4
Other loans	12.5	14.3	13.6
	$ 1,257.4	$ 1,821.2	$ 2,066.0

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

Loans to member credit unions decreased to $1.0 billion from $1.5 billion at the same time last year. The amounts advanced under Central 1's non-credit union loan facilities as at September 30, 2013 was $224.8 million, down from $321.3 million in 2012, of which, commercial lending amounted to $186.8 million as at September 30, 2013, compared to $192.4 million a year ago. These loans represented 14.9% of Central 1's total loan portfolio at quarter-end, up from 10.6% a year ago. Meanwhile, Securities acquired under reverse repurchase agreements saw a decrease from $94.3 million to $11.4 million as at September 30, 2013.

Borrowings

Figure 4 summarizes Central 1's total Borrowings as at September 30, 2013 together with comparative numbers for the end of the third quarter in 2012.

Figure 4 - Borrowings ($ millions)

Debt securities issued at amortized cost ($ millions)	**30-Sep-13**	**30-Sep-12**	**31-Dec-12**
Commercial Paper issued	$ 626.0	$ 399.4	$ 586.9
Medium term notes issued	269.6	312.6	583.9
	895.6	712.0	1,170.8
Deposits and Trading Liabilities by type ($ millions)			
Mandatory Deposits	5,865.4	5,480.0	5,719.6
Non-Mandatory Deposits	2,009.7	2,862.4	2,663.3
Deposits from member credit unions	7,875.1	8,342.4	8,382.9
Others	456.8	419.0	467.5
	8,331.9	8,761.4	8,850.4
Securities under repurchase agreements	101.4	296.3	201.4
Total Borrowings	$ 9,328.9	$ 9,769.7	$ 10,222.6

Total Debt securities issued as at September 30, 2013 were $0.9 billion compared to $0.7 billion a year ago. Of the total amount outstanding as at September 30, 2013 $0.3 billion was borrowed under Central 1's Medium Term Note facility and the remainder was borrowed through Central 1's Commercial Paper facility.

In aggregate, deposits from Central 1's member credit unions were $7.9 billion as at September 30, 2013, compared to $8.3 billion a year ago. Credit union mandatory deposits grew by $0.4 billion over the year, to reach $5.9 billion as at September 30, 2013, reflecting the growth of both the B.C. and the Ontario credit union systems during the same period. This was offset by a reduction in the excess deposits from credit unions of $0.9 billion over the past year.

Securitization Activities

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

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

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

Direct securitization transactions are accounted for on balance sheet while indirect securitizations are off balance sheet. Details of the balances included in the statement of financial position as at period end can be found in Notes 7, 10 and 16 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, 2013. Central 1's equity increased by $23.5 million during the period to $830.5 million. The increase in equity can be attributed to the growth in retained earnings partially offset by decreases in the fair value reserve during the period. This is compared to an increase in equity of $79.4 million during the same period last year.

Summary of Quarterly Results

Central 1's financial results for each of the last eight most recently completed quarters are summarized in the accompanying table (Figure 5, page 12). Interest margin has generally declined quarter over quarter since mid-2011. Events in financial markets have resulted in a sustained period of low interest rates which has resulted in lower yields on both Central 1's interest bearing assets and its interest bearing liabilities. Beginning in 2011 and continuing into 2013 Central 1 reduced the risk exposures in its investment portfolio; this has resulted in yields on assets declining more than yields on liabilities over the past several quarters.

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

Third Quarter 2013 Compared to Second Quarter 2013

Profit for the third quarter of 2013 was $7.8 million, down from Profit of $20.5 million in the second quarter of 2013. Interest margin was $7.3 million, down from $7.8 million in the previous quarter. Average assets were lower at $12.6 billion compared to $13.7 billion in the previous quarter. Interest margin as a percentage of average assets increased slightly from 22.8 basis points to 23.0 basis points.

Losses on disposal of financial instruments were $4.5 million while changes in fair value of financial instruments resulted in a gain of $9.6 million, giving a net overall gain of $5.1 million, compared to an overall gain of $19.6 million in the second quarter of 2013. The gains were primarily driven by an improvement in credit spreads in certain sectors during the quarter which outweighed the negative impact of rising interest rates.

Other income of $25.7 million during the third quarter of 2013 was down $2.9 million from $28.6 million during the second quarter of 2013. Technology and Payments Services revenues decreased by $0.3 million over the prior quarter as paper payments processing volumes and other operating revenues combined for a decrease of $1.0 million. Marketing revenues decreased by $0.7 million and Treasury revenues decreased by $1.3 million over the prior quarter. These negative variances were partially offset by an increase in direct banking and network access revenues of $0.7 million.

In aggregate, Operating expenses during the third quarter of 2013 were $28.8 million, down $2.9 million from $31.7 million in the second quarter of 2013. Salary and benefit expenses decreased from $16.0 million during the second quarter of 2013, to $15.0 million in the third quarter of 2013.

Other operating expenses for the third quarter of 2013 were $13.8 million, which was $2.0 million lower than the second quarter of 2013. The decrease in other expenses primarily reflects the decrease in costs within Marketing of $0.6 million. It also reflects a decrease in costs incurred by Central 1's subsidiaries related to the provision of insurance services of $0.6 million over the prior quarter.

Figure 5 - Quarterly Earnings

($ thousands, except as indicated)	2013/2012 Period Ended				2012/2011 Period Ended			
	31-Dec-12	31-Mar-13	30-Jun-13	30-Sep-13	31-Dec-11	31-Mar-12	30-Jun-12	30-Sep-12
Total interest income	$ 73,033	$ 64,398	$ 62,001	$ 54,159	$ 83,030	$ 79,212	$ 77,146	$ 74,791
Total interest expense	63,901	56,611	54,200	46,851	70,138	68,082	67,014	65,306
Interest margin	9,132	7,787	7,801	7,308	12,892	11,130	10,132	9,485
Gain (loss) on disposal of financial instruments	2,727	5,645	19,362	(4,554)	43,502	30,972	22,329	10,595
Changes in fair value of financial instruments	3,792	14,496	202	9,645	(28,629)	(1,986)	(27,108)	10,258
Recovery (provision) of credit losses	1,995	745	45	149	(1,084)	111	(553)	872
Other income	28,250	27,424	28,583	25,723	25,229	25,007	27,421	26,179
Operating expenses	(30,470)	(33,119)	(31,748)	(28,826)	(33,844)	(29,403)	(27,551)	(27,641)
Income taxes	(1,928)	(2,948)	(3,778)	(1,639)	(2,647)	(4,803)	(682)	(4,120)
Profit for the period	$ 13,498	$ 20,030	$ 20,467	$ 7,806	$ 15,419	$ 31,028	$ 3,988	$ 25,628
Weighted average shares outstanding (millions)	287.6	291.4	293.3	293.5	239.5	274.2	278.3	281.2
Earnings per share								
Basic *(cents)*	4.7	6.9	7.0	2.7	6.4	11.3	1.4	9.1
Diluted *(cents)*	4.7	6.9	7.0	2.7	6.4	11.3	1.4	9.1

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

Nine Months Ended September 30, 2013 Compared to Previous Year

Profit in the first nine months of 2013 was $48.3 million, down from a Profit of $60.6 million in the first nine months of 2012. Interest margin decreased to $22.9 million in the first nine months of the year compared to $30.7 million in the same period last year reflecting both lower yields on securities and a decrease in average assets from $14.4 billion to $13.5 billion. Interest margin as a percentage of average assets decreased from 28.4 basis points to 22.7 basis points.

Gains on disposal of financial instruments were $20.5 million while changes in fair value of financial instruments resulted in a gain of $24.3 million, giving a net overall gain of $44.8 million, compared to an overall gain of $45.1 million in the first nine months of 2012.

Other income of $81.7 million for the first nine months of the year was higher than the $78.6 million earned in the comparable period in 2012, while Operating expenses were $93.7 million compared to $84.6 million incurred last year.

Central 1's Technology and Payment Services recorded revenues of $47.7 million during the first nine months of 2013, up from $45.5 million a year ago. Income from Central 1's equity interest in affiliates increased to $4.7 million for the nine months of 2013 from $2.4 million for the same period in 2012 and Central 1 also received dividends from affiliates which were $0.4 million higher than during the same period in 2012. Partially offsetting these positive variances was a decline in Treasury services income of $1.4 million.

Operating expenses of $93.7 million for the first nine months of 2013 were $9.1 million higher than the same period in 2012. Salaries and benefit expenses were $51.5 million for the first nine months of 2013, an increase of $4.0 million over the same period in 2012. The increase is largely attributable to restructuring costs of $4.9 million incurred in the first quarter of 2013.

Other operating expenses were $42.2 million during the current year, up from $37.1 million during the same period in 2012. Cost of sales and services were $2.8 million higher compared to the same period in 2012, reflecting increased revenues in Technology and Payment Services and Marketing. Professional fees increased by $3.5 million reflecting costs incurred to support the implementation of recommendations resulting from the 2012 review of Central 1's capital management, and liquidity and funding risk management processes.

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	**30-Sep-13**	**30-Sep-12**	**31-Dec-12**	**Target**	**Regulatory Requirement**
Total Regulatory Capital as % of Risk-Weighted Assets (Prov)	43.9%	38.1%	38.9%	> 15%	> 10%
Borrowing Multiple (Fed)	12.6:1	14.0:1	14.4:1	15.0:1-17.0:1	less than 20.0:1

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

Central 1's borrowing multiple for federal capital adequacy purposes was 12.6:1, down from 14.4:1 at December 2012 while its percentage of regulatory capital to risk weighted assets for provincial capital adequacy purposes increased from 38.9% to 43.9% during the same period. The decrease in the borrowing multiple is primarily driven by the decrease in borrowings and the marginal increase in Retained earnings.

One of the objectives of Central 1's Capital Plan and Policy is to provide a clear, transparent and consistent methodology for managing capital which recognizes the scarcity of capital and its cost to our members. One of the key foundations of the plan is that Class A share capital supports Class A member mandatory deposits and that a clear and consistent schedule of share calls be established. Class A share calls are now routinely scheduled each May and November to support mandatory deposits as at March 31 and September 30 respectively.

The Board approved the November, 2013 scheduled share call as planned for the end of November, 2013 at its meeting held in September. The share call is estimated to be $13.6 million.

Figure 6b - Capital Position ($ thousands)

	30-Sep-13	30-Sep-12	31-Dec-12
Share Capital	$ 293,472	$ 283,174	$ 290,299
Contributed Surplus	87,901	87,901	87,901
Retained Earnings	417,742	357,804	368,180
Less: Adjustments	(4,529)	(4,735)	(4,529)
Tier 1 Capital	794,586	724,144	741,851
Subordinated Debt	168,000	168,000	168,000
Add: Adjustments	4,529	4,735	4,529
Tier 2 Capital	172,529	172,735	172,529
Total Capital	967,115	896,879	914,380
Statutory Capital Adjustments	(149,848)	(151,811)	(152,905)
Capital Base	$ 817,267	$ 745,068	$ 761,475

Central 1's regulatory capital base for federal purposes is calculated in Figure 6b above. As at September 30, 2013, Central 1's federal Tier 1 Capital was $794.6 million and Total Capital before deductions was $967.1 million, compared to $724.1 million and $896.9 million, respectively, a year earlier. The increase in the Total Capital before deductions over the past year primarily reflects the growth in Retained earnings. The calculation of Central 1's capital base for provincial purposes is similar to the federal calculation.

FICOM has set out a number of expectations for Central 1 that reflect the important role Central 1 plays in the stability of the credit union system. FICOM's intent with their expectations is to ensure that Central 1 can support credit union liquidity requirements, including under stressed conditions, and to ensure that Central 1's risk profile and corresponding need for capital support remain within the appetite and tolerance level of its members. FICOM and Central 1 are in the process of developing a working group of member credit unions to assess the impact of the expectations.

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, 2012.

Liquidity Risk

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

Market Risk

Market risk refers to the risk of loss resulting from changes in market factors such as interest rates, foreign exchange rates and credit and swap spreads. The level of market risk to which Central 1 is exposed varies depending on market conditions, future price and market movements and the composition of Central 1's investment, lending and derivative portfolios. Market risk can have a direct impact on Central 1’s earnings for those positions which are marked-to-market for accounting purposes.

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

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

Interest Rate Sensitivity ($ thousands)

	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	$ 16,600	67.2%	$ 19,961	2.7%
200 bps decrease in rates	$ (8,062)	(32.6%)	$ (11,874)	(1.6%)

As at September 30, 2013, Central 1 estimated that a 200 bps decrease in rates would result in a 32.6% decline in interest margin over 12 months versus the base case. During September, Central 1 began to reposition its investment portfolio towards higher holdings of high quality liquid assets. Central 1 also changed the assumptions regarding future portfolio composition to reflect a continued shift of the portfolio throughout 2014 towards its targeted level of highly liquid assets. These factors combined to reduce the base case projection of interest margin, which in turn resulted in a proportionately higher impact of the simulated yield curve shifts on interest margin.

During October, Central 1 has already taken steps to reduce the interest rate volatility in the portfolio by increasing holdings of fixed rate securities and overlaying interest rate swap hedges. Central 1 expects to be back within its policy limits by the end of October.

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

Foreign Exchange Rate Risk

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

Credit Risk

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

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

Insurance Risk

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

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

Operational Risk

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

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

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

Central 1's Accounting Policies and Estimates

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

Effective January 1, 2013 Central adopted new and amended accounting standards *IAS 1 – Presentation of Other Comprehensive Income, IFRS 10 – Consolidation*, *IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities, IFRS 13 – Fair Value Measurement*, and *IAS 19R – Employee Benefits (revised).*

IFRS 10 provides the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee. IFRS 11 provides a framework for entities to assess whether or not they participate in joint arrangement, joint venture of joint operations. IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of risk associated with the entity's interest in other entities. IFRS 13 establishes a framework for measuring fair value and sets disclosure requirements for fair value measurements. IAS 19R provides a new approach to measuring actuarial gains and losses on employee benefit plans.

On adoption of IAS 19R, Central 1 elected to change its accounting policy related to the recognition of unrealized actuarial gains and losses. Previously, Central 1 recognized actuarial gains or losses immediately on Other Comprehensive Income (OCI) and subsequently transferred those amounts from AOCI to retained earnings. Central 1 will no longer transfer unrealized gains or losses from AOCI to retained earnings.

The impact of this change was to increase retained earnings by $6.7 million and to decrease AOCI by $12.1 million as at December 31, 2012 from the amounts that were reported in Central 1's 2012 annual consolidated financial statements.

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

Critical Accounting Estimates

The adoption of these new and amended accounting standards has required management to exercise judgment in determining fair value and in assessing whether or not Central 1 has control of other entities. Note 3 of the consolidated interim financial statements contains information on these areas and should be read in conjunction with Note 4 of Central 1's annual consolidated financial statements for the year ended December 31, 2012.

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, 2013.

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.

Central 1 Credit Union
Interim Consolidated Statement of Financial Position
Unaudited

	Notes	September 30 2013	September 30 2012	December 31 2012
		(Thousands of dollars)		
Assets				
Cash and cash equivalents		$ 53,420	$ 90,715	$ 90,238
Deposits with regulated financial institutions	5	6,191	6,230	106,275
Pledged trading assets	6	64,657	214,964	135,572
Reinvestment assets under the CMB and IMPP Programs	7	539,083	2,395,212	1,652,244
Non-pledged trading assets	6	2,893,444	2,820,046	2,678,954
Derivative assets	8	28,029	39,911	34,018
Loans	9	1,259,674	1,820,766	2,069,521
Investment securities	10	6,834,982	6,084,859	6,386,581
Secured loans to members	11	294,887	668,259	561,511
Current tax assets		8,075	-	-
Property and equipment		15,810	17,931	17,303
Intangible assets		9,510	5,901	6,412
Deferred tax assets		6,170	7,013	6,389
Investment in affiliates		111,886	110,617	110,170
Other assets	12	77,065	152,129	294,231
		$ 12,202,883	$ 14,434,553	$ 14,149,419
Liabilities				
Deposits designated as trading	13	$ 2,426,116	$ 2,335,570	$ 2,286,078
Derivative liabilities	8	153,788	226,570	216,042
Debt securities issued	14	895,723	715,364	1,170,804
Deposits 15		5,905,768	6,425,799	6,564,336
Obligations under the CMB and IMPP Programs	16	1,133,384	3,058,520	2,259,992
Subordinated liabilities	17	170,555	170,278	168,859
Provisions		5,094	6,006	5,280
Securities under repurchase agreements		101,448	296,332	201,433
Current tax liabilities		-	3,209	2,580
Deferred tax liabilities		4,020	2,955	2,929
Other liabilities	18	576,470	393,548	463,996
		11,372,366	13,634,151	13,342,329
Equity				
Share capital	19	293,472	283,174	290,299
Contributed surplus		87,901	87,901	87,901
Retained earnings		417,743	363,842	374,841
Accumulated other comprehensive income		19,059	50,767	39,459
Reserves		2,517	5,197	4,985
Total equity attributable to members of Central 1		820,692	790,881	797,485
Non-controlling interest		9,825	9,521	9,605
		830,517	800,402	807,090
		$ 12,202,883	$ 14,434,553	$ 14,149,419
Guarantees, commitments, and contingencies	24			

Approved by the Directors:

"Terry Enns"
Terry Enns, Chairperson

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

See accompanying notes to the interim consolidated financial statements

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

	Notes	(Thousands of dollars) For the three months ended September 30 2013	September 30 2012	(Thousands of dollars) For the nine months ended September 30 2013	September 30 2012
Interest income					
Securities		$ 40,020	$ 36,881	$ 117,984	$ 114,268
Deposits with regulated financial institutions		61	57	230	186
Loans		6,997	10,906	23,297	32,312
Secured loans and reinvestment assets		7,081	26,947	39,047	84,383
		54,159	74,791	180,558	231,149
Interest expense					
Debt securities issued		3,866	4,042	13,597	11,625
Deposits		30,606	32,281	92,171	98,146
Obligations under the CMB and IMPP programs		10,730	27,335	46,998	85,721
Subordinated liabilities		1,649	1,648	4,896	4,910
		46,851	65,306	157,662	200,402
Interest margin		7,308	9,485	22,896	30,747
Gain (loss) on disposal of financial instruments	20	(4,554)	10,595	20,453	63,896
Changes in fair value of financial instruments	21	9,645	10,258	24,343	(18,836)
Net financial income		12,399	30,338	67,692	75,807
Provision (recovery) for credit losses	9	(149)	(872)	(939)	(430)
		12,548	31,210	68,631	76,237
Other income	22	25,723	26,179	81,730	78,607
Net financial and other income		38,271	57,389	150,361	154,844
Operating expenses					
Salaries and employee benefits		15,011	15,298	51,526	47,534
Premises and equipment		1,506	2,729	6,284	7,526
Other administrative expenses		12,309	9,614	35,883	29,535
		28,826	27,641	93,693	84,595
Profit before income taxes		9,445	29,748	56,668	70,249
Income taxes	23	1,639	4,120	8,365	9,605
Profit for the period		$ 7,806	$ 25,628	$ 48,303	$ 60,644

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 2013	September 30 2012	September 30 2013	September 30 2012
Profit for the period	$ 7,806	$ 25,628	$ 48,303	$ 60,644
Other comprehensive income, net of tax				
Fair value reserve (available-for-sale financial assets)				
Items that may be reclassified subsequently to profit or loss				
Net change in fair value[1]	3,841	16,449	(8,123)	20,926
Reclassification of gains on available-for-sale assets to profit or loss[2]	(1,208)	(2,702)	(12,585)	(6,076)
	2,633	13,747	(20,708)	14,850
Net actuarial gains on employee benefits plans[3]	-	-	308	-
Other comprehensive income (loss), net of tax	2,633	13,747	(20,400)	14,850
Comprehensive income, net of tax	$ 10,439	$ 39,375	$ 27,903	$ 75,494
Income tax (recoveries) deducted from the above items				
Income tax on items that may be reclassified subsequently to profit or loss				
[1] Net change in fair value of available-for-sale assets	$ 716	$ 2,649	$ (1,627)	$ 3,406
[2] Reclassification of gains on available-for-sale assets to profit or loss	$ (164)	$ (430)	$ (2,261)	$ (925)
[3] Net actuarial gains on employee benefits plans	$ -	$ -	$ (308)	$ -

See accompanying notes to the interim consolidated financial statements

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

(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributible to Equity holders								
Balance at January 1, 2013 (Note 3)	$ 290,299	$ 87,901	$ 374,841	$ 51,577	$ (12,118)	$ 4,985	$ 797,485	$ 9,605	$ 807,090
Total Comprehensive income for the period									
Profit for the period			48,303				48,303	-	48,303
Other comprehensive income (loss), net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(20,708)			(20,708)		(20,708)
Employee benefits reserve (net of tax)					308		308		308
Total comprehensive income (loss)	-	-	48,303	(20,708)	308	-	27,903	-	27,903
Transactions with owners, recorded directly in equity									
Dividends to members			(9,437)				(9,437)		(9,437)
Related tax savings			1,571				1,571		1,571
Class "E" shares redemption, net of tax			(3)				(3)		(3)
Net Classes "A", "B" and "C" shares issued	3,173						3,173		3,173
Preferred shares issued by subsidiary							-	220	220
Transfer from reserves			2,468			(2,468)	-		-
Total contributions and distributions to owners	3,173	-	(5,401)	-	-	(2,468)	(4,696)	220	(4,476)
Balance at September 30, 2013	$ 293,472	$ 87,901	$ 417,743	$ 30,869	$ (11,810)	$ 2,517	$ 820,692	$ 9,825	$ 830,517

Profit attributable to:	2013	2012
Members of Central 1	$ 48,303	$ 60,644
Non-controlling interest	-	-
	$ 48,303	$ 60,644

Total Comprensive income attributable to:		
Members of Central 1	$ 27,903	$ 75,494
Non-controlling interest	-	-
	$ 27,903	$ 75,494

See accompanying notes to the interim consolidated financial statements

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

(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributible to Equity holders								
Balance at January 1, 2012 (Note 3)	$ 272,062	$ 87,901	$ 310,782	$ 45,612	$ (9,695)	$ 5,281	$ 711,943	$ 9,085	$ 721,028
Total Comprehensive income for the period									
Profit for the period			60,644				60,644		60,644
Other comprehensive income (loss), net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				14,850			14,850		14,850
Total comprehensive income	-	-	60,644	14,850	-	-	75,494	-	75,494
Transactions with owners, recorded directly in equity									
Dividends to members			(8,890)				(8,890)		(8,890)
Related tax savings			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 from reserves			84			(84)	-		-
Total contributions and distributions to owners	11,112	-	(7,584)	-	-	(84)	3,444	436	3,880
Balance at September 30, 2012	$ 283,174	$ 87,901	$ 363,842	$ 60,462	$ (9,695)	$ 5,197	$ 790,881	$ 9,521	$ 800,402

See accompanying notes to the interim consolidated financial statements

Central 1 Credit Union
Interim Consolidated Statements of Cash Flows
Unaudited

	(Thousands of dollars) For the three months ended September 30 2013	(Thousands of dollars) For the three months ended September 30 2012	(Thousands of dollars) For the nine months ended September 30 2013	(Thousands of dollars) For the nine months ended September 30 2012
Cash flows from operating activities				
Profit for the period	$ 7,806	$ 25,628	$ 48,303	$ 60,644
Adjustments for:				
Depreciation and amortization	1,256	1,085	3,556	2,731
Net interest income (loss)	(7,308)	(9,485)	(22,896)	(30,747)
Gain (loss) on disposal of financial instruments	4,554	(10,595)	(20,453)	(63,896)
Changes in fair value of financial instruments	(9,645)	(10,258)	(24,343)	18,836
Income tax expense	1,639	4,120	8,365	9,605
(Recovery) provision for credit losses	(149)	(872)	(939)	(430)
Other items, net	2,989	3,624	(3,474)	(2,043)
	1,142	3,247	(11,881)	(5,300)
Change in trading assets	(371,082)	304,954	(163,796)	1,029,123
Change in settlements in transit	516,387	(2,612)	319,408	88,203
Change in loans	82,902	77,320	808,616	717,088
Change in trading liabilities	317,451	220,999	152,899	305,733
Change in deposits	(810,366)	(291,108)	(654,696)	(723,697)
Change in deriatives assets and liabilities	(10,309)	(7,413)	(44,464)	(11,440)
	(273,875)	305,387	406,086	1,399,710
Interest received	53,715	66,398	191,662	227,430
Interest paid	(42,704)	(45,692)	(169,118)	(184,410)
Income tax paid	(23)	(24)	(7,686)	(11,031)
Net cash from operating activities	(262,887)	326,069	420,944	1,431,699
Cash flows from investing activities				
Change in deposits with regulated financial institutions	(11)	149,990	100,032	(904)
Change in reinvestment assets under the CMB and IMPP programs	338,886	(141,785)	1,107,107	(197,759)
Change in investment securities	300,545	(652,155)	(459,545)	(2,161,858)
Change in secured loans to members	111,070	166,428	263,728	489,898
Acquisition of property, plant and equipment	(325)	(172)	(1,047)	(2,817)
Acquisition of intangible assets	(1,869)	(2,392)	(3,838)	(4,098)
	748,296	(480,086)	1,006,437	(1,877,538)
Cash flows from financing activities				
Change in obligations under the CMB and IMPP Programs	(355,437)	-	(1,090,901)	(141,449)
Change in debt securities issued	(22,606)	-	(273,485)	337,989
Change in securities under repurchase agreements	(116,719)	169,391	(99,952)	239,247
Dividends paid	-	(2,955)	(3,034)	(11,140)
Issuance of shares	-	2,466	3,173	11,112
	(494,762)	168,902	(1,464,199)	435,759
Increase (decrease) in cash and cash equivalents	(9,353)	14,885	(36,818)	(10,080)
Cash and cash equivalents - beginning of period	62,773	75,830	90,238	100,795
Cash and cash equivalents - end of period	$ 53,420	$ 90,715	$ 53,420	$ 90,715

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 22, 2013.

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 10.
- the assets and liabilities for defined benefit obligations are recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

In preparing the interim consolidated financial statements, management is required to make estimates and assumptions based on information as of the date of the 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.

Note 4 of Central 1's annual consolidated financial statements for the year ended December 31, 2012 contains information about significant areas of estimation, uncertainty and critical judgments that were used in applying accounting policies during the preparation of Central 1's annual consolidated financial statements for the year ended December 31, 2012. In addition to those areas, management applied significant judgment in the following areas when preparing Central 1's interim consolidated financial statements for the nine months ended September 30, 2013.

Determining fair value

The determination of fair value for financial assets and liabilities requires the exercise of judgement by management. The adoption of the new accounting standard IFRS 13 – Fair Value Measurement, has resulted in greater flexibility being permitted in determining fair values. The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also Note 4 "Fair value of financial instruments" for further discussion.

Determining if control exists over an investee

Under IFRS 10 an entity must assess whether or not it controls other entities based on assessment of its ability to influence the returns of an investee and the level to which it participates in those returns. This requires an investor to use judgment to assess the nature of the operations of the investee, the degree to which it is able to direct those operations and the level of exposure that the investor has to the variable returns of those entities.

3. Significant accounting policies

These consolidated interim financial statements have been prepared using the same accounting policies as set out in Note 3 to Central 1's consolidated financial statements as at and for the year ended December 31, 2012 except as described below:

Effective January 1, 2013 the following new and amended accounting standards were adopted by Central 1; IAS 1 – Presentation of Financial Statements (Amended), IFRS 10 – Consolidation, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities, IFRS 13 – Fair Value Measurement, IAS 19R – Employee Benefits (revised).

IAS 1 Amended prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The amended standard requires an entity to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. As a result of adopting this standard, Central 1 has modified the presentation of its Interim Consolidated Statement of Comprehensive Income.

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purposes Entities. IFRS 10 establishes the principles of control and introduces a new approach to determining whether an investor controls an investee and therefore must consolidate the investee. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Central 1 concluded that there were no entities to be consolidated or deconsolidated on adoption of this standard.

IFRS 11 provides a framework for entities to assess whether or not they participate in a joint arrangement, joint venture or joint operations. Central 1 concluded that there were no activities of Central 1 which constituted a joint arrangement, joint venture or joint operations.

IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. On adoption of this standard, Note 3(a) to Central 1's consolidated financial statements as at and for the year ended December 31, 2012 was replaced by the section on the Basis of Consolidation below.

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard establishes a framework for measuring fair value including a revised definition of fair value (further details can be found in Note 4 to the Interim Consolidated Financial Statements) and sets out disclosure requirements for fair value measurements. Central 1 concluded that there were no significant changes in the fair value measurement of financial instruments required on adoption of this new standard although additional enhancements have been made to disclosures on fair values in the Interim Consolidated Financial Statements.

IAS 19R provides a new approach to measuring actuarial gains and losses on employee benefit plans. The new standard eliminates the use of the "corridor method" with actuarial gains and losses now to be recognized in Other Comprehensive Income as they are incurred. The entity may also transfer the amounts recognized in Other Comprehensive Income within Equity while previously, it was a requirement to transfer the amounts recognized in Other Comprehensive Income to Retained earnings.

The adoption of these new and amended standards has not resulted in changes in the carrying amount of assets or liabilities as previously reported except for IAS 19R. On adoption of IAS 19R, Central 1 chose to amend its accounting policy related to the recognition of unrealized actuarial gains and losses. Previously, Central 1 recognized actuarial gains or losses immediately in Other Comprehensive Income and subsequently transferred those amounts from Accumulated other comprehensive Income to Retained earnings. Central 1 will no longer transfer unrealized gains or losses to Retained earnings from Accumulated other comprehensive Income to Retained earnings. The impact of this change is as follows:

(Thousands of dollars)

Retained earnings	**As Previously Disclosed**	**Impact of Transitional Adjustments**	**As Revised**
As at January 1, 2012	$ 304,744	$ 6,038	$ 310,782
Profit for the year	74,265	(207)	74,058
Transactions with owners and Non-Controlling Interests	(10,828)	829	(9,999)
As at December 31, 2012	$ 368,181	$ 6,660	$ 374,841

Accumulated other comprehensive income			
As at January 1, 2012	$ 45,612	$ (9,695)	$ 35,917
Other Comprehensive Income	5,136	(1,594)	3,542
Transactions with owners and Non-Controlling Interests	829	(829)	-
As at December 31, 2012	$ 51,577	$ (12,118)	$ 39,459

The impact on Retained earnings and Accumulated other comprehensive income as at September 30, 2012 was to increase Retained earnings by $6.0 million and to reduce Accumulated other comprehensive income by $9.7 million.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of Central 1 and its subsidiaries: 0789376 B.C. Ltd., Central Financial Corporation (1989) Ltd., Central 1 Trust Company, C.U. Financial Services Ltd., Central Data Systems Ltd., Central Risk and Insurance Management Services Ltd., CUPP Services Ltd., Inovera Solutions Inc., Landmark Credit Limited and Stabilization Fund Corporation. Central 1 owns all the common shares of each of its subsidiaries. All inter-corporate transactions and balances have been eliminated in preparing the consolidated financial statements.

Subsidiaries are entities controlled by Central 1. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies across all subsidiaries for like transactions and other events in similar circumstances.

An entity is consolidated if Central 1 concludes that it controls the entity. The following circumstances may indicate a relationship in which, in substance, Central 1 controls and therefore consolidates the entity:

- Central 1 has power over the entity whereby Central 1 has the ability to direct the relevant activities ie. the activities that affect the entity's returns
- Central 1 is exposed, or has rights, to variable returns from its involvement with the entity
- Central 1 has the ability to use its power over the entity to affect the amount of the entity's returns

Central 1 owns all of the outstanding common shares of CUPP Services Ltd. (CUPP) which allows Central 1 to appoint the majority of the Board of Directors. CUPP has no employees and management functions are performed by employees of Central 1 pursuant to contractual agreements. Credit unions of British Columbia, including Central 1, participate in insurance programs offered by CUPP and hold preferred shares based on the historical performance of CUPP. Central 1 is exposed to returns from CUPP both through its holdings of the common shares and through its participation in the programs offered by CUPP. Management has concluded that Central 1 has control over CUPP through its voting rights and exposure to variable returns from CUPP. Central 1 recognizes the interests of these preferred shareholders of CUPP Services Ltd. as a Non-controlling interest in the consolidated statement of financial position.

Central 1 owns all the common shares of Stabilization Fund Corporation. Members of the Board of Directors of Stabilization Fund Corporation are employees of Central 1 and have been appointed to the Board of Stabilization Fund Corporation by Central 1. Stabilization Fund Corporation has no employees and management functions are performed by Central 1 employees pursuant to contractual agreements. Management has concluded that Central 1 has control over Stabilization Fund.

Further information regarding Central 1's subsidiaries is contained in Note 27.

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 as either available-for-sale or fair value through profit or loss. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date. The best evidence of fair value is a quoted bid price for financial assets or an offer price for financial liabilities from an active market.

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

Financial instruments whose book values approximate fair value

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

Financial instruments for which fair value is determined using valuation techniques

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

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

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

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.

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

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

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

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

September 30, 2013 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Cost[1]	Total Carrying Value
Assets						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 53.4	$ 53.4
Deposits with regulated financial institutions	-	-	-	-	6.2	6.2
Pledged trading assets	-	64.7	-	64.7	-	64.7
Reinvestment assets under the CMB and IMPP programs	-	539.1	-	539.1	-	539.1
Non-pledged trading assets	-	2,893.4	-	2,893.4	-	2,893.4
Derivative assets	-	28.0	-	28.0	-	28.0
Loans	-	-	-	-	1,259.7	1,259.7
Investment securities	-	6,793.7	9.2	6,802.9	32.1	6,835.0
Secured loans to members	-	-	294.9	294.9	-	294.9
Current tax assets	-	-	-	-	8.0	8.0
Property and equipment	-	-	-	-	15.8	15.8
Intangible assets	-	-	-	-	9.5	9.5
Deferred tax assets	-	-	-	-	6.2	6.2
Investment in affiliates	-	-	-	-	111.9	111.9
Other assets	-	-	-	-	77.1	77.1
Total assets	$ -	$ 10,318.9	$ 304.1	$ 10,623.0	$ 1,579.9	$ 12,202.9
Liabilities						
Deposits designated as trading	$ -	$ 2,426.1	$ -	$ 2,426.1	$ -	$ 2,426.1
Derivative liabilities	-	153.8	-	153.8	-	153.8
Debt securities issued	-	-	-	-	895.7	895.7
Deposits	-	-	-	-	5,905.8	5,905.8
Obligations under the CMB and IMPP programs	-	1,133.4	-	1,133.4	-	1,133.4
Subordinated liabilities	-	-	-	-	170.6	170.6
Provisions	-	-	-	-	5.1	5.1
Securities under repurchase agreements	-	-	-	-	101.4	101.4
Deferred tax liabilities	-	-	-	-	4.0	4.0
Other liabilities	-	-	-	-	576.5	576.5
Total liabilities	-	3,713.3	-	3,713.3	7,659.1	11,372.4
Net Assets (Liabilities)	$ -	$ 6,605.6	$ 304.1	$ 6,909.7	$ (6,079.2)	$ 830.5

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

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

December 31, 2012 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Cost[1]	Total Carrying Value
Assets	$ -	$ 10,846.1	$ 570.7	$ 11,416.8	$ 2,738.2	$ 14,155.0
Liabilities	-	4,762.1	-	4,762.1	8,580.4	13,342.5
Net Assets (Liabilities)	$ -	$ 6,084.0	$ 570.7	$ 6,654.7	$ (5,842.2)	$ 812.5

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

(Millions of dollars)	Fair Value at December 31, 2012	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at September 30, 2013
Secured loans to members	$ 561.5	$ -	$ (264.3)	$ -	$ (2.3)	$ 294.9
Equity shares	9.2	-	-	-	-	9.2
Net Assets	$ 570.7	$ -	$ (264.3)	$ -	$ (2.3)	$ 304.1

	Fair Value at January 1, 2012	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at December 31, 2012
Net Assets	$ 1,176.6	$ -	$ (596.9)	$ -	$ (9.0)	$ 570.7

Note 25 sets out the fair value of the financial instruments in the interim consolidated statement of financial position.

5. Deposits with regulated financial institutions

Deposits with regulated financial institutions classified as loans and receivables are as follows:

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Amortized cost	**$ 6,191**	$ 6,230	$ 6,272
Fair value	**$ 6,288**	$ 6,313	$ 6,331

Deposits with regulated financial institutions classified as available-for-sale are as follows:

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Amortized cost	**$ -**	$ -	$ 100,003
Fair value	**$ -**	$ -	$ 100,003

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

(Thousands of dollars)

September, 2013	September 30, 2012	December 31, 2012
$ 6,191	$ 6,230	$ 106,275

6. Trading assets

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

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Government & guarantees	**$ 1,653,269**	$ 1,723,617	$ 1,431,450
Corporate & financial institutions AA[1] or greater	**1,260,254**	1,241,299	1,284,990
Other	**44,578**	70,094	98,086
Fair value	**$ 2,958,101**	$ 3,035,010	$ 2,814,526

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

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Amortized cost	**$ 2,924,376**	$ 2,886,750	$ 2,708,564
Fair value	**$ 2,958,101**	$ 3,035,010	$ 2,814,526
Less pledged trading assets	**(64,657)**	(214,964)	(135,572)
Non-pledged trading assets	**$ 2,893,444**	$ 2,820,046	$ 2,678,954

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

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Trading assets	**$ 64,657**	$ 214,964	$ 135,572
Amounts included in investment securities	**41,168**	80,393	58,905
	$ 105,825	$ 295,357	$ 194,477

7. Reinvestment Assets under the CMB and IMPP Programs

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

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

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Government and guarantees	**$ 74,244**	$ 943,467	$ 491,590
Assets acquired under reverse repurchase agreements	**286,860**	235,839	148,840
Fair value	**$ 361,104**	$ 1,179,306	$ 640,430
Amortized cost	**$ 360,565**	$ 1,175,180	$ 638,117

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

	September 30, 2013	September 30, 2012	December 31, 2012
Fair value of Government & guarantees	**$ 177,978**	$ 1,215,906	$ 1,011,814
Amortized cost	**$ 177,845**	$ 1,213,684	$ 1,010,630
Total reinvestment assets under the CMB and IMPP Programs	**$ 539,083**	$ 2,395,212	$ 1,652,244

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8. Derivative assets and liabilities

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

(Thousands of dollars)

	September 30, 2013		September 30, 2012		December 31, 2012	
	Asset	Liability	Asset	Liability	Asset	Liability
Interest rate contracts						
Futures contracts	**$ -**	**$ -**	$ 185	$ 53	$ 25	$ 10
Swap contracts	**101,731**	**227,842**	210,740	397,876	169,076	350,988
Options purchased	**223**	**-**	725	-	218	-
Options written	**-**	**238**	-	746	-	264
	101,954	**228,080**	211,650	398,675	169,319	351,262
Foreign exchange contracts						
Foreign exchange forward contracts	**1,019**	**652**	941	575	353	434
Other derivative contracts						
Equities	**15,054**	**15,054**	14,237	14,237	14,338	14,338
Total fair value before adjustment	**118,027**	**243,786**	226,828	413,487	184,010	366,034
Adjustment for master netting agreements	**(89,998)**	**(89,998)**	(186,917)	(186,917)	(149,992)	(149,992)
	$ 28,029	**$ 153,788**	$ 39,911	$ 226,570	$ 34,018	$ 216,042

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

The amounts that have been pledged and received as collateral are $106.4 million and $nil respectively.

9. Loans

(Thousands of dollars)

		September 30, 2013	September 30, 2012	December 31, 2012
Due on demand	- Credit unions	**$ 132,870**	$ 25,925	$ 80,977
	- Commercial and others	**13,152**	7,065	1,661
		146,022	32,990	82,638
Term	- Credit unions	**899,703**	1,473,930	1,753,275
	- Commercial and others	**173,656**	185,353	187,392
	- Reverse repurchase agreements	**11,399**	94,319	11,485
	- Officers and employees	**12,492**	14,299	13,767
	- Mortgages	**14,134**	20,321	17,464
		1,111,384	1,788,222	1,983,383
		1,257,406	1,821,212	2,066,021
Accrued interest		**3,100**	5,523	5,084
		1,260,506	1,826,735	2,071,105
Allowance for credit losses		**(832)**	(5,969)	(1,584)
		$ 1,259,674	$ 1,820,766	$ 2,069,521

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

Impaired loans are as follows:

(Thousands of dollars)

	Gross Impaired	Specific Allowance	Collective Allowance	September 30, 2013	September 30, 2012	December 31, 2012
Credit unions	**$ -**	**$ -**	**$ -**	**$ -**	$ -	$ -
Commercial and others	**832**	**(713)**	**(119)**	**-**	32	-
Total	**$ 832**	**$ (713)**	**$ (119)**	**$ -**	$ 32	$ -

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, 2013**	**Nine months ended September 30, 2013**	Three months ended September 30, 2012	Nine months ended September 30, 2012	For the year ended December 31, 2012
Balance at beginning of period	**$ 913**	**$ 132**	**$ 1,045**	**$ 1,584**	$ 11,517	$ 12,526	$ 12,526
Net write-offs during the period	**(64)**	**-**	**(64)**	**187**	(4,676)	(6,127)	(8,517)
Provision (recovery) for credit losses	**(136)**	**(13)**	**(149)**	**(939)**	(872)	(430)	(2,425)
Balance at end of period	**$ 713**	**$ 119**	**$ 832**	**$ 832**	$ 5,969	$ 5,969	$ 1,584

10. Investment securities

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

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Amortized cost	**$ 6,809,010**	$ 6,025,738	$ 6,338,613
Fair value	**$ 6,834,982**	$ 6,084,859	$ 6,386,581

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

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
	$ 6,834,982	$ 6,084,859	$ 6,386,581

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

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Government & guarantees	**$ 3,267,235**	$ 2,100,395	$ 2,728,159
Corporate & financial Institutions AA(1) or greater	**3,377,846**	3,819,695	3,479,314
Other	**189,901**	164,769	179,108
	$ 6,834,982	$ 6,084,859	$ 6,386,581

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

The above table includes **$32.1** million (September 30, 2012 - $32.1 million; December 31, 2012 - $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 **$302.6** million (September 30, 2012 - $54.9 million; December 31, 2012 - $ 98.5 million) of third-party MBS that were transferred to CHT under the CMB program as described in the significant accounting policies as disclosed in Central 1's consolidated financial statements for the year end December 31, 2012.

At the period-end, securities having a par value of **$971.6** million (September 30, 2012 - $927.0 million; December 31, 2012 – $ 943.5 million) were lodged or pledged with the Bank of Canada and the Canadian Depository for Securities as collateral for the transfer and receipt of payments.

11. Secured loans to members

Through its participation in the CMB and IMPP Programs prior to 2010 as described in the significant accounting policies disclosed in Central 1's consolidated financial statements for the year end December 31, 2012, 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:

	September 30, 2013	September 30, 2012	December 31, 2012
Total amount of secured loans issued	**$ 4,240,559**	$ 4,240,559	$ 4,240,559
Aggregate principal payments received	**(3,947,243)**	(3,579,370)	(3,684,253)
Remaining par value of secured loans to members in the statement of financial position	**$ 293,316**	$ 661,189	$ 556,306

The components of these balances are as follows:

	September 30, 2013	September 30, 2012	December 31, 2012
Remaining par value of secured loans under the CMB and IMPP programs	**$ 134,190**	$ 355,243	$ 284,135
Remaining par value of secured loans retained by Central 1	**159,126**	305,946	272,171
	$ 293,316	$ 661,189	$ 556,306

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

Amortized cost	**$ 294,218**	$ 663,955	$ 558,481
Fair value	**$ 294,887**	$ 668,259	$ 561,511

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

	As at September 30, 2013	As at September 30, 2012	As at December 31, 2012
Change in value of secured loans to members:	**Increase (Decrease)**	Increase (Decrease)	Increase (Decrease)
200 bps parallel increase in interest rates	**$ (267)**	$ (1,609)	$ (1,164)
200 bps parallel decrease in interest rates	**286**	1,694	1,230
1% increase in prepayment rate	**(4)**	(34)	(21)
1% decrease in prepayment rate	**4**	34	21

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

12. Other assets

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Settlements in-transit	**$ 62,000**	$ 137,690	$ 279,491
Assets available for sale at amortized cost	**-**	4	-
Investment property	**5,736**	6,104	6,012
Prepaid expenses	**4,179**	3,436	2,961
Post-employment benefits	-	228	-
Accounts receivable and other	**5,150**	4,667	5,767
	$ 77,065	$ 152,129	$ 294,231

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

13. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Amortized cost	**$ 2,426,694**	$ 2,322,162	$ 2,275,998
Fair value	**$ 2,426,116**	$ 2,335,570	$ 2,286,078

The contractual maturity dates of these liabilities are as follows:

	September 30, 2013	September 30, 2012	December 31, 2012
Amount			
- due within three months	**$ 112,360**	$ 363,603	$ 299,315
- due after three months and within one year	**600,267**	959,506	817,942
- due after one year and less than five years	**1,698,217**	980,287	1,140,414
- due after five years	**3,000**	-	-
	2,413,844	2,303,396	2,257,671
Accrued interest	**12,850**	18,766	18,327
Amortized cost	**$ 2,426,694**	$ 2,322,162	$ 2,275,998

14. Debt securities issued

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Notes			
- due within three months	**$ 586,090**	$ 399,356	$ 487,241
- due after three months and within one year	**39,862**	312,648	412,330
- due after one year and less than five years	**269,614**	-	269,480
	895,566	712,004	1,169,051
Accrued interest	**157**	3,360	1,753
	$ 895,723	$ 715,364	$ 1,170,804

Central 1 has established **$86.6** million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At September 30, 2013, September 30, 2012 and December 31, 2012, 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, 2013, **$627.0** million was borrowed under the short-term commercial paper facility (September 30, 2012 - $400.0 million; December 31, 2012 - $588.0 million) and **$270.0** million was borrowed under the medium-term note facility (September 30, 2012 - $312.9 million; December 31, 2012 - $582.9 million).

15. Deposits

Deposits classified as other liabilities are as follows:

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Amount			
- Due on demand	**$ 912,162**	$ 922,990	$ 951,469
- Due within three months	**1,155,195**	1,555,344	1,424,996
- Due after three months and within one year	**1,351,758**	1,376,984	1,342,227
- Due after one year and less than five years	**2,451,780**	2,532,469	2,806,894
	5,870,895	6,387,787	6,525,586
Accrued interest	**34,873**	38,012	38,750
	$ 5,905,768	$ 6,425,799	$ 6,564,336

16. Obligations under the CMB and IMPP programs securitization transactions

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

	September 30, 2013	September 30, 2012	December 31, 2012
Amount due within one year	**$ 710,704**	$ 2,113,105	$ 1,603,436
Amount due after one year and less than five years	**336,452**	866,765	611,284
Amount due after five years	**76,599**	-	-
	1,123,755	2,979,870	2,214,720
Accrued interest	**3,399**	23,432	8,025
Amortized cost	**$ 1,127,154**	$ 3,003,302	$ 2,222,745
Fair Value of total obligations under the CMB and IMPP programs	**$ 1,133,384**	$ 3,058,520	$ 2,259,992

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

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Secured loans to members (Note 11)	**$ 294,887**	$ 668,259	$ 561,511
Total reinvestment assets under the CMB and IMPP Programs (Note 7)	**539,082**	2,395,212	1,652,244
Assets recognized as non-pledged trading assets and investment securities (Notes 6 & 10)	**302,591**	54,998	98,525
Total assets supporting the CMB and IMPP programs	**$ 1,136,560**	$ 3,118,469	$ 2,312,280

17. Subordinated liabilities

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Series 2	**$ 150,000**	$ 150,000	$ 150,000
Series 3	**18,000**	18,000	18,000
Principal amount	**168,000**	168,000	168,000
Accrued interest	**2,555**	2,278	859
	$ 170,555	$ 170,278	$ 168,859

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.

18. Other liabilities

(Thousands of dollars)

	September 30, 2013	September 30, 2012	December 31, 2012
Settlements in-transit	**$ 519,095**	$ 343,808	$ 417,089
Post-employment benefits	**22,558**	21,721	21,913
Short-term employee benefits	**4,412**	5,104	6,544
Dividends payable	**9,437**	3,001	3,034
Unearned insurance premiums	**961**	1,337	668
Finance leases	**1,178**	1,178	1,178
Trade amounts and other	**18,829**	17,399	13,570
	$ 576,470	$ 393,548	$ 463,996

19. Share Capital

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

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

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

The numbers of shares issued are as follows:

	(Thousands of shares)		
	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012	For the year ended December 31, 2012
Class A – credit unions			
Balance at beginning of period	**290,255**	272,018	272,018
Issued for cash during the period	**3,175**	11,135	18,279
Redeemed during the period	**(2)**	(23)	(42)
Balance at end of period	**293,428**	283,130	290,255
Class B – co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C – other			
Balance at beginning and end of period	**7**	7	7
Class E – credit unions			
Balance at beginning and end of period	**3,159**	3,159	3,159

The amounts outstanding are as follows:

	(Thousands of dollars)		
	September 30, 2013	September 30, 2012	December 31, 2012
Outstanding $1 par value shares			
Class A – credit unions	**$ 293,428**	$ 283,130	$ 290,255
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
	$ 293,472	$ 283,174	$ 290,299

20. Gain (loss) on disposal of financial instruments

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

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Net gain on disposal of trading assets	**$ 4,801**	$ 16,816	**$ 53,073**	$ 70,818
Net gain on disposal of investment securities	**1,372**	3,132	**14,846**	7,001
Net loss on disposal of derivatives	**(10,451)**	(9,178)	**(44,235)**	(12,664)
Net loss on disposal of deposits	**(276)**	(175)	**(3,231)**	(1,259)
	$ (4,554)	$ 10,595	**$ 20,453**	$ 63,896

21. Change in fair value of financial instruments

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Trading assets	**$ (1,888)**	$ (4,471)	**$ (72,093)**	$ (54,252)
Activities under the CMB and IMPP programs				
Reinvestment assets	**(307)**	(3,354)	**(1,757)**	(11,021)
Derivative assets and liabilities	**(2,551)**	(12,836)	**(16,841)**	(37,751)
Secured loans to members	**(301)**	(1,493)	**(2,361)**	(7,691)
Obligations to CHT and CMHC	**4,385**	18,507	**31,016**	59,047
Derivative assets and liabilities	**14,247**	12,005	**75,721**	25,802
Trading deposits	**(3,940)**	1,900	**10,658**	7,030
	$ 9,645	$ 10,258	**$ 24,343**	$ (18,836)

22. Other income

(Thousands of dollars)

	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Membership dues	**$ 2,156**	$ 2,074	**$ 6,573**	$ 6,328
Provincial advertising assessment	**408**	331	**1,263**	1,012
Equity interest in affiliates	**1,536**	922	**4,730**	2,352
Insurance premiums and assessments	**1,362**	1,729	**3,832**	5,200
Technology and payment services				
- Processing	**10,197**	10,215	**30,793**	30,441
- Direct banking	**5,636**	5,472	**16,882**	15,043
Wholesale financial services				
- Treasury services	**70**	75	**218**	328
- Foreign exchange	**(70)**	927	**1,964**	3,440
- Funding and commercial lending	**1,250**	1,370	**3,858**	3,806
- Employee benefits & retirement services	**297**	296	**911**	864
- Trust services	**599**	669	**1,715**	1,713
- Other	**-**	58	**1,104**	713
Trade and other services				
- Product compliance and design	**413**	414	**1,220**	1,149
- Property rents	**120**	244	**493**	767
- Risk management	**619**	569	**2,064**	1,989
- Marketing products & programs	**588**	494	**2,490**	1,245
- Research	**355**	258	**627**	631
- Other	**187**	62	**993**	1,586
	$ 25,723	$ 26,179	**$ 81,730**	$ 78,607

23. Provision for income taxes

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

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Provision for income taxes in statements of profit or loss	**$ 1,639**	$ 4,120	**$ 8,365**	$ 9,605
Income tax benefit related to dividends accrued and share redemptions	**(531)**	(419)	**(1,572)**	(1,245)
Total	**$ 1,108**	$ 3,701	**$ 6,793**	8,360

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

Current income taxes	**$ 2,197**	$ 3,220	**$ 6,695**	$ 8,430
Deferred income taxes (recovery)	**(558)**	900	**1,670**	1,175
Total	**$ 1,639**	$ 4,120	**$ 8,365**	$ 9,605

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 %** (2012 – 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, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
	%	%	%	%
Combined federal and provincial statutory income tax rates	**30.5**	30.5	**30.5**	30.5
Reduction available to credit unions	**(14.3)**	(17.0)	**(14.3)**	(17.0)
Impact of rate change on current tax	**-**	-	**1.2**	-
Change in estimated future tax rate on deferred tax balances	**-**	-	**(2.2)**	-
Non-deductible and other items	**1.2**	0.3	**(0.5)**	0.2
	17.4	13.8	**14.7**	13.7

24. 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 cost sharing 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, 2013	September 30, 2012	December 31, 2012
Standby letters of credit	**$ 208,533**	$ 209,120	$ 208,850
Commitments to extend credit	**$ 3,141,956**	$ 3,740,620	$ 3,272,393

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.

25. 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, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012	**September 30, 2013**	September 30, 2012
Assets						
Cash and cash equivalents	**$ 53.42**	$ 90.72	**$ 53.42**	$ 90.72	**$ -**	$ -
Deposits with regulated financial institutions[1]	**6.33**	6.31	**6.19**	6.23	**0.14**	0.08
Investment securities[1]	**9,793.08**	9,119.87	**9,793.08**	9,119.87	**-**	-
Reinvestment assets under the CMB and IMPP programs	**539.08**	2,395.21	**539.08**	2,395.21	**-**	-
Derivative assets	**28.03**	39.91	**28.03**	39.91	**-**	-
Loans[2]	**1,261.35**	1,821.85	**1,259.67**	1,820.77	**1.68**	1.08
Secured loans to members	**294.89**	668.26	**294.89**	668.26	**-**	-
Other assets	**228.52**	293.58	**228.52**	293.58	**-**	-
Liabilities						
Deposits designated as trading	**2,426.12**	2,335.57	**2,426.12**	2,335.57	**-**	-
Derivative liabilities	**153.79**	226.70	**153.79**	226.70	**-**	-
Debt securities issued[1]	**896.63**	718.31	**895.72**	715.36	**(0.91)**	(2.95)
Deposits from members[1]	**5,921.53**	6,468.64	**5,905.77**	6,425.80	**(15.76)**	(42.84)
Obligations under the CMB and the IMPP programs	**1,133.38**	3,058.52	**1,133.38**	3,058.52	**-**	-
Subordinated liabilities[1]	**173.67**	174.08	**170.56**	170.28	**(3.11)**	(3.80)
Securities under repurchase agreements	**101.45**	296.33	**101.45**	296.33	**-**	-
Other liabilities	**585.58**	405.72	**585.58**	405.72	**-**	-
Total					**$ (17.96)**	$ (48.43)

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

26. 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 targets a risk-weighted capital ratio of at least 15 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.

27. 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, 2013	September 30, 2012
Mortgage loans outstanding at end of period	**$ 1,075**	$ 1,433
Maximum mortgage loans outstanding during the period	**$ 1,370**	$ 1,890

Mortgage loans to key management personnel bear interest at rates ranging from 2.5% to 2.84% and are secured over property of the respective borrowers. No impairment losses have been recorded against balances during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at period end.

Key management personnel compensation for the period comprised:

	(Thousands of dollars)			
	For the three months ended		For the nine months ended	
	September 30, 2013	September 30, 2012	**September 30, 2013**	September 30, 2012
Salaries and short-term employee benefits	**$ 733**	$ 778	**$ 2,796**	$ 3,437
Post-employment benefits	**21**	32	**132**	156
Termination benefits	**-**	-	**2,833**	-
	$ 754	$ 810	**$ 5,761**	$ 3,593

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

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

Board of directors

During the three months ended September 30, 2013, the members of Central 1's Board of directors received aggregate remuneration of **$160** thousand (three months ended September 30, 2012 - $174 thousand).

Significant Subsidiaries

	(% ownership of common shares outstanding)		
	September 30, 2013	September 30, 2012	December 31, 2012
Central 1 Trust Company	**100%**	100%	100%
Central Risk and Insurance Management Services Inc.	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%
Stabilization Fund Corporation	**100%**	100%	100%

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

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, 2013	September 30, 2012	December 31, 2012
Credential Financial Inc.	**40%**	40%	40%
Credit Union Central of Canada (CUCC)	**51%**	50%	50%
CUMIS Group Limited	**27%**	27%	27%