Third Quarter Report 2015
Report to Members

Central 1®

CENTRAL 1 REPORTS RESULTS FOR THIRD QUARTER OF 2015

Third quarter highlights compared to the same period last year:

- Central 1's Profit for the period is $12.7 million, compared to $10.6 million a year earlier.
- Central 1's Return on average equity is 5.3%, compared to 4.6% a year earlier.
- Central 1's Assets are $14.6 billion, compared to $12.9 billion a year earlier.
- B.C. system Net operating income is $85.5 million, compared to $75.1 million a year earlier.
- B.C. system Assets are $65.7 billion, compared to $61.0 billion a year earlier.
- Ontario system Net operating income is $41.7 million, compared to $34.1 million a year earlier.
- Ontario system Assets are $39.0 billion, compared to $35.2 billion a year earlier.

Central 1 recorded a Profit of $12.7 million for the quarter ended September 30, 2015, compared to $10.6 million for the same period in 2014. Net financial income decreased $8.3 million compared with the same period last year, offset by an increase in Other income of $12.2 million. Of this total, $7.5 million was attributable to a one-time event. Operating expenses increased by $2.1 million to $32.6 million. Assets, which were $14.6 billion as at September 30, 2015, increased $1.7 billion from the same time in the prior year, driven by Mandatory and non-Mandatory deposit growth arising from growth and increased liquidity within the credit union system. Central 1 was in compliance with all regulatory capital requirements throughout the third quarter of 2015.

Global economic growth forecasts moderated further over the recent quarter. This was driven by the residual risks arising from the gradual withdrawal of accommodative monetary policy together with high levels of sovereign debt within advanced economies, together with structural vulnerabilities within developing economies. While growth expectations are slowing, underlying factors continue to strengthen and support a cyclical recovery.

While economic indicators in the U.S. continue to be positive, the rate of employment growth and the trend within net exports has delayed expectations of a rate increase by the Federal Reserve. In Canada, the Bank of Canada cut its overnight rate to start the third quarter for the second time this year, though more recent economic data has improved. Yields on fixed income securities are expected to remain low during this period of low growth.

The B.C. system earned $85.5 million before taxes, dividends, patronage refunds and extraordinary items in the third quarter of 2015, an increase of $10.4 million, or 13.9%, from the same period in 2014. Net interest income in the quarter increased $5.6 million over the previous year driven by lending growth. Non-interest income increased $5.8 million over the same period last year, while non-interest expenses increased $1.0 million, or 0.3%, over the same period last year. Loan loss expense decreased $5.2 million year-over-year. Combined assets of the B.C. system rose 7.7% year-over-year to reach $65.7 billion at quarter-end.

The Ontario system earned $41.7 million before taxes, dividends, patronage refunds and extraordinary items in the third quarter of 2015, an increase of $7.6 million, or 22.3%, from the same period in 2014. Net interest income in the quarter was down $6.2 million over the previous year due to margin compression, partially offset by lending growth. Non-interest income increased $11.2 million over the same period last year, while operating expenses decreased $2.7 million. Combined assets of the Ontario system rose 10.8% year-over-year to reach $39.0 billion at quarter-end.

Management’s Discussion & Analysis

Central 1

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

This portion of the report updates Central 1 Credit Union's (Central 1) Management's Discussion and Analysis (MD&A) for the year ended December 31, 2014, and reviews and analyzes the financial condition and results of operations of Central 1 for the three- and nine- month periods ended September 30, 2015 compared to the corresponding periods in the preceding fiscal year. The financial information included in this MD&A should be read in conjunction with Central 1's Interim Consolidated Financial Statements for the three- and nine- month periods ended September 30, 2015 which were authorized for issue by the Board of Directors on November 19, 2015. Additional information on Central 1 may be found on SEDAR at www.sedar.com.

Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with Central 1's basis of preparation and its accounting policies as contained in Notes 2 and 3 of the Interim Consolidated Financial Statements for the period ended September 30, 2015 which may be found on SEDAR at www.sedar.com.

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

Financial information for the B.C. system has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial credit union regulator, which makes available information provided to it by B.C. credit unions. Financial information for the Ontario system has been provided by the Deposit Insurance Corporation of Ontario (DICO), which makes available information it receives from Ontario credit unions. The differing provincial regulatory guidelines reduce the comparability of the information between the two provincial systems, and Central 1 has no means of verifying the accuracy of information provided by credit unions to FICOM or DICO or the subsequent compilation of that information by FICOM or DICO. This information is provided purely to assist the reader with understanding Central 1's results and should be read in the proper context.

Financial information provided by B.C. credit unions to FICOM and by Ontario credit unions to DICO has been prepared using reporting templates developed by FICOM and DICO, respectively. The format and accounting principles used to complete these templates are not fully consistent with International Financial Reporting Standards (IFRS). Central 1 is not able to reconcile the Net Operating Income (NOI) of the B.C. and Ontario credit union systems reported herein to an equivalent amount under IFRS. The NOI of the B.C. and Ontario credit union systems reported herein is not equivalent to income from continuing operations as would be reported under IFRS.

On May 5, 2015, the Department of Finance announced that OSFI will cease its supervision of provincial credit union centrals on January 15, 2017. This announcement follows the federal government's decision in 2014 to cease the joint supervision of provincial credit union centrals by the Office of the Superintendent Financial Institutions (OSFI).

Central 1, in conjunction with the provincial centrals in Alberta, Saskatchewan and Manitoba and Credit Union Central of Canada (CUCC), has submitted a proposal to the Credit Union Prudential Supervisors Association (CUPSA) to restructure the Group Clearer function performed by Central 1. This may result in changes to the way that credit unions perform payments and clearing functions in the future.

During 2015 the Canadian Credit Union Association (CCUA) was formed as the new National Trade Association for credit unions. It is envisioned that CCUA will eventually assume all trade association functions currently performed by CUCC.

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

Additional information about these and other factors can be found in the Overview section of Central 1's 2014 Annual Report and in the Risk Management section of this MD&A.

Overall Performance and Interim Financial Condition

The Economic Environment

Global economic growth forecasts moderated further over the recent quarter. This was driven by the residual risks arising from the gradual withdrawal of accommodative monetary policy together with high levels of sovereign debt within advanced economies, together with structural vulnerabilities within developing economies. With respect to the latter, the risk of capital outflows from highly indebted developing economies is elevated by expectations that the U.S. Federal Reserve will raise its target overnight rate. While growth expectations are slowing, underlying factors continue to strengthen and support a cyclical recovery.

The U.S. economy remained on track to extend its expansion phase for many more quarters on domestic strength, with trend growth in the 2.5% range. Real GDP growth in the second quarter was revised up to 3.7% annualized from 2.3%, driven by domestic sales, especially business fixed investment and government spending. Third quarter growth is expected to slow to an estimated 2.0% with some drag from inventories and net exports. The Federal Reserve is expected to raise its target overnight rate by several small increments beginning next year.

Previous forecasts that the domestic economy was proceeding on two tracks have largely been borne out. While the Bank of Canada has estimated that the collapse of oil prices negatively impacted overall GDP by 1.25%, there has been strength within the non-resource economy as industry GDP increased for two straight months and retail sales, housing, and exports sent positive signals. Further, strength in U.S. business investment should positively impact Canadian exports. In aggregate, third quarter real GDP growth is tracking in the 1.5% to 2.5% range and 2015 will finish at 1.0% overall. The main risk to Canada's economy is external.

Financial Markets

While economic indicators in the U.S. continue to be positive, the rate of employment growth and the trend within net exports has led the Federal Reserve to strike a dovish tone and, as noted above, push out market expectations for their first rate hike in over six years. Five year U.S. Treasury yields fell nearly 30 basis points (bps) in response.

The Bank of Canada cut its overnight rate to start the third quarter for the second time this year as commodity prices weakened and domestic indicators weakened correspondingly. More recently, economic data has improved over the latter half of the quarter and five year Government of Canada yields fell two bps over the same period.

Both credit and equity markets were weak over the quarter as the S&P 500 fell 7.0% and the U.S. Investment Grade credit index widened 23 bps. Credit spreads on corporate, provincial and the Canadian Mortgage Bond (CMB) debt also widened over the quarter. Swap spreads in Canada and the U.S. narrowed substantially over the quarter as five year spreads fell 16 bps and 12 bps in the Canada and the U.S., respectively.

British Columbia Credit Union System

Net operating income for the third quarter was $85.5 million, compared to $75.1 million in the third quarter of 2014. Net interest income was up $5.6 million over the same period last year driven by lending growth. Non-interest income increased $5.8 million, driven by growth in fees on loans and leases.

Non-interest expenses increased $1.0 million year-over-year. Salary and employee benefit expense increased $7.8 million from the same period last year, largely offset by a $5.2 million decline in impairment charges and a $1.9 million decline in advertising and promotion.

Aggregate net loans increased by 5.5% year-over-year to reach $55.2 billion. Asset growth was mainly in residential and commercial mortgages which grew by 4.4% and 8.8%, respectively. Deposits increased 6.4% to $57.9 billion. Deposit growth was mainly in non-registered demand and term deposits which increased 9.5% and 5.5%, respectively.

The system's rate of loan delinquencies over 90 days was 0.33% of total loans at the end of September, down seven bps year-over-year. Provision for credit losses as a percentage of loans was 0.31%, up one bp. The system's loan loss expense ratio was 0.05% annualized in the third quarter, down from 0.09% in the third quarter last year.

The B.C. system's regulatory capital as a percentage of risk-weighted assets was 14.8% at the end of September, a slight decrease from 14.9% a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 15.0% of deposit and debt liabilities, up from 13.2% a year ago.

Ontario Credit Union System

Net operating income for the third quarter was $41.7 million, compared to $34.1 million in the third quarter of 2014. Net interest income was down $6.2 million or 3.0% over the same period last year due to margin compression, partially offset by lending growth. Non-interest income increased $11.2 million or 27.5%, while Non-interest expenses were down $2.7 million or 1.3% year-over-year.

The increase in non-interest income was mainly in securitization, up $9.3 million or 101.0%. This decrease was led by a $7.5 million or 60.8% decline in loan loss expense. Salary and employee benefit expense increased $4.9 million or 4.4%, while other non-interest expenses were unchanged from a year ago.

Aggregate net loans increased by 10.3% year-over-year to reach $33.6 billion. Asset growth was mainly in residential mortgages and commercial loans which grew by 10.3% and 13.5%, respectively. Deposits increased 8.5% to $31.9 billion. Deposit growth was mainly in non-registered demand deposits which increased 12.8%, while registered deposits increased 7.3% and non-registered term deposits increased 4.9%.

The system's rate of loan delinquencies over 90 days was 0.47% of total loans at the end of September, up two bps year-over-year. Provision for credit losses as a percentage of loans was 0.30%, down seven bps. The system's loan loss expense ratio was 0.05% annualized in the third quarter, down 11 bps from the third quarter last year.

The Ontario system's regulatory capital as a percentage of risk-weighted assets was 12.8% at the end of September, a slight decrease from 13.0% a year ago. The regulatory liquidity ratio for the Ontario system, including that held by Central 1 was 11.0% as at quarter end, up 0.6% from the previous year.

Financial Overview

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

Figure 1 - Financial Overview

	For the three months ended					
		Sep 30 2015		Sep 30 2014		Change
Earnings *(Millions of dollars)*						
Net financial income	**$**	**6.9**	$	15.2	$	(8.3)
Net financial and other income	**$**	**47.1**	$	43.2	$	3.9
Profit for the period	**$**	**12.7**	$	10.6	$	2.1
Earnings per Share *(cents)*						
Basic		**3.6**		3.3		0.3
Fully diluted		**3.6**		3.3		0.3
Return on						
Average assets		**0.3%**		0.3%		0.0%
Average equity		**5.3%**		4.6%		0.7%
Statement of Financial Position Data *(Millions of dollars)*						
Total assets	**$**	**14,554.8**	$	12,884.1	$	1,670.7
Average assets	**$**	**14,596.7**	$	13,297.5	$	1,299.2
Long term financial liabilities	**$**	**5,666.1**	$	4,632.4	$	1,033.7
Weighted average shares outstanding	**$**	**350.0**	$	316.0	$	34.0
Regulatory Capital Ratios						
Tier 1 capital ratio		**35.3%**		45.4%		(10.1%)
Provincial capital ratio		**46.3%**		71.0%		(24.7%)
Borrowing multiple (times)		**13.5**		10.5		3.0
Share Information						
Outstanding $1 par value shares *(Thousands of dollars)*						
Class A - credit unions	**$**	**349,952**	$	315,907	$	34,045
Class B - cooperatives	**$**	**5**	$	5	$	-
Class C - other	**$**	**7**	$	7	$	-
Outstanding $0.01 par value shares with redemption value of $100 *(Thousands of dollars)*						
Class E - credit unions	**$**	**32**	$	32	$	-
Number of shares outstanding *(Thousands of shares)*						
Class A - credit unions		**349,952**		315,907		34,045
Class B - cooperatives		**5**		5		-
Class C - other		**7**		7		-
Class E - credit unions		**3,157**		3,158		(1)
Dividends per share *(cents)*						
Class A		**1.14**		1.79		(0.65)
Class B & C		**0.13**		0.34		(0.21)
Class E		**-**		-		-

During the third quarter of 2015, Central 1 recorded Profit of $12.7 million, or 3.6 cents per share, compared to Profit of $10.6 million or 3.3 cents per share last year. Dividends on Class A Shares were accrued during the third quarter of 2015 representing the earnings of the Mandatory Liquidity Pool (MLP) during that period. Dividends are paid on an annual basis and are based on Central 1's year-end audited results.

Statement of Profit or Loss

Net Financial Income

Central 1 recorded Net financial income of $6.9 million for the quarter (*Figure 1*), compared with Net financial income of $15.2 million for the same period last year.

During the quarter, Interest margin was $7.5 million, compared to $7.9 million in the third quarter of 2014. Interest margin has declined year-over-year due to lower spreads between interest earning assets and interest paying liabilities and due to reinvestment of security disposals at a lower rate, partially offset by lower interest expense as a result of a redemption of Subordinated liabilities in 2014.

Changes in net realized and unrealized values on financial instruments resulted in a loss of $0.6 million in the quarter, compared to a gain of $7.2 million in the third quarter of 2014. Realized gains on available-for-sale assets, for which changes in fair value in prior periods were recognized in Accumulated other comprehensive income, decreased in the current quarter. Gains or 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.

Notes 22 and 23 to the Interim Consolidated Financial Statements contain details of gains or losses on disposal of financial instruments and the change in fair value of financial instruments recorded during the quarter.

Other Income and Operating Expenses

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

The following table summarizes the Other Income and Operating Expenses for the three- and nine-months ended September 30, 2015 and September 30, 2014.

Figure 2 - Other Income and Operating Expenses

	For the three months ended				For the nine months ended			
	Sep 30 2015		Sep 30 2014		Sep 30 2015		Sep 30 2014	
(Millions of dollars - % of total)	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Other Income								
Membership dues and provincial advertising assessment	**$ 3.5**	**8.7%**	$ 2.5	8.9%	**$ 9.9**	**9.3%**	$ 7.5	8.6%
Equity interest in affiliates	**0.9**	**2.2%**	0.7	2.5%	**3.7**	**3.5%**	4.1	4.7%
Income from affiliates	**-**	**0.0%**	-	0.0%	**3.4**	**3.2%**	0.5	0.6%
Insurance premiums and assessments	**0.5**	**1.2%**	0.5	1.8%	**1.7**	**1.6%**	3.4	3.9%
Digital & Payment Services								
Payment processing and other fees	**12.7**	**31.6%**	11.1	39.7%	**36.9**	**34.9%**	32.9	37.9%
Direct banking fees	**7.1**	**17.7%**	7.2	25.7%	**21.5**	**20.3%**	18.7	21.5%
Treasury related services	**5.0**	**12.4%**	3.5	12.5%	**12.9**	**12.2%**	11.2	12.9%
Trade and other services	**3.0**	**7.5%**	2.5	8.9%	**8.4**	**7.9%**	8.5	9.9%
Litigation settlement	**7.5**	**18.7%**	-	0.0%	**7.5**	**7.1%**	-	0.0%
Total Other Income	**40.2**	**100.0%**	28.0	100.0%	**105.9**	**100.0%**	86.8	100.0%
Operating Expenses								
Salaries and employee benefits	**16.9**	**42.1%**	16.5	58.9%	**51.2**	**48.3%**	52.7	60.7%
Premises and equipment	**1.7**	**4.2%**	2.3	8.2%	**5.0**	**4.7%**	6.8	7.8%
Other administrative expenses	**14.0**	**34.8%**	11.7	41.8%	**40.1**	**37.9%**	35.9	41.4%
Total Operating Expenses	**32.6**	**81.1%**	30.5	108.9%	**96.3**	**90.9%**	95.4	109.9%
Net Operating Income (Expense)	**$ 7.6**	**18.9%**	$ (2.5)	(8.9)%	**$ 9.6**	**9.1%**	$ (8.6)	(9.9)%

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

Central 1 reported Other income of $40.2 million during the third quarter of 2015, compared to $28.0 million in the third quarter of 2014. During the quarter, Central 1 recognized a recovery of $7.5 million as a result of the settlement of a legal action brought by Central 1 and other claimants with respect to a long-standing defaulted loan. Central 1's original loan to the borrower had been previously written off. Excluding this one-time income of $7.5 million, Other income was $32.7 million in the quarter.

Digital & Payment Services' revenues increased by $1.5 million reflecting increased electronic payments transaction volumes and the usage of MemberDirect® online services. Other income in Treasury related services increased $1.5 million compared to the same period last year due to increased securitization fees and standby lending fees, offset by a decrease in foreign exchange income.

Trade and other services income increased by $0.5 million due to increased marketing programs and income recognized for project management services provided by Central 1 to support system-wide activities. Membership dues and the provincial advertising assessment increased by $1.0 million due to increased activity.

In aggregate, Operating expenses increased $2.1 million to $32.6 million in the third quarter of 2015 from $30.5 million in the third quarter of 2014. Salaries and employee benefits expense increased $0.4 million. Included in the third quarter of 2014 was an accrual of $0.7 million for amounts payable pursuant to a contractual agreement with a member of Central 1's executive team who left Central 1 during the quarter. After adjusting for the one-time impact of this cost, Salaries and employee benefits expense increased during the quarter by $1.1 million due to increased staff complement supporting increased member services within Digital & Payments Services, market-based wage increases, and increased information technology staff support costs.

Other administrative expenses increased to $14.0 million in the third quarter of 2015 from $11.7 million in the third quarter of 2014. Cost of sales and services increased $1.0 million from $2.3 million to $3.3 million in the current quarter reflecting an increase in the provincial advertising program activities during the current quarter. The Cost of payments processing transactions increased $1.1 million driven by higher payment volumes in Digital & Payment Services.

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

For the Nine Months Ended September 30, 2015 and September 30, 2014

Central 1 reported Other income of $105.9 million for the first nine months of 2015, an increase of $19.1 million over the $86.8 million reported for the same period in 2014. Excluding the one-time income of $7.5 million, Other income was $98.4 million.

Digital & Payment Services' revenues increased $6.8 million from $51.6 million to $58.4 million due to increases in electronic payments transaction volumes and in the usage of MemberDirect® online services. Treasury related services revenues increased $1.7 million due to increased standby lending fees, securitization fees and foreign exchange income.

Membership dues and provincial advertising assessment revenues increased $2.4 million as Province-Wide Communications campaign activities increased during the first nine months of 2015. Insurance premiums and assessments decreased $1.7 million mainly due to the transfer of the Master Insurance Program to The CUMIS Group Limited effective July 1, 2014.

Income from affiliated entities increased $2.9 million over the same period last year. This included a $1.5 million increase in the distribution from Northwest & Ethical Investments LP (NEI), and a $1.1 million increase in annual loyalty payment from The Co-operators Group Limited (The Co-operators). Central 1 participates in the earnings of NEI and periodically receives distributions from NEI. Pursuant to contractual agreements, Central 1 distributes substantially all amounts received to its member credit unions in proportion to their patronage of NEI. This was slightly offset by a $0.4 million decrease in Equity interest in affiliates. Details of Central 1's significant investments are contained in Note 31 of the Interim Consolidated Financial Statements.

Operating expenses increased $0.9 million from $95.4 million to $96.3 million. Salaries and employee benefits expense declined $1.5 million from $52.7 million to $51.2 million. In the first nine months of 2014, Central 1 incurred $3.6 million for amounts paid or payable pursuant to contractual agreements with members of Central 1's executive team who announced they would be leaving Central 1. Excluding the impact of these one-time costs, Salaries and employee benefits expense increased $2.1 million due contract resources, increased staffing levels, and market-based wage increases.

Premises and equipment expense decreased $1.8 million. Depreciation expense decreased $0.7 million as the prior period recorded depreciation on a project that was fully amortized in 2014. Premises expenses decreased $0.7 million due to reduced office space rental together with sundry one-time reductions.

Other administrative expenses increased from $35.9 million in 2014 to $40.1 million in 2015. Cost of payments processing increased $2.3 million associated with increased services delivered to credit unions. Direct costs increased $3.0 million which included the $1.5 million distribution of amounts received from NEI to member credit unions. Software related charges increased $0.9 million offset by a decline in insurance claims and premiums of $0.9 million. Professional fees declined $1.1 million as the costs associated with Central 1's risk review and governance structure were largely incurred in 2014 together with a decrease in Digital & Payment Services and the use of legal support for Board activities.

Results by Operating Segment

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

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

Figure 3a - Results by Operating Segment

For the three months ended September 30, 2015						
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 5,654	$ 2,444	$ (59)	$ 39	$ (1,100)	$ 6,978
Other income	105	4,284	19,839	5,911	10,021	40,160
Net financial and other income	5,759	6,728	19,780	5,950	8,921	47,138
Operating expenses	1,734	4,718	17,842	6,204	2,069	32,567
Profit (loss) before income taxes	4,025	2,010	1,938	(254)	6,852	14,571
Income taxes (recoveries)	659	330	317	(41)	580	1,845
Profit (loss) for the period	$ 3,366	$ 1,680	$ 1,621	$ (213)	$ 6,272	$ 12,726

For the three months ended September 30, 2014						
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 8,062	$ 10,114	$ (71)	$ 58	$ (2,989)	$ 15,174
Other income	(476)	3,235	18,353	4,730	2,187	28,029
Net financial and other income	7,586	13,349	18,282	4,788	(802)	43,203
Operating expenses	1,912	4,325	16,462	5,485	2,312	30,496
Profit (loss) before income taxes	5,674	9,024	1,820	(697)	(3,114)	12,707
Income taxes (recoveries)	887	1,590	233	(120)	(466)	2,124
Profit (loss) for the period	$ 4,787	$ 7,434	$ 1,587	$ (577)	$ (2,648)	$ 10,583

MLP reported a Profit of $3.4 million in the third quarter from 2015 compared to $4.8 million in the third quarter of 2014. The decrease is driven by a decrease of $2.4 million in Net financial income. Realized and unrealized gains were $3.3 million, up from $2.9 million due to higher net gains on disposal of available-for-sale assets recognized in Net financial income. Interest margin declined from $5.2 million in the third quarter of 2014 to $2.4 million in the current quarter. Interest margin declined due to the reduced asset yields which followed the Bank of Canada rate reductions.

Wholesale Financial Services reported a Profit of $1.7 million compared to $7.4 million in the prior year. The decrease is driven by a decrease of $7.7 million in Net financial income. Realized and unrealized losses totaled $3.8 million, down from a $4.4 million gain driven by higher unrealized losses on derivatives resulting from swaps spreads narrowing in the current quarter. Interest margin increased $0.5 million to $6.2 million in the past year due to lower interest expense arising from the unwind of interest rate swaps on which Central 1 was recognizing net interest expense and maturity of wholesale term debt in the current year.

Wholesale Financial Services' Other income increased $1.1 million due to increased securitization fees and standby lending fees driven by increased credit union demand for lending facilities, partially offset by a decrease in foreign exchange income. Operating expenses increased from $4.3 million in the third quarter of 2014 to $4.7 million in the third quarter of 2015 due to an increase in professional fees, increased information technology staff support costs, and market-based wage increases.

Digital & Payment Services reported a Profit of $1.6 million, broadly unchanged from the third quarter in 2014. Payment processing revenues increased by $1.6 million due to increased electronic payment transaction volumes and an increase in switching and debit card services revenues. Operating expenses increased by $1.4 million due to increased cost of sales and services for payments processing and costs attributable to an increase in development project activity with respect to the MemberDirect® online platform and mobile and online banking services.

Trade Services including CUCC reported a Loss of $0.2 million during the third quarter of 2015, compared to a Loss of $0.6 million in the third quarter of 2014. Provincial advertising assessment revenues and operating expenses increased over the same period last year due to accelerated program activities during the current quarter. The results of this segment also include Central 1's equity interest in CUCC. Central 1 incurs membership dues expense to support CUCC's operations and collects dues from its members to cover a portion of these expenses. Central 1 also recorded income of $0.2 million in the current quarter related to its equity interest in CUCC compared to a loss of $0.1 million during the same quarter in 2014.

Central 1's Other operating segment reported a Profit of $6.3 million in the third quarter of 2015 compared to Loss of $2.6 million in the third quarter of 2014. Excluding the one-time income of $7.5 million, the Other operating segment reported a Loss of $1.2 million compared to a Loss of $2.6 million in the same quarter in 2014. The lower Loss was primarily due to a lower Net financial expense following the reduction in outstanding Subordinated liabilities. Details of Central 1's Subordinated liabilities are contained in Note 18 of the Interim Consolidated Financial Statements.

Operating expenses under the Other operating segment decreased by $0.2 million compared to the third quarter of 2014. Included in the third quarter of 2014 was an accrual of $0.7 million for amounts payable pursuant to a contractual agreement with member of Central 1's executive team who left Central 1 during the quarter. Excluding this one-time cost, Operating expenses increased $0.5 million compared to the same period in 2014. Salaries and benefits expense increased $1.4 million due to market-based wage increases and increased staffing resources over the same period in 2014, partially offset by a decrease in Premises and equipment expense of $1.1 million.

For the Nine Months Ended September 30, 2015 and September 30, 2014

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

Figure 3b - Results by Operating Segment

					For the nine months ended September 30, 2015	
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 19,025	$ 20,068	$ (192)	$ 194	$ (3,203)	$ 35,892
Other income	(82)	11,411	58,416	16,285	19,844	105,874
Net financial and other income	18,943	31,479	58,224	16,479	16,641	141,766
Operating expenses	5,299	12,989	51,311	18,148	8,519	96,266
Profit (loss) before income taxes	13,644	18,490	6,913	(1,669)	8,122	45,500
Income taxes (recoveries)	2,236	3,031	1,133	(274)	519	6,645
Profit (loss) for the period	$ 11,408	$ 15,459	$ 5,780	$ (1,395)	$ 7,603	$ 38,855

					For the nine months ended September 30, 2014	
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 24,639	$ 43,979	$ (215)	$ 228	$ (6,535)	$ 62,096
Other income	(200)	9,607	51,635	16,453	9,344	86,839
Net financial and other income	24,439	53,586	51,420	16,681	2,809	148,935
Operating expenses	5,531	12,234	48,114	19,405	10,163	95,447
Profit (loss) before income taxes	18,908	41,352	3,306	(2,724)	(7,354)	53,488
Income taxes (recoveries)	2,951	6,514	431	(422)	(1,818)	7,656
Profit (loss) for the period	$ 15,957	$ 34,838	$ 2,875	$ (2,302)	$ (5,536)	$ 45,832

MLP reported a Profit of $11.4 million for the first nine months of 2015 compared to $16.0 million for the nine months ended September 30, 2014. The decrease is driven by a decrease of $5.6 million in Net financial income. Realized and unrealized gains were $10.8 million in the first nine months of 2015, down from $13.8 million in 2014 due to lower net gains on disposal of available-for-sale assets recognized in Net financial income. Interest margin has declined from $10.9 million in 2014 to $8.2 million in 2015 reflecting the reduced asset yields which followed the Bank of Canada rate reductions.

Wholesale Financial Services reported a Profit of $15.5 million, compared to $34.8 million in the prior year. The decrease is driven by a $23.9 million decrease in Net financial income. Realized and unrealized gains totaled $8.1 million, down from $25.8 million due to lower net gains on disposal of available-for-sale assets recognized in Net financial income as well as lower unrealized gains on derivatives as a result of swap spreads narrowing in the current year. Interest margin decreased from $17.9 million to $11.9 million reflecting lower prevailing interest rates on reinvestment of security disposals.

Wholesale Financial Services' Other income increased $1.8 million due to increased securitization fees and standby lending fees, but partially offset by a decrease in foreign exchange income. Operating expenses increased from $12.2 million $13.0 million due to increased information technology staff support costs and market-based wage increases.

Digital & Payment Services' revenues increased $6.8 million from $51.6 million to $58.4 million, largely due to increases in electronic payments transaction volumes and in the usage of MemberDirect® online services, but also the result of an increased focus on client change request work. Operating Expenses increased accordingly due to additional resources to support this delivery of services to members, partially offset by a decrease in depreciation expense due to a project that was fully amortized in 2014.

Trade Services including CUCC reported a Loss of $1.4 million compared to a Loss of $2.3 million for the first nine months of 2014. Included in the first nine months of 2014 was a charge of $0.5 million for restructuring of insurance related activities in the Ontario region. In addition, Central 1 recorded a net charge to income of $0.1 million in the first nine months of 2015 related to its equity interest in CUCC compared to $0.7 million in the same period in 2014.

Central 1's Other operating segment reported a Profit of $7.6 million for the first nine months of 2015 compared to a Loss of $5.5 million for the first nine months of 2014. Excluding the one-time income of $7.5 million, this segment earned a Profit of $0.1 million.

Net financial expense reduced from $6.5 million to $3.2 million, and Other income increased by $3.0 million compared to the same period in the prior year. The reduced Net financial expense was driven by the reduction in subordinated debentures outstanding.

In the Other operating segment, excluding the impact of the $7.5 million, Other income increased $3.0 million compared to 2014. This is due to a $1.9 million increase in income from affiliates and other investees and $0.8 million from project management services.

Operating expenses decreased $1.7 million compared to the same period in 2014 which includes decreased Premises expenses of $0.7 million, decreased Professional fees of $0.7 million associated with the Central 1's risk review and governance structure, and sundry one-time reductions of $0.3 million.

Income Taxes

Central 1's combined federal and provincial statutory tax rate is 26.1%. Central 1's effective tax rate for the quarter was 12.7%, a decrease from 16.7% in the third quarter of 2014. The decrease is primarily due to the realization of tax credits in the quarter and partially offset by the phase out of the credit union deduction.

The gradual elimination of the federal and B.C. deductions available to credit unions over five-year periods, partially offset by the general rate reduction, is expected to result in an increase in the effective tax rate in future periods.

Statement of Financial Position

Cash and Liquid Assets

Central 1 maintains a stock of high-quality liquid securities to support to its credit union members. The following table summarizes the Cash and Liquid Assets at Fair Value as at September 30, 2015 with comparatives.

Figure 4 - Cash and Liquid Assets

			Sep 30 2015		Sep 30 2014		Dec 31 2014	
(Millions of dollars - % of total)	MLP	Non-MLP	Total	%	Total	%	Total	%
Government and government guaranteed securities	**$ 6,364.6**	**$ 2,015.5**	**$ 8,380.1**	**64.0%**	$ 7,808.3	69.3%	$ 7,741.1	67.9%
Cash	**-**	**318.9**	**318.9**	**2.4%**	123.6	1.1%	145.2	1.3%
	6,364.6	**2,334.4**	**8,699.0**	**66.4%**	7,931.9	70.4%	7,886.3	69.2%
Corporate and financial institutions AA or greater *	**885.9**	**2,667.6**	**3,553.5**	**27.1%**	2,845.7	25.3%	2,856.8	25.1%
Other	**-**	**840.0**	**840.0**	**6.5%**	488.0	4.3%	656.2	5.7%
Total	**$ 7,250.5**	**$ 5,842.0**	**$ 13,092.5**	**100.0%**	$ 11,265.6	100.0%	$ 11,399.3	100.0%

* The credit ratings are provided by DBRS

As part of the overall liquidity management strategy, Central 1's securities portfolio is invested substantially in government-issued and guaranteed securities, and a smaller proportion in corporate securities. All Canadian dollar denominated securities in the MLP meet the Bank of Canada's guidance for assets pledgeable as collateral under the Standing Liquidity Facility. The Wholesale Financial Services business maintained a consistent allocation to high quality liquid securities to support its members and various collateral requirements, including to the Bank of Canada's Large Value Transfer System.

Cash and liquid assets were $13.1 billion at period end, of which $1.1 billion represents assets pledged in the normal course of business. Additionally there were $0.1 billion of reinvestment assets held in the CMB program which do not make up Cash and liquid assets as disclosed in the table above. Cash and liquid assets represent 90.9% of Central 1's total assets, compared to $11.4 billion and 88.5% a year ago.

Loans

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

Figure 5 - Loans

(Millions of dollars - % of total)	Sep 30 2015		Sep 30 2014		Dec 31 2014	
Loans to Credit Unions	**$ 393.8**	**42.1%**	$ 562.3	62.0%	$ 610.3	58.3%
Syndicated commercial loans	**234.6**	**25.1%**	188.0	20.7%	206.0	19.7%
Non syndicated commercial loans	**25.5**	**2.7%**	34.2	3.8%	27.0	2.6%
Other loans	**9.4**	**1.0%**	10.0	1.1%	11.1	1.1%
Residential mortgages	**51.3**	**5.5%**	11.9	1.3%	11.2	1.1%
	320.8	**34.3%**	244.1	26.9%	255.3	24.4%
Securities acquired under reverse repurchase agreements	**220.1**	**23.6%**	100.1	11.1%	181.7	17.3%
	$ 934.7	**100.0%**	$ 906.5	100.0%	$ 1,047.3	100.0%

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

Total loans were $934.7 million, up from $906.5 million a year ago. Loans to member credit unions decreased to $393.8 million from $562.3 million at the same time last year. Loans to non-credit union borrowers were $320.8 million, up from $244.1 million in 2014. Of this total, commercial lending amounted to $260.1 million, compared to $222.2 million a year ago. Commercial loans represented 27.8% of Central 1's total loan portfolio at quarter-end, up from 24.5% a year ago. Securities acquired under reverse repurchase agreements, used to support credit union members' CMB activity, increased from $100.1 million a year ago to $220.1 million as at September 30, 2015.

Borrowings

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

Figure 6 - Borrowings

(Millions of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Deposits and trading liabilities by type			
Mandatory deposits	**$ 6,880.5**	$ 6,247.3	$ 6,447.3
Non-mandatory deposits	**2,980.3**	1,833.5	1,828.1
Deposits from member credit unions	**9,860.8**	8,080.8	8,275.4
Deposits from non-credit unions	**589.6**	640.3	656.1
	10,450.4	8,721.1	8,931.5
Debt securities issued at amortized cost			
Commercial paper issued	**614.3**	583.2	668.2
Medium-term notes issued	**599.8**	870.9	900.6
	1,214.1	1,454.1	1,568.8
Obligations under the CMB program	**906.9**	505.4	595.2
Securities under repurchase agreements	**175.2**	173.2	105.7
	$ 12,746.6	$ 10,853.8	$ 11,201.2

Deposits from Central 1's member credit unions were $9.9 billion as at September 30, 2015, up from $8.1 billion a year ago. Credit union mandatory deposits grew $0.6 billion, reflective of the growth within both the B.C. and the Ontario credit union systems during the same period. Non-mandatory deposits from credit unions were $3.0 billion, up from $1.8 billion from the same period last year. The increase in non-mandatory deposits is reflective of liquidity in the system at a point in time.

Total Debt securities outstanding were $1.2 billion, down from $1.5 billion a year ago. Of the total amount outstanding, $0.6 billion was borrowed under Central 1's Medium-term note facility and the remainder was borrowed through Central 1's Commercial paper facility. The reduction in debt securities was in keeping with the increase in deposits.

Direct securitization transactions are accounted for on-balance sheet while indirect securitizations are off-balance sheet. Total Obligations outstanding were $0.9 billion, an increase of $0.4 billion from a year ago. The increase in Obligations is due to participation in new securitization transactions. Securities under repurchase agreements are used to support credit union members' CMB activity. Details of the balances included in the statement of financial position can be found in Notes 7, 11 and 17 of the Interim Consolidated Financial Statements.

Shareholders' Equity

Central 1's Equity increased by $39.7 million to $946.2 million from $906.5 million compared to the same time last year. The increase was primarily due to an increase in Class A share capital. Retained earnings also increased, offset by a decline in Accumulated other comprehensive income driven by market conditions that impacted the fair value of available-for-sale investment securities.

Summary of Quarterly Results

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

Figure 7 - Quarterly Results

(Thousands of dollars, except as indicated)	2014/2015 Period Ended Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	2013/2014 Period Ended Dec 31 2013	Mar 31 2014	Jun 30 2014	Sep 30 2014
Total interest income	$ 46,453	$ 43,709	$ 41,559	**$ 45,580**	$ 52,898	$ 48,873	$ 47,131	$ 51,114
Total interest expense	40,780	38,714	37,130	**38,116**	42,494	41,383	40,299	43,205
Interest margin	5,673	4,995	4,429	**7,464**	10,404	7,490	6,832	7,909
Gain (loss) on disposal of financial instruments	3,409	4,008	1,288	**(3,906)**	5,057	15,113	(21,252)	9,957
Change in fair value of financial instruments	1,434	6,700	7,528	**3,341**	4,721	4,934	33,572	(2,716)
Recovery (provision) of credit losses	(242)	(11)	(23)	**79**	264	47	186	24
Other income	32,906	28,615	37,099	**40,160**	34,099	27,562	31,248	28,029
Net financial and other income	43,180	44,307	50,321	**47,138**	54,545	55,146	50,586	43,203
Operating expenses	(34,034)	(30,726)	(32,973)	**(32,567)**	(33,083)	(31,309)	(33,642)	(30,496)
Income taxes	(1,388)	(2,203)	(2,597)	**(1,845)**	(2,095)	(3,255)	(2,277)	(2,124)
Profit for the period	$ 7,758	$ 11,378	$ 14,751	**$ 12,726**	$ 19,367	$ 20,582	$ 14,667	$ 10,583
Weighted average shares outstanding *(millions)*	325.0	333.1	339.2	**350.0**	298.4	307.2	311.6	316.0
Earnings per share								
Basic *(cents)*	2.4	3.4	4.3	**3.6**	6.5	6.7	4.7	3.3
Diluted *(cents)*	2.4	3.4	4.3	**3.6**	6.5	6.7	4.7	3.3

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

Third Quarter 2015 Compared to Second Quarter 2015

Net Financial Income

Central 1 recorded Net financial income of $6.9 million for the third quarter of 2015, compared with Net financial income of $13.2 million in the second quarter of 2015. The decline of $6.3 million is driven by a reduction in net realized and unrealized gains, partially offset by an increase in Interest margin.

Interest margin increased $3.1 million due to lower interest expense. Interest expense decreased due to the unwind of interest rate swaps on which Central 1 was recognizing net interest expense, the maturity of $300 million of wholesale term debt in the second quarter, and from the lower rate reset in the quarter of remaining floating rate wholesale term debt.

Net realized and unrealized gains declined $9.4 million driven by lower net gains on disposal of available-for-sale assets.

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

Other Income and Operating Expenses

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

Figure 8 - Other Income and Operating Expenses

	For the three months ended			
	Sep 30 2015		Jun 30 2015	
(Millions of dollars - % of total)	Amount	% of total	Amount	% of total
Other Income				
Membership dues and provincial advertising assessment	**$ 3.5**	**8.7%**	$ 3.2	8.6%
Equity interest in affiliates	**0.9**	**2.2%**	2.5	6.7%
Income from affiliates	**-**	**0.0%**	3.3	8.9%
Insurance premiums and assessments	**0.5**	**1.2%**	0.7	1.9%
Digital & Payment Services				
Payment processing and other fees	**12.7**	**31.6%**	12.7	34.2%
Direct banking fees	**7.1**	**17.7%**	7.5	20.2%
Treasury related services	**5.0**	**12.4%**	4.1	11.1%
Trade and other services	**3.0**	**7.5%**	3.1	8.4%
Litigation settlement	**7.5**	**18.7%**	-	0.0%
Total Other Income	**40.2**	**100.0%**	37.1	100.0%
Operating Expenses				
Salaries and employee benefits	**16.9**	**42.1%**	17.2	46.4%
Premises and equipment	**1.7**	**4.2%**	1.7	4.6%
Other administrative expenses	**14.0**	**34.8%**	14.1	38.0%
Total Operating Expenses	**32.6**	**81.1%**	33.0	89.0%
Net Operating Income	**$ 7.6**	**18.9%**	$ 4.1	11.0%

Central 1 reported Other income of $40.2 million for the third quarter of 2015 compared to $37.1 million in the second quarter. Excluding the one-time income of $7.5 million, Other income decreased by $4.4 million. This decrease was driven by the decrease of $4.9 million of income from equity interests in affiliates and income from investees.

Treasury related services income increased $0.9 million due to increased standby lending fees and foreign exchange income. Direct Banking fees were down by $0.4 million due to a decline in services provided to non-credit union clients.

In aggregate, Operating expenses were $32.6 million in the third quarter, a decrease of $0.4 million compared to the second quarter. Salaries and employee benefits expense decreased slightly from $17.2 million in the second quarter to $16.9 million in the current quarter.

Other administrative expenses decreased $0.1 million to $14.0 million from $14.1 million. Excluding the impact of $1.5 million distribution of the NEI in the second quarter, Other administrative expenses increased $1.4 million compared to the second quarter. The increase was driven by an increase in Digital & Payments Services of $0.8 million from projects and timing of expenses related to Mobile Remote Deposit Capture that were recorded in the current quarter. In addition, program costs for provincial advertising campaign activity increased $0.4 million while professional fees increased $0.3 million driven mostly due to strategic initiatives.

Results by Operating Segment

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

Figure 9 - Results by Operating Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
	For the three months ended September 30, 2015					
Net financial income (expense), including recovery of credit losses	$ 5,654	$ 2,444	$ (59)	$ 39	$ (1,100)	$ 6,978
Other income	105	4,284	19,839	5,911	10,021	40,160
Net financial and other income	5,759	6,728	19,780	5,950	8,921	47,138
Operating expenses	1,734	4,718	17,842	6,204	2,069	32,567
Profit (loss) before income taxes	4,025	2,010	1,938	(254)	6,852	14,571
Income taxes (recoveries)	659	330	317	(41)	580	1,845
Profit (loss) for the period	$ 3,366	$ 1,680	$ 1,621	$ (213)	$ 6,272	$ 12,726

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

MLP reported a Profit of $3.4 million for the third quarter of 2015 compared to $1.3 million in the second quarter of 2015. The increase is driven by an increase of $2.4 million in Net financial income. Realized and unrealized gains increased $1.0 million in the third quarter of 2015, due to net gains on disposal of available-for-sale assets recognized in Net financial income. Interest margin increased from $2.3 million in the second quarter of 2015 to $2.4 million in the current quarter. Operating expenses of $1.7 million was broadly unchanged from the second quarter of 2015.

Wholesale Financial Services reported a Profit of $1.7 million in the third quarter of 2015 compared to $8.6 million in the second quarter of 2015. The decrease is driven by a decrease of $8.5 million in Net financial income. Realized and unrealized losses totaled $3.8 million during the period, down from $7.8 million gain in the second quarter of 2015 due to lower net gains on disposal of available-for-sale assets recognized in Net financial income and higher unrealized losses on derivatives as a result of swap spreads narrowing in the third quarter 2015. Interest margin increased $3.0 million due to lower interest expense arising from the unwind of interest rate swaps on which Central 1 was recognizing net interest expense, and from the lower rate reset of floating rate wholesale term debt in the quarter.

Wholesale Financial Services' Other income increased $0.6 million due to increased securitization fees and standby lending fees. Operating expenses increased $0.5 million due to an increased information technology staff support costs and market-based wage increases.

Digital & Payment Services' Profit decreased $1.3 million from $2.9 million to $1.6 million. Other income decreased $0.4 million compared to the second quarter. Operating expenses increased by $1.2 million driven by incremental expenses pursuant with a system-wide initiative, cost of sales and services increased in electronic payments due to increased payment transaction volumes and a one-time increase in expenses within paper payments.

Trade Services including CUCC reported a Loss of $0.2 million which decreased by $0.3 million from the second quarter of 2015. Other income was inline compared to the second quarter. The second quarter included revenues and expenses related to the annual conference. In addition, Central 1's equity interest in CUCC reported income of $0.2 million in the current quarter compared to $0.1 million in the second quarter. Operating expense decreased $0.3 million as the second quarter included annual conference expenses combined with increased expenses for Board activities.

Central 1's Other operating segment reported a Profit of $6.3 million in the current quarter compared to a Profit of $2.5 million in the second quarter. Excluding the one-time income of $7.5 million, the Loss was $1.2 million in the current quarter.

Loss from affiliates and other investees was $0.1 million compared to Income of $2.7 million from affiliates and other investees in the second quarter. Operating expenses were down $1.6 million from the second quarter. Excluding the impact of the $1.5 million patronage dividend to member credit unions in respect of the income received from NEI, Operating expenses declined $0.1 million.

Capital Management and Capital Resources

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

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

Figure 10 - Capital Position

(Millions of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Share capital	**$ 350.0**	$ 316.0	$ 333.1
Contributed surplus	**87.9**	87.9	87.9
Retained earnings	**494.1**	462.3	467.1
Less: accumulated net after tax gain in investment property	**(4.0)**	(4.3)	(4.0)
Tier 1 capital	**928.0**	861.9	884.1
Subordinated debt	**218.0**	368.0	218.0
Add: accumulated net after tax gain in investment property	**4.0**	4.3	4.0
Tier 2 capital	**222.0**	372.3	222.0
Total capital	**1,150.0**	1,234.2	1,106.1
Statutory capital adjustments	**(163.6)**	(156.8)	(159.4)
Capital base (federal)	**$ 986.4**	$ 1,077.4	$ 946.7
Borrowing multiple - consolidated	**13.5:1**	10.5:1	12.4:1
Borrowing multiple - Mandatory Liquidity Pool	**15.7:1**	15.5:1	15.5:1
Borrowing multiple - Wholesale Financial Services	**12.2:1**	10.6:1	10.1:1
Capital base (provincial)	**$ 973.0**	$ 1,072.5	$ 946.8
Provincial capital ratio	**46.3%**	71.0%	60.6%

Central 1's consolidated Borrowing multiple is managed within a range of 12.0:1 to 14.0:1 to ensure that Central 1 maintains regulatory capital sufficient to absorb sudden increases in borrowings or a reduction in capital due to mark-to-market fluctuations. The Provincial capital ratio is the regulatory capital to risk weighted assets for provincial capital adequacy which is targeted to be in excess of 15.0%.

Central 1's Borrowing multiple for federal capital adequacy purposes was 13.5:1, up from 12.4:1 at December 31, 2014. The increase in the Borrowing multiple is primarily due to the increase in the demand and term deposits included in borrowing. Total regulatory capital remained broadly unchanged.

As at September 30, 2015, the Borrowing multiple for Central 1's MLP business line was 15.7:1, which is in compliance with FICOM's maximum requirement of 16.0:1. Central 1 has regularly scheduled semi-annual share calls in May and November of each year intended to increase its regulatory capital to support growth in Mandatory deposits.

The Borrowing multiple for Central 1's Wholesale Financial Services business line was 12.2:1, which is in compliance with FICOM's maximum requirement of 14.0:1. The increase is driven by an increase in deposits and Obligations under the CMB program, partially offset by the reduction in Medium-term notes.

The Provincial capital ratio decreased from 60.6% to 46.3% during the same period. The decrease in the Provincial capital ratio reflects an increase in risk weighted assets over the period. The increase in risk weighted assets reflects growth in trading assets, investment securities and off-balance sheet amounts.

Within Central 1's Borrowing multiple calculation, Tier 1 capital was $928.0 million and Total capital before deductions was $1,150.0 million as at September 30, 2015, compared to $861.9 million and $1,234.2 million, respectively, a year earlier. The decrease in the Total capital before deductions over the past year is due to redemption of $150.0 million Subordinated debt in October 2014. In determining regulatory capital, adjustments are required to amounts recorded in Central 1's consolidated statement of financial position. These statutory capital adjustments pertain to investments in entities where Central 1 has a substantial investment in ownership interest but does not control them.

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

Risk Management

This section of the report should be read in conjunction with the Risk Management section of Central 1's MD&A for the year ended December 31, 2014.

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

Liquidity Risk

Liquidity risk for an organization is the risk of being unable to obtain funds at a reasonable price or within a reasonable time period to meet obligations as they come due. As manager of its own liquidity and that of its member credit unions, Central 1 is responsible for ensuring that sufficient funds and liquid assets are available to meet both its own needs, and those of the system.

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

Market Risk

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

Interest rate risk is the risk of potential adverse impact on Central 1's earnings and economic value due to changes in interest rates. As most of its balance sheet is made up of interest-bearing assets and liabilities with different maturity dates, Central 1 is exposed to interest rate changes. Central 1 also actively participates in a securitization program.

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

Foreign exchange rate risk is the risk of potential adverse impact on Central 1's earnings and economic value due to currency rate movements and volatility. Central 1 has assets and liabilities denominated in several major currencies and buys foreign currencies from, and sells these currencies to, its member credit unions. Central 1 also enters into U.S. dollar-denominated derivatives with its members. These transactions result in foreign exchange exposure to Central 1.

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

Credit Risk

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

Credit risk associated with Central 1's credit union lending portfolio has been assessed by management as low. Member credit union loans are secured and are granted based on quantitative and qualitative credit assessments. Central 1 has not previously experienced losses on any of these loans. Details of Central 1’s loan portfolio are found in Note 9 of the Interim Consolidated Financial Statements.

Counterparty Risk

Counterparty risk is the risk of loss if a transaction counterparty fails to honour its payment obligations under a value-exchange transaction. Central 1 is exposed to counterparty risk largely through the derivative trading activities that it conducts on behalf of its members. Central 1’s exposures are mitigated by collateral arrangements. Counterparty risk is affected by the credit worthiness of the counterparty, and this is assessed as described above in the credit risk section.

Insurance Risk

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

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

Operational Risk

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

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

Accounting and Control Matters

Central 1’s Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB).

Central 1’s Interim Consolidated Financial Statements have been prepared using the same accounting policies as set out in Note 3 to Central 1’s Consolidated Financial Statements as at and for the year ended December 31, 2014.

Critical Accounting Estimates

In preparing the Interim Consolidated Financial Statements, management is required to make estimates and assumptions based on information as of the date of the Interim Consolidated Financial Statements. Note 2 of the Interim Consolidated Financial Statements contains information on these areas and should be read in conjunction with Note 5 of Central 1’s Consolidated Financial Statements as at and for the year ended December 31, 2014.

Future Changes in Accounting Policies

IFRS 9 - Financial Instruments

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

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

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

IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date. It is expected that IFRS 9 will have a significant impact on Central 1's Consolidated Financial Statements. Central 1 is not able to determine such impact at this time.

IFRS 15 - Revenue from Contracts with Customers

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

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

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management evaluated Central 1's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Central 1's interim filings, as such term is defined under the Canadian Securities Administrators' National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

Central 1 evaluated the design of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the quarter ended September 30, 2015. Based on that evaluation, management has concluded that the design of its internal monitoring controls and procedures over financial reporting was effective. There has been no change in Central 1's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, Central 1's internal control over financial reporting during the period covered by this MD&A.

Proposed Transaction

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

Interim Consolidated Financial Statements

For the Quarter Ended September 30, 2015

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CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Financial Position (Unaudited)

(Thousands of dollars)	Notes	Sep 30 2015	Sep 30 2014	Dec 31 2014
Assets				
Cash		**$ 318,886**	$ 123,552	$ 145,203
Deposits with regulated financial institutions	5	**6,077**	5,668	6,198
Trading assets	6	**6,845,824**	6,199,822	5,778,553
Reinvestment assets under the Canada Mortgage Bond Program	7	**133,668**	139,795	65,518
Derivative assets	8	**113,457**	35,195	42,162
Loans	9	**934,957**	906,893	1,047,637
Investment securities	10	**5,927,821**	4,942,236	5,475,562
Secured loans to members	11	**-**	12,889	-
Current tax assets		**2,730**	5,073	3,175
Property and equipment		**17,262**	16,913	18,388
Intangible assets		**18,227**	14,738	13,246
Deferred tax assets		**12,506**	7,778	10,342
Investment in affiliates		**121,703**	121,749	122,390
Other assets	12	**101,701**	351,829	324,506
		$ 14,554,819	$ 12,884,130	$ 13,052,880
Liabilities				
Deposits designated as trading	13	**$ 7,215,025**	$ 4,850,200	$ 5,483,413
Obligations related to securities sold short	14	**-**	109,948	181,534
Derivative liabilities	8	**135,948**	107,167	104,174
Debt securities issued	15	**1,214,090**	1,454,100	1,568,840
Deposits	16	**3,235,457**	3,870,916	3,448,098
Obligations under the Canada Mortgage Bond Program	17	**906,916**	505,436	595,151
Subordinated liabilities	18	**219,222**	372,026	217,581
Provisions		**2,095**	3,373	2,958
Securities under repurchase agreements	19	**175,224**	173,232	105,698
Deferred tax liabilities		**6,408**	5,165	5,971
Other liabilities	20	**498,207**	526,066	414,619
		13,608,592	11,977,629	12,128,037
Equity				
Share capital	21	**349,996**	315,951	333,118
Contributed surplus		**87,901**	87,901	87,901
Retained earnings		**494,077**	462,368	467,072
Accumulated other comprehensive income		**278**	26,703	23,099
Reserves		**4,052**	3,701	3,751
Total equity attributable to members of Central 1		**936,304**	896,624	914,941
Non-controlling interest		**9,923**	9,877	9,902
		946,227	906,501	924,843
		$ 14,554,819	$ 12,884,130	$ 13,052,880
Guarantees, commitments, and contingencies	28			

Approved by the Directors:

"Rick Hoevenaars"	*"Bill Kiss"*
Rick Hoevenaars, Chairperson	Bill Kiss, Chairperson - Audit and Finance Committee

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Profit (Unaudited)

(Thousands of dollars)	Notes	For the three months ended Sep 30 2015	Sep 30 2014	For the nine months ended Sep 30 2015	Sep 30 2014
Interest income					
Securities		**$ 39,987**	$ 44,550	**$ 113,610**	$ 122,477
Deposits with regulated financial institutions		**28**	29	**88**	100
Loans		**5,165**	5,759	**15,912**	19,178
Secured loans and reinvestment assets		**400**	776	**1,238**	5,363
		45,580	51,114	**130,848**	147,118
Interest expense					
Debt securities issued		**4,006**	6,153	**14,486**	16,095
Deposits		**28,797**	30,138	**84,666**	89,433
Obligations under the CMB Program		**3,725**	3,664	**10,116**	12,251
Subordinated liabilities		**1,588**	3,250	**4,692**	7,108
		38,116	43,205	**113,960**	124,887
Interest margin		**7,464**	7,909	**16,888**	22,231
Gain (loss) on disposal of financial instruments	22	**(3,906)**	9,957	**1,390**	3,818
Change in fair value of financial instruments	23	**3,341**	(2,716)	**17,569**	35,790
Net financial income		**6,899**	15,150	**35,847**	61,839
Recovery of credit losses	9	**(79)**	(24)	**(45)**	(257)
		6,978	15,174	**35,892**	62,096
Other income	24	**40,160**	28,029	**105,874**	86,839
Net financial and other income		**47,138**	43,203	**141,766**	148,935
Operating expenses					
Salaries and employee benefits		**16,942**	16,511	**51,186**	52,698
Premises and equipment		**1,666**	2,313	**4,964**	6,776
Other administrative expenses	25	**13,959**	11,672	**40,116**	35,973
		32,567	30,496	**96,266**	95,447
Profit before income taxes		**14,571**	12,707	**45,500**	53,488
Income taxes	26	**1,845**	2,124	**6,645**	7,656
Profit for the period		**$ 12,726**	$ 10,583	**$ 38,855**	$ 45,832

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income (Unaudited)

(Thousands of dollars)	For the three months ended Sep 30 2015	Sep 30 2014	For the nine months ended Sep 30 2015	Sep 30 2014
Profit for the period	**$ 12,726**	$ 10,583	**$ 38,855**	$ 45,832
Other comprehensive loss, net of tax				
Fair value reserve (available-for-sale financial assets)				
Items that may be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale assets[1]	**(19,188)**	(808)	**(9,363)**	11,944
Reclassification of realized gains on available-for-sale assets to profit or loss[2]	**(3,336)**	(2,948)	**(13,940)**	(20,466)
	(22,524)	(3,756)	**(23,303)**	(8,522)
Item that will not be reclassified subsequently to profit or loss				
Net actuarial gain on employee benefits plans[3]	**-**	-	**482**	147
Other comprehensive loss, net of tax	**(22,524)**	(3,756)	**(22,821)**	(8,375)
Comprehensive income (loss), net of tax	**$ (9,798)**	$ 6,827	**$ 16,034**	$ 37,457

Income tax (recoveries) on items that may be reclassified subsequently to profit or loss				
[1] Net change in fair value of available-for-sale assets	**$ (3,675)**	$ (122)	**$ (1,806)**	$ 2,054
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	**$ (634)**	$ (546)	**$ (2,714)**	$ (3,784)
Income tax (recovery) on item that will not be reclassified subsequently to profit or loss				
[3] Net actuarial gain on employee benefits plans	**$ -**	$ -	**$ 129**	$ (147)

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Changes in Equity (Unaudited)

(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to equity holders								
Balance at January 1, 2015	$ 333,118	$ 87,901	$ 467,072	$ 29,048	$ (5,949)	$ 3,751	$ 914,941	$ 9,902	$ 924,843
Total comprehensive income for the period									
Profit for the period			38,829				38,829	26	38,855
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(23,303)			(23,303)		(23,303)
Employee benefits reserve (net of tax)					482		482		482
Total comprehensive income	-	-	38,829	(23,303)	482	-	16,008	26	16,034
Transactions with owners, recorded directly in equity									
Dividends to members			(13,644)				(13,644)		(13,644)
Related tax savings			2,236				2,236		2,236
Class "E" shares redemption			(138)				(138)		(138)
Related tax savings			23				23		23
Net Classes "A", "B" and "C" shares issued	16,878						16,878		16,878
Preferred shares redeemed by subsidiary							-	(5)	(5)
Transfer from reserves			(301)			301	-		-
Total contributions from and distributions to owners	16,878	-	(11,824)	-	-	301	5,355	(5)	5,350
Balance at September 30, 2015	**$ 349,996**	**$ 87,901**	**$ 494,077**	**$ 5,745**	**$ (5,467)**	**$ 4,052**	**$ 936,304**	**$ 9,923**	**$ 946,227**

Profit attributable to:	**2015**	2014
Members of Central 1	**$ 38,829**	$ 45,828
Non-controlling interest	**26**	4
	$ 38,855	$ 45,832

Total comprehensive income attributable to:		
Members of Central 1	**$ 16,008**	$ 37,453
Non-controlling interest	**26**	4
	$ 16,034	$ 37,457

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Changes in Equity (Unaudited)

	Attributable to equity holders								
(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Balance at January 1, 2014	$ 307,185	$ 87,901	$ 433,171	$ 38,453	$ (3,375)	$ 3,130	$ 866,465	$ 9,873	$ 876,338
Total comprehensive income for the period									
Profit for the period			45,828				45,828	4	45,832
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				(8,522)			(8,522)		(8,522)
Employee benefits reserve (net of tax)					147		147		147
Total comprehensive income	-	-	45,828	(8,522)	147	-	37,453	4	37,457
Transactions with owners, recorded directly in equity									
Dividends to members			(18,918)				(18,918)		(18,918)
Related tax savings			2,951				2,951		2,951
Class "E" shares redemption			(110)				(110)		(110)
Related tax savings			17				17		17
Net Classes "A", "B" and "C" shares issued	8,766						8,766		8,766
Transfer from reserves			(571)			571	-		-
Total contributions from and distributions to owners	8,766	-	(16,631)	-	-	571	(7,294)	-	(7,294)
Balance at September 30, 2014	$ 315,951	$ 87,901	$ 462,368	$ 29,931	$ (3,228)	$ 3,701	$ 896,624	$ 9,877	$ 906,501

See accompanying notes to the interim consolidated financial statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Cash Flow (Unaudited)

(Thousands of dollars)	For the three months ended Sep 30 2015	Sep 30 2014	For the nine months ended Sep 30 2015	Sep 30 2014
Cash flows from operating activities				
Profit for the period	**$ 12,726**	$ 10,583	**$ 38,855**	$ 45,832
Adjustments for:				
Depreciation and amortization	**1,148**	1,107	**3,423**	3,840
Interest margin	**(7,464)**	(7,909)	**(16,888)**	(22,231)
Gain (loss) on disposal of financial instruments	**3,906**	(9,957)	**(1,390)**	(3,818)
Change in fair value of financial instruments	**(3,341)**	2,716	**(17,569)**	(35,790)
Income tax expense	**1,845**	2,124	**6,645**	7,656
Recovery of credit losses	**(79)**	(24)	**(45)**	(257)
Other items, net	**4,039**	1,110	**(203)**	1,083
	12,780	(250)	**12,828**	(3,685)
Change in trading assets	**(1,034,335)**	(304,303)	**(1,020,617)**	(1,805,824)
Change in settlements in transit	**633,895**	333,126	**315,517**	74,368
Change in loans	**204,112**	82,873	**112,599**	250,572
Change in deposits designated as trading	**842,019**	404,644	**1,709,642**	1,503,822
Change in obligations related to securities sold short	**(204,566)**	(132,105)	**(186,380)**	42,160
Change in deposits	**(81,275)**	(530,193)	**(205,567)**	(1,286,117)
Change in derivative assets and liabilities	**(9,631)**	2,125	**(35,460)**	(41,692)
	362,999	(144,083)	**702,562**	(1,266,396)
Interest received	**36,485**	45,719	**123,983**	153,211
Interest paid	**(33,496)**	(33,267)	**(121,765)**	(118,281)
Income tax paid	**(1,252)**	(19)	**(1,289)**	(4,549)
Net cash from operating activities	**364,736**	(131,650)	**703,491**	(1,236,015)
Cash flows from investing activities				
Change in deposits with regulated financial institutions	**(12)**	(11)	**111**	1,410
Change in reinvestment assets under the CMB Program	**(33,245)**	79,198	**(67,572)**	166,506
Change in investment securities	**(10,609)**	(68,099)	**(464,388)**	618,255
Change in secured loans to members	**-**	67,406	**-**	216,045
Change in property and equipment	**(317)**	(1,101)	**(719)**	(3,242)
Change in intangible assets	**(2,428)**	(890)	**(6,377)**	(3,664)
Net cash from investing activities	**(46,611)**	76,503	**(538,945)**	995,310
Cash flows from financing activities				
Change in obligations under the CMB Program	**56,899**	(163,463)	**298,561**	(326,917)
Change in subordinated liabilities	**-**	-	**-**	200,000
Change in debt securities issued	**(58,118)**	134,180	**(353,393)**	355,738
Change in securities under repurchase agreements	**(81,679)**	89,448	**69,539**	66,495
Dividends paid	**-**	-	**(22,448)**	(13,978)
Issuance of shares	**-**	-	**16,878**	8,766
Net cash from financing activities	**(82,898)**	60,165	**9,137**	290,104
Increase in cash	**235,227**	5,018	**173,683**	49,399
Cash - beginning of period	**83,659**	118,534	**145,203**	74,153
Cash - end of period	**$ 318,886**	$ 123,552	**$ 318,886**	$ 123,552

See accompanying notes to the interim consolidated financial statements

1. Incorporation and governing legislation

Central 1 Credit Union (Central 1) is domiciled in Canada with a registered office located at 1441 Creekside Drive, Vancouver, British Columbia V6J 4S7, Canada. Central 1 is governed by the Credit Union Incorporation Act (British Columbia) and is also subject to the provisions of the Financial Institutions Act (British Columbia) and the Cooperative Credit Associations Act (Canada). These interim consolidated financial statements of Central 1 cover Central 1 and its subsidiaries.

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

2. Basis of preparation

(a) Statement of compliance

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

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

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

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 19, 2015.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(e) Segment information

Note 27 contains information on segment reporting in accordance with *IFRS 8 Operating Segments*.

3. Accounting policies

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

4. Fair value of financial instruments

Certain financial instruments are recognized in the interim consolidated statements of financial position at fair value. These include derivative instruments, trading assets, investment securities, deposits designated as trading, and instruments held under the Canada Mortgage Bond (CMB) Program. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by unadjusted quoted prices in active markets. When there is no quoted price in an active market, valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs are used to derive the fair value.

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

Financial instruments whose carrying value approximate fair value

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

Financial instruments for which fair value is determined using valuation techniques

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

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

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

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

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

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

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

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

(Millions of dollars) Sep 30 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Assets						
Cash	$ -	$ -	$ -	$ -	$ 318.9	$ 318.9
Deposits with regulated financial institutions	-	-	-	-	6.1	6.1
Trading assets	-	6,845.8	-	6,845.8	-	6,845.8
Reinvestment assets under the CMB Program	-	133.7	-	133.7	-	133.7
Derivative assets	-	113.4	-	113.4	-	113.4
Loans	-	-	-	-	935.0	935.0
Investment securities	-	5,886.4	9.3	5,895.7	32.1	5,927.8
Current tax assets	-	-	-	-	2.7	2.7
Property and equipment	-	-	-	-	17.3	17.3
Intangible assets	-	-	-	-	18.2	18.2
Deferred tax assets	-	-	-	-	12.5	12.5
Investment in affiliates	-	-	-	-	121.7	121.7
Other assets	-	-	-	-	101.7	101.7
Total assets	$ -	$12,979.3	$ 9.3	$ 12,988.6	$ 1,566.2	$ 14,554.8
Liabilities						
Deposits designated as trading	$ -	$ 7,215.0	$ -	$ 7,215.0	$ -	$ 7,215.0
Derivative liabilities	-	136.0	-	136.0	-	136.0
Debt securities issued	-	-	-	-	1,214.1	1,214.1
Deposits	-	-	-	-	3,235.5	3,235.5
Obligations under the CMB Program	-	906.9	-	906.9	-	906.9
Subordinated liabilities	-	-	-	-	219.2	219.2
Provisions	-	-	-	-	2.1	2.1
Securities under repurchase agreements	-	-	-	-	175.2	175.2
Deferred tax liabilities	-	-	-	-	6.4	6.4
Other liabilities	-	-	-	-	498.2	498.2
Total liabilities	$ -	$ 8,257.9	$ -	$ 8,257.9	$ 5,350.7	$ 13,608.6
Net assets (liabilities)	$ -	$ 4,721.4	$ 9.3	$ 4,730.7	$ (3,784.5)	$ 946.2

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

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

(Millions of dollars) Sep 30 2014	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost(1)	Total Carrying Value
Assets	$ -	$ 11,275.7	$ 22.1	$ 11,297.8	$ 1,586.3	$ 12,884.1
Liabilities	-	5,572.7	-	5,572.7	6,404.9	11,977.6
Net assets (liabilities)	$ -	$ 5,703.0	$ 22.1	$ 5,725.1	$ (4,818.6)	$ 906.5

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

The following tables present the change in fair value for financial instruments included in Level 3 of the fair value hierarchy:

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Sep 30 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ 0.1	**$ 9.3**
Net assets	$ 9.2	$ -	$ -	$ -	$ 0.1	**$ 9.3**

(Millions of dollars)	Fair Value at Dec 31 2013	Purchases	Settlements	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Sep 30 2014
Secured loans to members	$ 229.6	$ -	$ (216.3)	$ -	$ (0.4)	$ 12.9
Equity shares	9.2	-	-	-	-	9.2
Net assets	$ 238.8	$ -	$ (216.3)	$ -	$ (0.4)	$ 22.1

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

Note 29 sets out the fair value of the financial instruments in the interim consolidated statements of financial position.

5. Deposits with regulated financial institutions

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amortized cost	**$ 6,077**	$ 5,668	$ 6,198
Fair value	**$ 6,104**	$ 5,693	$ 6,130

6. Trading assets

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 4,694,805**	$ 4,449,114	$ 4,175,669
Corporate and financial institutions AA[1] or greater	**1,767,685**	1,596,979	1,413,096
Other	**383,334**	153,729	189,788
Fair value	**$ 6,845,824**	$ 6,199,822	$ 5,778,553

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amortized cost	**$ 6,794,266**	$ 6,166,899	$ 5,735,466
Fair value	**$ 6,845,824**	$ 6,199,822	$ 5,778,553

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

7. Reinvestment assets under the Canada Mortgage Bond Program

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

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 76,813**	$ 30,661	$ 34,047
Assets acquired under reverse repurchase agreements	**-**	63,525	-
Fair value	**$ 76,813**	$ 94,186	$ 34,047
Amortized cost	**$ 76,192**	$ 93,903	$ 33,688

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 56,855**	$ 43,430	$ 31,471
Assets acquired under reverse repurchase agreements	**-**	2,179	-
Fair value	**$ 56,855**	$ 45,609	$ 31,471
Amortized cost	**$ 56,302**	$ 43,149	$ 31,153
Fair value of total Reinvestment assets under the CMB Program	**$ 133,668**	$ 139,795	$ 65,518

8. Derivative assets and liabilities

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

(Thousands of dollars)	Sep 30 2015 Asset	Sep 30 2015 Liability	Sep 30 2014 Asset	Sep 30 2014 Liability	Dec 31 2014 Asset	Dec 31 2014 Liability
Interest rate contracts						
Forward rate agreements	**$ 229**	**$ -**	$ -	$ -	$ 40	$ -
Futures contracts	**112**	**149**	-	-	-	-
Swap contracts	**250,169**	**272,704**	102,802	174,618	134,266	196,236
Options purchased	**-**	**-**	157	-	79	-
Options written	**-**	**-**	-	152	-	85
	250,510	**272,853**	102,959	174,770	134,385	196,321
Foreign exchange contracts						
Forward contracts	**3,652**	**3,800**	2,432	2,593	1,311	1,387
Other						
Equity index-linked options	**8,865**	**8,865**	18,374	18,374	16,849	16,849
Total fair value before adjustment	**263,027**	**285,518**	123,765	195,737	152,545	214,557
Adjustment for master netting agreements	**(149,570)**	**(149,570)**	(88,570)	(88,570)	(110,383)	(110,383)
Fair value	**$ 113,457**	**$ 135,948**	$ 35,195	$ 107,167	$ 42,162	$ 104,174

9. Loans

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Due on demand			
Credit unions	**$ 54,710**	$ 188,103	$ 91,086
Commercial and others	**11,506**	21,715	15,699
	66,216	209,818	106,785
Term			
Credit unions	**339,121**	374,161	519,164
Commercial and others	**248,600**	200,528	217,378
Reverse repurchase agreements	**220,121**	100,148	181,664
Officers and employees	**9,359**	10,025	11,100
Residential mortgages	**51,315**	11,861	11,239
	868,516	696,723	940,545
	934,732	906,541	1,047,330
Accrued interest	**821**	757	971
	935,553	907,298	1,048,301
Allowance for credit losses	**(596)**	(405)	(664)
Amortized cost	**$ 934,957**	$ 906,893	$ 1,047,637

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

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

			For the three months ended		For the nine months ended	
(Thousands of dollars)	Specific Allowance	Collective Allowance	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Balance at beginning of period	**$ 636**	**$ 57**	**$ 693**	$ 427	**$ 664**	$ 585
Net write-offs during the period	**(18)**	**-**	**(18)**	2	**(23)**	77
Recovery of credit losses	**(65)**	**(14)**	**(79)**	(24)	**(45)**	(257)
Balance at end of period	**$ 553**	**$ 43**	**$ 596**	$ 405	**$ 596**	$ 405

10. Investment securities

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Government and government guaranteed securities	**$ 3,685,291**	$ 3,359,198	$ 3,565,446
Corporate and financial institutions AA[1] or greater	**1,785,830**	1,248,751	1,443,716
Other	**456,700**	334,287	466,400
Fair value	**$ 5,927,821**	$ 4,942,236	$ 5,475,562

(1) The credit ratings are provided by DBRS.

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amortized cost	**$ 5,931,666**	$ 4,918,713	$ 5,451,535
Fair value	**$ 5,927,821**	$ 4,942,236	$ 5,475,562

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

11. Secured loans to members

Through its participation in the CMB Program as described in the accounting policies disclosed in Central 1's consolidated financial statements for the year ended December 31, 2014, Central 1 recognized its interest in the underlying residential mortgages as secured loans from its member credit unions. Secured loans to members represented securitizations prior to 2010, which had matured at December 31, 2014.

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amortized cost	**$ -**	$ 12,891	$ -
Fair value	**$ -**	$ 12,889	$ -

12. Other assets

(Thousands of dollars)		Sep 30 2015		Sep 30 2014		Dec 31 2014
Settlements in-transit	**$**	**80,134**	$	331,873	$	308,449
Investment property		**3,280**		5,368		3,462
Prepaid expenses		**4,599**		4,262		3,785
Post-employment benefits		**3,194**		3,444		3,286
Accounts receivable and other		**10,494**		6,882		5,524
	$	**101,701**	$	351,829	$	324,506

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

Central 1 earns rental income on its investment property. The terms of existing lease agreements range between one and 10 years. The lessees do not have an option to purchase the property on the expiry of the lease period. The rental income earned for the period is disclosed in Note 24.

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

13. Deposits designated as trading

Deposits designated as trading are as follows:

(Thousands of dollars)		Sep 30 2015		Sep 30 2014		Dec 31 2014
Amortized cost	**$**	**7,179,624**	$	4,838,591	$	5,460,889
Fair value	**$**	**7,215,025**	$	4,850,200	$	5,483,413

The contractual maturity dates of these liabilities are as follows:

(Thousands of dollars)		Sep 30 2015		Sep 30 2014		Dec 31 2014
Amounts						
Due within three months	**$**	**2,137,652**	$	1,141,801	$	1,444,494
Due after three months and within one year		**1,450,221**		1,035,225		1,329,197
Due after one year and within five years		**3,559,111**		2,637,387		2,660,085
Due after five years		**750**		-		150
		7,147,734		4,814,413		5,433,926
Accrued interest		**31,890**		24,178		26,963
Amortized cost	**$**	**7,179,624**	$	4,838,591	$	5,460,889

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

14. Obligations related to securities sold short

(Thousands of dollars)		Sep 30 2015		Sep 30 2014		Dec 31 2014
Amortized cost	**$**	**-**	$	109,780	$	180,631
Fair value	**$**	**-**	$	109,948	$	181,534

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

15. Debt securities issued

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amounts			
Due within three months	**$ 591,361**	$ 576,023	$ 425,457
Due after three months and within one year	**22,926**	576,966	542,692
Due after one year and within five years	**598,878**	299,166	598,408
	1,213,165	1,452,155	1,566,557
Accrued interest	**925**	1,945	2,283
Amortized cost	**$ 1,214,090**	$ 1,454,100	$ 1,568,840

Central 1 has established $51.7 million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At September 30, 2015, September 30, 2014, and December 31, 2014 there were no amounts drawn against these facilities.

Central 1 is authorized to issue up to $750.0 million in short-term commercial paper and up to $1.5 billion in other borrowings which include Central 1's medium-term note facility. At September 30, 2015, a par value of $615.0 million was borrowed under the short-term commercial paper facility (September 30, 2014 - $585.0 million, December 31, 2014 - $670.0 million) and a par value of $600.0 million was borrowed under the medium-term note facility (September 30, 2014 - $870.0 million, December 31, 2014 - $900.0 million).

16. Deposits

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amounts			
Due on demand	**$ 1,301,235**	$ 1,245,452	$ 1,198,444
Due within three months	**565,308**	360,936	395,962
Due after three months and within one year	**732,427**	946,686	669,325
Due after one year and within five years	**622,626**	1,294,632	1,163,557
Due after five years	**125**	-	-
	3,221,721	3,847,706	3,427,288
Accrued interest	**13,736**	23,210	20,810
Amortized cost	**$ 3,235,457**	$ 3,870,916	$ 3,448,098

17. Obligations under the Canada Mortgage Bond Program

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

	Sep 30 2015		Sep 30 2014		Dec 31 2014	
(Thousands of dollars)	Post 2010	Pre 2010	Post 2010	Pre 2010	Post 2010	Pre 2010
Amounts						
Due within one year	**$ -**	**$ -**	$ -	$ 96,110	$ -	$ -
Due after one year and within five years	**827,232**	**-**	401,220	-	584,034	-
Due after five years	**57,367**	**-**	-	-	-	-
	884,599	**-**	401,220	96,110	584,034	-
Accrued interest	**5,007**	**-**	2,218	759	3,218	-
Amortized cost	**$ 889,606**	**$ -**	$ 403,438	$ 96,869	$ 587,252	$ -
Fair value	**$ 906,916**	**$ -**	$ 408,209	$ 97,227	$ 595,151	$ -

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

(Thousands of dollars)	Sep 30 2015 Post 2010	Sep 30 2015 Pre 2010	Sep 30 2014 Post 2010	Sep 30 2014 Pre 2010	Dec 31 2014 Post 2010	Dec 31 2014 Pre 2010
Secured loans to members (Note 11)	**$ -**	**$ -**	$ -	$ 12,889	$ -	$ -
Total reinvestment assets under the CMB Program (Note 7)	**133,668**	**-**	55,988	83,807	65,518	-
Assets recognized as trading assets and investment securities (Notes 6 & 10)	**770,635**	**-**	352,716	-	529,157	-
Fair value	**$ 904,303**	**$ -**	$ 408,704	$ 96,696	$ 594,675	$ -

18. Subordinated liabilities

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Series 2	**$ -**	$ 150,000	$ -
Series 3	**18,000**	18,000	18,000
Series 4	**200,000**	200,000	200,000
Principal amount	**218,000**	368,000	218,000
Discount	**(1,292)**	(1,363)	(1,494)
Accrued interest	**2,514**	5,389	1,075
Amortized cost	**$ 219,222**	$ 372,026	$ 217,581

On October 9, 2009, Central 1 issued $150.0 million principal amount of 4.00% Series 2 subordinated notes due October 9, 2019. The notes bore interest at a fixed rate of 4.00% until, but excluding, October 9, 2014, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 2.40%. Central 1 had the option to redeem the note on October 9, 2014, subject to regulatory approval. Central 1 received regulatory approval and exercised the option to fully redeem the Series 2 subordinated notes on October 9, 2014.

On July 6, 2011, Central 1 issued $18.0 million principal amount of Series 3 subordinated notes due July 6, 2021. The notes bear interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 6, 2016, and Central 1 has the option to redeem the outstanding notes in whole or in part on July 6, 2016, subject to regulatory approval.

On April 25, 2014, Central 1 issued $200.0 million principal amount of 2.89% Series 4 subordinated notes due April 25, 2024. The notes bear interest at a fixed rate of 2.89% until, but excluding April 25, 2019, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 0.81%. Central 1 has the option to redeem the notes on April 25, 2019, subject to regulatory approval.

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

19. Securities under repurchase agreements

Securities under repurchase agreements are as follows:

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Amounts under the CMB Program	**$ 175,224**	$ 173,232	$ 105,698

20. Other liabilities

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Settlements in-transit	**$ 431,771**	$ 458,587	$ 344,569
Post-employment benefits	**25,607**	22,265	25,679
Short-term employee benefits	**5,824**	5,377	4,759
Dividends payable	**13,644**	18,918	22,448
Unearned insurance premiums	**726**	233	864
Accounts payable and other	**20,635**	20,686	16,300
	$ 498,207	$ 526,066	$ 414,619

21. Share capital

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

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

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

The numbers of shares issued are as follows:

	For the nine months ended		For the year ended
(Thousands of shares)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Class A – credit unions			
Balance at beginning of period	**333,074**	307,141	307,141
Issued during the period	**17,000**	8,820	25,987
Redeemed during the period	**(122)**	(54)	(54)
Balance at end of period	**349,952**	315,907	333,074
Class B – co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C – other			
Balance at beginning and end of period	**7**	7	7
Class E – credit unions			
Balance at beginning of period	**3,158**	3,159	3,159
Redeemed during the period	**(1)**	(1)	(1)
Balance at end of period	**3,157**	3,158	3,158

The amounts outstanding are as follows:

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Outstanding $1 par value shares			
Class A – credit unions	**$ 349,952**	$ 315,907	$ 333,074
Class B – cooperatives	**5**	5	5
Class C – other	**7**	7	7
Outstanding $0.01 par value shares			
Class E – credit unions	**32**	32	32
	$ 349,996	$ 315,951	$ 333,118

22. Gain (loss) on disposal of financial instruments

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

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Net gain on disposal of Trading assets	**$ 3,349**	$ 5,592	**$ 30,329**	$ 25,336
Net gain on disposal of Investment securities	**3,970**	3,493	**16,654**	22,464
Net gain (loss) on disposal of Derivative assets and liabilities	**(9,366)**	1,538	**(34,809)**	(40,980)
Net loss on disposal of Deposits designated as trading	**(824)**	(864)	**(4,166)**	(2,168)
Net gain (loss) on disposal of Obligations related to securities sold short	**(1,035)**	198	**(6,618)**	(834)
	$ (3,906)	$ 9,957	**$ 1,390**	$ 3,818

23. Change in fair value of financial instruments

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Trading assets	**$ (18,687)**	$ (14,060)	**$ 8,456**	$ (11,376)
Activities under the CMB Program				
Reinvestment assets	**(285)**	20	**262**	(383)
Derivative assets and liabilities	**2,557**	19	**4,757**	458
Secured loans to members	**-**	(14)	**-**	(391)
Obligations under the CMB Program	**971**	1,240	**(9,410)**	(232)
Derivative assets and liabilities	**5,863**	3,731	**25,461**	53,453
Trading liabilities				
Deposits designated as trading	**12,008**	5,995	**(12,876)**	(5,443)
Obligations related to securities sold short	**914**	353	**919**	(296)
	$ 3,341	$ (2,716)	**$ 17,569**	$ 35,790

24. Other income

(Thousands of dollars)	For the three months ended Sep 30 2015	Sep 30 2014	For the nine months ended Sep 30 2015	Sep 30 2014
Membership dues and provincial advertising assessment	**$ 3,544**	$ 2,546	**$ 9,862**	$ 7,472
Equity interest in affiliates	**878**	697	**3,747**	4,113
Income from investees	**39**	38	**3,359**	506
Insurance premiums and assessments	**480**	524	**1,672**	3,375
Digital & Payment Services				
Payment processing and other fees	**12,718**	11,145	**36,876**	32,925
Direct banking fees	**7,121**	7,208	**21,540**	18,710
Treasury Related Services				
Treasury services and foreign exchange income	**1,653**	1,177	**4,265**	5,178
Lending fees	**2,691**	1,582	**6,935**	4,229
Trust services	**604**	653	**1,653**	1,760
Trade and Other Services				
Product compliance services	**368**	395	**1,132**	1,153
Property rents	**147**	149	**635**	462
Risk solutions services	**547**	496	**1,250**	1,840
Marketing and research programs	**680**	576	**2,119**	2,621
Employee benefits and retirement services	**335**	333	**1,033**	974
Other	**855**	510	**2,296**	1,521
Litigation settlement	**7,500**	-	**7,500**	-
	$ 40,160	$ 28,029	**$ 105,874**	$ 86,839

During the third quarter of 2015, an agreement was reached to settle a legal action brought by Central 1 and other claimants.

25. Other administrative expenses

(Thousands of dollars)	For the three months ended Sep 30 2015	Sep 30 2014	For the nine months ended Sep 30 2015	Sep 30 2014
Cost of sales and services	**$ 3,317**	$ 2,334	**$ 10,407**	$ 7,368
Cost of payments processing	**4,778**	3,681	**12,896**	10,573
Insurance claims and premiums	**253**	3	**861**	1,758
Management information services	**1,803**	1,557	**5,026**	4,246
Business development projects	**279**	351	**853**	853
Professional fees	**1,424**	1,763	**3,845**	4,922
Other	**2,105**	1,983	**6,228**	6,253
	$ 13,959	$ 11,672	**$ 40,116**	$ 35,973

26. Provision for income taxes

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

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Provision for income taxes in the interim consolidated statements of profit	**$ 1,845**	$ 2,124	**$ 6,645**	$ 7,656
Income tax benefit related to dividends accrued and share redemptions	**(664)**	(886)	**(2,259)**	(2,968)
	$ 1,189	$ 1,238	**$ 4,386**	$ 4,688

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

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Current income taxes	**$ 283**	$ 848	**$ 8,850**	$ 8,580
Deferred income taxes (recoveries)	**1,562**	1,276	**(2,205)**	(924)
	$ 1,845	$ 2,124	**$ 6,645**	$ 7,656

The effective tax rate in the interim consolidated statements of profit are as follows:

	For the three months ended		For the nine months ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
	%	%	**%**	%
Combined federal and provincial statutory income tax rates	**26.1**	26.1	**26.1**	26.1
Credit union deduction	**(9.8)**	(10.5)	**(9.8)**	(10.5)
Tax credits	**(2.9)**	-	**(0.9)**	-
Rate differential on equity interests in affiliates	**(0.7)**	-	**(0.8)**	-
Change in estimated future tax rates on deferred tax balances	**-**	-	**-**	(1.3)
Other	**-**	1.1	**-**	-
	12.7	16.7	**14.6**	14.3

Central 1's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 26.1% (2014 – 26.1%).

The federal deduction available to credit unions which provides access to a lower income tax rate for income that is not eligible for the small business deduction is being phased out over a five year period which began in 2013. The impact of phasing out the deduction will be partially mitigated by the availability of a general rate reduction.

27. Segment information

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

A description of each business segment is as follows:

Mandatory Liquidity Pool

The MLP segment is responsible for providing extraordinary liquidity to the credit union systems in the event of a liquidity crisis. The pool is funded by the mandatory deposits of member credit unions, either by liquidity lock-in agreement or by statute. Assets held in the pool remain highly liquid in order to ensure immediate access to funds. The net profits in the MLP business line are distributed to Class A members in the form of a dividend.

Wholesale Financial Services

The Wholesale Financial Services segment supports the structural and tactical liquidity needs of member credit unions in pursuit of regular, day-to-day business objectives. The segment is funded by Class A members' non-mandatory deposits augmented by capital market funding and deposits from non-Class A members. Centralized liquidity and funding services are concerned with managing the funds and fostering the system's growth, which involves lending funds to credit unions, accessing capital markets for short and long term funding, commercial loan syndications, and coordinating and administering securitization and other wholesale funding programs. Central 1 also provides foreign exchange services, derivative capabilities and other ancillary treasury services under the Wholesale Financial Services segment.

Digital & Payment Services

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

Direct banking services include online, mobile and phone banking, not only for member credit unions in British Columbia and Ontario but also for credit unions and other financial institutions across the country. Central 1 is a Group Clearer under the rules of the CPA, a Large Value Transfer System (LVTS) participant, and acts as the credit union systems' financial institution connection to the Canadian payments system.

Trade Services including CUCC (Trade Services)

The Trade Services segment includes both Trade Services and Central 1's investment in CUCC, formerly Credit Union Central of Canada. Trade Services delivers operational support, strategic consulting and research services tailored to the needs of member credit unions. Among these services are strategic planning, research and analysis, insurance and risk management, project management and compensation advice. CUCC is the national trade association which provides advocacy, research and policy services to the Canadian credit union system.

Other

Other enterprise level activities, which are not allocated to these four business segments, include consolidation adjustments and corporate support functions. Central 1's investments in equity shares of system-related entities other than the wholly owned subsidiaries are as described in Note 31. Corporate level tax items, charges associated with unattributed capital are included in corporate support function. Investments in affiliates and other assets and liabilities not allocated to the four business segments above are included in the "Other" segment.

Management reporting framework

Central 1's management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way our business segments are managed. This approach is intended to ensure that our business segments' results reflect all relevant revenue and expenses associated with the conduct of their businesses. Management regularly monitors these segments' results for the purpose of making decisions about resource allocation and performance assessment. These items do not impact the consolidated results.

The expenses in each business segment may include costs or services directly incurred or provided on their behalf at the corporate level. For other costs not directly attributable to one of the business segments, a management reporting framework that uses assumptions, estimates and methodologies for allocating overhead costs and indirect expenses to each of the business segments is used. The management reporting framework assists in the attribution of capital and the transfer pricing of funds to the business segments in a manner that fairly and consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Central 1 does not have any inter-segment revenue between business segments. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment. All other corporate level activities that are not allocated to the four business segments are reported under the "Other" segment.

Results by segment

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

(Thousands of dollars) Sep 30 2015	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 5,654	$ 2,444	$ (59)	$ 39	$ (1,100)	$ 6,978
Other income	105	4,284	19,839	5,911	10,021	40,160
Net financial and other income	5,759	6,728	19,780	5,950	8,921	47,138
Operating expenses	1,734	4,718	17,842	6,204	2,069	32,567
Profit (loss) before income taxes	4,025	2,010	1,938	(254)	6,852	14,571
Income taxes (recoveries)	659	330	317	(41)	580	1,845
Profit (loss) for the period	$ 3,366	$ 1,680	$ 1,621	$ (213)	$ 6,272	$ 12,726

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

(Thousands of dollars) Sep 30 2014	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 8,062	$ 10,114	$ (71)	$ 58	$ (2,989)	$ 15,174
Other income	(476)	3,235	18,353	4,730	2,187	28,029
Net financial and other income	7,586	13,349	18,282	4,788	(802)	43,203
Operating expenses	1,912	4,325	16,462	5,485	2,312	30,496
Profit (loss) before income taxes	5,674	9,024	1,820	(697)	(3,114)	12,707
Income taxes (recoveries)	887	1,590	233	(120)	(466)	2,124
Profit (loss) for the period	$ 4,787	$ 7,434	$ 1,587	$ (577)	$ (2,648)	$ 10,583

The following table summarizes the segment results for the nine months ended September 30, 2015:

(Thousands of dollars) Sep 30 2015	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 19,025	$ 20,068	$ (192)	$ 194	$ (3,203)	$ 35,892
Other income	(82)	11,411	58,416	16,285	19,844	105,874
Net financial and other income	18,943	31,479	58,224	16,479	16,641	141,766
Operating expenses	5,299	12,989	51,311	18,148	8,519	96,266
Profit (loss) before income taxes	13,644	18,490	6,913	(1,669)	8,122	45,500
Income taxes (recoveries)	2,236	3,031	1,133	(274)	519	6,645
Profit (loss) for the period	$ 11,408	$ 15,459	$ 5,780	$ (1,395)	$ 7,603	$ 38,855
Total assets at Sep 30 2015	$7,322,952	$ 6,422,783	$ 561,732	$ 7,537	$ 239,815	$14,554,819
Total liabilities at Sep 30 2015	$6,888,508	$ 5,987,453	$ 525,097	$ (10,886)	$ 218,420	$13,608,592
Total equity at Sep 30 2015	$ 434,444	$ 435,330	$ 36,635	$ 18,423	$ 21,395	$ 946,227

The following table summarizes the segment results for the nine months ended September 30, 2014:

(Thousands of dollars) Sep 30 2014	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services Including CUCC	Other	Total
Net financial income (expense), including recovery of credit losses	$ 24,639	$ 43,979	$ (215)	$ 228	$ (6,535)	$ 62,096
Other income	(200)	9,607	51,635	16,453	9,344	86,839
Net financial and other income	24,439	53,586	51,420	16,681	2,809	148,935
Operating expenses	5,531	12,234	48,114	19,405	10,163	95,447
Profit (loss) before income taxes	18,908	41,352	3,306	(2,724)	(7,354)	53,488
Income taxes (recoveries)	2,951	6,514	431	(422)	(1,818)	7,656
Profit (loss) for the period	$ 15,957	$ 34,838	$ 2,875	$ (2,302)	$ (5,536)	$ 45,832
Total assets at Sep 30 2014	$6,714,270	$ 5,379,343	$ 539,016	$ 18,875	$ 232,626	$12,884,130
Total liabilities at Sep 30 2014	$6,302,900	$ 4,942,787	$ 508,715	$ (239)	$ 223,466	$11,977,629
Total equity at Sep 30 2014	$ 411,370	$ 436,556	$ 30,301	$ 19,114	$ 9,160	$ 906,501

28. Guarantees, commitments and contingencies

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

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Standby letters of credit	**$ 84,746**	$ 223,349	$ 221,939
Commitments to extend credit	**$ 4,118,794**	$ 3,324,410	$ 3,228,065
Guarantees	**$ 273,500**	$ 325,000	$ 320,000

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

Pledged Assets

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

(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Dec 31 2014
Assets pledged to Bank of Canada & Direct Clearing Organizations[(1)]	**$ 59,409**	$ 58,251	$ 75,890
Assets pledged in relation to:			
Derivative financial instrument transactions	**22,026**	40,888	31,053
Securities lending	**46,473**	61,834	119,047
Obligations under the CMB Program	**773,535**	352,716	538,153
Reinvestment assets under the CMB Program	**133,668**	139,795	65,518
Secured loans to members	**-**	12,889	-
Securities under repurchase agreements	**185,780**	129,826	107,683
	$ 1,220,891	$ 796,199	$ 937,344

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

29. Financial instruments - Fair value

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

	Fair Value		Carrying Value		Unrecognized Gain (Loss)	
(Millions of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Assets						
Cash	**$ 318.89**	$ 123.55	**$ 318.89**	$ 123.55	**$ -**	$ -
Deposits with regulated financial institutions[1]	**6.11**	5.70	**6.08**	5.67	**0.03**	0.03
Trading assets and Investment securities	**12,773.65**	11,142.05	**12,773.65**	11,142.05	**-**	-
Reinvestment assets under the CMB Program	**133.67**	139.80	**133.67**	139.80	**-**	-
Derivative assets	**113.45**	35.20	**113.45**	35.20	**-**	-
Loans[2]	**935.06**	906.98	**934.95**	906.89	**0.11**	0.09
Secured loans to members	**-**	12.89	**-**	12.89	**-**	-
Other assets	**274.13**	518.08	**274.13**	518.08	**-**	-
Liabilities						
Deposits designated as trading	**7,215.02**	4,850.20	**7,215.02**	4,850.20	**-**	-
Obligations related to securities sold short	**-**	109.95	**-**	109.95	**-**	-
Derivative liabilities	**135.95**	107.17	**135.95**	107.17	**-**	-
Debt securities issued[1]	**1,215.07**	1,457.60	**1,214.09**	1,454.10	**(0.98)**	(3.50)
Deposits[1]	**3,248.59**	3,884.40	**3,235.46**	3,870.92	**(13.13)**	(13.48)
Obligations under the CMB Program	**906.92**	505.44	**906.92**	505.44	**-**	-
Subordinated liabilities[1]	**223.24**	374.88	**219.22**	372.03	**(4.02)**	(2.85)
Securities under repurchase agreements	**175.22**	173.23	**175.22**	173.23	**-**	-
Other liabilities	**506.71**	534.59	**506.71**	534.59	**-**	-
Total					**$ (17.99)**	$ (19.71)

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

30. Capital management

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

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

In order to ensure that Central 1 maintains regulatory capital sufficient to absorb sudden increases in borrowings or a reduction in capital due to mark-to-market fluctuations, Central 1 targets an operating borrowing multiple of 15.0:1 for the MLP business line and 12.0:1 for the Wholesale Financial Services business line.

Provincial regulations in British Columbia, which apply to B.C. credit unions as well as to Central 1, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements (BIS). The provincial risk weightings generally parallel the methodology used by OSFI to regulate Canadian chartered banks. Provincial Legislation requires Central 1's total capital ratio, calculated by dividing regulatory capital by risk-weighted assets, to be no less than 8.0%. FICOM guidance requires Central 1's total capital ratio to be no less than 10.0%. Additionally, Central 1 must maintain a total capital ratio of at least 10.0% to enable member B.C. credit unions to risk-weight their deposits with Central 1 at 0.0%.

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

Central 1 was in compliance with all regulatory capital requirements throughout the nine months ended September 30, 2015.

31. Related parties

Transactions with key management personnel

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

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Mortgage loans outstanding at end of period	**$ 392**	$ 299	**$ 392**	$ 299
Maximum mortgage loans outstanding during the period	**$ 395**	$ 656	**$ 692**	$ 1,060

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

Key management personnel compensation for the period comprised:

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Salaries and short-term employee benefits	**$ 875**	$ 656	**$ 2,293**	$ 1,896
Incentive	**-**	63	**684**	576
Post-employment benefits	**35**	22	**142**	130
Termination benefits	**102**	720	**102**	3,564
Other cash-based compensation	**-**	242	**20**	242
	$ 1,012	$ 1,703	**$ 3,241**	$ 6,408

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

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

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

Other cash-based compensation includes relocation costs payable per contractual terms for certain executive officers. Also included in 2014 is a one-time retention bonus for one named executive.

Board of Directors

During the three months ended September 30, 2015, the members of Central 1's Board of Directors received aggregate remuneration of $133 thousand (September 30, 2014 - $134 thousand) and for the nine months ended September 30, 2015 of $445 thousand (September 30, 2014 - $475 thousand).

Significant subsidiaries

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

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

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

Investments in affiliates

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

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

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

Substantial investments

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

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

32. Proposed transaction

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