Third Quarter Report 2016
Report to Members

Central 1

Central 1 Reports Results for the Third Quarter of 2016

Third quarter highlights compared to the same period last year:

- Central 1's profit for the period is $21.5 million, compared to $12.7 million a year earlier.
- Central 1's return on average equity is 8.2 per cent, compared to 5.3 per cent a year earlier.
- Central 1's assets are $16.6 billion, compared to $14.6 billion a year earlier.
- Central 1's Tier 1 capital ratio is 35.2 per cent, compared to 35.3 per cent a year earlier.
- B.C. network's net operating income is $94.9 million, compared to $85.5 million a year earlier.
- B.C. network's assets are $72.1 billion, compared to $65.7 billion a year earlier.
- Ontario network's net operating income is $41.1 million, compared to $41.4 million a year earlier.
- Ontario network's assets are $43.6 billion, compared to $39.0 billion a year earlier.

Year-to-date highlights compared to the prior year:

- Central 1's profit for the period is $43.3 million, compared to $38.9 million a year earlier.
- Central 1's return on average equity is 5.7 per cent, compared to 5.5 per cent a year earlier.
- B.C. network's net operating income is $248.2 million, compared to $235.1 million a year earlier.
- Ontario network's net operating income is $126.5 million, compared to $119.4 million a year earlier.

For the quarter ended September 30, 2016, Central 1 recorded a profit of $21.5 million, up $8.8 million or 69.3 per cent from the same period in 2015. The increase was primarily due to declining credit spreads leading to higher net realized and unrealized gains, increased interest margin, and increased income from affiliates. Excluding a one-time litigation settlement included in 2015, the net operating income also increased slightly from the same period last year.

For the nine months ended September 30, 2016, Central 1 recorded a profit of $43.3 million, up $4.4 million or 11.3 per cent from the same period in 2015. The increase was largely driven by higher interest margin, partially offset by lower net realized and unrealized gains and lower net operating income. Increased interest margin was reflective of a $2.0 billion increase in assets from a year ago, driven by deposit growth in the B.C. and Ontario credit union networks.

Central 1 was in compliance with all regulatory capital requirements for the nine months ended September 30, 2016. On October 14, 2016, Central 1 issued $200.0 million subordinated Tier 2 capital notes due October 14, 2026.

The B.C. network reported a net operating income of $94.9 million in the third quarter of 2016, up $9.4 million or 11.0 per cent from the same period in 2015. For the nine months ended September 30, 2016, the B.C. network also reported a $13.1 million or 5.5 per cent increase in net operating income from the same period in 2015. Both increases were mainly due to higher net interest income driven by loan growth and lower interest expense, partially offset by higher non-interest expense. Combined assets of the B.C. network at the end of September 30, 2016 rose 9.7 per cent year-over-year to reach $72.1 billion.

The Ontario network reported a net operating income of $41.1 million in the third quarter of 2016, broadly unchanged from the same period in 2015. For the nine months ended September 30, 2016, the Ontario network reported a $7.1 million or 6.0 per cent increase in net operating income from the same period in 2015. The increase was mainly driven by loan growth, partially offset by higher salary and employee benefit expense. Combined assets of the Ontario network at the end of September 2016 rose 11.7 per cent year-over-year to reach $43.6 billion.

In the first quarter of 2016, Central 1 put out a discussion paper on the future state of the credit union support system – centrals and other second tier cooperatives – to provide a framework for a robust conversation around a vision of the future.

There is an agreement across the network that the current second tier is not optimal, and there will be trade-offs in order to move forward successfully. During consultation on the first paper with our members through the spring, it was clear that they wanted Central 1 to push ahead with presenting a more defined vision of the future.

This feedback created the pillars of a new discussion paper "*If not now, when?*" released in the third quarter of 2016. It recognizes the requirements of credit unions, and also sets out some of the challenges and inconsistencies that will need to be addressed as the network moves forward from theory into implementation.

Throughout this past summer, Central 1 examined how well each of four structural options outlined in the first paper aligned with what our members said they wanted from the second tier into the future. This included reviewing how each of the options would improve the financial performance of the second tier by reducing costs, reducing duplication in management and corporate costs and enabling the most efficient and use of risk-adjusted capital.

As we move toward creating an improved long-term structure for the second tier, work is already underway in finding ways to eliminate duplication and reduce costs for members. Teams from Central 1, Canadian Credit Union Association (CCUA) and Credit Union Central of Saskatchewan have been collaborating over the past several months to review which trade association functions would be most appropriate to integrate into CCUA. In addition, the National Payments Strategy is working toward the national consolidation of the payments function. Central 1 has received a proposal from the CEO Payments Strategy Committee (CEOPSC). This proposal is an important step towards a re-imagined and redeveloped future state for the Canadian credit union network, and we are working with the CEOPSC to understand how the proposed new payments vehicle model would support the vision outlined. Central 1's Board will also be reviewing the proposal carefully and providing its position, feedback and information to Central 1's membership, and creating opportunities for consultation with members.

Management's Discussion & Analysis

Central 1

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Management's Discussion and Analysis for the period ended September 30, 2016

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, 2015, and reviews and analyzes the financial condition and results of operations of Central 1 for the nine-month period ended September 30, 2016, compared to the corresponding period in the prior fiscal year. The financial information included in this MD&A should be read in conjunction with Central 1's unaudited Interim Consolidated Financial Statements for the nine-month period ended September 30, 2016 as well as Central 1's 2015 Annual Report for the year ended December 31, 2015. This MD&A is as at November 25, 2016.

The results presented in this MD&A and in the Interim Consolidated Financial Statements that follow are reported in Canadian dollars. Except as otherwise indicated, financial information for Central 1 included in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 of the Interim Consolidated Financial Statements. Additional information on Central 1 may be found on the website of the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A also includes financial information about the credit union networks in British Columbia and Ontario. The British Columbia credit union network is made up of all credit unions in British Columbia while the Ontario credit union network 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 networks are individually referred to as the "British Columbia (B.C.) credit union network" or "B.C. network" and the "Ontario credit union network" or "Ontario network". Where the term "network" appears without regional designation, it refers to Central 1's total membership, encompassing credit unions in both provinces.

Financial information for the B.C. network has been provided by the Financial Institutions Commission of British Columbia (FICOM), the provincial financial institutions regulator. Financial information for the Ontario network has been provided by the Deposit Insurance Corporation of Ontario (DICO). The differing provincial regulatory guidelines reduce the comparability of the information between the two provincial networks. 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 IFRS. The net operating income of the B.C. and Ontario credit union networks reported herein is not equivalent to income from continuing operations as would be reported under IFRS.

Legislative reviews in both B.C. and Ontario continued in the third quarter. In August, Central 1 responded to the B.C. Ministry of Finance's summary paper on the review of the *B.C. Financial Institutions Act and Credit Union Incorporation Act*, commenting on items such as residential mortgage lending, small business lending, governance, capital and liquidity. It is expected that the Ministry of Finance will be releasing its White Paper with initial policy positions in 2017.

In the Fall Economic Statement, the Ontario Minister of Finance announced its planned changes with respect to the scheduled five-year review of the *Credit Unions and Caisses Populaires Act, 1994*. Government is proposing to make the following legislative and regulatory changes:

- increase deposits insurance limits for non-registered deposits from $100,000 to $250,000;
- remove differentiated rules for smaller credit unions;
- allow credit unions to acquire a corporation that is an insurance agent or broker;
- permit credit unions to enter into loan syndication agreements with credit unions in other provinces;
- address provisions in regulations under various statutes to include credit unions as permissible financial institutions; and
- introduce legislation that will establish the initial framework for the new regulatory body, the Financial Services Regulatory Authority.

These proposed changes are expected to be broadly positive for Ontario credit unions.

A rapidly changing business and regulatory environment is challenging the business model of the credit union network and the second tier that supports them. Rapid changes in technology, which are expected to be increasingly driven by financial technology companies, mean that credit unions, supported by the second tier including Central 1, must keep pace in order to meet the expectations of their members.

Regulatory changes include the likelihood that some of Central 1's members may continue as federally-regulated credit unions, which may in turn impact the economies of scale that Central 1 offers its members. Other regulatory-driven initiatives include the review of Central 1's Group Clearer function.

In response to these challenges, Central 1 has released a position paper that advocates for the integration of products and services across the second tier. Central 1 believes that such an integration presents an opportunity to meet the challenges of a changing environment in an effective manner, and would invest in the future health of the credit union network.

Cautionary Note Regarding Forward-Looking Statements

From time to time, Central 1 makes written forward-looking statements, including in this MD&A, 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 to not 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 business and operations, compliance, credit and counterparty, insurance, liquidity, market, and operational 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 and Risk Discussion sections of Central 1's 2015 Annual Report.

Economic Developments and Outlook

The following summaries of the economic environment, the state of financial markets and performance by both provincial networks in the third quarter of 2016 offer a context for interpreting Central 1's quarterly results and provide insight into its future performance.

The Economic Environment

Global economic activity was mixed during the third quarter. Financial markets initially reacted negatively to the Brexit referendum but recouped those losses later in the quarter, while Sterling traded at 30-year lows against the U.S. dollar. Sub-par global economic growth is expected to continue until the policy response is more balanced, geopolitical uncertainty is reduced, and investment demand revives. Low inflation and low interest rates are symptomatic of this phase of economic expansion.

The U.S. economic expansion remains intact with a low probability of recession and leading indicators point to further gains. More robust growth awaits a resurgence in demand and business investment. Against the backdrop of a seven-year expansion in the U.S. economy and tightening labour market conditions, the Federal Reserve (the Fed) is expected to resume rate normalization. A Fed rate increase has global ramifications affecting currencies, financial flows, and fixed income and equity markets.

Canada's economy contracted in the second quarter mainly due to the negative impact of the Alberta wildfires on energy exports. The Bank of Canada (BOC) predicts a 1.0 per cent annualized decline. Third quarter growth is forecast to rebound to 3.0 per cent annualized on employment growth, a larger international merchandise trade surplus, slightly higher housing starts, and a pickup in non-residential building permits. The BOC is not expected to raise rates in the near term, with the next increase forecast for later in 2018.

Concerns over Vancouver and Toronto housing markets heightened and prompted a policy response by the B.C. government to tax non-resident purchasers of residential properties. This measure will have an impact on properties preferred by foreign buyers but it will have a minimal impact on overall price pressures. The fundamental supply-demand imbalance in both markets is much larger than foreign buyer activity. The Ontario government has declared they will not impose a foreign buyer tax on housing.

The Federal Finance Minister announced new tighter lending rules restricting mortgages that qualify for government-backed insurance. One key change is a "stress test" for borrowers requiring them to qualify at the posted five-year fixed term rate rather than the lower market rate. This amounts to roughly a 200 basis points (bps) higher mortgage rate resulting in 20.0 per cent more income required to qualify. Other key changes are further restrictions on mortgage insurance for loans with unconventional terms and new requirements to claim the principal residence exemption on capital gains. These policy changes will lower economic growth by an estimated 0.2 per cent per annum due to lower residential investment spending. The Federal government is also considering further risk sharing on default insurance via deductibles and claim-dependent premiums.

Financial Markets

The lead-up to the U.S. presidential election dominated the news cycle and was responsible for increased market volatility in the third quarter. Donald Trump's election defied polls, political pundits and predictive markets, and the immediate market reaction to the U.S. election result was decidedly risk-off, though the markets quickly recovered. The Fed is widely expected to raise its overnight rate at its December meeting; however, if risk markets are unsteady after the U.S. election they may opt to wait until the new year before changing policy rates.

Many questions remain about a Trump presidency; increased volatility is expected heading into the new year as he clarifies his policy positions and election promises. The major Canadian impacts of Trump's policies will likely be allowing the Keystone pipeline to proceed and the renegotiation of the North American Free Trade Agreement (NAFTA). Export Development Canada estimated that Canadian GDP would be reduced between 1.9 per cent and 3.9 per cent if the U.S. repeals NAFTA and implements tariffs on Canadian goods and services.

Domestic credit spreads narrowed over the quarter as investors' deployed excess cash; five-year bank deposit notes tightened ten basis points from the end of the second quarter. Corporate debt supply was front loaded this fall ahead of the U.S. election.

Network Performance

British Columbia

Net operating income for the third quarter was $94.9 million, compared to $85.5 million in the third quarter of 2015. Net interest income increased $22.2 million over the same period last year driven by loan growth and lower deposit interest payable. Non-interest income increased $5.6 million, led by service charges.

Non-interest expenses increased $18.4 million year-over-year. Salary and employee benefit expense increased $4.8 million from the same period last year, loan loss expense was little changed and non-interest other expenses increased $13.4 million.

Total assets increased 9.7 per cent year-over-year to reach $72.1 billion at the end of the third quarter. Asset growth was led by personal mortgages, up 6.5 per cent, cash and liquid investments, up 22.2 per cent, commercial mortgages, up 7.9 per cent, and securitized assets, up 47.5 per cent. Liability growth was led by non-registered demand deposits, up 12.2 per cent, non-registered term deposits, up 7.8 per cent, and borrowings, up 40.9 per cent.

The network's rate of loan delinquencies over 90 days was 0.27 per cent of total loans at the end of September, down six bps year-over-year. Provision for credit losses as a percentage of loans was 0.29 per cent, down two bps. The network's loan loss expense ratio was 0.05 per cent annualized in the third quarter, unchanged from the third quarter of last year.

The B.C. network's regulatory capital as a percentage of risk-weighted assets was 14.6 per cent at the end of September, a slight decrease from 14.8 per cent a year ago. Aggregate liquidity of B.C. credit unions, including that held by Central 1, was 16.7 per cent of deposit and debt liabilities, up from 15.0 per cent a year ago.

Ontario

Net operating income for the third quarter was $41.1 million, compared to $41.4 million in the third quarter of 2015. Net interest income increased $12.9 million over the same period last year driven by loan growth. Non-interest income increased $4.7 million.

Non-interest expenses increased $17.9 million year-over-year, led by salary and employee benefit expense.

Total assets increased 11.7 per cent year-over-year to reach $43.6 billion at the end of the third quarter. Asset growth was led by residential mortgages and commercial mortgages and loans, which increased 12.1 per cent and 14.6 per cent, respectively. Liability growth was led by non-registered demand deposits, up 15.3 per cent, borrowings, up 26.4 per cent, and non-registered term deposits, up 7.8 per cent.

The network's rate of loan delinquencies over 90 days was 0.37 per cent of total loans at the end of September, down 10 bps year-over-year. Provision for credit losses as a percentage of loans was 0.27 per cent, down three bps. The network's loan loss expense ratio was 0.07 per cent annualized in the third quarter, up two bps from the third quarter last year.

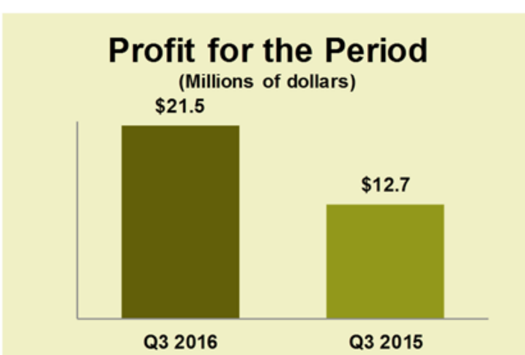
The Ontario network's regulatory capital as a percentage of risk-weighted assets was 13.3 per cent at the end of September, up from 12.8 per cent a year ago (Class 2 credit unions only). Aggregate liquidity of Ontario/Central 1 credit unions, including that held by Central 1, was 11.6 per cent of deposit and debt liabilities, up from 11.0 per cent a year ago.

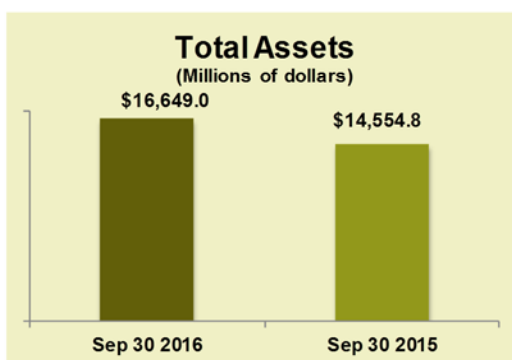
Overall Performance

The following table summarizes Central 1's Financial Overview as at September 30, 2016 with comparative.

Figure 1 – Financial Overview

						For the three months ended
		Sep 30 2016		**Sep 30 2015**		**Change**
Earnings *(Millions of dollars)*						
Net financial income	**$**	**22.7**	$	6.9	$	15.8
Net financial and other income	**$**	**57.2**	$	47.1	$	10.1
Profit for the period	**$**	**21.5**	$	12.7	$	8.8
Earnings per Share *(cents)*						
Basic		**5.6**		3.6		2.0
Diluted		**5.6**		3.6		2.0
Return on						
Average assets		**0.5%**		0.3%		0.2%
Average equity		**8.2%**		5.3%		2.9%
Statement of Financial Position Data *(Millions of dollars)*						
Total assets	**$**	**16,649.0**	$	14,554.8	$	2,094.2
Average assets	**$**	**16,050.1**	$	14,596.8	$	1,453.3
Long-term financial liabilities	**$**	**6,773.0**	$	5,866.1	$	906.9
Weighted average shares outstanding	**$**	**385.0**	$	350.0	$	35.0
Regulatory Capital Ratios						
Tier 1 capital ratio		**35.2%**		35.3%		(0.1%)
Provincial capital ratio		**45.3%**		46.3%		(1.0%)
Borrowing multiple (times)		**14.3**		13.5		0.8
Share Information						
Outstanding $1 par value shares *(Thousands of dollars)*						
Class A - credit unions	**$**	**384,952**	$	349,952	$	35,000
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	$	-
Dividends per share *(cents)*						
Class A		**1.60**		1.14		0.46
Class B & C		**0.25**		0.13		0.12
Class E		**-**		-		-
Productivity Ratio %		**57.4%**		69.1%		(11.7%)
Productivity Ratio % - Non-Financial		**95.4%**		81.1%		14.3%





Statement of Financial Position

Cash and Liquid Assets

The following tables summarize Central 1's Cash and Liquid Assets for the Mandatory Liquidity Pool (MLP) and Wholesale Financial Services (WFS) as at September 30, 2016 with comparatives.

Figure 2 – Cash and Liquid Assets

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities received as collateral	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
						Sep 30 2016
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities	6,930.1	3,511.6	456.4	3,968.0	1,424.6	2,543.4
Corporate and financial institutions AA or greater	894.8	1,827.3	-	1,827.3	141.8	1,685.5
U.S. dollar denominated corporate and financial institution securities AA or greater	121.2	408.7	-	408.7	-	408.7
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	244.3	-	244.3	-	244.3
Other assets	-	425.0	-	425.0	99.7	325.3
Total	$ 7,946.1	$ 6,416.9	$ 456.4	$ 6,873.3	$ 1,666.1	$ 5,207.2

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities received as collateral	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
						Sep 30 2015
Cash	$ 66.6	$ -	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities*	6,364.6	2,015.5	220.1	2,235.6	1,164.9	1,070.7
Corporate and financial institutions AA or greater	598.2	2,281.8	-	2,281.8	56.0	2,225.8
U.S. dollar denominated corporate and financial institution securities AA or greater	287.7	385.8	-	385.8	-	385.8
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	217.4	-	217.4	-	217.4
Other assets	-	622.6	-	622.6	-	622.6
Total	$ 7,317.1	$ 5,523.1	$ 220.1	$ 5,743.2	$ 1,220.9	$ 4,522.3

(Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities received as collateral	Total liquid assets	Encumbered liquid assets	Unencumbered liquid assets
						Dec 31 2015
Cash	$ 283.7	$ -	$ -	$ -	$ -	$ -
Federal and provincial government issued and guaranteed securities	6,135.6	2,270.8	55.9	2,326.7	1,279.2	1,047.5
Corporate and financial institutions AA or greater	708.8	2,088.6	100.8	2,189.4	107.3	2,082.1
U.S. dollar denominated corporate and financial institution securities AA or greater	268.6	389.6	-	389.6	-	389.6
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	207.9	-	207.9	-	207.9
Other assets	-	541.0	-	541.0	-	541.0
Total	$ 7,396.7	$ 5,497.9	$ 156.7	$ 5,654.6	$ 1,386.5	$ 4,268.1

Cash and liquid assets increased $0.6 billion and $0.9 billion year-over-year in MLP and WFS, respectively, funded by higher deposits and obligations under the Canada Mortgage Bond (CMB) Program. Cash and liquid assets in MLP and WFS represent 47.7 per cent and 38.5 per cent, respectively, of Central 1's total assets. Compared to the prior year, cash and liquid assets increased due to the impact of strong balance sheet growth in WFS.

Loans

The following table summarizes Central 1's Loans as at September 30, 2016 with comparatives.

Figure 3 – Loans

(Millions of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Loans to credit unions	**$ 344.3**	$ 393.8	$ 784.1
Syndicated commercial loans	**572.4**	234.6	518.7
Non syndicated commercial loans	**13.7**	25.5	16.0
Other loans	**8.9**	9.4	9.4
Residential mortgages	**162.9**	50.5	98.0
	757.9	320.0	642.1
Securities acquired under reverse repurchase agreements	**423.9**	220.1	48.9
	$ 1,526.1	$ 933.9	$ 1,475.1

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

Total loans increased $592.2 million compared to a year ago, driven by higher syndicated commercial loans and residential mortgages. Syndicated commercial loans increased $337.8 million largely due to a commercial lending transaction in the fourth quarter of 2015. Commercial loans represented 38.4 per cent of Central 1's total loan portfolio, up 10.5 per cent from a year ago. Securities acquired under reverse repurchase agreements, generally used to support Central 1's credit union members' participation in the CMB Program, increased $203.8 million.

Borrowings

The following table summarizes Central 1's Borrowings as at September 30, 2016 with comparatives.

Figure 4 – Borrowings

(Millions of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Deposits and trading liabilities by type			
Mandatory deposits	**$ 7,411.6**	$ 6,842.8	$ 6,904.2
Non-mandatory deposits	**3,986.3**	2,973.9	3,244.8
Deposits from member credit unions	**11,397.9**	9,816.7	10,149.0
Deposits from non-credit unions	**644.8**	588.1	601.7
	12,042.7	10,404.8	10,750.7
Accrued interest	**44.1**	45.6	46.1
	12,086.8	10,450.4	10,796.8
Debt securities issued at amortized cost			
Commercial paper issued	**610.7**	615.0	476.0
Medium-term notes issued	**600.0**	600.0	600.0
	1,210.7	1,215.0	1,076.0
Accrued interest and discount	**(0.1)**	(0.9)	(0.7)
	1,210.6	1,214.1	1,075.3
Obligations under the CMB Program	**1,151.9**	901.9	988.9
Accrued interest	**5.6**	5.0	0.7
	1,157.5	906.9	989.6
Securities under repurchase agreements	**314.2**	175.1	221.1
Accrued interest	**0.1**	0.1	0.1
	314.3	175.2	221.2
	$ 14,769.2	$ 12,746.6	$ 13,082.9

Borrowings increased $2.0 billion or 15.9 per cent year-over-year. Credit union mandatory deposits grew $0.6 billion, while non-mandatory deposits from credit unions increased $1.0 billion, reflective of the increased growth and liquidity reported within the B.C. and Ontario credit union networks. As a percentage of Central 1's total borrowings portfolio, deposits from member credit unions represented 77.2 per cent at quarter end, a marginal increase from a year ago.

Details of these balances can be found in Note 8 and 10 of the Interim Consolidated Financial Statements.

Equity

Central 1's total equity increased $0.1 billion from a year ago to $1.0 billion. The Class A share capital increased $35.0 million. The remaining increase was driven by higher retained earnings, of which some of the increase had been previously recognized in accumulated other comprehensive income (AOCI).

Statement of Profit

Net Financial Income

The following table summarizes Central 1's Net Financial Income for the three and nine months ended September 30, 2016.

Figure 5 – Net Financial Income

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Interest margin	**$ 12,338**	$ 7,464	**$ 35,249**	$ 16,888
Net realized and unrealized gains (losses)	**10,395**	(565)	**14,635**	18,959
Net financial income	**$ 22,733**	$ 6,899	**$ 49,884**	$ 35,847

Q3 2016 vs Q3 2015

Net financial income for the third quarter of 2016 increased $15.8 million compared to the third quarter of 2015, driven by increases in net realized and unrealized gains and interest margin.

In aggregate, net realized and unrealized gains increased $10.9 million. Realized gains increased $18.5 million primarily on WFS trading instruments partially offset by lower gains on disposal of available-for-sale (AFS) assets, for which changes in fair value in prior periods were recognized in AOCI. Unrealized gains declined $7.6 million year-over-year.

Interest margin increased $4.9 million driven primarily by balance sheet growth reflective of increased liquidity in the credit union network, lower weighted average cost of funding, and increased lending.

YTD 2016 vs YTD 2015

Net financial income for the first nine months of 2016 increased $14.0 million compared to the prior year, driven by an increase in interest margin partially offset by a decrease in net realized and unrealized gains.

Interest margin increased $18.4 million driven primarily by balance sheet growth reflective of increased liquidity in the credit union network, lower weighted average cost of funding, and increased lending. The weighted average cost of funding has declined over the past year due to a shift in the composition of liabilities, as deposits from credit unions form a larger portion of Central 1's financial liabilities than a year ago.

In aggregate, net realized and unrealized gains decreased $4.3 million. Gains on disposal of AFS assets decreased $11.6 million, partially offset by an increase of $7.3 million in trading instruments.

Other Income and Operating Expenses

The following table summarizes Central 1's Other Income and Operating Expenses for the three and nine months ended September 30, 2016 with comparatives.

Figure 6 – Other Income and Operating Expenses

(Millions of dollars)	For the three months ended Sep 30 2016	For the three months ended Sep 30 2015	For the nine months ended Sep 30 2016	For the nine months ended Sep 30 2015
Other income				
Mandatory Liquidity Pool	**$ 0.1**	$ 0.1	**$ (0.1)**	$ (0.1)
Wholesale Financial Services				
Lending fees	**1.5**	1.3	**3.9**	3.4
Securitization fees	**1.9**	1.4	**5.0**	3.6
Foreign exchange income	**1.4**	1.5	**4.4**	4.2
Other	**0.7**	0.7	**1.8**	1.9
Digital & Payment Services				
Payment processing and other fees	**13.7**	13.3	**39.6**	37.9
Direct banking fees	**7.8**	7.1	**22.4**	21.5
Trade Services	**4.0**	4.8	**12.5**	13.6
Other				
Equity interest in affiliates	**2.5**	0.9	**7.8**	3.7
Income from investees	**0.3**	-	**4.3**	3.4
Litigation settlement	**-**	7.5	**-**	7.5
Other	**0.6**	1.6	**3.5**	5.3
Total other income	**34.5**	40.2	**105.1**	105.9
Operating expenses				
Salaries and employee benefits	**16.9**	16.9	**55.7**	51.2
Premises and equipment	**1.7**	1.7	**5.1**	5.0
Other administrative expenses				
Management information systems	**2.2**	1.8	**7.0**	5.0
Flow through membership dues	**1.4**	1.2	**4.2**	3.6
Other	**10.7**	11.0	**33.2**	31.5
Total operating expenses	**32.9**	32.6	**105.2**	96.3
Operating income (loss)	**$ 1.6**	$ 7.6	**$ (0.1)**	$ 9.6

Q3 2016 vs Q3 2015

Other income during the third quarter of 2016 decreased $5.7 million or 14.2 per cent from the prior year. This decrease in other income was driven by a one-time litigation settlement of $7.5 million recorded in the third quarter of 2015.

Other income within WFS increased $0.6 million primarily due to increased securitization fees. Digital & Payment Services' revenues increased $1.1 million reflecting both higher electronic payments volumes and an increase in direct banking fees. Trade Services revenues declined $0.8 million due primarily to reduced activity in the Province Wide Communications Program.

Operating expenses increased $0.3 million. The increase was primarily due to an increase in the cost of supporting Central 1's management information systems, following the completion of the implementation of a new treasury management system in the first quarter of 2016.

YTD 2016 vs YTD 2015

Other income during the first nine months of 2016 decreased $0.8 million from the prior year. Excluding the one-time income of $7.5 million in 2015, other income increased $6.7 million over the same period last year.

Other income within WFS increased $2.0 million during the first nine months of 2016 compared to the same period in 2015. Securitization fees increased by $1.4 million as credit union activity in the CMB Program continued to increase. Digital & Payment Services' revenue increased $2.6 million as increases in electronic payments volumes were partially offset by lower client funded project revenue. Trade Services revenues declined by $1.1 million due primarily to reduced activity in the Province Wide Communications Program.

Operating expenses increased $8.9 million. Other administrative expenses increased $4.3 million driven by higher professional fees and increased management information systems charges.

Salaries and employee benefits expense increased $4.5 million primarily driven by a one-time restructuring charge of $1.0 million, and a $1.7 million increase in the staff complement performing Corporate Support function. Salaries and employee benefits expense within WFS and Digital & Payment Services also increased to support their increased revenue in the first nine months of 2016.

Summary of Quarterly Results

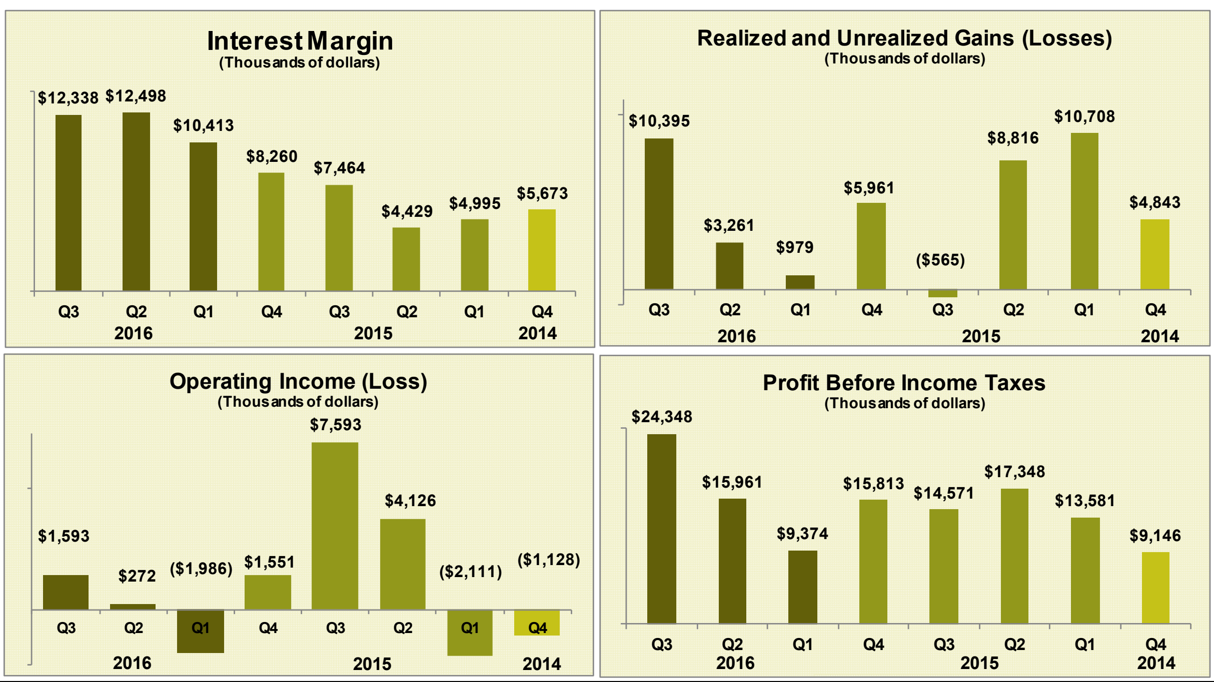
Quarterly Results

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

Figure 7 – Quarterly Earnings

	2016			2015				2014
(Thousands of dollars, except as indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total interest income	**$ 52,296**	$ 49,975	$ 48,059	$ 47,355	$ 45,580	$ 41,559	$ 43,709	$ 46,453
Total interest expense	**39,958**	37,477	37,646	39,095	38,116	37,130	38,714	40,780
Interest margin	**12,338**	12,498	10,413	8,260	7,464	4,429	4,995	5,673
Realized and unrealized gains (losses)	**10,395**	3,261	979	5,961	(565)	8,816	10,708	4,843
Recovery of (provision for) credit losses	**22**	(70)	(32)	41	79	(23)	(11)	(242)
	22,755	15,689	11,360	14,262	6,978	13,222	15,692	10,274
Other income	**34,461**	38,333	32,274	34,832	40,160	37,099	28,615	32,906
Operating expenses	**(32,868)**	(38,061)	(34,260)	(33,281)	(32,567)	(32,973)	(30,726)	(34,034)
Operating income (loss)	**1,593**	272	(1,986)	1,551	7,593	4,126	(2,111)	(1,128)
Profit before income taxes	**24,348**	15,961	9,374	15,813	14,571	17,348	13,581	9,146
Income taxes	**(2,889)**	(2,592)	(882)	(2,318)	(1,845)	(2,597)	(2,203)	(1,388)
Profit for the period	**$ 21,459**	$ 13,369	$ 8,492	$ 13,495	$ 12,726	$ 14,751	$ 11,378	$ 7,758
Weighted average shares outstanding *(millions)*	**375.8**	375.8	371.0	357.3	350.0	339.2	333.1	325.0
Earnings per share								
Basic *(cents)*	**5.7**	3.6	2.3	3.8	3.6	4.3	3.4	2.4
Diluted *(cents)*	**5.7**	3.6	2.3	3.8	3.6	4.3	3.4	2.4

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



Central 1’s interest margin has increased over the last half of 2015 and the first half of 2016, reflective of balance sheet growth driven by increased liquidity in the credit union network, lower cost of funding, and increased lending balances, partially offset by the BOC rate reduction in the third quarter of 2015. The decrease recorded in the first half of 2015 reflected a reduction in interest margin due to lower lending to member credit unions and the lower interest rate environment arising from the BOC rate reduction in January 2015.

Net realized and unrealized gains (losses) have a significant impact on quarterly profit or loss and their timing and magnitude are not predictable.

Results by Segment

Central 1's operations and activities are organized around four key business segments: MLP, WFS, Digital & Payment Services and Trade Services. Activities or transactions which do not relate directly to these four business segments, such as the costs of implementing strategic initiatives and exploring strategic alternatives to enhance the ability to support credit unions in the future, are reported in "Other".

Periodically, certain business lines and units are transferred among business segments to closely align Central 1's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current period presentation.

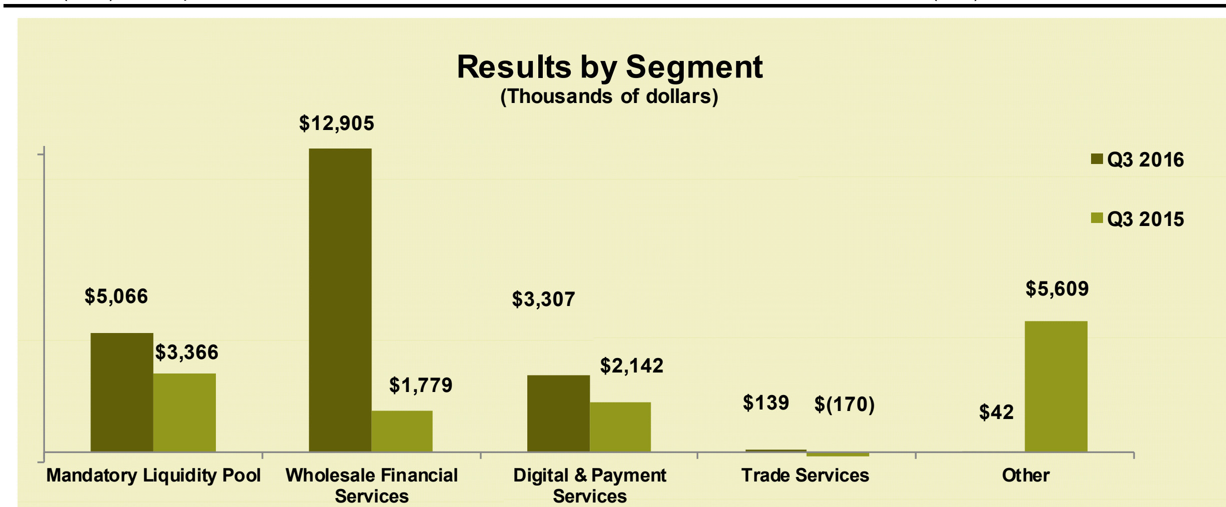
Q3 2016 vs Q3 2015

The following tables summarize Central 1's Results by Segment for the three months ended September 30, 2016 with comparative.

Figure 8 – Results by Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the three months ended September 30, 2016
Net financial income (expense), including provision for credit losses	$ 8,095	$ 15,727	$ (76)	$ 68	$ (1,059)	$ 22,755
Other income	50	5,481	21,471	4,031	3,428	34,461
Net financial and other income	8,145	21,208	21,395	4,099	2,369	57,216
Operating expenses	1,932	5,380	17,349	3,929	4,278	32,868
Profit (loss) before income taxes	6,213	15,828	4,046	170	(1,909)	24,348
Income taxes (recoveries)	1,147	2,923	739	31	(1,951)	2,889
Profit (loss) for the period	$ 5,066	$ 12,905	$ 3,307	$ 139	$ 42	$ 21,459

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the three months ended September 30, 2015
Net financial income (expense), including provision for credit losses	$ 5,654	$ 2,459	$ (59)	$ 39	$ (1,115)	$ 6,978
Other income	105	4,887	20,412	4,740	10,016	40,160
Net financial and other income	5,759	7,346	20,353	4,779	8,901	47,138
Operating expenses	1,734	5,218	17,894	4,990	2,731	32,567
Profit (loss) before income taxes	4,025	2,128	2,459	(211)	6,170	14,571
Income taxes (recoveries)	659	349	317	(41)	561	1,845
Profit (loss) for the period	$ 3,366	$ 1,779	$ 2,142	$ (170)	$ 5,609	$ 12,726



Mandatory Liquidity Pool

MLP reported a profit of $5.1 million, an increase of $1.7 million compared to the third quarter of 2015, mainly driven by an increase in net financial income. Realized and unrealized gains increased $2.0 million mainly due to higher net gains on trading instruments, partially offset by lower gains on the disposal of AFS assets. Interest margin increased $0.4 million due to balance sheet growth driven by increases in mandatory deposits, together with a lower weighted average cost of funding. Operating expenses increased $0.2 million driven by increased management information systems charges.

Wholesale Financial Services

WFS reported a profit of $12.9 million, an increase of $11.1 million compared to the third quarter of 2015, mainly driven by an increase in net financial income. Realized and unrealized gains increased $9.0 million mainly due to higher net gains on trading instruments. Interest margin increased $4.3 million due to balance sheet growth driven by increased liquidity in the credit union network together with increased lending balances.

WFS' other income increased $0.6 million driven by higher securitization activity and commercial lending fees, partially offset by a decrease in foreign exchange income. Operating expenses increased $0.2 million driven by increased management information systems charges.

Digital & Payment Services

Digital & Payment Services' profit increased $1.2 million from the third quarter of 2015 mainly due to increased volumes and lower direct costs in electronic payments.

Trade Services

Trade Services' profit increased $0.3 million compared to the third quarter of 2015. Salaries and employee benefits expense declined $0.2 million due in part to the discontinuation of certain insurance services. Activity in the Provincial Wide Communications Program declined, resulting in offsetting reductions in other income and operating expenses of $0.5 million.

Other

The Other operating segment's profit decreased $5.6 million compared to the third quarter of 2015. Excluding the one-time income of $7.5 million in 2015, the Other operating segment's profit would have recorded an increase of $0.7 million mainly attributable to higher income from equity method affiliates.

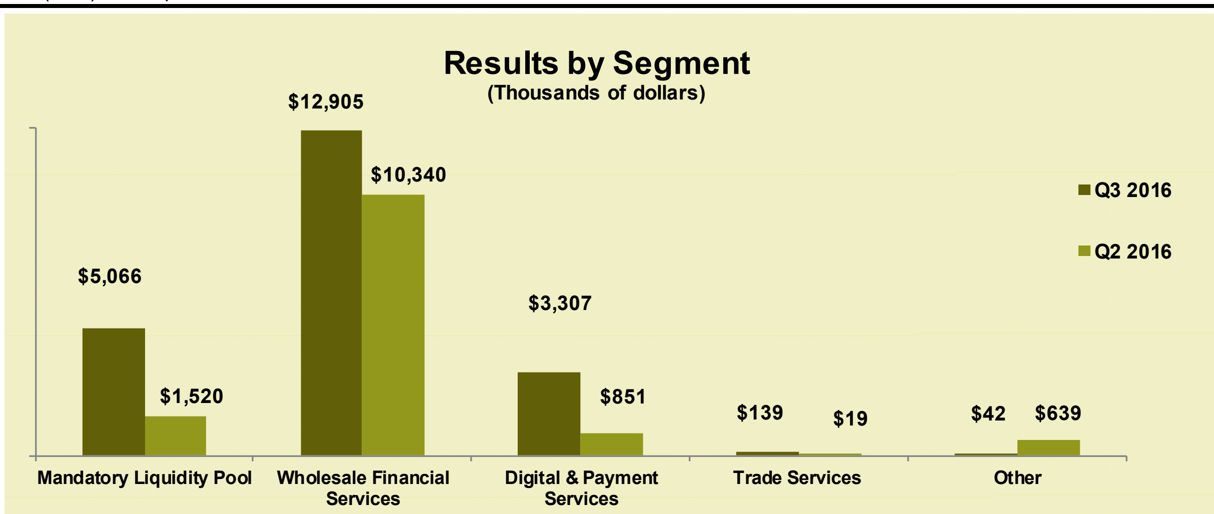
Q3 2016 vs Q2 2016

The following tables summarize Central 1's Results by Segment for the three months ended September 30, 2016 compared with the three months ended June 30, 2016.

Figure 9 – Results by Segment

						For the three months ended September 30, 2016
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 8,095	$ 15,727	$ (76)	$ 68	$ (1,059)	$ 22,755
Other income	50	5,481	21,471	4,031	3,428	34,461
Net financial and other income	8,145	21,208	21,395	4,099	2,369	57,216
Operating expenses	1,932	5,380	17,349	3,929	4,278	32,868
Profit (loss) before income taxes	6,213	15,828	4,046	170	(1,909)	24,348
Income taxes (recoveries)	1,147	2,923	739	31	(1,951)	2,889
Profit (loss) for the period	$ 5,066	$ 12,905	$ 3,307	$ 139	$ 42	$ 21,459

						For the three months ended June 30, 2016
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 3,785	$ 12,896	$ (55)	$ 84	$ (1,021)	$ 15,689
Other income	(2)	5,015	21,200	4,675	7,445	38,333
Net financial and other income	3,783	17,911	21,145	4,759	6,424	54,022
Operating expenses	1,919	5,234	20,045	4,735	6,128	38,061
Profit (loss) before income taxes	1,864	12,677	1,100	24	296	15,961
Income taxes (recoveries)	344	2,337	249	5	(343)	2,592
Profit (loss) for the period	$ 1,520	$ 10,340	$ 851	$ 19	$ 639	$ 13,369



Mandatory Liquidity Pool

MLP's profit increased $3.5 million compared to the second quarter of 2016, mainly driven by an increase in net financial income. Realized and unrealized gains increased $4.5 million mainly due to higher net gains on trading instruments, partially offset by lower gains on disposal of AFS assets. This increase was partially offset by a small decrease of $0.2 million in interest margin. Operating expenses remained unchanged compared to the prior quarter.

Wholesale Financial Services

WFS' profit increased $2.6 million compared to the second quarter of 2016, mainly driven by an increase in net financial income. Realized and unrealized gains on trading instruments increased $2.7 million, while gains on the disposal of AFS assets increased $1.1 million. Interest margin remained broadly unchanged from the prior quarter.

WFS' other income increased $0.5 million due to higher foreign exchange income, securitization fees, and commercial lending income.

Digital & Payment Services

Digital & Payment Services' profit increased $2.5 million from the prior quarter. Electronic Payments accounted for most of the improvement over the second quarter primarily due to decreased processing costs. Direct Banking profits also increased largely due to a reduction in operating expenses.

Trade Services

Trade Services' profit was broadly unchanged from the prior quarter.

Other

The Other operating segment's profit decreased $0.6 million from the prior quarter, primarily attributable to lower income from affiliates and investees during the third quarter.

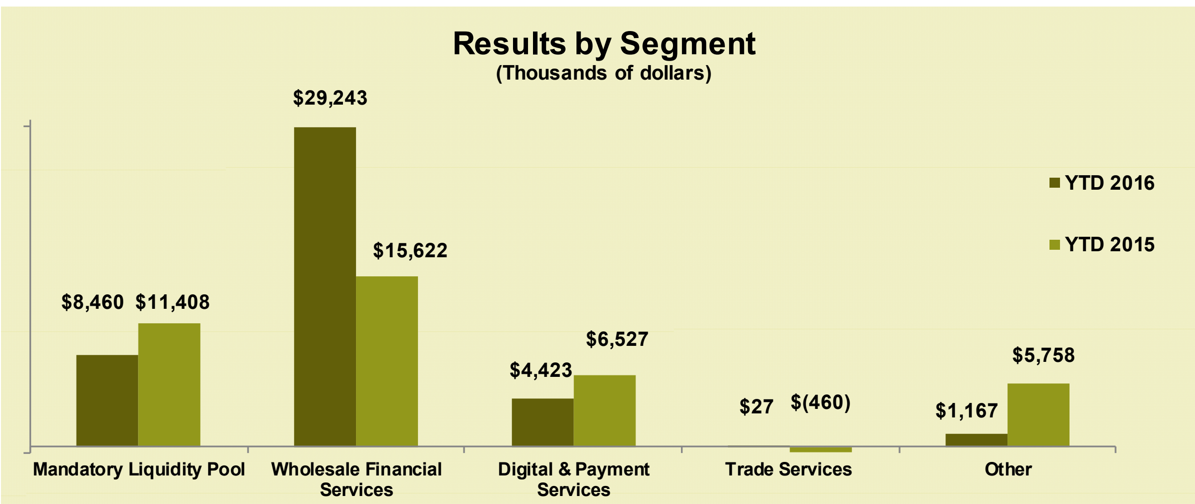
YTD 2016 vs YTD 2015

The following table summarizes Central 1's Results by Segment for the nine months ended September 30, 2016 with comparative.

Figure 10 – Results by Segment

For the nine months ended September 30, 2016						
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 16,234	$ 36,677	$ (184)	$ 220	$ (3,143)	$ 49,804
Other income	(139)	15,083	62,035	12,506	15,583	105,068
Net financial and other income	16,095	51,760	61,851	12,726	12,440	154,872
Operating expenses	5,720	15,896	56,427	12,693	14,453	105,189
Profit (loss) before income taxes	10,375	35,864	5,424	33	(2,013)	49,683
Income taxes (recoveries)	1,915	6,621	1,001	6	(3,180)	6,363
Profit (loss) for the period	$ 8,460	$ 29,243	$ 4,423	$ 27	$ 1,167	$ 43,320

For the nine months ended September 30, 2015						
(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 19,025	$ 20,121	$ (192)	$ 194	$ (3,256)	$ 35,892
Other income	(82)	13,064	59,387	13,586	19,919	105,874
Net financial and other income	18,943	33,185	59,195	13,780	16,663	141,766
Operating expenses	5,299	14,500	51,535	14,514	10,418	96,266
Profit (loss) before income taxes	13,644	18,685	7,660	(734)	6,245	45,500
Income taxes (recoveries)	2,236	3,063	1,133	(274)	487	6,645
Profit (loss) for the period	$ 11,408	$ 15,622	$ 6,527	$ (460)	$ 5,758	$ 38,855



Mandatory Liquidity Pool

MLP reported a profit of $8.5 million, a decrease of $2.9 million compared to the first nine months of 2015, mainly driven by a decrease in net financial income. Gains on disposal of AFS assets decreased $3.5 million, partially offset by an increase of $0.6 million in net realized and unrealized gains on trading instruments. While interest margin remained broadly unchanged from the same period last year, interest margin has trended higher since the beginning of 2016 due to higher mandatory deposits compared to the prior year. Operating expenses increased $0.4 million due to increased management information systems charges.

Wholesale Financial Services

WFS reported a profit of $29.2 million, an increase of $13.6 million compared to the first nine months of 2015, mainly driven by an increase in net financial income. Interest margin increased $18.1 million due to balance sheet growth reflective of increased liquidity in the credit union network, lower weighted average cost of funding, and increased lending. This increase was partially offset by a decrease of $1.4 million in net realized and unrealized gains. Gains on disposal of AFS assets decreased $8.1 million, partially offset by an increase of $6.7 million in realized and unrealized gains on trading instruments.

WFS' other income increased $2.0 million driven by securitization activity and commercial lending fees. Operating expenses increased $1.4 million driven by increased management information systems charges.

Digital & Payment Services

Digital & Payment Services' profit declined $2.1 million. Direct Banking revenues increased $0.9 million during the first nine months of 2016 compared to the same period last year. However, Direct Banking expenses increased $2.6 million as Central 1 made investments in infrastructure to support future growth.

Trade Services

Trade Services' profit increased $0.5 million during the first nine months of 2016, compared to the same period last year. Salaries and employee benefits expense decreased $0.4 million due in part to the discontinuation of certain insurance services.

Other

The Other segment's profit decreased $4.6 million in the first nine months of 2016 compared to a year ago, primarily driven by the one-time restructuring charge and increased staff complement and professional fees to support corporate functions and strategic initiatives. This was partially offset by higher income from affiliates after excluding the one-time income of $7.5 million included in 2015.

Off-Balance Sheet Arrangements

In the normal course of business, Central 1 enters into off-balance sheet arrangements, which fall into the following main categories: derivative financial instruments, guarantees and commitments, and assets under administration.

Derivative Financial Instruments

The following table summarizes the notional off-balance sheet derivative financial instruments as at September 30, 2016 with comparatives.

Figure 11 – Derivative Financial Instruments

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Notional Amount Dec 31 2015
Interest rate contracts			
Bond forwards	**$ 116,400**	$ -	$ 83,600
Futures contracts	**277,500**	205,000	205,000
Swap contracts	**26,780,324**	26,106,342	26,090,340
	27,174,224	26,311,342	26,378,940
Foreign exchange contracts			
Foreign exchange forward contracts	**201,726**	312,652	269,368
Other derivative contracts			
Equity index-linked options	**259,926**	327,703	278,873
	$ 27,635,876	$ 26,951,697	$ 26,927,181

* The table discloses derivative notional amounts w hile the Interim Consolidated Statements of Financial Position records derivatives at fair value.

Central 1 acts as a swap intermediary between Canada Housing Trust and member credit unions and additionally provides derivative capabilities to member credit unions to be used in the asset/liability management of their respective balance sheets. These activities represented $9.9 billion and $13.7 billion, respectively, of the total derivative notional balances as at September 30, 2016 (September 30, 2015 - $7.3 billion and $16.0 billion; December 31, 2015 - $7.2 billion and $16.6 billion).

The fair value of derivative instruments is presented in Note 5 to the Interim Consolidated Financial Statements.

Guarantees and Commitments

The table below presents the maximum amount of credit that Central 1 could be required to extend if commitments were to be fully utilized, and the maximum amount of guarantees that could be in effect if the maximum authorized amount were transacted.

Figure 12 – Guarantees and Commitments

(Thousands of dollars)		Sep 30 2016		Sep 30 2015		Dec 31 2015
Commitments to extend credit	**$**	**4,538,956**	$	4,361,779	$	3,857,075
Guarantees	**$**	**855,000**	$	547,000	$	687,000
Standby letters of credit	**$**	**161,567**	$	140,899	$	145,392
Mortgage purchase commitments	**$**	**6,967**	$	-	$	16,066

In the normal course of business, Central 1 enters into various off-balance sheet credit instruments to meet the financing, credit, and liquidity requirements of its member credit unions. These are in the form of commitments to extend credit, guarantees, standby letters of credit and mortgage purchase commitments.

Commitments to extend credit increased $177.2 million from a year ago driven by increased authorized lines to member credit unions. Guarantees and standby letters of credit increased $308.0 million and $20.7 million, respectively, due to growth in demand from the B.C. and Ontario credit union networks.

Guarantees are provided to enable member credit unions to enter transactions with counterparties without the need to have that counterparty individually assess the credit worthiness of each individual institution, and are managed in accordance with Central 1's risk policies.

Assets under Administration

The following table summarizes assets under administration (AUA) as at September 30, 2016 with comparatives.

Figure 13 – Assets under Administration

(Thousands of dollars)		Sep 30 2016		Sep 30 2015		Dec 31 2015
Registered Retirement Savings Plans	**$**	**1,585,203**	$	1,621,470	$	1,581,874
Tax-Free Savings Accounts		**711,580**		609,738		630,167
Registered Retirement Income Funds/Life Income Funds		**358,771**		355,503		362,875
Registered Education Savings Plans		**203,807**		179,082		187,005
Registered Disability Savings Plans		**14,610**		9,907		11,128
	$	**2,873,971**	$	2,775,700	$	2,773,049

AUA mainly include government approved registered plans for tax deferral purposes, which are administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services for the members of the B.C. credit union network, and the subsidiary provides the same services for members of the Ontario and Manitoba credit union networks. These assets are beneficially owned by members of these credit union networks.

As at September 30, 2016, AUA totaled $2.9 billion, up $0.1 billion or 3.5 per cent from a year ago. The increase was mainly due to an increase in the Tax-Free Savings Accounts reflective of the increased business from Ontario credit unions, partially offset by a decrease in the Registered Retirement Savings Plans driven by market movement and transferring out to Registered Retirement Income Fund.

Capital Management and Capital Resources

Central 1 manages capital to maintain strong capital ratios in support of the risks and activities of the organization while generating an appropriate rate of return for its members. In addition to the regulatory requirements, Central 1 considers the expectation of credit rating agencies, credit union network growth and internal capital ratios. The longer term strategic goal is to optimize the capital usage and structure through the use of an economic capital model to provide a better return for the capital invested by the members.

Capital Management Framework

Central 1's capital management framework provides the policies and processes for defining, measuring, and allocating capital across the organization. It defines the roles and responsibilities in assessing capital adequacy, dividends and management of regulatory capital requirements.

A key component to capital management is the annual capital planning process that involves different functional areas within Central 1, including Finance, Risk, and the payments and clearing functions. Capital planning has two key integrated components: the annual budget process in setting targets for the organization and the Internal Capital Adequacy Assessment Process in determining the required amount of capital to cover material risks to which the organization is exposed. The capital planning process includes forecasting growth in assets, earnings and projected market conditions. These components are updated and monitored regularly during the year.

Except for nominal amounts, Central 1's share capital is held by its Class A members, which are comprised of credit unions in B.C. and member credit unions in Ontario. Class A shares are held by member credit unions in proportion to their asset size through an annual share rebalancing process in accordance with Central 1's Capital Policy.

Central 1's rules permit it to unconditionally require its Class A members to increase their investment in its share capital. Class A share calls are routinely scheduled each May and November to support the MLP. Under the terms of the Capital Policy, Central 1's Class A members are required to subscribe to additional Class A shares on a semi-annual basis to ensure that Central 1's MLP borrowing multiple meets regulatory requirements. As Class A members contribute the funding and capital, net earnings in the MLP are to be distributed to Central 1's Class A members in the form of dividends on their Class A shares.

As announced on May 5, 2015, the Office of the Superintendent Financial Institutions (OSFI) will cease its supervision of provincial credit union centrals on January 15, 2017. As a result, OSFI will cease the duplicate regulation and supervision of centrals whose members are not “predominantly federal credit unions.”

Regulatory Capital

As of September 30, 2016, Central 1's Tier 1 regulatory capital was $1.0 billion and total capital before deductions was $1.2 billion. In determining regulatory capital, adjustments are required to amounts reflected in Central 1's Interim Consolidated Statements of Financial Position. Deductions from capital are required for certain investments, including Central 1's substantial investments in affiliated cooperative organizations. The computation of the provincial capital base is broadly similar to the federal regulatory capital used for borrowing multiple purposes.

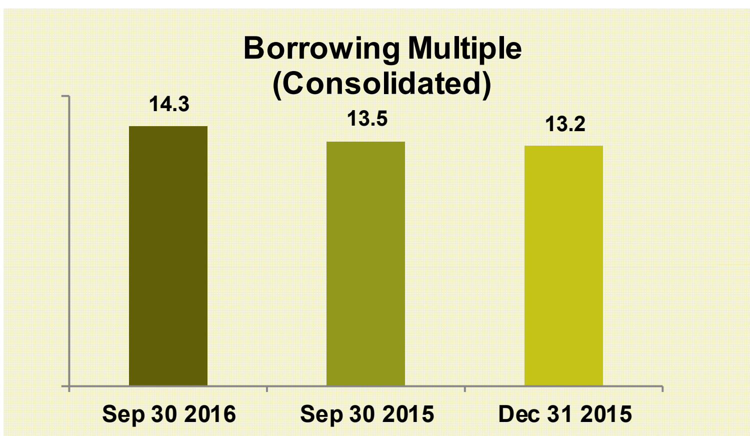
During the third quarter, Central 1 received regulatory approval and exercised the option to fully redeem $18.0 million of subordinated Tier 2 capital notes and replaced by $21.0 million principal amount of new subordinated Tier 2 capital notes due July 6, 2026. The notes bear interest at a floating rate based on 90-day banker's Acceptance plus 10 bps, payable quarterly, until July 6, 2021. Central 1 has the option to redeem the notes in whole or in part on or after July 6, 2021, subject to regulatory approval.

Subsequent to the quarter end, Central 1 issued $200.0 million principal amount of Series 6 subordinated Tier 2 capital notes due October 14, 2026. The notes bear interest at a fixed rate of 3.06 per cent, payable semi-annually, until, but excluding, October 14, 2021, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 198 bps, payable quarterly. Central 1 has the option to redeem the notes on or after October 14, 2021, subject to regulatory approval.

The following table summarizes Central 1's Capital Position measured under both provincial and federal regulations as at September 30, 2016 with comparatives.

Figure 14 – Capital Position

(Millions of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Share capital	**$ 385.0**	$ 350.0	$ 371.0
Contributed surplus	**87.9**	87.9	87.9
Retained earnings	**541.7**	494.1	507.0
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.0)	(4.6)
Tier 1 capital	**1,009.9**	928.0	961.3
Subordinated debt	**221.0**	218.0	218.0
Add: accumulated net after tax gain in investment property	**4.7**	4.0	4.6
Tier 2 capital	**225.7**	222.0	222.6
Total capital	**1,235.6**	1,150.0	1,183.9
Statutory capital adjustments	**(171.4)**	(163.6)	(162.2)
Capital base (federal)	**$ 1,064.2**	$ 986.4	$ 1,021.7
Borrowing multiple - consolidated	**14.3:1**	13.5:1	13.2:1
Borrowing multiple - Mandatory Liquidity Pool	**15.8:1**	15.7:1	15.3:1
Borrowing multiple - Wholesale Financial Services	**13.6:1**	12.2:1	12.9:1



Central 1 was in compliance with all regulatory capital requirements during this period.

At the end of September 30, 2016, Central 1's consolidated borrowing multiple of 14.3:1 was higher than both one year ago and at year end, respectively, due to an increase in deposits. Central 1's capital plan objective manages the MLP's borrowing multiple through semi-annual share calls from its membership and manages the WFS's borrowing multiple through growth in retained earnings. Central 1's Capital Policy also allows for tactical capital allocations within Central 1's business segments.

Note 21 to Central 1's Interim Consolidated Financial Statements provides further details of capital management.

Risk Discussion

This section of the MD&A should be read in conjunction with the Risk Discussion section of Central 1's 2015 Annual Report.

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 for all of Central 1's risk activities and oversight operations.

Central 1 recognizes that reputation is among its most important assets, and actively seeks to maintain a positive reputation both for itself and for the credit union network. The potential for a deterioration of stakeholders' trust in the organization arises from a number of outcomes dealt with under the identified risk categories below. These potential impacts include revenue loss, litigation and regulatory action.

Central 1's risk management framework assesses and monitors reputational threats and impacts that arise from its business activities. Central 1 continues to improve its approaches for the assessment, measurement, and monitoring of reputation impact.

Compliance Risk

Central 1 is exposed to Compliance Risk in all areas of the organization, ranging from legislative and regulatory requirements enforced as a result of the products and services offered by the various business lines, or through the oversight and regulatory reporting obligations placed upon corporate control and support functions. Compliance Risk is managed by a framework that is in place to ensure that Central 1 continues to meet the requirements of:

- The law, to uphold its reputation and that of the credit union network;
- Government regulators, to be allowed to continue to do business;
- Financial network counterparties, to be able to provide products and services to the credit union network; and
- Internal policies and procedures, to help ensure a strong and efficient governance structure.

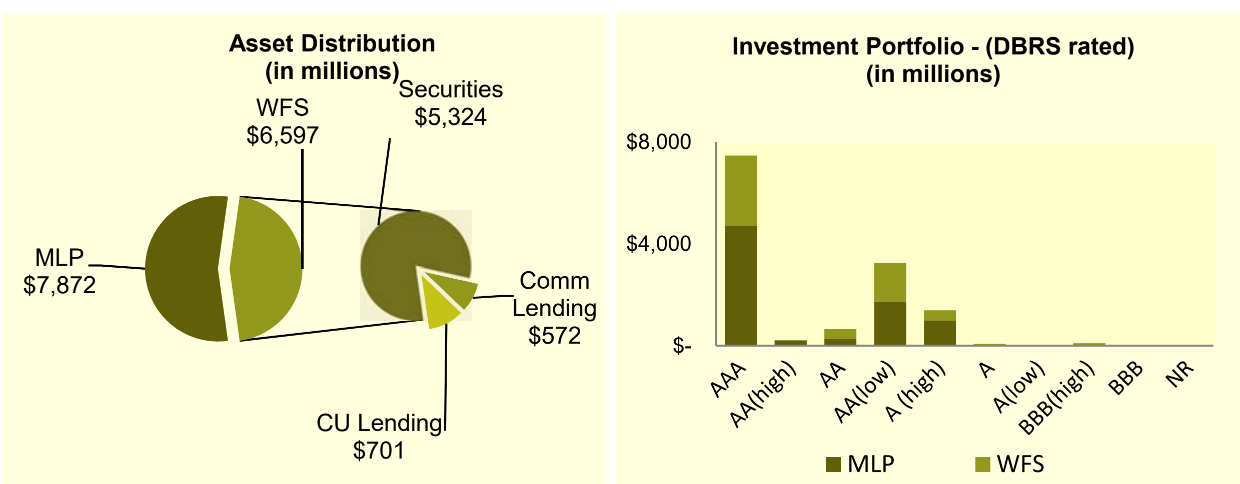
During the third quarter, there were no material regulatory or legislative compliance issues.

Credit and Counterparty Risk

Credit and Counterparty Risk continues to be assessed by management as low.

The figure below illustrates Central 1's credit exposure and risk profile based on outstanding balances in the investment portfolios held in the MLP and WFS.

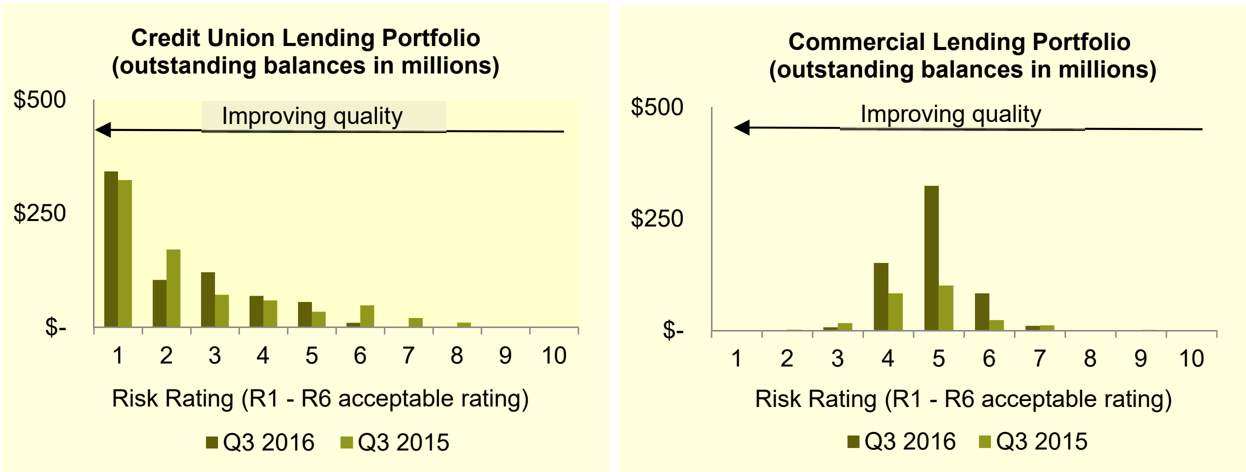
Figure 15 – Credit Exposure by Portfolio and Rating



The exposures are concentrated in low risk investment securities with very limited exposure to underperforming loans in the lending portfolios.

The figure below provides Central 1's quarter end balances in the Credit Union Lending and Commercial Lending Portfolios.

Figure 16 – Portfolio Balances by Risk Rating



Currently, there is one impaired loan facility in the Commercial Lending portfolio and none in the Credit Union Lending portfolio. While there are no impaired facilities in the Credit Union Lending portfolio, a number of credit unions have been placed on the Watch List. To date, there is one B.C. and four Ontario credit unions classified as Watch List. Two Ontario credit unions were removed from the watch list in the third quarter of 2016 due to improved profitability and capital levels.

As part of its ongoing risk management activities, Central 1 performs ongoing stress tests to measure the resiliency of its credit portfolios against a range of severe scenarios. During the quarter, the stress tests provided comfort that Central 1 continues to maintain adequate capital to withstand a range of severe economic scenarios.

Liquidity Risk

Central 1's and its members' liquidity positions continue to be strong.

The Liquidity Coverage Ratio demonstrates Central 1's ability to meet 30-day cashflow requirements under stressed conditions. The stress scenario assumes a run-off of deposits, no access to capital markets funding and that only Standing Liquidity Facility-eligible assets, which include a slightly broader range of issuers than is defined by Basel III guidance, can be sold to raise cash subject to a haircut of their market value.

Further information with respect to the composition of Central 1's liquid asset position can be found in Figure 2 of this MD&A.

The following table presents Central 1's view of its liquidity coverage for MLP and WFS.

Figure 17 – Liquidity Coverage Ratio

	Mandatory Liquidity Pool		Wholesale Financial Services	
	Q3 2016	Q2 2016	Q3 2016	Q2 2016
Liquidity coverage ratio	**105%**	**104%**	**151%**	**116%**

The increase in the WFS liquidity coverage ratio from the second quarter to the third quarter was the result of decreased overnight deposits and increased longer term deposits by credit unions. The change in deposits was partially offset by a decrease in the amount of maturing unsecured debt.

Market Risk

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

Central 1's Corporate Risk Management Policy currently defines Value at Risk (VaR) exposure limits in relation to changes in portfolio value. The current limits are $10.5 million for MLP and $14.0 million for WFS. Central 1 remained within all its market risk limits during the quarter.

The following tables summarize Central 1's VaR for the quarter ended September 30, 2016 with comparatives.

Figure 18 – VaR by Risk Type

Mandatory Liquidity Pool								
	Q3 2016				Q2 2016			
$ millions	30-Sep	Average	High	Low	30-Jun	Average	High	Low
Interest Rate VaR	**$ 4.5**	**$ 4.5**	**$ 5.2**	**$ 1.8**	$ 4.3	$ 4.6	$ 5.6	$ 4.0
Credit Spread VaR	**3.3**	**2.8**	**3.3**	**2.7**	2.8	2.6	3.0	2.2
Foreign Exchange VaR	**0.0**	**0.1**	**0.6**	**0.0**	0.0	0.1	1.5	0.0
Diversification [(1)]	**(3.2)**	**(3.0)**	**nm**	**nm**	(2.6)	(2.9)	nm	nm
Total VaR	**$ 4.6**	**$ 4.5**	**$ 4.8**	**$ 4.1**	$ 4.6	$ 4.4	$ 5.1	$ 3.6

Wholesale Financial Services								
	Q3 2016				Q2 2016			
$ millions	30-Sep	Average	High	Low	30-Jun	Average	High	Low
Interest Rate VaR	**$ 2.5**	**$ 2.5**	**$ 3.3**	**$ 1.8**	$ 1.9	$ 2.4	$ 3.2	$ 1.9
Credit Spread VaR	**2.5**	**2.2**	**2.5**	**1.8**	2.2	2.5	2.7	2.1
Foreign Exchange VaR	**2.0**	**1.8**	**3.2**	**1.1**	1.5	1.6	1.9	1.2
Diversification [(1)]	**(3.9)**	**(3.4)**	**nm**	**nm**	(3.2)	(3.6)	nm	nm
Total VaR	**$ 3.1**	**$ 3.1**	**$ 4.0**	**$ 2.6**	$ 2.4	$ 2.9	$ 3.5	$ 2.4

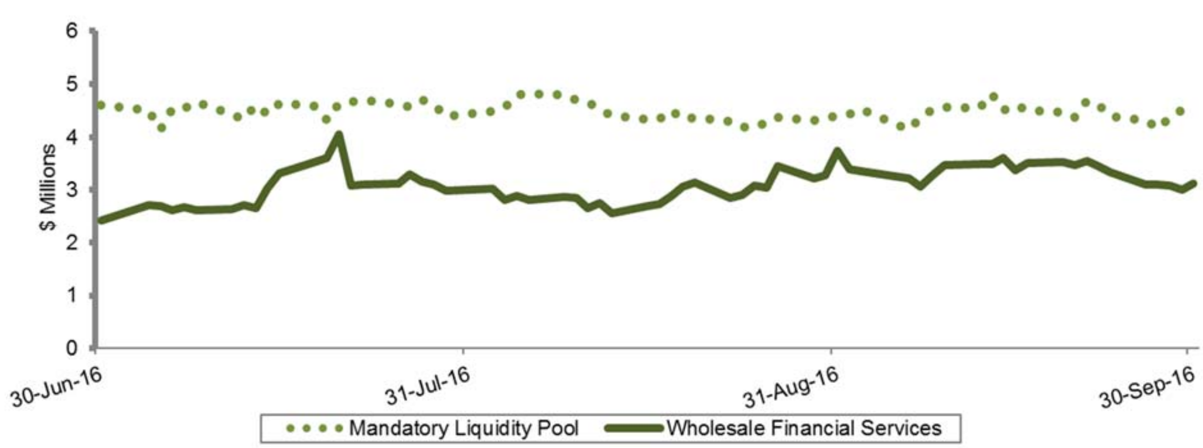
[(1)] Total VaR is less than the sum of Risk Factors' VaR as a result of diversification and offsetting risk factors.

nm - It is not meaningful to calculate diversification for the high and low because they may occur on different days for different risk factors.

Central 1 will not incur market risk for speculative purposes or in pursuit of returns beyond those required to reasonably fulfil its primary mandate of safeguarding network liquidity. At quarter end, VaR on MLP was higher than the VaR on WFS. This is driven by larger securities and fixed rate deposit balances within the MLP segment.

Using a 99 per cent confidence level, the one-day change in portfolio value is expected to be less than the exposure limit 99 per cent of the time. While there is day-to-day volatility in VaR measures (see Figure 19), Central 1 currently manages its market risk at levels well below approved policy limits.

Figure 19 – Daily 99% VaR by Business Line



Operational Risk

During the third quarter of 2016, Central 1's operational risk exposures were within the limits of allocated capital for operational risk.

Central 1 continues to experience increasing exposure to electronic/technological risk and has implemented real-time intrusion detection monitoring of its remote banking applications and uses an external agency to continuously monitor security performance. Central 1 continues to invest in the infrastructure to successfully defend against a variety of cyber attacks on behalf of member credit unions, reducing their exposure and the risk of significant negative effects.

Strategic Risk

Central 1 believes that pressures on all financial institutions including credit unions, from, among other things, tight margins and financial technology disruption characterize the current environment. In addition, as Central 1 moves toward creating an improved long-term structure for the second tier to better support the credit union network, Central 1 needs to be prepared to respond to the resulting changes and opportunities. Central 1 relies on the underlying network's direction, ongoing member engagement and a continuous strategic planning process to pursue a strategy that prepares it for the risks inherent in the environment and to deliver value for its member credit unions.

Emerging Risks

Emerging risks are risks that are newly developing or rapidly changing. They are difficult to quantify and may have a major impact on Central 1. They are investigated because of the substantial potential impact on Central 1's business.

Central 1 identifies and assesses emerging risks in various ways, including at the strategic planning and business unit levels. These include risk oversight committee discussions and regular risk reviews to identify, assess and ensure that management is forward-looking in its treatment of emerging risks. Emerging risks are quantified using established techniques where possible or qualitatively assessed on the basis of impact and likelihood.

Currently, Central 1 considers strategic risk, cyber-security attacks, real estate market exposure, correspondent bank dependency, and membership risk as Emerging Risks. Although Central 1 is generally familiar with these risks, they are changing, sometimes in unexpected ways.

- **Strategic Risk.** Central 1 is undergoing a review of its operations and the second tier of the credit union system to determine whether there are any opportunities for enhancements in its business and the credit union sector as a whole. The results of this review are not yet known, and may involve any number of alterations. There is a risk that Central 1 and the other provincial credit unions may, if any restructuring is implemented (which would require Central 1's consent), cease to exist as entities and be replaced by a new entity or entities that may have similar functions to Central 1's current operations (including the potential for one consolidated service provider). Any such potential restructuring may have an impact on Central 1's ability to access capital, financial position and/or credit rating profile. There is a risk that some of Central 1's Class A members may continue as a federal credit union, or that members will cease to be members of Central 1 or find alternative providers of the services Central 1 currently provides to its members. Several of Central 1's members, such as Coast Capital Savings Credit Union, are or will be considering the federal option. The impact on Central 1's financial position of one or more of Central 1's large members continuing as a federal credit union cannot be readily determined, but could have an impact on Central 1's, financial position, which could have a material adverse effect on Central 1's business and operations.
- **Cyber-security attacks.** Attacks are frequent and evolving, while methods of protecting against intrusions must constantly keep up.
- **Real estate market exposure.** The rapid rise in house prices in Vancouver and Toronto has attracted concern. To better understand and counteract the effects a housing correction would have on the credit union network, Central 1 is involved with stress testing both markets.
- **Correspondent bank dependency.** Central 1 is focused on ensuring its correspondent banking relationships remain robust in a changing financial institution landscape.

Accounting and Control Matters

Critical Accounting Policies and Estimates

A summary of significant accounting policies can be found in Note 3 to Central 1's audited 2015 Annual Consolidated Financial Statements, together with a discussion of critical accounting estimates and assumptions that affect the application of accounting policies and reporting amounts of assets, liabilities, income and expenses. Management is required to make subjective or complex estimates and judgements in certain significant areas of these financial statements.

Future Changes in Accounting Policies

The International Accounting Standards Board has issued new standards on financial instruments, revenues from contracts with customers, and leases. These new standards will be applicable to Central 1 in the future. Central 1 is not able to determine the impact of these standards on its financial statements at this time. Additional information can be found in Note 3 to the audited 2015 Annual Consolidated Financial Statements.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this 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 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, 2016. 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.

Related Party Disclosures

In the normal course of business, Central 1 grants loans to its key management personnel under the same terms as those offered to any other employees. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents. Central 1's policies and procedures for related party transactions have not changed significantly since December 31, 2015. Details of Central 1's related party disclosures were disclosed in Note 22 of the Interim Consolidated Financial Statements.

Credit Ratings

Central 1's debt securities are rated by Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS).

Figure 20 – Credit Ratings

	DBRS	S&P
Instrument rating		
Senior debt	A (high)	A
Subordinated debt	A (high)	A-
Short-term debt	R-1 (middle)	A-1
Issuer rating		
Rating outlook	Stable	Negative

Interim Consolidated Financial Statements

For the Quarter Ended September 30, 2016

Central 1

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

(Thousands of dollars)	Notes	Sep 30 2016	Sep 30 2015	Dec 31 2015
Assets				
Cash		**$ 130,033**	$ 318,886	$ 106,834
Deposits with regulated financial institutions		**5,859**	6,077	6,104
Trading assets	4	**8,954,849**	6,845,824	6,765,557
Reinvestment assets under the Canada Mortgage Bond Program	4	**309,466**	133,668	165,146
Derivative assets	5	**106,660**	113,457	116,631
Loans	6	**1,542,862**	934,957	1,490,839
Investment securities	4	**5,098,710**	5,927,821	5,680,158
Current tax assets		**-**	2,730	397
Property and equipment		**17,844**	17,262	18,807
Intangible assets		**24,646**	18,227	19,897
Deferred tax assets		**15,493**	12,506	11,924
Investment in affiliates		**129,961**	121,703	125,767
Other assets	7	**312,613**	101,701	440,957
		$ 16,648,996	$ 14,554,819	$ 14,949,018
Liabilities				
Deposits designated as trading	8	**$ 8,557,289**	$ 7,215,025	$ 7,546,745
Obligations related to securities sold short	9	**-**	-	29,415
Derivative liabilities	5	**119,295**	135,948	130,805
Debt securities issued	10	**1,210,610**	1,214,090	1,075,344
Deposits	8	**3,529,530**	3,235,457	3,250,036
Obligations under the Canada Mortgage Bond Program	10	**1,157,450**	906,916	989,611
Subordinated liabilities	11	**222,887**	219,222	218,247
Provisions		**1,700**	2,095	1,882
Securities under repurchase agreements	10	**314,297**	175,224	221,211
Current tax liabilities		**1,959**	-	-
Deferred tax liabilities		**8,132**	6,408	7,407
Other liabilities	12	**479,441**	498,207	489,295
		15,602,590	13,608,592	13,959,998
Equity				
Share capital	13	**384,996**	349,996	370,996
Contributed surplus		**87,901**	87,901	87,901
Retained earnings		**541,752**	494,077	506,979
Accumulated other comprehensive income		**17,757**	278	9,231
Reserves		**4,041**	4,052	3,954
Total equity attributable to members of Central 1		**1,036,447**	936,304	979,061
Non-controlling interest		**9,959**	9,923	9,959
		1,046,406	946,227	989,020
		$ 16,648,996	$ 14,554,819	$ 14,949,018
Guarantees, commitments, and contingencies	19			

Approved by the Directors:

"Rick Hoevenaars"
Rick Hoevenaars, Chairperson

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

See accompanying notes to the Interim Consolidated Financial Statements

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

		For the three months ended		For the nine months ended	
(Thousands of dollars)	Notes	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Interest income					
Securities		**$ 43,430**	$ 39,987	**$ 124,832**	$ 113,610
Deposits with regulated financial institutions		**25**	28	**74**	88
Loans		**7,573**	5,165	**22,183**	15,912
Reinvestment assets		**1,268**	400	**3,241**	1,238
		52,296	45,580	**150,330**	130,848
Interest expense					
Debt securities issued		**3,729**	4,006	**10,996**	14,486
Deposits		**30,074**	28,797	**86,259**	84,666
Obligations under the CMB Program		**4,608**	3,725	**13,239**	10,116
Subordinated liabilities		**1,547**	1,588	**4,587**	4,692
		39,958	38,116	**115,081**	113,960
Interest margin		**12,338**	7,464	**35,249**	16,888
Gain (loss) on disposal of financial instruments	14	**14,623**	(3,906)	**12,464**	1,390
Change in fair value of financial instruments	15	**(4,228)**	3,341	**2,171**	17,569
Net financial income		**22,733**	6,899	**49,884**	35,847
Provision for (recovery of) credit losses	6	**(22)**	(79)	**80**	(45)
		22,755	6,978	**49,804**	35,892
Other income	16	**34,461**	40,160	**105,068**	105,874
Net financial and other income		**57,216**	47,138	**154,872**	141,766
Operating expenses					
Salaries and employee benefits		**16,927**	16,942	**55,696**	51,186
Premises and equipment		**1,684**	1,666	**5,132**	4,964
Other administrative expenses	17	**14,257**	13,959	**44,361**	40,116
		32,868	32,567	**105,189**	96,266
Profit before income taxes		**24,348**	14,571	**49,683**	45,500
Income taxes		**2,889**	1,845	**6,363**	6,645
Profit for the period		**$ 21,459**	$ 12,726	**$ 43,320**	$ 38,855

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION
Interim Consolidated Statements of Comprehensive Income (Unaudited)

(Thousands of dollars)	For the three months ended Sep 30 2016	Sep 30 2015	For the nine months ended Sep 30 2016	Sep 30 2015
Profit for the period	**$ 21,459**	$ 12,726	**$ 43,320**	$ 38,855
Other comprehensive income (loss), net of tax				
Items that may be reclassified subsequently to profit or loss				
Fair value reserve (available-for-sale financial assets)				
Net change in fair value of available-for-sale assets[1]	**3,610**	(18,626)	**11,411**	(9,183)
Reclassification of realized gains on available-for-sale assets to profit or loss[2]	**(900)**	(3,336)	**(4,094)**	(13,940)
Share of the other comprehensive income of affiliates accounted for using the equity method[3]	**573**	(562)	**1,178**	(180)
	3,283	(22,524)	**8,495**	(23,303)
Item that will not be reclassified subsequently to profit or loss				
Net actuarial gain on employee benefits plans[4]	**-**	-	**31**	482
Other comprehensive income (loss), net of tax	**3,283**	(22,524)	**8,526**	(22,821)
Comprehensive income (loss), net of tax	**$ 24,742**	$ (9,798)	**$ 51,846**	$ 16,034

Income taxes (recoveries) on items that may be reclassified subsequently to profit or loss				
[1] Net change in fair value of available-for-sale assets	**$ 817**	$ (3,651)	**$ 2,583**	$ (1,798)
[2] Reclassification of realized gains on available-for-sale assets to profit or loss	**$ (203)**	$ (634)	**$ (927)**	$ (2,714)
[3] Share of the other comprehensive income of affiliates accounted for using the equity method	**$ 26**	$ (24)	**$ 52**	$ (8)
Income tax (recovery) on item that will not be reclassified subsequently to profit or loss				
[4] Net actuarial gain on employee benefits plans	**$ -**	$ -	**$ (31)**	$ 129

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 and Affiliates Reserves	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to equity holders								
Balance at January 1, 2016	$ 370,996	$ 87,901	$ 506,979	$ 11,567	$ (2,336)	$ 3,954	$ 979,061	$ 9,959	$ 989,020
Total comprehensive income for the period									
Profit for the period			43,320				43,320	-	43,320
Other comprehensive loss, net of tax									
Fair value reserve (available-for-sale financial assets, net of tax)				8,495			8,495		8,495
Employee benefits reserve (net of tax)					31		31		31
Total comprehensive income	-	-	43,320	8,495	31	-	51,846	-	51,846
Transactions with owners, recorded directly in equity									
Dividends to members			(10,375)				(10,375)		(10,375)
Related tax savings			1,915				1,915		1,915
Net Classes "A", "B" and "C" shares issued	14,000						14,000		14,000
Transfer from reserves			(87)			87	-		-
Total contributions from and distributions to owners	14,000	-	(8,547)	-	-	87	5,540	-	5,540
Balance at September 30, 2016	**$ 384,996**	**$ 87,901**	**$ 541,752**	**$ 20,062**	**$ (2,305)**	**$ 4,041**	**$ 1,036,447**	**$ 9,959**	**$ 1,046,406**

Profit attributable to:		**2016**	2015
	Members of Central 1	**$ 43,320**	$ 38,829
	Non-controlling interest	-	26
		$ 43,320	$ 38,855

Total comprehensive income attributable to:			
	Members of Central 1	**$ 51,846**	$ 16,008
	Non-controlling interest	-	26
		$ 51,846	$ 16,034

See accompanying notes to the Interim Consolidated Financial Statements

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

(Thousands of dollars)	Attributable to equity holders								
	Share Capital	Contributed Surplus	Retained Earnings	Fair Value and Affiliates Reserves	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
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 income, 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 issued 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

See accompanying notes to the Interim Consolidated Financial Statements

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

(Thousands of dollars)	For the three months ended Sep 30 2016	Sep 30 2015	For the nine months ended Sep 30 2016	Sep 30 2015
Cash flows from operating activities				
Profit for the period	**$ 21,459**	$ 12,726	**$ 43,320**	$ 38,855
Adjustments for:				
Depreciation and amortization	**1,464**	1,148	**4,161**	3,513
Interest margin	**(12,338)**	(7,464)	**(35,249)**	(16,888)
(Gain) loss on disposal of financial instruments	**(14,623)**	3,906	**(12,464)**	(1,390)
Change in fair value of financial instruments	**4,228**	(3,341)	**(2,171)**	(17,569)
Income tax expense	**2,889**	1,845	**6,363**	6,645
Provision for (recovery of) credit losses	**(22)**	(79)	**80**	(45)
Other items, net	**3,911**	4,039	**(4,446)**	(203)
	6,968	12,780	**(406)**	12,918
Change in trading assets	**(797,980)**	(1,034,335)	**(2,151,760)**	(1,020,617)
Change in settlements in-transit	**(76,340)**	633,895	**124,090**	315,517
Change in loans	**213,895**	204,112	**(48,700)**	112,599
Change in deposits designated as trading	**718,313**	842,019	**991,388**	1,709,642
Change in obligations related to securities sold short	**489**	(204,566)	**(29,120)**	(186,380)
Change in deposits	**194,571**	(81,275)	**281,998**	(205,567)
Change in derivative assets and liabilities	**701**	(9,631)	**(6,413)**	(35,460)
	260,617	362,999	**(838,923)**	702,652
Interest received	**43,198**	36,485	**143,881**	123,983
Interest paid	**(32,246)**	(33,496)	**(110,954)**	(121,765)
Income tax received (paid)	**17**	(1,252)	**(6,613)**	(1,289)
Net cash from operating activities	**271,586**	364,736	**(812,609)**	703,581
Cash flows from investing activities				
Change in deposits with regulated financial institutions	**74,991**	(12)	**235**	111
Change in reinvestment assets under the CMB Program	**(63,777)**	(33,245)	**(143,232)**	(67,572)
Change in investment securities	**(450,186)**	(10,609)	**593,302**	(464,388)
Change in property and equipment	**(377)**	(317)	**(819)**	(809)
Change in intangible assets	**(1,262)**	(2,428)	**(6,947)**	(6,377)
Net cash from investing activities	**(440,611)**	(46,611)	**442,539**	(539,035)
Cash flows from financing activities				
Change in debt securities issued	**(47,297)**	(58,118)	**137,468**	(353,393)
Change in obligations under the CMB Program	**14,533**	56,899	**160,168**	298,561
Change in subordinated liabilities	**3,000**	-	**3,000**	-
Change in securities under repurchase agreements	**193,576**	(81,679)	**93,061**	69,539
Dividends paid	**-**	-	**(14,428)**	(22,448)
Issuance of shares	**-**	-	**14,000**	16,878
Net cash from financing activities	**163,812**	(82,898)	**393,269**	9,137
Increase (decrease) in cash	**(5,213)**	235,227	**23,199**	173,683
Cash - beginning of period	**135,246**	83,659	**106,834**	145,203
Cash - end of period	**$ 130,033**	$ 318,886	**$ 130,033**	$ 318,886

See accompanying notes to the Interim Consolidated Financial Statements

1. General information

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 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 network and that of Central 1's member credit unions in Ontario (collectively referred to herein as the Ontario credit union network) plays an integral part in determining the results of Central 1's operations and its financial position.

2. Basis of presentation

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, 2015.

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 25, 2016.

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 Annual Consolidated Financial Statements as at and for the year ended December 31, 2015 except with respect to the designation of a single portfolio of commercial loans acquired during the second quarter as fair value through profit or loss, as disclosed in Note 6. The remaining loan portfolio continues to be classified as loans and receivables and initially measured at fair value plus incremental direct transaction costs on the trade date in the Consolidated Statements of Financial Position. They are subsequently measured at amortized cost using the effective interest method, net of allowances for credit losses and any unearned interest.

4. Securities

Trading assets

Total trading assets included in the Interim Consolidated Statements of Financial Position are as follows:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Government and government guaranteed securities	**$ 6,517,833**	$ 4,694,805	$ 4,579,399
Corporate and major financial institutions AA[1] or greater	**2,042,229**	1,767,685	1,847,895
Other	**394,787**	383,334	338,263
Fair value	**$ 8,954,849**	$ 6,845,824	$ 6,765,557
Amortized cost	**$ 8,892,289**	$ 6,794,266	$ 6,713,809

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

Investment securities

Total investment securities classified as available-for-sale included in the Interim Consolidated Statements of Financial Position are as follows:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Fair value			
Government and government guaranteed securities	**$ 3,614,349**	$ 3,685,291	$ 3,663,936
Corporate and major financial institutions AA[(1)] or greater	**1,210,845**	1,785,830	1,605,733
Other	**241,396**	424,580	378,369
Fair value	**$ 5,066,590**	$ 5,895,701	$ 5,648,038
Amortized cost			
Other	**32,120**	32,120	32,120
Amortized cost	**$ 32,120**	$ 32,120	$ 32,120
Total investment securities	**$ 5,098,710**	$ 5,927,821	$ 5,680,158

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

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

Reinvestment assets under the Canada Mortgage Bond Program

As principal payments on the underlying securitized assets are received, Central 1 is required to reinvest the proceeds on behalf of Canada Housing Trust (CHT). These reinvestment assets, which are recognized in the Interim Consolidated Statements of Financial Position at fair value, are as follows:

Reinvestment assets under the Canada Mortgage Bond (CMB) Program classified as fair value through profit or loss:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Government and government guaranteed securities	**$ 215,365**	$ 76,813	$ 101,919
Assets acquired under reverse repurchase agreements	**5,997**	-	-
Fair value	**$ 221,362**	$ 76,813	$ 101,919
Amortized cost	**$ 219,380**	$ 76,192	$ 101,022

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

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Government and government guaranteed securities	**$ 88,104**	$ 56,855	$ 63,227
Fair value	**$ 88,104**	$ 56,855	$ 63,227
Amortized cost	**$ 87,526**	$ 56,302	$ 62,522
Fair value of total reinvestment assets under the CMB Program	**$ 309,466**	$ 133,668	$ 165,146

5. Derivative instruments

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

(Thousands of dollars)	Sep 30 2016 Asset	Sep 30 2016 Liability	Sep 30 2015 Asset	Sep 30 2015 Liability	Dec 31 2015 Asset	Dec 31 2015 Liability
Interest rate contracts						
Bond forwards	**$ 156**	**$ 144**	$ 229	$ -	$ 299	$ 147
Futures contracts	**-**	**4**	112	149	118	137
Swap contracts	**206,645**	**218,799**	250,169	272,704	238,348	252,275
	206,801	**218,947**	250,510	272,853	238,765	252,559
Foreign exchange contracts						
Forward contracts	**475**	**964**	3,652	3,800	5,105	5,485
Other						
Equity index-linked options	**12,436**	**12,436**	8,865	8,865	8,287	8,287
Total fair value before adjustment	**219,712**	**232,347**	263,027	285,518	252,157	266,331
Adjustment for master netting agreements	**(113,052)**	**(113,052)**	(149,570)	(149,570)	(135,526)	(135,526)
Fair value	**$ 106,660**	**$ 119,295**	$ 113,457	$ 135,948	$ 116,631	$ 130,805

The amounts that have been pledged and received as collateral are $17.9 million and $32.4 million, respectively, as at September 30, 2016 (September 30, 2015 - $22.0 million and $23.7 million; December 31, 2015 - $17.8 million and $38.5 million).

All derivatives are traded over-the-counter except for futures which are exchange traded.

Hedge accounting

Central 1 uses interest rate swaps to hedge its exposure to changes in the fair values of select commercial loans which are at risk of changes in market interest rates. Interest rate swaps are matched to specific commercial loans. Central 1 has elected to adopt hedge accounting in respect of the swap and the loans.

The fair values of derivatives designated as fair value hedges are as follows:

(Thousands of dollars)	Sep 30 2016 Asset	Sep 30 2016 Liability	Sep 30 2015 Asset	Sep 30 2015 Liability	Dec 31 2015 Asset	Dec 31 2015 Liability
Interest rate contracts	**$ -**	**$ (2,224)**	$ -	$ -	$ 421	$ -

Hedging instruments are recorded at fair value and the commercial loans that are part of a hedging relationship are adjusted for the changes in value of the risk being hedged (fair value hedge adjustment). To the extent that the change in the fair value of the derivative does not offset changes in the fair value of the hedged item (hedge ineffectiveness), the net amount is recorded directly in the Interim Consolidated Statements of Profit.

The following table presents the impact of fair value hedges on profit:

(Thousands of dollars)	For the three months ended Sep 30 2016	For the three months ended Sep 30 2015	For the nine months ended Sep 30 2016	For the nine months ended Sep 30 2015
Change in fair value on hedging derivatives	**$ 280**	$ -	**$ (2,645)**	$ -
Fair value hedge adjustment	**(286)**	-	**2,636**	-
Hedge ineffectiveness recorded in profit	**$ (6)**	$ -	**$ (9)**	$ -

6. Loans

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amortized cost			
Due on demand			
Credit unions	**$ 7,165**	$ 54,710	$ 16,290
Commercial and others	**2,711**	11,506	3,263
	9,876	66,216	19,553
Term			
Credit unions	**337,110**	339,121	767,800
Commercial and others	**571,219**	248,600	531,388
Reverse repurchase agreements	**423,941**	220,121	48,880
Officers and employees	**8,914**	9,359	9,441
Residential mortgages	**162,930**	50,517	97,995
	1,504,114	867,718	1,455,504
	1,513,990	933,934	1,475,057
Accrued interest	**1,878**	821	1,285
Premium	**15,266**	798	14,998
	1,531,134	935,553	1,491,340
Allowance for credit losses	**(534)**	(596)	(501)
Amortized cost	**$ 1,530,600**	$ 934,957	$ 1,490,839
Fair value through profit or loss			
Term			
Commercial and others	**$ 11,669**	$ -	$ -
Accrued interest	**38**	-	-
Premium	**134**	-	-
Amortized cost	**$ 11,841**	$ -	$ -
Fair value	**$ 12,262**	$ -	$ -
Total loans	**$ 1,542,862**	$ 934,957	$ 1,490,839

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 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Balance at beginning of period	**$ 410**	**$ 146**	**$ 556**	$ 693	**$ 501**	$ 664
Net recovery during the period	**-**	**-**	**-**	(18)	**(47)**	(23)
Provision for (recovery of) credit losses	**-**	**(22)**	**(22)**	(79)	**80**	(45)
Balance at end of period	**$ 410**	**$ 124**	**$ 534**	$ 596	**$ 534**	$ 596

7. Other assets

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Settlements in-transit	**$ 295,400**	$ 80,134	$ 427,167
Investment property	**1,250**	3,280	1,431
Prepaid expenses	**5,621**	4,599	4,581
Post-employment benefits	**3,204**	3,194	3,306
Accounts receivable and other	**7,138**	10,494	4,472
	$ 312,613	$ 101,701	$ 440,957

8. Deposits

The contractual maturity dates of deposits designated as trading are as follows:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amounts			
Due within three months	**$ 2,286,238**	$ 2,137,652	$ 1,987,607
Due after three months and within one year	**1,548,067**	1,450,221	1,620,371
Due after one year and within five years	**4,638,823**	3,559,111	3,858,176
Due after five years	**1,200**	750	11,970
	8,474,328	7,147,734	7,478,124
Accrued interest	**34,084**	31,890	33,641
Amortized cost	**$ 8,508,412**	$ 7,179,624	$ 7,511,765
Fair value	**$ 8,557,289**	$ 7,215,025	$ 7,546,745

Deposits held at amortized cost are as follows:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amounts			
Due on demand	**$ 1,627,818**	$ 1,301,235	$ 1,371,545
Due within three months	**402,428**	565,308	431,726
Due after three months and within one year	**647,430**	732,427	922,457
Due after one year and within five years	**835,776**	622,626	510,816
Due after five years	**6,090**	125	1,000
	3,519,542	3,221,721	3,237,544
Accrued interest	**9,988**	13,736	12,492
Amortized cost	**$ 3,529,530**	$ 3,235,457	$ 3,250,036

9. Obligations related to securities sold short

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amortized cost	**$ -**	$ -	$ 29,350
Fair value	**$ -**	$ -	$ 29,415

10. Funding transactions

Debt securities issued

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amounts			
Due within three months	**$ 840,138**	$ 591,361	$ 320,863
Due after three months and within one year	**369,401**	22,926	454,004
Due after one year and within five years	**-**	598,878	299,461
	1,209,539	1,213,165	1,074,328
Accrued interest	**1,071**	925	1,016
Amortized cost	**$ 1,210,610**	$ 1,214,090	$ 1,075,344

Central 1 has established $51.2 million of unsecured credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At September 30, 2016, September 30, 2015, and December 31, 2015 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 includes Central 1's medium-term note facility. At September 30, 2016, a par value of $610.7 million was borrowed under the short-term commercial paper facility (September 30, 2015 - $615.0 million, December 31, 2015 - $476.0 million) and a par value of $600.0 million was borrowed under the medium-term note facility (September 30, 2015 - $600.0 million, December 31, 2015 - $600.0 million).

Obligations under the CMB 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.

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Amounts			
Due within one year	**$ 59,952**	$ -	$ -
Due after one year and within five years	**1,070,072**	827,232	970,329
Due after five years	**-**	57,367	-
	1,130,024	884,599	970,329
Accrued interest	**5,588**	5,007	733
Amortized cost	**$ 1,135,612**	$ 889,606	$ 971,062
Fair value	**$ 1,157,450**	$ 906,916	$ 989,611

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

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Total reinvestment assets under the CMB Program (see Note 4)	**$ 309,466**	$ 133,668	$ 165,146
Assets recognized as securities (see Note 4)	**734,382**	770,635	822,051
Fair value	**$ 1,043,848**	$ 904,303	$ 987,197

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Assets recognized in loans			
Amortized cost (see Note 6)	**$ 99,708**	$ -	$ -

Securities under repurchase agreements

(Thousands of dollars)		Sep 30 2016		Sep 30 2015		Dec 31 2015
Amounts under the CMB Program	**$**	**314,297**	$	175,224	$	170,325
Other		**-**		-		50,886
Amortized cost	**$**	**314,297**	$	175,224	$	221,211

11. Subordinated liabilities

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

(Thousands of dollars)		Sep 30 2016		Sep 30 2015		Dec 31 2015
Series 3	**$**	**-**	$	18,000	$	18,000
Series 4		**200,000**		200,000		200,000
Series 5		**21,000**		-		-
Principal amount		**221,000**		218,000		218,000
Discount		**(632)**		(1,292)		(824)
Accrued interest		**2,519**		2,514		1,071
Amortized cost	**$**	**222,887**	$	219,222	$	218,247

On July 6, 2011, Central 1 issued $18.0 million principal amount of Series 3 subordinated notes due July 6, 2021. The notes bore interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 6, 2016, and Central 1 had the option to redeem the outstanding notes in whole or in part on or after July 6, 2016, subject to regulatory approval. Central 1 received regulatory approval and exercised the option to fully redeem $18.0 million of Tier 2 qualifying Series 3 subordinated debt on July 6, 2016. This redemption was replaced by $21.0 million of new Tier 2 qualifying Series 5 subordinated debt.

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

On July 6, 2016, Central 1 issued $21.0 million principal amount of Series 5 subordinated notes due July 6, 2026. The notes bear interest at a floating rate based on 90-day Bankers' Acceptance plus 10 basis points, payable quarterly until July 6, 2021, and Central 1 has the option to redeem the outstanding notes in whole or in part on or after July 6, 2021, subject to regulatory approval.

On October 14, 2016, Central 1 issued $200.0 million principal amount of Series 6 subordinated notes due October 14, 2026. The notes bear interest at a fixed rate of 3.06%, payable semi-annually, until, but excluding October 14, 2021, and thereafter at a floating rate based on 90-day Bankers' Acceptance plus 198 basis points, payable quarterly. Central 1 has the option to redeem the notes on or after October 14, 2021, subject to regulatory approval.

The notes are recognized in the Interim Consolidated Statements of Financial Position at amortized cost.

12. Other liabilities

(Thousands of dollars)		Sep 30 2016		Sep 30 2015		Dec 31 2015
Settlements in-transit	**$**	**425,236**	$	431,771	$	432,913
Post-employment benefits		**23,016**		25,607		22,828
Short-term employee benefits		**6,639**		5,824		5,449
Dividends payable		**10,375**		13,644		14,428
Unearned insurance premiums		**700**		726		1,343
Accounts payable and other		**13,475**		20,635		12,334
	$	**479,441**	$	498,207	$	489,295

13. Share capital

Details of Central 1's share capital disclosures were disclosed in Note 23 of the Annual Consolidated Financial Statements as at December 31, 2015.

The numbers of shares issued are as follows:

	For the nine months ended		For the year ended
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Class A – credit unions			
Balance at beginning of period	**370,952**	333,074	333,074
Issued during the period	**14,000**	17,000	38,000
Redeemed during the period	**-**	(122)	(122)
Balance at end of period	**384,952**	349,952	370,952
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	**3,157**	3,158	3,158
Redeemed during the period	**-**	(1)	(1)
Balance at end of period	**3,157**	3,157	3,157

The amounts outstanding are as follows:

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Outstanding $1 par value shares			
Class A – credit unions	**$ 384,952**	$ 349,952	$ 370,952
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
	$ 384,996	$ 349,996	$ 370,996

The dividend amounts are as follows:

	For the nine months ended		For the year ended
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Dividend payable, balance at beginning of period	**$ 14,428**	$ 22,448	$ 22,448
Declared during the period	**10,375**	13,644	14,428
Paid during the period	**(14,428)**	(22,448)	(22,448)
Dividend payable, balance at end of period	**$ 10,375**	$ 13,644	$ 14,428

14. Gain (loss) on disposal of financial instruments

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

(Thousands of dollars)	For the three months ended Sep 30 2016	Sep 30 2015	For the nine months ended Sep 30 2016	Sep 30 2015
Net gain on disposal of trading assets	**$ 13,618**	$ 3,349	**$ 18,749**	$ 30,329
Net gain on disposal of investment securities	**1,104**	3,970	**5,022**	16,654
Net gain (loss) on disposal of derivative instruments	**356**	(9,366)	**(6,574)**	(34,809)
Net loss on disposal of deposits designated as trading	**(944)**	(824)	**(4,816)**	(4,166)
Net gain (loss) on disposal of obligations related to securities sold short	**489**	(1,035)	**83**	(6,618)
	$ 14,623	$ (3,906)	**$ 12,464**	$ 1,390

15. Change in fair value of financial instruments

(Thousands of dollars)	For the three months ended Sep 30 2016	Sep 30 2015	For the nine months ended Sep 30 2016	Sep 30 2015
Trading assets	**$ (11,218)**	$ (18,687)	**$ 10,813**	$ 8,456
Loans	**265**	-	**421**	-
Activities under the CMB Program				
Reinvestment assets	**428**	(285)	**1,088**	262
Derivative instruments	**(1,798)**	2,557	**(25)**	4,757
Obligations under the CMB Program	**943**	971	**(3,288)**	(9,410)
Derivative instruments	**1,496**	5,863	**6,993**	25,461
Trading liabilities				
Deposits designated as trading	**5,656**	12,008	**(13,896)**	(12,876)
Obligations related to securities sold short	**-**	914	**65**	919
	$ (4,228)	$ 3,341	**$ 2,171**	$ 17,569

16. Other income

(Thousands of dollars)	For the three months ended Sep 30 2016	Sep 30 2015	For the nine months ended Sep 30 2016	Sep 30 2015
Mandatory Liquidity Pool	**$ 50**	$ 105	**$ (139)**	$ (82)
Wholesale Financial Services				
Lending fees	**1,471**	1,333	**3,916**	3,331
Securitization fees	**1,865**	1,358	**4,954**	3,605
Foreign exchange income	**1,462**	1,504	**4,368**	4,216
Other	**683**	692	**1,845**	1,912
Digital & Payment Services				
Payment processing and other fees	**13,734**	13,291	**39,575**	37,847
Direct banking fees	**7,737**	7,121	**22,460**	21,540
Trade Services	**4,031**	4,740	**12,506**	13,586
Other				
Equity interest in affiliates	**2,553**	878	**7,756**	3,747
Income from investees	**276**	39	**4,354**	3,359
Litigation settlement	**-**	7,500	**-**	7,500
Other	**599**	1,599	**3,473**	5,313
	$ 34,461	$ 40,160	**$ 105,068**	$ 105,874

17. Other administrative expenses

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Cost of sales and services	**$ 3,006**	$ 3,570	**$ 10,732**	$ 11,268
Cost of payments processing	**3,620**	4,778	**11,952**	12,896
Management information systems	**2,228**	1,749	**6,978**	4,953
Professional services	**2,607**	1,424	**6,740**	3,845
Flow through membership dues	**1,375**	1,213	**4,159**	3,634
Business development projects	**570**	333	**1,143**	926
Other	**851**	892	**2,657**	2,594
	$ 14,257	$ 13,959	**$ 44,361**	$ 40,116

18. 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 (WFS), Digital & Payment Services and Trade Services. Activities or transactions which do not relate directly to these four business segments are reported in "Other".

A description of each business segment is as follows:

Mandatory Liquidity Pool

The MLP is responsible for providing extraordinary liquidity to the credit union networks in the event of a liquidity crisis. The pool is funded by the mandatory deposits of, and associated capital from, member credit unions, either by liquidity lock-in agreement or by statute. Central 1 manages the pool within the regulatory constraints and leverages its economies of scale to reduce costs associated with the pool. Assets held in the pool remain highly liquid in order to ensure immediate access to funds. Members receive interests on their deposits and dividends on Class A shares which in aggregate equals to the return on the liquidity portfolio after expenses.

Wholesale Financial Services

The WFS 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 network's growth, which involves credit unions lending and access to securitization vehicles, allowing members to take advantage of Central 1's strong financial ratings, industry expertise and access to the capital markets for short and long term funding. WFS also supports the short term liquidity requirement for the Digital & Payment Services segment. Central 1 also provides foreign exchange services, derivative capabilities and other ancillary treasury services under the WFS segment.

Digital & Payment Services

Digital & Payment Services represent the payment and settlement operations, network access, and direct banking. 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 works with key stakeholders to proactively plan and implement Canadian Payments Association (CPA) policy and change initiatives, procedures and/or technology changes.

Under the *MemberDirect*® brand, Central 1 develops and delivers direct banking products, which 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. *MemberDirect*® Services provides credit unions with personal electronic banking services that are, in turn, offered to individual retail members and business-to-business products for small and medium-size enterprises.

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 networks' financial institution connection to the Canadian payments system.

Trade Services

As a trade association, Central 1's services to its members include operational support, marketing and creative services, economics, compliance, risk management, communications, strategic and people solutions tailored to the needs of member credit unions. These value-added services give member credit unions access to a wealth of expertise, while remaining affordable through economies of scale.

Other

Other segment comprises enterprise level activities which are not allocated to these four business segments, such as consolidation adjustments and corporate support functions, including the costs of implementing strategic initiatives and exploring strategic alternatives to enhance the ability to support credit unions in the future. Corporate level tax items and charges associated with unattributed capital are also included in corporate support functions. Central 1's investments in equity shares of network-related entities other than the wholly owned subsidiaries as described in Note 22, together with other assets and liabilities not allocated to the four business segments, are also 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 the business segments are managed. This approach is intended to ensure that the 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 cost of services incurred directly as well as attributed corporate costs. For 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's capital plan allows for tactical capital allocations within all segments. 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.

Basis of presentation

The accounting policies used to prepare these segments are consistent with those followed in the preparation of Central 1's Interim Consolidated Financial Statements as described in Note 3.

Periodically, certain business lines and units are transferred among business segments to closely align Central 1's organizational structure with its strategic priorities. In addition, revenue and expense allocations are updated to more accurately align with current experience. Results for prior periods are restated to conform to the current period presentation.

Results by segment

The following table summarizes the segment results for the three months ended September 30, 2016:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 8,095	$ 15,727	$ (76)	$ 68	$ (1,059)	$ 22,755
Other income	50	5,481	21,471	4,031	3,428	34,461
Net financial and other income	8,145	21,208	21,395	4,099	2,369	57,216
Operating expenses	1,932	5,380	17,349	3,929	4,278	32,868
Profit (loss) before income taxes	6,213	15,828	4,046	170	(1,909)	24,348
Income taxes (recoveries)	1,147	2,923	739	31	(1,951)	2,889
Profit for the period	$ 5,066	$ 12,905	$ 3,307	$ 139	$ 42	$ 21,459

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

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 5,654	$ 2,459	$ (59)	$ 39	$ (1,115)	$ 6,978
Other income	105	4,887	20,412	4,740	10,016	40,160
Net financial and other income	5,759	7,346	20,353	4,779	8,901	47,138
Operating expenses	1,734	5,218	17,894	4,990	2,731	32,567
Profit (loss) before income taxes	4,025	2,128	2,459	(211)	6,170	14,571
Income taxes (recoveries)	659	349	317	(41)	561	1,845
Profit (loss) for the period	$ 3,366	$ 1,779	$ 2,142	$ (170)	$ 5,609	$ 12,726

The following table summarizes the segment results for the nine months ended September 30, 2016:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 16,234	$ 36,677	$ (184)	$ 220	$ (3,143)	$ 49,804
Other income	(139)	15,083	62,035	12,506	15,583	105,068
Net financial and other income	16,095	51,760	61,851	12,726	12,440	154,872
Operating expenses	5,720	15,896	56,427	12,693	14,453	105,189
Profit (loss) before income taxes	10,375	35,864	5,424	33	(2,013)	49,683
Income taxes (recoveries)	1,915	6,621	1,001	6	(3,180)	6,363
Profit (loss) for the period	$ 8,460	$ 29,243	$ 4,423	$ 27	$ 1,167	$ 43,320
Total assets at Sep 30 2016	$7,930,093	$ 8,032,639	$ 438,778	$ 11,521	$ 235,965	$16,648,996
Total liabilities at Sep 30 2016	$7,452,451	$ 7,535,403	$ 415,628	$ (6,084)	$ 205,192	$15,602,590
Total equity at Sep 30 2016	$ 477,642	$ 497,236	$ 23,150	$ 17,605	$ 30,773	$ 1,046,406

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

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
Net financial income (expense), including provision for credit losses	$ 19,025	$ 20,121	$ (192)	$ 194	$ (3,256)	$ 35,892
Other income	(82)	13,064	59,387	13,586	19,919	105,874
Net financial and other income	18,943	33,185	59,195	13,780	16,663	141,766
Operating expenses	5,299	14,500	51,535	14,514	10,418	96,266
Profit (loss) before income taxes	13,644	18,685	7,660	(734)	6,245	45,500
Income taxes (recoveries)	2,236	3,063	1,133	(274)	487	6,645
Profit (loss) for the period	$ 11,408	$ 15,622	$ 6,527	$ (460)	$ 5,758	$ 38,855
Total assets at Sep 30 2015	$7,322,952	$ 6,424,917	$ 561,732	$ 9,103	$ 236,115	$14,554,819
Total liabilities at Sep 30 2015	$6,888,508	$ 5,989,019	$ 524,351	$ (10,256)	$ 216,970	$13,608,592
Total equity at Sep 30 2015	$ 434,444	$ 435,898	$ 37,381	$ 19,359	$ 19,145	$ 946,227

19. Guarantees, commitments and contingencies

Central 1 is a Group Clearer under the rules of the CPA and acts as the credit union networks' 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.

In the normal course of business, Central 1 enters into various off-balance sheet credit instruments to meet the financing, credit and liquidity requirements of its member credit unions. These are in the form of commitments to extend credit, guarantees, standby letters of credit, and mortgage purchase commitments.

The table below presents the maximum amount of credit that Central 1 could be required to extend if commitments were to be fully utilized, and the maximum amount of guarantees that could be in effect if the maximum authorized amount were transacted.

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Commitments to extend credit	**$ 4,538,956**	$ 4,361,779	$ 3,857,075
Guarantees	**$ 855,000**	$ 547,000	$ 687,000
Standby letters of credit	**$ 161,567**	$ 140,899	$ 145,392
Mortgage purchase commitments	**$ 6,967**	$ -	$ 16,066

Amounts utilized under these agreements for commitments to extend credit, guarantees, and standby letter of credit, respectively, on September 30, 2016 are $23.8 million, $376.6 million and $103.6 million (September 30, 2015 - $34.7 million, $273.5 million and $84.7 million; December 31, 2015 - $29.6 million, $313.5 million and $86.7 million).

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 conducted in accordance with standard terms and conditions for such transactions.

(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Assets pledged to Bank of Canada & Direct Clearing Organizations[1][2]	**$ 55,025**	$ 59,409	$ 56,653
Assets pledged in relation to:			
Derivative financial instrument transactions	**17,907**	22,026	17,787
Securities lending	**132,898**	46,473	100,759
Obligations under the CMB Program	**836,490**	773,535	824,951
Reinvestment assets under the CMB Program	**309,466**	133,668	165,146
Securities under repurchase agreements	**314,297**	185,780	221,174
	$ 1,666,083	$ 1,220,891	$ 1,386,470

(1) Includes assets pledged as collateral for LVTS activities.
(2) Central 1 also acts as a Group Clearer on behalf of certain other credit union centrals. These centrals are required to pledge securities in respect of their LVTS settlements. Central 1 administers the collateral on their behalf.

20. Financial instruments – Fair value

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 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 2016	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[(1)]	Total Carrying Value
Financial assets						
Cash	$ -	$ -	$ -	$ -	$ 130.0	$ 130.0
Deposits with regulated financial institutions	-	-	-	-	5.9	5.9
Trading assets	-	8,954.8	-	8,954.8	-	8,954.8
Reinvestment assets under the CMB Program	-	309.5	-	309.5	-	309.5
Derivative assets	-	106.7	-	106.7	-	106.7
Loans	-	-	12.3	12.3	1,530.6	1,542.9
Investment securities	-	5,055.0	11.6	5,066.6	32.1	5,098.7
Financial liabilities						
Deposits designated as trading	$ -	$ 8,557.3	$ -	$ 8,557.3	$ -	$ 8,557.3
Derivative liabilities	-	119.3	-	119.3	-	119.3
Debt securities issued	-	-	-	-	1,210.6	1,210.6
Deposits	-	-	-	-	3,529.5	3,529.5
Obligations under the CMB Program	-	1,157.5	-	1,157.5	-	1,157.5
Subordinated liabilities	-	-	-	-	222.9	222.9
Securities under repurchase agreements	-	-	-	-	314.3	314.3

(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 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets	$ -	$ 12,979.3	$ 9.3	$ 12,988.6	$ 1,298.1	$ 14,286.7
Financial liabilities	-	8,257.9	-	8,257.9	4,844.0	13,101.9

(Millions of dollars) Dec 31 2015	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets	$ -	$ 12,686.0	$ 9.3	$ 12,695.3	$ 1,635.8	$ 14,331.1
Financial liabilities	-	8,696.6	-	8,696.6	4,764.7	13,461.3

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 2015	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Sep 30 2016
Equity shares	$ 9.3	$ 2.3	$ -	$ -	$ -	$ 11.6
Loans	-	59.6	(47.3)	-	-	12.3
Total financial assets	$ 9.3	$ 61.9	$ (47.3)	$ -	$ -	$ 23.9

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Disposals	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
Total financial assets	$ 9.2	$ -	$ -	$ -	$ 0.1	$ 9.3

(Millions of dollars)	Fair Value at Dec 31 2014	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Dec 31 2015
Equity shares	$ 9.2	$ -	$ -	$ -	$ 0.1	$ 9.3
Total financial assets	$ 9.2	$ -	$ -	$ -	$ 0.1	$ 9.3

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

(Millions of dollars)	Fair Value Sep 30 2016	Fair Value Sep 30 2015	Carrying Value Sep 30 2016	Carrying Value Sep 30 2015	Unrecognized Gain (Loss) Sep 30 2016	Unrecognized Gain (Loss) Sep 30 2015
Assets						
Cash	**$ 130.0**	$ 318.9	**$ 130.0**	$ 318.9	**$ -**	$ -
Deposits with regulated financial institutions[1]	**5.9**	6.1	**5.9**	6.1	**-**	-
Trading assets and investment securities	**14,053.5**	12,773.7	**14,053.5**	12,773.7	**-**	-
Reinvestment assets under the CMB Program	**309.5**	133.7	**309.5**	133.7	**-**	-
Derivative assets	**106.7**	113.5	**106.7**	113.5	**-**	-
Loans[2]	**1,547.7**	935.1	**1,542.9**	935.0	**4.8**	0.1
Liabilities						
Deposits designated as trading	**8,557.3**	7,215.0	**8,557.3**	7,215.0	**-**	-
Derivative liabilities	**119.3**	136.0	**119.3**	136.0	**-**	-
Debt securities issued[1]	**1,211.8**	1,215.1	**1,210.6**	1,214.1	**(1.2)**	(1.0)
Deposits[1]	**3,536.5**	3,248.6	**3,529.5**	3,235.5	**(7.0)**	(13.1)
Obligations under the CMB Program	**1,157.5**	906.9	**1,157.5**	906.9	**-**	-
Subordinated liabilities[1]	**224.5**	223.2	**222.9**	219.2	**(1.6)**	(4.0)
Securities under repurchase agreements	**314.3**	175.2	**314.3**	175.2	**-**	-
Total					**$ (5.0)**	$ (18.0)

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

21. Capital management

Central 1's Capital Policy ensures that each business segment has sufficient capital to support its business activities. The objective of managing capital is to optimize various pressures, including but not limited to the following:

- Ensuring that regulatory capital adequacy requirements are met at all times;
- Ensuring internal capital targets are met; and
- Earning an appropriate risk adjusted rate of return on members' equity.

Capital management framework

The capital management framework provides the policies and processes for defining, measuring, and allocating all types of capital across Central 1. The process of attributing capital to business segments is linked to the budgeting process and to the Internal Capital Adequacy Assessment Process (ICAAP). The budget process establishes expected business activities over the course of the following fiscal year and the ICAAP establishes the required amount of capital based on an internal risk assessment. Central 1's capital plan allows for tactical capital allocations within all segments. Capital, other than that which is attributed to business segments is held in the Other segment.

Regulatory capital

Central 1's capital levels are regulated under federal guidelines issued by the Office of the Superintendent 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 segment and no more than 14.0:1 for the WFS segment.

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 with upper limit no greater than 15.8:1 for the MLP segment and 13.0:1 for the WFS segment.

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. 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 periods ended September 30, 2016, September 30, 2015, and December 31, 2015.

As announced on May 5, 2015, OSFI will cease its supervision of provincial credit union centrals on January 15, 2017. As a result, OSFI will cease the duplicate regulation and supervision of centrals whose members are not "predominantly federal credit unions".

22. Related party disclosures

Related parties of Central 1 include:
- Key management personnel and their close family members;
- Board of Directors and their close family members;
- Entities over which Central 1 has control or significant influence; and
- Central 1's post-employment plans as described in Note 29 of the Annual Consolidated Financial Statements as at December 31, 2015.

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents.

Transactions between Central 1 and key management personnel and their close family members during the period are as follows:

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Mortgage loan outstanding at end of period	**$ 380**	$ 392	**$ 380**	$ 392
Maximum mortgage loans outstanding during the period	**$ 383**	$ 395	**$ 389**	$ 692

As at September 30, 2016, the mortgage loan to a key member of management personnel bears interest at the rate of 2.50% and is secured over properties of the borrower. No impairment losses have been recorded against this balance during the period ended and as at September 30, 2016.

The following table presents the compensation to key management personnel:

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Salaries and short-term employee benefits	**$ 664**	$ 875	**$ 2,195**	$ 2,293
Incentive	**-**	-	**746**	684
Post-employment benefits	**34**	35	**141**	142
Termination benefits	**-**	102	**152**	102
Other cash-based compensation	**-**	-	**-**	20
	$ 698	$ 1,012	**$ 3,234**	$ 3,241

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

Termination benefits represent amounts paid or payable, pursuant to contractual arrangements, to members of key 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.

Transactions with Board of Directors

During the three months ended September 30, 2016, the members of Central 1's Board of Directors received aggregate remuneration of $145 thousand (September 30, 2015 - $133 thousand) and for the nine months ended September 30, 2016 of $448 thousand (September 30, 2015 - $445 thousand).

Significant subsidiaries

(% of ownership of common shares outstanding)	Sep 30 2016	Sep 30 2015	Dec 31 2015
Central 1 Trust Company	**100%**	100%	100%
CUPP Services Ltd.	**100%**	100%	100%

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

Transactions with subsidiaries are eliminated on consolidation, and are not disclosed as related party transactions.

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 2016	Sep 30 2015	Dec 31 2015
Credential Financial Inc.	**26%**	26%	26%
The CUMIS Group Limited	**27%**	27%	27%
189286 Canada Inc.	**52%**	-%	-%

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

As at December 31, 2015, Central 1 owned 52% of Credit Union Central of Canada (CUCC)'s common shares (September 30, 2015 – 51%) and used equity method to account for its investment in CUCC. In January 2016, CUCC was restructured to become the national trade association for credit unions. After the restructuring, its trade association assets and liabilities have been transferred to Canadian Credit Union Association (CCUA). Central 1 does not have significant influence over CCUA.

CUCC's remaining assets and liabilities are now held by 189286 Canada Inc. and Central 1 now owns 52% of 189286 Canada Inc.'s common voting shares. Among a total of five directors, one director from Central 1 was appointed to the Board of 189286 Canada Inc. Central 1 has no control but significant influence over 189286 Canada Inc. and therefore uses the equity method to account for its investment in 189286 Canada Inc.

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 2016	Sep 30 2015	Dec 31 2015
The Co-operators Group Limited	**21%**	21%	21%
Northwest & Ethical Investments L.P.	**26%**	26%	26%
Canadian Credit Union Association	**57%**	-%	-%