Third Quarter Report 2017

Report to Members

Central 1

Central 1 Reports Results for the Third Quarter of 2017

Third quarter highlights compared to the same period last year:

- Profit of $15.7 million, down 27.0 per cent from $21.5 million
- Return on average equity of 5.5 per cent, compared to 8.2 per cent
- Assets of $17.7 billion, up 6.6 per cent from $16.6 billion
- Tier 1 capital ratio of 33.1 per cent, compared to 35.2 per cent
- B.C. network's net operating income of $112.1 million, up 18.1 per cent from $94.9 million
- B.C. network's assets of $75.6 billion, up 4.9 per cent from $72.1 billion
- Ontario network's net operating income of $55.5 million, up 35.0 per cent from $41.1 million
- Ontario network's assets of $48.9 billion, up 12.1 per cent from $43.6 billion

Year-to-date highlights compared to the same period last year:

- Profit of $40.8 million, down 5.8 per cent from $43.3 million
- Return on average equity of 4.9 per cent, compared to 5.7 per cent
- B.C. network's net operating income of $292.4 million, up 17.8 per cent from $248.2 million
- Ontario network's net operating income of $156.6 million, up 23.8 per cent from $126.5 million

For the quarter ended September 30, 2017, Central 1 reported a profit of $15.7 million, down 27.0 per cent from the same period in 2016. While assets increased, interest margin was flat reflecting an increase in borrowings raised in capital markets relative to credit union deposits. Net realized and unrealized gains declined $1.1 million due to a combination of factors. Interest rate increase resulted in mark-to-market gains on liabilities, while mark-to-market losses on assets were mitigated by narrowing credit spreads. Central 1 reported an operating loss of $2.8 million compared to an operating income of $1.6 million a year ago. The decrease was largely attributable to increased costs incurred to support strategic initiatives including the implementation of the User Experience (UX) Platform Program. The UX Platform Program is a digital banking channel that will deepen customer engagement through powerful, market-leading user experience management tools. The UX Platform Program will allow credit unions self-service capability for a flexible, customizable digital experience to connect with their members across channels. Central 1 also recorded one-time restructuring charges totaling $1.3 million in the third quarter.

For the nine months ended September 30, 2017, Central 1 recorded a profit of $40.8 million, down 5.8 per cent from the same period in 2016. Interest margin increased by $2.0 million reflecting an increase in average assets and net realized and unrealized gains increased by $2.9 million. Narrowing credit spreads mitigated mark-to-market losses on assets attributable to increased interest rates, which also resulted in mark-to-market gains on liabilities. These increases were mostly offset an increased operating loss, mainly attributable to increased costs to support strategic initiatives including the implementation of the UX Platform Program. Central 1 also incurred one-time restructuring charges of $1.8 million.

For the quarter ended September 30, 2017, Central 1 was in compliance with all regulatory capital requirements and all Risk Appetite Statements.

The B.C. network reported net operating income of $112.1 million in the third quarter of 2017, up $17.2 million or 18.1 per cent from the same period in 2016. Growth resulted from increased personal and commercial mortgages together with a higher loan yield contributed to higher net-interest income. This was partially offset by higher non-interest expense from increases in salaries and benefits as well as loan losses. Combined assets of the B.C. network at the end of September 2017 rose 4.9 per cent year-over-year to reach $75.6 billion.

The Ontario network reported net operating income of $55.5 million in the third quarter of 2017, up $14.4 million or 35.0 per cent from the same period in 2016. The increase was mainly driven by growth in residential mortgages and commercial loans, offset by higher salaries and employee benefits expense. Combined assets of the Ontario network at the end of September 2017 rose 12.1 per cent year-over-year to reach $48.9 billion.

In July 2017, Central 1 and Collabria Financial Services Inc. (Collabria), a payments provider focused on solutions for credit unions, signed a Letter of Intent to integrate Collabria's credit card solution with both Central 1's online banking (*MemberDirect*®) and origination platforms (*Borrow Anywhere*™ and *Open Anywhere*™). This will offer credit cardholders increased payment flexibility and a consolidated view of their credit card balances, transactions and spending analysis all within their online banking.

In August 2017, the Financial Institutions Commission of British Columbia (FICOM) amended the Borrowing Multiple limits for Central 1's Mandatory Liquidity Pool (MLP) and Wholesale Financial Services (WFS) business lines. These changes allowed Central 1 to return $50.0 million in capital to its Class A members which was announced on September 8, 2017. Central 1 redeemed $30.0 million Class A shares and paid $5.0 million dividends on September 29, 2017 and reacquired $15.0 million Class E shares on October 27, 2017.

In September 2017, Central 1 announced its national digital and payments solutions strategy, which is designed to meet the long-term needs of the credit unions and other clients across Canada. To achieve this, Central 1 created a Transformation Office, whose work during the fall will drive the change to build a client-centred, integrated organization that brings innovative solutions for customers, and support the sustainability of Canadian credit unions.

On November 1, 2017, Everlink Payment Services Inc. and Central 1 announced that, through a multi-year agreement between the two companies, B.C. and Ontario credit unions and other financial institutions will have access to sophisticated, enhanced, and real-time fraud monitoring measures to detect and combat debit card fraud. By compiling and integrating transaction and demographic data and consumer profiling, this service allows credit unions to lower fraud losses, improve brand reputation, and increase member trust and security by reducing the frequency of compromised cards. This agreement creates the largest in-market fraud management services bureau delivery in Canada.

On November 1, 2017, Central 1 issued $500.0 million principal amount of Series 15 medium-term fixed rate notes due November 7, 2022. The notes bear interest at a fixed rate of 2.60 per cent, payable semi-annually on May 7 and November 7 of each year, commencing May 7, 2018. Central 1 was able to leverage our credit rating to access funding and provide substantial investment to help credit unions drive their future success.

Management's Discussion & Analysis

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Management's Discussion and Analysis for the period ended September 30, 2017

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, 2016, and reviews and analyzes the financial condition and results of operations of Central 1 for the nine-month period ended September 30, 2017, 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, 2017 as well as Central 1's 2016 Annual Report for the year ended December 31, 2016. This MD&A, covering the nine-month period ended September 30, 2017, is as at November 24, 2017.

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 credit union 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 that have been ongoing in both B.C. and Ontario continued in the third quarter. Central 1 continued to correspond with Ministry of Finance officials 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 throughout the third quarter. The Ministry of Finance, under the previous government, had indicated that it would release a White Paper with initial policy positions sometime in 2017. However, with the recent change in the B.C. government, the release date of the White Paper is expected to be in early 2018.

The Ontario government has taken the next steps in moving forward with a number of positive changes for credit unions that will come into force on January 1, 2018. These changes include increasing deposit insurance coverage for non-registered accounts from $100 thousand to $250 thousand, and increased subsidiary ownership and the operation of extra-provincial credit unions. The government has also committed to a comprehensive re-write of the *Credit Unions and Caisses Populaires Act* (CUCPA). Central 1's Government Relations has assembled a working group of credit union representatives that will work with the government to provide input for the re-write of the CUCPA.

In response to the challenges of competing effectively in today's highly competitive payments marketplace, Interac Association, an affiliate of Central 1, has announced its intention to restructure for the purpose of offering a single integrated portfolio of payment products to help the organization to continue offering effective, convenient and secure products, while remaining a low-cost payment option for Canadian customers.

In July 2017, Central 1 and Collabria Financial Services Inc. (Collabria), a payments provider focused on solutions for credit unions, signed a Letter of Intent to integrate Collabria's credit card solution with both Central 1's online banking (*MemberDirect*®) and origination platforms (*Borrow Anywhere*™ and *Open Anywhere*™). This will offer credit cardholders increased payment flexibility and a consolidated view of their credit card balances, transactions and spending analysis all within their online banking.

In September 2017, Central 1 announced its national digital and payments solutions strategy, which is designed to meet the long-term needs of the credit unions and other clients across Canada. This is a significant opportunity both for our members and partners in the credit union network to build a digital and payments program that will strongly support the sustainability of Canadian credit unions. Central 1 created a Transformation Office, whose work during the fall will drive the change to build a client-centred, integrated organization that brings innovative solutions for customers.

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 2016 Annual Report.

Economic Developments and Outlook

The following summaries of the economic environment, the state of financial markets, and the performance by both provincial networks in the third quarter of 2017 offer a context for interpreting Central 1's quarterly results and provide insight into its future performance.

The Economic Environment

The International Monetary Fund's (IMF) World Economic Outlook, issued in October 2017, stated that the global upswing that began in mid-2016 continues to gather strength with economic growth accelerating in Europe, Japan, China and the U.S. The IMF's latest World Economic Outlook forecasts economic growth and indicates that Japan's economy is expected to grow by 1.5 per cent in 2017, up from 1.0 per cent in 2016 and the United States economy is expected to grow 2.2 per cent in 2017, which is a significant improvement over the 1.5 per cent growth realized in 2016.

Canada's economy is expected to grow at a rate of 3.0 per cent in 2017, which is up from the IMF's estimate of 2.5 per cent published in July 2017. Robust consumption and residential investment led growth in the first half of 2017. In the second half of 2017, growth is expected to be supported by rising foreign demand, firming commodity prices, still-expansionary financial conditions and public infrastructure spending. The contribution to growth from consumption and housing investment is projected to decline, in part because of recent interest rate increases, while the contribution from exports is projected to improve while that from business investment to remain steady.

Financial Markets

The Bank of Canada (the Bank) raised its target for the overnight rate by 50 basis points (bps) in the third quarter and a further 25 bps is highly likely in the next several months. It removed the 50 bps of "insurance" it had taken out in 2016 in response to plummeting oil prices. The five-year Government of Canada yields have risen over 35 bps over the quarter due to the Bank's recent hikes and expectations of future hikes.

The Federal Reserve is expected to raise its target rate at its December meeting, which would be its fourth hike over twelve months.

The Bank's deposit note spreads have continued to narrow to the tightest levels of the year as the global reflation trend gathers firmer footing which has increased investor's risk tolerance and increased flows into investment grade and high yield debt markets. Domestic deposit note issuance has underwhelmed expectations as Canadian Banks have found more attractive funding alternatives in U.S. Dollar, Euro and GBP markets. Multiple large-cap U.S. corporations, including Disney, Apple and McDonald's, issued Canadian Dollar debt in the second half of the year, capitalizing on a light domestic issuance program and investors looking to put cash to work.

Network Performance

British Columbia

Net operating income for the third quarter of 2017 was $112.1 million, compared to $94.9 million in the third quarter of 2016. Net interest income increased $38.3 million over the same period last year, mainly driven by growth in personal and commercial mortgages and by a higher loan yield. The Bank's bank rate increased 25 bps in each of July and September with corresponding hikes in the commercial prime lending rate. Non-interest income decreased $2.8 million year-over-year due to lower member service fees. Non-interest expenses increased $18.4 million year-over-year, led by increases in salaries and benefits and loan losses.

Total assets increased 4.9 per cent year-over-year to reach $75.6 billion at the end of the third quarter in 2017. Liability growth was led by increases in non-registered demand deposits of 7.7 per cent, borrowings of 23.8 per cent, and non-registered term deposits of 1.9 per cent. Asset growth was led by increases in personal mortgages of 8.0 per cent and commercial mortgages of 9.3 per cent. Strong economic growth and low interest rates drove loan growth.

The network's rate of loan delinquencies over 90 days was 0.18 per cent of total loans at the end of September 2017, down eight bps year-over-year. Provision for credit losses as a percentage of loans was 0.28 per cent, unchanged from a year earlier. The B.C. network's loan loss expense ratio was 0.07 per cent annualized in the third quarter of 2017, up three bps year-over-year.

The B.C. network's regulatory capital as a percentage of risk-weighted assets was 14.4 per cent at the end of September 2017, down 19 bps from a year ago. The aggregate liquidity ratio of B.C. network, including that held by Central 1, was 14.7 per cent of deposit and debt liabilities, down from 16.7 per cent a year ago. Deposits growth has slowed considerably in 2017.

Ontario

Net operating income for the third quarter of 2017 was $55.5 million, compared to $41.1 million in the third quarter of 2016. Net interest income increased $30.2 million over the same period last year, mainly driven by growth in residential mortgages and commercial loans. The Bank's bank rate increased 25 bps in each of July and September with corresponding hikes in the commercial prime lending rate. Non-interest income increased $2.7 million year-over-year due to growth in member service and agency fees. Non-interest expenses increased $18.6 million year-over-year, led by increases in salaries and benefits.

Total assets increased 12.1 per cent year-over-year to reach $48.9 billion at the end of the third quarter in 2017. Liability growth was led by increases in non-registered demand deposits of 13.1 per cent and non-registered term deposits of 13.9 per cent. Asset growth was led by increases in residential mortgages of 12.8 per cent and commercial loans of 13.1 per cent. Growth in employment and residential construction drove loan growth.

The network's rate of loan delinquencies over 90 days was 0.24 per cent of total loans at the end of September 2017, down 14 bps year-over-year. Provision for credit losses as a percentage of loans was 0.23 per cent, down four bps from a year earlier. The network's loan loss expense ratio was 0.04 per cent annualized in the third quarter of 2017, down three bps year-over-year.

The Ontario network's regulatory capital as a percentage of risk-weighted assets was 13.3 per cent at the end of September 2017, virtually unchanged from a year ago. The aggregate liquidity ratio of Ontario network, including that held by Central 1, was 11.4 per cent of deposit and debt liabilities, down slightly from 11.6 per cent a year ago.

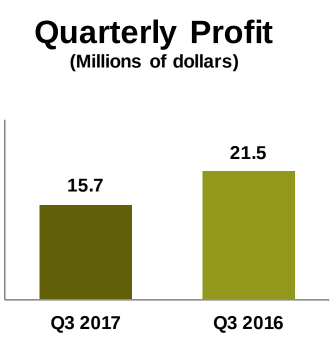
Overall Performance

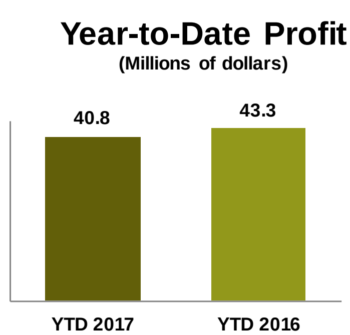
The following table summarizes Central 1's Financial Overview as at September 30, 2017 with comparatives.

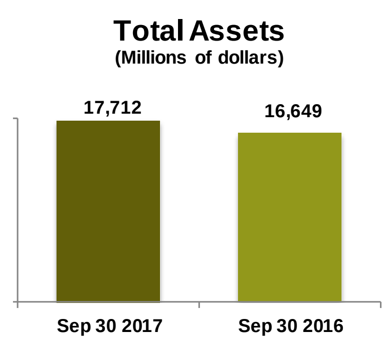
Figure 1 – Financial Overview

	For the three months ended Sep 30 2017	For the three months ended Sep 30 2016	For the nine months ended Sep 30 2017	For the nine months ended Sep 30 2016
Operating results *(milions of dollars, unless otherwise indicated)*				
Net financial income	**21.7**	22.7	**54.8**	49.9
Net financial and other income	**59.3**	57.2	**166.2**	154.9
Operating income (loss)	**(2.8)**	1.6	**(6.3)**	(0.1)
Profit for the period	**15.7**	21.5	**40.8**	43.3
Productivity ratio	**68.2%**	57.4%	**70.7%**	67.9%
Productivity ratio - non-financial	**107.4%**	95.4%	**105.7%**	100.1%
Return on average assets	**0.3%**	0.5%	**0.3%**	0.4%
Return on average equity	**5.5%**	8.2%	**4.9%**	5.7%
Earnings per share *(cents)*				
Basic	**3.6**	5.6	**9.5**	11.5
Diluted	**3.6**	5.6	**9.5**	11.5
Dividends per share *(cents)*				
Class A	**2.30**	1.64	**3.94**	2.75
Class B & C	**0.55**	0.26	**1.13**	0.75
Weighted average shares outstanding	**440.3**	385.0	**427.6**	377.3
Average assets	**17,934.0**	16,050.1	**17,784.9**	15,264.3

	As at Sep 30 2017	As at Sep 30 2016
Balance sheet *(millions of dollars)*		
Total assets	**17,712.3**	16,649.0
Long-term financial liabilities	**8,654.8**	6,773.0
Regulatory ratios		
Tier 1 capital ratio	**33.1%**	35.2%
Provincial capital ratio	**49.6%**	45.3%
Borrowing multiple (times)	**12.1**	14.3
Share Information *(thousands of dollars, unless otherwise indicated)*		
Outstanding $1 par value shares		
Class A - credit unions	**410,951**	384,952
Class B - cooperatives	**5**	5
Class C - other	**7**	7
Outstanding $0.01 par value shares with redemption value of $100		
Class E - credit unions	**32**	32







Statement of Financial Position

Cash and Liquid Assets

The following tables summarize Central 1's Cash and Liquid Assets for MLP and WFS as at September 30, 2017 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 2017)
Cash	$ 73.5	$ 8.1	$ -	8.1	$ -	$ 8.1
Federal and provincial government issued and guaranteed securities	7,249.3	3,014.6	238.6	3,253.2	1,805.0	1,448.2
Corporate and financial institutions AA or greater	1,034.8	1,963.9	-	1,963.9	14.0	1,949.9
U.S. dollar denominated corporate and financial institution securities AA or greater	18.6	384.8	-	384.8	-	384.8
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	194.0	-	194.0	-	194.0
Other assets	-	643.5	-	643.5	86.2	557.3
Total	**$ 8,376.2**	**$ 6,208.9**	**$ 238.6**	**$ 6,447.5**	**$ 1,905.2**	**$ 4,542.3**

(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 (Dec 31 2016)
Cash	$ 127.7	$ 359.4	$ -	$ 359.4	$ -	$ 359.4
Federal and provincial government issued and guaranteed securities	6,872.2	3,588.4	298.0	3,886.4	1,471.1	2,415.3
Corporate and financial institutions AA or greater	1,046.3	2,093.5	-	2,093.5	42.5	2,051.0
U.S. dollar denominated corporate and financial institution securities AA or greater	102.8	418.5	-	418.5	-	418.5
Insured mortgages securitized as National Housing Act Mortgage-Backed Securities	-	258.1	-	258.1	-	258.1
Other assets	-	374.7	-	374.7	95.6	279.1
Total	$ 8,149.0	$ 7,092.6	$ 298.0	$ 7,390.6	$ 1,609.2	$ 5,781.4

Cash and liquid assets increased $0.4 billion in MLP and decreased $0.2 billion in WFS year-over-year, driven by higher deposits in MLP and greater growth in credit union loans in WFS. Cash and liquid assets in MLP and WFS represented 47.3 per cent and 35.1 per cent, respectively, of Central 1's total assets. Compared to the prior year, the weighting of cash and liquid assets relative to Central 1's total assets decreased 0.4 per cent in MLP and 3.5 per cent in WFS, respectively.

Loans

The following table summarizes Central 1's Loans as at September 30, 2017 with comparatives.

Figure 3 – Loans

(Millions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Loans to credit unions	**$ 1,139.1**	$ 344.3	$ 329.5
Syndicated commercial loans	**607.8**	572.4	611.2
Non syndicated commercial loans	**16.7**	13.7	13.4
Other loans	**7.8**	8.9	8.8
Residential mortgages	**148.3**	162.9	161.6
	780.6	757.9	795.0
Securities acquired under reverse repurchase agreements	**318.3**	423.9	316.4
	$ 2,238.0	$ 1,526.1	$ 1,440.9

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

Total loans increased $711.9 million compared to a year ago, primarily driven by higher loans to credit unions and syndicated commercial loans, partially offset by lower securities acquired under reverse repurchase agreements and residential mortgages. Loans to credit unions increased $794.8 million, which is reflective of the level of liquidity in the credit union network. Syndicated commercial loans increased $35.4 million. Commercial loans represented 27.9 per cent of Central 1's total loan portfolio, down from 38.4 per cent a year ago. Securities acquired under reverse repurchase agreements decreased $105.6 million attributable to lower volumes.

Funding

The following table summarizes Central 1's Funding as at September 30, 2017 with comparatives.

Figure 4 – Funding

(Billions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Deposits and trading liabilities by type			
Mandatory deposits	**$ 7.8**	$ 7.4	$ 7.6
Non-mandatory deposits	**3.3**	4.0	3.5
Deposits from member credit unions	**11.1**	11.4	11.1
Deposits from non-credit unions	**0.8**	0.6	0.8
	11.9	12.0	11.9
Debt securities issued			
Commercial paper issued	**0.8**	0.6	0.7
Medium-term notes issued	**0.8**	0.6	0.8
Subordinated liabilities	**0.4**	0.2	0.4
	2.0	1.4	1.9
Obligations under the CMB Program	**1.2**	1.2	1.2
Securities under repurchase agreements	**0.6**	0.3	0.3
	$ 15.7	$ 14.9	$ 15.3

Deposits from Central 1's member credit unions decreased $0.3 billion or 2.6 per cent compared to the prior year. Mandatory deposits from credit unions increased $0.4 billion, reflective of the growth within the credit union network. Non-mandatory deposits from credit unions vary over time and is correlated with the level of liquidity in the credit union network. Liquidity levels in the B.C. and Ontario regions have declined year-over-year which has resulted in a decrease in non-mandatory deposits of $0.7 billion over the past year. Deposits from member credit unions represented 70.7 per cent of Central 1's total borrowing portfolio at the end of the third quarter, down from 76.5 per cent a year ago.

Total debt securities outstanding increased $0.6 billion compared to the prior year. Debt securities represented 12.7 per cent of Central 1's total funding at the end of the third quarter, up from 9.4 per cent a year ago. Of the total amount outstanding, $0.8 billion was borrowed under Central 1's medium-term note facility, $0.4 billion was borrowed through subordinated debt issuance and the remainder was borrowed through Central 1's commercial paper facility. The increase in debt securities was in line with the overall growth on Central 1's balance sheet.

Direct securitization transactions are accounted for on-balance sheet while indirect securitizations are off-balance sheet. Total obligations outstanding were $1.2 billion, which were in line with the prior year.

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 $61.7 million from a year ago to $1,108.1 million largely driven by the annual share call and the earnings retained year-over-year. Central 1 periodically requires its Class A members to contribute additional Class A shares to support the growth of MLP and distributes the net earnings of MLP to its Class A members as dividends. The recent FICOM amendment of Central 1's regulatory requirements for borrowing multiples allowed Central 1 to return its capital to Class A members in a form of a share redemption and dividend payment. On September 29, 2017, Central 1 redeemed $30.0 million Class A shares and paid $5.0 million dividends to Class A members, which reduced total equity by $35.0 million in aggregate.

Central 1's Interim Consolidated Statements of Changes in Equity provide a summary of items that increase or decrease the total equity and Note 14 of the Interim Consolidated Financial Statements provides details on the changes in share capital.

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, 2017 with comparatives.

Figure 5 – Net Financial Income

	For the three months ended		For the nine months ended	
(Millions of dollars)	Sep 30 2017	Sep 30 2016	Sep 30 2017	Sep 30 2016
Interest margin	**$ 12.4**	$ 12.3	**$ 37.2**	$ 35.2
Gain (loss) on disposal of financial instruments	**(5.4)**	14.6	**(2.7)**	12.5
Change in fair value of financial instruments	**14.7**	(4.2)	**20.3**	2.2
Net financial income	**$ 21.7**	$ 22.7	**$ 54.8**	$ 49.9

Q3 2017 vs Q3 2016

Net financial income for the third quarter of 2017 decreased $1.0 million compared to the third quarter of 2016.

Interest margin for the third quarter of 2017 was in line with the prior year. In aggregate, net realized and unrealized gains decreased $1.1 million from a year ago due to a combination of factors. Interest rate increased which resulted in mark-to-market gains on liabilities, while mark-to-market losses on assets were mitigated by narrowing credit spreads.

YTD 2017 vs YTD 2016

Net financial income for the first nine months of 2017 increased $4.9 million compared to the first nine months of 2016.

Interest margin increased $2.0 million primarily reflecting an increase in average assets. In aggregate, net realized and unrealized gains increased $2.9 million. Rising interest rates resulted in mark-to-market gains on liabilities and mark-to-market losses on assets, which was partially offset by narrowing of credit spreads.

Operating Income (Loss)

The following table summarizes Central 1's Operating Income (Loss) for the three and nine months ended September 30, 2017 with comparatives.

Figure 6 – Operating Income (Loss)

	For the three months ended		For the nine months ended	
(Millions of dollars)	Sep 30 2017	Sep 30 2016	Sep 30 2017	Sep 30 2016
Other income				
Mandatory Liquidity Pool	**$ (0.2)**	$ 0.1	**$ (0.4)**	$ (0.1)
Wholesale Financial Services				
Lending fees	**1.6**	1.5	**4.5**	3.9
Securitization fees	**1.8**	1.9	**5.5**	5.0
Foreign exchange income	**1.3**	1.4	**4.1**	4.3
Other	**0.7**	0.7	**1.9**	1.9
Digital & Payment Services				
Payment processing and other fees	**13.2**	13.7	**40.3**	39.6
Direct banking fees	**8.6**	7.8	**23.0**	22.4
Trade Services	**3.9**	4.0	**12.6**	12.5
Other				
Equity interest in affiliates	**4.9**	2.5	**10.1**	6.2
Income from investees	**0.3**	0.3	**3.7**	4.3
Litigation settlement	**-**	-	**1.1**	-
Other	**1.6**	0.6	**4.9**	5.1
Total other income	**37.7**	34.5	**111.3**	105.1
Operating expenses				
Salaries and employee benefits	**19.6**	16.9	**57.7**	55.7
Premises and equipment	**2.3**	1.7	**6.2**	5.1
Other administrative expenses				
Management information systems	**3.7**	2.2	**10.6**	7.0
Flow through membership dues	**1.7**	1.4	**4.6**	4.2
Professional fees	**4.9**	2.6	**11.4**	6.7
Other	**8.3**	8.1	**27.1**	26.5
Total operating expenses	**40.5**	32.9	**117.6**	105.2
Operating income (loss)	**$ (2.8)**	$ 1.6	**$ (6.3)**	$ (0.1)

Q3 2017 vs Q3 2016

For the quarter ended September 30, 2017, Central 1 reported an operating loss of $2.8 million compared to an operating income of $1.6 million a year ago.

Income from Central 1's investees increased $2.4 million over the same period last year due to an increase in the related investment in affiliate balances accounted for under the equity method of accounting.

Income from continuing operations declined $6.8 million. Operating expenses increased $7.6 million due to a combination of factors. During the third quarter, Central 1 incurred costs to develop strategic products and services, most notably its external IFRS 9 Loan Loss model and its User Experience (UX) Platform Program, a digital banking channel that will deepen customer engagement through powerful, market-leading user experience management tools. It will allow credit unions self-service capability for a flexible, customizable digital experience to connect with their members across channels. These costs totaled $3.7 million, compared to $0.5 million in 2016. Central 1's investments in these projects is essential to ensuring that Central 1 can provide its members with the products and services that will enable them to remain competitive in the future. Central 1 also incurred one-time restructuring charges of $1.3 million due to the departure of two members of the Executive Leadership Team.

YTD 2017 vs YTD 2016

For the nine months ended September 30, 2017, Central 1 reported an operating loss of $6.3 million, compared to an operating loss of $0.1 million during the same period last year.

Income from Central 1's investees increased $3.3 million over the same period last year. The increase is due to an increase of $3.9 million in income related to Central 1's equity interests in affiliates, which are accounted for under the equity method of accounting, partially offset by a decrease of $0.6 million in dividend income from other investees. Central 1 also recorded income of $1.1 million for a long standing litigation settlement. In aggregate, these items contributed to a positive variance of $4.4 million compared to the same period last year.

Income from continuing operations declined $10.5 million. Operating income improved by $1.9 million primarily due to increased electronic payments *Interac*® *e-Transfer* volumes and network access *Interac*® volumes. Operating expenses increased $12.4 million due to a combination of factors. In aggregate, Central 1 incurred costs of $8.7 million for its external IFRS 9 Loan Loss Project and UX Platform Program in 2017, compared to $1.8 million in 2016. One-time restructuring charges of $1.8 million were also recorded during the first nine months of 2017.

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 Central 1's ability to support credit unions in the future, are reported in Other. The costs from Corporate Support functions are also included in Other and are attributed to business lines as appropriate.

Central 1 is in the process of creating our next three-year strategy that will be in alignment with our transformation work. As we develop more clarity on our strategic direction, we will determine the best organizational structure for the trade services functions within that structure to support credit unions and clients.

Periodically, certain business lines and units are transferred among business segments to better align Central 1's organizational structure with its strategic priorities. Results for prior periods are restated to conform to the current period presentation.

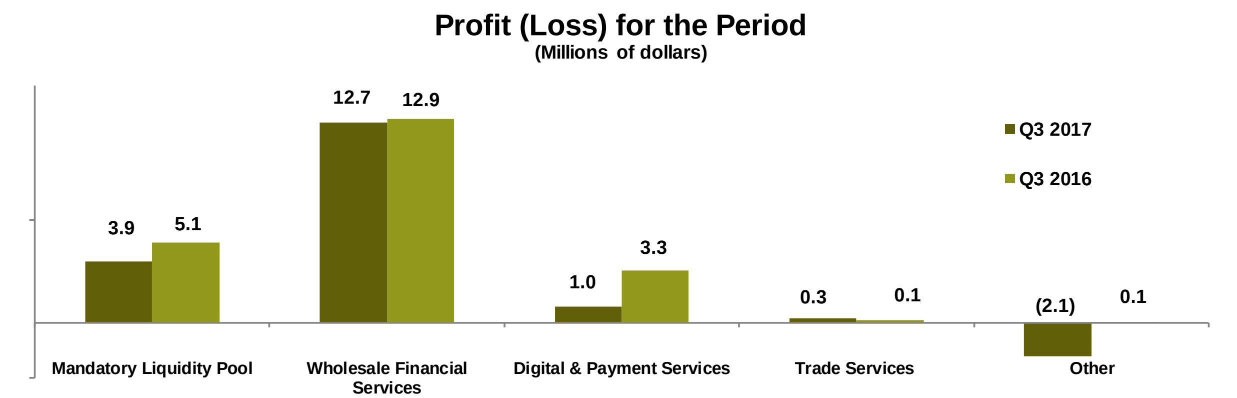
Q3 2017 vs Q3 2016

The following tables summarize Central 1's Results by Segment for the three months ended September 30, 2017 with comparatives.

Figure 7 – 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, 2017
Net financial income (expense), including provision for credit losses	$ 7,182	$ 15,582	$ (65)	$ 55	$ (1,076)	$ 21,678
Other income	(224)	5,415	21,758	3,938	6,769	37,656
Net financial and other income	6,958	20,997	21,693	3,993	5,693	59,334
Operating expenses	2,006	5,344	20,456	3,645	9,003	40,454
Profit (loss) before income taxes	4,952	15,653	1,237	348	(3,310)	18,880
Income taxes (recoveries)	1,098	3,002	208	63	(1,189)	3,182
Profit (loss) for the period	$ 3,854	$ 12,651	$ 1,029	$ 285	$ (2,121)	$ 15,698

(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	17,360	3,929	4,267	32,868
Profit (loss) before income taxes	6,213	15,828	4,035	170	(1,898)	24,348
Income taxes (recoveries)	1,147	2,923	739	31	(1,951)	2,889
Profit for the period	$ 5,066	$ 12,905	$ 3,296	$ 139	$ 53	$ 21,459



Mandatory Liquidity Pool

MLP's profit decreased $1.2 million from the same period last year, primarily driven by a $0.9 million decrease in net financial income. Central 1 benefited from a narrowing of credit spreads during the third quarters of 2016 and 2017. The credit spreads narrowed less in 2017 than 2016, which resulted in a decrease in unrealized gains. The increase in interest rates during the quarter contributed to further decreases in net financial income. This decline was partially offset by higher trading gains. Operating expenses were largely in line with the third quarter of 2016.

Wholesale Financial Services

WFS' profit decreased $0.2 million from the same period last year, primarily driven by a decrease in net financial income. Net realized and unrealized gains decreased $0.3 million primarily due to the increase in interest rates. This decrease was offset by an increase in interest margin as the positive effect from increased lending activities was largely offset by higher weighted average cost of funds. Operating losses were largely in line with the third quarter of 2016.

Digital & Payment Services

Digital & Payment Services' profit decreased $2.3 million from the same period last year. Direct Banking reported a higher loss over the same period last year attributed to increased costs incurred to supporting strategic initiatives including expenses of $2.3 million for the implementation of the UX Platform Program.

Trade Services

Trade Services' profit increased $0.2 million from the same period last year, with most of the improvement attributed to lower salaries and employee benefits expense due to the departure of a director and a member of the Executive Leadership Team.

Other

The Other operating segment reported a loss of $2.1 million compared to a profit of $0.1 million a year ago. Operating expenses increased $4.7 million largely due to a combination of higher costs incurred to support strategic initiatives, including $1.4 million incurred to support the development of the external IFRS 9 Loan Loss model. These negative variances were primarily offset by higher income from investees and affiliates during the third quarter of 2017. One-time restructuring charges totaling $1.3 million were also recorded in the third quarter of the year.

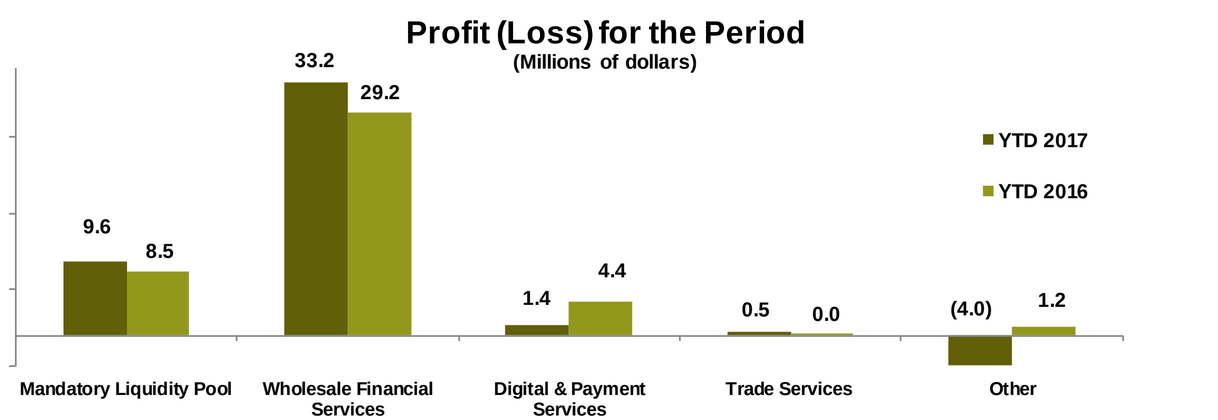
YTD 2017 vs YTD 2016

The following table summarizes Central 1's Results by Segment for the nine months ended September 30, 2017 with comparatives.

Figure 8 – Results by Segment

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the nine months ended September 30, 2017
Net financial income (expense), including provision for credit losses	$ 18,320	$ 39,855	$ (205)	$ 156	$ (3,176)	$ 54,950
Other income	(425)	16,002	63,313	12,566	19,813	111,269
Net financial and other income	17,895	55,857	63,108	12,722	16,637	166,219
Operating expenses	6,031	16,175	61,391	12,127	21,873	117,597
Profit (loss) before income taxes	11,864	39,682	1,717	595	(5,236)	48,622
Income taxes (recoveries)	2,256	6,485	288	104	(1,275)	7,858
Profit (loss) for the period	$ 9,608	$ 33,197	$ 1,429	$ 491	$ (3,961)	$ 40,764

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	Trade Services	Other	Total
						For the nine months ended September 30, 2016
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	56,429	12,693	14,451	105,189
Profit (loss) before income taxes	10,375	35,864	5,422	33	(2,011)	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	$ 4,421	$ 27	$ 1,169	$ 43,320



Mandatory Liquidity Pool

MLP's profit increased $1.1 million from the same period last year, mainly driven by an increase in net financial income. Net realized and unrealized gains increased $0.7 million mainly due to the mark-to-market gains on deposits resulting from rising interest rates and were partially offset by the mark-to-market losses on securities mitigated by narrowing of credit spreads. Interest margin increased $1.3 million driven by an increase in securities balance. These increases were partially offset by a $0.6 million increase in operating losses due to increased management information systems expenses and lower foreign exchange income.

Wholesale Financial Services

WFS' profit increased $4.0 million from the same period last year, mainly driven by an increase in net financial income. Interest margin increased $0.6 million driven by a 24.4 per cent increase in average assets. Net realized and unrealized gains increased $2.4 million due primarily to higher net trading gains.

WFS' other income increased $0.9 million driven by higher securitization fees and credit union standby lending fees. Operating expenses increased $0.3 million driven by increased management information systems expenses.

Digital & Payment Services

Digital & Payment Services' profit decreased $3.0 million from the same period last year. Direct Banking's profit decreased $3.6 million primarily attributable to expenses of $6.6 million for the UX Platform Program. This decrease was partially offset by a $2.0 million increase in Paper Payment Processing driven by higher network access *Interac*® volumes, lower node project expenses and higher volume in the *Interac*® *e-Transfers* business within Electronic Payment, partially offset by price reductions.

Trade Services

Trade Services' profit increased $0.5 million from the same period last year, mostly attributed to lower salaries and employee benefits expense attributed to the departure of a director and a member of the Executive Leadership Team.

Other

The Other operating segment reported a loss of $4.0 million compared to a profit of $1.2 million during the same period last year. Operating expenses within this segment increased $7.4 million mainly due to increased costs incurred to support Central 1's strategic initiatives and one-time restructuring charges totaling $1.8 million. The $2.1 million incurred to support the development of the external IFRS 9 Loan Loss model together with the technology staff complement to support corporate and strategic projects contributed to the increase in the operating expenses. These increases were partially offset by the litigation settlement and increased income from investees and affiliates.

Summary of Quarterly Results

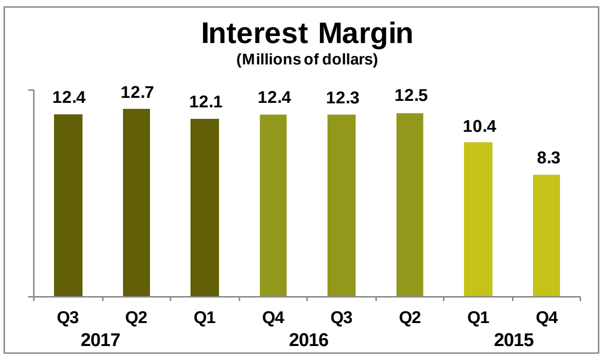
Quarterly Results

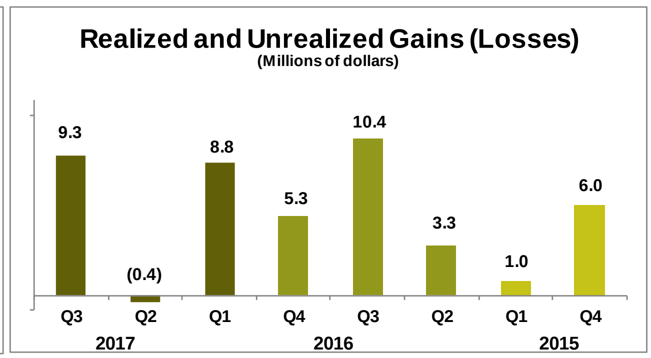
The following table summarizes Central 1's Quarterly Earnings for each of the last eight quarters.

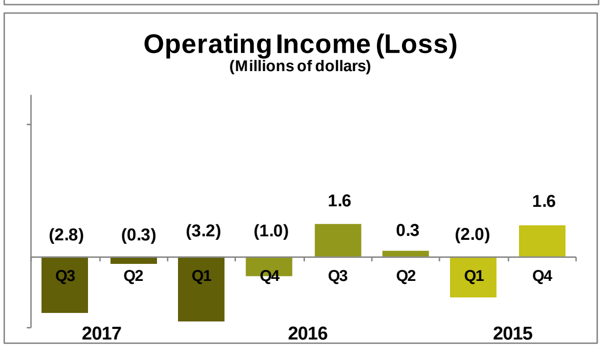
Figure 9 – Quarterly Earnings

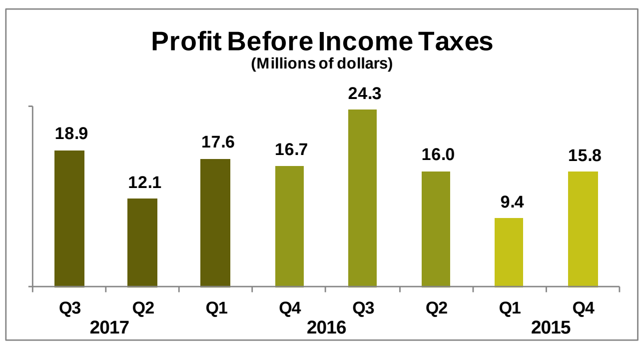
(Thousands of dollars, except as indicated)	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Total interest income	**$ 62,781**	$ 60,513	$ 57,366	$ 56,143	$ 52,296	$ 49,975	$ 48,059	$ 47,355
Total interest expense	**50,407**	47,807	45,294	43,784	39,958	37,477	37,646	39,095
Interest margin	**12,374**	12,706	12,072	12,359	12,338	12,498	10,413	8,260
Realized and unrealized gains (losses)	**9,296**	(434)	8,815	5,286	10,395	3,261	979	5,961
Recovery of (provision for) credit losses	**8**	140	(27)	(6)	22	(70)	(32)	41
	21,678	12,412	20,860	17,639	22,755	15,689	11,360	14,262
Other income	**37,656**	38,575	35,038	35,431	34,461	38,333	32,274	34,832
Operating expenses	**(40,454)**	(38,892)	(38,251)	(36,408)	(32,868)	(38,061)	(34,260)	(33,281)
Operating income (loss)	**(2,798)**	(317)	(3,213)	(977)	1,593	272	(1,986)	1,551
Profit before income taxes	**18,880**	12,095	17,647	16,662	24,348	15,961	9,374	15,813
Income taxes	**(3,182)**	(1,643)	(3,033)	(2,942)	(2,889)	(2,592)	(882)	(2,318)
Profit for the period	**$ 15,698**	$ 10,452	$ 14,614	$ 13,720	$ 21,459	$ 13,369	$ 8,492	$ 13,495
Weighted average shares outstanding *(millions)*	**440.3**	425.2	417.0	396.1	385.0	375.8	371.0	357.3
Earnings per share								
Basic *(cents)*	**3.6**	2.5	3.5	3.5	5.6	3.6	2.3	3.8
Diluted *(cents)*	**3.6**	2.5	3.5	3.5	5.6	3.6	2.3	3.8

* 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 generally increased over the past two years. However, the rapid growth that was observed in early 2016 has tapered off considerably over the recent six quarters, ranging from $12.1 million to $12.7 million. The balance sheet growth contributed to a stronger interest margin. However, this trend is partially offset by an increase in Central 1's weighted average cost of funds as borrowing raised in capital markets increased relative to credit union deposits. Most recently the shift in funding has resulted in interest expense increasing more than interest income~~.~~

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

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, 2017 with comparatives.

Figure 10 – Derivative Financial Instruments

(Millions of dollars)	Sep 30 2017	Sep 30 2016	Notional Amount Dec 31 2016
Interest rate contracts			
Bond forwards	**$ 103.3**	$ 116.4	$ 79.5
Futures contracts	**470.0**	277.5	432.8
Swap contracts	**20,573.1**	28,811.2	29,679.2
Options purchased	**10.0**	-	-
	21,156.4	29,205.1	30,191.5
Foreign exchange contracts			
Foreign exchange forward contracts	**223.5**	201.7	152.4
Other derivative contracts			
Equities index-linked options	**237.6**	259.9	253.7
	$ 21,617.5	$ 29,666.7	$ 30,597.6

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

Central 1 acts as a swap intermediary between the Canada Housing Trust and member credit unions and additionally provides derivative capabilities for member credit unions to be used in the asset/liability management of their respective balance sheets. These activities represented $10.1 billion and $16.4 billion, respectively, of the total derivative notional balances as at September 30, 2017, compared to $9.9 billion and $15.0 billion at September 30, 2016, and $9.8 billion and $16.2 billion at December 31, 2016.

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 11 – Guarantees and Commitments

(Millions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Commitments to extend credit	**$ 3,913.0**	$ 4,539.0	$ 4,447.3
Guarantees	**$ 740.0**	$ 855.0	$ 830.0
Standby letters of credit	**$ 175.1**	$ 161.6	$ 173.5
Mortgage purchase commitment	**$ -**	$ 7.0	$ -

In the normal course of business, Central 1 enters into various off-balance sheet 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 commitment.

Commitments to extend credit decreased $626.0 million from a year ago driven by increased loans to credit unions. Guarantees decreased $115.0 million, due to lower transactional volumes, while standby letters of credit increased $13.5 million due to higher transactional volumes.

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

Assets under Administration

The following table summarizes Assets under Administration (AUA) as at September 30, 2017 with comparatives.

Figure 12 – Assets under Administration

(Millions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Registered Retirement Savings Plans	**$ 1,572.0**	$ 1,585.2	$ 1,558.0
Tax-Free Savings Accounts	**815.7**	711.6	729.2
Registered Retirement Income Funds/Life Income Funds	**381.0**	358.8	369.6
Registered Education Savings Plans	**218.1**	203.8	210.7
Registered Disability Savings Plans	**19.4**	14.6	15.8
	$ 3,006.2	$ 2,874.0	$ 2,883.3

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 on AUA for the members of the B.C. credit union network, and the subsidiary provides the same services for members of the Ontario credit union network. These assets are owned by members of Central 1's member credit unions.

As at September 30, 2017, AUA totaled $3.0 billion, up $132.2 million or 4.6 per cent from a year ago. The increase was mainly due to an overall increase in the Tax-Free Savings Accounts business from Ontario credit unions together with an increase in the Registered Education Savings Plans in response to the introduction of the B.C. Training and Education Savings Grant.

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 all types of capital across the organization. It defines the roles and responsibilities in assessing capital adequacy, dividends and management of regulatory capital requirements.

A key component of Central 1's capital management is the annual capital planning process that involves teams from all areas of the organization. Capital planning has two key integrated components, the annual budget process which established operating targets for the organization and the Internal Capital Adequacy Assessment Process (ICAAP) 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.

Central 1's share capital, with the exception of nominal amounts, is entirely held by its Class A members, which is comprised of B.C. credit unions and its member credit unions in Ontario. Class A shares are held by member credit unions in proportion to their asset size. Central 1's policy requires annual rebalancing of Class A share capital subscriptions so that member credit unions maintain Class A share capital in proportion to their assets.

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 distributed to Central 1's Class A members as dividends on their Class A shares.

On April 28, 2017 Central 1's members approved changes to Central 1's capital structure subject to regulatory approval by FICOM. The changes include the creation of a new class of shares, Class F shares, which will be the primary form of capital supporting the MLP. Credit unions will be required to subscribe to Class F shares based on the deposits they place in the MLP rather than their share of credit union network assets.

On transition, Class A members' investment in Class A shares will be reduced and Class F shares will be issued to Class A members in proportion to their portion of mandatory deposits. The remaining aggregate level of Class A shares of $50.0 million will provide regulatory capital to support strategic and operational initiatives over Central 1's planning cycle. On transition, Central 1 also plans to reacquire up to 750 thousand Class E shares with an aggregate value of $75.0 million, which would reduce Central 1's regulatory capital.

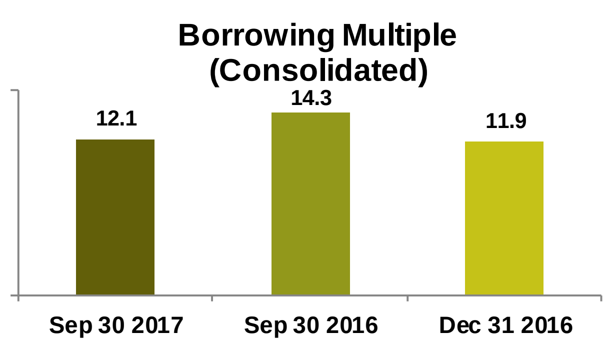
Regulatory Capital

As of September 30, 2017, Central 1's Tier 1 regulatory capital was $1,074.2 million and total capital before statutory capital adjustments was $1,499.9 million. In determining regulatory capital, adjustments are required to amounts presented in Central 1's Interim Consolidated Statements of Financial Position. Statutory capital adjustments 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.

The following table summarizes Central 1's Capital Position as at September 30, 2017 with comparatives.

Figure 13 – Capital Position

(Millions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Share capital	**$ 411.0**	$ 385.0	$ 417.0
Contributed surplus	**87.9**	87.9	87.9
Retained earnings	**580.0**	541.7	552.8
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.7)	(4.7)
Tier 1 capital	**1,074.2**	1,009.9	1,053.0
Subordinated debt	**421.0**	221.0	421.0
Add: accumulated net after tax gain in investment property	**4.7**	4.7	4.7
Tier 2 capital	**425.7**	225.7	425.7
Total capital	**1,499.9**	1,235.6	1,478.7
Statutory capital adjustments	**(172.4)**	(171.4)	(171.2)
Capital base (federal)	**$ 1,327.5**	$ 1,064.2	$ 1,307.5
Borrowing multiple - consolidated	**12.1:1**	14.3:1	11.9:1
Borrowing multiple - Mandatory Liquidity Pool	**15.9:1**	15.8:1	15.3:1
Borrowing multiple - Wholesale Financial Services	**11.4:1**	13.6:1	10.5:1



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

Effective August 16, 2017, FICOM amended the borrowing multiple requirements to no more than 17.0:1 for the MLP segment and no more than 15.0:1 for the WFS segment. Following this amendment, Central 1 amended its capital targets which allowed Central 1 to return $50.0 million in capital to its Class A members. On September 29, 2017, Central 1 redeemed $30.0 million Class A shares and paid $5.0 million dividends to Class A shareholders. On October 27, 2017, Central 1 reacquired $15.0 million Class E shares.

At the end of September 30, 2017, Central 1's consolidated borrowing multiple of 12.1:1 was slightly better compared to 11.9:1 at December 31, 2016. Central 1 manages the MLP's borrowing multiple through semi-annual capital calls from its membership and manages the WFS's borrowing multiple through growth in retained earnings and subordinated debt.

Note 22 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 2016 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.

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, and faces uncertainty around Class A member credit unions deciding to federalize. Central 1 incorporates an informed understanding of the future landscape of the credit union network into strategic planning to continue to deliver value for its member credit unions.

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.

Counterparty Risk

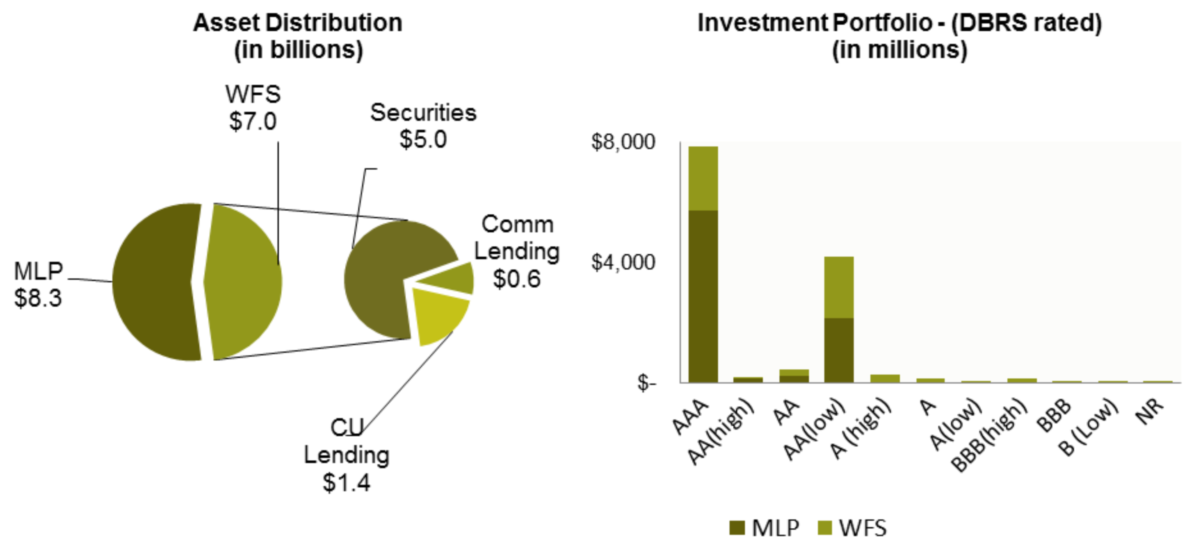
Counterparty risk continues to be assessed by management as low given the quality of counterparties being government entities, banks with external credit ratings AA-Low to AAA (Dominion Bond Rating Service (DBRS)), and its own credit union network where a robust internal risk rating regime is utilized.

Credit Risk

Credit risk continues to be assessed by management as low. The exposures are concentrated in low-risk investment securities and loans with a very limited exposure to underperforming loans in the lending portfolios.

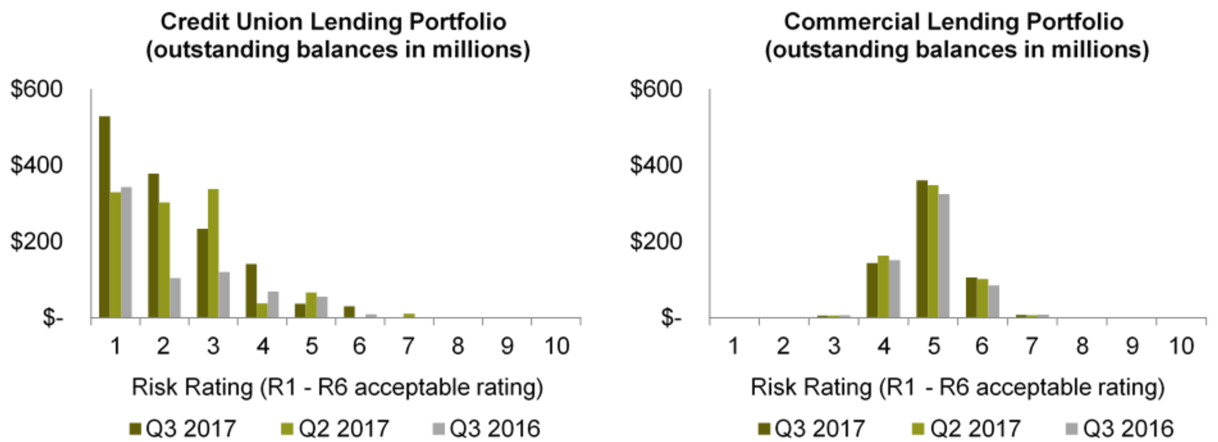
The figure below illustrates Central 1's credit exposure and risk profile based on outstanding balances in the investment portfolios held in MLP and WFS. WFS holds $377.4 million in securities rated A (DBRS) and below, representing 7.5 per cent of the investment portfolio.

Figure 14 – Credit Exposure by Portfolio and Rating



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

Figure 15 – Portfolio Balances by Risk Rating



Credit Quality Performance

Commercial Lending

There was one impaired loan in the Commercial Lending portfolio. It was fully repaid on October 5, 2017 with no financial loss. Watch List (Risk Rating 7) and substandard (Risk Rating 8) accounts as at September 30, 2017 represent 1.5 per cent of the total outstanding portfolio balance.

Credit Union Lending

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 are six Ontario credit unions classified as Watch List. The authorized balance of Watch List facilities represents 1.2 per cent of the total authorized portfolio balance; the outstanding balance of the Watch List facilities as at September 30, 2017 was $2.0 million representing 0.2 per cent of the total outstanding balance.

Investments

Central 1 continues to receive cash flows on the impaired investment totaling less than 0.5 per cent of total assets as at September 30, 2017.

Liquidity Risk

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

The Liquidity Coverage Ratio (LCR) demonstrates Central 1's ability to meet 30-day cashflow requirements under stressed conditions. The LCR assumes a partial run-off of deposits, no new extension or issuance of capital markets debt and that only highly liquid assets can be sold to raise cash subject to a haircut of their market value. Central 1 calculates the LCR for both portfolios and monitors the WFS portfolio against the 100% target set by the Risk Appetite Statement.

Central 1 monitors the LCR based on two liquid asset eligibility criteria, the Standing Liquidity Facility (SLF) approach and Modified OSFI approach. The SLF approach includes assets pledgeable to the Bank under the SLF, and is monitored against the Risk Appetite Statement limit. The Modified OSFI approach includes assets as defined by the Basel III guidance, which is modified to include a slightly broader range of high quality assets.

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 16 – Liquidity Coverage Ratio

	Mandatory Liquidity Pool		Wholesale Financial Services	
	Q3 2017	Q2 2017	Q3 2017	Q2 2017
Liquidity coverage ratio (SLF)	104%	104%	196%	167%
Liquidity coverage ratio (Modified OSFI)	103%	104%	183%	155%

WFS liquidity has strengthened over the quarter as a result of WFS investment in highly liquid assets, extended deposit maturities, and additional capital market funding.

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 funding, investment, lending and derivative portfolios.

Market risk is measured using Value at Risk (VaR) computed at a 99 per cent confidence level, meaning that the one-day change in portfolio value is expected to be less than the risk exposure limit 99 per cent of the time.

Central 1's Corporate Risk Management Policy currently defines VaR exposure limits in relation to changes in portfolio value.

Central 1 complied with the market risk limit in WFS during the quarter. However, there was a breach on the market risk limit in MLP on July 19, 2017. Specifically, the reported exposure of $9.96 million exceeded the VaR limit of $9.86 million. This was deemed to be a technical breach and modified VaR calculations and limits were introduced on July 20, 2017 to address the issues. The new VaR methodology more accurately represents risk exposure.

The current limits approved by the Board are set at 10 bps (or 0.1 per cent) of MLP asset market value and 11 bps or (0.11 per cent) of WFS asset market value. The dollar equivalent limits associated with 10 bps and 11 bps limits are recalculated on the last business day of each month. As of quarter end, the limits were $8.1 million for MLP and $8.7 million for WFS.

The following tables summarize Central 1's VaR for the quarter ended September 30, 2017 with comparatives.

Figure 17 – VaR by Risk Type

Mandatory Liquidity Pool				2017		
(Millions of dollars)	Q3 2017	Q2 2017	Q3 2016	Average	High	Low
Interest Rate VaR	$ 4.5	$ 9.0	$ 4.5	$ 6.6	$ 10.3	$ 3.7
Credit Spread VaR	5.0	2.1	3.3	3.5	5.0	2.0
Foreign Exchange VaR	0.1	0.1	0.0	0.1	0.8	0.0
Diversification (1)	(3.9)	(2.5)	(3.2)	nm	nm	nm
Total VaR	$ 5.7	$ 8.7	$ 4.6	$ 6.3	$ 10.0	$ 4.7

Wholesale Financial Services				2017		
(Millions of dollars)	Q3 2017	Q2 2017	Q3 2016	Average	High	Low
Interest Rate VaR	$ 1.9	$ 4.7	$ 2.5	$ 3.7	$ 5.9	$ 1.6
Credit Spread VaR	1.3	1.5	2.5	1.5	2.1	1.1
Foreign Exchange VaR	2.2	1.9	2.0	2.0	3.4	0.8
Diversification (1)	(2.2)	(2.6)	(3.9)	nm	nm	nm
Total VaR	$ 3.2	$ 5.5	$ 3.1	$ 4.4	$ 7.1	$ 2.7

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

nm -Not meaningful to calculation

Central 1 will not incur market risk for speculative purposes or in pursuit of returns beyond those required to reasonably safeguard network liquidity.

Operational Risk

During the third quarter of 2017, Central 1's operational risk exposures were within the limits of allocated capital for operational risk.

Central 1 continues to experience increasing exposure to technology risk from both an adversarial threat environment and a complex ecosystem of integration with many financial institutions. Central 1 has implemented real-time intrusion detection and monitoring of its infrastructure and banking applications, including the use of external agencies to continuously evaluate 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.

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.

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 cyber-security attacks, anti-money laundering (AML) and de-risking, and housing policy as emerging risks. Although Central 1 is generally familiar with these risks, they are changing, sometimes in unexpected ways.

- **Cyber-security attacks** - Attacks are frequent and evolving, while methods of protecting against intrusions must be constantly refined and enhanced.
- **AML and de-risking** - Central 1 is focused on building transaction monitoring, sanctions screening and analytics, as its correspondent banks "de-risk" and money flows continue to evolve. Central 1 is undertaking this work to maintain compliance with correspondent banks' risk appetites and support the current level of services offered to members.
- **Housing Policy** - The new B.C. government's housing policy is likely to become clearer early next year while a turnaround from negative momentum in Ontario's housing market will be restrained by the rising mortgage rate environment and new OSFI B-20 measures. Unanticipated housing policies remain a risk to stability in major housing markets.

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 2016 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. Additional information related to these future changes in accounting policies can be found in Note 3 to the audited 2016 Annual Consolidated Financial Statements and in Note 3 to the unaudited Interim Consolidated Financial Statements for the nine months ended September 30, 2017.

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 in providing 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 (NI 52-109)*, 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 *NI 52-109* for the quarter ended September 30, 2017. 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, 2016.

Details of Central 1's related party disclosures were disclosed in Note 23 of the Interim Consolidated Financial Statements.

Credit Ratings

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

Figure 19 – Credit Ratings

	DBRS	S&P
Instrument rating		
Senior debt	A (high)	A-
Subordinated debt	A	A-
Short-term debt	R-1 (middle)	A-2
Issuer rating		
Rating outlook	Stable	Stable

On November 20, 2017, S&P lowered its senior debt issuer credit rating from A to A-, and lowered its short-term debit issuer credit rating from A-1 to A-2 for Central 1. The outlook was changed from Negative to Stable.

Interim Consolidated Financial Statements

For the Quarter Ended September 30, 2017

Central 1

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

(Thousands of dollars)	Notes	Sep 30 2017	Sep 30 2016	Dec 31 2016
Assets				
Cash		**$ 81,573**	$ 130,033	$ 487,128
Deposits with regulated financial institutions		**5,948**	5,859	5,885
Trading assets	4	**8,906,490**	8,954,849	8,772,130
Reinvestment assets under the Canada Mortgage Bond Program	4	**521,648**	309,466	360,570
Derivative assets	5	**95,700**	106,660	81,807
Loans	6	**2,261,071**	1,542,862	1,453,802
Investment securities	4	**5,075,398**	5,098,710	5,621,749
Current tax assets		**16,885**	-	8,020
Property and equipment		**19,323**	17,844	18,022
Intangible assets		**33,889**	24,646	25,147
Deferred tax assets		**4,233**	15,493	5,171
Investment in affiliates		**140,644**	129,961	130,700
Settlements in-transit		**530,221**	295,400	327,062
Other assets	7	**19,319**	17,213	16,826
		$ 17,712,342	$ 16,648,996	$ 17,314,019
Liabilities				
Deposits designated as trading	8	**$ 8,281,221**	$ 8,557,289	$ 8,659,505
Obligations related to securities sold short	9	**100,978**	-	74,100
Derivative liabilities	5	**106,378**	119,295	85,660
Debt securities issued	10	**1,664,402**	1,210,610	1,490,730
Deposits	8	**3,569,938**	3,529,530	3,250,470
Obligations under the Canada Mortgage Bond Program	10	**1,226,844**	1,157,450	1,236,058
Subordinated liabilities	11	**424,615**	222,887	421,406
Provisions		**1,996**	1,700	1,688
Securities under repurchase agreements	10	**643,067**	314,297	298,416
Current tax liabilities		**-**	1,959	-
Deferred tax liabilities		**22,232**	8,132	9,146
Settlements in-transit		**504,802**	425,236	643,602
Other liabilities	13	**57,727**	54,205	58,363
		16,604,200	15,602,590	16,229,144
Equity				
Share capital	14	**410,995**	384,996	416,996
Contributed surplus		**87,901**	87,901	87,901
Retained earnings		**579,987**	541,752	552,782
Accumulated other comprehensive income		**15,281**	17,757	13,119
Reserves		**3,943**	4,041	4,034
Total equity attributable to members of Central 1		**1,098,107**	1,036,447	1,074,832
Non-controlling interest		**10,035**	9,959	10,043
		1,108,142	1,046,406	1,084,875
		$ 17,712,342	$ 16,648,996	$ 17,314,019
Guarantees, commitments, and contingencies	20			

Approved by the Directors:

"Rick Hoevenaars"
Rick Hoevenaars, Chairperson

"Robert Wellstood"
Robert Wellstood, Chairperson - Audit and Finance Commi

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Profit (Unaudited)

(Thousands of dollars)	Notes	For the three months ended Sep 30 2017	Sep 30 2016	For the nine months ended Sep 30 2017	Sep 30 2016
Interest income					
Securities		**$ 50,421**	$ 43,430	**$ 148,830**	$ 124,832
Deposits with regulated financial institutions		**65**	25	**118**	74
Loans		**10,508**	7,573	**25,781**	22,183
Reinvestment assets under the Canada Mortgage Bond Program		**1,787**	1,268	**5,931**	3,241
		62,781	52,296	**180,660**	150,330
Interest expense					
Debt securities issued		**7,548**	3,729	**20,450**	10,996
Deposits		**35,145**	30,074	**99,625**	86,259
Obligations under the Canada Mortgage Bond Program		**4,565**	4,608	**14,118**	13,239
Subordinated liabilities		**3,149**	1,547	**9,315**	4,587
		50,407	39,958	**143,508**	115,081
Interest margin		**12,374**	12,338	**37,152**	35,249
Gain (loss) on disposal of financial instruments	15	**(5,418)**	14,623	**(2,665)**	12,464
Change in fair value of financial instruments	16	**14,714**	(4,228)	**20,342**	2,171
Net financial income		**21,670**	22,733	**54,829**	49,884
Provision for (recovery of) credit losses	6	**(8)**	(22)	**(121)**	80
		21,678	22,755	**54,950**	49,804
Other income	17	**37,656**	34,461	**111,269**	105,068
Net financial and other income		**59,334**	57,216	**166,219**	154,872
Operating expenses					
Salaries and employee benefits		**19,547**	16,927	**57,653**	55,696
Premises and equipment		**2,320**	1,684	**6,170**	5,132
Other administrative expenses	18	**18,587**	14,257	**53,774**	44,361
		40,454	32,868	**117,597**	105,189
Profit before income taxes		**18,880**	24,348	**48,622**	49,683
Income taxes		**3,182**	2,889	**7,858**	6,363
Profit for the period		**$ 15,698**	$ 21,459	**$ 40,764**	$ 43,320

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 2017	Sep 30 2016	For the nine months ended Sep 30 2017	Sep 30 2016
Profit for the period	**$ 15,698**	$ 21,459	**$ 40,764**	$ 43,320
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
Fair value reserves (available-for-sale financial assets)				
Net change in fair value of available-for-sale assets [1]	**4,103**	3,610	**9,064**	11,411
Reclassification of net realized gains on available-for-sale assets to profit or loss [2]	**(3,603)**	(900)	**(6,880)**	(4,094)
Share of the other comprehensive income (loss) of affiliates accounted for using the equity method [3]	**(256)**	573	**(22)**	1,178
	244	3,283	**2,162**	8,495
Item that will not be reclassified subsequently to profit or loss				
Net actuarial gain on employee benefits plans [4]	**-**	-	**-**	31
Other comprehensive income, net of tax	**244**	3,283	**2,162**	8,526
Comprehensive income, net of tax	**$ 15,942**	$ 24,742	**$ 42,926**	$ 51,846

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	**$ 1,005**	$ 817	**$ 2,128**	$ 2,583
[2] Reclassification of net realized gains on available-for-sale assets to profit or loss	**$ (872)**	$ (203)	**$ (1,615)**	$ (927)
[3] Share of the other comprehensive income (loss) of affiliates accounted for using the equity method	**$ (5)**	$ 26	**$ 5**	$ 52
Income tax on item that will not be reclassified subsequently to profit or loss				
[4] Net actuarial gain on employee benefits plans	**$ -**	$ -	**$ -**	$ (31)

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 members								
Balance at January 1, 2017	$ 416,996	$ 87,901	$ 552,782	$ 16,280	$ (3,161)	$ 4,034	$ 1,074,832	$ 10,043	$ 1,084,875
Total comprehensive income for the period									
Profit for the period			40,772				40,772	(8)	40,764
Other comprehensive income, net of tax									
Fair value reserve (available-for-sale financial assets)				2,184			2,184		2,184
Share of the other comprehensive loss of affiliates accounted for using the equity method				(22)			(22)		(22)
Total comprehensive income	-	-	40,772	2,162	-	-	42,934	(8)	42,926
Transactions with owners, recorded directly in equity									
Dividends to members			(16,864)				(16,864)		(16,864)
Related tax savings			3,206				3,206		3,206
Net Classes "A", "B" and "C" shares redeemed	(6,001)						(6,001)		(6,001)
Transfer from reserves			91			(91)	-		-
Total distributions to owners	(6,001)	-	(13,567)	-	-	(91)	(19,659)	-	(19,659)
Balance at September 30, 2017	**$ 410,995**	**$ 87,901**	**$ 579,987**	**$ 18,442**	**$ (3,161)**	**$ 3,943**	**$ 1,098,107**	**$ 10,035**	**$ 1,108,142**

Profit attributable to:	**2017**	2016
Members of Central 1	**$ 40,772**	$ 43,320
Non-controlling interest	**(8)**	-
	$ 40,764	$ 43,320

Total comprehensive income attributable to:	**2017**	2016
Members of Central 1	**$ 42,934**	$ 51,846
Non-controlling interest	**(8)**	-
	$ 42,926	$ 51,846

See accompanying notes to the Interim Consolidated Financial Statements

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 members								
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)				7,317			7,317		7,317
Share of the other comprehensive income (loss) of affiliates accounted for using the equity method				1,178			1,178		1,178
Net actuarial gain on employee benefits plans					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

See accompanying notes to the Interim Consolidated Financial Statements

CENTRAL 1 CREDIT UNION

Interim Consolidated Statements of Cash Flows (Unaudited)

(Thousands of dollars)	Notes	For the three months ended Sep 30 2017	Sep 30 2016	For the nine months ended Sep 30 2017	Sep 30 2016
Cash flows from operating activities					
Profit for the period		**$ 15,698**	$ 21,459	**$ 40,764**	$ 43,320
Adjustments for:					
Depreciation and amortization		**1,867**	1,464	**5,330**	4,161
Interest margin		**(12,374)**	(12,338)	**(37,152)**	(35,249)
Gain (loss) on disposal of financial instruments		**5,418**	(14,623)	**2,665**	(12,464)
Change in fair value of financial instruments		**(14,714)**	4,228	**(20,342)**	(2,171)
Income tax expense		**3,182**	2,889	**7,858**	6,363
Provision for (recovery of) credit losses		**(8)**	(22)	**(121)**	80
Other items, net		**4,217**	3,630	**(10,752)**	(4,727)
		3,286	6,687	**(11,750)**	(687)
Change in trading assets		**(127,772)**	(797,980)	**(194,587)**	(2,151,760)
Change in settlements in-transit		**(146,397)**	(76,340)	**(341,959)**	124,090
Change in loans		**(99,265)**	213,895	**(811,452)**	(48,700)
Change in deposits designated as trading		**(289,858)**	718,313	**(318,714)**	991,388
Change in obligations related to securities sold short		**95,857**	489	**28,769**	(29,120)
Change in deposits		**123,692**	194,571	**321,071**	281,998
Change in derivative assets and liabilities		**2,457**	987	**3,872**	(5,140)
		(438,000)	260,622	**(1,324,750)**	(837,931)
Interest received		**55,298**	43,198	**169,064**	143,881
Interest paid		**(41,338)**	(32,142)	**(126,883)**	(108,697)
Income tax paid		**11**	17	**(34)**	(6,613)
Net cash from (used in) operating activities		**(424,029)**	271,695	**(1,282,603)**	(809,360)
Cash flows from investing activities					
Change in deposits with regulated financial institutions		**-**	74,991	**(31)**	235
Change in reinvestment assets under the CMB Program		**(107,214)**	(63,781)	**(165,074)**	(143,236)
Change in investment securities		**152,134**	(450,186)	**559,726**	593,302
Change in property and equipment		**(696)**	(377)	**(3,310)**	(819)
Change in intangible assets		**(1,015)**	(1,262)	**(11,983)**	(6,947)
Net cash from (used in) investing activities		**43,209**	(440,615)	**379,328**	442,535
Cash flows from financing activities					
Change in debt securities issued	12	**21,937**	(47,401)	**173,836**	135,211
Change in obligations under the CMB Program	12	**24,186**	14,532	**4,046**	159,180
Change in subordinated liabilities		**-**	3,000	**-**	3,000
Change in securities under repurchase agreements	12	**221,421**	193,576	**344,419**	93,061
Dividends paid	12	**(5,000)**	-	**(18,580)**	(14,428)
Issuance (redemption) of shares		**(30,001)**	-	**(6,001)**	14,000
Net cash from financing activities		**232,543**	163,707	**497,720**	390,024
Increase (decrease) in cash		**(148,277)**	(5,213)	**(405,555)**	23,199
Cash - beginning of period		**229,850**	135,246	**487,128**	106,834
Cash - end of period		**$ 81,573**	$ 130,033	**$ 81,573**	$ 130,033

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 (B.C.) V6J 4S7, Canada. Central 1 is governed by the *Credit Union Incorporation Act (B.C.)*. 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 B.C. and its member credit unions in Ontario. The performance of the B.C. 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 (IASB).

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, 2016.

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 24, 2017.

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, 2016.

Central 1 monitors new accounting standards issued by the IASB and analyzes the impact that these new standards may have on its Consolidated Financial Statements. International Financial Reporting Standards (IFRS) 9, *Financial Instruments,* is effective for Central 1 for the annual periods beginning on January 1, 2018. IFRS 9 permits it to be applied on a retrospective basis, with certain exceptions.

IFRS 9 Financial Instruments

Implementation approach

Central 1's implementation approach is based on five work streams including Scoping, Analysis, Development, Testing, and Go-live. Central 1's activities to date have focused on developing accounting policies, assessing business models for the classification and measurement of financial instruments, and developing and validating impairment models to support the IFRS 9 impairment calculations.

Classification and measurement

IFRS 9 requires that financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Debt instruments that have contractual cash flows representing solely payments of principal and interest (SPPI) and are managed within a business model that is held-to-collect, are classified as amortized cost. Debt instruments that meet the SPPI test and are managed within a business model that is held-to-collect and for sale, are classified as fair value through other comprehensive income (FVOCI). All other debt instruments will be classified and measured as fair value through profit or loss (FVTPL).

Equity instruments would generally be measured at FVTPL unless an irrevocable election is made to classify these instruments at FVOCI which will result in change in fair value recognized in other comprehensive income (OCI) with no subsequent impact to profit or loss upon the sale of the instruments. Under IFRS 9, equity instruments that were previously held at cost exemption under IAS 39 will be measured at fair value.

Central 1 is currently finalizing the assessment of the business models and the contractual cash flow characteristics.

Impairment

IFRS 9 introduces a new expected credit loss (ECL) model applicable for all debt instruments financial assets classified as amortized cost or FVOCI, as well as certain off-balance sheet loan commitments and financial guarantees. Compared to the current incurred loss model under IAS 39, *Financial Instruments: Recognition and Measurement*, the new ECL will result in an allowance for credit losses being recorded regardless of whether there has been an actual loss event. For debt instruments that are credit impaired or have experienced a significant increase in credit risk, the loss allowance is recognized based on the lifetime ECL. The loss allowance for all other debt instruments are recognized based on the twelve months ECL.

The ECL model will use a 3-Stage method. Stage 1 requires the recognition of twelve months ECL for all debt instruments classified as amortized cost or FVOCI where there is no significant increase in credit risk. Stage 2 requires the recognition of lifetime ECL for debt instruments that have experienced a significant increase in credit risk since initial recognition. Stage 3 requires the recognition of lifetime ECL for debt instruments which are credit-impaired. The definition of credit impaired is similar to an incurred credit loss under IAS 39. Central 1 is calculating the impact on Stage 1 and Stage 2 debt instruments compared to current allowances for credit losses. The final impact will be based upon conditions present at the time of adoption of IFRS 9 and forward-looking information.

Central 1 will continue validating and refining its impairment models and is in the process of testing the models required under IFRS 9 to determine a reasonable estimate of the impact on allowance for credit losses.

Hedge accounting

IFRS 9 includes a policy choice which permits the application of existing rules for hedge accounting. Central 1 has elected to retain the hedge accounting requirements under IAS 39.

Transition

As permitted, Central 1 has made the decision to recognize any transition adjustments on January 1, 2018 through an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI).

4. Securities

Trading assets

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

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Government and government guaranteed securities	**$ 5,796,346**	$ 6,517,833	$ 6,182,090
Corporate and major financial institutions AA[1] or greater	**2,694,815**	2,042,229	2,203,441
Other	**415,329**	394,787	386,599
Fair value	**$ 8,906,490**	$ 8,954,849	$ 8,772,130
Amortized cost	**$ 8,961,819**	$ 8,892,289	$ 8,766,263

[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 2017		Sep 30 2016		Dec 31 2016
Fair value						
Government and government guaranteed securities	**$**	**3,945,976**	$	3,614,349	$	3,917,866
Corporate and major financial institutions AA[1] or greater		**707,248**		1,210,845		1,457,717
Other		**390,054**		241,396		214,046
Fair value	**$**	**5,043,278**	$	5,066,590	$	5,589,629
Cost						
Other	**$**	**32,120**	$	32,120	$	32,120
Total investment securities	**$**	**5,075,398**	$	5,098,710	$	5,621,749

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

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

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 are recognized in the Interim Consolidated Statements of Financial Position at fair value, except for those classified as loans and receivables which are recognized at amortized cost. The following table provides a breakdown of these reinvestment assets:

(Thousands of dollars)		Sep 30 2017		Sep 30 2016		Dec 31 2016
Classified as FVTPL						
Government and government guaranteed securities	**$**	**395,407**	$	215,365	$	284,856
Amortized cost	**$**	**397,527**	$	219,380	$	283,135
Classified as available-for-sale						
Government and government guaranteed securities	**$**	**123,842**	$	88,104	$	75,714
Amortized cost	**$**	**123,672**	$	87,526	$	75,344
Classified as loans and receivables						
Assets acquired under reverse repurchase agreements	**$**	**2,399**	$	5,997	$	-
Total reinvestment assets under the CMB program	**$**	**521,648**	$	309,466	$	360,570

5. Derivative instruments

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

(Thousands of dollars)	Sep 30 2017 Asset	Sep 30 2017 Liability	Sep 30 2016 Asset	Sep 30 2016 Liability	Dec 31 2016 Asset	Dec 31 2016 Liability
Interest rate contracts						
Bond forwards	**$ 528**	**$ 350**	$ 156	$ 144	$ 427	$ 455
Futures contracts	**-**	**500**	-	4	52	44
Swap contracts	**153,865**	**164,232**	206,645	218,799	161,698	165,727
Options purchased	**278**	**274**	-	-	-	-
	154,671	**165,356**	206,801	218,947	162,177	166,226
Foreign exchange contracts						
Forward contracts	**2,687**	**2,686**	475	964	1,205	1,009
Other						
Equity index-linked options	**10,330**	**10,324**	12,436	12,436	13,560	13,560
Total fair value before adjustment	**167,688**	**178,366**	219,712	232,347	176,942	180,795
Adjustment for master netting agreements	**(71,988)**	**(71,988)**	(113,052)	(113,052)	(95,135)	(95,135)
Fair value	**$ 95,700**	**$ 106,378**	$ 106,660	$ 119,295	$ 81,807	$ 85,660

The amounts that have been pledged and received as collateral are $24.4 million and $4.1 million, respectively, as at September 30, 2017 (September 30, 2016 - $17.9 million and $32.4 million; December 31, 2016 - $9.1 million and $23.5 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 selected commercial loans and selected medium-term notes, both of which are at risk of changes in market interest rates. The critical terms of the interest rate swaps are matched to these specific commercial loans and medium-term notes at inception. Central 1 has elected to adopt hedge accounting in respect of the swaps and the hedged items.

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

(Thousands of dollars)	Sep 30 2017 Asset	Sep 30 2017 Liability	Sep 30 2016 Asset	Sep 30 2016 Liability	Dec 31 2016 Asset	Dec 31 2016 Liability
Interest rate contracts	**$ 279**	**$ -**	$ -	$ (2,224)	$ 1,614	$ -

Hedging instruments are recorded at fair value, and the commercial loans and medium-term notes 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 2017	For the three months ended Sep 30 2016	For the nine months ended Sep 30 2017	For the nine months ended Sep 30 2016
Change in fair value on hedging derivatives	**$ (995)**	$ 280	**$ (1,335)**	$ (2,645)
Fair value hedge adjustment on commercial loans and medium-term notes	**1,072**	(286)	**1,203**	2,636
Hedge ineffectiveness recorded in profit	**$ 77**	$ (6)	**$ (132)**	$ (9)

6. Loans

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amortized cost			
Due on demand			
Credit unions	**$ 55,503**	$ 7,165	$ 31,544
Commercial and others	**6,172**	2,711	3,716
	61,675	9,876	35,260
Term			
Credit unions	**1,083,658**	337,110	297,984
Commercial and others	**618,342**	573,943	608,125
Reverse repurchase agreements	**318,284**	423,941	316,362
Officers and employees	**7,808**	8,914	8,771
Residential mortgages	**148,263**	162,930	161,557
	2,176,355	1,506,838	1,392,799
	2,238,030	1,516,714	1,428,059
Accrued interest	**2,392**	1,878	2,146
Premium	**9,548**	12,542	11,990
	2,249,970	1,531,134	1,442,195
Allowance for credit losses	**(526)**	(534)	(518)
Amortized cost	**$ 2,249,444**	$ 1,530,600	$ 1,441,677
Fair value through profit or loss			
Term			
Commercial and others	**$ 11,316**	$ 11,669	$ 11,582
Accrued interest	**37**	38	36
Premium	**112**	134	128
Amortized cost	**$ 11,465**	$ 11,841	$ 11,746
Fair value	**$ 11,627**	$ 12,262	$ 12,125
Total loans	**$ 2,261,071**	$ 1,542,862	$ 1,453,802

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)	Sep 30 2017	Sep 30 2016	Specific Allowance	Collective Allowance	Sep 30 2017	Sep 30 2016
Balance at beginning of period	**$ 534**	$ 556	**$ 438**	$ **80**	**$ 518**	$ 501
Net write-off (recovery) during the period	**-**	-	**(4)**	**133**	**129**	(47)
Provision for (recovery of) credit losses	**(8)**	(22)	**-**	**(121)**	**(121)**	80
Balance at end of period	**$ 526**	$ 534	**$ 434**	**$ 92**	**$ 526**	$ 534

7. Other assets

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Investment property	**$ 1,243**	$ 1,250	$ 1,323
Prepaid expenses	**6,590**	5,621	6,334
Post-employment benefits	**2,506**	3,204	2,624
Accounts receivable and other	**8,980**	7,138	6,545
	$ 19,319	$ 17,213	$ 16,826

8. Deposits

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

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amounts			
Due within three months	**$ 1,326,817**	$ 2,286,238	$ 2,045,759
Due after three months and within one year	**1,800,244**	1,548,067	1,224,746
Due after one year and within five years	**5,176,416**	4,638,823	5,355,907
Due after five years	**8,280**	1,200	600
	8,311,757	8,474,328	8,627,012
Accrued interest	**44,268**	34,084	37,386
Amortized cost	**$ 8,356,025**	$ 8,508,412	$ 8,664,398
Fair value	**$ 8,281,221**	$ 8,557,289	$ 8,659,505

Deposits held at amortized cost are as follows:

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amounts			
Due on demand	**$ 1,673,620**	$ 1,627,818	$ 1,577,567
Due within three months	**132,160**	402,428	207,585
Due after three months and within one year	**701,598**	647,430	612,645
Due after one year and within five years	**1,057,136**	835,776	845,647
Due after five years	**-**	6,090	-
	3,564,514	3,519,542	3,243,444
Accrued interest	**5,424**	9,988	7,026
Amortized cost	**$ 3,569,938**	$ 3,529,530	$ 3,250,470

9. Obligations related to securities sold short

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amortized cost	**$ 101,103**	$ -	$ 74,532
Fair value	**$ 100,978**	$ -	$ 74,100

10. Funding transactions

Debt securities issued

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amounts			
Due within three months	**$ 810,084**	$ 840,138	$ 725,288
Due after three months and within one year	**9,930**	369,401	314,674
Due after one year and within five years	**843,109**	-	449,325
	1,663,123	1,209,539	1,489,287
Accrued interest	**1,279**	1,071	1,443
Amortized cost	**$ 1,664,402**	$ 1,210,610	$ 1,490,730

Central 1 has established $150.0 million of unsecured credit facilities with various financial institutions for all periods presented. The unsecured facilities rank equally with the outstanding notes and deposits. As at September 30, 2017, September 30, 2016, and December 31, 2016, the amounts outstanding were $110.6 million, $81.3 million, and $81.9 million, respectively.

Central 1 is authorized to issue up to $1.0 billion in short-term commercial paper and up to $1.5 billion in other borrowings which include Central 1's medium-term notes facility. As at September 30, 2017, a par value of $820.7 million was borrowed under the short-term commercial paper facility (September 30, 2016 - $610.7 million, December 31, 2016 - $740.7 million) and a par value of $850.0 million was borrowed under the medium-term notes facility (September 30, 2016 - $600.0 million, December 31, 2016 - $750.0 million).

On November 1, 2017, Central 1 issued $500.0 million principal amount of Series 15 medium-term fixed rate notes due November 7, 2022. The notes bear interest at a fixed rate of 2.60%, payable semi-annually on May 7 and November 7 of each year, commencing May 7, 2018.

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 2017	Sep 30 2016	Dec 31 2016
Amounts			
Due within one year	**$ 180,390**	$ 59,952	$ 182,814
Due after one year and within five years	**1,047,833**	1,070,072	1,041,201
	1,228,223	1,130,024	1,224,015
Accrued interest	**5,308**	5,588	1,231
Amortized cost	**$ 1,233,531**	$ 1,135,612	$ 1,225,246
Fair value	**$ 1,226,844**	$ 1,157,450	$ 1,236,058

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

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Fair value			
Total reinvestment assets under the CMB Program (see Note 4)	**$ 521,648**	$ 309,466	$ 360,570
Assets recognized as securities	**572,040**	734,382	755,787
Fair value	**$ 1,093,688**	$ 1,043,848	$ 1,116,357
Amortized cost			
Assets recognized in loans	**$ 86,222**	$ 99,708	$ 95,670
Total underlying assets designated	**$ 1,179,910**	$ 1,143,556	$ 1,212,027

Securities under repurchase agreements

Securities under repurchase agreements are classified as other financial liabilities and recognized in the Interim Consolidated Statements of Financial Position at amortized cost.

The following table summarizes the amount of securities under repurchase agreements outstanding at each period end:

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Amounts under the CMB Program	**$ 580,594**	$ 314,297	$ 298,416
Other	**62,473**	-	-
Amortized Cost	**$ 643,067**	$ 314,297	$ 298,416

11. Subordinated liabilities

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

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Series 4	**$ 200,000**	$ 200,000	$ 200,000
Series 5	**21,000**	21,000	21,000
Series 6	**200,000**	-	200,000
Principal amount	**421,000**	221,000	421,000
Discount	**(1,754)**	(632)	(1,997)
Accrued interest	**5,369**	2,519	2,403
Amortized cost	**$ 424,615**	$ 222,887	$ 421,406

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 81 basis points, 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. 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. Changes in liabilities arising from financing activities

The following table summarizes the changes in liabilities arising from financing activities for the nine months ended September 30, 2017:

(Thousands of dollars)	Dec 31 2016	Cash flow changes	Non-cash changes: Fair value changes	Non-cash changes: Other	Sep 30 2017
Debt securities issued	$ 1,490,730	$ 173,836	$ -	$ (164)	**$ 1,664,402**
Obligations under the CMB Program	1,236,058	4,046	(17,500)	4,240	**1,226,844**
Subordinated liabilities	421,406	-	-	3,209	**424,615**
Securities under repurchase agreements	298,416	344,419	-	232	**643,067**
Dividends payable	13,580	(18,580)	-	16,864	**11,864**
	$ 3,460,190	$ 503,721	$ (17,500)	$ 24,381	**$ 3,970,792**

13. Other liabilities

(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Post-employment benefits	**$ 23,702**	$ 23,016	$ 23,625
Short-term employee benefits	**6,936**	6,639	7,416
Dividends payable	**11,864**	10,375	13,580
Unearned insurance premiums	**622**	700	1,325
Accounts payable and other	**14,603**	13,475	12,417
	$ 57,727	$ 54,205	$ 58,363

14. Share capital

Details of Central 1's share capital were disclosed in Note 20 of the Annual Consolidated Financial Statements as at December 31, 2016.

The numbers of shares issued are as follows:

(Thousands of shares)	For the nine months ended Sep 30 2017	For the nine months ended Sep 30 2016	For the year ended Dec 31 2016
Class A – credit unions			
Balance at beginning of period	**416,952**	370,952	370,952
Issued during the period	**24,000**	14,000	46,000
Redeemed during the period	**(30,001)**	-	-
Balance at end of period	**410,951**	384,952	416,952
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 and end of period	**3,157**	3,157	3,157

The amounts outstanding are as follows:

(Thousands of dollars)		Sep 30 2017		Sep 30 2016		Dec 31 2016
Outstanding $1 par value shares						
Class A – credit unions	**$**	**410,951**	$	384,952	$	416,952
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
	$	**410,995**	$	384,996	$	416,996

The dividend amounts are as follows:

(Thousands of dollars)		For the nine months ended Sep 30 2017		Sep 30 2016		For the year ended Dec 31 2016
Dividend payable, balance at beginning of period	**$**	**13,580**	$	14,428	$	14,428
Declared during the period		**16,864**		10,375		13,580
Paid during the period		**(18,580)**		(14,428)		(14,428)
Dividend payable, balance at end of period	**$**	**11,864**	$	10,375	$	13,580

15. 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 2017		Sep 30 2016		For the nine months ended Sep 30 2017		Sep 30 2016
Net gain (loss) on disposal of trading assets	**$**	**(10,407)**	$	13,618	**$**	**(8,325)**	$	18,749
Net gain on disposal of investment securities		**4,467**		1,104		**8,496**		5,022
Net loss on obligations under the CMB program		**-**		-		**-**		(988)
Net gain (loss) on disposal of derivative instruments		**(1,080)**		356		**(1,728)**		(5,586)
Net gain (loss) on disposal of deposits designated as trading		**165**		(944)		**(3,459)**		(4,816)
Net gain on disposal of obligations related to securities sold short		**1,437**		489		**2,351**		83
	$	**(5,418)**	$	14,623	**$**	**(2,665)**	$	12,464

16. Change in fair value of financial instruments

(Thousands of dollars)		For the three months ended Sep 30 2017		Sep 30 2016		For the nine months ended Sep 30 2017		Sep 30 2016
Trading assets	**$**	**(32,208)**	$	(11,218)	**$**	**(61,194)**	$	10,813
Loans		**(68)**		265		**(217)**		421
Activities under the CMB Program								
Reinvestment assets		**(2,514)**		428		**(3,841)**		1,088
Derivative instruments		**1,892**		(1,798)		**1,847**		(25)
Obligations under the CMB Program		**9,250**		943		**17,500**		(3,288)
Derivative instruments		**(3,183)**		1,496		**(3,358)**		6,993
Financial liabilities at FVTPL								
Deposits designated as trading		**41,497**		5,656		**69,912**		(13,896)
Obligations related to securities sold short		**48**		-		**(307)**		65
	$	**14,714**	$	(4,228)	**$**	**20,342**	$	2,171

17. Other income

(Thousands of dollars)	For the three months ended Sep 30 2017	Sep 30 2016	For the nine months ended Sep 30 2017	Sep 30 2016
Mandatory Liquidity Pool	**$ (224)**	$ 50	**$ (425)**	$ (139)
Wholesale Financial Services				
Lending fees	**1,587**	1,471	**4,526**	3,916
Securitization fees	**1,840**	1,864	**5,511**	4,954
Foreign exchange income	**1,260**	1,434	**4,060**	4,282
Other	**728**	712	**1,905**	1,931
Digital & Payment Services				
Payment processing and other fees	**13,123**	13,734	**40,334**	39,575
Direct banking fees	**8,635**	7,737	**22,979**	22,460
Trade Services	**3,938**	4,031	**12,566**	12,506
Other				
Equity interest in affiliates	**4,890**	2,553	**10,166**	6,168
Income from investees	**286**	276	**3,679**	4,354
Litigation settlement	**-**	-	**1,135**	-
Other	**1,593**	599	**4,833**	5,061
	$ 37,656	$ 34,461	**$ 111,269**	$ 105,068

18. Other administrative expenses

(Thousands of dollars)	For the three months ended Sep 30 2017	Sep 30 2016	For the nine months ended Sep 30 2017	Sep 30 2016
Cost of sales and services	**$ 2,960**	$ 3,006	**$ 10,999**	$ 10,732
Cost of payments processing	**4,052**	3,620	**12,273**	11,952
Management information systems	**3,686**	2,228	**10,646**	6,978
Professional fees	**4,942**	2,607	**11,430**	6,740
Flow through membership dues	**1,712**	1,375	**4,624**	4,159
Business development projects	**246**	570	**838**	1,143
Other	**989**	851	**2,964**	2,657
	$ 18,587	$ 14,257	**$ 53,774**	$ 44,361

19. 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 MLP 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 MLP within the regulatory constraints and leverages its economies of scale to reduce costs associated with the MLP. Assets held in the MLP remain highly liquid in order to ensure immediate access to funds. Members receive interest 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.

WFS fosters the credit union network's growth through supporting the financial needs of member credit unions. Many of the products and services that this business segment provides, including credit union lending and access to securitization vehicles, allows members to take advantage of Central 1's strong financial ratings, industry expertise and access to the capital markets for short-term and long-term funding. WFS also supports the short-term liquidity requirement for the Digital & Payment Services segment. Central 1 provides foreign exchange services, derivative capabilities and other ancillary treasury services under the WFS segment.

The WFS segment includes the Group Clearer settlement operations function as Central 1 is a Group Clearer under the rules of the Payments Canada, a Large Value Transfer System (LVTS) participant, and acts as the credit union networks' financial institution connection to the Canadian payments system. This portion of the business was previously included under Digital & Payment Services prior to the fourth quarter of 2016. Comparative information has been restated to reflect this change.

Digital & Payment Services

Digital & Payment Services develops and operates innovative direct banking technologies and payment processing transactions for member credit unions, financial institutions and other corporate clients. This segment offers *MemberDirect®* services, a multi-platform solution that allows member credit unions to offer a variety of direct banking services to their individual customers through their online banking platform. The products and services offered through *MemberDirect®* help credit unions attract new members, deepen their relationships with existing members and support them in delivering high quality member services.

Payments operations encompass processing paper items and electronic transactions such as automated funds transfer and bill payments on behalf of member credit unions. The payment processing solutions under the *PaymentStream*™ brand are secure and reliable tools that allow financial and corporate-sector clients to complete a variety of digital, paper and remittance transactions. They also provide cash management services, including automated funds transfers, bill payments and wire transfers.

Trade Services

The Trade Services group works to put the needs of credit union first, working as a trusted partner for relevant solutions in areas of expertise. These include marketing, market research 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.

Central 1 is in the process of creating our next three-year strategy to determine the best organizational structure for the trade services functions within that structure to support credit unions and clients.

Other

Other segment comprises enterprise level activities which are not allocated to these four business segments, including the costs of implementing strategic initiatives and exploring strategic alternatives to enhance the ability to support credit unions in the future. The costs of Corporate Support functions are also included in Other and are attributed to business lines as appropriate. Central 1's investments in equity shares of network-related entities other than the wholly owned subsidiaries as described in Note 23, together with consolidation adjustments, corporate level tax items and 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 better align Central 1's organizational structure with its strategic priorities. 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, 2017:

(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	$ 7,182	$ 15,582	$ (65)	$ 55	$ (1,076)	$ 21,678
Other income	(224)	5,415	21,758	3,938	6,769	37,656
Net financial and other income	6,958	20,997	21,693	3,993	5,693	59,334
Operating expenses	2,006	5,344	20,456	3,645	9,003	40,454
Profit (loss) before income taxes	4,952	15,653	1,237	348	(3,310)	18,880
Income taxes (recoveries)	1,098	3,002	208	63	(1,189)	3,182
Profit (loss) for the period	$ 3,854	$ 12,651	$ 1,029	$ 285	$ (2,121)	$ 15,698

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	17,360	3,929	4,267	32,868
Profit (loss) before income taxes	6,213	15,828	4,035	170	(1,898)	24,348
Income taxes (recoveries)	1,147	2,923	739	31	(1,951)	2,889
Profit for the period	$ 5,066	$ 12,905	$ 3,296	$ 139	$ 53	$ 21,459

The following table summarizes the segment results for the nine months ended September 30, 2017:

(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	$ 18,320	$ 39,855	$ (205)	$ 156	$ (3,176)	$ 54,950
Other income	(425)	16,002	63,313	12,566	19,813	111,269
Net financial and other income	17,895	55,857	63,108	12,722	16,637	166,219
Operating expenses	6,031	16,175	61,391	12,127	21,873	117,597
Profit (loss) before income taxes	11,864	39,682	1,717	595	(5,236)	48,622
Income taxes (recoveries)	2,256	6,485	288	104	(1,275)	7,858
Profit (loss) for the period	$ 9,608	$ 33,197	$ 1,429	$ 491	$ (3,961)	$ 40,764
Total assets at Sep 30 2017	$8,449,490	$ 8,975,153	$ 20,742	$ 11,241	$ 255,716	$17,712,342
Total liabilities at Sep 30 2017	$7,946,242	$ 8,535,704	$ (2,924)	$ (8,063)	$ 133,241	$16,604,200
Total equity at Sep 30 2017	$ 503,248	$ 439,449	$ 23,666	$ 19,304	$ 122,475	$ 1,108,142

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	56,429	12,693	14,451	105,189
Profit (loss) before income taxes	10,375	35,864	5,422	33	(2,011)	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	$ 4,421	$ 27	$ 1,169	$ 43,320
Total assets at Sep 30 2016	$7,930,093	$ 8,463,314	$ 8,103	$ 11,521	$ 235,965	$16,648,996
Total liabilities at Sep 30 2016	$7,452,451	$ 7,972,408	$ (21,377)	$ (6,084)	$ 205,192	$15,602,590
Total equity at Sep 30 2016	$ 477,642	$ 490,906	$ 29,480	$ 17,605	$ 30,773	$ 1,046,406

20. Guarantees, commitments and contingencies

Central 1 is a Group Clearer under the rules of the Payments Canada 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 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 commitment.

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 2017	Sep 30 2016	Dec 31 2016
Commitments to extend credit	**$ 3,912,943**	$ 4,538,956	$ 4,447,323
Guarantees	**$ 740,000**	$ 855,000	$ 830,000
Standby letters of credit	**$ 175,099**	$ 161,567	$ 173,502
Mortgage purchase commitment	**$ -**	$ 6,967	$ -

Amounts utilized under these agreements for commitments to extend credit, guarantees, and standby letter of credit, and mortgage purchase commitment respectively, on September 30, 2017 are $11.0 million, $231.0 million, $104.1 million, and $Nil (September 30, 2016 - $23.8 million, $376.6 million, $103.6 million, and $Nil; December 31, 2016 - $13.5 million, $273.1 million, $103.0 million, and $Nil).

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.

In September 2016, Central 1 has made a commitment to support the capital call from Credential Financial Inc. (CFI), an affiliate of Central 1 as disclosed in Note 23 of the Interim Consolidated Financial Statements as at September 30, 2017. This commitment requires Central 1 to subscribe for additional Class B shares of CFI, which will require Central 1 to contribute up to $4.7 million to be funded over the next three years, of which $1.8 million was contributed in January 2017. Central 1 has also committed to contribute up to $2.4 million to The CUMIS Group Limited (CUMIS), another affiliate of Central 1 as disclosed in Note 23. This contribution represents Central 1's share of subscription in additional CUMIS Class A shares of CFI over a period of three years. As at September 30, 2017, Central 1 had not received any request from CUMIS to make such contribution.

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 2017	Sep 30 2016	Dec 31 2016
Assets pledged to Bank of Canada & Direct Clearing Organizations[(1)(2)]	**$ 55,916**	$ 55,025	$ 54,122
Assets pledged in relation to:			
Derivative financial instrument transactions	**19,438**	17,907	9,109
Securities lending	**3,394**	132,898	35,552
Obligations under the CMB Program	**684,375**	836,490	851,456
Reinvestment assets under the CMB Program	**521,649**	309,466	360,570
Securities under repurchase agreements	**643,067**	314,297	298,416
	$ 1,927,839	$ 1,666,083	$ 1,609,225

(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.

21. 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, a single portfolio of commercial loans designated as fair value through profit or loss, 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 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 2017	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets						
Cash	$ -	$ -	$ -	$ -	$ 81.6	$ 81.6
Deposits with regulated financial institutions	-	-	-	-	5.9	5.9
Trading assets	-	8,906.5	-	8,906.5	-	8,906.5
Reinvestment assets under the CMB Program	-	521.6	-	521.6	-	521.6
Derivative assets	-	95.7	-	95.7	-	95.7
Loans	-	-	11.6	11.6	2,249.5	2,261.1
Investment securities	-	5,033.4	9.9	5,043.3	32.1	5,075.4
Total financial assets	$ -	$14,557.2	$ 21.5	$ 14,578.7	$ 2,369.1	$ 16,947.8
Financial liabilities						
Deposits designated as trading	$ -	$ 8,281.2	$ -	$ 8,281.2	$ -	$ 8,281.2
Obligations related to securities sold short	-	101.0	-	101.0		101.0
Derivative liabilities	-	106.4	-	106.4	-	106.4
Debt securities issued	-	-	-	-	1,664.4	1,664.4
Deposits	-	-	-	-	3,569.9	3,569.9
Obligations under the CMB Program	-	1,226.8	-	1,226.8	-	1,226.8
Subordinated liabilities	-	-	-	-	424.6	424.6
Securities under repurchase agreements	-	-	-	-	643.1	643.1
Total financial liabilities	$ -	$ 9,715.4	$ -	$ 9,715.4	$ 6,302.0	$ 16,017.4

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

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

(Millions of dollars) Sep 30 2016	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost(1)	Total Carrying Value
Financial assets	$ -	$ 14,426.0	$ 23.9	$ 14,449.9	$ 1,698.6	$ 16,148.5
Financial liabilities	$ -	$ 9,834.1	$ -	$ 9,834.1	$ 5,277.3	$ 15,111.4

(Millions of dollars) Dec 31 2016	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost(1)	Total Carrying Value
Financial assets	$ -	$ 14,794.2	$ 22.0	$ 14,816.2	$ 1,966.8	$ 16,783.0
Financial liabilities	$ -	$ 10,055.4	$ -	$ 10,055.4	$ 5,461.0	$ 15,516.4

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 2016	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair Value at Sep 30 2017
Equity shares	$ 9.9	$ -	$ -	$ -	$ -	$ 9.9
Loans	12.1	-	-	-	(0.5)	11.6
Total financial assets	$ 22.0	$ -	$ -	$ -	$ (0.5)	$ 21.5

(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

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.

	Fair Value			Carrying Value			Unrecognized Gain (Loss)		
(Millions of dollars)	Sep 30 2017	Sep 30 2016	Dec 31 2016	Sep 30 2017	Sep 30 2016	Dec 31 2016	Sep 30 2017	Sep 30 2016	Dec 31 2016
Assets									
Cash	**$ 81.6**	$ 130.0	$ 487.1	**$ 81.6**	$ 130.0	$ 487.1	**$ -**	$ -	$ -
Deposits with regulated financial institutions[(1)]	**5.9**	5.9	5.9	**5.9**	5.9	5.9	**-**	-	-
Trading assets and investment securities	**13,981.9**	14,053.5	14,393.9	**13,981.9**	14,053.5	14,393.9	**-**	-	-
Reinvestment assets under the CMB Program	**521.6**	309.5	360.6	**521.6**	309.5	360.6	**-**	-	-
Derivative assets	**95.7**	106.7	81.8	**95.7**	106.7	81.8	**-**	-	-
Loans[(2)]	**2,265.0**	1,547.7	1,455.8	**2,261.1**	1,542.9	1,453.8	**3.9**	4.8	2.0
Liabilities									
Deposits designated as trading	**8,281.2**	8,557.3	8,659.5	**8,281.2**	8,557.3	8,659.5	**-**	-	-
Obligations related to securities sold short	**101.0**	-	74.1	**101.0**	-	74.1	**-**	-	-
Derivative liabilities	**106.4**	119.3	85.7	**106.4**	119.3	85.7	**-**	-	-
Debt securities issued[(1)]	**1,663.9**	1,211.8	1,492.6	**1,664.4**	1,210.6	1,490.7	**0.5**	(1.2)	(1.9)
Deposits[(1)]	**3,574.6**	3,536.5	3,256.0	**3,569.9**	3,529.5	3,250.5	**(4.7)**	(7.0)	(5.5)
Obligations under the CMB Program	**1,226.8**	1,157.5	1,236.1	**1,226.8**	1,157.5	1,236.1	**-**	-	-
Subordinated liabilities[(1)]	**425.9**	224.5	421.8	**424.6**	222.9	421.4	**(1.3)**	(1.6)	(0.4)
Securities under repurchase agreements	**643.1**	314.3	298.4	**643.1**	314.3	298.4	**-**	-	-
Total							**$ (1.6)**	$ (5.0)	$ (5.8)

(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.

22. 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 not breached; 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.

On April 28, 2017 Central 1's members approved changes to Central 1's capital structure subject to regulatory approval by FICOM. The changes include the creation of a new class of shares, Class F shares, which will be the primary form of capital supporting the MLP segment. Credit unions will be required to subscribe to Class F shares based on the deposits they place in the MLP segment rather than their share of credit union system assets.

On transition, Class A members' investment in Class A shares will be reduced and Class F shares will be issued to Class A members in proportion to their portion of mandatory deposits. The remaining aggregate level of Class A shares of $50.0 million will provide regulatory capital to support strategic and operational initiatives over Central 1's planning cycle. On transition, Central 1 also plans to reacquire up to 750 thousand Class E shares with an aggregate value of $75.0 million, which would reduce Central 1's regulatory capital.

Regulatory capital

Central 1's capital levels are regulated under provincial regulations administered by the Financial Institutions Commission of B.C. (FICOM). FICOM has also adopted the previous federal regulations administered by the Office of the Superintendent of Financial Institutions (OSFI). This regulation requires Central 1 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 requires Central 1 to maintain a federal borrowing multiple for each of the MLP and WFS segments. Effective August 16, 2017, FICOM amended the borrowing multiple requirements from no more than 16.0:1 to 17.0:1 for the MLP segment and from no more than 14.0:1 to 15.0:1 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 sets targets for its operating borrowing multiples. Shortly after FICOM amended the regulatory requirements for MLP and WFS, Central 1 amended its targets from no more than 15.8:1 to 16.8:1 for the MLP segment and from no more than 13.0:1 to 14.0:1 for the WFS segment. This amendment of capital targets allowed Central 1 to return $50.0 million in capital to its Class A members. On September 29, 2017, Central 1 redeemed $30.0 million Class A shares and paid $5.0 million dividends to Class A shareholders. On October 27, 2017, Central 1 reacquired $15.0 million Class E shares.

Provincial regulations in B.C., 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 the 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 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, certain deductions are required for certain assets.

Central 1 was in compliance with all regulatory capital requirements throughout the periods ended September 30, 2017, September 30, 2016, and December 31, 2016.

23. 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;
- Central 1’s post-employment plans as described in Note 26 of the Annual Consolidated Financial Statements as at December 31, 2016.

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 are as follows:

(Thousands of dollars)	For the three months ended Sep 30 2017	For the three months ended Sep 30 2016	For the nine months ended Sep 30 2017	For the nine months ended Sep 30 2016
Mortgage loans outstanding at end of period	**$ 367**	$ 380	**$ 367**	$ 380
Maximum mortgage loans outstanding during the period	**$ 371**	$ 383	**$ 377**	$ 389

The mortgage loans to key management personnel bear interest at the rate of 2.50% and are secured over properties of the borrowers. No impairment losses have been recorded against this balance during the periods.

The following table presents the compensation to key management personnel:

(Thousands of dollars)	For the three months ended Sep 30 2017	For the three months ended Sep 30 2016	For the nine months ended Sep 30 2017	For the nine months ended Sep 30 2016
Salaries and short-term employee benefits	**$ 554**	$ 664	**$ 1,987**	$ 2,195
Incentive	**-**	-	**1,217**	746
Post-employment benefits	**35**	34	**136**	141
Termination benefits	**1,187**	-	**1,187**	152
	$ 1,776	$ 698	**$ 4,527**	$ 3,234

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

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

The following table presents the aggregate remuneration received by Central 1's Board of Directors:

	For the three months ended		For the nine months ended	
(Thousands of dollars)	Sep 30 2017	Sep 30 2016	Sep 30 2017	Sep 30 2016
Total remuneration	**$ 188**	$ 145	**$ 530**	$ 448

Significant subsidiaries

The following table presents Central 1's significant subsidiaries:

(% of direct ownership of outstanding)	Sep 30 2017	Sep 30 2016	Dec 31 2016
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 outstanding)	Sep 30 2017	Sep 30 2016	Dec 31 2016
Credential Financial Inc.	**26%**	26%	26%
The CUMIS Group Limited	**27%**	27%	27%
Northwest & Ethical Investments L.P.	**26%**	26%	26%
189286 Canada Inc.	**52%**	52%	52%

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

Substantial investments

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

(% of direct ownership outstanding)	Sep 30 2017	Sep 30 2016	Dec 31 2016
The Co-operators Group Limited	**21%**	21%	21%
Canadian Credit Union Association	**59%**	57%	59%