Quarterly Report

For the First Quarter of 2019

central 1

Results for the First Quarter of 2019

Financial Highlights

First quarter highlights compared to the same period last year:

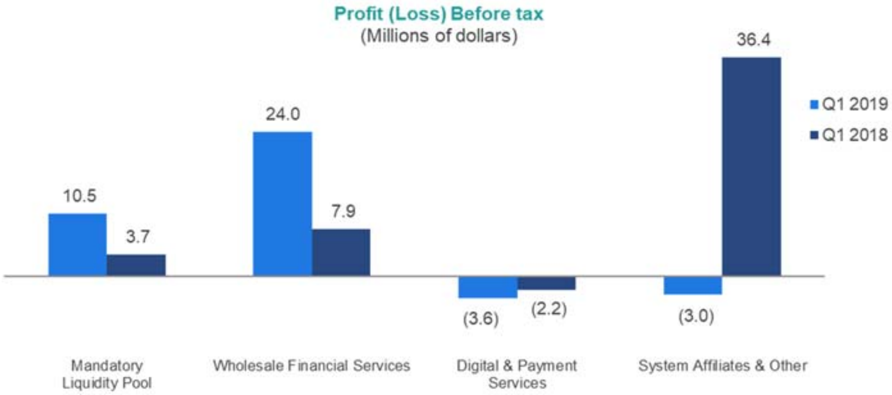
- Profit after tax of $25.1 million, down $15.9 million from $41.0 million.
- Return on average equity of 9.3 per cent, compared to 14.8 per cent.
- Net financial income of $35.9 million, up $23.0 million from $12.9 million.
- Assets of $17.6 billion, down 9.7 per cent from $19.5 billion.
- Tier 1 capital ratio of 35.3 per cent, compared to 32.3 per cent.

“Our number one priority is to enable our clients’ success through the products and services we provide,” said Mark Blucher, President and CEO of Central 1. “Our team is singularly focused on advancing our strategic priorities to realize this vision.”

Quarterly Financial Results

Central 1’s first quarter results reflected a strong interest margin resulting from a change in asset mix with better returns on securities. The decrease in market yields and narrowing of credit spreads in the market drove up the fair value of securities which led to strong net realized and unrealized gains. These increases contributed to a higher net financial income, which was up $23.0 million compared to the same period last year.

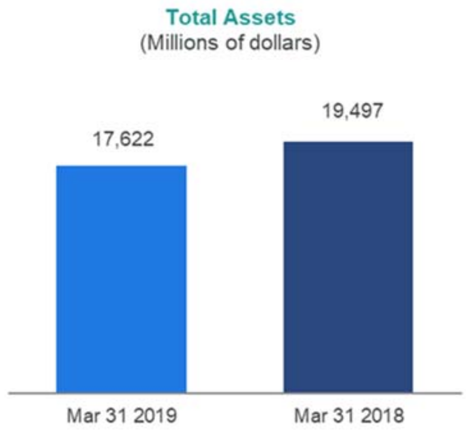
Strategic initiatives continued in 2019, consistent with last year and our 2019 strategic plan. Prior year results benefited from one-time gains relating to transactions surrounding Central 1’s equity investees. Excluding these one-time gains, the first quarter of 2018 would have reported a $2.0 million loss after tax, compared to a profit after tax of $25.1 million in the first quarter of 2019.



The decrease in market yields and narrowing of credit spreads in the market created favourable gains within the Mandatory Liquidity Pool. In addition, higher returns from securities due to active portfolio management led to a stronger interest margin in the first quarter. These increases largely contributed to the $6.8 million increase in profit before tax in this business line compared to the first quarter of 2018.

The securities portfolio showed strong net realized and unrealized gains from active portfolio management decisions and the change in asset mix led to a stronger interest margin within Wholesale Financial Services. Net realized and unrealized gains were $11.7 million higher and interest margin increased $4.9 million year-over-year. These increases largely contributed to a $16.1 million increase in profit before tax in this line of business compared to the first quarter of 2018.

Digital & Payment Services continued to invest in strategic initiatives in 2019 and reported $3.6 million loss before tax for the first quarter.



Coast Capital Savings Federal Credit Union (Coast Capital) withdrew all of their mandatory deposits and the majority of their non-mandatory deposits during the fourth quarter of 2018, in connection with their continuance as a federal credit union. Also, in the fall of 2018, a $450.0 million medium-term note (MTN) was matured and not refinanced. Excluding the Coast Capital withdrawals and the MTN maturity, our total assets as at March 31, 2019 would have reflected an increase of $1.0 billion from a year ago.

First Quarter Highlights

Central 1 continues to develop the Forge Digital Banking platform. In March, FirstOntario Credit Union launched their full public website built on Forge. Forge is a market-leading retail and business platform that gives Canadian financial institutions of all sizes the tools and capabilities to deliver a world-class digital platform.

In the quarter, Central 1 also delivered a number of leading digital solutions for clients across Canada, including the SecureKey Concierge™ and Request Money integration into Central 1's small business online invoicing and payments products.

Central 1 strives to promote a sustainable financial future and endorse social impact investment, and lending. At the end of March 2019, Central 1 has invested in green bonds that support finance and benefits the environment, reducing GHG emissions or adapting to climate change. In addition, Central 1 is a syndicate partner in financing five wind farms with a total of 21 turbines capable of producing just over 37MW of power.

Subsequent to the quarter end, on April 1, 2019 Central 1 completed the sale of Credit Union Advantage Insurance Brokerage Ltd., a wholly owned subsidiary of Central 1, to Co-operators Financial Services Limited. The decision to transition Central 1's insurance operation was driven by the best interests of the credit union system and is part of Central 1's evolution to be a more streamlined service delivery structure.

On April 25, 2019 Central 1 redeemed $200.0 million principal amount of 2.89% Series 4 subordinated notes.

See "Cautionary Note Regarding Forward-Looking Statements" on Page 3 of Central 1's Management Discussion & Analysis for the quarter ended March 31, 2019.

Management's Discussion & Analysis

For the Quarter Ended March 31, 2019

central 1

First Quarter Highlights

Total
$27.9M
profit before tax

Mandatory Liquidity Pool
$10.5M
profit before tax

Wholesale Financial Services
$24.0M
profit before tax

Digital & Payment Services
$3.6M
loss before tax

System Affiliates & Other
$3.0M
loss before tax

5.8¢
Earnings per Share*

59.8%
Efficiency Ratio

11.1:1
Borrowing Multiple

35.3%
Tier 1 Capital Ratio

**Earnings per Share is calculated based on all classes of Shares*

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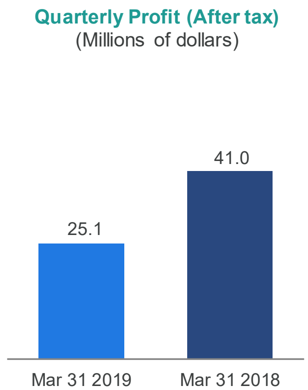
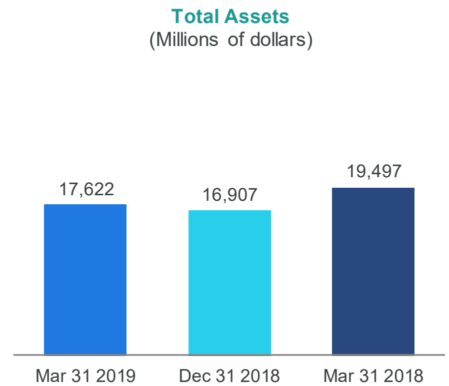
In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated May 23, 2019. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the periods ended March 31, 2019 and 2018 (Interim Consolidated Financial Statements), which were authorized for issue by the Board of Directors (the Board) on May 23, 2019. The results presented in this MD&A and in the Interim Consolidated Financial Statements are reported in Canadian dollars. Except as otherwise indicated, financial information 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 may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A also includes financial information about the credit union systems in British Columbia (B.C.) and Ontario. The B.C. credit union system is made up of all credit unions in B.C. except one credit union that has elected to become a federal credit union, while the Ontario credit union system is made up of only those credit unions that have elected to become our members. In the discussions presented in this report, the two provincial systems are individually referred to as the "British Columbia (B.C.) credit union system" or "B.C. system" and the "Ontario credit union system" or "Ontario system". Where the term "system" appears without regional designation, it refers to our total membership, encompassing credit unions in both provinces. Financial information for the B.C. system has been provided by the Financial Institutions Commission of British Columbia (FICOM) and by the Deposit Insurance Corporation of Ontario (DICO) for the Ontario system. The different provincial regulatory guidelines reduce the comparability of the information between the two systems. We have no means of verifying the accuracy of such information. This information is provided purely to assist the reader with understanding our results and should be read in the proper context. This financial information was prepared using the format and accounting principles developed by these regulators and are not fully consistent with IFRS. For instance, the net operating income reported in this MD&A is not equivalent to income from continuing operations under IFRS.

Overall Performance





(Millions of dollars)	Mar 31 2019	Mar 31 2018	Change
Income statement			
Net financial income	$ **35.9**	$ 12.9	$ 23.0
Non-financial income	**33.6**	32.4	1.2
Net financial and non-financial income	**69.5**	45.3	24.2
Non-financial expense	**33.2**	35.0	(1.8)
	36.3	10.3	26.0
Strategic investments	**(8.4)**	35.5	(43.9)
Profit before tax	$ **27.9**	$ 45.8	$ (17.9)
Profit after tax	$ **25.1**	$ 41.0	$ (15.9)

Our first quarter results reflected a higher net financial income, up $23.0 million from the same period last year. The securities portfolio showed strong net realized and unrealized gains from the decrease in market yields and narrowing of credit spreads which drove up the fair value of securities. A change in asset mix led to a stronger interest margin during the first quarter.

Strategic initiatives continued in 2019, consistent with last year and our 2019 strategic plan. Prior year results benefited from one-time gains of $43.0 million relating to transactions surrounding our equity investees. Excluding these one-time gains, the first quarter of 2018 would have reported a loss after tax of $2.0 million, compared to a profit after tax of $25.1 million in the first quarter of 2019.

		Mar 31 2019		Mar 31 2018		Change
Selected information						
Efficiency ratio		**59.8%**		49.6%		10.2%
Return on average assets		**0.6%**		0.9%		-0.3%
Return on average equity		**9.3%**		14.8%		-5.5%
Earnings per share *(cents)* [(1)]						
Basic/Diluted		**5.8**		9.5		-3.7
Weighted average shares outstanding *(millions of dollars)*	**$**	**430.0**	$	429.7	$	0.3
Average assets *(millions of dollars)*	**$**	**16,732.8**	$	18,588.6	$	(1,855.8)

[(1)] Earnings per share is calculated based on all classes of shares.

		Mar 31 2019		Dec 31 2018		As at Mar 31 2018
Balance sheet *(millions of dollars)*						
Total assets	**$**	**17,621.6**	$	16,907.2	$	19,496.9
Regulatory ratios						
Tier 1 capital ratio		**35.3%**		37.0%		32.3%
Provincial capital ratio		**50.7%**		54.0%		47.8%
Borrowing multiple (times)		**11.1**		11.0		13.1
Share Information *(thousands of dollars, unless otherwise indicated)*						
Outstanding $1 par value shares						
Class A - credit unions	**$**	**43,359**	$	43,359	$	50,000
Class B - cooperatives	**$**	**5**	$	5	$	5
Class C - other	**$**	**7**	$	7	$	7
Class F - credit unions	**$**	**387,647**	$	386,547	$	425,949
Outstanding $0.01 par value shares with redemption value of $100						
Class E - credit unions	**$**	**21**	$	21	$	25
Treasury shares	**$**	**(2)**	$	(2)	$	(2)

Certain comparative figures have been reclassified to conform with the current period's presentation.

The change in total assets mainly correlates to the change in the size of our deposits pool. The year-over-year decrease was primarily driven by the withdrawals of Coast Capital Savings Federal Credit Union (Coast Capital) in the fall of 2018 and the increase from three months ago is reflective of growth in our non-mandatory deposits.

The decrease in regulatory capital ratios, notably Tier 1 capital ratio and provincial capital ratio, from three months ago, resulted from an increase in risk weighted assets primarily from higher securities balances. A year ago, the ratios were lower as regulatory capital was lower.

Cautionary Note Regarding Forward-Looking Statements

From time to time, we make written forward-looking statements, including in this MD&A, in other filings with Canadian regulators, and in other communications. In addition, our representatives 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 our 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 our member credit unions operate. The forward-looking information provided herein is presented for the purpose of assisting readers in understanding our 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 us 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. We caution 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 our 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.

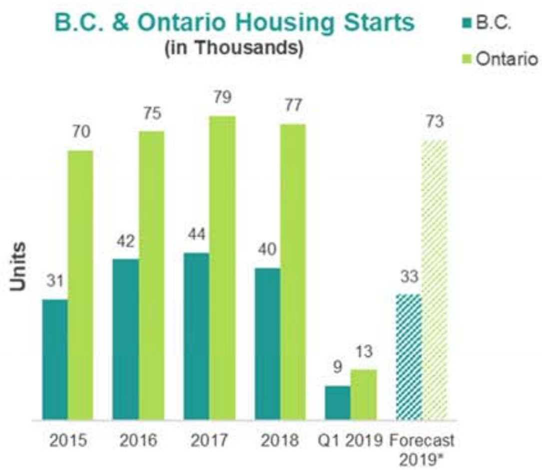
Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact our results. We do not undertake to update forward-looking statements except as required by law.

Additional information about these and other factors can be found in the Overview and Risk Review sections of our 2018 Annual Report.

Economic Developments and Outlook

The following summaries of the economic environment and the state of financial markets offer a context for interpreting our quarterly results and provide insight into our future performance.

Economic Environment



*Forecast source: Central 1 Economics

The global economic growth is forecast at 3.2 per cent in 2019, down from 3.4 per cent three months ago and well below 3.7 per cent in 2018.

In the U.S., economic growth in the first quarter appeared to have remained healthy, supported by solid employment gains, accelerating wage growth and elevated consumer and business confidence. Growth is widely expected to slow this year as recent increases in interest rates take effect and the fiscal stimulus of tax changes and deregulation wane. After expanding at a robust 2.9 per cent last year, economic growth is forecast to slow to around 2.3 per cent in 2019. Canada's economic growth slowed sharply in the fourth quarter last year and growth is forecasted to remain soft in the first part of 2019. Trade tensions, investment uncertainty and domestic issues had all played a role in slowing growth. Canada's oil sector remains under stress due to limited access to markets and structural adaptation to lower global oil prices. Previously frothy housing markets in Ontario and B.C. have been dampened by local tax changes, changes in mortgage guidelines and past rises in interest rates. Recently, budgeted fiscal stimulus at the federal level and in B.C. and Quebec will be more than offset by lower projected government spending in Ontario.

Financial Markets

The Bank of Canada's (BOC) Monetary Policy Report, issued in April 2019, stated that the recent and greater than expected slowdown in global economic growth was widespread. New tariffs implemented by the U.S. and other countries over the past two years has significantly lowered global trade and business investment. Slowing domestic demand in China has been a drag on imports. Reshoring, nearshoring and automating production has also lowered global trade. The BOC also announced that interest rates would remain unchanged since its latest announcement on January 9, 2019 signaling a pause and potential end to its rate hiking path.

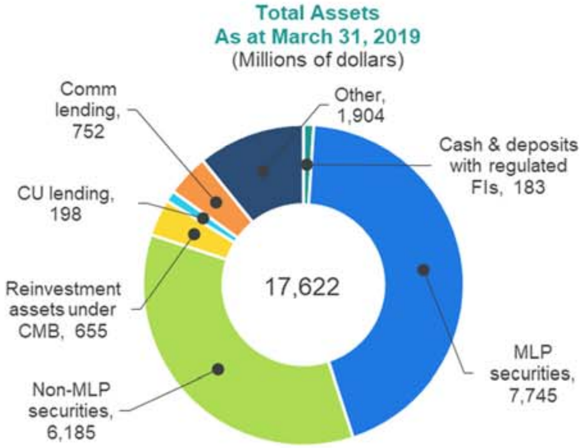
Canada's economic growth is forecast at 0.3 per cent annualized in the first quarter of 2019 and 1.3 per cent annualized in the second quarter, following estimated growth of 0.4 per cent annualized in the fourth quarter last year. GDP for the last two months of 2018 was negative 0.1 per cent; however, January 2019 was 0.3 per cent which was higher than the expectation of no growth. The BOC projects real GDP growth of 1.2 per cent in 2019 and around 2.0 per cent in each of 2020 and 2021. Although the yield spread between three-month Treasury bill and 10-year Treasury bond dipped into negative during the quarter, it returned to positive. The economy is still forecasted to be weak in 2019 and investors are expecting a rate cut.

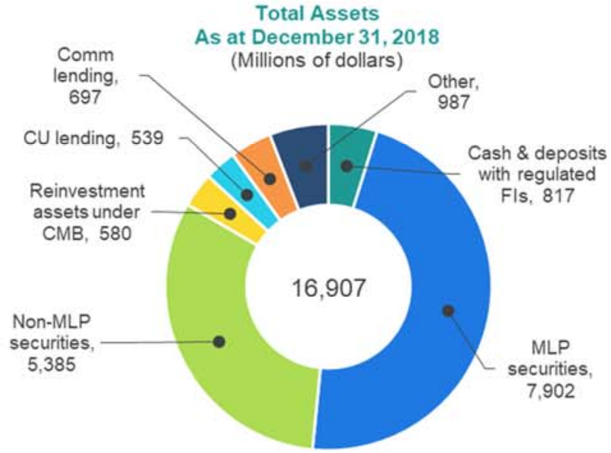
Industry Regulation

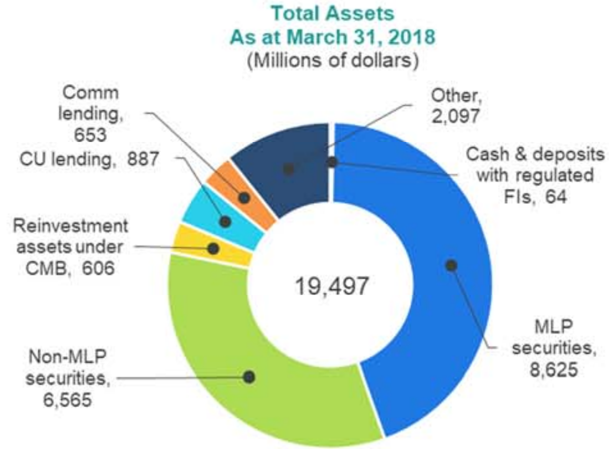
In the first quarter of 2019, the B.C. Ministry of Finance (the Ministry) introduced legislation that will transition FICOM into a Crown Agency. While the specific powers of the new entity will be defined in the regulations that will be drafted through the rest of 2019, in the short term, there will be substantial changes to the leadership and governance structure. One definite change will be a transition of the current Commission into a Board of Directors; a call for applications has been under way throughout the first quarter of 2019. Finally, the *Financial Institutions Act* (FIA) review is ongoing, with legislation now expected to be tabled in the third quarter of 2019.

In Ontario, implementation of the new Financial Services Regulatory Authority (FSRA) continued in the first quarter of 2019, and the government made a commitment in its 2019 budget speech to move forward with the *Credit Unions and Caisses Populaires Act* (CUCPA) review. We will play a supporting role in advocacy around these matters, which will be led by the Canadian Credit Union Association (CCUA) on behalf of the system.

Statement of Financial Position



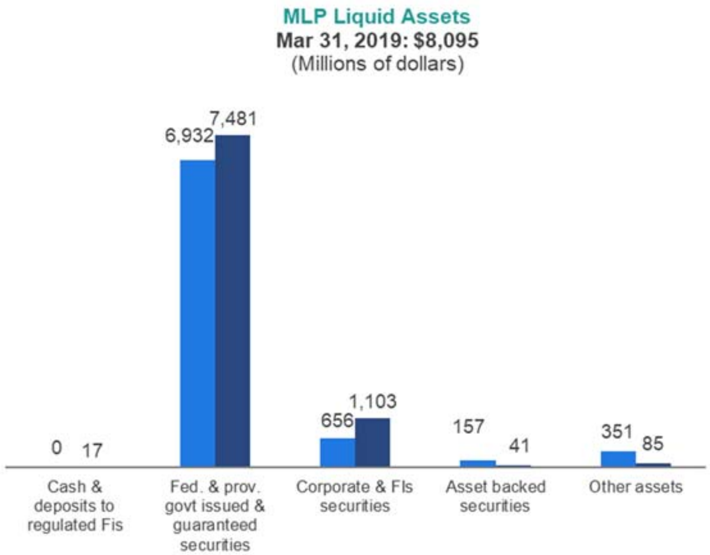


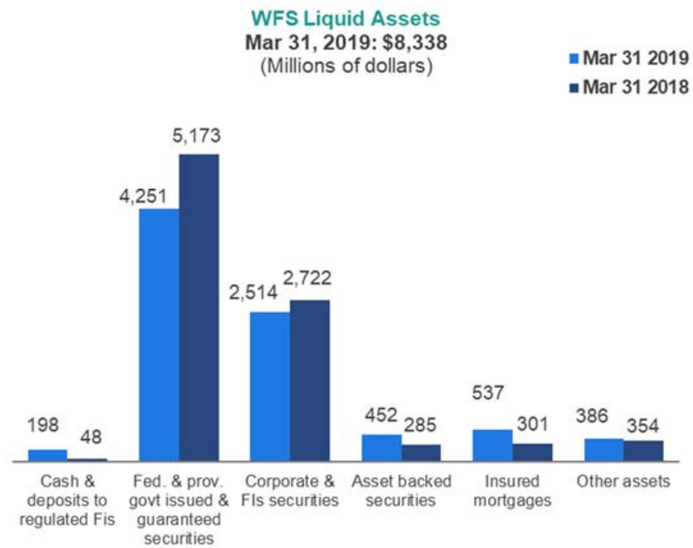


Coast Capital withdrew all of their mandatory deposits and the majority of their non-mandatory deposits during the fourth quarter of 2018, in connection with their continuance as a federal credit union. Also, in the fall of 2018, a $450.0 million medium-term note (MTN) matured. Excluding the Coast Capital withdrawals and the MTN maturity, our total assets as at March 31, 2019 would have reflected an increase of $1.0 billion from a year ago.

Total assets increased from December 31, 2018 by $0.7 billion, mainly due to the growth in our non-mandatory deposits.

Cash and Liquid Assets





Mar 31 2019 (Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total WFS Liquid Assets	Encumbered Liquid Assets	Unencumbered Liquid Assets*
Cash and deposits with regulated financial institutions	$ -	$ 197.8	$ -	$ 197.8	$ -	$ 197.8
Federal and provincial government issued and guaranteed securities	6,931.5	3,288.1	962.9	4,251.0	1,618.4	2,632.6
Corporate and financial institutions securities	655.6	2,513.8	-	2,513.8	38.8	2,475.0
Asset backed securities	157.4	452.4	-	452.4	-	452.4
Insured mortgages	-	537.0	-	537.0	-	537.0
Other assets	350.7	386.3	-	386.3	-	386.3
Total	**$ 8,095.2**	**$ 7,375.4**	**$ 962.9**	**$ 8,338.3**	**$ 1,657.2**	**$ 6,681.1**

*Unencumbered liquid assets include high quality liquid assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements.

Dec 31 2018 (Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total WFS Liquid Assets	Encumbered Liquid Assets	Unencumbered Liquid Assets*
Cash and deposits with regulated financial institutions	$ 138.0	$ 679.2	$ -	$ 679.2	$ -	$ 679.2
Federal and provincial government issued and guaranteed securities	7,131.3	3,223.2	707.4	3,930.6	1,448.0	2,482.6
Corporate and financial institutions securities	638.9	2,154.5	-	2,154.5	37.3	2,117.2
Asset backed securities	131.5	297.9	-	297.9	-	297.9
Insured mortgages	-	241.1	-	241.1	-	241.1
Other assets	-	80.9	-	80.9	-	80.9
Total	$ 8,039.7	$ 6,676.8	$ 707.4	$ 7,384.2	$ 1,485.3	$ 5,898.9

*Unencumbered liquid assets include high quality liquid assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements.

Comparative figures have been restated.

Mar 31 2018 (Millions of dollars)	MLP Liquid Assets	WFS Liquid Assets	Securities Received as Collateral	Total WFS Liquid Assets	Encumbered Liquid Assets	Unencumbered Liquid Assets*
Cash and deposits with regulated financial institutions	$ 16.6	$ 47.5	$ -	$ 47.5	$ -	$ 47.5
Federal and provincial government issued and guaranteed securities	7,481.3	3,820.9	1,351.9	5,172.8	1,911.5	3,261.3
Corporate and financial institutions securities	1,102.9	2,721.9	-	2,721.9	20.3	2,701.6
Asset backed securities	40.9	285.0	-	285.0	-	285.0
Insured mortgages	-	300.8	-	300.8	-	300.8
Other assets	85.2	353.6	-	353.6	-	353.6
Total	$ 8,726.9	$ 7,529.7	$ 1,351.9	$ 8,881.6	$ 1,931.8	$ 6,949.8

*Unencumbered liquid assets include high quality liquid assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements.

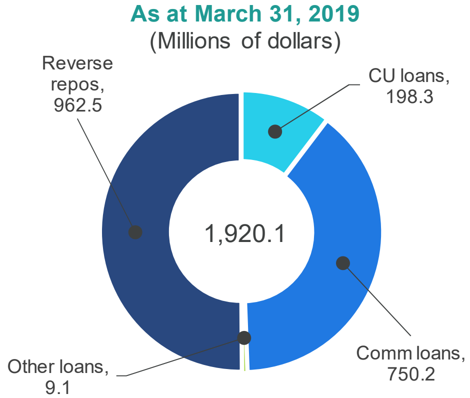
Comparative figures have been restated.

Cash and liquid assets for the MLP are managed on behalf of the credit union system. In addition, we manage our own liquidity within WFS. The liquidity management framework for WFS is designed to support the liquidity requirements for the system under non-stressed conditions. This is to ensure that credit unions have access to reliable and cost-effective sources of liquidity, as well as our potential cash and collateral obligations, including collateral pledged to the BOC's Large Value Transfer System. We maintain a portfolio of high-quality liquid assets in WFS to support these objectives.

Coast Capital's withdrawal of their deposits along with the maturity of a $450.0 million MTN in the fourth quarter of 2018 resulted in year-over-year decreases in cash and liquid assets of $0.6 billion in MLP and $0.5 billion in WFS. Coast Capital's withdrawal, which reduced the assets associated with the B.C. system, led to lower mandatory deposits, contributing to the decrease in MLP's cash and liquid assets. Excluding these withdrawals and maturity, cash and liquid assets would have increased by $0.5 billion in MLP and increased by $1.3 billion in WFS mainly driven by growth in deposits. Compared to a year ago, cash and liquid assets for MLP were 45.9 per cent of our total assets, slightly up from 44.8 per cent. Cash and liquid assets in WFS represented 47.3 per cent of total assets, up from 45.6 per cent.

Compared to three months ago, cash and liquid assets in MLP were broadly unchanged and those in WFS were up $0.9 billion at the end of the first quarter mainly due to growth in non-mandatory deposits. Cash and liquid assets for MLP were 45.9 per cent of our total assets, slightly down from 47.6 per cent in December 2018. Cash and liquid assets in WFS represented 47.3 per cent of total assets, up from 43.7 per cent in December 2018.

Loans



(Millions of dollars)		Mar 31 2019		Dec 31 2018		Mar 31 2018
Loans to credit unions	**$**	**198.3**	$	538.8	$	887.0
Commercial loans		**750.2**		696.7		651.8
Other loans		**9.1**		8.0		7.6
		759.3		704.7		659.4
Securities acquired under reverse repurchase agreements		**962.5**		694.8		1,305.2
	$	**1,920.1**	$	1,938.3	$	2,851.6

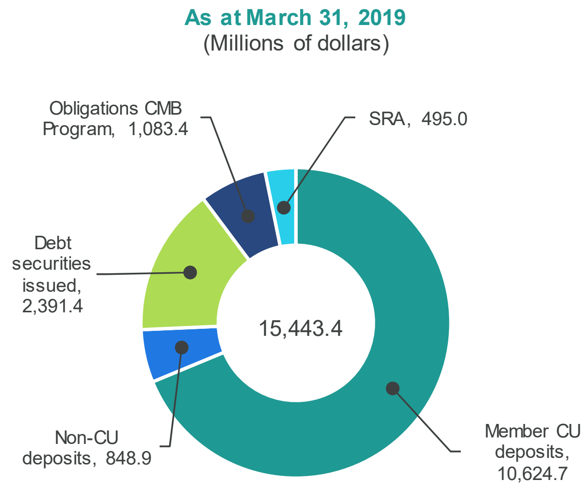
*Total loan balances are before the allowance for credit losses and exclude accrued interest, premium and fair value hedge adjustment.

We provide clearing lines of credit and short- and medium-term loans to our members. All lending activities are closely integrated and coordinated within our liquidity management framework. Clearing lines of credit, available in two currencies, are used to cover cash requirements arising from the settlement of payment transactions. Short- and medium-term loans are used by credit unions primarily for cash management purposes for short-term liquidity needs. Central 1 participates in loan syndications with our members. We also periodically acquire pools of insured residential mortgages from our members to provide them with liquidity. We mostly securitize these insured mortgages into National Housing Act Mortgage Backed Securities (NHA MBS) to use for reinvestment assets in the Canada Mortgage Bond (CMB) Program or sell these pools to market participants.

We provide short-term loans to credit unions, reflective of their liquidity needs at the end of each reporting period. Loans to credit unions decreased $688.7 million from a year ago, reflective of reduced loan demand in the credit union system. Securities acquired under reverse repurchase agreements, down $342.7 million from a year ago, are generally used to support our cash management needs as cash balances rise at the end of each month. These decreases partially offset by higher commercial loans led to an overall decrease of $931.5 million in total loans from a year ago.

Compared to three months ago, loans to credit unions decreased $340.5 million, reflective of reduced loan demand in the credit union system. This decrease was mostly offset by an increase in securities acquired under reverse repurchase agreements and commercial loans, resulting in a small decrease in total loans from December 31, 2018.

Funding



(Millions of dollars)	Mar 31 2019	Dec 31 2018	Mar 31 2018
Deposits			
Mandatory deposits	**$ 7,316.3**	$ 7,553.1	$ 8,148.9
Non-mandatory deposits	**3,308.4**	2,723.9	4,016.2
Deposits from member credit unions	**10,624.7**	10,277.0	12,165.1
Deposits from non-credit unions	**848.9**	696.4	675.4
	11,473.6	10,973.4	12,840.5
Debt securities issued			
Commercial paper issued	**714.2**	713.3	633.5
Medium-term notes issued	**1,252.0**	1,244.7	1,691.8
Subordinated liabilities	**425.2**	422.2	424.8
	2,391.4	2,380.2	2,750.1
Obligations under the Canada Mortgage Bond (CMB) Program	**1,083.4**	1,040.5	1,207.8
Securities under repurchase agreements (SRA)	**495.0**	381.0	662.6
	$ 15,443.4	$ 14,775.1	$ 17,461.0

Our primary funding source is deposits from credit unions, the majority of which are required by regulation or agreement. Additionally, credit unions deposit excess liquidity with us, which constitutes the primary funding source for WFS. Supplementary to this core deposit base are our commercial paper and MTN programs. We also use asset securitization programs as an alternative source of funding and asset/liability management (ALM) purposes.

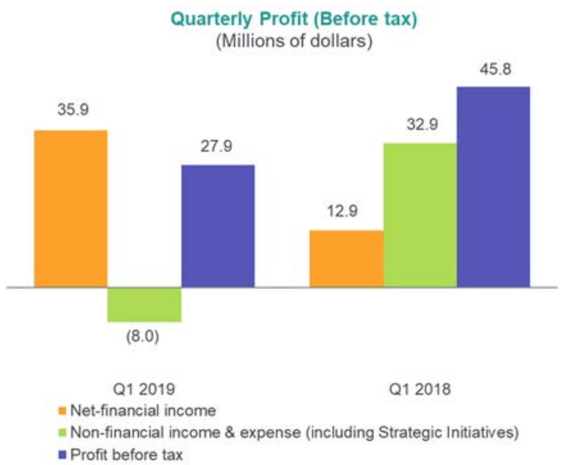
Deposits from our member credit unions increased $347.7 million from December 31, 2018 driven by growth in non-mandatory deposits. Deposits from our member credit unions decreased $1.5 billion from the prior year comparative quarter with a $832.6 million decrease from mandatory deposits and the remaining decrease from non-mandatory deposits. Both of these decreases were largely due to the withdrawal of Coast Capital's deposits in 2018, slightly offset by increases in deposits held by non-credit unions. Excluding the withdrawal of Coast Capital's deposits, deposits from our member credit unions would have increased $870.9 million from the prior year.

Total debt securities outstanding, represented 15.5 per cent of our total borrowing portfolio at the end of first quarter, decreased $358.7 million from the prior year and were largely in line with three months ago. The year-over-year decrease was primarily driven by the $450.0 million MTN that matured in November 2018.

We participate in direct securitization by acquiring the ownership to mortgages pools and subsequently selling them into the Canada Housing Trust (CHT) under the CMB Program. We also participate in indirect securitization, as an administrator on behalf of credit unions in the securitization process and receive an administrative fee. Direct securitization transactions are accounted for on-balance sheet while indirect securitizations are off-balance sheet. At the end of March 31, 2019, total obligations related to the securitizations under the CMB Program were $1.1 billion, down $0.1 billion from a year ago and largely in line with three months ago.

Statement of Profit

Q1 2019 vs Q1 2018



Profits consist primarily from two sources, net financial income and non-financial income. A change in our asset mix in 2019 along with active portfolio management enhanced our interest margin in the first quarter of 2019, up $6.3 million from the same period last year. Decreasing yields and the narrowing of credit spreads led to a $16.7 million increase in net realized and unrealized gains. Overall, our first quarter net financial income was $23.0 million higher compared to the first quarter of 2018.

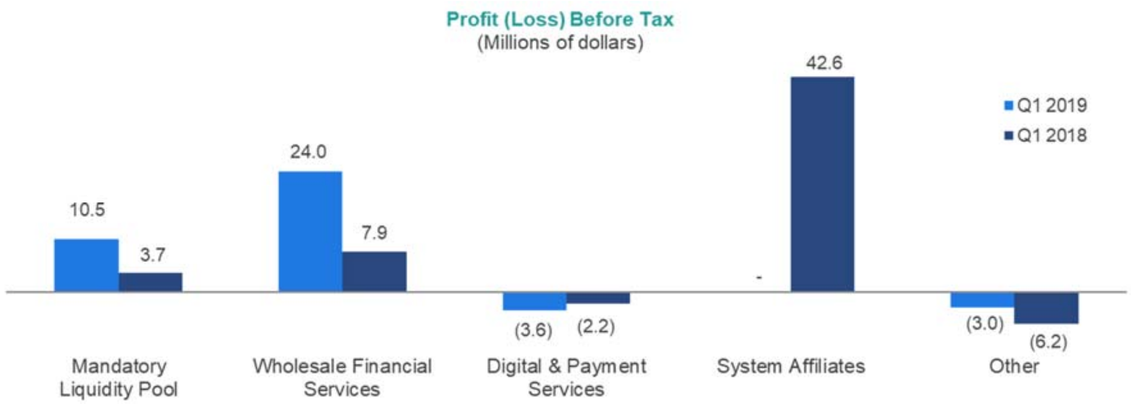
Strategic initiatives continued in 2019, consistent with last year and our 2019 strategic plan. Prior year results benefited from one-time gains relating to transactions surrounding our equity investees. Excluding these gains from the first quarter of 2018 for comparison, profit after tax for the first quarter of 2019 increased $27.2 million, led by higher net financial income.

Results by Segment

Our operations and activities are organized around three key business segments: MLP, WFS, and Digital & Payment Services. Our investments in equity shares of system-related entities, other than the wholly owned subsidiaries, are separately reported under the System Affiliates segment. All other activities or transactions are reported in the "Other" operating segment. The costs of Corporate Support functions are attributed to business lines as appropriate, with the remaining included in the Other operating segment.

Periodically, certain business lines and units are transferred among business segments to closely align our organizational structure with our strategic priorities. Results for prior periods are restated to conform to the current period presentation.

Q1 2019 vs Q1 2018



For the three months ended March 31, 2019

(Millions of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	System Affiliates	Other	Total
Net financial income (expense), including impairment on financial assets	$ 12.5	$ 24.6	$ (0.1)	$ (1.1)	$ -	$ **35.9**
Non-financial income	(0.3)	9.3	22.3	1.1	1.2	**33.6**
Net financial and non-financial income	12.2	33.9	22.2	-	1.2	**69.5**
Non-financial expenses	1.7	9.9	19.2	-	2.4	**33.2**
	10.5	24.0	3.0	-	(1.2)	**36.3**
Strategic initiatives	-	-	(6.6)	-	(1.8)	**(8.4)**
Profit (loss) before tax	$ **10.5**	$ **24.0**	$ **(3.6)**	$ **-**	$ **(3.0)**	$ **27.9**

For the three months ended March 31, 2018

(Millions of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	System Affiliates	Other	Total
Net financial income (expense), including impairment on financial assets	$ 5.6	$ 8.0	$ (0.1)	$ (0.6)	$ -	$ 12.9
Non-financial income	0.2	7.6	19.7	1.5	3.4	32.4
Net financial and non-financial income	5.8	15.6	19.6	0.9	3.4	45.3
Non-financial expenses	2.1	7.7	16.2	1.3	7.7	35.0
	3.7	7.9	3.4	(0.4)	(4.3)	10.3
Strategic initiatives	-	-	(5.6)	43.0	(1.9)	35.5
Profit (loss) before tax	$ 3.7	$ 7.9	$ (2.2)	$ 42.6	$ (6.2)	$ 45.8

Certain comparative figures have been reclassified to conform with the current period's presentation.

Mandatory Liquidity Pool

MLP's first quarter results reflected higher net financial income. Decreasing market yields and the narrowing of credit spreads in the market created favourable net realized and unrealized gains, which was up $5.1 million from the prior year. The higher net financial income led to an overall increase of $6.8 million in MLP's profit before taxes compared to the first quarter of 2018.

Wholesale Financial Services

Higher interest margin in the first quarter of 2019 was a result of the change in asset mix. Higher gains on financial assets which outweighed losses on financial liabilities created a favourable net impact of $11.7 million in net realized and unrealized gains compared to the first quarter of 2018. The strong net financial income was reflected in a $16.1 million increase in WFS's profit before tax compared to the first quarter of 2018.

The stronger U.S. dollar during the first quarter of 2019 resulted in a favourable impact on WFS' non-financial income, which was outweighed by higher salaries and employee benefits and other administrative expenses.

Digital & Payment Services

During the first quarter, Digital & Payment Services continued to invest in strategic initiatives in 2019, including the development of Forge Retail and Commercial platforms and Origination. The higher costs incurred to support these strategic initiatives partially offset by growth in *Interac* e-Transfer® revenues due to higher volumes, led to a $1.4 million increase in loss before tax for the first quarter.

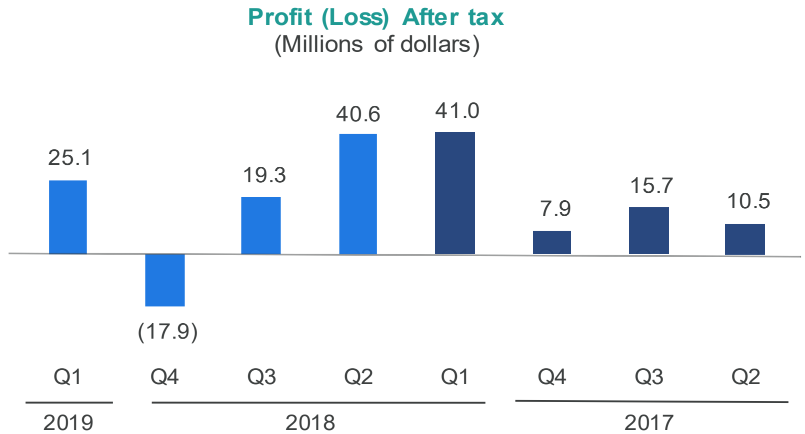
System Affiliates

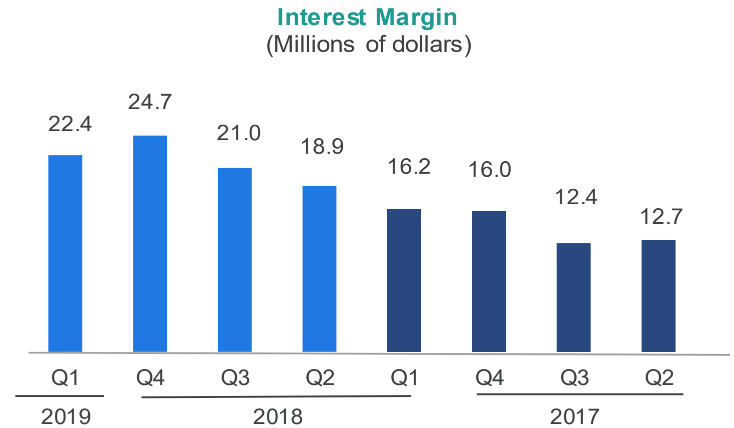
System Affiliates' prior year results benefited from the one-time gains relating to our equity investees. Excluding the one-time gains from the prior year, System Affiliates' results were broadly in line with the current year.

Other

The Other operating segment reported a loss before tax which was mainly due to costs incurred to support some of our strategic initiatives. The loss before tax for the first quarter of 2019 was $3.2 million lower than a year ago, mainly due to higher restructuring costs and higher revenues from dues assessments in the first quarter of 2018.

Summary of Quarterly Results





(Thousands of dollars, except as indicated)	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Interest income	$ **89,998**	$ 96,375	$ 93,713	$ 87,579	$ 78,382	$ 73,208	$ 62,781	$ 60,513
Interest expense	**67,562**	71,641	72,683	68,650	62,220	57,171	50,407	47,807
Interest margin	**22,436**	24,734	21,030	18,929	16,162	16,037	12,374	12,706
Realized and unrealized gains (losses)	**13,681**	(19,698)	6,326	(6,128)	(3,046)	2,579	9,296	(434)
Impairment loss (recovery) on financial assets	**234**	217	58	(175)	183	1	(8)	(140)
	35,883	4,819	27,298	12,976	12,933	18,615	21,678	12,412
Non-financial income	**33,644**	34,270	35,164	37,233	34,786	38,620	37,656	38,575
Gains from system affiliates	**-**	-	2,671	37,470	43,017	-	-	-
	33,644	34,270	37,835	74,703	77,803	38,620	37,656	38,575
Non-financial expense	**41,586**	63,911	41,658	44,255	44,986	46,892	40,454	38,892
	(7,942)	(29,641)	(3,823)	30,448	32,817	(8,272)	(2,798)	(317)
Profit (loss) before tax	**27,941**	(24,822)	23,475	43,424	45,750	10,343	18,880	12,095
Income taxes (recovery)	**2,817**	(6,875)	4,145	2,866	4,760	2,463	3,182	1,643
Profit (loss)	$ **25,124**	$ (17,947)	$ 19,330	$ 40,558	$ 40,990	$ 7,880	$ 15,698	$ 10,452
Weighted average shares outstanding *(millions)*	**430.0**	444.7	486.5	479.4	429.7	417.1	440.3	425.2
Earnings per share *(cents)**								
Basic/Diluted	**5.8**	(4.0)	4.0	8.5	9.5	1.9	3.6	2.5

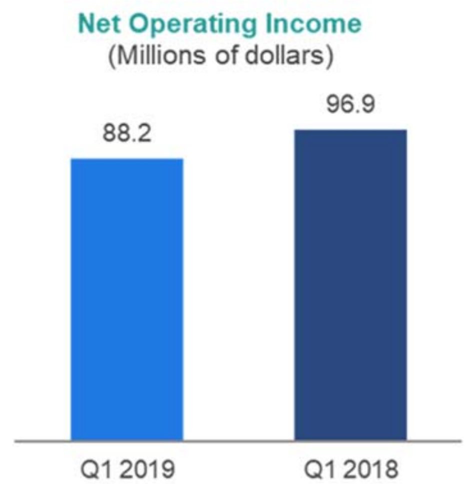
*Earnings per share calculated for Central 1 must be taken in the context that member shares may not be traded or transferred except with the consent of our Board of Directors.

Effective January 1, 2018, we retrospectively adopted IFRS 9, *Financial Instruments* . Prior periods have not been restated. Results for the periods prior to January 1, 2018 are reported in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Certain compartive figures have been reclassified to conform with the current period's presentation.

Net realized and unrealized gains in the first quarter was the highest among eight quarters due to the appreciation of securities from decreasing market yields and the narrowing credit spreads, which uplifted the first quarter profit significantly over the fourth quarter of 2018. Interest margin growth tapered off in the first quarter of 2019 due to decreased interest income on financial assets relative to interest expense on financial liabilities. Results in the first and second quarter of 2018 were primarily benefited from the one-time gains from our equity investees.

System Performance

British Columbia



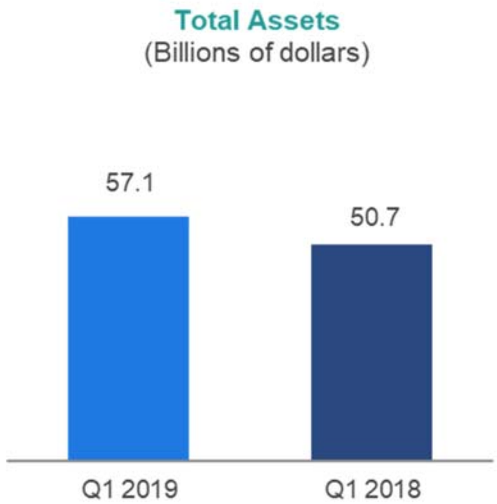
Net operating income for the first quarter of 2019 was $88.2 million, down $8.7 million or 9.0 per cent from the same period in 2018. Net interest income decreased $7.5 million or 2.4 per cent over the same period last year, driven by a 16 basis points (bps) decline in net interest rate spreads. Non-interest income increased $7.2 million or 10.7 per cent year-over-year, led by trading gains on financial instruments. Non-interest expense increased $8.4 million or 3.0 per cent, led by salaries and benefits.

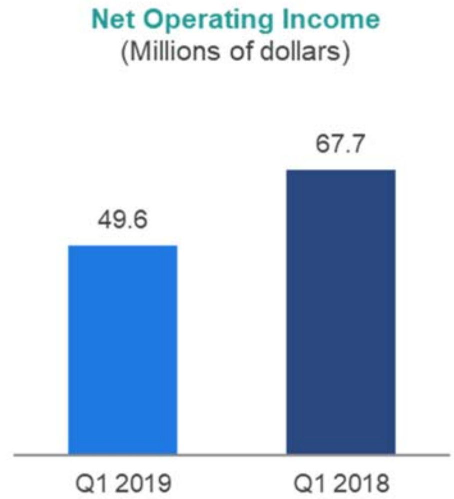
Total assets increased $3.4 billion or 5.6 per cent year-over-year to reach $64.0 billion at the end of the first quarter. Asset growth was led by 4.8 per cent growth in personal mortgages, 6.4 per cent in commercial mortgages, and 8.0 per cent in liquid investments. Liability growth was led by non-registered term deposits, up $2.5 billion or 10.5 per cent.

The system's rate of loan delinquencies over 90 days was 0.15 per cent of total loans at the end of March 2019, down 3 bps year-over-year. Provision for credit losses as a percentage of loans was 0.3 per cent, little changed from a year earlier. The B.C. system's loan loss expense ratio was 0.02 per cent annualized in the first quarter of 2019, down 5 bps year-over-year.

The B.C. system's regulatory capital as a percentage of risk-weighted assets was 15.3 per cent at the end of March 2019, up 70 bps from a year earlier. The aggregate liquidity ratio of the system, including that held by Central 1, was 14.9 per cent of deposit and debt liabilities, up 37 bps from a year earlier. The system's return on assets was 0.56 per cent annualized in the first quarter, down 9 bps year-over-year.

Ontario





Net operating income for the first quarter of 2019 was $49.6 million, down $18.1 million or 26.7 per cent from the same period in 2018. Net interest income increased $2.8 million or 1.1 per cent over the same period last year, driven by growth in residential mortgages and commercial loans. Non-interest income decreased $7.9 million or 12.5 per cent year-over-year. Non-interest expense increased $13.0 million or 5.2 per cent, driven by salaries and benefits.

Total assets increased $6.4 billion or 12.6 per cent year-over-year to reach $57.1 billion at the end of the first quarter. Asset growth was led by increases in residential mortgages of 13.9 per cent and commercial loans of 8.0 per cent. The asset growth was supported by increases in non-registered term deposits of 26.4 per cent, registered deposits of 13.5 per cent, and borrowings of 11.2 per cent.

The system's rate of loan delinquencies over 90 days was 0.31 per cent of total loans at the end of March 2019, up 4 bps year-over-year. Provision for credit losses as a percentage of loans was 0.26 per cent, little changed from a year earlier. The Ontario system's loan loss expense ratio was 0.08 per cent annualized in the first quarter, unchanged from a year earlier.

The Ontario system's regulatory capital as a percentage of risk-weighted assets was 12.6 per cent at the end of March 2019, down 66 bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 13.3 per cent of deposit and debt liabilities, up 136 bps from a year ago. The system's return on assets was 0.36 per cent annualized in the first quarter, down 19 bps year-over-year.

Off-Balance Sheet Arrangements

In the normal course of business, we enter 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

						Notional Amount
(Millions of dollars)		**Mar 31 2019**		**Dec 31 2018**		**Mar 31 2018**
Interest rate contracts						
Bond forwards	**$**	**132.0**	$	136.7	$	171.6
Futures contracts		**1,745.0**		890.0		250.0
Swap contracts		**33,754.8**		33,881.9		30,808.6
Options purchased		**-**		-		10.0
Options written		**-**		-		10.0
		35,631.8		34,908.6		31,250.2
Foreign exchange contracts						
Foreign exchange forward contracts		**401.6**		678.4		461.0
Other derivative contracts						
Equity index-linked options		**203.4**		216.2		222.2
	$	**36,236.8**	$	35,803.2	$	31,933.4

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

We act as a swap intermediary between the Canada Housing Trust and member credit unions and additionally provide derivative capabilities to member credit unions to be used in the ALM of their respective balance sheets. These activities represented $8.9 billion and $21.8 billion, respectively, of the total derivative notional balances as at March 31, 2019, compared to $8.8 billion and $22.1 billion at December 31, 2018, and $9.8 billion and $17.7 billion at March 31, 2018. Derivatives are primarily used in our ALM activities. In addition, we facilitate the sale of derivative products to member credit unions to be used in the ALM of their respective balance sheets.

Derivatives are recorded in the Interim Consolidated Statement of Financial Position at fair value. The notional amounts are not recorded on the Interim Consolidated Statement of Financial Position as they do not represent actual amounts exchanged. Counterparty credit risk arising from derivative contracts is managed within the context of our overall credit risk policies and through the existence of Credit Support Annex (CSA) agreements and General Security Agreements. Our counterparty credit exposure to our Class A member credit unions is secured by the General Security Agreements. CSA agreements are in place with all other derivatives counterparties. Under a CSA, net fair value positions are collateralized with high quality liquid securities.

Guarantees and Commitments

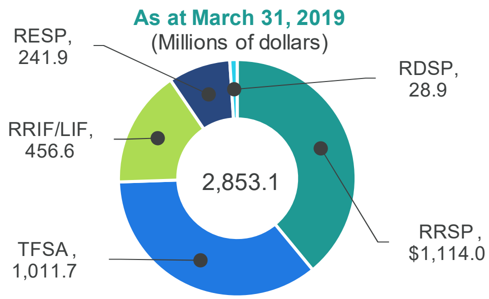
The following table presents the maximum amounts of credit that we could be required to extend if commitments were to be fully utilized, and the maximum amounts of guarantees that could be in effect if the maximum authorized amounts were transacted.

(Millions of dollars)		Mar 31 2019		Dec 31 2018		Mar 31 2018
Commitments to extend credit	**$**	**4,889.7**	$	4,526.0	$	4,251.7
Guarantees						
Financial Guarantees	**$**	**512.5**	$	480.0	$	397.5
Performance Guarantees	**$**	**910.0**	$	810.0	$	810.0
Standby letters of credit	**$**	**199.1**	$	201.1	$	186.6
Future prepayment swap reinvestment commitment	**$**	**1,247.8**	$	1,101.0	$	884.5

In the normal course of business, we enter into various off-balance sheet credit instruments to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, standby commitments, and performance guarantees.

Commitments to extend credit increased $638.0 million from a year ago due to a decrease in outstanding loans to member credit unions while the authorized loan amount is still available to them. Guarantees increased $215.0 million due to higher transaction volumes, while standby letters of credit increased $12.5 million. Future prepayment swap reinvestment commitments increased $363.3 million due to increased prepayment swap activities.

Assets under Administration



(Millions of dollars)		Mar 31 2019		Dec 31 2018		Mar 31 2018
Registered Retirement Savings Plans (RRSP)	**$**	**1,114.0**	$	1,071.8	$	1,139.5
Tax-Free Savings Accounts (TFSA)		**1,011.7**		934.1		872.6
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)		**456.6**		453.6		423.9
Registered Education Savings Plans (RESP)		**241.9**		234.3		227.1
Registered Disability Savings Plans (RDSP)		**28.9**		26.4		22.6
	$	**2,853.1**	$	2,720.2	$	2,685.7

Assets under Administration (AUA) mainly include government approved registered plans for tax deferral purposes, which are trusteed and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members. The subsidiary provides the same services for members of the Ontario and Manitoba credit union system and Class C members.

An overall increase in business from both Ontario and B.C. contributed to the consolidated growth of AUA. Notable trends show the AUA of Tax-Free Savings Accounts increase by 15.9 per cent from a year ago, reflective of its increasing popularity among investors as an alternative to the Registered Retirement Savings Plan (RRSP). Although RRSP resulted in a 2.2 per cent reduction in AUA from a year ago, its sales were trending positively this quarter with 682 net new accounts. The Registered Retirement Income Fund, the Registered Disability Savings Plans and the Registered Education Savings Plan also increased 7.7 per cent, 27.9 per cent and 6.5 per cent, respectively, contributing to the overall increase in AUA for the year. As at the March 31, 2019, AUA totaled $2.9 billion, an increase of 6.2 per cent from a year ago.

Capital Management and Capital Resources

We manage capital to maintain strong capital ratios in support of the risks and activities of the organization while generating an appropriate rate of return for our members. In addition to the regulatory requirements, we consider the expectation of credit rating agencies, credit union system 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

Our 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 our 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 capital in light of projected market conditions. These components are updated and monitored regularly during the year.

Our share capital, with the exception of nominal amounts, is entirely contributed by our Class A members, which are comprised of B.C. credit unions and our member credit unions in Ontario. These Class A members, collectively, hold our Class A, E and F shares. Our policy requires an annual rebalancing of Class A share capital based on each Class A members' consolidated assets in proportion to the total consolidated assets of all Class A members at the immediately preceding fiscal year-end.

A component of our capital management is maintaining an appropriate number of issued and outstanding shares held by Class A members. Class F in-cycle share calls are scheduled in each May and November to capitalize the growth in the MLP. Class A members are required to subscribe for Class F shares based on their deposits in proportion to the total deposits in the MLP. As Class A members contribute the funding and capital, net earnings in the MLP are distributed to the Class A members as dividends on their Class F shares subject to approval of our Board of Directors.

Regulatory Capital

$1,103.1 million
Tier 1 Capital

$1,418.9 million
Net Capital Base

11.1:1
Borrowing Multiple

50.7%
Provincial Capital Ratio

(Millions of dollars)	Mar 31 2019	Dec 31 2018	Mar 31 2018
Share capital	$ **431.0**	$ 429.9	$ 476.0
Retained earnings	**676.8**	652.3	654.3
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.7)	(4.7)
Tier 1 capital	**1,103.1**	1,077.5	1,125.6
Subordinated debt	**421.0**	421.0	421.0
Add: accumulated net after tax gain in investment property	**4.7**	4.7	4.7
Tier 2 capital	**425.7**	425.7	425.7
Total capital	**1,528.8**	1,503.2	1,551.3
Statutory capital adjustments	**(109.9)**	(105.7)	(195.8)
Net capital base	$ **1,418.9**	$ 1,397.5	$ 1,355.5
Borrowing multiple - Consolidated	11.1:1	11.0:1	13.1:1
Borrowing multiple - Mandatory Liquidity Pool	15.0:1	15.8:1	15.7:1
Borrowing multiple - Wholesale Financial Services	12.8:1	10.9:1	14.0:1

As of March 31, 2019, our Tier 1 regulatory capital was $1,103.1 million and total capital before deductions was $1,528.8 million.

In determining regulatory capital, adjustments are required to amounts reflected in our Interim Consolidated Statement of Financial Position. Deductions from capital are required for certain investments, including our substantial investments in affiliated cooperative organizations. The decrease in statutory capital adjustments compared to March 2018 was due to the disposal of The CUMIS Group Limited's (CUMIS) insurance operations in 2018 which reduced our investment balance in CUMIS. The computation of the provincial capital base is broadly similar to the federal regulatory capital used for borrowing multiple purposes.

FICOM requires us to maintain a consolidated borrowing multiple of no more than 20.0:1, and a borrowing multiple no more than 17.0:1 for the MLP segment and no more than 15.0:1 for the WFS segment. We manage the MLP's borrowing multiple through semi-annual capital calls from our membership and manage the WFS' borrowing multiple through growth in retained earnings and subordinated debt. At March 31, 2019, our consolidated borrowing multiple was 11.1:1 compared to 11.0:1 at December 31, 2018.

We were in compliance with all regulatory capital requirements during these periods.

Risk Review

This section of the MD&A should be read in conjunction with the Risk Review section of our 2018 Annual Report.

We manage risk and perform 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 our risk activities and oversight operations.

We recognize that reputation is among our most important assets, and actively seek to maintain a positive reputation both for ourselves and for the credit union system. 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.

Our risk management framework assesses and monitors reputational threats and impacts that arise from business activities. We continue to improve our approaches for the assessment, measurement, and monitoring of reputation impact.

Strategic Risk

We believe that pressures exist for all financial institutions, including credit unions, from tighter margins and financial technology disruption. We also face uncertainty around Class A member credit unions choosing to become federal credit unions. To deliver value for our member credit unions, we incorporate an informed understanding of the potential future landscape of the credit union system into our annual strategic planning processes.

Compliance Risk

We are exposed to compliance risk in all areas of our 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 we continue to meet the requirements of:

- the law, to uphold our reputation and that of the credit union system
- government regulators, to be allowed to continue to do business
- financial system counterparties, to be able to provide products and services to the credit union system
- internal policies and procedures, to help ensure a strong and efficient governance structure

During the first quarter, there were no material compliance issues.

Counterparty Risk

Within the Treasury and Digital & Payment Services operations, we incur counterparty risk through entering into contracts with counterparties in return for a bilateral value-exchange of services. The counterparty risk is managed within the same adjudication process as credit 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 our own credit union system where a robust internal risk rating regime is utilized.

Credit Risk

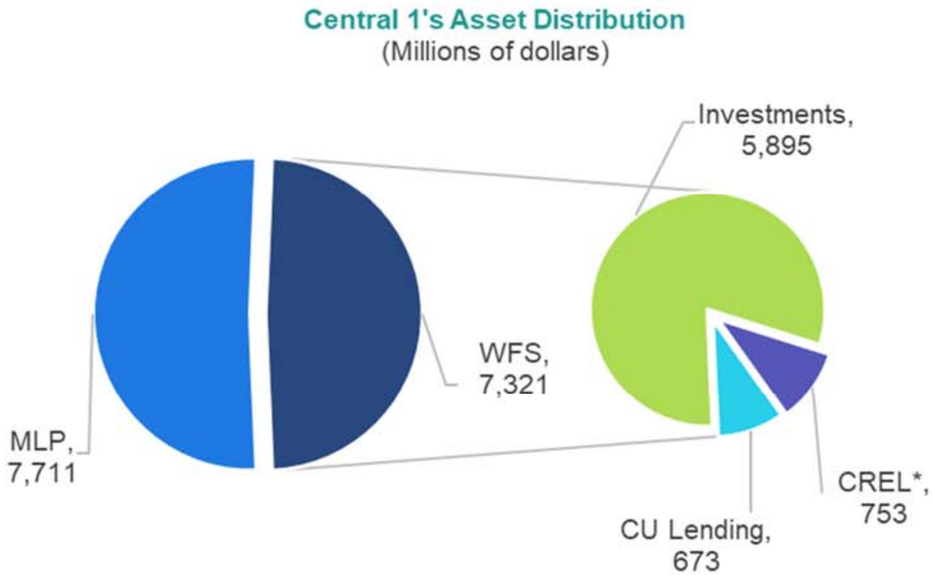
We are exposed to Credit Risk from our investment and lending activities, as well as through our role as Group Clearer and other settlement business.

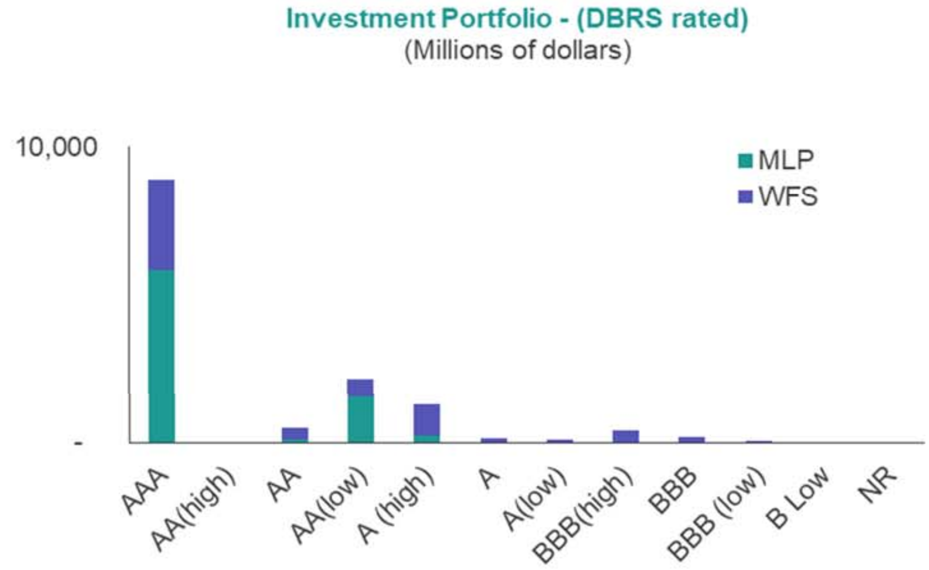
Risks are managed by:

- holding low-risk investment securities
- a robust and conservative loan underwriting framework that utilizes the acquisition of collateral and other credit enhancements
- skilled lending personnel with a depth of experience in both the business line and credit risk

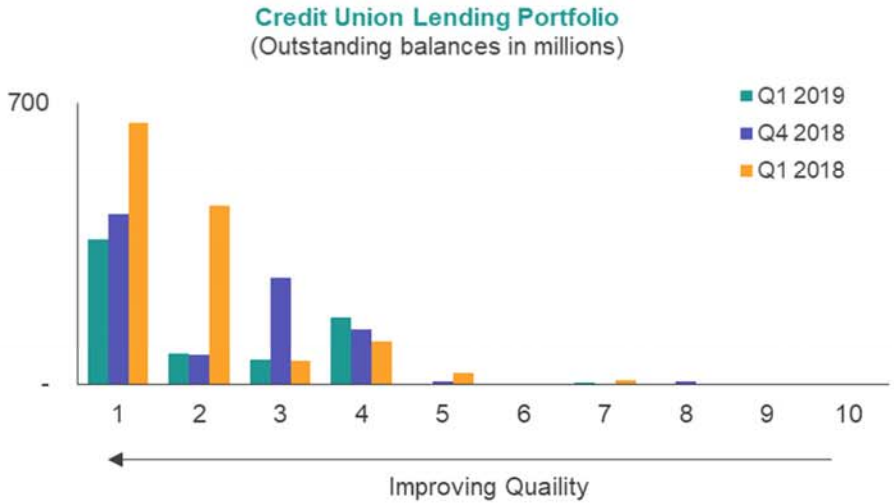
Credit risk continues to be assessed by management as low.

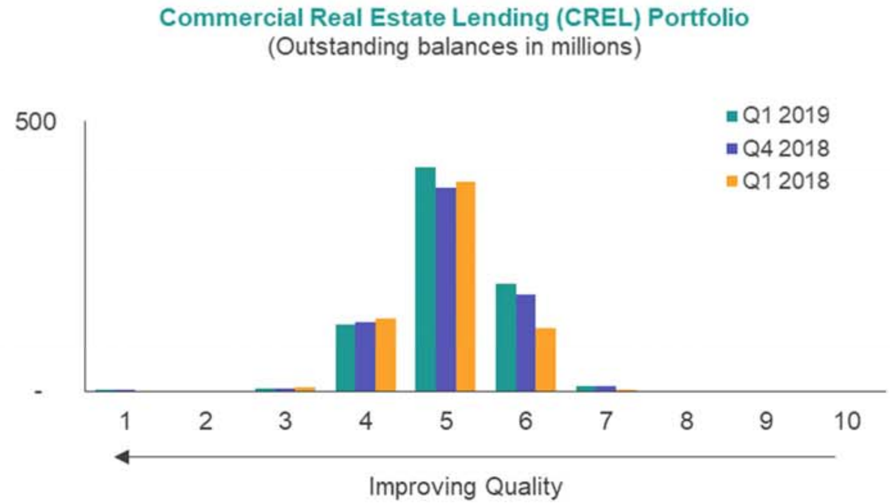
The following figure illustrates our credit exposure and risk profile based on outstanding balances in the investment portfolios held in MLP and WFS. WFS holds $0.8 billion in securities that are rated A or lower (Positions are based on notional, not market values and do not include securitization assets sold to Canada Housing Trust.).





*CREL – Commercial Real Estate Lending





Credit Quality Performance

Commercial Real Estate Lending (CREL)

Currently there are no impaired loans in the portfolio. The Watch List accounts represented 1.25 per cent of the outstanding portfolio balance as at March 31, 2019. The risk in the portfolio remains unchanged.

Credit Union Lending

Currently, there are no impaired loan facilities in the Credit Union Lending Portfolio; however, a number of credit unions have been placed on the Watch List. As at March 31, 2019 there were four Ontario and one B.C. credit union classified as Watch List (risk rating 7). One Ontario credit union was assigned Unsatisfactory risk (risk rating 8). The Watch List and Unsatisfactory accounts represented 1.01 per cent of the outstanding portfolio as at March 31, 2019. The security provided for the Watch List and Unsatisfactory facilities is substantial and no losses are expected.

Investments Portfolio

As part of our ongoing risk management activities, we perform ongoing stress tests to measure the resiliency of our credit and investment portfolios against a range of severe scenarios. The stress tests provide comfort that we continue to maintain adequate capital to withstand a range of severe economic scenarios.

Liquidity Risk

Liquidity risk can be caused by an internal mismatch between the cash flows of our assets and liabilities, systemic market and credit events or unexpected changes in the liquidity needs of our members. Our sound liquidity management provides for strong liquidity support of the credit union system.

Our liquidity positions continue to be strong. The Liquidity Coverage Ratio (LCR) demonstrates our 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. We calculate the LCR for MLP and WFS portfolios against the 100 per cent target set by the Risk Appetite Statement.

Our highly liquid assets include securities eligible to be pledged to the BOC under Standard Liquidity Facility (SLF) and USD-denominated variants that meet the SLF eligibility criteria.

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	LTM Average	LTM High	LTM Low
Mandatory Liquidity Pool	172.9%	170.7%	172.3%	170.2%	172.9%	177.5%	167.8%
Wholesale Financial Services	153.4%	134.2%	138.4%	156.2%	140.8%	198.6%	104.6%

Wholesale Financial Services values were recalculated to meet current requirements.

Market Risk

The level of market risk to which we are exposed varies according to market conditions and the composition of our investment, lending, and derivative portfolios. We manage our exposure to market risk through a range of governance and management processes. Our policies detail the measurement of market risk and establish exposure limits in keeping with our overall risk appetite.

Market risk is measured using 1-Day 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 VaR 99 per cent of the time. Our risk appetite statement requires us to not assume additional market risk for speculative purposes or in pursuit of returns beyond those required to reasonably fulfill our primary mandate of safeguarding system liquidity.

Value at Risk

We regularly monitor our exposure to market risk. Our Risk Appetite Statement (RAS) currently defines VaR-based market risk limits in relation to changes in portfolio value. In particular, the RAS sets out separate VaR limits for the MLP and WFS. The current limits approved by the Board are 7.5 bps, or 0.075 per cent, of the current market value of MLP assets and 6 bps, or 0.06 per cent, of WFS assets. As of quarter-end, the limits were $5.79 million for MLP and $4.58 million for WFS. We complied with MLP and WFS limits during the first quarter.

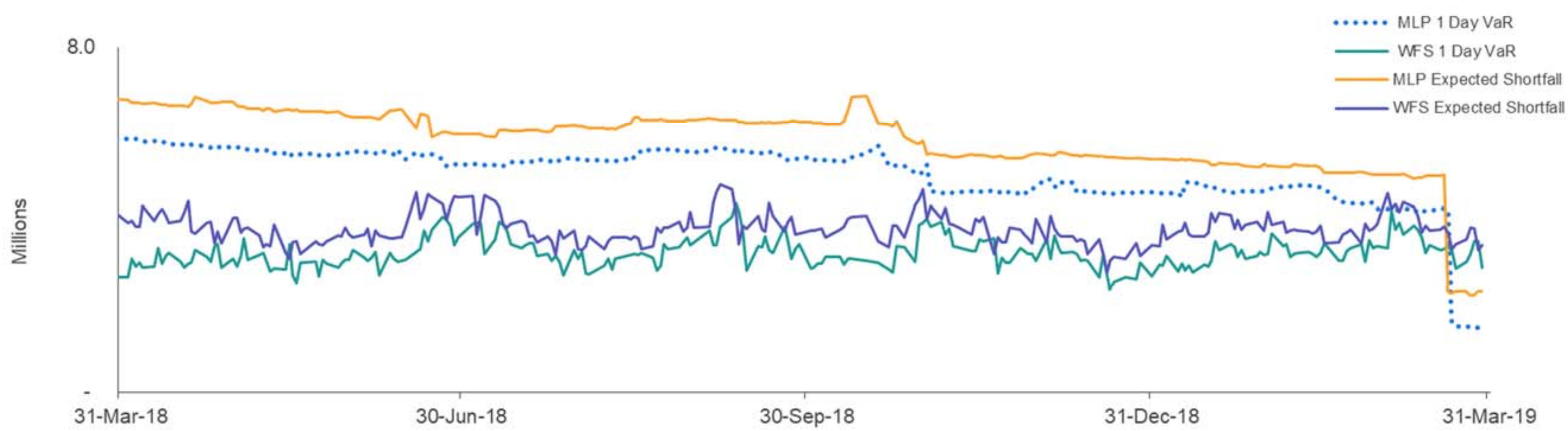
VaR declined significantly for MLP in March 2019 because of an updated pricing configuration. Our analysis indicated previous VaR results were being overstated. Due to technical limitations, we are not be able to restate previous quarter results with the new configuration.

(Millions of dollars)	Mandatory Liquidity Pool Q1 2019	Q4 2018	Q3 2018	Q2 2018	Last 12 Months Average	High	Low
Interest Rate VaR	**$ 0.9**	$ 3.8	$ 4.4	$ 3.9	$ 4.5	$ 5.6	$ 3.7
Credit Spread VaR	**1.3**	5.1	5.5	5.0	5.0	5.8	4.5
Foreign Exchange VaR	**0.3**	0.3	0.2	0.6	0.2	0.7	0.0
Diversification [1]	**(1.0)**	(4.6)	(4.6)	(4.2)	nm	nm	nm
Total VaR	**$ 1.5**	$ 4.6	$ 5.5	$ 5.3	$ 5.5	$ 6.0	$ 4.6
Expected Shortfall	**2.3**	5.4	6.2	6.0	6.3	7.1	5.4

(Millions of dollars)	Wholesale Financial Services Q1 2019	Q4 2018	Q3 2018	Q2 2018	Last 12 Months Average	High	Low
Interest Rate VaR	**$ 1.4**	$ 1.3	$ 1.8	$ 1.6	$ 1.7	$ 2.1	$ 1.3
Credit Spread VaR	**1.6**	1.5	1.7	1.6	1.5	1.8	1.3
Foreign Exchange VaR	**2.1**	2.4	2.0	3.4	2.3	5.8	1.3
Diversification [1]	**(2.2)**	(2.3)	(2.6)	(2.6)	nm	nm	nm
Total VaR	**$ 2.9**	$ 2.9	$ 2.9	$ 4.0	$ 3.1	$ 4.4	$ 2.2
Expected Shortfall	**3.4**	3.4	3.7	4.5	3.8	5.2	2.8

[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



Stress Testing

VaR Stress Testing allows us to test the performance of the MLP and WFS portfolios in different stressed market environments. Stress tests are measured using a 10-day 99 per cent VaR and are conducted over three historical periods:

- Pre-Lehman Crisis (October 2006 through December 2007) – widening in short-term spreads and increased volatility in the USD-CAD spot rate
- Lehman Crisis (January 2008 through May 2009) – widening of short-term, corporate, MBS and other yields with high volatility in the USD-CAD rate
- European Crisis (November 2010 through December 2013) – rising short-term spreads and USD-CAD rate volatility

Both the MLP and WFS portfolio are most exposed to market events similar to the Lehman Crisis. This crisis is characterized by the widening of spreads between corporate and government bonds, high volatility in the USD-CAD spot rate and negative real Fed funds rate.

(Millions of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services
10-Day VaR	$ 5.7	$ 8.0
Pre-Lehman Crisis (Oct 2006-Dec 2007)	$ 8.5	$ 11.5
Lehman Crisis (Jan 2008-May 2009)	$ 21.4	$ 15.8
European Crisis (Nov 2010-Dec 2013)	$ 9.7	$ 7.9

Direction and Sources of Interest Rate Risk

We use a number of secondary market risk measures to help understand the direction and sources of interest rate risk in the MLP and WFS portfolios. The dollar duration, or DV01, measures the sensitivity of the portfolio to a one bps increase in interest rates.

Foreign Exchange Rate Exposure

We have assets and liabilities denominated in several major currencies and we trade foreign currencies with our member credit unions and other clients. The risk associated with fluctuating foreign currency values is managed by applying limits on the amounts (short or long positions) that can be maintained in the various currencies, utilizing foreign exchange (FX) derivatives to lessen the impact of on-balance sheet positions and through VaR management limits. Our FX exposure is concentrated in USD and only a relatively small amount is held in other major currencies.

(Millions of dollars)	Balance Sheet in Native Currency	Off-Balance Sheet Items - Foreign Exchange Forwards	Net Position in Native Currency	Bank of Canada Closing Rate	CAD Equivalent
USD	$ (35.0)	$ 53.4	$ 18.4	1.3363	$ 24.6

Operational Risk

Operational risks include shortcomings related to people, process, systems and the external environment. While the financial impact associated with operational risk can be significant, it's equally important to recognize the less identifiable and quantifiable non-financial impacts. Real or perceived changes in an institution's credibility can damage its reputation, image, and stakeholder confidence, thereby negatively affecting the institution's results in the future. We manage this type of risk through implementing policies and associated procedures that are fundamental to our operating infrastructure.

During the first quarter of 2019, our operational risk exposures were within the limits of allocated capital for operational risk.

We continue to experience increasing exposure to cyber security risk from both an adversarial threat environment and a complex ecosystem of integration with many financial institutions. We have implemented real-time intrusion detection and monitoring of our infrastructure and banking applications, including the use of external agencies to continuously evaluate security performance. We continue 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 ourselves and the credit union system.

We identify and assess 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 our treatment of emerging risks. Emerging risks are quantified using established techniques where possible or qualitatively assessed on the basis of impact and likelihood.

Currently, we consider the possible end of the economic cycle and open banking as emerging risks.

- **Possible end of the economic cycle** – There are indicators that economic growth could turn negative, such as, softening growth, increasing risk and depressed prices. Forecasts of global growth have been revised downward, the major Canadian housing markets are retreating from highs reached in 2018 and the yield curve inverted (popularly held as a downturn indicator) in early 2019. A range of possible triggers could make matters worse, including trade tensions and regional political instability. Central 1 is tracking the current strong labor market and credit metrics to understand impacts on the business.

- **Open banking** – The federal government has launched an Advisory Committee on Open Banking with the intent to release a consultation paper this year. Open banking could increase consumer choice but raise privacy and security concerns.

Accounting Matters

Critical Accounting Policies and Estimates

In preparing the Interim Consolidated Financial Statements in accordance with IFRS, management must exercise judgements and make estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures. The most significant areas for which management must make subjective or complex estimates and judgements include financial instruments measured at fair value, own credit risk, expected credit loss allowance, securitizations, determine if control exists over an investee, classification of financial assets, designating financial instruments in qualifying hedge relationships, income taxes, pension and post-retirement benefits and gains from system affiliates. While management makes our best estimates and assumptions, actual results may differ materially from those estimates and assumptions. Details of use of estimates and judgements can be found in Note 4 of our 2018 Annual Consolidated Financial Statements.

Changes in Accounting Policies

IFRS 16 – Leases

Effective January 1, 2019, we adopted IFRS 16, *Leases.* For further details on the impacts of the adoption of IFRS 16, including the description of accounting policies selected, refer to Note 3 of our Interim Consolidated Financial Statements for the quarter ended March 31, 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments

Effective January 1, 2019, we adopted International Financial Reporting Interpretations Committee (IFRIC) 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The adoption of this Interpretation did not have a material impact on the Interim Consolidated Financial Statements.

Related Party Disclosures

In the normal course of business, we grant loans to our 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 of our activities, which include our Executive Management and Vice-Presidents. Our policies and procedures for related party transactions have not changed significantly since December 31, 2018.

Details of our related party disclosures were disclosed in Note 20 of the Interim Consolidated Financial Statements.

Interim Consolidated Financial Statements

For the Quarter Ended March 31, 2019

central 1

Interim Consolidated Statement of Financial Position (Unaudited)

(Thousands of dollars)	Notes	March 31 2019	Dec 31 2018
Assets			
Cash		$ **176,631**	$ 811,360
Deposits with regulated financial institutions		**6,110**	6,078
Securities	5	**13,929,312**	13,286,020
Reinvestment assets under the Canada Mortgage Bond Program	5	**655,111**	580,457
Derivative assets		**66,217**	92,352
Loans	6	**1,922,186**	1,939,247
Current tax assets		**7,630**	7,487
Settlements in-transit		**688,521**	32,845
Property and equipment		**24,839**	19,447
Intangible assets		**28,740**	24,659
Deferred tax assets		**254**	4,289
Investments in affiliates	20	**81,331**	76,961
Other assets	7	**34,689**	25,967
		$ **17,621,571**	$ 16,907,169
Liabilities			
Deposits	8	$ **11,473,618**	$ 10,973,365
Obligations related to securities sold short		**214,505**	139,371
Derivative liabilities		**86,913**	82,880
Debt securities issued		**1,966,241**	1,958,045
Obligations under the Canada Mortgage Bond Program	9	**1,083,396**	1,040,493
Subordinated liabilities		**425,234**	422,192
Provisions		**1,947**	1,713
Settlements in-transit		**691,909**	748,227
Securities under repurchase agreements		**495,015**	381,053
Other liabilities	10	**60,318**	68,890
		16,499,096	15,816,229
Equity			
Share capital	11	**431,037**	429,937
Retained earnings		**676,816**	652,343
Accumulated other comprehensive income (loss)		**4,699**	(1,489)
Reserves		**24**	26
Total equity attributable to members of Central 1		**1,112,576**	1,080,817
Non-controlling interest		**9,899**	10,123
		1,122,475	1,090,940
		$ **17,621,571**	$ 16,907,169
Guarantees, commitments, and contingencies	17		
Subsequent events	21		

Approved by the Directors:

"Bill Kiss" **Bill Kiss**, Chairperson

"Robert Wellstood" **Robert Wellstood**, Chairperson - Audit and Finance Committee

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Profit (Unaudited)

(Thousands of dollars)	Notes	For the three months ended March 31 2019	March 31 2018
Interest income			
Securities		**$ 75,362**	$ 63,755
Deposits with regulated financial institutions		**43**	50
Loans		**13,163**	13,275
Reinvestment assets under the Canada Mortgage Bond Program		**1,430**	1,302
		89,998	78,382
Interest expense			
Debt securities issued		**13,162**	13,382
Deposits		**47,913**	41,420
Subordinated liabilities		**3,141**	3,103
Obligations under the Canada Mortgage Bond Program		**3,346**	4,315
		67,562	62,220
Interest margin		**22,436**	16,162
Gain (loss) on disposal of financial instruments	12	**26,172**	(4,712)
Change in fair value of financial instruments	13	**(12,491)**	1,666
Net financial income		**36,117**	13,116
Impairment loss on financial assets		**234**	183
		35,883	12,933
Non-financial income	14	**33,644**	34,786
Gains from system affiliates		**-**	43,017
Net financial and non-financial income		**69,527**	90,736
Non-financial expense			
Salaries and employee benefits		**20,290**	20,382
Premises and equipment		**2,073**	1,960
Other administrative expenses	15	**19,223**	22,644
		41,586	44,986
Profit before income taxes		**27,941**	45,750
Income taxes		**2,817**	4,760
Profit		**$ 25,124**	$ 40,990

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Comprehensive Income (Unaudited)

(Thousands of dollars)	For the three months ended March 31 2019	March 31 2018
Profit	**$ 25,124**	$ 40,990
Other comprehensive income (loss), net of tax		
Items that may be reclassified subsequently to profit		
Fair value reserves (securities at fair value through other comprehensive income)		
Net change in fair value of debt securities at fair value through other comprehensive loss	**11,799**	83
Reclassification of realized gains to profit	**(3,319)**	(3,884)
Share of other comprehensive income of affiliates accounted for using the equity method	**198**	-
	8,678	(3,801)
Items that will not be reclassified subsequently to profit		
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	**(3,393)**	1,660
Other comprehensive income (loss), net of tax	**5,285**	(2,141)
Comprehensive income, net of tax	**$ 30,409**	$ 38,849
Income taxes (recoveries) on items that may be reclassified subsequently to profit		
Net change in fair value of debt securities at fair value through other comprehensive loss	**$ 2,488**	$ 19
Reclassification of realized gains to profit	**$ (698)**	$ (824)
Share of other comprehensive income of affiliates accounted for using the equity method	**$ 19**	$ -
Income taxes on items that may not be reclassified subsequently to profit		
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	**$ (713)**	$ 352

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Changes in Equity (Unaudited)

(Thousands of dollars)	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to equity members								
Balance at December 31, 2018	$ 429,937	$ 652,343	$ (2,323)	$ (430)	$ 1,264	$ 26	$ 1,080,817	$ 10,123	$ 1,090,940
Changes on initial application of IFRS 16 (Note 3)		28					28		28
Restated balance of January 1, 2019	$ 429,937	$ 652,371	$ (2,323)	$ (430)	$ 1,264	$ 26	$ 1,080,845	$ 10,123	$ 1,090,968
Total comprehensive income									
Profit		25,348					25,348	(224)	25,124
Other comprehensive income, net of tax									
Fair value reserve (securities at fair value through other comprehensive loss)			8,480				8,480		8,480
Share of other comprehensive income of affiliates accounted for using the equity method			198				198		198
Liability credit reserve				(3,393)			(3,393)		(3,393)
Total comprehensive income	-	25,348	8,678	(3,393)	-	-	30,633	(224)	30,409
Transactions with owners, recorded directly in equity									
Related tax savings for dividends		(2)					(2)		(2)
Net Classes "A", "B", "C" and "F" shares issued (Note 11)	1,100						1,100		1,100
Transfer/distribution from reserves		2				(2)	-		-
Total contributions from and distributions to owners	1,100	-	-	-	-	(2)	1,098	-	1,098
Reclassification of liability credit reserve on derecognition[(1)]		(903)		903			-		-
Balance at March 31, 2019	**$ 431,037**	**$ 676,816**	**$ 6,355**	**$ (2,920)**	**$ 1,264**	**$ 24**	**$ 1,112,576**	**$ 9,899**	**$ 1,122,475**

[(1)] Transfer of cumulative gain or loss on derecogntion of financial liabilities at FVTPL.

Profit attributable to:		2019	2018
	Members of Central 1	**$ 25,348**	$ 40,971
	Non-controlling interest	**(224)**	19
		$ 25,124	$ 40,990

Total comprehensive income attributable to:			
	Members of Central 1	**$ 30,633**	$ 38,830
	Non-controlling interest	**(224)**	19
		$ 30,409	$ 38,849

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Changes in Equity (Unaudited)

(Thousands of dollars)	Share Capital	Contributed Surplus	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to equity members									
Balance at December 31, 2017	$ 428,143	$ 72,897	$ 584,971	$ 20,880	$ -	$ (1,808)	$ 3,950	$ 1,109,033	$ 10,088	$ 1,119,121
Changes on initial application of IFRS 9			18,771	(8,067)	(11,789)		(2)	(1,087)		(1,087)
Restated balance of January 1, 2018	$ 428,143	$ 72,897	$ 603,742	$ 12,813	$ (11,789)	$ (1,808)	$ 3,948	$ 1,107,946	$ 10,088	$ 1,118,034
Total comprehensive income										
Profit			40,971					40,971	19	40,990
Other comprehensive income (loss), net of tax										
Fair value reserve (securities at fair value through other comprehensive income)				(3,801)				(3,801)		(3,801)
Liability credit reserve					1,660			1,660		1,660
Total comprehensive income	-	-	40,971	(3,801)	1,660	-	-	38,830	19	38,849
Transactions with owners, recorded directly in equity										
Class "E" shares redemption or reaquisition	(7)	(72,897)	(2,100)					(75,004)		(75,004)
Related tax savings			8,448					8,448		8,448
Net Classes "A", "B", "C" and "F" shares issued	47,848							47,848		47,848
Transfer from reserves			4				(4)	-		-
Total contributions from and distributions to owners	47,841	(72,897)	6,352	-	-	-	(4)	(18,708)	-	(18,708)
Balance at March 31, 2018	$ 475,984	$ -	$ 651,065	$ 9,012	$ (10,129)	$ (1,808)	$ 3,944	$ 1,128,068	$ 10,107	$ 1,138,175

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Cash Flows (Unaudited)

(Thousands of dollars)	Notes	For the three months ended March 31 2019	March 31 2018
Cash flows from operating activities			
Profit for the period		$ **25,124**	$ 40,990
Adjustments for:			
Depreciation and amortization		**158**	2,098
Interest margin		**(22,436)**	(16,162)
Loss (gain) on disposal of financial instruments		**(26,172)**	4,712
Change in fair value of financial instruments		**12,491**	(1,666)
Impairment loss on financial assets		**234**	183
Gain from system affiliates		**-**	(43,017)
Income taxes		**2,817**	4,760
Other items, net		**-**	265
		(7,784)	(7,837)
Change in securities		**(551,769)**	(789,640)
Change in settlements in-transit		**(711,995)**	(170,381)
Change in loans		**17,415**	(692,204)
Change in other assets		**(8,745)**	(10,627)
Change in deposits		**451,499**	842,790
Change in obligations related to securities sold short		**70,849**	83,343
Change in derivative assets and liabilities		**2,440**	3,094
Change in other liabilities		**(1,259)**	2,681
		(739,349)	(738,781)
Interest received		**88,189**	67,034
Interest paid		**(47,603)**	(37,404)
Income tax paid		**(28)**	(90)
Net cash used in operating activities		**(698,791)**	(709,241)
Cash flows from investing activities			
Change in reinvestment assets under the Canada Mortgage Bond Program		**(72,418)**	(61,331)
Change in property and equipment		**1,422**	(276)
Change in intangible assets		**(5,273)**	(1,039)
Change in investments in affiliates		**(4,154)**	2,031
Net cash used in investing activities		**(80,423)**	(60,615)
Cash flows from financing activities			
Change in debt securities issued		**6,923**	145,563
Change in lease liabilities		**1,093**	-
Change in obligations under the Canada Mortgage Bond Program	9	**35,350**	15,215
Change in securities under repurchase agreements		**113,826**	161,916
Dividends paid		**(13,807)**	(18,129)
Redemption of Class A shares	11	**-**	(378,101)
Issuance of Class F shares	11	**1,100**	425,949
Redemption of Class E shares	11	**-**	(53,050)
Reacquisition of treasury shares	11	**-**	(21,954)
Net cash from financing activities		**144,485**	277,409
Decrease in cash		**(634,729)**	(492,447)
Cash - beginning of period		**811,360**	550,763
Cash - end of period		$ **176,631**	$ 58,316

See accompanying notes to the Interim Consolidated Financial Statements

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1. General information

Central 1 Credit Union (Central 1) is domiciled in Canada with a registered office located at 1441 Creekside Drive, Vancouver, British Columbia V6J 4S7, Canada. Central 1 is governed by the *Credit Union Incorporation Act (British Columbia)*. These Interim Consolidated Financial Statements include Central 1 and its subsidiaries.

Central 1 is the partner of choice for financial, digital banking and payment products and services for more than 300 financial institutions across Canada, including its member credit unions in British Columbia (B.C.) and Ontario. The performance of the British Columbia credit union system and that of Central 1's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) plays an integral part in determining the results of Central 1's operations and its financial position.

2. Basis of presentation

Statement of compliance

These Interim Consolidated Financial Statements have been prepared on a condensed basis in accordance with IAS 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2018, with the exception of the adoption of International Financial Reporting Standard (IFRS) 16, *Leases*, as discussed below. As these Interim Consolidated Financial Statements do not include all of the annual financial statements disclosures required under IFRS, they should be read in conjunction with Central 1's Annual Audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2018.

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, with the exception of IFRS 16 adoption.

The Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on May 23, 2019.

Use of estimates and judgements

In preparing the Interim Consolidated Financial Statements in accordance with IFRS, management must exercise judgements and make estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures.

The most significant areas for which management must make subjective or complex estimates and judgements include:

- Financial instruments measured at fair value,
- Central 1's own credit risk,
- Expected credit loss (ECL) allowance,
- Securitizations,
- Determine if control exists over an investee,
- Classification of financial assets,
- Designating financial instruments in qualifying hedge relationships,
- Income taxes,
- Pension and post-retirement benefits, and
- Gains from system affiliates.

While management makes its best estimates and assumptions, actual results may differ materially from those estimates and assumptions. Details of use of estimates and judgements can be found in Note 4.

3. Change in accounting policies

The accounting policies set out below have been applied since January 1, 2019.

IFRS 16 - Leases

On January 1, 2019, Central 1 adopted IFRS 16, which replaced IAS 17, *Leases,* and related interpretations. While lessor accounting remains similar to IAS 17, IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As such, Central 1 has changed its accounting policies for lease contracts as detailed below.

Central 1 has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. This means that it applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and related interpretations were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 will be only applied to contracts entered into or changed on or after January 1, 2019.

Central 1 adopted IFRS 16 by applying a modified retrospective approach, under which the transition impact is recognized as an adjustment to the opening balance of retained earnings on the adoption date, with no restatement of comparative information. Accordingly, the comparative information presented in this Interim Consolidated Financial Statements does not reflect the requirements of IFRS 16.

When applying the modified retrospective approach, Central 1 used the following practical expedients on a lease-by-lease basis:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases, and
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

A. As a lessee

i. Nature of leasing activities

Central 1 has entered into lease agreements for its Mississauga and Toronto offices. The leases of both offices run for a period of 11 years from January 1, 2019, with an option to renew the lease of the Mississauga office for two further periods of five years each and that of the Toronto office for one further period of five years after the end of the contract term. The lease payments for both property leases are reset periodically to market rental rates.

The leases have terms of three to five years. The lease payments are fixed over the lease term. Some of these leases are of low-value items and Central 1 has elected not to recognize ROU assets and lease liabilities for these leases.

ii. Recognition and Measurement

Under IFRS 16, Central 1 will recognize new assets and liabilities for its operating leases of office spaces, IT equipment and photocopiers on its Interim Consolidated Statement of Financial Position. On the Interim Consolidated Statement of Profit, Central 1 will recognize a depreciation charge for these ROU assets and an interest expense on lease liabilities.

a) Measurement of lease liability

Central 1 initially measures the lease liability at the present value of the lease payments that are not paid on the commencement date, discounted using Central 1's weighted average incremental borrowing rate (IBR) on that date. The IBR is the rate of interest that Central 1 would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Subsequent to the initial measurement, the lease liability is measured at amortized cost by using the effective interest method. It is increased to reflect interest on the lease liability and decreased to reflect the lease payments made. It is remeasured when there is a lease modification or if Central 1 changes its assessment of whether it will exercise an extension or a termination option.

Some of Central 1's lease contracts contain lease and non-lease components. Charges paid for the right to use an asset is considered as a lease component. However, the fees for activities or costs that transfer goods or services, such as maintenance, utilities and property taxes, are non-lease components. Under IFRS 16, these fees are either excluded from the lease liability and expensed as incurred or included in the lease liability through an election to apply the practical expedient. Central 1 did not elect to apply the practical expedient to account for the lease component and associated non-lease component as a single lease component. As such, they are expensed as incurred.

b) Measurement of ROU asset

Central 1 will initially measure the ROU asset at cost on the lease commencement date which comprises of:

- The initial amount of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentive received,
- Any initial direct costs incurred by Central 1, and
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset to the conditions required by the lease contracts.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the ROU assets or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. Subsequent to the initial measurement, Central 1 will measure the ROU assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

iii. Short-term leases and leases of low-value assets

On transition and subsequently, Central 1 has elected to apply recognition exemptions to short-term leases and leases of low-value items. Short-term leases are leases for which the lease term as determined under IFRS 16 is 12 months or less. Low-value items include underlying assets having a low value when they are new, even if they are material in aggregate, such as computers. These recognition exemptions allow Central 1 to continue recognize these leases as operating leases and the related lease payments as an expense on a straight-line basis over the lease term.

B. As a lessor

As a lessor, Central 1 leases out its investment property. Central 1 is not required to make an adjustment on transition to IFRS 16 for leases in which it acts as a lessor. As such, Central 1 will continue to classify the leases of investment property as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the property.

C. Transition impact of IFRS 16 adoption

The adoption of IFRS 16 led to the recognition of an approximate $5.7 million ROU assets and $5.7 million lease liabilities on transition with the difference recognized in retained earnings.

(Thousands of dollars)		Jan 1 2019
Impact on Statement of Financial Position		
Assets		
Property and Equipment	$	5,752
Total Assets	$	5,752
Liabilities		
Other Liabilities	$	5,724
Equity		
Retained Earnings		28
Total Liabilities and Equity	$	5,752

Central 1 presents the interest expense relating to its lease liability from the adoption of IFRS 16 under Other administrative expenses on the Statement of Profit.

The following table provides a reconciliation between the aggregate lease liability recognized on January 1, 2019 and Central 1's operating lease commitments disclosed at December 31, 2018.

(Thousands of dollars)		Jan 1 2019
Operating lease commitments at December 31, 2018	$	6,089
Effect of discounting those lease commitments using		
Central 1's incremental borrowing rate on January 1, 2019		(1,008)
Finance lease liabilities recognized as at December 31, 2018		(1,177)
Less: Recognition exemption for:		
Short-term leases recognized on a straight-line basis as expense		(74)
Low-value leases recognized on a straight-line basis as expense		(424)
Extension (or not termination) options reasonably certain to be exercised		2,318
Lease liabilities recognized at January 1, 2019	$	5,724

IFRIC 23 – Uncertainty over Income Tax Treatments

Effective January 1, 2019 Central 1 adopted International Financial Reporting Interpretations Committee (IFRIC) 23, *Uncertainty over Income Tax Treatments.* The interpretation clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The adoption of this interpretation did not have a material impact on the Interim Consolidated Financial Statements.

4. Use of estimates and judgements

The judgments made by management in applying Central 1's accounting policies and the key sources of estimation uncertainty were the same as those described in Note 4 of Central 1's Annual Consolidated Financial Statements as at December 31, 2018.

5. Securities

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
Securities FVTPL				
Government and government guaranteed securities	**$**	**6,745,475**	$	6,787,033
Corporate and major financial institutions AA[1] or greater		**1,187,573**		1,001,534
Other		**560,792**		884,179
Fair value	**$**	**8,493,840**	$	8,672,746
Amortized cost	**$**	**8,434,344**	$	8,668,069
Securities FVOCI				
Government and government guaranteed securities	**$**	**3,355,974**	$	2,986,984
Corporate and major financial institutions AA[1] or greater		**525,449**		451,091
Other		**1,554,049**		1,175,199
Fair value	**$**	**5,435,472**	$	4,613,274
Amortized cost	**$**	**5,430,578**	$	4,619,401
Total fair value	**$**	**13,929,312**	$	13,286,020

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

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 Statement of Financial Position at fair value, except for those classified as amortized cost.

The following table provides a breakdown of these reinvestment assets:

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
FVTPL				
Government and government guaranteed securities	**$**	**648,478**	$	580,457
Amortized cost	**$**	**647,929**	$	582,168
Amortized cost				
Assets acquired under reverse repurchase agreements	**$**	**6,633**	$	-
Total reinvestment assets under the Canada Mortgage Bond Program	**$**	**655,111**	$	580,457

6. Loans

The following table presents loans that are classified as amortized cost and FVTPL.

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
Due on demand				
Credit unions	$	**178,299**	$	363,083
Commercial and others		**2,476**		941
		180,775		364,024
Term				
Credit unions		**20,000**		175,732
Commercial and others		**725,619**		673,573
Reverse repurchase agreements		**962,509**		694,772
Officers and employees		**9,094**		7,976
		1,717,222		1,552,053
		1,897,997		1,916,077
Accrued interest		**2,786**		2,446
Premium		**3,564**		3,980
		1,904,347		1,922,503
Expected credit loss		**(1,277)**		(999)
Amortized cost		**1,903,070**		1,921,504
Fair value hedge adjustment[1]		**(3,417)**		(4,660)
Carrying value	$	**1,899,653**	$	1,916,844
FVTPL				
Term				
Commercial and others	$	**22,081**	$	22,229
Accrued interest		**32**		49
Premium		**75**		81
Amortized cost	$	**22,188**	$	22,359
Fair value	$	**22,533**	$	22,403
Total loans	$	**1,922,186**	$	1,939,247

[1] Central 1 enters into fair value hedges to hedge the risks caused by changes in interest rates.

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

7. Other assets

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
Investment property	$	**1,081**	$	1,108
Prepaid expenses		**16,043**		10,665
Post-employment benefits		**3,031**		3,058
Accounts receivable and other		**14,534**		11,136
	$	**34,689**	$	25,967

8. Deposits

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
Deposits designated as FVTPL				
Due within three months	$	**554,432**	$	551,048
Due after three months and within one year		**1,575,658**		1,698,918
Due after one year and within five years		**4,254,977**		4,450,854
Due after five years		**3,877**		-
		6,388,944		6,700,820
Accrued interest		**48,924**		48,373
Amortized cost	$	**6,437,868**	$	6,749,193
Fair value	$	**6,430,886**	$	6,697,026
Deposits held at amortized cost				
Due on demand	$	**1,830,591**	$	1,421,721
Due within three months		**1,162,138**		906,640
Due after three months and within one year		**559,972**		638,720
Due after one year and within five years		**1,478,273**		1,300,688
Due after five years		**50**		-
		5,031,024		4,267,769
Accrued interest		**11,708**		8,570
Amortized cost	$	**5,042,732**	$	4,276,339
	$	**11,473,618**	$	10,973,365

9. Obligations under the Canada Mortgage Bond Program

Central 1 has recognized its obligations to CHT under the Canada Mortgage Bond (CMB) Program at fair value in the Interim Consolidated Statement of Financial Position. The contractual maturities of these obligations are indicated below.

(Thousands of dollars)	Mar 31 2019	Dec 31 2018
Amounts		
Due within one year	**$ 183,374**	$ 267,092
Due after one year and within five years	**898,363**	779,356
	1,081,737	1,046,448
Accrued interest	**3,597**	565
Amortized cost	**$ 1,085,334**	$ 1,047,013
Fair value	**$ 1,083,396**	$ 1,040,493

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

(Thousands of dollars)	Mar 31 2019	Dec 31 2018
FVTPL		
Total reinvestment assets under the Canada Mortgage Bond Program (see Note 5)	**$ 655,111**	$ 580,457
Assets recognized as securities	**401,072**	433,677
Fair value	**$ 1,056,183**	$ 1,014,134
Amortized cost		
Assets recognized in loans	**$ 30,201**	$ 30,643
Total underlying assets designated	**$ 1,086,384**	$ 1,044,777

10. Other liabilities

(Thousands of dollars)		Mar 31 2019		Dec 31 2018
Post-employment benefits	$	**15,249**	$	15,361
Short-term employee benefits		**11,510**		8,506
Dividends payable		**-**		13,807
Unearned insurance premiums		**648**		1,061
Finance Leases		**6,817**		1,178
Accounts payable and other		**26,094**		28,977
	$	**60,318**	$	68,890

11. Share capital

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

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

Central 1 may issue an unlimited number of Class F shares and may redeem its shares at its option with the approval of the Board of Directors. The shares will be issued to Class A members in proportion to their share of mandatory deposits with Central 1. The holders of these shares are entitled to receive dividends as declared from time to time. The shares have a par value of $1 per share.

In the event of a liquidation, dissolution or winding-up of Central 1, the holders of Class F shares will be entitled to receive a pro-rata distribution from the available property and assets of Central 1 contained in or designated by the Board of Directors to be a part of the Mandatory Liquidity Pool (MLP) together with all declared and unpaid dividends. Any surplus, after the distribution to the holders of Class F shares, shall be distributed rateably and proportionally among the holders of Class A, B, C, D, and E shares according to the number of shares held at that time. The amount paid to a member in respect of each Class E share held by that member shall not exceed $100 per Class E share.

(Thousands of shares)	Mar 31 2019	Dec 31 2018	Mar 31 2018
Number of shares issued			
Class A - credit unions			
Balance at beginning of period	**43,359**	428,101	428,101
Issued during the period	**-**	13	-
Redeemed during the period	**-**	(384,755)	(378,101)
Balance at end of period	**43,359**	43,359	50,000
Class B - co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C - other			
Balance at beginning and end of period	**7**	7	7
Class E - credit unions			
Balance at beginning of period	**2,154**	3,051	3,051
Redeemed during the period	**-**	(897)	(530)
Balance at end of period	**2,154**	2,154	2,521
Class F - credit unions			
Balance at beginning of period	**386,547**	-	-
Issued during the period	**1,100**	448,949	425,949
Redeemed during the period	**-**	(62,402)	-
Balance at end of period	**387,647**	386,547	425,949
Number of treasury shares			
Treasury shares - Class E			
Balance at beginning of period	**(264)**	(44)	(44)
Reacquired during the period	**-**	(220)	(220)
Balance at end of period	**(264)**	(264)	(264)

On March 29, 2018, Central 1 issued 425.9 million Class F shares with a price of $1 per share and redeemed 378.1 million Class A shares with a redemption value of $1 per share, following members' approval of changes to Central 1's Constitution and Rules. As part of this transaction, Central 1 also redeemed or reacquired 750 thousand Class E shares for an aggregate value of $75.0 million, of which 220 thousand Class E shares were reacquired and maintained as treasury shares through one of Central 1's wholly owned subsidiaries.

Class F in-cycle share calls are scheduled each May and November in accordance with Central 1's Capital Policy. On May 31, 2018, Central 1 issued 10.0 million Class F shares with a price of $1 per share and on November 30, 2018 Central 1 issued 13.0 million Class F shares with a price of $1 per share for the in-cycle share calls.

On March 29, 2019, Central 1 issued 1.1 million Class F shares with a price of $1 per share to member shareholders that had elected to defer part of their Class F share issuance from the March 29, 2018 Class F share transaction.

(Thousands of dollars)	Mar 31 2019	Dec 31 2018	Mar 31 2018
Amount of share capital outstanding			
Outstanding $1 par value shares			
Class A - credit unions	**$ 43,359**	$ 43,359	$ 50,000
Class B - cooperatives	**5**	5	5
Class C - other	**7**	7	7
Class F - credit unions	**387,647**	386,547	425,949
Outstanding $0.01 par value shares			
Class E - credit unions	**21**	21	25
	431,039	429,939	475,986
Amount of treasury shares			
Treasury shares	**(2)**	(2)	(2)
Balance at end of period	**$ 431,037**	$ 429,937	$ 475,984

12. Gain (loss) on disposal of financial instruments

(Thousands of dollars)	For the three months ended Mar 31 2019	Mar 31 2018
Net gain (loss) on disposal of securities as at FVTPL	**$ 21,636**	$ (12,850)
Net gain on disposal of securities as at FVOCI	**4,020**	4,708
Net gain on disposal of derivative instruments	**2,226**	2,872
Net gain (loss) on disposal of loans	**7**	(44)
Net gain on disposal of deposits designated as at FVTPL	**97**	334
Net gain (loss) on disposal of obligations related to securities sold short	**(1,814)**	268
	$ 26,172	$ (4,712)

13. Change in fair value of financial instruments

(Thousands of dollars)	For the three months ended Mar 31 2019	Mar 31 2018
Securities as at FVTPL	$ 54,075	$ (5,565)
Loans	302	(52)
Activities under the Canada Mortgage Bond Program		
Reinvestment assets	2,260	(650)
Derivative instruments	(9,052)	(867)
Obligations under the Canada Mortgage Bond Program	(4,582)	1,559
Derivative instruments	(12,582)	885
Financial liabilities as at FVTPL		
Deposits designated as at FVTPL	(41,057)	6,776
Obligations related to securities sold short	(1,855)	(420)
	$ (12,491)	$ 1,666

14. Non-financial income

	For the three months ended			
	Mar 31 2019			Mar 31 2018
(Thousands of dollars)	Revenue arising from contracts with customers	Revenue arising from other sources	Total	Total
Mandatory Liquidity Pool	$ -	$ (259)	$ (259)	$ 155
Wholesale Financial Services				
Lending fees	1,879	-	1,879	1,637
Securitization fees	1,906	-	1,906	1,899
Foreign exchange income	-	3,170	3,170	1,821
Other	1,974	348	2,322	2,213
Digital & Payment Services				
Payment processing and other fees	13,913	-	13,913	13,969
Direct banking fees	8,355	-	8,355	8,005
System Affiliates				
Equity interest in affiliates	-	1,053	1,053	126
Income from investees	-	101	101	1,443
Other				
Membership dues	612	-	612	2,941
Other	592	-	592	577
	$ 29,231	$ 4,413	$ 33,644	$ 34,786

15. Other administrative expense

(Thousands of dollars)	For the three months ended Mar 31 2019	Mar 31 2018
Cost of sales and services	$ **2,922**	$ 3,898
Cost of payments processing	**4,263**	3,704
Management information systems	**4,878**	4,581
Professional fees	**5,867**	6,436
Flow through membership dues	**-**	1,426
Business development projects	**187**	164
Other	**1,106**	2,435
	$ **19,223**	$ 22,644

16. Segment information

For management reporting purposes, Central 1's operations and activities are organized around three key business segments: Mandatory Liquidity Pool (MLP), Wholesale Financial Services (WFS), and Digital & Payment Services. Central 1's investments in equity shares of system-related entities other than the wholly owned subsidiaries are separately reported under System Affiliates. All other activities or transactions which do not relate directly to these 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 systems 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 F shares as approved by Central 1's Board of Directors, which in aggregate equals to the net return on the liquidity portfolio.

Wholesale Financial Services

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 system'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 also operates the Group Clearer settlement function. As a Group Clearer under the rules of the Payments Canada, Central 1 is a Large Value Transfer System (LVTS) participant, and acts as the credit union systems' financial institution connection to the Canadian payments system.

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Digital & Payment Services

Digital & Payment Services develops and operates innovative digital banking technologies and payment processing solutions for member credit unions, other financial institutions and corporate clients. This segment offers *MemberDirect®* services, a host of digital banking solutions that allow 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.

Certain strategic initiatives relating to digital banking and payments solutions are included in this segment.

System Affiliates

This segment includes Central 1's investments in equity shares of system-related entities other than the wholly owned subsidiaries. For those entities over which Central 1 has significant influence, Central 1 uses the equity method to account for its share of income in these entities. Details of the entities that we have substantial investments in or significant influence over are described in Note 20.

Other

The Other segment comprises enterprise level activities which are not allocated to business segments described above, such as consolidation adjustments and corporate support functions, including the costs of implementing strategic initiatives, other than ones included in Digital & Payments Services, 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.

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.

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 judgements 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. The costs of Corporate Support functions are attributed to business lines as appropriate, with the remaining included in 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 2.

Periodically, certain business lines and units are transferred among business segments to more closely 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 March 31, 2019:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	System Affiliates	Other	Total
Net financial income (expense) including impairment on financial assets	$ 12,527	$ 24,563	$ (108)	$ (1,099)	$ -	**$ 35,883**
Non-financial income	(259)	9,277	22,268	1,154	1,204	**33,644**
Net financial and other income	12,268	33,840	22,160	55	1,204	**69,527**
Non-financial expense	1,705	9,888	25,795	5	4,193	**41,586**
Profit (loss) before income taxes	10,563	23,952	(3,635)	50	(2,989)	**27,941**
Income tax expense (recovery)	1,835	4,160	(631)	4	(2,551)	**2,817**
Profit (loss)	**$ 8,728**	**$ 19,792**	**$ (3,004)**	**$ 46**	**$ (438)**	**$ 25,124**
Total assets as at March 31, 2019	**$ 8,085,210**	**$ 9,322,290**	**$ 17,273**	**$ 128,176**	**$ 68,622**	**$ 17,621,571**
Total liabilities as at March 31, 2019	**$ 7,598,100**	**$ 8,927,149**	**$ (37,590)**	**$ 16,391**	**$ (4,954)**	**$ 16,499,096**
Total equity as at March 31, 2019	**$ 487,110**	**$ 395,141**	**$ 54,863**	**$ 111,785**	**$ 73,576**	**$ 1,122,475**

The following table summarizes the segment results for the three months ended March 31, 2018:

(Thousands of dollars)	Mandatory Liquidity Pool	Wholesale Financial Services	Digital & Payment Services	System Affiliates	Other	Total
Net financial income (expense) including impairment on financial assets	$ 5,551	$ 8,094	$ (76)	$ (636)	$ -	$ 12,933
Non-financial income	155	7,570	21,974	44,586	3,518	77,803
Net financial and other income	5,706	15,664	21,898	43,950	3,518	90,736
Non-financial expense	2,041	7,737	24,200	1,333	9,675	44,986
Profit (loss) before income taxes	3,665	7,927	(2,302)	42,617	(6,157)	45,750
Income tax expense (recovery)	647	2,453	(485)	7,458	(5,313)	4,760
Profit (loss)	$ 3,018	$ 5,474	$ (1,817)	$ 35,159	$ (844)	$ 40,990
Total assets as at March 31, 2018	$ 8,731,546	$ 10,439,965	$ 21,888	$ 230,589	$ 72,919	$ 19,496,907
Total liabilities as at March 31, 2018	$ 8,209,679	$ 10,002,901	$ (37,310)	$ 152,574	$ 30,888	$ 18,358,732
Total equity as at March 31, 2018	$ 521,867	$ 437,064	$ 59,198	$ 78,015	$ 42,031	$ 1,138,175

17. Guarantees, commitments and contingencies

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

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)		Mar 31 2019		Dec 31 2018
Commitments to extend credit	**$**	**4,889,651**	$	4,525,950
Guarantees				
Financial guarantees	**$**	**512,500**	$	480,000
Performance guarantees	**$**	**910,000**	$	810,000
Standby letters of credit	**$**	**199,138**	$	201,090
Future prepayment swap reinvestment commitment	**$**	**1,247,808**	$	1,100,987

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on March 31, 2019 are $19.8 million, $431.3 million and $86.9 million (December 31, 2018 - $21.2 million, $471.1 million and $78.0 million).

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

Pledged assets

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

(Thousands of dollars)	Mar 31 2019	Dec 31 2018
Assets pledged to Bank of Canada & Direct Clearing Organizations[(1)(2)]	**$ 53,443**	$ 51,328
Assets pledged in relation to:		
Derivative financial instrument transactions	**22,068**	27,342
Securities lending	**31,896**	11,369
Obligations under the Canada Mortgage Bond Program	**401,072**	433,677
Reinvestment assets under the Canada Mortgage Bond Program	**655,111**	580,457
Securities under repurchase agreements	**495,015**	381,053
	$ 1,658,605	$ 1,485,226

(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.

18. Financial instruments – Fair value

Certain financial instruments are recognized in the Interim Consolidated Statement of Financial Position at fair value. These include derivative instruments, securities, loans, deposits with regulated financial institutions, obligations related to securities sold short, deposits designated as at FVTPL, reinvestment assets and obligations held under the Canada Mortgage Bond 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 approximates fair value

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

Financial instruments for which fair value is determined using valuation techniques

The most significant assets and liabilities for which fair value is determined using valuation techniques include: deposits, derivatives, loans, equity investments, and securities within the CMB program without quoted market prices. To determine fair value, Central 1 discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. For a portion of our equity investments, quoted market prices are not available, in which case we would consider using valuation techniques such as net present value, discounted cash flow, comparison with instruments where observable inputs exist, Binomial Tree option pricing model and other valuation techniques. Assumptions and inputs used in these valuation techniques include risk-free rate, benchmark interest rate, and expected price volatility.

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.

Securities, obligation related to securities sold short, derivative assets and liabilities, reinvestment assets and obligations under CMB Program are classified as Level 2 in the hierarchy with observable prices or rate inputs as compared to transaction prices, dealer quotes or vendor prices. Loans at FVTPL and equity investments in Cooperative entities and Credit Union and private equities, where inputs are unobservable, are classified as Level 3 in the hierarchy.

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 financial assets and financial liabilities classified in accordance with the fair value hierarchy:

(Millions of dollars) Mar 31 2019	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[(1)]	Total Carrying Value
Financial assets						
Cash	$ -	$ -	$ -	$ -	$ 176.6	176.6
Deposits with regulated financial institutions[(1)]	-	-	-	-	6.1	6.1
Securities	-	13,880.8	48.5	13,929.3	-	13,929.3
Reinvestment assets under the CMB Program	-	655.1	-	655.1	-	655.1
Derivative assets	-	66.2	-	66.2	-	66.2
Loans	-	-	22.5	22.5	1,899.7	1,922.2
Total financial assets	$ -	$ 14,602.1	$ 71.0	$ 14,673.2	$ 2,082.4	$ 16,755.6
Financial liabilities						
Deposits	$ -	6,430.9	$ -	$ 6,430.9	$ 5,042.7	11,473.6
Obligations related to securities sold short	-	214.5	-	214.5	-	214.5
Derivative liabilities	-	86.9	-	86.9	-	86.9
Debt securities issued	-	-	-	-	1,966.2	1,966.2
Obligations under the CMB Program	-	1,083.4	-	1,083.4	-	1,083.4
Subordinated liabilities	-	-	-	-	425.2	425.2
Provisions	-	-	-	-	2.0	2.0
Securities under repurchase agreements	-	-	-	-	495.0	495.0
Total financial liabilities	$ -	$ 7,815.7	$ -	$ 7,815.7	$ 7,931.2	$ 15,746.9

(1) Amounts carried at amortized cost include financial instruments classified as amortized cost 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) Dec 31 2018	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[(1)]	Total Carrying Value
Financial assets	$ -	$ 13,910.8	$ 70.5	$ 13,981.3	$ 2,734.3	$ 16,715.6
Financial liabilities	$ -	$ 7,959.8	$ -	$ 7,959.8	$ 7,039.3	$ 14,999.1

(1) Amounts carried at amortized cost include financial instruments classified as amortized cost or other financial liabilities.

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 2018	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair value at Mar 31 2019
Equity shares	$ 48.1	$ -	$ -	$ -	$ 0.4	**$ 48.5**
Loans	22.4	-	-	-	0.1	**22.5**
Total financial assets	$ 70.5	$ -	$ -	$ -	$ 0.5	**$ 71.0**

19. 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 includes, but is 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 March 29, 2018, Class A members' investment in Class A shares were reduced and Class F shares were issued to Class A members in proportion to their portion of mandatory deposits. The capital from the remaining outstanding number of Class A shares of $50.0 million will provide regulatory capital to support strategic and operational initiatives over Central 1's planning cycle.

Regulatory capital

Central 1's capital levels are regulated under provincial regulations administered by 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 borrowing multiple of no more than 17.0:1 for the MLP segment and no more than 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 targets an operating borrowing multiple upper limit no greater than 16.8:1 for the MLP segment and 14.0:1 for the WFS segment.

Provincial regulations in British Columbia, which apply to B.C. credit unions as well as to Central 1, use a risk-weighted approach to capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings generally parallel the methodology used by OSFI to regulate Canadian chartered banks. Provincial Legislation requires Central 1's total capital ratio, calculated by dividing regulatory capital by risk-weighted assets, to be no less than 8.0%. FICOM guidance requires Central 1’s total capital ratio to be no less than 10.0%. Additionally, Central 1 must maintain a total capital ratio of at least 10.0% to enable member 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 2 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 March 31, 2019 and March 31, 2018.

20. Related party disclosures

Related parties of Central 1 include:

- key management personnel and their close family members;
- Board of Directors and their close family members;
- entities over which Central 1 has control or significant influence; and
- Central 1’s post-employment plans as described in Note 30 of the Annual Audited Consolidated Financial Statements as at December 31, 2018.

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.

(Thousands of dollars)	Mar 31 2019	Dec 31 2018
Mortgage loans outstanding at the end of the period	**$ 1,568**	$ 1,580

The mortgage loans to key members of 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 Mar 31 2019		Mar 31 2018
Salaries and short-term employee benefits	**$**	**1,084**	$	617
Post-employment benefits		**50**		41
	$	**1,134**	$	658

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

Transactions with Board of Directors

(Thousands of dollars)		For the three months ended Mar 31 2019		Mar 31 2018
Total remuneration	**$**	**147**	$	147

Significant subsidiaries

(% of direct ownership outstanding)	Mar 31 2019	Dec 31 2018
Central 1 Trust Company	**100%**	100%
CUPP Services Ltd.	**100%**	100%
C1 Ventures (VCC) Ltd.	**100%**	100%
0789376 B.C. Ltd.	**100%**	100%

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 outstanding)	Mar 31 2019	Dec 31 2018
The CUMIS Group Limited	**27%**	27%
CU CUMIS Wealth Holdings LP	**35%**	35%
189286 Canada Inc.	**52%**	52%
Agility Forex Ltd.	**28%**	28%

In order to support Payments Canada's modernization project, Interac Corp.'s Board of Directors approved a capital call of $42.0 million at its January 31, 2019 meeting, the first tranche of a total $80.0 million capital call with the second tranche expected to occur in 2020. As Central 1 has both direct and indirect interests in Interac Corp., a commitment was required to support the capital call. Subsequent to the quarter end, Central 1 satisfied its commitment under the first tranche by making a capital contribution of $3.0 million, consisting of $0.4 million for its direct interest in Interac Corp, and $2.6 million for its indirect interest in Interac Corp through 189286 Canada Inc.

Substantial investments

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

(% of direct ownership outstanding)	Mar 31 2019	Dec 31 2018
The Co-operators Group Limited	**21%**	21%
Canadian Credit Union Association	**59%**	59%

21. Subsequent events

Sale of subsidiary

On April 1, 2019, Central 1 completed the sale of Credit Union Advantage Insurance Brokerage Ltd., a wholly owned subsidiary of Central 1, to Co-operators Financial Services Limited (The Co-operators). The decision to transition Central 1's insurance operations to The Co-operators was driven by the best interests of the credit union system and is part of Central 1's evolution to be a more agile and streamlined service delivery structure.

Subordinated liabilities

On April 25, 2019, Central 1 redeemed $200.0 million principal amount of 2.89% Series 4 subordinated notes.