Quarterly Report

For the Second Quarter of 2020

central 1

Second Quarter Results

Second quarter 2020 consolidated financial results compared to the same period last year:

- Profit after tax of $72.0 million, compared to profit after tax of $12.7 million.
- Assets of $21.3 billion, up 19.0 per cent from $17.9 billion.

Following the extreme widening of credit spreads in the first quarter of 2020, Central 1 Credit Union's ('Central 1' or 'the organization') second quarter financial performance was positively impacted by a significant narrowing of these spreads, which led to a $157.2 million increase in unrealized gains from the first quarter, and a $85.8 million increase compared to the same period last year. The reversal of credit spreads towards levels more consistent with historical norms occurred in parallel with the easing of COVID-19-related restrictions across Canada during the second quarter.

Although COVID-19 is causing significant social and economic changes and is expected to continue for an extended period, Central 1 remains steadfast in enabling the long-term success and prosperity of its members, clients and the credit union system. The organization continues to adapt to the health and economic crisis to support clients and the credit union system, and by extension, the financial well-being of Canadians. This means continuing to deliver essential and innovative financial, digital and payments products and services; protecting core business functions for clients and the credit union system; and providing existing and new products to assist system liquidity.

As a primary liquidity provider to the credit union system, Central 1 manages its portfolio to ensure appropriate levels of liquidity to support the system during times of stress. Central 1 is focused on maintaining confidence in the system and committed to supporting members and clients. The organization continues to help credit unions navigate the current economic environment and provide members access to liquidity sources. Credit unions have actively increased their overall liquidity and the level of liquidity in the credit union system remains high relative to historical norms, reinforcing Central 1's members' ability to respond appropriately during challenging times.

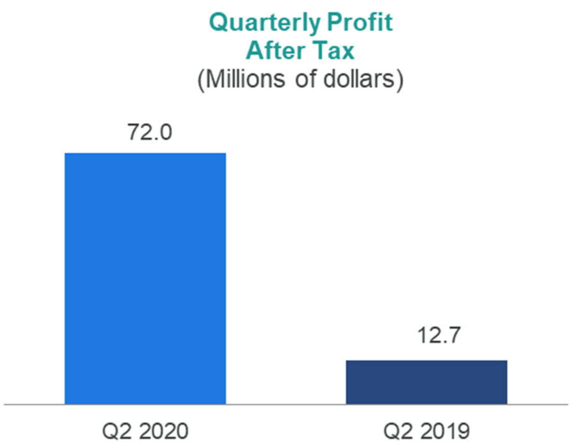
"Overall business performance was strong during the quarter and reinforces our ability to navigate the pandemic," said Mark Blucher, Central 1 President and CEO. "Our members and clients are telling us they are feeling a deep appreciation for the value, service and protection we bring to their organizations. We remain committed to adapting to their evolving needs, assisting them in responding to the significant disruptions to their organizations, and ensuring the system's resilience and success, now and into the future."

Central 1 has been powering financial institutions for more than 75 years. The organization has sustained success over the long-term, in part because of its unique place in the cooperative banking ecosystem and the ability to evolve its business. Central 1's scale, strength and expertise remain the source of its competitive advantage. The success of its members and clients, and the financial well-being of Canadians, continue to be Central 1's compass and purpose. Central 1 powers progress for more than 250 credit unions and other financial institutions, and by extension, more than five million customers from coast to coast.

Economic and Financial Markets Overview

The COVID-19 pandemic is a health crisis not like any other seen in modern times and the road to recovery is uncertain. The virus has spread rapidly and measures to contain it have greatly curtailed economic activity. Its effects are expected to linger for years to come. How well economies fare will largely depend on how the pandemic unfolds. Some countries and regions have been very effective in controlling the spread, and thus economic activity has begun to pick up in those economies while others are still seeing increases in the number of infections with containment measures brought back and fully in place. There are also questions about how fast economies will recover, especially with business closures and massive job losses. The consumer side may take even more time to recover as people change their priorities, work habits, and other social behaviours.

Second Quarter Consolidated Results

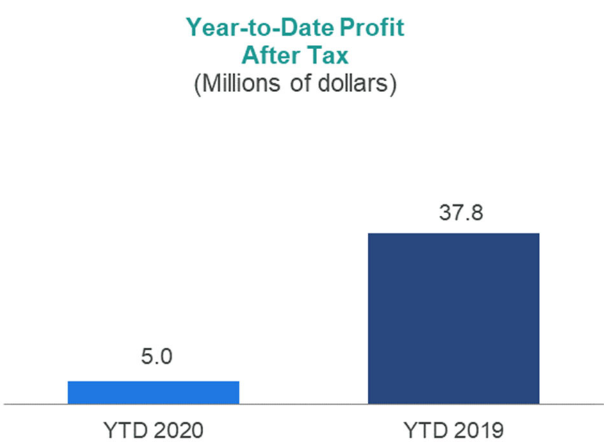


Following the extreme widening of credit spreads in the first quarter of 2020, the second quarter's consolidated results were positively impacted by significant narrowing of these spreads which led to a $157.2 million increase in unrealized gains from the first quarter and a $85.8 million increase compared to the same period last year. The reversion of credit spreads towards levels more consistent with historical norms has occurred in tandem with Canadian provinces easing their COVID-19 related restrictions during the second quarter.

The Mandatory Liquidity Pool (MLP) reported a profit after tax of $32.1 million for the second quarter of 2020, compared to a profit after tax of $7.7 million in the same period last year. The significant narrowing of credit spreads during the quarter led to a $36.5 million increase in unrealized gains from the same period last year.

Excluding the results from the MLP, Central 1's second quarter results saw an increase of $34.9 million in profit after tax from the same period a year ago, driven by a $49.3 million increase in unrealized gains from significant narrowing of credit spreads. The deterioration in the economic outlook, as a result of the impact from COVID-19, led to a $2.4 million increase in Central 1's expected credit loss (ECL) for the second quarter of 2020 compared to the same period last year. Investments in strategic initiatives continued in the second quarter of 2020, consistent with the prior year and Central 1's long-term strategic plan, with the amount spent being $1.9 million lower from the same period last year. Non-financial income and non-financial expense remained stable compared to the same quarter last year.

Year-To-Date Consolidated Results



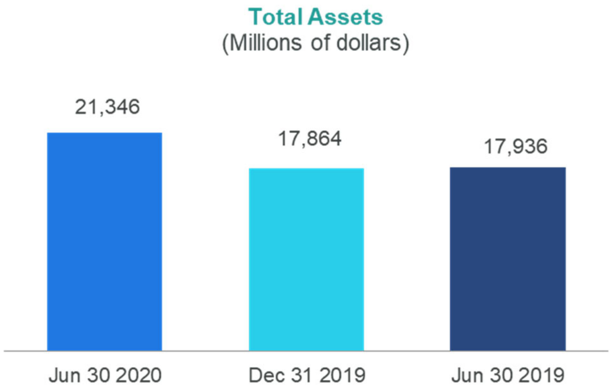
The COVID-19 pandemic has adversely impacted Central 1's consolidated results for the first six months of 2020, which was down $32.8 million from the same period of 2019.

The MLP reported a profit after tax of $2.4 million for the first six months of 2020, down $14.0 million compared to the same period last year, driven by a $17.1 million decrease in net financial income. The flatter yield curve and higher demand for short-term investments in the market have resulted in a reduction in interest margin within the portfolio.

Excluding the results from the MLP, Central 1's year-to-date results saw a profit after tax of $2.6 million, down $18.8 million compared to the same period last year. While the 2019 year-to-date results benefited from narrowing credit spreads, that has not been the case in 2020 to date. The unrealized gains or losses have fluctuated substantially reflective of the market volatility associated with COVID-19, leading to a $15.5 million decrease in net financial income.

The deterioration in the macroeconomic outlook as a result of the COVID-19 pandemic also led to a $3.3 million increase in Central 1's ECL compared to the same period last year. Investments in strategic initiatives continued in 2020 with a $5.3 million increase in spending from the same period last year. Non-financial income and non-financial expense were broadly consistent year-over-year.

Statement of Financial Position



In response to the potential economic impact of COVID-19 many credit unions are holding additional liquidity. As a result, there has been an increase in deposits being held at Central 1 during the first half of 2020. The investment of these funds can be observed by increased total assets in 2020, reflective of member credit unions depositing their excess liquidity with Central 1.

Central 1 is currently well positioned to provide support to credit unions. In response to the current economic environment, the portfolio team increased the proportion of short term and cash assets to maximize flexibility and responsiveness to any increase in liquidity needs.

Treasury

Treasury saw a $38.4 million increase in profit before tax from the same quarter last year, driven by a $49.3 million increase in unrealized gains from the same period last year. Following the significant widening of credit spreads in the first quarter of 2020, these spreads reverted in the second quarter towards levels more consistent with historical norms as many Canadian provinces began to ease their COVID-19 related restrictions. A $2.4 million increase in ECL was recorded due to the deterioration in the economic outlook from the impact of COVID-19. Treasury's cash and liquid assets at June 30, 2020 increased $3.1 billion from December 31, 2019, supported by growth in deposits.

Central 1 continues to help its members and clients navigate the current economic environment and provide access to various liquidity sources. From supporting its members through successful securitization and residential mortgage funding to investing in short-term special deposits, Central 1 is committed to providing its members with the expertise, products and services to ensure their success.

Digital & Payment Services

During the second quarter of 2020, Digital & Payment Services continued to invest in strategic initiatives including the development and rollout of the Forge Digital Banking Platform (Forge) and payments modernization with the costs incurred being $3.3 million lower than the same period last year. Lower spending in strategic initiatives mainly contributed to a smaller loss of $4.5 million before tax compared to the second quarter of 2019.

Central 1 continually monitors its Digital Banking and Payments platforms for performance and stability, and recognizes a stable and enhanced digital banking platform is more important than ever to their clients and its members and customers. A successful Digital Banking Services (DBS) Upgrade was completed in April, which introduced significant changes and advantages for clients while ensuring Forge remains scalable, supported and secure.

Central 1 is highly focused on onboarding clients to Forge, while continuing to evolve the Forge Retail Banking and Business banking suite of products. With greater emphasis on the crucial need for a refined, enhanced digital banking experience, 98 active implementation projects are currently in the pipeline.

One of the unique advantages of Forge is that clients will have access to fintech partnerships within Forge Community, the integrated digital ecosystem where fintechs and digital innovators can design, build and benefit from each other's innovations. Forge Community is now welcoming development collaborations, after having successfully debuted widgets from G&F Financial Group and the Back Office Collaborative, followed by the first third party widget with B.C.-based fintech, Do Some Good.

Central 1 continues to strengthen the credit union system through further enhancing the digital banking tools provided to support individuals and businesses impacted by COVID-19. There is continued collaboration with the Government of Canada and its representative federal agencies to facilitate the ability of credit unions in offering the Canada Emergency Business Account (CEBA) program to Canadian businesses and sole proprietors hit by the COVID-19 pandemic.

The organization is making good progress in advancing its payments strategy. Central 1 remains committed to continually enhancing its technologies and partnerships to ensure it is offering the most robust, cost-effective payments system – that is aligned to or exceeds Payments Canada and Interac requirements – and positions its members and clients for growth.

Mandatory Liquidity Pool

The MLP saw an increase of $29.6 million in its profit before tax for the second quarter compared to the same quarter of 2019, and an increase of $74.9 million from the first quarter of 2020 due to the extreme widening of credit spreads during the quarter. These spreads during the second quarter narrowed significantly, leading to a $36.5 million increase in unrealized gains from the same period last year. The reversion of credit spreads towards levels more consistent with historical norms has occurred in tandem with Canadian provinces easing their COVID-19 related restrictions during the second quarter.

In 2019, the Central 1 Board of Directors approved the submission of a plan to the B.C. Financial Services Authority (BCFSA) to legally segregate the B.C. and Ontario MLPs. Central 1 received BCFSA's acceptance of the segregation plan. The MLP is separately managed from Central 1's other business lines. The MLP is a liquidity reserve fund made up of B.C. and Ontario credit union deposits, as required by the *Financial Institutions Act (British Columbia)* or by contract, which are invested by Central 1 to provide liquidity for Central 1's Class A credit union members.

One of Central 1's strategic initiatives for 2020 is restructuring liquidity management for the benefit of Class A members. Since January 2020, Central 1 has collaborated with treasury and finance experts from 13 credit unions in B.C. and 12 credit unions in Ontario, who formed two MLP Working Groups. The goal was to fully understand credit unions' needs and recommend a path that best supports the credit union system in B.C. and Ontario. Broad system consultation with our Class A members is now underway.

Management's Discussion & Analysis

June 30, 2020

central 1

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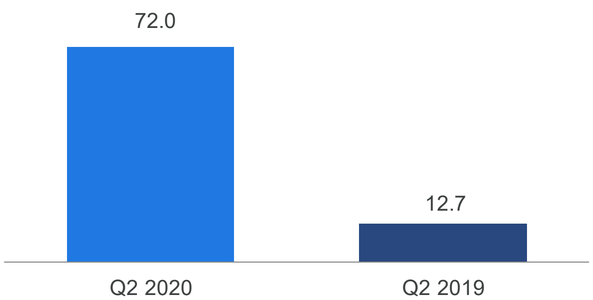
In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated August 21, 2020. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the periods ended June 30, 2020 and June 30, 2019 (Interim Consolidated Financial Statements), which were authorized for issue by the Board of Directors (the Board) on August 21, 2020. 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.

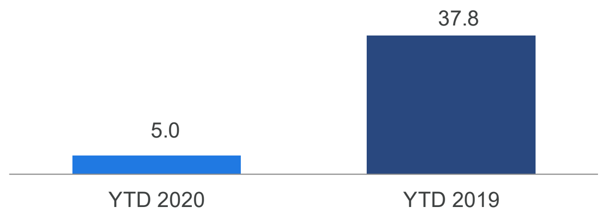
This MD&A also includes financial information about the credit union systems in British Columbia (B.C.) and Ontario. The B.C. credit union system is made up of all credit unions in B.C. except one credit union that has elected to become a federal credit union, while the Ontario credit union system is 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 B.C. Financial Services Authority (BCFSA) and by the Financial Services Regulatory Authority 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

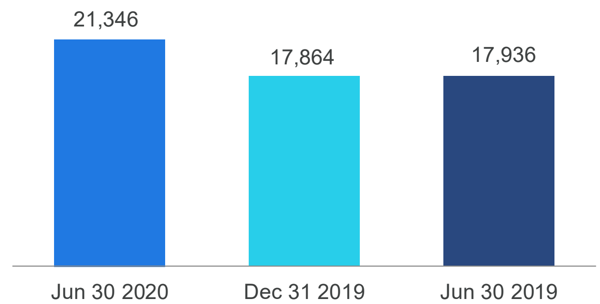
Quarterly Profit After Tax
(Millions of dollars)



Year-to-Date Profit After Tax
(Millions of dollars)



Total Assets
(Millions of dollars)



	For the three months ended			For the six months ended		
(Millions of dollars)	Jun 30 2020	Jun 30 2019	Change	Jun 30 2020	Jun 30 2019	Change
Continuing operations						
Net financial income, including impairment on financial assets	**$ 56.5**	$ 17.4	$ 39.1	**$ 25.2**	$ 40.7	$ (15.5)
Non-financial income	**34.3**	37.0	(2.7)	**66.6**	70.9	(4.3)
Net financial and non-financial income	**90.8**	54.4	36.4	**91.8**	111.6	(19.8)
Non-financial expense	**31.6**	33.7	(2.1)	**63.0**	65.0	(2.0)
	59.2	20.7	38.5	**28.8**	46.6	(17.8)
Strategic initiatives	**13.3**	15.2	(1.9)	**29.0**	23.7	5.3
Income tax (recovery)	**6.0**	0.5	5.5	**(2.8)**	1.5	(4.3)
Profit after tax from continuing operations	**$ 39.9**	$ 5.0	$ 34.9	**$ 2.6**	$ 21.4	$ (18.8)
Profit after tax from discontinuing operations	**$ 32.1**	$ 7.7	$ 24.4	**$ 2.4**	$ 16.4	$ (14.0)
Profit after tax	**$ 72.0**	$ 12.7	$ 59.3	**$ 5.0**	$ 37.8	$ (32.8)

The 2019 results has been represented to reflect the presentation of discontinuing operations. For further details, please refer to Note 10 in our Notes to the Interim Consolidated Financial Statements.

Overall, our profit after tax for the second quarter of 2020 was $59.3 million higher compared to the same period a year ago. Our year-to-date profit after tax was $5.0 million, compared to a profit after tax of $37.8 million in the first six months of 2019.

Continuing Operations

Second quarter results for continuing operations were positively impacted by significant narrowing of credit spreads which led to a $49.3 million increase in unrealized gains from the same period last year, and a $83.4 million increase from the first quarter of 2020, due to the extreme widening of credit spreads in the quarter. These spreads reverted towards levels more consistent with historical norms in parallel with the easing of the COVID-19-related restrictions across Canada during the second quarter. A $2.4 million increase in expected credit loss (ECL) was recorded during the quarter reflecting the deterioration in the economic outlook as a result of the impact from COVID-19. The lower costs incurred to support strategic initiatives also positively impacted the second quarter results, contributing to a $34.9 million increase in profit after tax from the same period last year.

Year-to-date results for continuing operations saw a $18.8 million decrease in profit after tax from the same period of 2019, primarily due to a $15.5 million decrease in net financial income. While the 2019 year-to-date results benefited from narrowing credit spreads, that has not been the case in 2020 to date. The unrealized gains or losses have fluctuated substantially reflective of the market volatility associated with COVID-19. ECL increased $3.3 million reflecting the deterioration in the economic outlook. Investments in strategic initiatives continued in 2020 with a $5.3 million increase in spending from the same period last year. Non-financial income and non-financial expense were broadly consistent year-over-year.

Discontinuing Operations

At June 30, 2020, the Mandatory Liquidity Pool (MLP) continues to be presented separately within the consolidated results following the approved segregation plan in 2019. Second quarter results for discontinuing operations reflected a $24.4 million increase in profit after tax from the same quarter of 2019. Following the extreme widening of credit spreads in the first quarter of 2020, the credit spreads narrowed significantly during the second quarter which led to a $36.5 million increase in unrealized gains from the same period last year. The reversion of credit spreads towards levels more consistent with historical norms occurred in parallel with Canadian provinces easing their COVID-19 related restrictions during the second quarter.

Year-to-date results for discontinuing operations saw a $14.0 million decrease in profit after tax compared to the same period last year, primarily due to a $17.1 million decrease in net financial income. The flatter yield curve and higher demand for short-term investments in the market have resulted in a reduction in interest margin within the portfolio.

Selected Financial Information						
		For the three months ended			For the six months ended	
	Jun 30 2020	**Jun 30 2019**	**Change**	**Jun 30 2020**	**Jun 30 2019**	**Change**
Return on average assets	**1.4%**	0.3%		**0.1%**	0.4%	
Return on average equity	**27.2%**	4.5%		**0.9%**	6.9%	
Earnings per share *(cents)* [(1)]						
Basic/Diluted	**16.3**	2.9	13.4	**1.1**	8.8	(7.7)
Basic/Diluted from continuing operations	**9.0**	1.1	7.9	**0.6**	5.0	(4.4)
Basic/Diluted from discontinuing operations	**7.3**	1.8	5.5	**0.5**	3.8	(3.3)
Weighted average shares outstanding *(number of shares)*	**441.1**	431.1	10.0	**440.6**	430.5	10.1
Average assets *(millions of dollars)*	**$ 21,092.1**	$ 17,509.3	$ 3,582.8	**$ 19,315.4**	$ 17,123.2	$ 2,192.2

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

Selected Financial Information						
						As at
		Jun 30 2020		Dec 31 2019		Jun 30 2019
Balance sheet *(millions of dollars)*						
Total assets	**$**	**21,346.3**	$	17,864.1	$	17,935.8
Regulatory ratios						
Tier 1 capital ratio		**21.9%**		33.5%		36.0%
Provincial capital ratio		**26.9%**		42.1%		44.1%
Borrowing multiple		**16.3:1**		13.5:1		13.4:1
Share Information *(thousands of dollars, unless otherwise indicated)*						
Outstanding $1 par value shares						
Class A - credit unions	**$**	**43,359**	$	43,359	$	43,359
Class B - cooperatives	**$**	**5**	$	5	$	5
Class C - other	**$**	**7**	$	7	$	7
Class F - credit unions	**$**	**397,737**	$	396,686	$	387,776
Outstanding $0.01 par value shares with redemption value of $100						
Class E - credit unions	**$**	**21**	$	21	$	21
Treasury shares	**$**	**(2)**	$	(2)	$	(2)

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

The change in total assets correlates to the change in the size of our funding portfolios. Total assets increased $3.5 billion from year-end and $3.4 billion from a year ago, largely due to the strong growth in deposits which reflected credit unions holding additional liquidity in response to the potential economic impact of COVID-19.

Regulatory ratios declined from the same period a year ago due to an increase in total risk weighted assets (RWA), reflective of the increase in total assets. The borrowing multiple increased compared to the prior year-end as a result of growth in mandatory and non-mandatory deposits. In response to the COVID-19 pandemic and market disruption, BCFSA permit us to increase our borrowing multiple from 15.0:1 to 18.0:1 for the Treasury segment, effective March 23, 2020, which was further increased from 18.0:1 to 20.0:1, effective May 31, 2020, and to increase our borrowing multiple from 17.0:1 to 20.0:1 for the MLP segment, effective March 31, 2020. Central 1 was in compliance with all regulatory capital requirements as at the reporting periods ended June 30, 2020 and June 30, 2019.

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, the outlook for the Canadian economy and the provincial economies in which our member credit unions operate and the impacts of the COVID-19 pandemic. 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. The future outcomes that related to the forward-looking statements may be influenced by many factors and assumptions, including but not limited to: assumptions regarding general economic and market conditions; changes in government monetary, fiscal or economic policies; changes in currency and interest rates; the Canadian housing market; legislative and regulatory developments, including tax legislation and interpretation; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; changes in competition; modifications to credit ratings; information technology and cyber security; developments in the technological environment and including assumptions set out under Economic Developments and Outlook below and elsewhere in this MD&A. 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, operational risks and risks and uncertainty from the impact of the COVID-19 pandemic.

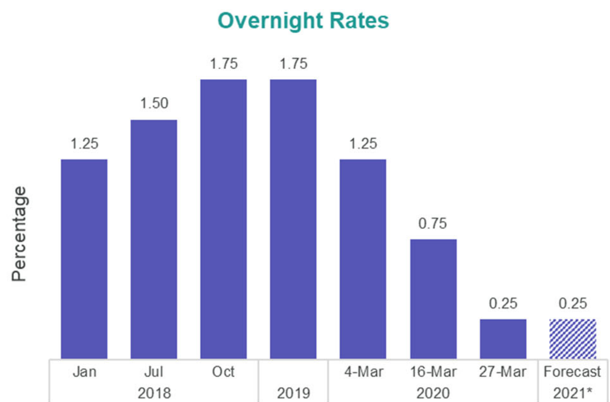
Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact our results. We do not undertake to update forward-looking statements except as required by law.

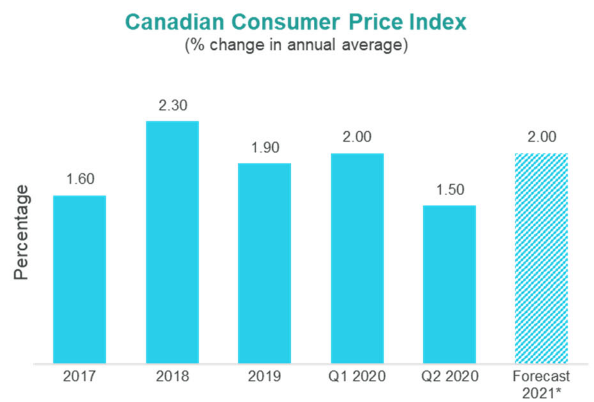
Additional information about these and other factors can be found in the Factors That May Affect Future Results and Risk Review sections of our 2019 Annual Report.

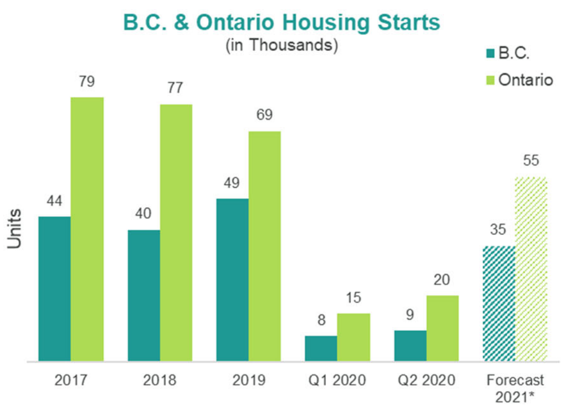
Economic Developments and Outlook

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

Economic activity in the United States declined sharply in the second quarter, reflecting the disruption associated with the measures taken to fight the global COVID-19 pandemic. We expect, once released, that consumer spending will come in at its lowest levels since The Great Depression as retail establishments were mandated to close. Sectors that were especially hit hard are the leisure and hospitality sector, with tourism and travel businesses showing very little activity. Manufacturing activity also slowed as social distancing measures and outbreaks slowed or halted production and demand for goods was weak, notably in the auto and aerospace sectors. Home sales also plunged in part due to fewer listings and restrictions on showings and construction activity also fell as significantly fewer new projects materialized. GDP numbers, when released, are expected to drop around 32.0 per cent on an annualized basis, according to Wall Street Journal consensus, but is expected to bounce back 15.0 per cent in the third quarter. Unemployment peaked at 14.7 per cent but is slowly declining as businesses begin to reopen. However, despite business activity picking up, the outlook remains highly uncertain, as new cases in the U.S. continue to remain high in many states. Expectations are for a slow and long recovery, but it will be highly dependent on the ability to control the rate of infection.

The Canadian economy suffered the sharpest and most severe recession in the second quarter since The Great Depression. Central 1 Economics estimate that the economy will have shrunk at an annualized rate of 40.0 per cent. The economy began to free-fall through all of April and into May with unemployment reaching a high of 13.7 per cent but has dipped to 12.3 per cent at the end of the second quarter. All industries were negatively affected by the restrictions, with businesses dependent on people gathering together, hurt the most. Canada's economic recovery will largely depend not only on the pandemic path, but on commodity prices and international trade. Pandemic-related restrictions have begun to ease across the country as fewer new cases have been detected. While oil and other commodity prices have bounced back from their bottoms, they remain low and are expected to stay there for the near future. Central 1 Economics estimate third quarter GDP to bounce back at a 30.0 per cent annualized rate but fall below to single digits in the fourth quarter. However, there is still great uncertainty as to how this recovery will unfold as it will come down to how strong preventive measures for a second wave are, how strong people's confidence is on the preventive measures, as well as how many businesses survive the slowdown.

Financial Markets

Central banks and governments around the world have responded swiftly by taking measures to stabilize their financial systems and support credit flows. Policy rates have been reduced and many have taken steps to improve liquidity and ease funding strains. Markets have responded positively to these measures as equity prices have mostly recovered, credit spreads have narrowed, and volatility has declined in all markets. As such, use of these facilities has begun to decline and now with market function improving and economies reopening, they have provided considerable levels of monetary stimulus. The Bank of Canada (BoC) has committed to continue buying government bonds until the economic recovery is well underway. With yields on five-year government bonds dropping sharply, this has eventually translated to significantly cheaper fixed rate mortgages as well as other borrowing rates for Canadians. The U.S. dollar has also dipped against other currencies, signaling the flight to safer assets has subsided. While the target overnight rate is expected to stay at 25 basis points for the next few years, longer term rates should slowly climb, and the yield curve should become steeper.

Industry Regulation

The second quarter of 2020 saw continued rollout and expansion of programs and regulatory adjustments by governments in B.C., Ontario and federally, to manage the impacts of COVID-19. Building on actions taken in the first quarter, the government continued to partner with financial institutions who played an essential role in helping Canadians weather the impacts of the pandemic. For Central 1 in particular, BCFSA extended the period in which we were able to apply a higher MLP and Treasury borrowing multiple, to continue enabling us to source additional liquidity to assist credit unions with managing member demands. Similar liquidity ratio adjustments that had been granted to credit unions were also extended.

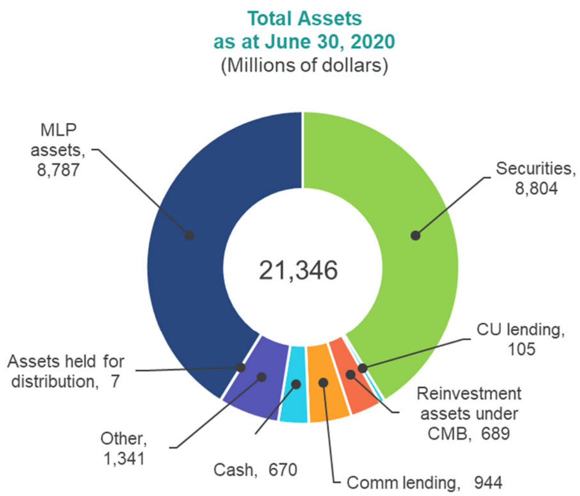
Federally, the government and its representative federal agencies delivered the Canada Emergency Business Account program, comprised of $40,000 partially forgivable loans to small business, to be flowed through financial institutions to their small business clients. We collaborated with the federal agencies to provide an efficient funnel to ensure B.C. and Ontario credit unions were able to participate in this important funding program.

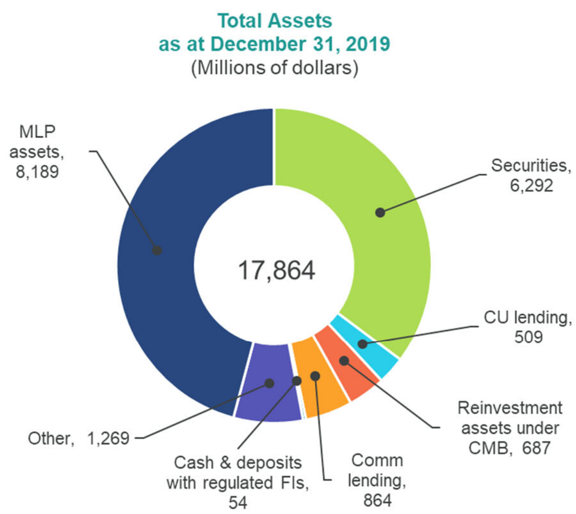
In B.C., the Legislature remained focused on COVID-19, and regulations regarding BCFSA's rule-making authority around the treatment of capital and liquidity under the *Financial Institutions Act* came into force on June 22, 2020. A key change related to this regulation is the formalization of a consultation process BCFSA must follow with credit unions and other stakeholders when introducing material changes to policies or guidance.

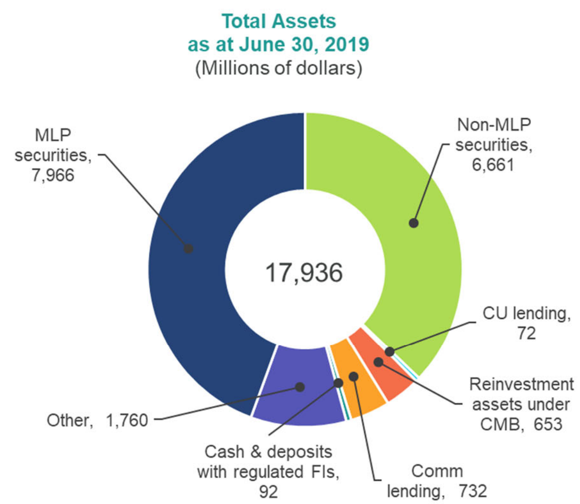
In Ontario, revisions to the *Credit Union and Caisses Populaires Act* and to the *Mortgage Brokers, Lenders and Administrators Act* (MBLAA) that had been anticipated at some point in the Spring 2020 legislative session were postponed further, due to government's continuing focus on COVID-19. These revised pieces of legislation are now expected when the house returns for its Fall 2020 sitting.

Statement of Financial Position

Total Assets





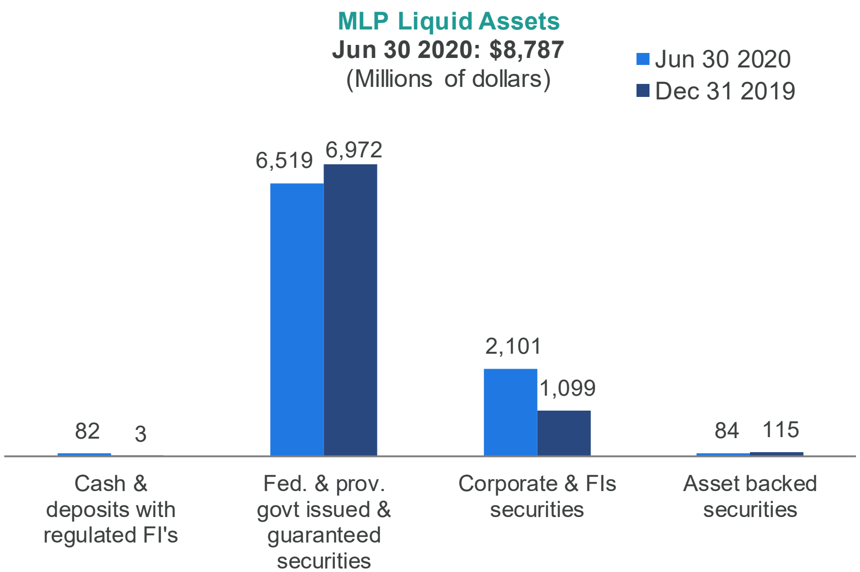


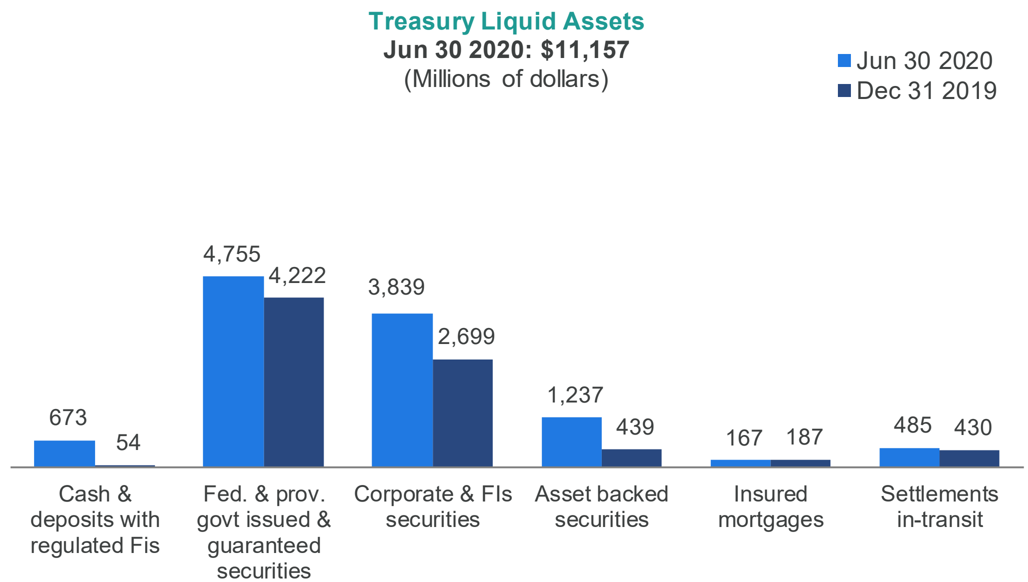
Total assets at June 30, 2020 saw an increase of $3.5 billion from December 31, 2019, supported by the strong growth in our deposits. In response to the potential economic impact of COVID-19 many credit unions are holding elevated levels of liquidity reflective of additional deposits placed with Central 1. Compared to a year ago, Central 1 has observed total assets increased by $3.4 billion, also reflective of member credit unions depositing their excess liquidity with Central 1.

At June 30, 2020, the assets and liabilities of the MLP segment continued to be classified as MLP assets and liabilities held for segregation on our Interim Consolidated Statement of Financial Position following the approval from our Board in November 2019 of a plan to legally segregate MLP into contractual trusts.

At June 30, 2020, one of Central 1's subsidiaries' assets and liabilities continued to be classified as held for distribution as a result of the planned distribution of the assets net of liabilities to its credit union shareholders by the end of 2020.

Cash and Liquid Assets





Jun 30 2020	MLP**	Treasury				
(Millions of dollars)	Liquid Assets	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	$ 82.2	$ 673.3	$ -	$ 673.3	$ -	$ 673.3
Federal and provincial government issued and guaranteed securities	6,519.0	4,205.3	550.0	4,755.3	1,219.4	3,535.9
Corporate and financial institutions securities	2,101.1	3,838.6	-	3,838.6	22.2	3,816.4
Asset backed securities	84.2	1,237.4	-	1,237.4	75.0	1,162.4
Insured mortgages	-	167.3	-	167.3	62.6	104.7
Settlements in-transit	-	484.7	-	484.7	-	484.7
Total	**$ 8,786.5**	**$ 10,606.6**	**$ 550.0**	**$ 11,156.6**	**$ 1,379.2**	**$ 9,777.4**

*Unencumbered 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.

** Assets of the MLP segment only include MLP assets held for segregation.

Dec 31 2019	MLP**	Treasury				
(Millions of dollars)	Liquid Assets	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	$ 2.7	$ 53.9	$ -	$ 53.9	$ -	$ 53.9
Federal and provincial government issued and guaranteed securities	6,972.1	3,606.9	615.5	4,222.4	1,473.0	2,749.4
Corporate and financial institutions securities	1,099.0	2,699.3	-	2,699.3	19.0	2,680.3
Asset backed securities	114.7	438.5	-	438.5	45.0	393.5
Insured mortgages	-	187.0	-	187.0	73.2	113.8
Settlements in-transit	-	429.9	-	429.9	-	429.9
Total	$ 8,188.5	$ 7,415.5	$ 615.5	$ 8,031.0	$ 1,610.2	$ 6,420.8

*Unencumbered 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.

** Assets of the MLP segment only include MLP assets held for segregation.

Jun 30 2019	MLP	Treasury				
(Millions of dollars)	Liquid Assets	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	$ 48.3	$ 43.0	$ -	$ 43.0	$ -	$ 43.0
Federal and provincial government issued and guaranteed securities	7,203.9	3,357.7	771.7	4,129.4	1,361.2	2,768.2
Corporate and financial institutions securities	677.6	3,031.0	-	3,031.0	7.6	3,023.4
Asset backed securities	84.4	400.6	-	400.6	93.2	307.4
Insured mortgages	-	474.5	-	474.5	104.9	369.6
Settlements in-transit	3.8	787.8	-	787.8	-	787.8
Total	$ 8,018.0	$ 8,094.6	$ 771.7	$ 8,866.3	$ 1,567.0	$ 7,299.3

*Unencumbered 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.

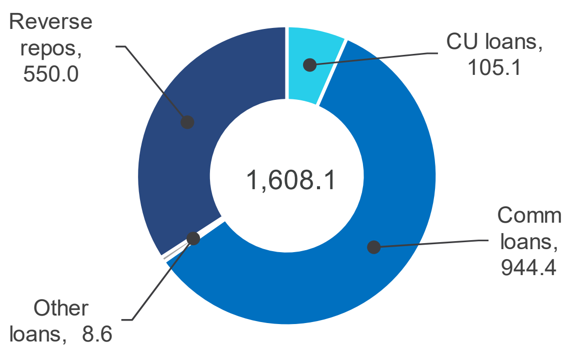
Cash and liquid assets for the MLP are managed on behalf of the credit union system. In addition, we manage our own liquidity by maintaining a portfolio of high-quality liquid assets within Treasury to support the liquidity requirements to ensure that credit unions have access to reliable and cost-effective sources of liquidity.

In response to the potential economic impact of COVID-19 many credit unions are holding elevated levels of liquidity. As a result, Central 1 has seen an increase in the deposits being held at Central 1 in 2020. This was evident in Treasury's cash and liquid assets at June 30, 2020 which increased by $3.1 billion from December 31, 2019 and $2.3 billion from a year ago.

The credit union system continued to demonstrate consistent asset growth during the first half of 2020, resulting in increased mandatory deposits with Central 1. As such, MLP's cash and liquid assets increased by $0.6 billion at June 30, 2020 from December 31, 2019. The year-over-year comparison of MLP's cash and liquid assets also illustrated consistent deposit growth within our member credit unions, up $0.8 billion from June 30, 2019.

Loans

As at June 30, 2020
(Millions of dollars)



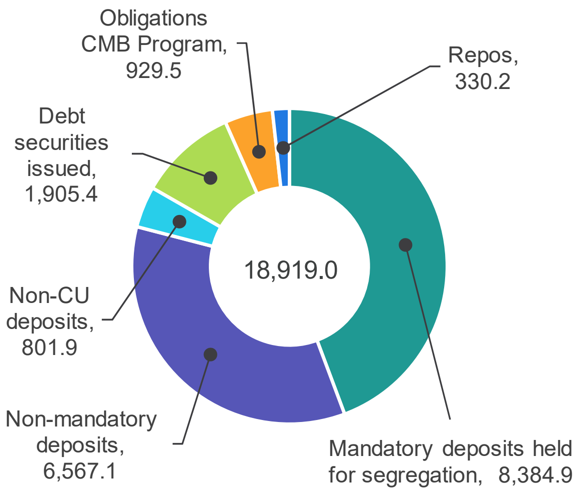
(Millions of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Loans to credit unions	**$**	**105.1**	$	508.5	$	72.3
Commercial loans		**944.4**		863.9		732.4
Other loans		**8.6**		10.2		10.3
		953.0		874.1		742.7
Reverse repurchase agreements		**550.0**		615.2		771.3
	$	**1,608.1**	$	1,997.8	$	1,586.3

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

Central 1 provides clearing lines of credit and short- and medium-term loans to its members. All lending activities are closely integrated and coordinated within their liquidity management framework. Clearing lines of credit are available in two currencies and used to cover cash requirements arising from the settlement of payment transactions. Short-term loans are used by credit unions primarily for cash management purposes for short-term liquidity needs. Central 1 also participates in loan syndications with its members which is categorized as commercial loans on the Interim Consolidated Statement of Financial Position.

During the first quarter of 2020, some credit unions drew on Central 1 lending facilities to immediately increase the liquidity reserve. Since then, credit unions have taken further steps to ensure they are well positioned in case of any negative economic shocks reverberate from the COVID-19 shutdown. As a result, credit unions have repaid most of their outstanding loans to Central 1. As of June 30, 2020, total loans outstanding from credit unions decreased by $403.4 million from $508.5 million as of December 31, 2019 to $105.1 million as of June 30, 2020. Total loans at the end of June 2020 were consistent with levels at the end of June 2019.

Funding



(Millions of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Deposits						
Mandatory deposits held for segregation	$	**8,384.9**	$	7,788.4	$	-
Mandatory deposits		**-**		-		7,507.0
Non-mandatory deposits		**6,567.1**		3,592.1		4,027.0
Deposits from member credit unions		**14,952.0**		11,380.5		11,534.0
Deposits from non-credit unions		**801.9**		610.3		1,057.9
		15,753.9		11,990.8		12,591.9
Debt securities issued						
Commercial paper issued		**378.7**		531.8		507.1
Medium-term notes issued		**1,305.1**		1,551.7		1,253.1
Subordinated liabilities		**221.6**		221.5		221.3
		1,905.4		2,305.0		1,981.5
Obligations under the Canada Mortgage Bond (CMB) Program		**929.5**		919.1		1,031.3
Securities under repurchase agreements		**330.2**		643.5		486.3
	$	**18,919.0**	$	15,858.4	$	16,091.0

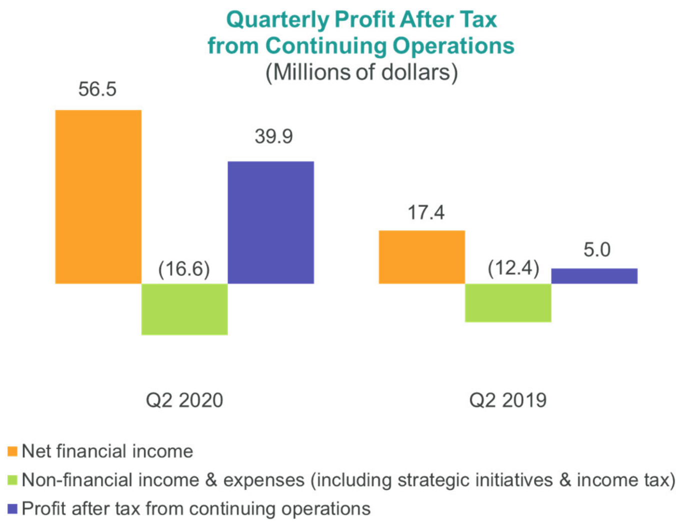
Central 1's primary funding source for Treasury is credit unions' excess liquidity deposits. Further funding diversification is achieved through the issuance of commercial paper, medium-term notes, subordinated debt and participation in securitization programs. In April 2020, we were able to employ the BoC's recently launched Commercial Paper Purchase Program. Accessing this program ensures that we have a consistent and stable source of short-term market funding to support our members and clients. Central 1 also secured access to the BoC's Standing Term Liquidity Facility which allows Central 1 to borrow from the BoC using a wide range of collateral, including mortgages, should it be needed.

Total deposits increased $3.8 billion from December 31, 2019 and $3.2 million year-over-year, driven primarily by an increase in non-mandatory deposits. The increase in deposit funding has allowed Central 1 to decrease its debt securities issued by $0.4 billion as compared to December 31, 2019. This was accomplished through reducing commercial paper and medium-term notes outstanding as they matured.

Statement of Profit

Q2 2020 vs Q2 2019

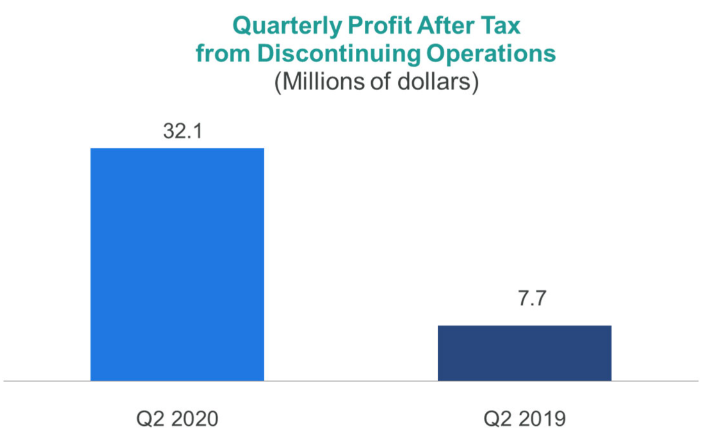
Continuing Operations



Profit after tax from continuing operations for the second quarter of 2020 was $34.9 million higher than the same period a year ago. Following the extreme widening of credit spreads in the first quarter of 2020, the second quarter results were positively impacted by significant narrowing of these spreads which led to a $83.4 million increase in unrealized gains from prior quarter and a $49.3 million increase from the same period last year. The reversion of credit spreads towards levels more consistent with historical norms occurred as market volatility decreased and many Canadian provinces eased their COVID-19 related restrictions during the second quarter.

The second quarter of 2020 saw an increase of $2.4 million in ECL, reflective of the deterioration in the economic outlook from the COVID-19. Non-financial income and non-financial expense remained stable. Investments in strategic initiatives continued into the second quarter of 2020, with the amount spent being slightly lower. The combined impact of these movements contributed to an overall increase in profit after tax from the same period last year.

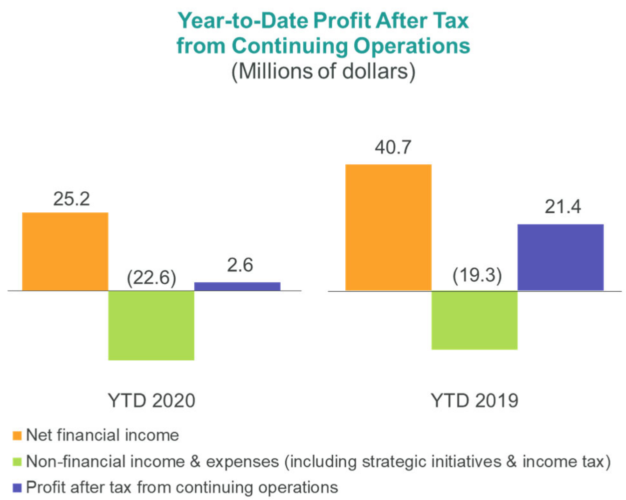
Discontinuing Operations



The MLP reported a profit after tax of $32.1 million for the second quarter of 2020, $24.4 million higher than the same period last year. Following the extreme widening of credit spreads in the first quarter of 2020, these credit spreads narrowed significantly during the second quarter which led to a $73.8 million increase in unrealized gains from prior quarter and a $36.5 million increase from the same period last year. The reversion of credit spreads towards levels more consistent with historical norms occurred as market volatility decreased and many Canadian provinces eased their COVID-19 related restrictions during the second quarter.

YTD 2020 vs YTD 2019

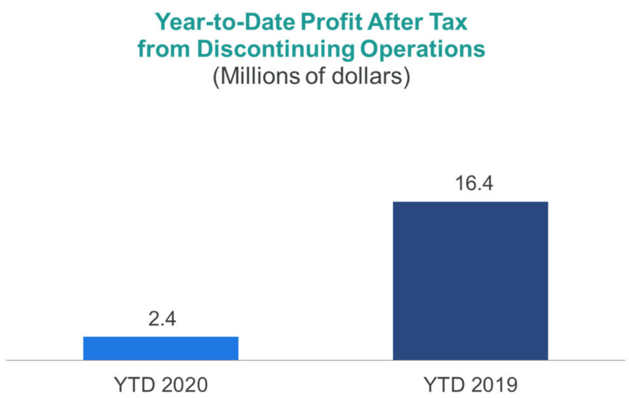
Continuing Operations



Profit after tax from continuing operations for the first six months of 2020 was $2.6 million, $18.8 million lower compared to the same period last year, driven by a $15.5 million decrease in net financial income. Interest margin from continuing operations remained consistent year-over-year. While the 2019 year-to-date results benefited from narrowing credit spreads, that has not been the case in 2020 to date. The unrealized gains or losses have fluctuated substantially in the first half of 2020 reflective of the market volatility associated with COVID-19. The impact from the COVID-19 pandemic led to the deterioration in our economic outlook and reflected a $3.3 million increase in our ECL compared to the same period last year.

Investments in strategic initiatives continued in 2020 with a $5.3 million increase in spending from the same six month period last year. Non-financial income and non-financial expense remain stable year-over-year. The combined impact of these movements contributed to the decreased profit after tax from the same period last year.

Discontinuing Operations



The MLP reported a profit after tax of $2.4 million for the first six months of 2020, compared to a profit after tax of $16.4 million in the same period last year, reflective of a $17.1 million decrease in net financial income. The flatter yield curve and higher demand for short-term investments in the market have resulted in a reduction in interest margin within the portfolio.

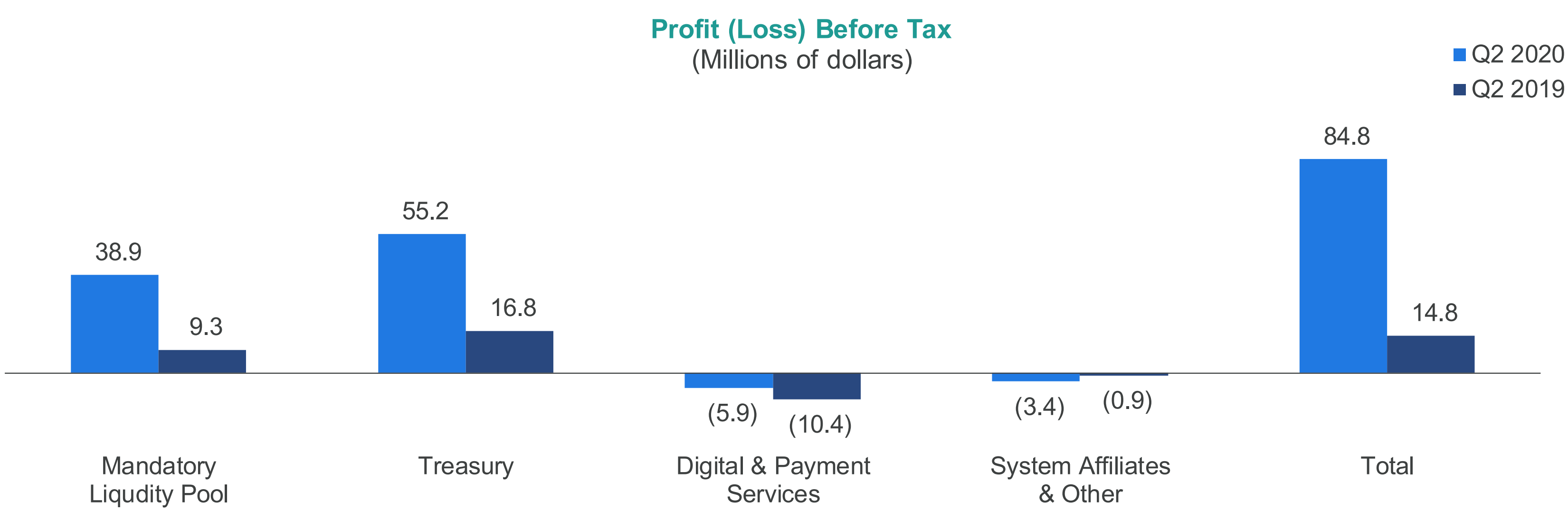
Results by Segment

Central 1's operations and activities are reported around three key business segments: MLP, Treasury, and Digital & Payment Services. At December 31, 2019, the assets and liabilities of the MLP were classified as MLP assets and liabilities held for segregation following the approval by our Board in November 2019 to submit a segregation plan to BCFSA to legally segregate the B.C. and Ontario MLPs. Central 1 received BCFSA's acceptance of the segregation plan in December 2019. Broad system consultation with our Class A members is now underway.

All other activities or transactions are reported in System Affiliates & Other including our investments in equity shares of system-related entities, other than the wholly owned subsidiaries. The costs of Corporate Support functions are attributed to business lines as appropriate, with unattributed amounts included in System Affiliates & Other.

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

Q2 2020 vs Q2 2019



For the three months ended June 30, 2020 (Millions of dollars)		Mandatory Liqudity Pool		Treasury		Digital & Payment Services		System Affiliates & Other		Total
Net financial income (expense), including impairment on financial assets	$	41.9	$	56.6	$	(0.1)	$	-	**$**	**98.4**
Non-financial income		(0.7)		7.5		25.0		1.8		**33.6**
Net financial and non-financial income		41.2		64.1		24.9		1.8		**132.0**
Non-financial expenses		2.0		8.9		20.3		2.4		**33.6**
		39.2		55.2		4.6		(0.6)		**98.4**
Strategic investments		0.3		-		10.5		2.8		**13.6**
Profit (loss) before tax	**$**	**38.9**	**$**	**55.2**	**$**	**(5.9)**	**$**	**(3.4)**	**$**	**84.8**

For the three months ended June 30, 2019 (Millions of dollars)		Mandatory Liqudity Pool		Treasury		Digital & Payment Services		System Affiliates & Other		Total
Net financial income (expense), including impairment on financial assets	$	11.3	$	17.8	$	(0.1)	$	(0.3)	$	28.7
Non-financial income		(0.2)		8.1		24.6		4.3		36.8
Net financial and non-financial income		11.1		25.9		24.5		4.0		65.5
Non-financial expenses		1.7		9.1		21.1		3.5		35.4
		9.4		16.8		3.4		0.5		30.1
Strategic investments		0.1		-		13.8		1.4		15.3
Profit (loss) before tax	$	9.3	$	16.8	$	(10.4)	$	(0.9)	$	14.8

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

Mandatory Liquidity Pool

MLP's profit before tax in the second quarter of 2020 was $38.9 million, $29.6 million higher compared to the same period a year ago. The MLP's results have been presented separately within the interim consolidated results on our financial statements. Please refer to the Statement of Profit section of this MD&A for further details of MLP's results.

Treasury

Treasury reported a profit before tax of $55.2 million, up $38.4 million from the same quarter last year, driven by a $49.3 million increase in unrealized gains from the same period last year. While the first quarter of 2020 saw a significant widening of credit spreads, the second quarter reflected the reversion of credit spreads toward levels more consistent with historical norms occurred as market volatility decreased and many Canadian provinces eased their COVID-19 related restrictions. An increase of $2.4 million in ECL was recorded compared to the same quarter last year, reflective of the impact from COVID-19, causing unfavorable changes to our economic outlook. Non-financial income and non-financial expense remained stable compared to the same quarter last year.

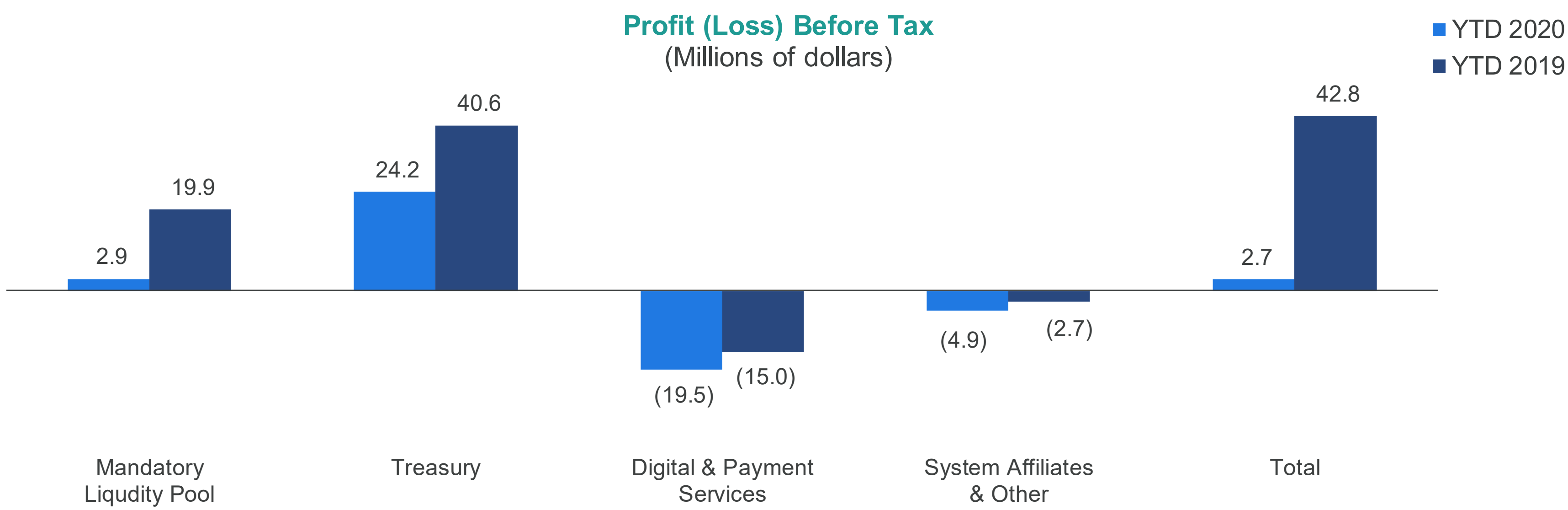
Digital & Payment Services

During the second quarter of 2020, Digital & Payment Services continued to invest in strategic initiatives including the development and rollout of the Forge and payments modernization with the costs incurred being $3.3 million lower than the same period last year. Non-financial income and non-financial expense remained stable. Combined, this segment experienced a loss before tax of $5.9 million, down $4.5 million from the loss before tax reported in the second quarter of 2019.

System Affiliates & Other

This segment reported a loss before tax of $3.4 million, compared to a loss before tax of $0.9 million in the same quarter last year, primarily driven by a $2.2 million lower income from our equity investments. Investments in strategic initiatives continued during the second quarter, including the development of a new banking system and initiatives aimed to expand corporate efficiency. The segment also experienced lower spending on corporate expenditures.

YTD 2020 vs YTD 2019



For the six months ended June 30, 2020 (Millions of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 6.8	$ 25.4	$ (0.2)	$ -	**$ 32.0**
Non-financial income	0.5	16.0	47.5	3.1	**67.1**
Net financial and non-financial income	7.3	41.4	47.3	3.1	**99.1**
Non-financial expenses	3.9	17.2	42.8	3.0	**66.9**
	3.4	24.2	4.5	0.1	**32.2**
Strategic initiatives	0.5	-	24.0	5.0	**29.5**
Profit (loss) before tax	**$ 2.9**	**$ 24.2**	**$ (19.5)**	**$ (4.9)**	**$ 2.7**

For the six months ended June 30, 2019 (Millions of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 23.9	$ 42.3	$ (0.2)	$ (1.4)	$ 64.6
Non-financial income	(0.5)	17.0	47.2	6.7	70.4
Net financial and non-financial income	23.4	59.3	47.0	5.3	135.0
Non-financial expenses	3.4	18.7	41.1	5.2	68.4
	20.0	40.6	5.9	0.1	66.6
Strategic initiatives	0.1	-	20.9	2.8	23.8
Profit (loss) before tax	$ 19.9	$ 40.6	$ (15.0)	$ (2.7)	$ 42.8

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

Mandatory Liquidity Pool

MLP's profit before tax for the six months ended June 30, 2020 was $2.9 million compared to a profit before tax of $19.9 million in the same period a year ago. The MLP's results have been presented separately within the interim consolidated results on our financial statements. Please refer to the Statement of Profit section of this MD&A for further details of MLP's results.

Treasury

Treasury reported a profit before tax of $24.2 million, down $16.4 million from the same period of 2019, driven by a $16.9 million decrease in net financial income. While the 2019 year-to-date results benefited from narrowing credit spreads, that has not been the case in 2020 to date. The unrealized gains or losses have fluctuated substantially reflective of the market volatility associated with COVID-19. Treasury also saw an increase of $3.3 million in ECL reflective of the unfavorable changes to our economic outlook associated with COVID-19 impacts. Non-financial income and non-financial expense remained stable year-over-year.

Digital & Payment Services

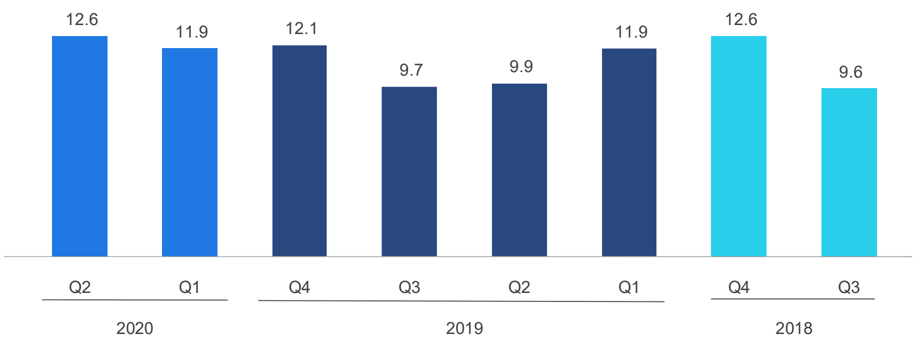
Digital & Payment Services continued to invest in strategic initiatives in the first six months of 2020, including the development of Forge and payments modernization, with the amount spent being $3.1 million higher than the same period last year. Non-financial income remained stable, and non-financial expense was $1.7 million higher primarily due to increased expenditures in the digital banking area. Combined, this segment experienced a loss before tax of $19.5 million compared to a loss before tax of $15.0 million in the same period last year.

System Affiliates & Other

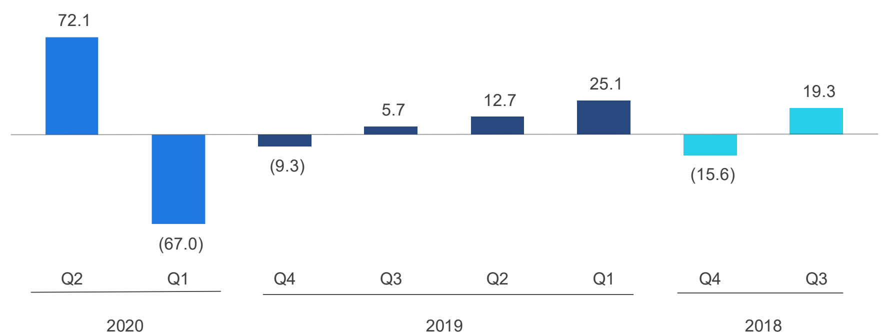
During the first six months of 2020, this segment reported a loss before tax of $4.9 million, $2.2 million higher than the loss before tax reported in the same period last year. Investments in strategic initiatives continued, including the development of a new banking system and initiatives aimed to expand corporate efficiency, with a $2.2 million increase in the costs incurred to support these initiatives from the same period last year. In this segment, income from our equity investments was $3.4 million lower along with lower spending on corporate expenditures.

Summary of Quarterly Results

Interest Margin
(Millions of dollars)



Profit (Loss) After Tax
(Millions of dollars)



(Thousands of dollars, except as indicated)	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3
Interest income	$ **39,695**	$ 46,084	$ 51,233	$ 48,655	$ 49,739	$ 48,059	$ 51,637	$ 49,749
Interest expense	**27,105**	34,175	39,175	38,931	39,814	36,170	39,033	40,122
Interest margin	**12,590**	11,909	12,058	9,724	9,925	11,889	12,604	9,627
Gain (loss) on disposal of financial instruments	**5,686**	747	(1,113)	(294)	16,099	12,262	2,759	(3,797)
Change in fair value of financial instruments	**40,707**	(42,766)	7,702	2,197	(8,568)	(553)	(12,282)	11,236
Impairment loss (recovery) on financial assets	**2,414**	1,222	364	(37)	46	242	197	93
Net financial income (expense)	**56,569**	(31,332)	18,283	11,664	17,410	23,356	2,884	16,973
Non-financial income*	**33,638**	32,955	26,975	37,695	36,975	33,903	33,953	35,296
Gains from system affiliates	**-**	-	-	-	-	-	-	2,671
	33,638	32,955	26,975	37,695	36,975	33,903	33,953	37,967
Non-financial expense*	**44,235**	47,768	64,957	46,827	48,869	39,853	59,576	39,498
	(10,597)	(14,813)	(37,982)	(9,132)	(11,894)	(5,950)	(25,623)	(1,531)
Profit (loss) before tax	**45,972**	(46,145)	(19,699)	2,532	5,516	17,406	(22,739)	15,442
Income taxes (recovery)	**6,042**	(8,835)	(2,116)	(295)	524	982	(6,569)	2,750
Profit (loss) after tax from continuing operations	**39,930**	(37,310)	(17,583)	2,827	4,992	16,424	(16,170)	12,692
Profit (loss) after tax from discontinuing operations	**32,129**	(29,724)	8,238	2,906	7,668	8,700	620	6,638
Profit (loss)	$ **72,059**	$ (67,034)	$ (9,345)	$ 5,733	$ 12,660	$ 25,124	$ (15,550)	$ 19,330
Weighted average shares outstanding *(millions)*	**441.1**	440.1	434.7	431.2	431.1	430.0	444.7	486.5
Earnings per share *(cents)* **								
Basic/Diluted	**16.3**	(15.2)	(2.1)	1.3	2.9	5.8	(3.5)	4.0
Basic/Diluted from continuing operations	**9.0**	(8.5)	(4.0)	0.6	1.1	3.8	(3.6)	2.6
Basic/Diluted from discontinuing operations	**7.3**	(6.7)	1.9	0.7	1.8	2.0	0.1	1.4

*Non-financial income and non-financial expense includes investments in strategic initiatives and excludes gains from system affiliates

**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.

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

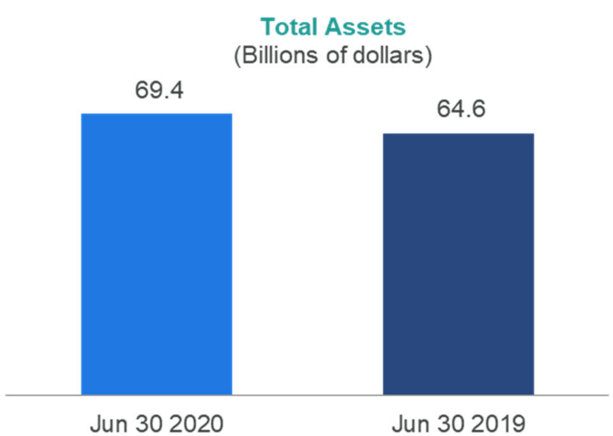
The 2019 and 2018 results has been represented to reflect the presentation of discontinuing operations. For further details, please refer to Note 10 in our Notes to the Interim Consolidated Financial Statements.

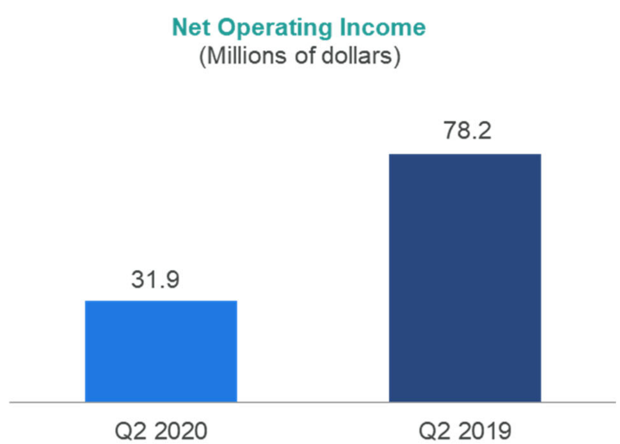
Despite the three interest rate cuts by the BoC in response to the COVID-19 pandemic during the first quarter of 2020, interest margin from continuing operations during the first two quarters of 2020 continued its upward trend. Changes in asset mix and a shift in demand for short-term deposits in the second quarter of 2020 led to an increase in interest margin. This was offset by a flatter yield curve which has made it more challenging to find investments that both match the shorter maturity profile of the deposits and yield returns in excess of the deposits rates offered to our member credit unions. The change in fair value has recovered substantially in the second quarter of 2020, up $83.4 million from an unrealized loss of $42.8 million in the first quarter, due to significant widening of credit spreads, to an unrealized gain of $40.7 million in the second quarter. Although credit spreads associated with many of the investment products decreased during the second quarter, they remained wider than their historical average and therefore continue to have a negative effect on the fair value for both the Treasury and MLP portfolios as compared to previous quarters.

Investments in strategic initiatives continued, consistent with our strategic plan, with higher spending during 2019 mostly attributable to the development of Forge. Despite increased investments in strategic initiatives during 2019, strong net financial income continued to drive our profit growth while non-financial income remained stable. The loss from continuing operations in the fourth quarter of 2019 was a result of the provision for tax related matters and the expense recorded from the review of our intangible assets' carrying value during the quarter. The underlying results in the first two quarters of 2020 reflected the impact of the COVID-19 pandemic. The BoC rate cuts and widening of credit spreads in the first quarter of 2020 reduced the fair value of our investment portfolios, generating a significant temporary loss from our continuing operations. The majority of this loss was reversed during the second quarter of 2020 due to significant narrowing of credit spreads, resulting in a second quarter profit.

System Performance

British Columbia





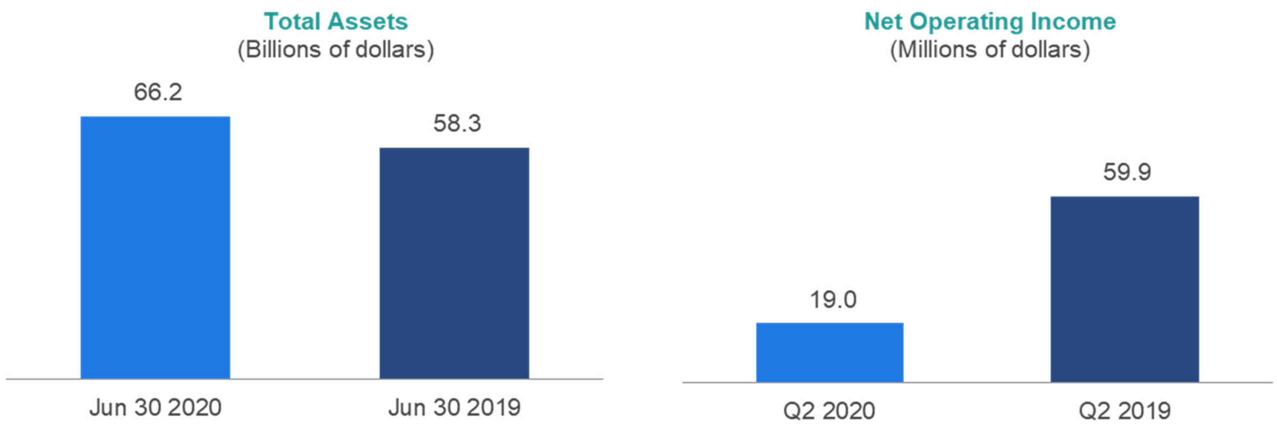
The B.C. system's net operating income for the second quarter of 2020 was $31.9 million, down $46.3 million or 59.2 per cent from the same period in 2019. Net interest income declined $11.0 million or 3.6 per cent over the same period of last year, because of lower spreads. Non-interest income was up by $6.3 million or 9.0 per cent year-over-year to $76.3 million, led by trading gains in financial instruments and other non-interest income. Non-interest expense increased by $41.6 million or 14.0 per cent to $339.2 million, led by increases in loan losses, which increased by $49.4 million to $55.2 million.

Total assets increased $4.8 billion or 7.4 per cent year-over-year to reach $69.4 billion at the end of the second quarter. Asset growth was led by cash and liquid investments, up 35.4 per cent or $3.2 billion year-over-year. Liabilities increased $4.5 billion or 7.5 per cent year over year to $65.0 billion. Liability growth was led by a 14.8 per cent or $3.0 billion year-over-year increase in non-registered demand deposits to $23.4 billion.

The system's rate of loan delinquencies over 90 days was 0.31 per cent of total loans at the end of June 2020, up 17 basis points (bps) from a year ago. The B.C. system's loan loss expense ratio was 0.41 per cent annualized in the second quarter of 2020, up 37 bps from a year ago.

The B.C. system's regulatory capital as a percentage of RWA was 15.4 per cent at the end of June 2020, the same as from a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 18.8 per cent of deposit and debt liabilities, up 387 bps from a year ago. The B.C. system's return on assets was 0.19 per cent annualized in the second quarter, down 30 bps from a year ago.

Ontario



The Ontario system's net operating income for the second quarter of 2020 was $19.0 million, down $40.9 million or 68.3 per cent from a year earlier. Net interest income decreased $5.8 million or 2.2 per cent over the same period last year to $258.3 million, driven by lower spreads. Non-interest income increased $4.3 million year-over-year or 6.5 per cent, led by securitization revenues. Non-interest expense increased $39.4 million or 14.6 per cent, driven by higher loan cost, which increased $51.4 million year-over-year.

Total assets increased 13.6 per cent year-over-year to reach $66.2 billion at the end of the second quarter of 2020. Asset growth was led by a $3.3 billion increase in cash and deposits, and a $3.2 billion increase in residential mortgages. Liabilities increased $7.4 billion year-over-year to reach $61.9 billion at the end of June 30, 2020, led by growth in demand and term deposits, up $4.2 billion, and a $2.4 billion increase in borrowings.

The rate of loan delinquencies over 90 days was 0.38 per cent of total loans at the end of June 2020, up eight bps year-over-year, with increases in commercial loans and mortgages at 28 bps and personal loans at 19 bps. Provision for credit losses as a percentage of loans was 0.36 per cent, up eight bps from a year earlier. The Ontario system's loan loss expense ratio was 0.43 per cent annualized in the second quarter of 2020, up 38 bps from the prior year.

The Ontario system's regulatory capital as a percentage of RWA was 13.7 per cent at the end of June 2020, up 101 bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 19.2 per cent of deposit and debt liabilities, up 523 bps from a year ago. The Ontario system's return on assets was 0.12 per cent annualized in the second quarter, down 30 bps year-over-year.

Off-Balance Sheet Arrangements

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

Derivative Financial Instruments

						Notional Amount
(Millions of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Interest rate contracts						
Bond forwards	**$**	**314.1**	$	66.7	$	120.5
Futures contracts		**892.0**		1,330.0		710.0
Swap contracts		**36,361.2**		35,138.4		33,344.1
		37,567.3		36,535.1		34,174.6
Foreign exchange contracts						
Foreign exchange forward contracts		**291.4**		380.8		249.7
Other derivative contracts						
Equity index-linked options		**168.9**		183.3		194.2
	$	**38,027.6**	$	37,099.2	$	34,618.5

Central 1 acts 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 asset/liability management of their respective balance sheets. In the revised Insured Mortgage Purchase Program launched by the Government of Canada in March 2020, as part of its COVID-19 Economic Response Plan, Central 1 also acts as a swap counterparty with the Canada Mortgage Housing Corporation to provide support for its members’ liquidity.

Derivatives are recognized in our Interim Consolidated Statement of Financial Position at fair value. The notional amounts of these derivatives are not presented on our 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 individual 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, Commitments and Contingencies

The following table presents the maximum amounts of credit that Central 1 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 committed amounts were transacted.

(Millions of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Commitments to extend credit[1]	**$**	**5,030.8**	$	4,332.0	$	5,057.9
Guarantees						
Financial Guarantees	**$**	**737.6**	$	622.6	$	612.5
Performance Guarantees	**$**	**100.0**	$	100.0	$	100.0
Standby letters of credit	**$**	**227.3**	$	219.8	$	205.1
Future prepayment swap reinvestment commitment	**$**	**1,868.9**	$	1,339.2	$	1,265.1

[1] Subsequent to the quarter end, a $300.0 million line of credit was cancelled by a credit union member.

Comparative figures have been represented

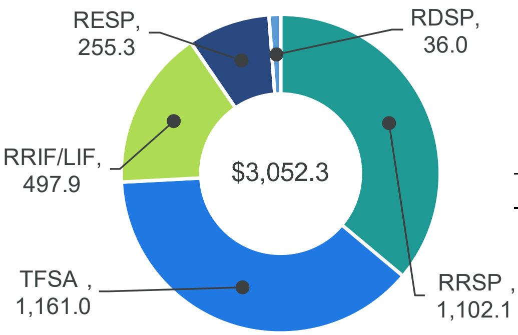
In the normal course of business, Central 1 enters into various off-balance sheet arrangements to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, guarantees, and standby letter of credit.

Commitments to extend credit, representing undrawn commitments, increased $698.8 million from year end. This is reflected in the lower balance of credit union loans as greater liquidity in the credit union system allows credit unions to pay down their debt with us and lessens the need for them to draw on their credit. Financial guarantees increased $115.0 million from year end, from additional limits offered to credit unions, while standby letters of credit were in line with the prior year. Future prepayment swap reinvestment commitments also increased $603.8 million from a year ago as a result of our transition from direct securitization to prepayment swap program.

From time to time Central 1 issues performance guarantees related to the Asset Backed Commercial Paper Program. The performance guarantees represented in the table above are the maximum limits for parties in existing contractual obligations. Central 1 also issues blanket approvals for performance guarantees on a non-committed basis which will become contractual obligations for specified amounts if requested and authorized by us, at our sole discretion. Central 1 has the ability to unilaterally withdraw anytime from these approved limits.

Assets under Administration

As at June 30, 2020
(Millions of dollars)



(Millions of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Registered Retirement Savings Plans (RRSP)	**$**	**1,102.1**	$	1,080.5	$	1,116.8
Tax-Free Savings Accounts (TFSA)		**1,161.0**		1,078.2		1,044.9
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)		**497.9**		495.3		464.7
Registered Education Savings Plans (RESP)		**255.3**		252.6		246.7
Registered Disability Savings Plans (RDSP)		**36.0**		32.7		30.4
	$	**3,052.3**	$	2,939.3	$	2,903.5

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., along with market value appreciation, contributed to a 5.1 per cent increase in total AUA from a year ago (a 3.8 per cent change from December 31, 2019). Notable trends show that the AUA of Tax-Free Savings Accounts increased by 11.1 per cent from a year ago, reflective of its increasing popularity among investors as an alternative to the Registered Retirement Savings Plan which showed a modest decline of 1.3 per cent year-over-year due to decreased sales and account transfers. All other registered products also had moderate increases from a year ago largely due to increased sales, contributions, Registered Retirement Income Fund transfers, together with market value appreciation over the past year.

Capital Management and Capital Resources

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

Capital Management Framework

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

A key component of our capital management framework is the annual capital planning process that involves teams from across the organization. Capital planning has two key integrated components, the annual budget process which establishes operating targets for the organization and the Internal Capital Adequacy Assessment Process in order to determine the required capital to cover material risks to which the organization is exposed. The capital planning process includes forecasted growth in assets, earnings and capital considering projected market conditions. These components are monitored throughout the year.

Central 1's share capital, with the exception of nominal amounts, is entirely contributed by their Class A members, which are comprised of B.C. credit unions and member credit unions in Ontario. These Class A members, collectively, hold Class A, E and F shares. Central 1's 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.

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.

Regulatory Capital

$1,103.6 million	21.9%	$1,222.6 million	16.3:1	26.9%
Tier 1 Capital	Tier 1 Capital Ratio	Net Capital Base	Borrowing Multiple	Provincial Capital Ratio

(Millions of dollars)	Jun 30 2020	Dec 31 2019	Jun 30 2019
Share capital	$ **441.1**	$ 440.1	$ 431.2
Retained earnings	**667.2**	659.9	689.2
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.7)	(4.7)
Tier 1 capital	**1,103.6**	1,095.3	1,115.7
Subordinated debt	**221.0**	221.0	221.0
Add: accumulated net after tax gain in investment property	**4.7**	4.7	4.7
Tier 2 capital	**225.7**	225.7	225.7
Total capital	**1,329.3**	1,321.0	1,341.4
Statutory capital adjustments	**(106.7)**	(105.3)	(109.8)
Net capital base	$ **1,222.6**	$ 1,215.7	$ 1,231.6
Borrowing multiple - Consolidated	**16.3:1**	13.5:1	13.4:1
Borrowing multiple - Mandatory Liquidity Pool	**17.0:1**	16.0:1	15.1:1
Borrowing multiple - Treasury	**17.2:1**	12.5:1	13.5:1

In determining regulatory capital, adjustments are required to the amount of capital reflected in our Interim Consolidated Statement of Financial Position. Deductions from capital are required for certain investments, including substantial investments in affiliated cooperative organizations. The computation of the provincial capital base is broadly similar to the federal regulatory capital used for borrowing multiple purposes.

BCFSA requires a consolidated borrowing multiple of no more than 20.0:1, as well as distinct borrowing multiples on the MLP and Treasury segments. In response to the COVID-19 pandemic and market disruption, BCFSA introduced easing measures to provide financial support to B.C. credit unions and its members during this extraordinary time. The measures that were included were to permit us to increase our borrowing multiple from 15.0:1 to 18.0:1 for the Treasury segment, effective March 23, 2020, which was further increased from 18.0:1 to 20.0:1, effective May 31, 2020, and to increase our borrowing multiple from 17.0:1 to 20.0:1 for the MLP segment, effective March 31, 2020.

Central 1 manages the MLP's borrowing multiple through semi-annual Class F capital calls from its membership and manage the Treasury's borrowing multiple through growth in retained earnings and subordinated debt. In 2019, the May in-cycle share call was not required as Central 1 had sufficient capital to meet its regulatory requirements. For the November 2019 in-cycle share call, Central 1 issued $8.9 million Class F shares with a price of $1 per share. As a result of BCFSA's easing measures in response to COVID-19, no capital call for increased overall capital in the MLP was required in May 2020 to meet the MLP borrowing multiple requirement.

At June 30, 2020, Central 1's consolidated borrowing multiple was 16.3:1 compared to 13.4:1 at June 30, 2019, as a result of the increase in mandatory and non-mandatory deposits.

Central 1 was in compliance with all regulatory capital requirements as at the reporting periods ended June 30, 2020 and June 30, 2019.

Risk Review

This section of the MD&A should be read in conjunction with the Risk Review section of our 2019 Annual Report.

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

Central 1 recognizes that reputation is among their 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.

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

COVID-19 Update

COVID-19 is causing sweeping social and economic changes and is expected to continue to do so for an extended period of time. Given the variety of measures introduced by local, provincial and federal governments and the quantitative easing introduced by the BoC, forecasting the timing and extent of the economic downturn and recovery caused by COVID-19 is extremely difficult.

To date, we have been directly affected by social distancing measures requiring an almost 100 per cent work-from-home environment. Our workforce has adapted extremely well to the situation with no noticeable impact on productivity. Other COVID-19 impacts to our business are discussed in the appropriate sections below.

Strategic Risk

Strategic risk arises when we fail to respond appropriately to changes in our internal and external environment which in turn may affect our ability to meet stakeholder expectations and to deliver on our vision, mission and core mandate. Strategic risk is affected by the choices management makes with respect to the development of future offerings as well as our ability to deliver these offerings in a timely manner.

To manage strategic risk, management monitors closely the current landscape of the credit union system and the emerging industry and regulatory trends that can affect this landscape. Management then incorporates its informed understanding into its strategic planning process to determine key strategic initiatives and to develop and/or maintain the capabilities needed to deliver on these initiatives.

Currently, we have identified six strategic initiatives related to exploring additional opportunities to deliver value for its member credit unions and the system as a whole, strengthening its financial sustainability, further advancing its internal capabilities, and ensuring ongoing compliance with regulatory requirements. The initiatives are monitored closely on a quarterly basis through strategic initiative key performance indicators (KPI) and associated targets.

Compliance Risk

Central 1 is exposed to compliance risk in all areas of their 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; and
- internal policies and procedures, to help ensure a strong and efficient governance structure.

Counterparty Risk

Within the Treasury and Digital & Payment Services operations, Central 1 incurs 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 A-Low to AAA (Dominion Bond Rating Service), and our own credit union system where a robust internal risk rating regime is utilized.

Credit Risk

Central 1 is exposed to Credit Risk from their investment and lending activities, as well as through their role as Group Clearer and other settlement business.

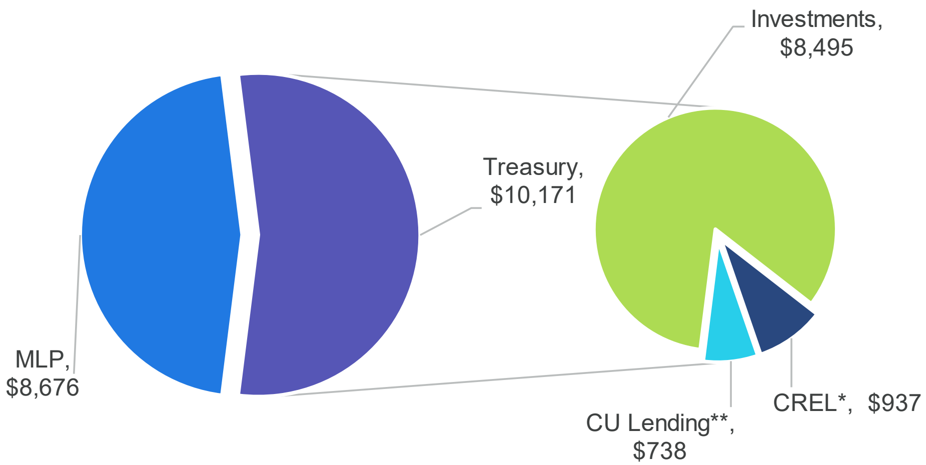
Risks are managed by:

- 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

Central 1, along with all financial institutions, continue to face a threat from the COVID-19 pandemic to its credit risk business activities. Provisions for expected loss increased in the second quarter reflecting the deterioration in the economic outlook. In the second quarter of 2020, we increased our expected loss allowances for the Commercial Real Estate Lending (CREL) portfolio by $1.8 million to a total of $3.8 million. Expected loss allowances for the Investment portfolio were increased by $0.6 million to a total of $2.0 million. Zero expected loss remained in the Credit Union Lending portfolio given ample security pledged to secure credit facilities. Note that a rise in expected loss should not be interpreted as actual losses manifesting within the portfolios. We continue to monitor all credit risk exposures closely.

The following figure illustrates Central 1's credit exposure and risk profile based on outstanding balances in the investment portfolios held in MLP and Treasury. Treasury holds $1.0 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 the Canada Housing Trust.

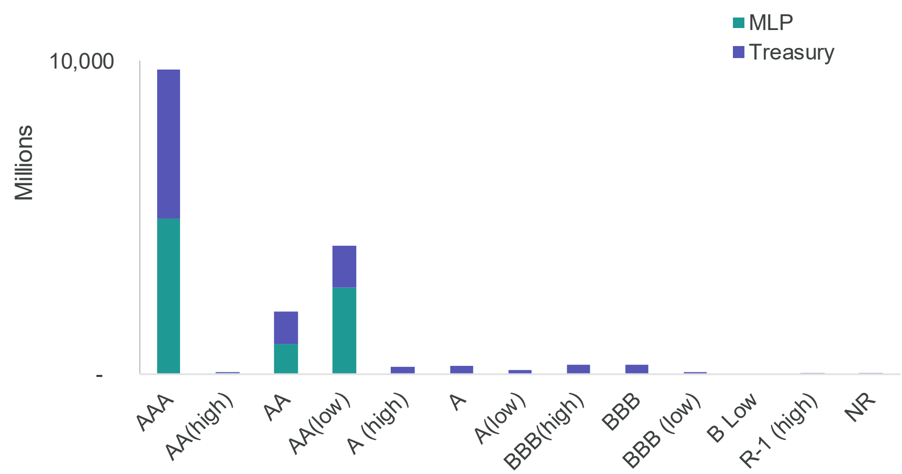
Central 1's Credit Risk Exposure
(Millions of dollars)

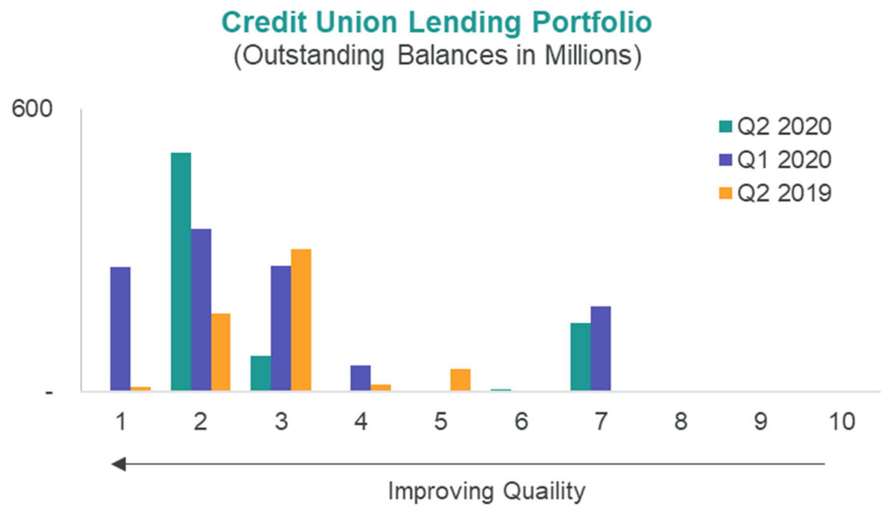


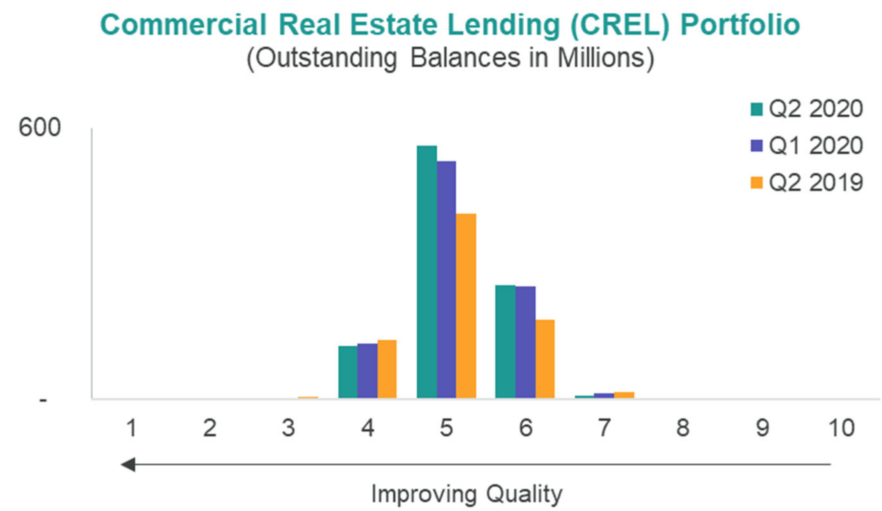
*CREL - Commercial Real Estate Lending

**CU Lending - this includes the utilized portion of the guarantees and standby letters of credit

Investment Portfolio
(Millions of dollars)







Credit Quality Performance

As part of Central 1's 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 Central 1 continues to maintain adequate capital to withstand a range of severe economic scenarios.

Investments Portfolio

There are no impaired investments in the portfolio.

Credit Union Lending (CU Lending)

While management initially anticipated higher utilization of credit facilities by credit unions to support liquidity needs due to COVID-19, utilization remains low with no significant changes compared to the first quarter of 2020 or pre-COVID-19. Currently, there are no impaired loan facilities in the CU Lending portfolio. While there are no impaired facilities in the portfolio, a number of credit unions have been placed on the Watch List. Two Ontario credit unions were added to the Watch List in the second quarter of 2020 due to decline in their financial performance. As at June 30, 2020 there were six Ontario and one B.C. credit union classified as Watch List (risk rating 7). Two Ontario credit unions were assigned an Unsatisfactory risk rating (risk rating 8). The Watch List and Unsatisfactory accounts represented 20.09 per cent of the outstanding portfolio and 11.75 per cent of the authorized portfolio as at June 30, 2020. The security provided for the Watch List and Unsatisfactory facilities is substantial and no losses are expected.

Commercial Real Estate Lending

Management anticipates a deterioration in the financial performance of the hospitality sector, representing a small portion of the portfolio. Construction loans, which are almost half the portfolio, will likely require extensions due to construction stoppage and delays in the first quarter of 2020. Recognizing challenges brought by the COVID-19 pandemic, we assisted our borrowers by providing direct financial support in the form of payments deferrals, mainly in hospitality and retail sectors, and loan term extension for construction facilities. As at June 30, 2020, 19 accounts were provided with payments deferrals representing 14.77 per cent of the total outstanding portfolio balance.

Currently, there are no impaired loans in the portfolio. Three Watch List accounts represented 0.79 per cent of the outstanding portfolio balance as at June 30, 2020.

Liquidity Risk

As the fallout from COVID-19 continues to reveal itself across many sectors of the economy, we have seen a lower than expected need for liquidity from credit union members. As such, we have managed our liquidity risk to reflect this change and have therefore seen a corresponding reduction in our LCR metrics in the second quarter. We are continuing to ensure access to multiple sources of funding for members, including to BoC programs, and are working with our credit union members to investigate other facilities and liquidity options. We are continuously monitoring the liquidity and funding needs of the credit union system and remain ready to meet the liquidity requirements of our credit union members, as and when required.

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.

Central 1's 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 Treasury portfolios against the 100 per cent target set by the Risk Appetite Statement.

Central 1's highly liquid assets include securities that meet the pre-July 2018 BoC definitions for securities eligible to be pledged under Standing Liquidity Facility (SLF), and USD-denominated variants that meet the SLF eligibility criteria as requested by our D-SIFI requirements.

In addition, we also present an OSFI LCR measure, which meets the updated criteria for HQLA-eligible securities which were announced by OSFI in July 2018. Under the updated OSFI LCR, a narrower definition of HQLA is applied in which Bank and Financial Institution debt are no longer considered HQLA-eligible. Short-term money market instruments like Banker's Acceptances and Commercial Paper are included as cash inflows under the OSFI definition, although neither are defined as HQLA. As a result of this, our OSFI LCR generally tracks below the SLF-defined LCR. This OSFI LCR is not a regulatory requirement for Central 1 at this point but is being used a tool for prudent and enhanced liquidity and funding management.

Both Treasury OSFI LCR and Treasury SLF LCR decreased in the second quarter of 2020, as increase in the cash outflows were proportionately higher than the increase in the stock of high-quality liquid assets.

Liquidity Coverage Ratio	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	LTM Average
Mandatory Liquidity Pool SLF	172.3%	173.1%	171.6%	172.8%	173.2%	173.2%
Mandatory Liquidity Pool OSFI	167.3%	171.1%	162.6%	161.5%	163.7%	164.9%
Treasury SLF	154.8%	165.3%	178.4%	158.9%	187.9%	166.7%
Treasury OSFI	111.1%	130.6%	123.8%	126.9%	137.9%	123.9%

Market Risk

Volatility has continued to be a feature of markets through the second quarter, although not to the extent experienced early in the first quarter, as COVID-19 was hitting its peak in terms of market impact. Both the MLP and Treasury portfolios are largely matched from an interest rate perspective. Despite the decrease in market risk quarter-on-quarter, credit spreads remain elevated and unstable compared to pre-COVID-19 levels and this will continue to have an impact on both portfolios as they have exposure to credit spreads.

The level of market risk Central 1 is exposed to varies according to market conditions and the composition of their investment, lending, and derivative portfolios. Central 1 manages their exposure to market risk through a range of governance and management processes. Central 1’s 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 potential one-day loss in portfolio value 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.

Expected shortfall is the conditional expectation of loss given that the loss is beyond the level of that projected by VaR. Thus, by definition, expected shortfall considers loss beyond the VaR level.

Value at Risk

Central 1 regularly monitors their exposure to market risk. Central 1’s 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 Treasury. Central 1 complied with MLP and Treasury RAS limits during the second quarter.

	Mandatory Liquidity Pool						
					Last 12 Months		
(Millions of dollars)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Average	High	Low
Interest Rate VaR	**$ 0.7**	$ 1.5	$ 0.9	$ 1.1	$ 1.1	$ 1.9	$ 0.6
Credit Spread VaR	**3.4**	$ 4.2	1.4	1.4	2.5	4.6	1.3
Foreign Exchange VaR	**0.2**	$ 0.2	0.0	0.0	0.2	1.1	0.0
Diversification [1]	**(1.3)**	$ 0.0	(1.1)	(1.1)	(1.1)	nm	nm
Total VaR	**$ 3.0**	$ 5.9	$ 1.2	$ 1.4	$ 2.7	$ 5.9	$ 1.2
Expected Shortfall	**4.2**	7.4	2.1	2.1	3.7	7.5	2.0

[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

(Millions of dollars)	Treasury						
					Last 12 Months		
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Average	High	Low
Interest Rate VaR	**$ 2.1**	$ 1.8	$ 1.5	$ 1.7	$ 1.7	$ 3.1	$ 0.9
Credit Spread VaR	**4.8**	$ 3.3	2.0	1.8	2.9	7.1	1.7
Foreign Exchange VaR	**2.1**	$ 1.9	2.5	2.2	2.1	3.9	1.2
Diversification [1]	**(3.3)**	$ (3.7)	(3.0)	(2.4)	(3.0)	nm	nm
Total VaR	**$ 5.7**	$ 3.3	$ 3.0	$ 3.3	$ 3.6	$ 7.9	$ 2.6
Expected Shortfall	**7.4**	6.2	3.6	3.5	4.3	8.9	2.9

[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 portfolio in historically extreme market environments. Stress tests are measured using a 1-Day and 10-day 99 per cent VaR. In 2019, a new Stress VaR (SVaR) introduced that calibrates to historical data from a continuous 1-year period of significant financial stress for current portfolios. SVaR is currently recalibrated quarterly and the current calibrated observation window covers the period from Jan 2008-Jan 2009. This corresponds to the Lehman Crisis period used in the previous SVaR model. 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)	MLP		Treasury	
	Q2 2020	Q1 2020	Q2 2020	Q1 2020
1-Day SVaR	**$ 3.8**	$ 7.1	**$ 10.4**	$ 10.6
10-Day SVaR	**$ 10.4**	$ 15.9	**$ 32.5**	$ 22.8

Direction and Sources of Interest Rate Risk

Central 1 uses several secondary market risk measures to help understand the direction and sources of interest rate risk in the MLP and Treasury portfolios. The dollar duration, or DV01, measures the sensitivity of the portfolio to a one bps increase in interest rates.

Foreign Exchange Rate Exposure

Central 1 has assets and liabilities denominated in several major currencies and Central 1 trades foreign currencies with their 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. Central 1's 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	BOC Closing Rate	CAD Equivalent
USD	$ (61.9)	$ 94.8	$ 32.9	1.3591	$ 44.68

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. While the financial impact associated with operational risk can be significant, it is equally important to recognize the less identifiable and quantifiable non-financial impacts.

Given the high volume and value of transactions we process on behalf of our members and external organizations, shortcomings in our internal processes could lead to financial and reputational damage. Furthermore, although we have contingency and business continuity plans, natural disasters, power or telecommunications disruptions, acts of terrorism, physical or electronic break-ins or other events could adversely impact our ability to provide services to our members, damage our reputation or otherwise adversely impact our ability to conduct business.

During the COVID-19 pandemic we and other financial organizations, are exposed to heightened operational risks in the form of cyber-attacks, data breaches, third party service provider failures, and other uncertainties. To counter this ongoing threat, we are continuously improving our security posture, including real-time intrusion detection monitoring of our remote banking applications and implementing stronger authentication controls.

In the normal course of business, we manage this type of risk through implementing and adhering to policies and controls that are fundamental to our operating infrastructure. Elements include:

- developing and maintaining a comprehensive system of internal controls encompassing segregation of functional activities, managerial reporting and delegation of authority;
- continuous monitoring, evaluation, and improvement of our operational practices;
- selection and training of highly qualified staff, supported by policies that provide for skills upgrading, clear authorization levels and adherence to an employee code of conduct;
- contingency business resumption plans for activation in response to systems failure or catastrophic events, including off-site data storage and back-up processing capabilities for all critical operations; and
- maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses.

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.

Central 1 identifies and assesses emerging risks in various ways, including at the strategic planning and business unit levels. These include risk oversight committee discussions and regular risk reviews to identify, assess and ensure that management is forward-looking in 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 following as the major Emerging Risks facing Central 1:

- **Cyber Security and Resilience:** cyber-attacks have surged, ranging from phishing attempts that play on people's concerns and desire for information, to more sophisticated attacks on networks and information flows. Cyber security experts and voluntary groups such as the COVID-19 CTI League are mobilizing globally to provide threat intelligence and combat these attacks. More than ever, firms will need to shore up their cyber defenses and educate employees, at all levels, to the emerging risks.

- **Data and Security:** as remote working becomes the norm; extra consideration is required around ways in which data is accessed and data security profiles. Alongside the cyber security issues referenced above, employees are now potentially working with sensitive data in less secure home-based environments. The balance between locking data down securely behind a corporate firewall and making it more open and readily accessible to employees and business partners is having to shift to support new ways of working and keep existing business processes and operations moving.

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. While the full extent and duration of the impact of COVID-19 is currently unknown, the duration of the impact to our results of operations, cash flows and financial position requires management judgements and estimates. The most significant areas for which management has made subjective or complex estimates and judgements as a result of the COVID-19 outbreak are:

- ECL allowance
- Determining fair value of financial instruments
- Own credit risk
- Income taxes

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 3 of our June 30, 2020 Interim Consolidated Financial Statements and Note 4 of our 2019 Annual Consolidated Financial Statements.

Changes in Accounting Policies

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9 *(Financial Instruments),* IAS 39 *(Financial Instruments: Recognition and Measurement),* and IFRS 7 *(Financial Instruments: Disclosures).* The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments modified specific hedge accounting requirements of IFRS 9 or IAS 39 to provide temporary exceptions to all hedging relationships directly affected by the Interest Rate Benchmark Reform. Under the amendments, the hedge accounting requirements are applied assuming that the interest rate benchmark is not altered, thereby allowing hedge accounting to continue for affected hedges as a result of the uncertainties of the Interest Rate Benchmark Reform. In addition, the amendments to IFRS 7 require additional disclosure about hedging relationships directly affected by this uncertainty arising from the reform. On transition to IFRS 9, we made an accounting policy choice to continue applying the IAS 39 hedge accounting requirements. Therefore, we adopted the amendments to IAS 39 and IFRS 7 on January 1, 2020.

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, 2019.

Details of our related party disclosures were disclosed in Note 26 of our Interim Consolidated Financial Statements.

Interim Consolidated Financial Statements

June 30, 2020

central 1

Interim Consolidated Statement of Financial Position (Unaudited)

(Thousands of dollars)	Notes		Jun 30 2020		Dec 31 2019
Assets					
Cash		$	**669,917**	$	48,947
Deposits with regulated financial institutions			**-**		4,928
Securities	(6)		**8,803,783**		6,292,095
Loans	(7)		**1,609,055**		1,999,168
Reinvestment assets under the Canada Mortgage Bond Program	(6)		**688,821**		686,953
Derivative assets			**111,338**		48,868
Settlements in-transit			**484,711**		429,874
MLP assets held for segregation	(10)		**8,786,537**		8,188,923
Property and equipment			**24,352**		26,226
Intangible assets			**31,032**		33,678
Investments in affiliates			**79,426**		78,096
Current tax assets			**-**		3,071
Deferred tax assets			**20,593**		-
Other assets	(11, 12)		**36,746**		23,290
		$	**21,346,311**	$	17,864,117
Liabilities					
Deposits	(13)	$	**7,368,984**	$	4,202,350
Debt securities issued	(14)		**1,683,782**		2,083,476
Obligations under the Canada Mortgage Bond Program	(15)		**929,503**		919,086
Subordinated liabilities			**221,557**		221,457
Obligations related to securities sold short			**321,452**		67,547
Securities under repurchase agreements			**330,153**		643,526
Derivative liabilities			**160,607**		52,228
Settlements in-transit			**744,652**		674,572
MLP liabilities held for segregation	(10)		**8,385,370**		7,788,501
Current tax liabilities			**15,889**		-
Deferred tax liabilities			**-**		913
Other liabilities	(11, 16)		**63,885**		97,223
			20,225,834		16,750,879
Equity					
Share capital	(17)		**441,127**		440,076
Retained earnings			**667,234**		659,906
Accumulated other comprehensive income			**5,201**		5,474
Reserves			**2**		2
Total equity attributable to members of Central 1			**1,113,564**		1,105,458
Non-controlling interest			**6,913**		7,780
			1,120,477		1,113,238
		$	**21,346,311**	$	17,864,117
Guarantees, commitments, contingencies and pledged assets	(23)				

Approved by the Directors:

Bill Kiss, Chairperson

Mary Falconer, 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 Jun 30 2020	(Represented[1]) Jun 30 2019	For the six months ended Jun 30 2020	(Represented[1]) Jun 30 2019
Interest income					
Securities		$ **28,668**	$ 36,074	$ **60,122**	$ 69,497
Deposits with regulated financial institutions		**21**	43	**51**	86
Loans		**10,073**	12,707	**25,008**	25,870
Reinvestment assets under the Canada Mortgage Bond Program		**933**	915	**598**	2,345
		39,695	49,739	**85,779**	97,798
Interest expense					
Deposits		**11,922**	21,140	**27,483**	37,661
Debt securities issued		**11,593**	13,319	**26,393**	26,481
Subordinated liabilities		**1,637**	2,075	**3,314**	5,216
Obligations under the Canada Mortgage Bond Program		**1,953**	3,280	**4,090**	6,626
		27,105	39,814	**61,280**	75,984
Interest margin		**12,590**	9,925	**24,499**	21,814
Gain on disposal of financial instruments	(18)	**5,686**	16,099	**6,433**	28,361
Change in fair value of financial instruments	(19)	**40,707**	(8,568)	**(2,059)**	(9,121)
Net financial income		**58,983**	17,456	**28,873**	41,054
Impairment loss on financial assets		**2,414**	46	**3,636**	288
		56,569	17,410	**25,237**	40,766
Non-financial income	(20)	**33,638**	36,975	**66,593**	70,878
Net financial income and non-financial income		**90,207**	54,385	**91,830**	111,644
Non-financial expense					
Salaries and employee benefits		**25,644**	23,661	**51,171**	43,839
Premises and equipment		**155**	1,128	**581**	1,882
Other administrative expenses	(21)	**18,436**	24,080	**40,251**	43,001
		44,235	48,869	**92,003**	88,722
Profit (loss) before income taxes		**45,972**	5,516	**(173)**	22,922
Income taxes (recovery)		**6,042**	524	**(2,793)**	1,506
Profit from continuing operations		**39,930**	4,992	**2,620**	21,416
Profit from discontinuing operations, net of tax	(10)	**32,129**	7,668	**2,405**	16,368
Profit		$ **72,059**	$ 12,660	$ **5,025**	$ 37,784

[1] Comparative information has been represented to reflect the presentation of discontinuing operations. Refer to Note 10.

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Comprehensive Income (Unaudited)

(Thousands of dollars)	For the three months ended Jun 30 2020	For the three months ended (Represented[1]) Jun 30 2019	For the six months ended Jun 30 2020	For the six months ended (Represented[1]) Jun 30 2019
Profit	**$ 72,059**	$ 12,660	**$ 5,025**	$ 37,784
Other comprehensive income from continuing operations, 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 income	**28,434**	5,003	**3,482**	14,341
Reclassification of realized gains to profit	**(1,185)**	(4,553)	**(2,506)**	(6,375)
Share of other comprehensive income of affiliates accounted for using the equity method	**8**	180	**51**	378
	27,257	630	**1,027**	8,344
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	**(4,458)**	436	**1,597**	(2,589)
Net actuarial loss on employee benefits plans	**-**	-	**(141)**	-
Other comprehensive income from continuing operations, net of tax	**22,799**	1,066	**2,483**	5,755
Other comprehensive income (loss) from discontinuing operations, net of tax	**(1,640)**	277	**(1,320)**	873
Total comprehensive income, net of tax	**$ 93,218**	$ 14,003	**$ 6,188**	$ 44,412
Income tax expense (recovery) on items that may be reclassified subsequently to profit				
Net change in fair value of debt securities at fair value through other comprehensive income	**$ 5,873**	$ 1,053	**$ 479**	$ 3,023
Reclassification of realized gains to profit	**$ (242)**	$ (957)	**$ (520)**	$ (1,340)
Share of other comprehensive income of affiliates accounted for using the equity method	**$ 1**	$ 17	**$ 5**	$ 36
Income tax expense (recovery) 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	**$ (945)**	$ 92	**$ 332**	$ (544)
Net actuarial loss on employee benefits plans	**$ -**	$ -	**$ (30)**	$ -
Total comprehensive income, net of tax, attributable to owners:				
Continuing operations	**$ 62,729**	$ 6,058	**$ 5,103**	$ 27,171
Discontinuing operations (see Note 10)	**30,489**	7,945	**1,085**	17,241
	$ 93,218	$ 14,003	**$ 6,188**	$ 44,412

[1]Comparative information has been represented to reflect the presentation of discontinuing operations. Refer to Note 10.

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, 2019	$ 440,076	$ 659,906	$ 10,688	$ (5,659)	$ 445	$ 2	$ 1,105,458	$ 7,780	$ 1,113,238
Total comprehensive income, net of tax									
Profit (loss)		5,892					5,892	(867)	5,025
Other comprehensive income, net of tax									
Fair value reserve (securities at fair value through other comprehensive income)[2]			(1,724)				(1,724)		(1,724)
Share of other comprehensive income of affiliates accounted for using the equity method			51				51		51
Liability credit reserve[2]				2,977			2,977		2,977
Net actuarial loss on employee benefits plans					(141)		(141)		(141)
Total comprehensive income	-	5,892	(1,673)	2,977	(141)	-	7,055	(867)	6,188
Transactions with owners, recorded directly in equity									
Class "F" shares issued (Note 17)	1,051						1,051		1,051
Total contribution from and distribution to owners	1,051	-	-	-	-	-	1,051	-	1,051
Reclassification of liability credit reserve on derecognition[1]		1,436		(1,436)			-		-
Balance at June 30, 2020	**$ 441,127**	**$ 667,234**	**$ 9,015**	**$ (4,118)**	**$ 304**	**$ 2**	**$ 1,113,564**	**$ 6,913**	**$ 1,120,477**

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

[2] The breakdown of comprehensive income for fair value reserves and liability credit reserve is presented below:

		2020	2019
Fair value & affiliates reserves:			
	Continuing operations	**$ 1,027**	$ 8,343
	Discontinuing operations	**(2,700)**	2,081
		$ (1,673)	$ 10,424
Liability credit reserve:			
	Continuing operations	**$ 1,597**	$ (2,589)
	Discontinuing operations	**1,380**	(1,208)
		$ 2,977	$ (3,797)
Profit (loss) attributable to:			
	Members of Central 1	**$ 5,892**	$ 37,922
	Non-controlling interest	**(867)**	(138)
		$ 5,025	$ 37,784
Total comprehensive income (loss) attributable to:			
	Members of Central 1	**$ 7,055**	$ 44,549
	Non-controlling interest	**(867)**	(138)
		$ 6,188	$ 44,411

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Changes in Equity (Unaudited)

(Thousands of dollars)	Attributable to Equity Members: 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
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		28					28		28
Restated Balance at January 1, 2019	$ 429,937	$ 652,371	$ (2,323)	$ (430)	$ 1,264	$ 26	$ 1,080,845	$ 10,123	$ 1,090,968
Total comprehensive income, net of tax									
Profit		37,922					37,922	(138)	37,784
Other comprehensive income, net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			10,046				10,046		10,046
Share of other comprehensive income of affiliates accounted for using the equity method			378				378		378
Liability credit reserve				(3,797)			(3,797)		(3,797)
Total comprehensive income	-	37,922	10,424	(3,797)	-	-	44,549	(138)	44,411
Transactions with owners, recorded directly in equity									
Related tax savings for dividends		(2)					(2)		(2)
Class "F" shares issued (Note 17)	1,229						1,229		1,229
Transfer/distribution from reserves		2				(2)	-		-
Total contribution from and distribution to owners	1,229	-	-	-	-	(2)	1,227	-	1,227
Reclassification of liability credit reserve on derecognition[1]		(1,120)		1,120			-		-
Balance at June 30, 2019	$ 431,166	$ 689,173	$ 8,101	$ (3,107)	$ 1,264	$ 24	$ 1,126,621	$ 9,985	$ 1,136,606

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

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Cash Flows (Unaudited)

(Thousands of dollars)	For the three months ended Jun 30 2020	Jun 30 2019	For the six months ended Jun 30 2020	Jun 30 2019
Cash flows from operating activities				
Profit	**$ 72,059**	$ 12,660	**$ 5,025**	$ 37,784
Adjustments for:				
Depreciation and amortization	**2,233**	2,138	**4,651**	2,296
Interest margin	**(17,953)**	(19,477)	**(37,980)**	(41,913)
Gain on disposal of financial instruments	**(12,478)**	(24,694)	**(13,996)**	(50,866)
Change in fair value of financial instruments	**(70,429)**	15,401	**16,383**	27,892
Impairment loss on financial assets	**2,427**	38	**3,607**	272
Equity interest in affiliates	**248**	-	**337**	-
Income taxes expense (recovery)	**12,807**	2,157	**(2,293)**	4,974
	(11,086)	(11,777)	**(24,266)**	(19,561)
Change in securities	**(3,295,740)**	(659,899)	**(2,837,193)**	(1,211,668)
Change in loans	**622,807**	335,498	**388,415**	352,913
Change in settlements in-transit	**(250,972)**	(299,228)	**15,243**	(1,011,223)
Change in deposits	**3,235,605**	1,097,373	**3,637,766**	1,548,872
Change in obligations related to securities sold short	**222,620**	(89,147)	**241,870**	(18,298)
Change in securities under repurchase agreements	**(485,317)**	-	**(312,899)**	-
Change in derivative assets and liabilities	**(2,195)**	9,408	**5,083**	11,848
Change in other assets and liabilities	**(1,193)**	(6,824)	**(12,081)**	(15,640)
Interest received	**56,587**	89,400	**148,248**	177,589
Interest paid	**(72,872)**	(84,061)	**(119,865)**	(131,664)
Income tax paid	**(2)**	(19)	**(40)**	(47)
Net cash from (used in) operating activities	**18,242**	380,724	**1,130,281**	(316,879)
Cash flows from investing activities				
Change in deposits with regulated financial institutions	**1,540**	358	**1,555**	358
Change in reinvestment assets under the Canada Mortgage Bond Program	**61,942**	2,965	**5,731**	(69,453)
Change in property and equipment	**-**	(678)	**(55)**	744
Change in intangible assets	**-**	(2,889)	**(30)**	(8,162)
Change in investments in affiliates	**(1,610)**	203	**(1,610)**	(3,951)
Net cash from (used in) investing activities	**61,872**	(41)	**5,591**	(80,464)

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 Jun 30 2020	Jun 30 2019	For the six months ended Jun 30 2020	Jun 30 2019
Cash flows from financing activities					
Change in debt securities issued		**(273,079)**	(212,533)	**(407,627)**	(205,610)
Change in lease liabilities		**(75)**	(84)	**(152)**	(179)
Change in obligations under the Canada Mortgage Bond Program		**(29,993)**	(50,348)	**(1,323)**	(14,998)
Change in securities under repurchase agreements		**-**	(8,594)	**-**	105,232
Change in subordinated liabilities		**140**	(200,000)	**140**	(200,000)
Dividends paid		**-**	-	**(27,512)**	(13,807)
Issuance of Class F shares	(17)	**-**	129	**1,051**	1,229
Net cash used in financing activities		**(303,007)**	(471,430)	**(435,423)**	(328,133)
Increase (decrease) in cash		**(222,893)**	(90,747)	**700,449**	(725,476)
Cash - beginning of year		**975,037**	176,631	**51,695**	811,360
Cash - end of year		**$ 752,144**	$ 85,884	**$ 752,144**	$ 85,884
Cash comprise					
Cash		**$ 669,917**	$ 85,884	**$ 669,917**	$ 85,884
Cash held for segregation	(10)	**82,227**	-	**82,227**	-
Cash - end of year		**$ 752,144**	$ 85,884	**$ 752,144**	$ 85,884

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 provides financial, digital banking and payment products and services for over 250 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, 2019, with the exception of the accounting policy for Canada Emergency Business Account Program (CEBA), and the adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 as a result of the Interest Rate Benchmark Reform 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, 2019.

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

The Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on August 21, 2020.

3. 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.

IAS 34 requires disclosures of events and transactions that are significant to understanding changes since last annual report. The most significant areas for which management has made subjective or complex estimates and judgements as a result of the uncertainty arising from the COVID-19 coronavirus outbreak are:

- Expected credit loss (ECL) allowance
- Determining fair value of financial instruments
- Own credit risk
- Income taxes

Except for the significant judgements and estimates made by management to reflect the impact from the COVID-19 coronavirus outbreak as disclosed below, 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 Audited Consolidated Financial Statements for the year ended December 31, 2019.

Expected credit loss assessment

The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk (SICR) since initial recognition. The determination of a SICR takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in probability of default since initial recognition, and certain other criteria such as 30-day past due and watchlist status. The assessment of a SICR requires experienced credit judgement.

In determining whether there has been a SICR and in calculating the amount of ECL, Central 1 must rely on estimates and exercise judgement regarding matters for which the ultimate outcome is unknown. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the ECL allowance.

The calculation of ECL includes the forecasts of future economic conditions.

Central 1 has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. Key economic variables for Central 1's retail portfolios include unemployment rate, housing price index and interest rates and for Central 1's wholesale portfolios include gross domestic product (GDP), interest rates and volatility index, for Central 1's primary operating markets of Canada. The forecast is developed internally by Central 1's Allowance Working Group (AWG) Committee, considering external data and Central 1's view of future economic conditions. Central 1 exercises experienced credit judgement to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

Central 1's AWG Committee and Economics updated the forecast of future economic conditions to reflect the uncertainty and velocity of the impact from COVID-19, exercising assumptions and estimates to predict the future performance of the key economic variables. Central 1 also revisited the factors that might have been affected by the impact from COVID-19 to determine if there is a SICR.

Determining fair value of financial instruments

The determination of fair value for financial assets and liabilities requires the exercise of judgement by management. Certain financial instruments are classified as level 2 in the fair value hierarchy, whose fair values are measured using quoted market prices in active markets for similar instruments. At the end of each reporting period, the fair values of these financial instruments are determined using third party sources that supply prices of similar instruments which are priced by third parties, i.e. from various brokers, banks and other financial institutions.

Central 1 uses estimates and judgements to select the similar instruments whose quoted prices have reflected the increasing market volatility during the COVID-19 pandemic to measure the fair values of its level 2 financial instruments.

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques which use unobservable inputs (level 3 measurement). Central 1's loans at fair value through profit or loss (FVTPL) and equity investments in cooperative entities are classified as level 3 in the fair value hierarchy where inputs are unobservable.

Whilst the market volatility under the COVID-19 pandemic poses challenges on valuing these instruments, Central 1 makes critical estimates and judgements to adjust these inputs to incorporate how market participants would reflect the impact of COVID-19, if any, in their expectations of the duration and extent of this impact, future cash flows, discount rate and other significant valuation inputs relating to the assets or liabilities at the reporting date.

Own credit risk

For financial liabilities designated at FVTPL, changes in fair value are recognized in Consolidated Statement of Profit, except for changes in Central 1's own credit risk which are recognized in OCI. Central 1's own credit risk requires use of estimates for changes in Central 1's own credit spread during the COVID-19 pandemic.

Income taxes

Central 1 also has a non-capital loss carry forwards which creates a deferred tax asset. The recoverability of these deferred tax assets is determined based on an assessment of Central 1's ability to use the underlying future tax deductions, before they expire, against estimated future taxable income.

Central 1 expects that sufficient future taxable profits can be generated to recover the deferred tax assets.

4. Accounting Policies

Canada Emergency Business Account Program

The Government of Canada (GoC) launched the CEBA program to provide interest-free loans of up to $40,000 to qualifying small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced. Central 1 acts as a credit facility administrator for its eligible member credit unions to access the loans from GoC through the CEBA program. Loans advanced to borrowers by member credit unions under the CEBA program are not recognized on the Interim Consolidated Statements of Financial Position because Central 1 is not a party to the contractual provision of the loans.

The Credit Facility established by the GoC in order to provide funding to the member credit unions is not recognized on the Interim Consolidated Statement of Financial Position because Central 1 acts in the capacity as an agent, and substantially all the risks and rewards associated with the loans, including exposure to payment defaults and principal forgiveness, are assumed by the GoC.

Central 1 receives a loan administration fee which is recognized in the Interim Consolidated Statements of Profit.

5. Change in accounting policies

Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9 *(Financial Instruments),* IAS 39 *(Financial Instruments: Recognition and Measurement),* and IFRS 7 *(Financial Instruments: Disclosures).* The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

The amendments modified specific hedge accounting requirements of IFRS 9 or IAS 39 to provide temporary exceptions to all hedging relationships directly affected by the Interest Rate Benchmark Reform. Under the amendments, the hedge accounting requirements are applied assuming that the interest rate benchmark is not altered, thereby allowing hedge accounting to continue for affected hedges as a result of the uncertainties of the Interest Rate Benchmark Reform. In addition, the amendments to IFRS 7 require additional disclosure about hedging relationships directly affected by this uncertainty arising from the reform.

Central 1 uses interest rate swaps to hedge its exposure to interest rate risk. The notional amount of these swaps totalled $576.8 million as of June 30, 2020. These hedging relationships are referencing to CDOR benchmark rates. Under the interest rate benchmark reform, these rates may be subject to discontinuance, changes in methodology, increased volatility or decreased liquidity during the transition to new benchmark rates. On transition to IFRS 9, Central 1 made an accounting policy choice to continue applying the IAS 39 hedge accounting requirements. Therefore, Central 1 adopted the amendments to IAS 39 which affect the following areas that are specific to Central 1's current hedging relationships:

- *Prospective assessments*: Applying the amendments, entities will assume that the interest rate benchmark associated with the hedged item, hedge risk and/or hedging instruments is not altered as a result of the interest rate benchmark reform.

- *Retrospective assessments:* It is not required to discontinue a hedging relationship during the period of uncertainty arising from the interest rate benchmark reform solely because the hedge is outside the 80-125% range, causing hedge ineffectiveness.

6. Securities

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Securities FVTPL				
Government and government guaranteed securities	**$**	**3,485,503**	$	2,269,281
Corporate and major financial institutions AA low or greater		**1,987,063**		1,150,700
Other		**277,693**		79,150
Fair value	**$**	**5,750,259**	$	3,499,131
Amortized cost	**$**	**5,662,179**	$	3,477,475
Securities FVOCI				
Government and government guaranteed securities	**$**	**273,251**	$	837,692
Corporate and major financial institutions AA low or greater		**1,371,325**		1,264,497
Other		**1,408,948**		690,775
Fair value	**$**	**3,053,524**	$	2,792,964
Amortized cost	**$**	**3,044,463**	$	2,787,560
Total fair value	**$**	**8,803,783**	$	6,292,095

Securities held for segregation

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Securities FVTPL				
Government and government guaranteed securities	**$**	**4,882,233**	$	4,365,925
Corporate and major financial institutions AA low or greater		**1,191,118**		959,335
Other		**12,600**		-
Fair value	**$**	**6,085,951**	$	5,325,260
Securities FVOCI				
Government and government guaranteed securities	**$**	**1,636,798**	$	2,606,186
Corporate and major financial institutions AA low or greater		**981,561**		254,326
Fair value	**$**	**2,618,359**	$	2,860,512
Total fair value (Note 10)	**$**	**8,704,310**	$	8,185,772

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)		Jun 30 2020		Dec 31 2019
FVTPL				
Government and government guaranteed securities	**$**	**514,207**	$	521,887
Asset back commercial paper		**74,991**		44,967
Fair Value		**589,198**		566,854
Amortized cost	**$**	**580,112**	$	565,539
Amortized cost				
Assets acquired under reverse repurchase agreements	**$**	**99,623**	$	120,099
Total reinvestment assets under the Canada Mortgage Bond Program	**$**	**688,821**	$	686,953

7. Loans

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

(Thousands of dollars)	Jun 30 2020	Dec 31 2019
Amortized cost		
Due on demand		
Credit unions	**$ 55,133**	$ 493,038
Commercial and others	**1,565**	688
	56,698	493,726
Term		
Credit unions	**49,992**	15,499
Commercial and others	**927,970**	846,521
Reverse repurchase agreements	**549,958**	615,203
Officers and employees (1)	**8,633**	10,203
	1,536,553	1,487,426
	1,593,251	1,981,152
Accrued interest	**3,123**	2,808
Premium	**1,327**	2,188
	1,597,701	1,986,148
Expected credit loss	**(3,804)**	(1,383)
Amortized cost	**1,593,897**	1,984,765
Fair value hedge adjustment(2)	**(656)**	(2,898)
Carrying value	**$ 1,593,241**	$ 1,981,867

(1) Loans to officers and employees bear interest at rates varying from 2.50% to 2.72%.

(2) Central 1 enters into fair value hedges to hedge the risks caused by changes in interest rates.

(Thousands of dollars)	Jun 30 2020	Dec 31 2019
FVTPL		
Term		
Commercial and others	**$ 14,819**	$ 16,694
Accrued interest	**49**	53
Premium	**24**	31
Amortized cost	**$ 14,892**	$ 16,778
Fair value	**$ 15,814**	$ 17,301
Total loans	**$ 1,609,055**	$ 1,999,168

Central 1 is permitting payment deferrals to eligible borrowers in its commercial loans portfolio. Payment deferrals are not considered to automatically trigger a SICR or result in such loans being moved into stage 2 or stage 3 for the purposes of calculating the ECL. Payment deferrals have not been granted in connection with loans that have been identified as impaired or on watch list. Central 1 continues to accrue and recognize interest income on such loans.

As at June 30, 2020, the gross carrying value of loans for which deferrals have been approved totalled $138.2 million (December 31, 2019 - $nil).

8. Derivative instruments

Hedge accounting

Central 1 uses interest rate swaps to hedge its exposure to changes in the fair value of selected securities at FVOCI, commercial loans and medium-term notes due to changes in interest rates. The terms of these Interest rate swaps are largely matched to the terms of the specific hedged items when they are designated as hedging.

The amounts related to hedged items and results of the fair value hedges are as follows:

(Thousands of dollars)	For the three months ended Jun 30 2020			For the three months ended Jun 30 2019		
	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in profit (loss)	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in profit (loss)
Securities at FVOCI[1]	$ 537	$ (671)	$ (134)	$ -	$ -	$ -
Loans	110	(163)	(53)	552	(617)	(65)
Debt securities issued	(478)	686	208	(2,108)	2,289	181
	$ 169	**$ (148)**	**$ 21**	$ (1,557)	$ 1,673	$ 116

[1] The designation of securities at FVOCI in a hedging relationship moves the changes in fair value due to interest rate risk from the other comprehensive income to the profit (loss)

(Thousands of dollars)	For the six months ended Jun 30 2020			For the six months ended Jun 30 2019		
	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in profit (loss)	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in profit (loss)
Securities at FVOCI[1]	$ 3,890	$ (4,163)	$ (273)	$ -	$ -	$ -
Loans	2,242	(2,369)	(127)	1,838	(2,011)	(173)
Debt securities issued	(10,604)	10,024	(580)	(7,885)	8,105	220
	$ (4,472)	**$ 3,492**	**$ (980)**	$ (6,048)	$ 6,095	$ 47

[1] The designation of securities at FVOCI in a hedging relationship moves the changes in fair value due to interest rate risk from the other comprehensive income to the profit (loss)

(Thousands of dollars)	Jun 30 2020 Carrying value of hedged items	Jun 30 2020 Carrying value of hedging instruments	Jun 30 2020 Cumulative hedge adjustments from active hedges	Dec 31 2019 Carrying value of hedged items	Dec 31 2019 Carrying value of hedging instruments	Dec 31 2019 Cumulative hedge adjustments from active hedges
Securities at FVOCI[1]	$ 163,250	$ (4,163)	$ 3,890	$ -	$ -	$ -
Loans	127,280	19	(656)	137,311	2,389	(2,898)
Debt securities issued	(300,000)	9,799	(9,342)	(700,000)	(225)	1,262
		$ 5,655	**$ (6,108)**		$ 2,164	$ (1,636)

[1] The designation of securities at FVOCI in a hedging relationship moves the changes in fair value due to interest rate risk from the other comprehensive income to the profit (loss)

9. Expected credit loss

(Thousands of dollars)		Stage 1		Stage 2		Stage 3		Jun 30 2020 Total
ECL on financial assets at amortized cost								
Balance at January 1, 2020	$	1,111	$	272	$	-	$	1,383
Impairment loss on financial assets								
Purchases and originations		434		-		-		434
Derecognitions and maturities		(66)		(78)		-		(144)
Remeasurements		1,767		364		-		2,131
Total impairment loss on financial assets		2,135		286		-		2,421
Balance at June 30, 2020	**$**	**3,246**	**$**	**558**	**$**	**-**	**$**	**3,804**
ECL on financial assets at FVOCI								
Balance at January 1, 2020	$	644	$	-	$	-	$	644
Impairment loss on financial assets:								
Transfers in (out) to (from)		(113)		113		-		-
Purchases		801		-		-		801
Derecognitions and maturities		(365)		-		-		(365)
Remeasurements		638		141		-		779
Total impairment loss on financial assets		961		254		-		1,215
Balance at June 30, 2020	**$**	**1,605**	**$**	**254**	**$**	**-**	**$**	**1,859**
Total ECL								
Balance at January 1, 2020	$	1,755	$	272	$	-	$	2,027
Impairment loss on financial assets:								
Transfers in (out) to (from)		(113)		113		-		-
Purchases and originations		1,235		-		-		1,235
Derecognitions and maturities		(431)		(78)		-		(509)
Remeasurements		2,405		505		-		2,910
Total impairment loss on financial assets		3,096		540		-		3,636
Balance at June 30, 2020	**$**	**4,851**	**$**	**812**	**$**	**-**	**$**	**5,663**

(Thousands of dollars)		Stage 1		Stage 2		Stage 3		Jun 30 2019 Total
ECL on financial assets at amortized cost								
Balance at January 1, 2019	$	838	$	164	$	-	$	1,002
Impairment loss on financial assets								
Transfers in (out) to (from)		(8)		8		-		-
Purchases and originations		128		-		-		128
Derecognitions and maturities		(100)		(21)		-		(121)
Remeasurements		139		236		-		375
Total impairment loss on financial assets		159		223		-		382
Balance at June 30, 2019	$	997	$	387	$	-	$	1,384
ECL on financial assets at FVOCI								
Balance at January 1, 2019	$	484	$	-	$	-	$	484
Impairment recovery on financial assets								
Purchases		74		-		-		74
Derecognitions and maturities		(134)		-		-		(134)
Remeasurements		(50)		-		-		(50)
Total impairment recovery on financial assets		(110)		-		-		(110)
Balance at June 30, 2019	$	374	$	-	$	-	$	374
Total ECL								
Balance at January 1, 2019	$	1,322	$	164	$	-	$	1,486
Impairment loss on financial assets								
Transfers in (out) to (from)		(8)		8		-		-
Purchases and originations		202		-		-		202
Derecognitions and maturities		(234)		(21)		-		(255)
Remeasurements		89		236		-		325
Total impairment loss on financial assets		49		223		-		272
Balance at June 30, 2019	$	1,371	$	387	$	-	$	1,758

(Thousands of dollars)	Stage 1	Stage 2	Stage 3	Jun 30 2020 Total
Low Risk	$ 784,854	$ -	$ -	$ 784,854
Medium Risk	795,381	-	-	795,381
High Risk	-	7,374	-	7,374
Not Rated	10,092	-	-	10,092
Total	**$ 1,590,327**	**$ 7,374**	**$ -**	**$ 1,597,701**

(Thousands of dollars)	Stage 1	Stage 2	Stage 3	Dec 31 2019 Total
Low Risk	$ 1,249,888	$ -	$ -	$ 1,249,888
Medium Risk	710,004	-	-	710,004
High Risk	-	16,053	-	16,053
Not Rated	10,203	-	-	10,203
Total	$ 1,970,095	$ 16,053	$ -	$ 1,986,148

Forward looking macroeconomic variables

The inputs that are used to estimate Stage 1 and 2 credit loss allowances are modelled based on macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. These variables are updated to reflect the impact from the COVID-19 pandemic. Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the forecast period. Depending on their usage in the models, macroeconomic variables are projected at a more granular level.

10. MLP segregation and discontinuing operations

Following approval by Central 1's Board of Directors on November 21, 2019, Central 1 submitted a segregation plan to the B.C. Financial Services Authority (BCFSA) (formerly, the Financial Institutions Commission of British Columbia) to legally segregate the B.C. and Ontario MLPs. Central 1 received BCFSA's acceptance of the segregation plan and commenced extensive member engagement in early 2020. Broad system consultation with Class A members is now underway.

The planned transfer of assets and liabilities related to the MLP into contractual trusts has been accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. There is no measurement impact upon the classification of assets and liabilities related to the MLP as held for segregation in accordance with IFRS 5. The operations of the MLP segment are excluded from the results from continuing operations. Financial information relating to the MLP operations are presented in Note 22 for Segment Information and with additional details as given below:

Profit from discontinuing operations

(Thousands of dollars)	For the three months ended Jun 30 2020	Jun 30 2019	For the six months ended Jun 30 2020	Jun 30 2019
Net financial income including impairment on financial assets	**$ 41,864**	$ 11,322	**$ 6,749**	$ 23,849
Non-financial income (expense)	**(691)**	(215)	**502**	(474)
Net financial and non-financial income	**41,173**	11,107	**7,251**	23,375
Non-financial expense	**2,279**	1,806	**4,346**	3,539
Profit before income taxes	**38,894**	9,301	**2,905**	19,836
Income tax expense	**6,765**	1,633	**500**	3,468
Profit from discontinuing operations	**$ 32,129**	$ 7,668	**$ 2,405**	$ 16,368

MLP assets held for segregation

(Thousands of dollars)	Jun 30 2020	Dec 31 2019
Cash	**$ 82,227**	$ 2,748
Securities	**8,704,310**	8,185,772
Other assets	**-**	403
MLP assets held for segregation	**$ 8,786,537**	$ 8,188,923

MLP liabilities held for segregation

(Thousands of dollars)	Jun 30 2020	Dec 31 2019
Deposits	**$ 8,384,932**	$ 7,788,430
Current tax liabilities	**246**	-
Other liabilities	**192**	71
MLP liabilities held for segregation	**$ 8,385,370**	$ 7,788,501

The fair value of MLP deposits at June 30, 2020 was $8,390 million (December 31, 2019 - $7,792 million).

Cash flow from discontinuing operations

(Thousands of dollars)	For the three months ended Jun 30 2020	Jun 30 2019	For the six months ended Jun 30 2020	Jun 30 2019
Net cash from (used in) operating activities	**$ 64,928**	$ 63,484	**$ 78,429**	$ (77,066)
Net cash from (used in) financing activities	**-**	129	**1,051**	(12,578)
Net cash from (used in) discontinuing operations	**$ 64,928**	$ 63,613	**$ 79,480**	$ (89,644)

11. Held for distribution

Credit unions of British Columbia participated in insurance programs offered by CUPP Services Ltd. (CUPP) and hold preferred shares of CUPP. Central 1 owns 100% voting rights of CUPP and 7% non-voting rights, with the non-controlling interest (NCI) owning the remaining 93% non-voting rights. NCI is presented as a separate component of equity in the Consolidated Statement of Financial Position of Central 1, which represents the equity interests of credit unions in British Columbia in CUPP.

Following the decision to transition out Central 1's insurance operations in early 2019, Central 1 completed the sale of Credit Union Advantage Insurance Brokerage Ltd., a wholly owned subsidiary of Central 1 and a brokerage company of CUPP, to Co-operators Financial Services Limited (The Co-operators) on April 1, 2019. On September 30, 2019, the insurance policies that were underwritten by CUPP expired and CUMIS General Insurance Company (CUMIS), a subsidiary of The Co-operators, renewed these insurance policies on October 1, 2019. CUPP is planning to transition out the existing insurance claims in September 2020 and distribute the remaining funds back to credit unions by the end of 2020. This would result in CUPP's winding up in early 2021.

CUPP's planned distribution by the end of 2020 met the criteria to be classified as assets held for distribution in accordance with IFRS 5. CUPP's statement of financial position primarily consists of cash, deposits with regulated financial institutions, securities, and provision for unpaid claims. There is no measurement impact upon the classification of CUPP's assets and liabilities as held for distribution in accordance with IFRS 5.

Assets held for distribution

(Thousands of dollars)		Jun 30 2020
Deposits with regulated financial institutions	$	**3,378**
Securities		**3,340**
Other assets		**155**
Assets held for distribution	$	**6,873**

Liabilities held for distribution

(Thousands of dollars)		Jun 30 2020
Provisions	$	**1,835**
Other liabilities		**10**
Liabilities held for distribution	$	**1,845**

12. Other assets

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Investment property	$	**825**	$	872
Prepaid expenses		**13,969**		10,226
Post-employment benefits		**3,138**		3,343
Assets held for distribution (Note 11)		**6,873**		-
Accounts receivable and other		**11,941**		8,849
	$	**36,746**	$	23,290

13. Deposits

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Deposits designated as FVTPL				
Due within three months	$	**204,559**	$	68,021
Due after three months and within one year		**377,714**		482,082
Due after one year and within five years		**267,445**		441,482
		849,718		991,585
Accrued interest		**6,996**		8,452
Amortized cost	$	**856,714**	$	1,000,037
Fair value	$	**867,017**	$	1,001,562
Deposits held at amortized cost				
Due on demand	$	**2,105,515**	$	1,524,881
Due within three months		**2,415,983**		850,346
Due after three months and within one year		**1,782,016**		684,544
Due after one year and within five years		**190,465**		135,882
		6,493,979		3,195,653
Accrued interest		**7,988**		5,135
Amortized cost	$	**6,501,967**	$	3,200,788
Total carrying value	$	**7,368,984**	$	4,202,350

The fair value of deposits at June 30, 2020 was $7,380.7 million (December 31, 2019 - $4,202.1 million).

Deposits held for segregation

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Deposits designated as FVTPL				
Due within three months	$	**642,370**	$	605,450
Due after three months and within one year		**2,600,824**		2,193,031
Due after one year and within five years		**2,626,678**		3,215,836
		5,869,872		6,014,317
Accrued interest		**43,579**		40,822
Amortized cost	$	**5,913,451**	$	6,055,139
Fair value	$	**6,012,099**	$	6,048,733
Deposits held at amortized cost				
Due within three months	$	**660,777**	$	417,344
Due after three months and within one year		**390,698**		117,363
Due after one year and within five years		**1,319,994**		1,201,402
		2,371,469		1,736,109
Accrued interest		**1,364**		3,588
Amortized cost	$	**2,372,833**	$	1,739,697
Total carrying value (Note 10)	$	**8,384,932**	$	7,788,430

14. Debt securities issued

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Amounts				
Due within three months	$	**378,653**	$	892,441
Due after three months and within one year		**349,744**		39,235
Due after one year and within five years		**942,741**		1,147,089
		1,671,138		2,078,765
Accrued interest		**3,302**		5,973
Amortized cost		**1,674,440**		2,084,738
Fair value hedge adjustment(1)		**9,342**		(1,262)
Carrying value	$	**1,683,782**	$	2,083,476

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

At June 30, 2020, a par value of $378.9 million was outstanding under the short-term commercial paper facility (December 31, 2019 - $533.3 million).

On December 6, 2019, Central 1 issued $300.0 million principal amount of Series 17 medium-term fixed rate notes due December 6, 2023. The notes bear interest at a fixed rate of 2.584%, payable semi-annually on June 6 and December 6 of each year, commencing June 6, 2020. On March 30, 2020, Central 1 re-opened the Series 17 medium-term fixed rate notes and issued an additional $150 million, which has the same maturity date and bears the same features as the notes issued on December 6, 2019.

On March 16, 2020, the $400.0 million principal amount of Series 14 medium-term fixed rate notes matured.

15. 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 maturities of these obligations are indicated below:

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Amounts				
Due within one year	**$**	**516,433**	$	450,945
Due after one year and within five years		**401,621**		468,432
		918,054		919,377
Accrued interest		**714**		380
Amortized cost	**$**	**918,768**	$	919,757
Fair value	**$**	**929,503**	$	919,086

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

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
FVTPL				
Total reinvestment assets under the Canada Mortgage Bond Program (see Note 6)	**$**	**589,198**	$	566,854
Assets recognized as securities		**242,824**		233,829
Fair value	**$**	**832,022**	$	800,683
Amortized cost				
Total reinvestment assets under the Canada Mortgage Bond Program (see Note 6)	**$**	**99,623**	$	120,099
Total underlying assets designated	**$**	**931,645**	$	920,782

16. Other liabilities

(Thousands of dollars)		Jun 30 2020		Dec 31 2019
Post-employment benefits	$	**16,316**	$	16,476
Short-term employee benefits		**8,186**		11,523
Dividends payable		**-**		27,512
Finance Leases		**6,452**		6,604
Provisions for unpaid claims[1]		**-**		1,680
Liabilities held for distribution (Note 11)		**1,845**		-
Accounts payable and other		**31,086**		33,428
	$	**63,885**	$	97,223

[1] Provision for unpaid claims are reported under liabilities held for distribution (Note 11)

17. 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.

Subject to certain exceptions set out in Central 1's Constitution and Rules (Rules), Class A members are entitled to cast one vote for each Class A share they hold on any matter. Each Class B or Class C shareholder is entitled to cast one vote per share on matters on which they are entitled to vote. 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.

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 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)	Jun 30 2020	Dec 31 2019	Jun 30 2019
Number of shares issued			
Class A - credit unions			
Balance at beginning and end of period	**43,359**	43,359	43,359
Class B - co-operatives			
Balance at beginning and end of period	**5**	5	5
Class C - other			
Balance at beginning and end of period	**7**	7	7
Class E - credit unions			
Balance at beginning and end of period	**2,154**	2,154	2,154
Class F - credit unions			
Balance at beginning of period	**396,686**	386,547	386,547
Issued during the period	**1,051**	10,139	1,229
Balance at end of period	**397,737**	396,686	387,776
Number of treasury shares			
Treasury shares - Class E			
Balance at beginning and end of period	**(264)**	(264)	(264)

Class F in-cycle share calls are scheduled each May and November in accordance with Central 1's Capital Policy. In 2019, the May in-cycle share call was not required as Central 1 had sufficient capital to meet its regulatory requirements. For the November 2019 in-cycle share call, Central 1 issued $8.9 million Class F shares with a price of $1 per share. In 2020, in response to the COVID-19 pandemic and market disruption, B.C. Financial Services Authority (BCFSA) has introduced an easing measure to permit Central 1 to increase the borrowing multiple limit for the MLP from 17.0:1 to 20.0:1 effective March 31, 2020 until September 30, 2020. As a result, no capital call for increased overall capital in the MLP was required in May 2020 to meet the borrowing multiple requirement.

Central 1 issued 1.1 million Class F shares on March 27, 2020 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. All issuances of Class F shares with respect to the 2018 transaction that had been deferred have been completed.

(Thousands of dollars)		Jun 30 2020		Dec 31 2019		Jun 30 2019
Amount of share capital outstanding						
Outstanding $1 par value shares						
Class A - credit unions	**$**	**43,359**	$	43,359	$	43,359
Class B - cooperatives		**5**		5		5
Class C - other		**7**		7		7
Class F - credit unions		**397,737**		396,686		387,776
Outstanding $0.01 par value shares						
Class E - credit unions		**21**		21		21
		441,129		440,078		431,168
Amount of treasury shares						
Treasury shares		**(2)**		(2)		(2)
Balance at end of period	**$**	**441,127**	$	440,076	$	431,166

18. Gain on disposal of financial instruments

	For the three months ended				For the six months ended			
(Thousands of dollars)		Jun 30 2020		Jun 30 2019		Jun 30 2020		Jun 30 2019
Continuing operations								
Realized gain on securities as at FVTPL	**$**	**9,848**	$	9,131	**$**	**12,641**	$	18,650
Realized gain on securities as at FVOCI		**1,340**		5,553		**3,010**		7,760
Realized gain (loss) on derivative instruments		**(2,602)**		3,229		**(928)**		5,455
Realized gain on loans as at FVTPL		**9**		1		**14**		8
Realized gain (loss) on deposits designated as at FVTPL		**(151)**		28		**(512)**		145
Realized loss on obligations related to securities sold short		**(2,758)**		(1,843)		**(7,792)**		(3,657)
	$	**5,686**	$	16,099	**$**	**6,433**	$	28,361

19. Change in fair value of financial instruments

	For the three months ended		For the six months ended	
(Thousands of dollars)	Jun 30 2020	Jun 30 2019	Jun 30 2020	Jun 30 2019
Continuing operations				
Securities as at FVTPL	**$ 31,692**	$ 5,178	**$ 66,423**	$ 34,415
Loans as at FVTPL	**620**	108	**398**	410
Activities under the Canada Mortgage Bond Program				
Reinvestment assets	**(294)**	980	**7,770**	3,240
Derivative instruments	**12,241**	(3,340)	**(13,347)**	(12,392)
Obligations under the Canada Mortgage Bond Program	**267**	(1,345)	**(11,406)**	(5,927)
Derivative instruments	**(2,361)**	(6,941)	**(36,126)**	(19,523)
Financial liabilities as at FVTPL				
Deposits designated as at FVTPL	**(224)**	(3,557)	**(11,532)**	(7,838)
Obligations related to securities sold short	**(1,234)**	349	**(4,239)**	(1,506)
	$ 40,707	$ (8,568)	**$ (2,059)**	$ (9,121)

20. Non-financial income

	For the three months ended Jun 30 2020			For the three months ended Jun 30 2019		
(Thousands of dollars)	Revenue arising from contracts with customers	Revenue arising from other sources	Total	Revenue arising from contracts with customers	Revenue arising from other sources	Total
Continuing operations						
Treasury						
Lending fees	$ 3,509	$ -	**$ 3,509**	$ 2,512	$ -	$ 2,512
Securitization fees	2,219	-	**2,219**	2,109	-	2,109
Foreign exchange income	-	605	**605**	-	1,644	1,644
Other	1,164	-	**1,164**	1,469	341	1,810
Digital & Payment Services						
Payment processing and other	16,395	-	**16,395**	15,748	-	15,748
Direct banking fees	7,863	-	**7,863**	8,929	-	8,929
System Affiliates & Other						
Equity interest in affiliates	-	(248)	**(248)**	-	1,338	1,338
Income from investees	-	1,022	**1,022**	-	1,671	1,671
Membership dues	613	-	**613**	613	-	613
Other	496	-	**496**	601	-	601
	$ 32,259	$ 1,379	**$ 33,638**	$ 31,981	$ 4,994	$ 36,975

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

(Thousands of dollars)	For the six months ended Jun 30 2020 Revenue arising from contracts with customers	Revenue arising from other sources	Total	For the six months ended Jun 30 2019 Revenue arising from contracts with customers	Revenue arising from other sources	Total
Continuing operations						
Treasury						
Lending fees	$ 6,316	$ -	**$ 6,316**	$ 4,391	$ -	$ 4,391
Securitization fees	4,211	-	**4,211**	4,015	-	4,015
Foreign exchange income	-	3,002	**3,002**	-	4,814	4,814
Other	2,469	-	**2,469**	3,034	689	3,723
Digital & Payment Services						
Payment processing and othe	30,766	-	**30,766**	30,070	-	30,070
Direct banking fees	16,687	-	**16,687**	17,284	-	17,284
System Affiliates & Other						
Equity interest in affiliates	-	(337)	**(337)**	-	2,391	2,391
Income from investees	-	1,085	**1,085**	-	1,772	1,772
Membership dues	1,225	-	**1,225**	1,225	-	1,225
Other	1,169	-	**1,169**	1,193	-	1,193
	$ 62,843	$ 3,750	**$ 66,593**	$ 61,212	$ 9,666	$ 70,878

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

21. Other administrative expense

(Thousands of dollars)	For the three months ended Jun 30 2020	Jun 30 2019	For the six months ended Jun 30 2020	Jun 30 2019
Continuing operations				
Cost of sales and services	**$ 2,793**	$ 1,825	**$ 5,002**	$ 4,663
Cost of payments processing	**4,789**	4,608	**9,149**	8,871
Management information systems	**6,102**	4,739	**12,233**	9,427
Professional fees	**4,271**	11,675	**12,614**	17,514
Business development projects	**114**	212	**207**	398
Other	**367**	1,021	**1,046**	2,127
	$ 18,436	$ 24,080	**$ 40,251**	$ 43,001

22. Segment information

For management reporting purposes, Central 1's operations and activities are organized around three key business segments: Mandatory Liquidity Pool (MLP), Treasury (formerly, Wholesale Financial Services) and Digital & Payment Services. All other activities or transactions, including investments in equity shares of system-related entities, other than the wholly owned subsidiaries, and those 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.

Following the approval by Central 1's Board in November 2019 to submit a segregation plan to BCFSA to legally segregate the B.C. and Ontario MLPs, and the acceptance of BCFSA of the segregation plan in December 2019, the MLP segment were classified as MLP assets and liabilities held for segregation on the Consolidated Statement of Financial Position. Broad system consultation with Class A members is now underway. For further details, refer to Note 10.

Treasury

Treasury 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.

Treasury 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. Treasury 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 Treasury segment.

The Treasury segment also operates the Group Clearer settlement function. As a Group Clearer under the rules of 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.

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.

Certain strategic initiatives relating to digital banking and payments solutions are included in this segment. One of these initiatives is the development of the Forge Digital Banking Platform (Forge) using Backbase's global leading technology. In November 2019, the Forge Retail Banking became available for use.

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.

System Affiliates & Other

System Affiliates & Other consist of enterprise level activities which are not allocated to the business segments described above. This business segment includes Central 1's investments in equity shares of system-related entities, other than the wholly owned subsidiaries, and was previously reported as its own business segment, "System Affiliates". It also includes the costs of implementing certain strategic initiatives other than ones included in the key segments of business above.

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. 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.

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 June 30, 2020:

(Thousands of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 41,864	$ 56,650	$ (81)	$ -	$ 98,433
Non-financial income	(691)	7,497	24,258	1,883	32,947
Net financial and non-financial income	41,173	64,147	24,177	1,883	131,380
Non-financial expense	2,279	8,909	30,088	5,238	46,514
Profit (loss) before income taxes	38,894	55,238	(5,911)	(3,355)	84,866
Income tax expense (recovery)	6,765	8,938	(1,149)	(1,747)	12,807
Profit (loss)	**$ 32,129**	**$ 46,300**	**$ (4,762)**	**$ (1,608)**	**$ 72,059**

The following table summarizes the segment results for the three months ended June 30, 2019:

(Thousands of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 11,322	$ 17,801	$ (97)	$ (294)	$ 28,732
Non-financial income	(215)	8,075	24,677	4,223	36,760
Net financial and non-financial income	11,107	25,875	24,580	3,930	65,492
Non-financial expense	1,806	9,082	34,968	4,819	50,675
Profit (loss) before income taxes	9,301	16,793	(10,388)	(889)	14,817
Income tax expense (recovery)	1,633	3,387	(1,611)	(1,252)	2,157
Profit (loss)	$ 7,668	$ 13,406	$ (8,777)	$ 363	$ 12,660

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

The following table summarizes the segment results for the six months ended June 30, 2020:

(Thousands of dollars)	Mandatory Liquidity Pool*	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 6,749	$ 25,406	$ (169)	$ -	$ 31,986
Non-financial income	502	15,998	47,453	3,142	67,095
Net financial and non-financial income	7,251	41,404	47,284	3,142	99,081
Non-financial expense	4,346	17,186	66,767	8,050	96,349
Profit (loss) before income taxes	2,905	24,218	(19,483)	(4,908)	2,732
Income tax expense (recovery)	500	4,168	(3,351)	(3,610)	(2,293)
Profit (loss)	**$ 2,405**	**$ 20,050**	**$ (16,132)**	**$ (1,298)**	**$ 5,025**
Total assets as at June 30 2020	**$ 8,878,874**	**$ 12,238,831**	**$ 22,011**	**$ 206,595**	**$ 21,346,311**
Total liabilities as at June 30 2020	**$ 8,385,370**	**$ 11,785,391**	**$ 4,786**	**$ 50,287**	**$ 20,225,834**

* Total assets of the MLP segment includes certain assets that are not held for segregation.

The following table summarizes the segment results for the six months ended June 30, 2019:

(Thousands of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	$ 23,849	$ 42,364	$ (205)	$ (1,393)	$ 64,615
Non-financial income	(474)	16,943	47,354	6,581	70,404
Net financial and non-financial income	23,375	59,307	47,149	5,188	135,019
Non-financial expense	3,539	18,715	62,183	7,824	92,261
Profit (loss) before income taxes	19,836	40,592	(15,034)	(2,636)	42,758
Income tax expense (recovery)	3,468	7,547	(2,242)	(3,799)	4,974
Profit (loss)	$ 16,368	$ 33,045	$ (12,792)	$ 1,163	$ 37,784
Total assets as at June 30 2019	$ 8,022,986	$ 9,700,438	$ 19,473	$ 192,933	$ 17,935,830
Total liabilities as at June 30 2019	$ 7,527,688	$ 9,247,171	$ (11,729)	$ 36,094	$ 16,799,224

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

23. Guarantees, commitments, contingencies and pledged assets

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

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.

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 committed amounts were transacted.

(Thousands of dollars)	Jun 30 2020	Dec 31 2019
Commitments to extend credit[(1)]	**$ 5,030,780**	$ 4,332,028
Guarantees		
Financial guarantees	**$ 737,600**	$ 622,600
Performance guarantees	**$ 100,000**	$ 100,000
Standby letters of credit	**$ 227,310**	$ 219,787
Future prepayment swap reinvestment commitment	**$ 1,868,925**	$ 1,339,232

(1) Subsequent to the quarter end, a $300.0 million line of credit was cancelled by a credit union member.

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on June 30, 2020 are $60.6 million, $503.1 million and $127.4 million (December 31, 2019 - $10.7 million, $472.7 million and $108.4 million).

Central 1 from time to time issues performance guarantees related to the Asset Backed Commercial Paper Program. The performance guarantees represented in the table above are the maximum limits for parties in existing contractual obligations. Central 1 also issues blanket approvals for performance guarantees on a non-committed basis which will become contractual obligations for specified amounts if requested and authorized by Central 1, in their sole discretion. Central 1 has the ability to unilaterally withdraw anytime from these approved limits. These un-committed performance guarantee approved limits for June 30, 2020 were $810.0 million (December 31, 2019 - $810.0 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, cannot be reliably estimated at June 30, 2020.

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)	Jun 30 2020	Dec 31 2019
Assets pledged to Bank of Canada & Direct Clearing Organizations[(1)(2)]	**$ 55,235**	$ 53,524
Assets pledged in relation to:		
Derivative financial instrument transactions	**84,638**	8,169
Securities lending	**4,784**	15,922
Obligations under the Canada Mortgage Bond Program	**215,605**	202,193
Reinvestment assets under the Canada Mortgage Bond Program	**688,821**	686,953
Securities under repurchase agreements	**330,153**	643,526
	$ 1,379,236	$ 1,610,287

(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. These securities are not included in the pledge assets.

24. Financial instruments – Fair value

Certain financial instruments are recognized in the Consolidated Statement of Financial Position at fair value. These include derivative instruments, securities, loans and deposits designated at FVTPL, obligations related to securities sold short, reinvestment assets and obligations 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 values are determined using valuation techniques include: loans and deposits designated at FVTPL, derivative instruments, equity investments, and securities within the CMB Program. 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 Central 1's equity investments, quoted market prices are not available, in which case Central 1 would consider using valuation techniques such as discounted cash flows, 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. The estimated fair value would increase (decrease) if:

- the expected cash flows were higher (lower);
- the risk-free rate were lower (higher);

Level 3 financial assets includes $32.1 million of equity investment securities that are measured at cost which is an appropriate estimate of fair value at June 30, 2020 as the most recent available information is not sufficient to measure fair value. Central 1 has determined that this value remains the same as prior periods as disclosed in Note 3.

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:

Jun 30 2020 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets						
Cash	$ -	$ -	$ -	$ -	$ 669.9	**$ 669.9**
Securities	-	8,756.5	47.3	8,803.8	-	**8,803.8**
Reinvestment assets under the CMB Program	-	688.8	-	688.8	-	**688.8**
Loans	-	-	15.8	15.8	1,593.2	**1,609.0**
Derivative assets	-	111.3	-	111.3	-	**111.3**
MLP assets held for segregation	-	8,704.3	-	8,704.3	82.2	**8,786.5**
Assets held for distribution	-	3.3	-	3.3	3.4	**6.7**
Total financial assets	-	18,264.2	63.1	18,327.3	2,348.7	**20,676.0**
Financial liabilities						
Deposits	-	867.0	-	867.0	6,502.0	**7,369.0**
Debt securities issued	-	-	-	-	1,683.8	**1,683.8**
Obligations under the CMB Program	-	929.5	-	929.5	-	**929.5**
Subordinated liabilities	-	-	-	-	221.6	**221.6**
Obligations related to securities sold short	-	321.5	-	321.5	-	**321.5**
Securities under repurchase agreements	-	-	-	-	330.2	**330.2**
Derivative liabilities	-	160.6	-	160.6	-	**160.6**
MLP liabilities held for segregation	-	6,012.1	-	6,012.1	2,372.8	**8,384.9**
Total financial liabilities	$ -	$ 8,290.7	$ -	$ 8,290.7	$ 11,110.4	**$ 19,401.1**

[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.

Dec 31 2019 (Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets	$ -	$ 15,166.5	$ 64.6	$ 15,231.1	$ 2,038.4	$ 17,269.5
Financial liabilities	$ -	$ 8,088.8	$ -	$ 8,088.8	$ 7,895.9	$ 15,984.7

[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 2019	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair value at Jun 30 2020
Equity shares	$ 47.3	$ -	$ -	$ -	$ -	**$ 47.3**
Loans	17.3	-	(1.9)	-	0.4	**15.8**
Total financial assets	$ 64.6	$ -	$ (1.9)	$ -	$ 0.4	**$ 63.1**

25. 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.

Regulatory capital

Central 1's capital levels are regulated under provincial regulations administered by the B.C. Financial Services Authority (BCFSA) (formerly, the Financial Institutions Commission of British Columbia). BCFSA 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.

BCFSA requires a consolidated borrowing multiple of no more than 20.0:1, as well as distinct borrowing multiples on the MLP and Treasury segments. In response to the COVID-19 pandemic and market disruption, BCFSA introduced easing measures to provide financial support to B.C. credit unions and their members during these extraordinary times. These measures included to permit Central 1 to increase its borrowing multiple from 15.0:1 to 18.0:1 for the Treasury segment, effective March 23, 2020, which was further increased from 18.0:1 to 20.0:1 effective May 31, 2020, and to increase its borrowing multiple from 17.0:1 to 20.0:1 for the MLP segment, effective March 31, 2020.

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%. BCFSA 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 reporting periods ended June 30, 2020 and June 30, 2019.

26. 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 for the year ended December 31, 2019.

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)	Jun 30 2020	Dec 31 2019
Mortgage loans outstanding at the end of the period	**$ 1,157**	$ 1,179

The mortgage loans to key members of management personnel bear interest at the rate between 2.50% and 2.55% 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:

	For the three months ended		For the six months ended	
(Thousands of dollars)	Jun 30 2020	Jun 30 2019	Jun 30 2020	Jun 30 2019
Salaries and short-term employee benefits	**$ 1,207**	$ 1,209	**$ 2,481**	$ 2,293
Incentive	**2,579**	1,232	**2,579**	1,232
Post-employment benefits	**73**	66	**134**	116
Termination benefits	**198**	576	**198**	576
	$ 4,057	$ 3,083	**$ 5,392**	$ 4,217

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.

Transactions with Board of Directors

	For the three months ended		For the six months ended	
(Thousands of dollars)	Jun 30 2020	Jun 30 2019	Jun 30 2020	Jun 30 2019
Total remuneration	**$ 146**	$ 205	**$ 288**	$ 352

Significant subsidiaries

(% of direct ownership outstanding)	Jun 30 2020	Dec 31 2019
Central 1 Trust Company	**100%**	100%
CUPP Services Ltd.	**100%**	100%
C1 Ventures (VCC) Ltd.	**100%**	100%
0789376 B.C. Ltd.	**100%**	100%

Investment in affiliates

(% of direct ownership outstanding)	Jun 30 2020	Dec 31 2019
The CUMIS Group Limited	**27%**	27%
CU Cumis Wealth Holdings LP	**35%**	35%
189286 Canada Inc.	**52%**	52%
Agility Forex Ltd.	**28%**	28%

To fund the Payments Canada's modernization project, the Board of Directors of Interac Corp. (Interac) approved a capital call of $33.0 million on June 10, 2020, the second tranche of a total $75.0 million capital call with the first tranche of $42.0 million raised in early 2019. Central 1 has an indirect interest in Interac through its ownership in 189286 Canada Inc. and is committed to support the capital call. During the second quarter, Central 1 accrued $2.0 million in relation to this commitment. Central 1 also has a direct interest in Interac and decision has been made subsequent to the quarter end to subscribe to the call for the direct portion totalling $0.3 million.

Substantial investments

(% of direct ownership outstanding)	Jun 30 2020	Dec 31 2019
The Co-operators Group Limited	**21%**	21%
Canadian Credit Union Association	**59%**	59%