

Management's Discussion & Analysis

December 31, 2020

2020 Highlights of the Year

Total
\$36.1 M
 PROFIT AFTER TAX

Mandatory Liquidity Pool¹

\$2.3 M PROFIT AFTER TAX

↓ \$25.2 M

- Lower yield curve and shorter duration for investments due to the segregation

System Affiliates & Other

(\$5.8 M) LOSS AFTER TAX

↑ \$4.7 M

- Spending on the development of a new banking system and initiatives aimed to expand corporate efficiency

Treasury

\$76.1 M PROFIT AFTER TAX

↑ \$27.3 M

- Strong growth in our investment portfolios from increase in deposit funding from credit unions
- Higher net realized and unrealized gains

Earnings per share²

8.2 ¢

Borrowing Multiple

17.8:1

Tier 1 Capital Ratio

20.9%

Digital & Payment Services

(\$36.5 M) LOSS AFTER TAX

↓ \$4.9 M

- Increase in *Interac e-Transfer*[®] volumes
- Rollout of the Forge Digital Banking Platform and payments modernization

¹ The Mandatory Liquidity Pool was segregated from Central 1 Credit Union effective January 1, 2021.

² Earnings per share is calculated by dividing profit after tax by the average number of shares of all classes that are outstanding.

Impacts of COVID-19

The World Health Organization declared COVID-19 a global pandemic in March 2020, which resulted in widespread public health measures and macroeconomic impacts. The uncertainty during the spring of 2020 led to significant stress in financial markets. Governments including the Government of Canada implemented numerous monetary and fiscal measures to mitigate impacts to citizens and businesses. The Canadian government created a COVID-19 Economic Response Plan to ensure the health of the financial system and economy.

As a central, Central 1 Credit Union (Central 1) has consistently maintained strong operational resilience to support the credit union system in B.C. and Ontario. The organization made significant and swift adjustments to support our employees, members and clients.

Central 1 enacted our Pandemic Response plan and established a cross-functional response team to ensure we could make quick decisions. The organization focused on maintaining essential products and services, while protecting core business functions for the credit union system and clients. The health and well-being of Central 1's employees, members, clients, and communities were a top priority.

Approximately 98 per cent of staff were redeployed to work remotely, apart from a very few critical roles that required office access. Our robust IT infrastructure and remote working capabilities for our employees enabled Central 1 to seamlessly continue supporting our day-to-day operations and essential services. Central 1 provided staff with additional health and wellness and IT support as we all adjusted to the new working environment. Central 1 hosted weekly updates and Q&A sessions with the executive team with over 160 Central 1 leaders participating in each call and launched monthly Pulse Check surveys to receive feedback from employees.

As a primary liquidity provider to the credit union system, Central 1 manages our Treasury portfolio to ensure appropriate levels of liquidity to support the system during times of stress. Central 1 took important steps to support the system which included bolstering our balance sheet to create more short-term liquidity; accessing available programs from the Bank of Canada and facilitating credit union access to the Insured Mortgage Purchase Program.

All digital infrastructure and core systems continued to handle the increased traffic as more of our clients' members and customers shifted to digital banking and payments. We worked with our members and clients to further accelerate digital banking launches, ensuring clients went to market faster. Central 1 worked with the Export Development Canada to establish credit union access to the federal government's Canada Emergency Business Account (CEBA) loan program. Central 1 worked with the

Canada Revenue Agency and Payments Canada to implement a system-wide initiative that enabled individuals and small businesses to automatically receive CERB and other COVID-19 benefits into their accounts.

Despite the impact from the COVID-19 pandemic, Central 1's consolidated results in 2020 reflected a \$1.9 million increase in profit after tax from 2019. Excluding the results from the MLP which was segregated on January 1, 2021, Central 1 saw a profit after tax of \$33.8 million in 2020, up \$27.1 million from the previous year. Strong growth in Central 1's investment portfolios combined with a reduction in external debt, as a result of a significant increase in deposit funding from credit unions, contributed to a \$15.1 million increase in interest margin from 2019. Since the first quarter of 2020, credit spreads continued to narrow to levels experienced prior to the COVID-19 pandemic, resulting in an annual increase of \$7.5 million in net realized and unrealized gains from 2019. Earnings also included a \$2.2 million increase in expected credit loss provisions to reflect the deterioration in the economic outlook as a result of the pandemic. 2020 results also reflected higher *Interac e-Transfer@* volumes due to increased usage of online payments during the pandemic.

As the pandemic continues to unfold, the extent to which the pandemic impacts Central 1's business, operations and financial performance is uncertain and unpredictable. However, Central 1 has sustained our success over the long term, in part, because of our unique place in the cooperative banking ecosystem and our ability to evolve our business. The success and financial well-being of Canadians continues to be our purpose.

Treasury

Treasury reported an increase of \$27.3 million in profit after tax from last year, primarily driven by a \$19.0 million increase in net financial income. Interest margin increased \$13.6 million driven by strong growth in our investment portfolios as a result of a significant increase in deposit funding from credit unions. Since the first quarter of 2020, positive COVID-19 developments related to relaxed social restrictions, government stimulus and the promise of widespread distribution of a vaccine have led to the continued reversion of credit spreads to levels more consistent with historical norms. This resulted in an increase of \$7.6 million in annual net realized and unrealized gains compared to the previous year and a complete recovery of the unrealized losses experienced in the first quarter of 2020. Treasury's cash and liquid assets at December 31, 2020 increased \$4.6 billion from December 31, 2019, supported by growth in deposits.

Treasury continues to deliver strong and consistent contributions to Central 1 earnings. In addition to the strong financial performance of 2020, liquidity at Central 1 continues to be robust as non-mandatory deposits remain at an all-time high, increasing by \$5.2 billion during 2020.

At the outset of the pandemic, Central 1 focused on supporting our members and their liquidity needs across different areas of the business. Our initial efforts focused on understanding available funding options to Central 1 through the Bank of Canada and how we could quickly extend these same benefits to credit unions.

Central 1 secured access to the Bank of Canada's Standing Term Liquidity Facility and the Commercial Paper Purchase Program. Throughout the initial phases of the pandemic, Central 1 supported members' liquidity needs through securitization and by accommodating elevated system liquidity through special deposit offerings.

In 2020, Central 1 facilitated approximately \$5 billion of new securitization transactions as credit unions increased system liquidity levels. The organization further supported our members and clients by hosting multiple webinars, online forums and one-on-one meetings as part of our ongoing member engagement. To support our Commercial Real Estate Lending clients, Central 1 offered principal and interest deferral options. Of the initial 25 borrowers that elected loan payment deferrals, one deferral participant remained at the end of the year.

Throughout the year, and in parallel with the MLP segregation, Central 1 developed and delivered, in partnership with Credential Qtrade Securities Inc., the Asset Management Services to assist credit unions in managing their portfolios of securities post-MLP segregation. The initial uptake on the service was strong with approximately 90 per cent of our members selecting the service.

Digital & Payment Services

Digital & Payment Services saw an increase in *Interac e-Transfer*® volumes in the Electronic Payments area in 2020, reflecting the increased usage of online payments during the COVID-19 pandemic. Investment in strategic initiatives continued in 2020, including the development and rollout of the Forge Digital Banking Platform (Forge) and payments modernization, with the level of expenses relatively consistent year-over-year. Operating expenses include a charge related to intangible assets along with the cost of running two digital platforms during the year. Combined, this segment experienced a loss after tax of \$36.5 million compared to a loss after tax of \$31.6 million in the prior year.

Digital

The COVID-19 crisis has further demonstrated why digital transformation within financial services is imperative to remaining competitive and customer-centric. Central 1 is continuing to prioritize and deliver the right balance of innovation, continuity and value for the credit union system and other financial institutions through our digital banking and payments services.

As the reliance on digital solutions increased this year due to the impact of COVID-19, Central 1 focused on streamlining and accelerating our Digital Banking Platform launches and product enhancements, empowering clients to confidently meet the changing demands facing their organizations.

Throughout 2020, Central 1 continued to assess, adapt, and listen to the needs of our clients. This included assessing Central 1's current digital tools, practices, vendors and platform methodologies to ensure clients have the services and options that are innovative, flexible, cost effective and client-centric.

The Forge Retail suite released several new features including 2-step verification and *Interac e-Transfer*® scheduled transfers while the Forge Business suite continues as a priority. We are progressing a pilot group of small businesses on Forge Small Business. Forge Community, a Central 1 initiative, created through inspiration from the credit union system to allow collaborative innovation, continued to advance and is expected to grow with more fintechs and innovators joining in 2021. In addition, a significant focus for the team was compliance with the changes to the *Accessibility for Ontarians with Disabilities Act* (AODA) which came into effect for 2021.

As Canada develops an open banking standard, Central 1 is committed to representing credit union voices at regulatory and legislative discussions. This includes consultations with the Financial Data Exchange Forum, Finance Canada and through the Canadian Credit Union Association's Legislative and Regulatory Affairs committee.

Payments

Within Payments, Central 1 received clear direction and strong support from our Board and our members on our payments strategy which is designed to position the credit union system and financial services industry for growth and innovation. In addition, Central 1 launched its Payments Customer Advisory Council (Payments Council); a collaboration between Central 1 and our payments clients. Members of the Payments Council will help to shape the new payments infrastructure, products and services that are required to achieve compliance with Payments Canada's modernization initiative and create opportunities for innovation.

Central 1 experienced its busiest ever period for *Interac e-Transfer*® transaction processing during the fourth quarter as Canadians increasingly choose digital payment during the ongoing COVID-19 pandemic. During that time, Central 1 processed 1.8 million *Interac e-Transfer*® transactions on behalf of Canadian credit unions and other financial institutions, totalling almost \$760 million. This achievement demonstrates not only Central 1's ability to handle the increased demand for *Interac e-Transfer*® transactions, but also the organization's continued expertise in the payments arena. Central 1 has settled billions of dollars in payments every month for the Canadian credit union system for the past 25 years.

In the fourth quarter, Central 1 received conditional approval from Payments Canada for its application for participation in Canada's new high value payments system, Lynx; another important milestone in ensuring its members and clients experience a seamless transition in their wire transfers when Release 1 of the new high-value payments system goes live in summer 2021.

Central 1, along with the Central1's Payments Customer Advisory Council, is currently working towards completion of a Payments Canada Real-time-Rail (RTR) impact assessment. Central 1 adjusted its Canada Emergency Business Account (CEBA) loan forms to allow members and clients to easily offer the latest CEBA expansion to their customers, facilitating a total of 28,000 applications worth over \$1 billion in loans during 2020.

Mandatory Liquidity Pool

The MLP reported a profit after tax of \$2.3 million for 2020, down \$25.2 million from last year. Although positive COVID-19 developments throughout the year helped reduce the negative impacts of the first quarter, the lower yield curve and shorter portfolio duration in advance of the segregation resulted in a \$18.0 million reduction in interest margin from the prior year. A \$6.3 million mark-to-market loss on deposits was also recognized in 2020 to reflect the value that the deposits would be discharged on the segregation date.

One of Central 1's core initiatives for 2020 was to restructure liquidity management to best support the credit union system across both provinces and create closer alignment with federal and international regulatory standards. Together with its members and in collaboration with the B.C. Financial Services Authority (BCFSA) and the Financial Services Regulatory Authority of Ontario (FSRA), Central 1 worked in earnest to complete the transition within one year. The initiative ensured the MLP is bankruptcy remote and creditor-proof while maintaining a cost-effective and capital efficient structure for the credit union system to manage its liquidity, drive market confidence and comparability, and ensure the system and individual credit unions continue to thrive.

On January 1, 2021, Central 1 successfully transitioned the MLP from a deposit structure to an investment structure, representing a significant change in liquidity management for Central 1 and the credit union system in B.C. and Ontario.

Contents

Management's Discussion and Analysis

Who We Are	.....	1	Summary of Quarterly Results	.....	23
Overall Performance	.....	5	System Performance	.....	25
Continuing Operations	.....	6	British Columbia	.....	25
Discontinued Operations	.....	6	Ontario	.....	26
Factors That May Affect Future Results	.....	7	Off-Balance Sheet Arrangements	.....	27
Economic Conditions	.....	8	Derivative Financial Instruments	.....	27
Industry Regulation	.....	8	Guarantees, Commitments and Contingencies	.....	28
System-Specific Factors	.....	8	Assets under Administration	.....	29
Corporate-Specific Factors	.....	8	Capital Management and Capital Resources	.....	29
Other Factors	.....	9	Capital Management Framework	.....	29
Cautionary Note Regarding Forward-Looking Statements	.....	9	Regulatory Capital	.....	30
Economic Developments and Outlook	.....	10	Risk Review	.....	32
Economic Environment	.....	10	Business and Operations Risk	.....	32
Financial Markets	.....	11	Risk Management Framework	.....	33
Statement of Financial Position	.....	12	Risk Oversight and Management	.....	35
Cash and Liquid Assets	.....	13	Accounting and Control Matters	.....	47
Loans	.....	15	Use of Estimates and Judgements	.....	47
Funding	.....	16	Interest Rate Benchmark Reform (IBOR)	.....	47
Equity	.....	16	Controls and Procedures	.....	47
Statement of Profit	.....	17	Related Party Disclosures	.....	48
2020 vs 2019	.....	17	Subsequent Events	.....	48
Q4 2020 vs Q4 2019	.....	18	MLP Segregation	.....	48
Income Tax	.....	19	Medium-Term Notes	.....	48
Results by Segment	.....	19	Corporate Governance	.....	48
2020 vs 2019	.....	19	Glossary of Financial Terms	.....	49
Q4 2020 vs Q4 2019	.....	21			

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 February 26, 2021. The financial information included in this MD&A should be read in conjunction with our Consolidated Financial Statements for the years ended December 31, 2020 and 2019 (Consolidated Financial Statements), which were authorized for issue by the Board of Directors (the Board) on February 26, 2021. The results presented in this MD&A and in the 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 1 of the 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.

Management's Discussion and Analysis

Who We Are

At Central 1, we power financial institutions. We've been doing that for more than 75 years. Our vision is to be a partner of choice for financial, digital banking and payment products and services. Our role as that partner supports the success of credit unions and other financial institutions, and by extension, the financial well-being of Canadians.

Central 1 holds a unique place in the cooperative banking ecosystem. We are owned by B.C. and Ontario credit unions who together form a member-oriented, full-service retail financial system that collectively holds billions in assets. We know that collaboration, scale and expertise is Central 1's competitive advantage.

At Central 1, we've created great financial products, innovative end-to-end payments solutions, and intuitive online banking and mobile experiences that millions count on.

We fuel a strong and stable credit union system as the primary liquidity provider to British Columbia's and Ontario's credit unions. This includes delivering a robust array of funding programs and investment products.

Our products and services are delivered through two core lines of business: Treasury and Digital & Payment Services. On January 1, 2021, Central 1, together with our credit union members and in collaboration with our regulators, achieved a significant milestone—we restructured liquidity management for the benefit of Class A members.

Central 1 is helping to lead the way towards a more sustainable, diverse and inclusive future—for our clients, their customers and society as a whole. Central 1 is addressing inequities in Canada by taking intentional steps to promote diversity and inclusion across our investment portfolios, within our organization and in the communities we serve. Central 1 is also committed to integrating Environmental, Social and Governance (ESG) factors into our practices to grow and support responsible investing in Canada.

As at February 26, 2021

Our Strategic Priorities and our Achievements in 2020



Transform our client service to align more closely with differentiated client needs

- Acting on behalf of a credit union as a third-party swap counterparty, Central 1 facilitated an Insured Mortgage Purchase Program transaction and helped secure \$176 million in funding to support our member's liquidity management. Our team efficiently set up the infrastructure to ensure Central 1 was ready to help and simplify the process for our members.
- Central 1 values our position as a trusted payments partner to the credit union system and within the overall Canadian financial services industry. We have embarked on a collaborative approach to our modernized payments strategy, through our Payments Customer Advisory Council, a collaboration between Central 1 and our B.C., Ontario and Atlantic payments clients. The advisory council is designed to ensure our clients' voices are included in shaping our new payments infrastructure, products and services, to position our clients for growth, innovation, and at the forefront of Canada's digital payments future.
- In partnership with the CRA and Payments Canada, Central 1 enabled our clients to implement a system-wide initiative designed to provide Canadians with the ability to register to have their CRA payments—including the Canada Emergency Response Benefit—quickly and automatically deposited into their account at their financial institution.
- As the reliance on digital banking solutions increased this year due to the impact of COVID-19, Central 1 accelerated the launches of our Forge Digital Banking Platform, as well as delivered on significant product enhancements to help our clients meet the changing demands facing their organizations. Central 1 also launched Forge Community, our integrated digital ecosystem within Forge, where fintechs and digital innovators can design, build and offer enhanced features through Forge. This allows Central 1 clients to select additional products and offerings that suit their strategic needs.



Create an engaged and empowered culture that delivers results

- Central 1 activated multiple elements of our Pandemic Response Plan to support the health and safety of our employees while ensuring we delivered high levels of service to our members and clients as we adapted to the impacts of COVID-19. Our robust IT infrastructure and remote working capabilities for our employees enabled Central 1 to seamlessly continue supporting our day-to-day operations and essential services.
- As Canadians accelerated their usage of digital channels for banking and payments, our digital infrastructure, technology, and core systems successfully handled the increased traffic. In 2020, Central 1 processed a record number of *Interac e-Transfer®* transactions, helping our clients enable their customers to send and receive billions of dollars in payments—safely and securely.
- Our Treasury business delivered strong and consistent contributions to Central 1 earnings despite market volatility in 2020. Our team of experienced Treasury professionals worked through multiple periods of economic uncertainty and focused on making the right decisions to create sustainable value for Central 1 while balancing the diverse needs of our members and clients.
- Central 1 worked with our clients to quickly design an online application process that enabled small businesses and not-for profits to easily apply for the Government of Canada's Emergency Business Account (CEBA) program. In just ten days, our teams worked to ensure the implementation of this vital feature on our *MemberDirect®* and Forge digital banking platforms.



Make change happen for the system

- On January 1, 2021, Central 1 successfully transitioned overall liquidity management within B.C. and Ontario credit unions from a deposit structure to an investment structure for the benefit of the credit union system. This once in a generation shift was completed within one year and creates closer alignment with federal and international regulatory standards.
- Central 1 facilitated a space for credit union leaders to discuss evolving issues and find shared solutions to important issues such as digital transformation, open banking, operational planning, and the impact of COVID-19, through weekly member roundtable meetings and a series of Strategic Insights Webinars.
- As primary liquidity provider to the credit union system, Central 1 ensured we had appropriate levels of liquidity to support the credit union system navigate the health and economic crisis facing our communities. We took many important steps including successfully raising \$150 million in market funding, and securing access to the Bank of Canada's Standing Term Liquidity Facility and Commercial Paper Purchase Program.
- As Group Clearer Manager with responsibility to oversee the clearing and settlement of payments on behalf of the credit union system in Canada, Central 1 met all Payments Canada's Lynx milestones, including achieving Lynx participant status and meeting readiness deadlines for industry testing. As a result, Payments Canada granted conditional approval of Central 1's Lynx participation application, which means we are confidently on course to ensure a seamless transition in wires transactions when the new high value payments system goes live.
- Central 1, alongside the CCUA and other centrals across Canada, worked in collaboration with the EDC and Finance Canada to effectively define processes, requirements, agreements and reporting needs to ensure that all credit unions have the ability to offer the Government of Canada's Emergency Business Account (CEBA) program to their eligible small businesses and not-for-profit members. As a result, thousands of businesses who were facing significant economic challenges were able to access this important government program.

As at February 26, 2021

Our Plan for 2021

Central 1 made significant accomplishments during the year to support our members and clients while progressing our strategic initiatives. Central 1 continues to be a strong and stable organization following the successful transformation of overall liquidity management within B.C. and Ontario credit unions from a deposit structure to an investment structure. Our achievements are underpinned by the strength of our people who have made considerable efforts to ensure our members and clients can effectively operate in this uncertain environment due to the ongoing COVID-19 pandemic and manage through the many forces disrupting the overall financial services ecosystem.

Like many other financial institutions, Central 1 and the credit union system must adapt and navigate a global economic slowdown, increased regulation, a more competitive digital marketplace, and the evolving payments landscape. Collaboration, scale and expertise is the source of Central 1's competitive advantage. Central 1 is dedicated to supporting our members and the credit union system navigate the changes and opportunities disrupting our industry.

These opportunities and challenges will continue to challenge Central 1 to operate differently in how we can best provide our members and clients with products and services in an efficient and cost-effective manner. We are driven to adapt, anticipate change, and be agile as the needs of our members and clients change.

In 2021, Central 1 will continue our operational focus on Treasury, Digital and Payments, ensuring we deliver the products and services to meet the diverse needs of our members and clients. As an organization, we remain committed to providing a high-level of client service while continuing to improve our operational efficiency.

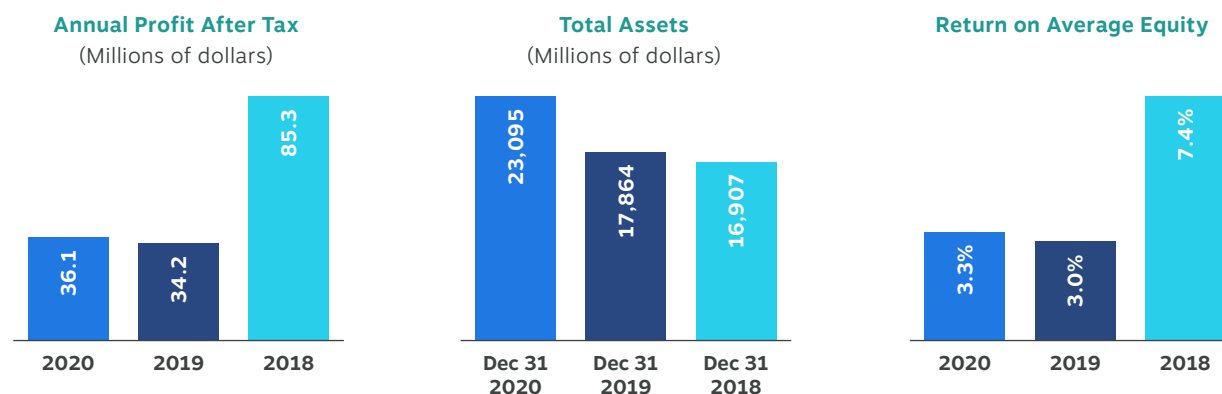
Building on our achievements in 2020 and the successful delivery of our 2018-2020 strategic plan, we are now focused on developing a new strategic plan for the next three years. Central 1 will continue to be innovative and adaptable to support the success of our members, clients and the credit union system. Key areas of focus in our strategic planning include:

- Evaluating opportunities to further support the credit union system and credit unions' success.
- Ensuring Central 1 can satisfy an increasingly diverse member base with our products and services.
- Refining our corporate governance structure and processes and continue to exemplify best-in-class-governance practices.
- Cultivating additional collaborative opportunities with our members and clients.
- Improve overall efficiency of the organization.

More details of the 2021-2023 strategic plan will be shared in late spring when the plan has been approved by our Board.

As at February 26, 2021

Overall Performance



(Millions of dollars)	Dec 31 2020	Dec 31 2019	For the year ended Dec 31 2018
Continuing operations			
Net financial income, including impairment on financial assets	\$ 91.1	\$ 70.7	\$ 34.4
Non-financial income	139.5	134.9	132.7
Net financial and non-financial income	230.6	205.6	167.1
Non-financial expense	157.7	142.3	126.2
Strategic initiatives	72.9	63.3	40.9
Gains from system affiliates	53.6	57.5	49.5
Income tax (recovery)	-	-	82.9
	(7.0)	(0.9)	2.5
Profit after tax from continuing operations	\$ 26.3	\$ 6.7	\$ 71.8
Profit from discontinued operations	\$ 9.8	\$ 27.5	\$ 13.5
Profit after tax	\$ 36.1	\$ 34.2	\$ 85.3

The 2018 results were represented to reclassify results from discontinued operations.

Overall, Central 1's profit after tax of \$36.1 million for the year ended December 31, 2020 was up \$1.9 million from 2019.

As at February 26, 2021

Continuing Operations

Central 1's profit after tax from continuing operations for the year of 2020 was \$26.3 million, \$19.6 million higher than the prior year, primarily driven by a \$20.4 million increase of net financial income. Interest margin increased by \$15.1 million year-over-year, benefiting from strong growth in our investment portfolios combined with a reduction in external borrowings as a result of a significant increase in deposit funding from credit unions. Since the first quarter of 2020, positive COVID-19 developments related to relaxed restrictions and the promise of widespread vaccine distribution have led to the continued reversion of credit spreads to levels more consistent with historical norms. Overall, 2020 saw an increase of \$7.5 million in net realized and unrealized gains compared to the prior year and a complete recovery of the unrealized losses experienced in the first quarter of the year. Results also reflect a \$2.2 million increase in provisions for expected credit loss (ECL) reflecting the deterioration in the economic outlook as a result of the pandemic.

Investments in strategic initiatives continued in 2020, including the development and rollout of the Forge Digital Banking Platform (Forge) and payments modernization, with expenditures \$3.9 million lower than the prior year. Non-financial income and non-financial expense remained relatively stable year-over-year.

Discontinued Operations

At December 31, 2020, the majority of the Mandatory Liquidity Pool (MLP) segment continued to be presented separately as discontinued operations following the approved segregation plan in 2019. The segregation was effective January 1, 2021. The results from discontinued operations differ from the MLP segment due to the treatment of certain expenses in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

2020 results for discontinued operations saw a \$17.7 million decrease in profit after tax compared to the prior year driven by a decrease in net financial income. Although fixed income markets improved following the significant reductions in the first quarter of the year, the lower yield curve and shorter duration for investments resulted in a \$18.0 million reduction in interest margin year over year. A \$6.3 million mark-to-market loss on deposits was also recognized in 2020 to reflect the value that the deposits would be discharged on the segregation date.

The dividends declared represent the residual net assets of this business segment to be paid out to members. The amount reflects earnings in the year as well as the settlement of outstanding MLP liabilities at year-end.

Selected Financial Information	Dec 31 2020	Dec 31 2019	For the year ended Dec 31 2018
Return on average assets	0.2 %	0.2 %	0.4 %
Return on average equity	3.3 %	3.0 %	7.4 %
Earnings per share (cents)⁽¹⁾			
Basic/Diluted	8.2	7.9	18.5
Basic/Diluted from continuing operations	6.0	1.5	15.6
Basic/Diluted from discontinued operations	2.2	6.4	2.9
Weighted average shares outstanding (number of shares)	440.9	431.7	460.2
Average assets (millions of dollars)	\$ 21,125.3	\$ 17,291.0	\$ 18,832.5
Dividends per share (cents)			
Class A – credit unions ⁽²⁾	-	-	0.9
Class B & C – cooperatives & other	0.6	2.2	2.4
Class F – credit unions	3.2	7.0	2.7

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

(2) The 2018 MLP dividend was paid proportionately on Class A shares for the first quarter of 2018 and Class F shares for the remainder of the year. For 2019 and 2020, the MLP dividend will be paid proportionately on Class F shares only.

As at February 26, 2021

Selected Financial Information	Dec 31 2020		Dec 31 2019		As at Dec 31 2018
Balance sheet (millions of dollars)					
Total assets	\$	23,094.7	\$	17,864.1	\$ 16,907.2
Long-term liabilities	\$	2,037.6	\$	6,881.8	\$ 7,558.4
Regulatory ratios					
Tier 1 capital ratio		20.9 %		33.5 %	37.3 %
Provincial capital ratio		25.9 %		42.1 %	54.5 %
Borrowing multiple (times)		17.8:1	\$	13.5:1	\$ 11.0:1
Risk weighted assets used in capital ratios (millions of dollars)	\$	4,705.8	\$	2,857.4	\$ 2,523.6
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	\$ 386,547
Outstanding \$0.01 par value shares with redemption value of \$100					
Class E – credit unions	\$	21	\$	21	\$ 21
Treasury shares	\$	(2)	\$	(2)	\$ (2)

The change in total assets correlates to the change in the size of our funding portfolios. Total assets increased \$5.2 billion from a year ago, largely supported by the strong growth in deposits as a result of credit unions holding additional liquidity as a result of the economic impacts of COVID-19.

Regulatory ratios declined from a year ago due to an increase in total risk weighted assets (RWA), reflective of the increase in total assets. The borrowing multiple also increased compared to the prior year-end as a result of growth in mandatory and non-mandatory deposits. Central 1 was in compliance with all regulatory capital requirements throughout the reporting periods ended December 31, 2020 and December 31, 2019.

Factors That May Affect Future Results

In addition to the risks described in subsequent sections of this MD&A, there are numerous factors—systemic, political and economic—that may affect our performance, many of which are outside our immediate control and influence. The effects of these factors can be difficult to predict and could cause our results to differ significantly from our plans, objectives and estimates. Readers are cautioned that the list of risk factors below is not exhaustive and should be reviewed in conjunction with the Cautionary Note Regarding Forward-Looking Statements section of this MD&A.

As at February 26, 2021

Economic Conditions

As a wholesale financial services provider to member credit unions, we are affected by prevailing economic and business conditions, including the impact of prices within financial markets. Factors such as interest rates, inflation, consumer, and business spending not only impact residential real estate lending and the primary activities for B.C. and Ontario credit unions, but also influence demand for the majority of other credit union products and services.

Central 1's financial results are affected by the monetary policies of the Bank of Canada (BoC) and, to a lesser extent, by those of the U.S. Federal Reserve system. Monetary policy decisions determine the level of interest rates which, in turn, may have an impact on our financial results.

The interest rate differential, or credit spread, between Government of Canada (GoC) securities and those issued by other participants in fixed-income markets also affects our financial results. We earn income from accepting mandatory credit union deposits at rates based on Canada Mortgage Bond (CMB) securities and non-mandatory deposits based on senior bank deposit notes, and investing in securities issued by the GoC, other levels of government and corporations. To the extent that credit spreads change, our interest margin as well as the fair value of our financial instruments, would be impacted.

Industry Regulation

The fourth quarter of 2020 saw governments grapple with the second wave of COVID-19, trying to balance public health and economic recovery at the same time. At the federal level, the Canada Emergency Response Benefit (CERB) was extended into 2021, however redefined with a view to eventually phasing out and transitioning solely to Employment Insurance coverage. Canada Emergency Wage Subsidy (CEWS) was extended to June 2021, and the Canada Emergency Business Account loan program was extended to March 31, 2021.

In B.C., BCFSA extended its regulatory easing measures to support the credit union sector. For Central 1 in particular, BCFSA further extended the period in which we were able to apply a higher MLP and Treasury borrowing multiple to December 31, 2020, to continue enabling us to source liquidity to assist credit unions with managing member demands. The fourth quarter also saw approval of the new Liquidity Requirement Regulation (LRR), which now allows B.C. credit unions to hold their statutory liquidity outside of Central 1. The new LRR ultimately made it possible to complete the planned segregation of the MLP from a deposit structure reported on Central 1's balance sheet to an investment structure segregated from Central 1's balance sheet. Additionally, on January 1, 2021, a new consolidated borrowing multiple of 18:1 came into effect, replacing the Treasury and MLP borrowing multiples.

In Ontario, the updated *Credit Union and Caisses Populaires Act* (CUCPA) and *Mortgage Brokers, Lenders and Administrators Act* (MBLAA) were both passed. The MBLAA amendments create an exemption category from registering under the MBLAA, which will potentially eliminate red tape associated with Central 1's syndication of commercial lending for Ontario credit unions. Potential regulations associated with that exemption are under way with the Financial Services Regulatory Authority (FSRA). FSRA also issued new Liquidity Guidance which created new regulatory requirements for Ontario credit unions and supported the planned segregation of the MLP from Central 1's balance sheet.

System-Specific Factors

Our financial performance is heavily influenced by events in the credit union system and financial services in general. There is strong competition for members and clients among Canada's financial services providers. The degree of such competition has an impact on the performance of our organization and the system. Credit unions enjoy strong member loyalty; retention is influenced by their ability to deliver products and services at competitive prices and service levels vis-à-vis other financial services providers.

We continually review our operations to determine if there are any opportunities to provide greater value to both members and other clients, to benefit the financial well-being of Canadians. Our focus is on the success of Canadian credit unions and their members and a reaffirmation of our commitment to the cooperative values and principles. We know that expanding our services to other financial institutions will further power the progress of Canadian credit unions.

Corporate-Specific Factors

We have earned a reputation for innovation, with deep expertise in providing services and products that create a competitive edge for our members and clients to enable them to reach their greatest potential.

Demand for our products and services is therefore correlated with the success of clients and their customers. For example, demand for products and services provided by our Treasury business line are correlated with demand for lending and deposits at the individual credit union level. Technology needs within the system are similarly driven by member and client needs, which in turn are impacted by regulatory change and potentially disruptive new entrants into the market.

Our future performance is also dependent on our ability to attract, develop and retain key management personnel.

As at February 26, 2021

Other Factors

Other factors which can affect actual results include changes in accounting standards, including their effect on our accounting policies, estimates and judgements. Changes in income tax regulations also affect our actual results. In addition, we may be adversely impacted by the failure of third parties to comply with their obligations, such as obligations related to the handling of personal information.

Cautionary Note Regarding Forward-Looking Statements

From time to time, Central 1 makes written forward-looking statements, including in this MD&A, in other filings with Canadian regulators, and in other communications. In addition, 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. Central 1 cautions readers to not place undue reliance on these statements as a number of risk factors could cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors—many of which are beyond 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.

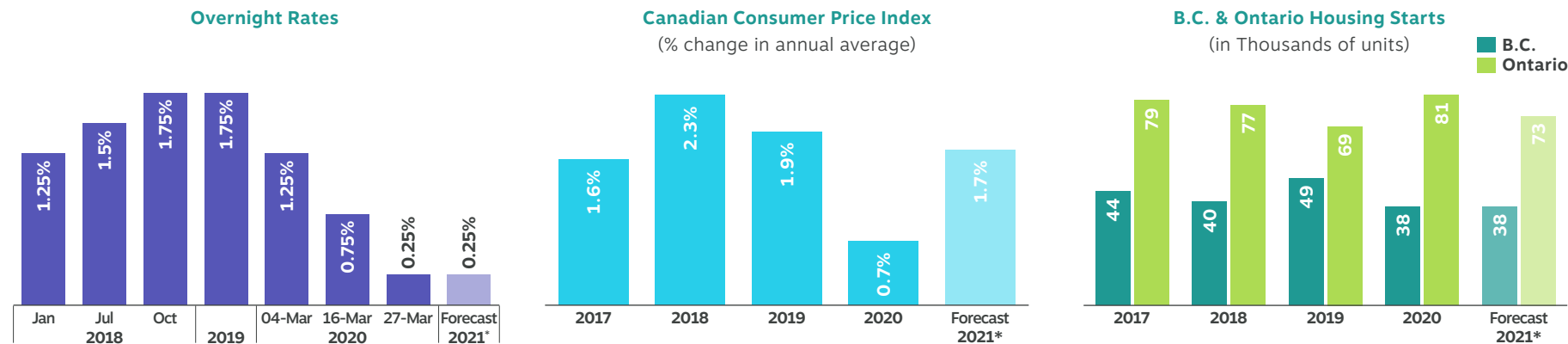
Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact our results. Central 1 does not undertake to update forward-looking statements except as required by law.

As at February 26, 2021

Economic Developments and Outlook

The following summaries of the economic environment, the state of financial markets and performance by both provincial systems in 2020 offer context for interpreting our year-over-year results and insight into our future.

Economic Environment



*Forecast source: Central 1 Economics

The global economy is expected to contract in 2020 as countries around the world placed their populations in lockdown in an attempt to control the spread of COVID-19. Latest projections from the International Monetary Fund (IMF) have 2020 world output contracting at 4.4 per cent, a stark contrast to the 2.8 per cent growth that occurred in 2019. While manufacturing has contracted, as is typically seen in a recession, the service sectors reliant on face-to-face interaction have been hit the hardest, particularly retail, hospitality, and arts and entertainment and remain well below their peaks. Small and medium enterprises (SMEs) have been hit particularly hard as they have limited buffers and access to credit when times are lean. SMEs are also more prevalent in the sectors hardest hit. Governments have responded to the crisis swiftly and massively with support. By some estimates, over 9 per cent of GDP in advanced economies is from government discretionary revenue and spending measures while another 11 per cent is attributed to the various forms of support for capital markets. These measures have absorbed the shock caused by COVID-19 and prevented it from further eroding economies and their financial systems. A recovery has been underway since the third quarter and vaccines are now being distributed. A recovery to the economy is expected for 2021 but by how much and how fast will depend on the magnitude of the second wave and an effective and quick deployment of vaccines.

The U.S. economy is recovering from the sharp contraction that occurred in the first half of 2020. According to the IMF, real GDP is expected to contract by 4.2 per cent in 2020, followed by a 3.1 per cent growth for 2021. Unemployment is expected to remain about pre-pandemic levels for the foreseeable future but is expected to gradually fall as the economy improves. Sectors such as hospitality and transportation continue to be impacted by the pandemic. U.S. governments and the federal reserve have implemented massive monetary and fiscal responses this year and have helped protect households and businesses and additional stimulus will likely be needed for a quick recovery. On the other hand, if the vaccine roll outs are slow and messy, the recovery could be bumpy.

Like other advanced economies, Canada also suffered from a sharp downturn in 2020 that was followed by a strong recovery. Overall, Central 1 Economics expects real GDP to fall 5.7 per cent for 2020. Consumers are spending less on services that increase their risk of infection, such as travel, personal care, and recreation, but are spending relatively more on groceries and electronics and overall spending is down. The savings rate for many is significantly higher. Combined that with lower interest rates and it has resulted in a strong housing market recovery that has resulted in a growth in the housing market, which is the opposite of what you would expect in a recession. Unemployment remains above pre-pandemic levels, finishing off 2020 at 8.6 per cent. It is expected to rise at the beginning of 2021 as lockdown measures to combat the second wave of the

As at February 26, 2021

coronavirus slow business activity. In 2021, we expected real GDP to grow 4.7 per cent and Unemployment to average 8.0 per cent. But these can change depending on the speed of the vaccine deployment.

British Columbia

British Columbia's economy is expected to shrink by 5.3 per cent in 2020 according to Central 1 Economics. The results are like that of the nation as the province implemented measures to combat COVID-19. Besides the typical face to face sectors that suffered, exports were also down for the year. Forestry exports were down but have since bounced back due to stronger demand and higher prices. Energy sales, which include natural gas, coal and electricity were also down. Some positives include metal ores and consumers goods, which are both up. Home sales are also up, and prices have also risen despite lower immigration numbers as they are fuelled by record low mortgages rates. Unemployment has also recovered, having peaked at 13.4 per cent and is now down to 7.2 per cent. Vaccine deployment should lift investment demand and commodity prices, contributing to higher export performance.

Ontario

Ontario's economy is expected to shrink 6.2 per cent in 2020 according to Central 1 Economics. Consumer demand has fallen, especially in the auto sector as consumers hold off on large purchases given the uncertainty of the pandemic. Manufacturing had drop sharply with the rest of the economy in the middle of the year but has recovered. Overall, it's still expected to shrink this year. Unemployment peaked at 13.6 per cent but has dropped from there, but with the second wave of COVID-19 taking a hold of the province, this number is expected to rise in the new year as more stringent lockdown measures take into effect. The bright spot in the economy is that home sales are soaring, and average prices continue to climb. Sales are up 8.9 per cent for the year and average prices are up 13.5 per cent. This is expected to continue as record low interest rates and high savings rates fuel demand.

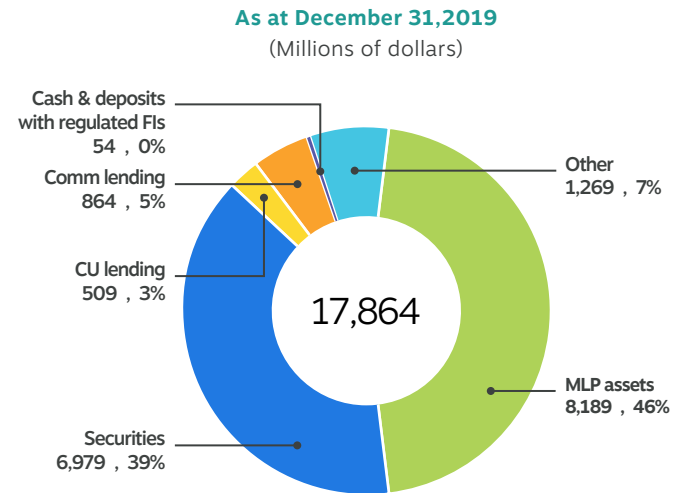
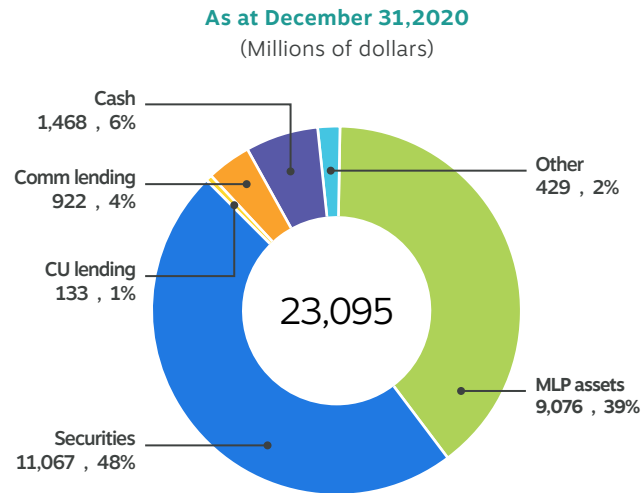
Financial Markets

The pandemic triggered a rapid shift in financial markets in March. Central banks moved to support the economy amidst emergency government measures to stem the spread of COVID-19 through economic and social suppression policies. Policy interest rates were slashed, while bond-buying (quantitative easing), and other liquidity tools were employed. In a series of emergency cuts, the Bank of Canada reduced the target for the overnight rate by 150 bps from March 4 through March 27 to a rate of 0.25 per cent. The U.S. Federal Reserve employed a similar reduction in the federal funds rate which sits in a band of 0 – 0.25 per cent. Canadian treasury yields and bond yields moved lower, but the spread between 10 and 2 year yields came in at 0.25 per cent in the spring owing to cuts to short-term rates. Quantitative easing continues to dampen longer term rates. The curve widened by year-end as long yields picked up on vaccine optimism and U.S. fiscal spending expectations. The curve is expected to steepen as economic growth improves and quantitative easing measures are tapered, while forward guidance from both the Bank of Canada and U.S. Fed points to a policy rate hold until inflation returns sustainably to 2 per cent, which is expected in 2022/23.

Equity markets have recovered. Following a 20 per cent decline in the spring, the TSX has more than fully rebounded. The Canadian dollar fell sharply against the USD to a low of 68 cents before appreciating to 79 cents by year end, in part due to a USD depreciation against global currencies.

As at February 26, 2021

Statement of Financial Position



Total assets at December 31, 2020 saw an increase of \$5.2 billion from December 31, 2019, of which \$4.1 billion was in the securities portfolios, due to strong growth from member credit unions depositing their excess liquidity with Central 1. In response to the potential economic impact of COVID-19 many credit unions continued to hold elevated levels of liquidity reflective of additional deposits placed with Central 1.

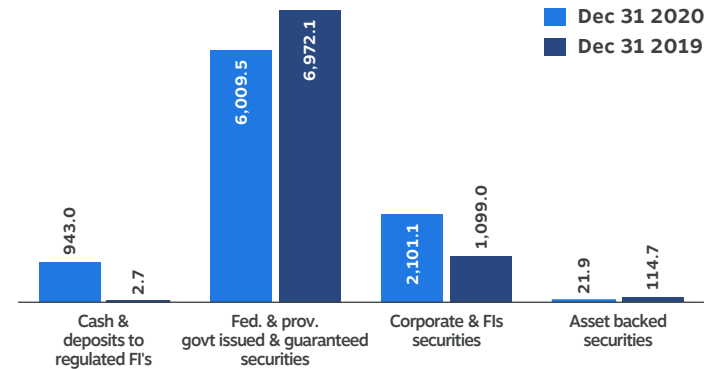
At December 31, 2019 and December 31, 2020, the assets and liabilities of the MLP were classified as MLP assets and liabilities held for segregation on Central 1’s Consolidated Statement of Financial Position following the approval from Central 1’s Board in November 2019 of a plan to legally segregate the MLP.

At December 31, 2020, one of Central 1’s subsidiaries’ assets and liabilities were classified as held for distribution as a result of the planned distribution of the assets net of liabilities to its credit union shareholders in 2021.

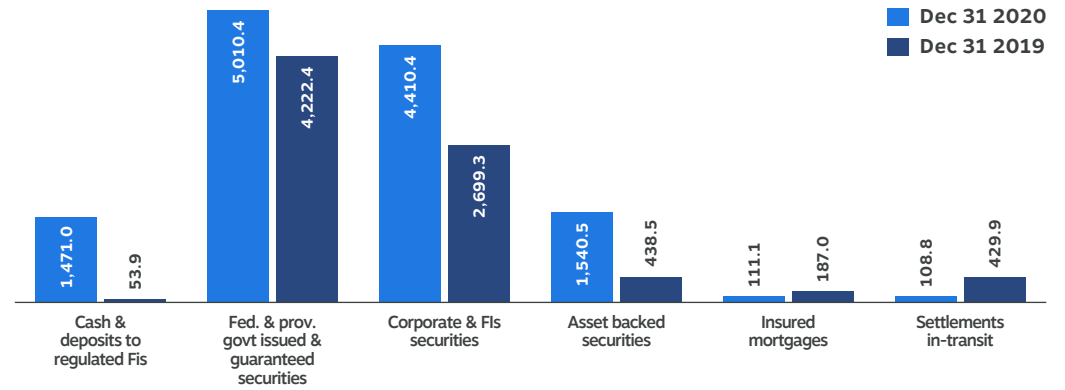
As at February 26, 2021

Cash and Liquid Assets

MLP Liquid Assets
Dec 31, 2020: \$9,076
 (Millions of dollars)



Treasury Liquid Assets
Dec 31, 2020: \$12,652
 (Millions of dollars)



December 31, 2020 (Millions of dollars)	MLP**		Treasury			
	Liquid Assets	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	\$ 943.0	\$ 1,471.0	\$ -	\$ 1,471.0	\$ -	\$ 1,471.0
Federal and provincial government issued and guaranteed securities	6,009.6	4,958.8	51.6	5,010.4	1,425.7	3,584.7
Corporate and financial institutions securities	2,101.1	4,410.4	-	4,410.4	14.7	4,395.7
Asset backed securities	21.9	1,540.5	-	1,540.5	90.0	1,450.5
Insured mortgages	-	111.1	-	111.1	13.3	97.8
Settlements in-transit	-	108.8	-	108.8	-	108.8
Total	\$ 9,075.6	\$ 12,600.6	\$ 51.6	\$ 12,652.2	\$ 1,543.7	\$ 11,108.5

*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.

As at February 26, 2021

December 31, 2019 (Millions of dollars)	MLP		Treasury			
	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. Comparative figures have been represented.

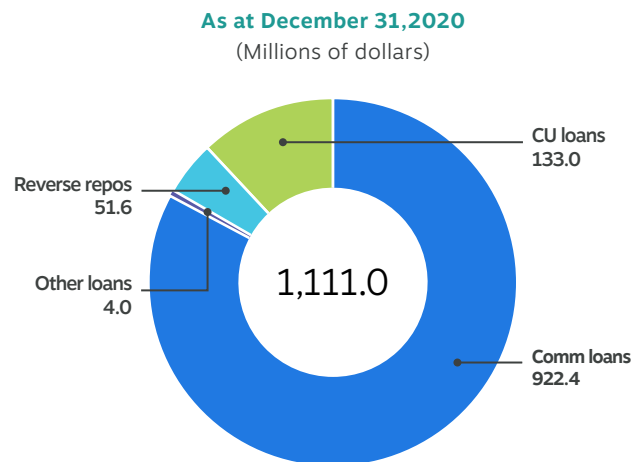
Cash and liquid assets for the MLP are managed on behalf of the credit union system. In addition, we manage our own liquidity by maintaining a portfolio of high-quality liquid assets within Treasury to support the liquidity requirements to ensure that credit unions have access to reliable and cost-effective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

In response to the potential economic impact of COVID-19 many credit unions continued to hold elevated levels of liquidity. As a result, Central 1 has seen an increase in the deposits held at Central 1 in 2020. This was evident in Treasury's cash and liquid assets on December 31, 2020 which increased by \$4.6 billion from December 31, 2019.

With the credit union system holding elevated levels of liquidity, Central 1 also saw increased mandatory deposits on December 31, 2020. As such the MLP's cash and liquid assets increased \$0.9 billion on December 31, 2020 from December 31, 2019.

As at February 26, 2021

Loans



December 31 (Millions of dollars)	2020		2019	
Loans to credit unions	\$	133.0	\$	508.5
Commercial loans		922.4		863.9
Other loans		4.0		10.2
		926.4		874.1
Reverse repurchase agreements		51.6		615.2
	\$	1,111.0	\$	1,997.8

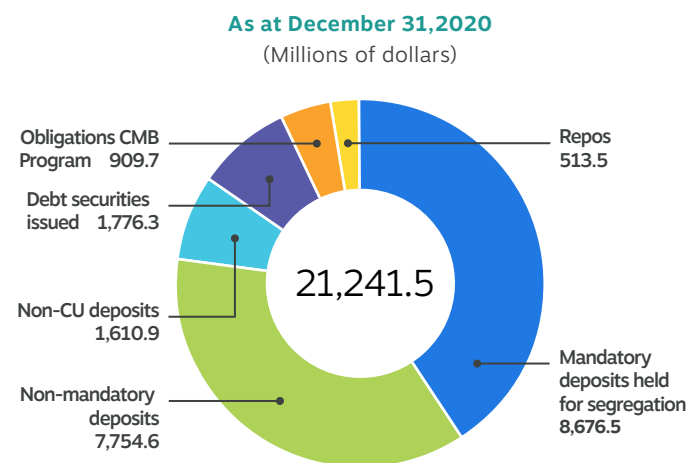
*Total loan balances are before the allowance for credit losses and exclude accrued interest, premium and fair value hedge adjustment.

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 Consolidated Statement of Financial Position.

Credit unions have repaid most of their outstanding loans to Central 1. As of December 31, 2020, loans to credit unions decreased by \$375.5 million to \$133.0 million from \$508.5 million as of December 31, 2019. Additionally, as of December 31, 2020 commercial loans grew by \$58.5 million to \$922.4 million from \$863.9 million and reverse repurchase agreements decreased by \$563.6 million due to less incentive to enter into these loans in the current market environment.

As at February 26, 2021

Funding



December 31 (Millions of dollars)	2020	2019
Deposits		
Mandatory deposits held for segregation	\$ 8,676.5	\$ 7,788.4
Non-mandatory deposits	7,754.6	3,592.1
Deposits from member credit unions	16,431.1	11,380.5
Deposits from non-credit unions	1,610.9	610.3
	18,042.0	11,990.8
Debt securities issued		
Commercial paper issued	250.2	531.8
Medium-term notes issued	1,304.4	1,551.7
Subordinated liabilities	221.7	221.5
	1,776.3	2,305.0
Obligations under the Canada Mortgage Bond (CMB) Program	909.7	919.1
Securities under repurchase agreements	513.5	643.5
	\$ 21,241.5	\$ 15,858.4

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.

Deposits increased \$6.1 billion from December 31, 2019, driven primarily by an increase in non-mandatory deposits. The increase in deposit funding allowed Central 1 to decrease its debt securities issued by \$0.5 billion during the year. This was accomplished through reducing commercial paper and medium-term notes outstanding as they matured.

Equity

In 2018, Central 1 issued Class F shares following amendments to our Constitution and Rules (Rules) which were approved by our members and our regulator in 2017. Proceeds from the issuance of Class F shares became the primary form of capital in the MLP and Class A members were required to subscribe for Class F shares in proportion to their share of mandatory deposits. Central 1 intends to distribute dividends to Class F shareholders in an amount that represents the residual MLP net assets. After the MLP was legally segregated from Central 1 on January 1, 2021, the associated dividends are anticipated to be discontinued.

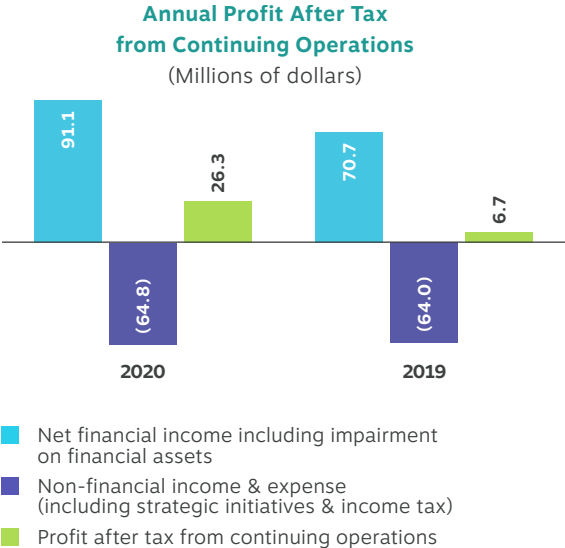
Prior to the MLP segregation on January 1, 2021, Class F in-cycle share calls were scheduled semi-annually which contributed to the year-over-year increase in MLP's share capital. In addition, year-over-year earnings retained by our other business lines, primarily led by higher net financial income from Treasury, accounted for most of the increase in equity.

As at February 26, 2021

Statement of Profit

2020 vs 2019

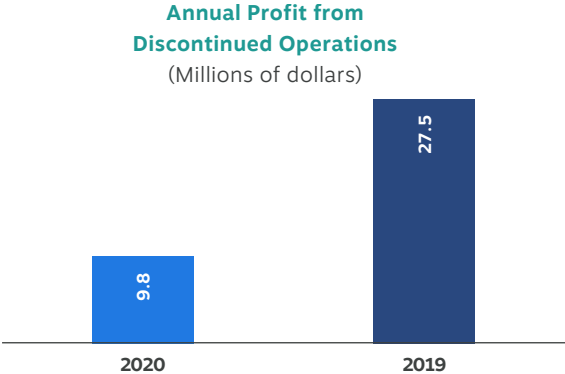
Continuing Operations



2020 results from continuing operations saw a \$19.6 million increase in profit after tax from 2019. Interest margin increased by \$15.1 million reflecting the growth in our investment portfolios combined with the reduction in our external borrowings as a result of a significant increase in deposit funding from credit unions. Since the first quarter of 2020, positive COVID-19 developments related to relaxed restrictions and the promise of widespread distribution of a vaccine have led to the continued reversion of credit spreads to levels more consistent with historical norms. This resulted in a \$7.5 million increase in net realized and unrealized gains in 2020 compared to 2019, with a complete recovery of the unrealized loss recognized in the first quarter. Results also include a \$2.2 million increase in ECL reflecting the deterioration in the economic outlook.

Investments in strategic initiatives continued in 2020, including the development and rollout of Forge and payments modernization, with expenditures being \$3.9 million lower than the prior year. Non-financial income and non-financial expense remained relatively stable year-over-year.

Discontinued Operations



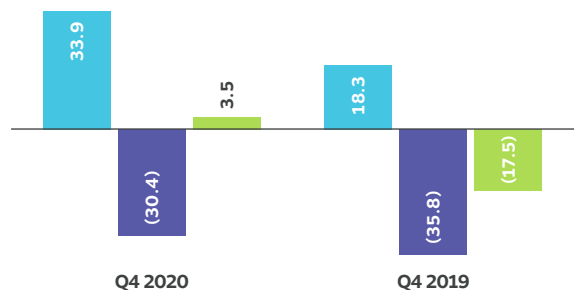
The discontinued operations reported a profit after tax of \$9.8 million for 2020, compared to a profit after tax of \$27.5 million in 2019, driven by a \$20.4 million decrease in net financial income. Although positive COVID-19 developments throughout the year helped reduce the negative impacts of the first quarter, the lower yield curve and shorter duration for investments resulted in a \$18.0 million reduction in interest margin compared to the prior year. A \$6.3 million mark-to-market loss on deposits was also recognized in 2020 to reflect the value that the deposits would be discharged on the segregation date.

As at February 26, 2021

Q4 2020 vs Q4 2019

Continuing Operations

Quarterly Profit (Loss) After Tax from Continuing Operations
(Millions of dollars)



- Net financial income including impairment on financial assets
- Non-financial income & expense (including strategic initiatives & income tax)
- Profit (loss) after tax from continuing operations

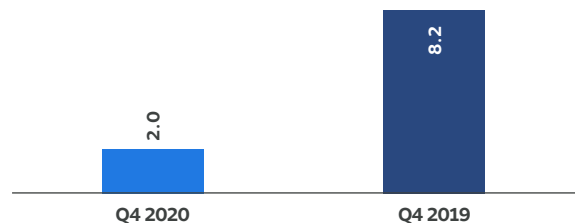
Profit after tax from continuing operations for the fourth quarter of 2020 was \$3.5 million compared to a loss after tax of \$17.5 million from the same period last year. Net financial income was \$15.6 million higher than 2019, reflecting a \$1.8 million increase in interest margin and a \$12.8 million increase in net realized and unrealized gains. The fourth quarter was marked by positive COVID-19 developments and the promise of widespread distribution of a vaccine, resulting in improved market conditions. The quarter saw higher net realized and unrealized gains, continuing the trend from the second and third quarters with the reversion of credit spreads back to levels more consistent with historical norms.

The fourth quarter results from continuing operations also saw an increase in non-financial income offset by higher costs within Digital and Payment Services as a result of a charge related to intangible assets recorded during the quarter. *Interac e-Transfer*® volumes continued to increase, reflecting the increased usage of online payments during the COVID-19 pandemic.

The combined impact of these movements contributed to a \$21.0 million increase in profit after tax in the fourth quarter of 2020 compared to the same period last year.

Discontinued Operations

Quarterly Profit from Discontinued Operations
(Millions of dollars)



The discontinued operations reported a profit after tax of \$2.0 million for the fourth quarter of 2020, compared to a \$8.2 million profit after tax in the same period last year, primarily driven by a decrease in net financial income. Although positive COVID-19 developments throughout the year helped reduce the negative impacts from COVID-19 in the first quarter, the lower yield curve and shorter durations for the investments in anticipation of the segregation led to a lower interest margin from last year. A \$6.3 million mark-to-market loss on deposits was also recognized in the fourth quarter to reflect the value that the deposits would be discharged on the segregation date.

As at February 26, 2021

Income Tax

While Central 1’s 2020 combined federal and provincial statutory tax rate, net of the credit union deduction, remained the same as prior year’s 17 per cent, its effective tax rate continued to be negative, up from a negative 15.7 per cent in 2019 to a negative 36.6 per cent in 2020. Following the segregation of the MLP on January 1, 2021, total funding from deposits is expected to be lower overall which is expected to cause Central 1 to lose preferential tax treatment granted to credit unions, i.e. credit union deduction, and thus increasing Central 1’s future tax rate by approximately 10 per cent. Central 1 also saw a higher deferred tax asset balance in 2020 which is expected to be recovered at a higher future tax rate. Detailed information about Central 1’s income tax is provided in Notes 16 and 28 to the Consolidated Financial Statements.

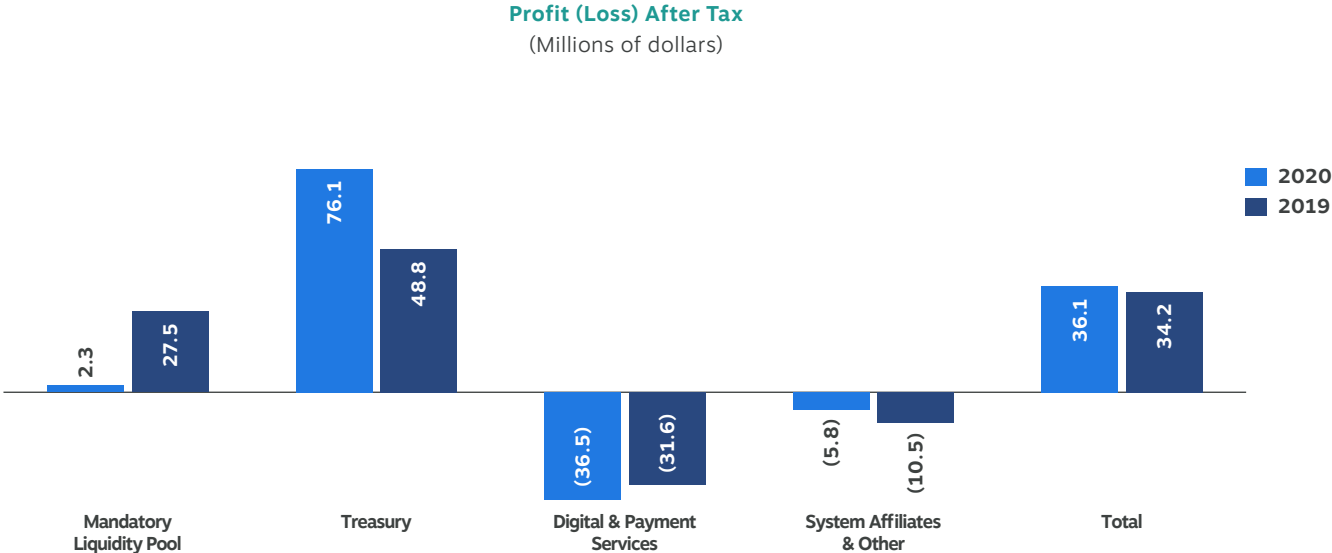
Results by Segment

Central 1’s operations and activities are reported around three key business segments: MLP, Treasury, and Digital & Payment Services. As at December 31, 2019 and December 31, 2020, the assets and liabilities of the MLP were classified as MLP assets and liabilities held for segregation. Following approval by Central 1’s Board on November 21, 2019, Central 1 submitted a segregation plan to BCFSa 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. Following broad system consultation with Class A members, on October 2, 2020, Central 1 announced that its members passed a special resolution approving amendments to Central 1’s Rules in connection with the segregation. The segregation was effective January 1, 2021.

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 Central 1’s strategic priorities. Results for prior periods are restated accordingly to conform to the current period presentation.

2020 vs 2019



As at February 26, 2021

For the year ended December 31, 2020 (Millions of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	\$ 16.4	\$ 91.4	\$ (0.3)	\$ -	\$ 107.5
Non-financial income	(0.2)	34.1	99.2	6.2	139.3
Net financial and non-financial income	16.2	125.5	98.9	6.2	246.8
Non-financial expense	11.5	33.5	109.2	7.5	161.7
Strategic investments	4.7	92.0	(10.3)	(1.3)	85.1
	2.4	-	42.9	10.7	56.0
Profit (loss) before tax	\$ 2.3	\$ 92.0	\$ (53.2)	\$ (12.0)	\$ 29.1
Income tax expense (recovery)	-	15.9	(16.7)	(6.2)	(7.0)
Profit (loss) after tax	\$ 2.3	\$ 76.1	\$ (36.5)	\$ (5.8)	\$ 36.1

For the year ended December 31, 2019 (Millions of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	\$ 36.8	\$ 72.4	\$ (0.4)	\$ (1.3)	\$ 107.5
Non-financial income	(0.5)	32.8	95.1	7.0	134.4
Net financial and non-financial income	36.3	105.2	94.7	5.7	241.9
Non-financial expense	6.8	43.8	87.4	11.1	149.1
Strategic investments	29.5	61.4	7.3	(5.4)	92.8
	2.0	-	44.9	12.6	59.5
Profit (loss) before tax	\$ 27.5	\$ 61.4	\$ (37.6)	\$ (18.0)	\$ 33.3
Income tax expense (recovery)	-	12.6	(6.0)	(7.5)	(0.9)
Profit (loss) after tax	\$ 27.5	\$ 48.8	\$ (31.6)	\$ (10.5)	\$ 34.2

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

Mandatory Liquidity Pool

The MLP's profit after tax for the year ended December 31, 2020 was \$2.3 million compared to a profit after tax of \$27.5 million a year ago, reflective of a \$20.4 million year-over-year decrease in net financial income. Although positive COVID-19 developments throughout the year helped reduce the negative impacts of the first quarter, the lower yield curve and shorter duration for investments resulted in a \$18.0 million reduction in interest margin from last year. A \$6.3 million mark-to-market loss on deposits was also recognized in 2020 to reflect the value that the deposits would be discharged on the segregation date.

As at February 26, 2021

Treasury

Treasury reported a profit after tax of \$76.1 million, up \$27.3 million from the same quarter last year, primarily driven by a \$19.0 million increase in net financial income. Interest margin increased \$13.6 million driven by strong growth in our investment portfolios as a result of a significant increase in deposit funding from credit unions. Since the first quarter of 2020, positive COVID-19 developments related to relaxed restrictions and the promise of widespread distribution of a vaccine have led to the continued reversion of credit spreads to levels more consistent with historical norms. This led to an increase of \$7.6 million in net realized and unrealized gains from 2019 levels and a complete recovery of the \$42.8 million unrealized loss in the first quarter. Results also include an increase of \$2.2 million in ECL which reflected the unfavourable changes to our economic outlook associated with the impacts of COVID-19.

While non-financial income remained relatively stable year-over-year, non-financial expense was \$10.3 million lower compared to 2019 predominately due to one-time provision for tax related matters in 2019. Excluding this item, non-financial expense in 2020 also remained consistent with prior year.

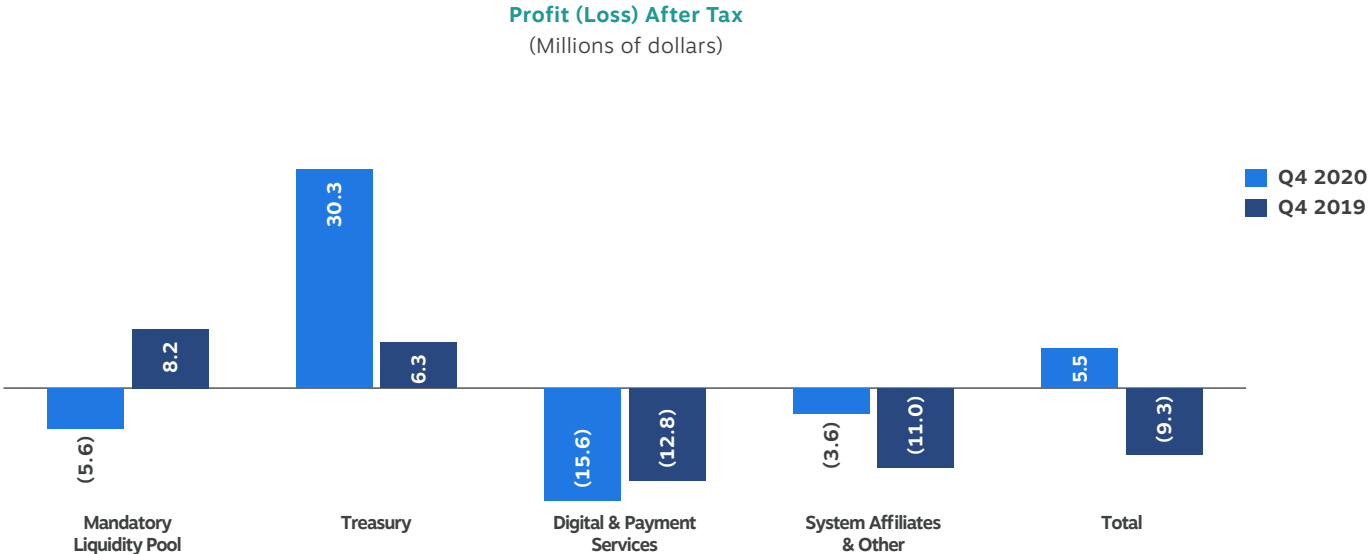
Digital & Payment Services

Digital & Payment Services continued to invest in strategic initiatives in 2020, including the development and rollout of Forge and payments modernization, with the amount spent being relatively consistent year over year. This segment saw increased Interac e-Transfer® volumes reflecting the increased usage of online payments during the COVID-19 pandemic. Non-financial expense was \$21.8 million higher largely due to a charge related to intangible assets. Combined, this segment experienced a loss after tax of \$36.5 million compared to a loss after tax of \$31.6 million in the same period last year.

System Affiliates & Other

In 2020, this segment reported a loss after tax of \$5.8 million compared to a loss after tax of \$10.5 million in last year. The costs incurred to support strategic initiatives, including the development of a new banking system and initiatives aimed to expand corporate efficiency, was \$1.9 million lower than 2019. This decrease combined with the lower spending on corporate expenditures contributed to a lower year-over-year loss reported in this segment.

Q4 2020 vs Q4 2019



As at February 26, 2021

For the three months ended December 31, 2020 (Millions of dollars)	Mandatory Liquidity Pool	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense), including impairment on financial assets	\$ (0.5)	\$ 33.9	\$ (0.1)	\$ -	\$ 33.3
Non-financial income	(0.4)	10.5	26.5	1.8	38.4
Net financial and non-financial income	(0.9)	44.4	26.4	1.8	71.7
Non-financial expense	5.7	7.7	45.7	5.6	64.7
Strategic investments	(6.6)	36.7	(19.3)	(3.8)	7.0
Profit (loss) before tax	\$ (7.2)	\$ 36.7	\$ (27.9)	\$ (6.2)	\$ (4.6)
Income tax expense (recovery)	(1.6)	6.4	(12.3)	(2.6)	(10.1)
Profit (loss) after tax	\$ (5.6)	\$ 30.3	\$ (15.6)	\$ (3.6)	\$ 5.5

For the three months ended December 31, 2019 (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	\$ 18.3	\$ (0.1)	\$ 0.1	\$ 25.1
Non-financial income	(0.2)	7.1	23.2	(3.5)	26.6
Net financial and non-financial income	6.6	25.4	23.1	(3.4)	51.7
Non-financial expense	1.7	16.0	24.2	5.7	47.6
Strategic investments	4.9	9.4	(1.1)	(9.1)	4.1
Profit (loss) before tax	\$ 3.9	\$ 9.4	\$ (15.7)	\$ (13.3)	\$ (15.7)
Income tax expense (recovery)	(4.3)	3.1	(2.9)	(2.3)	(6.4)
Profit (loss) after tax	\$ 8.2	\$ 6.3	\$ (12.8)	\$ (11.0)	\$ (9.3)

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

Mandatory Liquidity Pool

The MLP reported a loss after tax of \$5.6 million for the fourth quarter of 2020, compared to a profit after tax of \$8.2 million from the same period last year, primarily driven by a \$7.3 million decrease in net financial income. The lower yield curve and shorter durations for the investments in anticipation of the segregation led to a \$6.3 million decrease in interest margin from last year. A \$6.3 million mark-to-market loss on deposits was also recognized in the fourth quarter to reflect the value that the deposits would be discharged on the segregation date.

As at February 26, 2021

Treasury

Treasury reported a profit after tax of \$30.3 million, up \$24.0 million from the same quarter in the prior year, largely driven by a \$1.8 million increase in interest margin and a \$12.9 million increase in net realized and unrealized gains. The fourth quarter was marked by positive COVID-19 developments related to relaxed restrictions and the promise of widespread distribution of a vaccine. This continued the trend from the previous two quarters with credit spreads returning to a level more consistent with historical norms. Overall, this provided an opportunity to increase the net realized and unrealized gains in the quarter. Excluding the one-time provision for tax related matters recorded in 2019, non-financial income and non-financial expense remained stable compared to the same quarter last year.

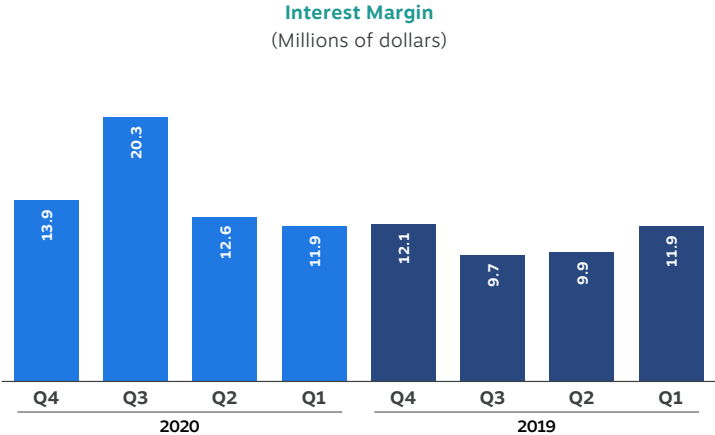
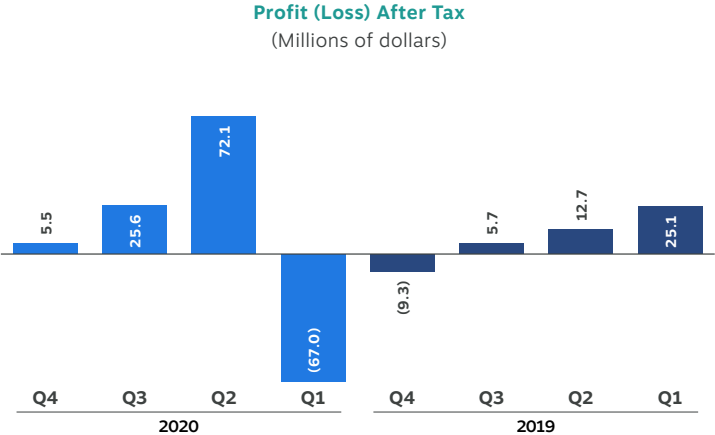
Digital & Payment Services

During the fourth quarter of 2020, Digital & Payment Services saw continued increased Interac e-Transfer® volumes, resulting in higher revenue in the Electronic Payments area. The segment saw a \$21.5 million increase in non-financial expense, largely due to an expense following a charge related to intangible assets. The costs incurred to support strategic initiatives, including the development and rollout of Forge and payments modernization, was \$6.0 million lower than the prior year. Combined, this segment's fourth quarter results reported a slightly larger loss than the same quarter of 2019.

System Affiliates & Other

This segment reported a loss after tax of \$3.6 million, compared to a loss after tax of \$11.0 million in the same quarter in the prior year, primarily driven by higher income from our equity investments combined with lower spending on strategic initiatives, including the development of a new banking system and initiatives aimed to expand corporate efficiency.

Summary of Quarterly Results



As at February 26, 2021

(Thousands of dollars, except as indicated)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	\$ 35,639	\$ 45,086	\$ 39,695	\$ 46,084	\$ 51,233	\$ 48,655	\$ 49,739	\$ 48,059
Interest expense	21,776	24,751	27,105	34,175	39,174	38,932	39,814	36,170
Interest margin	13,863	20,335	12,590	11,909	12,059	9,723	9,925	11,889
Gain (loss) on disposal of financial instruments	20,938	6,150	5,686	747	(1,113)	(294)	16,099	12,262
Change in fair value of financial instruments	(1,532)	5,337	40,707	(42,766)	7,702	2,197	(8,568)	(553)
Impairment loss (recovery) on financial assets	(596)	(202)	2,414	1,222	364	(37)	46	242
	33,865	32,024	56,569	(31,332)	18,284	11,663	17,410	23,356
Non-financial income*	39,094	33,965	33,638	32,955	26,974	37,696	36,975	33,903
Non-financial expense*	77,869	41,665	44,235	47,768	64,957	46,827	48,869	39,853
	(38,775)	(7,700)	(10,597)	(14,813)	(37,983)	(9,131)	(11,894)	(5,950)
Profit (loss) before tax	(4,910)	24,324	45,972	(46,145)	(19,699)	2,532	5,516	17,406
Income taxes (recovery)	(8,406)	4,165	6,042	(8,835)	(2,116)	(295)	524	982
Profit (loss) after tax from continuing operations	3,496	20,159	39,930	(37,310)	(17,583)	2,827	4,992	16,424
Profit from discontinued operations	2,003	5,453	32,129	(29,724)	8,238	2,906	7,668	8,700
Profit (loss)	\$ 5,499	\$ 25,612	\$ 72,059	\$ (67,034)	\$ (9,345)	\$ 5,733	\$ 12,660	\$ 25,124
Weighted average shares outstanding (millions)	441.1	441.1	441.1	440.1	434.7	431.2	431.1	430.0
Earnings per share (cents)**								
Basic/Diluted	1.2	5.8	16.3	(15.2)	(2.1)	1.3	2.9	5.8
Basic/Diluted from continuing operations	0.8	4.6	9.0	(8.5)	(4.0)	0.6	1.1	3.8
Basic/Diluted from discontinued operations	0.4	1.2	7.3	(6.7)	1.9	0.7	1.8	2.0

*Non-financial income and non-financial expense includes investments in strategic initiatives

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

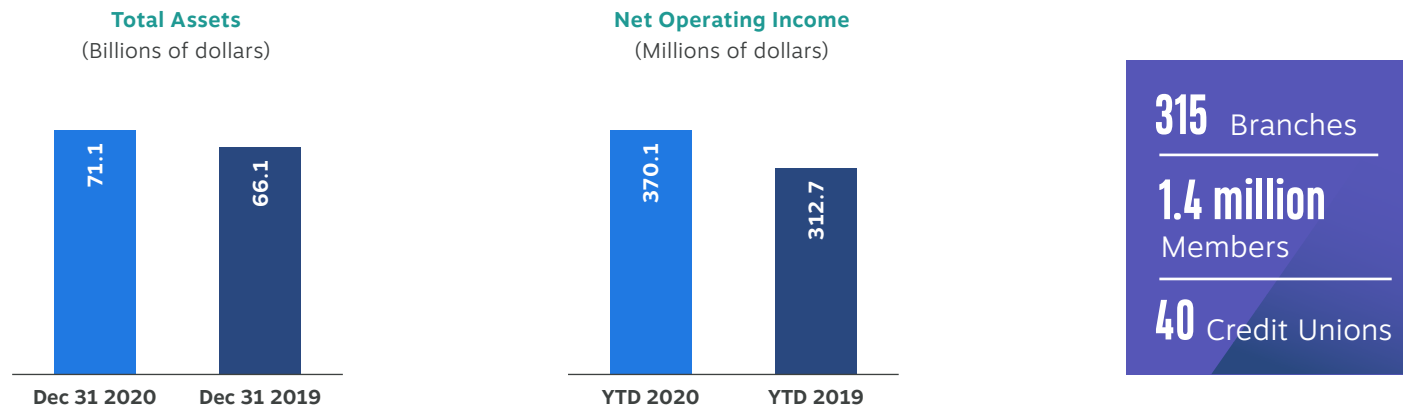
Interest margin from continuing operations increased relative to 2019 despite the three interest rate cuts by the BoC in response to the COVID-19 pandemic during the first quarter of 2020. This trend reflected the strong growth in our investment portfolios as a result of growth in credit union deposit funding as credit unions held additional liquidity in response to the potential economic impact of the COVID-19 pandemic. A lower yield curve was a drag on interest margin as it made it more challenging to find investments that both match the shorter maturity profile of the deposit funding and yield returns in excess of the deposits rates offered to our member credit unions. As at December 31, 2020, the change in fair value of the portfolios recovered and exceeded all of the unrealized loss from the first quarter of 2020, with an aggregate unrealized gain of \$44.5 million recognized in the second, third and fourth quarters compared to an unrealized loss of \$42.8 million in the first quarter. This is due to the narrowing of credit spreads to levels more consistent with those experienced prior to the COVID-19 pandemic and lower GoC bond yields.

As at February 26, 2021

Despite the impact from the pandemic, non-financial income maintained an upward trend during 2020, primarily supported by increased revenue from higher *Interac e-Transfer®* volumes, reflecting the increased usage of online payments during the pandemic. Non-financial expense experienced a slight drop in the second and third quarters from the first quarter of 2020, due to decreased corporate expenditure combined with lower costs incurred to support strategic initiatives. The increase in this expense category in the fourth quarter was largely due to a charge related to intangible assets. Overall, the 2020 results have seen significant fluctuation quarter-over-quarter as a result of the market volatility caused by the COVID-19 pandemic.

System Performance

British Columbia



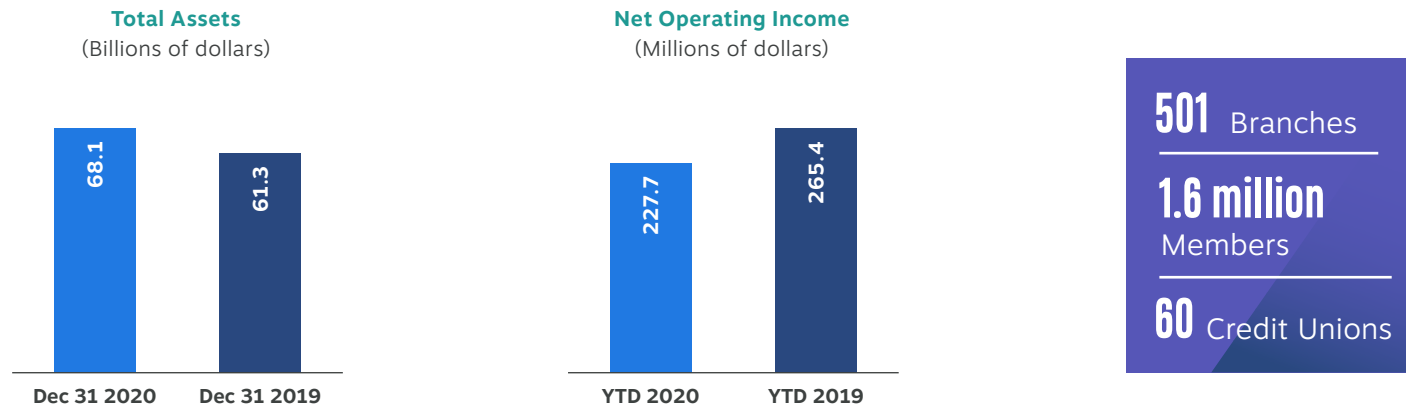
The B.C. system's assets and earnings continued to grow in 2020. Net operating income totalled \$370.1 million, up from \$312.7 million in 2019. This was driven by a 17.3 per cent increase non-financial income. Net interest income was near flat, increasing by only 0.7 per cent. Non-interest expenses in 2020 increased modestly at 2.4 per cent year-over-year, led by increases in loan loss provisions, which are up \$41.5 million or 143.5 per cent.

Assets of the B.C. system totalled \$71.1 billion at the end of 2020, up \$5.0 billion or 7.6 per cent from a year earlier. Asset growth was largely in cash and liquid investments. Liability growth was led by non-registered demand deposits, which grew by \$5.6 billion or 26.7 per cent. The 90-day delinquency rate at year-end stood at 0.22 per cent of the loan portfolio, up three basis points (bps) from a year earlier. Net loan loss expense was 0.13 per cent of average loans in 2020, up eight bps from a year earlier. Reserves held against loan losses totalled 0.41 per cent of the portfolio at year-end, up 10 bps from a year earlier.

The B.C. system's liquidity ratio was 21.2 per cent at the end of 2020, up 661 bps from a year earlier. The B.C system reflected a \$31.1 billion RWA and regulatory capital as a percentage of RWA of 15.8 per cent, up 53 bps from a year ago. B.C. credit union membership stood at approximately 1.4 million at year-end, up 40 thousand from a year earlier.

As at February 26, 2021

Ontario



The Ontario credit union system saw profit decline in 2020. Net operating income totalled \$227.7 million, down from \$265.4 million in 2019. Financial margin grew 3.0 per cent to \$1.1 billion and non-financial income increased by 8.6 per cent to \$268.7 million. Non-financial expenses grew 8.4 per cent to \$1.2 billion, led by loan cost which increased by 236 per cent to \$110.4 million, resulting in an overall decrease in profit from 2019.

Asset growth for the Ontario system remained strong in 2020, with assets totalling \$68.1 billion at year end, up 11.1 per cent year-over-year. This was mostly in cash and investments, which grew 67.1 per cent to \$12.1 billion. Net loans grew by only 3.5 per cent to \$54.8 billion. Liabilities grew 11.3 per cent to \$63.7 billion. Deposits totalled \$53.6 billion at year-end, up 11.2 per cent from a year earlier with majority of the growth being in demand deposits. Borrowings totalled \$9.1 billion at year end, up 11.3 per cent year-over-year.

The system's liquidity ratio ended 2020 at 20.9 per cent, up from 12.9 per cent from 2019. The system had \$29.6 billion in RWA in 2020 and the risk-weighted capital ratio increased from 13.0 per cent to 13.8 per cent. The system's credit risk measures generally increased but continued to remain low in comparison to historic numbers. The overall 90-day delinquency rate went up from 0.27 per cent to 0.34 per cent at year-end, and total loan loss reserves ended 2020 at 0.39 per cent of the portfolio. The rate of loan loss expense was 20 bps in 2020, up 14 bps. Ontario credit union membership stood at approximately 1.6 million at year-end.

As at February 26, 2021

Off-Balance Sheet Arrangements

In the normal course of business, Central 1 enters into off-balance sheet arrangements that, under IFRS, are not required to be recorded on the Consolidated Statement of Financial Position. These arrangements fall into the following main categories: derivative financial instruments, guarantees and commitments, and assets under administration.

Derivative Financial Instruments

December 31 (Millions of dollars)	2020	Notional Amount 2019
Interest rate contracts		
Bond forwards	\$ 40.1	\$ 66.7
Futures contracts	2,209.0	1,330.0
Swap contracts	34,375.8	35,138.4
	36,624.9	36,535.1
Foreign exchange contracts		
Foreign exchange forward contracts	568.2	380.8
Other derivative contracts		
Equity index-linked options	171.3	183.3
	\$ 37,364.4	\$ 37,099.2

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 Consolidated Statement of Financial Position at fair value. The notional amounts of these derivatives are not presented on our 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. Central 1's counterparty credit exposure to Central 1's 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.

As at February 26, 2021

Guarantees, Commitments and Contingencies

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

December 31 (Millions of dollars)		2020		2019
Commitments to extend credit	\$	4,800.9	\$	4,332.0
Guarantees				
Financial Guarantees	\$	767.6	\$	622.6
Performance Guarantees	\$	100.0	\$	100.0
Standby letters of credit	\$	237.2	\$	219.8
Future prepayment swap reinvestment commitment	\$	1,646.8	\$	1,339.2

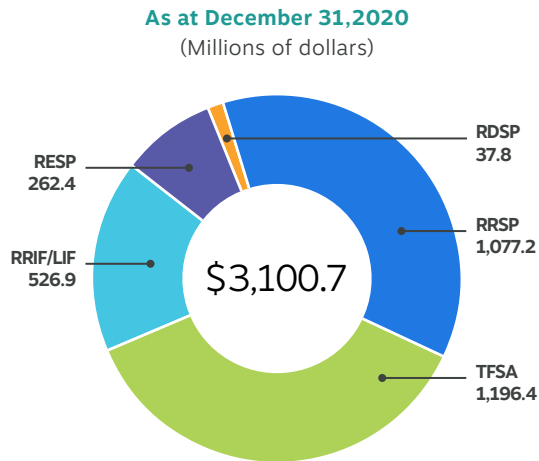
In the normal course of business, Central 1 enters into various off-balance sheet arrangements to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, guarantees, and standby letter of credit.

Commitments to extend credit, representing undrawn commitments, increased \$468.9 million from year end. This change results from the lower balance of credit union loans outstanding as greater liquidity in the credit union system allows credit unions to pay down their debt with Central 1 and lessens the need for them to draw on their credit. Financial guarantees increased \$145.0 million from year end, from additional limits offered to credit unions, while standby letters of credit and performance guarantees were in line with the prior year. Future prepayment swap reinvestment commitments also increased \$307.6 million from a year ago as a result of our transition from direct securitization to the 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.

As at February 26, 2021

Assets under Administration



December 31 (Millions of dollars)	2020	2019
Registered Retirement Savings Plans (RRSP)	\$ 1,077.2	\$ 1,080.5
Tax-Free Savings Accounts (TFSA)	1,196.4	1,078.2
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)	526.9	495.3
Registered Education Savings Plans (RESP)	262.4	252.6
Registered Disability Savings Plans (RDSP)	37.8	32.7
	\$ 3,100.7	\$ 2,939.3

Assets under Administration (AUA) mainly include government approved registered plans for tax deferral purposes, which are trustee 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 5.5 per cent increase in total AUA from a year ago. Notable trends show that the AUA of Tax-Free Savings Accounts (TFSA) increased by 11.0 per cent from a year ago. Economic outlooks reflect an upward trend in TFSA growth reflective of its increasing popularity amount investors as an alternative to Registered Retirement Savings Plans and the desire to keep cash at hand during this period of financial uncertainty. 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 2020.

Capital Management and Capital Resources

Central 1 manages capital to maintain strong capital ratios in support of the risks and activities of the organization while generating an appropriate rate of return for its members. In addition to the regulatory requirements, Central 1 maintains capital to meet the expectations of credit rating agencies, to accommodate credit union system growth and to maintain internal capital ratios.

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.

As at February 26, 2021

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 which determines 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 Class A members, which are comprised of member credit unions in B.C. and Ontario. These Class A members, collectively, hold Class A, and E shares, and historically Class 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.

Prior to the segregation of MLP effective January 1, 2021, Class F in-cycle share calls were 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 were distributed to the Class A members as dividends on their Class F shares subject to approval of our Board.

Regulatory Capital



December 31 (Millions of dollars)	2020		2019	
Share capital	\$	441.1	\$	440.1
Retained earnings		684.2		659.9
Less: accumulated net after tax gain in investment property		(4.7)		(4.7)
Tier 1 capital		1,120.6		1,095.3
Subordinated debt		221.0		221.0
Add: accumulated net after tax gain in investment property		4.7		4.7
Tier 2 capital		225.7		225.7
Total capital		1,346.3		1,321.0
Statutory capital adjustments		(106.3)		(105.3)
Net capital base	\$	1,240.0	\$	1,215.7
Borrowing multiple – Consolidated		17.8:1		13.5:1
Borrowing multiple – Mandatory Liquidity Pool		18.1:1		16.0:1
Borrowing multiple – Treasury		18.6:1		12.5:1

As at February 26, 2021

In determining regulatory capital, adjustments are required to the amount of capital reflected in our 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. On September 30, 2020 BCFSA announced, as of January 1, 2021, and until further notice, BCFSA will set Central 1's borrowing multiple limit at 18.0:1 and will apply the multiple to Central 1's Consolidated Statement of Financial Position.

Central 1 manages the MLP's borrowing multiple through semi-annual Class F capital calls from its membership and manages the Treasury's borrowing multiple through growth in retained earnings and subordinated debt. 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 or November 2020 to meet the MLP's borrowing multiple requirement. 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.

On October 2, 2020, Central 1 announced that its members passed a special resolution approving amendments to its Constitution and Rules. The amendments became effective on January 1, 2021. The amendments remove the requirement in Central 1's Rules for Class A members to maintain on deposit with Central 1 at least the amount that the member is required by a regulatory body to maintain a liquid form, excluding that amount that is maintained in cash, in satisfaction of applicable legislation. The amendments also removed all provisions in the Rules relating to Class F shares. Under Central 1's Rules prior to the amendments becoming effective, Class F shares were issued to Class A members that had deposits in the MLP. On January 1, 2021 Central 1 redeemed all outstanding Class F Shares for the redemption price of \$1.00 per share to be paid to the holders of Class F shares on or before January 8, 2021.

At December 31, 2020, Central 1's consolidated borrowing multiple was 17.8:1 compared to 13.5:1 at December 31, 2019, as a result of the increase in mandatory and non-mandatory deposits.

Central 1 was in compliance with all regulatory capital requirements throughout the reporting periods ended December 31, 2020 and December 31, 2019.

As at February 26, 2021

Risk Review

Central 1’s business operations, industry and environment expose them to a wide variety of risks, some of which are well known and readily managed and others, such as industry or environment driven risks, that are outside of their immediate control and influence. Central 1’s risk management is focused on effectively managing those risks they can control and creating organizational readiness and resilience for those risks they have limited ability to manage. Risk management prioritizes awareness of all the risks we face and, once identified, measuring or assessing and then monitoring their risks. Central 1 also ensures that they have the financial strength through their profitability and capital adequacy to support their businesses and their resultant risks.

Central 1 employs a multifaceted risk management framework designed in keeping with our business operations and role in the credit union system, their operational capabilities and our designation by BCFSa as a Domestic Systemically Important Financial Institution (D-SIFI). Central 1’s risk management framework provides independent risk oversight across their organization and their capabilities consider risk across the credit union system.

The risk management framework is founded on several key principles:

- We take business-related risks necessary to execute our strategy:
 - recognize and accept that there are risks inherent in providing core services to our members
 - ensure that business strategies generate a level of value commensurate with our respective risk profile
 - do not take speculative risks
- We only take risks that we understand and can manage:
 - clearly identify, openly discuss, and explicitly accept the risks inherent in our businesses
 - use the most appropriate tools, methodologies, and governance structures to manage our risks
 - establish clear boundaries around our risk profile and continuously ensure adequate levels of capital and liquidity
- We take and manage risk in a way that maximizes good outcomes for the credit union system:
 - tailor our risk management approach to facilitate innovation and to allow members’ needs to be met swiftly and nimbly
 - as a D-SIFI, we consider, manage, and place risk in the best interests of the credit union system
 - do not take risks that expose the financial strength or the reputation of the system to critical or incapacitating harm

Business and Operations Risk

Central 1’s business involves centralized liquidity, funding, treasury and portfolio management services, forward-thinking technology and payment settlement services and other innovative services and solutions aimed at providing a competitive edge to member credit unions and other corporate clients. These business activities involve inherent risks arising from day-to-day activities and systemic and strategic risks arising from the highly competitive and constantly evolving financial sector. These risks are identified in this section and further discussed in the following sections.



Systemic risk is the risk that the financial system as a whole may not withstand the effects of a crisis resulting from extraordinary economic, political, social or financial circumstances. This risk is inherent for a large, highly interconnected and mutually dependent system such as the financial sector. This risk could result in financial, reputation or other losses and is the risk that we are least able to materially affect or influence.

Strategic risk is the potential for gaining or losing value related to making and executing strategic business decisions in response to changes of the business environment. We have control over our strategic decisions and decision processes but does not always have clear insight into competitive pressures and/or emerging

As at February 26, 2021

industry and competitive threats. We are also part of a system of credit unions and support organizations and our strategy needs to be created and managed within this dynamic system.

Compliance risk is the potential for legal or regulatory sanctions, material financial loss or damage to our reputation resulting from failure to comply with applicable laws, regulations, rules, related self-regulatory organization standards and/or codes of conduct applicable to its activities. Our objective is to adhere to all legislative and regulatory requirements and actively monitor the ongoing changes arising in these areas. We actively manage our risks arising from existing and clearly signalled legislative and regulatory requirements but cannot as readily manage requirements under emerging legislation and regulation given time frames for implementation and compliance.

Operational risk is the potential for loss of value caused by people, processes, systems, or external events. An ongoing but evolving concern for us is cyber security, which focuses on the protection of the confidentiality, integrity and availability of information systems from both internal and external forces. We have implemented strong monitoring and control frameworks around the internal elements of this risk and has implemented business continuity and recovery plans based on potential external events.

Credit risk is the potential for incurring financial loss/opportunity cost resulting from the default or failure of a borrower, endorser, guarantor or issuer to repay their financial obligation as they come due. Our capabilities in the measurement of credit risk are strong and include due diligence, expected loss calculation, risk rating models and strict limit monitoring.

Counterparty risk is the potential for financial loss resulting from the inability of a counterparty in a value-exchange transaction (e.g., interest rate swap, foreign exchange deal) to fulfill its obligations. We have developed potential future exposure modeling to complement existing capabilities around counterparty risk.

Liquidity risk is the potential for financial loss resulting from the inability to meet cash flow obligations in a timely manner due to an inability to generate sufficient cash from assets or funding sources. We provide liquidity support to the credit union system in B.C. and Ontario and consider the liquidity and funding risks for each of our member credit unions as part of our risk.

Market risk is the potential for financial gain or loss resulting from favourable or unfavourable movements in interest rates, credit spreads, and foreign exchange rates. We use Value-at-Risk (VaR), DV01, duration and stress scenarios among other risk measures to monitor and report on market risk.

These risks are not managed as standalone elements but within ongoing business and operations management. In addition, we monitor all risk activities and exposures, including risk transfers, migrations and transformations, as well as risk diversification and amplification.

Risk Management Framework

The Risk Management Framework consists of a strong governance framework including the Board and management risk committees, risk policies, management standards and procedures, clear authorities and responsibilities, effective control and oversight functions with clear and independent reporting lines and risk education on key topics.

The Board and our Committees

Board of Directors					
Risk Review and Investment & Loan Committee	Audit and Finance Committee	Human Resources Committee	Technology Committee	Nominations and Elections Committee	Conduct Review and Corporate Governance Committee

The Board reviews and approves material business strategies and activities. Subject to our Constitution and Rules (Rules) and applicable legislation, the Board may delegate certain duties to committees of the Board. The Board has delegated to the Risk Review and Investment & Loan Committee (RRILC) the responsibility for overseeing the risk-taking operations and risk management functions and ensuring appropriate risk governance processes are executed effectively and that investment, lending and other business operations are undertaken in a prudent and risk-informed manner.

The RRILC reviews the risk related to investment and lending activities of our organization, the associated corporate policies and any significant and emerging events and related action plans, and recommends any improvements or changes to the Board as deemed necessary or desirable. The RRILC also monitors and oversees compliance with anti-money laundering and counter terrorism financing (AML/CTF) legislation and related policies.

The Audit and Finance Committee (AFC) has responsibility for assisting the Board in its oversight over the financial reporting process and internal controls.

The Chairpersons of the AFC and the RRILC are members of both committees as mandated by the committees’ terms of reference.

As at February 26, 2021

The Technology and Innovation Committee has oversight over all technology risk, cyber risk, and major project risks.

The Human Resources Committee has oversight of people risk.

Management and our Risk Committees

President and Chief Executive Officer				
Business Leaders	Corporate Support and Control Functions			
	Chief Risk Officer	Chief Financial Officer		Other Senior Exec.
Business Functions	Risk Group	Finance Group	Internal Audit	Legal, IT, HR, etc.
Management Risk Committee				
Asset and Liability Committee				

The President and Chief Executive Officer (CEO) provides overall leadership and vision in developing, together with our Board, our strategic direction, vision, mission, goals and the business plans necessary to realize our goals. The President and CEO is responsible for the overall risk profile and creating a culture of ethical business conduct and prudent risk management.

Central 1’s business lines are overseen by key members of their executive management. The Chief Investment Officer (CIO) is responsible for the management of MLP and Treasury portfolios, including a variety of investment and funding programs to meet the differing needs of our members and clients, and the Chief Digital and Payments Officer is responsible for the management of the Digital & Payment Services to member credit unions and other corporate clients.

The Chief Risk Officer (CRO) develops, implements and oversees a comprehensive process for assessing, identifying, monitoring and effectively managing pertinent business risks that could interfere with our core purpose and ability to grow and develop our business lines for the benefit of the credit union system. The CRO reports to the President and CEO and has direct access to the RRILC.

Internal Audit’s objective is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Our internal audit function is

independent of management and the Risk Group. Internal Audit develops audit plans for approval by and reports independently to the AFC of our Board on the design and effectiveness of policies, procedures and internal controls.

Corporate Policy Coverage

Central 1’s risk policy framework outlines the roles and responsibilities of the business and operations functions, the Risk Group and corporate support groups in the effective creation, approval, maintenance and communication of corporate risk policies as well as management risk standards.

Risk policies that cover risk identification, measurement, management and reporting are set by the Risk Group and are considered minimum requirements for the business and operations functions and the other support and control functions. These policies communicate our risk appetite, limits and parameters within which business groups and employees can operate. All risk policies are subject to a rigorous approval process which, depending on the type and significance of the policy, can involve different management risk committees, the RRILC and, for all Corporate Policies, the Board.

Central 1’s risk policy framework includes the organization’s Risk Appetite Framework and Risk Appetite Statement (RAS), which defines the types and amounts of risk that they are willing to take in pursuit of their strategic objectives. The RAS covers all their main risk categories, including Compliance Risk, Credit Risk, Counterparty Risk, Liquidity Risk, Market Risk, Operational Risk and Strategic Risk.

The policy framework provides clear authorities and responsibilities for all functions and creates effective control and oversight functions with clear and independent reporting lines. We operate a dual stream authorization process, whereby all risk exposures are recommended by the business and concurred with by the Risk Group. This ensures that any potential risk exposure both supports business objectives and is independently reviewed.

Central 1 undertakes rigorous risk education on several key topics. All our staff are required to complete information security training as part of the employee onboarding process. All staff involved with funds flows, whether deposit, loan or payments flows, must complete annual AML/CTF training. We have a business continuity plan (BCP) and all employees with planning and/or resolution responsibilities must complete annual BCP training. In addition, on a periodic basis and as needed, Central1 runs various specialized and general risk awareness sessions to maintain and further evolve Central 1’s risk management capabilities.

As at February 26, 2021

Risk Process

Central 1's Corporate Risk Management Policy outlines the Risk Process. The process is based on five related and reinforcing steps, as follows:



Identification involves the detection and description of risks across a horizon that extends from the present to the long-term, including risks known to exist today and risks that are emerging and may impact the organization in the future. The objective of this step is to identify the key risks affecting business performance, along with their specific risk drivers.

Assessment and Measurement involves the evaluation of identified risks to determine their potential to affect, individually or collectively, business objectives. Assessment is largely a qualitative exercise relying on analytical and intuitive thinking, while measurement is a quantitative exercise converting the barrage of data into insightful and actionable information. The objective of this step is to build an understanding on the magnitude, sources, and key drivers of risk exposure.

Analytics is the transformation of measured risk data into business-actionable risk information through the application of quantitative modelling and methodologies, as well as skilled judgment and qualitative interpretation. It includes trend identification and analysis, detection of correlations and amplifications, recognition of concentrations, and assessment of the organization's capabilities. While based on past risk data, analytics and management looks forward to predict possible future states and inform future management actions. The objective of this step is to develop risk insights and a deeper understanding of possible performance outcomes to inform business management.

Monitoring and Reporting involves the qualitative and quantitative monitoring of our risk profile against approved limits, the tracking of identified risk issues, and the reporting of risk at varying levels of aggregation to our management, the RRILC, and the Board, and the escalation of risk exposures to the appropriate level of the organization for discussion and action. The objective of this step is to capture risk exposures and clearly communicate with key stakeholders, including business leaders, risk takers, regulators and the Board.

Management and Planning entails the creation of plans to drive management action, should a business event occur that materially affects our risk profile. It includes both reactive measures and identification of forward-looking, longer term tactical plans aimed at maximizing value for us, all with the objective to ensure the organization stays within our risk appetite and meets our business objectives.

Risk Oversight and Management

Central 1's approach to managing and mitigating specific types of risk are as follows:

Strategic Risk

Central 1 believes that pressures on all financial institutions including credit unions, from, among other things, tight margins and financial technology disruption characterize the current environment. We need to be prepared to respond to the resulting changes and opportunities. We rely on the underlying system's direction, ongoing member and client engagement and a continuous strategic planning process to pursue a strategy that prepares us for the risks inherent in the environment and to deliver value for credit unions and clients.

Compliance Risk

Central 1 is exposed to compliance risk in all areas of the organization, ranging from legislative and regulatory requirements enforced as a result of the products and services offered by the various business lines, and 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.

As at February 26, 2021

Central 1's compliance risk framework includes policies, management standards, and operational procedures, as well as risk assessments, monitoring and reporting processes, and relevant training.

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. Our policies establish the parameters within which we manage our credit risk. These policies are implemented through a number of key business procedures. Together, the policies and procedures form a framework that includes:

- application of safe and sound, stringent lending and/or funding criteria to all credit exposures prior to their acquisition
- clearly defined management and policy limits on the amount, types, and concentrations of credit risk
- regular evaluation and assessment of existing credit risk exposures and allowances
- continuous monitoring of credit exposures to promptly identify deteriorating situations and take appropriate actions.

All potential and existing borrowers are evaluated by skilled lenders and are adjudicated by independent, highly trained credit officers. Annually, the status of each borrower and transaction is reviewed through a comprehensive assessment process. The exposures are concentrated in low-risk investment securities with very limited exposure to underperforming loans in the lending portfolios.

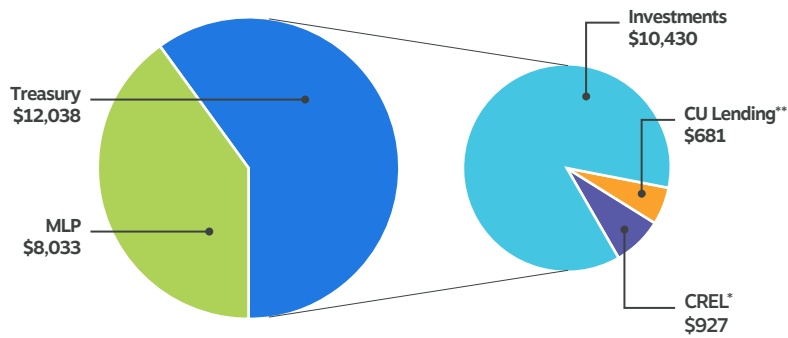
Central 1, along with all financial institutions, continues to face a threat from the COVID-19 pandemic to its credit risk business activities. Provisions for expected loss increased in the second quarter reflecting the significant deterioration in the economic outlook. In the fourth quarter of 2020, Central 1 decreased its expected credit loss allowances for the Commercial Real Estate Lending (CREL) portfolio by \$0.6 million to a total of \$3.3 million. Expected credit loss allowances for the Investment portfolios were slightly decreased by \$8.6 thousand to a total of \$1.7 million. Moderated expected credit loss provisions are in line with improved forward-looking economic indicators and forecasts. Zero expected credit loss remained in the Credit Union Lending portfolio given ample security pledged to secure credit facilities.

The following charts illustrate our credit exposure and risk profile based on outstanding balances in the investment portfolios held in the MLP and Treasury. AAA rated securities represent \$5.7 billion or 54.8 per cent of the Treasury Investments portfolio. Treasury holds \$1.8 billion in securities that are rated A or lower and \$165.4 million in non-rated securities (positions are based on notional, not market values, and do not include securitization assets sold to Canada Housing Trust).

As at February 26, 2021

Central 1's Credit Risk Exposure

(Millions of dollars)

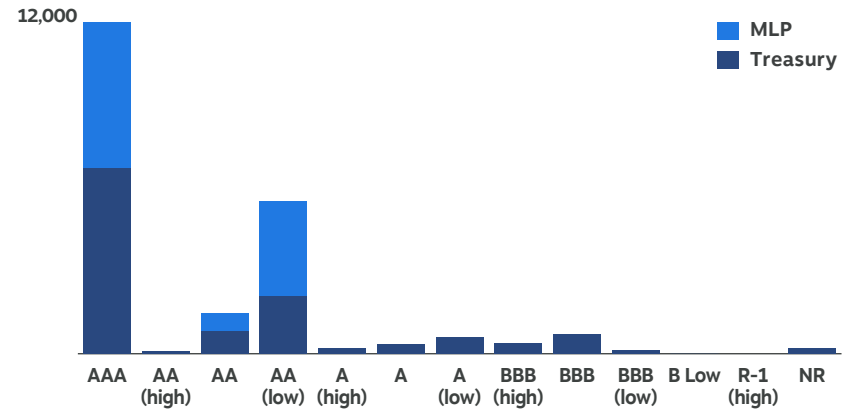


*CREL - Commercial Real Estate Lending

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

Investment Portfolio

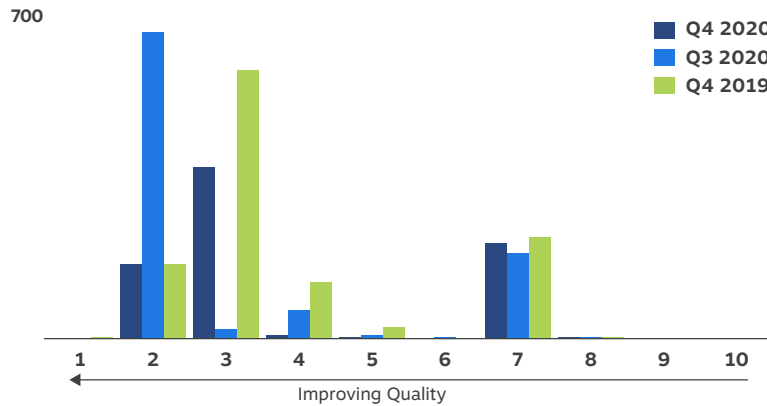
(Millions of dollars)



The following charts provide our credit exposure and risk profile based on outstanding balances in the Commercial Real Estate Lending and Credit Union Lending Portfolios.

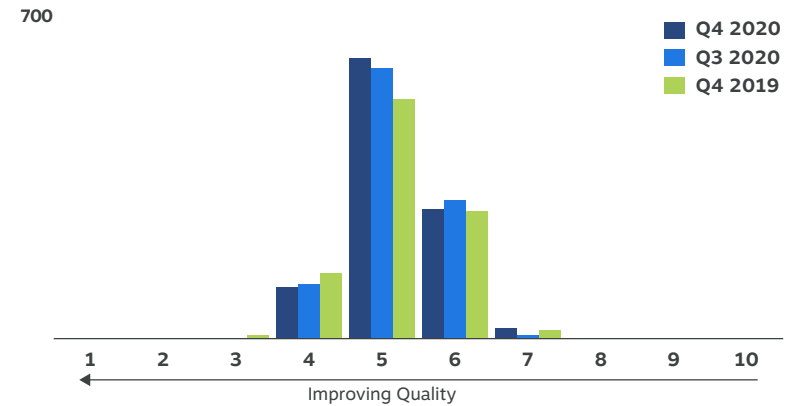
Credit Union Lending Portfolio

(Outstanding balances in millions)



Commercial Real Estate Lending (CREL) Portfolio

(Outstanding balances in millions)



As at February 26, 2021

Credit Quality Performance

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

Investments Portfolio

There are no impaired investments in the Investments Portfolio.

Credit Union Lending (CU Lending)

The utilization of credit facilities remains low with no significant changes compared to the third quarter of 2020.

No loans in the Credit Union Lending Portfolio were written off in 2020. 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. As at December 31, 2020 there were six Ontario and one B.C. credit union classified as Watch List (risk rating 7). One Ontario credit union was assigned Unsatisfactory risk (risk rating 8). The Watch List and Unsatisfactory accounts represented 11.1 per cent of the authorized portfolio as at December 31, 2020. Credit union lending facilities are fully collateralized by general security agreements and outstanding loans constitute a fraction of the security value. The security provided for the Watch List and Unsatisfactory facilities is substantial and no losses are expected.

Commercial Real Estate Lending (CREL)

No loans in the CREL Portfolio were written off in 2020. Currently, there are no impaired loans in the portfolio. One account was added to the Watch List in Q4 2020. Three Watch List accounts represented 2.15 per cent of the outstanding portfolio balance as at December 31, 2020.

Enhanced monitoring remains in place for the hospitality and retail sectors, given expectations for deterioration in borrowers' financial performance. Recognizing challenges brought by the COVID-19 pandemic, during the year 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. 25 accounts were granted loan payment deferrals in 2020. As at December 31, 2020, 24 accounts returned to regular payments and one account remained on a payment deferral schedule representing 1.4 per cent of the total outstanding portfolio balance.

Counterparty Risk

Within the Treasury operations, we incur counterparty risk through entering into contracts with counterparties in return for a bilateral value-exchange of services. The counterparty risk is managed within the same adjudication process as credit risk.

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

Liquidity Risk

Liquidity risk is the potential inability to meet cash flow obligations in a timely manner, because we are either unable to sell securities at a desired market price or unable to secure the funds needed to meet our obligations when due. Liquidity events can be caused by an internal mismatch between the cash flows of our assets and liabilities, external idiosyncratic or systemic market and credit events or unexpected changes in the liquidity needs of our members. Sound liquidity management ensures the safety of credit union members' deposits and the health of the credit union system.

Central 1's mandate includes the management of credit union members' access to liquidity in B.C. and Ontario. Credit unions are required to hold (by regulation in B.C. and by contractual agreement in Ontario) their core liquidity reserves in the MLP. The Board, management and regulatory guidelines ensure that deposits are supported by highly liquid assets. These assets are held to provide liquidity to credit unions in the event of a liquidity crisis.

In November 2019, our Board approved, and BCFSa subsequently accepted, a segregation plan to legally segregate MLP into contractual trusts by December 31, 2020. Following broad system consultation with Class A members, on October 2, 2020, Central 1 announced that its members passed a special resolution approving amendments to Central 1's Constitution and Rules in connection with the segregation. The segregation is effective January 1, 2021.

Central 1's Treasury business line provides capital markets products and services to Class A, B and C members. Product offerings include current accounts, term deposits, credit union lending, commercial lending, access to securitization vehicles, foreign exchange services, and derivatives. Treasury is funded through members' discretionary deposits and capital markets under our commercial paper and medium-term note programs.

As at February 26, 2021

Central 1 provides payment clearing and settlement services to Class A, B and C members. We manage the Group Clearer function on behalf of the credit union system nationally (excluding Quebec) and is a direct clearer through the Payments Canada network. We provide access to global correspondent banks for the credit union system to settle foreign currency payments. These activities directly expose us to credit and liquidity risk from other direct participants in the payments network. The credit and liquidity risk of these core banking functions are managed within Treasury.

Central 1 has established a comprehensive liquidity risk framework that is comprised of:

- a robust risk governance framework
- investment strategies focused on maintaining sufficient unencumbered highly liquid assets to meet cash flow requirements in normal and stressed conditions
- access to diversified funding sources—member deposits and capital markets
- monitoring of credit union system liquidity, performance and financial health
- an enterprise Contingency Funding Plan (CFP)
- frequent measurement of portfolio liquidity

Investment Strategies

Central 1 invests in a sufficient quantity of highly liquid assets to ensure that it can meet the deposit withdrawal and borrowing requirements of our member in normal and stressed market environments. We view the following assets as highly liquid and include them in our assessment of portfolio liquidity:

1. Government of Canada (GoC) securities, GoC guaranteed securities (including NHA MBS and CMB), Canadian provincial and municipal governments securities and other high-quality government assets meeting OSFI's definition of HQLA.
2. Other securities eligible to be pledged to the BoC in the form of highly rated investment grade corporate debt (collectively other BoC Standing Liquidity Fund (SLF) eligible assets).
3. USD denominated variants of the securities identified in groups (1) and (2) above.

MLP deposits are backed entirely by assets in one of the three categories above. USD denominated debt is matched against the USD denominated deposits to ensure that exposure to foreign currency market risk is mitigated. MLP assets are not currently used to meet derivative and clearing and settlement collateral requirements; consequently, the portfolio is 100 per cent unencumbered.

Treasury liquidity management is more complex than for the MLP and, consequently, it is subject to a more rigorous measurement and monitoring regime. A portion of Treasury liabilities is invested in HQLA as defined above, sufficient to ensure the

portfolio's liquidity objectives are met. These liabilities are also invested in credit union and commercial loans and residential mortgages. As part of its normal business operations, we make commitments to grant loans to credit unions and commercial borrowers, enter into derivatives and securities lending transactions, and is a participant in the national clearing and settlements network. We encumber a portion of Treasury's highly liquid assets to support these activities.

Diversification of Funding

Central 1's liquidity management framework is designed to ensure that reliable and cost-effective funding sources are available to satisfy current and prospective commitments of our organization and our member credit unions. Diversification of funding sources provides flexibility and minimizes concentration risk. It is a crucial component of our overall liquidity management strategy.

The MLP is funded primarily through Class A member statutory (for B.C.) or contractual (for Ontario) deposits. Treasury is funded through a combination of Class A, B and C member deposits and capital markets borrowing. We regularly issue commercial paper and medium-term notes in the capital markets. We also issue subordinated debt. Regular participation in these markets and the maintenance of a strong external credit rating is critical for ensuring that capital markets access is maintained. We fund a portion of our purchases of residential mortgages and credit union NHA MBS through the NHA MBS and CMB mortgage securitization programs.

Credit Union System Health Analysis

Central 1's liquidity is directly affected by the liquidity of the B.C. and Ontario credit union systems and the liquidity of our Class B and C members. We closely monitor credit unions' financial positions for any indication of negative liquidity trends. Utilization of lending facilities, liquidity ratios, deposit levels, economic conditions, and use of capital market and other funding sources are among the items regularly monitored.

Contingency Funding Plan

Central 1 provides financial stewardship of the liquidity deposits of the B.C. and Ontario credit union systems. Accordingly, it is imperative that we maintain members' trust and confidence by ensuring the existence of an appropriate plan to provide the credit union system with access to funding during a liquidity crisis.

Given that a liquidity crisis would likely be the result of a liquidity event that flows through the credit union system, we continually monitor the system and its environment for indicators of impending stress. Although there is a low probability of a significant liquidity crisis occurring, we monitor the risk and have implemented a Contingency Fund Plan should such a crisis occur.

As at February 26, 2021

Risk Monitoring

Central 1 monitors their asset and liability positions, encumbrances, commitments, cash flows and funding to better understand their liquidity capacity and their sensitivity to changing market conditions. We include the following types of assets in our liquidity measures (including Liquidity Coverage Ratios) as highly liquid assets:

- **HQLA 1.** Assets issued by the GoC, provincial governments and securities secured by GoC as defined by OSFI
- **HQLA 2.** Investment grade corporate, covered debt and residential mortgage-backed securities (RMBS) as defined by OSFI
- **Other SLF Eligible.** Securities eligible to be pledged to the BoC in the form of financial institution and investment grade corporate debt (collectively other BoC SLF eligible assets) not included in HQLA 1 or 2; and USD denominated variants of the securities identified in groups above (per agreement with BCFSA)

In the MLP investment strategy, limits and regulations ensure that MLP deposits are entirely covered by HQLA 1, HQLA 2 and Other SLF Eligible assets. Note that the nominal amount of other assets relates other accounting based non-marketable assets. Since the entire portfolio is highly liquid and eligible to be pledged to the BoC SLF, management is confident that the portfolio can be converted to cash through sale, repurchase agreement or pledging to the BoC to meet member needs in a liquidity stress event.

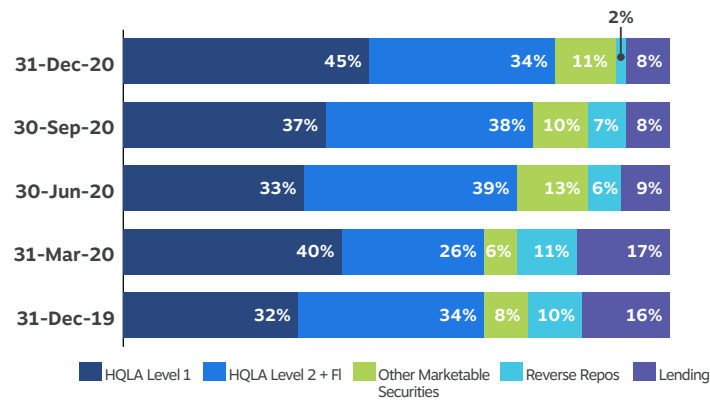
The majority of assets in Treasury are highly liquid and can be readily sold or pledged to the BoC to generate cash to support member deposit withdrawals or the drawdown of committed loan facilities in both normal and stressed markets. While Treasury holds other less liquid assets, the quantity of highly liquid assets is greater than the level of funding provided by member deposits. The following charts illustrate the relationship between assets and liabilities.

The Maturity Gap provides a picture of the mismatch between the contractual maturity of our asset and liabilities. These gaps, even under normal market conditions, must be closed by receiving additional funding or liquidating assets. Under normal market conditions, the MLP maturity gaps are generally funded by members rolling over or renewing their mandatory or contractual deposits as, typically, credit union deposits are growing. The maturity gaps reported for Treasury are within normal levels.

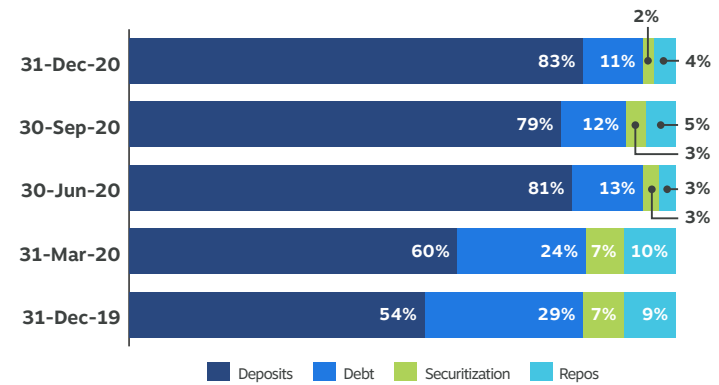
As at February 26, 2021

The following charts show the Maturity Gap for MLP and Treasury:

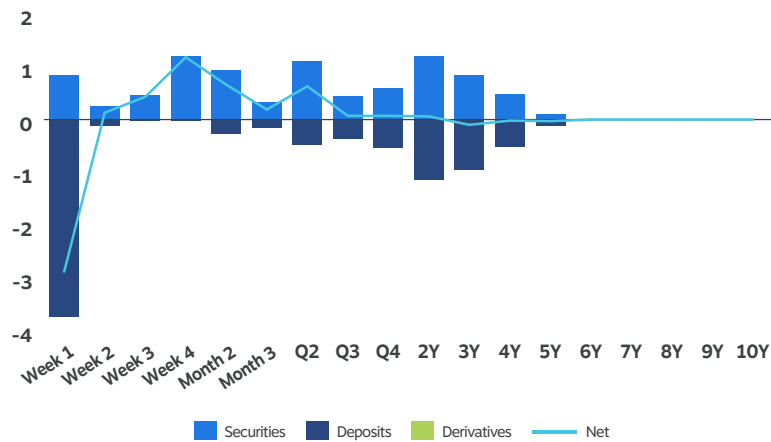
Treasury Assets



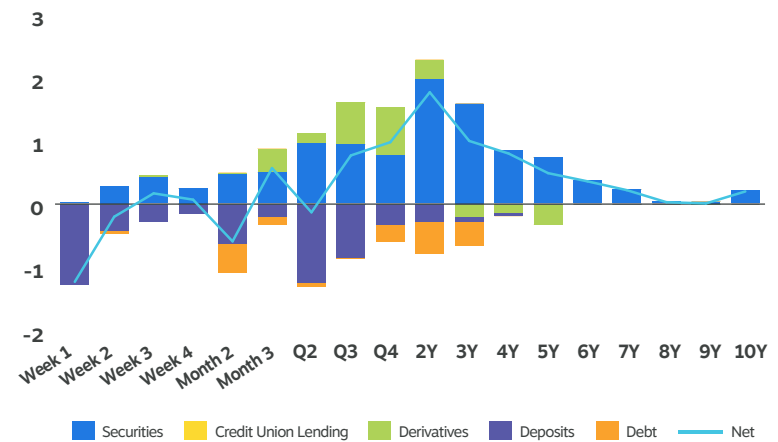
Treasury Liabilities



MLP Maturity Gap Report



Treasury Maturity Gap Report



As at February 26, 2021

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 pre-July 2018 BoC definitions for the 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, Central 1 also presents 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. 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 the SLF LCR and OSFI LCR for the Treasury portfolio strengthened toward the end of the fourth quarter of 2020. This was due to some credit unions electing to liquidate their MLP assets for cash as part of the MLP segregation process. This cash was then transferred to the Treasury portfolio, thus, the MLP portfolio SLF LCR seen a corresponding decrease toward the end of the fourth quarter.

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	LTM Average
Mandatory Liquidity Pool SLF	153.9 %	172.2 %	172.3 %	173.1 %	171.6 %	172.0 %
Mandatory Liquidity Pool OSFI	174.9 %	172.6 %	167.3 %	171.1 %	162.6 %	170.6 %
Treasury SLF	195.4 %	179.1 %	154.8 %	165.3 %	178.4 %	172.0 %
Treasury OSFI	159.4 %	148.7 %	111.1 %	130.6 %	123.8 %	133.1 %

Market Risk

Both the MLP and Treasury portfolios are largely matched from an interest rate perspective. Despite a further decline in overall market volatility in the third quarter, credit spreads remain elevated and unstable. This will continue to have an impact as both portfolios are exposed to credit spreads.

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

Market risk is measured using 1-Day Value-at-Risk (VaR) computed at a 99 per cent confidence level, meaning that the one-day change in portfolio value is expected to be less than VaR 99 per cent of the time. Central1's risk appetite statement requires Central1 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.

As at February 26, 2021

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. During the fourth quarter, risk limits were adjusted to accommodate for the increase in size of the Treasury portfolio. Taking this adjustment into account, we complied with MLP and Treasury RAS limits during the fourth quarter.

Millions of dollars	Mandatory Liquidity Pool									
	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Last 12 Months			High	Low	
					Average					
Interest Rate VaR	\$ 0.3	\$ 1.2	\$ 0.7	\$ 1.5	\$ 1.1	\$ 1.9	\$ 0.3			
Credit Spread VaR	1.5	3.0	3.4	4.2	3.2	4.6	1.4			
Foreign Exchange VaR	0.1	0.2	0.2	0.2	0.2	0.8	0.0			
Diversification ¹	(0.6)	(1.8)	(1.3)	0.0	(1.4)	nm	nm			
Total VaR	\$ 1.3	\$ 2.5	\$ 3.0	\$ 5.9	\$ 3.1	\$ 5.9	\$ 1.3			
Expected Shortfall	1.7	3.6	4.2	7.4	4.2	7.5	1.6			

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

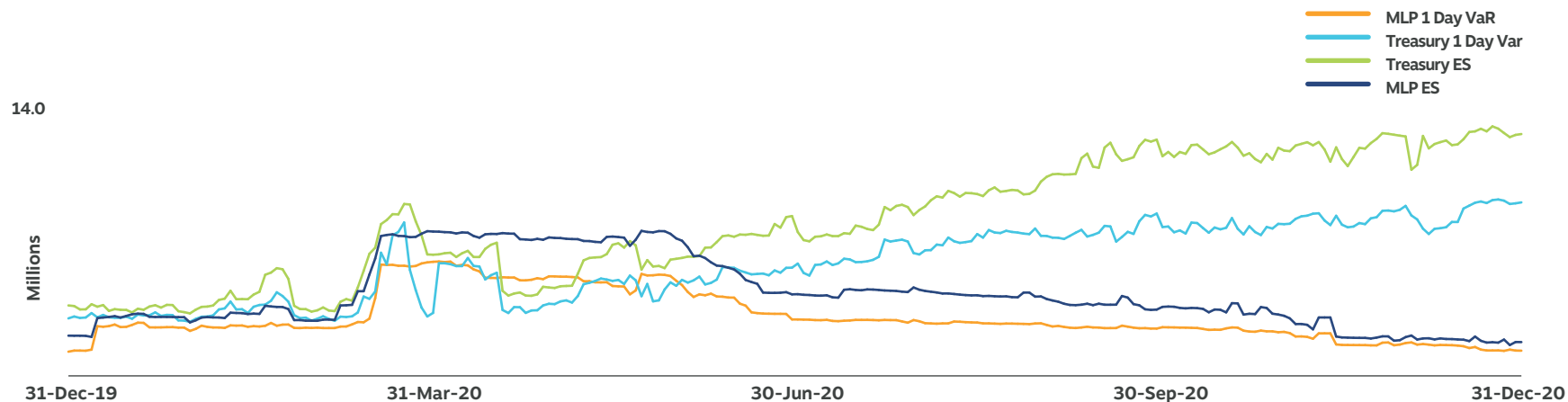
nm - Not meaningful to calculation

Millions of dollars	Treasury									
	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Last 12 Months			High	Low	
					Average					
Interest Rate VaR	\$ 6.9	\$ 4.6	\$ 2.1	\$ 1.8	\$ 3.2	\$ 7.0	\$ 0.9			
Credit Spread VaR	8.4	8.2	4.8	3.3	5.7	8.6	1.9			
Foreign Exchange VaR	2.3	2.2	2.1	1.9	2.2	3.7	1.2			
Diversification ¹	(8.6)	(7.3)	(3.3)	(3.7)	(5.3)	nm	nm			
Total VaR	\$ 9.0	\$ 7.7	\$ 5.8	\$ 3.3	\$ 5.8	\$ 9.1	\$ 2.8			
Expected Shortfall	12.5	11.3	7.4	6.2	8.0	12.9	3.2			

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

nm - Not meaningful to calculation

As at February 26, 2021



Stress Testing

Stressed VaR (SVaR) allows us to test the performance of the portfolio in historically extreme market environments. 99 per cent SVaR is calculated for 1-Day and 10-day horizons calibrated 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 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			
	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
1-Day SVaR	\$ 2.0	\$ 3.5	\$ 3.8	\$ 4.1	\$ 14.7	\$ 11.1	\$ 10.4	\$ 10.6
10-Day SVaR	\$ 6.1	\$ 8.0	\$ 10.4	\$ 15.9	\$ 32.5	\$ 31.3	\$ 32.5	\$ 22.8

Direction and Sources of Interest Rate Risk

Central 1 uses a number of secondary market risk measures to help understand the direction and sources of interest rate risk in the MLP and Treasury portfolios. DV01 measures the sensitivity of the portfolio to one bp increase in interest rates.

Foreign Exchange Rate Exposure

Central 1 has assets and liabilities denominated in several major currencies and we trade foreign currencies with their member credit unions and other clients. The risk associated with changing foreign currency values is managed by applying limits on the amounts (short or long positions) that can be maintained in the various currencies, utilizing derivative exchange contracts to lessen the impact of on-balance sheet positions and through VaR management limits. Central1’s FX exposure is concentrated in USD and only a relatively small amount is held in other major currencies.

As at February 26, 2021

(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	\$	(2.8)	\$	7.6	\$	4.8	1.2740	6.14

Operational Risk

Operational risk is measured by referring to organizational and industry loss events combined with estimates of frequency from the historical record and key risk drivers. 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. Real or perceived changes in an institution’s credibility can damage its reputation, image, and stakeholder confidence, thereby negatively affecting the institution’s results in the future.

During the COVID-19 pandemic Central 1 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.

Given the high volume 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 pandemic, Central 1 was successfully able to deliver products and services and meet its obligations towards all stakeholders without any material issues. Moreover, staff are able to work from home without any significant disruption noted with a positive adaptation to the new normal.

Central 1 manages this type of risk through implementing policies and associated procedures that are fundamental to their 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
- Maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses
- 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

As well as having the above measures in place, our policies provide for regular, ongoing review of its practices and procedures by internal audit teams, technology systems security personnel and management personnel. External resources, when required, also supplement the internal reviews. In addition, both provincial and federal regulatory agencies undertake periodic reviews of our operations and contingency plans.

Central 1 continues to invest in the infrastructure to successfully defend against a variety of cyber-attacks on behalf of member credit unions, reducing their exposure and the risk of significant negative effects.

As at February 26, 2021

Reputation

Central 1 recognizes that their reputation is among their most important assets and considers reputational impact in all of their business and planning practices. Integrity and ethical conduct are core values for our organization, and these are fostered at the most fundamental levels of the organization through the adherence of each employee and contractor to our Code of Conduct. In addition to the key principles listed in the Corporate Risk Management Policy (the Policy), the following specific principles govern our management of our reputation:

- We will maintain the highest degree of integrity and ethical conduct at all times to ensure everything we do and every decision we make will be guided by principles of honesty, integrity, respect and ethical standards
- We will avoid activities that may harm either our reputation or the reputation of the credit union system
- We will consider the reputational impact on our organization of all business activities that we undertake

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 us 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:

- The risk that long-term climate change destabilizes the physical environment beyond humanity's adaptive capacity, and ruptures the real economy. Canada has significant coastline and cities susceptible to rising sea levels. Regions in upheaval are more likely to suffer high unemployment, need emergency aid and fall behind on loan payments.
- The risk of escalations in global trade war that harm the Canadian economy by depressing commodity prices, lead to volatility in markets and forestall capital investment. Trade wars are destructive to global economic activity and quickly spiral out of control as retaliatory measures are exchanged. Canada is vulnerable because of its strong trading relationship with the United States and heavy natural resource exports.
- The risk of market self-correction for housing, capital markets, sovereign debt and household savings is heightened by growing government support and appears to be deeply discounted by stakeholders. Contrary to previous recessions, Canada has seen housing prices rise with joblessness, the stock market rebound amid uncertainty, consumer debt-to-income decrease and business insolvencies dry up. Temporary stop-gaps (such as emergency employment benefits and wage subsidies) are papering over these cracks but there are limitations – Investors may lose confidence in Canada's ability to repay its debt, credit rating agencies may downgrade debt and corporations could be forced into mass layoffs.

As at February 26, 2021

Accounting and Control Matters

Our 2020 Consolidated Financial Statements have been prepared using the accounting policies as set out in Note 2 to those statements.

Use of Estimates and Judgements

In preparing the 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, and
- Classification of financial assets.

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 Consolidated Financial Statements.

Interest Rate Benchmark Reform (IBOR)

Changes in Accounting Policy

The IASB has undertaken a two-phase project to look into the potential effects of IBOR on financial reporting. In September 2019, the IASB issued the Phase I amendments to IFRS 9 (*Financial Instruments*), IAS 39 (*Financial Instruments: Recognition and Measurement*), and IFRS 7 (*Financial Instruments: Disclosures*) to address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark. 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 IBOR. 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 IBOR. 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 and there was no impact on Central 1's current hedging relationships which were not referencing to the interest rate benchmarks that are subject to the reform.

Future Accounting Policy

In August 2020, the Phase II amendments, complementing the Phase I amendments, were issued to address financial reporting issues during the reform of an interest rate benchmark including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative one. The amendments principally address practical expedient for modification of a financial contract and allow a series of reliefs from discontinuing hedging relationships, in combination of new disclosures on the nature and extent of risks arising from the reform and how these risks are managed. The amendments are applied retrospectively and effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

The amendments only apply to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. Central 1 is currently in the process of determining the impact of the Phase II amendments on Central 1's Consolidated Financial Statements.

Controls and Procedures

Central 1 has designed and implemented disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that all relevant information are gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Central 1 has evaluated the design of their disclosure controls and procedures and their internal controls over financial reporting for the year ended December 31, 2020. Based on that evaluation, Central 1 has concluded that the design of their internal monitoring controls and procedures over financial reporting was effective.

As at February 26, 2021

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 since December 31, 2019.

Details of our related party disclosures were disclosed in Note 37 of the Consolidated Financial Statements.

Subsequent Events

MLP Segregation

The segregation of the MLP occurred effective January 1, 2021 with settlement on the first following business day, January 4, 2021. Pursuant to agreements entered into by Central 1 with Class A members (Transfer Agreements), \$8.7 billion in MLP deposits were satisfied and discharged and cash and securities (Transferred Assets) of equal value were transferred to, or as directed by, each applicable Class A member. Related to the MLP segregation, on January 1, 2021, all Class F shares were redeemed and cancelled for the redemption price of \$1.00 per share which was paid to the holders of Class F shares on January 8, 2021. The total redemption amount was \$397.7 million.

Pursuant to each Transfer Agreement, Central 1 transferred the Transferred Assets as directed by the Class A member either to (i) Central 1 as trustee, to be held in trust for the benefit of the Class A member in accordance with the terms of a trust agreement entered into between Central 1 and the Class A member (each a Trust Agreement) or (ii) to the Class A member. Central 1 entered into a Trust Agreement with each of its B.C. Class A members and certain of its Ontario Class A members. Pursuant to each Trust Agreement, Central 1, as bare trustee, is required to hold trust property settled on trust for the benefit of the Class A member.

The transfer of cash and securities and satisfaction and discharge of MLP deposits pursuant to the Transfer Agreements and the redemption of Class F shares did not result in a material impact on profit and loss. Central 1 continues to remain in compliance with all regulatory capital requirements following segregation.

Medium-Term Notes

Subsequent to the year end, Central 1 issued \$250.0 million principal amount of series 18 medium-term fixed rate notes due January 29, 2026. The notes bear interest at a fixed rate of 1.323 per cent, payable semi-annually on January 29 and July 29 of each year, commencing July 29, 2021.

On February 5, 2021, the \$350.0 million principal amount of Series 16 medium-term floating rate notes matured.

Corporate Governance

Central 1's disclosure in accordance with Section 2.2. of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and Section 6.2 of National Instrument 52-110 – *Audit Committees* is attached as Schedule "A" to this MD&A.

As at February 26, 2021

Glossary of Financial Terms

Basis Point (bps) is one one-hundredth of a percentage point.

Borrowing Multiple is the ratio of our total borrowings to regulatory capital.

Capital Base includes Tier 1 and Tier 2 capital, net of certain deductions.

Capital Ratio is the ratio of risk-adjusted assets to capital as defined by provincial legislation. The provincial legislation closely approximates that applied to other financial institutions by the Office of the Superintendent of Financial Institutions.

Commitments to extend credit are amounts in undrawn credit facilities and unutilized lending arrangements that have been authorized to our members.

Credit Spread is the difference between the yield of a given debt security and the yield of a risk-free government bond with similar maturity.

Derivatives are contracts which require little or no initial investment and where payments between parties are "derived" from movements in interest or foreign exchange rates, indices, equities or commodity prices. Derivatives allow for the transfer, modification or reduction of current or expected risks from changes in rates and prices.

Earnings Per Share (EPS) is calculated by dividing profit by the average number of member common shares outstanding.

Efficiency Ratio is the ratio of non-financial expense to net financial and non-financial income.

Expected credit losses (ECL) is the difference between the contractual cash flows due in accordance with relevant contractual terms and the cash flows that we expect to receive, discounted to the balance sheet date.

Fair Value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Group Clearer is the arrangement whereby we are appointed as the group clearing member of the Payments Canada that, on its own behalf and on behalf of the clearing Centrals, exchanges payment items and effects clearing and settlement into the Payments Canada system.

Interest Margin is the difference between the amounts of interest earned on interest bearing assets less the amounts of interest paid on liabilities that have interest charges associated with them and include both on – and-off-balance sheet financial instruments.

Liquidity is the ability to meet debt obligations, guarantees and commitments as they become due through the use of cash or the conversion of assets that are readily convertible to cash.

Mark-to-Market represents the valuation of securities and derivatives at market rates as of the balance sheet date, where required by accounting rules.

Net Financial Income consists of interest and dividend income earned on financial assets net off interest expense paid on financial liabilities, plus realized and unrealized gains or losses on financial instruments.

Net Operating Income is a performance measure used to describe the B.C. and Ontario credit union systems. It is the source of retained earnings and is equal to net operating income after income taxes, but before dividends, patronage refunds, charitable donations, capital gains/extraordinary items and other comprehensive income.

Non-Financial Expense consists of expense incurred from activities not related to our core business operations.

Non-Financial Income consists of income excluding net financial income, derived from activities related to our other core business operations. This includes income generated from fees, dues, and equity income.

Return on Average Equity is calculated as profit for the year, as a percentage of average member shareholders' equity. Member shareholders' equity consists of share capital, contributed surplus, accumulated other comprehensive income (loss), retained earnings and reserves.

Schedule A

Corporate Governance

Corporate Information

Central 1 Credit Union (Central 1) was incorporated as B.C. Central Credit Union on May 25, 1944. Central 1 is a central credit union governed by the *Credit Union Incorporation Act* (British Columbia) (CUIA). In 1970, B.C. Central Credit Union merged with the British Columbia Credit Union League, which, at that time, was the service corporation and trade association for the province's credit unions.

B.C. Central Credit Union changed its name to Credit Union Central of British Columbia on January 1, 1996 and subsequently changed its name to Central 1 Credit Union effective June 30, 2008. Central 1 Credit Union combined businesses with Credit Union Central of Ontario pursuant to an asset purchase transaction on July 1, 2008 to form Central 1 Credit Union. Central 1's Constitution and Rules can be found on the public website, www.central1.com on the Governance page.

Membership in Central 1

Membership in Central 1 is restricted to credit unions incorporated in the Provinces of British Columbia and Ontario, cooperative associations and other corporate entities, including a number of credit unions and central credit unions incorporated under the laws of other jurisdictions. The Rules restrict membership in Central 1 to incorporated organizations that qualify as Class A Members, Class B Members or Class C Members in accordance with the requirements below:

- (i) Class A Members are: (a) credit unions incorporated under the CUIA or the *Credit Union Act* (British Columbia) (CUA) or the *Credit Unions and Caisses Populaires Act*, 1994 (Ontario) or under the laws of any other province or territory and that, under those laws, are licensed or registered to carry on business as a credit union or caisse populaire in that jurisdiction or are incorporated as a federal credit union under the laws of Canada; or (b) a credit union incorporated under the laws of another jurisdiction as a central credit union or as a corporation which, in the opinion of the Board of Directors (the Board) of Central 1, conducts its operations in a manner similar to a central credit union incorporated under the CUIA or CUA, and whose application for membership has been approved by the Board.

- (ii) Class B Members are cooperative associations incorporated under the Cooperative Association Act (British Columbia) or a cooperative incorporated under another law of the Province of British Columbia or under the laws of another jurisdiction which, in the opinion of the Board of Central 1, conducts its operations on a cooperative basis and is designated as a cooperative association by the Board for the purposes of membership in Central 1.
- (iii) Class C Members are incorporated organizations whose application for membership has been approved by the Board as provided in the Rules, other than a Class A Member or a Class B Member.

As of December 31, 2020, Central 1's membership consisted of 100 Class A members, 48 Class B members and 84 Class C members.

On February 27, 2014, the Financial Institutions Commission (now succeeded by the British Columbia Financial Services Authority (BCFSA)) designated Central 1 as a domestic systemically important financial institution (D-SIFI) within the Canadian credit union network. D-SIFIs are financial institutions whose failure could cause significant disruption to the wider financial network and economic activity. Institutions designated as D-SIFIs are subject to additional capital and liquidity requirements and enhanced supervision by regulatory authorities.

Corporate Governance Disclosure

Board of Directors

Our Board currently consists of 14 directors who are ultimately responsible for the stewardship of Central 1 and oversight of its risk and financial performance.



Bill Kiss

Burnaby, British Columbia

Chairperson of the Board (since 2018)
 Director since 2013
 Currently serving a third term (2019-2022)

Bill is currently Co-Chief Executive Officer of Gulf and Fraser Fishermen's Credit Union (G&F Financial Group), a position he has held since 2011. He was Chief Financial Officer of G&F Financial Group from 1996 to 2011. Prior to joining G&F Financial Group, Bill worked at a local chartered accounting firm for over 10 years. He is a strong advocate for community investment and

passionately believes in the cooperative movement.

Bill is a Chartered Professional Accountant, CPA, CGA, holds a Bachelor of Science degree in Mathematics/Statistics and a Licentiate in Accounting, post graduate degree.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board Chairperson, Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Human Resources Committee	8/8	Jan 1 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	9/9	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, Co-operators Life Insurance Company & Co-operators General Insurance Company			
Director, Gulf and Fraser Insurance Services			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement			



Rob Paterson

Toronto, Ontario

Vice Chairperson (2020). Director since 2014
 Currently serving a third term (2020-2023)

Rob was first elected to Central 1's Board in 2014. He joined Alterna Savings as President & CEO in 2013; under his leadership, the credit union has grown its assets under management to almost \$10 billion and increased membership by 54%. Previously, Rob has held executive roles at CIBC, JP Morgan Chase, McKinsey & Company and Aon plc. His experience includes all aspects of retail and commercial banking as well as digital payment technologies.

Rob is a graduate of the University of Western Ontario. He gives back to the community through involvement with non-profit and academic organizations. Rob is a Director and Vice Chairman of Enactus Canada and sits on Advisory Boards of the University of Western Ontario Arts School, the Sprott School of Business at the University of Carlton and the Smith's New Master of Financial Innovation & Technology Program at Queens University.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	3/3	Jan 1 – May 5	100%
Vice Chairperson, Board of Directors	9/9	May 5 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – May 5	100%
Member, Human Resources Committee	5/6	May 5 – Dec 31	83%
Chairperson, Technology & Innovation Committee	4/4	Jan 1 – May 5	100%
Member, Technology & Innovation Committee	4/5	May 5 – Dec 31	80%
Other Current Boards/Committee Memberships			
Director: CS Alterna Bank; Enactus Canada; The Co-operators Group Ltd. & Payments Canada			
Advisor SASAH, University of Western Ontario			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Technology Business Expertise, Governance Experience, Human Resources Experience, Community Engagement			

Schedule A



Chris Catliff

West Vancouver, British Columbia

Director since 2020
Currently serving a first term (2020–2021)

Chris is the President and CEO of BlueShore Financial Credit Union and became a director on Central 1’s Board in 2020. A veteran of the financial services industry, he has devoted his career to building better credit unions through technology and data analytics. He has broad experience in leading and developing financial institutions through an emphasis on engaged employees and premium client service

delivered through his concept of Financial Spas®. Previously, he held executive positions at Vancity and Citizens Bank where his responsibilities included corporate affairs, credit, treasury, technology, branches and strategy.

Chris has served on many boards including Aviso Wealth Inc., the CUMIS Group, Canadian Northern Shield Insurance, Pacifica Mortgage Investment Corp. and the Filene Research Council. He holds a Master’s degree from UBC, the ICD.D designation from the Institute of Corporate Directors and Director qualifications from the Canadian Securities Institute.

Central 1’s Board/ Committee Memberships			
	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	10/10	May 5 – Dec 31	100%
Member, Conduct Review & Corporate Governance Committee	3/5	May 5 – Dec 31	60%
Member, Human Resources Committee	6/6	May 5 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, AVISO Financial Inc.			
Director, Pacifica Mortgage Investment Corp.			
Director, CU CUMIS Wealth Holdings Ltd.			
Director, Fastlane Capital Corp.			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Regulatory Expertise, Risk Management, Governance			



Paul Challinor

Delta, British Columbia

Director since 2020
Currently serving a first term (2020–2023)

Paul was elected to Central 1’s Board of Directors in 2020. He is a Chartered Professional Accountant with more than 35 years experience and has been a director on First West Credit Union’s board since 2019.

Recently retired as a Partner at PricewaterhouseCoopers (PwC) Vancouver, Paul was the leader of PwC’s Financial Services practice in BC from 2000 to 2015. Throughout his PwC career he served large public, private and member-owned financial services organizations.

His board experience also includes three years on the board of the Chartered Professional Accountants of British Columbia, one year on the Audit Advisory Committee of the Public Guardian and Trustee of British Columbia, and six years on the board of Canuck Place Children’s Hospice,.

Paul’s key board competencies are financial accounting and audit, business growth and transformation and risk management. He holds a BA (Honours) in Industrial Economics and is a certified corporate director (ICD.D).

Central 1’s Board/ Committee Memberships			
	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	10/10	May 5 – Dec 31	100%
Member, Audit and Finance Committee	3/3	May 5 – Dec 31	100%
Member, Nominations & Elections Committee	2/2	May 5 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director, First West Credit Union			
Investigation Committee, Chartered Professional Accountants of British Columbia			
Areas of Expertise			
Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement			

Schedule A



Mary Falconer

Delta, British Columbia

Director since 2019
Currently serving a first term (2019–2022)

Following the amalgamation of Prospera and Westminster Savings Credit Unions on January 1, 2020, Mary assumed the role of Chief Financial Officer & Corporate Secretary for Prospera Credit Union, the role she held previously at Westminster Savings Credit Union. She provides financial oversight, leadership and strategic expertise for the credit union and its subsidiaries and plays a key role in helping position the organization for long-term sustainable growth and success.

She joined Westminster Savings in 2013, has more than 30 years of financial management experience and has worked in the British Columbia credit union system for the past decade. Mary spent seven years as the Chief Financial Officer of an international Swiss bank based in various jurisdictions including Europe, the United States, Asia and the Caribbean. She also spent 13 years in professional services firms, largely in senior audit management roles with PricewaterhouseCoopers and Ernst & Young.

Mary is a Chartered Professional Accountant (CPA, CA), holds the ICD.D designation and a Bachelor of Commerce degree from the University of Alberta. Mary is also involved in both personal and corporate fundraising for the Juvenile Diabetes Research Foundation.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Audit and Finance Committee	1/1	Jan 1 – May 5	100%
Chair, Audit and Finance Committee	3/3	May 5 – Dec 31	100%
Member, Risk Review and Investment & Loan Committee	9/9	Jan 1 – Dec 31	100%

Other Current Boards/Committee Memberships

Director: Mercado Capital Corporation / WS Leasing Ltd. / Mercado Financing Ltd. Westminster Savings Financial Planning Ltd. / Westminster Savings Foundation / Prospera Technologies Inc. / Prospera Holdings Ltd. / Prospera Insurance Agencies Ltd. / 413297 B.C. LTD.

Areas of Expertise

Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement



Rick Hoevenaars

London, Ontario

Director since 2012
Currently serving a third term (2018–2021)

Rick has been the Executive Vice President of Finance & Chief Financial Officer of Libro Credit Union since 1988. He retired from this role in 2019 and remains as Strategic Advisor to the CEO.

He has been very involved in the industry at the board and committee level throughout the years, having held positions with the Credit Union Managers Association of Ontario, Deposit Insurance Corporation of Ontario Sound Business Practices Committee, Canadian Credit Union Association’s Networks Task Force, and various Ontario and B.C. Central Committees. In the community, Rick is a past member of the University of Western Ontario’s Audit Committee and the United Way’s Poverty Impact Council.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board Vice Chairperson, Board of Directors	3/3	Jan 1 – May 5	100%
Board of Directors	9/9	May 5 – Dec 31	100%
Chair, Conduct Review and Corporate Governance Committee	7/7	Jan 1 – Dec 31	100%
Member, Technology & Innovation Committee	9/9	Jan 1 – Dec 31	100%

Other Current Boards/Committee Memberships

Director, Co-operators Life Insurance Company & Co-operators General Insurance Company

Areas of Expertise

Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Technology Business Expertise, Governance Experience, Human Resources Experience, Community Engagement

Schedule A



John Kortram
Nelson, British Columbia

Director since 2017
Currently serving a second term (2018–2021)

John built his career in the Netherlands, holding various Executive Director positions with international corporations. In 2011, John immigrated to Canada and settled in Nelson, BC where he is a business owner in the community which eventually led him to become a member of the Nelson and District Credit Union Board of Directors. As director on the board of Nelson and District Credit Union, John has contributed to

various committees and has been a member of the Governance Committee, the Audit Committee, the Investment and Lending Committee, the CEO Transition Committee and the Executive Committee.

John holds a Bachelor of Economics from the University of Agriculture and Science in the Netherlands and a Master of Business Management from the University's Faculty of Business. He has completed all three levels of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director (ACCUD). John also holds the CUES CCD designation.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	7/7	Jan 1 – Dec 31	100%
Member, Nominations and Elections Committee	7/7	May 5 – Dec 31	100%
Chair, Nominations and Elections Committee	1/1	Jan 1 – May 5	100%

Other Current Boards/Committee Memberships
Board of Directors, Nelson & District Credit Union: Executive Committee / Governance Committee / Investment and Lending Committee, Technology Subcommittee
Nelson & District Credit Union Delegate in the Steering Committee preparing the merger of the Credit Unions in the Kootenay Boundary and Columbia Valley Region.
Areas of Expertise
Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Governance Experience, Human Resources Experience



Shelley McDade
Sechelt, British Columbia

Director since 2017
Currently serving a second term (2020–2023)

Shelley's financial services career spans over 35 years in the B.C. Credit Union System. She is currently Chief Executive Officer of Sunshine Coast Credit Union, a cooperative reaching its 80th year of operation with close to \$1 Billion dollars in assets under administration. Shelley is best known for her commitment and passion for leveraging collaboration to create value for members locally and across the

system. A well-respected leader and advisor to a variety of community and industry groups, she also dedicates her time to championing collaborative opportunities across the credit union network including the Solutions Centre, Risk Management Alliance, CUSO Wealth and the Back-Office Collaborative.

Shelley is dedicated to building economic resilience in her community, playing an advisor to a variety of community and industry groups while actively mentoring emerging and experienced leaders across and outside the credit union system. In addition to her experience with the Central 1, Shelley's board experience includes 2 years on the Capilano University Board of Governors, 7 years with the Central 1 Solutions Center Board, and continues to serve on the Wealth Management CUSO Strategies Board, Rhiza Capital Investments board and Sunshine Coast Insurance Services Board. An accredited director through ICSA Canada, Shelley obtained her Master of Business Administration from Aspen University and is completing her ICD Directors Certification.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	2/2	Jan 1 – May 5	100%
Chair, Nominations and Elections Committee	6/6	May 5 – Dec 31	100%
Member, Technology & Innovation Committee	9/9	Jan 1 – Dec 31	100%

Other Current Boards/Committee Memberships
None
Areas of Expertise
Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Community Engagement

Schedule A



Penny-Lynn McPherson

Shirley, British Columbia

Director since 2015
Currently serving a second term (2018–2021)

Penny-Lynn spent most of her career as Vice-President, General Counsel and Corporate Secretary for the Canadian Payments Association (now Payments Canada). She has over 30 years' experience in payments, clearing and settlement, ecommerce, legal, compliance, risk management and corporate governance. Penny-Lynn is also a Director of the Facility Association. She has served on and co-

chaired many payment system committees and served as a director and vice-chair of a hospital board.

Penny-Lynn holds a Bachelor of Arts from Carleton University, and an LL.B from the University of Ottawa. She is a member of the Law Society of Ontario.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	11/12	Jan 1 – Dec 31	92%
Member, Audit and Finance Committee	2/3	May 5 – Dec 31	67%
Member, Risk Review and Investment & Loan Committee	2/2	Jan 1 – May 5	100%
Chair, Risk Review and Investment & Loan Committee	7/7	May 5 – Dec 31	100%
Member, Technology & Innovation Committee	9/9	Jan 1 – Dec 31	100%
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Liquidity Management Expertise, Regulatory Expertise, Legal Expertise, Governance Experience, Human Resources Experience			



Jan O'Brien

Victoria, British Columbia

Director since 2017
Currently serving a second term (2020–2023)

A credit union member since 1977, Jan brings leadership and experience in financial management, governance, labour relations and advocacy in the community and not-for-profit sectors. She is currently serving her fourth term on Vancouver City Savings Credit Union's Board of Directors, where Jan currently serves as Board Chair.

After a career in journalism, that included covering city hall and labour for The Province newspaper, Jan focused her career on labour relations. She was a vice-chairperson of the BC Labour Relations Board, a vice-president of the BC Federation of Labour; president of a local of the Communications, Energy and Paperworkers Union representing newspaper workers; provincial director of the BC New Democratic Party; and most recently a staff representative at the BC Government and Service Employees' Union.

Jan holds a Bachelor of Arts from the University of British Columbia and a Master of Business Administration from Simon Fraser University.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review & Corporate Governance Committee	5/5	May 5 – Dec 31	100%
Member, Human Resources Committee	2/2	Jan 1 – May 5	100%
Member, Risk Review and Investment & Loan Committee	9/9	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Board Chairperson, Vancouver City Savings Credit Union			
Areas of Expertise			
Credit Union/Cooperative Sector, Risk Management, Regulatory Expertise, Governance Expertise, Human Resources Experience, Community Engagement			

Schedule A



Blaize Horner Reich

Vancouver, British Columbia

Director since 2015
Currently serving a second term (2018–2021)

Blaize is currently the RBC Professor of Technology and Innovation at the Beedie School of Business at Simon Fraser University (SFU). From 2014-2015, she was the Dean of the Beedie School of Business at SFU.

Prior to SFU, she was an information technology (IT) professional and consultant to industry in both Canada and Asia. She is the past Advisory Board

Chair for RADIUS and is the founding academic leader of the Business Technology Management program, an initiative of Information Technology Association of Canada. She has served on several corporate, industry and not for profit boards, and currently serves on the BCAA board and the Academic Member Advisory group for the Project Management Institute.

Blaize holds a Bachelor of Arts in Economics, Master of Science degree and a Ph.D. in Business – Information System Strategy from the University of British Columbia. She is a certified director (ICD.D) and an Academic Fellow of the International Consulting Management Association.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	11/12	Jan 1 – Dec 31	92%
Chair, Human Resources Committee	2/2	Jan 1 – May 5	100%
Member, Human Resources Committee	6/6	May 5 – Dec 31	100%
Member, Technology & Innovation Committee	4/4	Jan 1 – May 5	100%
Chair, Technology & Innovation Committee	5/5	May 5 – Dec 31	100%

Other Current Boards/Committee Memberships
Director, British Columbia Automobile Association

Areas of Expertise
Financial Acumen, Risk Management, Regulatory Expertise, Technology Business Expertise, Governance Experience, Human Resources Experience



Sanjit (Sunny) Sodhi

Toronto, Ontario

Director since 2019
Currently serving a first term (2019–2022)

Sunny Sodhi is SVP and Chief Strategy and Corporate Affairs Officer at Meridian Credit Union, responsible for overseeing Enterprise Strategy and Corporate Development, Innovation, Legal, Corporate Governance, and Government Relations functions within Meridian.

Prior to joining Meridian in 2014, Sunny focused his legal practice on advising domestic and international financial institutions on a broad array of complex corporate and regulatory matters. He practiced law in Toronto with Torys LLP and then Fasken Martineau DuMoulin LLP as a partner. He also practiced abroad with top international law firm Freshfields Bruckhaus Deringer LLP in its Singapore office, focusing on cross-border mergers and acquisitions.

Sunny graduated from the University of British Columbia with a Bachelor of Commerce (Honours), and from the University of Victoria with a Juris Doctor. He has been a member of the Bar in Ontario and New York since 2003.

Central 1's Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Conduct Review and Corporate Governance Committee	7/7	Jan 1 – Dec 31	100%
Member, Human Resources Committee	8/8	Jan 1 – Dec 31	100%
Other Current Boards/Committee Memberships			
Director: Meridian OneCap Credit Corporation / Motus Bank / Focal Healthcare Limited / Sikh Foundation of Canada			
Member, Ontario Pension Sub-Committee			
Delegate, The Co-operators			
Areas of Expertise			
Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Legal, Corporate Governance, Human Resources Management, Government Relations, Corporate Communications, Enterprise Strategy			

Schedule A



Cheryl Wallace

Prince George, British Columbia

Director since 2019
Currently serving a first term (2019-2022)

Cheryl is the Director of the MBA Program at the University of Northern BC (UNBC). She provides leadership, financial oversight and strategic expertise to the MBA program. She plays a key role in recruiting students and developing an MBA program that is relevant to a diverse cross section of students that attend the program in Vancouver and Prince George. She has implemented a number of initiatives to build

leadership skills and help students from the Vancouver and Prince George cohorts feel connected to UNBC and the north.

Cheryl is Board Chair of Integris Credit Union in Northern BC. She has lived in Prince George for 15 years originally moving from the Lower Mainland. She has served on various not for profit boards and provides volunteer financial literacy sessions to the community. She has senior level financial and operational experience in several industries including manufacturing, retail grocery, healthcare, not for profit and now post secondary education.

Cheryl is a Chartered Professional Accountant (CPA, CMA) and holds a Master of Business Administration (MBA) from UNBC.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Member, Audit and Finance Committee	4/4	Jan 1 – Dec 31	100%
Member, Nominations and Elections Committee	1/1	Jan 1 – May 5	100%
Chair, Nominations & Elections Committee	2/2	May 5 – Dec 31	100%

Other Current Boards/Committee Memberships

Board Chair: Integris Credit Union

Areas of Expertise

Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Regulatory Expertise, Governance Experience, Human Resources, Experience, Community Engagement



Rob Wellstood

Peterborough, Ontario

Director since 2015
Currently serving a second term (2018-2021)

Rob is currently President and Chief Executive Officer of Kawartha Credit Union, a position he has held since 2002. He was Controller from 1993-2002. Prior to joining Kawartha Credit Union he spent 10 years in public practice, first working for a national Chartered Accounting firm then in partnership in a family owned practice, and spent two years as a commercial lender

with the Business Development Bank of Canada.

Rob has served on a number of boards in the not-for-profit and financial sectors and industry advisory committees.

Rob is a Chartered Professional Accountant, CPA, CMA, holds a Bachelor of Mathematics degree from the University of Waterloo.

Central 1’s Board/ Committee Memberships	Attendance at Meetings during 2020		
	Attendance	Term in 2020	% of Meetings Attended
Board of Directors	12/12	Jan 1 – Dec 31	100%
Chair, Audit and Finance Committee	1/1	Jan 1 – May 5	100%
Member, Audit and Finance Committee	3/3	May 5 – Dec 31	100%
Member, Nominations & Elections Committee	1/1	Jan 1 – May 5	100%
Member, Risk Review and Investment & Loan Committee	8/9	Jan 1 – Dec 31	89%

Other Current Boards/Committee Memberships

Member, Ontario Pension Sub-Committee

Director, ABCP 2008 Limited Partnership

Areas of Expertise

Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement

Schedule A

Board and Committee Meetings

Directors are expected to attend all Board and Committee meetings. While most meetings are planned a year in advance, from time to time a Board or Committee will schedule a meeting at short notice resulting in some directors not being able to attend the meeting. Directors are encouraged to attend meetings in person, but they may also participate by teleconference. The following tables set out a summary of the Board and Committee meetings held during 2020.

Board/Committee	Total Number of Meetings
Board	12
Audit and Finance Committee	4
Conduct Review and Corporate Governance Committee	7
Human Resources Committee	8
Nominations and Elections Committee	3
Risk Review and Investment & Loan Committee	9
Technology & Innovation Committee	9

The table below shows the attendance record for each director as set out in their director profiles.

Director	Committee Meetings	Board Meetings	Percentage of Meetings Attended
C. Catliff	9/11	10/10	90%
P. Challinor	5/5	10/10	100%
M. Falconer	13/13	12/12	100%
R. Hoevenaars	16/16	12/12	100%
B. Kiss	17/17	12/12	100%
J. Kortram	15/15	12/12	100%
S. McDade	17/17	12/12	100%
P. McPherson	20/21	11/12	94%
J. O’Brien	16/16	12/12	100%
R. Paterson	15/17	12/12	100%
B. Reich	17/17	11/12	100%
S. Sodhi	15/15	12/12	100%
C. Wallace	7/7	12/12	100%
R. Wellstood	13/14	12/12	96%

Governance Framework

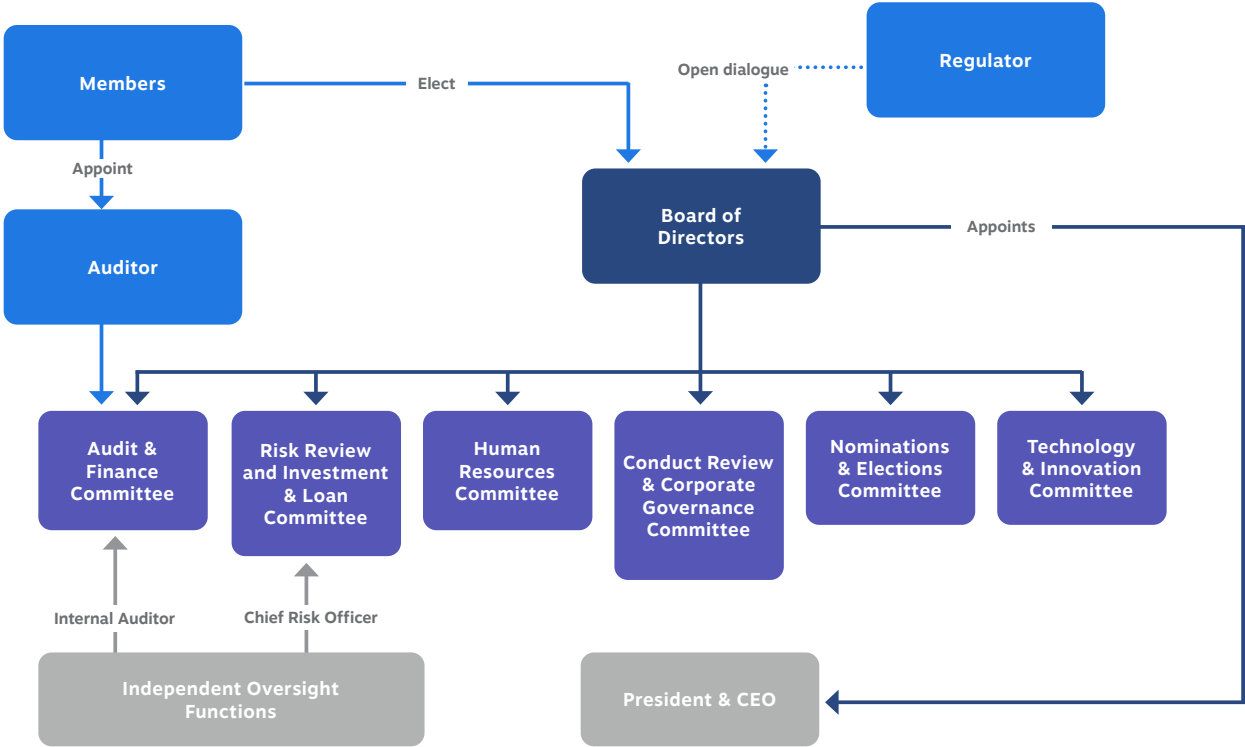
This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Central 1, which together enable Central 1 to meet or exceed governance expectations of the British Columbia Financial Services Authority (BSFSA) (formerly FICOM), the Canadian Securities Administrators (CSA) and applicable legislation.

Our Board and management are committed to leadership in corporate governance and understand that good governance is central to the efficient and effective operation of Central 1 in a manner that ultimately enhances member value. Our corporate governance framework is subject to ongoing review, assessment and improvement. The Board proactively adopts governance policies and practices designed to align the interests of our Board and management with those of our members and other stakeholders, and to promote the highest standards of ethical behaviour and risk management at every level of the organization.

As a reporting issuer in certain jurisdictions of Canada, Central 1 is required to disclose certain corporate governance practices it has adopted.

Governance Structure

The fundamental relationship among the Board, management, members, and other stakeholders is established by our governance structure, as illustrated below.



Schedule A

Board Mandate

Our Board is responsible for the overall stewardship of Central 1, on behalf of its members. It is responsible for supervising the management of the affairs and business of Central 1 in accordance with Central 1's Rules, the CUIA and the *Financial Institutions Act* (British Columbia) (FIA) and other applicable legislation and regulations. Our Board fulfills this responsibility both directly and by delegating certain authority to Board committees and Central 1's senior management.

Committees of the Board

Directors are required to serve on committees of the Board that carry out legislated and delegated duties. As at the date hereof, there are seven standing committees of the Board:

- Audit and Finance
- Conduct Review and Corporate Governance
- Human Resources
- Nominations and Elections
- Risk Review and Investment & Loan
- Technology & Innovation

The Board may also create special ad hoc committees from time-to-time to perform specific tasks on behalf of the Board. Terms of Reference for the Committees of the Board listed above can be found on Central 1's website (www.central1.com).

Each committee operates in accordance with Board-approved terms of reference. A written position description is in place for the Committee Chairperson. Each committee annually reviews its terms of reference to ensure that regulatory requirements and best practices are reflected, and recommends any changes to the Conduct Review and Corporate Governance Committee, which ultimately recommends changes to the Board. Each committee also assesses its effectiveness to ensure that it has successfully fulfilled its responsibilities as set out in its terms of reference through a biennial process overseen by the Conduct Review and Corporate Governance Committee.

Committee members are elected annually following Central 1's annual general meeting. The Conduct Review and Corporate Governance Committee recommends directors to each of the committees. Following each meeting, the committee Chairperson reports to the Board on the committee's activities and makes such recommendations as are deemed appropriate in the circumstance.

All meetings have scheduled in-camera sessions when members can discuss the committee operations and responsibilities without management present.

Committees have the authority to engage and determine funding for any independent counsel, consultants and advisors, as may be deemed necessary to carry out their responsibilities.

Audit and Finance Committee

Our management is responsible for the preparation, presentation and integrity of Central 1's financial statements, maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information. The Audit and Finance Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- the integrity of Central 1's financial statements;
- the external auditors' qualifications and independence;
- the performance of Central 1's internal audit function and external auditors;
- the adequacy and effectiveness of internal controls; and
- Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The current members of the Audit and Finance Committee are set out in the table below with the education and experience that is relevant to each member's performance of his or her responsibilities as an audit committee member. Each member of the Audit and Finance Committee is "independent" and "financially literate" within the meaning of the rules of the Canadian Securities Administrators relating to audit committees.

Schedule A

The following table sets out the relevant education and experience of the members of the Audit and Finance Committee.

Audit and Finance Committee Member	Relevant Education	Met 2020 requirements for CPD*	Relevant Experience
Mary Falconer	B. Comm, CPA, CMA	Completed	Current SVP Chief Financial Officer and Corporate Secretary, Prospera Credit Union. Previous experience as Group Controller and CFO
Paul Challinor	BA (Honours) Industrial Economics, CPA	Completed	Current Board Member, First West Credit Union sitting on its Audit and Conduct Review and Risk, Investment and Loan committees. Previous senior level experience in financial accounting and audit, business growth and transformation and risk management.
Rick Hoevenaars	Lic.Acct., CPA, CGA	Completed	Currently Strategic Advisor to the CEO. Previously 30+ years experience as finance executive including EVP, Finance and CFO, Libro Credit Union.
Cheryl Wallace	MBA, CPA, CMA	Completed	Current Director of MBA Program at UNBC. Previous senior level financial and operational experience in various industries.
Rob Wellstood	B. Math, CPA, CMA	Completed	Current CEO, Kawartha Credit Union. Previously was Controller, Kawartha Credit Union (10 years) and worked in Public Accounting and Commercial Lending.

*Continuing Professional Development for relevant professional designations.

External Auditor Service Fees

The table below shows the fees billed to Central 1 for professional services rendered by Central 1's external auditor KPMG LLP during the last two fiscal years:

	2020	2019
Audit Fees ⁽¹⁾	\$ 991,700	\$ 908,300
Audit-related Fees ⁽²⁾	98,100	87,000
Tax Fees ⁽³⁾	142,800	172,050
All Other Fees		
MLP Segregation Fees ⁽⁴⁾	\$ 346,500	\$ 68,250
Other Fees ⁽⁵⁾	114,520	60,500
Total⁽⁶⁾	\$ 1,693,620	\$ 1,296,100

⁽¹⁾ Audit fees in both years included audits of Central 1 and subsidiaries and quarterly reviews of Central 1.

⁽²⁾ Audit-related fees in both years included audits of Central 1's Ontario Registered Retirement Plan and specified procedures over mortgage-backed securities.

⁽³⁾ Tax fees in both years included tax advisory and compliance fees for Central 1 and subsidiaries.

⁽⁴⁾ MLP Segregation in both years included tax and advisory services related to the planned legal segregation of Central 1's Mandatory Liquidity Portfolio operating segment.

⁽⁵⁾ Other fees in the current year included advisory work related to Central 1's ERP system.

⁽⁶⁾ All fees are before Canadian Public Accountability Board and administration fee charges as well as applicable taxes.

The Terms of Reference of the Audit and Finance Committee are attached to this document as Appendix A. Central 1 is relying on the exemption in Section 6.1 of National Instrument 52-110 Audit Committees.

Pre-Approval of Services

The Audit and Finance Committee must pre-approve all audit and non-audit services, including the provision of tax advice (other than de minimus non-audit services provided to Central 1 and its subsidiaries, as defined in NI 52-110). The Chairperson is authorized to provide such pre-approval throughout the year, in accordance with applicable terms of reference with any such approvals being reported to the next regularly scheduled meeting of the Audit and Finance Committee.

Schedule A

Conduct Review and Corporate Governance Committee

The Conduct Review and Corporate Governance Committee is responsible for ensuring performance by Central 1 of the duties required of it by the CUIA and Parts 4 and 5 of the FIA. The Committee is also responsible for advising the Board in applying governance principles, monitoring developments in corporate governance and adopting best practices to the needs and circumstances of Central 1.

Human Resources Committee

The Human Resources Committee is responsible for advising the Board on succession planning of President and Chief Executive Officer (CEO), compensation and human resources principles and on related policies and practices. This committee provides its recommendation to the Board for compensation of the CEO in light of his or her performance and Central 1’s performance, as well as the succession planning of CEO. In addition, the Committee approves the compensation of other senior management and oversees matters concerning Central 1’s pension plans.

Nominations and Elections Committee

The Nominations and Elections Committee is responsible for overseeing the director nomination and election process. Its responsibilities include recruiting and recommending candidates for election to the Board. Committee members ensure that the competencies identified in the Board-approved skills and experience matrix are present on the Board to meet the current needs of Central 1’s governance leadership and strategic intent. Central 1 is committed to building and sustaining a diverse and inclusive Board that both supports Central 1’s strategy and reflects the credit union system it serves.

Risk Review and Investment & Loan Committee

The Risk Review and Investment & Loan Committee is responsible for overseeing the effective operation of all risk taking operations and risk management functions of Central 1 and ensuring appropriate risk governance processes are executed effectively and that investment, lending and other business operations of Central 1 are undertaken in a prudent and risk-informed manner.

The Committee reviews the risk, investment and lending activities of Central 1, the associated corporate policies and any significant and emerging events and related action plans and recommends any improvements or changes to the Board

as deemed necessary or desirable. The Committee also monitors and oversees compliance with anti-money laundering and counter terrorism financing legislation and related policies.

Technology & Innovation Committee

The Technology & Innovation Committee is responsible for providing strategic and risk oversight of matters relating to innovation and technology. The duties and responsibilities of the committee include matters relating to digital and payments projects and programs, enterprise technology (including treasury) projects and programs and operations.

Management’s Role In Board Effectiveness

There is a clear demarcation of roles and responsibilities between the Board and senior management that fosters an environment of transparency, confidence, and mutual trust in which the Board is able to constructively challenge and provide guidance to management.

The CEO is appointed by the Board and is responsible for managing the day-to-day affairs of Central 1. The CEO’s key responsibilities involve working with the Board to determine the strategic direction of Central 1 and providing leadership to management in achieving strategy objectives. The CEO, together with senior management, is accountable for implementing the Board’s decisions and is responsible for directing and overseeing the operations of Central 1.

The Human Resources Committee annually reviews and, if appropriate, recommends to the Board for approval, the CEO’s goals and objectives and compensation.

Board Composition

Board Size

The Board may be composed of up to 13 directors who are required to be officers or directors of a Class A member and are elected or appointed by Class A members. In addition, the Board has the discretion to appoint up to two outside directors to fill skills and experience gaps on the Board, for a total of up to 15 directors.



Schedule A

Of the 13 directors who may be elected or appointed by Class A members, eight may be elected or appointed, as the case may be, by Class A members having their head office in B.C. The other five directors may be elected or appointed, as the case may be, by Class A members having their head office in Ontario. Despite directors being elected or appointed on a regional basis, directors who serve on Central 1's Board act for the organization as a whole. Central 1's Board is currently composed of 15 directors of which 13 were elected or appointed by Class A members and two were appointed by the Board.

Central 1 completes a review of its governance structure every three years. Governance structure for purposes of this review included factors such as the size and composition of the Board of Directors and the way directors are elected to the Board. In 2019, Central 1's Conduct Review and Corporate Governance Committee retained a consultant to assist it in its triennial governance review. Consideration of proposed changes to Central 1's governance structure were paused until the recommendations from the future state review undertaken in 2020 / 2021 were determined.

Director Tenure

Directors serve for a term of three years, unless a shorter term is provided by the Rules or determined by the Board at the time of election or appointment in accordance with the Rules. No director may serve more than 12 consecutive years. Central 1 has no director retirement age policy.

Independence

All directors are independent of management. Having an independent Board is critical to effective oversight and good governance. Directors are asked annually to complete a questionnaire about their business and any other relationships they have with Central 1 (and its affiliates) and senior management.

Central 1's Board considers its directors to be independent on the basis that its directors are not considered to have a "material relationship" with Central 1 as defined in National Instrument 52-110-Audit Committees.

To facilitate the ability of the Board to function independently of management, the following structures and processes are in place:

- the role of Chairperson of the Board is separate from the role of CEO;
- there are no members of management on the Board; and
- directors hold in-camera sessions where members of management are not present at each Board and committee meeting

The Board has developed a written position description for the Chairperson of the Board. The Chairperson's duties include leading the Board in its management and supervision of the business and affairs of Central 1, including ensuring that all matters relating to the Board mandate are completely disclosed and discussed with the Board. The Chairperson also leads the Board in its oversight of management.

Director Nomination and Skills and Experience Matrix ("Skills Matrix")

In accordance with governance best practices and regulatory requirements, the Board, as a whole, is comprised of individuals from diverse backgrounds having specific skills and experience that match the financial, operational and risk oversight needs of Central 1. All directors are expected to have the personal attributes necessary to reflect the cooperative values of Central 1 and the credit union system.

Each year, the directors complete the Annual Director Self-Assessment of his/her perceived level of skills against the various elements in the Skills Matrix shortly after the Conduct Review and Corporate Governance Committee ("CRCGC") had its Q1 meeting. Results of the existing and newly appointed directors' Annual Director Self-Assessments, together with the information obtained from the Nominations and Elections Package for any newly elected director's skills competencies, is reported to CRCGC at its Q2 meeting. CRCGC, in consultation with the Board Chairperson, reviews the results of the Annual Director Self-Assessment to ensure the self-assessments are calibrated appropriately, identifying adjustments if/as needed. The Chairperson of the Board conducts follow up discussions with individual directors if/as needed to finalize the Annual Director Self-Assessment. CRCGC reviews the results and determine whether Central 1 has ideal Board composition; identifies any gaps that need to be filled; and reports any skill gap(s) to the Nominations and Elections Committee for recruiting the candidates in the upcoming year.

In late 2020, upon receipt of BCFSAs recommendations out of its governance review in 2020, the CRCGC reviewed the Skills Matrix, self-assessment process and competency definitions. Following expansion and addition of definitions, the CRCGC revisited its gap analysis and additional gaps were relayed to the NEC to be included in the 2021 nominations and elections process.

An external consultant is engaged to participate in the candidate interviews to provide additional third party, external perspective, and unbiased feedback to the NEC.

Interlocking Directorships

The credit union network consists of three tiers. The first tier consists of local credit unions, the second tier consists of provincial central credit unions, each of which is controlled by first tier credit unions, and the third tier consists of Canadian Credit Union Association Cooperative (CCUA), which is owned by first tier credit unions.

Schedule A

Within the credit union network is a network of related corporations and subsidiaries of B.C. and Ontario credit unions, Central 1 and CCUA. This organizational structure results in a series of interlocking directorships and other relationships in which:

- a director of Central 1 is a member of a Class A member credit union and may be a director or an officer of a Class A member credit union of Central 1 and may be a director or officer of:
 - (i) a subsidiary of Central 1; or
 - (ii) a corporation in which Central 1 or Central 1 and one or more local credit unions have a financial or other interest; and
- a senior officer of Central 1 may be a director, officer, or both, of a subsidiary of Central 1 or a director or officer of a corporation in which Central 1 has a financial or other interest.

The organizational structure of the credit union as explained above may contain an inherent potential for conflicts of interest between Central 1 or a subsidiary of Central 1 and a director or officer of Central 1 or subsidiary of Central 1. However, there are no existing or potential conflicts of interest that are material.

The CRCGC is required to resolve conflicts of interest that may arise and to ensure that Central 1's dealings with its related parties comply with federal and provincial legislation. The CRCGC is required to review Central 1's conflict of interest procedures biennially. The CRCGC undertook such a review in 2019.

Diversity

We are committed to building and sustaining a diverse and inclusive Board that both supports Central 1's strategy and reflects the credit union system. To support this, the Nominations and Elections Committee will, when identifying candidates to recommend for appointment/election to the Board:

- consider candidates who are highly qualified based on our Board-approved skills matrix;
- take into account that an inclusive board of directors should reflect the diversity of the communities that Central 1 serves; and
- conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

In promoting diversity, the Nominations and Elections Committee recognizes that diversity encourages the inclusion of different perspectives and ideas, mitigates against groupthink and ensures opportunities to benefit from all available talent.

Central 1 also recognizes the increased diversity disclosure provisions set out in the *Canada Business Corporations Act* effective January 2020 with regards to diversity in nominating directors from designated groups as defined by the *Employment Equity Act*. To that effect, the Skills Matrix has been updated to broaden the diversity disclosure provisions. Section 5, Diversity, of the Skills Matrix lists age, gender, region, ethnicity/culture, board service, interlocking public directorships and expression of interest for any board/committee chairperson positions for Board succession planning.

It is noted that Central 1's Board does have term limits set out in its *Board Structure* document and summarized earlier in this document under the heading "Director Tenure".

The Board aspires towards a composition in which each gender comprises at least one-third of the directors. Currently the Board is comprised of forty-three per cent women and fifty-seven per cent men.

Board Operations

Chair of the Board

Each year, the directors elect a Chairperson. Mr. William Kiss is currently Chairperson of the Board.

Board and Committee Meetings

Central 1's directors are required to attend a number of scheduled meetings each year. These meetings include regularly scheduled Board meetings, planning sessions and a number of special meetings. In addition, each director is required to serve on Board committees.

Directors are expected to attend as many meetings as possible. Directors are to come to meetings thoroughly prepared, engage in meetings and make a sustained, positive contribution to the success of Central 1 and the credit union network as a whole.

In-camera Sessions

At each Board and committee meeting, the directors meet in-camera without management present.

Compensation

The Conduct Review and Corporate Governance Committee conducts a periodic review, not less than every three years, of the amount and the form of compensation of directors to provide market-competitive compensation. The maximum annual compensation that may be paid to directors is determined by Central 1's Class A members, who have set it at \$800,000. Compensation paid to each director is in this report.

Schedule A

Key Policies

Central 1 has established policies to ensure that a culture of integrity is maintained throughout the organization. Some of the most important policies include:

- **Code of Conduct:** The Code of Conduct (Code) outlines the standards of conduct imposed by law, provides guidelines for honest and ethical conduct and offers guidance to help directors recognize and deal with ethical issues that may arise during their tenure. The Code applies to all of Central 1's directors, officers and employees. It is distributed to all directors, officers and employees and is available on Central 1's intranet site. Compliance with the Code is a condition of employment, or term of office in the case of directors. The Code is also available on Central 1's website (www.central1.com). Only in extraordinary circumstances and where it is clearly in the best interests of Central 1, the President and CEO or the Board may waive specific provisions of the Code. Any waiver of the Code for directors or officers of Central 1 may only be granted by the Board, and will promptly be disclosed as required by law.

All directors, officers and salaried employees are asked to acknowledge that they have read and understand the Code and undertake to abide by it. In April 2020, 100 per cent of Central 1's directors, officers and salaried employees provided their acknowledgement and agreement to abide by the policies.

- **Conflict of Interest Policies and Procedures:** These Policies and Procedures define conflicts of interest that may arise and how conflicts must be disclosed and managed. Directors and executive officers must ensure that they identify and avoid any actual, potential or perceived conflict of interest that might influence their decisions in their capacity as directors or executive officers of Central 1. Where the conflict can potentially interfere with or be perceived to interfere with a director's independent judgment, the director must either eliminate the interest or duty giving rise to the conflict or resign as a director of Central 1. Where a conflict of interest arises from a transaction or proposed transaction between Central 1 or an affiliate of Central 1, and any person (including a corporation) who is a related party of Central 1 because of a relationship with the director, the affected director and Central 1 shall comply with the requirements of Part 5 of the FIA, and, whenever the director has a direct or indirect interest in the transaction, by complying with the applicable provisions of the CUIA.
- **Diversity and Inclusion Policy:** In 2020, the Board approved a Diversity and Inclusion Policy. This Policy sets out the Board's philosophy and commitment in considering diversity when determining the optimum composition of the Board and its committees, recognizing that a diverse composition can result in a more effective board.

- **Ethical Reporting Policy:** Employees are often the first to realize there may be something wrong within an organization. They may not express their concerns, however, because they feel speaking up would be disloyal. They may also fear recrimination, harassment or victimization and feel it would be easier to ignore the concern. This policy establishes the framework which allows employees to report suspected wrongdoing, without fear of recrimination.
- **Disclosure Policy:** Central 1 issues timely, fair and accurate disclosure of material information relating to Central 1 to keep members and the public informed about its affairs in accordance with applicable laws. Respecting its Disclosure Policy is critical to maintaining integrity, and each director, executive officer and employee has an obligation to make sure they conduct themselves according to the policy and its objectives.

Environmental Social and Governance (ESG) Activities at Central 1

Central 1 is committed to building environmental sustainability, social responsibility, and effective corporate governance into all aspects of our business. ESG factors inform the "how" of delivering on strategy in a way that generates good outcomes for a modernized set of stakeholders, including people and planet, to further and redefine profit as the cooperative model has always sought to achieve. These factors are the building blocks for making a positive impact through our everyday business.

For the purpose of highlighting the importance of ESG factors, we have gathered a summary of some ESG activities at Central 1. You may recognize some activities below as integrated parts of our business previously mentioned in this report.

Environmental Factors

Environmental factors can include sustainability activities, consideration of environmental impact in operational decisions (maintaining our offices, flight behaviors), and financed environmental considerations (presence in the green market, advocating for transparency in environmental disclosures).

- Central 1 became members of the Responsible Investment Association, joining over 130 leading organizations who are committed to growing and supporting responsible investing in Canada.
- Sustainable Procurement: Began integrating social and environmental factors in our supply chain through CSR related questions in our RFX process.
- Carbon Footprint: Began collecting baseline data to establish 2019 carbon footprint of flights

Schedule A

- Co-sponsored the Gary Gillam Award to elevate the important work our member-owners carry out that exemplifies environmental and social responsibility.
 - 2020's recipient was Dorothy Watson, in recognition of her championing of the credit union system: "With a passion and commitment to the Credit Union movement (the power of the collective) spanning almost 4 decades, Dorothy has used her quiet influence to help weave and shape the fabric of credit union history in the region."-nominator
- Maintain participation as a working group member of the Climate Change Disclosure Working Group.
 - The credit union system, seeing both the great opportunity that is sustainability and the grave risk that is climate change, gathers quarterly as a working group, led by CCUA, to develop a climate change disclosure metric for the system. The group also shares learnings about the connection between our everyday work as credit unions and climate change and how leaders are integrating measurements to align how credit unions do business within the pressing limits of our planet.
- Maintain a seat on the CBIA (Canadian Bond Investors' Association) ESG (environment, social and governance) working group to advocate for more transparent ESG disclosure.

Social Factors

Social factors include activities relating to societal/community impact, exemplifying a people-first approach, or demonstrating the importance of diversity, equity, and inclusion.

- **People and service focused COVID-19 response:**
 - Enabled \$1 billion in CEBA government relief loans to Canadians in need of support through the pandemic. Central 1 teams worked tirelessly to build the necessary technology to access government funding for our clients to support their small businesses, and communities at large.
 - Central 1 put agility to the test in transitioning our workforce to remote work in a matter of days thereby preserving the safety all our staff and protecting our essential in-office staff who ensure Canadian credit union members can move their money.

- **Central 1's Volunteer Impact Fund:**

- Distributed \$12,000 and profiled the stories of 12 staff and the organizations they support. Through the COVID-19 crisis the fund adapted to better enable flow of these grants to emergent needs when their anticipated funding was ever more precarious. Causes ranged from protecting our planet, pandemic relief, empowerment and equity programming for black and indigenous youth, housing and food security, and career support for marginalized women—to name a few.
- 100% of respondents see the connection between their volunteer work and Central 1, citing values alignment (3 Cs and co-operative values) or alignment to skillsets critical to our business. The VIF fuels our desired culture by elevating stories of those who exemplify it, celebrates community impact in our everyday actions both at work and externally, and is a window to professional development opportunities.

- **Women in Leadership:**

- Sponsored 3 women employees through "Women Leading the Way", a leadership program created by the Minerva Foundation. This is part of Central 1's Powering Women initiative, which began in 2018 and has seen 11 women sponsored through the program to date.
 - 45% of our entire employee base are women
 - 38% of our 435 tech roles are currently filled by women
 - 38% of our 120 leaders are women.
 - Three of our seven Executive Leadership Team are women

- **Inclusion Employee Resource Group (ERG):**

- The Inclusion ERG at Central 1 is a group comprised of diverse employees focused on fostering an inclusive workplace with an end goal of helping all employees feel a sense of equity and belonging in the workplace. The group's 3 priorities at this stage are internally focused on data collection, training and development, and an HR practice review. We see these as initial steps necessary to then take on an inclusive lens to our everyday work and realize opportunities where we can have an impact in financial services/tech.

Schedule A

- **Central 1 signed industry statements on diversity and inclusion including:**
 - Minerva BC's Face of Leadership Diversity Pledge on International Women's Day 2020
 - Different Together pledge led by the Honourable Janet Austin Lieutenant Governor of British Columbia
 - BC Business Council's Stand Against Racism statement
 - Canadian Investor Statement on Diversity & Inclusion, coordinated by the Responsible Investment Association, to promote D&I across our investment portfolio.
- **Partnership with the Canadian Centre for Diversity and Inclusion (CCDI)**
 - In recognition that a large part of improving and being consistent in diversity, equity, and inclusion efforts is through continuous learning. CCDI empowers Central 1 staff with the self-serve tools for personal development as we build an organizational plan.
- **Inclusion Credit Union Working Group:**
 - Became a founding member of an inclusion working group of credit unions across BC and Ontario. A key focus of the group is a desire to look at the default settings of our cultures, strategies, and operations to ensure credit unions are reducing barriers and enabling financial wellness for all communities, with a specific lens to groups that society marginalizes.
- **Maintain participation as a committee member on the Community Impact Committee.**
 - The Canadian Credit Union Association (CCUA) brings together this group to examine corporate social responsibility initiatives to proactively pursue strategies that benefit Canada's credit union system.
- **Employee Belonging and Wellness**
 - Central 1 believes in cultivating a healthy, vibrant, inclusive and diverse workplace environment, creating a space of belonging where everyone can thrive. 2020 posed unexpected challenges as individuals and as an organization. COVID-19 changed the way we work at Central 1, requiring us to quickly adapt so we could continue to support each other, our organization, and our members and clients.
 - Continued the Organizational Health Index survey with an enhanced module on inclusion to support the work of our Inclusion ERG
 - Monthly pulse surveys through a very unexpected year
 - Launched an eight-week Mindfulness and Resilience at Work series with Stillness Labs.

- **Charitable Support:**

- United Way Campaign: \$17,800
- BC Children's Hospital: \$11,886

Governance Factors

Governance factors can include connection between stakeholders and strategy as a co-operative organization, meeting prudent and ethical governance best practice, and incorporating diversity and inclusion deliberately into the composition of the Board.

- **UN-supported Principles for Responsible Investment:**

- Received the first assessment as signatories of the UN-supported Principles for Responsible Investment resulting in an A+ (29/30 possible points) in the Strategy and Governance module. As signatories we take an environmental and social lens to the investment business we do every day. This particular score shows that this commitment is of growing strategic importance to Central 1 and a desire to continue to learn and lead with these principles.

- **Board Education:**

- Held Board Education sessions on Diversity and Inclusion and Environmental, Social, and Governance.

- **Approved Board of Directors Diversity and Inclusion Policy**

- **As a co-operative we are a stakeholder-driven organization**

- The needs of our members drive everything at Central 1. As such member engagement and communication is a high priority to best understand how we can support our member-owners, especially in times of crisis. We implemented bi-weekly member roundtable meetings through the COVID-19 pandemic to convene a table of mutual support and solution sourcing for leaders as the credit union system adapted to a new normal.

Member Communication and Engagement

Central 1's Board of Directors and management provide regular communication to our members through a variety of channels including the following:

- Quarterly spotlight webinar and conference calls with invitations to credit union members' management, held following the corresponding Central 1 Board meetings and quarterly financial disclosure;

Schedule A

- Information posted on our website or secure website, providing regular updates on services, issues and initiatives;
- Informational webinars and events on relevant topics impacting members and/or their business

In addition to communication, we also engage members through regular or special events to further strategic decisions for both Central 1 and our members, including:

- Twice annual regional meetings, attended by directors and management of member credit unions and Central 1, held in various locations throughout B.C. and Ontario where we communicate and engage our members on strategic issues impacting the system;
- Engagement events and webinars to facilitate discussion and feedback on governance or strategic issues;
- One-on-one member support to address each member's unique needs and strategy, identifying opportunities to connect members for collaborative projects or develop new ways Central 1 can support our members; and
- The Member Forum held each spring in conference style to facilitate education on industry trends, discussion and engagement on key topics, networking, and the formal business of governance at the Annual General Meeting scheduled in connection with the event.

Director Orientation, Education and Development

Central 1 relies on the collective knowledge, experience and skill of each director and the Board for its effective governance and success. It is important that directors have the appropriate competency requirements in order to fulfill their oversight responsibilities to Central 1 and its members and thereby contribute to enhancing the credit union network.

Our Board recognizes that investing in ongoing education and development is an important component of effective governance of Central 1. A comprehensive approach to director orientation, education and development is necessary to ensure that all directors:

- Develop within the first year of being a director a basic understanding of each of the core business competencies, including financial literacy, risk management, liquidity management, legal and regulatory and Central 1 business and functions knowledge;
- Continue to deepen their education and improve their skills, professional qualifications, and experience. All directors are required to attend Central 1's in-house education sessions. These sessions are aimed at the core business competencies; and

- To assist individual directors who wish to pursue ongoing education or who volunteer to attend educational conferences and industry events, the Board provides each director with a \$10,000 education allowance per three-year term of office.

This is supported by a quarterly email to the Board from Corporate Secretary Office encouraging them to sign up for the conferences, courses and seminars. Additionally, the list of educational opportunities is organized and refreshed regularly to ensure alignment with the Skills Matrix.

New Director Orientation

Following election to Central 1's Board, new directors attend Central 1's director orientation. The Board Chairperson may assign to new directors a mentor from amongst fellow directors. Our Board Chairperson and mentor will be invited to attend the orientation session. The Conduct Review and Corporate Governance Committee oversees the orientation program. The goals of the director orientation program are to:

- Ensure new directors fully understand the formal governance structure, the role of the Board, its committees and the individual performance expectations set out in the individual Director's Terms of Reference.
- Help new directors understand Central 1, its operations and working environment, including:
 - strategic priorities, initiatives and key performance indicators;
 - summary details of principal assets, liabilities, significant commitments and major stakeholders;
 - organizational structure;
 - major risks and risk management strategy;
 - operational or financial constraints imposed by legislation or otherwise;
 - Central 1's Code of Conduct; and
 - Director's Conflict of Interest Policy.
- Build links to the individuals who make up Central 1, including:
 - opportunities to meet and get to know fellow directors,
 - meetings with the CEO and the executive management team
 - visits to the Central 1 offices to meet employees; and
 - build an understanding of Central 1's main relationships, including those with members and stakeholders.

Schedule A

Mandatory Education

New directors are required to complete Level A: Foundations of Governance of the Credit Union Director Achievement training program or a training program offered by CUES.

Ongoing Director Education

During 2020, all directors attended a number of in-house education sessions. The following is a list of education sessions held in 2020:

Attendees	Session
Board Members	MLP Segregation into a Trust: Structures for BC and Ontario Credit Unions Agile at Central 1 Open Banking: A Central 1 Opportunity
Board Members	Market Risk
Board Members	Environment & Social Governance
Board Members	Diversity and Inclusion
Board Members	AML and Compliance

In addition to in-house training sessions, the following table shows the additional professional development reported to be completed by the Board in 2020.

Director	Continuing Formal and Informal Education Sessions in 2020
Chris Catliff	Completed CPD for ICD certification
Paul Challinor	Completed Credit Union Director Achievement program – Level A: Foundations of Governance Completed Chartered Professional Accountant CPD Requirements
Mary Falconer	Governance Professionals of Canada Co-op and Credit Union Governance Summit Greater Vancouver Board of Trade – Economic Outlook Forum with Bank of Canada Governor Stephen Poloz Beyond 2020 – Economic Uncertainty and Looking Beyond (BCFSA & CCUA) CUDA Level A-Foundations of Governance – Six Online Modules Completed Chartered Professional Accountant CPD Requirements
Rick Hoevenaars	Managing Shifting Board Priorities in Covid Times Covid 19 and Liquidity Governance ORSA (Own Risk Solvency Assessment) Training Cybersecurity and IT Diversity and Inclusion in Canadian Workplaces Completed Chartered Professional Accountant CPD Requirements
Bill Kiss	Respectful Workplace Training Governance Professionals of Canada Co-operatives and Credit Union Governance Summit Executive Roundtable Anti-money Laundering Beyond 2020 – Economic Uncertainty and Looking Beyond (BCFSA & CCUA) Backbase Connect 2020 Completed Chartered Professional Accountant CPD Requirements
John Kortram	CUES Governance Leadership Institute program CUDA, Strategic Thinking Cooperatives First, Good Governance Matters Beyond 2020 – Economic Uncertainty and Looking Beyond (BCFSA & CCUA)
Shelley McDade	ICD Director Certification
Penny-Lynn McPherson	GPC – Covid 19: Governance, Risk Implications, and the Role of the Board ICD and McKinsey – The Board's Role beyond the Covid Crisis Beyond 2020 – Economic Uncertainty and Looking Beyond (BCFSA & CCUA)

Schedule A

Director	Continuing Formal and Informal Education Sessions in 2020
Jan O’Brien	Co-operatives First, Good Governance Matters Pandemic Protectionism: The Global Trade Impact of COVID-19 How to Onboard and Orient New Board 19 Members in a Virtual World (Governance Solutions) Reopening the Economy (Rotman School of Business) How to Chair a Virtual Meeting (Governance Solutions) Boards Role Beyond the COVID Crisis (ICD); Beyond 2020 — Economic Uncertainty and Looking Beyond (BCFSA & CCUA)
Rob Paterson	The Co-operators Ontario Delegate Regional Forum The Co-operators AGM & Conference and director education days Salesforce Canada Conference Portages 3 LLP & Montreal Fintech Conference
Blaize Reich	Completed CPD for ICD certification
Sanjit (Sunny) Sodhi	CCUA’s Foundations of Governance in Theory and Action eClass Completed Law Society of Ontario CPD Requirements Completed CPD for ICD certification.
Cheryl Wallace	CUES CCD Co-operatives First – Good Governance Matters Webinars: Governance solutions – Culture /virtual AGM’s / Craig Dowden Do Good to Lead webinars CCUA – Governing Credit Risk Beyond 2020 — Economic Uncertainty and Looking Beyond (BCFSA & CCUA) Completed Chartered Professional Accountant CPD Requirements
Rob Wellstood	Completed Chartered Professional Accountant CPD Requirements

Compensation Philosophy

Compensation Philosophy

The Board recognizes that strong corporate governance is a key ingredient to an organization’s success and the Board has determined that, subject to the limits set by the members of Central 1 by resolution, the directors of Central 1 should be remunerated at approximately the 50th percentile of director compensation for comparable entities. That group is determined from time to time, by the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, giving due consideration to the qualifications, liability, experience and involvement in value-added decision making commensurate with Central 1’s size, complexity and functions.

Compensation for directors of Central 1 falls into the following four categories:

- annual retainer;
- meetings fees for attendance at Board and committee meetings;
- per diem compensation for travel time, attending meetings and other work performed on behalf of Central 1; and
- reimbursement for reasonable expenses incurred in connection with authorized work performed on behalf of Central 1.

Compensation Review

Director Compensation is reviewed not less than every three years to ensure directors are appropriately compensated for their contributions. The Conduct Review and Corporate Governance Committee undertook to review director compensation in 2018. Recognizing that an in-depth review was conducted by Mercer Canada in 2015 resulting in changes to directors’ compensation effective May 1, 2016, management was directed to update a list of compensation paid in comparable entities for the Committee’s review. The Conduct Review and Corporate Governance Committee reviewed the update and recommended to the Board that no changes be made. Central 1’s Board accepted the recommendations of the Conduct Review and Corporate Governance Committee at its meeting on September 7, 2018.

Schedule A

Director Compensation and Expense Policy

Annually the Conduct Review and Corporate Governance Committee will review the Director Compensation and Expense Policy as set forth in the Committee’s Terms of Reference. This review is made to ensure that the compensation being provided to the Board falls in line with the best practices of good governance. The annual review covers the perquisites and reasonable expense reimbursement provided to the Board but does not review core compensation items which is scheduled to be reviewed every three years. After approval of the changes to the expense policy at the committee level, the changes are provided to the Board for their approval.

In 2020, no changes were recommended following the annual review.

The following table sets out the types of compensation paid to Central 1’s directors.

Type of Compensation	
Annual Director Retainer (except Chairperson)	\$18,000
Annual Chairperson Retainer	\$45,000
Annual Vice Chairperson Retainer	\$24,000
Committee Chairperson (other than the Chairperson of the Audit and Finance Committee or the Risk Review & Investment and Loan Committee)	\$6,000
Chairperson of the Audit and Finance Committee and Risk Review & Investment and Loan Committee	\$12,000
AGM/Special Meeting Fee	\$0
Board and Committee Meeting Fee	meetings less than 30 minutes: \$0 meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800
Per Diem Fees for Central 1 business events or functions etc.	meetings equal to or less than 4 hours: \$500 meetings more than 4 hours: \$800
Per Diem Fees for Travel Time	For travel less than 4 hours: \$0 For travel 4 hours or more: \$500
Reasonable Expenses for Meetings and Business Events	Actual
Expenses for Spousal/Companion Event	\$0
Technology Allowance To support the purchase of personal computer equipment (e.g. iPad or other handheld technology necessary to assist the director in carrying out his or her duties to Central 1)	Up to \$1,500 per 3-year term
For basic voice/data plan For costs incurred in relation to internet connection and email address	Up to \$75/month

Schedule A

2020 Director Compensation

The following table sets out the value of fees and other compensation paid to directors of Central 1 during 2020.

Director	Annual Cash Retainer	Meeting Fees	Total Remuneration (Annual Cash Retainer and Meeting Fees) ¹
Chris Catliff (from May 5, 2020)	\$11,886	\$10,600	\$22,486
Paul Challinor (from May 5, 2020)	\$ 11,886	\$0 ²	\$11,886
Mary Falconer	\$26,106	\$20,800	\$46,906
Kerry Hadad (May 5 – Nov 24, 2020)	\$10,061	\$8,000	\$18,061
Rick Hoevenaars	\$26,054	\$23,800	\$49,854
Angela Kaiser (Jan 1 – May 5, 2020)	\$9,698	\$4,400	\$14,098
Bill Kiss	\$45,124	\$35,400	\$80,524
John Kortram	\$20,039	\$24,500	\$44,539
Joel Lalonde (Jan 1 – May 5, 2020)	\$6,165	\$4,400	\$10,565
Shelley McDade	\$22,076	\$23,800	\$45,876
Penny-Lynn McPherson	\$26,104	\$27,400	\$53,504
Jan O'Brien	\$18,051	\$15,500	\$33,551
Rob Paterson	\$24,065	\$22,300	\$46,365
Blaize Reich	\$24,065	\$19,900	\$43,965
Launi Skinner (Jan 1 – May 5, 2020)	\$6,165	\$3,900	\$10,065
Sanjit (Sunny) Sodhi	\$18,051	\$18,700	\$36,751
Cheryl Wallace	\$22,077	\$14,700	\$36,776
Rob Wellstood	\$22,028	\$16,700	\$38,728
Total	\$349,702	\$294,800	\$644,502

¹ The above compensation may not be paid directly to Directors. At the direction of a Director, some or all of the compensation is paid to the credit union of which they are an officer or director.

² P. Challinor was not paid any meeting fees in 2020. He will be paid \$12,400 for 2020 meeting fees in 2021.

Schedule A

Board and Committee Evaluations

The Conduct Review and Corporate Governance Committee manages the process of assessing the Board and its committees. It also manages director peer reviews.

Board and committee assessments are conducted on a biennial basis. In intervening years, director and chair peer reviews are carried out. The Committee retains an external consultant to design and analyze the results of the evaluation of Board and committee effectiveness and the director peer review process.

In 2020, a Board peer evaluation was conducted by an external consultant. Upon receipt of the results, the consultant facilitated a session with the directors at the February Board meeting addressing concerns raised during the evaluation. The consultant also provided a summary of the evaluation and facilitated session to the Conduct Review and Corporate Governance Committee.

Communication with Members

Central 1 is committed to communicating with its members and its stakeholders. Members and other interested parties can contact the Board, the Board Chairperson or any director by email: corporatesecretary@central1.com.

Interaction with the Regulators

The Board regularly meets with BCFSA to discuss Central 1's risk profile and control environment and maintains open lines of communication with them on significant developments, including changes to the Board and senior management.

Our Total Rewards Philosophy

Central 1's compensation philosophy is designed to attract, retain and motivate the high-performing employees needed to deliver our products and services to our member credit unions and to their members. We believe the compensation that the CEO receives should be aligned with the contribution they make to the organization's overall short-term and long-term objectives. The compensation program is designed to:

- Reflect Central 1's goals and objectives.
- Be competitive within the cooperative financial and credit union community.
- Be affordable in line with the realities of the market.

An equitable balance is sought between establishing cash compensation (both base and at risk incentive pay) to attract qualified people from the financial and non-financial community and providing non-cash benefits commensurate with those in the credit union system. Overall the program is primarily cash-based. Central 1 does not grant options, stock appreciation rights, shares, units or other compensation securities as part of its compensation framework and has no outstanding equity compensation plans.

CEO Cash Compensation

Base Salary

Base salary for our CEO is determined by the Board in February, in line with individual performance and the median level of the designated market.

The designated market for Central 1 includes large B.C.-based credit unions, other credit unions with a significant asset base, western-based financial institutions, and member-driven organizations, as well as specific organizations for positions not found within this comparator group. Statistics on the assets under management and total number of full-time equivalents is used to ensure relevant comparisons are made.

Every three years, an outside consultant conducts a market review of the salary of our CEO. The external consultant analyzes the custom survey data, giving careful consideration to the scope and complexity of the role, and also to peer comparisons within the credit union sector.

Short Term Incentive Program

The short-term incentive program is designed to reward the achievement of performance objectives in the short term by providing a cash incentive.

Central 1's Board establishes the performance objectives for our CEO as well as the business plan for Central 1 and its operating budget.

Our Board reviews the performance of our CEO at the end of each year and its evaluation determines the amount of incentive compensation that is awarded to the CEO.

Our Board also determines the target and maximum incentive payments for the CEO. These targets are a percentage of base salary and are calculated based on actual earnings in the year.

Schedule A

Short-term Incentive Compensation Targets for 2020

	Target Incentive Payment	Maximum Incentive Payment (150 per cent of target)
President & CEO	60 per cent of base salary	90 per cent of base salary

Due to the strategic nature of the CEO, a higher percentage of the at risk pay is aligned with the organizational performance metrics as outlined in the table below.

	Collective Weighting	
Role	Organizational Performance Metrics	Individual Performance Metrics
President & CEO	70 per cent	30 per cent

The program is designed to ensure that unnecessary risks are not encouraged through taking a balanced approach including member satisfaction and limits paid out for each measure.

Long Term Incentive Program

The long-term incentive program (LTIP) is designed to direct and reward the executive to long term strategic success. This is complemented with the short-term incentive program which is designed to direct and reward the in-year operationalization of the strategy.

The design of the program is based on a rolling cycle method (cliff vesting), whereby performance/deferral periods for most cash LTIP are three years, in light of the Salary Deferral Arrangement (SDA) rule under the *Canadian Income Tax Act*.

Central 1's Board establishes the measures and targets at the start of each cycle and measures performance at the end of such cycle. These are typically called Cliff Vest or Rolling Cycles. Each LTIP cycle, the Board can elect different metrics and weighting depending on the strategic direction of the company.

Long-term Incentive Compensation Targets for 2020

	Target Incentive Payment	Maximum Incentive Payment (150 per cent of target)
President & CEO	60 per cent of base salary	90 per cent of base salary

Our Board reviews the performance of the CEO based on 4 Driver key metrics: Internal Management Practices, Client Centricity, System Leadership and Key Strategic Initiatives. A balanced scorecard approach (based on key performance indicator (KPI) categories) was created to structure the LTIP to recognize external, internal, system and strategic initiatives. Financial metrics are used as a gateway metric.

The Board retains a 10% discretionary adjustment to recognize extenuating circumstances.

Other Cash-Based Compensation

Central 1 offers a market-competitive perquisite program to the CEO, including an automobile allowance.

Non-Cash Benefits

The CEO receives non-cash benefits including employer-paid benefits, healthcare benefits, Group RRSP contributions, Supplemental Executive Retirement Plan (SERP) benefits and access to an executive medical program.

The Group RRSP provides a retirement benefit based on employee and employer contributions that are accumulated with investment earnings. Under the Group RRSP, employer contributions are matched to employee contributions of six per cent of salary. Since the *Income Tax Act* imposes maximums on benefits provided under registered retirement plans, Central 1 provides supplemental retirement benefits through the SERP.

This enables our CEO to receive the benefit that they would have received if the *Income Tax Act* limits were not imposed on the registered plans. This benefit is further enhanced in that earnings under the SERP include 50 per cent of the annual incentive payment. On an annual basis, the Board has determined the notional rate of return to be Consumer Price Index (CPI) +3%.

Appendix A

Audit and Finance Committee Terms of Reference

Approved: February 21, 2020

1.1 PURPOSE

The Audit and Finance Committee ("Committee") is a committee of the Board of Directors (the "Board") to which the Board has delegated responsibility for oversight over the financial reporting process and audit (external and internal).

Management is responsible for the preparation, presentation and integrity of Central 1's financial statements and for maintaining appropriate accounting and financial reporting principles and policies, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information.

The Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- a) integrity of Central 1's financial statements
- b) budgets, forecasts and financial performance indicators
- c) external auditors' qualifications and independence
- d) performance of Central 1's internal audit function and external auditors
- e) adequacy and effectiveness of internal controls
- f) Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The Committee has oversight over budgets. The Committee acts as liaison between the external auditors, internal auditors and the Board. The Committee assists the Board in meeting its responsibilities in ensuring that the review of Central 1's financial operations and that of its subsidiaries, by the external auditor provides an independent report on the integrity of the financial data and reporting.

The Committee ensures compliance with financial and accounting policies and the Committee may make recommendations to the Board on any matters pertaining to the financial reporting process, including the audit process and internal controls.

The Committee derives its authority from the Board and Article 14A, Rule 6 of Central 1's Constitution and Rules. For the purposes of performing its duties, the Committee shall have the right at all reasonable times to inspect the books and records of Central 1, and its subsidiaries, and to discuss with management, the officers, and

external and internal auditors such information and matters pertaining to the financial reporting of Central 1, as it deems necessary.

1.2 COMPOSITION AND TERM OF OFFICE

- 1.2.1 The Committee shall consist of a minimum of five (5) directors. The members of the Committee shall be elected or appointed annually by the Board at the first meeting of the Board following Central 1's annual general meeting ("AGM") to hold office until the next AGM, unless the member becomes unable to serve or is removed by the Board. A casual vacancy may be filled, and additional members of the Committee may be appointed by the Board, to hold office until the next AGM.
- 1.2.2 Each member of the Committee must be able to read and understand financial statements to the level of detail and complexity to which Central 1 reports, including the notes attached thereto.
- 1.2.3 The members of the Committee must be independent as defined in the Board Structure section of the Board Manual and the majority of the members of the Committee shall not be officers or employees of Central 1 or an affiliate of Central 1.
- 1.2.4 No more than one representative from any one credit union is permitted to serve on the Committee, except where one representative is serving as an ex-officio member of the Committee.
- 1.2.5 The Chairperson of the Risk Review and Investment and Loan Committee shall be an ex-officio member of the Committee, if not otherwise appointed to the Committee.
- 1.2.6 The Chairperson of the Board of Directors shall be an ex-officio member of the Committee.
- 1.2.7 The Committee shall elect one (1) of its members to be its Chairperson. The Chairperson of the Committee shall act in accordance with the Position Description: Committee Chairperson section of the Board Manual.

1.3 OBJECTIVES/DELIVERABLES

- 1.3.1 Oversight of External Auditors:
 - a) **Selection:** the Committee shall annually recommend to the Board the appointment, reappointment or termination of the external auditor. This recommendation shall be done sufficiently in advance of the next annual meeting of Central 1 to allow the Board to seek membership approval. At regular intervals

Schedule A

(not greater than every 5 years), the Committee will assess Central 1's external audit requirements and review the appropriateness of undertaking a full Request for Proposal (RFP) process, with such RFP process to be undertaken at the option of the Committee, if it so determines. The Committee shall report annually to the Board on the performance of the external auditor.

- b) **Independence:** the Committee shall oversee the process to determine the independence of the external auditor. The Committee shall obtain and review a formal written statement from the external auditor describing all relationships between Central 1 and the external auditor that may impact upon its independence. The Committee shall actively discuss with the external auditor any disclosed relationships or services that might impact on the independence or objectivity of the external auditor. The Committee shall report annually to the Board on the independence of the external auditor.
- c) The Committee shall annually review and approve Central 1's policy regarding the hiring of members of the external audit team and former external audit teams.

Related Information: Appendix 1 – Central 1 Credit Union Audit and Finance Committee Restriction on Employment of Members of External Audit Team

1.3.2 Compensation of External Auditors

Upon resolution of members of Central 1 that the remuneration of the external auditors is to be set by directors, the Committee will have the responsibility for recommending the remuneration of the external auditors to the Board. In the case of an external auditor appointed to fill a casual vacancy, the Committee shall have sole responsibility for setting the compensation of such auditor without resolution of the members.

1.3.3 Pre-approval of Services

The Committee shall pre-approve all audit and non-audit services, including the provision of tax advice (other than "de minimus" non-audit services provided to Central 1 and its subsidiaries as defined in NI 52-110). If necessary, the Chairperson shall be authorized to provide such pre-approval throughout the year, with any such approvals being reported to the next regularly scheduled meeting of the Committee

The Committee shall oversee Central 1's policy on services provided by its external auditor.

Related Information: Appendix 2 – Central 1 Credit Union Audit and Finance Committee Pre-Approval of Services Provided by Central 1's External Auditor

1.3.4 Reporting of External Auditors.

- a) The external auditors shall report directly to the Committee, and the Committee shall have responsibility for overseeing the activities of the external auditors, including resolution of any disagreements between management and the external auditors regarding financial reporting. The Committee shall review, prior to the commencement of the audit, the audit engagement letter, audit plans and scope of the external audit, identifying special areas of concern to the external auditor. The Committee shall annually approve the audit plan. The Committee will monitor the audit process, the annual audit report and the findings of the examination after its completion.
- b) **Accounting Policies:** the Committee shall review with management and the external auditors the appropriateness of accounting policies and approve any changes thereto.
- c) **Reports:** the Committee shall review all written or oral reports made by the external auditor. Such reports may include:
 - i. Current and prospective changes in accounting policies and practices;
 - ii. Alternative treatment of financial information within generally accepted accounting principles;
 - iii. Review of transactions or investments, as brought forward by either the auditors or management, which could adversely affect the financial wellbeing of Central 1; and
 - iv. Any other written communications between the external auditor and Central 1's management.
- d) **Review of Reportable Events:** the Committee shall review all reportable events (occurrences in the relationship between Central 1 and the external auditor which may have been a contributing factor in the resignation or termination of the external auditor) including disagreements, unresolved issues or consultations, as defined in NI 52-102, whether or not there is a change of the auditors.
- e) **In-Camera Meetings:** the Committee shall have an in-camera meeting with the external auditors at every Committee meeting, at which the external auditors are in attendance.

1.3.5 Oversight of Internal Auditor

- a) **Oversight:** The AVP, Internal Audit shall report directly to the Committee, and the Committee shall have responsibility for reviewing and approving the Internal Audit Policy; overseeing the activities of the internal audit function, including reviewing and approving the annual internal audit plan and identifying special areas of concern for internal audit review.

Schedule A

The Committee will monitor internal audit activities and the findings of examinations, including the status of identified control weaknesses and management's corrective action.

The Committee will review and concur in the appointment, replacement, reassignment, or dismissal of the AVP, Internal Audit. On behalf of the Committee, the Chairperson shall provide input concerning the performance review and compensation of the AVP, Internal Audit.

The Committee will regularly review the organizational structure of the internal audit function and annually review and approve the function's budget and resources.

- b) **Reports:** The Committee shall receive and review all written or oral reports made by Internal Audit and, in particular, recommendations for changes in internal control procedures or processes. The AVP, Internal Audit will report to the Committee the response or determination of management with respect to any findings or recommendations.

The Risk Review and Investment and Loan Committee shall be copied on Internal Audit reports prepared for the Committee.

1.3.6 Review of Financial Statements

The Committee shall review and discuss with management and the external auditors Central 1's annual audited financial statements and Central 1's unaudited quarterly financial statements as well as non-consolidated financial statements and summarized financial statements. In addition, the Committee shall review the financial statements of Central 1's subsidiaries.

In reviewing the financial statements, the Committee shall, as applicable:

- a) Ensure that they are complete and consistent with the information known to the Committee;
- b) Review the contents of management's representation letters to the external auditors;
- c) Discuss with management and the external auditors whether they reflect appropriate accounting policies;
- d) Discuss any actual or proposed changes in accounting or financial reporting and consider their impact on the financial statements;
- e) Discuss any related party transactions; and
- f) Discuss any unusual, complex or significant events, such as legal actions, claims or contingencies or areas where significant judgment has been exercised, such as valuations, provisions and reserves.

The Committee will recommend to the Board the approval of Central 1's consolidated financial statements, non-consolidated financial statements and summarized financial statements.

1.3.7 Review of Financial Disclosures

The Committee shall review the contents of all periodic public disclosure documents (other than the annual corporate governance disclosure approved by the Conduct Review and Corporate Governance Committee and statement of executive compensation approved by the Human Resources Committee) and event driven disclosure documents for which the Committee's review is deemed necessary by the Disclosure Committee before release, including the Management Discussion & Analysis, any prospectus and any financial report, statement or return (including associated press releases) that requires the approval of the Board before filing or release and make recommendations to the Board as it deems advisable.

The Committee must satisfy itself that adequate procedures are in place for the review of Central 1's public disclosure of financial information extracted from or derived from the financial statements (i.e. press releases, information posted to Central 1's website and any other form of public communication). While this information is currently vetted through the Disclosure Committee, the Committee must assess the adequacy of the disclosures made by management through the Disclosure Committee and the adequacy of management representation on that Committee. The Committee shall review the Disclosure Policy at least every two years and, if deemed advisable, recommend changes to the Board.

The Committee shall review the return of Central 1 that is to be filed with the Superintendent under Section 127(1) of the FIA and any other reports, transactions or matters required to be reviewed by the Committee under the Financial Institutions Act or Credit Union Incorporation Act, and to the extent any returns are required to be approved by the Board, make recommendations to the Board regarding such returns.

1.3.8 Controls and Procedures

- a) **Oversight:** The Committee shall provide oversight of Central 1's internal accounting controls, of its disclosure controls and procedures and of its Ethical Reporting Policy. The Committee shall require management to implement and maintain appropriate systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error. The Committee shall receive and review reports from other board committees with regard to matters that could affect financial reporting, including the major financial and business risks to which Central 1 is exposed, and management's actions to monitor and control such exposures.
- b) **External Auditor Reporting:** The Committee shall consider the external auditors' management letters, recommendations and comments with respect to accounting treatment and internal controls and management's responses and subsequent follow-up of any identified weaknesses.

Schedule A

- c) **Internal Auditor:** The Committee shall meet with the internal auditor and with management to discuss the effectiveness of internal control procedures and shall approve recommendations for improvements.
- d) **CEO/CFO Certification Program:** The Committee shall oversee Central 1's CEO/CFO Certification program and the meeting of its obligations under that program.
- e) **Procedures for Complaints:** The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Central 1 regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential, anonymous submission by Central 1's employees of their concerns regarding questionable accounting and internal controls over auditing matters.
- f) **Additional Powers:** The Committee shall have such other duties as may be delegated to it by the Board, from time to time.
- g) The Committee shall receive material of the Risk Review and Investment & Loan Committee.

Related Information: Ethical Reporting Policy

1.3.9. Oversight of Budgets

- a) The Committee shall review, annually, Central 1's Operating Budget, Dues Budget and Capital Asset Budget and recommend their approval to the Board.
- b) least biennially, the Chief Financial Officer will present the Budget Policy to the Committee for review and recommendation to the Board.

1.4 MEETINGS AND PROCEDURES

- 1.4.1 The Committee shall meet as it deems necessary to fulfill its duties hereunder, but no less than once each quarter. The time and location of the meetings and the procedures to be followed at such meetings shall be determined, from time to time, by the Committee.

The Board Chairperson, the Committee Chairperson, any two (2) members of the Committee, the AVP, Internal Audit, the external auditors, or the Corporate Secretary may call meetings of the Committee. The external auditor shall be given notice of, and shall have the right to appear before, every Committee meeting.

The Committee may meet in person, by conference call or by other electronic means.

- 1.4.2 Whenever possible, seven (7) days' notice of the meeting shall be provided, in writing, to members of the Committee, the external auditors and any invited persons. The agenda and required reports shall be circulated to the Committee (via Diligent or e-mail) one week in advance of the meeting date, whenever possible.

- 1.4.3 A quorum at any meeting of the Committee shall be a majority of the members of the Committee, excluding any ex-officio members. Decisions of the Committee will be by an affirmative vote of the majority of those members of the Committee voting at a meeting. The Committee may also act by resolution in writing consented to by all the members of the Committee.
- 1.4.4 The external auditor, the internal auditor, and the provincial Superintendent of Financial Institutions shall have the right to appear before and be heard at any meeting of the Committee and to request the Committee Chairperson to consider any matter that the requisitioning party believes should be brought to the attention of Directors or members.
- 1.4.5 The Chairperson of the Committee shall appoint a Secretary who need not be a director to keep minutes or other records of the meeting.
- 1.4.6 The Committee will meet "in-camera" at each meeting with only the members of the Committee present.
- 1.4.7 The Committee will meet "in-camera" with Internal Audit at every meeting at which Internal Auditor is in attendance.
- 1.4.8 At least quarterly, the Committee shall meet "in-camera" with the Chief Financial Officer.
- 1.4.9 The Committee may invite any director, officer or employee of Central 1 or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee, including: the external auditor, external counsel, Internal Audit, Chief Risk Officer, the President and Chief Executive Officer or any member of executive management.

1.5 MANAGEMENT AND RESOURCES

- 1.5.1 The Committee shall be resourced by the Chief Financial Officer.
- 1.5.2 The Committee shall have the authority to engage and determine funding for any independent counsel, accountants, and other external consultants and resources, as it may deem necessary to carry out its responsibilities, provided that all contracts for such services shall be reviewed, where appropriate, by Central 1's Legal Department and that any contract in excess of \$10,000 must be approved by the Chairperson of the Board or the Board prior to execution. The Committee shall report to the Board on any undertakings to engage such advisors, including the level of compensation.

Schedule A

1.6 RECORDS

The official records of the Committee including all meeting material and minutes are maintained by the Office of the Corporate Secretary. Minutes of every meeting shall be recorded and available to Committee members and the Board.

1.7 ACCOUNTABILITY

The Committee is accountable to the Board. The Chairperson of the Committee shall report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board, at the Board’s regularly scheduled meeting.

1.8 EVALUATION OF COMMITTEE EFFECTIVENESS

The Committee shall annually review and assess the adequacy of its mandate. As part of this review, the Committee will review and assess the adequacy of its Terms of Reference on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines, and, if appropriate will recommend changes to the Conduct Review and Corporate Governance Committee. The Committee shall assess its effectiveness in fulfilling its mandate through its inclusion in reviews of Central 1 Committees led by the Conduct Review and Corporate Governance Committee.

1.9 COMMITTEE OUTPUT

The major annual activities of the Committee are outlined in the schedule on the following page.

1.10 AMENDMENTS

The Board must authorize substantive amendments to these Terms of Reference. The Committee may make administrative amendments, including amendments related to dates, organization, and similar matters.

Routine Outputs – Audit and Finance Committee

Routine Outputs	Q1	Q2	Q3	Q4	Comments
Audited Financial Statements – year end	•				
Interim Consolidated Financial Report		•	•	•	
Management Discussion & Analysis (MD&A)	•	•	•	•	
Financial Report	•	•	•	•	
External Audit Report	•				
Interim Review Findings Report		•	•	•	
Internal Audit Report	•	•	•	•	
Review the Procedures for Ethical Reporting	•	•	•	•	
Annual Report to Board on performance and independence of external auditor	•				
Election of Chairperson		•			
Provincial Examination (if applicable)		•			
Subsidiary Financial Statements	•				
Set Meeting Dates for Following Year	•				
Audit Plan and engagement letter			•		
Auditor remuneration			•		
Review Committee’s Terms of Reference, including all policies under Committee oversight			•		
Review Finance Policies (when applicable)					
<ul style="list-style-type: none"> • Budget • Disclosure • Ethical Reporting • Internal Audit • Procurement 					
Committee Self-Assessment – Approve process			•		
Committee Self-Assessment – Review Results (In-Camera)				•	
Assess the adequacy of the processes and procedures followed by the Disclosure Committee and the adequacy of management representation on that Committee, if and as needed.	•	•	•	•	
Central 1’s Operating, Dues and Capital Asset Budgets				•	
Internal Audit Plan				•	
<ul style="list-style-type: none"> Incentive Plan • Approve Year End Results • Approve Targets for Next Year 	•				

Appendix 1

Central 1 Credit Union Audit & Finance Committee — Restriction on Employment of Members of External Audit Team

Approved: February 21, 2020

1.1 PURPOSE

To maintain the independence of the External Auditor and to prevent a potential conflict of interest Central 1 shall not employ a key member or former key member of the external audit firm in a financial reporting oversight role until a period of one year or more has elapsed from the date the financial statements, on which that person participated in an audit, review or attestation engagement capacity, were filed with the relevant securities regulator. For the purposes of this policy, a key member includes all partners involved in the audit, review or attestation engagement and any employees of the auditor involved in the audit in a management or decision-making capacity.

Appendix 2

Central 1 Credit Union Audit & Finance Committee — Pre-Approval of Services Provided by Central's External Auditor

Approved: February 21, 2020

1.1 PURPOSE

Central 1's Audit & Finance Committee shall pre-approve all services to be provided by Central 1's external auditor. In addition to audit services, Central 1's external auditors may provide Central 1 with certain other services which are listed in the section below entitled Permitted Services. Central 1 may not engage its external auditors to perform services that are inconsistent with an auditors' independence. A description of prohibited services is included in the section below entitled Prohibited Services.

1.2 PERMITTED SERVICES

Central 1 may retain its external auditors to perform the following services:

1.2.1 Audit Services

- a) Audit Related Services – Tax Services
 - i. compliance services,
 - ii. Canadian & US tax planning services
 - iii. Commodity Tax Services
 - iv. Executive Tax Services
- b) Other Services
 - i. Valuation Services, except for financial reporting purposes
 - ii. Information Technology Advisory and Risk Management Services (this includes assistance in ensuring that technology processes are operating efficiently)
 - iii. Actuarial Services, except for items which are included in the financial statements
 - iv. Forensic and Related Services
 - v. Corporate Recovery Services (this includes tax recoveries such as Scientific Research & Experimental Development claims)
 - vi. Transaction Services (this includes providing assistance in structuring significant acquisitions)
 - vii. Project Risk Management Services (this includes providing project management services for systems implementations such as PeopleSoft)
 - viii. Operational Advisory and Risk Management Services (this includes information risk management which may be increased by a major structural change such as a merger)
 - ix. Regulatory and Compliance Services

Schedule A

1.2.2 Prohibited Services

Central 1 may not retain its external auditor to perform any service that is inconsistent with an auditor's independence. Prohibited services include, but are not limited to, the following:

- a) bookkeeping or other services related to the audit client's accounting records or financial statements;
- b) financial information systems design and implementation;
- c) appraisal or valuation services for financial reporting purposes;
- d) actuarial services for items recorded in the financial statements;
- e) internal audit outsourcing services;
- f) management functions;
- g) Human Resources;
- h) corporate financing activities;
- i) legal services; and
- j) expert witness services.

1.3 POLICY

For permitted services the following pre-approval policies will apply:

- a) **Audit Services:** The Audit & Finance Committee will pre-approve all audit services provided by Central 1's external auditor through its recommendation of the external auditor at Central 1's AGM and through the Audit & Finance Committee's review of the external auditor's annual Audit Plan.
- b) **Pre-Approval of Audit Related, Tax and Other Non-Audit Services:** On an annual basis, the Audit & Finance Committee will update the attached list of Permitted Services and pre-approve services that are recurring or otherwise reasonably expected to be provided. The Audit & Finance Committee will be subsequently informed of the services on the attached list for which the auditor has been actually engaged.
- c) **Approval of Additional Services:** The Central 1 employee making the request will submit the request for service to the Chief Financial Officer. The request for service should include a description of the service, the estimated fee, a statement that the service is not a Prohibited Service and the reason that the external auditor is being engaged.

The Chief Financial Officer may approve an engagement for additional non-audit services if (i) the aggregate amount of fees for all non-audit services that were not pre-approved is reasonably expected to not exceed five (5) per cent of the total Audit Service fee during the fiscal year (ii) Central 1 did not recognize the services as non-audit services at the time of the engagement and (iii) the services are promptly brought to the attention of the Audit & Finance Committee and approved, prior to the completion of the audit, by the Audit & Finance Committee or the Chairperson of the Audit & Finance Committee. Recommendations in respect of all other engagements will be submitted by the Chief Financial Officer to the Chairperson of Audit & Finance Committee for consideration and approval. The engagement may commence upon approval of the Chairperson of the Audit & Finance Committee. The full Audit & Finance Committee will subsequently be informed of any additional services, at its next meeting.

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

Management's Responsibility for Financial Reporting

The management of Central 1 Credit Union (Central 1) is responsible for the integrity, objectivity, reliability and fair presentation of the accompanying consolidated financial statements. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

These consolidated financial statements contain items that reflect management's best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. The financial information presented elsewhere in this Annual Report is consistent with the information in the consolidated financial statements.

Central 1 management has designed and maintained a system of accounting, internal controls and supporting procedures to provide reasonable assurance as to the reliability and integrity of financial information and the safeguarding of the assets. The procedures include training and selection of qualified staff, and the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance. In addition, the systems include policies and standards of business conduct that are communicated throughout the organization to prevent conflicts of interest and unauthorized disclosure of information.

The Board of Directors, acting through its Audit and Finance Committee (the Committee), oversees management's responsibilities for the financial reporting and internal control systems. The Committee reviews the consolidated financial statements and recommends them to the Board of Directors for approval. Other

key responsibilities of the Committee include reviewing the adequacy and effectiveness of internal controls, the performance of Central 1's internal audit function and external auditors, and the compliance with legal and regulatory requirements affecting financial reporting.

The B.C. Financial Services Authority conduct examinations and inquiries into Central 1's business and affairs as deemed necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Central 1 is in sound financial condition.

KPMG LLP, the independent auditors appointed by the members, has performed an independent audit on the consolidated financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Committee to discuss their audit and matters arising therefrom.



Sheila Vokey

Interim President & Chief Executive Officer



Brian K. Li

Acting Chief Financial Officer

To the Members of Central 1 Credit Union

Opinion

We have audited the consolidated financial statements of Central 1 Credit Union (Central 1), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of profit for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Central 1 as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors' Responsibilities for the Audit of the Financial Statements**” section of our auditors' report.

We are independent of Central 1 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled “Annual Report”.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled “Annual Report” is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Central 1's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Central 1 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Central 1's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Central 1's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Central 1's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Central 1 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants
February 26, 2021
Vancouver, Canada

As at December 31

(Thousands of dollars)	Notes	December 31, 2020	December 31, 2019
Assets			
Cash	(5)	\$ 1,467,557	\$ 48,947
Securities	(6)	11,066,618	6,983,976
Loans	(7)	1,111,593	1,999,168
Derivative assets	(8)	103,620	48,868
Settlements in-transit		108,818	429,874
MLP assets held for segregation	(10)	9,075,569	8,188,923
Property and equipment	(12)	22,936	26,226
Intangible assets	(13)	6,776	33,678
Investments in affiliates	(14)	78,922	78,096
Current tax assets		-	3,071
Deferred tax assets	(16)	27,460	-
Other assets	(15)	24,795	23,290
		\$ 23,094,664	\$ 17,864,117
Liabilities			
Deposits	(17)	\$ 9,365,435	\$ 4,202,350
Debt securities issued	(18)	1,554,576	2,083,476
Obligations under the Canada Mortgage Bond Program	(19)	909,692	919,086
Subordinated liabilities	(20)	221,716	221,457
Obligations related to securities sold short		42,696	67,547
Securities under repurchase agreements		513,497	643,526
Derivative liabilities	(8)	148,353	52,228
Settlements in-transit		403,335	674,572
MLP liabilities held for segregation	(10)	8,677,762	7,788,501
Current tax liabilities		22,960	-
Deferred tax liabilities	(16)	-	913
Other liabilities	(22)	73,318	97,223
		21,933,340	16,750,879
Equity			
Share capital	(23)	441,127	440,076
Retained earnings		684,210	659,906
Accumulated other comprehensive income		28,333	5,474
Reserves		2	2
Total equity attributable to members of Central 1		1,153,672	1,105,458
Non-controlling interest		7,652	7,780
		1,161,324	1,113,238
		\$ 23,094,664	\$ 17,864,117
Guarantees, commitments, contingencies and pledged assets	(31)		
Subsequent events	(38)		

See accompanying notes to the Consolidated Financial Statements

Approved by the Directors:



 Bill Kiss
 Chairperson



 Mary Falconer
 Chairperson
 Audit and Finance Committee

For the Years Ended December 31

(Thousands of dollars)	Notes	December 31, 2020	December 31, 2019
Interest income			
Securities		\$ 122,649	\$ 141,716
Loans		43,855	55,970
		166,504	197,686
Interest expense			
Deposits		51,591	78,230
Debt securities issued		42,976	54,825
Subordinated liabilities		6,561	8,613
Obligations under the Canada Mortgage Bond Program		6,679	12,422
		107,807	154,090
Interest margin		58,697	43,596
Gain on disposal of financial instruments	(24)	33,521	26,954
Change in fair value of financial instruments	(25)	1,746	778
Net financial income		93,964	71,328
Impairment loss on financial assets		2,838	615
		91,126	70,713
Non-financial income	(26)	139,652	135,548
Net financial and non-financial income		230,778	206,261
Non-financial expense			
Salaries and employee benefits		97,775	93,187
Premises and equipment		1,188	4,616
Other administrative expenses	(27)	112,574	102,703
		211,537	200,506
Profit before income taxes		19,241	5,755
Income taxes recovery		(7,034)	(905)
Profit from continuing operations		26,275	6,660
Profit from discontinued operations, net of tax	(10)	9,861	27,512
Profit		\$ 36,136	\$ 34,172

See accompanying notes to the Consolidated Financial Statements

For the Years Ended December 31

(Thousands of dollars)	December 31, 2020	December 31, 2019
Profit	\$ 36,136	\$ 34,172
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	35,826	14,966
Reclassification of realized gains to profit	(12,361)	(7,043)
Share of other comprehensive loss of affiliates accounted for using the equity method	(2)	(325)
	23,463	7,598
Item 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	418	(4,061)
Net actuarial loss on employee benefit plans	(62)	(819)
Other comprehensive income from continuing operations, net of tax	23,819	2,718
Other comprehensive income from discontinued operations, net of tax	492	4,550
Total comprehensive income, net of tax	\$ 60,447	\$ 41,440
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	\$ 7,778	\$ 3,106
Reclassification of realized gains to profit	\$ (3,370)	\$ (1,481)
Share of other comprehensive loss of affiliates accounted for using the equity method	\$ -	\$ 294
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	\$ 488	\$ (854)
Net actuarial loss on employee benefits plans	\$ (13)	\$ (172)
Total comprehensive income, net of tax, attributable to owners:		
Continuing operations	\$ 50,094	\$ 9,378
Discontinued operations (Note 10)	10,353	32,062
	\$ 60,447	\$ 41,440

See accompanying notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

(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, 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		36,264					36,264	(128)	36,136
Other comprehensive income, net of tax									
Fair value reserve (securities at fair value through other comprehensive income) ²			22,027				22,027		22,027
Share of other comprehensive loss of affiliates accounted for using the equity method			(2)				(2)		(2)
Liability credit reserve				2,348			2,348		2,348
Net actuarial loss on employee benefits plans					(62)		(62)		(62)
Total comprehensive income	-	36,264	22,025	2,348	(62)	-	60,575	(128)	60,447
Transactions with owners, recorded directly in equity									
Dividends to members		(13,412)					(13,412)		(13,412)
Class "F" shares issued (Note 23)	1,051						1,051		1,051
Total contribution from and distribution to owners	1,051	(13,412)	-	-	-	-	(12,361)		(12,361)
Reclassification of liability credit reserve on derecognition ¹		1,452		(1,452)			-		-
Balance at December 31, 2020	\$ 441,127	\$ 684,210	\$ 32,713	\$ (4,763)	\$ 383	\$ 2	\$ 1,153,672	\$ 7,652	\$ 1,161,324

¹ Transfer of cumulative gain or loss on derecognition of financial liabilities at FVTPL.

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

Fair value & affiliates reserves:

	2020	2019
Continuing operations	\$ 23,463	\$ 7,598
Discontinued operations	(1,438)	5,413
	<u>\$ 22,025</u>	<u>\$ 13,011</u>

Liability credit reserve:

	2020	2019
Continuing operations	\$ 418	\$ (4,061)
Discontinued operations	1,930	(863)
	<u>\$ 2,348</u>	<u>\$ (4,924)</u>

Profit attributable to:

	2020	2019
Members of Central 1	\$ 36,264	\$ 34,742
Non-controlling interest	(128)	(570)
	<u>\$ 36,136</u>	<u>\$ 34,172</u>

Total comprehensive income attributable to:

	2020	2019
Members of Central 1	\$ 60,575	\$ 42,010
Non-controlling interest	(128)	(570)
	<u>\$ 60,447</u>	<u>\$ 41,440</u>

See accompanying notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

(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		34,742					34,742	(570)	34,172
Other comprehensive income, net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			13,336				13,336		13,336
Share of other comprehensive loss of affiliates accounted for using the equity method			(325)				(325)		(325)
Liability credit reserve				(4,924)			(4,924)		(4,924)
Net actuarial gain on employee benefits plans					(819)		(819)		(819)
Total comprehensive income	-	34,742	13,011	(4,924)	(819)	-	42,010	(570)	41,440
Transactions with owners, recorded directly in equity									
Dividends to members		(27,512)					(27,512)		(27,512)
Related tax savings for Class "E" shares redemptions		2					2		2
Class "F" shares issued (Note 23)	10,139						10,139		10,139
Preferred shares redeemed by subsidiary							-	(1,773)	(1,773)
Transfer from reserves		(2)				(24)	(26)		(26)
Total contribution from and distribution to owner	10,139	(27,512)	-	-	-	(24)	(17,397)	(1,773)	(19,170)
Reclassification of liability credit reserve on derecognition ¹		305		(305)			-		-
Balance at December 31, 2019	\$ 440,076	\$ 659,906	\$ 10,688	\$ (5,659)	\$ 445	\$ 2	\$ 1,105,458	\$ 7,780	\$ 1,113,238

¹Transfer of cumulative gain or loss on derecognition of financial liabilities at FVTPL.

See accompanying notes to the Consolidated Financial Statements

For the Years Ended December 31

(Thousands of dollars)	Notes	December 31, 2020	December 31, 2019
Cash flows from operating activities			
Profit	\$	36,136	\$ 34,172
Adjustments for:			
Depreciation and amortization		9,137	8,765
Interest margin		(78,060)	(80,927)
Loss (gain) on disposal of financial instruments		(63,733)	(50,894)
Change in fair value of financial instruments		31,497	23,581
Impairment loss on financial assets		2,732	692
Impairment loss on non-financial assets		21,622	2,920
Equity interest in affiliates		(554)	(818)
Income taxes recovery		(7,034)	(905)
		(48,257)	(63,414)
Change in securities		(3,716,035)	(1,088,468)
Change in loans		886,253	(59,453)
Change in settlements in-transit		49,819	(470,684)
Change in deposits		5,960,994	966,728
Change in obligations related to securities sold short		(37,038)	(74,319)
Change in securities under repurchase agreements		(129,594)	262,220
Change in derivative assets and liabilities		2,105	8,400
Change in other assets and liabilities		(4,553)	8,585
Interest received		277,727	359,607
Interest paid		(225,680)	(279,759)
Income tax received (paid)		(190)	8,689
Net cash from (used in) operating activities		3,015,551	(421,868)
Cash flows from investing activities			
Change in deposits with regulated financial institutions		1,555	1,199
Change in reinvestment assets under the Canada Mortgage Bond Program		(73,816)	(103,665)
Change in property and equipment		(443)	(4,685)
Change in intangible assets		(30)	(16,810)
Change in investments in affiliates		(273)	(348)
Net cash used in investing activities		(73,007)	(124,309)

See accompanying notes to the Consolidated Financial Statements

For the Years Ended December 31

(Thousands of dollars)	Notes	December 31, 2020	December 31, 2019
Cash flows from financing activities			
Change in debt securities issued		(535,191)	118,925
Change in lease liabilities		(111)	(298)
Change in obligations under the Canada Mortgage Bond Program		(22,150)	(127,009)
Change in subordinated liabilities		276	(199,665)
Dividends paid		(27,512)	(13,807)
Issuance of Class F shares	(23)	1,051	10,139
Redemption of NCI preferred shares		-	(1,773)
Net cash used in financing activities		(583,637)	(213,488)
Increase (decrease) in cash		2,358,907	(759,665)
Cash - beginning of year		51,695	811,360
Cash - end of year		\$ 2,410,602	\$ 51,695
Cash comprise			
Cash		\$ 1,467,557	\$ 48,947
Cash held for segregation	(10)	943,045	2,748
Cash - end of year		\$ 2,410,602	\$ 51,695

See accompanying notes to the Consolidated Financial Statements

Table of Contents

1. General information and basis of presentation	13	24. Gain on disposal of financial instruments	50
2. Accounting policies	14	25. Change in fair value of financial instruments	50
3. Use of estimates and judgements	28	26. Non-financial income	51
4. Future accounting policies	28	27. Other administrative expense	51
5. Cash	30	28. Provision for income tax	52
6. Securities	30	29. Post-employment benefits	53
7. Loans	32	30. Segment information	59
8. Derivative instruments	33	31. Guarantees, commitments, contingencies and pledged assets	62
9. Expected credit loss	35	32. Leases	63
10. Held for segregation and discontinued operations	38	33. Financial instruments – Fair value	64
11. Held for distribution	39	34. Financial instruments – Risk management	67
12. Property and equipment	40	35. Financial instruments – Foreign currency exposure	70
13. Intangible assets	41	36. Capital management	71
14. Investments in affiliates	42	37. Related party disclosures	71
15. Other assets	42	38. Subsequent events	73
16. Deferred tax assets and liabilities	43		
17. Deposits	44		
18. Debt securities issued	45		
19. Obligations under the Canada Mortgage Bond Program	46		
20. Subordinated liabilities	46		
21. Changes in liabilities arising from financing activities	47		
22. Other liabilities	47		
23. Share capital	48		

Notes to the Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

1. General information and basis of presentation

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 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.

Basis of accounting

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The Consolidated Financial Statements were authorized for issue by the Board of Directors on February 26, 2021.

Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss (FVTPL) measured at fair value.
- Financial assets at fair value through other comprehensive income (FVOCI) measured at fair value.
- Derivative financial instruments measured at fair value.
- The assets and liabilities for defined benefit obligations recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.

- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships adjusted for changes in fair value attributable to the risk being hedged.

Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars, which is Central 1's functional currency. All amounts have been rounded to the nearest thousand, except as otherwise indicated.

Use of estimates and judgements

In preparing the Consolidated Financial Statements in accordance with IFRS, management must exercise judgements and make estimates and assumptions that affect the application of Central 1's accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures.

The COVID-19 pandemic has caused significant disruption in the global economy and increased volatility in the financial markets. The full extent and duration of the economic impact remains uncertain and extremely difficult to predict at this time, despite the measures adopted by governments around the world to mitigate the pandemic spread. This heightened uncertainty increases the need to apply significant judgements in evaluating the economic and market environment and results in increased estimation uncertainty and changes to estimation techniques and assumptions for measuring certain financial statements items. Central 1's management has reflected this uncertainty in making estimates and judgements for the purposes of preparing its financial statements.

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

- Expected credit loss (ECL) allowance,
- Determining fair value of financial instruments, and
- Classification of financial assets

While management makes its best estimates and assumptions, actual results may differ from those estimates and assumptions. Details of use of estimates and judgements can be found in Note 3.

Years Ended December 31, 2020 and 2019

2. Accounting policies

With the exception of the accounting policy for Canada Emergency Business Account Program (CEBA), and the adoption of the Phase I amendments to IFRS 9, IAS 39 and IFRS 7 as a result of the Interest Rate Benchmark Reform as discussed in Notes 2(v) and 2(w), Central 1 has consistently applied the following significant accounting policies to all periods presented and by all subsidiaries included in these Consolidated Financial Statements.

(a) Basis of consolidation

Subsidiaries

The Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of Central 1 and its subsidiaries: Central 1 Trust Company, C1 Ventures (VCC) Ltd., CUPP Services Ltd. (CUPP), 0789376 B.C. Ltd., Central Financial Corporation (1989) Ltd., and Landmark Credit Limited. These subsidiaries are entities where Central 1 exercises control through its ownership of the majority of the voting shares. On November 16, 2020, Central 1 wound up Stabilization Fund Corporation, one of its previous subsidiaries.

An entity is consolidated if Central 1 concludes that it controls the entity. The following circumstances may indicate a relationship in which, in substance, Central 1 controls and therefore consolidates the entity:

- Central 1 has power over the entity whereby Central 1 has the ability to direct the relevant activities (i.e., the activities that affect the entity's returns).
- Central 1 is exposed, or has rights, to variable returns from its involvement with the entity.
- Central 1 has the ability to use its power over the entity to affect the amount of the entity's returns.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Consolidated Financial Statements have been prepared using uniform accounting policies across all subsidiaries for like transactions and other events in similar circumstances. All inter-company transactions and balances are eliminated on consolidation.

Non-controlling interest

Credit unions of British Columbia participate in insurance programs offered by CUPP and hold preferred shares of CUPP. Central 1 owns 100% voting rights of CUPP and 7% (December 31, 2019: 7%) non-voting rights, with the non-controlling interest

(NCI) owning the remaining 93% (December 31, 2019: 93%) non-voting rights. NCI is presented as a separate component of equity in the Consolidated Statement of Financial Position, which represents the equity interests of credit unions of British Columbia, other than Central 1, in CUPP. The net profit attributable to non-controlling interest in CUPP is presented separately in the Consolidated Statement of Changes in Equity.

Affiliates

Affiliates are entities over which Central 1 has significant influence, but not control, over the operating and financial policies of the entities. Significant influence is presumed to exist when Central 1 holds between 20% and 50% of the voting rights, and/or exercise significant influence through Board representation.

Central 1's investment in affiliates are accounted for using the equity method of accounting and are initially recognized at cost, which includes the purchase price and other costs directly attributable to the acquisition. Subsequently, these investments are increased or decreased to recognize Central 1's share of the affiliates' profit or loss, other comprehensive income (OCI), the receipt of any dividends, and other movements in affiliates' equity.

For the purposes of applying the equity method for an investment that uses accounting policies that differ from Central 1, the affiliate's financial statements are adjusted to reflect Central 1's accounting policies.

Further information regarding Central 1's subsidiaries and affiliates is contained in Notes 14 and 37.

(b) Foreign currency

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rate at the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the spot exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect when the fair value is determined. Non-monetary assets and liabilities that are not measured at fair value are translated into Canadian dollars at historical rates.

Foreign currency translation gains and losses on financial instruments, including those classified as FVOCI, are recognized in non-financial income on the Consolidated Statement of Profit.

Years Ended December 31, 2020 and 2019

(c) Financial assets and financial liabilities**Recognition and initial measurement**

Central 1 initially recognizes financial assets on the date on which they are acquired and recognizes financial liabilities on the date on which they are issued. Regular way purchases and sales of financial assets are recognized on the trade date at which Central 1 commits to purchase or sell the assets. A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance. For a financial asset or financial liability measured at FVTPL, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement**a. Business model assessment**

Central 1 makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice e.g. whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the financial liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to Central 1's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Central 1's stated objectives for managing the financial assets are achieved and how cash flows are realized.

Financial assets that are held for trading and financial assets that are managed on a fair value basis are measured as at FVTPL because they are neither held-to-collect contractual cash flows nor held-to-collect and for sale.

b. Contractual cash flows characteristics assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as for profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), Central 1 considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

If the contractual terms of a financial asset give rise to contractual cash flows that are not SPPI, it is classified as at FVTPL.

c. Financial assets

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL.

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- After the initial measurement, these instruments are carried at amortized cost. Interest income on these instruments is recognized using the effective interest rate method. Premiums, discounts and related transaction costs are amortized over the expected life of the instruments to profit or loss using the effective interest rate method. Impairment on these debt instruments is calculated using the ECL approach.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Years Ended December 31, 2020 and 2019

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in OCI, unless the instrument is designated in a fair value hedge relationship, in which case any changes in fair value due to changes in the hedged risk is recognized in profit or loss. Cumulative gains and losses recognized in OCI are recycled to profit or loss upon derecognition of the debt instruments. Foreign exchange gains and losses that relate to these debt instruments are recognized in profit or loss.

ECL on debt instruments measured at FVOCI is recognized under IFRS 9. The ECL does not reduce the carrying amount of the asset in the Consolidated Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to profit or loss.

Debt instruments at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are SPPI. These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in profit or loss. Realized and unrealized gains and losses are recognized in profit or loss.

Debt instruments designated at FVTPL

On initial recognition, Central 1 may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. For financial assets designated at FVTPL, changes in fair value are recognized in the Consolidated Statement of Profit.

Equity instruments at FVTPL

On initial recognition of an equity instrument that is not held for trading, Central 1 may irrevocably elect to present subsequent changes in the fair value of the instrument in OCI. Gains or loss recorded on this instrument will never be recycled to profit or loss. This election is made on an investment-by-investment basis. Central 1 did not make such election and has classified its equity instruments at FVTPL.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Central 1 changes its business model for managing those financial assets.

d. Financial liabilities

Central 1 classifies its financial liabilities as measured at amortized cost or designated at FVTPL.

Financial liabilities designated at FVTPL

Central 1 may, at initial recognition, irrevocably designate a financial liability at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial assets and financial liabilities is managed with its performance being evaluated on a fair value basis; or
- The financial liability contains one or more embedded derivatives which significantly modifies the cash flows that would otherwise be required by the contract.

For financial liabilities designated at FVTPL, all changes in fair value are recognized in the Consolidated Statement of Profit, except for changes in fair value arising from changes in the Central 1's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in Central 1's own credit risk, which are recognized in OCI, are not subsequently reclassified to the Consolidated Statement of Profit upon derecognition/extinguishment of the liabilities. Instead, these changes are reclassified from AOCI to retained earnings upon derecognition/ extinguishment of the liabilities.

Financial liabilities at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Fair value measurement

Note 33 contains information on the measurement of financial assets and liabilities recognized in the Consolidated Statement of Financial Position at fair value.

Derecognition

a. Derecognition of financial assets

Central 1 derecognizes a financial asset when the contractual rights to the cash flows of the financial asset expire, or when it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When Central 1 neither transfers

Years Ended December 31, 2020 and 2019

nor retains substantially all the risks and rewards of ownership related to a financial asset, it derecognizes the financial asset that it no longer controls.

In transactions which Central 1 neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset but it retains control over the asset, Central 1 continues to recognize the asset to the extent of its continuing involvement in that asset, determined by the extent to which it is exposed to changes in the value of the transferred asset. Any rights and obligations retained following the asset transfer are recognized as a separate asset or liability in the Consolidated Statement of Financial Position.

Where Central 1 enters into a transaction whereby it transfers assets but retains all or substantially all the risks and rewards of ownership, the transferred assets are not derecognized. Transfers of assets where Central 1 retains all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

On derecognition of a financial asset, the difference between the carrying value of the asset and the sum of the consideration received and any cumulative gain or loss that has been recognized in OCI are recognized in profit or loss.

b. Derecognition of financial liabilities

Central 1 derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Central 1 also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are subsequently different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial liability are deemed to have expired. In this case, the original financial liability is derecognized and a new financial liability is recognized in fair value.

On derecognition of a financial liability, the difference between the carrying value extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) are recognized in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, Central 1 has a legally enforceable right to set off the recognized amounts and it intends to either settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Impairment of financial assets

Central 1 recognizes ECL on the following financial assets that are not measured at FVTPL:

- Commercial loans and lines of credit;
- Credit union loans and overdraft accounts;
- Loans to officers and employees;
- Debt instruments measured at amortized cost; and
- Debt instruments measured at FVOCI.

Central 1 measures ECL at an amount equal to lifetime ECL or 12-month ECL. 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

a. Determining the Stage

The impairment model measures ECL using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk since initial recognition of a financial asset, an amount equal to 12-month ECL is recorded.
- Stage 2 – when a financial asset experiences a significant increase in credit risk subsequent to the origination but is not considered to be in default, an amount equal to lifetime ECL is recorded.
- Stage 3 – when a financial asset is considered credit-impaired, an amount equal to lifetime ECL continues to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stage 1 and 2 and on the gross carrying amount, net of the impairment allowance for financial assets, in Stage 3.

b. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk (SICR) considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Central 1's assessment of SICR is performed quarterly based on the following three factors. If any of these factors indicate that a SICR has occurred, the instrument is moved from Stage 1 to Stage 2:

Years Ended December 31, 2020 and 2019

- Central 1 has established thresholds for SICR based on both a risk rating and change in probability of default relative to initial recognition.
- Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.
- Instruments which are 30 days past due are generally considered to have experienced a SICR, even if other metrics do not indicate that a SICR has occurred.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on an instrument's probability of default, not the losses Central 1 expects to incur. The assessment is generally performed at the instrument level.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment. Central 1 considers a debt instrument to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. Certain securities measured at FVOCI and assets purchased under reverse repurchase agreements have been identified as having a low credit risk.

c. Measurement of ECL

The measurement of ECL is based primarily on the product of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

LGD is an estimate of the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information

about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur.

d. Expected Life

When measuring ECL, Central 1 considers the maximum contractual period over which Central 1 is exposed to credit risk. For facilities without a maximum contractual period or where the contractual period is not enforced as part of normal credit risk management practices, the expected losses are to be calculated over the period that the entity is expected to be exposed to credit risk and that expected losses are not mitigated by credit risk management actions. This period may extend beyond the contractual maturity.

e. Definition of Default

Central 1 considers a financial asset to be in default when:

- a missed or delayed disbursement of a contractually obligated interest or principal payment occurs (excluding missed payments restored within a contractually allowed grace period), as defined in credit agreements and indentures;
- a bankruptcy filing or legal receivership is entered by the debt issuer or obligor that will likely cause a miss or delay in future contractually obligated debt service payments;
- the borrower is unlikely to pay its credit obligations to Central 1 in full, without recourse by Central 1 to actions such as realizing security (if any is held);
- the borrower is past due more than 90 days on any credit obligation to Central 1; or
- Central 1 agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing.

f. Incorporation of forward-looking information

The measurement of ECL and the assessment of a SICR considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Years Ended December 31, 2020 and 2019

Central 1 determines ECL using multiple probability-weighted forward-looking scenarios. Central 1 considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. Central 1 prepares the scenarios using forecasts generated by its Allowance Working Group (AWG) Committee for:

- Real GDP,
- Unemployment rates,
- 3-month Bankers' Acceptance rate,
- 3-month Government of Canada Bond rate,
- Consumer debt ratio, and
- Housing price index.

The forecasts are created using internal and external models/data which are then modified by the AWG Committee as necessary to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves developing two additional economic scenarios and considering the relative probabilities of each outcome.

The 'base case' represents the most likely outcome and is aligned with information used by Central 1 for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

g. Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, the asset continues to be subject to the same assessment for a SICR relative to initial recognition and credit-impairment. Central 1 will recalculate the gross carrying amount of the financial asset based on the present value of the modified cash flows discounted at the original effective interest rate and recognize any gain or loss from the modification in profit or loss.
- The expected restructuring will result in derecognition of the existing asset when the changes to the terms of the asset are considered substantial. The

modified financial asset is considered to be a new asset. The expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. For the purpose of assessing for a SICR, the date of initial recognition of the modified financial asset is the date of modification.

h. Presentation of allowance for ECL

Allowances for ECL are presented in the Consolidated Statement of Financial Position as follows:

- Debt instruments measured at amortized cost as a deduction from the gross carrying amount of the instruments;
- Where a financial instrument includes both a drawn and an undrawn component and Central 1 cannot identify the ECL on the undrawn component separately from those on the drawn component, Central 1 presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

i. Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when Central 1 determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Central 1's procedures for recovery of amounts due.

(d) Cash

Cash includes unrestricted cash balances held with financial institutions. Cash is carried at amortized cost in the Consolidated Statement of Financial Position.

(e) Deposits with regulated financial institutions

Deposits with regulated financial institutions are classified as amortized cost. These deposits are initially measured at fair value plus incremental direct transaction costs. Subsequently, these deposits are measured at amortized cost using the effective interest method. Interest income earned is included in the Consolidated Statement of Profit using the accrual basis of accounting.

Years Ended December 31, 2020 and 2019

(f) Securitizations

Central 1's securitization activity primarily involves indirect securitizations whereby Central 1 facilitates the transfers of National Housing Act Mortgage-Backed Securities (NHA MBS) by its member credit unions by acting as a swap counterparty with Canada Housing Trust (CHT) and through the provision of administrative services. In such instances, indirect securitization transactions are off balance sheet and Central 1 records administration fees as other income when earned but Central 1 does not acquire an interest in the underlying mortgages.

Central 1 also participates in indirect securitization activities whereby Central 1 acts as a swap counterparty with CHT and receives a fee from its member credit unions for managing reinvestment assets.

Central 1 may also participate in direct securitizations by acquiring an interest in third-party MBS or insured mortgage pools from its member credit unions and subsequently transferring the associated MBS securities to CHT under the CMB Program.

Mortgages transferred to CHT continue to be recognized in Central 1's Consolidated Statement of Financial Position as, in the opinion of Central 1's management, these transactions do not result in the transfer of substantially all the risks and rewards of ownership of the underlying assets. Consideration received from CHT as a result of these transactions is recognized in Central 1's Consolidated Statement of Financial Position as obligations under the CMB program.

In applying its policies on securitized financial assets, Central 1 has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by Central 1 over the other entity:

- When Central 1 transfers financial assets to an unconsolidated entity and it retains substantially all the risk and rewards relating to the transferred assets, the transferred assets continue to be recognized in Central 1's Consolidated Statement of Financial Position.
- When Central 1 transfers substantially all the risks and rewards relating to the transferred financial assets to an unconsolidated entity, the assets are derecognized from Central 1's Consolidated Statement of Financial Position.
- When Central 1 neither transfers nor retains substantially all the risks and rewards relating to a transferred financial asset and it retains control of the transferred asset, Central 1 continues to recognize the transferred financial asset to the extent of its continuing involvement in that transferred financial asset.

Details of Central 1's securitization activities are disclosed in Notes 6 and 19.

(g) Derivative instruments

Central 1 enters into derivative contracts to manage its exposures to interest rate risk, foreign currency risk and other risks. All derivative instruments are measured at FVTPL with changes in fair value recognized in profit or loss.

Derivatives may be embedded in other contractual arrangements (a 'host contract'). Central 1 accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at FVTPL, the terms of the embedded derivative meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separate embedded derivatives are accounted for depending on their classification and are presented in the Consolidated Statement of Financial Position together with their host contract.

For risk management purposes, Central 1 designates certain derivatives to hedge its exposure to change in the fair value of selected securities at FVOCI, commercial loans and medium-term notes as hedging instruments in qualifying hedging relationships. Central 1 has not entered into any cash flow hedges at this time.

On transition to IFRS 9, Central 1 elected the accounting policy choice to continue applying hedge accounting under the IAS 39 framework and IFRS 7, *Financial Instruments: Disclosures* requirements for hedge accounting disclosure. The disclosures require information about Central 1's risk management strategy and its effect on future cash flows. Detailed disclosures about the effect hedge accounting has had on Central 1's Consolidated Financial Statements are included in Note 8.

Hedge accounting is applied to financial assets and financial liabilities only when all of the following conditions are met:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and Central 1's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the interest rate risk.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the interest rate risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

Years Ended December 31, 2020 and 2019

- The effectiveness of the hedge can be reliably measured (i.e. the fair value of the hedged item that are attributable to the interest rate risk and the fair value of the hedging instrument can be reliably measured).
- The hedge effectiveness is assessed on an ongoing basis to ensure the hedge has been highly effective throughout the financial reporting periods for which the hedge was designated.

(h) Loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and that Central 1 does not intend to sell immediately or in the short term.

With the exception of a single portfolio of commercial loans, which are measured as at designated FVTPL, all loans are classified as amortized cost and initially measured at fair value plus incremental direct transaction costs on the trade date in the Consolidated Statement of Financial Position. They are subsequently measured at amortized cost using the effective interest method, net of allowances for ECL and any unearned interest. Interest income is recognized using the effective interest method, and loan origination fees and other fees received and paid are recorded in other income over the term of the loans.

(i) Securities purchased under reverse repurchase agreements and obligations related to securities sold under repurchase agreements

A reverse repurchase agreement is the purchase of the security with a commitment by Central 1 to resell to the original seller on a specified date at a specified price. Securities purchased under reverse repurchase agreements, other than those acquired in securitization transactions, are classified as amortized cost in the Consolidated Statement of Financial Position. The difference between the cost of the purchase and predetermined proceeds to be received on a resale agreement is recorded in interest income.

A repurchase agreement is the sale of a security with a commitment by Central 1 to repurchase the security on a specified date at a specified price. Obligations related to securities sold under repurchase agreements are recorded at amortized cost in the Consolidated Statement of Financial Position. The difference between the proceeds received on the sale of the security and the amount that Central 1 agrees to repay under the repurchase agreement is recorded in interest expense.

(j) Property and equipment

Property and equipment, except for land, are measured at cost less accumulated depreciation and accumulated impairment losses. Land is recorded at cost net of

any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to Central 1. Ongoing repairs and maintenance are expensed as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognized net within other income in the Consolidated Statement of Profit.

Depreciation is recognized in the Consolidated Statement of Profit on a straight-line basis over the estimated useful life of each part of an item of property and equipment, since this most closely reflects the pattern of consumption of future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Buildings	50 years
Computer hardware	3 to 5 years
Furniture, fixtures and equipment	3 to 10 years
Leaseholds	Lesser of the useful life of the leasehold or the term of the lease

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period and adjusted if appropriate.

(k) Investment property

Central 1 holds investment property to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. When the use of a property changes such that it is reclassified as property and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

Years Ended December 31, 2020 and 2019

Investment property are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

Depreciation is recognized in the Consolidated Statement of Profit on a straight-line basis over the estimated useful lives of each part of an item of investment property. The estimated useful lives for the current and comparative periods are 50 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Intangible assets

Central 1's Intangible assets are mainly comprised of externally acquired and internally generated assets. Intangible assets acquired externally are classified as intangible assets and are measured at cost less accumulated amortization and impairment losses.

Internally developed intangible assets are recognized when Central 1 is able to demonstrate its intention and ability to complete the development and use the asset in a manner that will generate future economic benefits, and reliably measure the costs to complete the development. The capitalized costs of internally developed intangible assets include all costs directly attributable to prepare the assets to be capable of operating in the manner intended by Central 1. Internally developed assets are measured at capitalized cost less accumulated amortization and impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in the Consolidated Statement of Profit on a straight-line basis over the estimated useful life of the asset, from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are three to ten years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

The carrying amounts of Central 1's non-financial assets with finite useful lives, other than investment property and deferred tax assets or liabilities, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed by comparing the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the recoverable amount, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount on an individual asset, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is estimated to determine if there is an impairment loss.

An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized. In this case, the impairment loss is reversed only to the extent that the carrying amount does not exceed the recoverable amount that would have been determined, net of depreciation, if no previous impairment loss had been recognized. Such reversal is recognized in the Consolidated Statement of Profit.

(n) Lease

Central 1 as a lessee

i. Nature of leasing activities

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

Central 1 also entered into lease agreements for its IT equipment and photocopiers. These leases have terms of three to five years. The lease payments are fixed over the lease term. Some of these leases are of low-value items and Central 1 has elected not to recognize the right-of-use (ROU) assets and lease liabilities for these leases.

ii. Recognition and Measurement

Central 1 initially recognizes ROU assets and lease liabilities for the leases for its office spaces, IT equipment and photocopiers on its Consolidated Statement of

Years Ended December 31, 2020 and 2019

Financial Position. Subsequently, a depreciation charge for these ROU assets and an interest expense on lease liabilities are recognized.

a. Measurement of lease liability

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

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

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

b. Measurement of ROU asset

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

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

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the ROU assets or the end of the lease term. The estimated useful lives of the ROU assets

are determined on the same basis as those of property and equipment. Subsequent to the initial measurement, Central 1 will measure the ROU assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

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

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

Central 1 as a lessor

Central 1 leases out its investment property and classifies the leases of investment property as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the property.

(o) Financial guarantees

Financial guarantees are contracts that require Central 1 to make specified payments to reimburse the beneficiary for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Liabilities arising from financial guarantees are recognized initially at their fair value, and the initial fair value is amortized over the life of the related guarantee.

(p) Income taxes

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss and other comprehensive income. Current tax is the enacted tax payable or receivable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is only recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Years Ended December 31, 2020 and 2019

Deferred tax assets and liabilities are offset only if:

- there is a legally enforceable right to offset current tax liabilities against current tax assets;
- they relate to income taxes levied by the same tax authority on the same taxable entity; or
- they relate to income taxes levied by the same tax authority on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In determining the amount of current and deferred tax, Central 1 takes into account the impact of uncertain tax positions and makes judgements, estimates and assumptions to assess whether additional taxes and interest may be due.

(q) Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior reporting periods. Obligations for defined contribution pension plans are determined by the amounts to be contributed and recognized as expense in profit or loss when they are due in respect of service rendered before the end of the reporting period.

Central 1 participates in a multi-employer defined benefit plan in which plan assets and liabilities are pooled and the actuary does not determine an individual employer's own unfunded liability. Each member credit union is exposed to the actuarial risks of the other employers with the result that, in management's opinion, there is no reasonable way to allocate any defined benefit obligations. This plan is therefore accounted for on a defined contribution basis.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan under which an employer promises a specified pension payment on retirement that is pre-determined by a formula. This plan is no longer available for new entrants of Central 1. Central 1's net obligation in respect of its defined benefits plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. It is calculated periodically by independent actuaries using the projected unit credit

method. The present value of the defined benefit obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior periods and discounting that benefit to determine its present value using market yields at the end of the reporting period on high-quality corporate bonds.

Central 1 recognizes all actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments and all expenses related to defined benefit plans in its Consolidated Financial Statements.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the Consolidated Statement of Profit on a straight-line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognized immediately in the Consolidated Statement of Profit.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if Central 1 has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Net financial income

Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. When calculating the effective interest rate for financial instruments other than credit-impaired assets, Central 1 estimates future cash flows considering all contractual terms of the financial instrument. For credit-impaired assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of effective interest includes transaction cost and fees, which include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by

Years Ended December 31, 2020 and 2019

applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income and expense presented in the Consolidated Statement of Profit include:

- Interest income and expense on financial assets and liabilities measured at amortized cost calculated on an effective interest basis.
- Interest income and expense on securities measured at FVOCI calculated on an effective interest basis.
- Interest income and expense on other financial assets and liabilities measured at FVTPL based on the contractual terms of the instruments.

Changes in fair value of financial instruments

Changes in fair value of financial instruments included in the Consolidated Statement of Profit include:

- Fair value changes on derivatives.
- Fair value changes on loans at FVTPL.
- Fair value changes on financial assets and financial liabilities measured at FVTPL.
- Fair value changes on financial assets and liabilities under the CMB Program.
- Impairment charges on debt instruments measured at FVOCI that have been reclassified from OCI.
- The ineffective portion of fair value changes due to the change in interest rates in qualifying hedging instruments and hedged items designated in hedge relationships.
- Fair value changes in financial liabilities measured at amortized cost that were classified as held for segregation on December 31, 2020 and settled on the first following business day, January 4, 2021.

When Central 1 designates a financial liability at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

(s) Non-financial income

Nature of goods and services

Central 1 generates revenue primarily from providing products and services to its members and clients including credit union lending, access to securitization vehicles, digital banking technologies and payments processing solutions. Other sources of revenue include dues collected to fund certain services such as corporate secretary, economics, communication & public relations and annual general meeting. The consideration received does not include any significant financing components that are not included in the transaction price. Central 1's principal activities, separated by operating segments, from which Central 1 generates its revenue, are described below.

Treasury

Under Treasury, Central 1 earns revenues primarily from providing access to credit facilities and securitization vehicles.

a. Lending Fees

Central 1 provides access to credit facilities to support clearing, daily cash management, borrowing and other short-term liquidity management that are all less than a one-year period. The revenue is composed of standby rates or commission rates in which the transaction price is determined based on a calculation over time. The rates are calculated daily and billed monthly. The performance obligations are satisfied, and revenues are recognized over time. Central 1 also assists in the funding of commercial loans where the transaction price is based on a percentage of the underlying mortgages. Fees are collected at inception and are recognized as the performance obligations are satisfied over time.

b. Securitization Fees

Securitization services fees consist of Mortgage Backed Securities (MBS) services fees and Intermediation Swap fees charged to credit unions. The MBS services fees are calculated daily and billed monthly as the performance obligations are satisfied over time with the right to invoice. The Intermediation Swap fees are calculated monthly as the performance obligations are satisfied over time; however, the consideration is received semi-annually. There are no significant financing components within these contracts.

Years Ended December 31, 2020 and 2019

Digital Payment & Services

Under Digital Payment & Services, Central 1 earns revenues primarily from providing digital banking technologies and payment processing solutions.

a. Payment Processing and Other Fees

The Payments Services platform is primarily running through Central 1's 'Central Banking System' in conjunction with the 'PaymentStream Direct Software' and related applications. It facilitates the day-to-day banking operations of Central 1's clients. It is divided into multiple payment services that are provided over time; therefore, performance obligations are satisfied as time passes. Accordingly, revenue is recognized and collected monthly over the contracted terms based on the number of transactions that have occurred in the month or a flat monthly fee depending on the type of services provided.

b. Digital Banking Fees

MemberDirect® services is the multi-platform solution used to deliver digital banking services to customers on their desktop or on mobile devices. There are two main components:

- monthly services and transactions performed over time, and
- billing the implementation of a new service for a client.

Monthly services are provided over time, and therefore these performance obligations are satisfied as time passes. Accordingly, revenue is recognized and collected monthly over the contracted term based on the number of transactions that have occurred in the month or a flat monthly fee depending on the type of service provided.

Implementation projects are billed based on a per hour basis. Revenue is recognized over time and accrued monthly. Contracts are typically completed within a one-year period resulting in no significant financing components.

c. Forge Retail Revenue

In 2019, Central 1 launched *Forge Retail Digital Banking Platform* (Forge), a full featured digital banking platform that encompasses a public website, a mobile application and online banking. Forge's clients are charged a perpetual fee and a monthly maintenance fee. As Forge clients can only benefit from the perpetual license when they pay the maintenance fee, the license fee and maintenance fee are not distinct items.

The perpetual fee is a one-off charge to the client to provide ongoing access to the Forge platform. The perpetual fee revenue is recognised over time as performance

obligations are met over the remaining useful life of the Forge platform at the time the fee is paid.

The maintenance fee is calculated and invoiced monthly based on the level of usage and therefore the maintenance fee revenue is recognised over time as performance obligations are satisfied as time passes.

Other Revenues

a. Operating Dues

Central 1 collects dues from credit union members to fund certain services such as corporate secretary, economics, communication & public relations, and annual general meeting. These value-added services give member credit unions access to a wealth of expertise, while remaining affordable through economies of scale. The assessment of operating dues funded functions is determined annually based on an operating dues budget which is subsequently approved by the Board of Directors and credit union members in the Annual General Meeting. The services are rendered over time and performance obligations are satisfied in the same manner; therefore, monthly recognition is appropriate.

b. Marketing Revenues

Central 1 has a full-service marketing agency that provides marketing and creative services in the areas of strategic marketing, event, and project management. The marketing group also prepares an annual research package with industry analysis. The standard marketing service contracts are one-off work requests and the annual research package consists of multiple reports being delivered. The performance obligations relating to standard marketing service contracts and the annual research package are satisfied upon completion of the contracts and delivery of the goods. Therefore, revenue is recognized at a point in time based on the right to invoice.

(t) Operating segments

Central 1's operations and activities are organized around a number of key operating segments in accordance with the aggregation criteria and quantitative thresholds under IFRS 8, Operating Segments. Management regularly monitors these segments' operating results for the purpose of making decisions about resource allocation and performance assessment. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items including adjustments and other management reclassification, and residual unallocated revenue and expenses are included in "System affiliates & Other" segment. Further information is included in Note 30.

Years Ended December 31, 2020 and 2019

(u) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and if significant, are presented separately from other assets on the Consolidated Statement of Financial Position.

A disposal group is classified as a discontinued operation if it meets the following conditions:

- It is a component that can be distinguished operationally and financially from the rest of the operations and
- It represents either a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Disposal groups classified as discontinued operations are presented separately from continuing operations in the Consolidated Statement of Profit and Statement of Comprehensive income. Further information is included in Note 10.

(v) Canada Emergency Business Account Program (CEBA)

The Government of Canada (GoC) launched the CEBA program to provide interest-free loans of up to \$60,000 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 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 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 Consolidated Statements of Profit.

(w) Change in accounting policies**IBOR Reform - Phase I Amendments**

Interest Rate Benchmark Reform (IBOR) refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates with alternative benchmark rates. The IASB has undertaken a two-phase project to look into the potential effects of IBOR on financial reporting and issued amendments to a few IFRS Standards, IFRS 9 (*Financial Instruments*), IAS 39 (*Financial Instruments: Recognition and Measurement*), and IFRS 7 (*Financial Instruments: Disclosures*), IFRS 4 (*Insurance Contracts*), and IFRS 16 (*Leases*).

In September 2019, the IASB issued the Phase I amendments to address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark. The amendments modified specific hedge accounting requirements of IFRS 9 or IAS 39 to provide temporary exceptions to all hedging relationships directly affected by uncertainties arising as a result of the 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 with some swaps referencing to the benchmark rates that are 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 and IFRS 7 on January 1, 2020. On the adoption date, there was no impact on the following areas that are specific to Central 1's current hedging relationships which were not referencing to the interest rate benchmarks that are subject to the reform:

- *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.

3. Use of estimates and judgements

Judgement, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis with revisions to estimates being recognized prospectively.

Expected credit loss

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.

Central 1 has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. The forecast of future economic conditions is developed internally by Central 1's 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. Additional information regarding the ECL allowance is included in Note 9.

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 or other valuation techniques where all significant inputs are directly or indirectly observable from market data. At the end of each reporting period, the fair values of the level 2 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.

When there is no observable market price, Central 1 uses valuation techniques which use unobservable inputs to measure level 3 financial instruments. The expected cash flows are discounted using interest rates currently being offered on instruments with similar terms. For a portion of Central 1's equity investments in cooperative entities, Central 1 uses 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.

While 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 at the reporting date.

Additional information regarding the fair value measurement techniques of financial instruments is included in Note 33.

Classification of financial assets

The classification of financial assets is based on the contractual cash flow characteristics of a financial instrument and the business model under which it is held which requires critical judgements.

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The business model is reflective of how groups of assets are managed together to meet a particular business objective.

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI on the principal amount outstanding.

4. Future accounting policies

IBOR reform - Phase II amendments

In August 2020, the Phase II amendments, complementing the Phase I amendments, were issued by IASB to address financial reporting issues during the reform of an interest rate benchmark including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative one.

Years Ended December 31, 2020 and 2019

The amendments provide a practical expedient for modification of a financial contract and allow relief from discontinuing hedging relationships, in combination with new disclosures on the nature and extent of risks arising from the reform and how these risks are managed.

The amendments will be applied retrospectively and effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The amendments only apply to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. Central 1 is currently in the process of determining the impact of the Phase II amendments on Central 1's Consolidated Financial Statements.

Years Ended December 31, 2020 and 2019

5. Cash

(Thousands of dollars)	December 31, 2020	December 31, 2019
With Bank of Canada	\$ 1,376,073	\$ (18,816)
With other regulated financial institutions	91,484	67,763
	\$ 1,467,557	\$ 48,947

6. Securities

(Thousands of dollars)	December 31, 2020	December 31, 2019
Securities FVTPL		
Government and government guaranteed securities	\$ 3,870,673	\$ 2,269,281
Corporate and major financial institution		
AA low or greater	2,098,597	1,150,700
A (high) to A (low)	401,280	30,004
BBB (high) to BBB (low)	288,910	1,820
Equity instruments	47,597	47,326
Fair value	\$ 6,707,057	\$ 3,499,131
Amortized cost	\$ 6,626,135	\$ 3,477,475
Securities FVOCI		
Government and government guaranteed securities	\$ 518,668	\$ 837,692
Corporate and major financial institution		
AA low or greater	1,281,812	1,264,497
A (high) to A (low)	529,537	418,688
BBB (high) to BBB (low)	1,258,955	272,087
Fair value	\$ 3,588,972	\$ 2,792,964
Amortized cost	\$ 3,555,985	\$ 2,787,560
Total fair value	\$ 10,296,029	\$ 6,292,095

Years Ended December 31, 2020 and 2019

(Thousands of dollars)	December 31, 2020	December 31, 2019
Reinvestment assets under the CMB Program		
FVTPL		
Government and government guaranteed securities	\$ 539,644	\$ 521,887
Corporate and major financial institutions AA low or greater	89,993	44,967
Fair value	\$ 629,637	\$ 566,854
Amortized cost	\$ 618,206	\$ 565,539
Amortized cost		
Assets acquired under reverse repurchase agreements	\$ 140,952	\$ 120,099
Total reinvestment assets under the CMB Program	\$ 770,589	\$ 686,953
Deposits with regulated financial institutions		
Amortized cost	\$ -	\$ 4,928
Total	\$ 11,066,618	\$ 6,983,976

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

Securities held for segregation

(Thousands of dollars)	December 31, 2020	December 31, 2019
Securities FVTPL		
Government and government guaranteed securities	\$ 4,732,460	\$ 4,365,925
Corporate and major financial institutions AA low or greater	609,978	959,335
Fair value	\$ 5,342,438	\$ 5,325,260
Amortized cost	\$ 5,283,976	\$ 5,312,555
Securities FVOCI		
Government and government guaranteed securities	\$ 1,277,039	\$ 2,606,186
Corporate and major financial institutions AA low or greater	1,513,047	254,326
Fair value	\$ 2,790,086	\$ 2,860,512
Amortized cost	\$ 2,786,148	\$ 2,855,242
Total fair value (Note 10)	\$ 8,132,524	\$ 8,185,772

Years Ended December 31, 2020 and 2019

7. Loans

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

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amortized cost		
Due on demand		
Credit unions	\$ 130,001	\$ 493,038
Commercial and others	8,222	688
	138,223	493,726
Term		
Credit unions	2,992	15,499
Commercial and others	899,532	846,521
Reverse repurchase agreements	51,587	615,203
Officers and employees ¹	3,988	10,203
	958,099	1,487,426
	1,096,322	1,981,152
Accrued interest	2,817	2,808
Premium	828	2,188
	1,099,967	1,986,148
Expected credit loss	(3,254)	(1,383)
Amortized cost	1,096,713	1,984,765
Fair value hedge adjustment ²	(875)	(2,898)
Carrying value	\$ 1,095,838	\$ 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)	December 31, 2020	December 31, 2019
FVTPL		
Term		
Commercial and others	\$ 14,636	\$ 16,694
Accrued interest	47	53
Premium	19	31
Amortized cost	\$ 14,702	\$ 16,778
Fair value	\$ 15,755	\$ 17,301
Total loans	\$ 1,111,593	\$ 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 December 31, 2020, the gross carrying value of loan for which deferrals have been approved totalled \$13.1 million (December 31, 2019 - \$nil).

Years Ended December 31, 2020 and 2019

8. Derivative instruments

The following tables summarize the fair value and the notional amounts by term to maturity of derivative assets and liabilities:

(Thousands of dollars)	Notional amount by term to maturity				December 31, 2020	
	1 year or less	1 to 5 years	Over 5 years	Total	Fair value Asset	Liability
Interest rate contracts						
Bond forwards	\$ 40,100	\$ -	\$ -	\$ 40,100	\$ 94	\$ -
Futures contracts	1,879,000	330,000	-	2,209,000	515	-
Swap contracts	11,570,509	21,747,298	1,057,972	34,375,779	268,350	313,619
	13,489,609	22,077,298	1,057,972	36,624,879	268,959	313,619
Foreign exchange contracts						
Forward contracts	568,213	-	-	568,213	6,461	6,535
Other						
Equity index-linked options	50,741	120,602	-	171,343	8,173	8,172
Total fair value before adjustment					283,593	328,326
Adjustment for offsetting					(179,973)	(179,973)
Fair value					\$ 103,620	\$ 148,353

The amounts that have been pledged and received as collateral are \$37.2 million and \$5.4 million, respectively as at December 31, 2020.

(Thousands of dollars)	Notional amount by term to maturity				December 31, 2019	
	1 year or less	1 to 5 years	Over 5 years	Total	Fair value Asset	Liability
Interest rate contracts						
Bond forwards	\$ 66,700	\$ -	\$ -	\$ 66,700	\$ -	\$ 213
Futures contracts	1,170,000	160,000	-	1,330,000	34	268
Swap contracts	9,015,662	25,379,711	742,994	35,138,367	105,966	108,801
	10,252,362	25,539,711	742,994	36,535,067	106,000	109,282
Foreign exchange contracts						
Forward contracts	380,803	-	-	380,803	2,140	2,220
Other						
Equity index-linked options	52,788	130,539	-	183,327	8,218	8,216
Total fair value before adjustment					116,358	119,718
Adjustment for offsetting					(67,490)	(67,490)
Fair value					\$ 48,868	\$ 52,228

The amounts that have been pledged and received as collateral were \$8.2 million and \$10.6 million, respectively as at December 31, 2019.

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

Years Ended December 31, 2020 and 2019

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.

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

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

(Thousands of dollars)	December 31, 2020			December 31, 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	\$ 693	\$ (726)	\$ (33)	\$ -	\$ -	\$ -
Loans	2,023	(2,190)	(167)	1,807	(2,033)	(226)
Debt securities issued	(9,018)	8,398	(620)	(6,085)	6,629	544
	\$ (6,302)	\$ 5,482	\$ (820)	\$ (4,278)	\$ 4,596	\$ 318

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)	December 31, 2020			December 31, 2019		
	Carrying value of hedged items	Carrying value of hedging instruments	Cumulative hedge adjustments from active hedges	Carrying value of hedged items	Carrying value of hedging instruments	Cumulative hedge adjustments from active hedges
Securities at FVOCI ¹	\$ 211,500	\$ (726)	\$ 693	\$ -	\$ -	\$ -
Loans	70,673	199	(875)	137,311	2,389	(2,898)
Debt securities issued	(300,000)	8,173	(7,756)	(700,000)	(225)	1,262
	\$ 7,646	\$ (7,938)		\$ 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)

Years Ended December 31, 2020 and 2019

9. Expected credit loss

(Thousands of dollars)	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
ECL on financial assets at amortized cost				
Balance at December 31, 2019	\$ 1,111	\$ 272	\$ -	1,383
Impairment loss on financial assets				
Transfers in (out) to (from)	(17)	17	-	-
Purchases and originations	729	-	-	729
Derecognitions and maturities	(330)	(155)	-	(485)
Remeasurements	821	806	-	1,627
Total impairment loss on financial assets	1,203	668	-	1,871
Balance at December 31, 2020	\$ 2,314	\$ 940	\$ -	3,254
ECL on financial assets at FVOCI¹				
Balance at December 31, 2019	\$ 644	\$ -	\$ -	644
Impairment loss on financial assets				
Transfers in (out) to (from)	-	-	-	-
Purchases	1,197	-	-	1,197
Derecognitions and maturities	(396)	-	-	(396)
Remeasurements	166	-	-	166
Total impairment loss on financial assets	967	-	-	967
Balance at December 31, 2020	\$ 1,611	\$ -	\$ -	1,611
Total ECL				
Balance at December 31, 2019	\$ 1,755	\$ 272	\$ -	2,027
Impairment loss on financial assets				
Transfers in (out) to (from)	(17)	17	-	-
Purchases and originations	1,926	-	-	1,926
Derecognitions and maturities	(726)	(155)	-	(881)
Remeasurements	987	806	-	1,793
Total impairment loss on financial assets	2,170	668	-	2,838
Balance at December 31, 2020	\$ 3,925	\$ 940	\$ -	4,865

¹ ECL on financial assets at FVOCI are not separately recognized on the Consolidated Statement of Financial Position as these assets are recorded at fair value. The cumulative amount of ECL recognized in profit or loss is presented in AOCI.

Years Ended December 31, 2020 and 2019

(Thousands of dollars)					December 31, 2019	
	Stage 1	Stage 2	Stage 3	Total		
ECL on financial assets at amortized cost						
Balance at December 31, 2018	\$ 838	\$ 164	\$ -	\$ 1,002		
Impairment loss on financial assets						
Transfers in (out) to (from)	(117)	117	-	-		
Purchases and originations	432	-	-	432		
Derecognitions and maturities	(67)	(21)	-	(88)		
Remeasurements	25	12	-	37		
Total impairment loss on financial assets	273	108	-	381		
Balance at December 31, 2019	\$ 1,111	\$ 272	\$ -	\$ 1,383		
ECL on financial assets at FVOCI¹						
Balance at December 31, 2018	\$ 484	\$ -	\$ -	\$ 484		
Impairment loss on financial assets						
Adjustment for MLP assets held for segregation	(74)	-	-	(74)		
Purchases	369	-	-	369		
Derecognitions and maturities	(347)	-	-	(347)		
Remeasurements	212	-	-	212		
Total impairment loss on financial assets	160	-	-	160		
Balance at December 31, 2019	\$ 644	\$ -	\$ -	\$ 644		
Total ECL						
Balance at December 31, 2018	\$ 1,322	\$ 164	\$ -	\$ 1,486		
Impairment loss on financial assets						
Adjustment for MLP assets held for segregation	(74)	-	-	(74)		
Transfers in (out) to (from)	(117)	117	-	-		
Purchases and originations	801	-	-	801		
Derecognitions and maturities	(414)	(21)	-	(435)		
Remeasurements	237	12	-	249		
Total impairment loss on financial assets	433	108	-	541		
Balance at December 31, 2019	\$ 1,755	\$ 272	\$ -	\$ 2,027		

¹ ECL on financial assets at FVOCI are not separately recognized on the Consolidated Statement of Financial Position as these assets are recorded at fair value. The cumulative amount of ECL recognized in profit or loss is presented in AOCI.

Years Ended December 31, 2020 and 2019

The following table presents the credit risk exposure of loans measured at amortized cost and subject to impairment assessment under IFRS 9. Risk ratings were based on internal ratings as at December 31, 2020 and 2019.

(Thousands of dollars)					December 31, 2020
	Stage 1	Stage 2	Stage 3	Total	
Low Risk	\$ 293,998	\$ -	\$ -	\$ 293,998	
Medium Risk	780,726	-	-	780,726	
High Risk	-	19,889	-	19,889	
Not Rated	5,354	-	-	5,354	
Total	\$ 1,080,078	\$ 19,889	\$ -	\$ 1,099,967	

(Thousands of dollars)					December 31, 2019
	Stage 1	Stage 2	Stage 3	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. 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.

The ECL model was built using historical data and normal behaving economic indicators and forecasts. The unprecedented economic change as a result of the COVID-19 pandemic requires management making significant judgements on predicting the changes in these macroeconomic variables, and adjusting the inputs and modelling techniques to capture all the characteristics of the economic environment. Temporary adjustments made to the model include adjusting the changes of Real GDP, Unemployment Rate and the starting value of delinquency rate.

- Performed a linear interpolation on Real GDP and Unemployment Rate between pre-COVID values and Q4 2020 and smoothed V- and W-shaped scenarios to get a better estimate of ECL.
- The model takes an initial delinquency rate as a starting point to predict future delinquency rate. This starting point may not represent the actual economic environment under the COVID-19 pandemic.

Years Ended December 31, 2020 and 2019

10. Held for segregation and discontinued 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 2020. Following broad system consultation with Class A members, on October 2, 2020, Central 1 announced that its members passed a special resolution approving amendments to Central 1's Constitution and Rules in connection with the segregation. The segregation was effective January 1, 2021. Please refer to Note 38 for further details.

The planned transfer of assets and liabilities related to the MLP 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. In accordance with IFRS 9 the carrying value of deposits was increased to fair value to reflect the value that the deposits would be discharged on the segregation date. The discontinued operations include the portion of the MLP results that are classified as discontinued. The complete MLP results are available in Note 30.

Profit from discontinued operations

(Thousands of dollars)	December 31, 2020	December 31, 2019
Net financial income including impairment on financial assets	\$ 16,438	\$ 36,835
Non-financial income (expense)	(194)	(528)
Net financial and non-financial income	16,244	36,307
Non-financial expense	6,383	8,795
Profit before income taxes	9,861	27,512
Income tax expense	1,697	4,129
Income tax benefit related to dividend accrued	(1,697)	(4,129)
Profit from discontinued operations	\$ 9,861	\$ 27,512

MLP assets held for segregation

(Thousands of dollars)	December 31, 2020	December 31, 2019
Cash	\$ 943,045	\$ 2,748
Securities (Note 6)	8,132,524	8,185,772
Other assets	-	403
MLP assets held for segregation	\$ 9,075,569	\$ 8,188,923

MLP liabilities held for segregation

(Thousands of dollars)	December 31, 2020	December 31, 2019
Deposits	\$ 8,676,530	\$ 7,788,430
Other liabilities	1,232	71
MLP liabilities held for segregation	\$ 8,677,762	\$ 7,788,501

The fair value of MLP deposits at December 31, 2020 was equal to its carrying value (December 31, 2019 - \$7,792.0 million).

Years Ended December 31, 2020 and 2019

Cash flow from (used in) discontinued operations

(Thousands of dollars)	December 31, 2020	December 31, 2019
Net cash from (used in) operating activities	\$ 939,246	\$ (131,534)
Net cash from (used in) financing activities	1,051	(3,668)
Net cash from (used in) discontinued operations for the year	\$ 940,297	\$ (135,202)

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 and distribute the remaining funds back to credit unions in 2021. This would result in CUPP being wound up by the end of 2021.

CUPP's planned distribution in 2021 met the criteria to be classified as assets held for distribution as at December 31, 2020 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)	December 31, 2020
Deposits with regulated financial institutions	\$ 3,402
Securities	1,853
Assets held for distribution	\$ 5,255

Liabilities held for distribution

(Thousands of dollars)	December 31, 2020
Provisions	\$ 2,458
Other liabilities	50
Liabilities held for distribution	\$ 2,508

Years Ended December 31, 2020 and 2019

12. Property and equipment

(Thousands of dollars)	Land and Building		IT Equipment		Fixtures		Total
Cost							
Balance at January 1, 2020	\$	23,738	\$	12,525	\$	20,703	\$ 56,966
Acquisitions		34		325		84	443
Disposals		-		(1,357)		(1,805)	(3,162)
Balance at December 31, 2020	\$	23,772	\$	11,493	\$	18,982	\$ 54,247
Balance at January 1, 2019	\$	17,133	\$	17,169	\$	16,988	\$ 51,290
ROU assets on initial adoption of IFRS 16		6,477		463		-	6,940
Transfers		128		-		-	128
Acquisitions		-		901		3,760	4,661
Disposals		-		(6,008)		(45)	(6,053)
Balance at December 31, 2019	\$	23,738	\$	12,525	\$	20,703	\$ 56,966
Depreciation							
Balance at January 1, 2020	\$	11,703	\$	8,593	\$	10,444	\$ 30,740
Depreciation		937		1,230		1,566	3,733
Disposals		-		(1,357)		(1,805)	(3,162)
Balance at December 31, 2020	\$	12,640	\$	8,466	\$	10,205	\$ 31,311
Balance at January 1, 2019	\$	10,783	\$	12,044	\$	9,016	\$ 31,843
ROU assets		330		229		-	559
Depreciation		590		1,163		1,474	3,227
Disposals		-		(4,843)		(46)	(4,889)
Balance at December 31, 2019	\$	11,703	\$	8,593	\$	10,444	\$ 30,740
Carrying value							
Balance at December 31, 2020	\$	11,132	\$	3,027	\$	8,777	\$ 22,936
Balance at December 31, 2019	\$	12,035	\$	3,932	\$	10,259	\$ 26,226

Years Ended December 31, 2020 and 2019

13. Intangible assets

(Thousands of dollars)	Externally Acquired		Internally Developed		Total
Cost					
Balance at January 1, 2020	\$	33,637	\$	36,134	\$ 69,771
Acquisitions		30		-	30
Disposals		(861)		-	(861)
Balance at December 31, 2020	\$	32,806	\$	36,134	\$ 68,940
Balance at January 1, 2019	\$	33,760	\$	19,326	\$ 53,086
Acquisitions		42		16,808	16,850
Disposals		(165)		-	(165)
Balance at December 31, 2019	\$	33,637	\$	36,134	\$ 69,771
Amortization and impairment					
Balance at January 1, 2020	\$	19,212	\$	16,881	\$ 36,093
Amortization		3,000		2,310	5,310
Impairment loss		6,784		14,838	21,622
Disposals		(861)		-	(861)
Balance at December 31, 2020	\$	28,135	\$	34,029	\$ 62,164
Balance at January 1, 2019	\$	16,197	\$	12,230	\$ 28,427
Amortization		3,140		1,731	4,871
Impairment loss		-		2,920	2,920
Disposals		(125)		-	(125)
Balance at December 31, 2019	\$	19,212	\$	16,881	\$ 36,093
Carrying value					
Balance at December 31, 2020	\$	4,671	\$	2,105	\$ 6,776
Balance at December 31, 2019	\$	14,425	\$	19,253	\$ 33,678

The carrying value of intangible assets is reviewed at the end of each reporting period for any events or changes in circumstances which indicate that the carrying value may not be recoverable. Impairment testing is performed at the individual asset or CGU level for which identifiable cash flows are largely independent cash flows and by comparing the recoverable amount with the carrying value of the individual asset or CGU.

During 2020, an impairment of \$14.8 million was recognized with internally developed intangible assets and \$6.8 million for externally acquired intangible assets. The impairment was recorded in management information systems under Other administrative expenses as disclosed in Note 27.

There was no reversal of impairment losses recognized as at December 31, 2020 and December 31, 2019.

Years Ended December 31, 2020 and 2019

14. Investments in affiliates

The ownership interest and carrying values of Central 1's investments in affiliates are as follows:

	(% of direct ownership outstanding)		(Thousands of dollars)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
The CUMIS Group Limited	27 %	27 %	\$ 15,599	\$ 15,907
CU CUMIS Wealth Holdings LP	35 %	35 %	41,720	42,048
189286 Canada Inc.	52 %	52 %	20,636	18,860
Agility Forex Ltd.	28 %	28 %	967	1,281
			\$ 78,922	\$ 78,096

To fund the Payments Canada's modernization project, the Board of Directors of Interac Corp. (Interac) approved an additional capital call of \$33.0 million on June 10, 2020. A \$42.0 million capital call was previously approved and funded in 2019. Central 1 has both direct and indirect interests in Interac. During the third quarter of 2020, Central 1 satisfied its commitment by making a capital contribution of \$2.3 million, consisting of \$0.3 million for its direct interest and \$2.0 million for its indirect interest in Interac, through its ownership in 189286 Canada Inc.

15. Other assets

(Thousands of dollars)	December 31, 2020	December 31, 2019
Investment property	\$ 778	\$ 872
Prepaid expenses	5,945	10,226
Post-employment benefits	4,066	3,343
Assets held for distribution (Note 11)	5,255	-
Accounts receivable and other	8,751	8,849
	\$ 24,795	\$ 23,290

Contract balances

(Thousands of dollars)	December 31, 2020	December 31, 2019
Receivables arising from contracts with customers		
Trade receivables	\$ 5,818	\$ 7,884
Contract assets	829	738
Total contract assets	\$ 6,647	\$ 8,622
Total contract liabilities	\$ 4,602	\$ 4,929

Years Ended December 31, 2020 and 2019

Investment property

(Thousands of dollars)	December 31, 2020		December 31, 2019	
Carrying value, beginning balance	\$	872	\$	1,108
Transfers (Note 10)		-		(128)
Depreciation		(94)		(108)
Carrying value, ending balance	\$	778	\$	872
Fair value	\$	2,938	\$	2,754

Investment property comprises of spaces leased to third parties and Central 1 earns rental income on its investment property. The terms of existing lease agreements range between one and ten years. The lessees do not have an option to purchase the property on the expiry of the lease period.

The fair value of Central 1's investment property has been arrived at based on the internal and external market information of similar properties at the end of each reporting period.

16. Deferred tax assets and liabilities

(Thousands of dollars)	December 31, 2019		Recognized in profit or loss	Recognized in OCI		December 31, 2020	
Deferred tax assets							
Financial instruments	\$	-	\$ 22,977	\$	-	\$	22,977
Employee future benefits		4,034	1,610		794		6,438
Equity interest in affiliates		710	261		121		1,092
Unused tax losses		3,691	(588)		-		3,103
Other		1,322	2,818		-		4,140
Total deferred tax assets		9,757	27,078		915		37,750
Deferred tax liabilities							
Financial instruments		(579)	-		-		(579)
Property and equipment		(4,299)	3,545		-		(754)
Employee future benefits		(1,752)	(414)		(799)		(2,965)
Equity interest in affiliates		(3,670)	(1,863)		(89)		(5,622)
Other		(370)	-		-		(370)
Total deferred tax liabilities		(10,670)	1,268		(888)		(10,290)
Net deferred tax assets (liabilities) ¹	\$	(913)	\$ 28,346	\$	27	\$	27,460

¹ Deferred tax assets and liabilities are assessed by legal entity and presented on a net basis on the Statement of Financial Position.

Years Ended December 31, 2020 and 2019

(Thousands of dollars)	December 31, 2018	Recognized in profit or loss	Recognized in OCI	December 31, 2019
Deferred tax assets				
Employee future benefits	\$ 3,799	\$ 62	\$ 173	\$ 4,034
Equity interest in affiliates	474	236	-	710
Unused tax losses	19,315	(13,678)	(1,946)	3,691
Other	117	1,205	-	1,322
Total deferred tax assets	23,705	(12,175)	(1,773)	9,757
Deferred tax liabilities				
Financial instruments	(9,061)	8,482	-	(579)
Property and equipment	(5,406)	1,107	-	(4,299)
Employee future benefits	(1,693)	(58)	(1)	(1,752)
Equity interest in affiliates	(3,003)	(607)	(60)	(3,670)
Other	(253)	(117)	-	(370)
Total deferred tax liabilities	(19,416)	8,807	(61)	(10,670)
Net deferred tax assets (liabilities) ¹	\$ 4,289	\$ (3,368)	\$ (1,834)	\$ (913)

¹ Deferred tax assets and liabilities are assessed by legal entity and presented on a net basis on the Statement of Financial Position.

17. Deposits

	December 31, 2020	December 31, 2019
Deposits designated as FVTPL		
Due within three months	\$ 358,922	\$ 68,021
Due after three months and within one year	582,606	482,082
Due after one year and within five years	265,418	441,482
	1,206,946	991,585
Accrued interest	5,931	8,452
Amortized cost	\$ 1,212,877	\$ 1,000,037
Fair value	\$ 1,222,025	\$ 1,001,562
Deposits held at amortized cost		
Due on demand	\$ 3,412,395	\$ 1,524,881
Due within three months	2,865,612	850,346
Due after three months and within one year	1,667,771	684,544
Due after one year and within five years	188,820	135,882
	8,134,598	3,195,653
Accrued interest	8,812	5,135
Amortized cost	\$ 8,143,410	\$ 3,200,788
Total carrying value	\$ 9,365,435	\$ 4,202,350

Years Ended December 31, 2020 and 2019

18. Debt securities issued

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amounts		
Due within three months	\$ 600,118	\$ 892,441
Due after three months and within one year	-	39,235
Due after one year and within five years	943,456	1,147,089
	1,543,574	2,078,765
Accrued interest	3,246	5,973
Amortized cost	1,546,820	2,084,738
Fair value hedge adjustment ¹	7,756	(1,262)
Carrying value	\$ 1,554,576	\$ 2,083,476

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

At December 31, 2020, a par value of \$250.2 million was borrowed under the short-term commercial paper facility (December 31, 2019 - \$533.3 million) and a par value of \$1.3 billion was borrowed under the medium-term note facility (December 31, 2019 - \$1.6 billion).

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

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 January 31, 2018, Central 1 issued \$350.0 million principal amount of Series 16 medium-term floating rate notes due February 5, 2021. The notes bear interest at 3-month CDOR + 35 bps payable quarterly on February 5, May 5, August 5, and November 5 of each year, commencing May 5, 2018.

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

Central 1 has secured \$200.0 million of unsecured letter of credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At December 31, 2020 and December 31, 2019, the amounts outstanding were \$107.7 million and \$103.1 million respectively.

Years Ended December 31, 2020 and 2019

19. 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 Consolidated Statement of Financial Position. The maturities of these obligations are indicated below:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amounts		
Due within three months	\$ 216,969	\$ -
Due after three months and within one year	207,069	450,945
Due after one year and within five years	472,739	468,432
	896,777	919,377
Accrued interest	641	380
Amortized cost	\$ 897,418	\$ 919,757
Fair value	\$ 909,692	\$ 919,086

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

(Thousands of dollars)	December 31, 2020	December 31, 2019
FVTPL		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 6)	\$ 629,637	\$ 566,854
Assets recognized as securities	142,040	233,829
Fair value	\$ 771,677	\$ 800,683
Amortized cost		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 6)	\$ 140,952	\$ 120,099
Total underlying assets designated	\$ 912,629	\$ 920,782

20. Subordinated liabilities

(Thousands of dollars)	December 31, 2020	December 31, 2019
Series 5	\$ 21,000	\$ 21,000
Series 6	200,000	200,000
Principal amount	221,000	221,000
Discount	(621)	(895)
Accrued interest	1,337	1,352
Amortized cost	\$ 221,716	\$ 221,457

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

Years Ended December 31, 2020 and 2019

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

21. Change in liabilities arising from financing activities

(Thousands of dollars)	December 31, 2019	Cash flow	Non-cash changes		December 31, 2020
			Fair value	Other	
Debt securities issued	\$ 2,083,476	\$ (535,191)	\$ 9,018	\$ (2,727)	\$ 1,554,576
Obligations under the CMB Program	919,086	(22,150)	12,496	260	909,692
Subordinated liabilities	221,457	276	-	(17)	221,716
Dividends payable	27,512	(27,512)	-	13,412	13,412
Finance Lease	6,604	(111)	-	-	6,493
	\$ 3,258,135	\$ (584,688)	\$ 21,514	\$ 10,928	\$ 2,705,889

(Thousands of dollars)	December 31, 2018	Cash flow	Non-cash changes		December 31, 2019
			Fair value	Other	
Debt securities issued	\$ 1,958,045	\$ 118,925	\$ 6,084	\$ 422	\$ 2,083,476
Obligations under the CMB Program	1,040,493	(127,009)	5,848	(246)	919,086
Subordinated liabilities	422,192	(199,665)	-	(1,070)	221,457
Dividends payable	13,807	(13,807)	-	27,512	27,512
Finance Lease	1,178	(298)	-	5,724	6,604
	\$ 3,435,715	\$ (221,854)	\$ 11,932	\$ 32,342	\$ 3,258,135

22. Other liabilities

(Thousands of dollars)	December 31, 2020	December 31, 2019
Post-employment benefits (Note 29)	\$ 16,980	\$ 16,476
Short-term employee benefits	11,282	11,523
Dividends payable	13,412	27,512
Finance Leases	6,493	6,604
Provisions for unpaid claims ¹	-	1,680
Liabilities held for distribution (Note 11)	2,508	-
Accounts payable	14,074	33,428
Other item	8,569	-
	\$ 73,318	\$ 97,223

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

Years Ended December 31, 2020 and 2019

23. 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, 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.

Prior to the segregation of the MLP, Central 1 could issue an unlimited number of Class F shares and could redeem its shares at its option with the approval of the Board of Directors. The shares would be issued to Class A members in proportion to their share of mandatory deposits with Central 1. The holders of these shares were 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 would 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, would 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)	December 31, 2020	December 31, 2019
Number of shares issued		
Class A – credit unions		
Balance at beginning and end of period	43,359	43,359
Class B – co-operatives		
Balance at beginning and end of period	5	5
Class C – other		
Balance at beginning and end of period	7	7
Class E – credit unions		
Balance at beginning and end of period	2,154	2,154
Class F - credit unions		
Balance at beginning of period	396,686	386,547
Issued during the period	1,051	10,139
Balance at end of period	397,737	396,686
Number of treasury shares		
Treasury shares - Class E		
Balance at beginning and end of period	(264)	(264)

Years Ended December 31, 2020 and 2019

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. As a result, no capital call for increased overall capital in the MLP was required in May 2020 to meet the borrowing multiple requirement. On September 30, 2020 BCFSA announced, as of January 1, 2021, and until further notice, BCFSA will set Central 1's borrowing multiple limit at 18.0:1 and will apply the multiple to Central 1's Consolidated Statement of Financial Position.

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.

On October 2, 2020, Central 1 announced that its members passed a special resolution approving amendments to its Constitution and Rules. The amendments became effective on January 1, 2021. The amendments removed the requirement in Central 1's Constitution and Rules for Class A members to maintain on deposit with Central 1 at least the amount that the member is required by a regulatory body to maintain in liquid form, excluding that amount maintained in cash, in satisfaction of applicable legislation. The amendments also removed all provisions in the Constitution and Rules relating to Class F shares. Under Central 1's current Constitution and Rules prior to the amendments becoming effective, Class F shares were issued to Class A members that have deposits in the MLP. On January 1, 2021 Central 1 redeemed all outstanding Class F Shares for the redemption price of \$1.00 per share to be paid to the holders of Class F shares on or before January 8, 2021. Refer to Note 38 for details of the subsequent redemption of Class F shares.

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

The dividend amounts are as follows:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Dividend payable, balance at beginning of period	\$ 27,512	\$ 13,807
Declared during the period	13,412	27,512
Paid during the period	(27,512)	(13,807)
Dividend payable, balance at end of period	\$ 13,412	\$ 27,512

Years Ended December 31, 2020 and 2019

24. Gain on disposal of financial instruments

(Thousands of dollars)	December 31, 2020	December 31, 2019
Continuing operations		
Realized gain on securities as at FVTPL	\$ 29,240	\$ 20,799
Realized gain on securities as at FVOCI	16,987	8,570
Realized (loss) gain on derivative instruments	(57)	1,894
Realized gain on loans as at FVTPL	17	7
Realized loss on deposits designated as at FVTPL	(2,168)	(504)
Realized loss on obligations related to securities sold short	(10,498)	(3,812)
	\$ 33,521	\$ 26,954

25. Change in fair value of financial instruments

(Thousands of dollars)	December 31, 2020	December 31, 2019
Continuing operations		
Securities as at FVTPL	\$ 59,246	\$ 18,895
Loans as at FVTPL	529	479
Activities under the Canada Mortgage Bond Program		
Reinvestment assets	10,115	3,016
Derivative instruments	(8,474)	(5,770)
Obligations under the Canada Mortgage Bond Program	(12,497)	(5,848)
Derivative instruments	(36,840)	(4,287)
Financial liabilities as at FVTPL		
Deposits designated as at FVTPL	(8,529)	(6,840)
Obligations related to securities sold short	(1,804)	1,133
	\$ 1,746	\$ 778

Years Ended December 31, 2020 and 2019

26. Non-financial income

(Thousands of dollars)	December 31, 2020			December 31, 2019		
	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	\$ 12,762	\$ -	\$ 12,762	\$ 10,431	\$ -	\$ 10,431
Securitization fees	8,953	-	8,953	8,006	-	8,006
Foreign exchange income	-	5,445	5,445	-	7,820	7,820
Other	6,981	-	6,981	5,756	767	6,523
Digital & Payment Services						
Payment processing and other fees	64,791	-	64,791	60,639	-	60,639
Direct banking fees	34,470	-	34,470	35,127	-	35,127
System Affiliates & Other						
Equity interest in affiliates	-	(554)	(554)	-	(818)	(818)
Income from investees	-	1,211	1,211	-	2,643	2,643
Membership dues	2,449	-	2,449	2,449	-	2,449
Other	3,144	-	3,144	2,728	-	2,728
	\$ 133,550	\$ 6,102	\$ 139,652	\$ 125,136	\$ 10,412	\$ 135,548

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

27. Other administrative expense

(Thousands of dollars)	December 31, 2020		December 31, 2019	
Continuing operations				
Cost of sales and services	\$	9,676	\$	10,281
Cost of payments processing		18,424		18,324
Management information systems (Note 13)		51,194		23,997
Professional fees		22,755		37,887
Business development projects		294		663
Other		10,231		11,551
	\$	112,574	\$	102,703

Years Ended December 31, 2020 and 2019

28. Provision for income tax

Income tax reported in the Consolidated Financial Statements are as follows:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Continuing operations		
Current income tax expense (recovery)	\$ 21,339	\$ (4,273)
Deferred income tax (recovery) expense	(28,373)	3,368
Income tax recovery in the statement of profit	(7,034)	(905)
Income tax expense in the statement of OCI	4,883	893
Total income tax recovery from continuing operations	\$ (2,151)	\$ (12)

Central 1's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 26.9% (December 31, 2019 – 26.9%). The following table presents the effective tax rate from continuing operations.

	December 31, 2020	December 31, 2019
Continuing operations		
Combined federal and provincial statutory income tax rates	26.9 %	26.9 %
Credit union deduction	(9.7) %	(9.5) %
Non-capital loss in subsidiary recognized in the year	0.0 %	(34.5) %
Rate differential on equity interests in affiliates	0.3 %	(0.1) %
Change in future tax rate for deferred tax balances	(50.4) %	0.0 %
Other	(3.7) %	1.5 %
Effective income tax rate	(36.6) %	(15.7) %

Years Ended December 31, 2020 and 2019

29. Post-employment benefits

Central 1 provides various registered retirement plans for employees including defined benefit plans and defined contribution plans. A non-registered supplemental pension plan is also provided to eligible employees whose registered pension plan benefits are limited by the Income Tax Act. In addition to providing retirement plans, Central 1 also funds a non-pension retiree benefits plan for eligible employees.

(a) Defined benefit plans

Subject to eligibility requirements, employees of Central 1 may be eligible to participate in one of the following defined benefit plans which are no longer available for new employees.

- The defined benefit plan under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan governed by a Board of Trustees; and
- The single-employer defined benefit plan administered by Central 1 for certain Ontario-based employees.

The B.C. Credit Union Employees' defined benefit pension plans provide pension benefits based on the employee's years of service and average earnings for a limited period prior to retirement. The plan is a contributory, multi-employer, multidivisional registered defined benefit pension plan governed by a 12-member Board of Trustees. The Board of Trustees is responsible for overseeing the management of the plan, including investment of the assets and administration of the benefits. Central 1 is one of several employers participating in the 1.75% Defined Benefit Division of the B.C. Credit Union Employees' Pension Plan.

Every three years, an actuarial valuation is performed to assess the financial position of the multi-employer plan, the adequacy of the funding level, and to determine the present value of accrued pension benefits and recommended plan contributions based on projections of the employees' average compensation levels at retirement. The most recent actuarial valuation for the multi-employer plan, which was conducted as at December 31, 2018, indicated a going concern actuarial excess of \$31.6 million for the 1.75% Division (December 31, 2015 - \$25.1 million, unfunded liability) and a solvency deficiency of \$99.5 million (December 31, 2015 - \$123.0 million). Considering the funding and solvency status of the plan as at December 31, 2018, the recommended minimum required employer contribution rate remains the same at 14.80% starting from January 1, 2020.

As this is a multi-employer plan, the assets and liabilities are pooled and the actuary does not determine an individual employer's own unfunded liability. It is not possible to determine the portion of the deficit related to Central 1. The next actuarial valuation for the multi-employer plan should be performed no later than as at December 31, 2021 with results available in 2022.

The defined benefit pension option under the B.C. Credit Union Employees' Pension Plan is subject to the provisions under Pension Benefits Standards Act (the Act) regulated by the BCFSa. The Act prescribes that, with respect to a solvency deficiency, amortization payments must be made over a period not exceeding five years from the review date that established the solvency deficiency.

The single-employer plan is registered under the Ontario Pension Benefits Act and administered by Central 1 which is responsible over matters affecting the benefit entitlements earned by plan members and beneficiaries. As at December 31, 2019, the actuary reported that the single-employer plan had an excess of plan assets over actuarial liabilities for accrued pension benefits of \$4.9 million. The solvency valuation indicated that the value of assets exceeds the actuarial liabilities by \$3.3 million. Since both the going-concern excess surplus and the solvency surplus exceed the estimated employer normal cost contributions payable, Central 1 is prohibited from making contributions under the defined benefit component until the date of the next valuation. The next actuarial valuation is expected to be performed no later than December 31, 2022, with the results available in 2023.

During 2020, the Canadian Institute of Actuaries has made a permanent change in their methodology of extrapolating the yield curve effective December 31, 2020, to reflect the impact from COVID-19 pandemic. The information disclosed below has reflected of this change in discount rate methodology.

Years Ended December 31, 2020 and 2019

Details of the single-employer defined benefit plan, as determined by the plan actuary as at year-end are as follows:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Defined benefit obligation	\$ (15,321)	\$ (15,043)
Fair value of plan assets	19,387	18,386
Net defined benefit asset	\$ 4,066	\$ 3,343
Defined benefit obligation		
Defined benefit obligation, beginning of year	\$ (15,043)	\$ (13,408)
Current service costs	(108)	(164)
Employee contributions	(29)	(53)
Interest cost on accrued benefit obligation	(457)	(521)
Benefit payments	868	537
Actuarial gain (loss)	(552)	(1,434)
Defined benefit obligation, end of year	\$ (15,321)	\$ (15,043)
Fair value of plan assets		
Plan assets, beginning of year	\$ 18,386	\$ 16,466
Employer contributions	54	10
Employee contributions	29	53
Interest income on plan assets	558	633
Excess (shortfall) of actual returns on plan assets, excluding interest income	1,318	1,799
Benefit payments	(868)	(537)
Administration costs (other than costs from managing plan assets)	(90)	(38)
Plan assets, end of year	\$ 19,387	\$ 18,386

(Thousands of dollars)	December 31, 2020	December 31, 2019
Expense recognized in profit or loss		
Current service costs	\$ 108	\$ 164
Administration costs (other than costs from managing plan assets)	90	38
Interest cost on accrued benefit obligation	457	521
Interest income on plan assets	(558)	(633)
	\$ 97	\$ 90

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amounts recognized in other comprehensive income (OCI)		
Actuarial gain (loss) on defined benefit obligation	\$ (552)	\$ (1,434)
Actuarial gain (loss) on plan assets, excluding interest income	1,318	1,799
	\$ 766	\$ 365

Years Ended December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
Actuarial assumptions used to determine defined benefit expense:		
Weighted average discount rate on benefit obligation	3.10 %	3.90 %
Weighted average salary escalation	2.75 %	2.85 %
Expected return on plan assets	2.50 %	3.10 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average discount rate on benefit obligation	3.00 %	3.70 %
Weighted average salary escalation	2.75 %	2.85 %
Expected return on plan assets	2.25 %	3.00 %

Sensitivity of assumptions

Key economic assumptions used in measuring the accumulated benefit obligations and related expenses for the defined benefit option are outlined in the table below. The sensitivity analysis provided is hypothetical as changes in assumptions may not be linear and the sensitivities in each key variable have been calculated independently of the other key variables.

(Thousands of dollars)	Accumulated benefit obligation	2020 expense
Assumed discount rate		
Impact of 1% increase	\$ 1,793	\$ 50
Impact of 1% decrease	\$ (2,216)	\$ (68)
Weighted average salary escalation		
Impact of 1% increase	\$ (307)	\$ 11
Impact of 1% decrease	\$ 267	\$ (10)

(b) Defined contribution plans

Subject to eligibility requirements, employees of Central 1 may be eligible to participate in one of the following defined contribution plans.

- The money purchase option under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan governed by a Board of Trustees;
- The single-employer money purchase option administered by Central 1 operated for Ontario employees; and
- The group registered retirement savings plan under the B.C. Central 1 Retirement Savings Plan (group RRSP).

Contributions for defined contribution plan and expense for group RRSP included in the Consolidated Statements of Profit were \$3.1 million (December 31, 2019 - \$2.6 million).

(c) Retiree non-pension benefits

In addition to the base retirement plans, Central 1 provides post-retirement benefits consisting of extended health, Medical Services Plan, dental and life insurance premiums to employees that qualify.

Years Ended December 31, 2020 and 2019

Details of the unfunded non-pension retirement benefit program, as determined by the program actuary as at year-end, are as follows:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Defined benefit obligation & net defined benefit liability	\$ (12,484)	\$ (11,825)
Defined benefit obligation		
Defined benefit obligation, beginning of year	\$ (11,825)	\$ (10,722)
Current service costs	(132)	(114)
Interest cost of accrued benefit obligation	(352)	(420)
Benefits payments	435	498
Actuarial liability experience gain	63	33
Actuarial liability financial assumptions gain (loss)	(673)	(1,100)
Defined benefit obligation, end of year	\$ (12,484)	\$ (11,825)

(Thousands of dollars)	December 31, 2020	December 31, 2019
Expense recognized in profit or loss		
Current service costs	\$ 132	\$ 114
Interest cost on accrued benefit obligation	352	420
	\$ 484	\$ 534

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amounts recognized in OCI		
Actuarial (gain) loss on obligation	\$ (610)	\$ (1,067)

	December 31, 2020	December 31, 2019
Actuarial assumptions used to determine retiree non-pension benefits expense:		
Weighted average discount rate on benefit obligation	2.50 %	3.00 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average discount rate on benefit obligation	2.50 %	3.00 %
Health care cost trend assumptions:		
Health care cost trend rate on benefit obligation	6.50 %	7.00 %
Ultimate trend rate on benefit obligation	2.00 %	2.00 %
Year that the rate reaches the ultimate trend rate	2038	2039

Years Ended December 31, 2020 and 2019

Sensitivity of assumptions

Key economic assumptions used in measuring the accumulated benefit obligations and related expenses for non-pension retiree benefits are outlined in the table below. The sensitivity analysis provided is hypothetical as changes in assumptions may not be linear and the sensitivities in each key variable have been calculated independently of the other key variables.

(Thousands of dollars)	Accumulated benefit obligation		2020 expense
Assumed discount rate			
Impact of 1% increase	\$	1,211	\$ 9
Impact of 1% decrease	\$	(1,290)	\$ (11)
Assumed overall health care cost trend rate			
Impact of 1% increase	\$	(2,137)	\$ 5
Impact of 1% decrease	\$	1,587	\$ (4)

(d) Non-registered supplemental pension plan

Central 1 also offers supplemental pension retirement benefits to employees who meet the requirements.

Details of the unfunded supplemental pension plan, as determined by the plan actuary as at year-end, are as follows:

(Thousands of dollars)	December 31, 2020		December 31, 2019	
Defined benefit obligation	\$	(4,803)	\$	(4,918)
Fair value of plan assets		307		267
Net defined benefit liability	\$	(4,496)	\$	(4,651)

(Thousands of dollars)	December 31, 2020		December 31, 2019	
Defined benefit obligation				
Defined benefit obligation, beginning of year	\$	(4,918)	\$	(4,864)
Current service costs		(78)		(72)
Interest cost on accrued benefit obligation		(147)		(188)
Benefits paid		570		495
Actuarial gain (loss)		(230)		(289)
Defined benefit obligation, end of year	\$	(4,803)	\$	(4,918)
Expense recognized in profit or loss				
Current service costs	\$	78	\$	72
Interest cost on accrued benefit obligation		147		188
	\$	225	\$	260

Years Ended December 31, 2020 and 2019

(Thousands of dollars)	December 31, 2020	December 31, 2019
Amounts recognized in OCI		
Actuarial gain (loss) on defined benefit obligation	\$ (230)	\$ (289)
Actuarial assumptions used to determine retiree non-pension benefit expense:		
Weighted average salary escalation	3.00 %	3.00 %
Weighted average discount rate on benefit obligation	2.50 %	3.00 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average salary escalation	3.00 %	3.00 %
Weighted average discount rate on benefit obligation	2.50 %	3.00 %

Sensitivity of assumptions

(Thousands of dollars)	Accumulated benefit obligation	
Assumed discount rate		
Impact of 1% increase	\$	(412)
Impact of 1% decrease	\$	499

(e) Risks

The defined benefit plans and other post-employment plans expose Central 1 to a number of risks. The pension obligation is mainly impacted by the changes to the discount rate, longevity of plan members and future inflation levels. The pension plan assets are subject to market risk resulting from changes in interest rate, foreign exchange rates and credit and swap spreads.

Years Ended December 31, 2020 and 2019

30. 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 was responsible for providing extraordinary liquidity to the credit union systems in the event of a liquidity crisis. The MLP was funded by the mandatory deposits of, and associated capital from, member credit unions, either by liquidity lock-in agreement or by statute. Central 1 managed the MLP within the regulatory constraints and leverages its economies of scale to reduce costs associated with the MLP. Assets held in the MLP remained highly liquid in order to ensure immediate access to funds. Members received 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. On October 2, 2020, Central 1 announced its members passed a special resolution approving amendments to Central 1's Constitution and Rules. The amendments proposed were in connection with the plan to legally segregate the MLP to restructure system liquidity for the benefit of members. 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). 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.

Years Ended December 31, 2020 and 2019

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 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.

Years Ended December 31, 2020 and 2019

Results by segment

The following table summarizes the segment results for the year ended December 31, 2020:

(Thousands of dollars)	Mandatory Liquidity Pool*	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense) including impairment on financial assets	\$ 16,438	\$ 91,459	\$ (306)	\$ (27)	\$ 107,564
Non-financial income	(194)	34,141	99,261	6,250	139,458
Net financial and non-financial income	16,244	125,600	98,955	6,223	247,022
Non-financial expense	13,937	33,610	152,218	18,155	217,920
Profit (loss) before income taxes	2,307	91,990	(53,263)	(11,932)	29,102
Income tax expense (recovery)	-	15,857	(16,764)	(6,127)	(7,034)
Profit (loss)	\$ 2,307	\$ 76,133	\$ (36,499)	\$ (5,805)	\$ 36,136
Total assets as at December 31, 2020	\$ 9,172,982	\$ 13,719,382	\$ 2,036	\$ 200,264	\$ 23,094,664
Total liabilities as at December 31, 2020	\$ 8,691,174	\$ 13,188,549	\$ 5,178	\$ 48,439	\$ 21,933,340

* Total assets and liabilities of the MLP segment includes certain assets and liabilities that are not held for segregation. Profit of the MLP segment include certain expenses which are continuing in nature.

The following table summarizes the segment results for the year ended December 31, 2019:

(Thousands of dollars)	Mandatory Liquidity Pool*	Treasury	Digital & Payment Services	System Affiliates & Other	Total
Net financial income (expense) including impairment on financial assets	\$ 36,835	\$ 72,441	\$ (405)	\$ (1,323)	\$ 107,548
Non-financial income	(528)	32,780	95,766	7,002	135,020
Net financial and non-financial income	36,307	105,221	95,361	5,679	242,568
Non-financial expense	8,795	43,876	133,039	23,591	209,301
Profit (loss) before income taxes	27,512	61,345	(37,678)	(17,912)	33,267
Income tax expense (recovery)	-	12,551	(5,993)	(7,463)	(905)
Profit (loss)	\$ 27,512	\$ 48,794	\$ (31,685)	\$ (10,449)	\$ 34,172
Total assets as at December 31, 2019	\$ 8,307,382	\$ 9,351,966	\$ 23,694	\$ 181,075	\$ 17,864,117
Total liabilities as at December 31, 2019	\$ 7,816,013	\$ 8,886,244	\$ 10,336	\$ 38,286	\$ 16,750,879

* Total assets of the MLP segment includes certain assets that are not held for segregation. Certain comparative figures have been reclassified to conform with the current period's presentation.

Years Ended December 31, 2020 and 2019

31. Guarantees, commitments, contingencies and pledged assets

In the normal course of business, Central 1 enters into various off-balance sheet instruments to meet the financing, credit and liquidity requirements of its member credit unions. These are in the form of commitments to extend credit, guarantees, 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)	December 31, 2020	December 31, 2019
Commitments to extend credit	\$ 4,800,949	\$ 4,332,028
Guarantees		
Financial guarantees	\$ 767,600	\$ 622,600
Performance guarantees	\$ 100,000	\$ 100,000
Standby letters of credit	\$ 237,210	\$ 219,787
Future prepayment swap reinvestment commitment	\$ 1,646,785	\$ 1,339,232

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on December 31, 2020 are \$56.2 million, \$340.9 million and \$113.8 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 December 31, 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 December 31, 2020.

Years Ended December 31, 2020 and 2019

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)	December 31, 2020	December 31, 2019
Assets pledged to Bank of Canada & Direct Clearing Organizations ^{1,2}	\$ 58,693	\$ 53,524
Assets pledged in relation to:		
Derivative financial instrument transactions	72,765	8,169
Securities lending	4,175	15,922
Obligations under the Canada Mortgage Bond Program	123,995	202,193
Reinvestment assets under the Canada Mortgage Bond Program	770,589	686,953
Securities under repurchase agreements	513,497	643,526
	\$ 1,543,714	\$ 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.

32. Leases

ROU assets relate to leased office premises, IT equipment and photocopiers that are presented within property and equipment in Note 12.

(Thousands of dollars)	December 31, 2020	December 31, 2019
Balance at the beginning of the year	\$ 6,381	\$ 6,902
Depreciation charge for the year	(478)	(559)
Additions	261	38
Balance at the end of the year	\$ 6,164	\$ 6,381

Amounts recognized in the Consolidated Statement of Profit are as follows:

(Thousands of dollars)	December 31, 2019	December 31, 2019
Interest expense on lease liabilities	\$ 241	\$ 265
Depreciation charge for the year	\$ 478	\$ 559
Expense related to short term and low value leases	\$ 417	\$ 385

Total cash outflow for leases is presented in the Statement of Cash Flows. Maturity analysis of lease liabilities is presented in the Note 34 along with the maturity analysis of other liabilities.

Years Ended December 31, 2020 and 2019

33. 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 at FVTPL 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 in Note 3.

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, securities and obligations under the CMB Program.

The expected cash flows are discounted using interest rates currently being offered on instruments with similar terms. For a portion of Central 1's equity investments in cooperative entities, Central 1 uses 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 expected cash flows, 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);
- the expected price volatility were higher (lower).

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 December 31, 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, deposits designated at FVTPL 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.

Years Ended December 31, 2020 and 2019

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

(Millions of dollars)							December 31, 2020	
	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost ¹	Total Carrying Value		
Financial assets								
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,467.6	\$ -	\$ 1,467.6	
Securities	-	10,878.0	47.6	10,925.6	141.0	-	11,066.6	
Loans	-	-	15.8	15.8	1,095.8	-	1,111.6	
Derivative assets	-	103.6	-	103.6	-	-	103.6	
MLP assets held for segregation	-	8,132.6	-	8,132.6	943.0	-	9,075.6	
Total financial assets	-	19,114.2	63.4	19,177.6	3,647.4	-	22,825.0	
Financial liabilities								
Deposits	-	1,222.0	-	1,222.0	8,143.4	-	9,365.4	
Debt securities issued	-	-	-	-	1,554.6	-	1,554.6	
Obligations under the CMB Program	-	909.7	-	909.7	-	-	909.7	
Subordinated liabilities	-	-	-	-	221.7	-	221.7	
Obligations related to securities sold short	-	42.7	-	42.7	-	-	42.7	
Securities under repurchase agreements	-	-	-	-	513.5	-	513.5	
Derivative liabilities	-	148.4	-	148.4	-	-	148.4	
MLP liabilities held for segregation	-	3,375.3	-	3,375.3	5,301.2	-	8,676.5	
Total financial liabilities	\$ -	\$ 5,698.1	\$ -	\$ 5,698.1	\$ 15,734.4	\$ -	\$ 21,432.5	

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

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

(Millions of dollars)							December 31, 2019	
	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	

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

Years Ended December 31, 2020 and 2019

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 December 31, 2019		Purchases		Disposals		Transfers		Changes in fair value of assets in profit or loss		Fair Value at December 31, 2020	
Equity shares	\$	47.3	\$	0.3	\$	-	\$	-	\$	-	\$	47.6
Loans		17.3		-		(2.0)		-		0.5		15.8
Total financial assets	\$	64.6	\$	0.3	\$	(2.0)	\$	-	\$	0.5	\$	63.4

(Millions of dollars)	Fair Value at December 31, 2018		Purchases		Disposals		Transfers		Changes in fair value of assets in profit or loss		Fair Value at December 31, 2019	
Equity shares	\$	48.1	\$	0.4	\$	(1.3)	\$	-	\$	0.1	\$	47.3
Loans		22.4		-		(5.1)		-		-		17.3
Total financial assets	\$	70.5	\$	0.4	\$	(6.4)	\$	-	\$	0.1	\$	64.6

The following table set out the fair value of on-balance sheet financial instruments of Central 1 using the valuation methods and assumptions described above. The fair values disclosed do not include assets and liabilities that are not considered financial instruments, such as property and equipment, intangible assets, and investments in affiliates.

(Millions of dollars)	Fair Value				Carrying Value			
	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019	
Assets								
Cash	\$	1,467.6	\$	48.9	\$	1,467.6	\$	48.9
Securities		11,066.6		6,984.0		11,066.6		6,984.0
Loans ²		1,105.3		1,987.0		1,111.6		1,999.2
Derivative assets		103.6		48.9		103.6		48.9
MLP assets held for segregation		9,075.6		8,188.5		9,075.6		8,188.5
Liabilities								
Deposits	\$	9,372.4	\$	4,202.1	\$	9,365.4	\$	4,202.4
Obligations related to securities sold short		42.7		67.5		42.7		67.5
Derivative liabilities		148.4		52.2		148.4		52.2
Debt securities issued ¹		1,593.0		2,089.4		1,554.6		2,083.5
Obligations under the CMB Program		909.7		919.1		909.7		919.1
Subordinated liabilities ¹		225.1		224.3		221.7		221.5
Securities under repurchase agreements		513.5		643.5		513.5		643.5
MLP liabilities held for segregations		8,676.5		7,792.4		8,676.5		7,788.4

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

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

Years Ended December 31, 2020 and 2019

34. Financial instruments – Risk management

The nature of Central 1's holdings of financial instruments exposes Central 1 to credit and counterparty, liquidity and funding, and market risk.

COVID-19 caused major socioeconomic changes in 2020 and the Canadian Government acted to extend government relief programs through 2021. Given the variety of measures introduced by local, provincial and federal governments and the quantitative easing introduced by the Bank of Canada, forecasting the timing and extent of the economic downturn and recovery caused by COVID-19 is extremely difficult.

(a) Credit and counterparty risk

Credit risk is the risk of loss or opportunity cost resulting from the default or failure of a borrower, endorser, guarantor, or issuer to fulfil their financial obligations as they come due. Counterparty risk is the potential for financial loss resulting from the inability of a counterparty in a value-exchange transaction to fulfil its obligations. Central 1 is exposed to credit risk through investments and lending activities as well as through its role as Group Clearer and other settlement business. Central 1 is exposed to counterparty risk through entering into contracts with counterparties in return for bilateral value-exchange of services, such as interest rate swap, foreign exchange deals. The counterparty risk is managed within the same adjudication process as credit risk and Central 1 has direct control over the types and amounts of credit and counterparty risk it accepts.

In managing credit and counterparty risk exposure, Central 1 establishes policies and procedures that include:

- application of safe and sound, stringent lending and/or funding criteria to all credit exposures prior to their acquisitions;
- clearly defined management and policy limits on the amount, types, and concentrations of credit risk;
- regular evaluation and assessment of existing credit risk exposures and allowances; and
- continuous monitoring of credit exposures so as to promptly identify deteriorating situations and take appropriate action.

Central 1, along with all financial institutions, continues to face a threat from the COVID-19 pandemic to its credit risk business activities. Provisions for ECL increased in 2020 from 2019 reflecting the deterioration in the economic outlook. Despite the

COVID-19 pandemic, 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 Central 1's own credit union system where a robust internal risk rating regime is utilized.

Information regarding Central 1's key exposure to credit and counterparty risk is provided in Notes 6, 7, 8 and 9.

(b) Liquidity and funding risk

Liquidity and funding risk is the risk for Central 1 to have the potential inability to meet cash flows obligations in a timely manner due to an inability to generate sufficient cash from assets or funding sources. Central 1 provides liquidity support to the credit union system in B.C. and Ontario and considers the liquidity and funding risks for each of its member credit unions as part of Central 1's risk. Liquidity risk can be caused by an internal mismatch between the cash flows of our assets and liabilities, systemic market and credit events or unexpected changes in the liquidity needs of our members. Sound liquidity management of Central 1 ensures the safety of credit union members' deposits and the health of the credit union system.

As the fallout from COVID-19 continues to reveal itself across many sectors of the economy, Central 1 has seen a lower-than-expected need for liquidity from credit union members and a sustained increase in the level of deposits in the credit union system since the beginning of the pandemic. This has led to increased reserves held at the BoC which has consequently raised levels of High-Quality Liquid Assets (HQLA) at Central 1.

Central 1's liquidity management framework is designed to ensure that reliable and cost-effective funding sources are available to satisfy current and prospective commitments of Central 1 and its member credit unions. Diversification of funding sources provides flexibility and minimizes concentration risk. It is a crucial component of Central 1's overall liquidity management strategy.

Central 1 has established a comprehensive liquidity risk framework that is comprised of:

- a robust risk governance framework;
- investment strategies focused on maintaining sufficient unencumbered highly liquid assets to meet cash flow requirements in normal and stressed conditions;
- access to diversified funding sources – member deposits and capital markets;
- monitoring of credit union network liquidity, performance and financial health;

Years Ended December 31, 2020 and 2019

- an enterprise Contingency Funding Plan; and
- frequent measurement of portfolio liquidity.

Information regarding Central 1's high quality liquid securities is provided in Note 6. Information regarding Central 1's derivative liabilities, funding liabilities and off-balance sheet guarantees, commitments and contingencies is provided in Notes 8, 17, 18, 19, 20, and 31.

(c) Market risk

Market risk is the risk of loss resulting from favourable or unfavourable movements in interest rates, credit spreads, and foreign exchange rates. The level of market risk to which Central 1 is exposed varies depending on market conditions, and the composition of Central 1's investment, lending and derivative portfolios.

Markets have been extremely volatile as a result of COVID-19 pandemic. Central 1 manages its 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 Central 1's overall risk appetite. Market risk is measured using 1-Day Value-at-Risk (VaR) computed at a 99 per cent confidence level, meaning that the one-day change in portfolio value is expected to be less than VaR 99 per cent of the time. Central 1's risk appetite statement requires Central 1 to not assume additional market risk for speculative purposes or in pursuit of returns beyond those required to reasonably fulfill its primary mandate of safeguarding system liquidity.

Central 1 independently monitors exposure against limits, investigates any breaches and reports them at the appropriate level for review and action. This management framework is complemented by a series of rigorous stress test scenarios that are run on a regular basis.

Interest rate and credit spread risk

Central 1 regularly monitors its exposure to interest rate changes in order to assess their potential effects on financial margin. Central 1 Corporate Risk Management Policy defines exposure limits in relation to 1-day 99% Value at Risk (VaR). VaR provides a dollar estimate of loss due to 1-day movements in market risk factors at the 99% level. Interest rate VaR includes movements in sovereign and swap interest rate curves. Credit Spread VaR measures the loss associated with changes in credit spreads within the portfolio – CMB, Provincial, Bank and Corporate spreads. Central 1's exposure was largely due to potential movements in credit spreads, specifically widening credit spreads.

Foreign exchange rate risk

Central 1 has assets and liabilities denominated in several major currencies and buys foreign currencies from, and sells these currencies to its member credit unions. The risk associated with changing foreign currency values is managed by applying limits on the amounts (short or long positions) that can be maintained in the various currencies, and by utilizing derivative exchange contracts to lessen the impact of on-balance sheet positions and through VaR management limits. Central 1's exposure to foreign exchange rate risk is concentrated in USD with only a relatively small amount being held in other major currencies.

Information regarding Central 1's exposure to foreign currency risk is provided in Note 35.

Contractual repricing or maturity dates of financial instruments

The majority of the obligations is incurred in Central 1's role as a liquidity manager and consists of member deposits or short- and long-term notes. Central 1 also has contractual obligations to CHT under the CMB Program.

Years Ended December 31, 2020 and 2019

The following table summarizes the carrying amounts by the earlier of the contractual repricing or maturity dates for the following financial instruments:

	Floating	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not rate sensitive	Total
Assets							
Cash	\$ 1,467.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,467.6
Securities	295.3	1,763.3	2,765.2	4,891.7	1,018.6	332.5	11,066.6
Loans	301.3	241.1	103.0	462.8	3.6	(0.2)	1,111.6
Derivative assets	-	-	-	-	-	103.6	103.6
MLP assets held for segregation	-	9,075.6	-	-	-	-	9,075.6
Other assets	-	-	-	-	-	269.7	269.7
	\$ 2,064.2	\$ 11,080.0	\$ 2,868.2	\$ 5,354.5	\$ 1,022.2	\$ 705.6	\$ 23,094.7
Liabilities							
Deposits	\$ 3,561.5	\$ 3,215.5	\$ 2,207.0	\$ 357.5	\$ -	\$ 23.9	\$ 9,365.4
Debt securities issued	-	600.2	-	950.0	-	4.4	1,554.6
Obligations under the CMB Program	5.6	213.4	205.0	469.0	-	16.7	909.7
Subordinated liabilities	-	-	-	-	221.0	0.7	221.7
Obligations related to securities sold short	-	-	-	40.1	-	2.6	42.7
Securities under repurchase agreements	-	513.5	-	-	-	-	513.5
Derivative liabilities	-	-	-	-	-	148.4	148.4
MLP liabilities held for segregation	-	8,676.5	-	-	-	1.3	8,677.8
Other liabilities	-	-	-	-	-	499.6	499.6
	-	-	-	-	-	1,161.3	1,161.3
	\$ 3,567.1	\$ 13,219.1	\$ 2,412.0	\$ 1,816.6	\$ 221.0	\$ 1,858.9	\$ 23,094.7
On-balance sheet gap	\$ (1,502.9)	\$ (2,139.1)	\$ 456.2	\$ 3,537.9	\$ 801.2	\$ (1,153.3)	\$ -
Off-balance sheet gap	\$ (4,487.7)	\$ 154.8	\$ 1,251.4	\$ 2,765.7	\$ 315.8	\$ -	\$ -
Total Gap – December 31, 2020	\$ (5,990.6)	\$ (1,984.3)	\$ 1,707.6	\$ 6,303.6	\$ 1,117.0	\$ (1,153.3)	\$ -
Total Gap – December 31, 2019	\$ (3,210.8)	\$ (796.2)	\$ (1,153.5)	\$ 6,147.2	\$ 150.2	\$ (1,136.9)	\$ -

Years Ended December 31, 2020 and 2019

35. Financial instruments – Foreign currency exposure

Central 1 has various financial instruments denominated in foreign currencies. The details of Central 1's financial instruments, which are denominated in U.S. dollars, are as follows:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Assets		
Cash	\$ 43,807	\$ 17,356
Securities	517,789	324,439
Loans	2,120	656
MLP assets held for segregation	351,126	433,270
Other	50	50
	914,892	775,771
Liabilities		
Deposits	565,354	418,054
Derivatives liabilities	3,159	46
MLP liabilities held for segregation	344,114	422,508
Other	5,060	4,262
	917,687	844,870
On-balance sheet exposure	(2,795)	(69,099)
Off-balance sheet exposure	7,611	98,501
	\$ 4,816	\$ 29,402

Central 1 does not have a significant exposure to other foreign currencies.

Years Ended December 31, 2020 and 2019

36. 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. On September 30, 2020 BCFSA announced, as of January 1, 2021, and until further notice, BCFSA will set Central 1's borrowing multiple limit at 18.0:1 and will apply the multiple to Central 1's Consolidated Statement of Financial Position.

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 December 31, 2020 and December 31, 2019.

37. 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 benefits as described in Note 29.

Years Ended December 31, 2020 and 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)	December 31, 2020	December 31, 2019
Mortgage loans outstanding at the end of the period	\$ -	\$ 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:

(Thousands of dollars)	December 31, 2020	December 31, 2019
Salaries and short-term employee benefits	\$ 4,740	\$ 4,447
Incentive	2,699	1,232
Post-employment benefits	330	262
Termination benefits	1,174	576
	\$ 8,943	\$ 6,517

In addition to their salaries, Central 1 also provides non-cash benefits to key management personnel and contributes to post-employment benefits plan on their behalf. Termination benefits represent amounts paid or payable, pursuant to contractual arrangements, to members of key management personnel who left Central 1 during the period.

Transactions with Board of Directors

(Thousands of dollars)	December 31, 2020	December 31, 2019
Total remuneration	\$ 645	\$ 740

Significant subsidiaries

(% of direct ownership outstanding)	December 31, 2020	December 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%

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

Years Ended December 31, 2020 and 2019

Substantial investments

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

(% of direct ownership outstanding)	December 31, 2020	December 31, 2019
The Co-operators Group Limited	21%	21%
Canadian Credit Union Association	59%	59%

38. Subsequent events**MLP Segregation**

The segregation of the MLP occurred effective January 1, 2021 with settlement on the first following business day, January 4, 2021. Pursuant to agreements entered into by Central 1 with Class A members (Transfer Agreements), \$8.7 billion in MLP deposits were satisfied and discharged and cash and securities (Transferred Assets) of equal value were transferred to, or as directed by, each applicable Class A member. Related to the MLP segregation, on January 1, 2021, all Class F shares were redeemed and cancelled for the redemption price of \$1.00 per share which was paid to the holders of Class F shares on January 8, 2021. The total redemption amount was \$397.7 million.

Pursuant to each Transfer Agreement, Central 1 transferred the Transferred Assets as directed by the Class A member either to (i) Central 1 as trustee, to be held in trust for the benefit of the Class A member in accordance with the terms of a trust agreement entered into between Central 1 and the Class A member (each a Trust Agreement) or (ii) to the Class A member. Central 1 entered into a Trust Agreement with each of its B.C. Class A members and certain of its Ontario Class A members. Pursuant to each Trust Agreement, Central 1, as bare trustee, is required to hold trust property settled on trust for the benefit of the Class A member.

The transfer of cash and securities and satisfaction and discharge of MLP deposits pursuant to the Transfer Agreements and the redemption of Class F shares did not result in a material impact on profit and loss. Central 1 continues to remain in compliance with all regulatory capital requirements following segregation.

Medium-Term Notes

Subsequent to the year end, Central 1 issued \$250.0 million principal amount of series 18 medium-term fixed rate notes due January 29, 2026. The notes bear interest at a fixed rate of 1.323%, payable semi-annually on January 29 and July 29 of each year, commencing July 29, 2021.

On February 5, 2021, the \$350.0 million principal amount of Series 16 medium-term floating rate notes matured.

Credit Unions in British Columbia and Ontario

Central Credit Unions

Central 1 Credit Union

Stabilization Central Credit Union of British Columbia

Credit Unions By Province

B.C. Region

Aldergrove Credit Union
 BlueShore Financial Credit Union
 Bulkley Valley Credit Union
 CCEC Credit Union
 Coastal Community Credit Union
 Columbia Valley Credit Union
 Community Savings Credit Union
 Compensation Employees Credit Union
 Creston & District Credit Union
 East Kootenay Community Credit Union
 First Credit Union
 First West Credit Union
 Grand Forks District Savings Credit Union
 Greater Vancouver Community Credit Union
 Gulf and Fraser Fishermen's Credit Union
 Heritage Credit Union
 Integris Credit Union
 Interior Savings Credit Union Khalsa Credit Union
 Kootenay Savings Credit Union
 Ladysmith & District Credit Union
 Lake View Credit Union
 Mount Lehman Credit Union
 Nelson & District Credit Union
 North Peace Savings and Credit Union
 Northern Savings Credit Union
 Osoyoos Credit Union
 Prospera Credit Union
 Revelstoke Credit Union
 Salmon Arm Savings and Credit Union
 Sharons Credit Union
 Spruce Credit Union
 Summerland & District Credit Union

Sunshine Coast Credit Union
 Union Bay Credit Union
 Vancouver Firefighters Credit Union
 V.P. Credit Union
 Vancouver City Savings Credit Union
 VantageOne Credit Union
 Williams Lake and District Credit Union

Ontario Region

Adjala Credit Union Limited
 Airline Financial Credit Union Limited
 Alterna Savings and Credit Union Limited
 Bay Credit Union Limited
 Buduchnist Credit Union Limited
 Comtech Fire Credit Union Limited
 Copperfin Credit Union Limited
 DUCA Financial Services Credit Union Limited
 Dundalk District Credit Union Limited
 Education Credit Union Limited
 Equity Credit Union Inc.
 Finnish Credit Union Limited
 FirstOntario Credit Union Limited
 Fort York Community Credit Union Limited
 Frontline Financial Credit Union Limited
 Ganaraska Credit Union Limited
 Golden Horseshoe Credit Union Limited
 Healthcare & Municipal Employees' Credit Union Limited
 Health Care Credit Union Limited
 Heritage Savings & Credit Union Incorporated
 Italian Canadian Savings & Credit Union Limited
 Kawartha Credit Union Limited
 Kindred Credit Union Limited
 Kingston Community Credit Union Limited
 Korean Catholic Church Credit Union Limited
 Korean (Toronto) Credit Union Limited
 L.I.U.N.A. Local 183 Credit Union Limited
 Libro Credit Union Limited
 Luminus Financial Services & Credit Union Limited
 Mainstreet Credit Union Limited
 Meridian Credit Union Limited
 Momentum Credit Union Limited
 Motor City Community Credit Union Limited
 Moya Financial Credit Union Limited
 Northern Credit Union Limited
 Ontario Educational Credit Union Limited
 Ontario Provincial Police Association Credit Union Limited
 Oshawa Community Credit Union Limited
 Ottawa Police Credit Union Limited
 PACE Savings & Credit Union Limited
 Parama Credit Union Limited
 Pathwise Credit Union Limited
 PenFinancial Credit Union Limited
 Rapport Credit Union Limited
 Resurrection Credit Union Limited
 St. Stanislaus-St. Casimir's Polish Parishes Credit Union Limited
 Smiths Falls Community Credit Union Limited
 Southwest Regional Credit Union Limited
 Sudbury Credit Union Limited
 Taiwanese-Canadian Toronto Credit Union Limited
 Talka Credit Union Limited
 Tandia Financial Credit Union Limited
 The Energy Credit Union Limited
 The Police Credit Union Limited
 Thorold Community Credit Union
 Ukrainian Credit Union Limited
 United Employees Credit Union Limited
 Windsor Family Credit Union
 Limited Your Credit Union Limited
 Your Neighbourhood Credit Union Limited

1.800.661.6813
www.central1.com

B.C. Regional Office

Central 1 Credit Union
1441 Creekside Drive
Vancouver, B.C.
Canada V6J 4S7

Ontario Regional Offices

Central 1 Credit Union
2810 Matheson Boulevard East
Mississauga, Ontario
Canada L4W 4X7

Central 1 Credit Union
908-120 Adelaide Street West
Toronto, Ontario
Canada M5H 1T1

Corporate Secretary Contact

Amanda Wheat
Senior Counsel and Acting Corporate Secretary

Central 1 Credit Union
T 604.714.6821 or 1.800.661.6813 ext. 6821
E corporatesecretary@central1.com

Investor Contact

Brent Clode
Chief Investment Officer

Central 1 Credit Union
T 905.282.8588 or 1.800.661.6813 ext. 8588
E bclode@central1.com

Debtholder Contact

Main Agent
Computershare Trust Company of Canada

510 Burrard Street, 3rd Floor
Vancouver, B.C.
Canada V6C 3B9
T 604.661.9400
F 604.661.9549

www.computershare.com

Media Contact

Ian Colvin
Head of Communications

Central 1 Credit Union
T 604.737.5005
E communications@central1.com