Management's Discussion & Analysis

December 31, 2021

Jump to table of contents

2021 Highlights of the Year

Total

$45.4 M

PROFIT AFTER TAX

Treasury

$52.6 M PROFIT AFTER TAX

⬇ $23.5 M

- Continued strong performance across all Treasury's diverse line of business
- Widened credit spreads and increased interest rates impacted net realized and unrealized gains

Payments & Digital Banking Platforms and Experiences

($11.5 M) LOSS AFTER TAX

⬆ $25.0 M

- Increase in *Interac* e-Transfer® volumes
- Investments in strategic initiatives continued at a planned lower level

System Affiliates & Other

$4.3 M PROFIT AFTER TAX

⬆ $10.1 M

- Investments in strategic initiatives included the implementation of a new accounting system together with other initiatives aimed to expand corporate efficiency
- Recognized a $11.5 million fair value gain from Central 1's investment in Concentra Bank
- One-time income of $5.5 million (US$4.4 million) relating to the liquidation distribution from a prior investment

Borrowing Multiple[2]

14.3:1

Tier 1 Capital Ratio[2]

15.3%

1 The Mandatory Liquidity Pool was segregated from Central 1 Credit Union effective January 1, 2021.
2 These are non-GAAP Financial Ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Jump to table of contents

Contents

Management's Discussion and Analysis

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 24, 2022. The financial information included in this MD&A should be read in conjunction with our Consolidated Financial Statements for the years ended December 31, 2021 and 2020 (Consolidated Financial Statements), which were authorized for issue by the Board of Directors (the Board) on February 24, 2022. 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

As a cooperative, the cooperative principles and values are expressed through the way we work at Central 1. We hold a unique place in the cooperative banking ecosystem because we are owned by B.C. and Ontario credit unions who collectively form a member-oriented, full-service retail financial system that holds billions in financial assets and provide banking choice to Canadians. This credit union system has been and will always be our core.

We've been driven to enable the success of credit unions and other financial institutions for over 80 years through uniquely combining cooperative and business leadership in how we govern, develop and deliver services. Collaboration, scale and expertise are our competitive advantages. We leverage this expertise to provide critical building blocks for financial services, aggregating volume to provide access to critical services at scale.

Coast to coast, we are a preferred partner for providing exceptional financial products, innovative end-to-end payments solutions and intuitive online banking and mobile experiences that millions count on.

Our products and services are delivered through two core lines of business: Treasury and Payments & Digital Banking Platforms and Experiences (DBPX).

We enable a strong and stable credit union system as the primary liquidity provider to credit unions in B.C. and Ontario. This includes delivering a robust array of funding programs and investment products and our Asset Management Services (AMS) enables credit unions to rely on the specialized investment expertise of Central 1.

Payments and Digital Services is an integral part of Canada's banking system. We have 148 financial institutions committed to the Forge Digital Banking Platform, and we process more than 645 million payments annually on behalf of over 200 financial institutions and government organizations in Canada. We are one of the largest payments processors for Canadians, and we've been doing it for over 25 years.

Central 1 is committed to building environmental sustainability, social responsibility and effective corporate governance into all aspects of our business. Environmental, Social and Governance (ESG) is integrated throughout our Corporate Strategy as a tool that can help deliver on our strategic priorities. Our approach is to target where Central 1's core business functions and in-house expertise overlap with critical ESG issues. Central 1 integrates ESG factors into our practices to grow and support responsible investing, and we strive to embed ESG as a way we do business, continuing to take steps and further our commitment to developing a sustainable financial system.

Progress Against Our Strategic Priorities

As a system utility, Central 1 provides critical building blocks for financial services, for today and the future. Our Strategy cascades from our Purpose – to be grounded by our role to enable a thriving credit union system and to cooperatively empower those who deliver banking choice to Canadians. Our Strategy defines our strategic choices and initiatives for the duration of the plan and provides the roadmap for Central 1's direction through three strategic priorities: Redesign, Perform and Evolve.

Redesign

Redesign to meet the system's evolving needs:

Rationalize our products and services, engage proactively and collaboratively and provide delivery excellence.

- Central 1 focused on supporting our members with our Asset Management Services (AMS), providing them with professional securities management advice, facilitating webinars and providing access to tools and resources to enhance their learning process. Our goal is to help credit unions continue portfolio rebalancing that complies with liquidity regulatory requirements and optimizes returns in accordance with investment mandates. AMS was created to facilitate closer alignment with federal and international regulatory standards and transition the overall liquidity management for B.C. and Ontario credit unions from a deposit structure to an investment structure, for the benefit of the credit union system.

- In 2021, Central 1's Commercial Real Estate Lending team approved over $1.3 billion in commercial real estate loans, including loans for residential apartment buildings. The team also funded and syndicated $27 million of a $97 million construction loan (led by Laurentian Bank of Canada) associated with Canada's first all-female designed and developed residential condominium project in Toronto, demonstrating our commitment to promoting diversity, equity and inclusion (DEI) across our investment portfolio and considering ESG factors in our product offerings.

- Treasury participated in the newly launched First Nations Finance Authority (FNFA) Commercial Paper program during the month of September, when Canada observed our inaugural National Day for Truth and Reconciliation. In September 2021, Central 1's Treasury department purchased $60 million of FNFA's one-month Commercial Paper, which adds to our existing holdings of FNFA's ten-year bond from $5 million to $65 million.

- Central 1, one of the largest payments processors for Canadian financial institutions, established a strategic contract with Fiserv, Inc. (NASDAQ: FISV), a leading global provider of payments financial services technology, to deliver state-of-the-art payments processing capabilities for the Canadian market based on Fiserv managed services and technology. The contract with Fiserv reinforces Central 1's commitment to positioning Central 1's clients at the forefront of Canada's digital payments future by embracing innovation and digital transformation.

- Lynx, Canada's new high-value payments system, successfully launched Lynx Release I in late August 2021. Central 1, along with 16 other key participants, Payments Canada and the Bank of Canada, implemented the changes to technology and operations after more than a year of preparation. To ensure a seamless experience, clients were well insulated from the transition as Central 1 continues to drive progress and enable clients through these many enhancements.

- Central 1 facilitated industry engagement through the introduction of several committees including the Advisory Council and the PayMod Exchange Committee. Central 1 also optimized Payments structures in fortifying relationships with banking hosts and vendors to streamline client processes.

- In collaboration with Vancity and First West Credit Union, the first phase of *Interac* e-Transfer® for Business was successfully launched, which will enable the receipt of real time, account number routed and data-rich payments.

- Central 1 has established a strategic contract with Featurespace, a global leader in combatting fraud and financial crime, to implement their industry-leading Enterprise Fraud Management (EFM) solution. The phased rollout of the EFM solution supports clients' risk management programs by using a combination of rules, advanced analytics, and machine learning to monitor, detect and prevent fraudulent transactions in real-time.

Jump to table of contents

- As a trusted partner to the credit union system, Central 1 selected OpenText, a global leader in information management, as a partner for delivering a new content management system. Central 1's strategic decision will empower digital banking clients with the tools needed to deliver the digital experience their customers are looking for.
- Central 1's introduction of Forge 2.0, with planned enhancements to Public Website (PWS), Mobile App, Online Banking and Small Business, provides a sustainable platform that changes how Central 1 drives value for our clients and the ways they support their customers.
- Central 1 continues to assess and evaluate its processes to drive efficiency on behalf of the credit union system. With significant client commitment to Forge 2.0, the Digital team successfully completed 29 Forge Retail implementations across the PWS, Mobile Banking and Online Banking offerings for 2021 and applied their learning towards refining implementation processes.
- Central 1 continued to assess and adapt its products with clients in mind, while ensuring clients had continued access to support needed through the pandemic and in unexpected situations, such as the recent B.C. Floods.

Perform

Operate effectively, consistently and with agility:

Become an operationally excellent organization and live a culture grounded in our Purpose.

- In early 2021, Central 1 initiated the Fit for Future program. This is a multi-year strategy to evolve our thinking and approach and build foundational strength to allow us to deliver on our Purpose, now and into the future. It applied a disciplined approach to sustain our long-term growth and facilitated a culture that fosters agility, embraces new ways of working and enables resilience in the face of future disruptions.
- Central 1's procurement office integrated ESG questions into their request for proposal process to incorporate social and environmental value as a component of our supply chain decision making.

Evolve

Modernize how we deliver value to the system:

Optimize ownership benefits, optimize structure and strengthen governance.

- Central 1's Board representatives have spent significant time exploring key topics with the view to enhance and evolve our governance to better align with Central 1's role, mandate and evolving membership needs. A significant emphasis is placed on the mandatory capital call and the double majority voting requirement for changing Central 1's Constitution and Rules. In the second half of 2021, the Board's Risk Review and Investment and Loan Committee (RRILC) and the Conduct Review and Corporate Governance Committee (CRCGC) thoroughly reviewed the work from the past years and more deeply explored these two topics.
- In May 2021, Central 1's leadership and Board enacted a corporate ESG Policy with the aim of adopting an opportunity-driven approach to fulfilling our commitment to building environmental sustainability, social responsibility and effective corporate governance into all aspects of our business. Eight guiding statements saw three prevalent ESG themes: climate, DEI, and Indigenous reconciliation – throughout each of our business lines – connecting our everyday activities with generating positive impact. We strive to have ESG factors integrated into how we do business.

Our Plans for 2022

As a leader for the credit union system, Central 1 continues to assess and adapt its products with clients in mind, ensuring they have continued access to the support they need. Guided by the Cooperative Principles which include Concern for Community and Cooperation Among Cooperatives, Central 1 recognizes the tremendous value we can bring to local communities by working collectively.

In 2022, under the new leadership of Sheila Vokey, President and CEO, Central 1 will continue to stay engaged, collaborate and listen to the needs of our members and clients. Our initiatives and commitments continue to leverage our scale, expertise

Jump to table of contents

and deep understanding of the credit union system. Innovation and reliability will remain core to our secure payments and digital solutions, and we are committed to being the primary provider for short-term market funding and treasury services to support our members and clients.

2022 is an important year of execution. Looking forward to the year ahead, key areas of focus cascading from our strategic priorities include:

- Establishing a stronger foundation through culture, leadership work and organizational redesign that ensures viability of the organization long-term.
- Improving our functionality, with a particular focus on the timely, reliable delivery of our solutions.
- Continuing to deliver on our business commitments for Forge, Payments and Treasury.

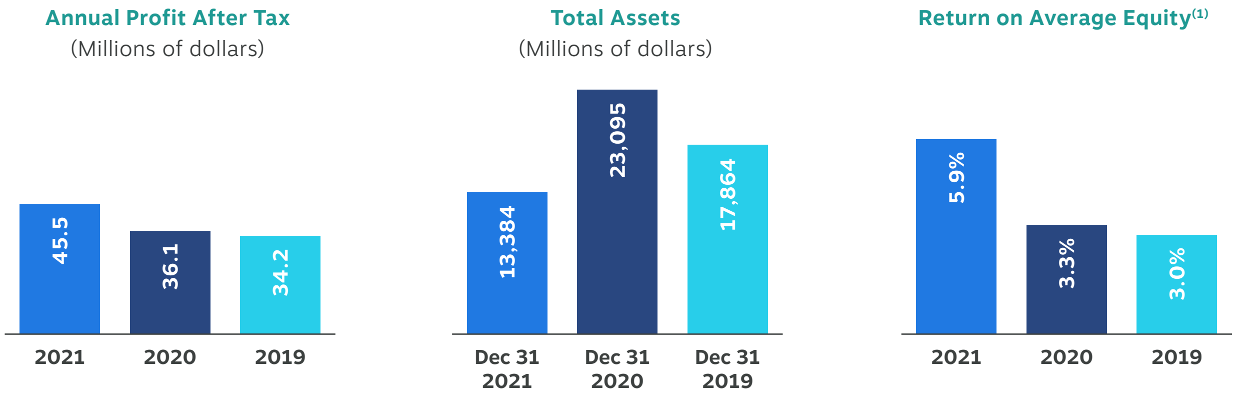
Treasury has a strong pipeline of loans established this year. As the primary liquidity provider to the credit union system, Central 1 ensures we have appropriate levels of liquidity to support and maintain confidence in the credit union system. We will focus on the likelihood of rising interest rates in Canada and supporting clients through this transition by promoting education, resources and strategies. We will also continue to grow the real estate book of business while remaining vigilant on credit quality, keeping us and our members secure.

Digital will prioritize operational excellence and implementation processes to ensure our clients are supported and enhanced in their digital banking journeys and their ability to serve their members and customers effectively. To continue building on Forge 2.0's momentum, we will continue bringing product leadership to the credit union ecosystem.

Payments will continue to focus on efficient compliance with industry mandates while expanding data opportunities and capabilities that will help credit unions deliver value to their members, strategically invest to increase economies of scale and reach new market segments.

Jump to table of contents

Overall Performance



(1) This is a non-GAAP financial ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

(Millions of dollars)	Dec 31 2021	Dec 31 2020	For the year ended Dec 31 2019
Continuing operations			
Net financial income	$ **84.8**	$ 91.1	$ 70.7
Non-financial income, excluding strategic initiatives(1)	**151.6**	139.5	134.9
Net financial and non-financial income	**236.4**	230.6	205.6
Non-financial expense, excluding strategic initiatives(1)	**144.8**	157.7	142.3
	91.6	72.9	63.3
Strategic initiatives(1)	**29.3**	53.6	57.5
Income tax (recovery)	**16.9**	(7.0)	(0.9)
Profit after tax from continuing operations	**45.4**	26.3	6.7
Profit from discontinued operations	**-**	9.8	27.5
Profit after tax	$ **45.4**	$ 36.1	$ 34.2

(1) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Jump to table of contents

Effective January 1, 2021, Central 1 no longer has discontinued operations as the MLP was segregated on January 1, 2021.

Central 1's profit after tax from continuing operations for the year of 2021 was $45.4 million, $19.1 million higher than 2020. Investment in strategic initiatives continued in 2021 at a planned lower level and remained consistent with Central 1's strategic priorities and plans, reflective of the amount spent being $24.3 million lower year-over-year. Central 1 recognized a $11.5 million fair value gain from its investment in Concentra Bank in 2021. Excluding a one-time income of $5.5 million (US$4.4 million) in 2021 relating to the liquidation distribution from a prior investment, non-financial income remained relatively stable while non-financial expense decreased $12.9 million from 2020 when a charge related to intangible assets was recorded. 2021 results also reflected an improved economic outlook and reported a recovery of $1.4 million in expected credit loss (ECL), compared to an ECL expense of $2.8 million reported last year.

Net financial income decreased $6.3 million year-over-year driven by a decline in net realized and unrealized gains mainly due to less favourable movements in credit spreads and interest rates. The MLP segregation in January 2021 led to Central 1 losing the 10% credit union deduction rate, reflective of $23.9 million increase in income tax expense compared to last year.

Selected Financial Information	Dec 31 2021	Dec 31 2020	For the year ended Dec 31 2019
Return on average assets(1)	**0.3 %**	0.2 %	0.2 %
Return on average equity(1)	**5.9 %**	3.3 %	3.0 %
Average assets *(millions of dollars)*(2)	**$ 13,718.2**	$ 21,125.3	$ 17,291.0
Average equity *(millions of dollars)*(2)	**$ 767.9**	$ 1,105.7	$ 1,123.9
Weighted average shares outstanding *(number of shares)*	**51.0**	440.9	431.7
Dividends per share *(cents)*			
Class B & C – *cooperatives & other*	**-**	0.6	2.2
Class F – *credit unions*	**-**	3.2	7.0

(1) These are non-GAAP financial ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.
(2) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Selected Financial Information	Dec 31 2021	Dec 31 2020	As at Dec 31 2019
Balance sheet *(millions of dollars)*			
Total assets	**$ 13,383.6**	$ 23,094.7	$ 17,864.1
Long-term liabilities	**$ 2,316.6**	$ 2,037.6	$ 6,881.8
Regulatory ratios			
Tier 1 capital ratio[1]	**15.3 %**	20.9 %	33.5 %
Total capital ratio[1]	**20.6 %**	25.9 %	42.1 %
Borrowing multiple[1]	**14.3:1**	17.8:1	$ 13.5:1
Share Information *(thousands of dollars, unless otherwise indicated)*			
Outstanding shares ($) - $1 par value shares			
Class A – credit unions	**$ 43,359**	$ 43,359	$ 43,359
Class B – cooperatives	**$ 11**	$ 5	$ 5
Class C – other	**$ 7**	$ 7	$ 7
Class F – credit unions	**$ -**	$ 397,737	$ 396,686
Outstanding number of shares (thousands of shares)			
Class A – credit unions	**43,359**	43,359	43,359
Class B – cooperatives	**11**	5	5
Class C – other	**7**	7	7
Class F – credit unions	**-**	397,737	396,686
Outstanding shares ($) - $0.01 par value shares with redemption value of $100			
Class E – credit unions	**$ 21**	$ 21	$ 21
Treasury shares	**$ (2)**	$ (2)	$ (2)
Outstanding number of shares (thousands of shares)			
Class E – credit unions	**2,154**	2,154	2,154
Treasury shares	**(264)**	(264)	(264)

(1) These are non-GAAP Financial ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

The change in total assets correlates to the change in the size of our funding portfolios. Excluding the assets from discontinued operations, total assets as at December 31, 2021 were down $635 million from December 31, 2020 when credit union liquidity was near its peak and has since begun to reduce from elevated levels in light of improving economic conditions. The assets excluding discontinued operations were up $3.7 billion from December 31, 2019 when credit union liquidity was at more historically normalized pre-pandemic levels.

Pursuant to agreements entered into by Central 1 with Class A members (Transfer Agreements), $8.7 billion in MLP deposits were satisfied and discharged. Cash and securities (Transferred Assets) of equal value were transferred to each 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.

Regulatory ratios declined from a year ago, largely due to a reduction in Class F Share Capital as a result of the MLP segregation. The borrowing multiple decreased from a year ago, largely due to the segregation of mandatory deposits also as a result of the MLP segregation. Central 1 was in compliance with all regulatory capital requirements throughout the reporting periods ended December 31, 2021 and December 31, 2020.

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.

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.

Our 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 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

As the pandemic continued to impact Canadians through 2021, federal and provincial governments remained primarily focused on programs, legislation and regulation to protect public health while also bolstering the economy with support programs for businesses and individuals affected by COVID-19. For Central 1, that meant few legislative or regulatory initiatives were introduced which had a direct impact on operations. The re-election of the Liberal government in October's federal election also meant stability for federal initiatives in which Central 1 is a participant, such as payments modernization.

However, there was a couple of changes of note. On January 1, 2021, as part of the Mandatory Liquidity Pool segregation process, a new consolidated borrowing multiple of 18:1 came into effect, replacing the previously-separate Treasury and MLP borrowing multiples. As well, BCFSA released new guidelines related to Information Security and Outsourcing which become effective in September 2022 and for which Central 1 has started preparations to ensure compliance.

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 their 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.

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.

Non-GAAP and Other Financial Measures

Management of Central 1 uses a number of financial measures and ratios to assess overall performance. Some of these measures do not have a standardized definition prescribed by *Generally Accepted Accounting Principles* (GAAP) and might not be comparable to similar measures presented by other companies. Presenting non-GAAP financial measures and ratios provides readers with an enhanced understanding of how management analyzes Central 1's results and assesses the underlying business performance. The discussions of non-GAAP financial measures and ratios that Central 1 uses in evaluating its operating results are presented as footnotes in the respective sections of this MD&A together with the required disclosure below in accordance with National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*.

Non-GAAP Financial Measures

The following non-GAAP financial measures exclude certain items from our financial results prepared in accordance with IFRS. The tables below present reconciliations of these measures to their respective most directly comparable financial measures disclosed in Central 1's Consolidated Financial Statements.

- **Non-financial income, excluding strategic initiatives and non-financial expense, excluding strategic initiatives** presented in the overall performance section of this MD&A are derived by excluding Central 1's investments in strategic initiatives to develop and deliver solutions to support the growth of credit union system. Excluding strategic initiatives allows readers to better understand Central 1's recurring financial performance and the related trends.

Millions of dollars		Dec 31 2021		Dec 31 2020		For the year ended Dec 31 2019
Non-financial income as reported	**$**	**151.6**	$	139.6	$	135.6
Less: Income from Strategic initiatives		**-**		0.1		0.7
Non-financial income, excluding strategic initiatives	**$**	**151.6**	$	139.5	$	134.9
Non-financial expense as reported	**$**	**174.1**	$	211.5	$	200.5
Less: Strategic initiatives spend		**29.3**		53.8		58.2
Non-financial expense, excluding strategic initiatives	**$**	**144.8**	$	157.7	$	142.3

Jump to table of contents

- **Average assets and average equity** are non-GAAP financial measures, calculated from averaging month end balances for assets and equity. Average assets and average equity are used to calculate return on average assets and return on average equity, respectively, which are non-GAAP financial ratios as listed in non-GAAP financial ratios section below.

Millions of dollars, except as indicated	Dec 31 2021	Dec 31 2020	Dec 31 2019
Reported Profit	**$ 45.4**	$ 36.1	$ 34.2
Total assets as reported	**$ 13,383.6**	$ 23,094.7	$ 17,864.1
Impact of averaging month-end balances	**334.6**	(1,969.4)	(573.1)
Average assets	**$ 13,718.2**	$ 21,125.3	$ 17,291.0
Return on average assets	**0.3 %**	0.2 %	0.2 %
Total equity as reported	**$ 786.5**	$ 1,161.3	$ 1,113.2
Impact of averaging month-end balances	**(18.6)**	(55.6)	10.7
Average equity	**$ 767.9**	$ 1,105.7	$ 1,123.9
Return on average equity	**5.9 %**	3.3 %	3.0 %

- **Liquid Assets** is maintained by Central 1 to ensure that credit unions have access to reliable and cost-effective sources of liquidity and included in the Cash and Liquid Assets section of this MD&A. The major component of liquid assets is securities reported on the Consolidated Statement of Financial Position, excluding equity investments and including investments that are held for distribution.

Millions of dollars	Dec 31 2021	Dec 31 2020	Dec 31 2019
Liquid Assets			
Federal and provincial government issued and guaranteed securities	**$ 5,360.0**	$ 4,958.8	$ 3,606.9
Corporate and financial institutions securities	**4,029.7**	4,410.4	2,699.3
Asset backed securities	**339.2**	1,540.5	438.5
Insured mortgages	**64.9**	111.1	187.0
Add: Equity instruments	**60.5**	47.7	47.3
Add: deposits with regulated financial institutions	**-**	-	5.0
Less: securities as reported under held for distribution	**(5.7)**	(1.9)	-
Securities as reported	**$ 9,848.6**	$ 11,066.6	$ 6,984.0

Jump to table of contents

- **Tier 1 capital** is used to calculate the Tier 1 capital ratio which is used to monitor Central 1's capital position to be maintained within the regulatory limits. It consists of share capital and retained earnings, excluding accumulative net after-tax gain in investment property. The quantitative reconciliation for Tier 1 capital is disclosed under Capital Management and Capital Resources section of this MD&A.
- **Tier 2 capital** is used to calculate the Tier 2 capital ratio which is used to monitor Central 1's capital position to be maintained within the regulatory limits. It is the difference between subordinated debt net of any required amortization in its final five years and the accumulated net after tax gain in investment property. The quantitative reconciliation for Tier 2 capital is disclosed under Capital Management and Capital Resources section of this MD&A.
- **Total regulatory capital** is used to calculate the total capital ratio which is used to monitor Central 1's capital position to be maintained within the regulatory limits. It is the sum of Tier 1 capital and Tier 2 capital minus statutory capital adjustments. The quantitative reconciliation for total regulatory capital is disclosed under Capital Management and Capital Resources section of this MD&A.
- **Total Borrowings** is used to calculate borrowing multiples. Central 1 is required by regulators to maintain a consolidated borrowing multiple within the regulatory limits. Total borrowings include the line items reported in the primary financial statements such as deposits, debt securities issued, obligations under the CMB program, securities under the repurchase agreements, derivative liabilities and settlement in transit liabilities. In addition, the subsidiaries deposits held by Central 1 which are eliminated through consolidation are also included in total borrowings.

Millions of dollars		Dec 31 2021		Dec 31 2020		As at Dec 31 2019
Total liabilities as reported	**$**	**12,597.1**	$	21,933.3	$	16,750.9
Less: Other liabilities as reported	**$**	**(93.6)**	$	(97.5)	$	(98.2)
Less: Subordinated liabilities	**$**	**(220.3)**	$	(221.7)	$	(221.0)
Less: Settlements in-transit not related to Group Clearer	**$**	**(2.0)**	$	-	$	(1.6)
Add: Subsidiary Deposits	**$**	**0.9**	$	5.6	$	0.6
Total Borrowings	**$**	**12,282.1**	$	21,619.7	$	16,430.7

Non-GAAP Financial Ratios

- **Return on average assets and return on average equity** are used to measure Central 1's profitability and present the profit as a percentage of average assets and average equity, respectively, which are based on averaging month end balances.
- **Tier 1 capital ratio** is used to monitor Central 1's capital position to be maintained within the regulatory limits and is calculated by dividing the Tier 1 capital by the risk weighted assets.
- **Borrowing multiple** is used to monitor Central 1's capital position to be maintained within the regulatory limits and is calculated using total borrowings divided by total regulatory capital. Total borrowings and total regulatory capital are non-GAAP financial measures. The quantitative reconciliation for total borrowings is disclosed above in and the breakdown of total regulatory capital can be found in the Capital Management and Capital Resources section of this MD&A.
- **Total capital ratio** is used to monitor Central 1's capital position to be maintained within the regulatory limits and is calculated by dividing total regulatory capital by the risk weighted assets.

Supplementary Financial Measures

Central 1 also uses the following supplementary financial measures which are not disclosed in the financial statements, but do not meet the definition of non-GAAP financial measures or ratios.

- **Assets under administration (AUA)** include government approved registered plans for tax deferral purposes, which are trusteed and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members.
- **Liquidity coverage ratio (LCR)** demonstrates whether Central 1 has a sufficient stock of liquid assets to meet 30-day cashflow requirements under a severe stress scenario. It is calculated using the stock of liquid assets, calculated based on OSFI regulatory requirements, divided by the net cash outflows over the next 30 days.

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.

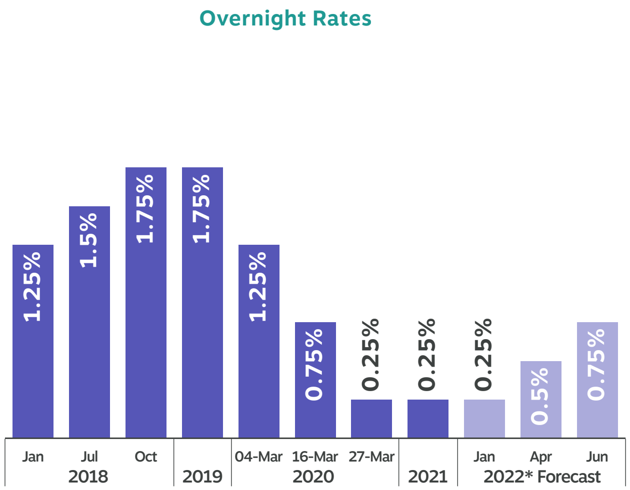
Forward-looking statements, by their nature, require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct, and that financial objectives, 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.

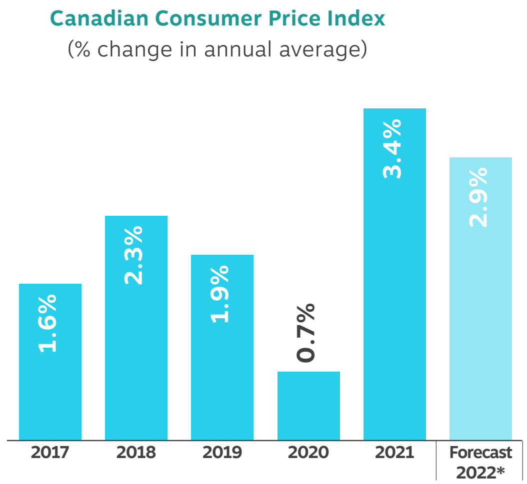
Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact our results. Central 1 does not undertake to update forward-looking statements except as required by law.

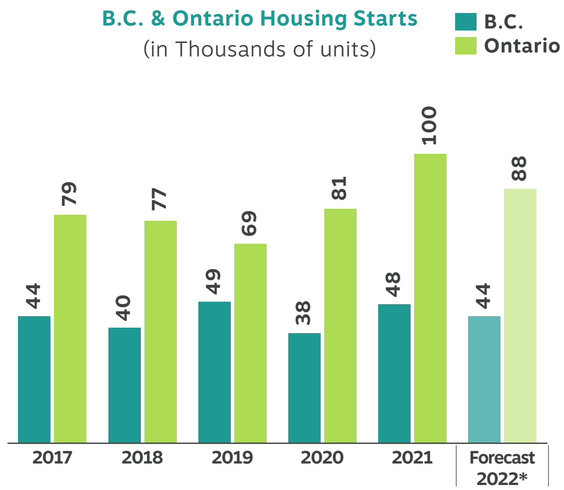
Economic Developments and Outlook

The following summaries of the economic environment, the state of financial markets and performance by both provincial systems in 2021 offer context for interpreting our year-over-year results and insight into our future.

Economic Environment







*Forecast source: Central 1 Economics

The global economy continues to recover despite a resurgence of pandemic woes amidst rapid spread of the Omicron variant. This has led to temporary return to restrictive public health measures including within Canada. Economic growth will be interrupted in Q1 but likely to bounce back quickly as the latest wave fades and return to pre-Omicron trends.

The latest global economic forecast point to estimated growth of 5.9 per cent in 2021 and a forecast 4.9 per cent in 2022 according to the International Monetary Fund (IMF). Advanced economies are expected to do better as access to vaccines has resulted in high vaccination rates and even considerations for booster shots whereas developing economies have a much lower share of the population fully vaccinated. However, with these outlooks developed pre- Omicron, forecasts will likely to be cut back amidst the restricted global travel, reduced services and ongoing supply chain disruptions. Employment levels around the world are also still below pre-pandemic levels, reflecting the output gap that exist in most economies along with worker fear of infection in contact intensive occupations, childcare constraints, and replacement income through unemployment benefits. Supply chain challenges remain pervasive, and the new variant has further amplified issues and is contributing to high inflation. Commodity prices have increased, led by metals and energy commodities. Bank of Canada's commodity price index has almost tripled from the low seen at the beginning of the pandemic and is at prices above early 2020 levels. Sustained periods of inflation could also hinder growth as it could result in an early withdrawal of monetary stimulus.

The US Economy came roaring back in 2021 after contracting in 2020. Current IMF estimates expected real GDP to have grown by around 7 per cent in 2021 but then slow to 5.2 per cent. The recovery is being supported by strong fiscal and monetary stimulus with some estimates have the American Rescue Plan, introduced in March 2021, as contributing up to 8.2 per cent of GDP. However, vaccine hesitancy is still strong and may limit growth if higher case counts have states reintroduce stricter limitations. State governments though are hesitant to reintroduce health restrictions, especially those that will interfere with business. As a result, unemployment has dropped to 3.9 per cent as of the end of 2021, its lowest levels since February 2020 and will likely only go lower with the IMF forecasting it to be 3.5 per cent for 2022.

Canada is expected to have a strong 2021, with real GDP forecast to grow 4.6 per cent in 2021 according to Central 1 Economics. Like the rest of the world, 2022 growth is expected to be slower, with our latest forecast seeing real GDP grow at 3.5 per cent due in part to the drag of Omicron in Q1. A strong demand for commodities has boosted prices across the board for the sector. Consumption has also rebounded with the resumption of in person services combined with elevated level of goods purchases. Housing resales and construction remain robust as continued low supply and low rates provide support for the elevated prices. Job gains have also been robust, with many of the industries most affected coming back alive. However, new variants of COVID-19 have emerged and resulted in new restrictions on in person activities. However, lasting effects are not expected as the high vaccination rates are expected to help shorten any waves that occur. As such, unemployment is forecast to fall, from a forecasted 7.5 per cent in 2021 to 6.0 per cent in 2022.

British Columbia

British Columbia's economy is expected to grow by 5.3 percent in 2021, but slow to 4.2 per cent in 2022 according to Central 1 Economics. Many sectors that were most affected by the pandemic, such as accommodations and food services and arts and entertainment have come back, but levels of employment in these sectors remain below pre-pandemic levels. Other sectors have more than made up for those losses and overall employment levels have exceeded those seen in early 2020. Unemployment is forecast to fall further and average 5.0 per cent for 2022. Market conditions for housing still lean strongly towards a seller's market, despite elevated prices and reduced affordability. Trade levels are also high, and volume has exceeded pre-pandemic levels despite the persistent global supply chain issues and transportation bottlenecks. However, new outbreaks of COVID-19 could hamper growth if new health measure are implemented.

Ontario

Ontario's economy is expected to grow 4.5 percent in 2021, and then grow 3.6 per cent in 2022 according to Central 1 Economics as relatively strict Omicron measures contain growth. The first half of 2021 saw growth stagnant as Ontario had one of the longest and strictest public health orders in North America, but that soon reversed in the second half after capacity restrictions begun to ease. Overall employment numbers have recovered, not all sectors are back to full capacity. Unemployment is forecast to fall in 2022, but a small hiccup is expected as early in the year as restrictions returned. Supply chain issues have also kept exports range bound, but the effects are expected to moderate in 2022. Consumer spending has also returned and is expected to get a strong boost in the new year. Home sales were also hot, as sustained demand from low interest rates combined with limited supply keep priced elevated and while it is expected to slow slightly in the new year, activity should remain relatively high.

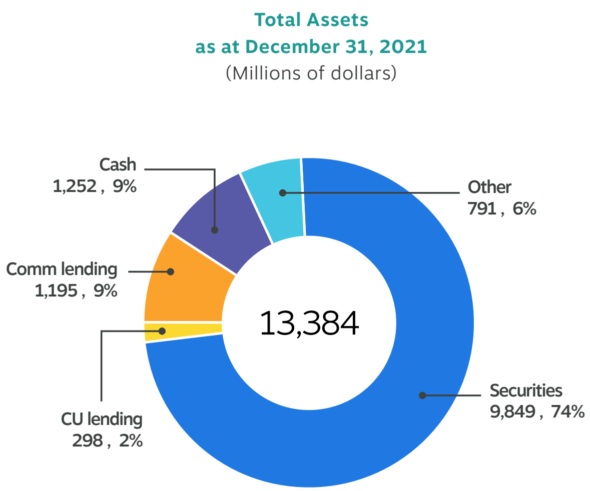
Financial Markets

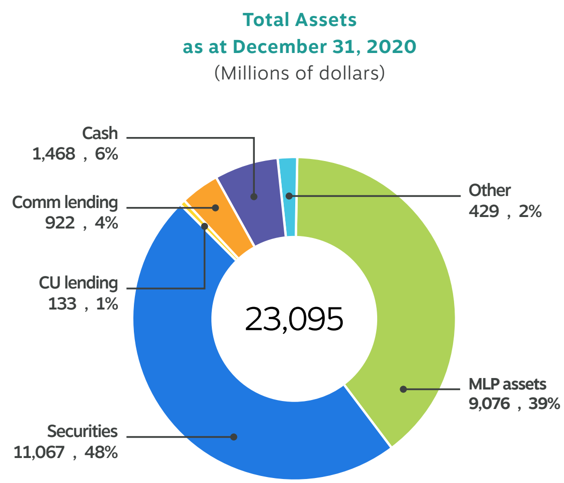
Financial market conditions continue to be very supportive of economic activity. Bond spreads have remained narrow and equity price indexes have hovered near historic highs. Long term bond yields have begun to trend higher but are still relatively low. Inflation though has been very high in many advanced economies, especially in the US where the consumer price index has climbed 7.0 per cent in 2021. Canada is also seeing prices increase, with a CPI expected to finish the year up 3.4 per cent. As a result of the improved economic conditions and rising inflation, many central banks, including the Federal Reserve and Bank of Canada, have begun to or signaled their intention to reduce the pace of asset purchases. The overnight rate is also expected to begin increasing this year, with many projecting the first-rate increase to occur around the second quarter of 2022.

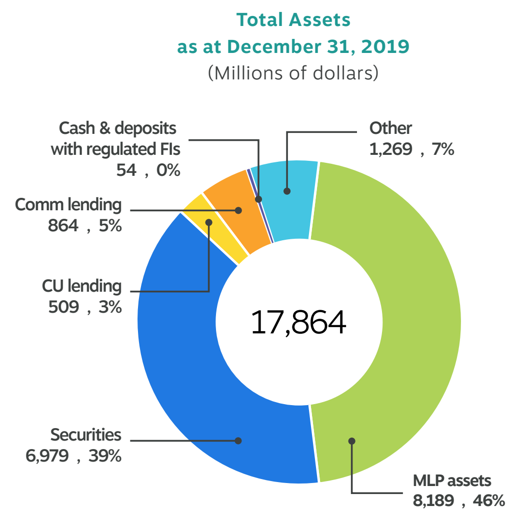
Jump to table of contents

Consolidated Statement of Financial Position

Total Assets

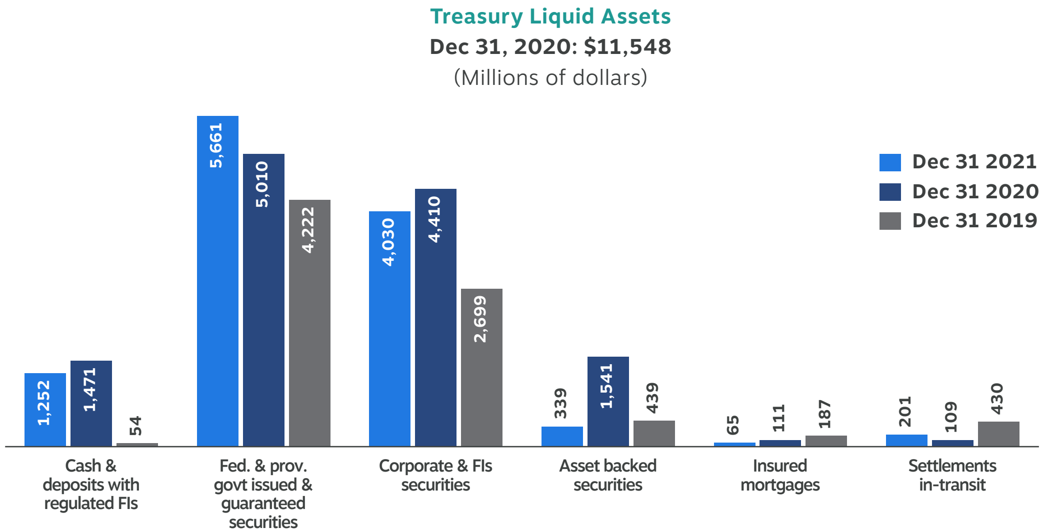






Total assets as at December 31, 2021 reflected Central 1's assets after the MLP segregation on January 1, 2021. Excluding the MLP assets, total assets as at December 31, 2021 were down $635 million from December 31, 2020 when credit union liquidity was near its peak and has since begun to reduce from elevated levels in light of improving economic conditions. Compared to December 31, 2019 when credit union liquidity was at more historically normalized pre-pandemic levels, total assets for continuing operations were up $3.7 billion.

Cash and Liquid Assets



December 31, 2021 (Millions of dollars)	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	$ $1,251.5	$ -	$ $1,251.5	$ -	$ $1,251.5
Federal and provincial government issued and guaranteed securities	5,360.0	301.3	5,661.3	2,569.3	3,092.0
Corporate and financial institutions securities	4,029.7	-	4,029.7	84.6	3,945.1
Asset backed securities	339.2	-	339.2	21.0	318.2
Insured mortgages	64.9	-	64.9	-	64.9
Settlements in-transit	201.0	-	201.0	-	201.0
Total	**$ $11,246.3**	**$ 301.3**	**$ $11,547.6**	**$ $2,674.9**	**$ $8,872.7**

*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.

December 31, 2020 (Millions of dollars)	MLP** Liquid Assets	Treasury Liquid Assets	Treasury Securities Received as Collateral	Treasury Total Liquid Assets	Treasury Encumbered Assets	Treasury 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.

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

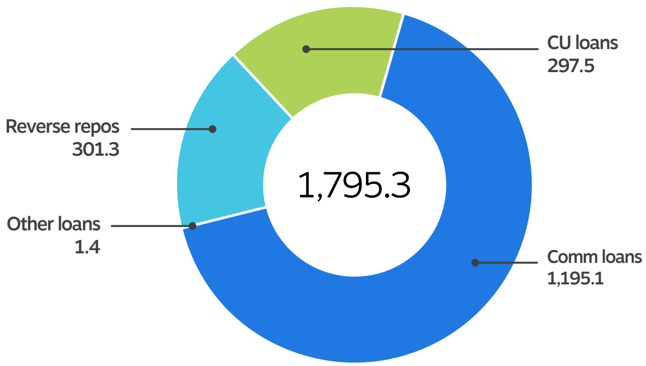
* Unencumbered assets include high quality liquid assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements.
** Assets of the MLP segment only include MLP assets held for segregation.

Central 1 manages its liquidity by maintaining a portfolio of high-quality liquid assets to ensure that credit unions have access to reliable and cost-effective sources of liquidity.

Many credit unions have begun to reduce the elevated levels of liquidity they built in 2020 in response to the potential economic impact of the COVID-19 pandemic. This is evident in Treasury's cash and liquid assets as at December 31, 2021 which decreased by $1.1 billion from December 31, 2020. Compared to December 31, 2019 when credit union liquidity was at more historically normalized pre-pandemic levels, Treasury's cash and liquid assets increased by $3.5 billion.

Loans

As at December 31, 2021
(Millions of dollars)



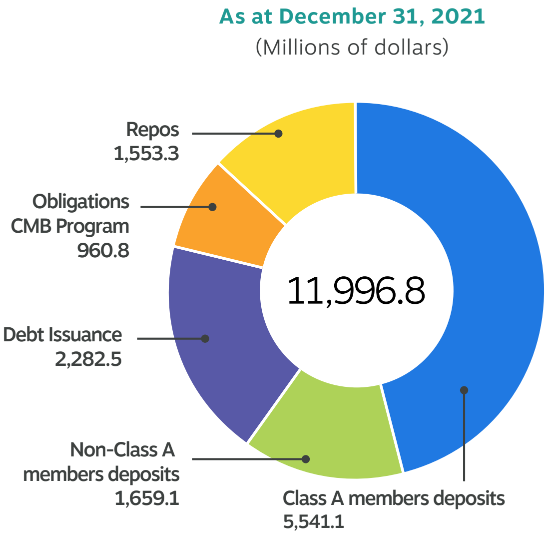
(Millions of dollars)		Dec 31 2021		Dec 31 2020		Dec 31 2019
Loans to credit unions	$	297.5	$	133.0	$	508.5
Commercial loans		1,195.1		922.4		863.9
Other loans		1.4		4.0		10.2
		1,196.5		926.4		874.1
Reverse repurchase agreements		301.3		51.6		615.2
	$	1,795.3	$	1,111.0	$	1,997.8

*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 and non-members which is categorized as commercial loans on the Consolidated Statement of Financial Position.

Loans to credit unions increased by $164.5 million from December 31, 2020 but have declined by $211.0 million compared to December 31, 2019. Additionally, commercial loans have surpassed $1.0 billion and increased by $272.7 million from December 31, 2020 and $331.2 million from December 31, 2019. Reverse repurchase agreements increased $249.7 million since December 31, 2020 but have decreased by $313.9 million since December 31, 2019.

Funding



(Millions of dollars)	Dec 31 2021	Dec 31 2020	Dec 31 2019
Deposits			
Mandatory deposits held for segregation	$ -	$ 8,676.5	$ 7,788.4
Non-mandatory deposits	5,541.1	7,754.6	3,592.1
Deposits from Class A members	5,541.1	16,431.1	11,380.5
Deposits from non-Class A members	1,659.1	1,610.9	610.3
	7,200.2	18,042.0	11,990.8
Debt Issuance			
Commercial paper	866.7	250.2	531.8
Medium-term notes	1,195.5	1,304.4	1,551.7
Subordinated liabilities	220.3	221.7	221.5
	2,282.5	1,776.3	2,305.0
Obligations under the Canada Mortgage Bond (CMB) Program	960.8	909.7	919.1
Securities under repurchase agreements	1,553.3	513.5	643.5
	$ 11,996.8	$ 21,241.5	$ 15,858.4

Central 1's primary funding source 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.

Excluding the mandatory deposits held for segregation, which were discharged on January 1, 2021, total deposits on December 31, 2021 were down by $2.2 billion from December 31, 2020 when credit union liquidity was near its peak and has since begun to reduce from elevated levels in light of improving economic conditions. Total deposits were up by $3.0 billion from December 31, 2019 when credit union liquidity was at more historically normalized pre-pandemic levels. Deposits from non-Class A members were stable from December 31, 2020 levels and up $1 billion from December 31, 2019.

Total debt issued increased by $0.5 billion from December 31, 2020 mainly driven by an increase in commercial paper and was stable relative to December 31, 2019 as an increase in commercial paper was offset by a decrease in medium-term notes due to more favourable funding costs.

In addition, CMB program obligations remain relatively stable compared to December 31, 2020 and December 31, 2019 while securities under repurchase agreements increased by $1 billion and $0.9 billion relative to December 31, 2020 and December 30, 2019, respectively, mainly due to favourable funding costs.

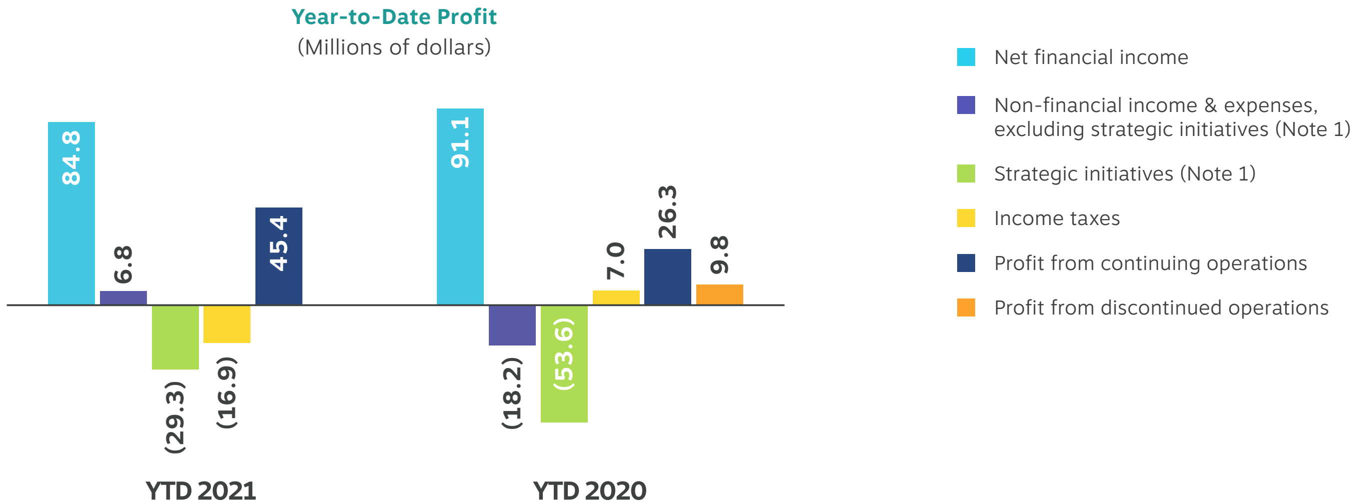
Equity

Prior to the segregation of the MLP, Central 1 could issue an unlimited number of Class F shares and could redeem these shares at its option with the approval of the Board of Directors. The shares were issued to Class A members in proportion to their share of mandatory deposits with Central 1. With 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, attributing to the $374.9 million decrease in equity at the end of 2021.

Jump to table of contents

Consolidated Statement of Profit

2021 vs 2020



Note 1: These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

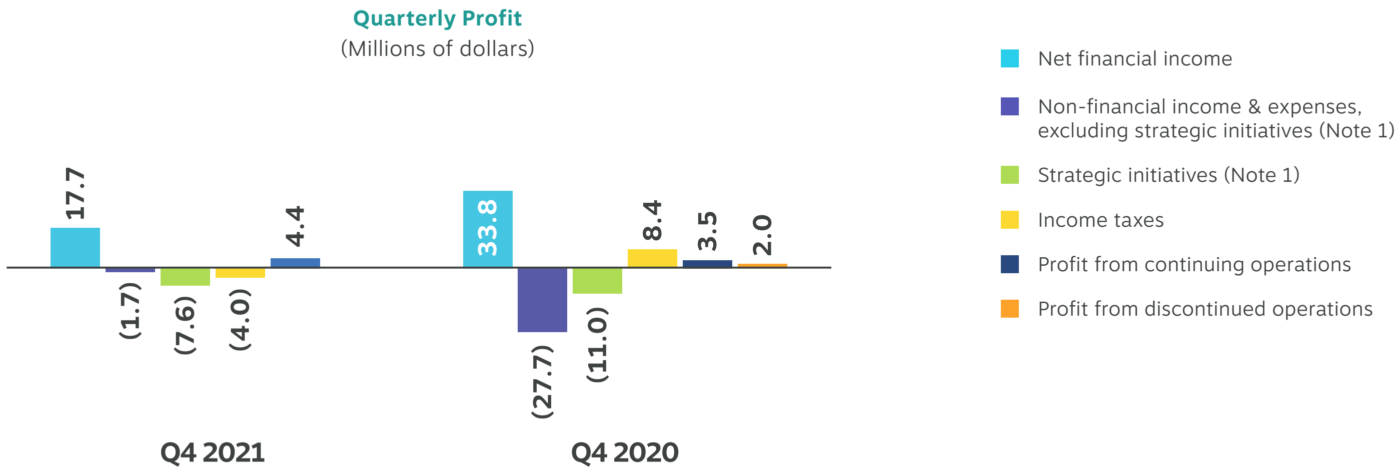
Effective the first quarter of 2021, Central 1 no longer has discontinued operations as the MLP was segregated on January 1, 2021.

Central 1's profit after tax from continuing operations for the year of 2021 was $45.4 million, $19.1 million higher than the prior year, partially due to the $24.3 million lower spend in strategic initiatives, an $11.5 million gain recognized on the fair value of Central 1's shares in Concentra Bank and the receipt of $5.5 million (US$4.4 million) one-time income in 2021 relating to the liquidation distribution from a prior investment. Non-financial income remained relatively stable excluding this one-time income, while non-financial expense decreased $12.9 million from 2020 as 2020 included a charge related to intangible assets. Results for 2021 reflected a ECL recovery of $1.4 million, favourable compared to a $2.8 million ECL expense in 2020.

The less favourable movements in credit spreads and interest rates during 2021 led to a lower net realized and unrealized gain and resulted in a $6.3 million decrease in net financial income from last year. Central 1 also saw a $23.9 million increase in income tax expense as a result of the MLP segregation in January 2021 as lower deposit levels have resulted in Central 1's loss of the 10% credit union tax deduction.

The combined impact of these movements contributed to a higher profit in 2021 compared to 2020.

Q4 2021 vs Q4 2020



Note 1: These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Profit from continuing operations for the fourth quarter of 2021 was $4.4 million, up $0.9 million from the same period in 2020.

Investment in strategic initiatives continued into the four quarter of 2021 at a planned lower level and remained consistent with Central 1's strategic priorities and plans, reflective of a lower spend year-over-year. The fourth quarter of 2021 also saw a $32.0 million decrease in non-financial expense from the same period in 2020 when a charge related to intangible assets was recorded, while non-financial income remained stable. Central 1 recognized a $11.5 million fair value gain from its investment in Concentra Bank during the fourth quarter.

Offsetting these favourable movements was a $15.0 million year-over-year decrease in net realized and unrealized gains due to less beneficial movements in interest rates and credit spreads. The loss of 10% credit union deduction as a result of the MLP segregation in January 2021 resulted in a higher tax rate, leading to an increase of $12.4 million in income tax expense for the fourth quarter of 2021 from the same period in 2020.

Jump to table of contents

Income Tax

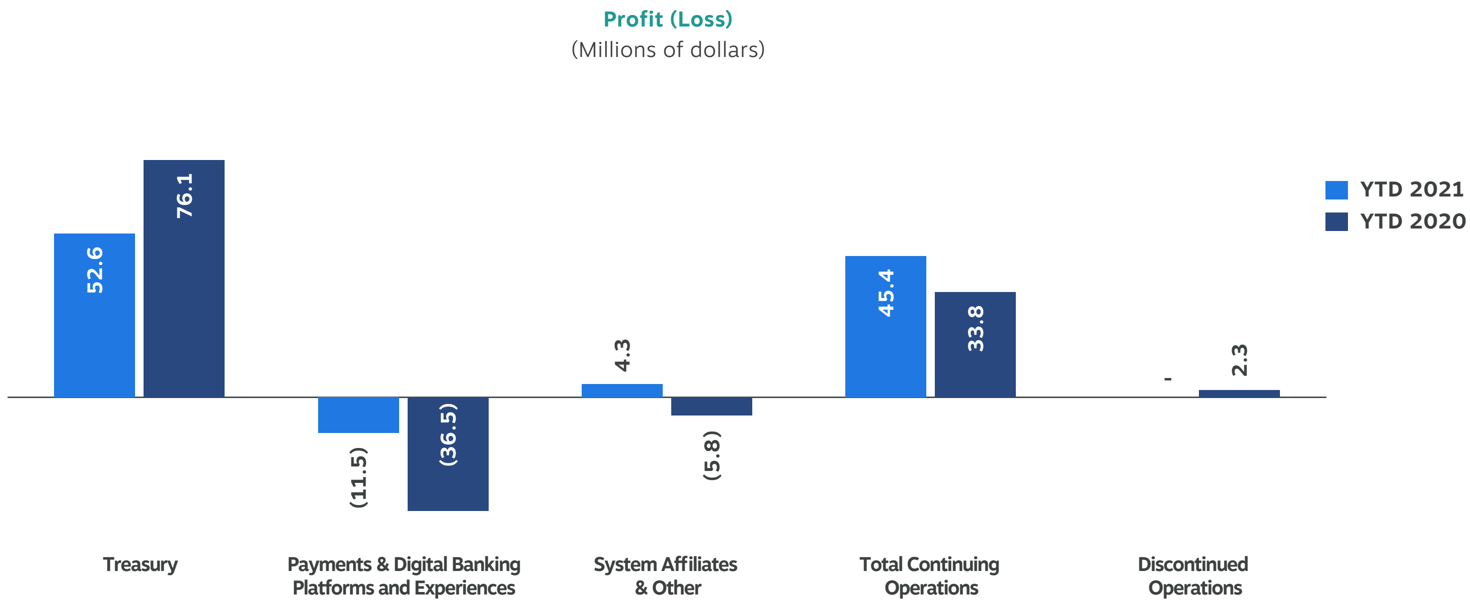
Following the segregation of the MLP on January 1, 2021, total funding from deposits has been lower overall which caused Central 1 to lose preferential tax treatment granted to credit unions, i.e. credit union deduction, and thus increasing Central 1's income tax rate by approximately 10 per cent, starting 2021. This was evident by the 27.1 per cent positive effective tax rate for the year ended December 31, 2021, compared to a negative effective tax rate of 36.6 per cent in 2020 which was also a result of an expectation for 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: Treasury, Payments & DBPX and System Affiliates & Other. On January 1, 2021, the MLP was segregated with settlement occurring on the first business day, January 4, 2021. All other activities or transactions are reported in System Affiliates & Other including Central 1's 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.

2021 vs 2020



Jump to table of contents

For the year ended December 31, 2021 (Millions of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	$ 72.7	$ (0.2)	$ 12.3	**$ 84.8**
Non-financial income, excluding strategic initiatives(1)	37.7	103.0	10.9	**151.6**
Net financial and non-financial income	110.4	102.8	23.2	**236.4**
Non-financial expense, excluding strategic initiatives(1)	38.1	102.4	4.3	**144.8**
	72.3	0.4	18.9	**91.6**
Strategic initiatives(1)	-	16.2	13.1	**29.3**
Profit (loss) before income taxes	72.3	(15.8)	5.8	**62.3**
Income tax expense (recovery)	19.7	(4.3)	1.5	**16.9**
Profit (loss) after income taxes from continuing operations	52.6	(11.5)	4.3	**45.4**
Profit after income taxes from discontinued operations	-	-	-	**-**
Profit (loss)	**$ 52.6**	**$ (11.5)**	**$ 4.3**	**$ 45.4**

(1) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

For the year ended December 31, 2020 (Millions of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	$ 91.4	$ (0.3)	$ -	$ 91.1
Non-financial income, excluding strategic initiatives(1)	34.1	99.2	6.2	139.5
Net financial and non-financial income	125.5	98.9	6.2	230.6
Non-financial expense, excluding strategic initiatives(1)	33.5	109.2	7.5	150.2
	92.0	(10.3)	(1.3)	80.4
Strategic initiatives(1)	-	42.9	10.7	53.6
Profit (loss) before income taxes	92.0	(53.2)	(12.0)	26.8
Income tax expense (recovery)	15.9	(16.7)	(6.2)	(7.0)
Profit (loss) after income taxes from continuing operations	76.1	(36.5)	(5.8)	33.8
Profit after income taxes from discontinued operations	-	-	-	2.3
Profit (loss)	$ 76.1	$ (36.5)	$ (5.8)	$ 36.1

Certain comparative figures have been reclassified to conform with the current period's presentation.
(1) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Treasury

For 2021, Treasury saw a decrease of $23.5 million in profit from 2020, mainly driven by a $18.7 million decrease in net financial income, primarily driven by the less favourable movements in credit spreads and interest rates resulting in a $25.7 million decrease in net realized and unrealized gains from last year. Treasury's results also included a recovery of $1.4 million in ECL, compared to a $2.8 million ECL expense last year, reflecting an improved economic outlook. Non-financial income and non-financial expense remained relatively stable year-over-year.

Payments & DBPX

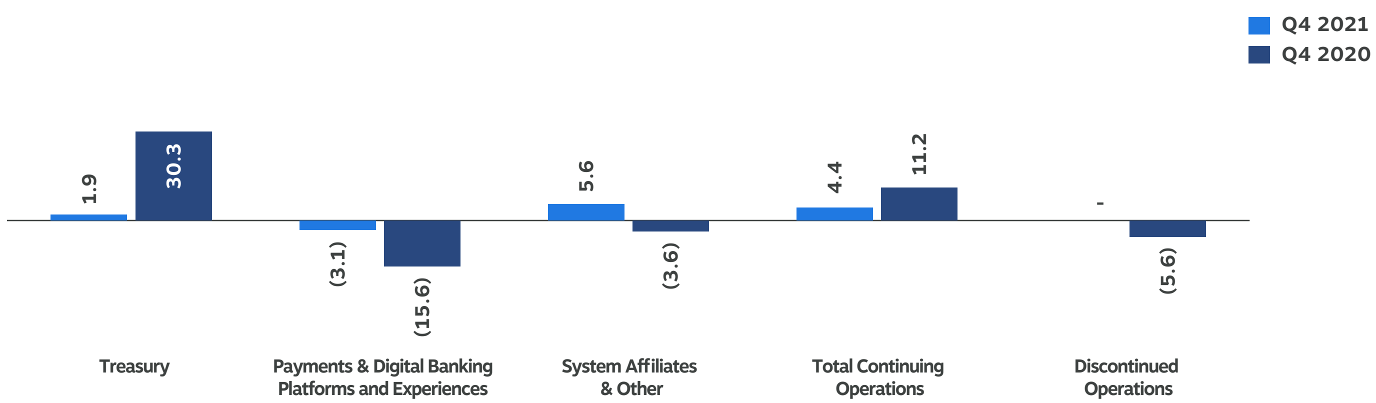
Payments & DBPX experienced a loss of $11.5 million during 2021, compared to a loss of $36.5 million a year ago. The increase in *Interac* e-Transfer® volumes continued to drive the higher revenue, reflecting the ongoing increase in usage of online payments. Investments in strategic initiatives continued at a planned lower level and remained consistent with Central 1's strategic priorities, with the amount spent being $26.7 million lower compared to last year.

System Affiliates & Other

System Affiliates & Other reported a profit of $4.3 million, compared to a loss of $5.8 million in the same quarter last year. The one-time income of $5.5 million (US$4.4 million) relating to the liquidation distribution from a prior investment together with the $11.5 million fair value gain of Central 1's investment in Concentra Bank contributed to higher profit. Investments in strategic initiatives included the implementation of a new accounting system in combination of the development of other initiatives which are aimed to increase corporate efficiency.

Q4 2021 vs Q4 2020

Profit (Loss)
(Millions of dollars)



Jump to table of contents

For the three months ended December 31, 2021 (Millions of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income	$ 5.5	$ (0.1)	$ 12.3	**$ 17.7**
Non-financial income, excluding strategic initiatives[1]	9.4	25.8	1.3	**36.5**
Net financial and non-financial income	14.9	25.7	13.6	**54.2**
Non-financial expense, excluding strategic initiatives[1]	9.2	28.1	0.9	**38.2**
	5.7	(2.4)	12.7	**16.0**
Strategic initiatives[1]	-	2.4	5.2	**7.6**
Profit (loss) before income taxes	5.7	(4.8)	7.5	**8.4**
Income tax expense (recovery)	3.8	(1.7)	1.9	**4.0**
Profit (loss) after income taxes from continuing operations	1.9	(3.1)	5.6	**4.4**
Profit after income taxes from discontinued operations	-	-	-	**-**
Profit (loss)	**$ 1.9**	**$ (3.1)**	**$ 5.6**	**$ 4.4**

(1) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

For the three months ended December 31, 2020 (Millions of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	$ 33.9	$ (0.1)	$ -	$ 33.8
Non-financial income, excluding strategic initiatives[1]	10.5	26.5	1.8	38.8
Net financial and non-financial income	44.4	26.4	1.8	72.6
Non-financial expense, excluding strategic initiatives[1]	7.7	45.7	5.6	59.0
	36.7	(19.3)	(3.8)	13.6
Strategic initiatives[1]	-	8.6	2.4	11.0
Profit (loss) before income taxes	36.7	(27.9)	(6.2)	2.6
Income tax expense (recovery)	6.4	(12.3)	(2.6)	(8.5)
Profit (loss) after income taxes from continuing operations	30.3	(15.6)	(3.6)	11.1
Loss after income tax from discontinued operations	-	-	-	(5.6)
Profit (loss)	$ 30.3	$ (15.6)	$ (3.6)	$ 5.5

Certain comparative figures have been reclassified to conform with the current period's presentation.
(1) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Jump to table of contents

Treasury

For the fourth quarter of 2021, Treasury saw a decrease of $28.4 million in profit from the same quarter last year, primarily due to a $27.4 million decrease in net realized and unrealized gains as a result of less beneficial movement in interest rates and credit spreads. Non-financial income and non-financial expense remained relatively stable year-over-year.

Payments & DBPX

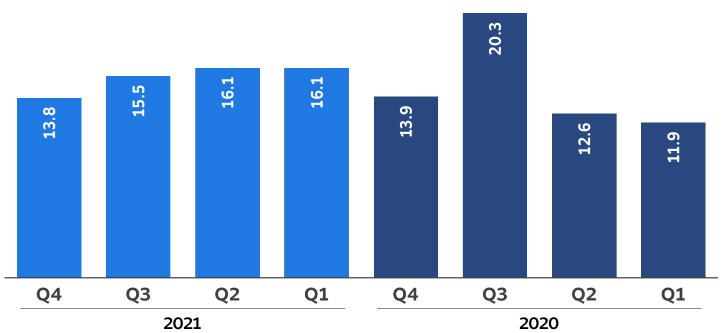
Payments & DBPX experienced a loss of $3.1 million during the fourth quarter of 2021, compared to a loss of $15.6 million during the fourth quarter of 2020 when a charge related to intangible assets was recorded. An increase in *Interac* e-Transfer® volumes continued to be seen during the quarter, reflecting the ongoing increase in usage of online payments. Investments in strategic initiatives continued at a planned lower level and remained consistent with Central 1's strategic priorities, with the amount spent being $6.2 million lower compared to the same period last year.

System Affiliates & Other

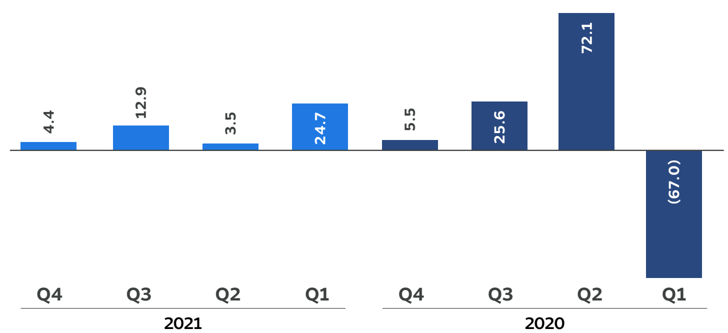
This segment reported a profit of $5.6 million, compared to a loss of $3.6 million in the same quarter last year, reflective of the one-time income of $5.5 million (US$4.4 million) relating to the liquidation distribution from a prior investment and the $11.5 million fair value gain of Central 1's shares in Concentra Bank. Investment in strategic initiatives, including the development of a new accounting system and other initiatives aimed to expand corporate efficiency, saw an increase of $2.8 million in the fourth quarter of 2021.

Summary of Quarterly Results

Interest Margin
(Millions of dollars)



Profit (Loss)
(Millions of dollars)



Jump to table of contents

(Thousands of dollars, except as indicated)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Interest income	**$ 33,807**	$ 34,482	$ 35,106	$ 36,532	$ 35,639	$ 45,086	$ 39,695	$ 46,084
Interest expense	**20,054**	18,994	19,032	20,398	21,776	24,751	27,105	34,175
Interest margin	**13,753**	15,488	16,074	16,134	13,863	20,335	12,590	11,909
Gain (loss) on disposal of financial instruments	**(5,281)**	2,690	11,467	6,134	20,938	6,150	5,686	747
Change in fair value of financial instruments	**9,698**	1,318	(17,775)	13,672	(1,532)	5,337	40,707	(42,766)
Impairment loss (recovery) on financial assets	**461**	(3)	(557)	(1,346)	(596)	(202)	2,414	1,222
Net financial income (expense)	**17,709**	19,499	10,323	37,286	33,865	32,024	56,569	(31,332)
Non-financial income	**36,518**	40,413	39,983	34,670	39,094	33,965	33,638	32,955
Non-financial expense	**45,844**	43,133	44,084	41,031	77,869	41,665	44,235	47,768
	(9,326)	(2,720)	(4,101)	(6,361)	(38,775)	(7,700)	(10,597)	(14,813)
Profit (loss) before income taxes	**8,383**	16,779	6,222	30,925	(4,910)	24,324	45,972	(46,145)
Income taxes (recovery)	**4,007**	3,908	2,737	6,257	(8,406)	4,165	6,042	(8,835)
Profit (loss) after income taxes from continuing operations	**4,376**	12,871	3,485	24,668	3,496	20,159	39,930	(37,310)
Profit (loss) after income taxes from discontinued operations	**-**	-	-	-	2,003	5,453	32,129	(29,724)
Profit (loss)	**$ 4,376**	$ 12,871	$ 3,485	$ 24,668	$ 5,499	$ 25,612	$ 72,059	$ (67,034)
Weighted average shares outstanding *(millions)*[1]	**43.4**	43.4	43.4	74.3	441.1	441.1	441.1	440.1
Earnings per share *(cents)*[2]								
Basic/Diluted	**10.1**	29.7	8.1	33.2	1.2	5.8	16.3	(15.2)
Basic/Diluted from continuing operations	**10.1**	29.7	8.1	33.2	0.8	4.6	9.0	(8.5)
Basic/Diluted from discontinued operations	**-**	-	-	-	0.4	1.2	7.3	(6.7)

(1) Weighted average shares outstanding is calculated by multiplying an outstanding number of shares with time-weighted portion and thereafter summing up the total for each reporting period.
(2) 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 Central 1's Board of Directors.

Despite the recent reduction of the excess liquidity held with Central 1 by credit unions, liquidity is still at elevated levels relative to pre-pandemic levels and as a result interest margin in the fourth quarter of 2021 continued to perform well, primarily due to the low cost of deposit funding.

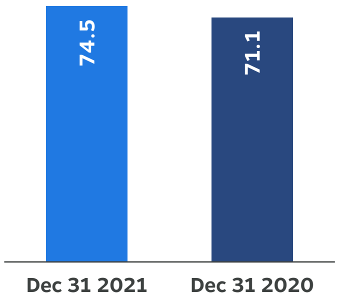
Excluding the $5.5 million (US$4.4 million) one-time income from US Central received in the third quarter of 2021, non-financial income remained relatively stable quarter-over-quarter despite the impact from the COVID-19 pandemic. Central 1 saw increased *Interac* e-Transfer® revenue due to higher volumes, a trend that is expected to continue as Canadians accelerate their use of digital payments. Non-financial expense was also consistent over the past eight quarters except for the fourth quarter of 2020 which experienced an increase largely due to the charges related to intangible assets.

Jump to table of contents

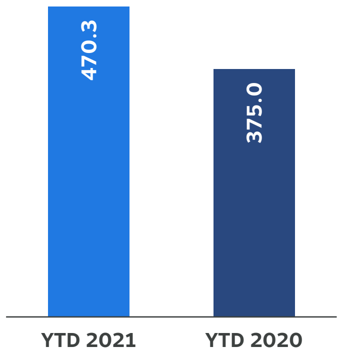
System Performance

British Columbia

Total Assets
(Billions of dollars)



Net Operating Income
(Millions of dollars)



313 Branches

1.45 million Members

38 Credit Unions

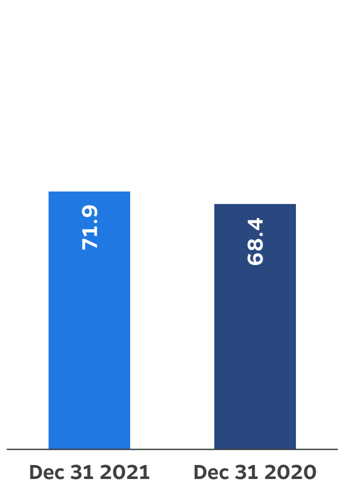
The system's assets and earnings continued to grow in 2021. Net operating income totaled $470.3 million, up from 375.0 million in 2020. This was driven by a 11.3 per cent increase in net interest income. While non-interest income fell 9.3 per cent, non-interest expenses in 2021 increased slightly by 1.0 per cent year-over-year led by increases in salaries and benefits and other non-interest expenses offset by a recovery of loan losses.

Assets of the B.C. system totaled $74.5 billion at the end of 2021, up $3.4 billion or 4.8 per cent from a year earlier. Asset growth was largely in personal and commercial loans. Liability growth was led by non-registered demand deposits, which grew by $4.9 billion or 18.6 per cent. The 90-day delinquency rate at year-end stood at 0.10 per cent of the loan portfolio, down 12 basis points (bps) from a year earlier. Net loan loss expense was negative 0.05 per cent of average loans in 2021, down 18 bps from a year earlier. Reserves held against loan losses totaled 0.29 per cent of the portfolio at year-end, which was down 12 bps from a year earlier

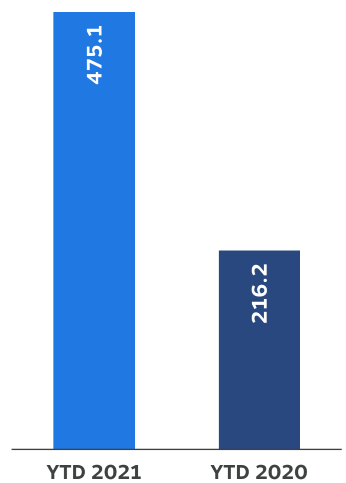
The B.C. system had $34.8 billion in risk weighted assets and regulatory capital as a percentage of risk weighted assets at 15.1 per cent, was down 71 bps year-over-year. The system's liquidity ratio was 17.9 per cent at the end of 2021, up 333 bps from a year earlier. B.C. credit union membership stood at approximately 1.45 million at year-end, up 40,000 from a year earlier.

Ontario

Total Assets
(Billions of dollars)



Net Operating Income
(Millions of dollars)



486 Branches

1.5 million Members

59 Credit Unions

The Ontario credit union system saw higher profits in 2021. Net operating income totaled $475.1 million, up from $216.2 million in 2020. Financial margin grew 18.5 per cent to $1.35 billion and non-financial income increased by 0.2 per cent to $270.3 million. Non-Financial expenses decreased by 4.0 per cent to $1.1 billion, led by a recovery of loan cost.

Asset growth for the Ontario system moderated in 2021, with assets totaling $71.9 billion at year end, up 5.2 per cent year-over-year. Net loans grew by 9.7 per cent to $60.4 billion. Liabilities grew 4.9 per cent to $67.1 billion. Deposits totaled $57.9 billion at year-end, up 7.4 per cent from a year earlier. Deposit growth was largely in demand deposits.

The system's liquidity ratio ended 2021 at 16.6 per cent, down from 20.9 per cent from 2020. The system had 33.1 billion in risk weighted assets in 2021 and the risk weighted capital ratio decreased from 13.8 per cent to 13.5 per cent. The system's credit risk measures decreased with the overall 90-day delinquency rate down from 0.33 per cent to 0.18 per cent at year-end, while total loan loss reserves ended 2021 at 0.30 per cent of the portfolio. The rate of loan loss expense was negative one bps in 2020, down 19 bps.

Jump to table of contents

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, commitments, contingencies and assets under administration.

Derivative Financial Instruments

(Millions of dollars)	Dec 31 2021	Dec 31 2020	Notional Amount Dec 31 2019
Interest rate contracts			
Bond forwards	$ **41.0**	$ 40.1	$ 66.7
Futures contracts	**653.0**	2,209.0	1,330.0
Swap contracts	**32,435.1**	34,375.8	35,138.4
	33,129.1	36,624.9	36,535.1
Foreign exchange contracts			
Foreign exchange forward contracts	**587.1**	568.2	380.8
Other derivative contracts			
Equity index-linked options	**216.8**	171.3	183.3
	$ **33,933.0**	$ 37,364.4	$ 37,099.2

Central 1 acts as a swap intermediary between the Canada Housing Trust and member credit unions and additionally provides derivative capabilities to member credit unions to be used in the asset/liability management of their respective balance sheets. Central 1 also acts as a swap counterparty with the Canada Mortgage Housing Corporation in the Insured Mortgage Purchase Program, 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.

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.

(Millions of dollars)	Dec 31 2021	Dec 31 2020	Dec 31 2019
Commitments to extend credit	**$ 5,083.4**	$ 4,800.9	$ 4,332.0
Guarantees			
Financial Guarantees	**$ 802.6**	$ 767.6	$ 622.6
Performance Guarantees	**$ 100.0**	$ 100.0	$ 100.0
Standby letters of credit	**$ 239.4**	$ 237.2	$ 219.8
Future prepayment swap reinvestment commitment	**$ 1,089.5**	$ 1,646.8	$ 1,339.2

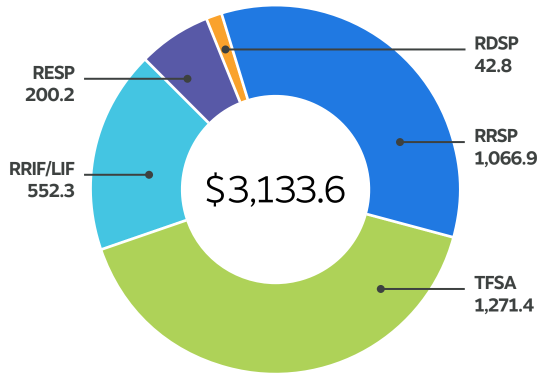
In the normal course of business, Central 1 enters into various off-balance sheet arrangements to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, guarantees, standby letter of credit, and future prepayment swap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

Commitments to extend credit, representing undrawn commitments, increased $282.5 million from December 31, 2020 and $751.4 million from December 31, 2019. Financial guarantees increased $35.0 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 decreased by $557.3 million from a year ago due to the maturity of National Housing Act Mortgage-Backed Securities (NHA MBS) which was reinvested through Central 1's prepayment swap program, reflective of the higher reinvestment assets in Central 1's balance sheet.

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

Assets under Administration

As at December 31,2021
(Millions of dollars)



(Millions of dollars)		Dec 31 2020		Dec 31 2020		Dec 31 2019
Registered Retirement Savings Plans (RRSP)	**$**	**1,066.9**	$	1,077.2	$	1,080.5
Tax-Free Savings Accounts (TFSA)		**1,271.4**		1,196.4		1,078.2
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)		**552.3**		526.9		495.3
Registered Education Savings Plans (RESP)		**200.2**		262.4		252.6
Registered Disability Savings Plans (RDSP)		**42.8**		37.8		32.7
	$	**3,133.6**	$	3,100.7	$	2,939.3

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

The offboarding of a RESP client resulted in a material decrease in AUA for RESPs. However, this reduction was partially offset by an overall increase in business from both Ontario and B.C., along with market value appreciation, contributing to a 1.1 per cent increase in total AUA from a year ago. Notable trends show that the AUA of RDSPs, and Tax-Free Savings Accounts increased by 13.2 and 6.3 per cent respectively from a year ago. Economic outlooks reflect an upward trend in TFSA sales reflective of its increasing popularity amount investors as an alternative to RRSPs and the desire to keep cash at hand during this period of financial uncertainty. Additionally, modest RDSP growth is contributed to CRA's national awareness campaign targeting qualified beneficiaries. Altogether, AUA is up $32.9 million from a year ago chiefly due to increased TFSA contributions, moderate RDSP sales, RRIF transfers, contributions, together with market value appreciation over the past year.

Capital Management and Capital Resources

Central 1 manages capital to maintain strong capital ratios in support of the risks and activities of the organization. In addition to the regulatory requirements, we maintain capital to meet the expectations of credit rating agencies, to accommodate credit union system growth and to maintain internal capital ratios.

Capital Management Framework

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

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

Central 1's share capital, with the exception of nominal amounts, is entirely contributed by 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 Constitution and Rules (Rules) require 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.

Regulatory Capital

$ 765.9 million
Tier 1 Capital(2)

15.3%
Tier 1 Capital Ratio(3)

$861.8 million
Total Regulatory Capital(2)

14.3:1
Borrowing Multiple(3)

20.6%
Total Capital Ratio(3)

(Millions of dollars)		Dec 31 2021		Dec 31 2020		Dec 31 2019
Share capital	$	**43.4**	$	441.1	$	440.1
Retained earnings		**727.2**		684.2		659.9
Less: accumulated net after tax gain in investment property		**(4.7)**		(4.7)		(4.7)
Tier 1 capital(2)		**765.9**		1,120.6		1,095.3
Subordinated debt(1)		**216.8**		221.0		221.0
Add: accumulated net after tax gain in investment property		**4.7**		4.7		4.7
Tier 2 capital(2)		**221.5**		225.7		225.7
Total capital		**987.4**		1,346.3		1,321.0
Statutory capital adjustments		**(125.6)**		(106.3)		(105.3)
Total regulatory capital(2)	$	**861.8**	$	1,240.0	$	1,215.7
Borrowing multiple – Consolidated(3)		**14.3:1**		17.8:1		13.5:1
Borrowing multiple – Mandatory Liquidity Pool(3)		**n/a**		18.1:1		16.0:1
Borrowing multiple – Treasury(3)		**n/a**		18.6:1		12.5:1

(1) Subordinated debt is net of any required amortization in an instrument's final five years.
(2) These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.
(3) These are non-GAAP financial ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

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.

On September 30, 2020 BCFSA announced that 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 borrowing multiple through growth in retained earnings and subordinated debt.

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, 2021, Central 1's consolidated borrowing multiple was 14.3:1 compared to 17.8:1 at December 31, 2020, largely due to the segregation of mandatory deposits as a result of the MLP segregation.

Central 1 was in compliance with all regulatory capital requirements throughout the reporting periods ended December 31, 2021 and December 31, 2020.

Risk Review

Central 1's business operations, industry and environment expose us 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 our immediate control and influence. Central 1's risk management framework is focused on effectively managing those risks we can control and creating organizational readiness and resilience for those risks we have limited ability to manage. Risk management prioritizes awareness of all the risks we face and, once identified, measuring or assessing and then monitoring our risks. Central 1 also ensures that we have the financial strength through our profitability and capital adequacy to support our 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, our 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 the organization and our 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 do not always have clear insight into competitive pressures and/or emerging 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 signaled 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 risk of loss resulting from inadequate or failed internal processes, people and systems or from 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 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.

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 our executive management team. The Chief Investment Officer (CIO) is responsible for the management of the Treasury portfolio, 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 Payments & DBPX 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.

Jump to table of contents

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, Central 1 runs various specialized and general risk awareness sessions to maintain and further evolve Central 1's risk management capabilities.

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.

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 our investment and lending activities, as well as through our 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.

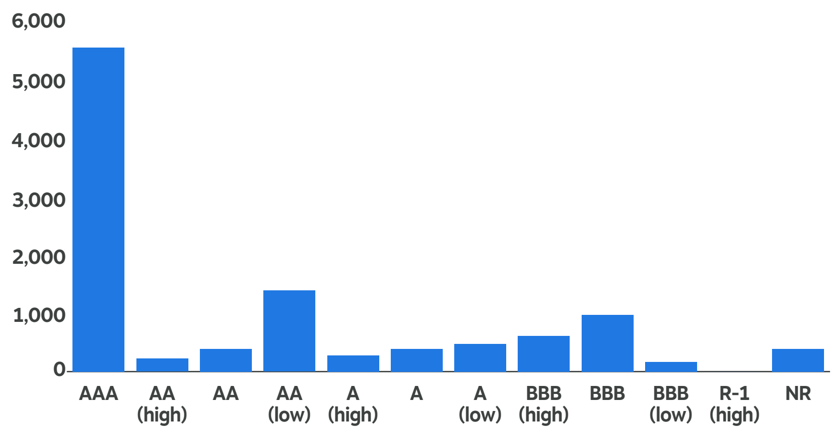
All potential and existing borrowers are evaluated by skilled lenders and are adjudicated by independent, highly trained credit officers. Annually, the status of each borrower and transaction is reviewed through a comprehensive assessment process. The exposures are concentrated in low-risk investment 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. The rapid spread of Omicron variant caused reintroduction of some government-imposed restrictions on businesses. In the fourth quarter of 2021, Central 1 increased its expected credit loss allowances for the Commercial Real Estate Lending (CREL) portfolio by $543 thousand to a total of $3.4 million. Expected credit loss allowances for the Investment portfolio were slightly decreased by $36 thousand to a total of $105 thousand. Zero expected credit loss remained in the Credit Union Lending portfolio given ample security pledged to secure credit facilities.

Jump to table of contents

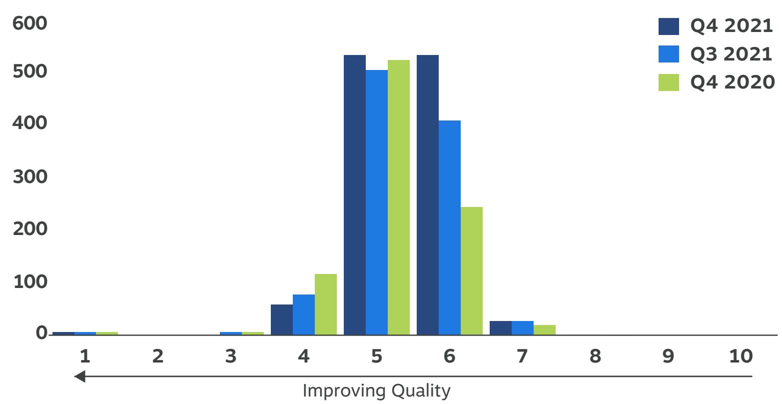
The following chart illustrates our credit exposure and risk profile based on outstanding balances in the Investment portfolio.

Investment Portfolio
(Millions of dollars)

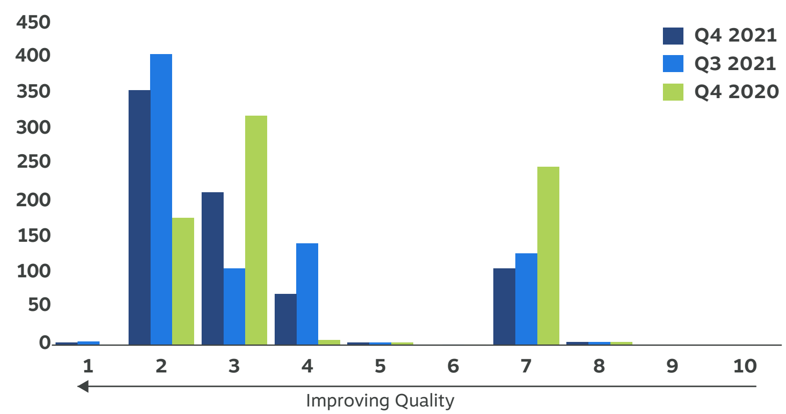


The following charts provide our credit exposure and risk profile based on outstanding balances in the Commercial Real Estate Lending and Credit Union Lending Portfolios.

Commercial Real Estate Lending (CREL) Portfolio
(Outstanding Balances in Millions)



Credit Union Lending (CUL) Portfolio
(Outstanding Balances in Millions)



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 direct credit facilities remains low driven by persistent high liquidity levels in the credit union system. Currently, there are no impaired loan facilities in the CU Lending portfolio. As at December 31, 2021, there were six Ontario credit unions and one B.C. credit union classified as Watch List (risk rating 7). One Ontario credit union was assigned an Unsatisfactory risk rating (risk rating 8). The Watch List and Unsatisfactory accounts represented 10.44 per cent of the authorized portfolio as at December 31, 2021. The security provided for the Watch List and Unsatisfactory facilities is substantial and no losses are expected.

Commercial Real Estate Lending (CREL)

There are no impaired loans in the portfolio. There were two Watch List accounts representing 1.84 per cent of the outstanding portfolio balance as at December 31, 2021.

Counterparty Risk

Within the Treasury operations, Central 1 incurs counterparty risk by entering into contracts with counterparties in return for a bilateral value-exchange of services. The counterparty risk is managed within the same risk assessment process as credit risk.

Counterparty risk continues to be assessed by management as low given the quality of counterparties being government entities, banks with external credit ratings A-Low to AAA (Dominion Bond Rating Service), and Central 1's own credit union system where a robust internal risk rating regime is utilized.

Liquidity Risk

Liquidity risk arises from an internal mismatch between the cash flows of our assets and liabilities, systemic market and credit events or unexpected changes in the liquidity needs of our members. Our sound liquidity management framework ensures ongoing liquidity support of the credit union system in both normal and stressed market conditions. Central 1 is continuously monitoring the liquidity and funding needs of the credit union system and remain ready to meet the liquidity requirements of our credit union members, as and when required.

Central 1's Treasury business line provides capital markets products and services to Class A, B and C members. Product offerings include current accounts, 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.

Central 1 provides payment clearing and settlement services to Class A, B and C members. Central 1 manages the Group Clearer function on behalf of the credit union system nationally (excluding Quebec) and is a direct clearer through the Payments Canada network. Central 1 provides 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
- ensuring access to diversified funding sources – member deposits and capital markets
- ongoing 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).

Jump to table of contents

3. USD denominated variants of the securities identified in groups (1) and (2) above.

Treasury liquidity management is subject to a rigorous measurement and monitoring regime. The majority of Treasury liabilities are invested in HQLA as defined above, sufficient to ensure that liquidity objectives are met, and exposures remain within the organization's risk appetite. These liabilities also fund credit union and commercial lending. As part of its normal business operations, we offer committed credit facilities to credit unions and commercial borrowers, enter into derivative and securities lending transactions, and participate directly in the national clearing and settlements network. A portion of Treasury's highly liquid assets are encumbered 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 Central 1's current and prospective financial commitments, and those of 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.

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

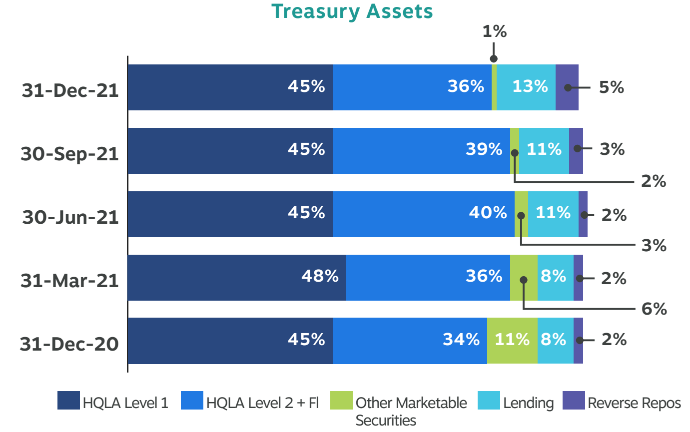
Central 1 provides financial stewardship of the liquidity deposits of the B.C. and Ontario credit union systems. Accordingly, it is imperative that we maintain members' trust and confidence by ensuring the existence of an appropriate plan to provide the credit union system with access to funding during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

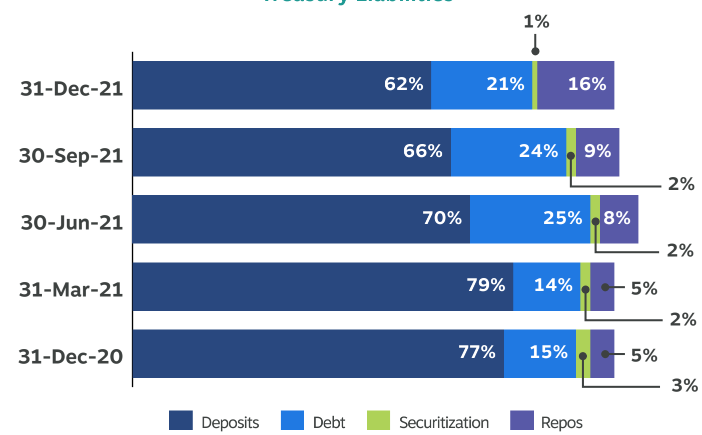
Risk Monitoring

We at Central 1 monitor our asset and liability positions, encumbrances, commitments, cash flows and funding to better understand our liquidity capacity and our sensitivity to changing market conditions. The majority of Central 1's assets are held in actively traded marketable securities that 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.

Treasury Assets

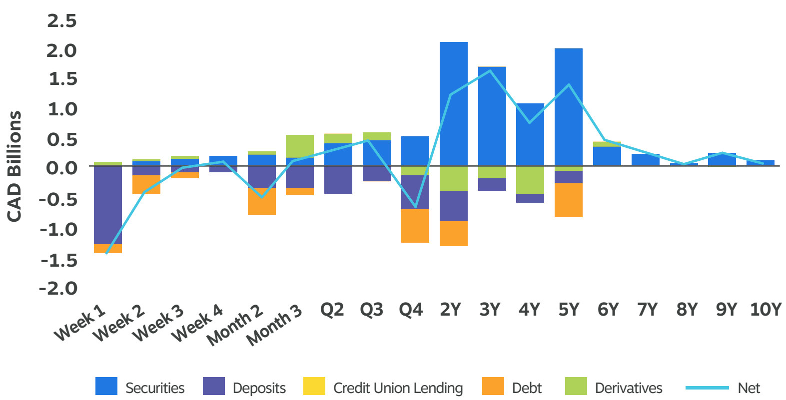


Treasury Liabilities



The Maturity Gap provides a picture of the mismatch between the contractual maturity of our assets and liabilities. These gaps, even under normal market conditions, must be closed by receiving additional funding or liquidating assets. The maturity gaps reported for Treasury are within normal levels.

Maturity Gap Report



The Liquidity Coverage Ratio (LCR) and Net Cumulative Cash Flow (NCCF) stress tests form part of OSFI’s Liquidity Adequacy Requirements. LCR assesses whether a financial institution has a sufficient stock of liquid assets to meet 30-day cashflow requirements under a severe stress scenario. It assumes significant withdrawals of eligible deposits, increased utilization of committed credit facilities, 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. Similarly, the NCCF assesses whether a financial institution has sufficient asset liquidity to meet its net cash flow obligations over a 12-month time horizon under a liquidity scenario that encompasses a combination of idiosyncratic and systemic stresses. While neither the LCR or NCCF are currently regulatory requirements for Central 1, they are used as tools for monitoring structural liquidity risk and operational liquidity and ensuring prudent and enhanced liquidity and funding management.

As of December 31st, 2021, Central 1’s NCCF and LCR indicated high levels of liquidity. The OSFI LCR at year-end stood at 130.2%, and NCCF for up to 12 months was $1.78 billion. Central 1 remains in a strong position to support the liquidity needs of the system.

Liquidity Coverage Ratio	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	LTM Average
LCR	**130.2 %**	128.7 %	141.8 %	142.2 %	159.4 %	130.1 %

Market Risk

The level of market risk Central 1 is exposed to varies according to market conditions and the composition of our investment, securitization, lending, and derivative portfolios. We manage our exposure to market risk through a range of governance and management processes. Central 1’s overall appetite for market risk and aggregate market risk exposure limits are established in the Risk Appetite Statement while Central 1’s Market Risk Policy sets out the key principles governing our management of market risk. Central 1 does not assume additional market risk for speculative purposes or in pursuit of returns beyond those required to fulfill its primary mandate of safeguarding system liquidity.

Jump to table of contents

Central 1 manages its exposure to market risk through various means. The sensitivity of portfolio market values to changes in interest rates, FX rates and credit spreads are tracked in real-time to actively manage exposures. Central 1 also uses stress testing and Value-at-Risk (VaR) to monitor and quantify overall market risk under normal and stressed market environments. To the extent possible, Treasury asset and liability portfolios are matched by term and currency to offset much of Central 1's interest rate and foreign exchange risk. Credit spread risk is the largest source of market risk in the portfolio but is mitigated through concentration limits and the credit risk assessment process.

Value at Risk

VaR is a statistical measure of potential losses in portfolio market value due to changes in market prices and rates. Central 1 calculates VaR for a 1-day holding period at a 99% confidence interval. This means that portfolio losses are not expected to exceed the calculated VaR more than one out of every 100 business days. VaR is computed using a historical simulation approach based on 500 business days (2-years) of historically observed changes in interest rates, foreign exchange rates, equity prices and credit spreads. Total VaR considers the impact on portfolio market values of these changes in aggregate while VaR by Risk Factor considers the changes in isolation. Expected Shortfall is an estimate of the size of the loss for the one business day where portfolio losses exceed VaR.

Central 1 also calculates Stressed Value-at-Risk (SVaR) to quantify portfolio market risk under stressed market conditions. SVaR is calculated by the same methodology as VaR except that it is calibrated to historical data from a continuous 1-year period of significant financial stress for current portfolios. SVaR is calculated for 1-Day and 10-day horizons at a 99 per cent confidence interval and is currently calibrated to a 1-year period from 2008/2009.

All VaR measures remained flat in the fourth quarter. Total VaR and Credit Spread VaR have decreased from 12-month highs but remain higher than levels observed prior to the onset of COVID-19. This is largely due to the significant market volatility experienced in March 2020 and in particular the dramatic widening of credit spreads during this period. It is expected that Total VaR and Credit Spread VaR will remain at elevated levels until this period of volatility is no longer included in the 500-day observation period used in the VaR calculation.

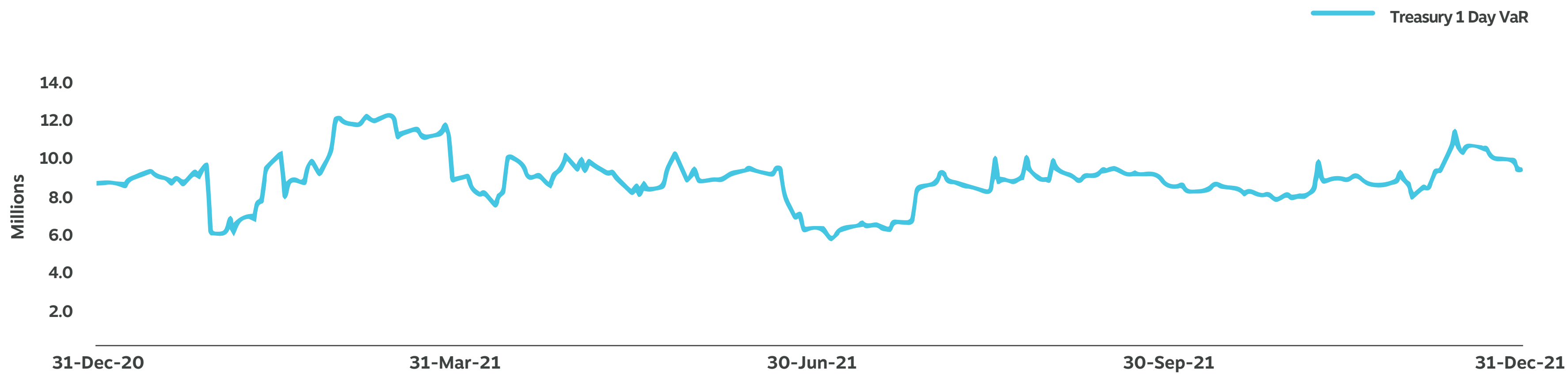
	Treasury				Last 12 Months		
(Millions of dollars)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Average	High	Low
Interest Rate VaR	**$ 4.8**	$ 4.5	$ 3.5	$ 5.0	$ 4.9	$ 7.2	$ 3.5
Credit Spread VaR	**10.0**	9.7	6.4	8.8	9.3	13.9	6.4
Foreign Exchange VaR	**3.4**	3.4	2.9	2.7	2.9	4.2	1.6
Diversification[1]	**(8.5)**	(8.8)	(5.5)	(7.5)	(8.0)	nm	nm
Total VaR	**$ 9.7**	$ 8.8	$ 7.3	$ 9.1	$ 9.1	$ 11.5	$ 6.8
Expected Shortfall	**15.0**	14.0	10.7	13.2	13.7	18.5	10.6

(1)Total VaR is less than the sum of Risk Factors' VaR as a result of diversification and offsetting risk factors.
nm - not meaningful to calculation

	Treasury				
(Millions of dollars)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	LTM Average[1]
1-Day SVaR	**$ 17.8**	$ 16.8	$ 14.5	$ 15.1	$ 15.8
10-Day SVaR	**$ 51.6**	$ 53.0	$ 45.9	$ 49.0	$ 47.4

(1)Last twelve months (LTM) refers to the timeframe of the immediately preceding 12 months from the reporting date.

Jump to table of contents



Foreign Exchange Rate Exposure

Most of Central 1's foreign exchange (FX) exposure is largely concentrated in USD on account of USD deposits held with Central 1. Further exposure to other currencies arises from the foreign exchange services and products offered to member credit unions and other clients. The risk associated with fluctuating foreign currency values is managed by monitoring and limiting FX balances, utilizing FX derivatives to hedge exposures, and through VaR monitoring and limits.

(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	$ (9.2)	$ 3.3	$ (6.0)	1.2641	(7.53)

Operational Risk

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

Given the high volume and value of transactions Central 1 processes on behalf of our members and external organizations, shortcomings in our internal processes or systems could lead to financial and reputational damage. Furthermore, although we have contingency and business continuity plans, natural disasters, power or telecommunications disruptions, acts of terrorism, physical or electronic break-ins or other events could adversely impact our ability to provide services to our members, damage our reputation or otherwise adversely impact our ability to conduct business.

During the COVID-19 pandemic 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.

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

- developing and maintaining a comprehensive system of policies, management standards, internal controls encompassing segregation of functional activities, managerial reporting and delegation of authority;
- continuous monitoring of key risk indicators, evaluation and improvement of our operational practices;
- involvement of subject matter experts to assess the impact of third party risks on Central 1;
- strengthening the first and second line of defense roles and responsibilities and increasing use of quantifiable risk appetite statements to inform management decision making;
- selection and training of highly qualified staff, supported by policies that provide for skills upgrading, clear authorization levels and adherence to an employee code of conduct;
- contingency business resumption plans for activation in response to systems failure or catastrophic events, including off-site data storage and back-up processing capabilities for all critical operations and;
- maintaining a comprehensive portfolio of insurance to reduce the impact of any potential losses.

Reputation

Central 1 recognizes that our reputation is among our most important assets and considers reputational impact in all of our business and planning practices. Integrity and ethical conduct are core values for the 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 ourselves and the credit union system.

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

Currently, Central 1 considers 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 and need emergency aid.
- 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.

Jump to table of contents

Accounting and Control Matters

Our 2021 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.

Changes in Accounting Policy

Interest Rate Benchmark Reform (IBOR)

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 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.

Central 1 adopted the Phase II amendments on January 1, 2021. There was no impact on Central 1's current financial instruments and hedging relationships which were not referencing to the interest rate benchmarks that are subject to the reform.

Future Accounting Policy

Deferred tax related to assets and liabilities arising from a single transaction

On May 7, 2021, the IASB published *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12, *Income Tax*) that clarify how deferred tax on transactions such as leases and decommissioning obligations is accounted for.

The main change in these amendments is an exemption from the *initial recognition exemption* provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with early adoption permitted. Central 1 has not applied this amended standard in preparing these consolidated financial statements as it plans to adopt the standard at its effective date. As at December 31, 2021, the impact of these amendments to the Consolidated Financial Statements cannot be reasonably estimated.

Definition of Accounting Estimates

On February 12, 2021, the IASB published *Definition of Accounting Estimates* (Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to help entities to distinguish between accounting policies and accounting estimates.

The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the start of that period. Central 1 has not applied this amended standard in preparing these consolidated financial statements as it plans to adopt the standard at its effective date. As at December 31, 2021, the impact of these amendments to the Consolidated Financial Statements cannot be reasonably estimated.

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 is gathered and reported on a timely basis to senior management. This ensures appropriate decisions can be made regarding public disclosure and provides 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, 2021. Based on that evaluation, Central 1 has concluded that the design of their internal monitoring controls and procedures over financial reporting was effective.

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, Vice-Presidents & their close family members. Our policies and procedures for related party transactions have not changed since December 31, 2020.

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

Subsequent Events

Interac Capital Call

To fund the Real Time Rail (RTR) and Pay by Bank development costs, the Board of Directors of Interac Corp. (Interac) approved a capital call of $46.5 million in December 2021. Central 1 has an indirect interest in Interac through its ownership in 189286 Canada Inc. which committed to support the capital call. Central 1 is required to make equivalent contribution to 189286 Canada Inc. and has accrued $3.5 million in relation to this commitment in 2021. Central 1 also has a direct interest in Interac and the direct portion of this capital call is $0.5 million. Subsequent to the year end, Central 1 satisfied its obligations by making payments for both direct and indirect portions.

Investment in Concentra Bank

On February 7, 2022, it was announced that Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., had entered into a share purchase agreement to acquire SaskCentral's 84% common share equity interest in Concentra Bank, as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 16%. Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank. The acquisition is expected to close in the second half of 2022, subject to satisfaction of customary closing conditions and receipt of required regulatory approvals. Central 1 is a minority shareholder in Concentra Bank, and as at December 31, 2021, owns 4.7% of common shares. Central 1 has measured its investment in Concentra Bank at a fair value of $20.4 million, included in Securities in the Consolidated Statement of Financial Position.

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.

Jump to table of contents

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.

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.

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 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.

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.

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.

Jump to table of contents

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Jump to table of contents

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
President & Chief Executive Officer

Brian K. Li
Acting Chief Financial Officer

Independent Auditors’ Report

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, 2021 and December 31, 2020
- 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, 2021 and December 31, 2020, 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 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 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.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
February 24, 2022

Jump to table of contents

Consolidated Statements of Financial Position

As at December 31

(Thousands of dollars)	Notes	December 31, 2021	December 31, 2020
Assets			
Cash	(5)	$ 1,251,516	$ 1,467,557
Securities	(6)	9,848,603	11,066,618
Loans	(7)	1,794,368	1,111,593
Derivative assets	(8)	120,930	103,620
Settlements in-transit		201,017	108,818
MLP assets held for segregation	(10)	-	9,075,569
Property and equipment	(12)	19,450	22,936
Intangible assets	(13)	15,371	6,776
Investments in affiliates	(14)	84,820	78,922
Current tax assets		1,187	-
Deferred tax assets	(16)	16,599	27,460
Other assets	(15)	29,728	24,795
		$ 13,383,589	$ 23,094,664
Liabilities			
Deposits	(17)	$ 7,200,199	$ 9,365,435
Debt securities issued	(18)	2,062,175	1,554,576
Obligations under the Canada Mortgage Bond Program	(19)	960,765	909,692
Subordinated liabilities	(20)	220,321	221,716
Obligations related to securities sold short		40,494	42,696
Securities under repurchase agreements		1,553,290	513,497
Derivative liabilities	(8)	75,435	148,353
Settlements in-transit		390,884	403,335
MLP liabilities held for segregation	(10)	-	8,677,762
Current tax liabilities		-	22,960
Other liabilities	(22)	93,574	73,318
		12,597,137	21,933,340
Equity			
Share capital	(23)	43,396	441,127
Retained earnings		727,213	684,210
Accumulated other comprehensive income		8,700	28,333
Other reserves		2	2
Total equity attributable to members of Central 1		779,311	1,153,672
Non-controlling interest		7,141	7,652
		786,452	1,161,324
		$ 13,383,589	$ 23,094,664
Guarantees, commitments, contingencies and pledged assets	(31)		
Subsequent events	(38)		

See accompanying notes to the Consolidated Financial Statements

Approved by the Directors:

Rob Paterson
Chairperson

Mary Falconer
Chairperson
Audit and Finance Committee

Consolidated Statements of Profit

For the Years Ended December 31

(Thousands of dollars)	Notes	December 31, 2021	December 31, 2020
Interest income			
Securities		$ 98,501	$ 122,649
Loans		41,426	43,855
		139,927	166,504
Interest expense			
Deposits		32,056	51,591
Debt securities issued		35,754	42,976
Subordinated liabilities		8,585	6,561
Obligations under the Canada Mortgage Bond Program		2,083	6,679
		78,478	107,807
Interest margin		61,449	58,697
Gain on disposal of financial instruments	(24)	15,010	33,521
Change in fair value of financial instruments	(25)	6,913	1,746
		83,372	93,964
Impairment loss (recovery) on financial assets	(9)	(1,445)	2,838
Net financial income		84,817	91,126
Non-financial income	(26)	151,584	139,652
Net financial and non-financial income		236,401	230,778
Non-financial expense			
Salaries and employee benefits		92,430	97,775
Premises and equipment		6,956	1,188
Other administrative expenses	(27)	74,706	112,574
		174,092	211,537
Profit before income taxes		62,309	19,241
Income taxes expense (recovery)	(28)	16,909	(7,034)
Profit from continuing operations		45,400	26,275
Profit from discontinued operations, net of tax	(10)	–	9,861
Profit		$ 45,400	$ 36,136

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

For the Years Ended December 31

(Thousands of dollars)	Notes	December 31, 2021	December 31, 2020
Profit		**$ 45,400**	$ 36,136
Other comprehensive income (loss) 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		**(14,863)**	35,826
Reclassification of realized gains to profit		**(13,412)**	(12,361)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method		**2,910**	(2)
		(25,365)	23,463
Items that will not be reclassified subsequently to profit			
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option		**49**	418
Net actuarial gain (loss) on employee benefits plans	(29)	**2,746**	(62)
Other comprehensive income (loss) from continuing operations, net of tax		**(22,570)**	23,819
Other comprehensive income from discontinued operations, net of tax		**–**	492
Total comprehensive income, net of tax		**$ 22,830**	$ 60,447
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		**$ (4,919)**	$ 7,778
Reclassification of realized gains to profit		**$ (3,494)**	$ (3,370)
Share of other comprehensive income of affiliates accounted for using the equity method		**$ 453**	$ –
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		**$ 18**	$ 488
Net actuarial gain (loss) on employee benefits plans		**$ 1,012**	$ (13)
Total comprehensive income, net of tax, attributable to owners:			
Continuing operations		**$ 22,830**	$ 50,094
Discontinued operations	(10)	**–**	10,353
		$ 22,830	$ 60,447

See accompanying notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Equity

For the Year Ended December 31

	Attributable to equity members								
(Thousands of dollars)	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
Balance at December 31, 2020	$ 441,127	$ 684,210	$ 32,713	$ (4,763)	$ 383	$ 2	$ 1,153,672	$ 7,652	$ 1,161,324
Total comprehensive income, net of tax									
Profit (loss)		45,911					45,911	(511)	45,400
Other comprehensive income (loss), net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			(28,275)				(28,275)		(28,275)
Share of other comprehensive income of affiliates accounted for using the equity method			2,910				2,910		2,910
Liability credit reserve				49			49		49
Net actuarial gain on employee benefits plans					2,746		2,746		2,746
Total comprehensive income (loss)	–	45,911	(25,365)	49	2,746	–	23,341	(511)	22,830
Transactions with owners, recorded directly in equity									
Class "B" shares issued (Note 18)	6						6		6
Class "F" shares redeemed (Note 18)	(397,737)						(397,737)		(397,737)
Dividends		29					29		29
Total contribution from (distribution) to owners	(397,731)	29	–	–	–	–	(397,702)	–	(397,702)
Reclassification of liability credit reserve on derecognition[1]		(2,937)		2,937					–
Balance at December 31, 2021	**$ 43,396**	**$ 727,213**	**$ 7,348**	**$ (1,777)**	**$ 3,129**	**$ 2**	**$ 779,311**	**$ 7,141**	**$ 786,452**

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

Profit (loss) attributable to:	**2021**	2020
Members of Central 1	**$ 45,911**	$ 36,264
Non-controlling interest	**(511)**	(128)
	$ 45,400	$ 36,136
Total comprehensive income attributable to:		
Members of Central 1	**$ 23,341**	$ 60,575
Non-controlling interest	**(511)**	(128)
	$ 22,830	$ 60,447

Fair value & affiliates reserves:	**2021**	2020
Continuing operations	**$ (25,365)**	$ 23,463
Discontinued operations	**–**	(1,438)
	$ (25,365)	$ 22,025
Liability credit reserve:		
Continuing operations	**$ 49**	$ 418
Discontinued operations	**–**	1,930
	$ 49	$ 2,348

See accompanying notes to the Consolidated Financial Statements

Jump to table of contents

Consolidated Statements of Changes in Equity

For the Year Ended December 31

(Thousands of dollars)	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to equity members								
Balance at December 31, 2019	$ 440,076	$ 659,906	$ 10,688	$ (5,659)	$ 445	$ 2	$ 1,105,458	$ 7,780	$ 1,113,238
Total comprehensive income, net of tax									
Profit (loss)		36,264					36,264	(128)	36,136
Other comprehensive income (loss), net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			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 (loss)	–	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 18)	1,051						1,051		1,051
Total contribution from (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 derecogntion of financial liabilities at FVTPL.

See accompanying notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the Years Ended December 31

	Notes	December 31, 2021	December 31, 2020
Cash flows from operating activities			
Profit		$ **45,400**	$ 36,136
Adjustments for:			
Depreciation and amortization		**7,011**	9,137
Interest margin		**(61,449)**	(78,060)
Gain on disposal of financial instruments		**(15,010)**	(63,733)
Change in fair value of financial instruments		**(6,913)**	31,497
Impairment loss (recovery) on financial assets		**(1,445)**	2,732
Impairment loss on non-financial assets		**–**	21,622
Equity interest in affiliates		**577**	(554)
Income taxes expense		**16,909**	(7,034)
		(14,920)	(48,257)
Change in securities[1]		**9,355,625**	(3,716,035)
Change in loans		**(683,070)**	886,253
Change in settlements in-transit		**(104,650)**	49,819
Change in deposits[1]		**(10,800,627)**	5,960,994
Change in obligations related to securities sold short		**(424)**	(37,038)
Change in securities under repurchase agreements		**1,039,742**	(129,594)
Change in derivative assets and liabilities		**(16,576)**	2,105
Change in other assets and liabilities		**27,620**	(4,553)
Interest received		**163,757**	277,727
Interest paid		**(111,839)**	(225,680)
Income tax paid (received)		**(23,265)**	(190)
Net cash from (used in) operating activities		**(1,168,627)**	3,015,551
Cash flows from investing activities			
Change in deposits with regulated financial institutions		**2,048**	1,555
Change in reinvestment assets under the Canada Mortgage Bond Program		**(147,378)**	(73,816)
Change in property and equipment		**(85)**	(443)
Change in intangible assets		**(11,943)**	(30)
Investment in affiliates		**(3,565)**	(273)
Net cash used in investing activities		**(160,923)**	(73,007)

See accompanying notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows *(continued)*

For the Years Ended December 31

	Notes		December 31, 2021		December 31, 2020
Cash flows from financing activities					
Proceeds from debt securities issued			**1,118,959**		-
Maturity of debt securities issued			**(600,118)**		(535,191)
Change in lease liabilities			**(450)**		(111)
Maturity of obligation under the Canada Mortgage Bond Program			**(204,706)**		(384,795)
Proceeds under the Canada Mortgage Bond Program			**267,273**		362,645
Proceeds from subordinated liabilities issuance			**200,000**		–
Redemption of subordinated liabilities			**(199,380)**		276
Dividends paid			**(13,383)**		(27,512)
Issuance (redemption) of Class F shares	(18)		**(397,737)**		1,051
Issuance of Class B shares	(18)		**6**		–
Net cash from (used in) financing activities			**170,464**		(583,637)
Increase (decrease) in cash			**(1,159,086)**		2,358,907
Cash - beginning of period			**1,467,557**		51,695
Cash held for segregation - beginning of period	(10)		**943,045**		–
Cash - end of period		**$**	**1,251,516**	$	2,410,602
Cash comprise					
Cash		**$**	**1,251,516**	$	1,467,557
Cash held for segregation	(10)		**–**		943,045
Cash - end of period		**$**	**1,251,516**	$	2,410,602

[1] including the non-cash change of deposits and securities related to the MLP segregation on January 1, 2021

See accompanying notes to the Consolidated Financial Statements

Table of Contents

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

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).

The Consolidated Financial Statements were authorized for issue by the Board of Directors on February 24, 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 full extent of the impact from the COVID-19 pandemic continues to be uncertain which increases the need to apply significant judgements and assumptions in evaluating the economic and market environment and its impact on accounting estimates and judgements. 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.

2. Accounting policies

Central 1 has consistently applied the following significant accounting policies to all periods presented and by all subsidiaries included in these Consolidated Financial Statements, except for the following additional policies:

- Business model reassessment (Note 2C(a))
- Intangible assets (Note 2K): accounting for configuration costs incurred in relation to a SaaS arrangement.
- Non-financial income (Note 2R(f))
- Changes in accounting policies (Note 2V)

(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.

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

Prior to September 30, 2019, credit unions of British Columbia participated in the insurance programs offered by CUPP and held preferred shares of CUPP. Central 1 owns 100% voting rights of CUPP and 7% (December 31, 2020: 7%) non-voting rights, with the non-controlling interest (NCI) owning the remaining 93% (December 31, 2020: 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.

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 transferred the existing insurance claims to CUMIS in June 2021 and management intends to wind up the entity in 2022 after the distribution of remaining funds. CUPP's assets at the end of 2021 are classified as held for distribution as disclosed in Note 11.

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 investments 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.

(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.

During the first quarter of 2021, Central 1 reassessed its business model objectives and determined that, for some portfolios, management's strategy had changed. As a result, prospectively from March 15, 2021, the following financial assets and financial liabilities are managed as a group on a fair value basis and classified as FVTPL:

- all securities acquired after March 15, 2021, except for Bankers' Acceptances, Asset-Backed Commercial Papers, and Commercial Papers, which are classified as FVOCI,
- all deposits after March 15, 2021, and
- certain new medium-term notes and subordinated liabilities issued after March 15, 2021

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. This includes non-recourse financial instruments and financial assets with environmental, social and governance (ESG) features.

Jump to table of contents

c. Financial assets

All financial assets are initially recorded at fair value and subsequently classified and 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. ECL on these debt instruments is recognised under IFRS 9.

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.

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.

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 is never recycled to profit or loss. This election is made on an instrument-by-instrument 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. The business model reassessment in March 2021 did not result in reclassification of financial assets as the new business model was applied on a prospective basis.

Jump to table of contents

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 profit or loss, 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 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, 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:

- 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

Jump to table of contents

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.

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.

Jump to table of contents

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) 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.

(f) 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.

Jump to table of contents

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.
- 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.

(g) 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.

(h) 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 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.

(i) 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.

Jump to table of contents

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.

(j) 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.

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.

(k) 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.

Accounting for configuration costs incurred in relation to a SaaS arrangement

Central 1 enters into Software as a Service arrangements with external suppliers which give Central 1 the right to receive access to the suppliers' applications over the contract term. Central 1 incurs upfront costs of configuring the suppliers' applications as well as its own system in order to integrate with the suppliers' applications.

Central 1 does not recognize the costs incurred on configuring the suppliers' applications as an intangible asset because it does not control the applications being configured. Central 1 recognizes certain costs incurred on configuring its own system as an intangible asset, when it is able to demonstrate that it has the power to obtain the future economic benefits flowing from the underlying resources and to restrict the access of others to those benefits.

Jump to table of contents

(l) 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.

(m) 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 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

Jump to table of contents

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.

(n) 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.

(o) 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.

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.

(p) 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.

(q) 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 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.

Jump to table of contents

(r) Non-financial income

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.

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.

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.

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.

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.

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.

Revenue under the cost share arrangement

In order to comply with Payments Canada and Bank of Canada requirements, Central 1 is required to modernize its payment processing systems to facilitate real-time payment processing. As part of this initiative, Central 1's credit union customers contributed funds for a portion of the overall cost as an advance payment for future modernized payment services (cost share arrangement).

Under this arrangement, Central 1 is building the modernized payment functionalities and will be providing ongoing payment processing once the build is complete. The building of the functionalities is highly interdependent and interrelated with the ongoing payment services as these payment services cannot be provided without the modernized payment functionalities being built and credit union customers cannot benefit from the payment functionalities without the provision of ongoing payment services. Therefore, the funds received under the cost share arrangement are initially recognized as deferred revenue, and as payment functionalities become available, are recognized as revenue over the commitment period as performance obligations are satisfied over time.

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.

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.

(s) 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.

(t) 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.

(u) 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.

(v) Change in accounting policies

Interest Rate Benchmark Reform (IBOR) – Phase II Amendments
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 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.

Central 1 adopted the Phase II amendments on January 1, 2021. There was no impact on Central 1's current financial instruments and hedging relationships which were not referencing to the interest rate benchmarks that are subject to the reform.

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

Deferred tax related to assets and liabilities arising from a single transaction

On May 7, 2021, the IASB published *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12, *Income Tax*) that clarify how deferred tax on transactions such as leases and decommissioning obligations is accounted for.

The main change in these amendments is an exemption from the *initial recognition exemption* provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with early adoption permitted. Central 1 has not applied this amended standard in preparing these consolidated financial statements as it plans to adopt the standard at its effective date. As at December 31, 2021, the impact of these amendments to the Consolidated Financial Statements cannot be reasonably estimated.

Definition of Accounting Estimates

On February 12, 2021, the IASB published *Definition of Accounting Estimates* (Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to help entities to distinguish between accounting policies and accounting estimates.

The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the start of that period. Central 1 has not applied this amended standard in preparing these consolidated financial statements as it plans to adopt the standard at its effective date. As at December 31, 2021, the impact of these amendments to the Consolidated Financial Statements cannot be reasonably estimated.

Jump to table of contents

5. Cash

(Thousands of dollars)		December 31, 2021		December 31, 2020
With Bank of Canada	**$**	**1,153,898**	$	1,376,073
With other regulated financial institutions		**97,618**		91,484
	$	**1,251,516**	$	1,467,557

6. Securities

(Thousands of dollars)		December 31, 2021		December 31, 2020
Securities FVTPL				
Government and government guaranteed securities	**$**	**3,427,791**	$	3,870,673
Corporate and major financial institutions				
AA low or greater		**1,661,619**		2,098,597
A (high) to A (low)		**484,142**		401,280
BBB (high) to BBB (low)		**959,963**		288,910
Equity instruments		**60,430**		47,597
Fair value	**$**	**6,593,945**	$	6,707,057
Securities FVOCI				
Government and government guaranteed securities	**$**	**1,103,978**	$	518,668
Corporate and major financial institutions				
AA low or greater		**275,040**		1,281,812
A (high) to A (low)		**182,074**		529,537
BBB (high) to BBB (low)		**784,931**		1,258,955
Fair value	**$**	**2,346,023**	$	3,588,972

Jump to table of contents

(Thousands of dollars)	December 31, 2021	December 31, 2020
Reinvestment assets under the CMB Program		
FVTPL		
Government and government guaranteed securities	**$ 607,939**	$ 539,644
Corporate and major financial institutions AA low or greater	**20,995**	89,993
Fair Value	**628,934**	629,637
Amortized cost		
Assets acquired under reverse repurchase agreements	**$ 279,701**	$ 140,952
Total reinvestment assets under the CMB Program	**$ 908,635**	$ 770,589
Total	**$ 9,848,603**	$ 11,066,618

7. Loans

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

(Thousands of dollars)	December 31, 2021	December 31, 2020
Amortized cost		
Due on demand		
Credit unions	$ 291,809	$ 130,001
Commercial and others	3,386	8,222
	295,195	138,223
Term		
Credit unions	5,700	2,992
Commercial and others	1,177,964	899,532
Reverse repurchase agreements	301,252	51,587
Loans to employees[1]	1,439	3,988
	1,486,355	958,099
	1,781,550	1,096,322
Accrued interest	3,117	2,817
Premium	210	828
	1,784,877	1,099,967
Expected credit loss (Note 9)	(3,361)	(3,254)
Amortized cost	1,781,516	1,096,713
Fair value hedge adjustment[2]	(1,421)	(875)
Carrying value	$ 1,780,095	$ 1,095,838
FVTPL		
Term - Commercial and others		
Fair value	$ 14,273	$ 15,755
Total loans	$ 1,794,368	$ 1,111,593

[1] Loans to 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.

In 2020, Central 1 permitted payment deferrals to eligible borrowers in its commercial loan portfolio in response to the impact from the COVID-19 pandemic. Payment deferrals were not considered to automatically trigger a significant increase in credit risk (SICR) or result in such loans being moved into stage 2 or stage 3 for the purposes of calculating the expected credit loss (ECL). Payment deferrals were not granted in connection with loans that have been identified as impaired or on watch list.

Central 1 continued to accrue and recognize interest income and related ECL on such loans. As at December 31, 2021, the gross carrying value of loans for which deferrals have been approved was nil (December 31, 2020 – $13.1 million).

Jump to table of contents

8. Derivative instruments

The following tables summarize the fair value and the notional amounts by term to maturity of derivative assets and liabilities:

	Notional amount by term to maturity				December 31, 2021 Fair value	
(Thousands of dollars)	1 year or less	1 to 5 years	Over 5 years	Total	Asset	Liability
Interest rate contracts						
Bond forwards	$ 41,000	$ –	$ –	$ 41,000	$ 277	$ –
Futures contracts	538,000	115,000	–	653,000	3	507
Swap contracts	8,860,728	21,415,744	2,158,616	32,435,088	206,274	160,570
	9,439,728	21,530,744	2,158,616	33,129,088	206,554	161,077
Foreign exchange contracts						
Forward contracts	587,125	–	–	587,125	4,960	4,942
Other						
Equity index-linked options	38,809	178,039	–	216,848	16,199	16,199
Total fair value before adjustment					227,713	182,218
Adjustment for offsetting					(106,783)	(106,783)
Fair value					**$ 120,930**	**$ 75,435**

The amounts that have been pledged and received as collateral are $1.9 million and $76.6 million, respectively as at December 31, 2021.

	Notional amount by term to maturity				December 31, 2020 Fair value	
(Thousands of dollars)	1 year or less	1 to 5 years	Over 5 years	Total	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.

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

Jump to table of contents

Hedge accounting

Central 1 uses interest rate swaps to hedge its exposure to changes in the fair value of selected securities at fair value through other comprehensive income (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 that 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, 2021			December 31, 2020		
	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]	$ (10,344)	$ 10,719	$ 375	$ 693	$ (726)	$ (33)
Loans	(546)	524	(22)	2,023	(2,190)	(167)
Debt securities issued	5,915	(5,830)	85	(9,018)	8,398	(620)
	$ (4,975)	**$ 5,413**	**$ 438**	$ (6,302)	$ 5,482	$ (820)

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

(Thousands of dollars)	December 31, 2021				December 31, 2020			
	Notional value of hedged items	Carrying value of hedged items[2]	Carrying value of hedging instruments	Cumulative hedge adjustments from active hedges	Notional value of hedged items	Carrying value of hedged items[2]	Carrying value of hedging instruments	Cumulative hedge adjustments from active hedges
Securities at FVOCI[1]	$ 235,156	$ 233,047	$ 9,993	$ (9,651)	$ 211,500	$ 219,255	$ (726)	$ 693
Loans	34,158	32, 947	723	(1,421)	70,673	70,626	199	(875)
Debt securities issued	(300,000)	(302,763)	2,343	(1,841)	(300,000)	(308,405)	8,173	(7,756)
			$ 13,059	**$ (12,913)**			$ 7,646	$ (7,938)

[1] The designation of securities at FVOCI in a hedging relationship moves the changes in fair value due to interest rate risk from other comprehensive income (loss) to the profit (loss)
[2] Represents the carrying value in the Consolidated Balance Sheet and includes amortized cost, before allowance for credit losses, plus fair value hedge adjustments, except for FVOCI securities that are carried at fair value

Jump to table of contents

9. Expected credit loss

								December 31, 2021
(Thousands of dollars)		Stage 1		Stage 2		Stage 3		Total
ECL on financial assets at amortized cost								
Balance at December 31 2020	$	2,314	$	940	$	–	**$**	**3,254**
Impairment loss (recovery) on financial assets								
Transfers in (out) to (from)		(7)		7		–		**–**
Purchases and originations		1,158		70		–		**1,228**
Derecognitions and maturities		(813)		(276)		–		**(1,089)**
Remeasurements		(20)		(12)		–		**(32)**
Total impairment loss (recovery) on financial assets		318		(211)		–		**107**
Balance at December 31 2021	**$**	**2,632**	**$**	**729**	**$**	**–**	**$**	**3,361**
ECL on financial assets at FVOCI								
Balance at December 31 2020	$	1,611	$	–	$	–	**$**	**1,611**
Impairment loss (recovery) on financial assets:								
Purchases		23		–		–		**23**
Derecognitions and maturities		(323)		–		–		**(323)**
Remeasurements		(1,206)		–		–		**(1,206)**
Total impairment recovery on financial assets		(1,506)		–		–		**(1,506)**
Balance at December 31 2021	**$**	**105**	**$**	**–**	**$**	**–**	**$**	**105**
Total ECL								
Balance at December 31 2020	$	3,925	$	940	$	–	**$**	**4,865**
Impairment loss (recovery) on financial assets:								
Transfers in (out) to (from)		(7)		7		–		**–**
Purchases and originations		1,181		70		–		**1,251**
Derecognitions and maturities[1]		(1,136)		(276)		–		**(1,412)**
Remeasurements		(1,226)		(12)		–		**(1,238)**
Total impairment recovery on financial assets		(1,188)		(211)		–		**(1,399)**
Balance at December 31 2021	**$**	**2,737**	**$**	**729**	**$**	**–**	**$**	**3,466**

(Thousands of dollars)	Stage 1	Stage 2	Stage 3	December 31, 2020 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 FVOCI[1]				
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

Jump to table of contents

The following tables present the gross carrying amounts of the loans as at December 31, 2021 and December 31, 2020, according to credit quality:

								December 31, 2021
(Thousands of dollars)		**Stage 1**		**Stage 2**		**Stage 3**		**Total**
Low Risk	$	661,852	$	–	$	–	**$**	**661,852**
Medium Risk		1,098,981		–		–		**1,098,981**
High Risk		–		22,168		–		**22,168**
Not Rated		1,876		–		–		**1,876**
Total	**$**	**1,762,709**	**$**	**22,168**	**$**	**–**	**$**	**1,784,877**

								December 31, 2020
(Thousands of dollars)		**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

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 values during COVID 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.

Jump to table of contents

10. Held for segregation and discontinued operations

The segregation of the Mandatory Liquidity Pool (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 net impact on profit and loss. Central 1 continues to remain in compliance with all regulatory capital requirements following segregation.

Profit from discontinued operations

(Thousands of dollars)	December 31, 2021	December 31, 2020
Net financial income	$ –	$ 16,438
Non-financial income	–	(194)
Net financial expense and non-financial income	–	16,244
Non-financial expense	–	6,383
Profit before income taxes	–	9,861
Income tax expense	–	1,697
Income tax benefit related to dividend accrued	–	(1,697)
Profit from discontinued operations	$ –	$ 9,861

MLP assets held for segregation

(Thousands of dollars)	December 31, 2021	December 31, 2020
Cash	$ –	$ 943,045
Securities	–	8,132,524
MLP assets held for segregation	$ –	$ 9,075,569

MLP liabilities held for segregation

(Thousands of dollars)	December 31, 2021	December 31, 2020
Deposits	$ –	$ 8,676,530
Other liabilities	–	1,232
MLP liabilities held for segregation	$ –	$ 8,677,762

The fair value of MLP deposits at December 31, 2020 was equal to its carrying value.

Cash flow from discontinued operations

(Thousands of dollars)	December 31, 2021	December 31, 2020
Net cash from operating activities	$ –	$ 939,246
Net cash from financing activities	–	1,051
Net cash from discontinued operations	$ –	$ 940,297

11. Held for distribution

CUPP's planned distribution in early 2022 continues to meet the criteria to be classified as assets held for distribution as at December 31, 2021, in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*. CUPP's statement of financial position primarily consists of cash, deposits with regulated financial institutions and securities. 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, 2021	December 31, 2020
Deposits with regulated financial institutions	$ **1,250**	$ 3,402
Securities	**5,697**	1,853
Assets held for distribution	$ **6,947**	$ 5,255

Liabilities held for distribution

(Thousands of dollars)	December 31, 2021	December 31, 2020
Provisions	$ –	$ 2,458
Other liabilities	**12**	50
Liabilities held for distribution	$ **12**	$ 2,508

12. Property and equipment

(Thousands of dollars)	Land and Building	IT Equipment	Fixtures	Total
Cost				
Balance at January 1, 2021	**$ 23,772**	**$ 11,493**	**$ 18,982**	**$ 54,247**
Acquisitions	**–**	**159**	**–**	**159**
Disposals	**–**	**(1,969)**	**(979)**	**(2,948)**
Balance at December 31, 2021	**$ 23,772**	**$ 9,683**	**$ 18,003**	**$ 51,458**
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
Depreciation				
Balance at January 1, 2021	**$ 12,640**	**$ 8,466**	**$ 10,205**	**$ 31,311**
Depreciation	**947**	**1,215**	**1,409**	**3,571**
Disposals	**–**	**(1,969)**	**(905)**	**(2,874)**
Balance at December 31, 2021	**$ 13,587**	**$ 7,712**	**$ 10,709**	**$ 32,008**
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
Carrying value				
Balance at December 31, 2021	**$ 10,185**	**$ 1,971**	**$ 7,294**	**$ 19,450**
Balance at December 31, 2020	$ 11,132	$ 3,027	$ 8,777	$ 22,936

Jump to table of contents

13. Intangible assets

(Thousands of dollars)		Externally Acquired		Internally Developed		Total
Cost						
Balance at January 1, 2021	**$**	**32,806**	**$**	**36,134**	**$**	**68,940**
Acquisitions		**–**		**11,943**		**11,943**
Disposals		**(1,645)**		**(931)**		**(2,576)**
Balance at December 31, 2021	**$**	**31,161**	**$**	**47,146**	**$**	**78,307**
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
Amortization and impairment						
Balance at January 1, 2021	**$**	**28,135**	**$**	**34,029**	**$**	**62,164**
Amortization		**2,351**		**997**		**3,348**
Disposals		**(1,645)**		**(931)**		**(2,576)**
Balance at December 31, 2021	**$**	**28,841**	**$**	**34,095**	**$**	**62,936**
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
Carrying value						
Balance at December 31, 2021	**$**	**2,320**	**$**	**13,051**	**$**	**15,371**
Balance at December 31, 2020	$	4,671	$	2,105	$	6,776

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, 2021 and December 31, 2020.

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
The CUMIS Group Limited	**27 %**	27 %	**$ 15,122**	$ 15,599
CU CUMIS Wealth Holdings LP	**35 %**	35 %	**41,305**	41,720
189286 Canada Inc.	**52 %**	52 %	**27,351**	20,636
Agility Forex Ltd.	**28 %**	28 %	**1,042**	967
			$ 84,820	$ 78,922

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. 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.

On September 24, 2021, Central 1 purchased a $2.9 million non-interest bearing promissory note issued by 189286 Canada Inc. that is due on demand with a maturity of June 30, 2022. The principal amount of the promissory note is included under other assets on the Consolidated Statement of Financial Position as at December 31, 2021.

15. Other assets

(Thousands of dollars)	December 31, 2021	December 31, 2020
Investment property	$ 686	$ 778
Prepaid expenses	6,434	5,945
Post-employment benefits	6,363	4,066
Assets held for distribution (Note 11)	6,947	5,255
Accounts receivable and other	9,298	8,751
	$ 29,728	$ 24,795

Contract balances

(Thousands of dollars)	December 31, 2021	December 31, 2020
Receivables arising from contracts with customers		
Trade receivables	$ 8,494	$ 5,818
Contract assets	776	829
Total contract assets[1]	$ 9,270	$ 6,647
Total contract liabilities[2]	$ 5,501	$ 4,602

[1] Contract assets are included within the Accounts receivable and other under Other Assets.
[2] Contract liabilities exclude the deferred revenue related to the amount received from credit union clients under the Payments Modernization Cost Share Arrangement which was recorded under other liabilities.

Investment property

(Thousands of dollars)	December 31, 2021	December 31, 2020
Carrying value, beginning balance	$ 778	$ 872
Depreciation	(92)	(94)
Carrying value, ending balance	$ 686	$ 778
Fair value	$ 3,157	$ 2,938

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, 2020	Recognized in profit or loss	Recognized in OCI	December 31, 2021
Deferred tax assets				
Financial instruments	$ 22,977	$ 29	$ –	**$ 23,006**
Employee future benefits	6,438	43	–	**6,481**
Equity interest in affiliates	1,092	283	3	**1,378**
Unused tax losses	3,103	7,240	8,395	**18,738**
Other	4,140	532	–	**4,672**
Total deferred tax assets	37,750	8,127	8,398	**54,275**
Deferred tax liabilities				
Financial instruments	(579)	(23,295)	–	**(23,874)**
Property and equipment	(754)	(338)	–	**(1,092)**
Employee future benefits	(2,965)	(95)	(1,012)	**(4,072)**
Equity interest in affiliates	(5,622)	(15)	(456)	**(6,093)**
Other	(370)	(2,175)	–	**(2,545)**
Total deferred tax liabilities	(10,290)	(25,918)	(1,468)	**(37,676)**
Net deferred tax assets (liabilities)[1]	$ 27,460	$ (17,791)	$ 6,930	**$ 16,599**

[1] Deferred tax assets and liabilities are assessed by legal entity and presented on a net basis on the Statement of Financial Position.

(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.

Jump to table of contents

17. Deposits

(Thousands of dollars)	December 31, 2021	December 31, 2020
Deposits designated as FVTPL		
Due within three months	$ **1,900,588**	$ 358,922
Due after three months and within one year	**1,059,641**	582,606
Due after one year and within five years	**820,860**	265,418
	3,781,089	1,206,946
Accrued interest	**8,066**	5,931
Amortized cost	$ **3,789,155**	$ 1,212,877
Fair value	$ **3,789,543**	$ 1,222,025
Deposits held at amortized cost		
Due on demand	$ **3,232,904**	$ 3,412,395
Due within three months	**5,500**	2,865,612
Due after three months and within one year	**98,790**	1,667,771
Due after one year and within five years	**73,157**	188,820
	3,410,351	8,134,598
Accrued interest	**305**	8,812
Amortized cost	$ **3,410,656**	$ 8,143,410
Total carrying value	$ **7,200,199**	$ 9,365,435

18. Debt securities issued

(Thousands of dollars)		December 31, 2021		December 31, 2020
Amortized cost				
Due within three months	$	**866,657**	$	600,118
Due after three months and within one year		**499,518**		–
Due after one year and within five years		**446,241**		943,456
		1,812,416		1,543,574
Accrued interest		**2,787**		3,246
Amortized cost		**1,815,203**		1,546,820
Fair value hedge adjustment[1]		**1,841**		7,756
Carrying value	$	**1,817,044**	$	1,554,576
Designated as FVTPL				
Due after one year and within five years	$	**250,000**	$	–
Accrued interest		**1,414**		–
Amortized cost		**251,414**		–
Fair value		**245,131**		–
Total Carrying value	$	**2,062,175**	$	1,554,576

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

At December 31, 2021, the short-term commercial paper facility had a par value of $866.9 million (December 31, 2020 - $250.2 million) and the medium-term note facility had a par value of $1.2 billion (December 31, 2020 – $1.3 billion).

On November 1, 2017, Central 1 issued $500.0 million principal 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.

On December 6, 2019, Central 1 issued $300.0 million principal 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 26, 2021, Central 1 issued $250.0 million principal 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. These notes are designated at FVTPL at inception to reduce accounting mismatch.

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

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, 2021 and December 31, 2020, the amounts outstanding were $99.7 million and $107.7 million respectively.

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, 2021	December 31, 2020
Amounts		
Due within three months	$ **306,718**	$ 216,969
Due after three months and within one year	**188,328**	207,069
Due after one year and within five years	**464,299**	472,739
	959,345	896,777
Accrued interest	**531**	641
Amortized cost	$ **959,876**	$ 897,418
Fair value	$ **960,765**	$ 909,692

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

(Thousands of dollars)	December 31, 2021	December 31, 2020
FVTPL		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 6)	$ **628,934**	$ 629,637
Assets recognized as securities	**54,978**	142,040
Fair value	$ **683,912**	$ 771,677
Amortized cost		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 6)	$ **279,701**	$ 140,952
Total underlying assets designated	$ **963,613**	$ 912,629

20. Subordinated liabilities

(Thousands of dollars)	December 31, 2021	December 31, 2020
Amortized cost		
Series 5	$ 21,000	$ 21,000
Series 6	–	200,000
	21,000	221,000
Discount	–	(621)
Accrued interest	9	1,337
Amortized cost	$ 21,009	$ 221,716
Designated as FVTPL		
Series 7	$ 200,000	$ –
	200,000	–
Accrued interest	26	–
Amortized cost	$ 200,026	$ –
Fair value	$ 199,312	$ –
Total carrying value	$ 220,321	$ 221,716

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. As at December 31, 2021, Central 1 did not exercise its option to redeem the outstanding notes.

On October 14, 2016, Central 1 issued $200.0 million principal amount of Series 6 subordinated notes due October 14, 2026, with option to redeem the notes on or after October 14, 2021. 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. On October 14, 2021, Central 1 exercised the option to fully redeem $200.0 million principal of series 6 subordinated notes.

During the second quarter of 2021, Central 1 issued $200.0 million principal of series 7 subordinated fixed rate notes due on or after June 30, 2026. The notes bear interest at a fixed rate of 2.391%, payable semi-annually, until, but excluding June 30, 2026, and thereafter at a floating rate based on the 3-month CDOR plus 96 basis points, payable quarterly. The series 7 notes are designated at FVTPL at inception to be managed as a group on a fair value basis with securities portfolio.

21. Change in liabilities arising from financing activities

(Thousands of dollars)	December 31, 2020	Cash flow	Non-cash changes: Fair value	Non-cash changes: Other	December 31, 2021
Debt securities issued	$ 1,554,576	$ 518,842	$ (5,499)	$ (5,744)	**$ 2,062,175**
Obligations under the CMB Program	909,692	62,567	(11,384)	(110)	**960,765**
Subordinated liabilities	221,716	620	(1,874)	(141)	**220,321**
Dividends payable	13,412	(13,383)	–	(29)	**–**
Finance Lease	6,493	(450)	–	–	**6,043**
	$ 2,705,889	$ 568,196	$ (18,757)	$ (6,024)	**$ 3,249,304**

(Thousands of dollars)	December 31, 2019	Cash flow	Non-cash changes: Fair value	Non-cash changes: Other	December 31, 2020
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

22. Other liabilities

(Thousands of dollars)	December 31, 2021	December 31, 2020
Post-employment benefits (Note 29)	**$ 15,326**	$ 16,980
Short-term employee benefits	**14,009**	11,282
Deferred revenue[1]	**33,795**	–
Dividends payable	**–**	13,412
Finance leases (Note 32)	**6,043**	6,493
Liabilities held for distribution (Note 11)	**12**	2,508
Accounts payable	**22,529**	14,074
Other	**1,860**	8,569
	$ 93,574	$ 73,318

[1] Deferred revenue includes the amount received from credit union clients under the Payments Modernization Cost Share Arrangement. See Note 2 R(f)

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 (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 these shares at its option with the approval of the Board of Directors. The shares were issued to Class A members in proportion to their share of mandatory deposits with Central 1. With 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.

(Thousands of shares)	December 31, 2021	December 31, 2020
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 of period	**5**	5
Issued during the period	**6**	–
Balance at end of period	**11**	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	**397,737**	396,686
Issued during the period	**–**	1,051
Redeemed during the period	**(397,737)**	–
Balance at end of period	**–**	397,737
Number of treasury shares		
Treasury shares - Class E		
Balance at beginning and end of period	**(264)**	(264)

(Thousands of dollars)	December 31, 2021	December 31, 2020
Amount of share capital outstanding		
Outstanding $1 par value shares		
Class A – credit unions	$ 43,359	$ 43,359
Class B – cooperatives	11	5
Class C – other	7	7
Class F - credit unions	–	397,737
Outstanding $0.01 par value shares		
Class E – credit unions	21	21
	43,398	441,129
Amount of treasury shares		
Treasury shares	(2)	(2)
Balance at end of period	$ 43,396	$ 441,127

The dividend amounts are as follows:

(Thousands of dollars)	December 31, 2021	December 31, 2020
Dividend payable, balance at beginning of period	$ 13,412	$ 27,512
Declared during the period	–	13,412
Other	(29)	–
Paid during the period	(13,383)	(27,512)
Dividend payable, balance at end of period	$ –	$ 13,412

24. Gain on disposal of financial instruments

(Thousands of dollars)	December 31, 2021	December 31, 2020
Realized gain on securities at FVTPL	$ 77,390	$ 29,240
Realized gain on securities at FVOCI	15,516	16,987
Realized loss on derivative instruments	(5,876)	(57)
Realized gain on loans at FVTPL	8	17
Realized loss on deposits designated at FVTPL	(71,559)	(2,168)
Realized loss on obligations related to securities sold short	(469)	(10,498)
	$ 15,010	$ 33,521

25. Change in fair value of financial instruments

(Thousands of dollars)	December 31, 2021	December 31, 2020
Securities at FVTPL	$ **(169,067)**	$ 59,246
Loans at FVTPL	**(493)**	529
Activities under the Canada Mortgage Bond Program		
Reinvestment assets	**(9,278)**	10,115
Derivative instruments	**18,639**	(8,474)
Obligations under the Canada Mortgage Bond Program	**11,385**	(12,497)
Derivative instruments	**67,134**	(36,840)
Financial liabilities at FVTPL		
Deposits designated at FVTPL	**78,982**	(8,529)
Debt securities issued designated at FVTPL	**5,499**	–
Subordinated debt issued designated at FVTPL	**1,875**	–
Obligations related to securities sold short	**2,237**	(1,804)
	$ **6,913**	$ 1,746

26. Non-financial income

(Thousands of dollars)	December 31, 2021			December 31, 2020		
	Revenue arising from contracts with customers	Revenue arising from other sources	Total	Revenue arising from contracts with customers	Revenue arising from other sources	Total
Treasury						
Lending fees	$ 12,747	$ –	$ **12,747**	$ 12,762	$ –	$ 12,762
Securitization fees	7,779	–	**7,779**	8,953	–	8,953
Foreign exchange income	–	8,195	**8,195**	–	5,445	5,445
Asset management services	3,576	–	**3,576**	–	–	–
Other	5,364	–	**5,364**	6,981	–	6,981
Payments & Digital Banking Platforms and Experiences						
Payment processing and other fees	67,947	–	**67,947**	64,791	–	64,791
Direct banking fees	35,060	–	**35,060**	34,470	–	34,470
System Affiliates & Other						
Equity interest in affiliates	–	(577)	**(577)**	–	(554)	(554)
Income from investees	–	1,415	**1,415**	–	1,211	1,211
Membership dues	2,449	–	**2,449**	2,449	–	2,449
Other[1]	7,629	–	**7,629**	3,144	–	3,144
	$ 142,551	$ 9,033	$ **151,584**	$ 133,550	$ 6,102	$ 139,652

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

[1] Other includes a one-time income of $5.5 million related to the proceeds recovered during the liquidation of U.S. Central Federal Credit Union, of which Central 1 owned membership shares in 2009.

Jump to table of contents

27. Other administrative expense

(Thousands of dollars)	December 31, 2021	December 31, 2020
Cost of sales and services	$ **7,388**	$ 9,676
Cost of payments processing	**22,905**	18,424
Management information systems (Note 13)	**18,005**	51,194
Professional fees	**24,256**	22,755
Business development projects	**155**	294
Other	**1,997**	10,231
	$ **74,706**	$ 112,574

28. Provision for income tax

Income tax reported in the Consolidated Financial Statements are as follows:

(Thousands of dollars)	December 31, 2021	December 31, 2020
Current income tax expense (recovery)	$ **(882)**	$ 21,339
Deferred income tax expense (recovery)	**17,791**	(28,373)
Income tax expense (recovery) in the statement of profit	**16,909**	(7,034)
Income tax expense (recovery) in the statement of OCI	**(6,930)**	4,883
Total income tax expense (recovery) from continuing operations	$ **9,979**	$ (2,151)

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, 2020 – 26.9%). Starting in 2021, Central 1 is no longer eligible for credit union deduction of 9.7% as a result of MLP segregation on January 1, 2021.

The following table presents the effective tax rate from continuing operations.

	December 31, 2021	December 31, 2020
Combined federal and provincial statutory income tax rates	**26.9 %**	26.9 %
Credit union deduction	**0.0 %**	(9.7) %
Rate differential on equity interests in affiliates	**0.2 %**	0.3 %
Change in future tax rate for deferred tax balances	**0.0 %**	(50.4) %
Adjustment arising from prior year items	**(3.1) %**	0.0 %
Other	**3.1 %**	(3.7) %
Effective income tax rate	**27.1 %**	(36.6) %

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.

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, 2021		December 31, 2020
Defined benefit obligation	$	**(13,985)**	$	(15,321)
Fair value of plan assets		**20,348**		19,387
Net defined benefit asset	$	**6,363**	$	4,066
Defined benefit obligation				
Defined benefit obligation, beginning of year	$	**(15,321)**	$	(15,043)
Current service costs		**(155)**		(108)
Employee contributions		**(32)**		(29)
Interest cost on accrued benefit obligation		**(378)**		(457)
Benefit payments		**817**		868
Actuarial gain (loss)		**1,084**		(552)
Defined benefit obligation, end of year	$	**(13,985)**	$	(15,321)
Fair value of plan assets				
Plan assets, beginning of year	$	**19,387**	$	18,386
Employer contributions		**–**		54
Employee contributions		**32**		29
Interest income on plan assets		**475**		558
Return on plan assets, excluding interest income (actuarial gain)		**1,324**		1,318
Benefit payments		**(817)**		(868)
Administration costs (other than costs from managing plan assets)		**(53)**		(90)
Plan assets, end of year	$	**20,348**	$	19,387

(Thousands of dollars)		December 31, 2021		December 31, 2020
Expense recognized in profit or loss				
Current service costs	$	**155**	$	108
Administration costs (other than costs from managing plan assets)		**53**		90
Interest cost on the accrued benefit obligation		**378**		457
Interest income on plan assets		**(475)**		(558)
	$	**111**	$	97

(Thousands of dollars)		December 31, 2021		December 31, 2020
Amounts recognized in other comprehensive income (OCI)				
Actuarial gain (loss) on defined benefit obligation	$	**1,084**	$	(552)
Actuarial gain on plan assets, excluding interest income		**1,324**		1,318
	$	**2,408**	$	766

	December 31, 2021	December 31, 2020
Actuarial assumptions used to determine defined benefit expense:		
Weighted average discount rate on benefit obligation	**2.50 %**	3.10 %
Weighted average salary escalation	**2.75 %**	2.75 %
Expected return on plan assets	**3.10 %**	2.50 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average discount rate on benefit obligation	**2.25 %**	3.00 %
Weighted average salary escalation	**2.75 %**	2.75 %
Expected return on plan assets	**2.85 %**	2.25 %

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	2021 expense
Assumed discount rate		
Impact of 1% increase	**$ 1,543**	$ 52
Impact of 1% decrease	**$ (1,891)**	$ (71)
Weighted average salary escalation		
Impact of 1% increase	**$ (281)**	$ 14
Impact of 1% decrease	**$ 245**	$ (12)

(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 $3.0 million (December 31, 2020 – $3.1 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.

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, 2021		December 31, 2020
Defined benefit obligation & net defined benefit liability	**$**	**(11,402)**	$	(12,484)
Defined benefit obligation				
Defined benefit obligation, beginning of year	**$**	**(12,484)**	$	(11,825)
Current service costs		**(140)**		(132)
Interest cost of accrued benefit obligation		**(300)**		(352)
Benefits payments		**439**		435
Actuarial liability experience gain		**677**		63
Valuation gain		**264**		–
Actuarial liability financial assumptions gain (loss)		**142**		(673)
Defined benefit obligation, end of year	**$**	**(11,402)**	$	(12,484)

(Thousands of dollars)		December 31, 2021		December 31, 2020
Expense recognized in profit or loss				
Current service costs	**$**	**140**	$	132
Interest cost on accrued benefit obligation		**300**		352
	$	**440**	$	484

(Thousands of dollars)		December 31, 2021		December 31, 2020
Amounts recognized in OCI				
Actuarial (gain) loss on obligation	**$**	**1,083**	$	(610)

	December 31, 2021	December 31, 2020
Actuarial assumptions used to determine retiree non-pension benefits expense:		
Weighted average discount rate on benefit obligation	**2.80 %**	2.50 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average discount rate on benefit obligation	**2.80 %**	2.50 %
Health care cost trend assumptions:		
Health care cost trend rate on benefit obligation	**7.00 %**	6.50 %
Ultimate trend rate on benefit obligation	**2.00 %**	2.00 %
Year that the rate reaches the ultimate trend rate	**2041**	2038

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		2021 expense
Assumed discount rate				
Impact of 1% increase	$	1,145	$	9
Impact of 1% decrease	$	(1,354)	$	(11)
Assumed overall health care cost trend rate				
Impact of 1% increase	$	(921)	$	5
Impact of 1% decrease	$	796	$	(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, 2021		December 31, 2020
Defined benefit obligation	$	(4,266)	$	(4,803)
Fair value of plan assets		342		307
Net defined benefit liability	$	(3,924)	$	(4,496)

(Thousands of dollars)		December 31, 2021		December 31, 2020
Defined benefit obligation				
Defined benefit obligation, beginning of year	$	(4,803)	$	(4,918)
Current service costs		(59)		(78)
Interest cost on accrued benefit obligation		(120)		(147)
Benefits paid		449		570
Actuarial gain (loss)		267		(230)
Defined benefit obligation, end of year	$	(4,266)	$	(4,803)
Expense recognized in profit or loss				
Current service costs	$	59	$	78
Interest cost on accrued benefit obligation		120		147
	$	179	$	225

(Thousands of dollars)	December 31, 2021	December 31, 2020
Amounts recognized in OCI		
Actuarial gain (loss) on defined benefit obligation	**$ 267**	$ (230)

	December 31, 2021	December 31, 2020
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	**2.80 %**	2.50 %
Actuarial assumptions used to determine accumulated benefit obligation:		
Weighted average salary escalation	**3.00 %**	3.00 %
Weighted average discount rate on benefit obligation	**2.80 %**	2.50 %

Sensitivity of assumptions

(Thousands of dollars)	Accumulated benefit obligation
Assumed discount rate	
Impact of 1% increase	**$ (332)**
Impact of 1% decrease	**$ 397**

(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.

Jump to table of contents

30. Segment information

For management reporting purposes, post MLP segregation effective January 1, 2021, Central 1's operations and activities are organized around two key business segments: Treasury, Payments & Digital Banking Platforms and Experiences (formerly, 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 "System Affiliates & Other". A description of each business segment is as follows:

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 members' 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 Payments & Digital Banking Platforms and Experiences 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.

Payments & Digital Banking Platforms and Experiences

Payments & Digital Banking Platforms and Experiences (DBPX) 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.

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.

Central 1 has committed to significant financial investment to implement the Payments Modernization Processing initiative to enable clients to be compliant with new Payments Canada and Bank of Canada requirements. Central 1 engaged external vendors to provide Central 1 with certain payment processing and cloud hosting services, including, without limitation, automated funds transfers, bill payment, cheque, wires and e-transfer, and clearing and settlement services for its clients.

System Affiliates & Other

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

Management reporting framework

Central 1's management reporting framework is intended to measure the performance of each business segment as if it were a stand-alone business and reflects the way the business segments are managed. This approach is intended to ensure that the business segments' results reflect all relevant revenue and expenses associated with the conduct of their businesses. Management regularly monitors these segments' results for the purpose of making decisions about resource allocation and performance assessment.

The expenses in each business segment may include cost of services incurred directly. For costs not directly attributable to one of the business segments, a management reporting framework that uses assumptions, estimates and judgements for allocating overhead costs and indirect expenses to each of the business segments is used. The management reporting framework assists in the attribution of capital and the transfer pricing of funds to the business segments in a manner that fairly and consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Central 1's capital plan allows for tactical capital allocations within all segments. Central 1 does not have any inter-segment revenue between business segments. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment.

Basis of presentation

The accounting policies used to prepare these segments are consistent with those followed in the preparation of Central 1's Consolidated Financial Statements as described in Note 2.

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

Results by segment

The following table summarizes the segment results for the year ended December 31, 2021:

(Thousands of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	$ 72,649	$ (171)	$ 12,339	$ 84,817
Non-financial income	37,661	103,007	10,916	151,584
Net financial and non-financial income	110,310	102,836	23,255	236,401
Non-financial expense	38,084	118,631	17,377	174,092
Profit (loss) before income taxes	72,226	(15,795)	5,878	62,309
Income tax expense (recovery)	19,657	(4,294)	1,546	16,909
Profit (loss) from continuing operations	$ 52,569	$ (11,501)	$ 4,332	$ 45,400
Profit (loss) from discontinued operations				–
Profit (loss)	**$ 52,569**	**$ (11,501)**	**$ 4,332**	**$ 45,400**
Total assets from continuing operations	$ 13,162,726	$ 8,604	$ 212,259	$ 13,383,589
Total assets from discontinued operations	–	–	–	–
Total assets as at December 31 2021	**$ 13,162,726**	**$ 8,604**	**$ 212,259**	**$ 13,383,589**
Total liabilities from continuing operations	$ 12,623,480	$ (14,743)	$ (11,600)	$ 12,597,137
Total liabilities from discontinued operations	–	–	–	–
Total liabilities as at December 31 2021	**$ 12,623,480**	**$ (14,743)**	**$ (11,600)**	**$ 12,597,137**

The following table summarizes the segment results for the year ended December 31, 2020:

(Thousands of dollars)		Treasury		Payments & Digital Banking Platforms and Experiences		System Affiliates & Other		Total
Net financial income (expense)	$	91,459	$	(306)	$	(27)	$	91,126
Non-financial income		34,141		99,261		6,250		139,652
Net financial and non-financial income		125,600		98,955		6,223		230,778
Non-financial expense		33,610		152,218		18,155		203,983
Profit (loss) before income taxes		91,990		(53,263)		(11,932)		26,795
Income tax expense (recovery)		15,857		(16,764)		(6,127)		(7,034)
Profit (loss) from continuing operations	$	76,133	$	(36,499)	$	(5,805)	$	33,829
Profit from discontinued operations		–		–		–		2,307
Profit (loss)	$	76,133	$	(36,499)	$	(5,805)	$	36,136
Total assets from continuing operations		13,719,382		2,036		200,264		13,921,682
Total assets from discontinued operations		–		–		–		9,172,982
Total assets as at December 31 2020	$	13,719,382	$	2,036	$	200,264	$	23,094,664
Total liabilities from continuing operations	$	13,188,549	$	5,178	$	48,439	$	13,242,166
Total liabilities from discontinued operations		–		–		–		8,691,174
Total liabilities as at December 31 2020	$	13,188,549	$	5,178	$	48,439	$	21,933,340

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

31. Guarantees, commitments, contingencies and pledged assets

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

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

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

Jump to table of contents

(Thousands of dollars)		December 31, 2021		December 31, 2020
Commitments to extend credit	$	**5,083,369**	$	4,800,949
Guarantees				
Financial guarantees	$	**802,600**	$	767,600
Performance guarantees	$	**100,000**	$	100,000
Standby letters of credit	$	**239,357**	$	237,210
Future prepayment swap reinvestment commitment	$	**1,089,495**	$	1,646,785

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, 2021 are $14.5 million, $324.8 million and $99.8 million (December 31, 2020 – $56.2 million, $340.9 million and $113.8 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 at any time from these approved limits. These un-committed performance guarantee approved limits for December 31, 2021 were $810.0 million (December 31, 2020 – $810.0 million).

Central 1 evaluates contingencies on an ongoing basis and establishes provisions for matters in which the outflow of economic resources is probable and the amount of obligation can be reliably estimated. Central 1 is 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, 2021. Central 1 has also assessed and considered any contingent tax liabilities, uncertain tax treatments, and related penalties and interest, and concluded that no provision is required for the year ended December 31, 2021.

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, 2021		December 31, 2020
Assets pledged to Bank of Canada & Direct Clearing Organizations[1, 2]	$	**58,439**	$	58,693
Assets pledged in relation to:				
Derivative financial instrument transactions		**18,249**		72,765
Securities lending		**81,402**		4,175
Obligations under the Canada Mortgage Bond Program		**54,978**		123,995
Reinvestment assets under the Canada Mortgage Bond Program		**908,635**		770,589
Securities under repurchase agreements		**1,553,290**		513,497
	$	**2,674,993**	$	1,543,714

[1] Includes assets pledged as collateral for Large Value Transfer System (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..

Jump to table of contents

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, 2021	December 31, 2020
Balance at the beginning of the year	$ 6,164	$ 6,381
Depreciation charge for the year	(519)	(478)
Additions	–	261
Balance at the end of the year	$ 5,645	$ 6,164

Amounts recognized in the Consolidated Statement of Profit are as follows:

(Thousands of dollars)	December 31, 2021	December 31, 2020
Interest expense on lease liabilities	$ 238	$ 241
Depreciation charge for the year	$ 519	$ 478
Expense related to short term and low value leases	$ 522	$ 417

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.

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 and a medium-term note designated at FVTPL, a subordinated note designated at FVTPL, obligations related to securities sold short, reinvestment assets and obligations under the Canada Mortgage Bond Program. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date under current market conditions. The fair value of financial instruments is best evidenced by unadjusted quoted prices in active markets. When there is no quoted price in an active market, valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs are used to derive the fair value.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows, discount rates, and use of appropriate benchmarks and spreads.

Financial instruments whose carrying value approximates fair value

Fair value is assumed to be equal to the carrying value for cash, loans on demand classified as amortized cost, deposits due on demand classified as amortized cost, securities under repurchase agreements, other assets and other liabilities 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: securities at FVTPL and FVOCI, loans designated at FVTPL, derivative instruments, deposits and debt securities issued designated at FVTPL, obligations under the securities sold short, subordinated liabilities designated at FVTPL, and obligations under the CMB Program. To determine fair value, Central 1 discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. For Central 1's equity investments, quoted market prices are not available, in which case Central 1 would consider using valuation techniques such as discounted cash flows, comparison with instruments where observable inputs exist, Binomial Tree option pricing model and other valuation techniques. Assumptions and inputs used in these valuation techniques include risk-free rate, benchmark interest rate, and expected price volatility. The estimated fair value would increase (decrease) if:

- the expected cash flows were higher (lower);
- the risk-free rates were lower (higher).
- The expected price is more (less) volatile.

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, 2021 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.

Level 3 financial assets include $20.4 million of equity investment securities that are measured at fair value at December 31, 2021 (2020 - $8.9 million). In 2021, the valuation technique for this investment was changed from an income approach to an adjusted net assets approach, to reflect the likelihood of the sale of this investment in the future.

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.

Jump to table of contents

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

Transfers into and out of Levels 1, 2, and 3 occur when there are changes to the relevant inputs which are consistent with the characteristics of the asset or liability. Transfers are recognized at the end of the reporting period.

The following tables present the fair value of Central 1's financial assets and financial liabilities classified in accordance with the fair value hierarchy:

						December 31, 2021
(Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets						
Cash	$ –	$ –	$ –	$ –	$ 1,251.5	**$ 1,251.5**
Securities	–	9,788.2	60.4	9,848.6	–	**9,848.6**
Loans	–	–	14.3	14.3	1,780.1	**1,794.4**
Derivative assets	–	120.9	–	120.9	–	**120.9**
Total financial assets	$ –	$ 9,909.1	$ 74.7	$ 9,983.8	$ 3,031.6	**$ 13,015.4**
Financial liabilities						
Deposits	–	3,789.5	–	3,789.5	3,410.7	**7,200.2**
Debt securities issued	–	245.2	–	245.2	1,817.0	**2,062.2**
Obligations under the CMB Program	–	960.8	–	960.8	–	**960.8**
Subordinated liabilities	–	199.3	–	199.3	21.0	**220.3**
Obligations related to securities sold short	–	40.5	–	40.5	–	**40.5**
Securities under repurchase agreements	–	–	–	–	1,553.3	**1,553.3**
Derivative liabilities	0.5	74.9	–	75.4	–	**75.4**
Total financial liabilities	$ 0.5	$ 5,310.2	$ –	$ 5,310.7	$ 6,802.0	**$ 12,112.7**

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

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

						December 31, 2020
(Millions of dollars)	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets	$ –	$ 19,114.2	$ 63.4	$ 19,177.6	$ 3,647.4	$ 22,825.0
Financial liabilities	$ –	$ 5,698.1	$ –	$ 5,698.1	$ 15,734.4	$ 21,432.5

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

The following tables present the change in fair value for financial instruments included in Level 3 of the fair value hierarchy:

(Millions of dollars)	Fair Value at December 31, 2020	Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair Value at December 31, 2021
Equity shares	$ 47.6	$ 0.5	$ –	–	$ 12.3	**$ 60.4**
Loans	15.8	–	(1.0)	–	(0.5)	**14.3**
Total financial assets	$ 63.4	$ 1	$ (1.0)	–	$ 11.8	**$ 74.7**

(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

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Assets				
Cash	**$ 1,251.5**	$ 1,467.6	**$ 1,251.5**	$ 1,467.6
Securities	**$ 9,848.4**	$ 11,066.6	**$ 9,848.4**	$ 11,066.6
Loans[2]	**$ 1,779.4**	$ 1,105.3	**$ 1,794.4**	$ 1,111.6
Derivative assets	**$ 120.9**	$ 103.6	**$ 120.9**	$ 103.6
Settlements in-transit	**$ 201.0**	$ 108.8	**$ 201.0**	$ 108.8
MLP assets held for segregation	**$ –**	$ 9,075.6	**$ –**	$ 9,075.6
Other assets	**$ 29.7**	$ 24.8	**$ 29.7**	$ 24.8
Liabilities				
Deposits[3]	**$ 7,200.6**	$ 9,372.4	**$ 7,200.2**	$ 9,365.4
Debt securities issued[1, 4]	**$ 2,082.6**	$ 1,593.0	**$ 2,062.2**	$ 1,554.6
Obligations under the CMB Program	**$ 960.8**	$ 909.7	**$ 960.8**	$ 909.7
Subordinated liabilities[1, 5]	**$ 220.3**	$ 225.1	**$ 220.3**	$ 221.7
Obligations related to securities sold short	**$ 40.5**	$ 42.7	**$ 40.5**	$ 42.7
Securities under repurchase agreements	**$ 1,553.3**	$ 513.5	**$ 1,553.3**	$ 513.5
Derivative liabilities	**$ 75.4**	$ 148.4	**$ 75.4**	$ 148.4
Settlements in-transit	**$ 390.9**	$ 403.3	**$ 390.9**	$ 403.3
MLP liabilities held for segregation	**$ –**	$ 8,676.5	**$ -**	$ 8,676.5
Other liabilities	**$ 93.6**	$ 73.3	**$ 93.6**	$ 73.3

[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.
[3] A portion of deposits is designated at FVTPL. See Note 17 for the carrying amount.
[4] A portion of debt securities issued is designated at FVTPL. See Note 18 for the carrying amount.
[5] A portion of subordinated liabilities is designated at FVTPL. See Note 20 for the carrying amount.

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.

(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.

Provisions for ECL decreased in 2021 from 2020 reflecting the improvement in the economic outlook. 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.

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;
- 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.

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 monitors exposure to market risk 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.

The following table summarizes the carrying amounts by the earlier of the contractual repricing or maturity dates for the following financial instruments:

(Millions of dollars)	Floating	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not rate sensitive	Total
Assets							
Cash	$ 1,251.5	$ –	$ –	$ –	$ –	$ –	$ 1,251.5
Securities	338.8	617.8	769.5	6,427.4	1,589.6	105.5	9,848.6
Loans	567.7	676.0	137.1	412.8	1.2	(0.4)	1,794.4
Derivative assets	–	–	–	–	–	120.9	120.9
Other assets	–	6.9	–	–	–	361.3	368.2
	$ 2,158.0	$ 1,300.7	$ 906.6	$ 6,840.2	$ 1,590.8	$ 587.3	$ 13,383.6
Liabilities							
Deposits	$ 3,347.5	$ 1,901.8	$ 1,150.4	$ 791.6	$ –	$ 8.9	$ 7,200.2
Debt securities issued	–	866.9	500.0	700.0	–	(4.7)	2,062.2
Obligations under the CMB Program	–	299.8	195.2	462.0	–	3.8	960.8
Subordinated liabilities	21.0	–	–	–	200.0	(0.7)	220.3
Obligations related to securities sold short	–	–	–	41.0	–	(0.5)	40.5
Securities under repurchase agreements	–	1,553.3	–	–	–	-	1,553.3
Derivative liabilities	–	–	–	–	–	75.4	75.4
Other liabilities	–	–	–	–	–	484.4	484.4
Equity	–	–	–	–	–	786.5	786.5
	$ 3,368.5	$ 4,621.8	$ 1,845.6	$ 1,994.6	$ 200.0	$ 1,353.1	$ 13,383.6
On-balance sheet gap	$ (1,210.5)	$ (3,321.1)	$ (939.0)	$ 4,845.6	$ 1,390.8	$ (765.8)	$ –
Off-balance sheet gap	$ (4,686.8)	$ 157.4	$ 952.1	$ 2,819.0	$ 758.3	$ –	$ –
Total Gap Dec 31 2021	**$ (5,897.3)**	**$ (3,163.7)**	**$ 13.1**	**$ 7,664.6**	**$ 2,149.1**	**$ (765.8)**	**$ –**
Total Gap Dec 31 2020	$ (5,990.6)	$ (1,984.3)	$ 1,707.6	$ 6,303.6	$ 1,117.0	$ (1,153.3)	$ –

Jump to table of contents

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, 2021	December 31, 2020
Assets		
Cash	$ 55,910	$ 43,807
Securities	492,045	517,789
Loans	1	2,120
Derivative assets	165	–
MLP assets held for segregation	–	351,126
Other	484	50
	548,605	914,892
Liabilities		
Deposits	561,127	565,354
Derivative liabilities	82	3,159
MLP liabilities held for segregation	–	344,114
Other	(3,365)	5,060
	557,844	917,687
On-balance sheet exposure	(9,239)	(2,795)
Off-balance sheet exposure	3,287	7,611
	$ (5,952)	$ 4,816

Central 1 does not have a significant exposure to other foreign currencies.

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 System Affiliates & Other segment.

Regulatory capital

Central 1's capital levels are regulated under provincial regulations administered by the B.C. Financial Services Authority (BCFSA). 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 consolidated borrowing multiple, specifically the ratio of deposit liabilities and other loans payable to total regulatory capital, of 18.0:1 or less. BCFSA announced this current borrowing multiple on September 30, 2020, to be effective as of January 1, 2021, until further notice.

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, 2021 and December 31, 2020.

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 as described in Note 14; and
- Central 1's post-employment benefits as described in Note 29.

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 and their close family members. There was no outstanding balance against key management personnel as on December 31, 2021 and December 31, 2020.

Jump to table of contents

The following table presents the compensation to key management personnel:

(Thousands of dollars)	December 31, 2021	December 31, 2020
Salaries and short-term employee benefits	**$ 4,188**	$ 4,740
Incentive	**1,581**	2,699
Post-employment benefits	**244**	330
Termination benefits	**2,411**	1,174
	$ 8,424	$ 8,943

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, 2021	December 31, 2020
Total remuneration	**$ 754**	$ 645

Significant subsidiaries

(% of direct ownership outstanding)	December 31, 2021	December 31, 2020
Central 1 Trust Company	**100%**	100%
CUPP Services Ltd.	**100%**	100%
C1 Ventures (VCC) Ltd.	**100%**	100%
0789376 B.C. Ltd.	**100%**	100%

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, 2021	December 31, 2020
The Co-operators Group Limited	**21%**	21%
Canadian Credit Union Association	**59%**	59%

Jump to table of contents

38. Subsequent events

Interac Capital Call

To fund the Real Time Rail (RTR) and Pay by Bank development costs, the Board of Directors of Interac Corp. (Interac) approved a capital call of $46.5 million in December 2021. Central 1 has an indirect interest in Interac through its ownership in 189286 Canada Inc. and is committed to support the capital call and accrued $3.5 million in relation to this commitment. Central 1 also has a direct interest in Interac and decision has been made to subscribe to the call for the direct portion totalling $0.5 million. Subsequent to the year end, Central 1 satisfied its commitments by making payments for both direct and indirect portions.

Investment in Concentra Bank

On February 7, 2022, it was announced that Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., had entered into a share purchase agreement to acquire SaskCentral's 84% common share equity interest in Concentra Bank, as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 16%. Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank. The acquisition is expected to close in the second half of 2022, subject to satisfaction of customary closing conditions and receipt of required regulatory approvals. Central 1 is a minority shareholder in Concentra Bank, and as at December 31, 2021, owns 4.7% of common shares. Central 1 has measured its investment in Concentra Bank at a fair value of $20.4 million, included in Securities in the Consolidated Statement of Financial Position.

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

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
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
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

Jump to table of contents

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