

The background of the slide is a solid teal color. Overlaid on this are several large, semi-transparent geometric shapes in various shades of green, including lime green and forest green. These shapes are primarily triangular and trapezoidal, creating a modern, abstract design. One large green triangle points towards the top-left corner, while another points towards the bottom-right corner. There are also some horizontal and vertical bands of green that intersect with the other shapes.

Quarterly Report

For the Second Quarter of 2022

Results for the Second Quarter of 2022

Finance Results Highlights

Second quarter 2022 compared with second quarter 2021:

- Loss of \$26.2 million, compared to a profit of \$3.5 million
- Interest margin of \$19.3 million, up \$3.2 million from \$16.1 million
- Net financial expense of \$25.3 million, compared to a net financial income of \$10.3 million
- Return on average equity of (7.3) per cent, compared to 1.9 per cent
- Assets of \$13.6 billion, up 3.0 per cent from \$13.2 billion

Year-to-date 2022 compared with year-to-date 2021:

- Loss of \$61.6 million, compared to a profit of \$28.2 million
- Interest margin of \$36.4 million, up \$4.2 million from \$32.2 million
- Net financial expense of \$74.6 million, compared to a net financial income of \$47.6 million
- Return on average equity of (9.4) per cent, compared to 7.5 per cent

Central 1's reported results are reflective of the impact of increasing market yields on the mark-to-market valuation of its Treasury securities portfolio as compared to its deposit funding. Total unrealized losses of \$36.5 million overshadow continued positive interest margin within the Treasury securities portfolio.

"We continue to lead the credit union system through uncertain times in providing diverse products and services," said Sheila Vokey, Central 1's President and CEO. "Despite unrealized losses through economic uncertainty, we continue to experience consistent performance and growth across our lines of business."

Central 1 has been powering financial institutions for more than 80 years. The organization has sustained success over the long term, in part because of its scale, strength and expertise. The success of Central 1's members and clients continue to be Central 1's compass and purpose, as the organization powers progress for more than 250 credit unions and other financial institutions, with more than five million customers from coast to coast.

Central 1 continues to monitor the economic impact on the credit union system, especially with recent inflationary increases. Central 1 did see a

gradual draw down of excess liquidity across the system as credit unions redeploy liquidity to fund loans to members.

Economic and Financial Markets Overview

Inflation is the chief concern amongst economies and central banks around the world. Headline inflation has soared globally as initial supply chain challenges and rapid economic recoveries were exacerbated by the invasion of Ukraine. Central banks are responding forcefully with rapid tightening of monetary policy meant to combat inflation and risking a significant economic slowdown. Since March 2022, the Bank of Canada (BoC) has increased its policy rate by 225 basis points to reach 2.5 per cent. Corporate spreads continue to widen, and equity prices and bond prices have declined. Further rate hikes are expected from both the BoC and the Federal Reserve, although not as large as those seen in July. Lockdowns in China have also contributed to global supply disruptions and while most have been lifted, there is still heightened fear that they could return with renewed cases of new variants of COVID-19. As such, the forecast for the economies around the world for 2022 and 2023 have mostly been revised downward.

Core Business Performance

Treasury

Treasury reported a loss of \$17.8 million in the second quarter of 2022, compared to a profit of \$8.4 million from the same quarter last year. The increases in market yields in reaction to the economic uncertainty around inflationary pressure and the Russia-Ukraine conflict resulted in a decrease of \$36.5 million in the mark-to-market value of financial instruments during the quarter. Treasury reported an interest margin of \$19.3 million during the current quarter, up \$3.2 million from the same period in 2021, members continued to draw down their deposits at Central 1 to fund their loan growth, which resulted in a gradual decline of \$1.0 billion in Treasury's deposits from June 30, 2021.

Payments & Digital Banking Platforms and Experiences

Payments & Digital Banking Platforms and Experiences (DBPX) reported a loss of \$6.5 million in the second quarter of 2022, compared to a loss of \$1.3 million in the second quarter of 2021, largely driven by a \$4.2 million increase in investments in strategic initiatives which included the Payments Modernization and Forge 2.0 initiatives and are consistent with Central 1's strategic priorities. Non-financial income for this segment has been stable year-over-year, and non-financial expense, excluding strategic initiatives, saw a \$3.3 million increase, due to higher salaries and professional fees in supporting the Payments business.

Over the past quarter, Central 1 has continued to focus on delivering our digital banking platform — Forge 2.0 — to clients across online banking, mobile and public website channels. All Forge 1.0 migrations from Backbase have been completed and the legacy platform decommissioned by June 30 as planned.

The Digital 2022 roadmap remains on schedule:

- Completed: Development of the API gateway and exposure of initial set of APIs / capabilities for Forge Community — Forge 2.0's marketplace for third party widgets and features. This provides the key building blocks for fintechs and other community contributors to build widgets and features for their sites.
- Completed: Forge community pipeline and test environment improvements, developer toolkit and training materials to improve our ability to intake, test and deploy contributions from fintechs, credit unions and other engaged third parties.
- Completed: Self Service Configuration project to empower clients to complete self-serve front-end customizations (colours, fonts, etc.) to their public websites.
- In User Acceptance Testing (UAT) phase: Forge Commercial refresh to update our legacy *MemberDirect*® Business product to a consistent look and feel with Forge 2.0. Legacy frameworks and underlying tech components have been updated to improve product performance and security.
- In Proof of Concept (POC) phase: API Readiness project to update legacy integration architecture to client banking host systems. Microservice-based architecture is a key part of the Forge 2.0 modernization journey to improve application performance and security while allowing simplified releases.
- Upcoming: The Request for Proposal (RFP) is underway for the Forge 2.0 Mobile Rebuild. Vendor selection and project mobilization will be completed in Q4, marking the first step in our major Forge 2.0 modernization roadmap.

Central 1 achieved several Payments milestones in the second quarter, including completing Real-Time Rail (RTR) design, surpassing 50% completion with Lynx Release Two industry testing, and pursuing a phased rollout approach to *Interac e-Transfer*®¹ for Business implementations. The Payments team also hosted more than 500 clients at monthly product webinars and convened advisory councils to optimize two-way engagement. A draft of the Central 1 Payments API Roadmap for external facing APIs was published at the end of Q2 and is currently in circulation with clients for

feedback. Central 1 is also preparing to move its Enterprise Fraud Management solution from monitoring mode into decision mode as part of the initial pilot phase.

¹ Interac e-Transfer® is a registered Trade-mark of Interac Corp. used under licence.

Management's Discussion & Analysis

June 30, 2022

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In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated August 26, 2022. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the periods ended June 30, 2022 and June 30, 2021 (Interim Consolidated Financial Statements), which were authorized for issue by the Board of Directors (the Board) on August 26, 2022. The results presented in this MD&A and in the Interim Consolidated Financial Statements are reported in Canadian dollars. Except as otherwise indicated, financial information included in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 of the Interim Consolidated Financial Statements. Additional information may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

Overall Performance

(Millions of dollars)	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Net financial income (expense)	\$ (25.3)	\$ 10.3	\$ (35.6)	\$ (74.6)	\$ 47.6	\$ (122.2)
Non-financial income (expense), excluding strategic initiatives ⁽¹⁾	35.7	40.0	(4.3)	74.0	74.7	(0.7)
Net financial and non-financial income (expense)	10.4	50.3	(39.9)	(0.6)	122.3	(122.9)
Non-financial expense, excluding strategic initiatives ⁽¹⁾	38.2	36.8	1.4	75.3	71.6	3.7
	(27.8)	13.5	(41.3)	(75.9)	50.7	(126.6)
Strategic initiatives ⁽¹⁾	12.3	7.3	5.0	20.6	13.5	7.1
Income tax expense (recovery)	(13.9)	2.7	(16.6)	(34.9)	9.0	(43.9)
Profit (loss) after tax	\$ (26.2)	\$ 3.5	\$ (29.7)	\$ (61.6)	\$ 28.2	\$ (89.8)
Return on average assets ⁽²⁾	-0.4%	0.1%		-0.5%	0.4%	
Return on average equity ⁽²⁾	-7.3%	1.9%		-9.4%	7.5%	
Average assets (millions of dollars) ⁽¹⁾	\$ 13,065.3	\$ 13,659.3	\$ (594.0)	\$ 13,219.0	\$ 14,414.9	\$ (1,195.9)
Average equity (millions of dollars) ⁽¹⁾	\$ 714.7	\$ 767.9	\$ (53.2)	\$ 736.7	\$ 744.3	\$ (7.6)
Weighted average shares outstanding (number of shares)	43.4	43.4	(0.0)	43.4	58.8	(15.4)

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

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

Q2 2022 vs Q2 2021

Central 1 reported a loss of \$26.2 million in the second quarter, compared to a profit of \$3.5 million in the same quarter last year. The market yields in the second quarter further increased as a result of economic uncertainty around rising inflation and the ongoing Russia–Ukraine conflict and led to a \$36.5 million decrease in the mark-to-market value of financial instruments. Offsetting these losses was the strong interest margin which increased \$3.2 million from \$16.1 million in the second quarter last year, as assets repriced higher when the Bank of Canada (BoC) increased the overnight rate to tame the rising inflation.

Investments in strategic initiatives continued at planned levels with a \$5.0 million higher spend compared to the same period last year, consistent with Central 1's strategic priorities. Non-financial income and non-financial expense, excluding strategic initiatives, remained relatively stable at a net expense of \$2.5 million for the current quarter.

YTD 2022 vs YTD 2021

Central 1 reported a loss of \$61.6 million for the first six months of 2022, compared to a profit of \$28.2 million in the same period last year, primarily driven by a \$89.7 million decrease in the fair value of financial instruments in the current period due to the increase in market yields which was partially driven by the BoC's rate hikes. This was partially offset by the continued strong interest margin within the Treasury securities portfolio, up \$4.2 million from the same period last year also reflective of the rapid increases of BoC's overnight rate during 2022.

Management's Discussion and Analysis

As at August 26, 2022

Central 1 Credit Union | 4

Investments in strategic initiatives continued at planned levels with a \$7.1 million higher spend compared to the same period last year, consistent with Central 1's strategic priorities. Excluding strategic initiatives, non-financial income and non-financial expense remained relatively stable year-over-year at a net expense of \$1.3 million for 2022.

Selected Financial Information		Jun 30 2022	Dec 31 2021	As at Jun 30 2021
Balance sheet (millions of dollars)				
Total assets	\$	13,577.4	\$ 13,383.6	\$ 13,246.1
Long-term liabilities	\$	2,261.5	\$ 2,316.1	\$ 3,150.9
Regulatory ratios				
Tier 1 capital ratio ⁽¹⁾		12.4%	15.3%	15.3%
Total capital ratio ⁽¹⁾		17.6%	20.6%	25.5%
Borrowing multiple ⁽¹⁾		16.5:1	14.3:1	11.8:1
Share Information (thousands of dollars, unless otherwise indicated)				
Outstanding shares (\$) - \$1 par value				
Class A - credit unions	\$	43,364	\$ 43,359	\$ 43,359
Class B - cooperatives	\$	11	\$ 11	\$ 5
Class C - other	\$	7	\$ 7	\$ 7
Outstanding number of shares (thousands of shares)				
Class A - credit unions		43,364	43,359	43,359
Class B - cooperatives		11	11	5
Class C - other		7	7	7
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 redemption of the Series 6 Subordinated Debt in October 2021, along with a decrease in retained earnings over the last year, resulted in an increasing borrowing multiple from June 30, 2022. The capital ratios declined from a year ago for the same reasons. Central 1 was in compliance with all regulatory capital requirements as at June 30, 2022 and June 30, 2021.

On May 4, 2022, at Central 1's annual general and special meeting, the Class A members passed two of three special resolutions approving amendments to Central 1's Constitution and Rules (the "Rules"), including with respect to (i) the elimination of certain provisions of the Rules providing for a mandatory capital call by way of required subscriptions for shares, (ii) the addition of provisions for a voluntary capital call by way of subscriptions for shares, (iii) amendments providing for redemptions of Class E shares to occur over an extended period after a member leaves the membership of Central 1, (iv) provisions permitting a member to transfer to a different class of membership, subject to certain terms and conditions, and (v) the elimination of further annual determinations of the Class A shares subscribed by Class A members (share rebalancing), effective following a voluntary capital call. The Rules, which have received the requisite regulatory approvals, and the material change report regarding such amendments dated May 12, 2022 have been filed on Central 1's SEDAR profile at www.sedar.com.

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 Interim Consolidated Financial Statements.

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

Millions of dollars	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Non-financial expense as reported	\$ 50.5	\$ 44.1	\$ 6.4	\$ 95.9	\$ 85.1	\$ 10.8
Less: Strategic initiatives spend	12.3	7.3	5.0	20.6	13.5	7.1
Non-financial expense, excluding strategic initiatives	\$ 38.2	\$ 36.8	\$ 1.4	\$ 75.3	\$ 71.6	\$ 3.7

Non-financial income and non-financial expense presented in the overall performance section of this MD&A are derived from 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 financial performance and the related trends.

- 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 the non-GAAP financial ratios section below.

Millions of dollars, except as indicated	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Reported Profit (loss)	\$ (26.2)	\$ 3.5	\$ (29.7)	\$ (61.6)	\$ 28.2	\$ (89.8)
Total assets as reported, as at June 30	\$ 13,577.4	\$ 13,246.1	\$ 331.3	\$ 13,577.4	\$ 13,246.1	\$ 331.3
Impact of averaging month-end balances	(512.1)	413.2	(925.2)	(358.4)	1,168.8	(1,527.2)
Average assets, as at June 30	\$ 13,065.3	\$ 13,659.3	\$ (594.0)	\$ 13,219.0	\$ 14,414.9	\$ (1,195.9)
Return on average assets	-0.4%	0.1%		-0.5%	0.4%	
Total equity as reported, as at June 30	\$ 688.6	\$ 766.8	\$ (78.2)	\$ 688.6	\$ 766.8	\$ (78.2)
Impact of averaging month-end balances	26.1	1.1	25.0	48.1	(22.5)	70.6
Average equity, as at June 30	\$ 714.7	\$ 767.9	\$ (53.2)	\$ 736.7	\$ 744.3	\$ (7.6)
Return on average equity	-7.3%	1.9%		-9.4%	7.5%	

- Liquid Assets are 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 Interim Consolidated Statement of Financial Position, excluding equity investments.

Millions of dollars	Jun 30 2022	Jun 30 2021	Change
Liquid Assets			
Federal and provincial government issued and guaranteed securities	\$ 4,928.9	\$ 4,603.6	\$ 325.3
Corporate and financial institutions securities	3,661.2	4,426.8	(765.6)
Asset backed securities	295.8	395.7	(99.9)
Insured mortgages	52.3	73.3	(21.0)
Total Liquid Assets	\$ 8,938.2	\$ 9,499.4	\$ (561.2)
Add: Equity instruments	60.4	47.6	12.8
Securities as reported	\$ 8,998.6	\$ 9,547.0	\$ (548.4)

- 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 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 the 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 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 the Capital Management and Capital Resources section of the 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 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 the 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 Interim Consolidated Statement of Financial Position, 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	Jun 30 2022		Jun 30 2021	
Total liabilities as reported	\$	12,888.8	\$	12,479.3
Less: Other liabilities as reported		(89.5)		(93.3)
Less: Subordinated liabilities		(201.5)		(422.5)
Less: Settlements in-transit not related to Group Clearer		(30.8)		(41.1)
Add: Subsidiary Deposits		0.1		5.8
Total Borrowings	\$	12,567.1	\$	11,928.2

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 Interim Consolidated 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 trustee and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members.
- 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.

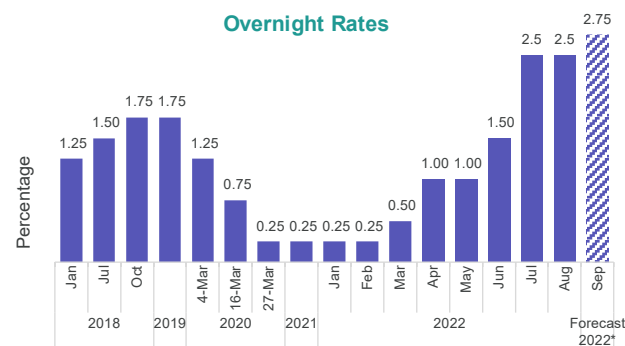
Forward-looking statements, by their nature, require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct, and that financial objectives, vision and strategic goals will not be achieved. The future outcomes that relate 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, federal budget, and interpretation; compliance by third parties 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 risk factors – many of which are beyond our control and the effects of which can be difficult to predict – include economic risks, regulatory risks (including legislative and regulatory developments), risks and uncertainty from the impact of the COVID-19 pandemic, geopolitical uncertainty, information technology and cyber risks, environmental and social risk (including climate change), digital disruption and innovation, reputation risk, competitive risk, privacy, data and third-party related risks, risks related to business and operations, and other risks detailed from time to time in Central 1's periodic reports filed with securities regulators.

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.

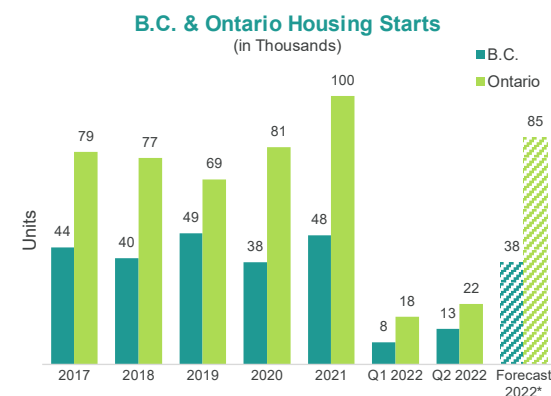
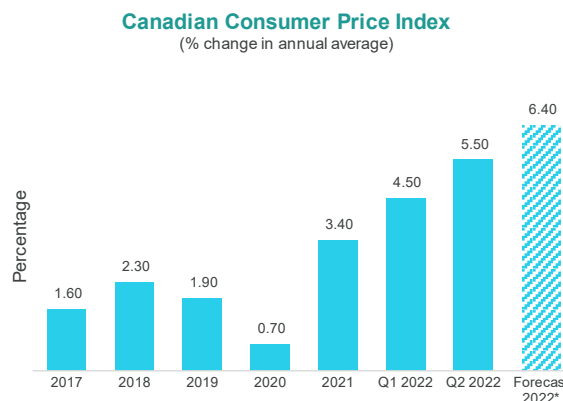
Economic Developments and Outlook

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

Economic Environment



*Forecast source: Central 1 Economics



U.S. economic growth remained subdued in the second quarter following a Q1 contraction. While the labour market remains tight, momentum has slipped in housing, consumer spending and manufacturing. Consumer spending is beginning to moderate as higher food and gas prices begin to erode household purchasing power. Inflation accelerated, coming in at an annual increase of 9.1 per cent year-over-year at the end of June, which is the highest increase since 1981. Hospitality and tourism though remain at healthy levels with many areas seeing an uptick in business and group travel. Supply chains disruptions are also still hampering some areas of manufacturing. Housing demand has also slowed due to higher mortgage rates and seen by the non-seasonal declines in sales, which has resulted in slightly higher inventory levels. Housing starts have declined 15 per cent in recent months. Conditions for commercial real estate have also resulted in a slowdown. Labour markets though remained tight as the economy added 360,000 positions in June while the unemployment rate remained at 3.6 per cent and consistent throughout the second quarter. As a result, pressure continues to push wages higher as seen by higher hourly earnings. Soaring inflation will continue to drive higher interest rates. The Fed Funds rate is anticipated to rise to 3.5 per cent by early 2023 from the current 1.50-1.75 per cent target. Higher interest rates will pare economic growth, The Bank of Canada July monetary policy report forecasting 1.9 per cent growth for 2022 as opposed to the 2.8 per cent forecasted in April.

Canada's economy is expected to show moderately strong growth in the second quarter with many measures indicating that it is operating beyond its productive capacity, but momentum has slowed heading into the third quarter. Central 1 Economics current forecast calls for real GDP to grow at 4.2 per cent annualized rate in the second quarter and then slow to 3.1 per cent for the following quarter. Consumption is expected to remain robust, but growth is expected to soften as pent-up demand for previously restricted services begins to ease. High CPI inflation, which reached 7.7 per cent, year-over-year in May and is estimated to average 8 per cent during the second quarter, is causing households to reallocate disposable income towards necessities and thus, lessen demand for other items. Elevated inflation is set to trigger further rate hikes from the Bank of Canada which will further constraint housing market activity. The housing sector is currently experiencing a significant downturn in sales and prices as fixed mortgage rates remain elevated and variable rates ramp up. Despite housing headwinds and rising interest rates, Canadian growth prospects exceed the U.S. due to exposure to elevated commodity prices which will likely support business investment. Tight

labour markets also provide a demand cushion with unemployment at an all-time low of 4.9 per cent as of the end of June. Job vacancy rates continue to rise, and the persistent labour shortage has pushed wages higher.

Financial Markets

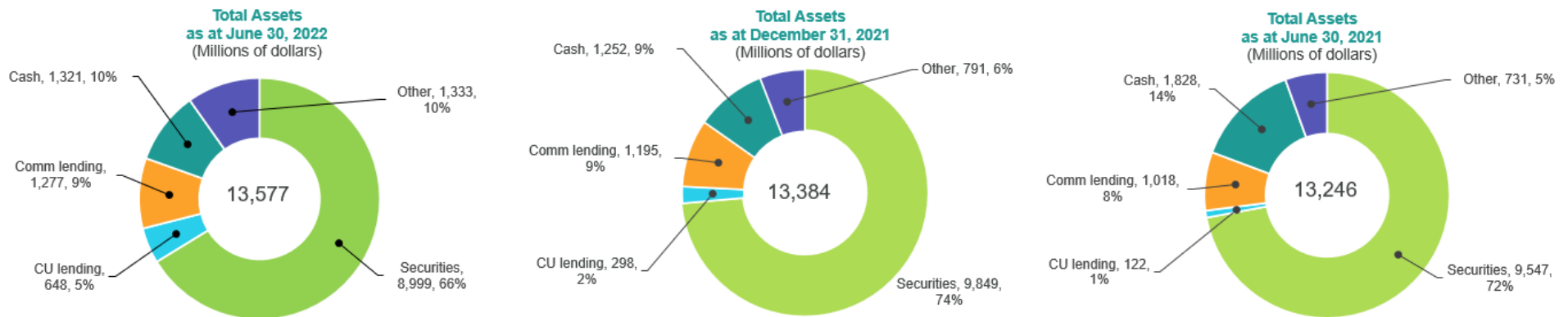
Financial markets have continued to tighten over the course of the second quarter. High inflation across many economies has resulted in central banks rapidly raising interest rates to tame it. The BoC has increased its policy rate by 225 basis points since the beginning of the year, with the most recent increase in July being a 100-basis point increase. The US Federal Reserve has also increased its policy rate by 225 basis points this year as of the end of July. As a result, bond yields have continued to increase across all tenors, with some up over 200 basis points and at levels not seen since the 2008/2009 financial crisis. Corporate bond spreads have also widened further and are at the highest levels in two years. Equity prices have declined across the board, especially those in growth sectors. Commodity prices also remain elevated with the BoC commodity price index still near peak levels that have not been seen in over 10 years, partially due to the ongoing invasion of Ukraine by Russia, which is continuing to disrupt international trade. Markets have also remained very volatile and are expected to stay that way if the potential for continued disruptions from the invasion and the risk for a recession persist. Inflation is expected to remain high through the year and then begin to subside in 2023. However, recession risks are dampening the long end of the curve, suggesting prospects of rate cuts in mid-to-late 2023.

Industry Regulation

There has been no update from the disclosure in the prior quarter's MD&A.

Statement of Financial Position

Total Assets



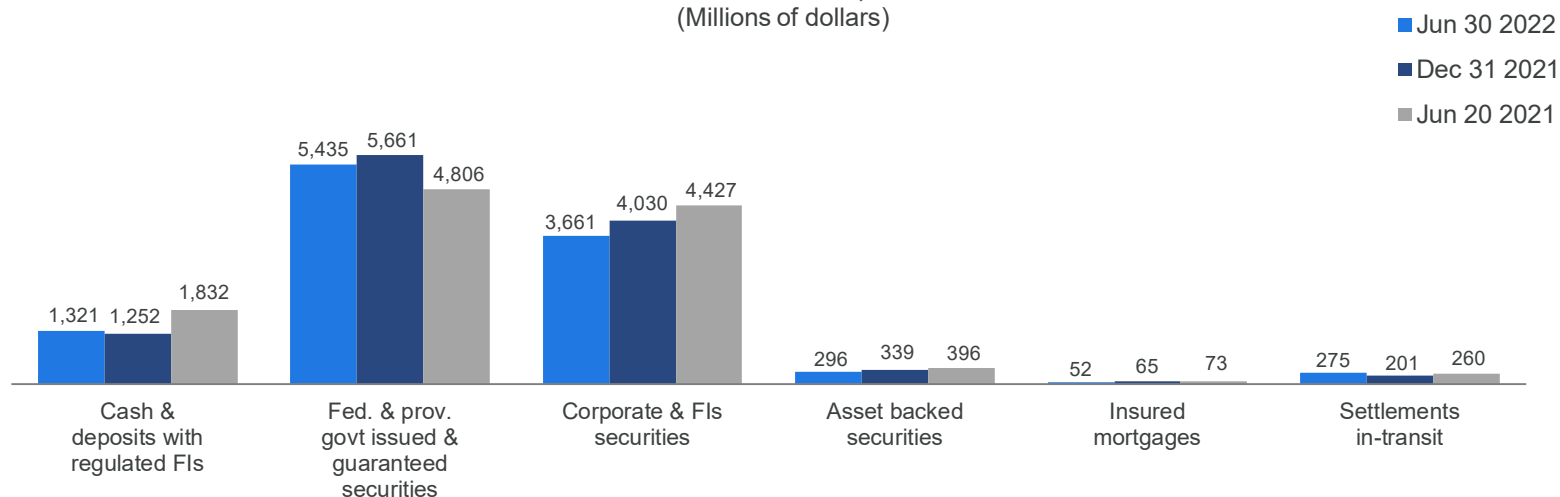
Total assets as at June 30, 2022 were up \$193 million and \$331 million from December 31, 2021 and June 30, 2021, respectively, in line with changes in funding strategy.

Cash and Liquid Assets

Treasury Liquid Assets

Jun 30 2022: \$11,040

(Millions of dollars)



Jun 30 2022 (Millions of dollars)	Treasury					
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*	
Cash	\$ 1,321.0	\$ -	\$ 1,321.0	\$ -	\$ 1,321.0	
Federal and provincial government issued and guaranteed securities	4,928.9	506.2	5,435.1	3,128.9	2,306.2	
Corporate and financial institutions securities	3,661.2	-	3,661.2	89.2	3,572.0	
Asset backed securities	295.8	-	295.8	-	295.8	
Insured mortgages	52.3	-	52.3	-	52.3	
Settlements in-transit	274.5	-	274.5	-	274.5	
Total	\$ 10,533.7	\$ 506.2	\$ 11,039.9	\$ 3,218.1	\$ 7,821.8	

*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.

Dec 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.

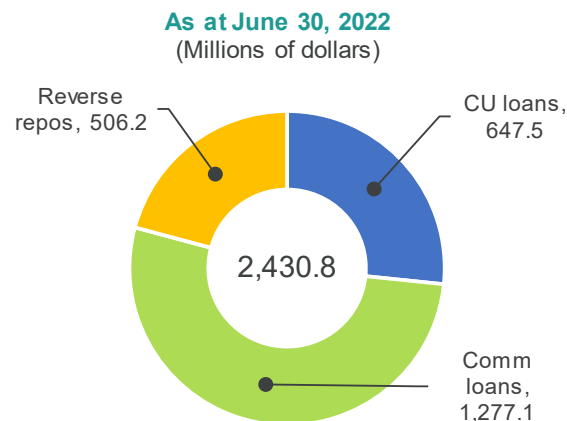
Jun 30 2021 (Millions of dollars)	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and deposits with regulated financial institutions	\$ 1,831.6	\$ -	\$ 1,831.6	\$ -	\$ 1,831.6
Federal and provincial government issued and guaranteed securities	4,603.6	202.6	4,806.2	1,138.3	3,667.9
Corporate and financial institutions securities	4,426.8	-	4,426.8	46.1	4,380.7
Asset backed securities	395.7	-	395.7	47.7	348.0
Insured mortgages	73.3	-	73.3	-	73.3
Settlements in-transit	259.8	-	259.8	-	259.8
Total	\$ 11,590.8	\$ 202.6	\$ 11,793.4	\$ 1,232.1	\$ 10,561.3

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

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.

As the economy continues to improve, credit unions are using their excess liquidity to fund loan growth. This has decreased deposits balances and similarly decreased the Treasury portfolio held by Central 1. This is evident in Treasury's cash and liquid assets as at June 30, 2022 which decreased by \$507.7 million from December 31, 2021 and \$753.5 million from June 30, 2021.

Loans



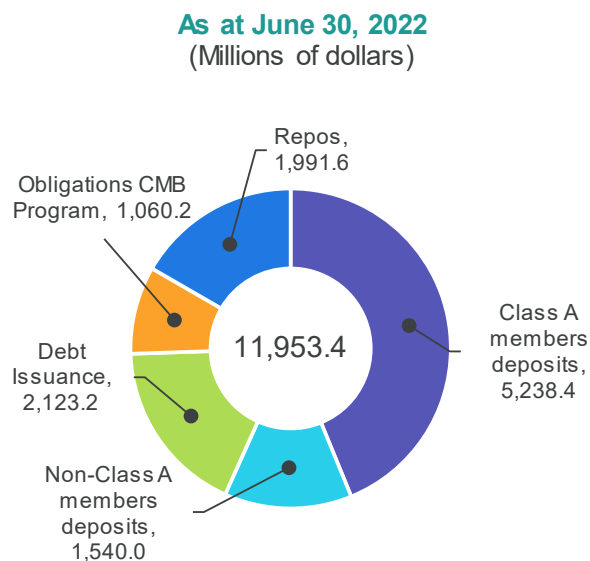
(Millions of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Loans to credit unions	\$ 647.5	\$ 297.5	\$ 121.8
Commercial loans	1,277.1	1,195.1	1,018.1
Other loans	-	1.4	2.3
	1,277.1	1,196.5	1,020.4
Reverse repurchase agreements	506.2	301.3	202.6
	\$ 2,430.8	\$ 1,795.3	\$ 1,344.8

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

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

Loans to credit unions increased by \$350 million and \$525.7 million from December 31, 2021 and June 30, 2021, respectively, as credit unions have deployed excess liquidity they built during the pandemic and started borrowing more from Central 1 to fund their loan growth. Commercial loans increased \$82 million from December 31, 2021 and \$259 million from June 30, 2021. Reverse repurchase agreements, which are used by credit unions for various needs as required, increased by \$204.9 million since December 31, 2021 and increased by \$303.6 million since June 30, 2021.

Funding



(Millions of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Deposits			
Deposits from Class A members	\$ 5,238.4	\$ 5,541.1	\$ 5,991.4
Deposits from non-Class A members	1,540.0	1,659.1	1,772.1
	6,778.4	7,200.2	7,763.5
Debt Issuance			
Commercial paper	750.2	866.7	800.4
Medium-term notes	1,171.5	1,195.5	1,200.0
Subordinated liabilities	201.5	220.3	422.5
	2,123.2	2,282.5	2,422.9
Obligations under the Canada Mortgage Bond (CMB) Program	1,060.2	960.8	830.5
Securities under repurchase agreements	1,991.6	1,553.3	268.0
	\$ 11,953.4	\$ 11,996.8	\$ 11,284.9

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.

At June 30, 2022, total deposits were down by \$422 million from December 31, 2021 and \$1.0 billion from a year ago as credit unions redeployed excess liquidity into lending as seen in 2021. The decrease in deposits was offset by an increase in repurchase agreements which was up \$438 million and \$1.7 billion from December 31, 2021 and June 30, 2021, respectively.

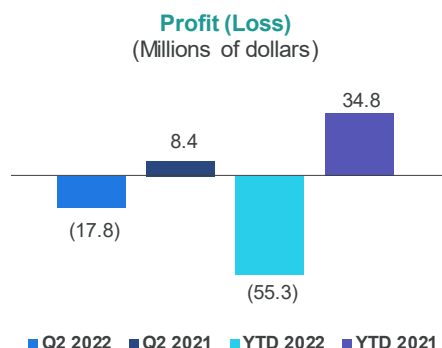
Total debt issuance was \$159 million lower compared to December 31, 2021, and decreased \$300 million from June 30, 2021 which was mainly driven by the reduction in subordinated liabilities.

Results by Segment

Central 1's operations and activities are reported around two key business segments: Treasury, and Payments & Digital Banking Platforms and Experiences (DBPX), formerly Digital & Payment Services. 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.

Treasury



Treasury (Millions of dollars)	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Net financial income (expense)	\$ (25.2)	\$ 10.4	\$ (35.6)	\$ (74.5)	\$ 47.7	\$ (122.2)
Non-financial income	8.0	9.0	(1.0)	16.2	16.7	(0.5)
Net financial and non-financial income (expense)	(17.2)	19.4	(36.6)	(58.3)	64.4	(122.7)
Non-financial expense	9.8	9.4	0.4	19.9	18.1	1.8
Profit (loss) before income taxes	(27.0)	10.0	(37.0)	(78.2)	46.3	(124.5)
Income tax expense (recovery)	(9.2)	1.6	(10.8)	(22.9)	11.5	(34.4)
Profit (loss)	\$ (17.8)	\$ 8.4	\$ (26.2)	\$ (55.3)	\$ 34.8	\$ (90.1)

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

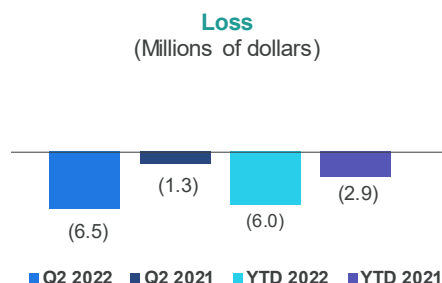
Q2 2022 vs Q2 2021

For the second quarter of 2022, Treasury reported a loss of \$17.8 million, compared to a \$8.4 million profit from the same quarter last year. The mark-to-market value of financial instruments continued to decrease, and Treasury reported \$36.5 million unrealized loss during the quarter as a result of the further increases in market yields. This loss was partially offset by a \$19.3 million interest margin in the second quarter, up \$3.2 million from the same period in 2021 as assets repriced higher when BoC increased its overnight rates. Non-financial income and non-financial expense remained relatively stable at a net expense of \$1.8 million for the current quarter.

YTD 2022 vs YTD 2021

For the six months ended June 30, 2022, Treasury reported a loss of \$55.3 million, compared to a \$34.8 million profit from the same period last year. Through this period, Treasury saw its financial instruments value decreased by \$89.7 million due to the continuous increase in market yields. Non-financial income and non-financial expense remained relatively stable at a net expense of \$3.7 million for the current period.

Payments & DBPX



Payments & DBPX (Millions of dollars)	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Net financial and non-financial income	\$ 27.2	27.8	(0.6)	\$ 52.6	53.8	(1.2)
Non-financial expense, excluding strategic initiatives ⁽¹⁾	28.9	25.6	3.3	54.9	50.4	4.5
	(1.7)	2.2	(3.9)	(2.3)	3.4	(5.7)
Strategic initiatives ⁽¹⁾	8.3	4.1	4.2	15.0	7.5	7.5
Loss before income taxes	(10.0)	(1.9)	(8.1)	(17.3)	(4.1)	(13.2)
Income tax recovery	(3.5)	(0.6)	(2.9)	(11.3)	(1.2)	(10.1)
Loss	\$ (6.5)	(1.3)	(5.2)	\$ (6.0)	(2.9)	(3.1)

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.

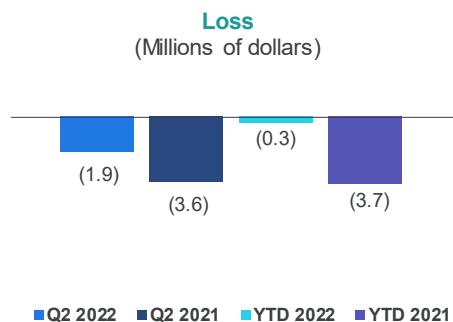
Q2 2022 vs Q2 2021

Payments & DBPX reported a loss of \$6.5 million in the second quarter of 2022, compared to a loss of \$1.3 million in the same quarter last year, largely driven by the \$4.2 million increase in investments in strategic initiatives which included the Payments Modernization and Forge 2.0 initiatives and are consistent with Central 1's strategic priorities. Non-financial income for this segment has been stable year-over-year, and non-financial expense, excluding strategic initiatives, saw a \$3.3 million increase, due to higher salaries and professional fees in supporting the Payments business.

YTD 2022 vs YTD 2021

For the six months ended June 30, 2022, Payments & DBPX reported a loss of \$6.0 million, up \$3.1 million from the same period last year, primarily due to the \$7.5 million increase in investment in strategic initiatives which are consistent with Central 1's strategic priorities. Non-financial income for this segment has been stable year-over-year, and non-financial expense, excluding strategic initiatives, saw a \$4.5 million increase, due to higher salaries and professional fees in supporting the Payments business. Certain expenditures in strategic initiatives qualify for Canada's Scientific Research and Experimental Development (SR&ED) tax incentive credits, which contributed to a higher tax recovery in 2022.

System Affiliates & Others



System Affiliates & Others (Millions of dollars)	For the three months ended			For the six months ended		
	Jun 30 2022	Jun 30 2021	Change	Jun 30 2022	Jun 30 2021	Change
Non-financial income	\$ 0.4	\$ 3.1	\$ (2.7)	\$ 5.1	\$ 4.1	\$ 1.0
Non-financial expense (income), excluding strategic initiatives ⁽¹⁾	(0.5)	1.8	(2.3)	0.5	3.1	(2.6)
	0.9	1.3	(0.4)	4.6	1.0	3.6
Strategic initiatives ⁽¹⁾	4.0	3.2	0.8	5.6	6.0	(0.4)
Loss before income taxes	(3.1)	(1.9)	(1.2)	(1.0)	(5.0)	4.0
Income tax expense (recovery)	(1.2)	1.7	(2.9)	(0.7)	(1.3)	0.6
Loss	\$ (1.9)	\$ (3.6)	\$ 1.7	\$ (0.3)	\$ (3.7)	\$ 3.4

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

Q2 2022 vs Q2 2021

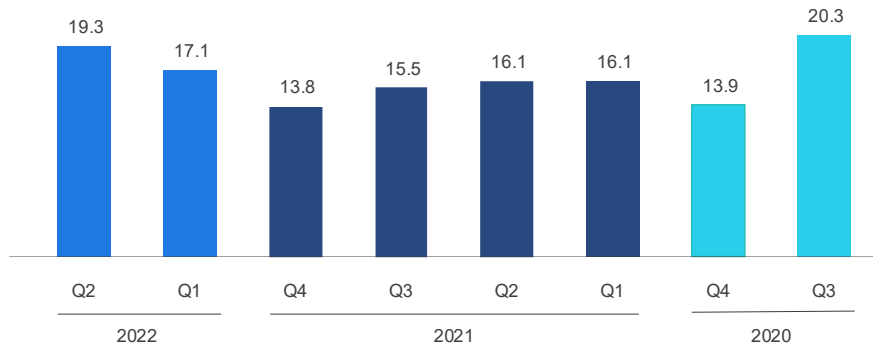
System Affiliates & Other reported a loss of \$1.9 million, down from the loss of \$3.6 million from the same quarter last year. Investments in strategic initiatives are consistent with Central 1's strategic priorities with the amount spend being \$0.8 million higher than the same quarter last year, which included the implementation of initiatives aimed to expand corporate efficiency.

YTD 2022 vs YTD 2021

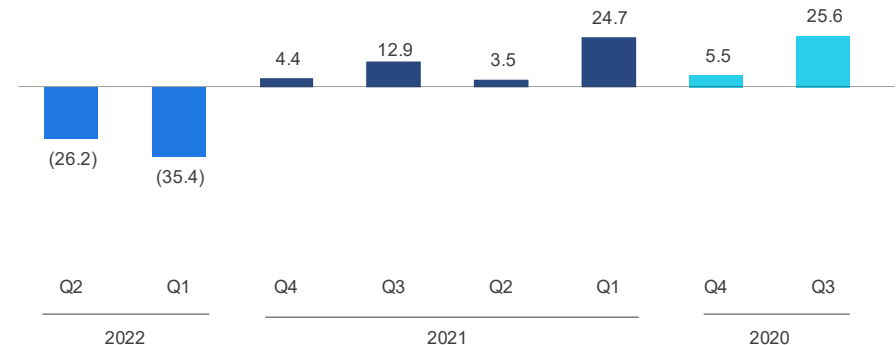
For the six months ended June 30, 2022, System Affiliates & Other reported a loss of \$0.3 million, compared to a loss of \$3.7 million from the same period last year. The smaller loss was primarily contributed by the liquidation distribution of \$2.2 million (US \$1.7 million) related to a prior investment in US Central Credit Union received in the first quarter of 2022.

Summary of Quarterly Results

Interest Margin
(Millions of dollars)



Profit (Loss)
(Millions of dollars)



(Thousands of dollars, except as indicated)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Interest income	\$ 52,660	\$ 36,974	\$ 33,807	\$ 34,482	\$ 35,106	\$ 36,532	\$ 35,639	\$ 45,086
Interest expense	33,335	19,893	20,054	18,994	19,032	20,398	21,776	24,751
Interest margin	19,325	17,081	13,753	15,488	16,074	16,134	13,863	20,335
Gain (loss) on disposal of financial instruments	(7,665)	(13,595)	(5,281)	2,690	11,467	6,134	20,938	6,150
Change in fair value of financial instruments	(36,522)	(53,204)	9,698	1,318	(17,775)	13,672	(1,532)	5,337
Impairment loss (recovery) on financial assets	413	(433)	461	(3)	(557)	(1,346)	(596)	(202)
Net financial income (expense)	(25,275)	(49,285)	17,709	19,499	10,323	37,286	33,865	32,024
Non-financial income ⁽¹⁾	35,733	38,265	36,518	40,413	39,983	34,670	39,094	33,965
Non-financial expense ⁽¹⁾	50,509	45,338	45,844	43,133	44,084	41,031	77,869	41,665
	(14,776)	(7,073)	(9,326)	(2,720)	(4,101)	(6,361)	(38,775)	(7,700)
Profit (loss) before income taxes	(40,051)	(56,358)	8,383	16,779	6,222	30,925	(4,910)	24,324
Income tax expense (recovery)	(13,823)	(20,982)	4,007	3,908	2,737	6,257	(8,406)	4,165
Profit (loss)	\$ (26,228)	\$ (35,376)	\$ 4,376	\$ 12,871	\$ 3,485	\$ 24,668	\$ 5,499	\$ 25,612
Weighted average shares outstanding (millions)	43.4	43.4	43.4	43.4	43.4	74.3	441.1	441.1
Earnings per share (cents) ⁽²⁾								
Basic/Diluted	(60.4)	(81.6)	10.1	29.7	8.1	33.2	1.2	5.8
Basic/Diluted from continuing operations	(60.4)	(81.6)	10.1	29.7	8.1	33.2	0.8	4.6
Basic/Diluted from discontinued operations	-	-	-	-	-	-	0.4	1.2

⁽¹⁾ Non-financial income and non-financial expense includes investments in strategic initiatives

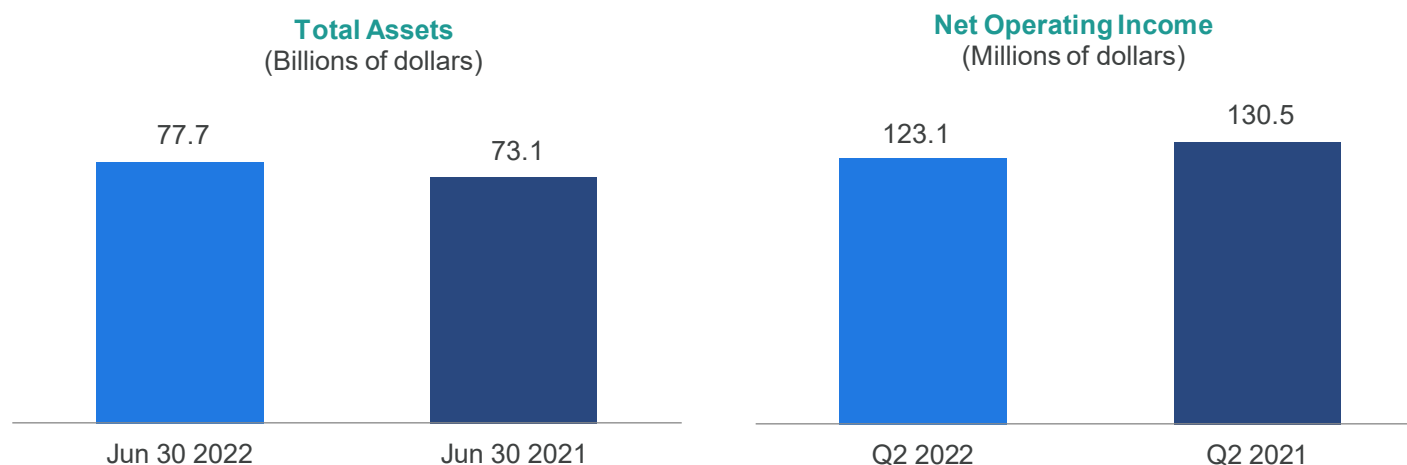
⁽²⁾ Earnings per share calculated for Central 1 must be taken in the context that member shares may not be traded or transferred except with the consent of Central 1's Board of Directors.

In the second quarter of 2022, interest margin continued its upward trend with a higher interest income as floating rate assets repriced along with the rapid increase of BoC rate to combat inflation. The ongoing inflationary pressure together with the Russia–Ukraine conflict led to continuous increases in market yields, which in turn reduced the fair value of financial instruments, reflective of a further decrease of \$36.5 million since a \$53.2 million decrease was seen in the first quarter of 2022.

Non-financial income reported in the past few quarters included distributions totaling \$7.7 million, \$5.5 million in 2021 (US \$4.4 million) and \$2.2 million (US \$1.7 million) in 2022, relating to Central 1's prior investment in the US Central Credit Union. Excluding these distributions, non-financial income remained relatively stable quarter-over-quarter despite the impact from the COVID-19 pandemic and ongoing inflationary concern and the Russia–Ukraine conflict. Non-financial expense was also consistent over the past eight quarters except for the fourth quarter of 2020 which experienced increases largely due to the charges related to intangible assets.

System Performance

British Columbia



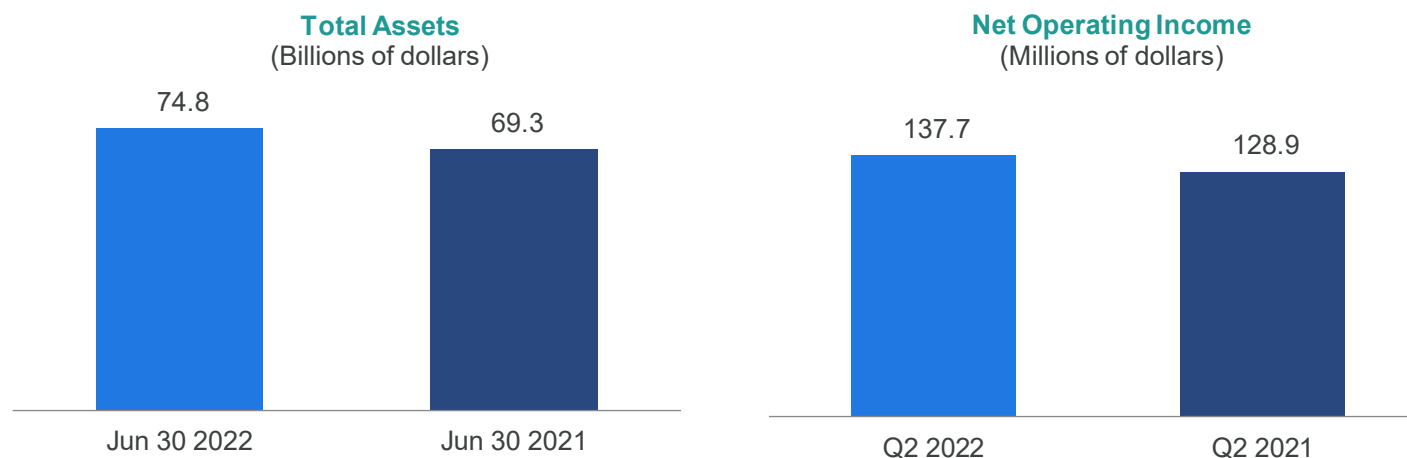
The B.C. system's net operating income for the second quarter of 2022 was \$123.1 million, down \$7.4 million or 5.7 per cent from the same period in 2021. Net interest income increased \$26.9 million or 7.8 per cent over the same period of last year as a result of BoC raising its overnight rates in 2022. Non-interest income decreased by \$22.9 million or 26.2 per cent year-over-year, due to the losses of \$8.9 million from disposal of financial instruments. Non-interest expenses increased by \$17.1 million or 5.7 per cent year-over-year.

Total assets increased \$4.6 billion or 6.3 per cent year-over-year to reach \$77.7 billion at the end of the second quarter. Asset growth was led by higher residential and commercial mortgages, which are up 15.4 per cent and 14.1 per cent, respectively. Total liabilities increased \$3.6 billion led by an 8.0 per cent increase in non-registered term deposits.

The system's rate of loan delinquencies over 90 days was 0.08 per cent of total loans at the end of June 2022, down seven bps from a year ago. The B.C. system's loan loss expense ratio in the second quarter of 2022 was 0.05 per cent, up 4 bps from a year ago.

The B.C. system had \$36.5 billion in risk weighted assets (RWA) and regulatory capital as a percentage of RWA was 14.7 per cent at the end of June 2022, down 83 bps from a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 17.7 per cent of deposit and debt liabilities, down 220 bps from a year ago. The B.C. system's return on assets was 0.65 per cent annualized in the second quarter, down eight bps from a year ago.

Ontario



The Ontario system's net operating income for the second quarter of 2022 was \$137.7 million, up \$8.8 million from a year earlier. Net interest income increased \$62.1 million or 19.5 per cent over the same period last year to \$380.3 million. Non-interest income decreased \$4.2 million year-over-year or 5.5 per cent due to a lower revenue in service charges and loan commitment fees. Non-interest expense increased \$49.0 million or 18.5 per cent year-over-year led by higher salaries and benefits.

Total assets increased 7.9 per cent year-over-year to reach \$74.8 billion as of June 30, 2022, led by a \$5.7 billion increase in residential mortgages. Total liabilities increased 7.6 per cent year-over-year to reach \$69.7 billion, led by growth in demand deposits, which were up 13.3 per cent or \$3.3 billion.

The rate of loan delinquencies over 90 days was 0.16 per cent of total loans at the end of June 30, 2022, down 21 bps year-over-year. Provision for credit losses as a percentage of loans was 0.26 per cent, down 10 bps from a year earlier. The Ontario system's loan loss expense ratio was near 0.02 per cent annualized in the second quarter of 2022, up nine bps from the prior year.

The Ontario system's RWA was \$35.5 billion and regulatory capital as a percentage of RWA was 13.2 per cent at the end of June 30, 2022, down 23 bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 13.9 per cent of deposit and debt liabilities, down 409 bps from a year ago. The Ontario system's return on assets was 0.75 per cent annualized in the second quarter, unchanged from a year ago.

Off-Balance Sheet Arrangements

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

Derivative Financial Instruments

(Millions of dollars)	Jun 30 2022	Dec 31 2021	Notional Amount Jun 30 2021
Interest rate contracts			
Bond forwards	\$ 114.8	\$ 41.0	\$ 168.7
Futures contracts	840.0	653.0	1,383.0
Swap contracts	32,378.2	32,435.1	32,785.7
	33,333.0	33,129.1	34,337.4
Foreign exchange contracts			
Foreign exchange forward contracts	875.7	587.1	603.7
Other derivative contracts			
Equity index-linked options	229.8	216.8	187.2
	\$ 34,438.5	\$ 33,933.0	\$ 35,128.3

Central 1 acts as a swap intermediary between the Canada Housing Trust and member credit unions and additionally provide derivative capabilities to member credit unions to be used in the asset/liability management of their respective balance sheets. 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.

The changes in fair values of these derivatives are recognized in our Interim Consolidated Statement of Financial Position but the notional amounts of these derivatives are not presented on our Interim Consolidated Statement of Financial Position as they do not represent actual amounts exchanged. Counterparty credit risk arising from derivative contracts is managed within the context of our overall credit risk policies and through the existence of Credit Support Annex (CSA) agreements and general security agreements. 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 Central 1 could be required to extend if commitments were to be fully utilized, and the maximum amounts of guarantees that could be in effect if the maximum authorized committed amounts were transacted.

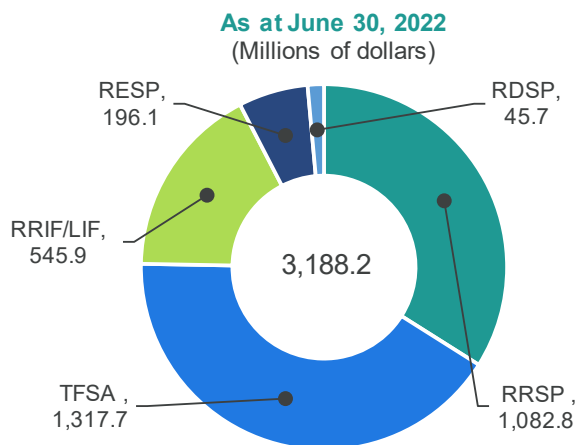
(Millions of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Commitments to extend credit	\$ 4,774.9	\$ 5,083.4	\$ 4,903.1
Guarantees			
Financial Guarantees	\$ 822.6	\$ 802.6	\$ 770.6
Performance Guarantees	\$ 100.0	\$ 100.0	\$ 100.0
Standby letters of credit	\$ 236.6	\$ 239.4	\$ 236.3
Future prepayment swap reinvestment commitment	\$ 890.4	\$ 1,089.5	\$ 1,332.2

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, decreased by \$308.5 million from December 31, 2021 and by \$128.2 million from June 30, 2021. Financial guarantees and standby letters of credit were in line year-over-year. Future prepayment swap reinvestment commitments decreased by \$199.1 million from December 31, 2021 and \$441.8 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. Counterparty credit risk arising from these guarantee contracts is managed within the context of our overall credit risk policies as disclosed in the Risk Review section of this MD&A.

Assets under Administration



(Millions of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Registered Retirement Savings Plans (RRSP)	\$ 1,082.8	\$ 1,066.9	\$ 1,100.0
Tax-Free Savings Accounts (TFSA)	1,317.7	1,271.4	1,252.3
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)	545.9	552.3	521.0
Registered Education Savings Plans (RESP)	196.1	200.2	225.8
Registered Disability Savings Plans (RDSP)	45.7	42.8	41.7
	\$ 3,188.2	\$ 3,133.6	\$ 3,140.8

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

AUA was up \$47.4 million from a year ago chiefly due to increased TFSA, RESP and RDSP contributions, RRIF transfers, together with market value appreciation over the past year. Notable trends show that the AUA of RDSPs and TFSAs increased by 9.6 per cent and 5.2 per cent, respectively, from a year ago. Economic outlooks reflect an upward trend in TFSA sales as a result of its increasing popularity among investors as an alternative to RRSPs and the desire to keep cash at hand during this period of financial uncertainty. Furthermore, modest RDSP growth is contributed by CRA's national awareness campaign targeting qualified beneficiaries. An overall increase in business from both Ontario and B.C., along with market value appreciation, also contributed to a marginal one per cent increase in total AUA from a year ago. These increases were partially offset by the offboarding of a Registered Education Savings Plan (RESP) client and systemic erosion of Registered Retirement Savings Plans (RRSPs) which resulted in a decrease of 13 per cent in AUA for RESPs and 1.6 per cent decrease for RRSPs from June 30, 2021.

A new registered product was announced in the 2022 federal budget, the Tax-Free First Home Savings Account, which is expected to launch in 2023 to help Canadians save for their first home. Central 1 is working with its system provider to ensure a smooth rollout once available. Central 1's risk exposure to AUA contracts is managed within the context of our overall operational risk policies as disclosed in the Risk Review section of this MD&A.

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.

The Board of Directors, with endorsement from the Risk Review and Investment & Loan Committee (RRILC), provides oversight of Central 1's capital management through the approval of our risk appetite, capital policy and plan. The RRILC is provided with regular updates on our capital position including performance to date, updated forecasts, and any material regulatory developments that may impact our future capital position. The RRILC is also tasked with reviewing the Internal Capital Adequacy Assessment process (ICAAP) annually. The Asset Liability Committee (ALCO) monitors Central 1's capital position against regulatory requirements and internal capital targets monthly.

Key management activities of the framework include:

- The determination of the required capital to cover material risks to which the organization is exposed. This is achieved through the ICAAP which incorporates Central 1's enterprise-wide stress test and scenario analysis which are conducted to assess the impact of various stress conditions on our risk profile and capital requirements;
- The annual budget process which establishes operating targets for the organization. This supports the capital planning process which includes forecasted growth in assets, earnings, and projected market conditions; and
- The establishment of internal capital targets and the implementation of capital strategies.

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. 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

(Millions of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Share capital	\$ 43.4	\$ 43.4	\$ 43.4
Retained earnings	666.2	727.2	710.2
Less: accumulated net after tax gain in investment property	(4.7)	(4.7)	(4.7)
Tier 1 capital ⁽²⁾	704.9	765.9	748.9
Subordinated debt ⁽¹⁾	216.8	216.8	374.4
Add: accumulated net after tax gain in investment property	4.7	4.7	4.7
Tier 2 capital ⁽²⁾	221.5	221.5	379.1
Total capital	926.4	987.4	1,128.0
Statutory capital adjustments	(166.7)	(125.6)	(106.0)
Total regulatory capital ⁽²⁾	\$ 759.7	\$ 861.8	\$ 1,022.0
Borrowing multiple - Consolidated	16.5:1	14.3:1	11.8:1

⁽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.

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 Interim Consolidated Statement of Financial Position. Central 1 manages the borrowing multiple through growth in retained earnings and subordinated debt.

At June 30, 2022, Central 1's consolidated borrowing multiple was 16.5:1 compared to 11.8:1 at June 30, 2021, largely due to the redemption of the Series 6 Subordinated Debt in October 2021, along with a decrease in retained earnings over the last year.

Central 1 was in compliance with all regulatory capital requirements as at June 30, 2022 and June 30, 2021.

Risk Review

This section of the MD&A should be read in conjunction with the Risk Review section of our 2021 Annual Report.

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

Central 1 recognizes that reputation is one of our most important assets, and actively seeks to maintain a positive reputation both for ourselves and for the credit union system. The potential for a deterioration of stakeholders' trust in the organization arises from a number of outcomes dealt with under the identified risk categories below. These potential impacts include revenue loss, litigation and regulatory action.

Central 1's risk management framework includes the identification, assessment, mitigation, measurement, monitoring and reporting of the principal risks that arise from our business activities.

Strategic Risk

Strategic risk arises when we Central 1 fails to respond appropriately to changes in the internal and external environment which in turn may affect the ability to meet stakeholder expectations and to deliver on Central 1's vision, mission and core mandate. Strategic risk is affected by the choices management makes with respect to the development of future offerings as well as our ability to deliver these offerings in a timely manner.

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

In 2021, Central 1 developed its 2021-2023 Corporate Strategy, which provides the roadmap for our strategic direction through three strategic priorities:

1. Redesign – Redesign to meet the system's evolving needs.
2. Perform – Operate effectively, consistently and with agility.
3. Evolve – Modernize how we deliver value to the Credit Union system.

The strategic priorities and objectives are reinforced by our line of business strategies and are translated into actions and accountabilities through our annual operational plan. Our Quarterly Business Review (QBR) process summarizes and tracks our operational plan progress through strategic initiative key performance indicators (KPI) and associated targets.

Compliance Risk

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

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.

Risks are managed by *inter alia*:

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

In the second quarter of 2022, Central 1 increased its expected credit loss allowance for the Commercial Real Estate Lending (CREL) portfolio by \$343.1 thousand to a total of \$3.3 million. Expected credit loss allowance for the Investment portfolio increased by \$70.7 thousand to a total of \$150.0 thousand. The expected credit loss in the Credit Union Lending portfolio remained at zero given ample security pledged to secure credit facilities.

Credit Quality Performance

Investments Portfolio

Our investment portfolio consists of high quality, actively traded and liquid securities. Holdings of AAA rated securities in the Investment portfolio represent \$4.77 billion or 55.1 per cent of the portfolio. Treasury holds \$2.21 billion in securities that are rated A or lower and \$249.2 million in non-rated securities. Positions are based on notional, not market values, and do not include securitization assets sold to the Canada Housing Trust. There are no impaired investments in the portfolio.

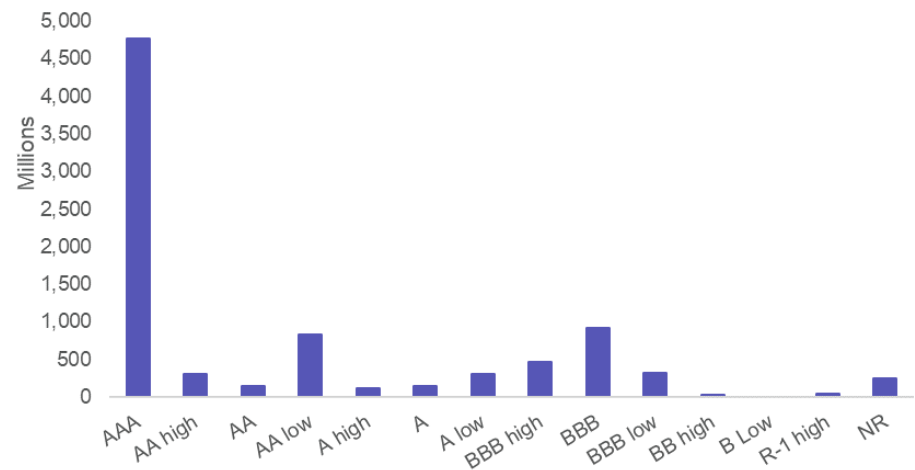
Credit Union Lending (CU Lending)

Currently, there are no impaired loan facilities in the Credit Union Lending portfolio. As at June 30, 2022, there were six Ontario credit unions and one B.C. credit union classified as Watch List (risk rating 7). One Ontario credit union that was previously assigned an Unsatisfactory risk rating (risk rating 8) merged with another Ontario credit union effective June 30, 2022. The Watch List and Unsatisfactory accounts represented 9.53 per cent of the authorized portfolio as at June 30, 2022. The security provided for the Watch List facilities is substantial and no losses are expected.

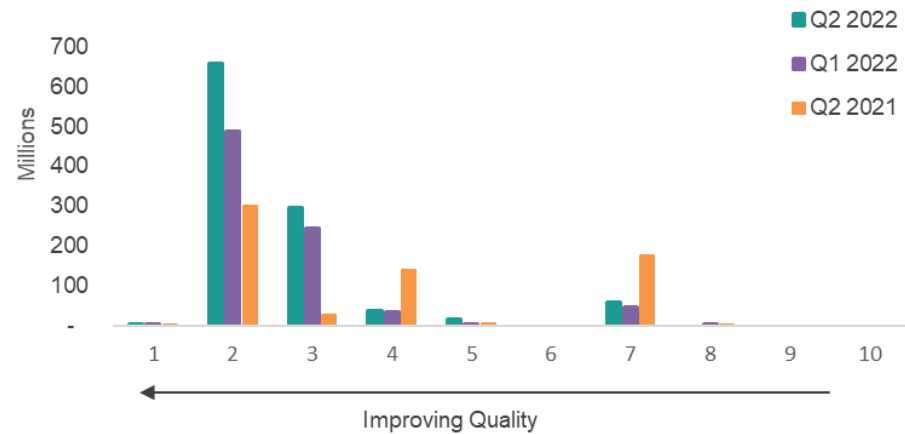
Commercial Real Estate Lending

There are no impaired loans in the portfolio. There was one Watch List account representing 1.01 per cent of the outstanding portfolio balance as at June 30, 2022.

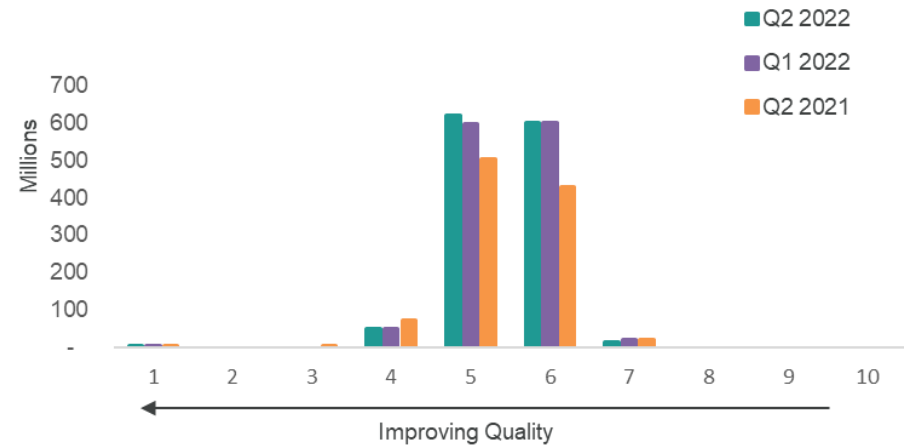
Investment Portfolio
(Millions of Dollars)



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



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



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 its credit union members, as and when required.

As expected, the excess liquidity placed by members in deposits with Central 1 during the pandemic declined in first half of 2022. Member utilization of committed credit facilities with Central 1 trended upwards through Q2, ending at higher usage compared to quarter-over-quarter and year-over-year levels. Overall utilization climbed from low to moderate but remains well within consolidated limits. Central 1 continues to ensure access to multiple sources of funding for members.

Central 1's liquidity position continues to be strong. A portfolio of marketable liquid securities is maintained, the majority of which are either considered High Quality Liquid Assets (HQLA) under the Office of the Superintendent of Financial Institutions (OSFI)'s Liquidity Coverage Ratio stress test (LCR) or are eligible to be pledged as collateral under the BoC Standing Liquidity Facility (SLF).

The LCR demonstrates a financial institution's ability to meet 30-day cashflow requirements under stressed conditions. 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. Central 1 calculates different versions of LCR. The OSFI regulatory LCR, which applies a narrower definition of HQLA in which Bank and Financial Institution debt are not considered as HQLA-eligible, and an SLF LCR which utilizes a broader definition of HQLA, and asset haircut assumptions, that align with the haircuts applied to SLF-eligible collateral. As a result of this, Central 1's OSFI LCR tracks below the SLF-defined LCR. Central 1 uses the OSFI LCR for its risk appetite limit but reports both versions of LCR to the BCFSA on a weekly basis.

In addition, Central 1 monitors its structural liquidity risk through the Net Cumulative Cash Flow (NCCF) metric. The NCCF indicates whether Central 1 has sufficient asset liquidity to meet its net cash flow obligations for up to and above 12 months under a liquidity scenario that encompasses a combination of idiosyncratic and systemic stresses.

As of June 30, 2022, Central 1's NCCF and OSFI LCR indicated sufficient levels of liquidity relative to regulatory requirements and Central 1's risk appetite. While the OSFI LCR decreased slightly in the second quarter from the previous quarter, Central 1 remains in a strong position to support the liquidity needs of the system.

Liquidity Coverage Ratio	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	LTM Average ⁽¹⁾
OSFI LCR	126.3%	128.4%	130.2%	128.7%	141.8%	128.5%

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

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 pursue returns beyond those required to fulfill its primary mandate of safeguarding system liquidity.

Central 1 monitors its exposure to market risk using interest rate and credit spread sensitivity measures, FX exposure limits, and stress tests. Central 1 also uses Value-at-Risk (VaR), Expected Shortfall (ES), and Stressed VaR (SVaR) to monitor overall market risk levels.

During the first half of 2022, the impact of the ongoing Russia–Ukraine conflict continues to add to uncertainty around future global economic conditions and more volatility to the markets. While we have no credit exposure to Russia nor to any other markets that are directly affected (e.g. commodities), we will continue to monitor the general economic conditions and take such action as may be determined appropriate to mitigate risk that the conflict may cause to Central1's portfolio.

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 per cent 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 values of these changes in aggregate while VaR by Risk Factor considers the changes in isolation. ES is the estimated size of the loss for the one business day where portfolio losses exceed VaR.

Treasury asset and liability portfolios are matched by term and currency to offset much of Central 1's interest rate and foreign exchange risk. In the second quarter of 2022, Total 1-Day VaR remained at historically low levels, as did Interest Rate, Credit Spread and FX VaR measures.

(Millions of dollars)	Treasury				Last 12 Months		
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Average	High	Low
Interest Rate VaR	\$ 3.6	4.2	\$ 4.8	\$ 4.5	\$ 4.3	\$ 7.2	\$ 3.5
Credit Spread VaR	3.4	3.9	10.0	9.7	7.9	13.9	3.4
Foreign Exchange VaR	2.6	2.8	3.4	3.4	3.0	4.2	1.9
Diversification ⁽¹⁾	(4.5)	(5.9)	(8.5)	(8.8)	(7.4)	nm	nm
Total VaR	\$ 5.1	5.0	\$ 9.7	\$ 8.8	\$ 7.8	\$ 10.9	\$ 4.7
Expected Shortfall	5.4	5.3	15.0	14.0	11.6	18.5	5.0

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

nm - not meaningful to calculation

Stress Testing

In addition to running generic stress testing scenarios, Central 1 calculates 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. Treasury SVaR is currently calibrated to 2008/2009. SVaR has decreased slightly over the period.

(Millions of dollars)	Treasury				Last 12 Months		
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Average	High	Low
1-Day SVaR	\$ 14.7	\$ 15.9	\$ 17.8	\$ 16.8	\$ 16.7	\$ 45.3	\$ 13.8
10-Day SVaR	\$ 41.7	\$ 47.7	\$ 51.6	\$ 53.0	\$ 49.1	\$ 56.2	\$ 41.3

Foreign Exchange Rate Exposure

Most of Central 1's foreign exchange (FX) exposure is largely concentrated in USD on account of USD deposits and USD securities 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		Off-Balance Sheet		Net Position in Native		BOC Closing Rate	CAD Equivalent
	Balance Sheet	Currency	Items - Foreign	Exchange Forwards	Net Position	Currency		
USD	\$	14.2	\$	(14.2)	\$	(0.0)	1.28705	\$ (0.01)

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 members and external organizations, shortcomings in the internal processes or systems could lead to financial and reputational damage.

Central 1 has robust contingency and business continuity plans in place. However external events such as natural disasters, power, or telecommunication disruptions, acts of terrorism, physical or electronic break-ins could have an adverse impact on Central 1s ability to provide services to members. This could cause reputational damage or otherwise adversely impact the ability to conduct business.

In the normal course of business, this type of risk is managed through implementing and adhering to policies and controls that are fundamental to the 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 Central 1 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.

Top and Emerging Risks

Cyber security risk is a top risk for Central 1, given the remote work environment and our reliance on the internet and cloud-based services for day-to-day business activities. Furthermore, advanced ransomware attacks are increasing in sophistication and prevalence. These attacks could result in data breaches, financial loss and service disruptions that negatively impact our reputation. Central 1 proactively monitors and manages these risks to ensure systems and information are protected.

Emerging risks are risks that are newly developing or rapidly changing. They are difficult to quantify and may have a major impact on ourselves and the credit union system.

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

Currently, 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.

Accounting Matters

Critical Accounting Policies and Estimates

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

Despite the continuous ease of COVID-19 restrictions, the macroeconomic environment remains uncertain in 2022 due to the further escalation of the Russia–Ukraine conflict, inflationary concern, supply chain disruptions, rising interest rates, as well as the new variants of COVID-19. Depending on the future developments of these challenges, the full impact on Central 1's results of operations and financial conditions remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

IAS 34 requires disclosures of events and transactions that are significant to understanding changes since the last annual report. The judgments made by management in applying Central 1's accounting policies and the key sources of estimation uncertainty were the same as those described in Note 3 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2021.

Interest Rate Benchmark Reform (IBOR)

On May 16, 2022, Refinitiv Benchmark Services UK Limited, the benchmark administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024, using a two-stage transition approach. The first stage will run until June 30, 2023 with all new derivative contracts and securities being transitioned to using the Canadian Overnight Repo Rate Average (CORRA). No new CDOR exposure will be booked after June 30, 2023 with limited exceptions which include derivatives that hedge or reduce CDOR exposures of derivatives or securities transacted before June 30, 2023 or in loan agreements transacted through until June 28, 2024. The second stage will end on June 30, 2024 with all remaining CDOR exposures being transitioned to CORRA. Central 1 has formed a CORRA Focus Group to oversee the transition and is in the process of assessing the impact of this announcement.

Related Party Disclosures

In the normal course of business, we grant loans to our key management personnel under the same terms as those offered to any other employees. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling of our activities, which include our Executive Management and Vice-Presidents and their close family members. Our policies and procedures for related party transactions have not changed significantly since December 31, 2021.

Details of Central 1's related party disclosures were disclosed in Note 24 of Central 1's Interim Consolidated Financial Statements.

Interim Consolidated Financial Statements

June 30, 2022



Interim Consolidated Statement of Profit (Loss) (Unaudited)

(Thousands of dollars)	Notes	Jun 30 2022	Dec 31 2021
Assets			
Cash	(4)	\$ 1,320,955	\$ 1,251,516
Securities	(5)	8,998,557	9,848,603
Loans	(6)	2,430,284	1,794,368
Derivative assets	(7)	344,170	120,930
Settlements in-transit		274,473	201,017
Property and equipment		17,953	19,450
Intangible assets		17,988	15,371
Investments in affiliates		84,239	84,820
Current tax assets		3,508	1,187
Deferred tax assets		58,926	16,599
Other assets	(9)	26,308	29,728
		\$ 13,577,361	\$ 13,383,589
Liabilities			
Deposits	(10)	\$ 6,778,432	\$ 7,200,199
Debt securities issued	(11)	1,921,707	2,062,175
Obligations under the Canada Mortgage Bond Program	(12)	1,060,212	960,765
Subordinated liabilities	(13)	201,544	220,321
Obligations related to securities sold short		104,851	40,494
Securities under repurchase agreements		1,991,577	1,553,290
Derivative liabilities		109,649	75,435
Settlements in-transit		631,311	390,884
Other liabilities	(14)	89,480	93,574
		12,888,763	12,597,137
Equity			
Share capital	(15)	43,401	43,396
Retained earnings		666,181	727,213
Accumulated other comprehensive income (loss)		(20,984)	8,700
Other reserves		-	2
Total equity attributable to members of Central 1		688,598	779,311
Non-controlling interest		-	7,141
		688,598	786,452
		\$ 13,577,361	\$ 13,383,589
Guarantees, commitments, contingencies and pledged assets	(21)		

Approved by the Directors:

"Rob Paterson"

Rob Paterson, Chairperson

"Paul Challinor"

Paul Challinor, Chairperson - Audit and Finance Committee

Interim Consolidated Statement of Profit (Loss) (Unaudited)

(Thousands of dollars)	Notes	For the three months ended		For the six months ended	
		Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Interest income					
Securities		\$ 36,038	\$ 24,543	\$ 60,599	\$ 51,839
Loans		16,622	10,563	29,035	19,799
		52,660	35,106	89,634	71,638
Interest expense					
Deposits		16,615	8,372	25,021	18,254
Debt securities issued		15,314	8,413	25,441	16,611
Subordinated liabilities		1,274	1,677	2,492	3,267
Obligations under the Canada Mortgage Bond Program		132	570	274	1,298
		33,335	19,032	53,228	39,430
Interest margin		19,325	16,074	36,406	32,208
Gain (loss) on disposal of financial instruments	(16)	(7,665)	11,467	(21,260)	17,601
Change in fair value of financial instruments	(17)	(36,522)	(17,775)	(89,726)	(4,103)
		(24,862)	9,766	(74,580)	45,706
Impairment recovery (expense) on financial assets		(413)	557	20	1,903
Net financial income (expense)		(25,275)	10,323	(74,560)	47,609
Non-financial income	(18)	35,733	39,983	73,998	74,653
Net financial and non-financial income (expense)		10,458	50,306	(562)	122,262
Non-financial expense					
Salaries and employee benefits		26,380	23,414	50,908	46,850
Premises and equipment		940	1,779	2,191	3,641
Other administrative expenses	(19)	23,189	18,891	42,748	34,624
		50,509	44,084	95,847	85,115
Profit (loss) before income taxes		(40,051)	6,222	(96,409)	37,147
Income taxes expense (recovery)		(13,823)	2,737	(34,805)	8,994
Profit (loss)		\$ (26,228)	\$ 3,485	\$ (61,604)	\$ 28,153

See accompanying notes to the Interim Consolidated Financial Statements

Interim Consolidated Statement of Comprehensive Income (Loss) (Unaudited)

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Profit (Loss)	\$ (26,228)	\$ 3,485	\$ (61,604)	\$ 28,153
Other comprehensive (loss), net of tax				
Items that may be reclassified subsequently to profit				
Fair value reserves (securities at fair value through other comprehensive income)				
Net change in fair value of debt securities at fair value through other comprehensive income	(12,938)	573	(38,855)	(9,227)
Reclassification of realized (gains) loss to profit	1,004	(1,716)	1,093	(13,555)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(34)	3	(47)	1
	(11,968)	(1,140)	(37,809)	(22,781)
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	(1,916)	(128)	8,697	(2,176)
Total other comprehensive loss, net of tax	(13,884)	(1,268)	(29,112)	(24,957)
Total comprehensive income (loss), net of tax	\$ (40,112)	\$ 2,217	\$ (90,716)	\$ 3,196

Income Taxes – Other Comprehensive Loss

The following table shows income tax expense (recovery) for each component of other comprehensive loss.

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
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	\$ (4,732)	\$ 309	\$ (14,275)	\$ (2,997)
Reclassification of realized (gains) loss to profit	369	(632)	402	(3,418)
Share of other comprehensive loss of affiliates accounted for using the equity method	(5)	-	(7)	-
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	7,113	(48)	3,204	(802)
	\$ 2,745	\$ (371)	\$ (10,676)	\$ (7,217)

Interim Consolidated Statement of Changes in Equity (Unaudited)

(Thousands of dollars)	Attributable to Equity Members										Non-Controlling Interest	Total Equity
	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members					
Balance at December 31, 2021	\$ 43,396	\$ 727,213	\$ 7,348	\$ (1,777)	\$ 3,129	\$ 2	\$ 779,311	\$ 7,141	\$ 786,452			
Total comprehensive income (loss), net of tax												
Loss		(61,604)					(61,604)		(61,604)			
Other comprehensive income (loss), net of tax												
Fair value reserve (securities at fair value through other comprehensive income)			(37,762)				(37,762)		(37,762)			
Share of other comprehensive loss of affiliates accounted for using the equity method			(47)				(47)		(47)			
Liability credit reserve				8,697			8,697		8,697			
Total comprehensive income (loss)	-	(61,604)	(37,809)	8,697	-	-	(90,716)	-	(90,716)			
Transactions with owners, recorded directly in equity												
Class "A" shares issued (Note 15)	5						5		5			
Subsidiary's distribution to its shareholders						(2)	(2)	(7,141)	(7,143)			
Reclassification of liability credit reserve on derecognition ⁽¹⁾		572		(572)								
Balance at June 30, 2022	\$ 43,401	\$ 666,181	\$ (30,461)	\$ 6,348	\$ 3,129	\$ -	\$ 688,598	\$ -	\$ 688,598			
⁽¹⁾ Transfer of cumulative gain or loss on derecognition of financial liabilities at FVTPL.												
	2022	2021										
Profit (loss) attributable to:												
Members of Central 1	\$ (61,604)	\$ 28,536										
Non-controlling interest	-	(383)										
	\$ (61,604)	\$ 28,153										
Total comprehensive income (loss) attributable to:												
Members of Central 1	\$ (90,716)	\$ 3,579										
Non-controlling interest	-	(383)										
	\$ (90,716)	\$ 3,196										

Interim Consolidated Statement of Changes in Equity (Unaudited)

(Thousands of dollars)	Attributable to Equity Members										Non-Controlling Interest	Total Equity
	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members					
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)		28,536					28,536	(383)	28,153			
Other comprehensive income, net of tax												
Fair value reserve (securities at fair value through other comprehensive income)			(22,782)				(22,782)		(22,782)			
Share of other comprehensive income of affiliates accounted for using the equity method			1				1		1			
Liability credit reserve				(2,176)			(2,176)		(2,176)			
Total comprehensive income (loss)	-	28,536	(22,781)	(2,176)	-	-	3,579	(383)	3,196			
Transactions with owners, recorded directly in equity												
Class "F" shares redemption (Note 15)	(397,737)						(397,737)		(397,737)			
Dividends		30					30		30			
Total contribution from (distribution) to owners	(397,737)	30	-	-	-	-	(397,707)	-	(397,707)			
Reclassification of liability credit reserve on derecognition ⁽¹⁾												
		(2,529)		2,529			-		-			
Balance at June 30, 2021	\$ 43,390	\$ 710,247	\$ 9,932	\$ (4,410)	\$ 383	\$ 2	\$ 759,544	\$ 7,269	\$ 766,813			

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

Interim Consolidated Statement of Cash Flows (Unaudited)

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Cash flows from operating activities				
Profit (loss)	\$ (26,228)	\$ 3,485	\$ (61,604)	\$ 28,153
Adjustments for:				
Depreciation and amortization	1,757	1,677	3,326	3,367
Interest margin	(19,325)	(16,074)	(36,406)	(32,208)
Loss (Gain) on disposal of financial instruments	7,665	(11,467)	21,260	(17,601)
Change in fair value of financial instruments	36,522	17,775	89,726	4,103
Impairment loss (recovery) on financial assets	413	(557)	(20)	(1,903)
Equity interest in affiliates	28	107	447	180
Income taxes expense (recovery)	(13,823)	2,737	(34,805)	8,994
	(12,991)	(2,317)	(18,076)	(6,915)
Change in securities ⁽¹⁾	68,394	835,064	567,455	9,560,147
Change in loans	(205,434)	(268,777)	(635,117)	(233,134)
Change in settlements in-transit	(137,667)	720,485	166,971	284,642
Change in deposits ⁽¹⁾	593,836	(2,108,005)	(389,678)	(10,247,015)
Change in obligations related to securities sold short	31,152	86,753	70,504	129,448
Change in securities under repurchase agreements	292,844	(237,917)	437,416	(245,434)
Change in derivative assets and liabilities	(13,739)	6,992	(27,800)	(17,230)
Change in other assets and liabilities	(700)	(8,885)	(1,761)	26,237
Interest received	53,641	41,383	86,620	90,602
Interest paid	(50,393)	(43,108)	(54,402)	(74,924)
Income tax received (paid)	835	(9)	831	(23,521)
Net cash from (used in) operating activities	619,778	(978,341)	202,963	(757,097)
Cash flows from investing activities				
Redemption of deposits with regulated financial institutions	-	-	1,148	-
Change in reinvestment assets under the Canada Mortgage Bond Program	(18,221)	108,145	(124,510)	9,466
Property and equipment - net	9	62	(93)	44
Intangible assets - net purchases	(2,591)	(1,703)	(4,309)	(3,334)
Change in investments in affiliates	387	397	387	418
Net cash from (used in) investing activities	(20,416)	106,901	(127,377)	6,594

Interim Consolidated Statement of Cash Flows (Unaudited)

(Thousands of dollars)	Notes	For the three months ended		For the six months ended	
		Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Cash flows from financing activities					
Proceeds from debt securities issued		(95,854)	605,894	750,239	1,054,971
Maturity of debt securities issued		-	-	(866,657)	(600,118)
Repayment of lease liabilities		(106)	(113)	(211)	(225)
Maturity of obligation under the Canada Mortgage Bond Program		-	(141,175)	-	(75,161)
Proceeds under the Canada Mortgage Bond Program		14,049	-	117,618	-
Proceeds from subordinated liabilities		-	199,569	-	199,685
Dividends paid		-	-	-	(13,383)
Subsidiary's distribution to its shareholders		(7,141)	-	(7,141)	-
Redemption of Class F shares	(15)	-	-	-	(397,737)
Issuance of Class B shares	(18)	5	-	5	-
Net cash from (used in) financing activities		(89,047)	664,175	(6,147)	168,032
Increase (decrease) in cash		510,315	(207,265)	69,439	(582,471)
Cash - beginning of period		810,640	2,035,396	1,251,516	1,467,557
Cash held for segregation - beginning of period		-	-	-	943,045
Cash - end of period	\$	1,320,955	\$ 1,828,131	\$ 1,320,955	\$ 1,828,131

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

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1. General information

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

Central 1 provides financial, digital banking and payment products and services for over 250 financial institutions across Canada, including its member credit unions in British Columbia (B.C.) and Ontario. The performance of the British Columbia credit union system and that of Central 1's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) play an integral part in determining the results of Central 1's operations and its financial position.

2. Basis of presentation

Basis of accounting

These Interim Consolidated Financial Statements have been prepared on a condensed basis in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) using the same accounting policies as disclosed in Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2021.

As these Interim Consolidated Financial Statements do not include all of the annual financial statements' disclosures required under IFRS, they should be read in conjunction with Central 1's Annual Audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2021.

The Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on August 26, 2022.

Interest Rate Benchmark Reform (IBOR)

On May 16, 2022, Refinitiv Benchmark Services UK Limited, the benchmark administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024, using a two-stage transition approach. The first stage will run until June 30, 2023 with all new derivative contracts and securities being transitioned to using the Canadian Overnight Repo Rate Average (CORRA). No new CDOR exposure will be booked after June 30, 2023 with limited exceptions which include derivatives that hedge or reduce CDOR exposures of derivatives or securities transacted before June 30, 2023 or in loan agreements transacted through until June 28, 2024. The second stage will end on June 30, 2024 with all remaining CDOR exposures being transitioned to CORRA. Central 1 has formed a CORRA Focus Group to oversee the transition and is in the process of assessing the impact of this announcement.

3. Use of estimates and judgements

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

Despite the continuous ease of COVID-19 restrictions, the macroeconomic environment remains uncertain in 2022 due to the further escalation of the Russia – Ukraine conflict, inflationary concerns, supply chain disruptions, rising interest rates, as well as the new variants of COVID-19. Depending on the future developments of these challenges, the full impact on Central 1's results of operations and financial conditions remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

IAS 34 requires disclosures of events and transactions that are significant to understanding changes since last annual report. The judgments made by management in applying Central 1's accounting policies and the key sources of estimation uncertainty were the same as those described in Note 3 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2021.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Period ended June 30, 2022

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4. Cash

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
With Bank of Canada	\$ 1,243,528	\$ 1,153,898
With other regulated financial institutions	77,427	97,618
	\$ 1,320,955	\$ 1,251,516

5. Securities

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
Securities FVTPL		
Government and government guaranteed securities	\$ 2,962,807	\$ 3,427,791
Corporate and major financial institutions		
AA low or greater	1,620,933	1,661,619
A (high) to A (low)	435,410	484,142
BBB (high) to BB (high)	970,200	959,963
Equity instruments	60,425	60,430
Fair value	\$ 6,049,775	\$ 6,593,945

Securities FVOCI

Government and government guaranteed securities	\$ 1,002,139	\$ 1,103,978
Corporate and major financial institutions		
AA low or greater	203,266	275,040
A (high) to A (low)	100,455	182,074
BBB (high) to BBB (low)	626,765	784,931
Fair value	\$ 1,932,625	\$ 2,346,023

Reinvestment assets under the CMB Program

FVTPL		
Government and government guaranteed securities	\$ 504,151	\$ 607,939
Corporate and major financial institutions AA low or greater	-	20,995
Fair Value	\$ 504,151	\$ 628,934
Amortized cost		
Assets acquired under reverse repurchase agreements	\$ 512,006	\$ 279,701
Total reinvestment assets under the CMB Program	\$ 1,016,157	\$ 908,635
Total	\$ 8,998,557	\$ 9,848,603

Notes to the Interim Consolidated Financial Statements (Unaudited)

Period ended June 30, 2022

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6. Loans

The following table presents loans that are classified as amortized cost and fair value through profit or loss (FVTPL):

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
Amortized cost		
Due on demand		
Credit unions	\$ 644,498	\$ 291,809
Commercial and others	3,793	3,386
	648,291	295,195
Term		
Credit unions	3,000	5,700
Commercial and others	1,260,189	1,177,964
Reverse repurchase agreements	506,154	301,252
Staff loans ⁽¹⁾	-	1,439
	1,769,343	1,486,355
Accrued interest	4,358	3,117
Premium	94	210
	2,422,086	1,784,877
Expected credit loss (Note 8)	(3,296)	(3,361)
Amortized cost	2,418,790	1,781,516
Fair value hedge adjustment ⁽²⁾	(1,782)	(1,421)
Carrying value	\$ 2,417,008	\$ 1,780,095
FVTPL		
Term - Commercial and others		
Fair value	\$ 13,276	\$ 14,273
Total loans	\$ 2,430,284	\$ 1,794,368

⁽¹⁾ Loans to employees bear interest at rates varying from 2.50% to 2.72%. Central1 has discontinued the staff loan program effective October 29, 2021.

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

7. Derivative instruments

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 Interim Consolidated Statement of Profit (Loss).

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

(Thousands of dollars)	For the three months ended Jun 30 2022			For the three months ended Jun 30 2021		
	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⁾	\$ (9,043)	\$ 9,015	\$ (28)	\$ 3,411	\$ (3,970)	\$ (559)
Loans	(44)	58	14	(171)	166	(5)
Debt securities issued	1,546	(1,282)	264	1,476	(1,423)	53
	\$ (7,541)	\$ 7,791	\$ 250	\$ 4,716	\$ (5,227)	\$ (511)

⁽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)	For the six months ended Jun 30 2022			For the six months ended Jun 30 2021		
	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⁾	\$ (22,291)	\$ 23,126	\$ 835	\$ (8,386)	\$ 8,842	\$ 456
Loans	(361)	236	(125)	(312)	303	(9)
Debt securities issued	3,729	(3,361)	368	2,823	(2,750)	73
	\$ (18,923)	\$ 20,001	\$ 1,078	\$ (5,875)	\$ 6,395	\$ 520

⁽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 profit (loss)

Notes to the Interim Consolidated Financial Statements (Unaudited)

Period ended June 30, 2022

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(Thousands of dollars)	Jun 30 2022					Dec 31 2021				
	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	Carrying value of hedging instruments	Cumulative hedge adjustments from active hedges	
Securities at FVOCI ⁽¹⁾	\$ 235,156	\$ 200,197	\$ 33,119	\$ (31,942)	\$	235,156	\$ 233,047	\$ 9,993	\$ (9,651)	
Loans	32,963	33,417	959	(1,782)		34,158	32,947	723	(1,421)	
Debt securities issued	(300,000)	(301,038)	(1,018)	1,888		(300,000)	(302,763)	2,343	(1,841)	
		\$ 33,060	\$ (31,836)				\$ 13,059	\$ (12,913)		

⁽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 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.

8. Expected credit loss

(Thousands of dollars)	Stage 1		Stage 2		Stage 3		Total
ECL on financial assets at amortized cost							
Balance at December 31, 2021	\$	2,632	\$	729	\$	-	\$ 3,361
Impairment loss (recovery) on financial assets:							
Purchases and originations		514		-		-	514
Derecognitions and maturities		(382)		(184)		-	(566)
Remeasurements		(54)		41		-	(13)
Total impairment loss (recovery) on financial assets		78		(143)		-	(65)
Balance at June 30, 2022	\$	2,710	\$	586	\$	-	\$ 3,296
ECL on financial assets at FVOCI							
Balance at December 31, 2021	\$	105	\$	-	\$	-	\$ 105
Impairment loss (recovery) on financial assets:							
Derecognitions and maturities		(62)		-		-	(62)
Remeasurements		107		-		-	107
Total impairment loss on financial assets		45		-		-	45
Balance at June 30, 2022	\$	150	\$	-	\$	-	\$ 150
Total ECL							
Balance at December 31, 2021	\$	2,737	\$	729	\$	-	\$ 3,466
Impairment loss (recovery) on financial assets:							
Purchases and originations		514		-		-	514
Derecognitions and maturities		(444)		(184)		-	(628)
Remeasurements		53		41		-	94
Total impairment loss (recovery) on financial assets		123		(143)		-	(20)
Balance at June 30, 2022	\$	2,860	\$	586	\$	-	\$ 3,446

Notes to the Interim Consolidated Financial Statements (Unaudited)

Period ended June 30, 2022

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(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:							
Purchases and originations		551		-		-	551
Derecognitions and maturities		(535)		-		-	(535)
Remeasurements		(332)		(148)		-	(480)
Total impairment recovery on financial assets		(316)		(148)		-	(464)
Balance at June 30, 2021	\$	1,998	\$	792	\$	-	\$ 2,790
ECL on financial assets at FVOCI							
Balance at December 31, 2020	\$	1,611	\$	-	\$	-	\$ 1,611
Impairment loss (recovery) on financial assets:							
Purchases		39		-		-	39
Derecognitions and maturities		(227)		-		-	(227)
Remeasurements		(1,251)		-		-	(1,251)
Total impairment recovery on financial assets		(1,439)		-		-	(1,439)
Balance at June 30, 2021	\$	172	\$	-	\$	-	\$ 172
Total ECL							
Balance at December 31, 2020	\$	3,925	\$	940	\$	-	\$ 4,865
Impairment loss (recovery) on financial assets:							
Purchases and originations		590		-		-	590
Derecognitions and maturities		(762)		-		-	(762)
Remeasurements		(1,583)		(148)		-	(1,731)
Total impairment recovery on financial assets		(1,755)		(148)		-	(1,903)
Balance at June 30, 2021	\$	2,170	\$	792	\$	-	\$ 2,962

Notes to the Interim Consolidated Financial Statements (Unaudited)

Period ended June 30, 2022

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The following tables present the gross carrying amounts of loans as at June 30, 2022 and December 31, 2021, according to credit quality:

(Thousands of dollars)				Jun 30 2022	
	Stage 1	Stage 2	Stage 3	Total	
Low Risk	\$ 1,205,416	\$ -	\$ -	\$ 1,205,416	
Medium Risk	1,203,314	-	-	1,203,314	
High Risk	-	12,951	-	12,951	
Not Rated	405	-	-	405	
Total	\$ 2,409,135	\$ 12,951	\$ -	\$ 2,422,086	

(Thousands of dollars)				Dec 31 2021	
	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	

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.

9. Other assets

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
Investment property	\$ 642	\$ 686
Prepaid expenses	9,395	6,434
Post-employment benefits	6,362	6,362
Assets held for distribution	-	6,947
Accounts receivable and other	9,909	9,299
	\$ 26,308	\$ 29,728

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10. Deposits

(Thousands of dollars)		Jun 30 2022	Dec 31 2021
Deposits designated as FVTPL			
Due within three months	\$	1,589,336	\$ 1,900,588
Due after three months and within one year		1,311,610	1,059,641
Due after one year and within five years		703,259	820,860
		3,604,205	3,781,089
Accrued interest		11,229	8,066
Amortized cost	\$	3,615,434	\$ 3,789,155
Fair value	\$	3,580,486	\$ 3,789,543
Deposits held at amortized cost			
Due on demand	\$	3,051,477	\$ 3,232,904
Due within three months		59,650	5,500
Due after three months and within one year		25,883	98,790
Due after one year and within five years		60,482	73,157
		3,197,492	3,410,351
Accrued interest		454	305
Amortized cost	\$	3,197,946	\$ 3,410,656
Total carrying value	\$	6,778,432	\$ 7,200,199

The fair value of deposits at June 30, 2022 was \$6,778.4 million (December 31, 2021 - \$7,200.6 million).

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11. Debt securities issued

(Thousands of dollars)		Jun 30 2022	Dec 31 2021
Amortized cost			
Due within three months	\$	749,066	\$ 866,657
Due after three months and within one year		499,746	499,518
Due after one year and within five years		447,187	446,241
		1,695,999	1,812,416
Accrued interest		2,755	2,787
Amortized cost		1,698,754	1,815,203
Fair value hedge adjustment ⁽¹⁾		(1,888)	1,841
Carrying value	\$	1,696,866	\$ 1,817,044
Designated as FVTPL			
Due after one year and within five years	\$	250,000	\$ 250,000
Accrued interest		1,386	1,414
Amortized cost		251,386	251,414
Fair value		224,841	245,131
Total Carrying value	\$	1,921,707	\$ 2,062,175

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

At June 30, 2022, a par value of \$750.2 million was outstanding under the short-term commercial paper facility (December 31, 2021 - \$866.9 million) and a par value of \$1.2 billion was borrowed under the medium-term note facility (December 31, 2021 - \$1.2 billion).

12. Obligations under the Canada Mortgage Bond Program

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

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
Amounts		
Due within three months	\$ 529,306	\$ 306,718
Due after three months and within one year	72,941	188,328
Due after one year and within five years	474,716	464,299
	1,076,963	959,345
Accrued interest	530	531
Amortized cost	\$ 1,077,493	\$ 959,876
Fair value	\$ 1,060,212	\$ 960,765

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

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
FVTPL		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 5)	\$ 504,151	\$ 628,934
Assets recognized as securities	46,792	54,978
Fair value	\$ 550,943	\$ 683,912
Amortized cost		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 5)	\$ 512,006	\$ 279,701
Total underlying assets designated	\$ 1,062,949	\$ 963,613

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13. Subordinated liabilities

(Thousands of dollars)	Jun 30 2022		Dec 31 2021	
Amortized cost				
Series 5	\$	21,000	\$	21,000
Accrued interest		34		9
Amortized cost	\$	21,034	\$	21,009
Designated as FVTPL				
Series 7	\$	200,000	\$	200,000
Accrued interest		13		26
Amortized cost	\$	200,013	\$	200,026
Fair value	\$	180,510	\$	199,312
Total carrying value	\$	201,544	\$	220,321

14. Other liabilities

(Thousands of dollars)	Jun 30 2022		Dec 31 2021	
Post-employment benefits	\$	15,200	\$	15,375
Short-term employee benefits		9,735	\$	14,009
Deferred revenue ⁽¹⁾		33,421		33,795
Finance Lease		5,832	\$	6,043
Accounts payable		17,285		22,529
Other		8,007		1,823
	\$	89,480	\$	93,574

⁽¹⁾Deferred revenue includes the amount received from credit union clients under the Payments Modernization Cost Share Arrangement.

15. 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 and, subject to the requirements of the *Credit Union Incorporation Act*, Class D and E shares are non-voting. 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 annually to reflect changes in credit union assets.

Prior to the segregation of the Mandatory Liquidity Pool (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)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Number of shares issued			
Balance at beginning of period	43,359	43,359	43,359
Issued during the period	5	-	-
Class A - credit unions: balance at the end of period	43,364	43,359	43,359
Class B - co-operatives: balance at the beginning and end of period	11	11	5
Class C - other: balance at the beginning and end of period	7	7	7
Class E - credit unions: balance at the beginning and end of period	2,154	2,154	2,154
Class F - credit unions			
Balance at the beginning of period	-	397,737	397,737
Redeemed during the period	-	(397,737)	(397,737)
Balance at the end of period	-	-	-
Number of treasury shares			
Treasury shares - Class E: balance at the beginning and end of period	(264)	(264)	(264)

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(Thousands of dollars)	Jun 30 2022	Dec 31 2021	Jun 30 2021
Amount of share capital outstanding			
Outstanding \$1 par value shares			
Class A - credit unions	\$ 43,364	\$ 43,359	\$ 43,359
Class B - cooperatives	11	11	5
Class C - other	7	7	7
Outstanding \$0.01 par value shares			
Class E - credit unions	21	21	21
	43,403	43,398	43,392
Amount of treasury shares			
Treasury shares	(2)	(2)	(2)
Balance at the end of period	\$ 43,401	\$ 43,396	\$ 43,390

16. Gain (loss) on disposal of financial instruments

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Realized gain (loss) on securities at FVTPL	\$ (5,967)	\$ 8,622	\$ (20,014)	\$ 80,377
Realized gain (loss) on securities at FVOCI	(1,373)	2,349	(1,501)	16,640
Realized loss on derivative instruments	(4,612)	269	(5,110)	(8,362)
Realized gain on loans at FVTPL	-	-	-	8
Realized gain (loss) on deposits designated at FVTPL	67	-	58	(71,281)
Realized gain on obligations related to securities sold short	4,220	227	5,307	219
	\$ (7,665)	\$ 11,467	\$ (21,260)	\$ 17,601

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Period ended June 30, 2022

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17. Change in fair value of financial instruments

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Change in unrealised gains (losses)				
Securities at FVTPL	\$ (119,005)	\$ (15,039)	(318,784)	\$ (132,313)
Loans at FVTPL	(232)	(130)	(505)	(290)
Activities under the Canada Mortgage Bond Program				
Reinvestment assets	(6,180)	(1,727)	(16,998)	(2,782)
Derivative instruments	17,207	1,106	47,862	7,996
Obligations under the Canada Mortgage Bond Program	6,463	2,259	18,170	3,975
Derivative instruments	42,339	(2,590)	117,067	40,134
Financial liabilities at FVTPL				
Deposits designated at FVTPL	15,640	47	36,713	71,903
Debt securities issued designated at FVTPL	4,694	(1,513)	14,383	4,688
Subordinated debt issued designated at FVTPL	4,013	(348)	11,398	(348)
Obligations related to securities sold short	(1,461)	160	968	2,934
	\$ (36,522)	\$ (17,775)	\$ (89,726)	\$ (4,103)

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18. Non-financial income

(Thousands of dollars)	For the three months ended Jun 30 2022			For the three months ended Jun 30 2021		
	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	\$ 3,094	\$ -	\$ 3,094	\$ 3,157	\$ -	\$ 3,157
Securitization fees	1,328	-	1,328	2,133	-	2,133
Foreign exchange income	-	1,192	1,192	-	1,502	1,502
Asset management services	854	-	854	914	-	914
Other	1,664	-	1,664	1,264	-	1,264
Payments & Digital Banking Platforms and Experiences	-	-	-	-	-	-
Payment processing and other fees	18,508	-	18,508	18,732	-	18,732
Direct banking fees	8,753	-	8,753	9,137	-	9,137
System Affiliates & Other	-	-	-	-	-	-
Equity interest in affiliates	-	(28)	(28)	-	(107)	(107)
Income from investees	-	36	36	-	1,226	1,226
Membership dues	-	-	-	613	-	613
Other	332	-	332	1,412	-	1,412
	\$ 34,533	\$ 1,200	\$ 35,733	\$ 37,362	\$ 2,621	\$ 39,983

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

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(Thousands of dollars)	For the six months ended Jun 30 2022			For the six months ended Jun 30 2021		
	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	\$ 6,282	\$ -	\$ 6,282	\$ 5,959	\$ -	\$ 5,959
Securitization fees	2,779	-	2,779	4,375	-	4,375
Foreign exchange income	-	2,409	2,409	-	1,913	1,913
Asset management services	1,594	-	1,594	1,727	-	1,727
Other	3,174	-	3,174	2,612	-	2,612
Payments & Digital Banking Platforms and Experiences						
Payment processing and other fees	35,254	-	35,254	36,213	-	36,213
Direct banking fees	17,435	-	17,435	17,713	-	17,713
System Affiliates & Other						
Equity interest in affiliates	-	(447)	(447)	-	(180)	(180)
Income from investees	-	2,664	2,664	-	1,289	1,289
Membership dues ⁽²⁾	-	-	-	1,225	-	1,225
Other ⁽¹⁾	2,854	-	2,854	1,807	-	1,807
	\$ 69,372	\$ 4,626	\$ 73,998	\$ 71,631	\$ 3,022	\$ 74,653

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

⁽¹⁾ Other includes a liquidation distribution of \$2.2 million received in the first quarter of 2022 (\$nil for the comparative period) from U.S. Central Federal Credit Union, of which Central 1 owned membership shares in 2009.

⁽²⁾ Central 1 has phased out membership dues effective January 2022.

19. Other administrative expense

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Cost of sales and services	\$ 1,569	\$ 2,145	\$ 3,816	\$ 3,223
Cost of payments processing	7,100	5,732	12,732	11,614
Management information systems	4,645	3,590	8,441	7,302
Professional fees	9,872	7,047	17,448	11,554
Business development projects	32	29	148	68
Other	(29)	348	163	863
	\$ 23,189	\$ 18,891	\$ 42,748	\$ 34,624

20. Segment information

For management reporting purposes, Central 1's operations and activities are organized around two key business segments: Treasury and Payments & Digital Banking Platforms and Experiences (DBPX) (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.

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 & DBPX segment. Central 1 provides foreign exchange services, derivative capabilities, and other ancillary treasury services.

The Treasury segment also operates the Group Clearer settlement function. As a Group Clearer under the rules of Payments Canada, Central 1 is a Lynx participant and acts as the credit union systems' financial institution connection to the Canadian payments system and the Bank of Canada.

Payments & DBPX

Payments & 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 and 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 such as Forge 2.0.

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. 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 costs 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

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reporting framework assists in the attribution of capital and the transfer pricing of funds to the business segments in a manner that fairly and consistently measures and aligns the economic costs with the underlying benefits and risks of that specific business segment. Central 1's capital plan allows for tactical capital allocations within all segments. Central 1 does not have any inter-segment revenue between business segments. Income tax provision or recovery is generally applied to each segment based on a statutory tax rate and may be adjusted for items and activities unique to each segment.

Basis of presentation

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

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

Results by segment

The following table summarizes the segment results for the three months ended June 30, 2022:

(Thousands of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial expense	\$ (25,196)	\$ (73)	\$ (6)	\$ (25,275)
Non-financial income	8,132	27,261	340	35,733
Net financial and non-financial income (expense)	(17,064)	27,188	334	10,458
Non-financial expense	9,856	37,153	3,500	50,509
Loss before income taxes	(26,920)	(9,965)	(3,166)	(40,051)
Income tax recovery	(9,155)	(3,482)	(1,186)	(13,823)
Loss	\$ (17,765)	\$ (6,483)	\$ (1,980)	\$ (26,228)

The following table summarizes the segment results for the three months ended June 30, 2021:

(Thousands of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	\$ 10,374	\$ (51)	\$ -	\$ 10,323
Non-financial income	8,970	27,869	3,144	39,983
Net financial and non-financial income	19,344	27,818	3,144	50,306
Non-financial expense	9,389	29,671	5,024	44,084
Profit (loss) before income taxes	9,955	(1,853)	(1,880)	6,222
Income tax expense (recovery)	1,550	(510)	1,697	2,737
Profit (loss)	\$ 8,405	\$ (1,343)	\$ (3,577)	\$ 3,485

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

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The following table summarizes the segment results for the six months ended June 30, 2022:

(Thousands of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial expense	\$ (74,433)	\$ (110)	\$ (17)	\$ (74,560)
Non-financial income	16,238	52,689	5,071	73,998
Net financial and non-financial income (expense)	(58,195)	52,579	5,054	(562)
Non-financial expense	19,881	69,899	6,067	95,847
Loss before income taxes	(78,076)	(17,320)	(1,013)	(96,409)
Income tax recovery	(22,819)	(11,326)	(660)	(34,805)
Loss	\$ (55,257)	\$ (5,994)	\$ (353)	\$ (61,604)
Total assets as at June 30 2022	\$ 13,307,463	\$ 12,985	\$ 256,913	\$ 13,577,361
Total liabilities as at June 30 2022	\$ 12,859,709	\$ (4,369)	\$ 33,423	\$ 12,888,763

The following table summarizes the segment results for the six months ended June 30, 2021:

(Thousands of dollars)	Treasury	Payments & Digital Banking Platforms and Experiences	System Affiliates & Other	Total
Net financial income (expense)	\$ 47,717	\$ (108)	\$ -	\$ 47,609
Non-financial income	16,586	53,926	4,141	74,653
Net financial and non-financial income	64,303	53,818	4,141	122,262
Non-financial expense	18,101	57,911	9,103	85,115
Profit (loss) before income taxes	46,202	(4,093)	(4,962)	37,147
Income tax expense (recovery)	11,446	(1,252)	(1,200)	8,994
Profit (loss)	\$ 34,756	\$ (2,841)	\$ (3,762)	\$ 28,153
Total assets as at June 30 2021	\$ 13,036,930	\$ 4,972	\$ 204,204	\$ 13,246,106
Total liabilities as at June 30 2021	\$ 12,511,122	\$ (25,967)	\$ (5,862)	\$ 12,479,293

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

21. Guarantees, commitments, contingencies and pledged assets

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

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

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

(Thousands of dollars)	Jun 30 2022		Dec 31 2021	
Commitments to extend credit	\$	4,774,865	\$	5,083,369
Guarantees				
Financial guarantees	\$	822,600	\$	802,600
Performance guarantees	\$	100,000	\$	100,000
Standby letters of credit	\$	236,609	\$	239,357
Future prepayment swap reinvestment commitment	\$	890,373	\$	1,089,495

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on June 30, 2022 are \$92.9 million, \$266.9 million and \$107.7 million (December 31, 2021 - \$14.5 million, \$324.8 million and \$99.8 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 anytime from these approved limits. These un-committed performance guarantee approved limits for June 30, 2022 were \$810.0 million (December 31, 2021 - \$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 June 30, 2022.

Pledged assets

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

(Thousands of dollars)	Jun 30 2022	Dec 31 2021
Assets pledged to Bank of Canada & Direct Clearing Organizations ⁽¹⁾⁽²⁾	\$ 55,257	\$ 58,439
Assets pledged in relation to:		
Derivative financial instrument transactions	11,775	18,249
Securities lending	96,538	81,402
Obligations under the Canada Mortgage Bond Program	46,792	54,978
Reinvestment assets under the Canada Mortgage Bond Program	1,016,157	908,635
Securities under repurchase agreements	1,991,577	1,553,290
	\$ 3,218,096	\$ 2,674,993

⁽¹⁾ Includes assets pledged as collateral for Payments Canada High Value Payment System (Lynx) activities.

⁽²⁾ Central 1 acts as Group Clearer on behalf of other central credit unions. Securities pledged by other centrals as collateral for settlements are not included in pledged assets.

22. Financial instruments – Fair value

Certain financial instruments are recognized in the Interim Consolidated Statement of Financial Position at fair value. These include derivative instruments, securities, loans 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 and deposits due on demand classified as amortized cost because of their short-term nature.

Financial instruments for which fair value is determined using valuation techniques

The most significant assets and liabilities for which fair values are determined using valuation techniques include: loans and deposits and a medium-term note designated at FVTPL, a subordinated note designated at FVTPL, derivative instruments, equity investments, and securities within the CMB Program. To determine fair value, Central 1 discounts the expected cash flows using interest rates currently being offered on instruments with similar terms. For a portion of Central 1's equity investments, quoted market prices are not available, in which case Central 1 would consider using valuation techniques such as discounted cash flows, comparison with instruments where observable inputs exist, Binomial Tree option pricing model and other valuation techniques. Assumptions and inputs used in these valuation techniques include risk-free rate, benchmark interest rate, and expected price volatility. The estimated fair value would increase (decrease) if:

Period ended June 30, 2022

- 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 June 30, 2022 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.

Additionally, level 3 financial assets include \$20.4 million of an equity investment that is measured at fair value at June 30, 2022 (December 31, 2021 - \$20.4 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.

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:

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Period ended June 30, 2022

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Jun 30 2022									
(Millions of dollars)	Level 1		Level 2		Level 3		Amounts at Fair Value	Amounts at Amortized Cost ⁽¹⁾	Total Carrying Value
Financial assets									
Cash	\$	-	\$	-	\$	-	\$	1,321.0	\$ 1,321.0
Securities		-		8,938.2		60.4		8,998.6	8,998.6
Loans		-		-		13.3		2,417.0	2,430.3
Derivative assets		1.0		343.2		-		344.2	344.2
Total financial assets		1.0		9,281.4		73.7		9,356.1	13,094.1
Financial liabilities									
Deposits		-		3,580.5		-		3,197.9	6,778.4
Debt securities issued		-		224.8		-		1,696.9	1,921.7
Obligations under the CMB Program		-		1,060.2		-		-	1,060.2
Subordinated liabilities		-		180.5		-		21.0	201.5
Obligations related to securities sold short		-		104.9		-		-	104.9
Securities under repurchase agreements		-		-		-		1,991.6	1,991.6
Derivative liabilities		0.6		109.0		-		-	109.6
Total financial liabilities	\$	0.6	\$	5,259.9	\$	-	\$	5,260.5	\$ 12,167.9

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

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

Dec 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	\$	-	\$	9,909.1	\$	74.7	\$	9,983.8	\$	3,031.6	\$	13,015.4
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.

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

(Millions of dollars)	Fair value at Dec 31 2021		Purchases	Disposals	Transfers	Changes in fair value of assets in profit or loss	Fair value at Jun 30 2022
Equity shares	\$	60.4	\$	-	\$	-	\$ 60.4
Loans		14.3		(0.5)		(0.5)	13.3
Total financial assets	\$	74.7	\$	(0.5)	\$	(0.5)	\$ 73.7

23. 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.

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 as at June 30, 2022 and June 30, 2021.

24. Related party disclosures

Related parties of Central 1 include:

- key management personnel and their close family members;
- Board of Directors and their close family members;
- entities over which Central 1 has control or significant influence; and
- Central 1's post-employment plans as described in Note 29 of the Annual Audited Consolidated Financial Statements for the year ended December 31, 2021.

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 were no outstanding balances with key management personnel as on June 30, 2022 and December 31, 2021.

The following table presents the compensation to key management personnel:

(Thousands of dollars)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Salaries and short-term employee benefits	\$ 1,378	\$ 1,065	\$ 2,724	\$ 1,955
Incentive	1,710	1,582	1,710	1,582
Post-employment benefits	52	59	100	103
Termination and other long-term employee benefits	(130)	-	347	1,467
	\$ 3,010	\$ 2,706	\$ 4,881	\$ 5,107

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 and other long-term employee 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)	For the three months ended		For the six months ended	
	Jun 30 2022	Jun 30 2021	Jun 30 2022	Jun 30 2021
Total remuneration	\$ 150	\$ 208	\$ 317	\$ 389

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Significant subsidiaries

(% of direct ownership outstanding)	Jun 30 2022	Dec 31 2021
Central 1 Trust Company	100%	100%
CUPP Services Ltd.	100%	100%
C1 Ventures (VCC) Ltd.	100%	100%
0789376 B.C. Ltd.	100%	100%

CUPP Services Ltd. (CUPP) completed the distribution of its net assets to the shareholders during the second quarter of 2022. This distribution has resulted in the balances of non-controlling interest and reserves being nil at the end of June 2022. CUPP was dissolved on July 5, 2022 when the share capital was cancelled. Therefore, Central 1 still owned 100% of CUPP's voting shares at June 30, 2022.

Investment in affiliates

The affiliates that Central 1 exercises significant influence are as follows:

(% of direct ownership outstanding)	Jun 30 2022	Dec 31 2021
The CUMIS Group Limited	27%	27%
CU Cumis Wealth Holdings LP	35%	35%
189286 Canada Inc.	52%	52%
Agility Forex Ltd.	27%	28%

On September 24, 2021, Central 1 purchased a \$2.9 million non-interest bearing promissory note issued by 189286 Canada Inc. with a maturity of December 31, 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.

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)	Jun 30 2022	Dec 31 2021
The Co-operators Group Limited	21%	21%
Canadian Credit Union Association	59%	59%