

Quarterly Report

First Quarter of 2023

Results for the First Quarter of 2023

Overall Financial Results

First quarter 2023 compared with first quarter 2022:

- Profit of \$1.3 million, up \$36.7 million
- Net financial income of \$6.4 million, up \$55.7 million
- Return on average equity¹ of 0.2 per cent, up 4.9 per cent

“While markets have been volatile, our capital base remains healthy and our business lines performed well in the first quarter. Still, inflation remains above target levels and we have yet to see the impacts of higher interest rates fully work their way through the system. We will continue to work with our credit union members and clients to support their ongoing success through the economic cycle,” said Sheila Vokey, President and CEO of Central 1.

Economic and Financial Markets Overview

Inflation in Canada and the United States has declined from the peaks seen in 2022. However, inflation remains high and above target levels of the Bank of Canada and the U.S. Federal Reserve, especially core inflation and service prices inflation. Both central banks have communicated the need to maintain restrictive monetary policy to lower inflation back to target levels. As a result, growth is expected to weaken soon because of these policies. Financial markets had also experienced higher volatility after the recent banking sector stress in the United States and Europe. Economic growth is expected to weaken going forward as higher interest rates fully work through the economy and credit constraints curb lending. However, China’s reopening after abandoning its zero COVID-19 strategy as well as the growth of its economy will likely have positive spillover effects to other economies. With that said, global economic growth is expected to slow, with the International Monetary Fund forecasting GDP growth to decrease from 3.4 per cent in 2022 to 2.8 per cent in 2023.

Core Business Financial Performance

Treasury

Treasury’s first quarter profit was \$4.1 million, up \$41.6 million from the first quarter of 2022.

The performance in the quarter continued to reflect stable and consistent results from our non-financial income and fee for service-based business despite the inverted yield curves and widened credit spreads which resulted in a decrease in the fair market value of the Treasury portfolio. However, the economy is proving to be more resilient to higher inflation and interest rates than previously anticipated, which led to the first quarter reporting a \$36.0 million smaller unrealized loss compared to the same period last year.

Interest margin within the Treasury portfolio was \$3.2 million lower resulting from higher funding costs. Investments in Treasury initiatives started in the first quarter with \$0.4 million incurred, consistent with Central 1’s strategic priorities. Non-financial expense, excluding strategic initiatives², in the first quarter marginally improved year-over-year.

With mortgage markets slowing down due to higher interest rates, credit unions started holding more deposits with Central 1 since December 31, 2022. This has contributed to an increase of \$122.3 million in Treasury’s cash and liquid assets from December 31, 2022.

Payments & Digital Banking Platforms and Experiences (DBPX)

Payments & DBPX reported a loss of \$4.4 million in the first quarter of 2023; compared to the \$0.5 million profit reported in the same quarter last year. Non-financial expense, excluding strategic initiatives², saw a \$4.4 million increase due to higher salaries and professional fees. Investments in strategic initiatives, which included the Payments Modernization and digital banking initiatives, were consistent with Central 1’s strategic priorities. This was partially offset by a \$2.5 million increase in non-financial income, excluding strategic initiatives², supported by increased transaction volume in Payments products.

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

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

Certain expenditures in strategic initiatives qualify for Canada's Scientific Research and Experimental Development (SR&ED) tax incentive credits, which contributed to a tax recovery for both periods.

Core Business Highlights

Treasury

Our Treasury business had a noteworthy debt issuance in the first quarter, with strong investor demand for its \$300.0 million, five-year medium-term note issuance.

We also continued our strong commitment to responsible investing. The portion of our Treasury Securities Portfolio invested in Environmental, Social and Governance (ESG) labelled securities reached approximately 15.0 per cent.

Payments & DBPX

Digital Banking Innovation

In the first quarter, Central 1 focused on enhancing our digital banking platform for clients across online and mobile channels.

In the first quarter of 2023, clients saw several developments in line with the 2023 digital product roadmap, including biometric logins for mobile *Interac* e-Transfers®³ and more customizable – but equally safe – 2-Step Verification authentication capability, which is proving to be an increasingly effective tool to support cyber resiliency. We also refreshed the Forge Commercial platform, making significant improvements to the user experience.

We are focused on building new business through our Forge Community, bringing new fintechs on board and targeting functionality and use cases that our members and clients have helped us prioritize. This quarter we also saw the year's first deployment from Community: One of our credit union clients developed their own Community-based plugin for a new rewards program.

Looking forward, we are evaluating platform modernization approaches, to help position our members and clients with next generation technology and product capabilities necessary to offer a competitive, comprehensive and flexible digital banking solution.

Payments

The API (Application Programming Interface) Readiness project has completed the proof-of-concept phase, which will pave the way for improvements for how we can better support client banking host integrations. This will become important to help our clients capitalize on payments modernization at a more rapid pace.

This quarter, we supported the second release of Lynx (Lynx R2), a major milestone on the Payments Modernization journey that will introduce data-rich wire payments, leveraging the ISO 20022 MX payments messaging format. Next on the roadmap is *Interac* e-Transfer®³ for Business send and Enterprise Fraud Management (EFM) for wires in the second quarter of 2023.

Safety & Soundness

We are improving reliability through ongoing bug fixes, rigorous controls, enhanced issues management and ongoing testing and tracking well towards our target of reducing down time by 25.0 per cent.

With cyber top-of-mind, we also continue to improve our defences with enhancements to authentication and vulnerability detection.

We are also improving fraud management across all payment types, starting with e-Transfers, and we are working with the fraud and financial crime enterprise, Featurespace, to develop a behavioural based fraud detection model for our clients.

³*Interac* e-Transfer® is a registered trade-mark of Interac Corp. used under license.

Management's Discussion & Analysis

March 31, 2023

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In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated May 26, 2023. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the period ended March 31, 2023, which were authorized for issue by the Board of Directors (the Board) on May 26, 2023. 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 1 of the Interim Consolidated Financial Statements. Additional information may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

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 other than statements of historical facts are or 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 and non-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, the impacts of external events such as international conflicts, protests, natural disasters or pandemics. The forward-looking information provided herein is presented for the purpose of assisting readers in understanding our financial position and results of operations as at and for the periods ended on the dates presented. Forward-looking statements are typically identified by words such as “believe”, “expect”, “anticipate”, “estimate”, “plan”, “will”, “may”, “should”, “could”, or “would” and similar expressions.

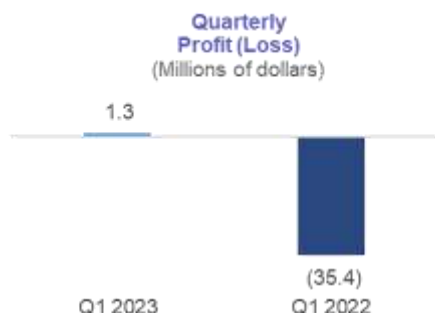
Forward-looking statements, by their nature, require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct, and that financial objectives, vision and strategic goals will not be achieved. The future outcomes that related to the forward-looking statements may be influenced by many factors and assumptions, including but not limited to: assumptions regarding general economic and market conditions; changes in government monetary, fiscal or economic policies; changes in currency and interest rates; the Canadian housing market; legislative and regulatory developments, including tax legislation and interpretation; failure of third parties to comply with their obligations to us; our ability to execute our strategic plans; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; changes in competition; modifications to credit ratings; information technology and cyber security; developments in the technological environment and including assumptions set out under Economic Developments and Outlook below and elsewhere in this MD&A. Central 1 cautions readers to not place undue reliance on these statements as a number of risk factors could cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors – many of which are beyond our control and the effects of which can be difficult to predict – include business and operations, compliance, credit and counterparty, insurance, liquidity, market, operational, privacy, and related party risks and risks and uncertainty from ongoing geopolitical tensions and the impact of natural disasters and pandemics.

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.

Financial Results

Overall Performance

Q1 2023 vs Q1 2022



\$ millions, except as indicated	Q1 2023		Q1 2022		Change
Interest margin	\$	11.9	\$	15.4	\$ (3.5)
Gain (loss) on disposal of financial instruments		11.0		(11.9)	22.9
Change in fair value of financial instruments		(17.2)		(53.2)	36.0
Impairment recovery on financial assets		0.7		0.4	0.3
Net financial income (expense)		6.4		(49.3)	55.7
Non-financial income, excluding strategic initiatives ²		41.4		38.3	3.1
Net financial and non-financial income ¹		47.8		(11.0)	58.8
Non-financial expense, excluding strategic initiatives ²		40.6		37.1	3.5
		7.2		(48.1)	55.3
Strategic initiatives ²		10.9		8.3	2.6
Income tax recovery		(5.0)		(21.0)	16.0
Profit (loss) after tax	\$	1.3	\$	(35.4)	\$ 36.7
Return on average assets ³		0.0%		(0.3%)	
Return on average equity ³		0.2%		(4.7%)	
Average assets ²	\$	11,053.1	\$	13,416.7	\$ (2,363.6)
Average equity ²	\$	704.2	\$	756.0	\$ (51.8)
Weighted average shares outstanding (# of shares in millions)		43.4		43.4	-

¹Includes interest expense on financial instruments. Excluding interest expense, total revenue for Q1 2023 was \$93.6 million (Q1 2022: (\$29.4) million).

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

³These are non-GAAP financial ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Central 1's profit after tax for the first quarter of 2023 was \$1.3 million, compared to a loss of \$35.4 million reported in the same quarter last year. The stronger performance in the current quarter was largely driven by higher net financial income.

2022 started the year with significant fair value losses as a result of the economic uncertainty from rising inflation and the Russia – Ukraine conflict which increased market yields across all tenors. Around the same time, the Bank of Canada (BoC) also started its rapid increases in overnight rates to combat inflation. The combined impact of these movements significantly reduced the fair value of Central 1's financial instruments in 2022 with the first quarter of 2022 reporting

\$53.2 million unrealized loss. The first quarter of 2023 continued this trend with inverted yield curves and widened credit spreads which further reduced the fair value of these instruments by \$17.2 million. However, compared to the same quarter last year, this loss was \$36.0 million smaller as the global economy is proving to be more resilient to higher inflation and interest rates than previously expected. Offsetting this was a \$3.5 million lower interest margin within the investment portfolio primarily driven by higher funding costs.

Non-financial income, excluding strategic initiatives, was \$41.4 million, up \$3.1 million compared to the first quarter of 2022, primarily driven by higher transaction volumes in Payments products. In addition, Central 1 received a \$0.8 million PST rebate from the B.C. government in the first quarter as a result of its temporary COVID-19 economic recovery plan by granting a PST rebate on qualifying machinery and equipment for eligible businesses. Partially offsetting these increases was the final liquidation distribution of \$0.5 million (US\$0.4 million) from the U.S. Central Federal Credit Union (U.S. Central) received in the quarter. This was \$1.7 million lower than the amount received in the same quarter last year.

Non-financial expense, excluding strategic initiatives, was up \$3.5 million from the first quarter of 2022 driven by increased professional fees and higher salaries and benefits. Investments in strategic initiatives continued in the first quarter of 2023, with an increase of \$2.6 million compared to the same period last year in spending on Payments Modernization and digital banking initiatives, consistent with Central 1's strategic priorities. Certain expenditures in strategic initiatives qualify for Canada's Scientific Research and Experimental Development (SR&ED) tax incentive credits, which contributed to a tax recovery in the first quarter.

Selected Financial Information

	Mar 31 2023	Dec 31 2022	As at Mar 31 2022
Balance Sheet (millions of dollars)			
Total assets	\$ 11,831.3	\$ 11,881.3	\$ 12,811.0
Regulatory Ratios			
Total capital ratio ¹	17.2%	17.8%	19.2%
Tier 1 capital ratio ¹	12.0%	12.4%	13.9%
Borrowing multiple ¹	13.9:1	14.7:1	14.6:1

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

	Mar 31 2023	Dec 31 2022	As at Mar 31 2022
Share Information ² (thousands of dollars, unless otherwise indicated)			
Outstanding shares (\$) - \$1 par value			
Class A - credit unions	\$ 43,364	\$ 43,364	\$ 43,359
Class B - cooperatives	\$ 11	\$ 11	\$ 11
Class C - other	\$ 7	\$ 7	\$ 7
Outstanding number of shares (thousands of shares)			
Class A - credit unions	43,364	43,364	43,359
Class B - cooperatives	11	11	11
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)

²Share information is presented as of the date of this MD&A. There has been no change from the period ending dates presented to this date.

The decrease in total borrowings over the last year resulted in a lower borrowing multiple from March 31, 2022. However, the capital ratios declined from a year ago, largely due to a decrease in retained earnings and an increase in required deductions against capital. Central 1 was in compliance with all regulatory capital requirements as at March 31, 2023, December 31, 2022 and March 31, 2022.

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 Income, excluding Strategic Initiatives

Non-financial income, excluding strategic initiatives presented in the overall performance section of this MD&A is derived by excluding Central 1's income from investments in strategic initiatives. Excluding income from strategic initiatives allows readers to better understand Central 1's recurring financial performance and related trends.

\$ millions	Q1 2023		Q1 2022		Change
Non-financial income as reported	\$	41.7	\$	38.3	\$ 3.4
Less: strategic initiatives income		0.3		-	0.3
Non-financial income, excluding strategic initiatives	\$	41.4	\$	38.3	\$ 3.1

Non-Financial Expense, excluding Strategic Initiatives

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	Q1 2023		Q1 2022		Change
Non-financial expense as reported	\$	51.8	\$	45.4	\$ 6.4
Less: strategic initiatives spend		11.2		8.3	2.9
Non-financial expense, excluding strategic initiatives	\$	40.6	\$	37.1	\$ 3.5

Average Assets and Average Equity

Average assets and average equity are non-GAAP financial measures, calculated from daily average 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, except as indicated	Q1 2023		Q1 2022		Change
Reported profit (loss)	\$	1.3	\$	(35.4)	\$ 36.7
Total assets as reported, as at March 31	\$	11,831.3	\$	12,811.0	\$ (979.7)
Impact of averaging daily balances		(778.2)		605.7	(1,383.9)
Average assets, as at March 31	\$	11,053.1	\$	13,416.7	\$ (2,363.6)
Return on average assets		0.0%		(0.3%)	
Total equity as reported, as at March 31	\$	700.6	\$	735.8	\$ (35.2)
Impact of averaging daily balances		3.6		20.2	(16.6)
Average equity, as at March 31	\$	704.2	\$	756.0	\$ (51.8)
Return on average equity		0.2%		(4.7%)	

Liquid Assets

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, as at	Mar 31 2023		Dec 31 2022		Mar 31 2022
Federal and provincial government issued and guaranteed securities	\$	4,377.9	\$	4,578.2	\$ 5,054.3
Corporate and financial institutions securities		3,421.9		3,333.9	3,726.0
Asset backed securities		216.1		205.4	300.1
Insured mortgages		34.3		35.7	58.8
Total liquid assets	\$	8,050.2	\$	8,153.2	\$ 9,139.2
Add: equity instruments		40.2		40.3	60.4
Securities as reported	\$	8,090.4	\$	8,193.5	\$ 9,199.6

Tier 1 Capital

Tier 1 capital is used to calculate the Tier 1 capital ratio which is used to monitor if Central 1's capital position is 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 this MD&A.

Tier 2 Capital

Tier 2 capital is used to calculate the Tier 2 capital ratio which is used to monitor if Central 1's capital position is 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 this MD&A.

Total Regulatory Capital

Total regulatory capital is used to calculate the total capital ratio which is used to monitor Central 1's capital position is 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 this MD&A.

Total Borrowings

Total borrowings is used to calculate borrowing multiples. Central 1 is required by BCFSa 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 Canada Mortgage Bond (CMB) Program, securities under the repurchase agreements, derivative liabilities and settlement-in-transit liabilities, minus any regulatory adjustments. In addition, the subsidiaries deposits held by Central 1 which are eliminated through consolidation are also included in total borrowings.

\$ millions, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Total liabilities as reported	\$ 11,130.8	\$ 11,190.3	\$ 12,075.1
Less: other liabilities as reported	(146.3)	(162.8)	(93.5)
Less: subordinated liabilities	(200.5)	(198.9)	(210.2)
Less: settlements in-transit excluded from total borrowings	(556.9)	(33.8)	(70.7)
Add: subsidiary deposits	0.3	0.2	7.8
Total borrowings	\$ 10,227.4	\$ 10,795.0	\$ 11,708.5

Non-GAAP Financial Ratios

Return on Average Assets and Return on Average Equity

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.

Total Capital Ratio

Total capital ratio is used to monitor if Central 1's capital position is within the regulatory limits and is calculated by dividing total regulatory capital by the risk weighted assets.

Tier 1 Capital Ratio

Tier 1 capital ratio is used to monitor if Central 1's capital position is within the regulatory limits and is calculated by dividing the Tier 1 capital by the risk weighted assets.

Borrowing Multiple

Borrowing multiple is used to monitor if Central 1's capital position is 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.

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)

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.

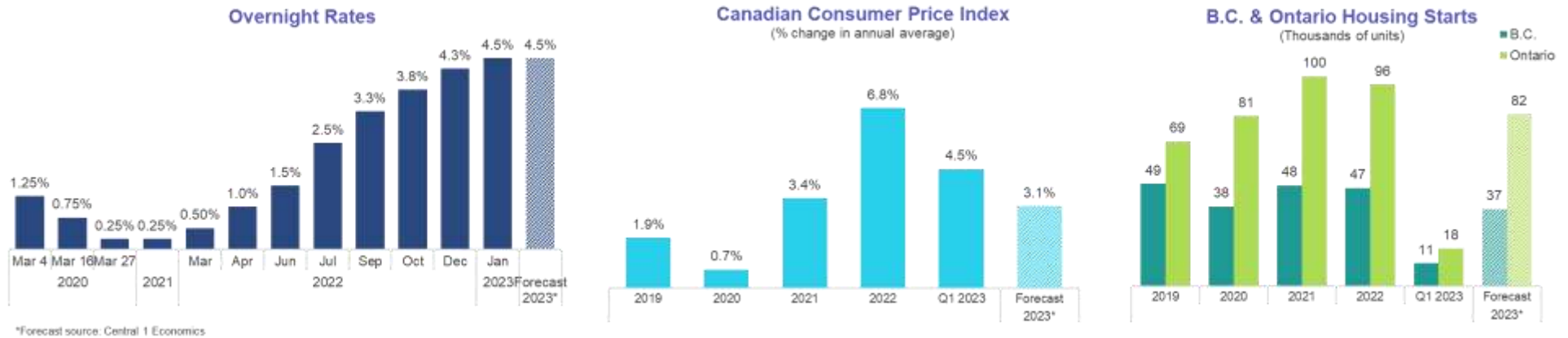
Liquidity Coverage Ratio (LCR)

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 Office of the Superintendent of Financial Institutions (OSFI) regulatory requirements, divided by the net cash outflows over the next 30 days.

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



Growth in the Canadian economy likely rebounded in the first quarter of 2023 after stalling in the fourth quarter. Central 1 Economics pegs first quarter GDP growth near 2.5 per cent on an annualized basis. Inflation remains stubbornly high but has fallen from its peaks. Moreover, short-term inflation trends in Canada are constructive having eased on a three-month basis to near the target-range. However, excess demand in the economy as well as a tight labour market continue to put upward pressure on the price of goods and services. Consumer spending is anticipated to slow by the second half of 2023 as debt service cost rise resulting in more share of the income spend on paying interest as well as higher financing cost slowing demand for large purchases that require financing. Also, lower consumer confidence and reduced wealth will likely cause consumers to hold back on increasing their spending. With weaker consumer spending, business investment is expected to slow considerably in the second half of 2023 because of the higher financing cost. As a result, business outlook, as measured by the Bank of Canada (BoC) business outlook survey, has fallen again in the first quarter. Housing activity was relatively weak but appears to be stabilizing and expectations are demand will pick up as the increase in the population from immigration. The growth in the population should also help with the labour supply and the tightened monetary policy should also help moderate labour demand. However, vacancy rates remain high, and unemployment is still close to record lows causing employment levels to be above what is sustainable in the long run. As of the end of March 2023, the unemployment rate was at 5.0 per cent, only marginally higher than the record low of 4.9 per cent, although it is expected to increase later this year because of weakening demand and labour supply. Central 1 Economics' current forecast for the next quarter are for GDP to contract by 0.2 per cent while the unemployment rate is expected to rise by 0.2 per cent to 5.2 per cent.

The U.S economy is expected to have grown in the first quarter of 2023, despite the expectations of stagnant growth for year. Signs are showing that economic activity have increase slightly when compared to the previous quarter, with consumer spending holding steady. However, because inflation is still relatively high, consumers continue to reduce their discretionary spending to purchase essentials. Supply chain issues that have hampered the economy since the pandemic continue to ease, especially in the automotive sector where inventory levels are continuing to improve despite sales remaining relatively stable. Travel and tourism activity remain strong throughout the country and manufacturing activity has stabilized after slowing slightly in the previous quarter. The housing activity has picked

up a little and may have bottom out with existing home sales and home prices climbing in February and January and mortgage rates dipping in the March. Labour markets remain solid as employment levels continued to increase at modest paces over the quarter and the unemployment rate was ended off the first quarter at 3.5 per cent. This measure has changed little since March 2022. Wage growth also continues to slow down but remain elevated when compared to pre-pandemic levels. Forecast for GDP growth in the second quarter of 2023 are positive, with a consensus estimate of around 2.9 per cent on an annualized basis. However, a slowdown is still expected in the second half of the year and as a result, the latest estimates from the International Monetary Fund have U.S GDP growing at 1.6 per cent for the year.

Financial Markets

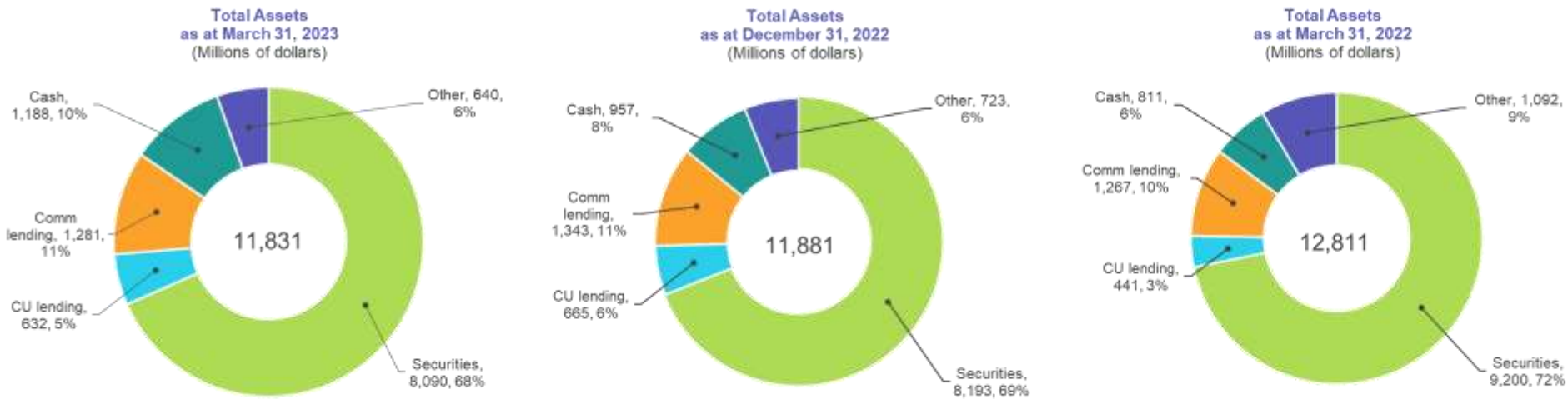
Financial markets have seen volatility elevate recently. Bond yields have decreased from the end of last year despite the BoC and Federal Reserve tightening their monetary policy as market participants are pricing in that rates would not stay at this level for long due to the slowing growth of inflation, stress in the banking sector, and slowing economy. The yield curve though remains inverted. Credit risk spreads have widened and funding costs in the banking sector has increased as the recent failing of regional U.S. Banks and near collapse of Credit Suisse, which resulted in it being taken over by UBS Group AG, rattled markets. However, with regulators acting swiftly, the risk of financial contagion has declined, allowing markets to stabilize and indicators of financial conditions to improve. Oil price have also fallen sharply during this time but have since recovered while natural gas prices have fallen because of milder than expected winter. The price of non-energy commodities is also modestly lower, as measured by the BoC's non-energy commodities price index. Broad equity indexes are up slightly from the beginning of the year but have been dragged down lower by the banking sector. That said, uncertainty in the economic and financial markets outlook is high given persistence of inflation and home prices firming, which could mean further rate hikes or a prolonged period of elevated policy rates.

Industry Regulation

There were no material industry or regulation developments impacting Central 1 in the first quarter of 2023.

Consolidated Statement of Financial Position

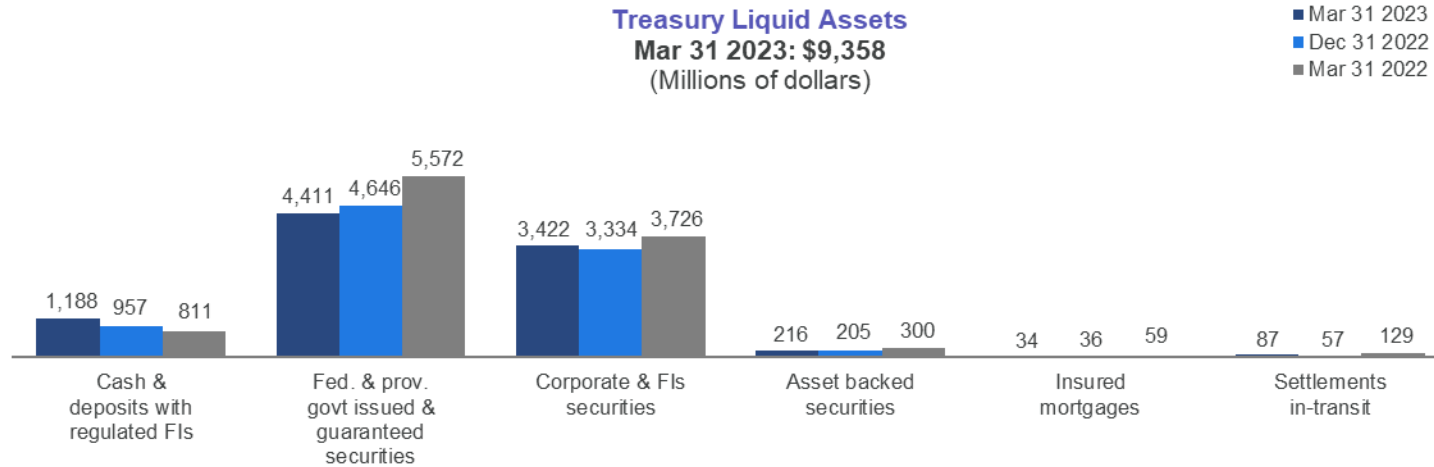
Total Assets



The change in total assets correlates to the change in the size of our funding portfolios. Total assets as at March 31, 2023 decreased by \$980.0 million from March 31, 2022 when credit union members withdrew their liquidity deposits to fund loan growth throughout 2022.

Total assets as at March 31, 2023 decreased by \$50.0 million from December 31, 2022. The \$1.0 billion decrease in using repurchase agreements to fund daily liquidity requirements was partially offset by a \$376.4 million increase in deposit balance and a \$300.0 million medium term notes (MTN) issuance in the first quarter.

Cash and Liquid Assets



\$ millions, as at March 31, 2023	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets ¹
Cash	\$ 1,187.9	\$ -	\$ 1,187.9	\$ -	\$ 1,187.9
Federal and provincial government issued and guaranteed securities	4,377.9	33.4	4,411.3	2,058.7	2,352.6
Corporate and financial institutions securities	3,421.9	-	3,421.9	36.8	3,385.1
Asset backed securities	216.1	-	216.1	-	216.1
Insured mortgages	34.3	-	34.3	-	34.3
Settlements in-transit	86.7	-	86.7	-	86.7
Total	\$ 9,324.8	\$ 33.4	\$ 9,358.2	\$ 2,095.5	\$ 7,262.7

¹Unencumbered 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.

\$ millions, as at December 31, 2022	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets ¹
Cash	\$ 957.2	\$ -	\$ 957.2	\$ -	\$ 957.2
Federal and provincial government issued and guaranteed securities	4,578.2	68.2	4,646.4	2,998.4	1,648.0
Corporate and financial institutions securities	3,333.9	-	3,333.9	61.4	3,272.5
Asset backed securities	205.4	-	205.4	-	205.4
Insured mortgages	35.7	-	35.7	-	35.7
Settlements in-transit	57.3	-	57.3	-	57.3
Total	\$ 9,167.7	\$ 68.2	\$ 9,235.9	\$ 3,059.8	\$ 6,176.1

¹Unencumbered 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.

\$ millions, as at March 31, 2022	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets ¹
Cash and deposits with regulated financial institutions	\$ 810.6	\$ -	\$ 810.6	\$ -	\$ 810.6
Federal and provincial government issued and guaranteed securities	5,054.3	517.3	5,571.6	2,818.4	2,753.2
Corporate and financial institutions securities	3,726.0	-	3,726.0	111.7	3,614.3
Asset backed securities	300.1	-	300.1	3.0	297.1
Insured mortgages	58.8	-	58.8	-	58.8
Settlements in-transit	129.4	-	129.4	-	129.4
Total	\$ 10,079.2	\$ 517.3	\$ 10,596.5	\$ 2,933.1	\$ 7,663.4

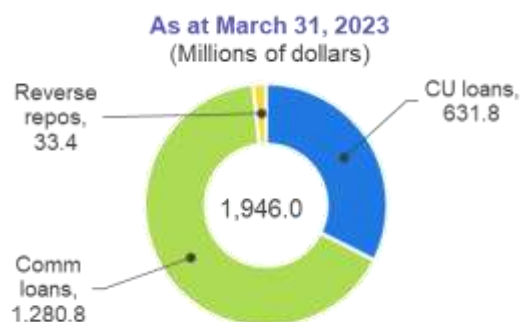
¹Unencumbered assets include high quality liquid assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets our liquidity and funding requirements.

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.

With the mortgage markets slowing down due to higher interest rates, credit unions started holding more deposits with Central 1 since December 31, 2022. This contributed to an increase of \$122.3 million in Treasury's cash and liquid assets from December 31, 2022.

Compared to a year ago, cash and liquid assets as at March 31, 2023 decreased \$1.2 billion, primarily driven by the impact from credit union members withdrawing their liquidity deposits held with Central 1 to fund their loan growth. Unencumbered assets increased \$1.1 billion from December 31, 2022 but decreased \$0.4 billion from March 31, 2022, driven by the volume of repurchase agreements to fund daily liquidity requirements.

Loans



\$ millions, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Loans to credit unions	\$ 631.8	\$ 664.6	\$ 440.8
Commercial loans	1,280.8	1,342.6	1,267.0
Other loans	-	-	0.2
	1,280.8	1,342.6	1,267.2
Reverse repurchase agreements	33.4	68.2	517.3
	\$ 1,946.0	\$ 2,075.4	\$ 2,225.3

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

As at March 31, 2023, loans to credit unions were \$32.8 million lower than December 31, 2022. The slowdown in the mortgage markets, as a result of higher interest rates in the first quarter of 2023, allowed credit unions to build up liquidity again since the pandemic thus limited the loan growth. Loans to credit unions increased \$191.0 million from March 31, 2022 when credit union members started the withdrawal of their liquidity built during pandemic to fund loan growth.

Commercial loans as at March 31, 2023 decreased by \$61.8 million from December 31, 2022 and increased by \$13.8 million from March 31, 2022 reflecting a slower pipeline for new business in the first quarter of 2023.

Reverse repurchase agreements remained relatively stable since December 31, 2022 but decreased by \$483.9 million since March 31, 2022.

Funding



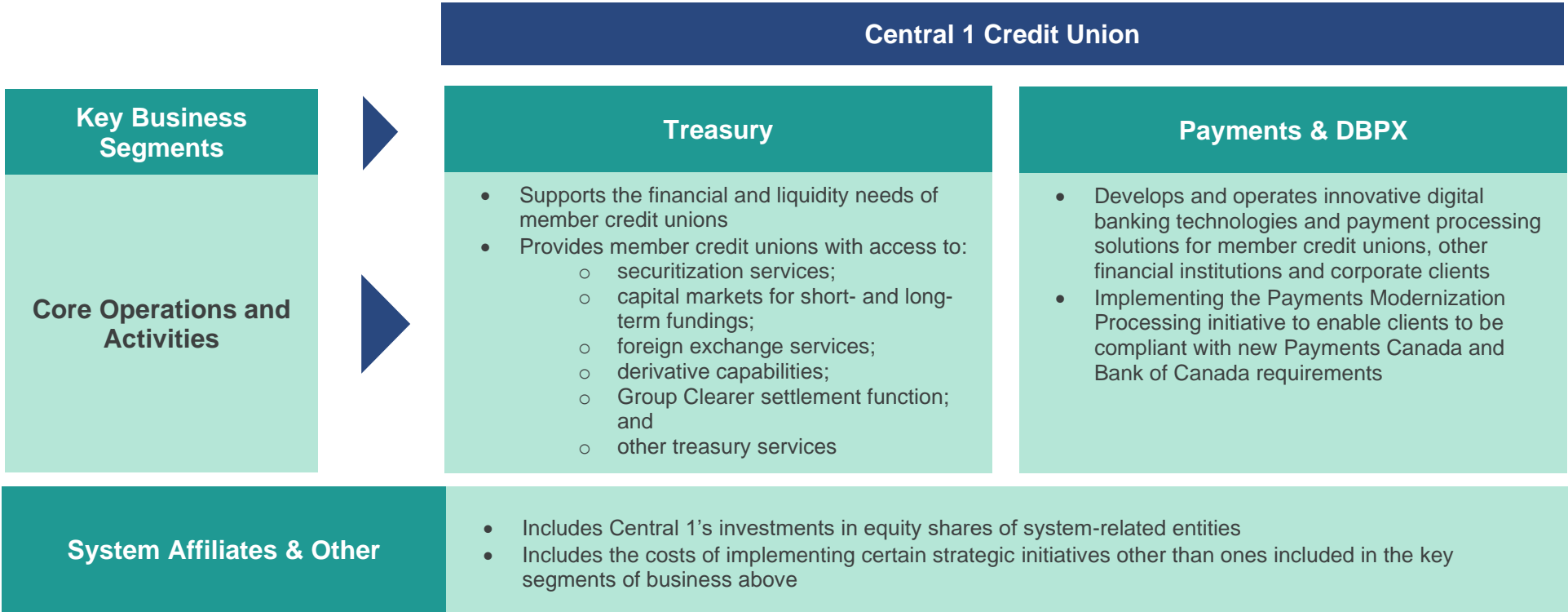
\$ millions, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Deposits			
Deposits from Class A members	\$ 4,292.1	\$ 4,146.8	\$ 5,002.9
Deposits from non-Class A members	1,404.0	1,172.8	1,186.9
	5,696.1	5,319.6	6,189.8
Debt Issuance			
Commercial paper	890.0	979.5	845.6
Medium-term notes	1,323.0	1,018.1	1,185.6
Subordinated liabilities	200.5	198.9	210.2
	2,413.5	2,196.5	2,241.4
Obligations under the CMB Program	1,036.7	992.1	1,052.2
Securities under repurchase agreements	932.8	1,909.7	1,698.0
	\$ 10,079.1	\$ 10,417.9	\$ 11,181.4

Central 1 is largely funded through liquidity deposits generated from member credit unions. Compared to December 31, 2022, total deposits were up by \$376.5 million, reflective of the slowdown in lending markets due to higher interest rates which allowed credit unions to build up liquidity. During the first quarter of 2023, Central 1 maintained good access to external markets and diversified sources of funding, which includes MTN, commercial paper, subordinated liabilities, and repurchase agreements. Total debt issuance increased \$217.0 million from December 31, 2022, driven by the new issuance of \$300.0 million MTN on February 7, 2023.

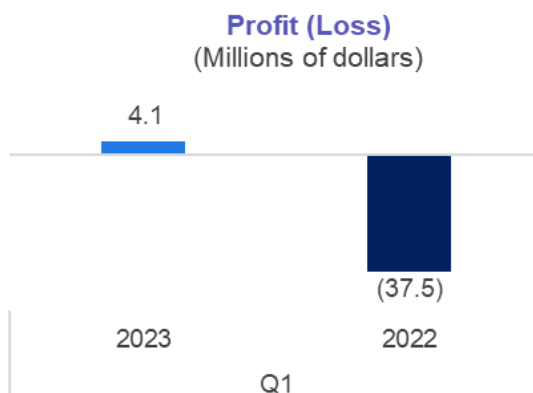
Results by Segment

Central 1’s operations and activities are reported around two key business segments: Treasury, and Payments & Digital Banking Platforms and Experiences (DBPX). 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 align our organizational structure more closely with Central 1’s strategic priorities. Results for prior periods are restated accordingly to conform to the current period presentation.



Treasury



\$ millions	Q1 2023	Q1 2022	Change
Interest margin	\$ 12.2	\$ 15.4	\$ (3.2)
Gain (loss) on disposal of financial instruments	11.0	(11.9)	22.9
Change in fair value of financial instruments	(17.2)	(53.2)	36.0
Impairment recovery on financial assets	0.7	0.4	0.3
Net financial income (expense)	6.7	(49.3)	56.0
Non-financial income	9.0	8.2	0.8
Net financial and non-financial income (expense)	15.7	(41.1)	56.8
Non-financial expense, excl. strategic initiatives ¹	9.8	10.1	(0.3)
	5.9	(51.2)	57.1
Strategic initiatives ¹	0.4	-	0.4
Profit (loss) before income taxes	5.5	(51.2)	56.7
Income tax expense (recovery)	1.4	(13.7)	15.1
Profit (loss)	\$ 4.1	\$ (37.5)	\$ 41.6

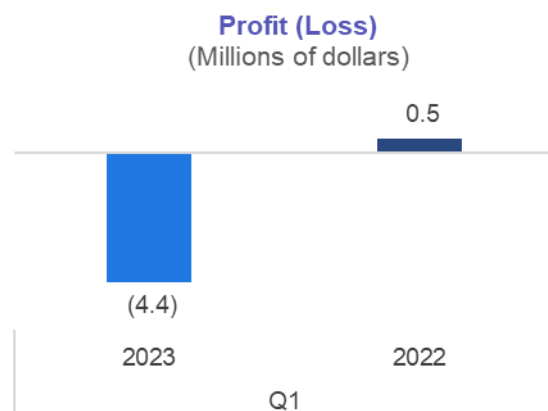
¹These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Q1 2023 vs Q1 2022

For the first quarter of 2023, Treasury reported a profit of \$4.1 million, up \$41.6 million from the same quarter last year. The Treasury securities portfolio experienced unrealized losses in the first quarter of 2022 as credit spreads increased as a result of the geopolitical conflict between Russia and Ukraine compounded by the inflationary concerns. In the first quarter of 2023 the portfolio continues to experience elevated credit spreads across some asset classes, which resulted in Treasury recognizing a significantly smaller fair value loss than the same quarter last year. Treasury saw a \$3.2 million decrease in interest margin in the first quarter, driven by higher funding costs.

Investments in Treasury initiatives started in the first quarter with \$0.4 million incurred, consistent with Central 1's strategic priorities. Compared to the same quarter last year, non-financial income was up by \$0.8 million and non-financial expense, excluding strategic initiatives, was down by \$0.3 million, collectively contributing to the profit in the first quarter.

Payments & DBPX



\$ millions	Q1 2023	Q1 2022	Change
Net financial expense	\$ (0.2)	\$ -	(0.2)
Non-financial income, excl. strategic initiatives ¹	27.9	25.4	2.5
Net financial expense and non-financial income	27.7	25.4	2.3
Non-financial expense, excl. strategic initiatives ¹	30.4	26.0	4.4
	(2.7)	(0.6)	(2.1)
Strategic initiatives ¹	7.6	6.7	0.9
Loss before income taxes	(10.3)	(7.3)	(3.0)
Income tax recovery	(5.9)	(7.8)	1.9
Profit (loss)	\$ (4.4)	\$ 0.5	(4.9)

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

Q1 2023 vs Q1 2022

Payments & DBPX reported a loss of \$4.4 million in the first quarter of 2023, compared to a profit of \$0.5 million reported in the same quarter last year, primarily driven by higher salaries, and professional fees, leading to a \$4.4 million increase in non-financial expense, excluding strategic initiatives in the quarter. Investments in strategic initiatives, which included the Payments Modernization and digital banking initiatives, were consistent with Central 1's strategic priorities and increased by \$0.9 million compared to the same quarter last year. Offsetting this was a \$2.5 million increase in non-financial income, excluding strategic initiatives, supported by higher transaction volumes in Payments products.

Certain expenditures in strategic initiatives qualify for Canada's SR&ED tax incentive credits, which contributed to the tax recovery for both periods.

System Affiliates & Other



\$ millions	Q1 2023	Q1 2022	Change
Net financial and non-financial income	\$ 4.4	\$ 4.7	\$ (0.3)
Non-financial expense, excl. strategic initiatives ¹	0.4	1.0	(0.6)
	4.0	3.7	0.3
Strategic initiatives ¹	2.9	1.6	1.3
Profit before income taxes	1.1	2.1	(1.0)
Income tax expense (recovery)	(0.5)	0.5	(1.0)
Profit	\$ 1.6	\$ 1.6	\$ -

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

Q1 2023 vs Q1 2022

In the first quarter of 2023, System Affiliates & Other reported a profit of \$1.6 million, in line with the same quarter last year.

Non-financial income was \$0.3 million lower year-over-year. During the quarter, Central 1 received the final liquidation distribution of \$0.5 million (US\$0.4 million) from U.S. Central, which was \$1.7 million lower than the amount received in the first quarter of 2022. Offsetting this amount was a \$0.8 million PST rebate from the B.C. government as a result of its temporary COVID-19 economic recovery plan by granting a PST rebate on qualifying machinery and equipment for eligible businesses and \$0.3 million increase in loyalty dividends received from one of Central 1's affiliates.

Consistent with Central 1's strategic priorities, investments in strategic initiatives continued into the first quarter of 2023, reflective of a \$1.3 million higher spend than the same quarter last year. Non-financial expense, excluding strategic initiatives, was relatively stable year-over-year.

Summary of Quarterly Results



\$ thousands, except as indicated	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Interest income	\$ 99,194	\$ 89,899	\$ 73,648	\$ 48,412	\$ 35,270	\$ 31,637	\$ 30,836	\$ 30,856
Interest expense	87,264	76,626	58,372	33,335	19,893	20,054	18,994	19,032
Interest margin	11,930	13,273	15,276	15,077	15,377	11,583	11,842	11,824
Gain (loss) on disposal of financial instruments	10,985	36,185	2,018	(3,417)	(11,891)	(3,111)	6,336	15,717
Change in fair value of financial instruments	(17,247)	(50,185)	(9,113)	(36,522)	(53,204)	9,698	1,318	(17,775)
Impairment recovery (loss) on financial assets	(6,262)	(14,000)	(7,095)	(39,939)	(65,095)	6,587	7,654	(2,058)
Net financial income (expense)	701	13	(394)	(413)	433	(461)	3	557
Non-financial income ¹	6,369	(714)	7,787	(25,275)	(49,285)	17,709	19,499	10,323
Net financial and non-financial income (expense)	41,669	36,263	39,747	35,733	38,265	36,518	40,413	39,983
Non-financial expense ¹	48,038	35,549	47,534	10,458	(11,020)	54,227	59,912	50,306
Profit (loss) before income taxes	51,779	53,871	45,944	50,509	45,338	45,844	43,133	44,084
Income tax expense (recovery)	(3,741)	(18,322)	1,590	(40,051)	(56,358)	8,383	16,779	6,222
Profit (loss)	(5,022)	(9,061)	335	(13,823)	(20,982)	4,007	3,908	2,737
Weighted average shares outstanding (millions)	\$ 1,281	\$ (9,261)	\$ 1,255	\$ (26,228)	\$ (35,376)	\$ 4,376	\$ 12,871	\$ 3,485
Earnings (loss) per share (cents) ²	43.4	43.4	43.4	43.4	43.4	43.4	43.4	43.4
Basic/Diluted	3.0	(21.4)	3.0	(60.4)	(81.6)	10.1	29.7	8.1

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

²Earnings 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 the Central 1's Board of Directors.

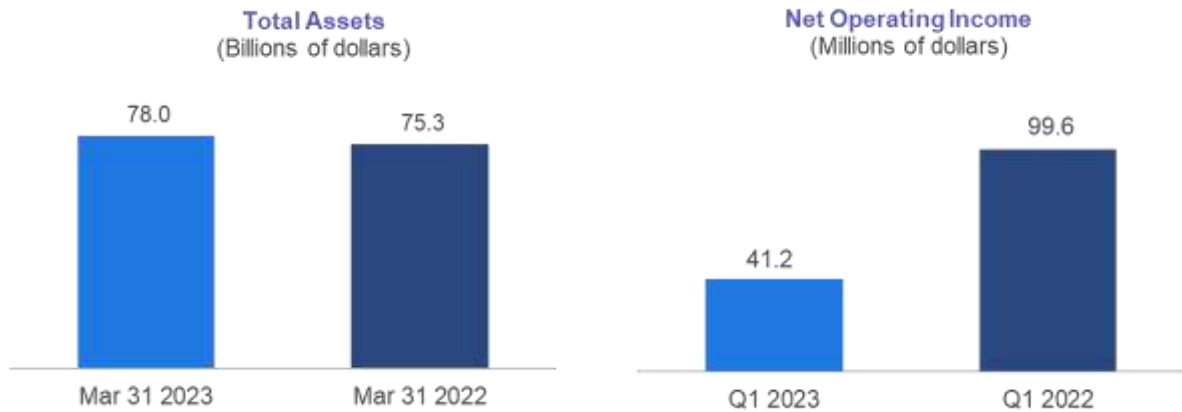
The analysis of the past eight quarters reflects the sustained performance of all the business segments and helps readers identify the items that have favorably or unfavorably affected results. The upward trend of interest margin seen during the first three quarters of 2022 started to taper off in the fourth quarter with a bigger drop in the first quarter of 2023 due to higher funding costs as a result of the repricing of financial liabilities in the rising interest rate environment.

The last three quarters in 2021 reflected stabilized financial markets and positive economic outlook, leading to net realized gains recognized in those quarters. The first quarter of 2022 started the year with significant fair value losses as a result of the economic uncertainty from rising inflation and the Russia – Ukraine conflict which increased credit spreads across all tenors. The BoC also started its rapid increases in overnight rates to combat inflation in the same quarter. These movements significantly reduced the fair value of Central 1's financial instruments. The remainder of 2022 continued this trend until the first quarter in 2023 when a smaller fair value loss was reported. The global economy is proving to be more robust than previously anticipated despite the inverted yield curves and continued credit spreads widening, though less volatile.

Since the third quarter of 2021, Central 1 received U.S. Central liquidation distributions totaling \$10.2 million (US \$8.0 million) of which \$5.5 million (US \$4.4 million) was received in 2021 and \$4.2 million (US \$3.2 million) was received in 2022 and the final distribution of \$0.5 million (US \$0.4 million) was received in the first quarter of 2023. In addition, Central 1 received a \$0.8 million PST rebate from the B.C. government in the first quarter of 2023 as a result of its temporary COVID-19 economic recovery plan by granting a PST rebate on qualifying machinery and equipment for eligible businesses. Excluding these one-time income, non-financial income remained relatively stable quarter-over-quarter with the transaction volumes in Payments products in the first quarter of 2023 trending upwards. Non-financial expense also saw an upward trend over the past few quarters in 2022 and into the first quarter of 2023 driven by higher salaries and professional fees.

System Performance

British Columbia



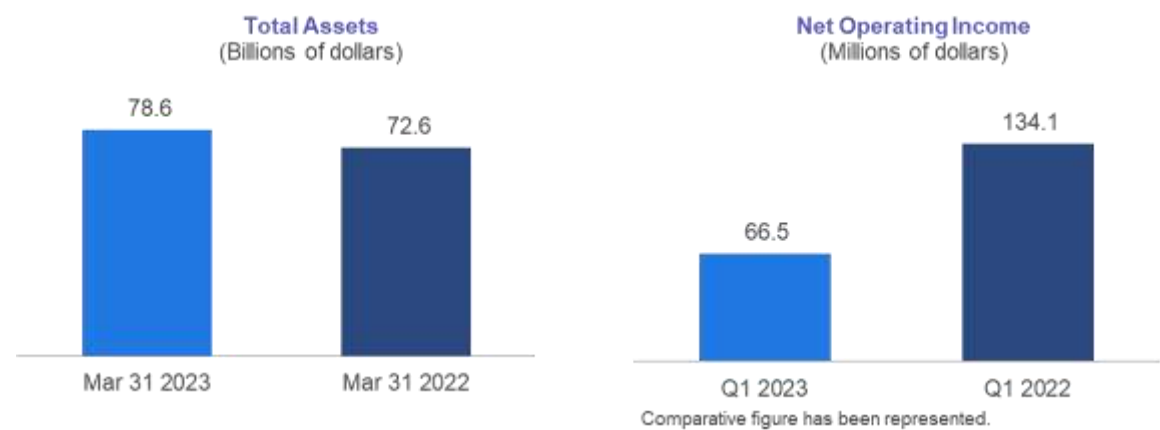
The B.C. system’s net operating income for the first quarter of 2023 was \$41.2 million, down \$58.4 million or 58.7 per cent from the same period in 2022. Net interest income decreased \$42.8 million or 12.0 per cent over the same period last year as lending spreads decreased. Non-interest income increased by \$12.6 million or 22.8 per cent year-over-year due to higher income from the trading of financial instruments. Non-interest expenses increased by \$28.1 million or 9.0 per cent year-over-year due to higher salaries and benefits and other non-interest expenses.

Total assets increased \$2.7 billion or 3.7 per cent year-over-year to reach \$78.0 billion at the end of the first quarter. Asset growth was led by higher residential and commercial mortgages, which are up 5.5 per cent and 4.2 per cent, respectively. Total liabilities increased 2.6 billion led by a 20.7 per cent increase in non-registered term deposits, but balanced out by a 12.7 per cent decrease in non-registered demand deposits.

The system’s rate of loan delinquencies over 90 days was 0.12 per cent of total loans at the end of March 2023, down three basis points (bps) from a year ago. The B.C. system’s loan loss expense ratio in the first quarter of 2023 was 0.03 per cent, up one bps from a year ago.

The B.C. system had \$37.4 billion in risk weighted assets (RWA) and regulatory capital as a percentage of RWA was 14.7 per cent at the end of March 2023, down 29 bps from a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 15.7 per cent of deposit and debt liabilities, down 125 bps from a year ago. The B.C. system’s return on assets was 0.21 per cent annualized in the first quarter, down 33 bps from a year ago.

Ontario



The Ontario system’s net operating income for the first quarter of 2023 was \$66.5 million, down \$67.6 million from a year earlier. Net interest income decreased \$51.1 million or 14.1 per cent over the same period last year to \$311.0 million on a lower gross spread. Non-interest income increased \$12.2 million year-over-year or 19.4 per cent on higher securitization, rent, and other income. Non-interest expense increased \$28.8 million or 9.9 per cent year-over-year led by higher salaries and benefits.

Total assets increased 8.3 per cent year-over-year to reach \$78.6 billion as of March 31, 2023, led by a \$5.4 billion increase in residential mortgages. Total liabilities increased 8.0 per cent year-over-year to reach \$73.1 billion, led by growth in term deposits, which were up 29.2 per cent or \$5.7 billion. On the other hand, demand deposits declined by 10.9 per cent or \$3.0 billion.

The rate of loan delinquencies over 90 days was 0.15 per cent of total loans at the end of March 31, 2023, down four bps year-over-year. Provision for credit losses as a percentage of loans was 0.24 per cent, down four bps from a year earlier. The Ontario system’s loan loss expense ratio was 0.03 per cent annualized in the first quarter of 2023, up three bps from the same period last year.

The Ontario system’s RWA was \$37.2 billion and regulatory capital as a percentage of RWA was 13.7 per cent at the end of March 31, 2023, down six bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 13.4 per cent of deposit and debt liabilities, down 218 bps from a year ago. The Ontario system’s return on assets was 0.35 per cent annualized in the first quarter, down 41 bps 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

Notional Amount		Mar 31		Dec 31		Mar 31	
\$ millions, as at		2023		2022		2022	
Interest rate contracts							
Swap contracts	\$	33,009.3	\$	31,844.0	\$	34,017.0	
Futures contracts		703.0		604.0		585.0	
Bond forwards		32.3		-		81.0	
		33,744.6		32,448.0		34,683.0	
Foreign exchange contracts							
Foreign exchange forward contracts		722.2		543.5		674.4	
Other derivative contracts							
Equity index-linked options		208.9		221.1		226.3	
	\$	34,675.7	\$	33,212.6	\$	35,583.7	

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

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. Market risk arising from these derivative contracts is managed within the context of our overall market risk policies as disclosed in the Risk Review section of this MD&A.

Guarantees, Commitments and Contingencies

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

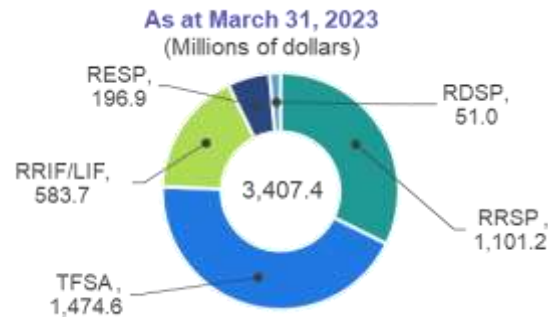
\$ millions, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Commitments to extend credit	\$ 5,063.6	\$ 4,976.6	\$ 5,037.2
Guarantees			
Financial guarantees	\$ 678.6	\$ 717.6	\$ 822.6
Performance guarantees	\$ 500.0	\$ 130.0	\$ 100.0
Standby letters of credit	\$ 235.4	\$ 236.9	\$ 238.7
Future prepayment swap reinvestment commitment	\$ 773.5	\$ 797.9	\$ 975.2

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

Commitments to extend credit, representing undrawn commitments, increased \$87.0 million from December 31, 2022 and increased \$26.4 million from March 31, 2022. Financial guarantees decreased \$39.0 million from year-end, while standby letters of credit were largely in line with the prior year. Future prepayment swap reinvestment commitments also decreased by \$201.7 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, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Registered Retirement Savings Plans (RRSP)	\$ 1,101.2	\$ 1,052.8	\$ 1,088.2
Tax-Free Savings Accounts (TFSA)	1,474.6	1,382.9	1,300.3
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)	583.7	585.2	543.3
Registered Education Savings Plans (RESP)	196.9	194.5	198.5
Registered Disability Savings Plans (RDSP)	51.0	48.2	44.9
	\$ 3,407.4	\$ 3,263.6	\$ 3,175.2

AUA mainly include government approved registered plans, 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. Central 1 Trust Company (the Trust), a wholly owned subsidiary of Central 1, provides the same services for members of the Ontario and Manitoba credit union system and Class C members. The Trust was registered in Alberta during the first quarter of 2023.

Growth in contracts resulted from an overall increase in business in B.C. and Ontario, along with market value appreciation contributed to an overall 7.3 per cent increase in AUA from March 31, 2022 and 4.4 per cent increase from December 31, 2022. TFSA sales continued its upward trend, due to increasing popularity amount investors as an alternative to RRSPs and the desire to keep cash at hand during this period of financial uncertainty.

The federal government launched a new registered product, the tax-free First Home Savings Accounts (FHSA) which came into effect April 1, 2023. This new product is expected to compete with RRSP and TFSA contributions.

Central 1's risk exposure to AUA contracts is managed within the context of our overall Operational Risk and Compliance 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 that is 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, except as indicated, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Share capital	\$ 43.4	\$ 43.4	\$ 43.4
Retained earnings	658.4	656.8	692.3
Less: accumulated net after tax gain in investment property	(4.7)	(4.7)	(4.7)
Tier 1 capital ²	697.1	695.5	731.0
Subordinated debt ¹	212.6	212.6	216.8
Add: accumulated net after tax gain in investment property	4.7	4.7	4.7
Tier 2 capital ²	217.3	217.3	221.5
Total capital	914.4	912.8	952.5
Statutory capital adjustments	(179.3)	(176.3)	(148.6)
Total regulatory capital²	\$ 735.1	\$ 736.5	\$ 803.9
Borrowing multiple - Consolidated ³	13.9:1	14.7:1	14.6:1

¹Subordinated debt, net of any required amortization in an instrument's final five years, is restricted to a maximum of 50 per cent of Tier 1 capital.

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

³These are non-GAAP financial ratios. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

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

BCFSA has set Central 1's borrowing multiple requirement 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 March 31, 2023, Central 1's consolidated borrowing multiple was 13.9:1 compared to 14.6:1 at March 31, 2022, largely due to the reduction in total borrowings. Central 1 was in compliance with all regulatory capital requirements as at March 31, 2023, December 31, 2022 and March 31, 2022.

Risk Review

This section of the MD&A should be read in conjunction with the Risk Review section of our 2022 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 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.

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

Compliance risk is the potential for legal or regulatory sanctions, material financial loss or damage to Central 1's reputation resulting from failure to comply with applicable laws, regulations, rules, related self-regulatory organization standards and/or codes of conduct. Central 1 is exposed to compliance risk in all areas of the organization and has implemented an organization wide compliance framework to manage this risk.

As a systemically important financial institution, Central 1 has implemented a regulatory compliance management program consistent with regulatory guidance including the maintenance of a regulatory inventory, tracking of regulatory developments, risk assessments and compliance testing. In addition, Central 1's compliance framework includes a set of organization wide compliance policies, management standards and procedures as well as mandatory training to ensure compliance with relevant regulation. A privacy program managed by a dedicated Privacy Officer is in place as well as a financial crime compliance program lead by its Chief Anti-Money Laundering Officer (CAMLO), including measures to ensure compliance with anti-money laundering, sanctions and anti-bribery and corruption regulation.

Compliance Risk is owned by the first line of defense. The Compliance function, headed by the Chief Compliance Officer acts as second line of defense in advising the first line and overseeing their compliance. The Chief Compliance Officer regularly reports on compliance risk to the Risk Review and Investment & Loan Committee as well as Central 1's Board of Directors.

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
- skilled lending personnel with a depth of experience in both the business line and credit risk

In the first quarter of 2023, Central 1 reduced its expected credit loss allowance for the Commercial Real Estate Lending (CREL) portfolio by \$669.2 thousand to a total of \$2.87 million. Expected credit loss allowance for the Investment portfolio reduced by \$31.4 thousand to a total of \$252.0 thousand. Although the economic environment remains challenging, the first quarter of 2023 started with economic data supporting a better-than-expected economic outlook compared to the fourth quarter of 2022 forecast. The recovery of provisions is recorded on account of more optimistic forward-looking indicators coupled with a reduction in the CREL portfolio balance. 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 liquid securities. Holdings of AAA and R-1 (High) rated securities in the Investment portfolio represent \$4.33 billion or 55.5 per cent of the portfolio. Treasury holds \$2.1 billion in securities that are rated A or lower and \$178.2 million in non-rated securities. There are no impaired investments in the portfolio. Positions are based on notional, not market values, and do not include securitization assets sold to the Canada Housing Trust.

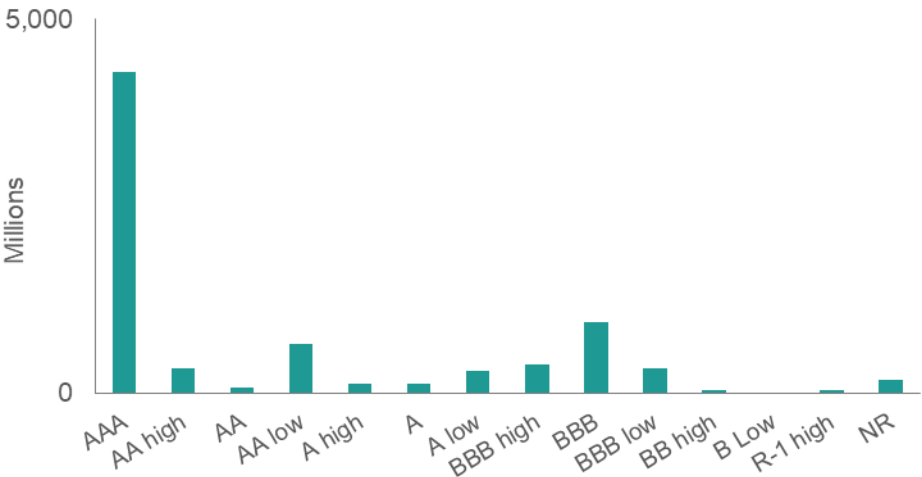
Credit Union Lending (CU Lending)

There are no impaired loan facilities in the Credit Union Lending portfolio. As at March 31, 2023, there were six Ontario credit unions and one B.C. credit union classified as Watch List. A Watch List rating is assigned to entities whose level of default risk increased materially, but loans are not in default and remain on an accrual basis. Watch List accounts require enhanced monitoring and/or workout planning. The Watch List accounts represented 1.7 per cent of the authorized portfolio as at March 31, 2023. The security provided for the Watch List facilities is substantial and no losses are expected.

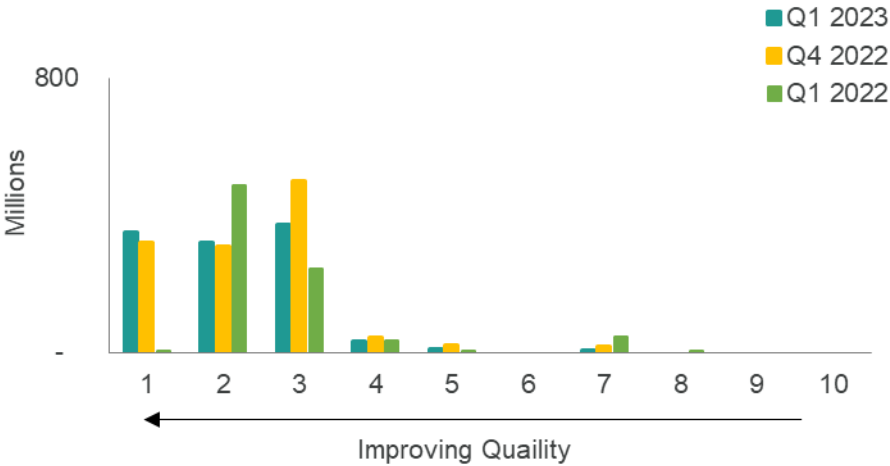
Commercial Real Estate Lending

There is one impaired account in the portfolio representing 0.12 per cent of the portfolio balance as at March 31, 2023. The loan is secured by real estate assets and is subject to close monitoring.

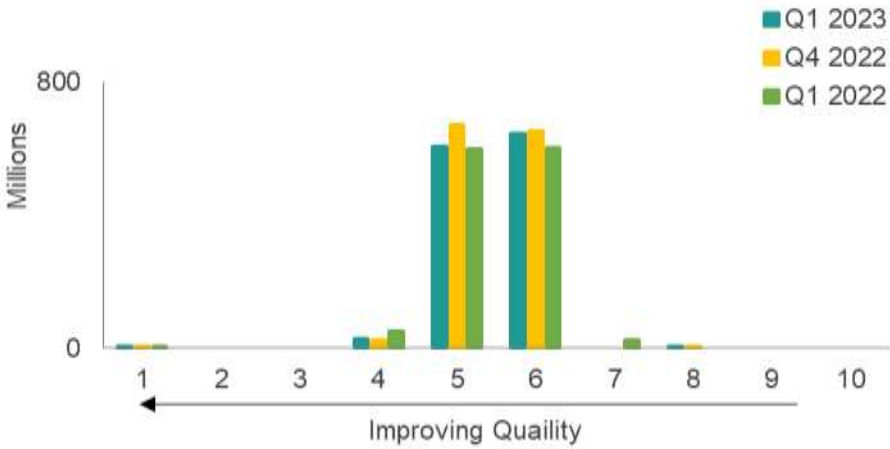
Investment Portfolio
(Millions of dollars)



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 when sources of funds become insufficient to meet scheduled payments and settlements, from systemic market and credit events, or from 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 remains ready to meet the liquidity requirements of its credit union members, as and when required.

Member utilization of committed credit facilities with Central 1 trended down slightly in first quarter of 2023 compared to year-end 2022. It remains higher on a year-over-year basis driven primarily by increased reliance on liquidity facilities, a trend that developed through 2022. Overall utilization remains moderate and 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 OSFI's Liquidity Coverage Ratio stress test (LCR) or are eligible to be pledged as collateral under the BoC's 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 monthly 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 March 31, 2023, Central 1's NCCF and OSFI LCR indicated high levels of liquidity. Central 1 remains in a strong position to support the liquidity needs of the system.

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	LTM Average ¹
OSFI LCR	127.6%	124.1%	145.4%	126.3%	128.4%	122.6%

¹Last 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, 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 Statements (RAS) 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, foreign exchange (FX) exposure limits, and stress tests. Central 1 also uses Value-at-Risk (VaR), Expected Shortfall (ES), and Stressed Value-at-Risk (SVaR) to monitor overall market risk levels.

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 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 at a 99 per cent confidence interval.

Treasury asset and liability portfolios are matched by term and currency to offset much of Central 1's interest rate and foreign exchange risk. Total 1-Day VaR has decreased slightly over the first quarter due to decreases in interest rate volatility and credit spread risk exposure.

\$ millions	Treasury				Last 12 Months		
	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Average	High	Low
Interest Rate VaR	\$ 2.4	\$ 2.7	\$ 4.5	\$ 3.6	\$ 3.4	\$ 5.1	\$ 2.4
Credit Spread VaR	2.3	2.9	3.4	3.4	3.2	3.8	2.3
Foreign Exchange VaR	2.3	1.9	1.7	2.6	2.1	3.4	1.0
Diversification ¹	(3.3)	(3.4)	(4.4)	(4.5)	(4.0)	nm	nm
Total VaR	\$ 3.7	\$ 4.1	\$ 5.2	\$ 5.1	\$ 4.7	\$ 5.5	\$ 3.4
Expected Shortfall	\$ 4.5	\$ 5.5	\$ 6.5	\$ 5.4	\$ 5.4	\$ 6.5	\$ 4.2

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

nm - not meaningful to calculation

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 first quarter.

\$ millions	Treasury				Last 12 Months		
	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Average	High	Low
1-Day SVaR	\$ 9.4	\$ 10.5	\$ 12.5	\$ 14.7	\$ 13.7	\$ 45.3	\$ 9.1
10-Day SVaR	\$ 26.6	\$ 34.5	\$ 35.4	\$ 41.7	\$ 37.5	\$ 47.7	\$ 25.8

Foreign Exchange Rate Exposure

Central 1 historically does not run material foreign exchange (FX) risk on its portfolio. Most of Central 1's 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	Balance Sheet in Native Currency	Off-Balance Sheet Items - Foreign Exchange Forwards	Net Position in Native Currency	BOC Closing Rate	CAD Equivalent
USD	\$ (14.0)	\$ 16.5	2.5	1.3521	\$ 3.4

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 1's 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 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 RAS 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

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:

- **Technology Resilience:** The increased reliance on the use of internet and telecommunications technology to conduct financial transactions, geopolitical tensions, and the complex exposure by partners and collaborators within the Central 1 ecosystem impacts the continued effective functioning of critical infrastructure. This can include natural disasters, cyber-attacks, or other disruptions. To be technology resilient, a system must be able to recover quickly from disruptions, maintain a high level of availability, and protect against potential vulnerabilities.
- **Technology & Digital Innovation:** Talent retention challenges and changing consumer demand for financial technologies lead to the overreliance on third parties, increasing the risks of disruptions in our supply chain. The increasing complexity of the financial service platforms, competitive pressures from Credit Union system and digital disruptors, increasing adoption of emerging technologies, Artificial Intelligence, out-of-date processes, and key person attrition increase the likelihood of technical obsolescence and decrease our ability to meet strategic objectives and consumer needs.
- **Deeper Economic downturn:** Due to U.S. banking impact on the economy, increase the risk of a recession in 2023 and the impact of inflationary-related costs placing pressure on retail and corporate investors, tightening liquidity ratio, Central 1 is vulnerable to economic downturns, which can lead to increased loan defaults and other financial challenges.
- **Environmental Social and Governance (ESG):** Increased scrutiny on how we address environmental and social issues and our ability to comply with regulations which come into effect in 2025. Over the coming year, the Risk team will develop a more formal Framework and fulsome view of the ESG risk controls and mitigations in place.

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 Central 1's accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures.

IAS 34 requires disclosures of events and transactions that are significant to understanding changes since last annual report. The 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, 2022.

The recent macroeconomic developments and multiple bank failures in the United States and Europe continue to give rise to uncertainty. Developing reliable estimates and applying judgment continue to be substantially complex. While management makes its best estimates and assumptions, actual results may differ from those estimates and assumptions.

Interest Rate Benchmark Reform (IBOR)

Central 1's transition from IBOR to the new benchmark rate continues in the first quarter of 2023 with no significant changes to the project or transition risks from our disclosure in Note 2 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2022.

As at March 31, 2023, Central 1's total exposure to unreformed one-month and three-month CDOR non-derivative financial assets (securities) and non-derivative financial liabilities (deposits and debt securities issued) that mature after June 28, 2024 was \$555.3 million and \$36.5 million, respectively. The notional balance of Central 1's total exposure to unreformed one-month and three-month CDOR derivatives that mature after June 28, 2024 was \$19.1 billion, of which \$585.2 million is the exposure for the interest rate swaps that are designated into fair value hedge and benchmarked to three-month CDOR. These swaps are used to hedge Central 1's exposure to interest rate risk which may be affected by the alternative benchmark rate.

Central 1's CORRA Focus Group (the Group), which was formed to oversee the transition, is fully deployed in addressing the identified impacts for IBOR reform and CDOR cessation on Central 1 operations including legal, pricing, valuation, risk, accounting and technological changes. The Group has reviewed the number of contracts yet to be transitioned to an alternative benchmark rate and is executing a migration plan that will take place in the lead up to the cessation of CDOR in June 2024. The Group is also preparing for all new contracts to be based on the alternative benchmark rate before or on June 30, 2023.

The transition from CDOR to alternative benchmark rate presents a number of risks to Central 1, including operational risk due to the changes of process and pricing models, liquidity risk and legal risk associated with contractual obligations. All risks associated with the transition are being monitored and have mitigation strategies in place to ensure a smooth transition to the alternative benchmark rates.

Changes in Accounting Policies

During the first quarter of 2023, Central 1 reassessed its accounting policy around the separate presentation of interest income/expense from the realized gains or losses for its interest rate derivatives held-for-trading purpose. It is concluded that, by presenting interest income/expense and realized gains or losses of the trading derivatives in one line on the Interim Consolidated Statement of Profit (Loss), it will:

- better reflect the nature of transactions for the trading derivatives.
- provide more useful and relevant financial information to the readers about the effect of the transactions

This change in accounting policy is voluntary in nature and has been implemented in the first quarter of 2023 and applied retrospectively. Refer to Note 16 of the Interim Consolidated Financial Statements for more detailed disclosure.

Future Accounting Policies

A number of amendments in IFRS which are applicable to Central 1 became effective on January 1, 2023. There have been no significant updates from the future accounting policies disclosed in Note 4 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2022.

Financial Instruments

As a financial institution, financial instruments make up a substantial portion of Central 1's financial position and are integral to Central 1's business. The use of financial instruments exposes Central 1 to several risks, including credit risk, liquidity risk, operational risk and market risk which are managed within approved risk management limits as further described in the Risk Review section of this MD&A.

Certain financial instruments are classified and measured at fair value such as securities, derivative assets and liabilities, obligations under the CMB program, and obligations related to securities sold short. Some are classified and measured at amortized cost including cash, loans, deposits, debt securities issued, subordinated liabilities, and securities under the repurchase agreements, unless they are designated at fair value through profit or loss at inception.

In Central 1's Annual Consolidated Financial Statements for the year ended December 31, 2022, Note 31 discloses how the fair values of the financial instruments are determined based on the assumptions applied, Note 8 provides details about derivatives used in trading and hedging activities, including notional amount and fair values, and Notes 22 and 23 disclose amounts of gains and losses associated with these financial instruments.

Related Party Disclosures

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents and their close family members. There was no outstanding balance against key management personnel as on March 31, 2023 and December 31, 2022.

Details of our related party disclosures were disclosed in Note 24 of the Interim Consolidated Financial Statements.

Interim Consolidated Financial Statements

For the Period Ended March 31, 2023 and 2022

Interim Consolidated Statement of Financial Position (Unaudited)

\$ thousands, as at	Notes	Mar 31 2023	Dec 31 2022
Assets			
Cash	4	\$ 1,187,880	\$ 957,228
Settlements in-transit		86,739	57,268
Securities	5	8,090,400	8,193,482
Loans	6	1,949,246	2,078,156
Derivative assets	7	293,232	378,674
Current tax assets		-	3,455
Property and equipment		16,089	16,691
Intangible assets		20,303	19,948
Investments in affiliates		90,694	88,935
Deferred tax assets		65,921	64,119
Other assets	9	30,833	23,303
		\$ 11,831,337	\$ 11,881,259
Liabilities			
Settlements in-transit		\$ 769,850	\$ 483,468
Deposits	10	5,696,076	5,319,628
Obligations related to securities sold short		32,029	-
Securities under repurchase agreements		932,758	1,909,708
Obligations under the Canada Mortgage Bond Program	11	1,036,691	992,140
Derivative liabilities	7	103,584	126,142
Debt securities issued	12	2,212,983	1,997,569
Subordinated liabilities	13	200,480	198,887
Other liabilities	14	146,326	162,793
		11,130,777	11,190,335
Equity			
Share capital	15	43,401	43,401
Retained earnings		658,415	656,814
Accumulated other comprehensive loss		(1,256)	(9,291)
Total equity attributable to members of Central 1		700,560	690,924
		\$ 11,831,337	\$ 11,881,259
Guarantees, commitments, contingencies and pledged assets	21		

Approved by the Directors:

"Shelley McDade"

Shelley McDade
Chairperson

"Paul Challinor"

Paul Challinor
Chairperson
Audit and Finance Committee

Interim Consolidated Statement of Profit (Loss) (Unaudited)

		For the three months ended	
\$ thousands	Notes	Mar 31 2023	Mar 31 2022
Interest income			
Securities		\$ 68,683	\$ 22,857
Loans		30,511	12,413
		99,194	35,270
Interest expense			
Deposits		41,610	8,406
Debt securities issued		44,096	10,127
Subordinated liabilities		1,436	1,218
Obligations under the CMB Program		122	142
		87,264	19,893
Interest margin		11,930	15,377
Gain (loss) on disposal of financial instruments	16	10,985	(11,891)
Change in fair value of financial instruments	17	(17,247)	(53,204)
		5,668	(49,718)
Impairment recovery on financial assets	8	701	433
Net financial income (expense)		6,369	(49,285)
Non-financial income	18	41,669	38,265
Net financial and non-financial income		48,038	(11,020)
Non-financial expense			
Salaries and employee benefits		28,979	24,528
Premises and equipment		1,265	1,251
Other administrative expense	19	21,535	19,559
		51,779	45,338
Loss before income taxes		(3,741)	(56,358)
Income tax recovery		(5,022)	(20,982)
Profit (loss)		\$ 1,281	\$ (35,376)

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

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Profit (loss)	\$ 1,281	\$ (35,376)
Other comprehensive income (loss), net of tax		
Items that may be reclassified subsequently to profit		
Fair value reserves (securities at fair value through other comprehensive income)		
Net change in fair value of debt securities at fair value through other comprehensive income	4,721	(25,917)
Reclassification of realized loss to profit	230	89
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	3	(13)
	4,954	(25,841)
Items that will not be reclassified subsequently to profit		
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	3,401	10,613
Total other comprehensive income (loss), net of tax	8,355	(15,228)
Total comprehensive income (loss), net of tax	\$ 9,636	\$ (50,604)

Income Taxes – Other Comprehensive Income (Loss)

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

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Income tax expense (recovery) on 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	\$ 1,751	\$ (9,543)
Reclassification of realized loss to profit	84	33
Share of other comprehensive loss of affiliates accounted for using the equity method	-	(2)
Income tax expense on 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	1,253	3,909
	\$ 3,088	\$ (5,603)

Interim Consolidated Statement of Changes in Equity (Unaudited)

\$ thousands	Attributable to Equity Members						Total Equity
	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Equity Attributable to Members	
Balance as at December 31, 2022	\$ 43,401	\$ 656,814	\$ (27,100)	\$ 12,901	\$ 4,908	\$ 690,924	\$ 690,924
Total comprehensive income (loss), net of tax							
Profit		1,281				1,281	1,281
Other comprehensive income (loss), net of tax							
Fair value reserve (securities at fair value through other comprehensive income)			4,951			4,951	4,951
Share of other comprehensive income of affiliates accounted for using the equity method			3			3	3
Liability credit reserve				3,401		3,401	3,401
Total comprehensive income	-	1,281	4,954	3,401	-	9,636	9,636
Reclassification of liability credit reserve on derecognition ¹		320		(320)			-
Balance as at March 31, 2023	\$ 43,401	\$ 658,415	\$ (22,146)	\$ 15,982	\$ 4,908	\$ 700,560	\$ 700,560

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

	2023	2022
Profit (loss) attributable to:		
Members of Central 1	\$ 1,281	\$ (35,439)
Non-controlling interest	-	63
	\$ 1,281	\$ (35,376)
Total comprehensive income (loss) attributable to:		
Members of Central 1	\$ 9,636	\$ (50,667)
Non-controlling interest	-	63
	\$ 9,636	\$ (50,604)

Interim Consolidated Statement of Changes in Equity (Unaudited)

\$ thousands	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									
Profit (loss)		(35,439)					(35,439)	63	(35,376)
Other comprehensive income (loss), net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			(25,828)				(25,828)		(25,828)
Share of other comprehensive income of affiliates accounted for using the equity method			(13)				(13)		(13)
Liability credit reserve				10,613			10,613		10,613
Total comprehensive income (loss)	-	(35,439)	(25,841)	10,613	-	-	(50,667)	63	(50,604)
Reclassification of liability credit reserve on derecognition ¹		513		(513)			-		-
Balance as at March 31, 2022	\$ 43,396	\$ 692,287	\$ (18,493)	\$ 8,323	\$ 3,129	\$ 2	\$ 728,644	\$ 7,204	\$ 735,848

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

Interim Consolidated Statement of Cash Flows (Unaudited) (continued)

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Cash flows used in operating activities		
Profit (loss)	\$ 1,281	\$ (35,376)
Adjustments for:		
Depreciation and amortization	1,146	1,569
Interest margin	(11,930)	(15,377)
Loss (gain) on disposal of financial instruments	(10,985)	11,891
Change in fair value of financial instruments	17,247	53,204
Impairment recovery on financial assets	(701)	(433)
Equity interest in affiliates	258	419
Income tax recovery	(5,022)	(20,982)
	(8,706)	(5,085)
Change in securities	216,176	499,061
Change in loans	129,281	(429,683)
Change in settlements in-transit	256,911	304,638
Change in deposits	361,101	(983,514)
Change in obligations related to securities sold short	32,038	39,352
Change in securities under repurchase agreements	(976,833)	144,572
Change in derivative assets and liabilities	18,655	(14,061)
Change in other assets and liabilities	(24,342)	(5)
Interest received	96,296	32,979
Interest paid	(74,547)	(4,009)
Income tax received (paid)	3,469	(4)
Net cash from (used in) operating activities	29,499	(415,759)
Cash flows used in investing activities		
Purchase of reinvestment assets under the CMB Program	(553,626)	(434,012)
Maturity of reinvestment assets under the CMB Program	506,631	327,723
Property and equipment - net	(150)	(102)
Intangible assets - purchases	(727)	(1,718)
Investments in affiliates - net	(2,014)	-
Net cash used in investing activities	(49,886)	(108,109)

Interim Consolidated Statement of Cash Flows (Unaudited) (continued)

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Cash flows from financing activities		
Proceeds from debt securities issued	1,059,199	846,093
Maturity of debt securities issued	(850,179)	(866,657)
Repayment of lease liabilities	(73)	(105)
Maturity of obligation under CMB Program	(506,000)	(306,718)
Proceeds under the CMB Program	547,577	410,287
Net cash from financing activities	250,524	82,900
Effect of exchange rate changes on cash	515	92
Increase (decrease) in cash	230,652	(440,876)
Cash - beginning of period	957,228	1,251,516
Cash - end of period	\$ 1,187,880	\$ 810,640

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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 225 financial institutions across Canada, including its member credit unions in British Columbia (B.C.) and Ontario. The performance of the British Columbia credit union system and that of Central 1's member credit unions in Ontario (collectively referred to herein as the Ontario credit union system) plays an integral part in determining the results of Central 1's operations and its financial position.

2. Basis of Presentation

Basis of Accounting

These Interim Consolidated Financial Statements have been prepared on a condensed basis in accordance with International Accounting Standards (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, 2022, with the exception of the accounting policies disclosed below.

As these Interim Consolidated Financial Statements do not include all of the annual financial statements' disclosures required under the International Financial Reporting Standards (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, 2022.

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

The Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on May 26, 2023.

Interest Rate Benchmark Reform (IBOR)

Central 1's transition from IBOR to the new benchmark rate continues in the first quarter of 2023 with no significant changes to the project or transition risks from our disclosure in Note 2 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2022.

As at March 31, 2023, Central 1's total exposure to unreformed one-month and three-month CDOR non-derivative financial assets (securities) and non-derivative financial liabilities (deposits and debt securities issued) that mature after June 28, 2024 was \$555.3 million and \$36.5 million, respectively. The notional balance of Central 1's total exposure to unreformed one-month and three-month CDOR derivatives that mature after June 28, 2024 was \$19.1 billion, of which \$585.2 million is the exposure for the interest rate swaps that are designated into fair value hedge and benchmarked to three-month CDOR. These swaps are used to hedge Central 1's exposure to interest rate risk which may be affected by the alternative benchmark rate.

Central 1's CORRA Focus Group (the Group), which was formed to oversee the transition, is fully deployed in addressing the identified impacts for IBOR reform and CDOR cessation on Central 1 operations including legal, pricing, valuation, risk, accounting and technological changes. The Group has reviewed the number of contracts yet to be transitioned to an alternative benchmark rate and is executing a migration plan that will take place in the lead up to the cessation of CDOR in June 2024. The Group is also preparing for all new contracts to be based on the alternative benchmark rate before or on June 30, 2023.

The transition from CDOR to alternative benchmark rate presents a number of risks to Central 1, including operational risk due to the changes of process and pricing models, liquidity risk and legal risk associated with contractual obligations. All risks associated with the transition are being monitored and have mitigation strategies in place to ensure a smooth transition to the alternative benchmark rates.

Changes in Accounting Policies

During the first quarter of 2023, Central 1 reassessed its accounting policy around the separate presentation of interest income/expense from the realized gains or losses for its interest rate derivatives held-for-trading purpose. It is concluded that, by presenting interest income/expense and realized gains or losses of the trading derivatives in one line on the Interim Consolidated Statement of Profit (Loss), it will:

- better reflect the nature of transactions for the trading derivatives.
- provide more useful and relevant financial information to the readers about the effect of the transactions.

This change in accounting policy is voluntary in nature and has been implemented in the first quarter of 2023 and applied retrospectively. Refer to Note 16 for more detailed disclosure.

Future Accounting Policies

A number of amendments in IFRS which are applicable to Central 1 became effective on January 1, 2023. There have been no significant updates from the future accounting policies disclosed in Note 4 of Central 1's Annual Audited Consolidated Financial Statements for the year ended December 31, 2022.

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.

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, 2022.

The recent macroeconomic developments and multiple bank failures in the United States and Europe continue to give rise to uncertainty. Developing reliable estimates and applying judgment continue to be substantially complex. While management makes its best estimates and assumptions, actual results may differ from those estimates and assumptions.

4. Cash

\$ thousands, as at		Mar 31 2023	Dec 31 2022
With Bank of Canada	\$	1,161,458	\$ 889,211
With other regulated financial institutions		26,422	68,017
	\$	1,187,880	\$ 957,228

5. Securities

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Securities FVTPL		
Government and government guaranteed securities	\$ 2,722,984	\$ 2,925,283
Corporate and major financial institutions		
AA low or greater	1,471,457	1,417,712
A (high) to A (low)	397,611	382,487
BBB (high) to BB (high)	991,943	888,114
Equity instruments	40,260	40,259
Fair value	\$ 5,624,255	\$ 5,653,855
Securities FVOCI		
Government and government guaranteed securities	\$ 686,184	\$ 735,425
Corporate and major financial institutions		
AA low or greater	140,980	192,767
A (high) to A (low)	92,335	92,075
BBB (high) to BBB (low)	543,757	566,119
Fair value	\$ 1,463,256	\$ 1,586,386
Reinvestment assets under the CMB Program		
FVTPL		
Government and government guaranteed securities	\$ 432,714	\$ 445,666
Fair value	\$ 432,714	\$ 445,666
Amortized cost		
Assets acquired under reverse repurchase agreements	\$ 570,175	\$ 507,575
Total reinvestment assets under the CMB Program	\$ 1,002,889	\$ 953,241
Total	\$ 8,090,400	\$ 8,193,482

6. Loans

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

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Amortized cost		
Due on demand		
Credit unions	\$ 313,762	\$ 489,646
Commercial and others	11,117	4,725
	324,879	494,371
Term		
Credit unions	318,000	175,000
Commercial and others	1,259,257	1,327,361
Reverse repurchase agreements	33,417	68,170
	1,610,674	1,570,531
	1,935,553	2,064,902
Accrued interest	6,130	6,461
Premium	29	41
	1,941,712	2,071,404
Expected credit loss (Note 8)	(2,874)	(3,543)
Amortized cost	1,938,838	2,067,861
Fair value hedge adjustment ¹	-	(140)
Carrying value	\$ 1,938,838	\$ 2,067,721
FVTPL		
Term - Commercial and others		
Fair value	10,408	10,435
Total loans	\$ 1,949,246	\$ 2,078,156

¹Central 1 enters into fair value hedges to hedge the risks caused by changes in interest rates. The hedge accounting of this relationship was discontinued as at February 28, 2023, when it was last determined to be effective.

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, for the three months ended March 31	2023			2022		
	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	\$ 5,990	\$ (5,734)	\$ 256	\$ (13,248)	\$ 14,111	\$ 863
Loans	140	(833)	(693)	(317)	178	(139)
Debt securities issued	(3,544)	3,583	39	2,183	(2,079)	104
	\$ 2,586	\$ (2,984)	\$ (398)	\$ (11,382)	\$ 12,210	\$ 828

¹The 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, as at	March 31, 2023				December 31, 2022			
	Notional value of hedged items	Carrying value of hedged items ²	Carrying value of hedging instruments	Accumulated fair value hedge adjustment	Notional value of hedged items	Carrying value of hedged items ²	Carrying value of hedging instruments	Accumulated fair value hedge adjustment
Securities at FVOCI ¹	\$ 235,156	\$ 205,491	\$ 26,996	\$ (25,573)	\$ 235,156	\$ 199,815	\$ 32,730	\$ (31,563)
Loans	-	-	-	-	4,146	4,296	833	(140)
Debt securities issued	(650,000)	(649,916)	2,021	(1,889)	(350,000)	(353,609)	(1,562)	1,655
		\$ 29,017	\$ (27,462)			\$ 32,001	\$ (30,048)	

¹The 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).

²Represents the carrying value in the Statement of Financial Position 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	Stage 1	Stage 2	Stage 3	Total
ECL on financial assets at amortized cost				
Balance as at December 31, 2022	\$ 3,386	\$ -	\$ 157	\$ 3,543
Impairment loss (recovery) on financial assets:				
Purchases and originations	28	-	-	28
Derecognitions and maturities	(192)	-	-	(192)
Remeasurements	(542)	-	37	(505)
Total impairment loss (recovery) on financial assets	(706)	-	37	(669)
Balance as at March 31, 2023	\$ 2,680	\$ -	\$ 194	\$ 2,874
ECL on financial assets at FVOCI				
Balance as at December 31, 2022	284	-	-	284
Impairment recovery on financial assets:				
Derecognitions and maturities	(1)	-	-	(1)
Remeasurements	(31)	-	-	(31)
Total impairment recovery on financial assets	(32)	-	-	(32)
Balance as at March 31, 2023	\$ 252	\$ -	\$ -	\$ 252
Total ECL				
Balance as at December 31, 2022	\$ 3,670	\$ -	\$ 157	\$ 3,827
Impairment loss (recovery) on financial assets:				
Purchases and originations	28	-	-	28
Derecognitions and maturities	(193)	-	-	(193)
Remeasurements	(573)	-	37	(536)
Total impairment loss (recovery) on financial assets	(738)	-	37	(701)
Balance as at March 31, 2023	\$ 2,932	\$ -	\$ 194	\$ 3,126

\$ thousands	Stage 1		Stage 2		Stage 3		Total
ECL on financial assets at amortized cost							
Balance as at December 31, 2021	\$	2,632	\$	729	\$	-	\$ 3,361
Impairment loss (recovery) on financial assets:							
Purchases and originations		196		-		-	196
Derecognitions and maturities		(134)		-		-	(134)
Remeasurements		(457)		(13)		-	(470)
Total impairment recovery on financial assets		(395)		(13)		-	(408)
Balance as at March 31, 2022	\$	2,237	\$	716	\$	-	\$ 2,953
ECL on financial assets at FVOCI							
Balance as at December 31, 2021	\$	105	\$	-	\$	-	\$ 105
Impairment recovery on financial assets:							
Derecognitions and maturities		(6)		-		-	(6)
Remeasurements		(19)		-		-	(19)
Total impairment recovery on financial assets		(25)		-		-	(25)
Balance as at March 31, 2022	\$	80	\$	-	\$	-	\$ 80
Total ECL							
Balance as at December 31, 2021	\$	2,737	\$	729	\$	-	\$ 3,466
Impairment loss (recovery) on financial assets:							
Purchases and originations		196		-		-	196
Derecognitions and maturities		(140)		-		-	(140)
Remeasurements		(476)		(13)		-	(489)
Total impairment recovery on financial assets		(420)		(13)		-	(433)
Balance as at March 31, 2022	\$	2,317	\$	716	\$	-	\$ 3,033

The following tables present the gross carrying amounts of the loans as at March 31, 2023 and March 31, 2022, according to credit quality:

\$ thousands, as at March 31, 2023	Stage 1	Stage 2	Stage 3	Total
Low Risk	\$ 704,058	\$ -	\$ -	\$ 704,058
Medium Risk	1,235,759	-	-	1,235,759
Not Rated	386	-	-	386
Impaired	-	-	1,509	1,509
Total	\$ 1,940,203	\$ -	\$ 1,509	\$ 1,941,712

\$ thousands, as at December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Low Risk	\$ 759,938	\$ -	\$ -	\$ 759,938
Medium Risk	1,309,593	-	-	1,309,593
Not Rated	391	-	-	391
Impaired	-	-	1,482	1,482
Total	\$ 2,069,922	\$ -	\$ 1,482	\$ 2,071,404

Forward Looking Macroeconomic Variables

The inputs that are used to estimate the allowances for credit loss for each stage 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.

9. Other Assets

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Prepaid expenses	\$ 12,692	\$ 8,456
Accounts receivable and other	11,579	8,298
Post-employment benefits	5,987	5,952
Investment property	575	597
	\$ 30,833	\$ 23,303

10. Deposits

\$ thousands, as at		Mar 31 2023	Dec 31 2022
Deposits designated as FVTPL			
Due within three months	\$	1,476,483	\$ 1,546,972
Due after three months and within one year		804,650	902,014
Due after one year and within five years		701,894	646,526
		2,983,027	3,095,512
Accrued interest		20,261	16,143
Amortized cost	\$	3,003,288	\$ 3,111,655
Fair value	\$	2,973,836	\$ 3,070,737
Deposits held at amortized cost			
Due on demand	\$	2,689,019	\$ 2,208,422
Due within three months		6,850	10,043
Due after three months and within one year		22,225	20,000
Due after one year and within five years		4,000	10,225
		2,722,094	2,248,690
Accrued interest		146	201
Amortized cost	\$	2,722,240	\$ 2,248,891
Total carrying value	\$	5,696,076	\$ 5,319,628

The fair value of deposits at March 31, 2023 was \$5,696.1 million (December 31, 2022 - \$5,319.7 million).

11. Obligations under the Canada Mortgage Bond Program

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

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Amounts		
Due within three months	\$ 548,600	\$ 506,000
Due after three months and within one year	184,723	165,742
Due after one year and within five years	320,140	340,142
	1,053,463	1,011,884
Accrued interest	84	531
Amortized cost	\$ 1,053,547	\$ 1,012,415
Fair value	\$ 1,036,691	\$ 992,140

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

\$ thousands, as at	Mar 31 2023	Dec 31 2022
FVTPL		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 5)	\$ 432,714	\$ 445,666
Assets recognized as securities	34,876	41,292
Fair value	\$ 467,590	\$ 486,958
Amortized cost		
Total reinvestment assets under the Canada Mortgage Bond Program (Note 5)	\$ 570,175	\$ 507,575
Total underlying assets designated	\$ 1,037,765	\$ 994,533

12. Debt Securities Issued

\$ thousands, as at		Mar 31 2023	Dec 31 2022
Amortized cost			
Due within three months	\$	765,663	\$ 850,179
Due after three months and within one year		566,795	571,855
Due after one year and within five years		647,322	348,726
		1,979,780	1,770,760
Accrued interest		5,876	5,711
Amortized cost	\$	1,985,656	\$ 1,776,471
Fair value hedge adjustment ¹		1,889	(1,655)
Carrying value	\$	1,987,545	\$ 1,774,816
Designated as FVTPL			
Due after one year and within five years	\$	250,000	\$ 250,000
Accrued interest		562	1,414
Amortized cost	\$	250,562	\$ 251,414
Fair value		225,438	222,753
Total carrying value	\$	2,212,983	\$ 1,997,569

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

At March 31, 2023, the short-term commercial paper facility had a total par value of \$889.8 million (December 31, 2022 - \$979.5 million) and the medium-term note facility had a total par value of \$1.35 billion (December 31, 2022 - \$1.1 billion).

On February 07, 2023, Central 1 issued \$300.0 million principal of Series 20 medium-term fixed rate notes due February 07, 2028. The notes bear interest at a fixed rate of 4.648%, payable semi-annually on February 07 and August 07 of each year, commencing August 07, 2023. The notes are redeemable at the option of Central 1.

13. Subordinated Liabilities

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Amortized cost		
Series 5	\$ 21,000	\$ 21,000
Accrued interest	77	74
Amortized cost	\$ 21,077	\$ 21,074
Designated as FVTPL		
Series 7	\$ 200,000	\$ 200,000
Accrued interest	1,205	26
Amortized cost	\$ 201,205	\$ 200,026
Fair value	\$ 179,403	\$ 177,813
Total carrying value	\$ 200,480	\$ 198,887

14. Other Liabilities

\$ thousands, as at	Mar 31 2023	Dec 31 2022
Cash collateral payable ¹	\$ 62,712	\$ 77,445
Deferred revenue ²	31,397	31,326
Accounts payable	18,745	21,764
Short-term employee benefits	15,496	14,425
Post-employment benefits	12,163	12,211
Finance lease	5,549	5,622
Other	264	-
	\$ 146,326	\$ 162,793

¹Received as collateral for derivatives transactions.

²Deferred 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. The allocation of Class A shares is based on the assets of each credit union in proportion to the combined assets of all Class A members. This allocation is adjusted periodically to reflect changes in credit union assets.

thousands of shares, as at or for the period ended	Mar 31 2023	Dec 31 2022	Mar 31 2022
Number of shares issued			
Balance at beginning of period	43,364	43,359	43,359
Issued during the period	-	5	-
Class A - credit unions: balance at the end of period	43,364	43,364	43,359
Class B - co-operatives: balance at the beginning and end of period	11	11	11
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
Number of treasury shares			
Treasury shares - Class E: balance at the beginning and end of period	(264)	(264)	(264)

thousands of dollars, as at	Mar 31 2023	Dec 31 2022	Mar 31 2022
Amount of share capital outstanding			
Outstanding \$1 par value shares			
Class A - credit unions	\$ 43,364	\$ 43,364	\$ 43,359
Class B - cooperatives	11	11	11
Class C - other	7	7	7
Outstanding \$0.01 par value shares			
Class E - credit unions	21	21	21
	43,403	43,403	43,398
Amount of treasury shares			
Treasury shares - Class E	(2)	(2)	(2)
Balance at the end of period	\$ 43,401	\$ 43,401	\$ 43,396

16. Gain (Loss) on Disposal of Financial Instruments

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Realized loss on securities at FVTPL	\$ (1,286)	\$ (14,047)
Realized loss on securities at FVOCI	(314)	(128)
Realized gain on derivative instruments	12,546	1,206
Realized gain (loss) on deposits designated at FVTPL	183	(9)
Realized gain (loss) on obligations related to securities sold short	(144)	1,087
	\$ 10,985	\$ (11,891)

For the three months ended March 31, 2023, realized gain on derivative instruments includes net interest income totaling \$2.9 million related to the derivative instruments held-for-trading purposes. For the three months ended March 31, 2022, net interest income totaling \$1.7 million related to the derivative instruments held-for-trading purposes which was previously presented under Securities within interest income in the Interim Consolidated Financial Statements for the period ended March 31, 2022 has now been presented within realized gain on derivative instruments.

17. Change in Fair Value of Financial Instruments

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Change in unrealized gains (losses)		
Securities at FVTPL	\$ 55,010	\$ (199,779)
Loans at FVTPL	36	(273)
Activities under the Canada Mortgage Bond Program		
Reinvestment assets	2,640	(10,818)
Obligations under the Canada Mortgage Bond Program	(3,420)	11,707
Derivative instruments	(14,476)	30,655
Derivative instruments	(37,209)	74,728
Financial liabilities at FVTPL		
Deposits designated at FVTPL	(13,187)	21,073
Obligations related to securities sold short	239	2,429
Debt securities issued designated at FVTPL	(3,687)	9,689
Subordinated debt issued designated at FVTPL	(3,193)	7,385
	\$ (17,247)	\$ (53,204)

18. Non-Financial Income

For the three months ended March 31			2023	2022		
\$ thousands	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	\$ 2,697	\$ -	\$ 2,697	\$ 3,188	\$ -	\$ 3,188
Securitization fees	1,449	-	1,449	1,451	-	1,451
Foreign exchange income	-	1,144	1,144	-	1,217	1,217
Asset management services	878	-	878	740	-	740
Other	2,854	-	2,854	1,510	-	1,510
Payments & Digital Banking Platforms and Experiences						
Payment processing and other fees	18,565	-	18,565	16,746	-	16,746
Direct banking fees	9,638	-	9,638	8,682	-	8,682
System Affiliates & Other						
Equity interest in affiliates	-	(258)	(258)	-	(419)	(419)
Income from investees	-	2,931	2,931	-	2,628	2,628
Other	1,771	-	1,771	2,522	-	2,522
	\$ 37,852	\$ 3,817	\$ 41,669	\$ 34,839	\$ 3,426	\$ 38,265

19. Other Administrative Expense

For the three months ended		
\$ thousands	Mar 31 2023	Mar 31 2022
Cost of sales and services	\$ 1,991	\$ 2,247
Cost of payments processing	6,145	5,632
Management information systems	4,245	3,796
Professional fees	8,501	7,576
Business development projects	82	116
Other	571	192
	\$ 21,535	\$ 19,559

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). 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 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.

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

Payments operations encompass processing paper items and electronic transactions such as automated funds transfer and bill payments on behalf of member credit unions. The payment processing solutions 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 is implementing the Payments Modernization Processing initiative to enable clients to be compliant with new Payments Canada and Bank of Canada requirements. External vendors are engaged 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 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 March 31, 2023:

\$ thousands, for the three months ended March 31, 2023	Treasury		Payments & DBPX		System Affiliates & Other		Total
Net financial income (expense)	\$	6,626	\$	(257)	\$	-	\$ 6,369
Non-financial income		9,022		28,203		4,444	41,669
Net financial and non-financial income		15,648		27,946		4,444	48,038
Non-financial expense		10,196		38,251		3,332	51,779
Profit (loss) before income taxes		5,452		(10,305)		1,112	(3,741)
Income tax expense (recovery)		1,378		(5,878)		(522)	(5,022)
Profit (loss)	\$	4,074	\$	(4,427)	\$	1,634	\$ 1,281
Total assets as at March 31, 2023	\$	11,566,294	\$	18,637	\$	246,406	\$ 11,831,337
Total liabilities as at March 31, 2023	\$	10,939,591	\$	(27,533)	\$	218,719	\$ 11,130,777

The following table summarizes the segment results for the three months ended March 31, 2022:

\$ thousands, for the three months ended March 31, 2022	Treasury		Payments & DBPX		System Affiliates & Other		Total
Net financial expense	\$	(49,237)	\$	(37)	\$	(11)	\$ (49,285)
Non-financial income		8,106		25,428		4,731	38,265
Net financial expense and non-financial income		(41,131)		25,391		4,720	(11,020)
Non-financial expense		10,025		32,746		2,567	45,338
Profit (loss) before income taxes		(51,156)		(7,355)		2,153	(56,358)
Income tax expense (recovery)		(13,664)		(7,844)		526	(20,982)
Profit (loss)	\$	(37,492)	\$	489	\$	1,627	\$ (35,376)
Total assets as at March 31, 2022	\$	12,557,259	\$	11,980	\$	241,727	\$ 12,810,966
Total liabilities as at March 31, 2022	\$	12,070,720	\$	(11,856)	\$	16,254	\$ 12,075,118

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, as at	Mar 31 2023		Dec 31 2022	
Commitments to extend credit	\$	5,063,608	\$	4,976,567
Guarantees				
Financial guarantees	\$	678,600	\$	717,600
Performance guarantees	\$	500,000	\$	130,000
Standby letters of credit	\$	235,351	\$	236,901
Future prepayment swap reinvestment commitment	\$	773,544	\$	797,936

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on March 31, 2023 are \$89.6 million, \$427.0 million and \$120.2 million (December 31, 2022 - \$121.2 million, \$458.6 million and \$120.8 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.

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 March 31, 2023.

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, as at	Mar 31 2023	Dec 31 2022
Assets pledged to Bank of Canada & Direct Clearing Organizations ^{1,2}	\$ 72,443	\$ 72,272
Assets pledged in relation to:		
Derivative financial instrument transactions	12,240	18,189
Securities lending	40,377	65,066
Obligations under the Canada Mortgage Bond Program	34,876	41,292
Reinvestment assets under the Canada Mortgage Bond Program	1,002,889	953,241
Securities under repurchase agreements	932,758	1,909,708
	\$ 2,095,583	\$ 3,059,768

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

²Central 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 CMB 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, Settlements in-transit, loans on demand classified as amortized cost, deposits due on demand classified as amortized cost, securities under repurchase agreements, other assets and other liabilities because of their short-term nature.

Financial Instruments for Which Fair Value is Determined Using Valuation Techniques

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

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

Level 3 financial assets includes \$32.1 million of equity investment securities that are measured at cost which is an appropriate estimate of fair value at March 31, 2023 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.

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, obligations 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:

\$ millions, as at March 31, 2023	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost ¹	Total Carrying Value
Financial assets						
Cash	\$ -	\$ -	\$ -	\$ -	1,187.9	\$ 1,187.9
Settlements in-transit	-	-	-	-	86.7	86.7
Securities	-	8,050.1	40.3	8,090.4	-	8,090.4
Loans	-	-	10.4	10.4	1,938.8	1,949.2
Derivative assets	0.6	292.6	-	293.2	-	293.2
Total financial assets	\$ 0.6	\$ 8,342.7	\$ 50.7	\$ 8,394.0	\$ 3,213.4	\$ 11,607.4
Financial liabilities						
Settlements in-transit	-	-	-	-	769.9	769.9
Deposits	-	2,973.8	-	2,973.8	2,722.2	5,696.0
Obligations related to securities sold short	-	32.0	-	32.0	-	32.0
Securities under repurchase agreements	-	-	-	-	932.8	932.8
Obligations under the CMB Program	-	1,036.7	-	1,036.7	-	1,036.7
Derivative liabilities	0.1	103.5	-	103.6	-	103.6
Debt securities issued	-	225.4	-	225.4	1,987.5	2,212.9
Subordinated liabilities	-	179.4	-	179.4	21.1	200.5
Total financial liabilities	\$ 0.1	\$ 4,550.8	\$ -	\$ 4,550.9	\$ 6,433.5	\$ 10,984.4

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

\$ millions, as at December 31, 2022	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost ¹	Total Carrying Value
Financial assets	\$ 0.4	\$ 8,531.5	\$ 50.7	\$ 8,582.6	\$ 3,024.9	\$ 11,607.5
Financial liabilities	\$ -	\$ 4,589.5	\$ -	\$ 4,589.5	\$ 5,954.5	\$ 10,544.0

¹Amounts 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	Fair value at Dec 31 2022	Purchases	Disposals	Transfer	Changes in fair value of assets in profit or loss	Fair value at Mar 31 2023
Equity shares	\$ 40.3	\$ -	\$ -	\$ -	\$ -	\$ 40.3
Loans	10.4	-	-	-	-	10.4
Total financial assets	\$ 50.7	\$ -	\$ -	\$ -	\$ -	\$ 50.7

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, except for those which are 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 for 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 March 31, 2023, December 31, 2022 and March 31, 2022.

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 as described in Note 12 of the Annual Audited Consolidated Financial Statements for the year ended December 31, 2022; and
- Central 1's post-employment benefits as described in Note 27 of the Annual Audited Consolidated Financial Statements for the year ended December 31, 2022.

Transactions with Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents and their close family members. There was no outstanding balance against key management personnel as on March 31, 2023 and December 31, 2022.

The following table presents the compensation to key management personnel:

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Salaries and short-term employee benefits	\$ 1,492	\$ 1,346
Post-employment benefits	59	48
Termination and other long-term employee benefits	159	477
	\$ 1,710	\$ 1,871

In addition to their salaries, Central 1 also provides non-cash benefits to key management personnel and contributes to post-employment benefits plan on their behalf. Termination benefits represent amounts paid or payable, pursuant to contractual arrangements, to members of key management personnel who left Central 1 during the period.

Transactions with Board of Directors

\$ thousands	For the three months ended	
	Mar 31 2023	Mar 31 2022
Total remuneration	\$ 142	\$ 167

Significant Subsidiaries

% of direct ownership outstanding, as at	Mar 31 2023	Dec 31 2022
Central 1 Trust Company	100%	100%
C1 Ventures (VCC) Ltd.	100%	100%
0789376 B.C. Ltd.	100%	100%

Investment in Affiliates

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

% of direct ownership outstanding, as at	Mar 31 2023	Dec 31 2022
The CUMIS Group Limited	27%	27%
CU CUMIS Wealth Holdings LP	35%	35%
189286 Canada Inc.	52%	52%
Agility Forex Ltd.	27%	27%

During the first quarter of 2023, Central 1 contributed \$1.4 million (\$nil for the first quarter of 2022) in 189286 Canada Inc. to support its operational and initiative spend.

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, as at	Mar 31 2023	Dec 31 2022
The Co-operators Group Limited	21%	21%
Canadian Credit Union Association	59%	59%