Quarterly Report

Second Quarter of 2023

Results for the Second Quarter of 2023

Overall Financial Results

Second quarter 2023 compared with second quarter 2022:

- Profit of $18.5 million, compared with loss of $26.2 million
- Net financial income of $42.2 million, compared with net financial expense of $25.3 million
- Return on average equity[2] of 5.1 per cent, compared with negative 7.3 per cent

Year-to-date 2023 compared with year-to-date 2022:

- Profit of $19.7 million, compared with loss of $61.6 million
- Net financial income of $48.5 million, compared with net financial expense of $74.6 million
- Return on average equity[2] of 2.8 per cent, compared with negative 9.4 per cent
- Total assets of $11.4 billion as at June 30, 2023, compared with $11.9 billion as at December 31, 2022

Central 1 reported a profit of $18.5 million for its second quarter ended June 30, 2023, compared with loss of $26.2 million in the same quarter last year due to a decrease in the mark-to-market value of financial instruments of $36.5 million.

Central 1 had a well-balanced second quarter, despite ongoing market challenges. Credit spreads in Central 1's investment portfolio narrowed, which resulted in a $27.2 million increase in the fair value of its financial instruments. Non-financial income, excluding strategic initiatives[1], was $37.7 million, up $2.0 million compared to the second quarter of 2022. This was primarily driven by higher transaction volumes in Central 1's payments business.

Growth was offset by interest margin decreases of $5.7 million related to lower total assets in Central 1's investment portfolio as interest rates continue to drive the repricing of financial liabilities. Non-financial expenses, excluding strategic initiatives[1], were up $7.2 million, driven by higher salaries, benefits and professional fees, reflecting inflationary pressures and the build of new capacity and capability.

Investment in strategic initiatives[1], such as Payments Modernization and digital banking projects, went as planned, coming in $3.2 million lower year-over-year.

"I am pleased with Central 1's balanced performance in the quarter. Our results reflect our disciplined approach to risk and capital management as challenging market conditions persist. We remain well-positioned to support Canada's credit unions and financial institutions with the wholesale financial products and services they need to bring essential banking choice to Canadians," said Sheila Vokey, Central 1's President and CEO. "Looking ahead, our strategic priorities will continue to guide our efforts, with a particular focus on operating reliably and effectively through capital and cost management as we enter the second half of 2023."

Economic and Financial Markets Overview

Economic resilience was the theme during the first half of the year, which added further uncertainty to the inflation and interest rate outlook. Inflation trends in both Canada and the United States remained constructive with further declines, but remained above levels targeted by the Bank of Canada (BoC) and the U.S. Federal Reserve. While the large rate increases were triggered in 2022, both central banks continue to fine-tune their monetary policies and pushed rates up recently and have signaled further hikes if the data shows that it is required. Despite rapid rate increases, the economy appears to have not yet fully felt the effects of tightening and economic growth in the first half of 2023 has been surprisingly strong. But the lagged impact of monetary policy means households are expected to tighten their spending due to lower savings and economic growth is expected to slow considerably in the second half of 2023 and into 2024. Even in China, which had a bump in economic activity after pandemic restrictions were eased, is

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

expected to slow further. But because of the stronger than expected first half, overall economic growth in the world for 2023 has been revised upward slightly. The forecast from the BoC's monetary policy report in July expects world GDP to increase 2.8 per cent in 2023, up from the April forecast of 2.6 per cent.

Core Business Financial Performance

Treasury

Treasury's second quarter results benefited from decreased credit spreads in Central 1's investment portfolio, which contributed to a $27.2 million increase in the fair market value of its portfolio. Treasury reported a profit of $29.0 million in the second quarter, up $46.8 million from the same quarter last year, which included the impact from credit spreads widening as a result of the economic uncertainty from the Russia – Ukraine conflict compounded by heightened inflation. Offsetting this was a $4.5 million year-over-year decrease in interest margin due to higher funding costs in the rising rate environment.

Treasury's fee-for-service based business continued to show stable performance during the quarter and improved marginally from the same quarter last year. Investments in Treasury initiatives[1] started in 2023 with $1.0 million spent in the second quarter, which is consistent with Central 1's strategic priorities. Non-financial expense, excluding strategic initiatives[1], in the quarter remained relatively stable year-over-year.

Treasury saw deposit levels stabilize in the second quarter of 2023 from a year-over-year decrease. This trend was observed since the end of COVID-19 as member credit unions deployed excess liquidity to fund loan growth. This has reflected in a decrease of $39.8 million in Treasury's cash and liquid assets[1] from December 31, 2022.

Payments & Digital Banking Platforms and Experiences (DBPX)

Payments & DBPX reported a loss of $6.7 million in the second quarter of 2023, largely in line with the same quarter last year. Non-financial income, excluding strategic initiatives[1], was up $2.5 million year-over-year, driven by increased transaction volumes in combination with price increases in Payments products and adoption of Digital Cybersecurity and Forge 2.0 products. Investments in strategic initiatives[1], which included the Payments Modernization and digital banking initiatives, remained consistent with Central 1's strategic priorities and plans, continued in the second quarter of 2023 at a planned lower level, reflective of a $2.7 million decrease from the second quarter in 2022. This was offset by a $3.1 million increase in non-financial expense, excluding strategic initiatives[1], due to higher salaries and benefits and increased professional fees.

Core Business Highlights

Treasury

Treasury continues to capitalize on opportunities that deliver value to credit unions and their members. In the second quarter of 2023, Central 1's Trust Services department rolled out the First Home Savings Account (FHSA), allowing our credit union members to provide this offering to their members. Not only does the FHSA help expand how credit unions are able to support their members on their financial journeys, but it creates opportunities to attract and provide value to young members – a target growth demographic for credit unions.

Payments & DBPX

Delivery against our digital product roadmap progressed well in the second quarter. Product enhancements included mortgage calculator improvements, the development of a tool to help clients comply with anti-money laundering regulations and void cheque availability in the mobile application.

We also saw solid uptake on two-step verification, a signal of a broadening commitment to cyber defense. The benefits of our refreshed Forge Commercial platform were also realized in the second quarter, with members and clients taking advantage of new features.

In payments, we onboarded a significant new client and facilitated member and client launches for *Interac* e-Transfer®[3] for Business (receive). We also launched with a "champion" client for *Interac* e-Transfer®[3] for Business (send) and successfully migrated to Fiserv for inbound wire payments and are on track to implement outbound wires by the end of the year.

Enterprise Fraud management is now live on almost all transaction types for *Interac* e-Transfer®[3]. We saw very strong results, surpassing our annual target in the second quarter on catch rates, meaning our solution is effectively identifying and preventing fraudulent payments. We expect these rates to continue to improve as we integrate with key partners and across payment types.

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[2]This is a non-GAAP financial ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.
[3]*Interac* e-Transfer® is a registered trade-mark of Interac Corp. used under license.

Management's Discussion & Analysis

June 30, 2023

Table of Contents

In this Management’s Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated August 25, 2023. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the period ended June 30, 2023, which were authorized for issue by the Board of Directors (the Board) on August 29, 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.

jump to table of contents ◄

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.

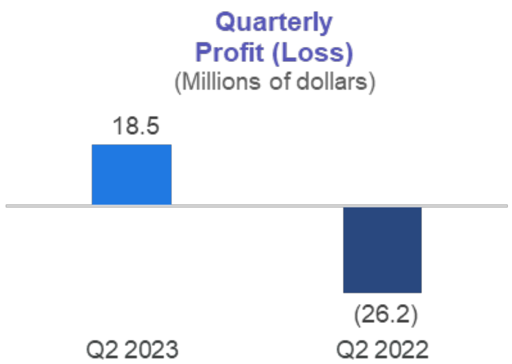
Readers are cautioned that the foregoing list is not intended to be exhaustive and other factors may adversely impact our results. Central 1 does not undertake to update forward-looking statements except as required by law.

jump to table of contents ◄

Financial Results

Overall Performance

Q2 2023 vs Q2 2022



$ millions, except as indicated		Q2 2023		Q2 2022		Change
Interest margin	**$**	**9.8**	$	15.5	$	(5.7)
Gain (loss) on disposal of financial instruments		**5.4**		(3.9)		9.3
Change in fair value of financial instruments		**27.2**		(36.5)		63.7
Impairment loss on financial assets		**(0.2)**		(0.4)		0.2
Net financial income (expense)		**42.2**		(25.3)		67.5
Non-financial income, excluding strategic initiatives[1]		**37.7**		35.7		2.0
Net financial and non-financial income*		**79.9**		10.4		69.5
Non-financial expense, excluding strategic initiatives[1]		**45.4**		38.2		7.2
Strategic initiatives[1]		**9.1**		12.3		(3.2)
Profit (loss) before income taxes		**25.4**		(40.1)		65.5
Income tax expense (recovery)		**6.9**		(13.9)		20.8
Profit (loss)	**$**	**18.5**	$	(26.2)	$	44.7
Return on average assets[2]		**0.3%**		(0.4%)		
Return on average equity[2]		**5.1%**		(7.3%)		
Average assets[1]	**$**	**11,070.9**	$	13,065.3	$	(1,994.4)
Average equity[1]	**$**	**720.7**	$	714.7	$	6.0
Weighted average shares outstanding *(# of shares in millions)*		**43.4**		43.4		-

*Includes interest expense on financial instruments. Total revenue, excluding interest expense[1] for Q2 2023 was $172.7 million (Q2 2022: $43.8 million).

Central 1's profit after tax for the second quarter of 2023 was $18.5 million, compared to a loss of $26.2 million reported in the same quarter last year.

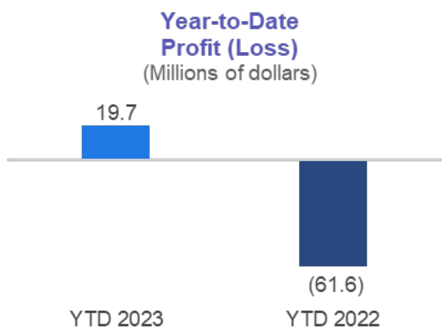
Prior year second quarter results included a $36.5 million decrease in the fair value of financial instruments as a result of the economic uncertainty largely in relation to the Russia – Ukraine conflict and heightened inflation which increased credit spreads. Credit spreads started narrowing in the second quarter of 2023 despite persistent high inflation which reflected a $27.2 million increase in the fair value of Central 1's financial instruments. Offsetting this was a $5.7 million lower interest margin within the investment portfolio primarily driven by higher funding costs due to the repricing of financial liabilities in the rising interest rate environment.

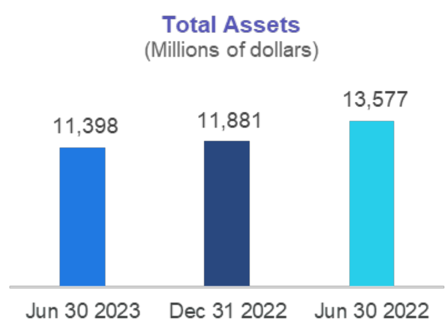
[1]These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.
[2]This is a non-GAAP financial ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

jump to table of contents ◄

Non-financial income, excluding strategic initiatives[1], was $37.7 million, up $2.0 million compared to the second quarter of 2022, primarily driven by higher transaction volumes in Payments products. Investments in strategic initiatives[1] which include Payments Modernization and digital banking initiatives, remained consistent with Central 1's strategic priorities and plans, with the amount spent being $3.2 million lower year-over-year. Non-financial expense, excluding strategic initiatives[1], was up $7.2 million from the second quarter of 2022 driven by higher salaries and benefits and increased professional fees.

YTD 2023 vs YTD 2022





$ millions, except as indicated		For the six months ended June 30				
		2023		**2022**		**Change**
Interest margin	**$**	**21.7**	$	31.1	$	(9.4)
Gain (loss) on disposal of financial instruments		**16.4**		(16.0)		32.4
Change in fair value of financial instruments		**9.9**		(89.7)		99.6
Impairment recovery on financial assets		**0.5**		-		0.5
Net financial income (expense)		**48.5**	$	(74.6)		123.1
Non-financial income, excluding strategic intiatives[1]		**79.1**		74.0		5.1
Net financial and non-financial income*		**127.6**		(0.6)		128.2
Non-financial expense, excluding strategic initiatives[1]		**86.0**		75.3		10.7
Strategic initiatives[1]		**20.0**		20.6		(0.6)
Profit (loss) before income taxes		**21.6**		(96.5)		118.1
Income tax expense (recovery)		**1.9**		(34.9)		36.8
Profit (loss)	**$**	**19.7**	$	(61.6)	$	81.3
Return on average assets[2]		**0.2%**		(0.5%)		
Return on average equity[2]		**2.8%**		(9.4%)		
Average assets[1]	**$**	**11,062.1**	$	13,219.0	$	(2,156.9)
Average equity[1]	**$**	**712.5**	$	736.7	$	(24.2)
Weighted average shares outstanding *(# of shares in millions)*		**43.4**		43.4		-

*Includes interest expense on financial instruments. Total revenue, excluding interest expense[1] for the period ended Jun 30 2023 was $308.0 million (Jun 30 2022: $52.6 million).

Central 1's year-to-date profit after tax was $19.7 million, compared to a loss of $61.6 million reported in the same period last year.

The first half of 2023 reflected strong economic growth despite persistent inflation. Credit spreads narrowed in the second quarter of 2023 which mainly contributed to a $9.9 million increase in the fair value of Central 1's financial instruments for the six months ended June 30, 2023. Interest margin decreased $9.4 million year-over-year due to higher market funding costs.

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

jump to table of contents ◄

Higher transaction volumes in Payments products continued to drive the increase in Central 1's non-financial income, excluding strategic initiatives[1], reflecting in a $5.1 million year-over-year increase. Conversely, higher salaries and benefits and increased professional fees drove a $10.7 million increase in non-financial expense, excluding strategic initiatives[1] compared to the first half of 2022. Spending in strategic initiatives[1] has been at planned levels and consistent with Central 1's strategic priorities.

Selected Financial Information

						As at
		Jun 30 2023		**Dec 31 2022**		**Jun 30 2022**
Balance Sheet *(millions of dollars)*						
Total assets	**$**	**11,398.3**	$	11,881.3	$	13,577.4
Regulatory Ratios						
Total capital ratio[2]		**18.0%**		17.8%		17.6%
Tier 1 capital ratio[2]		**12.7%**		12.4%		12.4%
Borrowing multiple[2]		**13.0:1**		14.7:1		16.5:1
Share Information* *(thousands of dollars, unless otherwise indicated)*						
Outstanding shares *($) - $1 par value*						
Class A - credit unions	**$**	**43,364**	$	43,364	$	43,364
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		43,364
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)

*Share 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 compared to June 30, 2022. Central 1 was in compliance with all regulatory capital requirements as at June 30, 2023, December 31, 2022 and June 30, 2022.

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

jump to table of contents ◄

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.

				For the six months ended June 30		
$ millions	**Q2 2023**	**Q2 2022**	**Change**	**2023**	**2022**	**Change**
Non-financial income as reported	**$ 38.1**	$ 35.7	$ 2.4	**$ 79.8**	$ 74.0	$ 5.8
Less: strategic initiatives income	**0.4**	-	0.4	**0.7**	-	0.7
Non-financial income, excluding strategic initiatives	**$ 37.7**	$ 35.7	$ 2.0	**$ 79.1**	$ 74.0	$ 5.1

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.

				For the six months ended June 30		
$ millions	**Q2 2023**	**Q2 2022**	**Change**	**2023**	**2022**	**Change**
Non-financial expense as reported	**$ 54.9**	$ 50.5	$ 4.4	**$ 106.7**	$ 95.9	$ 10.8
Less: strategic initiatives spend	**9.5**	12.3	(2.8)	**20.7**	20.6	0.1
Non-financial expense, excluding strategic initiatives	**$ 45.4**	$ 38.2	$ 7.2	**$ 86.0**	$ 75.3	$ 10.7

jump to table of contents ◄

Total revenue, excluding interest expense

The net financial and non-financial income reported in Central 1's Interim Consolidated Statement of Profit (Loss) represents Central 1's total revenue which is net of interest expense. The total revenue disclosed as a footnote to the overall performance table of this MD&A is a non-GAAP financial measure as it is calculated by excluding the interest expense from the net financial and non-financial income. Excluding interest expense allows Central 1 to meet the regulatory requirement of total revenue disclosure and also provides more comparable information to the readers.

$ millions	Q2 2023	Q2 2022	Change	For the six months ended June 30 2023	2022	Change
Net financial and non-financial income (expense) as reported	**$ 80.3**	$ 10.5	$ 69.8	**$ 128.3**	$ (0.6)	$ 128.9
Add: interest expense	**92.4**	33.3	59.1	**179.7**	53.2	126.5
Total revenue, excluding interest expense	**$ 172.7**	$ 43.8	$ 128.9	**$ 308.0**	$ 52.6	$ 255.4

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	Q2 2023	Q2 2022	Change	For the six months ended June 30 2023	2022	Change
Reported profit (loss)	**$ 18.5**	$ (26.2)	$ 44.7	**$ 19.7**	$ (61.6)	$ 81.3
Total assets as reported, as at June 30	**$ 11,398.3**	$ 13,577.4	$ (2,179.1)	**$ 11,398.3**	$ 13,577.4	$ (2,179.1)
Impact of averaging daily balances	**(327.4)**	(512.1)	184.7	**(336.2)**	(358.4)	22.2
Average assets, as at June 30	**$ 11,070.9**	$ 13,065.3	$ (1,994.4)	**$ 11,062.1**	$ 13,219.0	$ (2,156.9)
Return on average assets	**0.3%**	(0.4%)		**0.2%**	(0.5%)	
Total equity as reported, as at June 30	**$ 713.3**	$ 688.6	$ 24.7	**$ 713.3**	$ 688.6	$ 24.7
Impact of averaging daily balances	**7.4**	26.1	(18.7)	**(0.8)**	48.1	(48.9)
Average equity, as at June 30	**$ 720.7**	$ 714.7	$ 6.0	**$ 712.5**	$ 736.7	$ (24.2)
Return on average equity	**5.1%**	(7.3%)		**2.8%**	(9.4%)	

jump to table of contents ◄

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 are 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	Jun 30 2023	Dec 31 2022	Jun 30 2022
Federal and provincial government issued and guaranteed securities	**$ 4,141.5**	$ 4,578.2	$ 4,928.9
Corporate and financial institutions securities	**3,373.2**	3,333.9	3,661.2
Asset backed securities	**208.1**	205.4	295.8
Insured mortgages	**35.6**	35.7	52.3
Total liquid assets	**$ 7,758.4**	$ 8,153.2	$ 8,938.2
Add: equity instruments	**40.2**	40.3	60.4
Securities as reported	**$ 7,798.6**	$ 8,193.5	$ 8,998.6

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.

jump to table of contents ◄

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	Jun 30 2023	Dec 31 2022	Jun 30 2022
Total liabilities as reported	$ **10,685.0**	$ 11,190.3	$ 12,888.8
Less: other liabilities as reported	**(88.3)**	(162.8)	(89.5)
Less: subordinated liabilities	**(196.8)**	(198.9)	(201.5)
Less: settlements in-transit excluded from total borrowings	**(553.8)**	(33.8)	(30.8)
Add: subsidiary deposits	**0.3**	0.2	0.1
Total borrowings	$ **9,846.4**	$ 10,795.0	$ 12,567.1

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 which are calculated using different risk weightings for different assets as required by the BCFSA.

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

Liquidity Coverage Ratio (LCR)

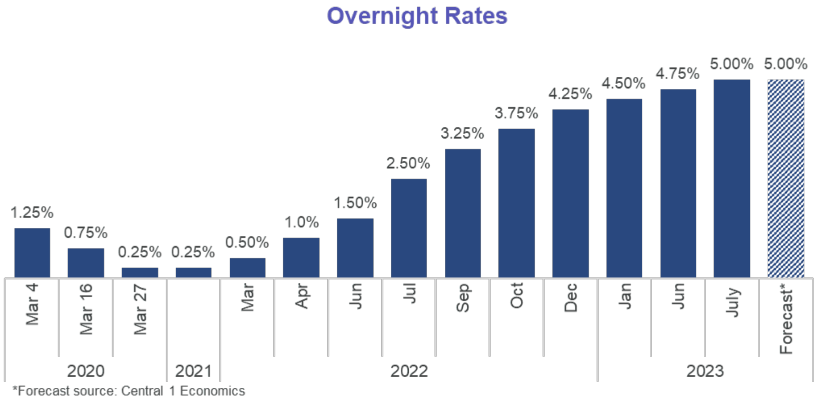
LCR demonstrates whether Central 1 has a sufficient stock of liquid assets to meet 30-day cashflow requirements under a severe stress scenario. It is calculated using the stock of liquid assets, calculated based on Office of the Superintendent of Financial Institutions (OSFI) regulatory requirements, divided by the net cash outflows over the next 30 days.

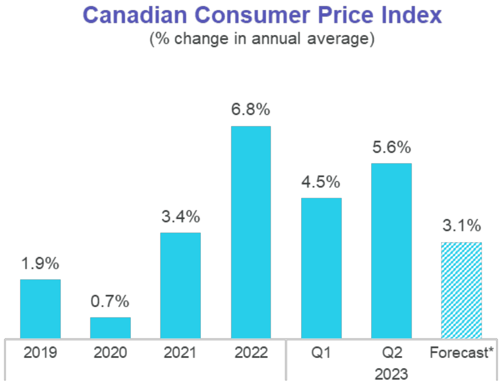
jump to table of contents ◄

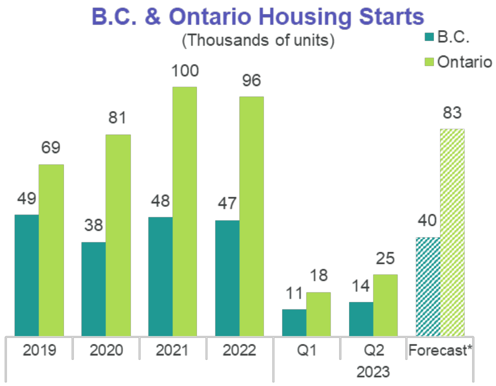
Economic Developments and Outlook

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







Preliminary data is showing that economic activity in Canada is likely to have slowed in the second quarter of 2023 after having grown at a robust annualized rate of 3.1 per cent in the first quarter, higher than previously estimated. Central 1 Economics current forecast for the second quarter have real GDP slowing to 0.8 per cent on an annualized basis. Inflation has also fallen significantly from its peak of 8.1 per cent last summer to the most recent figure in July 2023 of 3.3 per cent. However, it will take further time to reach the policy target rate of 2.0 per cent as core inflation remains elevated and domestic demand remains strong. Supporting factors for growth over the first half of the year included the tight labour market, strong population growth from immigration, strong accumulation of household savings and fiscal measures from provincial and federal governments. Going forward, these are expected to ease. In the labour market, unemployment has edged up slightly, with the most recent July 2023 number at 5.5 per cent, up from the 5.0 per cent rate seen through most of this year. Vacancies rates have also declined this year and while jobs continue to be created, they are increasing at a rate below that of the population growth rate. Consumer spending remains resilient, although growth is expected to be lower in the second quarter when compared to the first and per capita spending has been softer than total spending. Housing activity also appears to have bottomed out with a pickup in activity over the recent months along with some price growth, which has been widespread across the country. It's expected though that the higher interest rates will continue to curb economic activity, contributing to a mild contraction. Central 1 Economics currently projects third quarter real GDP in Canada to decline a modest 0.5 per cent and then slow a further 0.2 per cent in the fourth quarter before returning to growth again in 2024. The unemployment rate should also increase but only marginally with our current forecast for the rest of 2023 at around 5.6 per cent.

Overall economic activity growth in the U.S. is expected to moderate in the second quarter after having grown at an annualized rate of 2.0 per cent in the first quarter. Consumer spending has been resilient with growth still seen in the most recent quarter. Demand for housing remains steady despite the higher mortgage rates but activity was relatively subdued due to low inventory levels. Inflation continues to cool with the most recent annual figure in July coming in at 3.2 per cent. The labour market is still relatively tight, but many employers are reporting an easier time hiring workers. Non-farm payrolls continue to grow month over month, but the rate has slowed from a year ago. The unemployment rate for the month of July was 3.5 per cent, little changed from before. The rate has ranged from 3.4 per cent to 3.7 per cent for over a year. Despite the surprising strength of consumption and investment spending in the first half, growth is expected to slow in the second half and stall at the beginning of 2024 due to restrictive monetary policy, tighter fiscal policy, and lower accumulated savings from consumers.

jump to table of contents ◄

Unemployment rates are expected to rise and wage growths should ease as inflation reaches its target rate of 2.0 per cent. Latest projections for GDP growth for 2023 from the International Monetary Fund have it at 1.6 per cent.

Financial Markets

Financial markets have tightened modestly over the recent quarter. Bond yields in both Canada and the U.S. have risen as both the Bank of Canada (BoC) and the Federal Reserve have continued to increase their policy rates and markets have priced in that the rates would remain elevated for a longer period as inflation rates, while much lower than they were a year ago, are still above target rates. The 10-year benchmark yields are up over 50 basis points (bps) in Canada and 40 bps in the U.S. while shorter term yields are up even more with the 2-year yield in Canada and the U.S. up almost 100 bps. Commodity prices have been relatively stable over the few months although oil prices and base metals are down slightly on concerned the weaker global economy will limit demand, especially from China. Equity markets are also up in some markets, but they are mainly driven by a few technology stocks. The Canadian dollar has changed little in value against the U.S. dollar but has appreciated against a broader basket of currencies.

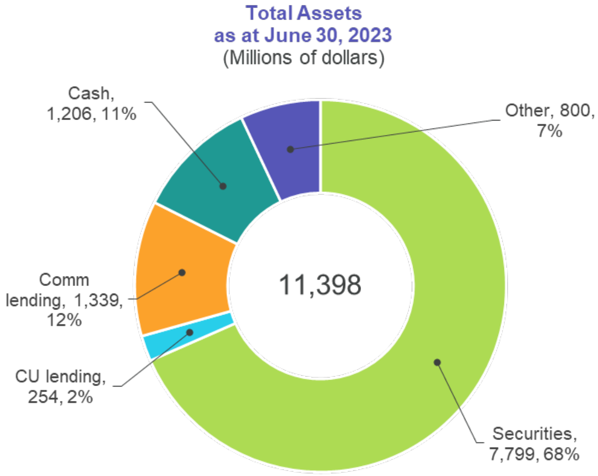
Industry Regulation

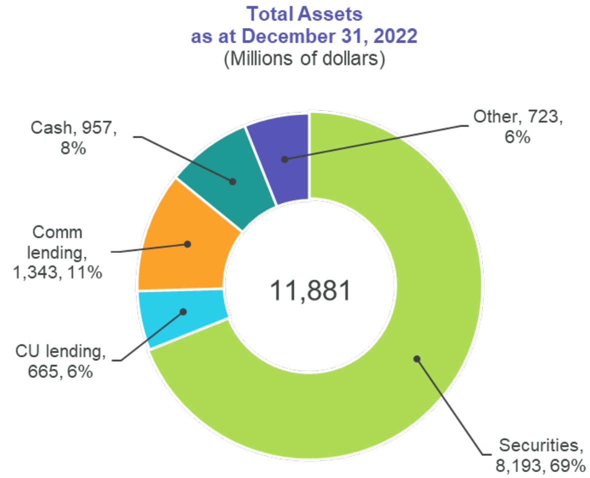
On July 25, 2023, the BCFSA took a significant step towards modernizing the capital framework for B.C.'s Credit Unions by releasing a consultation paper as part of a multi-year initiative to align to the Basel III international standards. A 90-day consultation period will follow where BCFSA is seeking feedback from Credit Unions and the public. Central 1 aims to work closely with the Canadian Credit Union Association (CCUA) and member Credit Union to support BCFSA in this initiative.

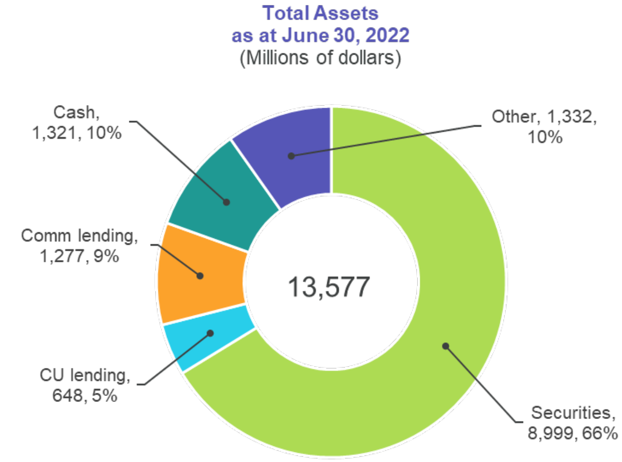
jump to table of contents ◄

Consolidated Statement of Financial Position

Total Assets



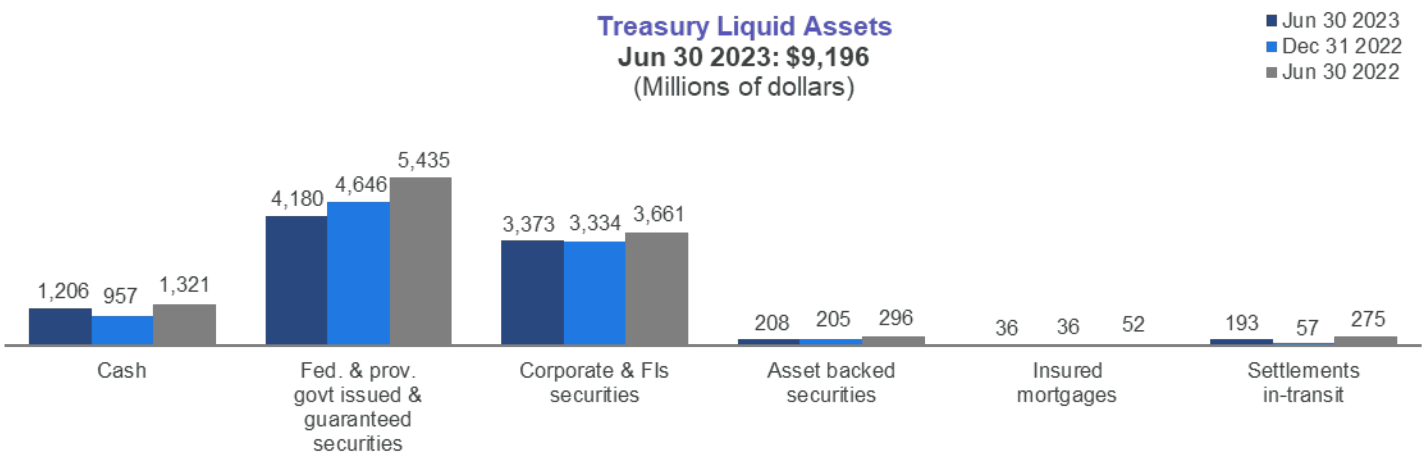




The change in total assets correlates to the change in the size of our funding portfolios. Total assets as at June 30, 2023 decreased by $2.2 billion from June 30, 2022 as credit unions withdrew some of their liquidity deposits to fund loan growth.

Total assets as at June 30, 2023 decreased by $483.0 million from December 31, 2022 driven by the decreased usage of repurchase agreements to fund daily liquidity requirements. Credit unions' withdrawal of deposits started to stabilize in the first half of 2023 after experiencing a year-over-year decrease. Central 1's access to diversified funding sources continues to provide funding for daily liquidity requirements.

Cash and Liquid Assets



$ millions, as at June 30, 2023	Treasury				
	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets[1]
Cash	$ 1,206.1	$ -	**$ 1,206.1**	$ -	$ 1,206.1
Federal and provincial government issued and guaranteed securities	4,141.5	38.6	**4,180.1**	2,067.8	2,112.3
Corporate and financial institutions securities	3,373.2	-	**3,373.2**	51.7	3,321.5
Asset backed securities	208.1	-	**208.1**	-	208.1
Insured mortgages	35.6	-	**35.6**	-	35.6
Settlements in-transit	193.0	-	**193.0**	-	193.0
Total	$ 9,157.5	$ 38.6	**$ 9,196.1**	$ 2,119.5	$ 7,076.6

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

jump to table of contents ◄

$ millions, as at December 31, 2022	Treasury Liquid Assets	Treasury Securities Received as Collateral	Treasury 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

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

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

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

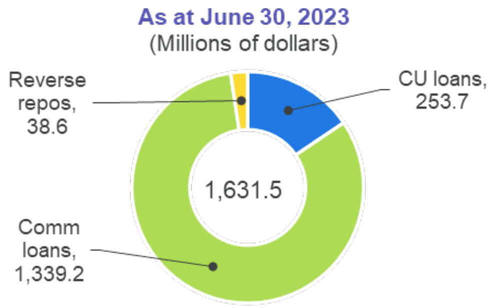
Central 1 manages its liquidity by maintaining a portfolio of high-quality liquid assets to ensure that credit unions have access to reliable and cost-effective sources of liquidity.

Treasury's cash and liquid assets at June 30, 2023 decreased $39.8 million from December 31, 2022 and $1.8 billion from a year ago. Since the end of COVID-19, credit union members started withdrawing their liquidity deposits held with Central 1 to fund their loan growth. The year-over-year decrease has shown stabilization in 2023, reflective of a marginal increase of deposit balance from the 2022 year-end.

Unencumbered assets, which are driven by the volume of repurchase agreements to fund daily liquidity requirements, decreased $0.9 billion from December 31, 2022 and $1.1 billion from a year ago.

jump to table of contents ◄

Loans



$ millions, as at		Jun 30 2023		Dec 31 2022		Jun 30 2022
Loans to credit unions	**$**	**253.7**	$	664.6	$	647.5
Commercial and other loans		**1,339.2**		1,342.6		1,277.1
Reverse repurchase agreements		**38.6**		68.2		506.2
	$	**1,631.5**	$	2,075.4	$	2,430.8

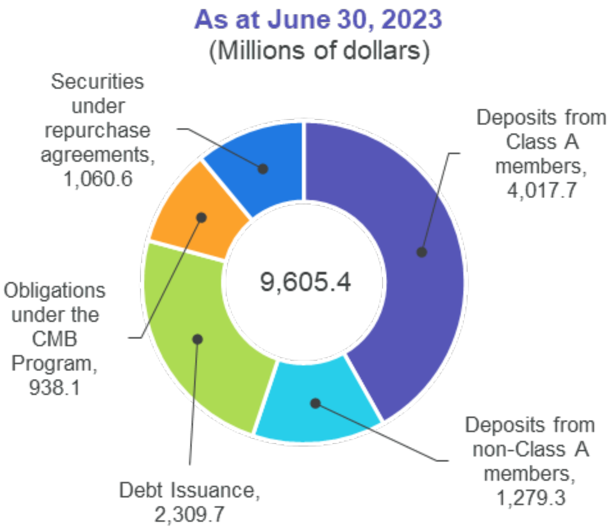
Total loan balances are before the allowance for credit losses and exclude accrued interest, premium and fair value hedge adjustment.

As at June 30, 2023, loans to credit unions were $410.9 million lower than December 31, 2022 as credit unions had sufficient liquidity on their balance sheet to fund their loan growth.

Commercial loans as at June 30, 2023 were flat compared to December 31, 2022 and increased by $62.1 million from June 30, 2022. Reverse repurchase agreements remained relatively stable since December 31, 2022, but decreased by $467.6 million since June 30, 2022.

jump to table of contents ◄

Funding



$ millions, as at		Jun 30 2023		Dec 31 2022		Jun 30 2022
Deposits						
Deposits from Class A members	**$**	**4,017.7**	$	4,146.8	$	5,238.4
Deposits from non-Class A members		**1,279.3**		1,172.8		1,540.0
		5,297.0		5,319.6		6,778.4
Debt Issuance						
Commercial paper		**800.4**		979.5		750.2
Medium-term notes		**1,312.5**		1,018.1		1,171.5
Subordinated liabilities		**196.8**		198.9		201.5
		2,309.7		2,196.5		2,123.2
Obligations under the CMB Program		**938.1**		992.1		1,060.2
Securities under repurchase agreements		**1,060.6**		1,909.7		1,991.6
	$	**9,605.4**	$	10,417.9	$	11,953.4

Central 1 is largely funded through liquidity deposits generated from member credit unions. Compared to December 31, 2022, total deposits began to stabilize from a year-over-year decrease. This trend was observed since the end of COVID-19 as member credit unions withdrew liquidity to fund loan growth. During the first half of 2023, Central 1 maintained good access to external markets and diversified sources of funding, which includes medium term notes (MTN), commercial paper, subordinated liabilities, and repurchase agreements. Total debt issuance increased $113.2 million from December 31, 2022, driven by the new issuance of a $300.0 million MTN on February 7, 2023 partially offset by a $179.1 million decrease in commercial paper issuance.

jump to table of contents ◄

Results by Segment

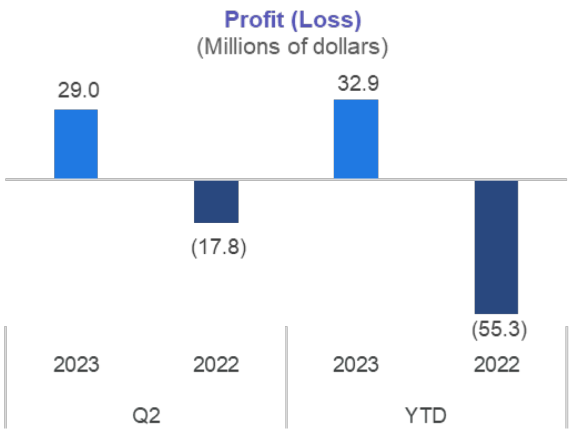
Central 1's operations and activities are reported around two key business segments: Treasury, and Payments & Digital Banking Platforms and Experiences (DBPX). All other activities or transactions are reported in System Affiliates & Other including Central 1's investments in equity shares of system-related 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.

	Central 1 Credit Union	
Key Business Segments	**Treasury**	**Payments & DBPX**
Core Operations and Activities	• Supports the financial and liquidity needs of member credit unions • Provides member credit unions with access to: ○ securitization services; ○ capital markets for short- and long-term fundings; ○ foreign exchange services; ○ derivative capabilities; ○ Group Clearer settlement function; and ○ other treasury services	• Develops and operates innovative digital banking technologies and payment processing solutions for member credit unions, other financial institutions and corporate clients • Implementing the Payments Modernization Processing initiative to enable clients to be compliant with new Payments Canada and Bank of Canada requirements
System Affiliates & Other	• Includes Central 1's investments in equity shares of system-related entities • Includes the costs of implementing certain strategic initiatives other than ones included in the key segments of business above	

jump to table of contents ◄

Treasury



$ millions	Q2 2023	Q2 2022	Change	For the six months ended June 30 2023	2022	Change
Interest margin	**$ 11.1**	$ 15.6	$ (4.5)	**$ 23.3**	$ 31.3	$ (8.0)
Gain (loss) on disposal of financial instruments	**5.4**	(3.9)	9.3	**16.4**	(16.1)	32.5
Change in fair value of financial instruments	**27.2**	(36.5)	63.7	**9.9**	(89.7)	99.6
Impairment recovery (loss) on financial assets	**(0.2)**	(0.4)	0.2	**0.5**	-	0.5
Net financial income (expense)	**43.5**	(25.2)	68.7	**50.1**	(74.5)	124.6
Non-financial income	**7.7**	8.1	(0.4)	**16.7**	16.2	0.5
Net financial and non-financial income	**51.2**	(17.1)	68.3	**66.8**	(58.3)	125.1
Non-financial expense, excl. strategic initiatives[1]	**10.4**	9.9	0.5	**20.4**	20.0	0.4
Strategic initiatives[1]	**1.0**	-	1.0	**1.4**	-	1.4
Profit (loss) before income taxes	**39.8**	(27.0)	66.8	**45.0**	(78.3)	123.3
Income tax expense (recovery)	**10.8**	(9.2)	20.0	**12.1**	(23.0)	35.1
Profit (loss)	**$ 29.0**	$ (17.8)	$ 46.8	**$ 32.9**	$ (55.3)	$ 88.2

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

Q2 2023 vs Q2 2022

For the second quarter of 2023, Treasury reported a profit of $29.0 million, compared to a loss of $17.8 million in the same quarter last year. During the current quarter credit spreads narrowed, which increased the fair value of the Treasury portfolio by $27.2 million. Offsetting this was a $4.5 million year-over-year decrease in interest margin driven by increased market funding cost. Treasury's fee-based business continued to generate consistent non-financial income, reflective of a marginal decrease of $0.4 million year-over-year. Investments in Treasury initiatives[1] started in 2023 and are consistent with Central 1's strategic priorities. Non-financial expense, excluding strategic initiatives[1], was also broadly in line with the same period last year.

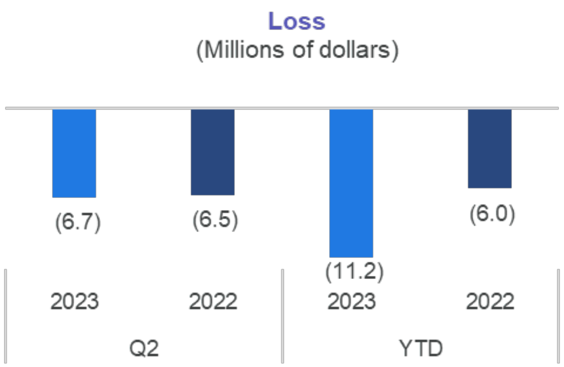
YTD 2023 vs YTD 2022

For the first half of 2023, Treasury reported a profit of $32.9 million, compared to a loss of $55.3 million in the same period last year. Treasury reported a $99.6 million year-on-year increase in the fair value of its portfolio primarily a result of credit spreads narrowing during the second quarter of 2023. However, Treasury's interest margin decreased $8.0 million year-over-year as market funding became more expensive. Non-financial income and non-financial expense, excluding strategic initiatives[1], remained relatively stable year-over-year. Investments in strategic initiatives[1] are also consistent with Central 1's strategic priorities.

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

jump to table of contents ◄

Payments & DBPX



$ millions	Q2 2023	Q2 2022	Change	For the six months ended June 30 2023	2022	Change
Net financial expense	**$ (1.4)**	$ (0.1)	$ (1.3)	**$ (1.6)**	$ (0.1)	$ (1.5)
Non-financial income, excl. strategic initiatives[1]	**29.8**	27.3	2.5	**57.7**	52.7	5.0
Net financial expense and non-financial income	**28.4**	27.2	1.2	**56.1**	52.6	3.5
Non-financial expense, excl. strategic initiatives[1]	**32.0**	28.9	3.1	**62.4**	54.9	7.5
Strategic initiatives[1]	**5.6**	8.3	(2.7)	**13.2**	15.0	(1.8)
Loss before income taxes	**(9.2)**	(10.0)	0.8	**(19.5)**	(17.3)	(2.2)
Income tax recovery	**(2.5)**	(3.5)	1.0	**(8.3)**	(11.3)	3.0
Loss	**$ (6.7)**	$ (6.5)	$ (0.2)	**$ (11.2)**	$ (6.0)	$ (5.2)

Q2 2023 vs Q2 2022

Payments & DBPX reported a loss of $6.7 million in the second quarter of 2023, broadly in line with the same quarter last year. Net financial expense increased $1.3 million from the same period last year, driven by higher funding costs relating to Central 1's clearing function with the BoC. Non-financial income, excluding strategic initiatives[1], was up by $2.5 million supported by higher transaction volumes in combination with price increases in Payments products and adoption of Digital Cybersecurity and Forge 2.0 products. Investments in strategic initiatives[1], which included the Payments Modernization and digital banking initiatives, continued at a planned level and were consistent with Central 1's strategic priorities with the spend in the current quarter being $2.7 million lower compared to the same quarter last year. Offsetting this was a $3.1 million increase in non-financial expense, excluding strategic initiatives[1], driven by higher salaries and benefits and increased professional fees.

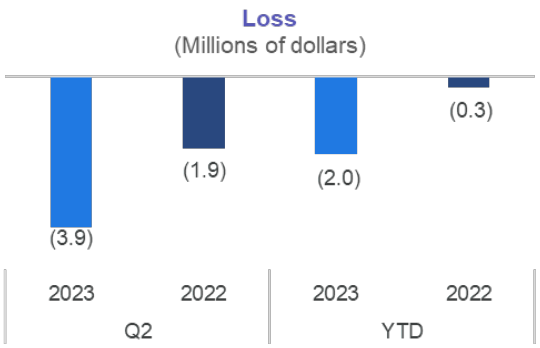
YTD 2023 vs YTD 2022

Payments & DBPX reported a year-to-date loss of $11.2 million, compared to a loss of $6.0 million from the same period last year. Similar to the second quarter results, higher interest rates resulted in higher funding costs, and thus higher net financial expense. Non-financial income, excluding strategic initiatives[1], was up by $5.0 million supported by higher transaction volumes in combination with price increases in Payments products and adoption of Digital Cybersecurity and Forge 2.0 products. Investments in strategic initiatives[1], which included the Payments Modernization and digital banking initiatives, continued at a planned level and were consistent with Central 1's strategic priorities with the spend being $1.8 million lower year-over-year. Offsetting this was a $7.5 million increase in non-financial expense, excluding strategic initiatives[1], driven by higher salaries and benefits and increased professional fees.

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

jump to table of contents ◄

System Affiliates & Other



$ millions	Q2 2023	Q2 2022	Change	For the six months ended June 30 2023	2022	Change
Net financial and non-financial income	$ 0.2	$ 0.4	$ (0.2)	4.7	5.1	(0.4)
Non-financial expense, excl. strategic initiatives[1]	3.0	(0.5)	3.5	3.2	0.4	2.8
Strategic initiatives[1]	2.5	4.0	(1.5)	5.4	5.6	(0.2)
Loss before income taxes	(5.3)	(3.1)	(2.2)	(3.9)	(0.9)	(3.0)
Income tax expense (recovery)	(1.4)	(1.2)	(0.2)	(1.9)	(0.6)	(1.3)
Loss	$ (3.9)	$ (1.9)	$ (2.0)	$ (2.0)	$ (0.3)	$ (1.7)

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

Q2 2023 vs Q2 2022

In the second quarter of 2023, System Affiliates & Other reported a loss of $3.9 million, compared to a loss of $1.9 million from the same quarter last year.

Non-financial income for the current quarter was flat year-over-year and non-financial expense, excluding strategic initiatives[1], increased $3.5 million from the same quarter last year driven by unallocated corporate cost. Central 1's investments in strategic initiatives continued into the second quarter of 2023 at a planned level, reflecting a lower spend of $1.5 million compared to the same quarter last year.

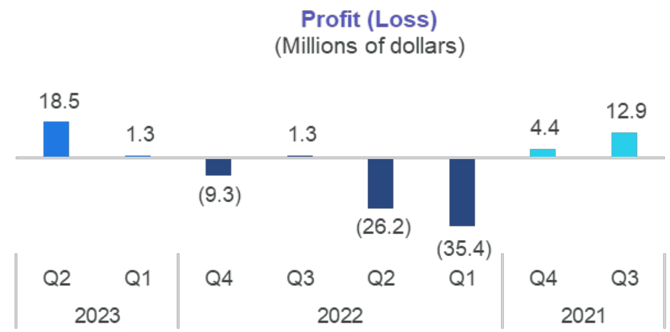
YTD 2023 vs YTD 2022

System Affiliates & Other reported a year-to-date loss of $2.0 million, compared to a loss of $0.3 million from the same period last year, driven by unallocated corporate cost while non-financial income remained consistent year-over-year.

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

jump to table of contents ◄

Summary of Quarterly Results



	2023		2022				2021	
$ thousands, except as indicated	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Interest income	**$ 102,196**	$ 99,215	$ 90,325	$ 74,518	$ 48,866	$ 35,540	$ 31,847	$ 31,160
Interest expense	**92,426**	87,264	76,626	58,372	33,335	19,893	20,054	18,994
Interest margin	**9,770**	11,951	13,699	16,146	15,531	15,647	11,793	12,166
Gain (loss) on disposal of financial instruments	**5,426**	10,964	35,759	1,148	(3,871)	(12,161)	(3,321)	6,012
Change in fair value of financial instruments	**27,171**	(17,247)	(50,185)	(9,113)	(36,522)	(53,204)	9,698	1,318
	32,597	(6,283)	(14,426)	(7,965)	(40,393)	(65,365)	6,377	7,330
Impairment recovery (loss) on financial assets	**(212)**	701	13	(394)	(413)	433	(461)	3
Net financial income (expense)	**42,155**	6,369	(714)	7,787	(25,275)	(49,285)	17,709	19,499
Non-financial income[1]	**38,123**	41,669	36,263	39,747	35,733	38,265	36,518	40,413
Net financial and non-financial income (expense)	**80,278**	48,038	35,549	47,534	10,458	(11,020)	54,227	59,912
Non-financial expense[1]	**54,913**	51,779	53,871	45,944	50,509	45,338	45,844	43,133
Profit (loss) before income taxes	**25,365**	(3,741)	(18,322)	1,590	(40,051)	(56,358)	8,383	16,779
Income tax expense (recovery)	**6,905**	(5,022)	(9,061)	335	(13,823)	(20,982)	4,007	3,908
Profit (loss)	**$ 18,460**	$ 1,281	$ (9,261)	$ 1,255	$ (26,228)	$ (35,376)	$ 4,376	$ 12,871
Weighted average shares outstanding *(millions)*	**43.4**	43.4	43.4	43.4	43.4	43.4	43.4	43.4
Earnings (loss) per share *(cents)*[2]								
Basic/Diluted	**42.6**	(21.4)	3.0	(60.4)	(81.6)	10.1	29.7	8.1

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

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

jump to table of contents ◄

The analysis of the past eight quarters reflects the sustained performances 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 half of 2023 due to higher market funding costs as a result of the repricing of financial liabilities in the rising interest rate environment.

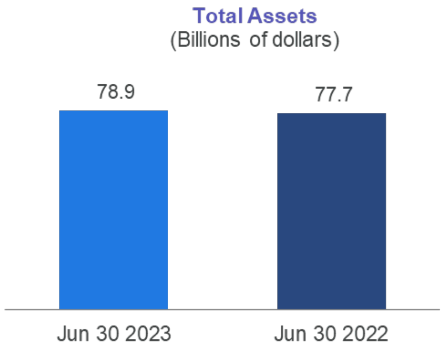
The last two quarters in 2021 reflected stabilized financial markets and positive economic outlook, leading to net realized gains recognized during both quarters. The first quarter of 2022 started the year with significant fair value losses as a result of the economic uncertainty primarily from rising inflation and the Russia – Ukraine conflict which increased credit spreads across all tenors. For the remainder of 2022, credit spreads remained elevated until the first quarter in 2023 when Regional Banking concerns in the U.S. caused credit spreads to temporarily widen resulting in a smaller fair value loss. Credit spreads started narrowing during the second quarter of 2023, reflective of a fair value gain of $27.2 million.

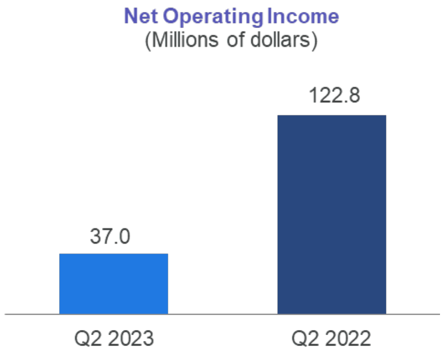
Since the third quarter of 2021, Central 1 received U.S. Central liquidation distributions totaling $10.2 million (US $8.0 million) of which $5.5 million (US $4.4 million) was received in 2021 and $4.2 million (US $3.2 million) was received in 2022 and the final distribution of $0.5 million (US $0.4 million) was received in the first quarter of 2023. In addition, Central 1 received a $0.8 million Provincial Sales Tax (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 two quarters of 2023 driven by higher salaries and benefits and increased professional fees.

jump to table of contents ◄

Credit Union System Performance

British Columbia





Comparative figure has been represented.

The B.C. system's net operating income for the second quarter of 2023 was $37.0 million, down $85.8 million or 69.9 per cent from the same period in 2022. Net interest income decreased $78.9 million or 21.3 per cent over the same period last year as lending spreads decreased. Non-interest income increased by $8.4 million or 10.8 per cent year-over-year. Non-interest expenses increased by $15.3 million or 4.7 per cent year-over-year on higher salaries and benefits and other non-interest expenses.

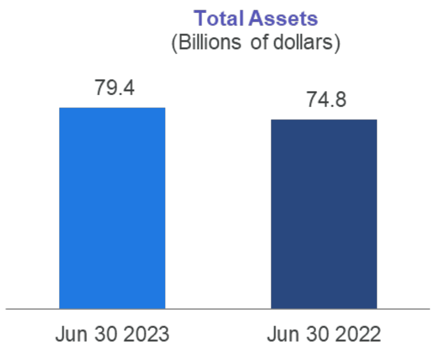
Total assets increased $1.2 billion or 1.6 per cent year-over-year to reach $78.9 billion at the end of the second quarter. Asset growth was led by higher residential and commercial mortgages, which were up 2.6 per cent and 2.8 per cent, respectively. Total liabilities increased $1.0 billion led by a 12.9 per cent increase in non-registered term deposits, but offset by a 10.7 per cent decrease in non-registered demand deposits.

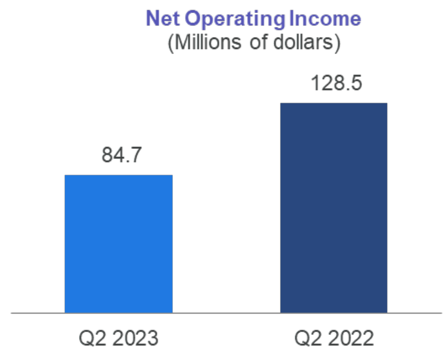
The system's rate of loan delinquencies over 90 days was 0.14 per cent of total loans at the end of June 2023, up six bps from a year ago. The B.C. system's loan loss expense ratio in the second quarter of 2023 was negative 0.01 per cent, down six bps from a year ago.

The B.C. system had $37.9 billion in risk weighted assets (RWA) and regulatory capital as a percentage of RWA was 14.6 per cent at the end of June 2023, virtually the same as a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 15.9 per cent of deposit and debt liabilities, down 61 bps from a year ago. The B.C. system's return on assets was 0.19 per cent annualized in the second quarter, down 46 bps from a year ago.

jump to table of contents ◄

Ontario





Comparative figure has been represented.

The Ontario system’s net operating income for the second quarter of 2023 was $84.7 million, down $43.8 million from a year earlier. Net interest income decreased $17.7 million or 4.8 per cent over the same period last year to $351.7 million on a lower gross spread. Non-interest income decreased $7.6 million year-over-year or 10.6 per cent on lower securitization, rent, and other income. Non-interest expense increased $18.4 million or 5.9 per cent year-over-year led by higher salaries and benefits and higher other non-financial expenses.

Total assets increased 6.1 per cent year-over-year to reach $79.4 billion as of June 30, 2023, led by a $2.8 billion increase in residential mortgages. Total liabilities increased 5.9 per cent year-over-year to reach $73.8 billion, led by growth in term deposits, which were up 27.2 per cent or $5.5 billion. In contrast, demand deposits declined by 15.4 per cent or $4.4 billion.

The rate of loan delinquencies over 90 days was 0.16 per cent of total loans at the end of June 30, 2023, the same as it was a year ago. Provision for credit losses as a percentage of loans was 0.24 per cent, down two bps from a year earlier. The Ontario system’s loan loss expense ratio was 0.02 per cent annualized in the second quarter of 2023, up one bps from the same period last year.

The Ontario system's RWA was $37.9 billion and regulatory capital as a percentage of RWA was 13.5 per cent at the end of June 30, 2023, up 28 bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 13.0 per cent of deposit and debt liabilities, down 91 bps from a year ago. The Ontario system’s return on assets was 0.43 per cent annualized in the second quarter, down 27 bps from a year ago.

jump to table of contents ◄

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 $ millions, as at	Jun 30 2023	Dec 31 2022	Jun 30 2022
Interest rate contracts			
Swap contracts	**$ 32,766.0**	$ 31,844.0	$ 32,378.2
Futures contracts	**538.0**	604.0	840.0
Bond forwards	**3.3**	-	114.8
	33,307.3	32,448.0	33,333.0
Foreign exchange contracts			
Foreign exchange forward contracts	**642.4**	543.5	875.7
Other derivative contracts			
Equity index-linked options	**199.8**	221.1	229.8
	$ 34,149.5	$ 33,212.6	$ 34,438.5

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.

jump to table of contents ◄

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		Jun 30 2023		Dec 31 2022		Jun 30 2022
Commitments to extend credit	**$**	**5,472.4**	$	4,976.6	$	4,774.9
Guarantees						
Financial guarantees	**$**	**683.6**	$	717.6	$	822.6
Performance guarantees	**$**	**330.0**	$	130.0	$	100.0
Standby letters of credit	**$**	**232.5**	$	236.9	$	236.6
Future prepayment swap reinvestment commitment	**$**	**810.9**	$	797.9	$	890.4

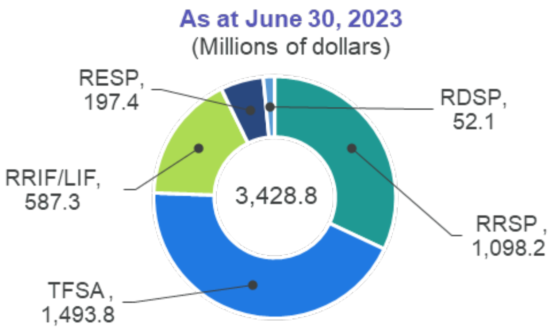
In the normal course of business, Central 1 enters into various off-balance sheet arrangements to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, guarantees, standby letter of credit, and future prepayment swap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

Commitments to extend credit, representing undrawn commitments, increased $495.8 million and $697.5 million from December 31, 2022 and June 30, 2022, respectively. Financial guarantees decreased $34.0 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 $79.5 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.

jump to table of contents ◄

Assets under Administration



$ millions, as at		Jun 30 2023		Dec 31 2022		Jun 30 2022
Registered Retirement Savings Plans (RRSP)	$	**1,098.2**	$	1,062.2	$	1,082.8
Tax-Free Savings Accounts (TFSA)		**1,493.8**		1,382.9		1,317.7
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)		**587.3**		585.2		545.9
Registered Education Savings Plans (RESP)		**197.4**		194.5		196.1
Registered Disability Savings Plans (RDSP)		**52.1**		48.2		45.7
	$	**3,428.8**	$	3,273.0	$	3,188.2

Comparative figures have been represented.

Assets under Administration (AUA) mainly include government approved registered plans, which are trusteed and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members. 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 also 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 7.5 per cent increase in AUA from June 30, 2022, and 4.8 per cent increase from December 31, 2022. TFSA sales continued its upward trend, due to increasing popularity among 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. Central 1 started offering the FHSA to credit unions with a few credit unions being onboarded during the second quarter. This new product is expected to compete with RRSP and TFSA contributions.

jump to table of contents ◄

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.

jump to table of contents ◄

Regulatory Capital

$ millions, except as indicated, as at	Jun 30 2023	Dec 31 2022	Jun 30 2022
Share capital	**$ 43.4**	$ 43.4	$ 43.4
Retained earnings	**676.9**	656.8	666.2
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.7)	(4.7)
Tier 1 capital[2]	**715.6**	695.5	704.9
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	**932.9**	912.8	926.4
Statutory capital adjustments	**(174.2)**	(176.3)	(166.7)
Total regulatory capital[2]	**$ 758.7**	$ 736.5	$ 759.7
Borrowing multiple - Consolidated[3]	**13.0:1**	14.7:1	16.5:1

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

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

In determining regulatory capital, adjustments are required to the amount of capital reflected in our 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 June 30, 2023, Central 1's consolidated borrowing multiple was 13.0:1 compared to 16.5:1 at June 30, 2022, largely due to the reduction in total borrowings. Central 1 was in compliance with all regulatory capital requirements as at June 30, 2023, December 31, 2022 and June 30, 2022.

jump to table of contents ◄

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 domestic 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.

jump to table of contents ◄

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 within parameters established in our policies, management standards and procedures that include:

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

In the second quarter of 2023, Central 1 increased its expected credit loss (ECL) allowance for the Commercial Real Estate Lending (CREL) portfolio by $207.8 thousand to a total of $3.08 million. The increase of provisions is recorded due to transition of one loan from Stage 1 to Stage 2. ECL allowance for the Investment portfolio increased by $4.1 thousand to a total of $255.1 thousand. While the economic environment remains challenging, the economic data supports a better-than-expected economic outlook which led to a decreased probability of default, although at a smaller scale compared to the first quarter of 2023 forecast. The ECL 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 $4.25 billion or 55.48 per cent of the portfolio. Treasury holds $2.16 billion in securities that are rated A or lower and $179.9 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.

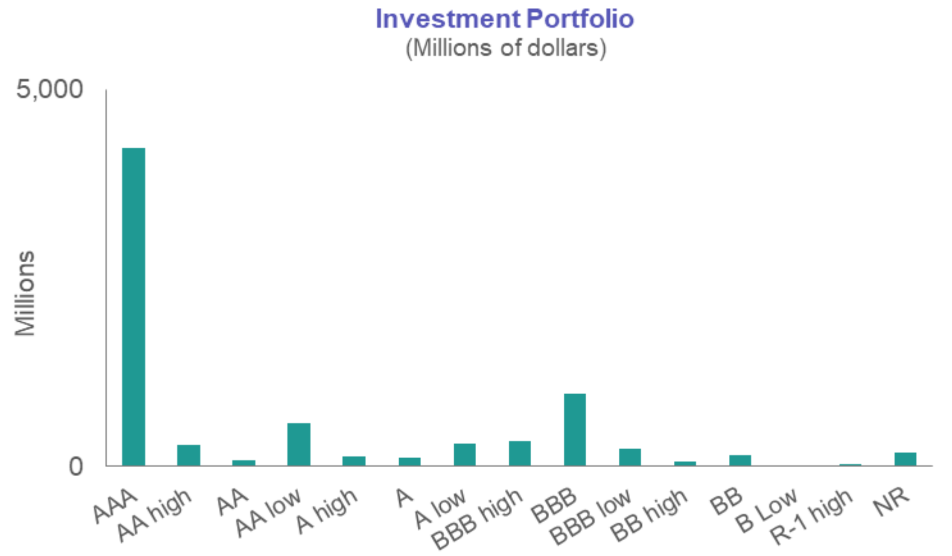
Credit Union Lending

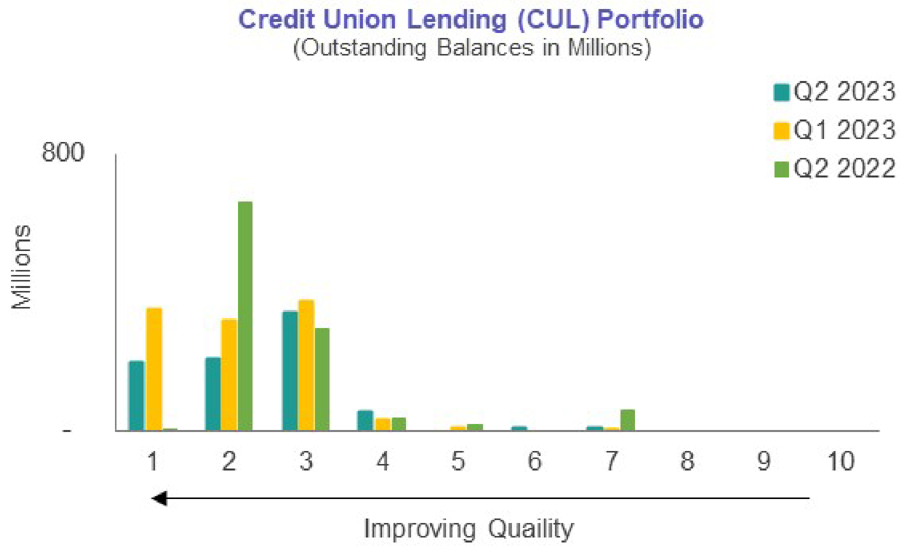
There are no impaired loan facilities in the Credit Union Lending portfolio. As at June 30, 2023, there were five Ontario credit unions and one B.C. credit union classified as Watch List. A Watch List rating is assigned to entities whose level of default risk increased materially, but loans are not in default and remain on an accrual basis. Watch List accounts require enhanced monitoring and/or workout planning. The Watch List accounts represented 1.5 per cent of the authorized portfolio as at June 30, 2023. The security provided for the Watch List facilities is substantial and no losses are expected.

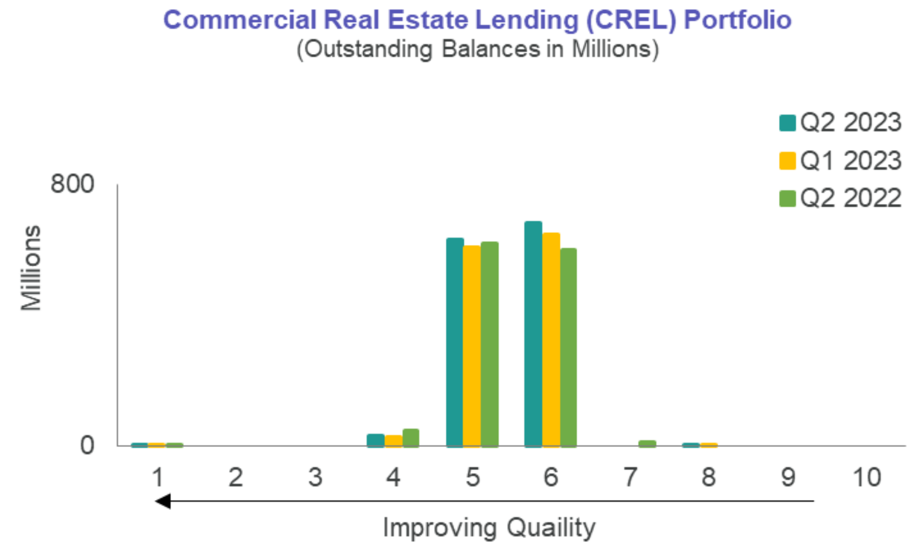
Commercial Real Estate Lending

There was one impaired account in the portfolio representing 0.11 per cent of the portfolio balance as at June 30, 2023. The loan is secured by real estate assets and is subject to close monitoring. Another loan was assigned the Watch List status effective July 14, 2023 but reflected an event existed prior to the end of the second quarter, which contributed to the $0.2 million ECL expense recognized in the current quarter.

jump to table of contents ◄







jump to table of contents ◄

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. In order to ensure sufficient preparedness for an exceptional liquidity event within the Credit Union system, Central 1 has planned a strategy to enhance the Enterprise-wide Stress Testing framework. The enhancement encompasses a table-top exercise to be completed by the end of 2023.

Member utilization of committed credit facilities with Central 1 trended down in the second quarter of 2023 compared to the first quarter of 2023. Year over year, utilization of credit facilities is down materially, primarily through a decreased reliance on liquidity lines, whereas contingency facilities remain broadly stable. 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.

jump to table of contents ◄

As of June 30, 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.

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	LTM Average[1]
OSFI LCR	**131.1%**	127.6%	124.1%	145.4%	126.3%	121.5%

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

Market Risk

The level of market risk Central 1 is exposed to varies according to market conditions and the composition of our investment, securitization, 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 remained stable over the first quarter, while Interest Rate VaR and Credit Spread VaR were also stable quarter over quarter.

	Treasury				Last 12 Months		
$ millions	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Average	High	Low
Interest Rate VaR	**$ 2.8**	$ 2.4	$ 2.7	$ 4.5	$ 3.1	$ 4.7	$ 2.3
Credit Spread VaR	**2.3**	2.3	2.9	3.4	2.8	3.5	2.1
Foreign Exchange VaR	**2.1**	2.3	1.9	1.7	2.1	3.4	1.0
Diversification[1]	**(3.4)**	(3.3)	(3.4)	(4.4)	(3.7)	nm	nm
Total VaR	**$ 3.8**	$ 3.7	$ 4.1	$ 5.2	$ 4.3	$ 5.5	$ 3.3
Expected Shortfall	**$ 4.2**	$ 4.5	$ 5.5	$ 6.5	$ 5.2	$ 6.5	$ 4.1

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

nm - not meaningful to calculation

jump to table of contents ◄

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 also remained stable over the second quarter.

	Treasury				Last 12 Months		
$ millions	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Average	High	Low
1-Day SVaR	**$ 9.9**	$ 9.4	$ 10.5	$ 12.5	$ 12.1	$ 42.9	$ 9.1
10-Day SVaR	**$ 25.1**	$ 26.6	$ 34.5	$ 35.4	$ 32.8	$ 43.5	$ 23.4

Foreign Exchange Rate Exposure

Central 1 historically does not run material foreign exchange (FX) risk on its portfolio. Central 1's FX exposure is largely concentrated in USD, and a small amount of FX exposure is held in other major currencies from 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	$ 14.6	$ (4.2)	$ 10.4	1.3239	$ 13.8

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-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 (e.g., cyber-attacks), and third-party fails could have an adverse impact on Central 1s ability to provide services to members. This could cause reputational damage or otherwise adversely impact the ability to conduct business.

jump to table of contents ◄

In the normal course of business, these types of risks are 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 Risk Appetite Statements (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: The present economic landscape exhibits a heightened susceptibility to downturns. Recent developments within the US Reginal Banking system, coupled with an elevated risk of recession, contribute to a greater degree of uncertainty in the economy, Central 1 is particularly exposed to economic downturns due to their potential to increase probability of defaults, profit margins tightening and credit spreads widening.

- Environmental Social and Governance (ESG): Increased scrutiny on how Central 1 addresses environmental and social issues and its ability to comply with forthcoming regulations

jump to table of contents ◄

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 current macroeconomic environment continues 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 second 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. On July 1, 2023, Central 1 completed the first phase of transition where all new treasury products are priced and benchmarked to Canadian Overnight Repo Rate Average (CORRA). The next phase is to start the transition of the existing products benchmarked to Canadian Dollar Offered Rate (CDOR) in preparation for the June 28, 2024 CDOR cessation.

As at June 30, 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 $552.3 million and $34.5 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.

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. Central 1's CORRA Working Group continues to incorporate ongoing developments into its project plan and keep credit union members informed on any recent developments. The Group provides regular update to senior management and stakeholders.

jump to table of contents ◄

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 financial instruments held-for-trading purposes. It is concluded that, by presenting interest income/expense for financial instruments held-for-trading purposes within gain (loss) on disposal of financial instruments 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. For further details refer to Note 16 of the Interim Consolidated Financial Statements.

Future Accounting Policies

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 June 30, 2023 and December 31, 2022.

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

Subsequent Event

On August 16, 2023, Central 1 redeemed $21.0 million principal amount of Series 5 subordinated notes. The notes bore interest at a floating rate based on the 90-day Bankers' Acceptance rate plus 10 bps.

jump to table of contents ◄

Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

jump to table of contents ◄

Interim Consolidated Financial Statements

As at and for the Period Ended June 30, 2023 and 2022

Interim Consolidated Statement of Financial Position (Unaudited)

$ thousands, as at	Notes		Jun 30 2023		Dec 31 2022
Assets					
Cash	4	**$**	**1,206,111**	$	957,228
Settlements in-transit			**193,012**		57,268
Securities	5		**7,798,649**		8,193,482
Loans	6		**1,633,935**		2,078,156
Derivative assets	7		**354,344**		378,674
Current tax assets			**-**		3,455
Property and equipment			**15,569**		16,691
Intangible assets			**20,463**		19,948
Investments in affiliates			**89,574**		88,935
Deferred tax assets			**61,141**		64,119
Other assets	9		**25,458**		23,303
		$	**11,398,256**	$	11,881,259
Liabilities					
Settlements in-transit		**$**	**861,389**	$	483,468
Deposits	10		**5,296,965**		5,319,628
Obligations related to securities sold short			**3,293**		-
Securities under repurchase agreements			**1,060,596**		1,909,708
Obligations under the Canada Mortgage Bond Program	11		**938,135**		992,140
Derivative liabilities	7		**126,477**		126,142
Debt securities issued	12		**2,112,947**		1,997,569
Subordinated liabilities	13		**196,840**		198,887
Other liabilities	14		**88,311**		162,793
			10,684,953		11,190,335
Equity					
Share capital	15		**43,401**		43,401
Retained earnings			**676,896**		656,814
Accumulated other comprehensive loss			**(6,994)**		(9,291)
Total equity			**713,303**		690,924
		$	**11,398,256**	$	11,881,259
Guarantees, commitments, contingencies and pledged assets	21				
Subsequent event	25				

Approved by the Directors:

"Shelley McDade"

Shelley McDade
Chair

"Paul Challinor"

Paul Challinor
Chair
Audit and Finance Committee

See accompanying Notes to the Interim Consolidated Financial Statements

jump to table of contents ◄

Interim Consolidated Statement of Profit (Loss) (Unaudited)

		For the three months ended		For the six months ended	
		Jun 30	Jun 30	Jun 30	Jun 30
$ thousands	Notes	2023	2022	2023	2022
Interest income					
Securities		**$ 71,623**	$ 32,244	**$ 140,327**	$ 55,371
Loans		**30,573**	16,622	**61,084**	29,035
		102,196	48,866	**201,411**	84,406
Interest expense					
Deposits		**49,077**	16,615	**90,687**	25,021
Debt securities issued		**41,759**	15,314	**85,855**	25,441
Subordinated liabilities		**1,468**	1,274	**2,904**	2,492
Obligations under the CMB Program		**122**	132	**244**	274
		92,426	33,335	**179,690**	53,228
Interest margin		**9,770**	15,531	**21,721**	31,178
Gain (loss) on disposal of financial instruments	16	**5,426**	(3,871)	**16,390**	(16,032)
Change in fair value of financial instruments	17	**27,171**	(36,522)	**9,924**	(89,726)
		42,367	(24,862)	**48,035**	(74,580)
Impairment recovery (loss) on financial assets	8	**(212)**	(413)	**489**	20
Net financial income (expense)		**42,155**	(25,275)	**48,524**	(74,560)
Non-financial income	18	**38,123**	35,733	**79,792**	73,998
Net financial and non-financial income (expense)		**80,278**	10,458	**128,316**	(562)
Non-financial expense					
Salaries and employee benefits		**31,044**	26,380	**60,023**	50,908
Premises and equipment		**1,141**	940	**2,406**	2,191
Other administrative expense	19	**22,728**	23,189	**44,263**	42,748
		54,913	50,509	**106,692**	95,847
Profit (loss) before income taxes		**25,365**	(40,051)	**21,624**	(96,409)
Income tax expense (recovery)		**6,905**	(13,823)	**1,883**	(34,805)
Profit (loss)		**$ 18,460**	$ (26,228)	**$ 19,741**	$ (61,604)

See accompanying Notes to the Interim Consolidated Financial Statements

jump to table of contents ◄

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

$ thousands	For the three months ended Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 2022
Profit (loss)	$ **18,460**	$ (26,228)	$ **19,741**	$ (61,604)
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	**928**	(12,938)	**5,649**	(38,855)
Reclassification of realized loss to profit	**1**	1,004	**231**	1,093
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	**13**	(34)	**16**	(47)
	942	(11,968)	**5,896**	(37,809)
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	**(6,659)**	(1,916)	**(3,258)**	8,697
Total other comprehensive income (loss), net of tax	**(5,717)**	(13,884)	**2,638**	(29,112)
Total comprehensive income (loss), net of tax	$ **12,743**	$ (40,112)	$ **22,379**	$ (90,716)

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 Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 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	$ **342**	$ (4,732)	$ **2,093**	$ (14,275)
Reclassification of realized loss to profit	**1**	369	**85**	402
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	**2**	(5)	**2**	(7)
Income tax expense (recovery) 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	**(2,453)**	7,113	**(1,200)**	3,204
	$ **(2,108)**	$ 2,745	$ **980**	$ (10,676)

Interim Consolidated Statement of Changes in Equity (Unaudited)

$ thousands	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Total Equity[1]
Balance as at December 31, 2022	$ 43,401	$ 656,814	$ (27,100)	$ 12,901	$ 4,908	**$ 690,924**
Total comprehensive income (loss), net of tax						
Profit		19,741				**19,741**
Other comprehensive income (loss), net of tax						
Fair value reserve (securities at fair value through other comprehensive income)			5,880			**5,880**
Share of other comprehensive income of affiliates accounted for using the equity method			16			**16**
Liability credit reserve				(3,258)		**(3,258)**
Total comprehensive income (loss)	-	19,741	5,896	(3,258)	-	**22,379**
Reclassification of liability credit reserve on derecognition[2]		341		(341)		
Balance as at June 30, 2023	**$ 43,401**	**$ 676,896**	**$ (21,204)**	**$ 9,302**	**$ 4,908**	**$ 713,303**

[1]Non-controlling interest was related to CUPP Services Ltd., a subsidiary of Central 1 which was dissolved on July 5, 2022. Since then, there has been no equity attributable to non-controlling interest.

[2]Transfer of cumulative gain or loss on derecognition of financial liabilities at FVTPL.

jump to table of contents ◄

Interim Consolidated Statement of Changes in Equity (Unaudited)

$ thousands	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest	Total Equity
	Attributable to Equity Members								
Balance at December 31, 2021	$ 43,396	$ 727,213	$ 7,348	$ (1,777)	$ 3,129	$ 2	$ 779,311	$ 7,141	$ 786,452
Total comprehensive income (loss), net of tax									
Loss		(61,604)					(61,604)		(61,604)
Other comprehensive income (loss), net of tax									
Fair value reserve (securities at fair value through other comprehensive income)			(37,762)				(37,762)		(37,762)
Share of other comprehensive loss of affiliates accounted for using the equity method			(47)				(47)		(47)
Liability credit reserve				8,697			8,697		8,697
Total comprehensive income (loss)	-	(61,604)	(37,809)	8,697	-	-	(90,716)	-	(90,716)
Transactions with owners, recorded directly in equity									
Class "A" shares issued (Note 15)	5						5		5
Subsidiary's distribution to its shareholders						(2)	(2)	(7,141)	(7,143)
Total contribution from (distribution to) owners	5	-	-	-	-	(2)	3	(7,141)	(7,138)
Reclassification of liability credit reserve on derecognition[1]		572		(572)			-		-
Balance as at June 30, 2022	$ 43,401	$ 666,181	$ (30,461)	$ 6,348	$ 3,129	$ -	$ 688,598	$ -	$ 688,598

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

Interim Consolidated Statement of Cash Flows (Unaudited)

	For the three months ended		For the six months ended	
$ thousands	Jun 30 2023	Jun 30 2022	Jun 30 2023	Jun 30 2022
Cash flows from (used in) operating activities				
Profit (loss)	**$ 18,460**	$ (26,228)	**$ 19,741**	$ (61,604)
Adjustments for:				
Depreciation and amortization	**1,440**	1,757	**2,586**	3,326
Interest margin	**(9,770)**	(15,531)	**(21,721)**	(31,178)
Loss (gain) on disposal of financial instruments	**(5,426)**	3,871	**(16,390)**	16,032
Change in fair value of financial instruments	**(27,171)**	36,522	**(9,924)**	89,726
Impairment loss (recovery) on financial assets	**212**	413	**(489)**	(20)
Equity interest in affiliates	**815**	28	**449**	447
Income tax expense (recovery)	**6,905**	(13,823)	**1,883**	(34,805)
	(14,535)	(12,991)	**(23,865)**	(18,076)
Change in securities	**176,527**	68,394	**392,703**	567,455
Change in loans	**314,539**	(205,434)	**443,820**	(635,117)
Change in settlements in-transit	**(14,734)**	(137,667)	**242,177**	166,971
Change in deposits	**(396,172)**	593,836	**(35,071)**	(389,678)
Change in obligations related to securities sold short	**(27,996)**	31,152	**4,042**	70,504
Change in securities under repurchase agreements	**127,550**	292,844	**(849,283)**	437,416
Change in derivative assets and liabilities	**(807)**	(13,739)	**17,848**	(27,800)
Change in other assets and liabilities	**(52,646)**	(6,311)	**(76,988)**	(6,316)
Interest received	**106,054**	53,641	**202,350**	86,620
Interest paid	**(94,085)**	(50,393)	**(168,632)**	(54,402)
Income tax received	**9**	835	**3,478**	831
Net cash from operating activities	**123,704**	614,167	**152,579**	198,408
Cash flows from (used in) investing activities				
Purchase of reinvestment assets under the CMB Program	**(12,481)**	(64,801)	**(566,107)**	(498,813)
Maturity of reinvestment assets under the CMB Program	**93,625**	46,580	**600,256**	374,303
Property and equipment - net	**(248)**	9	**(398)**	(93)
Intangible assets - purchases	**(810)**	(2,591)	**(1,537)**	(4,309)
Investments in affiliates - net	**320**	387	**(1,070)**	387
Net cash from (used in) investing activities	**80,406**	(20,416)	**31,144**	(128,525)

See accompanying Notes to the Interim Consolidated Financial Statements

jump to table of contents ◄

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

$ thousands	For the three months ended Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 2022
Cash flows from (used in) financing activities				
Proceeds from debt securities issued	**36,495**	-	**1,095,694**	750,239
Maturity of debt securities issued	**(123,698)**	(95,854)	**(973,877)**	(866,657)
Repayment of lease liabilities	**(72)**	(106)	**(145)**	(211)
Maturity of obligation under CMB Program	**(102,449)**	(46,590)	**(608,449)**	(353,308)
Proceeds under the CMB Program	**3,816**	60,639	**551,393**	470,926
Subsidiaries distribution to its shareholders	**-**	(7,141)	**-**	(7,141)
Issuance of Class A shares	**-**	5	**-**	5
Net cash from (used in) financing activities	**(185,908)**	(89,047)	**64,616**	(6,147)
Effect of exchange rate changes on cash	**29**	5,611	**544**	5,703
Increase in cash	**18,231**	510,315	**248,883**	69,439
Cash - beginning of period	**1,187,880**	810,640	**957,228**	1,251,516
Cash - end of period	**$ 1,206,111**	$ 1,320,955	**$ 1,206,111**	$ 1,320,955

See accompanying Notes to the Interim Consolidated Financial Statements

jump to table of contents ◄

Table of Contents

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 220 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 August 29, 2023.

Interest Rate Benchmark Reform (IBOR)

Central 1's transition from IBOR to the new benchmark rate continues in the second 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. On July 1, 2023, Central 1 completed the first phase of transition where all new treasury products are priced and benchmarked to Canadian Overnight Repo Rate Average (CORRA). The next phase is to start the transition of the existing products benchmarked to Canadian Dollar Offered Rate (CDOR) in preparation for the June 28, 2024 CDOR cessation.

As at June 30, 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 $552.3 million and $34.5 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.

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

jump to table of contents ◄

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. Central 1's CORRA Working Group continues to incorporate ongoing developments into its project plan and keep credit union members informed on any recent developments. The Group provides regular update to senior management and stakeholders.

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 financial instruments held-for-trading purposes. It is concluded that, by presenting interest income/expense for financial instruments held-for-trading purposes within gain (loss) on disposal of financial instruments on the Interim Consolidated Statement of Profit (Loss), it will:

- better reflect the nature of transactions for the trading instruments.
- 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 was implemented in the first quarter of 2023 and applied retrospectively. For further details refer to Note 16.

Future Accounting Policies

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 current macroeconomic environment continues 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	Jun 30 2023	Dec 31 2022
With Bank of Canada	$ **1,136,060**	$ 889,211
With other regulated financial institutions	**70,051**	68,017
	$ **1,206,111**	$ 957,228

jump to table of contents ◄

5. Securities

$ thousands, as at		Jun 30 2023		Dec 31 2022
Securities FVTPL				
Government and government guaranteed securities	$	**2,574,389**	$	2,925,283
Corporate and major financial institutions				
AA low or greater		**1,412,304**		1,417,712
A (high) to A (low)		**412,848**		382,487
BBB (high) to BB		**1,023,035**		888,114
Equity instruments		**40,234**		40,259
Fair value	$	**5,462,810**	$	5,653,855
Securities FVOCI				
Government and government guaranteed securities	$	**681,866**	$	735,425
Corporate and major financial institutions				
AA low or greater		**104,252**		192,767
A (high) to A (low)		**90,936**		92,075
BBB (high) to BBB (low)		**538,016**		566,119
Fair value	$	**1,415,070**	$	1,586,386
Reinvestment assets under the CMB Program				
FVTPL				
Government and government guaranteed securities	$	**409,380**	$	445,666
Fair value	$	**409,380**	$	445,666
Amortized cost				
Assets acquired under reverse repurchase agreements	$	**511,389**	$	507,575
Total reinvestment assets under the CMB Program	$	**920,769**	$	953,241
Total	$	**7,798,649**	$	8,193,482

jump to table of contents ◄

6. Loans

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

$ thousands, as at	Jun 30 2023	Dec 31 2022
Amortized cost		
Due on demand		
Credit unions	$ **253,739**	$ 489,646
Commercial and others	**5,318**	4,725
	259,057	494,371
Term		
Credit unions	**-**	175,000
Commercial and others	**1,323,459**	1,327,361
Reverse repurchase agreements	**38,565**	68,170
	1,362,024	1,570,531
	1,621,081	2,064,902
Accrued interest	**5,575**	6,461
Premium	**21**	41
	1,626,677	2,071,404
Expected credit loss (Note 8)	**(3,082)**	(3,543)
Amortized cost	**1,623,595**	2,067,861
Fair value hedge adjustment[1]	**-**	(140)
Carrying value	$ **1,623,595**	$ 2,067,721
FVTPL		
Term - Commercial and others		
Fair value	**10,340**	10,435
Total loans	$ **1,633,935**	$ 2,078,156

[1]Central 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.

jump to table of contents ◄

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:

	2023			2022		
$ thousands, for the three months ended June 30	**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]	$ (6,327)	$ 6,396	$ 69	$ (9,043)	$ 9,015	$ (28)
Loans	-	-	-	(44)	58	14
Debt securities issued	16,758	(17,493)	(735)	1,546	(1,282)	264
	$ 10,431	**$ (11,097)**	**$ (666)**	$ (7,541)	$ 7,791	$ 250

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

jump to table of contents ◄

$ thousands, for the six months ended June 30	2023 Fair value hedge adjustment - gains (losses)	2023 Change in the fair value on hedging instruments - gains (losses)	2023 Hedge ineffectiveness recorded in profit (loss)	2022 Fair value hedge adjustment - gains (losses)	2022 Change in the fair value on hedging instruments - gains (losses)	2022 Hedge ineffectiveness recorded in profit (loss)
Securities at FVOCI[1]	$ (337)	$ 662	$ 325	$ (22,291)	$ 23,126	$ 835
Loans	140	(833)	(693)	(361)	236	(125)
Debt securities issued	13,214	(13,910)	(696)	3,729	(3,361)	368
	$ 13,017	**$ (14,081)**	**$ (1,064)**	$ (18,923)	$ 20,001	$ 1,078

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

$ thousands, as at	June 30, 2023 Notional value of hedged items	June 30, 2023 Carrying value of hedged items[2]	June 30, 2023 Carrying value of hedging instruments	June 30, 2023 Accumulated fair value hedge adjustment	December 31, 2022 Notional value of hedged items	December 31, 2022 Carrying value of hedged items[2]	December 31, 2022 Carrying value of hedging instruments	December 31, 2022 Accumulated fair value hedge adjustment
Securities at FVOCI[1]	$ 235,156	$ 200,123	$ 33,392	$ (31,900)	$ 235,156	$ 199,815	$ 32,730	$ (31,563)
Loans[3]	-	-	-	-	4,146	4,296	833	(140)
Debt securities issued	(650,000)	(657,794)	(15,472)	14,869	(350,000)	(353,609)	(1,562)	1,655

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

[2]Represents the carrying value in the 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.

[3]Central 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.

jump to table of contents ◄

8. Expected Credit Loss

$ thousands, as at June 30, 2023	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:				
Transfers in (out)	(48)	48	-	**-**
Purchases and originations	119	-	-	**119**
Derecognitions and maturities	(312)	-	-	**(312)**
Remeasurements	(547)	242	37	**(268)**
Total impairment loss (recovery) on financial assets	(788)	290	37	**(461)**
Balance as at June 30, 2023	**$ 2,598**	**$ 290**	**$ 194**	**$ 3,082**
ECL on financial assets at FVOCI				
Balance as at December 31, 2022	284	-	-	**284**
Impairment recovery on financial assets:				
Derecognitions and maturities	-	-	-	**-**
Remeasurements	(28)	-	-	**(28)**
Total impairment recovery on financial assets	(28)	-	-	**(28)**
Balance as at June 30, 2023	**$ 256**	**$ -**	**$ -**	**$ 256**
Total ECL				
Balance as at December 31, 2022	$ 3,670	$ -	$ 157	**$ 3,827**
Impairment loss (recovery) on financial assets:				
Transfers in (out)	(48)	48	-	**-**
Purchases and originations	119	-	-	**119**
Derecognitions and maturities	(312)	-	-	**(312)**
Remeasurements	(575)	242	37	**(296)**
Total impairment loss (recovery) on financial assets	(816)	290	37	**(489)**
Balance as at June 30, 2023	**$ 2,854**	**$ 290**	**$ 194**	**$ 3,338**

jump to table of contents ◄

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

jump to table of contents ◄

The following tables present the gross carrying amounts of the loans as at June 30, 2023 and December 31, 2022, according to credit quality:

$ thousands, as at June 30, 2023	Stage 1	Stage 2	Stage 3	Total
Low Risk	$ 330,610	$ -	$ -	**$ 330,610**
Medium Risk	1,282,472	-	-	**1,282,472**
High Risk	-	11,704	-	**11,704**
Not Rated	382	-	-	**382**
Impaired	-	-	1,509	**1,509**
Total	**$ 1,613,464**	**$ 11,704**	**$ 1,509**	**$ 1,626,677**

$ 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
High Risk	-	-	-	-
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	Jun 30 2023	Dec 31 2022
Prepaid expenses	**$ 11,045**	$ 8,456
Accounts receivable and other	**7,837**	8,298
Post-employment benefits	**6,023**	5,952
Investment property	**553**	597
	$ 25,458	$ 23,303

jump to table of contents ◄

10. Deposits

$ thousands, as at	Jun 30 2023	Dec 31 2022
Deposits designated as FVTPL		
Due within three months	$ **1,036,898**	$ 1,546,972
Due after three months and within one year	**784,287**	902,014
Due after one year and within five years	**676,790**	646,526
	2,497,975	3,095,512
Accrued interest	**22,405**	16,143
Amortized cost	$ **2,520,380**	$ 3,111,655
Fair value	$ **2,485,937**	$ 3,070,737
Deposits held at amortized cost		
Due on demand	$ **2,779,623**	$ 2,208,422
Due within three months	**27,050**	10,043
Due after three months and within one year	**2,225**	20,000
Due after one year and within five years	**2,000**	10,225
	2,810,898	2,248,690
Accrued interest	**130**	201
Amortized cost	$ **2,811,028**	$ 2,248,891
Total carrying value	$ **5,296,965**	$ 5,319,628

The fair value of deposits at June 30, 2023 was $5,297.0 million (December 31, 2022 - $5,319.7 million).

jump to table of contents ◄

11. Obligations under the Canada Mortgage Bond Program

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

$ thousands, as at	Jun 30 2023	Dec 31 2022
Amounts		
Due within three months	$ **533,691**	$ 506,000
Due after three months and within one year	**111,234**	165,742
Due after one year and within five years	**309,905**	340,142
	954,830	1,011,884
Accrued interest	**531**	531
Amortized cost	$ **955,361**	$ 1,012,415
Fair value	$ **938,135**	$ 992,140

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

$ thousands, as at	Jun 30 2023	Dec 31 2022
FVTPL		
Total reinvestment assets under the CMB Program (Note 5)	$ **409,380**	$ 445,666
Assets recognized as securities	**18,238**	41,292
Fair value	$ **427,618**	$ 486,958
Amortized cost		
Total reinvestment assets under the CMB Program (Note 5)	$ **511,389**	$ 507,575
Total underlying assets designated	$ **939,007**	$ 994,533

jump to table of contents ◄

12. Debt Securities Issued

$ thousands, as at		Jun 30 2023		Dec 31 2022
Amortized cost				
Due within three months	$	**742,318**	$	850,179
Due after three months and within one year		**502,850**		571,855
Due after one year and within five years		**647,410**		348,726
		1,892,578		1,770,760
Accrued interest		**11,180**		5,711
Amortized cost	$	**1,903,758**	$	1,776,471
Fair value hedge adjustment[1]		**(14,869)**		(1,655)
Carrying value	$	**1,888,889**	$	1,774,816
Designated as FVTPL				
Due after one year and within five years	$	**250,000**	$	250,000
Accrued interest		**1,386**		1,414
Amortized cost	$	**251,386**	$	251,414
Fair value		**224,058**		222,753
Total carrying value	$	**2,112,947**	$	1,997,569

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

At June 30, 2023, the debt securities comprises of short-term commercial paper facility which had a total par value of $800.4 million (December 31, 2022 - $979.5 million) and medium-term note facility which had a total par value of $1.35 billion (December 31, 2022 - $1.1 billion).

On February 7, 2023, Central 1 issued $300.0 million principal of Series 20 medium-term fixed rate notes due February 7, 2028. The notes bear interest at a fixed rate of 4.648%, payable semi-annually on 7th of February and August of each year, commencing August 7, 2023. The notes are redeemable at the option of Central 1.

jump to table of contents ◄

13. Subordinated Liabilities

$ thousands, as at		Jun 30 2023		Dec 31 2022
Amortized cost				
Series 5 (Note 25)	$	**21,000**	$	21,000
Accrued interest		**75**		74
Amortized cost	$	**21,075**	$	21,074
Designated as FVTPL				
Series 7	$	**200,000**	$	200,000
Accrued interest		**13**		26
Amortized cost	$	**200,013**	$	200,026
Fair value	$	**175,765**	$	177,813
Total carrying value	$	**196,840**	$	198,887

14. Other Liabilities

$ thousands, as at		Jun 30 2023		Dec 31 2022
Cash collateral payable[1]	$	**10,137**	$	77,445
Deferred revenue[2]		**31,067**		31,326
Accounts payable		**17,036**		21,764
Short-term employee benefits		**12,435**		14,425
Post-employment benefits		**12,159**		12,211
Finance lease		**5,477**		5,622
	$	**88,311**	$	162,793

[1]Received as collateral for derivatives transactions.

[2]Deferred revenue includes the amount received from credit union clients under the Payments Modernization Cost Share Arrangement.

15. Share Capital

Central 1 may issue an unlimited number of Class A, B, C, D, and E shares and may, at its option and with the approval of the Board of Directors, redeem its shares. There are no restrictions on the number of shares that may be held by a member shareholder. The holders of each class of share are entitled to receive dividends as declared from time to time. The Class A, B, C, and D shares have a par value of $1 per share, and the Class E shares have a par value of $0.01 per share and a redemption value of $100 per share.

Subject to certain exceptions set out in Central 1's Constitution and Rules (Rules), Class A members are entitled to cast one vote for each Class A share they hold on any matter. Each Class B or Class C shareholder is entitled to cast one vote per share on matters on which they are entitled to vote. 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	Jun 30 2023	Dec 31 2022	Jun 30 2022
Number of shares issued			
Balance at beginning of period	**43,364**	43,359	43,359
Issued during the period	**-**	5	5
Class A - credit unions: balance at the end of period	**43,364**	43,364	43,364
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)

jump to table of contents ◄

thousands of dollars, as at	Jun 30 2023	Dec 31 2022	Jun 30 2022
Amount of share capital outstanding			
Outstanding $1 par value shares			
Class A - credit unions	$ **43,364**	$ 43,364	$ 43,364
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	43,403
Amount of treasury shares			
Treasury shares - Class E	**(2)**	(2)	(2)
Balance at the end of period	$ **43,401**	$ 43,401	$ 43,401

16. Gain (Loss) on Disposal of Financial Instruments

$ thousands	For the three months ended Jun 30 2023	For the three months ended Jun 30 2022	For the six months ended Jun 30 2023	For the six months ended Jun 30 2022
Realized loss on securities at FVTPL	$ **(980)**	$ (5,967)	$ **(2,266)**	$ (20,014)
Realized loss on securities at FVOCI	**(2)**	(1,373)	**(316)**	(1,501)
Realized gain (loss) on derivative instruments	**5,537**	(364)	**18,083**	841
Realized gain on deposits designated at FVTPL	**77**	67	**260**	58
Realized gain on obligations related to securities sold short	**794**	3,766	**629**	4,584
	$ **5,426**	$ (3,871)	$ **16,390**	$ (16,032)

jump to table of contents ◄

The following tables reconcile the comparative amounts disclosed previously to the amounts presented in the current period as a result of the accounting policy changes as described in Note 2 of Central 1's Interim Consolidated Financial Statements.

				For the three months ended June 30, 2022
		Adjustments		
$ thousands	As previously presented	Realized gain (loss) on derivative instruments	Realized gain on obligations related to securities sold short	As currently presented
Interest income				
Securities	$ 36,038	$ (4,248)	$ 454	$ 32,244
Gain (loss) on disposal of financial instruments	$ (7,665)	$ 4,248	$ (454)	$ (3,871)

				For the six months ended June 30, 2022
		Adjustments		
$ thousands	As previously presented	Realized gain (loss) on derivative instruments	Realized gain on obligations related to securities sold short	As currently presented
Interest income				
Securities	$ 60,599	$ (5,951)	$ 723	$ 55,371
Gain (loss) on disposal of financial instruments	$ (21,260)	$ 5,951	$ (723)	$ (16,032)

jump to table of contents ◄

17. Change in Fair Value of Financial Instruments

$ thousands	For the three months ended Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 2022
Change in unrealized gains (losses)				
Securities at FVTPL	$ **(30,068)**	$ (119,005)	$ **24,942**	$ (318,784)
Loans at FVTPL	**(12)**	(232)	**24**	(505)
Activities under the CMB Program				
Reinvestment assets	**(1,015)**	(6,180)	**1,625**	(16,998)
Obligations under the CMB Program	**370**	6,463	**(3,050)**	18,170
Derivative instruments	**17,258**	17,207	**2,782**	47,862
Derivative instruments	**21,998**	42,339	**(15,211)**	117,067
Financial liabilities at FVTPL				
Deposits designated at FVTPL	**12,287**	15,640	**(900)**	36,713
Obligations related to securities sold short	**(113)**	(1,461)	**126**	968
Debt securities issued designated at FVTPL	**3,233**	4,694	**(454)**	14,383
Subordinated debt issued designated at FVTPL	**3,233**	4,013	**40**	11,398
	$ **27,171**	$ (36,522)	$ **9,924**	$ (89,726)

jump to table of contents ◄

18. Non-Financial Income

For the three months ended June 30	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	$ 3,362	$ -	**$ 3,362**	$ 3,236	$ -	$ 3,236
Securitization fees	1,464	-	**1,464**	1,328	-	1,328
Foreign exchange income	-	1,051	**1,051**	-	1,192	1,192
Asset management services	894	-	**894**	854	-	854
Other	1,607	(719)	**888**	1,508	13	1,521
Payments & Digital Banking Platforms and Experiences						
Payment processing and other fees	19,498	-	**19,498**	18,508	-	18,508
Direct banking fees	10,724	-	**10,724**	8,753	-	8,753
System Affiliates & Other						
Equity interest in affiliates	-	(96)	**(96)**	-	(28)	(28)
Income (expense) from investees	-	(25)	**(25)**	-	36	36
Other	363	-	**363**	332	-	332
	$ 37,912	**$ 211**	**$ 38,123**	$ 34,520	$ 1,213	$ 35,733

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

jump to table of contents ◄

For the six months ended June 30	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	$ 6,769	$ -	**$ 6,769**	$ 6,437	$ -	$ 6,437
Securitization fees	2,913	-	**2,913**	2,779	-	2,779
Foreign exchange income		2,195	**2,195**		2,409	2,409
Asset management services	1,772	-	**1,772**	1,594	-	1,594
Other	3,127	(95)	**3,032**	3,006	13	3,019
Payments & Digital Banking Platforms and Experiences						
Payment processing and other fees	38,063	-	**38,063**	35,254	-	35,254
Direct banking fees	20,362	-	**20,362**	17,435	-	17,435
System Affiliates & Other						
Equity interest in affiliates		(354)	**(354)**		(447)	(447)
Income from investees		2,906	**2,906**		2,664	2,664
Other	2,134	-	**2,134**	2,854	-	2,854
	$ 75,140	**$ 4,652**	**$ 79,792**	$ 69,359	$ 4,639	$ 73,998

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

19. Other Administrative Expense

	For the three months ended		For the six months ended	
$ thousands	Jun 30 2023	Jun 30 2022	Jun 30 2023	Jun 30 2022
Professional fees	**9,653**	9,872	**18,154**	17,448
Cost of payments processing	**5,694**	7,100	**11,839**	12,732
Cost of sales and services	**$ 1,911**	$ 1,569	**$ 3,902**	$ 3,816
Management information systems	**4,658**	4,645	**8,903**	8,441
Business development projects	**125**	32	**207**	148
Other	**687**	(29)	**1,258**	163
	$ 22,728	$ 23,189	**$ 44,263**	$ 42,748

jump to table of contents ◄

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.

jump to table of contents ◄

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 June 30, 2023:

$ thousands, for the three months ended June 30, 2023	Treasury	Payments & DBPX	System Affiliates & Other	Total
Interest margin	$ 11,137	$ (1,367)	$ -	**$ 9,770**
Gain on disposal of financial instruments	5,426	-	-	**5,426**
Change in fair value of financial instruments	27,171	-	-	**27,171**
Impairment loss on financial assets	(212)	-	-	**(212)**
Net financial income (expense)	43,522	(1,367)	-	**42,155**
Non-financial income	7,659	30,222	242	**38,123**
Net financial and non-financial income	51,181	28,855	242	**80,278**
Non-financial expense	11,341	38,050	5,522	**54,913**
Profit (loss) before income taxes	39,840	(9,195)	(5,280)	**25,365**
Income tax expense (recovery)	10,806	(2,476)	(1,425)	**6,905**
Profit (loss)	**$ 29,034**	**$ (6,719)**	**$ (3,855)**	**$ 18,460**

jump to table of contents ◄

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

$ thousands, for the three months ended June 30, 2022	Treasury	Payments & DBPX	System Affiliates & Other	Total
Interest margin	$ 15,604	$ (73)	$ -	$ 15,531
Loss on disposal of financial instruments	(3,871)	-	-	(3,871)
Change in fair value of financial instruments	(36,516)	-	(6)	(36,522)
Impairment loss on financial assets	(413)	-	-	(413)
Net financial expense	(25,196)	(73)	(6)	(25,275)
Non-financial income	8,132	27,261	340	35,733
Net financial expense and non-financial income	(17,064)	27,188	334	10,458
Non-financial expense	9,923	37,153	3,433	50,509
Loss before income taxes	(26,987)	(9,965)	(3,099)	(40,051)
Income tax recovery	(9,182)	(3,482)	(1,159)	(13,823)
Loss	$ (17,805)	$ (6,483)	$ (1,940)	$ (26,228)

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

The following table summarizes the segment results for the six months ended June 30, 2023:

$ thousands, for the six months ended June 30, 2023	Treasury	Payments & DBPX	System Affiliates & Other	Total
Interest margin	$ 23,345	$ (1,624)	$ -	**$ 21,721**
Gain on disposal of financial instruments	16,390	-	-	**16,390**
Change in fair value of financial instruments	9,924	-	-	**9,924**
Impairment recovery on financial assets	489	-	-	**489**
Net financial income (expense)	50,148	(1,624)	-	**48,524**
Non-financial income	16,681	58,425	4,686	**79,792**
Net financial and non-financial income	66,829	56,801	4,686	**128,316**
Non-financial expense	21,773	76,302	8,617	**106,692**
Profit (loss) before income taxes	45,056	(19,501)	(3,931)	**21,624**
Income tax expense (recovery)	12,120	(8,354)	(1,883)	**1,883**
Profit (loss)	**$ 32,936**	**$ (11,147)**	**$ (2,048)**	**$ 19,741**
Total assets as at June 30, 2023	**$ 11,143,961**	**$ 18,353**	**$ 235,942**	**$ 11,398,256**
Total liabilities as at June 30, 2023	**$ 10,459,911**	**$ 13,131**	**$ 211,911**	**$ 10,684,953**

jump to table of contents ◄

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

$ thousands, for the six months ended June 30, 2022	Treasury	Payments & DBPX	System Affiliates & Other	Total
Interest margin	$ 31,288	$ (110)	$ -	$ 31,178
Loss on disposal of financial instruments	(16,032)	-	-	(16,032)
Change in fair value of financial instruments	(89,709)	-	(17)	(89,726)
Impairment recovery on financial assets	20	-	-	20
Net financial expense	(74,433)	(110)	(17)	(74,560)
Non-financial income	16,238	52,689	5,071	73,998
Net financial expense and non-financial income	(58,195)	52,579	5,054	(562)
Non-financial expense	19,998	69,899	5,950	95,847
Loss before income taxes	(78,193)	(17,320)	(896)	(96,409)
Income tax recovery	(22,859)	(11,326)	(620)	(34,805)
Loss	$ (55,335)	$ (5,994)	$ (275)	$ (61,604)
Total assets as at June 30, 2022	$ 13,307,463	$ 12,985	$ 256,913	$ 13,577,361
Total liabilities as at June 30, 2022	$ 12,825,482	$ 29,858	$ 33,423	$ 12,888,763

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

jump to table of contents ◄

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		Jun 30 2023		Dec 31 2022
Commitments to extend credit	$	**5,472,358**	$	4,976,567
Guarantees				
Financial guarantees	$	**683,600**	$	717,600
Performance guarantees	$	**330,000**	$	130,000
Standby letters of credit	$	**232,482**	$	236,901
Future prepayment swap reinvestment commitment	$	**810,888**	$	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 June 30, 2023 are $125.8 million, $543.4 million and $127.7 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 June 30, 2023.

jump to table of contents ◄

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	Jun 30 2023	Dec 31 2022
Assets pledged to Bank of Canada & Direct Clearing Organizations[1,2]	$ **51,357**	$ 72,272
Assets pledged in relation to:		
Derivative financial instrument transactions	**20,811**	18,189
Securities lending	**47,602**	65,066
Obligations under the CMB Program	**18,238**	41,292
Reinvestment assets under the CMB Program	**920,769**	953,241
Securities under repurchase agreements	**1,060,596**	1,909,708
	$ **2,119,373**	$ 3,059,768

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

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

22. Financial Instruments – Fair Value

Certain financial instruments are recognized in the Interim Consolidated Statement of Financial Position at fair value. These include derivative instruments, securities, loans and deposits and a medium-term note designated at FVTPL, a subordinated note designated at FVTPL, obligations related to securities sold short, reinvestment assets and obligations under the 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.

jump to table of contents ◄

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 uses valuation techniques such as discounted cash flows, comparison with instruments where observable inputs exist, Binomial Tree option pricing model and other valuation techniques. Assumptions and inputs used in these valuation techniques include risk-free rate, benchmark interest rate, and expected price volatility. 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.

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

Level 3 financial assets includes $32.1 million of equity investment securities that are measured at cost which is an appropriate estimate of fair value at June 30, 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.

jump to table of contents ◄

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 June 30, 2023	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets						
Cash	$ -	$ -	$ -	$ -	$ 1,206.1	**$ 1,206.1**
Settlements in-transit	-	-	-	-	193.0	**193.0**
Securities	-	7,758.3	40.3	7,798.6	-	**7,798.6**
Loans	-	-	10.3	10.3	1,623.6	**1,633.9**
Derivative assets	0.6	353.7	-	354.3	-	**354.3**
Other assets	-	-	-	-	7.8	**7.8**
Total financial assets	$ 0.6	$ 8,112.0	$ 50.6	$ 8,163.2	$ 3,030.5	**$ 11,193.7**
Financial liabilities						
Settlements in-transit	-	-	-	-	861.4	**861.4**
Deposits	-	2,485.9	-	2,485.9	2,811.0	**5,296.9**
Obligations related to securities sold short	-	3.3	-	3.3	-	**3.3**
Securities under repurchase agreements	-	-	-	-	1,060.6	**1,060.6**
Obligations under the CMB Program	-	938.1	-	938.1	-	**938.1**
Derivative liabilities	1.1	125.4	-	126.5	-	**126.5**
Debt securities issued	-	224.1	-	224.1	1,888.9	**2,113.0**
Subordinated liabilities	-	175.8	-	175.8	21.1	**196.9**
Other liabilities	-	-	-	-	32.7	**32.7**
Total financial liabilities	$ 1.1	$ 3,952.6	$ -	$ 3,953.7	$ 6,675.7	**$ 10,629.4**

[1]Amounts 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

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

jump to table of contents ◄

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	Fair value at Jun 30 2023
Equity shares	$ 40.3	$ -	$ -	$ -	$ -	$ **40.3**
Loans	10.4	-	(0.1)	-	-	**10.3**
Total financial assets	$ 50.7	$ -	$ (0.1)	$ -	$ -	$ **50.6**

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 and retained earnings. Subject to certain conditions, Central 1 may include its subordinated debt in Tier 2 capital. In calculating Central 1's capital base, certain deductions are required for certain assets.

Central 1 was in compliance with all regulatory capital requirements as at June 30, 2023, December 31, 2022 and June 30, 2022.

jump to table of contents ◄

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 June 30, 2023 and December 31, 2022.

The following table presents the compensation to key management personnel:

$ thousands	For the three months ended Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 2022
Salaries and short-term employee benefits	$ **1,308**	$ 1,378	$ **2,800**	$ 2,724
Incentive	**1,967**	1,710	**1,967**	1,710
Post-employment benefits	**52**	52	**111**	100
Termination and other long-term employee benefits	**-**	(130)	**159**	347
	$ **3,327**	$ 3,010	$ **5,037**	$ 4,881

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 Jun 30 2023	Jun 30 2022	For the six months ended Jun 30 2023	Jun 30 2022
Total remuneration	$ **186**	$ 150	$ **328**	$ 317

jump to table of contents ◄

Significant Subsidiaries

% of direct ownership outstanding, as at	Jun 30 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	Jun 30 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 Q1 2022) and $nil for the second quarter of 2023 ($nil for Q2 2022) to 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	Jun 30 2023	Dec 31 2022
The Co-operators Group Limited	**21%**	21%
Canadian Credit Union Association	**59%**	59%

25. Subsequent Event

On August 16, 2023, Central 1 redeemed $21.0 million principal amount of Series 5 subordinated notes. The notes bore interest at a floating rate based on the 90-day Bankers' Acceptance rate plus 10 basis points.

jump to table of contents ◄