

Quarterly Report

Third Quarter of 2023

Results for the Third Quarter of 2023

Overall Financial Results



Third quarter 2023 compared with third quarter 2022:

- Net income of \$3.9 million, compared with net income of \$1.3 million
- Net interest income of \$19.6 million, compared with net interest income of \$21.5 million
- Return on average equity² of 1.6 per cent, compared with 0.5 per cent

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

- Net income of \$23.6 million, compared with net loss of \$60.3 million
- Net interest income of \$41.3 million, compared with net interest income of \$57.9 million
- Return on average equity² of 3.3 per cent, compared with negative 8.4 per cent
- Total assets of \$10.9 billion as at September 30, 2023, compared with \$11.9 billion as at December 31, 2022

Central 1's third quarter performance reflected a highly-diversified and well-balanced business mix, despite ongoing market challenge. The fee-for-services based business continued to report consistent results year-over-year. Investment in strategic initiatives¹, such as Payments Modernization and digital banking projects, went as planned, coming in \$1.9 million lower year-over-year.

Net income increased by \$2.6 million from the same quarter last year, driven by favorable movement of bond credit spreads offset by higher funding costs combined with lower total assets and higher salaries and benefits which compressed Central 1's margins.

"Amid persistent market challenges, Central 1's third quarter was stable. Inflation rates remained sticky through most of the third quarter and above target rates, inviting projections that high interest rates will persist longer than expected. Central 1 will remain focused on disciplined risk and cost management, the outcome of which is beginning to materialize in our financial results, and we will continue to deliver on our strategic priorities for our members and clients," said Sheila Vokey, Central 1's President and CEO.

Economic and Financial Markets Overview

Easing inflation and a resilient labour market had given hope to a soft landing in the economy. While economic growth has been stronger than expected in the US, it has pulled back in Canada. Inflation rates, which had moved down considerably over the first half of the year, remained sticky through most of the third quarter and still are above the target rates. As a result, there is strong sentiment that interest rates will remain high for a longer period than previously anticipated with many in the U.S. expecting the Federal Reserve to raise them one more time. The spreading of the conflict in the middle east could also potentially disrupt oil supplies and raise prices, putting added pressure for inflation to remain elevated. Canada's economy is beginning to see weakness, but the U.S. is still on track for a strong third quarter growth. China, which is experiencing a property crisis, is seeing slower growth as the momentum from the reopening late last year fades and the euro zone has seen growth expectations revised downward. Overall, it is expected that most economies will see a slower growth over the next quarter and the coming year as the lagged effects of tightening monetary policy finally get a foothold.

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

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

Core Business Financial Performance

Treasury

Treasury reported a net income of \$11.4 million in the third quarter, up \$9.0 million year-over-year, driven by a smaller net fair value loss¹ compared to the same quarter of 2022 when the economic uncertainty caused the bond credit spreads widening. During the third quarter, the bond credit spreads continued the narrowing trend that started in the second quarter of 2023. This was offset by the widened National Housing Act Mortgage-Backed Securities (NHA MBS) credit spreads in relation to Central 1's securitization business and assets held on balance sheet to satisfy future reinvestments, leading to the third quarter reporting a \$2.0 million net fair value loss¹, down \$14.2 million year-over-year.

Partially offsetting this was a \$1.6 million year-over-year decrease in net interest income due to higher funding costs and lower total assets. Provision for credit losses saw a charge of \$1.0 million in the third quarter, up \$0.6 million from the same quarter last year.

Treasury's fee-for-service based businesses continue to show stable performance during the quarter and improved marginally from the same quarter last year. Non-interest expense, excluding strategic initiatives¹, in the quarter remained consistent year-over-year.

Payments & Digital Banking Platforms and Experiences (DBPX)

Payments & DBPX reported a net loss of \$4.9 million in the third quarter of 2023, compared to a \$3.7 million net loss reported in the same quarter last year. Non-interest expense, excluding strategic initiatives¹, saw \$4.7 million increase year-over-year due to higher salaries and benefits. Partially offsetting this was a \$1.4 million increase in non-interest income, excluding strategic initiatives¹, 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 initiatives¹, which included the Payments Modernization and digital banking initiatives, continued at a planned lower level and were consistent with Central 1's strategic priorities with the spend in the current quarter being \$1.9 million lower compared to the same quarter last year.

Core Business Highlights

Treasury

In our Treasury business, we continue to pursue opportunities while providing ongoing treasury guidance and support for our clients. In the third quarter, we delivered focused education to help clients prepare for Basel III's capital and liquidity requirements, along with other sessions that help build and strengthen treasury acumen within the credit union system. We continue to identify product enhancements — like the Standby Fee Reimbursement program — to support credit unions in reducing their operational costs while making positive impacts on their margins.

Commercial Real Estate Lending (CREL) again delivered strong net margins and fee income for the credit union system throughout the quarter. Fitch and DBRS also recently confirmed Central 1's credit rating with a stable outlook.

Payments & Digital Banking

Throughout the third quarter of 2023, Central 1's Payments team has been focused on supporting our clients in their Payments Modernization planning which has included providing new interactive planning tools, as well as hosting dedicated planning sessions and office hours throughout the quarter.

Central 1 took the final steps necessary to migrate wires processing to the new message standard using the Fiserv platform, and completed final testing for a successful migration in early October, which included deploying our Enterprise Fraud Management solution for wires payments. Our plans also called for us to move to decision mode for fraud management of *Interac* e-Transfer^{®3} transactions where Central 1 provides direct alerts to clients. Based on client feedback, we delayed this change until later in 2023 to reduce impacts to clients and align it with additional automation implementations.

As a result of consultations with more than 20 credit union clients, Central 1 developed and released the Small Business Payments Playbook. This strategic guide helps credit unions understand the small business payments landscape, leverage payments as a strategic tool for small business customers and implement approaches to increase value to their member small businesses.

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²This 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.

Delivery against our digital product roadmap continued in the third quarter. We implemented four new customers and added more than 20 UI and UX enhancements to our Forge Commercial platform, increasing our clients' abilities to provide robust and competitive digital experiences for their customers. The Forge Community pipeline also continues to grow with three new contributor contracts signed in the third quarter, which are anticipated to be in market in the coming months.

Management's Discussion & Analysis

September 30, 2023

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In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated November 23, 2023. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the period ended September 30, 2023, which were authorized for issue by the Board of Directors (the Board) on November 23, 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.sedarplus.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 credit union members in both provinces. Financial information for the B.C. system has been provided by the B.C. Financial Services Authority (BCFSA) and by the Financial Services Regulatory Authority for the Ontario system. The different provincial regulatory guidelines reduce the comparability of the information between the two systems. We have no means of verifying the accuracy of such information. This information is provided purely to assist the reader with understanding our results and should be read in the proper context. This financial information was prepared using the format and accounting principles developed by these regulators and are not fully consistent with IFRS. For instance, the net operating income reported in this MD&A is not equivalent to income from continuing operations under IFRS.

Cautionary Note Regarding Forward-Looking Statements

From time to time, Central 1 makes written forward-looking statements, including in this MD&A, in other filings with Canadian regulators, and in other communications. In addition, our representatives may make forward-looking statements orally to analysts, investors, the media and others. All such statements other than statements of historical facts are or may be considered 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 B.C. and Ontario member credit unions operate, the impacts of external events such as international conflicts, protests, natural disasters or pandemics. The forward-looking information provided herein is presented for the purpose of assisting readers in understanding our financial position and results of operations as at and for the periods ended on the dates presented. Forward-looking statements are typically identified by words such as “believe”, “expect”, “anticipate”, “estimate”, “plan”, “will”, “may”, “should”, “could”, or “would” and similar expressions.

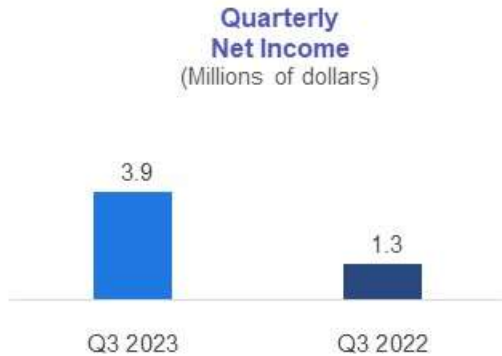
Forward-looking statements, by their nature, require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts or conclusions will not prove to be accurate, that assumptions may not be correct, and that financial objectives,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

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

Financial Results

Overall Performance

Q3 2023 vs Q3 2022



\$ millions, except as indicated	Q3 2023		Q3 2022		Change
Net interest income	\$	19.6	\$	21.5	\$ (1.9)
Gain on disposal of financial instruments		0.8		(4.2)	5.0
Change in fair value of financial instruments		(2.8)		(9.1)	6.3
Non-interest income, excluding strategic initiatives ¹		38.7		39.7	(1.0)
Total revenue		56.3		47.9	8.4
Provision for credit losses		1.0		0.4	0.6
Non-interest expense, excluding strategic initiatives ¹		42.5		36.3	6.2
Strategic initiatives ¹		7.7		9.6	(1.9)
Income before income taxes		5.1		1.6	3.5
Income tax expense (recovery)		1.2		0.3	0.9
Net income	\$	3.9	\$	1.3	\$ 2.6
Return on average assets ²		0.1%		0.0%	
Return on average equity ²		1.6%		0.5%	
Average assets ¹	\$	10,792.6	\$	13,101.4	\$ (2,308.8)
Average equity ¹	\$	710.6	\$	690.1	\$ 20.5
Weighted average shares outstanding (# of shares in millions)		43.4		43.4	-

Central 1's third quarter reported a net income of \$3.9 million, up \$2.6 million from the \$1.3 million reported in the same quarter last year, driven by the favorable movement of bond credit spreads driving up the fair value of Central 1's financial instruments, partially offset by a lower net interest income and higher salaries and benefits.

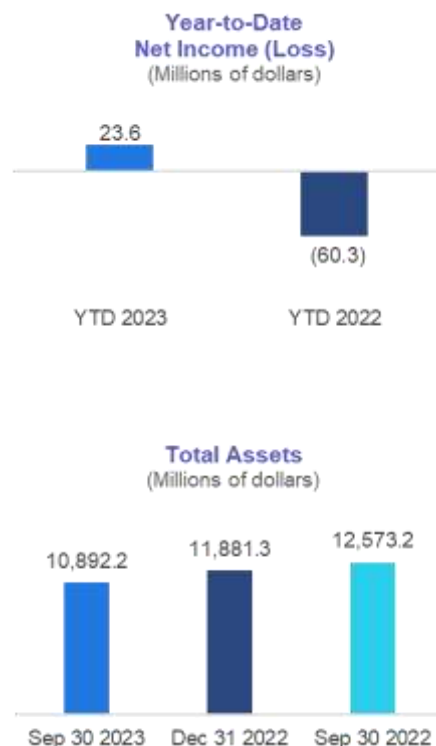
Bond credit spreads in the third quarter continued the narrowing trend started in the second quarter of 2023 after experiencing the widening throughout 2022 and into the first quarter of 2023. This narrowing was outweighed by the widening of National Housing Act Mortgage-Backed Securities (NHA MBS) credit spreads, leading to a \$2.0 million net fair value loss¹ reported in the current quarter, compared to a \$13.3 million net fair value loss¹ reported in the same quarter last year. This smaller net fair value loss was partially offset by a \$1.9 million lower net interest income year-over-year due to higher short-term funding costs and lower total assets. Provision for credit losses reflected a charge of \$1.0 million in the third quarter, up \$0.6 million from the same quarter last year.

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

Investments in strategic initiatives¹, which include Payments Modernization and digital banking initiatives, continued at a planned lower level and remained consistent with Central 1's strategic priorities and plans, with the amount spent being \$1.9 million lower year-over-year. Non-interest income, excluding strategic initiatives¹, which includes income generated from the fee-for-service based business, remained consistent year-over-year. Non-interest expense, excluding strategic initiatives¹, went up by \$6.2 million from \$36.3 million reported in the same quarter last year to \$42.5 million, primarily driven by higher salaries and benefits.

YTD 2023 vs YTD 2022



\$ millions, except as indicated	For the nine months ended September 30		
	2023	2022	Change
Net interest income	\$ 41.3	\$ 57.9	\$ (16.6)
Gain (loss) on disposal of financial instruments	17.1	(25.5)	42.6
Change in fair value of financial instruments	7.1	(98.8)	105.9
Non-interest income, excluding strategic initiatives ¹	117.7	113.7	4.0
Total revenue	183.2	\$ 47.3	135.9
Provision for credit losses	0.5	0.4	0.1
Non-interest expense, excluding strategic initiatives ¹	128.4	111.6	16.8
Strategic initiatives ¹	27.7	30.2	(2.5)
Income (loss) before income taxes	26.6	(94.9)	121.5
Income tax expense (recovery)	3.0	(34.6)	37.6
Net income (loss)	\$ 23.6	\$ (60.3)	\$ 83.9
Return on average assets ²	0.2%	(0.5%)	
Return on average equity ²	3.3%	(8.4%)	
Average assets ¹	\$ 10,971.3	\$ 13,179.3	\$ (2,208.0)
Average equity ¹	\$ 711.9	\$ 721.0	\$ (9.1)
Weighted average shares outstanding (# of shares in millions)	43.4	43.4	-

Central 1's year-to-date net income was \$23.6 million, compared to a net loss of \$60.3 million reported during the first nine months of 2022. Contributing to this stronger result was a \$24.2 million net fair value gain¹ as bond credit spreads continued to narrow from the levels observed in the second quarter of 2023, compared to a \$124.3 million net fair value loss¹ reported in the same period last year when the economic uncertainty caused bond credit spreads widening. The increased transaction volumes in Payments also contributed a \$4.0 million increase year-over-year in non-interest income, excluding strategic initiatives¹. Partially offsetting this was a \$16.6 million year-over-year decrease in net interest income as higher short-term funding costs and lower assets levels compressed Central 1's margins.

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Investments in strategic initiatives¹ continued at a planned lower level and remained consistent with Central 1's strategic priorities and plans, with the amount spent being \$2.5 million lower year-over-year. Non-interest expense, excluding strategic initiatives¹, was \$128.4 million, up \$16.8 million compared to the same period last year 2023, primarily driven by higher salaries and benefits.

Selected Financial Information

	Sep 30 2023	Dec 31 2022	As at Sep 30 2022
Balance Sheet (millions of dollars)			
Total assets	\$ 10,892.2	\$ 11,881.3	\$ 12,573.2
Regulatory Ratios			
Total capital ratio ²	18.2%	17.8%	12.8%
Tier 1 capital ratio ²	13.3%	12.4%	18.3%
Borrowing multiple ²	12.5:1	14.7:1	15.3:1
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.

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The change in total assets correlates to the change in the size of our funding portfolios. Total assets as at September 30, 2023 decreased by \$1.7 billion from September 30, 2022 as credit unions withdrew some of their liquidity deposits to fund loan growth. Total assets as at September 30, 2023 decreased by \$1.0 billion from December 31, 2022 driven by the decreased usage of repurchase agreements to fund daily liquidity requirements. Central 1's access to diversified funding sources which includes medium term notes (MTN), commercial paper, subordinated liabilities, and repurchase agreements, continues to provide funding for daily liquidity requirements.

The decrease in total borrowings over the last year resulted in a lower borrowing multiple² compared to September 30, 2022. Central 1 was in compliance with all regulatory capital requirements as at September 30, 2023, December 31, 2022 and September 30, 2022.

Non-GAAP and Other Financial Measures

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

Non-GAAP Financial Measures

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

Net Fair Value Gain (Loss)

Net fair value gain (loss) used across this MD&A is comprised of gain (loss) on disposal of financial instruments plus changes in fair value of financial instruments reported in the Interim Consolidated Statement of Net Income (Loss). Reporting them combined provides better information on the fair value movements of Central 1's financial instruments to the readers.

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Gain (loss) on disposal of financial instruments as reported	\$ 0.8	\$ (4.2)	\$ 5.0	\$ 17.1	\$ (25.5)	\$ 42.6
Change in fair value of financial instruments as reported	(2.8)	(9.1)	6.3	7.1	(98.8)	105.9
Net fair value gain (loss)	\$ (2.0)	\$ (13.3)	\$ 11.3	\$ 24.2	\$ (124.3)	\$ 148.5

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Non-Interest Income, excluding Strategic Initiatives

Non-interest income, excluding strategic initiatives, presented in the Overall Performance and Results by Segment sections 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.

Overall Performance

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest income as reported	\$ 39.4	\$ 39.7	\$ (0.3)	\$ 119.2	\$ 113.7	\$ 5.5
Less: strategic initiatives income	0.7	-	0.7	1.5	-	1.5
Non-interest income, excluding strategic initiatives	\$ 38.7	\$ 39.7	\$ (1.0)	\$ 117.7	\$ 113.7	\$ 4.0

Results by Segment

Payments & DBPX

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest income as reported	\$ 30.7	\$ 28.6	\$ 2.1	\$ 89.1	\$ 81.3	\$ 7.8
Less: strategic initiatives income	0.7	-	0.7	1.5	-	1.5
Non-interest income, excluding strategic initiatives	\$ 30.0	\$ 28.6	\$ 1.4	\$ 87.6	\$ 81.3	\$ 6.3

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Non-Interest Expense, excluding Strategic Initiatives

Non-interest expense, excluding strategic initiatives, presented in the Overall Performance and Results by Segment sections 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.

Overall Performance

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest expense as reported	\$ 50.9	\$ 45.9	\$ 5.0	\$ 157.6	\$ 141.8	\$ 15.8
Less: strategic initiatives spend	8.4	9.6	(1.2)	29.2	30.2	(1.0)
Non-interest expense, excluding strategic initiatives	\$ 42.5	\$ 36.3	\$ 6.2	\$ 128.4	\$ 111.6	\$ 16.8

Results by Segment

Treasury

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest expense as reported	\$ 9.7	\$ 9.8	\$ (0.1)	\$ 31.5	\$ 29.7	\$ 1.8
Less: strategic initiatives spend	0.2	0.0	0.2	1.6	0.0	1.6
Non-interest expense, excluding strategic initiatives	\$ 9.5	\$ 9.8	\$ (0.3)	\$ 29.9	\$ 29.7	\$ 0.2

Payments & DBPX

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest expense as reported	\$ 37.0	\$ 33.5	\$ 3.5	\$ 113.2	\$ 103.4	\$ 9.8
Less: strategic initiatives spend	5.3	6.5	(1.2)	19.2	21.5	(2.3)
Non-interest expense, excluding strategic initiatives	\$ 31.7	\$ 27.0	\$ 4.7	\$ 94.0	\$ 81.9	\$ 12.1

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System Affiliates & Other

\$ millions				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Non-interest expense as reported	\$ 4.2	\$ 2.6	\$ 1.6	\$ 12.9	\$ 8.7	\$ 4.2
Less: strategic initiatives spend	2.9	3.1	(0.1)	8.4	8.7	(0.3)
Non-interest expense, excluding strategic initiatives	\$ 1.3	\$ (0.5)	\$ 1.7	\$ 4.5	\$ 0.0	\$ 4.5

Average Assets and Average Equity

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

\$ millions, except as indicated				For the nine months ended September 30		
	Q3 2023	Q3 2022	Change	2023	2022	Change
Reported net income (loss)	\$ 3.9	\$ 1.3	\$ 2.6	\$ 23.6	\$ (60.3)	\$ 83.9
Total assets as reported, as at September 30	\$ 10,892.2	\$ 12,573.2	\$ (1,681.0)	\$ 10,892.2	\$ 12,573.2	\$ (1,681.0)
Impact of averaging daily balances	(99.6)	528.2	(627.8)	79.1	606.1	(527.0)
Average assets, as at September 30	\$ 10,792.6	\$ 13,101.4	\$ (2,308.8)	\$ 10,971.3	\$ 13,179.3	\$ (2,208.0)
Return on average assets	0.1%	0.0%		0.2%	(0.5%)	
Total equity as reported, as at September 30	\$ 718.7	\$ 691.3	\$ 27.4	\$ 718.7	\$ 691.3	\$ 27.4
Impact of averaging daily balances	(8.1)	(1.2)	(6.9)	(6.8)	29.7	(36.5)
Average equity, as at September 30	\$ 710.6	\$ 690.1	\$ 20.5	\$ 711.9	\$ 721.0	\$ (9.1)
Return on average equity	1.6%	0.5%		3.3%	(8.4%)	

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

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

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. A separate presentation of liquid assets in the MD&A provides the readers with better information on Central 1's liquidity position.

\$ millions, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Federal and provincial government issued and guaranteed securities	\$ 3,791.4	\$ 4,578.2	\$ 5,016.1
Corporate and financial institutions securities	3,224.1	3,333.9	3,342.6
Asset backed securities	209.4	205.4	214.1
Insured mortgages	30.0	35.7	48.0
Total liquid assets	\$ 7,254.9	\$ 8,153.2	\$ 8,620.8
Add: equity instruments	40.2	40.3	63.3
Securities as reported	\$ 7,295.1	\$ 8,193.5	\$ 8,684.1

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 set by BCFSa. 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 set by BCFSa. 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 set by BCFSa. 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.

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

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

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	Sep 30 2023	Dec 31 2022	Sep 30 2022
Total liabilities as reported	\$ 10,173.5	\$ 11,190.3	\$ 11,881.9
Less: other liabilities as reported	(82.7)	(162.8)	(112.9)
Less: subordinated liabilities	(176.6)	(198.9)	(200.7)
Less: settlements in-transit excluded from total borrowings	(490.5)	(33.8)	(34.5)
Add: subsidiary deposits	0.4	0.2	0.2
Total borrowings	\$ 9,424.1	\$ 10,795.0	\$ 11,534.0

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 assets¹ 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.

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

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

Supplementary Financial Measures

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

Assets under Administration (AUA)

AUA include government approved registered plans for tax deferral purposes, which are trustee and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members.

Liquidity Coverage Ratio (LCR)

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

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

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

Economic Developments and Outlook

Central 1 operates in the Canadian markets and invests in bonds. Any developments in Canadian economic outlook and movements in the financial markets, which are directly impacted by the global economic environment and market conditions, will impact its financial performance. 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



Economic activity in Canada is likely to have stalled again in the third quarter of 2023 after a second quarter contraction of 0.2 per cent. Central 1 Economics' current forecast for the third quarter is for a flat GDP performance. These are positive signs for the Bank of Canada (BoC) as it points to the reduction in demand that is required for it to reduce inflation. That said, inflation has been stubborn and remains above the target rate of 2.0 per cent, with the most recent month showing a year over year increase of 3.8 per cent as of September. Unemployment rate also remained low at 5.5 per cent throughout the entire quarter but job vacancies were still above pre-pandemic levels and were up slightly from the previous quarter. That said, the labour market has cooled over the past year but is still relatively strong. Discretionary spending has also declined as consumers are required to use a larger share of their income on essential items and is expected to continue to slow as the lagged effect of higher interest rates start to ripple through the economy. The housing sector has also begun to dip again as housing sales are declining and prices have fallen recently. The number of new listings is also growing suggesting that more weakness is ahead. Overall economic activity is expected to remain stagnant with Central 1 Economics currently forecasting real GDP to increase by only 0.3 per cent and the unemployment rate rising to 5.9 per cent in the fourth quarter. Overall growth in real GDP for the year is expected to be around 1.1 per cent.

In the United States, economic activity is expected to have grown modestly in the third quarter following a second quarter growth of around 2.1 per cent. While consumer spending on tourism was stronger than expected, other areas continued to slow down, especially spending on non-essential items. Signs are pointing that consumers have exhausted their savings and are now relying more on borrowing to support spending. At the same time, supply chain issues have eased further with inventory levels increasing and manufacturers being able to better meet existing orders, although new orders are declining. Housing inventory levels have also risen as existing home sales continue its decline from the start of this year. Despite this, home price indexes continue to climb on a month over month basis. Nonfarm payroll employment grew at a robust pace in the third quarter, higher than most economist had expected but the unemployment rate has risen slightly, with the September rate at 3.8 per cent, up 0.2 per cent from June but still near historical low levels. The annual increase in the consumer price index has also increased slightly to 3.7 per cent in September from 3.0 per cent in June suggesting that the fight to bring it down to the target rate of 2.0 per cent may be

longer than anticipated. That said the latest projections for GDP growth for the U.S. from the International Monetary Fund have 2023 growth revised upward from 1.6 per cent to 2.1 per cent but then should decline to 1.5 per cent in 2024.

Financial Markets

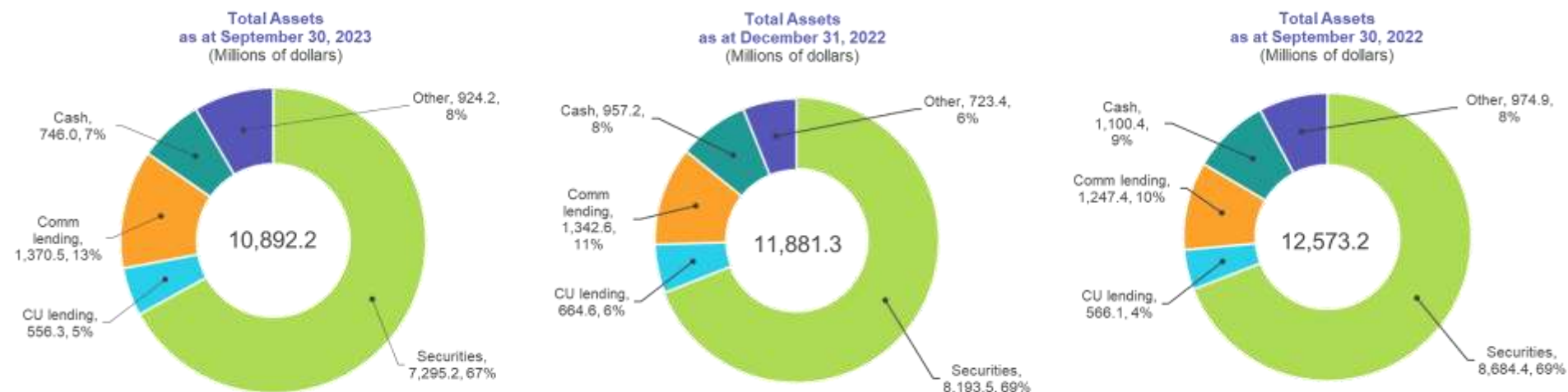
Financial markets have tightened modestly again over the recent quarter. Bond yields in both Canada and the U.S. have risen as both the BoC and the Federal Reserve increase their policy rates by a quarter basis point over the third quarter. Inflation rate in both economies has also remained elevated above the target benchmark rate of 2.0 per cent and therefore, is pointing towards both central banks keeping rates higher for an extended period. Current Federal Reserve dot plot projections are even expecting one more increase before the year ends. Since the end of the second quarter, 10-year benchmark yields are up almost 100 basis points in Canada to above a 4.0 per cent yield and over 80 basis points in the U.S to almost a 5.0 per cent yield. Shorter term yields have also climbed but by less, which has resulted in a slightly flatter yield curve in both markets. Commodity prices have been risen slightly over the few months with oil prices up sharply from oil production cuts from Saudia Arabia and Russia while industrial metals were mixed, and agricultural product prices are down. Equity markets are also down in most markets given the market sentiment of prolonged higher interest rates. The Canadian dollar has also weakened in value against the U.S. dollar.

Industry Regulation

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

Consolidated Statement of Financial Position

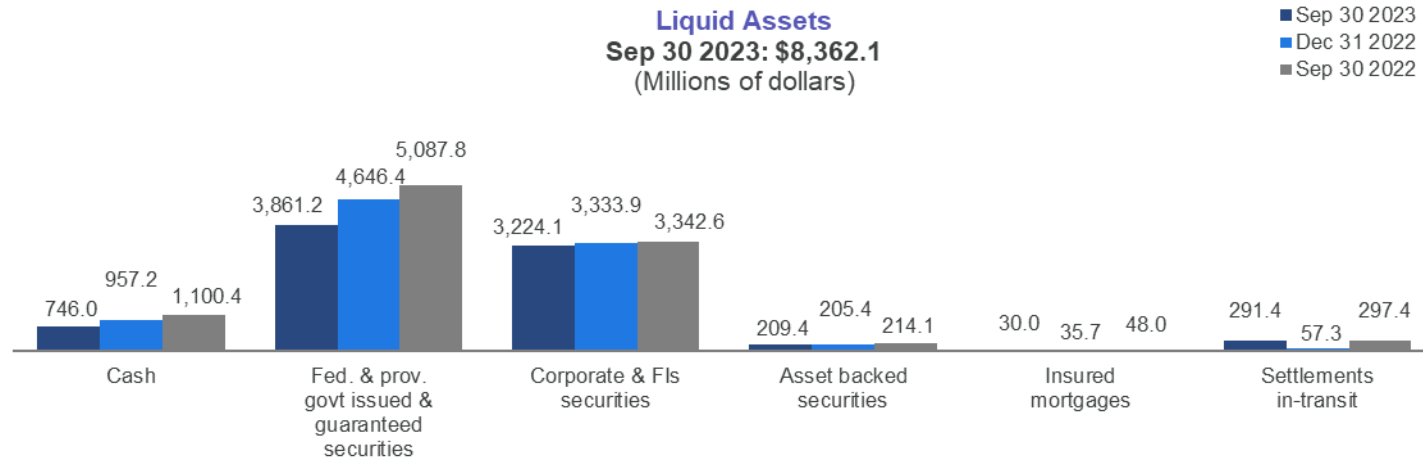
Total Assets



The change in total assets correlates to the change in the size of our funding portfolios. Total assets as at September 30, 2023 decreased by \$1.7 billion from September 30, 2022 as credit unions withdrew some of their liquidity deposits to fund loan growth.

Total assets as at September 30, 2023 decreased by \$1.0 billion from December 31, 2022 driven by the decreased usage of repurchase agreements to fund daily liquidity requirements. Central 1's access to diversified funding sources, which includes MTN, commercial paper, subordinated liabilities, and repurchase agreements, continues to provide funding for daily liquidity requirements.

Cash and Liquid Assets



\$ millions, as at September 30, 2023	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash	\$ 746.0	\$ -	\$ 746.0	\$ -	\$ 746.0
Federal and provincial government issued and guaranteed securities	3,791.4	69.8	3,861.2	1,998.0	1,863.2
Corporate and financial institutions securities	3,224.1	-	3,224.1	36.4	3,187.7
Asset backed securities	209.4	-	209.4	-	209.4
Insured mortgages	30.0	-	30.0	-	30.0
Settlements in-transit	291.4	-	291.4	-	291.4
Total	\$ 8,292.3	\$ 69.8	\$ 8,362.1	\$ 2,034.4	\$ 6,327.7

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

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

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

\$ millions, as at September 30, 2022	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets ¹
Cash	\$ 1,100.4	-	\$ 1,100.4	\$ -	\$ 1,100.4
Federal and provincial government issued and guaranteed securities	5,016.1	71.7	5,087.8	2,485.1	2,602.7
Corporate and financial institutions securities	3,342.6	-	3,342.6	97.3	3,245.3
Asset backed securities	214.1	-	214.1	-	214.1
Insured mortgages	48.0	-	48.0	-	48.0
Settlements in-transit	297.4	-	297.4	-	297.4
Total	\$ 10,018.6	\$ 71.7	\$ 10,090.3	\$ 2,582.4	\$ 7,507.9

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

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

Cash and liquid assets at September 30, 2023 decreased \$873.3 million from December 31, 2022 and \$1.7 billion from a year ago. Since 2021, 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 with a smaller decrease seen since December 31, 2022.

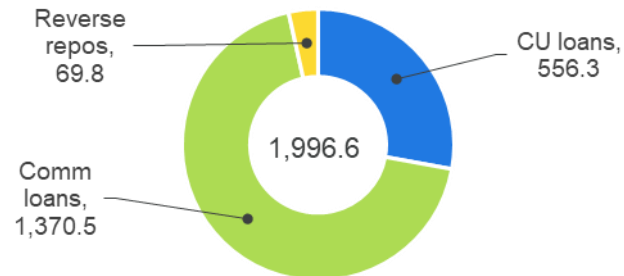
Unencumbered assets¹, which are driven by the volume of repurchase agreements to fund daily liquidity requirements, decreased \$1.0 billion from December 31, 2022 and \$0.5 billion from a year ago.

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

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

Loans

As at September 30, 2023
(Millions of dollars)



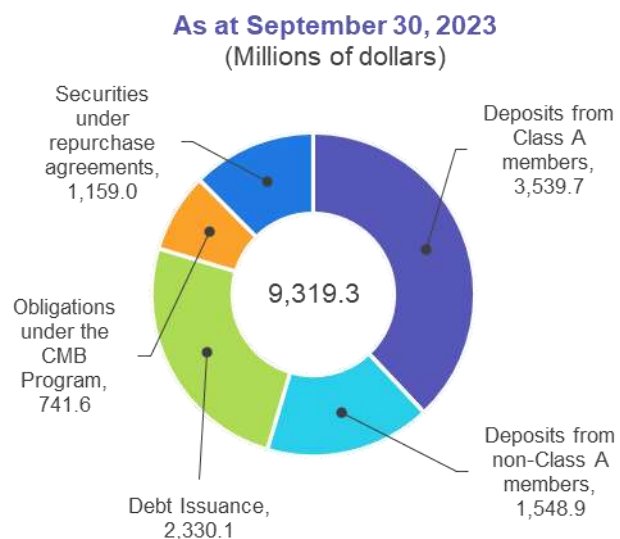
\$ millions, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Loans to credit unions	\$ 556.3	\$ 664.6	\$ 566.1
Commercial and other loans	1,370.5	1,342.6	1,247.4
Reverse repurchase agreements	69.8	68.2	71.7
	\$ 1,996.6	\$ 2,075.4	\$ 1,885.2

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

As at September 30, 2023, loans to credit unions were \$108.3 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 September 30, 2023 were flat compared to December 31, 2022 and increased by \$123.1 million from September 30, 2022. Reverse repurchase agreements remained relatively stable since December 31, 2022 and September 30, 2022.

Funding



\$ millions, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Deposits			
Deposits from Class A members	\$ 3,539.7	\$ 4,146.8	\$ 4,419.3
Deposits from non-Class A members	1,548.9	1,172.8	1,641.3
	5,088.6	5,319.6	6,060.6
Debt Issuance			
Commercial paper	852.9	979.5	919.9
Medium-term notes	1,300.6	1,018.1	1,521.9
Subordinated liabilities	176.6	198.9	200.7
	2,330.1	2,196.5	2,642.5
Obligations under the CMB Program	741.6	992.1	1,184.0
Securities under repurchase agreements	1,159.0	1,909.7	1,230.6
	\$ 9,319.3	\$ 10,417.9	\$ 11,117.7

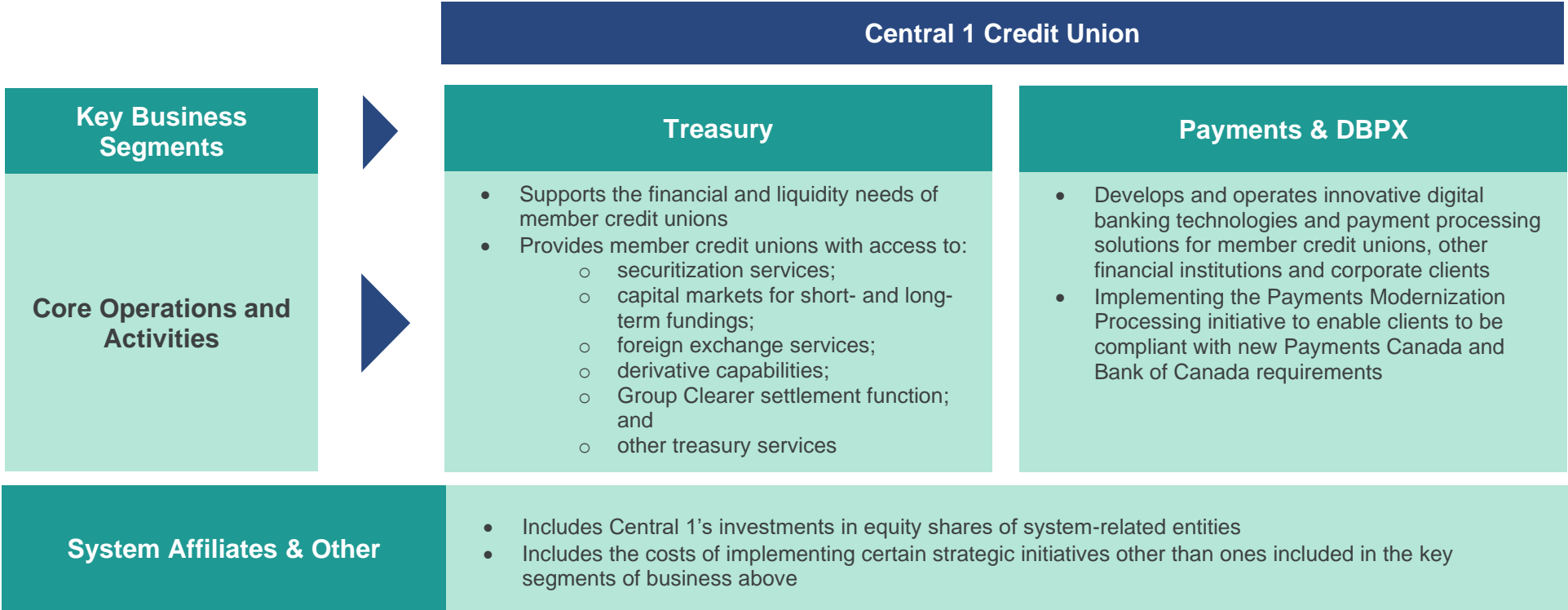
Central 1 is largely funded through liquidity deposits generated from member credit unions. Since 2021, member credit unions withdrew liquidity to fund loan growth. This trend continued and total deposits as at September 30, 2023 decreased \$231.0 million from December 31, 2022. During 2023, Central 1 maintained good access to external markets and diversified sources of funding, which includes MTN, commercial paper, subordinated liabilities, and repurchase agreements. Total debt issuance increased \$133.6 million from December 31, 2022, driven by the new issuance of a \$300.0 million MTN on February 7, 2023 partially offset by a \$126.6 million decrease in commercial paper issuance.

Central 1 does not expect significant fluctuations in its liquidity due to its capital management program as disclosed in the Capital Management and Capital Resource section of this MD&A.

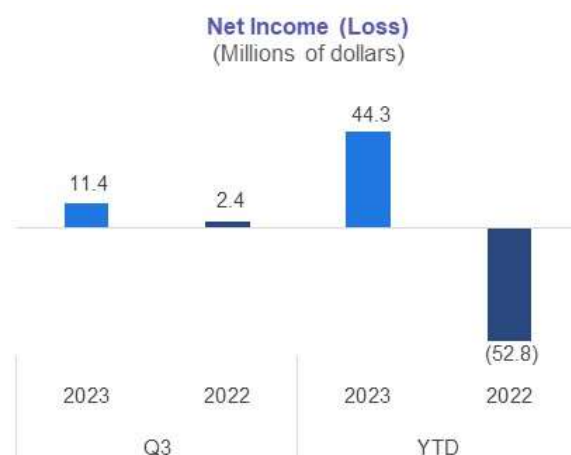
Results by Segment

Central 1’s operations and activities are reported around two key business segments: Treasury, and Payments & Digital Banking Platforms and Experiences (DBPX). All other activities or transactions are reported in System Affiliates & Other including Central 1’s investments in equity shares of system-related entities, other than the wholly owned subsidiaries. The costs of Corporate Support functions are attributed to business lines as appropriate, with unattributed amounts included in System Affiliates & Other.

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



Treasury



\$ millions	Q3 2023	Q3 2022	Change	For the nine months ended September 30		
				2023	2022	Change
Net interest income	\$ 20.0	\$ 21.6	\$ (1.6)	\$ 43.4	\$ 58.1	\$ (14.7)
Gain (loss) on disposal of financial instruments	0.8	(4.2)	5.0	17.1	(25.4)	42.5
Change in fair value of financial instruments	(2.8)	(12.0)	9.2	7.1	(101.7)	108.8
Non-interest income	8.3	8.0	0.3	25.0	24.2	0.8
Total revenue	26.3	13.4	12.9	92.6	(44.8)	137.4
Provision for credit losses	1.0	0.4	0.6	0.5	0.4	0.1
Non-interest expense, excl. strategic initiatives ¹	9.5	9.8	(0.3)	29.9	29.7	0.2
Strategic initiatives ¹	0.2	0.0	0.2	1.6	0.0	1.6
Income (loss) before income taxes	15.6	3.2	12.4	60.6	(74.9)	135.5
Income tax expense (recovery)	4.2	0.8	3.4	16.3	(22.1)	38.4
Net income (loss)	\$ 11.4	\$ 2.4	\$ 9.0	\$ 44.3	\$ (52.8)	\$ 97.1

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

Q3 2023 vs Q3 2022

For the third quarter of 2023, Treasury reported a net income of \$11.4 million, up \$9.0 million from the \$2.4 million reported in the same quarter last year. The widening of NHA MBS credit spreads partially offset by the narrowing of bond credit spreads was a primary driver to the \$2.0 million net fair value loss¹ reported in the current quarter, compared to the \$16.2 million net fair value loss¹ reported in the same quarter last year. Treasury's fee-based business continued to generate consistent revenue, reflective of a marginal increase year-over-year. Net interest income declined \$1.6 million year-over-year driven by increased short-term market funding costs and lower total asset levels. Provision for credit losses saw an increase of \$0.6 million from the same quarter last year.

Investments in strategic initiatives¹ started in 2023 and are consistent with Central 1's strategic priorities. Non-interest expense, excluding strategic initiatives¹, was also broadly in line with the same period last year.

YTD 2023 vs YTD 2022

For the nine months ended September 30, 2023, Treasury reported a net income of \$44.3 million, compared to a net loss of \$52.8 million in the same period last year. Treasury reported a \$24.2 million net fair value gain¹ year-on-year, compared to a \$127.1 million net fair value loss¹ reported in the same period last year when the economic uncertainty caused bond credit spreads to increase which reduced the fair value of financial instruments. Bond credit spreads started narrowing in the second quarter of 2023 and continued into the third quarter, contributing to the increased fair value of Treasury's portfolio. This increase was

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

partially offset by a \$14.7 million decrease in Treasury's net interest income as short-term market funding became more expensive and total assets declined. Non-interest income, excluding strategic initiatives¹ and non-interest expense, excluding strategic initiatives¹ remained relatively stable year-over-year. Investments in strategic initiatives¹ are also consistent with Central 1's strategic priorities.

Payments & DBPX



\$ millions	Q3 2023	Q3 2022	Change	For the nine months ended September 30		
				2023	2022	Change
Net interest expense	\$ (0.4)	\$ (0.2)	\$ (0.2)	\$ (2.1)	\$ (0.3)	\$ (1.8)
Non-interest income, excl. strategic initiatives ¹	30.0	28.6	1.4	87.6	81.3	6.3
Total revenue	29.6	28.4	1.2	85.5	81.0	4.5
Non-interest expense, excl. strategic initiatives ¹	31.7	27.0	4.7	94.0	81.9	12.1
Strategic initiatives ¹	4.6	6.5	(1.9)	17.7	21.5	(3.8)
Loss before income taxes	(6.7)	(5.1)	(1.6)	(26.2)	(22.4)	(3.8)
Income tax recovery	(1.8)	(1.4)	(0.4)	(10.2)	(12.7)	2.5
Net loss	\$ (4.9)	\$ (3.7)	\$ (1.2)	\$ (16.0)	\$ (9.7)	\$ (6.3)

Q3 2023 vs Q3 2022

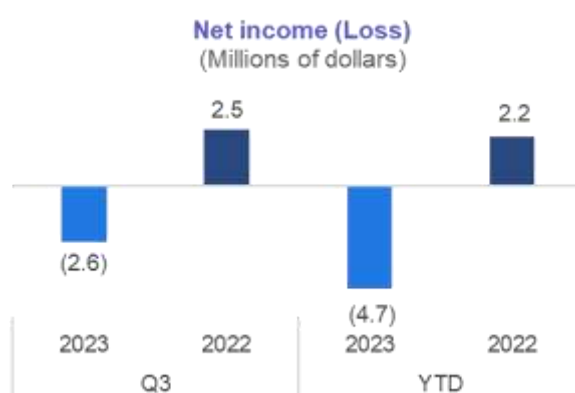
Payments & DBPX reported a net loss of \$4.9 million in the third quarter of 2023, broadly in line with the same quarter last year. Non-interest income, excluding strategic initiatives¹, was up by \$1.4 million supported by higher transaction volumes in combination with price increases in Payments products and adoption of Digital Cybersecurity and Forge 2.0 products. Investments in strategic initiatives¹, which included the Payments Modernization and Digital Banking initiatives, continued at a planned lower level and were consistent with Central 1's strategic priorities with the spend in the current quarter being \$1.9 million lower compared to the same quarter last year. Offsetting this was a \$4.7 million increase in non-interest expense, excluding strategic initiatives¹, driven by higher salaries and benefits.

YTD 2023 vs YTD 2022

Payments & DBPX reported a year-to-date net loss of \$16.0 million, compared to a net loss of \$9.7 million from the same period last year. Higher net interest expense which relates to Central 1's clearing function with the BoC saw an increase of \$1.8 million due to higher funding costs. Non-interest income, excluding strategic initiatives¹, was up by \$6.3 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 initiatives¹ continued at a planned lower level and were consistent with Central 1's strategic priorities with the spend being \$3.8 million lower year-over-year. Offsetting this was a \$12.1 million increase in non-interest expense, excluding strategic initiatives¹, driven by higher salaries and benefits.

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

System Affiliates & Other



\$ millions	Q3 2023	Q3 2022	Change	For the nine months ended September 30		
				2023	2022	Change
Change in fair value of financial instruments	\$ -	\$ 2.9	\$ (2.9)	\$ -	\$ 2.9	\$ (2.9)
Non-interest income	0.4	3.1	(2.7)	5.1	8.2	(3.1)
Total revenue	0.4	6.0	(5.6)	5.1	11.1	(6.0)
Non-interest expense, excl. strategic initiatives ¹	1.3	(0.5)	1.8	4.5	-	4.5
Strategic initiatives ¹	2.9	3.1	(0.2)	8.4	8.7	(0.3)
Income (loss) before income taxes	(3.8)	3.4	(7.2)	(7.8)	2.4	(10.2)
Income tax expense (recovery)	(1.2)	0.9	(2.1)	(3.1)	0.2	(3.3)
Net income (loss)	\$ (2.6)	\$ 2.5	\$ (5.1)	\$ (4.7)	\$ 2.2	\$ (6.9)

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

Q3 2023 vs Q3 2022

In the third quarter of 2023, System Affiliates & Other reported a net loss of \$2.6 million, compared to a net income of \$2.5 million from the same quarter in 2022 which included a fair value gain¹ from the sale of Concentra Bank and a distribution from U.S. Central Federal Credit Union. Excluding this income, the third quarter results were little changed year-over-year. Central 1's investments in strategic initiatives¹ continued into the third quarter of 2023 at a planned level, broadly in line with the same quarter last year.

YTD 2023 vs YTD 2022

System Affiliates & Other reported a year-to-date net loss of \$4.7 million, compared to a net income of \$2.2 million from the same period last year which included a fair value gain¹ from the sale of Concentra Bank and a distribution from U.S. Central Federal Credit Union. Central 1's investments in strategic initiatives continued into the third quarter of 2023 at a planned level, broadly in line with the same quarter last year.

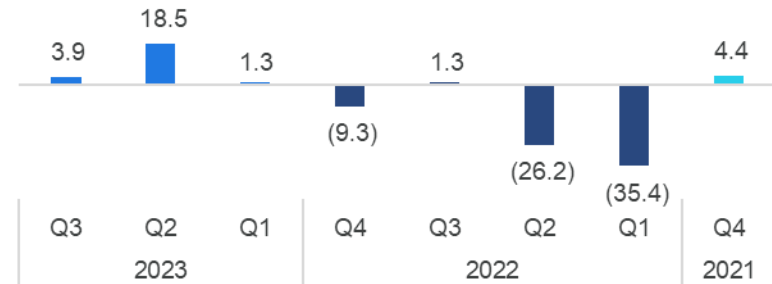
¹These are non-GAAP financial measures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more information.

Summary of Quarterly Results

Net Interest Income
(Millions of dollars)



Net Income (Loss)
(Millions of dollars)



\$ thousands, except as indicated	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Interest income	\$ 118,800	\$ 102,196	\$ 99,215	\$ 94,605	\$ 79,841	\$ 52,660	\$ 36,974	\$ 33,807
Interest expense	99,206	92,426	87,264	76,626	58,372	33,335	19,893	20,054
Net interest income	19,594	9,770	11,951	17,979	21,469	19,325	17,081	13,753
Gain (loss) on disposal of financial instruments	721	5,426	10,964	31,479	(4,175)	(7,665)	(13,595)	(5,281)
Change in fair value of financial instruments	(2,777)	27,171	(17,247)	(50,185)	(9,113)	(36,522)	(53,204)	9,698
Non-interest income ¹	39,372	38,123	41,669	36,263	39,747	35,733	38,265	36,518
Total revenue	56,910	80,490	47,337	35,536	47,928	10,871	(11,453)	54,688
Provision for (recovery of) credit losses	991	212	(701)	(13)	394	413	(433)	461
Non-interest expense ¹	50,882	54,913	51,779	53,871	45,944	50,509	45,338	45,844
Income (loss) before income taxes	5,037	25,365	(3,741)	(18,322)	1,590	(40,051)	(56,358)	8,383
Income tax expense (recovery)	1,162	6,905	(5,022)	(9,061)	335	(13,823)	(20,982)	4,007
Net income (loss)	\$ 3,875	\$ 18,460	\$ 1,281	\$ (9,261)	\$ 1,255	\$ (26,228)	\$ (35,376)	\$ 4,376
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	9.0	42.6	3.0	(21.4)	3.0	(60.4)	(81.6)	10.1

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

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

The 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 net interest income 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 as a result of the repricing of financial liabilities in the rising interest rate environment. The third quarter of 2023 saw an increase in net interest income primarily due to a \$5.6 million adjustment relating to the reversal of a change in accounting policy implemented in the first quarter of 2023 which increased net interest income in the third quarter and reduced gain (loss) on disposal of financial instruments.

The last quarter of 2021 reflected stabilized financial markets and positive economic outlook. The first quarter of 2022 started the year with significant net fair value loss¹ 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 net fair value loss¹. Corporate bonds' credit spreads started narrowing during the second quarter of 2023, reflective of a net fair value gain¹ of \$32.6 million reported in the second quarter. During the third quarter of 2023, bond credit spreads continued to narrow, which was outweighed by the unfavorable impact from NHA MBS credit spreads widening, causing Central 1 reporting a net fair value loss¹ of \$2.0 million in Central 1's financial instruments.

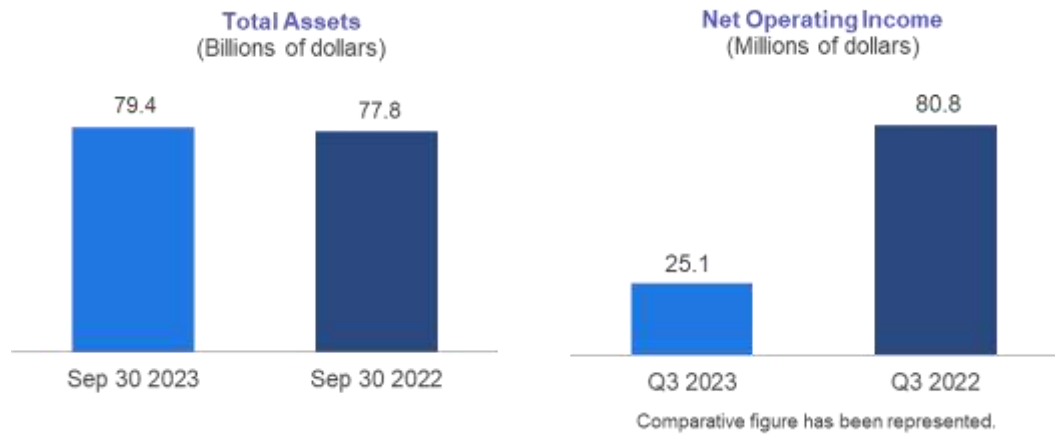
From the third quarter of 2021 to the first quarter of 2023, Central 1 received liquidation distributions from U.S. Federal Credit Union totaling \$10.2 million (US \$8.0 million), of which \$5.5 million (US \$4.4 million) was received in 2021 and \$4.2 million (US \$3.2 million) was received in 2022 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 this income, non-interest income remained relatively stable quarter-over-quarter with the transaction volumes in Payments products in the first quarter of 2023 trending upwards. Non-interest expense also saw an upward trend over the past few quarters in 2022 and into 2023 driven by higher salaries and benefits.

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

Credit Union System Performance

As a key member in the credit union system, Central 1’s financial performance is impacted by the performance of the credit union systems in B.C. and Ontario as its membership includes all credit unions in B.C., except one credit union that has elected to become a federal credit union, and Ontario credit unions that have elected to be our members.

British Columbia



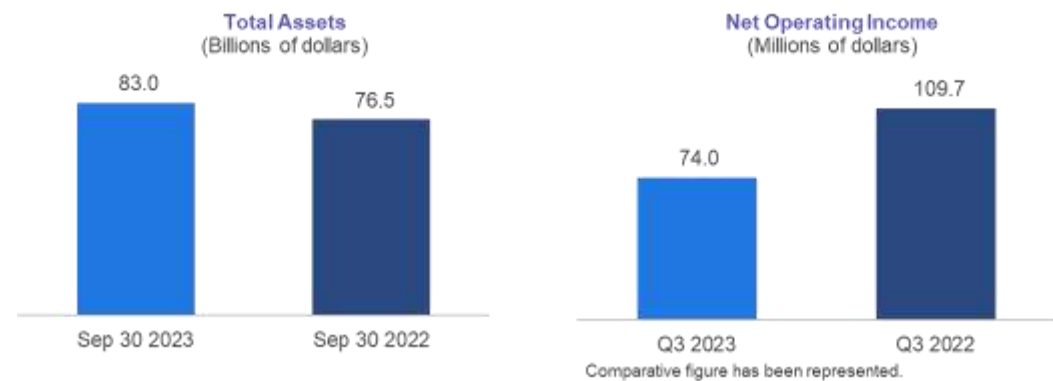
The B.C. system’s net operating income for the third quarter of 2023 was \$25.1 million, down \$55.7 million or 68.9 per cent from the same period in 2022. Net interest income decreased \$81.9 million or 22.3 per cent over the same period of last year as lending spreads decreased. Non-interest income was largely the same as it was in the third quarter last year, coming in at 70.1 million. Non-interest expenses decreased by \$26.8 million or 7.5 per cent year-over-year due to lower loan loss expenses.

Total assets increased \$1.6 billion or 2.1 per cent year-over-year to reach \$79.4 billion at the end of the third quarter. Asset growth was led by higher residential and commercial mortgages, which were up 3.0 per cent and 2.4 per cent, respectively. Total liabilities increased 1.5 billion led by an 8.5 per cent increase in non-registered term deposits and a 17.5 per cent increase in registered term deposits. Non-registered demand deposits declined 8.0 per cent.

The system’s rate of loan delinquencies over 90 days was 0.25 per cent of total loans at the end of September 2023, up 16 bps from a year ago. The B.C. system’s loan loss expense ratio in the third quarter of 2023 was 0.02 per cent, down 15 bps from a year ago.

The B.C. system had \$38.2 billion in risk weighted assets (RWA) and regulatory capital as a percentage of RWA was 14.9 per cent at the end of September 2023, up 29 bps from a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 15.2 per cent of deposit and debt liabilities, down 54 bps from a year ago. The B.C. system’s return on assets was 0.13 per cent annualized in the third quarter, down 29 bps from a year ago.

Ontario



The Ontario system’s net operating income for the third quarter of 2023 was \$74.0 million, down \$35.7 million from a year earlier. Net interest income was marginally up by \$2.5 million or 0.7 per cent over the same period last year to \$355.2 million on lower spreads. Non-interest income decreased \$10.7 million year-over-year or 15.5 per cent on lower securitization, rent, and other income. Non-interest expenses increased \$27.5 million or 8.8 per cent year-over-year led by higher salaries and benefits and higher other non-financial expenses.

Total assets increased 8.4 per cent year-over-year to reach \$83.0 billion as of September 30, 2023, led by a \$4.0 billion increase in residential mortgages. Total liabilities increased 8.4 per cent year-over-year to reach \$77.2 billion, led by growth in term deposits, which were up 26.6 per cent or \$5.7 billion. In contrast, demand deposits declined by 12.4 per cent or \$3.5 billion.

The rate of loan delinquencies over 90 days was 0.26 per cent of total loans at the end of September 30, 2023, up 10 bps from a year ago. Provision for credit losses as a percentage of loans was 0.25 per cent, down one bps from a year earlier. The Ontario system’s loan loss expense ratio was 0.03 per cent annualized in the third quarter of 2023, down one bps from the same period last year.

The Ontario system’s RWA was \$39.6 billion and regulatory capital as a percentage of RWA was 13.4 per cent at the end of September 30, 2023, down 17 bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 12.6 per cent of deposit and debt liabilities, down 53 bps from a year ago. The Ontario system’s return on assets was 0.36 per cent annualized in the third quarter, down 21 bps from a year ago.

Off-Balance Sheet Arrangements

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

Derivative Financial Instruments

Notional Amount					
\$ millions, as at		Sep 30 2023		Dec 31 2022	Sep 30 2022
Interest rate contracts					
Swap contracts	\$	31,910.4	\$	31,844.0	\$ 32,067.4
Futures contracts		886.0		604.0	1,134.0
Bond forwards		-		-	62.0
		32,796.4		32,448.0	33,263.4
Foreign exchange contracts					
Foreign exchange forward contracts		524.9		543.5	844.4
Other derivative contracts					
Equity index-linked options		187.6		221.1	225.0
	\$	33,508.9	\$	33,212.6	\$ 34,332.8

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

The changes in fair values of these derivatives are recognized in our Interim Consolidated Statement of Financial Position but the notional amounts of these derivatives are not presented on our Interim Consolidated Statement of Financial Position as they do not represent actual amounts exchanged. Counterparty credit risk arising from derivative contracts is managed within the context of our overall credit risk policies and through the existence of Credit Support Annex (CSA) agreements and general security agreements. Central 1's counterparty credit exposure to Central 1's Class A member credit unions is secured by individual general security agreements. CSA agreements are in place with all other derivatives counterparties. Under a CSA, net fair value positions are collateralized with high quality liquid securities. Market risk arising from these derivative contracts is managed within the context of our overall market risk policies as disclosed in the Risk Review section of this MD&A.

Guarantees, Commitments and Contingencies

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

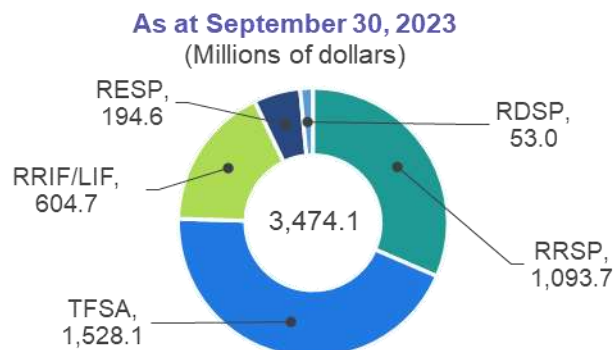
\$ millions, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Commitments to extend credit	\$ 4,819.4	\$ 4,976.6	\$ 4,935.7
Guarantees			
Financial guarantees	\$ 783.6	\$ 717.6	\$ 812.6
Performance guarantees	\$ 500.0	\$ 130.0	\$ 100.0
Standby letters of credit	\$ 232.0	\$ 236.9	\$ 239.8
Future prepayment swap reinvestment commitment	\$ 845.0	\$ 797.9	\$ 724.5

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

Commitments to extend credit, representing undrawn commitments, decreased \$157.2 million and \$116.3 million from December 31, 2022 and September 30, 2022, respectively. Financial guarantees increased \$66.0 million from year-end, while standby letters of credit were largely in line with the prior year. Future prepayment swap reinvestment commitments also increased by \$120.5 million from a year ago due to the new reinvestment commitments entered in 2023.

From time to time Central 1 issues performance guarantees related to the Asset Backed Commercial Paper Program. The performance guarantees represented in the table above are the maximum limits for parties in existing contractual obligations. Central 1 also issues blanket approvals for performance guarantees on a non-committed basis which will become contractual obligations for specified amounts if requested and authorized by us, at our sole discretion. Central 1 has the ability to unilaterally withdraw anytime from these approved limits. Counterparty credit risk arising from these guarantee contracts is managed within the context of our overall credit risk policies as disclosed in the Risk Review section of this MD&A.

Assets under Administration



\$ millions, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Registered Retirement Savings Plans (RRSP)	\$ 1,093.7	\$ 1,062.2	\$ 1,076.5
Tax-Free Savings Accounts (TFSA)	1,528.1	1,382.9	1,340.4
Registered Retirement Income Funds/Life Income Funds (RRIF/LIF)	604.7	585.2	559.0
Registered Education Savings Plans (RESP)	194.6	194.5	192.1
Registered Disability Savings Plans (RDSP)	53.0	48.2	46.9
	\$ 3,474.1	\$ 3,273.0	\$ 3,214.9

Comparative figures have been represented.

Assets under administration mainly consists of government approved registered plans, which are trustee and administered by Central 1 or one of its wholly owned subsidiaries. Central 1 provides trust and administrative services on AUA for the beneficial owners and members of the B.C. credit union system and Class C members.

Central 1 Trust Company (the Trust), a wholly owned subsidiary of Central 1, provides the equivalent 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 and in Saskatchewan and Nova Scotia during the third 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 8.1 per cent increase in AUA from September 30, 2022, and 6.1 per cent increase from December 31, 2022. TFSA sales continued its upward trend, due to increasing popularity amount investors as an alternative to RRSPs and the desire to keep cash at hand during this period of financial uncertainty.

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.

Central 1 expects to have sufficient working capital generated from operations to satisfy its capital requirements to advance its strategic initiatives¹ and fund continued growth.

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

Regulatory Capital

\$ millions, except as indicated, as at	Sep 30 2023	Dec 31 2022	Sep 30 2022
Share capital	\$ 43.4	\$ 43.4	\$ 43.4
Retained earnings	680.7	656.8	665.9
Less: accumulated net after tax gain in investment property	(4.7)	(4.7)	(4.7)
Tier 1 capital ²	719.4	695.5	704.6
Subordinated debt ¹	200.0	212.6	212.6
Add: accumulated net after tax gain in investment property	4.7	4.7	4.7
Tier 2 capital ²	204.7	217.3	217.3
Total capital	924.1	912.8	921.9
Statutory capital adjustments	(172.5)	(176.3)	(166.9)
Total regulatory capital²	\$ 751.6	\$ 736.5	\$ 755.0
Borrowing multiple - Consolidated ³	12.5:1	14.7:1	15.3:1

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

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

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

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

BCFSA has set Central 1's borrowing multiple requirement at 18.0:1 and will apply the multiple to Central 1's Interim Consolidated Statement of Financial Position. Central 1 manages the borrowing multiple through growth in retained earnings and subordinated debt.

At September 30, 2023, Central 1's consolidated borrowing multiple was 12.5:1 compared to 15.3:1 at September 30, 2022, largely due to the reduction in total borrowings. Central 1 was in compliance with all regulatory capital requirements as at September 30, 2023, December 31, 2022 and September 30, 2022.

Risk Review

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

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

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

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

Strategic Risk

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

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

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

Compliance Risk

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

As a 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.

Compliance Risk is owned by lines of business which acts as 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 third quarter of 2023, Central 1 increased its provision for credit losses for the Commercial Real Estate Lending (CREL) portfolio by \$898.0 thousand to a total of \$4.0 million due to three additional loans being placed on watchlist during the quarter, with one being transferred to Stage 2 and two being transferred to Stage 3. As at the end of September 30, 2023, total two loans were in Stage 2 and total three loans were in Stage 3. The provision for credit losses 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 \$4.08 billion or 55.5 per cent of the portfolio. 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.

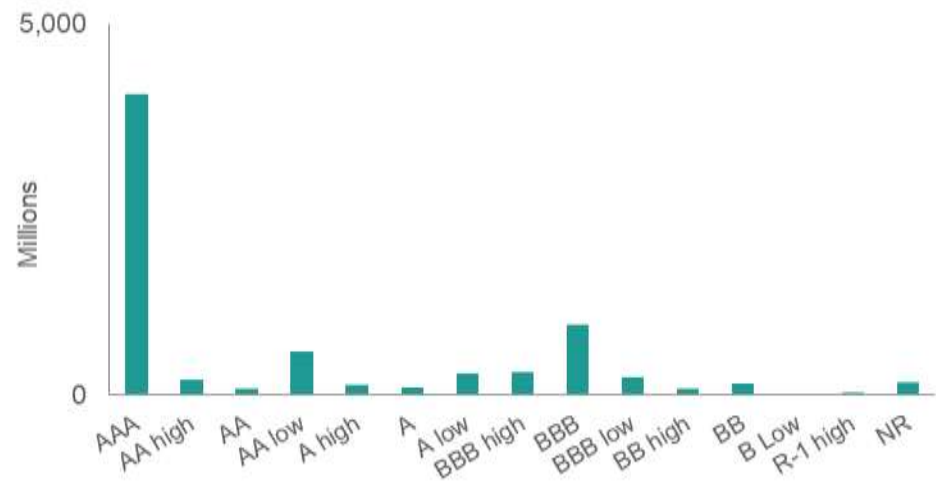
Credit Union Lending

There are no impaired loan facilities in the Credit Union Lending portfolio. As at September 30, 2023, there were five Ontario credit unions 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 7.16 per cent of the authorized portfolio as at September 30, 2023. The security provided for the Watch List facilities is substantial and no losses are expected.

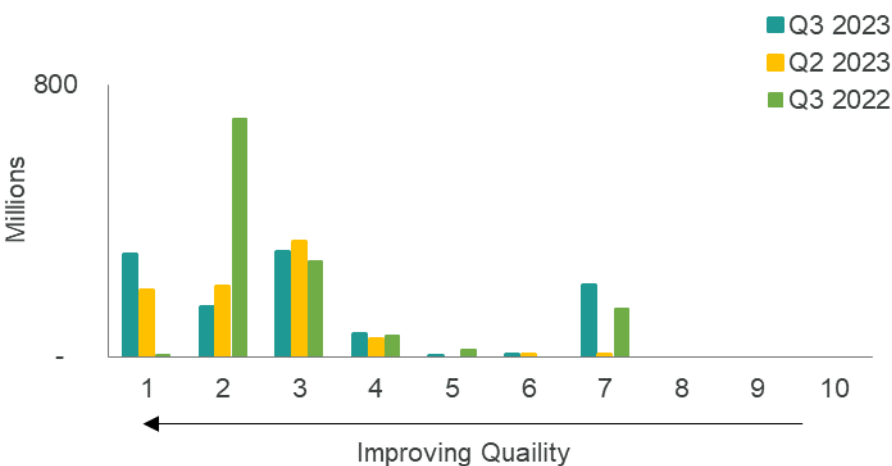
Commercial Real Estate Lending

During the third quarter, the commercial loan portfolio added three impaired accounts which represents 0.6 per cent of the portfolio balance. As at September 30, 2023, the portfolio had a total of five impaired loans. These loans are secured by real estate assets and are subject to close monitoring. In early November, two of the impaired loans were paid off.

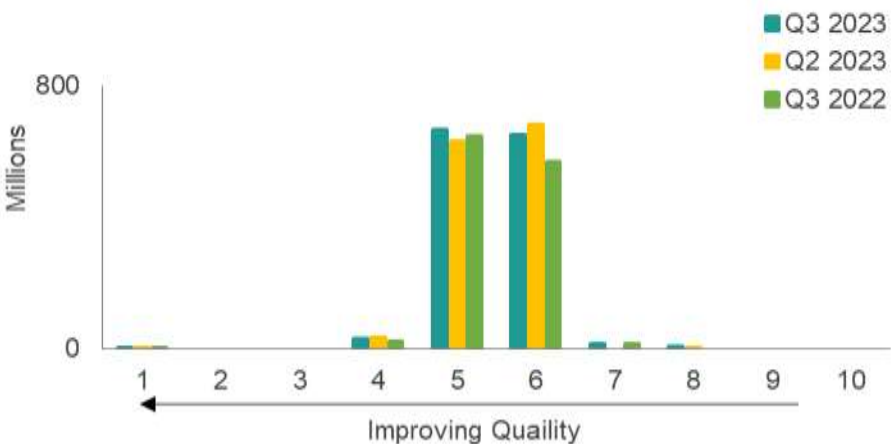
Investment Portfolio
(Millions of dollars)



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



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



Counterparty Risk

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

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

Liquidity Risk

Liquidity risk arises when sources of funds become insufficient to meet scheduled payments and settlements, from systemic market and credit events, or from unexpected changes in the liquidity needs of our members. Our sound liquidity management framework ensures ongoing liquidity support of the credit union system in both normal and stressed market conditions. Central 1 is continuously monitoring the liquidity and funding needs of the credit union system and remains ready to meet the liquidity requirements of its credit union members, as and when required. 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.

While starting from a comparatively low level, average daily member utilization of committed credit facilities with Central 1 trended upwards through the third quarter of 2023. Average daily utilization was down in the third quarter of 2023 versus the third quarter of 2022 but nevertheless remained elevated, primarily through continued reliance on liquidity lines, whereas contingency facilities remain broadly stable. Overall utilization is 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. Central 1 uses OSFI's definition of LCR for its risk appetite limit and reports it to the BCFSa on a monthly basis. The OSFI LCR dipped briefly below its risk appetite limit in August due to technical factors, but quickly rebounded.

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

As of September 30, 2023, Central 1's NCCF and OSFI LCR indicated high level of liquidity although it's lower than the previous quarter. Central 1 remains in a strong position to support the liquidity needs of the system.

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	LTM Average ¹
OSFI LCR	113.1%	131.1%	127.6%	124.1%	145.4%	115.9%

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

Market Risk

The level of market risk Central 1 is exposed to varies according to market conditions and the composition of our investment, securitization, and derivative portfolios. We manage our exposure to market risk through a range of governance and management processes. Central 1's overall appetite for market risk and aggregate market risk exposure limits are established in the Risk Appetite Statements (RAS) prepared internally 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 third quarter, while Interest Rate VaR and Credit Spread VaR were also stable quarter over quarter.

\$ millions	Treasury				Last 12 Months			
	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Average	High	Low	
Interest Rate VaR	\$ 2.7	\$ 2.8	\$ 2.4	\$ 2.7	\$ 2.9	\$ 4.6	\$ 2.3	
Credit Spread VaR	2.4	2.3	2.3	2.9	2.6	3.9	2.1	
Foreign Exchange VaR	1.4	2.1	2.3	1.9	2.1	3.4	1.0	
Diversification ¹	(2.9)	(3.4)	(3.3)	(3.4)	(3.4)	nm	nm	
Total VaR	\$ 3.6	\$ 3.8	\$ 3.7	\$ 4.1	\$ 4.2	\$ 5.4	\$ 3.3	
Expected Shortfall	\$ 4.0	\$ 4.2	\$ 4.5	\$ 5.5	\$ 4.8	\$ 6.4	\$ 4.0	

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

nm - not meaningful to calculation

Stress Testing

In addition to running generic stress testing scenarios, Central 1 calculates SVaR to quantify portfolio market risk under stressed market conditions. SVaR is calculated by the same methodology as VaR except that it is calibrated to historical data from a continuous 1-year period of significant financial stress for current portfolios. SVaR is calculated for 1-day and 10-day horizons at a 99 per cent confidence interval. Treasury SVaR is currently calibrated to 2008/2009. SVaR has remained stable over the third quarter and within normal historical ranges.

\$ millions	Treasury				Last 12 Months		
	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Average	High	Low
1-Day SVaR	\$ 8.4	\$ 9.9	\$ 9.4	\$ 10.5	\$ 10.0	\$ 13.0	\$ 8.4
10-Day SVaR	\$ 26.9	\$ 25.1	\$ 26.6	\$ 34.5	\$ 29.1	\$ 36.5	\$ 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	\$ 6.0	\$ 2.4	\$ 8.4	1.3555	\$ 11.3

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-interest 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 1's ability to provide services to members. This could cause reputational damage or otherwise adversely impact the ability to conduct business.

In the normal course of business, 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:

- **Elevated economic uncertainty:** Geopolitical tensions, inflation, and rising interest rates from Central Banks are creating a sense of uncertainty in the economy. The present economic landscape is also putting pressure on the Credit Union System. Central 1 is particularly exposed to economic downturns due to their potential to increase probability of defaults, profit margins tightening and credit spreads widening.
- **Regulatory pressures:** Central 1, along with other financial institutions is facing increasing regulatory expectations in a range of areas most notably BCFS's capital modernization. However, there is also increased scrutiny in areas such as environmental, social and governance issues (ESG).
- **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.

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 third quarter of 2023 with no significant changes to the 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). Central 1 is ready for the implementation of the second phase to transition the existing products benchmarked to the Canadian Dollar Offered Rate (CDOR) over to CORRA on June 28, 2024.

As at September 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 \$598.4 million (December 31, 2022 - \$559.1 million) and \$14.5 million (December 31, 2022 - \$42.5 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 \$19.0 billion (December 31, 2022 - \$18.5 billion), of which \$585.2 million (December 31, 2022 - \$589.9 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 CORRA 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. Regular updates on the transition continue to be provided to senior management and stakeholders.

Amendment of Change 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 was 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 Net Income (Loss), it would better reflect the underlying nature of the transactions and provide more useful and relevant financial information to the readers about the effect of the transactions.

This change in accounting policy was voluntary in nature and was implemented in the first quarter of 2023 and applied retrospectively.

During 2023, as interest rates continued to increase, it became evident that the new accounting policy was making it difficult for users to understand the interconnectivity between our held-for-trading strategy and net interest income, and consequently, it did not result in providing reliable and more relevant information as initially intended. As a result, this change in accounting policy was reversed in the third quarter of 2023 and prior period amounts have been restated to revert back to what was originally disclosed.

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. Management judgment on valuation inputs is necessary when observable market data is not available. Uncertainty in these estimates and judgements can affect fair value and financial results recorded. Changes in the fair value of financial instruments reflect the current economic and industry environment as well as market conditions.

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 September 30, 2023 and December 31, 2022.

Details of our related party disclosures were disclosed in Note 25 of the Interim Consolidated Financial Statements.

Subsequent Events

Medium-Term Notes

On November 7, 2023, Central 1 issued its "Series 21" medium-term fixed rate notes due November 10, 2026, with a principal amount of C\$200.0 million. The notes bear interest at a fixed rate of 5.877%, payable semi-annually on May 10 and November 10 of each year, commencing May 10, 2024. The notes are redeemable, in whole or in part, at the option of Central 1.

On November 7, 2023, Central 1 issued its "Series 22" medium-term fixed rate notes due November 10, 2028, with a principal amount of C\$200.0 million. The notes bear interest at a fixed rate of 5.981%, payable semi-annually on May 10 and November 10 of each year, commencing May 10, 2024. The notes are redeemable, in whole or in part, at the option of Central 1.

Loans

Subsequent to the quarter end in early November, Central 1 received full payments of two impaired commercial loans which amounted to \$6.1 million notional in aggregate and were classified as stage 3 loans at the end of September 30, 2023. The provision for credit loss balance of these two loans as at September 30, 2023 totalled \$0.5 million.

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.

Provision for credit losses 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.

Non-Interest Income consists of income excluding net interest income, derived from activities related to our other core business operations. This includes income generated from fees, dues and equity income, plus realized and unrealized gains or losses on financial instruments.

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

Interim Consolidated Financial Statements

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

Interim Consolidated Statement of Financial Position (Unaudited)

\$ thousands, as at	Notes	Sep 30 2023	Dec 31 2022
Assets			
Cash	4	\$ 746,047	\$ 957,228
Settlements in-transit assets		291,363	57,268
Securities	5	7,295,168	8,193,482
Loans	6	1,999,831	2,078,156
Derivative assets	7	354,160	378,674
Current tax assets		-	3,455
Property and equipment		11,985	16,691
Intangible assets		20,245	19,948
Investments in affiliates		89,509	88,935
Deferred tax assets		59,446	64,119
Other assets	9	24,412	23,303
		\$ 10,892,166	\$ 11,881,259
Liabilities			
Settlements in-transit liabilities		\$ 637,691	\$ 483,468
Deposits	10	5,088,636	5,319,628
Securities under repurchase agreements		1,159,023	1,909,708
Obligations under the Canada Mortgage Bond Program	11	741,563	992,140
Derivative liabilities	7	133,861	126,142
Debt securities issued	12	2,153,452	1,997,569
Subordinated liabilities	13	176,568	198,887
Other liabilities	14	82,690	162,793
		10,173,484	11,190,335
Equity			
Share capital	15	43,401	43,401
Retained earnings		680,676	656,814
Accumulated other comprehensive loss		(5,395)	(9,291)
Total equity		718,682	690,924
		\$ 10,892,166	\$ 11,881,259
Guarantees, commitments, contingencies and pledged assets	22		
Subsequent events	26		

Approved by the Directors:

"Shelley McDade"

Shelley McDade
Chair

"Paul Challinor"

Paul Challinor
Chair
Audit and Finance Committee

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

		For the three months ended		For the nine months ended	
\$ thousands	Notes	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Interest income					
Securities		\$ 83,633	\$ 55,161	\$ 223,960	\$ 115,760
Loans		35,167	24,680	96,251	53,715
		118,800	79,841	320,211	169,475
Interest expense					
Deposits		49,331	27,508	140,018	52,529
Debt securities issued		48,432	29,380	134,287	54,821
Subordinated liabilities		1,341	1,353	4,245	3,845
Obligations under the Canada Mortgage Bond Program		102	131	346	405
		99,206	58,372	278,896	111,600
Net interest income	16	19,594	21,469	41,315	57,875
Gain (loss) on disposal of financial instruments	17	721	(4,175)	17,111	(25,435)
Change in fair value of financial instruments	18	(2,777)	(9,113)	7,147	(98,839)
Non-interest income	19	39,372	39,747	119,164	113,745
Total revenue		56,910	47,928	184,737	47,346
Provision for credit losses	8	991	394	502	374
Non-interest expense					
Salaries and employee benefits		31,815	24,955	91,838	75,863
Management information systems		5,237	3,350	12,993	10,064
Depreciation and amortization		1,460	1,701	4,047	5,027
Other administrative expense	20	12,370	15,938	48,696	50,837
		50,882	45,944	157,574	141,791
Income (loss) before income taxes		5,037	1,590	26,661	(94,819)
Income tax expense (recovery)		1,162	335	3,045	(34,470)
Net income (loss)		\$ 3,875	\$ 1,255	\$ 23,616	\$ (60,349)

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

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Net income (loss)	\$ 3,875	\$ 1,255	\$ 23,616	\$ (60,349)
Other comprehensive income (loss), net of tax				
Items that may be reclassified subsequently to net income (loss)				
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	994	(2,648)	6,643	(41,503)
Reclassification of realized loss to net income (loss)	837	2,831	1,068	3,924
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	6	(114)	22	(161)
	1,837	69	7,733	(37,740)
Items that will not be reclassified subsequently to net income (loss)				
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	(333)	2,099	(3,591)	10,796
Net actuarial gain on employee benefits plans	-	(717)	-	(717)
Total other comprehensive income (loss), net of tax	1,504	1,451	4,142	(27,661)
Total comprehensive income (loss), net of tax	\$ 5,379	\$ 2,706	\$ 27,758	\$ (88,010)

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

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		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Income tax expense (recovery) on items that may be reclassified subsequently to net income (loss)				
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	\$ 366	\$ (1,005)	\$ 2,459	\$ (15,280)
Reclassification of realized loss to net income (loss)	308	1,043	393	1,445
Share of other comprehensive income of affiliates accounted for using the equity method	1	69	3	62
Income tax expense (recovery) on items that will not be reclassified subsequently to net income (loss)				
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	(123)	773	(1,323)	3,977
Net actuarial gain on employee benefits plans	-	(264)	-	(264)
	\$ 552	\$ 616	\$ 1,532	\$ (10,060)

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						
Net income		23,616				23,616
Other comprehensive income (loss), net of tax						
Fair value reserve (securities at fair value through other comprehensive income)			7,711			7,711
Share of other comprehensive income of affiliates accounted for using the equity method			22			22
Liability credit reserve				(3,591)		(3,591)
Total comprehensive income (loss)	-	23,616	7,733	(3,591)	-	27,758
Reclassification of liability credit reserve on derecognition²		246		(246)		-
Balance as at September 30, 2023	\$ 43,401	\$ 680,676	\$ (19,367)	\$ 9,064	\$ 4,908	\$ 718,682

¹Non-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.

²Transfer of accumulated own credit risk adjustments on derecognition of financial liabilities at FVTPL.

Interim Consolidated Statement of Changes in Equity (Unaudited)

\$ thousands	Attributable to Equity Members									Total Equity
	Share Capital	Retained Earnings	Fair Value & Affiliates Reserves	Liability Credit Reserve	Employee Benefits Reserve	Other Reserves	Equity Attributable to Members	Non-Controlling Interest		
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										
Net loss		(60,349)					(60,349)		(60,349)	
Other comprehensive income (loss), net of tax										
Fair value reserve (securities at fair value through other comprehensive income)			(37,579)				(37,579)		(37,579)	
Share of other comprehensive loss of affiliates accounted for using the equity method			(161)				(161)		(161)	
Liability credit reserve				10,796			10,796		10,796	
Net actuarial gain on employee benefits plans					(717)		(717)		(717)	
Total comprehensive income (loss)	-	(60,349)	(37,740)	10,796	(717)	-	(88,010)	-	(88,010)	
Transactions with owners, recorded directly in equity										
Class "A" shares issued (Note 15)	5						5		5	
Subsidiary's distribution to its shareholders		25				(2)	23	(7,141)	(7,118)	
Total contribution from (distribution to) owners	5	25	-	-	-	(2)	28	(7,141)	(7,113)	
Reclassification of liability credit reserve on derecognition ¹		(973)		973			-		-	
Balance as at September 30, 2022	\$ 43,401	\$ 665,916	\$ (30,392)	\$ 9,992	\$ 2,412	\$ -	\$ 691,329	\$ -	\$ 691,329	

¹Transfer of accumulated own credit risk adjustments on derecognition of financial liabilities at FVTPL.

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

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Cash flows from (used in) operating activities				
Net income (loss)	\$ 3,875	\$ 1,255	\$ 23,616	\$ (60,349)
Adjustments for:				
Depreciation and amortization	1,460	1,701	4,047	5,027
Net interest income	(19,594)	(21,469)	(41,315)	(57,875)
Loss (gain) on disposal of financial instruments	(721)	4,175	(17,111)	25,435
Change in fair value of financial instruments	2,777	9,113	(7,147)	98,839
Provision for credit losses	991	394	502	374
Equity interest in affiliates	57	(484)	506	(37)
Income tax expense (recovery)	1,162	335	3,045	(34,470)
	(9,993)	(4,980)	(33,857)	(23,056)
Change in settlements in-transit assets	(98,351)	(22,891)	(234,095)	(96,347)
Change in securities	323,850	403,544	716,553	970,999
Change in loans	(365,092)	545,506	78,728	(89,611)
Change in derivative assets and liabilities	(2,914)	2,196	14,934	(25,604)
Change in settlements in-transit liabilities	(223,698)	(175,342)	154,223	65,085
Change in deposits	(207,757)	(712,136)	(242,828)	(1,101,814)
Change in securities under repurchase agreements	98,009	(761,400)	(751,274)	(323,984)
Change in obligations related to securities sold short	(2,959)	(43,654)	1,083	26,850
Change in other assets and liabilities	1,628	16,721	(75,361)	16,016
Interest received	112,516	74,472	314,866	161,092
Interest paid	(96,174)	(53,048)	(264,806)	(107,450)
Income tax received (paid)	(3)	-	3,475	831
Net cash used in operating activities	(470,938)	(731,012)	(318,359)	(526,993)
Cash flows from (used in) investing activities				
Purchase of reinvestment assets under the CMB Program - NHA MBS Securities	(17,346)	(31,871)	(53,871)	(104,050)
Maturity of reinvestment assets under the CMB Program - NHA MBS Securities	46,106	65,785	120,594	245,759
Change in reinvestment assets under the CMB Program - Reverse repos	152,513	(164,674)	148,699	(396,979)
Property and equipment - net	(197)	(112)	(595)	(205)
Intangible assets - purchases	(440)	(3,066)	(1,977)	(7,375)
Investments in affiliates - net	15	-	(1,055)	387
Net cash from (used in) investing activities	180,651	(133,938)	211,795	(262,463)

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

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Cash flows from (used in) financing activities				
Change in debt securities issued - Commercial paper	53,331	167,546	(124,852)	51,128
Proceeds from debt securities issued - Medium term notes	-	350,000	300,000	350,000
Repayment of lease liabilities	(73)	(105)	(218)	(316)
Change in obligation under CMB Program	(198,872)	127,453	(255,928)	245,071
Redemption of subordinated liabilities	(21,000)	-	(21,000)	-
Subsidiaries distribution to its shareholders	-	-	-	(7,141)
Issuance of Class A shares	-	-	-	5
Net cash from (used in) financing activities	(166,614)	644,894	(101,998)	638,747
Effect of exchange rate changes on cash	(3,163)	(469)	(2,619)	(377)
Decrease in cash	(460,064)	(220,525)	(211,181)	(151,086)
Cash - beginning of period	1,206,111	1,320,955	957,228	1,251,516
Cash - end of period	\$ 746,047	\$ 1,100,430	\$ 746,047	\$ 1,100,430

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As at and for the period ended September 30, 2023

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.

These Interim Consolidated Financial Statements were authorized for issue by the Board of Directors on November 23, 2023.

Interest Rate Benchmark Reform (IBOR)

Central 1's transition from IBOR to the new benchmark rate continues in the third quarter of 2023 with no significant changes to the 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). Central 1 is ready for the implementation of the second phase to transition the existing products benchmarked to the Canadian Dollar Offered Rate (CDOR) over to CORRA on June 28, 2024.

As at September 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 \$598.4 million (December 31, 2022 - \$559.1 million) and \$14.5 million (December 31, 2022 - \$42.5 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 \$19.0 billion (December 31, 2022 - \$18.5 billion), of which \$585.2 million (December 31, 2022 - \$589.9 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /10

As at and for the period ended September 30, 2023

The transition from CDOR to CORRA 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. Regular updates on the transition continue to be provided to senior management and stakeholders.

Amendment of Change 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 was 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 Net Income (Loss), it would better reflect the underlying nature of the transactions and provide more useful and relevant financial information to the readers about the effect of the transactions.

This change in accounting policy was voluntary in nature and was implemented in the first quarter of 2023 and applied retrospectively.

During 2023, as interest rates continued to increase, it became evident that the new accounting policy was making it difficult for users to understand the interconnectivity between our held-for-trading strategy and net interest income, and consequently, it did not result in providing reliable and more relevant information as initially intended. As a result, this change in accounting policy was reversed in the third quarter of 2023 and prior period amounts have been restated to revert back to what was originally disclosed.

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 Statements Presentation Changes

During the third quarter of 2023, Central 1 reviewed the presentation of its Interim Consolidated Statement of Net Income (Loss) and concluded that certain line items should be renamed and/or regrouped in order to provide reliable and more relevant information to its users. The comparative figures have been reclassified to conform with the current year's presentation. Changes include the separate presentation of depreciation and amortization and management information systems expense, previously presented within premises and equipment and other administrative expense.

As at and for the period ended September 30, 2023

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		Sep 30 2023	Dec 31 2022
With Bank of Canada	\$	633,062	\$ 889,211
With other regulated financial institutions		112,985	68,017
	\$	746,047	\$ 957,228

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /12

5. Securities

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Securities FVTPL		
Government and government guaranteed securities	\$ 2,402,672	\$ 2,925,283
Corporate and major financial institutions		
AA low or greater	1,321,232	1,417,712
A (high) to A (low)	376,715	382,487
BBB (high) to BB	1,104,443	888,114
Equity instruments	40,234	40,259
Fair value	\$ 5,245,296	\$ 5,653,855
Securities FVOCI		
Government and government guaranteed securities	\$ 677,159	\$ 735,425
Corporate and major financial institutions		
AA low or greater	104,314	192,767
A (high) to A (low)	93,074	92,075
BBB (high) to BBB (low)	433,762	566,119
Fair value	\$ 1,308,309	\$ 1,586,386
Reinvestment assets under the CMB Program		
FVTPL		
Government and government guaranteed securities	\$ 382,687	\$ 445,666
Fair value	\$ 382,687	\$ 445,666
Amortized cost		
Assets acquired under reverse repurchase agreements	\$ 358,876	\$ 507,575
Total reinvestment assets under the CMB Program	\$ 741,563	\$ 953,241
Total	\$ 7,295,168	\$ 8,193,482

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /13

6. Loans

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

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Amortized cost		
Due on demand		
Credit unions	\$ 371,257	\$ 489,646
Commercial and others	13,386	4,725
	384,643	494,371
Term		
Credit unions	185,000	175,000
Commercial and others	1,346,750	1,327,361
Reverse repurchase agreements	69,848	68,170
	1,601,598	1,570,531
	1,986,241	2,064,902
Accrued interest	7,229	6,461
Premium	12	41
	1,993,483	2,071,404
Expected credit loss (Note 8)	(3,980)	(3,543)
Amortized cost	1,989,503	2,067,861
Fair value hedge adjustment ¹	-	(140)
Carrying value	\$ 1,989,503	\$ 2,067,721
FVTPL		
Term - Commercial and others		
Fair value	10,328	10,435
Total loans	\$ 1,999,831	\$ 2,078,156

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

As at and for the period ended September 30, 2023

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 Net Income (Loss).

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

\$ thousands, for the three months ended September 30	2023			2022		
	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in net income (loss)	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in net income (loss)
Securities at FVOCI ¹	\$ (5,685)	\$ 5,908	\$ 223	\$ (208)	\$ 387	\$ 179
Loans	-	-	-	165	(116)	49
Debt securities issued	7,834	(8,075)	(241)	(292)	259	(33)
	\$ 2,149	\$ (2,167)	\$ (18)	\$ (335)	\$ 530	\$ 195

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

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /15

As at and for the period ended September 30, 2023

\$ thousands, for the nine months ended September 30	2023			2022		
	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in net income (loss)	Fair value hedge adjustment - gains (losses)	Change in the fair value on hedging instruments - gains (losses)	Hedge ineffectiveness recorded in net income (loss)
Securities at FVOCI ¹	\$ (6,022)	\$ 6,570	\$ 548	\$ (22,499)	\$ 23,513	\$ 1,014
Loans	140	(833)	(693)	(196)	120	(76)
Debt securities issued	21,048	(21,985)	(937)	3,437	(3,102)	335
	\$ 15,166	\$ (16,248)	\$ (1,082)	\$ (19,258)	\$ 20,531	\$ 1,273

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

\$ thousands, as at	September 30, 2023				December 31, 2022			
	Notional value of hedged items	Carrying value of hedged items ²	Carrying value of hedging instruments	Accumulated fair value hedge adjustment	Notional value of hedged items	Carrying value of hedged items ²	Carrying value of hedging instruments	Accumulated fair value hedge adjustment
Securities at FVOCI ¹	\$ 235,156	\$ 195,013	\$ 39,300	\$ (37,585)	\$ 235,156	\$ 199,815	\$ 32,730	\$ (31,563)
Loans ³	-	-	-	-	4,146	4,296	833	(140)
Debt securities issued	(650,000)	(649,837)	(23,547)	22,703	(350,000)	(353,609)	(1,562)	1,655

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

²Represents the carrying value in the Statement of Financial Position and includes amortized cost, before allowance for credit losses, plus fair value hedge adjustments, except for FVOCI securities that are carried at fair value.

³Central 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /16

8. Provision for Credit Losses

\$ thousands, as at September 30, 2023	Stage 1		Stage 2		Stage 3		Total
Financial assets at amortized cost							
Balance as at December 31, 2022	\$	3,386	\$	-	\$	157	\$ 3,543
Provision for (recovery of) credit losses:							
Transfers in (out)		(63)		51		12	-
Purchases and originations		240		-		-	240
Derecognitions and maturities		(540)		-		-	(540)
Remeasurements		(101)		270		568	737
Total provision for (recovery of) credit losses		(464)		321		580	437
Balance as at September 30, 2023	\$	2,922	\$	321	\$	737	\$ 3,980
Financial assets at FVOCI							
Balance as at December 31, 2022		284		-		-	284
Provision for (recovery of) credit losses:							
Purchases		2		-		-	2
Derecognitions and maturities		(10)		-		-	(10)
Remeasurements		73		-		-	73
Total provision for (recovery of) credit losses		65		-		-	65
Balance as at September 30, 2023	\$	349	\$	-	\$	-	\$ 349
Total							
Balance as at December 31, 2022	\$	3,670	\$	-	\$	157	\$ 3,827
Provision for (recovery of) credit losses:							
Transfers in (out)		(63)		51		12	-
Purchases and originations		242		-		-	242
Derecognitions and maturities		(550)		-		-	(550)
Remeasurements		(28)		270		568	810
Total provision for (recovery of) credit losses		(399)		321		580	502
Balance as at September 30, 2023	\$	3,271	\$	321	\$	737	\$ 4,329

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /17

As at and for the period ended September 30, 2023

\$ thousands, as at September 30, 2022	Stage 1		Stage 2		Stage 3		Total
Financial assets at amortized cost							
Balance as at December 31, 2021	\$	2,632	\$	729	\$	-	\$ 3,361
Provision for (recovery of) credit losses:							
Purchases and originations		778		-		-	778
Derecognitions and maturities		(578)		(184)		-	(762)
Remeasurements		127		80		-	207
Total provision for (recovery of) credit losses		327		(104)		-	223
Balance as at September 30, 2022	\$	2,959	\$	625	\$	-	\$ 3,584
Financial assets at FVOCI							
Balance as at December 31, 2021	\$	105	\$	-	\$	-	\$ 105
Provision for (recovery of) credit losses:							
Derecognitions and maturities		(68)		-		-	(68)
Remeasurements		219		-		-	219
Total provision for (recovery of) credit losses		151		-		-	151
Balance as at September 30, 2022	\$	256	\$	-	\$	-	\$ 256
Total							
Balance as at December 31, 2021	\$	2,737	\$	729	\$	-	\$ 3,466
Provision for (recovery of) credit losses:							
Purchases and originations		778		-		-	778
Derecognitions and maturities		(646)		(184)		-	(830)
Remeasurements		346		80		-	426
Total provision for (recovery of) credit losses		478		(104)		-	374
Balance as at September 30, 2022	\$	3,215	\$	625	\$	-	\$ 3,840

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /18

As at and for the period ended September 30, 2023

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

\$ thousands, as at September 30, 2023	Stage 1		Stage 2		Stage 3		Total
Low Risk	\$	667,856	\$	-	\$	-	\$ 667,856
Medium Risk		1,303,482		-		-	1,303,482
High Risk		-		13,734		-	13,734
Not Rated		371		-		-	371
Impaired		-		-		8,040	8,040
Total	\$	1,971,709	\$	13,734	\$	8,040	\$ 1,993,483

\$ 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	Sep 30 2023		Dec 31 2022	
Prepaid expenses	\$	7,957	\$	8,456
Accounts receivable and other		9,867		8,298
Post-employment benefits		6,058		5,952
Investment property		530		597
	\$	24,412	\$	23,303

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /19

As at and for the period ended September 30, 2023

10. Deposits

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Deposits designated as FVTPL		
Due within three months	\$ 1,272,542	\$ 1,546,972
Due after three months and within one year	452,287	902,014
Due after one year and within five years	673,335	646,526
	2,398,164	3,095,512
Accrued interest	23,280	16,143
Amortized cost	\$ 2,421,444	\$ 3,111,655
Fair value	\$ 2,386,199	\$ 3,070,737
Deposits held at amortized cost		
Due on demand	\$ 2,690,217	\$ 2,208,422
Due within three months	7,950	10,043
Due after three months and within one year	4,225	20,000
Due after one year and within five years	-	10,225
	2,702,392	2,248,690
Accrued interest	45	201
Amortized cost	\$ 2,702,437	\$ 2,248,891
Total carrying value	\$ 5,088,636	\$ 5,319,628

The fair value of deposits at September 30, 2023 was \$5,088.6 million (December 31, 2022 - \$5,319.6 million).

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /20

As at and for the period ended September 30, 2023

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	Sep 30 2023	Dec 31 2022
Amounts		
Due within three months	\$ 394,176	\$ 506,000
Due after three months and within one year	110,445	165,742
Due after one year and within five years	251,337	340,142
	755,958	1,011,884
Accrued interest	-	531
Amortized cost	\$ 755,958	\$ 1,012,415
Fair value	\$ 741,563	\$ 992,140

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

\$ thousands, as at	Sep 30 2023	Dec 31 2022
FVTPL		
Total reinvestment assets under the CMB Program (Note 5)	\$ 382,687	\$ 445,666
Assets recognized as securities	-	41,292
Fair value	\$ 382,687	\$ 486,958
Amortized cost		
Total reinvestment assets under the CMB Program (Note 5)	\$ 358,876	\$ 507,575
Total underlying assets designated	\$ 741,563	\$ 994,533

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /21

12. Debt Securities Issued

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Amortized cost		
Due within three months	\$ 1,295,234	\$ 850,179
Due after three months and within one year	2,945	571,855
Due after one year and within five years	647,730	348,726
	1,945,909	1,770,760
Accrued interest	5,932	5,711
Amortized cost	\$ 1,951,841	\$ 1,776,471
Fair value hedge adjustment ¹	(22,703)	(1,655)
Carrying value	\$ 1,929,138	\$ 1,774,816
Designated as FVTPL		
Due after one year and within five years	\$ 250,000	\$ 250,000
Accrued interest	580	1,414
Amortized cost	\$ 250,580	\$ 251,414
Fair value	224,314	222,753
Total carrying value	\$ 2,153,452	\$ 1,997,569

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

At September 30, 2023, the debt securities comprise of short-term commercial paper facility which had a total par value of \$852.9 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /22

As at and for the period ended September 30, 2023

13. Subordinated Liabilities

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Amortized cost		
Series 5	\$ -	\$ 21,000
Accrued interest	-	74
Amortized cost	\$ -	\$ 21,074
Designated as FVTPL		
Series 7	\$ 200,000	\$ 200,000
Accrued interest	1,219	26
Amortized cost	\$ 201,219	\$ 200,026
Fair value	\$ 176,568	\$ 177,813
Total carrying value	\$ 176,568	\$ 198,887

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.

14. Other Liabilities

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Deferred revenue ¹	30,766	31,326
Accounts payable	18,680	21,764
Short-term employee benefits	13,234	14,425
Post-employment benefits	12,135	12,211
Cash collateral payable ²	5,471	77,445
Finance lease	2,404	5,622
	\$ 82,690	\$ 162,793

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

²Received as collateral for derivatives transactions.

As at and for the period ended September 30, 2023

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	Sep 30 2023	Dec 31 2022	Sep 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)

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /24

As at and for the period ended September 30, 2023

thousands of dollars, as at	Sep 30 2023	Dec 31 2022	Sep 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. Net Interest Income

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Interest Income				
FVTPL	\$ 63,776	\$ 44,211	\$ 176,031	\$ 89,967
FVOCI	12,868	10,939	38,445	24,542
Amortized cost	42,156	24,691	105,735	54,966
	118,800	79,841	320,211	169,475
Interest Expense				
FVTPL	27,278	19,219	80,107	41,732
Amortized cost	71,928	39,153	198,789	69,868
	99,206	58,372	278,896	111,600
Net Interest Income	19,594	21,469	41,315	57,875

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /25

17. Gain (Loss) on Disposal of Financial Instruments

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Realized loss on securities at FVTPL	\$ (1,933)	\$ (4,516)	\$ (4,199)	\$ (24,530)
Realized loss on securities at FVOCI	(1,145)	(3,874)	(1,461)	(5,375)
Realized gain (loss) on derivative instruments	2,787	2,245	20,870	(2,865)
Realized gain on deposits designated at FVTPL	558	270	818	328
Realized gain on obligations related to securities sold short	454	1,700	1,083	7,007
	\$ 721	\$ (4,175)	\$ 17,111	\$ (25,435)

18. Change in Fair Value of Financial Instruments

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Change in unrealized gains (losses)				
Securities at FVTPL	\$ (4,509)	\$ (34,392)	\$ 20,433	\$ (353,176)
Loans at FVTPL	48	(116)	72	(621)
Activities under the CMB Program				
Reinvestment assets	2,189	(3,188)	3,814	(20,186)
Obligations under the CMB Program	(2,831)	3,195	(5,881)	21,365
Derivative instruments	1,289	7,259	4,071	55,121
Derivative instruments	565	7,932	(14,646)	124,999
Financial liabilities at FVTPL				
Deposits designated at FVTPL	(106)	6,319	(1,006)	43,032
Obligations related to securities sold short	(126)	(144)	-	824
Debt securities issued designated at FVTPL	81	2,316	(373)	16,699
Subordinated debt issued designated at FVTPL	623	1,706	663	13,104
	\$ (2,777)	\$ (9,113)	\$ 7,147	\$ (98,839)

Notes to the Interim Consolidated Financial Statements (Unaudited)

As at and for the period ended September 30, 2023

Central 1 Credit Union /26

19. Non-Interest Income

For the three months ended September 30				2023	2022			
\$ thousands				Total				
	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	\$ 3,615	\$ -	\$	3,615	\$ 3,253	\$ -	\$	3,253
Securitization fees	1,508	-		1,508	1,327	-		1,327
Foreign exchange income	-	743		743	-	913		913
Asset management services	901	-		901	925	-		925
Other	1,554	(33)		1,521	1,527	-		1,527
Payments & Digital Banking Platforms and Experiences								
Payment processing and other fees	19,512	-		19,512	19,322	-		19,322
Direct banking fees	11,209	-		11,209	9,243	-		9,243
System Affiliates & Other								
Equity interest in affiliates	-	(24)		(24)	-	484		484
Other	387	-		387	2,753	-		2,753
	\$ 38,686	\$ 686	\$	39,372	\$ 38,350	\$ 1,397	\$	39,747

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

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /27

As at and for the period ended September 30, 2023

For the nine months ended September 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	\$ 10,384	\$ -	\$	10,384	\$ 9,690	\$ -	\$	9,690
Securitization fees	4,421	-		4,421	4,106	-		4,106
Foreign exchange income		2,938		2,938		3,322		3,322
Asset management services	2,673	-		2,673	2,519	-		2,519
Other	4,681	(128)		4,553	4,533	13		4,546
Payments & Digital Banking Platforms and Experiences								
Payment processing and other fees	57,575	-		57,575	54,576	-		54,576
Direct banking fees	31,571	-		31,571	26,678	-		26,678
System Affiliates & Other								
Equity interest in affiliates	-	(378)		(378)	-	37		37
Income from investees	-	2,906		2,906	-	2,664		2,664
Other	2,521	-		2,521	5,607	-		5,607
	\$ 113,826	\$ 5,338	\$	119,164	\$ 107,709	\$ 6,036	\$	113,745

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

20. Other Administrative Expense

			For the three months ended		For the nine months ended			
			Sep 30	Sep 30	Sep 30	Sep 30		
\$ thousands			2023	2022	2023	2022		
Professional fees	\$	3,250	\$	7,063	\$	21,404	\$	24,511
Cost of digital and payments processing		5,911		5,392		17,750		18,124
Cost of sales and services		1,789		1,822		5,691		5,638
Occupancy		445		625		1,411		1,217
Business development projects		179		79		386		227
Other		796		957		2,054		1,120
	\$	12,370	\$	15,938	\$	48,696	\$	50,837

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As at and for the period ended September 30, 2023

21. 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 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /29

As at and for the period ended September 30, 2023

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 September 30, 2023:

\$ thousands, for the three months ended September 30, 2023	Treasury	Payments & DBPX	System Affiliates & Other	Total
Net interest income (expense)	\$ 20,017	\$ (423)	\$ -	\$ 19,594
Gain on disposal of financial instruments	721	-	-	721
Change in fair value of financial instruments	(2,777)	-	-	(2,777)
Non-interest income	8,288	30,721	363	39,372
Total revenue	26,249	30,298	363	56,910
Provision for credit losses	991	-	-	991
Non-interest expense	9,680	36,966	4,236	50,882
Income (loss) before income taxes	15,578	(6,668)	(3,873)	5,037
Income tax expense (recovery)	4,195	(1,795)	(1,238)	1,162
Net income (loss)	\$ 11,383	\$ (4,873)	\$ (2,635)	\$ 3,875

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /30

As at and for the period ended September 30, 2023

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

\$ thousands, for the three months ended September 30, 2022	Treasury	Payments & DBPX	System Affiliates & Other	Total
Net interest income (expense)	\$ 21,612	\$ (143)	\$ -	\$ 21,469
Gain on disposal of financial instruments	(4,175)	-	-	(4,175)
Change in fair value of financial instruments	(11,992)	-	2,879	(9,113)
Non-interest income	7,945	28,565	3,237	39,747
Total revenue	13,390	28,422	6,116	47,928
Provision for credit losses	394	-	-	394
Non-interest expense	9,843	33,507	2,594	45,944
Income (loss) before income taxes	3,153	(5,085)	3,522	1,590
Income tax expense (recovery)	733	(1,392)	994	335
Net income (loss)	\$ 2,420	\$ (3,693)	\$ 2,528	\$ 1,255

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

The following table summarizes the segment results for the nine months ended September 30, 2023:

\$ thousands, for the nine months ended September 30, 2023	Treasury	Payments & DBPX	System Affiliates & Other	Total
Net interest income (expense)	\$ 43,362	\$ (2,047)	\$ -	\$ 41,315
Gain on disposal of financial instruments	17,111	-	-	17,111
Change in fair value of financial instruments	7,147	-	-	7,147
Non-interest income	24,969	89,146	5,049	119,164
Total revenue	92,589	87,099	5,049	184,737
Provision for credit losses	502	-	-	502
Non-interest expense	31,453	113,268	12,853	157,574
Income (loss) before income taxes	60,634	(26,169)	(7,804)	26,661
Income tax expense (recovery)	16,315	(10,149)	(3,121)	3,045
Net income (loss)	\$ 44,319	\$ (16,020)	\$ (4,683)	\$ 23,616
Total assets as at September 30, 2023	\$ 10,644,587	\$ 17,186	\$ 230,393	\$ 10,892,166
Total liabilities as at September 30, 2023	\$ 9,947,669	\$ 16,837	\$ 208,978	\$ 10,173,484

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /31

As at and for the period ended September 30, 2023

The following table summarizes the segment results for the nine months ended September 30, 2022:

\$ thousands, for the nine months ended September 30, 2022	Treasury	Payments & DBPX	System Affiliates & Other	Total
Net interest income (expense)	\$ 58,128	\$ (253)	\$ -	\$ 57,875
Loss on disposal of financial instruments	(25,435)	-	-	(25,435)
Change in fair value of financial instruments	(101,701)	-	2,862	(98,839)
Non-interest income	24,183	81,254	8,308	113,745
Total revenue	(44,825)	81,001	11,170	47,346
Provision for credit losses	374	-	-	374
Non-interest expense	29,841	103,406	8,544	141,791
Income (loss) before income taxes	(75,040)	(22,405)	2,626	(94,819)
Income tax expense (recovery)	(22,126)	(12,718)	374	(34,470)
Net income (loss)	\$ (52,914)	\$ (9,687)	\$ 2,252	\$ (60,349)
Total assets as at September 30, 2022	\$ 12,301,374	\$ 15,144	\$ 256,728	\$ 12,573,246
Total liabilities as at September 30, 2022	\$ 11,848,852	\$ 1,483	\$ 31,582	\$ 11,881,917

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

As at and for the period ended September 30, 2023

22. 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		Sep 30 2023		Dec 31 2022
Commitments to extend credit	\$	4,819,406	\$	4,976,567
Guarantees				
Financial guarantees	\$	783,600	\$	717,600
Performance guarantees	\$	500,000	\$	130,000
Standby letters of credit	\$	231,988	\$	236,901
Future prepayment swap reinvestment commitment	\$	844,993	\$	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 September 30, 2023 are \$126.6 million, \$588.7 million and \$122.4 million (December 31, 2022 - \$121.2 million, \$458.6 million and \$120.8 million).

All the financial guarantees mature within a year with fees charged at inception of the contract. Central 1 from time to time issues performance guarantees related to the Asset Backed Commercial Paper Program. The performance guarantees represented in the table above are the maximum limits for parties in existing contractual obligations. Central 1 also issues blanket approvals for performance guarantees on a non-committed basis which will become contractual obligations for specified amounts if requested and authorized by Central 1, in their sole discretion. Central 1 has the ability to unilaterally withdraw anytime from these approved limits. These un-committed performance guarantee approved limits for September 30, 2023 were \$1.0 billion .

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 September 30, 2023.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /33

As at and for the period ended September 30, 2023

Pledged Assets

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

\$ thousands, as at	Sep 30 2023	Dec 31 2022
Assets pledged to Bank of Canada & Direct Clearing Organizations ^{1,2}	\$ 52,963	\$ 72,272
Assets pledged in relation to:		
Derivative financial instrument transactions	27,194	18,189
Securities lending	54,706	65,066
Obligations under the CMB Program	-	41,292
Reinvestment assets under the CMB Program	741,563	953,241
Securities under repurchase agreements	1,159,023	1,909,708
	\$ 2,035,449	\$ 3,059,768

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

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

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

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As at and for the period ended September 30, 2023

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 September 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /35

As at and for the period ended September 30, 2023

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 September 30, 2023	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost ¹	Total Carrying Value
Financial assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 746.0	\$ 746.0
Settlements in-transit assets	-	-	-	-	291.4	291.4
Securities	-	7,255.0	40.2	7,295.2	-	7,295.2
Loans	-	-	10.3	10.3	1,989.5	1,999.8
Derivative assets	0.2	354.0	-	354.2	-	354.2
Other assets	-	-	-	-	9.9	9.9
Total financial assets	\$ 0.2	\$ 7,609.0	\$ 50.5	\$ 7,659.7	\$ 3,036.8	\$ 10,696.5
Financial liabilities						
Settlements in-transit liabilities	-	-	-	-	637.7	637.7
Deposits	-	2,386.2	-	2,386.2	2,702.4	5,088.6
Securities under repurchase agreements	-	-	-	-	1,159.0	1,159.0
Obligations under the CMB Program	-	741.6	-	741.6	-	741.6
Derivative liabilities	1.6	132.3	-	133.9	-	133.9
Debt securities issued	-	224.3	-	224.3	1,929.1	2,153.4
Subordinated liabilities	-	176.6	-	176.6	-	176.6
Other liabilities	-	-	-	-	26.6	26.6
Total financial liabilities	\$ 1.6	\$ 3,661.0	\$ -	\$ 3,662.6	\$ 6,454.8	\$ 10,117.4

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

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

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

As at and for the period ended September 30, 2023

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 net income or loss	Fair value at Sep 30 2023
Equity shares	\$ 40.3	\$ -	\$ -	\$ -	\$ (0.1)	\$ 40.2
Loans	10.4	-	(0.2)	-	0.1	10.3
Total financial assets	\$ 50.7	\$ -	\$ (0.2)	\$ -	\$ -	\$ 50.5

24. 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.

Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /37

As at and for the period ended September 30, 2023

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

25. 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 September 30, 2023 and December 31, 2022.

The following table presents the compensation to key management personnel:

\$ thousands	For the three months ended		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022
Salaries and short-term employee benefits	\$ 1,575	\$ 1,367	\$ 4,375	\$ 4,091
Incentive	-	(56)	1,967	1,654
Post-employment benefits	52	43	163	143
Termination and other long-term employee benefits	-	-	159	347
	\$ 1,627	\$ 1,354	\$ 6,664	\$ 6,235

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		For the nine months ended	
	Sep 30 2023	Sep 30 2022	Sep 30 2023	Sep 30 2022

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Central 1 Credit Union /38

As at and for the period ended September 30, 2023

Total remuneration	\$	217	\$	168	\$	545	\$	485
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Significant Subsidiaries

	Sep 30 2023	Dec 31 2022
% of direct ownership outstanding, as at		
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 over are as follows:

	Sep 30 2023	Dec 31 2022
% of direct ownership outstanding, as at		
The CUMIS Group Limited	27%	27%
CU CUMIS Wealth Holdings LP	35%	35%
189286 Canada Inc.	52%	52%
Agility Forex Ltd.	27%	27%

Substantial Investments

Central 1 also has substantial investments in the following entities over which Central 1 does not have significant influence:

	Sep 30 2023	Dec 31 2022
% of direct ownership outstanding, as at		
The Co-operators Group Limited	21%	21%
Canadian Credit Union Association	59%	59%

26. Subsequent Events

Medium-Term Notes

On November 7, 2023, Central 1 issued its "Series 21" medium-term fixed rate notes due November 10, 2026, with a principal amount of C\$200.0 million. The notes bear interest at a fixed rate of 5.877%, payable semi-annually on May 10 and November 10 of each year, commencing May 10, 2024. The notes are redeemable, in whole or in part, at the option of Central 1.

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Notes to the Interim Consolidated Financial Statements (Unaudited)

Central 1 Credit Union /39

As at and for the period ended September 30, 2023

On November 7, 2023, Central 1 issued its "Series 22" medium-term fixed rate notes due November 10, 2028, with a principal amount of C\$200.0 million. The notes bear interest at a fixed rate of 5.981%, payable semi-annually on May 10 and November 10 of each year, commencing May 10, 2024. The notes are redeemable, in whole or in part, at the option of Central 1.

Loans

Subsequent to the quarter end in early November, Central 1 received full payments of two impaired commercial loans which amounted to \$6.1 million notional in aggregate and were classified as stage 3 loans at the end of September 30, 2023. The provision for credit loss balance of these two loans as at September 30, 2023 totalled \$0.5 million.