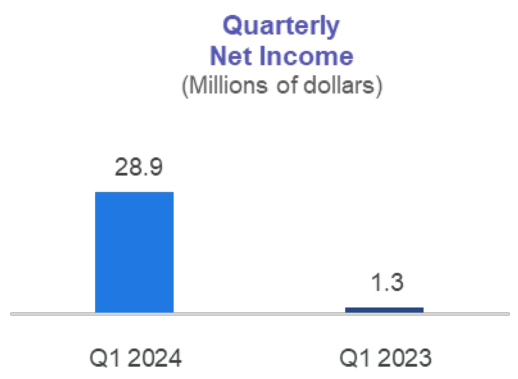
Quarterly Report

First Quarter of 2024

Results for the First Quarter of 2024

Overall Financial Results



First quarter 2024 compared with first quarter 2023:

- Net income of $28.9 million, compared with net income of $1.3 million
- Net fair value gain[1] of $34.5 million, compared with net fair value loss[1] of $6.2 million
- Net interest income of $14.5 million, compared with net interest income of $11.9 million
- Return on average equity[2] of 3.8 per cent, compared with 0.2 per cent
- Total assets of $11.2 billion as at March 31, 2024, compared with $11.2 billion as at December 31, 2023

Central 1's first quarter performance reflected strong financial results across business lines. Net income increased by $27.6 million from the same quarter last year, driven by a higher net fair value gain[1] due to credit spreads narrowing, offset by higher salaries and employee benefits. The fee-for-service based businesses continued to report consistent results year-over-year. Investment in strategic initiatives[1], such as Payments Modernization and digital banking projects went as planned, coming in $5.3 million lower year-over-year.

"Central 1's financial performance for the first quarter of 2024 remained stable," said Sheila Vokey, Central 1's President and CEO. "As we continue to monitor market forces and trends, our internal efforts remain focused on providing access to reliable services and core support for our members and clients."

Economic and Financial Markets Overview

Inflation is still the primary focus in advanced economies. It has decreased but remains above target rates. It is expected that inflation will take some time before reaching targets. Economic growth has also been stronger than expected recently. Most forecasts for global economic growth have been revised upward, mainly thanks to the surprising strength of the U.S. economy. The Canadian economy is also performing above expectations. On the other hand, growth in the euro area, China, and Japan has remained weak. Global financial conditions have also eased over the recent quarter, but market volatility has increased with the expectation that rates will remain high longer due to sticky inflation, particularly in the U.S. The Bank of Canada (BoC) expects global economic growth to increase by 2.8 per cent for the year, up from the previous forecast in January of 2.5 per cent.

Core Business Financial Performance

Treasury

For the first quarter of 2024, Treasury reported a net income of $34.4 million, up $30.4 million from the $4.0 million reported in the same quarter last year. Favourable movements of credit spreads resulted in a $34.5 million net fair value gain[1] in the Treasury portfolio, compared to the net fair value loss[1] of $6.2 million reported in the same quarter last year. Net interest income increased $2.8 million year-over-year due to higher asset yields and a lower funding allocation towards market issued funding. Non-interest income includes revenue generated from Treasury's fee-for-service based businesses which remained consistent year-over-year.

Provision for credit losses reported an expense of $0.2 million in the current quarter, compared to a recovery of $0.7 million in the same quarter last year. Spending in strategic initiatives[1] has been consistent with Central 1's strategic priorities. Non-interest expense, excluding strategic initiatives[1], was also largely in line with the same period last year.

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

Payments & Digital Banking

Payments & Digital Banking reported a net loss of $3.1 million in the first quarter of 2024, compared to a net loss of $4.3 million reported in the same quarter last year. Net interest expense increased $0.3 million from the same period last year, driven by higher funding costs in the high interest rate environment relating to Central 1's clearing position with the BoC. Non-interest income, excluding strategic initiatives[1], remained consistent year-over-year supported by relatively stable transaction volumes and adoption of new products in digital and payments.

Non-interest expense, excluding strategic initiatives[1], increased $2.7 million year-over-year driven by higher salaries and employee benefits. Investments in strategic initiatives[1], which included Payments Modernization, continued in 2024 and were consistent with Central 1's strategic priorities with the amount spent being $6.3 million lower compared with the same quarter last year.

Core Business Highlights

Treasury

In our Treasury business, we continue to evaluate the need for new or refined product offerings and to build education opportunities to meet client needs. We've identified several market trends with potential impact on our clients: heightened risk management needs, margin compression, increased reliance on asset liability management, system consolidation, and a shifting housing market. We're monitoring these closely in 2024 while anchoring our work in these themes to provide resources and education aimed at helping our clients prepare for and navigate market uncertainty and coming industry changes.

Efforts toward responsible investing and ESG continued, reflected by Central 1's recognition in the UN Principles for Responsible Investment (PRI) annual assessment, in which we achieved a score of over 70 per cent across all categories. Surpassing the average score by more than 15 per cent in three categories among all PRI signatories, this performance underscores Central 1's commitment to excellence in responsible investment practices.

Payments & Digital Banking

In the first quarter of 2024, Central 1's Payments team continued to focus on supporting clients through building readiness for each stage of the Payments Modernization initiative. We also continued work on our payments growth strategy to provide value new clients outside of the credit union system as well as our existing clients.

We made progress on our transition to a platform model of delivery. Through this model, we will be able to give our clients and partners access to a modern hub that centralizes access to our products and services where members and clients will be able to choose those most relevant to your own business needs. Core payments functions will be the first available for clients who are ready to begin using this model.

We're creating thoughtful planning resources, education and information, including on EFM Alerts — a new data ingestion mode for *Interac* e-Transfer®[3] receive transactions to expand our capabilities to detect and prevent fraud — and a new release enabling EFM Reports. We also added new features in Wires to support our clients' customer experience efforts through the Wires Fee Management tool.

Throughout the quarter, we continued our work on the strategic digital banking review. In early April we shared an update with clients and members informing them of our progress and next steps in our journey. In the meantime, Central 1 will be resuming modernization work to ensure Forge has the resilient core infrastructure needed to give clients and members options and flexibility in the future.

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

Management's Discussion & Analysis

March 31, 2024

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In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated May 30, 2024. The financial information included in this MD&A should be read in conjunction with our Interim Consolidated Financial Statements for the period ended March 31, 2024, which were authorized for issue by the Board of Directors (the Board) on May 30, 2024. 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 IFRS Accounting Standards 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 Accounting Standards. For instance, the net operating income reported in this MD&A is not equivalent to income from continuing operations under IFRS Accounting Standards.

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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.

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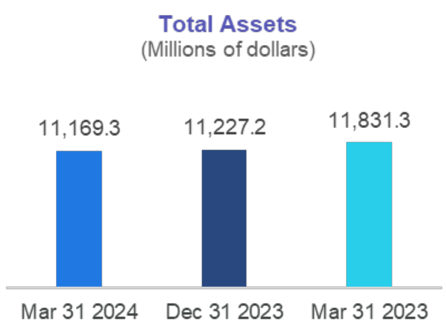
Financial Results

Overall Performance

Q1 2024 vs Q1 2023



$ millions, except as indicated	Q1 2024	Q1 2023	Change
Net interest income	**$ 14.5**	$ 11.9	$ 2.6
Gain on disposal of financial instruments	**30.2**	11.0	19.2
Change in fair value of financial instruments	**4.3**	(17.2)	21.5
Non-interest income, excluding strategic initiatives[1]	**40.9**	41.4	(0.5)
Total revenue	**89.9**	47.1	42.8
Provision for (recovery of) credit losses	**0.2**	(0.7)	0.9
Non-interest expense, excluding strategic initiatives[1]	**44.7**	40.6	4.1
Strategic initiatives[1]	**5.6**	10.9	(5.3)
Income (loss) before income taxes	**39.4**	(3.7)	43.1
Income tax expense (recovery)	**10.5**	(5.0)	15.5
Net income	**$ 28.9**	$ 1.3	$ 27.6
Return on average assets[2]	**0.3%**	0.0%	
Return on average equity[2]	**3.8%**	0.2%	
Average assets[1]	**$ 9,628.6**	$ 11,053.1	$ (1,424.5)
Average equity[1]	**$ 759.8**	$ 704.2	$ 55.6
Weighted average shares outstanding *(# of shares in millions)*	**43.4**	43.4	-

Central 1’s net income for the first quarter of 2024 was $28.9 million, which increased by $27.6 million from the same quarter last year. The stronger financial results in the current quarter were largely driven by credit spreads narrowing, which contributed to a net fair value gain[1] of $34.5 million, compared to a $6.2 million net fair value loss[1] reported in the same period last year. Net interest income was also up by $2.6 million due to higher asset yields and a lower funding allocation towards market issued funding.

Investments in strategic initiatives[1], which include Payments Modernization and digital banking initiatives, continued at a moderate pace compared to the prior year and remained consistent with Central 1’s strategic priorities and plans, with the amount spent being $5.3 million lower year-over-year. Non-interest income, excluding strategic initiatives[1], which primarily includes income generated from Central 1’s fee-for-service based business, remained consistent with the same quarter last year. Non-interest expense, excluding strategic initiatives[1], increased by $4.1 million from $40.6 million reported in the same quarter last year to $44.7 million, driven by higher employee cost, software licenses and depreciation.

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

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Selected Financial Information

						As at
		Mar 31 2024		**Dec 31 2023**		**Mar 31 2023**
Balance Sheet *(millions of dollars)*						
Total assets	**$**	**11,169.3**	$	11,227.2	$	11,831.3
Regulatory Ratios						
Total capital ratio[2]		**18.5%**		17.7%		17.2%
Tier 1 capital ratio[2]		**13.7%**		12.9%		12.0%
Borrowing multiple[2]		**11.8:1**		12.6:1		13.9:1
Share Information* *(thousands of dollars, unless otherwise indicated)*						
Outstanding shares *($) - $1 par value*						
Class A - credit unions	**$**	**43,364**	$	43,364	$	43,364
Class B - cooperatives	**$**	**11**	$	11	$	11
Class C - other	**$**	**7**	$	7	$	7
Outstanding number of shares *(thousands of shares)*						
Class A - credit unions		**43,364**		43,364		43,364
Class B - cooperatives		**11**		11		11
Class C - other		**7**		7		7
Outstanding shares *($) - $0.01 par value shares with redemption value of $100*						
Class E - credit unions	**$**	**21**	$	21	$	21
Treasury shares	**$**	**(2)**	$	(2)	$	(2)
Outstanding number of shares *(thousands of shares)*						
Class E - credit unions		**2,154**		2,154		2,154
Treasury shares		**(264)**		(264)		(264)

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

The decrease in borrowings and increase in retained earnings resulted in a lower borrowing multiple, higher total capital ratio and higher Tier 1 capital ratio. Central 1 was in compliance with all regulatory capital requirements as at March 31, 2024, December 31, 2023 and March 31, 2023.

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

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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 Accounting Standards. 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 Consolidated Statement of Income (Loss). Reporting them combined provides better information on the fair value movements of Central 1's financial instruments to the readers.

	For the three months ended March 31		
$ millions	**2024**	**2023**	**Change**
Gain on disposal of financial instruments as reported	**$ 30.2**	$ 11.0	$ 19.2
Change in fair value of financial instruments as reported	**4.3**	(17.2)	21.5
Net fair value gain (loss)	**$ 34.5**	$ (6.2)	$ 40.7

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

	For the three months ended March 31		
$ millions	**2024**	**2023**	**Change**
Non-interest income as reported	**$ 41.8**	$ 41.7	$ 0.1
Less: strategic initiatives income	**0.9**	0.3	0.6
Non-interest income, excluding strategic initiatives	**$ 40.9**	$ 41.4	$ (0.5)

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Results by Segment

Payments & Digital Banking

$ millions	For the three months ended March 31 2024	2023	Change
Non-interest income as reported	$ **31.7**	$ 28.6	$ 3.1
Less: strategic initiatives income	**0.9**	0.3	0.6
Non-interest income, excluding strategic initiatives	$ **30.8**	$ 28.3	$ 2.5

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 three months ended March 31 2024	2023	Change
Non-interest expense as reported	$ **51.2**	$ 51.8	$ (0.6)
Less: strategic initiatives spend	**6.9**	11.2	(4.3)
Non-interest expense, excluding strategic initiatives	$ **44.3**	$ 40.6	$ 3.7

Results by Segment

Treasury

$ millions	For the three months ended March 31 2024	2023	Change
Non-interest expense as reported	$ **10.1**	$ 9.9	$ 0.2
Less: strategic initiatives spend	**0.3**	0.4	(0.1)
Non-interest expense, excluding strategic initiatives	$ **9.8**	$ 9.5	$ 0.3

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Payments & Digital Banking

$ millions	For the three months ended March 31 2024	2023	Change
Non-interest expense as reported	**$ 35.4**	$ 38.5	$ (3.1)
Less: strategic initiatives spend	**2.5**	7.9	(5.4)
Non-interest expense, excluding strategic initiatives	**$ 32.9**	$ 30.6	$ 2.3

System Affiliates & Other

$ millions	For the three months ended March 31 2024	2023	Change
Non-interest expense as reported	**$ 5.6**	$ 3.3	$ 2.3
Less: strategic initiatives spend	**4.0**	2.9	1.1
Non-interest expense, excluding strategic initiatives	**$ 1.6**	$ 0.4	$ 1.2

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 three months ended March 31 2024	2023	Change
Reported net income (loss)	**$ 28.9**	$ 1.3	$ 27.6
Total assets as reported, as at March 31	**$ 11,169.3**	$ 11,831.3	$ (662.0)
Impact of averaging daily balances	**(1,540.7)**	(778.2)	(762.5)
Average assets, as at March 31	**$ 9,628.6**	$ 11,053.1	$ (1,424.5)
Return on average assets	**0.3%**	0.0%	
Total equity as reported, as at March 31	**$ 749.1**	$ 700.6	$ 48.5
Impact of averaging daily balances	**10.7**	3.6	7.1
Average equity, as at March 31	**$ 759.8**	$ 704.2	$ 55.6
Return on average equity	**3.8%**	0.2%	

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Liquid Assets

Liquid assets maintained by Central 1 give credit unions access to liquidity when they need it. Detailed disclosures are included in the Cash and Liquid Assets section of this MD&A. The major component of liquid assets are securities reported on the 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		Mar 31 2024		Dec 31 2023		Mar 31 2023
Federal and provincial government issued and guaranteed securities	**$**	**3,150.4**	$	3,403.6	$	4,377.9
Corporate and financial institutions securities		**3,185.2**		3,326.2		3,421.9
Asset backed securities		**257.5**		203.0		216.1
Insured mortgages		**26.0**		26.6		34.3
Total liquid assets	**$**	**6,619.1**	$	6,959.4	$	8,050.2
Add: equity instruments		**40.9**		40.9		40.2
Securities as reported	**$**	**6,660.0**	$	7,000.3	$	8,090.4

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 total capital ratio which is used to monitor if Central 1’s capital position is within regulatory limits set by BCFSA. It consists of 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.

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Total Borrowings

Total borrowings are used to calculate borrowing multiple. 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 Consolidated Statement of Financial Position, such as deposits, debt securities issued, securitization liabilities, securities under the repurchase agreements, derivative liabilities and settlement-in-transit liabilities, minus any regulatory adjustments. In addition, the subsidiaries deposits held by Central 1, which are eliminated through consolidation, are also included in total borrowings.

$ millions, as at		Mar 31 2024		Dec 31 2023		Mar 31 2023
Total liabilities as reported	$	**10,420.2**	$	10,501.2	$	11,130.8
Less: other liabilities as reported		**(82.4)**		(90.0)		(146.3)
Less: subordinated liabilities		**(187.6)**		(182.1)		(200.5)
Less: settlements in-transit excluded from total borrowings		**(774.4)**		(689.3)		(556.9)
Add: subsidiary deposits		**0.0**		0.2		0.3
Total borrowings	$	**9,375.8**	$	9,540.0	$	10,227.4

Non-GAAP Financial Ratios

Return on Average Assets and Return on Average Equity

Return on average assets and return on average equity are used to measure Central 1’s profitability and present the profit as a percentage of average assets and average equity, respectively, which are based on averaging month end balances.

Total Capital Ratio

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

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Supplementary Financial Measures

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

Assets under Administration (AUA)

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

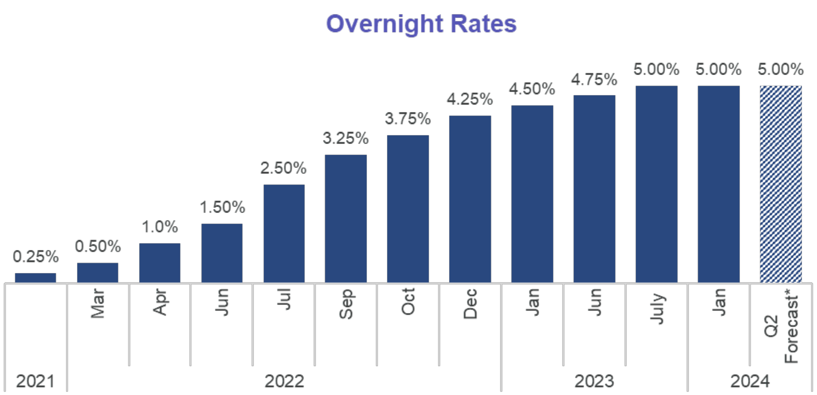
Liquidity Coverage Ratio (LCR)

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

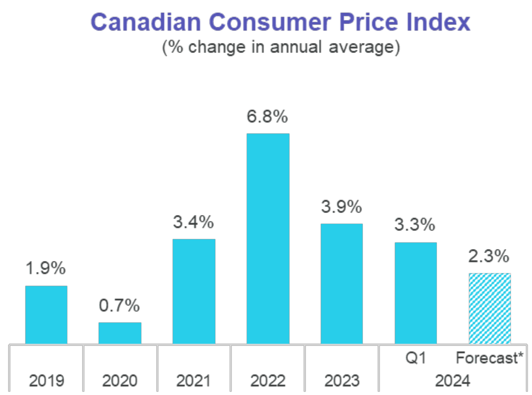
Economic Developments and Outlook

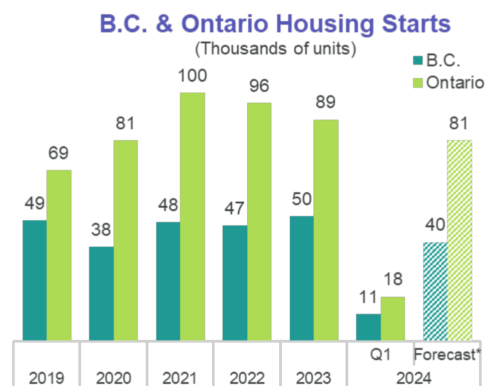
Central 1 operates in the Canadian markets and invests in bonds. Any developments in Canadian economic outlook and movements in the financial markets, which are directly impacted by the global economic environment and market conditions, will impact its financial performance. The following summaries of the economic environment and the state of financial markets offer a context for interpreting our quarterly results and provide insights into our future performance.

Economic Environment



*Forecast source: Central 1 Economics





After experiencing weak growth in the economy during the fourth quarter of 2023, the Canadian economy is forecasted to rebound with a real GDP growth exceeding two per cent annualized in the first quarter of 2024. However, despite the stronger than expected start to the year, quarterly GDP numbers are likely to be volatile throughout 2024 and average annual growth is expected to trend closer to one per cent. A large contributing factor is the continued population growth in Canada, which is pushing overall consumption and output higher. However, on a per capita basis, these numbers are expected to head downward in the first half

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of the year as the population is expected to grow faster than the growth of consumption and output. The strong population growth will also strengthen residential investment and housing activity should increase due to the expectation of interest rates declining which improves the outlook. Labour market conditions are also continuing to ease as job creation lags the increase in the working age population. The unemployment rate has risen to 6.1 per cent in March and is expected to rise even higher. The job vacancy rate has also dropped to near pre-pandemic levels as businesses report that labour shortages have subsided along with wage growth. Overall, the conditions are showing that the economy is in excess supply, which should further help ease inflation which has hovered at just under three per cent in the recent months. Most categories have seen inflation decline, but some have fallen faster than others. Food inflation has declined to roughly 2.5 per cent and inflation on goods excluding food and energy has also broadly come down to similar levels. On the other hand, shelter cost remains elevated, with rent up over eight per cent and mortgage interest cost up over 20.0 per cent from a year ago. Inflation is expected to remain at these levels through the second quarter but is expected to decline further in the second half of the year.

The U.S. economy continues to expand. The latest estimates by the Bureau of Economic Analysis have fourth quarter 2023 real GDP increasing 3.4 per cent on an annualized basis, an upward revision from the previous estimate of 3.2 per cent. The first quarter of 2024 is expected to be slower but will still be strong with the latest estimate by the US Federal Reserve in Atlanta expecting a growth rate of 2.4 per cent. Growth in consumer spending is expected to slow after robust growth over the previous two quarters with many households cutting down in their discretionary spending. Because of this, businesses are finding it slightly harder to pass on higher cost to their customers. That said, inflation is still above target rates and increased from an annual increase of 3.2 per cent in February to 3.5 per cent in March. Housing activity has improved as mortgage rates moderated but limited inventory has hindered sales. The labour market continues to be strong with March job growth exceeding expectations and the three-month average well above historic levels. The unemployment also remains low, trending downward to 3.8 per cent in March. However, it's expected an increase in the future as labour market conditions ease and normalize. Conditions in the labor market should further ease as availability and employee retention improves. Wages growth has also slowed recently and is expected to slow further, getting closer to the historical averages. Overall, though the Federal Reserve dot plot has upward revised real GDP growth for 2024 with the latest forecast in March at 2.1 per cent from December 2023's forecast of 1.4 per cent.

Financial Markets

Conditions at financial markets have eased as the economy and its outlook have improved this year. Credit spreads have fallen, and equity prices have risen as the risk of a recession appears to be declining. Bond yields have also risen this year as expectations of an early rate cut waned along with the expectations in the number of rate cuts this year. Canadian 10-year benchmark bonds are up around 60 basis points (bps), and 2-year benchmark bonds are up around 40 bps. The U.S. treasury bond yields also moved in a similar manner and as a result, both yield curves are less inverted. Ongoing inflation risk appears higher in the U.S. than in Canada based on statements from each central bank, so markets are pricing in more aggressive rate cutting in the future for Canada. As a result, the Canadian dollar has weakened recently. The Bank of Canada (BoC)'s commodity price index has also increased thanks in part to higher prices in oil, gold, and livestock. The main factors contributing to the increase in oil prices are the continuing of production cuts by OPEC+ nations and the ongoing conflict in the middle east and war between Ukraine and Russia. The spread between West Texas Intermediate and Western Canadian Select oil has also narrowed as the transmountain pipeline expansion nears completion.

Industry Regulation

There were no material industry or regulation developments impacting Central 1 in the first quarter of 2024.

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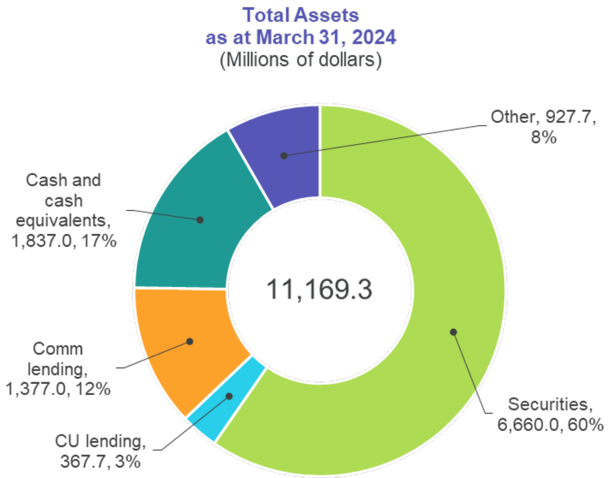
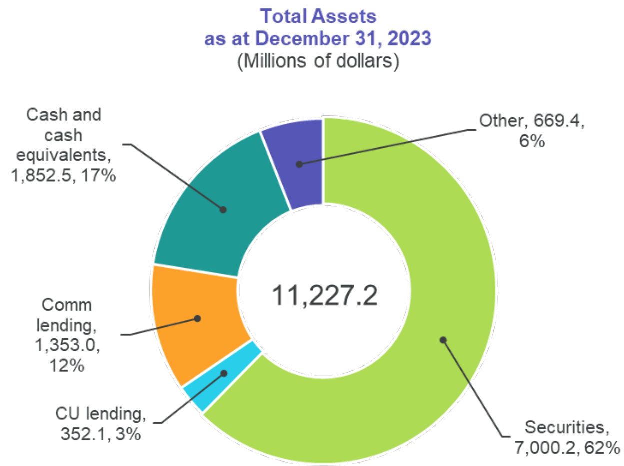
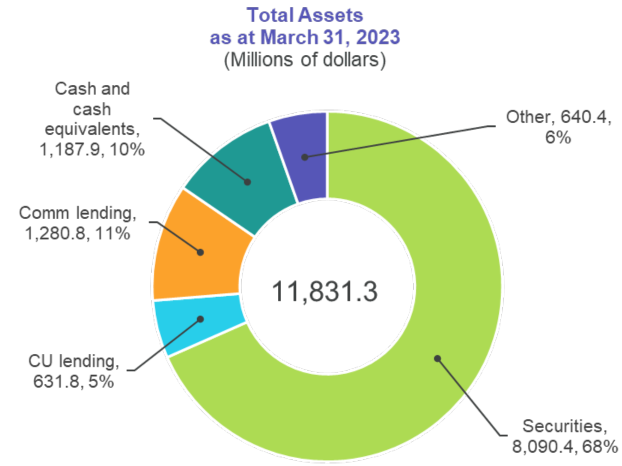
Consolidated Statement of Financial Position

Total Assets







The change in total assets correlates to the change in the size of our funding portfolios. Total assets as at March 31, 2024 decreased by $662.0 million from March 31, 2023 led by a decrease in securities and credit union lending, partially offset by an increase in cash and cash equivalents.

Total assets as at March 31, 2024 were largely in line with December 31, 2023. Central 1's access to diversified funding sources, which includes medium-term notes, commercial paper, subordinated liabilities, and repurchase agreements, continues to provide funding for daily liquidity requirements.

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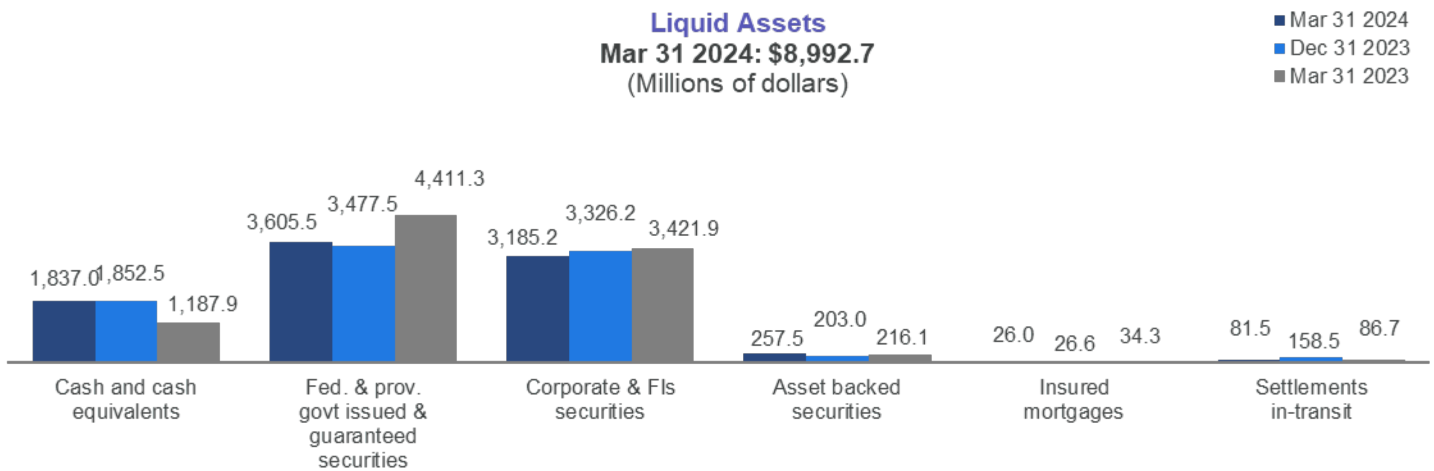
Cash and Liquid Assets



$ millions, as at March 31, 2024	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and cash equivalents	$ 1,837.0	$ -	**$ 1,837.0**	$ -	$ 1,837.0
Federal and provincial government issued and guaranteed securities	3,150.4	455.1	**3,605.5**	1,468.5	2,137.0
Corporate and financial institutions securities	3,185.2	-	**3,185.2**	16.1	3,169.1
Asset backed securities	257.5	-	**257.5**	-	257.5
Insured mortgages	26.0	-	**26.0**	-	26.0
Settlements in-transit	81.5	-	**81.5**	-	81.5
Total	$ 8,537.6	$ 455.1	**$ 8,992.7**	$ 1,484.6	$ 7,508.1

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

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$ millions, as at December 31, 2023	Liquid Assets	Securities Received as Collateral	Total Liquid Assets	Encumbered Assets	Unencumbered Assets*
Cash and cash equivalents	$ 1,852.5	$ -	$ 1,852.5	$ -	$ 1,852.5
Federal and provincial government issued and guaranteed securities	3,403.6	73.9	3,477.5	1,654.2	1,823.3
Corporate and financial institutions securities	3,326.2	-	3,326.2	46.7	3,279.5
Asset backed securities	203.0	-	203.0	-	203.0
Insured mortgages	26.6	-	26.6	-	26.6
Settlements in-transit	158.5	-	158.5	-	158.5
Total	$ 8,970.4	$ 73.9	$ 9,044.3	$ 1,700.9	$ 7,343.4

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

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

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

Cash and liquid assets at March 31, 2024 decreased $51.6 million from December 31, 2023. 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 with a smaller decrease seen since December 31, 2023.

Unencumbered assets[1], which are driven by the volume of repurchase agreements to fund daily liquidity requirements, increased $164.7 million from December 31, 2023 and $245.4 million from a year ago.

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

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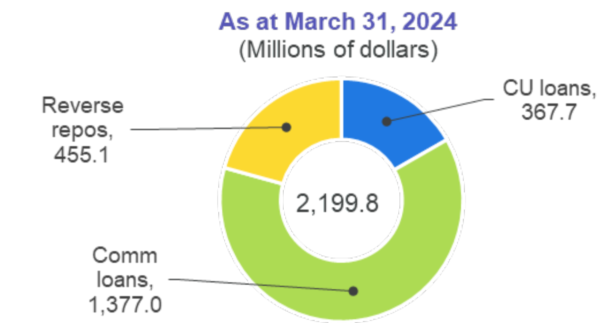
Loans

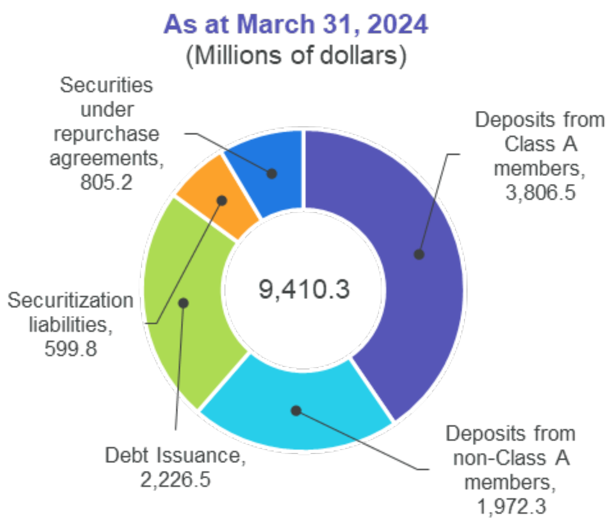


$ millions, as at		Mar 31 2024		Dec 31 2023		Mar 31 2023
Loans to credit unions	$	**367.7**	$	352.1	$	631.8
Commercial and other loans		**1,377.0**		1,353.0		1,280.8
Reverse repurchase agreements		**455.1**		73.9		33.4
	$	**2,199.8**	$	1,779.0	$	1,946.0

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

As at March 31, 2024, loans to credit unions were $15.6 million lower than December 31, 2023 as credit unions had sufficient liquidity on their balance sheet to fund their loan growth. Commercial loans continued its upward trend and was up by $24.0 million from December 31, 2023. Reverse repurchase agreements also saw $381.2 million increase from three months ago.

Funding



$ millions, as at		Mar 31 2024		Dec 31 2023		Mar 31 2023
Deposits						
Deposits from Class A members	$	**3,806.5**	$	4,041.9	$	4,292.1
Deposits from non-Class A members		**1,972.3**		1,813.8		1,404.0
		5,778.8		5,855.7		5,696.1
Debt Issuance						
Commercial paper		**750.0**		853.4		890.0
Medium-term notes		**1,288.9**		1,297.7		1,323.0
Subordinated liabilities		**187.6**		182.1		200.5
		2,226.5		2,333.2		2,413.5
Securitization liabilities		**599.8**		560.0		1,036.7
Securities under repurchase agreements		**805.2**		1,036.6		932.8
	$	**9,410.3**	$	9,785.5	$	10,079.1

Central 1 is largely funded through deposits generated from member credit unions. Central 1 also maintains good access to external markets and diversified sources of funding, which includes medium term notes, commercial paper, subordinated liabilities, and repurchase agreements. Since 2021, member credit unions drew down their deposits with Central 1 to fund loan growth until late 2023 when deposit level started showing stabilization. Central 1 expects to generate sufficient working capital from its operations and does not expect significant changes in its future funding sources.

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Results by Segment

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

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

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

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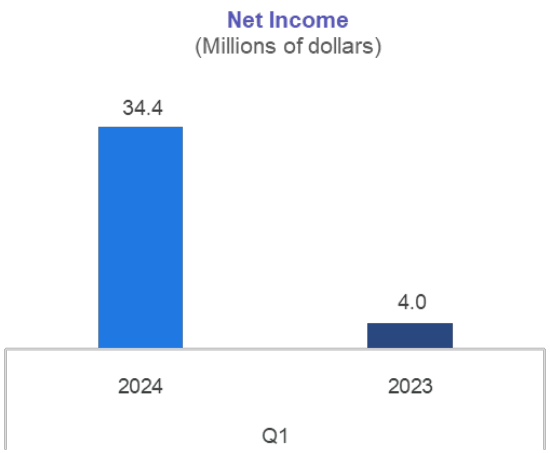
Treasury



$ millions	For the three months ended March 31 2024	2023	Change
Net interest income	**$ 15.0**	$ 12.2	$ 2.8
Gain on disposal of financial instruments	**30.2**	11.0	19.2
Change in fair value of financial instruments	**4.3**	(17.2)	21.5
Non-interest income	**7.9**	8.6	(0.7)
Total revenue	**57.4**	14.6	42.8
Provision for (recovery of) credit losses	**0.2**	(0.7)	0.9
Non-interest expense, excl. strategic initiatives[1]	**9.8**	9.5	0.3
Strategic initiatives[1]	**0.3**	0.4	(0.1)
Income before income taxes	**47.1**	5.4	41.7
Income tax expense	**12.7**	1.4	11.3
Net income	**$ 34.4**	$ 4.0	$ 30.4

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

Q1 2024 vs Q1 2023

For the first quarter of 2024, Treasury reported a net income of $34.4 million, up $30.4 million from the $4.0 million reported in the same quarter last year. The narrowing of credit spreads resulted in a $34.5 million net fair value gain[1] in the Treasury portfolio, compared to the net fair value loss[1] of $6.2 million reported in the same quarter last year. Net interest income was $15.0 million, up $2.8 million year-over-year due to higher asset yields and lower funding allocation towards market issued funding. Non-interest income includes revenue generated from Treasury's fee-for-service based business which remained consistent year-over-year.

Provision for credit losses reported an expense of $0.2 million in the current quarter, compared to a recovery of $0.7 million in the same quarter last year. Spending in strategic initiatives[1] has been consistent with Central 1's strategic priorities. Non-interest expense, excluding strategic initiatives[1], was also largely in line with the same period last year.

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

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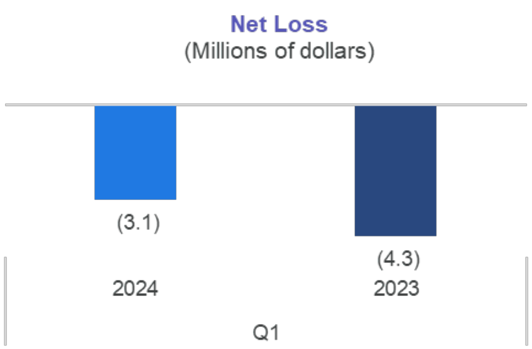
Payments & Digital Banking



$ millions	For the three months ended March 31 2024	2023	Change
Net interest expense	$ **(0.5)**	$ (0.2)	$ (0.3)
Non-interest income, excl. strategic initiatives[1]	**30.8**	28.3	2.5
Total revenue	**30.3**	28.1	2.2
Non-interest expense, excl. strategic initiatives[1]	**33.3**	30.6	2.7
Strategic initiatives[1]	**1.3**	7.6	(6.3)
Loss before income taxes	**(4.3)**	(10.1)	5.8
Income tax recovery	**(1.2)**	(5.8)	4.6
Net loss	$ **(3.1)**	$ (4.3)	$ 1.2

Q1 2024 vs Q1 2023

Payments & Digital Banking reported a net loss of $3.1 million in the first quarter of 2024, compared to a net loss of $4.3 million reported in the same quarter last year. Net interest expense increased $0.3 million from the same period last year, driven by higher funding costs relating to Central 1's clearing function with the BoC. Non-interest income, excluding strategic initiatives[1], remained consistent year-over-year supported by relatively stable transaction volumes and adoption of new products in digital and payments.

Non-interest expense, excluding strategic initiatives[1], increased $2.7 million year-over-year primarily driven by higher salaries and employee benefits and depreciation expenses from the completion and go-live of certain Payment Modernization streams. Investments in strategic initiatives[1], which included Payments Modernization, continued in 2024 and were consistent with Central 1's strategic priorities with the amount spent being $6.3 million lower compared with the same quarter last year. The lower spend in initiatives are driven by the pause in the Real-Time Rail project as detailed scope is still pending from Payments Canada, a slow-down in Payments Modernization work to plan for future work, and reduced professional fees related to Digital Strategy and Forge Implementations.

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

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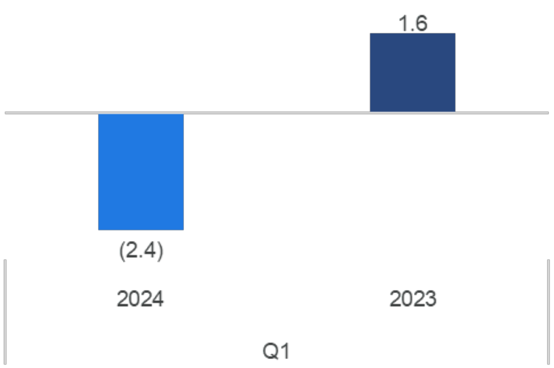
System Affiliates & Other



$ millions	For the three months ended March 31 2024	2023	Change
Non-interest income	**$ 2.2**	$ 4.4	$ (2.2)
Total revenue	**2.2**	4.4	(2.2)
Non-interest expense, excl. strategic initiatives[1]	**1.6**	0.4	1.2
Strategic initiatives[1]	**4.0**	2.9	1.1
Income (loss) before income taxes	**(3.4)**	1.1	(4.5)
Income tax recovery	**(1.0)**	(0.5)	(0.5)
Net income (loss)	**$ (2.4)**	$ 1.6	$ (4.0)

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

Q1 2024 vs Q1 2023

System Affiliates & Other reported a net loss of $2.4 million, compared to a net income of $1.6 million in the same quarter last year. Non-interest income for the current quarter which was primarily comprised of income from investments in Central 1's affiliates, was down $2.2 million year-over-year largely driven by a $1.3 million one-time income included in the first quarter of 2023 when Central 1 received the final distribution of $0.5 million (US$0.4 million) from US Central Federal Credit Union and a $0.8 million PST rebate from the B.C. government. Non-interest expense, excluding strategic initiatives[1] was largely consistent year-over-year. Investments in strategic initiatives[1] continued, consistent with Central 1's strategic priorities, and was up by $1.1 million from the same quarter last year.

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

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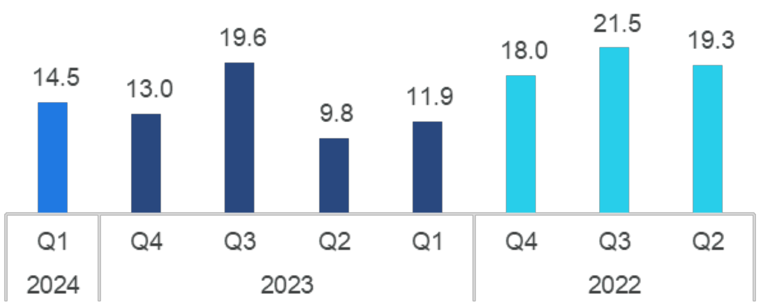
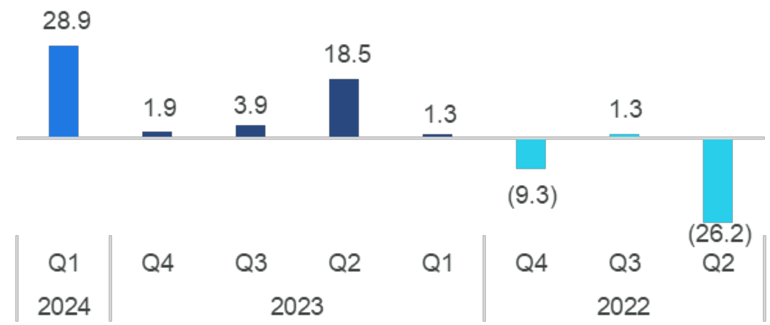
Summary of Quarterly Results

Net Interest Income
(Millions of dollars)



Net Income (Loss)
(Millions of dollars)



$ thousands, except as indicated	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Interest income	$ **104,000**	$ 111,370	$ 118,800	$ 102,196	$ 99,194	$ 94,605	$ 79,841	$ 52,660
Interest expense	**89,534**	98,368	99,206	92,426	87,264	76,626	58,372	33,335
Net interest income	**14,466**	13,002	19,594	9,770	11,930	17,979	21,469	19,325
Gain (loss) on disposal of financial instruments	**30,212**	4,537	721	5,426	10,985	31,479	(4,175)	(7,665)
Change in fair value of financial instruments	**4,246**	(409)	(2,777)	27,171	(17,247)	(50,185)	(9,113)	(36,522)
Non-interest income[1]	**41,755**	42,483	39,372	38,123	41,669	36,263	39,747	35,733
Total revenue	**90,679**	59,613	56,910	80,490	47,337	35,536	47,928	10,871
Provision for (recovery of) credit losses	**183**	(280)	991	212	(701)	(13)	394	413
Non-interest expense[1]	**51,148**	56,461	50,882	54,913	51,779	53,871	45,944	50,509
Income (loss) before income taxes	**39,348**	3,432	5,037	25,365	(3,741)	(18,322)	1,590	(40,051)
Income tax expense (recovery)	**10,473**	1,561	1,162	6,905	(5,022)	(9,061)	335	(13,823)
Net income (loss)	$ **28,875**	$ 1,871	$ 3,875	$ 18,460	$ 1,281	$ (9,261)	$ 1,255	$ (26,228)
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	**66.6**	9.0	42.6	3.0	(21.4)	3.0	(60.4)	(81.6)

[1]Non-interest income and non-interest expense includes investments in strategic initiatives.
[2]Earnings per share calculated for Central 1 must be taken in the context that member shares may not be traded or transferred except with the consent of the Central 1's Board of Directors.

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The past eight quarters reflect the sustained performance of all business segments and help readers identify the items that have favorably or unfavorably affected Central 1's financial results. Net interest income peaked in the third quarter of 2022 and started its downward trend in the fourth quarter with a bigger drop in the second quarter of 2023 as a result of credit spreads narrowing along with lower deposits levels. The third quarter of 2023 saw a $9.8 million 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 a corresponding reduction in gain (loss) on disposal of financial instruments.

The first quarter of 2022 started the year with a significant net fair value loss[1], 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 loss[1]. Corporate bonds' credit spreads started narrowing during the second quarter of 2023, reflective of a net fair value gain[1] of $32.6 million reported in the second quarter. Except for the net fair value loss[1] of $2.1 million reported in the third quarter of 2023 which was driven by the unfavorable movements from National Housing Act Mortgage-Backed Securities (NHA MBS) credit spreads, bond credit spreads have been falling since then and led to net fair value gains[1] reported in the fourth quarter of 2023 and the first quarter of 2024.

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 Payment 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 employee benefits.

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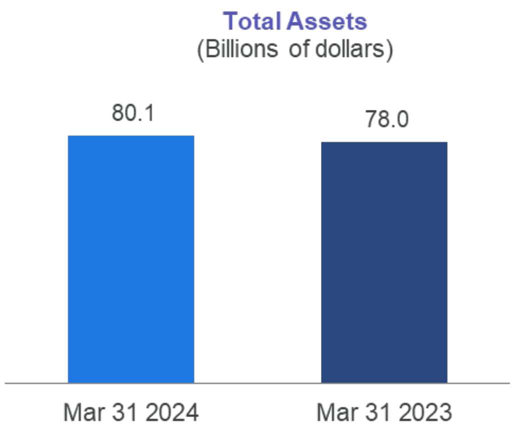
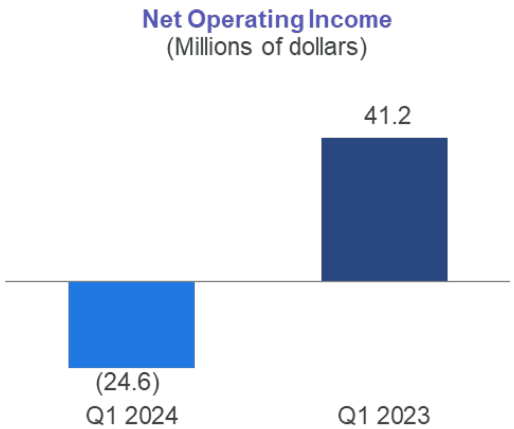
Credit Union System Performance

British Columbia





Comparative figure has been represented.

The B.C. system's net operating income for the first quarter of 2024 was a loss of 24.6 million, down $65.8 million or 159.8 per cent from the same period in 2023. Net interest income declined $56.2 million or 17.9 per cent over the same period of last year as lending spreads decreased. Non-interest income increased by $3.7 million or 5.5 per cent year-over-year on higher income from subsidiaries. Non-interest expenses increased by $13.3 million or 3.9 per cent year-over-year on higher salaries and benefits and loan loss expenses.

Total assets increased $2.0 billion or 2.6 per cent year-over-year to reach $80.1 billion at the end of the first quarter. Asset growth was led by higher residential and securitization, which are up 1.8 per cent and 26.8 per cent, respectively. Total liabilities increased $2.0 billion or 2.8 per cent led by a 3.8 per cent increase in non-registered term deposits and a 13.0 per cent increase in registered term deposits. Non-registered demand deposits declined 2.8 per cent.

The system's rate of loan delinquencies over 90 days was 0.33 per cent of total loans at the end of March 2024, up 21 bps from a year ago. The B.C. system's loan loss expense ratio in the first quarter of 2024 was 0.06 per cent, up three bps from a year ago.

The B.C. system had $38.3 billion in risk weighted assets (RWA) and regulatory capital as a percentage of RWA was 14.7 per cent at the end of March 2024, unchanged from a year ago. The aggregate liquidity ratio of the B.C. system, including that held by Central 1, was 15.3 per cent of deposit and debt liabilities, down 40 bps from a year ago. The B.C. system's return on assets was negative 0.12 per cent annualized in the first quarter, down 34 bps from a year ago.

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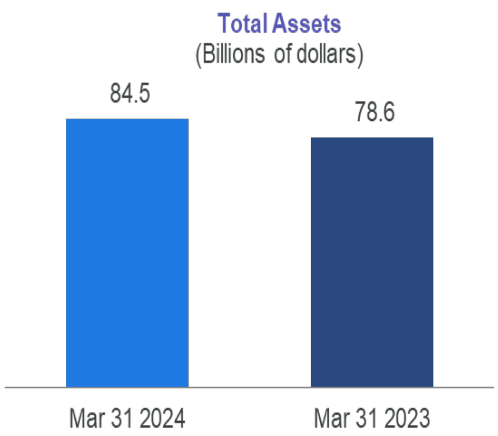
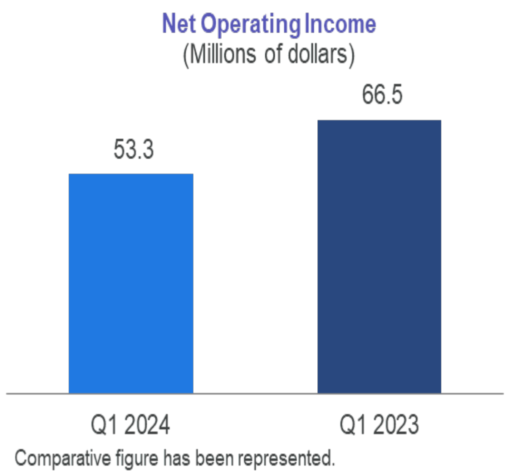
Ontario





The Ontario system's net operating income for the first quarter of 2024 was $53.3 million, down $13.2 million from a year earlier. Net interest income increased $20.5 million or 6.6 per cent over the same period last year to $331.5 million on higher loan volumes. Non-interest income decreased $8.7 million year-over-year or 11.6 per cent on lower income from securitization, rent, and other income. Non-interest expense increased $24.9 million or 7.8 per cent year-over-year led by higher salaries and benefits.

Total assets increased 7.5 per cent year-over-year to reach $84.5 billion as of March 31, 2024, led by a $3.2 billion increase in residential mortgages. Total liabilities increased 7.4 per cent year-over-year to reach $78.5 billion, led by growth in term deposits, which were up 12.6 per cent or $3.1 billion.

The rate of loan delinquencies over 90 days was 0.46 per cent of total loans at the end of March 31, 2024, up 31 bps year-over-year. Provision for credit losses as a percentage of loans was 0.27 per cent, up three bps from a year earlier. The Ontario system's loan loss expense ratio was 0.05 per cent annualized in the first quarter of 2024, up two bps from the same period last year.

The Ontario system's RWA was $40.0 billion and regulatory capital as a percentage of RWA was 13.8 per cent at the end of March 31, 2024, up nine bps from a year ago. The aggregate liquidity ratio, including that held by Central 1, was 14.3 per cent of deposit and debt liabilities, up 83 bps from a year ago. The Ontario system's return on assets was 0.25 per cent annualized in the first quarter, down nine bps from a year ago.

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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		Mar 31 2024		Dec 31 2023		Mar 31 2023
Interest rate contracts						
Swap contracts	**$**	**25,271.6**	$	31,718.3	$	33,009.3
Futures contracts		**1,912.0**		1,191.0		703.0
Bond forwards		**-**		-		32.3
		27,183.6		32,909.3		33,744.6
Foreign exchange contracts						
Foreign exchange forward contracts		**594.6**		535.8		722.2
Other derivative contracts						
Equity index-linked options		**168.9**		183.1		208.9
	$	**27,947.1**	$	33,628.2	$	34,675.7

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

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

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Guarantees, Commitments and Contingencies

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

$ millions, as at		Mar 31 2024		Dec 31 2023		Mar 31 2023
Commitments to extend credit	**$**	**5,076.8**	$	5,093.4	$	5,063.6
Guarantees						
Financial guarantees	**$**	**794.6**	$	793.6	$	678.6
Performance guarantees	**$**	**500.0**	$	500.0	$	500.0
Standby letters of credit	**$**	**223.8**	$	229.0	$	235.4
Future prepayment reinvestment commitment	**$**	**865.2**	$	883.9	$	773.5

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 reinvestment commitment.

Commitments to extend credit, representing undrawn commitments, was in line with prior periods. Financial guarantees increased $116.0 million from a year ago. Performance guarantees remained unchanged from December 31, 2023, while standby letters of credit were also in line from December 31, 2023.

Future prepayment reinvestment commitments increased by $91.7 million from a year ago due to the new reinvestment commitments entered since March 31, 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.

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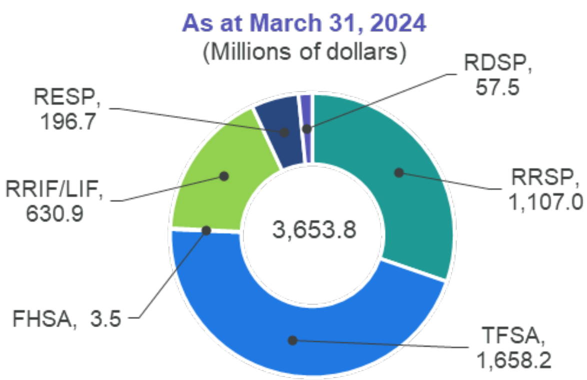
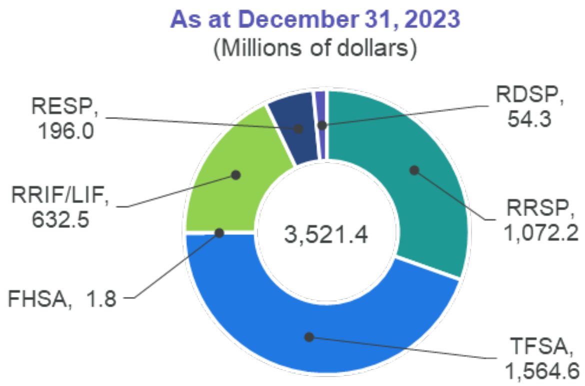
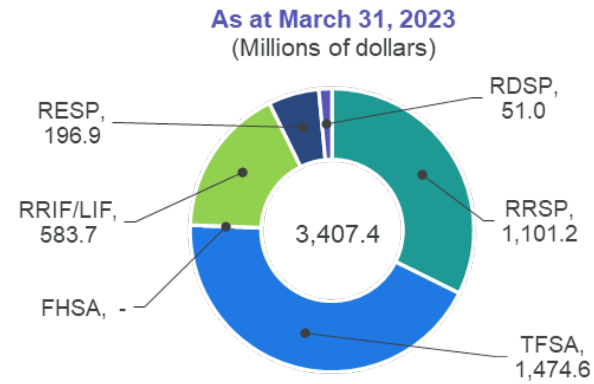
Assets under Administration







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

Central 1 Trust Company (the Trust), a wholly owned subsidiary of Central 1, provides the equivalent services for members of the Ontario and Manitoba credit union system and Class C members. The Trust is also registered to do business in other provinces, including B.C., Alberta, Newfoundland, Nova Scotia, PEI, and Saskatchewan.

AUA increased year-over-year largely due to increased number of contracts. Growth in contracts resulted from an overall increase in business in B.C. and Ontario, along with market value appreciation contributed to an overall 7.2 per cent increase in AUA from a year ago. With the advent of the new tax-free First Home Savings Account (FHSA), released April 1, 2023, credit unions have started marketing the product to their members with a combined AUA of $3.7 million at the end of this quarter. The FHSA is expected to compete with RRSP and TFSA contributions.

TFSA sales continue to trend upward with AUA up 12.5 per cent from the same period last year. This trend is expected to continue as the TFSA replaced the RRSP in popularity among deposit investors and as a source of non-taxable assets during this period of financial uncertainty.

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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 initiatives[1] and fund continued growth.

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

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Regulatory Capital

$ millions, except as indicated, as at	Mar 31 2024	Dec 31 2023	Mar 31 2023
Share capital	**$ 43.4**	$ 43.4	$ 43.4
Retained earnings	**711.4**	682.5	658.4
Less: accumulated net after tax gain in investment property	**(4.7)**	(4.7)	(4.7)
Tier 1 capital[2]	**750.1**	721.2	697.1
Subordinated debt[1]	**200.0**	200.0	212.6
Add: accumulated net after tax gain in investment property	**4.7**	4.7	4.7
Tier 2 capital[2]	**204.7**	204.7	217.3
Total capital	**954.8**	925.9	914.4
Statutory capital adjustments	**(160.9)**	(169.9)	(179.3)
Total regulatory capital[2]	**$ 793.9**	$ 756.0	$ 735.1
Borrowing multiple - Consolidated[3]	**11.8:1**	12.6:1	13.9:1

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

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

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

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

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

At March 31, 2024, Central 1's consolidated borrowing multiple was 11.8:1 compared to 13.9:1 at March 31, 2023, largely due to the reduction in total borrowings and increase in retained earnings. Central 1 was in compliance with all regulatory capital requirements as at March 31, 2024, December 31, 2023 and March 31, 2023.

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Risk Review

This section of the MD&A should be read in conjunction with the Risk Review section of our 2023 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.

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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 first quarter of 2024, Central 1 increased its provision for credit losses for the Commercial Real Estate Lending (CREL) portfolio by $179.0 thousand to a total of $4.0 million due to the portfolio growth. There were no changes in the CREL loans staging as of March 31, 2024. Expected credit loss allowances for the Investment portfolio were increased nominally by $4.0 thousand to a total of $234.0 thousand. Zero expected credit loss remained in the Credit Union Lending portfolio 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 $3.6 billion or 54.4 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 March 31,2024, there were five Ontario credit unions and one BC credit union classified as Watch List. A Watch List rating is assigned to entities whose level of default risk increased materially, but loans are not in default and remain on an accrual basis. Watch List accounts require enhanced monitoring and/or workout planning. The Watch List accounts represented 12.32 per cent of the authorized portfolio as at March 31, 2024. The security provided for the Watch List facilities is substantial and no losses are expected.

Commercial Real Estate Lending

The portfolio performance remained stable in the first quarter of 2024. As at March 31, 2024, there was one Watch List account representing 0.82 per cent of the outstanding portfolio balance, and one impaired loan representing 0.15 per cent of the outstanding portfolio balance. The loans are secured by a first priority security interest over real estate assets and are subject to close monitoring.

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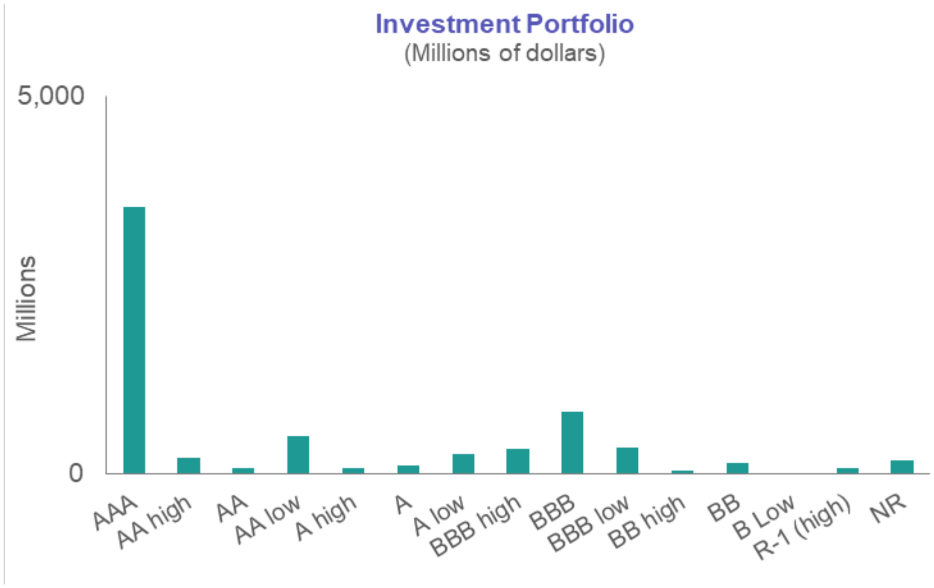

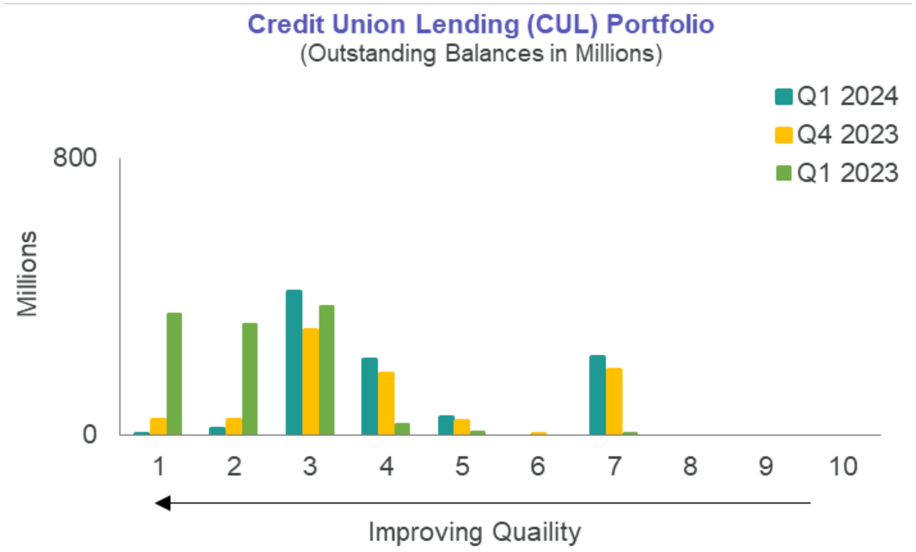

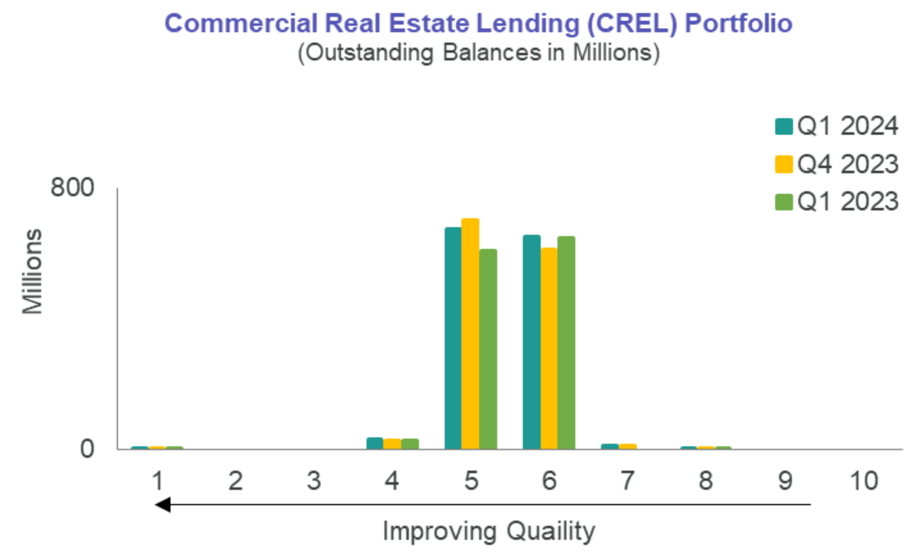

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Counterparty Risk

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. To ensure sufficient preparedness for an exceptional liquidity event within the Credit Union system, Central 1 has enhanced the Enterprise-wide Stress Testing framework. In addition, , the Contingency Funding Plan and Crisis Communications Plan will be revised, decision-making framework and other tools for a liquidity crisis will be developed within the year to strengthen Central 1's operational readiness.

Credit facility utilization saw mixed movements in the first quarter of 2024 compared to the previous quarter, while it was slightly higher overall. In particular, the lower liquidity facility usage following the standard seasonal trends was offset by increased utilization of contingency facilities, driven by financial guarantees and performance guarantees. Compared to the first quarter of 2023, aggregate credit facility usage is moderately higher in the first quarter this year. 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 remains robust. 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 uses the OSFI LCR for its risk appetite statement limit and regulatory reporting.

In addition, Central 1 monitors its structural and contingent liquidity risk through the Net Cumulative Cash Flow (NCCF) metric. Analysis of the NCCF enables Central 1 to assess the risk resulting from funding mismatches between assets and liabilities, given the assumed asset devaluations, market confidence deterioration, and reductions in its funding capacity. Central 1 reports OSFI LCR and NCCF to the BCFSA monthly.

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As of March 31, 2024, Central 1’s NCCF and OSFI LCR indicated a high level of liquidity. Although LCR of the first quarter is lower than the previous quarter, it is higher than the LCR of the first quarter a year ago. Central 1 remains in a strong position to support the system’s liquidity needs.

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	LTM Average[1]
OSFI LCR	**128.3%**	139.8%	131.1%	131.1%	127.6%	120.7%

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

The NCCF as of end of the first quarter 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.

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 first quarter, while Interest Rate VaR and Credit Spread VaR were also stable quarter-over-quarter.

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$ millions	Treasury Q1 2024	Treasury Q4 2023	Treasury Q3 2023	Treasury Q2 2023	Last 12 Months Average	Last 12 Months High	Last 12 Months Low
Interest Rate VaR	**$ 2.3**	$ 2.2	$ 2.7	$ 2.8	$ 2.5	$ 4.1	$ 1.9
Credit Spread VaR	**1.7**	2.0	2.4	2.3	2.1	3.9	1.6
Foreign Exchange VaR	**1.8**	1.8	1.4	2.1	1.9	2.6	1.1
Diversification[1]	**(2.6)**	(2.6)	(2.9)	(3.4)	(3.0)	nm	nm
Total VaR	**$ 3.2**	$ 3.4	$ 3.6	$ 3.8	$ 3.6	$ 4.7	$ 2.9
Expected Shortfall	**$ 3.6**	$ 3.7	$ 4.0	$ 4.2	$ 4.0	$ 5.5	$ 3.2

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

nm - not meaningful to calculation

Stress Testing

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

$ millions	Treasury Q1 2024	Treasury Q4 2023	Treasury Q3 2023	Treasury Q2 2023	Last 12 Months Average	Last 12 Months High	Last 12 Months Low
1-Day SVaR	**$ 8.4**	$ 8.3	$ 8.4	$ 9.9	$ 8.9	$ 11.3	$ 7.8
10-Day SVaR	**$ 23.2**	$ 23.3	$ 26.9	$ 25.1	$ 24.6	$ 28.0	$ 20.1

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	$ (31.3)	$ 8.9	$ (22.4)	1.3574	$ (30.5)

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

In the normal course of business, 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, persistent inflation, and higher for longer 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 BCFSA's capital modernization. However, there is also increased scrutiny in areas such as environmental, social and governance issues (ESG).

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- 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

Interest Rate Benchmark Reform (IBOR)

Transition from Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA) is in progress and it is expected to be completed before the June 28, 2024 cessation date. Central 1 unwound a number of the CDOR-based derivatives by March 31, 2024 and replaced them with CORRA-based derivatives. While the unwind of the CDOR derivatives will continue to happen prior to June 28, 2024, Central 1 expects all the remaining CDOR derivatives will be transitioned into or replaced by CORRA derivatives by then.

As at March 31, 2024, 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 $540.7 million (December 31, 2023 - $542.8 million) and $16.5 million (December 31, 2023 - $16.5 million), respectively. The notional balance of Central 1's total exposure to one-month and three-month CDOR derivatives that mature after June 28, 2024 was $1.88 billion (December 31, 2023 - $2.15 billion), of which $401.5 million (December 31, 2023 - $585.2 million) is the exposure for the interest rate swaps that are designated into fair value hedge and benchmarked to three-month CDOR. These swaps are used to hedge Central 1's exposure to interest rate risk which may be affected by the alternative benchmark rate.

For additional information regarding CORRA transition, refer to Note 3 of Central 1's Annual Consolidated Financial Statements for the year ended December 31, 2023.

Use of Estimates and Judgements

In preparing these Interim Consolidated Financial Statements, management has exercised judgements and made estimates and assumptions that affect the application of Central 1's accounting policies and the carrying amounts of assets, liabilities, income and related disclosures. The most significant areas for which management must make subjective or complex estimates and judgements include provision for credit losses (ECL).

Judgement, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While management makes its best estimates and assumptions, actual results may differ from those estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis with revisions to estimates being recognized prospectively.

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Related Party Disclosures

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents and their close family members. There was no outstanding balance against key management personnel as on March 31, 2024 and December 31, 2023.

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

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.

Net Interest Income 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.

Securities lending transactions in which the owner of securities agrees to lend it under the terms of a contract to a borrower for a fee. Collateral for the underlying transaction consists of either securities or cash.

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Interim Consolidated Financial Statements

As at and for the Periods Ended March 31, 2024 and 2023

Interim Consolidated Statement of Financial Position (Unaudited)

$ thousands, as at	Notes	Mar 31 2024	Dec 31 2023
Assets			
Cash and cash equivalents	4	**$ 1,836,953**	$ 1,852,499
Settlements in-transit assets		**81,465**	158,539
Securities	5	**6,659,952**	7,000,251
Loans	6	**2,206,901**	1,783,708
Derivative assets	7	**171,751**	227,258
Current tax assets		**4**	729
Property and equipment		**10,907**	11,307
Intangible assets		**18,864**	19,694
Investments in affiliates		**94,276**	93,103
Deferred tax assets		**47,352**	55,715
Other assets	9	**40,907**	24,411
		$ 11,169,332	$ 11,227,214
Liabilities			
Settlements in-transit liabilities		**$ 850,134**	$ 544,941
Deposits	10	**5,778,800**	5,855,704
Securities under repurchase agreements		**805,158**	1,036,557
Securitization liabilities	11	**599,848**	559,990
Derivative liabilities	7	**77,360**	80,811
Debt securities issued	12	**2,038,922**	2,151,132
Subordinated liabilities	13	**187,594**	182,111
Other liabilities	14	**82,368**	89,984
		10,420,184	10,501,230
Equity			
Share capital	15	**43,401**	43,401
Retained earnings		**711,377**	682,526
Accumulated other comprehensive income (loss)		**(5,630)**	57
Total equity		**749,148**	725,984
		$ 11,169,332	$ 11,227,214
Guarantees, commitments, contingencies and pledged assets	22		

Approved by the Directors:

"*Shelley McDade*"

Shelley McDade
Chair

"*Paul Challinor*"

Paul Challinor
Chair
Audit and Finance Committee

See accompanying Notes to the Interim Consolidated Financial Statements

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Interim Consolidated Statement of Income (Unaudited)

$ thousands	Notes	For the three months ended Mar 31 2024	Mar 31 2023
Interest income			
Securities		**$ 72,019**	$ 68,683
Loans		**31,981**	30,511
		104,000	99,194
Interest expense			
Deposits		**52,345**	41,732
Debt securities issued		**36,000**	44,096
Subordinated liabilities		**1,189**	1,436
		89,534	87,264
Net interest income	16	**14,466**	11,930
Gain on disposal of financial instruments	17	**30,212**	10,985
Change in fair value of financial instruments	18	**4,246**	(17,247)
Non-interest income	19	**41,755**	41,669
Total revenue		**90,679**	47,337
Provision for (recovery of) credit losses	8	**183**	(701)
Non-interest expense			
Salaries and employee benefits		**30,571**	28,979
Management information systems		**4,584**	3,819
Depreciation and amortization		**1,632**	1,146
Other administrative expense	20	**14,361**	17,835
		51,148	51,779
Income (loss) before income taxes		**39,348**	(3,741)
Income tax expense (recovery)		**10,473**	(5,022)
Net income		**$ 28,875**	$ 1,281

See accompanying Notes to the Interim Consolidated Financial Statements

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Interim Consolidated Statement of Comprehensive Income (Unaudited)

$ thousands	For the three months ended Mar 31 2024	 Mar 31 2023
Net income	$ **28,875**	$ 1,281
Other comprehensive income (loss), net of tax		
Items that may be reclassified subsequently to net income		
Fair value reserves (securities at fair value through other comprehensive income)		
Net change in fair value of debt securities at fair value through other comprehensive income	**4,012**	4,721
Reclassification of realized loss to net income	**-**	230
Share of other comprehensive income of affiliates accounted for using the equity method	**14**	3
	4,026	4,954
Items that will not be reclassified subsequently to net income		
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	**(9,737)**	3,401
Total other comprehensive income (loss), net of tax	**(5,711)**	8,355
Total comprehensive income, net of tax	$ **23,164**	$ 9,636

Income Taxes – Other Comprehensive Income (Loss)

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

$ thousands	For the three months ended Mar 31 2024	 Mar 31 2023
Income tax expense on items that may be reclassified subsequently to net income		
Fair value reserves (securities at fair value through other comprehensive income)		
Net change in fair value of debt securities at fair value through other comprehensive income	$ **1,478**	$ 1,751
Reclassification of realized gain to net income	**-**	84
Share of other comprehensive income of affiliates accounted for using the equity method	**2**	-
Income tax expense (recovery) on items that will not be reclassified subsequently to net income		
Net change in fair value due to change in own credit risk on financial liabilities designated under the fair value option	**(3,587)**	1,253
	$ **(2,107)**	$ 3,088

See accompanying Notes to the Interim Consolidated Financial Statements

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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
Balance as at December 31, 2023	$	43,401	$	682,526	$	(8,585)	$	3,811	$	4,831	**$**	**725,984**
Total comprehensive income (loss), net of tax												
Net income				28,875								**28,875**
Other comprehensive income (loss), net of tax												
Fair value reserve (securities at fair value through other comprehensive income)						4,012						**4,012**
Share of other comprehensive income of affiliates accounted for using the equity method						14						**14**
Liability credit reserve								(9,737)				**(9,737)**
Total comprehensive income (loss)		-		28,875		4,026		(9,737)		-		**23,164**
Reclassification of liability credit reserve on derecognition[1]				(24)				24				**-**
Balance as at March 31, 2024	**$**	**43,401**	**$**	**711,377**	**$**	**(4,559)**	**$**	**(5,902)**	**$**	**4,831**	**$**	**749,148**

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

See accompanying Notes to the Interim Consolidated Financial Statements

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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
Balance as at December 31, 2022	$ 43,401	$ 656,814	$ (27,100)	$ 12,901	$ 4,908	$ 690,924
Total comprehensive income, net of tax						
Net Income		1,281				1,281
Other comprehensive income, net of tax						-
Fair value reserve (securities at fair value						-
through other comprehensive income)			4,951			4,951
Share of other comprehensive income of affiliates						-
accounted for using the equity method			3			3
Liability credit reserve				3,401		3,401
Total comprehensive income	-	1,281	4,954	3,401	-	9,636
Reclassification of liability credit reserve on derecognition[1]		320		(320)		
Balance as at March 31, 2023	$ 43,401	$ 658,415	$ (22,146)	$ 15,982	$ 4,908	$ 700,560

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

See accompanying Notes to the Interim Consolidated Financial Statements

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Interim Consolidated Statement of Cash Flows (Unaudited)

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Cash flows from operating activities		
Net income	$ **28,875**	$ 1,281
Adjustments for:		
Depreciation and amortization	**1,632**	1,146
Net interest income	**(14,466)**	(11,930)
Gain on disposal of financial instruments	**(30,212)**	(10,985)
Change in fair value of financial instruments	**(4,246)**	17,247
Provision for (recovery of) credit losses	**183**	(701)
Dividend income	**(2,652)**	(2,931)
Equity interest in affiliates	**779**	258
Income tax expense (recovery)	**10,473**	(5,022)
	(9,634)	(11,637)
Change in settlements in-transit assets	**77,074**	(29,471)
Change in securities	**406,550**	216,176
Change in loans	**(420,757)**	129,281
Change in derivative assets and liabilities	**30,521**	18,655
Change in settlements in-transit liabilities	**305,193**	286,382
Change in deposits	**(76,262)**	361,101
Change in securities under repurchase agreements	**(231,622)**	(976,833)
Change in obligations related to securities sold short	**41**	32,038
Change in other assets and liabilities	**(35,331)**	(24,342)
Interest received	**96,638**	96,296
Interest paid	**(67,052)**	(74,547)
Income tax received	**701**	3,469
Net cash from operating activities	**76,060**	26,568

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

See accompanying Notes to the Interim Consolidated Financial Statements

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

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Cash flows used in investing activities		
Purchase of reinvestment assets under the CMB Program - NHA MBS Securities	**(10,033)**	(20,263)
Maturity of reinvestment assets under the CMB Program - NHA MBS Securities	**30,682**	35,868
Change in reinvestment assets under the CMB Program - Reverse repos	**(58,624)**	(62,600)
Property and equipment - purchases	**(259)**	(150)
Intangible assets - purchases	**(143)**	(727)
Dividend received	**2,652**	2,931
Investments in affiliates - net	**(1,936)**	(2,014)
Net cash used in investing activities	**(37,661)**	(46,955)
Cash flows from (used in) financing activities		
Change in debt securities issued - Commercial paper	**(103,156)**	(90,980)
Proceeds from debt securities issued - Medium term notes	**-**	300,000
Repayment of lease liabilities	**(99)**	(73)
Change in securitization liabilities	**37,975**	41,577
Net cash from (used in) financing activities	**(65,280)**	250,524
Effect of exchange rate changes on cash and cash equivalents	**11,335**	515
Increase (decrease) in cash and cash equivalents	**(15,546)**	230,652
Cash and cash equivalents - beginning of period	**1,852,499**	957,228
Cash and cash equivalents - end of period	**$ 1,836,953**	$ 1,187,880

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

See accompanying Notes to the Interim Consolidated Financial Statements

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1. Reporting Entity

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 300 financial institutions across Canada, including its member credit unions in British Columbia (B.C.) and Ontario.

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 Consolidated Financial Statements for the year ended December 31, 2023, 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 IFRS Accounting Standards, they should be read in conjunction with Central 1's Annual Audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2023.

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 May 30, 2024.

Interest Rate Benchmark Reform (IBOR)

Transition from Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA) is in progress and it is expected to be completed before the June 28, 2024 cessation date.

Central 1 unwound a number of the CDOR-based derivatives by March 31, 2024 and replaced them with CORRA-based derivatives. While the unwind of the CDOR derivatives will continue to happen prior to June 28, 2024, Central 1 expects all the remaining CDOR derivatives will be transitioned into or replaced by CORRA derivatives by then.

As at March 31, 2024, 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 $540.7 million (December 31, 2023 - $542.8 million) and $16.5 million (December 31, 2023 - $16.5 million), respectively. The notional balance of Central 1's total exposure to one-month and three-month CDOR derivatives that mature after June 28, 2024 was $1.88 billion (December 31, 2023 - $2.15 billion), of which $401.5 million (December 31, 2023 - $585.2 million) is the exposure for the interest rate swaps that are designated into fair value hedge and benchmarked to three-month CDOR. These swaps are used to hedge Central 1's exposure to interest rate risk which may be affected by the alternative benchmark rate.

For additional information regarding CORRA transition, refer to Note 3 of Central 1's Annual Consolidated Financial Statements for the year ended December 31, 2023.

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, 2023.

3. Use of Estimates and Judgements

In preparing these Interim Consolidated Financial Statements, management has exercised judgements and made estimates and assumptions that affect the application of Central 1's accounting policies and the carrying amounts of assets, liabilities, income and related disclosures. The most significant areas for which management must make subjective or complex estimates and judgements include provision for credit losses (ECL).

Judgement, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While management makes its best estimates and assumptions, actual results may differ from those estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis with revisions to estimates being recognized prospectively.

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4. Cash and Cash Equivalents

$ thousands, as at		Mar 31 2024		Dec 31 2023
With Bank of Canada	$	**1,771,241**	$	1,781,578
With other regulated financial institutions		**65,712**		70,921
	$	**1,836,953**	$	1,852,499

Central 1 is required to maintain reserves with certain financial institutions, totalling to $0.4 million as at March 31, 2024 (December 31, 2023 - $1.9 million).

5. Securities

$ thousands, as at		Mar 31 2024		Dec 31 2023
Mandatorily at FVTPL				
Government and government guaranteed securities	$	**2,072,525**	$	2,191,425
Corporate and major financial institutions				
AA low or greater		**1,417,205**		1,369,361
A (high) to A (low)		**370,368**		395,618
BBB (high) to BB		**1,166,544**		1,087,147
Equity instruments		**40,904**		40,903
Fair value	$	**5,067,546**	$	5,084,454
Securities FVOCI				
Government and government guaranteed securities	$	**504,032**	$	678,728
Corporate and major financial institutions				
AA low or greater		**88,823**		199,099
A (high) to A (low)		**11,797**		91,419
BBB (high) to BBB (low)		**387,906**		386,561
Fair value	$	**992,558**	$	1,355,807

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$ thousands, as at		Mar 31 2024		Dec 31 2023
Reinvestment assets under the CMB Program				
FVTPL				
Government and government guaranteed securities	$	**320,946**	$	339,712
Fair value	$	**320,946**	$	339,712
Amortized cost				
Assets acquired under reverse repurchase agreements	$	**278,902**	$	220,278
Total reinvestment assets under the CMB Program	$	**599,848**	$	559,990
Total	$	**6,659,952**	$	7,000,251

6. Loans

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

$ thousands, as at		Mar 31 2024		Dec 31 2023
Amortized cost				
Due on demand				
Credit unions	$	**222,748**	$	197,120
Commercial and others		**17,400**		8,758
		240,148		205,878
Term				
Credit unions		**145,000**		155,000
Commercial and others		**1,359,579**		1,333,977
Reverse repurchase agreements		**455,056**		73,894
		1,959,635		1,562,871
		2,199,783		1,768,749
Accrued interest		**11,116**		8,469
		2,210,899		1,777,218
Provision for credit losses (Note 8)		**(3,998)**		(3,819)
Carrying value		**2,206,901**		1,773,399

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$ thousands, as at		Mar 31 2024		Dec 31 2023
FVTPL				
Term - Commercial and others				
Fair value		-		10,309
Total loans	$	**2,206,901**	$	1,783,708

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 Income (Loss).

During Central 1’s CORRA transition, seven CDOR swaps that were designated into hedging relationships with FVOCI securities were unwound and replaced with CORRA swaps that are not economically equivalent to the original CDOR swaps. This has resulted in the de-designation of these hedging relationships as the Phase 2 relief in IBOR reform is not applicable and hedge accounting has to be discontinued. On March 22, 2024, Central 1 redesignated these securities into new hedging relationships with CORRA swaps.

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

$ thousands, for the three months ended March 31	2024						2023					
		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]	$	(1,126)	$	1,113	$	(19)	$	7,346	$	(7,375)	$	(29)
Loans		-		-		-		140		(833)		(693)
Debt securities issued		6,147		(6,034)		113		821		(1,095)		(274)
	$	**5,021**	$	**(4,921)**	$	**94**	$	8,307	$	(9,303)	$	(996)

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

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$ thousands, as at	March 31, 2024 Notional value of hedged items	March 31, 2024 Carrying value of hedged items[2]	March 31, 2024 Carrying value of hedging instruments	March 31, 2024 Accumulated fair value hedge adjustment	December 31, 2023 Notional value of hedged items	December 31, 2023 Carrying value of hedged items[2]	December 31, 2023 Carrying value of hedging instruments	December 31, 2023 Accumulated fair value hedge adjustment
Securities at FVOCI[1]	$ 235,156	$ 208,068	$ 5,448	$ (5,200)	$ 235,156	$ 207,748	$ 25,355	$ (24,217)
Debt securities issued	(650,000)	(650,238)	(8,691)	8,623	(650,000)	(658,279)	(2,657)	2,476

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

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

8. Provision for (Recovery of) Credit Losses

$ thousands	Stage 1	Stage 2	Stage 3[1]	Total
Financial assets at amortized cost				
Balance as at December 31, 2023	$ 3,289	$ 322	$ 208	**$ 3,819**
Provision for (recovery of) credit losses:				
Purchases and originations	32	-	-	**32**
Derecognitions and maturities	(160)	-	-	**(160)**
Remeasurements	251	3	53	**307**
Total provision for credit losses	123	3	53	**179**
Balance as at March 31, 2024	**$ 3,412**	**$ 325**	**$ 261**	**$ 3,998**
Financial assets at FVOCI				
Balance as at December 31, 2023	$ 230	$ -	$ -	**$ 230**
Provision for (recovery of) credit losses:				
Derecognitions and maturities	(1)	-	-	**(1)**
Remeasurements	5	-	-	**5**
Total provision for credit losses	4	-	-	**4**
Balance as at March 31, 2024	**$ 234**	**$ -**	**$ -**	**$ 234**

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$ thousands	Stage 1	Stage 2	Stage 3[1]	Total
Total				
Balance as at December 31, 2023	$ 3,519	$ 322	$ 208	$ **4,049**
Provision for (recovery of) credit losses:				
Purchases and originations	32	-	-	**32**
Derecognitions and maturities	(161)	-	-	**(161)**
Remeasurements	256	3	53	**312**
Total provision for credit losses	127	3	53	**183**
Balance as at March 31, 2024	**$ 3,646**	**$ 325**	**$ 261**	**$ 4,232**

[1]Stage 3 loan is secured by a first priority security interest over real estate assets.

$ thousands	Stage 1	Stage 2	Stage 3[1]	Total
Financial assets at amortized cost				
Balance as at December 31, 2022	$ 3,386	$ -	$ 157	$ 3,543
Provision for (recovery of) credit losses:				
Purchases and originations	28	-	-	28
Derecognitions and maturities	(192)	-	-	(192)
Remeasurements	(542)	-	37	(505)
Total provision for (recovery of) credit losses	(706)	-	37	(669)
Balance as at March 31, 2023	$ 2,680	$ -	$ 194	$ 2,874
Financial assets at FVOCI				
Balance as at December 31, 2022	$ 284	$ -	$ -	$ 284
Recovery of credit losses:				
Derecognitions and maturities	(1)	-	-	(1)
Remeasurements	(31)	-	-	(31)
Total recovery of credit losses	(32)	-	-	(32)
Balance as at March 31, 2023	$ 252	$ -	$ -	$ 252

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$ thousands	Stage 1	Stage 2	Stage 3[1]	Total
Total				
Balance as at December 31, 2022	$ 3,670	$ -	$ 157	$ 3,827
Provision for (recovery of) credit losses:				
Purchases and originations	28	-	-	28
Derecognitions and maturities	(193)	-	-	(193)
Remeasurements	(573)	-	37	(536)
Total provision for (recovery of) credit losses	(738)	-	37	(701)
Balance as at March 31, 2023	$ 2,932	$ -	$ 194	$ 3,126

[1]Stage 3 loan is secured by a first priority security interest over real estate assets.

The following tables present the gross carrying amounts of the commercial loans as at March 31, 2024 and December 31, 2023, according to credit quality:

$ thousands, as at March 31, 2024	Stage 1	Stage 2	Stage 3	Total
Low Risk	$ 871,752	$ -	$ -	**$ 871,752**
Medium Risk	1,325,659	-	-	**1,325,659**
High Risk	-	11,199	-	**11,199**
Not Rated	362	-	-	**362**
Impaired	-	-	1,927	**1,927**
Total	**$ 2,197,773**	**$ 11,199**	**$ 1,927**	**$ 2,210,899**

$ thousands, as at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Low Risk	$ 462,775	$ -	$ -	$ 462,775
Medium Risk	1,300,936	-	-	1,300,936
High Risk	-	11,254	-	11,254
Not Rated	356	-	-	356
Impaired	-	-	1,897	1,897
Total	$ 1,764,067	$ 11,254	$ 1,897	$ 1,777,218

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Forward Looking Macroeconomic Variables

The inputs that are used to estimate the Stage 1 and 2 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. 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.

Central 1 determines ECL using multiple probability-weighted forward-looking scenarios. Central 1 considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. Central 1 prepares the scenarios using forecasts generated by its Allowance Working Group (AWG) Committee for:

- Real GDP (GDP),
- Unemployment rates (UR),
- 3-month Bankers' Acceptance rate (BA),
- 3-month Government of Canada Bond rate (GOC),
- Debt to income ratio (Debt/Income), and
- Housing price index (HPI)

	As at March 31, 2024						As at December 31, 2023					
	Optimistic Scenario		Base Scenario		Pessimistic Scenario		Optimistic Scenario		Base Scenario		Pessimistic Scenario	
All figures are average annual values	First 12 Months	Remaining Horizon[1]	First 12 Months	Remaining Horizon[1]	First 12 Months	Remaining Horizon[1]	First 12 Months	Remaining Horizon[1]	First 12 Months	Remaining Horizon[1]	First 12 Months	Remaining Horizon[1]
GDP	2.4%	2.5%	1.0%	2.0%	(1.7)%	0.9%	3.4%	2.1%	0.8%	1.9%	(4.3)%	1.3%
UR	5.5	5.2	6.1	5.6	6.9	6.6	5.5	4.9	6.3	5.3	7.3	6.6
BA	5.5	4.3	4.5	2.7	3.9	1.6	5.8	4.2	4.4	2.8	3.2	1.7
GOC	5.3	4.2	4.3	2.5	3.6	1.3	5.4	4.0	4.0	2.5	2.8	1.3
Debt/Income	181.7	184.9	180.6	182.7	178.2	180.5	182.7	185.3	181.6	183.1	178.6	181.0
HPI	4.1%	4.9%	1.7%	3.1%	(4.7)%	0.0%	5.4%	2.9%	(1.3)%	0.9%	(9.8)%	0.5%

[1]The remaining horizon represents a forecast period of four years.

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9. Other Assets

$ thousands, as at		Mar 31 2024		Dec 31 2023
Prepaid expenses	$	**13,843**	$	7,822
Accounts receivable and other		**10,677**		8,340
Cash collateral receivable[1]		**9,086**		966
Post-employment benefits		**6,815**		6,775
Investment property		**486**		508
	$	**40,907**	$	24,411

[1]Paid as collateral for derivatives transactions.

10. Deposits

$ thousands, as at		Mar 31 2024		Dec 31 2023
Deposits designated as FVTPL				
Due within three months	$	**1,341,607**	$	1,570,372
Due after three months and within one year		**494,582**		614,193
Due after one year and within five years		**627,679**		647,766
		2,463,868		2,832,331
Accrued interest		**22,894**		22,327
Amortized cost	$	**2,486,762**	$	2,854,658
Fair value	$	**2,475,503**	$	2,844,471
Deposits held at amortized cost				
Due on demand	$	**3,293,304**	$	2,999,013
Due within three months		**7,950**		10,175
Due after three months and within one year		**2,000**		2,000
		3,303,254		3,011,188
Accrued interest		**43**		45
Amortized cost	$	**3,303,297**	$	3,011,233
Total carrying value	$	**5,778,800**	$	5,855,704

The fair value of deposits at March 31, 2024 was $5,778.8 million (December 31, 2023 - $5,855.7 million).

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11. Securitization Liabilities

Central 1 has recognized its obligations under both direct and indirect securitization activities at fair value in the Consolidated Statement of Financial Position. The maturities of these obligations are indicated below:

$ thousands, as at		Mar 31 2024		Dec 31 2023
Amounts				
Due within three months	$	**286,313**	$	232,088
Due after three months and within one year		**224,961**		160,562
Due after one year and within five years		**96,561**		177,210
Amortized cost	$	**607,835**	$	569,860
Fair value	$	**599,848**	$	559,990

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

$ thousands, as at		Mar 31 2024		Dec 31 2023
FVTPL				
Total reinvestment assets under the CMB Program (Note 5)	$	**320,946**	$	339,712
Fair value	$	**320,946**	$	339,712
Amortized cost				
Total reinvestment assets under the CMB Program (Note 5)	$	**278,902**	$	220,278
Total underlying assets designated	$	**599,848**	$	559,990

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12. Debt Securities Issued

$ thousands, as at		Mar 31 2024		Dec 31 2023
Amortized cost				
Due within three months	$	**567,968**	$	695,183
Due after three months and within one year		**175,114**		151,242
Due after one year and within five years		**648,013**		647,826
		1,391,095		1,494,251
Accrued interest		**2,225**		10,453
Amortized cost	$	**1,393,320**	$	1,504,704
Fair value hedge adjustment[1]		**(8,623)**		(2,476)
Carrying value	$	**1,384,697**	$	1,502,228
Designated as FVTPL				
Due after one year and within five years	$	**650,000**	$	650,000
Accrued interest		**9,862**		4,792
Amortized cost	$	**659,862**	$	654,792
Fair value		**654,225**		648,904
Total carrying value	$	**2,038,922**	$	2,151,132

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

At March 31, 2024, the short-term commercial paper facility had a total par value of $750.0 million (December 31, 2023 - $853.4 million) and the medium-term note facility had a total par value of $1.3 billion (December 31, 2023 - $1.3 billion).

13. Subordinated Liabilities

$ thousands, as at		Mar 31 2024		Dec 31 2023
Designated as FVTPL				
Series 7	$	**200,000**	$	200,000
Accrued interest		**1,215**		26
Amortized cost	$	**201,215**	$	200,026
Fair value	$	**187,594**	$	182,111
Total carrying value	$	**187,594**	$	182,111

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14. Other Liabilities

$ thousands, as at		Mar 31 2024		Dec 31 2023
Deferred revenue[1]	$	**30,471**	$	30,544
Accounts payable		**14,196**		18,936
Short-term employee benefits		**18,673**		17,450
Post-employment benefits		**12,819**		12,885
Cash collateral payable[2]		**3,999**		7,860
Finance lease		**2,210**		2,309
	$	**82,368**	$	89,984

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

[2]Received as collateral for derivatives transactions.

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 year ended December 31	Mar 31 2024	Dec 31 2023	Mar 31 2023
Number of shares issued			
Class A - credit unions: balance at the beginning and 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)

thousands of dollars, as at	Mar 31 2024	Dec 31 2023	Mar 31 2023
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 Mar 31 2024	Mar 31 2023
Interest Income		
FVTPL	$ **56,445**	$ 54,788
FVOCI	**12,725**	12,655
Amortized cost	**34,830**	31,751
	104,000	99,194
Interest Expense		
FVTPL	**34,335**	25,271
Amortized cost	**55,199**	61,993
	89,534	87,264
Net Interest Income	$ **14,466**	$ 11,930

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17. Gain on Disposal of Financial Instruments

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Realized loss on securities at FVTPL	$ **(6,637)**	$ (1,286)
Realized loss on securities at FVOCI	**-**	(314)
Realized gain on derivative instruments	**36,674**	12,546
Realized gain on deposits designated at FVTPL	**134**	183
Realized gain (loss) on obligations related to securities sold short	**41**	(144)
	$ **30,212**	$ 10,985

18. Change in Fair Value of Financial Instruments

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Change in unrealized gains (losses)		
Securities at FVTPL	$ **22,793**	$ 55,010
Loans at FVTPL	**-**	36
Activities under the CMB Program		
Reinvestment assets	**1,883**	2,640
Securitization liabilities	**(1,883)**	(3,420)
Derivative instruments	**(6,860)**	(14,476)
Derivative instruments	**(21,539)**	(37,209)
Financial liabilities at FVTPL		
Deposits designated at FVTPL	**5,391**	(13,187)
Obligations related to securities sold short	**-**	239
Debt securities issued designated at FVTPL	**3,957**	(3,687)
Subordinated liabilities designated at FVTPL	**504**	(3,193)
	$ **4,246**	$ (17,247)

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19. Non-Interest Income

For the three months ended March 31	2024			2023		
$ thousands	Revenue arising from contracts with customers	Revenue arising from other sources	Total	Revenue arising from contracts with customers	Revenue arising from other sources	Total
Treasury						
Lending fees	$ 3,684	$ -	**$ 3,684**	$ 3,407	$ -	$ 3,407
Securitization fees	1,684	-	**1,684**	1,449	-	1,449
Foreign exchange income	-	520	**520**	-	1,144	1,144
Asset management services	879	-	**879**	878	-	878
Other	1,221	(90)	**1,131**	1,111	624	1,735
Payments & Digital Banking						
Payment processing and other fees	21,936	-	**21,936**	19,022	-	19,022
Direct banking fees	9,715	-	**9,715**	9,589	-	9,589
System Affiliates & Other						
Equity interest in affiliates	-	(689)	**(689)**	-	(258)	(258)
Dividend Income	-	2,652	**2,652**	-	2,931	2,931
Other	243	-	**243**	1,771	-	1,771
	$ 39,362	**$ 2,393**	**$ 41,755**	$ 37,228	$ 4,441	$ 41,669

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

20. Other Administrative Expense

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Cost of digital and payments processing	**$ 6,601**	$ 6,145
Professional fees	**4,768**	8,501
Cost of sales and services	**1,704**	1,991
Other	**597**	571
Occupancy	**490**	545
Business development projects	**201**	82
	$ 14,361	$ 17,835

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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. 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 & Digital Banking 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 & Digital Banking

Payments & Digital Banking develops and operates innovative digital banking technologies and payment processing solutions for member credit unions, other financial institutions and corporate clients. This segment offers *MemberDirect*® services and a host of digital banking solutions that allow member credit unions to offer a variety of direct banking services to their individual customers through their online banking platform. Certain strategic initiatives relating to digital banking and payments solutions are included in this segment such as Forge 2.0.

Payments operations encompass processing paper and electronic transactions such as automated funds transfer, bill payments and wire transfers 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.

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

System Affiliates & Other

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

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Management Reporting Framework

The results of these segments are regularly reviewed by Central 1's executive leadership team 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 and those that are allocated. 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.

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

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

Results by Segment

The following table summarizes the segment results for the three months ended March 31, 2024:

$ thousands, for the three months ended March 31, 2024	Treasury	Payments & Digital Banking	System Affiliates & Other	Total
Net interest income (expense)	$ 15,021	$ (555)	$ -	$ **14,466**
Gain on disposal of financial instruments	30,212	-	-	**30,212**
Change in fair value of financial instruments	4,246	-	-	**4,246**
Non-interest income	7,898	31,651	2,206	**41,755**
Total revenue	57,377	31,096	2,206	**90,679**
Provision for credit losses	183	-	-	**183**
Non-interest expense	10,136	35,411	5,601	**51,148**
Income (loss) before income taxes	47,058	(4,315)	(3,395)	**39,348**
Income tax expense (recovery)	12,678	(1,163)	(1,042)	**10,473**
Net income (loss)	**$ 34,380**	**$ (3,152)**	**$ (2,353)**	**$ 28,875**
Total assets as at March 31, 2024	**$ 10,922,960**	**$ 18,848**	**$ 227,524**	**$ 11,169,332**
Total liabilities as at March 31, 2024	**$ 10,188,083**	**$ 26,769**	**$ 205,332**	**$ 10,420,184**

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The following table summarizes the segment results for the three months ended March 31, 2023:

$ thousands, for the three months ended March 31, 2023	Treasury	Payments & Digital Banking	System Affiliates & Other	Total
Net interest income (expense)	$ 12,187	$ (257)	$ -	$ 11,930
Gain on disposal of financial instruments	10,985	-	-	10,985
Change in fair value of financial instruments	(17,247)	-	-	(17,247)
Non-interest income	8,614	28,611	4,444	41,669
Total revenue	14,539	28,354	4,444	47,337
Recovery of credit losses	(701)	-	-	(701)
Non-interest expense	9,914	38,448	3,417	51,779
Income (loss) before income taxes	5,326	(10,094)	1,027	(3,741)
Income tax expense (recovery)	1,343	(5,821)	(544)	(5,022)
Net income (loss)	$ 3,983	$ (4,273)	$ 1,571	$ 1,281
Total assets as at March 31, 2023	$ 11,566,294	$ 18,637	$ 246,406	$ 11,831,337
Total liabilities as at March 31, 2023	$ 10,939,764	$ (27,533)	$ 218,546	$ 11,130,777

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

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

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

$ thousands, as at		Mar 31 2024		Dec 31 2023
Commitments to extend credit	$	**5,076,759**	$	5,093,356
Guarantees				
Financial guarantees	$	**794,600**	$	793,600
Performance guarantees	$	**500,000**	$	500,000
Standby letters of credit	$	**223,805**	$	228,982
Future prepayment reinvestment commitment	$	**865,219**	$	883,881

Amounts utilized under these agreements representing off-balance sheet amounts for commitments to extend credit, guarantees, and standby letters of credit, respectively, on March 31, 2024 are $63.9 million, $891.0 million and $104.4 million (December 31, 2023 - $66.3 million, $596.6 million and $104.3 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. The un-committed performance guarantee approved limits for March 31, 2024 were $1.0 billion (December 31, 2023 - $1.0 billion).

Future prepayment reinvestment commitment represents Central 1's commitment for reinvestment under the indirect securitization activities.

Central 1 evaluates contingencies on an ongoing basis and establishes provisions for matters in which the outflow of economic resources is probable and the amount of obligation can be reliably estimated. Central 1 is involved in legal actions in the ordinary course of business, in which the likelihood of a loss and amount of loss, if any, cannot be reliably estimated at March 31, 2024.

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Pledged Assets

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

$ thousands, as at	Mar 31 2024	Dec 31 2023
Assets pledged to Bank of Canada & Direct Clearing Organizations[1,2]	$ **60,671**	$ 52,911
Assets pledged in relation to:		
Derivative financial instrument transactions	**11,688**	11,266
Securities lending	**7,162**	40,192
Reinvestment assets under the CMB Program	**599,848**	559,990
Securities under repurchase agreements	**805,158**	1,036,557
	$ **1,484,527**	$ 1,700,916

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

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

23. Financial Instruments – Fair Value

Certain financial instruments are recognized in the Consolidated Statement of Financial Position at fair value. These include derivative instruments, commercial loans designated at FVTPL, securities, deposits and debt securities issued and a subordinated note that are designated at FVTPL, reinvestment assets and securitization liabilities. 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 determination of fair value requires judgement and is based on market information, where available and appropriate. 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.

Fair value measurements are categorized into three levels within the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.
- 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.

Securities, deposits and debt securities issued and a subordinated note that are designated at FVTPL, derivatives (except for futures which are Level 1) are classified as Level 2 in the hierarchy with observable prices or rate inputs as compared to transaction prices, dealer quotes or vendor prices. Equity instruments, where inputs are unobservable, are classified as Level 3 in the hierarchy. As at March 31, 2024 and December 31, 2023, Level 3 financial assets includes $32.1 million of equity instrument that is measured at cost which is an appropriate estimate of fair value 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.

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Transfers between the levels in the fair value hierarchy 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. During the current period, due to changes in market conditions for certain investment securities, quoted prices in active markets became available for a few securities. Conversely, quoted prices in active markets available in prior period for a few securities became unavailable. During the quarter ended March 31, 2024, securities with a fair value totaling $401.4 million were transferred from Level 1 to Level 2 of the fair value hierarchy. There was no transfers between the levels during the quarter ended March 31, 2023.

Financial Instruments with Fair Value Approximating Carrying Value

Fair value is assumed to be equal to the carrying value for financial instruments that are not carried at fair value as the carrying value is considered to be a reasonable approximation of fair value due to their short-term nature. These instruments are cash and cash equivalents, settlements in-transit assets, loans and deposits due on demand classified as amortized cost, settlements in-transit liabilities, securities under reverse repurchase agreements and under repurchase agreements, and certain other financial assets and liabilities.

Financial Instruments with Fair Value 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, derivative instruments (except for futures which are Level 1), deposits and debt securities issued and a subordinated liability designated at FVTPL, reinvestment assets and securitization liabilities. To determine fair value, Central 1 uses broker quotes or third party prices observed in the market. When observable quoted prices are not available, fair value is determined based on discounting the expected cash flows using interest rates currently being offered on instruments with similar terms or for the instruments.

For Central 1's equity instruments, 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, and other valuation techniques. Assumptions and inputs used in these valuation techniques include cash flows, risk-free rate, benchmark interest rate, and spreads. The estimated fair value would increase (decrease) if:

- the expected cash flows were higher (lower);
- the risk-free rates and benchmark interest rates were lower (higher); or
- the spreads were higher (lower).

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The following table presents the carrying values and fair values of Central 1's financial assets and financial liabilities as at March 31, 2024 and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

$ millions, as at March 31, 2024	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 1,837.0	**$ 1,837.0**
Settlements in-transit assets	-	-	-	-	81.5	**81.5**
Securities	97.2	6,243.0	40.9	6,381.1	278.9	**6,660.0**
Loans	-	-	-	-	2,206.9	**2,206.9**
Derivative assets	0.4	171.4	-	171.8	-	**171.8**
Other assets	-	-	-	-	19.8	**19.8**
Total financial assets	$ 97.6	$ 6,414.4	$ 40.9	$ 6,552.9	$ 4,424.1	**$ 10,977.0**
Financial liabilities						
Settlements in-transit liabilities	-	-	-	-	850.1	**850.1**
Deposits	-	2,475.5	-	2,475.5	3,303.3	**5,778.8**
Securities under repurchase agreements	-	-	-	-	805.2	**805.2**
Securitization liabilities	-	599.8	-	599.8	-	**599.8**
Derivative liabilities	0.3	77.1	-	77.4	-	**77.4**
Debt securities issued	-	654.2	-	654.2	1,384.7	**2,038.9**
Subordinated liabilities	-	187.6	-	187.6	-	**187.6**
Other liabilities	-	-	-	-	20.4	**20.4**
Total financial liabilities	$ 0.3	$ 3,994.2	$ -	$ 3,994.5	$ 6,363.7	**$ 10,358.2**

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

$ millions, as at December 31, 2023	Level 1	Level 2	Level 3	Amounts at Fair Value	Amounts at Amortized Cost[1]	Total Carrying Value
Financial assets	$ 451.7	$ 6,514.7	$ 51.2	$ 7,017.6	$ 4,014.0	$ 11,031.6
Financial liabilities	$ 1.4	$ 4,314.9	$ -	$ 4,316.3	$ 6,124.0	$ 10,440.3

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

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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 2023	Purchases	Repayments	Transfer	Changes in fair value of assets in net income	Fair value at Mar 31 2024
Equity shares	$ 40.9	$ -	$ -	$ -	$ -	**$ 40.9**
Loans	10.3	-	(10.3)	-	-	**-**
Total financial assets	$ 51.2	$ -	$ (10.3)	$ -	$ -	**$ 40.9**

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.

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
- sufficient capital is maintained to support the risk taking activities of the organization.

Capital Management Framework

The capital management framework provides the policies and processes for defining, measuring, and allocating all types of capital across Central 1. The process of attributing capital to business segments is linked to the budgeting process and to the Internal Capital Adequacy Assessment Process (ICAAP). The budget process establishes expected business activities over the course of the following fiscal year and the ICAAP establishes the required amount of capital based on an internal risk assessment. Central 1's capital plan allows for tactical capital allocations within all segments. Capital, except for those which are attributed to business segments, is held in the System Affiliates & Other segment.

Regulatory Capital

Central 1's capital levels are regulated under provincial regulations administered by the B.C. Financial Services Authority (BCFSA). BCFSA has also adopted the previous federal regulations administered by the Office of the Superintendent of Financial Institutions (OSFI). This regulation requires Central 1 to maintain a consolidated borrowing multiple, specifically the ratio of deposit liabilities and other loans payable to total regulatory capital, of 18.0:1 or less.

Provincial regulations in British Columbia, which apply to B.C. credit unions as well as to Central 1, use a risk-weighted approach for capital adequacy that is based on standards issued by the Bank for International Settlements. The provincial risk weightings generally parallel the methodology used by OSFI to regulate Canadian chartered banks. Provincial legislation requires Central 1's total capital ratio, calculated by dividing regulatory capital by risk-weighted assets, to be no less than 8.0%. BCFSA guidance requires Central 1's total capital ratio to be no less than 10.0%. Additionally, Central 1 must maintain a total capital ratio of at least 10.0% to enable member credit unions to risk-weight their deposits with Central 1 at 0.0%. Central 1's capital base includes Tier 1 capital in the form of share capital, contributed surplus and retained earnings. Subject to certain conditions, Central 1 may include its subordinated debt in Tier 2 capital. In calculating Central 1's capital base, certain deductions are required for certain assets.

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Central 1 was in compliance with all regulatory capital requirements as at March 31, 2024 and December 31, 2023 and March 31, 2023.

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; and
- Central 1's post-employment benefits as described in Note 29 of the Annual Audited Consolidated Financial Statements for the year ended December 31, 2023.

Transactions with Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Central 1, which include Central 1's Executive Management and Vice-Presidents and their close family members. There was no outstanding balance against key management personnel as on March 31, 2024 and December 31, 2023.

The following table presents the compensation to key management personnel:

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Salaries and short-term employee benefits	$ **1,748**	$ 1,492
Post-employment benefits	**69**	59
Termination and other long-term employee benefits	**-**	159
	$ **1,817**	$ 1,710

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

Transactions with Board of Directors

$ thousands	For the three months ended Mar 31 2024	Mar 31 2023
Total remuneration	$ **211**	$ 142

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Significant Subsidiaries

% of direct ownership outstanding, as at	Mar 31 2024	Dec 31 2023
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:

% of direct ownership outstanding, as at	Mar 31 2024	Dec 31 2023
The CUMIS Group Limited	**27%**	27%
CU CUMIS Wealth Holdings LP	**35%**	35%
189286 Canada Inc.	**52%**	52%
Agility Forex Ltd.	**27%**	27%

During the first quarter of 2024, Central 1 contributed $2.0 million (2023: $1.4 million) in 189286 Canada Inc.

Substantial Investments

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

% of direct ownership outstanding, as at	Mar 31 2024	Dec 31 2023
The Co-operators Group Limited	**21%**	21%
Canadian Credit Union Association	**59%**	59%

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