# Management's Discussion & Analysis

December 31, 2024

central 1

# Our Performance in 2024

## Total

**$64.1M**

NET INCOME

## Treasury

**$92.0M** NET INCOME

⬆ $35.2M

$56.8M net income | 2023

- Net fair value gains of Treasury portfolio saw increases in 2024 due to tightening credit spreads.
- Decrease in net interest income due to lower average portfolio balances and lower net interest income earned from interest rate swaps in the derivatives trading and securitization business lines.

## Payments

**$3.8M** NET INCOME

⬆ $3.4M

$0.4M net income | 2023

- Non-interest income increased due to standard annual price increases for products, increased transaction volumes in automated funds transfers, bill payments and fraud prevention services, and the recognition of revenue from strategic initiative.
- Non-interest expense increased due to higher allocation of corporate costs driven by investments in technology initiatives.

## Borrowing Multiple[1]

**9.9:1**

## Tier 1 Capital Ratio[1]

**16.1%**

## Digital Banking

**($29.5M)** NET LOSS

⬇ $4.3M

($25.2M) net loss | 2023

- Income tax recovery was lower due to a reduction of SR&ED investment credits recognized in 2024, partially offset by lower non-interest expense due to reduction in salaries and employee benefits and third-party expenses due to pause of projects as a result of Digital wind-down.

## System Affiliates & Other

**($2.2M)** NET LOSS

⬆ $4.3M

($6.5M) net loss | 2023

- Lower non-interest expense due to greater allocation of costs to other lines of business, driven by investments in technology initiatives, which was offset by lower total revenue driven by unrealized losses on investment in Interac Corp. and an equity loss from investment in affiliate.

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

Jump to table of contents

# Table of Contents

In this Management's Discussion and Analysis (MD&A), unless the context otherwise requires, references to "Central 1", "we", "us" and "our" refer to Central 1 Credit Union and its subsidiaries. This MD&A is dated March 11, 2025. The financial information included in this MD&A should be read in conjunction with our Consolidated Financial Statements for the period ended December 31, 2024, which were authorized for issue by the Board of Directors (the Board) on March 11, 2025. The results presented in this MD&A and in the 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 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 operations under IFRS Accounting Standards.

## 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.

Jump to table of contents

# Management's Discvussion and Analysis

As at March 14, 2024

## Who We Are

Central 1 plays a pivotal role in providing critical services to those who provide banking choice to Canadians. We achieve this by partnering with nearly 300 clients to develop strategies, products, and services that support the financial well-being of over 5 million customers across Canada.

At the heart of our purpose is our commitment to enabling a thriving credit union system. We empower those who deliver banking choice to Canadians with a strong focus on driving the success of credit unions. While the credit union system is at our core, as a system utility, we deliver the benefits of scale by serving a broad range of financial institutions. With over 80 years of history serving credit unions and others, Central 1 has long been an integral player in the Canadian financial system. As we continue to evolve alongside our clients, we are committed to navigating the emerging challenges in the Canadian financial services landscape.

## Our Corporate Strategy

Our corporate strategy outlines the path to achieving our purpose and sets our aspirations over a three-year period. It serves as the foundation for our strategic initiatives and guides the efforts of each line of business in aligning with our overarching goals.

Central 1's 2023-2025 corporate strategy is rooted in three strategic priorities:

- **Strengthen offerings** to meet the system's evolving needs.
- **Transform together**, adopting a system-first approach to deliver value to stakeholders.
- **Operate reliably, effectively and efficiently.**

2024 marked the second year of our three-year corporate strategy, during which we continued to strengthen the foundation for future success while enhancing our core line of business offerings.

## Progress Against Our Strategy

2024 was a crucial year in Central 1's evolution, during which we made key decisions to support the future of both Central 1 and the broader credit union system. Additionally, we continued to advance our efforts to further strengthen and grow our payments and treasury lines of business.

**Strengthen offerings**

- In Payments, we delivered new *Interac e-Transfer®*[1] and wires capabilities on our new platform, a new API-based model for delivering our services. Additionally, we expanded the platform's functionality with new features, including Account Biller Format Validation, mRDC Remote Cheque Deposit Capture, Bill Payments and CRA Tax Forms.

- We improved Central 1's Enterprise Fraud Management solution to enhance fraud detection, with our EFM e-Transfer catch rate and false positive metric beating the Interac[1] benchmark.

**Transform together**

- We made the difficult decision to wind down our Digital Banking business and assist our clients transitioning to alternative digital banking providers.

- We made important advancements on our Payments Growth Strategy, which aims to expand Payments products and services to new client segments.

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

Jump to table of contents

**Operate reliably, effectively and efficiently**

- In 2024, we saw an increase in total revenue, which grew to $302.9 million, compared to $244.4 million in 2023. Net income also showed improvement, rising to $64.1 million in 2024, up from $25.5 million in 2023. Our return on average equity[1] for 2024 was 8.0%.

- Our average annual systems availability, which measures the overall availability of all systems services to clients (not just the availability of Central 1 systems services), was 99.74%.

## Our Plans for 2025

We have observed an uptick in merger & acquisition activity among credit unions in Canada as organizations navigate economic challenges, balance sheet risks, and the need for significant investment in table stakes capabilities. The credit union system is at a critical juncture, and Central 1 must adapt to maintain its competitive edge.

This new reality requires us to accelerate our pace of transformation. We are in the process of refreshing our enterprise strategy to ensure that our corporate focus appropriately reflects our current operating environment.

Our emerging strategic priorities remain aligned with our previously articulated strategy but have been refined to deliver more urgent execution, clearer focus on key goals, and alignment with critical transactional opportunities. Our priorities are:

- Deliver distinct benefits to clients
- Retain, grow and diversify income
- Improve efficiency and effectiveness
- Drive additional enterprise value

To effectively execute our priorities, we will execute against our six strategic pillars:

1. Optimize our cost structure
2. Evolve our business model
3. Accelerate strategy execution
4. Invest in technology infrastructure
5. Invest in our people and culture
6. Build a modern organization

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

Jump to table of contents

# Significant Events

During the year, Central 1 announced its intention to wind down its digital banking business and transition clients to one or more alternative digital banking providers. While no firm date has been set for completing this transition, Central 1 is working with digital banking providers and clients to complete transitions within a three-to-four-year timeline. On January 20, 2025, Central 1 entered into an agreement with Intellect Design Arena Ltd. (Intellect) to transfer the digital banking business. On February 28, 2025, this transaction successfully closed. Under this agreement, Intellect assumes responsibility for Central 1's digital banking operations, which includes Forge, *MemberDirect*®, public website, mobile applications, and related products, as well as the digital banking engineering and service teams. Intellect will also take over client contracts and manage the migration of clients to new digital banking providers. Under the terms of the agreement, Central 1 will continue to provide the underlying technology infrastructure and related services.

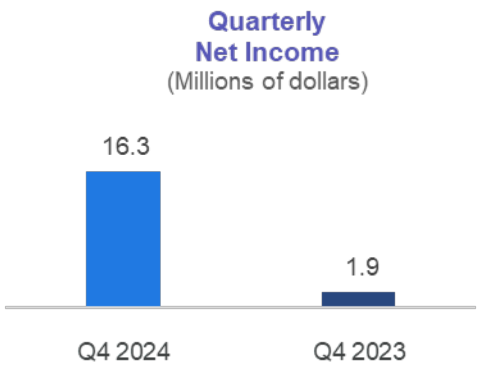
Central 1 has listed its head office (the Property) located on 1441 Creekside Drive, Vancouver BC, for sale. There was no change in the carrying value upon reclassification, as the estimated fair value less costs to sell exceeds the carrying value of $6.2 million.

Jump to table of contents

# 2024 Financial Results

## Overall Performance

### Quarterly comparison – Q4 2024 vs. Q4 2023




| $ millions, except as indicated | | Q4 2024 | | Q4 2023 | | Change |
|---|---|---|---|---|---|---|
| Net interest income | $ | **14.4** | $ | 13.0 | $ | 1.4 |
| Net fair value gains | | **29.3** | | 4.1 | | 25.2 |
| Non-interest income | | **40.2** | | 42.5 | | (2.3) |
| Total revenue | | **83.9** | | 59.6 | | 24.3 |
| Provision for (recovery of) credit losses | | **3.8** | | (0.3) | | 4.1 |
| Non-interest expense | | **57.4** | | 56.5 | | 0.9 |
| Income before income taxes | | **22.7** | | 3.4 | | 19.3 |
| Income tax expense | | **6.4** | | 1.5 | | 4.9 |
| Net income | $ | **16.3** | | 1.9 | | 14.4 |
| Return on average assets[1] | | **0.7%** | | 0.1% | | |
| Return on average equity[1] | | **7.7%** | | 1.0% | | |
| Average assets[2] | $ | **9,847.5** | $ | 10,240.4 | $ | (393.0) |
| Average equity[2] | $ | **839.0** | $ | 735.4 | $ | 103.6 |
| Weighted average shares outstanding *(# of shares in millions)* | | **43.4** | | 43.4 | | - |

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

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

Net income for the quarter was $16.3 million, an increase of $14.4 million, compared to the fourth quarter last year, mainly reflecting higher net fair value gains and partially offset by an increase in provision for credit losses and higher income tax expense.

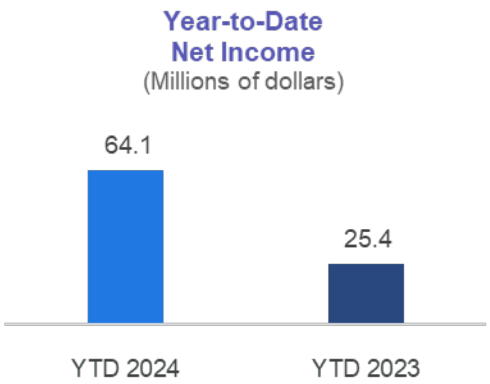
Total revenue increased by $24.3 million compared to the fourth quarter last year, reflecting a $25.2 million increase in net fair value gains during the quarter, due to positive market sentiment evidenced by narrowing credit spreads. Net interest income also increased by $1.4 million compared to the fourth quarter last year, mainly due to a shift in funding mix from more expensive market sources to member deposits, as evidenced by a reduction in repurchase agreements and commercial paper funding. These increases were partially offset by a $2.3 million decrease in non-interest income, due to lower foreign exchange revenue.

The provision for credit losses increased by $4.1 million compared to the fourth quarter last year, largely driven by a significant increase in the probability of default for Central 1's commercial loans. All loans outstanding as of December 31, 2024 were fully up to date with no overdue payments.

Jump to table of contents

Non-interest expense for the fourth quarter remained consistent year-over-year with $1.3 million increase in salaries and employee benefits offset by a $0.4 million decrease in third-party expenses.

## Year-to-date comparison – 2024 vs. 2023




| $ millions, except as indicated | For the year ended December 31 2024 | 2023 | 2022 |
|---|---|---|---|
| Net interest income | **$ 48.4** | $ 54.3 | $ 75.9 |
| Net fair value gains (losses) | **89.5** | 28.3 | (143.0) |
| Non-interest income | **165.0** | 161.6 | 159.7 |
| Total revenue | **302.9** | 244.2 | 92.6 |
| Provision for credit losses | **3.8** | 0.2 | 0.4 |
| Non-interest expense | **213.6** | 214.0 | 205.3 |
| Income before income taxes | **85.5** | 30.0 | (113.1) |
| Income tax expense (recovery) | **21.4** | 4.6 | (43.5) |
| Net Income | **$ 64.1** | $ 25.4 | $ (69.6) |
| Return on average assets[1] | **0.7%** | 0.2% | (0.5%) |
| Return on average equity[1] | **8.0%** | 3.6% | (9.8%) |
| Average assets[2] | **$ 9,820.1** | $ 10,787.1 | $ 12,938.1 |
| Average equity[2] | **$ 805.6** | $ 717.8 | $ 711.5 |
| Weighted average shares outstanding *(# of shares in millions)* | **43.4** | 43.4 | 43.4 |

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

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

Reported net income for 2024 was $64.1 million, an increase of $38.7 million, compared with last year. This growth was primarily driven by a $58.7 million increase in total revenue partially offset by a $16.8 million increase in income tax expense. The higher total revenue was mostly attributable to $89.5 million net fair value gains reported in 2024, which marked a $61.2 million year-over-year increase, due to positive sentiment in the marketplace evidenced by credit spreads narrowing. However, this increase was partially offset by a $5.9 million decrease in net interest income, largely due to lower average portfolio balances and lower net interest income earned from derivative hedges and interest rate swaps.

Non-interest income increased by $3.4 million compared with last year, driven by several key factors. Standard annual price increases for products and higher transaction volumes, particularly for automated fund transfers and bill payments in combination with the recognition of higher deferred revenue associated with Payments Modernization strategic initiative recognized in 2024 contributed to higher non-interest income.  This was partially offset by unrealized losses on the Interac Corp investment, compared to a gain in the previous year, an equity loss in Central 1's investment in 189286 Canada Inc, and lower other income as prior year included one-time revenue relating to BC PST rebate, National Credit Union liquidation distribution, and higher Cooperators dividend.

Jump to table of contents

Provision for credit losses increased by $3.6 million compared with last year, largely driven by an increase in the probability of default for Central 1's commercial loans. While the higher probability of default resulted in the increase in provision for credit losses, all loans outstanding as of December 31, 2024 were fully up to date with no payments overdue.

Non-interest expense remained consistent year-over-year.

## Income Tax

Central 1's combined federal and provincial statutory tax rate is 26.9%, while the effective income tax rate for 2024 was 25.1%, reflecting a 1.8% decrease from the statutory tax rate. The lower effective tax rate compared to statutory tax rate was primarily due to the recognition of prior years' investment tax credits relating to the initiatives qualifying for Canada's Scientific Research and Experimental Development (SR&ED) tax incentive credits. The effective tax rate in 2024 was 9.8% higher compared to the 15.3% reported in 2023 primarily due to lower investment credits recognized in 2024.

Deferred tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of assets and liabilities and their values for tax purposes. Central 1 exercises judgement in estimating the actual amount of current taxes and making assumptions about the expected timing of the reversal of deferred income tax assets and liabilities. If management's interpretations of the *Income Tax Act* differ from those of the tax authorities or if the actual timing of the reversals of the deferred income tax assets and liabilities differs from expectations, the provision for income tax could increase or decrease in future periods. Detailed information about Central 1's income tax is disclosed in Notes 15 and 28 of Central 1's Consolidated Financial Statements.

## Other Comprehensive Income

Other comprehensive income (OCI) primarily includes the mark-to-market movements of financial assets measured at fair value through other comprehensive income (FVOCI) and the fair value changes of financial liabilities designated at fair value through profit or loss (FVTPL), driven by changes in Central 1's own credit spreads. Fluctuations in the value of these instruments are generally attributed to changes in credit spreads and shifts in the interest rate curve. OCI also includes net gains or losses on post-employment defined benefit plans, as well as Central 1's share of OCI from affiliates over which it exercises significant influence. OCI net of tax for 2024 totaled $5.3 million, compared to the $9.6 million in 2023, largely driven by the OCI loss of one of the affiliates, partially offset by a smaller fair value loss of financial liabilities designated at FVTPL due to the narrowing of Central 1's own credit spreads.

## Equity

Total equity was $795.4 million as of December 31, 2024, an increase of $69.4 million from $726.0 million on December 31, 2023. The growth in equity was led by the current year's net income of $64.1 million, along with $5.3 million of OCI.

## Selected Financial Information

| | | | As at December 31 |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| **Balance Sheet** *(millions of dollars)* | | | |
| Total assets | **$ 10,036.8** | $ 11,227.2 | $ 11,881.3 |
| Long-term liabilities | **$ 1,839.0** | $ 2,322.7 | $ 1,816.6 |
| **Regulatory Ratios** | | | |
| Total capital ratio[1] | **21.2%** | 17.7% | 17.8% |
| Tier 1 capital ratio[1] | **16.1%** | 12.9% | 12.4% |
| Borrowing multiple[1] | **9.9:1** | 12.6:1 | 14.7:1 |
| **Share Information[2]** *(thousands of dollars, unless otherwise indicated)* | | | |
| Outstanding shares *($) - $1 par value* | | | |
| Class A - credit unions | **$ 43,364** | $ 43,364 | $ 43,364 |
| Class B - cooperatives | **$ 10** | $ 11 | $ 11 |
| Class C - other | **$ 8** | $ 7 | $ 7 |
| Outstanding number of shares *(thousands of shares)* | | | |
| Class A - credit unions | **43,364** | 43,364 | 43,364 |
| Class B - cooperatives | **10** | 11 | 11 |
| Class C - other | **8** | 7 | 7 |
| Outstanding shares *($) - $0.01 par value shares with redemption value of $100* | | | |
| Class E - credit unions | **$ 21** | $ 21 | $ 21 |
| Treasury shares | **$ (2)** | $ (2) | $ (2) |
| Outstanding number of shares *(thousands of shares)* | | | |
| Class E - credit unions | **2,154** | 2,154 | 2,154 |
| Treasury shares | **(264)** | (264) | (264) |

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

As of December 31, 2024, the total capital ratio was 21.2%, and the Tier 1 capital ratio was 16.1%. Both ratios increased compared to December 31, 2023, primarily driven by higher year-to-date net income of $64.1 million, which contributed to higher retained earnings. This increase in retained earnings, combined with a reduction in borrowings, resulted in a lower borrowing multiple of 9.9:1 as of December 31, 2024, compared to the previous year. Central 1 remained in compliance with all regulatory capital requirements as of December 31, 2024, December 31, 2023 and December 31, 2022.

# Factors That May Affect Future Results

In addition to the risks described in subsequent sections of this MD&A, there are numerous factors – systemic, political and economic – that may affect our performance, many of which are outside our immediate control and influence. The effects of these factors can be difficult to predict and could cause our results to differ significantly from our plans, objectives and estimates. Readers are cautioned that the list of risk factors below is not exhaustive and should be reviewed in conjunction with the Cautionary Note Regarding Forward-Looking Statements section of this MD&A.

## Economic Conditions

As a wholesale financial services provider to member credit unions, we are affected by prevailing economic and business conditions, including the impact of prices within financial markets. Factors such as interest rates, inflation, consumer, and business spending not only impact residential real estate lending and the primary activities for B.C. and Ontario credit unions but also influence demand for the majority of other credit union products and services.

Our financial results are affected by the monetary policies of the Bank of Canada (BoC) and, to a lesser extent, by those of the U.S. Federal Reserve system. Monetary policy decisions determine the level of interest rates which, in turn, may have an impact on our financial results.

The interest rate differential, or credit spread, between Government of Canada (GoC) securities and those issued by other participants in fixed-income markets also affects our financial results. We earn income from accepting non-mandatory deposits based on senior bank deposit notes, and investing in securities issued by the GoC, other levels of government and corporations. To the extent that credit spreads change, our net interest income as well as the fair value of our financial instruments would be impacted.

## Industry Regulation

On June 24, 2024, BCFSA issued a report summarizing the changes to regulatory requirements for capital they intend to put in place for B.C. credit unions to align the B.C. regulatory regime for capital with Basel III regulatory requirements. The requirements will be put into effect through rules and regulations and will be phased in over three years, starting in January 2026. There were no material industry or regulation developments impacting Central 1 in the fourth quarter of 2024.

## System-Specific Factors

Our financial performance is heavily influenced by events and conditions that impact the credit union system and financial services in general. There is strong competition among Canada's financial services providers. The degree of such competition has repercussions on the financial performance of our organization and the credit union system. Credit unions enjoy strong member loyalty. Member retention is influenced by their ability to deliver relevant products and services at competitive prices and service levels compared to other financial services providers. Additionally, over the past year, credit unions are facing increased pressures and challenges in relation to expenses, net income, liquidity and cost of funds, which has impacted their overall performance and annual growth. We have seen more consolidation activity in the system, as credit unions merge to increase efficiency and achieve scale to better serve their members.

We continually review our operations to determine if there are opportunities to provide greater value to both members and other clients, to benefit the financial well-being of Canadians. Our focus is on the success of Canadian credit unions and their members and a reaffirmation of our commitment to their cooperative values and principles. We know that expanding our services to other financial institutions will further empower the progress of Canadian credit unions.

### Corporate-Specific Factors

Our purpose as an organization is to enable a thriving credit union system by cooperatively empowering those who deliver banking choices to Canadians and providing services and products that can enhance our clients’ and members’ offerings in a manner that expresses our cooperative approach.

While our business is diversified, our focus on the credit union market means we highly rely on credit unions as clients. We provide both mandatory and optional services to credit unions in BC and Ontario. Given the fierce competition in the financial services industry, our continued success depends on credit unions choosing to continue source optional services from Central 1.

Our future performance is also dependent on our ability to attract, develop and retain great talent at all levels of our organization.

### Other Factors

Other factors that can affect results include changes in accounting standards, including their effect on our accounting policies, estimates and judgements. Changes in income tax regulations also affect our results. In addition, we may be adversely impacted by the failure of third parties to comply with their obligations, such as obligations related to the handling of personal information.

## Subsequent Events

On January 20, 2025, Central 1 entered into an agreement with Intellect Design Arena Ltd. (Intellect) to transfer the digital banking business. On February 28, 2025, this transaction successfully closed. Under this agreement, Intellect assumes responsibility for Central 1's digital banking operations, which includes Forge, *MemberDirect®*, public website, mobile applications, and related products, as well as the digital banking engineering and service teams. Intellect will also take over client contracts and manage the migration of clients to new digital banking providers. Under the terms of the agreement, Central 1 will continue to provide the underlying technology infrastructure and related services. Significant uncertainties remain regarding the timing of the migration of clients to new digital banking providers, the revenues and costs associated with the transition, including operational expenses. Due to the complexity of the transition and the ongoing assessment of its financial impact, Central 1 has determined that it is not possible to reliably estimate the financial effect at this time.

On March 11, 2025, subsequent to the year-end, the Board of Directors of Central 1 approved the declaration of a dividend of $10 million to Class A shareholders. This approval was made after the balance sheet date and, as such, does not result in a liability as of the year-end.

## Non-GAAP and Other Financial Measures

In addition to reported results, we believe that certain financial measures, including non-GAAP financial measures that are historical, and non-GAAP ratios, supplementary financial measures, are more reflective of our ongoing operating results and provide readers with a better understanding of management’s perspective on our performance. Non-GAAP financial measures and non-GAAP ratios used in this document are not defined terms under IFRS Accounting Standards and, therefore, may not be comparable to similar terms used by other issuers. The discussions of non-GAAP financial measures and non-GAAP ratios that we use in evaluating its operating results are presented 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 Consolidated Financial Statements.

## 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.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | For the year ended December 31 | | | |
| $ millions, except as indicated | | Q4 2024 | | Q4 2023 | | Change | | 2024 | | 2023 | | Change |
| Reported net income | **$** | **16.3** | $ | 1.9 | $ | 14.4 | **$** | **64.1** | $ | 25.4 | $ | 38.7 |
| Total assets as reported, as at December 31 | **$** | **10,036.8** | $ | 11,227.2 | $ | (1,190.4) | **$** | **10,036.8** | $ | 11,227.2 | $ | (1,190.4) |
| Impact of averaging daily balances | | **(189.3)** | | (986.8) | | 797.4 | | **(216.7)** | | (440.1) | | 223.4 |
| Average assets, as at December 31 | **$** | **9,847.5** | $ | 10,240.4 | $ | (393.0) | **$** | **9,820.1** | $ | 10,787.1 | $ | (967.0) |
| Return on average assets | | **0.7%** | | 0.1% | | | | **0.7%** | | 0.2% | | |
| Total equity as reported, as at December 31 | **$** | **795.4** | $ | 726.0 | $ | 69.4 | **$** | **795.4** | $ | 726.0 | $ | 69.4 |
| Impact of averaging daily balances | | **43.6** | | 9.4 | | 34.2 | | **10.2** | | (8.2) | | 18.4 |
| Average equity, as at December 31 | **$** | **839.0** | $ | 735.4 | $ | 103.6 | **$** | **805.6** | $ | 717.8 | $ | 87.8 |
| Return on average equity | | **7.7%** | | 1.0% | | | | **8.0%** | | 3.6% | | |

Jump to table of contents

## 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 December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| Federal and provincial government issued and guaranteed securities | **$ 2,993.6** | $ 3,403.6 | $ 4,578.2 |
| Corporate and financial institutions securities | **3,507.9** | 3,326.2 | 3,333.9 |
| Asset backed securities | **252.3** | 203.0 | 205.4 |
| Insured mortgages | **23.7** | 26.6 | 35.7 |
| **Total liquid assets** | **$ 6,777.5** | $ 6,959.4 | $ 8,153.2 |
| Add: equity instruments | **40.8** | 40.9 | 40.3 |
| **Securities as reported** | **$ 6,818.3** | $ 7,000.3 | $ 8,193.5 |

## Tier 1 Capital

Tier 1 capital is used to calculate the Tier 1 capital ratio and 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 and 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.

### 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 December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| Total liabilities as reported | $ **9,241.4** | $ 10,501.2 | $ 11,190.3 |
| Less: other liabilities as reported | **(79.5)** | (90.0) | (162.8) |
| Less: subordinated liabilities | **(195.5)** | (182.1) | (198.9) |
| Less: settlements in-transit excluded from total borrowings | **(573.4)** | (689.3) | (33.8) |
| Add: subsidiary deposits | **-** | 0.2 | 0.2 |
| **Total borrowings** | $ **8,393.0** | $ 9,540.0 | $ 10,795.0 |

## Non-GAAP Financial Ratios

### Return on Average Assets and Return on Average Equity

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

### Total Capital Ratio

Total capital ratio is used to monitor Central 1's Total capital position 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 Central 1's Tier 1 capital position and is calculated by dividing the Tier 1 capital by the risk weighted assets[1] which are calculated using different risk weightings for different assets as required by the BCFSA.

### Borrowing Multiple

Borrowing multiple is used to monitor if Central 1's borrowing is within the regulatory limit of 18.0:1 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.

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

## Supplementary Financial Measures

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

### Assets under Administration (AUA)

AUA include amounts related to tax-deferred registered products for which Central 1 acts as trustee and administrator, under agency agreements with credit unions and mortgage management corporations.

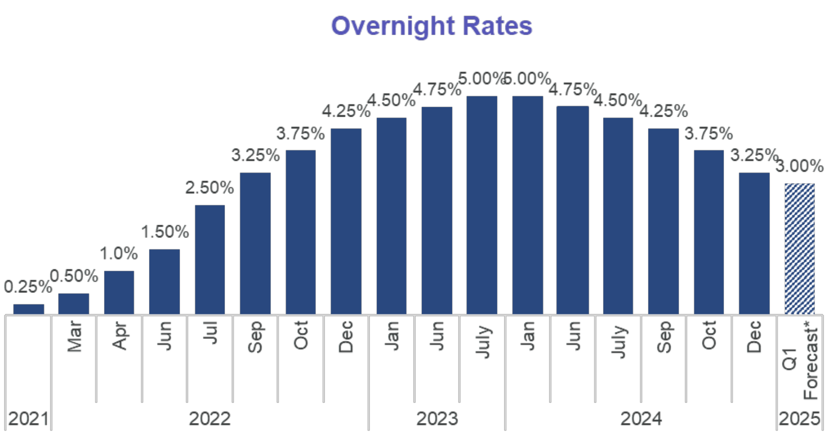
### Liquidity Coverage Ratio (LCR)

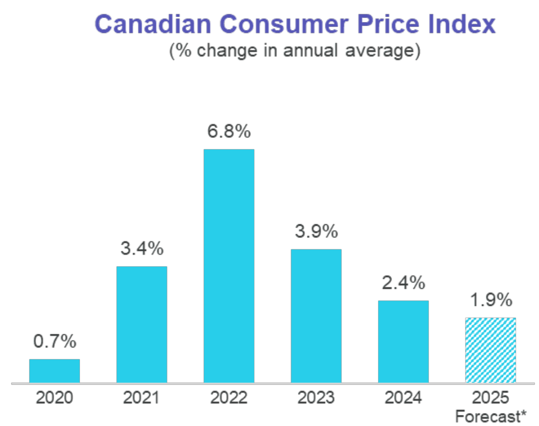
LCR demonstrates whether Central 1 has a sufficient stock of liquid assets to meet 30-day cashflow requirements under a severe stress scenario. It is calculated using the stock of liquid assets, calculated based on Office of the Superintendent of Financial Institutions (OSFI) regulatory requirements,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

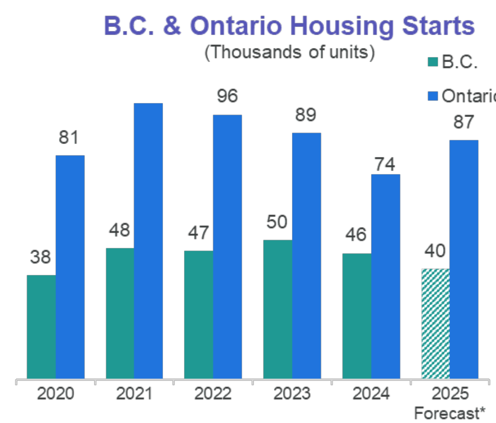
# Economic Developments and Outlook

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

The Canadian economy presents a mixed outlook heading into 2025. While the third quarter real gross domestic product (GDP) growth was a modest 1.0% on an annualized basis; the fourth quarter is expected to show stronger performance. Central 1 Economics forecasts a 1.8% annualized growth rate for the fourth quarter, with overall real GDP growth for 2024 projected at 1.3%. Despite significant job growth of 2.0%, the increase has not kept pace with population and labor force expansion, contributing to a rise in the unemployment rate. After peaking at 6.8% in November, the rate slightly declined to 6.7% at year-end, indicating ongoing labor market slack. However, the uptick in unemployment reflects weak hiring rather than widespread layoffs, with job vacancies falling to their lowest levels since the fourth quarter of 2019. In response, the BoC implemented two consecutive 50 basis points (bps) rate cuts to close out the year. Further rate cuts are anticipated in the first half of 2025, although they are expected to be more gradual and contingent on incoming economic data. Over the course of 2024, the BoC has reduced its overnight policy rate by 175 bps. These rate cuts, combined with federal policies aimed at improving financing availability for first-time buyers, have provided a boost to the housing market. On a seasonally adjusted basis, home sales and the MLS HPI benchmark prices have risen each month since May 2024, driven by pent-up demand. The weak Canadian dollar is expected to support short-term export growth, despite concerns over potential tariffs that may dampen trade prospects. Additionally, while lower population growth due to the federal government's immigration cap could limit economic activity, gain in productivity driven by investment are likely to offset this change. Looking ahead to 2025, we forecast real GDP growth of 1.8%, with the unemployment rate expected to average around 6.4% for the year.

The global economy has demonstrated resilience in recent years, despite coordinated efforts by central banks to combat inflation through restrictive monetary policies. These efforts have largely been successful, with headline global inflation projected to decline to 3.5% in 2025, according to the International Monetary Fund (IMF). As inflationary pressure subside, many central banks have started easing their monetary policies in 2024, reflecting confidence in the overall inflation trajectory. While economic growth is expected to remain stable in the coming year, it is anticipated to be modest. The IMF's latest forecast indicates global growth of 3.2% for both 2024 and 2025. The U.S. economy is expected to experience a slight slowdown in 2025 but will still grow at a strong pace. Meanwhile, the Eurozone, the United Kingdom, Japan, and other advanced economies are projected to see improved growth in 2025, after experiencing lackluster expansion in 2024. China's growth is also expected to decelerate, as challenges in the property market continue to weigh on the country's economic performance. Key risks to the global economy in 2025 include potential trade tensions, particularly the impact of U.S. tariffs on inflation. On a positive note, lower oil prices, driven by increased supply from OPEC+ members seeking to balance their budgets, could boost real household incomes in energy-importing countries.

The U.S. economy continues to surpass expectations. According to the U.S. Federal Reserve's latest projections in December 2024, real GDP growth for 2024 is forecasted at 2.5%, significantly higher than the 2.0% projection made in September 2024. While inflation has fallen within the target policy range of 1.0% to 3.0%, it is expected to remain on the higher end over the next year before gradually approaching the midpoint of 2.0%. The unemployment rate has risen slightly to just above 4% but has remained stable within this range throughout the second half of 2024. Projections suggest a modest increase, with the unemployment rate expected to average 4.4% in 2025 before gradually returning to its estimated long-run rate of 4.2%. Real GDP growth is anticipated to slow, with the Federal Reserve's current forecast set at 2.1% for 2025. Given the stronger-than-expected economic performance, the Federal Reserve has indicated it will likely reduce the pace of its rate cuts, potentially making only two shallower reductions. However, the potential introduction of tariffs in the coming year could negatively affect economic growth and drive inflation higher, possibly prompting the need for interest rate increases to maintain economic stability.

### British Columbia

British Columbia's economy is projected to have grown by 1.5% in 2024, reflecting a broad-based slowdown consistent with national trends. Household spending has been subdued, driven by elevated interest rates, high prices, and a softening job market, which have made consumers more cautious. The unemployment rate in the province rose to 6.0% by the end of 2024. However, with interest rate cuts now beginning to take effect, economic growth is expected to improve. Lower interest rates are anticipated to stimulate consumer spending and increase activity in the housing market. Export demand is likely to benefit from a weak Canadian dollar and a strong U.S. economy, although the potential for trade tariffs introduces some uncertainty.

While lower anticipated population growth may exert some downward pressure on the economy, productivity gains are expected to offset this challenge. Hiring by businesses may accelerate, although some remain cautious due to ongoing uncertainties. Overall, our latest forecast anticipates that the B.C. economy will grow at a more robust pace of 2.6% in 2025, with the unemployment rate expected to average 5.7% for the year.

### Ontario

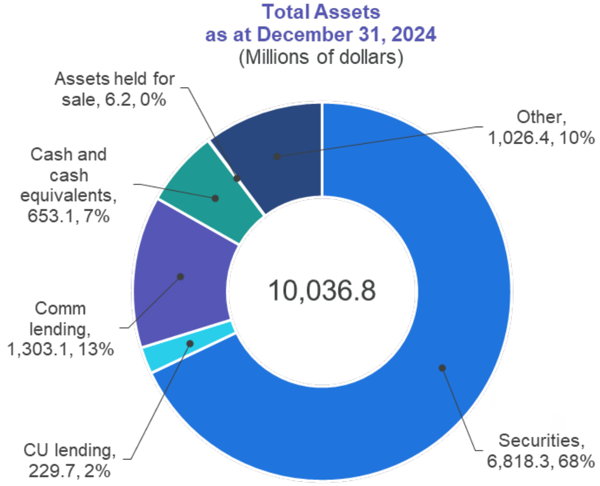
Ontario's economy showed signs of weakness in 2024, with retail spending growth remaining low and employment growth lagging behind population growth. The lack of job creation contributed to an increase in the unemployment rate, which reached 7.5% by the end of 2024. Economic growth was also sluggish, with Central 1 Economics estimating real GDP growth at just 1.0%for the year. The housing market remained weak, with both activity levels and average sale prices declining compared to the previous year. However, the recent interest rate cuts are expected to support a rebound in the economy. Lower interest rates should enhance consumers' purchasing power, leading to improved consumption in 2025. The housing sector is anticipated to see increased activity and higher prices as a result. Additionally, the expected slowdown in population growth due to federal government policies may tighten the labor market, as the labor force expands more slowly than anticipated employment growth. The weak Canadian dollar is also likely to support exports and goods-producing sectors, although potential U.S. trade tariffs could introduce risks. Overall, we forecast real GDP growth in Ontario at 1.5% in 2025, with the unemployment rate expected to decrease to 6.3%.

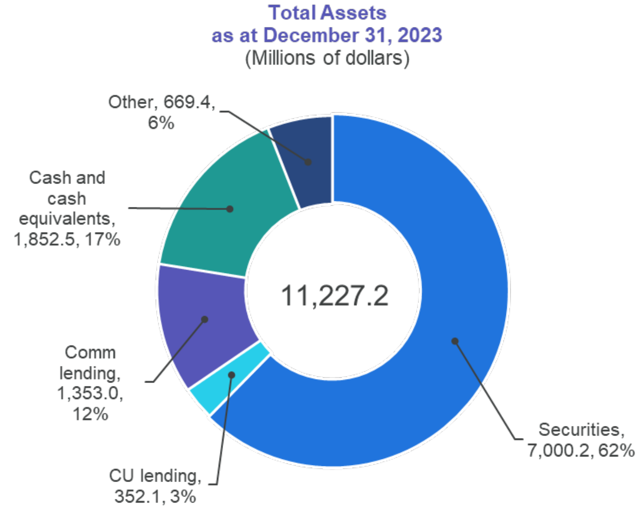
## Financial Markets

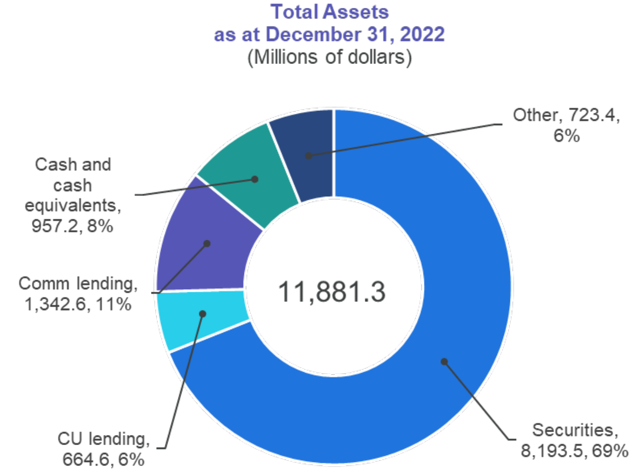
Financial market conditions continue to be loose heading into 2025. Despite this, longer term bond yields have moved up as the expectations of further rate cuts by the BoC and U.S. Federal Reserve start to pull back on the improved economic outlook. In fact, the weak economic growth in Canada in 2024 has been divergent from economic growth in the U.S. As a result, the BoC has cut interest rates 175 bps, which is 100 bps more than the U.S. Federal Reserve has in 2024. That has resulted in a weakening of the Canadian dollar to where it now sits around 70 cents CAD/USD, down from when it was at 74 cents in late September. It’s likely to remain close to this level as the U.S. economy continues to show resilience. The yield curve above one year for both countries have now reverted to an upward sloping curve. Both equity markets show strong price appreciation in the second half of the year and are so far still holding on to them into the new year. Commodity prices has been stable over the end of the year but may pick up as the global economy improves, although oil prices may decline if OPEC+ nations begin to open the taps as they need the revenue to help balance their budgets. Inflation in both countries is within their target ranges but the potential of trade tariffs may bring those numbers higher.

# Consolidated Statement of Financial Position

## Total Assets



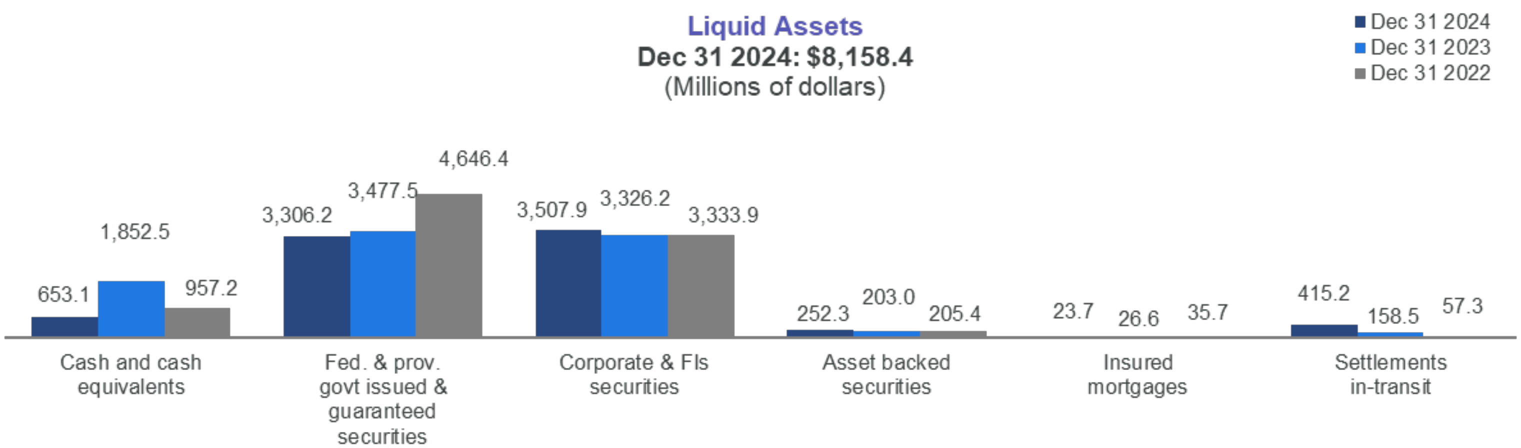




The change in total assets correlates to the change in the size of our funding portfolios. As of December 31, 2024, total assets decreased by $1.2 billion compared to December 31, 2023, primarily driven by a reduction in cash and cash equivalents, which declined by $1.2 billion, stemming from the lower deposits level and reduced usage of repurchase agreements.

Additionally, Central 1 has access to a diverse range of funding sources, including subordinated liabilities, medium-term notes, commercial paper, and repurchase agreements.

Jump to table of contents

## Cash and Liquid Assets




| $ millions, as at December 31, 2024 | Liquid Assets | Securities Received as Collateral | Total Liquid Assets | Encumbered Assets | Unencumbered Assets* |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 653.1 | $ - | **$ 653.1** | $ - | $ 653.1 |
| Federal and provincial government issued and guaranteed securities | 2,993.6 | 312.6 | **3,306.2** | 1,416.6 | 1,889.6 |
| Corporate and financial institutions securities | 3,507.9 | - | **3,507.9** | 50.2 | 3,457.7 |
| Asset backed securities | 252.3 | - | **252.3** | - | 252.3 |
| Insured mortgages | 23.7 | - | **23.7** | - | 23.7 |
| Settlements in-transit | 415.2 | - | **415.2** | - | 415.2 |
| Total | $ 7,845.8 | $ 312.6 | **$ 8,158.4** | $ 1,466.8 | $ 6,691.6 |

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

Jump to table of contents

| $ millions, as at December 31, 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.

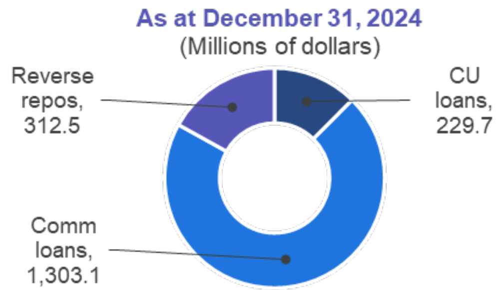
| $ millions, as at December 31, 2022 | Liquid Assets | Securities Received as Collateral | Total Liquid Assets | Encumbered Assets | Unencumbered Assets* |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 957.2 | $ - | $ 957.2 | $ - | $ 957.2 |
| Federal and provincial government issued and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

*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 credit unions have access to reliable and cost-effective sources of liquidity.

As of December 31, 2024, total liquid assets decreased by $885.9 million compared to December 31, 2023, primarily due to a reduction in cash and cash equivalents, driven by reduced use of repurchase agreements and marginally lower deposit levels with Central 1. Additionally, unencumbered assets as at December 31, 2024 decreased by $651.8 million from a year ago.

## Loans

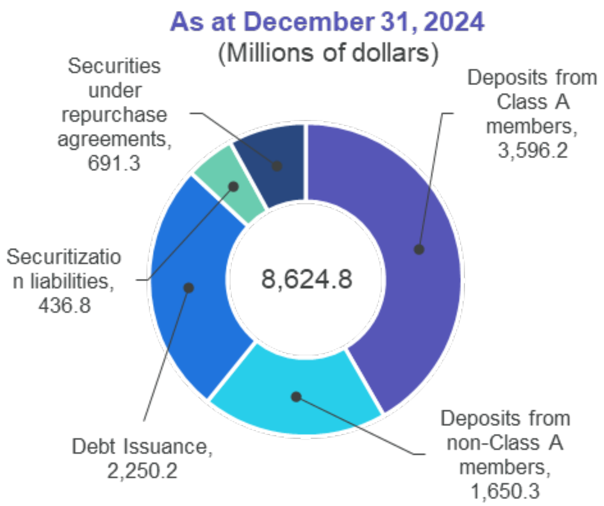



| $ millions, as at December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| Loans to credit unions | **$ 229.7** | $ 352.1 | $ 664.6 |
| Commercial and other loans | **1,303.1** | 1,353.0 | 1,342.6 |
| Reverse repurchase agreements | **312.5** | 73.9 | 68.2 |
| | **$ 1,845.3** | $ 1,779.0 | $ 2,075.4 |

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

As of December 31, 2024, loans to credit unions decreased by $122.4 million compared to December 31, 2023, and by $434.9 million relative to December 31, 2022. This decline reflects the heightened liquidity within the credit union system and a positive sign of overall system health. Commercial loans also saw a reduction, decreasing by $49.9 million from December 31, 2023, and $39.5 million from December 31, 2022. In contrast, reverse repurchase agreements increased by $238.6 million from December 31, 2023, and $244.3 million from December 31, 2022, primarily driven by credit unions' cash management activities.

## Funding




| $ millions, as at December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Deposits** | | | |
| Deposits from Class A members | **$ 3,596.2** | $ 4,041.9 | $ 4,146.8 |
| Deposits from non-Class A members | **1,650.3** | 1,813.8 | 1,172.8 |
| | **5,246.5** | 5,855.7 | 5,319.6 |
| **Debt Issuance** | | | |
| Commercial paper | **723.3** | 853.4 | 979.5 |
| Medium-term notes | **1,331.4** | 1,297.7 | 1,018.1 |
| Subordinated liabilities | **195.5** | 182.1 | 198.9 |
| | **2,250.2** | 2,333.2 | 2,196.5 |
| Securitization liabilities | **436.8** | 560.0 | 992.1 |
| Securities under repurchase agreements | **691.3** | 1,036.6 | 1,909.7 |
| | **$ 8,624.8** | $ 9,785.5 | $ 10,417.9 |

Central 1 primarily relies on deposits from member credit unions as its main source of funding. In addition, the organization maintains access to external markets and a range of diverse funding options, including medium-term notes, commercial paper, subordinated liabilities, and repurchase agreements. Central 1 expects to generate sufficient working capital from its ongoing operations and does not anticipate significant changes to its future funding sources. As of December 31, 2024, deposits decreased by $609.2 million compared to December 31, 2023, and by $73.1 million from December 31, 2022. Similarly, repurchase agreements declined by $345.3 million from December 31, 2023, and by $1.2 billion from December 31, 2022.

Jump to table of contents

# Results by Segment

Central 1's operations and activities are reported around three key business segments: Treasury, Payments, and 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.

On October 22, 2024, Central 1 announced its intention to wind down its digital banking business and transition clients to one or more alternative digital banking providers. On January 23, 2025, we entered into an agreement with Intellect Design Arena Ltd. (Intellect) for zero consideration in cash. On February 28, 2025, this transaction successfully closed. Intellect will take over responsibility for Central 1's digital banking operations. This follows our decision, announced in October 2024, to wind down our digital banking business. Under the agreement, Central 1's Forge, *MemberDirect®*, public website and mobile applications and product, along with digital banking engineering and service teams will be transferred to Intellect. They will also take over client contracts and be responsible for supporting client migrations to new digital banking providers. Central 1 will continue to provide the technology infrastructure and related services under the agreement.

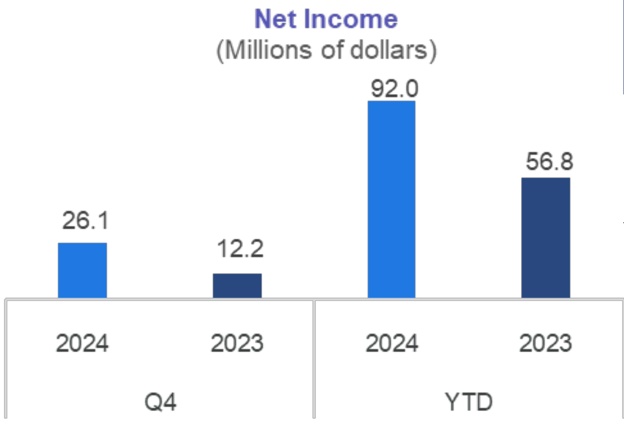
Periodically, certain business lines and units are transferred among business segments to align our organizational structure more closely with Central 1's strategic priorities. Results for prior periods are restated accordingly to conform to the current period presentation.

**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<br>• Provides member credit unions with access to:<br>○ securitization services;<br>○ credit facilities and loans for short- and long-term fundings;<br>○ foreign exchange services;<br>○ derivative capabilities;<br>○ Group Clearer settlement function; and other treasury services | • Develops and operates payment processing solutions for member credit unions, other financial institutions and corporate clients<br>• Implements the Payments Modernization Processing initiative to enable clients to be compliant with new Payments Canada and BoC requirements | • Operates innovative digital banking technologies for member credit unions, other financial institutions and corporate clients<br>• Offers *MemberDirect*® services and digital banking solutions to credit unions and their members. |

| **System Affiliates & Other** | |
| --- | --- |
| | • Includes Central 1's investments in equity shares of system-related entities<br>• Includes the costs of implementing certain strategic initiatives other than ones included in the key segments of business above |

## Treasury




| $ millions | | Q4 2024 | | Q4 2023 | | Change | | For the year ended December 31 2024 | | 2023 | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | $ | **14.8** | $ | 13.5 | $ | 1.3 | $ | **50.4** | $ | 56.9 | $ | (6.5) |
| Net fair value gains | | **30.3** | | 3.5 | | 26.8 | | **90.4** | | 27.7 | | 62.7 |
| Non-interest income | | **8.5** | | 10.2 | | (1.7) | | **34.3** | | 33.9 | | 0.4 |
| Total revenue | | **53.6** | | 27.2 | | 26.4 | | **175.1** | | 118.5 | | 56.6 |
| Provision for (recovery of) credit losses | | **3.8** | | (0.3) | | 4.1 | | **3.8** | | 0.2 | | 3.6 |
| Non-interest expense | | **13.9** | | 11.0 | | 2.9 | | **45.4** | | 40.8 | | 4.6 |
| Income before income taxes | | **35.9** | | 16.5 | | 19.4 | | **125.9** | | 77.5 | | 48.4 |
| Income tax expense | | **9.8** | | 4.3 | | 5.5 | | **33.9** | | 20.7 | | 13.2 |
| Net income | $ | **26.1** | $ | 12.2 | $ | 13.9 | $ | **92.0** | $ | 56.8 | $ | 35.2 |

### Quarterly comparison – Q4 2024 vs. Q4 2023

Treasury's net income for the quarter was $26.1 million, compared with a net income of $12.2 million in the fourth quarter last year, primarily reflecting higher total revenue and offset by higher provision for credit losses and higher non-interest expenses.

Net interest income increased by $1.3 million compared to the fourth quarter last year mainly attributed to an increased portion of funding mix coming from member deposits. There was less reliance on more expensive market sources of funding as demonstrated by the reduced usage of repurchase agreements, and commercial paper funding allocation. On a portfolio basis, the $1.3 million increase on net interest income was driven by a stronger performance in both the securities portfolio and credit union lending. This was partially offset by a decrease in net interest income in the securitization business, due to lower obligations to the Canada Mortgage Bond program. The lower obligations decreased the need to hold reinvestment assets, enabling the securitization business to sell securities and realize net interest income as gains.

Net fair value gains increased by $26.8 million compared to the fourth quarter last year, driven by positive market sentiment, as reflected in the tightening of credit spreads. The securities portfolio delivered the strongest performance during this period followed by the securitization business.

Non-interest income decreased by $1.7 million compared to the fourth quarter last year largely due to lower foreign exchange revenue, lower non-interest income on Treasury initiatives, lending and standby fees.

The provision for credit losses increased by $4.1 million compared to the fourth quarter last year, primarily driven by an increase in the probability of default for Central 1's commercial loans. While the higher probability of default resulted in the increase in provision for credit losses, all loans outstanding as of December 31, 2024 were fully up to date with no payments overdue.

Jump to table of contents

Non-interest expense increased by $2.9 million compared to the fourth quarter last year, largely driven by an increase in third-party expenses related to greater allocation of corporate costs, driven by investments in technology initiatives and an increase in salaries and benefits.

### Year-to-date comparison – Q4 2024 vs. Q4 2023

Treasury reported net income for the year was $92.0 million, an increase of $35.2 million, compared with last year, reflecting higher total revenue and offset by higher non-interest expense. Income before income taxes for the year amounted to $125.9 million, reflecting an increase of $48.4 million compared with last year. This improvement was primarily driven by a $56.6 million increase in total revenue, which was partially offset by higher non-interest expense.

The total revenue growth was largely driven by a $62.7 million increase in net fair value gains, attributable to tightening credit spreads. These gains were partially offset by a $6.5 million decrease in net interest income, largely due to lower average portfolio balances and lower net interest income earned from interest rate swaps in the derivatives trading and securitization business lines. On a business line basis, the net interest income decreased by $6.5 million which was mainly driven by a decline in the derivative portfolio, resulting from the unwinding of Canadian Dollar Offered Rate (CDOR) swaps during the transition to Canadian Overnight Repo Rate Average (CORRA) whereby unrealized gains were crystalized into realized gains to reduce the margin, and a decrease in the size of the securitization portfolio, which was due to strategic reduction in securitization reinvestment portfolio following diminished reinvestment obligations to Canada Housing Trust (CHT). These declines were partially offset by an increase in the net interest income from securities portfolio, as funding from the reduction in the securitization portfolio was deployed into the securities portfolio to pay down more expensive capital markets funding, and an increase in the net interest income from the lending portfolio.

Non-interest income increased by $0.4 million compared with last year, mainly due to a gain from higher mortgage-backed securities servicing fees and custody fees, offset by a decrease in non-interest income collected for Treasury initiatives.

The provision for credit losses increased by $3.6 million compared with last year, due to an increase in the probability of default for Central 1's commercial loans. Despite the higher probability of default resulted in the increase in provision for credit losses, all loans outstanding as of December 31, 2024, remained fully current with no overdue payments.

Non-interest expense increased by $4.6 million, primarily due to higher allocation of corporate costs to the Treasury, driven by investments in technology initiatives.

Jump to table of contents

## Payments


| $ millions | Q4 2024 | Q4 2023 | Change | For the year ended December 31 2024 | 2023 | Change |
|---|---|---|---|---|---|---|
| Net interest expense | $ **(0.4)** | $ (0.5) | $ 0.1 | $ **(2.0)** | $ (2.6) | $ 0.6 |
| Non-interest income | **22.6** | 24.5 | (1.9) | **90.3** | 83.4 | 6.9 |
| Total revenue | **22.2** | 24.0 | (1.8) | **88.3** | 80.8 | 7.5 |
| Non-interest expense | **24.0** | 22.2 | 1.8 | **83.1** | 79.2 | 3.9 |
| Income (loss) before income taxes | **(1.8)** | 1.8 | (3.6) | **5.2** | 1.6 | 3.6 |
| Income tax expense (recovery) | **(1.5)** | 1.4 | (2.9) | **1.4** | 1.3 | 0.1 |
| Net income (loss) | $ **(0.3)** | $ 0.4 | $ (0.7) | $ **3.8** | $ 0.4 | $ 3.4 |

### Quarterly comparison – Q4 2024 vs. Q4 2023

Payments reported net loss of $0.3 million in the fourth quarter of 2024, compared to net income of $0.4 million reported in the same quarter last year, reflecting a lower non-interest income and a higher non-interest expense, partially offset by an income taxes recovery.

Non-interest income decreased by $1.9 million compared to the fourth quarter last year, largely driven by decrease in revenue from client projects and lower *Interac e-Transfer*® fees. This was partially offset by the recognition of higher deferred revenue associated with Payments Modernization strategic initiative, and increased revenue from automated fund transfers and bill payments due to higher transaction volumes.

Non-interest expense increased by $1.8 million compared to the fourth quarter last year. This increase was primarily driven by a $2.4 million increase in third-party expenses due to greater allocation of corporate costs, driven by investments in technology initiatives, and higher professional fees to facilitate planning for Payments' long-term strategic growth including client expansion. This was partially offset by a $0.6 million reduction in salaries and employee benefits, reflecting a slow-down in certain strategic initiatives projects, including Real-time Rail, for which we await detailed scope from Payments Canada to guide future work.

### Year-to-date comparison – Q4 2024 vs. Q4 2023

Payments reported a net income of $3.8 million, an increase of $3.4 million compared to net income of $0.4 million reported in last year, reflecting higher non-interest income partially offset by higher non-interest expense.

Non-interest income increased by $6.9 million largely attributed to standard annual price increases for products and higher transaction volumes, particularly in automated fund transfers, bill payments, and fraud prevention services. Another factor contributed to the increase was due to $2.7 million higher revenue recognized from the Payments Modernization strategic initiative.

Non-interest expense increased by $3.9 million due to higher allocation of corporate costs, driven by investments in technology initiatives. This was slightly offset by reduction in salaries and employee benefits year-over-year driven by slow-down in certain strategic initiatives projects, including Payments Modernization and Real-time Rail, for which we await detailed scope from Payments Canada to guide future work.

Jump to table of contents

## Digital Banking


| $ millions | Q4 2024 | Q4 2023 | Change | For the year ended December 31 2024 | 2023 | Change |
|---|---|---|---|---|---|---|
| Non-interest income | **$ 9.0** | $ 5.7 | $ 3.3 | **$ 37.2** | $ 37.1 | $ 0.1 |
| Total revenue | **9.0** | 5.7 | 3.3 | **37.2** | 37.1 | 0.1 |
| Non-interest expense | **21.8** | 19.1 | 2.7 | **77.5** | 77.9 | (0.4) |
| Loss before income taxes | **(12.8)** | (13.4) | 0.6 | **(40.3)** | (40.8) | 0.5 |
| Income tax recovery | **(4.4)** | (5.4) | 1.0 | **(10.8)** | (15.6) | 4.8 |
| Net loss | **$ (8.4)** | $ (8.0) | $ (0.4) | **$ (29.5)** | (25.2) | $ (4.3) |

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

### Quarterly comparison – Q4 2024 vs. Q4 2023

Digital Banking reported net loss was $8.4 million in the fourth quarter of 2024, compared with a reported net loss of $8.0 million in the fourth quarter last year, driven by higher non-interest expense which was offset by higher non-interest income.

Non-interest income increased by $3.3 million compared to the fourth quarter last year, mainly reflecting an increase in revenue from client projects and higher Forge 2.0 related fees due to a higher number of customers migrating to the Forge 2.0 platform from *MemberDirect®.*

Non-interest expense increased by $2.7 million compared to the fourth quarter last year, mainly driven by higher allocation of corporate costs, driven by investments in technology initiatives.

### Year-to-date comparison – Q4 2024 vs. Q4 2023

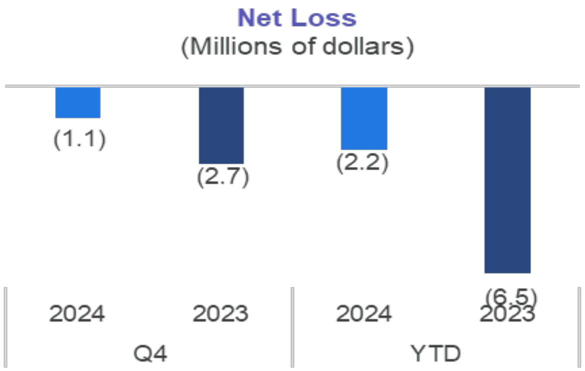
Digital Banking reported net loss was $29.5 million in 2024, compared with a reported net loss of $25.2 million in last year, reflecting lower income tax recovery which was partially offset by a slight decrease in non-interest expense.

Non-interest income increased by $0.1 million, primarily due to higher number of *MemberDirect® to* Forge 2.0 implementations completed resulting in an increase in Forge 2.0 related revenue. This growth was partially offset by a decline in revenue from one-time product implementation and custom enhancements as customers were awaiting the outcome of the Digital Strategy review.

Non-interest expense decreased by $0.4 million, primarily driven by a reduction in salaries and employee benefits and lower third-party expenses due to pause of projects as a result of Digital wind-down. This decrease was offset by an increase in expenses relating to Digital Banking wind-down and transition costs incurred to support the deal with Intellect Design.

Jump to table of contents

## System Affiliates & Other




| $ millions | Q4 2024 | Q4 2023 | Change | For the year ended December 31 2024 | 2023 | Change |
|---|---|---|---|---|---|---|
| Net fair value gain (loss) | **$ (1.0)** | $ 0.7 | $ (1.7) | **$ (0.9)** | $ 0.7 | $ (1.6) |
| Non-interest income | **0.1** | 2.2 | (2.1) | **3.2** | 7.2 | (4.0) |
| Total revenue | **(0.9)** | 2.9 | (3.8) | **2.3** | 7.9 | (5.6) |
| Non-interest expense (recovery) | **(2.3)** | 4.1 | (6.4) | **7.6** | 16.1 | (8.5) |
| Income (loss) before income taxes | **1.4** | (1.2) | 2.6 | **(5.3)** | (8.2) | 2.9 |
| Income tax expense (recovery) | **2.5** | 1.5 | 1.0 | **(3.1)** | (1.7) | (1.4) |
| Net loss | **$ (1.1)** | $ (2.7) | $ 1.6 | **$ (2.2)** | $ (6.5) | $ 4.3 |

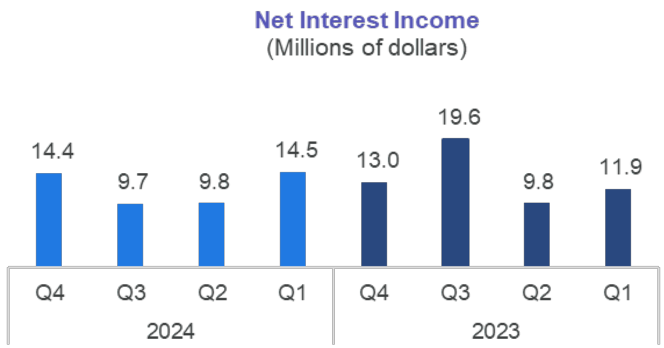
### Quarterly comparison – Q4 2024 vs. Q4 2023

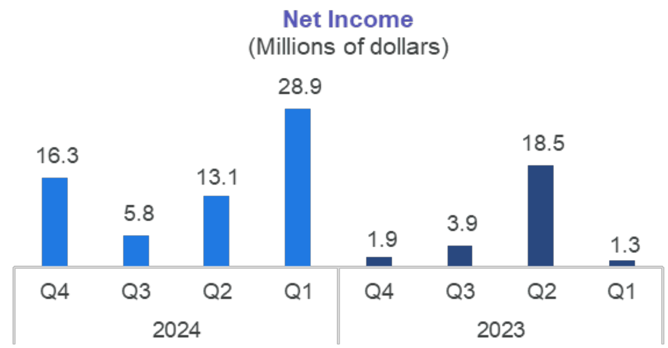
System Affiliates & Other reported a net loss of $1.1 million in the fourth quarter of 2024, compared to a net loss of $2.7 million in the same quarter last year. Total revenue declined by $3.8 million, largely attributed to unrealized losses on the Interac Corp investment and equity loss in Central 1's investment in 189286 Canada Inc., compared to a gain in the same quarter last year. This was offset by a $6.4 million decrease in non-interest expense, primarily due to increased allocation of costs to other lines of business, driven by investments in technology initiatives.

### Year-to-date comparison – Q4 2024 vs. Q4 2023

System Affiliates & Other reported a net loss of $2.2 million for the year, compared to a net loss of $6.5 million in the last year. Total revenue in 2024 decreased by $5.6 million driven by unrealized losses on the Interac Corp investment, compared to a gain in the previous year, an equity loss in Central 1's investment in 189286 Canada Inc, and lower other income as prior year included one-time revenue relating to BC PST rebate, National Credit Union liquidation distribution, and higher Cooperators dividend. Non-interest expenses decreased by $8.5 million, largely attributed to greater allocation of costs to other lines of business, driven by investments in technology initiatives.

# Summary of Quarterly Results




| $ thousands, except as indicated | 2024 Q4 | 2024 Q3 | 2024 Q2 | 2024 Q1 | 2023 Q4 | 2023 Q3 | 2023 Q2 | 2023 Q1 |
|---|---|---|---|---|---|---|---|---|
| Interest income | $ **92,288** | $ 99,158 | $ 101,442 | $ 104,000 | $ 111,370 | $ 118,800 | $ 102,196 | $ 99,194 |
| Interest expense | **77,877** | 89,443 | 91,619 | 89,534 | 98,368 | 99,206 | 92,426 | 87,264 |
| Net interest income | **14,411** | 9,715 | 9,823 | 14,466 | 13,002 | 19,594 | 9,770 | 11,930 |
| Net fair value gains (loss) | **29,341** | 6,911 | 18,765 | 34,458 | 4,128 | (2,056) | 32,597 | (6,262) |
| Non-interest income | **40,220** | 42,676 | 40,380 | 41,755 | 42,483 | 39,372 | 38,123 | 41,669 |
| Total revenue | **83,972** | 59,302 | 68,968 | 90,679 | 59,613 | 56,910 | 80,490 | 47,337 |
| Provision for (recovery of) credit losses | **3,752** | 158 | (340) | 183 | (280) | 991 | 212 | (701) |
| Non-interest expense | **57,546** | 53,300 | 51,624 | 51,148 | 56,461 | 50,882 | 54,913 | 51,779 |
| Income (loss) before income taxes | **22,674** | 5,844 | 17,684 | 39,348 | 3,432 | 5,037 | 25,365 | (3,741) |
| Income tax expense (recovery) | **6,358** | 26 | 4,582 | 10,473 | 1,561 | 1,162 | 6,905 | (5,022) |
| Net income | $ **16,316** | $ 5,818 | $ 13,102 | $ 28,875 | $ 1,871 | $ 3,875 | $ 18,460 | $ 1,281 |
| Weighted average shares outstanding *(millions)* | **43.4** | 43.4 | 43.4 | 43.4 | 43.4 | 43.4 | 43.4 | 43.4 |
| Earnings per share *(cents)*[1] | | | | | | | | |
| Basic/Diluted | **37.6** | 13.4 | 30.2 | 66.6 | 4.4 | 9.0 | 42.6 | 3.0 |

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

Jump to table of contents

Net interest income fluctuates based on the size of the portfolio and the movement of effective interest rate yields. In the third quarter of 2023, net interest income increased primarily due to higher portfolio balances. Conversely, both second and third quarter of 2024 saw lower net interest income, driven by reduced average balances in the investment portfolios. In the fourth quarter of 2024, net interest income rose by $4.7 million compared to the previous quarter, primarily due to higher effective interest rate yields and increased average deposits with financial institutions, partially offset by lower average balances in securities and lending portfolios.

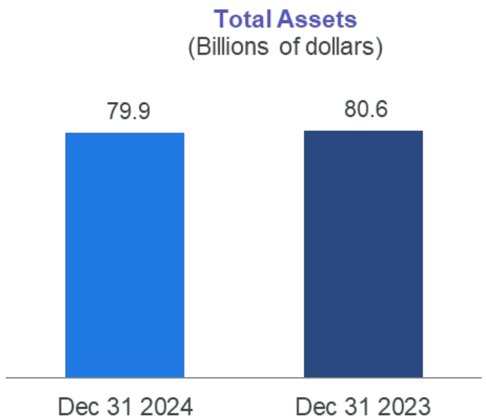
Credit spread movements are the key driver of net fair value gains or losses. In first quarter of 2023, widening credit spreads resulted in a net fair value loss of $6.3 million. Credit spreads began to narrow in the second quarter of 2023, leading to a net fair value gain of $32.6 million for the quarter. Apart from a net fair value loss of $2.1 million in third quarter of 2023 which was due to unfavorable movements in National Housing Act Mortgage-Backed Securities (NHA MBS) credit spreads, bond credit spreads have generally been declining since then, resulting in net fair value gains in fourth quarter of 2023 and throughout 2024.

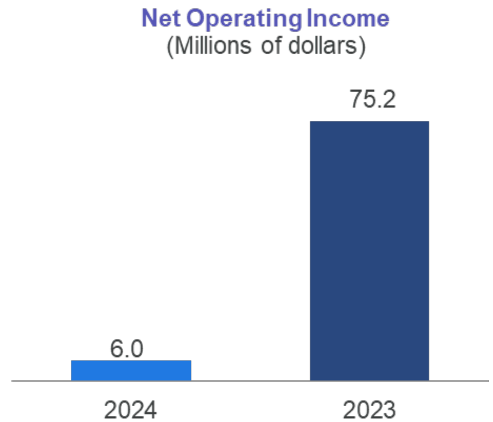
Excluding the one-time distribution from the U.S. Federal Credit Union and the Provincial Sales Tax (PST) rebate from the B.C. government in the first quarter of 2023, non-interest income remained relatively stable quarter-over-quarter until the fourth quarter of 2023, when an upward trend emerged due to the adoption of new payment products. Non-interest expenses were also stable over the past eight quarters, peaking in the fourth quarter of 2023 due to restructuring activities and again in fourth quarter of 2024 due to higher third-party expenses in relation to the strategic decision to wind down Digital Banking operations and the sale of Central 1’s head office building.

Jump to table of contents

# Credit Union System Performance

## British Columbia



Comparative figure has been represented.

**307** Branches

**1.49** million Members

**30** Credit Unions

In 2024, the B.C. system reported net operating income of $6.0 million, a significant decrease from $75.2 million in 2023. This decline was primarily driven by a 2.6% or $30.4 million reduction in net interest income, as the growth in interest paid on deposits outpaced the increase in interest income from loans, leases, and securitization. Non-interest income remained relatively stable, experiencing only a slight 0.4% decline. The growth in member service fees, trading income from financial instruments, and income from subsidiaries was offset by a reduction in other non-interest income. Non-interest expenses for 2023 rose by 2.7% year-over-year, totaling $1.4 billion, reflecting higher costs associated with salaries and benefits.

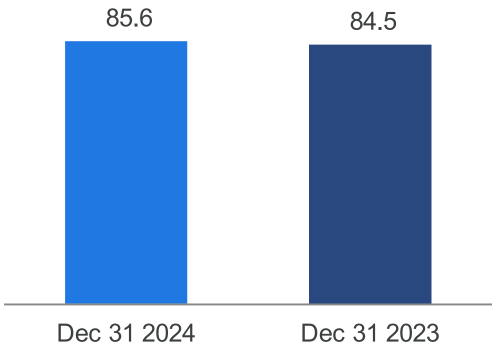
As of the end of 2024, total assets of the B.C. system amounted to $79.9 billion, representing a decrease of $644 million or 0.8% compared to the previous year. This decline was primarily attributed to reductions in cash, investments, and personal mortgages, which were partially offset by growth in commercial loans and securitization. Total liabilities decreased by 1.0%, driven primarily by an $1.7 billion or 5.1% reduction in non-registered term deposits. The 90-day delinquency rate stood at 0.45% of the loan portfolio at year-end, an increase of 0.15% compared to the previous year. Net loan loss expense for 2024 was 0.05% of average loans, reflecting a decrease of 0.02% from the prior year. Loan loss reserves at year-end amounted to 0.3% of the portfolio, a decrease of 0.02% year-over-year.

At the close of 2024, the B.C. system held $38.8 billion in risk-weighted assets (RWA), with regulatory capital as a percentage of RWA at 14.6%, down 0.17% from the previous year. The system's liquidity ratio was 14.5% at year-end, a decline of 1.61% compared to 2023. Membership in B.C. credit unions reached approximately 1.5 million at the close of 2024, marking an increase of 3,000 members from the prior year.

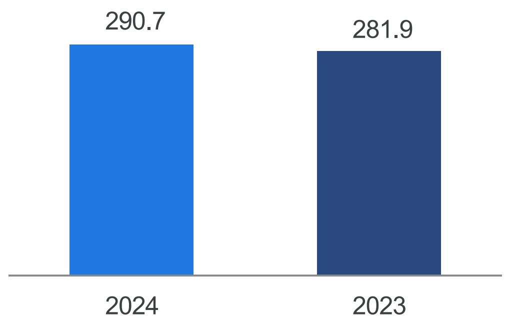
Jump to table of contents

## Ontario

**Total Assets**
(Billions of dollars)




**Net Operating Income**
(Millions of dollars)




Comparative figure has been represented.

**486** Branches

**1.60** million Members

**54** Credit Unions

In 2024, the Ontario credit union system experienced a positive performance in terms of net operating income, which increased by 3.1%, reaching a total of $290.7 million, up $8.7 million from the previous year. This growth was primarily driven by a 3.5% increase in the financial margin, which amounted to $1.41 billion. The improvement in the financial margin was attributed to higher lending activity, improved gross spreads, and an increase in loan volume. Non-financial income also saw a significant increase of 12.0%, rising to $302 million. However, non-financial expenses rose by 5.2%, totaling $1.42 billion, driven by higher salaries and benefits, as well as an increase in other non-financial expenses.

The growth in assets for the Ontario credit union system was modest in 2024, with total assets reaching $85.6 billion, marking a 1.3% increase compared to the previous year. Net loans grew by 1.0%, reaching $73.8 billion, with higher commercial mortgages partially offset by a decline in residential mortgages. Liabilities also grew by 1.0%, totaling $79.3 billion. Deposits increased by 2.4% to $68.2 billion at year-end. This growth was largely driven by an increase in term deposits, which rose by $2.1 billion (or 7.5%), while demand deposits decreased by 5.5%, or $1.38 billion, over the same period.

The liquidity ratio of the system remained stable, ending 2024 at 14.2%, consistent with the previous year. The system's RWA totaled $40.7 billion at year-end, and the risk-weighted capital ratio improved by 0.45% to 14.3%. In terms of credit risk, the overall 90-day delinquency rate increased from 0.35% to 0.55% at year-end. Total loan loss reserves stood at 0.28% of the loan portfolio, while the loan loss expense rate was 0.05%, reflecting a slight increase of 0.02% from 2023.

Ontario credit union membership at year-end totaled approximately 1.6 million, a decrease of 32.6 thousand members from the previous year.

# 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<br>$ millions, as at December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Interest rate contracts** | | | |
| Swap contracts | **$ 21,736.1** | $ 31,718.3 | $ 31,844.0 |
| Futures contracts | **1,072.0** | 1,191.0 | 604.0 |
| Bond forwards | **32.7** | 0.0 | 0.0 |
| | **22,840.8** | 32,909.3 | 32,448.0 |
| **Foreign exchange contracts** | | | |
| Foreign exchange forward contracts | **959.4** | 535.8 | 543.5 |
| **Other derivative contracts** | | | |
| Equity index-linked options | **135.5** | 183.1 | 221.1 |
| | **$ 23,935.7** | $ 33,628.2 | $ 33,212.6 |

Central 1 serves as an intermediary for swaps between the Canada Housing Trust and member credit unions, while also providing derivative capabilities to member credit unions for the purpose of managing asset/liability on their respective balance sheets.

Changes in fair values of these derivatives are recognized in our Consolidated Statement of Financial Position; however, the notional amounts of these derivatives are not presented, 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 is mitigated through the use of Credit Support Annex (CSA) agreements and general security agreements. Central 1's counterparty credit exposure to Class A member credit unions is secured by individual general security agreements, while 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 associated with these derivative contracts is managed in accordance with our overall market risk policies, as detailed in the Risk Review section of this MD&A.

## Guarantees, Commitments and Contingencies

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

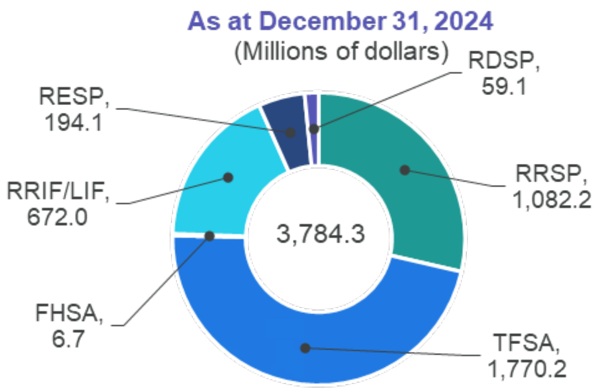
| $ millions, as at December 31 | | 2024 | | 2023 | | 2022 |
|---|---|---|---|---|---|---|
| Commitments to extend credit | **$** | **5,016.5** | $ | 5,093.4 | $ | 4,976.6 |
| Guarantees | | | | | | |
| Financial guarantees | **$** | **794.6** | $ | 793.6 | $ | 717.6 |
| Performance guarantees | **$** | **500.0** | $ | 500.0 | $ | 130.0 |
| Standby letters of credit | **$** | **221.1** | $ | 229.0 | $ | 236.9 |
| Future prepayment reinvestment commitment | **$** | **796.3** | $ | 883.9 | $ | 797.9 |

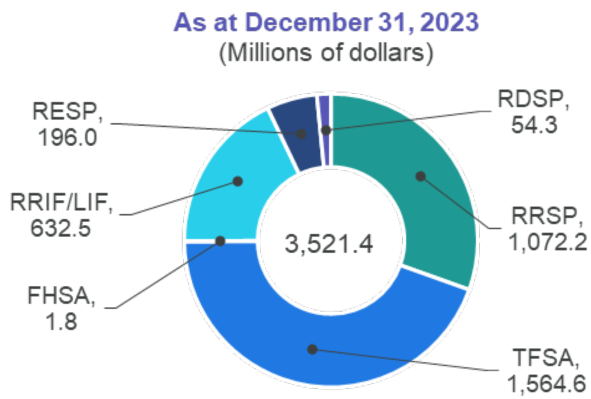
In the normal course of business, Central 1 enters into various off-balance sheet arrangements to meet the financing, credit, and liquidity requirements of our member credit unions. These are in the form of commitments to extend credit, guarantees, standby letter of credit, and future prepayment reinvestment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

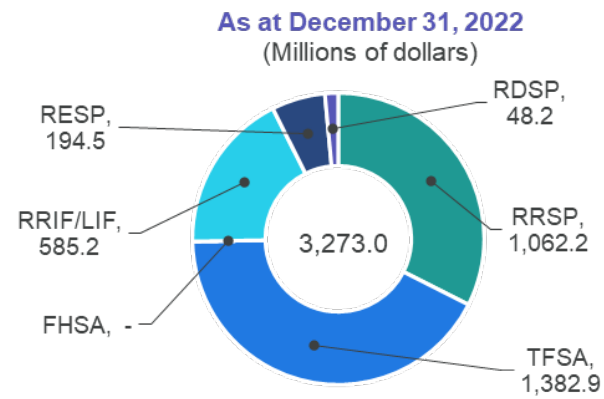
Future prepayment reinvestment commitments decreased by $87.6 million from a year ago due to the maturity of NHA MBS which was reinvested through Central 1's indirect securitization activities, these are now reflected in the reinvestment assets in Central 1's Consolidated Statement of Financial Position.

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

## Assets under Administration




Assets Under Administration (AUA) is exclusively associated with government-approved registered plans that 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, as well as Class C members.

Central 1 Trust Company (the Trust), a wholly owned subsidiary of Central 1, offers similar services to members of the Ontario and Manitoba credit union systems and Class C members. Additionally, the Trust is registered to conduct business in the provinces of Alberta, Newfoundland, Nova Scotia, Prince Edward Island, and Saskatchewan.

Merger and acquisition activity increased in the past year, leading to the offboarding of three clients by the end of the third quarter and one additional client by the end of the year. The impact of the final offboarding event will be reflected in the first quarter of 2025 results.

RRSP increased by 1.0% this year due to market value appreciation, offset by decreased number of contracts. There was a modest growth in other products, driven by increased business in B.C. and Ontario, as well as the introduction of First Home Savings Account (FHSA). These resulted in favorable market value appreciation of 7.47% in AUA compared to the previous year further mitigated the impact.

Interest in the new FHSA product continues to rise, with credit unions actively promoting it to their members. As a result, total AUA in the FHSA reached $6.7 million at the end of this quarter, up from $1.8 million a year ago. This product is emerging as a competitive alternative to RRSP and TFSA contributions.

Similarly, TFSA activity has shown a steady increase, with AUA growing by 13.1% compared to the same period last year. This upward trend is expected to continue, as the TFSA is gaining popularity among investors, potentially replacing the RRSP as the preferred savings vehicle.

Jump to table of contents

# Capital Management and Capital Resources

We manage capital to ensure strong capital ratios that support the organization's risks and activities. In addition to the regulatory requirements, we maintain capital to meet the expectations of credit rating agencies, support the growth of the credit union system, and uphold our internal capital ratios.

## Capital Management Framework

Our capital management framework provides the policies and processes for defining, measuring, and allocating all types of capital across the organization. It outlines the roles and responsibilities for assessing capital adequacy, managing dividends, and overseeing regulatory capital requirements.

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

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, excluding nominal amounts, is entirely contributed by Class A members, which consist of member credit unions in B.C. and Ontario. These Class A members, collectively, hold Class A and E shares. According to Central 1's Constitution and Rules (Rules), an annual rebalancing of Class A share capital is required, based on each Class A members' consolidated assets in proportion to the total consolidated assets of all Class A members at the immediately preceding fiscal year-end.

## Regulatory Capital

| $ millions, except as indicated, as at December 31 | 2024 | 2023 | 2022 |
|---|---|---|---|
| Share capital | $ **43.4** | $ 43.4 | $ 43.4 |
| Retained earnings | **746.7** | 682.5 | 656.8 |
| Less: accumulated net after tax gain in investment property | **(4.7)** | (4.7) | (4.7) |
| Tier 1 capital[2] | **785.4** | 721.2 | 695.5 |
| 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 | **990.1** | 925.9 | 912.8 |
| Statutory capital adjustments | **(146.1)** | (169.9) | (176.3) |
| **Total regulatory capital[2]** | $ **844.0** | $ 756.0 | $ 736.5 |
| Borrowing multiple - Consolidated[3] | **9.9:1** | 12.6:1 | 14.7:1 |

[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.

To determine regulatory capital, adjustments must be made to the capital reported in our Consolidated Statement of Financial Position. Certain investments, including significant holdings in affiliated cooperative organizations, require deductions from capital. The calculation of the provincial capital base is generally similar to the federal regulatory capital used for various borrowing purposes.

BCFSA has set Central 1's borrowing multiple requirement at 18.0:1 and will apply the multiple to Central 1's Consolidated Statement of Financial Position. Central 1 manages the borrowing multiple through growth in retained earnings and subordinated debt. As at December 31, 2024, Central 1's consolidated borrowing multiple was 9.9:1, which is within the regulatory limit of 18.0:1. The decrease from the levels reported from December 31, 2023, was largely driven lower borrowings and by higher year-to-date net income of $64.1 million, which led to higher retained earnings.

Financial Institutions Act (FIA) mandates that Central 1 maintain a total capital ratio of at least 8.0%. While this is the regulatory minimum, BCFSA has established a supervisory target on total capital ratio to be no less than 10.0%. As at December 31, 2024, total capital ratio stood at 21.2% which is above the supervisory target.

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

Jump to table of contents

# Risk Review

Effective management of risk is integral to the success of the Central 1's business. Central 1 is committed to a comprehensive system of risk management, which is embedded across our business and enacted through a "three lines of defense" model and overseen by the Board of Directors. Central 1's three lines of defense include: business units and corporate functions (including finance); risk and compliance; and internal audit.

Central 1 has a prudent and measured approach to risk management built on strong expertise and guided by an integrated Enterprise Risk Management (ERM) Framework. This supports our mandate and role in the credit union system, and the designation by BCFSA as a Domestic Systemically Important Financial Institution (D-SIFI).

Central 1's ERM Framework facilitates the alignment of business strategy with risk appetite and supports the identification, mitigation and management of exposure to any potential losses and risks. The Risk Group is responsible for developing and maintaining the Risk Appetite Framework, supporting risk policies, and providing independent risk oversight across all operations. Central 1's approach to risks is dynamic and reflects our mission as a liquidity and payments provider for the Canadian credit union system. Central 1 takes proactive steps to anticipate risks. Unforeseen future may have negative impact on business results and financial position.

There are two main sections to this Risk Management disclosure. These are the Enterprise Risk Management Framework and Risk Management and Control Practices.

## Enterprise Risk Management Framework

Central 1's Board and Risk Management Committees provide oversight of the ERM Framework which is comprised of five components: Risk Culture, Risk Governance, Risk Appetite, Risk Processes and Risk Infrastructure and Policies.

### Risk Culture

Central 1's risk culture reflects our collective sense of responsibility to fulfill our commitments and promises to our stakeholders and to the credit union system. Risk Culture is defined as the system of norms, values, attitudes, and behaviors that influence and inform our risk decision making.

Central 1's risk culture is guided by our corporate purpose and core values. It is instilled through a mindset of risk awareness as demonstrated by:

- Consistent tone from the Board, Senior Management and throughout the organization with respect to behavioral and ethical expectations, and alignment of business decisions with strategies, purpose, core values and risk appetite;
- Recognition that risk management is a responsibility of all employees (individually and collectively), and that risk management skills and knowledge are continuously enhanced and core to our ongoing success;
- Shared responsibility, clear accountability and ownership, collaboration built on trust, diverse thinking, and inclusiveness;
- Effective challenge is expected and respected across all business operations and all three lines of defense. Oversight and assurance functions are valued and appropriately resourced throughout the organization.


### Risk Governance

Risk governance includes the Board and Management Risk Committees; risk policies; management standards and procedures; clear authorities, accountabilities and responsibilities; and effective control and oversight functions with clear and independent reporting lines.

**Board of Directors**

The mandate of the Board is delivered directly or through one of its committees, to supervise management of the business and activities of Central 1. The Board is ultimately accountable and responsible for the governance and oversight of risk. It annually approves the strategic goals, objectives, plans and initiatives, and in so doing reviews the risks associated with Central 1's business, strategic goals and high priority initiatives.

***Risk Review and Investment & Loan Committee (RRILC)***

The Board has delegated to the RRILC the responsibility for overseeing risk-taking operations and risk management. The RRILC ensures appropriate risk governance processes are executed effectively and that investment, lending and other business operations are undertaken in a prudent and risk-informed manner. The committee reviews corporate policies, significant and emerging events related action plans and recommends any improvements or changes to the Board as deemed necessary. The committee also monitors and oversees compliance with anti-money laundering and counter terrorism financing (AML/CTF) legislation and related policies.

***Audit and Finance Committee (AFC)***

The Audit and Finance Committee (AFC) has responsibility for assisting the Board in its oversight over the financial reporting process and internal controls. The committees' terms of reference require the Chairpersons of the AFC and the RRILC to be members of both committees.

In addition, the ***Technology and Innovation Committee*** has oversight over all technology risk, cyber risk, and major project risks. The ***Human Resources Committee*** has oversight of people risk.

**Accountabilities**

Central 1 adopted a Three Lines of Defense model to clearly segregate risk management and risk oversight responsibilities.

**First Line**: The Chief Executive Officer (CEO), business lines and business support functions, including Human Resources, Legal and Corporate Secretary, and Finance are the ultimate owners of risk. They have primary responsibility and accountability for day-to-day management of the risks inherent in all products, activities, processes, and systems as well as the execution of risk mitigation practices consistent with Central 1's risk appetite and tolerance.

The President and CEO provides overall leadership and vision in developing, together with the Board, the strategic direction, vision, mission, goals and the business plans necessary to realize Central 1's goals. The President and CEO is responsible for the overall risk profile and creating a culture of ethical business conduct and prudent risk management.

Central 1's business lines are overseen by key members of the executive management team. The Chief Investment Officer (CIO) is responsible for the management of the Treasury portfolio, including a variety of investment and funding programs to meet the differing needs of our members and clients. The Chief Digital and Payments Officer (CDPO)is responsible for managing the Payments & Digital Banking Platform Experience (DBPX) to member credit unions and other corporate clients.

**Second Line**: The Risk Group has the primary and overall accountability for independent oversight and effective challenge of risk-taking and risk management of the first line of defense.

The Chief Risk Officer (CRO) is responsible for ensuring that the Risk Group is appropriately resourced and effective in executing its responsibilities. The CRO reports to the President and CEO and has direct access to the RRILC. Accountabilities of the CRO include reporting on compliance with the ERM framework and Risk Appetite, and escalating matters that require attention.

The CRO develops, implements and oversees a comprehensive process for identifying and assessing, measuring, monitoring and effectively managing pertinent business risks that could interfere with Central 1's core purpose and ability to grow and develop our business lines for the benefit of the credit union system.

**Third Line:** Internal Audit provides independent assurance that controls are effective and appropriate relative to the risks inherent in the business, and that risk mitigation programs, and risk oversight functions are effective in managing risks.

Central 1's Internal Audit function is independent of management and the Risk Group and reports independently to the AFC of the Board. Internal Audit develops audit plans on the design and effectiveness of policies, procedures and internal controls, for approval by the AFC.

Jump to table of contents

## Risk Appetite

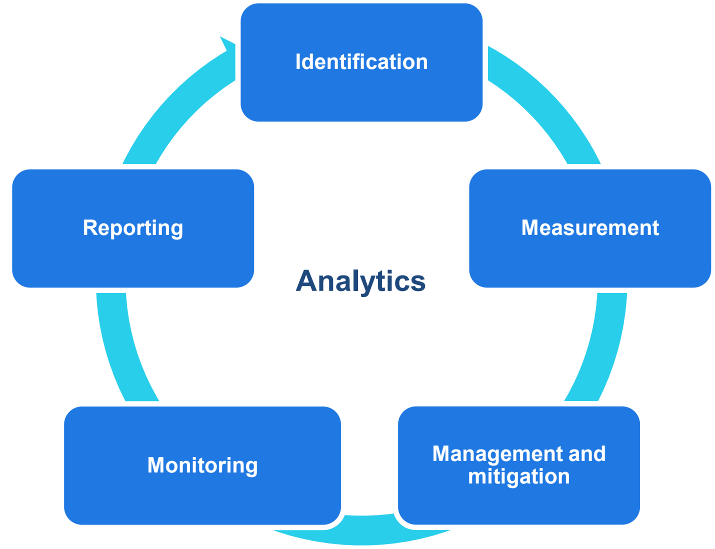
Central 1’s risk appetite is integrated into our strategic, financial, and capital planning processes, as well as into ongoing business decision-making. It is reviewed and approved annually by the Board. The Enterprise Risk Appetite Statement (RAS) is linked to strategy and addresses material risks under both normal and stressed macroeconomic conditions. It sets clear boundaries and expectations through qualitative statements and quantitative limits.

Central 1 takes risks to achieve its purpose and maintain the trust of stakeholders as long as:

1. We provide resilient operations of critical services
2. We maintain liquidity to meet our obligations under normal and stressed conditions
3. We are sustainable
4. We anticipate and manage risks

## Risk Process

Risk processes follow a cycle of identification, measurement, management, monitoring and reporting and are designed to ensure all risks are assessed against the ERM framework.




### Risk Identification, Measurement and Management

- **Risk identification** requires the structured analysis of all risks facing Central 1, so that they are understood and appropriately managed. Processes are designed to ensure risks are considered, assessed, prioritized and addressed in all business initiatives and operations and changes. The objective is to identify all material risks affecting business performance, along with their specific risk drivers.
- **Risk measurement** evaluates identified risks to determine their potential to affect business objectives, individually or collectively. Risk assessment is largely a qualitative exercise relying on analytical and intuitive thinking, while risk measurement is a quantitative exercise converting the barrage of data into insightful and actionable information. It provides the means to quantify and assess Central 1’s risk profile and monitor the profile against the risk limits. Any material new business development or change in strategy warrants an independent assessment of risk and its potential impact on reputation, in addition to measurement of the impact

on capital and liquidity. The objective of risk measurement is to build an understanding about the magnitude, sources, and key drivers of risk exposure.

- **Risk management** (risk mitigation) entails the creation of plans to drive management action, should a business event occur that materially affects our risk profile. It includes both reactive measures and identification of forward-looking, longer-term tactical plans aimed at maximizing value for Central1, all with the objective to ensure the organization stays within its risk appetite and meets its business objectives

**Risk Monitoring, Reporting and Escalation**

- **Risk monitoring** relates to ongoing oversight and tracking of Central 1's risk exposures, ensuring that the risk management approaches remain effective. Monitoring may also identify risk-taking opportunities.
- **Risk reporting** presents an accurate and timely picture of existing and emerging risk issues and exposures, and their potential impact on business activities. It highlights Central 1's risk profile relative to the risk appetite and associated risk limits. A clearly defined escalation protocol is in place to address any excesses against thresholds or limits established by ERM framework, risk policies, management standards and guidelines.

Central 1 performs risk analytics by applying quantitative modelling and qualitative interpretation. It includes trend identification and analysis, detection of correlations and amplifications, recognition of concentrations, stress and scenario testing and qualitative methods. The objective is to develop risk insights and understanding of possible performance outcomes for decision making. This process ultimately transforms observed and measured data into actionable risk information for the business.

## Risk Infrastructure and Policies

Central 1's infrastructure is established to provide resources (people, tools) and risk systems (technology and data) to effectively support all risk processes. Procedures and operations related to risk management and oversight requirements are detailed in guiding documents comprised of risk policies, management standards and associated guidelines and procedures.

The objective of the ERM Policy is to outline the key principles, governance and processes of Central 1's approach to risk management. Serving as an umbrella document, the ERM Policy integrates and connects other risk-related policies, providing a cohesive structure for effective risk management and decision-making. It ensures a consistent and coordinated approach to managing risks across Central 1.

## Risk Management and Control practices

Central 1’s business involves treasury and portfolio management services, payment settlement services and other innovative services and solutions aimed at providing a competitive edge to member credit unions and other corporate clients. These business activities involve inherent risks arising from day-to-day activities and systemic and strategic risks arising from the highly competitive and constantly evolving financial sector.

Therefore, Central 1’s risk management and independent oversight processes are tailored to the type, volatility and magnitude of each risk and broadly grouped in the following categories: Credit risk, Market risk, Liquidity risk, Operational risk, Strategic risk and Capital Adequacy risk. These risks are managed within ongoing business and operations management.

Another key component of Central 1’s risk management approach is to ensure that Top and Emerging risks, as they evolve, are identified, managed, incorporated into the risk management processes and addressed in risk frameworks and policies. These practices ensure management maintains a forward-looking risk assessment both during business development and as part of the management’s ongoing risk oversight responsibilities.

### Top and Emerging Risks

Top and emerging risks are discussed by senior management and the Board on a regular basis. These risks encompass risks that could materially impact our financial results, financial and operational resilience, reputation, business model or strategy, as well as those that may materially impact Central 1 as the risks evolve and crystalize. The following represents our Top and Emerging risks:

### Top risks

**Operational Resilience and Technology Risk**

- The risk that Central 1 is unable to protect, sustain and recover its critical operations at all times, including during a disruptive event

**Cybersecurity Risk**

- The risk of potential harm to Central 1 due to threats targeting our digital assets (such as data, networks and systems) stemming from various sources, including malicious actors, inadequate third-party controls, immature vulnerability management and legacy infrastructure

**People and Culture Risk**

- The risk of negative impact on performance and reputation because of human capital related factors, such as resourcing and capabilities, leadership challenges and continuity, and talent management and succession planning

**Treasury Strategy Risk**

- The risk of loss of market share and earnings in treasury services due to Treasury Strategy misalignment and implementation, financial and capital constraints

**Payments Strategy Risk**

- The risk of loss of market share and competitive position in payments services due to Payments Strategy misalignment and execution, financial and capital constraints, and lack of skills and expertise including limited resource capacity

**Health of the Credit Union (CU) System**

- The risk of a systemic event or a shock to a CU that can impact the entire CU system due to competitive environment, price pressures, system fragmentation and/or misalignment among CU ecosystem stakeholders

**Digital Banking Transition Risk**

- The risk of material impediments to Central 1 or to the CU system while transitioning digital banking to alternate provider

## Emerging risks

**Elevated economic uncertainty**

- Geopolitical tensions and current economic conditions are putting pressure on the credit union system, which would have knock-on effects on Central 1 and impact market, liquidity and credit risks. While the unemployment rate is nearing its natural rate, inflation has moderated throughout the year and the Bank of Canada has reduced interest rates, the economic outlook remains uncertain. Challenges persist due to high household debt and potential external threats such as U.S. trade policies.

**Regulatory Pressures**

- Central 1, along with other financial institutions, is facing increasing regulatory expectations in a range of areas, most notably in BCFSA's capital modernization. Central 1 continues to monitor the regulatory bodies for emerging and evolving regulations.

**Accelerated Credit Union Consolidation**

- According to a Deloitte report on the Canadian credit union system, mergers and acquisitions are expected in the credit union ecosystem, driven by the increased competition from the Big Five Banks, increased regulatory requirements and technological changes. Big credit unions could overlap central services. For Central 1, this could translate in potential loss of clients and consequently, profit margin decline.

**Technology driven innovations**

- More pressure in the ecosystem due to change in the customers' behavior and preferences. Additionally, the availability of AI has led to significant competition, including FinTech and non-FIs introducing more banking options for customers and businesses. For Central 1, failure to maintain the pace to improve or innovate products to meet customers' needs or reduce operational burden could result in member and financial losses.

**Open Banking**

- Financial system continues to evolve and authorized third-party providers outside the traditional banking ecosystem are emerging to create competition and improve the offers available in the market by sharing customer information. This could impact Credit Union cyber security functions as threats are constantly evolving. Central 1 continues to monitor this landscape and regulation.

### Generative Artificial Intelligence (Gen AI)

- Technology advances and efficiency pressures have fueled the rapid adoption of AI in the financial sector. Gen AI introduces new risks such as embedded bias or privacy concerns that, if not managed properly, could result in regulatory fines or financial losses. Central 1 continues to follow this topic closely.

### Environmental, Social and Governance (ESG)

- Events related to climate risk could potentially interrupt operations, impact customers and counterparties, and result in lower earnings. If not managed correctly, this risk can materialize in higher cost of capital, funding, regulatory fines. According to a DBRS Morning Star report, credit unions face low ESG risk due to their high ethical standards and low risk appetite. For Central 1, this could impact credit and operational risks.

## Credit Risk

Credit risk is the risk of financial loss or opportunity cost caused by the default or failure of a counterparty, borrower, endorser, guarantor, or issuer to repay their financial obligation, or to meet their obligations in accordance with contractual terms as they come due, resulting in adverse impact on Central 1’s earnings and viability. Credit Risk includes counterparty credit risk from trading and non-trading activities.

Central 1 is exposed to credit risk from its investment and lending activities, as well as through our role as Group Clearer and through other settlement business. Our policies establish the parameters within which we manage credit risk. These policies are implemented through a number of key business procedures. Together, the policies, management standards and procedures form a framework that includes:

- application of safe and sound, stringent lending and/or funding criteria to all credit exposures prior to their 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; and
- continuous monitoring of credit exposures to promptly identify deteriorating situations and take appropriate actions.

The credit exposures are concentrated in low-risk investment securities and credit facilities with zero or a very limited exposure to underperforming loans within the lending portfolios.

In the fourth quarter of 2024, Central 1 increased its allowance for expected credit loss for the Commercial Real Estate Lending (CREL) portfolio by $3.8 million to a total of $7.7 million. The increase was mainly attributed to a spike in Canadian commercial delinquencies, which is an external factor. The quality of the CREL portfolio remains stable. The allowances for expected credit loss for the Investment portfolio decreased by $0.04 million to a total of $0.1 million. Zero expected credit loss remained in the Credit Union Lending portfolio given ample security pledged to secure credit facilities.

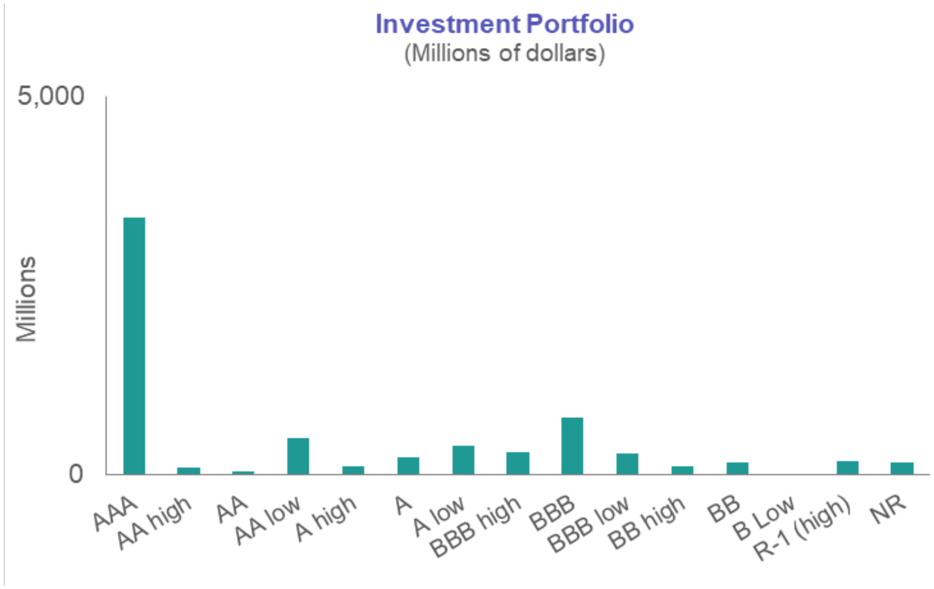
Jump to table of contents

## Credit Quality Performance

As part of our risk management activities, we perform ongoing stress tests to measure the resiliency of our lending portfolios against a range of severe scenarios. The stress tests provide comfort that we continue to maintain adequate capital to withstand a range of severe economic scenarios.

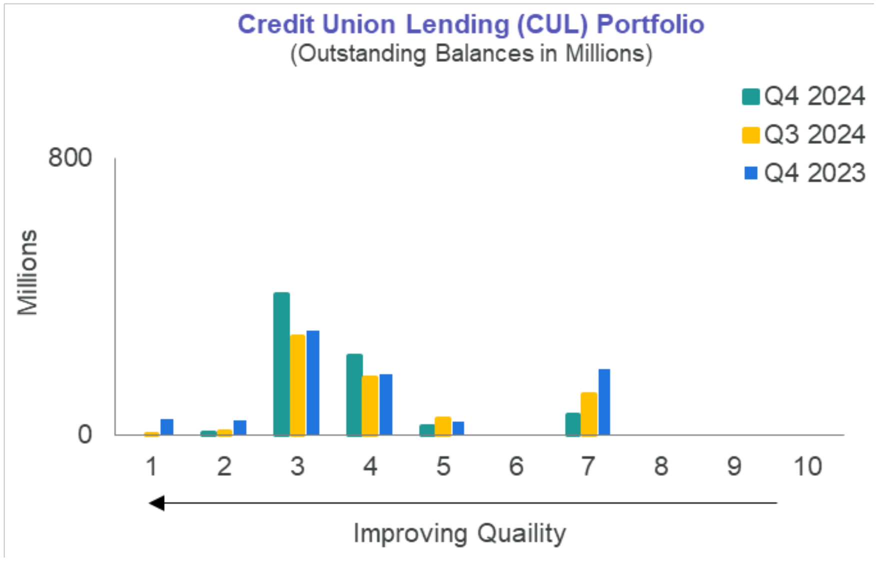
### Investments Portfolio

There are no impaired investments in the Investments portfolio.



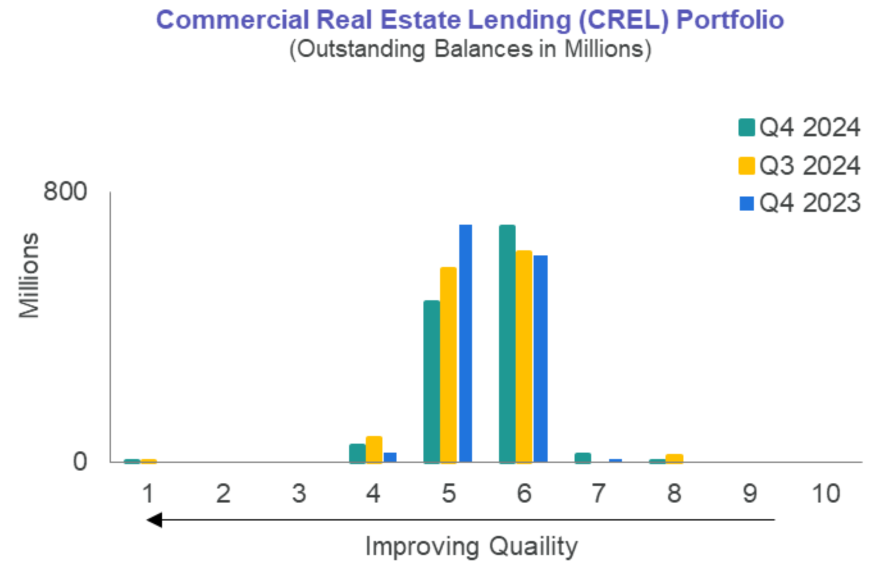
## Credit Union Lending (CU Lending)

Currently, there are no impaired loan facilities in the CU Lending portfolio. 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 The Watch List accounts represented 8.06% of the authorized portfolio as of December 31, 2024. These accounts require enhanced monitoring. The security provided for the Watch List facilities is substantial and no losses are expected.



## Commercial Real Estate Lending (CREL)

As of December 31, 2024, there were two credit-impaired loans representing 1.46% of the outstanding portfolio balance, and three Watch List accounts representing 3.39% 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.




## Counterparty Risk

Counterparty risk is the risk of financial loss caused by the inability of a counterparty to fulfill its obligation to deliver on the terms of a contract at the agreed-upon time in a value-exchange transaction (i.e., derivative and repo-style transactions) after Central 1 has fulfilled its own obligation.

Within its 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 (Morningstar DBRS), and credit union system where a robust internal risk rating regime is utilized.

## Liquidity Risk

Liquidity Risk is the potential for financial loss resulting from the inability to meet cash-flow obligations in a timely or cost-effective manner. Liquidity risk arises when sources of funds become insufficient to meet scheduled payments and settlements, either from systemic market and credit events, or from unexpected changes in the liquidity needs of our members.

Central 1’s Treasury business line provides capital markets products and services to Class A, B and C members. Treasury is funded through members’ discretionary deposits and capital markets under our commercial paper and medium-term note programs.

Central 1 provides payment clearing and settlement services to Class A, B and C members and manages the Group Clearer function on behalf of the credit union system nationally (excluding Quebec) as a direct clearer through the Payments Canada network. Central 1 provides access to global correspondent banks for the credit union system to settle foreign currency payments. These activities directly expose Central 1 to liquidity and settlement risk from other direct participants in the payments network as well as downstream to our indirect settlement participants. The liquidity and settlement risk of these core banking functions are managed by the Treasury.

Central 1’s sound and comprehensive liquidity risk framework ensures ongoing support to the credit union system and is comprised of:

- a robust risk governance framework
- investment strategies focused on maintaining sufficient unencumbered highly liquid assets to meet cash flow requirements in normal and stressed conditions
- ensuring access to diversified funding sources – member deposits and capital markets
- ongoing monitoring of credit union system liquidity, performance and financial health
- an enterprise Funding Plan and Contingency Funding Plan (CFP)
- frequent measurement of portfolio liquidity

### Investment Strategies

Central 1 invests in a sufficient quantity of highly liquid assets to ensure that it can meet the deposit withdrawal and borrowing requirements of our members in normal and stressed market environments. We view the following assets as highly liquid and include them in our assessment of portfolio liquidity:

1. GoC securities, GoC guaranteed securities, including NHA MBS and Canada Mortgage Bonds (CMB), Canadian provincial and municipal governments securities and other high-quality government assets meeting OSFI’s definition of High-Quality Liquid Assets (HQLA).
2. Other securities eligible to be pledged to the BoC in the form of highly rated investment grade corporate debt (collectively other BoC Standing Liquidity Fund eligible assets).
3. USD denominated variants of the securities identified in groups (1) and (2) above.

Treasury liquidity management is subject to a rigorous measurement and monitoring regime. Most Treasury liabilities are invested in HQLA as defined above, sufficient to ensure that liquidity objectives are met, and exposures remain within the organization’s risk appetite. These liabilities also fund credit union and commercial lending. As part of normal business operations, Central 1 offers committed credit facilities to credit unions and commercial borrowers, enters into derivative and securities lending transactions, and participates directly in the national clearing and settlements network. A portion of Treasury’s highly liquid assets are encumbered to support these activities.

### Diversification of Funding

Central 1’s liquidity management framework is designed to ensure that reliable and cost-effective funding sources are available to satisfy Central 1’s current and prospective financial commitments, and those of our member credit unions. Diversification of funding sources provides flexibility and minimizes concentration risk. It is an essential component of our overall liquidity management strategy.

Central 1 is funded through a combination of Class A, B and C member deposits and capital markets borrowing. We regularly issue commercial paper and medium-term notes in the capital markets. We also issue subordinated debt. Regular participation in these markets and the maintenance of a strong external credit rating is key for ensuring that capital markets access is maintained. We fund a portion of our purchases of

Jump to table of contents

residential mortgages and credit union NHA MBS through the NHA MBS and CMB mortgage securitization programs.

## Credit Union System Health Analysis

Central 1's liquidity is directly affected by the liquidity of the B.C. and Ontario credit union systems (Class A members) and the liquidity of our Class B and C members. We closely monitor credit unions' financial positions for any indication of negative liquidity trends. Utilization of lending facilities, liquidity ratios, deposit levels, economic conditions, and use of capital market and other funding sources are among the items regularly monitored.

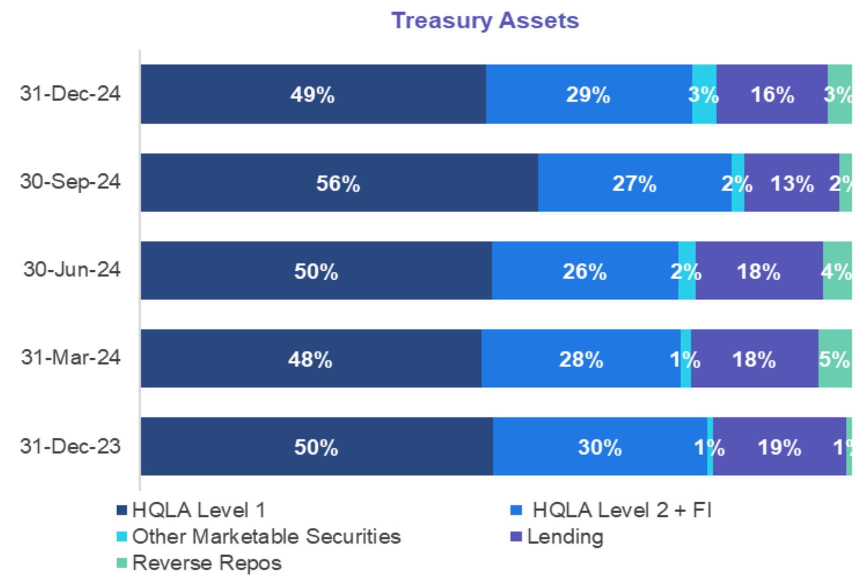
## Contingency Funding Plan

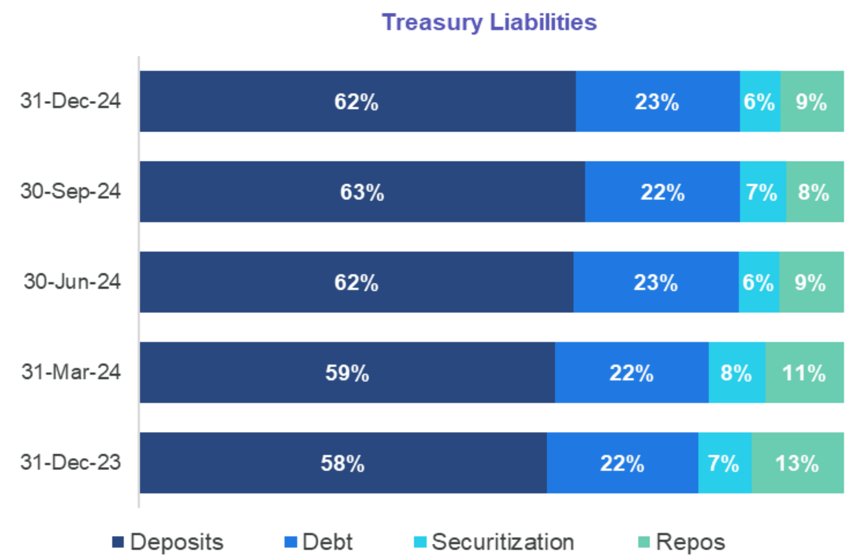
Central 1 provides financial stewardship of the liquidity deposits of the B.C. and Ontario credit union systems. Accordingly, it is imperative to maintain members' trust and confidence, by ensuring an appropriate plan is in place to provide the credit union system with access to funding during a liquidity crisis.

Given that a liquidity crisis would likely be the result of a liquidity event that flows through the credit union system, we continually monitor the system and its environment for indicators of impending stress. Although there is a low probability of a significant liquidity crisis occurring, Central 1 has implemented a Contingency Funding Plan in order to be prepared, should such a crisis occur.

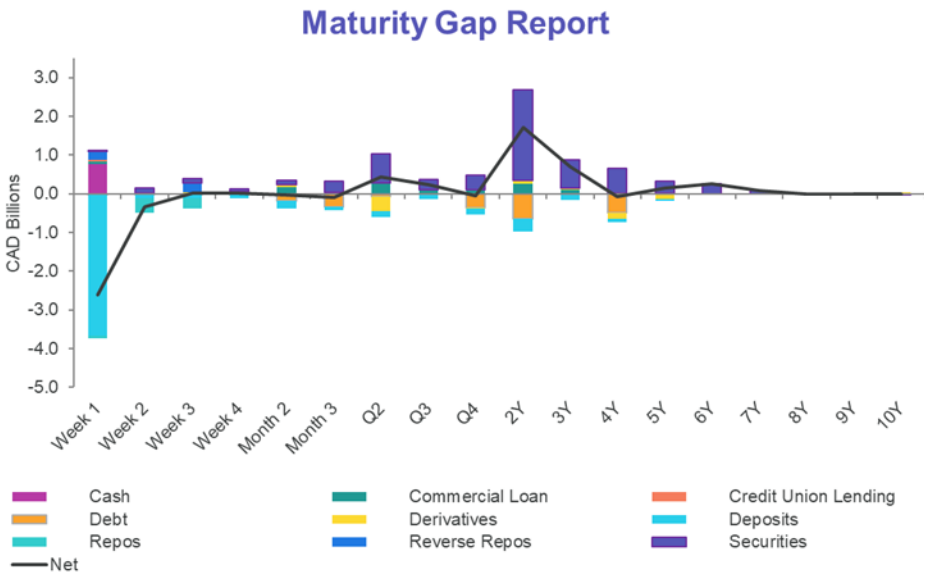
## Risk Measurement and Monitoring

Central 1 monitors its asset and liability positions, encumbrances, commitments, cash flows and funding to better understand its liquidity capacity and sensitivity to changing market conditions. The majority of Central 1's assets are held in actively traded marketable securities that can be readily sold, or pledged to the BoC, to generate cash to support member deposit withdrawals or the drawdown of committed loan facilities in both normal and stressed markets. While Treasury holds other less liquid assets, the quantity of highly liquid assets is greater than the level of funding provided by member deposits. The following charts illustrate the relationship between assets and liabilities.



The Maturity Gap provides a picture of the mismatch between the contractual maturity of our assets and liabilities. This does not demonstrate the degree of maturity transformation nor the extent of Central 1's liquidity risk exposure. These gaps, even under normal market conditions, must be closed by receiving additional funding or liquidating assets. A portion of Class A's non-maturity deposits (demand deposits which are entirely included in week 1 bucket) and term deposits with Central 1 provide stable funding in addition to the guaranteed-to-maturity funding provided by capital markets borrowings. The maturity gaps reported for Treasury are within normal levels.




Liquidity risk is assessed based on a suite of key risk indicators that include the industry standard OSFI-defined LCR and Net Cumulative Cash Flow (NCCF), as well as internally developed metrics (i.e., Stressed LCR, Stressed Cashflow, Stressed NCCF, Funding Coverage Ratio).

The LCR measures whether a financial institution has a sufficient stock of liquid assets to meet 30-day cash flow requirements under a combination of idiosyncratic and market-wide stressed events. The cash flow requirements include working capital requirements and off-balance sheet commitments. LCR assumes significant withdrawals of eligible deposits, increased utilization of committed credit and liquidity 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 in the market value.

Similarly, the NCCF assesses whether a financial institution has sufficient asset liquidity to meet its net cash flow obligations over a 12-month time horizon under a liquidity scenario that encompasses a combination of idiosyncratic and systemic stresses. Both the LCR and NCCF are used as tools for monitoring structural liquidity risk and operational liquidity and ensuring prudent and enhanced liquidity and funding management.
In addition, Central 1 further stresses the NCCF by applying haircuts to securities and run-off rates on deposits that are more severe than those prescribed by OSFI, and drawdown rates for every time bucket.

Central 1's liquidity position as of December 31, 2024, remains strong based on assessment of the LCR, NCCF and other key risk indicators. The OSFI LCR of 157% as of December 31, 2024, was higher than the previous quarters and indicates a high level of liquidity. The NCCF was net positive in all time buckets up to 12 months. Also, the Stressed LCR and Stressed NCCF show a high level of liquidity. No funding concerns are present based on the forecast for the next 12 months. Central 1 remains in a strong position to support the system's liquidity needs.

| | Q4 2024 | Q3 2024 | Q2 2024 | Q1 2024 | Q4 2023 | LTM Average[1] |
|---|---|---|---|---|---|---|
| OSFI LCR | **157.2%** | 150.7% | 126.6% | 138.7% | 139.8% | 135.8% |

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

## Market Risk

Market risk is the risk of financial loss in Central 1's positions resulting from movements in market rates (interest rates, foreign exchange rates, credit spreads) and market prices that negatively impact market values or expected earnings. Central 1's exposure to market risk varies with market conditions and the composition of our investment, securitization, and derivative portfolios.

The level of market risk Central 1 is exposed to varies according to market conditions and the composition of its investment, securitization, lending, and derivative portfolios. Central 1 manages its 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 is established in the Risk Appetite Statement while Central 1's Market Risk Policy sets out the key principles governing our management of market risk. Central 1 does not assume additional market risk for speculative purposes or in pursuit of returns beyond those required to fulfill its primary mandate of safeguarding system liquidity.

Central 1 manages its exposure to market risk through various means. The sensitivity of portfolio market values to changes in interest rates, foreign exchange (FX) rates and credit spreads are tracked in real-time to actively manage exposures. Central 1 also uses stress testing and Value-at-Risk (VaR) to monitor and quantify overall market risk under normal and stressed market environments. To the extent possible, Treasury asset and liability portfolios are matched by term and currency to offset much of Central 1's interest rate and foreign exchange risk. Credit spread risk is the largest source of market risk in the portfolio but is mitigated through concentration limits.

### 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% confidence interval. This means that portfolio losses are not expected to exceed the calculated VaR more than one out of every 100 business days. VaR is computed using a historical simulation approach based on 500 business days (2-years) of historically observed changes in interest rates, foreign exchange rates, equity prices and credit spreads. Total VaR considers the impact on portfolio market values of these changes in aggregate while VaR by Risk Factor considers the changes in isolation. Expected Shortfall is an estimate of the size of the loss for the one business day where portfolio losses exceed VaR at a 99% confidence interval. VaR decreased in the fourth quarter. The improvement is primarily due to a decline in market volatility observed over a 500-day period total.

| | Treasury | | Last 12 Months | | |
|---|---|---|---|---|---|
| $ millions | December 31, 2024 | December 31, 2023 | Average | High | Low |
| Interest Rate VaR | **$ 1.5** | $ 2.2 | $ 2.2 | $ 2.7 | $ 1.5 |
| Credit Spread VaR | **2.3** | 2.0 | 1.9 | 2.4 | 1.6 |
| Foreign Exchange VaR | **1.5** | 1.8 | 1.7 | 2.5 | 1.0 |
| Diversification[1] | **(2.3)** | (2.6) | (2.5) | nm | nm |
| Total VaR | **$ 3.0** | $ 3.4 | $ 3.3 | $ 3.6 | $ 2.9 |
| Expected Shortfall | **$ 4.0** | $ 3.7 | $ 3.8 | $ 6.7 | $ 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

Jump to table of contents

## Stress Testing

In addition to running generic stress testing scenarios, Central 1 calculates Stressed Value-at-Risk (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% confidence interval. Treasury SVaR is currently calibrated to 2008/2009. SVaR has decreased over the period due to the reduction of risk exposures.

| | Treasury | | Last 12 Months | | |
|---|---|---|---|---|---|
| **$ millions** | **Q4 2024** | **Q1 2024** | **Average** | **High** | **Low** |
| 1-Day SVaR | **$ 11.2** | $ 8.4 | $ 10.0 | $ 12.612.6 | $ 7.7 |
| 10-Day SVaR | **$ 22.3** | $ 23.3 | $ 21.8 | $ 26.226.2 | $ 17.0 |

## Foreign Exchange Rate Exposure

Most of Central 1's foreign exchange (FX) exposure is concentrated in USD. Further exposure to other currencies arises from the foreign exchange services and products offered to member credit unions and other clients. The risk associated with fluctuating foreign currency values is managed by monitoring and limiting FX balances, utilizing FX derivatives to hedge exposures, and through VaR monitoring and limits.

| $ millions | Balance Sheet in Native Currency | Off-Balance Sheet Items - Foreign Exchange Forwards | Net Position in Native Currency | BOC Closing Rate | CAD Equivalent |
|---|---|---|---|---|---|
| USD | $ (5.1) | $ (0.3) | $ (5.4) | 1.4382 | $ (7.3) |

## Operational Risk

Operational risk is the risk of loss resulting from potential problems relating to internal processes, people, and systems, or from external events. Exposure to Operational risk results from either normal day-to-day operations or a specific unanticipated event and can have material financial and/or reputational consequences.

Central 1 has established processes to identify, assess, mitigate and manage operational risks. However, given the high volume of transactions Central 1 processes on behalf of its members and external organizations, and the multiple processes, systems, and stakeholders we interact with and rely on, operational risk remains an inherent feature of Central 1’s business model that cannot be fully eliminated. In the normal course of business, operational risks are managed through policies and controls that are fundamental to the operating infrastructure. A governance structure has been implemented for the management of operational risk. Business units are the ultimate owners of operational risk and as such have primary responsibility for the identification, measurement, management, monitoring, and reporting of operational risk.

Key operational risks and our approach to managing them are outlined below:

- **Technology Risk**: Technology risk is the risk of loss from improper system or control design and operation, unauthorized access to information and technology resources that can impact our ability to operate, stay compliant with regulations and to maintain financial integrity and reputation. Technology risk includes cyber and information security risk, technology operations and delivery risks. Technology is a critical component of Central 1’s business operations and is also key to its customer-focused strategy. Central 1 continues to face technology and cyber risks stemming from legacy technology constraints and the advancement of techniques used in cyber-attacks. We continue to implement new risk management processes and practices including enhancing technology system of controls (i.e., SOC 2) designed to better identify, measure, manage and report on technology risk, including emerging technologies such as artificial intelligence. Processes and practices evolve as technology and business needs change.

- **Third-party Risk**: Third-party risk is the risk of loss resulting from the failure to establish and manage adequate supplier arrangements, transactions or other interactions to meet the expected or contracted service level. Central 1 strategically engages with third-party suppliers to maintain cost efficiency, optimize internal resources and capital, and utilize skills, expertise and resources not otherwise available internally. A Central 1-wide third-party risk management program provides the framework to manage third-party activities throughout the life cycle of an arrangement, and to provide a level of risk management and oversight which is appropriate to the size, risk, and criticality of the third-party arrangement. Third-party providers that are critical to Central 1’s operations are actively monitored for their ability to deliver services, including impacts resultant from vendors of our third-party providers (i.e., fourth parties).

- **Model Risk**: Model risk is the potential for adverse consequences from decisions based on incorrect models (design, development, implementation), or misuse of their outputs and reports. Model risk can lead to financial loss, poor business and strategic decision-making, or damage to Central 1’s reputation among stakeholders and/or supervisory authorities. Central 1 prioritizes mitigation and control activities using a risk-based approach to limit adverse consequences arising from models not performing as intended. This includes establishment of mitigation and control activities within the model lifecycle (development, maintenance, and ongoing use). Central 1’s models are subject to independent validation.

- **Business Continuity Risk:** Business continuity risks are the risks arising from operational and financial interruptions from disruptive events. The consequences of such events can be far-reaching, leading to financial losses, damage to the organization’s reputation, and a decline in customer trust, which ultimately impacts member loyalty and retention. Central 1 maintains an enterprise-wide Business Continuity Management (BCM) program designed to uphold enterprise resilience. It includes business impact assessments, business continuity planning and testing, crisis management, disaster recovery, incident management, and information security. In the event of a disruption, the BCM program enables management to continue business functions uninterrupted or rapidly recover them.

- **People Risk**: People risk is the risk of loss resulting from the inadequate management of human capital or the misalignment of human resources policies, programs and practices with employment-related legislation, regulatory expectations or misalignment with our strategic objectives, risk appetite and values. Central 1 manages people risk through compensation programs, succession planning, talent management and employee engagement processes that are designed to support a high-performance culture and maintain a highly skilled workforce.

## Compliance Risk

Compliance risk is the risk of material loss or damage due to non-compliance with external and internal requirements, including failure to manage:

(a) Regulatory Compliance Risk - non-compliance with applicable laws, regulations, rules, self-regulatory organization standards, and codes of conduct which are (collectively referred to as "Regulatory Requirements") from the failure to identify their existence/application or implement/execute appropriate controls;
(b) Privacy Risk - unauthorized or improper collection, use, disclosure, or handling of personal information, including privacy breaches, misuse of data, lack of transparency, and inadequate data security; and
(c) Financial Crime Risk - failure to identify and mitigate financial criminal activity such as money laundering, terrorist financing, sanctions violations, bribery, and corruption.

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

## Strategic Risk

Strategic risk is the risk of failing to establish or achieve appropriate strategic objectives within the context of Central 1's operating environment, resulting in a material impact (current or future impact) on business performance (such as earnings and capital), reputation or standing. The risk arises when Central 1 fails to adequately respond to changes in the internal and external environment, potentially affecting our ability to meet stakeholder expectations and fulfill Central 1's vision, mission, and core mandate. Strategic risk is influenced by management's decisions regarding the development of future offerings and the organization's ability to deliver these offerings in a timely manner.

To manage strategic risk, management closely monitors the current landscape of the credit union system along with the emerging industry and regulatory trends. This informed understanding is then integrated into the strategic planning process to determine key strategic initiatives and to develop or maintain the necessary capabilities to achieve them. Major strategic initiatives undergo a comprehensive risk assessment to review alignment with risk appetite and are subject to regular and robust monitoring and oversight.

## Capital Adequacy Risk

Capital Adequacy Risk refers to the risk of insufficient capital to support Central 1's strategy or meet regulatory and internal requirements. Central 1 assesses this risk through ICAAP, which integrates stress testing to evaluate the impact of systemic, idiosyncratic, and non-financial risks, including strategic, cyber, and data risk scenarios.

The 2025 ICAAP results indicate that Central 1's capital profile is expected to strengthen compared with 2024, with sufficient capital levels to remain above all internal and regulatory limits, even under severe stress scenarios. The most adverse 2025 scenario combines a Canadian real estate downturn with a credit union system crisis, projecting $83 million in losses over two years. In this scenario, despite these losses, Central 1 would maintain a capital surplus of approximately $200 million above the regulatory minimum, demonstrating its resilience and ability to support its Strategic and Capital Plans. In addition, ICAAP highlights that beyond the three-year forecast required by the regulator, Central 1's capital profile demands close attention and proactive measures to ensure adequate capital levels under Basel III, as outlined in the Capital Modernization Project.

# Accounting and Control Matters

Our 2024 Consolidated Financial Statements have been prepared using the accounting policies as set out in Note 5 to those statements.

## Use of Estimates and Judgements

In preparing these 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 area for which management must make subjective or complex estimates and judgements include provision for credit losses (ECL) and non-current assets held for sale.

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.

### Provision for Credit Losses (ECL)

There is judgement involved as to if a significant increase in credit risk (SICR) has occurred. In addition, in calculating the amount of ECL, Central 1 exercises experienced credit judgements to incorporate multiple probability-weighted economic scenarios including a base case scenario and optimistic and pessimistic scenarios, all of which are developed by Central 1's Economic group. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the ECL allowance.

Central 1 evaluates whether a loan is credit impaired by referencing the definition of a credit-impaired asset under IFRS 9, while applying experienced judgments and estimates in relation to the assumptions used in calculating the amount of ECL for stage 3 loans.

Additional information regarding the ECL allowance is included in Note 10 of the Consolidated Financial Statements.

## Future Accounting Policies

### Amendments to IFRS 9 Financial Instruments

On May 30, 2024, the IASB issued amendments to IFRS 9, *Financial Instruments,* and IFRS 7, *Financial Instruments: Disclosures,* for the classification and measurement of financial instruments. The amendments provide clarification on:

a) The recognition and derecognition of some financial assets and financial liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system;
b) the classification of financial assets with environmental, social and corporate governance (ESG) and similar features to avoid divergence in practice, and
c) assessing whether a financial asset meets the SPPI criterion; and
d) the disclosure for equity instruments designated at FVOCI.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. As at December 31, 2024, the impact of adopting this standard on the Consolidated Financial Statements is currently under assessment.

### IFRS 18 Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the Financial Statements*, to replace IAS 1, *Presentation of Financial Statements*. This new standard sets out requirements for the presentation and disclosure of information in financial statements, including:

a) classifying all income and expense into specified categories and provide specified totals and subtotals in the statement of income or loss,
b) how information is aggregated or disaggregated, and
c) the disclosure of management-defined performance measures.

Retrospective application of this standard is mandatory for annual periods starting from January 1, 2027 onwards but earlier application is permitted provided that this fact is disclosed. Central 1 has not applied this standard in preparing these Consolidated Financial Statements as it plans to adopt the standard at its effective date. As at December 31, 2024, the impact of adopting this standard on the Consolidated Financial Statements is currently under assessment.

### 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 December 31, 2024 and December 31, 2023.

Details of our related party disclosures were disclosed in Note 36 of the Consolidated Financial Statements.

## Controls and Procedures

Central 1 has designed and implemented disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management. This ensures appropriate decisions can be made regarding public disclosure and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Central 1 has evaluated the design of their disclosure controls and procedures and their internal controls over financial reporting for the year ended December 31, 2024. Based on that evaluation, Central 1 has concluded that the design of their internal monitoring controls and procedures over financial reporting was effective.

## Corporate Governance

Central 1's disclosure in accordance with Section 2.2. of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and Section 6.2 of National Instrument 52-110 - *Audit Committees* is attached as Schedule "A" to this MD&A.

## 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.

Jump to table of contents

Schedule A /

# Corporate Governance

Jump to table of contents

# Corporate Information

Central 1 Credit Union (Central 1) was incorporated as B.C. Central Credit Union on May 25, 1944. Central 1 is a central credit union governed by the *Credit Union Incorporation Act* (British Columbia) (CUIA). In 1970, B.C. Central Credit Union merged with the British Columbia Credit Union League, which, at that time, was the service corporation and trade association for the province's credit unions.

B.C. Central Credit Union changed its name to Credit Union Central of British Columbia on January 1, 1996 and subsequently changed its name to Central 1 Credit Union effective June 30, 2008. Central 1 Credit Union combined businesses with Credit Union Central of Ontario pursuant to an asset purchase transaction on July 1, 2008 to form Central 1 Credit Union. Central 1's Constitution and Rules can be found on the public website, www.central1.com on the Governance page.

## Membership in Central 1

Membership in Central 1 is restricted to credit unions incorporated in the Provinces of British Columbia and Ontario, cooperative associations and other corporate entities, including a number of credit unions and central credit unions incorporated under the laws of other jurisdictions. The Rules restrict membership in Central 1 to incorporated organizations that qualify as Class A Members, Class B Members or Class C Members in accordance with the requirements below:

(i) Class A Members are: (a) credit unions incorporated under the CUIA or the *Credit Union Act* (British Columbia) (CUA) or the *Credit Unions and Caisses Populaires Act*, 1994 (Ontario) or under the laws of any other province or territory and that, under those laws, are licensed or registered to carry on business as a credit union or caisse populaire in that jurisdiction or are incorporated as a federal credit union under the laws of Canada; or (b) a credit union incorporated under the laws of another jurisdiction as a central credit union or as a corporation which, in the opinion of the Board of Directors (the Board) of Central 1, conducts its operations in a manner similar to a central credit union incorporated under the CUIA or CUA, and whose application for membership has been approved by the Board.

(ii) Class B Members are cooperative associations incorporated under the *Cooperative Association Act* (British Columbia) or a cooperative incorporated under another law of the Province of British Columbia or under the laws of another jurisdiction which, in the opinion of the Board of Central 1, conducts its operations on a cooperative basis and is designated as a cooperative association by the Board for the purposes of membership in Central 1.

(iii) Class C Members are incorporated organizations whose application for membership has been approved by the Board as provided in the Rules, other than a Class A Member or a Class B Member.

As of December 31, 2024, Central 1's membership consisted of 85 Class A members, 108 Class B members and 87 Class C members.

On February 27, 2014, the Financial Institutions Commission (now succeeded by the British Columbia Financial Services Authority (BCFSA)) designated Central 1 as a domestic systemically important financial institution (D-SIFI) within the Canadian credit union network. D-SIFIs are financial institutions whose failure could cause significant disruption to the wider financial network and economic activity. Institutions designated as D-SIFIs are subject to additional capital and liquidity requirements and enhanced supervision by regulatory authorities.

# Corporate Governance Disclosure

## Board of Directors

Our Board currently consists of 15 directors who are ultimately responsible for the stewardship of Central 1 and oversight of its risk and financial performance.

### Shelley McDade

*Campbell River, British Columbia*

Board Chair (2023/2024). Director since 2017
Currently serving a third term (2023 – 2026)

Shelley's financial services career spans over 40 years in the B.C. credit union system. She is currently Chief Executive Officer of Sunshine Coast Credit Union, a cooperative in operation for more than 80 years with close to $1 billion dollars in assets under administration.

Shelley is best known for her commitment and passion for leveraging collaboration to create value for members locally and across the system. A well-respected leader and advisor to a variety of community and industry groups, she has also dedicated her time to championing collaborative opportunities across the credit union network including the Solutions Centre, Risk Management Alliance, and CUSO Wealth.

Shelley's board experience includes serving on the Capilano University Board of Governors, Wealth Management CUSO Strategies Board and the Central 1 Solutions Center Board. Currently, she serves on the board of Sunshine Coast Insurance Services, The Co-operators Group, and Rhiza Capital Investments.

An accredited director through ICSA Canada, Shelley obtained her Master of Business Administration from Aspen University and successfully completed her ICD-Rotman Directors Designation in 2021.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board Chair, Board of Directors | 17/18 | Jan 1 – Dec 31 | 94% |
| Member, Human Resources Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Risk Review and Investment & Loan Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Nominations and Elections Committee | 3/3 | Jan 1 – Dec 31 | 100% |
| Member of Ad hoc Committee | 2/3 | Aug 1 – Dec 31 | 67% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Rhiza Capital Investments, Sunshine Coast Insurance Services and The Co-operators Group boards | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, P&L Ownership, Financial Acumen, Risk Management, Individual F.I. Liquidity, Regulatory Expertise, Governance Experience, Community Engagement | | | |

### Carolyn Burke

*Oakville, Ontario*

Vice Chair (2023/2024). Director since 2021 Currently serving a second term (2023–2026)

Carolyn retired in 2020 as the Executive Head, Enterprise Payments at RBC where she had worked since 1985. She was responsible for leading RBC's payments strategy and council including that organization's payment modernization program.

An experienced board member in the Canadian financial services industry, Carolyn served on the Canadian Payments Association board, Payments Canada Member Advisory Council (past chair), Payments Canada Board, Interac board, Acxsys board, and on CertaPay, Mondex and Visa Senior Advisory Councils. She also represented RBC at the Canadian Bankers' Association (CBA) Senior Payments Committee for a decade.

Carolyn holds a master's degree in business administration from McGill University and the Chartered Director (C.Dir.) designation from The Directors College. She previously served as a director of Rise, a national charity, supporting entrepreneurship for individuals with mental health or addiction challenges, is a director on the board of another financial institution in Canada and an advisory director to a Canadian fintech.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors (Vice Chair since April 26, 2023) | 16/18 | Jan 1 – Dec 31 | 89% |
| Member, Human Resources Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Chair, Technology & Innovation Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Ad hoc Committees of the Board | 20/21 | Jan 1 – Dec 31 | 95% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Financial Institution<br>Advisory Director, Fintech | | | |
| **Areas of Expertise** | | | |
| Technology Business; Governance Experience; P&L Ownership; Regulatory Experience; Canadian Payments Expertise | | | |

Jump to table of contents

## Paul Challinor

*Delta, British Columbia*

Director since 2020
Currently serving a second term (2023–2026)

Paul was first elected to Central 1's Board of Directors in 2020. He is a Chartered Professional Accountant (FCPA) with more than 40 years of public practice experience and has been a director of First West Credit Union since 2019.

Now retired as a Partner at PricewaterhouseCoopers (PwC) Vancouver, Paul was the leader of PwC's Financial Services practice in BC from 2000 to 2015. Throughout his PwC career he served many of BC's large public, private and member-owned financial services organizations – credit unions, trust companies, insurance companies and investment managers. His governance experience includes three years on the board of the Chartered Professional Accountants of British Columbia, two years on the Audit Advisory Committee of the Public Guardian and Trustee of British Columbia, six years on the board of Canuck Place Children's Hospice and three years on the board of the Delta Hospital and Community Health Foundation.

Paul's key board competencies are financial accounting and audit, and risk management. He holds a BA (Honours) in Industrial Economics from the University of Nottingham (UK) and completed his ICD - Rotman Directors Designation in 2019.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Chair, Audit and Finance Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Risk Review and Investment & Loan Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Chair, Nominations and Elections Committee | 3/3 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, First West Credit Union – Chair of Risk, Investment & Loan Committee; Member of Audit and Conduct Review Committee and Governance and Nominations Committee. | | | |
| Member, Investigation Committee, Chartered Professional Accountants of British Columbia | | | |
| Director and Treasurer – Delta Hospital and Community Health Foundation | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Liquidity Management, Investment Management, Regulatory Expertise, Governance Experience, Human Resources, Community Engagement | | | |

## Barry Delaney

*Salmon Arm, British Columbia*

Director since 2021
Currently serving a second term (2024–2027)

Barry is President and Chief Executive Officer of SASCU (Salmon Arm Savings and Credit Union), a position he has held since 2016. Prior to joining SASCU, he was interim CEO at Northern Savings Credit Union after 20+ years in executive management roles at First West Credit Union.

Barry holds a Bachelor of Commerce from the University of Calgary and an MBA from Queens University. In 2024 he earned his Institute of Corporate Directors certification. He has served on a number of boards in the not-for-profit sector (Co-operative Development Foundation) and post-secondary education sector, including Board Chair of the University of the Fraser Valley. Barry is a Lean Certified Executive. Barry and his wife have seven children, and he is an active commercial, multi-engine pilot.

Barry's first job after graduating from University was a six-month work assignment at Lego, in their international marketing department, in Denmark. This remains the only professional achievement of which his children are proud.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Audit and Finance Committee | 3/4 | Jan 1 – Dec 31 | 75% |
| Member, Conduct Review and Corporate Governance Committee | 6/7 | Jan 1 – Dec 31 | 86% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Board of SASCU Insurance Services | | | |
| Alternate Delegate, BC Region, The Co-operators Group Ltd. | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Regulatory Expertise, Governance Experience, Human Resources Experience, Community Engagement | | | |

## Connie Denesiuk

*Summerland, British Columbia*

Director since 2022
Currently serving a first term (2022–2025)

Connie was elected to Central 1's Board in 2022 and has served as a director on the board of Summerland & District Credit Union for 11 years. For almost 40 years, she was the administrative partner in the Summerland-based construction business owned by her and her husband.

Connie brings experience in leadership, governance and financial oversight to the Board table having served 19 years on the Okanagan Skaha School Board (including nine as chair). She also served on the boards of the BC School Trustees Association; the Canadian School Board Association; Okanagan College Board of Governors; and the board of the Okanagan College Foundation.

Connie is active in her community, having volunteered on a number of committees and boards including the Chamber of Commerce and the Advisory Planning Commission. She is currently active in the local Rotary Club.

Connie holds a Master of Arts in Leadership degree from Royal Roads University and recently completed the High-Performing Board digital series (2-year program) offered by CUES.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 17/18 | Jan 1 – Dec 31 | 95% |
| Member, Conduct Review and Corporate Governance Committee | 7/7 | Jan 1 – Dec 31 | 100% |
| Member Since April 16, 2024, Human Resource Committee | 3/3 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Summerland Credit Union | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Governance Experience, Human Resources Experience | | | |

## Shawn Good

*London, Ontario*

Director since 2024
Currently serving a first term (2024-2027)

Shawn Good currently is President & Chief Executive Officer (since 2023) for Libro Credit Union in London, Ontario. He has over 25 years of credit union and financial services experience and is committed to lifelong learning, leadership and development.

Previously Shawn was President and CEO of Prospera Credit Union in BC and, most recently, CEO at SaskCentral in Regina.

Shawn holds an Executive MBA from Queen's School of Business, attained his ICD.D from the Institute of Corporate Directors at the Rotman School of Business, and completed the Strategic Leadership program at the Banff Leadership Centre. He has been recognized nationally with awards including the 2009 National Young Leader award, selected by Credit Union Central of Canada.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 14/14 | Apr 16 – Dec 31 | 100% |
| Member, Nominations and Elections Committee | 2/2 | Apr 16 – Dec 31 | 100% |
| Member, Technology & Innovation Committee | 3/3 | Apr 16 – Dec 31 | 100% |
| Member, Ad hoc Committee of the Board | 3/3 | Aug 16 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| None at this time | | | |
| Areas of Expertise | | | |
| Strategy, M&A, Canadian Payments, Investment Management, Credit Union/Cooperative Sector, Financial Acumen, Liquidity Management, Regulatory Expertise, Governance Experience | | | |

Jump to table of contents

## Brian Harris

*Vancouver, British Columbia*

Director since 2024
Currently serving a first term (2024-2027)

Brian Harris is the President and Chief Executive Officer (CEO) of Beem Credit Union, one of the largest provincially regulated credit union in British Columbia. In 2024, Brian was instrumental in leading four successful mergers to form Beem, a new credit union whose founding partners share over 80 years of collective history serving 190,000 members in communities across B.C.

Prior to leading Beem, Brian served as President and CEO of Interior Savings Credit Union, where he prioritized community engagement and member-focused experiences. Brian also served as the Chief Product Officer at Nets, Europe's leading paytech provider delivering groundbreaking digital platforms and experiences to more than 150 European financial institutions. Prior to that, Brian held executive leadership positions at Currencies Direct and Western Union Business Solutions where he led the evolution of international money transfer systems and business payment solutions for customers around the world.

A lifelong learner, Brian studied at the Saïd Business School, University of Oxford; the University of California, Berkeley Haas School of Business; and Royal Roads University in Victoria, British Columbia.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 11/14 | Apr 16 – Dec 31 | 79% |
| Member, Nominations and Elections Committee | 2/2 | Apr 16 – Dec 31 | 100% |
| Member, Technology & Innovation Committee | 3/3 | Apr 16 – Dec 31 | 100% |
| Member, Ad hoc Committee of the Board | 3/3 | Aug 16 – Dec 31 | 100% |

**Other Current Boards/Committee Memberships**

2024-Present: Collabria Board Nominee Program, 2022-Present: 1200089 B.C. Ltd 'Holdco'
2019-2021: Chairperson, Gerards Cross Sports Club

**Areas of Expertise**

Credit Union/Cooperative Sector, Business Strategy, Sustainable Growth, Payments, Global Financial Services, Digital Innovation, Risk Management, Financial Acumen, Regulatory Experience, Governance Experience, Community Engagement

## John Klassen

*New Hamburg, Ontario*

Director since 2021
Currently serving a second term (2024–2027)

John Klassen has served as the Chief Finance and Compliance/Chief Financial Officer, for Kindred Credit Union, since 2009. Beginning in 1994 John has worked in a in number of member- facing capacities including MSR, Loans Officer and Certified Financial Planner before moving to Kindred's Head Office in 2000 as Chief Operating Officer.

John is a Chartered Professional Accountant, CPA, CMA as well as a Certified Financial Planner (CFP) and holds a Bachelor of Science Degree (Honours), Peace and Conflict Studies Minor from the University of Waterloo. He is active in his community including past service on the boards at Rockway Mennonite Collegiate, Tri-County Mennonite Homes, and Meritas Mutual Funds.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Audit and Finance Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Technology & Innovation Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Guest, Ad Hoc Committee of the Board | 5/5 | Apr 26 – Dec 31 | 100% |

**Other Current Boards/Committee Memberships**

None at this time

**Areas of Expertise**

Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Financial Acumen, Liquidity Management, Regulatory Expertise, Governance Experience, Community Engagement, Canadian Payments Expertise, Investment Management Expertise

Jump to table of contents

## Penny-Lynn McPherson

*Shirley, British Columbia*

Director since 2015
Currently serving a fourth term (2024–2027)

Penny-Lynn spent most of her career as Vice-President, General Counsel and Corporate Secretary for the Canadian Payments Association (now Payments Canada). She has over 30 years' experience in payments, clearing and settlement, ecommerce, legal, compliance, risk management and corporate governance. Penny-Lynn is also a Director of the Facility Association. She has served on and co-chaired many payment system committees and served as a director and vice-chair of a hospital board.

Penny-Lynn holds a Bachelor of Arts from Carleton University, and an LLB from the University of Ottawa. She is a member of the Law Society of Ontario.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2023 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Audit and Finance Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Chair, Risk Review and Investment & Loan Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Technology & Innovation Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Chair, Ad Hoc Committee of the Board | 21/21 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Facility Association Board | | | |
| Areas of Expertise | | | |
| Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Liquidity Management Expertise, Regulatory Expertise, Legal Expertise, Governance Experience, Human Resources Experience, Payments Expertise | | | |

## Sanjit S. Sodhi

*Toronto, Ontario*

Director since 2019
Currently serving a second term (2022–2025)

Sunny is Chief Legal and Corporate Affairs Officer at Meridian Credit Union, Ontario's largest credit union with over $30 billion in assets under management. As a member of the senior executive team at Meridian, Sunny is responsible for overseeing the following five corporate functions: Legal; Environment, Social, and Governance (ESG) and Social Impact; Corporate Governance; Vendor Management; Internal Audit. Prior to joining Meridian, Sunny practiced corporate law with a focus on advising domestic and international banks and insurance companies on a broad array of complex corporate and regulatory matters. He practiced in Toronto with Torys LLP and then Fasken Martineau DuMoulin LLP as a partner, and he also practiced abroad with top international law firm Freshfields Bruckhaus Deringer LLP in its Singapore office. Sunny has been recognized repeatedly by top international legal rankings as a leading lawyer in Canada for corporate/M&A and banking.

Sunny graduated from the University of British Columbia with a Bachelor of Commerce (Hons), and from the University of Victoria with a Juris Doctor. He has been a member of the Bar in Ontario and New York since 2003.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 17/18 | Jan 1 – Dec 31 | 94% |
| Chair, Conduct Review and Corporate Governance Committee | 5/5 | Jan 1 – Dec 31 | 100% |
| Member, Human Resources Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Ad Hoc Committee of the Board | 8/8 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Director: Meridian OneCap Credit Corporation / Motus Bank / Centre for Addiction and Mental Health (CAMH) / Focal Healthcare Limited | | | |
| Chair, Ontario Pension Sub-Committee | | | |
| Delegate, The Co-operators Group | | | |
| Areas of Expertise | | | |
| Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Legal, Corporate Governance, Human Resources Management, Government Relations, Corporate Communications, Enterprise Strategy | | | |

Jump to table of contents

## Christie Stephenson

*Vancouver, BC*

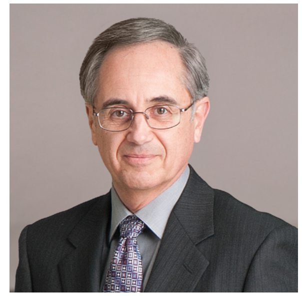
Director since 2021
Currently serving a second term (2023–2026)

Christie is the Executive Director of the Peter P. Dhillon Centre for Business Ethics at the University of British Columbia's Sauder School of Business, where she focuses on environmental, social and governance (ESG) investing and governance. Christie is a member of the Climate Governance Experts Network of the Canadian Climate Law Initiative, the Metro Vancouver Zero Emissions Innovation Centre's investment committee, the Watershed Security Fund of BC's investment working group, the International Impact and Sustainable Finance Faculty Consortium, and the British Columbia Securities Commission Corporate Finance Stakeholder Forum, and has served as a judge for the Governance Professionals of Canada's Excellence in Governance Awards, the Chartered Professional Accountants of Canada's Corporate Reporting Awards and the Canadian Investment Review's Pension Leadership Awards.

Christie has more than two decades of diverse director experience, which includes having delivered training for directors of cooperatives and public companies through UBC Sauder Executive Education, Directors College, and the Governance Professionals of Canada; having taught ESG investing to undergraduate and MBA students; and delivered education for a variety of professionals including accountants on non-financial disclosure through the Chartered Professional Accountants of Canada.

Currently, she is a director of Vancouver City Savings Credit Union and has served on its governance, audit, equity and people, technology and nominations committees.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Conduct Review and Corporate Governance Committee | 7/7 | Jan 1 – Apr 26 | 100% |
| Member, Risk Review and Investment & Loan Committee | 3/4 | Jan 1 – Dec 31 | 75% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Vancouver City Savings Credit Union | | | |
| Director, The Co-operators | | | |
| Areas of Expertise | | | |
| Credit Union/Cooperative Sector, Governance Experience, Community Engagement | | | |



## Art Van Pelt

*Maple Ridge, BC*

Director since 2022
Currently serving a first term (2022–2025)

Art was elected to Central 1's Board in 2022 and is a director on Prospera Credit Union's board. First elected to the board of Westminster Savings in 2013 (Prospera and Westminster Savings Credit Unions merged January 1, 2020) he served as chair of that board from 2018 to 2020 and, following the merger, of Prospera's board from 2020 to 2023.

Art is a seasoned human resources professional with more than 35 years experience. A former vice president for People at Overwaitea Food Group (Save-On-Foods), he has extensive experience managing compensation, payroll, health and safety, recognition, training, succession planning and labour relations. In the community, Art has served on various boards, including the Canadian Grocery HR Council, Alouette Addictions Services Society and the Ridge Meadows Hospital Foundation. He is secretary and lead management trustee of the United Food and Commercial Workers Industry Pension Trust, serving as a member of the Investment Subcommittee and a member of the Fengate Infrastructure Yield Fund Advisory Committee.

Art holds a BA with a major in business administration and economics from Simon Fraser University. He is a Chartered Professional in Human Resources and a member of the Institute of Corporate Directors and graduate of the ICD.D program.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 12/18 | Jan 1 – Dec 31 | 67% |
| Member, Conduct Review and Corporate Governance Committee | 5/5 | Jan 1 – Dec 31 | 100% |
| Member, Human Resources Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Director, Member, Audit and Conduct Review Committee and Chair, People Experience Committee - Prospera Credit Union | | | |
| Board Chair, Prospera Foundation | | | |
| Trustee; Member, Investment Subcommittee - UFCW Pension Trust | | | |
| Member, Advisory Committee, Fengate Infrastructure Yield Fund | | | |
| Areas of Expertise | | | |
| Credit Union/Cooperative Sector, Risk Management, Governance Experience, Human Resources Experience | | | |

Jump to table of contents

## Tom Vandeloo

*Richmond Hill, Ontario*

Director since 2021
Currently serving a second term (2023–2026)

Tom is a director on the Board of DUCA Financial Services Credit Union. He joined DUCA's board in 2015 and has served as its board chair since 2016.

Tom Vandeloo retired in 2020, culminating his career as a Partner at PwC. He has nearly thirty years of consulting experience in business integration & separation, cost optimization, business performance improvement, procurement & strategic sourcing, and supply chain services.

Tom holds a Bachelor of Math (Computer Science) from the University of Waterloo and is a Certified Director (ICD.D).

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Audit and Finance Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Chair, Human Resources Committee | 4/4 | Apr 26 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| Board Chair, DUCA Financial Services Credit Union | | | |
| Member, Ontario Pension Sub-Committee | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, P&L Ownership, Risk Management, Technology Business Expertise, Governance Experience, Human Resources Experience | | | |

## Russell Voutour

*Guelph, Ontario*

Director since 2023
Currently serving a first term (2023–2026)

Russ Voutour is currently Chief Information Officer, at Your Neighbourhood Credit Union Limited (YNCU) where he oversees Infrastructure, Enterprise Services, Information Technology Governance, Innovation and Business Intelligence/Analytics. He joined YNCU in March 2021. Russ has worked in the financial services industry for 15 years, including various areas such as Digital, Analytics and Architecture.

Throughout his career, Russ has demonstrated the ability to understand the complexities of the financial services industry and apply technology to solve business challenges. He has played a key role in driving digital transformation at several leading financial service organizations. He has done so by leveraging technologies such as artificial intelligence and cloud computing to streamline operations and create new digital distribution channels. Before joining YNCU, Russ was a member of the founding team for Sonnet Insurance, Canada's first digital direct insurance company and Head of Technology for TD Insurance.

A big believer in serving his community, Russ is a supporter of Habitat for Humanity. He holds a degree in Computer Science from the University of Guelph.

| Central 1's Board/ Committee Memberships | Attendance at Meetings during 2024 | | |
|---|---|---|---|
| | Attendance | Term in 2024 | % of Meetings Attended |
| Board of Directors | 16/18 | Jan 1 – Dec 31 | 89% |
| Member, Risk Review and Investment & Loan Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| Member, Technology & Innovation Committee | 4/4 | Jan 1 – Dec 31 | 100% |
| **Other Current Boards/Committee Memberships** | | | |
| None at this time | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Regulatory Expertise, Governance Experience, Human Resources, Experience, Community Engagement | | | |

Jump to table of contents

## Cheryl Wallace

*Prince George, British Columbia*

Director since 2019
Currently serving a second term (2022–2025)

Cheryl was elected to Central 1's Board in 2019. She is a director on the board of Integris Credit Union in Prince George, and has served as its Chair and Vice Chair. She has lived in Prince George for 19 years originally moving from the Lower Mainland and has served on various not for profit boards and provides volunteer financial literacy sessions to the community.

Cheryl teaches at the University of Northern British Columbia (UNBC) and volunteers teaching financial literacy along with her own consulting business. She has extensive not-for-profit experience working and volunteering including the YMCA, Junior Achievement BC and most recently, as CFO with Carrier Sekani Family Service, a non-profit organization which delivers a wide selection of Health and Social programs to ten First Nations communities in Northern BC.

Cheryl is a Chartered Professional Accountant (CPA, CMA) holds a Master of Business Administration (MBA) from UNBC and has completed the ICD.D designation through the Institute of Corporate Directors.

| **Central 1's Board/ Committee Memberships** | **Attendance at Meetings during 2024** | | |
|---|---|---|---|
| | **Attendance** | **Term in 2024** | **% of Meetings Attended** |
| Board of Directors | 18/18 | Jan 1 – Dec 31 | 100% |
| Member, Human Resources Committee | 3/3 | Jan 1 – Dec 31 | 100% |
| Member since April 16, 2024, Conduct Review and Corporate Governance Committee | 4/5 | Jan 1 – Dec 31 | 80% |
| **Other Current Boards/Committee Memberships** | | | |
| Director: Integris Credit Union | | | |
| **Areas of Expertise** | | | |
| Credit Union/Cooperative Sector, Financial Acumen, Risk Management, Regulatory Expertise, Governance Experience, Human Resources, Experience, Community Engagement | | | |

## Board and Committee Meetings

Directors are expected to attend all Board and Committee meetings. While most meetings are planned a year in advance, from time to time a Board or Committee will schedule a meeting at short notice resulting in some directors not being able to attend the meeting. Currently, Board meetings are conducted both in person and via videoconference, while Committee meetings are conducted by videoconference. The following tables set out a summary of the Board and Committee meetings held during 2024.

| Board/Committee | Total Number of Meetings |
|---|---|
| Board | 18 |
| Audit and Finance Committee | 4 |
| Conduct Review and Corporate Governance Committee | 7 |
| Human Resources Committee | 4 |
| Nominations and Elections Committee | 3 |
| Risk Review and Investment & Loan Committee | 4 |
| Technology & Innovation Committee | 4 |
| Ad Hoc Committee of the Board | 21 |

The table below shows the attendance record for each director as set out in their director profiles.

| Director | Committee Meetings | Board Meetings | Percentage of Meetings Attended |
|---|---|---|---|
| C. Burke | 28/29 | 16/18 | 94% |
| P. Challinor | 11/11 | 18/18 | 100% |
| B. Delaney | 9/11 | 18/18 | 93% |
| C. Denesiuk | 10/10 | 17/18 | 96% |
| S. Good | 8/8 | 14/14 | 100% |
| B. Harris | 8/8 | 11/14 | 86% |
| J. Klassen | 8/8 | 18/18 | 100% |
| S. McDade | 13/14 | 17/18 | 94% |
| P. McPherson | 33/33 | 18/18 | 100% |
| S. Sodhi | 27/29 | 17/18 | 94% |
| C. Stephenson | 10/11 | 18/18 | 97% |
| A. Van Pelt | 9/9 | 12/18 | 78% |
| T. Vandeloo | 8/8 | 18/18 | 100% |
| R. Voutour | 8/8 | 16/18 | 92% |
| C. Wallace | 7/8 | 18/18 | 96% |

# Governance Framework

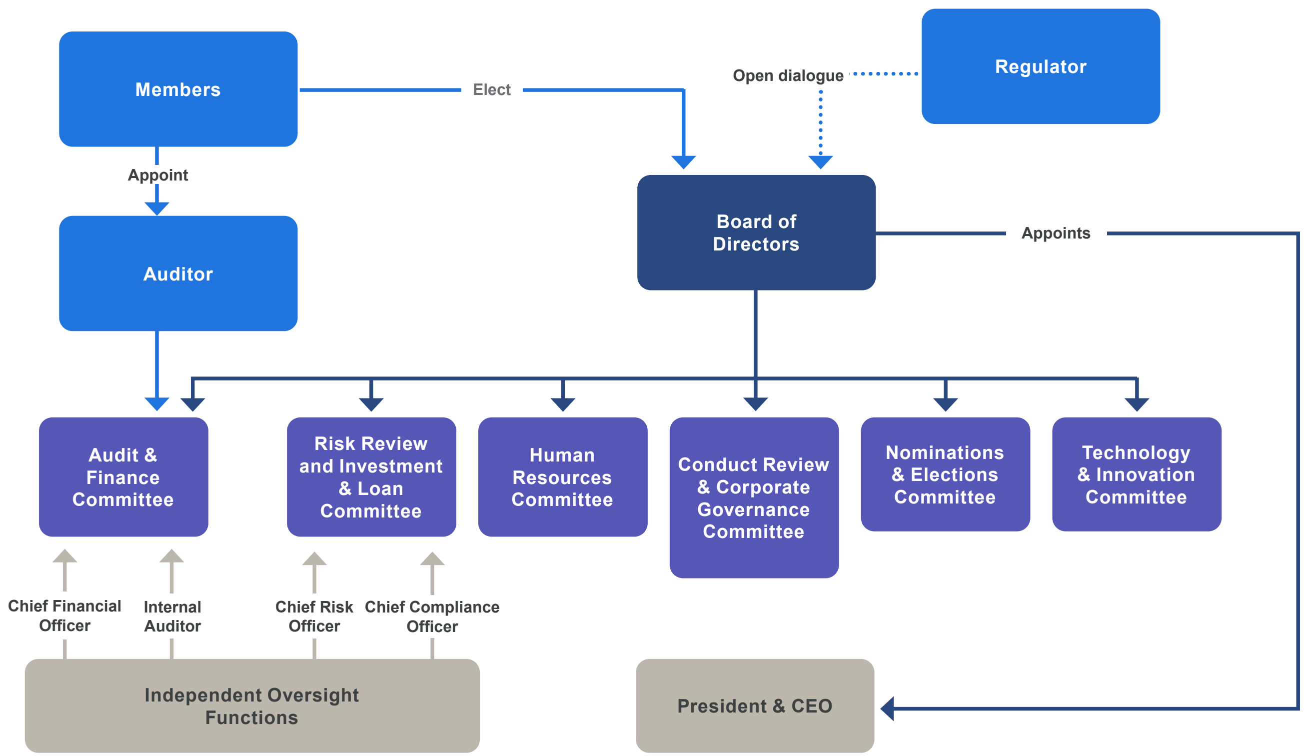
This framework provides an overview of the corporate governance structures, principles, policies and practices of the Board of Central 1, which together enable Central 1 to meet or exceed governance expectations of the British Columbia Financial Services Authority (BSFSA), the Canadian Securities Administrators (CSA) and applicable legislation.

Our Board and management are committed to leadership in corporate governance and understand that good governance is central to the efficient and effective operation of Central 1 in a manner that ultimately enhances member value. Our corporate governance framework is subject to ongoing review, assessment and improvement. The Board proactively adopts governance policies and practices designed to align the interests of our Board and management with those of our members and other stakeholders, and to promote the highest standards of ethical behaviour and risk management at every level of the organization.

As a reporting issuer in certain jurisdictions of Canada, Central 1 is required to disclose certain corporate governance practices it has adopted.

## Governance Structure

The fundamental relationship among the Board, management, members, and other stakeholders is established by our governance structure, as illustrated below.




Jump to table of contents

## Board Mandate

Our Board is responsible for the overall stewardship of Central 1, on behalf of its members. It is responsible for supervising the management of the affairs and business of Central 1 in accordance with Central 1's Rules, the CUIA and the *Financial Institutions Act* (British Columbia) (FIA) and other applicable legislation and regulations. Our Board fulfils this responsibility both directly and by delegating certain authority to Board committees and Central 1's senior management.

## Committees of the Board

Directors are required to serve on committees of the Board that carry out legislated and delegated duties. As at the date hereof, there are six standing committees of the Board:

- Audit and Finance
- Conduct Review and Corporate Governance
- Human Resources
- Nominations and Elections
- Risk Review and Investment & Loan
- Technology & Innovation

Terms of Reference for the Committees of the Board listed above can be found on Central 1's website (www.central1.com). The Board may also create special ad hoc committees from time-to-time to perform specific tasks on behalf of the Board.

Each committee operates in accordance with Board-approved terms of reference. A written position description is in place for the Committee Chair. Each committee annually reviews its terms of reference to ensure that regulatory requirements and best practices are reflected, and recommends any changes to the Conduct Review and Corporate Governance Committee, which ultimately recommends changes to the Board. Each committee also assesses its effectiveness to ensure that it has successfully fulfilled its responsibilities as set out in its terms of reference through a biennial process overseen by the Conduct Review and Corporate Governance Committee.

Committee members are elected annually following Central 1's annual general meeting. The Conduct Review and Corporate Governance Committee recommends directors to each of the committees. Following each meeting, the committee Chair reports to the Board on the committee's activities and makes such recommendations as are deemed appropriate in the circumstance.

All meetings have scheduled in-camera sessions when members can discuss the committee operations and responsibilities without management present.

Committees have the authority to engage and determine funding for any independent counsel, consultants and advisors, as may be deemed necessary to carry out their responsibilities.

## Audit and Finance Committee

Our management is responsible for the preparation, presentation and integrity of Central 1's financial statements, maintaining appropriate accounting and financial reporting principles, policies, internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information. The Audit and Finance Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- the integrity of Central 1's financial statements;
- the external auditors' qualifications and independence;
- the performance of Central 1's internal audit function and external auditors;
- the adequacy and effectiveness of internal controls; and
- Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The current members of the Audit and Finance Committee are set out in the table below with the education and experience that is relevant to each member's performance of his or her responsibilities as an audit committee member. Each member of the Audit and Finance Committee is "independent" and "financially literate" within the meaning of the rules of the Canadian Securities Administrators relating to audit committees.

The following table sets out the relevant education and experience of the members of the Audit and Finance Committee.

| Audit and Finance Committee Member | Relevant Education | Met 2024 requirements for CPD* | Relevant Experience |
|---|---|---|---|
| Paul Challinor | BA (Honours) Industrial Economics, CPA | Completed | Board Member, First West Credit Union, chair of its Risk, Investment and Loan and member of Audit and Conduct Review committees. Previous senior level experience in financial accounting and audit, business growth and transformation and risk management |
| Barry Delaney | BComm, MBA | Completed | CEO SASCU (Salmon Arm Savings Credit Union). Previous experience as SVP Risk at First West Credit Union |
| John Klassen | BSc (Honours) with Peace and Conflict Studies Minor, CFP, CPA | Completed | Interim CEO; Chief Finance and Compliance/Chief Financial Officer, Kindred Credit Union Limited. Previous senior level experience as Chief Operating Officer. |
| Penny-Lynn McPherson | BA, LLB | Completed | Chair, Central 1's Risk Review and Investment & Loan Committee and member of its Technology & Innovation Committee. Previously VP General Counsel and Corporate Secretary, Payments Canada. |
| Tom Vandeloo | BMath (Computer Science), ICD.D | Completed | Board Chair, DUCA Financial Services Credit Union - member (ex-officio) Audit, Credit, Governance, HR & Compensation, and Risk Committees |

*Continuing Professional Development for relevant professional designations.

**External Auditor Service Fees**

The table below shows the fees billed to Central 1 for professional services rendered by Central 1's external auditor KPMG LLP during the last two fiscal years:

| | 2024 | 2023 |
|---|---|---|
| Audit Fees[(1)] | $ 1,331,375 | $ 1,228,350 |
| Audit-related Fees[(2)] | 101,690 | 96,850 |
| Tax Fees[(3)] | 283,150 | 230,649 |
| All Other Fees | | |
| MLP Segregation Fees[(4)] | $ - | $ 54,714 |
| Other Fees[(5)] | - | 25,000 |
| Total[(6)] | $ 1,716,215 | $ 1,635,563 |

[(1)] Audit fees in both years included audits of Central 1 and subsidiaries, and quarterly reviews of Central 1.
[(2)] Audit-related fees in both years included audits of Central 1's Ontario Registered Retirement Plan and specified procedures over mortgage-backed securities.
[(3)] Tax fees in both years included tax advisory and compliance fees for Central 1 and subsidiaries.
[(4)] MLP Segregation in the prior year included tax and advisory services related to the planned legal segregation of Central 1's Mandatory Liquidity Portfolio operating segment.
[(5)] Other fees in the prior year included a non-recurring advisory engagement.
[(6)] All fees are before Canadian Public Accountability Board and administration fee charges as well as applicable taxes.

The Terms of Reference of the Audit and Finance Committee are attached to this document as Appendix A. Central 1 is relying on the exemption in Section 6.1 of National Instrument 52-110 Audit Committees.

**Pre-Approval of Services**

The Audit and Finance Committee must pre-approve all audit and non-audit services, including the provision of tax advice (other than de minimus non-audit services provided to Central 1 and its subsidiaries, as defined in NI 52-110). The Chairperson is authorized to provide such pre-approval throughout the year, in accordance with applicable terms of reference with any such approvals being reported to the next regularly scheduled meeting of the Audit and Finance Committee.

### Conduct Review and Corporate Governance Committee

The Conduct Review and Corporate Governance Committee is responsible for ensuring performance by Central 1 of the duties required of it by the CUIA and Parts 4 and 5 of the FIA. The Committee is also responsible for advising the Board in applying governance principles, monitoring developments in corporate governance and adopting best practices to the needs and circumstances of Central 1.

### Human Resources Committee

The Human Resources Committee is responsible for advising the Board on succession planning of President and Chief Executive Officer (CEO), compensation and human resources principles and on related policies and practices. This committee provides its recommendation to the Board for compensation of the CEO in light of their performance and Central 1's performance, as well as the succession planning of CEO. In addition, the Committee approves the compensation of other senior management and oversees matters concerning Central 1's pension plans.

### Nominations and Elections Committee

The Nominations and Elections Committee is responsible for overseeing the director nomination and election process. Its responsibilities include recruiting and recommending candidates for election to the Board. Committee members ensure that the competencies identified in the Board-approved skills and experience matrix are present on the Board to meet the current needs of Central 1's governance leadership and strategic intent. Central 1 is committed to building and sustaining a diverse and inclusive Board that both supports Central 1's strategy and reflects the credit union system it serves. This committee is comprised of six members who are not standing for election, two of whom are not directors on Central 1's Board.

### Risk Review and Investment & Loan Committee

The Risk Review and Investment & Loan Committee is responsible for overseeing the effective operation of all risk taking operations and risk management functions of Central 1 and ensuring appropriate risk governance processes are executed effectively and that investment, lending and other business operations of Central 1 are undertaken in a prudent and risk-informed manner.

The Committee reviews the risk, investment and lending activities of Central 1, the associated corporate policies and any significant and emerging events and related action plans and recommends any improvements or changes to the Board as deemed necessary or desirable. The Committee also monitors and oversees compliance with anti-money laundering and counter terrorism financing legislation and related policies.

### Technology & Innovation Committee

The Technology & Innovation Committee is responsible for providing strategic and risk oversight of matters relating to innovation and technology. The duties and responsibilities of the committee include matters relating to digital and payments projects and programs, enterprise technology (including treasury) projects and programs and operations.

## Management's Role In Board Effectiveness

There is a clear demarcation of roles and responsibilities between the Board and senior management that fosters an environment of transparency, confidence, and mutual trust in which the Board is able to constructively challenge and provide guidance to management.

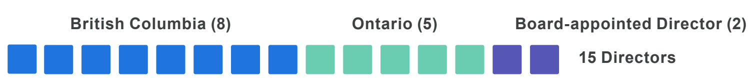
The CEO is appointed by the Board and is responsible for managing the day-to-day affairs of Central 1. The CEO's key responsibilities involve working with the Board to determine the strategic direction of Central 1 and providing leadership to management in achieving strategy objectives. The CEO, together with senior management, is accountable for implementing the Board's decisions and is responsible for directing and overseeing the operations of Central 1.

The Human Resources Committee annually reviews and, if appropriate, recommends to the Board for approval, the CEO's goals and objectives and compensation.

## Board Composition

### Board Size

The Board may be composed of up to 13 directors who are required to be officers or directors of a Class A member and are elected or appointed by Class A members. In addition, the Board has the discretion to appoint up to two Board-appointed directors to fill skills and experience gaps on the Board, for a total of up to 15 directors.




Of the 13 directors who may be elected or appointed by Class A members, eight may be elected or appointed, as the case may be, by Class A members having their head office in B.C. The other five directors may be elected or appointed, as the case may be, by Class A members having their head office in Ontario. Despite directors being elected or appointed on a regional basis, directors who serve on Central 1's Board act for the organization as

Jump to table of contents

a whole. Central 1's Board is currently composed of 15 directors of which 13 were elected or appointed by Class A members and two were appointed by the Board.

Central 1 completes a governance review every three years. The most recent review completed in 2022 with Class "A" Members passing two of three special resolutions approving amendments to Central 1's Constitution and Rules ("Rules") at the 2022 Annual General and Special Meeting. The next regularly scheduled governance review will be undertaken in 2025.

## Director Tenure

Directors serve for a term of three years, unless a shorter term is provided by the Rules or determined by the Board at the time of election or appointment in accordance with the Rules. No director may serve more than 12 consecutive years. Central 1 has no director retirement age policy.

## Independence

All directors are independent of management. Having an independent Board is critical to effective oversight and good governance. Directors are asked annually to complete a questionnaire about their business and any other relationships they have with Central 1 (and its affiliates) and senior management.

Central 1's Board considers its directors to be independent on the basis that its directors are not considered to have a "material relationship" with Central 1 as defined in National Instrument 52-110-Audit Committees.

To facilitate the ability of the Board to function independently of management, the following structures and processes are in place:

- the role of Chair of the Board is separate from the role of CEO;
- there are no members of management on the Board; and
- directors hold in-camera sessions where members of management are not present at each Board and committee meeting

The Board has developed a written position description for the Chair of the Board. The Chair's duties include leading the Board in its management and supervision of the business and affairs of Central 1, including ensuring that all matters relating to the Board mandate are completely disclosed and discussed with the Board. The Chair also leads the Board in its oversight of management.

## Director Nomination and Skills and Experience Matrix ("Skills Matrix")

In accordance with governance best practices and regulatory requirements, the Board, as a whole, is comprised of individuals from diverse backgrounds having specific skills and experience that match the financial, operational and risk oversight needs of Central 1. All directors are expected to have the personal attributes necessary to reflect the cooperative values of Central 1 and the credit union system.

Each year, the directors complete the Annual Director Self-Assessment of his/her perceived level of skills against the various elements in the Skills Matrix. CRCGC reviews the results and determines whether Central 1 has ideal Board composition; identifies any gaps that need to be filled; and reports any skill gap(s) to the Nominations and Elections Committee for recruiting the candidates in the upcoming year.

An external consultant may be engaged to participate in the candidate interviews to provide additional third party, external perspective and feedback to the NEC.

## Interlocking Directorships

The credit union network consists of three tiers. The first tier consists of local credit unions, the second tier consists of provincial central credit unions, each of which is controlled by first tier credit unions, and the third tier consists of Canadian Credit Union Association Cooperative (CCUA), which is owned by first tier credit unions.

Within the credit union network is a network of related corporations and subsidiaries of B.C. and Ontario credit unions, Central 1 and CCUA. This organizational structure results in a series of interlocking directorships and other relationships in which:

- a director of Central 1 is a member of a Class A member credit union and may be a director or an officer of a Class A member credit union of Central 1 and may be a director or officer of:
  (i) a subsidiary of Central 1; or
  (ii) a corporation in which Central 1 or Central 1 and one or more local credit unions have a financial or other interest; and
- a senior officer of Central 1 may be a director, officer, or both, of a subsidiary of Central 1 or a director or officer of a corporation in which Central 1 has a financial or other interest.

The organizational structure of the credit union as explained above may contain an inherent potential for conflicts of interest between Central 1 or a subsidiary of Central 1 and a director or officer of Central 1 or subsidiary of Central 1. However, there are no existing or potential conflicts of interest that are material.

The CRCGC is required to resolve conflicts of interest that may arise and to ensure that Central 1's dealings with its related parties comply with federal and provincial legislation. The CRCGC is required to review Central 1's conflict of interest procedures biennially. The CRCGC undertook such a review in 2024.

Jump to table of contents

## Diversity

We are committed to building and sustaining a diverse and inclusive Board that both supports Central 1's strategy and reflects the credit union system. To support this, the Nominations and Elections Committee will, when identifying candidates to recommend for appointment/election to the Board:

- consider candidates who are highly qualified based on our Board-approved skills matrix;
- take into account that an inclusive board of directors should reflect the diversity of the communities that Central 1 serves; and
- conduct a search for candidates that meet the Board's skills and diversity criteria to help achieve its diversity aspirations.

In promoting diversity, the Nominations and Elections Committee recognizes that diversity encourages the inclusion of different perspectives and ideas, mitigates against groupthink and ensures opportunities to benefit from all available talent.

Central 1 also recognizes the increased diversity disclosure provisions set out in the *Canada Business Corporations Act* effective January 2020 with regards to diversity in nominating directors from designated groups as defined by the *Employment Equity Act*. To that effect, the Skills Matrix has been updated to broaden the diversity disclosure provisions. Section 5, Diversity, of the Skills Matrix lists age, gender, region, ethnicity/culture, board service, interlocking public directorships and expression of interest for any board/committee chair positions for Board succession planning.

It is noted that Central 1's Board does have term limits set out in its *Board Structure* document and summarized earlier in this document under the heading "Director Tenure".

The Board aspires towards a composition that reflects the broader population of Central 1 and the credit union system it serves. Currently the Board is comprised of forty per cent women and sixty per cent men.

## Board Operations

**Chair of the Board**

Each year, the directors elect a Chair. Ms. Shelley McDade is currently Chair of the Board.

**Board and Committee Meetings**

Central 1's directors are required to attend a number of scheduled meetings each year. These meetings include regularly scheduled Board meetings, planning sessions and a number of special meetings. In addition, each director is required to serve on Board committees.

Directors are expected to attend as many meetings as possible. Directors are to come to meetings thoroughly prepared, engage in meetings and make a sustained, positive contribution to the success of Central 1 and the credit union network as a whole.

**In-camera Sessions**

At each Board and committee meeting, the directors meet in-camera without management present.

## Compensation

The Conduct Review and Corporate Governance Committee conducts a periodic review, not less than every three years, of the amount and the form of compensation of directors to provide market-competitive compensation. The maximum annual compensation that may be paid to directors is determined by Central 1's Class A members, who have set it at $800,000. Compensation paid to each director is in this report.

## Key Policies

Central 1 has established policies to ensure that a culture of integrity is maintained throughout the organization. Some of the most important policies include:

- Code of Conduct: The Code of Conduct (Code) outlines the standards of conduct imposed by law, provides guidelines for honest and ethical conduct and offers guidance to help directors recognize and deal with ethical issues that may arise during their tenure. The Code applies to all of Central 1's directors, officers and employees. It is distributed to all directors, officers and employees and is available on Central 1's intranet site. Compliance with the Code is a condition of employment, or term of office in the case of directors. The Code is also available on Central 1's website (www.central1.com). Only in extraordinary circumstances and where it is clearly in the best interests of Central 1, the President and CEO or the Board may waive specific provisions of the Code. Any waiver of the Code for directors or officers of Central 1 may only be granted by the Board, and will promptly be disclosed as required by law.

  All directors, officers and salaried employees are asked annually to acknowledge that they have read and understand the Code and undertake to abide by it.

- Conflict of Interest Policies and Procedures: These Policies and Procedures define conflicts of interest that may arise and how conflicts must be disclosed and managed. Directors and executive officers must ensure that they identify and avoid any actual, potential or perceived conflict of interest that might influence their decisions in their capacity as directors or executive officers of Central 1. Where the conflict can potentially interfere with or be perceived to interfere with a director's independent judgment, the director must either eliminate the interest or duty giving rise to the conflict or resign as a director of Central 1. Where a conflict of interest arises from a transaction or proposed transaction between Central 1 or an affiliate of Central 1, and any person (including a corporation) who is a related party of Central 1 because of a relationship with the director, the affected director and Central 1 shall comply with the requirements of Part 5 of the FIA, and, whenever the director has a direct or indirect interest in the transaction, by complying with the applicable provisions of the CUIA.

- Diversity and Inclusion Policy: In 2020, the Board approved a Diversity and Inclusion Policy. This Policy sets out the Board's philosophy and commitment in considering diversity when determining the optimum composition of the Board and its committees, recognizing that a diverse composition can result in a more effective board
- Ethical Reporting Policy: Employees are often the first to realize there may be something wrong within an organization. They may not express their concerns, however, because they feel speaking up would be disloyal. They may also fear recrimination, harassment or victimization and feel it would be easier to ignore the concern. This policy establishes the framework which allows employees to report suspected wrongdoing, without fear of recrimination.
- Disclosure Policy: Central 1 issues timely, fair and accurate disclosure of material information relating to Central 1 to keep members and the public informed about its affairs in accordance with applicable laws. Respecting its Disclosure Policy is critical to maintaining integrity, and each director, executive officer and employee has an obligation to make sure they conduct themselves according to the policy and its objectives.

## Stewardship of Environmental Social Governance (ESG) at Central 1

Central 1 is committed to building environmental sustainability, social responsibility, and effective corporate governance into all aspects of our business. Our approach to ESG is to target where Central 1's core business functions and in-house expertise overlap with critical ESG issues to embed ESG as a way we all do business.

There are three ESG issues selected as our focus, based on their materiality to our business and their prevalence in Central 1's sustainability commitments (listed below under the "Governance" heading).

1. **Diversity, Equity, and Inclusion**
   Finding where we can build a diverse, equitable, and inclusive culture in our workplace, and where our business (products, services, investments, procurement, etc.) can reduce societal barriers for a fuller potential for all.
2. **Climate**
   Finding where our core business functions can minimize environmental damage and contribute to the transition towards a low carbon economy.
3. **Indigenous Reconciliation**
   Finding where our core business functions can enact the Truth and Reconciliation Commission's call to action #92 for the Canadian corporate sector- both as a responsibility and an opportunity.

For the purpose of highlighting the importance of ESG factors and these three particular themes, we have gathered a summary of some ESG activities at Central 1. You may recognize some activities below as integrated parts of our business previously mentioned in this report.

**Environmental: Climate**

- Environmental impact as a decision-making lens in our investing
  Central 1's Treasury and Portfolio Management team is committed to addressing climate-related challenges. As a proud signatory of the UN-PRI, we are striving to progress and improve our climate disclosure and provide more insight into our investment portfolio. We continue to support further expansion of responsible investing through our continued membership in the Responsible Investing Association (RIA) and the Canadian Bond Investors Association (CBIA) ESG subcommittee. Assessing issuer and issuance against ESG criteria has become a standard part of all our credit reviews of potential investments. A cross department Responsible Impacting Investing Committee (RIIC) has been established to quarterly review Central 1's investing activities to ensure they meet with the Board approved ESG Policy as well as broader industry best practices.
- Environmental impact as a decision-making lens in our supply chain
  Central 1's procurement team integrates questions on vendors' responsible and sustainable business practices in our RFx (Request for something) process. In this way, we filter where our money is spent to support more vendors that have developed an approach to business that propels social/ environmental impact. Our RFx process is designed to bring some clarity to choices we can make that do not indirectly exacerbate the climate crisis.

**Social Factors: Diversity, Equity, and Inclusion; Indigenous Reconciliation**

- In 2024, Central 1 completed the development of its ESG strategic roadmap, upon assembling an ESG Council comprised of senior leaders across the organization. C1 collaborated with an external firm to develop this high level ESG Strategic Roadmap. The ESG roadmap outlines key focus areas for the next 1-3 years and concentrates on compliance initiatives which are critical to enable business changes required for strategic focus and execution.
- The focus of Diversity, Equity and Inclusion and Indigenous Reconciliation concentrated on education, awareness and connection. Events were held throughout the year to highlight cultural awareness and celebrations and to engage employees in learning activities with our partners, CCDI (Canadian Centre of Diversity & Inclusion) and LinkedIn Learning. While many of the employee-led events focused on in person connection, flexibility towards hybrid employees was incorporated into planning.

Jump to table of contents

- Aligned with the ESG roadmap, Human Resources began its journey to align its compensation strategy with the upcoming BC Pay Transparency Act. While many compliant pieces were already in place, including education on compensation and internal disclosure of salary grades, Management introduced salary range information in job postings and began the research to align to 2025 reporting deadlines for November 2025.
- DEI as a decision-making lens in our supply chain
Central 1's procurement team integrates questions on vendors' responsible and sustainable business practices in our RFx process. In this way, we filter where our money is spent to support more vendors that have developed an approach to business that propels social/environmental impact. Our RFx process is designed to bring some clarity to choices we can make that do not indirectly exacerbate social inequities.
- DEI as a decision-making lens in our investing
As part of our responsible investment framework, our investing team integrates social aspects like diversity, equity, and inclusion into our investing practices.
- Closed in recognition, respect, and learning for the National Day of Recognition for Truth and Reconciliation
As part of our continued observation and awareness, in October 2025, an education session on Indigenous Reconciliation was hosted by Germaine Conacher for Central 1's Board of Directors.
- Employee-directed donations to diverse community needs
In 2024, Central 1 employees maximized a corporate match donation program, raising $33,851 to unlock at match of $10,000 to a total of $43,851 to the United Way.
- Annual Gary Gillam Award honours two careers dedicated to significant impact
The Gary Gillam Award was established to honour the memory and work of Gary H. Gillam in advancing social responsibility in the credit union system. The award is co-sponsored by Alterna Savings and Central 1 to recognize exemplary leadership in environmental and/or social responsibility through the promotion of credit unions as socially responsible alternatives to banks and other financial institutions. In 2024, Maureen Young at Coast Capital Savings and Aimee Blyth at the Seasoned Spoon in Peterborough were recognized for their work in their communities. Read more on **central1.com**.

**Governance:**

- ESG Policy to govern and guide decision making
Central 1's leadership and Board are guided by its an Environmental Social Governance Policy approved in May 2021. The eight guiding statements of the policy thread three prevalent ESG themes (climate; diversity, equity, and inclusion; and Indigenous reconciliation) throughout each of our business lines-connecting our everyday activities with generating positive impact. As such, the result we strive for is having ESG factors integrated in to how we do business.
- As a co-operative, we have a stakeholder-driven governance model
Our Board is democratically elected from our membership. This ensures the direction of our organization is aligned to the needs of the credit union system that we serve. We also benefit in learning from the ESG expertise our Board members bring to Central 1 leadership with representation from community-rooted financial institutions, Living Wage employers, a B Corp, and members of the Global Alliance for Banking on Values.
- We are founded on co-operative principles that embed ESG in our business model
In particular, co-operative principle 7, care for community, binds Central 1 to strive to do business in a way that serves our present needs without compromising the ability of future generations to meet their own needs. In 2024, we continued to be faced with visible strains to the systems we operate in with converging crisis of climate, pandemic, and inequality. We collectively are reaching limits that conflict with principle 7 demonstrating why our co-operative foundations are more relevant today than ever.

Central 1 governance and management leaders demonstrate the importance of ESG through signing the following commitments and aligning to the following networks where we can continually improve our approach:

- Signatories to the UN-supported Principles for Responsible Investment
- Signatories to the Canadian Investor Statement on Diversity and Inclusion
- Employer Partner of the Canadian Centre for Diversity and Inclusion
- Member of the Responsible Investment Association
- Signatories to Minerva BC's Face of Leadership Diversity Pledge
- Signatories of the Different Together pledge led by the Honourable Janet Austin, Lieutenant Governor of British Columbia

- Signatories of the BC Business Council's Stand Against Racism statement

Collaborative ESG system partnerships:

- Founded and chair of the credit union Diversity, Equity and Inclusion Working Group
- Member of the Community Impact Committee run by the Canadian Credit Union Association
- Member of the Canadian Bond Association's Environmental Social Governance Committee
- Member of the Climate Action Working Group run by the Canadian Credit Union Association

## Member Communication and Engagement

Central 1's Board of Directors and management provide regular communication to our members through a variety of channels including the following:

- Publishing our Performance Scorecard on the Member Centre with invitations to our Class A CEO and Board Chairs to review our progress. These are published following the corresponding Central 1 Board meetings and quarterly financial disclosure;
- Information posted on our website and/or Client Centre, providing regular updates on services, issues and initiatives;
- Informational webinars and events on relevant topics impacting members and/or their business.

In addition to communication, we also engage members through regular or special events to further strategic decisions for both Central 1 and our members, including:

- Twice annual regional meetings, attended by directors and management of member credit unions and Central 1, held in various locations throughout B.C. and Ontario where we communicate and engage our members on strategic issues impacting the system;
- Engagement events and webinars to facilitate discussion and feedback on governance or strategic issues;
- One-on-one member support to address each member's unique needs and strategy, identifying opportunities to connect members for collaborative projects or develop new ways Central 1 can support our members; and
- The Member Forum held each spring in conference style to facilitate education on industry trends, discussion and engagement on key topics, networking, and the formal business of governance at the Annual General Meeting scheduled in connection with the event.

## Director Orientation, Education and Development

Central 1 relies on the collective knowledge, experience and skill of each director and the Board for its effective governance and success. It is important that directors have the appropriate competency requirements in order to fulfill their oversight responsibilities to Central 1 and its members and thereby contribute to enhancing the credit union network.

Our Board recognizes that investing in ongoing education and development is an important component of effective governance of Central 1. A comprehensive approach to director orientation, education and development is necessary to ensure that all directors:

- Develop within the first year of being a director a basic understanding of each of the core business competencies, including financial literacy, risk management, liquidity management, legal and regulatory and Central 1 business and functions knowledge;
- Continue to deepen their education and improve their skills, professional qualifications, and experience. All directors are required to attend Central 1's in-house education sessions. These sessions are aimed at the core business competencies; and
- To assist individual directors who wish to pursue ongoing education or who volunteer to attend educational conferences and industry events, the Board provides each director with a $10,000 education allowance per three-year term of office.

## New Director Orientation

Following election to Central 1's Board, new directors attend Central 1's director orientation. The Board Chair may assign to new directors a mentor from amongst fellow directors. Our Board Chair and mentor will be invited to attend the orientation session. The Conduct Review and Corporate Governance Committee oversees the orientation program. The goals of the director orientation program are to:

- Ensure new directors fully understand the formal governance structure, the role of the Board, its committees and the individual performance expectations set out in the individual Director's Terms of Reference.
- Help new directors understand Central 1, its operations and working environment, including:
  - strategic priorities, initiatives and key performance indicators;
  - summary details of principal assets, liabilities, significant commitments and major stakeholders;
  - organizational structure;
  - major risks and risk management strategy;
  - operational or financial constraints imposed by legislation or otherwise;
  - Central 1's Code of Conduct; and
  - Director's Conflict of Interest Policy.

- Build links to the individuals who make up Central 1, including:
  - opportunities to meet and get to know fellow directors,
  - meetings with the CEO and the executive management team
  - visits to the Central 1 offices to meet employees; and
  - build an understanding of Central 1's main relationships, including those with members and stakeholders.

## Mandatory Education

New directors are required to complete Level A: Foundations of Governance of the Credit Union Director Achievement training program or a training program offered by CUES.

## Ongoing Director Education

During 2024, directors attended a number of in-house education sessions.

Following is a list of those education sessions held in 2024:

| Attendees | Session |
|---|---|
| Board Members | Selective Disclosure and Insider Trading – Reporting Issuer Requirements / Securities Laws Overview<br>Internal Capital Adequacy Assessment (ICAAP) |
| Board Members | Indigenous Issues- an Introduction Risk Appetite |
| Board Members | Competition Law |

In addition to in-house training sessions, the following table shows the continuing professional development reported to be completed by Central 1's directors in 2024.

| Director | Continuing Formal and Informal Education Sessions in 2024 |
|---|---|
| Carolyn Burke | State Bank of India Canada board education session on AML and Fraud |
| Paul Challinor | Momentum 2024, Toronto, Ontario, October 2024<br>Completed CPD requirements |
| Barry Delaney | Momentum Conference, Toronto, Ontario, October 2024<br>ICD.D designation Completed in September 2024 |
| Connie Denesiuk | Central 1 Momentum Conference, Toronto Ontario, October 2024 |
| Shawn Good | CCUA 2024 Conference, Calgary Alberta, May 2024<br>Central 1 Member Forum and Momentum Conference, Toronto Ontario, October 2024<br>OrgHealth Board Governance Training<br>EDI Leader Lab for White Leaders (Anima Leadership)<br>CUMIS Executive Round Table<br>2024 FSRA Exchange<br>Credit Union Connect \| An EY Canada Forum |
| Brian Harris | CUES 2024 Symposium<br>CUMIS Executive Roundtable<br>CUES Governance Leadership Institute II<br>Large Credit Union Coalition Conference |
| John Klassen | FSRA Exchange, Toronto Ontario, March 2024<br>CCUA 2024 Conference, Calgary Alberta, May 2024<br>Central 1 Momentum Conference, Toronto, Ontario, October 2024<br>Completed all 2024 CPD requirements for Certified Financial Planner (CFP) and Chartered Professional Accountant (CPA) designations |
| Shelley McDade | CCUA 2024 Conference, Calgary Alberta, May 2024<br>Central 1 Momentum Conference, Toronto, Ontario, October 2024<br>WOCCU Conference, Boston, MA, July 2024 |
| Penny-Lynn McPherson | C1 Strategic Insights - Financial Resilience in Canada: Insights, Opportunities & Business Benefits for Credit Unions<br>Central 1 Momentum Conference, Toronto, Ontario, October 2024<br>Completed CPD requirements |

Jump to table of contents

| Director | Continuing Formal and Informal Education Sessions in 2024 |
|---|---|
| Sunny Sodhi | CCUA 2024 Conference, Calgary Alberta, May 2024<br>Central 1 Momentum Conference, Toronto, Ontario, October 2024<br>TD Securities 2024 Canadian Financial Services Conference<br>Meridian AI Governance<br>Meridian Board Effectiveness Review<br>2024 FSRA Exchange: Regulating in a Rapidly Changing Environment<br>Co-operators AGM – Session: Workshop - Property & Casualty Insurance Trends \| The Role of a Director<br>Meridian Manager Mental Health Training<br>Meridian - Truth and Reconciliation: What We Inherited and Building a Long Term Relationship<br>GRI SUMMIT: Building Resilience in a Transformative Era |
| Christie Stephenson | The Board's Role in AI, Institute of Corporate Directors<br>Indigenous Governance conference, Pacific Business & Law Institute<br>The Future of Sustainability Reporting with ISSB Standards, Institute of Corporate Directors<br>Institute for Internal Audit Vancouver Chapter Conference<br>Pathways to Parity: Leveraging DEI as a Sustainability Solution, Global Compact Canada<br>CSSB's Proposed Canadian Sustainability Disclosure Standards, Responsible Investment Association of Canada<br>Innovation Governance Program (level 1), Council of Canadian Innovators<br>Master of Trust Management Standards (A), International Foundation of Employee Benefit Plans<br>Responsible Investment Association of Canada annual conference<br>Board Diversity Makes Good Business Sense, Women Get on Board<br>EDI and Reconciliation: Advances in the Boardroom workshop, Governance Professional of Canada<br>Women Get on Board Summit<br>Governance Professionals of Canada annual conference |
| Art Van Pelt | Future Investment Policy Decisions, Vancouver - George & Bell Advisors - January 2024<br>Investment Perspectives, Vancouver - PH&N - February 2024<br>CCUA Annual Conference, Calgary - May 2024<br>Canadian Investment Institute - IFEBP - August 2024 |

| Director | Continuing Formal and Informal Education Sessions in 2024 |
|---|---|
| Tom Vandeloo | Selective Disclosure and Insider Trading / ICAAP, January 2024<br>Ipsos Financial Service Excellence Awards – Key Takeaways for Credit Unions, CCUA, February 2024<br>C1 Edge (Board Information Series) - The Importance of Securitization in a Volatile Economic Environment, March 2024<br>FINTRAC's Enforcement Explained – Insights and Strategies for Credit Union Compliance, CCUA, March 2024<br>Truth and Reconciliation Session, March 2024<br>AI and Machine Learning, DUCA, March 2024<br>How data informs FSRA's approach, FSRA, March 2024<br>Operational Risk, Resilience and IT Risk Management, FSRA, April 2024<br>CCUA Annual Conference, Calgary, May 2024<br>Consumer-driven banking and credit unions, FSRA, September 2024<br>FSRA's principles-based approach to regulation, FSRA, October 2024<br>Momentum 2024, Toronto, October 2024 |
| Russell Voutour | CCUA 2024 Conference, Calgary Alberta, May 2024 |
| Cheryl Wallace | Optimizing Indigenous Partnerships & Project Financing, ICD Jan 2024<br>Update On Director and Officer Liability For Cyber Attacks, ICD Feb, 2024<br>The Role Of The Board In Responsible Supply Chain Management, ICD April, 2024<br>Cooperators AGM, Calgary, April 2024.<br>The Complexities of CEO Performance & Succession, ICD Dec., 2024<br>Why it Matters and What Boards Can Do, ICD April, 2024<br>CCUA Annual Conference, Calgary, May 2024<br>Central 1 Momentum Conference, Toronto, Ontario, October 2024 |

# Director Compensation Philosophy

## Compensation Philosophy

The Board recognizes that strong corporate governance is a key ingredient to an organization's success and the Board has determined that, subject to the limits set by the members of Central 1 by resolution, the directors of Central 1 should be remunerated at approximately the 50th percentile of director compensation for comparable entities. That group is determined from time to time, by the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, giving due consideration to the qualifications, liability, experience and involvement in value-added decision making commensurate with Central 1's size, complexity and functions.

Compensation for directors of Central 1 falls into the following four categories:

- annual retainer;
- meetings fees for attendance at Board and committee meetings;
- per diem compensation for travel time, attending meetings and other work performed on behalf of Central 1; and
- reimbursement for reasonable expenses incurred in connection with authorized work performed on behalf of Central 1.

## Compensation Review

Director Compensation is reviewed not less than every three years to ensure directors are appropriately compensated for their contributions. In 2022, Hugessen was engaged by the Conduct Review and Corporate Governance Committee to review director compensation. Following receipt of Huggessen's final report, the Board approved the Committee's recommendation regarding director compensation in March 2023. The next review will be undertaken by the Committee in 2025.

## Director Compensation and Expense Policy

Annually the Conduct Review and Corporate Governance Committee will review the Director Compensation and Expense Policy as set forth in the Committee's Terms of Reference. This review is made to ensure that the compensation being provided to the Board falls in line with the best practices of good governance. The annual review covers the perquisites and reasonable expense reimbursement provided to the Board but does not review core compensation items which is scheduled to be reviewed every three years. After approval of the changes to the expense policy at the committee level, the changes are provided to the Board for their approval.

The following table sets out the types of compensation paid to Central 1's directors.

| Annual Retainer | Role | Amount |
|---|---|---|
| Board Retainers | Board Chair | $60,000 |
| | Vice Chair | $40,000 |
| | General Director Member | $35,000 |
| Committee Retainers | Audit & Finance Chair | $15,000 |
| | Risk, Review and Investment Committee | $15,000 |
| | Technology and Innovation Committee Chair | $15,000 |
| | All Other Committee Chairs (including Chairs of ad hoc committees pro-rated for the duration of said committee) | $8,500 |
| | Non-chair Committee Members | $0 |

| Type of Compensation | |
|---|---|
| AGM/Special Meeting Fee | $0 |
| Board and Committee Meeting Fee (if applicable) | meetings less than 30 minutes: $0<br>meetings equal to or less than 4 hours: $500<br>meetings more than 4 hours: $800 |
| Per Diem Fees for Central 1 business events or functions etc. | meetings equal to or less than 4 hours: $500<br>meetings more than 4 hours: $800 |
| Per Diem Fees for Travel Time | For travel less than 4 hours: $0<br>For travel 4 hours or more: $500 |
| Reasonable Expenses for Meetings and Business Events | Actual |
| Technology Allowance<br>To support the purchase of personal computer equipment (e.g. iPad or other handheld technology necessary to assist the director in carrying out his or her duties to Central 1)<br><br>For basic voice/data plan<br>For costs incurred in relation to internet connection and email address | Up to $1,500<br>per 3-year term<br><br>Up to $75/month |

## 2024 Director Compensation

The following table sets out the value of fees and other compensation paid to directors of Central 1 during 2024.

| Director | Annual Cash Retainer | Meeting Fees | Total Remuneration (Annual Cash Retainer and Meeting Fees)[1] |
|---|---|---|---|
| Carolyn Burke | $55,784 | $24,400 | $80,184 |
| Paul Challinor | $56,191 | $4,100 | $60,291 |
| Richard Davies (until April 16, 2024) | $10,164 | $7,000 | $17,164 |
| Barry Delaney | $35,096 | $3,600 | $38,696 |
| Connie Denesiuk | $35,096 | $6,600 | $41,696 |
| Shawn Good (from April 16, 2024) | $27,767 | $8100 | $35,867 |
| Brian Harris (from April 16, 2024) | $27,767 | $4,600 | $32,367 |
| John Klassen | $35,096 | $7,700 | $42,796 |
| John Kortram (until April 16, 2024) | $10,164 | $2,000 | $12,164 |
| Shelley McDade | $63,004 | $16,400 | $79,404 |
| Penny-Lynn McPherson | $58,932 | $24,200 | $83,132 |
| Sanjit (Sunny) Sodhi | $45,763 | $30,800 | $76,563 |
| Christie Stephenson | $35,096 | $4,100 | $39,196 |
| Art Van Pelt | $35,096 | $6,200 | $41,296 |
| Tom Vandeloo | $43,620 | $12,700 | $56,320 |
| Russell Voutour | $35,096 | $5,900 | $40,996 |
| Cheryl Wallace | $37,564 | $9,800 | $47,364 |
| **Total** | **$647,296** | **$178,200** | **$825,497** |

[1] The above compensation may not be paid directly to Directors. At the direction of a Director, some or all of the compensation is paid to the credit union of which they are an officer or director.

| Type of Fee | Amount under the Cap[1] |
|---|---|
| Annual Board and Committee Retainers | $647,296 |
| Additional costs relating to:<br>• Meeting per diems (attendance at ad hoc Committee meetings, education sessions and strategic planning sessions)<br>• Conference attendance per diems (CCUA Conference and The Cooperators AGM)<br>• Ad Hoc Committee – Strategic Review of Digital Banking | <br>$178,200<br>$11,100<br>$62,700 |
| • Travel per diem (trips longer than 4 hours)<br>•Remuneration incurred in 2023, paid in 2024 | $20,200<br>$8,400 (excludes $5,200 travel per diem) |

Jump to table of contents

### Board and Committee Evaluations

The Conduct Review and Corporate Governance Committee manages the process of assessing the Board and its committees. It also manages director peer reviews.

Board and committee assessments are conducted on a biennial basis. In intervening years, director and chair peer reviews are carried out. The Committee retains an external consultant to design and analyze the results of the evaluation of Board and committee effectiveness and the director peer review process.

In 2024, a peer review evaluation was conducted by an external consultant. Upon receipt of the results, the consultant discussed the results with the CRCGC and the Board Chair. The consultant also provided a summary of the evaluation to the Conduct Review and Corporate Governance Committee.

### Communication with Members

Central 1 is committed to communicating with its members and its stakeholders. Members and other interested parties can contact the Board, the Board Chairperson or any director by email: **corporatesecretary@central1.com**.

### Interaction with the Regulators

The Board regularly engages with BCFSA on Central 1's risk profile and control environment and maintains open lines of communication with them on significant developments, including changes to the Board and senior management.

## Our Total Rewards Philosophy

Central 1's compensation philosophy is designed to attract, retain and motivate the high-performing employees needed to deliver our products and services to our member credit unions and to their members. We believe the compensation that the CEO receives should be aligned with the contribution they make to the organization's overall short-term and long-term objectives. The compensation program is designed to:

- Reflect Central 1's goals and objectives.
- Be competitive within the credit union community and broader private sector market.
- Be affordable in line with the realities of the market.

An equitable balance is sought between establishing cash compensation (both base and at risk incentive pay) to attract qualified people from the financial and non-financial community and providing non-cash benefits commensurate with those in the designated market. Overall the program is primarily cash-based. Central 1 does not grant options, stock appreciation rights, shares, units or other compensation securities as part of its compensation framework and has no outstanding equity compensation plans. Executive compensation is also subject to Central 1's Clawback Policy approved February 2021.

### CEO Cash Compensation

**Base Salary**

Base salary for the CEO is determined by the Board each February, in line with individual performance and the median level of the designated market.

The designated market for Central 1 is a blend of two peer groups: 1) Credit Union System & Crown corporations; and 2) Broader Private Sector Market organizations.

In 2023, the Board worked with an external compensation consultant to review the CEO's compensation and a plan was outlined to bring compensation to median over the coming 4 years. In late 2024, a salary market comparator review was conducted and additional comparable organizations were included to ensure the appropriate peer comparisons along with scope and complexity of the role within a business to business market.

**Short Term Incentive Program**

The short-term incentive program is designed to reward the achievement of performance objectives in the short term by providing a cash incentive.

Central 1's Board establishes the performance objectives for our CEO as well as the business plan for Central 1 and its operating budget.

Our Board reviews the performance of our CEO at the end of each year and its evaluation determines the amount of incentive compensation that is awarded to the CEO.

Our Board also determines the target and maximum incentive payments for the CEO. These targets are a percentage of base salary and are calculated based on actual earnings in the year.

*Short-term Incentive Compensation Targets for 2024*

| | Target Incentive Payment | Maximum Incentive Payment (150 per cent of target) |
|---|---|---|
| President & CEO | 75 per cent of base salary | 112.5 per cent of base salary |

Due to the strategic nature of the CEO, a higher percentage of the at risk pay is aligned with the organizational performance metrics as outlined in the table below.

| | Collective Weighting | |
|---|---|---|
| Role | Organizational Performance Metrics | Individual Performance Metrics |
| President & CEO | 70 per cent | 30 per cent |

Jump to table of contents

The program is designed to ensure that unnecessary risks are not encouraged through taking a balanced approach including member satisfaction and limits paid out for each measure.

**Long Term Incentive Program**

The long-term incentive program (LTIP) is designed to direct and reward the executive to long term strategic success. This is complemented with the short-term incentive program which is designed to direct and reward the in-year operationalization of the strategy.

The design of the program is based on a rolling cycle method, whereby performance/deferral periods for most cash LTIP are three years, in light of the Salary Deferral Arrangement (SDA) rule under the Canadian Income Tax Act.

Central 1's Board establishes the measures and targets at the start of each cycle and measures performance at the end of such cycle. Each LTIP cycle, the Board can elect different metrics and weighting depending on the strategic direction of the company.

*Long-term Incentive Compensation Targets for 2024*

| | Target Incentive Payment | Maximum Incentive Payment (150 per cent of target) |
|---|---|---|
| President & CEO | 110 per cent of base salary | 165 per cent of base salary |

Our Board reviews the performance of the CEO which was based on the three (3) prioritized focus areas: 1) Strategy 2) Leadership (ELT and Organization) 3) External Relations. A balanced scorecard approach (based on key performance indicator (KPI) categories) was created to structure the LTIP to recognize external, internal, system and strategic initiatives. Financial metrics are used as a gateway metric.

The Board retains a 10% discretionary adjustment to recognize extenuating circumstances.

**Other Cash-Based Compensation**

Central 1 offers a market-competitive perquisite program to the CEO, including an automobile allowance.

**Non-Cash Benefits**

The CEO receives non-cash benefits including employer-paid benefits, healthcare benefits, Group RRSP contributions, Supplemental Executive Retirement Plan (SERP) benefits and access to an executive medical program.

The Group RRSP provides a retirement benefit based on employee and employer contributions that are accumulated with investment earnings. Under the Group RRSP, employer contributions are matched to employee contributions of six per cent of salary. Since the Income Tax Act imposes maximums on benefits provided under registered retirement plans, Central 1 provides supplemental retirement benefits through the SERP.

This enables our CEO to receive the benefit that they would have received if the *Income Tax Act* limits were not imposed on the registered plans. This benefit is further enhanced in that earnings under the SERP include 50 per cent of the annual incentive payment. On an annual basis, the Board has determined the notional rate of return to be Consumer Price Index (CPI) +3%.

# Appendix A

## Audit and Finance Committee Terms of Reference

Approved: March 7, 2025 Reviewed: November 19, 2024

### 1.1 PURPOSE

The Audit and Finance Committee ("Committee") is a committee of the Board of Directors (the "Board") to which the Board has delegated responsibility for oversight over the financial reporting process and audit (external and internal).

Management is responsible for the preparation, presentation and integrity of Central 1's financial statements and for maintaining appropriate accounting and financial reporting principles and policies, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Central 1's annual financial statements and reviews of Central 1's quarterly financial information.

The Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

a) integrity of Central 1's financial statements
b) budgets, forecasts and financial performance indicators
c) external auditors' qualifications and independence
d) performance of Central 1's internal audit function and external auditors
e) adequacy and effectiveness of internal controls
f) Central 1's compliance with legal and regulatory requirements affecting financial reporting.

The Committee has oversight over budgets. The Committee acts as liaison between the external auditors, internal auditors and the Board. The Committee assists the Board in meeting its responsibilities in ensuring that the review of Central 1's financial operations and that of its subsidiaries, by the external auditor provides an independent report on the integrity of the financial data and reporting.

The Committee ensures compliance with financial and accounting policies and the Committee may make recommendations to the Board on any matters pertaining to the financial reporting process, including the audit process and internal controls.

The Committee derives its authority from the Board and Article 14A, Rule 6 of Central 1's Constitution and Rules. For the purposes of performing its duties, the Committee shall have the right at all reasonable times to inspect the books and records of Central 1, and its subsidiaries, and to discuss with management, the officers, and external and internal auditors such information and matters pertaining to the financial reporting of Central 1, as it deems necessary.

### 1.2 COMPOSITION AND TERM OF OFFICE

1.2.1 The Committee shall consist of a minimum of five (5) directors. The members of the Committee shall be elected or appointed annually by the Board at the first meeting of the Board following Central 1's annual general meeting ("AGM") to hold office until the next AGM, unless the member becomes unable to serve or is removed by the Board. A casual vacancy may be filled, and additional members of the Committee may be appointed by the Board, to hold office until the next AGM.

1.2.2 Each member of the Committee must be able to read and understand financial statements to the level of detail and complexity to which Central 1 reports, including the notes attached thereto.

1.2.3 The members of the Committee must be independent as defined in the Board Structure section of the Board Manual and the majority of the members of the Committee shall not be officers or employees of Central 1 or an affiliate of Central 1.

1.2.4 No more than one representative from any one credit union is permitted to serve on the Committee, except where one representative is serving as an ex-officio member of the Committee.

1.2.5 The Chair of the Risk Review and Investment and Loan Committee shall be an ex-officio member of the Committee, if not otherwise appointed to the Committee.

1.2.6 The Chair of the Board of Directors shall be an ex-officio member of the Committee.

1.2.7 The Committee shall elect one (1) of its members to be its Chair. The Chair of the Committee shall act in accordance with the Position Description: Committee Chair section of the Board Manual.

### 1.3 OBJECTIVES/DELIVERABLES

1.3.1 Oversight of External Auditors:

a) **Selection:** the Committee shall annually recommend to the Board the appointment, reappointment or termination of the external auditor. This recommendation shall be done sufficiently in advance of the next annual meeting of Central 1 to allow the Board to seek membership approval. At regular intervals (not greater than every 5 years), the Committee will assess Central 1's external audit requirements and review the appropriateness of undertaking a full Request for Proposal ("RFP") process,

Jump to table of contents

with such RFP process to be undertaken at the option of the Committee, if it so determines. The Committee shall report annually to the Board on the performance of the external auditor.

b) **Independence:** the Committee shall oversee the process to determine the independence of the external auditor. The Committee shall obtain and review a formal written statement from the external auditor describing all relationships between Central 1 and the external auditor that may impact upon its independence. The Committee shall actively discuss with the external auditor any disclosed relationships or services that might impact on the independence or objectivity of the external auditor. The Committee shall report annually to the Board on the independence of the external auditor.

c) The Committee shall annually review and approve Central 1's policy regarding the hiring of members of the external audit team and former external audit teams.

*Related Information: Appendix 1 - Central 1 Credit Union Audit and Finance Committee Restriction on Employment of Members of External Audit Team*

1.3.2 Compensation of External Auditors

Upon resolution of members of Central 1 that the remuneration of the external auditors is to be set by directors, the Committee will have the responsibility for recommending the remuneration of the external auditors to the Board. In the case of an external auditor appointed to fill a casual vacancy, the Committee shall have sole responsibility for setting the compensation of such auditor without resolution of the members.

1.3.3 Pre-approval of Services

The Committee shall pre-approve all audit and non-audit services, including the provision of tax advice (other than "de minimus" non-audit services provided to Central 1 and its subsidiaries as defined in NI 52-110). If necessary, the Chair shall be authorized to provide such pre-approval throughout the year, with any such approvals being reported to the next regularly scheduled meeting of the Committee.

The Committee shall oversee Central 1's policy on services provided by its external auditor.

*Related Information: Appendix 2 - Central 1 Credit Union Audit and Finance Committee Pre-Approval of Services Provided by Central 1's External Auditor*

1.3.4 Reporting of External Auditors

a) The external auditors shall report directly to the Committee, and the Committee shall have responsibility for overseeing the activities of the external auditors, including resolution of any disagreements between management and the external auditors regarding financial reporting. The Committee shall review, prior to the commencement of the audit, the audit engagement letter, audit plans and scope of the external audit, identifying special areas of concern to the external auditor. The Committee shall annually approve the audit plan. The Committee will monitor the audit process, the annual audit report and the findings of the examination after its completion.

b) **Accounting Policies:** the Committee shall review with management and the external auditors the appropriateness of accounting policies and approve any changes thereto.

c) **Reports:** the Committee shall review all written or oral reports made by the external auditor. Such reports may include:
   i. Current and prospective changes in accounting policies and practices;
   ii. Alternative treatment of financial information within generally accepted accounting principles;
   iii. Review of transactions or investments, as brought forward by either the auditors or management, which could adversely affect the financial wellbeing of Central 1; and
   iv. Any other written communications between the external auditor and Central 1's management.

d) **Review of Reportable Events:** the Committee shall review all reportable events (occurrences in the relationship between Central 1 and the external auditor which may have been a contributing factor in the resignation or termination of the external auditor) including disagreements, unresolved issues or consultations,as defined in NI 52-102, whether or not there is a change of the auditors.

e) **In-Camera Meetings:** the Committee shall have an in-camera meeting with the external auditors at every Committee meeting, at which the external auditors are in attendance.

1.3.5 Oversight of Internal Auditor

a) **Oversight:** The Head of Internal Audit shall report directly to the Committee, and the Committee shall have responsibility for reviewing and approving the Internal Audit Policy; overseeing the activities of the internal audit function, including reviewing and approving the annual internal audit plan and identifying special areas of concern for internal audit review.

The Committee will monitor internal audit activities and the findings of examinations, including the status of identified control weaknesses and management's corrective action.

The Committee will review and concur in the appointment, replacement, reassignment, or dismissal of the Head of Internal Audit. On behalf of the Committee, the Chair shall provide input concerning the performance review and compensation of the Head of Internal Audit.

The Committee will regularly review the organizational structure of the internal audit function and annually review and approve the function's budget and resources.

b) **Reports:** The Committee shall receive and review all written or oral reports made by Internal Audit and, in particular, recommendations for changes in internal control procedures or processes. The Head of Internal Audit will report to the Committee the response or determination of management with respect to any findings or recommendations.

The Risk Review and Investment & Loan Committee shall be provided access to Internal Audit reports prepared for the Committee.

1.3.6 Review of Financial Statements

The Committee shall review and discuss with management and the external auditors Central 1's annual audited financial statements and Central 1's unaudited quarterly financial statements as well as non-consolidated financial statements and summarized financial statements. In addition, the Committee shall review the financial statements of Central 1's subsidiaries.

In reviewing the financial statements, the Committee shall, as applicable:

a) Ensure that they are complete and consistent with the information known to the Committee;
b) Review the contents of management's representation letters to the external auditors;
c) Discuss with management and the external auditors whether they reflect appropriate accounting policies;
d) Discuss any actual or proposed changes in accounting or financial reporting and consider their impact on the financial statements;
e) Discuss any related party transactions; and
f) Discuss any unusual, complex or significant events, such as legal actions, claims or contingencies or areas where significant judgment has been exercised, such as valuations, provisions and reserves.

The Committee will recommend to the Board the approval of Central 1's consolidated financial statements, non-consolidated financial statements and summarized financial statements.

1.3.7 Review of Financial Disclosures

The Committee shall review the contents of all periodic public disclosure documents (other than the annual corporate governance disclosure approved by the Conduct Review and Corporate Governance Committee and statement of executive compensation approved by the Human Resources Committee) and event driven disclosure documents for which the Committee's review is deemed necessary by the Disclosure Committee before release, including the Management Discussion & Analysis, any prospectus and any financial report, statement or return (including associated press releases) that requires the approval of the Board before filing or release and make recommendations to the Board as it deems advisable.

The Committee must satisfy itself that adequate procedures are in place for the review of Central 1's public disclosure of financial information extracted from or derived from the financial statements (i.e. press releases, information posted to Central 1's website and any other form of public communication). While this information is currently vetted through the Disclosure Committee, the Committee must assess the adequacy of the disclosures made by management through the Disclosure Committee and the adequacy of management representation on that Committee. The Committee shall review the Disclosure Policy at least every two years and, if deemed advisable, recommend changes to the Board.

The Committee shall review the return of Central 1 that is to be filed with the Superintendent under Section 127(1) of the FIA and any other reports, transactions or matters required to be reviewed by the Committee under the Financial Institutions Act or Credit Union Incorporation Act, and to the extent any returns are required to be approved by the Board, make recommendations to the Board regarding such returns.

1.3.8 Controls and Procedures

a) **Oversight:**

i. The Committee shall provide oversight of Central 1's internal accounting controls, of its disclosure controls and procedures and of its Ethical Reporting Policy;

ii. The Committee shall require management to implement and maintain appropriate systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error;

iii.The Committee shall receive and review reports from other board committees with regard to matters that could affect financial reporting, including the major financial and business risks to which Central 1 is exposed, and management's actions to monitor and control such exposures.

iv. The Committee shall,

- Have direct and unfettered access to the CFO;
- Provide feedback to and receive feedback from the CEO on performance and qualifications of the Chief Financial Officer ("CFO") on an annual basis; and
- Review and recommend the appointment, replacement, or reassignment of the CFO to the Board.

Jump to table of contents

b) **External Auditor Reporting:** The Committee shall consider the external auditors' management letters, recommendations and comments with respect to accounting treatment and internal controls and management's responses and subsequent follow-up of any identified weaknesses.

c) **Internal Auditor:** The Committee shall meet with the internal auditor and with management to discuss the effectiveness of internal control procedures and shall approve recommendations for improvements.

   i. The Committee shall provide feedback and receive feedback from the CFO on the performance and qualifications of the Head of Internal Audit on an annual basis.

d) **CEO/CFO Certification Program:** The Committee shall oversee Central 1's CEO/CFO Certification program and the meeting of its obligations under that program.

e) **Procedures for Complaints:** The Committee shall establish procedures for the receipt, retention and treatment of complaints received by Central 1 regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential, anonymous submission by Central 1's employees of their concerns regarding questionable accounting and internal controls over auditing matters.

f) **Additional Powers:** The Committee shall have such other duties as may be delegated to it by the Board, from time to time.

g) The Committee shall receive material of the Risk Review and Investment & Loan Committee.

*Related Information: Ethical Reporting Policy*

1.3.9. Oversight of Budgets

a) The Committee shall review, annually, Central 1's Operating Budget, Dues Budget and Capital Asset Budget and recommend their approval to the Board.

b) At least biennially, the Chief Financial Officer will present the Budget Policy to the Committee for review and recommendation to the Board.

### 1.4 MEETINGS AND PROCEDURES

1.4.1 The Committee shall meet as it deems necessary to fulfill its duties hereunder, but no less than once each quarter. The time and location of the meetings and the procedures to be followed at such meetings shall be determined, from time to time, by the Committee.

The Board Chair, the Committee Chair, any two (2) members of the Committee, the Head of Internal Audit, the external auditors, or the Corporate Secretary may call meetings of the Committee. The external auditor shall be given notice of, and shall have the right to appear before, every Committee meeting.

The Committee may meet in person, by conference call or by other electronic means.

1.4.2 Whenever possible, seven (7) days' notice of the meeting shall be provided, in writing, to members of the Committee, the external auditors and any invited persons. The agenda and required reports shall be circulated to the Committee (via Diligent or e-mail) one week in advance of the meeting date, whenever possible.

1.4.3 A quorum at any meeting of the Committee shall be a majority of the members of the Committee, excluding any ex -officio members. Decisions of the Committee will be by an affirmative vote of the majority of those members of the Committee voting at a meeting. The Committee may also act by resolution in writing consented to by all the members of the Committee.

1.4.4 The external auditor, the internal auditor, and the provincial Superintendent of Financial Institutions shall have the right to appear before and be heard at any meeting of the Committee and to request the Committee Chairperson to consider any matter that the requisitioning party believes should be brought to the attention of Directors or members.

1.4.5 The Chairperson of the Committee shall appoint a Secretary who need not be a director to keep minutes or other records of the meeting.

1.4.6 The Committee will meet *"in-camera"* at each meeting with only the members of the Committee present.

1.4.7 The Committee will meet *"in-camera"* with Internal Audit at every meeting at which Internal Auditor is in attendance.

1.4.8 At least quarterly, the Committee shall meet *"in-camera"* with the Chief Financial Officer.

1.4.9 The Committee may invite any director, officer or employee of Central 1 or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee, including: the external auditor, external counsel, Internal Audit, Chief Risk Officer, the President and Chief Executive Officer or any member of executive management.

### 1.5 MANAGEMENT AND RESOURCES

1.5.1 The Committee shall be resourced by the Chief Financial Officer.

1.5.2 The Committee shall have the authority to engage and determine funding for any independent counsel, accountants, and other external consultants and resources, as it may deem necessary to carry out its responsibilities, provided that all contracts for such services shall be reviewed, where appropriate, by Central 1's Legal Department and that any contract in excess of $10,000 must be approved by the Chair of the Board or the Board prior to execution. The Committee shall report to the Board on any undertakings to engage such advisors, including the level of compensation.

### 1.6 RECORDS

The official records of the Committee including all meeting material and minutes are maintained by the Office of the Corporate Secretary. Minutes of every meeting shall be recorded and available to Committee members and the Board.

### 1.7 ACCOUNTABILITY

The Committee is accountable to the Board. The Chair of the Committee shall report the proceedings of each meeting and all recommendations made by the Committee at such meeting to the Board, at the Board's regularly scheduled meeting.

### 1.8 EVALUATION OF COMMITTEE EFFECTIVENESS

The Committee shall annually review and assess the adequacy of its mandate. As part of this review, the Committee will review and assess the adequacy of its Terms of Reference on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines, and, if appropriate will recommend changes to the Conduct Review and Corporate Governance Committee. The Committee shall assess its effectiveness in fulfilling its mandate through its inclusion in reviews of Central 1 Committees led by the Conduct Review and Corporate Governance Committee.

### 1.9 COMMITTEE OUTPUT

The major annual activities of the Committee are outlined in the schedule on the following page.

### 1.10 AMENDMENTS

The Board must authorize substantive amendments to these Terms of Reference. The Committee may make administrative amendments, including amendments related to dates, organization, and similar matters.

**Routine Outputs – Audit and Finance Committee**

| Routine Outputs | Q1 | Q2 | Q3 | Q4 | Comments |
|---|---|---|---|---|---|
| Audited Financial Statements – year end | • | | | | |
| Interim Consolidated Financial Report | | • | • | • | |
| Management Discussion & Analysis (MD&A) | • | • | • | • | |
| Financial Report | • | • | • | • | |
| External Audit Report | • | | | | |
| Interim Review Findings Report | | • | • | • | |
| Internal Audit Report | • | • | • | • | |
| Review the Procedures for Ethical Reporting | • | • | • | • | |
| Annual Report to Board on performance and independence of external auditor | • | | | | |
| Election of Chairperson | | • | | | |
| Provincial Examination (if applicable) | | • | | | |
| Subsidiary Financial Statements | • | | | | |
| Audit Plan and engagement letter | | | • | | |
| Auditor remuneration | | | • | | |
| Review Committee's Terms of Reference | | | • | | |
| Provide feedback to and review feedback from the CEO on performance of the CFO. Make recommendations to the Board in accordance with the Audit and Finance Committee's Terms of Reference | | | | • | |
| Provide feedback to and review feedback from the CFO on the performance of the Head of Internal Audit. | | | | • | |
| Review Finance Policies (when applicable)<br>• Budget<br>• Disclosure<br>• Ethical Reporting<br>• Internal Audit<br>• Procurement | | | | | |
| Assess the adequacy of the processes and procedures followed by the Disclosure Committee and the adequacy of management representation on that Committee, if and as needed. | • | • | • | • | |
| Central 1's Operating, Dues and Capital Asset Budgets | | | | • | |
| Internal Audit Plan | | | | • | |
| Incentive Plan<br>• Approve Year End Results<br>• Approve Targets for Next Year | • | | | | |

Jump to table of contents

# Appendix 1

## Central 1 Credit Union Audit & Finance Committee — Restriction on Employment of Members of External Audit Team

Approved: March 7, 2025

### 1.1 PURPOSE

To maintain the independence of the External Auditor and to prevent a potential conflict of interest Central 1 shall not employ a key member or former key member of the external audit firm in a financial reporting oversight role until a period of one year or more has elapsed from the date the financial statements, on which that person participated in an audit, review or attestation engagement capacity, were filed with the relevant securities regulator. For the purposes of this policy, a key member includes all partners involved in the audit, review or attestation engagement and any employees of the auditor involved in the audit in a management or decision-making capacity.

# Appendix 2

## Central 1 Credit Union Audit & Finance Committee — Pre-Approval of Services Provided by Central 1's External Auditor

Approved: March 7, 2025

### 1.1 PURPOSE

Central 1's Audit & Finance Committee shall pre-approve all services to be provided by Central 1's external auditor to Central 1 and its subsidiaries. In addition to audit services, Central 1's external auditors may provide Central 1 with certain other services which are listed in the section below entitled Permitted Services. This document sets forth procedures and conditions whereby permissible non-assurance services provided by the independent auditor will be pre-approved for the entities within the corporate structure of Central 1. Central 1 may not engage its external auditors to perform services that are inconsistent with an auditors' independence. A description of prohibited services is included in the section below entitled Prohibited Services.

### 1.2 PERMITTED SERVICES

Central 1 may retain its external auditors to perform the following services:

1.2.1

a) Audit and Related Services
   - i. Agreed-upon procedures to comply with regulatory reporting matters and/or securitization programs
   - ii. Agreed-upon procedures to scrutineer the voting results of Central 1 Annual General or Special Meetings.

b) Tax Services
   - i. Tax Compliance
     - a. Prepare and/or review federal and provincial corporate tax returns and trust returns (including any other applicable returns, forms, elections, designations, or any other tax reporting)
   - iI. General Tax Advisory Services relating to Tax Compliance
     - a. Various income, capital, payroll, and indirect tax compliance matters as they arise;
     - b. Canadian, U.S., and International tax advisory services relating to the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS);
     - c. Federal or provincial tax authority compliance matters;
     - d. U.S. corporate tax compliance, including research, advice and correspondence with IRS.
   - iii. Specific Tax Advisory and Tax planning services
     - a. Review tax implications and tax compliance requirements relating to complex tax issues or potential transactions (i.e. future state).

c) Other Services
   - i. Perform a gap analysis or maturity assessment of the current state of a process, system, organizational structure, policy, controls over financial reporting, etc. against leading practices or other sources (such as client defined future state, accounting or regulatory standard). Provide advice, observations and recommendations.
   - ii. Perform accounting research to identify alternative accounting policies, leading practices, examples and KPMG's interpretation of the application of new or revised accounting standards (including IFRS and convergence projects).
   - iii. Information Technology Advisory and Risk Management Services (this includes assistance in ensuring that technology processes are operating efficiently)
   - iv. Transaction Services (this includes providing assistance in structuring significant acquisitions)
   - v. Operational Advisory and Risk Management Services

1.2.2 Prohibited Services

Central 1 may not retain its external auditor to perform any service that is inconsistent with an auditor's independence. Prohibited services include, but are not limited to, the following:

a) bookkeeping or other services related to the audit client's accounting records or financial statements;

b) financial information systems design and implementation;

c) appraisal or valuation services for financial reporting purposes;

d) actuarial services for items recorded in the financial statements;

Jump to table of contents

e) internal audit outsourcing services;

f) management functions;

g) Human Resources; and

h) expert witness services.

### 1.3 POLICY

For permitted services the following pre-approval policies will apply:

a) **Audit Services:** The Audit & Finance Committee will pre-approve all audit services provided by Central 1's external auditor through its recommendation of the external auditor at Central 1's AGM and through the Audit & Finance Committee's review of the external auditor's annual Audit Plan.

b) **Pre-Approval of Audit Related, Tax and Other Non-Audit Services:** Central 1 has adopted a general policy procedure to pre-approve non-assurance services to be provided by the independent auditor without obtaining specific pre-approval for each engagement.

   i. Under this procedure, the Board pre-approves the list of non-assurance services (through the approval of the Audit & Finance Committee Terms of Reference) in 1.2.1 that may be provided by the independent auditor without the need for the auditor to seek specific pre-approval from the Board or Audit & Finance Committee;

   ii. Unless a non-assurance service shall have received such general pre-approval, it will require specific pre-approval by the Audit & Finance Committee and the concurrence must be provided to the auditor before an engagement letter contracting the non-assurance service is signed.

   iii. This pre-approved list of non-assurance services remains in effect until amended by the Board.

   iv. The Audit & Finance Committee will be informed annually of the services on the attached list for which the auditor has been actually engaged.

c) **Approval of Additional Services:** The Chief Financial Officer will consider all other engagement requests and if deemed acceptable, submit the request to the Chair of Audit & Finance Committee for consideration and approval. The engagement may commence upon approval of the Chair of the Audit & Finance Committee. The full Audit & Finance Committee will subsequently be informed of any additional services, at its next meeting.

# Consolidated Financial Statements

As at and for the Years Ended December 31, 2024 and 2023

central 1

# Management's Responsibility for Financial Reporting

The management of Central 1 Credit Union (Central 1) is responsible for the integrity, objectivity, reliability and fair presentation of the accompanying Consolidated Financial Statements. These Consolidated Financial Statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These Consolidated Financial Statements and information in the Management's Discussion and Analysis contain items that reflect management's best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. The financial information presented elsewhere in this Annual Report is consistent with the information in the Consolidated Financial Statements.

Central 1 management has designed and maintained a system of accounting, internal controls and supporting procedures to provide reasonable assurance as to the reliability and integrity of financial information and the safeguarding of the assets. The procedures include training and selection of qualified staff, and the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance. In addition, the systems include policies and standards of business conduct that are communicated throughout the organization to prevent conflicts of interest and unauthorized disclosure of information.

The Board of Directors, acting through its Audit and Finance Committee (the Committee), oversees management's responsibilities for the financial reporting and internal control systems. The Committee reviews the Consolidated Financial Statements and recommends them to the Board of Directors for approval. Other key responsibilities of the Committee include reviewing the adequacy and effectiveness of internal controls, the performance of Central 1's internal audit function and external auditors, and the compliance with legal and regulatory requirements affecting financial reporting.

The B.C. Financial Services Authority (BCFSA) conducts examinations and inquiries into Central 1's business and affairs as deemed necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Central 1 is in sound financial condition.

KPMG LLP, the independent auditor appointed by the members, has performed an independent audit on the Consolidated Financial Statements and issued their report, which follows. The auditor has full and complete access to, and meets periodically with, the Committee to discuss their audit and matters arising therefrom.

S Vokey

Sheila Vokey
President & Chief Executive Officer

Emma Hider
Chief Financial Officer

Jump to table of contents

# Independent Auditor's Report



## To the Members of Central 1 Credit Union

### Opinion

We have audited the consolidated financial statements of Central 1 Credit Union ("Central 1"), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Central 1 as at December 31, 2024 and December 31, 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of Central 1 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Jump to table of contents

In preparing the financial statements, management is responsible for assessing Central 1's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Central 1 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Central 1's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Central 1's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Central 1's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Central 1 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
March 11, 2025

# Consolidated Statement of Financial Position

As at December 31

| $ thousands, as at December 31 | Notes | | 2024 | | 2023 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 6 | **$** | **653,055** | $ | 1,852,499 |
| Settlements in-transit assets | | | **415,161** | | 158,539 |
| Securities | 7 | | **6,818,312** | | 7,000,251 |
| Loans | 8 | | **1,843,106** | | 1,783,708 |
| Derivative assets | 9 | | **108,679** | | 227,258 |
| Current tax assets | | | **5** | | 729 |
| Assets held for sale | 13 | | **6,182** | | - |
| Property and equipment | 11 | | **3,949** | | 11,307 |
| Intangible assets | 12 | | **18,416** | | 19,694 |
| Investments in affiliates | 14 | | **89,917** | | 93,103 |
| Deferred tax assets | 15 | | **31,602** | | 55,715 |
| Other assets | 16 | | **48,371** | | 24,411 |
| **Total assets** | | **$** | **10,036,755** | $ | 11,227,214 |
| **Liabilities** | | | | | |
| Settlements in-transit liabilities | | **$** | **440,047** | $ | 544,941 |
| Deposits | 17 | | **5,246,499** | | 5,855,704 |
| Obligations related to securities sold short | | | **32,526** | | - |
| Securities under repurchase agreements | | | **691,268** | | 1,036,557 |
| Securitization liabilities | 18 | | **436,761** | | 559,990 |
| Derivative liabilities | 9 | | **64,705** | | 80,811 |
| Debt securities issued | 19 | | **2,054,651** | | 2,151,132 |
| Subordinated liabilities | 20 | | **195,456** | | 182,111 |
| Other liabilities | 22 | | **79,476** | | 89,984 |
| **Total liabilities** | | | **9,241,389** | | 10,501,230 |
| **Equity** | | | | | |
| Share capital | 23 | | **43,401** | | 43,401 |
| Retained earnings | | | **746,668** | | 682,526 |
| Accumulated other comprehensive income | | | **5,297** | | 57 |
| **Total equity** | | | **795,366** | | 725,984 |
| **Total liabilities and equity** | | **$** | **10,036,755** | $ | 11,227,214 |
| Guarantees, commitments, contingencies and pledged assets | 31 | | | | |
| Subsequent events | 37 | | | | |

**Approved by the Directors:**

**Shelley McDade**
Chair

**Paul Challinor**
Chair
Audit and Finance Committee

See accompanying Notes to the Consolidated Financial Statements

Jump to table of contents

# Consolidated Statement of Income

For the year ended December 31

| $ thousands | Notes | | 2024 | | 2023 |
|---|---|---|---|---|---|
| **Interest income** | | | | | |
| Securities | | $ | **269,353** | $ | 302,560 |
| Loans | | | **127,535** | | 129,021 |
| | | | **396,888** | | 431,581 |
| **Interest expense** | | | | | |
| Deposits | | | **207,773** | | 191,574 |
| Debt securities issued | | | **135,918** | | 180,246 |
| Subordinated liabilities | | | **4,782** | | 5,444 |
| | | | **348,473** | | 377,264 |
| **Net interest income** | 24 | | **48,415** | | 54,317 |
| **Net fair value gains** | 25 | | **89,475** | | **28,386** |
| **Non-interest income** | 26 | | **165,031** | | **161,647** |
| **Total revenue** | | | **302,921** | | 244,350 |
| **Provision for credit losses** | 10 | | **3,753** | | **222** |
| **Non-interest expense** | | | | | |
| Salaries and employee benefits | | | **126,080** | | 122,878 |
| Management information systems | | | **19,799** | | 17,326 |
| Depreciation and amortization | | | **4,603** | | 5,733 |
| Other administrative expense | 27 | | **63,136** | | 68,098 |
| | | | **213,618** | | 214,035 |
| **Income before income taxes** | | | **85,550** | | 30,093 |
| Income tax expense | 28 | | **21,439** | | 4,606 |
| **Net income** | | $ | **64,111** | $ | **25,487** |

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

See accompanying Notes to the Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income

For the year ended December 31

| $ thousands | | 2024 | | 2023 |
|---|---|---|---|---|
| Net income | $ | **64,111** | $ | 25,487 |
| **Other comprehensive income, 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 | | **11,603** | | 13,882 |
| Reclassification of realized loss to net income | | **3,544** | | 2,164 |
| Share of other comprehensive income (loss) of affiliates accounted for using the equity method | | **(3,637)** | | 2,469 |
| | | **11,510** | | 18,515 |
| **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 | | **(6,929)** | | (8,865) |
| Net actuarial gain (loss) on employee benefits plans | | **690** | | (77) |
| **Total other comprehensive income, net of tax** | | **5,271** | | **9,573** |
| **Total comprehensive income, net of tax** | $ | **69,382** | $ | 35,060 |

See accompanying Notes to the Consolidated Financial Statements

# Consolidated Statement of Comprehensive Income

For the year ended December 31

## Income Taxes – Other Comprehensive Income

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

| $ thousands | 2024 | 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 | **$ 4,315** | $ 5,125 |
| Reclassification of realized gain to net income | **1,306** | 797 |
| Share of other comprehensive income (loss) of affiliates accounted for using the equity method | **(566)** | 384 |
| **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 | **(2,553)** | (3,266) |
| Net actuarial gain (loss) on employee benefits plans | **254** | (28) |
| | **$ 2,756** | **$ 3,012** |

See accompanying Notes to the Consolidated Financial Statements

# Consolidated Statement of Changes in Equity

For the year ended December 31

| $ 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 | **$** | **725,984** |
| **Total comprehensive income, net of tax** | | | | | | | | | | | | |
| Net income | | | | 64,111 | | | | | | | | **64,111** |
| **Other comprehensive income, net of tax** | | | | | | | | | | | | |
| Fair value reserve (securities at fair value through other comprehensive income) | | | | | | 15,147 | | | | | | **15,147** |
| Share of other comprehensive loss of affiliates accounted for using the equity method | | | | | | (3,637) | | | | | | **(3,637)** |
| Liability credit reserve | | | | | | | | (6,929) | | | | **(6,929)** |
| Net actuarial gain on employee benefits plans | | | | | | | | | | 690 | | **690** |
| Total comprehensive income (loss) | | - | | 64,111 | | 11,510 | | (6,929) | | 690 | | **69,382** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| Class "B" shares redeemed (Note 23) | | (1) | | | | | | | | | | **(1)** |
| Class "C" shares issued (Note 23) | | 1 | | | | | | | | | | **1** |
| **Reclassification of liability credit reserve on derecognition[1]** | | | | 31 | | | | (31) | | | | **-** |
| **Balance as at December 31, 2024** | **$** | **43,401** | **$** | **746,668** | **$** | **2,925** | **$** | **(3,149)** | **$** | **5,521** | **$** | **795,366** |

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

See accompanying Notes to the Consolidated Financial Statements

Jump to table of contents

## Consolidated Statement of Changes in Equity

For the year ended December 31

| $ 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 | | 25,487 | | | | 25,487 |
| **Other comprehensive income, net of tax** | | | | | | |
| Fair value reserve (securities at fair value through other comprehensive income) | | | 16,046 | | | 16,046 |
| Share of other comprehensive income of affiliates accounted for using the equity method | | | 2,469 | | | 2,469 |
| Liability credit reserve | | | | (8,865) | | (8,865) |
| Net actuarial loss on employee benefits plans | | | | | (77) | (77) |
| Total comprehensive income (loss) | - | 25,487 | 18,515 | (8,865) | (77) | 35,060 |
| **Reclassification of liability credit reserve on derecognition**[1] | | 225 | | (225) | | |
| Balance as at December 31, 2023 | $ 43,401 | $ 682,526 | $ (8,585) | $ 3,811 | $ 4,831 | $ 725,984 |

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

See accompanying Notes to the Consolidated Financial Statements

# Consolidated Statement of Cash Flows

For the year ended December 31

| $ thousands | 2024 | 2023 |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Net income | **$ 64,111** | $ 25,487 |
| Adjustments for: | | |
| Depreciation and amortization | **4,603** | 5,733 |
| Net interest income | **(48,415)** | (54,317) |
| Net fair value gains | **(89,475)** | (28,386) |
| Provision for credit losses | **3,753** | 222 |
| Dividend income | **(2,688)** | (3,686) |
| Equity interest in affiliates | **925** | 12 |
| Income tax expense | **21,439** | 4,606 |
| | **(45,747)** | (50,329) |
| Change in settlements in-transit assets | **(256,622)** | (101,271) |
| Change in securities | **262,307** | 965,327 |
| Change in loans | **(66,303)** | 296,294 |
| Change in derivative assets and liabilities | **50,226** | 43,119 |
| Change in settlements in-transit liabilities | **(104,894)** | 61,473 |
| Change in deposits | **(625,459)** | 500,251 |
| Change in securities under repurchase agreements | **(344,761)** | (872,630) |
| Change in obligations related to securities sold short | **30,469** | 104 |
| Change in other assets and liabilities | **(39,031)** | (88,184) |
| Interest received | **400,205** | 429,849 |
| Interest paid | **(338,188)** | (370,658) |
| Income tax received | **621** | 3,393 |
| Net cash from (used in) operating activities | **(1,077,177)** | 816,738 |

See accompanying Notes to the Consolidated Financial Statements

# Consolidated Statement of Cash Flows (continued)

For the year ended December 31

| $ thousands | | 2024 | | 2023 |
|---|---|---|---|---|
| **Cash flows from (used in) investing activities** | | | | |
| Purchase of reinvestment assets under the CMB Program - NHA MBS Securities | | **(79,237)** | | (66,665) |
| Maturity of reinvestment assets under the CMB Program - NHA MBS Securities | | **247,045** | | 180,887 |
| Change in reinvestment assets under the CMB Program - Reverse repos | | **(36,785)** | | 287,297 |
| Property and equipment - net | | **(1,280)** | | (693) |
| Intangible assets - net | | **(362)** | | (2,313) |
| Dividend received | | **2,688** | | 3,686 |
| Investments in affiliates - net | | **(1,942)** | | (1,327) |
| Net cash from (used in) investing activities | | **130,127** | | 400,872 |
| **Cash flows from (used in) financing activities** | | | | |
| Change in debt securities issued - Commercial paper | | **(126,483)** | | (126,509) |
| Proceeds from debt securities issued - Medium term notes | | **-** | | 700,000 |
| Redemption of debt securities issued - Medium term notes | | **-** | | (450,000) |
| Repayment of lease liabilities | | **(530)** | | (313) |
| Change in securitization liabilities | | **(131,024)** | | (442,026) |
| Redemption of subordinated liabilities | | **-** | | (21,000) |
| Issuance of Class C shares | | **1** | | - |
| Redemption of Class B shares | | **(1)** | | - |
| Net cash from (used in) financing activities | | **(258,037)** | | (339,848) |
| Effect of exchange rate changes on cash and cash equivalents | | **5,643** | | 17,509 |
| Increase (decrease) in cash and cash equivalents | | **(1,199,444)** | | 895,271 |
| Cash and cash equivalents - beginning of period | | **1,852,499** | | 957,228 |
| **Cash and cash equivalents - end of period** | $ | **653,055** | $ | 1,852,499 |

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

See accompanying Notes to the Consolidated Financial Statements

# Table of Contents

# 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 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

These Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards. They were authorized for issue by the Board of Directors on March 11, 2025.

## Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- Financial instruments mandatorily measured or designated at fair value through profit or loss (FVTPL) measured at fair value.
- Financial assets at fair value through other comprehensive income (FVOCI) measured at fair value.
- The assets and liabilities for defined benefit obligations recognized as the present value of the benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized actuarial past service costs and unrecognized actuarial losses.
- Recognized financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships adjusted for changes in fair value attributable to the risk being hedged.

# 3. Functional and Presentation Currency

These Consolidated Financial Statements are presented in Canadian dollars, which is Central 1's functional currency. All amounts have been rounded to the nearest thousand, except as otherwise indicated.

# 4. Use of Estimates and Judgements

In preparing these 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 area 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.

## Provision for Credit Losses (ECL)

There is judgement involved as to if a significant increase in credit risk (SICR) has occurred. In addition, in calculating the amount of ECL, Central 1 exercises experienced credit judgements to incorporate multiple probability-weighted economic scenarios including a base case scenario and optimistic and pessimistic scenarios, all of which are developed by Central 1's Economic group. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the ECL allowance.

Central 1 evaluates whether a loan is credit impaired by referencing the definition of a credit-impaired asset under IFRS 9, while applying experienced judgments and estimates in relation to the assumptions used in calculating the amount of ECL for stage 3 loans.

Additional information regarding the ECL allowance is included in Note 10.

# 5. Material Accounting Policies

Central 1 has consistently applied the following material accounting policies to all periods presented in these Consolidated Financial Statements. The future accounting standards and amendments that have been issued but are not yet effective on the date of issuance of Central 1's Consolidated Financial Statements are disclosed in Note 5(s).

## (a) Basis of Consolidation

### Subsidiaries

The Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of Central 1 and its subsidiaries.

These subsidiaries are entities where Central 1 exercises control through its ownership of the majority of the voting shares, is exposed to or has rights to variable returns from its involvement with the entities, and has the ability to affect those returns through its power over the entities.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Consolidated Financial Statements have been prepared using uniform accounting policies across all subsidiaries for like transactions and other events in similar circumstances. All inter-company transactions and balances are eliminated on consolidation.

### Affiliates

Affiliates are entities over which Central 1 has significant influence, but not control, over the operating and financial policies of the entities. Significant influence is presumed to exist when Central 1 holds between 20% and 50% of the voting rights, and/or exercise significant influence through Board representation.

Central 1's investments in affiliates are accounted for using the equity method of accounting and are initially recognized at cost, which includes the purchase price and other costs directly attributable to the acquisition. Subsequently, these investments are increased or decreased to recognize Central 1's share of the affiliates' income or loss, other comprehensive income (OCI), the receipt of any dividends, and other movements in affiliates' equity.

### Group Clearer Arrangement

Central 1 participates in a group clearer arrangement with the credit union centrals of Alberta, Manitoba, and Saskatchewan (collectively, the Prairie Centrals), where Central 1 acts as a Group Clearer, on behalf of the participants. Central 1 also provides management services of the arrangement and maintains the group clearing account with the Bank of Canada.

Central 1 facilitates but does not have control over the clearing and settlement services executed by Bank of Canada. Therefore Central 1 acts as an agent, recognizing revenues and expenses on a net basis. Central 1 presents the assets and liabilities for this arrangement on a gross basis on its consolidated statement of financial position as there is neither legally enforceable right to offset the recognized amounts nor intention to either settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Further information regarding Central 1's subsidiaries and affiliates is contained in Notes 14 and 36.

## (b) Foreign Currency

Transactions in foreign currencies are translated into Canadian dollars at the spot exchange rate at the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect when the fair value is determined. Non-monetary assets and liabilities that are not measured at fair value are translated into Canadian dollars at historical rates.

Foreign currency translation gains and losses on financial instruments, including those classified as FVOCI, are recognized in non-interest income.

## (c) Financial Instruments

### Recognition and Initial Measurement

Central 1 initially recognizes financial assets and financial liabilities on the trade date when Central 1 becomes a party to the contractual provisions of the instruments. A financial asset or financial liability is initially measured at fair value plus, for an item not mandatorily measured or designated at FVTPL, transaction costs that are directly attributable to its acquisition or issuance. For a financial asset or financial liability mandatorily measured or designated at FVTPL, transaction costs are recognized immediately in income or loss.

## Classification and Subsequent Measurement

### a. Business Model Assessment

Central 1 makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. Central 1's business models are as follows:

#### Managed on A Fair Value Basis

Central 1 manages certain financial assets and financial liabilities as a group on a fair value basis and these instruments are mandatorily measured or designated at FVTPL.

#### Held to Collect

Central 1 provides loans to its members and participates in loan syndications with its members. The objective of the business model for these loans is to hold and collect contractual cash flows with sales being incidental to the objective of the model. Financial assets that are managed under this business model are classified and subsequently measured at amortized cost if the contractual cash flows are solely payments of principal and interest (SPPI).

#### Held to Collect and Sell

Held to collect and sell is a business model whose objective is to hold and collect contractual cash flows with sales being integral to achieve such objective. Financial assets, that are managed within this business model and whose contractual cash flows are SPPI, are classified and subsequently measured at FVOCI, which include:

- All debt securities at floating rate and those at fixed rate but considered as higher-yielding acquired prior to March 15, 2021, and
- Bankers' Acceptances, Asset-Backed Commercial Papers, and Commercial Papers acquired on and after March 15, 2021
.

### b. Contractual Cash Flows Characteristics Assessment

In assessing whether the contractual cash flows are SPPI, Central 1 considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

If the contractual terms of a financial asset give rise to contractual cash flows that are not SPPI, it is classified as at FVTPL. In making this assessment, Central 1 considers any terms and features that would change the amount or timing of cash flows, including, but not limited to, non-recourse, prepayment, and environmental, social and governance (ESG) features.

### c. Financial Assets

All financial assets are initially recorded at fair value and subsequently classified and measured at amortized cost, FVOCI or FVTPL.

#### Financial Assets at Amortized Cost

The financial assets that are held within a business model that is Held to Collect and whose contractual cash flows are SPPI are classified and subsequently measured at amortized cost under the effective interest rate method. The gross carrying amounts of these financial assets are reduced by any impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in income or loss. Any gain or loss on derecognition is recognized in income or loss. Transaction costs relating to the acquisition of these financial assets are amortized over the expected life using the effective interest rate method.

#### Financial Assets at FVOCI

The financial assets that are held within a business model that is Held to Collect and Sell and whose contractual cash flows are SPPI are classified and subsequently measured at FVOCI.

Gains and losses on these financial assets are recognized in OCI, unless the instrument is designated in a fair value hedge relationship, in which case any changes in fair value due to changes in the hedged risk is recognized in income or loss. Cumulative gains and losses recognized in OCI are recycled to income or loss upon derecognition of the financial assets. Foreign exchange gains and losses related to these assets are recognized in income or loss. Transaction costs relating to the acquisition of these financial assets are amortized over the expected life using the effective interest rate method.

Jump to table of contents

Allowance for credit loss on debt instruments measured at FVOCI is recognized under IFRS 9. The expected credit loss (ECL) does not reduce the carrying amount of these assets, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to income or loss.

#### Financial Assets Mandatorily measured at FVTPL

Financial assets that are managed on a fair value basis, held for trading, or debt securities with cash flows that do not represent SPPI, are mandatorily classified as FVTPL.

Gains and losses and any interest income are recognized in income or loss. Transaction costs relating to the acquisition are recognized immediately in income or loss.

#### Financial Assets Designated at FVTPL

On initial recognition, Central 1 may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. For financial assets designated at FVTPL, changes in fair value are recognized in income or loss.

Central 1 has no financial assets that are designated at FVTPL.

#### Equity Instruments Mandatorily measured at FVTPL

These instruments are initially and subsequently measured at FVTPL. Gains and losses are recognized in income or loss. Central 1 did not make the election to present subsequent changes in the fair value of any equity instrument in OCI.

#### Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Central 1 changes its business model for managing those financial assets.

### d. Financial Liabilities

Central 1 classifies its financial liabilities as measured at amortized cost or mandatorily measured or designated at FVTPL.

Financial liabilities are classified and mandatorily measured at FVTPL if they are Held for Trading, managed on a fair value basis, derivatives or designated as such on initial recognition. Financial liabilities are designated at FVTPL if such designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

For financial liabilities mandatorily measured or designated at FVTPL, all changes in fair value are recognized in income or loss, except for gains or losses arising from changes in Central 1's own credit risk. These gains or losses are recognized in OCI and are subsequently reclassified from AOCI to retained earnings upon derecognition/ extinguishment of the financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in income or loss. Any gain or loss on derecognition is also recognized in income or loss.

### Derecognition

When Central 1 enters into a transaction whereby it transfers financial assets to third parties to obtain alternate sources of funding. Central 1 assesses whether substantially all the risks and rewards of, or control over, the assets are transferred to determine if qualified for derecognition. In transactions where Central 1 continued to be exposed to substantially all of the risks and rewards associated with the assets transferred, Central 1 continues to recognize the asset on its Consolidated Statement of Financial Position.

Central 1 derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Central 1 also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are subsequently different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial liability are deemed to have expired. In this case, the original financial liability is derecognized and a new financial liability is recognized in fair value.

On derecognition of a financial liability, the difference between the carrying value extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in income or loss.

Securities purchased or sold under repurchase agreements represent short-term funding transactions in which Central 1 sell the securities it owns and

Jump to table of contents

simultaneously commit to repurchase the same securities at a specified price on a specified date in the future. Central 1 also transfers securities to Group Clearer, which are pledged as collaterals for its settlement and clearing obligations. Group Clearer is a joint venture between Central 1 and three other credit union centrals in the Prairies, serving as the credit union system's financial institution connection to the Canadian payments system. Central 1 retains substantially all the risks and rewards associated with these securities and therefore continues to recognize them on the Consolidated Statement of Financial Position.

### Offsetting

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, Central 1 has a legally enforceable right to set off the recognized amounts and it intends to either settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions.

### Impairment

Financial assets at amortized cost or FVOCI are assessed for impairment using the ECL model. Central 1 considers a debt instrument to have a low credit risk if it has a low risk of default and when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

#### a. Determining the Stage

The impairment model measures ECL using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial asset, an amount equal to 12-month ECL is recorded.
- Stage 2 – when a financial asset experiences a SICR subsequent to the origination but is not considered to be in default, an amount equal to lifetime ECL is recorded.
- Stage 3 – when a financial asset is considered credit-impaired, an amount equal to lifetime ECL continues to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stage 1 and 2 and on the gross carrying amount, net of the impairment allowance for financial assets, in Stage 3.

#### b. Assessment of Significant Increase in Credit Risk

The assessment of SICR is performed quarterly and considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Central 1's methodology for determining a SICR for its commercial lending portfolio is based on an internal credit risk rating model and other credit impairment criteria such as 30-day past due and watchlist status to assess the changes in credit risk between origination and reporting dates.

If the contractual terms of any loan have been renegotiated or modified and the loan is not derecognized, the SICR is assessed by comparing the risk of a default occurring at the reporting date based on modified contractual terms with the risk of a default occurring at initial recognition based on unmodified contractual terms.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on an instrument's probability of default, not the losses Central 1 expects to incur. The assessment is generally performed at the instrument level.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment. Central 1 considers a debt instrument to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. Certain securities measured at FVOCI and assets purchased under reverse repurchase agreements have been identified as having a low credit risk.

#### c. Measurement of ECL

The measurement of ECL is based primarily on the product of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

LGD is an estimate of the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur.

### d. Expected Life

When measuring ECL, Central 1 considers the maximum contractual period over which Central 1 is exposed to credit risk. For facilities without a maximum contractual period or where the contractual period is not enforced as part of normal credit risk management practices, the expected losses are to be calculated over the period that the entity is expected to be exposed to credit risk and that expected losses are not mitigated by credit risk management actions. This period may extend beyond the contractual maturity.

### e. Definition of Default

Central 1 considers a financial asset to be in default when:

- a missed or delayed disbursement of a contractually obligated interest or principal payment occurs (excluding missed payments restored within a contractually allowed grace period), as defined in credit agreements and indentures;
- a bankruptcy filing or legal receivership is entered by the debt issuer or obligor that will likely cause a miss or delay in future contractually obligated debt service payments;
- the borrower is unlikely to pay its credit obligations to Central 1 in full, without recourse by Central 1 to actions such as realizing security (if any is held);
- the borrower is past due more than 90 days on any credit obligation to Central 1; or
- Central 1 agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing.

### f. Incorporation of Forward-Looking Information

The measurement of ECL and the assessment of a SICR considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

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),
- Proxy 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).

The forecasts are created using internal and external models/data which are then modified by the AWG Committee as necessary to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves developing two additional economic scenarios and considering the relative probabilities of each outcome.

The 'base case' represents the most likely outcome and is aligned with information used by Central 1 for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

### g. Credit-Impaired Financial Assets

At each reporting date, Central 1 assesses whether financial assets carried at amortised cost, debt financial instruments carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets').

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default;
- The restructuring of a loan or advance by Central 1 on terms that Central 1 would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Lifetime ECLs are recognized for credit-impaired loans which are measured as the difference between the gross carrying amounts of the loans and the present value of estimated future cash flows discounted at the loans' original effective interest rate.

### h. Presentation of ECL

ECL for debt instruments measured at amortized cost is deducted from the gross carrying amount of the instruments. ECL for debt instruments measured at FVOCI is charged to income or loss and is recognized in OCI.

### i. Write-Off

The gross carrying amount of financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when Central 1 determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Central 1's procedures for recovery of amounts due.

## (d) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted and restricted cash balances held with financial institutions. Cash and cash equivalents are carried at amortized cost in the Consolidated Statement of Financial Position.

Further information regarding Central 1's restricted cash balance is contained in Note 6.

## (e) Securitizations

Central 1's securitization activity involves indirect securitizations whereby Central 1 facilitates the transfers of National Housing Act Mortgage-Backed Securities (NHA MBS) by its member credit unions by acting as a swap counterparty with Canada Housing Trust (CHT) and through the provision of administrative services. In such instances, indirect securitization transactions are off balance sheet and Central 1 records administration fees as other income when earned but Central 1 does not acquire an interest in the underlying mortgages.

Central 1 also participates in indirect securitization activities whereby Central 1 participates in future prepayment reinvestment commitment and act as a swap counterparty with CHT and receives a fee from its member credit unions for managing reinvestment assets.
Central 1 participates in direct securitization activities by acquiring an interest in third-party MBS or insured mortgage pools from its member credit unions and subsequently transferring the associated MBS securities to CHT under the Canada Mortgage Bond (CMB) Program. Mortgages transferred to CHT continue to be recognized in Central 1's Consolidated Statement of Financial Position as, in the opinion of Central 1's management, these transactions do not result in the transfer of substantially all the risks and rewards of ownership of the underlying assets.

In applying its policies on securitized financial assets, Central 1 has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by Central 1 over the other entity:

- When Central 1 transfers financial assets to an unconsolidated entity and it retains substantially all the risk and rewards relating to the transferred assets, the transferred assets continue to be recognized in Central 1's Consolidated Statement of Financial Position.

- When Central 1 transfers substantially all the risks and rewards relating to the transferred financial assets to an unconsolidated entity, the assets are derecognized from Central 1's Consolidated Statement of Financial Position.

Jump to table of contents

- When Central 1 neither transfers nor retains substantially all the risks and rewards relating to a transferred financial asset and it retains control of the transferred asset, Central 1 continues to recognize the transferred financial asset to the extent of its continuing involvement in that transferred financial asset.

Details of Central 1's securitization activities are disclosed in Notes 7 and 18.

### (f) Derivative Instruments

Central 1 enters into derivative contracts to manage its exposures to interest rate risk, foreign currency risk and other risks. All derivative instruments are mandatorily measured at FVTPL with changes in fair value recognized in income or loss.

#### Hedge Accounting Policy

For risk management purposes, Central 1 designates certain derivatives as hedging instruments to hedge its exposure to change in the fair value of selected securities at FVOCI and medium-term notes in qualifying hedging relationships. Central 1 has not entered into any cash flow hedges at this time.

On transition to IFRS 9, Central 1 elected the accounting policy choice to continue applying hedge accounting under the IAS 39 framework and IFRS 7, *Financial Instruments: Disclosures* requirements for hedge accounting disclosure. Detailed disclosures about the fair value hedges are included in Note 9.

Hedge accounting is applied to financial assets and financial liabilities only when all of the following conditions are met:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and Central 1's risk management objective and strategy for undertaking the hedge;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value attributable to the interest rate risk; and
- The effectiveness of the hedge can be reliably measured.

#### Interest rate benchmark (IBOR) reform

On May 16, 2022, Refinitiv Benchmark Services UK Limited, the benchmark administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease immediately following a final publication on June 28, 2024,

Transition from Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA) was substantially completed by June 28, 2024. As at December 31, 2024, Central 1 had transitioned all of its financial assets and financial liabilities including securities, derivatives and deposits that were referenced to CDOR to CORRA.

All the CDOR swaps that were designated into hedging relationships as at June 28, 2024 were also transitioned into CORRA based on fallback language and met the economic equivalence test per the phase 2 relief in the IBOR reform. As a result, these hedging relationships were continued.

#### Centrally Cleared Settled-to-Market Derivative Instruments

Central 1 enters into settled-to-market derivatives that are centrally cleared through London Clearing House (LCH) to mitigate counterparty risk. Central 1 is required by LCH to post initial margin and variation margin daily through cash settlement based on the fair value changes of the derivatives. The payment of variation margin partially extinguishes LCH's exposure to the outstanding derivative position as it reduces the fair value of the derivatives to zero or close to zero. Consequently, Central 1's rights and obligations to the cash flows from the derivatives are substantially transferred to LCH on a daily basis, resulting in the partial derecognition of the derivatives.

### (g) Loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and that Central 1 does not intend to sell immediately or in the short term.

Loans are classified as amortized cost and initially measured at fair value plus incremental direct transaction costs on the trade date in the Consolidated Statement of Financial Position.

They are subsequently measured at amortized cost using the effective interest method, net of allowances for ECL and any unearned interest. Interest income is recognized using the effective interest method, and loan origination fees and other fees received and paid are recorded in non-interest income over the term of the loans.

### (h) Securities Purchased under Reverse Repurchase

### Agreements and Sold under Repurchase Agreements

A reverse repurchase agreement is the purchase of the security with a commitment by Central 1 to resell to the original seller on a specified date at a specified price. Securities purchased under reverse repurchase agreements are classified as amortized cost and presented under Loans in the Consolidated Statement of Financial Position. The difference between the cost of the purchase and predetermined proceeds to be received on a resale agreement is recorded in interest income.

A repurchase agreement is the sale of a security with a commitment by Central 1 to repurchase the security on a specified date at a specified price. Obligations related to securities sold under repurchase agreements are recorded at amortized cost in the Consolidated Statement of Financial Position. The difference between the proceeds received on the sale of the security and the amount that Central 1 agrees to repay under the repurchase agreement is recorded in interest expense.

## (i) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) that are within the scope of IFRS 5, *Non-Current Assets and Held for Sale and discontinued operations*, are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and the sale is considered highly probable to occur within one year.

Non-current assets (and disposal groups) classified as held for sale ceases depreciation/amortization starting in the period when the held for sale criteria are met. These assets are measured at the lower of their previous carrying amount and fair value less costs to sell and if significant, are presented separately from other assets on the Consolidated Statement of Financial Position.

A disposal group is classified as a discontinued operation if it meets the following conditions:

- It is a component that can be distinguished operationally and financially from the rest of the operations and
- It represents either a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Disposal groups classified as discontinued operations are presented separately from continuing operations in the Consolidated Statement of Income and Consolidated Statement of Comprehensive income.

## (j) Property and Equipment

Property and equipment, except for land and building which are classified as held for sale and measured at the lower of their previous carrying amount and fair value less costs to sell, are measured cost less accumulated depreciation and accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to Central 1. Ongoing repairs and maintenance are expensed as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is recognized in income or loss.

Depreciation is recognized on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

| | |
|---|---|
| Computer hardware | 3 to 5 years |
| Furniture, fixtures and equipment | 3 to 10 years |
| Leaseholds | Lesser of the useful life of the leasehold or the term of the lease |

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period and adjusted if appropriate.

## (k) Intangible Assets

Central 1’s intangible assets are mainly comprised of externally acquired and internally generated assets. Intangible assets acquired externally are classified as intangible assets and are measured at cost less accumulated amortization and impairment losses.

Internally developed intangible assets are recognized when Central 1 is able to demonstrate its intention and ability to complete the development and use the asset in a manner that will generate future economic benefits, and reliably measure the costs to complete the development. The capitalized costs of internally developed intangible assets include all costs directly attributable to prepare the assets to be capable of operating in the manner intended by Central 1. Internally developed intangible assets are measured at capitalized cost less accumulated amortization and impairment losses.

Central 1 enters into Software as a Service (SaaS) arrangements with external suppliers which give Central 1 the right to receive access to the suppliers' applications over the contract term. Central 1 incurs upfront costs of configuring the suppliers' applications as well as its own system in order to integrate with the suppliers' applications.

Central 1 does not recognize the costs incurred on configuring the suppliers' applications as an intangible asset because it does not control the applications being configured. Central 1 recognizes certain costs incurred on configuring its own system as an intangible asset, when it is able to demonstrate that it has the power to obtain the future economic benefits flowing from the underlying resources and to restrict the access of others to those benefits.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization is recognized on a straight-line basis over the estimated useful life of the asset. The estimated useful lives for the current and comparative periods are 3 to 10 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## (l) Impairment of Non-Financial Assets

Central 1 assesses at the end of each reporting period whether there is any indication that a non-financial asset may be impaired. If any such indicator exists, Central 1 estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the impairment test of Central 1's non-financial assets with indefinite useful lives and those not yet available for use are performed annually by comparing the carrying amount of the asset to its recoverable amount which is the greater of its value in use and its fair value less costs to sell.

In assessing the recoverable amount, the estimated cash flows associated with the asset in the future three to five years are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount on an individual asset, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is estimated to determine if there is an impairment loss.

An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized. In this case, the impairment loss is reversed only to the extent that the carrying amount does not exceed the recoverable amount that would have been determined, net of depreciation, if no previous impairment loss had been recognized. Such reversal is recognized in income or loss.

Central 1 assesses its contacts at each reporting period to determine whether any contract is onerous. A contract is considered onerous when the unavoidable costs of meeting the obligations exceed the expected economic benefits to be received under the contract.

If a contract is identified as onerous, Central 1 recognizes a provision which is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before any provision is established, Central 1 recognizes any impairment loss on the assets associated with that contact.

## (m) Leases

When Central 1 enters into lease agreements for its office space and property and equipment, it recognizes ROU assets and lease liabilities for these leases, and subsequently, a depreciation charge for these ROU assets and an interest expense on lease liabilities are recognized.

Central 1 initially measures the ROU assets at cost on the lease commencement date and subsequently amortizes the assets using the straight-line method from the commencement date to the earlier of the end of the useful lives of the ROU assets or the end of the lease term. Central 1 assesses impairment losses and adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid on the commencement date, discounted using Central 1's weighted average incremental borrowing rate (IBR) on that date. Subsequent to the initial measurement, the lease liability is measured at amortized cost by using the effective interest method. It is remeasured when there is a lease modification or if Central 1 changes its assessment of whether it will exercise an extension or a termination option.

Central 1 has elected to apply recognition exemptions to short-term leases and leases of low-value items which allow Central 1 to continue recognize these leases as operating leases and the related lease payments as an expense on a straight-line basis over the lease term.

### (n) Financial Guarantee Contracts

Financial guarantees are contracts that require Central 1 to make specified payments to reimburse the beneficiary for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Central 1 only offers financial guarantees with terms that are less than one year. Fees are collected upfront and recognized as revenue without amortization due to short-term nature. Therefore, there are no liabilities arising from financial guarantees recognized on Central 1's Consolidated Statement of Financial Position. The fees collected upfront reflect lifetime ECLs at that time and therefore no ECLs are recognized in respect of the guarantee either on initial recognition or subsequently unless there are adverse developments.

### (o) Income Tax

Income tax expense comprises current and deferred tax which are recognized in income or loss and other comprehensive income. Current tax is the enacted tax payable or receivable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. In determining the amount of current and deferred tax, Central 1 takes into account the impact of uncertain tax positions and makes judgements, estimates and assumptions to assess whether additional taxes and interest may be due.

Deferred and current tax assets and liabilities are offset only if:

- there is a legally enforceable right to offset current tax liabilities against current tax assets;
- they relate to income taxes levied by the same tax authority on the same taxable entity; or
- they relate to income taxes levied by the same tax authority on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

### (p) Post-Employment Benefits

#### Defined Contribution Plans

Obligations for contributions to defined contribution plans are expensed as the related service is rendered.

Central 1 participates in a multi-employer defined benefit plan in which plan assets and liabilities are pooled and the actuary does not determine an individual employer's own unfunded liability. Each member credit union is exposed to the actuarial risks of the other employers with the result that, in management's opinion, there is no reasonable way to allocate any defined benefit obligations. This plan is therefore accounted for on a defined contribution basis.

#### Defined Benefit Plans

Central 1's net obligation in respect of its defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. It is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior periods and discounting that benefit to determine its present value using market yields at the end of the reporting period on high-quality corporate bonds.

Central 1 recognizes all actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments and all expenses related to defined benefit plans in OCI.

When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognized in income or loss on a straight-line basis over the average period until the benefits become vested. To the extent that benefits vest immediately, the expense is recognized immediately in income or loss.

### Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term incentive plans if Central 1 has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## (q) Net Interest income

Interest income and expense are recognized using the effective interest method which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortized cost of the financial liability. When calculating the effective interest rate for financial instruments other than credit-impaired assets, Central 1 estimates future cash flows considering all contractual terms of the financial instrument. For credit-impaired assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of effective interest includes transaction cost and fees, which include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

## (r) Non-Interest income

Central 1 generates revenue primarily from providing products and services to its members and clients including credit union lending, access to securitization vehicles, digital banking technologies and payments processing solutions. The consideration received does not include any significant financing components that are not included in the transaction price. Central 1's principal activities, separated by operating segments, from which Central 1 generates its revenue, are described below.

### Lending Fees

Central 1 provides access to credit facilities to support clearing, daily cash management, borrowing and other short-term liquidity management that are all less than a one-year period. The revenue is composed of standby rates or commission rates in which the transaction price is determined based on a calculation over time. The rates are calculated daily and billed monthly. The performance obligations are satisfied, and revenues are recognized over time. Central 1 also assists in the funding of commercial loans where the transaction price is based on a percentage of the underlying mortgages. Fees are collected at inception and are recognized as the performance obligations are satisfied over time.

### Securitization Fees

Securitization services fees consist of MBS services fees and Intermediation Swap fees charged to credit unions. The MBS services fees are calculated daily and billed as the performance obligations are satisfied over time with the right to invoice. The Intermediation Swap fees are calculated monthly as the performance obligations are satisfied over time; however, the consideration is received semi-annually. There are no significant financing components within these contracts.

### Digital Banking Fees

Central 1 delivers digital banking services to customers on their desktop or on mobile devices. There are two main components:

- monthly services and transactions performed over time, and
- billing the implementation of a new service for a client.

Monthly services are provided over time, and therefore these performance obligations are satisfied as time passes. Accordingly, revenue is recognized and collected monthly over the contracted term based on the number of transactions that have occurred in the month or a flat monthly fee depending on the type of service provided.

Implementation projects are billed based on a per hour basis. Revenue is recognized over time and accrued monthly. Contracts are typically completed within a one-year period resulting in no significant financing components.

Jump to table of contents

## Payment Processing and Other Fees

The Payments Services platform is primarily running through Central 1's Current Account System which facilitates the day-to-day banking operations of Central 1's clients. It is divided into multiple payment services that are provided over time. Therefore, performance obligations are satisfied as time passes. Accordingly, revenue is recognized and collected monthly over the contracted terms based on the number of transactions that have occurred in the month or a flat monthly fee depending on the type of services provided.

## Revenue under the Cost Share Arrangement

In order to comply with Payments Canada and Bank of Canada requirements, Central 1 is required to modernize its payment processing systems to facilitate real-time payment processing. As part of this initiative, Central 1's credit union customers contributed funds for a portion of the overall cost as an advance payment for future modernized payment services (cost share arrangement).

Under this arrangement, Central 1 is building the modernized payment functionalities and will be providing ongoing payment processing once the build is complete. The building of the functionalities is highly interdependent and interrelated with the ongoing payment services as these payment services cannot be provided without the modernized payment functionalities being built and credit union customers cannot benefit from the payment functionalities without the provision of ongoing payment services.

Therefore, the funds received under the cost share arrangement are initially recognized as deferred revenue, and as payment functionalities become available, are recognized as revenue over the commitment period as performance obligations are satisfied over time.

### (s) Future Accounting Policies

#### Amendments to IFRS 9 Financial Instruments and IFRS 7

On May 30, 2024, the IASB issued amendments to IFRS 9, *Financial Instruments,* and IFRS 7, *Financial Instruments: Disclosures,* for the classification and measurement of financial instruments. The amendments provide clarification on:

a) The recognition and derecognition of some financial assets and financial liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system;
b) the classification of financial assets with environmental, social and corporate governance (ESG) and similar features to avoid divergence in practice, and
c) assessing whether a financial asset meets the SPPI criterion; and
d) the disclosure for equity instruments designated at FVOCI.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. As at December 31, 2024, the impact of adopting this standard on the Consolidated Financial Statements is currently under assessment.

#### IFRS 18 Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the Financial Statements*, to replace IAS 1, *Presentation of Financial Statements*. This new standard sets out requirements for the presentation and disclosure of information in financial statements, including:

a) classifying all income and expense into specified categories and provide specified totals and subtotals in the statement of income or loss,
b) how information is aggregated or disaggregated, and
c) the disclosure of management-defined performance measures.

Retrospective application of this standard is mandatory for annual periods starting from January 1, 2027 onwards but earlier application is permitted provided that this fact is disclosed. Central 1 has not applied this standard in preparing these Consolidated Financial Statements as it plans to adopt the standard at its effective date. As at December 31, 2024, the impact of adopting this standard on the Consolidated Financial Statements is currently under assessment.

## 6. Cash and Cash Equivalents

| $ thousands, as at December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| With Bank of Canada | $ | **534,512** | $ | 1,781,578 |
| With other regulated financial institutions | | **118,543** | | 70,921 |
| | $ | **653,055** | $ | 1,852,499 |

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

# 7. Securities

| $ thousands, as at December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Mandatorily at FVTPL** | | | | |
| Government and government guaranteed securities | $ | **2,089,065** | $ | 2,191,425 |
| Corporate and major financial institutions | | | | |
| AA low or greater | | **1,326,235** | | 1,369,361 |
| A (high) to A (low) | | **704,510** | | 395,618 |
| BBB (high) to BB | | **1,250,225** | | 1,087,147 |
| Equity instruments | | **40,801** | | 40,903 |
| Fair value | $ | **5,410,836** | $ | 5,084,454 |
| **Securities FVOCI** | | | | |
| Government and government guaranteed securities | $ | **491,537** | $ | 678,728 |
| Corporate and major financial institutions | | | | |
| AA low or greater | | **187,948** | | 199,099 |
| A (high) to A (low) | | **2,101** | | 91,419 |
| BBB (high) to BB High | | **289,129** | | 386,561 |
| Fair value | $ | **970,715** | $ | 1,355,807 |
| **Reinvestment assets under the CMB Program** | | | | |
| Mandatorily at FVTPL | | | | |
| Government and government guaranteed securities | $ | **179,698** | $ | 339,712 |
| Fair value | $ | **179,698** | $ | 339,712 |
| Amortized cost | | | | |
| Assets acquired under reverse repurchase agreements | $ | **257,063** | $ | 220,278 |
| Total reinvestment assets under the CMB Program | $ | **436,761** | $ | 559,990 |
| Total | $ | **6,818,312** | $ | 7,000,251 |

As of December 31, 2024, securities with a fair value totalling $1.0 billion (December 31, 2023: $52.9 million) were pledged to the Bank of Canada and Group Clearer in accordance with the Bank of Canada Pledge Agreement and Group Clearer Pledge Agreement (Note 31) as collateral for Central 1 to manage the liquidity risk relating to the clearing and settlement activities of Group Clearer.

# 8. Loans

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

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Amortized cost** | | |
| Due on demand | | |
| Credit unions | $ **229,664** | $ 197,120 |
| Commercial and others | **60,080** | 8,758 |
| | **289,744** | 205,878 |
| Term | | |
| Credit unions | **-** | 155,000 |
| Commercial and others | **1,243,031** | 1,333,977 |
| Reverse repurchase agreements | **312,555** | 73,894 |
| | **1,555,586** | 1,562,871 |
| | **1,845,330** | 1,768,749 |
| Accrued interest | **5,436** | 8,469 |
| | **1,850,766** | 1,777,218 |
| Allowance for credit losses (Note 10) | **(7,660)** | (3,819) |
| Carrying value | **1,843,106** | 1,773,399 |
| **Designated at FVTPL[1]** | | |
| Term - Commercial and others | | |
| Fair value | **-** | 10,309 |
| Total loans | $ **1,843,106** | $ 1,783,708 |

[1]The loan designated at FVTPL matured on January 1, 2024.

## 9. Derivative Instruments

The following tables summarize the fair value and the notional amounts by term to maturity of derivative assets and liabilities as at December 31, 2024 and December 31, 2023:

| As at December 31, 2024 | Notional amount by term to maturity | | | | Fair Value | |
|---|---|---|---|---|---|---|
| $ thousands | 1 year or less | 1 to 5 years | Over 5 years | Total | Assets | Liabilities |
| **Interest rate contracts** | | | | | | |
| Swap contracts | $ 7,433,956 | $ 13,125,005 | $ 1,177,146 | $ 21,736,107 | $ 170,868 | $ 126,496 |
| Futures contracts | 1,004,000 | 68,000 | - | 1,072,000 | 378 | 825 |
| Bond forwards | 32,690 | - | - | 32,690 | 282 | - |
| | 8,470,646 | 13,193,005 | 1,177,146 | 22,840,797 | 171,528 | 127,321 |
| **Foreign exchange contracts** | | | | | | |
| Forward contracts | 959,410 | - | - | 959,410 | 7,716 | 7,904 |
| **Other** | | | | | | |
| Equity index-linked options | 39,578 | 95,891 | - | 135,469 | 10,123 | 10,168 |
| Total fair value before adjustment | | | | | 189,367 | 145,393 |
| Adjustment for offsetting | | | | | (80,688) | (80,688) |
| Fair value | | | | | **$ 108,679** | **$ 64,705** |

The amounts that have been pledged and received as collateral for derivatives transactions are $15.8 million and $42.9 million, respectively as at December 31, 2024 (December 31, 2023 - $11.2 million and $112.4 million). The amounts pledged as collateral comprises of securities and amount received as collateral comprises of securities and cash (Note 31).

| As at December 31, 2023 | Notional amount by term to maturity | | | | Fair Value | |
|---|---|---|---|---|---|---|
| $ thousands | 1 year or less | 1 to 5 years | Over 5 years | Total | Assets | Liabilities |
| **Interest rate contracts** | | | | | | |
| Swap contracts | $ 10,769,306 | $ 19,516,422 | $ 1,432,568 | $ 31,718,296 | $ 553,502 | $ 406,006 |
| Futures contracts | 991,000 | 200,000 | - | 1,191,000 | 136 | 1,435 |
| | 11,760,306 | 19,716,422 | 1,432,568 | 32,909,296 | 553,638 | 407,441 |
| **Foreign exchange contracts** | | | | | | |
| Forward contracts | 535,757 | - | - | 535,757 | 4,983 | 4,733 |
| **Other** | | | | | | |
| Equity index-linked options | 52,333 | 130,718 | - | 183,051 | 8,889 | 8,889 |
| Total fair value before adjustment | | | | | 567,510 | 421,063 |
| Adjustment for offsetting | | | | | (340,252) | (340,252) |
| Fair value | | | | | $ 227,258 | $ 80,811 |

All derivatives are traded over-the-counter except for futures which are exchange traded.

## 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 Consolidated Statement of Income.

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 resulted in the de-designation of these hedging relationships as the Phase 2 relief in IBOR reform was not applicable, requiring hedging relationships to be discontinued. On March 22, 2024, Central 1 redesignated these securities into new hedging relationships with CORRA swaps.

As a result of the de-designation, the historical accumulated hedging adjustments of these securities prior to the de-designation totalling $22.9 million, which were accumulated in retained earnings over the years, should be transferred back to accumulated other comprehensive income through profit or loss over the remaining life of the hedged items given these hedged items are classified as FVOCI.

During 2024, three FVOCI securities that were designated into hedging relationships were sold and the respective hedging relationships were de-designated as a result. The swaps are not terminated, and all the related fair value changes continue to be recognized in profit or loss.

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

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| $ thousands, for the year ended December 31 | 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] | $ 7,704 | $ (6,455) | $ 1,249 | $ 7,346 | $ (7,375) | $ (29) |
| Loans | - | - | - | 140 | (833) | (693) |
| Debt securities issued | (8,572) | 9,395 | 823 | 821 | (1,095) | (274) |

[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)

| | December 31, 2024 | | | | December 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| $ thousands, as at | Notional value of hedged items | Carrying value of hedged items[2] | Carrying value of hedging instruments | Accumulated fair value hedge adjustment | Notional value of hedged items | Carrying value of hedged items[2] | Carrying value of hedging instruments | Accumulated fair value hedge adjustment |
| Securities at FVOCI[1] | $ 201,156 | $ 187,622 | $ (4,979) | $ 6,307 | $ 235,156 | $ 207,748 | $ 25,355 | $ (24,217) |
| Debt securities issued | 650,000 | (659,101) | 6,738 | (6,096) | (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.

Jump to table of contents

# 10. Provision for Credit Losses

| $ thousands, as at December 31, 2024 | 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: | | | | |
| Transfers in (out) | (79) | 53 | 26 | **-** |
| Purchases and originations | 774 | 224 | - | **998** |
| Derecognitions and maturities | (1,047) | (325) | (264) | **(1,636)** |
| Remeasurements | 1,790 | 1,481 | 1,208 | **4,479** |
| Total provision for credit losses | 1,438 | 1,433 | 970 | **3,841** |
| **Balance as at December 31, 2024** | **$ 4,727** | **$ 1,755** | **$ 1,178** | **$ 7,660** |
| **Financial assets at FVOCI** | | | | |
| Balance as at December 31, 2023 | $ 230 | $ - | $ - | **$ 230** |
| Recovery of credit losses: | | | | |
| Derecognitions and maturities | (53) | - | - | **(53)** |
| Remeasurements | (35) | - | - | **(35)** |
| Total recovery of credit losses | (88) | - | - | **(88)** |
| **Balance as at December 31, 2024** | **$ 142** | **$ -** | **$ -** | **$ 142** |
| **Total** | | | | |
| Balance as at December 31, 2023 | $ 3,519 | $ 322 | $ 208 | **$ 4,049** |
| Provision for (recovery of) credit losses: | | | | |
| Transfers in (out) | (79) | 53 | 26 | **-** |
| Purchases and originations | 774 | 224 | - | **998** |
| Derecognitions and maturities | (1,100) | (325) | (264) | **(1,689)** |
| Remeasurements | 1,755 | 1,481 | 1,208 | **4,444** |
| Total provision for credit losses | 1,350 | 1,433 | 970 | **3,753** |
| **Balance as at December 31, 2024** | **$ 4,869** | **$ 1,755** | **$ 1,178** | **$ 7,802** |

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

| $ thousands, as at December 31, 2023 | 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: | | | | |
| Transfers in (out) | (49) | 48 | 1 | - |
| Purchases and originations | 368 | - | - | 368 |
| Derecognitions and maturities | (950) | - | (157) | (1,107) |
| Remeasurements | 534 | 274 | 207 | 1,015 |
| Total provision for (recovery of) credit losses | (97) | 322 | 51 | 276 |
| Balance as at December 31, 2023 | $ 3,289 | $ 322 | $ 208 | $ 3,819 |
| **Financial assets at FVOCI** | | | | |
| Balance as at December 31, 2022 | $ 284 | - | - | $ 284 |
| Provision for credit losses: | | | | |
| Derecognitions and maturities | (26) | - | - | (26) |
| Remeasurements | (28) | - | - | (28) |
| Total recovery of credit losses | (54) | - | - | (54) |
| Balance as at December 31, 2023 | $ 230 | $ - | $ - | $ 230 |
| **Total** | | | | |
| Balance as at December 31, 2022 | $ 3,670 | $ - | $ 157 | $ 3,827 |
| Provision for (recovery of) credit losses: | | | | |
| Transfers in (out) | (49) | 48 | 1 | - |
| Purchases and originations | 368 | - | - | 368 |
| Derecognitions and maturities | (976) | - | (157) | (1,133) |
| Remeasurements | 506 | 274 | 207 | 987 |
| Total provision for (recovery of) credit losses | (151) | 322 | 51 | 222 |
| Balance as at December 31, 2023 | $ 3,519 | $ 322 | $ 208 | $ 4,049 |

[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 loans as at December 31, 2024 and December 31, 2023, according to credit quality:

| $ thousands, as at December 31, 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Low Risk | $ 653,546 | $ - | $ - | **$ 653,546** |
| Medium Risk | 1,136,309 | - | - | **1,136,309** |
| High Risk | - | 42,476 | - | **42,476** |
| Not Rated[1] | 206 | - | - | **206** |
| Impaired | - | - | 18,229 | **18,229** |
| **Total** | **$ 1,790,061** | **$ 42,476** | **$ 18,229** | **$ 1,850,766** |

| $ 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[1] | 356 | - | - | 356 |
| Impaired | - | - | 1,897 | 1,897 |
| Total | $ 1,764,067 | $ 11,254 | $ 1,897 | $ 1,777,218 |

[1]Non rated loans are the loans where internal risk ratings are not assigned. Alternative credit risk assessments, rating methodologies, policies and tools are used to manage credit risk for these portfolios.

## ECL for Credit-Impaired Loans

Stage 3 loans are those classified as credit-impaired. A loan is considered credit-impaired when one or more loss events, as outlined in Note 5(g), have occurred. When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. Interest income is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Significant judgement is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining ECL. Changes in the amount expected to be received would have a direct impact on the provision for credit losses and may result in a change in the allowance for credit losses. As Central 1's commercial loans are mostly construction and real estate, the collaterals for these loans are mostly the subject real estate properties as stated in the loan agreements.

## Forward Looking Macroeconomic Variables

The inputs that are used to estimate the Stage 1 and Stage 2 allowances for credit loss are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in Central 1's commercial loan portfolio. Each macroeconomic scenario used in the ECL calculation includes a projection of all relevant macroeconomic variables used in the models for the forecast period. The forecasting of macroeconomic variables requires significant judgements and estimates based on a number of assumptions and uncertainties inherent in the current macroeconomic environment.

A probability weighting is assigned to our base scenario, optimistic scenario and pessimistic scenario based on management judgement. The forecasting process is overseen by Central 1's AWG, which includes internal stakeholders from various departments, such as Risk Management, Economics, Finance and the relevant business units. This process requires a significant amount of judgement, both in determining the forward-looking information forecasts for different scenarios and in determining the probability weighting assigned to each scenario.

As of December 31, 2024, the base case scenario continues to predict stronger GDP growth in near term, alongside three additional interest rate cuts in 2025, with no recession anticipated. The optimistic scenario envisions a period of economic expansion, while the pessimistic scenario reflects a potential recession during the forecast period.

If we were to rely solely on our optimistic scenario to measure the ECL for our Stage 1 and Stage 2 loans, the ECL would be $0.2 million lower than the recognized ECL as of December 31, 2024 ($0.2 million as at December 31, 2023). Conversely, if we were to use only our pessimistic scenario for the measurement of ECL for these loans, the ECL would be $0.4 million higher than the recognized ECL as of December 31, 2024 ($0.4 million as at December 31, 2023).

| | As at December 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 | 4.0% | 2.5% | 1.8% | 2.0% | (1.3)% | 1.3% | 3.4% | 2.1% | 0.8% | 1.9% | (4.3)% | 1.3% |
| UR | 5.4 | 4.9 | 6.4 | 5.3 | 7.3 | 6.4 | 5.5 | 4.9 | 6.3 | 5.3 | 7.3 | 6.6 |
| BA[2] | 5.0 | 3.9 | 3.0 | 2.9 | 1.6 | 1.6 | 5.8 | 4.2 | 4.4 | 2.8 | 3.2 | 1.7 |
| GOC | 4.9 | 3.8 | 2.8 | 2.7 | 1.3 | 1.3 | 5.4 | 4.0 | 4.0 | 2.5 | 2.8 | 1.3 |
| Debt/Income | 182.1 | 186.2 | 176.5 | 181.8 | 173.6 | 179.2 | 182.7 | 185.3 | 181.6 | 183.1 | 178.6 | 181.0 |
| HPI | 3.7% | 4.0% | 2.3% | 2.8% | 0.0% | 2.1% | 5.4% | 2.9% | (1.3)% | 0.9% | (9.8)% | 0.5% |

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

[2] BA ceased to be published after June 28, 2024. A proxy value of BA is used for December 31, 2024 to reflect the spread over Treasury bills to approximate the Bank of Canada's lending rates.

## Management Overlays

Overlays are modifications applied to the outputs of the ECL model that occur outside the standard ECL calculation and reporting process, determined by applying our knowledge of the industry and macroeconomic environment.

## 11. Property and Equipment

| $ thousands, as at or for the year ended December 31 | Land and Building | Equipment | Fixtures | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance as at December 31, 2023** | **$ 20,772** | **$ 9,972** | **$ 17,887** | **$ 48,631** |
| **Acquisitions** | **-** | **1,309** | **-** | **1,309** |
| **Disposals[1]** | **-** | **(453)** | **(7)** | **(460)** |
| **Transfer to assets held for sale** | **(16,912)** | **(926)** | **(8,897)** | **(26,735)** |
| **Balance as at December 31, 2024** | **$ 3,860** | **$ 9,902** | **$ 8,983** | **$ 22,745** |
| Balance as at December 31, 2022 | $ 23,772 | $ 9,380 | $ 17,895 | $ 51,047 |
| Acquisitions | - | 693 | - | 693 |
| Disposals | - | (101) | (8) | (109) |
| Remeasurement of ROU asset | (3,000) | - | - | (3,000) |
| Balance as at December 31, 2023 | $ 20,772 | $ 9,972 | $ 17,887 | $ 48,631 |
| **Accumulated Depreciation** | | | | |
| **Balance as at December 31, 2023** | **$ 15,516** | **$ 8,467** | **$ 13,341** | **$ 37,324** |
| **Depreciation** | **964** | **778** | **999** | **2,741** |
| **Disposals[1]** | **-** | **(282)** | **(7)** | **(289)** |
| **Transfer to assets held for sale** | **(14,419)** | **(689)** | **(5,872)** | **(20,980)** |
| **Balance as at December 31, 2024** | **$ 2,061** | **8,274** | **8,461** | **18,796** |
| Balance as at December 31, 2022 | $ 14,544 | $ 7,779 | $ 12,033 | $ 34,356 |
| Depreciation | 972 | 789 | 1,316 | 3,077 |
| Disposals | - | (101) | (8) | (109) |
| Balance as at December 31, 2023 | $ 15,516 | $ 8,467 | $ 13,341 | $ 37,324 |
| **Carrying value** | | | | |
| **Balance as at December 31, 2024** | **$ 1,799** | **$ 1,628** | **$ 522** | **$ 3,949** |
| Balance as at December 31, 2023 | $ 5,256 | $ 1,505 | $ 4,546 | $ 11,307 |

[1]Includes impairment charges

The carrying value of property and equipment is reviewed at the end of each reporting period for any events or changes in circumstances which indicate that the carrying value may not be recoverable. Impairment testing is performed at the individual asset or CGU level for which identifiable cash flows are largely independent cash flows and by comparing the recoverable amount with the carrying value of the individual asset or CGU.

## 12. Intangible Assets

| $ thousands, as at or for the year ended December 31 | | Externally Acquired | | Internally Developed | | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at December 31, 2023** | **$** | **21,723** | **$** | **57,466** | **$** | **79,189** |
| **Acquisitions** | | **-** | | **362** | | **362** |
| **Disposals** | | **(1,488)** | | **(16,800)** | | **(18,288)** |
| **Balance as at December 31, 2024** | **$** | **20,235** | **$** | **41,028** | **$** | **61,263** |
| Balance as at December 31, 2022 | $ | 21,723 | $ | 55,153 | $ | 76,876 |
| Acquisitions | | - | | 2,313 | | 2,313 |
| Balance as at December 31, 2023 | $ | 21,723 | $ | 57,466 | $ | 79,189 |
| **Accumulated Amortization and impairment** | | | | | | |
| **Balance as at December 31, 2023** | **$** | **21,671** | **$** | **37,824** | **$** | **59,495** |
| **Amortization** | | **31** | | **1,609** | | **1,640** |
| **Disposals** | | **(1,488)** | | **(16,800)** | | **(18,288)** |
| **Balance as at December 31, 2024** | **$** | **20,214** | **$** | **22,633** | **$** | **42,847** |
| Balance as at December 31, 2022 | $ | 21,560 | $ | 35,368 | $ | 56,928 |
| Amortization | | 111 | | 2,456 | | 2,567 |
| Balance as at December 31, 2023 | $ | 21,671 | $ | 37,824 | $ | 59,495 |
| **Carrying value** | | | | | | |
| **Balance as at December 31, 2024** | **$** | **21** | **$** | **18,395** | **$** | **18,416** |
| Balance as at December 31, 2023 | $ | 52 | $ | 19,642 | $ | 19,694 |

The carrying value of intangible assets is reviewed at the end of each reporting period for any events or changes in circumstances which indicate that the carrying value may not be recoverable. Impairment testing is performed at the individual asset or CGU level for which identifiable cash flows are largely independent cash flows and by comparing the recoverable amount with the carrying value of the individual asset or CGU.

## 13. Assets Held for Sale

Central 1 has listed its head office (the Property) located on 1441 Creekside Drive, Vancouver BC, for sale. There was no change in the carrying value upon reclassification, as the estimated fair value less costs to sell exceeds the carrying value of $6.2 million.

### Assets held for sale

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| Property and equipment | $ **5,755** | $ - |
| Other Assets | | |
| Investment Property | **427** | - |
| | $ **6,182** | $ - |

## 14. Investments in Affiliates

The following table summarizes the ownership interest and carrying values of Central 1's investments in affiliates accounted for under the equity method:

| | % of direct ownership outstanding | | | |
|---|---|---|---|---|
| $ thousands, except as indicated, as at December 31 | 2024 | 2023 | 2024 | 2023 |
| The CUMIS Group Limited | **27%** | 27% | $ **15,000** | 14,769 |
| CU CUMIS Wealth Holdings LP | **35%** | 35% | **40,525** | 40,518 |
| 189286 Canada Inc. | **52%** | 52% | **33,212** | 36,854 |
| Agility Forex Ltd. | **27%** | 27% | **1,180** | 962 |
| | | | $ **89,917** | $ 93,103 |

Central 1 holds 52% of the voting power in 189286 Canada Inc. (189286), but only has 20% representation on its Board. While Central 1 has the right to direct the relevant activities and use its voting power to affect returns in accordance with IFRS 10, *Consolidated Financial Statements*, its ability to affect investment returns is significant reduced by Canadian Credit Union Association's decision to allocate these returns toward offering rebates to credit union members. Therefore, Central 1 does not have control over 189286, but rather possess significant influence. Accordingly, Central 1 accounts for its investment in 189286 using the equity method, as outlined in IAS 28, *Investments in Associates and Joint Ventures.* In 2024, Central 1 contributed $2.0 million (2023 – $1.4 million) to support the operational and initiative spend of 189286.

## 15. Deferred Tax Assets

| $ thousands, as at and for the year ended December 31 | 2023 | Recognized in income (loss) | Recognized in OCI | 2024 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Financial instruments | $ 38,482 | $ 17,449 | $ - | **$ 55,931** |
| Employee future benefits | 6,840 | 47 | 145 | **7,032** |
| Equity interest in affiliates | 1,576 | 177 | 577 | **2,330** |
| Unused tax losses and tax credits | 67,614 | (39,589) | (3,050) | **24,975** |
| Other | 4,783 | 581 | - | **5,364** |
| Total deferred tax assets | 119,295 | (21,335) | (2,328) | **95,632** |
| **Deferred tax liabilities** | | | | |
| Financial instruments | (47,248) | - | - | **(47,248)** |
| Property and equipment | (483) | 207 | - | **(276)** |
| Employee future benefits | (5,200) | (112) | (398) | **(5,710)** |
| Equity interest in affiliates | (6,849) | (98) | (12) | **(6,959)** |
| Other | (3,800) | (37) | - | **(3,837)** |
| Total deferred tax liabilities | (63,580) | (40) | (410) | **(64,030)** |
| Net deferred tax assets[1] | $ 55,715 | $ (21,375) | $ (2,738) | **$ 31,602** |

[1]Deferred tax assets and liabilities are assessed by each legal entity and presented on a net basis on the Consolidated Statement of Financial Position.

Jump to table of contents

| $ thousands, as at and for the year ended December 31 | 2022 | Recognized in income (loss) | Recognized in OCI | 2023 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Financial instruments | $ 23,055 | $ 15,427 | $ - | $ 38,482 |
| Employee future benefits | 6,600 | 28 | 212 | 6,840 |
| Equity interest in affiliates | 1,519 | 57 | - | 1,576 |
| Unused tax losses | 91,143 | (20,886) | (2,643) | 67,614 |
| Other | 4,774 | 9 | - | 4,783 |
| Total deferred tax assets | 127,091 | (5,365) | (2,431) | 119,295 |
| **Deferred tax liabilities** | | | | |
| Financial instruments | (47,248) | - | - | (47,248) |
| Property and equipment | (1,024) | 541 | - | (483) |
| Employee future benefits | (4,917) | (102) | (181) | (5,200) |
| Equity interest in affiliates | (6,339) | (127) | (383) | (6,849) |
| Other | (3,444) | (356) | - | (3,800) |
| Total deferred tax liabilities | (62,972) | (44) | (564) | (63,580) |
| Net deferred tax assets[1] | $ 64,119 | $ (5,409) | $ (2,995) | $ 55,715 |

[1]Deferred tax assets and liabilities are assessed by legal entity and presented on a net basis on the Consolidated Statement of Financial Position.

# 16. Other Assets

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| Prepaid expenses | $ **12,716** | $ 7,822 |
| Accounts receivable and other | **10,886** | 8,340 |
| Cash collateral receivable[1] | **16,757** | 966 |
| Post-employment benefits | **8,012** | 6,775 |
| Investment property[2] | **-** | 508 |
| | $ **48,371** | $ 24,411 |

[1]Paid as collateral for derivatives transactions.
[2]Transferred to held for sale (Note 13)

### Contract Balances

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Receivables arising from contracts with customers** | | |
| Trade receivables | $ **8,776** | $ 7,235 |
| Contract assets | **1,459** | 879 |
| Total contract assets[1] | $ **10,235** | $ 8,114 |
| Total contract liabilities[2] | $ **2,603** | $ 3,928 |

[1]Contract assets are included within the "accounts receivable and other" under Other Assets.

[2]Contract liabilities exclude the deferred revenue related to the amount received from credit union clients under the Payments Modernization Cost Share Arrangement which was recorded under other liabilities.

## 17. Deposits

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Deposits designated at FVTPL** | | |
| Due within three months | $ **1,333,139** | $ 1,570,372 |
| Due after three months and within one year | **462,394** | 614,193 |
| Due after one year and within five years | **613,143** | 647,766 |
| | **2,408,676** | 2,832,331 |
| Accrued interest | **20,942** | 22,327 |
| Amortized cost | $ **2,429,618** | $ 2,854,658 |
| Fair value | $ **2,437,195** | $ 2,844,471 |
| **Deposits held at amortized cost** | | |
| Due on demand | $ **2,800,138** | $ 2,999,013 |
| Due within three months | **9,140** | 10,175 |
| Due after three months and within one year | **-** | 2,000 |
| | **2,809,278** | 3,011,188 |
| Accrued interest | **26** | 45 |
| Amortized cost | $ **2,809,304** | $ 3,011,233 |
| Total carrying value | $ **5,246,499** | $ 5,855,704 |

# 18. Securitization Liabilities

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

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Amounts** | | |
| Due within three months | $ **285,632** | $ 232,088 |
| Due after three months and within one year | **76,334** | 160,562 |
| Due after one year and within five years | **76,869** | 177,210 |
| Amortized cost | $ **438,835** | $ 569,860 |
| Fair value | $ **436,761** | $ 559,990 |

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

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Mandatorily at FVTPL** | | |
| Total reinvestment assets under the CMB Program (Note 7) | $ **179,698** | $ 339,712 |
| Total underlying assets mandatorily at fair value | $ **179,698** | $ 339,712 |
| **Amortized cost** | | |
| Total reinvestment assets under the CMB Program (Note 7) | $ **257,063** | $ 220,278 |
| Total underlying assets designated | $ **436,761** | $ 559,990 |

# 19. Debt Securities Issued

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Amortized cost** | | |
| Due within three months | $ **646,253** | $ 695,183 |
| Due after three months and within one year | **422,483** | 151,242 |
| Due after one year and within five years | **299,032** | 647,826 |
| | **1,367,768** | 1,494,251 |
| Accrued interest | **10,453** | 10,453 |
| Amortized cost | $ **1,378,221** | $ 1,504,704 |
| Fair value hedge adjustment[1] | **6,096** | (2,476) |
| Carrying value | $ **1,384,317** | $ 1,502,228 |
| **Designated at FVTPL** | | |
| Due after one year and within five years | $ **650,000** | $ 650,000 |
| Accrued interest | **4,792** | 4,792 |
| Amortized cost | $ **654,792** | $ 654,792 |
| Fair value | **670,334** | 648,904 |
| Total carrying value | $ **2,054,651** | $ 2,151,132 |

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

At December 31, 2024, the short-term commercial paper facility had a total par value of $723.3 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).

Jump to table of contents

| $ millions, as at December 31, 2024 | | Face Value | Maturity | Interest Rate (fixed rate) | Redeemable at our option | Payable |
|---|---|---|---|---|---|---|
| **Medium Term Fixed Rate Note** | | | | | | |
| **Designated at FVTPL** | | | | | | |
| Series 18 | $ | 250.0 | Jan 29 2026 | 1.323% | non-redeemable | semi-annually |
| Series 21 | $ | 200.0 | Nov 10 2026 | 5.877% | redeemable | semi-annually |
| Series 22 | $ | 200.0 | Nov 10 2028 | 5.981% | redeemable | semi-annually |
| **Designated into Hedging Relationship** | | | | | | |
| Series 19 | $ | 350.0 | Sep 29 2025 | 5.417% | redeemable | semi-annually |
| Series 20 | $ | 300.0 | Feb 7 2028 | 4.648% | redeemable | semi-annually |

| $ millions, as at December 31, 2023 | | Face Value | Maturity | Interest Rate (fixed rate) | Redeemable at our option | Payable |
|---|---|---|---|---|---|---|
| **Medium Term Fixed Rate Note** | | | | | | |
| **Designated at FVTPL** | | | | | | |
| Series 18 | $ | 250.0 | Jan 29 2026 | 1.323% | non-redeemable | semi-annually |
| Series 21 | $ | 200.0 | Nov 10 2026 | 5.877% | redeemable | semi-annually |
| Series 22 | $ | 200.0 | Nov 10 2028 | 5.981% | redeemable | semi-annually |
| **Designated into Hedging Relationship** | | | | | | |
| Series 19 | $ | 350.0 | Sep 29 2025 | 5.417% | redeemable | semi-annually |
| Series 20 | $ | 300.0 | Feb 7 2028 | 4.648% | redeemable | semi-annually |

Central 1 has secured $200.0 million of unsecured letter of credit facilities with various financial institutions. The unsecured facilities rank equally with the outstanding notes and deposits. At December 31, 2024 and December 31, 2023, the amounts outstanding were $77.3 million and $83.4 million respectively.

## 20. Subordinated Liabilities

| $ thousands, as at December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Designated as FVTPL** | | | | |
| Series 7 | $ | **200,000** | $ | 200,000 |
| Accrued interest | | **26** | | 26 |
| Amortized cost | $ | **200,026** | $ | 200,026 |
| Fair value | $ | **195,456** | $ | 182,111 |
| Total carrying value | $ | **195,456** | $ | 182,111 |

On June 30, 2021, Central 1 issued $200.0 million principal of Series 7 subordinated fixed rate notes due June 30, 2031. The notes bear interest at a fixed rate of 2.391%, payable semi-annually, until, but excluding June 30, 2026. Central 1 has the option to redeem the outstanding notes in whole or in part on or after June 30, 2026. The Series 7 notes are designated at FVTPL at inception to be managed as a group on a fair value basis with securities portfolio.

## 21. Change in Liabilities Arising from Financing Activities

| $ thousands, as at or for the year ended | | | | | Non-cash changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| December 31 | | 2023 | | Cash Flow | | Fair Value | | Other | | 2024 |
| Securitization liabilities | $ | 559,990 | $ | (131,024) | $ | 7,795 | $ | - | $ | **436,761** |
| Debt securities issued | | 2,151,132 | | (126,483) | | 16,548 | | 13,454 | | **2,054,651** |
| Subordinated liabilities | | 182,111 | | - | | 6,515 | | 6,830 | | **195,456** |
| Finance lease | | 2,309 | | (530) | | - | | - | | **1,779** |
| | $ | 2,895,542 | $ | (258,037) | $ | 30,858 | $ | 20,284 | $ | **2,688,647** |

| $ thousands, as at or for the year ended | | | | | Non-cash changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| December 31 | | 2022 | | Cash Flow | | Fair Value | | Other | | 2023 |
| Securitization liabilities | $ | 992,140 | $ | (442,026) | $ | 10,406 | $ | (530) | $ | 559,990 |
| Debt securities issued | | 1,997,569 | | 123,491 | | 15,926 | | 14,146 | | 2,151,132 |
| Subordinated liabilities | | 198,887 | | (21,000) | | 5,164 | | (940) | | 182,111 |
| Finance lease | | 5,622 | | (313) | | - | | (3,000) | | 2,309 |
| | $ | 3,194,218 | $ | (339,848) | $ | 31,496 | $ | 9,676 | $ | 2,895,542 |

Jump to table of contents

## 22. Other Liabilities

| $ thousands, as at December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| Deferred revenue[1] | $ | **27,620** | $ | 30,544 |
| Short-term employee benefits | | **21,496** | | 17,450 |
| Accounts payable | | **15,556** | | 18,936 |
| Post-employment benefits | | **12,941** | | 12,885 |
| Finance lease | | **1,779** | | 2,309 |
| Cash collateral payable[2] | | **84** | | 7,860 |
| | $ | **79,476** | $ | 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.

## 23. 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 | 2024 | 2023 |
|---|---|---|
| **Number of shares issued** | | |
| Class A - credit unions: balance at the beginning and end of period | **43,364** | 43,364 |
| Balance at beginning of period | **11** | 11 |
| Redeemed during the period | **(1)** | - |
| Class B - co-operatives: balance at the end of period | **10** | 11 |
| Balance at beginning of period | **7** | 7 |
| Issued during the period | **1** | - |
| Class C - other: balance at the end of period | **8** | 7 |
| Class E - credit unions: balance at the beginning and end of period | **2,154** | 2,154 |
| **Number of treasury shares** | | |
| Treasury shares - Class E: balance at the beginning and end of period | **(264)** | (264) |

| thousands of dollars, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Amount of share capital outstanding** | | |
| Outstanding $1 par value shares | | |
| Class A - credit unions | $ **43,364** | $ 43,364 |
| Class B - cooperatives | **10** | 11 |
| Class C - other | **8** | 7 |
| Outstanding $0.01 par value shares | | |
| Class E - credit unions | **21** | 21 |
| | **43,403** | 43,403 |
| **Amount of treasury shares** | | |
| Treasury shares - Class E | **(2)** | (2) |
| Balance at the end of period | $ **43,401** | $ 43,401 |

## 24. Net Interest Income

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| **Interest Income** | | |
| FVTPL | $ **217,204** | $ 244,919 |
| FVOCI | **37,238** | 52,069 |
| Amortized cost | **142,446** | 134,593 |
| | **396,888** | 431,581 |
| **Interest Expense** | | |
| FVTPL | **135,954** | 113,868 |
| Amortized cost | **212,519** | 263,396 |
| | **348,473** | 377,264 |
| **Net Interest Income** | $ **48,415** | $ 54,317 |

# 25. Net Fair Value Gains

The following table summarizes the realized gains (losses) for the year ended December 31, 2024 and 2023.

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Realized loss on securities at FVTPL | $ **(6,644)** | $ (13,082) |
| Realized loss on securities at FVOCI | **(4,850)** | (2,961) |
| Realized gain on derivative instruments | **65,987** | 36,651 |
| Realized gain on deposits designated at FVTPL | **105** | 936 |
| Realized gain (loss) on obligations related to securities sold short mandatorily at FVTPL | **(1,729)** | 104 |
| Realized gain on term loans | **96** | - |
| | $ **52,965** | $ 21,648 |

The following table summarizes the unrealized gains (losses) for the year ended December 31, 2024 and 2023.

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| **Change in unrealized gains (losses)** | | |
| Securities at FVTPL | $ **194,484** | $ 159,575 |
| Loans at FVTPL | **1** | 116 |
| Activities under the CMB Program | | |
| Reinvestment assets | **7,795** | 8,338 |
| Securitization liabilities | **(7,795)** | (10,406) |
| Derivative instruments | **(22,962)** | (40,682) |
| Derivative instruments | **(91,682)** | (64,532) |
| Financial liabilities at FVTPL | | |
| Deposits designated at FVTPL | **(19,993)** | (24,581) |
| Obligations related to securities sold short mandatorily at FVTPL | **(275)** | - |
| Debt securities issued designated at FVTPL | **(16,548)** | (15,926) |
| Subordinated liabilities designated at FVTPL | **(6,515)** | (5,164) |
| | $ **36,510** | $ 6,738 |

The following table summarizes the net fair value gains for the year ended December 31, 2024 and 2023.

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Securities mandatorily at FVTPL | $ **187,840** | $ 146,493 |
| Securities at FVOCI | **(4,850)** | (2,961) |
| Loans | **1** | 116 |
| Term loans | **96** | - |
| Activities under the Canada Mortgage Bond Program | | |
| Reinvestment assets | **7,795** | 8,338 |
| Obligations under the Canada Mortgage Bond Program | **(7,795)** | (10,406) |
| Derivative instruments | **(22,962)** | (40,682) |
| Derivative instruments | **(25,695)** | (27,881) |
| Financial liabilities at FVTPL | | |
| Deposits designated at FVTPL | **(19,888)** | (23,645) |
| Obligations related to securities sold short mandatorily at FVTPL | **(2,004)** | 104 |
| Debt securities issued designated at FVTPL | **(16,548)** | (15,926) |
| Subordinated debt issued designated at FVTPL | **(6,515)** | (5,164) |
| | $ **89,475** | $ **28,386** |

## 26. Non-Interest Income

| For the year ended December 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 | $ 14,650 | $ - | **$ 14,650** | $ 14,619 | $ - | $ 14,619 |
| Securitization fees | 6,762 | - | **6,762** | 5,987 | - | 5,987 |
| Foreign exchange income | - | 4,228 | **4,228** | - | 4,865 | 4,865 |
| Asset management services | 3,629 | - | **3,629** | 3,580 | - | 3,580 |
| Other | 5,024 | 45 | **5,069** | 5,057 | (182) | 4,875 |
| **Payments** | | | | | | |
| Payment processing and other fees | 90,248 | - | **90,248** | 79,989 | - | 79,989 |
| **Digital Banking** | | | | | | |
| Digital banking fees | 38,104 | - | **38,104** | 40,512 | - | 40,512 |
| **System Affiliates & Other** | | | | | | |
| Equity interest in affiliates | - | (970) | **(970)** | - | 170 | 170 |
| Dividend Income | - | 2,688 | **2,688** | - | 3,686 | 3,686 |
| Income from investees | - | - | **-** | - | (24) | (24) |
| Other | 623 | - | **623** | 3,388 | - | 3,388 |
| | **$ 159,040** | **$ 5,991** | **$ 165,031** | $ 153,132 | $ 8,515 | $ 161,647 |

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

# 27. Other Administrative Expense

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Professional fees | $ **25,268** | $ 28,535 |
| Cost of payments processing | **21,682** | 24,970 |
| Cost of sales and services | **10,307** | 8,239 |
| Other | **2,715** | 2,761 |
| Occupancy | **2,533** | 2,728 |
| Business development projects | **631** | 865 |
| | $ **63,136** | $ 68,098 |

# 28. Provision for Income Tax

Income tax reported in the Consolidated Financial Statements are as follows:

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Current income tax expense (recovery) | $ **64** | $ (803) |
| Deferred income tax expense | **21,375** | 5,409 |
| Income tax expense in Net income | **21,439** | 4,606 |
| Current income tax expense in OCI | **18** | 17 |
| Deferred income tax expense in OCI | **2,738** | 2,995 |
| Income tax expense in OCI | **2,756** | 3,012 |
| Total income tax expense | $ **24,195** | $ 7,618 |

Central 1’s effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 26.9% (December 31, 2023 – 26.9%).

The following table presents the effective tax rate:

| December 31 | 2024 | 2023 |
|---|---|---|
| Combined federal and provincial statutory income tax rates | **26.9%** | 26.9% |
| Non-capital loss true up | **1.7%** | 0.0% |
| Investment tax credits from prior years | **(3.4)%** | (11.3)% |
| Other | **(0.1)%** | (0.3)% |
| Effective income tax rate | **25.1%** | 15.3% |

## 29. Post-Employment Benefits

Central 1 provides various registered retirement plans for employees including defined benefit plans and defined contribution plans. A non-registered supplemental pension plan is also provided to eligible employees whose registered pension plan benefits are limited by the Income Tax Act. In addition to providing retirement plans, Central 1 also funds a non-pension retiree benefits plan for eligible employees.

### (a) Defined Benefit Plans

Subject to eligibility requirements, employees of Central 1 may be eligible to participate in one of the following defined benefit plans which are no longer available for new employees.

- The defined benefit plan under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan governed by a Board of Trustees; and
- The single-employer defined benefit plan administered by Central 1 for certain Ontario-based employees.

Central 1 Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the B.C. Credit Union Employees' Pension Plan. The B.C. Credit Union Employees' Pension Plan is a contributory, multi-employer, multidivisional registered plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits.

At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the 1.75% Division of the Plan was conducted as at December 31, 2021. The latest actuarial valuation indicated a going concern surplus of $112.5 million and a solvency deficiency of $10.4 million. The next formally scheduled actuarial valuation date will performed as at December 31, 2024, with the results available in 2026.

The B.C. Credit Union Employees' Pension Plan is subject to the provisions under *Pension Benefits Standards Act* (the Act) regulated by the BCFSA. The Act prescribes that, with respect to a solvency deficiency, amortization payments must be made over a period not exceeding five years from the review date that established the solvency deficiency.

The single-employer plan is registered under the Ontario Pension Benefits Act and administered by Central 1 which is responsible over matters affecting the benefit entitlements earned by plan members and beneficiaries. As at December 31, 2022, the actuary reported that the single-employer plan had an excess of plan assets over actuarial liabilities for accrued pension benefits of $4.9 million. The solvency valuation indicated that the value of assets exceeds the actuarial liabilities by $5.6 million. Since both the going-concern excess surplus and the solvency surplus exceed the estimated employer normal cost contributions payable, Central 1 is prohibited from making contributions under the defined benefit component until the date of the next valuation. The next actuarial valuation is expected to be performed no later than December 31, 2025, with the results available in 2026.

Details of the single-employer defined benefit plan, as determined by the plan actuary as at year-end are as follows:

| $ thousands, as at or for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| Defined benefit obligation | **$** | **(11,332)** | $ | (11,536) |
| Fair value of plan assets | | **19,344** | | 18,311 |
| Net defined benefit asset | **$** | **8,012** | $ | 6,775 |
| **Defined benefit obligation** | | | | |
| Defined benefit obligation, beginning of year | **$** | **(11,536)** | $ | (11,280) |
| Current service costs | | **(92)** | | (82) |
| Employee contributions | | **(36)** | | (37) |
| Interest cost on accrued benefit obligation | | **(521)** | | (571) |
| Benefit payments | | **911** | | 621 |
| Actuarial loss | | **(58)** | | (187) |
| Defined benefit obligation, end of year | **$** | **(11,332)** | $ | (11,536) |
| **Fair value of plan assets** | | | | |
| Plan assets, beginning of year | **$** | **18,311** | $ | 17,232 |
| Employer contributions | | **-** | | - |
| Employee contributions | | **36** | | 37 |
| Interest income on plan assets | | **831** | | 872 |
| Actuarial gain (loss) on plan assets, excluding interest income | | **1,147** | | 865 |
| Benefit payments | | **(911)** | | (621) |
| Administration costs (other than costs from managing plan assets) | | **(70)** | | (74) |
| Plan assets, end of year | **$** | **19,344** | $ | 18,311 |

Jump to table of contents

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| **Expense recognized in income (loss)** | | |
| Current service costs | $ **92** | $ 82 |
| Administration costs (other than costs from managing plan assets) | **70** | 74 |
| Interest cost on the accrued benefit obligation | **521** | 571 |
| Interest income on plan assets | **(831)** | (872) |
| | $ **(148)** | $ (145) |

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| **Amounts recognized in OCI** | | |
| Actuarial gain (loss) on defined benefit obligation | $ **(58)** | $ (188) |
| Actuarial gain (loss) on plan assets, excluding interest income | **1,147** | 865 |
| | $ **1,089** | $ 677 |

| December 31 | 2024 | 2023 |
|---|---|---|
| **Actuarial assumptions used to determine defined benefit expense:** | | |
| Weighted average discount rate on benefit obligation | **4.65%** | 5.15% |
| Weighted average salary escalation | **3.00%** | 3.00% |
| Expected return on plan assets | **4.60%** | 4.65% |
| **Actuarial assumptions used to determine accumulated benefit obligation:** | | |
| Weighted average discount rate on benefit obligation | **4.65%** | 5.15% |
| Weighted average salary escalation | **3.00%** | 3.00% |
| Expected return on plan assets | **4.60%** | 4.65% |

## (b) Defined Contribution Plans

Subject to eligibility requirements, employees of Central 1 may be eligible to participate in one of the following defined contribution plans.

- The money purchase option under the B.C. Credit Union Employees' Pension Plan, which is a multi-employer plan governed by a Board of Trustees;
- The single-employer money purchase option administered by Central 1 operated for Ontario employees; and
- The group registered retirement savings plan under the B.C. Central 1 Retirement Savings Plan (group RRSP).

Contributions for defined contribution plans and expense for group RRSP included in salaries and employee benefits were $4.02 million (December 31, 2023 - $3.7 million).

## (c) Retiree Non-Pension Benefits

In addition to the base retirement plans, Central 1 provides post-retirement benefits consisting of extended health, Medical Services Plan, dental and life insurance premiums to employees that qualify.

Details of the unfunded non-pension retirement benefit program, as determined by the program actuary as at year-end, are as follows:

| $ thousands, as at or for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| Defined benefit obligation | $ | **(9,917)** | $ | (9,851) |
| **Defined benefit obligation** | | | | |
| Defined benefit obligation, beginning of year | $ | **(9,851)** | $ | (9,155) |
| Current service costs | | **(54)** | | (59) |
| Interest cost of accrued benefit obligation | | **(426)** | | (450) |
| Benefits payments | | **501** | | 448 |
| Actuarial liability experience loss | | **(73)** | | (283) |
| Valuation gain | | **403** | | - |
| Actuarial liability financial assumptions income (loss) | | **(417)** | | (352) |
| Defined benefit obligation, end of year | $ | **(9,917)** | $ | (9,851) |

| $ thousands, for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Expense recognized in income (loss)** | | | | |
| Current service costs | $ | **54** | $ | 59 |
| Interest cost on accrued benefit obligation | | **426** | | 450 |
| | $ | **480** | $ | 509 |

| $ thousands, for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Amounts recognized in OCI** | | | | |
| Actuarial gain (loss) on obligation | $ | **(490)** | $ | (635) |

Jump to table of contents

| December 31 | 2024 | 2023 |
|---|---|---|
| **Actuarial assumptions used to determine retiree non-pension benefits expense:** | | |
| Weighted average discount rate on benefit obligation | **4.50%** | 4.60% |
| **Actuarial assumptions used to determine accumulated benefit obligation:** | | |
| Weighted average discount rate on benefit obligation | **4.50%** | 4.60% |
| **Health care cost trend assumptions:** | | |
| Health care cost trend rate on benefit obligation | **7.00%** | 6.50% |
| Ultimate trend rate on benefit obligation | **2.00%** | 2.00% |
| Year that the rate reaches the ultimate trend rate | **2044** | 2041 |

## (d) Non-Registered Supplemental Pension Plan

Central 1 also offers supplemental pension retirement benefits to employees who meet the requirements. Details of the unfunded supplemental pension plan, as determined by the plan actuary as at year-end, are as follows:

| $ thousands, as at or for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Defined benefit obligation | **$ (3,404)** | $ (3,415) |
| Fair value of plan assets | **381** | 381 |
| Net defined benefit liability | **$ (3,023)** | $ (3,034) |

| $ thousands, as at or for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Defined benefit obligation** | | | | |
| Defined benefit obligation, beginning of year | **$** | **(3,415)** | $ | (3,430) |
| Current service costs | | **(154)** | | (63) |
| Interest cost on accrued benefit obligation | | **(155)** | | (167) |
| Benefits paid | | **379** | | 394 |
| Actuarial gain (loss) | | **(59)** | | (149) |
| Defined benefit obligation, end of year | **$** | **(3,404)** | $ | (3,415) |
| **Fair value of plan assets** | | | | |
| Plan assets, beginning of year | **$** | **381** | $ | 374 |
| Employer contributions | | **398** | | 401 |
| Benefit payments | | **(398)** | | (394) |
| Plan assets, end of year | **$** | **381** | $ | 381 |
| **Expense recognized in income or loss** | | | | |
| Current service costs | **$** | **154** | $ | 63 |
| Interest cost on accrued benefit obligation | | **155** | | 167 |
| | **$** | **309** | $ | 230 |

| $ thousands, for the year ended December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| **Amounts recognized in OCI** | | | | |
| Actuarial gain (loss) on defined benefit obligation | **$** | **(59)** | $ | (149) |

| December 31 | 2024 | 2023 |
|---|---|---|
| **Actuarial assumptions used to determine retiree non-pension benefit expense:** | | |
| Weighted average salary escalation | **3.00%** | 3.00% |
| Weighted average discount rate on benefit obligation | **4.50%** | 4.60% |
| **Actuarial assumptions used to determine accumulated benefit obligation:** | | |
| Weighted average salary escalation | **3.00%** | 3.00% |
| Weighted average discount rate on benefit obligation | **4.50%** | 4.60% |

### (e) Risks

The defined benefit plans and other post-employment plans expose Central 1 to a number of risks. The pension obligation is mainly impacted by the changes to the discount rate, longevity of plan members and future inflation levels. The pension plan assets are subject to market risk resulting from changes in interest rate, foreign exchange rates and credit and swap spreads.

## 30. Segment Information

For management reporting purposes, Central 1's operations and activities are organized around three key business segments: Treasury, Payments, and 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 credit facilities and loans for short-term and long-term funding. 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

Payments develops and operates innovative payment processing solutions for member credit unions, other financial institutions and corporate clients. 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.

### Digital Banking

Digital Banking operates innovative digital banking technologies for member credit unions, other financial institutions and corporate clients to offer a variety of direct banking services to their individual customers through their online banking platform, including Forge 2.0.

### 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, and Central 1's Vancouver office land and building and associated expenses. It also includes the costs of implementing certain strategic initiatives other than ones included in the key segments of business above.

### Management Reporting Framework

The results of these segments are regularly reviewed by Central 1's Chief Executive Officer for the purpose of making decisions about resource allocation and

Jump to table of contents

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 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 budget process ensures that resources are allocated effectively across all operating segments to support their individual needs and objectives.

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 Consolidated Financial Statements as described in Note 5.

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 year ended December 31, 2024:

| $ thousands, for the year ended December 31, 2024 | Treasury | Payments | Digital Banking | System Affiliates & Other | Total |
|---|---|---|---|---|---|
| Interest income | $ 396,888 | $ - | $ - | $ - | $ **396,888** |
| Interest expense | 346,516 | 1,957 | - | - | **348,473** |
| **Net interest income (expense)** | 50,372 | (1,957) | - | - | **48,415** |
| Net fair value gains (loss) | 90,412 | - | - | (937) | **89,475** |
| Non-interest income from external customers, excluding equity interest in affiliates | 34,293 | 90,248 | 37,232 | 4,183 | **165,956** |
| Equity interest in affiliates | 45 | - | - | (970) | **(925)** |
| **Total revenue** | 175,122 | 88,291 | 37,232 | 2,276 | **302,921** |
| **Provision for credit losses** | 3,753 | - | - | - | **3,753** |
| **Non-interest expense** | | | | | |
| Salaries and employee benefits | 26,954 | 40,349 | 53,962 | 4,815 | **126,080** |
| Management information systems | 4,745 | 7,669 | 6,054 | 1,331 | **19,799** |
| Depreciation and amortization | 2,084 | 1,540 | 979 | - | **4,603** |
| Other administrative expense | 11,721 | 33,568 | 16,541 | 1,306 | **63,136** |
| | 45,504 | 83,126 | 77,536 | 7,452 | **213,618** |
| **Income (loss) before income taxes** | 125,865 | 5,166 | (40,305) | (5,176) | **85,550** |
| Income tax expense (recovery) | 33,877 | 1,390 | (10,842) | (2,985) | **21,439** |
| **Net income (loss)** | $ **91,988** | $ **3,776** | $ **(29,463)** | $ **(2,191)** | $ **64,111** |
| **Total assets as at December 31, 2024** | $ **9,810,386** | $ **15,400** | $ **6,211** | $ **204,758** | $ **10,036,755** |
| **Total liabilities as at December 31, 2024** | $ **8,998,284** | $ **33,207** | $ **4,846** | $ **205,052** | $ **9,241,389** |

Jump to table of contents

The following table summarizes the segment results for the year ended December 31, 2023:

| $ thousands, for the year ended December 31, 2023 | Treasury | Payments | Digital Banking | System Affiliates & Other | Total |
|---|---|---|---|---|---|
| Interest income | $ 431,581 | $ - | $ - | $ - | $ 431,581 |
| Interest expense | 374,705 | 2,559 | - | - | 377,264 |
| **Net interest income (expense)** | 56,876 | (2,559) | - | - | 54,317 |
| Net fair value gains (loss) | 27,718 | - | - | 668 | 28,386 |
| Non-interest income from external customers, excluding equity interest in affiliates | 34,108 | 83,430 | 37,071 | 7,050 | 161,659 |
| Equity interest in affiliates | (182) | - | - | 170 | (12) |
| **Total revenue** | 118,520 | 80,871 | 37,071 | 7,888 | 244,350 |
| **Provision for credit losses** | 222 | - | - | - | 222 |
| **Non-interest expense** | | | | | |
| Salaries and employee benefits | 24,428 | 40,565 | 53,630 | 4,255 | 122,878 |
| Management information systems | 3,804 | 6,864 | 5,442 | 1,216 | 17,326 |
| Depreciation and amortization | 2,202 | 2,526 | 1,005 | - | 5,733 |
| Other administrative expense | 10,358 | 29,287 | 17,836 | 10,617 | 68,098 |
| | 40,792 | 79,242 | 77,913 | 16,088 | 214,035 |
| Income (loss) before income taxes | 77,506 | 1,629 | (40,842) | (8,200) | 30,093 |
| Income tax expense (recovery) | 20,684 | 1,260 | (15,619) | (1,719) | 4,606 |
| **Net income (loss)** | $ 56,822 | $ 369 | $ (25,223) | $ (6,481) | $ 25,487 |
| **Total assets as at December 31, 2023** | $ 10,979,363 | $ 10,922 | $ 6,427 | $ 230,502 | $ 11,227,214 |
| **Total liabilities as at December 31, 2023** | $ 10,273,545 | $ 8,914 | $ 7,202 | $ 211,569 | $ 10,501,230 |

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

## 31. 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.

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 December 31 | | 2024 | | 2023 |
|---|---|---|---|---|
| Commitments to extend credit | $ | **5,016,544** | $ | 5,093,356 |
| Guarantees | | | | |
| Financial guarantees | $ | **794,600** | $ | 793,600 |
| Performance guarantees | $ | **500,000** | $ | 500,000 |
| Standby letters of credit | $ | **221,127** | $ | 228,982 |
| Future prepayment reinvestment commitment | $ | **796,324** | $ | 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 December 31, 2024 are $22.8 million, $888.6 million and $98.4 million (December 31, 2023 - $66.3 million, $596.6 million and $105.3 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 December 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.

On October 23, 2024, Central 1 entered into agreements with Portage Ventures IV GP Inc. to invest in Portage Ventures IV LP equity fund and Portage Ventures IV Intentional LP equity fund and has committed to invest a total of USD $10.0 million. As at December 31, 2024, Central 1 contributed CAD $0.8 million (USD $0.6 million) which has been presented under Securities on Central 1’s Consolidated Statement of Financial Position.

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 December 31, 2024.

### Pledged Assets

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 the Group Clearer arrangement, Central 1 provides payment services to the credit union centrals of Alberta, Manitoba, and Saskatchewan (collectively, the Prairie Centrals).

Pursuant to the terms of the *Group Clearer Joint Venture Agreement* and *Group Clearer Service Agreement* among Central 1 and each of the Prairie Centrals (collectively, Clearing Centrals), each of the Clearing Centrals is required to pledge securities with the Bank of Canada and Group Clearer as collateral for its clearing activities in the normal course of business. Central 1 acts as the Group Clearer as the credit union system's financial institution connection to the Canadian Payments system.

On October 1, 2024, the Clearing Centrals entered into two separate pledging agreements, *the Bank of Canada Pledge Agreement* and *Group Clearer Pledge Agreement*, to grant Group Clearer a security interest in a pool of Acceptable Securities delivered by each Clearing Central and held in the Canadian Depository for Securities (CDS) Accounts under the custody and control of the Bank of Canada and Group Clearer, respectively.

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 December 31 | 2024 | 2023 |
|---|---|---|
| **Securities**[1 2] | | |
| Pledged to Bank of Canada in the Group Clearer Arrangement | $ **1,002,787** | $ 34,809 |
| Reinvestment assets under the CMB Program | **436,761** | 559,990 |
| Canadian Depository for securities - Settlement Agents proportionate share of collateral pool amount | **24,544** | 18,102 |
| Securities lending | **50,202** | 40,192 |
| **Derivative assets** | | |
| Derivative financial instrument transactions | **15,819** | 11,266 |
| **Other assets** | | |
| Centrally-cleared derivative activities - LCH Variation Margin | **16,757** | 966 |
| **Securities under repurchase agreements** | **691,268** | 1,036,557 |
| | $ **2,238,138** | $ 1,701,882 |

[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.

## 32. Financial Instruments – Fair Value

Certain financial instruments are recognized in the Consolidated Statement of Financial Position at fair value. These include derivative instruments, securities, deposits and debt securities issued and a subordinated note that are designated at FVTPL, reinvestment assets, obligations related to securities sold short 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, Obligations related to securities sold short, 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 December 31, 2024, Level 3 financial assets includes $40.0 million (2023 - $40.9 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.

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 year, Central 1 transferred $282.7 million of securities (December 31, 2023 - $nil) from Level 1 to Level 2 and $13.2 million of securities (December 31, 2023 - $194.7 million) from Level 2 to Level 1 due to changes in the observability of the inputs used to value these securities.

## 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 purchased under reverse repurchase agreements and sold 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 mandatorily measured at FVTPL and FVOCI, derivative instruments (except for futures which are Level 1), deposits and debt securities issued and a subordinated debt 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).

The following table presents the carrying values and fair values of Central 1's financial assets and financial liabilities as at December 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 December 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 | $ - | $ - | $ - | $ - | $ 653.1 | $ **653.1** |
| Settlements in-transit assets | - | - | - | - | 415.2 | **415.2** |
| Securities | 50.7 | 6,469.7 | 40.8 | 6,561.2 | 257.1 | **6,818.3** |
| Loans | - | - | - | - | 1,843.1 | **1,843.1** |
| Derivative assets | 0.4 | 108.3 | - | 108.7 | - | **108.7** |
| Other assets | - | - | - | - | 27.6 | **27.6** |
| Total financial assets | $ 51.1 | $ 6,578.0 | $ 40.8 | $ 6,669.9 | $ 3,196.1 | $ **9,866.0** |
| **Financial liabilities** | | | | | | |
| Settlements in-transit liabilities | - | - | - | - | 440.0 | **440.0** |
| Deposits | - | 2,437.2 | - | 2,437.2 | 2,809.3 | **5,246.5** |
| Obligations related to securities sold short | - | 32.5 | - | 32.5 | - | **32.5** |
| Securities under repurchase agreements | - | - | - | - | 691.3 | **691.3** |
| Securitization liabilities | - | 436.8 | - | 436.8 | - | **436.8** |
| Derivative liabilities | 0.8 | 63.9 | - | 64.7 | - | **64.7** |
| Debt securities issued | - | 670.3 | - | 670.3 | 1,384.3 | **2,054.6** |
| Subordinated liabilities | - | 195.5 | - | 195.5 | - | **195.5** |
| Other liabilities | - | - | - | - | 17.4 | **17.4** |
| Total financial liabilities | $ 0.8 | $ 3,836.2 | $ - | $ 3,837.0 | $ 5,342.3 | $ **9,179.3** |

[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.

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 or loss | Fair value at Dec 31 2024 |
|---|---|---|---|---|---|---|
| Equity shares | $ 40.9 | $ 0.8 | $ - | $ - | $ (0.9) | $ **40.8** |
| Loans | 10.3 | - | (10.3) | - | - | **-** |
| Total financial assets | $ 51.2 | $ 0.8 | $ (10.3) | $ - | $ (0.9) | $ **40.8** |

| $ millions | Fair value at Dec 31 2022 | Purchases | Repayments | Transfer | Changes in fair value of assets in net income or loss | Fair value at Dec 31 2023 |
|---|---|---|---|---|---|---|
| Equity shares | $ 40.3 | $ - | $ - | $ - | $ 0.6 | $ 40.9 |
| Loans | 10.4 | - | (0.2) | - | 0.1 | 10.3 |
| Total financial assets | $ 50.7 | $ - | $ (0.2) | $ - | $ 0.7 | $ 51.2 |

The following table sets out the fair value of on-balance sheet financial instruments of Central 1 using the valuation methods and assumptions described above. The fair values disclosed do not include assets and liabilities that are not considered financial instruments, such as property and equipment, intangible assets, and investments in affiliates.

| $ millions, as at December 31 | Fair Value 2024 | Fair Value 2023 | Carrying Value 2024 | Carrying Value 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$ 653.1** | $ 1,852.5 | **$ 653.1** | $ 1,852.5 |
| Settlements in-transit assets | **$ 415.2** | $ 158.5 | **$ 415.2** | $ 158.5 |
| Securities | **$ 6,818.3** | $ 7,000.3 | **$ 6,818.3** | $ 7,000.3 |
| Loans[2] | **$ 1,840.8** | $ 1,774.7 | **$ 1,843.1** | $ 1,783.7 |
| Derivative assets | **$ 108.7** | $ 227.3 | **$ 108.7** | $ 227.3 |
| Other assets | **$ 27.6** | $ 9.3 | **$ 27.6** | $ 9.3 |
| **Liabilities** | | | | |
| Settlements in-transit liabilities | **$ 440.0** | $ 544.9 | **$ 440.0** | $ 544.9 |
| Deposits[1,3] | **$ 5,246.5** | $ 5,855.7 | **$ 5,246.5** | $ 5,855.7 |
| Securities under repurchase agreements | **$ 691.3** | $ 1,036.6 | **$ 691.3** | $ 1,036.6 |
| Securitization liabilities | **$ 436.8** | $ 560.0 | **$ 436.8** | $ 560.0 |
| Derivative liabilities | **$ 64.7** | $ 80.8 | **$ 64.7** | $ 80.8 |
| Debt securities issued[1,4] | **$ 2,054.7** | $ 2,151.1 | **$ 2,054.7** | $ 2,151.1 |
| Subordinated liabilities[1,5] | **$ 195.5** | $ 182.1 | **$ 195.5** | $ 182.1 |
| Other liabilities | **$ 17.4** | $ 29.1 | **$ 17.4** | $ 29.1 |

[1]Where the carrying values are at amortized cost, the fair value calculations for these instruments are based on Level 2 inputs.

[2]Where the carrying values are at cost, the fair value calculations for these instruments are based on Level 3 inputs.

[3]A portion of deposits is designated at FVTPL. See Note 17 for the carrying amount.

[4]A portion of debt securities issued is designated at FVTPL. See Note 19 for the carrying amount.

[5]A portion of subordinated liabilities is designated at FVTPL. See Note 20 for the carrying amount.

# 33. Financial Instruments – Risk Management

Central 1's holdings of financial instruments exposes it to credit, counterparty, liquidity and market risk.

## (a) Credit Risk

Credit risk is the potential for financial loss or opportunity cost resulting from the default or failure of a borrower, endorser, guarantor, counterparty or issuer to repay their financial obligation as they come due. Central 1 is exposed to credit risk through investments and lending activities as well as through its role as Group Clearer and other settlement business.

Central 1's risk management practices and key measures of credit risk are disclosed in the Risk Review section of the Management's Discussion and Analysis for the year ended December 31, 2024.

For Central 1's Commercial Real Estate Portfolio, collaterals in the form of a first charge over the underlying properties are required to be provided by borrowers. The table below sets out the carrying amount and value of the collateral (mainly commercial property) held against two stage 3 loans as at December 31, 2024 (one as at December 31, 2023). As at December 31, 2024, the collateral value for one of the stage 3 loans is insufficient to fully recover the loan balance, resulting in an ECL expense of $1.2 million being reported.

| $ thousands, as at December 31 | 2024 | | 2023 | |
|---|---|---|---|---|
| | Carrying Amount | Collateral | Carrying Amount | Collateral |
| Stage 3 | **$ 18,229** | **$ 23,541** | $ 1,897 | $ 3,687 |

Additional information regarding Central 1's key exposure to credit risk is provided in Notes 6, 7, 8, 9 and 10.

## (b) Counterparty Risk

Central 1 is exposed to counterparty risk through entering into contracts with counterparties in return for bilateral value-exchange of services, such as interest rate swap and foreign exchange deals.

Central 1's risk management practices and key measures of counterparty risk are disclosed in the Risk Review section of the Management's Discussion and Analysis for the year ended December 31, 2024. Additional information regarding Central 1's key exposure to counterparty risk is provided in Notes 6, 7, 8, 9 and 10.

## (c) Liquidity Risk

Liquidity risk arises from an internal mismatch between the cash flows of our assets and liabilities, systemic market and credit events or unexpected changes in the liquidity needs of our members. Central 1 provides liquidity support to the credit union system in B.C. and Ontario and considers the liquidity and funding risks for each of its member credit unions as part of Central 1's risk. Our sound liquidity management framework ensures ongoing liquidity support of the credit union system in both normal and stressed market conditions.

Central 1's liquidity management framework is designed to ensure that reliable and cost-effective funding sources are available to satisfy Central 1's current and prospective financial commitments, and those of our member credit unions. Diversification of funding sources provides flexibility and minimizes concentration risk.

It is a crucial component of our overall liquidity management strategy.

Central 1's risk management practices and key measures of liquidity and funding risk are disclosed in the Risk Review section of the Management's Discussion and Analysis for the year ended December 31, 2024. Additional information regarding Central 1's key exposure to liquidity risk is provided in Notes 7, 9, 17, 18, 19, 20 and 31.

## (c) Market Risk

Market risk is the potential for financial loss resulting from unfavourable movements in interest rates, credit spreads, and foreign exchange rates. 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 Statement while Central 1's Market Risk Policy sets out the key principles governing our management of market risk.

Central 1's risk management practices and key measures of market risk are disclosed in the Risk Review section of the Management's Discussion and Analysis for the year ended December 31, 2024. Additional information regarding Central 1's key exposure to market risk is provided in Notes 6, 7, 8, 9 and 10.

The following table summarizes the balance sheet items by the earlier of the contractual repricing or maturity dates as on December 31, 2024:

| $ millions | Floating | Within 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Not rate sensitive | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ 653.1 | $ - | $ - | $ - | $ - | $ - | $ 653.1 |
| Securities | 600.3 | 699.5 | 1,163.8 | 3,285.1 | 1,111.4 | (41.8) | 6,818.3 |
| Loans | 794.4 | 719.9 | 189.7 | 141.3 | - | (2.2) | 1,843.1 |
| Derivative assets | - | - | - | - | - | 108.7 | 108.7 |
| Other assets | 16.8 | - | - | - | - | 596.8 | 613.6 |
| | $ 2,064.6 | $ 1,419.4 | $ 1,353.5 | $ 3,426.4 | $ 1,111.4 | $ 661.5 | $ 10,036.8 |
| **Liabilities** | | | | | | | |
| Deposits | 2,832.7 | 1,333.1 | 458.4 | 593.6 | - | 28.7 | 5,246.5 |
| Obligations related to securities sold short | - | 32.7 | - | - | - | (0.2) | 32.5 |
| Securities under repurchase agreements | - | 691.3 | - | - | - | - | 691.3 |
| Securitization liabilities | - | 285.6 | 76.3 | 76.9 | - | (2.0) | 436.8 |
| Derivative liabilities | - | - | - | - | - | 64.7 | 64.7 |
| Debt securities issued | - | 649.6 | 423.7 | 950.0 | - | 31.4 | 2,054.7 |
| Subordinated liabilities | - | - | - | - | 200.0 | (4.5) | 195.5 |
| Other liabilities | 0.1 | - | - | - | - | 519.3 | 519.4 |
| **Equity** | - | - | - | - | - | 795.4 | 795.4 |
| | $ 2,832.8 | $ 2,992.3 | $ 958.4 | $ 1,620.5 | $ 200.0 | $ 1,432.8 | $ 10,036.8 |
| On-balance sheet gap | (768.2) | (1,572.9) | 395.1 | 1,805.9 | 911.4 | (771.3) | - |
| Off-balance sheet gap | (2,138.6) | 534.0 | (15.4) | 1,324.7 | 295.3 | - | - |
| **Total Gap December 31, 2024** | **$ (2,906.8)** | **$ (1,038.9)** | **$ 379.7** | **$ 3,130.6** | **$ 1,206.7** | **$ (771.3)** | **$ -** |
| Total Gap December 31, 2023 | $ (1,520.4) | $ (2,426.2) | $ 1,259.1 | $ 2,561.6 | $ 1,115.7 | $ (989.8) | $ - |

Additional information regarding the monitoring of maturity gap is provided in the Liquidity Risk section of the MD&A.

## 34. Financial Instruments – Foreign Currency Exposure

Central 1 has various financial instruments denominated in foreign currencies. The details of Central 1's financial instruments, which are denominated in U.S. dollars, are as follows:

| $ thousands, as at December 31 | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ **42,648** | $ 41,696 |
| Securities | **324,381** | 418,487 |
| Loans | **4** | 51 |
| Derivative assets | **4,210** | 4,856 |
| Other | **1,473** | 1,576 |
| | **372,716** | 466,666 |
| **Liabilities** | | |
| Deposits | **369,561** | 467,461 |
| Derivative liabilities | **2,106** | 2,429 |
| Other | **6,093** | 6,972 |
| | **377,760** | 476,862 |
| On-balance sheet exposure | **(5,044)** | (10,196) |
| Off-balance sheet exposure | **(335)** | (21,165) |
| | $ **(5,379)** | $ (31,361) |

Central 1 does not have a significant exposure to other foreign currencies.

## 35. 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.

### Regulatory Capital

Central 1's capital levels are regulated under provincial regulations administered by the B.C. Financial Services Authority (BCFSA). This regulation requires Central 1 to maintain a consolidated borrowing multiple, specifically the ratio of deposit liabilities and other loans 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. Financial Institutions Act (FIA) mandates that Central 1 maintain a total capital ratio of at least 8.0%. While this is the regulatory minimum, the BCFSA has established a supervisory target on total capital ratio to be no less than 10.0%. Additionally, in accordance with the provisions of FIA, Central 1 must maintain a total capital ratio of at least 10.0% to enable member credit unions to risk-weight their deposits with Central 1 at 0.0%. Central 1's capital base includes Tier 1 capital in the form of share capital, contributed surplus and retained earnings. Subject to certain conditions, Central 1 may include its subordinated debt in Tier 2 capital. In calculating Central 1's capital base, certain deductions are required for certain assets.

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

## 36. 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 joint control or significant influence as described in Note 14; and
- Central 1's post-employment benefits as described in Note 29.

### 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 December 31, 2024 and December 31, 2023.

The following table presents the compensation to key management personnel:

| $ thousands, for the year ended December 31 | 2024 | 2023 |
|---|---|---|
| Salaries and short-term employee benefits | $ **6,323** | $ 5,910 |
| Incentive | **3,054** | 1,976 |
| Post-employment benefits | **355** | 313 |
| Termination and other long-term employee benefits | **2,090** | 330 |
| | $ **11,822** | $ 8,529 |

Jump to table of contents

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 year ended December 31 | 2024 | 2023 |
|---|---|---|
| Total remuneration | $ **862** | $ 810 |

### Significant Subsidiaries

| % of direct ownership outstanding, as at December 31 | 2024 | 2023 |
|---|---|---|
| Central 1 Trust Company | **100%** | 100% |
| C1 Ventures (VCC) Ltd. | **100%** | 100% |
| 0789376 B.C. Ltd. | **100%** | 100% |

### 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 December 31 | 2024 | 2023 |
|---|---|---|
| The Co-operators Group Limited | **21%** | 21% |
| Canadian Credit Union Association | **59%** | 59% |

## 37. Subsequent Events

On January 20, 2025, Central 1 entered into an agreement with Intellect Design Arena Ltd. (Intellect) to transfer the digital banking business. On February 28, 2025, this transaction successfully closed. Under this agreement, Intellect assumes responsibility for Central 1's digital banking operations, which includes Forge, *MemberDirect*®, public website, mobile applications, and related products, as well as the digital banking engineering and service teams. Intellect will also take over client contracts and manage the migration of clients to new digital banking providers. Under the terms of the agreement, Central 1 will continue to provide the underlying technology infrastructure and related services. Significant uncertainties remain regarding the timing of the migration of clients to new digital banking providers, the revenues and costs associated with the transition, including operational expenses. Due to the complexity of the transition and the ongoing assessment of its financial impact, Central 1 has determined that it is not possible to reliably estimate the financial effect at this time.

On March 11, 2025, subsequent to the year-end, the Board of Directors of Central 1 approved the declaration of a dividend of $10 million to Class A shareholders. This approval was made after the balance sheet date and, as such, does not result in a liability as of the year-end.

# Credit Unions in British Columbia and Ontario

## Central Credit Unions

Central 1 Credit Union
Stabilization Central Credit Union of British Columbia

## Credit Unions By Province

### B.C. Region

Beem Credit Union
Bulkley Valley Credit Union
Coastal Community Credit Union
Columbia Valley Credit Union
Community Savings Credit Union
Compensation Employees Credit Union
Creston & District Credit Union
First Credit Union
First West Credit Union
Greater Vancouver Community Credit Union
Integris Credit Union
Khalsa Credit Union
Kootenay Savings Credit Union
Ladysmith & District Credit Union
Lake View Credit Union
Nelson & District Credit Union
Northern Savings Credit Union
Osoyoos Credit Union
Prospera Credit Union
Revelstoke Credit Union
Salmon Arm Savings and Credit Union
Sharons Credit Union
StellerVista Credit Union
Summerland & District Credit Union
Sunshine Coast Credit Union
Vancouver City Savings Credit Union
Vancouver Firefighters Credit Union
VantageOne Credit Union
Williams Lake and District Credit Union

### Ontario Region

Adjala Credit Union Limited
Alterna Savings and Credit Union Limited
Bay Credit Union Limited
Buduchnist Credit Union Limited
Comtech Fire Credit Union Limited
DUCA Financial Services Credit Union Ltd.
Equity Credit Union Inc.
Finnish Credit Union Limited
FirstOntario Credit Union Limited
Fort York Community Credit Union Limited
Frontline Financial Credit Union Limited
Ganaraska Credit Union Limited
Golden Horseshoe Credit Union Limited
Healthcare and Municipal Employees' Credit Union Limited
Italian Canadian Savings & Credit Union Limited
Kawartha Credit Union Limited
Kindred Credit Union Limited
Kingston Community Credit Union Limited
Korean (Toronto) Credit Union Limited
Korean Catholic Church Credit Union Limited
Lighthouse Credit Union Limited
L.I.U.N.A. Local 183 Credit Union Limited
Libro Credit Union Limited
Luminus Financial Services & Credit Union Limited
Mainstreet Credit Union Limited
Meridian Credit Union Limited
Motor City Community Credit Union Limited
Moya Financial Credit Union Limited
Northern Birch Credit Union Limited
Northern Credit Union Limited
Ontario Educational Credit Union Limited
Ontario Provincial Police Association Credit Union Limited
Oshawa Community Credit Union Limited
Parama Credit Union Limited
Pathwise Credit Union Limited
PenFinancial Credit Union Limited
Resurrection Credit Union Limited
Southwest Regional Credit Union Ltd.
St. Stanislaus - St. Casimir's Polish Parishes Credit Union Limited
Sudbury Credit Union Limited
Taiwanese-Canadian Toronto Credit Union Limited
Talka Credit Union Limited
Tandia Financial Credit Union Limited
The Energy Credit Union Limited
The Police Credit Union Limited
Thorold Community Credit Union Limited
Ukrainian Credit Union Limited
Windsor Family Credit Union Limited
Your Credit Union Limited
Your Neighbourhood Credit Union Limited

Jump to table of contents

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Wendy Kennish
*Corporate Secretary*

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