

## **Three Months Ended March 31, 2000**

### **Financial Highlights**

First quarter net income was \$4.75 million compared to last year's first quarter net income of \$4.86 million. Financial margin, before recoveries of provisions for loan losses, was \$6.83 million compared to last year's margin of \$6.27 million. Last year's financial margin was boosted by an \$0.80 million recovery of provisions for loan losses. Other income increased by \$0.49 million to \$8.63 million but operating expenses of \$9.31 million were \$0.37 million higher than for the comparable period last year.

Central's interest margin, annualized and expressed as a percentage of assets employed was 78.3 basis points for the three months compared to an interest margin of 89.7 basis points for the same period last year.

Total assets as at March 31, 2000 were \$3,050.5 million, an increase of 13.6% from \$2,685.8 million as at March 31 last year. Assets, on average, were up significantly from those of last year. Increased commercial paper issuance and Receiver General auction proceeds, together with higher deposits by member credit unions, were the major factors in the increase in assets. Loans to member credit unions, at the end of the quarter, were up marginally from last year reversing the trend, established in 1998, to lower loan levels.

### **Outlook**

With the Year 2000 issue successfully out of the way, the U.S. Federal Reserve Board resumed its tightening course by raising its Federal Funds rate by 25 basis points at each of its meetings in February and March. The Bank of Canada matched both of these rate increases and the Bank Rate now stands at 5.50%. Longer term interest rates, however, trended lower on anticipation that the supply of long-term government bonds would shrink as a result of the Federal Reserve Board announcing a buy back program of long treasuries. Consequently, the yield curve in the United States and in Canada is markedly inverted from five years and out. The continuing strong performance of both economies suggests that further rate increases are likely in the next quarter. While the interest rate yield curve has some of these increases built in, there is a risk that the Federal Reserve Board may have to tighten more than is anticipated to have a significant slowing impact on the economy.

With the yield curve being flatter and with the risk of significantly higher short-term interest rates, it is prudent to closely manage the asset liability profile of the investment portfolio. Consequently, opportunities to improve financial performance are limited. Spreads between Government of Canada securities and other fixed income investments have narrowed since the beginning of the year, which adds to the challenge of maintaining interest margin.

# Credit Union Central of British Columbia

## Consolidated Balance Sheet

March 31

( \$ ,000)

Unaudited

2000

1999

### Assets

Cash	\$ 49,870	\$ 91,845
Securities	2,590,870	2,218,912
Loans	387,761	353,292
Land, Buildings & Equipment	11,962	12,230
Other	10,049	9,529
	<u>\$ 3,050,512</u>	<u>\$ 2,685,808</u>

### Liabilities

Deposits & Notes	\$ 2,837,544	\$ 2,471,619
Other	23,125	32,349
Dividends	1,348	1,239
	<u>2,862,017</u>	<u>2,505,207</u>

### Members' Equity

Shares	105,486	105,486
Retained Earnings	83,009	75,115
	<u>188,495</u>	<u>180,601</u>
	<u>\$ 3,050,512</u>	<u>\$ 2,685,808</u>

*"Sylvia Pritchard"*

Sylvia Pritchard  
Chairperson

*"Jill Kelly"*

Jill Kelly  
Chairperson, Audit Committee

**Credit Union Central of British Columbia**  
**Consolidated Statement of Income and Retained Earnings**  
**For the Three Months Ended March 31**

(\$ ,000)

Unaudited

	<u>2000</u>	<u>1999</u>
<b>Financial Income</b>		
Loans	\$ 6,411	\$ 5,660
Securities	34,452	29,246
	<u>40,863</u>	<u>34,906</u>
<b>Financial Expense</b>		
Deposits	32,249	27,581
Borrowed Funds	1,788	1,053
	<u>34,037</u>	<u>28,634</u>
<b>Net Interest Income</b>	6,826	6,272
<b>Provision for Losses</b>	-	(800)
	6,826	7,072
<b>Other Income</b>	8,627	8,140
<b>Net Interest and Other Income</b>	<u>15,453</u>	<u>15,212</u>
<b>Operating Expenses</b>		
Salaries	3,944	3,862
Premises	1,409	1,216
Other	3,961	3,864
	<u>9,314</u>	<u>8,943</u>
<b>Income before Income Taxes</b>	6,139	6,269
<b>Income Taxes</b>	1,385	1,409
<b>Net Income</b>	4,754	4,860
<b>Retained Earnings, beginning of Period</b>	79,306	71,221
	84,060	76,081
Dividends	(1,348)	(1,239)
Income Taxes	297	273
<b>Retained Earnings, end of Period</b>	<u>\$ 83,009</u>	<u>\$ 75,115</u>

**Credit Union Central of British Columbia**  
**Consolidated Statement of Changes in Cash Resources**  
**For the Three Months Ended March 31**

(\$ ,000)

Unaudited

	<u>2000</u>	<u>1999</u>
<b>Cash Derived from (Applied to):</b>		
<b>Operating</b>		
Net Income	\$ 4,754	\$ 4,861
<b>Items not affecting cash</b>		
Depreciation	254	140
Other items - net	22,545	5,653
Net change in accrued interest	14,403	5,050
Provision for losses	-	(800)
	<u>41,956</u>	<u>14,904</u>
<b>Financing</b>		
Shares	-	-
Dividends - net of income taxes	(1,051)	(966)
Deposits and notes	40,526	(135,513)
	<u>39,475</u>	<u>(136,479)</u>
<b>Investing</b>		
Securities	3,665	301,347
Loans	(49,830)	(100,124)
Equipment	(233)	(400)
	<u>(46,398)</u>	<u>200,823</u>
<b>Increase (Decrease) in Cash Resources</b>	<u>35,033</u>	<u>79,248</u>
<b>Cash Resources - Beginning of Period</b>	14,837	12,597
<b>Cash Resources - End of Period</b>	<u>\$ 49,870</u>	<u>\$ 91,845</u>