

Credit Union Central 

First Quarter Report

March 31, 2003



Interim Management Discussion and Analysis

This Management Discussion and Analysis may include forward-looking statements with regard to 2003 and beyond. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in forward-looking statements including, without limitation, industry and worldwide economic and political conditions; interest rate and currency fluctuations; regulatory developments; the effect of competition; technological change and management decisions. In making decisions with respect to Central, investors and others should carefully consider these factors, as well as other uncertainties, and the inherent uncertainty of forward-looking statements. Forward-looking statements are made as of the date of this report and Central assumes no obligation to update or revise them to reflect new events or circumstances.

Financial Overview

First quarter net income was \$4.57 million compared to \$7.01 million last year. An improvement in Net interest income was more than offset by lower Other Income and higher Operating Expenses. Central's Net interest income, before trading gains, was \$6.03 million compared to \$5.60 million for the 1st quarter last year. Net interest income, annualized and expressed as a percentage of average assets employed, was 67.1 basis points for the three months, compared to 66.5 basis points for the same period last year. Higher interest rates, and a greater proportion of non-government securities in the investment portfolio were the major factors contributing to the higher margin.

Other Income decreased by 9% to \$12.08 million from \$13.31 million for the comparable period last year. Lower gains from securities trading, \$1.96 million this year compared to \$4.74 million last year, were only partially offset by higher revenues. Operating Expenses were \$12.39 million, compared to \$10.82 million for the comparable period last year. The majority of the increase reflects expenditures in the technology area to provide increased operations and services to member credit unions.

Total assets as at March 31, 2003 were \$3,767.6 million, an increase of 4.6 % from \$3,602.4 million as at December 31 2002, and 4.5% higher than as at March 31, 2002. Average assets employed for the quarter were \$3,691.2 million, compared to \$3,437.3 million for the same period last year.

The housing market in the Lower Mainland, which drives demand for residential mortgages, the major asset class of member credit unions, remains strong. However, as most of this demand was financed internally by credit unions or by accessing the securitization market, loans, principally to member credit unions, were lower, decreasing to \$598.2 million as at the end of the quarter, compared to \$764.8 as at March 31, 2002.

Other

During the quarter, Central continued discussions that commenced in 2000 with Credit Union Central of Ontario Limited regarding the possible merger of our respective wholesale financial services operations. In April 2002, at their Annual General Meetings, the membership of both centrals approved proceeding with the merger process. The membership will vote on a final purchase and sale agreement at a subsequent general membership meeting. Central is now in the process of seeking regulatory and legislative changes necessary to effect this arrangement with an ultimate merger of the two centrals taking place, likely by the start of 2004.

Outlook

Against the backdrop of geopolitical events, the Canadian economy, unlike its US counterpart, continued to do well during the quarter. In March, the Bank of Canada backed up its hawkish talk with action by raising the Bank Rate by 25 basis points and has indicated that further increases are forthcoming. Slowly rising interest rates will likely continue to have a positive effect on Central's interest margin. However, rising interest rates have reduced the opportunities to realize trading gains at the pace achieved in during 2002.

Credit Union Central of British Columbia
Consolidated Balance Sheet
Unaudited

		(000's)	
	March 31		December 31
	2003	2002	2002
	<u>2003</u>	<u>2002</u>	<u>2002</u>
Assets			
Cash	\$28,157	\$67,428	\$39,500
Securities	3,119,555	2,754,374	3,175,503
Loans	598,182	764,772	360,951
Land, Buildings & Equipment	11,727	11,501	11,610
Other	10,026	7,543	14,823
	<u>\$3,767,647</u>	<u>\$3,605,618</u>	<u>\$3,602,387</u>
Liabilities			
Deposits & Notes	\$3,516,337	\$3,371,103	\$3,345,617
Other	41,005	27,544	45,773
Dividends	753	539	5,393
	<u>3,558,095</u>	<u>3,399,186</u>	<u>3,396,783</u>
Equity			
Shares	105,485	105,486	105,485
Retained Earnings	104,067	100,946	100,119
	<u>209,552</u>	<u>206,432</u>	<u>205,604</u>
	<u>\$3,767,647</u>	<u>\$3,605,618</u>	<u>\$3,602,387</u>

Approved by the Directors:

"J. Whittaker"
 J. Whittaker, Chairperson

"L. Myhra"
 L. Myhra, Chairperson - Audit Committee

Credit Union Central of British Columbia
Consolidated Income Statement
Unaudited

(000's)

	For the three months ended	
	March 31 2003	March 31 2002
Financial Income		
Loans	\$5,307	\$4,756
Securities	28,950	25,719
	34,257	30,475
Financial Expense		
Deposits	26,761	23,954
Borrowed funds	1,465	917
	28,226	24,871
Net interest income	6,031	5,604
Other income	12,076	13,307
Net interest and other income	18,107	18,911
Operating Expenses		
Salaries	5,639	4,541
Premises and equipment, including depreciation	1,241	1,385
Other	5,513	4,892
	12,393	10,818
Income before the following	5,714	8,093
Income taxes	1,146	1,080
Net Income	4,568	7,013
Retained Earnings, beginning of period	100,119	94,401
	104,687	101,414
Dividends	(752)	(539)
Related income tax savings	132	71
Retained Earnings, end of period	\$104,067	\$100,946

Credit Union Central of British Columbia
Consolidated Statement of Cash Flows
Unaudited

(000's)

	For the three months ended	
	March 31 2003	March 31 2002
Cash flows from operating activities		
Net Income	\$4,568	\$7,013
Adjustments for:		
Depreciation	463	502
Other items, net	1,926	(9,614)
Net change in accrued interest	(3,221)	243
	3,736	(1,856)
Cash flows from financing activities		
Dividends - net of income taxes	(5,260)	(468)
Net change - settlements in transit	(2,143)	1,919
Net change in deposits and notes	171,212	(151,638)
	163,809	(150,187)
Cash flows from investing activities		
Net change in securities	57,700	513,182
Net change in loans	(236,254)	(303,325)
Net change in premises and equipment	(334)	0
	(178,888)	209,857
Increase (decrease) in cash resources	(11,343)	57,814
Cash resources - beginning of period	39,500	9,614
Cash resources - end of period	\$28,157	\$67,428
Supplemental Information		
Interest received	\$31,529	\$29,337
Interest paid	\$28,719	\$23,490
Income taxes paid	\$0	\$0

Credit Union Central of British Columbia

Notes to the March 31, 2003 Interim Consolidated Financial Statements

Credit Union Central of British Columbia is incorporated under the Credit Union Incorporation Act (British Columbia) and is subject to the provisions of the Financial Institutions Act (British Columbia) and the Cooperative Credit Associations Act (Canada).

These interim consolidated financial statements do not contain the complete disclosure of the annual financial statements. Accordingly these financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2002.

1. Significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2002.

The consolidated financial statements include the accounts of Credit Union Central of British Columbia and its subsidiaries, Central Financial Corporation (1989) Ltd., C.U. Financial Services Ltd. and Central Data Systems Ltd., all of which are wholly owned.

