

Interim Management Discussion and Analysis

Financial Overview

Despite record low interest rates, first quarter net income of \$7.01 million was virtually unchanged from the \$7.07 million for the comparable period last year. Central's net interest income, before trading gains, was \$5.60 million compared to \$6.94 million for the 1st quarter last year. Net interest income, annualized and expressed as a percentage of average assets employed, was 66.5 basis points for the three months, compared to 84.6 basis points for the same period last year. Substantially lower interest rates, tight spreads on highly rated corporate securities compared to government securities and a more matched portfolio were the major factors contributing to the lower margin.

Other income increased by 21% to \$13.31 million from \$11.01 million for the comparable period last year. Higher gains from securities trading, \$4.74 million this year compared to \$2.38 million last year, accounted for most of the increase in other income. Operating expenses were \$10.81 million compared to \$9.45 million for the comparable period last year, which mostly reflects expenditures in the technology area to provide increased operations and services to member credit unions.

Total assets as at March 31, 2002 were \$3,605.6 million, a decrease of 1.6 % from \$3,757.7 million as at December 31 2001, but 11.5 % higher than as at March 31, 2001. Average assets employed for the quarter were \$3,437.3 million compared to \$3,329.8 million for the same period last year. Loans to member credit unions were up substantially, reaching \$745.5 million as at the end of the quarter compared to \$294.1 as at March 31, 2001. This increase reflects the recovery in the housing market in the Lower Mainland, which has driven demand for residential mortgages, the major asset class of member credit unions. Central has funded these loans from member deposits and from external borrowings in the capital markets.

Other

During the quarter, Central continued discussions 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 in 2003.

Outlook

The Federal Reserve and the Bank of Canada have finished their tightening cycles and short-term interest rates are poised to rise. Slowly rising interest rates will likely have a positive effect on Central's interest margin, although it will take some time for the securities portfolio to turn over and the full effect to be reflected in income. Rising interest rates will also likely reduce the opportunities to realize trading gains, especially at the pace achieved in the first quarter.

Credit Union Central of British Columbia
Consolidated Balance Sheet
Unaudited

		(000's)	
	March 31		December 31
	2002	2001	2001
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$67,428	\$45,797	\$9,614
Securities	2,754,374	2,840,679	3,269,569
Loans	764,772	318,032	458,296
Land, Buildings & Equipment	11,501	12,196	12,003
Other	7,543	16,589	8,187
	<u>\$3,605,618</u>	<u>\$3,233,293</u>	<u>\$3,757,669</u>
Liabilities			
Deposits & Notes	\$3,371,103	\$3,015,687	\$3,521,360
Other	27,544	21,379	28,310
Dividends	539	1,290	8,112
	<u>3,399,186</u>	<u>3,038,356</u>	<u>3,557,782</u>
Equity			
Shares	105,486	105,486	105,486
Retained Earnings	100,946	89,451	94,401
	<u>206,432</u>	<u>194,937</u>	<u>199,887</u>
	<u>\$3,605,618</u>	<u>\$3,233,293</u>	<u>\$3,757,669</u>

Approved by the Directors:

"Jack Whittaker"

J. Whittaker, Chairperson

"Lorne Myhra"

L. Myhra, Chairperson - Audit Committee

See accompanying notes to the financial statements

Credit Union Central of British Columbia
Consolidated Income Statement
Unaudited

(000's)

	For the three months ended	
	March 31 2002	March 31 2001
	<u> </u>	<u> </u>
Financial Income		
Loans	\$4,756	\$5,655
Securities	25,719	40,773
	<u>30,475</u>	<u>46,428</u>
Financial Expense		
Deposits	23,954	37,182
Borrowed funds	917	2,303
	<u>24,871</u>	<u>39,485</u>
Net interest income	5,604	6,943
Provision for (recovery of) losses	0	(150)
	<u>5,604</u>	<u>7,093</u>
Other income	13,307	11,012
Net interest and other income	<u>18,911</u>	<u>18,105</u>
Operating Expenses		
Salaries	4,541	4,180
Premises and equipment, including depreciation	1,385	1,174
Other	4,892	4,091
	<u>10,818</u>	<u>9,445</u>
Income before the following Income taxes	8,093	8,660
	<u>1,080</u>	<u>1,590</u>
Net Income	7,013	7,070
Retained Earnings, beginning of period	94,401	83,439
	101,414	90,509
Dividends	(539)	(1,290)
Related income tax savings	71	232
Retained Earnings, end of period	<u>\$100,946</u>	<u>\$89,451</u>

See accompanying notes to the financial statements

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

(000's)

	For the three months ended	
	March 31 2002	March 31 2001
	<u> </u>	<u> </u>
Cash flows from operating activities		
Net Income	\$7,013	\$7,070
Adjustments for:		
Depreciation	502	243
Other items, net	(7,695)	(18,114)
Net change in accrued interest	243	(10,759)
Provision for credit losses	0	(150)
	<u>63</u>	<u>(21,710)</u>
 Cash flows from financing activities		
Proceeds from issue of shares	0	0
Dividends - net of income taxes	(468)	(1,058)
Net change in deposits and notes	<u>(151,638)</u>	<u>(192,131)</u>
	<u>(152,106)</u>	<u>(193,189)</u>
 Cash flows from investing activities		
Purchase of securities	(2,518,532)	(3,881,308)
Sale of securities	3,031,714	4,161,917
Net change in loans	(303,325)	(60,673)
Net change in premises and equipment	0	(274)
	<u>209,857</u>	<u>219,662</u>
Increase (decrease) in cash resources	57,814	4,763
Cash resources - beginning of period	9,614	41,024
Cash resources - end of period	<u>\$67,428</u>	<u>\$45,787</u>
 Supplemental Information		
Interest received	<u>\$29,337</u>	<u>\$37,966</u>
Interest paid	<u>\$23,490</u>	<u>\$37,199</u>
Income taxes paid	<u>\$0</u>	<u>\$468</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia
Notes to the March 31, 2002 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, 2001.

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, 2001.

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.

See accompanying notes to the financial statements