

The image features several dark silhouettes of chess pieces, including a king, a knight, and a pawn, set against a warm, golden-brown background that suggests a sunset or sunrise. The pieces are arranged in a way that suggests a strategic game in progress.

Positioned to win.

**2002 Annual Report
Credit Union Central Alberta Limited**

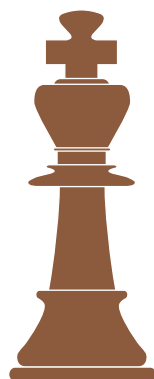
In an industry where change is the only constant and rivalry is fierce, strategic and entrepreneurial leadership is a critical ingredient of success. At Alberta Central, our goal is to be a key strategic partner in the success of credit unions through our commitment to service, innovative business practices, and dedicated and competent employees. Our mission is “to support credit unions in meeting the expectations of members through the leadership and excellence of our people, products and services”.

Alberta Central is a member-focused financial services organization committed to providing leadership and support to Alberta's 67 credit unions. This support ranges from liquidity management and other financial services, to technological products and services, government relations and strategic planning.

With assets totalling just under \$1.3 billion, Alberta Central's strong financial performance is the result of continued support from the credit union system and an ongoing commitment and dedication to excellence from our 380 highly trained and knowledgeable staff. In 2002, Alberta Central's products and services were delivered through its two divisions: Finance & Administration, and Technology Services.

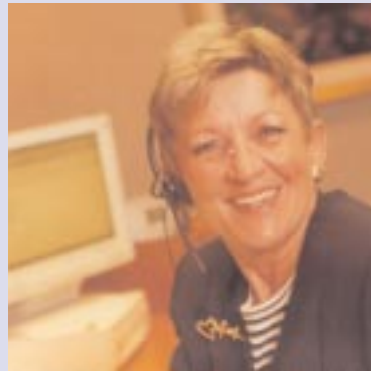


Alberta Central continually develops strategies and creates opportunities to strengthen the credit union system.



Positioned to win.

VISION, INNOVATION & LEADERSHIP



Judy Cass
Corporate Reception



Ed Harding
Lending Services

CELERO SOLUTIONS

Maximizing opportunities. In response to a need for enhanced efficiency and effectiveness in the delivery of information technology services, the joint venture Celero Solutions was created. This major initiative involves the Centrals of Alberta, Manitoba and Saskatchewan, and two affiliate organizations—Credit Union Electronic Transaction Services (CUETS) and Co-operative Trust—and has significantly leveraged the resources and capabilities available to meet our IT strategies.

EXCESS LIQUIDITY MANAGEMENT

Finding new growth avenues. If you want to be a player, you have to understand the game. Alberta Central continually creates strategic investment opportunities for credit unions, supporting them in their business growth.

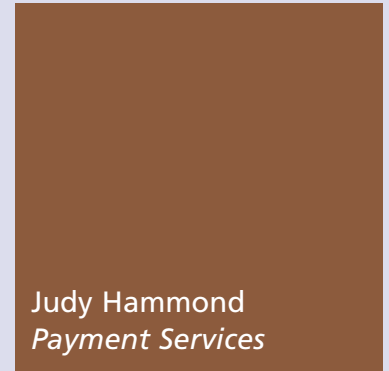
CUETS' S⁵ BUSINESS STRATEGY

Enhancing sales and service solutions. The S⁵ Business Strategy Transformation will support the credit union card strategy by focusing our resources where we can have the greatest impact: delivering enhanced sales and service solutions for credit unions and other business partners. This is supported by a strategic outsourcing arrangement with an internationally respected partner that will deliver enhanced operational capabilities to CUETS' business.

VISION, INNOVATION & LEADERSHIP



Liena Kano
Anil Risbud
Strategic Planning



Judy Hammond
Payment Services

PROVINCIAL COMMUNICATIONS

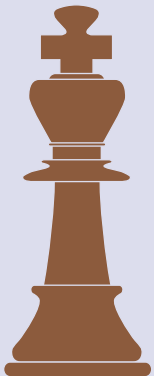
Positioning for growth. This year, Alberta Central facilitated the launch of a Provincial Communications Strategy designed to raise awareness of credit unions in the marketplace and win new customers from competitors.

TRANSACTION IMAGING

Introducing a revolution in payment technology and service. Through the Credit Union Payment Services joint venture, Alberta and Saskatchewan credit unions are among the first financial institutions in Canada to offer online access to cheque and statement images to their members.

DATA WAREHOUSE PROGRAM

Achieving the Banking System Vision. By allowing credit unions to effortlessly match specific member characteristics with available products, the Data Warehouse supports credit unions in anticipating their members' needs and responding to these needs with tailored product offerings and precise targeting strategies.



Positioned to win.

To become winners in the competitive financial services game, credit unions need a focused yet dynamic and flexible strategic course. Whether it is introducing new technologies, streamlining operations to achieve improved efficiencies, creating new investment opportunities, or strengthening the credit union image in the marketplace, Alberta Central continually looks for innovative ways to provide enhanced services to member credit unions.

To deliver true value to our members, we need to design solutions that are not only forward-thinking and cost-effective, but also adaptable enough to suit the unique diversity of our system. Alberta Central's challenge is to provide services that accommodate a wide array of individual credit union needs. In meeting this challenge, we rely on our thorough understanding of credit unions' business as well as the expertise and cooperation of our members and partners. Our new product and service development philosophy is based on the principles of two-way communication, strategic partnerships, and mutual support.

VISION, INNOVATION & LEADERSHIP

THE CREATION OF CELERO SOLUTIONS

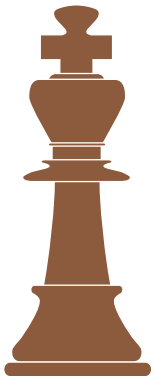
The efficient and effective use of information technology is key to the success of a credit union in an extremely competitive market. While prairie credit unions have prospered and grown in recent years, the entry of non-traditional competitors into their markets is putting credit unions under increasing pressure to add new products, services, and delivery channels that will meet member needs at a price the market will bear. As a result, credit unions were asking their technology service providers to invest in services and the infrastructure that would yield the highest return and deliver the greatest strategic value.

It is with this in mind that the Credit Union Centrals of Manitoba, Saskatchewan, and Alberta, Co-operative Trust, and Credit Union Electronic Transaction Services participated in the Project Sunrise initiative to deliver information technology services on a coordinated basis. The goal of this initiative was to

find ways to provide information technology support more efficiently and effectively by reducing the overlap in technology across the participant organizations and to share resources to enhance technological capabilities.

Considerable implementation work was conducted in 2002, culminating in the official creation of Celero Solutions on January 1, 2003. Milestones in 2002 included putting in place the required organizational structure and staff, and developing a corporate culture and identity that benefitted the characteristics of the new organization.

Comprised of approximately 350 staff, Celero Solutions will be a virtual organization, maintaining staff in their current locations in Winnipeg, Saskatoon, Regina, and Calgary. The principal market for the services offered by Celero Solutions is the five parent organizations and the customers they serve. These include credit unions across Canada as well as other organizations in the financial services industry.



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VISION, INNOVATION & LEADERSHIP

CUETS' S⁵ BUSINESS STRATEGY TRANSFORMATION

Rethinking strategy creates avenues for improvement and advancement, and the opportunity to win.

In the late 1970s, Alberta and Saskatchewan Centrals responded to a need within the Alberta and Saskatchewan systems to provide members with a card product. This was how CU Electronic Transaction Services (CUETS) was born. Today, CUETS provides credit unions across the country with a complete suite of MasterCard® payment and credit card-related products and services. A leader in embracing change in this dynamic industry, CUETS commenced a business transformation in 2002 to enhance its capability to serve credit unions in the future.

The card and merchant marketplace in Canada is becoming increasingly competitive, with major players aggregating their business and consolidating their strengths. These changes allow them to offer a greater array of services and functionality, while extending their market reach. To compete in this rapidly changing environment, and to provide credit unions with access to competitive card and merchant services, CUETS is taking aggressive action to transform its business. This project was identified as the S⁵ Business Strategy Transformation. By transforming its **Strategy, Structure, Service and Systems**, CUETS' goal is to create new **Strength**, both for itself and for the credit union system.

The S⁵ Business Strategy Transformation involves an outsourcing arrangement for card processing and partnership

arrangements for the merchant services components of CUETS' business, with a focus on enhanced sales and service solutions for credit unions and other business partners. CUETS selected First Data Corporation, a leader in electronic commerce and payment services and the largest card services company in North America, as its strategic partner. The expected benefits of this transformation are lower costs, enhanced card and merchant system features, and leading edge development. The end result—providing highly competitive and integrated enterprise payment solutions for clients—remains the same, but the service methods will change.

EXCESS LIQUIDITY MANAGEMENT

Forward thinking creates opportunity instead of waiting for opportunity to occur. The initiative of Alberta Central's Lending Services Department has created over \$1.5 billion in book of business growth for Alberta credit unions since the early 1990s. This was accomplished by Alberta Central through the creation of innovative investment opportunities such as branch and asset acquisitions, mortgage pooling and commercial loan syndications.

In its 2002 mortgage pooling activities, Alberta Central purchased packages of CMHC-insured residential mortgages from Co-operative Trust and a Calgary-based mortgage originator, Bridgewater Financial Services. Variable-rate mortgages and mortgages with terms of one to five years were purchased,

VISION, INNOVATION & LEADERSHIP

divided into investment units and sold to credit unions to meet their investment needs. During the year, residential mortgages were placed into 14 investment pools in which 30 credit unions participated.

Alberta Central's commercial loan syndication program is another vehicle used by credit unions to manage excess liquidity. As of December 2002, Alberta Central had participated with 26 credit unions in 18 new loans.

Alberta Central will continue to seek value-added investment opportunities to help its member credit unions manage their excess liquidity and improve earnings.

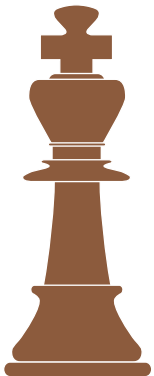
PROVINCIAL COMMUNICATIONS STRATEGY

We are inviting consumers to "SWITCH" to credit unions through our unique and creative provincial advertising program.

During the fall of 2002, Alberta credit unions, with support from Alberta Central, launched a Provincial

Communications Strategy—an Alberta-wide advertising campaign designed to raise awareness of credit unions in the market, portray a forward-looking and competitive image, and create a strong "united front" while supporting individual credit union brand identities.

The Provincial Communications Strategy was developed with extensive input from the Alberta credit union system and with the key objective to support credit union growth by winning new members. Province-wide consumer research that served as a basis for the strategy showed that credit unions are the top-ranked financial institutions when it comes to service and customer satisfaction, and the campaign was designed to reinforce this perception. The light-hearted, humorous and distinctively different advertising highlights the unmatched personalized service that credit unions provide, positions our system as a strong competitive player in the market, and encourages bank customers to "SWITCH" their business to a credit union.



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VISION, INNOVATION & LEADERSHIP

One of the most unique features of the Provincial Communications Strategy is its complete flexibility. The creative material was produced in the form of a “mix and match” toolkit containing a variety of versions for television, radio, print, outdoor and point of sale advertising. Credit unions can make their own decisions on media mix and investment and can customize the ads to promote their brands locally, include product-specific information, or communicate with current members.

Since the launch of the “SWITCH” campaign, Alberta Central has been continually providing implementation support to credit unions and has started to chart the future path by identifying the next steps for this initiative. Both credit unions and consumers responded favourably to the campaign, and the results of advertising effectiveness research suggest that the ads have indeed made Albertans think of “SWITCH”-ing to credit unions.

TRANSACTION IMAGING

Alberta Central constantly looks for new ways to meet credit unions’ quest for growth and service excellence. This year, credit unions in Alberta and Saskatchewan were introduced to Transaction Imaging—an innovative technology implemented by Credit Union Payment Services (CUPS), which provides an integrated system of cheque imaging, Internet access to view

cheques and research payment transactions, statements with image enclosures, enhanced fraud protection, and electronic statement delivery.

With this initiative, Alberta and Saskatchewan credit unions are among the first financial institutions in Canada to offer image statements to their members. Credit union staff are now able to provide faster responses to member inquiries by searching the image database. The number of times cheques are being handled has reduced drastically. CUPS employees can use advanced online search functions, significantly raising the strategic value of tracing and research services provided to credit unions. Members are also realizing the benefits of this innovation: using the Internet, they can now view their cheque images as soon as the cheques have been processed. Another recently introduced service allows members to view their statements online.

Next on CUPS’ innovation list are such value-added services as CD-ROMs containing statement and cheque images, as well as new Internet-based products for signature verification, cheque reconciliation, and cheque return. Alberta credit unions and their members have enthusiastically embraced CUPS’ innovations and are looking forward to the roll-out of new image-based applications scheduled for 2003.

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DATA WAREHOUSE PROGRAM

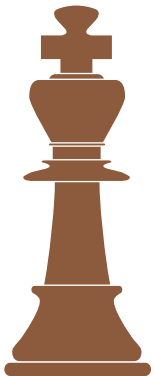
In the face of aggressive competition, the ability to identify, track and satisfy constantly evolving consumer needs is critical. This is why the Data Warehouse provides credit unions with an important strategic advantage.

The Data Warehouse is a pivotal component of the credit union Banking System Vision. It is a powerful new facility that supports credit unions' desire to achieve complete member satisfaction and nurture business relationships by allowing them to better understand and evaluate member needs.

The Data Warehouse integrates customer and organizational information from multiple database environments throughout the company, enabling credit unions to match specific member characteristics with available products, analyze the success of each product, and assess the performance of different divisions across many business dimensions. As a result, credit unions are able to leverage this valuable data to create customized

product offerings, design precise targeting strategies, and execute them in a cost effective manner. The Data Warehouse is simple, easy to use, efficient, flexible, customizable, fully secure, and equipped with report authoring and viewing tools as well as a web-based personal training facility.

Alberta Central's Data Warehouse program consists of three projects. The first project, *Customer Profiles, Product Analysis, and Account Analysis*, focused on integrating member, product and account information in the Retail Banking and Loans Origination Systems, and was delivered in March 2002. The second project, *Profitability, Asset Liability Management, and General Ledger Accounts*, enhanced the initial implementation in December 2002 through asset liability management and general ledger account data, as well as capability for profitability analysis by branch, member and product. The third project, *Selected Enhancements*, will add new features to the current system based on credit unions' feedback and will be delivered in 2003.



Positioned to win.

Year after year, Alberta credit unions add a new chapter to their success story—and this year's results in profitability and growth are a testament to our system's firm place in the Alberta economy. To top off their financial achievements, credit unions lead all other financial institutions in Alberta in terms of customer satisfaction, as demonstrated by a provincial consumer survey conducted in 2002.

Throughout the year, this impressive performance was supported by Alberta Central's leadership and strategic direction. We believe in investing in the future, embracing change and taking risks, but we do this with one goal in mind: to leverage our resources at every opportunity to support the success of Alberta credit unions. We are convinced that this is a winning strategy that is enabling our system to deliver exceptional results year after year. We are positioned to win.

PERFORMANCE, GROWTH & PROFIT

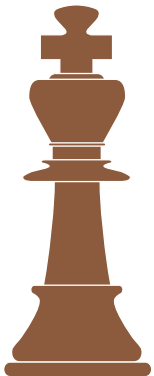
ALBERTA CREDIT UNIONS

The Alberta credit union system is comprised of 67 individual credit unions and Alberta Central. Credit unions operate a total of 196 branches in 121 communities throughout the province. The system consistently demonstrates outstanding financial performance, winning market share from competitors, and setting new profitability records. Our system surpassed the \$8 billion asset mark in 2002, and its equity growth rate outperformed its asset growth. Last but not least, membership growth continued its trend of steady increase in 2002—over 600,000 Albertans currently deal with credit unions.

CREDIT UNION EARNINGS

2002 was another exceptional year for Alberta credit unions, with earnings before dividends and income taxes again reaching record levels. Earnings in 2002 reached \$77 million compared to the previous record of \$76 million set in 2001 (Chart 1). Net interest margin increased by \$17 million to \$251 million, compared to \$234 million in 2001.

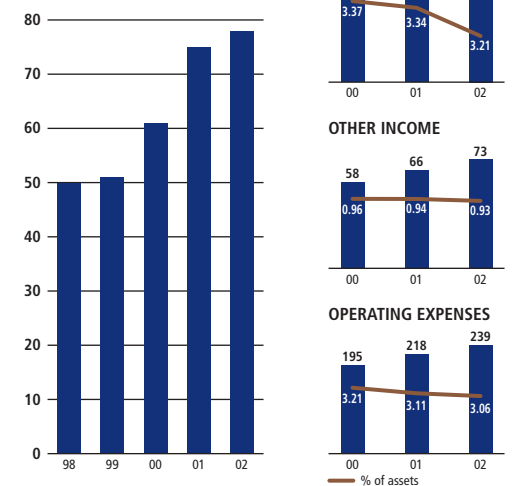
Interest margins declined slightly from 3.34% in 2001 to 3.21% in 2002. Other income increased by \$7 million to \$73 million, representing a ratio to average assets of 0.93%, which is consistent with historical levels. Operating expenses increased by \$21 million to \$239 million, which resulted in a positive decline against average assets to 3.06%, compared to 3.11% in 2001.



Positioned to win.

Chart 1
Alberta Credit Unions
Earnings

millions of dollars



PERFORMANCE, GROWTH & PROFIT

CREDIT UNION ASSETS

Total assets for the Alberta credit union system ended the year at \$8.2 billion, a 9.9% increase (Chart 2). Both member deposits and loans increased significantly in 2002. Member deposits, which include savings and demand deposits, term deposits and registered plans, increased \$651 million or 9.4% to end the year at \$7.6 billion. On the asset side of the balance sheet, consumer, commercial and agriculture loans grew by \$887 million or 15.6% to a total of \$6.6 billion at year-end.

CREDIT UNION EQUITY

The equity of Alberta credit unions increased by \$83 million, from \$480 million in 2001, to \$563 million in 2002 (Chart 3). This increased the equity to assets ratio to 6.9%, which is well above the statutory requirement of 4%. Common shares increased by \$36 million, and investment shares grew by \$19 million during the year.

Chart 2
Alberta Credit Unions
Assets

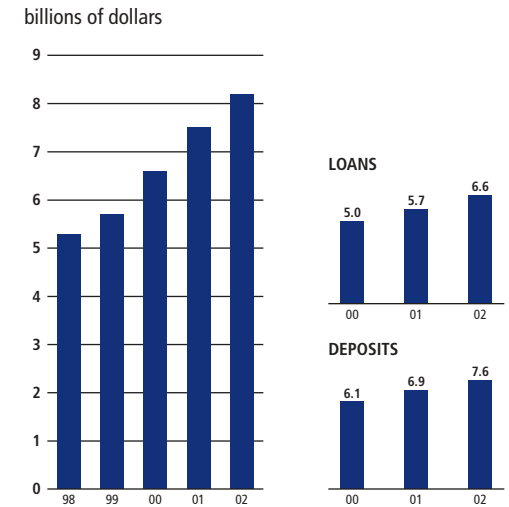
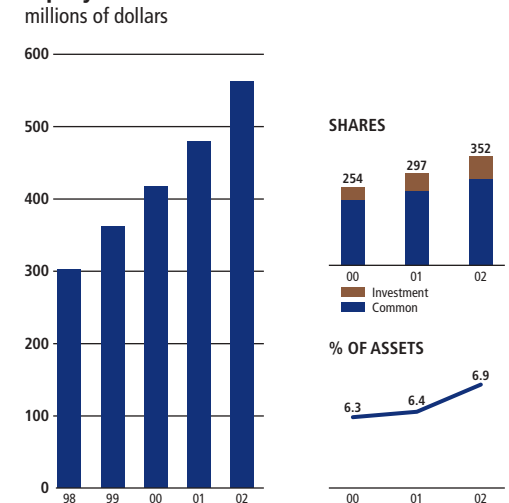


Chart 3
Alberta Credit Unions
Equity



PERFORMANCE, GROWTH & PROFIT

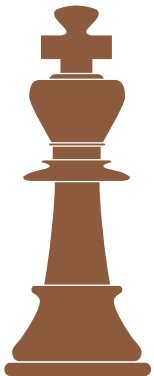
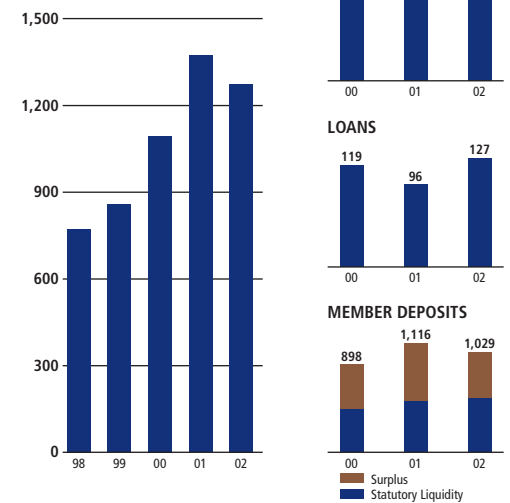
ALBERTA CENTRAL

ASSETS

Alberta Central's assets ended the year at \$1.27 billion. This represents a 7.3% decrease for the year (Chart 4). Because of the significant surplus liquidity in the system, credit unions introduced aggressive lending strategies during the year. These strategies were very successful as credit union loans grew by 15.6%, reducing surplus liquidity by \$118 million. Statutory liquidity deposits increased by \$31 million as a result of the overall growth in the system. Credit unions are required to maintain 7.5% of their liabilities in Alberta Central's statutory deposits. These deposits form the liquidity pool for the Alberta credit union system. Credit union borrowings from Alberta Central increased to \$55 million from \$35 million in 2002. Lower liquidity levels also resulted in Alberta Central's investment in securities decreasing from \$1.2 billion in 2001, to \$1.0 billion in 2002.

Chart 4

Alberta Central Assets millions of dollars



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PERFORMANCE, GROWTH & PROFIT

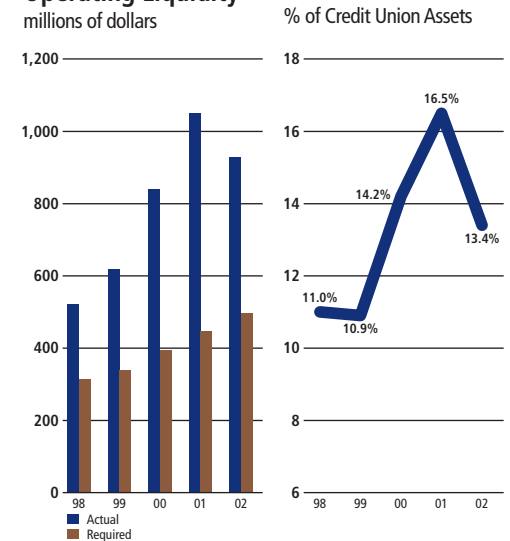
OPERATING LIQUIDITY

Effective liquidity management ensures that adequate cash is available to honour member transactions as they come due. Alberta Central exceeded the minimum statutory liquidity requirement of 6% of credit union system assets throughout 2002. As indicated in Chart 5, Alberta Central ended the year with surplus liquidity of \$432 million.

Alberta Central's cash and investments in securities represented 13.4% of total system assets for 2002, which represents a decrease from 16.5% in 2001 but well above the 11% lows experienced in 1998 and 1999.

Chart 5

Alberta Central
Operating Liquidity
millions of dollars



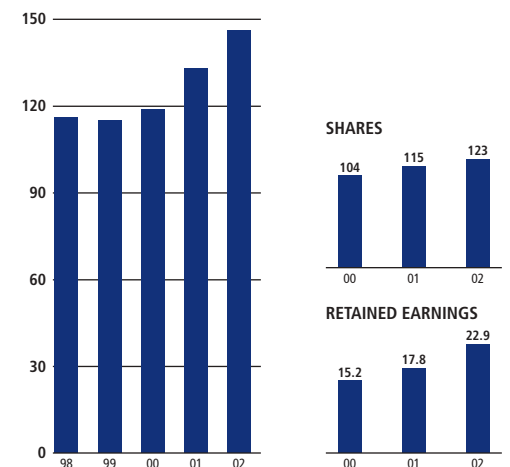
MEMBERS' EQUITY

Members' equity includes shares and retained earnings. At December 31, 2002, members' equity amounted to \$146 million, compared to \$133 million in 2001 (Chart 6). Credit unions are required to maintain 1.5% of their assets in Alberta Central common shares. Alberta Central's share capital grew by \$8 million in 2002.

Retained earnings totalled \$22.9 million in 2002 compared to \$17.8 million in 2001, an increase of \$5.1 million. Alberta Central's operations generated pretax earnings of \$12.4 million, and share and patronage dividends to members totalling \$5.8 million were paid.

Chart 6

Alberta Central
Members' Equity
millions of dollars



PERFORMANCE, GROWTH & PROFIT

NET OPERATING INCOME

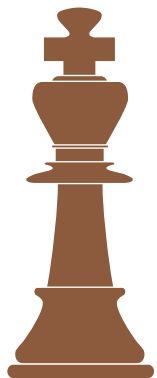
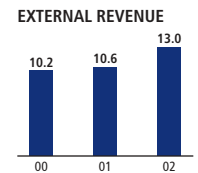
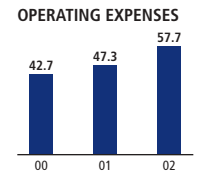
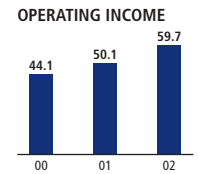
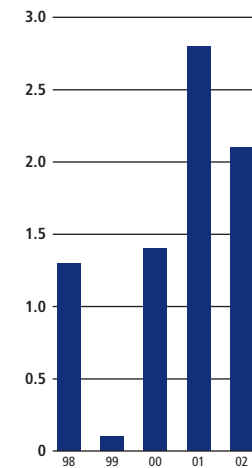
Alberta Central's revenues are derived from its net financial income and operating income. Operating income represents revenue from financial services, technology services, credit card processing, membership dues, and fees from providing a variety of other services. Operating income increased from \$50.1 million in 2001 to \$59.7 million in 2002. Operating expenses include personnel, property and equipment, administration, and organizational costs. These expenses totalled \$57.7 million in 2002, compared to \$47.3 million in 2001.

One of Alberta Central's objectives is to generate a positive balance between operating income and operating expenses both by controlling costs for services provided to credit unions, and by generating income from offering services outside the Alberta credit union system to offset the fixed costs of operations. Alberta Central has continued to improve on this goal. Chart 7 reflects the progress made during the past five years. The consolidated results reflect the proportionate consolidated accounting for Alberta Central's joint venture operations.

Alberta Central absorbed costs related to the National Initiative and other system initiatives in 1999, rather than passing them along to Alberta credit unions. As a result, 1999 reflected a set-back on the positive progress being made. Positive momentum has been restored in the last three years.

Chart 7

Alberta Central Net Operating Income millions of dollars



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PERFORMANCE, GROWTH & PROFIT

NET FINANCIAL INCOME

Net financial income is the difference between interest earned on assets and interest paid on liabilities. Financial income and financial expense decreased during the year because of lower asset levels and record low interest rates. The average prime rate was 180 basis points lower in 2002 than in the previous year; net financial income decreased from \$7.9 million in 2001 to \$6.6 million in 2002 (Chart 8).

EARNINGS DISTRIBUTION

Chart 9 provides a history of Alberta Central's earnings and dividend distributions over the last five years. During this period, Alberta Central has paid a share dividend each year based on the year's average prime rate less 1.50%. Alberta Central has also paid a patronage dividend each year since 1991, with the exception of 1994. In fact, Alberta Central's patronage distribution for 2002 proved to be a record high. Credit unions received an 8% rebate on purchases of services and supplies, and a 5 basis point rebate on loan and deposit balances held at Alberta Central. From 1998 to 2002, share and patronage dividends have totalled \$34.1 million, which represents 74% of the five year total after tax earnings.

Alberta Central is proud to have contributed to the strong performance of our system. We will continue to support individual credit unions' progress through activities and initiatives in different functional areas of our organization, and we believe that our system's service-focused culture, coupled with solid financial management and entrepreneurial vision, firmly positions us for another winning year in 2003.

Chart 8

Alberta Central Net Financial Income

millions of dollars

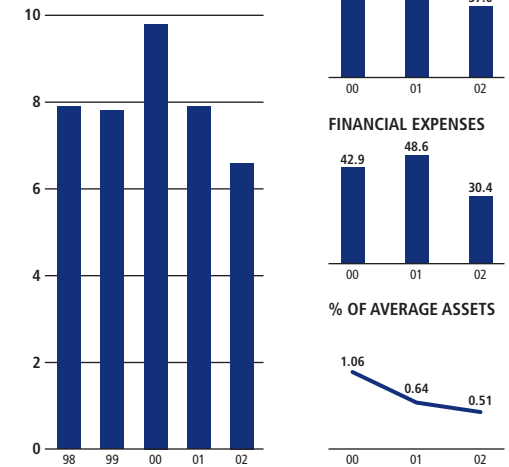
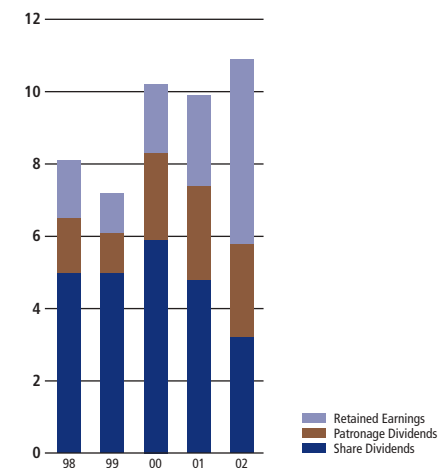


Chart 9

Alberta Central Earnings Distribution

millions of dollars



FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Credit Union Central Alberta Limited (Alberta Central) were prepared by management, who are responsible for the integrity and fairness of the data presented. Generally accepted accounting principles have been applied and management has exercised its judgement and made best estimates where deemed appropriate. Financial information appearing throughout this Annual Report is consistent with the financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance that the financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all aspects of Alberta Central's operations.

Both the federal and provincial regulators of financial institutions conduct examinations and make such enquiries into the affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The Audit and Finance Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements before such financial statements are approved by the Board of Directors and submitted to the Members of Alberta Central. The Committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for the improvements in internal control. The Committee is also responsible for recommending the appointment of the external auditors to the Board of Directors.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of Alberta Central in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the Members. The auditors have full access to, and meet periodically with, the Audit and Finance Committee to discuss audit matters.

January 24, 2003



J. R. Scopick
President &
Chief Executive Officer



B.J. Johnson
Senior Vice-President,
Finance & Administration

FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Members of Credit Union Central Alberta Limited

We have audited the balance sheet of Credit Union Central Alberta Limited as at December 31, 2002 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Alberta Central's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Credit Union Central Alberta Limited as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Canada including the accounting requirements of the Superintendent of Financial Institutions Canada and Alberta Finance.

January 24, 2003



Chartered Accountants
Calgary, Alberta

FINANCIAL STATEMENTS

BALANCE SHEET

December 31 (thousands of dollars)

	2002	2001
ASSETS		
Cash and items in transit	\$ 52,981	\$ 28,275
Securities (Note 2)	1,057,570	1,209,995
Loans (Note 3)	127,125	96,172
Other assets (Note 4)	22,981	26,559
Capital assets (Note 5)	13,566	12,998
	\$ 1,274,223	\$ 1,373,999
LIABILITIES		
Accounts payable	\$ 16,960	\$ 16,899
Members' deposits (Note 6)	1,036,349	1,124,197
Loans and notes payable (Note 7)	74,805	100,003
	1,128,114	1,241,099
MEMBERS' EQUITY		
Common share capital (Note 9)	123,200	115,130
Retained earnings	22,909	17,770
	146,109	132,900
	\$ 1,274,223	\$ 1,373,999

Signed on behalf of the Board



Terry Cooper, Chair



Marcel Chorel, First Vice Chair

FINANCIAL STATEMENTS

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31 (thousands of dollars)

	2002	2001
Financial income		
Interest on securities	\$ 32,528	\$ 50,887
Interest on loans	4,428	5,635
	36,956	56,522
Financial expenses		
Interest on members' deposits	28,725	46,165
Interest on loans and notes	1,658	2,414
	30,383	48,579
Net financial income before provision for losses	6,573	7,943
Provision for credit and investment losses	100	138
Net financial income	6,473	7,805
Operating income (Note 11)	59,748	50,077
Operating expenses (Note 11)	57,688	47,285
Net operating income	2,060	2,792
Earnings before gain on sale	8,533	10,597
Gain on sale (Note 8)	3,875	-
Earnings before patronage dividends and income taxes	12,408	10,597
Patronage dividends (Note 13)	2,620	2,563
Earnings before income taxes	9,788	8,034
Income taxes (Note 14)		
Current income tax expense	2,225	2,724
Future income tax recovery	(25)	(856)
	2,200	1,868
Earnings for the year	7,588	6,166
Retained earnings, beginning of year	17,770	15,233
	25,358	21,399
Share dividends (Note 13)	(3,196)	(4,820)
Recovery of income tax on share dividends	747	1,191
Retained earnings, end of year	\$ 22,909	\$ 17,770

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

Year ended December 31 (thousands of dollars)

	2002	2001
Cash resources provided by (used in):		
Operating activities		
Earnings for the year	\$ 7,588	\$ 6,166
Items not affecting cash:		
Gain on sale (Note 8)	(3,875)	–
Depreciation and amortization	5,432	3,999
Future income taxes	(25)	(856)
Provision for credit and investment losses	100	138
	9,220	9,447
Changes in non-cash operating components		
Other assets	4,853	(5,668)
Accounts payable	61	5,383
	14,134	9,162
Financing activities		
(Decrease) increase in members' deposits	(87,848)	215,270
(Decrease) increase in loans and notes payable	(25,198)	43,534
Issuance of share capital, net of redemptions	8,070	11,410
Payment of share dividends	(3,196)	(4,820)
Reduction of income tax on share dividends	747	1,191
	(107,425)	266,585
Investing activities		
Proceeds on sale (Note 8)	2,625	–
Decrease (increase) in securities	75,538	(48,351)
(Increase) decrease in loans	(30,978)	23,404
Acquisition of capital assets, net of disposals	(6,000)	(3,827)
	41,185	(28,774)
(Decrease) increase in cash resources	(52,106)	246,973
Cash resources, beginning of year	904,366	657,393
Cash resources, end of year	\$ 852,260	\$ 904,366
Cash resources consists of:		
Cash	\$ 23,612	\$ 11,315
Cheques and other items in transit	29,369	16,960
Securities maturing within three months	799,279	876,091
	\$ 852,260	\$ 904,366

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada including the accounting requirements of the Superintendent of Financial Institutions Canada and Alberta Finance. The financial statements include the accounts of Credit Union Central Alberta Limited and its proportionate share in the assets, liabilities, revenues and expenses of its joint ventures, and reflect the following policies:

a) Securities

Securities are stated at cost, less any provision for losses. Discounts or premiums on purchase of securities are amortized over their remaining term.

b) Provision for losses

Alberta Central maintains allowances for impairment to absorb losses in its investment and loan portfolios. These allowances are determined by regular management reviews of each investment and loan to identify impairment. Specific allowances are recorded to reduce the carrying amount of investments and loans to their estimated realizable values. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the investments and loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to the fair value of any underlying security or market price for loans and investments. In addition, a non-specific allowance is made in recognition that not all losses can be identified on an item-by-item basis.

c) Depreciation and amortization

Alberta Central incurs expenditures for the purchase and development of computerized data processing systems. Expenditures incurred in excess of amounts recovered from credit unions are capitalized and amortized over three to five years.

All other capital assets are depreciated on a straight-line basis over periods ranging from three to ten years.

d) Goodwill

Goodwill relating to certain joint venture operations is amortized on a straight-line basis over a period of ten years. Management annually reviews unamortized goodwill for possible impairment in value. To the extent the anticipated undiscounted cash flow from future operations of the related joint ventures is not sufficient to recover the unamortized goodwill, a write down would be recorded.

e) Income taxes

Alberta Central follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The future tax assets and liabilities are calculated using enacted tax rates that will be in effect when the differences are expected to reverse.

f) Derivatives

Derivatives are used to manage Alberta Central's exposure to interest rate risks associated with on-balance sheet financial instruments. Gains and losses from derivatives are recognized in earnings in the same period as the income or expense from the hedged position.

g) Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

2. SECURITIES

(thousands of dollars)	2002	2001
Government	\$ 136,671	\$ 36,411
Corporate	902,599	1,153,666
Credit Union Central of Canada	3,484	3,420
Mortgage pooling funds	6,028	9,125
	1,048,782	1,202,622
Less: non-specific allowance	(396)	(321)
	1,048,386	1,202,301
Accrued interest receivable	9,184	7,694
	\$ 1,057,570	\$ 1,209,995

In accordance with the National Liquidity Fund Agreement, \$151,265 (2001 – \$138,023) of these investments are maintained in a segregated safekeeping account.

Alberta Central has a contractual obligation to provide capital and liquidity support for credit card receivables held by Co-operative Trust Company of Canada. As at December 31, 2002, \$73,667 (2001 – \$19,779) of the above investments were made under this agreement.

3. LOANS

(thousands of dollars)	2002	2001
Credit unions	\$ 54,961	\$ 34,565
Cooperatives	3,205	2,376
Commercial loans and mortgages	59,149	50,504
Employee mortgages	9,740	8,656
	127,055	96,101
Less: non-specific allowance	(298)	(273)
	126,757	95,828
Accrued interest receivable	368	344
	\$ 127,125	\$ 96,172

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER ASSETS

(thousands of dollars)	2002	2001
Accounts receivable	\$ 18,787	\$ 21,993
Prepays	1,647	1,041
Inventory	1,031	1,835
Deferred start-up costs	413	550
Goodwill	248	338
Future income tax	168	143
Other	687	659
	\$ 22,981	\$ 26,559

Accounts receivable includes \$8,626 (2001 – \$11,520) due from credit unions related to the purchase of bank branches in 2000.

Deferred start-up costs relate to a credit card program initiated in 2001 for the CUETS joint venture. These costs are being amortized over four years.

5. CAPITAL ASSETS

(thousands of dollars)	2002			2001
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	\$ 10,964	\$ 7,488	\$ 3,476	\$ 3,433
Operating software and development costs	24,865	15,531	9,334	8,931
Leasehold improvements	3,292	2,940	352	368
Furniture and fixtures	1,826	1,422	404	266
	\$ 40,947	\$ 27,381	\$ 13,566	\$ 12,998

6. MEMBERS' DEPOSITS

(thousands of dollars)	2002	2001
Current accounts	\$ 54,454	\$ 41,185
Demand deposits	1,198	3,498
Money market deposits	411,483	540,904
Statutory liquidity deposits	561,788	530,488
	1,028,923	1,116,075
Accrued interest payable	7,426	8,122
	\$ 1,036,349	\$ 1,124,197

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS AND NOTES PAYABLE

(thousands of dollars)	2002	2001
Credit Union Central of Saskatchewan	\$ 454	\$ 10,033
Credit Union Central of Canada	23,515	37,625
Commercial paper	50,836	52,345
	\$ 74,805	\$ 100,003

Alberta Central has entered into an agreement with Credit Union Central of Canada for a line of credit to a maximum of \$50 million. Pursuant to the terms of the National Liquidity Fund Agreement, Alberta Central is obliged to provide a general security interest over Alberta Central's property on demand by Credit Union Central of Canada to secure this line of credit.

Alberta Central is authorized to issue commercial paper to a maximum of \$150 million.

The Credit Union Central of Saskatchewan loan is due on demand.

8. JOINT VENTURES

Alberta Central has interests in joint ventures as follows:

- CU Electronic Transaction Services – 50%, a credit card processing entity
- 3553256 Canada Inc. – 50%, a holding company
- Credit Union Payment Services – 50%, a payment processing entity
- Credit Union Organizational Support – 50%, a consulting services entity

Alberta Central's proportionate share of its investments in joint ventures before inter-entity eliminations is summarized below:

(thousands of dollars)	2002	2001
Balance Sheet:		
Cash	\$ –	\$ 347
Securities	11,167	6,779
Other assets	6,811	3,242
Capital assets	6,127	6,332
	\$ 24,105	\$ 16,700
Accounts payable	\$ 5,003	\$ 3,311
Loans and notes payable	12,205	11,864
Equity	6,897	1,525
	\$ 24,105	\$ 16,700

NOTES TO THE FINANCIAL STATEMENTS

8. JOINT VENTURES (continued)

(thousands of dollars)

	2002	2001
Statement of Earnings:		
Operating income	\$ 30,316	\$ 21,863
Operating expenses	27,699	19,795
Earnings before gain	2,617	2,068
Gain on sale	3,875	–
Earnings for the year	\$ 6,492	\$ 2,068
Statement of Cash Flows:		
Cash flows resulting from (used in):		
Operating activities	\$ 4,936	\$ 2,491
Financing activities	(3,819)	(2,027)
Investing activities	2,892	(3,903)
Increase (decrease) in cash resources	\$ 4,009	\$ (3,439)
As part of a business restructuring, CUETS sold an interest in its merchant processing operations effective September 1, 2002. Alberta Central's share of this sale is as follows:		
Note receivable – on closing	\$ 2,750	
Note receivable – long term	1,250	
Agreement incentive – on closing	125	
Expenses incurred to initiate the sale	(250)	
Net gain on sale of merchant processing business	\$ 3,875	

9. COMMON SHARE CAPITAL

Authorized – unlimited number at \$5 per share.

Issued and outstanding – 24,640,000 shares (2001 – 23,026,000).

(thousands of dollars)

	2002	2001
Balance, beginning of the year	\$ 115,130	\$ 103,720
Issued	8,145	11,410
Redeemed	(75)	–
Balance, end of the year	\$ 123,200	\$ 115,130

Alberta Central's by-laws require member credit unions to maintain common share capital in Alberta Central in an amount equal to the greater of two percent (2%) of the credit union's assets as at October 31, 1997, and one and one half percent (1.5%) of the credit union's assets as at the end of the credit union's most recent fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

10. INTEREST RATE SENSITIVITY

(thousands of dollars)	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	Non-Interest Sensitive	Total
Assets							
Cash resources	\$ 23,612	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,369	\$ 52,981
Securities	799,279	76,834	96,200	46,277	21,592	17,388	1,057,570
Loans	69,603	16,145	12,822	19,346	8,771	438	127,125
Other assets	816	825	1,682	5,304	0	27,920	36,547
	\$ 893,310	\$ 93,804	\$ 110,704	\$ 70,927	\$ 30,363	\$ 75,115	\$ 1,274,223
Weighted average interest rate	2.92%	3.74%	3.48%	5.56%	5.90%		
Liabilities & members' equity							
Members' deposits	\$ 726,973	\$ 109,375	\$ 117,552	\$ 53,886	\$ 7,727	\$ 20,836	\$ 1,036,349
Loans and notes payable	74,597	0	0	0	0	208	74,805
Other liabilities	0	0	0	0	0	16,960	16,960
Members' equity	123,200	0	0	0	0	22,909	146,109
	\$ 924,770	\$ 109,375	\$ 117,552	\$ 53,886	\$ 7,727	\$ 60,913	\$ 1,274,223
Weighted average interest rate	2.59%	3.01%	2.94%	6.49%	5.56%		
Total interest rate sensitivity gap	\$ (31,460)	\$ (15,571)	\$ (6,848)	\$ 17,041	\$ 22,636	\$ 14,202	\$ 0
Cumulative interest rate sensitivity gap	\$ (31,460)	\$ (47,031)	\$ (53,879)	\$ (36,838)	\$ (14,202)	\$ 0	\$ 0

Alberta Central uses gap analysis and simulation modeling to monitor and manage interest rate risk. Gap analysis measures the difference between the amount of assets and liabilities that reprice in a particular time period.

Alberta Central's interest rate sensitivity position as at December 31, 2002, as presented above is based upon the contractual repricing and maturity dates of assets and liabilities. The table shows the cumulative gaps at various intervals.

(thousands of dollars)	2002		2001	
	Book Value	Fair Value	Book Value	Fair Value
Securities	\$ 1,057,570	\$ 1,059,444	\$ 1,209,995	\$ 1,214,045
Loans	127,125	128,957	96,172	97,691
Members' deposits	1,036,349	1,036,984	1,124,197	1,127,255
Loans and notes payable	74,805	74,804	100,003	99,987

Estimated fair value represents the value of these instruments based on interest rates in effect at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

11. OPERATING INCOME AND OPERATING EXPENSES

(thousands of dollars)	2002	2001
Operating income		
Information services	\$ 18,616	\$ 17,282
Financial services	11,546	10,567
Credit card processing	25,158	18,314
Member dues	2,344	1,943
Other	2,084	1,971
	\$ 59,748	\$ 50,077
Operating expenses		
Personnel	\$ 27,046	\$ 23,040
Property and equipment	14,169	12,272
Administration and other	14,821	10,459
Organization	1,652	1,514
	\$ 57,688	\$ 47,285

12. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Alberta Central's off balance sheet financial instrument position is summarized as follows:

(thousands of dollars)	2002	2001
Financial instruments whose contract could represent credit risk:		
Commitments to extend credit	\$ 627,390	\$ 608,922
Standby letters of credit and financial guarantees	3,001	1,952
Financial instruments whose notional amounts do not represent credit risk:		
For own account	\$ 32,407	\$ 121,105
As intermediary	364,048	220,913

Settlement of Alberta Central's financial instruments held for its own account at year end would result in a net payable of \$141 (2001 – \$793).

13. DIVIDENDS (thousands of dollars)

Share capital dividends of \$3,196 (2001 – \$4,820) were calculated using members' minimum monthly common share capital account balances and the average monthly prime interest rate less 1.50%.

Patronage dividends of \$2,620 (2001 – \$2,563) were calculated using a formula based on the usage of products and services provided by Alberta Central.

NOTES TO THE FINANCIAL STATEMENTS

14. INCOME TAXES

The combined federal and provincial statutory income tax rate applicable to Alberta Central is 23.4% (2001 – 24.7%). Income taxes calculated at the statutory rate differ from the provision included in the statement of earnings for the following reasons:

(thousands of dollars)	2002	2001
Income taxes at the statutory rate	\$ 2,286	\$ 1,984
Increase (decrease) in income taxes resulting from:		
Tax on large corporations	241	168
Non-taxable portion of gain on sale	(336)	–
Other	9	(284)
Provision for income taxes	\$ 2,200	\$ 1,868

15. COMMITMENTS

Alberta Central has the following operating lease commitments which include lease commitments for occupancy and computer equipment:

(thousands of dollars)	
2003	\$ 4,678
2004	4,374
2005	4,249
2006	2,572
2007	2,715
2008 and Subsequent	9,846
	\$ 28,434

16. PENSION PLANS

Alberta Central has established an unfunded, retirement income plan for executive management which provides a supplementary pension benefit. The projected benefit obligation, which amounted to \$831 at December 31, 2002 (2001 – \$497), has been provided for by annual charges to earnings.

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of \$998 (2001 – \$901) is included in personnel expense.

17. DIRECTORS' REMUNERATION

(thousands of dollars)	2002	2001
Remuneration paid to directors	\$ 146	\$ 149
Expenses paid on behalf of directors	112	146
	\$ 258	\$ 295

ALBERTA CENTRAL FIVE YEAR REVIEW

BALANCE SHEET

As at December 31 (thousands of dollars)

	2002	2001	2000	1999	1998
Assets					
Cash and securities	\$ 1,101,367	\$ 1,230,576	\$ 933,355	\$ 617,149	\$ 575,248
Loans	126,757	95,828	119,225	213,239	167,115
Other	46,099	47,595	42,905	26,943	29,292
Total assets	\$ 1,274,223	\$ 1,373,999	\$ 1,095,485	\$ 857,331	\$ 771,655
Liabilities and equity					
Deposits and notes	\$ 1,103,728	\$ 1,216,078	\$ 954,796	\$ 725,569	\$ 640,035
Other	24,386	25,021	21,736	16,926	15,686
Equity	146,109	132,900	118,953	114,836	115,934
Total liabilities and equity	\$ 1,274,223	\$ 1,373,999	\$ 1,095,485	\$ 857,331	\$ 771,655

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the years ended December 31 (thousands of dollars)

	2002	2001	2000	1999	1998
Financial income	\$ 36,956	\$ 56,522	\$ 52,665	\$ 38,097	\$ 33,401
Financial expenses	30,383	48,579	42,912	30,272	25,479
Net financial income before provision for losses	6,573	7,943	9,753	7,825	7,922
Provision for credit and investment losses	100	138	281	25	11
Net financial income	6,473	7,805	9,472	7,800	7,911
Operating income	59,748	50,077	44,115	40,073	38,730
Operating expenses	57,688	47,285	42,690	39,925	37,416
Net operations	2,060	2,792	1,425	148	1,314
Earnings before gain on sale	8,533	10,597	10,897	7,948	9,225
Gain on sale	3,875	–	–	–	–
Earnings before patronage dividends and income taxes	12,408	10,597	10,897	7,948	9,225
Patronage dividends	2,620	2,563	2,356	1,131	1,535
Earnings before income taxes	9,788	8,034	8,541	6,817	7,690
Income taxes	2,200	1,868	2,294	2,129	2,551
Earnings for the year	7,588	6,166	6,247	4,688	5,139
Retained earnings, beginning of year	17,770	15,233	13,311	12,207	10,654
	25,358	21,399	19,558	16,895	15,793
Share dividends	(3,196)	(4,820)	(5,885)	(5,019)	(5,022)
Recovery of income tax on share dividends	747	1,191	1,560	1,435	1,436
Retained earnings, end of year	\$ 22,909	\$ 17,770	\$ 15,233	\$ 13,311	\$ 12,207

ALBERTA CREDIT UNIONS FIVE YEAR REVIEW

BALANCE SHEET

As at October 31 (millions of dollars)

	2002	2001	2000	1999	1998
Assets					
Cash and securities	\$ 1,476	\$ 1,651	\$ 1,465	\$ 1,171	\$ 1,144
Loans	6,568	5,681	4,986	4,389	3,997
Other	145	123	120	107	99
Total assets	\$ 8,189	\$ 7,455	\$ 6,571	\$ 5,667	\$ 5,240
Liabilities and equity					
Member deposits and borrowings	\$ 7,592	\$ 6,941	\$ 6,122	\$ 5,281	\$ 4,915
Other	34	34	32	24	23
Equity	563	480	417	362	302
Total liabilities and equity	\$ 8,189	\$ 7,455	\$ 6,571	\$ 5,667	\$ 5,240

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the years ended October 31 (millions of dollars)

	2002	2001	2000	1999	1998
Financial income	\$ 449	\$ 485	\$ 429	\$ 368	\$ 338
Financial expenses	198	251	225	189	169
Net financial income before provisions	251	234	204	179	169
Provision for losses	8	6	6	4	6
Net financial income	243	228	198	175	163
Other income	73	66	58	52	50
Gross margin	316	294	256	227	213
Operating expenses	239	218	195	176	163
Earnings before patronage dividends and income taxes	77	76	61	51	50
Patronage dividends	20	22	19	16	15
Earnings before income taxes	57	54	42	35	35
Income taxes	13	13	10	7	7
Earnings for the year	44	41	32	28	28
Retained earnings, beginning of year	181	161	142	125	108
Share dividends and redemptions	(17)	(26)	(16)	(13)	(13)
Recovery of income tax on dividends and redemptions	3	5	3	2	2
Retained earnings, end of year	\$ 211	\$ 181	\$ 161	\$ 142	\$ 125

STATISTICAL

	2002	2001	2000	1999	1998
Members	623,112	587,705	561,273	530,242	550,968
Staff (FTE)	2,489	2,385	2,204	2,101	2,011
Branches	196	197	196	180	180
ATMs	204	198	183	166	158

BOARD OF DIRECTORS



Back Row (left to right):

Greg Nail

Dave Weidner

Rene Dumas

Brian Merryweather

Ernie Jacobson

Pierre Amyotte

Front Row (left to right):

Terry Cooper, Chair; Marcel Chorel, First Vice Chair; Penny Reeves, Second Vice Chair; Dennis Horrigan, Fifth Executive Committee Member; Rod Banman, Secretary; Nigel Teucher and Gerry Kiehl.

EXECUTIVE MANAGEMENT TEAM



Left to right:

D. F. Schitka, Vice President, Product Development; R. J. Williams, Vice President, Financial Services; J. R. Scopick, President & CEO; B. R. Wheeler, Executive Vice President; B. J. Johnson, Senior Vice President, Finance & Administration; and G. N. Wetter, Vice President & General Counsel.

MANAGEMENT TEAM

S.L. Greenaway,
Corporate Secretary

D.F. Gregorski,
Assistant Vice President, Payment Services

B.A. Johnson,
Assistant Vice President & Controller

G.A. Mader,
Assistant Vice President,
Infrastructure & Delivery

M.E.H. McLeod,
Corporate Auditor

L.D. Neilson,
Assistant Vice President,
Client Support & Administration

P.K. Rossmann,
Assistant Vice President,
Administration Services



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