

Nine Months Ended September 30, 2001

Financial Overview

Third quarter net income at \$5.72 million was 62.0% higher than last year's third quarter net income of \$3.53 million. Improvements in financial margin and other income more than offset increased operating expenses. For the nine months ending September 30th, net income was \$16.44 million, compared to \$12.04 million for the same period last year.

Contribution to net income from financial margin for the third quarter increased by 22.6% to \$6.24 million from \$5.09 million last year. Central's net interest income annualized and expressed as a percentage of average assets employed was 74.6 basis points for the three months, or 15.8% higher than the 64.4 basis points for the same period last year, in spite of a new pricing structure for financial services that provides member credit unions with higher deposit rates and lower borrowing costs. For the nine months ending September 30th, the contribution to net income from financial margin increased by 8.7% to \$18.67 million from \$17.17 million. Expressed as a percentage of average assets, financial margin for the nine months was 74.7 basis points, or unchanged from the same period last year.

Third quarter Other Income increased by 9.8% to \$10.73 million from \$8.54 million for the comparable period last year. Higher gains from securities trading, \$1.70 million this year compared to \$0.26 million last year, accounted for the increase in Other Income. Operating expenses were higher than those of last year, increasing to \$9.98 million from \$9.25 million. For the nine months ending September 30th, Other Income was \$32.15 million, compared to \$26.64 million last year, with the majority of the increase due to higher gains from securities trading of \$5.31 million, compared to \$0.41 million in the corresponding period, last year.

Total assets as at September 30th 2001 were \$3,381.0 million, a decrease of 1.6 % from \$3,437.5 million as at December 31, 2000, but 6.8% higher than as at September 30, 2000. Average assets employed for the quarter were \$3,321.4 million, compared to \$3,134.1 million for the same period last year.

Outlook

Even before the events of September 11th, the Federal Reserve and the Bank of Canada continued to lower short-term key interest rates in the face of deteriorating economic landscapes in both countries. Business confidence, business investment, high inventories, and the manufacturing sectors continued to be major areas of concern for the US Federal Reserve during the third quarter. Clearly the largest wild card for the economy going forward has to be the reaction to the terrorist attacks that occurred against the World Trade Centre on September 11th. With the US economy already heading downward, the attack has curtailed the possibility of any near term recovery in business and consumer confidence. The earliest time line for an economic recovery is most likely to be the second quarter of next year.

Short term administered interest rates are clearly still on the decline, and have dropped an unprecedented 350 basis points in the United States and 225 basis points in Canada. However, the tremendous amount of monetary and fiscal stimulus in place is laying the seeds of a recovery during which interest rates will surely return to more normal levels. Accordingly, the interest rate risk in the liquidity portfolio is being reduced to achieve a more neutral level of risk. In addition, investments in the securities of lower rated corporations have been scaled back, as corporate profits and corporate balance sheets continue to deteriorate in the slowing economy.

Credit Union Central of British Columbia
Consolidated Balance Sheet
Unaudited

	(000's)	
	September 30	
	2001	2000
Assets		
Cash	\$41,283	46,356
Securities	2,785,634	2,722,825
Loans	533,652	372,628
Land, Buildings & Equipment	12,050	12,196
Other	8,421	10,840
	\$3,381,040	\$3,164,845
Liabilities		
Deposits & Notes	\$3,143,995	\$2,943,134
Other	30,169	23,908
Dividends	6,872	4,300
	3,181,036	2,971,342
Equity		
Shares	105,486	105,486
Retained Earnings	94,518	88,017
	200,004	193,503
	\$3,381,040	\$3,164,845

Approved by the Directors:

"Sylvia Pritchard"
S. Pritchard, Chairperson

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

See accompanying notes to the financial statements

Credit Union Central of British Columbia
Consolidated Statement of Income and Retained Earnings
Unaudited

	(000's)			
	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	Sep 30	Sep 30	Sep 30	Sep 30
	2001	2000	2001	2000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Income				
Loans	\$6,919	\$8,132	\$18,470	\$21,982
Securities	34,040	36,218	111,099	105,205
	<u>40,959</u>	<u>44,350</u>	<u>129,569</u>	<u>127,187</u>
Financial Expense				
Deposits	32,527	36,680	104,792	103,488
Borrowed funds	2,190	2,583	6,104	6,525
	<u>34,717</u>	<u>39,263</u>	<u>110,896</u>	<u>110,013</u>
Net interest income	6,242	5,087	18,673	17,174
Provision for (recovery of) losses	(150)	(200)	(450)	(300)
	<u>6,392</u>	<u>5,287</u>	<u>19,123</u>	<u>17,474</u>
Other income	10,732	8,538	32,150	26,641
Net interest and other income	<u>17,124</u>	<u>13,825</u>	<u>51,273</u>	<u>44,115</u>
Operating Expenses				
Salaries	4,265	3,677	12,827	11,775
Premises and equipment, including depreciation	909	1,653	3,185	4,098
Other	4,798	3,919	14,612	12,677
	<u>9,972</u>	<u>9,249</u>	<u>30,624</u>	<u>28,550</u>
Income before the following	7,152	4,576	20,649	15,565
Income taxes	1,430	1,043	4,210	3,522
	<u>5,722</u>	<u>3,533</u>	<u>16,439</u>	<u>12,043</u>
Net Income	5,722	3,533	16,439	12,043
Retained Earnings, beginning of period	92,256	85,623	83,439	79,306
	<u>97,978</u>	<u>89,156</u>	<u>99,878</u>	<u>91,349</u>
Dividends	(4,436)	(1,488)	(6,872)	(4,300)
Related income tax savings	976	349	1,512	968
Retained Earnings, end of period	<u>\$94,518</u>	<u>\$88,017</u>	<u>\$94,518</u>	<u>\$88,017</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		For the nine months ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2001	2000	2001	2000
Cash flows from operating activities				
Net Income	\$5,722	3,533	\$16,439	\$12,043
Adjustments for:				
Depreciation	261	282	728	819
Other items, net	5,351	27,992	4,424	24,890
Net change in accrued interest	(5,758)	2,143	(12,587)	17,567
Provision for credit losses	(150)	(200)	(450)	(300)
	<u>5,426</u>	<u>33,750</u>	<u>8,554</u>	<u>55,019</u>
Cash flows from financing activities				
Proceeds from issue of shares	0	0		
Dividends - net of income taxes	(3,460)	(1,139)	(5,360)	(3,332)
Net change in deposits and notes	118,536	13,592	(57,337)	140,088
	<u>115,076</u>	<u>12,453</u>	<u>(62,697)</u>	<u>136,756</u>
Cash flows from investing activities				
Purchase of securities	(2,668,719)	(2,988,218)	(7,880,215)	(8,964,654)
Sale of securities	2,564,114	2,909,266	8,210,985	8,890,455
Net change in loans	(1,878)	79,154	(275,755)	(85,892)
Net change in premises and equipment	(67)	(49)	(613)	(165)
	<u>(106,550)</u>	<u>153</u>	<u>54,402</u>	<u>(160,256)</u>
Increase (decrease) in cash resources	13,952	46,356	259	31,519
Cash resources - beginning of period	27,331	0	41,024	14,837
Cash resources - end of period	<u>\$41,283</u>	<u>\$46,356</u>	<u>\$41,283</u>	<u>\$46,356</u>
Supplemental Information				
Interest received	<u>\$36,294</u>	<u>\$47,405</u>	<u>\$125,753</u>	<u>\$133,799</u>
Interest paid	<u>\$36,485</u>	<u>\$28,886</u>	<u>\$119,667</u>	<u>\$99,385</u>
Income taxes paid	<u>\$1,785</u>	<u>\$0</u>	<u>\$2,405</u>	<u>\$1,740</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia

Notes to the September 30, 2001 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, 2000.

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, 2000, on pages 31 to 39 in the 2000 Annual Report

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.