

Interim Management Discussion and Analysis

Financial Overview

Third quarter net income was \$3.33 million compared to last year's third quarter net income of \$5.72 million. Lower financial margin and higher operating expenses were only partially offset by improvements in other income. For the nine months ending September 30th, net income was \$12.78 million, compared to \$16.44 million for the same period last year.

Contribution to net income from financial margin for the third quarter decreased to \$4.26 million from \$6.24 million last year. For the nine months ending September 30th, the contribution to net income from financial margin decreased to \$13.99 million from \$18.67 million. Expressed as a percentage of average assets, financial margin for the nine months was 52.4 basis points, compared to 73.6 basis points for the same period last year. Substantially lower average interest rates, a reduction in exposure to corporate credit risk and a more matched portfolio were the major factors contributing to the lower margin.

Third quarter other income increased by 11.7% to \$11.98 million from \$10.73 million for the comparable period last year. For the nine months ending September 30th, other income was \$36.09 million, compared to \$32.15 million last year, with the majority of the increase due to higher gains from securities trading, \$7.49 million versus \$5.33 million last year. Operating expenses during the quarter were higher than those of last year, increasing to \$12.19 million from \$9.97 million and for the year-to-date, operating expenses have increased to \$34.74 million from \$30.62 million. Much of the increase in operating expenses relates to new technology initiatives undertaken by Central on behalf of its members.

Total assets as at September 30th 2002 were \$3,563.9 million, an increase of 5.4 % from \$3,381.0 million as at September 30, 2001. Average assets employed for the year-to-date were \$3,520.3 million, compared to \$3,321.4 million for the same period last year.

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 the spring of 2002, at their respective Annual General Meetings, the memberships of both centrals approved proceeding with the merger process. The memberships will vote on Asset Purchase and Sale Agreements at subsequent general membership meetings. Central continues to seek regulatory and legislative changes necessary to effect this transaction.

Outlook

The United States economy continues to falter. Manufacturing data remains weak and consumer confidence is eroding. Equity markets have been hit hard and war clouds are gathering over the Middle East. Although the Canadian economy has been remarkably resilient, events south of the border will eventually adversely affect Canadian economic performance. Consequently, the Bank of Canada which had embarked on a series of interest rate increases designed to keep an expanding economy in check, is now on hold and the U.S. Federal Reserve is more likely to decrease short-term rates before any increase. Going forward, financial markets will remain volatile and, at times, unpredictable. It is likely that a United States economic recovery will take place later rather than sooner. Hence, although Canadian interest rates have likely reached their lows, the resumption of an upward trend in rates will be delayed until 2003.

Credit Union Central of British Columbia
Consolidated Balance Sheet
Unaudited

	(000's)		
	September 30	September 30	December 31
	<u>2002</u>	<u>2001</u>	<u>2001</u>
Assets			
Cash	\$0	\$41,283	\$9,614
Securities	2,840,417	2,785,634	3,269,569
Loans	704,104	533,652	458,296
Land, Buildings & Equipment	12,002	12,050	12,003
Other	7,335	8,421	8,187
	<u>\$3,563,858</u>	<u>\$3,381,040</u>	<u>\$3,757,669</u>
Liabilities			
Deposits & Notes	\$3,314,808	\$3,143,995	\$3,521,360
Other	39,408	30,169	28,310
Dividends	1,965	6,872	8,112
	<u>3,356,181</u>	<u>3,181,036</u>	<u>3,557,782</u>
Equity			
Shares	105,486	105,486	105,486
Retained Earnings	102,191	94,518	94,401
	<u>207,677</u>	<u>200,004</u>	<u>199,887</u>
	<u>\$3,563,858</u>	<u>\$3,381,040</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)		(000's)	
	For the three months ended		For the nine months ended	
	September 30 2002	September 30 2001	September 30 2002	September 30 2001
Financial Income				
Loans	\$6,249	\$6,919	\$16,884	\$18,470
Securities	25,865	34,040	75,996	111,099
	<u>32,114</u>	<u>40,959</u>	<u>92,880</u>	<u>129,569</u>
Financial Expense				
Deposits	26,186	32,527	75,114	104,792
Borrowed funds	1,672	2,190	3,772	6,104
	<u>27,858</u>	<u>34,717</u>	<u>78,886</u>	<u>110,896</u>
Net interest income	4,256	6,242	13,994	18,673
Provision for (recovery of) losses	0	(150)	0	(450)
	<u>4,256</u>	<u>6,392</u>	<u>13,994</u>	<u>19,123</u>
Other income	11,978	10,732	36,087	32,150
Net interest and other income	<u>16,234</u>	<u>17,124</u>	<u>50,081</u>	<u>51,273</u>
Operating Expenses				
Salaries	5,298	4,265	14,773	12,827
Premises and equipment, including depreciation	1,320	909	4,162	3,185
Other	5,574	4,798	15,800	14,612
	<u>12,192</u>	<u>9,972</u>	<u>34,735</u>	<u>30,624</u>
Income before the following	4,042	7,152	15,346	20,649
Income taxes	717	1,430	2,571	4,210
	<u>3,325</u>	<u>5,722</u>	<u>12,775</u>	<u>16,439</u>
Net Income	3,325	5,722	12,775	16,439
Retained Earnings, beginning of period	<u>99,486</u>	<u>92,256</u>	<u>94,401</u>	<u>83,439</u>
	102,811	97,978	107,176	99,878
Dividends	(757)	(4,436)	(6,185)	(6,872)
Related income tax savings	137	976	1,200	1,512
Retained Earnings, end of period	<u>\$102,191</u>	<u>\$94,518</u>	<u>\$102,191</u>	<u>\$94,518</u>

See accompanying notes to the financial statements

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

	(000's)		(000's)	
	For the three months ended		For the nine months ended	
	September 30 2002	September 30 2001	September 30 2002	September 30 2001
Cash flows from operating activities				
Net Income	\$3,325	\$5,722	\$12,775	\$16,439
Adjustments for:				
Depreciation	63	261	918	728
Other items, net	(12,715)	5,351	11,950	4,424
Net change in accrued interest	(7,596)	(5,758)	(3,322)	(12,587)
Provision for credit losses	0	(150)	0	(450)
	<u>(16,923)</u>	<u>5,426</u>	<u>22,321</u>	<u>8,554</u>
Cash flows from financing activities				
Proceeds from issue of shares	0	0	0	0
Dividends - net of income taxes	136	(3,460)	(11,132)	(5,360)
Net change in deposits and notes	(47,644)	118,536	(202,967)	(57,337)
	<u>(47,508)</u>	<u>115,076</u>	<u>(214,099)</u>	<u>(62,697)</u>
Cash flows from investing activities				
Purchase of securities	(2,998,314)	(2,668,719)	(7,261,009)	(7,880,215)
Sale of securities	2,899,468	2,564,114	7,686,313	8,210,985
Net change in loans	135,453	(1,878)	(242,223)	(275,755)
Net change in premises and equipment	(612)	(67)	(917)	(613)
	<u>35,995</u>	<u>(106,550)</u>	<u>182,164</u>	<u>54,402</u>
Increase (decrease) in cash resources	(28,436)	13,952	(9,614)	259
Cash resources - beginning of period	28,436	27,331	9,614	41,024
Cash resources - end of period	<u>\$0</u>	<u>\$41,283</u>	<u>\$0</u>	<u>\$41,283</u>
Supplemental Information				
Interest received	<u>\$25,247</u>	<u>\$36,294</u>	<u>\$93,143</u>	<u>\$125,753</u>
Interest paid	<u>\$28,587</u>	<u>\$36,485</u>	<u>\$82,471</u>	<u>\$119,667</u>
Income taxes paid	<u>\$540</u>	<u>\$1,785</u>	<u>\$540</u>	<u>\$2,405</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia

Notes to the September 30, 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.