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ANNUAL
REPORT

Battle River
Credit Union Ltd.

RECOGNIZED AS A DYNAMIC COMPETITOR,
INNOVATOR AND LEADER, BATTLE RIVER
CREDIT UNION MEETS THE NEEDS OF
A SOPHISTICATED, DEMANDING AND
EVER-CHANGING FINANCIAL SERVICES
MARKETPLACE. BRCU DELIVERS FULL SERVICE
BANKING TO MORE THAN 15,500 MEMBERS
THROUGH 11 BRANCHES IN 10 COMMUNITIES
AND SURROUNDING AREAS IN EAST CENTRAL
ALBERTA, WITH ASSETS OVER \$320 MILLION.
CELEBRATING 51 YEARS OF TRADITION, BRCU
ALSO EMBRACES CHANGE, REDEFINES
STANDARDS AND OFFERS THE BEST
PRODUCTS, THE BEST SERVICE AND THE BEST
COMMUNITY SUPPORT. SECURE AND
SUCCESSFUL, BATTLE RIVER CREDIT UNION IS
WELL-POSITIONED FOR THE FUTURE.

Battle River Credit Union has been built on a solid foundation of quality financial products, innovative technology and, most importantly, personalized member service that is second to none.

TERRY KELLY
GENERAL MANAGER



Innovative value-added products and services are the nuts and bolts of BRCU – from simple chequing accounts to agricultural loans to mutual funds to Internet banking. Members of Battle River Credit Union can access their accounts 24 hours a day, seven days a week through a variety of unique products and services. Each of our market-leading account packages address different needs and provides real value. Members choose the combination of products, services and rates that works best for them. They receive free products, services and transactions, and save on fees, based on their package. Tiered interest calculated on minimum daily balances and paid monthly, helps our members earn more on their accounts. We're owned locally by our membership which allows us to be flexible and responsive to the needs of a sophisticated, demanding and ever-changing marketplace. Our members choose from a selection of convenient, value-added personal, small business and agricultural account packages designed to fit with individual lifestyles and banking preferences. Rates at BRCU are attractive and many account packages feature free products/services and bonus interest for members. Deposits are 100% Guaranteed by the Credit Union Deposit Guarantee Corporation for the security of our members. Members benefit from a unique profit sharing program and have the opportunity to influence BRCU's policies and direction through the purchase of Common Shares, voting, attending our annual general meeting and running for our Board of Directors.

BUILDING A BETTER WAY TO BANK



DENNIS & BARB MICIAK
MIXED FARMING OPERATION

Viking Branch

Ag Member

15 years +



EVE CARRINGTON
SMALL BUSINESS OWNER

Viking Branch

Business Essentials
Member

17 years +



**LLOYD & MARJORIE
GROVE**

City Centre Branch

Senior Account

50 years +

Marjorie was a founding member of the Credit Union, formerly Camrose Savings & Credit Union Ltd.

Service is our blueprint. We work hard at utilizing leading-edge technology while still maintaining a strong focus on personal interaction. BRCU members can choose how, when and where they want to access their accounts and conduct their banking business – in person, over the telephone, by computer, or at thousands of cash machines and store locations worldwide.

For that personal touch, members can speak directly to a Member Service Representative at one of our many branch locations in the area. Our full and part time employees are friendly, approachable, knowledgeable, competent and ready to help.

Members can do their banking when they need to with BRCU's self service banking package. Members can get cash anytime at one of our machines or at any other ATM on the Interac network with their MemberCard debit card. With their telephone, BRCU members can access their accounts and pay bills anywhere, anytime in North America. With their personal computer and Internet access, they can access their accounts 24 hours a day, safely and securely, with the click of a mouse. Members can pay bills, inquire about their account history, get up-to-the-minute balances and transfer funds between accounts. They can also access their funds worldwide with their MasterCard credit and gold cards.

BRCU continues to invest in and develop technologies, processes and people. We listen and respond pro-actively to remain current and retain our competitive advantage.

BUILDING LIFE-LONG RELATIONSHIPS

VIVIAN VESTBY
ACCOUNTING CLERK I
CITY CENTRE BRANCH



DEB CHALMERS
SR. LOANS OFFICER
LIZ KELNDORFER
OFFICE SUPERVISOR
CITY CENTRE BRANCH

SHELLY KOZICKI
MSR
VEGREVILLE BRANCH



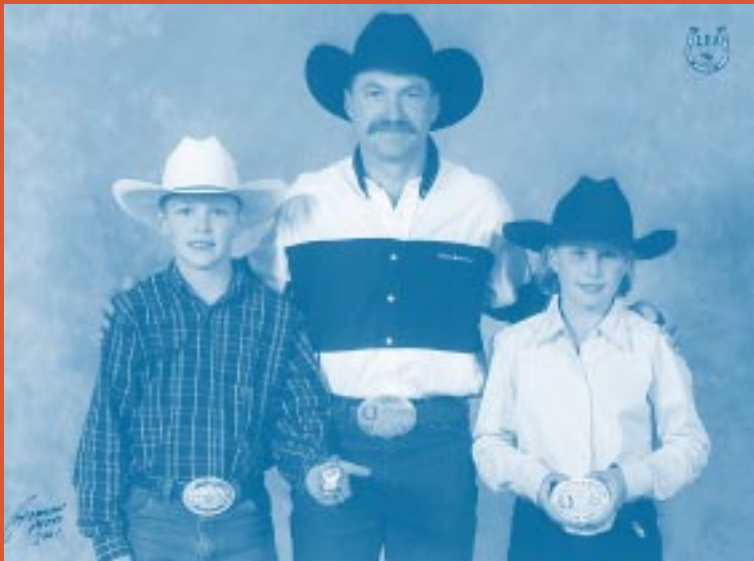
DALE MORRIVAL
AG SPECIALIST
VIKING BRANCH

MATT DANKO
LOANS INTERVIEWER
VIKING BRANCH



ADELE LONGHE
LOANS OFFICER
DAYSLAND BRANCH

We are dedicated to providing financial services in rural areas and contributing to the economic development of our community. Deposits and loans at BRCU keep financial resources working locally and we have grown to become a leading employer. We continue to build relationships and support activities that enhance our sense of community such as sponsoring groups and events. At BRCU, we recognize our responsibility to invest in, and focus on, development of our youth. Examples include the scholarships we awarded to local students and the creation of the Leif Osback Memorial Fund for the Greater Camrose Community Foundation.



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Lakeland Rodeo buckle presentation

BUILDING OUR COMMUNITY

2001 SCHOLARSHIP RECIPIENTS

AUGUSTANA UNIVERSITY COLLEGE

Matthew Petras – \$900

CAMROSE COMPOSITE HIGH SCHOOL

1st S.S. 30 – **Stephanie McKinnon** – \$250

2nd S.S. 30 – **Donna Morrow** – \$75

2nd S.S. 30 – **Erik Olson** – \$75

STETTLER COMPOSITE HIGH SCHOOL

Stephen McComish – \$100

Stuart Fix – \$100

Kyle Chadwick – \$100

CENTRAL HIGH SCHOOL – SEDEGWICK/KILLAM/ALLIANCE – LEIF OSBACK MEMORIAL AWARD

Highest Academic Award – Grade 12 –

James Hedeman – \$500

VEGREVILLE COMPOSITE HIGH SCHOOL

Top Grade 10 – **Holly Hudema &**

Ashley Melnyk – \$75

Top Grade 11 – **Preshani Maistry** – \$75

Most Improved Grade 12 –

Ryan Chmilar – \$75

ST. MARY'S HIGH SCHOOL – VEGREVILLE

Most Improved Student – Grade 10 –

Allan Spate – \$75

Most Improved Student – Grade 11 –

Kris Mosiuk – \$75

Most Improved Student – Grade 12 –

Michelle Lavoie – \$75

VIKING HIGH SCHOOL

Highest S.S. 30 – **Christopher Heber** –
\$200

DAYSLAND SCHOOL

Math 33 – **Melissa Miller** – \$100

GUS WETTER SCHOOL – CASTOR

Most Improved S.S. Grade 12 – \$300

OTHER DONATIONS

Battle River Community Foundation –

Leif Osback Memorial – \$5,000

Lakeland Rodeo Association – Buckle

Sponsorship – \$1,000

Various 4-H Clubs throughout East

Central Alberta – \$6,000 – purchase
calves

Daysland Thunderstar Hockey – \$560 –
purchase new uniforms

Sedgewick Minor Hockey – \$845 – new
jerseys

Camrose Minor Football – \$3,120 – new
jerseys

Countless Local Sports Events, Teams,
Schools, Organizations, Festivals,
Parades, Ag. Societies, Clubs, Award
Ceremonies, Chambers of Commerce,
Rodeos and Foundations

I am pleased to report to you the results of another outstanding year.

Our earnings before allocation to common shares and income taxes were \$3,515,000, the highest in our history. Our members received common share dividends of \$2,017,000. That is a concrete benefit to our borrowers and depositors that they won't get from other financial institutions.

The past year was a year of consolidation and growth. We completed the integration into our system of the seven new branches which we acquired in 2000, and continued to build our loans and deposits in all the communities we serve.

At our year end, October 31, 2001, we completed 92 profitable quarters, spanning over 23 years. Through good times and bad you can depend on your Credit Union.

In the spring of 2001 we completed a successful Investment Share issue and our reserves now stand at a very solid 6.81% of assets.

Your Credit Union is now the 34th largest credit union in Canada (outside Quebec), but we take pride in treating each one of our members with professionalism, courtesy and respect. Your success is our success. We want to continue to build good business relationships in the future, offering first class financial services at very competitive rates.

I want to thank management and staff for their hard work and dedication, and for a job well done.

On behalf of the Board of Directors,

Alan D. Fielding

President



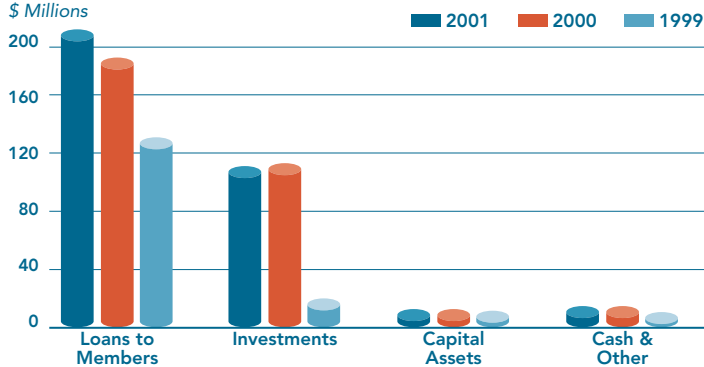
BATTLE RIVER CREDIT UNION

- \$322 MILLION IN ASSETS
- NET INCOME BEFORE TAX ALLOCATIONS OF \$3.5 MILLION
- \$204 MILLION IN LOANS
- DEPOSITS OF OVER \$298 MILLION
- EQUITY OF \$15.6 MILLION
- EARNINGS DISTRIBUTION OF \$2.3 MILLION
- RESERVES OF \$6.25 MILLION
- 17,900 MEMBERSHIP
- 11 BRANCHES
- 8 ATMS
- 8,725 MEMBERCARD DEBIT CARDS
- OVER 178,000 TELEPHONE AND INTERNET BANKING TRANSACTIONS
- 105 EMPLOYEES
- OVER 2,000 MASTERCARD CARDS

ASSETS

October 31, 2001 (unaudited)

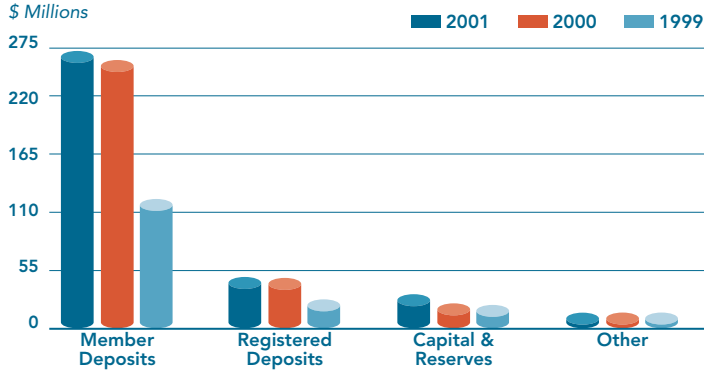
\$ Millions



LIABILITIES, CAPITAL & RESERVES

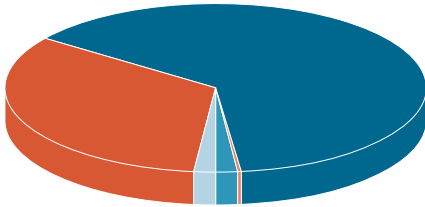
October 31, 2001 (unaudited)

\$ Millions



ASSETS

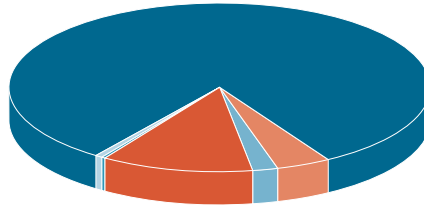
Total \$321,887,000



- Loans (63.32%)
\$203,831,000
- Other (0.19%)
\$616,000
- Capital Assets (1.49%)
\$4,782,000
- Cash (1.91%)
\$6,136,000
- Investments (33.09%)
\$106,522,000

LIABILITIES, CAPITAL & RESERVES

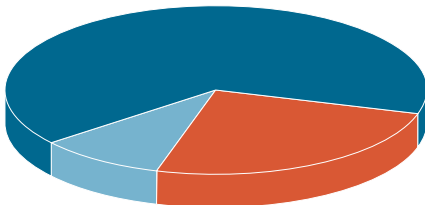
Total \$321,887,000



- Deposits (81.17%)
\$261,272,000
- Common Shares (4.15%)
\$13,362,000
- Special Reserve & Retained Earnings (1.94%)
\$6,250,000
- Registered Deposits (11.70%)
\$37,651,000
- Other (0.32%)
\$1,034,000
- Allocation Distribution (0.72%)
\$2,318,000

FINANCIAL AND OPERATING INCOME

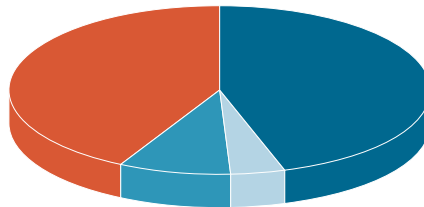
Total \$23,447,000



- Loans (65.42%)
\$15,338,000
- Investments (25.05%)
\$5,873,000
- Other (9.54%)
\$2,236,000

INCOME EXPENDED OR ALLOCATED

Total \$23,447,000



- Interest on Deposits (45.23%)
\$10,604,000
- Reserves and Surplus (4.13%)
\$969,000
- Allocation Members (8.60%)
\$2,017,000
- Expenses and Taxes (42.04%)
\$9,857,000

The financial statements of BATTLE RIVER CREDIT UNION LTD. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates, which are made using careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these financial statements. The Board oversees management's responsibilities for financial reporting through an Audit and Finance Committee, which is composed entirely of directors who are not officers or employees of BATTLE RIVER CREDIT UNION LTD. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit and Finance Committee reviews the annual financial statements, as well as issues related to them. The Audit and Finance Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit and Finance Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit and Finance Committee to discuss their audit findings as to the integrity of BATTLE RIVER CREDIT UNION LTD.'s financial reporting and adequacy of internal controls.

Mowbrey Gil Chartered Accountants has examined these financial statements and their report follows.

General Manager

Terry Kelly

Chief Financial Officer

Arlene Stauffer

Camrose, Alberta
November 16, 2001

The Audit and Finance Committee met four times during the 2001 fiscal year. We reviewed the legislated financial reports as well as the financial results of each branch and compared their performance to budget. We received quarterly Asset Liability Management reports provided to ensure our portfolio was properly matched.

We reviewed and recommended the 2002 budget for approval. We received and reviewed the internal audits conducted during the fiscal year, our external auditors' management letter and the audited financial statements.

The purpose of the audits is to verify the Credit Union procedures are being followed in accordance with the Credit Union's policies and that the legislated requirements governed by the Credit Union Act and By-Laws are adhered to.

The committee also recommended the appointment and remuneration of the external auditors for 2002.

My sincere thanks to the members of the committee and to the management who provided their assistance and information this past year.

Committee Chairman

Ron Pilger

AUDIT AND FINANCE COMMITTEE REPORT

We have audited the balance sheet of BATTLE RIVER CREDIT UNION LTD. as at October 31, 2001 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of these financial statements in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 the Credit Union as at October 31, 2001 and the results of its operations and the cash flows for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Mowbrey Gil

Edmonton, Alberta
November 16, 2001

AUDITOR'S REPORT

October 31, 2001

(\$ Thousands)

	2001	2000	1999
Assets			
Cash	\$ 6,136	\$ 5,583	\$ 920
Investments (note 3)	106,522	108,558	12,282
Accounts receivable and prepaid expenses	43	777	88
Other assets (note 7)	424	91	–
Member loans (note 4)	203,831	183,751	126,957
Foreclosed properties held for resale	149	–	–
Capital assets (note 5)	4,782	4,666	3,579
	\$ 321,887	\$ 303,426	\$ 143,826
Liabilities			
Accounts payable	\$ 672	\$ 692	\$ 194
Income taxes payable	362	204	68
Loans payable	–	–	575
Member deposits (note 6)	298,923	289,228	131,098
Deferred income taxes (note 7)	–	–	62
	299,957	290,124	131,997
Contingent liabilities (note 8)			
Capital, Reserves and Retained Earnings			
Share capital (note 9)	13,362	6,305	5,593
Dividends and allocation distributable (note 9)	2,318	1,497	1,236
Special reserve (note 10)	5,500	5,500	5,000
Retained earnings	750	–	–
	21,930	13,302	11,829
	\$ 321,887	\$ 303,426	\$ 143,826

Approved by the Board:

Alan D. Fielding

Director

Ron Pilger

Director

BALANCE SHEET

For the year ended October 31, 2001

(\$ Thousands)	2001	2000	1999
Interest income			
Member loans	\$ 15,338	\$ 11,973	\$ 9,162
Investments	5,873	3,742	649
	21,211	15,715	9,811
Interest expense			
Deposit accounts	10,604	7,950	4,237
Loan payable funds	6	77	281
	10,610	8,027	4,518
Net interest income	10,601	7,688	5,293
Provisions for credit losses (note 4)	180	145	87
Net interest income after provision for credit losses	10,421	7,543	5,206
Other income	2,236	1,725	1,444
Net interest income and other income	12,657	9,268	6,650
Non-interest expenses			
Personnel	3,343	2,649	1,868
General and administrative	4,668	3,466	1,914
Occupancy	476	395	329
Member security	516	375	227
Organization	139	96	119
	9,142	6,981	4,457
Income before ProfitShare allocation and income taxes	3,515	2,287	2,193
ProfitShare allocation (note 9)	2,017	1,497	1,236
Income before provision for income taxes	1,498	790	957
Income before income taxes			
Provision for income taxes (note 7)	529	290	257
Net income for the year	\$ 969	\$ 500	\$ 700

STATEMENT OF INCOME

STATEMENT OF RETAINED EARNINGS

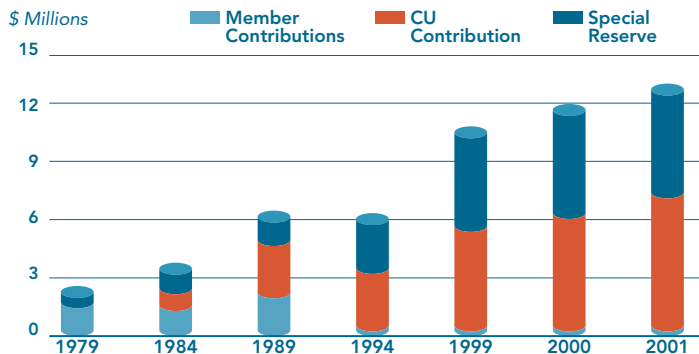
For the year ended October 31, 2001

(\$ Thousands)

	2001	2000	1999
Retained earnings, beginning of year	\$ -	\$ -	\$ -
Add:			
Net income for the year	969	500	700
	969	500	700
Deduct:			
Series A Investment share dividends	301	-	-
Less: Income tax recovery thereon	(82)	-	-
Allocation to special reserves	-	500	700
	219	500	700
Retained earnings, end of year	\$ 750	\$ -	\$ -

RESERVES

Reserves are required to give stability and provide additional protection against uncollectible loans and unforeseen circumstances such as wildly fluctuating interest rates as were experienced in the early 1980's. With this in mind, your Board of Directors has seen fit to commit most, if not all, of Retained Earnings to Reserves. A Special Reserve was established to build greater reserves and to provide a fund to draw on for extraordinary occurrences. Early in 1984, the Common Shares contributed by the Credit Union as Profit Sharing came into being. This special type of equity was created as a means of allocating the earnings to the membership and, at the same time, building reserves. Since its inception, the Board has allocated earnings to the membership's Common Shares totalling \$13.4 million. Since 1987, the Board of Directors has approved an annual general payout to the membership, subject to a minimum payout amount. To date, Battle River Credit Union has distributed \$5.3 million in general payouts and withdrawals to the members. Battle River Credit Union Ltd. reserves now total 6.81% of assets for 2001.



For the year ended October 31, 2001

(\$ Thousands)

	2001	2000	1999
Operating activities			
Interest received	\$ 20,935	\$ 14,031	\$ 9,652
Dividends received	211	180	170
Other income received	2,236	1,725	1,444
Interest paid	(10,666)	(5,632)	(4,356)
Income taxes paid	(621)	(307)	(240)
Operating expenses paid	(8,208)	(6,943)	(4,434)
Cash provided by operating activities	3,887	3,054	2,236
Investing activities			
Purchase of capital assets	(567)	(1,459)	(511)
Net increase in loans	(20,089)	(56,107)	(15,767)
Additions to and proceeds of investment securities	2,110	(95,461)	2,167
Proceeds on disposal of capital assets	52	-	-
Proceeds on disposal of foreclosed properties	289	158	55
Purchase of foreclosed properties, net	(439)	(158)	-
Cash flows from investing activities	(18,644)	(153,027)	(14,056)
Financing activities			
(Repayment) Proceeds on borrowings	-	(575)	575
Share capital issued, net	6,008	9	25
Redemption of share capital	(448)	(533)	(492)
Net increase in deposits	9,750	155,735	9,788
Cash flows from financing activities	15,310	154,636	9,896
Increase (Decrease) in cash	553	4,663	(1,924)
Cash, beginning of year	5,583	920	2,844
Cash, end of year*	\$ 6,136	\$ 5,583	\$ 920
*Consists of			
Cash and deposits with Credit Union			
Central	\$ 6,704	\$ 8,347	\$ 1,476
Cheques and other items in transit, net	(568)	(2,764)	(556)
Cash, end of year	\$ 6,136	\$ 5,583	\$ 920

STATEMENT OF CASH FLOWS

For the year ended October 31, 2001

1. NATURE OF OPERATIONS

The credit union is incorporated under the *Credit Union Act* of the Province of Alberta to serve members in Camrose and the surrounding area and operates eleven credit union branches.

The Credit Union Deposit Guarantee Corporation (Corporation), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province will ensure that the Corporation carries out this obligation.

2. SIGNIFICANT ACCOUNTING POLICIES

The credit union follows accounting policies appropriate to its activities and governing legislation, which conform to generally accepted accounting principles. The significant accounting policies adopted by the credit union include:

a) Investments

Investments are recorded at the lower of cost and net realizable value.

b) Member Loans

Member loans are recorded net of any unearned income and allowance for credit losses. Interest income from loans is recorded on an accrual basis.

A loan is classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. A loan where payment of interest is contractually past due 90 days is classified as impaired unless there is no reasonable doubt as to the collectibility of all interest and principal. When a loan is classified as impaired, recognition of interest income in accordance with the original loan agreement ceases. Loans or portions of loans considered uncollectible are written-off.

c) Allowance for Credit Losses

The credit union maintains an allowance for credit losses in an amount considered adequate to absorb credit losses existing in its loan portfolio. The allowance is increased by a provision for credit losses, which is charged to income, and reduced by write-offs, net of recoveries. The allowance for credit losses consists of the following:

A specific provision is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans or their underlying security.

A collective provision is established when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. Impairment is estimated using a formula based on historical credit loss experience, known risks in the portfolio and current economic conditions and trends. As individual impaired loans are identified, a specific allowance is assigned to that loan and the collective allowance is adjusted accordingly.

d) Income Taxes

Income taxes are recorded on the tax liability method. The credit union is taxed at an effective rate of 26.7%.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Capital Assets

Land is recorded at cost. Building, furniture, office equipment, computer hardware and computer software are reported at cost less accumulated amortization. Amortization is calculated primarily using the straight-line method over the estimated useful lives of the related assets as indicated below:

Buildings	2.5%
Parking lot	4%
Furniture	10%
Office equipment	10% and 20%
Computer hardware	20%, 33⅓% and 50%
Computer software	20% and 33⅓%

Full amortization is recorded in the year of acquisition and none in the year of disposal.

f) Use of Estimates

In preparing the financial statement, management must make estimates and assumptions considering values of certain assets, liabilities, and net income reported in these financial statements.

3. INVESTMENTS

(\$ Thousands)	2001	2000	1999
Credit Union Central Alberta Limited			
Shares	\$ 4,560	\$ 2,661	\$ 2,661
Term deposits	100,944	104,953	9,492
	105,504	107,614	12,153
Accrued interest	1,018	944	129
	\$ 106,522	\$ 108,558	\$ 12,282

As required by the *Credit Union Act*, the credit union holds investments in Central to maintain its liquidity level.

The estimated market value of the investments is equal to book value. The shares have no specific date of maturity.

4. MEMBER LOANS

(\$ Thousands)	2001		2000	1999
	Outstanding Balance	Allowance for Credit Losses*	Total	Total
Mortgage	\$ 116,761	\$ 56	\$ 116,705	\$ 108,003
Non-mortgage	85,645	445	85,200	73,812
	202,406	501	201,905	181,815
Accrued interest	1,926	-	1,926	1,247
	\$ 204,332	\$ 501	\$ 203,831	\$ 183,751
				\$ 126,957

* For presentation purposes, the allowance for credit losses has been allocated proportionately to the above loan categories. However, this allowance is available for the total loan portfolio.

4. MEMBER LOANS *(continued)*

The allowance for credit losses includes a general allowance of \$229,348 (2000 – \$279,133; 1999 – \$140,751). There were \$326,444 (2000 – \$347,433; 1999 – \$1,710,417) in impaired loans as at the year-end included in the above amounts. Impaired assets include foreclosed real estate assets held for sale with a gross amount of \$149,130 (2000 – \$0; 1999 – \$0) and a related specific allowance of \$0 (2000 – \$0; 1999 – \$0). Details of the changes in the allowance for credit losses are as follows:

<i>(\$ Thousands)</i>	2001	2000	1999
Balance, beginning of year	\$ 494	\$ 450	\$ 450
Less: Accounts written off, net of recoveries	(173)	(101)	(87)
	321	349	363
Charge for credit losses	180	145	87
Balance, end of year	\$ 501	\$ 494	\$ 450

5. CAPITAL ASSETS

<i>(\$ Thousands)</i>	2001		2000	1999
	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value
Land	\$ 684	\$ –	\$ 684	\$ 442
Buildings	4,492	1,311	3,181	3,195
Parking lot	98	14	84	89
Furniture	1,135	781	354	403
Office equipment	476	326	150	163
Computer hardware	696	444	252	298
Computer software	77	–	77	76
	\$ 7,658	\$ 2,876	\$ 4,782	\$ 4,666
			\$ 4,666	\$ 3,579

Amortization in respect of the above depreciable assets for the year amounted to \$399,495 (2000 – \$372,165; 1999 – \$294,540).

6. MEMBER DEPOSITS

The repayment of all deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation for which the credit union pays a deposit guarantee assessment fee.

<i>(\$ Thousands)</i>	2001	2000	1999
Demand deposits	\$ 132,996	\$ 112,875	\$ 45,552
Term deposits	124,430	135,690	68,650
Registered plans	37,651	36,761	15,389
	295,077	285,326	129,591
Accrued interest	3,846	3,902	1,507
	\$ 298,923	\$ 289,228	\$ 131,098

7. OTHER ASSETS

<i>(\$ Thousands)</i>	2001	2000	1999
Current income taxes	\$ 863	\$ 442	\$ 256
Less: income tax recovery on share dividends	(83)	–	–
Future income taxes	(333)	(153)	–
	\$ 447	\$ 289	\$ 256

7. OTHER ASSETS *(continued)*

Income tax expense differs from the amount that would be computed by applying the Federal and provincial statutory income tax rates of 41.5% (2000 – 42.6%; 1999 – 42.6%) to income before income taxes. The reasons for the differences are as follows:

<i>(\$ Thousands)</i>	2001	2000	1999
Income taxes calculated at the statutory rate	\$ 497	\$ 336	\$ 407
Income taxes adjusted for the effect of:			
Reduction for credit unions and small business deduction	(491)	(277)	(173)
Excess of premium paid on purchase of Bank of Montreal branches over amount deductible in year	470	233	–
Other	(29)	(3)	22
Income taxes as recorded	\$ 447	\$ 289	\$ 256

The tax effects of temporary differences that give rise to significant portions of the future tax assets are as follows:

<i>(\$ Thousands)</i>	2001	2000	1999
Capital assets	\$ (99)	\$ (87)	\$ (62)
Intangible assets	509	161	–
Allowance for credit losses	14	17	–
	\$ 424	\$ 91	\$ (62)

8. CONTINGENT LIABILITIES AND COMMITMENTS

Lease Commitments

The credit union has obligations under long-term, non-cancellable operating leases for the rental of equipment.

The future minimum lease payment commitments are:

2001	\$ 90,953
2002	62,897
2003	8,420
	\$ 162,270

Credit Commitments

In the normal course of business, the credit union enters into various commitments to meet the credit requirements of its members. These include credit commitments, letters of credit, letters of guarantee and loan guarantees, which are not included in the Balance Sheet.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the member is unable to meet its contractual financial or performance obligations. In the event of a call on such commitments, the credit union has recourse against the members.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the credit union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum credit risk exposure to the credit union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

8. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

As at October 31, 2001 the credit union had the following amounts outstanding:

<i>(\$ Thousands)</i>	2001	2000	1999
Guarantee and standby letters of credit	\$ 357	\$ 395	\$ 259
Commitments to extend credit:			
Original term to maturity of one year or less	6,301	5,140	4,236
Original term to maturity of more that one year	24,338	18,617	7,692
	\$ 30,996	\$ 24,152	\$ 12,187

9. SHARE CAPITAL

<i>(\$ Thousands)</i>	2001			2000	1999	
	Common Shares – Credit Union Contributed	Common Shares – Member Contributed	Series A Investment Shares	Total	Total	Total
Balance, beginning of year	\$ 6,150	\$ 156	\$ –	\$ 6,306	\$ 5,593	\$ 4,865
Previous year's allocation paid	1,497	–	–	1,497	1,236	1,195
Previous year's distribution of dividends declared	–	–	–	–	–	–
Net purchases	–	2	6,006	6,008	9	24
Redemptions:						
Section 110(2)b	(339)	(9)	–	(348)	(433)	(387)
Section 110(3)a+b	(94)	(7)	–	(101)	(100)	(104)
Section 107(6)	–	–	–	–	–	–
Balance, end of year	\$ 7,214	\$ 142	\$ 6,006	\$ 13,362	\$ 6,305	\$ 5,593

Common Shares

The *Credit Union Act* created a class of equity shares known as Common Shares, having the following characteristics:

- a) an unlimited number may be issued;
- b) a par value of \$1, but fractional shares may be issued;
- c) transferable only in restricted circumstances;
- d) non-assessable; and
- e) redemption of common shares is at par value and is at the discretion of the credit union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase at least 1 share to retain membership in the credit union.

9. SHARE CAPITAL *(continued)*

Series A Investment Shares

Series A Investment shares have the following characteristics:

- a) no par value;
- b) no voting rights;
- c) non-assessable;
- d) transferable under limited circumstances;
- e) callable at the discretion of the credit union upon 5 years written notice;
- f) dividends are non-cumulative and subject to the credit union’s dividend policy and approval of the Board of Directors; and
- g) redemptions are subject to the credit union’s redemption policy and approval of the Board of Directors.

Common shares and Series A Investment shares represent “at risk” capital and are not guaranteed by the Corporation.

The Board of Directors declared a \$2,016,963 ProfitShare Dividend, and a Series A Investment Share Cash Dividend of 7.5% totalling \$301,280. ProfitShare dividends are paid to members by the issuance of common shares and are allocated to members’ accounts as determined by the Board of Directors. Series A Investment Share dividends are paid to the members in cash and are allocated to the members’ accounts as determined by the Board of Directors.

The Board of Directors called Series A Investment Shares September 21, 2001, with a call date of September 29, 2006.

The credit union has met the Capital Adequacy requirements as prescribed by the *Credit Union Act*.

10. SPECIAL RESERVES

<i>(\$ Thousands)</i>	2001	2000	1999
Balance, beginning of year	\$ 5,500	\$ 5,000	\$ 4,300
Allocation for the year	-	500	700
Balance, end of year	\$ 5,500	\$ 5,500	\$ 5,000

The special reserve was established to build greater reserves and to provide a fund to draw on for extraordinary occurrences, capital expenditures and acquisitions. Allocations to the special reserve are made from retained earnings as determined by the Board of Directors.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts are designed to approximate the fair values of the credit union’s financial instruments using the valuation methods and assumptions described below. Since many of the credit union’s financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The carrying value of most of the credit union’s financial instruments is not adjusted to reflect changes in interest rates, as it is the credit union’s intention to hold the instruments to maturity.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Estimated fair values of on-balance sheet financial instruments are summarized as follows:

(\$ Thousands)	2001		2000		1999
	Book Value	Fair Value	Book Value Over Fair Value	Book Value Over Fair Value	Book Value Over Fair Value
Assets					
Cash	\$ 6,136	\$ 6,136	\$ -	\$ -	\$ -
Investments	106,522	112,031	5,509	(5,791)	4
Loans	203,831	200,016	(3,815)	(2,055)	1,678
Other assets	5,398	5,398	-	-	-
Less:					
Liabilities					
Deposits	298,923	304,609	5,686	(1,611)	504
Other liabilities	1,034	1,034	-	-	-
	\$ 21,930	\$ 17,938	\$ (3,992)	\$ (6,235)	\$ 1,178

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair values of cash, investments, other assets and other liabilities are assumed to approximate book values, due to their short-term nature.
- The estimated fair value of floating rate member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market.

The estimated fair value of fixed rate member loans and fixed rate member deposits is determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

12. INTEREST RATE RISK

2001 (\$ Thousands)	Floating Rate	Within 1 Year	1 to 5 Years	Non-rate Sensitive	Total
Assets					
Cash	\$ -	\$ -	\$ -	\$ 6,136	\$ 6,136
Investments	4,560	81,665	19,279	1,018	106,522
<i>Effective Yield</i>	5.52%	3.24%	7.35%	0.00%	4.05%
Member Loans	49,002	41,201	110,778	2,850	203,831
<i>Effective Yield</i>	6.34%	7.37%	7.24%	0.00%	6.95%
Other	-	-	-	5,398	5,398
	\$ 53,562	\$ 122,866	\$ 130,057	\$ 15,402	\$ 321,887
Liabilities and Equity					
Member deposits	\$ 84,001	\$ 93,069	\$ 60,917	\$ 60,936	\$ 298,923
<i>Effective Yield</i>	3.06%	3.90%	5.28%	0.00%	3.15%
Capital and retained earnings	-	-	-	21,930	21,930
Other	-	-	-	1,034	1,034
	\$ 84,001	\$ 93,069	\$ 60,917	\$ 83,900	\$ 321,887
Net gap	\$ (30,439)	\$ 29,797	\$ 69,140	\$ (68,498)	\$ -
% of assets	-9.46%	9.26%	21.48%	-21.28%	0.00%
2000					
Net gap	\$ (73,301)	\$ 10,243	\$ 58,229	\$ 4,829	\$ -
% of assets	-24.16%	3.38%	19.19%	1.59%	0.00%

13. RELATED PARTY TRANSACTIONS

Directors and staff of the credit union have loans from the credit union totalling \$5,349,964 (2000 – \$4,835,299; 1999 – \$4,459,773) at interest rates ranging from 1.75% to 9.90%. Loan rates are specified by Credit Union policy. Directors pay regular member rates. As at the end of the year, all loans are current and none have been provided for impairment.

Directors and management of the credit union have deposits with the credit union totalling \$652,576. Staff also have access to personal chequing accounts which do not incur service charges.

14. DIRECTORS' FEES AND EXPENSES

<i>(\$ Thousands)</i>	2001	2000	1999
Directors' expenses	\$ 8	\$ 7	\$ 7
Directors' remuneration	16	14	16
Total	\$ 24	\$ 21	\$ 23

15. SEGMENTED INFORMATION

The credit union operates principally in personal and commercial/agricultural banking in Alberta.

16. CONTRACTUAL OBLIGATION

The credit union is contractually liable, pursuant to an agreement with Credit Union Central, whereby it purchased certain assets of a chartered bank, to make payments of \$158,691 in each month that it earns a return of 2.5% on assets. The obligation continues for a period of 60 months from June 1, 2000 to May 31, 2005.

17. COMPARATIVE FIGURES

The October 31, 2000 financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect the October 31, 2000 and October 31, 1999 earnings.

BATTLE RIVER TEAM



Board of Directors. Standing (left to right): Ron Pilger, Glenn Friesen, Allen Rostad, Joe Cameron, Garry Schielke, Darrell Rosland. Seated (left to right): Ernie Duchscherer, Alan Fielding (*President*), Bernie Klammer (*Vice President*), Dennis Baird. Absent: Lane Carrington.



Pat Corkish
Two Hills
Branch Manager



Steve Davies
Stettler
Branch Manager



Gerard Durand
Viking
Branch Manager



Maureen Grove
Office Manager/
Human Resources



Melody Hallum
Killam
Branch Manager



Jerry Hansen
City Centre Camrose
Branch Manager



Kevin Johnson
Castor
Branch Manager



Pauline Marcinkowski
Product Development
Training Manager



Blair Miciak
Alliance
Branch Manager



Tom Moore
Sedgewick
Branch Manager



Colleen Reed
Marketing/Premises
Manager



Yvonne Schell
Daysland
Branch Manager



Cheryl Seiferman
Controller



Gail Smook
Vegreville
Branch Manager



Bruce Weinkauf
West End Camrose
Branch Manager



Darin Winder
IT Manager



Mary Lee Hartl
MemberCare



Executive Management. Standing (left to right): Joe Mohan (*District Manager*), Steve Friend (*District Manager*). Seated (left to right): Arlene Stauffer (*Chief Financial Officer*), Terry Kelly (*General Manager*), Mickey Mohan (*Assistant General Manager*).

Absent: Dani Sheets
Compliance Manager



1950

Incorporated: Camrose Savings and Credit Union Ltd. to serve East Central Alberta residents.

Membership: 21

Assets: \$178

1961

General Manager: Gerritt Oldekamp

1972

Building space doubled.

Staff: 18

Membership: 4,412

Assets: \$7.3 million

1973

Converted to computerized service.

Membership: 4,905

Assets: \$11.5 million

1977

Opened branch at Duggan Mall.

Amalgamated with Flagstaff Credit Union.

Opened branch in Coronation.

1979

Relocated head office to 51st Street branch.

New General Manager: Terry Kelly

Assets: \$51.5 million

1982

Installed ATM at 51st Street branch in Camrose – the first in Camrose

1988

Built new 3,116 sq.ft. office in Viking.

Assets: \$56.5 million

1991

Added second storey at head office.

Assets: \$70.4 million

**BATTLE RIVER
CREDIT UNION**

1998

Introduced Internet Banking Service.

Moved Duggan Mall Branch to a new building to become the West End Branch.

Assets: \$132 million

1999

Installed ATMs at Viking and Stettler branches.

Introduced Ethical Funds RESP.

Assets: \$143.8 million

1966

Opened: Edberg branch office.
Membership: 1,122
Assets: \$790,940

1969

Built new building on 51st Street.

BATTLE RIVER CREDIT UNION

1974

Amalgamated with J&L Credit Union of New Sarepta

1976

Opened new branch in Stettler.
Opened head office in Central Agencies Building.
Membership: 7,819
Assets: \$31.6 million

1984

Amalgamated with Vegreville and District Savings & Credit Union.
Installed ATM at Stettler.
Changed name to Battle River Credit Union Ltd.

1986

Built new 3,250 sq.ft. office in Vegreville.
Connected ATMs with the Circuit/Cirrus network.
Issued MasterCard credit cards

1987

Renovated Duggan Mall branch.
Relocated ATM from Stettler to Duggan Mall.
Closed Coronation office.
Assets: \$54.9 million

1996

Introduced Mutual Funds, Teleservice and Choice Rewards.
Assets: \$105.5 million

1997

Introduced new personal accounts and MasterCard Gold credit card.
Assets: \$117.4 million

2000

Became owners of seven Bank of Montreal branches with five new locations for a total of 11 branches.
Installed ATMs in Daysland, Castor and Sedgewick, and renovated City Centre Branch and Corporate Office.
Assets: \$303 million

2001

Introduced Student Select and Business Essentials accounts including special lending features.
Launched Web site at www.battlerivercreditunion.com.
Assets: \$322 million

Awarded Credit Union of the Year for 2000 by Credit Union Central Alberta Ltd.

Gene Bergh has spent most of life promoting the Credit Union philosophy and demonstrating his commitment to the Credit Union System. He most recently came out of retirement to aid Battle River Credit Union through the Kanata Project (purchase of seven Bank of Montreal offices) with his knowledgeable background in Credit Union procedures. He retired for a second time in October of 2001 but his lasting impression on the Credit Union system will continue for years to come.

Mr. Bergh was asked by the Board President to join the Camrose Savings & Credit Union Board of Directors as Secretary Treasurer in 1956.

During the last five decades, Mr. Bergh has held various positions in many different Credit Unions including Wainwright, Medicine Hat, Battle River, Hay River and Yellowknife and has served as both Management and Board for numerous Credit Unions, Central Offices, and Credit Union Associations on both a provincial and National level. Mr. Bergh has spent most of his life in the Credit Union System as Manager, Advisor and promoter.

Since 1981, Mr. Bergh has held various positions with the Battle River Credit Union where he is constantly being called upon to act as an "Ambassador" for BRCU and Credit Unions in general. He has passed his enthusiasm for the Credit Union system down to a new generation of BRCU staff and management. His vast knowledge of Credit Union procedures, policies and law has been an irreplaceable asset to BRCU.



GENE BERGH

PRODUCTS & SERVICES

- DEPOSIT ACCOUNTS
- TERM DEPOSITS INCLUDING RRSPS AND RRIFs
- RESIDENTIAL AND COMMERCIAL MORTGAGES
- PERSONAL, AGRICULTURAL AND BUSINESS LOANS
- LINES OF CREDIT
- SAFETY DEPOSIT BOXES
- ELECTRONIC TRANSFERS
- TRAVELLERS' CHEQUES
- FOREIGN EXCHANGE AND BANK DRAFTS
- US ACCOUNTS
- MASTERCARD CREDIT AND GOLD CARDS
- TELEPHONE AND INTERNET BANKING
- RETIREMENT PLANNING
- MUTUAL FUNDS AND OTHER INVESTMENTS
- YOUTH ACCOUNTS
- TRUST, BROKERAGE AND INSURANCE SERVICES
- MEMBERCARD DEBIT CARDS

Corporate Office

5007 - 51 Street
Camrose, Alberta T4V 1S6
Telephone (780) 672-1175
Edmonton Direct
(780) 424-1302
Fax (780) 672-5996

Alliance Branch

Box 180
201 Main Street
Alliance, Alberta T0B 0A0
Telephone (780) 879-3644
Fax (780) 879-3838

Castor Branch

Box 60
5002 - 50 Avenue
Castor, Alberta T0C 0X0
Telephone (403) 882-3950
Fax (403) 882-3555

City Centre Branch

5005 - 51 Street
Camrose, Alberta T4V 1S6
Telephone (780) 672-9221
Edmonton Direct
(780) 424-1302
Fax (780) 672-9230

Daysland Branch

Box 130
5004 - 50 Street
Daysland, Alberta T0B 1A0
Telephone (780) 374-3951
Fax (780) 374-3736

Killam Branch

Box 39
5004 - 50 Street
Killam, Alberta T0B 2L0
Telephone (780) 385-3731
Fax (780) 385-2406

Sedgewick Branch

Box 127
4838 - 47 Street
Sedgewick, Alberta T0B 4C0
Telephone (780) 384-3912
Fax (780) 384-3938

Stettler Branch

Box 1357
4911 - 51 Street
Stettler, Alberta T0C 2L0
Telephone (780) 742-2331
Fax (780) 742-2255

Two Hills Branch

Box 388
4916 - 47 Avenue
Two Hills, Alberta T0B 4K0
Telephone (780) 657-3321
Fax (780) 657-2036

Vegreville Branch

Box 1315
4917 - 51 Avenue
Vegreville, Alberta T9C 1S5
Telephone (780) 632-3998
Fax (780) 632-4080

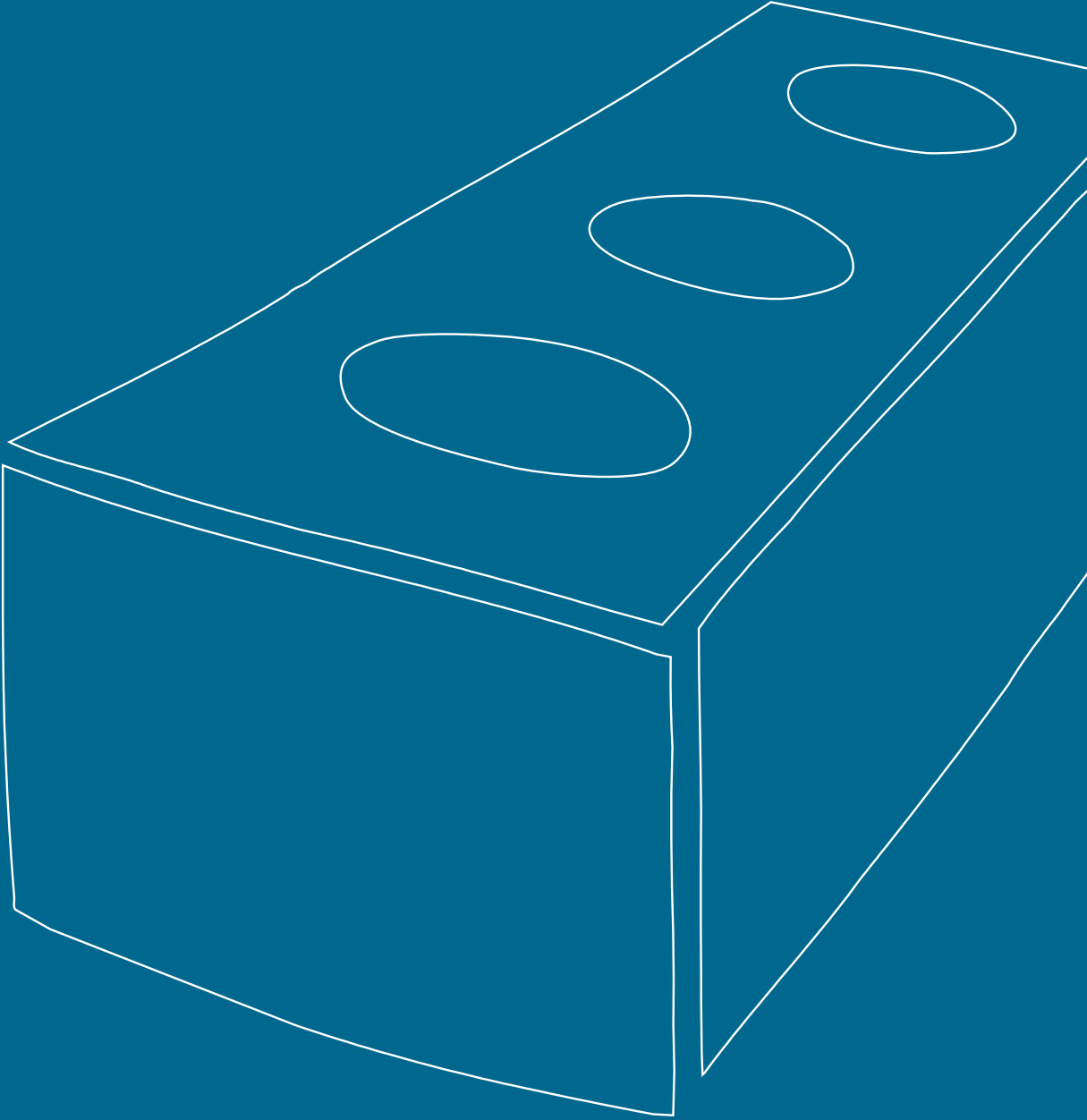
Viking Branch

Box 215
5302 - 50 Street
Viking, Alberta T0B 4N0
Telephone (780) 336-4944
Fax (780) 336-3181

West End Branch

4705 - 65 Street
Camrose, Alberta T4V 3M5
Telephone (780) 672-8893
Edmonton Direct
(780) 424-1302
Fax (780) 672-8895

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