

Three Months Ended March 31, 2001

Financial Overview

First quarter net income at \$7.07 million was up sharply compared to last year's first quarter net income of \$4.75 million. Improvements in financial margin and other income more than offset a small increase in operating expenses.

Central's net interest income annualized and expressed as a percentage of average assets employed was 83.4 basis points for the three months, marginally lower when compared to the 90.4 basis points for the same period last year. The decrease was due in part to a new pricing structure for financial services that provides member credit unions with higher deposit rates and lower borrowing costs, but was also due to the undertaking of new activities at reduced spreads. However, as average assets employed during the quarter were up more than 10% from last year, the contribution to net income from financial margin increased to \$6.94 million from \$6.83 million.

Other income increased by 27.6% to \$11.01 million from \$8.63 million for the comparable period last year. Higher gains from securities trading, \$2.38 million this year compared to \$1.6 million last year, accounted for most of the increase in other income. Operating expenses were marginally higher than last year, increasing to \$9.45 million compared to \$9.31 million.

Total assets as at March 31, 2001 were \$3,233.3 million, a decrease of 5.9 % from \$3,437.5 million as at December 31 2000, but were 6.0 % higher than as at March 31, 2000. Average assets employed for the quarter were \$3,329.8 million compared to \$3,021.7 million for the same period last year.

Other

It has come to the attention of Central that an action has been commenced in the Supreme Court of British Columbia in which the plaintiffs are claiming, among other things, general damages of \$50 million from a number of defendants including Central. Neither the writ nor the statement of claim in this matter has been served on Central. As the Action has not been served and no steps have been taken in these proceedings, Central has not determined whether the claim against Central has any validity.

Outlook

The U.S. Federal Reserve Board resumed its easing mode by cutting its Federal Funds rate not only by 50 basis points at each of its scheduled January and March meetings, but also on January 3rd between meetings. The U.S. economy has slowed down dramatically. Although recent economic indicators have been giving mixed signals as to the severity of the downturn, there remains the real risk of a recession and the Federal Reserve is likely to continue to lower rates until there are clear signs of a turnaround. The Bank of Canada matched two of the U.S. rate decreases at its January and March meetings and is widely expected to match the third decrease at its April meeting.

With interest rates clearly on the decline, and with no apparent reversal in Central Bank policy in the near term, the term of the investment portfolio has been extended in anticipation of lower interest rates. Exposure to lower rated credits continues to be closely watched as corporate profits and corporate balance sheets deteriorate in the slowing economy.

Credit Union Central of British Columbia
Consolidated Balance Sheet
March 31, 2001 and December 31, 2000
(\$ thousands)

	<u>2001</u>	<u>2000</u>
<u>Assets</u>		
Cash	\$ 45,797	\$ 41,024
Securities	2,840,679	3,113,351
Loans	318,032	256,684
Capital assets	12,196	12,165
Other	<u>16,589</u>	<u>14,273</u>
	<u>\$3,233,293</u>	<u>\$3,437,497</u>
<u>Liabilities</u>		
Deposits and notes	\$3,015,687	\$3,210,103
Dividends	1,290	11,603
Other	<u>21,379</u>	<u>26,866</u>
	<u>3,038,356</u>	<u>3,248,572</u>
<u>Members= Equity</u>		
Shares	105,486	105,486
Retained earnings	<u>89,451</u>	<u>83,439</u>
	<u>194,937</u>	<u>188,925</u>
	<u>\$3,233,293</u>	<u>\$3,437,497</u>

Approved by the Directors:

S. Pritchard, Chairperson "S. Pritchard"

J. Kelly, Chairperson - Audit Committee "J. Kelly"

See accompanying notes to the financial statements

Credit Union Central of British Columbia
Consolidated Statement of Income and Retained Earnings
For the Three Months Ended March 31, 2001 & March 31, 2000
(\$ thousands)

	<u>2001</u>	<u>2000</u>
Interest Income		
Loans	\$ 5,655	\$ 6,411
Securities	<u>40,773</u>	<u>34,452</u>
	<u>46,428</u>	<u>40,863</u>
Interest Expense		
Deposits	37,182	32,249
Borrowed funds	<u>2,303</u>	<u>1,788</u>
	<u>39,485</u>	<u>34,037</u>
Net interest income	6,943	6,826
Provision for (recovery of) losses	<u>(150)</u>	<u>-</u>
	7,093	6,826
Other income	<u>11,012</u>	<u>8,627</u>
Net interest and other income	<u>18,105</u>	<u>15,453</u>
Operating Expenses		
Salaries and employee benefits	4,180	3,944
Premises and equipment, including depreciation	1,174	1,409
Other	<u>4,091</u>	<u>3,961</u>
	<u>9,445</u>	<u>9,314</u>
Income before the following	8,660	6,139
Income taxes	<u>1,590</u>	<u>1,385</u>
Net Income	7,070	4,754
Retained Earnings, beginning of period	<u>83,439</u>	<u>79,306</u>
	90,509	84,060
Dividends	<u>(1,290)</u>	<u>(1,348)</u>
Related income tax savings	<u>232</u>	<u>297</u>
Retained Earnings, end of period	<u>\$ 89,451</u>	<u>\$ 83,009</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia
Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2001 & March 31, 2000
(\$ thousands)

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Net income	\$ 7,070	\$ 4,754
Adjustments for:		
Depreciation	243	254
Other items, net	(18,114)	22,545
Net change in accrued interest	(10,749)	14,403
Provision for credit losses	<u>(150)</u>	<u>-</u>
	<u>(21,700)</u>	<u>41,956</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Dividends - net of income taxes	(1,058)	(1,051)
Net change in deposits and notes	<u>(192,131)</u>	<u>40,526</u>
	<u>(193,189)</u>	<u>39,475</u>
Cash flows from investing activities		
Purchase of securities	(3,881,308)	(3,362,661)
Sale of securities	4,161,917	3,366,326
Net change in loans	(60,673)	(49,830)
Net change in premises and equipment	<u>(274)</u>	<u>(233)</u>
	<u>219,662</u>	<u>(46,398)</u>
Increase (decrease) in cash resources	4,773	35,033
Cash resources - beginning of period	<u>41,024</u>	<u>14,837</u>
Cash resources - end of period	<u>\$ 45,797</u>	<u>\$ 49,870</u>
Supplemental Information		
Interest received	<u>\$ 37,966</u>	<u>\$ 50,117</u>
Interest paid	<u>\$ 37,199</u>	<u>\$ 38,844</u>
Income taxes paid	<u>\$ 468</u>	<u>\$ 495</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia

Notes to the March 31, 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.