

Six Months Ended June 30, 2001

Financial Overview

Second quarter net income at \$3.65 million was 1.6% lower than last year's second quarter net income of \$3.71 million. Improvements in financial margin and other income was more than offset by increases in operating expenses. For the six months ending June 30th, net income was \$10.72 million, compared to \$8.51 million for the same period last year.

Contribution to net income from financial margin for the second quarter increased by 4.4% to \$5.49 million from \$5.26 million last year. Central's net interest income annualized and expressed as a percentage of average assets employed was 66.6 basis points for the three months, or 2.9% lower when compared to the 68.6 basis points for the same period last year, and reflects a new pricing structure for financial services that provides member credit unions with higher deposit rates and lower borrowing costs. For the six months ending June 30th, the contribution to net income from financial margin increased by 2.8% to \$12.43 million from \$12.09 million. Expressed as a percentage of average assets, financial margin for the six months was 75.2 basis points, compared to 79.4 basis points for the same period last year.

Second quarter Other Income increased by 9.8% to \$10.41 million from \$9.48 million for the comparable period last year. Higher gains from securities trading, \$2.38 million this year compared to \$0.16 million last year, accounted for the increase in Other Income. Operating expenses were higher than those of last year, increasing to \$11.21 million from \$10.03 million. For the six months ending June 30th, Other Income was \$21.42 million, compared to \$18.10 million last year, with the majority of the increase due to higher gains from securities trading.

Total assets as at June 30th 2001 were \$3,264.1 million, a decrease of 5.0 % from \$3,437.5 million as at December 31, 2000, but 4.8 % higher than at June 30, 2000. Average assets employed for the quarter were \$3,295.5 million, compared to \$3,069.2 million for the same period last year.

Other

It has come to the attention of CUCBC that an action has been commenced in the Supreme Court of British Columbia (the "Victoria Action") in which Cambridge International Bank & Trust Ltd. ("Cambridge") and certain individual plaintiffs are claiming, among other things, general damages of \$50 million from a number of defendants including CUCBC. Neither the Writ nor the Statement of Claim in this matter has, to date, been served on CUCBC. As the action has not been served and as no steps have been taken in these proceedings, CUCBC has not determined whether the claim against CUCBC has any validity. One plaintiff, Cambridge, has discontinued its participation in the Victoria Action, and further pursuit by the remaining plaintiffs is uncertain. CUCBC believes that loss arising out of this claim is unlikely.

An action, arising out of the same matter as the Victoria Action, has been commenced in the United States District Court, District of Alabama, including Central as a defendant. Based on the allegations of the complaint, it appeared that the validity of the claims were suspect as against CUCBC. Therefore, Central's legal counsel sought to have the action dismissed by the plaintiffs, as to CUCBC. Accordingly, on August 13, 2001, a Joint Stipulation of Dismissal was filed, dismissing the action, without prejudice, as against CUCBC.

Outlook

The spotlight remained on the Federal Reserve during the second quarter, as it continued its series of rate cuts. After cutting its Fed Funds rate 50 basis points, between meetings, on April 18th, the Federal Reserve lowered the Fed Funds rate by another 50 basis points at its May meeting and then a further 25 basis points at its June meeting to bring the total easing in this cycle to 275 basis points. Sluggish GDP growth, increasing jobless claims, faltering consumer confidence and a weak manufacturing sector, all in the context of seemingly benign inflation, are all reasons for the Federal Reserve's aggressive moves.

The Bank of Canada has been slower to act, lowering the Bank Rate by 50 basis points and 25 basis points respectively at its scheduled April and May meetings. There were no inter meeting rate decreases. A stimulative Canadian fiscal policy, a cheaper currency, better household finances and smaller wealth effects may be some of the reasons for the Bank of Canada's more cautious approach to lowering interest rates.

The Federal Reserve's actions have pushed the yield curve back to positively sloping, as very short-term rates in both Canada and the US fell in response to the respective decreases in the Bank Rate and the Fed Funds rate. Longer term rates, those beyond one year, actually increased during the quarter as financial markets began to build in a fairly rapid recovery in the second half of 2001.

With interest rates still clearly on the decline, and with no apparent reversal in Central Bank policy in the near term, the term of the investment portfolio continues to be extended, although it is planned to take a more cautious approach in managing the interest rate risk of the portfolio during the next quarter. While the bottom of the interest rate cycle has perhaps not yet been reached, it is likely not too far off. 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
Unaudited

	(000's) June 30	
	2001	2000
Assets		
Cash	\$27,331	-
Securities	2,675,845	2,642,600
Loans	532,818	452,339
Land, Buildings & Equipment	12,244	11,860
Other	15,826	9,633
	\$3,264,064	\$3,116,432
Liabilities		
Deposits & Notes	\$3,027,227	\$2,926,883
Other	36,659	(4,329)
Dividends	2,436	2,812
	3,066,322	2,925,366
Equity		
Shares	105,486	105,486
Retained Earnings	92,256	85,580
	197,742	191,066
	\$3,264,064	\$3,116,432

Approved by the Directors:

"S. Pritchard"
S. Pritchard, Chairperson

"L. 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 six months ended	
	June 30	June 30	June 30	June 30
	2001	2000	2001	2000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Income				
Loans	\$5,896	\$7,439	\$11,551	\$13,850
Securities	36,286	34,535	77,059	68,987
	<u>42,182</u>	<u>41,974</u>	<u>88,610</u>	<u>82,837</u>
Financial Expense				
Deposits	35,083	34,559	72,265	66,808
Borrowed funds	1,611	2,154	3,914	3,942
	<u>36,694</u>	<u>36,713</u>	<u>76,179</u>	<u>70,750</u>
Net interest income	5,488	5,261	12,431	12,087
Provision for (recovery of) losses	(150)	(100)	(300)	(100)
	<u>5,638</u>	<u>5,361</u>	<u>12,731</u>	<u>12,187</u>
Other income	10,406	9,476	21,418	18,103
Net interest and other income	<u>16,044</u>	<u>14,837</u>	<u>34,149</u>	<u>30,290</u>
Operating Expenses				
Salaries	4,382	4,154	8,562	8,098
Premises and equipment, including depreciation	1,102	1,036	2,276	2,445
Other	5,723	4,840	9,814	8,758
	<u>11,207</u>	<u>10,030</u>	<u>20,652</u>	<u>19,301</u>
Income before the following	4,837	4,807	13,497	10,989
Income taxes	1,190	1,094	2,780	2,479
	<u>4,837</u>	<u>4,807</u>	<u>13,497</u>	<u>10,989</u>
Net Income	3,647	3,713	10,717	8,510
Retained Earnings, beginning of period	89,451	83,009	83,439	79,263
	<u>93,098</u>	<u>86,722</u>	<u>94,156</u>	<u>87,773</u>
Dividends	(1,146)	(1,464)	(2,436)	(2,812)
Related income tax savings	304	322	536	619
	<u>304</u>	<u>322</u>	<u>536</u>	<u>619</u>
Retained Earnings, end of period	<u><u>\$92,256</u></u>	<u><u>\$85,580</u></u>	<u><u>\$92,256</u></u>	<u><u>\$85,580</u></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 six months ended	
	June 30	June 30	June 30	June 30
	2001	2000	2001	2000
Cash flows from operating activities				
Net Income	\$3,647	\$3,713	\$10,717	\$8,510
Adjustments for:				
Depreciation	224	894	467	1,148
Other items, net	17,187	(25,604)	(927)	(3,102)
Net change in accrued interest	3,920	1,021	(6,829)	15,424
Provision for credit losses	(150)	(100)	(300)	(100)
	<u>24,828</u>	<u>(20,076)</u>	<u>3,128</u>	<u>21,880</u>
Cash flows from financing activities				
Proceeds from issue of shares	0	0		
Dividends - net of income taxes	(842)	(1,142)	(1,900)	(2,193)
Net change in deposits and notes	16,258	85,970	(175,873)	126,496
	<u>15,416</u>	<u>84,828</u>	<u>(177,773)</u>	<u>124,303</u>
Cash flows from investing activities				
Purchase of securities	(3,243,880)	(2,613,775)	(7,125,188)	(5,976,436)
Sale of securities	3,398,646	2,563,002	7,560,563	5,929,328
Net change in loans	(213,204)	(63,087)	(273,877)	(112,917)
Net change in premises and equipment	(272)	(762)	(546)	(995)
	<u>(58,710)</u>	<u>(114,622)</u>	<u>160,952</u>	<u>(161,020)</u>
Increase (decrease) in cash resources	(18,466)	(49,870)	(13,693)	(14,837)
Cash resources - beginning of period	45,797	49,870	41,024	14,837
Cash resources - end of period	<u>\$27,331</u>	<u>\$0</u>	<u>\$27,331</u>	<u>\$0</u>
Supplemental Information				
Interest received	<u>\$51,493</u>	<u>\$36,277</u>	<u>\$89,459</u>	<u>\$86,394</u>
Interest paid	<u>\$45,983</u>	<u>\$31,655</u>	<u>\$83,182</u>	<u>\$70,499</u>
Income taxes paid	<u>\$152</u>	<u>\$1,245</u>	<u>\$620</u>	<u>\$1,740</u>

See accompanying notes to the financial statements

Credit Union Central of British Columbia

Notes to the June 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.