

COMPARATIVE HIGHLIGHTS

<i>As at December 31</i>	1989	1988	% Change
	<i>(in thousands of dollars)</i>		
Assets	\$ 2,092,622	\$ 1,731,531	20.9
Loans to Members	1,656,958	1,297,168	27.7
Deposits and Shares of Members	1,802,626	1,554,147	16.0
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<i>For the year ended December 31</i>			
Financial Margin	46,366	41,359	12.1
Operating Expense	45,700	42,935	6.4
Dividends to Members	602	548	9.9
Net Earnings	5,262	3,172	65.9
Retained Earnings	\$ 48,563	\$ 43,301	12.2

In November 1989, the assets of VanCity reached \$2 billion dollars. To our members, thank you for your continued support.

En novembre 1989, l'actif de VanCity a atteint deux milliards de dollars. Nous aimerons remercier nos membres de leur appui constant.

1989年11月、バンシティの資産総額は20億ドルに達しました。組合員の皆様のご支援に深く感謝いたします。

In novembre 1989 il valore delle attività di VanCity ha raggiunto i due miliardi di dollari. Ringraziamo i nostri soci per il loro continuo appoggio.



截至1989年11月，溫哥華市儲蓄信用聯合銀行資產額已達二十億加元。本行謹對所有成員予以不斷之支持致以謝意。

ਨਵੰਬਰ 1989 ਵਿੱਚ ਵੈਨਸਿਟੀ ਦੀ ਪੂਰੀ ਸ਼ੇਅਰੀ 200 ਕਰੋੜ ਡਾਲਰ ਹੋ ਗਈ ਸੀ। ਇਹ ਸਾਡੇ ਮੈਂਬਰਾਂ ਦੇ ਸਹਿਯੋਗ ਦੇਣ ਦਾ ਨਤੀਜਾ ਹੈ। ਅਸੀਂ ਇਹਨਾਂ ਦੇ ਬਹੁਤ ਹੀ ਧੰਨਵਾਦੀ ਹਾਂ।

Im November 1989 erreichte das Aktivvermögen der VanCity 2 Milliarden Dollar. Unseren Mitgliedern möchten wir für ihre stete Unterstützung danken.

MESSAGE FROM THE CHAIR

It is a pleasure to announce the most successful year of your credit union since 1983. Our assets now exceed two billion dollars, and profits for the year surpassed five million dollars.

I am especially pleased that the benefits of a good year are being shared by our members, our staff, and the community. Following approval of the VanCity Community Foundation at the last annual general meeting, we established a \$1.2-million dollar base for the Foundation that will work with the disadvantaged. The credit union was also able to pay its regular dividend to our members, and profit sharing commenced for our staff in 1989.

During the past year we established VanCity Enterprises, a new real estate arm for the credit union, which is undertaking a range of projects that will benefit our region.

We are determined that VanCity will become

more environmentally aware than any financial institution in the province, and we have taken steps to assure that. We expect to continue expanding services in the greater Vancouver region while, at the same time, prudently managing our members' savings.

In 1989, we were saddened to lose credit union pioneer and former VanCity director Ian Strang. Mr. Strang, who was elected to VanCity's Board in 1976 and served continually until 1985, contributed much to VanCity and the credit union system.

We are especially proud that we are the prime local financial institution in our region, and we are determined to see that your funds continue to work in our community.

I thank all our members and staff for their continued support in 1989 and look forward to 1990.



*Chair of the Board Bob Williams (seated centre),
with fellow directors and members of
VanCity's senior management team.*

BOARD OF DIRECTORS' REPORT

Your Board of Directors is extremely pleased to report that 1989 was one of the most successful years in VanCity's history. The credit union is in a strong financial position, and we are confident that VanCity will meet the challenges of the '90s despite the expected volatility in financial markets.

In 1989, as a result of support at the annual general meeting, your Board established the VanCity Community Foundation. The Foundation will act as a catalyst for growth and empowerment of disadvantaged groups and communities served by VanCity through providing loans, technical assistance, or funds for community economic development and housing alternatives.

In November 1989, to continue meeting local homebuyers' demands for residential mortgage financing, your Board approved a \$100-million Eurodollar bond issue. The issue received a Triple-A rating, the top rating available, from Standard and Poor's of New York.

Amendments to VanCity's mutual fund investment criteria were proposed by the Board of VanCity Investment Services Ltd. in late 1989. Early in 1990, the Ethical Growth Fund

credit union. In its first year, VanCity Enterprises worked on several mixed-use commercial and social housing developments that have created a solid base for future activities.

For the 43rd consecutive year, a dividend on shares has been declared.

Operating Results

After dividends, income taxes, and a donation to the VanCity Community Foundation, 1989 net earnings were \$5,262,000. This level of earnings is a significant improvement from 1988. 1989 earnings reflect high growth in loans, especially residential mortgages, and excellent control of operating expenses.

Assets at year-end were 21% higher than a year earlier, whereas operating costs increased only 6.4%. The housing market, which has been particularly robust in the Lower Mainland, facilitated the approval of approximately 8,000 new mortgages for members.

Member deposits advanced 16% during the year with the majority of growth concentrated in longer term registered deposits and in VanCity's treasury bill savings account.

The financial margin in 1989 was \$46.4 million, a considerable improvement from \$41.4 million in 1988. This increase resulted primarily from growth in the volume of loans and deposits rather than the spread between interest yields and deposit costs.

In 1989, the provision for losses on loans after recoveries was \$756,000 – a large reduction from the \$2.7 million provision in 1988. Further improvement was experienced in the amount of loans written off during the year, \$1.8 million in 1989 compared to \$5.5 million for the previous year. These significant improvements on loan losses and write-offs are a result of diligent efforts by the credit union and its staff.

At year-end, the credit union had a loan loss allowance on the balance sheet for contingencies and future write-offs of \$5.3 million which is .32% of total loans. Your Board believes this is a prudent amount in light of current and expected economic circumstances.



Your Board initiated Branch Councils at two test branches to solicit input and assistance from members on VanCity's advertising, marketing, service delivery, and community involvement.

adopted two new criteria that will restrict investment in companies with poor environmental track records or those deriving significant revenues from tobacco products. The amended criteria are expected to have little effect on the Fund's return.

In 1989, VanCity Enterprises Ltd. was established as a wholly-owned real estate investment and development subsidiary of the

FINANCIAL MANAGEMENT POLICIES

The fundamental policy objective of VanCity is to preserve its financial integrity so that members can continue to receive a continual high level of quality service. The three aspects of this policy are liquidity, matching, and capital generation.

Liquidity guarantees the ability to meet requests of depositors and to extend credit reliably and in an orderly fashion regardless of market circumstances. Liquidity is the cornerstone of financial management. High liquidity at the beginning of 1989 allowed VanCity to increase its loans to members during the year by \$369 million. At year-end, liquidity was 18.3% of assets, a reduction from the 24% level of one year earlier.

The Board's policy is to maintain liquidity at the 15% level recognizing that market conditions may lead to oscillations around that target.

The process called "matching" ensures that loans have maturity and cashflow characteristics similar to deposits and helps insulate the financial margin of the credit union from adverse interest rate fluctuations. The credit union uses interest swaps, forward rate agreements, and financial futures to manage any "mismatches."

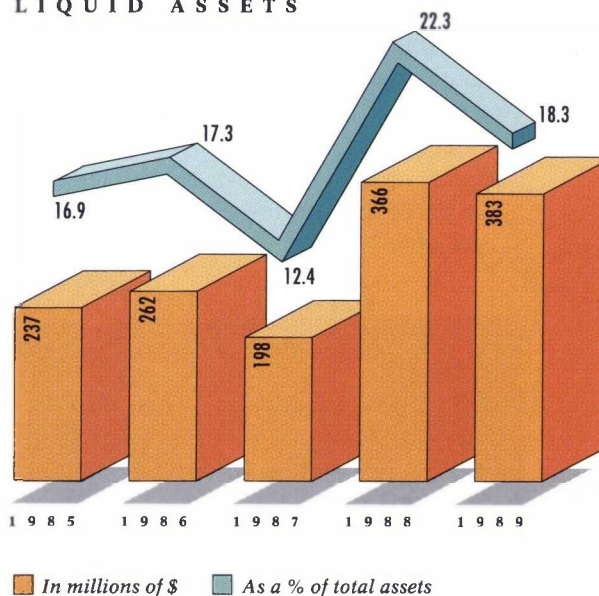
The Board's matching policy is to maintain the mismatch at no more than 5% of assets; but, temporary increases to 7.5% are acceptable when market conditions are favourable. In 1989, market conditions favoured an increase in the mismatch, which at year-end was 6.9%, compared to 5.9% at the end of 1988.

The generation of an adequate capital base has been a priority of your Board and of credit union regulators. The Credit Union Act requires VanCity to set aside funds in a Statutory Reserve Account (SRA) at 2.8% of the prescribed asset base. In 1989, VanCity's SRA was 4.1% which is well above the minimum standard. SRA in 1989 increased by \$6 million from the previous year.

In conclusion, VanCity is committed to a disciplined approach to financial management. The building of capital, the maintenance of high liquidity, and diligent attention to the matching

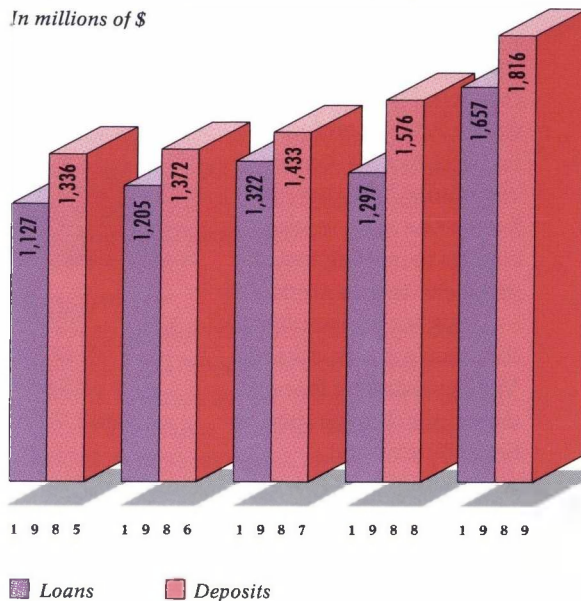
process are fundamental to VanCity's continuing financial success. We believe that these policies will provide ongoing stability and strength to meet the growing needs of our members.

LIQUID ASSETS



DEPOSITS AND LOANS

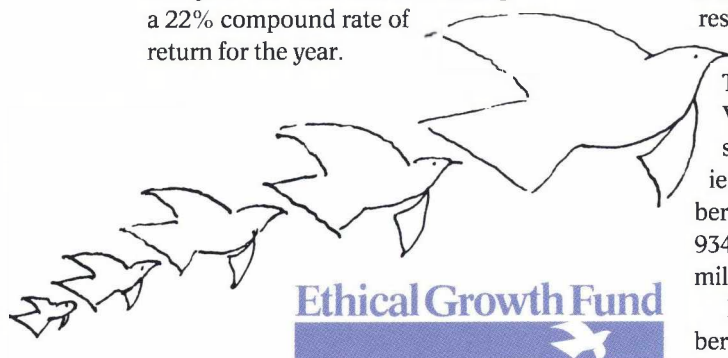
In millions of \$



SIGNIFICANT ACHIEVEMENTS

Ethical Growth Fund

Committed to socially responsible investment criteria, VanCity's mutual fund continues to hold its position as one of the top performing Canadian equity funds. The fund recorded its best year to date in 1989 achieving a 22% compound rate of return for the year.



Registered Education Savings Plan (RESP)

During 1989, significant growth was experienced by VanCity's flexible, competitive RESPs. VanCity's RESPs are becoming increasingly popular with both parents and grandparents as a means of meeting rising educational costs while offering tax advantages.

Service Delivery

By year-end, two VanCity community branches were completing extensive interior renovations to combine teller and member service counters. VanCity's Broadway & Arbutus and Victoria Drive & 40th Avenue community branches now feature one main service counter to meet almost all members' service needs.

In 1989, as migration to suburban areas continued, VanCity searched for new community branch locations. By year-end,

VanCity branch sites had been selected for the South Surrey/White Rock and Richmond areas.

VanCity increased the number of Mortgage Development Managers working in the field to meet the growing need for "on-site", fast mortgage financing in local, high-growth residential areas.

TeleService

VanCity's "banking-by-telephone" service continues to provide convenient, personal service delivery to members. In 1989, TeleService answered 934,000 calls and processed over \$256 million in deposits and loans.

For VanCity's existing and new members who value convenience, applying for personal loans and mortgages by phone has become increasingly popular.

In 1989, a record number of members used TeleService to take advantage of VanCity's competitively-priced RRSPs, mortgage promotion, and Prime + 1% personal loans.

877-7000



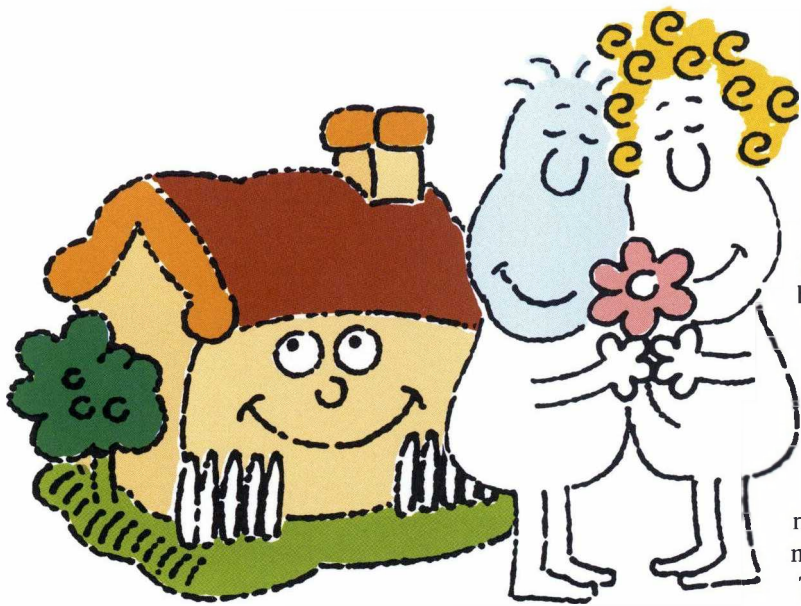
Technology

In addition to VanCity's TeleService, 24-hour automated teller machines (ATMs), and 22 branch locations, VanCity's new telephone home banking service, planned for implementation in 1990, will provide members with one more convenient service delivery option.

The introduction of VanCity's All-In-One card began in the fall of 1989. The new card will allow members to withdraw cash from ATMs and



VanCity's Registered Education Savings Plan (RESP) helps parents meet the high cost of post-secondary education.



enable them to pay for retail purchases once direct payment technology becomes available in the Lower Mainland.

Mortgages

VanCity's mortgage promotion reaffirmed the credit union's reputation as a major lender in the Lower Mainland. Aimed at assisting first-time homebuyers struggling to meet spiralling housing prices in the Vancouver area, the promotion resulted in record growth in VanCity's mortgage portfolio.

Community Involvement

VanCity is committed to its community. During 1989, the credit union sponsored 20 arts and recycling education workshops with the local, non-profit organization – Imagination Market. All of VanCity's community branches co-hosted a workshop with Imagination Market that involved a neighbourhood elementary school.

During 1989, VanCity consulted with members to determine what VanCity could do to improve the environment. An internal paper waste recycling program was also implemented at head office. The program has enjoyed strong staff support and has resulted in a significant decrease in office waste. By year-end, all 22 community branches were preparing to implement the recycling program.

Throughout the year, VanCity staff supported and participated in several community events including the Variety Club Telethon, Labatt's 24-Hour Relay, and the United Way Campaign.



For the third consecutive year, VanCity supported First Night, a family New Year's Eve celebration of the arts.



Since 1987, VanCity has continued to recognize the increasing importance of post-secondary education. For the third consecutive year, the \$2,000 Stan Parsons Memorial Scholarship and 56 – \$200 community scholarships were awarded.

Conclusion

Through its commitment to providing staff training, a full range of service delivery options, and responsive, competitively-priced financial products, VanCity looks forward to serving its members in the '90s.



Staff, management, and FAT CAT at VanCity's 5th Annual Terry Fox Fun Nite. Over \$80,000 was raised.

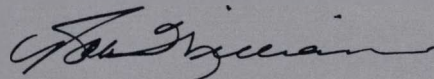


CONSOLIDATED BALANCE SHEETS
 as at December 31, 1989 and 1988

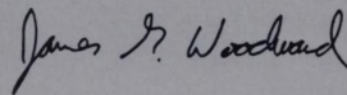
ASSETS	Notes	1989	1988
<i>(thousands of dollars)</i>			
CASH RESOURCES		\$ 13,975	\$ 12,303
SECURITIES	2	368,636	373,955
LOANS	3	1,656,958	1,297,168
PREMISES AND EQUIPMENT	4	15,070	16,518
OTHER ASSETS	5	37,983	31,587
		<u>\$ 2,092,622</u>	<u>\$ 1,731,531</u>
LIABILITIES AND MEMBERS' EQUITY			
DEPOSITS	6	\$ 1,791,396	\$ 1,543,428
SAVINGS SHARES		4,506	4,114
PROVISION FOR DIVIDENDS TO MEMBERS		660	672
Total members' accounts		<u>1,796,562</u>	<u>1,548,214</u>
GOVERNMENT DEPOSITS		19,215	27,340
SECURED DEBENTURES AND LOANS PAYABLE	7	214,597	101,306
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		4,739	2,463
DEFERRED INCOME TAXES		2,882	2,974
EQUITY SHARES		6,064	5,933
RETAINED EARNINGS	8	48,563	43,301
		<u>\$ 2,092,622</u>	<u>\$ 1,731,531</u>

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Directors



Director



Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
for the years ended December 31, 1989 and 1988

	Notes	1989	1988
		<i>(thousands of dollars)</i>	
FINANCIAL INCOME			
Loan interest		\$ 161,526	\$ 138,700
Income from cash resources and investments		49,092	26,807
		<u>210,618</u>	<u>165,507</u>
FINANCIAL EXPENSE			
Interest			
Member deposits	9	151,270	112,440
Government deposits		2,096	1,334
Borrowed money		10,886	10,374
		<u>164,252</u>	<u>124,148</u>
FINANCIAL MARGIN			
Provision for losses on loans		46,366	41,359
		<u>756</u>	<u>2,716</u>
FINANCIAL MARGIN AFTER PROVISION FOR LOSSES ON LOANS			
		45,610	38,643
OTHER INCOME			
	10	8,725	7,491
FINANCIAL MARGIN AND OTHER INCOME			
		<u>54,335</u>	<u>46,134</u>
OPERATING EXPENSES			
Salaries and employee benefits		23,363	21,613
Occupancy and equipment		7,870	6,823
General operating	11	14,467	14,499
		<u>45,700</u>	<u>42,935</u>
EARNINGS FROM OPERATIONS			
		8,635	3,199
DONATIONS TO VANCITY COMMUNITY FOUNDATION			
		1,200	-
DIVIDENDS TO MEMBERS			
		602	548
EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES			
		6,833	2,651
INCOME TAXES			
		1,571	620
EARNINGS BEFORE THE FOLLOWING			
Earnings from discontinued operations		5,262	2,031
Extraordinary item		-	210
		<u>-</u>	<u>931</u>
NET EARNINGS FOR THE YEAR			
		5,262	3,172
RETAINED EARNINGS, beginning of year			
		43,301	40,129
RETAINED EARNINGS, end of year			
		<u>\$ 48,563</u>	<u>\$ 43,301</u>

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1989, and 1988

1. Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the assets, liabilities, and operating results of the credit union and its subsidiaries, all of which are wholly-owned.

(b) Securities

Investments in government and corporate securities having a fixed maturity date are carried at cost; investments in real estate mortgages which are purchased as marketable mortgage packages are carried at amortized cost, net of an allowance for loan losses. Gains and losses are taken into earnings when realized.

(c) Hedging

Financial futures and options on financial futures are used to hedge asset and liability values and interest rate exposure. Gains and losses on open futures and options are deferred and amortized to income over the average expected remaining life of the hedged asset or liability and are fully recognized when the hedge is closed.

(d) Loans

Loans are stated net of allowances established to recognize anticipated losses. The amount provided for anticipated loan losses is determined by reference to specific loans in arrears and by judgment of management with respect to previous experience.

Properties acquired in settlement of loans are recorded at the lower of estimated net realizable value and the amount owing on the loan. Losses arising on the realization or reduction to realizable value of such properties are charged to earnings.

(e) Premises and equipment

Premises and equipment are recorded at cost and depreciated over the estimated useful life of each asset.

(f) Other assets

Shares of B.C. Central Credit Union and debentures of the Credit Union Deposit Insurance Corporation of British Columbia are carried at cost.

Property acquired for investment purposes is accounted for by the cost method and depreciated over the estimated useful life of each property.

Costs related to significant computer systems development projects are deferred and amortized on the straight line method over the estimated period of benefit.

(g) Shares

(i) Equity

Members are required to hold up to \$50 of equity shares. Redemption of such shares may be subject to certain restrictions. Monies invested in these shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

(ii) Savings

Savings shares are in practice withdrawable on demand and may be redeemed by the credit union. Savings shares are insured by the Credit Union Deposit Insurance Corporation of British Columbia.

(iii) Dividends

Dividends on savings and equity shares are charged to earnings for the year in which they are accrued.

(h) Debenture issue costs

Debenture issue costs include commissions, underwriting fees, legal expenses, and registration fees. They are amortized on the straight line method over the terms of the debentures.

(i) Revenue and expense recognition

Interest earned on loans is recorded on the accrual method except where, in management's judgment, collectibility is in doubt. Direct costs incurred and net fees earned in connection with lending activities are deferred and amortized over the initial term of the underlying loans.

2. Securities	1989	1988
	<i>(thousands of dollars)</i>	
Securities, at cost which approximates market value		
Government	\$ 214,611	\$ 167,999
Corporate, money market notes due within one year	2,144	130
Demand and term deposits with B.C. Central Credit Union, due within one year	129,275	128,585
Term deposits with chartered banks, due within one year	19,835	75,620
Accrued interest on deposits	2,771	1,621
	<u>\$ 368,636</u>	<u>\$ 373,955</u>

3. Loans	1989	1988
	<i>(thousands of dollars)</i>	
Mortgages	\$ 1,467,092	\$1,126,117
Personal loans	163,848	130,728
Business loans	16,289	23,274
Accrued interest	8,963	7,348
Total loans	<u>1,656,192</u>	<u>1,287,467</u>
Allowance for doubtful loans	5,275	4,423
	<u>1,650,917</u>	<u>1,283,044</u>
Properties acquired in settlement of loans	6,041	14,124
Total loans and properties	<u>\$ 1,656,958</u>	<u>\$ 1,297,168</u>

Maturities		
Balances and principal repayments due		
within 1 year	\$ 1,035,156	\$ 818,431
1 to 2 years	184,127	215,495
2 to 3 years	360,826	158,578
3 to 4 years	24,916	62,829
4 to 5 years	43,281	22,653
5 years and beyond	7,886	9,481
Total loans	<u>\$ 1,656,192</u>	<u>\$ 1,287,467</u>
Loans on which accrual of interest has been discontinued	\$ 4,083	\$ 1,882
Properties acquired in settlement of loans	6,041	14,124
Non-performing loans and properties	<u>\$ 10,124</u>	<u>\$ 16,006</u>
Non-performing loans and properties as a percent of total loans and properties	<u>.61%</u>	<u>1.23%</u>
Allowance for doubtful loans as a percent of total loans.	<u>.32%</u>	<u>.34%</u>

During the year, loans and properties acquired in settlement of loans in the amount of \$1,830,000 (1988-\$5,528,000) were written off and recoveries of \$1,926,000 (1988 - \$261,000) were realized relating to amounts written off in prior years.

4. Premises and Equipment

	Cost	Accumulated Depreciation	Net 1989	Net 1988
	<i>(thousands of dollars)</i>			
Land	\$ 1,870	\$ -	\$ 1,870	\$ 1,870
Buildings	8,399	3,857	4,542	4,781
Leasehold improvements	1,535	259	1,276	1,535
Computer equipment	7,862	2,893	4,969	4,854
Office equipment	5,080	2,667	2,413	3,478
	<u>\$ 24,746</u>	<u>\$ 9,676</u>	<u>\$ 15,070</u>	<u>\$ 16,518</u>

Total depreciation and amortization during the year amounted to \$4,485,000 (1988 - \$3,244,000).

5. Other Assets	1989	1988
	<i>(thousands of dollars)</i>	
B.C. Central Credit Union, shares (yield 4%; 1988 - 4%)	\$ 13,886	\$ 12,804
Credit Union Deposit Insurance Corporation of British Columbia, debentures (yield 5.1%; 1988 - 5.5%)	15,379	13,656
Property acquired for investment	4,135	2,344
Accounts receivable	1,044	1,594
Prepayments and other	714	4,576
Deferred computer systems development costs	331	760
Deferred lending activity costs	2,494	-
	<u>\$ 37,983</u>	<u>\$ 35,734</u>

The investments in B.C. Central shares and CUDIC debentures are required under operating agreements and the Credit Union Act respectively.

6. Deposits	1989	1988
	<i>(thousands of dollars)</i>	
Demand deposits	\$ 675,708	\$ 516,232
Term deposits	430,782	431,050
Registered savings plans	622,899	546,891
Other	12,712	12,971
Accrued interest	49,295	36,284
	<u>\$ 1,791,396</u>	<u>\$ 1,543,428</u>
Maturities		
On demand and within 1 year	\$ 1,496,730	\$ 1,192,075
1 to 2 years	173,448	136,172
2 to 3 years	66,969	150,062
3 to 4 years	36,762	33,037
4 to 5 years	16,236	29,634
5 years and beyond	1,251	2,448
	<u>\$ 1,791,396</u>	<u>\$ 1,543,428</u>

7. Secured Debentures and Loans Payable	1989	1988
	<i>(thousands of dollars)</i>	
Debentures payable	\$ 150,000	\$ 50,000
less: deferred issue costs, net of amortization	(1,305)	(375)
	<u>148,695</u>	<u>49,625</u>
Loans secured by certain pledged mortgages	40,000	45,000
B.C. Central Credit Union money market loan, secured	20,000	-
Mortgage, secured by a first charge on certain premises, repayable monthly over a term of twenty years	2,392	2,426
Obligations under capital leases	-	1,966
Accrued interest	3,510	2,289
	<u>\$ 214,597</u>	<u>\$ 101,306</u>

On July 30, 1986 the credit union issued \$50,000,000, 9 3/4% debentures due July 30, 1991. The assets held as collateral at December 31, 1989 have a carrying value of \$73,500,000 and are comprised of \$32,000,000 of NHA insured mortgages and \$41,500,000 of other securities.

On November 20, 1989 the credit union issued \$100,000,000, 10 3/4% debentures due November 21, 1994. The assets held as collateral, comprised of mortgages, have a carrying value of \$125,000,000.

The loans amounting to \$40,000,000 bear interest at rates of 10.2% to 11.95%. \$30,000,000 of the loans is due and repayable on or before March 15, 1990 and the balance on February 15, 1991.

8. Statutory Reserve Account

The Credit Union Act requires the credit union to retain a statutory reserve at a prescribed level in relation to its asset base. Items which qualify for the statutory reserve include equity shares, deferred income taxes and retained earnings.

As at December 31, 1989 the credit union was required to designate \$39,592,000 of its retained earnings to meet this statutory requirement. Total amounts which qualify for inclusion in the statutory reserve are 4.1% of the prescribed asset base, which is in excess of the 2.8% required under the Credit Union Act.

9. Interest Expense on Member Deposits

	1989	1988
	<i>(thousands of dollars)</i>	
T-Bill accounts	\$ 25,598	\$ 14,316
Chequing	780	334
Plan 24	1,701	2,594
Chequing/savings	19,119	11,704
Term deposits	42,706	36,925
Registered savings plans	61,366	46,567
	<u>\$ 151,270</u>	<u>\$ 112,440</u>

10. Other Income

	1989	1988
	<i>(thousands of dollars)</i>	
Account services fees	\$ 3,022	\$ 2,781
Appraisal fees	70	520
Building rental	547	302
Canada Savings Bonds commissions	162	356
Credit card fees	232	245
Foreign exchange	1,258	1,002
Insurance fees	514	297
Loan administration fees	1,043	945
Loan application fees	313	25
Other service	1,042	532
Safety deposit box rentals	522	486
	<u>\$ 8,725</u>	<u>\$ 7,491</u>

11. General Operating Expenses

	1989	1988
	<i>(thousands of dollars)</i>	
Communications and advertising	\$ 3,064	\$ 1,764
Computer	2,986	4,693
B.C. Central Credit Union dues and assessments	798	424
Insurance	279	613
Meetings and travel	266	203
Other	1,725	1,176
Payment to Credit Union Deposit Insurance Corporation of British Columbia for		
Deposit and share insurance	1,999	1,775
Bonding insurance	97	268
Postage	806	708
Professional services	899	1,400
Stationery	987	888
Telephone	561	587
	<u>\$ 14,467</u>	<u>\$ 14,499</u>

12. Lease Commitments

Certain branch premises are leased for terms extending to 1996. Annual rentals under these leases for the next five years are as follows:

1990	\$ 1,622,000
1991	\$ 1,544,000
1992	\$ 1,276,000
1993	\$ 920,000
1994	\$ 348,000

13. Other Statutory Information

(a) At December 31, 1989 outstanding loans to directors, officers and employees amounted to \$19,424,067 (1988 - \$17,198,226). All such loans are granted in accordance with normal lending terms, except those loans to employees and officers as set out in (c) below.

(b) The aggregate remuneration paid to directors was \$66,300 (1988 - \$74,700).

(c) Compensation of employees and officers may include the benefit of loans granted at rates less than rates available to other members. The aggregate of such loans, which is included in the amount shown in (a) above, and the rate of interest at December 31, is as follows:

Category	Rate	Number of Such Loans	1989		1988	
			Amount	(thousands of dollars) Rate	Number of Such Loans	Amount
Mortgages	5%-12%	69	\$ 4,358	5%-8%	66	\$ 3,594
Personal loans	11%	592	3,076	8%	396	2,959
			\$ 7,434			\$ 6,553

There were no loans to directors at interest rates or terms and conditions different from those available to other members.

14. Comparative Figures

Certain of the amounts reflected in the 1988 financial statements have been reclassified to conform with the 1989 presentation.

AUDITORS' REPORT

To the Members of Vancouver City Savings Credit Union

We have examined the consolidated balance sheets of Vancouver City Savings Credit Union as at December 31, 1989 and 1988 and the consolidated statements of earnings and retained earnings for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the credit union as at December 31, 1989 and 1988 and the results of its operations for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

In accordance with Section 77 of the Credit Union Act we report that we consider the procedures adopted by the credit union are adequate for the safety of its creditors and members.

Arthur Andersen & Co.
Chartered Accountants
Vancouver, Canada
January 26, 1990

Pannell Kerr MacGillivray
Chartered Accountants

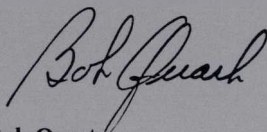
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements have been prepared by the management of VanCity, which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Credit Union Act and conform in all material respects with generally accepted accounting principles. The financial information presented in the Annual Report is consistent with the financial statements.

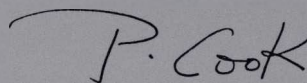
Systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate so as to safeguard the assets of the organization. These systems include establishment and communication of standards of business conduct throughout all levels of the organization to prevent conflicts of interests and unauthorized disclosure and to provide assurance that all transactions are authorized and proper records maintained. Internal audit provides management with the ability to assess the adequacy of these controls. Further, they are reviewed by the credit union's external auditors and by the Financial Institutions Commission.

The Board of Directors has approved the financial statements. The Audit Committee of the Board, comprised of four directors, has reviewed the statements with the external auditors in detail and received regular reports on internal control findings.

Pannell Kerr MacGillivray and Arthur Andersen & Co., the external independent auditors appointed by the membership, examined the financial statements of the credit union in accordance with generally accepted auditing standards. They have had full and free access to the internal audit staff and the Audit Committee of the Board. Their report appears above.



Bob Quart
Chief Executive Officer



Peter Cook
Chief Financial Officer

HEAD OFFICE

515 West 10th Avenue
Vancouver, B.C. V5Z 4A8

All head office departments, branch locations and VanCity Insurance offices can be reached by phoning 877-7000.

BOARD OF DIRECTORS

Bob Williams, *Chair*
Jim Woodward, *Vice-Chair*
Shirley Chan
Paul Gill
David Levi
Tim Louis
Coro Strandberg
Steve Waddell
Franca Zumpano

SENIOR MANAGEMENT

Bob Quart
Chief Executive Officer
Peter Cook
Senior Vice-President and Chief Financial Officer
Wayne McKay
Senior Vice-President, Marketing and Member Services
Linda Crompton
Vice-President, Human Resources
Jeremy Hooper
Vice-President and Controller
Christopher Dobrzanski
Vice-President, Treasury
Barry Fenton
Vice-President, Commercial Mortgages and Real Estate
John Iseli
Vice-President, Member Services
Garry Smith
Vice-President, Administrative Services
Richard Wafer
Vice-President, Information Services
Larry Wald
Vice-President, Member Services

LEGAL ADVISORS

Davis & Company
Farris, Vaughan, Wills & Murphy

AUDITORS

Pannell Kerr MacGillivray
Arthur Andersen & Co.

COMMUNITY BRANCHES

VANCOUVER

Main Branch
519 West 10th Avenue V5Z 1K9
Jeff Barnes, Manager
Broadway and Oak
1030 West Broadway V6H 1E6
Peter Van Camp, Manager
Victoria and 40th Avenue
5590 Victoria Drive V5P 3W1
Grahame Newman, Manager
Hastings and Kamloops
2510 East Hastings Street V5K 1Z3
Brian Moore, Manager

Kitsilano

3395 West Broadway V6R 2B1
Lela Grierson, Manager

Fraser and 47th Avenue
6330 Fraser Street V5W 3A4
John Garret, Manager

Main and 26th Avenue
4205 Main Street V5V 3P8
Eric Durack, Manager

Pender and Hornby
898 West Pender Street V6C 1J8
Rolf Baumbusch, Manager

Broadway and Arbutus
2106 West Broadway V6K 4L1
Lydia Johnson, Manager

Commercial and 1st
1675 Commercial Drive V5L 3Y3
Al Hrycyk, Manager

Kingsway and Joyce
3305 Kingsway V5R 5K6
Gerry Freeman, Manager

Marpole
8289 Granville Street V6P 4Z6
Ann Lund, Manager

Kerrisdale
2380 West 41st Avenue V6M 2A4
Elizabeth Miller, Manager

Point Grey
4516 West 10th Avenue V6R 2J1
Sue Newell, Officer-In-Charge

BURNABY

North Burnaby
4302 Hastings Street V5C 2J9
Jim Scoular, Manager

North Road and Government
3977 North Road V3J 1S2
Sid Fehr, Manager

South Burnaby
5064 Kingsway V5H 2E7
Al Campbell, Manager

COQUITLAM

Coquitlam
#20 - 2991 Lougheed Highway
V3B 6J6
Martyn Kershaw, Manager

NORTH DELTA

North Delta
7211-120th Street V4C 6P5
Bill Jacobs, Manager

WEST VANCOUVER

West Vancouver
1548 Marine Drive V7V 1H8
Connie Beaque, Manager

NORTH VANCOUVER

North Vancouver
1290 Marine Drive V7P 1T2
Tom Hancock, Manager

SURREY/LANGLEY

Surrey/Langley
19535 Fraser Highway V3S 6K7
John DeRose, Manager

BRANCHES OPENING SOON: SOUTH SURREY/WHITE ROCK

(Late spring, 1990)
1656 Martin Drive
Christine Berntt, Manager

RICHMOND

(Fall, 1990)
5900 No. 3 Road

MEMBERSHIP

To use most of VanCity's services, membership is required. Members purchase 50 one-dollar equity shares which entitle them to annual dividends and voting rights.

MEMBER SERVICES INCLUDE:

- Gold Club — no-charge services for members aged 55+
 - Plan 24 — daily interest savings account
 - Chequing/Savings accounts — chequing/daily interest/line of credit
 - US Savings/Chequing accounts
 - Convenience Chequing Account
 - T-Bill Savings Account
 - Fat Cat Junior Account
 - Term Deposits — a wide variety available
 - Personaline — overdraft protection
 - Creditline — line of credit based on your investment equity
 - VISA Card*
 - Commercial Mortgages
 - HomePrime — Variable Rate Mortgages
 - Conventional Open and Fixed Residential First Mortgages — CMHC/MICC
 - Second Mortgages
 - Personal Loans
 - Deferred Profit Sharing Plans
 - Deferred Savings Plans
 - Ethical Growth Fund (mutual fund)*
 - Group Registered Retirement Savings Plans (RRSPs)
 - Registered Retirement Savings Plans (RRSPs)
 - Registered Retirement Income Funds (RRIFs)
 - Registered Education Savings Plan (RESP)
 - Term Certain Annuity to Age 90
 - Term Annuities
 - Solicitor's Trust Accounts
 - Estate & Will Planning
 - Estate Management Services
 - Legal Referral Service
 - International automated teller machine service
 - Universal access, inter-branch deposits, withdrawals and loan payments
 - Night Depository Service
 - Safety Deposit Boxes
 - Traveller's Cheques (American Express)
 - Money Orders and Drafts
 - Canada Savings Bonds
 - Purchase and Sale of Securities
 - Collection of B.C. Hydro, B.C. Telephone, B.C. Medical Services Plan, and Cablevision bills
 - Property tax payments accepted — includes most Greater Vancouver municipalities
 - Payroll Service
 - Independent Business Account
- * Membership not required for Ethical Growth Fund or VISA card.

VANCITY TRUST SERVICES

David Williamson, Manager
VanCity Trust Department

VANCITY ENTERPRISES

Wilson Parasiuk, President

VanCity members and non-members can also use the services of VanCity Insurance Services.

VANCITY INSURANCE SERVICES

HEAD OFFICE

#205 - 4299 Canada Way
Burnaby, B.C. V5G 1H3
Monica Woldring, President
430-9888

VANCOUVER

Cambie and 10th Avenue
519 West 10th Avenue V5Z 1K9
Jenny Hopkins, Sales Manager

Kitsilano
3361 West Broadway V6R 2B1
Ina Greybe, Sales Manager

Victoria and 40th Avenue
5590 Victoria Drive V5P 3W1
Bal Johal, Sales Manager

Hastings and Kamloops
2510 East Hastings Street V5K 1Z3
Bev Whitelaw, Sales Manager

Kingsway and Joyce
3305 Kingsway V5R 5K6
Sheri Lindsay, Sales Manager

Downtown
898 West Pender Street V6C 1J8
Maria da Cunha, Sales Manager

BURNABY

South Burnaby
5064 Kingsway V5H 2E7
Cindy Bucci, Sales Manager

North Burnaby
4257 Hastings Street V5C 2J5
Jim Bowers, Sales Manager

COQUITLAM

Coquitlam
#20 - 2991 Lougheed Highway
V3B 6J6
Donald Popoff, Sales Manager

DELTA

Delta
7211 - 120th Street V4C 6P5
Dolores Mesenchuk, Sales Manager

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North Vancouver
1290 Marine Drive V7P 1T2
Joyce Jackson, Sales Manager

SURREY/LANGLEY

Surrey/Langley
19535 Fraser Highway V3S 6K7
Peggy Letkeman, Sales Manager