

A N N U A L R E P O R T

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VanCity

COMPARATIVE HIGHLIGHTS

<i>As at December 31</i>	1990	1989	%Change
	<i>(thousands of dollars)</i>		
Assets	\$ 2,267,115	\$ 2,093,927	8.3
Loans to Members	1,940,868	1,656,958	17.1
Deposits and Shares of Members	1,962,337	1,796,562	9.2
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<i>For the year ended December 31</i>			
Financial Margin	50,705	46,366	9.4
Operating Expenses	49,208	45,700	7.7
Dividends to Members	655	602	8.8
Net Earnings	6,473	5,262	23.0
Retained Earnings	55,036	48,563	13.3

VANCITY MILESTONES



As its fifth anniversary approaches, VanCity's Ethical Growth Fund (EGF) continues to rank among the top Canadian equity funds in Canada since its inception in 1986. The fund is based on stringent socially responsible investment criteria.



1990 marked the 25th anniversary of employment for Mr. Wayne McKay, VanCity's senior vice-president of marketing and member services. He joined VanCity in 1965. Mr. McKay began work as a teller at VanCity's former head office and branch building on East Broadway. Having served in a management capacity for 24 years, he left VanCity on December 31, 1990 to start his own consulting company. VanCity looks forward to working with Mr. McKay in the near future.



1990 was also the 25th anniversary of employment for Mr. John Iseli, VanCity's vice-president of branch operations. He started at VanCity as a teller working with Mr. McKay on East Broadway and has worked in a management capacity for over 20 years. Mr. Iseli continues to serve VanCity as part of its senior management team.

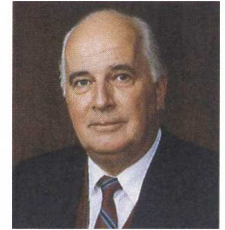
I have had the pleasure and honour to serve as Chair of our credit union for the past three years. I am pleased to submit our current annual report which shows our financial position continuing to improve in a substantial manner. I believe that we have built a base that will see that improvement continue. You will see from the audited financial statements that we have been prudent, indeed, conservative, in our financial management of the credit union.

We are proud of that, but we are even more proud of our record in the community we serve. We believe that we are the leaders in the financial services industry because of our commitment to the community. Profits and surpluses of VanCity are shared between our members, in better service and dividends; the staff, in performance-based bonuses; and the community, through programs as diverse as the EnviroFund and the VanCity Community Foundation.

You will see from the report that assets totalled \$2.26 billion; profits before taxes and dividends reached \$9.29 million and retained earnings amounted to \$55 million. The Board is pleased with these results. We would, however, like to do a little social accounting as well.

As a credit union with a head office here in the Lower Mainland, that which differentiates us from the banks and trust companies is our commitment to the local community. Instead of making off-shore investments, VanCity's profits stay right here. We are more responsive to the needs of the community than is possible for the national and international banks and trusts. After all, not only is this our place of business, it is our home.

With the endorsement and continued support of the membership, the VanCity Community Foundation continues to act as a catalyst for the growth and empowerment of disadvantaged groups and the community served by VanCity through the provision of loans, technical assistance and funds for community economic development and housing alternatives. Lending programs for women working at home and peer group lending have been established.



Mr. Bob Williams
VanCity Chair



Board of Directors
and members of
VanCity's senior
management team.



thical Growth Fund

In 1990, VanCity's

EGF was ranked by the Globe and Mail as Canada's top performing RRSP eligible equity fund.

For the three years ended December 31, 1990 the socially responsible equity fund earned a compound rate of return of 10.4% compared with an average rate of return for all equity funds of 2.8%.



In 1990, there were more than 160 Canadian equity funds.

VanCity Enterprises continues its worthwhile work on housing and real estate development. A model project is now underway with the redevelopment of our Hastings and Kamloops branch site. The new branch will be on the ground floor with some 32 apartment units on the upper three floors for single parents. Entre Nous Femmes and the B.C. Housing Management Commission are also participants in the project. Enterprises and the Foundation are currently considering means of establishing an Abbeyfield seniors project as well.

As equal opportunity lenders, VanCity's lending policies have been reviewed thoroughly. A special appeal process has been implemented to ensure that no segment of our membership is discriminated against in any way.

As part of our regular business, we have extended loans to groups as diverse as West Side Family Place, a daycare and women's centre, and Sher-A-Punjab, a community centre initiated by the Sikh community in North Surrey.

As part of our commitment to the environment, VanCity requested a complete environmental audit of our head office. As a result, we have been developing an environmental action plan for all of VanCity's operations and practices. We also established our unique EnviroFund this past year that will financially support local environmental initiatives through our donation of a percentage of VanCity VISA fees.

VanCity's corporate donations theme for 1990 focused on "The Environment — Education for Action" and supported many community groups and environmental organizations. Near the end of the year we produced our "Hopes for the Earth" calendar of children's art and established a "Green Kids" newsletter. A university level scholarship in natural resource studies has also been arranged.

As you can see, VanCity leads the way in social and environmental programs. None of this, however, would have been possible without the hard work of our staff and management. And of course, it wouldn't have happened without the support of the membership and the community.

Thank you.

Your Board of Directors is pleased to report that in 1990 VanCity recorded its best performance since 1983. The credit union's results are particularly impressive in a time when many financial institutions across the country experienced a decline in earnings.

One of the highlights of 1990 for your Board was increasing its involvement with members. Progress was made in this area through a series of Director "Open Houses" at several VanCity community branches, the first "Meet the Directors" picnic at Confederation Park last fall, and continuing work on our branch councils.

Through these initiatives, your Board is striving to gain a closer link to and a better understanding of its membership.

To better serve its members, your Board opened two new branches in the community. With the opening of our new South Surrey and Richmond branches, VanCity now operates 24 community branches in the Lower Mainland.

In 1990, the investment criteria of VanCity's EGF was modified to preclude investment in companies with poor environmental track records or companies that derive a significant portion of their revenue from tobacco.

It is gratifying for your Board to see the EGF continue to rank as one of Canada's leading equity mutual funds.

For the 44th consecutive year, a dividend has been declared.

Operating Results After a dividend payment to members, a donation to the VanCity Community Foundation and income taxes, 1990 net earnings were \$6,473,000, a significant 23% increase from 1989. Highly improved earnings in 1990 reflect an expansion of the financial margin, substantial growth in loans, particularly residential mortgages, and excellent control of operating expenses.

Assets at year-end were \$2,267.1 million, an increase of \$173 million from the previous year. Of greater note, however, was the rapid expansion of the loan portfolio, largely as a result of a buoyant housing market in the early part of the year. Loans grew by 17.1% to end the year at \$1,940.9 million. Approximately 5,000 new mortgages and 3,000 personal loans were granted to members during the year.

Member deposits advanced by \$166 million in 1990, ending the year at \$1,957.7 million. Growth in savings was spread evenly between term deposits and the VanCity Treasury Bill Sav-



*VanCity's first
"Meet the Directors"
picnic at Confederation
Park last fall.*

ings Account, with the largest source of deposit expansion being in registered savings plans.

In 1990, the financial margin, which is the difference between interest earned and interest paid, rose by over 9% to \$50.7 million and was a major contributor to profitability. Growth in the volume of loans and deposits was a major factor in this result. Also contributing to the

increased margin was the income from interest rate swaps placed to protect the margin of the credit union from rising interest rates, which was the case in the early months of the year. The financial margin as a percentage of average assets was 2.33% in 1990 compared to 2.42%, one year earlier.

Operating expenses were well controlled in 1990 rising by 7.7% which is below the rate of increase in assets. A more instructive way to view expenses is as a percentage of average assets; in 1990 this figure was 2.25% which compares extremely favourably to the 1989 figure of 2.39%. The control of operating expenses has been a priority objective in recent years and, it is a pleasure to report considerable achievement on this front.

Income from fees and service charges also showed a substantial increase in 1990. This increase results from greater volumes of business being processed and from increases in fees and charges themselves.

In 1990, \$2.6 million was set aside as a provision for loan losses. This is a considerable increase from 1989 with this action being taken as a prudent measure in light of current and prospective economic conditions. Loans written off during the year were \$1.2 million which is lower than the 1989 figure of \$1.8 million.

Service Delivery

During 1990, VanCity opened two new branches. The Richmond community branch is situated on the north east corner of No. 3 Road and Westminster Highway. VanCity's South Surrey/White Rock community branch is located at 1656 Martin Drive in South Surrey.

In 1990, over half of VanCity's 24 branches were renovated to feature a combined member service/teller counter that will provide a higher level of service to members.



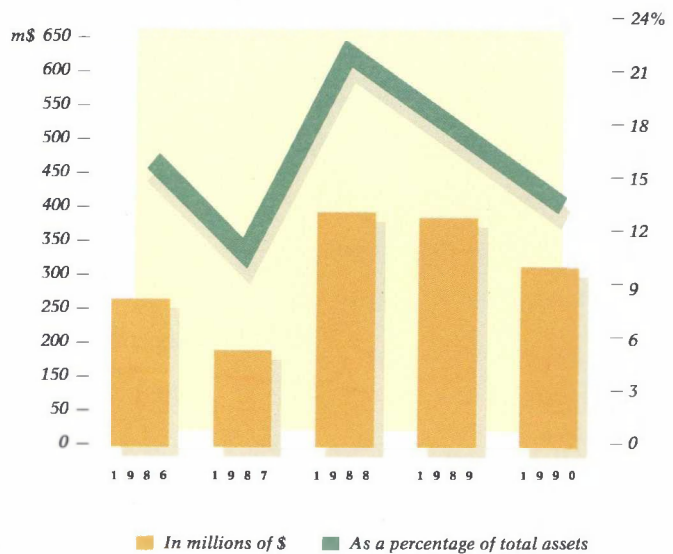
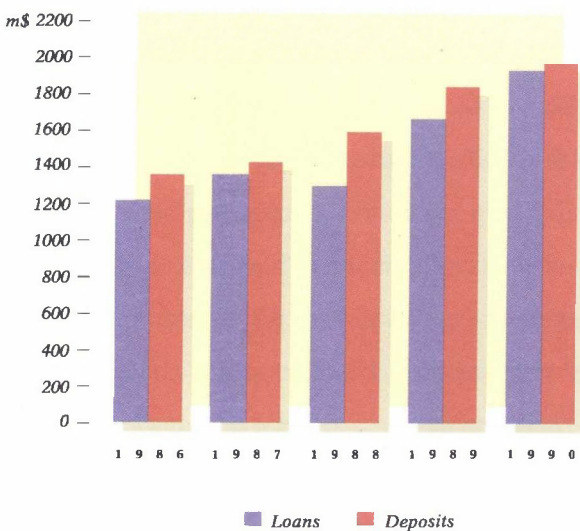
Fundamentally, the financial policy objective of VanCity is the preservation of financial integrity so that members can continually receive a high level of quality financial service. This guarantees orderly and reliable funding of members' current and future needs. There are several elements within this policy objective; they are liquidity planning, asset/liability management, capital generation and the adequacy of reserves.

Liquidity Liquidity guarantees the ongoing ability of VanCity to meet the demands of depositors and to extend credit in a reliable and orderly fashion regardless of market circumstances. It also provides a buffer to the organization during periods when markets are volatile. Liquidity planning is critical to orderly operations. VanCity's policy is to maintain internal liquidity of 15% of its shares and deposits recognizing that market conditions may lead to oscillations around that target. At the end of 1990, liquidity was 14% which is lower than the 18.3% recorded one year earlier. Rapid growth in loans in 1990 accounted for this result.

In addition to internal liquidity, the credit union has available standby lines of credit from among the most highly rated financial institutions in the amount of \$205 million which can be called upon if required.

DEPOSITS AND LOANS

LIQUID ASSETS



TeleBanking

In June, 1990, VanCity introduced TeleBanking — VanCity's 24-hour touch tone banking service. The new service is designed to offload some of the 917,000 annual calls that TeleService receives so that TeleService staff can meet the increasing demand for fast approval of members' mortgage and personal loan telephone applications.

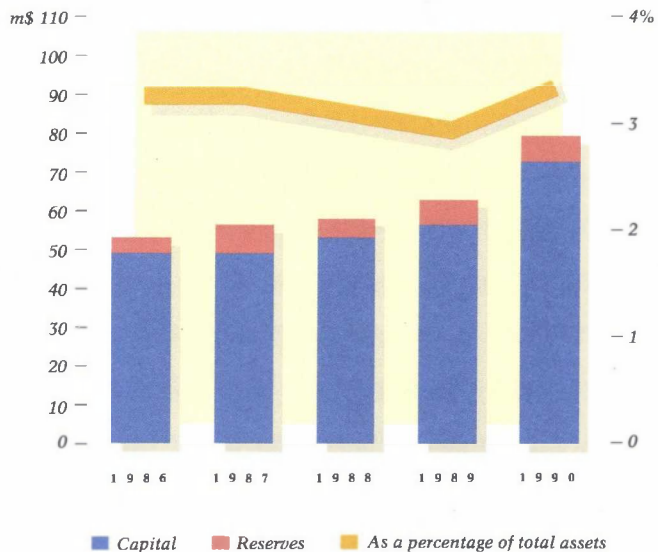
By dialing TeleBanking, callers can obtain VanCity's lending and deposit rates, branch locations and hours of business.

Once a TeleBanking access code is arranged, VanCity members can also determine their account balance, what transactions have cleared their account, and their mortgage and loan balances too. Members can also transfer funds between accounts.

By the end of 1990, TeleBanking had received over 165,000 calls.



CAPITAL AND RESERVES



Asset/Liability Management The cornerstone of asset/liability management is a process called "matching" which ensures that loans have maturity and cash flow characteristics similar to deposits. This process helps to insulate the financial margin of the credit union from adverse interest rate fluctuations. The credit union uses interest rate swaps, forward rate agreements, and financial futures to manage "mismatches".

The credit union's policy is to maintain the mismatch beyond one year at no more than 5% of assets but temporary increases to 7.5% are acceptable when market conditions are favourable. As at December 1990, the mismatch beyond one year was 6.3% of assets, which compares to 6.9% one year earlier.

Capital Principally, capital provides a cushion of safety to depositors and other creditors where losses cannot be absorbed by current earnings. Capital provides the ability to cope with unforeseen events. In addition,

adequate capital is fundamental to the credit union's future as it provides a solid base for expansion and growth. The generation of adequate capital has been a priority and will continue to be a key objective.

In 1990 credit union legislation changed capital requirements for credit unions. The new standards have been developed using a risk-weighting model developed by the Bank for International Settlements, Basle, Switzerland. This approach was also adopted for Canadian banks. In practice, this change requires credit unions to hold increased capital against riskier loans, but also allows new items to be included as capital which were not available in prior years.

Measured in relation to risk-weighted assets, VanCity's capital in 1990 was 7.0% which is above the minimum required by statute.

Credit unions do not have the same access to capital markets as other financial institutions and must rely on retained earnings for the bulk of their capital; equity shares are also becoming increasingly important. Building capital will remain a priority for VanCity.

Reserves Holding reserves for unforeseen contingencies over and above the capital base is an important element of VanCity's financial strategy. A typical example of such a contingency would be losses on loans arising from a downturn in economic activity. General loss reserves are calculated using a formula that incorporates historical loss experience. An allowance is accumulated on the balance sheet to be used as required. At the end of 1990, this allowance was \$6.9 million which is .36% of loans. At the end of 1989, the comparable figure was .32% of loans.

In Conclusion Maintenance of substantial liquidity, disciplined control of the asset/liability structure, a commitment to build capital, and the generation of prudent reserves will guide VanCity's financial policies. These policies will provide ongoing stability, security and strength to meet the expanding needs of our members.

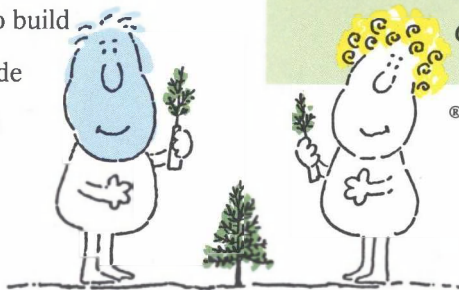
1990 — A Year For The Environment In 1990,

VanCity appointed a member of its senior management team to take on responsibility for VanCity's environmental initiatives and accountability.

A complete environmental audit of VanCity's head office was also conducted and a subsequent working plan was developed that will implement environmental policies and change.

By December, 1990, VanCity's EnviroFund, which was established at the 1990 annual general meeting, had grown significantly. Funds have accumulated through VanCity VISA® card revenues, the sale of VanCity Conserv-A-Bags, "Hope for the Earth" children's calendar, and an environmental information and savings guide called The Green Pages.

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CONSOLIDATED BALANCE SHEET

as at December 31, 1990

ASSETS	Notes	1990	1989
<i>(thousands of dollars)</i>			
CASH RESOURCES		\$ 19,375	\$ 13,975
SECURITIES	3	249,070	368,636
LOANS	4	1,940,868	1,656,958
PREMISES AND EQUIPMENT	5	13,696	15,070
OTHER ASSETS	6	44,106	39,288
		<u>\$ 2,267,115</u>	<u>\$ 2,093,927</u>
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LIABILITIES AND MEMBERS' EQUITY			
MEMBER DEPOSITS	7	\$ 1,957,711	\$ 1,791,396
SAVINGS SHARES		3,943	4,506
PROVISION FOR DIVIDENDS TO MEMBERS		683	660
Total members' accounts		<u>1,962,337</u>	<u>1,796,562</u>
GOVERNMENT DEPOSITS		24,302	19,215
SECURED DEBENTURES AND LOANS PAYABLE	8	210,806	215,902
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,910	4,739
DEFERRED INCOME TAXES		1,374	2,882
EQUITY SHARES		6,350	6,064
RETAINED EARNINGS		55,036	48,563
		<u>\$ 2,267,115</u>	<u>\$ 2,093,927</u>

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

Approved by the Directors:

Director

Director

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended December 31, 1990

	Notes	1990	1989
<i>(thousands of dollars)</i>			
FINANCIAL INCOME			
Loan interest		\$ 223,567	\$ 161,526
Income from cash resources and investments		33,078	49,092
		<u>256,645</u>	<u>210,618</u>
FINANCIAL EXPENSE			
Interest			
Member deposits	9	184,155	151,270
Government deposits		3,017	2,096
Borrowed money		18,768	10,886
		<u>205,940</u>	<u>164,252</u>
FINANCIAL MARGIN		50,705	46,366
Provision for losses on loans		2,566	756
FINANCIAL MARGIN AFTER PROVISION FOR LOSSES ON LOANS		48,139	45,610
OTHER INCOME	10	10,551	8,725
FINANCIAL MARGIN AND OTHER INCOME		58,690	54,335
OPERATING EXPENSES			
Salaries and employee benefits		26,704	23,363
Occupancy and equipment		9,429	7,870
General operating	11	13,075	14,467
		<u>49,208</u>	<u>45,700</u>
EARNINGS FROM OPERATIONS		9,482	8,635
DONATIONS TO VANCITY COMMUNITY FOUNDATION		192	1,200
DIVIDENDS TO MEMBERS		655	602
EARNINGS BEFORE INCOME TAXES		8,635	6,833
INCOME TAXES		2,162	1,571
NET EARNINGS FOR THE YEAR		6,473	5,262
RETAINED EARNINGS, BEGINNING OF YEAR		48,563	43,301
RETAINED EARNINGS, END OF YEAR		\$ 55,036	\$ 48,563

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 1990

	1 9 9 0	1 9 8 9
	<i>(thousands of dollars)</i>	
OPERATING ACTIVITIES		
Net earnings	\$ 6,473	\$ 5,262
Add (deduct) non-cash charges and credits		
Provision for losses on loans	2,566	756
Depreciation of premises and equipment	4,076	4,531
Other	(619)	1,237
	<u>12,496</u>	<u>11,786</u>
Net change in other assets and liabilities used in operations	<u>6,918</u>	<u>13,996</u>
	<u>19,414</u>	<u>25,782</u>
FINANCING ACTIVITIES		
Member deposits	157,207	234,957
Savings shares	(563)	392
Government deposits	5,087	(8,125)
Secured debentures and loans	(4,635)	112,070
Equity shares	286	131
	<u>157,382</u>	<u>339,425</u>
TOTAL PROVIDED BY OPERATING AND FINANCING ACTIVITIES	<u>176,796</u>	<u>365,207</u>
INVESTING ACTIVITIES		
Securities	121,376	6,469
Loans	(284,824)	(358,931)
Premises and equipment	(2,631)	(3,037)
Other assets	(5,317)	(8,036)
	<u>(171,396)</u>	<u>(363,535)</u>
INCREASE IN CASH RESOURCES	<u>5,400</u>	<u>1,672</u>
CASH RESOURCES, BEGINNING OF YEAR	<u>13,975</u>	<u>12,303</u>
CASH RESOURCES, END OF YEAR	<u>\$ 19,375</u>	<u>\$ 13,975</u>

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

1. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following significant policies:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the credit union and its subsidiaries, all of which are wholly-owned. The active subsidiaries are as follows:

VanCity Enterprises Ltd. VanCity Investment Services Ltd. Metro Townsquare Mgmt. Ltd. 306517 B.C. Ltd.

(b) Securities

Investments in government and corporate securities are carried at cost, and gains and losses are taken into earnings when realized. Investments in real estate mortgages, which are purchased as marketable mortgage packages, are carried at amortized cost, net of an allowance for loan losses.

(c) Financial instruments

VanCity uses interest rate futures and future rate agreements in its trading activities and to hedge interest rate exposure. When used in trading activities, these futures and agreements are marked to market and the resultant gains and losses are recognized in earnings. When used for hedging purposes, the gains and losses on these futures and agreements are deferred and amortized to earnings over the expected remaining life of the hedged item.

VanCity also uses interest rate swaps to hedge interest rate exposure and accrues the income or expense associated with the swaps over the lives of the agreements. Gains or losses on the termination of swap agreements prior to maturity are deferred and amortized to earnings over the expected remaining life of the hedged item.

(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 recorded at cost.

Property acquired for investment purposes is recorded at cost and depreciated over the estimated useful life of each property.

(g) Shares

(i) Equity

Members are required to hold up to \$50 of membership 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 withdrawable and may be redeemed by VanCity. Savings shares are insured by the Credit Union Deposit Insurance Corporation of British Columbia within the prescribed limit of the Financial Institutions Act and Regulations.

(iii) Dividends

Dividends on savings and equity shares are charged to earnings.

(h) Debenture issue costs

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

(i) Revenue and expense recognition

Interest accrued on loans is recognized in earnings except where a loan is placed on a non-accrual basis. Loans are placed on a non-accrual basis at the earlier of when, in the opinion of management, there is reasonable doubt as to collectibility of principal or interest, or when interest is 90 days past due. Interest received on a non-accrual loan is recognized in earnings only if there is no longer doubt as to the collectibility of the carrying value of the loan; otherwise, the interest received is credited to principal.

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. Accounting Change

In 1990, VanCity changed its accounting policy for the recognition of gains or losses on the termination of hedging transactions prior to maturity. These gains or losses are now deferred and amortized to earnings over the estimated remaining life of the hedged item. In prior years, these gains or losses were recognized in earnings when the hedge was closed.

This change reduced 1990's net earnings by \$1,190,000 and did not have a material effect on the net earnings for 1989 and prior years.

3. Securities

	1 9 9 0	1 9 8 9
	<i>(thousands of dollars)</i>	
Securities, at cost which approximates market value		
Government	\$ 35,121	\$ 214,611
Corporate	10,411	2,144
Demand and term deposits with B.C. Central Credit Union, due within one year	176,706	129,275
Term deposits with chartered banks, due within one year	22,251	19,835
Accrued interest on deposits	4,581	2,771
	<u>\$ 249,070</u>	<u>\$ 368,636</u>

4. Loans

	1 9 9 0	1 9 8 9
	<i>(thousands of dollars)</i>	
Mortgages	\$ 1,703,869	\$ 1,467,092
Other loans	227,254	180,137
Accrued interest	10,615	8,963
Total loans	<u>1,941,738</u>	<u>1,656,192</u>
Allowance for doubtful loans	<u>6,911</u>	<u>5,275</u>
	1,934,827	1,650,917
Properties acquired in settlement of loans	6,041	6,041
Total loans and properties	<u>\$ 1,940,868</u>	<u>\$ 1,656,958</u>
Maturities		
Balances and principal repayments due		
Within 1 year	\$ 1,252,229	\$ 1,035,156
1 to 2 years	440,071	184,127
2 to 3 years	182,286	360,826
3 to 4 years	48,007	24,916
4 to 5 years	15,402	43,281
5 years and beyond	3,743	7,886
Total loans	<u>\$ 1,941,738</u>	<u>\$ 1,656,192</u>
Loans on which accrual of interest has been discontinued	\$ 5,373	\$ 4,083
Properties acquired in settlement of loans	6,041	6,041
Non-performing loans and properties	<u>\$ 11,414</u>	<u>\$ 10,124</u>
Non-performing loans and properties as a percent of total loans and properties	<u>0.59%</u>	<u>0.61%</u>
Allowance for doubtful loans as a percent of total loans	<u>0.36%</u>	<u>0.32%</u>

During the year, loans and properties acquired in settlement of loans in the amount of \$1,167,000 (1989 — \$1,830,000) were written off and recoveries of \$237,000 (1989 — \$1,926,000) were realized relating to amounts written off in prior years.

5. Premises and Equipment

	Cost	Accumulated Depreciation	Net Book Value	
			1990	1989
<i>(thousands of dollars)</i>				
Land	\$ 1,870	\$ —	\$ 1,870	\$ 1,870
Buildings	8,552	4,084	4,468	4,542
Leasehold improvements	1,931	275	1,656	1,276
Computer equipment	6,233	2,407	3,826	4,969
Office equipment	5,346	3,470	1,876	2,413
	<u>\$ 23,932</u>	<u>\$ 10,236</u>	<u>\$ 13,696</u>	<u>\$ 15,070</u>

Total depreciation and amortization during the year amounted to \$4,005,000 (1989 — \$4,484,000).

6. Other Assets

	1990	1989
<i>(thousands of dollars)</i>		
B.C. Central Credit Union, shares (yield 4%; 1989 — 4%)	\$ 16,741	\$ 13,886
Credit Union Deposit Insurance Corporation of British Columbia, debentures (yield 5.1%; 1989 — 5.1%)	17,592	15,379
Property acquired for investment (net of accumulated depreciation of \$181,000; 1989 — \$110,000)	4,313	4,135
Accounts receivable	2,687	1,044
Prepayments and other	278	1,045
Deferred charges, net of amortization		
Debenture issue costs	1,060	1,305
Lending activity costs	1,435	2,494
	<u>\$ 44,106</u>	<u>\$ 39,288</u>

The investments in shares of B.C. Central Credit Union and the debentures of Credit Union Deposit Insurance Corporation of British Columbia are required under operating agreements and the Financial Institutions Act, respectively.

7. Member Deposits

	1990	1989
<i>(thousands of dollars)</i>		
Demand deposits	\$ 722,861	\$ 675,708
Term deposits	453,549	430,782
Registered savings plans	710,451	622,899
Other	12,447	12,712
Accrued interest	58,403	49,295
	<u>\$ 1,957,711</u>	<u>\$ 1,791,396</u>
Maturities		
On demand and within 1 year	\$ 1,580,630	\$ 1,496,730
1 to 2 years	272,395	173,448
2 to 3 years	56,860	66,969
3 to 4 years	23,151	36,762
4 to 5 years	23,093	16,236
5 years and beyond	1,582	1,251
	<u>\$ 1,957,711</u>	<u>\$ 1,791,396</u>

8. Secured Debentures and Loans Payable

1990

1989

(thousands of dollars)

Debentures payable		
9 3/4 %, due July 30, 1991	\$ 50,000	\$ 50,000
10 3/4 %, due November 21, 1994	100,000	100,000
Loans payable	35,000	40,000
B.C. Central Credit Union, 11.625% demand loan	20,000	20,000
Mortgage, 12%, repayable monthly over a term of twenty years to 1997	2,342	2,392
Accrued interest	3,464	3,510
	<u>\$ 210,806</u>	<u>\$ 215,902</u>

The assets pledged as collateral at December 31, 1990 for the debentures are comprised of mortgages and securities with an aggregate carrying value of \$196,700,000.

The loans payable at December 31, 1990 bear interest at rates ranging from 10.95% to 11.95% and are due as to \$10,000,000 on February 15, 1991, \$5,000,000 on February 15, 1993 and \$20,000,000 on March 15, 1993. These loans are secured by mortgages with a carrying value at December 31, 1990 of \$35,243,000.

The 12% mortgage is secured by a fixed charge on certain premises, and the 11.625% demand loan by a pledge of certain demand and term deposits with B.C. Central Credit Union.

9. Interest Expense on Member Deposits

1990

1989

(thousands of dollars)

T-Bill accounts	\$ 35,903	\$ 25,598
Chequing	1,042	780
Plan 24	1,146	1,701
Chequing/savings	24,527	19,119
Term deposits	45,982	42,706
Registered savings plans	75,555	61,366
	<u>\$ 184,155</u>	<u>\$ 151,270</u>

10. Other Income

1990

1989

(thousands of dollars)

Account services fees	\$ 4,076	\$ 3,022
Appraisal fees	(13)	70
Building rental	628	547
Canada Savings Bonds commissions	116	162
Credit card fees	285	232
Foreign exchange	942	1,258
Insurance fees	621	514
Loan administration fees	940	1,043
Loan application fees	960	313
Safety deposit box rentals	572	522
Other	1,424	1,042
	<u>\$ 10,551</u>	<u>\$ 8,725</u>

11. General Operating Expenses

1990

1989

(thousands of dollars)

Communications and advertising	\$ 3,250	\$ 3,064
Computer	1,672	2,986
B.C. Central Credit Union dues and assessments	510	798
Credit Union Deposit Insurance Corporation of British Columbia — deposit and share insurance	2,316	1,999
Insurance	458	376
Meetings and travel	246	266
Postage	826	806
Professional services	905	899
Stationery	1,063	987
Telephone	649	561
Other	1,180	1,725
	<u>\$ 13,075</u>	<u>\$ 14,467</u>

12. Lease Commitments

Certain branch premises are leased for terms extending to 2000. Annual future rentals under these leases are payable as follows:

1991	\$2,106,000
1992	1,785,000
1993	1,294,000
1994	995,000
1995	807,000
Thereafter	1,886,000

13. Other Information

- (a) At December 31, 1990 outstanding loans to directors, officers and employees amounted to \$25,329,838 (1989 – \$19,424,067). All such loans were 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 \$68,100 (1989 – \$66,300).
- (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	1990		1989
		Number of Such Loans	Amount	Amount
<i>(thousands of dollars)</i>				
Mortgages	5% – 6.125%	91	\$ 6,268	\$ 4,358
Personal loans				
Regular	11% – 12%	225	3,143	3,076
Computer	0%	36	78	–
			<u>\$ 9,489</u>	<u>\$ 7,434</u>

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 1989 consolidated financial statements have been reclassified to conform with the 1990 presentation.

AUDITORS' REPORT

To the Members of Vancouver City Savings Credit Union

We have audited the consolidated balance sheet of Vancouver City Savings Credit Union as at December 31, 1990 and the consolidated statements of earnings and retained earnings and of 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform an 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 consolidated financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 1990 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Institutions Act, British Columbia, we report that, in our opinion, these principles have been applied, except for the change in the method of accounting for hedging transactions as explained in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

*Chartered Accountants
Vancouver, Canada
January 18, 1991*

DELOITTE & TOUCHE

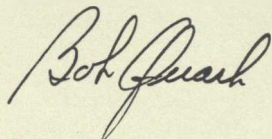
Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

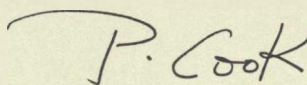
These Financial Statements have been prepared by the management of VanCity which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act and conform in all material respects with generally accepted accounting 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 interest 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.

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. Arthur Andersen & Co. and Deloitte & Touche, the independent external 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, other management staff and the Audit Committee of the Board. Their report appears above.



Bob Quart
Chief Executive Officer



Peter Cook
Chief Financial Officer



*VanCity's new
Richmond community branch
at No. 3 Road and
Westminster Highway.*

HEAD OFFICE

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

All head office departments, branches, and VanCity Insurance Services Ltd. offices can be reached by calling 877-7000.

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

Bob Quart
Chief Executive Officer
Peter Cook
Senior Vice-President and Chief Financial Officer
Linda Crompton
Vice-President, Human Resources and Environment
Jeremy Hooper
Vice-President and Contoller
Christopher Dobrzanski
Vice-President, Treasury
Barry Fenton
Vice-President, Commercial Mortgages and Real Estate
John Iseli
Vice-President, Branch Operations
George Scott
Vice-President, Marketing and Planning
Garry Smith
Vice-President, Administrative Services
Richard Wafer
Vice-President, Information Services
Larry Wald
Vice-President, Sales

REGIONAL MANAGERS

Rolf Baumbusch
Connie Beaque
Lela Grierson
Martyn Kershaw

LEGAL ADVISORS

Davis & Company
Farris, Vaughan, Wills & Murphy

AUDITORS

Deloitte & Touche
Arthur Andersen & Co.

COMMUNITY BRANCHES**VANCOUVER**

Main Branch
519 West 10th Avenue V5Z 1K9
Tom Hancock, *Manager*

Broadway and Oak
1030 West Broadway V6H 1E6
Mary Powell, *Manager*

Victoria and 40th Avenue
5590 Victoria Drive V5P 3W1
Grahame Newman, *Manager*

Hastings and Kamloops
(until early 1992, relocated two blocks east of the regular branch to:)
2784 East Hastings Street V5K 1Z9
John DeRose, *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
Jodh Dhaliwal, *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
Ann Lund, *Manager*

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

Marpole
8289 Granville Street V6P 4Z6
Elizabeth Miller, *Manager*

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

Point Grey
4516 West 10th Avenue V6R 2J1
Lydia Johnson, *Manager*

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
Ben Letkeman, *Manager*

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

NORTH DELTA
7211 - 120th Street V4C 6P5
Eric Durack, *Manager*

WEST VANCOUVER
1548 Marine Drive V7V 1H8
Al Hrycyk, *Manager*

NORTH VANCOUVER
1290 Marine Drive V7P 1T2
Connie Beaque, *Manager*

SURREY/LANGLEY
19535 Fraser Highway V3S 6K7
Debbie Bywater, *Manager*

WHITE ROCK
South Surrey/White Rock
#110 - 1656 Martin Drive V4A 6E7
Christine Welton, *Manager*

RICHMOND
5900 No. 3 Road V6X 3P7
Al Campbell, *Manager*

MEMBERSHIP

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

MEMBER SERVICES INCLUDE:

- Accounts:
 - Chequing
 - Community Service
 - Daily Interest Chequing/Savings
 - Daily Interest Savings Package
 - Plan 24
 - Fat Cat Junior
 - Gold Club (no charge services for members age 55+)
 - Independent Business
 - T-Bill Savings
 - U.S. Savings/Chequing
- All-In-One statement
- Annuities
 - Term
 - Term Certain Annuity to Age 90
- Automated Teller Machine (ATM) service - INTERAC®, CUE/STRATA, EXCHANGE®
- Bill payments accepted - B.C. Hydro, B.C. Telephone, B.C. Medical Services Plan, Cablevision, Property Tax (includes most Greater Vancouver municipalities), and Revenue Canada
- Canada Savings Bonds
- Commercial Mortgages
- Direct Deposit Service
- Estate and Will Planning
- Estate Management Services
- Ethical Growth Fund*
- Group Savings and Benefit Plans
- Information seminars: Retirement Income and Tax Planning
- Inter-branch transactions
- Legal Referral
- Lines of Credit:
 - Personal line - overdraft protection
 - Creditline - minimum \$5,000 line of credit based on your investment equity
- Money Drafts
- Mortgages (Residential):
 - Conventional Fixed Term
 - Conventional Open Term
 - CMHC/MICC Mortgages
 - Homeprime - Variable Rate Mortgages
 - Second Mortgages
- Night Depository Service
- Payroll Service
- Personal Loans
- Registered Retirement Savings Plans (RRSPs)
 - Ethical Growth Fund
 - Group
 - Monthly RRSP deductions
 - Self-Directed
 - T-Bill
 - Term Deposits
 - Variable Rate
- Registered Retirement Income Funds (RRIFs)
- Registered Education Savings Plan (RESP)
- Safety Deposit Box Rental
- Solicitor's Trust Accounts
- TeleBanking - VanCity's 24-hour Touch Tone Banking Service
- TeleService - Arrange mortgages, personal loans, RRSPs by phone, 8 a.m. to 8 p.m. Monday to Friday; 8 a.m. to 4 p.m. Saturday.

- Term Deposits - a wide variety available
- Traveller's Cheques (American Express)
- VISA® Card*
- "Working Dollars"
- © VanCity is a registered user of marks
- * Membership is not required for Ethical Growth Fund or VISA card

VAN CITY TRUST SERVICES

David Williamson, *Manager*
VanCity Trust Department

VAN CITY ENTERPRISES

- a wholly owned subsidiary
Wilson Parasiuk, *President*

VAN CITY COMMUNITY FOUNDATION

Robyn Allan, *Director*

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

VAN CITY INSURANCE SERVICES LTD.

#205 - 4299 Canada Way
Burnaby, B.C. V5G 1H3
Kevin Boyd, *President*
David Roberts, *Manager, Operations*
430-9888

VANCOUVER

Cambie and 10th Avenue
519 West 10th Avenue V5Z 1K9
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