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Teamwork: Financial Strength and Community Commitment

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Comparative Highlights

As at December 31	1 9 9 1	1 9 9 0	% Change
	(thousands of dollars)		
Assets	\$ 2,970,159	\$ 2,265,515	31.1
Loans to Members	2,542,970	1,934,827	31.4
Deposits	2,378,455	1,986,639	19.7

For the year ended December 31

Financial Margin	67,240	50,705	32.6
Operating Expenses	59,902	49,208	21.7
Dividends to Members	2,557	655	290.4
Net Earnings	14,439	6,473	123.1
Retained Earnings	69,475	55,036	26.2

At VanCity we've always known that teamwork is the key to success.

From VanCity's branch staff to its elected board of directors, this organization is working together continually to ensure VanCity meets its members' financial needs and expectations.

In 1991, VanCity achieved its most financially successful year ever. We attribute much of this success to our 180,000 members, and we thank them for their support.



21 Per Cent Dividend Declared

1991 was the most financially successful year in VanCity's history. Net earnings topped the \$14-million mark, more than doubling the performance of 1990.

To celebrate, VanCity declared and paid a 21 per cent dividend on membership shares and share savings.

Since our inception in 1946, VanCity has always contributed to our community. In 1991, VanCity continued to share its success with the community through our corporate donation's theme, "Children: Sharing Their Concerns For Tomorrow." Over 50 community initiatives that share this goal were supported.

Through VanCity's sponsorship program, we funded 60 local projects that focused on multiculturalism, women's issues, and the environment, including the Environmental Youth Alliance shown below.



VanCity will continue to share its success with our members and to support the local community. For as we've known throughout the years, it is possible to "do good" when you're doing well.

Message from the Chair



I am pleased to report on VanCity's outstanding financial results during a year in which several Canadian businesses and corporations faced serious performance difficulties.

VanCity's net earnings in 1991 more than doubled those of the previous year. Consolidated net earnings – after dividends and taxes – reached \$14.44 million, representing VanCity's best year ever. By the end of 1991, the credit union's consolidated asset base increased 31 per cent to \$2.97 billion. Continued control of operating expenses, lower loan losses as a percentage of total loans, and rapidly falling interest rates were major contributors to increased profitability during 1991.

To help fund the continued demand by members for mortgage financing in the Lower Mainland, VanCity raised a \$150-million secured debenture issue in the Euromarket. The debenture received the highest rating – triple-A – by Standard and Poor's of New York.


In September, VanCity purchased Citizens Trust which has assets of approximately \$200 million and five branches in the Lower Mainland.

The purchase provides VanCity with access to funds that will help meet the continuing need for mortgage funding by VanCity members.

In order to raise capital funds that will assist VanCity to meet the future financial needs of its members, last fall the credit union sold \$17 million in VanCity Investment Shares to its members in just ten business days. This overwhelming response signifies that VanCity is regarded as a strong and stable financial institution by its membership.

Throughout 1991, your credit union's board, management and staff used a teamwork approach to provide superior service to VanCity's members. Through comprehensive and wide-spread staff training to highly competitive deposit rates, VanCity continually strived to provide excellent service.

It is a pleasure to share VanCity's financial success with our members through the payment of a 21 per cent dividend on membership shares and share savings. VanCity has always declared and paid a dividend to its members, however, the 1991 dividend is the highest ever since we declared our first dividend back in 1947.



**Citizens Trust Joins the
VanCity Team**

In September, VanCity purchased Citizens Trust. The acquisition of this federally chartered financial institution will provide VanCity with the ability to raise funds outside the VanCity market to meet the demands of VanCity members for mortgage funding.

VanCity members with large deposits can also increase their insurance coverage by depositing additional funds at Citizens Trust. Funds deposited at Citizens Trust are insured up to \$60,000 per depositor through Canada Deposit Insurance Corporation (CDIC). VanCity members enjoy deposit insurance protection on their VanCity funds of up to \$100,000 per separate deposit through the Credit Union Deposit Insurance Corporation (CUDIC).

Citizens Trust enjoys a significant foreign exchange and precious metals reputation which VanCity can further build through its membership.

VanCity's financial success in 1991 was also shared with the community we serve. Much of VanCity's community work is carried out through its community relations, corporate donations and corporate sponsorship programs, as well as the VanCity Community Foundation.

In 1991, VanCity's corporate donations theme focused on "Children: Sharing Their Concerns For Tomorrow," while VanCity's sponsorship programs supported multiculturalism, the environment and the co-operative spirit. Several community initiatives that supported these goals received funding. For more information about some of these important community projects, please see the inside back cover of this report.



The role of the VanCity Community Foundation is to put financial resources and technical skills into the hands of people who want to work for a better future for their neighbourhoods and their communities.

During 1991, the Foundation supported several community economic initiatives including a seniors' store in the Downtown Eastside, a revolving loan fund that will assist with community economic development for women, and a social housing project of 20 affordable units for seniors being built on land donated by St. Margaret's Parish in Vancouver.

VanCity's 1991 contribution to the Foundation was more than three times the amount for 1990. This will enable the Foundation to continue with its important community development work.

Last year, VanCity's subsidiary VanCity Enterprises Ltd. teamed up with local, non-profit housing society Entre Nous Femmes. Together they created a unique non-profit housing venture. Through the redevelopment of VanCity's Hastings and Kamloops Community Branch, the branch was rebuilt on the ground level, while an upstairs was added to include 34 units of housing for single-parent families, seniors and disabled individuals.

In closing, I would like to thank VanCity's staff and directors for their contribution during 1991.

I am pleased that VanCity has achieved these outstanding financial results and that VanCity remains strong and stable while continuing to play a leadership role in our community.



VanCity's Management Team

Board of Directors' Report

Your Board of Directors is pleased to report that VanCity recorded its best year ever since the credit union began in 1946.

During 1991, your Board continued to work with its two branch councils that have been set up to review new service ideas and explore issues that are important to the community branch.

To better serve its members, VanCity continued to update its 24 branches. The branch renovations include the conversion to one full member service line. This concept enables members to take care of all their financial matters at the member service counter except for their mortgage and loan requirements and the opening of new accounts.

By year-end, your Board was looking forward to the successful completion of the Hastings and Kamloops Community Branch redevelopment that includes 34 units of non-profit housing above the branch.

It is gratifying for your Board to maintain its strong support of the community while con-

tinuing to achieve superior financial results.

For the 45th consecutive year, a dividend has been declared.

Operating Results In 1991, VanCity enjoyed a number of successes including increased membership; member service levels with better trained staff; growth in deposit products; and, mortgage market share.



VanCity's Board of Directors: (left to right, top) Tom Gunton, Shirley Chan, Coro Strandberg, (middle) Franca Zumpano, David Levi, Bob Williams (Vice-Chair), (bottom) Tim Louis (Chair), Jim Woodward, and Wendy Holm.



As a result of improved service to our members, VanCity achieved a record level of earnings at \$14.44 million which surpassed the previous record of \$7.77 million set in 1983.

The financial margin, which is the difference between interest earned and interest paid, increased considerably. This expansion was attributed to the continual decline in interest rates; substantial growth in loans and mortgages resulting from a buoyant Vancouver housing market; low delinquency on loan repayments; the sale of properties acquired in foreclosure action in previous years; and, excellent control of operating expenses.

Consolidated assets at year-end were \$2.97 billion, an increase of over \$700 million from the previous year. This figure includes approximately \$200 million in assets as a result of VanCity's acquisition of Citizens Trust.

VanCity's loan portfolio grew substantially during the year as approximately 6,500 new mortgages and 3,000 personal loans were granted to members.

The decline in interest rates greatly affected VanCity's deposit products. As interest rates fell and VanCity offered highly competitive rates, members locked in to investments for longer yields, resulting in substantial term deposit growth.

Registered Savings Plans remained extremely popular with members, with the portfolio expanding by close to \$115 million.

In 1991, the financial margin, which increased 32.6% to \$67.24 million, was the most significant contributor to enhanced profitability. Growth in the volume of loans and deposits and reductions in interest rates were the two major factors responsible for the increased margin.



**Constance Court
upstairs from
VanCity's Hastings
and Kamloops
Community Branch.**

**VanCity Teams Up to Create
Innovative Housing**

Through its development subsidiary VanCity Enterprises Ltd. (VCE), VanCity helped solve a pressing community concern: how to provide affordable housing close to where people work.

Working in partnership with local, non-profit housing society Entre Nous Femmes, VCE was instrumental in the successful redevelopment of VanCity's Hastings and Kamloops Community Branch. While the ground level of the building is a newly renovated VanCity branch, upstairs now contains 34 units of non-profit housing for single-parent families, seniors and people with disabilities.

Located in the heart of one of Vancouver's busiest commercial districts, Constance Court provides a unique, non-profit housing solution for its residents.

VanCity Investment Shares Sell

Out in 10 Working Days

In 1991, facing changes in credit union legislation and increased demand for capital reserves, VanCity offered its members the opportunity to invest further in their credit union.

VanCity Investment Shares were offered for sale exclusively to VanCity members. In just seven working days, over \$10 million had been sold.

To satisfy the overwhelming demand for these shares, VanCity extended the sale of its shares. The result: after 10 working days, \$17 million in VanCity Investment Shares had been sold, and over 1,000 members had requested that their names be placed on a waiting list to take advantage of any redemptions.

With the average purchase amount exceeding \$7,000 per member,

**VANCITY
INVESTMENT
SHARES**

the sale of VanCity Investment Shares signified a strong vote of confidence in VanCity's financial strength by its members.

To protect the margin, VanCity engaged in a number of interest rate swaps and, as interest rates declined, income from these swaps served to increase the financial margin. As a percentage of average consolidated assets, the margin in 1991 was 2.57% in 1991 compared to 2.33% one year earlier.

Operating expenses were well controlled again in 1991. An instructive way to view expenses is as a percentage of average consolidated assets. In 1991 this figure was 2.29% compared with 2.25% in 1990. Control of expenses has to be a continuing priority, and it is a pleasure to report a measure of containment on this front.

Income from fees and service charges also increased in 1991. Although service charge pricing was significantly restructured, much of the fee income can be attributed to greater volumes of business being processed.

In 1991, \$1.15 million was set aside as a provision for loan losses. This figure is net of recoveries on loans which had been written off in previous years. The 1991 figure is lower than the provision for the previous year notwithstanding that loans written off during the year were \$1.57 million, a \$400,000 increase over 1990.



Financial Management Policies

The fundamental financial policy objective of VanCity is to preserve its underlying financial integrity so that members continually receive a high level of quality financial service regardless of market circumstances or economic cycles. Through adhering to this policy, members are also guaranteed orderly and reliable funding of their current and future needs. Liquidity planning, asset/liability management, capital generation, and the adequacy of reserves are vital components of the policy.

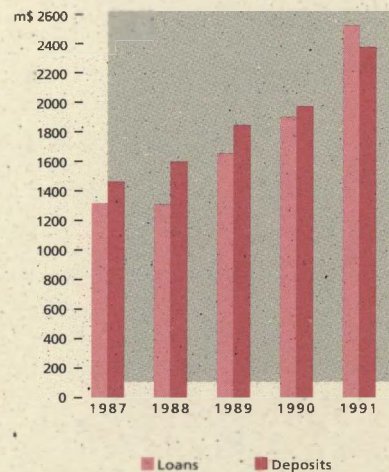
Liquidity VanCity is required by statute to maintain internal liquidity at 10% of its shares and deposits. As a policy matter, VanCity prefers to maintain liquidity in the 15% range, recognizing that market conditions may lead to oscillations around that target. By maintaining an adequate pool of liquid assets, VanCity guarantees that the demands of depositors and the needs of borrowers are met in a reliable fashion, even during periods of market volatility and changing interest rates.

At the end of 1991, liquid assets were 12.3% of total assets. An additional 5.1% is available to retire debt/borrowings in the form of CMHC-insured mortgage-backed securities. Total liquid resources were 17% which compares favourably with 14% the previous year.

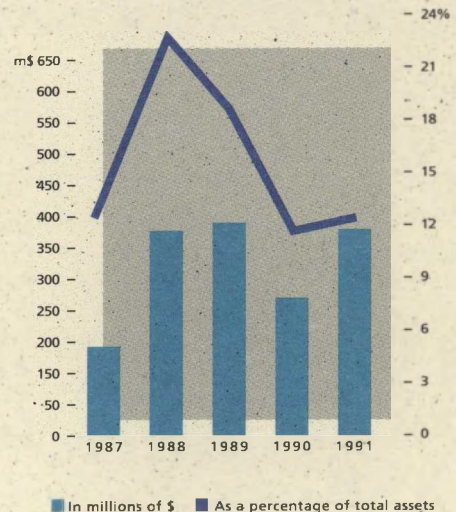
Liquidity was enhanced during 1991 through the successful issue in European markets of a \$150-million bond for a five-year term. This secured debenture was triple-A-rated by Standard and Poor's of New York, which is their highest rating. This is the third such issue that VanCity has undertaken in the last six years, all of which have been triple-A rated. Monies raised in Europe have been used in Vancouver to fund mortgage borrowers.

In addition to internal liquidity and European issues, VanCity has available lines of credit of \$190 million. These are available from among the most highly rated financial institutions and may be called upon if required.

DEPOSITS AND LOANS

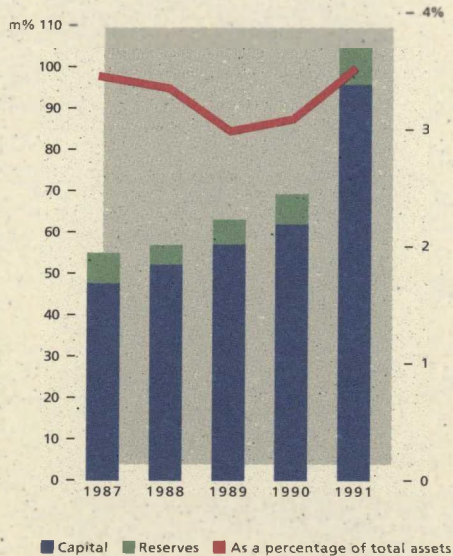


LIQUID ASSETS





CAPITAL AND RESERVES



Asset/Liability Management Financial institutions, which simultaneously accept deposits and make loans, utilize a process called "matching." This ensures that loans have maturity and cash flow characteristics similar to deposits. Matching is the cornerstone of asset/liability management, helping to insulate the financial margin of the credit union from adverse interest rate fluctuations. In periods when the loan and deposit flows do not match, VanCity uses interest rate swaps and forward rate agreements to cover various mismatches that may arise.

For several years, the credit union has maintained a policy of limiting the mismatch beyond one year to below a prescribed percentage of assets. That figure has fluctuated according to the amount of interest rate risk exposure that is inherent in the credit union's portfolio. Accordingly, the lesser the amount of exposure arising from changes in interest rates, the greater the mismatch position can be. In 1990, for example, the prescribed amount was 7.5% of assets. But, as interest rates declined dramatically during 1991, the prescribed amount was raised to 10%. VanCity was within policy at year-end with the mismatch being 9.5% of assets compared with 6.3% the year previously.

Capital Capital is principally a safety cushion that can be used to protect depositors and other creditors when losses cannot be absorbed by current earnings. Adequate capital provides VanCity with the ability to cope with unforeseen events. Furthermore, capital is a building block for the future as it provides a solid base for expansion and growth. The development of capital in excess of minimum requirements has been and will continue to be a priority for VanCity.

The amount of capital required depends on the credit union's mix of assets with riskier loans attracting a higher requirement than, for example, residential mortgages. In aggregate, the credit union must achieve capital equal to 8% of risk-weighted assets by 1994. VanCity achieved this goal in 1991; capital was 8.7% of risk-weighted assets.

The major reason for the level of capital exceeding requirements is attributed to the previously mentioned record earnings and the successful program in 1991 that allowed VanCity

members to purchase Investment Shares in the credit union. Although a target of \$10 million in Investment Shares had been established, in the final analysis, \$17 million in Investment Shares were purchased by VanCity members.

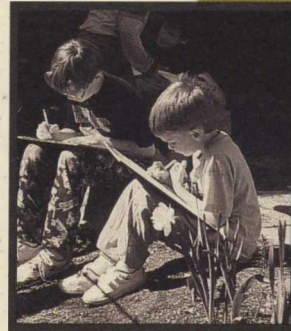
To date, credit unions do not have the same access to capital markets as other financial institutions and so they must rely on equity shares and retained earnings for the bulk of their capital.

Sustaining and building an increased capital base will remain an important priority for VanCity.

Reserves An additional important element of VanCity's financial strategy is to maintain a significant level of reserves for unforeseen contingencies. For example, in an economic downturn, an increase in losses on loans may occur as individuals lose their jobs and have difficulty repaying loans. VanCity maintains a general loan loss reserve which is calculated according to a formula that incorporates historical loss experience. That reserve is accumulated on the balance sheet to be used as required. At the end of 1991 this allowance was .35% of loans, unchanged from the previous year.

In conclusion: A disciplined and highly organized approach to financial management guides VanCity's financial policies. This approach includes the maintenance and access to liquidity, prudent asset/liability management and matching policies, and the recognition that adequate capital and prudent reserves are essential for VanCity's future.

These policies have enabled VanCity to achieve unprecedented success in recent years and will continue to provide ongoing stability, security and strength to meet the expanding needs of VanCity's membership and its community.



Ridgeway Elementary students studying in the school's green refuge.

A Team Approach to the Environment

VanCity recognizes that some of the best environmental solutions and

alternatives are right here at work in our community. Or they're waiting for funding so they can begin.

In 1991, the credit union supported over 20 environmental

initiatives that made a difference in the community. From the greening of school play grounds to the support of an inaugural environmental newspaper for school children.

At year-end, VanCity's Enviro-Fund, which was introduced in 1990 to support local environmental initiatives, reached \$50,000. Through a matching VanCity corporate donation, the fund stood at \$100,000.

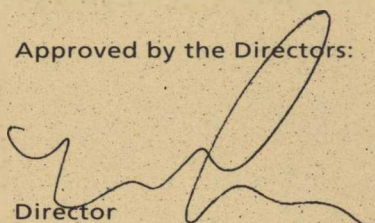
Consolidated Balance Sheet

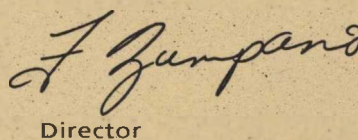
As at December 31, 1991

ASSETS	Notes	1 9 9 1	1 9 9 0
		(thousands of dollars)	
Cash		\$ 34,778	\$ 19,375
Securities	3	331,623	249,070
Loans	4	2,542,970	1,934,827
Premises and Equipment	5	18,362	13,696
Other Assets	6	42,426	48,547
		<u>\$ 2,970,159</u>	<u>\$ 2,265,515</u>
LIABILITIES			
Deposits	7	\$ 2,378,455	\$ 1,986,639
Secured Debentures and Loans Payable	8	482,939	210,806
Accounts Payable and Accrued Liabilities		12,945	5,310
Deferred Income Taxes		474	1,374
		<u>2,874,813</u>	<u>2,204,129</u>
MEMBERS' EQUITY			
Equity Shares	9	25,871	6,350
Retained Earnings	10	69,475	55,036
		<u>95,346</u>	<u>61,386</u>
		<u>\$ 2,970,159</u>	<u>\$ 2,265,515</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, 1991

	Notes	1991	1990
(thousands of dollars)			
Financial Income			
Loans		\$ 250,698	\$ 223,567
Cash resources and investments		26,145	33,078
		276,843	256,645
Financial Expense			
Interest			
Deposits	11	175,105	187,172
Borrowed money		34,498	18,768
		209,603	205,940
Financial Margin			
Provision for losses on loans	4	1,151	2,566
Financial Margin after Provision for Losses on Loans			
		66,089	48,139
Other Income			
	12	15,492	10,551
Financial Margin and Other Income			
		81,581	58,690
Operating Expenses			
Salaries and employee benefits		32,801	26,704
Occupancy and equipment		10,599	9,366
General operating	13	16,502	13,138
		59,902	49,208
Earnings from Operations			
		21,679	9,482
Donations to VanCity Community Foundation			
		595	192
Dividends to Member			
		2,557	655
Earnings before Income Taxes			
		18,527	8,635
Income Taxes			
		4,088	2,162
Net Earnings for the Year			
		14,439	6,473
Retained Earnings, Beginning of Year			
		55,036	48,563
Retained Earnings, End of Year			
		\$ 69,475	\$ 55,036

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

Consolidated Statement of Cash Flows

For the year ended December 31, 1991

	1991	1990
	(thousands of dollars)	
Operating Activities		
Net earnings	\$ 14,439	\$ 6,473
Add (deduct) non-cash charges and (credits)		
Provision for losses on loans	1,151	2,566
Depreciation of premises and equipment	3,242	4,076
Other	592	(619)
	19,424	12,496
Net change in other assets and liabilities used in operations	9,237	4,322
	28,661	16,818
Financing Activities		
Deposits	200,030	161,731
Secured debentures and loans		
Proceeds (net of issue costs)	325,996	—
Issued on acquisition of subsidiary	2,000	—
Repayments	(60,049)	(4,635)
Equity shares	19,521	286
	487,498	157,382
Total Provided by Operating and Financing Activities	516,159	174,200
Investing Activities		
Acquisition of subsidiary (net of cash acquired of \$5,377,000) (Note 2)	8,890	—
Securities	54,449	123,972
Loans	445,278	(284,824)
Premises and equipment	6,835	(2,631)
Other assets	(14,696)	(5,317)
	500,756	(168,800)
Increase in Cash Resources	15,403	5,400
Cash Resources, Beginning of Year	19,375	13,975
Cash Resources, End of Year	\$ 34,778	\$ 19,375

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

Notes to the Consolidated Financial Statements

December 31, 1991

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, (collectively referred to as "VanCity"). The active subsidiaries are as follows: Citizens Trust Company (Note 2) • VanCity Enterprises Ltd. • VanCity Investment Services Ltd. • Metro Townsquare Mgmt. Ltd.

(b) Securities

Investments in government and corporate securities are carried at cost, and gains and losses are taken into earnings when realized.

(c) Financial instruments

Interest rate futures, interest rate swaps and future rate agreements are used in trading activities and to hedge interest rate exposure. When used in trading activities, these instruments 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 instruments are deferred and amortized to earnings over the expected remaining life of the hedged item.

(d) Loans

Loans are carried at the principal amount less allowances established to recognize anticipated losses. The amount provided for anticipated loan losses is determined by reference to specific loans in arrears and by the judgment of management based on previous experience.

(e) Premises and equipment

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

(f) Other assets

Investments in shares and debentures are recorded at cost. Properties acquired for investment purposes are recorded at cost and depreciated over the estimated useful life of each property. Properties acquired in settlement of loans are carried at the lower of estimated net realizable value and the amount owing on the loan. Losses arising on the realization or the reduction to realizable value of such properties are charged to earnings.

(g) Dividends

Dividends on savings and equity shares are charged to earnings.

(h) Debenture issue costs

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

(i) Goodwill

Goodwill, arising from the acquisition of Citizens Trust Company, is amortized on a straight-line basis over three years.

(j) 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 generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the 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 the principal. Income from direct financing leases, included in Other Loans, is recognized in earnings on the basis of a fixed rate of return over the term of each lease. 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. Business Acquisition

Effective September 30, 1991, the Credit Union acquired all of the issued and outstanding shares of Citizens Trust Company. This acquisition has been accounted for using the purchase method with the results of operations of Citizens Trust Company for the period subsequent to September 30, 1991 being included in these consolidated financial statements. Details of this acquisition are as follows:

		(thousands of dollars)	
Fair value of net assets acquired:			
Cash		\$	5,377
Securities			24,530
Loans			162,535
Premises and equipment			1,039
Other assets			3,544
			<u>197,025</u>
Deposits	\$ 184,662		
Accounts payable and accrued liabilities	<u>877</u>		<u>185,539</u>
Net tangible assets			11,486
Goodwill			2,781
Cost of the acquisition		\$	<u>14,267</u>
Consideration:			
Cash paid			12,267
Subordinated note payable			2,000
			<u>14,267</u>

3. Securities

		1991	1990
		(thousands of dollars)	
Securities			
Government	\$ 151,383	\$	32,525
Corporate	6,663		10,411
Demand and term deposits with B.C. Central Credit Union, due within one year	151,770		176,706
Term deposits with chartered banks, due within one year	11,056		22,251
Accrued interest	10,751		7,177
	<u>\$ 331,623</u>	\$	<u>249,070</u>

4. Loans

		1991	1990
		(thousands of dollars)	
Mortgages	\$ 2,189,005	\$	1,648,265
Other loans	350,505		282,858
Accrued interest	12,397		10,615
Total loans	<u>2,551,907</u>		<u>1,941,738</u>
Allowance for doubtful loans	8,937		6,911
	<u>\$ 2,542,970</u>	\$	<u>1,934,827</u>
Maturities			
Balances and principal repayments due			
Within 1 year	\$ 1,229,038	\$	1,252,229
1 to 2 years	337,088		440,071
2 to 3 years	497,178		182,286
3 to 4 years	70,086		48,007
4 to 5 years	418,517		19,145
Total loans	<u>\$ 2,551,907</u>	\$	<u>1,941,738</u>
Loans on which accrual of interest has been discontinued	<u>\$ 4,056</u>	\$	<u>5,373</u>
Non-performing loans as a percent of total loans	<u>0.16%</u>		<u>0.28%</u>
Allowance for doubtful loans as a percent of total loans	<u>0.35%</u>		<u>0.36%</u>

The changes in the allowance for doubtful loans were as follows:

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
Balance, beginning of year	\$ 6,911	\$ 5,275
Increase in the allowance		
Net charge to earnings	1,151	2,566
Recoveries of amounts written off in prior years	1,552	237
	<u>2,703</u>	<u>2,803</u>
	9,614	8,078
Acquired on acquisition of subsidiary	900	—
Loans written off	(1,577)	(1,167)
Balance, end of year	<u>\$ 8,937</u>	<u>\$ 6,911</u>

5. Premises and Equipment

	Cost	Depreciation	Accumulated Net Book Value	
			1 9 9 1	1 9 9 0
	(thousands of dollars)			
Land	\$ 2,918	\$ —	\$ 2,918	\$ 1,870
Buildings	11,868	4,300	7,568	4,468
Leasehold improvements	4,054	2,020	2,034	1,656
Computer equipment	7,762	3,859	3,903	3,826
Office equipment	6,040	4,101	1,939	1,876
	<u>\$ 32,642</u>	<u>\$ 14,280</u>	<u>\$ 18,362</u>	<u>\$ 13,696</u>

6. Other Assets

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
B.C. Central Credit Union, shares (yield 6%; 1990 — 4%)	\$18,137	\$16,741
Credit Union Deposit Insurance Corporation of British Columbia, debentures (yield 6.75%; 1990 — 5.1%)	13,492	17,592
Properties acquired for investment (net of accumulated depreciation of \$131,000; 1990 — \$181,000)	1,346	4,313
Properties acquired in settlement of loans	648	6,041
Accounts receivable, prepayments and other	6,841	1,365
Deferred charges, net of amortization		
Debenture issue costs	1,199	1,060
Lending activity costs	763	1,435
	<u>\$ 42,426</u>	<u>\$ 48,547</u>

The investments in the 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. Deposits

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
Demand deposits		
T-Bill accounts	\$ 289,448	\$ 339,909
Chequing	21,110	57,946
Savings	397,234	325,689
Term, including government, deposits	764,429	477,851
Retirement plans	838,000	722,898
Savings shares	2,707	3,943
Accrued interest	65,527	58,403
	<u>\$ 2,378,455</u>	<u>\$ 1,986,639</u>
Maturities		
On demand and within 1 year	\$ 1,985,957	\$ 1,609,558
1 to 2 years	203,394	272,395
2 to 3 years	106,269	56,860
3 to 4 years	49,861	23,151
4 to 5 years	32,974	24,675
	<u>\$ 2,378,455</u>	<u>\$ 1,986,639</u>

8. Secured Debentures and Loans Payable

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
B.C. Central Credit Union, 8% demand loan	\$ 131,000	\$ 20,000
Short-term borrowings	65,525	—
Loans payable	25,000	35,000
Debentures payable		
9 3/4%, due July 30, 1991	—	50,000
10 3/4%, due November 21, 1994	100,000	100,000
10 3/4%, due August 20, 1996	150,000	—
Mortgage on certain premises, 12%, repayable monthly over a term of twenty years to 1997	2,293	2,342
Other	2,000	—
Accrued interest	7,121	3,464
	<u>\$ 482,939</u>	<u>\$ 210,806</u>

The 8% demand loan is secured by certain demand and term deposits with B.C. Central Credit Union. Short-term borrowings bear interest at a weighted average rate of 7.6% and are utilized under a revolving credit facility. The loans payable bear interest at a weighted average rate of 11.9% and are due in 1993. The short-term borrowings, loans payable and debentures payable are secured by mortgages and securities with a carrying value in excess of the outstanding amounts of the debt.

9. Equity Shares

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
Membership shares	\$ 8,767	\$ 6,350
Investment shares	17,104	—
	<u>\$ 25,871</u>	<u>\$ 6,350</u>

Members are required to purchase up to \$50 of equity membership shares and may purchase up to \$25,000 of equity investment shares. The retraction or redemption of these 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.

10. Capital Requirements

The Financial Institutions Act requires the Credit Union to maintain a capital base, which includes retained earnings, adequate in relation to its level of business activities. The level of capital required is based on a prescribed percentage of the total value of the Credit Union's "risk-weighted assets", each asset being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset. This risk weighting approach is based on a model developed by the Bank for International Settlements, Basle, Switzerland.

The regulations to the Financial Institutions Act prescribe that the Credit Union's present required capital ratio is 6% of the risk-weighted value of assets, with the requirement increasing each year until the ratio reaches 8% for 1994 and subsequent years. At December 31, 1991, the Credit Union had attained a capital ratio in excess of 8%.

11. Interest Expense on Deposits

	1 9 9 1	1 9 9 0
	(thousands of dollars)	
T-Bill accounts	\$ 22,871	\$ 35,903
Chequing	1,220	1,042
Savings	17,747	25,673
Term, including government, deposits	52,618	48,999
Retirement plans	80,649	75,555
	<u>\$ 175,105</u>	<u>\$ 187,172</u>

12. Other Income

	1991	1990
	(thousands of dollars)	
Account service fees	\$ 5,292	\$ 3,979
Building rental	716	628
Canada Savings Bonds commissions	178	161
Credit card fees	268	285
Foreign exchange	1,713	1,055
Insurance fees	848	621
Loan administration fees	1,722	952
Loan application fees	2,067	960
Safety deposit box rentals	637	548
Other	2,051	1,362
	<u>\$ 15,492</u>	<u>\$ 10,551</u>

13. General Operating Expenses

	1991	1990
	(thousands of dollars)	
Communications and advertising	\$ 4,077	\$ 3,171
Computer	1,761	1,672
B.C. Central Credit Union dues and assessments	645	508
Credit Union Deposit Insurance Corporation of British Columbia — deposit and share insurance	2,728	2,316
Insurance	588	458
Meetings and travel	363	246
Postage	933	826
Professional services	1,883	905
Stationery	1,221	1,063
Telephone	597	649
Other	1,706	1,324
	<u>\$ 16,502</u>	<u>\$ 13,138</u>

14. Lease Commitments

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

1992	\$ 2,853,000	1995	1,551,000
1993	2,216,000	1996	1,212,000
1994	1,849,000	Thereafter	2,414,000

15. Other Information

(a) At December 31, 1991 outstanding loans to directors, officers and employees of the Credit Union amounted to \$29,515,334 (1990 – \$25,329,838). 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 of the Credit Union was \$73,700 (1990 – \$68,300).

(c) The compensation of employees and officers of the Credit Union 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	1991		1990
		Number Such Loans	Amount	Amount
(thousands of dollars)				
Mortgages	5%-6.25%	111	\$ 7,876	\$ 6,268
Personal loans				
Regular	7%-8%	384	3,018	3,143
Computer	0%	44	79	78
			<u>\$10,973</u>	<u>\$ 9,489</u>

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

16. Comparative Figures

Certain of the amounts reflected in the 1990 consolidated financial statements have been reclassified to conform with the 1991 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, 1991 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, 1991 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 of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

DELOITTE & TOUCHE
Chartered Accountants

Vancouver, Canada
January 22, 1992

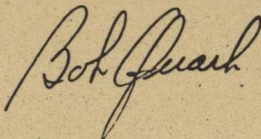
DOANE RAYMOND PANSELL
Chartered Accountants

Management's Responsibility for Financial Reporting

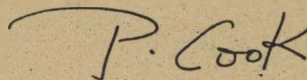
These Financial Statements have been prepared by the management of VanCity which is responsible for their reliability, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act and conform in all material respects with generally accepted accounting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

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 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. Doane Raymond Pannell and Deloitte & Touche, 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, other management staff and the Audit Committee of the Board. Their report appears herein.



Bob Quart
Chief Executive Officer



Peter Cook
Chief Financial Officer

Reinvesting in the Community

At VanCity success is a priority. The better we do, the more we can reinvest in our community.

1991 was VanCity's most financially successful year since we first opened our doors in 1946.

Here's a look at some of the ways we shared our success with the community in 1991:



Catalyst House

VanCity staff raised \$60,000 to support Catalyst House which provides homeless young women with an opportunity to learn essential life skills. Photo features Bob Quart, VanCity CEO, and two of Catalyst House's founders cutting the ribbon at VanCity's fund raising event.



Picasso Cafe

The VanCity Community Foundation helps provide disadvantaged groups with the necessary tools to improve their lives. In 1991, the Foundation supported the Picasso Cafe on West Broadway, a project that employs and trains local former street youth.



"New Canadian Kid"

VanCity has always promoted multiculturalism and diversity in our community. In 1991, VanCity was delighted to support the Green Thumb production of "New Canadian Kid." The play, performed for children in Vancouver, featured the experiences of a young immigrant in his new country.



Recycling - Spreading the Word

VanCity is committed to improving the environmental quality of our community. A donation to the Downtown Eastside Residents Association recycling program enabled the organization to increase participation in the project by printing environmental education pamphlets in English, Cantonese and Spanish.



Photo Project Puts Street Kids In The Picture

VanCity supported local award-winning photographer Robert Semeniuk in his 10-week photojournalism project that worked with street kids in Vancouver's Downtown Eastside.

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

Tim Louis, *Chair*
Bob Williams, *Vice-Chair*
Shirley Chan
Tom Gunton
Wendy Holm
David Levi
Coro Strandberg
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

Christopher Dobrzanski
Vice-President, Treasury

Barry Fenton
Vice-President, Commercial Mortgages and Real Estate

Jeremy Hooper
Vice-President and Controller

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
McCarthy Tetrault
Farris, Vaughan, Wills & Murphy

AUDITORS

Arthur Andersen & Co.
Deloitte & Touche
Doane Raymond Pannell

COMMUNITY BRANCHES

Burnaby

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

North Road and Government

3977 North Road V3J 1S2
Deborah Culham, *Manager*

South Burnaby

5064 Kingsway V5H 2E7
Ben Letkeman, *Manager*

Coquitlam

Coquitlam
#20 - 2991 Loughheed Hwy V3B 6J6
Martyn Kershaw, *Manager*

Delta

North Delta
7211 - 120th Street V4C 6P5
Ann Lund, *Manager*

North Vancouver

North Vancouver
1290 Marine Drive V7P 1T2
Connie Beaque, *Manager*

Richmond

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

Surrey/Langley

Surrey/Langley
19535 Fraser Highway V3S 6K7
Debbie Bywater, *Manager*

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

2510 East Hastings Street V5K 1Z3
John DeRose, *Manager*

Kitsilano

3395 West Broadway V6R 2B1
Lela Grierson, *Manager*

Fraser and 47th Avenue

6330 Fraser Street V5W 3A4
Elaine Kennedy, *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
Keith Tongue, *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*

West Vancouver

West Vancouver
1548 Marine Drive V7V 1H8
Sheree Butler, *Manager*

White Rock

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

VANCITY MEMBER SERVICES INCLUDE:

- Accounts:
 - Chequing
 - Community Service
 - Daily Interest Chequing/Savings
 - Daily Interest Savings
 - Fat Cat Junior
 - Gold Club (*no charge services for members age 55+*)
 - Independent Business
 - Package
 - Plan 24 Savings
 - T-Bill Savings (*Investment Savings*)
 - U.S. Savings/Chequing
- All-in-One statement
- Annuities
 - Term
 - Term Certain Annuity to Age 90
- Automated Teller Machine (ATM) service - CUE/STRATA, EXCHANGE®, INTERAC®, PLUS®
- Bill payments accepted - B.C. Hydro, B.C. Medical Services Plan, B.C. Telephone, 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 deposits, withdrawals and loan payments
- Legal Referral
- Lines of Credit:
 - Personal line - overdraft protection
 - Creditline - minimum \$5,000 line of credit based on your investment equity
- Mortgages (*Residential*):
 - Conventional Fixed Term
 - Conventional Open Term
 - CMHC/MICC Mortgages
 - Homeprime - Variable Rate Mortgages
 - Second Mortgages
- Night Depository Service
- Official Cheques
- Payroll Service
- Personal Loans
- Registered Retirement Savings Plans (RRSPs)
 - Automatic monthly RRSP deductions
 - Ethical Growth Fund
 - Group
 - Self-Directed
 - T-Bill
 - Term Deposits
 - Variable Rate
- Registered Retirement Income Funds (RRIFs)
- Registered Education Savings Plan (RESPs)
- Safety Deposit Box Rental
- Solicitor's Trust Accounts
- 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 (*No charge American Express*)

- VanCity's 24-hour Member Service Line - automated rate information service, branch locations and hours, personal account balance enquiries, transfer between personal accounts
- VISA® card*
- "Working Dollars"

* Membership is not required for Ethical Growth Fund or VISA card

VANCITY TRUST SERVICES

David Williamson, *Manager*
VanCity Trust Department

VANCITY COMMUNITY FOUNDATION

Robyn Allan, *Executive Director*

WHOLLY OWNED SUBSIDIARIES

CITIZENS TRUST

Head Office
#401, 815 West Hastings Street
Vancouver, B.C. V6C 1B4
682-7171

SENIOR MANAGEMENT

Peter Cook, *President and Chief Executive Officer*

John C.A. de Wit, *Senior Vice-President Finance and Treasurer*

R.J. Taylor, *Executive Vice-President, Credit*

Andrew Ee, *Executive Vice-President Financial and Precious Metals Services*

COMMUNITY BRANCHES

North Vancouver
Lonsdale Quay

New Westminster
Columbia Station Mall

Vancouver Downtown
815 West Hastings Street

Granville & 41st
#105, 5701 Granville Street

White Rock
1959 - 152nd Street

Calgary, Alberta
506-6th Street S.W.
Calgary, Alberta T2P 0M1

VANCITY ENTERPRISES LTD.
Chris Catliff, *President*

VANCITY INVESTMENT SERVICES

Beverly Sklar, *Sales Manager*

VanCity members and non-members can also use the services of the following independent company:

VANCITY INSURANCE SERVICES LTD.

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

There are 13 VanCity Insurance Services branches located throughout the Lower Mainland. Please call VanCity Insurance Services for the location nearest you.

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