



1000

**STORIES FROM
2003 THAT
MADE IT A YEAR
LIKE NO OTHER.**

Vancouver
City Savings
Credit Union

2003 Annual Report

Darrell and Janine
VanCity Employees



“People are **drawn** to the experience.”

Photo by Larry Goldstein, VanCity Member since 1980

The truth is, people are drawn to VanCity because the experience is so refreshingly different. Our people pride themselves on creating a welcoming experience like no other. In fact, at VanCity, we've become famous for the quality of our service and professional advice. So much so, that our staff now play a more significant role in our success than ever before.

Care to experience the VanCity difference for yourself? Simply visit any one of our 41 branches today or vancity.com



604-877-7000 • 1-888-VanCity • vancity.com

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100

**STORIES FROM
2003 THAT
MADE IT A YEAR
LIKE NO OTHER**

2003 was a year like no other. It's the very reason we've chosen to highlight 100 stories in this annual report that made it truly a monumental year. These are our stories. Stories that reflect our breadth, our members, our people and the communities we live and work in. And while we've chosen 100 stories, we know there are countless more. Because collectively, we are all the authors of a unique and compelling story in the financial world. The story of VanCity.

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Your feedback please

What are your thoughts on this annual report?
We appreciate your comments. Send your feedback to:

VanCity Public Affairs & Corporate Communications
183 Terminal Avenue, Vancouver BC V6A 4G2
fax: 604.877.8292 email: vc_editor@vancity.com

Message from the Board of Directors

About this time two years ago, both the Canadian men's and women's ice hockey teams were competing for Olympic gold in Salt Lake City.

The women's team faced their American competitors and won, taking back their 1998 loss and bringing home a gold medal for Canada. As the country was celebrating their victory, an eye was cast ahead to the men's final a few days away. Both die-hard and fair-weather fans alike were rooting for the men's squad to pull off a similar win. Canadians were hopeful about the game's outcome, but there was a sense of caution to their optimism, as if a second gold medal win in Olympic ice hockey might be too much to hope for. Of course, the men did win, and the country was united by a strong sense of pride and celebration.

I realize that VanCity's successes may be an unrealistic comparison to two Olympic gold medals, but after 2002's success, I couldn't help but wonder - would a repeat in 2003 be too much to hope for?

Apparently not. 2003 was, once again, our best year ever, in so many respects. These accomplishments are all the more important when we examine the conditions that led to where we are today. We went into the year not expecting the favourable economic conditions that brought record-breaking gains in 2002 to continue. In spite of that, VanCity continued to thrive. Our membership grew by more than 14,000 - our largest growth in recent memory. Volumes were higher than ever, and our staff were working at full capacity in the branches and call centre. Despite our volumes, overall member satisfaction ratings remained at an all-time high.

We experienced 15.2 per cent growth from last year, with consolidated earnings from operations of \$78.0 million, compared to \$67.7 million in 2002. Net earnings in 2003 were \$44.5 million. Your Board of Directors will return 30 per cent of net earnings - to the tune of \$13.5 million - to members and the community in the form of membership and patronage dividends and community grants, via the Shared Success Program. As you've heard time and time again from your Board and Senior Management team, VanCity is about much more than just financial success. Our triple bottom line approach - balancing financial, social, and environmental success - is the underlying factor in VanCity's growth over the longer term. Experiencing a second record-breaking year shows that we've chosen the right path - by continuing to invest in our people, our members, and our community. We've created a financial institution that's stronger, more dynamic, and in a better position to enable positive change in our community.

There are a number of ways we can affect our communities. Providing funding and grants from revenues is one way, but we're seeing that our role in the community is much bigger. In 2004, we'll be providing expertise to a Downtown Eastside organization to create a prototype model to offer core banking services to the people who so desperately need them. We'll also be focusing on strengthening our offering of products beyond accounts and conventional mortgages. As 95 per cent of B.C. businesses have fewer than 50 employees, we'll continue to expand our efforts to support these businesses and non-profit organizations with business lending and other services to foster economic growth in the province.

Like any gold medal hockey team, everyone involved plays a crucial role in a big win. From our hard-working staff, my dedicated colleagues on your Board of Directors, to our business partners, I'd like to congratulate you, our members, for once again, bringing home the gold.



Bruce Ralston
Chair, VanCity Board of Directors



October

19



12



“A monumental year.”



Message from the CEO

100 things that made 2003 a year like no other.

The idea to list a hundred stories about VanCity for the annual report seemed a little crazy at the outset. However, once you see them, they remind you again that VanCity is stories -- about people and about communities. It becomes very clear when you read them, that throughout the entire VanCity Group of Companies, VanCity is much more than a financial institution with branches and ATMs. We're an employer, a partner to BC businesses and non-profits, a donor, a catalyst for social change, a trend-setter, and most of all, a facilitator for members to realize their financial goals.

Collecting these stories and accomplishments from 2003 gives one cause to reflect on the sheer breadth of the areas VanCity touches. We are vigilant in keeping VanCity true to its roots, and we have evolved to a broadly based organization. I've often spoken about the contradictions that permeate VanCity. We're big, but act small. We are profitable, but strongly adhere to our values. We're efficient but we value service to members, and we can be sophisticated but also a little corny.

There are many practices and ways of thinking we take for granted at VanCity. From conducting an audit on our social and environmental results, to taking bold steps in our advertising, I'm thankful that we have been able to take paths that others still aspire to or haven't even thought of yet. We can continue to take credit for maintaining our own identity and measuring ourselves against the needs of our members, our employees, and the community rather than trying to define ourselves in relation to other banks and credit unions. We revel in the fact that we can successfully offer something very different, be a great place to work, a great place to bank, and a great neighbour in your community.

Thank you for being a part of this monumental year. We couldn't have done it without you.



January
5

April
17



Dave Mowat
Chief Executive Officer

June
04

December
28





7 Charged up by Power Smart

BC Hydro recognized VanCity as part of an elite group of Power Smart Certified companies within the province. Only five organizations rank in this highest category of energy efficiency leadership.

8 Computer happy

In our 2003 Member Satisfaction Survey, 88 per cent of respondents were satisfied with VanCity *DirectNet*,™ up from 83 per cent in 2001.

1 Top 100 Employers

VanCity landed on the pages of *Maclean's Magazine* as one of the Top 100 Employers in Canada. Surprised? VanCity employees weren't. VanCity was specifically noted for its flexible benefits plan, transit subsidies, and "trendsetting" employee leave plan.

2 Reputation is everything

VanCity's reputation remained very positive in 2003. People in the Lower Mainland rated VanCity as "highly respected" according to a survey conducted by Ipsos-Reid. 93 per cent of Lower Mainland residents also rated VanCity as "well-managed".

QuickTaxWeb™

3 If you can't avoid paying taxes...

...you might as well pay less to file them. VanCity partnered with QuickTaxWeb, Canada's most popular Internet-based filing software, to offer a 20 per cent discount on the service.

4 Read all about it

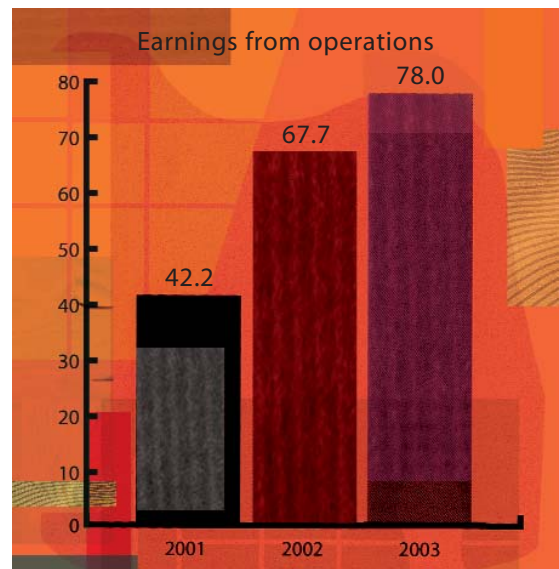
VanCity published 295,000 copies and 10 newsletter issues in 2003, as a free service to members, chock full of straight-forward financial and business advice and news about the community. Ask at your branch or download *MembersFirst*, *BusinessFirst*, or *Working Dollars* from vancity.com.

5 The right tools for the job

Account Managers in branches had a new set of tools to help members with financial advice, thanks to a set of advice-focused financial calculators, courtesy of VanCity's financial planners.

6 VanCity rocks!

Employee "Recognition Night" last May generated nominations for more than 200 employees and was attended by almost 1,200 staff. This annual event celebrates employee excellence with an evening of dinner, costumes, entertainment and awards. The theme for 2003's event was "VanCity Rocks" and did we ever!



9 Consider the bar officially raised

It was a year for breaking records with member satisfaction and employee morale fuelling record growth in membership and profitability. Dividends to members and contributions to the community reached an all-time high of \$13.5 million. The performance was driven by low interest rates and a continued strong residential housing market, with other factors contributing to our success. Our reputation as a values-based organization remained strong with a rating by Ipsos-Reid as one of the most respected companies in B.C. Our social accountability report was selected as one of the two best in Canada and among the world's best, and VanCity made *Maclean's Magazine's* list as one of the Top 100 Employers in Canada. We continued to be recognized for our environmental leadership. We launched Canada's first low-interest loan for hybrid vehicles and were one of five organizations chosen by BC Hydro's Power Smart certification program for our achievements in energy efficiency. The year was topped off by an Innovation Award from Credit Union Central of B.C. for our lesbian and gay marketing campaign, and the signing of our 300,000th member.



13

It's private

We view member privacy as more than a legal obligation – it's an ethical one as well. Our pledge is part of our Statement of Values and Commitments and we complied with government privacy regulations.

14

Term deposits with a conscience

Investors in the Community Investment Deposit and International Community Investment Deposit read all about the great projects their deposits funded in the *Year in Review*.

15

"Dead Girls" wins acclaim

Missing women and the Downtown Eastside were the catalyst for Nancy Lee's novel *Dead Girls*, 2003's winner of the \$4,000 VanCity Book Prize.

16

A Comedy of Errors

Thank goodness it wasn't an account mishap; rather 2003's Bard on the Beach performance. "A Comedy of Errors" carried VanCity as the title sponsor.



10 Lions roaring into schools

VanCity branches took to the field with the BC Lions last year by sponsoring a program in which professional football players visited Lower Mainland schools to encourage high school competition. Many thanks to VanCity friend Lui Passaglia for making this program happen.

11 Reality advertising

Bad news for professional models is good news for VanCity members hankering to step into the spotlight. To make our advertising more authentic and reflective of you, our members, our advertising now uses only VanCity members. Late in the year, a casting call was put out asking you to send in your photos. Four hundred of you stepped forward with interesting and beautiful snapshots that touched our hearts. Thanks to all of you who shared your lives and your images with us.



VanCity

Member PHOTOS

We need real members to make real ads.

At VanCity, we believe there's nobody better to promote our services than the people who use them every day – our members. So we're extending you the invitation to be part of our advertising. Send us a photograph of yourself. And if you have any family members who also belong to VanCity, send us their photos too. Whether you're selected or not, we'll let you know. And who knows, if you're chosen, it could turn into your big break.

Attach this form to your photo and bring it to your nearest branch. Or email your photo and information to photos@vancity.com

Full name: _____

Phone number: _____

Address: _____

Age (Optional): _____ Branch #: _____

Are you a business member with VanCity?

Yes No

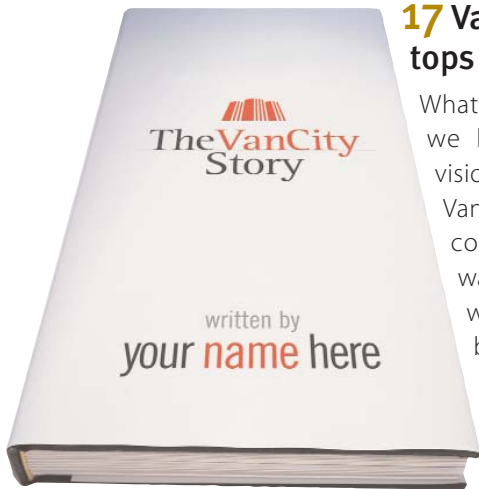
Deadline for submission is December 15, 2003.



12 Happy trees

The Eco-Lumber Co-operative supports production and sale of eco-certified B.C. lumber, but lacked investment to really grow to meet demand. Financing from VanCity Business Services, VanCity Capital Corporation, and other community partners in 2003 ensured the co-op's ventures will lead the way in the eco-forestry market.





17 VanCity story tops best-seller list

What would happen if we had a crystal-clear vision of what makes VanCity different and could explain it in a way that makes others want to share it? We began to find out through our **Living the Brand** project, which uses story-telling as a frame-

work to create a refreshed brand identity for VanCity. The end result will be a VanCity story that captures the history of VanCity as well as the experiences of members and staff, and positions us for success in the highly competitive environment of the future. Sounds like a bestseller.

18 Going the extra mile

Not only does VanCity Investment Management Ltd. (VCIM) provide a financially rewarding, low-cost discretionary portfolio management service, they go the extra mile to deliver legendary service too. In the case of one non-profit member, the staff agreed to attend an evening meeting to review all the accounts at a Board member's home. The member was so impressed with the service, they transferred the rest of their assets from banks for management by VCIM.

19 Not exactly chump change

More than 20,000 members received \$100 or more from the annual Shared Success payout, based on 2003 earnings.

20 Way out there

VanCity's Board of Directors and Executive delivered more than 75 speeches in the community.

21 Pass the tissues

510 employees took advantage of free on-site flu immunizations.

22 The three Rs

2,100 in-house training seats were filled by VanCity employees.

23 Go where U want

In an effort to reduce vehicle trips to universities, both UBC and SFU adopted the U-Pass Program. VanCity provided a three-year commitment to sponsor the program as part of our efforts to address climate change. The program aims to reduce vehicle travel, the need for additional parking spaces, and roadway maintenance. Each student receives the U-Pass as part of their student activity fees and the pass is valid for 3-zone access on buses, SkyTrain, and SeaBus.



24 VanCity staff choose kids

Children in need of permanent families are benefiting from VanCity's annual fundraising efforts. In 2003, our employees selected Adoptive Families Association of British Columbia (AFABC) as their charity of choice.



VanCity staff and their families participated in events such as parking lot parties to raise funds for AFABC.

The talent finders 25

British Columbia has a stronger base of small businesses than any other province. VanCity Capital Corporation (VCC), a young team of growth capitalists, is strengthening this by daring to go where banks fear to tread. This team of talent finders provides capital of all kinds—environmental, entertainment, aboriginal, you name it—to some of B.C.'s most interesting and ingenious entrepreneurs. One project funded in 2003 was the Hupacasath First Nation's China Creek project in Port Alberni. When completed, this project will supply "green" energy (energy from renewable resources) to power 4,000 homes by using run-of-the-river water. Another green energy project, with Maxim Power at the Vancouver landfill site, was completed in September 2003. Maxim's landfill gas project will project enough clean energy to power more than 10,000 homes in the Vancouver area.

With a new loan from VCC in 2003, the Co-operative Auto Network continues to grow and now has more than 1,500 members and 75 cars. CAN is expanding its fleet to include hybrid cars and is making plans with the Municipality of Whistler to play a role in the 2010 Olympics.



26 Welcome to Canada

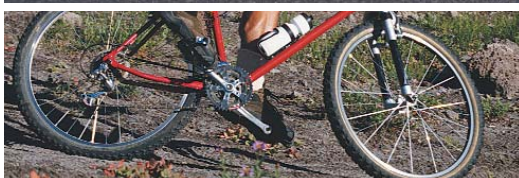
We're helping refugees start new lives in Canada by opening accounts and giving financial advice on using the Canadian banking system. Last year, we opened more than 300 accounts for 200 new Canadian families.

27 Future brightening in Surrey

Surrey Social Futures received a \$40,000 boost from VanCity to continue its work with the community to address issues of poverty, homelessness, and affordable housing in Surrey.

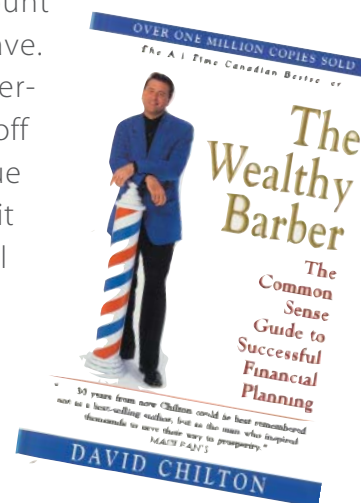
28 Smell that clean air?

In 2003, over half of our employees' trips to work were made using alternative transportation.



29 It ain't rocket science

David Chilton wrote about it 15 years ago, and it's a proven yet simple concept that's still relevant today. To support the concept of "pay yourself first," in 2003 VanCity piloted a new type of account called Easy Save. By taking a percentage right off your paycheque and directing it into savings, you'll barely notice it's gone. Talk about how a little can add up to a lot.



30

Ascending the summit of success

Mount Kudos, VanCity's first online recognition system, was launched in 2003, inspiring employees to give each other a virtual pat on the back.

31

Employees shed 20lbs in one day

For the fifth consecutive year, VanCity achieved the highest employee participation rate in the Commuter Challenge, an annual alternative transportation event sponsored by Better Environmentally Sound Transportation (B.E.S.T.). Our collective efforts saved 9,000 kg in emissions; that's 20 lbs of emissions per participant.

32

La biciletta

In gratitude for the welcome experienced by the participants at the Co-operative Studies Exchange Program in Bologna, Italy, VanCity Capital Corporation donated funds for bicycles to the Street Bike Co-operative in Bologna. The co-op is renting the bicycles out to produce revenue to help sustain their organization.

33

We're barking up the right tree

By choosing 100 per cent post-consumer recycled fibre for this annual report, instead of virgin paper, 58 trees are still happily rooted in the ground.

34 Angels everywhere

The recipe for a child's smile: mix one Christmas tree in a VanCity branch, with dozens of paper angels that bear the name, age, and holiday wish of needy children in the community. Fold in presents, and serve to children through a community partner. Angel Tree programs filled hundreds of hearts during the holidays of 2003 as the most ever VanCity branches participated, including those in the Coquitlam, Langley and Surrey areas.



35 Communities benefit from 52 lasting legacies

In 2003, the VanCity Community Foundation enlisted its 52nd Named Endowment Fund, bringing the total value of these gifts from the community to \$5.6 million. These donations are invested in perpetuity, generating income for hundreds of charitable works in our communities.

36 KPI, SOVAC, and other popular acronyms

KPI stands for Key Performance Indicators. SOVAC is the Statement of Values and Commitments. What it all means is VanCity uses benchmarks to gauge our performance, and then an external auditor verifies the information. It's just part of how we report on our financial, social, and environmental performance, or the TBL (triple bottom line). See page 19 for 2003's KPIs.

37 Thinking outside the box for non-profits

Fraserside Community Services Society provides vital services such as counselling, shelter, and vocational training to disadvantaged people. Faced with potential funding cuts, Fraserside needed to reduce expenses. VanCity Business Services' Robert Marus, working together with experts at VanCity Capital and VanCity Enterprises, enabled Fraserside to purchase and renovate office space, and purchase new housing facilities for clients, ensuring the society's long-term viability.

38 Early savers – the next generation

VanCity's Youth Credit Union program continued to grow in 2003 with more students than ever signing up to save money and develop their math and leadership prowess. Five new schools came on board, including three in Abbotsford and two public schools in East Vancouver and Burnaby. Programs originally running in the Catholic schools were moved into nearby branches, ensuring that the initiative lived on. Today, about 1,200 students belong to VanCity Youth Credit Unions and more Generation "Y'ers" are expected to follow with at least five more locations planned for 2004.

39 If you teach someone how to fish

An innovative financial literacy program through VanCity's Abbotsford Community Branch and Future Foundations (an arm of Mennonite Central Committee BC) is working to alleviate poverty and provide the working poor with a means to better their life. The program's 16 participants learned financial management skills and how to develop their own savings plan. At the end of the program, participants use their savings for education, home purchase, business start-up, or RESP. In the meantime, they've gained self-confidence, a positive outlook for the future, and had a helping hand out of poverty by building assets.



40 No need to worry about high gas prices when you're driving a hybrid (well, less need, anyway). In January, Branch 9 member Charlene Wee drove off in her new Toyota Prius in VanCity's "Break-free from traditional banking" contest.

41 Commitment to communities

In 2003, our commitment to the lesbian and gay communities remained steadfast with support of events such as Pride Vancouver and Victoria, ads in the niche media, sponsorship of financial segments on *Out on TV*, and the long-awaited opening of our 41st branch in the West End. This came from our bid to recognize all communities in 2002 with an ad campaign that broke the mould in Canada.

43 ਮੈਂਬਰਸ਼ਿਪ ਲਈ ਧੰਨਵਾਦ ਸਮਾਗਮ

We were proud to host our first Indo-Canadian Member Appreciation event. The invitations were sent, and we quickly reached capacity of 800. With such a popular event, 2004's event will need a bigger venue.



44 Do you know what's on your credit report?

According to Equifax Canada, only 13 per cent of Canadians have seen their credit report. VanCity was the first traditional financial institution to offer instant access to your credit report online for a modest fee. (To receive a free copy, you can still request one from Equifax at 1-800-465-7166).



45 Great rates

In a year when interest rates were hitting historical lows, VanCity strove to give members the best rates possible. One example of this was the 90-day term offered in the fall, when we had the best rate in the market.

46 Cutting edge credit union

VanCity earned an Innovation Award from Credit Union Central of BC for our ground-breaking gay and lesbian marketing campaign.

The VanCity RRSP Guide

Solutions to your RRSP dilemmas

VanCity can help take the mystery out of financial planning and RRSP investing.

Find out about tax-saving strategies, budgeting, contingency planning and more, regardless of which stage of life you are in.

This year's RRSP contribution deadline is March 1, 2004.

starting out (18-30)

getting established (30-45)

building & growing (45-60)

enjoying retirement (60+)

rrsp applications
vancity's rrsp solutions
branch locator
investment advisors

42 Meet Betty and Brian

Not everyone has time to meet face-to-face with a financial advisor. VanCity created an online resource to help members make RRSP and other financial decisions, using real-life examples of issues we all may eventually face. Read the personal stories of Betty and Brian, Claude and Gayle, Patrick and Susan, and Jackie and how they used simple financial strategies to help reach their goals: www.vancityrrsp.com or www.citizensbankrrsp.com



Credential Securities Investment Advisors

47 The ins and outs of investing in 2003

Was 2003 a poor year for the investment industry? It depends on who you ask.

Our members and the Investment Advisors at VanCity's branch of Credential Securities Inc. had some impressive statistics in 2003.

Of the top five Credential Securities Investment Advisors in Canada for 2003, three are with VanCity: Pat Shellard (#2), Thomas Tsiaras (#3), and Gwynne Cafik (#4). In the top 20, eight are with VanCity.

Back in 2002, VanCity piloted a new service in branches to bring wider access to wealth management services to members. These Mutual Funds Investment Specialists provide investment planning advice through Credential Asset Management Inc. The pilot proved to be such a big hit with members, we expanded the Mutual Funds Investment Specialist team which will be 30-people strong by mid-2004.

Mutual funds are offered through Credential Asset Management Inc. and mutual funds and other securities are offered through Credential Securities Inc. Credential Securities Inc. is a member - CIPF.

Credential
Securities

Credential
Asset Management



West End



Victoria

48 Growing our own way

Call it rebellious. Call it giving members what they want. As banks have been fiercely cutting their branch networks, we have continued to grow ours. 2003 saw the opening of three new branches. In June, a stunning new location opened in North Vancouver, near Lynn Creek, featuring a 23-foot totem pole crafted by local artist David Neel. In October it was Victoria's turn, when it moved from a small, off-the-beaten-track site to a building twice the size at a high profile corner. Both these branches were built to "extreme green" standards with an unprecedented focus on *maximizing* energy efficiency and *minimizing* their environmental footprint. They were also created with a unique interior design that truly reflects the community. And while we search for the perfect location in the West End of Vancouver, we opened a temporary location on Robson Street to ensure this community was well-served. We were so welcomed to the neighbourhood, there were people waiting on the curb to open accounts on opening day! Look for us to continue growing our own way in the days ahead.



Lynn Creek

Jeff Vinnick



49 Youth Credit Unions in Catholic schools

When the Archdiocese of Vancouver cancelled the Youth Credit Union programs running in Roman Catholic schools last summer, no one could have predicted the controversy that followed. Opposed to VanCity advertising to the gay and lesbian community, the Archdiocese called for the removal of the Youth Credit Unions

in four Catholic schools. VanCity was inundated with more calls, emails and letters from members and non-members on this issue than any other single issue in its 57-year history. When the dust settled, 700 pieces of feedback were received by the CEO's office alone, with 85 per cent of the comments supportive of VanCity. VanCity chose not to dwell on the decision, but on the future of the program. By the end of the year, the impacted Youth Credit Union programs were alive and well and had been relocated to the sponsoring branches.



50 Lights, camera, sponsorship

We stepped into the spotlight to premiere a four-year sponsorship of the Vancouver International Film Festival. This allowed us to tell our story through a trailer shown at the festival and gave VanCity members other perks such as ticket contests and savings on film festival memberships. All the beautiful people will be gliding down the red carpet to take their seats in the VanCity Theatre in 2005 when the new Vancouver International Film Centre opens in downtown Vancouver. This significant sponsorship will see VanCity's name in lights for the next 20 years. *Cue applause.*

51 The behind-the-scenes experts

Members don't necessarily need to order up a full financial plan to benefit from VanCity's Financial Planning department. These experts supported VanCity staff with some of the highest professional designations to deliver the right level of advice for a member's particular financial situation – from debt reduction to investment, retirement, insurance and estate planning.

52 Leisure trail one step closer to reality

Better Environmentally Sound Transportation (B.E.S.T.), the winner of the first-ever \$1-million VanCity Award for its 22-kilometre greenway initiative, was one step closer to reality when it received \$8.8 million as part of a Federal Showcase Program.

53 Tellin' it like it is

More than 80 per cent of staff completed our annual employee engagement survey; results indicated they're more loyal than ever. Our Employee Engagement Index went from 68 per cent in 2002 to 75 per cent in 2003.

54 A new VISA* is just a few clicks away

Not only does VanCity have some of the best VISA Rewards programs available, but in 2003, we launched an online application process, giving applicants a new way to apply.

55 Financial Planning 101

More than 850 members attended one of 40 free investment seminars led by VanCity financial experts. Topics were Establishing a Plan, Building your Portfolio, and Maximizing Retirement Income.

*VISA Int./VanCity, Licensed User.



Bruce Ralston, Mary Wreglesworth (WISH), Dave Mowat, Karen Duddy (WISH)

56 “WISH-ing” for a million dollars

Each year VanCity gives away \$1 million to a non-profit organization to use for a major community project, chosen by member vote. On the ballot in 2003 were ATIRA Women’s Resource Society, the Burnside Gorge Community Association, the Mennonite Central Committee-BC, and WISH Drop-in Centre Society. After all the votes were counted, WISH Drop-in Centre got the award to upgrade its shelter to a 24/7 operation for female sex trade workers on Vancouver’s Downtown Eastside.

You got our thanks for casting your vote and the satisfaction of knowing that your voice was heard.

57 Sharing the wealth

The record earnings were good news for you and our communities as they translated into \$13.5 million – more than 30 per cent of net profits – being shared with you. The highest amount ever – \$5.4 million – went to community organizations, including the winner of the \$1-million VanCity Award. VanCity members received \$8.1 million in patronage rebates and member share dividends as part of our Shared Success program.

58 A dream come true

Just days before Dr. Peter Jepson-Young died in 1992, he established the Dr. Peter AIDS Foundation to provide comfort care for people with AIDS. In September 2003, the Dr. Peter Centre finally opened the first day centre, residence, and HIV/AIDS health care centre in Canada. Along with government and community partners, VanCity played a key role with the help of a \$25,000 grant from the VanCity Board, development consultation from VanCity Enterprises, and VanCity CEO Dave Mowat’s participation in the overall fundraising effort.



The VanCity waterfall at the Dr. Peter Centre



MLA Lorne Mayencourt and VanCity Board Director Elain Duvall



59 Putting ethics into action

Co-founded by VanCity, the Ethics in Action Awards, which recognize companies for "doing the right thing," turned 10 in 2003. That's a whole decade of celebrating businesses with a sense of social responsibility.

60 DirectNET hits the big 5-0

Better, faster, more convenient - just a few ways to describe advancements in VanCity's online banking system. New features of *DirectNET* 5.0 launched in 2003 included: cheque imaging, allowing you to view and print copies of cashed cheques; HyperWALLET, giving you a way to move funds between financial institutions, exchange currencies and e-mail money to friends; multiple bill payment options; and an improved design.

61 Cookie dough 'n' knitting needles make good cents

Thanks to the hard work and creativity of our employees and your generous contributions, non-profit organization Family Services of Greater Vancouver (FSGV) and the communities that it serves are \$86,000 better off. FSGV was VanCity employees' 2002/2003 fund-raising partner of choice and benefited from dozens of book sales, bake sales, craft fairs, and barbeques.



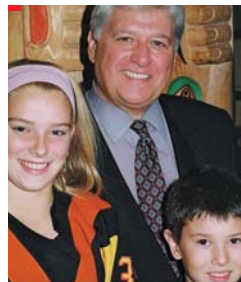
62 When 1,900 people tell a story, pens don't cut it

Instead, we invited each employee in the VanCity Group of Companies to help author the VanCity story for our Living the

Brand project. Called Online Envisioning, it was a multimedia experience that captured employees' thoughts about the most fundamental qualities and characteristics of VanCity.

63 Riding the airwaves

VanCity was featured in the media more than 500 times in 2003, including 400 print articles, 60 TV clips, and more than 30 mentions on radio.



64 He scores!

Kids couldn't get enough of the Lynn Creek Community Branch's hockey experience program. It gave them tips from Canucks legend "King" Richard Brodeur and started them on the path to saving by opening accounts as VanCity youth members.



65 Gingerbread housing is through the roof

While housing prices remained high, the going rate of gingerbread houses continued through the roof with the Mission Community Branch's annual Gingerbread House Auction raising thousands of dollars for the Mission Christmas Bureau for its fourth straight year.

66 40 heads are better than one

Experts in the socially responsible investment (SRI) field gathered in Vancouver in June to discuss issues in the socially responsible investment market. Sponsored by VanCity, the conference was focused on the growing linkage between SRI and company operations.

67 Fair trade for coffee farmers

Social impact investing can make a difference. In April 2003, Real Assets (a VanCity subsidiary) co-filed a shareholder resolution asking Procter & Gamble to help destitute coffee farmers. Real Assets withdrew the resolution when the company agreed to launch a Fair Trade Certified coffee, sold online under its Millstone brand. Strong sales bode well for wider retail distribution, and are an important step toward improving the lives of coffee farmers and their communities.



68 How plastic helps the environment

Does everyone know that by using their VanCity VISA* card, they're helping out environmental projects? That's because a portion of VanCity VISA profits go to the EnviroFund™, which funds projects that address environmental issues chosen by cardholders. In 2003, cardholders chose alternative transportation, water quality & consumption, and hazardous wastes & toxics as their key areas of concern. To date, the fund has given out total grants of more than \$1 million. In 2003, \$100,480 was distributed to the following groups:



SeaChange Marine Conservation Society

- Society Promoting Environmental Conservation's **Real Environmental Alternatives to Pesticides** project: \$27,000.
- SeaChange Marine Conservation Society's **BC Coastal Eelgrass Stewardship** project: \$23,130
- Sustainable Cities Foundation's **Switch Out British Columbia** project: \$27,000
- The Land Conservancy of BC's **The Gorge Naturalization & Restoration** project: \$23,350

Read more about EnviroFund projects at vancity.com/envirofund



69

Need to make a deposit?

Members can now make them at the Robson Market ATM. Withdrawals were always welcome.

70

It might not be a Grammy...

...but VanCity's Marketing team was singing a happy tune after being recognized with four AIME awards (Achievement in Marketing Excellence) from the Marketing Association of Credit Unions.

71

Wasn't that a party!

Carnegie Community Centre celebrated its 100th Anniversary in 2003 and VanCity was there to support its Downtown Eastside neighbour through some loaned leadership, fund-raising support, capacity building, and moral support. Happy anniversary to Carnegie, in the historic heart of the city!

72

Objects in the mirror are cleaner than they appear

The first of its kind, VanCity introduced a clean air car loan at the cheapest rate going. The goal was to drive hybrid car sales and slow climate change. Novex Courier couldn't sign up fast enough, zipping in to go green. Others followed close behind but didn't tailgate.

73

歡迎

An executive team from the Jiangsu Province Rural Credit Co-op Union from Nanjing, China, visited VanCity to experience a very large credit union, through the eyes of a very small one.

74 Two shining stars

Readers of the Vancouver Courier gave VanCity's Commercial and 1st Community Branch and the Kitsilano Community Branch each a Star of Vancouver. A pretty special honour, since voting is done by readers.

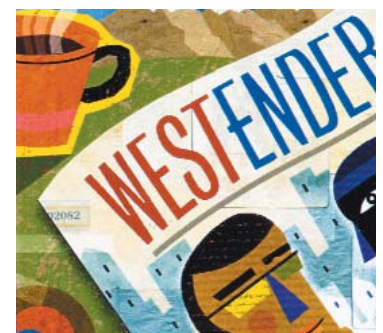


75 Across the pond

With the involvement of UNHCR (United Nations High Commissioner for Refugees) and the Canadian Embassy, VanCity supported a housing initiative to provide care and shelter for children of asylum seekers in Brno, Czech Republic.

76 Best financial institution that wasn't

Readers of the WestEnd newspaper voted VanCity the "best financial institution in the West End." Pretty good, considering we didn't even have a branch there yet. (That was remedied in October.)



*VISA Int./VanCity, Licensed User.
™Registered trademark of VanCity.



Left to right
Bruce Ralston, Chair
Reva Dexter, Vice-Chair
Elaine Duvall, Cheeying Ho,
Catherine McCreary



Left to right
Greg McDade, Shauna
Sylvester, Sandy Watson,
Rhonda Zabinsky

77 Put it in the ballot box

Because you elect the Board of Directors to represent you in the community and they tackle the responsibility with a seriousness that this role commands. Because they are out there, working tirelessly to tell the VanCity story and make the organization and our communities stronger. Because their dedication and passion for VanCity and our shared values comes from the heart and a greater purpose – and that makes *all* the difference.

78 And your taxi driver has a PhD

Fact is, newcomers to Canada face many challenges, including getting recognition for their credentials earned internationally. A new program through MOSAIC and VanCity's Commercial and 1st Community Branch provided special loans to new immigrants to offset the costs for skill upgrades, exams, translations, and assessments.

79 That's a lot of statement items

Our internal payment systems team processed a record 5.9 million electronic credits and debits, processed 4.5 million cheques, 14.2 million point-of-sale items, 2.6 million ATM transactions, and 3.2 million bill payments.

80 Going for the eco-gold

It's an Olympian task to make sure the Winter Games are as eco-friendly as possible. With the help of VanCity, Vancouver's bid for the 2010 Olympic Games included a focus on environmental and social sustainability. VanCity loaned staff to the Bid Corporation for six months to assist in developing a purchasing policy for the Games that focused on buying locally to create employment opportunities for local people, reducing waste, and recycling.

81 SigXP and ComXP equals better service

Whatever you call it, VanCity Insurance Services' replacement of its antiquated software system with a new customer relationship system will translate into better service for its customers. By the end of 2003, VanCity Insurance had completed a year-long reorganization of its operations to better manage service capacity issues. It's not been smooth sailing, but with the help of dedicated Account Managers for Life Insurance and Commercial Insurance, personal Account Managers for existing retail customers, and the new software system, VanCity Insurance customers should see calmer waters ahead in 2004.

82 We told you so, PepsiCo

Many areas of the world face chronic water shortages. In May 2003, Real Assets filed a shareholder resolution asking PepsiCo to disclose how it plans to cope with water scarcity. Despite management's opposition, eight per cent of shareholders supported the resolution—double the tally needed to earn the right to re-file. Days later, *The New York Times* reported that a local government in south-western India had revoked the water-use licence for a Pepsi bottling plant over concerns that it was depleting local aquifers. Since then, PepsiCo has agreed to evaluate its water conservation practices.





Nancy and Niels Bendtsen

83 Furniture is a gas in Gastown

Niels and Nancy from Inform Interiors Group are examples of how building a relationship with the right financial institution can make for two very satisfied members. After starting out with a mortgage for their manufacturing facilities, VanCity went on to provide a commercial mortgage and operating credit. As the retail side of the business grew, VanCity agreed to finance a two-phase project, providing Inform's retail arm with a new space in 2004. The showcase building, in the

heart of Gastown, is being hailed as a pinnacle of design, function, and environmental consciousness.

Lending aside, what really makes the relationship with Inform Interiors extra special is their willingness to provide testimonials, appear in advertising, and quote their experience at VanCity. "VanCity is different because it's in the neighbourhood. Their people know our business, and understand our passion."

86 Moving is good – just ask Victoria branch

Three words – moving is good. The new branch on Douglas Street in Victoria experienced a whopping 175 per cent leap in new members in 2003.

87 Fraser Valley fertile for membership

It was a good year for the Abbotsford Community Branch with a 37 per cent increase in new members.

88 Things are jumping on the North Shore

North Shore branches posted an 87 per cent jump in new members during the year.

89 Growing up in Burnaby

The Burnaby community branches enjoyed a 19 per cent growth in membership.

84 An "A" for Accountability



In Canada, social accountability reporting may not yet be widely understood or practiced, but VanCity's seven years' experience in this area has landed us near the top of the heap. Stratos, a Calgary-based sustainability consulting firm, ranked VanCity's 2000-01 Accountability Report second of 35 top Canadian reports. When compared to international leaders, VanCity's report ranked fifth. VanCity's next Accountability Report will be released in June 2004.

85 Amnesty International, Oxfam Canada, and Shared Interest™

Citizens Bank members who hold Citizens Bank VISA* cards will be happy to know that their purchases spurred donations to worthwhile causes. \$12,686 went to Oxfam, \$10,338 went to Amnesty, and a whopping \$169,009 in donations were made through the Shared Interest program.

90 Share the love

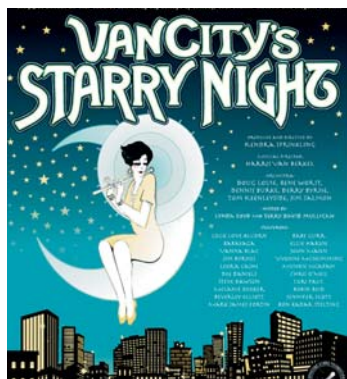
It's no secret that in 2003 VanCity had some of the best new member growth in recent memory. While we'd like to take all the credit, we can thank our loyal existing members for some of it. Of our 14,000 + new members, 3,205 came through the Member Referral Program. And that's just the ones we know about. All this, including an innovative email referral program, allowed us to reach the 300,000 member milestone in mid-December.

*VISA Int./Citizens Bank, Licensed User.

91 Credit unions rate highest
According to the Canadian Federation of Independent Business, credit unions rated the highest when it came to meeting the needs of small and medium-sized businesses.

92 WebPride
www.vancitypride.com. The web developers worked overtime on this one. Animation, testimonials, and even a puzzle.

93 Leadership lives
VanCity supported the development of dozens of management employees through our Living Leadership program; two classes graduated in 2003.



96 Starry Night
We were proud first-time supporters of this star-studded theatre event to help out local AIDS organizations. With VanCity's help, Starry Night raised \$20,000 for this cause.

97 VanCity's values set in stone
Five mosaics artistically expressing VanCity's Statement of Values and Commitments were installed in the sidewalks of Terminal Avenue outside VanCity Centre. The pieces were commissioned through the Carnegie Community Centre's Street Outreach Program and produced by Downtown Eastside artists.



98 Our PET project
Getting it right the first time is our PET (Progressive Error Termination) Project, implemented to identify and prevent those pesky errors that members sometimes experience.



94 Everywhere you are
The EXCHANGE® Network is a full-function, national ATM network with ATMs from 68 financial institutions. The network continued to grow in Canada and the U.S. with the addition of new banking partners. Since VanCity is part of the network, VanCity members can use any EXCHANGE ATM without paying additional fees. In effect, all EXCHANGE ATMs function just like VanCity machines. With 1,350 machines across the country – 500 of them in British Columbia – access to member accounts, fee free, is easier than ever. Look for the EXCHANGE symbol at other credit unions, HSBC, and Canadian Western Bank.

95 Investments with impact
"Social impact" mutual funds launched in 2003 from Real Assets allow investors to save for their financial goals and build a better world. **The Real Assets Social Impact Balanced Fund** is a conservative blend of Canadian and US stocks as well as Canadian bonds and is suitable as a core holding in a long-term investment portfolio. **The Real Assets Social Leaders Fund** is a unique and exciting global equity portfolio of 25 to 100 companies that are outstanding leaders when it comes to social, environmental and ethical performance.

99 Green electricity provider? Yes! Weapons dealer? No thanks
The Baseline Ethical Policy, which began rolling out in 2003, outlined the kinds of businesses or business members we prefer to work with. It also identified those where we want to proceed with caution, if at all. It's not really about drastically changing our relationships with business members – it's about being more consistent in our approach from branch to branch, and recognizing members who support VanCity's values.

100 Getting members into the right account
If you feel like you're paying too many service fees, you might be in the wrong account. In 2003 VanCity launched an online account selector tool to help members choose the right package account for their needs. Use it at www.vancity.com/accountselector



Randall, Kylie, David, Lee, Ken, Farah and Elena
VanCity Members



Photo by Larry Goldstein, VanCity Member since 1980

“Greater numbers of people are
drawn by a common good”

Last year, VanCity attracted more new members than at any other time in its history. Over 20,000 new members to be exact. People who certainly saw they could benefit from our great products and services. But more importantly, they know that by joining VanCity, they're part of a unique financial institution that shares a significant portion of its profits to bring positive change to their community and the environment. And with every new member that joins, we can do a little more.

Are you drawn to a common good? Then we invite you to visit vancity.com today or any one of our 41 branches.



604-877-7000 • 1-888-VanCity • vancity.com • vancitycareers.com

OUR MISSION

To be a democratic, ethical, and innovative provider of financial services to our members. Through strong financial performance, we serve as a catalyst for the self-reliance and economic well being of our membership and community.

OUR PURPOSE

Working with people and communities to help them thrive and prosper.

OUR VALUES

Integrity

We act with courage, consistency and respect to do what is honest, fair and trustworthy.

Innovation

We anticipate and respond to challenges and changing needs with creativity, enthusiasm and determination.

Responsibility

We are accountable to our members, employees, colleagues and communities for the results of our decisions and actions.




OUR COMMITMENTS

We make the following commitments in order to live our purpose and values in how we do business. Our aim is to strengthen VanCity's long-term business while contributing to the well being of our members, staff, communities and the environment.

- We will be responsible and effective financial managers so VanCity remains strong and prospers.
- We will provide you with outstanding service and help you achieve your financial goals.
- We will provide meaningful opportunities for you to have input in setting the direction of the credit union.
- We will ensure that VanCity is a great place to work.
- We will lead by example and use our resources and expertise to effect positive change in our communities.
- We will be accountable for living up to our commitments.

VANCITY'S KEY PERFORMANCE INDICATORS

In 2000, the Board approved VanCity's Statement of Values and Commitments to guide business decisions and strategies and ensure we stay true to the values that have made us strong. The Board approves the indicators by which we measure our performance at living up to these commitments.

The tables and charts indicated with  in this report provide a high level overview of VanCity's performance at living up to the Statement of Values and Commitments. Detailed data, including feedback from members, employees and community leaders will be published in an externally verified 2002-03 Accountability Report to be released in the summer of 2004. This report is the final product of our two-year social audit process and includes VanCity's response to key findings, areas where we feel we could improve.

For more information on our social audit process, performance measures, and Accountability Report call us at (604) 877-7000 or 1-888-VanCity, email us at info@vancity.com, or visit www.vancity.com/accountabilityreport.

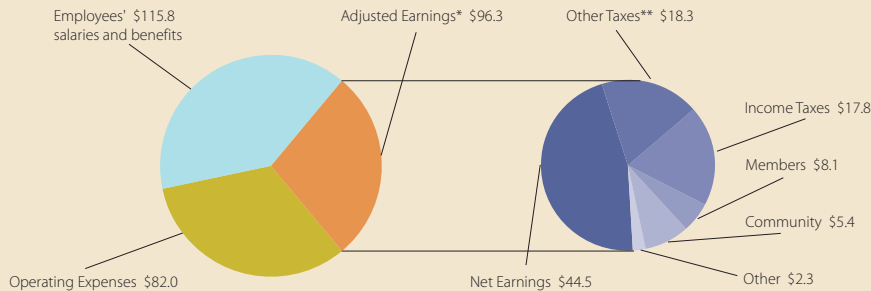


We will be responsible and effective financial managers so VanCity remains strong and prospers

Key Performance Indicator	2003	2002	2001	Performance Summary	Comments
Net earnings - consolidated (millions)	\$44.5	\$39.6	\$25.9	↑	Significant increase due to strong loan and deposit volume growth fuelled by an active housing market, favourable interest rate environment and improved products and member service.
Return on equity ¹ consolidated	11.6%	11.7%	8.7%	↔	Continued strong earnings consistent with prior year.
Total assets - consolidated (billions)	\$9.0	\$8.2	\$7.5	↑	Significant increase due to increase in volumes from existing members, and strong membership growth.

¹Net earnings/retained earnings (excluding member shares)

Distribution of consolidated revenues (millions)



*Adjusted to exclude other taxes paid

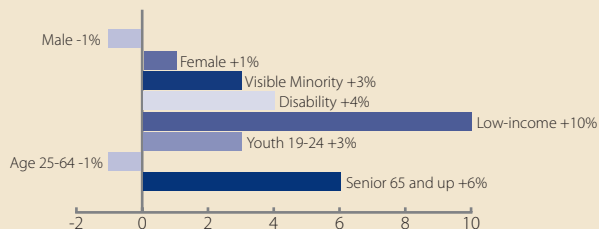
**Other taxes include: payroll, property, BC Corporation Capital Tax, GST and provincial sales tax



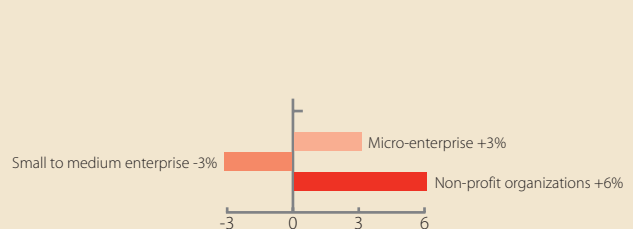
We will provide you with outstanding service and help you achieve your financial goals

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
Personal members: Overall satisfaction (% totally satisfied)	84% (36%)	76% (28%)	79% (33%)	↑	2008 Target: 41% totally satisfied. On track to meet target. Increase likely due to branch service improvements and introduction of complaint handling standards.
Business members: Overall satisfaction with service (% strongly agree)	79% (35%)	75% (28%)	n/a	↑	2008 Target: 37% strongly agree. On track to meet target. Increase likely due in part to focus on error reduction and relationship building, as well as high levels of satisfaction with on-line banking.
% Personal and business members agree overall VanCity provides them with the financial services they need	72%	61%	73%	↑	Results include 6% of members who responded "Don't Know" (13% in 2001)
% Personal members agree they can trust VanCity staff to always have their best interests in mind	62%	n/a	n/a	n/a	Results include 16% of members who responded "Don't Know"

Deviation from overall personal member satisfaction by diversity in 2003



Deviation from overall business member satisfaction by type in 2003



We will provide meaningful opportunities for you to have input in setting the direction of the credit union

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
% Personal and business members agree VanCity provides meaningful opportunities to have input in setting the direction of the credit union	49%	53%	n/a	↓	Results include 26% of members who responded "Don't Know" (19% in 2001). This continues to be an area of challenge for VanCity.
% Personal and business members agree VanCity addresses their concerns in timely manner	61%	67%	n/a	↓	Results include 16% of members who responded "Don't Know" (13% in 2001).
Eligible personal and business members (# and %) who vote in Board elections. Key reasons why members don't vote.	12,152 5.6%	12,322 5.4%	7,580 3.2%	↔	Top three reasons why members don't vote: too busy/not enough time; didn't have any/enough information about the candidates; doesn't affect me/don't care.

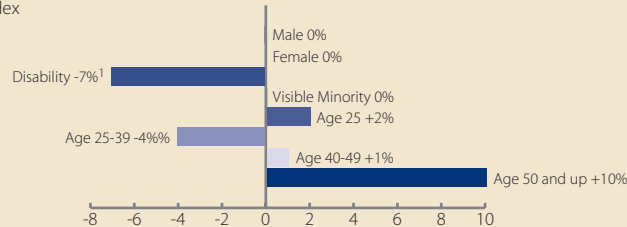


We will ensure VanCity is a great place to work

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
Employee Engagement Index (EEI)	75%	68% ¹	n/a	↑	2008 Target: 80%. On track to meet target. Index based on answers to 6 key questions
% Employees agree they are able to maintain an appropriate and healthy balance between work and personal commitments	64%	61%	46%	↑	While performance has improved, this remains an area of concern for VanCity
Staff turnover	9.4%	11.0%	11.0%	↑	Decreases in both voluntary and involuntary turnover
% Employees agree VanCity's Statement of Values and Commitments provides meaningful direction in their work	75%	57%	n/a	↑	Significant increase

¹Restated from 2002 Annual Report due to change in questions used to calculate Employee Engagement Index.

Deviation from Employee Engagement Index by diversity² in 2003



¹19 employees self-identified as person with disability.

²Diversity data based on self-identification on staff survey.



We will lead by example and use our resources and expertise to effect positive change in our communities

Baseline Ethical Policy (BEP): describe and report status of implementation in key business areas

Applies to businesses, non-profit organizations and co-operatives. Implementation status as at December 31, 2003.

Purchases:

100% of 41 strategic suppliers (high value, critical to the delivery of VanCity's services, and/or offer a unique good or service) screened to BEP standards. Action plans in place for 6 suppliers where concerns identified. BEP screening requirements included in approved Procurement Policy.

Investments:

100% approved counterparties met BEP standards. Investment Policy updated to include BEP screening requirements.

Services to Business Members:

BEP procedures applied to new business accounts, deposits, and credit (new and renewed).

Community Grants:

100% of shortlist candidates for 2003 VanCity Award met BEP standards.

VanCity's Baseline Ethical Policy

VanCity seeks to do business with organizations that show a commitment to:

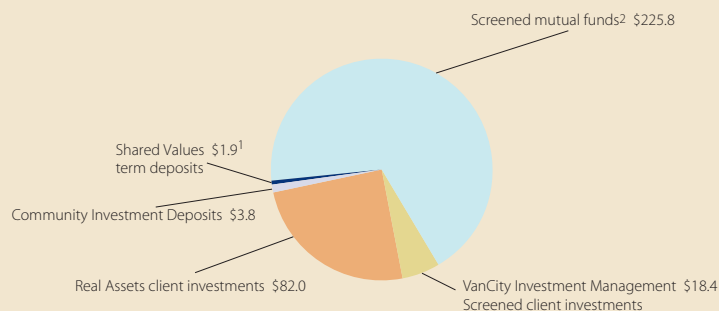
- Healthy Lifestyles
- Environmental Leadership
- Respect and Fair Treatment
- Ethical Business Practices
- Peaceful Communities

Areas we will approach with care include:

- Tobacco
- Alcohol
- Gaming
- Uranium/Nuclear Power
- Weapons
- Adult Entertainment

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
CO ₂ emissions (total, per employee) from energy use and staff transportation choices	Data not available at this time				See the 2002-03 Accountability Report to be released in June 2004.
Member and client investments in socially responsible investment (SRI) options (millions).	\$331.9	\$332.4	n/a	↔	Decline in member investments in SRI options, offset by strong growth in Real Assets client investments.

Socially responsible investments by type in 2003 (millions):



¹Product last offered in Spring 1999.

²Includes Ethical Funds WOF MERITAS Acuity and Mackenzie Funds.



We will lead by example and use our resources and expertise to effect positive change in our communities (cont'd)

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
Community investment loans (high impact) outstanding: total \$ and % of loans outstanding (unconsolidated, in millions)	\$12.7 0.20%	\$12.2 0.18%	\$14.0 0.25%	↔	Includes micro-credit, social housing loans, clean air car loans, and community investment deposits placed (local and international).
Distribution to the community as a % of average pre-tax consolidated earnings over 3 years	13.9%	9.8% ¹	9.3% ¹	↑	Significantly higher than the Canadian Centre for Philanthropy Imagine benchmark of 1% domestic pre-tax profits (average over three years).
% Employees agree what VanCity does for the community and environment makes them feel good about working at VanCity	85%	82%	n/a	↑	
% Personal and business members agree what VanCity does for the community and environment makes them feel good about being a member at VanCity	70%	60%	n/a	↑	Results include 12% of members who responded "Don't Know" (20% in 2001).

¹Restated for 1999 and 2001 to align with Imagine benchmark.

VanCity Subsidiaries and Affiliates

Citizens Bank of Canada

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
% Members satisfied overall with Citizens Bank service	79%	90%	88%	↓	Between 2001 and 2002, the bank went through major restructuring which impacted member service. Since 2002, satisfaction has remained relatively stable. Member surveys indicate key areas for improvement are member service and accessibility.
Employee Engagement Index (EEI)	55%	n/a	n/a	n/a	Measure introduced in 2002. Index based on answers to 6 key questions. In 2002, the score was 43% - in large part due to tremendous change happening within the bank. As a result of management's concentrated efforts and employees' growing comfort with the changes, by 2003 the score had risen by 12 percentage points. Raising the level of employee engagement continues to be one of the bank's priorities over the next 5 years.

VanCity Community Foundation

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
Total financial assistance disbursed to the community: by type (millions)	\$0.32 Direct¹ \$0.07 Technical Assistance \$1.89 Supported³	\$0.35 Direct \$0.02 Technical Assistance \$0.41 Supported	\$0.22 Direct \$0.01 Technical Assistance ² \$1.31 ⁴ Supported	↑	Increase in direct disbursements due to growth in Named Funds. Approximately 90% of supported disbursements originate from VanCity Credit Union. Provided technical assistance to more than 40 different community groups in 2002-2003. Visit www.vancity.com/vcf for more information on VanCity Community Foundation.

¹Disbursements made directly by VanCity Community Foundation. ²Indicates the dollar value of the technical assistance provided to various community groups. ³Disbursements administered by the Foundation on behalf of VanCity and other partner organizations. ⁴Includes \$1.1 million disbursement to VanCity Place for Youth from VanCity's staff fundraising program.

VanCity Investment Management Ltd.

Key Performance Indicator	Comments
Description and compliance with ethical screening criteria	Investment philosophy typically excludes nuclear energy, tobacco and alcohol companies. In addition, all companies are assessed on environment and community impact and their labour practices*. All clients have the option to have their portfolio screened according to their own ethical preferences. Visit www.vancity.com/VCIM for more information on VanCity Investment Management Ltd. For a report on compliance see VanCity's 2002-03 Accountability Report to be released June 2004.

*Sources of company information: Michael Jantzi Research Associates Inc. (Canada) and KLD Research & Analytics, Inc. (U.S.).

Real Assets Investment Management Inc.

Key Performance Indicator	Comments
Description and compliance with ethical screening criteria	Corporate behaviour is evaluated against broad international standards in six key areas: human rights, employee health and safety, environmental protection, social justice and the promotion of sustainable communities at home and abroad. Those that significantly lag industry peers are deemed ineligible for investment purposes. For more detail on Real Asset's ethical screening criteria, visit www.realassets.ca . For a report on compliance see VanCity's 2002-03 Accountability Report to be released June 2004.
Involvement in shareholder action campaigns	Real Assets was lead or co-lead on 17 shareholder resolutions filed during 2002 and 2003. These campaigns focused on issues related to human rights, corporate governance, climate change, responsible finance, water scarcity, corporate glass ceiling for women and HIV/AIDS. Seven of the resolutions were withdrawn due to company commitments to engage in dialogue with Real Assets or to deal with the issues raised.

VanCity Capital Corporation Ltd.

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
Loans outstanding to Social Enterprises ¹ (SE) and Small and Medium Enterprises (SME) (millions)	74 loans \$11.9	45 loans \$8.1	22 loans \$4.3	↑	Of 19 new loans funded in 2003, seven were to social enterprises. Visit www.vancitycapital.com for more information on VanCity Capital Corporation Ltd.

¹Social Enterprises are non-profits, co-operatives and businesses with significant social/environmental objectives.

Loans outstanding to Social Enterprises¹ (SE)

Small and Medium Enterprises (SME)



VanCity Enterprises Ltd.

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
# Units completed	80 ¹	81 ¹	160 ²	↔	Three new projects completed in 2003. Visit www.vancity.com/vce for more information on VanCity Enterprises Ltd.

¹VanCity Enterprises was the developer. ²VanCity Enterprises provided second mortgage financing to the developer.

New units by target group	2003
Shelter for women and children (non-market)	28
HIV/AIDS patients (non-market)	22
Commercial space plus family oriented residential units (market)	30
Total units	80

VanCity Insurance Services Ltd.

Key Performance Indicator	2003	2001	1999	Performance Summary	Comments
% Clients satisfied overall with service	71%	74%	n/a	↓	Decline may be due to insurance industry trend to higher rates and refusals for riskier customers, and to the discontinuation of the in-house SafeRate program which resulted in reduced service. Visit www.vancityinsurance.com for more information.
Description of insurance policies with positive social and environmental features	<p>Comments</p> <p>In 2003, due to poor market conditions and the withdrawal of the program's underwriters, VanCity required to discontinue its in-house SafeRate program, which was designed to include social and ethical features. VISL continues broker a full range of products and services, including an insurance policy tailored to the needs of non-profits.</p>				

Shawn,
VanCity Member since 2001

“The curious attraction of success.”

Photo by Larry Goldstein, VanCity Member since 1980

Perhaps the thing that's attracting people to VanCity in record numbers is that more and more people are seeing success the way we see success. Quite simply, it's this: you can do well by doing good. And thanks to our members, staff and Board of Directors elected by our members, we had record profits in 2003.

All of this means we can give back to our members and our communities more than at any other time in our history. Curious? Then visit vancity.com or any one of our 41 branches to learn more. After all, you too might be drawn to an entirely different way of banking.



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VANCOUVER CITY SAVINGS CREDIT UNION**CONSOLIDATED FINANCIAL HIGHLIGHTS**

For the year ended December 31
(thousands of dollars)

Assets	2003	2002	2001	2000	1999
Cash and Securities	\$ 1,129,270	\$ 943,962	\$ 618,455	\$ 649,715	\$ 604,078
Loans	7,691,599	7,071,926	6,706,487	6,054,379	5,639,893
Other Assets	184,592	186,932	186,947	185,415	167,007
Total Assets	\$ 9,005,461	\$ 8,202,820	\$ 7,511,889	\$ 6,889,509	\$ 6,410,978

Liabilities and Members' Equity

Deposits and Equity Shares	\$ 8,403,600	\$ 7,591,664	\$ 6,744,487	\$ 6,191,577	\$ 5,673,801
Debentures and Loans Payable	2,000	53,000	250,315	221,759	309,645
Other Liabilities	216,747	219,514	218,016	203,029	172,771
Retained Earnings	383,114	338,642	299,071	273,144	254,761
Total Liabilities and Members' Equity	\$ 9,005,461	\$ 8,202,820	\$ 7,511,889	\$ 6,889,509	\$ 6,410,978

Statement of Earnings

Net Interest Income	\$ 249,461	\$ 230,321	\$ 178,837	\$ 157,799	\$ 150,381
Charge for Impairment of Loans	(13,324)	(32,220)	(17,141)	(17,742)	(7,407)
Other Income	57,843	57,788	58,497	59,458	55,362
Net Interest and Other Income	293,980	255,889	220,193	199,515	198,336
Salaries and Employee Benefits	115,803	104,285	92,745	81,141	81,161
Other Operating Expenses	100,207	83,939	85,286	82,483	76,996
Total Operating Expenses	216,010	188,224	178,031	163,624	158,157
Earnings from Operations	77,970	67,665	42,162	35,891	40,179
Distributions to Community and Members	15,719	13,625	8,999	7,242	7,927
Earnings before Income Taxes	62,251	54,040	33,163	28,649	32,252
Income Taxes	17,779	14,469	7,236	7,648	8,510
Net Earnings for the Year	\$ 44,472	\$ 39,571	\$ 25,927	\$ 21,001	\$ 23,742

Statistics

Average Assets (thousands of dollars)	\$ 8,183,526	\$ 7,705,178	\$ 7,141,594	\$ 6,569,768	\$ 6,157,462
Growth of Total Assets	9.78%	9.20%	9.03%	7.46%	8.19%
Return on Assets	0.54%	0.51%	0.36%	0.32%	0.39%
Dividends per Equity Share	4.8%	5.2%	7.2%	5.0%	5.0%
Dividends per Investment Share	4.8%	5.2%	5.3%	6.5%	5.7%
Number of Members	300,945	286,365	275,721	266,213	261,398
Number of Employees	1,916	1,706	1,622	1,570	1,597
Number of Branches	43	41	41	43	43

VANCOUVER CITY SAVINGS CREDIT UNION

Financial Review

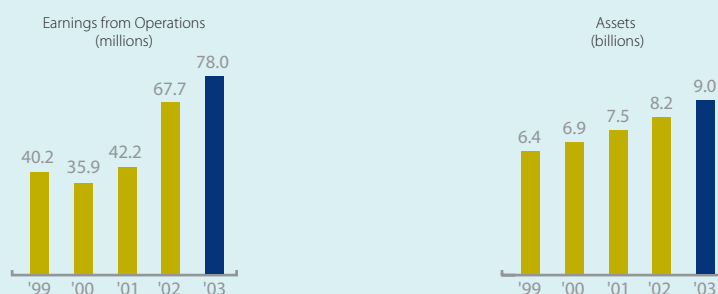
This financial review provides management's commentary on VanCity's consolidated statement of earnings and balance sheet as well as capital and asset liability management, and is intended to supplement the data presented in the audited financial statements. Our discussion will refer to notes to the financial statements and the tables presented in this section. Unless otherwise specified, all information is consolidated data of VanCity and its subsidiaries.

Overview

Consolidated earnings from operations for 2003 were \$78.0 million compared to \$67.7 million in 2002. Continued revenue growth, mainly as a result of member loan and deposit growth combined with the ongoing favourable interest rate environment contributed to continued high earnings in 2003. Operating earnings for the Credit Union itself were \$71.0 million, up from \$63.0 million in 2002. Citizens Bank earnings from operations for 2003 came in at \$7.0 million compared to \$4.7 million the previous year.

Consolidated net earnings for the VanCity group of companies was \$44.5 million, \$4.9 million higher than last year. These earnings are after deductions for distributions to community and members of \$15.7 million which includes the \$1.0 million VanCity Award. In total, distributions to community and members (including investment share dividends) were 35.3% of net earnings, demonstrating VanCity's ongoing commitment to share its success with the community and members. Return on equity for 2003 was 11.6% while return on average assets came in at 54 basis points (2002 – 11.7% and 51 basis points respectively). Earnings highlights are presented in the five-year summary of consolidated financial highlights while table 1 provides earnings information as a percentage of average assets and identifies changes in earnings components relative to asset size.

During 2003, VanCity's consolidated assets grew \$803 million to a total of \$9.0 billion. This represents an increase of 9.8% and compares to 2002 growth of \$690 million or 9.2%. Consolidated deposits of \$8.4 billion at the end of 2003 reflect an increase of 10.7%, a slight decrease in the growth rate compared to deposit growth of 12.6% in 2002.



Statement of Earnings

Net Interest Income

Net interest income is interest and investment income earned on assets less interest expense incurred on deposits and other liabilities. Net interest income for VanCity showed an increase of \$19.1 million or 8.3% over the previous year, less than last year's large increase of \$51.5 million and 28.8%. The information in table 2 provides more detail on the net interest income components. The growth in net interest income came in a year when interest rates continued to hover at historic lows. Net interest income increased by 23 basis points as measured over the average asset base.

Interest income is sensitive to changes in mix and volumes of assets and liabilities, and to changes in interest rates. Table 3 provides an analysis of these factors for 2003 and 2002 relative to the preceding year. The table shows that the 2003 increase in net interest income was driven mostly by loan revenue, with interest expense on deposits having a small offsetting effect, a reflection of higher term deposit volumes. The interest revenue increase was volume-related which was somewhat offset with lower loan interest rates.

Other Income

VanCity continues to target growth in other income as the consolidated group strives to provide a full array of financial services to our members. Total other income remained constant for the year but there were slight changes in the mix. The largest change in 2003 was increased credit card fee income of \$1.5 million. Table 4 provides details of the various components of other income. Consistent with prior years, account service fees remain a large category, comprising 28.2% of total other income in 2003.

Operating Expenses

Total operating expenses increased by 14.8% or \$27.8 million compared to 2002. Revenue increased at about the same rate as operating expenses resulting in an efficiency ratio of 73.5% compared to 73.6% for the prior year. VanCity remains committed to containing costs and increasing operating efficiency as part of its long-term planning process.

Details of operating expenses are reported in table 5. This table shows that salary and employee benefit costs increased by \$11.5 million, occupancy and equipment decreased by \$1.5 million, and general operating increased by \$17.8 million. Salaries and employee benefits increased due to increased customer service staffing, incentives and commissions and regular annual salary increases. Occupancy and equipment expenses remained relatively stable. General operating expenses increased due to the decrease in recoveries from sharing data processing operations with other credit unions and increases in non-recurring professional, advertising and promotion expenses.

Income and Other Taxes

VanCity pays a variety of federal, provincial and municipal taxes. The major taxes payable are reported in table 6. Income taxes increased in 2003 due to higher earnings combined with higher effective tax rates for the year. Further information regarding corporate income taxes is provided in note 7 to the financial statements.

Distributions to Community and Members

Distributions to community and members increased to \$15.7 million in 2003 from \$13.6 million in 2002. Table 7 shows distributions by major categories. Membership share dividends of \$2.0 million represent a 4.8% dividend payment while patronage dividends of \$6.2 million consist of a 2.6% bonus on deposit interest paid by VanCity, a 0.6% rebate on loan interest paid by members, and a 0.1% dividend on member funds under administration with Credential Asset Management.

Employee Loans

Outstanding loans to directors, officers and employees of the Credit Union amounted to \$175 million at year end (2002 - \$143 million). These loans are all within normal lending terms except those noted in table 8 which shows total loan amounts and interest rates of low-rate employee loans that form part of the compensation of employees and officers of the Credit Union. There are no loans to Directors of the Credit Union at interest rates or terms different from those available to other members.

Balance Sheet

Lending and Credit Risk

Total loan volumes increased by 8.8% in 2003. The increase was driven by growth in residential mortgages of 11.6%, consumer loans of 15.9% and business loans of 6.0%. Commercial mortgages declined by 12.8%. Preference for home prime mortgages was reduced as members moved back to traditional five year terms to lock into rates at historical lows. Low interest rates combined with a strong real estate market supported the residential mortgage growth while a competitive market and repayments led to the decline in commercial mortgages.

Loan losses due to normal credit factors improved from last year with loans written off totaling \$9.7 million (2002 - \$12.3 million). As described in note 2 to the financial statements, VanCity continues to maintain an allowance for the exposure related to the 2002 mortgage fraud due to the ongoing uncertainty of recoverability of affected loans. The allowance balance related to the mortgage fraud is \$14.8 million at the end of 2003 (2002 - \$15.4 million). In total, VanCity's allowance for impairment consists of \$23.3 million for specific allowances and \$32.5 million for general allowances. Total impaired loans, as defined in note 1(d) are \$71.3 million at the end of 2003, a decrease of \$2.0 million from 2002. The total of the specific and general allowance provides adequately for future credit losses inherent in the loan portfolio from impaired loans as well as general economic and business conditions.

Liabilities

Deposit growth for 2003 continued to be strong with overall growth of 10.7%. Preference continues to be in shorter term and cashable products, providing added flexibility to members. Deposit growth exceeded loan growth in the year and as a result VanCity was able to reduce borrowing to \$2.0 million by year end.

Capital Management

Capital requirements are set by financial institution regulatory bodies and are defined by a risk adjusted capital ratio. The ratio compares the Credit Union's capital to its risk weighted assets which are calculated by applying specified weighting factors to balance sheet assets and off balance sheet items. The major components of VanCity's capital and its capital ratio are detailed in table 9. The capital ratio was improved at 11.5% (2002 - 10.9%) despite a 5.2% growth in risk weighted assets. Risk weighted asset growth resulted from growth of residential mortgages. The increase in capital was achieved primarily through retained earnings growth.

Asset Liability Management

Assets, liabilities and off balance sheet financial instruments mature or re-price at various times, largely due to members' differing term preferences. This is commonly referred to as the mismatch or gap and gives rise to interest rate risk exposure. Analysis of this interest rate sensitivity is necessary so that VanCity can manage its sensitivity to changing interest rates within established risk limits. Financial instruments such as derivatives are used to manage interest rate risk exposure, as well as to provide member products, such as stock market index-linked deposits. VanCity manages its interest rate exposure and use of derivatives through defined policies set by the Board of Directors. These policies are in turn managed by an asset/liability management committee. Note 9 to the financial statements analyzes the balance sheet by the earlier of re-pricing or maturity dates while note 10 summarizes the derivative financial instruments by notional amount, maturity and fair market value. When a derivative contract has a positive fair market value, the counterparty has a liability to VanCity, which creates credit risk. VanCity manages this credit risk by dealing with credit worthy counterparties.

TABLE 1**EARNINGS HIGHLIGHTS**

<i>(% of average assets)</i>	2003	2002	2001	2000	1999
Net interest income	3.05	2.99	2.50	2.40	2.44
Charge for impairment of loans	(0.16)	(0.42)	(0.24)	(0.27)	(0.12)
	2.89	2.57	2.26	2.13	2.32
Other income	0.71	0.75	0.83	0.92	0.90
	3.60	3.32	3.09	3.05	3.22
Operating Expenses					
Salaries and employee benefits	1.42	1.35	1.30	1.24	1.32
Occupancy and equipment	0.32	0.35	0.36	0.37	0.38
General operating	0.91	0.74	0.84	0.89	0.88
	2.65	2.44	2.50	2.50	2.58
Earnings from operations	0.95	0.88	0.59	0.55	0.64
Distributions and other items	0.19	0.18	0.13	0.11	0.11
Earnings before income taxes	0.76	0.70	0.46	0.44	0.53
Income taxes	0.22	0.19	0.10	0.12	0.14
Net earnings - return on assets	0.54	0.51	0.36	0.32	0.39
Net earnings (thousands of dollars)	\$ 44,472	\$ 39,571	\$ 25,927	\$ 21,001	\$ 23,742
Average assets (thousands of dollars)	\$ 8,183,526	\$ 7,705,178	\$ 7,141,594	\$ 6,569,768	\$ 6,157,462

TABLE 2**NET INTEREST INCOME**

<i>(thousands of dollars)</i>	2003	2002	2001	2000	1999
Interest Income					
Residential mortgages	\$ 259,324	\$ 259,314	\$ 283,320	\$ 269,163	\$ 253,732
Commercial mortgages	53,888	55,939	49,321	51,213	41,307
Other loans	123,095	105,693	110,955	98,852	83,857
Cash and securities	23,273	19,819	26,996	32,016	25,328
Other interest income	7,402	291	(1,417)	(1,447)	2,918
	466,982	441,056	469,175	449,797	407,142
Interest Expense					
Chequing / saving	12,036	8,899	15,074	16,210	12,473
Other demand accounts	1,474	1,253	2,481	2,952	2,835
Term deposits	125,541	119,986	173,350	172,887	143,688
Retirement plans	59,945	61,782	74,599	73,847	71,201
Debentures and loans	14,860	16,958	24,083	28,126	25,363
Other interest costs	3,665	1,857	751	(2,024)	1,201
	217,521	210,735	290,338	291,998	256,761
Net interest income	\$ 249,461	\$ 230,321	\$ 178,837	\$ 157,799	\$ 150,381

TABLE 3**ANALYSIS OF CHANGES IN NET INTEREST INCOME**

(thousands of dollars)	2003 vs 2002			2002 vs 2001		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
Assets						
Residential mortgages	\$ 20,563	\$ (17,264)	\$ 3,299	\$ 19,955	\$ (38,646)	\$ (18,691)
Commercial mortgages	(1,608)	17,478	15,870	12,063	11,443	23,506
Other loans	9,971	(13,779)	(3,808)	6,782	(34,248)	(27,466)
Cash and securities	6,101	(2,646)	3,455	5,192	(12,369)	(7,177)
Total interest income	35,027	(16,211)	18,816	43,992	(73,820)	(29,828)
Liabilities						
Demand deposits	(926)	(2,432)	(3,358)	(1,490)	8,892	7,402
Term deposits	(12,376)	6,821	(5,555)	(4,938)	58,302	53,364
Retirement plans	(2,916)	4,753	1,837	(2,726)	15,543	12,817
Debentures and loans	6,366	(4,269)	2,097	(3,764)	10,889	7,125
Total interest expense	(9,852)	4,873	(4,979)	(12,918)	93,626	80,708
	\$ 25,175	\$ (11,338)	\$ 13,837	\$ 31,074	\$ 19,806	\$ 50,880
Other interest income			5,303			604
Change in net interest income			\$ 19,140			\$ 51,484

TABLE 4**OTHER INCOME**

(thousands of dollars)	2003	2002	2001	2000	1999
Account service fees	\$ 16,302	\$ 17,094	\$ 17,131	\$ 16,476	\$ 15,629
Building rentals	864	813	805	812	819
Credit card fees	9,392	7,922	7,684	7,000	5,607
Foreign exchange	5,152	5,731	8,392	10,089	9,506
Insurance fees	5,676	5,696	5,442	4,491	4,059
Loan fees	5,590	5,536	7,187	6,384	5,648
Safety deposit box rentals	1,101	1,085	968	935	880
Trust and wealth management fees	6,552	6,958	6,495	6,984	5,851
Gain (loss) on sale of other assets	-	-	-	80	2,599
Other	7,214	6,953	4,393	6,207	4,764
Total other income	\$ 57,843	\$ 57,788	\$ 58,497	\$ 59,458	\$ 55,362

TABLE 5**OPERATING EXPENSES***(thousands of dollars)*

	2003	2002	2001	2000	1999
Salary and employee benefits					
Salaries and wages	\$ 96,469	\$ 87,785	\$ 78,450	\$ 67,151	\$ 67,324
Benefits and training	19,334	16,500	14,295	13,990	13,837
	115,803	104,285	92,745	81,141	81,161
Occupancy and equipment					
Rent	9,891	9,968	9,682	9,420	8,713
Equipment	1,302	1,360	1,417	1,369	1,597
Maintenance and security	3,496	3,113	3,259	3,270	3,563
Amortization	11,096	12,832	11,264	10,143	9,617
	25,785	27,273	25,622	24,202	23,490
General operating					
B.C. Corporation Capital Tax	5,415	5,101	4,423	4,107	3,901
Communications and advertising	11,128	8,522	6,463	5,742	6,501
Computer	4,383	5,896	4,881	3,793	4,016
Credit Union Central of B.C. dues and assessment	1,121	1,084	1,043	1,025	1,033
Deposit insurance	2,731	3,185	3,816	3,270	3,261
Insurance	880	795	658	524	503
Meetings and travel	1,330	1,333	1,244	1,131	1,002
Postage	2,330	2,210	2,367	2,003	1,887
Professional services	15,145	6,800	6,665	9,907	8,582
Stationery	2,157	2,320	2,041	1,891	2,085
Telephone	3,318	4,315	2,568	3,145	3,258
Member service	10,150	9,377	8,643	8,596	7,838
Credit card operations	6,505	6,669	6,578	5,210	4,757
Other	7,895	7,387	8,274	7,937	5,839
Recovery of data processing and other expenses	(66)	(8,328)	-	-	-
	74,422	56,666	59,664	58,281	54,463
Total operating expenses	\$ 216,010	\$ 188,224	\$ 178,031	\$ 163,624	\$ 159,114

TABLE 6**INCOME AND OTHER TAXES***(thousands of dollars)*

	2003	2002	2001	2000	1999
Income taxes	\$ 17,779	\$ 14,469	\$ 7,236	\$ 7,648	\$ 8,509
B.C. Corporation Capital Tax	5,415	5,101	4,423	4,107	3,901
Payroll taxes	4,901	4,434	3,799	3,577	3,582
Property taxes	1,726	1,639	1,664	1,703	1,579
GST and provincial sales tax	6,261	5,158	6,115	5,864	5,286
Total income and other taxes	\$ 36,082	\$ 30,801	\$ 23,237	\$ 22,899	\$ 22,857

TABLE 7**DISTRIBUTIONS TO COMMUNITY AND MEMBERS**

<i>(thousands of dollars)</i>	2003	2002	2001	2000	1999
Donations to community and VanCity Community Foundation	\$ 4,898	\$ 3,745	\$ 2,046	\$ 1,988	\$ 1,670
VanCity Award	1,000	1,000	1,000	-	-
Membership share dividends	1,969	2,350	2,950	2,174	2,256
Patronage rebates	6,157	4,827	1,850	1,724	2,864
Total shared success	14,024	11,922	7,846	5,886	6,790
Dividends on investment shares	1,695	1,703	1,153	1,356	1,196
Total distributions to community and members	\$ 15,719	\$ 13,625	\$ 8,999	\$ 7,242	\$ 7,986

TABLE 8**EMPLOYEE LOANS**

<i>(thousands of dollars)</i>			2003	2002
Category	Rate	Number of such loans	Amount	Amount
Loans at Preferred Staff Rates				
Mortgages	3% - 4%	565	\$ 81,289	\$ 66,055
Personal loans:				
Regular	3% - 4%	972	12,544	11,733
Computer	0%	192	269	267
Total preferred rate loans		1,729	94,102	78,055
Loans at Market Rates				
Mortgages	market	492	68,534	53,864
Personal loans	market	214	2,099	1,978
Lines of credit	market	1,010	10,306	9,105
Total market rate loans		1,716	80,939	64,947
Total employee loans		3,445	\$ 175,041	\$ 143,002

TABLE 9**CAPITAL RATIOS**

<i>(thousands of dollars)</i>	2003	2002	2001	2000	1999
Capital Components					
Membership shares and accrued dividends thereon	\$ 47,037	\$ 45,802	\$ 39,315	\$ 38,267	\$ 37,674
Investment shares	35,809	34,964	33,697	21,367	21,568
Retained earnings	383,114	338,642	299,071	273,144	254,761
Future income taxes	(15,188)	(7,508)	(2,603)	(1,548)	(1,894)
Less: Deductions from capital	(81,787)	(77,310)	(68,978)	(62,977)	(45,032)
VanCity group capital	368,985	334,590	300,502	268,253	267,077
Proportion of system capital	44,659	38,866	36,255	32,110	29,784
Total capital	\$ 413,644	\$ 373,456	\$ 336,757	\$ 300,363	\$ 296,861
Total risk-adjusted assets	\$ 3,602,918	\$ 3,424,532	\$ 3,240,087	\$ 2,856,941	\$ 2,609,719
Capital ratio	11.5%	10.9%	10.4%	10.5%	11.4%

CONSOLIDATED FINANCIAL STATEMENTS**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

These consolidated financial statements were prepared by the management of VanCity who are responsible for their accuracy, completeness and integrity. They were developed in accordance with requirements of the Financial Institutions Act of British Columbia and conform in all material respects with Canadian generally accepted accounting principles.

Systems of internal control and reporting procedures are designed to provide reasonable assurance that the financial records are complete and accurate so as to safeguard the assets of the Credit Union. 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 are 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 consolidated financial statements. The Audit Committee of the Board, comprising six directors who are not officers or employees of VanCity, has reviewed the statements with the external auditors, in detail, and received regular reports on internal control findings. Grant Thornton LLP, the external auditors appointed by the membership, have examined the consolidated financial statements of the Credit Union in accordance with Canadian 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.



Dave Mowat
Chief Executive Officer
January 28, 2004



Johan Lemmer
Vice-President, Finance

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, 2003 and the consolidated statements of earnings and retained earnings and 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 Canadian 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian 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.



Grant Thornton LLP
Chartered Accountants

Vancouver, Canada
January 28, 2004

VANCOUVER CITY SAVINGS CREDIT UNION**CONSOLIDATED BALANCE SHEET**

As at December 31, 2003

(thousands of dollars)

	Note	2003	2002
ASSETS			
CASH AND SECURITIES			
Cash and cash equivalents		\$ 60,892	\$ 62,300
Deposits with financial institutions		935,646	740,671
Government and corporate securities		132,732	140,991
		<u>1,129,270</u>	<u>943,962</u>
LOANS			
Residential mortgages		5,191,410	4,653,207
Commercial mortgages		734,498	842,073
Consumer loans		1,136,808	980,998
Business loans		684,725	646,234
Allowance for impairment	2	(55,842)	(50,586)
		<u>7,691,599</u>	<u>7,071,926</u>
OTHER			
Accrued interest receivable		32,372	27,520
Premises and equipment	3	66,773	67,915
Other assets	4	85,447	91,497
		<u>184,592</u>	<u>186,932</u>
		<u>\$ 9,005,461</u>	<u>\$ 8,202,820</u>
LIABILITIES			
DEPOSITS			
Demand		\$ 1,435,915	\$ 1,267,427
Term		6,882,849	6,245,402
Shares	5	84,836	78,835
		<u>8,403,600</u>	<u>7,591,664</u>
LOAN PAYABLE			
Demand loan with Credit Union Central of B.C.	13	2,000	53,000
OTHER LIABILITIES			
Accrued interest and dividends payable		103,348	89,843
Accounts payable and other accrued liabilities		113,399	129,671
		<u>216,747</u>	<u>219,514</u>
MEMBERS' EQUITY			
RETAINED EARNINGS		383,114	338,642
		<u>\$ 9,005,461</u>	<u>\$ 8,202,820</u>

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


Bruce Ralston

Chair, VanCity Board of Directors


Reva Dexter

Vice-Chair, VanCity Board of Directors

VANCOUVER CITY SAVINGS CREDIT UNION**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS**For the Year Ended December 31, 2003
(thousands of dollars)

	Note	2003	2002
INTEREST INCOME			
Loans		\$ 436,307	\$ 420,946
Cash and securities		23,273	19,819
Other		7,402	291
		<u>466,982</u>	<u>441,056</u>
INTEREST EXPENSE			
Deposits		198,996	191,920
Debentures and loans payable		14,860	16,958
Other		3,665	1,857
		<u>217,521</u>	<u>210,735</u>
NET INTEREST INCOME		249,461	230,321
CHARGE FOR IMPAIRMENT OF LOANS	2	<u>13,324</u>	<u>32,220</u>
		236,137	198,101
OTHER INCOME		<u>57,843</u>	<u>57,788</u>
NET INTEREST AND OTHER INCOME		<u>293,980</u>	<u>255,889</u>
OPERATING EXPENSES			
Salaries and employee benefits		115,803	104,285
Occupancy and equipment		25,785	27,273
General operating		74,422	56,666
		<u>216,010</u>	<u>188,224</u>
EARNINGS FROM OPERATIONS		77,970	67,665
DISTRIBUTIONS TO COMMUNITY AND MEMBERS	6	<u>15,719</u>	<u>13,625</u>
EARNINGS BEFORE INCOME TAXES		62,251	54,040
PROVISION FOR INCOME TAXES	7	<u>17,779</u>	<u>14,469</u>
NET EARNINGS		44,472	39,571
RETAINED EARNINGS, beginning of year		338,642	299,071
RETAINED EARNINGS, end of year		<u>\$ 383,114</u>	<u>\$ 338,642</u>

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

VANCOUVER CITY SAVINGS CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003
(thousands of dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
NET EARNINGS	\$ 44,472	\$ 39,571
Adjustments for:		
Charge for impairment of loans	13,324	32,220
Amortization of premises and equipment	11,096	13,444
Changes in operating assets and liabilities		
Net future income tax assets	(8,825)	(6,138)
Accrued interest receivable	(4,852)	(1,549)
Other assets	7,098	5,526
Accrued interest and dividends payable	13,505	(29,669)
Accounts payable and other accrued liabilities	(16,272)	31,068
	<u>59,546</u>	<u>84,473</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits with financial institutions	(194,975)	(293,495)
Government and corporate securities	8,260	(17,889)
Loans	(528,601)	(636,399)
Sale of mortgage backed securities	(104,394)	238,738
Premises and equipment	(9,954)	(9,429)
Other assets	7,774	(1,739)
	<u>(821,890)</u>	<u>(720,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Demand and term deposits	805,935	843,397
Shares	6,001	3,780
Loans payable	(51,000)	(197,315)
	<u>760,936</u>	<u>649,862</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,408)	14,122
CASH AND CASH EQUIVALENTS, beginning of year	62,300	48,178
CASH AND CASH EQUIVALENTS, end of year	\$ 60,892	\$ 62,300
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 243,457	\$ 240,556
Income taxes paid	32,370	10,272

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

VANCOUVER CITY SAVINGS CREDIT UNION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2003

Vancouver City Savings Credit Union is incorporated under the Credit Union Incorporation Act of British Columbia and its operations are subject to the Financial Institutions Act of British Columbia. The Credit Union serves members principally in the Greater Vancouver and surrounding areas. Citizens Bank of Canada, the principal subsidiary of the Credit Union, is federally incorporated and serves customers across Canada. The Credit Union is an integrated financial institution that provides a wide range of financial products and services that comprise one business operating segment.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these consolidated financial statements are as follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its subsidiaries, all of which are wholly owned except for Real Assets Investment Management Inc. The Credit Union holds 38.4% of the common shares in Real Assets Investment Management Inc. The wholly-owned active subsidiaries are Citizens Bank of Canada, Citizens Trust Company, Inventure Solutions Inc., VanCity Capital Corporation, VanCity Enterprises Ltd., VanCity Insurance Services Ltd., and VanCity Investment Management Ltd. The Credit Union and its subsidiaries are collectively referred to as "VanCity".

(b) Deposits with Financial Institutions

Deposits with Credit Union Central of B.C. and chartered banks are recorded at cost. Interest income is recorded on an accrual basis.

(c) Securities

Investments in government and corporate securities are carried at cost less any impairment provisions for other than temporary declines in value. Interest income is recorded on an accrual basis and gains and losses are taken into earnings when realized.

(d) Loans

Loans are carried at the principal amount less an allowance for impairment. Interest income is recorded on an accrual basis except when a loan is considered to be impaired. Interest income on impaired loans is recognized on a cash basis but only after any specific provision for impairment or partial write-off has been recovered, and provided that there is no further doubt as to the collectibility of the principal amount.

Impaired Loans

Loans are generally considered to be impaired at the earlier of when, in the opinion of management, there is reasonable doubt regarding the timely collection of the full amount of principal and interest, or when interest or principal is 90 days past due. Loans considered uncollectible are written-off. Impaired loans are carried at their estimated realizable amounts, determined by discounting the expected future cash flows at the interest rates inherent in the loans. When the amounts of future cash flows cannot be estimated with reasonable reliability, impaired loans are carried at the fair value of the underlying security, net of estimated costs of realization.

Allowance for Impairment

The allowance for impairment is maintained at a level considered adequate to absorb anticipated credit losses. Specific allowances are provided for specifically identified loans that have become impaired. The general allowance comprises allocated and unallocated amounts. The general allocated allowance represents the best estimate of probable losses within the portion of the portfolio not specifically identified as impaired. The amount is established through the application of expected loss factors to outstanding balances. The general unallocated allowance is based on management's assessment of probable, unidentified losses in the portfolio not captured by the other allowances. This assessment includes consideration of general economic and business conditions, recent loan loss experience and trends in credit quality and concentrations.

Fees

Net fees earned and direct costs incurred in connection with lending activities are deferred and amortized over the initial term of the underlying loans.

(e) Premises and Equipment

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

(f) Other Assets

Investments in shares are recorded at cost. Properties acquired for investment purposes are recorded at cost and impairment provisions are made for permanent declines in value. Deferred costs include premiums and charges related to derivative financial instruments and commissions paid to agents for raising deposits. These costs are amortized over the remaining life of the underlying instruments.

(g) Derivative Financial Instruments

VanCity enters into various derivative financial instruments to manage its exposures to interest rates and currency fluctuations. These instruments may only be used for asset/liability risk management if they result in measurable reductions in interest rate risk or currency risk related to specific assets, liabilities or committed transactions. The premiums, and the gains and losses on settlement of these instruments are deferred and amortized to earnings over the expected remaining life of the related assets, liabilities or transactions.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Derivative Financial Instruments (cont'd)

Revised accounting standards that govern when deferral and amortization accounting treatment is permitted will become effective for fiscal 2004. As a result, premiums, and gains and losses of derivative financial instruments that do not qualify for deferral and amortization accounting treatment under the revised standards will be recorded in the statement of earnings in the period that they are incurred. The earnings impact of the revised standards will depend on the risk management strategies used and market volatility.

(h) Employee Future Benefits

VanCity accrues obligations under employee benefits. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in other liabilities on the balance sheet.

(i) Distributions to Members

Patronage rebates and dividends are charged to earnings when declared.

(j) Income Taxes

VanCity follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amount of assets or liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date. Future income tax assets also result from the carry forward of unused tax losses and other deductions.

The valuation of future income tax assets is reviewed annually and adjusted, if necessary, to reflect the estimated realizable amount.

Net future income tax assets or liabilities are reflected in other assets or other liabilities, as appropriate.

(k) Translation of Foreign Currencies

Cash resources and deposits denominated in foreign currencies are translated into Canadian dollars at the rates prevailing on the balance sheet date. Realized gains and losses are recorded at the rates prevailing at the time of the transaction.

(l) Comparative Figures

Comparative figures are reclassified, where appropriate, to conform with the current year's presentation.

2. ALLOWANCE FOR IMPAIRMENT OF LOANS

<i>(thousands of dollars)</i>	Residential	Commercial	Consumer	Business	2003 Total	2002 Total
Balance, beginning of year	\$ 21,116	\$ 8,915	\$ 9,735	\$ 10,820	\$ 50,586	\$ 29,002
Loans written off	(834)	(254)	(7,055)	(1,547)	(9,690)	(12,314)
Charge for impairment:						
Normal credit factors	703	66	11,913	1,292	13,974	16,820
Mortgage fraud charge (recovery)	(650)	-	-	-	(650)	15,400
Recoveries of loans written off	631	-	990	1	1,622	1,678
Balance, end of year	\$ 20,966	\$ 8,727	\$ 15,583	\$ 10,566	\$ 55,842	\$ 50,586
Loans with specific allowances						
Loan balance	\$ 17,157	\$ 16,062	\$ 664	\$ 13,615	\$ 47,498	\$ 65,085
Related allowance	15,134	2,530	676	4,979	23,319	25,150
Carrying amount	\$ 2,023	\$ 13,532	\$ (12)	\$ 8,636	\$ 24,179	\$ 39,935
Loans with general allowances						
Loan balance	\$ 5,174,253	\$ 718,436	\$ 1,136,144	\$ 671,110	\$ 7,699,943	\$ 7,057,427
Related allowance	5,832	6,197	14,907	5,587	32,523	25,436
Carrying amount	\$ 5,168,421	\$ 712,239	\$ 1,121,237	\$ 665,523	\$ 7,667,420	\$ 7,031,991
Loans on which the accrual of interest has been discontinued	\$ 31,485	\$ 14,818	\$ 7,071	\$ 18,002	\$ 71,376	\$ 73,419

During 2002, VanCity and other financial institutions experienced a residential mortgage fraud. Management has quantified the exposure related to the fraud and has submitted a claim to the Law Society of British Columbia. Due to the ongoing uncertainty of recoverability, management has continued to maintain an allowance for the outstanding impairment.

3. PREMISES AND EQUIPMENT

(thousands of dollars)

			2003	2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 7,908	\$ -	\$ 7,908	\$ 6,317
Buildings	41,711	10,937	30,774	29,602
Leasehold improvements	12,918	5,024	7,894	6,895
Computer equipment and software	44,586	28,033	16,553	21,808
Office equipment	7,650	4,006	3,644	3,293
	\$ 114,773	\$ 48,000	\$ 66,773	\$ 67,915

4. OTHER ASSETS

(thousands of dollars)

	2003	2002
Credit Union Central of British Columbia, shares	\$ 31,052	\$ 30,194
Accounts receivable, prepayments and other	29,702	41,753
Deferred costs, net of amortization	5,788	9,470
Net future income tax assets (Note 7)	18,905	10,080
	\$ 85,447	\$ 91,497

The investment in the shares of Credit Union Central of British Columbia (CUCBC) is required under operating agreements.

5. SHARES

(thousands of dollars)

	2003	2002
Membership shares	\$ 43,947	\$ 38,630
Investment shares	35,809	34,964
Savings shares	5,080	5,241
	\$ 84,836	\$ 78,835

Members are required to purchase up to \$50 of membership shares and are from time to time allowed to purchase investment shares. The retraction or redemption of these shares may be subject to certain restrictions. Current outstanding investment shares earn dividends at a quarterly adjusted rate set at least 1% above the three to five year Government of Canada bond yields.

Monies invested in membership and investment shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia.

6. DISTRIBUTIONS TO COMMUNITY AND MEMBERS

(thousands of dollars)

	2003	2002
Donations to community and VanCity Community Foundation	\$ 4,898	\$ 3,745
VanCity Award	1,000	1,000
Membership share dividends	1,969	2,350
Patronage rebates	6,157	4,827
Total shared success	14,024	11,922
Investment share dividends	1,695	1,703
Total distributions to community and members	\$ 15,719	\$ 13,625

Patronage rebates are calculated based on loan interest received by VanCity, deposit interest paid by VanCity and member funds under administration with Credential Asset Management (CAM). The rebates relating to loan interest received amounted to \$1.8 million (2002: \$1.9 million) and to deposit interest paid amounted to \$3.8 million (2002: \$2.9 million) and to member funds under administration with CAM amounted to \$0.6 million (2002: NIL).

7. INCOME TAXES

(thousands of dollars)

	2003	2002
Components of the provision for income taxes		
Current income tax expense	\$ 26,604	\$ 20,607
Future income tax recoveries	(8,825)	(6,138)
	<u>\$ 17,779</u>	<u>\$ 14,469</u>

The provision for income taxes is at a rate less than the combined federal and provincial statutory income tax rates for the following reasons:

Combined federal and provincial statutory income tax rates	37.6 %	39.6 %
Credit union rate reduction	(11.1)	(16.5)
Non deductible and other items	2.0	3.8
	<u>28.5 %</u>	<u>26.9 %</u>

The tax effects of temporary differences which give rise to the net future income tax assets reported in Other Assets are as follows:

Future income tax assets:

Allowance for impairment of loans	\$ 8,767	\$ 6,313
Deferred revenue	6,863	4,287
Accrued employee future benefits	1,747	1,650
Other accrued expenses	4,786	3,363
	<u>22,163</u>	<u>15,613</u>

Future income tax liabilities:

Deferred expenses	(1,844)	(3,169)
Premises, equipment	(1,414)	(2,364)
	<u>(3,258)</u>	<u>(5,533)</u>
Net future income tax assets (Note 4)	<u>\$ 18,905</u>	<u>\$ 10,080</u>

8. PENSIONS AND OTHER RETIREMENT BENEFITS

VanCity provides pension benefits to employees through defined contribution, defined benefit and multi-employer defined benefit plans. Other post-retirement benefits, including life insurance, health care and dental benefits or cash alternatives are provided to eligible VanCity employees upon or after retirement.

Information regarding VanCity's defined benefit plan as at December 31 is as follows:

(thousands of dollars)	Pension Plans		Other Benefit Plans	
	2003	2002	2003	2002
Accrued retirement benefit plan obligations				
Actuarial benefit liabilities at January 1	\$ 8,152	\$ 6,534	\$ 7,774	\$ 7,521
Benefits paid	(131)	(419)	(475)	(287)
Current service cost	897	547	757	629
Interest cost on accrued benefit obligation	556	462	515	539
Plan amendments	502	295	-	-
Actuarial losses	205	733	545	(628)
Actuarial benefit liabilities at December 31	<u>10,181</u>	<u>8,152</u>	<u>9,116</u>	<u>7,774</u>

8. PENSIONS AND OTHER RETIREMENT BENEFITS (cont'd)

<i>(thousands of dollars)</i>	Pension Plans		Other Benefit Plans	
	2003	2002	2003	2002
Fair value of retirement benefit plan assets				
Fair value of plan assets at January 1	6,354	6,566	-	-
Employer contributions	447	521	475	287
Employee contributions	31	169	-	-
Benefits paid	(131)	(419)	(475)	(287)
Actual return on plan assets	487	(483)	-	-
Fair value of plan assets at December 31	7,188	6,354	-	-
Funded status - plan deficits				
Contributions between measurement date and December 31	(1,515)	-	-	-
Unamortized net actuarial losses	(2,367)	(2,352)	(575)	(69)
Unamortized past service cost	(796)	(327)	-	-
Accrued benefit (assets) liabilities	\$ (1,685)	\$ (881)	\$ 8,541	\$ 7,705

The weighted average assumptions used in the measurement of the accrued benefit obligations are as follows:

	2003	2002
Discount rate	6.25%	6.50%
Expected return on plan assets	6.75%	7.00%
Rate of compensation increase	3.00%	3.00%

The total expense for VanCity's retirement benefit plans is as follows:

<i>(thousands of dollars)</i>	Pension Plans		Other Benefit Plans	
	2003	2002	2003	2002
Total retirement benefit plan expense				
Defined benefit plans				
Accrual for services	\$ 866	\$ 378	\$ 757	\$ 629
Interest on accrued benefits	556	462	515	539
Interest on fund assets	(457)	(469)	-	-
Amortization of past service cost	33	-	-	-
Amortization of actuarial loss	160	2	39	-
	1,158	373	1,311	1,168
Multi-employer defined benefit plans	725	83	-	-
Defined contribution plans	2,943	3,292	-	-
	\$ 4,826	\$ 3,748	\$ 1,311	\$ 1,168

9. INTEREST RATE SENSITIVITY

Interest rate risk is the sensitivity of VanCity's financial position to movements in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates or mature and are summed to show the interest rate sensitivity gap. Loans are adjusted for prepayment estimates which reflect expected repayments on other than contractual maturity dates. The prepayment rate applied to the portfolio is based on experience and current economic conditions.

December 31, 2003 (thousands of dollars)	Average Rate	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	Over 4 Years	Non-Interest Sensitive	2003 Total
Assets								
Cash	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 60,892	\$ 60,892
Deposits and securities	3.25%	897,707	18,329	66,597	98	85,647	-	1,068,378
Loans	5.54%	3,688,087	1,351,128	1,213,700	698,712	790,679	(50,707)	7,691,599
Other		-	-	-	-	-	184,592	184,592
		4,585,794	1,369,457	1,280,297	698,810	876,326	194,777	9,005,461
Liabilities and Equity								
Deposits	2.73%	5,613,404	678,914	556,518	370,497	130,703	1,053,564	8,403,600
Loans	3.25%	2,000	-	-	-	-	-	2,000
Other		-	-	-	-	-	599,861	599,861
		5,615,404	678,914	556,518	370,497	130,703	1,653,425	9,005,461
Balance sheet mismatch		(1,029,610)	690,543	723,779	328,313	745,623	(1,458,648)	-
Derivatives		(120,000)	(30,000)	57,000	83,000	10,000	-	-
Net mismatch	\$	(1,149,610)	\$ 660,543	\$ 780,779	\$ 411,313	\$ 755,623	\$ (1,458,648)	\$ -
December 31, 2002 (thousands of dollars)								
Assets								
Cash	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 62,300	\$ 62,300
Deposits and securities	2.97%	592,838	60,165	50,500	51,947	126,212	-	881,662
Loans	6.02%	3,516,130	1,313,304	1,008,285	698,968	585,825	(50,586)	7,071,926
Other		-	-	-	-	-	186,932	186,932
		4,108,968	1,373,469	1,058,785	750,915	712,037	198,646	8,202,820
Liabilities and Equity								
Deposits	2.96%	5,047,053	574,362	550,816	116,980	354,266	948,187	7,591,664
Loans	3.30%	53,000	-	-	-	-	-	53,000
Other		10,000	-	-	-	-	548,156	558,156
		5,110,053	574,362	550,816	116,980	354,266	1,496,343	8,202,820
Balance sheet mismatch		(1,001,085)	799,107	507,969	633,935	357,771	(1,297,697)	-
Derivatives		(95,000)	(95,000)	25,000	115,000	50,000	-	-
Net mismatch	\$	(1,096,085)	\$ 704,107	\$ 532,969	\$ 748,935	\$ 407,771	\$ (1,297,697)	\$ -

The average rate represents the weighted average effective yield based on the earlier of repricing or maturity dates.

10. DERIVATIVE FINANCIAL INSTRUMENTS

(thousands of dollars)

	Notional Amounts				Fair Values	
	Maturities of Derivatives		Total	Total	2003	2002
	within 1 year	1 to 5 years	2003	2002		
Hedging derivatives used to manage interest rate risk						
Receive fixed interest current swaps	\$ 125,000	\$ 75,000	\$ 200,000	\$ 115,000	\$ 7,938	\$ 3,369
Receive fixed interest forward starting swaps	-	243,000	243,000	325,000	5,740	10,080
Pay fixed interest current swaps	650,000	55,000	705,000	325,000	(1,911)	(5,713)
	<u>775,000</u>	<u>373,000</u>	<u>1,148,000</u>	<u>765,000</u>	<u>11,767</u>	<u>7,736</u>
Other hedging derivatives						
Foreign exchange future sell contracts	33,276	-	33,276	57,881	835	131
Foreign exchange future buy contracts	29,192	-	29,192	55,385	(621)	191
Index-linked call options purchased	17,540	27,558	45,098	96,078	2,389	1,884
	<u>80,008</u>	<u>27,558</u>	<u>107,566</u>	<u>209,344</u>	<u>2,603</u>	<u>2,206</u>
Total derivative contracts	\$ 855,008	\$ 400,558	\$ 1,255,566	\$ 974,344	\$ 14,370	\$ 9,942

Quoted market prices are not available for a significant portion of VanCity's derivative financial instruments. Consequently, fair values are derived using present value and other valuation techniques and may not be indicative of the net realizable values.

The credit risk amount of derivatives, which represents the current replacement cost of all outstanding over-the-counter derivative contracts in a gain position without factoring in the impact of master netting agreements or the value of any collateral, totalled \$16.9 million as at December 31, 2003 (2002: \$16.2 million). VanCity manages this credit risk by dealing with a number of creditworthy counterparties and setting specific limits for investments with those counterparties, which are reviewed on a regular basis.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following represents the fair values of on and off-balance sheet financial instruments of VanCity. The value of intangibles such as long-term member relationships are not included in the fair value amounts. VanCity considers the value of intangibles to be significant.

While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, many of VanCity's financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuation techniques and may not be indicative of the net realizable values.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	2003			2002		
	Book Value	Fair Value	Fair Value Excess (Deficiency)	Book Value	Fair Value	Fair Value Excess (Deficiency)
Assets						
Cash	\$ 60,892	\$ 60,892	\$ -	\$ 62,300	\$ 62,300	\$ -
Deposits and securities	1,068,378	1,074,589	6,211	881,662	885,397	3,735
Loans	7,691,599	7,808,896	117,297	7,071,926	7,227,716	155,790
Other assets	72,942	72,942	-	84,007	84,007	-
Liabilities						
Deposits	8,403,600	8,484,691	(81,091)	7,591,664	7,645,760	(54,096)
Loan payable	2,000	1,967	33	53,000	53,000	-
Other liabilities	217,256	217,256	-	215,673	215,673	-
Off balance sheet derivative financial instruments	-	14,370	14,370	-	9,942	9,942
Total fair value adjustment			\$ 56,820			\$ 115,371

Interest rate sensitivity is the main cause of changes in the fair values of VanCity's financial instruments. The book values are generally not adjusted to reflect the fair value, as it is VanCity's intention to realize their value over time by holding them to maturity.

12. CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of VanCity's performance to developments affecting a particular segment of borrowers or geographic region.

Geographic credit risk exists in that VanCity's service area is limited generally to the Lower Mainland of British Columbia and surrounding areas. To reduce the impact of the geographic credit risk, VanCity has insured approximately 30% of its residential mortgages.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Credit Commitments

The following amounts represent the maximum amount of additional credit that VanCity could be obligated to extend. These amounts are not necessarily indicative of credit risk as many of these arrangements will expire or terminate without being utilized.

<i>(thousands of dollars)</i>	2003	2002
Undrawn lines of credit	\$ 1,438,231	\$ 832,396
Commitments to extend credit	283,383	387,353
Undrawn credit on credit cards issued	436,282	322,942
Documentary letters of credit	6,853	5,835
	<u>\$ 2,164,749</u>	<u>\$ 1,548,526</u>

Deposit Commitments

Under governing legislation, VanCity maintains, for liquidity purposes, deposits with CUCBC. As at December 31, 2003, VanCity has made Canadian dollar deposit commitments of approximately \$496 million with CUCBC. These commitments are at fixed rates ranging from 3.91% to 6.25% with terms of 1 to 4 years and maturity dates extending to 2008. VanCity has also made US dollar deposit commitments of approximately US\$66.6 million with CUCBC. These commitments are at fixed rates ranging from 1.84% to 4.83% with terms of 1 to 4 years and maturity dates extending to 2008.

Lease Commitments

Certain branch premises are leased for terms extending to 2016. There are \$26.8 million of commitments for minimum lease payments in the next five years with no year exceeding \$7.3 million.

Pledged Assets

In the normal course of business, the Credit Union and certain subsidiaries pledge their assets as security for liabilities. Standby credit facilities of \$838 million of which \$2 million has been utilized, are secured by mortgages and securities with a carrying value of \$1.53 billion. The Credit Union and certain subsidiaries also hold \$31 million in clearing facilities and \$8.4 million in committed capital market loan facilities.

Contingencies

In the ordinary course of business, VanCity has legal proceedings brought against it and provisions are included in liabilities where appropriate. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or the results of VanCity.

VANCITY STAFF & BRANCH LOCATIONS

HEAD OFFICE

183 Terminal Avenue
Vancouver, B.C. V6A 4G2
604-877-7000 or 1-888-VanCity
www.vancity.com

BOARD OF DIRECTORS

Bruce Ralston, *Chair*
Reva Dexter, *Vice-Chair*
Elain Duvall
Cheeying Ho
Catherine McCreary
Greg McDade
Shauna Sylvester
Sandy Watson
Rhonda Zabinsky

SENIOR MANAGEMENT

Dave Mowat
Chief Executive Officer

Chris Dobrzanski
*Senior Vice-President, Risk
Management and Operations*

George Scott
*Senior Vice-President, Marketing and
Strategic Planning*

Karen Hoffmann
Vice-President, Wealth Management

Lydia Johnson
Vice-President, Sales & Service

Johan Lemmer
Vice-President, Finance

Rowena Liang
*Chief Information Officer and Vice-
President, Information Technology*

Donna Wilson
Vice-President, Human Resources

Ian Warner
*President and Chief Executive Officer,
Citizens Bank*

Kevin Zakus
Vice-President, Business Services

Rolf Baumbusch
Vice-President, VISA

Neil Brown
Vice-President, Products and Services

Drew Collier
*Senior Vice-President, Operations,
Citizens Bank*

Barry Fenton
*Senior Vice-President & Chief Credit
Officer, Citizens Bank*

Kari Grist
Vice-President, Marketing

John Iseli
Vice-President, Credit & Operations

Paula Martin
*Vice-President, Public Affairs &
Corporate Communications*

Alexandra Paproski
*Manager of Corporate Affairs &
Corporate Secretary*

COMMUNITY BRANCHES

Abbotsford

32675 South Fraser Way V2T 1X9
Charleen Dunn, Manager

Burnaby

Brentwood
106-1901 Rosser Avenue V5C 6R6
Maria Michayluk, Manager

North Burnaby
4302 Hastings Street V5C 2J9
*John DeRose, Senior Branch
Manager*

Josie Romeo, Manager

North Road
3977 North Road V3J 1S2
Margaret Gardiner, Manager

South Burnaby
5064 Kingsway V5H 2E7
Peter Unadkat, Manager

In-Store Financial Services Centre
120A - 6100 McKay Avenue
Station Square V5H 2W7
Harjit Chima, Manager

Chilliwack

45617 Luckakuck Way V2R 1A3
*Ben Letkeman, Senior Branch
Manager*

Coquitlam

20 - 2991 Lougheed Hwy V3W 6J6
*Tom Hancock, Senior Branch
Manager*

Langley

100 - 20055 Willowbrook Drive
V2Y 2T5
Mary Pattison, Manager

Maple Ridge

22824 Lougheed Hwy V2X 2V7
Vanita Dennis, Manager

Mission

32555 London Avenue V2V 6V9
Michael Spuls, Manager
Lucienne Lehmann, Senior Manager
*Community Development,
Neighbourhood Strategy*

North Delta

7211 - 120 Street V4C 6P5
*Mohamed Ladak, Senior Branch
Manager*

North Vancouver

1290 Marine Drive V7P 1T2
*Greg Letham, Senior Branch
Manager*

Lynn Creek
1370 Main Street V7J 1C6
Arlene Urlacher, Manager

Port Coquitlam

7100 - 2850 Shaughnessy Street
V3C 6K5
Brenda Monk, Manager

Richmond

5900 No 3. Road V6X 3P7
Mike Matsuo, Manager

Surrey

Newton
7555 King George Highway
V3W 5A5
Jodh Dhaliwal, Manager

Guildford
108 - 15175 101 Avenue V3R 7Z1
Jayne Perrault, Manager

Surrey City Centre
10293 King George Highway
V3T 2W6
Graham McCready, Manager

Surrey
12820 - 96 Avenue V3V 6V9
Nalini Bhagat, Manager

Vancouver

Quebec & Terminal
183 Terminal Avenue V6A 4G2
Paveen Sidhu, Manager

Victoria & 40th
5590 Victoria Drive V5P 3W1
*Elaine Kennedy, Senior Branch
Manager*
Maureen Stone, Manager

Hastings & Kamloops
2510 East Hastings Street V5K 1Z3
Gerry Collins, Manager

Kitsilano
3395 West Broadway V6R 2B1
*Ross Lambert, Senior Branch
Manager*

Fraser & 47th
6288 Fraser Street V5W 3A9
Harbans Kandola, Manager

10th & Cambie
501 West 10 Avenue V5T 2A3
Peter Reale, Senior Branch Manager

Main & 26th
4205 Main Street V5V 3P9
Pretti Grewalson, Manager

Pender & Hornby
898 West Pender Street V6C 1J8
Jan Dean, Manager

4th Avenue
2233 West 4 Avenue V6K 1N9
Sarah Shellard, Manager

Commercial & 1st
1675 Commercial Drive V5L 3Y3
Bob Craig, Manager

Kingsway & Joyce
3305 Kingsway V5R 5K6
Patricia Sonier, Manager

Marpole
8615 Granville Street V6P 5A2
Phelan Jung, Manager

Kerrisdale
2380 West 41 Avenue V6M 2A4
Mark MacKillop, Manager

Point Grey
4545 West 10 Avenue V6R 4N2
Tony Ciulla, Manager

Chinatown
188 East Pender Street V6A 1T3
Grace Wong, Manager

Oakridge
5594 Cambie Street V5Z 3Y5
Lily Wong, Manager

Dunbar
4445 Dunbar Street V6S 2G4
Franko Zaurrini, Manager

West End
1680 Robson Street V6G 1C7
Janine Davies, Manager

Victoria

3075 Douglas Street V8G 1S6
Holly Harding, Manager

West Vancouver

1402 Marine Drive V7T 1B7
Cherie Devisser, Manager

White Rock

110 - 1656 Martin Drive V4A 6E7
Angela Lam, Manager

TeleService

*Paul Cockshutt, Jean-Marc Handfield,
Ana Sawatzky, Managers*

Regional Managers

Debbie Bywater
Ken Fuller
David Perri
Caroline Wedge

Samson Lim
Director of Finance and Controller

LEGAL ADVISORS

McCarthy Tétrault
Harris & Company
Fasken Martineau DuMoulin

AUDITORS

Grant Thornton LLP

SUBSIDIARIES

CITIZENS BANK OF CANADA
401-815 West Hastings Street
Vancouver, B.C. V6C 1B4
604-682-7171
Service Centre: 604-708-7800

Toronto Office
Suite 700 – 184 Front Street
Toronto, Ontario
M5A 4N3

Calgary Storefront Location
506 - 6th Street S.W.
Calgary, Alberta
T2P 0M9

Waterfront Storefront Location
815 West Hastings Street
Vancouver, B.C.
V6C 1B4

BOARD OF DIRECTORS

Dave Mowat, *Chair*
Chris Dobrzanski
Elain Duvall
Senator Mobina Jaffer
Essop Mia
Ian Warner
Alexandra Wilson
Roger Woodward

SENIOR MANAGEMENT

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Senior Vice-President, Operations

Barry Fenton
*Senior Vice-President and Chief
Credit Officer*

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*Vice-President, Residential Mortgages
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Terry Wong
*Vice-President, Treasury
Management*

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*Director, Corporate Affairs and
Corporate Secretary*

INVENTURE SOLUTIONS INC.

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Rowena Liang

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Chief Executive Officer

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*Vice-President, Technology
Infrastructure*

Andy Jones-Cox
Vice-President, Business Systems

Garry Smith
*Vice-President, Administration
& Operations*

REAL ASSETS INVESTMENT MANAGEMENT INC.

Suite 801 – 1166 Alberni Street
Vancouver, B.C. V6E 3Z3
604-646-5850

BOARD OF DIRECTORS

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Deb Abbey
David Levi
George Noroian
Joel Solomon
Brian Worth

SENIOR MANAGEMENT

Deb Abbey
Chief Executive Officer

VANCITY CAPITAL CORPORATION

7th Floor, 815 West Hastings Street
Vancouver, B.C. V6C 1B4
604.877.6565

BOARD OF DIRECTORS

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Chris Dobrzanski
Elain Duvall
Michelle Gahagan
James Hughes
David Jiles
Essop Mia
Jonathon Rhone
Coro Strandberg
Shauna Sylvester
David Valpy

SENIOR MANAGEMENT

Lee Davis
President and Chief Executive Officer

VANCITY ENTERPRISES LTD.

510 - 815 West Hastings Street
Vancouver, B.C. V6C 1B4
604-877-7610

Jack Allard, *Chair*
Shirley Chan, *Vice-Chair*
Barry Fenton
Glenn Haddrell
Cheeying Ho
David Jiles
Greg McDade
Bev Nielsen
Bob Williams
Ron Yuen

SENIOR MANAGEMENT

Jacques Khouri
President & Chief Executive Officer

VANCITY INSURANCE SERVICES LTD.

183 Terminal Avenue
Vancouver, B.C. V6A 4G2
604-877-7400

SENIOR MANAGEMENT

Joyce Jackson
Director

VANCITY INVESTMENT MANAGEMENT LTD.

300 - 900 West Hastings Street
Vancouver, B.C. V6C 1E5
604-871-5355

SENIOR MANAGEMENT

Alan Pankratz, *Manager*

ASSOCIATED ORGANIZATIONS

VANCITY COMMUNITY FOUNDATION

Established in 1989 by VanCity, the
VanCity Community Foundation is
guided by its own Board of
Directors and operates at arm's
length from the credit union.

510 - 815 W. Hastings Street
Vancouver, B.C. V6C 1B4
604-877-7647

BOARD OF DIRECTORS

Tim Louis, *Chair*
Lucy Alderson
Lisa Barrett
Neil Brown
Ivan Gasoi
Monica Hay
Mohamed Ladak
Paula Martin
Brian Nasu
Bruce Ralston

SENIOR MANAGEMENT

David Driscoll
Executive Director

VANCITY BOARD COMMITTEES

The eight standing committees
of the Board of Directors of
VanCity and their responsibilities
are listed below.

The Administration Committee
acts on all matters specifically
delegated to it by the Board and
may also initiate matters for
approval by the Board.

As at December 31, 2003
Reva Dexter, *Chair*
Elain Duvall, *Vice-Chair*
Cheeying Ho, Catherine McCreary,
Rhonda Zabinsky

The Audit Committee is
ultimately responsible for the
policies and practices relating to
internal controls, financial
reporting and social audit
reporting.

As at December 31, 2003
Catherine McCreary, *Chair*
Greg McDade, Shauna Sylvester,
Sandy Watson, Rhonda Zabinsky

The Community Partnership
Committee reviews funding
applications from non-profit
community organizations and
makes funding decisions, where
appropriate.

As at December 31, 2003
Greg McDade, *Chair*
Catherine McCreary, *Vice-Chair*
Reva Dexter, Cheeying Ho,
Sandy Watson

The Conduct Review Committee
approves or declines transactions
between the credit union and
related parties, establishes
procedures to prevent conflicts
of interest, resolving them if they
occur, and establishes procedures
regarding disclosure to members
and customers.

As at December 31, 2003
Elain Duvall, *Chair*
Sandy Watson, *Vice-Chair*
Shauna Sylvester

The Financial Policy Committee
reviews and recommends to the
Board matters of a financial
policy nature and carries out
those responsibilities duly
delegated by the Board.

As at December 31, 2003
Pending election of Chair
Elain Duvall, Shauna Sylvester,
Bruce Ralston, Sandy Watson,
Rhonda Zabinsky

The Governance Committee is an
advisory committee responsible
for supervising the corporate
governance system for the Board,
allowing the Board of Directors
to fulfill its duty to meet the
applicable legal, regulatory and
(self-regulatory) business
principles and codes of best
practice of corporate behaviour
and conduct.


As at December 31, 2003
Pending election of Chair
Reva Dexter, Greg McDade,
Bruce Ralston

The Social Audit Committee
recommends to the board
policies and practices relating
to VanCity's social audit process,
including external verification
and external reporting.

As at December 31, 2003
Elain Duvall, *Chair*
Sandy Watson, *Vice-Chair*
Catherine McCreary, Rhonda
Zabinsky, Dave Mowat (Mgmt),
George Scott (Mgmt), Johan
Lemmer (Mgmt), Donna Wilson
(Mgmt)

For more information on Board
committees or activities, please
call the Corporate Affairs
department at 877-7665 or email
board_directors@vancity.com

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Public Affairs and Corporate
Communications department.
Design and production provided by
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 We're pleased to bring this
annual report to you on 100%
post-consumer waste paper.

Andreas and Harjeet
VanCity Members

“People are **drawn** to those who share.”



Photo by Larry Goldstein, VanCity Member since 1980

VanCity

SHARED
S u c c e s s

More and more people are drawn to VanCity every year. And we believe much of that attraction is attributed to the way we share our success. In fact, we're sharing a remarkable \$13.5 million this year. That's 30% of our net profits. Money that not only goes to our members, but \$5.4 million will go to community projects they care about most. Like this year's \$1 Million VanCity Award to the WISH Drop-In-Centre Society in the Downtown Eastside.

And since 2003 was a record year for profits, we'll be giving back more than at any other time in our history. Quite simply, as a VanCity member, the more business you do with us, the more you and our communities benefit. Shouldn't you share in this success? We think so. Which is why we invite you to learn more at vancity.com or any one of our 41 branches today.

**VanCity**
It's **right** here.™

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