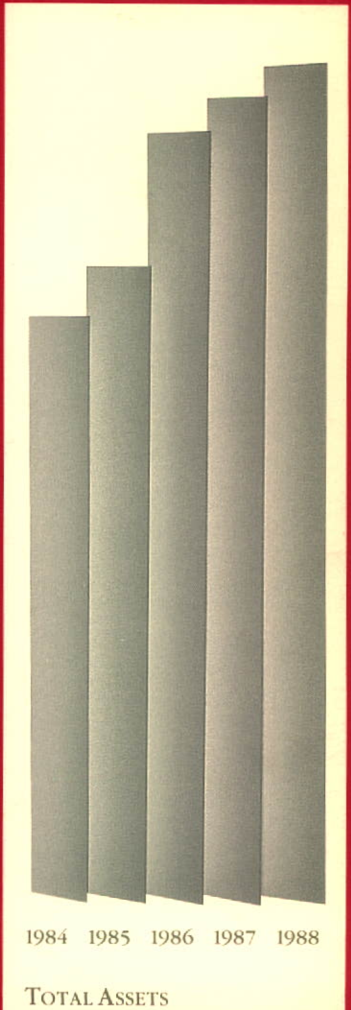
FirstCity

First City Financial Corporation Ltd.

ANNUAL REPORT 1988



FIRST CITY FINANCIAL 1988 ANNUAL REPORT

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Annual Meeting

Shareholders are invited to attend the Annual General Meeting, to be held at 10 a.m. on Tuesday, May 16, 1989 in The Ballroom of L'Hôtel, 225 Front Street West, Toronto, Canada

COMPANY PROFILE

First City Financial Corporation Ltd. is a diversified holding and investment company based in Vancouver, Canada. Its operating interests span financial services, real estate development, manufacturing, and merchant and investment banking in Canada, the United States and Europe. The Company has assets of almost $5 billion.

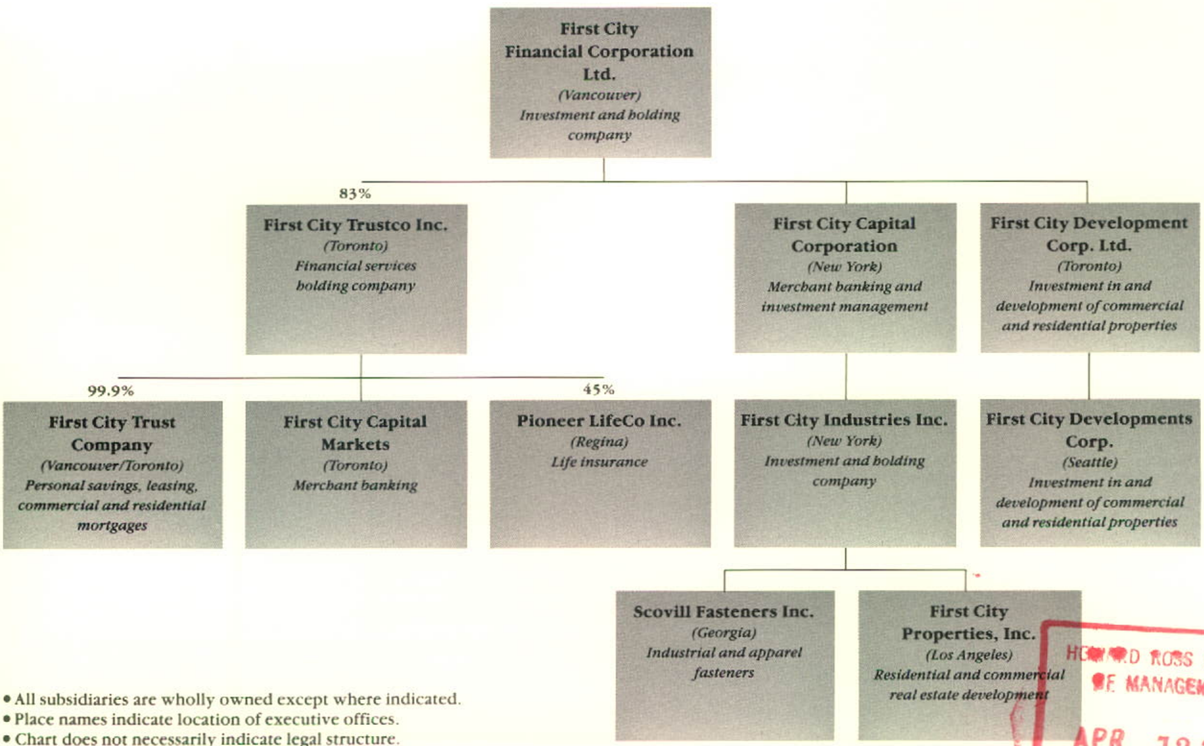
First City Financial's main subsidiaries in Canada are First City Trustco Inc., a financial services holding company, and First City Development Corp. Ltd., a real estate development and financing company active in North America.

Trustco's principal operating subsidiary is First City Trust Company, which specializes in real estate financing and equipment leasing. The trust company offers a variety of savings and investment instruments to the general public. First City Capital Markets, Trustco's merchant banking division, provides debt and equity financings to Canadian clients. Trustco also has a 45% interest in Pioneer LifeCo Inc., which owns a western Canadian-based life insurance company.

In New York, First City Capital Corporation is the Company's U.S. merchant banking and investment management subsidiary.

With headquarters in London, First City Great Britain Limited provides the Company with investment opportunities in the European economic community.

FIRST CITY GROUP PRINCIPAL OPERATING SUBSIDIARIES

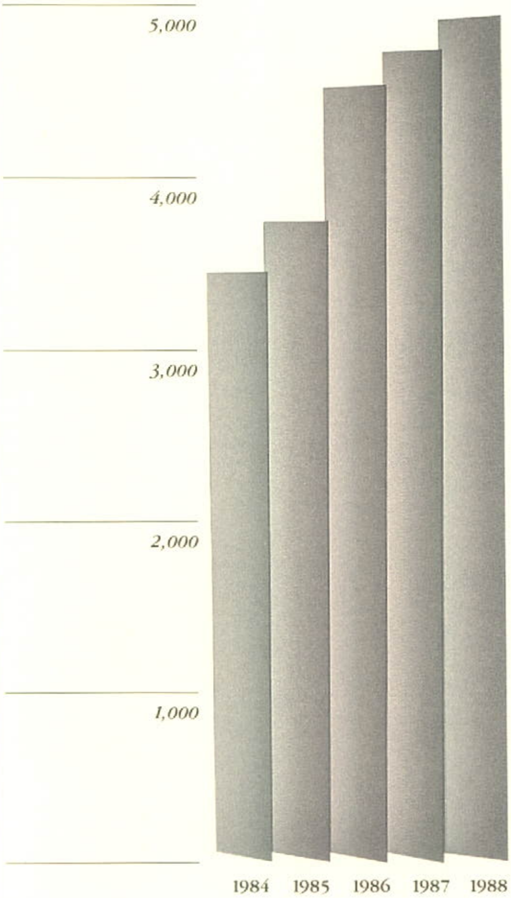


- All subsidiaries are wholly owned except where indicated.
- Place names indicate location of executive offices.
- Chart does not necessarily indicate legal structure.

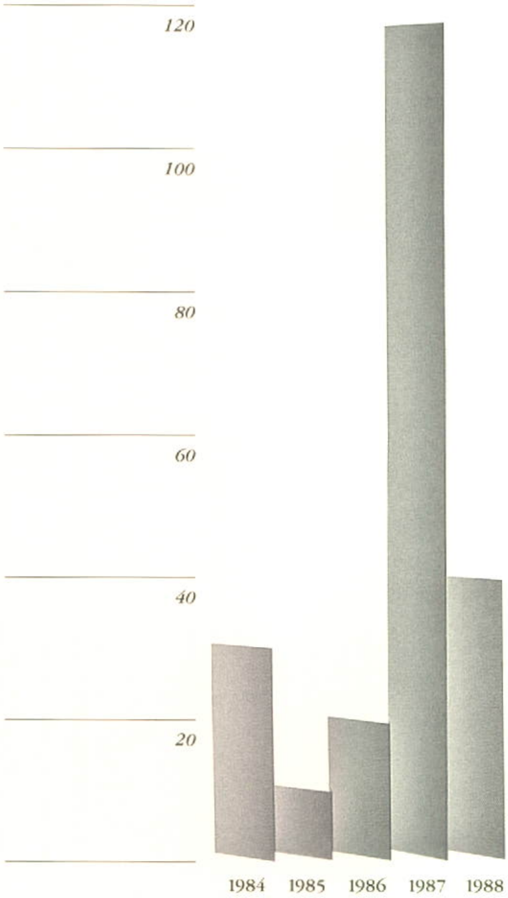
FINANCIAL HIGHLIGHTS

(In millions of dollars – except per share figures)	1988	1987
For the Year Ended December 31,		
Gross Revenue	$ 734.9	$ 727.9
Income From Operations	43.6	13.6
Income Before Extraordinary Items	40.3	16.7
Earnings Per Share		
Before extraordinary items	2.17	0.88
After extraordinary items	2.17	6.31
At Year End		
Total Assets	$4,971.5	$4,751.4
Shareholders' Equity	330.8	343.7
Book Value Per Share	18.00	18.33

TOTAL ASSETS
(In millions of dollars)



NET INCOME
(In millions of dollars)



First City's operating income in 1988 was the highest in the Company's history. Our continuing participation in the world's securities markets and in the robust North American real estate industry contributed to operating income of $43.6 million. This record performance was accomplished amid a strong Canadian economy. While there was strong economic growth in North America—marked by a recovery from the stock market crash the year before—there also were concerns about tight monetary policy in both Canada and the United States, dangerously high government deficits, and signs that inflation would re-emerge.

Historically, one of First City's strengths has been the creation of shareholder value. While that term has received a variety of interpretations, there is one simple measure: the trading value of a company's stock. From the end of 1987 to the end of 1988, the price of First City Financial's common stock increased by more than one-third, from $17¼ to $23¼. In January 1989, the price increased to a new high of $25.

Book value per share is another measure of shareholder value. As you will see elsewhere in this report, our book value at year-end was adversely affected by changes in currency exchange rates. Translation losses were caused by the strength of the Canadian dollar against world currencies, particularly the U.S. dollar.

For several years, we have been expanding our asset base through subsidiaries in the United States and retaining operating profits there. During that time, we have hedged against currency fluctuations with foreign currency debt in the parent company, as well as using other financial instruments. The benefits of this policy, although not reflected in the calculation of book value, can be realized in the future in the form of lower interest costs or as the debt is repaid .

Over the recent past, both measures of performance point to solid growth. During the last five years, the market value of our shares shows a compound growth rate of 15%. And during the last ten years, compound growth in book value per share has been 20%. We believe, however, that the market does not presently fully recognize the fair value of the Company's assets. Therefore, we will continue in 1989 to purchase shares in the open market under our issuer bid program.

In 1988, we were active in securities markets and continued to invest funds for our own account and with professional fund managers whose expertise complements ours. Impressed by the record these managers have established, we have given this aspect of our business greater international scope—with, for example, several recent investments in Europe.

In Vancouver (l to r): Samuel Belzberg, Chairman and Chief Executive Officer, First City Financial Corporation Ltd., and Gordon Lancaster, Executive Vice President and Chief Financial Officer.

We added another participant to our European commercial paper program last year and increased the facility to US$80 million. The borrowings under this facility were almost fully used during the year. Again last year, we returned to the Swiss capital market with an underwritten 75 million Swiss franc seven-year bond issue with a 5.25% coupon. In the last quarter, we called for early redemption of our 8.25%, 50 million Swiss franc bonds which were due in 1992. We are planning to return to the Swiss market with a new debt issue this year.

On the structural side, significant changes have been made in the Company, both strategically and from a management perspective. Some of the more important changes are due to our expansion into different markets; others are a refinement of our operating structure. Still other changes reflect decisions to realize on created value or are a response to greater competition in our existing businesses.

A year ago we reported on the formation of First City Trustco Inc., a new public holding company that embraces our financial services operations. Headed by President and Chief Operating Officer Brent Belzberg, the company in 1988 purchased an interest in Pioneer LifeCo Inc. With the capital provided by First City, Pioneer's management team, led by President and Chief Executive Officer Donald Black, has developed new products and marketing strategies and has expanded its operations. In some instances, the new products have been developed jointly with First City, such as a credit life insurance policy marketed by our leasing professionals as part of their full-service leasing proposals.

Trustco also acquired the business and assets of First City Capital Markets Ltd., our Toronto-based merchant bank. Capital Markets' activities are a natural complement to Trustco's existing financial services. The combination will foster the development of creative financings for new or existing customers, as well as provide a source of new business for First City Trust Company.

The capital base of Trustco was expanded last year with a $25 million rights issue and the private placement of $28.7 million of senior five-year notes. The additional capital was used in part to pay for the acquisitions of Pioneer LifeCo and Capital Markets; the balance is available for business expansion.

Trustco's executive strength has been increased with the addition of three experienced bankers. At First City Capital Markets, John Bradlow has become President and David Bookbinder Vice President. Alan Hibben has joined First City Trustco as Senior Vice President and Chief Financial Officer.

Trustco's main subsidiary is First City Trust Company where President and Chief Executive Officer Jim Westaway is leading a dynamic team under a new growth strategy. A profit centre structure and the addition of several new senior managers is enabling the trust company to better concentrate on well-defined business niches and to provide clients with highly specialized services quickly and effectively.

Simply put, the trust company is setting its sights squarely on its core client base—the mid-range corporate market. For example, our two leasing companies in the United States—Industrial Leasing Corporation in Portland, Oregon, and First City Credit Corp. in Seattle, Washington—were brought under one management team led by President Joe Costello. Both companies have been streamlined in response to changes in the American leasing industry. The companies are now benefitting from a common marketing strategy, stronger management and increased capital base.

Several years ago, our New York merchant bank, First City Capital Corporation, led by President Marc Belzberg, identified a revolutionary enterprise that was emerging in the United States—the cellular telephone. With two Canadian partners, First City Capital Corporation formed Cantel Inc., the only cellular telephone system with a licence to operate across Canada. Over the years, we and our partners built Cantel into a major force in the Canadian communications business.

Negotiations with our partners began late in 1988, and early this year we sold our interest in Cantel to the largest partner. The sale brought us cash of more than $113 million and a secured 14½% note for $113 million. The after-tax gain of approximately $125 million will be recorded in the first quarter of 1989.

First City Capital Corporation also initiated and managed the sale of our investment in Brillion Iron Works, Inc., a metal casting and fabricating company.

During the year, we determined that continuing with a small minority public ownership of First City Industries Inc. was of little benefit to the Group. As a result, in late 1988 we made a cash tender offer for the shares of Industries not already owned by First City. More than 99% of the shares not owned by us were tendered for cash of US$13.10 per share. Since year-end, we have completed the merger of Industries with the acquisition vehicle. The tender and final purchase of outstanding shares and warrants cost approximately US$32.5 million.

With 100% ownership of Industries, we gain complete access to the company's US$300 million cash balances and have the basis for restructuring several of our American companies under one new holding company. We will be reviewing our alternatives as the year proceeds.

Our real estate group, First City Development Corp. Ltd., again made a strong contribution to the Company's earnings. Under the direction of its Chief Executive Officer Brent Belzberg and its President and Chief Operating Officer, James Griffiths, this subsidiary has built an energetic team of professionals located in key commercial centres of North America. Directly and through partnerships, the real estate group has the expertise to coordinate an entire development, from land assembly through construction to building management and eventual sale.

During the past 12 months, First City developed more than 2 million square feet of office and commercial property. In 1989 we will be especially active in the Toronto, Seattle and southern California markets; we also are expanding our activities in Florida and San Francisco.

To increase the Company's European presence, we have established a merchant bank in London. Headed by an experienced executive officer, Tony Caplin, the team at First City Great Britain Limited has the mandate to identify, research, invest and manage a portfolio of private and public securities, partnerships and managed fund investments.

Mr. Caplin has recruited several experienced managers who will be engaged in merchant banking transactions in the large European market. Some of the investments secured by this group include a large "Europe only" leveraged and management buy-out fund, a bank-sponsored equity and venture capital fund, and several smaller private and publicly traded securities positions.

We begin 1989 with cash, liquid securities and credit facilities of more than $1 billion, and while we are looking forward to another successful year, we are concerned by the prospect of rising inflation, which has triggered recent interest rate increases. Newly elected governments in Canada and the United States are taking a hard line on inflation, but we believe that a firm monetary position is not enough. Fiscal restraint and an active program of measures to reduce government deficits must be a priority in both countries. As a Canadian-based financial services company we also hope that in Canada the long-promised financial sector legislation is passed into law.

Given these uncertain times, we will continue on our path of investment caution, liquidity and asset diversity.

In general, First City's businesses performed well in 1988, with particular strengths in the housing and shopping centre sectors and the securities, investment and lending businesses. The Company's growth and excellent performance are due mainly to the extraordinary talent, enthusiasm and dedication of each member of our team. On behalf of our Board of Directors, I would like to express our sincere appreciation to every one of our employees.

Sam Belzberg

Samuel Belzberg
Chairman and Chief Executive Officer
Vancouver, British Columbia
March 10, 1989

Review of Operations

Income from operations in 1988 was $43.6 million—the highest in the Company's history. This substantial increase over the previous year's operating income of $13.6 million is due to First City's renewed success in the world's securities markets and to the continued strong contribution from the Company's real estate and financial services operations.

Income before extraordinary items in 1988 was $40.3 million, or $2.17 per share, compared to $16.7 million, or 88¢ per share, the year before.

Net income for 1988 also was $40.3 million, or $2.17 per share; there were no extraordinary items. The 1987 net income of $119.2 million, or $6.31 per share, reflected extraordinary gains from the sale of two manufacturing subsidiaries in the United States, and the use of a subsidiary's tax loss. In addition, there was an extraordinary gain from the partial sale of First City Trust Company through a public issue of shares of First City Trustco Inc.

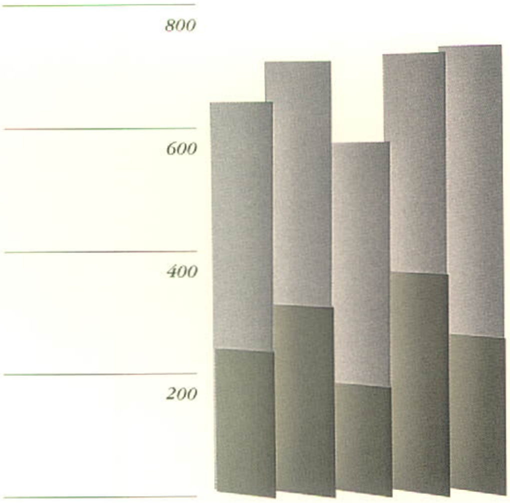
At $734.9 million, gross revenue in 1988 also set a new record for the Company. Although that figure shows only a small increase over the previous year's revenue of $727.9 million, it more accurately reflects the customary distribution of First City's sources of revenue.

In 1988, securities and investment activities contributed $36.8 million to revenue, a reversal of the loss experienced in 1987. Although real estate revenue of $226.8 million was substantially less than the record $334.5 million set in 1987, the Company continued to realize the value of its properties and at the same time to change the mix of its real estate assets.

The recent strength of the Canadian dollar against the U.S. dollar and other currencies has led to a decline in the Company's book value per share. At the end of 1988, book value per share was $18 compared to $18.33 a year earlier. The 1988 figure includes an increase of $41 million, or $2.23 per share, in unrealized losses on the translation of the Company's investments in foreign subsidiaries. Had the relative values of the currencies remained unchanged during the year, book value per share at the end of 1988 would have been more than $20.

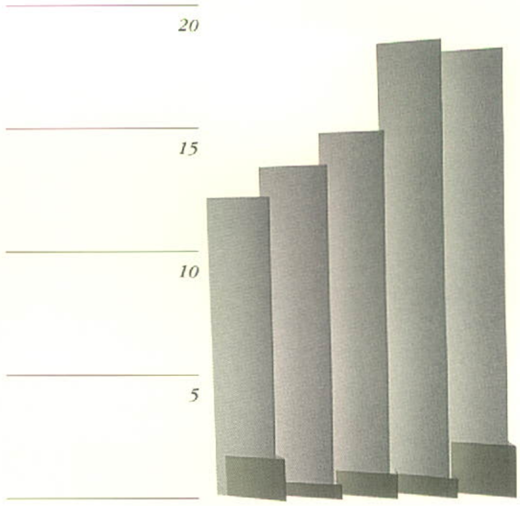
The economic impact of this decline, however, has been more than mitigated by the Company's financing activities. By borrowing in U.S. dollars and other currencies, the Company has benefitted from the strength of the Canadian dollar. Foreign currency debt, which a year ago showed an unrealized exchange loss of $36 million, today shows an unrealized gain of $16 million. This change in unrealized foreign exchange of $52 million for the year, under Canadian accounting rules, can not be recorded as an offset to the unrealized loss charged to

REVENUE
(In millions of dollars)



	1984	1985	1986	1987	1988
Financial Services	400	396	395	357	473
Real Estate	249	321	188	371	262
Total	649	717	583	728	735

BOOK VALUE AND EARNINGS PER SHARE
(In dollars per share)



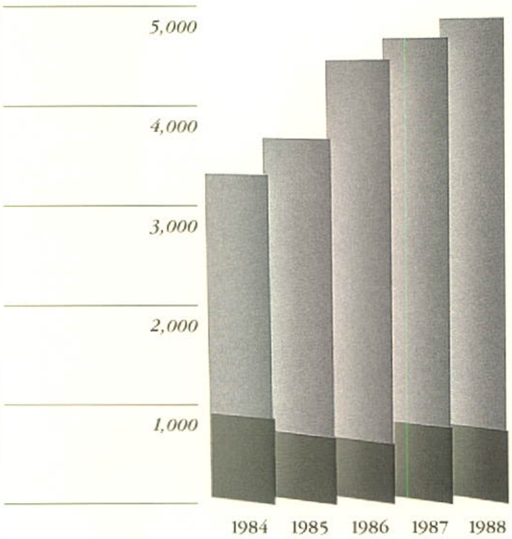
	1984	1985	1986	1987	1988
Earnings Before Extraordinary Items	1.75	0.61	1.02	0.88	2.17
Book Value	12.27	13.55	14.87	18.33	18.00

shareholders' equity. It will, however, be amortized over the term of the debt as a reduction of interest expense. Alternatively, if the debt were to be retired early, the gain would be brought into income at that time.

Total assets at year-end were $5 billion, a gain of more than $220 million during the year. An increase of almost $600 million in First City's portfolios of securities, leases, mortgage loans, and real estate were financed partly by deposit growth and long-term debt. In addition, cash advances to the Canadian Government, made under a five-year contract with the Canada Deposit Insurance Corporation, were collected and re-invested in these assets.

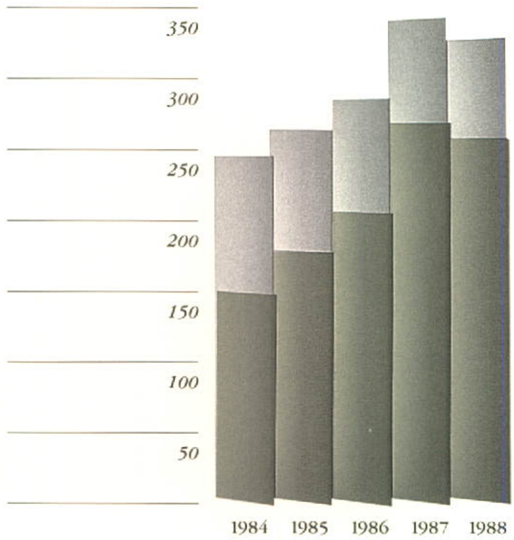
The value of First City's securities portfolio grew last year by more than $317 million to nearly $1 billion. Most of the increase was in equity securities, which rose by $306 million in the year. At year-end, the Company's overall securities portfolio had a market value deficiency of $7.9 million, compared to 1987's deficiency of $44.8 million. The equities portfolio, which represents an investment of $570 million, had a market value surplus in 1988 of $10.5 million, compared to a deficiency of $15.5 million the previous year when the portfolio was much smaller. This significant improvement during the year is a result both of stronger equity markets and the Company's ability to identify undervalued stocks.

Total Assets
(In millions of dollars)



	1984	1985	1986	1987	1988
Financial Services	2,590	3,035	3,850	3,989	4,231
Real Estate	850	704	693	762	740
Total	3,440	3,739	4,543	4,751	4,971

Shareholders' Equity
(In millions of dollars)



	1984	1985	1986	1987	1988
Paid Up Capital	92	86	81	73	67
Retained Earnings	155	180	206	271	264
Total	247	266	287	344	331

Growth in 1988 of $228 million in equipment leasing, mortgage, and term loan assets reflects a very active year by the financial services groups under First City Trustco. These groups underwrote a record total of more than $1 billion of new business and they have set even higher targets for this year.

First City's real estate portfolio increased in 1988 by $48 million to $542 million. More important than the growth in investment, however, was the change in the portfolio's composition compared to the previous year. Income properties valued at $232 million now make up almost 43% of the total portfolio, compared to $152 million or 31% a year ago. This growth is a direct result of the real estate group's focus on the development of income properties, such as shopping centres and multiple housing units, for investment or for sale by syndication.

The Company's total investment in real estate partnerships and joint ventures during the year decreased by $42 million to $100 million. This is because of relatively high sales of developed properties and does not indicate a change in approach. Participation in partnerships and joint ventures will continue to be a cornerstone of First City's real estate activities.

First City Trustco Inc.

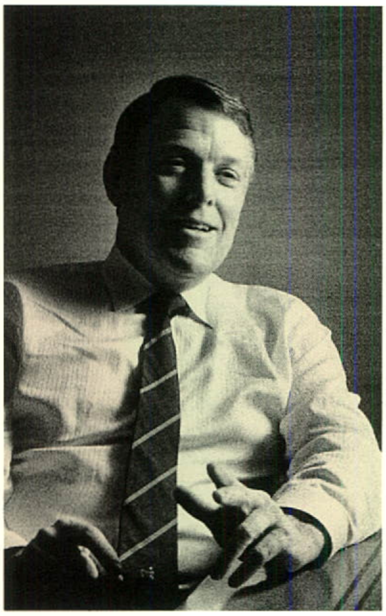
All of the Company's financial services operations in Canada are grouped under the umbrella of First City Trustco. In 1988, Trustco acquired the business and assets of First City Capital Markets from First City Financial and purchased a 45% interest in Pioneer LifeCo Inc. At the same time, First City Trust, the company's main financial services subsidiary, grew in geographic scope and in the breadth of its services. As part of a re-organization, Trustco's business units have been arranged into profit centres to help in the development of its principal market segment: growing, "mid-range" companies with which long-term business relationships can be developed.

Trustco's net earnings for 1988 were $22.4 million, or 87¢ per common share, compared to $25.9 million, or $1.06 per common share, for 1987. The decline is due mainly to increases in overhead costs, reflecting the upgrading of compensation at First City Trust Company as well as higher occupancy costs. Trustco's net investment income in 1988 increased by 28% to $79.1 million, compared to $62 million the previous year. Return on average common shareholders' equity in 1988 was 15.1% compared to 21.1% the previous year.

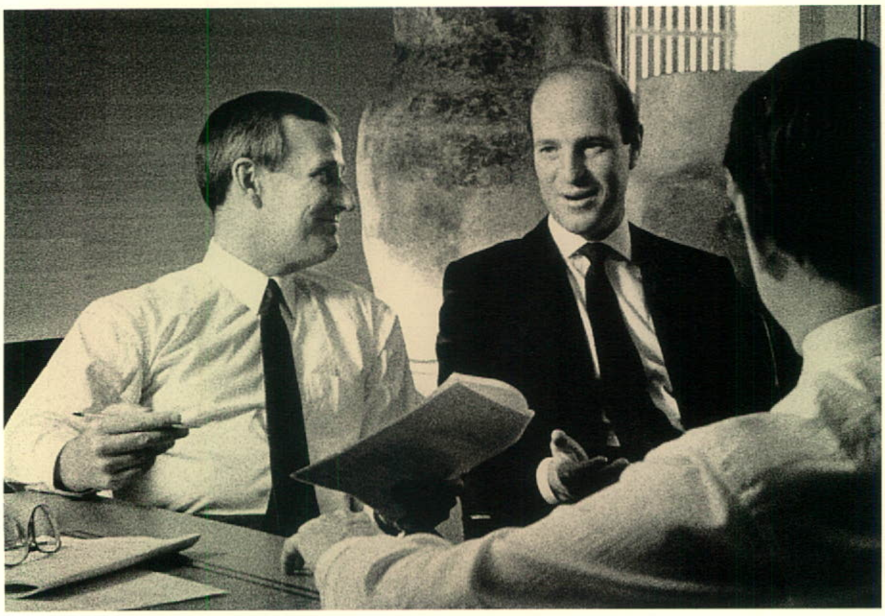
Trustco's asset base last year was relatively stable. Loan loss experience was low, in fact much lower than had been provided for. Furthermore, the Company's real estate activities showed a small profit, net of carrying charges, compared to a loss of $5.5 million in 1987.

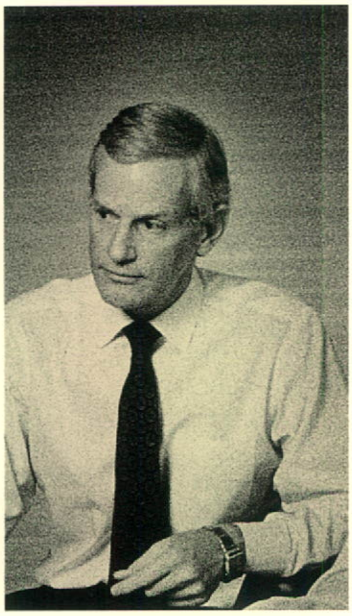
A rights offering to all Trustco common shareholders was successfully completed last year. The issue raised new equity capital of more than $25 million, part of which was used to retire short-term debt incurred in the purchase of the Company's interest in Pioneer LifeCo. A subsequent issue of senior notes raised $28.7 million. Trustco's interest in Pioneer LifeCo Inc., which was acquired last May, is currently 45% of the issued capital and there is an option to raise the interest to 65%.

The Company's real estate financing group, which provides mortgage financing for a variety of commercial and residential real estate projects across Canada, underwrote $665 million in financing commitments in 1988, split evenly between construction and long-term



In Toronto (l to r): Jim Westaway, President and Chief Executive Officer, First City Trust Company; Don Black, President and Chief Executive Officer, Pioneer LifeCo; Brent Belzberg, President and Chief Operating Officer, First City Trustco, and John Bradlow, President, First City Capital Markets.





financing. The group's commercial and construction portfolio grew by almost 20% over 1987, while the overall portfolio grew by 8%.

In Canada, the equipment financing group, which specializes in lease financing for corporate and government clients, reported total leases with a book value at year-end of $721 million. The value of new leases in 1988 set a record at more than $400 million. Net receivables grew by some $160 million, or 28%, over 1987. In the United States, the company's equipment leasing business grew to US$229 million and its profitability showed continued improvement.

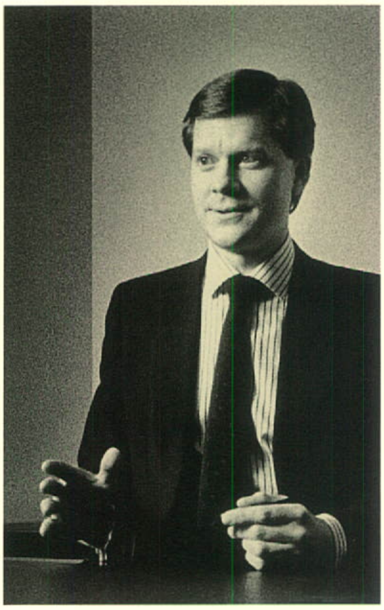
Trustco's commercial lending and merchant banking operations are carried out chiefly through First City Capital Markets which is aggressively expanding its role in Canada's debt and equity markets. In 1988, the professional staff was enlarged to strengthen the unit's ability to source new opportunities and to analyze them more effectively. In the year ahead, Capital Markets plans to bolster its efforts in merger and acquisition and general advisory services. Trustco also is assessing the potential for new merchant banking offices in Vancouver and Montreal to put staff in closer touch with local opportunities.

The core of First City Trust's deposit base continued to be savings investments such as GICS, RRSPS and RRIFS. Last year, deposits expanded by nearly 7%, to $3 billion, including an increase of 43% in "low-cost" chequing and savings accounts. New branches were opened in Kelowna, B.C., and in Kingston and Peterborough, Ontario.

With Trustco's purchase of 45% of Pioneer LifeCo, 1988 marked the beginning of a new era for the Regina-based holding company which in 1988 reported an increase in net income of $1.6 million, or 65% over 1987 levels.

FIRST CITY DEVELOPMENT CORP. LTD

First City Development, which is based in Toronto, is the Company's principal real estate subsidiary whose business is land assembly, property development and management, and real estate financing in various parts of North America. Last year was especially successful for the company with profits being generated by all business sectors. Land sales, residential developments and income properties—all contributed to total revenues of $227 million.



In Toronto: (l to r) James Griffiths, President, First City Development Corp. Ltd., and Senior Vice Presidents John Bell and Clarke Gillaspie.

Within its merchant builder business, First City Development last year was engaged in several important projects in Canada and the United States. In Ventura County, California, sales were strong at the current phase of the company's land development and housing project there. This phase occupies 300 acres of the master-planned community known as Oak Park. And in San Diego, the Fairbanks Ranch and Mountainview Terrace housing developments were completed and sold. There has been a steady demand for housing in this area and the company plans further acquisitions.

Hastings, just outside New York City, will become the site of a proposed 575-unit waterfront condominium complex. This is a substantial real estate asset that will generate considerable profit for the company over the next several years. Development of the project is being done as a joint venture.

An important share of First City's real estate profits continues to come from the development and syndication of income properties in Canada and the United States—mostly shopping malls and multi-unit residential projects. In addition, the company's apartment and suburban office park business in the Seattle area is expected to maintain its momentum in 1989.

In Canada, the Toronto real estate market maintained its upward pace in 1988 and First City's land holdings in that city made considerable profit contributions. Equally important, the First City Shopping Centre Group continued to be active across Canada. The Group completed 11 centres, which were substantially leased on completion of construction, with 15 centres in various stages of development.

As well as maintaining its merchant builder business, First City has begun a strategy of investing in longer term growth assets which will generate recurring cash flow and enhance the company's value over many years. Following this strategic course, two major projects were advanced last year.

In New York (l to r): Marc Belzberg, President, First City Capital Corporation, Vice President Charles Flynn and Senior Vice Presidents John Crum and Robi Blumenstein.

In Seattle, the company began construction of a 900,000 square-foot office tower in the downtown area. The project was undertaken as a joint venture with a Seattle developer and Kumagi Gumi, a major Japanese construction firm. Known as the AT&T Gateway Tower, the project will rise 62 stories and will become a prominent landmark as well as an important asset in the company's holdings. In Chicago, First City acquired a joint venture interest in a prime downtown site where a 700,000 square-foot tower will soon enter the construction phase.

These long-term projects are undertaken with limited exposure, committed financing structures and appropriate pre-leasing agreements before any active development is begun.

First City's highly successful RealFund, which is managed by First City Development, raised more than $70 million in equity funding during the past twelve months. RealFund's annual rate of return for 1988 was 13.5%. With the success of this mutual fund, the company is considering other alternative financing structures that include fee-generating financial services.

First City Capital Corporation

As the Company's New York-based merchant bank, First City Capital oversees three areas of activity: managing the Company's investments in securities and investment partnerships; identifying, evaluating and acquiring new businesses; and managing several of First City's operating businesses, mainly those in the United States.

Since it was established, First City Capital has managed the Company's investments in undervalued, publicly traded securities, both directly and through holdings in several investment partnerships. In 1988, gains on securities investments contributed substantially to the Company's earnings. At year-end the portfolio of U.S. securities and investment partnerships provides a good foundation for further gains in the years ahead.

First City Capital is continually in search of new investment opportunities in both the public and private markets, and last year the value of several investments was realized. Notably, the merchant bank completed the sale of Brillion Iron Works, Inc., a Wisconsin-based metal castings and fabrication company. The pre-tax gain on First City's 65% interest in Brillion was US$10 million.

In 1983, First City Capital saw the potential for cellular telephone communications in Canada, despite the infancy of the new technology. First City formed the Cantel partnership which obtained the necessary licenses to develop Canada's only national cellular telephone network. Over the past five years, First City has been highly involved in all aspects of Cantel's operations. Today, Cantel Inc. is one of North America's premier cellular telephone companies with more than 108,000 subscribers.

Early in 1989, the Company completed the sale of its interest in Cantel to its partner for a total of $226 million in cash and secured notes. An after-tax gain of $125 million will be reported on this transaction in the first quarter of 1989.

Among First City's continuing operating interests is Scovill Fasteners Inc. of Clarkesville, Georgia, which produces and sells apparel fasteners. Under a recent restructuring, Scovill's manufacturing and distribution centres were consolidated in Georgia and operations in Australia, England, Germany and Mexico were sold. With the restructuring behind it, Scovill Fasteners is now building on the strength of its consolidated and streamlined organization.

Scovill's operating income for 1988 was US$9.5 million—a significant improvement over the loss in 1987 of US$6.8 million. First City Capital is currently evaluating several acquisitions that would extend Scovill Fasteners' product lines.

First City Properties Inc. is the Company's Beverly Hills-based real estate development company that has operations in Southern California, Arizona and Nevada. Although its business has historically been the sale of residential housing, in California First City Properties is now emphasizing land development, which in the past has yielded higher returns in that market.

Consolidated Financial Statements

Auditors' Report

To the Shareholders of
First City Financial Corporation Ltd.:

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. as at December 31, 1988 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

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

Deloitte Haskins & Sells

Chartered Accountants

February 23, 1989

Consolidated Balance Sheet

December 31, 1988 (In thousands of dollars)	*Note*	1988	1987
Assets			
Cash and short term investments		$ 296,445	$ 656,807
Securities	*1*	997,317	680,111
Finance receivables and other loans		1,197,740	1,032,334
Mortgages		1,496,097	1,433,564
Real estate	*2*	541,864	493,398
Accounts receivable		72,496	78,698
Income taxes recoverable		11,319	17,670
Investment in unconsolidated subsidiaries	*3*	285,453	307,462
Fixed and other assets	*4*	72,720	51,311
		$4,971,451	$4,751,355
Liabilities			
Customer deposits		$2,980,520	$2,789,958
Bank indebtedness and commercial paper	*5*	474,812	468,628
Accounts payable and other		209,846	158,671
Due to related parties	*6*	35,038	31,478
Term debt	*7*	852,241	800,516
Deferred income taxes		3,166	63,698
Minority interest	*8*	85,054	94,755
		4,640,677	4,407,704
Contingencies	*17*		
Shareholders' Equity			
Capital stock	*9*	75,320	75,048
Contributed surplus		17,402	17,402
Retained earnings		308,833	274,220
Unrealized foreign currency translation	*10*	(44,816)	(3,872)
		356,739	362,798
Less cost of common shares held in treasury	*9*	25,965	19,147
		330,774	343,651
		$4,971,451	$4,751,355

Approved by the Board:

Samuel Belzberg
Director

Frank D. Jones
Director

Consolidated Statement of Retained Earnings

Year Ended December 31, 1988 (In thousands of dollars)	1988	1987
Balance, Beginning of Year	$274,220	$161,871
Net Income for the Year	40,276	119,229
	314,496	281,100
Share Issue Costs of Subsidiary Company	83	1,192
Common Share Dividends	5,580	5,688
Balance, End of Year	$308,833	$274,220
Dividends per Common Share	$ 0.30	$ 0.30

Consolidated Statement of Income

Year Ended December 31, 1988 (In thousands of dollars)	*Note*	1988	1987
Revenue			
Interest and dividend income		$429,725	$383,319
Real estate		226,789	334,513
Securities and investment gains (losses)		36,812	(20,958)
Fees and other income		41,547	30,990
		734,873	727,864
Expenses			
Interest on customer deposits		285,796	252,660
Bank, term debt and other interest	*11*	74,004	69,308
Cost of real estate sold and property rental expenses		196,371	303,358
Salaries and employee benefits		60,146	45,885
Operating and administrative		59,161	59,834
Provision for losses		23,435	8,701
Depreciation and amortization		11,560	9,510
		710,473	749,256
Income (Loss) From Operations Before Income Taxes		24,400	(21,392)
Income Tax Recovery	*12*	19,226	34,992
Income From Operations		43,626	13,600
Share of Operating Loss of Unconsolidated Subsidiaries	*3*	3,236	4,226
Income Before Minority Interest and Extraordinary Items		40,390	9,374
Minority Interest		(114)	7,312
Income Before Extraordinary Items		40,276	16,686
Extraordinary Items	*13*	–	102,543
Net Income For the Year		$ 40,276	$119,229
Earnings per Common Share	*14*		
Before extraordinary items		$ 2.17	$ 0.88
After extraordinary items		$ 2.17	$ 6.31

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1988 (In thousands of dollars)	*Note*	1988	1987
Operating Activities			
Increase in customer deposits		$190,562	$112,333
(Increase) decrease in investments			
Securities		(315,447)	372,867
Finance receivables and other loans		(171,444)	(172,064)
Mortgages		(82,402)	(150,730)
Real estate		(28,097)	69,038
Investment in unconsolidated subsidiaries		18,773	135,835
		(578,617)	254,946
Income before extraordinary items adjusted for non-cash items and dividends paid	*15*	(823)	4,177
Other			
Bank indebtedness and commercial paper		6,184	(130,008)
Term debt on real estate		30,004	18,085
Accounts payable, accounts receivable and other		23,910	(141,302)
		60,098	(253,225)
Total cash from operating activities		(328,780)	118,231
Financing Activities			
Issue of common shares by a subsidiary		3,811	49,218
Bank indebtedness for acquisition of a subsidiary		–	39,629
Term debt		21,509	(1,577)
Redemption of preferred shares by subsidiary		(534)	(729)
Purchase of treasury shares		(6,818)	(8,460)
Purchase of common shares by subsidiary for cancellation		(7,320)	–
		10,648	78,081
Other Investing Activities			
Investment in leasing subsidiaries		–	(39,629)
Investment in additional shares of subsidiaries		–	(6,832)
Fixed and other assets		(42,230)	(11,945)
		(42,230)	(58,406)
(Decrease) Increase in Cash and Short Term Investments		(360,362)	137,906
Cash and Short Term Investments, Beginning of Year		656,807	518,901
Cash and Short Term Investments, End of Year		$296,445	$656,807

December 31, 1988 (All tabular figures are expressed in thousands of dollars)

SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of the company and certain of its subsidiaries. Two manufacturing subsidiaries, Scovill Inc. (75.4% owned) and Brillion Iron Works, Inc. (sold in 1988) have not been consolidated as their operations are significantly different from those of the company *(Note 3)*.

The company accounts for its investment in unconsolidated subsidiary companies, partnerships and joint ventures using the equity method. Under this method, the company's share of earnings and losses of these entities is included in income and the company's investment therein adjusted by a like amount. Dividends received from the unconsolidated subsidiaries and drawings from joint ventures and partnerships reduce the investment accounts.

Securities

Bonds are carried at amortized cost and shares are carried at cost less provisions for permanent declines in value. The company has invested in various discretionary investment partnerships which under generally accepted accounting principles report the results of their activities on a current market value basis. The company accounts for its investments in these partnerships using the equity method.

Loans

Mortgages and other loans are carried at the principal amount plus accrued interest, less repayments and provisions for losses.

Finance receivables are carried at the contract amount less repayments, unearned income and provisions for losses. Income is recognized in accordance with the constant yield method of accounting.

Real Estate

Income properties are carried at cost. Where the income properties are developed by the company, all costs incurred are capitalized until the property has been completed. A property is deemed completed when approximately 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing and condominium conversions are carried at the lower of cost and estimated net realizable value. Land held for sale and foreclosed property are carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and general and administrative expenses that are clearly identified with those projects. In addition, a portion of non specific interest is allocated to projects. Net rental income from any project that is under development is capitalized until such time as that project is completed or sold. Capitalization ceases when a project has reached its net realizable value.

Revenue from the sale of housing units and condominium conversions is recognized when construction is completed, the unit is accepted by the purchaser, the purchaser has assumed all existing debt obligations related to the unit and an appropriate downpayment has been received.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, the risks of ownership have passed to the purchaser and an appropriate downpayment has been received.

Foreign Currency Translation
Foreign currency assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for gains or losses resulting from the company's net investment in self-sustaining foreign subsidiaries and gains or losses from the translation of term debt. Gains or losses arising from investments in self-sustaining foreign subsidiaries are deferred in the shareholders' equity section of the balance sheet while gains or losses arising from term debt are deferred and amortized over the remaining term of the debt.

Futures, Interest Rate Swaps and Future Rate Agreements
Interest rate swaps, future rate agreements and other hedging strategies are used to reduce the risk of interest rate movements. Gains and losses arising from the hedge transactions relating to interest rate risk are deferred and amortized over the period of interest rate risk exposure. Interest rate swaps, future rate agreements and other off balance sheet transactions are also undertaken to establish trading positions. Such positions are valued at prevailing market rates with gains and losses recorded in income.

Fee Income
The portion of loan fees received that relates to expenses incurred or underwriting services performed is recorded upon receipt. The balance of loan fees is recorded during the term of the loan.

Fee income from real estate financing receivables is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported according to the stipulations in the loan agreement.

Depreciation and Amortization
Operating income properties in Canada are depreciated principally on a 40 year sinking fund basis, and in the United States on a 40 year straight-line basis. The sinking fund depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so as to fully depreciate the operating income properties over their estimated useful lives.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 40 years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Finance costs connected with debt offerings are amortized on a straight-line basis over the term of the related debt.

1. Securities

	1988		1987	
	Carrying Value	Market Value	Carrying Value	Market Value
Government and corporate bonds	$188,593	$174,270	$132,256	$114,423
Common shares	570,492	580,966	264,112	248,596
Preferred shares	175,966	171,875	144,444	132,976
Partnership funds	62,266	62,266	139,299	139,299
	$997,317	$989,377	$680,111	$635,294

2. Real Estate

	1988	1987
Income properties		
Under development	$107,422	$ 52,343
Operating–net of accumulated depreciation of $6,793,000 (1987–$4,708,000)	124,371	99,891
Housing and condominium conversions	74,415	71,828
Land under development and held for sale	121,184	106,998
Investment in and advances to joint ventures and partnerships	99,971	141,534
Real estate financing receivables	9,054	10,678
Foreclosed property	5,447	10,126
	$541,864	$493,398

Depreciation on income properties charged to income for the year amounted to $2,689,000 (1987–$1,256,000).

The subsidiary companies' share of real estate joint venture and partnership assets, liabilities, revenues and expenses are as follows:

	1988	1987
Assets	$262,306	$350,157
Liabilities	162,335	208,623
Revenues	102,452	143,341
Expenses	79,401	139,795

Included in real estate revenue in the consolidated statement of income for the year ended December 31, 1988 is the company's share of income from joint ventures and partnerships in the amount of $23,051,000 (1987–$3,546,000).

In certain joint ventures and partnerships the subsidiary companies are contingently liable for the remaining portion of liabilities. The amount of this contingent liability at December 31, 1988 is approximately $156 million against which the subsidiary companies would have claims on the related assets which, in total, are sufficient to meet these obligations.

3. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

	Carrying Value 1987	Investment and Advances	Net Disposals	Share of Operating Income (Loss)	Foreign Exchange	Carrying Value 1988
Scovill Inc.	$288,053	$26,044	$ –	$(4,610)	$(24,034)	$285,453
Brillion Iron Works, Inc.	17,462	–	(18,836)	1,374	–	–
Other	1,947	–	(1,947)	–	–	–
	$307,462	$26,044	$(20,783)	$(3,236)	$(24,034)	$285,453

The following summary information has been taken from the audited financial statements of Scovill Inc. as at December 31, 1988.

	Scovill
	(U.S. dollars)
Current assets	$339,209
Property, plant and equipment	30,807
Trademarks and patents	7,650
Goodwill	10,707
Other assets	101,579
Current liabilities	22,891
Other liabilities	59,045
Long-term debt	199,695
Shareholders' equity	208,321
Revenue	97,169
Net loss for the year	5,084

4. Fixed and Other Assets

	1988	1987
Fixed assets		
Cost	$50,150	$42,051
Accumulated depreciation	22,273	17,477
	27,877	24,574
Prepaid expenses	3,904	5,857
Unamortized debt financing costs	11,231	13,013
Other	29,708	7,867
	$72,720	$51,311

Depreciation and amortization of fixed assets and debt financing costs charged to income for the year amounted to $8,652,000 (1987–$7,918,000).

5. BANK INDEBTEDNESS AND COMMERCIAL PAPER

	1988	1987
Bank indebtedness		
Secured		
Securities	$117,832	$ 6,486
Real estate	123,183	175,464
Finance receivables	95,702	174,770
	336,717	356,720
Unsecured		
General	99,670	48,144
Commercial paper	38,425	63,764
	$474,812	$468,628

The majority of the bank indebtedness bears interest at rates which vary with bank prime rate. The weighted average rate of interest at December 31, 1988 was 10.4% (1987–9.3%).

The bank indebtedness on real estate is secured by a demand debenture providing a first floating charge over all the assets of two real estate subsidiaries, First City Development Corp. Ltd. and First City Realty Investment Ltd.

Commercial paper is unsecured and bears interest at fixed rates of which the weighted average rate at December 31, 1988 was 9.3% (1987–8.5%).

6. DUE TO RELATED PARTIES

The amounts due to corporate controlling shareholders of the company have no specific terms of repayment and bear interest at a weighted average rate of 11.5% (1987–9.7%). Total interest charged for 1988 was $3,461,000 (1987–$3,299,000).

7. TERM DEBT

	1988	1987
Secured		
On income properties	$126,028	$ 73,708
On housing	15,701	26,268
On land	27,104	83,100
On finance receivables	91,805	36,770
On mortgages	31,087	27,798
	291,725	247,644
Unsecured		
Subordinated		
Notes due 1988	–	38,979
Notes due 1991 or 1996	60,784	74,037
Notes due 1990 to 1994	154,626	197,300
	215,410	310,316
Senior		
Senior notes–due 1993	28,700	–
8¼% Bonds–due 1992	39,715	51,135
6% Bonds–due 1994	63,544	81,816
5¼% Bonds–due 1995	59,572	–
Dual currency–8¾% bonds–due 1992 or 1994	67,609	71,571
Dual currency–7¾% bonds–due 1993 or 1995	68,940	73,093
Other	562	665
	328,642	278,280
Unamortized foreign exchange	16,464	(35,724)
	$852,241	$800,516

Secured term debt bears interest at a weighted average rate of 10.0% (1987 — 10.2%).

Subordinated notes totalling $60,784,000 issued by a subsidiary, First City Trust Company, bear interest at a rate of 6% and are payable as to principal and interest in Swiss francs. At the date of issue, the notes had a face value of 75,000,000 Swiss francs. The subordinated notes are repayable in May 1991 which date may be extended to May 1996 at the subsidiary company's option.

Subordinated notes totalling $154,626,000 (US$130,387,000) issued by a subsidiary, First City Industries Inc., bear interest at a weighted average rate of 10.4%.

Senior notes totalling $28,700,000 issued by a subsidiary, First City Trustco Inc., bear interest at a rate of 11.75%.

The 8¼% bonds totalling $39,715,000 are payable as to principal and interest in Swiss francs. At the date of issue, the bonds had a face value of 50,000,000 Swiss francs. The company has called the bonds for redemption in March 1989 at 101½.

The 6% bonds totalling $63,544,000 are payable as to principal and interest in Swiss francs. At the date of issue, the bonds had a face value of 80,000,000 Swiss francs. The bonds are redeemable after December 8, 1991 at the option of the company at par plus a decreasing premium.

The 5¼% bonds totalling $59,572,000 are payable as to principal and interest in Swiss francs. At the date of issue, the bonds had a face value of 75,000,000 Swiss francs.

The dual currency 8¾% bonds totalling $67,609,000 (US$56,695,000) are payable as to principal in US dollars and as to interest in Swiss francs. At the date of issue, the bonds had a face value of 110,000,000 Swiss francs. The bonds are repayable in February 1992, which date may be extended to February 1994 at the bondholders' option.

The dual currency 7¾% bonds totalling $68,940,000 (US$57,811,000) are payable as to principal in US dollars and as to interest in Swiss francs. At the date of issue, the bonds had a face value of 130,000,000 Swiss francs. The bonds are redeemable in August 1993 at either the bondholders' or the company's option and otherwise are repayable in August 1995.

Approximate repayments on all term debt are as follows:

1989	$162,345
1990	49,493
1991	181,580
1992	100,747
1993	137,746
1994 and thereafter	220,330
	$852,241

8. Minority Interest

	1988	1987
Minority interest in subsidiary companies		
Common shareholders	$64,988	$74,164
Preferred shareholders	20,066	20,591
	$85,054	$94,755

9. Capital Stock

Preferred shares

The company is authorized to issue 25,000,000 First Preferred Shares without par value issuable in series and 25,000,000 Second Preferred Shares without par value issuable in series. The company's directors have designated 12,500,000 shares as $0.6125 First Preferred Shares, Series A with an issue price of $5.00 each and 12,500,000 shares as $1.75 Convertible Second Preferred Shares, Series 1 with an issue price of $20.00 each.

There are no Preferred Shares outstanding.

Common shares

The company is authorized to issue 50,000,000 Class A common shares without par value. As at December 31, 1988, 20,213,715 shares were issued and fully paid (1987–20,193,715 shares).

The company is also authorized to issue 50,000,000 Class B non-voting shares without par value. There are no Class B non-voting shares outstanding.

Common shares in treasury

The company has purchased 1,834,170 of its Class A common shares pursuant to previous Normal Course Issuer Bids under the Securities Act of Ontario, which commenced December 10, 1984 and terminated December 9, 1988. Under its present Normal Course Issuer Bid which commenced December 10, 1988 and which will terminate December 9, 1989 the company has the right to purchase up to 919,002 shares.

Stock options

At December 31, 1988, 35,000 common shares are reserved for issuance to certain officers in respect of options to purchase shares at a price of $13.625. These options may be exercised at any time until May 2, 1990. During 1988, 20,000 Class A common shares were issued on exercise of these stock options (1987 — 20,000 shares).

10. Unrealized Foreign Currency Translation

	1988	1987
Balance, beginning of year	$ (3,872)	$ 43,169
Effect of changes in exchange rates on investment in subsidiaries	(41,631)	(24,818)
Increase (reduction) due to the disposal of foreign subsidiaries	687	(22,223)
Balance, end of year	$(44,816)	$ (3,872)

11. INTEREST EXPENSE

In respect of real estate development operations of subsidiaries, interest for the year totalled $81,484,000 (1987–$68,739,000) of which $58,027,000 (1987—$42,768,000) was charged to operations with the remaining amount being capitalized.

12. INCOME TAXES

Income taxes (recovered) on operating income have been provided as follows:

	1988	1987
Current	$ 31,083	$ 2,300
Deferred	(50,309)	(37,292)
	$(19,226)	$(34,992)

The provision for income taxes does not reflect the statutory income tax rates for the following reasons:

	1988	1987
Income taxes (recovery) on income (loss) from operations based on Canadian statutory rates	$ 11,224	$(10,696)
Increase (decrease) from statutory rates		
Tax exempt investment income	(7,910)	(16,313)
Lower tax rates on income earned in foreign jurisdictions	(35,387)	(23,818)
Deferred taxes not recognized for accounting purposes related to losses of a U.S. subsidiary	–	16,290
Other	12,847	(455)
Income tax recovery	$(19,226)	$(34,992)

13. Extraordinary Items

	1988	1987
Gain on partial sale of First City Trustco Inc. (net of deferred income taxes of $4,994,000)	$ –	$ 14,213
Share of subsidiary's utilization of an income tax loss carryforward	–	20,954
Share of subsidiaries' gain on sale of operations, discontinued operations and disposal of subsidiaries (net of deferred income taxes of $14,937,000)	–	67,376
	$ –	$102,543

14. Earnings per Common Share

Basic earnings per common share have been calculated using the weighted average number of shares outstanding during each year, net of treasury shares.

15. Statement of Changes in Financial Position

	1988	1987
Income before extraordinary items adjusted for non-cash items and dividends paid		
Income before extraordinary items	$ 40,276	$ 16,686
Provision for losses	23,435	8,701
Provision for losses on real estate	14,390	18,418
Depreciation and amortization	11,560	9,510
Share of income from unconsolidated subsidiaries and joint ventures	(19,815)	680
Income taxes	(50,309)	(37,292)
Minority interest	114	(7,312)
Other non-cash items	(11,744)	3,254
Dividends	(5,580)	(5,688)
Dividends paid to minority shareholders	(3,150)	(2,780)
	$ (823)	$ 4,177

16. Commitments

The company's premises and certain equipment are held under long term leases; the aggregate amount of rentals paid during the year was \$8,623,000 (1987 — \$6,808,000). The aggregate rentals payable under all leases currently in force during the next five years is approximately \$27 million.

Subsidiary companies involved in real estate development have lodged letters of credit aggregating \$47,322,000 with municipalities and utilities as collateral for the fulfillment of various business obligations.

17. Contingencies

The company is party to certain purported class and derivative actions in United States courts which relate to the disposition of investment positions. In one related group of actions, the claim against the company is for unspecified damages believed to be approximately US\$8 million together with costs. Pleadings have not been completed and the company has filed a motion for dismissal. In another series of related actions, the plaintiffs' claims against the company are for unspecified damages believed to be approximately US\$15 million plus unspecified treble and punitive damages together with costs. Pleadings have not yet been completed in these actions.

Certain subsidiaries of the company are defendants in an action brought in November 1988 in respect to the sale by one of these subsidiaries of the shares of Hamilton Beach, Inc., seeking rescission and/or damages. Pleadings have not yet been completed in this action.

In all of the foregoing actions, the company believes that it has substantial defences on the merits and is vigorously defending the actions.

The company and certain subsidiaries are defendants in certain actions arising in the ordinary course of business. These actions are being contested and in certain cases, counterclaims have been made. The company believes that their ultimate outcome will not result in a significant liability being assessed.

Any adverse judgements will be accounted for as prior period adjustments.

18. Business Segment Information

	1988	1987
Industry segments		
Financial services		
Revenue	$ 473,364	$ 356,906
Income from operations	27,752	16,889
Identifiable assets	4,231,723	3,989,278
Real estate		
Revenue	261,509	370,958
Income from operations	15,874	(3,289)
Identifiable assets	739,728	762,077
Geographic segments		
Canada		
Revenue	464,610	461,929
Income from operations	(29,721)	(17,083)
Identifiable assets	3,422,110	3,097,186
United States and other		
Revenue	270,263	265,935
Income from operations	73,347	30,683
Identifiable assets	1,549,341	1,654,169

19. Comparative Figures

Certain comparative figures for the prior year have been reclassified to conform with the classifications used in 1988.

20. Subsequent Events

On November 9, 1988 First City Acquisition Corp. ("Acquisition"), a wholly-owned subsidiary, commenced an offer to purchase for cash all of the outstanding shares of common stock of First City Industries Inc. ("Industries"), a 75.4% subsidiary, at a cash price of US$13.10 per share. On January 4, 1989 Acquisition accepted for payment all shares properly tendered pursuant to the offer. These shares represented more than 99% of the outstanding common shares of Industries. On January 30, 1989 Acquisition merged with and into Industries. In the merger each share of Industries not owned by Acquisition was converted into the right to receive US$13.10 per share in cash.

On October 7, 1988, the company granted an option to a third party to purchase it's approximately 17% interest in Cantel Inc. On January 10, 1989 the sale was completed for cash of approximately $113,220,000 and a secured five year promissory note of $113,220,000 bearing fixed interest at a rate of 14½%.

(In thousands of dollars except per share figures)	1988	1987	1986
Balance Sheet			
Assets			
Cash and short term investments	$ 296,445	$ 656,807	$ 518,901
Securities	997,317	680,111	1,070,714
Finance receivables and other loans	1,197,740	1,032,334	654,961
Mortgages	1,496,097	1,433,564	1,305,224
Real estate	541,864	493,398	560,739
Other assets	441,988	455,141	432,312
Total	$4,971,451	$4,751,355	$4,542,851
Liabilities and Equity			
Deposits	$2,980,520	$2,789,958	$2,677,625
Other liabilities	719,696	658,777	675,938
Term debt	852,241	800,516	776,379
	4,552,457	4,249,251	4,129,942
Deferred income taxes	3,166	63,698	71,525
Minority interest	85,054	94,755	54,854
Shareholders' equity	330,774	343,651	286,530
Total	$4,971,451	$4,751,355	$4,542,851
Income Statement			
Revenue			
Mortgage, lease and loan interest and dividends	$ 429,725	$ 383,319	$ 359,975
Real estate	226,789	334,513	149,788
Securities and investment gains	36,812	(20,958)	47,390
Fees and other income *(A)*	38,311	26,764	29,067
Total Revenue	731,637	723,638	586,220
Expenses			
Interest	359,800	321,968	308,143
Salaries	60,146	45,885	39,631
Real estate	196,371	303,358	152,548
Other *(B)*	94,270	70,733	56,667
Total Expenses	710,587	741,944	556,989
Income Taxes (recovery)	(19,226)	(34,992)	9,567
Income (before extraordinary items)	$ 40,276	$ 16,686	$ 19,664
Per Common Share *(C)*			
Earnings before extraordinary items	$ 2.17	$ 0.88	$ 1.02
Dividends	$ 0.30	$ 0.30	$ 0.30
Book value	$ 18.00	$ 18.33	$ 14.87

(A) Includes share of unconsolidated subsidiaries and affiliates' income

(B) Includes minority interest

(C) After reflecting 2:1 stock split in 1980 and 1984

1985	1984	1983	1982	1981	1980	1979
$ 385,600	$ 512,445	$ 194,181	$ 97,748	$ 116,946	$ 63,529	$ 35,232
641,491	574,559	421,435	289,669	240,596	255,696	139,232
520,783	393,809	344,401	316,266	269,577	142,382	94,146
1,329,051	1,344,668	1,271,877	1,140,542	959,530	728,153	627,083
505,949	492,805	402,138	452,569	460,554	343,891	297,926
356,573	121,439	96,207	66,777	96,626	81,217	17,896
$3,739,447	$3,439,725	$2,730,239	$2,363,571	$2,143,829	$1,614,868	$1,211,515
$2,343,853	$2,182,580	$1,864,003	$1,561,268	$1,446,703	$1,075,975	$ 821,986
421,886	387,674	222,561	338,446	270,242	299,196	181,118
585,468	519,686	344,549	244,211	257,861	128,155	132,603
3,351,207	3,089,940	2,431,113	2,143,925	1,974,806	1,503,326	1,135,707
56,573	33,334	24,233	17,602	16,277	23,228	17,403
65,590	68,957	60,968	59,199	36,147	21,098	22,496
266,077	247,494	213,925	142,845	116,599	67,216	35,909
$3,739,447	$3,439,725	$2,730,239	$2,363,571	$2,143,829	$1,614,868	$1,211,515
$ 363,881	$ 328,188	$ 275,580	$ 266,193	$ 222,902	$ 128,555	$ 82,120
271,076	202,604	305,179	254,604	189,543	103,072	120,975
55,142	96,386	36,914	7,530	45,245	6,331	567
26,134	23,903	16,616	21,112	26,418	19,539	5,710
716,233	651,081	634,289	549,439	484,108	257,497	209,372
324,112	267,454	227,231	247,832	224,301	118,891	80,153
37,467	32,478	24,346	22,599	20,573	13,482	9,418
257,906	188,900	275,908	223,165	165,587	84,406	94,146
62,542	83,853	56,233	38,994	31,139	21,433	17,236
682,027	572,685	583,718	532,590	441,600	238,212	200,953
22,077	43,178	22,379	5,796	2,125	8,235	3,241
$ 12,129	$ 35,218	$ 28,192	$ 11,053	$ 40,383	$ 11,050	$ 5,178
$ 0.61	$ 1.75	$ 1.50	$ 0.70	$ 2.40	$ 0.96	$ 0.46
$ 0.30	$ 0.2875	$ 0.1625	$ 0.15	$ 0.10	$ 0.09	$ 0.075
$ 13.55	$ 12.27	$ 10.60	$ 8.83	$ 7.76	$ 4.60	$ 3.20

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Vice President, Tax

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Controller, Assistant Secretary and Assistant Treasurer

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Stock Exchange Listings

First City Financial (FCY)

Toronto Stock Exchange

First City Trustco (FIR)

Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

First City Trust (FCT)

Toronto Stock Exchange

First City Financial's common stock is listed on the Toronto Stock Exchange (symbol FCY). On December 10, 1988, the Company renewed its normal course issuer bid with the TSE and other authorities to permit it to purchase over the period of a year up to 5% of its outstanding common shares through the exchange. The Company believes that the market value of its stock does not reflect the value of its assets and that the purchase of its shares is an appropriate investment of excess funds. A copy of the notice is available from Tim D. Hammill, Secretary, First City Financial Corporation Ltd., 20 Adelaide Street East, Toronto, Ontario M5C 2T6.

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