



Strong foundations for
a sustainable future



2015 Annual Report

In 2015, Vancity's efforts to build healthy communities that are economically, socially and environmentally sustainable met with considerable success. The foundations of our credit union, backed up by our commitment to values-based banking™, remain strong.

More than 29,000 new members decided to join us in 2015, our balance sheet grew to \$19.8 billion, our income was above target and 49.1 per cent of our business lending was in impact.

But for us to address the long-standing concerns of our members about environmental degradation, rising inequality, housing affordability and rapid

technological change, we need to work hard to fundamentally transform our business.

We're doing this now so that we can become even more agile as an organization and make more of a difference in the communities we serve in the future. This report details our progress.

On the cover: Family support at the Last Door Recovery Society, a Vancity member.

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This report provides a summary of Vancity, and our strategy, performance and impact during 2015. We publish supplementary documents that contain more information, available at vancity.com/2015AnnualReport:

- Consolidated financial statements
- Consolidated accountability statements, including the Global Reporting Initiative (GRI) content index
- Greenhouse gas handbook and inventory report
- Glossary

Throughout this report, 'Vancity' or 'we' refers to Vancouver City Savings Credit Union and its active subsidiaries and partnerships as listed in the organization chart on page 7.

This report contains forward-looking statements or information, which reflects the current view of Vancity with respect to future events and financial performance. All forward-looking statements are based on the opinions and estimates of management as of the date they are made, represent management's best judgment based on facts and assumptions they consider reasonable, and are subject to risks and uncertainties that could cause actual results to differ materially.

We'd like to hear what you think about this report. Send comments and questions to accountability@vancity.com, [tweet us @vancity](https://twitter.com/vancity), or connect with us on facebook.com/vancity.



Vancity



Section one: About Vancity

Serving rural communities: Vancity's new Cormorant Island community branch near Port McNeil

Message from the Chair



Jan O'Brien
Chair, Vancity Board of Directors

Enhancing our core values

One of the things most people know about Vancity is that we're a values-based organization. As a testament to that, the sidewalk outside Vancity Centre features colourful mosaics representing our core values of integrity, innovation and responsibility.

The Vancity Board of Directors plays an important role in upholding and strengthening those values. In 2015, we were inspired by the final report of the Truth and Reconciliation Commission of Canada (TRC) and by the calls made in that report for businesses to embrace reconciliation. Adopting reconciliation with Indigenous peoples will complement and amplify our existing values and deepen our links with these often-overlooked communities.

Our work in this area is not new, but following the report we have now formally adopted the UN Declaration on the Rights of Indigenous Peoples as a framework for meaningful reconciliation and embraced the TRC's Call to Action for Business. These include a commitment to consultation with Indigenous people in relation to economic development projects, hiring policies that enhance opportunities for Indigenous people and a commitment to help promote a better understanding of reconciliation.

A good example of our close collaboration with First Nations in 2015 is the successful opening of our Cormorant Island community branch in the Village of Alert Bay (see page 27). We will continue to look for other projects that benefit Indigenous people and we're planning to add a new reconciliation mosaic outside our building to reflect our long-term commitment to this important issue.

Strengthening the credit union system

In 2015, we also continued to meet with leaders of our fellow credit unions around the province to look at ways of strengthening the credit union system as a whole. In some cases, credit unions are the only financial institutions in BC's rural communities. Their importance in our society more generally should not be underestimated – a point we've been making in our work on the review of the Financial Institutions Act and the Credit Union Incorporation Act.

In anticipation of significant changes to these key pieces of legislation, in September 2015 we provided a detailed response to the provincial government's initial public consultation paper and participated in consultation sessions with the provincial government through Central 1 Credit Union, which advocates on behalf of its members.

Our response included recommendations on the amount of capital that financial institutions are required to hold. We believe rules for credit unions could be updated to encourage more lending to small businesses, which account for 45 per cent of jobs in BC. These organizations employ our members, generate sustainable wealth and form the key building blocks of our society.

Diversifying our business

At Vancity, we value the essential part small businesses play in helping to build healthy communities that are economically, socially and environmentally sustainable. We want to support small businesses even more than we do now and, in our consultation response, we argued for statutory changes that would allow us to do so. Furthermore, this approach fits with our long-term strategy of diversifying our business.

Other Board initiatives in 2015 included building closer relationships within the Global Alliance for Banking on Values via a new leaders' forum for directors. Closer to home, we began a renewed focus on the labour movement in BC, which shares many of our values and represents an important part of our membership.

In 2016, your Board of Directors will continue to support the long-term well-being of Vancity members and enhance the values-based banking model that is changing the way people think about wealth, both in BC and around the world.

Message from the President and CEO



Tamara Vrooman
President and CEO

The benefits of values-based banking

Vancity has had another good year and the foundations of our credit union remain strong. The stability we've created here is no accident – it exists because of the unique relationship we have with our members and with the real economy of goods and services that impact their daily lives.

We are committed to redefining wealth and building healthy communities that are economically, socially and environmentally sustainable. These ideas guide the work we do every day and form the basis of our values-based banking model. In 2015, they delivered some solid results.

Our assets reached \$19.8 billion, which is a 6.8 per cent increase, or \$1.3 billion, over 2014. Total assets plus assets under administration are now \$23.8 billion, a 6.7 per cent increase, or \$1.5 billion, over 2014. Our net income was considerably above expectations at \$65.1 million. This is in part because our volume of business increased significantly in 2015, particularly in relation to the small business community.

Almost half of our business loans have a direct positive impact on the community and each year we return 30 per cent of our net income to our members and community partners in our annual Shared Success payout – \$19.5 million of our \$65.1 million net income in 2015, to be allocated over the course of 2016. These things demonstrate our belief that when our members and their communities do well, so do we.

Vancity and our members – one and the same

Despite some clear successes in 2015, we are keenly aware that the economic recovery has been uncertain and that our members are concerned about the future of their communities. Inequality, poverty and lack of safety and security have created a harsh environment for some, leaving them feeling vulnerable and disconnected. Housing affordability remains one of our most intractable problems.

At Vancity, we understand the context of our members' concerns because they are our concerns too – as a co-op, we are one and the same. We have built a strong platform to help address the challenges we all face and in 2015 we developed a clear vision to accelerate the impact we can have in our communities.

Our 2020 Plan, which we have made publicly available, sets us on a path to transformational but sustainable growth over the next five years. It will also help us to diversify our business and grow our balance sheet in areas that benefit local communities. Between now and 2020 we will be working towards a goal of having more than 600,000 members, investing 50 per cent of our assets in impact, and increasing our total assets plus assets under administration to \$40 billion.

But we're not stopping with our own industry. Meeting the needs of the real economy requires that we understand emerging and future trends beyond banking and how they'll impact our members and communities. We already know that rapid changes are taking place in the world of finance. The fintech sector is seeing the emergence of new players from outside of traditional banking and we must work hard to keep current.

As a result, we made future proofing one of our key strategic priorities. This work will help us anticipate emerging and future trends in order to stimulate flexibility, agility and adaptability within Vancity. An important part of the strategy will be to enhance our ability to think differently and to encourage the kind of innovative and entrepreneurial thinking that our vision requires. In this way we will be able to keep pace with the community's needs so that the collective asset that we've created here – Vancity credit union – continues to be strong in the future.

For that to happen, we need to set the type of ambitious goals you'll find in our 2020 Plan. These have been based on a clear understanding of where we are now.

Delivering results for members and communities

In 2015, we tracked our performance against five key organizational targets and developed a measure for a sixth. This was a new metric for employee well-being to help us better understand employees' experiences, the strengths of Vancity's culture, and also what might be holding us back.

We met or exceeded three of the five measures for which we had results in 2015. We narrowly missed our target of signing up at least 30,000 new members to Vancity. But our year-end figure of 29,276 is a significant achievement and adds to our positive track record as we begin executing our 2020 Plan. We ended 2015 with 519,736 members, a net growth of 10,728 that also demonstrates a healthy retention rate.

On another important measure, we exceeded our target for our return on average members' equity (ROME), which reached 6.2 per cent in 2015. This metric demonstrates our focus on long-term value rather than short-term profits. If we didn't factor in the Shared Success program, ROME in 2015 would have been 7.8 per cent.

We did not meet our target on member well-being, calculated as a percentage of members who strongly agree that Vancity's contribution to the community has a positive effect on their well-being. Our target in 2015 was at least 50 per cent and our result was 48.4 per cent. We are always looking to improve the well-being of our members and we expect that as we complete the transformation of our business and the installation of a new core banking system (see page 19), we will have a greater ability to help them achieve their long-term financial goals.

At Vancity, loans to organizations that we believe create positive impact in the community are called community impact loans. One of our most important annual

targets is the value of community impact loans funded as a percentage of total commercial and business loans. Our 2015 result was 49.1 per cent, exceeding our target of at least 45 per cent.

Building a more inclusive workplace and enhancing opportunities for people with disabilities was also an important part of our work in 2015. In addition to the progress we made in supporting existing employees, we also significantly enhanced our work with community partners to provide new opportunities for people with disabilities (see page 35). I'm proud to report that we again met our target for diversity – employees who self-declare they have a disability (10.2 per cent versus the target of having more than the labour rate of 5.8 per cent).

Planning for the future

Taken together, these results show that we're performing well as an organization, both in terms of our financial position and our commitment to building healthy communities. I'm confident that our approach to providing financial services is the right one and is resonating with the public, both locally and further afield. In 2015, I accepted an invitation to speak at the United Nations about the co-operative model and we also continued our work with the Global Alliance for Banking on Values on a sustainable banking scorecard.

Finally, I would like to highlight Vancity's response to the refugee crisis as an example of how we are able to mobilize to quickly meet community needs (see page 21). I want to thank the Vancity members, employees and community partners who helped bring together our response. Together we showed how our values can extend beyond the delivery of financial services and be used for the good of our communities and the world around us.

Board of Directors

Vancity’s Board of Directors represents the membership and has a legal responsibility and obligation to protect its assets. Directors establish Vancity’s vision and strategy and oversee core business operations while building relationships with members and the community. They also provide leadership within the values-based banking, co-operative and credit union systems.

In addition to attending regular Board meetings, each Director serves on two or more committees. They may also be appointed to special committees or to the Boards of our subsidiaries or affiliates, including Citizens Bank of Canada.

The Board delegates the day-to-day leadership and management of Vancity to the President and Chief Executive Officer, who establishes the accountabilities for each member of the executive leadership team.

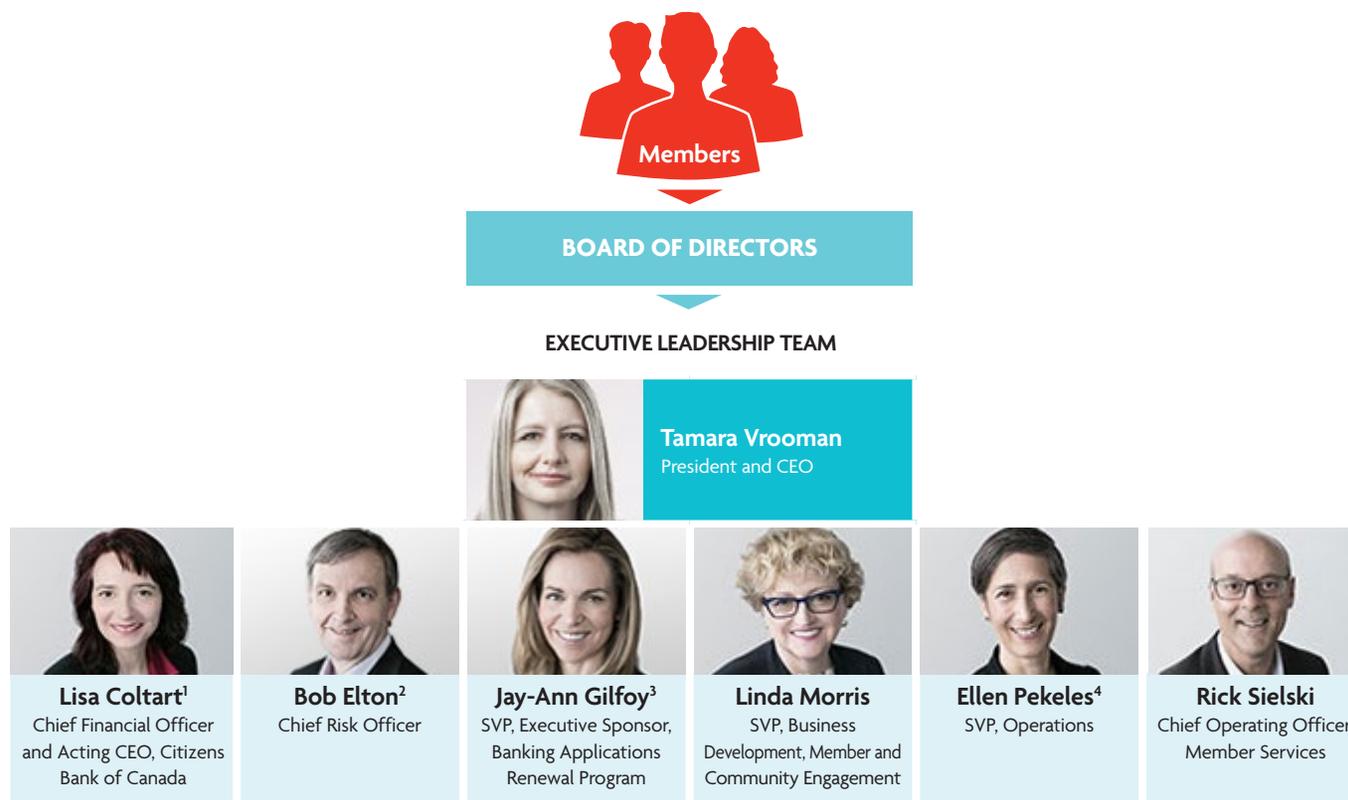
Members elect Directors in a democratic one-member, one-vote system. They elect Directors annually for a term that normally runs three years, up to a maximum of four consecutive terms.

								
Jan O'Brien Chair	Anita Braha Vice-Chair	Teresa Conway	Allen Garr	Lily Grewal	Theodora Lamb	Greg McDade	Virginia Weiler	Bob Williams
Elected in 2009, serving a third term (2015-2018)	Elected in 2011, serving a second term (2014-2017)	Elected in 2012, serving a second term (2015-2018)	Elected in 2010, serving a second term (2013-2016)	Elected in 2014, serving a first term (2014-2017)	Elected in 2014, serving a first term (2014-2017)	Elected in 2012, serving a second term (2015-2018). Previously on the Board from 1996 to 2004	Elected in 2007, serving a third term (2013-2016)	Elected in 2007, serving a third term (2013-2016). Previously on the Board from 1983 to 1995

Committee

Audit		Member		Member	Member		Chair	Vice-Chair	
Governance	Member	Alternate		Chair	Vice-Chair			Member	Member
Human Resources		Chair	Vice-Chair	Member	Member				Member
Nominations and Election						Chair	Member		
Risk	Member		Chair			Member	Vice-Chair		Member
Banking Applications Renewal “ad hoc”	Chair		Member			Member		Vice-Chair	
External Appointments	Chair, Governing Board Community of Practice, Global Alliance for Banking on Values	Director, Central 1				Director, BC Co-operative Association	Director, Citizens Bank of Canada	Director, Vancity Community Foundation	Director, Canadian Centre for Policy Alternatives

Structure and executive leadership team



Active subsidiaries and partnerships

CITIZENS BANK OF CANADA

Federally chartered bank providing certain financial services throughout Canada, including foreign exchange services, Visa[®] card services, and commercial real estate services on a syndication basis. Citizens Bank has offices in Calgary, Toronto and Vancouver.

CITIZENS TRUST

Trustee business supporting Citizens Bank and Vancouver City Savings Credit Union. Ownership: 100 per cent by Citizens Bank of Canada.

DOCKSIDE GREEN LIMITED PARTNERSHIP

Sustainable real estate development community in Victoria that includes market housing, affordable housing, industrial, commercial, live-work, parks and public amenities.

SCU INSURANCE SERVICES LTD.

Provider of auto insurance, homeowner's insurance and driver's licensing needs.

VANCITY CAPITAL CORPORATION

Provides growth capital to small and medium-sized BC businesses, not-for-profit organizations and co-operatives.

DOCKSIDE GREEN ENERGY LIMITED LIABILITY PARTNERSHIP

A renewable energy utility created to provide service to the Dockside Green community. Ownership: 68 per cent by Vancity Capital Corporation.

VANCITY INVESTMENT MANAGEMENT LTD.

Provides discretionary investment management services to individuals, not-for-profit groups and other organizations.

VANCITY LIFE INSURANCE SERVICES LTD.

Acts as an agent to provide life insurance.

1 Chris Dobrzanski retired as CEO, Citizens Bank of Canada November 1, 2015.

2 Bob replaced Doris Orr as CRO February 15, 2015 and continues to advise on leadership development.

3 As of October 15, 2015 Jay-Ann took on leadership of all information technology from Ellen.

4 Ellen continues to lead People Solutions (human resources) and Facilities and Environmental Management.

5 Visa Inc./Vancity, Licensed User.

Organizational overview, vision and business model

Organizational overview

Headquartered in Coast Salish Territory/Vancouver, British Columbia (BC), Vancouver City Savings Credit Union (Vancity) is a member-owned, community-based, full-service financial institution with 59 branches in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay.

Our primary lines of business include retail and business banking (deposit-taking and lending), commercial mortgage lending, and investment advice and services. Our active subsidiaries and partnerships (listed on page 7) include Citizens Bank of Canada. While we've called BC home since we were established in 1946, our nationally chartered bank operates across provincial borders in the areas of foreign exchange, Visa cards and commercial real estate lending.

As at December 31, Vancity served 519,736 members, employed 2,594 people and had \$19.8 billion in consolidated assets. We also served 890 clients through Vancity Investment Management and 223,646 Visa account holders, of whom four out of five are Vancity members.

We're carbon neutral and a living wage employer. In 2015, we received a number of awards for our accomplishments. Highlights included:

- Canada's Top 100 Employers (Globe and Mail)
- Top 50 Socially Responsible Corporations 2015 (Maclean's)
- Best 50 Corporate Citizens in Canada 2015 (Corporate Knights)

Vision and business model

Vancity's vision is to redefine wealth in a way that furthers the financial, social and environmental well-being of our members and their communities.

As a financial co-operative, we have no shareholders other than our members. Instead of focusing on maximum profits at any cost, our first priority in the decisions

we make is always the well-being of our members and their communities. This is values-based banking – banking that places its tools in service of economic, social and environmental development in a manner that is fair, transparent and accountable.

Vancity is a member of the [Global Alliance for Banking on Values](#) – an independent network of banks and credit unions that share a commitment to build a more sustainable financial future.

We also uphold three Guiding Principles developed by our Board: co-operative principles and practices, environmental sustainability, and social justice and financial inclusion.

We want to support the growth of the real economy, the production of goods and services that impact the daily lives of our members and their communities. Our business decisions are not only about maximizing financial capital. They take into account the roles of social and natural capital as well. When these three factors intersect, we are able to have the biggest impact in our work to build healthy communities.

We support both our members and their communities because one cannot prosper without the other. The key resources we rely on are talent (leadership and employees), deep relationships with our members and community partners, and a strong balance sheet.

We use these resources to:

- Build relationships based on trust and deliver quality financial services and advice
- Engage with members and community partners
- Develop innovative solutions to meet members' needs
- Deepen the positive impact we have on members and their communities

This approach is encouraging more people to do business with us because they see the benefits for themselves as well as their communities.



™ Make Good Money, Making Good Money, Good Money Plan and Good Money are trademarks of Vancouver City Savings Credit Union

Embracing meaningful reconciliation

Vancity committed to the Truth and Reconciliation Commission of Canada's Principles for Reconciliation. We will build on what we already do to respond to each of the three recommendations below in the Call to Action for Business.

1. *Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.*

- Our Partnership with the 'Namgis First Nation and the Village of Alert Bay to open our Cormorant Island community branch is one example of how Vancity works with communities in a meaningful way (see page 27).

2. *Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.*

- Two per cent of our employees identify themselves as being of Aboriginal descent. We are committed to building our base of Aboriginal employees, and are working to ensure that we maintain a welcoming and inclusive environment for them. In 2015, we approved more than \$40 million in new on-reserve financing for infrastructure and housing.

3. *Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal–Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism.*

- We embarked on an employee awareness campaign as part of our partnership with Reconciliation Canada a few years ago and continue to send key managers to workshops and local dialogue sessions.

Context and strategic priorities

Operating context

In 2015, our expectations for progress were tempered by a tight economic context, tough competition from other financial institutions and continuing pressures around income inequality and housing affordability. We predicted job growth would remain slow and that urban centres, such as Toronto and Vancouver, would continue to face high real estate prices. Another important trend was the rising number of financial technology start-ups developing products and services usually associated with the banking industry.

We also based our 2015-2017 plan on what we had learned about how to build healthy communities: different approaches depending on member and community needs, social capital to leverage our convening power and partner with others, investing for the long term and a holistic view of the economy.

For Vancity, supporting the real economy involves investing in values-aligned small businesses and not-for-profit organizations. To meet their needs we need to offer a broad range of savings and loan products across the spectrum of risk. Furthermore, Vancity's position at the heart of local communities gives us a unique perspective on how to maximize the positive impacts of our operations.

But our ability to lend to the type of organizations that are transforming our communities for the better is somewhat constrained because the regulatory environment views small business lending as higher risk. This translates into higher capital requirements for deposit-taking financial institutions such as ours.

Working with Central 1 Credit Union, we provided a detailed response to a provincial government public consultation paper on potential changes to the Financial Institutions Act and the Credit Union Incorporation Act. In addition to the system submission through Central 1, we also made our own submission. Our key argument was that the current rules for credit unions are a disincentive for lending to small businesses, a sector that we believe is essential to the real economy.

Going forward, we plan to complete the renewal of our core banking system, leverage new technologies and transform the way we work. This will give us more time to help our members reach their financial goals and more capacity to invest in new projects that will benefit communities. The work we began in 2015 continues

in our 2020 Plan (see page 40), which contains ambitious goals for transformational growth over the next five years.

Strategic priorities for 2015

Our strategic priorities for 2015-2017 reflected our commitment to continue pushing forward on our transformation agenda and focus on working with organizations that share our values. As public concern with the financial economy grew, we worked harder to provide a genuine alternative that mitigates the social costs of increasing inequality, excessive consumption and environmental breakdown.

With this context in mind, the priorities in our plan focused on three key themes:

- Driving innovation to diversify our balance sheet (see page 30)
- Fully leveraging our banking applications renewal (BAR) program to deliver internal efficiencies (see page 19)
- Transforming the way we work so that we can focus on mobilizing the insights and momentum of our people to bring our vision to life (see page 33)

Our strategic priorities for 2015 were to:

Diversify our balance sheet by: Establishing leadership in Surrey's small and medium-sized enterprise market, which we see as the primary vehicle for generating jobs and creating social capital (see page 27).

Building a values-based investment portfolio for Vancity so we can earn a greater return on our assets in service of the real economy (see page 29).

Implementing a future proofing strategy to ensure we understand emerging and future trends beyond traditional banking and how they will impact our members and communities (see page 19).

Build our capacity by: Simplifying the way we work so there's one consistent process for basic banking transactions and employees will have more time to discuss members' financial health and explore new ways to build healthier communities (see page 19).

Embedding the differentiated member experience into our daily practice through our leadership, talent, and credit policies and practices (see page 18).

Refugees from Syria sign up
as new Vancity members



Section two:
Key results

Organizational scorecard targets and results

We measure progress on three connected outcomes – impact, confidence and integrity – through our organizational scorecard:

- Impact – the difference we create because of our vision and values
- Confidence – the evidence that what we are doing is good for our business
- Integrity – how we deliver impact and demonstrate confidence based on trust

Results for the organizational scorecard targets related to impact and confidence directly influenced senior management's incentive pay and the amount of profit

shared with employees. There was a corresponding payout range for each target based on if we met, exceeded or fell short of the target.

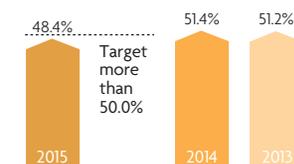
Our 2015 results were externally verified by KPMG (see page 45). For the full explanation of our performance, please refer to the relevant pages of Section three. For details on methodology and definitions, refer to the consolidated accountability statements and the glossary available online at vancity.com/2015AnnualReport. For our future targets see page 41.

Impact

Enhanced member well-being

Members who strongly agree that Vancity's contribution to the community has a positive effect on their well-being (page 18)

2015 target and results

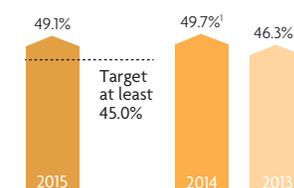


Notes on progress

NOT MET
Just under half the members surveyed strongly agreed that Vancity's contribution to the community has a positive effect on their well-being.

Percentage community impact loans

Value of community impact loans funded as a percentage of total commercial and business loans (page 23)



MET

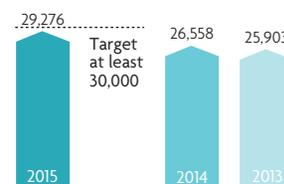
¹ 2014 and 2013 figures have been restated to meet the current definition of impact loans.

Confidence

New members to Vancity

Number of new members (page 27)

2015 target and results

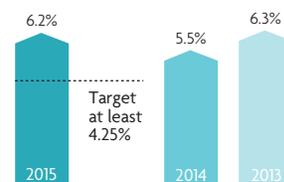


Notes on progress

NOT MET
While we fell just short of our goal, we're pleased to have consistently attracted more than 25,000 new members each year for the past three years.

Return on average members' equity

Return on average members' equity after distribution to members and community (page 28)



MET
This measures how much profit we generate with every dollar of members' equity.

Integrity

Employee well-being

Measuring employee well-being (page 33)

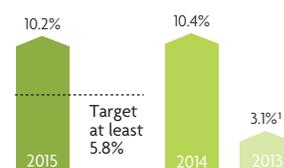
Goal: Develop a measure



MET
We developed a measure and conducted two surveys to inform our new employee well-being index.

Diversity – employees with a disability

Employees who self-declare they have a disability (page 34)



MET

¹ We changed how we track the percentage of employees with a disability from an employee survey in 2013 to a Human Resources Information System in 2014.

Supporting management targets and results

In addition to our top organizational targets, we set management targets and commitments to improve our performance and impact. Our 2015 results were externally verified by KPMG (see page 45). For the full explanation of our performance, please refer to the relevant pages of Section three.

For details on methodology and definitions, refer to the consolidated accountability statements and the glossary available online at vancity.com/2015AnnualReport. For our future targets see page 42.

Impact

Trusted advisor score (page 18)

2015 target and results

Goal: develop a target

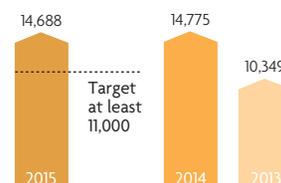


Notes on progress

MET

We developed a target range of 8.76-9.75. Our 2015 result was 8.99.

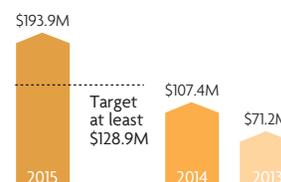
Number of people assisted with financial literacy (page 21)



MET

Topics included basic banking, debt management, budgeting, fraud prevention, financial strategies and retirement planning.

Dollar value of treasury investments in impact (page 29)



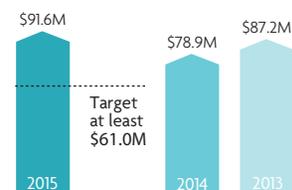
MET

Treasury investments are Vancity funds we invest to balance our liquidity needs with stable financial returns.

Confidence

Net income before distribution and tax (page 31)

2015 target and results

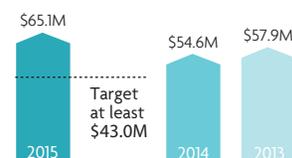


Notes on progress

MET

Income in 2015 was higher than we predicted, primarily due to the sale of part of our commercial loan portfolio and higher net interest income from strong growth, despite lower interest rates.

Net income attributable to members (page 31)



MET

These are our earnings after deducting operating expenses, taxes, and the 30 per cent of earnings that we distribute to members and community as part of the Shared Success program.

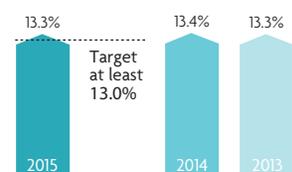
Liquidity ratio (page 31)



MET

Our target was to hold 12 per cent of deposits and debt liabilities in the form of liquid assets, much higher than the regulatory requirement of eight per cent.

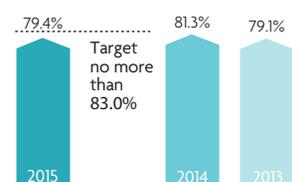
Capital adequacy ratio (page 31)



MET

This regulatory ratio is a measure of Vancity's capital and is looked upon as a cushion for unexpected losses.

Efficiency ratio after distribution to members and community (page 31)



MET

A lower efficiency ratio is generally better.

Integrity

Living wage employer status (page 25)

2015 target and results

Goal: Meet living wage employer requirements



Notes on progress

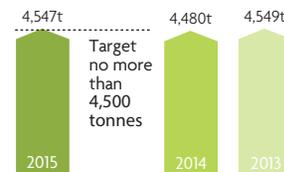
MET
We became a living wage employer in 2013 and recertified in each subsequent year.

Living wage campaign information sessions (page 25)



MET
We held these sessions to encourage other employers to become living wage employers. This was a new measure for 2015.

Greenhouse gas emissions (page 35)



NOT MET
Energy and paper use were down but emissions from employee commuting and business travel increased.

Carbon neutral status (page 35)

Goal: Be carbon neutral



MET
We remained carbon neutral. We purchased 4,480 tonnes of registered carbon offsets to offset our 2014 emissions.

Waste diverted from the landfill or recycled at Vancity Centre (page 36)



MET
The amount of materials we recycled or composted increased.

Paddy Gallagher, Vancity's
first job carve employee



Section three:
Business review and plans

Impact

Member well-being and service experience

Member well-being

Member well-being was one of our organizational scorecard targets in 2015. Our vision calls on us to measure success in terms of how we contribute to the well-being of our members and their communities – not just financial well-being, but social and environmental well-being as well.

We measured member well-being through telephone interviews with approximately 1,400 members following in-branch transactions in 2015. Just under half of the members we interviewed strongly agreed that Vancity's contribution to the community has a positive effect on their well-being. Eighty-three per cent of members agreed overall. But this measure is imperfect – there is a significant range of external and personal factors that could affect members' responses.

Percentage of members surveyed who strongly agree Vancity's contribution to the community has a positive effect on their well-being*

2015 target	2015	2014	2013	2012
50.0%	48.4%	51.4%	51.2%	50.2%

*Percentage of members responding 9 or 10 on a 10-point scale.

We are replacing this metric with a more robust member well-being index calculated from a member survey that is representative of our membership. This index explores members' quality of life across key areas such as health, personal relationships, the achievement of goals, the pursuit of interests, feeling part of one's community and standard of living. It is a modified version of the Personal Wellbeing Index developed by the International Wellbeing Group in 2006. Our assumption behind this metric is that if we deliver on our business model, we will successfully contribute to building healthier communities and our members' personal well-being will increase over time.

For the past three years the well-being index score of our members has been statistically higher than that of the general population in Vancouver. The well-being score for Vancity members was down to 74 in 2015 but still significantly higher than Metro Vancouver residents at 69.

Member well-being index

	2015	2014	2013
Vancity members	74	78	75
Metro Vancouver residents	69	74	71

Delivering a differentiated member experience

Vancity's differentiated member experience is about the quality of the services we provide and the relationships we build with our members. We ensure that we have the people, the processes and the technology in place so that our member experience is:

- Accessible and inclusive
- Trust building and credible
- Empowering
- Convenient
- Transparent about values and commitments
- Community-based

This approach extends to our credit practices and policies (see page 32), the talent and leadership we develop within the organization and the technology we're putting in place, particularly when it comes to our core banking system (see page 19). In 2015, our members recognized these efforts by giving us a trusted advisor score of 8.99 out of 10. This measures the extent to which members agree that they can trust branch employees to act in their best interests when recommending solutions to help them achieve their goals.

We're committed to improving our products and services to fit with the way our members bank today and in the future. After careful consideration, we made decisions to simplify some personal and business products. As a result, some products will merge, and some products will be retired and replaced by other products.

As part of our banking applications renewal program, to deliver a consistent member experience, we made decisions to standardize some personal and business miscellaneous fees and account service charges effective February and March 2016 respectively. In December 2015, we notified members about these changes on vancity.com, in member statements, at Vancity ATMs and at branches.

When we surveyed members about fees on accounts or services we learned that they see Vancity as competitive. Members identified an opportunity for us to better align our vision and fee policies to make them more environmentally friendly and as a way of lowering operating costs. They also saw opportunities for us to encourage, through our fees: financial literacy, social justice and inclusion. We'll keep this feedback in mind in the future when we look closer at our range of products and delivery channels.

Technology and renewal of our core banking system

Our banking applications renewal (BAR) program involves a complex orchestration of people and resources. Instead of the new technology being an end in itself, Vancity is using its introduction as an opportunity to simplify our policies and procedures so we can create extra capacity to serve member needs. In 2015, as part of our process simplicity work, we reviewed 430 policies and procedures, simplified 168 and

removed 152 entirely. We also reviewed 310 forms, simplified 57 and removed 79. This means we can serve members better. For example, it now takes about four minutes to create a registered plan like an RRSP or TFSA instead of 20 minutes.

But our focus on technology won't end with BAR. To meet the needs of the real economy, we need to understand emerging and future trends beyond banking and how they'll impact our members and communities. We expect emerging technologies to have a significant structural impact on the banking industry as we know it. Our future proofing work involves:

- Trend watching to understand what's new in the world and how it could impact our members
- Disruptive partnerships, where we explore potential opportunities with external organizations
- Rapid prototyping, where we quickly design, develop and test new solutions for accelerating impact using an agile, iterative methodology

BAR and our work on future proofing is designed to transform Vancity so we'll have more adaptability to take advantage of emerging technologies, more time to engage with our members about what matters to them, and more time to devise new ways to help them achieve their financial goals.



Challenge

Making the most of change

As a values-based financial institution, we often face significant challenges – problems that require us to change course, come up with new ideas, or develop new skills.

Vancity's banking applications renewal (BAR) program, for example, started out as an IT upgrade. It turned into an opportunity to make fundamental changes to the way we operate as an organization. With a modern technology platform and improved processes, our credit union will be stronger as a result, but the journey has not always been easy.

“When we first began work on renewing our core banking system, the project was heavily focused on the technology,” says Heather Kaart, Vancity vice president of banking applications renewal. “The difference now is that we're taking our commitment to provide a differentiated member experience as a starting point and using the technology in service of that goal. The biggest changes will not be installing new technology, but re-training our people and simplifying the processes that we've built up over time in relation to our historical systems. It's about people, processes and technology, in that order.”

BAR is in its second iteration after Vancity paused the project and reset priorities in 2013, in part because we'd incurred more expenses than planned for the progress made. We had spent roughly \$50 million to that point and we allocated an additional \$65.8 million between 2014 and 2017. The new core banking system is set for launch near the end of 2016.

Another change from the first iteration is that we put a premium on helping our people develop and expand their range of skills – about 200 Vancity employees have been seconded to work on the BAR program. Much of the work has been around designing, building and testing the new core banking system as well as making sure we're fully prepared for when it goes live.

There will be some changes for Vancity members too. Those using grandfathered products will have new options that fit better with the way people bank today and will in the future. When the new system goes live, members will experience a brief interruption in our services. But they will find it is simpler, provides more consistent information and, by logging into online banking with a new personal access number, allows them to get a more complete picture of their relationship with us.

“Our core banking system needed to be upgraded,” Heather says. “It's old technology that was making it more difficult and time-consuming for us to innovate in our industry and offer the services our members want.”

Change on this scale is never easy, but it will ensure that Vancity can keep up with the rapid pace of technological change in the financial industry and be more effective in serving our members and helping to build healthy communities.

Providing financial literacy and advice

Our research indicates that there is a strong link between increased confidence in financial matters and overall well-being. Members have told us they would appreciate more advice on saving for retirement, and day-to-day money management and budgeting, including paying down debt.

Number of people assisted with financial literacy

2015 target	2015	2014	2013	2012
11,000	14,688	14,775	10,349	5,863

We and our community partners delivered financial literacy workshops and seminars to 14,688 people in 2015. More than 15 per cent of Vancity's workforce has now been trained to deliver these workshops. Topics included basic banking and credit card fundamentals, debt management, budgeting, strategies for saving, investing and home ownership, identity theft and fraud prevention, seniors financial abuse prevention and retirement and estate planning.

In 2015, we brought public attention to the issue of the grants available for Registered Educational Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs).

Through the Good Money Plan™ we provide members with financial advice and guidance to best meet their financial needs and goals. We helped 1,914 members complete a Good Money Plan™ in 2015.

For members interested in investments, we offer both socially responsible and conventional options. At the end of 2015, member and client investments totalled \$4.0 billion, up by \$225 million from 2014. Almost all of this increase was due to new investments by members and clients, rather than increases in the value of existing investments. Of the \$4.0 billion, 28.2 per cent are in socially responsible options (see page 26).

Improving access to financial services

We try to remove barriers to accessing banking and financial services.

In 2014, we were one of the first mainstream Canadian financial institutions to offer a sustainable alternative to payday loans. The Vancity Fair & Fast Loan™ provides a more affordable cost of borrowing for members, has more flexible eligibility criteria than our conventional loans and can be used to help build credit history.

Support for refugees

In 2015, the plight of refugees touched the conscience of the world. In anticipation of government plans to bring 25,000 Syrian refugees to Canada, Vancity added new programs and services to our existing range of offerings. Our work in this area includes:

- **Vancity Humanitarian Fund matching:** When the Vancity Community Foundation announced the Vancity Humanitarian Fund in September 2015, Vancity set aside up to \$125,000 of Shared Success funds to match donations from employees and members. Between September and November 30, 2015, Vancity employees, members and the community contributed \$33,400 to support international relief efforts. Vancity matched this amount and the Vancity Community Foundation granted \$66,800 to the United Nations High Commissioner for Refugees. In December 2015, Vancity decided to enhance local efforts to support refugees. Throughout December 2015, members, employees and the community donated just over \$50,000 to the fund. The City of Vancouver also pledged its support.
- **Ready to Rent Loans for members:** In an initiative launched in December 2015, Vancity members that meet certain requirements can get interest free personal loans of up to \$50,000 for home upgrades to ready a suite or room for a refugee.
- **Advocacy:** We argued for the abolition of interest on all federal refugee travel loans (at the time of writing, only Syrian refugees are exempted from these costs). In September 2015, Vancity Board Chair Jan O'Brien and President and CEO Tamara Vrooman wrote to the federal government asking for a significant increase in Canada's annual commitment to settling refugees from all corners of the planet and from Syria in particular.
- **Community Partner Refugee Travel Loans:** In December 2015, we launched an interest-free personal loan to assist refugees in paying back federal refugee travel loans.
- **Refugee assistance program accounts:** For nearly 20 years, in partnership with the Immigrant Services Society of BC (ISSofBC), Vancity has been opening basic bank accounts for government-assisted refugees in their first weeks in Canada.
- **Collaboration and support for refugee agencies:** We work closely with partner agencies like MOSAIC, Journey Home, Kinbrace, SOS and ISSofBC.

In 2015, based on feedback from members, we improved the Fair & Fast Loan™ and streamlined the process for subsequent loans. We estimate that since we launched the Fair & Fast Loan™ our members have saved more than \$3.9 million in fees and interest that they would have incurred had they used one of the many payday loan companies now operating in BC.

In conjunction with this work, Vancity also offers our members easier, more immediate access to funds from deposited cheques. Most members can now get at least \$1,000 immediately after depositing cheques at any branch or ATM, or by using Vancity Mobile Deposit™. With quick access to cheque funds, members now have a free alternative to expensive, fee-based cheque cashing services, which typically charge up to three per cent of the cheque amount.

Our efforts to improve access to financial services in 2015 also included opening a branch in the remote community of Alert Bay (see page 27), improving our mobile banking app and issuing payWave® enabled enviro™ Visa cards.

Affordable housing

A lack of affordable housing is one of the top issues for BC residents and our members. A Vancity report in September 2015 revealed that lack of housing affordability is driving young people out of Metro Vancouver and that by 2025, 85 of 88 high-demand occupations will pay too little to support typical housing debt loads in the region.

The province-wide Rental Housing Index, which we co-founded with the BC Non-Profit Association in 2014, revealed in December 2015 that 24 per cent of renters in Metro Vancouver are spending more than half their income on rent, leaving them with little disposable income.

The statistics on affordable housing are troubling, but Vancity has continued to work with community partners to increase affordability across the housing spectrum and we funded 1,042 units of affordable housing in 2015, a 41 per cent increase over 2014.

Vancity targets affordable housing as a catalyst for social change

Through his own hard work and commitment, Robert Brown has built a career in the Vancouver real estate market that spans more than 35 years. But when asked to describe how his latest venture was formed, he laughs and says “it was all Vancity’s fault.”

There’s plenty of truth in that. As part of our long-standing focus on affordable housing, Vancity worked with Robert to establish Catalyst Community Development Society, a BC-based not-for-profit whose mission is to leverage real estate assets to create positive social change. In October 2015, Catalyst got the go ahead to build 49 below-market rental units at Dockside Green. Dockside Green is the master-planned sustainable community in Victoria that is being developed by Dockside Green Limited Partnership, which is managed by its general partner, a subsidiary of Vancity.

“There was a gap in the market for not-for-profit real estate developers,” says Robert. “We identified a need for an entity with real estate development expertise and equity to invest in projects that are about more than just making money.”

These goals fit with those of Dockside Green, which was set up in part to offer affordable home ownership and rental housing. Catalyst’s new rental units will add to the affordable homes that have already been built.

“Because the rental development at Dockside Green is below market-rate, it will allow families that would otherwise be frozen out to find housing they can afford,” says Kira Gerwing, the Vancity manager of community investment who worked with Robert to set up Catalyst.

The project is backed by Vancity financing. Potential occupants will go through income eligibility testing to ensure the units will genuinely meet the urgent housing needs of people and families with annual incomes between \$29,500 and \$60,000.

™ Fair & Fast Loan, Vancity Mobile Deposit, enviro and enviroFund are trademarks of Vancouver City Savings Credit Union

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Building healthy communities

Supporting local businesses and organizations

We can improve member well-being directly through products, services and advice, and also by helping to build healthy communities. One way we do this is by supporting local businesses and community minded organizations through activities such as loans, grants, advice, technical assistance, local purchasing, socially responsible asset management, and advocacy.

We want to fund projects and do business with organizations that align with our three Guiding Principles: co-operative principles and practices, social justice and financial inclusion, and environmental sustainability. We ask employees to apply our Ethical Principles for Business Relationships. Our approach recognizes and supports organizations that demonstrate alignment with our values, or that have the potential to become more aligned and contribute towards building healthy communities.

“Vancity allows people who don’t have a big financial ability to have an impact.”
#theGoodMoneytalks, Trout Lake*

Community impact loans

Our members’ deposits stay in our community because Vancity is a locally owned and operated credit union. We lend those deposited dollars to individuals and local businesses and organizations.

Business loans made up around one quarter of our total assets in 2015. They include commercial real estate loans, loans to small and medium-sized enterprises, and micro-loans, which are small loans to entrepreneurs or people looking to enter a trade or profession who might not qualify for or need a conventional loan.

One of our 2015 organizational targets was to increase the proportion of business lending that has a demonstrable positive impact on members and their communities (community impact loans). We’ve developed guidelines to help us identify types of organizations and sectors that we believe create positive community impact.

* #theGoodMoneytalks are helping to transform the way people see banking by allowing for open, honest discussions about where our members’ money goes. Vancity hosted 28 events in 2015.

Along with the loan, we often work closely with individual organizations to help them plan, launch and expand their business. We also work at the sector level with intermediary organizations such as business improvement and co-operative associations.

In 2015, 49.1 per cent of new loans approved and funded were community impact loans. We estimate that about a third of our total \$4.9 billion business loan portfolio was invested in impact at the end of 2015. We plan to increase this significantly by 2020.

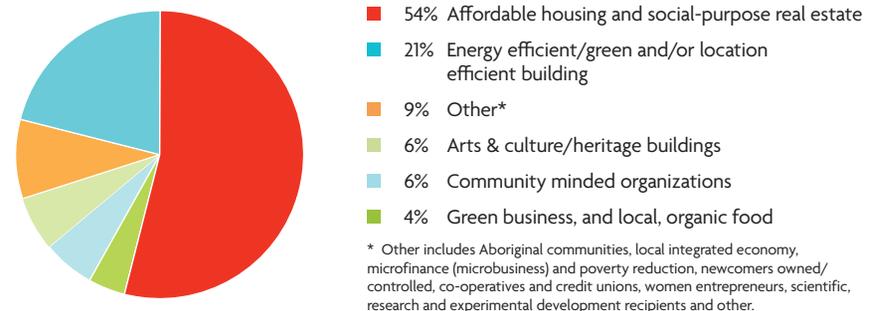
Dollar value of community impact loans approved and funded as a percentage of total commercial and business loans

2015 target	2015	2014	2013	2012	2011
45.0%	49.1%	49.7%	46.3%	30.8%	37.9%

2014 to 2011 figures have been restated to meet the current definition of impact loans.

Around 80 per cent of the \$576.9 million in community impact loans we funded in 2015 were large commercial real estate loans that financed affordable housing projects, green or heritage buildings. While for reporting purposes we categorize loans under one primary area of impact, more than 20 per cent the loans we funded in 2015 contributed to multiple areas of impact.

Community impact loans approved and funded (\$576.9 million) by primary impact area



* Other includes Aboriginal communities, local integrated economy, microfinance (microbusiness) and poverty reduction, newcomers owned/controlled, co-operatives and credit unions, women entrepreneurs, scientific, research and experimental development recipients and other.

Dilemma: Protecting shelter-rate housing

The Canadian Oxford Dictionary defines a dilemma as “a situation in which a choice has to be made between two equally undesirable alternatives.” When it comes to single room occupancy (SRO) housing, Vancity faces just such a situation.

The shelter rate in BC – the money the government pays directly to landlords each month on behalf of welfare recipients – is \$375. It hasn’t increased since 2007. In a city as expensive as Vancouver, it’s virtually impossible for people to live on that amount. The shelter rate also provides far too little rental income for landlords who want to maintain their properties in good condition.

As a result, landlords have been renovating SRO buildings using borrowed money and increasing rents when the projects are complete. This has led to a critical shortage of shelter-rate housing.

“Even if they increase the rent by only a couple hundred dollars, you’re still looking at a so-called renoviction because you’re going above shelter rate,” explains Christine Bergeron, Vancity vice president of community business. “It makes no difference whether you’re increasing the rent by \$50 or \$500, those individuals already living there can’t afford the increase. They can’t easily earn the extra money above board because it would jeopardize their benefits and so at times they resort to other means.”

So Vancity has a dilemma. Do we help improve living conditions and accept that people will be priced out, or protect shelter-rate housing even when it is substandard?

The first option would involve working with responsible, community-minded landlords committed to improving existing SRO units and providing safe and

affordable housing. Even so, with the stagnant shelter rate, this would almost certainly result in rent increases and evictions of vulnerable people who have nowhere else to go.

The other option is to make a commitment not to invest in projects that have the effect of reducing the amount of shelter-rate housing.

“The problem with this choice is that we’re helping to keep people in places you wouldn’t want to live in,” says William Azaroff, Vancity vice president of community investment. “They’re rat-infested, they’re dirty and they’re unsafe.”

After much discussion and debate, Vancity chose the second option. If a proposed renovation would result in a loss of shelter-rate housing we will not provide funding.

“Our position doesn’t necessarily mean these renovictions don’t happen,” adds William. “Developers just get their financing from some other financial institution, potentially one that doesn’t care at all what the consequences will be.”

Christine points out that this has been a challenging topic for many individuals at Vancity because the issues are very subtle and unique to every project. But the decision we made hasn’t stopped us from working with community-owned housing groups to come up with creative alternatives.

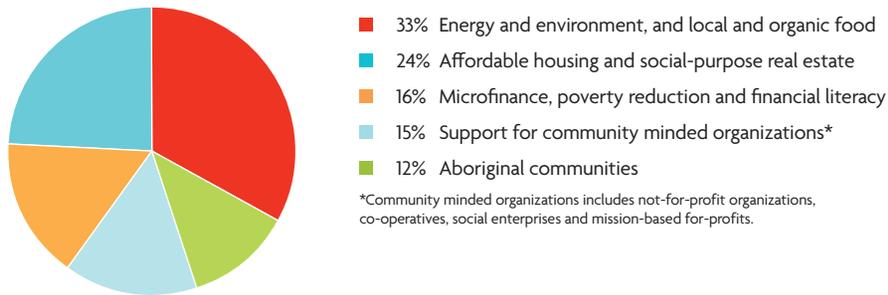
William says our focus is to encourage the government to increase the shelter rate and to work with innovative not-for-profit organizations that are looking to increase affordability across the housing spectrum.

Ultimately, Vancity believes it is possible to achieve better living conditions for people on income assistance without running the risk of pricing them out of housing altogether.

Grants

We also provide grants to help organizations progress from concept to growth. In 2015, we approved \$7.4 million in grants for 252 organizations. Four-fifths of the dollars approved were for mission-based grants, which are larger grants that typically involve multi-year partnerships. The remaining money funded local projects, programs and events initiated by community organizations for amounts up to \$15,000. Details of approved grants are available on our [website](#).

Community grants approved (\$7.4 million) by primary impact area



“I love banking with Vancity and knowing my money is growing and staying in my community.”

#theGoodMoneytalks, Mt. Pleasant

Buying local and paying a living wage

We strengthen the local economy by sourcing local products and services, being a living wage employer and favouring relationships with suppliers who demonstrate leadership in sustainable business practices.

Local businesses enhance our community through employment, by circulating dollars locally and by reducing the ecological impact of global supply chains. We sourced around two-thirds of the value of our managed purchases from locally based businesses in 2015 – around \$80 million.

Paying a living wage allows individuals and families to meet their basic needs and contribute to their communities. In 2015, we recertified as a living wage employer. This means we continue to make living wage adjustments in what we pay our own employees. Plus, we work closely with key suppliers to have their employees providing direct services to Vancity paid a living wage.

We also advocated for others to join the living wage movement. We held 17 information sessions about joining the Living Wage for Families Campaign (a coalition of employers, community and labour organizations). We worked with several allies to become living wage employers, including three credit unions (Integrus, Mount Lehman, and DUCA), and the Vancouver Foundation. We also made significant efforts with the City of Vancouver, leading up to the unanimous vote in July for the City to start down the path of becoming a living wage employer.

Supporting co-operatives

Many of the challenges people are facing globally derive from a business model that puts financial return ahead of human need. The co-operative model is people-centred, values-driven and puts economic resources under democratic control.

In July 2015, our CEO led an event celebrating International Day of Co-operatives at the United Nations Headquarters in New York. The event was designed to show UN ambassadors and representatives the value of co-operatives as a business model that is well-suited to deliver sustainable development.

With the BC Co-operative Association we co-developed Co-operate Now, an intensive three-day co-operative business education program that brought sector leaders from some of Canada's most vibrant co-ops together to teach a new generation of co-operators.

We provided administrative and other non-financial support to help create and develop the Knives & Forks Community Investment Co-operative. This new, independent, investment co-op pools members' funds to provide loans to BC-based food businesses.

In response to the Canada Mortgage and Housing Corporation no longer subsidizing mortgages for co-ops, we worked with the Co-operative Housing Federation of BC (CHFBC) to develop a comprehensive program to refinance, renovate and redevelop not-for-profit housing co-operatives, including business planning and operational support to launch a subsidiary development entity called the Community Housing Land Trust Foundation (CHLT). In addition to working with not-for-profit housing co-ops that need to redevelop their properties, the CHLT has broken ground on four city-owned sites in Vancouver and is constructing more than 350 units of affordable rental housing.

We support and encourage our employees, Board Directors and community partners to learn about co-operatives. Since 2009, we've sent 110 employees and 22 board members and community partners to the Bologna Study Tour, a co-operative learning program in Italy. In 2015, we supported 11 employees taking part in the three-year Masters in Management of Co-operatives and Credit Unions at St. Mary's University in Halifax, Nova Scotia.

As a result, more of our employees are seeing the potential of the co-operative model and have a renewed commitment to finding ways to advance co-operative practices in our communities. The Patrice Pratt Award recognizes one of our employees who exemplifies the co-operative principles in their work and the community. In February 2016, the 2015 Award was presented to Jeremy Trigg, director facility and environmental management.

Asset management and corporate engagement

Vancity Investment Management (VCIM) manages investments on behalf of its clients. As a signatory to the UN Principles for Responsible Investment, VCIM follows the socially responsible investment (SRI) philosophy – that is, it invests in companies that use progressive environmental, social and governance practices to manage their business.

Through a sub-advisory group, VCIM also provides portfolio management advisory services to IA Clarington on the Inhance SRI Fund family. This fund is available to Vancity members, as well as others. It now includes a fossil fuel-free mutual fund (see page 37).

The value of socially responsible assets that VCIM manages or provides advice on has been increasing for the past six years. It totalled \$946.9 million at the end of 2015, up from \$850.1 million in 2014. We aim to significantly increase the proportion of these off balance sheet SRI assets by 2020.

VCIM's sub-advisory group also leads shareholder engagement activities on behalf of both VCIM and the IA Clarington Inhance SRI Fund family. In 2015, it interacted with 24 companies on the following topics: fair wages, climate risk, human rights, gender diversity, rail safety, toxins and ecological integrity.

Confidence

Member growth

Member attraction and retention

In 2015, 29,276 new members joined Vancity, 10 per cent more than in 2014. We ended 2015 with 519,736 members, a net growth of 10,728 that also demonstrates a healthy retention rate. We had 2.1 per cent net membership growth over 2014, ahead of the estimated regional population growth from BC Stats of 1.3 per cent.

When somebody signs up as a new member of Vancity, they demonstrate their confidence in our business model and our brand. When more than 29,000 people do so in one year, we take it as a sign that our values-based approach to banking services is working.

A 2014 survey revealed that members who had joined Vancity in the previous two years joined for values-based reasons and were more likely to remain with Vancity for the same reasons. Values-based reasons included our co-operative structure, our support for local businesses and our commitment to social justice and environmental sustainability.

Number of new members

2015 target	2015	2014	2013	2012
30,000	29,276	26,558	25,903	25,766

Business lending in Surrey increased by 25 per cent in 2015 and the number of new business members increased by 32 per cent. Our decision to build our presence in this market was reinforced in June when we released a report that showed Surrey to be the top destination in Metro Vancouver for starting a new business.

The Surrey strategy has involved deepening our relationships throughout the city, reaching out to small businesses and making connections in the Indo-Canadian community. We supported this work with earned media, an Indo-Canadian Business Forum, social media, and a series of Punjabi advertorials on OMNI TV.

We've been successful at building extensive relationships with educational institutions like Kwantlen Polytechnic University and Simon Fraser University, the City of Surrey, not-for-profit organizations, the Surrey Board of Trade and business improvement associations. We also joined the Local Immigration Partnership Table (we are the only financial institution to do so) to demonstrate our interest in working with the newcomer business community in Surrey.

Vancity drives financial inclusion on Cormorant Island

The Village of Alert Bay on Cormorant Island has all the hallmarks of small-town BC – a close-knit community with the amenities and services people need to go about their daily lives. But after the departure of their local financial institution in July 2014, accessing banking services involved an expensive, 45-minute ride on a ferry that only sails every three hours.

“At a minimum it was six hours out of your day just to deposit a cheque and you couldn't withdraw cash anywhere,” says Jeanine Johnny, a local resident. “It was a nightmare.”

These days things are different. Using a brand new delivery model that involves remote video conferencing, cooperation with product specialists in other locations and a close partnership with the 'Namgis First Nation and the Village of Alert Bay, Vancity opened its Cormorant Island community branch in May of 2015. The branch is open three days per week and Jeanine is now one of its financial services representatives.

“There are lots of young people that need financial advice here,” says Jeanine. “We're helping them to get started with RRSPs or even their first bank account or debit card. Everybody's got lots of questions and the appetite for the services we're offering is great to see.”

Franko Zurrini, branch portfolio manager in community member services, Stewart Anderson, manager of community investment and Michelle Laviolette, branch manager of the Tsawwassen community branch, were instrumental in getting the whole project off the ground.

“Usually it can take about nine months to open a branch and we opened this one in nine weeks,” says Michelle, who manages the branch remotely and through regular visits. “My vision for it is really the vision of Vancity, which is financial health and wellness for the entire community.”

“What's unique about this model is that it's a true partnership with the Village and the Nation,” says Stewart. “There's a perception that this is a charitable activity that we're doing, but we didn't go into it with that perspective. This is about community building, growing local economies and using the tools that Vancity has to support sustainable development.”

Financial performance

Overall financial plan

Vancity's income provides us with the capital we need to invest in building healthy communities. The financial plans we develop are designed to deliver sustainable growth so that, over time, the growth of our assets and the return on average members' equity (ROME) are stable.

ROME measures how much profit we generate with every dollar of members' equity and focuses on long-term value instead of short-term profits. We calculate ROME after taking into account taxes and the 30 per cent of net income we distribute to community and members – our Shared Success program. In 2015, ROME was 6.2 per cent. If we calculate the result before distribution to community and members, ROME would be significantly higher at 7.8 per cent.

Return on average members' equity

2015 target	2015	2014	2013	2012	2011
4.25%	6.2%	5.5%	6.3%	6.0%	11.0%

Vancity's income in 2015 was higher than we predicted, primarily due to the sale of part of our commercial loan portfolio and higher net interest income from strong growth, despite lower interest rates. These led to a higher ROME result.

We have set a ROME target of five per cent for 2016 (after Shared Success). This allows us to continue to sustain the momentum we've achieved over the past year while maintaining a healthy balance sheet that will position us for accelerated growth with impact beginning in 2017. For 2020, we've set a range of seven per cent to 10 per cent, which represents what we need to sustain the level of growth we expect to achieve over the next five years.

“Money is not a bad thing. It can be good.
It's about how you use it.”
#theGoodMoneytalks, White Rock

Assets and liabilities (balance sheet)

Balance sheet highlights (\$ millions)	2015	2014	Growth
Residential mortgages	\$ 11,146	\$ 10,436	\$ 710
Consumer loans	782	816	(34)
Commercial mortgages and loans	4,909	4,632	277
	16,837	15,884	953
Accrued interest receivable	26	27	(1)
Allowance for credit losses	(61)	(61)	–
Total loans and advances to members	\$ 16,802	\$ 15,850	\$ 952
Member deposits	\$ 13,942	\$ 12,851	\$ 1,091
Agent and wholesale deposits	3,126	3,272	(146)
Member shares	113	112	1
Accrued interest and dividends payable	111	121	(10)
Total deposits	\$ 17,292	\$ 16,356	\$ 936

Certain comparative figures have been reclassified, where appropriate, to conform to the current year's presentation.

Growing our balance sheet enables us to increase lending to the real economy, helping to promote sustainable growth in our community and creating impact. Total assets on our balance sheet grew from \$18.6 billion to \$19.8 billion, largely due to growth in member loans of \$952 million. Total deposits on the balance sheet increased by 5.7 per cent to \$17.3 billion, mainly from increased member deposit growth.

Vancity is committed to funding at least 80 per cent of new member loans with new member deposits. Our funding ratio is not a regulatory requirement, but it's an important metric because it helps to keep wealth circulating in the communities where our members live and work. In 2015, with loan growth of \$952 million and member deposit growth of \$1,091 million, our loan growth was entirely funded by the growth in member deposits. This resulted in a funding ratio of 114.5 per cent. If we calculate the ratio excluding a commercial loan sale of \$241 million, the ratio would be lower at 91.4 per cent, but still well above our target of at least 80 per cent.

Our capital adequacy ratio comes under pressure when demand for loans and mortgages is high, as it was in 2015. The more loans we provide, the more capital we have to hold to meet our capital adequacy requirements. In 2015, we sold part of our commercial loan portfolio, realizing a gain of \$12.6 million. We did this to boost our capital reserves and allow us to support the growth of small business lending.

Overall, Vancity lent more money than in the previous year because there was more demand from members and our market share grew as a result. Residential mortgages account for about two-thirds of our loan portfolio, but we also placed a strategic focus on lending to businesses, which grew significantly compared with the previous year.

“It is detrimental and short-sighted for bankers to make a killing during the working week, and ‘do good’ at the weekends. We need to flip this on its head, and change our banking models to leverage all of our people, capital and resources to use banking to support and increase economic, social and environmental impact.”

Global Alliance for Banking on Values

Assets with impact

Treasury investments are Vancity funds we invest to balance our liquidity needs with stable financial returns. They maintain the financial and social well-being for the credit union and its members. One of our strategic priorities in 2015 was to increase the amount of treasury assets held in investments that have a demonstrable positive impact on members and their communities (assets invested in impact) while diversifying our balance sheet away from real-estate secured assets. These treasury assets totalled \$193.9 million at the end of 2015, representing eight per cent of that portfolio.

Dollar value of treasury investments in impact (\$ millions)

2015 target	2015	2014	2013
\$128.9	\$193.9	\$107.4	\$71.2

We’ve expanded our tracking of impact in treasury investments and business lending (see page 23) with a Triple Bottom Line Assets under Administration (TBLA) metric modeled after the work of the Global Alliance for Banking on Values on values-based banking scorecards. TBLA is a composite measure of the percentage of on and off balance sheet assets invested in impact. It includes the following asset categories:

- Treasury
- Business lending
- Consumer loans
- Residential mortgages
- Premises
- Other balance sheet assets
- Assets under administration

Our TBLA approach gives us an opportunity to redefine our balance sheet and map the assets against the benefit we are creating. It is a key organizational target in our 2020 Plan. The assumption underlying this metric is that if 100 per cent of our assets are invested in building healthy communities the world will be a better place.

Triple Bottom Line Assets under Administration (TBLA) 2015

	Total assets (\$ millions)	TBLA (\$ millions)	TBLA (%)
On balance sheet assets	\$ 19,830	\$ 3,334	16.8
Off balance sheet assets	4,020	1,133	28.2
Total	\$ 23,850	\$ 4,467	18.7

Challenge

Diversifying our work

Vancity's vision is to redefine wealth, transform the way banking is done and enhance the positive impact we have on local communities.

But how do we do that while remaining financially solvent, particularly when falling interest rates have put the squeeze on our profit margins? What constraints do the traditional model of banking and the organizations that regulate it place on a values-based financial institution like ours?

Vancity, along with every other financial institution that offers banking services, makes money on the interest we charge members on mortgages and loans. We pay out slightly less money to our members in the form of interest generated through deposits. The difference between these two interest rates is one of the key ways we make a profit. With intense competition in the sector and Bank of Canada interest rates at historic lows – less than one per cent for almost all of 2015 – that difference or profit margin is very small. If we want to stay competitive, we can't charge more interest on our lending and we can't reduce the amount we pay out on deposits either. In short, as interest rates have fallen, it's been getting harder to make money in traditional banking.

Bill Corbett, Vancity director of business performance, says diversification is key and that Vancity's unique, values-based business model allows us to take advantage of new opportunities "because we have stronger connections with the local community than a credit department for a big bank in Toronto."

"Even within our core activities of mortgages and loans, we're starting to shift more into the business sector," adds Bill. "The focus on the small business community in Surrey is an example of our efforts to diversify our lending."

All of this is set against a much tougher regulatory backdrop, introduced in the wake of the financial crisis of 2008, where financial institutions are expected to hold onto more of their customers' money. But Ray Hama, Vancity director of treasury and liquidity, says that "we are unique in that we have already enshrined that philosophy into our funding ratio, which means that we fund at least 80 per cent of our member loans with member deposits."

"We're really starting to deepen our thinking on impact investments that create social and environmental returns as well as financial ones," adds Ray. "Most of our revenues are derived from mortgages and loans, but we're also starting to see a ramping up of business in our Sustainable Wealth Management Division, which generates revenues through fees."

Generating revenue outside of traditional banking is a key challenge for Vancity. As competition intensifies between financial institutions and with no end in sight to low interest rates, expect to see plenty more innovation in the future.

Net income and efficiency ratio

(\$ millions)	2015 target	2015	2014	2013	2012	2011
Net income before distribution and tax	\$61.0	\$91.6	\$78.9	\$87.2	\$87.6	\$131.1
Net income attributable to members	\$43.0	\$65.1	\$54.6	\$57.9	\$53.1	\$90.7
Allocation to members and communities (Shared Success)	30% of net income	\$19.5	\$16.4	\$18.3	\$17.2	\$27.2

Our income in 2015 was higher than we expected. This was due to strong growth in our volume of business as we worked to meet our members' needs, increased lending to small businesses (a key strategic priority) and the sale of part of our commercial loan portfolio. The demand for residential mortgages remained high, supported by historically low interest rates – the Bank of Canada cut rates twice in 2015, from 1 per cent to 0.75 per cent and then to 0.5 per cent.

Efficiency ratio (lower is generally better)

2015 target	2015	2014	2013	2012	2011
≤83.0%	79.4%	81.3%	79.1%	79.5%	68.7%

In 2015, our operating expenses increased by 3.1 per cent compared to the previous year, primarily due to increased salary and employee benefit expenses. Other operating expenses, including occupancy and equipment, and general and administrative, decreased by 3.7 per cent.

Revenue less operating expenses gives us net income before distribution and tax. From this we pay our fair share of taxes. We also share what we earn with members and communities. Each year, we give back the equivalent of 30 per cent of our net income attributable to members through our **Shared Success program**. Based on income in 2015, we allocated \$19.5 million to Shared Success. This was \$3.1 million

more than in 2014 as a result of higher net income. Of the \$19.5 million, \$10.4 million will go to the community through granting programs and \$9.1 million will go to members in share dividends, loan rebates and bonuses on deposits and investments.

The efficiency ratio measures how much we spend (including distributions to the community) to generate a dollar of revenue. It is expressed as a percentage of revenue, and in general a lower number is better. The ratio remained stable in 2015 at 79.4 per cent – excluding distributions to the community, it was 77.1 per cent.

Liquidity and capital

Liquidity supports our day-to-day operations through a diversified funding model that includes member deposits and wholesale funding sources. Our target was to hold 12 per cent of total deposits and debt liabilities (borrowings) in the form of liquid assets – those that can be converted quickly and economically into cash. This is significantly higher than the regulatory requirement of eight per cent.

Financial capital enhances our ability to support our members' needs through the availability of loan products. As our lending portfolio grows, our regulator requires us to hold additional capital in order to be able to absorb unexpected financial losses. This has the additional impact of acting as a control mechanism for growth, providing stability as our balance sheet increases. Our regulator has set a capital adequacy ratio of eight per cent of risk-weighted assets while our internal target is 13 per cent – a buffer that is more than 50 per cent higher than the regulatory requirement.

Liquidity and capital

	2015 target	2015	2014	2013	2012	2011
Liquidity ratio	12.0%	13.7%	13.4%	13.0%	14.5%	16.7%
Capital adequacy ratio	13.0%	13.3%	13.4%	13.3%	12.7%	13.6%

Risk management

The Board of Directors has overall responsibility for the establishment and oversight of Vancity's risk management framework.

In 2015, we continued to work on integrating our view of risk with our vision. We added three categories to our risk dashboard:

- Risk of not achieving impact
- Risk of physical harm to employees and members of the public
- Risks associated with the pace of change in our industry (disruption)

We've built an enterprise risk register that details the key risks that we must manage effectively. In 2015, the areas of risk of most concern related to uncertain economic conditions, low interest rates and technology.

We believe that where, how and to whom Vancity extends credit is one of the tangible ways we can bring our commitment to building healthy communities to life. Our risk division has been working more closely with our lenders and members to gain an understanding of the unmet and most pressing needs of our community. In 2015, we established a credit initiatives team that is focused on finding ways for us to be better and faster at addressing our members' needs.

The work mentioned above is all connected to our efforts to deliver a differentiated member experience (see page 18), while at the same time making sure we meet our provincial regulatory requirements. In addition, Dominion Bond Rating Service (DBRS) conducts annual reviews of Vancity, which provides external validation of our creditworthiness. The review is supported by what DBRS considers Vancity's relatively low-risk core business and good penetration in our geographic market.



Integrity

Employee capability and well-being

Talent management

It's through our employees that we will be able to build an organization that moves quickly and adapts to the changing needs of the real economy. Having the right talent in place is critical to realize the opportunity we have to accelerate impact.

Our focus in 2015 was on effectively using the talent we have within Vancity to deliver our differentiated member experience. In the fall of 2015, employees completed self-assessments on our four people capabilities:

- Impactful storytelling
- Consistent judgment and discretion
- Active networks of influence
- Authentic member and community relationship building

This work helps us get a better idea of the skills we have, what we value in our leaders and how we can plan for our future.

By changing the way we view talent across the organization, we've reduced the number of external job postings. Talent optimization has supported our commitment to better manage our costs. About 15 per cent of employees moved within the organization, many to the banking applications renewal (BAR) program, which has provided multiple opportunities for employees to expand their skills.

Orientation immersion is a one-week program that connects new and existing employees to our vision and business model. It helps employees incorporate our set of values into their work and provides an opportunity to meet with Board Directors, senior leaders and community partners. By the end of 2015, 83 per cent of employees had completed it. In 2016, we are scaling down the program to 10 one-week sessions to minimize disruptions as we implement BAR.

Vancity's 2020 goals (see page 40) will provide a rich learning experience for employees. In 2016, we'll begin work on developing a talent index which, by 2020, will generate the insights to redeploy the right talent to the right work and address any gaps that could compromise our ability to deliver on our vision.

Employee well-being

Vancity has introduced a well-being indicator that measures employee engagement as well as painting a broader picture of our employees' well-being inside and outside of work. We conducted two surveys in 2015 to inform our new employee well-being index. Of the 19 questions, eight are pure engagement questions that remain static in each survey. Responses to these questions had an overall score of 4.05 out of 5 in June and 3.99 out of 5 in November, suggesting an engagement score of around 80 per cent.

We shared employees' unedited responses to the open-ended questions through our intranet and sought feedback on key issues for further investigation and dialogue. Employees' top suggestions for what Vancity could do to improve their well-being included reducing workload or increasing staffing levels and allowing more employees to have flexible work options, including the ability to work from home occasionally. They also cited opportunities for managers to better lead their teams.

Georgia Straight annual Best of Vancouver Reader's Choice awards: Vancity voted as Best Local Employer

Compensation and performance management

Vancity is a living wage employer and we use external market data to inform compensation levels. We also offer an annual profit-sharing program to reward employees' contribution to our success.

Employees in member services had a proportion of their profit share determined by a member services scorecard in addition to the organizational scorecard. Other salaried employees had their profit share determined by the organizational scorecard (see page 12). Based on 2015 results, employee profit share based on the organizational scorecard was 5.7 per cent of employees' eligible earnings and for employees in member services it was 6.6 per cent.

For 2016, we've amalgamated the member services scorecard with the organizational scorecard. Having one scorecard reinforces alignment between our strategic priorities and compensation. To further align compensation with our values, we talked with our partners in the Global Alliance for Banking on Values and reviewed innovative approaches to performance management and compensation frameworks, including variable compensation. We believe that how we achieve our results is as important as the results themselves. That's why we're also introducing a new approach to performance management, focusing less on targets and activities, and more on the behaviours that drive growth with impact.

Workforce diversity

A workforce that's representative of the communities where our members live and work allows us to better meet member and community needs. We continued to have strong representation of women and employees belonging to visible minority groups. Two per cent of our employees self-disclosed as being of Aboriginal descent, and 44 per cent disclosed that they belong to a visible minority group. Both these rates are the same as the Vancouver Census Metropolitan Area. In 2015, Vancity signed on to the Minerva Foundation's CEO Pledge – a set of principles to create opportunities that support women's advancement and leadership.

Percentage of employees who self-declare they have a disability

2015 target	2015	2014	2013	2012	2011
5.8%	10.2%	10.4%	3.1%	2.1%	1.7%

Between 2013 and 2015, Vancity partnered with the BC Centre for Ability to build a framework for workplace inclusion. During the period of the partnership, the percentage of employees who identified themselves as having a disability increased significantly, an indication of greater understanding around the issue. In addition, the project's final report in December 2015 identified a shift in culture at Vancity, as demonstrated by employees' questions and insights about disability and inclusion.

Examples of our efforts to foster greater workplace inclusion in 2015 include job carves (see page 35) and the hiring of eight neurodiverse people to help test our new core banking system, set to go live by the end of 2016. The latter initiative resulted from the work of the Presidents Group, a government advisory committee on disability comprised of prominent BC business leaders and co-chaired by Vancity President and CEO Tamara Vrooman.



New opportunities for people with disabilities

Vancity is committed to inclusive communities for people with disabilities. Job carves, for example, allow us to build an appropriate and meaningful part-time job around individuals with neurodevelopmental or other disabilities.

Paddy Gallagher, the first job carve employee to be hired at Vancity, works with the learning team in the People Solutions department. The learning team delivers Vancity’s one-week orientation immersion (see page 33) and Paddy, as one of the few people who participants see regularly, has become the face of the program.

“I’ve become much more social since I started at Vancity,” says Paddy. “I’m interacting with so many people through the immersion program. Sometimes I’ve surprised them with what I’m capable of doing and I think I’ve surprised myself too.”

The job carve initiative has a clear framework for success. A community partner – posAbilities in Paddy’s case – looks at one of their client’s skills and abilities and puts them forward as a potential candidate. Vancity then matches those skills and abilities with opportunities for meaningful work.

“Paddy’s work has really evolved,” says Kristin Bower, a Vancity advisor on the people innovation and impact team. “He’s taken on new tasks and is now training to co-host the diversity and inclusion module in the orientation program.”

For Paddy, his job at Vancity has allowed him to move toward some long-term personal goals.

“In the longer term I’d like to live independently from my parents and continue to work at Vancity for sure,” he says. “When it comes to hiring people with disabilities, it’s important to remember that every individual is unique.”

Environmental sustainability

Environmental impact

Environmental sustainability is one of our three Guiding Principles. We are environmentally conscious in our operations through energy efficiency, recycling and green building practices, as well as providing advice to members and financial support for organizations active in developing technology and services that benefit the environment.

We’ve been **carbon neutral** since 2008. This means we reduce our greenhouse gas emissions as much as possible, then offset our emissions through the purchase of registered carbon offsets from emission-reducing activities that others have undertaken that meet our **offset criteria**.

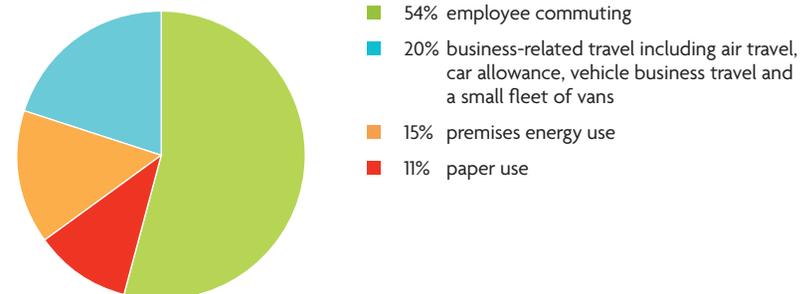
To offset our 2014 emissions (4,480 tonnes) we purchased the following for \$96,900:

- **Great Bear Forest Carbon Project** – 2,016 tonnes
- **Quik’s Farm Biomass Fuel Switch** – 1,120 tonnes
- **Cheakamus Community Forest Carbon Offset Project** – 1,344 tonnes

Greenhouse gas emissions (tonnes)

2015 target	2015	2014	2013	2012	2011	2007 base year
≤4,500	4,547	4,480	4,549	5,091	4,931	5,241

Vancity’s emissions by source



Overall greenhouse gas emissions increased above our target. We know we need to improve this aspect of our performance and we will continue to focus on it.

There were more employees commuting in single occupancy vehicles and an increase in business-related travel, both air and vehicle. Greenhouse gas emissions from employees driving alone to and from work now contribute the largest portion of our carbon footprint. In 2015, we made changes to existing programs and implemented new programs to help employees make sustainable commuting choices that best suit their individual needs. These included:

- Reimbursements for monthly transit passes increased to 25 per cent from 20 per cent
- Revisions to our parking policy to favour carpoolers and electric vehicles
- A low interest loan for employees to purchase low emissions vehicles
- Employee Clean Energy Vehicle Rebate matching the Government of BC program of up to \$5,000 per employee

Energy consumption decreased as a result of a significant decrease in natural gas usage and has been steadily decreasing on a per employee basis since 2010. Paper use also decreased because we used less internal office paper.

The heat recovery system we installed in 2014 at Vancity Centre captures the excess heat from our computer server room. It's reduced the annual heating bill from more than \$30,000 to around \$3,000 and saved an estimated 223 tonnes of emissions.

In 2016 and beyond, we plan to continue to reduce our use of natural gas and paper and find more ways to reduce the emissions from employee commuting. For example, the implementation of BAR will see the introduction of e-statements, which we estimate could reduce our emissions by 45 tonnes. We are also exploring flexible work locations and telecommuting to reduce emissions from employee commuting and to support work-life balance.

Percentage of total materials recycled or diverted from the landfill at Vancity Centre

2015 target	2015	2014	2013	2012	2011
80%	85%	82%	83%	82%	75%

We believe that having a simple and clearly labelled recycling program and encouraging positive employee behaviours through a variety of communications helped us increase the percentage of materials recycled.

Fifty of our 59 branches are net zero waste, up from 15 in 2014. The remaining branches are outside the area that the net zero waste program is offered. Net zero waste means no waste is taken to the landfill. The little waste that we do have is taken to an energy plant and burned to generate energy and our compost is turned into soil.

In many places in BC, 2015 was the hottest summer on record, with water shortages and greater awareness of water use. To reduce water consumption, we removed exterior sprinkler systems at all the locations we owned and planted more indigenous plants that don't require additional watering. We're developing a plan to better track and reduce water use.

Vancity sponsored 16 zero-waste events in 2015, including the Pacific National Exhibition (PNE). More than 7,000 kg of organic waste was recycled or composted and nearly 93% of the total waste from these events was diverted away from landfill.

Challenge

Divesting from fossil fuels

Ten years ago, Vancity's commitment to environmental sustainability led us to embrace the idea of fossil fuel divestment as way of mitigating the effects of climate change. As a result, we set up a socially responsible mutual fund so that members could invest in companies that promote environmental stewardship and help to reduce greenhouse gas emissions. It didn't work out as planned.

"We had no fossil fuel investments in the fund and we bought into a number of renewable energy companies, but it was very volatile," says Dermot Foley, manager of environmental, social and governance analysis at Vancity Investment Management (VCIM). "The value of the fund would change radically day to day. Plus, some companies were in the start-up phase and had difficulty staying in business. There was a lot of innovation but it didn't make for a particularly stable investment and as a result didn't attract sufficient investors."

By 2015, the market looked very different and Vancity's challenge was to take the opportunity provided by a number of converging factors. Oil prices had fallen dramatically, the renewable energy market had matured, and members were increasingly interested in environmentally responsible investing and fossil fuel divestment.

In April 2015, VCIM announced that it had fully divested from oil and gas companies within the IA Clarington Inhance Global Equity SRI Class fund.

This fossil fuel-free mutual fund has no coal, oil or gas holdings and holds 12 per cent of its assets in renewable and clean technology companies that satisfy VCIM's financial and SRI criteria.

"The Global fund is not just fossil fuel-free, it also has a renewable component that meets members' desire to invest in solutions. It's one thing to avoid fossil fuels, it's another to actively invest in sustainable alternatives. We were able to make this fund meet both those needs."

VCIM's overall strategy is based on screening, diversification and engagement. On the screening side, it will no longer invest in fossil fuel companies whose aggregate impact will likely lead to a significant degradation of the environment. Instead, VCIM invests in a diverse range of lower carbon and renewable energy companies with good financial prospects. It also uses its position as shareholder to encourage all the companies it invests in to address climate risk.

In 2015, just over a third of the new investments members or clients made were in socially responsible options. This was up by 23 per cent over 2014, in large part due to investments in the Global fund. While reaction from members has been very positive, there is more to do to convince people to see the benefits of environmentally sustainable investing.

Encouraging others to act

In addition to minimizing the impact of our own operations, we invest in green businesses and sectors and raise awareness and work with others on environmental issues. Vancity was one of the first organizations to sign onto the [Vancouver Climate Pledge](#) to support stronger action on climate change from governments around the world.

Vancity was one of the key sponsors of Empower Me, a program that provides community mentors to help people make energy efficient upgrades to their homes. The program saved a total of 14,702 gigajoules of energy in 2015. We also developed partnerships with:

- BC Hydro to promote the Vancity Home Energy™ Loan for participants in the Home Energy Rebate Offer (HERO) program
- The City of Vancouver to promote a pilot program on the energy saved through the introduction of smart thermostats

In 2015, we made more than \$140 million worth of loans that supported energy efficient buildings, green businesses or local and organic food, including 337,309 square feet of energy efficiency improvements. We also provided \$2.5 million in grants to support environmental sustainability.

In 2015, Vancity participated in a City of Vancouver-led forum to determine effective ways to conserve water. Our feedback was incorporated into the Clean Water Work Program, part of the Greenest City 2020 initiative.

Five per cent of enviro™ Visa profits go to the enviroFund™. That's \$6.9 million in grants in the past 15 years, with more than \$700,000 in 2015 in support of sustainable, local food systems.

Transparent and inclusive governance

Board of Directors' election

The election of our Board of Directors by members is an important component of democratic governance. The Board believes that members who see Vancity building value in their communities, and who feel their needs are well served by us, are more likely to trust and participate in their credit union.

The Board takes into account regulatory requirements – such as the recommendation process of qualified candidates – and feedback from members to establish a fair and transparent election process.

For the 2015 elections, we stated a preference for candidates with demonstrated experience:

- In an organization with similar values to Vancity's
- With understanding financial statements and financial management strategy
- Leading change and enabling innovation
- Of the communities Vancity serves to ensure diversity of thought, background, experience, gender and culture on the Board

Our [Nominations and Election Committee](#), which included two Directors and four members-at-large, recommended five of 12 potential Board candidates. Members could vote for their choice of up to three candidates. A total of 19,576 members (4.9 per cent of eligible members) voted. This was similar to the prior year, when 21,312 members voted (5.3 per cent). The three elected candidates were all recommended.

Our nine-member Board of Directors included six women in 2015. Two of our Board Directors were aged 50 or below, compared with three in 2014 (see page 6).

Innovation, engagement and advocacy

Key to innovation is a deep understanding of members and community. We use the insights we gather through engagement to help us manage our business. Our decision-making structure at the senior leadership level includes committees to oversee new ideas, make progress on strategic priorities, and manage the associated risk.

In 2015, members of Vancity's Board of Directors met with 24 other credit unions in communities across BC to share insights and issues with fellow Directors, visited Vancity community branches to talk directly with members and employees and participated in community events. Some examples of the more than 35 community events that Directors attended and supported are:

- PNE Member Day
- Squamish Celebrating Community
- Indo-Canadian Appreciation Member Night
- Vancouver Queer Film Festival
- BC Economic Forum: Women as a catalyst for growth
- We the City: arts and culture reflecting and shaping the fabric of our cities

In addition, Directors attended six industry events representing Vancity nationally and internationally.

We listen to members' feedback through several core mechanisms – my2cents online member panel, a member experience tracking program and annual member surveys.

We use a variety of other approaches to gather feedback, discuss issues and collaborate with members, employees, peers, community groups, labour organizations and thought leaders. Many of our employees, leaders and Board Directors meet regularly with members and community through their day-to-day work, at community events or through volunteering. In 2015, we continued engaging people at community events and online through [the Good Money talks](#) (see footnote on page 23).

We altered our four community advisory committees (CAC) to better inform specific Vancity strategies. The Surrey CAC now supports our Surrey small business strategy. Its members told us they would like Vancity to bring small businesses and community organizations together to increase safety and support social infrastructure. The Fraser Valley CAC has become the Indo-Canadian CAC. With its feedback, we've made existing products like construction mortgages and taxi loans more accessible. We gathered and incorporated many insights from the Victoria CAC including some related to increasing the capacity of not-for-profits and the need for meaningful reconciliation (see page 9).

The youth CAC's main focus has been around the work Vancity is doing to support the co-operative economy. Its feedback on lack of education about the co-operative model has informed work we are doing with several educational institutions and the BC Co-operative Association. We also engage with youth members through our [youth online forum](#). In 2015, we introduced a 16-week paid youth summer internship program. These youth provided input into improving the program and how to better engage with youth and support their needs for products and services.

A group of employee trend watchers identified the key socioeconomic and technology trends that are likely to impact Vancity in the coming years. We used this in developing our 2020 Plan.

We produced a number of reports on topical issues such as affordable housing and how immigrants strengthen the local economy. These helped raise awareness of the issues through significant media attention and dialogue. Some sparked action by government to better understand and address the issues raised.

We work with community and corporate partners, we engage with all levels of government and we use our convening power to further the development of healthy communities. Some of the issues and initiatives we focused on in 2015 included:

- Refugee resettlement
- Meaningful reconciliation among Indigenous and non-Indigenous Canadians
- Presidents Group and RDSP Action Group advisory bodies to Accessibility 2024
- "Education Generation" RESP initiative
- \$10/day daycare
- BC Climate Leadership Plan
- #BCTECH Strategy
- Federal, provincial and municipal social finance, innovation and infrastructure policies

For a list of initiatives we endorse and memberships in industry and advocacy organizations, see page 37 of the consolidated accountability statements.

Senior management and CEO compensation

In 2015, senior leaders (members of the executive leadership team, vice presidents, and directors) received a base salary and cash incentives that recognized progress made on four organizational scorecard targets as well as individual accountabilities.

In addition, Vancity's President and CEO had a long-term incentive plan, established by the Board based on organizational priorities. The long-term incentive plan also contained a retention component by deferring the payout for three years.

Vancity's CEO compensation package includes:

	2015	2014
Base Salary	\$ 440,585	\$ 440,585
Short Term Incentive	213,684 ¹	257,081
Long Term Incentive	308,410 ²	308,410
Total	\$ 962,679	\$ 1,006,076

¹ Paid in 2016 for 2015 fiscal year performance

² Estimated annualized award for 2015 performance

When the Board reviews CEO compensation, the process includes assessing compensation levels at the 50th percentile of a comparator group of peer companies of similar size, scope, and complexity.

In 2015, total annual compensation for our President and CEO was 27 times that of our lowest-paid, full-time employee. The ratio of our CEO's pay to median employee pay was 15:1. At large Canadian banks that ratio was 135:1 in 2012¹, although the median compensation of the five major bank CEOs has decreased from \$10.7 million in 2013 to \$9 million in 2014².

¹ Source: Meridian Compensation Partners

² Source: McDowall Associates

Plans and targets

Strategic priorities

There are profound changes in our communities and membership that are challenging us to explore new opportunities to help our members create sustainable wealth in the future. This calls for a bolder progression towards our vision of redefining wealth. In a departure from previous formats, our business plan looks five years ahead, describing what we want to achieve by 2020 as well as setting specific targets for 2016. It is designed to move us from incremental to transformational growth and outlines some ambitious goals. These include increasing our total assets and assets under administration to \$40 billion with 50 per cent invested in impact by 2020 and expanding our membership to 600,000 members in the same period.

In that context, we see 2016 as a transitional year – one that will prepare us for transformational growth over the next five years. We've outlined three core strategies for 2016 to help us get there:

1. We will redesign the way we work to give our employees the freedom and confidence to explore new ways to leverage our balance sheet for impact.
2. We will implement our banking applications renewal (BAR) program and deliver a simpler core banking system that allows us to spend more time meeting members' needs and building healthy communities.
3. We will continue to meet members' day-to-day needs. In 2016, we will be working on year two of the strategic commitments we introduced in 2015. These are core to continuing to deliver on our promise to members:
 - Differentiated member experience:
 - ◊ Leadership – we're building a talent pool to grow the leadership capabilities of Vancity employees with high potential
 - ◊ Talent – we're working on an enterprise-wide talent baseline and simplified redeployment process to make it easier for employees to move around the organization and develop new skills

- ◇ Credit policies and practices – our focus will be threefold: (1) redesign retail and business lending policies and processes; (2) reframe our portfolio analyses to enable greater insight into member needs; and (3) future proof credit by leveraging our insights into the fintech space and emerging trends to generate a pipeline of opportunities to test and learn, starting with the implementation of a credit worthiness prototype early in the new year
- Asset management and investment opportunities – we will begin with an initial \$20 million impact investment portfolio target and develop a roadmap for future growth of the portfolio
- Surrey small business community prototype – we will use cross-functional teams to provide scalable opportunities for small businesses to grow and create impact
- Future proofing – our ongoing future proofing work will focus on providing a mobile platform for our Fair & Fast Loan™ offering

**Working towards 2020 with 50% of total assets invested
in impact and 600,000 members**

Organizational targets for 2016

In the past, we relied upon what the market would give us to set organizational targets. Our aspirations were constrained by concerns about capital adequacy. We've now taken a different starting point – one that is based on the size of the opportunity we believe we have to accelerate impact and to meet the evolving needs of the real economy. Rather than setting incremental growth targets based on extrapolating from our performance over the past three years, we established where we want to be in five years and what we will target in 2016.

We see 2016 as an inflection point in Vancity's transformation. Our focus on redesigning the way we work and implementing BAR will be a significant draw on our capacity. We will continue to meet the needs of our existing members and we expect to see growth because of the investments we have already made. But our focus in 2016 is to hold steady so that we can invest more resources in figuring out how to fulfill our vision in the long term.

Impact

- Member well-being index is in the range of 75-80 or more¹ (2015 result – 74)
- 19.3 per cent of assets are in Triple Bottom Line Assets under Administration² (2015 result – 18.7 per cent)

Confidence

- Return on average members' equity, after distribution to members and community, is 5.00 per cent (2015 result – 6.18 per cent)
- Capital adequacy ratio is 13.00 per cent (2015 result – 13.27 per cent)
- Net growth funding ratio³ is 80 per cent or more (2015 result – 114.5 per cent)
- Implement the banking applications renewal (BAR) program on time (November 13)
- No change in the number of members from January 1, 2016 to January 1, 2017⁴ (2015 result – 2.1 per cent increase)

Integrity

- 80 per cent or more of members will have a smooth transition during the BAR implementation⁵
- 80 per cent or more of members who report a problem will have it resolved to their satisfaction

¹ For an explanation of the member well-being index see page 18.

² For an explanation of Triple Bottom Line Assets under Administration see page 29.

³ For an explanation of net growth funding ratio see page 28.

⁴ Adjusted based on restated figure after BAR implementation.

⁵ Based on members surveyed who say they did not report a problem.

Supporting management targets for 2016

Impact

- Set a baseline for contribution to well-being¹

Confidence

- Net income before distribution and tax is \$82.0 million (2015 result – \$91.6 million)
- Net income attributable to members is \$55.0 million (2015 result – \$65.1 million)
- Liquidity ratio is at least 12.50 per cent (2015 result – 13.67 per cent)
- Efficiency ratio after distribution to members and community is 80 per cent or less (2015 result – 79.4 per cent)
- Deliver the BAR program on budget (\$65.8 million)²

Integrity

- No significant difference (within 5 per cent) from April 2016 to April 2017 in member satisfaction with overall performance
- Employee well-being will not fall below 3.5 out of 5 (2015 result – 3.9)
- Begin work on a talent success index³
- Re-certify as a living wage employer
- Greenhouse gas emissions are 4,500 tonnes or less (2015 result – 4,547 tonnes)
- Continue to be carbon neutral
- 80 per cent of waste is diverted from the landfill or recycled at Vancity Centre (2015 result – 85 per cent)

¹ We will include an additional question on the well-being index survey to measure the degree to which members believe that Vancity has had a positive impact on their well-being and compare it with results from a sample of non-members.

² Budget reflects post-reset period from February 2014 to end of BAR implementation.

³ For an explanation of the talent success index see page 33.

Resources and risks

As we accelerate our rate of growth, we will allocate more of our resources into areas that have the biggest beneficial impact on our members and their communities. Our plan calls for us to balance revenue with continuing discipline around expense management. To do so and fund the BAR program in 2016, we will look to leverage the skills and knowledge of our employees through reallocating people and developing our talent. In addition to BAR, there are investments in ongoing maintenance and infrastructure as well as key non-BAR technology projects that are included in our capital plan.

The next five years present many opportunities for Vancity and we are aware of the risks we need to manage. Our assumption testing for our business plan has gone beyond traditional financial ones. They include:

- Failing to maintain a balanced fiscal framework in which our loans exceed our deposits
- Not completing the BAR project on time or the system not working as planned
- Losing members due to problems with BAR or not maintaining market visibility
- Negative impacts on our brand if capital or budget constraints impact our ability to continue meeting the needs of the business members we recruit as part of our Surrey strategy
- Losing talented employees after the completion of the BAR project if we are unable to find meaningful roles for them
- Becoming distracted from our work to redesign the business by day-to-day operational requirements
- Failing to keep up with the pace of change

But our greatest risk is to continue to pursue the kinds of growth we understand today and not take the time to figure out what we need to do differently to support the evolving needs of the real economy to achieve our vision – to accelerate impact in service of redefining wealth and building healthy communities.

For more information on our plans and targets, read our [2020 Plan](#).

At-risk youth receive housing support from the Pacific Community Resources Society, a Vancity member



Section four:
Summarized statements
and other information

About this report

Determining content

Our annual reports reflect how we engage with members and communities, and the integration of social, environmental, economic and financial factors into our business. We continue to use the same material topics we developed in 2014, partly based on a survey of almost 900 members to understand their expectations of Vancity when it comes to community issues:

- Member well-being and service experience
- Technology and renewal of our core banking system
- Financial literacy
- Access to basic financial services for everyone
- Affordable housing
- Building healthy communities
- Member growth
- Financial performance and resilience
- Employee capability and well-being
- Environmental sustainability
- Transparent and inclusive governance

The choice of topics was also informed by our business strategy and discussions with Board Directors and executives. We considered feedback from our youth member community advisory committee, employees, and a panel facilitated by [Ceres](#). The panel was comprised of experts in financial services, co-operatives, sustainability, reporting and values-based banking.

Readers told us our 2014 report addressed the topics that most interested them. They appreciate balanced reporting of challenges and successes and how we demonstrate integrated thinking. Based on their feedback, we've shortened the text and included more on our future plans and risks.

We include the most material information in this integrated annual report, and supplementary information in the consolidated accountability statements (our management approach to material topics, data tables, explanations and notes, GRI content index), consolidated financial statements, greenhouse gas handbook and inventory report, and a glossary.

In addition to financial reporting standards, our reporting practices are guided by the AccountAbility [AA1000 Principles](#). These principles are consistent with the co-operative governance model – they speak to the importance of long-term thinking and stakeholder engagement to inform strategy and decision-making. We adhere to the following AA1000 Principles:

- Inclusivity – taking into consideration information and insights gathered from engagement with members, communities and others we have an impact on or who have an impact on us, and including these groups in our response to sustainability.
- Materiality – determining the relevance and importance of an issue to our organization, to our members and their communities, and to society.
- Responsiveness – demonstrating responsiveness to issues through our decisions and actions, and through communications, including our annual reports and strategic plans.

We prepared this report, including the consolidated accountability statements, in accordance with the [Global Reporting Initiative's \(GRI\) G4 Sustainability Reporting Guidelines, Core option](#). These allow us to focus on topics and measures that are important to Vancity, and our members and communities, while meeting specific disclosure and process guidelines.

Vancity is a member of the International [Integrated Reporting Council's](#) Integrated Reporting Banking Network and this report was influenced by the [International Integrated Reporting Framework](#). We are also part of the [Global Alliance for Banking on Values impact metrics](#) experts' network that developed a values-based banking scorecard.

External audit

From our first accountability reports in the 1990s, and now that we produce integrated annual reports, we have had our reports externally assured. We use one firm to both provide assurance over key accountability information and principles and to audit our financial statements. External assurance provides management, members and other readers with confidence that the key information is complete, accurate and balanced. It also drives improvements and integration in our management and reporting practices.

KPMG's independent assurance report

Our conclusions:	Where to find the assured information in the Annual Report:
a) In our opinion, the description of Vancity's adherence to the principles of inclusivity, materiality and responsiveness in the AA1000 AccountAbility Principles Standard (2008) for the year ended December 31, 2015 is fairly stated in all material respects.	"About this report" on page <u>44</u>
b) In our opinion, the Report presents fairly, in all material respects: <ul style="list-style-type: none"> • Vancity's progress on organizational targets and results for the year ended December 31, 2015 in accordance with criteria internally developed by management; • Vancity's GHG emissions for the year ended December 31, 2015 calculated in accordance with criteria internally developed by management and with ISO 14064 – Part 1; and, • The 2015 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2014. 	Organizational targets and results (impact, confidence and integrity) on pages <u>12-13</u> , and GHG emissions and Vancity's carbon neutral status on page <u>16</u>
c) Based on the procedures performed, nothing has come to our attention that causes us to believe that Vancity's progress on supporting management targets and results for the year ended December 31, 2015, have not been prepared and presented, in all material respects, in accordance with criteria internally developed by management.	Supporting management targets and results on pages <u>14-16</u>

To the members of Vancouver City Savings Credit Union

We have been engaged by the management of Vancouver City Savings Credit Union (Vancity) to undertake an assurance engagement on certain aspects of Vancity's Annual Report, in respect of the year ended December 31, 2015 (the Report), as described below:

Subject Matter and Applicable Criteria

- a) Reasonable assurance on Vancity's description in the section "About this report" on page 44 of the Report of its adherence to the following principles set out in the AA1000 AccountAbility Principles Standard (2008) (the AccountAbility Principles):
- **Inclusivity:** the organization accepts its accountability to those on whom it has an impact and who have an impact on it and enables the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability;
 - **Materiality:** determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organization and its stakeholders;
 - **Responsiveness:** an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions and performance, as well as communication with stakeholders;
- b) Reasonable assurance on:
- The fair presentation of Vancity's progress on organizational targets and results, presented under the headings "impact", "confidence" and "integrity" on pages 12-13 of the Report prepared in accordance with criteria internally developed by management;
 - The fair presentation of Vancity's GHG emissions for the year ended December 31, 2015 in accordance with criteria internally developed by management and with ISO 14064-part 1;
 - The fair presentation of Vancity's 2015 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2014;
- c) Limited assurance on the fair presentation of Vancity's progress on supporting management targets and results on pages 14-16 of the Report, prepared in accordance with criteria internally developed by management.

The subject matter selected for assurance has been determined by management on the basis of Vancity's assessment of the material issues contributing to Vancity's accountability performance and most relevant to their stakeholders. There are no mandatory requirements for the preparation, publication or review of accountability performance metrics. As such, Vancity applies the AccountAbility Principles, ISO 14064-part 1, and internally developed reporting criteria described in the 2015 Annual Report glossary, the consolidated accountability statements, and the 2015 GHG handbook and inventory report available online.

Management's responsibilities

Management is responsible for establishing and maintaining appropriate performance management and internal control systems to achieve adherence to the AccountAbility Principles and for the preparation

and presentation of Vancity's progress on their targets and results, in accordance with internally developed reporting criteria and ISO 14064-part 1, current as at the date of our report. Management is also responsible for determining Vancity's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Management has chosen to prepare the Report in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. Information on management's internal reporting criteria can be found in the section 'About this report' on page 44 of the Report.

Our responsibility

Our responsibility in relation to the Subject Matter is to perform an assurance engagement and to express conclusions based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. ISAE 3000 and ISAE 3410 require that we comply with applicable professional standards, including International Standard on Quality Control 1.

We have not been engaged in respect of, and our conclusion does not cover any periods prior to the year ended December 31, 2015.

Level of assurance (limited vs. reasonable)

We were engaged to perform an assurance engagement at either a reasonable or limited level according to the subject matter being assured. The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than that for a reasonable assurance engagement and therefore a lower level of assurance is obtained. Limited assurance procedures consist primarily of inquiries and applying analytical procedures to the subject matter, as appropriate. In addition to inquiries and analytical procedures, reasonable assurance procedures could include testing the design and operation of internal controls, obtaining third party or supporting evidence, and performing recalculations.

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in order to form our assurance conclusions as set out above. The nature and extent of procedures depended on the level of assurance being provided and included:

- Interviews with senior management, including the Executive Leadership Team and the Board of Directors, and relevant staff at the corporate and branch levels to gain an understanding of the process for determining the material issues for Vancity's key stakeholder groups, the development of Vancity's accountability strategy, and the implementation of accountability policies across the business;
- Obtaining supporting evidence relating to representations made by interviewees and reviewing key organizational documents concerning accountability at Vancity including strategy documents, formalized policies and procedures, and Board reporting;
- Attendance at member, employee and sustainability reporting expert focus groups pertaining to accountability and reporting at Vancity;

- Inquiries with relevant staff at the corporate and branch levels to understand the data collection and reporting processes for the targets and results;
- Performing walkthroughs to test the design, and where applicable the operating effectiveness, of internal controls relating to the collection and reporting of data measuring Vancity's progress on the targets and results;
- Comparing the reported data for the targets and results, including greenhouse gas emissions and carbon offsets, to underlying data sources, including third-party evidence;
- Evaluation of key assumptions and, where appropriate, re-performance of calculations; and
- Reviewing the targets and results presented in the Report to determine whether reported progress is consistent with our overall knowledge of, and experience with, the social, environmental and economic performance of Vancity.

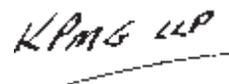
Our assurance report is provided solely to Vancity in accordance with the terms of our engagement. Our work has been undertaken so that we might report to Vancity on those matters we have been engaged to report upon in this assurance report, and for no other purpose. We do not accept or assume responsibility to anyone other than Vancity for our work, for this assurance report, or for the conclusion we have reached.

Inherent limitations

Non-financial information, such as that included in the Report, is subject to more inherent limitations than financial information, given the characteristics of significant elements of the subject matter and the availability and relative precision of methods used for determining both qualitative and quantitative information. The absence of a significant body of established practice on which to draw allows for the selection of different, but acceptable, measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in management's internally developed criteria, may change over time, and the scope of our work did not include the appropriateness of such criteria. It is important to read Vancity's reporting methodology in the 2015 Annual Report glossary, the consolidated accountability statements, and the 2015 GHG handbook and inventory report available online.

Independence and competence

In conducting our engagement we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. The engagement was conducted with a multidisciplinary team, which included professionals with suitable experience in both assurance and in the applicable subject matter, including the AccountAbility Principles, stakeholder engagement, environmental, social and financial performance, and GHG accounting.



Chartered Professional Accountants
April 12, 2016
Vancouver, Canada

Key accountability data

The following table summarizes key accountability data for the past five years, where available. It includes organizational scorecard measures and additional data of most importance to our business strategy and to our members. The bold indicates that 2015 data for these measures was verified by KPMG.

Impact	Unit	2015	2014	2013	2012	2011
Members surveyed who strongly agree (9 or 10 of 10) Vancity's contribution to the community has a positive effect on their well-being	%	48.4	51.4	51.2	50.2	n/a
Trusted advisor score (out of 10) ¹	#	8.99	8.85	n/a	n/a	n/a
Member likelihood to recommend score	%	53	50	45	46	n/a
Member service centre satisfaction score	%	84	81	81	80	78
People assisted with financial literacy	#	14,688	14,775	10,456	5,870	n/a
Value of community impact loans approved and funded as a percentage of total business and commercial loans²	%	49.1	49.7	46.3	30.8	37.9
Value of treasury investments in impact (millions)	\$	193.9	107.4	71.2	34.5	6.7
Community grants approved plus community impact loans approved and funded ² (millions)	\$	584.3	494.1	392.2	364.3	365.6
Units of affordable housing funded	#	1,042	737	786	619	n/a
Square feet of energy efficiency improvements funded	ft ²	337,309	901,105	887,363	555,519	n/a
Locally-based suppliers	%	77	79	78	76	76
Net new socially responsible investments administered by Vancity on behalf of members or clients as a percentage of total investments	%	35.8	26.0	14.6	18.3	23.2

Confidence	Unit	2015	2014	2013	2012	2011
New members joining Vancity	#	29,276	26,558	25,903	25,766	n/a
Net change in number of members	#	10,728	8,059	(19,471)	5,632	1,784
Total number of members ³	#	519,736	509,008	500,949	520,420	514,788
Return on average members' equity	%	6.2	5.5	6.3	6.0	11.0
Liquidity ratio	%	13.7	13.4	13.0	14.5	16.7
Capital adequacy ratio	%	13.3	13.4	13.3	12.7	13.6
Net income before distribution and tax (millions)	\$	91.6	78.9	87.2	87.6	131.1
Net income attributable to members (millions)	\$	65.1	54.6	57.9	53.1	90.7
Shared Success allocation to members and communities (millions)	\$	19.5	16.4	18.3	17.2	27.2
Efficiency ratio (lower is generally better)	%	79.4	81.3	79.1	79.5	68.7
Return on average assets	%	0.3	0.3	0.3	0.3	0.6
Net interest margin (net interest income as a per cent of average interest earning assets)	%	1.9	1.9	2.0	2.2	2.3
Net interest income as a percentage of operating revenue	%	80.9	82.2	82.0	83.3	82.5
Gross impaired loans as a percentage of total loans	%	0.0	0.1	0.1	0.1	0.2
Allowance for credit losses as a percentage of total loans	%	0.4	0.4	0.4	0.5	0.6
Loan growth funded by growth in member deposits ⁴	%	114.5	122.9	108.2	39.9	64.3

Integrity	Unit	2015	2014	2013	2012	2011
Number of employees ⁵	#	2,594	2,539	2,483	2,544	2,459
Voluntary turnover rate	%	4	7	5	5	6
Senior managers who are women	%	45	43	42	44	41
Executive leadership team members who are women	#	5 of 7	6 of 9	5 of 8	4 of 7	6 of 9
Employees who self declare they have a disability⁶	%	10.2	10.4	3.1	2.1	1.7
Total greenhouse gas emissions	t	4,547	4,480	4,549	5,091	4,931
Materials recycled or diverted from landfill	%	85	82	83	82	75
Water use per employee (thousands of litres per FTE) ⁷	l	14	15	17	14	12
Eligible members who voted in Board elections	%	4.9	5.3	5.5	4.8	5.1
Board Directors who are women	%	67	67	56	56	67
Ratio of total annual compensation of Vancity's President and CEO to lowest-paid permanent employee	#	27	28	28	27	30
Existing strategic suppliers and treasury relationships assessed in accordance with the Ethical Principles	%	100	100	100	73	82
Substantiated reports of privacy breaches	#	12	16	16	5	9
Substantiated incidents of employee fraud	#	5	3	3	4	4

n/a = data not available.

1 New indicator in 2014. Question asked to members, "to what extent do you agree that you can trust staff from [Branch name] to act in your best interests when recommending solutions to help you achieve your goals."

2 We restated data from 2011-2014 due to a change in our methodology to calculate community impact loans based on dollars approved and funded during the year. In past years, the measure was based on dollars approved during the year regardless of whether they were funded.

3 For details on how we count members, see page 19 of the consolidated accountability statements.

4 Certain comparative figures have been reclassified, where appropriate, to conform to the current year's presentation.

5 Includes total number of individual permanent full-time, permanent part-time and non-permanent (contract) employees. For detailed employee profile data see page 23 of the consolidated accountability statements.

6 We changed the way we track the percentage of employees with a disability from an employee survey in 2013 to a Human Resources Information System in 2014.

7 We restated data from 2011-2014 due to a change in methodology to calculate estimated water use at non-metered locations by using full-time equivalent per litre instead of square foot per litre.

KPMG's independent auditors' report

To the members of Vancouver City Savings Credit Union

The accompanying summarized consolidated financial statements of Vancouver City Savings Credit Union (Vancity), which comprise the summarized consolidated statement of financial position as at December 31, 2015, and the summarized consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended are derived from the audited consolidated financial statements of Vancity, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated March 2, 2016.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Vancity.

Management's Responsibility for the Summarized Consolidated Financial Statements

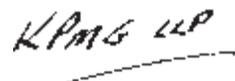
Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of Vancity as at and for the year ended December 31, 2015 are a fair summary of those audited consolidated financial statements, in accordance with the basis described in Note 1.



Chartered Professional Accountants
April 12, 2016
Vancouver, Canada

Summarized consolidated financial statements

Summarized consolidated statement of financial position (balance sheet) as at December 31

<i>(\$ thousands)</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 115,507	\$ 195,646
Interest bearing deposits with financial institutions	1,324,427	1,212,127
Financial investments	1,366,171	1,081,584
Derivative assets	7,970	5,649
Loans and advances to members	16,802,521	15,850,178
Current tax assets	–	15,131
Premises and equipment	82,646	86,813
Intangible assets	55,649	38,166
Land held for development	15,210	14,555
Deferred tax assets	37,186	33,289
Other assets	22,632	26,607
Total assets	\$ 19,829,919	\$ 18,559,745
Liabilities and Equity		
Deposits from members	\$ 17,292,420	\$ 16,356,082
Derivative liabilities	5,131	4,558
Wholesale borrowings	616,586	680,506
Secured borrowings	562,275	230,912
Current tax liabilities	1,417	–
Accounts payable and accrued liabilities	208,406	217,588
Retirement benefit obligation	49,863	45,326
Other liabilities	5,412	5,188
Total liabilities	18,741,510	17,540,160
Members' equity:		
Capital and reserves attributable to members:		
Contributed surplus	29,275	29,275
Retained earnings	1,057,302	992,244
Accumulated other comprehensive income (loss)	1,572	(2,270)
Total members' equity	1,088,149	1,019,249
Non-controlling interest	260	336
Total liabilities and equity	\$ 19,829,919	\$ 18,559,745

Summarized consolidated statement of income

for the years ended December 31

(\$ thousands)	2015	2014
Interest income	\$ 606,327	\$ 607,306
Interest expense	246,580	260,244
Net interest income	359,747	347,062
Loan impairment expense	9,913	10,406
Fee and commission income	115,584	115,719
Fee and commission expense	43,231	41,234
Net fee and commission income	72,353	74,485
Net gains (losses) on financial instruments	11,590	(887)
Other income	946	1,398
Total operating income	434,723	411,652
Operating expenses:		
Salary and employee benefits	215,263	199,969
Occupancy and equipment	46,357	47,554
General and administrative	81,472	85,246
	343,092	332,769
Net income before distribution and tax	91,631	78,883
Distribution to community and members	20,168	17,358
Net income before tax	71,463	61,525
Income tax expense	6,577	5,396
Net income	64,886	56,129
Attributable to non-controlling interest	172	(1,527)
Net income attributable to members	\$ 65,058	\$ 54,602

Summarized consolidated statement of comprehensive income

for the years ended December 31

(\$ thousands)	2015	2014
Net income attributable to members	\$ 65,058	\$ 54,602
Other comprehensive income (loss) for the year that was or may be reclassified to the consolidated statement of income, net of tax:		
Net gains on available-for-sale financial instruments:		
Unrealized gains arising during the year, net of tax expense of \$369 (2014 – tax expense of \$15)	1,994	86
Reclassification of realized (gains) losses to the consolidated statement of income, net of tax recovery of \$10 (2014 – tax expense of \$35)	63	(156)
	2,057	(70)
Cash flow hedges:		
Effective portion of changes in fair value, net of tax expense of \$269 (2014 – tax expense of \$1,034)	1,209	1,614
Reclassification of losses to the consolidated statement of income, net of tax recovery of \$79 (2014 – tax recovery of \$296)	372	592
	1,581	2,206
Actuarial gain on defined benefit pension plans that will never be reclassified to the consolidated statement of income, net of tax expense of \$45 (2014 – tax expense of \$1,977)	204	8,118
Other comprehensive income for the year	3,842	10,254
Comprehensive income attributable to members	\$ 68,900	\$ 64,856

Summarized consolidated statement of changes in members' equity for the years ended December 31

(\$ thousands)	Accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to member	Non-controlling interest	Total equity
	Contributed surplus	Hedging reserve	Fair value reserve	Employee benefits					
Balance at January 1, 2015	\$ 29,275	\$ (2,511)	\$ 596	\$ (355)	\$ 992,244	\$ 1,019,249	\$ 336	\$ 1,019,585	
Increase in partnership share	–	–	–	–	–	–	96	96	
Net income	–	–	–	–	65,058	65,058	(172)	64,886	
Other comprehensive income (loss) for the year, net of tax:									
Net gains on available-for-sale financial assets	–	–	2,057	–	–	2,057	–	2,057	
Cash flow hedges	–	1,581	–	–	–	1,581	–	1,581	
Actuarial gain on defined benefit pension plan	–	–	–	204	–	204	–	204	
Other comprehensive income (loss) for the year	–	1,581	2,057	204	–	3,842	–	3,842	
Total comprehensive income (loss) for the year	–	1,581	2,057	204	65,058	68,900	(172)	68,728	
Balance at December 31, 2015	\$ 29,275	\$ (930)	\$ 2,653	\$ (151)	\$ 1,057,302	\$ 1,088,149	\$ 260	\$ 1,088,409	
Balance at January 1, 2014	\$ 29,275	\$ (4,717)	\$ 666	\$ (8,473)	\$ 937,642	\$ 954,393	\$ (1,311)	\$ 953,082	
Increase in partnership share	–	–	–	–	–	–	120	120	
Net income	–	–	–	–	54,602	54,602	1,527	56,129	
Other comprehensive income (loss) for the year, net of tax:									
Net losses on available-for-sale financial assets	–	–	(70)	–	–	(70)	–	(70)	
Cash flow hedges	–	2,206	–	–	–	2,206	–	2,206	
Actuarial gain on defined benefit pension plan	–	–	–	8,118	–	8,118	–	8,118	
Other comprehensive income (loss) for the year	–	2,206	(70)	8,118	–	10,254	–	10,254	
Total comprehensive income (loss) for the year	–	2,206	(70)	8,118	54,602	64,856	1,527	66,383	
Balance at December 31, 2014	\$ 29,275	\$ (2,511)	\$ 596	\$ (355)	\$ 992,244	\$ 1,019,249	\$ 336	\$ 1,019,585	

Summarized consolidated statement of cash flows for the years ended December 31

(\$ thousands)	2015	2014
Cash flows from operating activities:		
Net income	\$ 64,886	\$ 56,129
Adjustments for:		
Loan impairment expense	9,913	10,406
Amortization, depreciation and impairment	18,486	19,422
Net interest income	(359,747)	(347,063)
Net gains on financial instruments	(11,590)	887
Income tax expense	6,577	5,396
	(271,475)	(254,823)
Change in derivative instruments	(1,748)	(7,674)
Change in interest bearing deposits with financial institutions	(112,300)	(45,670)
Change in loans and advances to members	(950,772)	(800,036)
Change in other assets	3,320	(5,599)
Change in deposits from members	946,993	1,155,010
Change in accounts payable and accrued liabilities	(9,182)	12,802
Change in retirement benefits and other liabilities	4,962	3,153
	(390,202)	57,163
Interest received	606,146	607,346
Interest paid	(257,660)	(254,595)
Income taxes received (paid)	5,300	(20,659)
Net cash generated from (used in) operating activities	(36,416)	389,255
Cash flows from investing activities:		
Change in financial assets	(279,885)	(60,181)
Purchase of premises and equipment	(11,121)	(9,062)
Proceeds from sale of premises and equipment	–	2,294
Purchase of intangibles	(20,681)	(9,988)
Net cash used in investing activities	(311,687)	(76,937)
Cash flows from financing activities:		
Increase in partnership share	96	120
Increase in secured borrowings	331,205	230,715
Change in wholesale borrowings	(63,337)	(445,163)
Net cash used in financing activities	267,964	(214,328)
Net increase (decrease) in cash and cash equivalents	(80,139)	97,990
Cash and cash equivalents at the beginning of the year	195,646	97,656
Cash and cash equivalents at the end of the year	\$ 115,507	\$ 195,646
Cash and cash equivalents consists of:		
Cash and deposits held with Central 1 and other banks	\$ 88,401	\$ 168,386
Cheques and other items in transit	10,420	19,152
Restricted cash	16,686	8,108
	\$ 115,507	\$ 195,646

Note 1: Basis of preparation

The summarized consolidated financial statements are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2015.

Those audited consolidated financial statements were approved by the Board of Directors on March 2, 2016 and are located on Vancity's [website](#).

The summarized consolidated financial statements were prepared by management in accordance with Section 128 (4) of the Financial Institutions Act, RSBC 1996, c.141.

Community branches*

Abbotsford

Abbotsford community branch (34)
32675 South Fraser Way

Alert Bay

Cormorant Island community branch (71)
30 Maple Road

Burnaby

Brentwood community branch (43)
106 - 1901 Rosser Avenue

Burnaby Heights community branch (6)
4302 Hastings Street

North Road community branch (16)
3977 North Road

Royal Oak community branch (59)
6632 Royal Oak Avenue

South Burnaby community branch (17)
5064 Kingsway

South Slope community branch (56)
7384 Market Crossing

Chilliwack

Chilliwack community branch (31)
45617 Luckakuck Way

Coquitlam

Maillardville community branch (51)
1025 Brunette Avenue

Pinetree community branch (18)
20 - 2991 Lougheed Highway

Delta

North Delta community branch (19)
7211 - 120th Street

Tsawwassen community branch (58)
Unit D - 1215 56 Street

Langley

Langley community branch (23)
100 - 20055 Willowbrook Drive

Walnut Grove community branch (54)
E103 - 20159 88th Avenue

Maple Ridge

Maple Ridge community branch (29)
22824 Lougheed Highway

Mission

Mission community branch (36)
150 - 32555 London Avenue

New Westminster

New Westminster community branch (61)
511 Sixth Street

North Vancouver

Lynn Creek community branch (46)
1370 Main Street

Lynn Valley community branch (57)
101 - 1233 Lynn Valley Road

North Vancouver community branch (21)
1290 Marine Drive

Westview community branch (49)
712 - 2601 Westview Drive

Pitt Meadows

Pitt Meadows community branch (50)
750 - 19800 Lougheed Highway

Port Coquitlam

North Side community branch (53)
130 - 2325 Ottawa Street

Shaughnessy Station community branch (33)
7100 - 2850 Shaughnessy Street

Port Moody

Port Moody community branch (52)
5 - 121 Brew Street

Richmond

Blundell Centre community branch (88)
130 - 6020 Blundell Road

Richmond community branch (26)
5900 No. 3 Road

Squamish

Squamish Savings Chieftain Centre (81)
1325 Pemberton Avenue

Surrey

Cedar Hills community branch (44)
12820 96th Avenue

Guildford community branch (30)
108 - 15175 101st Avenue

Morgan Creek community branch (70)
H120 - 15795 Croydon Drive

Newton community branch (27)
7555 King George Boulevard

Semiahmoo community branch (25)
104 - 1790 152nd Street

Surrey City Centre community branch (32)
10293 King George Boulevard

Vancouver

4th Avenue community branch (11)
2233 West 4th Avenue

Chinatown community branch (28)
188 East Pender Street

Collingwood community branch (13)
3305 Kingsway

Commercial Drive community branch (12)
1675 Commercial Drive

Downtown community branch (10)
898 West Pender Street

Dunbar community branch (45)
4445 Dunbar Street

Fairview community branch (8)
501 West 10th Avenue

Fraser Street community branch (7)
6288 Fraser Street

Hastings community branch (3)
2510 East Hastings Street

Kerrisdale community branch (15)
2380 West 41st Avenue

Kitsilano community branch (4)
3395 West Broadway

Main Street community branch (9)
4205 Main Street

Marpole community branch (14)
8615 Granville Street

Oakridge community branch (41)
5594 Cambie Street

Point Grey community branch (22)
4545 West 10th Avenue

Vancity Centre community branch (1)
183 Terminal Avenue

Victoria Drive community branch (2)
5590 Victoria Drive

West End community branch (47)
1798 Robson Street

Victoria

Langford community branch (69)
100 - 800 Kelly Road

Mount Tolmie community branch (68)
100 - 1590 Cedar Hill Cross Road

Victoria City Centre community branch (67)
752 Fort Street

Victoria community branch (42)
3075 Douglas Street

West Vancouver

West Vancouver community branch (5)
1402 Marine Drive

Community branch numbers are noted in brackets. In addition, our Kruger community branch (Branch 65) serves employees of Kruger Products in their New Westminster Mill.

*As of April 2016.

Produced by Vancity.
Design by Karo Group Inc.



Vancity

Make Good Money.™