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Annual Report

Vancity in 2016: building on our values





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This report provides a summary of Vancity, and our strategy, performance and impact during 2016. We publish supplementary documents that contain more information, available at annualreport.vancity.com: [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 6](#). 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, or connect with us on facebook.com/vancity.



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Participating in social programs at
The Fraser Region Aboriginal
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Anita Braha
Chair

Message from the Chair

The credit union difference

Credit unions like Vancity have the ability to identify community needs and address them in much more creative ways than traditional financial institutions. Last year was no different and we are proud of our history of working with and helping our members. In 2016, we continued to help our members to expand the real economy – providing services to people whose needs are not being met by other financial institutions, supporting businesses with ideas that would not otherwise be able to get funding, and working creatively with partners in the social enterprise and not-for-profit sectors.

Replacing our core banking system

Last year we also completed the task of replacing our core banking system. Ultimately, we know that our new banking platform will make it easier for us to support our members and increase the positive impact we can have in the communities where we operate.

While this project was a technical and operational success, we know that we caused inconvenience and disruption for some of our members. We know that some of these problems were significant. Some of you have approached me and the Board personally to express your concerns. You can read more about how we've been addressing them in Section three of this report.

For those of you who were negatively affected, I sincerely apologize on behalf of our credit union. You expect us to have your needs ever present in our minds and going forward, we will redouble our efforts to ensure that we are more careful and thoughtful about how we implement any major changes.

Celebrating 70 years

We celebrated our 70th year in operation in 2016. From a modest beginning in 1946, we have become a \$21 billion credit union. We have grown by seeking to understand and meet our members' needs and our growth has been built on a proud, values-based approach, coupled with prudent fiscal management.

As we look to the future, we will continue to uphold our commitments to environmental sustainability, social justice and financial inclusion, and co-operative principles. Vancity will also remain true to our core values of integrity, innovation, responsibility and meaningful reconciliation.

We hosted Chief Dr. Robert Joseph, the ambassador for Reconciliation Canada and Karen Joseph, the organization's CEO at our Board/management strategy session in June 2016. They helped us understand the importance of reconciliation in building healthy communities and with their help, we're deepening our knowledge of this issue on the Board and with employees.

Valuing diversity

I'm so encouraged by the people we have helping to set Vancity's strategic direction. We benefit from the diverse perspectives our Board members bring as well as their unwavering commitment to the values-based banking™ model that defines Vancity. This has been an ever-present source of strength in a time of significant change for the credit union system, especially as we navigate the social and political challenges to a progressive and inclusive vision of society.

When I look back at the past year, it's clear to me that Vancity's values are what make us stand out from the crowd. I'm proud of how we put them into practice in 2016 and am confident they will continue to serve our members well in the future.



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Tamara Vrooman
President and CEO

Message from the CEO

In 2016, we demonstrated again that being firmly rooted in local communities can deliver strong financial returns. The results speak for themselves. Our assets reached \$21.1 billion, which is a 6.6 per cent increase, or \$1.3 billion, over the previous year. Total assets plus assets under administration are now \$25.6 billion, a 7.1 per cent increase, or \$1.7 billion, over 2015. Our net income was also above expectations at \$61.7 million.

As ever, we will be sharing that success. Our annual contribution of 30 per cent of net income to members and communities reaffirms our vision and values as a financial co-operative. We will allocate \$18.5 million of our 2016 net income over the course of 2017.

A year of hard work

I have never seen our organization work as hard as it did in 2016; much of that work took place behind the scenes. The project to replace our core banking system represented an essential investment and provides us with the key infrastructure we will need to meet our members' evolving needs (see [page 13](#)).

Looking back at the experience, there are some things we can be proud of and some areas where we could and should have done better. The technical replacement and implementation of our new core banking system went well. We completed the switch from our legacy system to Temenos T24, a state-of-the-art

banking platform used by more than 600 small- to mid-size financial institutions around the world. The new system met our governance requirements, which include regulatory oversight, and members can have confidence that it is robust, comprehensive and secure.

The experience for some members after we installed our new system, however, was clearly very difficult and there are plenty of lessons for us to learn.

Perhaps the most important was that we needed to better anticipate the effects of the change on our members – both those who use our services in our branches and those who use online banking as the primary way they interact with Vancity. In our planning for the installation of the new system, we focused on our employees as its primary users and worked to ensure they were ready for the change. In this way, we expected our members to be shielded from any serious disruption.

We were clearly wrong on that score. We should have given our members more opportunities to test the new system and listened to their feedback before “going live” with it. Given that we’re a co-operative with a strong record of consulting with our members on all kinds of issues, this was a significant oversight. It led to inconvenience and disruption for our members. I can assure you that we have learned from this experience and I am confident that future IT systems and digital services will be rolled out only after we have worked with members to test their ease of use and accessibility.

Addressing members' needs through values-based banking

In 2017, Vancity will continue to make progress towards our 2020 goals of having more than 600,000 members, investing 50 per cent of our assets in impact, and increasing our assets plus assets under administration to \$40 billion.

Our financial position remains strong and our membership grew by more than 8,000 in 2016. We also exceeded our target for our return on average members' equity (5.5 per cent against a target of 5.0 per cent) and met our target for member well-being.

I'm also incredibly proud of the work we've done in the past year to diversify our workforce and to recruit people who have disabilities. This is not only of benefit to



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those individual employees, it's also given us an opportunity to improve the way we bring people into the organization and makes us more representative of the communities we serve.

Measuring our progress

We know that the economic and social context we're operating in will require a strong, values-based credit union that is based firmly in local communities and is transparent and accountable to its members. This is more important than ever because the issues of affordability, inequality and social exclusion have not gone away.

Last year we developed a new measure that gives us an indication of how we are performing in our efforts to address them – triple bottom line assets under administration or TBLAA (see [page 20](#)), which shows how much of Vancity's capital is specifically allocated towards building healthy communities. I'm pleased to say that we exceeded our target and 21.1 per cent of our assets met this criteria in 2016.

Investing in our future

I would like to thank our members and community partners for helping to generate that investment in our collective future and for allowing us to serve you over the past year.

I'm also grateful for the work of two senior executives who retired at the end of 2016. As the senior vice-president of business development, member and community engagement, Linda Morris showed a relentless drive to bring new members into the Vancity fold since joining our credit union in 2011.

Ellen Pekeles joined Vancity in 2006 and held several senior roles, most recently as our senior vice-president of operations. Her passion for people, the co-operative sector and Vancity's values made her a valuable part of our team. While their leadership will be sorely missed, we're looking forward to building on the successes that both Ellen and Linda have brought us.

Finally, thank you to all of our staff at Vancity for your passion and commitment to our credit union and the well-being of our members.



Meaningful reconciliation as a core value

Since recently adopting meaningful reconciliation with Indigenous people as one of our core values we:

- Signed a joint [declaration](#) with two other Canadian members of the Global Alliance for Banking on Values to embrace the Truth and Reconciliation Commission's (TRC) reconciliation framework and encourage all values-based and cooperative businesses to join us in responding to the TRC's Call to Action for Business
- Held several dialogues about meaningful reconciliation involving Indigenous partners and our Board, our community advisory committees and in collaboration with others like Simon Fraser University and the Vancouver Public Library
- Updated our impact lending [guidelines](#) to reflect the TRC's Call to Action for Business
- Acknowledge traditional territory in speeches and media releases
- Set a 2017 organizational target related to meaningful reconciliation (see [page 29](#))



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Board of Directors

Vancity's Board of Directors represents the membership and has a legal responsibility and obligation to protect members' 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.

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

Each Director serves on two or more committees and may be appointed to the Boards of our subsidiaries or affiliates.

Members elect Directors in a democratic one-member, one-vote system. They elect Directors annually for a term of three years, up to a maximum of four consecutive terms. For more on the Board, including attendance records and professional development, see vancity.com.

Anita Braha Chair	Teresa Conway Vice-Chair	Lily Grewal	Theodora Lamb	Greg McDade	Jan O'Brien	Rita Parikh	Niki Sharma	Virginia Weiler
Elected in 2011, serving a second term (2014-2017)	Elected in 2012, serving a second term (2015-2018)	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 2009, serving a third term (2015-2018)	Elected in 2016, serving a first term (2016-2019)	Elected in 2016, serving a first term (2016-2019)	Elected in 2007, serving a fourth term (2016-2019)

Committee

Audit		Chair		Member	Member		Member	Member
Governance	Chair		Member	Member	Member		Member	Member
Human Resources	Member		Chair			Member	Member	Member
Nominations and Election					Chair		Member	
Risk	Member	Member	Member			Chair	Member	
Banking Applications Renewal "ad hoc"		Member		Member		Member		Chair
External Appointments	Central 1, Stabilization Central CU		Canadian Centre for Policy Alternatives (CCPA)	BC Co-operative Association (BCCA)	Citizens Bank	Global Alliance for Banking on Values Governing Board Community of Practice		Vancity Community Foundation



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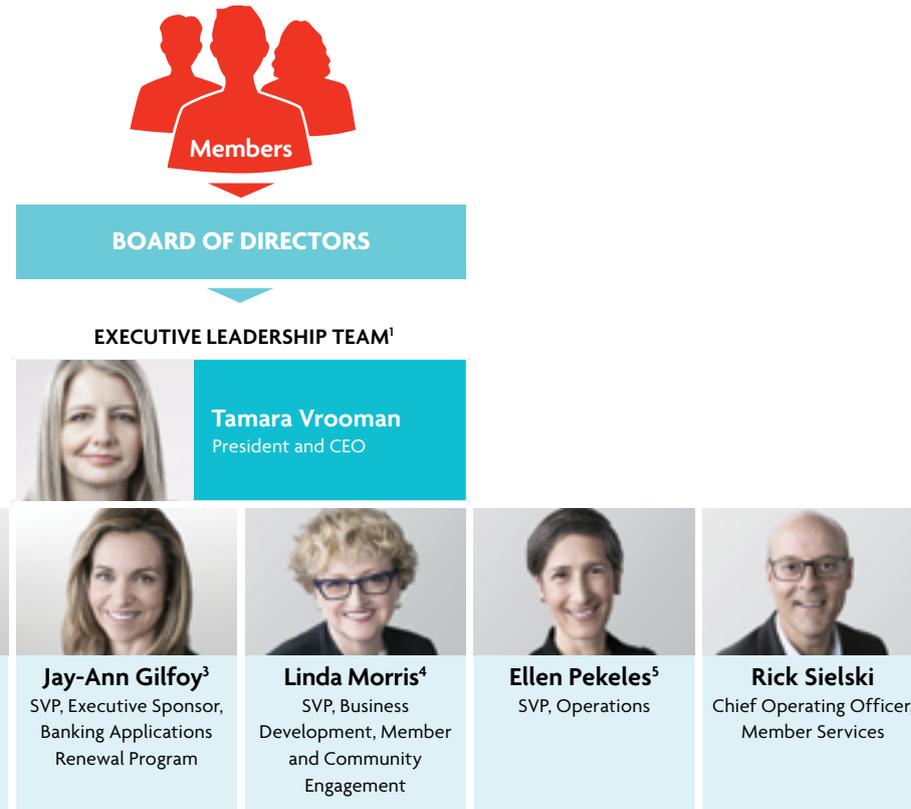
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Structure and executive leadership team



Active subsidiaries and partnerships

CITIZENS BANK OF CANADA
Federally chartered bank providing certain financial services throughout Canada, including foreign exchange services, Visa⁶ 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
The Dockside Green 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: 74 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 As of February 1, 2017, the executive leadership team consists of the CEO and four of her direct-reports: Lisa Coltart, SVP enterprise services, Rick Sielski, SVP enterprise risk, Jay-Ann Gilfoy SVP digital solutions & business technology and William Azaroff, Executive lead, member experience & community engagement.

² As of February 1, 2017, Bob Elton became Executive In Residence.

³ Includes leadership of all information technology.

⁴ Linda Morris retired in December 2016.

⁵ Ellen Pেকেles retired in January 2017.

⁶ Visa Inc./Vancity, Licensed User.



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Organizational overview

Vancity in 2016

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 6](#)) 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 523,902 members, employed 2,627 people and had \$25.6 billion in assets plus assets under administration. We also had 505 investor relationships through Vancity Investment Management and 227,271 Visa account holders, of whom four out of five are Vancity members.

We're [carbon neutral](#) and a [living wage employer](#).

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.

\$21.1 BILLION in assets

\$25.6 BILLION in assets plus assets under administration

2,627 employees **523,902** members

Context and strategic priorities

Operating context

At the start of 2016, we were operating in a context of profound changes in our communities. Our members were challenging us to explore new opportunities to help them create sustainable wealth and build healthy communities. Key considerations included:

- The rapid transformation of cultural and social norms caused by globalization and technology bringing benefits to some, but not all
- A lack of affordable housing and growing income inequality undermining the sense of social cohesion needed to build healthy communities
- Increasing partnerships, collaborations and alliances across sectoral lines

We saw a need for sustainable wealth creation where social, natural and [financial capital](#) are working together to deliver long-term member and community well-being. Knowing that our success as an organization has come largely from real estate, we're working towards sustainable alternatives to create wealth. In an uncertain economic and social context, our strategic priorities will continue to evolve in 2017. In particular, we'll work to address issues around inclusion, housing affordability and the needs of immigrant communities.

Strategic priorities for 2016

We saw 2016 as a transitional year to prepare us for transformational growth between now and 2020. [The plan](#) was to complete the largest systems conversion in our history – replace our [core banking system](#) through the banking applications renewal (BAR) program (see [page 13](#)) and launch a significant shift in the way we do our work to help us move towards our 2020 goals: 600,000 members, \$40 billion in total assets and assets under administration and 50 per cent of those assets invested in impact. At the same time we planned to continue to meet our members' needs by:

- Redesigning our credit policies and practices
- Enhancing our impact by focusing on triple bottom line assets under administration (see [page 20](#))
- Developing the talent and leadership potential of our employees by supporting them to easily move around the organization to develop new skills



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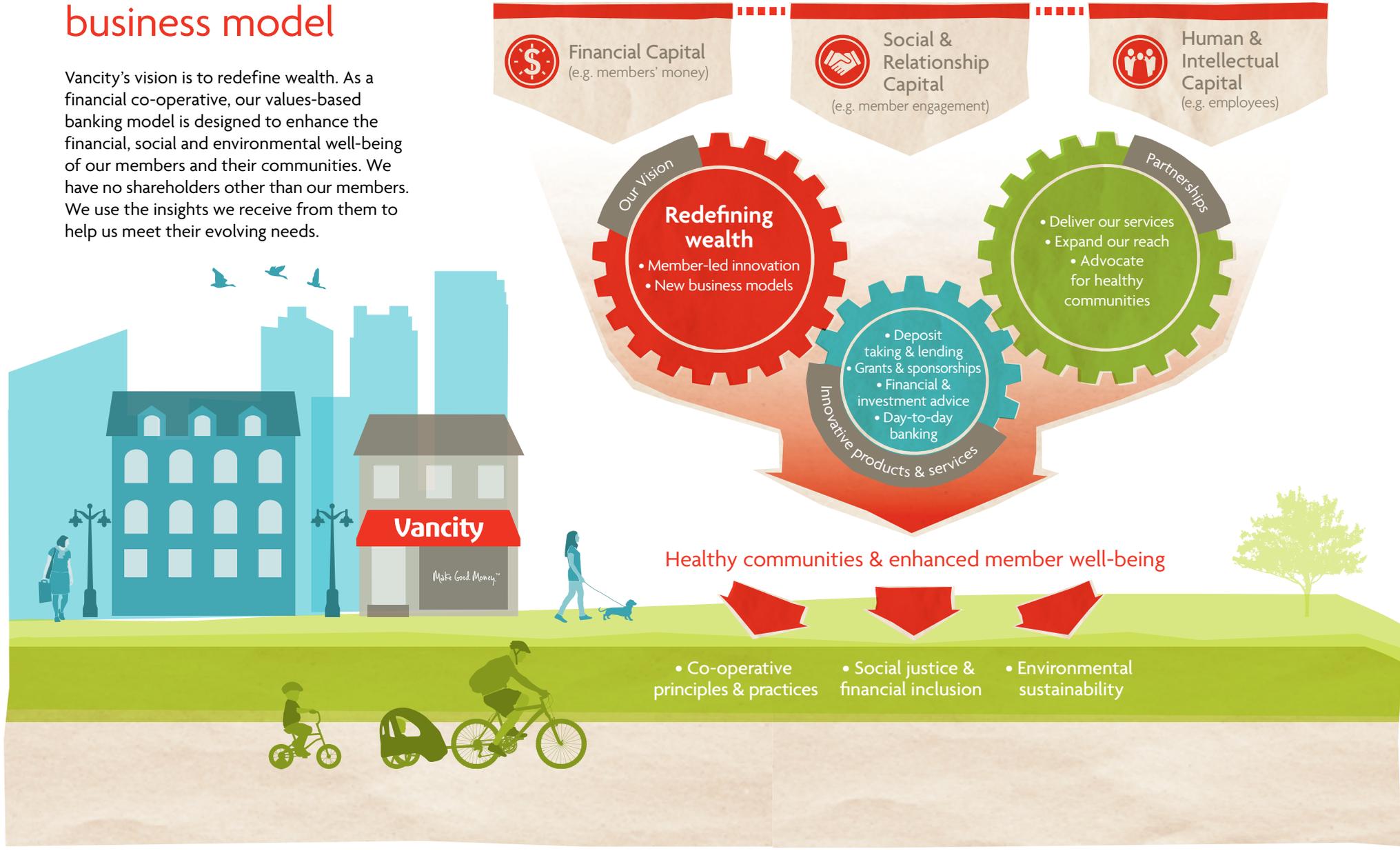
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Vision and business model

Vancity's vision is to redefine wealth. As a financial co-operative, our values-based banking model is designed to enhance the financial, social and environmental well-being of our members and their communities. We have no shareholders other than our members. We use the insights we receive from them to help us meet their evolving needs.

"We are an agent of positive social change that just happens to be a financial institution"





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Key Results

Syrian refugees become Vancity members





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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 for our members and their communities because of our vision and values
- Confidence – the evidence that what we are doing is good for the sustainability of our business
- Integrity – how we run our business and demonstrate confidence based on trust

Results for the organizational scorecard targets marked with an * 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.

Both our 2016 organizational scorecard and supporting management target results were externally verified by KPMG (see page 34). 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 annualreport.vancity.com.

For our future targets see page 29.

Target	2016	2015	2014	Progress
Impact				
Member well-being index is in the range of 75-80 or more	75	74	78	MET
*19.3 per cent of assets are in triple bottom line assets under administration (TBLAA)	21.1%	18.6%	17.2%	MET
Confidence				
*Return on average members’ equity, after distribution to members and community, is 5 per cent	5.5%	6.2%	5.5%	MET
Capital adequacy ratio is 13 per cent	13.4%	13.3%	13.4%	MET
Net growth funding ratio is 80 per cent or more	140.0%	114.5%	122.9%	MET
*Implement the banking applications renewal (BAR) program on time (November 13)	Implemented the new system on time			MET
*No change in member numbers from Jan. 1, 2016 to Jan. 1, 2017	523,902	515,579 ¹	509,008	MET
Integrity				
*80 per cent or more of members will not report a problem during implementation of our new core banking system	76%			NOT MET
*80 per cent or more of the members who do report a problem will have it resolved to their satisfaction	28%			NOT MET

¹ Data was restated to reflect a change in membership count methodology as a result of the implementation of our new banking system.



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Supporting management targets and results

In addition to our top organizational targets, we set management targets and commitments to improve our performance and impact.



Target	2016	2015	2014	Progress
Impact				
Set a baseline for contribution to well-being				To measure the degree to which members believe Vancity has had a positive effect on their well-being, we added a question to the member well-being survey and collected data throughout 2016. MET
Confidence				
Net income before distribution and tax is \$82.0 million	\$95.9M	\$91.6M	\$78.9M	MET
Net income attributable to members is \$55.0 million	\$61.7M	\$65.1M	\$54.6M	MET
Liquidity ratio is at least 12.5 per cent	14.3%	13.7%	13.4%	MET
Efficiency ratio after distribution to members and community is 80 per cent or less	78.4%	79.4%	81.3%	MET
Deliver the BAR program on budget (\$65.8 million)	\$69.9M			NOT MET
Integrity				
Employee well-being will not fall below 3.5 out of 5	3.9	3.9	N/A	MET
Begin work on a talent success index				We conducted research and explored options. MET
Re-certify as a living wage employer				We have been recertified every year since first becoming a living wage employer in 2013. MET
Greenhouse gas emissions are 4,500 tonnes or less	4,410t	4,547t	4,480t	MET
Continue to be carbon neutral				We purchased 4,547t of registered carbon offsets to offset 2015 emissions. MET
80 per cent of waste is diverted from the landfill or recycled at Vancity Centre	85%	85%	82%	MET



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Business review and plans

Preparing lunch at the Chilliwack Bowls of Hope Society





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Member well-being and service experience

Technology and replacement of our core banking system

Several years ago, Vancity committed to delivering a new core banking system – the Banking Applications Renewal (BAR) program – for two key reasons:

- We were using old technology that was increasingly difficult to maintain – the last time we installed an entirely new banking system was 1985
- The banking industry is changing fast and Vancity needs a platform that allows us to keep pace

That task is now complete. The new system went live on time and we converted \$29 billion in member deposits and loans.

Investment in the Banking Applications Renewal program

Period	Investment (\$millions)	Notes
2010-2013	48.6	We paused the project in 2013, in part because we'd incurred more expenses than planned in relation to the progress we had made.
2014 - November 2016	69.9	We refocused BAR in 2014 and the new system went live in November 2016. Our target expenditure during this period was \$65.8 million.
Total	118.5	

We spent an additional \$6.8 million in November-December 2016 to stabilize the new system.

There's no doubt that replacing the banking system presented a huge challenge for Vancity (see [page 14](#)) and caused problems for some members. We're investing additional resources to sustain the new system and ensure we have the digital capability to support our members' evolving needs.

The project represents a significant technical accomplishment for Vancity, given the scale of the undertaking. It allows us to improve our working practices and better serve our members. Our new core banking system gives us a good foundation that will enable us to adopt new technologies that meet our members' needs more easily in the future.

A key focus for Vancity as a member-led organization will be to continuously understand technology trends and the way our members interact and would like to interact with us. We are also looking at what we can do to help members improve their digital literacy.

Some ideas we are looking at include fully digital account opening and digital signatures, mobile investment solutions based on smart algorithms, connecting with organizations through virtual channels like click-to-chat and video conference, and making payments directly on a mobile device without a card. These services have already begun to have significant effects on our industry.



“Our collaboration with Vancity on community initiatives has been so valuable.”

Tony Lovse,
Main Street Honey Shoppe



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Challenge

460,000



guidebooks mailed to members a few weeks before the replacement weekend

\$29

amount transferred to new system in deposits and loans

BILLION



24%

Vancity members who reported problems during the implementation period

Installing a new core banking system

Vancity's Banking Applications Renewal (BAR) program was the single biggest project in our 70-year history. Its purpose was to install a new technology platform at the core of our operations and help us move towards our 2020 goals.

The project affected some of our members' day-to-day interactions with Vancity more than we had anticipated.

Some members experienced problems with online banking and our mobile app as well as pay and government cheques not being processed in a timely manner. During the implementation period for the new system, three quarters of members did not report any problems. But of those that did, only 28 per cent had their problems resolved to their satisfaction.

"We are acutely aware that the experience for some members was frustrating," says Jay-Ann Gilfoy, senior vice president of digital solutions and business technology. "We understand the impact on peoples' lives when things don't go as expected with their banking and we know that while not all members were inconvenienced, some of them were impacted severely."

Mobilizing our employees to install an entirely new core banking system, while maintaining our service levels and minimizing impacts on our members, proved to be an enormous challenge.

In response to the issues that our members encountered with BAR, we extended branch and call centre hours, drafted in employees from various departments across Vancity to help resolve problems, and set up an online credit program to thank members for their patience and resolve any outstanding issues. Members who are still experiencing problems can get in touch via a dedicated website at <https://support.vancity.com/contact-us/>.

We have learned plenty of lessons from this process. We've resolved to never introduce another major piece of technology or digital strategy without comprehensive input from our members. In the case of BAR, we focused on our employees as the primary users of the new system and underestimated the direct impact it would have on members, particularly those who bank with us online.

The new banking platform allows members to get e-statements, elect to opt out of receiving paper statements altogether and see all of their personal accounts in one place through online banking – even if they're set up at different branches.



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Service experience

Vancity's differentiated member experience is about the relationships we build with our members and the quality of services we provide. It drives our work and the strategic priorities we set. Based on a survey conducted in April 2016, 84 per cent of Vancity members were satisfied with our overall performance.

In 2016, we continued to meet our members' day-to-day needs while making progress on our commitment to redesign our credit policies and practices. We revised five out of 10 targeted policies and tested new and different credit worthiness factors such as future income potential and social capital. Through this prototype, we learned a great deal about being more inclusive with our lending.

Member well-being

If we deliver on our business model, we will contribute to building healthier communities and our members' well-being will increase over time. For the past four years, the well-being score of our membership has been statistically higher than that of the general population of Vancouver.

Member well-being index

	Target	2016	2015	2014	2013
Vancity members	75-80+	75	74	78	75
Metro Vancouver residents		71	69	74	71

In 2016, we added a question to the quarterly well-being survey to measure the degree to which members believe Vancity has had a positive effect on their well-being; in the fourth quarter, 28 per cent believed Vancity had. We expect this data to help us assess the strength of the relationship between member well-being and membership at Vancity.

Financial literacy and advice

Our research indicates there is a strong link between increased confidence in financial matters and overall well-being. Our members have told us they want us to focus on financial literacy and provide them with advice on savings, money management and budgeting, including paying down debt.

Through the Good Money Plan™ we provide members with financial advice and we also offer specialized investment advice.



We're committed¹ to continuing to promote financial literacy to improve the knowledge, skills and confidence of members. For example, we worked to build awareness among low income families of the Canada Learning Bond funds available through RESPs.

We and our community partners delivered 7,722 financial literacy workshops, about half as many as in 2015 due to the demands on our employees to prepare and train for our new core banking system.

Number of people assisted with financial literacy

2016	2015	2014	2013	2012
7,722	14,668	14,775	10,329	5,863



“We’re so incredibly grateful to Vancity for the *Each One, Teach One* financial literacy training – this is such an amazing gift that they’ve given the system.”

Cara Bahr, community engagement manager at Affinity Credit Union

¹For more on how Vancity supports the United Nations Sustainable Development Goals, see [page 37](#).



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Work begins on 358 new affordable homes in Vancouver

Vancity supports innovative plan to build rental housing for households with incomes between \$22,000 and \$86,000 per year.

Read the Full Story at annualreport.vancity.com

Darren Kitchen of the Cooperative Housing Federation of British Columbia project managed the development of 358 affordable homes.



Christine Bergeron, vice president of impact investing, wealth management and community real estate, worked on Vancity's investment.



Garth Davies, managing director of New Market Funds, generated investment from foundations and charitable organizations across Canada.



Access to basic financial services for everyone

SUSTAINABLE DEVELOPMENT GOALS We're committed to increasing access to basic financial products and services. For more on how we increase access, see the consolidated accountability statements, page 8.

Products designed to provide access to basic financial services, affordable housing, credit and credit repair

	Target 2030	2016	2015	2014	2013	2012
Number of people assisted	10,000	6,881	6,619	5,811	4,971	4,577

Vancity's **Fair & Fast Loan™**, introduced in 2014, provides an alternative to payday loans. In 2016, we continued work on developing a mobile platform for this offering.

Affordable housing

SUSTAINABLE DEVELOPMENT GOALS We want to increase access to affordable housing and help increase the number of affordable units available in our communities.

Number of affordable housing units constructed or renovated with funding from Vancity

	2016	2015	2014	2013	2012
	2,124	1,042	768	795	619

The **Rental Housing Index**, which we co-founded with the **BC Non-Profit Housing Association**, shows that 23 per cent of renters in BC are spending more than half their income on rent.

For more on how we work with others like the **National Housing Collaborative** in support of affordable housing, see the consolidated accountability statements, [page 11](#).



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Building healthy communities

Supporting local business and organizations

We work with others to help build healthier communities and improve our members' well-being. We support local businesses and community-minded organizations through activities such as lending, granting, advice, technical assistance, local purchasing, socially responsible asset management and advocacy.

We want to invest in projects and do business with organizations that align with our Guiding Principles: co-operative principles and practices, social justice and financial inclusion, and environmental sustainability. Our approach favours organizations that demonstrate alignment with our values, or that have the potential to become more aligned and contribute towards building healthy communities (see our [Ethical Principles for Business Relationships](#)).



We put our members' deposits to work in our community through our lending. In 2016, we approved and funded more than \$1.3 billion in new business loans.

Community impact loans made up 58.1 per cent of this lending, up from 49.1 per cent in 2015. This is business lending that we believe has a positive impact on members and their communities. We've developed [guidelines](#) to help us

identify types of organizations and sectors that qualify as impact lending. More than half of the value of community impact loans we funded in 2016 supported affordable housing projects or energy efficient and green buildings. These loans form part of our triple bottom line assets under administration (see [page 20](#)).

While our biggest impact is through our lending, we also approved \$9.3 million in grants for 312 organizations through our Shared Success program in 2016. The primary impact areas where we approved the largest value of grants in 2016 were in financial literacy, microfinance and poverty reduction, local and organic food, affordable housing projects and community-minded organizations. Details of approved Shared Success grants are available at www.vancity.com/granting.

Buying local and paying a living wage

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 purchases from locally based businesses in 2016 – around \$121 million.



Paying a [living wage](#) allows individuals and families to meet their basic needs and contribute to their communities. In 2016, 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 supported several allies to become living wage employers, including the City of Vancouver and the City of Port Coquitlam, along with a number of other municipalities across Canada that are starting their living wage journeys.

Supporting co-operatives

Vancity plays a unique role in supporting other co-operatives and the co-operative economy as a whole. For example, through our partnership with the Co-operative



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Housing Federation of BC we offer preferred rates and terms to non-profit housing co-ops for renovations and refinancing. In 2016, we supported nine housing co-ops with more than \$13 million in funding. We also pool funds with smaller credit unions through loan syndications.

Co-operate Now was an intensive four-day co-operative business education program that brought together co-op leaders to educate a new generation of co-operators. Along with the British Columbia Cooperative Association we provided financial resources and technical expertise to organize and present the program. It produced three co-op incorporations and a partnership between Vancity and Interior Savings Credit Union to support further co-op development in the Okanagan.

We support and encourage our employees, Board Directors and community partners to learn about co-operatives. Since 2009, we've sent more than 130 people on the Bologna Study Tour, a co-operative learning program in Italy. We also support 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: 10 have graduated and 10 are currently enrolled.

Asset management and corporate engagement

Vancity Investment Management (VCIM) manages investments on behalf of its clients. As a signatory to the United Nations 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 and avoids those that don't. We count these SRI investments as part of our triple bottom line assets under administration (see [page 21](#)).

Through a sub-advisory group, VCIM provides portfolio management advisory services to IA Clarington on the Inhance SRI Fund family. VCIM's sub-advisory group also leads shareholder engagement activities on behalf of both VCIM and the IA Clarington Inhance SRI Fund family. In 2016, it interacted with 24 companies on issues related to fair wages, climate risk, human rights, food waste, operational efficiency of data centres and toxic substances.

“Vancity understands small business and we know when we walk into a branch that we’re more than just a number.”

Arjun Sethi, Sunny's Bridal Gallery





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Confidence

Member growth

Member attraction and retention

Vancity's membership grew by more than 8,000 in 2016 and stood at 523,902 by the end of the year.

Number of members

2020 Target	2016 Target	2016	2015	2014	2013	2012
600,000	515,579	523,902	515,579 ¹	509,008	501,359	492,101

¹2015 data was restated to reflect a change in membership count methodology as a result of the implementation of our new banking system. Data prior to 2015 is not directly comparable.

We continued to focus on the small business community in Surrey. In 2016, Vancity employees from multiple departments were involved in four Good Money Talks Small Business events as part of our Surrey small business community prototype. A total of 243 people attended and we opened 30 new business accounts.

We also developed a partnership with Beta Collective, a co-working space for small businesses. This provides us with multiple opportunities for members of the Surrey team to mingle with local small business members and gain insights into their needs.

Vancity's active subsidiaries and partnerships also include **Dockside Green**, a master-planned sustainable community on Vancouver Island. Victoria City Council has unanimously approved a new plan for development at Dockside Green. The community will also see the completion of 49 units of affordable housing in 2017.

Financial performance and resilience

Overall financial plan

Vancity's strong financial position allows us to pursue our vision of redefining wealth, investing in projects, organizations and people that help to build healthy communities.

We've had another good year financially and we ended it ahead of our forecasts, despite the persistence of low interest rates. Return on average members' equity (ROME) measures how much profit we generate with every dollar of members'

equity. We calculate it after taking into account taxes and our **Shared Success Program**, through which we allocate 30 per cent of our net income to members and communities. In 2016, ROME was 5.5 per cent, ahead of a target of 5.0 per cent. Before the distribution to members and communities, ROME was 6.8 per cent.

Return on average members' equity

2016 Target	2016	2015	2014	2013	2012
5.0%	5.5%	6.2%	5.5%	6.3%	6.0%



Serving Surrey's small business community

4 GOOD MONEY TALKS™

small business events

243

people attended

30 NEW BUSINESS ACCOUNTS WERE OPENED AS A RESULT



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Assets and liabilities (balance sheet)

Balance sheet highlights (\$ millions)	2016	2015	Growth
Residential mortgages	11,866	11,146	720
Consumer (personal) loans	694	782	(88)
Commercial mortgages and loans (loans to businesses and organizations)	5,174	4,909	265
	17,734	16,837	897
Accrued interest receivable	26	26	–
Allowance for credit losses	(66)	(61)	(5)
Total loans and advances to members	17,694	16,802	892
Member deposits	15,198	13,942	1,256
Agent and wholesale deposits	2,823	3,126	(303)
Member shares	115	113	2
Accrued interest and dividends payable	103	111	(8)
Total deposits	18,239	17,292	947

Our balance sheet grew from \$19.8 billion to \$21.1 billion, largely due to our loan portfolio growth of \$892 million, including continuing growth in the small business market, which was a key strategic priority. We also saw increases in members depositing their money with us and total deposits increased by 5.5 per cent to \$18.2 billion.

Vancity is committed to financing most new loans with new deposits. In this way we help to stimulate the local economy and keep money circulating close to where it was earned. For 2016, we set a net growth funding ratio target of 80 per cent or more. Our final result was above that at 140.0 per cent, meaning that in 2016 we received more money in deposits than we dispensed in loans. This allowed us to pay down our more expensive wholesale borrowing and provided us with more liquidity going into 2017.

Triple bottom line assets under administration (TBLAA)

At Vancity, we believe in the need to invest our assets in building healthy communities as part of our vision.

We calculate our success by using a composite measure of the percentage of on- and off-balance sheet assets invested in impact. This is called triple bottom line assets under administration. While TBLAA does not reflect all of the many ways Vancity supports impact in our communities – there are many aspects of impact that we do not, or cannot, measure yet – it does provide another way of viewing our balance sheet, providing an indication of how much of Vancity’s capital is specifically allocated towards building healthy communities.

To qualify as “impact” or TBLAA, the Global Alliance for Banking on Values (GABV) states that activities supported with assets or financing must:

- Contribute to at least one dimension of social/cultural, economic or environmental well-being
- To the best of our knowledge, not have an incremental negative impact on other dimensions of well-being
- And in financing, be affordable to the member, with fair terms and conditions



We are focused¹ on increasing the percentage of members’ assets invested in impact to 50 per cent of our total assets and assets under administration by 2020.

Triple bottom line assets under administration as a percentage of total assets

2020 Target	2016 Target	2016	2015	2014
50.0%	19.3%	21.1%	18.6%	17.2%

¹ For more on how Vancity supports the United Nations Sustainable Development Goals, see [page 37](#).



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Triple bottom line assets under administration by asset category

Percentage of each asset category that is invested in impact	2016	2015	2014
Balance sheet assets:			
Business lending	37%	32%	25%
Residential mortgages and consumer loans	15%	14%	15%
Treasury	8%	8%	4%
Owned premises	79%	80%	Not available
Off-balance sheet assets:			
Member/client investments that we manage or administer on their behalf	31%	28%	28%

We have more than \$1.9 billion on our balance sheet in community impact loans to businesses, which in the past few years has been the main focus of our effort to increase triple bottom line assets.

One of our strategic priorities in 2016 was to increase the amount of treasury assets held in investments that have a demonstrable positive impact on members and their communities. While the change was small in percentage terms (the table above uses rounded numbers), we increased the dollar amount of impact investments by about \$48 million in 2016.

We committed an additional \$4 million to be invested in private investment funds, which support affordable housing and sustainable food production. This brings the total amount committed to \$7 million to date. We're also planning a share offering in 2017 to allow members to directly invest in Vancity's long-term strategy for growth and community impact.

More than 31 per cent or \$1.4 billion of our off-balance sheet assets are invested in impact. Vancity Investment Management helps clients invest in companies that demonstrate socially and environmentally responsible behaviour. Our sustainable wealth management department has placed an increased focus on socially responsible investments and trained advisors to offer new investment opportunities, largely through our branches.



Credit unions step up financial literacy programming

More than 100 people from 60 credit unions and regional centrals across Canada train as *Each One, Teach One* coaches.

Read the Full Story at annualreport.vancity.com

Rachel Tuttle, Vancity program manager for financial literacy, travelled across Canada to train new *Each One, Teach One* coaches.



Kate Martin, a policy analyst at the Canadian Credit Union Association, evaluated more than 70 financial literacy programs to find one that could be delivered nationwide.



Cara Bahr, community engagement manager at Affinity Credit Union, led her organization's involvement with *Each One, Teach One*.





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Challenge

81%

British Columbians who say housing affordability has gotten worse in the past three years

2,124

units of Vancity-funded affordable housing in 2016

2016



third highest-selling year on record for Metro Vancouver housing market

Responsible lending in a hot housing market

Vancity is committed to helping members find housing that meets both their needs and their budgets. At the same time, we always have to balance our mortgage lending with a comprehensive and prudent understanding of any potential risks involved.

Vancity’s strategy in 2016 was to hold steady – to not aggressively go after new business and to focus instead on replacing our core banking system (see page 13). But a surging housing market led to unprecedented demand for Vancity mortgages in Metro Vancouver.

“We saw tremendous growth in our mortgage lending, particularly in the first half of the year,” said Jindy Bains, Vancity director of compliance and operations. “When the market is hot, members can feel pressure to participate, for fear of missing out.”

Although we wanted to meet individual members’ needs for mortgages wherever we could, Darren Fairbrother, Vancity’s vice-president of enterprise risk management, says that our lending decisions are always underpinned by a careful and continuous risk analysis that includes a multitude of factors – not just credit risk, but reputational, regulatory, strategic and economic risk as well.

“As a member-owned financial co-operative, we are more directly connected to the markets we serve and

can quickly adapt to changing economic conditions,” he explains. “Our finance department does comprehensive stress testing to ensure that we always have enough capital to withstand any shocks in the market and that our members are not taking on more debt than they can handle.”

“There’s often tension between what individual members want and our need to be prudent on behalf of all of our members,” Darren added. “We don’t want people to put themselves in a situation they could regret down the road.”

Vancity began to adjust some policies and practices in the spring and summer of 2016. At the same time, regulators and local and provincial governments enacted various measures to cool Vancouver’s housing market.

“Ultimately, our role is to discuss our members’ individual needs and aspirations and give them our best advice,” said Jindy. “There was some frustration from members who couldn’t get approved, but mostly people understood that the market had changed.”

In addition to our role as trusted advisors, Vancity is focused on increasing the supply of affordable housing as a key component of our members’ overall well-being. In 2016, our advocacy work included contributing to the Government of Canada’s housing consultation, joining a National Housing Collaborative that develops proposals to shape and sustain housing affordability and Vancity’s CEO taking part in a housing affordability roundtable with Prime Minister Justin Trudeau.



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Net income and efficiency ratio

	2016 target	2016	2015	2014	2013	2012
Net income before distribution and tax (millions)	\$82.0	\$95.9	\$91.6	\$78.9	\$87.2	\$87.6
Net income attributable to members (millions)	\$55.0	\$61.7	\$65.1	\$54.6	\$57.9	\$53.1
Shared success allocation to members and communities (millions)	30% of net income \$18.5	\$18.5	\$19.5	\$16.4	\$18.3	\$17.2
Efficiency ratio (lower is generally better)	≤80.0%	78.4%	79.4%	81.3%	79.1%	79.5%

Vancity's net income before distribution and tax in 2016 was higher than expected at \$95.9 million. This was due in part to a significant increase in lending in the first part of the year. Total operating expenses increased by 3.1 per cent compared to the previous year due to a combination of an increased number of employees and higher salary and employee benefits. The banking applications renewal (BAR) program came in 6.2 per cent over budget at \$69.9 million, against a target of \$65.8 million. Given the unprecedented scale of the project (see page 13), we consider this to be a satisfactory result.

We calculate net income before distribution and tax by subtracting our operating expenses from our operating income. From this we pay our taxes and share what we earn with members and communities in our Shared Success Program – the equivalent of 30 per cent of 2016's net income. Under this program, we will allocate \$18.5 million over the course of 2017, \$9.9 million to community granting programs and \$8.6 million 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 2016 at 78.4 per cent – excluding distributions to the community, it was 76.3 per cent.

Liquidity and capital

One of Vancity's 2016 targets was to meet a liquidity ratio of at least 12.5 per cent, higher than the regulatory requirement of 8.0 per cent. This ratio is expressed as the percentage of treasury assets – liquid investments that can be quickly and economically converted into cash – against total deposits and debt liabilities (borrowings).

In part because of our focus on replacing our core banking system, we didn't plan to focus on growth in 2016, but a strong housing market in the first part of the year drove exceptional demand for Vancity mortgages. As a result, we saw an increasing need to balance our lending with the amount of capital we hold. We were able to do this through a \$156.2 million sale of some of our commercial loans and by adjusting our lending policies and practices (see page 22). Vancity's regulator has set a capital adequacy ratio of 8 per cent of risk-weighted assets, while our internal target is 13 per cent. We ended 2016 ahead of our target at 13.4 per cent.

Liquidity and capital

	2016 target	2016	2015	2014	2013	2012
Liquidity ratio	12.5%	14.3%	13.7%	13.4%	13.0%	14.5%
Capital adequacy ratio	13.0%	13.4%	13.3%	13.4%	13.3%	12.7%



“We're so happy to work with Vancity because we know how much they care about the environment and reducing pollution.”

Steve Saeed Zaari,
founder of Cool-It and Volta Air



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Integrity

Employee capability and well-being

Talent management

In 2016, we focused on redesigning the way we work and developing the talent and leadership potential of our employees to support them to move around the organization to develop new skills (see [page 26](#)).

We began work on a talent success index, but after researching and exploring different options, we decided to shift our efforts to determine ways of measuring talent using several different measures.

We also introduced a new approach to performance management based more on ongoing feedback and promoting the behaviours needed to achieve our 2020 goals. Employees had their profit share determined by the organizational scorecard (see [page 10](#)); there was no separate scorecard for member-facing employees.

Similar to measuring member well-being, Vancity's employee well-being index measures employee engagement as well as their well-being inside and outside of work. In 2016, employee well-being was at 3.9 out of five, above target. Participation in the employee well-being surveys also directly contributes to decisions we make in support of employee well-being. For example, we heard from employees about the stresses associated with working on the replacement of our banking system and took steps to support their well-being.

Diversity

SUSTAINABLE DEVELOPMENT GOALS A workforce that's representative of the communities¹ where our members live and work allows us to better meet member and community needs. In 2016, 10 per cent of employees declared that they had a disability, two per cent were of Aboriginal descent and 46 per cent belonged to a visible minority group. For detailed information about the diversity of our employees see page 23 of the consolidated accountability statements.

Vancity's employee diversity and inclusion alliance works to deepen understanding of disability, the LGBTQ+ community and meaningful reconciliation. It doubled in size in 2016 to 50 members and supported Mental Health Awareness Week, Pride Weekend, the Ch'nook MBA program and the Welfare Food Challenge.

¹ For more on how Vancity supports the United Nations Sustainable Development Goals, see [page 37](#).

Influenced by our CEO's commitment in her role as co-chair of The Presidents Group, a government advisory body on accessibility to employment for people with disabilities, we continued to pilot employment opportunities.

The workplace inclusion pilot saw permanent part-time administrative support roles created in 22 branches and we worked in partnership with local disability employment organizations to fill the positions with neuro-diverse individuals. The first phase of the larger pilot involved hiring people with autism to fill eight IT specialist roles for a one-year contract. The partnership was successful and the contracts have been extended to December 31, 2017.

Vancity introduces new inclusive washroom signage

Vancity offices and branches reflect our values and spirit of inclusivity. In the fall of 2016, we introduced new inclusive washroom signage at all Vancity locations. The move followed a thorough research and consultation process to ensure an appropriate mix of way-finding information and universally recognized symbols, allowing for easy visual and tactile understanding. The updated signage indicates to users that they may confidently use the facility regardless of ability or chosen gender identity.





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Environmental impact

We've been **carbon neutral** since 2008. This means we reduce our greenhouse gas (GHG) 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 2015 emissions (4,547 tonnes) in 2016 we purchased all our offsets from the **Quadra Island Forestland Conservation Project** for \$100,034.

Greenhouse gas emissions

	Target	2016	2015	2014	2013	2012
Greenhouse gas emissions (tonnes) ¹	4,500	4,410	4,547	4,480	4,549	5,091
Average employee carbon footprint, CO ₂ e tonnes per employee (FTE)	1.5 ²	1.9	2.0	2.0	2.1	2.3

¹ 2007 base year = 5,241
² 2030 target

In 2016, we met our GHG target to decrease emissions below 4,500 tonnes, mainly due to:

- the increase in sustainably commuting employees, which we attribute in part to our cycling incentive program
- an increase in post-consumer waste paper content
- a substantial decrease in flights

SUSTAINABLE DEVELOPMENT GOALS In 2016, we committed to reducing our average employee carbon footprint by 25 per cent by 2030 (from an average of 2.0 tonnes CO₂ equivalent per FTE per year of GHG to 1.5 tonnes). To achieve this will require significant changes in how people commute and material reductions in paper use.

For 2017, we plan to help employees better understand their individual contributions to Vancity's environmental impacts, encourage members to sign up for electronic

New refugee welcome centre opens with Vancity support

Vancity's presence at the Immigrant Services Society of BC's (ISS of BC) welcome centre allows government-assisted refugees to open their first Canadian bank accounts.

Read the Full Story at annualreport.vancity.com

Chris Friesen, director of settlement services at ISS of BC, led his organization's efforts to build the refugee welcome centre.



Catherine Ludgate, Vancity manager of community investment, helped pioneer the idea of wrap-around refugee services.



Elaine Kennedy, senior branch manager at Commercial Drive community branch, oversees Vancity's kiosk at the centre.





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statements to reduce paper consumption and to realign our compensation packages to support sustainable commuting.

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

2016 Target	2016	2015	2014	2013	2012
80%	85%	85%	82%	83%	82%

Fifty of our 59 branches are net zero waste. This means no waste is taken to landfill. The waste we do have is taken to an energy plant and burned to generate energy; our compost is turned into soil.

Encouraging others to act

In addition to minimizing the impact of our own operations, we invest in green businesses and raise awareness of environmental issues.

We work with others to advocate for environmental sustainability, for example through our CEO's membership on the Council for Clean Capitalism and through joint submissions with partners to the BC Climate Leadership Talks.

SUSTAINABLE DEVELOPMENT GOALS We hope our experiences can influence others. For example, the heat recovery system at Vancity Centre captures the excess heat from our computer server room. It's reduced our natural gas consumption but more importantly we've inspired two hospitals and another business to adopt this heating system – they have significantly reduced their GHGs and believe they will save more than what we have saved due to their larger size.

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 takes into account regulatory requirements –

such as the recommendation process of qualified candidates – and feedback from members to establish a transparent election process.

Our Nominations and Election Committee, which included two Directors and four members-at-large, recommended five of 13 Board candidates. Members could vote for their choice of up to three candidates. A total of 17,916 members (4.4 per cent of eligible members) voted. This was fewer than the prior year, when 19,576 members voted (4.9 per cent). The three elected candidates were all recommended.

Ours is one of the few Boards in Canada with a majority of female members, with our nine-member Board of Directors including eight women in 2016. Four of our Board Directors were aged 50 or below, compared with two in 2015 (see page 5). Examples of other dimensions of diversity reflected on our Board are ethnicity, race, sexual orientation, family status and geographic location. The Board has struck a working group to ensure its definition of diversity and related practices continue to meet the expectations of the membership and the needs of the co-operative.

Innovation and engagement

Key to innovation is a deep understanding of members and communities. 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.

We've begun to redesign the way we work to encourage more innovation. For example, Vancity's explorer network involved teams of employees from all parts of Vancity spending time with members, gaining insights and then designing potential solutions to meet community needs.

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.



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Board Directors engage with members, attend community and industry events, meet with peers in other credit unions and some sit on other boards (see page 5). They are involved in our community advisory committees, which we revised in 2016. We added a new one for employees, refocused the Victoria committee on meaningful reconciliation and held meetings on reconciliation in Metro Vancouver and the Fraser Valley.

Advocacy

We work with other credit unions, community and corporate partners, we engage with all levels of government and we use our convening power to further the development of healthy communities.

Examples of advocacy issues and initiatives we focused on in 2016:

- Business Council of British Columbia’s Champions’ Table (where First Nation Chiefs and business CEOs work jointly to accelerate economic development and meaningful reconciliation)
- Indigenous Innovation Summit; opportunities for dialogue and understanding of Indigenous history and culture, e.g. Our Living Languages exhibit at the Royal BC Museum, Talking Stick Festival
- Economic inclusion, e.g. Let’s Talk Housing consultation, Registered Disability Savings Plan Action Group
- Environmental sustainability and climate change, e.g. Council for Clean Capitalism, BC Climate Leadership Plan
- Social finance, innovation and infrastructure policies, e.g. Surrey Innovation Summit, National Impact Investment Practitioners’ Table
- Provincial and federal financial sector legislation and institution reform

For example, we work with organizations such as Green Jobs BC, an alliance of labour and environmental groups with a shared vision of an inclusive, sustainable economy that provides good jobs, is socially just, protects the environment and reduces carbon emissions.

For a list of initiatives we endorse and memberships in industry and advocacy organizations, see page 35 of the consolidated accountability statements.

Senior management and executive compensation

In 2016, senior leaders (members of the executive leadership team, vice presidents and directors) received a base salary and cash incentives that recognized progress 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:

	2016	2015
Base salary	\$449,397	\$440,585
Short-term incentive	226,047 ¹	213,684
Long-term incentive	314,578 ²	308,410
Total	\$990,022	\$962,679

¹ Paid in 2017 for 2016 fiscal year performance
² Estimated annualized award for 2016 performance; paid in 2017

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 2016, 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.



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Challenge

61%

of Metro Vancouver millennials live with their parents

-\$2,745

additional annual debt for new millennial homeowners in Vancouver after paying for basic life expenses

39%

Metro Vancouver millennials who expect to receive an inheritance of more than \$300,000

12% Parents who anticipate leaving a legacy over that amount

How to help millennials build their wealth

Get an education, get a steady job, buy a place of your own and move up the property ladder. Then, after you collect your pension, sell the family home and use the money to fund your retirement. For generations of British Columbians, this has been the most common model for building wealth over their lifetimes. It's a model that financial institutions, including Vancity, have benefited from in the form of interest on the loans and mortgages they provide.

But what happens when home ownership is out of reach? What happens when people don't have a stable employer that includes health benefits, opportunities for promotion and pension contributions? How will they build wealth over time and how will Vancity continue to generate profits that can be shared with members, employees and communities?

Millennials are typically categorized as people aged between 18 and 35. Vancity research in 2016 showed that they have the least amount of disposable income among their peers anywhere in Canada, are living with their parents longer and have unrealistic expectations

when it comes to inheriting money. There are no easy answers about how to help them. But that doesn't mean Vancity hasn't been working hard to find some. Lory Block, Vancity vice president of strategic management, oversees the development of our business plans.

"Fewer people being able to afford their own home will have impacts on our business as a major mortgage lender, but this is not really a challenge about us getting less mortgage business, it's about us finding new ways to meet our members' needs," says Lory. "That's what we've always done and that won't change."

The priorities of millennials are definitely different from their parents', according to Israel Garcilazo, a senior marketing specialist, who studied millennial wealth management needs as part of a 14-member Vancity team.

"If we start from the principle of always being there to meet our members' needs, then we will have to evolve," he says. "For millennials, we have to meet them where they're at. This means we have to reach them at home via their mobile devices, because they're not necessarily going to walk into our branches."

Vancity is already working on strategies to help millennial members. But both Israel and Lory admit that the subject of how this key demographic can build their wealth and the role Vancity will play remains a challenge.



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Plans and targets

Strategic priorities

Our [business plan](#) describes what we want to achieve by 2020. It's designed to move us from incremental to transformational growth and outlines some bold targets. These include increasing our total assets and assets under administration to \$40 billion with 50 per cent invested in impact and expanding our membership to 600,000 members.

The process for developing the 2017 plan and targets was significantly different than in prior years given our organizational focus on replacing our core banking system. The 2017 targets below may be revised when we review and renew our 2020 Plan in mid-2017.

Organizational scorecard for 2017

Measures	2020 Targets	Interim 2017 Targets	2016 Actual
Impact			
Triple bottom line assets under administration	50%	22.0%	21.1%
Member well-being index	≥75-80	≥75-80	75
Confidence			
Total assets + assets under administration	\$40 billion	\$26.1 billion	\$25.6 billion
Return on members' equity (ROME) ¹	7-10%	5.2%	5.5%
Size of membership	600,000	542,500	523,902
Capital adequacy ratio	13%	13%	13%
Net growth funding ratio	≥80%	80%	140%
Integrity			
Develop an approach to embed the value of reconciliation into the culture of Vancity and have a percentage of employees participate in their first reconciliation experience	n/a	75%	n/a
BAR stabilization – problem resolution satisfaction: per cent of members who do not report a problem	n/a	85%	76%

¹ After distribution to members and community

Supporting management targets

Measure	Target	2016 result
Impact		
Member satisfaction with overall performance	No significant difference (within 5 per cent) from April 2016 to April 2017	84% (April)
People assisted with products and services designed to provide access to basic financial services, affordable housing, credit and credit repair	10,000/year by 2030	6,881
Confidence		
Net income before distribution and tax	\$96.0 million	\$95.9 million
Net income attributable to members	\$62.0 million	\$61.7 million
Liquidity ratio	12.5%	14.3%
Efficiency ratio after distribution to members and community	79.6%	78.4%
Integrity		
Employee well-being	≥3.5 out of 5	3.9
Living wage employer	Recertify	Recertified
Greenhouse gas emissions	≤4,500 tonnes	4,410
Continue to be carbon neutral	Carbon neutral	Carbon neutral
Average staff carbon footprint	1.5t CO ₂ e by 2030	1.9t
Waste at Vancity Centre diverted from the landfill or recycled	80%	85%

Resources

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 plans call for us to balance revenue with continuing discipline around expense management.



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We have set a status quo budget for 2017 that does not reflect any new strategies, and is not dependent on the raising of capital to fund traditional growth in our lending portfolios. We will revise our resource allocation in mid-2017 as needed to reflect an updated business plan.

Risk management

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

We continue to work on integrating our enterprise risk management (ERM) system with our vision. In 2016, we further developed a risk appetite framework and developed an enterprise risk register dashboard that we plan to embed in key decision making processes.

In 2016, the areas of risk of most concern related to:

- Achieving growth with the positive impact our vision requires
- Technology and the pace of change in our industry
- Uncertain economic conditions, including the housing market

Through assumption testing of our [2020 plan](#) we went beyond traditional financial risk analysis by including areas such as:

- The credit union system – how will potential changes in our co-operative environment impact Vancity?
- What impacts will our banking system replacement have on membership?
- Will we have the necessary talent to achieve our 2020 goals?
- Will our desire to redesign our organization impact our ability to achieve day-to-day business objectives?
- What will happen if we can't keep up with the pace of change in our industry?

In 2017, we'll continue to keep an eye on the risks that remain relevant, including technology and economic uncertainty, while ensuring we capture the opportunities to support the evolving needs of the [real economy](#) to achieve our vision.



“Together with Vancity, we're helping local businesses at all different stages of development and in all different areas of the food system.”

Véronik Campbell, academic programs manager at UBC Farm's Centre for Sustainable Food Systems



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Vancity member Bernhardt Contracting specializes in green building





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About this report

Determining content

Our members are the target audience for our annual report. As a financial co-operative, members are both our customers and our investors or providers of financial capital. In 2016, we repeated the same member survey conducted in 2014 of around 900 members to understand their expectations of Vancity when it comes to community issues. Members selected the same top four priorities for Vancity to focus on (other than financial services) as they did in 2014: financial literacy, access to basic financial services, affordable housing and living wage.

This influenced our choice of material topics:

- Member well-being and service experience
- Technology and replacement 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 on our previous reporting from a member my2cents online panel, a reporting consultancy and design firm, and interviews conducted by [Ceres](#) with experts in financial services, values-based banking, co-operatives, and sustainability and integrated reporting. In January 2017, Ceres, a not-for-profit organization advocating for leadership in sustainability, facilitated a similar group of experts who provided feedback on an early draft of this report.

We heard our reporting covers topics readers want to know about, but it needs to be shorter and more accessible, while still maintaining a high level of transparency. In response, we shortened this report and plan to move to online, html-based reporting in future. We were also asked how Vancity approaches risks associated with climate change so we plan to explore that.

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](#).

The Audit Committee of the Board of Directors receives the annual report plan and outline (which includes material topics to be disclosed) and the corresponding set of performance measures. The Board approves this integrated annual report prior to its release.

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 throughout our operations and reporting:

- 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.

This report is aligned with the [International Integrated Reporting Framework](#). We also prepared this report, including the consolidated accountability statements, in accordance with the [Global Reporting Initiative's \(GRI\) G4 Sustainability Reporting Guidelines](#), Core option.



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We have committed¹ to continuing to disclose our significant economic, social and environmental impacts, including progress on Sustainable Development Goal pledges (see [page 37](#)), in our annual reporting.



We work with partners from the [Global Alliance for Banking on Values](#) to develop new metrics to measure well-being and participate in their Impact Metrics Working Group that has developed a [values-based banking scorecard](#). We also support credible reporting as members of the [GRI GOLD community](#) and the International Integrated Reporting Council's [Integrated Reporting Banking Network](#).

External audit

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

Vancity awards in 2016

[World's Top 25 For-benefit Companies](#)

Corporate Knights – [Best Corporate Citizen in Canada](#)

[Canada's Top Family Friendly Employers](#)

[Canada's Greenest Employers](#)

[Georgia Straight awards](#): 1st place: Hippest bank or credit union; Best place to get a mortgage; Best place to buy RRSPs.

Ethical Corporation's [Responsible Business Awards 2016](#) – Best Integrated Report

“Vancity’s willingness to put their money where their mouth is in terms of environmental sustainability is what draws us back to them every time.”

Mark Bernhardt, president of Bernhardt Contracting



¹ For more on how Vancity supports the United Nations Sustainable Development Goals, see [page 37](#).



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To the members of Vancouver City Savings Credit Union

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, 2016 is fairly stated in all material respects.	"About this report" on page 32
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, 2016 in accordance with criteria internally developed by management; Vancity's GHG emissions for the year ended December 31, 2016 calculated in accordance with criteria internally developed by management and with ISO 14064 – Part 1; and, The 2016 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2015. 	Organizational targets and results (impact, confidence and integrity) on page 10 , and GHG emissions and Vancity's carbon neutral status on page 11
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, 2016, have not been prepared and presented, in all material respects, in accordance with criteria internally developed by management.	Supporting management targets and results on page 11

About KPMG's assurance report

What did KPMG's work involve – scope of work

We were 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, 2016 (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 32](#) 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 [page 10](#) 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, 2016 in accordance with criteria internally developed by management and with ISO 14064-part 1;
- The fair presentation of Vancity's 2016 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2015;

c) Limited assurance on the fair presentation of Vancity's progress on supporting management targets and results on [page 11](#) 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 2016 Annual Report glossary, the consolidated accountability statements, and the 2016 GHG handbook and inventory report available at annualreport.vancity.com.

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



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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, Core Option and the International Integrated Reporting Framework. Information on management's internal reporting criteria can be found in the section "About this report" on page 32 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.

What is limited vs. reasonable assurance?

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 – our procedures

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 2016 Annual Report glossary, the consolidated accountability statements, and the 2016 GHG handbook and inventory report available at annualreport.vancity.com.

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 11, 2017
Vancouver, Canada



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The following table includes organizational scorecard measures and additional data of most importance to our business strategy and to our members. The **bold** indicates that 2016 data for these measures was verified by KPMG.

Impact	Unit	2016	2015	2014	2013	2012
Member well-being index	#	75	74	78	75	n/a
Trusted advisor score (out of 10)	#	8.99	8.99	8.85	n/a	n/a
Member likelihood to recommend score	%	53	53	50	45	46
People assisted with financial literacy	#	7,722	14,688	14,775	10,456	5,870
People assisted with products and services designed to provide access to basic financial services, affordable housing, credit and credit repair	#	6,881	6,619	5,811	4,971	4,577
Units of affordable housing funded ¹	#	2,124	1,042	737	786	619
Square feet of energy efficiency improvements funded	ft ²	254,934	337,309	901,105	887,363	555,519
Community grants approved (millions)	\$	9.3	7.4	8.3	7.1	17.0
Locally based suppliers	%	75	77	79	78	76
Net new socially responsible investments administered by Vancity on behalf of members or clients as a percentage of total investments	%	63.5	35.8	26.0	14.6	18.3
Triple bottom line assets under administration (TBLAA)	%	21.1	18.6	17.2	n/a	n/a

Confidence	Unit	2016	2015	2014	2013	2012
Total number of members	#	523,902	515,579 ²	509,008	500,949	520,420
Net change in number of members	#	8,323	10,728 ³	8,059	(19,471)	5,632
Return on average members' equity	%	5.5	6.2	5.5	6.3	6.0
Liquidity ratio	%	14.3	13.7	13.4	13.0	14.5
Capital adequacy ratio	%	13.4	13.3	13.4	13.3	12.7
Shared Success allocation to members and communities (millions)	\$	18.5	19.5	16.4	18.3	17.2
Efficiency ratio (lower is generally better)	%	78.4	79.4	81.3	79.1	79.5
Return on average assets	%	0.3	0.3	0.3	0.3	0.3
Net interest margin (net interest income as a per cent of average interest earning assets)	%	1.9	1.9	1.9	2.0	2.2
Net interest income as a percentage of operating revenue	%	82.5	80.9	82.2	82.0	83.3
Gross impaired loans as a percentage of total loans	%	0.0	0.0	0.1	0.1	0.1
Allowance for credit losses as a percentage of total loans	%	0.4	0.4	0.4	0.4	0.5
Net growth funding ratio (loan growth funded by growth in deposit growth)	%	140.0	114.5	122.9	108.2	39.9

¹ Definition of affordable housing was updated in 2016. See page 12 of the consolidated accountability statements for details.
² Data was restated to reflect a change in membership count methodology as a result of the implementation of our new banking system. Data prior to 2015 is not directly comparable.
³ Due to the restatement described in note 2, this number cannot be recalculated using the reported figures.



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Integrity	Unit	2016	2015	2014	2013	2012
Employee well-being index (out of 5.0)	#	3.9	3.9	n/a	n/a	n/a
Number of employees ¹	#	2,627	2,594	2,539	2,483	2,544
Senior managers who are women	%	49	45	43	42	44
Executive leadership team members who are women	%	71	71	67	63	57
Employees who declare they have a disability	%	10	10	10	3	2
Voluntary turnover rate	%	7	4	7	5	5
Total greenhouse gas emissions	t	4,410	4,547	4,480	4,549	5,091
Employee carbon footprint (CO ₂ e tonnes per FTE)	t	1.9	2.0	2.0	2.1	2.3
Materials recycled or diverted from landfill	%	85	85	82	83	82
Water use per employee (thousands of litres per FTE)	l	12	14	15	17	14
Eligible members who voted in Board elections	%	4.4	4.9	5.3	5.5	4.8
Board Directors who are women	%	89	67	67	56	56
Ratio of total annual compensation of Vancity's President and CEO to lowest-paid permanent employee	#	27	27	28	28	27
Existing strategic suppliers and treasury relationships assessed in accordance with the Ethical Principles for Business Relationships	%	100	100	100	100	73
Substantiated reports of privacy breaches	#	14	12	16	16	5
Substantiated incidents of employee fraud	#	2	5	3	3	4

n/a = data not available

¹ Includes total number of individual permanent and non-permanent (contract) employees. For detailed employee profile data see page 21 of the consolidated accountability statements.

Sustainable Development Goals



In 2016, we joined the International Co-operative Alliance's Co-ops for 2030 campaign to showcase the ways co-operatives are addressing the United Nations Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure prosperity for all.

Vancity made several pledges through this campaign, mostly codifying existing commitments in our business plan, with a few new targets. Our pledges relate to seven of the 17 goals. Look for the SDG logo throughout this report and in the consolidated accountability statements to see examples of how our work locally is helping to achieve these global goals.

For a complete list of Vancity pledges as they relate to the SDGs, see [page 38](#).





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Vancity's SDG pledges	No poverty	Gender equality	Good jobs and economic growth	Sustainable cities and communities	Responsible consumption & production	Climate action	Partnerships for the Goals	Pages in Annual Report	Pages in Accountability Statements
We commit to:									
Continuing to promote financial literacy to improve the knowledge, skills and confidence of members								<u>15</u>	<u>8</u>
Increase the number of people assisted with products and services designed to provide access to basic financial services, affordable housing, credit and credit repair to 10,000 members per year by 2030								<u>16</u>	<u>10</u>
Supporting the establishment and growth of micro, small- and medium-sized enterprises through access to financial services and training									<u>8</u>
Helping solve the housing challenges in our service area to increase the number of affordable units available								<u>16</u>	<u>12</u>
Remaining a Living Wage Employer and advocating for other employers in our service area to join us in the Living Wage for Families Campaign and the international Living Wage movement								<u>17</u>	<u>15</u>
Increasing the percentage of members' assets invested in impact to 50% of our total assets and assets under administration by 2020								<u>20</u>	<u>18</u>
Building a diverse workforce and leadership with equal pay for work of equal value and increasingly reflecting composition of the communities in which we work								<u>24</u>	<u>23, 24</u>
Reducing our average staff carbon footprint by 25% by 2030 (from 2016's average of 2 tonnes CO ² equivalent per FTE per year of GHG to 1.5 tonnes); to achieve this will require significant changes in how people commute and material reductions in paper use, etc. Using our own experience to teach our communities what can be done to have a great impact on reducing climate footprints								<u>25, 26</u>	<u>27, 28</u>
Continuing to disclose our significant economic, social and environmental impacts, including progress on SDG pledges, in our annual reporting								<u>33</u>	
Working with partners from the Global Alliance for Banking on Values to develop new metrics to measure well-being								<u>33</u>	



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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, 2016, and the summarized consolidated statement of income 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, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our auditors' report dated February 28, 2017.

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, 2016 are a fair summary of those audited consolidated financial statements, in accordance with the basis described in Note 1.

Chartered Professional Accountants

April 11, 2017

Vancouver, Canada

Summarized consolidated financial statements

Consolidated statement of financial position (balance sheet)

As at December 31 (thousands)

	2016	2015
Assets		
Cash and cash equivalents	\$ 187,552	\$ 115,507
Interest bearing deposits with financial institutions	1,497,182	1,324,427
Financial investments	1,520,508	1,366,171
Derivative assets	5,560	7,970
Loans and advances to members	17,694,379	16,802,521
Current tax assets	6,925	—
Premises and equipment	78,407	82,646
Intangible assets	72,387	55,649
Deferred tax assets	27,937	37,186
Other assets	41,072	37,842
Total assets	\$ 21,131,909	\$ 19,829,919
Liabilities and Equity		
Deposits from members	18,238,701	\$ 17,292,420
Derivative liabilities	2,412	5,131
Wholesale borrowings	500,057	616,586
Secured borrowings	975,939	562,275
Current tax liabilities	—	1,417
Accounts payable and accrued liabilities	212,742	208,406
Retirement benefit obligation	53,605	49,863
Other liabilities	2,064	5,412
Total liabilities	19,985,520	18,741,510
Members' equity:		
Capital and reserves attributable to members		
Contributed surplus	29,275	29,275
Retained earnings	1,119,002	1,057,302
Accumulated other comprehensive income (loss)	(2,111)	1,572
Total members' equity	1,146,166	1,088,149
Non-controlling interest	223	260
Total liabilities and equity	\$ 21,131,909	\$ 19,829,919



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Consolidated statement of income

for the years ended December 31 (thousands)

	2016	2015
Interest income	\$ 613,988	\$ 606,327
Interest expense	231,711	246,580
Net interest income	382,277	359,747
Loan impairment expense	13,856	9,913
Fee and commission income	124,039	115,584
Fee and commission expense	45,177	43,231
Net fee and commission income	78,862	72,353
Net gains on financial instruments	1,144	11,590
Other income	1,193	946
Total operating income	449,620	434,723
Operating expenses:		
Salary and employee benefits	222,496	215,263
Occupancy and equipment	47,494	46,357
General and administrative	83,777	81,472
	353,767	343,092
Net income before distribution and tax	95,853	91,631
Distribution to community and members	19,079	20,168
Net income before tax	76,774	71,463
Income tax expense	15,225	6,577
Net income	61,549	64,886
Attributable to non-controlling interest	151	172
Net income attributable to members	\$ 61,700	\$ 65,058

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, 2016.

Those audited consolidated financial statements were approved by the Board of Directors on February 28, 2017 and are located at annualreport.vancity.com.

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



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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)
101-969 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 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 2017.

Produced by Vancity. Design by Karo Group Inc.