



Vancity

06/07 Accountability Report

Summary

message from the Chair & CEO

It's been two years since our last Accountability Report, but in that time we've seen some major changes in our marketplace and the financial services industry.

After several years of record-breaking returns, the financial services industry is now experiencing flattening growth, a liquidity squeeze that is impacting the lending markets, and a shake-up in North American banks due in part to the impact of illiquid asset-backed commercial paper (ABCP) investments.

This issue, and several others, affect our members, our community, and ultimately, us. In our 2006-07 Accountability Report, we have discussed our approach to these and many other issues, such as how we are coping with the war for talent, the affordable housing issue, and climate change. For those who aren't familiar with this type of reporting, this brochure provides a introduction and sampling of what you will find in our full report.

As a financial institution, our greatest impact on sustainability is the business decisions we make – who we lend to, where we invest our assets, how we make purchasing decisions and who we partner with. And as a credit union, we exist to provide financial services to members and have a responsibility to do that in the most sustainable way possible.

It is our Statement of Values and Commitments that forms the backbone of our Accountability Report. It's important to share our results, but the most valuable lesson for us is

not in the final score, but in the hard look we take at our social impact, our environmental footprint, and our financial worth. We hope you find it valuable too.



Tamara Vrooman, CEO
Vancity Credit Union



Patrice Pratt, Chair
Vancity Board of Directors



why we report

Being transparent about our successes and challenges and being accountable for our decisions and impacts is important to you. In fact, four-fifths of you are concerned about transparency and accountability in the business world. So we're happy to say we've been measuring and reporting our economic, social and environmental performance in our annual reports since 1992, and producing externally verified accountability reports once every two years since 1997.

Why? Because as a community-owned and operated co-operative, we feel it's important to report on where we have impact, not just on our financials. We also believe it's good for business. It helps build trust with, and understand what matters most, to those who influence our long-term success, including our members and employees.

Our 2006-07 Accountability Report includes 35 targets and action plans – our priorities as we move forward. This level of accountability is one of the reasons our reports win awards and are widely recognized for their comprehensiveness and credibility. We hope that the positive impact reporting has on our business inspires other organizations to follow our lead.

what's a bike got to do with it?

In the summer of 2007, we conducted a community bike share experiment where we released 45 bikes into the community to encourage people to think about – and talk about – how they get around. The bike shown in this report is a symbol for many of the things Vancity stands for – sustainability, forward momentum, eco-friendly and healthy choices, and connecting people to their community.

5,785 to greenhouse gas emis

The affordable housing crunch

With housing costs in our market areas now the highest in Canada, it's not surprising that the issue of homelessness and affordable housing is a big concern to our members.

We have a mandate of providing financial services, with a particular emphasis on affordable housing and home ownership, to those who may have been denied service by more conventional financial institutions. We use our connections, resources, and expertise to help people move from emergency housing, through non-profit/subsidized housing, to market ownership.

The Jumpstart™ High Interest Savings account

A portion of our revenue from the Jumpstart High Interest Savings account, launched in 2007, is donated to the Future Foundations Program. This non-profit program helps people on low incomes move towards self-sufficiency by teaching them asset building, financial empowerment and money management skills. Depositor Sailesh Amratlal agrees that Jumpstart is a great idea: "I originally chose the Jumpstart account for its great rate, but I also like knowing my money is helping others – without sacrificing my own future."



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sions in 2007

We provide education, unconventional financing, below-market housing developments and advocacy. We're particularly proud of Vancity Enterprises' co-development of Docksider Green, a one-of-a-kind mixed use harbourfront community in Victoria that is using LEED Platinum standards while setting a new benchmark worldwide in sustainable community design. More than \$3 million has been allocated to affordable housing at Docksider. \$800,000 will be used to reduce the cost of 26 strata units and the balance will be used to subsidize a social housing project.

For those who don't necessarily have low incomes but are still finding the prospect of spending half a million or more on a home out of reach, we created the Mixer Mortgage. This flexible mortgage allows friends or family members to pool their money and share ownership in a home, easing the burden on each owner.

Our approach to climate change

Climate change is widely considered to be one of the most serious threats facing the world today. It affects all of us – individuals, businesses and government – and we all need to work together to solve the problem.

Despite high levels of concern amongst Canadians, the Canadian government has been slow to act. This has led to the BC

provincial government and some BC-based businesses stepping into leadership roles and setting aggressive targets to reduce greenhouse gas emissions.

Addressing climate change has been a big focus of our community leadership efforts over the last few years, for two main reasons: we need to understand the business risk that comes with a changing climate, and because our members feel passionate about this issue. 79 per cent of our primary members are concerned about the issue, and more than two-thirds feel it's important we are involved in actions that will help address climate change.

We have taken this feedback to heart and stepped up our climate change program. As of the end of 2007, we were the first financial institution to become "carbon neutral" based on offsetting our carbon footprint from our direct and indirect energy use, as well as our business travel, employee commuting and paper use.

Since climate change is a big concern to members, it makes sense to provide green products and services so they can make green choices too. Options include the enviroFund Visa*, Clean Air Auto Loan, and Pure Home Insurance.

vancity.com/carbonneutral

* Visa Int. / Vancity, Licensed User



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of our members trust us to make decisions that are socially and environmentally responsible

Why an Ethical Policy?

For Frogbox's Phil Harbut and Trevor McCaw, the fit with Vancity is a no-brainer. "When we started our zero-waste, sustainable moving supply company, Frogbox.com, the easiest decision we had was where to bank. Our values align perfectly with Vancity's Ethical Policy."

Our Ethical Policy guides us in determining which organizations we want to do business with, and which we do not. It applies to all our business relationships such as purchasing, treasury investments, partnerships, deposits and lending. This means we want to seek out business partners that are committed to ethical business practices, show environmental leadership, respect and fair treatment for others and promote healthy and peaceful communities. We don't want to do business with those who work against these principles.

The Ethical Policy was originally created by our subsidiary Citizens Bank in 1997 and has since evolved into a policy for all organizations within the Vancity Group.

While we're not legally required to have an Ethical Policy, we do it because it makes good business sense. It encourages responsible business practices, helps manage risk and is one of the ways we can ensure we are living our values. We are the only financial institution in Canada with such a comprehensive policy.

vancity.com/mycommunity/innovationandresponsibility



The asset-backed commercial paper issue

In 2007 we faced market conditions that hadn't been seen in a generation. This was primarily as a result of the sub-prime mortgage issue in the United States, which led to the freezing of the asset-backed commercial paper (ABCP) market. This resulted in tightened credit markets, an increased focus on the balance sheet capacity of financial institutions, rising pricing spreads for loans and an overall heightened level of uncertainty.

In 2007, ABCP investments formed part of the Vancity Group's excess liquidity securities portfolio in accordance with our policies. ABCP investments were rated in the highest quality category (R-1 High) by Dominion Bond Rating Service. The Vancity Group held approximately \$77 million of asset-backed commercial paper through Citizens Bank of Canada. These holdings were relatively low compared to our consolidated asset base: 0.3 per cent.

As a result of the system-wide freeze, we reclassified our ABCP from cash-equivalent securities to long-term investments and assigned a one-time write down of \$13.9 million. The Vancity Group has always operated with a solid and healthy capital base and we ended 2007 with a capital adequacy ratio of 12 per cent, which is 50 per cent higher than required by our regulators. We plan to maintain this level in 2008. This "capital cushion" will continue to act as a buffer against the uncertainties of the financial marketplace.

In addition to addressing the challenge facing our own balance sheet, we also took steps to protect the interests of any members that held ABCP privately; a small number of Vancity members held private investments in ABCP totalling around \$5 million. These investments were sold to members through our Investment Advisors. Shortly after the August 13 freeze, we guaranteed the liquidity and value of those members' ABCP investments so they were not disadvantaged.

\$28 million
net earnings in 2007

\$3.7 million

community donations in 2007

The talent squeeze and the impact on members

Our greatest strength is the financial advice and service we offer our membership. To do this, we need the right people in the right roles. A key challenge we're facing – along with other organizations – is a shortage of skilled workers.

More people are retiring, the demand for skilled workers is growing, unemployment rates are low and younger generations tend to move around more during their careers. These factors have all contributed to the tight labour market.

We believe that a talented and diverse workforce brings about a competitive advantage. However, the competition for talented employees in the financial services industry is high. So it is important that we continue to be a strong community leader and accountable to our employees. While 89 per cent of our employees say they feel we use our resources and expertise to benefit the community and the environment, we experienced a decline in our employee engagement scores overall in 2007.

When employee engagement declines, member service generally drops as more satisfied employees translate into more satisfied members.

We need to position ourselves as a place where people really want to work. This includes creating strategies for recruiting, developing and keeping those talented individuals who have values similar to our own. We know that attraction and retention isn't just about salaries; it's also about corporate culture, offering a diverse workplace, flexible work arrangements, providing career development opportunities, and so on.



Where we focus in the community – and why

With literally hundreds of worthwhile organizations and causes, we choose to focus our dollars and energy into three areas where we feel we can have the most impact.

- By **Acting on Climate Change**, we are reducing our own environmental impact and promoting solutions for others;
- By **Facing Poverty**, we're bringing financial services and affordable home ownership to those who need them most;
- By **Growing the Social Economy**, we're strengthening socially responsible businesses, helping non-profits become more financially sustainable, and investing in specific areas such as the Aboriginal community and Vancouver's Downtown Eastside.

This is the basis for our Community Leadership Strategy; integrating community activism with business building. How do we make a positive impact? We use grants and donations, but we also use our power as a financial institution with loans, specialized products and services, how we purchase, sharing our technical expertise, advocacy and our ability to bring other people and organizations together.



the road ahead

One of the action plans included in our 2006-07 Accountability Report is to develop a 10-year vision. Looking ahead to the next decade, our vision includes: providing outstanding member service; defining wealth as more than just financial health and considering the health of the community; and making a positive and meaningful impact in our communities.

Throughout this journey, we will be guided by our values of integrity, innovation and responsibility as set out in our Statement of Values and Commitments. We will uphold the co-operative principles including democracy and inclusivity and supporting others to use co-operative values.

And we will measure our progress and continue to report on our impacts in future annual/accountability reports.



Vancity

604.877.7000 or 1.888.VANCITY

vancity.com

Our full Accountability Report can be downloaded from our website:
vancity.com/accountability07 and citizensbank.ca/accountability07

Any feedback or inquiries can be sent to accountability@vancity.com

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