Good Money™ Works

Vancity
Make Good Money™

2014 Annual Report

Future-forward thinking defines Vancity's year

At Vancity, we believe that true prosperity can only be achieved when local communities are financially, socially and environmentally sustainable. These are the principles behind our values-based banking model and they kept us moving forward in 2014, focused on building healthy communities and the prosperity of our credit union for future growth.

We do things differently here and in 2014 we launched new products and services to help support the real economy, where money is closely connected to people and organizations that are making a real difference in the community.

The Vancity Fair & Fast Loan™ saved members an estimated $1 million in fees and interest. The Vancity Down Payment Helper Mortgage gave members the chance to achieve the key financial goal of owning a home. Vancity Mobile Deposit™ allowed them to deposit cheques into their accounts in less than a minute. Some of these initiatives came with significant challenges, which you can read about in this report. The tough economic environment, with its low interest rates, is good for members who want to borrow money but is putting pressure on our profit margins.

Despite this, we're seeing evidence that our unique business model is working. In 2014, more than 26,000 new members decided to join us and we did a higher volume of business than ever before. We also increased our balance sheet by $1 billion, invested further in our core banking systems and opened a new community branch at the Blundell Centre in Richmond.

As Vancity continues to grow, our future-forward attitude and continued strong connection with communities will put us in an even better position to take advantage of favourable economic conditions in the future.

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This report provides a summary of Vancity, and our strategy, performance and impact during 2014.

Throughout the report, 'Vancity' or 'we' refers to Vancouver City Savings Credit Union and its active subsidiaries and partnerships as listed in the organization chart on page 7. In addition to this report, we publish supplementary documents that contain more information, available at vancity.com/2014AnnualReport:

- Consolidated financial statements
- Consolidated accountability statements, including the Global Reporting Initiative G4 content index
- Greenhouse gas handbook and inventory report
- Glossary

Also visit vancity.com/ThreeYearPlan for copies of our 2014-2016 and 2015-2017 business strategies.

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.

Section one

About Vancity

Message from the Chair

Jan O'Brien
Chair, Vancity Board of Directors

Jan O'Brien

Enhancing our community engagement

Vancity has no shareholders other than its members. This model gives us all a personal stake in our credit union's future. For the Board of Directors, it means that when we set Vancity's strategic direction, we have our members' long term well-being in mind.

You won't find these kinds of ideas at a traditional financial institution and I'm proud of the unique vision we have here at Vancity. Our deep community connections mean that we can, for example, support co-operatives (see page 25) by bringing together multiple businesses and not-for-profit organizations that share our values.

Meeting our members' long-term needs

Sharing common values with the organizations we invest in allows us to support their advocacy efforts on issues like affordable rental housing, environmental sustainability and social inclusion.

Our values-based approach to banking also incorporates a commitment to serving members of the community that are often excluded from the financial system. For example, we had been noticing the appearance of an increasing number of payday loan shops in Metro Vancouver, often right across the street from our branches. These fringe financial institutions charge crippling rates of interest and can exacerbate social problems and long-term indebtedness among vulnerable people in our community. The Board's concern for this issue led to the development of the Fair & Fast Loan™ (see page 22), one of the highlights of Vancity's year.

In 2014, we identified Surrey as a key area for Vancity to establish leadership in the small and medium-sized enterprise market. We made this a strategic priority in our 2015-2017 Three Year Plan. We see community businesses as a primary vehicle for creating jobs and social capital and we expect to double our market share in this sector in Surrey over the next three years.

Navigating a new regulatory environment

We are likely to see further changes in the regulatory environment for credit unions in BC and across Canada. We'll have more opportunities to think about what we want our future to look like and what our strategy is for getting there. In the past year, we've been contributing to the review of the Financial Institutions Act in BC, work that has allowed us to reinforce our message with government about how credit unions build economic capacity in ways that traditional financial institutions cannot match.

In 2014, we formalized our decision to remain a provincially regulated credit union. We believe this will allow us to grow sustainably, remain loyal to our co-operative values and continue to meet the needs of our members.

We share these goals with credit unions across BC and, in the fall of 2014, we responded to invitations to meet with many of their leaders. We discussed how together we can make our credit union system stronger and enhance our influence in local communities.

The initiative revealed technology to be a hot topic for many credit unions as they seek to meet the changing needs of their members. It's an issue that the Board has been working with through our Banking Applications Renewal ad hoc Committee, part of Vancity's long-term strategy to improve the range and efficiency of our operations.

Finally, we will continue to engage directly with Vancity members—our greatest asset—through a variety of means.

Message from the President and CEO

Tamara Vrooman
President and CEO

A financial institution that builds healthy communities

One of the things that makes me proud to lead Vancity is that our vision and values make us unique. We're committed to redefining wealth in a way that furthers the financial, social, and environmental well-being of our members and their communities. It's all part of our values-based banking approach—one that puts the well-being of our members and building healthy communities first. It's why we say Vancity makes you good money by putting money to good.

To fulfil our vision, we invest in local communities where people earn and spend money, grow businesses, provide goods and services, and support not-for-profit organizations that reduce our impact on the environment or enhance social cohesion. This commitment to building healthy communities affects our decisions about who we work with and where we invest our members' money, now and in the future.

I am pleased to say in 2014 we have seen evidence our values-based approach is working for our members and the communities where they live and work. Our approach is also helping position Vancity for opportunities and challenges in the future.

How we're making a difference

We made great progress in 2014 by investing our members' deposits directly back into local communities so that together we can work effectively on key issues, such as affordable housing and financial inclusion. One way we do this is by delivering innovative products and services through products like the Vancity Down Payment Helper Mortgage and the Fair & Fast Loan™ (see page 22). Our 2014 business loan portfolio of $4.6 billion supported local businesses and community-minded organizations and we funded 737 affordable housing units in 2014.

Each year, we set clear organizational targets on five key metrics: member well-being; the percentage of our loans that directly impact the community; the number of new Vancity members; our return on average members' equity (ROME); and the diversity of our workforce. In 2014, we met or exceeded four of these five targets.

More than 44 per cent of our loans last year were to organizations that create positive impact in the community. And 10.4 per cent of our employees self-declared that they have a disability, which is far above the labour market average. ROME, which demonstrates our focus on long-term value rather than short-term profits, was 5.5 per cent, and 51.4 per cent of Vancity members strongly agreed that our contribution to the community has a positive effect on their well-being.

On top of that, we also return profits to our members and community partners in our annual Shared Success payout of 30 per cent of our net earnings—$16.4 million in 2014 to be allocated over the course of 2015. So rather than focusing entirely on short-term returns, we believe it makes sense for us to help to build healthy communities over the long-term because when our members do well, so do we.

Measuring our impact can certainly be challenging (see page 38), but we firmly believe that our efforts are helping to make local communities more resilient. We do this by driving innovation in environmental sustainability, helping to deliver affordable housing, and supporting Aboriginal and seniors organizations (see pages 25 and 34). The idea is to support our members with investment that delivers financial returns for Vancity as well as tangible benefits for the community.

Our approach is working

Making good money by putting money to good is not just a theory; it's a strategy that's helping us grow despite a challenging economic environment. In 2014, assets reached $18.6 billion, which is a 5.8 per cent increase, or $1.0 billion, over 2013. Total assets plus assets under administration now total $22.4 billion, which is a 7.5 per cent increase, or $1.5 billion, over 2013.

Year-over-year, we continue to make impressive gains for our members on the investment side of our ledger. Our sustainable wealth management division increased net operating earnings by 53 per cent in 2014 to $9.0 million from $5.9 million.

However, we also faced challenges along the way from historically low interest rates which affected our financial margin, defined as the difference between the money earned on loans and mortgages and the money paid on deposits. This resulted in net earnings of $54.6 million in 2014, a 5.7 per cent decrease from 2013's $57.9 million.

Despite these challenges, ROME reached 5.5 per cent. If we didn't factor in the amount we share with members and communities through Shared Success then ROME would be 7.0 per cent.

Most importantly, we're growing. We welcomed 26,558 new members in 2014, just short of our target, bringing our total 2014 membership to 509,008. The combination of strong new member acquisition and improved retention translated into net member growth of slightly more than 8,000. Adding new members in a very competitive sector is something we can all take pride in.

Our message is catching on around the world

It's great to see that our values-based way of doing business is starting to attract attention not just here in Canada but around the world. In 2014, I had the honour of meeting with Pope Francis as part of a two-day conference at the Vatican to discuss new business and economic models that put people and values first.

Here in Vancouver, I sat on a panel with the Dalai Lama as part of the Heart-Mind Summit, where we discussed how we can bring the same values to work that we show in the rest of our lives.

Both events demonstrated a growing concern that the global economic model excludes more people than it includes and an increased appetite for a new values-based way of doing business.

The Global Alliance for Banking on Values (GABV) has helped us to understand more about how to use finance to build healthy communities. In 2015, together with the 24 other GABV members operating in more than 30 countries, we will complete work on a sustainable banking scorecard. Using a standard assessment tool for sustainable banking will allow us to compare our performance with other values-based financial institutions for the first time.

Positioning Vancity for the future

In a world where markets shift minute to minute, it's not always easy to prepare for the future. But we're doing that with the Banking Applications Renewal program, a multi-year investment of employees and resources to improve the efficiency of our core banking systems by 2017.

Our new banking system, along with our values-based approach are set out in our publicly available Three Year Plan. The plan is our blueprint for moving forward. It's my firm belief that pursuing our unique vision is not only the right thing to do but it will also make us stronger and position Vancity to enhance members' well-being and build healthier communities well into the future.

While the path less trodden isn't always the easiest to follow, based on my conversations with many of you over the past year, you wouldn't have it any other way and neither would I.

Thank you for your ongoing commitment to Vancity.

Board of Directors

Vancity's Board of Directors represents the membership and has a legal responsibility and obligation to protect the assets of Vancity. It operates at multiple levels, establishing vision and strategy and overseeing core business operations while building relationships with members and the community. It also provides leadership within the values-based banking, co-operative and credit union systems.

In addition to attending regular Board meetings, each Director serves on two or more committees that assist the Board in its governance. They may also be appointed to special committees or to the Board of our subsidiaries or affiliates, including Citizens Bank of Canada. The Board delegates the day-to-day leadership and management of Vancity to the President and Chief Executive Officer, who establishes the accountabilities for each member of the executive leadership team.

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

(From left to right)

1 Jan O'Brien, Board Chair
Serving a second term (2009 – present). Jan chairs the Banking Applications Renewal (BAR) ad hoc Committee and is a member of the Human Resource Committee and the Risk Committee.

4 Allen Garr
Serving a second term (2010 – present). Allen chairs the Governance and Conduct Review Committee and is a member of the Audit Committee and the Human Resource Committee.

7 Greg McDade
Serving a first term (1996 – 2004, 2012 – present). Greg chairs the Audit Committee, is a member of the Governance and Conduct Review Committee and the Risk Committee and is appointed to the board of Citizens Bank.

2 Anita Braha, Board Vice-Chair
Serving a second term (2011 – present). Anita chairs the Human Resource Committee and is a member of the Audit Committee and the Governance and Conduct Review Committee.

5 Lily Grewal
Serving a first term (2014 – present). Lily is a member of the Audit Committee and the Governance and Conduct Review Committee and is appointed to the board of the Vancity Community Foundation.

8 Virginia Weiler
Serving a third term (2007 – present). Virginia chairs the Nominations and Election Committee and is a member of the Audit Committee and the BAR ad hoc Committee.

3 Teresa Conway
Serving a first term (2012 – present). Teresa chairs the Risk Committee, is a member of the Human Resource Committee and the BAR ad hoc Committee.

6 Theodora Lamb
Serving a first term (2014 – present). Theodora is a member of the Nominations and Election Committee, the Risk Committee and the BAR ad hoc Committee.

9 Bob Williams
Serving a third term (1983 – 1995, 2007 – present). Bob is a members of the Governance and Conduct Review Committee, the Human Resource Committee and the Risk Committee.

Structure and executive leadership team

Vancity has **509,008** members, employs **2,539**[1] people and has **$18.6 billion** in consolidated assets.

Members

BOARD OF DIRECTORS

EXECUTIVE LEADERSHIP TEAM

Tamara Vrooman
President and CEO

Lisa Coltart
Chief Financial Officer

Chris Dobrzanski
Chief Economist, and CEO, Citizens Bank of Canada

Bob Elton
Executive in Residence

Jay-Ann Gilfoy[2]
SVP, Executive Sponsor, Banking Applications Renewal Program

Linda Morris
SVP, Business Development, Member and Community Engagement

Doris Orr[3]
Chief Risk Officer

Ellen Pekeles
SVP, Operations

Rick Sielski
Chief Operating Officer, Member Services

Active subsidiaries and partnerships

CITIZENS BANK OF CANADA
Federally chartered bank providing certain financial services throughout Canada, including foreign exchange services, Visa[4] 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 in Victoria is a sustainable community that includes market housing, affordable housing, industrial, commercial, live-work, parks and public amenities.

SCU INSURANCE SERVICES LTD.; SQUAMISH INSURANCE AGENCIES LTD.
Providers 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: 66 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] Total employees of Vancity (Vancouver City Savings Credit Union and active subsidiaries).

[2] We hired Jay-Ann Gilfoy on May 5, 2014. Jay-Ann replaced Bob Elton. Bob remained on the executive leadership team and focused on leadership development and succession planning, particularly at the senior management level.

[3] Effective February 18, 2015, Doris Orr left Vancity. Bob Elton was appointed Chief Risk Officer. Bob will continue to advise on leadership development.

[4] Visa Inc./Vancity, Licensed User.

Organizational overview, vision and business model

Organizational overview

Vancouver City Savings Credit Union (Vancity) is a member-owned, community-based full-service financial institution with 58 branches serving Metro Vancouver, the Fraser Valley, Squamish and Victoria in British Columbia (BC). Its headquarters are in Vancouver, BC. Vancity is part of a collaborative credit union system. Our assets accounted for 30 per cent of the total assets of the 43 credit unions in BC in 2014.

The credit union's 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 are listed on page 7, and include Citizens Bank of Canada. While we've called BC home since we were established in 1946, our nationally chartered bank serves members across provincial borders in the areas of foreign exchange, Visa cards and commercial real estate lending.

There were no significant changes to our operating structure in 2014. As at December 31, Vancity served 509,008 members, employed 2,539 people and had $18.6 billion in consolidated assets. We also served around 765 clients through Vancity Investment Management and 215,000 Visa account holders, of which four out of five are Vancity members. We're carbon neutral and a living wage employer. In 2014, we received a number of awards for our accomplishments. Highlights included:

- Canada's Top 100 Employers
- Top 50 Socially Responsible Corporations 2014 (*Maclean's*)
- Best 50 Corporate Citizens in Canada 2014 (*Corporate Knights*)

Vision and business model

Our vision is to redefine wealth in a way that enhances the well-being of our members and builds healthy communities. We're guided by the co-operative principles and our Statement of Values and Commitments.

As a financial co-operative, we're member-led rather than shareholder-led. We make decisions that focus on meeting the needs of our members and their communities rather than maximizing profits. This is values-based banking—banking that places the tools of banking in service of economic, social and environmental development in a manner that is fair, transparent and accountable. To support us with our work, we're a member of the Global Alliance for Banking on Values—an independent network of banks and credit unions using finance to deliver sustainable development for underserved people, communities and the environment.

We support both members and their communities because one cannot prosper without the other. To focus our efforts, we use the three Guiding Principles developed by our Board: co-operative principles and practices; environmental sustainability; social justice and financial inclusion.

Our value proposition, which we express through our brand as Make Good Money™, is about making members' money work harder for them while doing good things in their communities and the world. The key resources we rely on are talent (leadership and employees), deep relationships with our members and community partners, and a strong balance sheet.

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

As the diagram illustrates, we set out to:

- build relationships based on trust and deliver quality financial services and advice
- engage with members, community partners, and other stakeholders
- develop innovative solutions working with partners to meet members' needs and grow a more resilient real economy
- deepen the positive impact we have on members and their communities

By doing this, more people want to do business with us because they see the benefits for themselves as well as their communities.

Vancity is building healthy communities...

Guiding principles

Co-operative principles and practices	Environmental sustainability	Social justice and financial inclusion

...by demonstrating integrity, inspiring confidence and achieving impact through member-led innovation...

Translate insights into new opportunities for impact

Become a trusted advisor that meets members' long-term needs

Good Money™

Use financial tools innovatively to deliver breakthrough solutions that enhance member well-being

Invite and respond to member and stakeholder input

...that allows you to make good money by putting money to good.

Context and strategic priorities

Operating context

We take a long term view of what's happening in the economy. Rather than focusing only on financial markets, we look closer to home to the production of goods and services that impact people's daily lives. This is the "real economy", and it's the context within which we and our members operate.

When developing our strategy for 2014, we noted declining employment and housing affordability as key risks. We remained in a period of slow regional growth with stagnant wages and limited job creation. Many of the new jobs created were part-time and paid below a living wage. Housing prices were high—perhaps artificially so—and there continued to be a lack of affordable housing options, both for renters and owners. In fact, a poll we commissioned later in the year found that half of Metro Vancouver residents have made sacrifices that affect their overall well-being to be able to live where they do. Meanwhile the financial markets were performing well and interest rates remained low. Low interest rates, while good for members paying off loans and mortgages, continued to put pressure on our earnings because the difference between what we earned on loans and what we paid on deposits was smaller. We anticipated a small rise in interest rates and a modest drop in house prices, primarily due to a local imbalance of too many expensive houses for sale relative to too few eligible buyers. Neither of these happened.

The regulatory environment is becoming more burdensome on financial institutions. The intention behind the regulations is good—they help ensure a stable banking system and protect consumers. However, they are focused on conventional banking models and don't take into account models like ours that are centred on people and communities. The credit union system continued to consolidate, with more assets concentrated in fewer, larger credit unions. And federal legislation introduced in 2012 opened the door to credit unions operating beyond their historic provincial boundaries. By the end of 2014, no credit union had formally applied to the federal government to operate federally.

Other key trends included an aging population and more advances in technologies, including mobile banking and payments. These are changing how and with whom people bank, as well as how they connect with others and share information. In addition, we saw a growing sharing economy and increased local awareness of the need to limit the pattern of boom and bust cycles in favour of a resilient, community-based, sustainable economy. Our partnerships within the Global Alliance for Banking on Values and the Bologna Program (see page 26) continued to reinforce the value of business models that reach beyond short-term growth measured by Gross Domestic Product.

Rather than setting goals that would cause us to move into areas that were not aligned with our values (e.g. growth for growth's sake), our strategy responded to the real needs of members and communities. A healthy economy has sustainable debt levels, diversified employment with living wages, and affordable housing. Our goal was balance sheet growth that did not outpace the growth of the real economy. We wanted to grow our membership and reputation as a values-based banking co-operative, increase confidence in the strength of our business model and over time, ensure that more and more of what we do helps to build healthy communities.

Strategic priorities for 2014

Our strategy for 2014-2016 focused on growing our membership by investing in areas that differentiate us and that help to build healthy communities. We remained committed to being a living wage employer and carbon neutral, and we set out to make investments to understand and meet the needs of underserved people and markets. Other key goals included implementing a plan to help employees understand and lead this work, emphasizing our co-operative roots as a source of future strength and resilience, and seeking community partners based on shared values. We understood that the renewal of our core banking system would use a significant amount of resources and remain a key priority as we build the technological capability we need. Our strategic priorities for 2014 were:

Accelerate impact already under way—continue to build healthy communities by:

- Delivering a differentiated member experience that's accessible and inclusive, community-based, transparent about values and commitments, trust-building and credible, empowering and convenient (page 19)
- Meeting underserved needs by increasing access to funds and enabling members to build their credit histories (page 21)
- Extending our reach into communities and engaging members through community advisory committees (page 23)
- Developing branch-focused community investment plans (page 23)
- Using our networks of influence and the co-operative principles to help build a more resilient local economy (page 25)

Build our capacity to innovate for impact and get ready to do more—change the way we work so that we can fully activate our business model to achieve our vision by:

- Implementing a people plan to leverage the knowledge, skills and passion of our people (page 35)
- Aligning our financial plan with strategy, and measuring the impact we're creating and incorporate it into decision making and reporting (page 29)
- Reviewing our risk capacity, appetite, tolerance and limits and refining credit practices, processes and policies (page 30)
- Accelerating innovation with a new decision making structure, resource reallocation initiative and analytic system (page 39)
- Renewing our core banking system to deliver a differentiated member experience (page 21)

In addition to tracking the progress we made on these strategic priorities, we measured progress based on three connected outcomes—impact, confidence and integrity—through our organizational scorecard. We judge our achievements based on the positive impact they have on our members and their communities. That's why we measure things like the percentage of Vancity loans that have a positive impact on the community, the return on average members' equity, and the diversity of our workforce. Developing the right measures and targets that demonstrate we're moving closer to, and aligning behaviours with, our vision is challenging and will evolve as we deepen our understanding of impact.

Organizational scorecard

Impact—we need to demonstrate that our efforts to enhance member well-being and build healthy communities are creating positive change in members' lives. Measured by:

- *Percentage community impact loans*
- *Enhanced member well-being*

Confidence—we need to build the confidence of our members, community partners and stakeholders that values-based banking is a viable alternative to conventional banking. If they have confidence in what we are doing, they will want to do more business with us and are more likely to recommend us to others. That creates new opportunities to invest our financial capital in building healthy communities and, in turn, more opportunities to achieve impact. Measured by:

- *New members to Vancity*
- *Return on average members' equity*

Integrity—we need to demonstrate that the way we do business is consistent with our values and our co-operative principles. This builds trust among members and employees, and gives us permission to do things differently and pursue a new definition of success. Measured by:

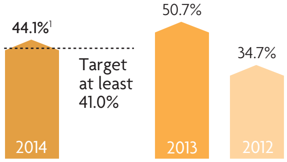
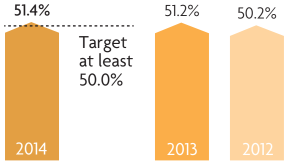
- *Diversity—employees with a disability*

Section two

Key results

Organizational scorecard targets and results

We set targets for the measures below for three years (2014-2016) within the context of a challenging operating environment, as outlined on page 10. Results for each of the five measures directly influenced senior management's incentive pay and the amount of employee profit share. There was a corresponding payout range for each target based on if we met, exceeded or fell short of the target. Results for 2014 were externally verified by KPMG (see page 45). For the full explanation of our performance, please refer to the relevant pages of the Business review. For more details on methodology and definitions, refer to the consolidated accountability statements available online at vancity.com/2014AnnualReport.

Impact	2014 target and results	Notes on progress	2015 target
Percentage community impact loans Community impact loans approved and funded as a percentage of total commercial and business loans (page 23)		MET	45%
Enhanced member well-being Members who strongly agree that Vancity's contribution to the community has a positive effect on their well-being (page 19)		MET Around one in two members we surveyed strongly agreed that Vancity's contribution to the community has a positive effect on their well-being.	>50.0%

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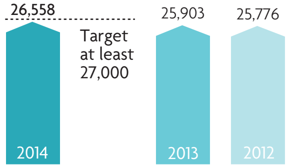
[1] We changed our methodology in 2014 to calculate this measure based on loans approved and funded during the year. In past years, the measure was based on loans approved during the year regardless of whether they were funded. If we apply the same methodology in 2014 as in past years, the result would be 46.7%. To avoid double counting, we have not recalculated data for past years.

Confidence

2014 target and results | **Notes on progress** | **2015 target**

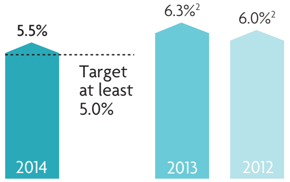
New members to Vancity[1]
Number of new members (page 28)



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

30,000

Return on average members' equity
Return on average members' equity after distribution to members and community (page 29)

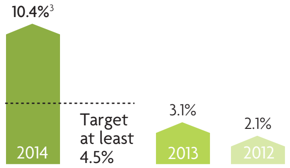


MET
This measures how much profit we generate with every dollar of members' equity.

4.25%

Integrity

Diversity—employees with a disability
Employees who self-declare they have a disability (page 36)



MET
We increased awareness of what a disability is and how it can show up in the workplace, and we worked with community partners to support attraction and retention of this group.

>5.8%

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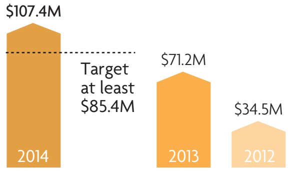
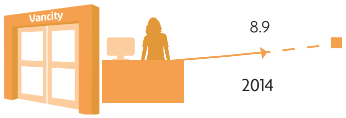
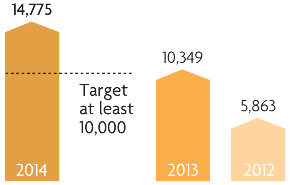
[1] For details on how this measure is calculated, including prior year restatements, see page 19 of the consolidated accountability statements.

[2] Certain comparative ratios have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements on page 52.

[3] We changed how we track the percentage of employees with a disability from an employee survey in 2013 to a Human Resources Information System in 2014. See page 25 of the consolidated accountability statements for details.

Supporting management targets and results

In addition to our five organizational targets, we set key management targets. Results for 2014 were externally verified by KPMG (see page 45). For the full explanation of our performance, please refer to the relevant pages of the Business review. For more details on methodology and definitions, refer to the consolidated accountability statements available online at vancity.com/2014AnnualReport.

Impact	2014 target and results	Notes on progress	2015 target
Dollar value of treasury investments in impact (page 32)		MET We increased our investment in social housing programs.	**$128.9M**
Trusted advisor score[1] (page 19)	Goal: Establish a baseline 	MET We established a baseline of 8.9 (out of 10) in 2014. We'll monitor results in 2015 with a view to setting a target in 2016.	**n/a**
Number of people assisted with financial literacy (page 20)		MET Topics included basic banking fundamentals, budgeting, debt management, financial strategies and retirement planning.	**11,000**

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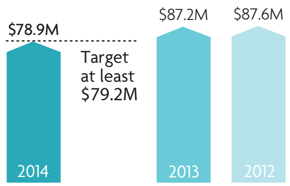
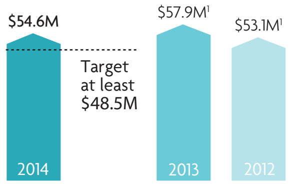
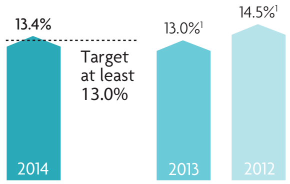
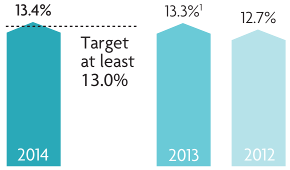
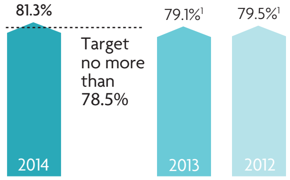
[1] The trusted advisor score was new in 2014.

Confidence	2014 target and results	Notes on progress	2015 target
Net earnings from operations before distribution and tax (page 32)		NOT MET While interest and fee income increased with asset growth, operating expenses increased at a higher rate.	**$61.0M**
Net earnings from operations (page 32)		MET Our taxes were lower in 2014 compared with 2013 and after expenses and taxes, we allocated 30% of our net earnings ($16.4 million) to be distributed to members and communities through our Shared Success program.	**$43.0M**
Liquidity ratio (page 33)		MET Our target was to hold 13 per cent of deposits and debt liabilities in the form of liquid assets, much higher than the regulatory requirement of eight per cent.	**12.0%**
Capital adequacy ratio (page 33)		MET	**13.0%**
Efficiency ratio after distribution to members and community (page 33)		NOT MET Operating expenses increased by more than our revenue and so our efficiency ratio increased (a lower efficiency ratio is generally better).	**≤83.0%**

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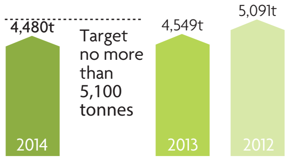
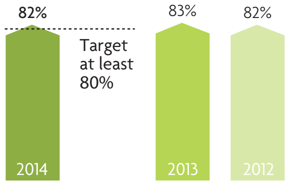
[1] Certain comparative ratios have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements on page 52

Integrity	2014 target and results	Notes on progress	2015 target
Living wage employer status (page 35)	Goal: Meet living wage employer requirements 	MET We were recertified as a living wage employer.	**Same**
Greenhouse gas emissions (page 37)		MET The percentage of employees driving alone to and from work decreased slightly. Energy use at Vancity premises decreased by seven per cent.	**≤4,500 tonnes**
Carbon neutral status (page 37)	Goal: Remain carbon neutral 	MET We remained carbon neutral. We purchased 4,549 tonnes of registered carbon offsets to offset our 2013 emissions.	**Same**
Waste diverted from the landfill or recycled at Vancity Centre (page 38)		MET The amount of materials we recycled or composted remained steady.	**80%**




Section three

Business review and plans


Member well-being and service experience

Member well-being

Member well-being was one of five organizational scorecard targets in 2014. Our vision calls on us to measure success in terms of how we contribute to the well-being of our members and their communities—not just financial well-being, but social and environmental well-being as well.

We measured member well-being through telephone interviews with approximately 1,500 members following in-branch transactions in 2014 (we interviewed 7,000 members in 2013). Around half of the members we interviewed strongly agreed that Vancity's contribution to the community has a positive effect on their well-being. Eighty-two per cent of members agreed overall. This measure is imperfect—there is a significant range of external and personal factors that could affect members' responses—but by including it on our scorecard and in a survey to members, we demonstrate that it is important to us.

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

2014 target	2014	2013	2012
50.0%	**51.4%**	51.2%	50.2%

New organizational scorecard indicator in 2013.
*Percentage of members responding 9 or 10 on a 10-point scale.

We've also been measuring well-being through an index that explores members' quality of life across key areas such as health, personal relationships, the achievement of goals, the pursuit of interests, feeling part of one's community, and standard of living. The index we use is a modified version of the Personal Well-Being Index developed by the International Wellbeing Group in 2006. For two years (2013 and 2014) the well-being score of our members has been increasing and is statistically higher than that of the general population in Vancouver. The well-being score for Vancity members was 78 in 2014, compared with 74 for Metro Vancouver residents.

> "I want to work with a financial institution that's going to put my money back into our communities."
> #theGoodMoneytalks

Delivering a differentiated member experience

One way we contribute to individual well-being is by offering advice, services and products that meet members' needs. Our goal is to deliver a differentiated member experience that is accessible and inclusive, community-based, transparent about values and commitments, trust-building and credible, empowering and convenient.

What does this mean in practice? It means that when members engage with us we seek to provide them with an experience that is fundamentally different from what they would get at other financial institutions. This differentiated member experience gives members consistent, quality financial advice and service.

For Vancity staff, the differentiated member experience provides a unifying framework for how we develop relationships and provide advice and services to our members—everything from credit decisions and financial literacy, to online banking and planning for retirement. We believe that if we do the right thing for our members, profitability and sustainable growth will follow.

We've been working to embed the differentiated member experience into our daily practices. For example, through a series of staff and member surveys and interviews, brainstorming workshops and planning sessions, we identified opportunities to improve how we deliver wealth management services. We also addressed some pain points in our credit practices and policies, and we increased collaboration between our credit teams and member-serving employees. More examples are included throughout this report. In 2015 and beyond, we plan to simplify our processes through the Banking Applications Renewal program (see page 21). We will also use our differentiated member experience as the lens through which we develop leaders, manage talent, and ensure our credit practices and policies meet members' needs.

To monitor our performance, part-way through 2014 we introduced a new measure: the trusted advisor score. We asked members to rate, on a scale of 1 to 10, the "extent they agree that they can trust branch staff to act in their best interests when recommending solutions to help them achieve their goals". The average score for all branches was 8.9 out of 10. We will monitor the score in 2015 with a view to setting a target in 2016.

We continued to track satisfaction with service and the likelihood to recommend score. The likelihood to recommend score represents the percentage of members who responded nine or 10 out of 10 to the question, “On a scale from 1 to 10, where “1” means “not at all likely” and “10” means “extremely likely”, how likely would you be to recommend Vancity if a colleague, friend, or business acquaintance asked you to recommend a financial institution?”. The score was 50 per cent in 2014 compared with 45 per cent the previous year. Member satisfaction with service experience at our contact centre remained high at 81 per cent, as did Visa cardholder satisfaction (77 per cent). In addition, fewer member concerns were recorded and escalated to senior management in 2014—84 compared with 129 in 2013. We believe these strong results are due to improved processes and staff training, as well as employee commitment to our vision.

> We received four wins in the *Georgia Straight’s* annual Best of Vancouver Readers’ Choice awards. We were chosen as the ‘Best place to get a mortgage’ and ‘Best local employer’, and we ranked second for ‘Best place to buy RRSPs’ and third for ‘Most environmentally responsible local company’.

Delivering a differentiated member experience is not a one-off process. It involves constantly innovating to serve our members’ needs. For example, in 2014, we responded to the long-running teacher’s strike by launching the Vancity Strike Relief Plan. Provided they met required credit criteria, this plan helped members and non-members alike with loan consolidation, deferrals on loan and mortgage payments, and solid financial advice.

In addition we introduced a number of new products and services:

- The Vancity Fair & Fast Loan™ is an alternative to payday lending, (page 22)
- The Vancity Down Payment Helper Mortgage provided first-time buyers with cash up front of up to half the five per cent minimum down payment, (page 31)
- Vancity Mobile Deposit™ is an app that allows members to deposit a cheque into their chequing or savings accounts by taking a photo of the cheque with a mobile device and following a few simple steps

Providing financial literacy and advice

A poll we commissioned told us that while 70 per cent of Lower Mainland and Victoria residents believe financial institutions have an obligation to help them manage their debt, only 38 per cent agree their financial institution has their best interests at heart when it comes to credit card debt. Many Canadians live paycheque to paycheque, and few have any savings to cover anything that falls outside of daily expenses.

Members have told us they would appreciate more advice on saving for retirement, and day-to-day money management and budgeting, including paying down debt. We and our community partners delivered financial literacy workshops and seminars to approximately 14,775 people in 2014. Topics included basic banking and credit card fundamentals, debt management, budgeting, strategies for saving and investing, identity theft and fraud prevention, and retirement and estate planning. And we brought public attention to the issue of the financial abuse of seniors by commissioning a survey that was one of the first attempts to uncover the prevalence of this problem in BC.

Number of people assisted with financial literacy

2014 target	**2014**	2013	2012
10,000	**14,775**	10,456	5,870

New management indicator in 2011.

Our research indicates that there is a strong link between increased confidence in financial matters and overall well-being. In addition, when members feel their financial understanding has improved as a result of their relationship with Vancity, they are more likely to recommend us to others (77 per cent compared with 53 per cent).

We use plain language so that members understand their financial rights, obligations and options and can make better financial decisions. In 2013, we made significant improvements to our Visa statements, and in 2014, we introduced easy-to-understand Vancity Visa Gift Card Terms and Conditions. We continued to let Visa cardholders know that they can use their reward points to improve their financial circumstances as well as redeem them for travel, merchandise and charitable donations. Sixty-nine per cent of the points redeemed by members in 2014 were used for savings products or to pay down debt. The total payment rate for Vancity and Citizens Bank cardholders was 54 per cent in 2014, significantly higher than the industry average of 41 per cent (Standard & Poor’s 2014 Canadian credit card quality index). Less outstanding debt, while not necessarily positive for Vancity's bottom line in the short term, is a great outcome for our members. It is also good for us in the long term because it reflects a membership that's financially healthier.

We introduced the Good Money Plan™ to provide members with financial advice and guidance that best meets their financial needs and goals. The Plan looks at a member's financial situation including their debt, savings and investments. Advice may include reducing credit card debt, paying down a mortgage and/or investing in an RRSP. We helped 1,379 members complete a Good Money Plan™ in 2014.

For members interested in investments, we offer both socially responsible and conventional options. At the end of 2014, member and client investments totalled $3.8 billion, up by $489 million from 2013. Around half of the increase was due to sales, and the other half a result of improved market conditions. Of the $3.8 billion, 28 per cent were in socially responsible options.

> "I want to make financial independence achievable and easy to understand."
> Sophie Salcito, investment advisor

Serving the underserved

Our vision to redefine wealth includes working with people in the community that have traditionally been excluded from accessing mainstream banking and financial services. One way we achieved this was through the Vancity Fair and Fast Loan™, an alternative to payday loans (see page 22). We also introduced changes to cheque cashing to give members faster, more consistent access to their cheque deposits. As a result, more than 19,000 members now have immediate access to their funds after depositing cheques at a branch, through an ATM or by mobile deposit.

Overall, we helped around 5,800 low-income or marginalized individuals access basic banking services, obtain credit within their means, build savings or buy a home. This included 112 served through our micro-loan programs, which are small loans that help people build credit, launch a new business or get back to work in a chosen field.

We also opened new accounts for 612 people at Pigeon Park Savings, which was opened by PHS Community Services in 2004 in partnership with Vancity. Pigeon Park serves around 3,600 people in Vancouver's Downtown Eastside, one of Canada's poorest neighbourhoods.

> We saved our members an estimated one million dollars in fees and interest in 2014 by offering an alternative to payday loans: the Vancity Fair & Fast Loan™.

Technology and renewal of our core banking system

To focus on meeting members' long-term needs and build healthy communities, we need to spend less time on routine transactions and more time engaging directly with our members. This is the driving motivation behind our Banking Applications Renewal (BAR) program, a multi-year investment of staff and resources designed to improve the efficiency of our core banking system.

Working with the software company Temenos, we reached an important milestone in 2014 with the development of an initial system. The new system will allow us to simplify processes and product offers as well as create more efficient reporting. We plan to gather feedback from people who use the system to make sure the changes we're making will help improve how we provide service to our members.

Our plan is to have our core banking system designed and built by the end of 2015. In 2016, we'll begin testing the integration of the new banking system with our other systems, finalize process changes and develop training plans for our staff who will use the new systems. Once that is complete, we'll move on to enterprise-wide user training and then a series of mock "go-live" events before fully implementing the new core banking system in early 2017.

This project represents a long-term investment in people, processes and technology. We're confident that it will improve how we serve our members and put us in a position of strength for the future.

Challenge

Developing an alternative to the payday loan trap

Tight payment schedules and annual interest rates of up to 600 per cent on payday loans are trapping more and more people in a cycle of debt from which it's almost impossible to break free. BC's payday loan industry is expanding rapidly, with the number of loans reaching 800,000 in 2013.

With new outlets sometimes opening right across the street from our branches, the problem became more and more noticeable and the Vancity Board of Directors identified the need to address it as a key strategic priority.

We started by consulting with members and community partners as part of wider efforts to meet the needs of underserved communities. Through this process we came up with a payday loan alternative that helped members solve their immediate cash flow problems while at the same time putting them on a more stable financial path for the future.

The Vancity Fair & Fast Loan™ includes a faster application process, flexible payment schedules of between two months and two years, an interest rate of 19 per cent, and the ability for members to establish their credit histories because, unlike most payday lenders, Vancity regularly reports loan payments to the credit bureau agencies.

"More and more of our members were getting payday loans at fringe financial institutions that charge extremely high fees," says Guy Kutany, Vancity director of new market strategy. "With the Vancity Fair & Fast Loan™ we saved our members an estimated one million dollars in fees and interest in 2014."

Vancity funded nearly 750 of these loans in 2014. Heather, a member in Burnaby came into her local branch for help when her long-term disability payment was delayed.

"It was definitely cheaper than getting money from a payday lender," she says. "There has been the odd time I've thought of going to one of those, but even though it all sounds good at first you're just digging a hole for yourself."

"The process was quick and easy," adds Heather. "And it made more sense to me to deal with the credit union that I had been with for years."

The product is, as far as we know, the first of its kind in Canada and we consider it to be a success. While Heather and many other members who applied for the loan reported a positive experience, we know that as a new product there are opportunities for improvements. We heard that some members expected a payday loan-like experience, which is typically very short and nearly all applicants get approved. However, because Vancity is a responsible lender not all members will be approved for a loan.

In response to member feedback we added further clarifying information on vancity.com and simplified the approval process. We also included disability benefits as an eligible source of income to help members qualify for the loan. We believe these changes will result in an improved member experience and increased accessibility. Having helped members with a loan we hope to provide advice and services that meet their longer term needs as part of a broader overall strategy on underserved members of the community.

Building healthy communities

Supporting local businesses and organizations

We can improve member well-being through products, services and advice, and also by helping to build healthy communities. One way we do this is by supporting local businesses and community minded organizations through activities such as loans, grants, advice, technical assistance, local purchasing, socially responsible asset management, and advocacy. We want to fund projects and do business with organizations that align with our three Guiding Principles: co-operative principles and practices, social justice and financial inclusion, and environmental sustainability.

One of our top five organizational targets is to increase the proportion of business lending that has a demonstrable positive impact on members and their communities. Business loans made up around one quarter of our total assets in 2014. They include commercial real estate loans, loans to small and medium-sized enterprises, and micro-loans, which are small loans to entrepreneurs or people looking to enter a trade or profession who might not qualify for or need a conventional loan.

We have developed guidelines to help us identify types of organizations and sectors that we believe create positive community impact. In 2014, 44.1 per cent of new loans approved and funded were in one of these impact businesses or sectors. We call these community impact loans. Along with the loan, we often work closely with individual organizations to help them plan, launch and expand their business. We also work at the sector level with intermediary organizations such as business improvement and co-operative associations.

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

2014 target	**2014**	2013	2012	2011
41.0%	**44.1%**	50.7%	34.7%	35.5%

New organizational scorecard indicator in 2011. Data for 2014 is not directly comparable to data for past years due to a change in methodology. See Footnote 1 on page 13.

We estimated that slightly more than one quarter of our $4.6 billion business loan portfolio was "invested in impact" at the end of 2014.

In addition to proactively seeking deals that have positive impacts, we ask that employees apply the lens of our Ethical Principles for Business Relationships to all business relationships. The Principles apply to business members, suppliers, business partners and grant recipients. Our approach recognizes and supports organizations that demonstrate alignment with our values, or that have the potential to become more aligned and contribute towards building healthy communities.

> "I am totally and passionately in support of community investment and growth in the community and to know that a financial institution is investing that way just makes a huge difference to me."
> #theGoodMoneytalks

We continued to use community advisory committees in 2014 to gather feedback and input. These each comprise around 12 Vancity members, including local business owners, with experience in one or more of the following areas: environmental sustainability (especially in a business context), not-for-profits and social enterprises, affordable housing, poverty reduction, and immigrant and refugee issues. Three committees provided insights into the regions of Surrey, the Fraser Valley and Victoria respectively, and one committee was specific to youth aged 19-25. In addition to meeting in person, the youth committee piloted an online component designed to broaden the dialogue and input. More than 200 youth engaged in discussions on the local, co-operative economy.

The input we received from these committees helped to highlight community specific issues and trends, and reinforced the need to tailor our approach based on the needs of specific communities. What we heard through the community advisory committee in Surrey influenced our 2015 plan to increase our presence in the small business market there.

We also began to work with individual branches to develop and communicate plans that highlight opportunities for staff to meaningfully improve the well-being of their members' communities. These plans include an overview of the region the branch serves including population, demographic and branch statistics, and details of existing and potential community partners. We believe an increased understanding of what a values-based financial institution can do will help grow our membership and deepen the relationship we have with existing members.

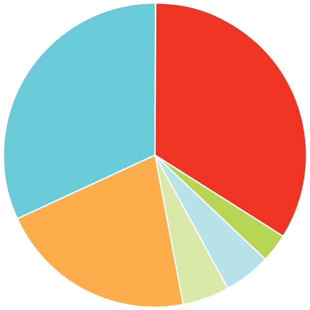
In our 2013 Annual Report, we acknowledged that our choices of where and how we support communities can have an impact on the quality of life for residents, both positive and negative—particularly in areas of rapid transition such as the Downtown Eastside. This neighbourhood is home to people from a range of social, cultural and economic backgrounds, many of whom live on low incomes. In 2014, the City of Vancouver published a Downtown Eastside Plan to guide future development in a way that meets the needs and priorities of the whole neighbourhood. We created an internal review process for all lending in the Downtown Eastside to ensure we understand the implications any investment decision has on this sensitive community. We continue to limit financing for real-estate developments to projects that do not cause the loss of shelter-rate housing—housing where rents are based on a percentage of individuals' welfare cheques.

Community impact loans and grants

More than two-thirds of the $378.6 million in community impact loans we funded in 2014 were large commercial real estate loans that financed affordable housing projects and green and heritage buildings. Around a fifth of the number of loans funded (35) focused on affordable housing. While for reporting purposes we categorize loans under one primary area of impact, more than half the loans we funded in 2014 contributed to additional areas of impact. Community impact loans benefited many communities across Vancouver Island, the Fraser Valley and the Lower Mainland—but in particular Vancouver and Surrey/Richmond/Delta.

We also provide grants to help organizations progress from concept to growth. In 2014, we approved $8.3 million in grants for 319 organizations. Four-fifths of the dollars approved were for mission-based grants, which are larger grants that typically involve multi-year partnerships and other types of assistance. The remaining money funded local projects, programs and events initiated by community organizations for amounts up to $15,000. Details of approved grants are available on our website.

Community impact loans approved and funded ($378.6 million) by primary impact area



*Other includes women-owned or controlled businesses, organizations that support a local integrated economy, co-operatives, credit union syndicates, microfinance and poverty reduction.

Community grants approved ($8.3 million) by primary impact area

*Not-for-profit organizations, co-operatives, social enterprises and mission-based for-profits.

Supporting co-operatives

Co-ops serve basic community needs, from housing, transportation and food to financial services, health and social services, and employment opportunities. They keep their profits circulating in their local community, and they are resilient, tending to do better than corporations during difficult economic times. We serve around 220 co-operative members. In 2014, we provided $24 million in loans and grants that support co-operative principles and practices.

We've been working with the Co-operative Housing Federation of BC (CHFBC) to build approximately 400 units of affordable rental housing on land owned by the City of Vancouver. In 2014, the Community Housing Land Trust, a society wholly owned by CHFBC, signed a memorandum of understanding and leases with the City to develop four sites. One of them, in South Vancouver, will charge market-rate rents. The revenue from this development will be used to subsidize the rents of the three remaining sites. Vancity provided equity investments and a range of technical expertise.

In a separate project, we are working with CHFBC to develop a comprehensive program to refinance, renovate and redevelop not-for-profit housing co-operatives. This followed news that the Canada Mortgage and Housing Corporation will no longer subsidize mortgages for this type of housing. As the plan comes together, Vancity will provide loans to the co-operatives to complete much-needed renovations.

Vancity also collaborated with the British Columbia Co-operative Association to develop a Labour Market Partnership agreement with the provincial Ministry of Jobs, Tourism and Skills Training. Funded through the Canada-British Columbia Labour Market Development Agreement, the project will support a study to gather and analyze data on the human resources needs of the nearly 700 co-ops and credit unions in BC, and enable the development of strategies to address their unique human resources requirements.

> “I don't always have the time to be the activist I want to be, it's nice to be with a financial institution that can be my personal activist.”
>
> #theGoodMoneytalks

Skwachàys Lodge and Urban Aboriginal Fair Trade Gallery

High above the urban streetscape of downtown Vancouver, a 40-foot story pole points skyward. It is the design and creation of master carver Francis Horne Sr. – a self-taught Coast Salish artist – and greets visitors to the Skwachàys Lodge and Residence at 31 West Pender Street.

The building houses 24 shelter-rate rental apartments for Aboriginal people at risk of homelessness, an Urban Aboriginal Fair Trade Gallery, a rooftop sweat lodge for spiritual cleansing, and a commercial kitchen.

There are also 18 boutique hotel units which have been transformed by artists, designers, tradespeople and suppliers into the first Aboriginal Arts themed accommodation in Canada. They will host socially responsible travellers and provide a sanctuary for Aboriginal patients coming to Vancouver from remote areas to receive medical treatment.

“The federal government was seeking shovel-ready projects to receive infrastructure stimulus funding,” says Dave Eddy, CEO of the Vancouver Native Housing Society, which developed the idea.

“They had a deadline and we had 48 hours to put together a proposal. Our architect for the project, Joe Wai, deemed the project to be feasible and the city and our neighbours came onside.”

Three levels of government partnered, co-operated and contributed $8.5 million toward the cost of Skwachàys and Vancity bridged the remaining $2 million funding gap to allow BC Housing to commence construction.

“There is evidence of longhouses in the Vancouver area that were 200 feet long,” says Francis Horne Sr. “Native residency existed here long before contact and in the supernatural world this building already stood. It is only fitting that the Dream Weaver pole stands as testament and a reminder of our rich cultural history.”

We support and encourage our employees, Board Directors and community partners to learn about co-operatives. Since 2009 we've sent 94 employees and 18 board members and community partners to the Bologna Study Tour, a co-operative learning program in Italy. In 2014, we supported 11 employees taking part in the three-year Masters in Management of Co-operatives and Credit Unions at St Mary's University in Halifax, Nova Scotia. And each year, several Vancity employees volunteer their expertise with co-operatives in developing countries through the Canadian Co-operative Association. As a result, more of our staff are seeing the potential of the co-operative model and have a renewed commitment to finding innovative ways to advance co-operative practices in the communities we serve.

In 2014, the Board created a new award—the Patrice Pratt Award. The Award acknowledges the work and legacy of Patrice Pratt—a former Board Director and community leader—and celebrates the co-operative principles. Once a year, the award will recognize an employee who exemplifies the co-operative principles in their work and in the community. Nominations are made by Vancity employees. The award was presented by Patrice in early 2015 to Catherine Ludgate, manger community investment for her unwavering commitment to cooperative principles.

Affordable housing

A lack of affordable housing is one of the top issues for BC residents and our members. Median home prices were 10.6 times higher than median incomes in 2014. A priority of ours is to work with community organizations to increase the supply of affordable rental and owned housing, as well as to offer mortgage products that help our members access the housing market.

We funded 737 affordable housing units in 2014.

Until recently, tools to measure affordability focused on home ownership. That changed in 2014 when we partnered with the BC Non-Profit Housing Association to develop a province-wide Rental Housing Index (RHI). The RHI provides a detailed analysis of the affordability of rental housing for various income groups in nearly 100 communities in BC. Its initial finding was that in BC almost half of all renter households are paying more than 30 percent of their gross income on rent. Even more concerning, nearly one quarter of British Columbians are paying more than 50 percent of their income on rent, putting them at a crisis level of spending.

The Index, which will be updated annually, is one of the first of its kind and will provide housing planners, not-for-profit housing developers and all levels of government with customized data and other critical information they need to plan for future housing needs in the province.

For more on how we're tackling this challenge, see our story on "Increasing access to home ownership" on page 31.

Buying local and paying a living wage

As a locally owned and operated credit union, our members' deposits stay in our community and we lend those dollars to individuals and local businesses and organizations. We further strengthen the local economy by sourcing local products and services, being a living wage employers, and favouring relationships with suppliers who demonstrate leadership in sustainable business practices.

Local businesses enhance our community through employment, by circulating dollars locally and by reducing the ecological impact of global supply chains. According to a study commissioned by CUPE BC, local businesses recirculate 2.6 times as much revenue in the local economy as chain competitors. We sourced around two-thirds of the value of our managed purchases from locally based businesses in 2014—around $72 million.

Paying a living wage allows individuals and families to meet their basic needs and contribute to their communities. In 2014, 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 signed living wage contractual commitments with 11 new suppliers and living wage negotiation is in progress with 24. We also advocated for others to join the living wage movement, encouraging 57 businesses to become living wage employers themselves—one expressed an interest in doing so.

In 2014, we set a goal to reach out through nine presentations to other allies beyond our supply chain about joining the Living Wage for Families Campaign (a project housed at the Vancity Community Foundation). In fact, we made 19 presentations and worked with local municipalities such as the City of Vancouver. Our 2015 target is to hold at least 12 living wage campaign information sessions.

Asset management and corporate engagement

Vancity Investment Management (VCIM) manages investments on behalf of its clients. As a signatory to the UN Principles for Responsible Investment, VCIM follows the socially responsible investment (SRI) philosophy—that is, it invests in companies that use progressive environmental, social and governance practices to manage their business. Through a sub-advisory group, Vancity Investment Management also provides portfolio management advisory services to IA Clarington on the Inhance SRI Fund family. This fund is available to Vancity's members, as well as others. The value of socially responsible assets that VCIM manages or provides advice on has been increasing for the past six years. It totalled $850.1 million at the end of 2014, up from $701.1 million in 2013.

VCIM's sub-advisory group also leads shareholder engagement activities on behalf of both VCIM and the IA Clarington Inhance SRI Fund family. In 2014, it interacted with 26 companies on the following topics: climate change, railroad safety, human rights impacts in the supply chain, gender diversity, environmental impact of oil and gas drilling, hydraulic fracturing, aboriginal land claims, predatory lending, and the ecological impacts of pesticides on bees.

Dockside Green

Dockside Green is a 15-acre master-planned sustainable community located on former harbourfront industrial land in Victoria, BC. It is being developed by Dockside Green Limited Partnership, which is managed by a subsidiary of Vancity.

Dockside Green was launched in 2005. However, with the downturn in the global economy and real estate market in 2008, the pace of development at Dockside Green slowed. In 2014, Dockside Green initiated a community dialogue process that brought residents, community members, First Nations, business people, and City of Victoria officials together to contribute to a vision for a renewed neighbourhood plan. Five hundred citizens participated in person, and there were more than 1,200 distinct visits to the project's online engagement page, hosted by Placespeak.

As a result of this work, a new plan was tested and co-developed with participants, and submitted to the City of Victoria for approval.

> “I am proud that we are able to provide inclusive and innovative solutions to meet our members' needs while making a real difference in their lives.”
>
> Dhar Grewal, assistant branch manager,
> Richmond community branch

Member growth

Member attraction and retention

Member attraction and retention are indicators of confidence in our business model and brand. More than 26,000 members joined us in 2014. To understand why members join and stay with us, we conducted a survey, asking members to tell us the extent to which 14 factors influenced their decision to join Vancity and to remain a member. The factors included values-based reasons, service-based reasons, quality of advice and competitive interest rates. Values-based reasons included our co-operative structure, our support for local businesses and our commitment to social justice and environmental sustainability.

We discovered that new members—those who joined Vancity in the past two years—joined for values-based reasons and were more likely to remain with Vancity for the same reasons, providing further proof that our values-based business model is working. Not only are these new members' values aligned with ours but they are also more likely to be younger. More than 40 per cent of new members randomly selected for the survey were between 25-34 years old, which is statistically younger than the membership overall. Furthermore, this research also showed that word-of-mouth—the likelihood to recommend and the likelihood to acquire services—is critical for member attraction and retention.

Number of new members

2014 target	2014	2013	2012
27,000	**26,558**	25,903	25,766

New organizational scorecard indicator in 2014.

Additional factors that contributed to growth in 2014 included the opening of our first new branch since 2010—the Blundell Centre community branch in Richmond—and more new business members than usual. Early in the year, a large bank withdrew from providing services to small businesses and some of these businesses became Vancity members. Business members account for around eight per cent of our membership.

Our ability to retain members improved by 13.5 per cent compared with 2013 (excluding dormant account closures). Around three-fifths of members leave for uncontrollable reasons such as moving, a person passing away or bankruptcy. Of those that leave for reasons within our control, the most significant reason is the consolidation of finances elsewhere.

The combination of strong new member acquisition and improved retention translated into net member growth of slightly more than 8,000 (1.6 per cent, compared with 1.4 per cent growth in total BC credit union membership). We ended the year with 509,008 members. These results and our research suggest that our values-based approach to banking is resonating.

> 88% of members agreed that Vancity is a financial institution they can trust in 2014. This is a significant increase from two years ago when 80% of members agreed.

Financial performance

Overall financial plan

Banking has an important role to play in building a better future for people and the environment and promoting growth in the real economy. Earnings provide us with the capital we need to invest in building healthy communities. Our financial plan is built upon the concept of sustainable growth where, in the long run, our asset growth and the return on average members' equity (ROME) are stable.

ROME is one of five organizational scorecard indicators for 2014. It measures how much profit we generate with every dollar of members' equity, and takes us beyond a focus on short-term profits to long-term value for members and communities.

We calculate ROME after taking into account taxes and the 30 per cent of net earnings we distribute to community and members. If we calculate ROME in 2014 before distribution to community and members, ROME would be significantly higher at 7.0 per cent.

Return on average members' equity

2014 target	**2014**	2013	2012	2011	2010
5.0%	**5.5%**	6.3%	6.0%	11.0%	11.8%

Certain comparative ratios have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements.

In 2010, Vancity registered its highest ROME in recent history—11.8 per cent. Since then market conditions have changed significantly. While we have experienced sustained asset growth of $3.7 billion (an increase of 25 per cent) since 2010, the yield on those assets has steadily declined. Our expenses have also increased as we made investments in critical projects such as branch renovations, and modernizing our core banking and loans origination systems.

Assets and liabilities (balance sheet)

Overall our financial results were strong despite the challenging economic environment. Total assets increased from $17.5 billion to $18.6 billion. We ended the year with a loan portfolio of $15.9 billion, 5.2 per cent higher than 2013. Total deposits increased 7.6 per cent to $16.4 billion, mainly in term deposits.

Growing our balance sheet enables us to increase lending to the real economy, helping to promote sustainable growth in our community and creating impact.

One of our goals is to maximize the percentage of loans we fund through members' deposits. This approach helps us build relationships with our members and connect the deposits we receive from them with the loans we make. In 2014, loan growth was almost entirely funded by the growth in member deposits.

Balance sheet highlights ($ millions)	**2014**	2013	Growth
Residential mortgages	**10,435.9**	9,908.5	527.4
Consumer (personal) loans	**815.8**	832.2	(16.4)
Commercial mortgages and loans (loans to businesses and organizations)	**4,632.4**	4,358.9	273.5
	15,884.1	15,099.6	784.5
Accrued interest receivable	**26.8**	26.3	0.5
Allowance for credit losses	**(60.7)**	(65.8)	5.1
Total loans and advances to members	**15,850.2**	15,060.1	790.1
Member deposits	**12,670.1**	11,886.8	783.3
Agent and wholesale deposits	**3,451.9**	3,083.5	368.4
Member shares	**112.8**	109.5	3.3
Accrued interest and dividends payable	**121.3**	115.4	5.9
Total deposits	**16,356.1**	15,195.2	1,160.9

Certain comparative figures have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements.

The value of members' loans increased by $784.5 million in 2014. This was a result of an active housing market, a low interest rate environment and programs like the Vancity Down Payment Helper Mortgage (page 31). Our residential mortgage portfolio has grown significantly in the past five years and accounts for around two-thirds of our loan portfolio.

Loans to business and organizations experienced slower growth in 2014, partly due to the economic environment. However, we continued to focus on financing organizations or projects that benefit the community. This does not mean that we take a higher level of risk or have lower credit quality standards in our lending portfolio. Our loan impairment expenses remained low. In fact we reduced our allowance for credit losses in 2014 by 7.7 per cent, including a one-time $4.5 million reduction in our collective provision for loan losses.

We believe that where, how and to whom Vancity extends credit is one of the tangible ways we can bring our commitment to building healthy communities to life. Risk appetite is the level of risk we are prepared to accept in pursuit of our vision. In 2014, we revised our credit risk appetite statements, made some improvements to credit practices and policies, and increased the collaboration between our centralized credit team and branch staff. In 2015, we will continue to identify ways to align our credit practices and policies with the differentiated member experience. We want members to have access to innovative credit solutions that meet their needs regardless of the size of the loan being funded.

Challenge

Increasing access to home ownership

Metro Vancouver and Victoria are among the most expensive places in Canada to buy a home and this key financial goal is increasingly slipping away from Vancity members.

As a values-based financial institution we realized we can help by looking at our lending policies, which give our employees some discretion to apply their judgment. Staff are given the time to build strong relationships with members, understand people's personal financial circumstances and make decisions based on the long-term risks and benefits for each member and for Vancity as a whole.

"In keeping with our commitment to financial inclusion, we want to extend credit judiciously wherever we can," says Ron Bennett, Vancity senior manager of credit quality and retail lending policy. "At the same time we need to be very careful not to put people into a position to fail, both for their own sake and for the long-term viability of our member-owned credit union."

This principled approach guided our thinking in developing the Vancity Down Payment Helper Mortgage. With this offer Vancity contributed up to half of members' five per cent down payment (maximum $12,500) so that first-time home buyers could meet their five per cent minimum down payment faster. The maximum mortgage amount was capped at $475,000, which means members could purchase a home worth up to $500,000.

"We gave people money to use for a down payment and then charged a slightly higher interest rate than normal on the mortgage so that they would pay that money back over the course of the five-year term," says Patty Hopper, Vancity mortgage development manager.

When the new mortgage was launched we received an enthusiastic response, but also criticism that our policies were encouraging irresponsible levels of debt. In anticipation of these concerns, Vancity had built in extra safeguards. These included comprehensive financial literacy programs and detailed analyses of applicants' cash flows to make sure they knew what they were getting into and could afford the repayments. Even so, regulators ruled that such mortgages could not be insured so we had to withdraw the offer.

Although we helped 55 first-time home buyers this way in 2014, the fundamental problem of our region's high house prices remains. There are no easy answers, but that doesn't mean Vancity is not trying.

"We're working on projects with the City of Vancouver to deliver affordable rental housing on city owned land," says Kira Gerwing, Vancity manager, community investment. "On the flip side we've got not-for-profits who own their own land and we're building relationships between them and developers to create affordable housing in joint ventures."

We will continue to develop partnerships with organizations who share our values and initiatives like the Vancity Down Payment Helper Mortgage will form an integral part of our efforts to create affordable housing for people on low and moderate incomes.

Demonstrating the benefits of values-based banking

While it's easy to measure and report financial performance, measuring the long term value we create for members and their communities is challenging, as the story on page 38 highlights. We've been exploring ways to measure member and community well-being, but we need to better connect outcomes with our activities. This is also a priority for the Global Alliance for Banking on Values (GABV), which is working with its members, including Vancity, to develop a "sustainable banking scorecard". The scorecard asks financial institutions to describe how they incorporate sustainable banking principles across their business, and to provide data on three key elements: financial viability, real economy focus and triple bottom line focus.

A key GABV metric being developed to demonstrate a triple bottom line focus is "triple bottom line assets to total assets", defined as the proportion of assets dedicated to meeting the needs of people, planet or prosperity. The majority of our assets is loans—they accounted for 85 per cent of our on-balance-sheet assets at the end of 2014. We already measure the proportion of business loans that has a positive impact on members and their communities, and we've begun work on a similar measure for residential mortgages.

As well, we measure triple bottom line treasury investments, which we call "treasury investments in impact". These totalled $107.4 million at the end of 2014, representing five per cent of that portfolio. One of our five strategic priorities in 2015 is to increase this amount while diversifying our balance sheet away from real-estate secured assets.

The GABV plans to publish scorecards for all its members in 2015 (see gabv.org for more details). In addition to this work, we're exploring approaches to measuring the social return on our investments, such as the value of providing affordable housing, or creating jobs.

Net earnings and efficiency ratio

The low-interest rate environment persisted throughout 2014. This had the effect of reducing our financial margin, which is the difference between the yield that we earn from our loans and the interest we pay on deposits. Net interest income was $347.1 million in 2014, $10.7 million higher than 2013. The increase in net interest income was driven by the increase in assets on our balance sheet of $1.0 billion.

We balance a desire for revenue diversification (less reliance on interest income) with acting in our members' best interests. As a result, our fee and commission income tends to be lower than our peers', but is still an important contributor to earnings. Net fee and commission income increased by 30.0 per cent in 2014 to $74.5 million, primarily due to higher credit card portfolio costs in 2013. Members redeemed more reward points in that year as we increased awareness and encouraged our members to redeem points to either pay down Visa card balances or make RRSP contributions. In addition, investment management fees were higher in 2014 as a result of growth in the assets we administer on behalf of members.

On the expense side, operating expenses increased 5.4 per cent to $332.8 million. Salary and employee benefits increased by $10.8 million due to higher pay awards for staff and increases in other costs such as pensions and medical benefits. In 2014, we completed the final phase of our loans origination system which has streamlined the loans process, enabling us to provide members with faster, better service. We also continued work on the renewal of our core banking system, in line with a Board-approved plan to implement a system that is simple, flexible and scalable.

Net earnings, Shared Success allocation and efficiency ratio

	2014 target	**2014**	2013	2012	2011	2010
Net earnings from operations before distribution and tax	$79.2	**$78.9**	$87.2	$87.6	$131.1	$138.9
Net earnings from operations	$54.6	**$54.6**	$57.9	$53.1	$90.7	$86.2
Allocation to members and communities (Shared Success)	30% of net earnings	**$16.4**	$18.3	$17.2	$27.2	$23.5
Efficiency ratio (lower is generally better)	≤78.5%	**81.3%**	79.1%	79.5%	68.7%	65.0%

Certain comparative figures have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements.

Revenue less operating expenses gives us net earnings from operations before distribution and tax. From this we pay our fair share of taxes. We also share what we earn with members and communities. Each year, we give back the equivalent of 30 per cent of our net earnings from operations through our Shared Success program. Based on earnings in 2014, we allocated $16.4 million to Shared Success. This was $1.9 million less than in 2013 as a result of lower net earnings. Of the $16.4 million, $8.7 million will go to the community through granting programs and $7.7 million will go to members in share dividends and rebates.

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. Despite careful management, our expenses increased by more than our revenue and so our efficiency ratio increased. Excluding distributions to the community, our efficiency ratio was 79.2 per cent.

Liquidity and capital

Liquidity supports our day-to-day operations through a diversified funding model that includes member deposits and wholesale funding sources. Our target was to hold 13 per cent of total deposits and debt liabilities (borrowings) in the form of liquid assets—those that can be converted quickly and economically into cash. This is significantly higher than the regulatory requirement of eight per cent.

As a result of a review of our fiscal framework and liquidity management policy, we decided to take steps towards reducing the operating target for liquidity from 13 per cent to 12 per cent over a period of time. This will allow more of our liquidity to be deployed into the real economy while still ensuring that we retain sufficient liquidity to meet the needs of our members. As part of this change, we also broadened our sources of funding by participating in a securitization transaction through Canada Mortgage and Housing Corporation's Canada Mortgage Bond program that raised $230 million. This strengthens our balance sheet by locking in funding for a full five year term.

Financial capital enhances our ability to support our members' needs through the availability of loan products. Capital adequacy measures our ability to absorb unexpected financial losses and acts as a control mechanism for growth. Our regulator has set a capital adequacy ratio of eight per cent of risk-weighted assets while our internal target is 13 per cent—a buffer that is more than 50 per cent higher than the regulatory requirement.

Liquidity and capital

	2014 target	**2014**	2013	2012	2011	2010
Liquidity ratio	13.0%	**13.4%**	13.0%	14.5%	16.7%	16.7%
Capital adequacy ratio	13.0%	**13.4%**	13.3%	12.7%	13.6%	13.9%

Certain comparative figures have been recast to adjust for an immaterial timing difference of recognized interest. See Note 1 to the summarized consolidated financial statements.

New co-op gets Langley seniors moving

Janice McTaggart, director of outreach and volunteer services at Langley Seniors Resource Society, is the brains behind a new initiative to improve transportation for seniors. The Bus Co-op, a collaboration between her society, the Langley Care Society and the Magnolia Gardens retirement home, is Canada's first transportation co-operative focused on serving the elderly.

The new co-op owns buses of different sizes and rents them to member agencies by the hour. Agencies buy a membership share and in return get access to buses that are maintained, insured and fueled by the co-operative.

"We did a business plan with Better Environmentally Sound Transportation (BEST) in the past but we were never able to get funding for it," says Janice. "So when Vancity made seed funding available for co-operative projects related to seniors it was a perfect match for us and we decided to apply."

Kate Dunford, Vancity community portfolio investment manager, worked with Janice and her Bus Co-op partners to get the project up and running and make best use of Vancity's $156,000 in grants and financing.

"The whole project is very co-operative, with lots of groups helping each other," Kate says. "We're hoping the Bus Co-op will be able to realize its original business plan and expand into Surrey and White Rock."

"We're looking to grow this thing," adds Janice. "We are unique in North America if not the world. Vancity was very helpful in providing the financial and business support we needed."

Employee capability and well-being

Talent management

Our employees are key to achieving our goals, being competitive in the market, being innovative, and differentiating Vancity from other financial institutions. We are focused on two core strategies—building a strong foundation for talent across the organization and developing our leaders. In 2014, we completed competency assessments for senior leaders, and we worked with managers to create development plans that included the leadership competencies we believe we need to achieve our strategy. These assessments also help us understand our people better so we can quickly move talent around and form cross-functional teams to support our strategic priorities. Around five per cent of staff either moved across the organization or signed up for additional opportunities to support various projects in 2014, including research to help better understand our culture, work on a differentiated member experience (page 19) and a project designed to reduce account opening times for members. In addition, we met our objective to staff 70 per cent of the Banking Applications Renewal program (page 21) with existing resources.

Our five-day orientation immersion program continued to provide employees with an experiential learning opportunity to connect our vision and business model with on-the-ground operations. By the end of 2014, three-fifths of employees had participated in orientation immersion. Visits to a branch and several community partners remained a popular part of the program.

In 2014, we began to explore new approaches to employee engagement. The annual surveys we've been running since 2001 were useful for measuring employee engagement and benchmarking ourselves against other organizations. We also used them to gather verbatim feedback from employees on what they thought needed to change. After 14 years of using the same tool, it is time for a change so that employees can be more engaged in the process and share ideas that will help us build healthy communities.

We decided to dig deeper into some of the recurring issues and our employees' day-to-day experience. We heard from more than 400 employees through in-depth individual interviews. The findings helped us better understand employees' experiences, the strengths of Vancity's culture, and also what might be holding us back. Vancity has a caring culture for our members, our community and each other. We learned that we have work to do to help employees be innovative, authentic and confident, and to speak up when they need to.

We shared and validated the findings with employees using a new online interactive tool. Thirty-six per cent of employees participated. The results validated our focus on developing leaders and ensuring our employees have both the skills we need and the opportunities to learn and grow with the organization. In 2015, we plan to further explore some of the ideas raised and to ask for feedback on a more frequent basis. We will also develop measures of employee well-being (rather than engagement) with a view to setting a target.

Compensation and performance management

We want to be informed and fair when setting base salary levels, and to provide additional financial rewards to employees who demonstrate excellence and contribute to our success. We're a living wage employer and we use external market data to inform compensation levels. We provide a profit-sharing program to reward employees' contribution to our success by returning a portion of the profits they help us realize each year. Employees in member services had a proportion of their profit share percentage determined by a "member services scorecard" in addition to the organizational scorecard. Other salaried employees had their profit share percentage determined by the organizational scorecard. We've provided details on the organizational scorecard on page 13. The member services scorecard includes targets for community impact loans, financial literacy, growth in deposits, investments and Visa cardholders, the average number of services per member, and the number of specific activities or products related to financial planning and advice.

Based on 2014 results, employee profit share based on the organizational scorecard was 7.0 per cent of eligible earnings.

We need to do more work to ensure that our compensation and performance measurement frameworks are aligned to our strategic objectives and our vision—in particular the differentiated member experience (page 19). Once we know we have the right measures and targets, we will align our compensation model.

Workforce diversity

A workforce that's representative of the communities where our members live and work allows us to deepen our connections and develop solutions that meet member and community needs. We continued to have strong representation of women and employees belonging to visible minority groups. Two percent of our employees self-disclosed as being of Aboriginal descent, and 42 per cent disclosed that they belong to a visible minority group. This is above the labour rates of 1.7 and 35.3 per cent respectively.

Percentage of employees who identified themselves as having a disability

2014 target	**2014**	2013	2012	2011	2010
4.5%	**10.4%**	3.1%	2.1%	1.7%	2.2%

New organizational scorecard indicator in 2013. In 2014 we changed how we track the percentage of employees with a disability, see page 23 of the consolidated accountability statements for details.

In 2014, our diversity strategy focused on eliminating barriers for people with disabilities. The highlight was holding conversations with more than 400 employees to build greater understanding of what disabilities include, what it means to live with a disability, and how important diversity is to our business model. We also invited employees to self-disclose whether or not they have a disability in a new tracking system. Slightly more than half of our employees chose to respond. Of these, 10.4 per cent identified themselves as having a disability compared with 3.1 per cent in 2013. We believe the significantly higher result in 2014 was an outcome of creating a safer culture in which people can talk about disabilities, as well as increased awareness.

In partnership with the BC Centre for Ability, we redesigned aspects of our recruitment process and strategy to ensure equitable access to job opportunities. One example was to offer individualized application support to job seekers with a disability. We proactively shared our strategy and progress for an inclusive workplace with other organizations, and we continued to build our knowledge and educate our staff on inclusive and welcoming language, disclosure, and accommodations in the workplace.

> "I didn't realize the term 'disability' included mental health disability."
> Vancity employee

New housing options for people with disabilities

Stacey Kohler has a job she loves, a close group of friends and a wide range of hobbies. She works four days per week in the food services and landscaping programs at Semiahmoo House Society. The big piece of Stacey's life that is missing is a place of her own.

Like many people with developmental disabilities in BC, Stacey has never had a lot of options when it comes to her living arrangements. She lives with her parents in a small condo in White Rock.

But things could change for her soon with the development by Semiahmoo of 71 homes on land adjacent to its main location on 24th Avenue in Surrey, with 20 units reserved for people with disabilities.

"It's so exciting, I get goose bumps every time I think about it," says Beryl Kohler, Stacey's mom. "Every parent wants their kids to be successful, to grow up, move out and live healthy and happy lives. We're no different. This new building will provide Stacey with the independence she wants, but also the safety and support she needs."

Doug Tennant, executive director at Semiahmoo, says that it's taken the support of Vancity to get the project off the ground.

"We look to do business with people that are aligned with our vision and our purpose and that's where Vancity is way ahead of any other financial institution I know of," says Doug.

Vancity's involvement in 2014 included a $20,000 grant for a business plan and feasibility study, a $200,000 pre-development loan, and a $1.35 million line of credit to cover expenses during construction. The White Rock community branch has also provided help with day-to-day banking services and the society's fundraising efforts.

Environmental sustainability

Environmental impact of our operations

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

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

To offset our 2013 emissions (4,549 tonnes) we purchased:

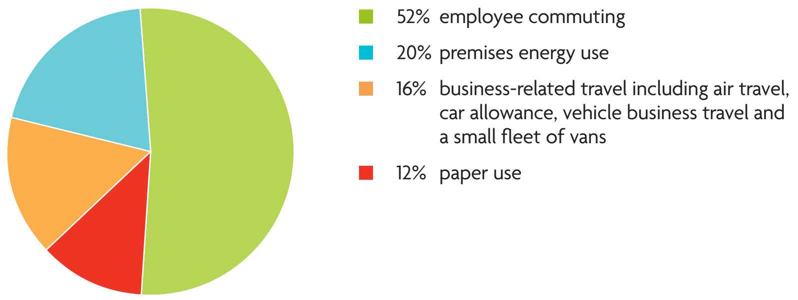
- 2,957 tonnes through the Great Bear Forest Carbon Project which generates emission reductions by protecting forest areas that were previously designated, sanctioned or approved for commercial logging.
- 1,592 tonnes through the Quik's Farm Biomass Fuel Switch project where biomass (wood waste) boilers were installed to heat a commercial greenhouse, where they reduced the natural gas boilers usage and eliminated the burning of coal.

Greenhouse gas emissions (tonnes)

2014 target	**2014**	2013	2012	2011	2010	2007 base year
≤5,100	**4,480**	4,549	5,091	4,931	4,783	5,241

The percentage of employees making trips to and from work using sustainable modes of transportation (anything except driving alone) decreased slightly from 56 per cent in 2013 to 54 per cent.

Vancity's emissions by source



Greenhouse gas emissions from employees driving alone to and from work contribute the most to our carbon footprint and remain a focus area. This is why we continue to support and promote events like Green Your Commute Month, Bike to Work Week and Commuter Challenge. We offer a 20 per cent taxable reimbursement on monthly transit passes, and our Guaranteed Ride Home program provides a free or subsidized ride home in the instance of a family emergency or employee illness during work hours. At Vancity Centre we have dedicated parking spots for car poolers and employees who drive electric vehicles.

Paper use remained stable, while total energy use at Vancity premises decreased by seven per cent. Energy use per employee has been steadily decreasing since 2010. In 2014, SES Consulting, a Vancity member, helped us manage the heat recovery system project at Vancity Centre. The system captures the waste heat from the computer server room and uses it to heat the building. We expect this to reduce our greenhouse gas emissions by 217 tonnes per year with an annual utility savings of approximately $50,000. This project along with our ongoing efforts to reduce our emissions from energy use resulted in Vancity once again being awarded the Power Smart Leadership Excellence Award.

Based on what we've learned about key behaviours that contribute to our greenhouse gas emissions, particularly around paper use and employee commuting, we are developing a long-term strategy to manage our emissions.

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

2014 target	**2014**	2013	2012	2011	2010
80%	**82%**	83%	82%	75%	79%

The total weight of materials collected from Vancity Centre decreased by nine per cent, and the percentage of materials recycled or diverted from the landfill remained steady. We added eight more branches to our net zero waste pilot program. We now have 15 branches that are net zero waste. Net zero waste means no waste is taken to the landfill. The little waste that we do have is taken to an energy plant and burned to generate energy. Our compost is taken to an organics management company and turned into rich soil.

Our sponsorship of 19 zero-waste events including the Pacific National Exhibition—or PNE—resulted in more than 14,000 lbs of organic waste being composted and mixed containers being recycled. Overall, 89% of waste was diverted away from the landfill.

Encouraging others to act

Minimizing the impact of our own operations is important, but we can bring about more change by raising awareness of environmental issues through communication, education and advice, and products that encourage individuals to reduce their carbon footprint. We also invest in green businesses and sectors.

Buildings account for around 30 per cent of greenhouse gas emissions in Metro Vancouver. In 2014, we financed 901,105 square feet of green buildings compared with 887,363 last year. These real estate loans primarily funded new commercial or residential buildings that exceed current environmental standards, such as LEED or Built Green. Additional loans funded upgrades to make older buildings more energy efficient.

We continue to provide green products, such as clean-air auto loans and energy efficient home renovation loans at preferential interest rates. And we provided organizations with more than 170 loans or grants that support environmental sustainability. It's a challenge to achieve widespread uptake of these kind of products, and we are finalizing plans that should extend the reach of our green lending programs.

Challenge

Measuring our contribution to healthy communities

How do we know that our efforts to build healthy communities are actually making a difference? What things do we need to measure to get a clear picture of our influence and what are the challenges in doing so? According to Andrea Harris, Vancity director of member and community insights, there is an important distinction to be made between outputs and outcomes.

"What we often defer to is measuring outputs, like how many loans we've funded or the number of financial literacy workshops we run, which are relatively easy to measure," she says. "What we're really trying to do is measure the outcomes of these actions, like increased social justice or more financial inclusion. This is much more difficult."

One reason for the difficulty is that it can be extremely hard to attribute outcomes to specific Vancity initiatives. Another is that this type of work is so new.

"Financial indicators have been around for centuries and have clear standards about how you measure them," Andrea adds. "But when it comes to measuring an organization's impact on the community it's still early days."

Andrea points out that we shouldn't overcomplicate the process of measurement so that it uses up a disproportionate amount of resources or becomes too onerous on our members. She also cautions against placing too much significance on the numbers without taking into account their wider context.

Work is progressing in this area, particularly with the Global Alliance for Banking on Values (GABV) plans to release sustainable banking scorecards for all GABV members, including Vancity, in 2015 (see page 32). But there is still a long way to go for financial institutions like ours when it comes to accurately measuring our influence.

Transparent and inclusive governance

Board of Directors

The Board recognizes the important role that governance plays. It believes that members who see Vancity building value in their communities and who feel their needs are well served by us are more likely to trust and participate in their credit union. The election of our Board of Directors by members is an important component of democratic governance. The Board takes into account regulatory requirements for governance—such as the recommendation process of qualified candidates—and feedback from members to establish a fair and transparent election process.

We want a diverse Board with deep connections to the local community. In addition to strategic ability and business acumen, for the 2014 elections we stated a preference for a commitment to co-operative values, an ability to lead change and enable innovation, and an understanding of new technology and youth. Our Nominations and Election Committee, which included two Directors and four members-at-large, recommended five of 16 potential Board candidates.

Members could vote for their choice of up to three candidates. Based on member feedback, rather than put recommended candidates first, they appeared in random order in the Election Bulletin and on the ballot. A total of 21,312 members (5.3 per cent of eligible members) voted in the Board of Director elections. This was similar to the prior year, when 21,268 members voted (5.5 per cent). The three elected candidates were all recommended.

Our nine-member Board of Directors included six women in 2014. Three of our Board Directors in 2014 were aged 50 or below, compared with one in 2013.

Innovation and engagement

In 2014, to help encourage innovation, we introduced a new decision-making structure at the senior leadership level including three committees to oversee new ideas, progress on strategic priorities, and to manage the associated risk. In addition, we developed a process to enable us to quickly move talent around and form cross-functional teams to support our strategic priorities (page 11), and we hosted our first online "innovation jam" with employees. Ideas ranged from building financial literacy to rethinking volunteerism and enhancing our youth internship program.

Key to innovation is a deep understanding of members and community. What we heard through our Surrey community advisory committee influenced our 2015 plan to increase our presence in the small business market there. We also understand that connecting with youth and renewing our aging membership will be key to our continued growth and success, which is why we have a youth advisory committee and strategic partnerships with youth-focused organizations.

A new way we engaged at community events and online in 2014 was through the Good Money talks. Board Directors and employees invited people to talk about what banking means to them, key topics like affordable housing, and questions like "who's profiting from your deposits?" In this way, we could explain our approach to values-based banking and help people better understand how where they bank can make a difference to their communities. We've included some quotes from these talks throughout this report.

In addition to these examples, we used a variety of approaches to gather feedback, discuss issues and collaborate with members, employees, peers, community groups and thought-leaders in 2014. We conducted a number of studies on topical issues such as fraud and food security which helped raise awareness of the issues through significant media attention. Many of our employees, leaders and Board Directors meet regularly with members and community though their day to day work, at community events or through volunteering. For a list of ways we engage, see page 35 of the consolidated accountability statements.

Towards the end of 2014, we introduced the first part of a "future-proofing strategy" by setting up a trend watchers group. This is a group of employees tasked with identifying the key socioeconomic and technology trends that are likely to impact Vancity in the coming years. Future-proofing (anticipating and understanding emerging and future trends and adapting accordingly) is a strategic priority for 2015 and beyond.

Senior management and CEO compensation

In 2014, senior leaders (members of the executive leadership team, vice presidents, and directors) received a base salary and cash incentives that recognized progress made on the five organizational scorecard targets as well as individual accountabilities.

In addition, Vancity's President and CEO Tamara Vrooman 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.

In keeping with our commitment to being transparent with our members and a new requirement from the provincial regulator, we are disclosing our CEO's salary this year alongside BC's other credit unions. Vancity's CEO compensation package includes:

Base Salary	$ 440,585
Short Term Incentive (*paid in 2015 for 2014 fiscal year performance)	257,081
Long Term Incentive (*estimated annualized award for 2014 performance)	308,410
Total	$ 1,006,076

Our President and CEO's salary is reviewed every few years by the Board. The process includes assessing compensation levels at the 50th percentile of a comparator group of peer companies of similar size, scope, and complexity. A study by Central 1 recently found that BC's credit union CEOs, including Vancity's, make less than their counterparts in BC's businesses, positions of similar scope at the big five banks, and the CEOs of the big five banks.

In 2014, total annual compensation for our President and CEO was 28 times that of our lowest-paid, full-time employee. The ratio of our CEO's pay to median employee pay was 16:1. According to a study by Meridian Compensation Partners the ratio of CEO pay to median employee pay at large Canadian banks was 135:1 in 2012 (the latest data available).

Plans and targets

2015-2017 strategic priorities

Our strategic priorities reflect our commitment to our vision and the transformation that's required to redefine wealth at a time when the disconnect between financial wealth, and social and environmental well-being, is growing. We need to make sure we're well-positioned to respond to changes in the economy and members' communities to provide value and build healthy communities in ways that our members expect. At the same time, we must deliver quality financial services and advice in a highly competitive environment and continue with the renewal of our core banking system. This requires a significant amount of resources and remains a key priority as we help build the technology capability we need.

Our five strategic priorities focus on three key themes:

Innovation. We need to innovate to diversify our balance sheet growth away from margin-based (interest) income and dependence on residential real estate.

- Establish leadership in the small and medium-sized enterprise market in Surrey, BC.
- Build a values-based investment portfolio for Vancity so we earn a greater return on our assets in service of the real economy (page 32).
- Implement a strategy to ensure we understand emerging and future trends beyond banking and how they'll impact our members and communities.

Banking applications renewal (BAR). Through the BAR program, we will drive internal efficiencies that will help us achieve a significant lift in productivity and agility.

- Simplify the way work gets done so there's one consistent process for basic banking transactions and staff will have more time to discuss members' financial health and explore innovative ways to build healthier communities.

Talent management. We need to transform the way we work to ensure we mobilize the insights and momentum of our people to bring our vision to life.

- Embed the differentiated member experience (page 19) into our daily practice through our leadership, talent, and credit policies and practices.

With the exception of the renewal of our core banking system (BAR program), we expect to make minimal incremental strategic investments and rely on the redeployment of existing resources to support our strategic priorities. We project the total program spend for our core banking system over the next two years to be $65.8 million.

Organizational targets for 2015

The following targets describe how we will grow our membership and build the confidence of our members, community partners and stakeholders that values-based banking is a viable alternative to conventional banking. Progress made on these targets will directly influence senior management's incentive plans and the amount of profit we share with employees. These targets were set based on data from September 2014, and take into account the challenging operating context and our understanding of the real economy at that time.

- More than 50 per cent of members surveyed strongly agree that Vancity's contribution to the community has a positive effect on their well-being (2014 result—51.4 per cent)
- The percentage of community impact loans funded as a percentage of total commercial and business loans is at least 45 per cent (2014 result—44.1 per cent)
- Attract 30,000 new members (2014 result—26,558)
- Return on average members' equity is 4.25 per cent (2014 result—5.53 per cent), including our distribution to community and members
- Employees who self-declare they have a disability represent more than the labour rate of 5.8 per cent (2014 result—10.4 per cent)
- Develop a measure for employee well-being

Supporting management targets for 2015

- Treasury investments in impact total $128.9 million—a 20 per cent increase (2014 result—$107.4 million)
- Assist 11,000 people with financial literacy (2014 result—14,775)
- Develop a target for the trusted advisor score (2014 result—8.9 out of 10)
- Net earnings from operations before distribution and tax are $61.0 million (2014 result—$78.9 million)
- Net earnings from operations are $43.0 million (2014 result—$54.6 million)
- Liquidity ratio is at least 12 per cent (2014 result—13 per cent)
- Capital adequacy ratio is 13 per cent (2014 result—13 per cent)
- Efficiency ratio after distribution to members and community is 83 per cent or less (2014 result—81 per cent)
- Meet living wage employer requirements
- Hold 12 living wage campaign information sessions to encourage other employers to become living wage employers
- Greenhouse gas emissions are 4,500 tonnes or less (2014 result—4,480 tonnes)
- Be carbon neutral
- 80 per cent of waste is diverted from the landfill or recycled at Vancity Centre (2014 result—82 per cent)

For more information on our plans and targets, read our 2015-2017 Three Year Plan. It includes the economic outlook, the outcomes we expect, the key risks we need to understand, what we plan to do to achieve these outcomes, and a resource allocation plan.

Section four

Summarized statements and other information

About this report

Determining content

Our annual reports reflect how we engage with members and communities, and the ways we integrate social, environmental, economic and financial factors into all aspects of our business. The choice of topics and data discussed in this report and our consolidated accountability statements was informed by our vision and business strategy, as well as discussions with Board Directors and the executive leadership team. We also considered the outcomes of research, focus groups with members and employees, and a panel facilitated by Ceres. The panel comprised experts in sustainable business practices, financial services and co-operatives. In addition we incorporated relevant guidance from reporting standards and frameworks, including guidance specific to the financial services industry.

We heard that our 2013 report overall addressed the issues that our members and other stakeholders care about most. In response to the feedback we received, we continued to include challenges and added more information on our plans throughout the report. We also decided to make the report more accessible to employees and members by printing a limited numbers of copies instead of just having the report available online. Some members wanted to see more performance comparisons with other financial institutions, greater disclosure on compensation, and stories that were more representative of Vancity's varied geographic and demographic member-base. We have responded to this feedback in this report, although identifying meaningful performance comparisons remains a challenge.

Feedback from the panel of experts in particular led us to reframe our material topics. To help, we surveyed almost 900 members to understand their expectations of Vancity when it comes to community issues. The top five areas members felt we should focus on, regardless of geography or age, are: financial literacy, living wage, access to basic financial services, affordable housing, and local economic development.

Material topics

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

Reporting standards and frameworks

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 engaging with members, community and values-based banking partners to inform strategy and decision-making. We adhere to the following AA1000 Principles:

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

Vancity was a member of the International Integrated Reporting Council pilot program on integrated reporting (2011-2014) and this report has been influenced by the International Integrated Reporting Framework.

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

Supplementary information

To supplement this annual report we publish consolidated accountability statements. They contain our management approach to material topics, data tables, explanations and notes, as well as the GRI content index.

More information is also available in the consolidated financial statements, greenhouse gas handbook and inventory report and the glossary.

External audit

External assurance provides management, members and other users of the report with confidence that the key information is complete, accurate and balanced. It also drives improvements and innovation in our management and reporting practices. The accountability data and information we selected to be verified relates to our 2014 key targets and results, including those on our organizational scorecard.

We use one firm to both provide assurance over key accountability information and principles and to audit our financial statements. This deepens our understanding of the connections between financial, social, environmental and governance performance and impact.

KPMG's independent assurance report

Our conclusions	Where to find the assured information in the Annual Report:
a) In our opinion, the description of Vancity's adherence to the principles of inclusivity, materiality and responsiveness in the AA1000 AccountAbility Principles Standard (2008) for the year ended December 31, 2014 is fairly stated in all material respects.	'About this report' on pages 43-44
b) In our opinion, the Report presents fairly, in all material respects: • Vancity's progress on organizational targets and results for the year ended December 31, 2014 in accordance with criteria internally developed by management; • Vancity's GHG emissions for the year ended December 31, 2014 calculated in accordance with criteria internally developed by management and with ISO 14064 – Part 1; and, • The 2014 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2013.	Organizational targets and results (impact, integrity and confidence) on pages 13-14, and GHG emissions and Vancity's carbon neutral status on page 17
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, 2014, have not been prepared and presented, in all material respects, in accordance with criteria internally developed by management.	Supporting management targets and results on pages 15-17

To the members of Vancouver City Savings Credit Union

We have been engaged by the management of Vancouver City Savings Credit Union (Vancity) to provide assurance on certain aspects of Vancity's Annual Report, in respect of the year ended December 31, 2014 (the Report), as described below:

a) Reasonable assurance on Vancity's description in the section "About this report" on pages 43-44 of the Report of its adherence to the following principles set out in the AA1000 AccountAbility Principles Standard (2008) (the AccountAbility Principles):

- *Inclusivity:* the organization accepts its accountability to those on whom it has an impact and who have an impact on it and enables the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability;
- *Materiality:* determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organization and its stakeholders;
- *Responsiveness:* an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions and performance, as well as communication with stakeholders;

b) Reasonable assurance on:

- The fair presentation of Vancity's progress on organizational targets and results, presented under the headings "impact", "confidence" and "integrity" on pages 13-14 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, 2014 in accordance with criteria internally developed by management and with ISO 14064-part 1;
- The fair presentation of Vancity's 2014 purchase of offsets in accordance with criteria internally developed by management to fulfill Vancity's carbon neutral assertion for the year ended December 31, 2013;

c) Limited assurance on the fair presentation of Vancity's progress on supporting management targets and results on pages 15-17 of the Report, prepared in accordance with criteria internally developed by management.

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 available in the 2014 Annual Report glossary, the consolidated accountability statements, and the 2014 GHG handbook and inventory report available online. Management has chosen to prepare the Report in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. Information on management's internal reporting criteria can be found in the section 'About this report' on pages 43-44 of the Report.

Our responsibility

Our responsibility is to perform an assurance engagement, as described above, and to express conclusions based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 *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 ethical requirements, including independence requirements.

We have not been engaged in respect of, and our conclusion does not cover any periods prior to the year ended December 31, 2014.

Level of assurance (limited vs. reasonable)

We were engaged to perform an assurance engagement at either a reasonable or limited level according to the subject matter being assured. The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than that for a reasonable assurance engagement and therefore a lower level of assurance is obtained.

Limited assurance procedures consist primarily of inquiries and applying analytical procedures to the subject matter, as appropriate. In addition to inquiries and analytical procedures, reasonable assurance procedures could include testing the design and operation of internal controls, obtaining third party or supporting evidence, and performing recalculations.

Assurance approach

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

- Interviews with senior management, including the Executive Leadership Team and the Board of Directors, and relevant staff at the corporate and branch levels to gain an understanding of the process for determining the material issues for Vancity's key stakeholder groups, the development of Vancity's accountability strategy, and the implementation of accountability policies across the business;
- Obtaining supporting evidence relating to representations made by interviewees and reviewing key organizational documents concerning accountability at Vancity including strategy documents, formalized policies and procedures, and Board reporting;
- Attendance at member, employee and sustainability reporting expert focus groups pertaining to accountability and reporting at Vancity;
- Inquiries with relevant staff at the corporate and branch levels to understand the data collection and reporting processes for the targets and results;
- Performing walkthroughs to test the design, and where applicable the operating effectiveness, of internal controls relating to the collection and reporting of data measuring Vancity's progress on the targets and results;
- Comparing the reported data for the targets and results, including greenhouse gas emissions and carbon offsets, to underlying data sources, including third-party evidence;
- Evaluation of key assumptions and, where appropriate, re-performance of calculations; and
- Reviewing the targets and results presented in the Report to determine whether reported progress is consistent with our overall knowledge of, and experience with the social, environmental and economic performance of Vancity.

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 2014 Annual Report glossary, the consolidated accountability statements, and the 2014 GHG handbook and inventory report available online.

Independence and competence

In conducting our engagement we have complied with the independence and other ethical requirements of the International Federation of Accountants' Code of Ethics for Professional 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.

KPMG LLP

Chartered Accountants
Vancouver, Canada
April 9, 2015

Key accountability data

The following table summarizes key accountability data for the past five years, where available. It includes organizational scorecard measures and additional data of most importance to our business strategy and to our members. The **bold** indicates that 2014 data for these measures was verified by KPMG.

Impact	Unit	2014	2013	2012	2011	2010
Members surveyed who strongly agree (9 or 10 of 10) Vancity's contribution to the community has a positive effect on their well-being	%	**51.4**	51.2	50.2	n/a	n/a
Trusted advisor score (out of 10)[1]	#	**8.9**	n/a	n/a	n/a	n/a
Member likelihood to recommend score[2]	%	50	45	46	n/a	n/a
Member service centre satisfaction score	%	81	81	80	78	75
People assisted with financial literacy	#	**14,775**	10,456	5,870	n/a	n/a
Value of community impact loans approved and funded as a percentage of total business and commercial loans[3]	%	**44.1**	50.7	34.7	35.5	n/a
Value of treasury investments in impact (millions)	$	**107.4**	71.2	34.5	6.7	n/a
Community grants approved plus community impact loans approved and funded[4] (millions)	$	386.9	474.8	403.3	365.5	n/a
Units of affordable housing funded	#	737	786	619	n/a	n/a
Square feet of green buildings funded	ft^2	901,105	887,363	555,519	n/a	n/a
Locally based suppliers	%	78	78	76	76	77
Net new socially responsible investments administered by Vancity on behalf of members or clients as a percentage of total investments	%	26.0	14.6	18.3	23.2	31.2

Confidence	Unit	2014	2013	2012	2011	2010
New members joining Vancity[5]	#	**26,558**	25,903	25,766	n/a	n/a
Net change in number of members	#	8,059	(19,471)[6]	5,632	1,784	n/a
Total number of members[7]	#	509,008	500,949	520,420	514,788	513,004
Return on average members' equity[8]	%	**5.5**	6.3	6.0	11.0	11.8
Liquidity ratio[8]	%	**13.4**	13.0	14.5	16.7	16.7
Capital adequacy ratio[8]	%	**13.4**	13.3	12.7	13.6	13.9
Net earnings from operations before distribution and tax[8] **(millions)**	$	**78.9**	87.2	87.6	131.1	138.9
Net earnings from operations[8] **(millions)**	$	**54.6**	57.9	53.1	90.7	86.2
Shared Success allocation to members and communities (millions)	$	16.4	18.3	17.2	27.2	23.5
Efficiency ratio[8] (lower is generally better)	%	**81.3**	79.1	79.5	68.7	65.0
Return on average assets[8]	%	0.3	0.3	0.3	0.6	0.6
Net interest margin (net interest income as a per cent of average interest earning assets)[8]	%	1.9	2.0	2.2	2.3	2.4
Net interest income as a percentage of operating revenue[8]	%	82.2	82.0	83.3	82.5	80.9
Gross impaired loans as a percentage of total loans	%	0.1	0.1	0.1	0.2	0.6
Allowance for credit losses as a percentage of total loans	%	0.4	0.4	0.5	0.6	0.8
Loan growth funded by growth in member deposits	%	99.8	108.2	39.9	64.3	30.8

Integrity	Unit	2014	2013	2012	2011	2010
Number of employees	#	2,539	2,483	2,544	2,459	2,397
Voluntary turnover rate	%	7	5	5	6	6
Senior managers who are women	%	43	42	44	41	37
Executive leadership team members who are women	#	6 of 9	5 of 8	4 of 7	6 of 9	5 of 9
Employees who self declare they have a disability[9]	%	**10.4**	3.1	2.1	1.7	2.2
Total greenhouse gas emissions	t	**4,480**	4,549	5,091	4,931	4,783
Materials recycled or diverted from landfill	%	**82**	83	82	75	79
Eligible members who voted in Board elections	%	5.3	5.5	4.8	5.1	4.2
Board Directors who are women	%	67	56	56	67	67
Ratio of total annual compensation of Vancity's President and CEO to lowest-paid permanent employee	#	28	28	27	30	n/a
Existing strategic suppliers and treasury relationships assessed in accordance with the Ethical Principles	%	100	100	73	82	n/a
Substantiated reports of privacy breaches	#	16	16	5	9	6
Substantiated incidents of employee fraud	#	3	3	4	4	5

n/a = data not available.

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

[2] In 2014 we changed the data source for the 'Likelihood to recommend' score. See page 6 of the consolidated accountability statements for details.

[3] We changed our methodology in 2014 to calculate community impact loans based on dollars approved and funded during the year. In past years, the measure was based on dollars approved during the year regardless of whether they were funded. If we apply the same methodology in 2014 as in past years, the result would be 46.7%. To avoid double counting, we have not recalculated data for past years.

[4] Per note 3, we changed our methodology for calculating community impact loans in 2014. If we apply the same methodology in 2014 as in past years, the result for this indicator would be $432.3 million.

[5] For details on how this indicator is calculated, including prior year restatements, see page 19 of the consolidated accountability statements.

[6] In 2013 we closed more than 23,000 dormant accounts.

[7] For details on how we count members see page 18 of the consolidated accountability statements.

[8] Certain comparative figures have been recast to adjust for an immaterial timing difference of recognized interest expense. See Note 1 to the summarized consolidated financial statements on page 52.

[9] We changed the way we track the percentage of employees with a disability from an employee survey in 2013 to a Human Resources Information System in 2014. See page 25 of the consolidated accountability statements for details.

KPMG's independent auditor's report

To the Members

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, 2014, and the summarized consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended are derived from the audited consolidated financial statements of Vancity, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 3, 2015.

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, 2014 are a fair summary of those audited consolidated financial statements, on the basis described in Note 1.

KPMG LLP

Chartered Accountants
Vancouver, Canada
April 9, 2015

Summarized consolidated financial statements

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

($ thousands)	**2014**	2013
Assets		
Cash and cash equivalents	**$ 195,646**	$ 97,656
Interest bearing deposits with financial institutions	**1,212,127**	1,166,457
Financial investments	**1,081,584**	1,020,340
Derivative assets	**5,649**	4,420
Loans and advances to members	**15,850,178**	15,060,088
Current tax assets	**15,131**	3,749
Premises and equipment	**86,813**	96,497
Intangible assets	**38,166**	31,148
Land held for development	**14,555**	13,676
Deferred tax assets	**33,289**	32,825
Other assets	**26,607**	21,887
Total assets	**$ 18,559,745**	$ 17,548,743
Liabilities and Equity		
Deposits from members	**$ 16,356,082**	$ 15,195,160
Derivative liabilities	**4,558**	11,003
Borrowings	**680,703**	1,126,129
Secured borrowings	**230,715**	–
Accounts payable and accrued liabilities	**217,588**	204,786
Retirement benefit obligation	**45,326**	51,369
Other liabilities	**5,188**	7,214
Total liabilities	**17,540,160**	16,595,661
Members' equity:		
Capital and reserves attributable to members:		
Contributed surplus	**29,275**	29,275
Retained earnings	**992,244**	937,642
Accumulated other comprehensive income (loss)	**(2,270)**	(12,524)
Total members' equity	**1,019,249**	954,393
Non-controlling interest	**336**	(1,311)
Total liabilities and equity	**$ 18,559,745**	$ 17,548,743

Consolidated statement of income for the years ended December 31

($ thousands)	**2014**	2013
Interest income	**$ 607,306**	$ 599,070
Interest expense	**260,244**	262,670
Net interest income	**347,062**	336,400
Loan impairment expense	**10,406**	7,088
Fee and commission income	**115,719**	99,444
Fee and commission expense	**41,234**	42,142
Net fee and commission income	**74,485**	57,302
Net gains (losses) on financial instruments	**(887)**	15,430
Other income	**1,398**	871
Total operating income	**411,652**	402,915
Operating expenses:		
Salary and employee benefits	**199,969**	189,136
Occupancy and equipment	**47,554**	48,167
General and administrative	**85,246**	78,401
	332,769	315,704
Net income before distribution and tax	**78,883**	87,211
Distribution to community and members	**17,358**	19,526
Net income before tax	**61,525**	67,685
Income tax expense	**5,396**	10,832
Net income	**56,129**	56,853
Attributable to non-controlling interest	**(1,527)**	1,070
Net income attributable to members	**$ 54,602**	$ 57,923

Consolidated statement of comprehensive income for the years ended December 31

($ thousands)	**2014**	2013
Net income attributable to members	**$ 54,602**	$ 57,923
Other comprehensive income (loss) for the year that was or may be reclassified to the consolidated statement of income, net of tax:		
Net gains on available-for-sale financial instruments:		
Unrealized gains arising during the year, net of tax expense of $15 (2013 – tax expense of $75)	**86**	553
Reclassification of realized (gains) losses to the consolidated statement of income, net of tax expense of $35 (2013 – tax expense of $1,200)	**(156)**	(5,778)
	(70)	(5,225)
Cash flow hedges:		
Effective portion of changes in fair value, net of tax of $1,034 (2013 – $543)	**1,614**	2,423
Reclassification of losses to the consolidated statement of income, net of tax recovery of $296 (2013 – tax recovery $169)	**592**	1,287
	2,206	3,710
Actuarial gain (loss) on defined benefit pension plans that will never be reclassified to the consolidated statement of income, net of tax expense of $1,977 (2013 – tax expense of $2,109)	**8,118**	10,343
Other comprehensive income for the year	**10,254**	8,828
Comprehensive income attributable to members	**$ 64,856**	$ 66,751

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

		Accumulated other comprehensive income (loss)						
($ thousands)	Contributed surplus	Hedging reserve	Fair value reserve	Employee benefits	Retained earnings	Equity attributable to member	Non-controlling interest	Total equity
Balance at January 1, 2014	**$ 29,275**	**$ (4,717)**	**$ 666**	**$ (8,473)**	**$ 937,642**	**$ 954,393**	**$ (1,311)**	**$ 953,082**
Increase in partnership share	–	–	–	–	–	–	**120**	**120**
Net income	–	–	–	–	**54,602**	**54,602**	**1,527**	**56,129**
Other comprehensive income (loss) for the year, net of tax:								
Net gains on available-for-sale financial assets	–	–	**(70)**	–	–	**(70)**	–	**(70)**
Cash flow hedges	–	**2,206**	–	–	–	**2,206**	–	**2,206**
Actuarial gain on defined benefit pension plan	–	–	–	**8,118**	–	**8,118**	–	**8,118**
Other comprehensive income (loss) for the year	–	**2,206**	**(70)**	**8,118**	–	**10,254**	–	**10,254**
Total comprehensive income (loss) for the year	–	**2,206**	**(70)**	**8,118**	**54,602**	**64,856**	**1,527**	**66,383**
Balance at December 31, 2014	**$ 29,275**	**$ (2,511)**	**$ 596**	**$ (355)**	**$ 992,244**	**$ 1,019,249**	**$ 336**	**$ 1,019,585**
Balance at January 1, 2013	$ 29,275	$ (8,427)	$ 5,891	$ (18,816)	$ 879,719	$ 887,642	$ (241)	$ 887,401
Net income	–	–	–	–	57,923	57,923	(1,070)	56,853
Other comprehensive income (loss) for the year, net of tax:								
Net gains on available-for-sale financial assets	–	–	(5,225)	–	–	(5,225)	–	(5,225)
Cash flow hedges	–	3,710	–	–	–	3,710	–	3,710
Actuarial gain on defined benefit pension plan	–	–	–	10,343	–	10,343	–	10,343
Other comprehensive income (loss) for the year	–	3,710	(5,225)	10,343	–	8,828	–	8,828
Total comprehensive income (loss) for the year	–	3,710	(5,225)	10,343	57,923	66,751	(1,070)	65,681
Balance at December 31, 2013	$ 29,275	$ (4,717)	$ 666	$ (8,473)	$ 937,642	$ 954,393	$ (1,311)	$ 953,082

Consolidated statement of cash flows for the years ended December 31

($ thousands)	**2014**	2013
Cash flow from operating activities:		
Net income	**$ 56,129**	$ 56,853
Adjustments for:		
Loan impairment expense	**10,406**	7,088
Amortization, depreciation and impairment	**19,422**	21,484
Net interest income	**(347,063)**	(336,400)
Net gains on financial instruments	**887**	(15,430)
Income tax expense	**5,396**	10,832
Changes in other non-cash operating items	**–**	(3,900)
	(254,823)	(259,473)
Change in derivative instruments	**(7,674)**	(5,063)
Change in interest bearing deposits with financial institutions	**(45,670)**	645,373
Change in loans and advances to members	**(800,036)**	(694,576)
Change in other assets	**(5,599)**	(1,197)
Change in deposits from members	**1,155,010**	544,758
Change in accounts payable and accrued liabilities	**12,802**	1,194
Change in retirement benefits and other liabilities	**3,153**	1,347
	57,163	232,363
Interest received	**607,346**	606,191
Interest paid	**(254,595)**	(248,485)
Income taxes paid	**(20,659)**	(7,041)
Net cash generated from operating activities	**389,255**	583,028
Cash flows from investing activities:		
Change in financial assets	**(60,181)**	(526,491)
Purchase of premises and equipment	**(9,062)**	(14,284)
Proceeds from sale of premises and equipment	**2,294**	1
Purchase of intangibles	**(9,988)**	(1,796)
Net cash used in investing activities	**(76,937)**	(542,570)
Cash flows from financing activities:		
Shares redeemed	**–**	(2,061)
Increase in partnership share	**120**	–
Increase in secured borrowings (repayment)	**230,518**	(34,136)
Change in wholesale borrowings	**(444,966)**	(71,935)
Net cash used in financing activities	**(214,328)**	(108,132)
Net increase (decrease) in cash and cash equivalents	**97,990**	(67,674)
Cash and cash equivalents at the beginning of the year	**97,656**	165,330
Cash and cash equivalents at the end of the year	**$ 195,646**	$ 97,656
Cash and cash equivalents consists of:		
Cash and deposits held with Central 1 and other banks	**$ 168,386**	$ 73,654
Cheques and other items in transit	**19,152**	14,316
Restricted cash	**8,108**	9,686
	$ 195,646	$ 97,656

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, 2014. The January 1, 2013 and December 31, 2013 summarized consolidated financial statements were recast to adjust for an immaterial timing difference of recognized interest expense.

Those audited consolidated financial statements were approved by the Board of Directors on March 3, 2015 and are located on Vancity's website.

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

Community branches*

Abbotsford

Abbotsford community branch
Branch 34
32675 South Fraser Way

Burnaby

Brentwood community branch
Branch 43
106 - 1901 Rosser Avenue

Burnaby Heights community branch
Branch 06
4302 Hastings Street

North Road community branch
Branch 16
3977 North Road

Royal Oak community branch
Branch 59
6632 Royal Oak Avenue

South Burnaby community branch
Branch 17
5064 Kingsway

South Slope community branch
Branch 56
7384 Market Crossing

Chilliwack

Chilliwack community branch
Branch 31
45617 Luckakuck Way

Coquitlam

Maillardville community branch
Branch 51
1025 Brunette Avenue

Pinetree community branch
Branch 18
20 - 2991 Lougheed Highway

Delta

North Delta community branch
Branch 19
7211 - 120th Street

Tsawwassen community branch
Branch 58
Unit D - 1215 56 Street

Langley

Langley community branch
Branch 23
100 - 20055 Willowbrook Drive

Walnut Grove community branch
Branch 54
E103 - 20159 88th Avenue

Maple Ridge

Maple Ridge community branch
Branch 29
22824 Lougheed Highway

Mission

Mission community branch
Branch 36
150 - 32555 London Avenue

New Westminster

New Westminster community branch
Branch 61
511 Sixth Street

North Vancouver

Lynn Creek community branch
Branch 46
1370 Main Street

Lynn Valley community branch
Branch 57
101 - 1233 Lynn Valley Road

North Vancouver community branch
Branch 21
1290 Marine Drive

Westview community branch
Branch 49
712 - 2601 Westview Drive

Pitt Meadows

Pitt Meadows community branch
Branch 50
750 - 19800 Lougheed Highway

Port Coquitlam

North Side community branch
Branch 53
130 - 2325 Ottawa Street

Shaughnessy Station community branch
Branch 33
7100 - 2850 Shaughnessy Street

Port Moody

Port Moody community branch
Branch 52
5 - 121 Brew Street

Richmond

Richmond community branch
Branch 26
5900 No. 3 Road

Blundell Centre community branch
Branch 88
Unit # 130 – 6020 Blundell Road

Squamish

Squamish Savings Chieftain Centre
Branch 81
1325 Pemberton Drive

Surrey

Cedar Hills community branch
Branch 44
12820 96th Avenue

Guildford community branch
Branch 30
108 - 15175 101st Avenue

Morgan Creek community branch
Branch 70
H120 - 15795 Croydon Drive

Newton community branch
Branch 27
7555 King George Boulevard

Semiahmoo community branch
Branch 25
104 - 1790 152nd Street

Surrey City Centre community branch
Branch 32
10293 King George Boulevard

Vancouver

4th Avenue community branch
Branch 11
2233 West 4th Avenue

Chinatown community branch
Branch 28
188 East Pender Street

Collingwood community branch
Branch 13
3305 Kingsway

Commercial Drive community branch
Branch 12
1675 Commercial Drive

Downtown community branch
Branch 10
898 West Pender Street

Dunbar community branch
Branch 45
4445 Dunbar Street

Fairview community branch
Branch 08
501 West 10th Avenue

Fraser Street community branch
Branch 07
6288 Fraser Street

Hastings community branch
Branch 03
2510 East Hastings Street

Kerrisdale community branch
Branch 15
2380 West 41st Avenue

Kitsilano community branch
Branch 04
3395 West Broadway

Main Street community branch
Branch 09
4205 Main Street

Marpole community branch
Branch 14
8615 Granville Street

Oakridge community branch
Branch 41
5594 Cambie Street

Point Grey community branch
Branch 22
4545 West 10th Avenue

Vancity Centre community branch
Branch 01
183 Terminal Avenue

Victoria Drive community branch
Branch 02
5590 Victoria Drive

West End community branch
Branch 47
1798 Robson Street

Victoria

Langford community branch
Branch 69
100 - 800 Kelly Road

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

Victoria community branch
Branch 42
3075 Douglas Street

Victoria City Centre community branch
Branch 67
752 Fort Street

West Vancouver

West Vancouver community branch
Branch 05
1402 Marine Drive

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*As of April 2015

Produced by Vancity.
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Vancity

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