

# Westminster Savings Annual Report

2018







# A message to our members

From Board Chair Art Van Pelt and President and CEO Gavin Toy

In 2018, as always, our core focus and top priority was providing value for members, and this was the lens through which we viewed each and every one of our projects and initiatives this past year.

This has been an exceptionally busy year for your credit union. A significant number of important initiatives were advanced in 2018, all with a view towards enhancing value for you, our members. Building off of the success of these activities, we are very pleased to report that Westminster Savings produced its strongest operating results in many years. We are confident that our achievements in 2018 are the foundation for providing even greater value for, and service to our membership moving forward.

Our employees are at the forefront of serving our members and our communities. We are very proud of having such a highly engaged and committed workforce focused on our member needs. We know that engaged employees will go above and beyond in their service to you, and this has a significant benefit to your experience of doing business with us. In 2018, our employees have made great strides toward both deepening existing member relationships and bringing our services to new members, allowing us to deliver a strong and consistent message that we are a full-service credit union that can serve all of your personal and commercial banking needs.

2018 was characterized by highly effective execution of key strategic initiatives which also drove our financial success. Our balance sheet assets grew by 6.0% to \$3.4 billion; our assets under management grew by 4.0% to \$4.2 billion, with an emphasis on the prudent management of capital and liquidity while continuing to deliver solid financial returns. Operating income for the credit union was \$15.3 million in 2018 compared to \$13.2 million in 2017, an increase of 15.7% over the previous year. A continued focus on revenue diversification has seen all four lines of business contribute significantly to the operating performance in 2018.

We are pleased to note that your credit union also saw 4.1% growth in member deposits to \$2.8 billion and an increase of 4.7% in net interest income over last year. We continue to pay close attention to our operating costs which paid off this year in a further improvement to our efficiency ratio over 2017. Moreover, members' equity grew by 2.2% to \$199.3 million. Overall, our strong financial results allowed your credit union to maintain a very healthy capital level of 16.1%, well above the 8.0% regulatory threshold. Looking ahead, we will continue to monitor and manage growth balanced against maintaining healthy levels of liquidity and capital.

Our financial success in 2018 was underpinned by numerous business initiatives, geared toward further enhancing the customer experience and delivering value to our members.

We heard your feedback that you want improvements to make banking easier and more convenient. As such, our priorities for the year were focused on three key areas: products and services; branches and infrastructure; and systems and capabilities.

By changing our credit card platform to Collabria in 2018, we were pleased to give members access to some of the best and most competitive credit cards in the marketplace, with related products and services to help you meet your personal and commercial needs. We also completed our wealth management conversion to the Investment Industry Regulatory Organization of Canada platform, allowing us to expand our services and products and to offer individual stocks, bonds and managed accounts across our entire branch network to help you better meet your ever-changing investment objectives.

Our three new branches which opened in 2017 showed strong member growth in 2018, supporting member feedback that more branches make it easier and more convenient for you to conduct business with us. We also began to implement a new staffing model in line with changing member needs and expectations. Through the creation of branch advice centres, employees are better able to provide you with valuable advice and to provide customized financial solutions from a comprehensive suite of products and services.

In 2018, we also began planning for the 2019 launch of an exciting new online banking platform that will provide you with a much improved user experience and enhanced capabilities that will make managing your banking much easier and personalized than ever before. Additionally, our new retail Loans Origination System, also coming in 2019, will give us an efficient, streamlined and standardized underwriting process that significantly reduces manual inputs and paper forms – designed to create an easier and faster process for you, our members.

We continue to proudly support our communities through one of the largest credit union foundations in Canada, the Westminster Savings Foundation. Your credit union is proud to have celebrated a milestone in 2018 with charitable grants since inception surpassing \$4 million. With its \$320,000 in financial support for our community partners, the Foundation continued to play a key role in enriching lives and our communities by creating access to arts and active living opportunities. 2018 saw the second instalment of the foundation's three-year partnership with KidSport BC, Arts Umbrella and Special Olympics, a commitment totalling \$675,000. In addition to grants from the Foundation, Westminster Savings directly invested \$357,000 through sponsorships and donations to our local communities. These investments funded activities and initiatives such as sponsorship of the Tour de White Rock/Tour de Festival







weekend, Burnaby's Hats Off Day and the 2018 Polar Plunge benefitting Special Olympics BC. We also made a \$500,000 contribution to the Foundation, bringing its endowment fund up to \$9.5 million. We are also proud to note that many of our employees volunteered their own time to support our official community partners events, making connections, and having fun while supporting important causes.

In March 2019, we informed our membership that Westminster Savings and Prospera Credit Union had begun evaluating the opportunities associated with merging the two credit unions. We believe it is in your best interests that we examine the benefits of bringing the two organizations together to create a single, stronger credit union. Due diligence was completed in the fall of 2018 and a detailed business case and merger application was submitted to the Financial Institutions Commission (FICOM), the provincial agency that regulates credit unions, in early 2019.

Provided FICOM grants consent, the next phase would be consultation and engagement with members of both credit unions, ultimately culminating in a member vote on the proposed merger. A positive vote from members of both credit unions is the final required step in the process.

In the normal course of business, we would now be planning for, and inviting you to attend, an Annual General Meeting (AGM). Due to the merger application and with

FICOM's consent, the 2019 AGM has been deferred until at earliest the Fall of 2019. As such, an AGM and director election will not be held in Spring 2019. We invite you to visit [strongercreditunion.ca](http://strongercreditunion.ca) on a regular basis for more information on the merger. We look forward to sharing more information on this exciting opportunity with you over the coming months.

In the meantime, it's business as usual at your credit union. This means doing all we can to continue earning your business, providing you with great service, and supporting our local communities. Thank you for your continued loyalty and support.

Gavin Toy  
President and CEO

Art Van Pelt  
Chair, Board of Directors

# Summarized consolidated financial statements


## Management's responsibility

The accompanying summarized consolidated financial statements are derived from the audited consolidated financial statements of Westminster Savings Credit Union (Westminster Savings) for the year ended December 31, 2018. The summarized consolidated financial statements have been prepared by management in accordance with the requirements of the Financial Institutions Act. The accompanying summarized statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal accounting, operating and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and safeguarding the assets of the organization.

The summarized consolidated financial statements are approved by the Board of Directors. The Audit and Risk Committee, comprised of four directors of the board, has reviewed the statements with management and the external auditors in detail.

KPMG LLP has been appointed by the membership as independent auditors to examine and report on the summarized consolidated financial statements. They have had full and free access to the internal audit staff, other management staff and the Audit and Risk Committee of the board.



**Gavin Toy**  
*President and CEO*



**Mary Falconer**  
*SVP, CFO and Corporate Secretary*

March 6, 2018



# Report of the Independent Auditors on the Summarized Financial Statements

To the members of Westminster Savings Credit Union

## *Opinion*

The summarized consolidated financial statements of Westminster Savings Credit Union (the Entity), which comprise:

- the summarized consolidated statement of financial position as at December 31, 2018
- the summarized consolidated statements of income and comprehensive income for the year then ended
- the summarized consolidated statement of changes in members' equity for the year then ended
- and related notes

are derived from the audited consolidated financial statements of Westminster Savings Credit Union as at and for the year ended December 31, 2018.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

## *Summarized Financial Statements*

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Entity's audited consolidated financial statements and the auditor's report thereon.

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

## *Management's Responsibility for the Summarized Financial Statements*

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

## *Auditors' Responsibility*

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants  
March 6, 2019 Vancouver, Canada



## Summarized consolidated statement of financial position

(Expressed in thousands of dollars)


December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 111,996	\$ 90,650
Investments	342,358	341,218
Loans	2,541,127	2,409,509
Leases receivable	336,911	299,956
Current taxes receivable	934	2,203
Premises and equipment	8,223	10,670
Intangible assets	1,679	1,830
Deferred tax assets	8,710	8,130
Other assets	4,665	6,896
	<b>\$ 3,356,603</b>	<b>\$ 3,171,062</b>
<b>Liabilities and Members' Equity</b>		
Members' deposits	\$ 2,771,344	\$ 2,668,641
Accounts payable and accrued liabilities	13,259	17,879
Securitization debt obligations	348,007	265,193
Current taxes payable	-	1,119
Deferred tax liabilities	14,694	14,424
Retirement benefit obligations	10,049	8,783
	<b>3,157,353</b>	<b>2,976,039</b>
Members' equity		
Retained earnings	212,460	198,934
Accumulated other comprehensive loss	(13,210)	(3,911)
	<b>199,250</b>	<b>195,023</b>
	<b>\$ 3,356,603</b>	<b>\$ 3,171,062</b>

See accompanying note to the summarized consolidated financial statements.

Approved on behalf of the Board:

  
 Director  
 Art Van Pelt, Chair

  
 Director  
 Kathleen Kennedy-Strath, Vice-Chair

## Summarized consolidated statement of income

(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Interest income	\$ 118,998	\$ 101,493
Interest expense	(46,710)	(32,429)
Net interest income	72,288	69,064
Fee and commission income	13,614	11,702
Fee and commission expense	(3,487)	(3,042)
Net fee and commission income	10,127	8,660
Realized gains on financial instruments measured at fair value through profit or loss	73	-
Realized gains on available-for-sale investments	-	3,632
Net unrealized losses on financial instruments measured at fair value through profit or loss	(4,620)	-
Impairment losses on financial assets, net	(820)	(2,209)
Impairment losses on other assets	(2,286)	(2,640)
Other income	376	1,170
Net interest and other income	75,138	77,677
Operating expenses:		
Salary and employee benefits	(39,681)	(38,486)
General and administrative	(16,645)	(15,368)
Occupancy and equipment	(10,524)	(10,282)
	<b>(66,850)</b>	<b>(64,136)</b>
Income before the undernoted	8,288	13,541
Contribution to Westminster Savings Foundation	(500)	(250)
Community investment	(357)	(333)
Income before income taxes	7,431	12,958
Provision for income taxes:		
Current	(820)	(1,445)
Deferred	103	1,725
	<b>(717)</b>	<b>280</b>
Net income	<b>\$ 6,714</b>	<b>\$ 13,238</b>

See accompanying note to the summarized consolidated financial statements.

## Summarized consolidated statement of comprehensive income

(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Net income	\$ 6,714	\$ 13,238
Other comprehensive income (loss), net of tax:		
Items that will be reclassified to net income:		
Losses on debt instruments measured at fair value through other comprehensive income	(94)	-
Gains on available for sale financial assets	-	8,823
Reclassification for realized gains recognized in net income	-	(3,632)
Reclassification for impairment losses recognized in net income	-	431
Deferred tax recovery (expense) in OCI	16	(963)
Items that will never be reclassified to net income:		
Net actuarial losses on defined benefit:		
Pension plans	(1,322)	(3,711)
Deferred tax recovery (expense) in OCI	207	(22)
	(1,193)	926
<b>Total comprehensive income</b>	<b>\$ 5,521</b>	<b>\$ 14,164</b>

See accompanying note to the summarized consolidated financial statements.

## Summarized consolidated statement of changes in members' equity

(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

2018	AOCI		Retained earnings	Total equity
	Fair value reserve	Defined benefit plans		
Members' equity - at January 1	\$ 8,200	\$ (12,111)	\$ 198,934	\$ 195,023
Adjustment on initial application of IFRS 9	(8,106)	-	6,812	(1,294)
Member's equity - at January 1 (adjusted)	94	(12,111)	205,746	193,729
Net income	-	-	6,714	6,714
Other comprehensive income (loss), net of tax	(78)	(1,115)	-	(1,193)
<b>Total comprehensive (loss) income</b>	<b>(78)</b>	<b>(1,115)</b>	<b>6,714</b>	<b>5,521</b>
<b>Members' equity - at December 31</b>	<b>\$ 16</b>	<b>\$ (13,226)</b>	<b>\$ 212,460</b>	<b>\$ 199,250</b>

2017	AOCI		Retained earnings	Total equity
	Fair value reserve	Defined benefit plans		
Members' equity - at January 1	\$ 3,541	\$ (8,378)	\$ 185,696	\$ 180,859
Net income	-	-	13,238	13,238
Other comprehensive income (loss), net of income taxes	4,659	(3,733)	-	926
<b>Total comprehensive income</b>	<b>4,659</b>	<b>(3,733)</b>	<b>13,238</b>	<b>14,164</b>
<b>Members' equity - at December 31</b>	<b>\$ 8,200</b>	<b>\$ (12,111)</b>	<b>\$ 198,934</b>	<b>\$ 195,023</b>

See accompanying note to the summarized consolidated financial statements.

## Note to summarized consolidated financial statements

### 1. Basis of presentation:

These summarized consolidated financial statements have been prepared in accordance with section 128(4) of the Financial Institutions Act and 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, 2018. Those audited consolidated financial statements were approved by Westminster Savings' Board of Directors on March 6, 2019 and can be obtained online or at any of our branches.



## Contact information

### Personal and Small Business Banking

**Austin Branch**  
1101 Austin Avenue  
Coquitlam, BC V3K 3P4

**Central City Branch**  
10153 King George Blvd, Unit 2672  
Surrey, BC V3T 2W1

**Cloverdale Branch**  
18722 Fraser Hwy  
Surrey, BC V3S 7Y4

**Grandview Central Branch**  
16090 24 Avenue  
Surrey, BC V3Z 0R5

**Hastings Heights Branch\***  
4106 Hastings Street  
Burnaby, BC V5C 2J4

**Landmark Branch**  
20201 Lougheed Hwy, Unit 200  
Maple Ridge, BC V2X 2P6

**Langley Branch**  
20831 Fraser Hwy, Unit 1  
Langley, BC V3A 4G7

**Maple Ridge Branch**  
22415 Lougheed Hwy  
Maple Ridge, BC V2X 2T8

**Metrotown Branch**  
4705 Kingsway  
Burnaby, BC V5H 2C4

**New Westminster Branch**  
601 Sixth Street, Unit 100  
New Westminster, BC V3L 3C1

**Newton Branch**  
7488 King George Blvd, Unit 500  
Surrey, BC V3W 0H9

**River District Branch**  
8586 River District Crossing  
Vancouver, BC V5S 0C2

**Shaughnessy Station Branch**  
2850 Shaughnessy Street, Unit 6108  
Port Coquitlam, BC V3C 6K5

**Sunwood Square Branch**  
3025 Lougheed Hwy, Unit 290  
Coquitlam, BC V3B 6S2

**White Rock Branch**  
1608 152nd Street  
Surrey, BC V4A 4N2

### Member Service Centre

601 Sixth Street, Unit 210  
New Westminster, BC V3L 3C1

### Corporate Centre

(Including the Wealth  
Management, Commercial Banking  
and Leasing divisions)  
13450 102 Avenue, Suite 1900  
Surrey, BC V3T 5Y1  
604 519 4300

### Board of Directors

Art Van Pelt  
*Chair*

Kathleen Kennedy-Strath  
*Vice Chair*

Bill Brown

Emmet McGrath

Darlene K. Hyde

Hanne Madsen

Patty Sahota

Colin G. MacKinnon

Rita Virk

### Corporate Counsel

Dentons Canada LLP  
Vancouver, BC

### Auditors

KPMG LLP  
Vancouver, BC

### Executive Leadership Team

Gavin Toy  
*President and Chief Executive Officer*

Mary Falconer  
*Senior Vice President, Chief Financial Officer  
and Corporate Secretary*

Maury Kask  
*Senior Vice President, Consumer Operations  
and Chief Customer Experience Officer*

Greg Oyhenart  
*Senior Vice President, Corporate Development  
and Chief Strategy Officer*

Brian Rogers  
*Senior Vice President, Commercial Operations  
and Chief Credit Officer*

TJ Schmaltz  
*Senior Vice President, Human Resources and  
Corporate Communications and Chief Human  
Resources Officer*

\*This branch amalgamated with the Metrotown  
Branch on May 25, 2019.