CREDIT UNIONS VALUE FOR ALL = CREDIT UNION LEADING EDGE + CREDIT UNION EAGLE RIVER

BETTER TOGETHER. VALUE FOR ALL.

Merger Business Plan | Key Highlights

The Board of Directors at Eagle River Credit Union and Leading Edge Credit Union have carefully considered the merger and approached the work as full partners with equal say in how the merger will be carried out. Both boards were unanimous in recommending this merger based on the strength of the business case and opportunities a single united credit union can enable to sustain and grow their business for generations to come.

Overview

– The proposed merger helps build a strong and sustainable credit union presence for the communities served by Eagle River and Leading Edge. A key driver is to ensure there is good access to local community-based banking options for members served today, and for members served tomorrow.

– To proceed, members from both credit unions must vote in favour of the merger.

– The new credit union will be guided by a single board and have a single strategic plan to guide the organization. The inaugural board will include 12 directors with equal representation from both partners – six each from Eagle River and Leading Edge.

Business Goals

- The two partner credit unions are strongly aligned, with shared values, community roots and purpose-driven cultures. Working as one entity, they can develop a stronger business model that enables more opportunities to invest in their communities and services that add value to all members and employees.
- The proposed merger has a positive influence on revenue growth, operational efficiency, sustainability and member equity.

Revenue Growth

The combined operating capacity of a new merged entity will enable new opportunities to serve members in ways that are not achievable by each credit union on their own. To harness opportunities for revenue growth, the new credit union will focus on developing advice-based service culture, using data insights to drive personalized member experiences and digital solutions and enabling a more competitive product offering. Further through strategic alignment and partnerships, the merged entity can further develop business lines like wealth management, insurance, commercial and personal lending.

Operational Efficiency, Sustainability and Member Equity

The merger enables a more efficient use of the balance sheet and elimination of some duplication in costs. These savings can be reinvested back to create greater value for members over the next three to five years.

- Surplus increases by $660K by 2023 and $869K by 2025
- Return on Assets increases from 0.39% to 0.43% of total weighted assets between 2023 and 2025 (a 29 basis point and 25 basis point increase respectively when compared to the no merge scenario)
- Efficiency improves dropping to 82.4% by 2025 (versus 93.5% under a no merge scenario)
- Member Equity improves to 6.45% by 2025 (versus 6.05% under a no merge scenario)

Following are examples of how increases in annual surplus will be reinvested in the new credit union to create member value:

- Enhance training and career growth opportunities for employees
- Increased investments in digital banking services to bring more choice and convenience to all members.
- Invest in communities: the new credit union will have more opportunities to invest in regional partnerships and initiatives that make our communities stronger for everyone

Operations

- A process for determining the name of the merged credit union will be developed following the vote, should members vote in favour of the merger.
- Work on the process to select a CEO for the merged credit union will begin following the vote, should members vote in favour of the merger. At that time, we may engage a third party to help with that process.
- In recognition of the vast geographic area the new credit union will cover and its importance to local communities, we will adopt a decentralized head office structure, meaning many jobs can be done from any location.

Member Service

- The new credit union will be committed to maintaining its combined network of 11 locations and strengthening digital banking services to bring more choice and convenience to all members.

Employees

- Employees can continue to work in their home communities and will not be asked to relocate to pursue opportunities within the new credit union as a result of the merger.
- Staffing levels will be maintained. As part of the normal course of business, we expect some reductions over the next three years through retirements and attrition.

Community

- Working together, the new credit union is committed to living its co-operative values and growing local communities.
- The new credit union will remain committed to ensuring members continue to benefit from personalized service from staff they know and locally based banking.
- The new credit union will have a Cooperative Social Responsibility Policy and framework that clearly identifies the pillars or purpose statements which will integrate social, environmental, and economic concerns into its values, culture, decision making, strategy and operations. This framework will guide the investment and allocation of resources for the CSR initiatives.

Due Diligence

- The Executive Management at both credit unions completed due diligence reviews of each other's operations and concluded there were no significant risks or concerns. Areas that were included as part of this review include earnings, liquidity, capital, credit, human resources, risk management, regulatory and information technology.