

Merging with Biggar and District Credit Union (BDCU)

Why should Landis merge? We've been here for 75 years; we want our credit union to stay in Landis.

- The board wants the credit union to stay in Landis as well.
- This consideration is not taken lightly.
- Board has struggled with this for many years.
- The financial industry becomes more regulated thus more difficult to manage.
- By merging with BDCU your credit union branch will remain in Landis.

Why should we trust, that BDCU will remain open in Landis after the merger? We heard this before.

- BDCU has led by example. Approximately 15 years ago when the bank in Perdue closed BDCU opened a branch to serve Perdue.
- The branch is still open. Today the community of Perdue is serviced with all the services that BDCU offers.
- Reputational risk for BDCU in closing down the Landis branch could be significant. Why would BDCU agree to merge if their thinking is to shut it down in the near future, the risk is too great?
- However the membership and surrounding communities have to support the branch. It's just prudent business.

Do members have to change their banks accounts?

We are still looking into that. We will ensure that if a change is needed we will minimize inconvenience as much as possible.

What guarantee do we have that the credit union will stay in Landis?

- There are no guarantees.
- Like any relationship it's a two way street. The business segments/departments must provide benefits to the overall business enterprise in order to succeed.
- In order for the branch to remain in Landis, the community needs to support the branch. Having said that, the credit union needs to be relevant to member needs.
- A merger with BDCU will bring more services to the community, some of which you as members may be getting from another financial institution other than BDCU.
- The board and management of BDCU have an intense focus on remaining and expanding their sphere of relevance to its membership; which will benefit the Landis membership.

Is BDCU big enough to survive in the future?

- In our opinion size is not the deciding factor, being relevant to our membership's needs are. We need to provide the services in a fashion that the members want it delivered to them. Managing costs is a key issue.
- Smaller credit unions typically do not fit into the operating model of larger credit unions. Over the past couple of years some of the larger credit unions in Saskatchewan have closed rural branches.

What is BDCU loan portfolio composition?

- BDCU portfolio is 50% consumer, 20% commercial, and 30% agricultural.
- Landis portfolio is 60% agricultural.

What will happen with the staff from Landis Credit Union?

- Some staff in both operations may have some realignment of duties (role) within the combined credit union. BDCU has an aggressive strategic plan and merging together allows BDCU more capacity to achieve the plan. As stated in the press release no staff will lose employment as a result of the merger.
- The General Manager will retire. Lending staff may not be in Landis on a full-time basis. Wealth Management staff will serve Landis on an as needed basis. Typically the Perdue branch has a lender and wealth management staff on premise based on an as needed basis. Staffing on premises will increase as more business is brought in.

Has Landis Credit Union lost customers due to size?

- In the past this has happened. Over the past 3 years where the credit union has adopted a concierge approach the credit union has not lost customers due to size. We have had to syndicate loans (sell loans to other credit unions).

What is BDCU history of paying a dividend?

- BDCU has historically paid a dividend for the past 20 plus years.

What are the cost implications of keeping Landis as an autonomous (stand-alone) credit union?

- This is a challenging question in that we do not know all the implications of changes that we may be facing in the future. From a historical perspective our operating costs have increased by \$110,000.00 since December 2010 or 21%. Operating costs in 2010 = \$534,000.00 and in 2017 = \$644,000.00. Assuming costs and revenues continue to increase at a similar rate as we have experienced over the past couple of years, the credit union would cease to generate a profit in approximately 8 years. The size of Landis Credit Union is a challenge.

What happens if we lose senior management i.e. General Manager, Loans Officer?

- Loss of senior management is a critical issue for any stand-alone credit union operation in Saskatchewan. Last time Landis lost their General Manager, we didn't have a suitable long term replacement, and the regulator put the credit union under a stage two supervision. This adds additional work in reporting.

What happens if our Key Ratio's drop below CUDGC's requirements?

- The regulator will put us into strict supervision and very possibly force a merger with another credit union of which the board, membership, and management would have no say.

Will BDCU reduce operating hours from 5 days a week to partial days per week?

- That is not in the plan for merger. BDCU has operated the Perdue branch as a full service branch since it opened 20 years ago.

Does BDCU see Landis as an opportunity?

- Yes, Landis brings strong key ratios to the table as well as a strong Ag lending portfolio and more diversification in regional exposure. We also see opportunity in offering a larger individual lending cap to the membership of Landis based on our size.

What will the name of the credit union be?

- Biggar and District Credit Union. Subject to regulatory approval the large sign on the building will look like the sign on our Perdue branch.

What will the turnaround time be for loan approvals?

- Depending on the loan request; it can be within the hour up to a couple of days. The lender will need to satisfy policy requirements regarding qualifying for the loan; and in some cases additional information is required, e.g. farm plan analysis.

Where will the efficiency (cost savings) come from?

- Cost savings will come from a blending of the overall operation being more efficient e.g. there will be no Landis GM salary to support, realignment of staff roles will allow us to obtain a higher degree of expertise without increasing staffing costs. Both credit unions use the same service from the same suppliers, consolidating should reduce fees for these services as BDCU already meets the minimum fee thresholds for these services. It is thought by consolidating, the fees paid by Landis will be eliminated. Currently, Landis is paying approximately \$40,000.00 a year which is anticipated to be reduced dramatically if not be eliminated entirely.

Who else has to approve the merger if the membership votes in favor?

- The regulatory body(s) need to approve the merger.
- BDCU membership will also have to vote in favor of the merger.

Is there a guarantee that the Landis area would have representation on the BDCU board?

- The board for BDCU is at large. The board of BDCU is proactive in getting nominations from the areas it serves. Individuals nominated must be elected by the membership in the event there is an election and the election process does not elect a board member from Landis, then the board composition would be from the membership at large. In that there is no provision for regional representation; the board governance role is for the entire credit union not specific regions. The current board of Landis Credit union has committed that at least one individual will be nominated for the next 4 three year terms commencing 2019.

If the membership votes No, what happens?

- Landis will remain as a stand-alone credit union and will face upcoming challenges on their own.

BDCU will own 100% of the insurance agency. Is BDCU going to shut down the agency in Landis?

- That is not part of the plan. The insurance agency is a strong contributor to the overall operation of the credit union not just in financial results but also to our relationships with the communities. BDCU has owned 70% of the Insurance agency over the past 10 years and if they so choose they could have closed the Landis branch without Landis Credit Union approval.

Why does the Landis Board think merging with BDCU is a good idea?

- Landis and BDCU have been partners in the insurance agency for the past 10 years and it has worked well. BDCU's Vision, Mission and Values are very similar to Landis. BDCU has more product and service options than Landis does. BDCU has a managerial succession plan in place. Staff has more opportunity for career growth. BDCU understands what it is to be a credit union in rural Saskatchewan.

Can the Landis Credit Union close down?

- Credit Unions are governed by the Credit Union Act of Saskatchewan as well as specific regulatory bodies in the province. Credit unions cannot close their doors in the same fashion as typical business can. In the event that a credit union is no longer viable or is subject to regulatory action/recovery; the regulator would recommend to the board that they find a suitable partner credit union to merge with, or place the credit union under strict regulatory governance and possibly force the credit union to merge with another. In the merger process all assets and liabilities of the credit union merge into the credit union that is taking over the governance role.

How well is BDCU credit union doing today?

- Very well. BDCU key ratios are very similar to Landis key ratios.
- BDCU is the 17th largest credit union in Saskatchewan

Will BDCU put an ATM in Landis?

- That is not part of the plan. ATM's increase operational costs and need to be offset by transactional volumes. Based on our understanding the anticipated volumes would not support ATM costs. ATM transactions are trending downward with more transactions being handled through mobile banking.

Will the Landis branch do business differently than they do today?

- In all likelihood. BDCU brings more products and services to the table. Not all services would be used by all members, however as we move towards the future, members needs will change and we will need to adapt to those needs. BDCU has more capacity be it financial or staffing to manage these changes.

Why can't the Landis Credit Union attract GM's?

- Landis as a credit union is not large enough to attract the younger talent as typically these individuals want a career in urban settings. In addition the compensation structure is not competitive with what is available within larger organizations.
- Attracting the right individual is challenging. Individuals managing smaller credit union operations typically need a varied background that enables them to manage the credit union. General Managers of smaller credit unions typically are generalist and in today's environment of specialties it makes this difficult from a talent and affordability perspective.

Which credit union suggested that we merge with BDCU?

- Landis Credit Union approached BDCU. Board and Management see that merging with BDCU is a logical choice. Landis and BDCU have been partners with the Insurance Agency since 2009 and it has been a positive experience. BDCU understands the needs of rural communities and how credit unions can support those communities.

What are the advantages to BDCU in merging with Landis?

- Longevity. With a merger BDCU will serve Perdue, Biggar and Landis and surrounding communities. BDCU is a viable option to today's banking needs. Our strategic plan is to enhance our delivery channels that will enhance our relationship with our member needs.

What are the key advantages to the Landis membership in merging with BDCU?

- Longevity, stability, capacity, increased lending capacity, wealth management services, career enhancement for employees, succession plan structure in place and similar culture between the two credit unions.

What disadvantages or perceived disadvantages for the membership in merging with BDCU?

- Losing Autonomous status. Head Office no longer in Landis.

What are the operating hours of the Perdue branch?

- Monday to Friday 9:30 to 11:30 12:30 to 4:30.

How will the disadvantages impact the Landis community?

- It is BDCU opinion that Landis Credit Union as an autonomous credit union will no longer exist. However, BDCU see a multitude of benefits for both credit unions over the long term. BDCU will also be seeking nominations from Landis community for representation on the board in the same fashion as they seek representation from Perdue. Should the community and membership not support the credit union then financial viability becomes a concern, whereby the board of BDCU may be required to take action that could limit services.

How do the interest rates and service charges between the two credit unions compare?

- Rates and service charges are very similar.

What representation will the members of the Landis and surrounding communities have on the board of BDCU?

- BDCU will seek nominations to the board in the same fashion as they do from Perdue. BDCU wants representation from all branches.

What happens to the deposit guarantee?

- No change. The guarantee is provided by the Credit Union Deposit Guarantee Corporation of which all credit unions in Saskatchewan meet the regulatory requirements.

Other than the membership approving the merger who else has to approve the merger?

- Regulatory bodies of Saskatchewan.
- BDCU membership.

Can children vote for the merger? Who can vote?

- In order to vote the person(s) must be a member and must be 16 years or older.
- Corporation (limited companies) are classified as an entity and own member shares and are eligible to vote. Voting privilege is given by way of a proxy executed by authorized signature(s) of the corporation.

When will the vote take place?

- Vote is anticipated to take place late May or early June 2018. Proper notice needs to be served to membership.
- Vote will be conducted by secret ballot.

What percentage of a vote is needed to approve the merger?

- 75% of the members attending the special resolution meeting.

What analysis has the boards of the credit unions done to come to the conclusion that merging is a good option?

- The following is a list of pros and cons reviewed by both board and management teams of both credit unions.

Pros

BDCU and Landis Credit Union have been partners with the Insurance Agency for the past 10 years.

The communities of Biggar and Landis are closely linked. In the past both communities have worked in unison to bring out positive impacts that serve both communities. A prime example would be the efforts both communities put forward to build the Lodge in Biggar. Having the credit union service Biggar, Landis and Perdue will assist unifying the communities more.

BDCU opened a branch in Perdue after the bank closed their doors and has remained operational.

BDCU is familiar with serving smaller rural communities.

BDCU has a history of paying dividends.

BDCU has a history of placing a high value on members and staff.

BDCU has a significantly larger capacity to handle changes within our system.

BDCU can approve significantly larger credits.

No staff terminations resulting from a merger.

Possible career expansion for staff.

Board of directors would continue to be representative of rural communities, Biggar, Perdue and Landis.

BDCU has established a succession plan for senior management positions.

BDCU has a wealth management division.

BDCU has more products and services.

Landis will continue to serve Landis and the surrounding communities.

BDCU has a strong sense of community, Landis will benefit.

BDCU and Landis have worked closely together on various credit union projects.

Some of the members currently deal with BDCU.

Member's deposits continue to be covered by the Saskatchewan Credit Union Deposit Guarantee.

Both BDCU and Landis Credit Union have strong regulatory metrics, e.g. Capital, Liquidity.

As a combined credit union there is an opportunity to expand services.

BDCU is committed to being a credit union that remains relevant to member needs.

Cons

Landis no longer exists in name and or as a stand-alone credit union.

Fear of the unknown – previous merger within the Co-operative system hasn't left good feelings in all cases.