COMMUNITY FOCUS. PROVINCIAL STRENGTH

The Business Case for Amalgamation

East Coast Credit Union
Teachers Plus Credit Union
Valley Credit Union

May 2021

TABLE OF CONTENTS

1.0 EXECUTIVE SUMMARY

United in a vision to be the best co-operative financial institution possible, the Boards of Directors of East Coast Credit Union Limited (East Coast), , Valley Credit Union Limited (Valley) and Teachers Plus Credit Union (Teachers Plus) are recommending an amalgamation of their organizations to create a robust credit union to serve the province of Nova Scotia.

All three partners are proud to serve and work in Nova Scotia and are committed to ensuring local, values-based banking is an accessible choice across the province.

After assessing the business opportunity this amalgamation creates for all stakeholders, the Boards concluded operating as one organization enables substantial benefits for their collective membership and the communities they serve.

If approved, the new organization will take effect January 1, 2022 and operate as East Coast Credit Union Limited.

Combining the resources, assets and expertise of all three partners, the new organization will have greater capacity to invest in the products and services that help individuals, families, businesses, and specific member communities they serve, like Nova Scotia teachers, achieve their financial goals.

Specific highlights of this plan include:

- In the first four years, earnings before taxes and community investment will be $14M.
- Return on assets nearly double from 37 basis points to 66 basis points between 2020 and 2025.
- Members maintain a strong equity position achieving 7.67% by the end of 2025.
- No branch closures or job loss as a direct result of the amalgamation.
- Better operating efficiency over the next five years enables the credit union to reinvest savings to be more competitive, responsive to member and community needs and well positioned to invest for long-term sustainable growth.

In summary, the amalgamation creates a stronger values-based financial institution and ensures the personalized and professional advice Nova Scotians and Nova Scotia communities have come to expect from their credit unions remains for years to come.

2.0 INTRODUCTION

The Boards of all three credit unions created committees comprised of the credit union's Executive Committee plus Senior Management to investigate the potential for amalgamation. Over a period of many months, they engaged resources from their respective management teams to create a business plan. This plan involved a detailed review of each organization to assess various aspects including market potential, human resources, products and services, operations and financial.

The new, amalgamated credit union will operate 26 branches, 44 ATMs and employ 270 staff in 26 communities, and serve over 56,000 members with $1.25 billion in assets under administration (as of December 31, 2020).

In the first 12 months, there will be no changes to the branch network or the number of employees (except for retirements and attrition) due to the amalgamation.

Together, the combined credit union will remain focused on serving our communities, delivering service excellence and building a unique brand. In the ever-changing world of finance, current and future members of the new credit union will benefit from having a world-class financial institution focused solely on their unique financial needs and well-being operating right here at home in Nova Scotia. .

3.0 BUSINESS OVERVIEW

3.1 Credit Union History

East Coast Teachers Plus and Valley are all long standing Nova Scotia Credit Unions.

East Coast Credit Union is the result of consolidation of over fifty credit unions over the last 80 years. The name East Coast was first used when a group of seven credit unions and 13 branches joined together in 2001. The organization added seven branches when Heritage Credit Union merged in 2011 and three branches when Bergengren Credit Union joined in 2016. These amalgamations have been very successful and resulted in strong organic growth. Over the past five years, East Coast has grown by all measures – serving more members, employing more staff and investing more in community. Today it has $1B in assets, 18 locations and approximately 200 staff serving over 42,000 Nova Scotia residents. East Coast has achieved a high level of member engagement and been a leader in Atlantic Canada for its social responsibility initiatives winning local and National Awards. East Coast has also been recognized as a top Employer in Nova Scotia and Atlantic Canada.

East Coast was a key driver in the creation of the Atlantic Wealth CUSO CU Financial Management which was established to assist credit unions to be more prepared to serve the full needs of members in financial planning and management of their investments. East Coast holds 24 percent ownership in CU Financial Management Limited.

Teachers Plus began as Nova Scotia Teachers Credit Union Limited in 1956. It originally was a closed bond credit union for Nova Scotia teachers and operated out of the Nova Scotia Teachers Union building. In 2003 they merged with Halifax Teachers Credit Union and in 2005 moved to their current location in Bedford and opened their bond of association.

Teachers Plus Credit Union has proudly supported the teaching community in Nova Scotia and continues to maintain a strong relationship with the Nova Scotia Teachers Union. We expect this relationship to continue and be enhanced under the new East Coast.

Teaches Plus has one branch with 11 employees. It serves 2,800 members from across Nova Scotia and has assets of $68 million.

Valley Credit Union is the result of the amalgamation of six community credit unions that came together some 25 years ago. The creation of Valley, at that time, was not one of free will but rather one strongly willed by the regulators due to financial circumstance at the time. Over the course of the more than two decades that followed, Valley gained strength and momentum through effective management, dedicated employees and by an increasingly proactive approach to engaging members. A centralized approach was adopted, eliminating duplication of processes, and improving operating efficiency. The organization focused on building employee capabilities and on seeking and adopting products and services that were important to its members. As profitability increased, so did the focus on professionalism and investing in people and premises.

Valley has thrived since the initial amalgamation and now operates seven branches and a commercial banking centre serving members in communities from Hantsport to Bridgetown. Valley has 11,000 members and offers a complete range of personal and business banking products and services. Today, Valley has assets in excess of $230M and is well positioned for continued and substantial growth.

Like East Coast, Valley played a lead role in bringing together a like-minded group of other Atlantic Credit Unions in forming a wholly owned wealth and insurance company to better meet the expanding needs of our members. Valley holds 11percent ownership of CU Financial Management Limited.

Valley is staffed by approximately 60 staff, each of whom are connected to our communities and ensure we meet the needs of our members.

3.2 Current Economic Environment

Nova Scotia is fortunate to have an economy with considerable diversity which has helped to provide a relatively stable environment and limited exposure to the highs and lows of the country's economic ebbs and flows. Job stability has been relatively strong, and the economy benefits from a large presence of natural resource-based businesses (agriculture, fishing, forestry and mining) and a strong tourism sector.

Nova Scotia also benefits from a large post-secondary presence which brings thousands of students to our communities each year. Other major employers include the public service and the military.

The recent pandemic has had a considerable impact, but Nova Scotia has fared better than other provinces due to our willingness and ability to work together to contain the virus. Attention to these behaviours, in addition to the relative low cost of living and high quality of life, has led to a recent boom in population growth which will undoubtedly help to strengthen the many smaller communities where most of the new credit union's branches are located. New residents, both immigrants and migrants from other Canadian provinces will positively impact the aging demographic of our province as well as strengthen our local economy.

While Nova Scotia-based credit unions have benefitted from our province's relative stability, the relatively smaller size of credit unions operating independently presents different challenges in the financial services sector.

These challenges include:

- limitations on offering a full-service product portfolio that meets the needs of higher net worth personal members who demand a broader and more complex financial solutions
- independently being able to meet the capital and funding needs of growing small businesses
- developing and accessing industry expertise required to serve specialized industry and commercial member needs: agriculture, fishing, mining
- serving a more diverse market and training our staff to effectively engage prospective members on the value of banking with a credit union and tailoring solutions with products and services that meet a wider range of financial needs

3.3 Digital Banking: Changing Member Needs and Costs

Changing Member Needs

Member needs are changing quickly, as is the way they want to do their banking. In-branch traffic has slowed dramatically. Digital and self-service has become the first choice of many members. This demand was accelerated by COVID-19 when many financial institutions limited branch hours to adhere to public health protocols and consumers rapidly adopted digital banking habits.

Advances in technology gained momentum over the past decade but the recent pace of adoption has been overwhelming for many credit unions. While foresight and preparation saw the system accrue funds to cover much of the up-front and fixed costs of planned technological investments, credit unions are now incurring the recurring annual costs; much of which will not be covered by offsetting revenue. Further, adopting digital products and services requires a considerable investment in time by credit union staff -- developing new processes, testing and training on new systems and creating new tools and support pieces for staff and members.

An amalgamation of East Coast, Teachers Plus and Valley will reduce the fixed costs of new system implementations, substantially reduce the effort required by the credit unions' technology partner League Data and enable the new organization to dedicate a core team of staff to support the collective work effort. The result -- improved efficiency, improved responsiveness and reduced overall costs.

Security

The cost of security for all businesses has increased considerably. With advances in technology, methods of communication, and advances in payment systems, the potential for security breaches increases, as does the cost. Currently each credit union manages security on its own, investing in technology, software, audits, learning and development, and training separately.

The amalgamation will see these processes and costs be managed by a single department, removing much of the cost duplication and time investment.

Regulatory

The regulatory requirements for each credit union have grown considerably in recent years. These include reporting on anti-money laundering, privacy, marketing, audit, asset-liability management, capital equity management, cyber security, and system partner management. Consolidating internal credit union activities to one entity will remove substantial duplication and result in significant savings to operating costs.

Specialized Expertise

To meet the ever-increasing and complex needs of members, credit unions need to build employee capability and knowledge. An amalgamation enables the credit unions to combine resources, leverage and grow specialized expertise required to serve members and advance internal operations.

For personal members, some examples of the expertise required include building an understanding of community housing programs, government-related programs for the disabled, understanding financial planning strategies and knowing how to access and connect a network of partners to assist more affluent members or business owners.

Commercial members also require more specific and specialized expertise. To remain profitable and competitive, many businesses have had to become more efficient, and often larger. These changes have also affected their payment, credit and deposit service needs and many commercial members look to credit union staff for more advanced banking advice and consulting.

From an operations perspective, credit unions increasingly require internal specialists to manage technology, digital innovation, data analytics, marketing, finance, human resources, and project management.

3.4 Competition

Consumer Market

Although financial institutions are federally and provincially regulated, new and existing financial players have made the industry extremely competitive in recent years. Many large financial institutions have created alternative and low-cost of service models to attract more cost-conscious consumers and consumers looking to have only their basic needs met. Brands like Simplii and Tangerine and more recently brands such as EQBank, MotusBank, and KOHO provide consumers with low cost no-frill digital only banking solutions. Online branches of credit unions such as Altera and WFCU along with online branches of Trust companies such as Oaken (owned by Home Trust) and even Concentra are providing consumers with aggressive online deposit rates.

In addition to the traditional competitors in banking services, fintechs are also entering the payments space. Fintechs are bringing sophisticated artificial intelligence and consumer loyalty programs to attract new business and are either competing with, or partnering with, traditional financial institutions to build market position. As a result companies like PayPal, Square, Stripe and others are gaining a share of revenue traditionally earned by financial institutions.

As the federal government's 'open banking' discussion, and eventual legislation, progresses, trusted financial institutions that can quickly and efficiently utilize customer data to create improved customer experiences, distribute knowledge more effectively and build consumer value stand to benefit the most. Accomplishing this requires nimbleness, intentional strategic focus, and financial capacity.

Digital is no longer an optional service, for many consumers it's an expectation. An amalgamation of credit unions with strategic focus, can improve market responsiveness and enable the new credit union to balance financial and operating priorities that are essential to sustain long term competitiveness.

Commercial Market

Although businesses can leverage many of the same services as consumers noted above, many business owners see value banking with a financial institution that views them as a partner in growth. This is an important advantage for credit unions that are more relationship focused and can make local decisions for credit availability. The commercial market is a key growth area for the amalgamated credit union.

3.5 Products & Services

Credit unions have been able to maintain a competitive suite of products and services. As technological advances accelerate, however, credit unions that are unable to evolve their suite of products and services will find themselves lagging behind the competition. Substantial commitment will be required to remain engaged, informed and responsive to the fast-paced world of financial services. Suppliers are likely to favour larger organizations in prioritizing sales and product implementations. As technological relevance continues to have a shorter lifespan, being late to the game may stand to negatively impact return on investment.

3.6 Pricing

Credit unions are presently competitively priced but, as margins shrink due to competition and increased costs, scale becomes an important consideration. The current delivery model will require constant assessment.

In some cases, technology is a cost, provided to consumers as a loss leader in exchange for conducting other business with an organization. An example of this can be seen in payments. Chequing accounts are being replaced by electronic accounts, often for free or for a small monthly fee. The advances in payment technology provided to consumers for a small, or no cost, has been an investment borne by mostly the financial institutions.

A comparison of the three credit unions pricing will be completed, along with a competitive analysis prior to the amalgamation with a plan to implement a consistent pricing structure by January 1, 2022.

3.7 Distribution – Banking Channels

Credit unions have high-cost delivery models. Credit unions often maintain a physical presence in virtually every reasonably sized community in our markets. This model was developed when both people and businesses were highly dependent on cash as the main method of transacting and accessing their banking services by visiting a branch.

The use of cash has decreased considerably over the past decade and even more so during the COVID-19 pandemic. Although East Coast, Teachers Plus and Valley have experienced membership growth, like every other financial institution in Canada, all three credit union partners have consistently seen in-branch transactions decrease. Over the past three years in-branch transaction volumes have dropped by 45 percent. As a result, the three partners continue to evolve to find alternative and more cost-effective ways to serve our members while remaining in, and being a valued part of, communities. Further, to remain relevant, it is vital that credit unions understand the banking needs of a new and younger generation of members. The three partners will prioritize these strategies and offer a complete suite of competitive personal and business banking solutions to meet the needs of all members.

3.8 Market & Community Position: Our Competitive Advantage

Brand & Reputation

The new credit union's brand will be based on much of what the three credit unions have already built and earned with their members and communities. The new credit union remains committed to delivering what members have told us they need -- straight forward accounts, investments, loans and mortgages with costs that are fair and transparent.

Members have also told us they are looking for access to advisors and services that bring convenience to their banking. We know members want financial plans that help them achieve their life goals. We know they want plain talk with real people, and they want to do business with an organization that's committed to their financial health and the wellbeing of their local community.

Member and Market Research

The rationale for amalgamating three strong credit unions to form an even stronger, combined organization is based on a commitment all partners share to invest shared resources toward building the best financial institution for Nova Scotians.

The new credit union will deliver competitive products and service choices to our members, always acting in their best interest.

Regularly, the new credit union will complete research to assess and measure evolving financial service needs of current and future members as well as evaluate the progress of its brand health across Nova Scotia. Information collected through this research informs the credit union's marketing strategy and advice and service delivery priorities.

Internally, it is important to measure performance relative to how well the new credit union satisfies our members – meeting their needs and earning their loyalty. The organization will measure how well it is delivering on its promises and collect feedback to identify where it can improve to remain relevant to our members' ever evolving expectations and needs.

Having engaged members and a close connection to local communities gives the new credit union a strong competitive advantage. The new credit union will achieve an intimate understanding of the financial service needs of members and businesses in Nova Scotia and leverage this knowledge for the collective benefit of members, communities, and the credit union overall.

Growing with Current and Future Members

The primary target market segments for acquiring new members are similar for all three credit union partners. These segments have been prioritized based on the unique position credit unions have to meet their financial service needs, values alignment in terms of community connections, and their likelihood or willingness to consider credit union to be their financial institution of choice.

MARKET SEGMENT	PROFILE	KEY NEEDS
Young Adults	Age 18-25	• Completing school and establishing careers • Purchasing homes in some communities
Families	Age 26-49	• Jugging career, raising children • Being part of their communities • Managing debt and saving
Established Households	Age 50 +	• Being part of their community • Reducing debt with a focus on saving for the future • Supporting extended family
Commercial	Small and medium size businesses	• Up to $5M • Looking for financial advice and often a market that is neglected by other financial institutions

4.0 FINANCIAL PLAN

As independent credit unions, East Coast, Teachers Plus and Valley have long track records of excellent financial performance. Financial projections show the amalgamation of these three strong organizations will produce results that will provide exceptional benefit to our members, staff, and the communities we serve for many years to come.

As a significantly larger entity with better geographic reach, the amalgamated credit union will benefit from greater brand awareness and economies of scale. The plan for the new credit union is to reinvest a significant portion of the financial benefits that result from amalgamation into enhancing service for members and developing faster processes to support the deployment of innovative new technologies, all while building a stronger and well capitalized credit union.

While the amalgamation is expected to produce cost savings, combining the three organizations is not solely a desire to cut costs. Rather, our goals are to build relationships with current and future members and offer greater access options for banking and service delivery methods that bring convenience and value. To do this, the new credit union must find better ways to achieve greater operational efficiency and financial sustainability.

4.1 Financial Assumptions

- Overall loan growth at 5% and Deposit Growth of 3% during the planning period. These are conservative growth rates.
- Prime rate will be aligned to current East Coast rates and the business plan assumes there will be four increases of 25 basis points by the end of 2025 which is consistent with Bank of Canada's forecasts.
- Personnel costs reflect implementing total compensation parity over three years. This is offset by expected staff changes due to normal attrition and retirements.
- No reductions or additions to branch network.
- Borrowings of $26.8 Million are from the utilization of the Mortgage Securitization Program currently in place at East Coast Credit Union.
- Standard pricing to be put in place January 1, 2022.
- One-time amalgamation costs of $400,000 included in expenses for 2022 and 2023. This cost includes a banking system data merger.
- Maintain current combined levels of community investment.
- Technology and marketing budgets are maintained with a 2% annual increase beginning in 2022.
- These projections do not allow for additional investment in "major projects" that may be necessary as we consider changes coming in the next three to four years to Digital Technology, Payments Modernization, Open Banking.

4.2 Financial Projections

Projections show that after the first four years, the amalgamated credit union will generate earnings before taxes, and community investment, of $14 million. The projections also show that the earnings get stronger as the organization continues to grow and benefit from the efficiencies of the amalgamation. Further there will be no material tax consequences to the new credit union because of the amalgamation.

- Return on Assets (ROA) after taxes increases from 37 basis points in 2020 to 66 basis points in 2025.
- Equity is consistently above the 5% minimum currently required and is forecasted to be 7.67% at the end of 2025.
- The new credit union maintains liquidity at an acceptable level with total loans at 80%-85% of assets.
- Based on the projections the new amalgamated credit union demonstrates enhanced ability to finance new initiatives and innovation over time.

5.0 VALUE PROPOSITION AND BENEFITS

5.1 Benefits to Members

East Coast, Teachers Plus and Valley are three credit unions that have long been cooperative neighbours enjoying success in their respective markets. The three partners hold similar values and work to improve the lives of individuals, families, businesses, teachers in Nova Scotia, and the geographic communities they serve across the province of Nova Scotia.

- **Personalized Service:** There will be more focus on service to members, relationship building and business development.
- **Branch Network:** By removing duplication throughout the organization and providing all members of the new credit union with a financially stronger credit union, all members will have increased access points with 26 branches across Nova Scotia.
- **Member Advice Centre:** All members will have access to a Member Advice Center (MAC) with professional staff to support their banking activities online and on phone.
- **Products and Service:** Improved product and service offerings and higher loan limits.
- **Best Practice Service Delivery:** A larger, stronger organization will also provide opportunities for best practices and programs which can be implemented quickly with less development time and cost due to the need to launch once versus three times.
- **Wealth Management:** The combined entity will have 35% ownership in CU Financial Management, Atlantic Credit Union's owned wealth offer (24% East Coast plus 11% Valley).

5.2 Benefits to Staff

There will be many benefits for staff from this amalgamation including total compensation parity, enhanced career growth, more opportunities for training and career stability. All staff will benefit from being part of a credit union that has been recognized as a Top Employer in Nova Scotia and Atlantic Canada in the past with a desire to continue that tradition.

The commitment to people and communities will fuel the passion for the amalgamated organization; it is what has and will continue to set it apart from other financial institutions. Staff will also play a critical role in achieving the new credit union's vision of building a strong co-operative financial institution for individuals, the teaching community, families, businesses, and social enterprises across Nova Scotia.

Specific details related to how this amalgamation will benefit and affect staff are listed below:

- The new credit union is committed to providing a fair and competitive total compensation package to all staff, including a competitive pension and benefits plan. Total compensation parity will be reached over a maximum of three years. With benefit coordination and pay changes planned in year one and further salary actions in to take place as part of annual salary action in years two and three.
- The new credit union will honour current employment obligations for staff from all three credit unions. It is anticipated that some roles will change and evolve to fit the strategic direction of

the new credit union, and it is expected there will be expanded potential for new roles and increased career opportunities for all employees.

- The new credit union will be able to further invest and develop the training, tools, and resources for employees to be successful in their roles and careers. The new credit union will maintain the current East Coast's commitment to be an employer of choice in Nova Scotia, and goal to attract and retain employees to a world-class organization.

5.3 Financial Benefits

As independent credit unions East Coast and Teachers Plus and Valley have long track records of solid performance. The amalgamation of these three strong organizations will produce results that will provide exceptional benefit to our members, staff, and the communities we serve for many years to come.

The new credit union will integrate the three organizations, while ensuring the best interest of members is always maintained. A well-executed integration plan will provide the best long-term benefit to members. This includes the conversion of the three partner credit unions' member account data to a new data system over the next few years.

The intent is to build our relationships with existing and new members, offer greater access options and alternate service delivery methods, including digital. This will enable opportunities to grow existing member communities like the teaching community of Nova Scotia as well as deliver an enhanced product offering to all members with access to branches throughout the province.

5.4 Key Benefits Overall

The merged entity will be financially stronger and better positioned for long-term growth and sustainability. Adding to the locations of the current East Coast Credit Union, will be the Teachers Plus Bedford location and a strong presence of seven locations in the Valley region. This will result in significant growth opportunities in both the personal and commercial markets.

Members of the new credit union will benefit from access to branches in many other communities through the enhanced branch structure.

Across Canada, competition is high in the financial services industry. Rate sensitivity is mounting and now is the time for the three credit union partners to leverage their current financial strength and proactively create a new merged entity that will remain competitive for years to come.

6.0 STRATEGIC FOCUS AND OPERATING MODEL

The new credit union, with its combined resources and strong partner alignment will be well-positioned to balance the key short-term priorities inherent in an amalgamation with the important work of setting a clear long-term strategic direction. It is from this strategic direction that the new credit union will implement exciting new initiatives.

While investing for long-term growth, the new credit union will also ensure members receive excellent service as it also manages the integration process. East Coast Credit Union has significant experience managing this process and there will be no immediate changes to the accounts for members of Teachers Plus and Valley.

A change in current banking system is being planned over the next few years. This banking system change will be planned with a desire to minimize impact on members. Ensuring success will mean devoting resources to product and service alignment, a seamless banking conversion, training and ongoing communications.

Long-term planning and projects will focus on innovation and development of enhanced online and mobile banking delivery so the new credit union will remain uniquely positioned to leverage its strong value proposition by differentiating on continued personalized support, service, and financial advice.

6.1 Organizational Structure

The amalgamated credit union will start operating in January 2022 with an organizational structure aligned with the business strategy, value proposition and vision and mission established by the new credit union's Board of Directors for the benefit of members, staff and all communities served by the new credit union in Nova Scotia.

The amalgamated organization will be led by a single board of directors and East Coast's current CEO, Ken Shea will be the CEO for the amalgamated organization.

The new credit union will operate under the name East Coast Credit Union Limited. The intent is to maintain a decentralized approach to a head office, with Centres of Excellence to in Antigonish, Dartmouth, Port Hawkesbury and Waterville.

An Organizational Chart is included as Appendix B.

6.2 Human Resources

Senior management for each credit union conducted a detailed review of the human resources practices, policies, and procedures at each credit union. Further review will be conducted once approval to amalgamate has been received and then this review will be completed by the end of December.

The three credit union partners are committed to investing in their employees and offer competitive benefit plans. All three strive to be an employer of choice and take employee engagement seriously.

The principles to support the evolution from three credit unions to one include:

- There will be no loss in the number of employees as a direct result of the merger. As per normal business, there will be retirements and natural attrition
- Total compensation parity achieved over three years
- Over time, some roles may evolve to support organizational efficiency and effectiveness goals
- Employees will be trained, coached, and mentored in their roles

6.3 Marketing & Member Service

The combined credit union will be the largest credit union in Nova Scotia and will immediately be able to leverage its brand. All three existing credit unions have long focused on excellence in personalized service, straightforward advice, and strong support of the local communities across Nova Scotia. The new East Coast Credit Union will deliver confidently on a compelling promise of continuing and building on this experience and will have the resources to communicate that value proposition to those who haven't met us yet.

Immediately, as a stronger organization the new East Coast Credit Union can offer improved market presence with 26 branches across the region and will use the combined resources to further invest in technology and expand its online and mobile banking delivery and communication channels. Combined with the unique co-operative structure that keeps credit unions focused on acting in members' best interest and on improving the health of our local communities, the new East Coast will have a significant competitive advantage in the marketplace.

6.4 Cooperative Social Responsibility

All three partners are also strongly committed and aligned in their cooperative values and social responsibility. East Coast and Valley have both been recognized with the Coady Award for Community Involvement. This award is presented to credit unions that exemplify leadership in their communities through co-operative economic development, education, philanthropy and involvement.

Amalgamation provides a financially stronger and more diverse credit union and increases the capacity it has to give back to the communities where it does business. As a result, the new credit union will be able to provide greater support to community.

The new credit union will honour the three partner's existing commitments to community initiatives.

6.5 Key Priorities & Action Plan

East Coast, Teachers Plus and Valley are natural partners that share a vision and commitment to achieve more together on behalf of their members. The combination has benefits for members, for staff and for the communities served throughout Nova Scotia.

The new credit union will succeed in its passion to be the best financial institution serving the region ensuring the individuals, families, teachers, and businesses who do business with it are better off for having chosen the new East Coast. The new credit union will devote its combined resources to greater service innovation; continued focus on delivering a highly personalized experience for members and remaining grounded and invested in the local communities it serves.

Key priorities include:

1. Establishment of Amalgamation Team with representatives from all three Credit Unions, after a positive member vote.
2. Development of Amalgamation Plan by September 30, 2021 outlining operational requirements (Administration, Finance & Accounting, IT, Credit, Products, Third-Party Providers and Training), to move from three systems to one.
3. Finalize Organizational Structure by January 1, 2022.
4. Establish and Implementation of Communications Plan for Members and Staff – Pre and Post decision.
5. Review and alignment of Pricing and Policies – January 1, 2022.
6. Review and alignment of Operational procedures after January 1, 2022.

7.0 GOVERNANCE & DUE DILIGENCE

7.1 Transaction Structure

The Boards of Directors of East Coast, Teachers Plus and Valley Credit Unions have resolved to combine their three organizations into one, through legal amalgamation.

The amalgamation process was selected as the best way to accomplish this merger. Professional advice supported this decision recommending a year-end amalgamation as the simplest approach offering the most tax advantages and least amount of disruption to members from a service perspective.

Through this amalgamation and subject to all required approvals, the credit unions will mutually inject and combine all assets, liabilities, equity, operations, brand value and goodwill into the new entity as of January 1, 2022.

7.2 Legal Structure and Board Composition

Effective January 1, 2022, the newly amalgamated credit union will operate with the name 'East Coast Credit Union Limited' and under the new Articles of Amalgamation and Bylaws.

The official registered office will be in Antigonish, Nova Scotia – a community steeped in the historical traditions of the co-operative movement.

An inaugural Board of Directors will include eight representatives from East Coast Credit Union's current Board, one representative from the Teachers Plus Board, and three representatives from Valley Credit Union's Board. Members of the inaugural board are listed in the Amalgamation Agreement. The amalgamation agreement and business plan will be presented for approval by the members of each credit union at special meetings, or in the case of East Coast at their Annual General Meeting, to be held June 29, 2021.

7.3 Bylaws & Policies

All three credit unions currently operate under the Nova Scotia Credit Union Act and have similar by-laws. After comparing all three, a new set of bylaws have been developed for the new organization. These are based on the current by-laws of all three organizations and incorporate a regional Board of Directors representation approach, electronic voting and other benefits for all members of the new East Coast Credit Union. These new by-laws will be adopted when amalgamated credit union legally takes effect.

Since the current policies for all three credit unions are currently closely aligned the new East Coast Credit Union will review the policies to ensure best practices are maintained moving forward and incorporating the new bylaws and regional representation.

7.4 Amalgamation Agreement

The Amalgamation Agreement describes all the major provisions, requirements, and agreements for how the three credit unions will be combined into one new entity.

7.5 Due Diligence and Risks

Each board prepared a package of relevant information. This information was reviewed separately by each board to help in their decision whether to recommend amalgamation to their membership.

East Coast and Valley have experience working through past mergers and acknowledge the risks and effort required to succeed. A risk assessment was done which identified risks and action plans to mitigate them; these risks and action plans will be monitored through the merger process.

7.6 Approval Process

Members will have a two week period to vote on the amalgamation – June 14 to 29, 2021. Membership meetings of all three credit unions will also be held on June 29, 2021. Official notices of time and location for these meetings will be provided by each Credit Union closer to this date.

For the amalgamation to be approved by a credit union's members, two-thirds of the votes cast must be in favour. For the amalgamation to move forward, members from two of the three credit unions must vote in favour and one of the two must be East Coast Credit Union. The amalgamation must also be approved by the provincial regulator. If all approvals are met, the legal date for the amalgamation will be January 1, 2022.

8.0 CONCLUSION

After in depth discussion, analysis, and development of this Business Plan, all three Board of Directors recommend the approval of this amalgamation effective January 1, 2022.

APPENDIX A: FINANCIAL PROJECTIONS

New East Coast Credit Union	2021 $	2022 $	2023 $	2024 $	2025 $
Assets					
Cash and Investments	224,281,855	210,777,130	197,615,678	185,939,089	172,553,323
Loans after allowance	1,034,385,541	1,086,104,818	1,140,497,632	1,197,522,514	1,257,476,807
Fixed and Other Assets	38,255,590	40,168,369	41,717,638	41,717,638	43,344,371
Total Assets	**1,296,922,986**	**1,337,050,318**	**1,379,830,949**	**1,425,179,242**	**1,473,374,501**
Liabilities					
Deposits	1,170,925,526	1,206,053,292	1,242,234,891	1,279,501,937	1,317,886,995
Accounts Payable	16,082,020	16,242,840	16,405,269	16,569,321	16,735,014
Borrowings	26,760,000	26,760,000	26,760,000	26,760,000	26,760,000
Total Liabilities	**1,213,767,546**	**1,249,056,132**	**1,285,400,159**	**1,322,831,259**	**1,361,382,009**
Equity					
Shares	3,274,885	3,274,885	3,274,885	3,274,885	3,274,885
Retained Earnings	79,880,556	84,719,301	91,155,905	99,073,099	108,717,607
Total Equity	**83,155,440**	**87,994,186**	**94,430,790**	**102,347,984**	**111,992,492**
Total Liabilities and Equity	**1,296,922,986**	**1,337,050,318**	**1,379,830,949**	**1,425,179,242**	**1,473,374,501**
Total Financial Revenue	41,531,841	43,609,683	46,234,542	48,990,644	51,884,551
Total Financial Expense	(7,960,760)	(8,247,493)	(8,698,223)	(9,164,990)	(9,648,402)
Other Revenue	9,448,413	10,320,833	11,186,875	11,996,219	12,896,030
Gross Margin	**43,019,494**	**45,683,024**	**48,723,194**	**51,821,873**	**55,132,179**
Total Operating Expenses	(37,931,951)	(38,670,349)	(39,394,782)	(40,347,678)	(41,154,632)
Corporate Tax Provision	(1,578,606)	(2,173,929)	(2,891,808)	(3,557,000)	(4,333,040)
Net Income	**3,508,937**	**4,838,745**	**6,436,604**	**7,917,194**	**9,644,508**
Efficiency Ratio	88.17%	84.65%	80.85%	77.86%	74.65%
Equity	6.47%	6.68%	6.89%	7.24%	7.67%
Return on Assets	0.27%	0.37%	0.47%	0.56%	0.66%
Percentage Loaned Out	79.76%	81.23%	82.65%	84.03%	85.35%

APPENDIX B: ORGANIZATIONAL CHART