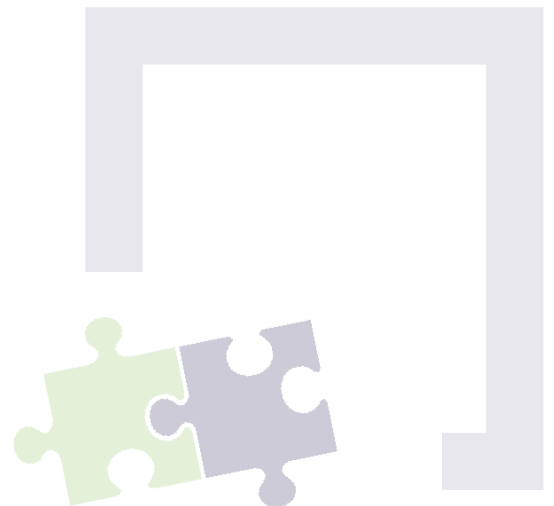




# Proposed Merger:

## Member Voting Information

ABCU Credit Union Ltd. and Innovation Federal Credit Union, with your support, would like to merge. Learn more about this exciting proposal and how you can vote.



# Simplified Banking for Canadians: The First Ever Federal-Provincial Merger

## Vote yes to this groundbreaking merger!

ABCU Credit Union Ltd. (ABCU) and Innovation Federal Credit Union (Innovation), with your support, would like to merge (the Proposed Merger). The Proposed Merger would involve ABCU becoming a federal credit union under the *Bank Act* (Canada), immediately following which ABCU and Innovation would amalgamate and continue to carry on business as one credit union under the legal name “Innovation Federal Credit Union” (the Merged Credit Union).

This proposed federal-provincial merger would be the first in the Canadian credit union landscape!

## Like-Minded Credit Unions Serving You Better

Both Innovation and ABCU have a common desire to provide the best banking services possible to you and support your communities through a commitment to co-operative principles. We want to bring a no-fee bank account and Member Rewards to ABCU members, improved interest rates, additional member rewards, world class online banking and extended call centre hours to name a few.

Bringing together the combined strengths and shared values of both credit unions will create a more competitive, resilient, and sustainable financial institution that will benefit members, staff, and our communities.

## Member Benefits

### Enhanced Member Rewards for You

Innovation offers a Member Rewards program which means you’ll **save** on fees, **earn** profit-sharing cash, and **give** back to your community simply by banking with the Merged Credit Union.

- **Save:** You’ll save around \$11/month in bank fees with the No-Fee Bank Account. Even *Interac* e-Transfer® transactions are free and unlimited.
- **Earn:** Innovation members have earned over \$45 million in profit-sharing dollars since 2007.
- **Give:** Innovation gives 2% to 4% of profits to community development, sponsorship, scholarships, and charitable donations.

You will also have access to an enhanced mobile app, with continued access to remote deposit capture.

We want to do more for you and merging with Innovation will help make that possible. The Proposed Merger will not only provide you with continued outstanding rewards and service but also positions your credit union for future generations as well.

### Better Service for You, No Matter Where You Live

You deserve easy access to banking wherever you go. The Merged Credit Union will be a federal credit union that will continue to easily offer you the products and services you need even if you leave Alberta.

## **Additional Financial Security for You**

You trust us with your finances. This is something we take very seriously. We already apply extremely robust risk management programs as required in the financial services industry and that will only be enhanced with the Merged Credit Union being a federal credit union. Rigorous standards will help it to remain strong and stable. That is good for all of us.

Plus, being able to do business outside of Alberta will allow for diversification of deposits and loans while accessing more funding sources such as the Merged Credit Union will be less susceptible to changes in our local economy.

## **Employee Benefits**

An evolving credit union means exciting career opportunities for our staff members. New positions and opportunities may become available to ABCU employees as a result of the Proposed Merger.

The Merged Credit Union will also have the resources to invest more in training and development to help staff keep pace with new products, trends in the industry, and new ways of delivering services.

## **Community Benefits**

### **Jobs and Advice Centres in Your Communities**

Innovation and ABCU have agreed that the current ABCU branch locations will continue to operate as branches of the Merged Credit Union post-merger. Having jobs and branches in our local communities and using local employees and technology to serve members of the Merged Credit Union across Canada is a great way to keep jobs right here in Alberta, in our branch communities.

### **A Co-operative with Local Presence**

ABCU will always support our local communities. It is who we are and who the Merged Credit Union will continue to be. Our co-operative principles are strongly rooted in our corporate culture and daily activities, right down to this vote. Co-operatives are democratic organizations that value our members' voices. That will not change with the Proposed Merger.

### **Support for Communities**

The Merged Credit Union will allocate 10% of ABCU's capital at the time of the merger toward community projects in the communities we serve. Innovation also allocates 2% to 4% of their annual profits to community development, sponsorship, scholarships, and charitable donations which the Merged Credit Union is expected to continue to do.

Continued financial growth will give the Merged Credit Union an even greater ability to support community causes that mean something to you. Merging with Innovation gives us the opportunity to let our co-operative principles and credit union values shine.

## **ABCU Benefits**

Merging with Innovation, one of Saskatchewan's largest credit unions, will open new opportunities with additional advice centres. For ABCU, the Proposed Merger promises numerous benefits:

- A growing membership base that will enhance financial growth
- A diverse age range among members, contributing to a vibrant and dynamic asset base
- A technology-driven credit union that will enable greater access to sophisticated financial tools and products
- Advice centres that are integral to the long-term strategy
- Stronger financial performance moving forward

The Merged Credit Union will also be able to promote products and services across Canada. This will increase our growth potential, making us a credit union your grandchildren's grandchildren can enjoy.

## You Can Vote Soon

You will be able to vote on the Proposed Merger at the Special General Meeting which will be held virtually at 6 pm MST on June 25<sup>th</sup>, 2025. At the Special General Meeting you will be asked to electronically vote on the Special Resolution approving the Proposed Merger, the full text of which is set forth below under the heading "Special Resolution".

### Special Resolution

At the Special General Meeting, members will be asked to vote on the following special resolution (the Special Resolution).

"BE IT RESOLVED as a special resolution that:

1. (a) ABCU Credit Union Ltd. (ABCU) is authorized to apply to the appropriate officials or regulators, including the Minister of Finance (Alberta) and the Minister of Finance (Canada), to continue as a federal credit union under the *Bank Act* (Canada) (the Continuance) for purposes of immediately amalgamating (the Amalgamation) with Innovation Federal Credit Union (Innovation), all in accordance with and subject to the terms and conditions set forth in the amalgamation agreement between ABCU and Innovation dated May 8th, 2025 included as Schedule A to [the voting information package] accompanying the notice of this meeting, as the same may be modified or amended in accordance with its terms, (the Amalgamation Agreement); and
  - (b) the Amalgamation Agreement and all transactions contemplated therein, including the Continuance and the Amalgamation in accordance with and subject to the terms and conditions set forth therein, are hereby authorized, approved and adopted.
2. Any director or officer of ABCU is authorized and directed, for and on behalf of ABCU, to do, or cause to be done, all such acts and things and to execute and deliver, or cause to be delivered, such other applications, documents, agreements, certificates, undertakings and statements, as any such director or officer may deem necessary or desirable in order to carry out this resolution and the transaction contemplated hereby, the authority for the execution of such documents, agreements, certificates, undertakings and statements, and the doing of such other acts or things, to be conclusively evidenced thereby.

3. All actions previously taken by any directors, officers, employees or agents of ABCU in connection with the Continuance or the Amalgamation are approved, ratified and confirmed effective as at the date such action was first taken.
4. Notwithstanding that this resolution has been passed by the ABCU members, the directors of ABCU are hereby authorized and empowered, at their discretion, without further notice to or approval of the members, but subject to the terms of the Amalgamation Agreement, not to proceed with the Continuance and the Amalgamation.”

The Special Resolution must be approved by a majority of at least 2/3 of the votes cast by or on behalf of its members who cast valid votes on that resolution at the Special General Meeting. The *Credit Union Act* (Alberta) and our by-laws require a quorum for the Special General Meeting of at least 75 members present.

The Board of Directors of ABCU recommends that our members vote in favor of the Special Resolution.

### **Steps Involved**

As set forth above, the Special Resolution must be approved by a majority of at least 2/3 of the votes cast by or on behalf of its members who cast valid votes on that resolution at the Special General Meeting, and we require the members of Innovation to also approve the Amalgamation Agreement by way of special resolution. In addition to such member approvals, we require approvals from the following:

- the Minister of Finance (Alberta);
- the Credit Union Deposit Guarantee Corporation; and
- the Minister of Finance (Canada).

The application process will take time and there are no guarantees that the required regulatory approvals will be obtained. We will continue to be governed by and organized under the *Credit Union Act* (Alberta) until the approval process has been completed and the Proposed Merger effected.

Kindly review this voting information package thoroughly to ensure you make a well-informed decision.

### **A Letter from Your ABCU Board of Directors**

As your elected ABCU Board of Directors, our responsibility is to make decisions that ensure the long-term success of your credit union. This involves keeping an eye on trends, key factors, competition, and shifts in how you prefer to conduct business with us.

ABCU's Board of Directors has identified a path to ensure the future sustainability of the credit union by potentially merging with Innovation Federal Credit Union. This merger would provide significant benefits to our members, employees, and community.

To thrive in a competitive market, we must invest in our branches, digital flexibility, marketing, and talent, which are essential for attracting new members and ensuring our growth. However, this demands substantial capital that can strain our financial strength if pursued alone.

Employees seek career advancements, and our small business framework limits our ability to offer long-term growth opportunities. Thus, recruitment and succession planning remain challenges that a merger could address effectively.

While our community support will continue, the merger will enhance our capability to make a meaningful impact. Embracing the co-operative principles, we aim to lead by example, fostering transparency, education, and community concern.

This strategic move positions ABCU to better serve our stakeholders and sets a template for other credit unions considering their future sustainability.

Following thorough deliberation as noted above, we recommend our members vote in favor of the Special Resolution approving the Proposed Merger. Electronic voting will be available at the Special General Meeting on June 25, 2025.

This voting information package contains details to help you understand the implications of the Proposed Merger for you and your credit union. Additionally, you can further inform yourself by:

- Visiting our merger information page by scanning this QR code:



- Attending one of our four in person or virtual informational meetings in advance of our Special General Meeting on:
  - Monday, May 26<sup>th</sup>, 2025, virtual 3 pm to 5 pm
  - Thursday, May 29<sup>th</sup>, 2025, virtual 5 pm to 7 pm
  - Wednesday, June 4<sup>th</sup>, 2025, in-person Beaumont 4 pm to 6 pm
  - Thursday, June 5<sup>th</sup>, 2025, in-person Edmonton 4 pm to 6 pm
- Calling us at 1.888.929.7511

You have a say in the future of your credit union. It is one of the greatest parts of being a credit union member. Please vote for this exciting merger. **Your vote matters.**

### **What You Are Voting On**

You are voting on a Special Resolution to approve the continuance of ABCU as a federal credit union under the *Bank Act* (Canada) followed by an immediate amalgamation with Innovation, all in accordance with and subject to the terms and conditions set forth in the amalgamation agreement between ABCU and Innovation dated May 8th, 2025 (the Amalgamation Agreement). A link to the Amalgamation Agreement is included in this voting information package as Schedule A. The Amalgamation Agreement will also have to be approved by the members of Innovation by way of special resolution.

Pursuant to the Amalgamation Agreement, the Proposed Merger will result in every five common shares of ABCU being exchanged for one membership share of the Merged Credit Union and every one

membership share of Innovation being exchanged for one membership share of the Merged Credit Union. Each existing ABCU member will continue to hold one vote in respect of the Merged Credit Union with the total dollar value of their membership remaining the same.

The head office of the Merged Credit Union will be located in Swift Current, Saskatchewan and the officers of Innovation in office immediately prior to the effective date of the Amalgamation will continue to hold the same offices with the Merged Credit Union until determined otherwise by the Board of Directors of the Merged Credit Union.

The Merged Credit Union will initially have 13 directors, including one existing director of ABCU and Innovation's Chief Executive Officer. The individuals who will be the initial directors of the Merged Credit Union are expected to be as scheduled to the Amalgamation Agreement provided that ABCU and Innovation may make changes to the initial directors prior to the Proposed Merger becoming effective in certain limited circumstances as set forth in the Amalgamation Agreement. Following the Proposed Merger, members will continue to be eligible to be nominated for and vote for candidates for the Board of Directors of the Merged Credit Union.

Further information with respect to the Board of Directors and officers of the Merged Credit Union can be found in the Amalgamation Agreement.

Following the Proposed Merger, ABCU's by-laws will cease to apply and the by-laws in the form scheduled for the Amalgamation Agreement will govern the Merged Credit Union.

### **What Becoming a Federal Credit Union Means**

Historically, credit unions were restricted from promoting products and services outside of their home province. In 2012, the federal government enacted legislation that allows credit unions to apply to become a federal credit union. A federal credit union is governed by and organized under the *Bank Act* (Canada) and is regulated by the Office of the Superintendent of Financial Institutions.

Today ABCU is governed by and organized under provincial credit union legislation in Alberta and regulated by the Credit Union Deposit Guarantee Corporation (CUDGC).

Federal credit unions must carry on business on a co-operative basis – just like we do now. If the Special Resolution is passed (and the members of Innovation also pass a special resolution approving the Amalgamation Agreement), subject to the receipt of necessary regulatory approvals, you will become a member of the Merged Credit Union which will be governed by the *Bank Act* (Canada). In addition, the Financial Consumer Agency of Canada will oversee the Merged Credit Union's compliance with federal financial consumer protection framework.

One of the most significant changes with becoming a federal credit union is how your eligible deposits are guaranteed. Please refer to the disclosure notice that is available on the website.

### **We are committed to keeping our ties with the Alberta credit union system.**

We are committed to preserving a strong credit union system in Alberta. We think that federal credit unions with national exposure can help the entire credit union system by raising the profile of credit unions as strong alternatives to the big banks.

## **Risks**

### **Risks of Remaining Independent**

#### **Single economy**

Just like with your own investment portfolio, we can lessen risk by diversifying our assets. ABCU's current operations are concentrated in Alberta and our assets are primarily deposits and loans to members in this region. Since we rely on a single regional economy, events such as a natural disaster or market correction could increase our rate of loan defaults. The Proposed Merger lets us diversify with the Merged Credit Union having assets spread across Canada, making for a stronger, more resilient organization.

#### **Competition**

Operating solely in Alberta puts us at a disadvantage compared to many of our competitors who enjoy a much larger potential customer base in Canada. Unlike many of our competitors, we cannot market our products and services outside of Alberta and our ability to serve members who live outside the province is limited. We also face competition from new digital financial service companies that are not limited by provincial borders.

If the Proposed Merger is not completed, it will become more difficult over time for ABCU to compete effectively with new entrants in the market such as international banks and technology companies offering financial services. Many of these entrants can access all Canadians through online and mobile channels. Due to the strong competition in the financial services sector, it will be more difficult to gain traction in new markets if we do not merge.

Our goal through merging is to better serve our existing members if they relocate within Canada and to be able to level the playing field, having the flexibility to serve all Canadians.

#### **Technology**

If we cannot quickly adapt to innovative technologies and member expectations, we risk losing our next generation of members who prefer to deal with their financial institution through the latest technology available. ABCU, due to our size, relies on third parties to deliver end-solutions to us.

The Proposed Merger will allow us to achieve greater scale and financial growth that will help us evolve to meet market demands, retain members, and attract new ones.

#### **Membership**

The current demographics of ABCU members indicate that 33.6% are aged 65 or older, with 12.1% of this group being 75 and above. Although membership has been on a downward trend, the Proposed Merger presents an opportunity to introduce an enhanced product suite, such as no-fee accounts, which could rejuvenate our membership and bring new vitality to our financial offerings. While these changes may impact financial profitability, the potential for positive outcomes and member satisfaction is significant.

#### **Profitability**

ABCU recognizes the need to be profitable as profit leads to retained earnings, which is a critical indicator of the strength of a credit union. ABCU's focus on capital growth currently reflects top quartile



levels both of capital available to total assets and total equity to risk weighted assets within the Alberta credit union system. We are in a position of strength, and merging with Innovation will ensure that the merged entity continues to grow and prosper.

### **Member Benefits**

Through a merger with Innovation, members would have access to many enhancements beyond what ABCU currently offers, including a no-fee account, free and unlimited *Interac* e-transfer® transactions, Member Rewards, and community investment. With products and rewards such as these, the Merged Credit Union will be better able to support our younger demographic who are on the path to establishing themselves.

Merging is a proactive approach that will enable us to extend lending products to a wider audience, fostering growth and community engagement among the dynamic younger population.

### **Board Governance**

Merging with Innovation and creating an expanded Board of Directors will reduce governance risk, while also potentially optimize costs and have the benefit of updated by-laws to enhance recruitment strategies. Regulatory requirements for governance are evolving, emphasizing directors' expertise in cyber, digital, and risk management. Additionally, Board education and ongoing learning are increasingly prioritized to navigate the financial services landscape's complexities effectively. The Merged Credit Union will have an initial Board of Directors comprised of 13 experienced individuals that include one of ABCU's existing directors and ABCU members will continue to be eligible to be nominated for and vote for candidates for the Board of Directors of the Merged Credit Union.

### **Executive Succession**

Our current C-Suite is composed of two executives, the Chief Executive Officer and the Chief Operations Officer. Acknowledging the valuable contributions and unique responsibilities they manage, especially pertinent to smaller credit unions, the Board of ABCU is actively engaged in forward-thinking succession planning to uphold our dynamic leadership. The officers of Innovation immediately prior to the effective date of the Proposed Merger will continue to hold those offices with the Merged Credit Union. As a result, by merging with Innovation, we not only eliminate succession planning risks but also ensure seamless business continuity, thanks to a highly experienced C-Suite.

### **Safety and Soundness**

The Proposed Merger will enhance our risk management capabilities and address key areas promptly. While we are proud of our ongoing efforts, we believe that the Proposed Merger will strengthen our enterprise risk management in areas such as active membership growth, total loans to assets, and funds under administration growth.

Currently, ABCU boasts a robust capital position, an exemplary corporate culture, and exceptional employee engagement, all well above industry standards. Our strong relationship with our Regulator underscores our credibility and stability. We have prudently de-risked our balance sheet to safeguard your credit union from potential loan losses and minimized deposit concentration risks. Additionally, our efforts to achieve independence from our banking system provider have significantly bolstered our defenses against cyber-attacks, ensuring the stability and security of our banking system.

## **Human Capital**

A merger with Innovation provides employees with access to enhanced resources currently unavailable and opens new avenues for growth, advancement, training, and development.

ABCU is committed to attracting and retaining top talent, ensuring our team is composed of dedicated and capable individuals. By combining with Innovation, we can more effectively fill vacant positions with the right candidates, reducing the time it takes to find the perfect fit.

The Proposed Merger not only addresses the current challenges of increased responsibilities but also fosters a supportive environment that encourages professional growth and long-term career satisfaction. Together, we will create a thriving workplace where our employees feel valued and motivated to excel.

## **Risks of Becoming a Federal Credit Union**

### **Liquidity**

Credit unions are required to maintain a percentage of assets as liquid assets to ensure they can meet their financial obligations, including loans, deposit withdrawals, routine operating expenses, and unexpected events. We manage our liquidity every day, but the change in deposit insurance for ABCU members may result in member behavior post-merger that differs from the ordinary.

Moving from an unlimited deposit guarantee on eligible deposits to a limited guarantee may cause some ABCU members to move their deposits elsewhere.

To prepare for this, ABCU and Innovation have developed a comprehensive contingency plan to maintain the funding sources and minimize potential costs for the Merged Credit Union.

### **Third-Party Relationships**

ABCU's key third-party relationships, like Central1 and Aviso, align closely with Innovation's. Although our banking systems differ (ABCU with CGI and Innovation with Fiserv), we are committed to ensuring a smooth and seamless transition for our members.

The timeline for the Proposed Merger remains flexible, allowing us ample opportunity to navigate any unforeseen issues while minimizing disruption. This flexibility ensures that we can address any potential challenges effectively, maintaining our focus on progress. Should we encounter any insurmountable or overly costly issues, we can explore continued business growth within Alberta or collaboration with another Alberta credit union, ensuring our adaptability and resilience.

We are confident that the Proposed Merger will enhance our partnerships with third parties that play a vital role in serving our members. Through diligent assessment and strategic planning, we have crafted robust plans to uphold these crucial relationships, ensuring uninterrupted service and continued success.

### **Regulatory Approvals**

We have looked extensively at the regulatory requirements for completing the Proposed Merger and have engaged in detailed discussions with the relevant regulatory bodies, however, the application

process will take time and there are no guarantees that the required regulatory approvals will be obtained.

We will continue to be governed by and organized under the *Credit Union Act* (Alberta) until the approval process has been completed and the Proposed Merger effected. If we do not obtain the necessary approvals, we will not become a federal credit union or merge with Innovation and will continue serving our members as a credit union under Alberta law.

### **How Deposit Insurance Would Change**

One of the most significant changes in becoming a member of a federal credit union is how your eligible deposits are guaranteed.

#### *The Impact*

For most of our individual members, \$100,000 in each of the deposit categories should be more than sufficient coverage; however, if you believe the change in deposit insurance resulting from the Proposed Merger will not be sufficient, we can help you to maximize your coverage. For example, you can qualify for additional coverage by adding funds to an RRSP, TFSA, and a joint or trust account.

Canada Deposit Insurance Corporation (CDIC) provides transitional coverage (the same coverage you have now) from the date we would become a federal credit union (which will be the date the Proposed Merger is completed), ending after 180 days. Fixed term investments are also fully insured until they mature or are redeemed.

We will work with you during this transitional period to ensure you receive the most coverage available once we fully transition to CDIC.

#### *Strong and Stable*

It is important to remember that deposit insurance is something you may never need. The Merged Credit Union will adhere to strict liquidity and capital adequacy guidelines and will have many processes in place to ensure it remains strong and stable.

For full details about the changes in deposit insurance and the transition period, please refer to the disclosure notice on the website or visit [www.cdic.ca](http://www.cdic.ca).

### **Regulatory Framework Change**

As a federal credit union, the Merged Credit Union will be governed by a regulatory framework that is different from ABCU. For example, the requirement for Alberta credit unions to maintain liquidity at a central credit union would not apply to the Merged Credit Union.

### **Voting questions and answers**

#### **When is the vote taking place?**

The vote will take place electronically at the Special General Meeting on June 25<sup>th</sup>, 2025.

**Who is eligible to vote?**

You can vote if you hold common shares of ABCU as of January 1, 2025, and are 18 years of age or older. Regardless of the number of common shares you hold, you may cast only one ballot. In the case of joint memberships, voting privileges will be allowed for each person holding at least five common shares.

**How and where can I vote?**

You can vote electronically through the meeting invite that will be sent to you upon registration.

**How do I register to vote?**

You can contact ABCU at 1-888-929-8561 or by email to [general@abcu.ca](mailto:general@abcu.ca). Members must register no later than 5 pm on June 21, 2025.

**When is the voting deadline?**

Voting will take place electronically at the Special General Meeting on June 25, 2025.

**When will the results be announced?**

We will announce results on our social channels within 24 hours after the SGM.

**How are the ballots counted?**

The vote will be held electronically during the SGM. Results of the vote will be shared with all members registered immediately after.

**Why not choose to merge with an Alberta credit union?**

ABCU's Board of Directors and senior management conducted a rigorous process which included inviting presentations from a variety of provincial and federal credit unions with scale to deliver on the initiatives determined to be critical to ABCU. After consideration of the best course of action based on the guiding principles established, Innovation was unanimously selected as the preferred credit union to merge with.

**You mentioned that Innovation members must also vote in favor of the merger for it to go through.**

**When does that vote take place and what if they vote no?**

Innovation's member vote will take place at its annual general meeting to be held on June 26, 2025. If its membership does not vote in favor of the merger with ABCU, then we will not become a federal credit union nor merge with Innovation at this time.

**What will the Merged Credit Union be named?**

It will be called Innovation Federal Credit Union.

**Will my account number change?**

At this point, it's too early to predict any changes to account numbers, although it is a possibility. We'll communicate any changes of this nature well in advance and do everything we can to ensure a smooth transition.

**Will our hours of operation stay the same?**

It's also too early to predict our hours of operation. However, please be assured that our hours will not be reduced and could possibly be enhanced to better serve you. You will have access to digital banking,

which gives you 24/7 access to your accounts. Their call centres are also open to serve you Monday to Friday, 8 AM to 8 PM CST as well as Saturday and Sunday, 9 AM to 6 PM CST.

### **Our Assumptions**

This document outlines the expected benefits and risks from the Proposed Merger and what might happen if the Proposed Merger is not approved by members or does not occur for any other reason. Our forward-looking statements, beliefs, plans, expectations and forecasts are based on assumptions we consider reasonable at this time. However, we cannot predict the future, and unexpected changes may occur which could result in materially different outcomes. We want you to be well-informed when voting. For more details on the Proposed Merger, including governance, risks, and benefits, visit [www.abcu.ca](http://www.abcu.ca), attend an informational meeting, visit a branch, or call us toll-free at 1.866.929.7511.

We always welcome your questions and feedback.

Call us!

**1.888.929.7511**

Email us!

[Corporate@abcu.ca](mailto:Corporate@abcu.ca)