



Dear Member:

In the fall of 2019, Quinte First signed a Letter of Intent to merge with Alterna Savings and Credit Union. With the merger agreement now in place, we will be presenting a resolution to approve the merger at our Annual General Meeting on March 24, 2020. We encourage all of our members to participate in this important decision and before you do, we wanted to take the opportunity to provide you with some information about what led to this decision and why we believe that a partnership with Alterna is our best path forward.

At our last strategic planning meeting, we identified four major issues that will impact the Credit Union over the next 5 to 10 years. These issues are:

Aging Membership/Geographic Footprint

The membership of the Credit Union is aging and in most cases as these older members pass, we will lose that relationship since many beneficiaries do not reside in this area. The Credit Union must attract new, younger members in order to be sustainable in the long term and one of the ways to do this is to expand our geographic footprint so members don't have to leave the Credit Union when they leave the Quinte area.

Technology, Products and Services

The biggest changes in the banking system over the last 10 – 20 years have been driven by technology and technology will continue to be the main driver of change for the foreseeable future. If we fail to keep up, we risk being put at a competitive disadvantage particularly with younger members. The difficulty is that the acquisition of new and emerging technology is becoming extremely expensive which can have a significant effect on our bottom line.

Labour Talent

In today's market, the need for qualified and specialized labour talent is increasing. To continue to provide the level and quality of service that members expect, we must be able to recruit and retain high quality labour talent. Quality labour is not cheap and in the coming years, the need to control expenses could lead to compensation levels which would make it difficult to recruit and retain the quality staff we need.

Capital Levels

Quinte First has been very successful and is growing at around 9% per year. For long-term financial stability it is essential that our capital base continues to grow and that only happens through higher profits. Although the Credit Union has good profitability, the costs of addressing the previous three issues will make it extremely difficult to maintain capital against the projected growth of the Credit Union. This will also impact our rates and service fees.

Having identified these issues, we didn't want to wait until we have a problem. We wanted to do whatever we could to address the issues before they have an adverse effect on the Credit Union and our members. So, we looked at our options and determined that a merger with a larger Credit Union was the only approach that addressed all of the identified issues.

However, we aren't willing to partner with just anyone. To find the right partner, we developed a Request for Proposal (RFP) and invited a number of larger credit unions to respond. In this RFP we established a number of core principles that were non-negotiable. They were:

- Staff Retention and Compensation
 - No job losses or relocation as a result of the merge
 - Acknowledgment of years of service and no negative changes to compensation
- Branch Locations
 - Current branch locations of Quinte First will be maintained for at least two years or longer if proven to be beneficial to the merged credit union.
- Products and Services
 - The members will retain all existing services and have access to all new and enhanced services as soon as possible
- Community Commitment
 - Our community programs will be retained with sufficient resources to continue their growth and development

Four credit unions respond to the RFP and with these four responses, only Alterna Savings and Credit Union agreed to all of the core principles. We see a merger with Alterna Savings as having the following advantages:

- They have agreed to all four core principles and have even pledged to increase the community relations budget by \$25,000.
- We will continue to have local management and our current management team will continue to have direct supervision over the branches in Quinte.
- They are one of Canada's oldest Credit Unions and have been serving members since 1908.
- With the addition of Quinte First, members will have access to 36 branches in Ontario covering all of the major centres (Toronto, Ottawa, Kingston, Peterborough, Southwestern Ontario, North Bay, Thunder Bay etc.).
- Members will gain access to products such as innovative investments, a full-service brokerage, US dollar term deposits and chequing accounts, expanded business account and commercial lending product options and access to certified financial planners.
- Members will receive great rates! Alterna has some excellent rate offerings and immediately, members will receive either the Quinte First rate or the Alterna rate, whichever is better.
- Members will benefit from access to a call centre for convenient assistance. The call centre operates from 8:00 am to 8:00 pm Monday to Friday and 9:30 am to 4:00 pm on Saturdays.

- Alterna is committed to bringing members state of the art technology. They recently developed the first on-line mortgage application, approval and funding product in Canada and a fully digital small business banking solution.
- Alterna Savings has once again in 2019 been recognized as a Platinum level Aon Best Employer. With 36 branches as well as corporate centres in both Toronto and Ottawa, our staff will have greatly expanded development and growth opportunities.
- As one of the largest credit unions in Canada, Alterna Savings has the resources to ensure long term financial stability and the resources to invest in the credit union, the members, the community and the staff.

Over the last number of months as we have finalized the asset purchase agreement and discussed the many facets of this merger, many of our staff and management have had the opportunity to tour Alterna facilities and meet with Alterna staff from every area of their operations. We can assure you that Alterna Savings has approached this merger as a partnership not a takeover. They are collaborative in their approach and they are committed to the community. This approach is part of their business model and is consistent in every community in which they serve.

We would like to thank you for your support of Quinte First and assure you that our members are our number 1 priority. As the Annual General Meeting and this historic decision approaches, we encourage you to reach out and make sure that you receive all of the information you need to feel comfortable and confident in the road ahead. We thank you for your time and look forward to hearing from you.

Thank you,



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