

Non Traditional Mergers

An Innovative Opportunity for Credit Unions to Grow

Asian Credit Union Forum 2009

Bangkok, Thailand

September 26, 2009

Change

- “There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things.”

– Machiavelli, 1513

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Benefits to mergers

- More branches for members to choose from.
- More career opportunities for staff.
- Larger balance sheet may mean larger loans.
- Better negotiating position with suppliers.
- Diversification of geographic risk.

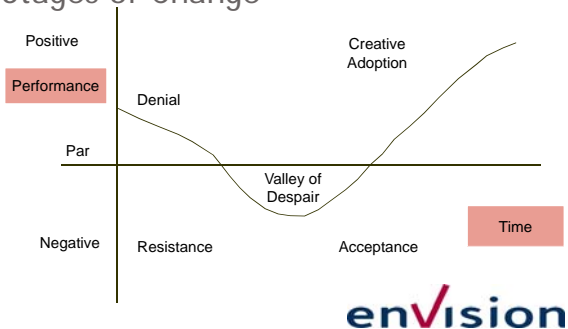
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Obstacles to a merger

- What will be the name of the new credit union?
- Which branch will become the location from which the General Manager will work?
- Who will be the CEO?
- How to manage the Board & CEO egos.
- Ambiguity of legislation or regulatory prohibitions.

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Stages of Change



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Innovative approach

- Envision credit union has been experimenting with an innovative, non-traditional approach to mergers. The intent has been to try and deal with these issues and successfully merge.

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Who is Envision credit union?

- Established in 1946
- Third largest credit union in B.C.
- \$3.8 billion Total assets under administration
- Approximately 120,000 member-owners
- More than 800 employees
- Head office in Langley, B.C.
- 21 branches and 20 insurance offices
- 7th best employer in Canada (1st in B.C.)

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Vision statement

- “A vision or mission statement is a long awkward sentence that demonstrates management’s inability to think clearly. Every good company should have one.”

- Dilbert

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Our vision is to be:

1. The best place our employees have ever worked
2. The best place our member-owners have ever done business
3. An industry leader in financial performance
4. An industry leader in corporate citizenship

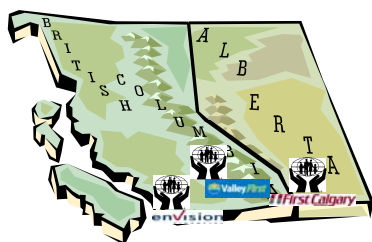
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Where are we?



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The opportunity



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The challenge

- Couldn't agree on the credit union name
- Couldn't agree on the board structure
- Couldn't agree on board down sizing
- Couldn't agree on the head office location
- Couldn't agree on...anything material.

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Where to begin?

- Biases that get in the way:
 - Lack of imagination - we aren't good at admitting that we don't know the answer.
 - Frame blindness - we mistake our own mental map for the actual reality, we miss the big picture

Source: Michael Mauboussin DSI Strategies

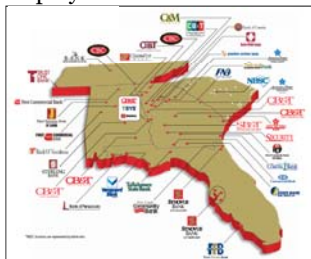
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- We started looking around for business models or business ideas that might be able to help.
- We found an interesting bank in the U.S. that might have part of the answer. Their name is Synovus

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The Synovus story

- Synovus has 39 banks, 332 branches, and 7,385 employees.



SYNOVUS

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The Synovus story

Financial Summary 2007:

Total revenue:	\$1.5B
Net income:	\$526M
ROA:	1.6%
ROE:	13.37%
Total loans:	\$26B
Total deposits:	\$25B
Total assets:	\$33B
Net charge off ratio:	0.46%
Div/share:	\$0.82
Diluted net inc/share:	\$1.60



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How does Synovus work?



1 Focused Customer Strategy

- Deliver focused and customized customer experiences through each of the 39 banks.
- Local market focus with the strength of Synovus behind them.

"We win because we are operated locally. We win because we have the backing of a \$33 Billion dollar company"

Fred Green, President & COO - Synovus

2 Local management team

- Local management and Boards for all 39 banks.
- Ensures culture of bank is maintained for the customers.

"Our delivery model is unique. But we don't maintain it just to be different. We do it because it benefits customers, brings in business and drives performance."

Lee Lee James,
Chief People Officer &
Vice Chair

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How does Synovus work?

- "We are a branded house, not a house of brands."

Typical Bank



Synovus Banking Model



- Community banks within the Synovus portfolio are working towards offering a comprehensive array of standard products with the ability to customize pricing and bundles

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How does Synovus work?

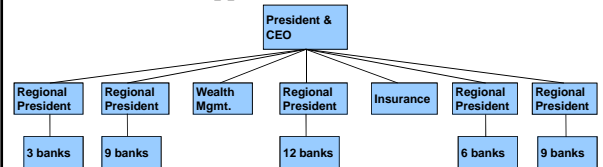


- Synovus is the connecting piece between the brands.

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How does Synovus work?

- Their executive management structure is similar to Envision's approach.



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Key findings

- Local autonomy, local leadership, local success
- One Common & identical banking system
- Contiguous geographic locations
- Synovus' governance model would not translate into Canada. We must develop our own structure.

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How can we apply these lessons?

- The name of the credit union does not need to change. Multiple brands can co-exist.
- The local decision making can remain.
- The Boards can continue to provide local input
- Local head offices can be made to work.

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Our name

- Before the merger
- After the merger



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How will it work?

Today

Balance sheet
Income statement

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FINANCIAL

Branches

Members

Balance sheet
Income statement

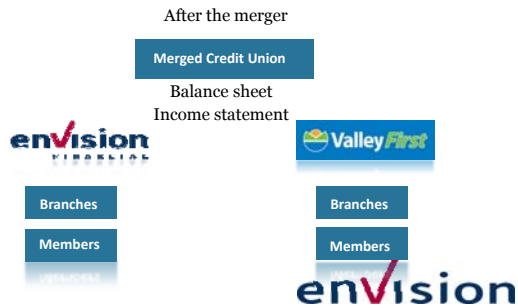
Valley First

Branches

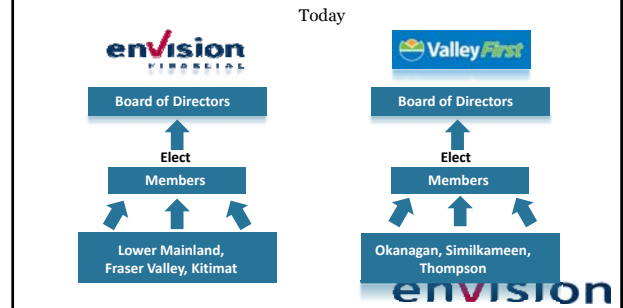
Members

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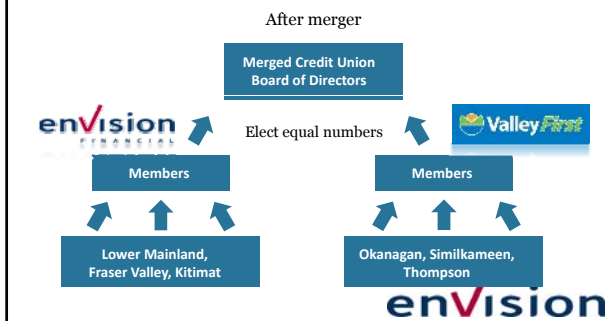
How will it work?



Board of directors



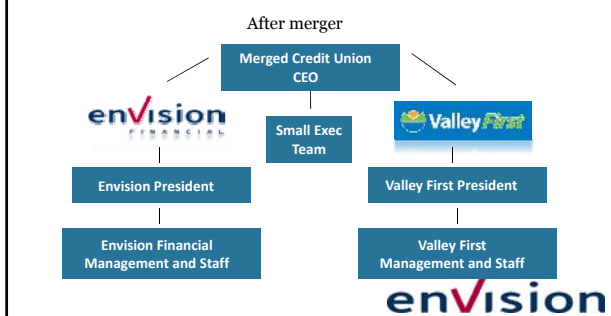
Board of directors



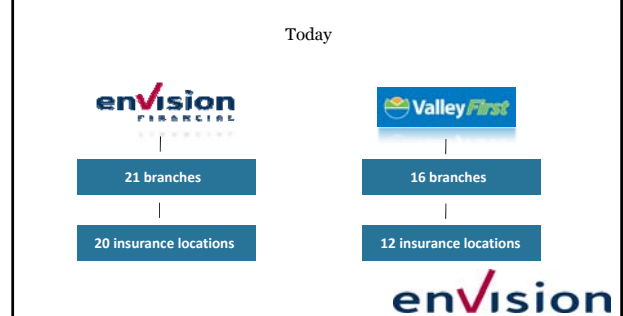
Management



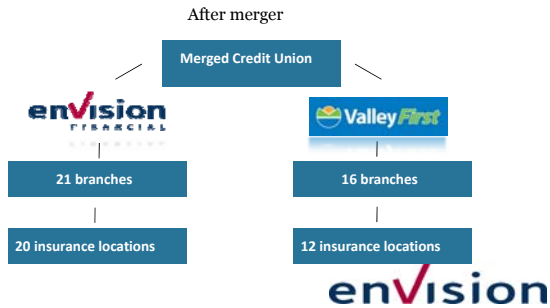
Management



Branches



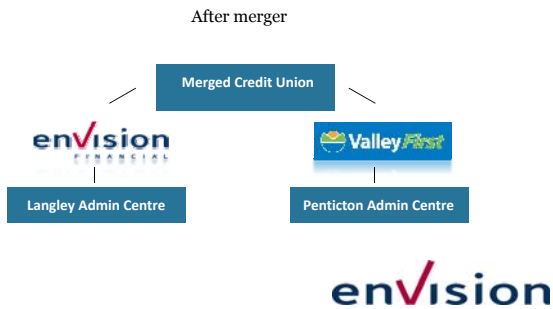
Branches



Head office



Head office



Benefits for Envision



- Strength, advantages of large organization
- Better able to compete with big banks in tough economy

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Benefits for Envision



- Preserve local decision making, community focus
- Maintain close member contact

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Benefits for members



- Products and services enhanced
- Same great service
- Same branches
- Same employees
- Local decision making
- Access to accounts across B.C.

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Benefits to employees



- Career and succession opportunities



- More educational opportunities

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- “Show me an organization that has a focus on only three initiatives and I will show you an organization that is set up to fail.”

- Peter Drucker
Business thinking icon

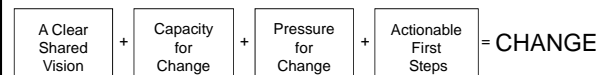
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- To ensure that an organizational focus translates into hard actions – several steps must take place; an owner needs to be found, a team formed, holistic review of the issue to determine action plans.

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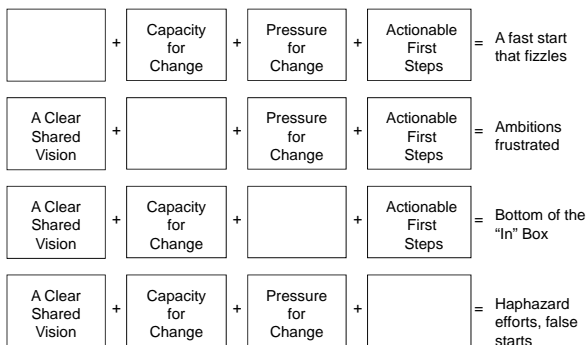
Conditions for change

- Several conditions need to be met for change to be sustained.



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Each condition counts



L.A. Benningson
Source: Michael Mavaddat DSI Strategies

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- Vision without action is a day dream.
Action without vision is chaos.

- Japanese proverb

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- “When you are wrestling with a gorilla, you don't stop when you are tired; you stop when the gorilla is tired.”



- Strauss

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- “Change before you have to.”

- Jack Welch, 1992

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