

Western Financial about to become nearly ubiquitous

Alberta-based financial company set to double size

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Western Financial Group Inc., a High River, Alta.-based financial-services holding company with interests in insurance, banking and brokerage, is set to about double the size of its banking operations with the planned purchase of Ubiquity Bank of Canada.



Western Financial, the largest property and casualty insurance broker in Western Canada and whose unit, Bank West, received its charter in late November, 2002, announced yesterday that it plans to purchase Bank from Prospera Credit Union.

Prospera is based in British Columbia and was launched six years ago following the merger of B.C.'s Fraser Valley Credit Union and Edelweiss Credit Union. In April, 2004, Prospera received its incorporation to launch a national chartered bank, Ubiquity Bank of Canada. That bank, which had a large focus on services provided over the Internet, is based in Abbotsford.

CREDIT: Lorraine Hjalte, CanWest News Service

SCOTT TANNAS: "more meat."

Once the acquisition has received all the regulatory approvals, Ubiquity Bank, which specializes in personal and commercial term mortgages and loans, will be amalgamated into Bank West. Ubiquity, which has a network of intermediaries primarily in Western Canada, has about \$127-million in assets. Bank West, which is a brokerbased bank, has about \$175-million. Ubiquity has a capital base of about \$14-million.

"Ubiquity Bank's portfolio is an excellent fit for us," said Doug Foster, president and chief executive of Bank West. "We have been looking for an acquisition with the same product types as Bank West, which will provide us with additional scale and enhance our profitability," said West, whose bank provides insurance-premium financing, loans, GICs, mortgages and other banking products. One of its growth areas has been in financing recreational vehicles, and marine and auto dealerships. It doesn't provide credit cards; at least, not yet.

And the good thing about the transaction: Because of the similar product types and distribution relationships between the two banks, the acquisition will be fully absorbed into Bank West's operating platform. Current Ubiquity staff members will be reassigned duties within Prospera, leaving Bank West to add the Ubiquity portfolio with minimal additional overhead. The combination will push Bank West assets to more than \$300-million.

Scott Tannas, chief executive of Western Financial, said the acquisition will mean Bank West can "put a little more meat on the skeleton. We have been looking for a portfolio of loans that matched up with what we were doing. It will allow us to get that much bigger, to get that much more throughput, to get our systems running at better capacity, to better deploy our capital and have more efficiency. The bank is profitable. The acquisition will make it more profitable," he said.

Tannas said that WFG has not officially determined how it will finance the Ubiquity acquisition. "But we won't be issuing common shares," he said. "The acquisition is accretive to common shareholders."

Tannas was in Kelowna yesterday for a series of interviews with WFG's staffers. Known as employee conventions, the annual sessions are with all the company's employees. "We have 10 of them over the next few days. We have 10 regional meetings and over the course of those meetings, I will see 500 of our employees," Tannas said.

One question: When was the last time a chief executive from a Schedule 1 bank toured the regions meeting the workers, as opposed to the bank's key clients? After all, retail is the key source of profit for every bank. And with retail, there are no \$680-million of trading losses, just the odd loan default.

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WFG's focus of activity is on small-town Western Canada. It went public in 1996 (as Hi-Alta Capital) and now has more than 400,000 customers. Apart from its banking unit, its main divisions are: WFG Agency Network, a property and casualty insurance broker with more than 90 branch offices; Western Life Assurance Co., which provides life and health insurance products to commercial businesses and individuals; and Jennings Capital, where it has a 30.6% stake.

A couple of weeks ago, WFG reported its first-quarter financial results: It posted a 38% increase in revenue, (to \$24.559-billion) in revenue from the same period of 2006, and a 122.3% increase in operating income to \$2.545-billion. Earnings per share were 6¢, or 5¢ on a fully diluted basis.

Bank West was a star performer, posting a record quarterly profit. Since WFG opened its banking doors in January, 2003, the stock has posted annual average gains of 16.6% versus the market's gain of 20.73%.

In that time, WFG has raised two piles of equity capital: \$22.25-million via the sale of shares at \$2.15 apiece in March, 2005, and \$23.1-million at \$3.50 per share last November. Shares (WES/TSX) closed yesterday at \$4.93.

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For Prospera, the country's ninth-largest credit union with more than 44,000 members, \$2.3-billion, 16 branches, nine insurance offices and six commercial banking centres, the impending sale of its banking unit caps a busy period of activity. Last month, it and North Vancouver-based North Shore Credit Union announced they were in discussions to merge operations. If successful, B.C.'s third largest credit union, with more than \$4-billion in assets under administration, 28 branches, 100,000 members and 800 employees, will be formed.

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Reinhardt's moves Sandy Reinhardt is the newest member of the institutional equity sales trading team at UBS Canada. Reinhardt has spent the past 15 years as a sales/trader. Most recently, she was with Merrill Lynch. Reinhardt isn't a net addition to UBS's equity operation; she is replacing an employee who is retiring.

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