

2011 Investment Shareholders Update



Dear Member,

With the first half of the year behind us, 2011 will forever be remembered as a milestone year for Meridian. In just six months, Meridian has made significant developments that have resulted in a stronger credit union better equipped to deliver on our Promise to Members.

Similar to the Canadian economy, Meridian is gaining momentum and growing. Our amalgamation with Desjardins Credit Union and our recently-launched multimedia advertising campaign both demonstrate our commitment to reinvent neighbourhood banking and be seen as a truly competitive and trusted financial services provider.

This mid-year overview will provide you with key information regarding Meridian's financial performance, the state of the Canadian economy and our latest service and product developments.

I encourage you to review our mid-year update and I hope you find the content informative and useful. On behalf of Meridian, I would like to thank you, our shareholders, for your continued support. I wish you and your family all the best for the remainder of 2011 and beyond.

Sincerely,

Sean Jackson
President & Chief Executive Officer

2011 Investment Shareholders Update

Financial Performance

For the 5 months ended May 31, 2011

The combination of Meridian's strong financial position, coupled with the ongoing support of its growing Membership, is driving another year of strong earnings and growth. While the global economy still struggles with the implications of sovereign debt concerns, and our own growth in Canada is slow at best by historical post recession standards, our strong product and service offering, competitive pricing, and Member focused employees have all contributed to results this year that are far exceeding our planned expectations.

Operationally so far in 2011, we have focused on delivering what we proudly refer to as our "Promise to Members". That Promise is supported by three fundamental commitments to our Members; i) Never fail peace of mind in key moments of truth; ii) proactive, customized solutions, and iii) respect for our Members. Since promises are only helpful when people know about them, we have initiated a large scale media campaign to communicate our Promise to existing and prospective Members. We have also expanded our product and service offerings, and we have and continue to invest heavily in training our front line staff on providing value added advice to our Members.

Amalgamation with Desjardins Credit Union

On June 1, 2011, Meridian amalgamated with Desjardins Credit Union (DCU). The merger has added \$1.4 billion to total assets, \$2.1 billion to Member relationships, 19 new locations to our branch network and 43,000 new Members. The integration of DCU with Meridian's operations has already begun, with legacy DCU Members able to take advantage of our market leading interest rates in mortgages and term deposits. Plans are currently underway to install Meridian signs at all branch locations and by next spring we expect our operating systems and technology infrastructures will be fully integrated.

This year's financial performance commentary summarizes financial results for the five months ended May 31, 2011 thereby reflecting Meridian's pre-amalgamation results only. Meridian's 2011 annual report will include the results of the amalgamated operations for the last seven months of the year.



2011 Investment Shareholders Update

Financial Performance

For the 5 months ended May 31, 2011

Members' relationships

Members' relationships consist of the combined balance of Member loans, deposits and mutual funds. This is a key indicator of overall performance. At May 31, 2011, relationships totaled \$11.0 billion, an increase of \$1.0 billion or 9.6% over May 31, 2010. Growth since December 2010 is \$383 million, representing an increase of 3.6% on a year to date basis.

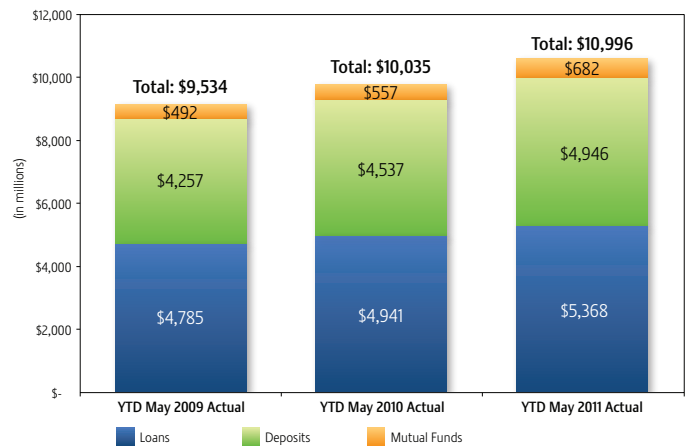
The loan portfolio increased by \$226 million or 4.4% since December 2010. Growth within the retail and commercial lending channels has been exceptionally strong. The growth in retail lending can be largely attributed to a successful mortgage campaign coupled with attractive "Better Than Market" (BTM) pricing. By offering market leading mortgage rates, Meridian continues to deliver on its Promise to Members, helping to make housing more affordable for new and existing Members. Significant commercial lending, especially in land development and real estate, has also contributed to the loan growth in 2011. Deposits grew by a more modest \$115 million or 2.4% thus far in 2011. Mutual fund assets held by our Membership increased by \$42 million, through a combination of positive net sales of \$25 million and market appreciation of \$17 million over the last 5 months.

Pre-tax earnings

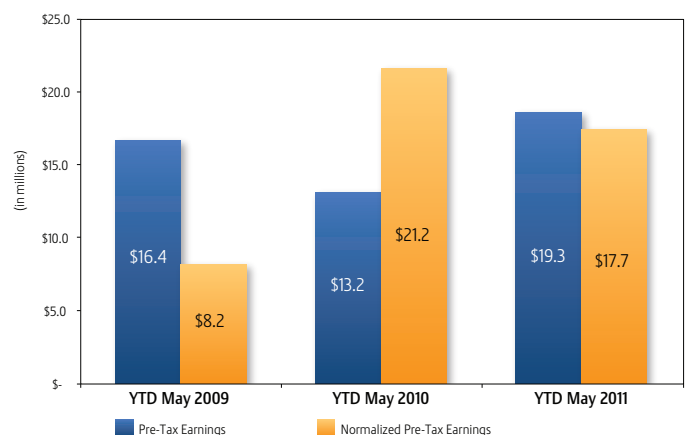
Meridian's pre-tax earnings for the 5 months ended May 31, 2011 were \$19.3 million, compared with \$13.2 million for the same period in 2010. After adjusting for the impact of amalgamation expenses, changes in the market values of derivatives, and changes in the value of securitization related assets, normalized pre-tax earnings to May 31, 2011 were \$17.7 million, compared with \$21.2 million in the prior year. While revenue growth has outpaced expense growth year over year for the first five months, we did see

higher costs for loan reserves in the first five months of the year relative to last year. We expect this timing difference to reverse by year end, with overall loan reserving costs relatively flat year over year.

Members' relationship (\$ Millions)



Pre-tax earnings (\$ Millions)



Note: 2011 results are presented under International Financial Reporting Standards (IFRS). The 2009 and 2010 results are presented under Generally Accepted Accounting Principles (GAAP). 2011 year end results presented in Meridian's annual report will be under IFRS and 2010 comparatives will be restated to comply with IFRS.

2011 Investment Shareholders Update

Financial Performance

For the 5 months ended May 31, 2011

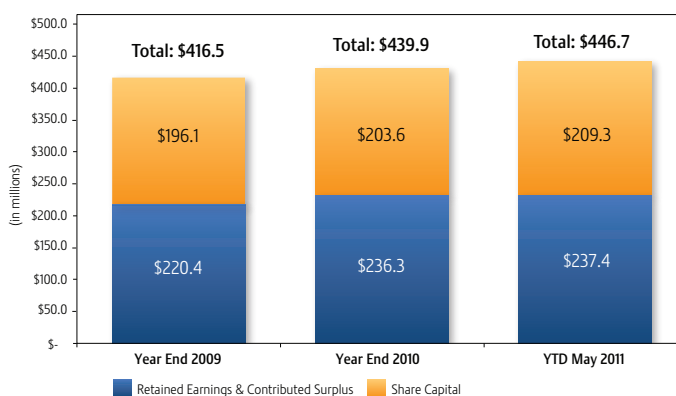
Regulatory capital

Regulatory capital consists of the equity that Meridian has accumulated over the years through a combination of earnings growth and the issuance of investment shares. The risk weighted capital ratio of 12.73% and capital to assets ratio of 7.69% are both well in excess of the minimum regulatory requirements of 8% and 4% respectively.

Upon transition to IFRS in 2011 Meridian restated opening 2011 retained earnings for adjustments relating to previous years. Since the chart on the right reflects 2010 and prior years on a GAAP basis, it correctly states our total capital as at May 31st but understates the year to date increase in regulatory capital. All required restatements will be made in our annual report, making these numbers more comparable on a year over year basis.

To sum up, we continue to have a very strong year in terms of generating profitable growth, which is the key to any healthy organization. Our balance sheet remains strong and low interest rates, coupled with the expectation of ongoing slow economic recovery, should continue to help fuel our growth. As always, we remain well positioned to weather the economic turbulence that may exist over the balance of 2011 and into 2012.

Regulatory capital (\$ Millions)



Note: 2011 results are presented under IFRS. The 2009 and 2010 results are presented under GAAP.

2011 Investment Shareholders Update

Economic Update

Canadian economic growth continued the momentum that began at the end of 2010, posted strong gains in the first quarter of 2011 and progressed as anticipated through June of this year. The North American interest rate outlook was somewhat volatile over the first half of 2011, but maintained an upward sloping trajectory. This indicated that longer term demand for both US and Canadian goods and services was more or less on track to recover in line with earlier projections, despite disruption to the global supply chain resulting from the natural disasters in Japan and the continued strength of the Canadian dollar. While it was understood that the European countries battling sovereign debt issues would take years to fully recover, stability programs designed to cut deficits and return to sustainable growth were largely in place. While by no means desirable, the issues were widely assumed to be under control and, more importantly, concentrated primarily within the relative smaller economy of Greece.

As we moved into the third quarter of 2011, however, the global economic recovery has slowed. Contagion risk associated with the European debt crisis is wider spread than originally believed; US consumer spending remains low while households maintain focus on debt reduction; and excess demand for resources by developing nations continues to drive global inflationary pressure. While these issues will contribute to a prolonged global recovery characterized by low interest rates and slowed employment growth, it is difficult to decipher the impact this has had on capital markets, which seem to be reacting more on fear than on pure economic fundamentals.

Despite continued global volatility, the Canadian economy is projected to continue to expand in 2011 with real gross domestic product (GDP) projected to grow by 2.8% in 2011. While somewhat lower than the 3.1% posted the year prior, the slowed expansion will result primarily from a reduction in both consumer debt and public-sector spending, but will be offset by an increase in business investment and an increase in net exports.

Government expenditures have declined as projected, and will continue to do so through the remainder of the year and into the outlook period. This is the result of the scheduled winding down of public infrastructure investment and other fiscally sponsored expansion, undertaken in an effort to help sustain the Canadian economy over the past couple of years. Even in the wake of the most recent round of global turmoil, plans to pay down the deficit remain intact, suggesting little change in plans with respect to fiscal intervention.

Fortunately the strength of the Canadian dollar, relatively low borrowing rates, and the favourable medium term outlook for exports have resulted in an increase in business spending as the manufacturing sector better positions itself to compete globally through investment in fixed assets. Recent trends would suggest, in fact, that investment in plant and equipment will increase by close to 14% in 2011, representing nearly two times the growth observed last year and making up for some of the decline in both fiscal and consumer expenditures. Exports, in addition, are anticipated to contribute favourably to the 2011 expansion despite the strength of the Canadian dollar, as the US continues to move toward recovery, albeit more slowly than previously assumed, and excess demand from developing nations such as China continues to drive inflated pricing.

2011 Investment Shareholders Update

Economic Update

While Canada continues to grow in aggregate, success throughout the country will be varied, with an obvious divide between commodity and non-commodity producing provinces. All provinces are expected to grow in 2011, but Western Canada and Newfoundland/Labrador are poised to lead expansion again this year, due to continued demand for the products they produce, most notably oil and potash. Quebec posted commendable results over the first several months of the year as a result of strong performance in a number of industries, but is expected to slow in the coming months as consumers continue to manage personal debt loads more closely and ease on spending. Growth among the remaining provinces will vary based on sector, but will likely trend below the National average.

Ontario is expected to continue to progress toward recovery in 2011 with an anticipated growth rate approximately equal to the National average. While motor vehicle production enjoyed a year over year increase of more than 20% at the end of the first quarter, there is potential for growth in auto sales to diminish in the coming months as consumers delay discretionary purchases in favour of debt reduction. The strong Canadian dollar will remain a significant advantage for those in the manufacturing sector looking to invest in plant and equipment, but will continue to dampen growth in some exports through the remainder of the year. Employment growth has fared well to date – despite the recent month over month decline observed in July – and is expected to grow at 1.7% in 2011, outpacing the labour force growth for the year, and resulting in further decrease to the unemployment rate.

As the events of 2011 continue to unfold, we are reminded that the market is fraught with uncertainty, and that small variances to expectations can result in significant volatility. While the Canadian recovery is projected to remain relatively stable, we are fortunate to enjoy the strength of the Canadian financial system, and are assured that increased regulatory oversight imposed in the wake of the recent recession will serve to improve performance through the next downturn.

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Corporate Update

Desjardins Credit Union amalgamates with Meridian

This past June, Meridian reinforced its position as Ontario's largest credit union with the amalgamation of Desjardins Credit Union. This amalgamation has grown our assets under administration to \$8 billion, increased our Membership to 257,000 and expanded our footprint in 11 new local markets. Members of the former Desjardins Credit Union branches will experience the integration of the full Meridian service offering – including products, signage and technologies – by spring 2012.

Meridian launches new brand and advertising campaign

This past April, Meridian launched its new brand with a multimedia advertising campaign. The new advertising campaign, featuring the credit union's new tag line "Your Money. Your Way. Imagine That," includes radio, online, outdoor and television advertisements. Aiming to highlight the benefits of Membership at Meridian, the advertising campaign highlights Meridian's superior personalized service and innovative products and services such as Meridian's Better Than Market Mortgage and No-Bounce service.

Being a good neighbour

Meridian continues to demonstrate our commitment to building strong, vibrant and inclusive communities through our Good Neighbour Program, Meridian's corporate social responsibility program. This year alone, Meridian has participated in dozens of community-based cause events and provided more than \$180,000 in donation support. One key example of our dedication to being a good neighbour took place this past March when Meridian issued a corporate donation of \$5,000 to help aid relief efforts following the devastating earthquake and tsunami in Japan. Our Members joined in and raised funds for the cause as an additional \$4,300 was collected in branches.

Online banking enhancements

Meridian has recently upgraded our online banking services to better help our Members manage their accounts with more convenience. Earlier this year, Meridian launched its Me-to-Me service offering which allows Members to move money online from any other Canadian bank to their Meridian account. To learn more about this new service offering, visit us at meridiancu.ca.

meridiancu.ca
1-866-592-2226

Your money. Your way. Imagine that.

