



MEMBERS GUIDE

Understanding the Proposed Merger
of North Peace Savings and Credit
Union and Interior Savings Credit Union

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SAVINGS & CREDIT UNION

Interior  *Savings*

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PREFACE

Before you dive into the details, please review the following information which will help you to understand the legal terms that are referenced throughout the Guide to Understanding the Proposed Merger.

North Peace Savings and Credit Union (referred to in this Guide as "North Peace Savings") and Interior Savings Credit Union (referred to in this Guide as "Interior"), are proposing to merge together. The combination is to be structured as an asset transfer under Section 16 of the Credit Union Incorporation Act (BC), whereby Interior will acquire all of the assets and assume all of the liabilities of North Peace Savings (referred to in this guide as the "Proposed Merger").

Upon successful completion of the Proposed Merger, the operations of North Peace Savings and Credit Union will continue under the name of North Peace Savings, operating under the legal entity of Interior Savings Credit Union. For the purpose of this Guide, when referring to Interior Savings post-Merger, we will refer to it as "Combined Interior" to distinguish it from the pre-Merger Interior Savings, but for clarity, upon being merged, it will be known legally as Interior Savings Credit Union.

A LETTER TO MEMBERS

For over 75 years, North Peace Savings and Credit Union has proudly served members in Fort St. John, Fort Nelson, Hudson's Hope, and surrounding communities. Built on the vision of our founders and upheld throughout our history, we have worked to empower our members to reach their financial goals, to support them through hardship, and to work collectively to help our communities thrive.

While this commitment will never change, the environment we're operating in is changing. Today, member demands, regulatory requirements, and the financial services industry itself are calling on credit unions to adapt and evolve in order to continue providing the best products, services, and advice to members, fulfilling careers for employees, and meaningful investment in our communities. As we look forward, we recognize the need to make substantial investments in technology, infrastructure, and our employees.

Because of this, our Board believes it is in the best interests of members for Interior Savings Credit Union (Interior) and North Peace Savings and Credit Union (North Peace Savings) to join forces, combining our teams, our expertise, and our assets to ensure we remain strong and ready to carry on our founding members' legacy for generations to come.

In this Guide to Understanding the Proposed Merger, you will learn about the benefits and risks of the Proposed Merger, and why the boards of directors of both North Peace Savings and Interior enthusiastically and unanimously voted in favour of it. It is their belief that joining together will create enhanced opportunities for innovation, investment, and growth, resulting in an improved member experience, expanded job and training opportunities for employees, and a greater pool of resources to benefit our communities.

As members, you are owners, not just customers. All members have an equal say in how their credit union operates – and members can voice their opinions and vote on the issues that matter to them. The decision to merge is no different, and this Guide provides the information you need to make an informed decision when it comes time to vote.

In addition to reviewing this Guide, we encourage you to take the time to consider what is being proposed by our Board, and to visit www.together-strong.ca or any of our branches for more information and to access a copy of our Supplemental Information Package which provides additional detail in respect of the Proposed Merger.

If you have any questions about the Proposed Merger, please visit www.together-strong.ca or email us at strongertogether@npscua.ca.

Thank you for being a part of our Credit Union and for lending your voice as we plan our path forward.



Ted Pahl
CEO, North Peace Savings and Credit Union



Tracey Wolsey
Board Chair, North Peace Savings and Credit Union

SHARED VISION FOR THE FUTURE

People helping people. It's the credit union way, and it dates back as far as the 19th century when people began forming cooperative structures, pooling their money to help one another and to respond to the needs of their local community.

Together with Interior, we envision a future that is not altogether different from that of our founding members. It is a future with our members' hopes, dreams, needs, and financial success at the center of all we do.

IT IS A FUTURE WHERE:

- Members are treated as people and relationships and human connection play a central role in banking. With more ways and places to do your banking, no matter where you are in the Province*, you will receive exceptional member service, convenience and ease combined with deep local knowledge and community connection.
- Employees are empowered to grow their careers through education, training, and opportunity. Working in a healthy and supportive environment, and guided by our cooperative values, employees are encouraged and challenged to look for new solutions, to leverage local knowledge to address local needs, and to always do what's right for the member, even when it means taking that extra step.
- Our communities share in our success. Through a robust employee volunteer program, financial workshops, sponsorships, donations, grants, a Million Dollar Bursary program, and a \$1 million North Peace Savings Community Legacy Fund, we put our expertise and profits to work for our communities – because we know that when our communities succeed, we all succeed.

This is why we believe that we're stronger together, building on the legacy of our founding members, as we continue working cooperatively to help each other and our communities thrive.

** If the Proposed Merger is approved, over time, members of North Peace Savings (now as members of Interior) would have access to 25 branches spanning 18 communities in the BC interior, from Northeastern BC through the Cariboo and Thompson Okanagan.*

In the future, Interior hopes to further expand this network and deliver greater member and community benefits by joining forces with additional credit unions. With increased scale, both Interior and North Peace Savings boards see an immense opportunity to deliver improved products, services, digital experience and rates to members, all while maintaining local community investment and decision making that is core to our shared credit union values.



NORTH PEACE SAVINGS AND CREDIT UNION AND INTERIOR SAVINGS AT A GLANCE

	NORTH PEACE SAVINGS	INTERIOR
Founded in	1947	1939
Location founded	Fort St. John	Kelowna
Numbers of Members (approx.)	10,000	80,000
Numbers of Employees (approx.)	62	500 incl. subsidiaries
Number of Branches	3	22
Assets under Administration (approx.)	\$419 Million	\$4 Billion
Products Offered	Personal Banking Business Banking Financial Planning	Personal Banking Commercial Banking Financial Planning Insurance Services

Both Credit Unions were founded over 70 years ago to provide essential banking services to people, farmers and local business owners who had previously struggled to receive the services they needed from banks. They were founded with a vision to put people before profits and to keep their money working locally, for the betterment of their communities.

Over the past seven decades, both Credit Unions have continued that unwavering commitment. North Peace Savings has grown

from a small group of founding members to approximately 10,000 members, while Interior has grown from 20 founding members in Kelowna to approximately 80,000 members throughout the BC Interior and Prince George. With that growth has come shared success. True to their founding values and cooperative principles, each Credit Union has continued sharing profits with its members and its communities. Together we can do even more.



WHY MERGE NOW?

Today's increasingly complex and competitive landscape is creating heightened pressures for credit unions to explore new ways of working together and creating value for members. These pressures include ever-changing needs for new technologies, a varying economic environment, increased regulatory and reporting requirements, the threat of new market entrants, the increasing war for talent and evolving member expectations.

The continued long-term viability of the credit union model depends on credit unions being able to respond and adapt to this increasingly complex and competitive environment. A merger, which allows for combining capital and a much greater ability to invest in innovation, is expected to help North Peace Savings and Interior improve value for members and their communities, and better position us to face these many challenges:

A CHANGING ECONOMIC AND COMPETITIVE LANDSCAPE

The financial services industry is undergoing significant digital transformation around the world. In North America, digital giants such as Google, Apple, Facebook, and Amazon are disrupting many industries, including banking. Through transformation of payments capabilities and by leveraging data to provide a seamless experience to their customers, they are redefining consumer expectations and are themselves becoming daunting competitors in the financial services industry. Simultaneously, credit unions across the country are preparing for the Canadian Government to introduce legislation around Open Banking/ Consumer Directed Finance, which will give consumers more choice in financial services while removing barriers to international players. With this in mind, financial institutions must protect their role and relevance by embracing innovation to satisfy and attract future members and customers.

THE COST OF TECHNOLOGICAL INNOVATION

It goes without saying that the financial services industry is evolving as quickly as technology evolves. Most notably, in the aftermath of COVID-19, there is a growing expectation that financial institutions must have the capability to transact all matters digitally. Small credit unions like North Peace Savings often find themselves in a position of continually playing catch-up as opposed to being market leaders in technology and innovation. Moreover, the increased costs of keeping up with technological advancements and offering members the latest and most innovative products and services is becoming unbearable for small credit unions. As Combined Interior, it is expected that we will be much better positioned to keep up with the financial costs and internal resources needed to meet the changing needs of

members and digital banking requirements. This includes investing in and leveraging innovative technologies that will allow you, our member, greater access to what you need when you want it.

INCREASING REGULATORY COSTS

With increasing regulatory requirements, the costs that British Columbia credit unions must absorb continues to rise. According to a 2017 study, BC credit unions are having to bear increased costs to comply with changing regulations around Internal Audit, Anti-Money Laundering, Financial Transactions and Reports Analysis Centre of Canada and Foreign Account Tax Compliance Act as well as considerable indirect costs, such as staff training, mandatory mailings, and enterprise risk management frameworks and increased cyber security to protect member assets and member information.

INCREASING SHORTAGE OF SKILLED WORKERS

The North Peace and Northern Rockies regions are not immune from the same skilled labor shortages that we are seeing and hearing about throughout BC, Canada, and globally. The pandemic was, in part, the catalyst for some significant changes in the labor markets and we are seeing the effects of this in our regions when it comes to attracting and retaining the desired skills to run a credit union effectively. Merging with Interior will allow us to share valuable resources and skill sets to continue to effectively serve our members while ensuring the sound management and governance of the Credit Union during these times of increasing complexity and regulation.

ECONOMIC OPPORTUNITY IN NORTHEAST BC

Both Credit Unions believe there is significant economic opportunity in Northeast British Columbia. With greater scale, Combined Interior will have significantly higher commercial lending limits (individual lending caps will increase from \$3.5 million to approximately \$15 million) and a higher risk tolerance that will allow us to invest in local businesses and the economy in ways that a smaller credit union like North Peace Savings couldn't do on its own. Greater scale combined with local knowledge and expertise presents a vast opportunity for growth.

BENEFITS TO MEMBERS, EMPLOYEES AND OUR COMMUNITIES

Combined, North Peace Savings and Credit Union and Interior Savings Credit Union is anticipated to have roughly \$4.4 billion in assets under administration with the resources and capital to invest in members, local businesses, and community in way that North Peace Savings could not do on its own. This includes investing in enhanced products and services, new technology and greater convenience with the addition of 22 branches within the existing Interior branch network, a member service centre with extended hours, enhanced wealth management and commercial services and access to popular digital banking solutions.



MEMBER BENEFITS

North Peace Savings members will continue to be served by the same friendly and knowledgeable employees you've come to know at our three branch locations. You will have access to the same types of products and services currently being offered, more options for convenient ways to bank and a broader pool of knowledge and expertise to draw upon. Over time, benefitting from greater scale, it is expected that Combined Interior will increasingly be at the forefront of product and service innovation, creating an exceptional experience for members while continuing to capitalize on local knowledge and expertise.

WHAT MEMBERS ARE ASKING FOR



Competitive products and services.



More branch locations to choose from.



More support for business with larger lending capabilities.



Added convenience and digital capability.



More affordable banking.



More financial support for the communities we serve.

HERE ARE SOME OF THE PRINCIPAL BENEFITS NORTH PEACE SAVINGS MEMBERS CAN EXPECT:

- Expanded branch network will include 25 branches spanning 18 BC communities, from Northeastern BC through the Cariboo and Thompson Okanagan.
- Access to more affordable chequing accounts, less expensive mortgage and loan rates and better deposit rates than are currently offered to North Peace Savings members.
- Added convenience from a member service centre that provides online, video conferencing and telephone support six days a week with extended hours.
- Access to a broader wealth management offering including individual equities, expertly managed accounts, and an Investment Solutions Centre accessible to all members via phone and video.
- Access to general insurance services (property and casualty, commercial and Autoplan).
- Access to a mobile mortgage team that provides personalized support outside of standard hours.
- Member service made stronger through enhanced employee development and training, and an improved ability to attract and retain highly skilled employees.
- Significantly higher commercial lending limits and substantially increased capability to lend to Northeastern BC communities.
- Enhanced digital and mobile services including introduction of payment solutions such as Apple Pay, Google Pay and Samsung Pay.
- Participation in Interior Savings' Member Rewards profit sharing and Million Dollar Bursary Programs.
- The creation of a \$1 million North Peace Savings Community Legacy Fund for distribution to worthy initiatives in North Peace Savings' existing communities.

For the most part, members of North Peace Savings will see little change to their day-to-day banking immediately following the effective date of the Proposed Merger. Some of the benefits noted above will take effect right away, including higher commercial lending limits, and participation in Interior's profit sharing, bursary and community investment programs, while others will be realized over time as we integrate our operations.

EMPLOYEE BENEFITS

Our employees are the heart of our Credit Union, growing and protecting the financial health of the business while helping members tackle financial challenges and cheering them on as they reach for their goals.

THROUGH THIS PROPOSED MERGER, WE EXPECT NORTH PEACE SAVINGS AND CREDIT UNION EMPLOYEES TO BENEFIT IN A NUMBER OF WAYS, INCLUDING:



Enhanced career paths.



Geographic diversity of locations allowing for more employment options and mobility.



Expanded scope of responsibilities for many roles.



Total compensation (salary, benefits, etc.) is expected, on average, to be higher when considered as a package, and improved benefits when considered as a whole.



Enhanced training and learning management systems.



Access to additional programs such as paid volunteer time, staff banking privileges, a defined benefit pension plan and retirement allowance, among others.

We know change can be unsettling and there are a number of things we plan to do to confirm our commitment to our employees while working to maintain and build on a positive workplace culture as we bring our two teams together. Upon the effective date of the Proposed Merger, all non-executive employees will be offered continued employment with Combined Interior on substantially the same terms and conditions and with a job guarantee for a minimum of 12-months. All members of the executive team of North Peace Savings will be offered continued employment with Combined Interior with roles, terms and conditions determined within ten days of a successful member vote and at the discretion of the CEO of Combined Interior.

Additionally, as both Credit Unions are currently using the same banking system, this will reduce the learning curve and make for a much smoother transition. Coupled with that, we expect better rates, and a broader selection of products and services will increase member satisfaction, which in turn will increase employee engagement.

COMMUNITY BENEFITS

Through the years, both Credit Unions have made significant and important investments in their communities. Combined, we'll have even greater ability to create positive and lasting change across the North Peace, the Northern Rockies, Prince George, and the Thompson Okanagan.

With Interior's dedicated Community Engagement team, their expertise in sponsorships, grants and impact partnerships, their Million Dollar Bursary Program which awards up to 1000 bursaries of \$1000 every year to eligible student members, and numerous other giving initiatives, we expect to make a significant impact on the North Peace and Northern Rockies areas.

In addition, as outlined in the Asset Transfer Agreement, North Peace Savings Community Legacy Fund will be created prior to the closing of the Proposed Merger which will allocate \$1,000,000 to support worthy groups and initiatives in the areas being serviced by North Peace Savings.

With a deeply held belief that our role in building strong communities extends far beyond writing cheques, Interior has numerous programs focused on bringing employees and

community together. A robust Employee Volunteer Program supports employees' fundraising efforts, offers paid time each month to volunteer and caps off each year with their Day of Difference, where they close all branches early so employees can head out as a team to volunteer and support local initiatives.

The board also plays an important role in community connection. To ensure continuity and a local voice at the board table, following completion of the Proposed Merger, Combined Interior's board of directors will be expanded and an existing director of North Peace Savings will be appointed to the Combined Interior Board for a three-year term. Additionally, starting in 2024, members of North Peace Savings (now as members of Combined Interior) will have the opportunity to run for election, vote and get involved in the governance of Combined Interior.



LH WILLMS FARMS,
ROSE PRAIRIE, BC

CREDIT UNION SYSTEM BENEFITS

As co-operatives, credit unions in BC work together and depend on one another in many ways. We believe that combining forces will result in a stronger and more resilient credit union which is positive for the entire credit union system in British Columbia.

As Combined Interior, it is expected that we will have the resources and scale needed to better serve our members and communities and, compared to North Peace Savings alone, a stronger balance sheet and financial position to compete in an increasingly competitive landscape and withstand uncertain economic events.

With enhanced scale, we anticipate new growth and revenue opportunities, a greater ability to gain efficiencies and minimize operating expenses, and the ability to build a stronger market presence and attract members that North Peace Savings cannot presently attract on its own.

Additionally, as Combined Interior, we expect we will have greater ability to leverage the sixth Co-operative Principle (Co-operation among Cooperatives) and capitalize on its elevated standing within the financial services industry to build stronger dialogue with its peers and have a stronger national advocacy voice for the credit union system on a wide array of co-operative issues.



FINANCIAL SUMMARY

Comprehensive and detailed financial analysis and modelling were completed to understand the anticipated financial impacts of Combined Interior relative to the forecasted financial performance of the standalone Credit Unions. Using the financial data, interest rate environment, and related assumptions as of September 30, 2022, a financial model was developed on a conservative basis including projections for the next 3 ½ years for the balance sheet and income statement of Combined Interior. It should be noted that the presented financial results are the results of this modelling and do not necessarily represent the results that may flow out of the performance of a full strategic and operating plan.

The Proposed Merger provides a pathway for North Peace Savings to integrate into a larger credit union with a view to mitigating its current cost base and the competitive challenges that are inherent in operating a small independent credit union in today's complex environment. This presents a significant benefit to current members and employees of North Peace Savings and the surrounding communities, by allowing them the continued choice to participate in a viable and sustainable credit union in Northeastern BC.

This Proposed Merger also supports Interior's vision to increase its geographic reach to serve members across the Province while at the same time being able to diversify its market presence and concentration risk and leverage local expertise and experience to capitalize on growth opportunities in Northeastern BC. It is understood that such growth opportunities would not otherwise be accessible to North Peace Savings due to its current size and related limitations.

In the short-run, mergers can appear to be expensive. However, like any well-planned investment, it is the long-term return that is the ultimate goal, and such returns are not always strictly financial. In this case, positive impacts to the membership, employees and communities are expected to be achieved upon Merger, with financial benefits realized over time.

COMBINED INTERIOR OVERALL FINANCIAL SUMMARY

The Financial Summary below represents the results of Combined Interior, inclusive of all financial model assumptions. The projected balance sheet and income statement of Combined Interior indicates steady, conservative growth in its balance sheet and capital position, and in its earnings.

FINANCIAL SUMMARY

M - Million
B - Billion

	2023	2024	2025	2026
BALANCE SHEET				
Total Assets	\$3.6 B	\$3.7 B	\$3.8 B	\$3.9 B
Total Deposits	\$3.2 B	\$3.2 B	\$3.3 B	\$3.3 B
Total Capital	\$257 M	\$257 M	\$260 M	\$270 M
INCOME STATEMENT				
Total Revenue (Note 1)	\$83.0 M	\$87.3 M	\$96.5 M	\$112.2 M
Total Expenses (Note 1)	\$83.9 M	\$85.3 M	\$90.0 M	\$92.1 M
Operating Income	(\$1.0 M)	\$2.0 M	\$6.5 M	\$20.2 M
Net Income	(\$0.8 M)	\$1.1 M	\$3.7 M	\$11.6 M

Note 1: Bad Debt Included in Expenses

The above financial position and operational results are reflected in the Key Performance Indicators ("KPIs") in the table below, which by 2026 are expected to be strong and to continue to track positively:

	2023	2024	2025	2026
KEY PERFORMANCE INDICATORS				
Capital	\$257 M	\$257 M	\$260 M	\$270 M
Liquidity Total	14.2%	14.3%	14.5%	14.0%
Return of Assets (Operating Income) bps	(2.0)	8.3	20.2	55.3
Return on Equity (Operating Income)	(0.3%)	1.3%	3.2%	8.8%
Operating Efficiency	100.9%	96.5%	92.1%	81.0%

BPS - basis points

COMBINED INTERIOR FINANCIAL RESULTS COMPARED TO BASE CASE

Key highlights of Combined Interior's balance sheet and income statement when compared to the forecasted financial performance as standalone Credit Unions are provided below.

FINANCIAL SUMMARY - COMBINED INTERIOR VS BASE CASES (STANDALONE)

	2023	2024	2025	2026	4 YR TOTAL
REVENUES (EXCLUDING LOAN LOSS)					
Combined Interior	\$83.0M	\$87.3 M	\$96.5 M	\$112.2 M	
Base Case (standalone)	\$83.3 M	\$88.6 M	\$97.8 M	\$113.5 M	
Incremental change	(\$0.3 M)	(\$1.3 M)	(\$1.3 M)	(\$1.3 M)	(\$4.3 M)
EXPENSES (INCLUDING LOAN LOSS)					
Combined Interior	\$83.9 M	\$85.3 M	\$90.0 M	\$92.1 M	
Base Case (standalone)	\$83.6 M	\$86.0 M	\$89.1 M	\$93.2 M	
Incremental change	\$0.4 M	(\$0.7 M)	\$0.9 M	(\$1.2 M)	(\$0.7 M)
OPERATING INCOME (LOSS)					
Combined Interior	(\$1.0 M)	\$2.0 M	\$6.5 M	\$20.2 M	
Base Case (standalone)	(\$0.3 M)	\$2.6 M	\$8.7 M	\$20.3 M	
Incremental change	(\$0.7 M)	(\$0.6 M)	(\$2.2 M)	(\$0.1 M)	(\$3.6 M)
DISTRIBUTIONS (PATRONAGE, DIVIDENDS & TAXES)					
Combined Interior	(\$0.2 M)	\$0.9 M	\$2.8 M	\$8.6 M	
Base Case (standalone)	(\$0.1 M)	\$1.3 M	\$3.9 M	\$8.4 M	
Incremental change	(\$0.1 M)	(\$0.4 M)	(\$1.1 M)	\$0.1 M	(\$1.5 M)
NET INCOME (LOSS)					
Combined Interior	(\$0.8 M)	\$1.1 M	\$3.7 M	\$11.6 M	
Base Case (standalone)	(\$0.2 M)	\$1.3 M	\$4.8 M	\$11.9 M	
Incremental change	(\$0.6 M)	(\$0.2 M)	(\$1.1 M)	(\$0.3 M)	(\$2.1 M)

The table below is a more granular summary of the information presented above related to revenues and costs. The projections do not reflect the \$1 million North Peace Savings Community Legacy Fund commitment as this will be directly expensed/funded by North Peace Savings itself immediately prior to the Proposed Merger taking effect.

SUMMARY OF NET IMPACTS

FINANCIAL SUMMARY - NET IMPACTS TO BASE (IN MILLIONS)

	2023	2024	2025	2026
Margin Impact	(\$0.3)	(\$1.3)	(\$1.3)	(\$1.3)
Other Income Impact	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenue Impact	(\$0.3)	(\$1.3)	(\$1.3)	(\$1.3)
Salaries & Benefits	\$0.2	\$0.2	\$0.2	\$0.4
Amortization	\$0.0	\$0.0	\$0.1	\$0.1
Data Processing	\$0.0	(\$0.1)	\$0.4	(\$0.8)
General & Admin	\$0.2	(\$0.9)	\$0.1	(\$0.9)
Total Expense Impact	\$0.4	(\$0.7)	\$0.9	(\$1.2)
Net Impact to Base	(\$0.7)	(\$0.6)	(\$2.2)	(\$0.1)

In the above table, Total Revenue net impacts are primarily the result of Combined Interior's ability to offer more attractive lending and deposit rates than those currently offered by North Peace Savings which is expected to be a significant benefit to the existing membership and result in Combined Interior being more competitive in the local marketplace.

Net impacts to Salaries and Benefits include positive alignment of employee compensation structures and expansion of lending resources to better service the existing North Peace Savings membership and expected growth under Combined Interior. Amortization impacts include the write-off of redundant and/or aging facilities and information technology equipment.

Data Processing net impacts include increased costs to initially operate parallel banking and other information technology related systems until integration is complete, which is expected in 2025. Costs include early contract termination penalties for outsourced services and other redundant or overlapping information technology related contracts for services no longer needed by Combined Interior. Once the banking system alignment is completed and other purchased services and software licensing is right-sized to Combined Interior's needs, the impacts of economies of scale are expected to begin to have a significant positive impact in 2026.

General and Administration net impacts include significant reduction over the projected 3 ½ years in regulatory and outsourced internal and external audit and asset liability management costs due primarily to economies of scale gained through the Proposed Merger. Offsetting these reductions is the planned need to contract with integration consultants in 2025 to bolster skilled resources for integration initiatives and ultimately to ensure the least amount of disruption to both employees and the membership.

FINANCIAL SUMMARY CONCLUSION

Overall, the results indicate a net-negative financial impact to Combined Interior's financial results over the forecast period when compared to the projected results of the standalone Credit Unions. However, as one-time costs related to bringing the Credit Unions together decline, a notable improvement to overall financial performance is expected to emerge by the end of 2026. We expect that immediate positive impacts to members, employees and communities will be achieved upon Merger, with financial benefits realized over time.

HISTORY AND BACKGROUND OF MERGER DISCUSSIONS

In late 2021, noting our common vision, goals and foundational values, North Peace Savings and Interior began informal discussions to explore the feasibility of combining. In mid-2022, the Credit Unions began a more formal review of the benefits and risks of the Proposed Merger, supported by independent legal, financial, and project advisors. In December of 2022 an Application for Consent was submitted to our regulator, the BC Financial Services Authority (“BCFSA”).

Below is a high-level overview of the major milestones.

TIMELINES

Late 2021	Informal discussions began, considering the merits of joining forces.
July 2022	Both credit unions and legal counsel met with BCFSA to discuss regulatory expectations and application requirements.
August 2022	Both boards passed a Memorandum of Understanding (“MOU”) outlining their agreement on key principles.
August 2022	Engaged the expertise of project management, legal, financial, accounting and tax advisors.
November 2022	Independent external advisors and management teams presented findings from due diligence to each Credit Union’s board. After which, each board voted unanimously to proceed with the Proposed Merger.
December 2022	Merger application submitted to BCFSA for review and consent.
December 2022	North Peace Savings and Interior entered into a pre-transfer agreement governing certain other commitments between the Credit Unions between the time of obtaining BCFSA consent to the proposed Asset Transfer Agreement and the time of entering into the Asset Transfer Agreement.
April 2023*	BCFSA grants its consent to proceed with a member vote. View Letter of Consent in the Supplemental Information Package available in branch or online at www.together-strong.ca .

* Estimated timeline at time of production of this Guide.



ALTERNATIVES CONSIDERED

The boards of both Credit Unions looked at alternative options to the Proposed Merger and concluded that those alternatives did not provide sufficient or greater member, employee, and community benefits than the Proposed Merger. For a brief description of each of the alternatives considered by the boards of directors, please refer to Section 2 of the Supplemental Information Package available at your local North Peace Savings branch or online at www.together-strong.ca.

RISKS OF THE PROPOSED MERGER

Both boards of directors of North Peace Savings and Interior have assessed the risks of the Proposed Merger and concluded that the benefits far outweigh the risks. Combined Interior has developed key internal control and risk management policies and will effectively track and mitigate risks for members' benefit.

The table below outlines the major risks associated with the Proposed Merger and Combined Interior's approach to managing them.

KEY RISKS ASSOCIATED WITH THE MERGER

RISK	DESCRIPTION	RISK MANAGEMENT AND MITIGATION APPROACH
Proposed Merger Process	The Proposed Merger is a transformative event for each Credit Union and many key items must be addressed correctly from the outset.	Through a Memorandum of Understanding, we established a collaborative process focused on teamwork. A Joint Advisory Committee, comprised of four Board members from each Credit Union, was put in place to manage issues, and independent advisors led us through a robust due diligence investigation, the results of which were shared with all parties and reviewed by both Boards.
Expected Synergies May Not Materialize as Modelled	The financial model is based on the occurrence of future events, which are by nature uncertain.	The financial model is based on both reasonable and conservative assumptions and employs sensitivity analysis to test the impacts of certain potential outcomes.
Due Diligence Risk	It is possible that pertinent details (ex: undisclosed liabilities) exist and the other Credit Union is unaware of this.	The due diligence process was extremely fulsome and involved outside legal, accounting and tax expertise to assist with the review and interpretation of findings. In addition to due diligence investigations, the pre-transfer agreement requires each Credit Union to represent as to the accuracy and completeness of information supplied during this process.
Questions And Uncertainties Impacting Members and Employees Prior To Completing the Proposed Merger	Between announcements of the Proposed Merger to final implementation, employees and members could have a negative reaction to the uncertainty and potential impact of the Proposed Merger.	Those primarily affected will be the employees and members of each Credit Union, but particularly those of North Peace Savings. We are committed to engaging and openly communicating with our employees and members throughout this process.

KEY RISKS ASSOCIATED WITH THE MERGER CONTINUED

RISK	DESCRIPTION	RISK MANAGEMENT AND MITIGATION APPROACH
Impact on Operations Following Announcement	Risks to both Credit Unions to operate in their current ordinary course, while preparing for eventual integration.	Through careful integration planning, the Credit Unions will align operational practices in a method, manner and pace that seeks to minimize member disruption as much as possible.
Technology Adoption and Integration	Risks associated with operating, integrating, and running multiple systems and platforms during integration.	We will develop plans to integrate our systems and technology to minimize disruption to employees and members. We are fortunate that this risk will be significantly mitigated as both Credit Unions already operate on the same core banking system.
Loss of North Peace Goodwill	If the Proposed Merger proceeds, the North Peace Savings goodwill will be lost.	While the legal name of Combined Interior will be Interior Savings Credit Union, it is intended that the brand name "North Peace Savings" will continue in the near term. In the years ahead, we will explore a brand refresh that continues to recognize the distinctness of the North Peace region while creating a connection to the Interior Savings brand. This will be important as members will eventually be able to do their banking at any branch of Combined Interior. In addition, the creation of the North Peace Savings Community Legacy Fund is intended to capture and retain the goodwill generated by North Peace Savings in the communities we currently serve.
Culture	Risks associated with integrating two corporate cultures.	One of the primary drivers for the Proposed Merger was the common culture, vision and values shared by each Credit Union. Combined Interior will dedicate governance resources through an Integration Committee comprised of management of North Peace Savings and Interior to monitor implementation and concerns as they arise.
Member Approval	A condition of the Proposed Merger will be the approval of the requisite majority of members of North Peace Savings. If the Proposed Merger is not approved, the credibility and standing of each of the Credit Unions may be impacted.	After a thorough review of the opportunity, both Credit Union boards voted unanimously in favour of the Proposed Merger for the benefits it offers to members, employees, and the community. We are committed to engaging with members through ongoing communications, and offering opportunities for feedback and two-way dialogue, to ensure the benefits of the Proposed Merger is widely communicated and understood.

Note: In the future, Interior hopes to further expand their network and deliver greater member and community benefits by joining forces with additional credit unions. While the above chart focuses on risks associated with the Proposed Merger between North Peace Savings and Interior, the Credit Unions understand that there also exists a risk of executing on multiple integration plans if other mergers occur simultaneously. Combined Interior plans to take a careful and deliberate approach to mitigating multiple integration factors. Member experience and continuity will be key considerations of all planning.

HOW COMBINED INTERIOR WILL OPERATE

NAME

As the assets of North Peace Savings will be acquired by Interior, the legal name of Combined Interior will be "Interior Savings Credit Union" however it is intended that operations in the region will continue under the brand name "North Peace Savings". In the years ahead, we will explore a brand refresh that continues to recognize the distinctness of the North Peace region while creating a connection to the Interior Savings brand. This will be important as members will eventually be able to do their banking at any branch of Combined Interior.

SHARES

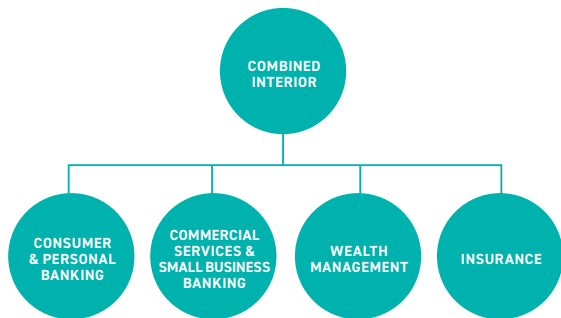
Each Class "A" Membership Equity Share of North Peace Savings will be exchanged for one (1) Membership Equity Share of Combined Interior.

START DATE AND HEAD OFFICE

Combined Interior is expected to commence operations in the summer of 2023, subject to membership and regulatory approval. The head office will be the current head office of Interior Savings Credit Union, located in Kelowna.

PRODUCTS AND SERVICES

Combined Interior will continue to offer a full suite of deposit, loan and wealth management products and services for retail and commercial members. Over time, Combined Interior will have the opportunity to offer more to members with enhanced products and services. For members of North Peace Savings in particular, this will include access to many of the products and services you currently enjoy plus others not previously available. Members will continue to enjoy the same guarantees with respect to their deposits through the Credit Union Deposit Insurance Corporation of British Columbia. Combined Interior will be equipped with a well-rounded mix of established products, services, and business lines as below.



BRANCH LOCATIONS

In addition to North Peace Savings' three existing branches in Fort St. John, Fort Nelson, and Hudson's Hope, following the Proposed Merger, North Peace Savings members will have access to Interior's 22 branches spanning the Thompson Okanagan and Prince George region. The result is that North Peace Savings members will have significantly more choice and convenience in where they bank and have greater access to branch locations throughout the province.



COMBINED INTERIOR LEADERSHIP

Combined Interior’s board of directors and executive leadership team have been selected based on their experience, expertise, and proven ability to build successful, values-based credit unions that are recognized for moving ahead while giving back to their communities. They will guide the Combined Interior through the Proposed Merger and beyond.

The Credit Unions have agreed that the governance structure of Combined Interior will predominantly continue with that of legacy Interior following completion of the Proposed Merger. The Board of Combined Interior will be comprised of its current board members and be expanded, as permitted by Interior’s Rules, to include one (1) director to be appointed by Interior from the existing directors of North Peace Savings (the “**Post-Transaction Board Member**”). The Post-Transaction Board Member will serve on the Board of Combined Interior for a term of three years, beginning on the date of appointment and permanently expiring on the date of the third normal election cycle of Interior following the Proposed Merger.

Once the term of the Post-Transaction Board Member expires, this individual may choose to pursue nomination or election to the Board of Combined Interior in accordance with Combined Interior’s Rules and standard election procedures in effect at such time. Moreover, members in good standing of North Peace Savings, then as members of Combined Interior, may run for election to the Board of Combined Interior to fill any vacant positions starting in 2024, providing additional opportunity for legacy North Peace Savings members to participate in the governance of Combined Interior.

The following individuals will serve as Combined Interior’s Board (list does not consider results of Interior’s March 2023 Board of Directors election or April 2023 AGM)

- Rob Shirra (Chair)
- Liza Wilburn (Vice-Chair)
- Karri Brinnen
- Ken Christian
- Elmer Epp
- Stacey Fenwick
- Anielia Florczynski
- Caroline Grover
- Daphane Nelson
- Shelley Sanders
- Bruce Tisdale
- Sandy Watt
- Tracey Wolsey (Post-Transaction Board Member)
- Reg Foot*

For comprehensive profiles for each of the directors named above, please refer to Section 5 of the Supplemental Information Package available at your local North Peace Savings branch or online at www.together-strong.ca

* Advisor to the Board at time of production of this Guide.

EXECUTIVE LEADERSHIP

Combined Interior's executive leadership team will consist of a group of experienced and talented individuals with deep knowledge of the financial services industry. The executive leadership of Interior will remain in place; however, the Credit Unions strongly believe that integrating existing North Peace Savings executive and senior leadership into Combined Interior is an important part of ensuring the success of the Proposed Merger. All members of the executive team of North Peace Savings will be offered continuing employment with Combined Interior with roles, terms and conditions determined within ten days of a successful member vote and at the discretion of the CEO of Combined Interior.

The CEO of Combined Interior will be Interior's existing CEO Brian Harris. A brief biography is provided in Section 5 of the Supplemental Information Package available at your local North Peace Savings branch or online at www.together-strong.ca.

GOVERNANCE STRUCTURE

Combined Interior will be governed in accordance with the existing Rules of Interior. To view a complete copy of Interior's rules, please refer to Section 3 of the Supplemental Information Package available at your local North Peace Savings branch or online at www.together-strong.ca.



STRUCTURE AND METHOD OF THE PROPOSED MERGER

The method of combination was jointly decided on by both Boards of Directors. They agreed that an asset transfer was the most practical way to merge, so that they can focus on bringing together the best of both Credit Unions. With combined total assets under administration of approximately \$4.4 billion, the combined credit union will operate as Interior Savings Credit Union. Upon completion of the Proposed Merger, North Peace Savings will be dissolved as a legal entity, but its legacy will continue in the combined credit union.

Below is a summary of the key provisions of the Asset Transfer Agreement. To view a complete copy of the Asset Transfer Agreement, please refer to Section 4 of the Supplemental Information Package available at your local North Peace Savings and Credit Union branch or online at www.together-strong.ca.

SECTION	HEADING	SUMMARY
2.1	Transfer of Assets	All rights, property and assets of North Peace Savings will be transferred to Interior upon the terms and subject to the conditions of the Asset Transfer Agreement.
2.2	Assumption of Liabilities	All obligations and liabilities of North Peace Savings will be assumed by Interior.
2.3	Your Deposits	Interior will assume all deposit obligations of North Peace Savings on a dollar-for-dollar basis, as such deposits exist between each depositor and North Peace Savings once the Proposed Merger occurs.
2.6	Shares	Each Class "A" Membership Equity Share of North Peace Savings will be exchanged for one (1) Membership Equity Share of Combined Interior up to a maximum of 1,000 Membership Equity Shares. The Class A Membership Equity Shares of North Peace Savings in excess of 1,000, either alone or in combination with Membership Equity Shares of Interior held by the member prior to the share exchange contemplated above (in either case, the "Excess Membership Shares"), will not be exchanged for Membership Equity Shares of Post-Acquisition Interior. In such case, an amount of \$1.00 shall be made available for each of the Excess Membership Shares which is not exchanged for Membership Equity Shares of Post-Acquisition Interior by depositing such amount in the demand deposit account held with Post-Acquisition Interior which is in the name of the Shareholder of the Excess Membership Shares not exchanged.
2.7	Effective Date	July 1, 2023 or another date as may be specified by the BC Financial Services Authority).

SECTION	HEADING	SUMMARY
3.1 & 4.1	Representations and Warranties	The Credit Unions have made a number of representations and warranties to one another which have provided each party comfort in entering into the Asset Transfer Agreement. These representations and warranties cover a wide range of areas and are meant to bring forward any material facts or situations which would jeopardize the success of Combined Interior. The representations and warranties are also designed such that each Credit Union has a substantive understanding of the other's business prior to merging. Upon consultation with independent legal counsel, the representations and warranties are customary for this type of transaction.
5.1	Continuity of Employment	As at the Closing, all non-executive employees will be offered continued employment with Combined Interior on substantially the same terms and conditions and with a job guarantee for a minimum of 12-months. All members of the executive team of North Peace Savings will be offered continued employment with Combined Interior with roles, terms and conditions determined within ten days of a successful member vote and at the discretion of the CEO of Combined Interior.
5.2	North Peace Savings Branches	For a minimum period of three (3) years after the effective date of the merger, all branches of North Peace Savings will continue to be open and operate. At present, Interior has no plans or intentions to modify, suspend or cease the hours or operations of any North Peace Savings branch. There is not expected to be any immediate rebranding of North Peace Savings branches, except for the removal of the words 'Credit Union' in the brand name 'North Peace Savings'.
5.3	North Peace Savings Community Legacy Fund	\$1,000,000 will be invested in a legacy fund, operated by a reputable foundation with the ability to steward the funds and disbursements to support charitable organizations and qualified donees in the North Peace and Northern Rockies regions.
5.4	Name	The legal name of the Credit Union following the successful completion of the Proposed Merger will be "Interior Savings Credit Union".
5.5	Registered & Head Office	Combined Interior's registered and head office will be located at 300 - 678 Bernard Avenue, Kelowna, British Columbia.
5.9	Products & Services to be Offered	All products and services currently offered by Interior and North Peace Savings are expected to form part of Combined Interior's mix of products and services.
5.10	Common Bond of Membership	The common bond of membership for Combined Interior will continue to be the common bond of Interior, being: "Persons who reside, work or carry-on business in the Province of British Columbia"

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

THIS GUIDE, INCLUDING DOCUMENTS INCORPORATED BY REFERENCE HEREIN, CONTAINS FORWARD-LOOKING STATEMENTS AND INFORMATION. THE USE OF ANY OF THE WORDS "EXPECT", "ANTICIPATE", "CONTINUE", "ESTIMATE", "OBJECTIVE", "ONGOING", "MAY", "WILL", "PROJECT", "SHOULD", "BELIEVE", "PLANS", "INTENDS", "POTENTIAL", "PRO FORMA" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. FORWARD-LOOKING INFORMATION PRESENTED IN SUCH STATEMENTS OR DISCLOSURES MAY, AMONG OTHER THINGS, RELATE TO: (I) THE ANTICIPATED BENEFITS FROM THE PROPOSED MERGER; (II) THE EXPECTED COMPLETION AND IMPLEMENTATION DATE OF THE PROPOSED MERGER; (III) CERTAIN OPERATIONAL AND FINANCIAL INFORMATION; (IV) THE NATURE OF COMBINED INTERIOR'S OPERATIONS FOLLOWING THE PROPOSED MERGER; (V) SOURCES OF INCOME; (VI) FORECASTS OF CAPITAL EXPENDITURES, INCLUDING GENERAL AND ADMINISTRATIVE EXPENSES; (VII) ANTICIPATED INCOME TAXES; (VIII) COMBINED INTERIOR'S BUSINESS OUTLOOK FOLLOWING THE PROPOSED MERGER; (IX) PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS; (X) FORECAST COST SAVINGS; AND (XI) ANTICIPATED OPERATIONAL AND FINANCIAL PERFORMANCE.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to North Peace Savings and Interior, as applicable, including information obtained from third party industry analysts and other third-party sources. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to:

- the approval of North Peace Savings' members;
- satisfaction of the other conditions for completion of the Proposed Merger, including the receipt of all required regulatory and third-party approvals to complete the Proposed Merger;
- the completion of the Proposed Merger;
- no material changes in the legislative and operating framework for the business of North Peace Savings and Interior, as applicable;
- no material adverse changes in the business of either or both of North Peace Savings and Interior; and
- no significant events occurring outside the ordinary course of business of North Peace Savings or Interior, as applicable such as a natural disaster or other calamity.

The forward-looking information contained in statements or disclosures in this information circular (including the documents incorporated by reference herein, including in the Supplemental Information Package) is based (in whole or in part) upon factors which may cause actual results, performance or achievements of North Peace Savings or Interior, as applicable, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Actual results or outcomes may differ materially

from those predicted by such statements or disclosures. While North Peace Savings and Interior do not know what impact any of those differences may have on their respective businesses, results of operations and financial conditions may be materially adversely affected.

You are further cautioned that the preparation of financial statements in accordance with International Financial Reporting Standards requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

You are cautioned that the foregoing list is not exhaustive. Readers should carefully review and consider the risk factors described under "Risks of Proposed Merger" and other risks described elsewhere in this information circular and in the documents incorporated by reference herein, including in the Supplemental Information Package.

The forward-looking statements and information contained in this Guide (including the documents incorporated by reference herein, including in the Supplemental Information Package) are made as of the date hereof and thereof and North Peace Savings and Interior undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein and, in the documents, incorporated by reference herein, North Peace Savings members should not place undue reliance on forward-looking statements or disclosures. The forward-looking information and statements contained herein, and the documents incorporated by reference herein are expressly qualified in their entirety by this cautionary statement.

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