2025

Management Discussion and Analysis

Conexus Credit Union

Management discussion and analysis

This Management Discussion and Analysis (MD&A) enables readers to assess material changes in the financial condition and operating results of Conexus Credit Union (Conexus) for the year ending on December 31, 2025, compared with the prior year and plans. This MD&A is prepared in conjunction with the Consolidated Financial Statements and related Notes for the year ending December 31, 2025, and should be read together with those documents. The MD&A includes information up to February 11, 2026. Unless otherwise indicated, all amounts are expressed in Canadian dollars. Amounts for 2021, 2022, 2023, 2024, and 2025 have been primarily derived from Conexus' annual Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRS).

The following items provide an overview of topics discussed throughout the MD&A:

Economic conditions

› 2025 economic and financial services conditions
› Economic and financial outlook for 2026

Financial performance to plan

› Notice of merger – January 1, 2026
› Financial management

Financial position review

› Overview
› Credit quality
› Liquidity management
› Capital management

Financial performance review

› Profitability
› Efficiency

Enterprise risk management

› Overview of significant risks

Caution regarding forward-looking statements

This MD&A might contain forward-looking statements concerning future strategies of Conexus. These statements involve uncertainties in relation to prevailing economic, legislative, and regulatory conditions at the time of writing. Therefore, actual results may differ from the forward-looking statements contained in this discussion.

Factors that might affect future results

Although Conexus is primarily in Saskatchewan, the economic and business conditions in Canada and abroad can affect the trading areas of Conexus and its financial position. Global economic conditions can influence Canada and local economies, thereby affecting businesses, consumer prices and personal incomes. The prevailing conditions nationally can have an effect on financial markets and the Bank of Canada's monetary policy, causing changes in interest rates and the value of the Canadian dollar. Fluctuations in the capital markets and the extent of local competition can impact the market share and price of Conexus' products and services. All these factors affect the environmental conditions in which Conexus operates and, accordingly, Conexus' performance.

Economic conditions

2025 economic and financial services conditions

If there is one phrase that can describe the overall global economic environment for the year 2025, it is "uncertainty". The overall environment experienced turmoil as the United States (U.S.) remained unpredictable and chaotic amid its trade war, raising market concerns about an expected increase in U.S. inflation. This prompted a devaluation of the U.S. dollar and a rise in the value of heavy metals, with gold, silver, and copper hitting all-time highs by December 2025. However, global equities remained on an upward trajectory despite the current economic environment. The overall positive run in equities is fueled by investment and spending on artificial intelligence (AI), which further heightens the global market's key industry risk, given concerns about an AI bubble. Coupled with the ongoing geopolitical tensions with Russia vs. Ukraine, China vs. Taiwan and Japan, and, as of quite recently, the United States vs. Venezuela and Greenland, further concerns on overall risk have significantly increased. However, overall Gross Domestic Product (GDP) for the United States in 2025 is expected to be 2.00%, with a slowly increasing unemployment rate of 4.40%.

Canada's overall economic environment has tracked a more positive path than anticipated in 2025, with the overall theme remaining cautious optimism. Although Canada has faced significant trade pressures from the U.S., overall results were better than expected thanks to Canada-United States-Mexico Agreement (CUSMA) protections. However, as U.S. tariffs target specific sectors such as auto and steel manufacturing, overall GDP growth and employment levels by province have been fragmented, specifically within Ontario and Quebec. Overall, GDP growth is expected to be lower than initially anticipated at 1.20%, compared with the Bank of Canada's January 2025 forecast of 1.80%. This suggests that although growth has been positive in Canada, the localized impact of the trade still had a massive drawdown on the overall economy. Inflation, on the other hand, has remained under control in 2025, remaining close to and within the Bank of Canada's (BoC) target rate of 2-3%. This is mainly due to the BoC remaining data-sensitive throughout the year and reducing the overnight rate by 100 basis points, bringing it to 2.25% by the end of 2025. However, unemployment within the country remained elevated throughout the year, with September and August having the highest unemployment rate at 7.10%.

In Saskatchewan, the year-over-year GDP forecast for 2025 is 2.60%, which is higher than the national average. This is mainly due to the stronger total crop production, which increased by 13.00% year-over-year. Inflation within the province increased by 2.10% annually between November 2024 and November 2025, which aligns with the national average. Saskatchewan's December 2025 unemployment rate increased to 6.50% from 6.20% in December 2024. This is the fourth-lowest unemployment rate among all provinces and is below the national average of 6.80%.

Economic and financial outlook for 2026

The outlook for Canadian economic conditions in 2026 remains highly fragile and dependent on the resolution of several structural and geopolitical forces that dominated 2025. While some sources of uncertainty have moderated, the overall outlook for 2026 remains highly pessimistic. Overall, concerns in trade relationships in the U.S., a prolonged period of strain on productivity, population growth concerns, and elevated household leverage continue to weigh on Canada's overall economic potential. These factors are expected to suppress business investment and limit the pace of the overall economic recovery.

One of the biggest concerns that still looms over the Canadian economy in 2026 continues with the state of its trade relationship with the U.S. Although the immediate threat of sweeping tariffs has diminished relative to 2025, the U.S. remains a highly volatile and politically sensitive environment. Given Canada's high degree of integration with the U.S., the targeted tariffs on select industrial goods have already done significant damage to their respective industries, causing mass layoffs and investment holdouts, further tightening the economy's constraints, a trend expected to continue into 2026. The renegotiation of CUSMA in early spring will be a great focus for trade relations and the possible future of Canada's trade relationship with the U.S. Ongoing uncertainty surrounding trade policy is expected to restrain capital investment decisions and reduce productivity-enhancing expenditures across several key industries.

Canada's population growth outlook remains a significant factor that is expected to have a negative impact in 2026. Overall population growth is expected to remain subdued due to the Federal Government's multi-year immigration cap introduced in late 2024, which will further constrain the much-needed growth to support the overall economy. Given immigration constraints, natural population growth within the country is expected to be minimal, which in turn constrains labour force growth, housing demand, and GDP growth over the next few years, thereby raising concerns about economic stability.

Real GDP growth for Canada is projected to remain modest in 2026, with consensus forecasts clustering around 1.70%–1.90%. Growth is expected to be driven primarily by public and private investment, with household consumption remaining restricted by elevated debt servicing costs and subdued income growth. Inflation is expected to remain close to the Bank of Canada's 2.00% target, supported by easing shelter inflation and weaker domestic demand. However, upside inflation risks remain should trade disruptions re-emerge or the Canadian dollar depreciate materially.

The BoC is expected to remain highly data sensitive throughout 2026. Following the 100-bps rate cut in 2025, the BoC is expected to hold its overnight rate near its current levels for the entirety of the year. Given the significant uncertainty in the economy, further rate cuts could have an adverse effect on the current economy and the BoC's goals, unless severe economic conditions deteriorate meaningfully. It is also important to consider that, although Canadians' spending has not slowed, the overall household debt-to-disposable income ratio continues to increase and threatens consumption growth, further increasing Canada's sensitivity to interest rate risks.

Saskatchewan's economic outlook for 2026 remains resilient relative to the national average. Real GDP growth is forecast at approximately 1.80%, supported by strong commodity fundamentals, ongoing capital investment in resource development, and comparatively low household leverage. The province's diversified export base and exposure to global agricultural and energy markets position it favourably amid national economic softness. Investment-led growth is expected to remain the primary driver of Saskatchewan's economic performance, partially offsetting broader Canadian economic challenges.

Financial performance to plan

Notice of merger – January 1, 2026

On June 18, 2025, the merger between Conexus Credit Union, Cornerstone Credit Union ("Cornerstone"), and Synergy Credit Union ("Synergy") was approved by members of the three credit unions. The merger was completed and effective as of January 1, 2026. As a result, the assets, liabilities, and operations of Cornerstone and Synergy were combined with Conexus effective on that date. Per the 2024 annual reports of Cornerstone and Synergy, the credit unions have approximately 30,000 and 27,000 members each and approximately $2.6 billion and $2.8 billion in assets under management, respectively.

The merger was undertaken to combine resources and gain efficiencies to create a stronger, more competitive, and truly provincial credit union, with 57 branches in Saskatchewan. The merger is expected to help drive economic growth in the province and provide enhanced support and resources for members.

This MD&A does not include any combined financial results from Cornerstone and Synergy.

Financial management

Each year, Conexus develops a corporate plan through a comprehensive budget and planning process. The following table provides an overview of key financial measures compared to 2025 plan. Actual results for 2025, 2024, 2023, 2022, and 2021 have also been included for comparison.

(In thousands of CDN $)	2025 Actual	2025 Plan	2024 Actual	2023 Actual	2022 Actual	2021 Actual
Growth						
Assets	8,051,141	7,658,532	7,360,742	6,893,722	6 ,760,856	6 ,705,481
Asset growth	9.38%	4.05%	6.77%	1.97%	0.83%	0.43%
Deposits	6,332,800	6,291,694	6,082,981	5,627,282	5,591,599	5,465,357
Deposit growth	4.11%	3.43%	8.10%	0.64%	2.31%	4.05%
Loans and advances	6,680,425	6,439,928	6,052,912	5,576,921	5,177,221	5,168,468
Loans and advances growth	10.37%	6.39%	8.54%	7.72%	0.17%	-2.56%
Credit quality						
Delinquency greater than 90 days	0.47%	0.90%	0.80%	0.90%	0.91%	1.27%
Net impaired loans and advances	38,387	57,731	53,614	58,698	51,113	70,761
Allowance for credit losses	41,619	36,814	41,885	35,977	38,777	40,320
Impairment charges	14,324	11,438	15,082	13,112	20,120	30,255
Liquidity management						
Liquid assets[1]	1,109,294	953,021	1,042,143	945,513	976,286	930,872
Investment securities and interest bearing deposits	1,181,372	1,032,950	1,110,249	1,097,620	1,309,982	1,306,177
Liquidity coverage ratio (LCR)	260.00%	162.00%	239.00%	157.00%	162.00%	158.34%
Liquid assets as a % of total assets	13.78%	12.44%	14.16%	13.72%	14.44%	13.88%
Capital management						
Risk-weighted capital	16.43%	16.81%	16.79%	16.57%	16.70%	15.32%
Common equity tier 1 capital to risk-weighted assets	15.97%	16.37%	16.32%	16.04%	16.11%	14.75%
Leverage ratio	9.40%	9.51%	9.59%	9.93%	9.79%	8.77%
Total capital[2]	784,147	756,756	730,966	702,718	678,935	598,812
Profitability and member return[3]						
Total profit for the year (before OCI)	55,618	32,997	24,360	16,142	22,445	34,021
Return on assets (ROA) before tax allocations	0.94%	0.55%	0.41%	0.30%	0.44%	0.72%
Return on equity (ROE) before tax allocations	9.82%	5.59%	4.19%	2.97%	4.44%	7.81%
Efficiency ratio	65.75%	76.44%	79.00%	82.92%	76.08%	65.14%

[1] Liquid assets include cash and cash equivalents, marketable investment securities, liquid investment securites and statutory liquidity investment securities at SaskCentral.

[2] Total capital of Conexus in 2025 consists of amounts held in membership shares and member equity accounts of $10.32 million, accumulated other comprehensive income of $392 thousand, and retained earnings of $773.43 million. This differs from the definition of total capital used by the Credit Union Deposit Guarantee Corporation (CUDGC) which amounts to $782.04 million (2024 - $728.64 million).

[3] 2025 includes non-recurring equity income from SaskCentral of $8.91 million. 2022 excludes SaskCentral dividend of $68.77 million.

Financial position review

The financial position review provides an analysis of Conexus' major balance sheet categories and a review of the Credit Union's deposits, loans, liquidity and capital positions. The review is based on the consolidated financial statements.

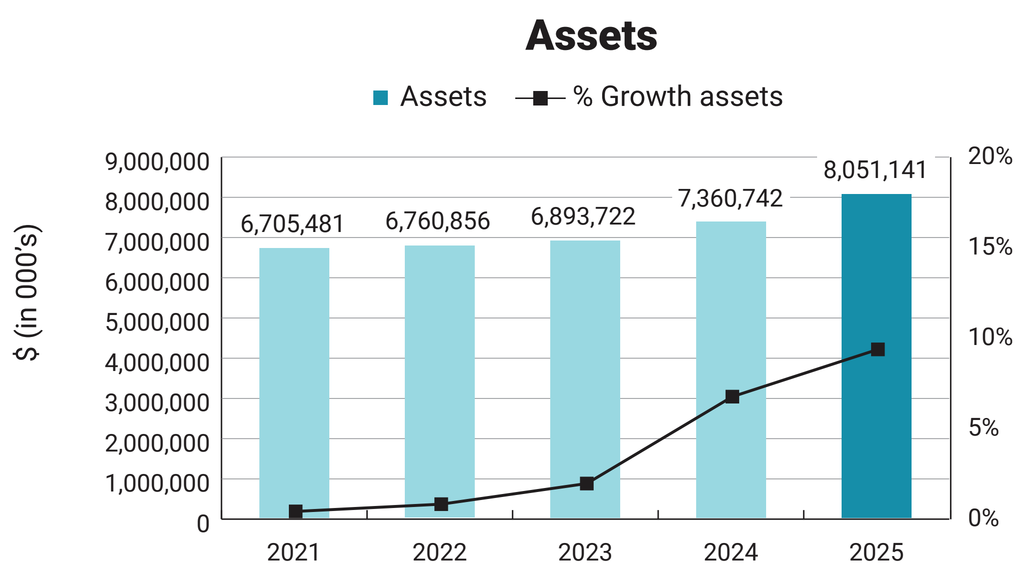
Overview

Total funds under management ended 2025 at $11.50 billion, up from $10.35 billion in 2024 and represents an increase of 11.11% (2024 – 9.41% increase). Total funds under management include "off-balance sheet" assets under administration, and include: $3.12 billion in wealth management assets, up from $2.70 billion in 2024 for an increase of 15.56%; $208.89 million in syndicated loans, a decrease of 18.09% (2024 – 20.20% decrease) over 2024 levels of $255.03 million; and $120.33 million (2024 – $35.66 million) in multi-family securitization. The wealth management assets increase is due to an increase in market values and net sales. The decrease in syndicated loans is a result of Conexus not needing to utilize loan sales to manage capital, credit and liquidity as compared to prior years. The increase in multi-family securitization is due to Conexus' first year of the program being 2024, where the first pool of mortgages was securitized in December 2024. This program was continued throughout 2025 and supports housing projects for Conexus' commercial members.

Assets

On-balance sheet assets ended 2025 at $8.05 billion, compared to $7.36 billion in 2024, which represented growth of 9.38% (2024 – 6.77%). Strong asset growth in 2025 was rooted in increased loan activity, which utilized deposit growth of 4.11% (2024 – 8.10%) and an increase in cash and investment securities of 5.26% (2024 – decrease of 0.87%).

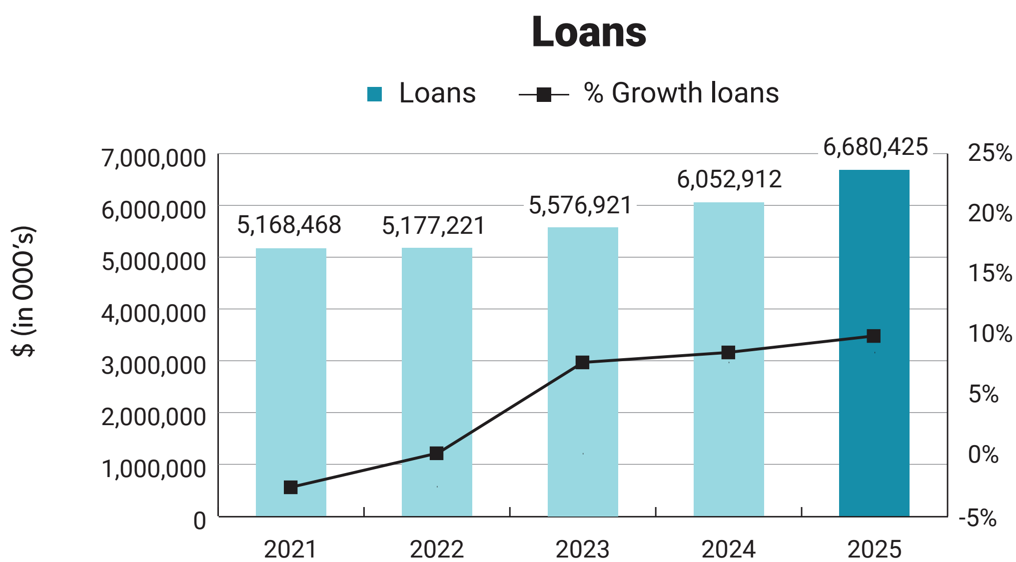
The following illustrates the Credit Union's growth in on-balance sheet assets over the past five years.



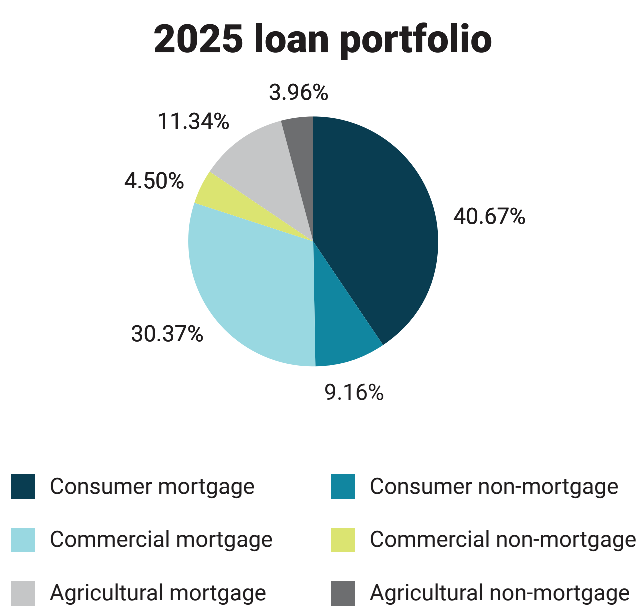
Loans

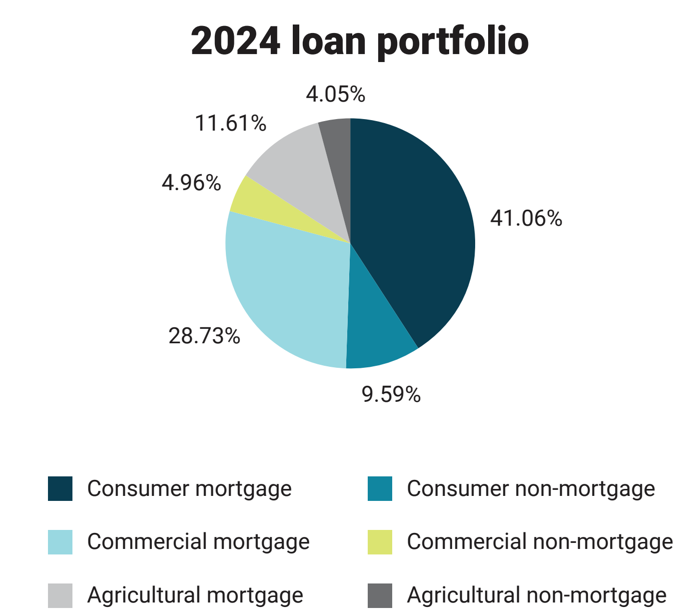
Loans accounted for 82.97% of total assets, and amounted to $6.68 billion as of December 31, 2025, representing an increase of 10.37% over the previous year's balance of $6.05 billion, which was the highest annual percentage increase in loans over the presented five-year period. Conexus exceeded the previous 5-year average annual loan growth rate of 4.85%.

The following illustrates Conexus' loan growth over the last five years.



A significant portion of Conexus' loan portfolio continues to consist of stable, low-risk, consumer residential mortgages. Loan allocation, expressed as a percentage of the total loan portfolio, to the consumer mortgage portfolio decreased slightly from 41.06% in the previous year to end 2025 at 40.67%. Loan allocation to the commercial sector increased over the previous year from 33.69% in 2024 to end 2025 at 34.87%. Agricultural loans comprised 15.30% of the total loan portfolio in 2025, a slight decrease from 15.66% in 2024. Agricultural and commercial loans are grouped together for presentation purposes in Note 7 of the annual report.





Residential mortgages

A large portion of Conexus' lending portfolio is comprised of consumer residential mortgages, which are well diversified by borrower. This portfolio ended 2025 at $2.72 billion representing 40.66% of Conexus' total loans (2024 - $2.49 billion representing 41.06% of Conexus' total loans).

Residential mortgage portfolio by amortization period

The following table presents the distribution of residential mortgages by amortization periods.

Residential mortgage portfolio by remaining amortization period

Amortization period	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021
< 5 years	19%	17%	11%	8%	5%
5 - 10 years	11%	12%	13%	13%	11%
10 - 15 years	17%	19%	21%	23%	24%
15 - 20 years	8%	9%	11%	11%	13%
20 - 25 years	39%	40%	42%	43%	45%
25 - 30 years	6%	3%	2%	2%	2%
> 30 years	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Insured and uninsured residential mortgages and home equity lines of credit (HELOC)

Conexus defines "insured" as residential mortgages that are insured individually or bulk insured through Canada Mortgage and Housing Corporation (CHMC) or Sagen. The following table presents amounts of insured and uninsured residential mortgages and HELOC's:

Insured and uninsured residential mortgages and HELOC

(In thousands of CDN $)	Insured		Uninsured		Total
December 31, 2025					
Residential Mortgages	1,408,220	51%	1,313,910	47%	2 ,722,130
HELOC	-	0%	58,331	2%	58,331
Total	**1,408,220**	**51%**	**1,372,241**	**49%**	**2,780,461**
December 31, 2024					
Residential Mortgages	1,199,789	47%	1,289,935	51%	2,489,724
HELOC	-	0%	51,940	2%	51,940
Total	**1,199,789**	**47%**	**1,341,875**	**53%**	**2,541,664**
December 31, 2023					
Residential Mortgages	1,224,078	51%	1,109,430	47%	2,333,508
HELOC	-	0%	54,032	2%	54,032
Total	**1,224,078**	**51%**	**1,163,462**	**49%**	**2,387,540**
December 31, 2022					
Residential Mortgages	1,168,293	52%	997,550	45%	2,165,843
HELOC	-	0%	63,187	3%	63,187
Total	**1,168,293**	**52%**	**1,060,737**	**48%**	**2,229,030**
December 31, 2021					
Residential Mortgages	1,233,495	56%	916,633	41%	2,150,128
HELOC	-	0%	71,216	3%	71,216
Total	**1,233,495**	**56%**	**987,849**	**44%**	**2,221,344**

Loan-to-value (LTV) ratios

The following table presents the weighted average LTV ratio for total newly originated uninsured residential mortgages and HELOC's during the year.

Weighted average LTV ratio

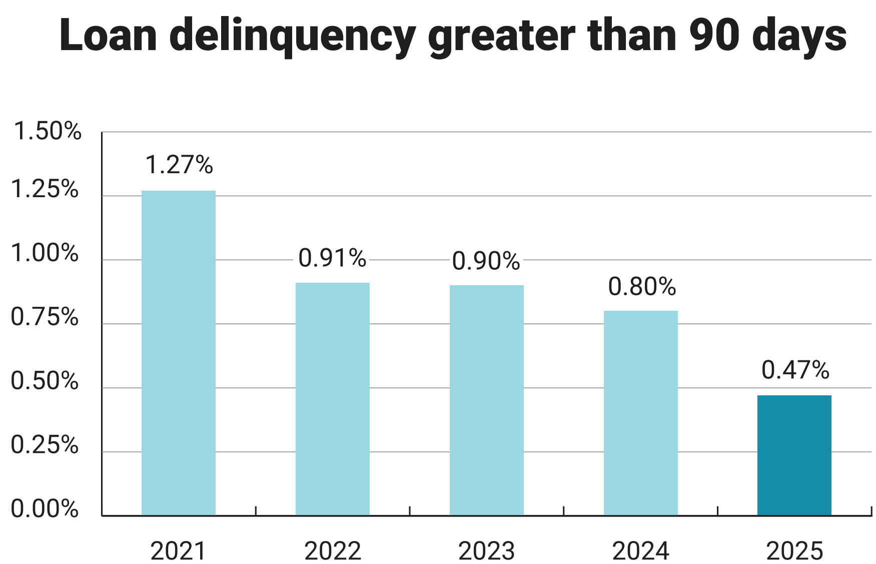
	December 31, 2025 Uninsured		**December 31, 2024 Uninsured**		**December 31, 2023 Uninsured**		**December 31, 2022 Uninsured**		**December 31, 2021 Uninsured**	
	Residential mortgages	HELOC	Residential mortgages	HELOC	Residential mortgages	HELOC	Residential mortgages	HELOC	Residential mortgages	HELOC
Weighted average LTV ratio of newly originated for the year	65%	55%	66%	47%	67%	43%	67%	51%	68%	52%

Conexus stress tests its residential mortgage and HELOC portfolios to determine the potential impact of an economic downturn, which results in an increase in defaults and a decrease in housing prices. The stress testing leverages a third-party credit default model which uses forward looking economic factors to establish stressed loss levels on a loan-by-loan basis. Conexus' results show that in an economic downturn (which results in delinquencies well above historical levels and home prices well below historical LTV ratios), our strong capital position would be sufficient to absorb residential mortgage and HELOC losses.

Credit quality

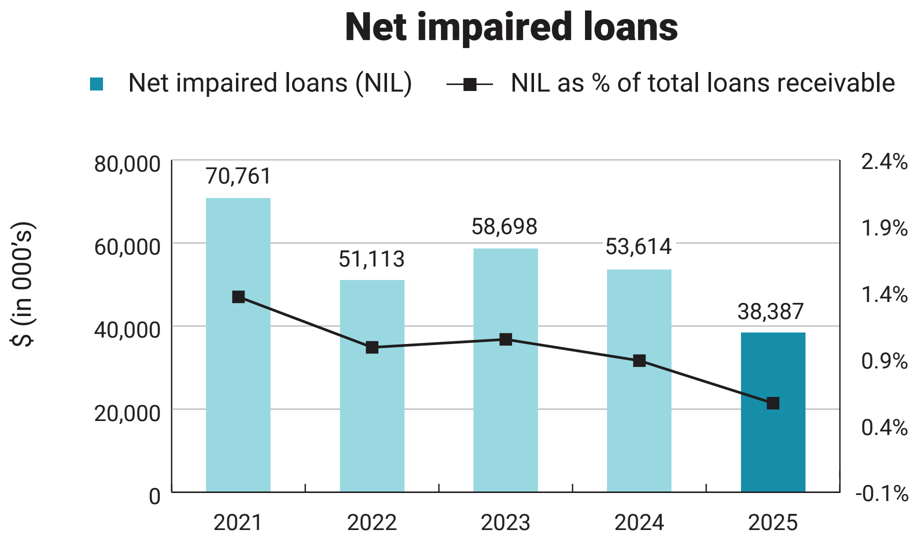
Past-due loans

Loans are considered past due when a counterparty is contractually in arrears but where payment in full is expected. Delinquency greater than 90 days was 0.47% for 2025, a decrease of 0.33% from 0.80% in 2024, and below the five-year historical average of 0.87%.



Net impaired loans

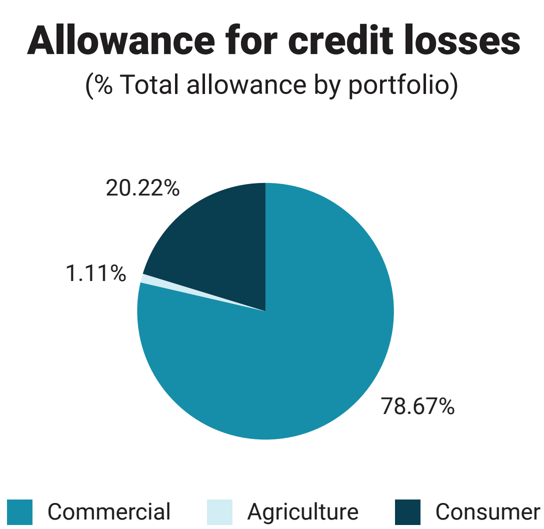
Net impaired loans are considered by management to be uncollectible and are net of individual loan allowances. It is the amount expected to be realized on the sale of any security on the uncollectible loans. In 2025, net impaired loans decreased from the previous year by $15.22 million to end the year at $38.39 million (2024 - $53.61 million). As a percentage of total loans, net impaired loans decreased from 0.89% in 2024 to end 2025 at 0.57%.



Allowance for credit losses

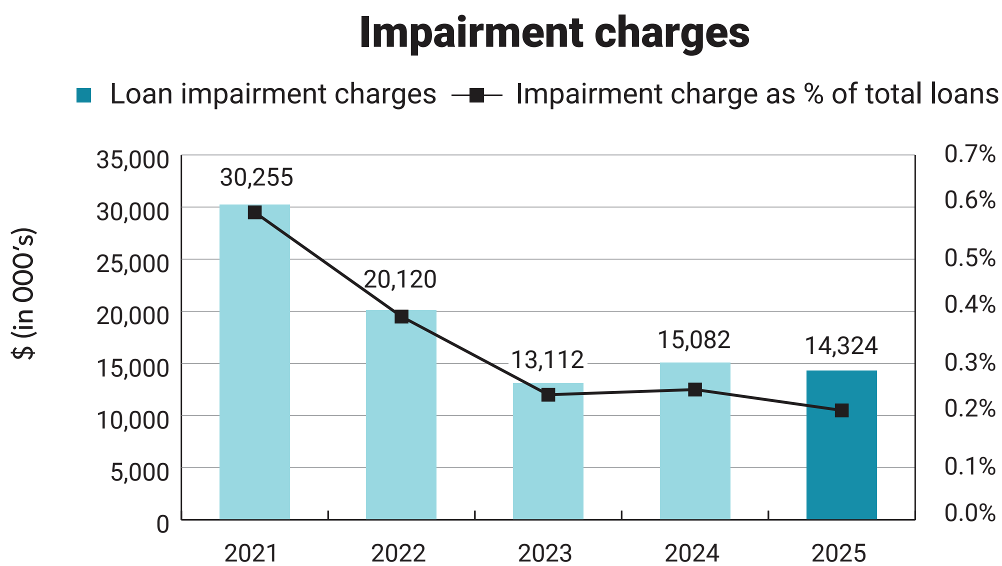
Conexus monitors its exposure to potential credit risk and measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investment securities that are determined to have low credit risk at the reporting date and loans where credit risk has not increased significantly since their initial recognition. Management judgement is required in the estimate of whether credit risk of an instrument has increased significantly, inputs into the ECL quantitative model and in the use of forward-looking information (mainly loans). When determining whether the risk of default on a loan has increased significantly since initial recognition, Conexus considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on Conexus' historical experience, expert credit assessment and considerations of relevant forward-looking information.

The total allowance ended the year at $41.62 million (2024 - $41.88 million) and represented 0.62% (2024 – 0.69%) of total loans. Write-offs increased compared to 2024 due to the resolution of two commercial files. Allowances have largely been within the commercial portfolio with it representing 78.67% of the total allowances as illustrated below.



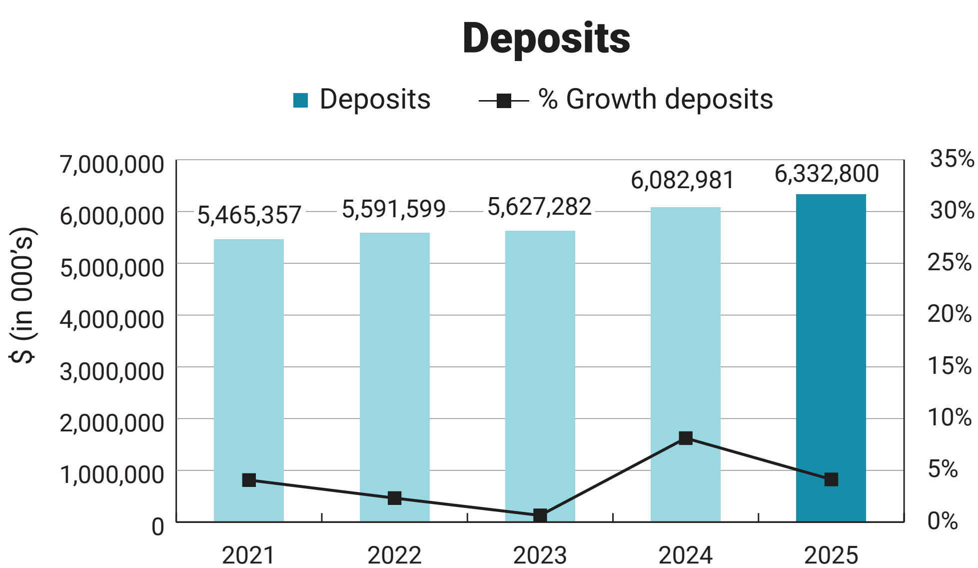
Impairment charges

Once allowances for credit losses and write-offs have been assessed, an impairment charge is expensed on the Consolidated Statement of Comprehensive Income. Impairment charges were $14.32 million in 2025, a decrease of $758 thousand from the prior year of $15.08 million. The impairment charges as a percentage of total loans decreased slightly from 0.25% in 2024 to end 2025 at 0.21%.



Deposits

Deposits ended 2025 at $6.33 billion compared to $6.08 billion in 2024, representing growth of 4.11%. Conexus' deposits consist of deposits from both consumer and commercial members.



Consumer deposits accounted for 55.96% of total deposits in 2025 (2024 – 56.04%), and commercial deposits accounted for 44.04% of total deposits (2024 – 43.96%). Conexus' deposits are 100% guaranteed by the regulator of credit unions in Saskatchewan, the Credit Union Deposit Guarantee Corporation (the 'Corporation').

Liquidity management

Managing liquidity is essential to maintaining the safety and soundness of the Credit Union, depositor confidence, and stability in earnings. It is Conexus' policy to ensure that sufficient liquid assets and funding capacities are available to meet commitments as they become due, at a reasonable cost, under normal operating and stressed conditions. Conexus defines and manages its liquidity management framework within established corporate policies and regulatory standards.

The principles of Conexus' liquidity management framework are: maintaining internal risk appetite and board policy risk limits; measuring, managing, and monitoring the risk; managing market access over funding sources; stress testing; contingency planning, including recovery planning; and ensuring internal controls over liquidity risk management processes.

Conexus has an established liquidity policy, along with a number of processes and practices governing the management of funding requirements. Specifically, Conexus measures and monitors its available liquidity and performs monthly stress scenario modeling to identify sources of potential liquidity strain. Conexus has built and maintains access to numerous funding sources. The organization's primary source of funds is consumer deposits which represent 55.96% of total deposits in 2025 (2024 – 56.04%). This is followed by commercial deposits at 44.04% of total deposits (2024 – 43.96%).

In addition to core deposits, Conexus maintains external borrowing facilities from various sources. Conexus has an authorized line of credit with Credit Union Central of Saskatchewan (SaskCentral) in the amount of $137 million in Canadian funds (2024 - $130 million) and $7 million in U.S. funds (2024 - $7 million). SaskCentral is a wholesale financial services co-operative that provides clearing, settlement and liquidity management services to its member owners – the Saskatchewan credit unions. Additionally, Conexus has a credit agreement with Desjardins, with a maximum available credit limit of $115 million (2024 - $115 million). Liquidity levels have remained steady in 2025, with no additional borrowing facility requirements.

The next source of liquidity for Conexus is the securitization of assets for the purpose of generating funding in the capital markets. Conexus securitizes residential mortgages through participation in the Canada Mortgage and Housing Corporation (CMHC), Canada Mortgage Bond (CMB) and National Housing Act – Mortgage Backed Securities (NHA MBS) programs. Conexus also securitizes automotive loans through an Asset Backed Commercial Paper (ABCP) structure. Loans may also be syndicated with financial institutions for liquidity, capital, and credit risk purposes thereby achieving off-balance sheet treatment as all credit risk is assumed by the purchaser. In 2025, Conexus syndicated a total of $2.10 million in loans (2024 - $24.37 million) and securitized a total of $435.68 million (2024 - $205.74 million) as part of its ongoing strategies. Beginning in 2022, the Credit Union began retaining certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2025 residential mortgages with a remaining face value of $65.83 million (2024 - $114.81 million) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported in loans in the consolidated balance sheet and can be quickly converted to cash to meet unforeseen funding requirements.

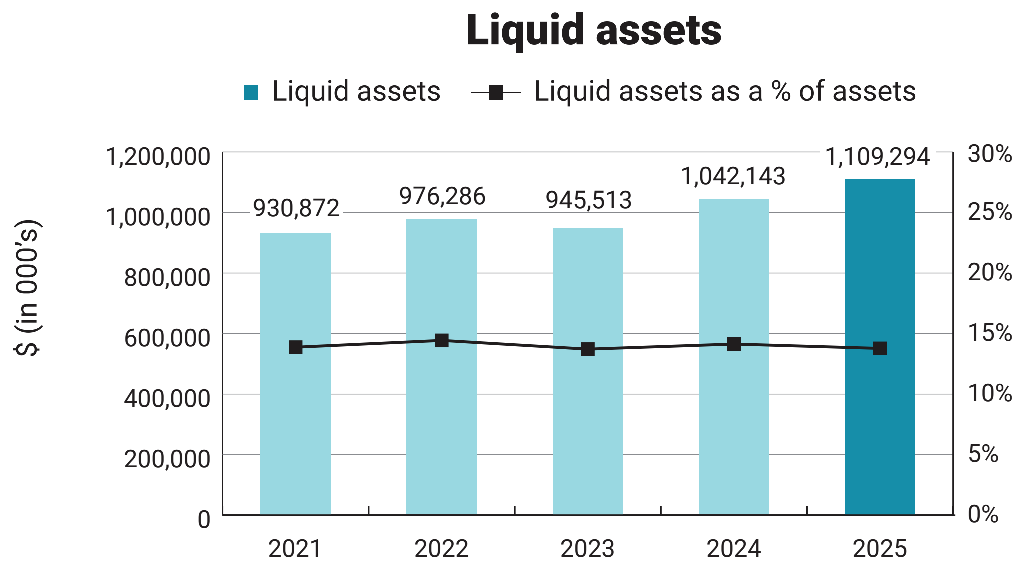
Additionally, Conexus securitizes multi-family and social housing mortgages through participation in CMHC, CMB, NHA MBS and Canada Housing Trust (CHT) programs. The NHA MBS certificates for these mortgages are not retained by Conexus as they are sold to CHT upon origination. As a result, the multi-family and social housing NHA MBS certificates do not appear on Conexus' consolidated balance sheet. In 2025 Conexus securitized and derecognized $85.13 million (2024 - $35.66 million) of multi-family mortgages. As at December 31, 2025 the total multi-family mortgages serviced by Conexus held a principal balance of $120.33 million (2024 - $35.66 million).

Liquid assets

Conexus maintains a cushion of high-quality liquid assets that it can be drawn upon to meet unforeseen funding requirements.

Liquid assets include cash and cash equivalents, marketable investment securities and statutory liquidity investment securities at SaskCentral. The value of liquid assets increased from $1.04 billion (14.16% of assets) in 2024 to $1.11 billion (13.78% of assets) as of December 31, 2025.

Saskatchewan credit unions are required by the provincial regulator, the Corporation, to maintain 8.65% of their liabilities on deposit with SaskCentral, manager of the Provincial Liquidity Program. Throughout 2025, Conexus held the required amount of investment securities with SaskCentral for the purpose of maintaining its obligation to the Provincial Liquidity Program. In addition to the statutory liquidity investment securities on deposit with SaskCentral, Conexus maintains a high-quality, liquid pool of investment securities to satisfy payment obligations and protect against unforeseen liquidity events. The majority of Conexus' marketable investment securities are held in Canadian (Schedule 1) Chartered Banks.



Operating liquidity

The primary measures for liquidity adequacy at Conexus include the liquidity ratio, liquid asset ratio (LAR) and liquidity coverage ratio (LCR).

The liquidity ratio is calculated as available liquidity and cash inflows divided by cash outflows. Available liquidity is defined as investment securities which are immediately available as cash, investment securities marketable in an active secondary market, and redeemable investment securities. In 2025 the liquidity ratio was 245% (2024 – 292.00%), well above management's internal target of 175.00%.

The liquid asset ratio (LAR) measures current liquid assets, excluding statutory liquidity investments, as a percentage of total assets. In 2025, the LAR was 7.61% (2024 – 8.51%), well above management's internal target of 5.00%.

The liquidity coverage ratio (LCR) is a ratio that measures the amount of high-quality liquid assets (HQLA) in relation to net cash flows (obligations) over a 30-calendar day liquidity stress scenario. The ratio is calculated as HQLA divided by cash outflows. Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100%. In 2025, the LCR was 260.00% (2024 – 239.00%), exceeding management's internal target of 150.00%.

Capital management

Total capital as a percentage of risk-weighted assets is one of the primary measures of financial strength for financial institutions. Conexus' capital management framework is designed to balance the desire to optimize capital productivity and ensure sufficiency of capital given risks. This appropriate balance can be referred to as capital adequacy. Accordingly, capital policies are designed to ensure that Conexus: meets its regulatory capital requirements; meets its internal assessment of required capital; and builds long-term membership value. Conexus retains a portion of its annual earnings in order to meet these capital objectives.

The Corporation prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by the Corporation are based on the Basel III capital standards framework established by the Bank for International Settlements and adopted by financial institutions around the globe, including Canadian banks. Conexus monitors changes in regulatory standards and guidelines and adjusts its capital plan and targets accordingly.

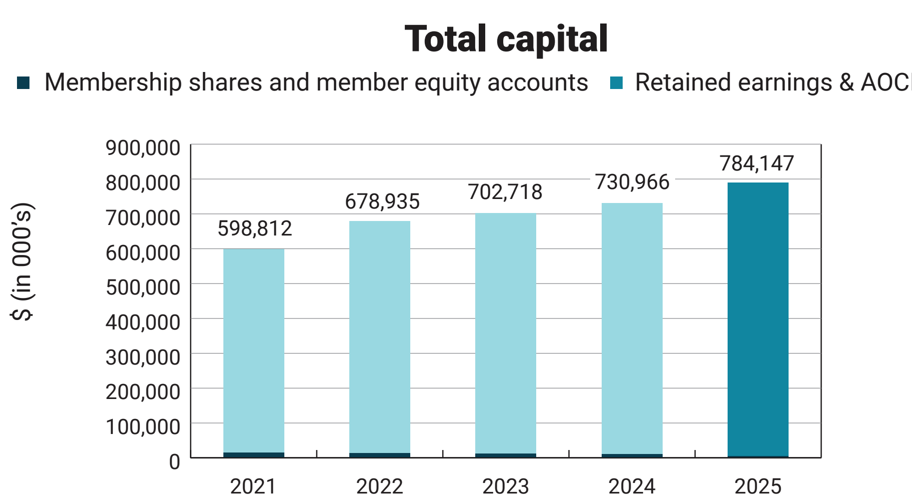
Conexus has been designated as a provincial systemically important financial institution (P-SIFI) and is subject to a capital surcharge of 1.00% of risk-weighted assets. The surcharge requires P-SIFI's to maintain larger capital reserves and a greater ability to absorb losses. The goal of this capital surcharge is to reflect the greater impact that the failure of a P-SIFI may have on the provincial financial system and economy. The capital surcharge is periodically reviewed by the Corporation in light of national and international developments.

The Corporation currently prescribes four standardized tests to assess the capital adequacy of credit unions: risk-weighted capital ratio (total eligible capital to risk-weighted assets); common equity tier 1 capital to risk-weighted assets; total tier 1 capital to risk-weighted assets; and a minimum leverage ratio (eligible capital to total leveraged assets). The risk-weighted capital ratio is calculated as total eligible capital divided by risk-weighted assets. Achieving minimum regulatory capital levels are of paramount importance to Conexus. Minimum board-level standards are set that either meet or exceed regulatory minimums. Regulatory standards require credit unions designated as P-SIFI to maintain a minimum common equity tier 1 capital to risk-weighted assets of 8.00%, total tier 1 capital to risk-weighted assets of 9.50%, a minimum leverage ratio of 5.00% and a minimum total capital to risk-weighted asset ratio of 11.50%. This standard-setting is the first line of defense to ensure capital levels exceed regulatory minimums even in times of significant loss or unplanned growth.

The Corporation also prescribes an internal capital adequacy assessment process (ICAAP). ICAAP is an integrated process that evaluates capital adequacy and is used to establish capital targets that take into consideration the strategic direction (business plan) and risk appetite of Conexus. ICAAP seeks to identify the material risks requiring capital and quantify the amount of capital that should be held in relation to those risks. Enterprise-wide stress testing and scenario analysis are also used to assess the impact of various stress conditions on Conexus' risk profile and capital requirements. In addition to board-level minimums for capital adequacy, internal capital targets are set and reviewed annually through the Conexus ICAAP process. ICAAP targets and the underlying risk assessment process is approved annually by the Risk Committee of the Board. Conexus manages capital to these operating objectives. Balance sheet operating strategies are designed to ensure these capital levels are achieved in addition to other strategies, such as growth and profitability targets.

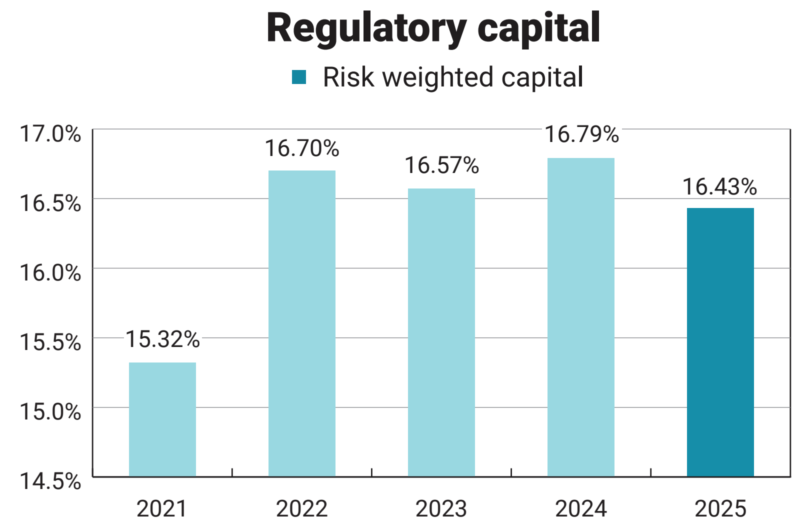
Capital planning is integrated with Conexus' business planning. Conexus' capital plan must demonstrate its ability to meet both board-level capital standards and those established through ICAAP. A capital plan is prepared annually and approved by the Audit and Conduct Review Committee. Accordingly, the board policy for the leverage ratio in 2025 was 5.75% and the risk weighted capital ratio target for 2025 was 12.98%.

Conexus experienced capital growth in 2025, adding to its sound financial position. In 2025, the total capital of Conexus increased by $53.18 million from $730.97 million in 2024 to $784.15 million. Total capital of Conexus consists of amounts held in membership shares and member equity accounts of $10.32 million, accumulated other comprehensive income (AOCI) of $392 thousand, and retained earnings of $773.43 million. The following chart illustrates the capital composition of Conexus, showing that retained earnings is the main source of capital for Conexus.



Regulatory capital

For the year ending 2025, Conexus' total capital as a percentage of risk-weighted assets was 16.43% (2024 – 16.79%). Common equity tier 1 capital to risk-weighted assets as well as total tier 1 capital to risk-weighted assets was 15.97% (2024 – 16.32%), and the leverage ratio was 9.40% (2024 – 9.59%), all well above the minimum regulatory standards and policy requirements. The ICAAP process outlines a required total capital as a percentage of risk-weighted assets to be 12.68% (2024 – 12.61%).

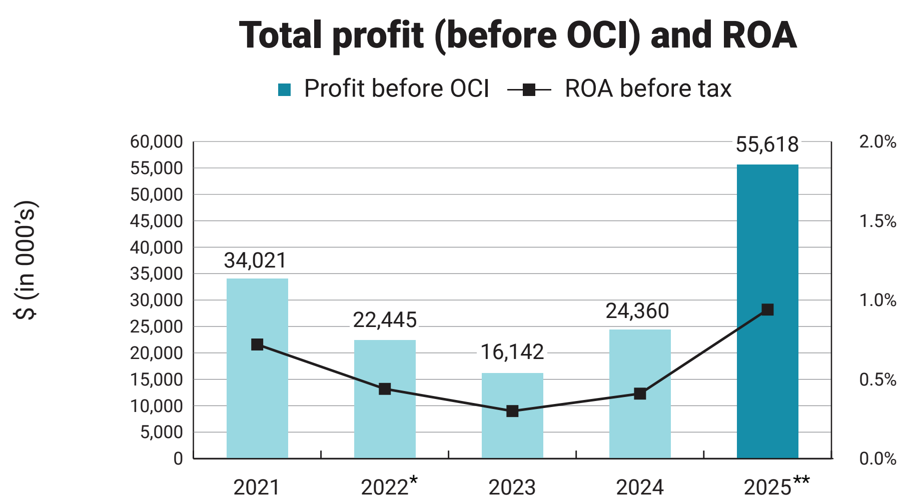


Financial performance review

The financial performance review provides an analysis of Conexus' consolidated financial performance and member return. The results below are drawn from continuing operations unless otherwise specified.

Profitability

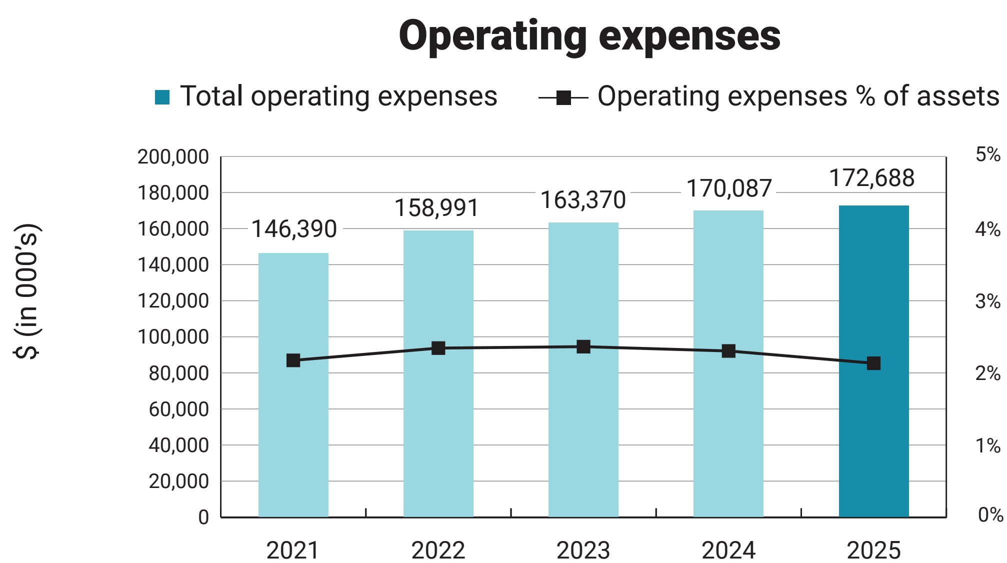
Total profit before other comprehensive income (OCI) for 2025 was $55.62 million, an increase from $24.36 million in the previous year. For 2025, total annualized return on assets (ROA) before income tax allocations was 0.94%, compared to 0.41% in 2024.



* In 2022 a large one-time extraordinary dividend from SaskCentral of $68.77 million has been removed for comparative purposes.
** 2025 includes a non-recurring equity income item from SaskCentral of $8.91 million.

Total profit (before OCI) is comprised of the following items:

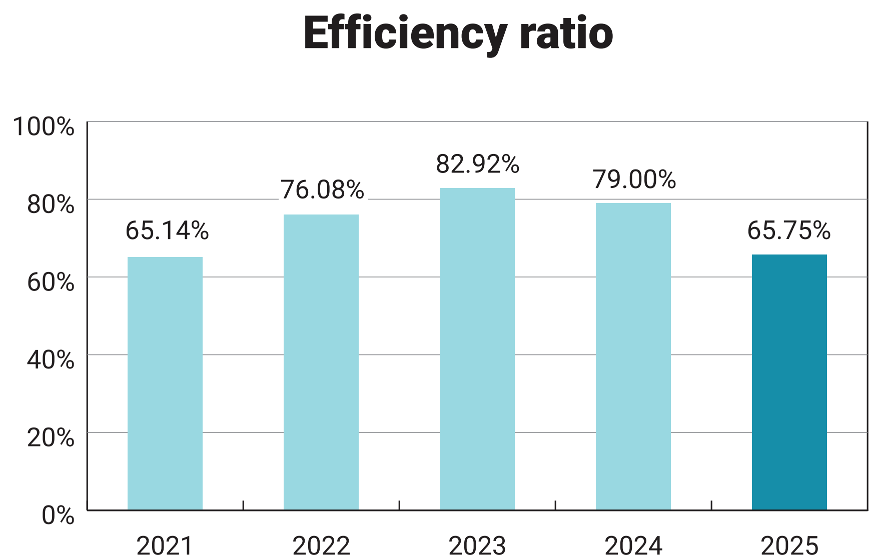
- Net interest income before impairment charges consists of total interest income less total interest expense. In 2025, the net interest income before impairment was $197.44 million (2024 - $169.69 million). This is a $27.75 million increase representing 2.45% of total assets (2024 – 2.31%). This year over year increase in net interest income was driven primarily by strong loan growth of $627.51 million and favorable interest rate movements.
- Net interest income after impairment charges consists of total interest income less total interest expense while factoring in any loans and investment security impairment charges. Net interest income after impairment charges increased $28.51 million between December 31, 2024, and 2025. Expressed as a percentage of total assets, net interest income after impairment charges increased to 2.27% for 2025 compared to 2.10% in 2024.
- Commissions and fee income: Includes service charges, handling fees, loan fees, wealth management income and income from equity investments. Consolidated commissions and fee income increased from $40.43 million in 2024 to $56.04 million in 2025. A large portion of the increase is due to an increase in income from equity investments of $10.94 million. In 2025, of the total equity income from SaskCentral of $11.48 million, $8.91 million of this amount is non-recurring income. The majority of the remaining increase consists of increases in loan fees and wealth management income.
- Other income: Includes gains/losses from financial instruments held at fair value and other income. Consolidated other income increased to $9.16 million in 2025 from $5.53 million in 2024. In 2024, Conexus sold its credit card portfolio, resulting in a $7.16 million loss. Adjusting this one-time loss out of other income, 2024 total other income would be $12.69 million. Other decreases in other income relate to realized gains on investments decreasing to $2.53 million in 2025 compared to $3.77 million in 2024, and unrealized gains on investments decreasing to $1.70 million compared to $2.77 million in 2024.
- Operating expenses: includes various operating costs such as general business, occupancy, organizational, personnel and member security. Consolidated operating expenses increased from $170.09 million (2.31% of assets) in 2024 to $172.69 million (2.14% of assets) in 2025 as the graph indicates. The ratio of operating expenses divided by total assets is called the operating expense ratio and is included as a measure of efficiency in Conexus' key performance indicators report. The dollar increase from 2024 to 2025 is related to an increase of $8.06 million in personnel costs, partially offset by a $5.12 million decrease in general business expenses. The largest portion of the decrease in general business expense related to a $5.64 million decrease in card production fees and card program related fees due to the credit card portfolio being sold in 2024. Due to a sizable increase in assets, mainly related to loan growth, the overall operating expense ratio improved in 2025 and decreased by 0.17% compared to 2024.



Efficiency

The efficiency ratio measures operating expenses as a percentage of earnings from operations. A low efficiency ratio indicates efficient use of resources. The ratio is calculated as operating expenses from operations divided by the sum of the following: net interest income plus other income from operations.

The efficiency ratio was 65.75% in 2025 compared to 79.00% in 2024, a favorable decrease of 13.25%. The improvement is attributed to increases in net interest margin and commissions and fee income.



Internal controls over financial reporting

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Given its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis, but once recognized works to remediate the gaps identified and continually improve the control environment on a go forward basis. Conexus continues to benchmark best practices in financial reporting and corporate governance and has implemented a robust framework to evaluate the design and operating effectiveness of our ICFR. Through this evaluation process, we strive to continually strengthen our system of internal controls over financial reporting.

Enterprise risk management

Overview

Conexus provides comprehensive financial and wealth management products and services to individuals, small and medium-sized businesses, and agricultural producers. As a result, Conexus is exposed to a broad range of financial, business, and regulatory risks, many of which are beyond its direct control. Conexus operates in a highly regulated and competitive environment with growing member expectations driven by rapidly evolving digital and electronic technological capabilities. Conexus is vulnerable to the province's economic strength and faces increased geographic and concentration risk exposures with operations focused on the Saskatchewan marketplace.

All organizations face external and internal factors and influences that introduce uncertainty in achieving objectives. A potential effect of this uncertainty is a deviation from the expected outcome in either a positive or negative manner, and sometimes even both. This uncertainty is known as risk.

Enterprise risk management's (ERM) purpose is to create and protect value, with the aim of improving performance, encouraging innovation, and supporting the achievement of objectives. Effective risk management is accomplished by altering the likelihood of a risk occurring and its potential impact on the organization if the risk does occur. The goal is to manage risks in alignment with the risk appetite communicated by the board. Risk management occurs daily at an operational level, while the enterprise risk management team addresses risks at a strategic level, taking into account the enterprise-wide perspective.

Approach to risk management

Conexus seeks to create and protect enterprise value by enabling risk-informed decision-making and balancing risk and return within the business process. This is achieved by managing the top business (key) and emerging risks impacting strategy and operations, encompassing risks relating to credit, market, liquidity, operations (systems, process, and people), regulatory, legal and strategic risks that may impede the achievement of business objectives. Conexus' ability to manage risks is supported by:

- An effective governance structure;
- A strong risk culture;
- A well-defined risk appetite statement; and
- An effective risk management framework and process

Risk governance

Risk governance includes setting the risk appetite and policy, determining an appropriate organizational structure, and clearly defining authority and responsibility for risk decisions. The following groups and committees have the authority and responsibility to make risk decisions within Conexus.

Risk governance & strategic direction	
Board of Directors	› Foster a risk aware culture › Set strategy and high-level objectives › Approve risk policies and set risk appetite › Know the extent to which effective ERM has been established within the organization › Be aware of significant risks and whether management has appropriately responded › Review and assess the impact of business strategies, opportunities, and initiatives on the overall risk position
Risk Committee	› Monitor major risks and recommend acceptable risk levels to the board › Review the appropriateness and effectiveness of risk management and compliance practices

Risk oversight	
CEO & Executive Leadership Team	› Ensure, through the chief executive officer, that all ERM components are in place › Set objectives, establish an organizational structure, and develop the risk culture › Ensure that a supportive learning environment exists › Review and recommend changes to board-level policy › Approve operating policy changes
Management Risk Committee	› Oversee the ERM function › Ensure compliance with the risk appetite › Review the status of significant risk areas and key business risks › Review and recommend the risk appetite statement to the board › Monitor overall risk profile, key business and emerging risk exposures, and risk management activities
Chief Risk and Compliance Officer	› Lead the ERM function › Ensure risk is considered in strategic direction-setting › Support and demonstrate the importance of ERM › Maintain and develop the risk governance framework

Operational risk management

ERM Department	› Act as a centralized coordinator to facilitate ERM › Establish ERM policies, define roles and responsibilities, and set goals for implementation › Promote ERM competence › Examine and evaluate the effectiveness of the ERM framework, tracking progress and reporting on best practices › Oversee the insurance risk management program › Oversee the business continuity management program › Oversee the information and security management practices
Senior Management	› Manage risk related to unit objectives › Assume responsibility and accountability › Integrate risk management into department strategy and management practices › Identify events, assess risks and respond accordingly
Compliance & Risk Management Function	› Oversee enterprise-wide management of regulatory compliance throughout the organization › Provide independent and objective assurance of regulatory compliance control and soundness of regulatory compliance operations to management, Audit, and Conduct Review Committee and Risk Committee of the board › Monitor compliance with policy and procedure and the adequacy of controls
Credit Management	› Establish credit policies and oversee credit risk management › Monitor credit risk profile and risk exposures › Monitor compliance with credit risk policies › Approve high-risk individual credit applications
Corporate Finance & Balance Sheet Management Group	› Establish market and liquidity risk policies and oversee related programs and practices › Monitor overall market and liquidity risk profile, key and emerging risk exposures, and risk management activities › Monitor compliance with market and liquidity risk policies › Establish balance sheet operational strategies with a focus on achieving financial targets, managing market, and liquidity risk, and optimizing the use of capital › Establish pricing policies and tools › Ensure that policies facilitate appropriate return given the level of risk in individual accounts › Monitor pricing decisions to ensure compliance with policy
Functional Advisors and Supervisors	› Provide support in shaping effective ERM components › Ensure policy-related advice and guidance is in line with corporate ERM and strategic objectives › Identify and assess risk and the effectiveness of existing risk management practices › Help design and implement tools for more effective risk management
All Employees	› Be aware of risk management issues › Practice risk-aware behaviour › Consider limitations and understand the risks they can and cannot take › Execute day-to-day activities following established directives and protocols

Risk culture

Risk management is the responsibility of all employees at Conexus, with a supported culture that enables us to proactively identify, assess, and respond to risks in a timely manner. Expectations for employee behavior and accountabilities are set out in the Conexus Code of Conduct, Risk Appetite Statement, policies, procedures and guidelines.

Risk management is embedded in employee job profiles and performance management practices with risk accountabilities being clearly defined within the risk framework to guide all employees.

Risk appetite

Conexus has a well-defined risk appetite statement to guide organizational decision-making practices and ensure that risk levels remain reflective of Conexus member values and consistent with Conexus' co-operative principles.

Conexus' risk appetite statement is an internal document that articulates the amount of risk Conexus is willing to accept in pursuing its strategic objectives. It establishes the boundaries for risk-taking, includes risk definitions and measurable qualitative and quantitative statements, and provides a platform for measuring risk management activities for key business risks across significant risk categories in the Credit Union.

The Credit Union's risk appetite level may change over time; therefore, the risk appetite statement is reviewed at least annually.

Risk management framework process

Risk identification, measurement, and assessment

The ERM framework sets out how risk management is designed and will function at Conexus. Risks are identified and assessed to understand their potential impact and the likelihood that they might occur. The effectiveness of management practices is then evaluated, with risks being prioritized based on the potential they could have on operations and strategic advancement.

Risks considered to be at a desirable level are managed through normal operating policies and procedures. Risks at a slightly higher level receive ongoing monitoring. Risks at a high level are escalated to the Management Risk Committee for monitoring and are reported to the board. If any risk exceeds policy tolerance levels, a timely and appropriate response is required.

Risk monitoring and reporting

ERM reporting requirements are specified in policy. Reports are submitted quarterly to the Risk Committee, providing updates on significant risk categories and key business risks. The full board of directors is provided access to all reports submitted to the Risk Committee. Reporting through the course of the year includes risk details such as a listing of key risks, insurance program review, and an evaluation of the ERM business continuity management program and Recovery Plan. Internal Audit, and occasionally the Credit Union Deposit Guarantee Corporation, also completes an independent evaluation.

A dedicated executive-level risk committee, the Management Risk Committee, meets at least quarterly to review significant risk categories and discuss changes to the risk environment, risk impacts on strategic objectives, and emerging risks.

Risk control and management

Management implements policies and procedures to carry out risk management and treatment actions. The Conexus ERM framework establishes that risk owners are responsible for implementing controls. The ERM department reports on the adequacy of controls and the internal audit department tests these controls and reports to determine whether they are functioning as intended.

The executive team takes risks into consideration when creating the corporate plan and balanced scorecard. Key initiatives have been put in place to manage risk priorities.

Significant risk areas

In addition to tracking individual key risks, analysis is done for each significant risk area. Conexus conducts an assessment to measure the inherent risks in the area, the effectiveness of risk management controls, and the residual risk. Within each of these risk categories are various individual risks, and Conexus recognizes that any combination of risks can affect the organization's reputational risk.

An essential element of our ERM program is to ensure that the key business and emerging risks that may impact the organization are identified, assessed, and treated through our risk management process. Key risks are routinely monitored by the Management Risk Committee and thoroughly reviewed and refreshed annually ahead of the new annual business cycle or during periods of stress in the operating environment. The key business risks described below reflect the risk environment at the time the annual report was completed.

Strategic risk

Strategic risk encompasses the possibility that business decisions or plans could be flawed and thus impact Conexus' ability to meet objectives. This risk can take the form of adverse business decisions or ineffective/inappropriate business plans. It could also be a failure to respond to changes in the competitive environment, member preferences, or product obsolescence. Products and services must be competitive and profitable, and resources must be used appropriately for Conexus to succeed.

Key strategic risks

The following are key strategic risks that have been identified at Conexus:

- **Economic Environment** - The risk that higher interest rates and a slowing economy increase member debt service costs and have an unfavorable impact on affordability indexes and growth. Economic uncertainty may have a negative impact on financial results and member resilience.
- **Competition** - Member retention and attraction are threatened, and service expectations are influenced by traditional and non-traditional financial service providers that leverage technology and data. This makes it increasingly challenging to achieve organic growth.
- **Market Decline** - The risk that Conexus' value proposition may not align with market expectations, resulting in reduced member growth and financial performance.
- **Mergers** - The risk that Conexus may not be able to integrate the merger to attain business case benefits in a timely manner, that the organization does not successfully align to the defined culture, that reputational risk is negatively impacted, and that membership decline is experienced.

Conexus employs a review process aligned to strategy planning, to identify and monitor the key strategic risks facing the organization. Annually, and during times of extreme change or stress, the risk committee reviews the environment in which Conexus operates and re-aligns the key strategic risks and risk appetite statement accordingly. The updated strategic key risks and correlating risk appetite statement are then employed and monitored by the management risk committee.

Strategic risk management

Conexus has an ongoing strategy planning cycle, which includes planning sessions for the board and executive management. Strategic and operational planning is organized and led by the Vice-President, Strategy, within the governance and strategy area of Conexus. Strategic objectives, performance measures, and key initiatives are identified and form part of the balanced scorecard, which is communicated to all staff and used to measure organizational performance. Risk identification is part of Conexus' operational planning process, ensuring that strategic risk identification is incorporated at all levels within the organization.

Market risk

Market risk is the exposure to potential loss from changes in market prices or rates. Losses can occur when values of assets and liabilities and changes in revenues or expenses are adversely affected by changes in market conditions. These market conditions include a change in interest rates as well as foreign exchange movements. At Conexus, market risk primarily arises from movements in interest rates and is caused specifically from timing differences in the re-pricing of assets and liabilities, both on and off the balance sheet.

Market risk management

Effective management of market risk includes documented policies which address roles and responsibilities, delegation of authority and limits, risk measurement and reporting, valuation and backtesting, hedging policies, and exception management. Market risk exposure limits have been set in Conexus policy, and different methods of scenario and stress testing are carried out to determine if the limits are exceeded. The corporate finance department is responsible for reporting on and monitoring market risk which is communicated quarterly to the board of directors. Interest rate risk management includes the use of derivatives to exchange floating-rate and fixed-rate cash flows.

Liquidity risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Liquidity risk management

Liquidity risk management includes policies which address roles and responsibilities, delegation of authority and limits, risk measurements, stress testing, and reporting. Operational management of liquidity risk includes daily, monthly, and annual liquidity management processes and planning. Liquidity planning considers the Conexus strategic plan, diversity of on and off-balance sheet funding sources, as well as the diversity and liquidity of assets. The corporate finance department is responsible for monitoring liquidity risk and reporting is provided quarterly to the board of directors.

Credit risk

Credit risk is the loss of principal resulting from a borrower's failure to repay a contractual credit obligation. Credit losses occur when the borrower fails to make contractual payments, and the realizable value of security is less than the outstanding principal of the credit.

At Conexus, credit risk comes primarily from direct lending activities and, to a lesser extent, the holdings of investment securities.

Key credit risks

The following key risks have been identified in this category:

› **Credit concentration** - Conexus operates almost exclusively within the province of Saskatchewan, creating a portfolio with high geographic concentration risk in the major cities, major industries, and in markets where loan collateral is impacted by soft commercial real estate values.

› **Economic environment** - While noted within the strategic risk discussion above, the economic environment is also a key credit risk for Conexus.

Credit risk management

Credit granting is controlled by board-approved policies and detailed loan policy manuals. Credit approvals require escalation based on the operational lending policy, which is reviewed regularly. Credit portfolio management entails using a variety of strategies to achieve a target loan portfolio. A centralized Credit Management Centre is responsible for the creation of appropriate operating policies and the overall management of credit risk.

Credit Management Centre acts as part of the Second Line in the Three Lines Governance Model. Credit Management Centre provides guidance and effective independent challenge for the adjudication and oversight of credit risks as well as oversight to the risk assessments and controls implemented by the First Line. The Retail and Commercial Business Services teams act as the First Line in identifying the risks inherent in the business lines activities and ensuring appropriate and effective controls are maintained and executed. Internal Audit is the Third Line and responsible for providing reasonable assurance to senior management and board on the effectiveness of the credit risk management processes and internal controls.

Credit risk reporting

Conexus' loan portfolio is reported quarterly to Conexus' Asset and Liability Committee (a subordinate committee of the Management Risk Committee) and the board's risk committee along with the executive leadership team and select senior leaders via the Portfolio Health Report.

The Portfolio Health Report assesses the credit risk of the loan portfolio and is broken into the following categories:

› Policy adherence

› Growth

› Credit quality

› Loan concentration

› Revolving credit utilization

› Delinquency, allowance, write-off, and foreclosure

Quarterly, key credit risk indicators are reported to the Management Risk Committee. The committee subsequently evaluates if the risk is within Conexus' risk appetite. Credit risk concerns identified by the Asset and Liability committee are also escalated to the Management Risk Committee.

Legal and regulatory risk

Legal and regulatory risk is the risk arising from potential violations of non-conformance with laws, rules, regulations, prescribed practices, or ethical standards.

Legal and regulatory risk management

As a financial institution, Conexus operates in a heavily regulated environment. As a business operating within Saskatchewan, Conexus is subject to all provincial and federal legislation applicable to operations, including labor and anti-money-laundering laws. Policy, operating procedures, and a corporate code of conduct raise awareness and accountability in complying with laws and regulations.

A corporate compliance department that maintains risk oversight and coordinates quarterly reporting to the board is in place at Conexus. Operational compliance employees ensure compliance in key regulatory areas. All specialized departments (wealth management, credit, finance, and retail) are knowledgeable in the specific regulations applicable to their areas, and where required, third-party expertise is consulted to ensure sound decision-making. Employees are responsible for compliance within their scope of responsibilities. Mandatory training and reviews are required for specific regulatory requirements and key human resource operating policies and guidelines.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, lack of employee integrity, or natural disasters.

Key operational risks

The key risks identified in this category are:

› **Talent fatigue** - The risk of unreasonable workloads on employees for extended periods will lead to employee fatigue and negatively affect employee well-being and productivity.

› **Cybersecurity** - Conexus' use of digital member service delivery channels and internally developed applications, in combination with increasing system cyber-attacks, increases the risk of financial loss, privacy breach, operational disruption and reputational damage.

› **Change capacity** - The risk that the volume of organizational change leads to employee fatigue, disengagement, and failure to meet business requirements due to the inability to design, implement and operationalize systems, processes, products and services in a timely manner.

› **Technology innovation** - The speed and sophistication of technology change increases the risk that Conexus cannot keep pace with industry advancements nor adequately leverage new technologies to anticipate, meet or exceed member expectations.

› **Efficiency** - The risk that inefficient operations are a risk to Conexus' ability to deliver services at cost levels competitive with industry peers.

› **Third-party** - The risk that Conexus is exposed to increased operational and reputational risk due to acts or omissions of a third-party that Conexus relies on to support business operations, including delivery of critical member products and services.

Operational risk management

At Conexus, operational risk exists in all products and services and the way they are delivered, such as how the back-office processes and systems are supported. Conexus categorizes operational risk into three main areas: people, systems, and processes. The people category includes human resources and covers risks such as the ability to attract and retain appropriate talent. The systems category addresses technology and reliance on it, encompassing such risks as a security breach or failure of a critical system for an extended period. The processes category includes the way the organization approaches tasks and considers inaccurate policies or procedures.

Operational risk is managed through preventative measures, including policies and procedures, controls, and monitoring. Control and monitoring involve the segregation of duties, employee training, performance management, and a structured internal audit program. Other mitigation practices include business continuity planning, appropriate insurance coverage, and secure technology solutions.

Conexus' people risk is managed through policy and a dedicated human resources department. With the assistance of the Human Resources Department, individual departments and managers are accountable to ensure appropriate hiring, training, and development of staff, including ongoing employee engagement and retention.

System risk management is jointly controlled through dedicated information technology departments responsible for ongoing system security and functionality, as well as individual departments which are responsible for ensuring the appropriateness of the systems and data used at Conexus.

Process risk is managed through multiple channels. Policy is reviewed and recommended by an executive-level committee for board approval. Operating policy and procedure, which is centrally available to all staff, is controlled through key departments with the required subject matter expertise and is reviewed by an executive-level committee. The internal audit department conducts ongoing assessments of process compliance and reports the findings directly to the Audit and Risk Committee of the board.