

Our Vision

Tandia is driven to lead the credit union movement by delivering unparalleled products and services through a mutually rewarding relationship with our members and the communities within which we operate.

Our Values

• Respect

Mutually rewarding and enduring relationships are at the core of who we are and how we operate. Our members come first and each member is unique. Your concerns are our concerns and we strive every day to gain and maintain your trust.

• Integrity

We are committed to providing the highest level of service delivered with sensitivity and care. We also wholeheartedly embrace our role as a leading corporate citizen and endeavour to support the needs and interests of the wider community in everything we do.

• Innovation

We welcome change and operate with a spirit of openness and flexibility. We don't accept the status quo. This means never resting on our laurels and always being responsive to the needs of our members and the communities in which we operate.

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Board of Directors Report



WAYNE JOUDRIE
Board Chair

The Board of Directors is pleased to offer this report as part of the Annual General Meeting of Tandia Financial Credit Union.

Meetings and Committees: The Board continues to operate on a quarterly meeting schedule. Generally, our committees meet two weeks prior to full Board meetings so that committee recommendations can be reviewed and approved. This format appears to be serving us well.

Board Training and Development: We continue to provide training sessions during the first hour of each Board meeting. As well, Directors continue their own personal training through accredited courses, conferences and low-cost webinars. The Board has approved revisions to our Director Training policy to ensure that we continue to support ongoing growth. Our Board members aspire to grow as the Credit Union grows.

Member Engagement: We have adopted a third-party partner to survey our membership on a quarterly basis. We use the results of the surveys to confirm our Board priorities and to refine our policies. During the 2017 year we were happy to develop and approve a Corporate Social Responsibility policy that will guide the work of the Board and staff related to community and corporate leadership.

CEO and System Performance Appraisal:

The Board developed and approved a refined CEO and System Performance Tool. The new tool helps the Board hold the CEO and Senior Team accountable for high performance in Finance, Member Engagement and Staff Engagement.

Our Three Values - Respect, Integrity, Innovation: The Board's work continues to be guided by our values. We continue to treat our staff, members and community with **respect** and dignity. We continue to uphold the highest standards of financial **integrity** to ensure that your faith in us continues to grow. We continue to promote **innovation** in our services, communications and staff development. We were chosen by MemberOne Credit Union for these very reasons. MemberOne Board members indicated that our focus on Respect, Integrity and Innovation was compelling and perfectly aligned to their hopes and dreams for their members!

On behalf of the Board of Directors, we thank you for your support. Please continue to spread the word about the benefits of belonging to Tandia Financial Credit Union. We also thank our many employees for their ongoing efforts to provide a mutually rewarding experience for our members and our communities.

BOARD OF DIRECTORS			
Term Expiry		Term Expiry	
Jacqueline Aird	2020	Wayne Joudrie, Chair	2019
Carol Churchward	2018	Sharon O'Driscoll	2020
John Deven	2019	Dan Popov	2018
Nancy DiGregorio, Vice Chair	2020	Michael Veerman	2019
Ivana Fortino	2018		

We continue to promote innovation in our services, communications and staff development.

President & Chief Executive Officer's Report



RICHARD DAVIES
President & CEO

Results

By most measures, 2017 was a very successful year. On-balance sheet assets increased by 13% to just under \$1.1 billion and wealth management assets grew by 9% to \$251 million. Total funds under management now exceed \$1.3 billion in member assets. We continued to see significant improvement in total comprehensive income as it grew by 78% from the previous year to a total of \$2.4 million. This improvement in net income was as a result of restructuring efforts and improvement in financial margin. Expense control will be a continuing focus during 2018 in an effort to continue to reduce our expenses as a percentage of assets.

Year of Accelerating Change

2017 started with a red-hot real estate market and reached a peak of activity in the first quarter of the year. This resulted in record sales activity as well as record high average sales prices in many markets in the Greater Golden Horseshoe. This activity created concerns of an overheated market resulting in a number of government interventions to attempt to cool the market including a foreign buyers' tax and increased qualification requirements. They appeared to slow the pace of activity and price acceleration began to slow as the year went by. The slowdown was also impacted by two interest rate increases during the year which increased the income required to qualify for a mortgage or reduced the size of mortgage individuals could qualify for.

On the regulatory front 2017 was a busy year. The review of the Credit Union and Caisses Populaires Act continued throughout the year and resulted in a number of changes as well as consultation papers that required review and response. Among the changes were new reporting requirements to the Deposit Insurance Corporation of Ontario (DICO) as well as the benefit of increased deposit insurance from \$100,000 to \$250,000 per account. Additionally the Minister of Finance's office continued on its path to consolidate a number of regulatory bodies. The impact on credit unions is the consolidation of DICO and the Financial Services Commission of Ontario (FSCO) into a single

body called the Financial Services Regulatory Authority (FSRA). In 2017 the Legislation establishing FSRA was proclaimed into force and a board of directors was appointed.

Member Experience

As we continually worked to enhance the member experience at Tandia, a number of significant initiatives were undertaken. One of the most substantial changes in decades by the credit union system across Canada was the transition away from the credit card provider CUETS Financial to Collabria. This move will have a positive impact on the credit card options for our members as there are several enhanced features and a more extensive line-up of cards. Additionally, we moved to ensure all our members had appropriate branded Tandia MemberCards and converted to a new vendor for the management of the card production. MemberCards also now have the Interac® Flash feature which provides a secure and quick transaction option for small purchases.

In an effort to improve our product suite, Tandia introduced our eVest online high interest savings account. It was positively received by our members, topping \$54 million in member deposits within a six month period.

An online banking service enhancement introduced in 2017 was a 'Personal Financial Management' tool. This financial management tool enabled members to customize and better track how they manage their money for a complete financial picture. We have also recently rolled out the same features on our Tandia Mobile app.

As the financial services industry undergoes dramatic change we continue to transform along with it. Technology is rapidly evolving, along with how our members choose to interact with Tandia and our services. To keep up with these changes and to deliver the services our members want when they want them, we underwent operational restructuring in 2017. The restructuring was necessary to align our resources with the areas that are seeing the most significant growth and to position us for the future.

We continually worked to improve the member experience at Tandia.

“I would also like to thank our talented and dedicated staff and management.”

Adding new branch locations to improve our geographic footprint for member convenience is top of mind at Tandia. We were thrilled to include the addition of a new downtown Toronto location by welcoming MemberOne Credit Union and its members and employees to become the newest branch of Tandia on November 30, 2017. The branch will be known as our MemberOne branch and with it we welcomed 2,100 members that come primarily from the WSIB (Workplace Safety & Insurance Board) offices across Ontario. The integration of the branch is well underway and the banking system conversion will be completed in the spring of 2018.

A Sincere Thank You

During the past year, we worked hard to improve the member experience in an effort to increase member satisfaction. Once again, our members supported the credit union with their business. On behalf of all the staff, management and Board of Directors I would like to thank the members for their loyal patronage, as we

know that there are many other options in the marketplace. We are only successful due to your continued support.

I would also like to thank our talented and dedicated staff and management for their tireless work in the face of never ending change in our industry. It is gratifying that you are able to exceed the expectations of the members as evidenced by high levels of member satisfaction as well as positive feedback in our member surveys.

I would like to recognize and thank our Board of Directors for their continuous attention to the business of Tandia Financial Credit Union. The guidance and support of the Board happens behind the scenes and often goes unrecognized. I sincerely appreciate that our Directors eagerly embrace the continuously increasing workload that grows along with the Credit Union as well as an increasing regulatory burden. The work requires many meetings and late nights to guide the Credit Union along its member-focused and successful path.

“At Tandia we are committed to the financial wellness of all our members.”

Member Survey Highlights

As a member owned Credit Union that is committed to exceptional service, we understand the importance of honest feedback from our membership. For the second year in a row Tandia surveyed our members to check in and see exactly how we were doing. These results were carefully reviewed and used to adapt our business to ensure that not only are our members satisfied, but that they continue to see Tandia as a valued partner on their financial journey.

Last year we received over 1,600 responses to our survey and are pleased to share that we measured improved results over the first year in several key areas.

Key Survey Highlights:

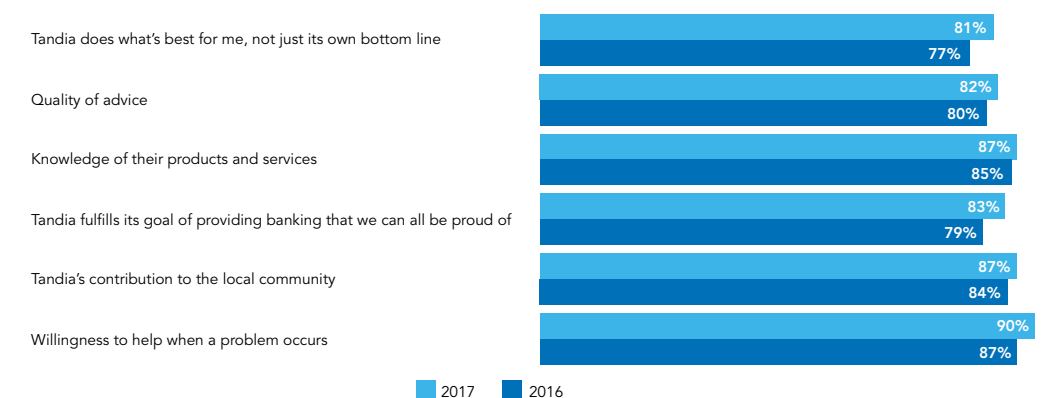
- 81% of member respondents believed that Tandia does what is in their best interests, not just what is best for our own bottom line.
- Members reaffirmed their satisfaction with the quality of advice they receive from Tandia staff, with 82% rating us highly in this category.
- Similar to the favourable ratings for quality of advice, 87% of members surveyed rated Tandia staff highly for their knowledge of products and services.
- Over 87% of members gave us top marks for our contribution to the community and 83% of members believe that we are fulfilling our promise of delivering banking that we can all be proud of.
- Members continued to feel that Tandia staff are more than willing to help out when a problem occurs, as 90% rated us highly in this category.

We are pleased with the feedback received and celebrate our staff contributions to our improved results, however, we also understand that there is always room for improvement. When critically reviewing our results, the main area that continued to stand out as an opportunity for us to enhance our members' experience was "Assistance with financial planning." While results have improved year-over-year in the categories of "Understanding and ability to meet your financial needs," (78% and 80% respectively) it is important that we continue to assist our members in developing financial plans that will help them reach their goals. At Tandia we are committed to the financial wellness of all of our members and not only do we have the tools available to assist in developing sound and achievable financial plans but we also have skilled and experienced staff that can make this process less overwhelming for our members. During 2018, we will continue to focus on having these discussions with our members, with a renewed commitment to guiding our members through their own personal financial journeys.

Once again, we would like to thank all of our members who took the time to participate in our survey and share their thoughts and ideas with us. As promised, for every survey completed Tandia donated \$5 to Food4Kids, resulting in a \$5,000 donation in total.

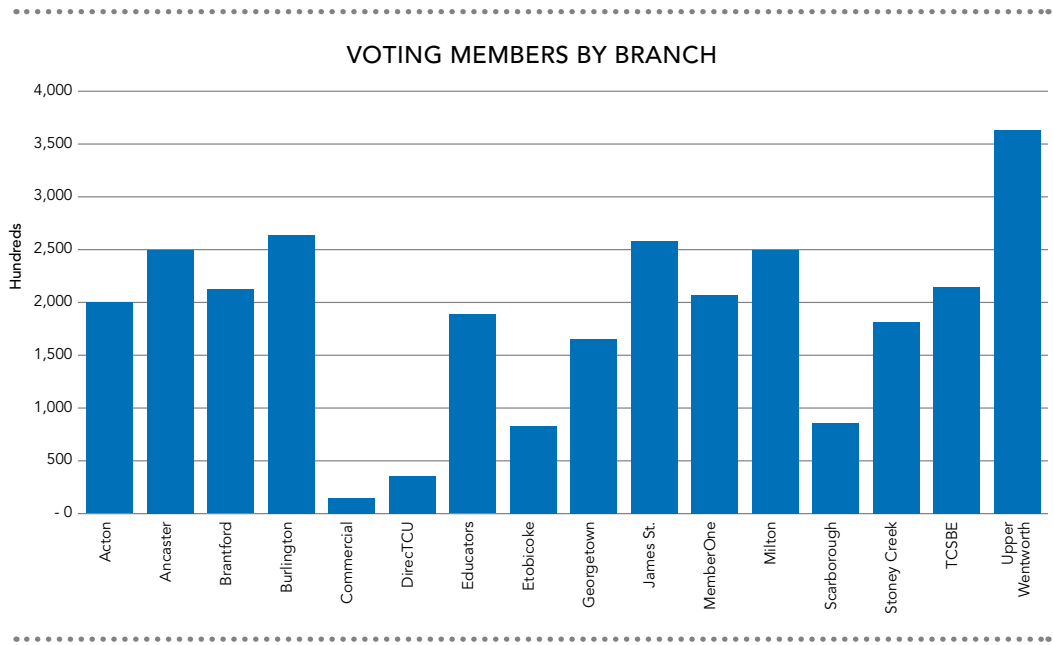
Throughout the coming year, we will continue to survey our members as we seek opportunities to continually improve our service and to ensure the ongoing satisfaction of our much valued members. We look forward to hearing from you!

KEY PERFORMANCE HIGHLIGHTS



Membership Report

During 2017 Tandia’s membership base grew to just over 30,000. The growth of our membership grew in part as a result of the successful merger with MemberOne Credit Union who had a membership base of 2,100 and organic growth of 1,672 with 391 new members joining Tandia from within the education sector. Tandia also had 54 youth members join our organization. Member distribution across all of our branches is illustrated in the chart below.



Member referrals are an important component of Tandia’s member acquisition strategy as it is the highest compliment paid to our organization when members have the confidence to refer family and friends. Our referral strategy is supported through our Member Survey results whereby 83% of respondents indicated they were likely to recommend Tandia to family and friends. We sincerely appreciate the referrals from those members that provided referrals during 2017 totaling 313 new members which translated to \$11.3 million in new business.

Community Impact Report

“Donations benefited all the regions we serve.”

In 2017 Tandia continued its proud tradition of generously giving back to the communities in which we serve. Beyond enhancing our members’ financial health, we also invested in our communities to make a positive financial, social and environmental impact. It’s a vital part of who we are and what we believe in.

This year Tandia was highly active, investing over \$90,000 in event sponsorships, activities and charitable causes. Donations benefited all the regions we serve by focusing on children in need and the education community as well. That reflects our ongoing commitment of staying true to our roots in education. We are pleased to share this summary of our highest-impact community involvement and charitable-giving initiatives in this report with the membership.

Community Involvement

While we live and work in communities that are economically strong, many families remain living in poverty. Despite their best efforts, they are faced with raising their children without many of life’s basic necessities. At Tandia, we are committed to helping these vulnerable children and making a difference in their lives.



Tandia staff at a packing night for Food4Kids Halton.

Food4Kids
Food4Kids provides backpacks of healthy food for children with limited or no food during weekends. It also offers weekly feeding programs through the summer. Tandia employees participated in packing nights at the Food4Kids offices in Hamilton and Halton. This entails preparing over 1,000 food packages for delivery every week. Tandia employees also delivered food packages on a weekly basis for up to 12 schools in the Greater Hamilton area, plus delivered food supplies directly to families during the summer. In addition to 2,300 volunteer hours, our total financial contribution to Food4Kids was \$25,000.

care facility for children with severe health issues. Throughout 2017, Tandia sponsored and volunteered at several events, including the annual summer family barbeque, the charitable golf tournament and The Darling Home’s annual family Christmas party. Our financial contribution to The Darling Home in 2017 was \$12,500.



Presenting The Good Shepherd Centre with a \$10,000 donation for their playroom renovations, December 2017.

Toy Mountain
During the Christmas season Tandia worked alongside Bell Media/K-Lite FM and the Salvation Army to build a mountain of toys for children in our community whose families are suffering from financial hardship. Tandia staff volunteered at CF Lime Ridge to promote the event. They also solicited toy donations during a day-long live radio broadcast with K-Lite FM at CF Lime Ridge to build the “Toy Mountain.” Tandia’s financial contribution to this event was approximately \$6,000.

The Good Shepherd Centre
Every child deserves a place to play, and the Good Shepherd creates welcoming and inviting spaces to help ease the stress of coming to a shelter. As part of a ‘Giving Tuesday’ campaign, Tandia’s staff-funded Charitable Giving Account donated \$10,000 towards renovating their indoor playroom used by families in need – including new toys, books, furniture and electronic equipment.



Team Tandia at The Darling Home for Kids’ annual summer barbeque, June 2017.

The Darling Home for Kids
In 2015 Tandia formed a new relationship with The Darling Home for Kids, a respite



Spreading holiday cheer and supporting Toy Mountain at CF Limeridge, December 2017.



Tandia and The Hamilton Firefighters Association present Food4Kids with \$10,000 raised during a charity hockey tournament.

Our 2017 education-focused initiatives included:

Adopt-A-School Program

Since 2009 Tandia's grassroots 'Adopt-A-School' program has been making a positive impact in high-need schools in Brant County, the Greater Hamilton area and Halton. Each year a group of schools is selected and funds are donated to them to assist with their specific needs; including nutrition programs, supplies, school trips, equipment and technology. Tandia staff members are also encouraged to volunteer at these schools. In 2017 Tandia donated \$12,000 to this program in addition to the volunteer hours provided to assist with reading programs and breakfast clubs.

Financial Literacy

Tandia is proud to do its part by teaching financial literacy in our communities. In 2017 two Tandia employees became certified to train other employees and deliver 'Each One Teach One' workshops both in classrooms for students and in the community for adults. 'Each One Teach One' is a program that covers basic financial skills in a workshop format to help participants develop the knowledge and skills to confidently manage their personal finances.

Halton Food for Thought

Halton Food for Thought provides opportunities for students to achieve their academic best through healthy lifestyles. Tandia sponsored a fun event in support of the 'Healthy Kids Community Challenge' called 'The Great Big Crunch' where students across over 90 schools in the Halton region all simultaneously bit into an apple. We will continue to work with this foundation in the upcoming year and partner on events that both provide nutrition to children, as well as educate them about healthy lifestyles.

The Angel Foundation for Learning

The Angel Foundation for Learning is the charitable organization that serves the needs of students in the Toronto Catholic District School Board (TCDSB). Tandia has supported numerous events hosted by The Angel Foundation such as the charitable golf tournament and gala dinner.

Halton Catholic Children's Education Foundation (HCCEF)

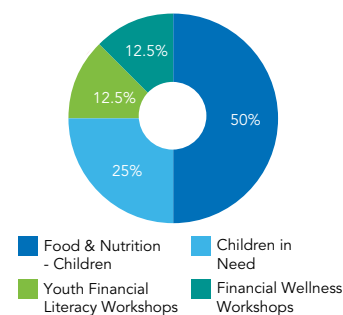
The HCCEF is committed to enhancing the educational experience and enriching the lives of students within Halton's catholic school communities by helping them with financial barriers to education. Tandia has worked with the HCCEF for the past three years, and in 2017 we sponsored 'An Evening with the Bishop' dinner and their charitable golf tournament.

Hamilton-Wentworth District School Board Foundation (HWDSB)

The HWDSB Foundation believes in an engaged community that is committed to the removal of financial barriers to learning for HWDSB students. Tandia supported various events in 2017 and is the title sponsor of 'Prom Project' where students who are in need receive formal attire for proms and grads. Tandia also sponsored their charitable golf tournament and Young Artists Gala dinner.

While we continue to support many charitable initiatives, we have been able to maintain our focus on the key areas supported by our Board and Management Team:

TANDIA'S CHARITABLE FOCUS



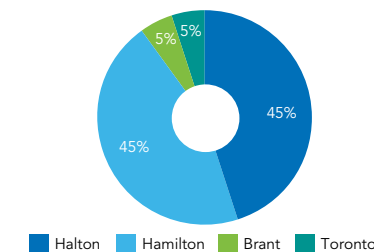
In addition, our Tandia team spans southern Ontario so effort is made to ensure that we find opportunities to make a difference in each of the communities in which our staff live and serve members.

“

Tandia committed 1,500 staff volunteer hours in support of CCUA's volunteer challenge.

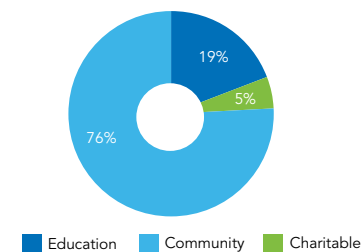
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GEOGRAPHIC INITIATIVES



Tandia's ongoing commitment to the education community, primarily in the form of sponsorships is represented below.

SPONSORSHIPS & DONATIONS 2017



'Do Some Good' (formerly Volinspire)

In spring 2017, Tandia launched an online platform for employees called 'Do Some Good'; as part of our Canada 150 initiative. 'Do Some Good' is an online community engagement platform which helps foster volunteerism. Tandia committed 1,500 staff volunteer hours in support of the Canadian Credit Union Association's (CCUA) volunteer challenge goal of 150,000 hours by participating credit unions across all of Canada. We are pleased to share that Tandia employees completed 2,300 hours of volunteer work within our local communities. This platform engaged and inspired our staff to share their stories and fostered even greater pride in working at Tandia. We currently have 94 employees registered and actively using 'Do Some Good'.

Environment, Health and Safety

In addition to Tandia's focus on the financial health of our members and the well-being of our communities, there is continuous attention on Tandia's environmental impact and our employees' well-being. During 2017, a review of Tandia's power consumption, supply choices and employee health and safety practices was undertaken. Examples of initiatives that resulted from this review include motioned-censored and LED lighting in renovated locations, all signage controlled by timers, use of recycled ink and toner cartridges, all stationery produced from recycled paper, use of eco/green seal cleaning products and water coolers provided to minimize bottled-water usage. A number of employee health and safety initiatives were also launched, including establishing a Health and Safety Committee, CPR training for employees and the introduction of 'Lifeworks', a new employee assistance program. Tandia also ensured its AODA compliance with the Ministry of Ontario.

SPECIAL THANKS

We gratefully acknowledge the enthusiastic and unwavering support of our employees, management, Board of Directors and our members who continue to support us in our community activities and charitable efforts. At Tandia we take pride in our commitment to our vision and values and are thankful to be given the unique opportunity to have a positive financial, social and environmental impact on the communities in which we live and work.



2017 Post Secondary Scholarship winner, Devon D'Orazio, receiving her award from Manager, Member Solutions, Elizabeth Koc



A thank-you card to Tandia from The Good Shepherd Centre.

Financial Performance Highlights

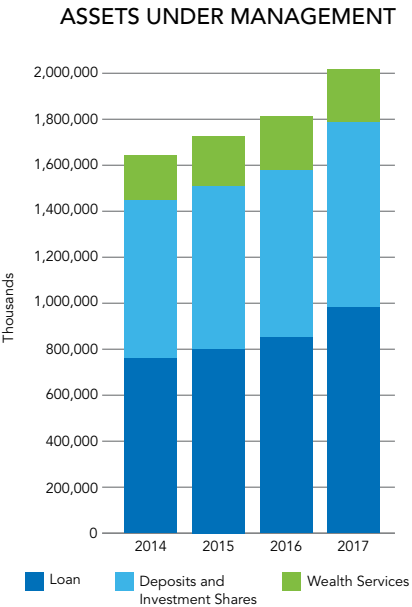


SANDY ALWARD
SVP, Finance & Administration

“Tandia’s pre-tax earnings have been trending higher every year over the past four years.”

2017 was a very good year for Tandia achieving strong financial results with record reported earnings and solid lending and deposit growth. The strong economy in Ontario helped support Tandia’s growth performance. Ontario enjoyed low unemployment rates at less than 6% and wages and salaries were up 3.7%. While the Bank of Canada raised its policy rate twice in 2017, Tandia is still operating in a low interest rate environment; however, the margin compression has begun to dissipate.

Our members continued to entrust us with more of their financial well-being as all areas of the business grew. Total assets under management which include members’ loans, on book deposits and investment shares and Wealth Services off book assets ended at \$2.0 billion, increasing 11% (or \$205 million) in the year. The Credit Union purchased the assets and assumed



	2017 Growth	Portfolio Mix	2016 Growth	Portfolio Mix
Personal Loans	(1%)	5%	(11%)	5%
Residential Mortgages	9%	68%	9%	71%
Commercial Lending	27%	27%	12%	24%
Total	13%	100%	9%	100%

the liabilities of MemberOne Credit Union on November 30, 2017 which contributed to the increase in total assets under management. Loans grew 13% and the deposits and investment shares grew by 10% over 2016. Wealth Services deposits grew by 9% or \$21 million, net of fair market value.

We had strong lending growth in 2017 as the total loan portfolio grew by 13% or \$113 million to reach \$983 million at December 31, 2017. Retail lending exceeded expectations in 2017 with total retail loan growth of 9% or an increase of \$56 million to reach \$718 million. Our retail growth comes from our branch network including our virtual channel and brokerage relationship as well as from our new members at MemberOne (a total of \$25 million was transferred in 2017). Our Commercial department recorded another impressive year of growth with a 27% increase over 2016 or growth of \$56 million to reach \$265 million at December 31, 2017. The commercial book of business is obtained through our current commercial members, attracting new members through our new Centers of Influence and syndicate partners.

The following chart summarizes Tandia’s total loan growth percentage year over year and the portfolio mix is the ratio of a category to the total loan portfolio. In our three-year Strategic Business Plan, our focus was to change the loan mix of the Credit Union by continuing to grow the commercial portfolio and by the end of 2017 our total book of commercial business had increased to 27% of total loans, up 3% from 2016. By changing this loan mix, we will increase our return on assets to a level more consistent with industry peers.

Tremendous progress was made in 2017 as our growth in commercial was 64% of the total lending growth, without the purchase of MemberOne loans.

The provision for impaired loans is monitored monthly by senior management and is presented to the Board on a quarterly basis. This report is reviewed to ensure compliance with Board policy and regulatory requirements. The allowance is comprised of two components, the first being the specific allowance which is calculated based on specific accounts that are in arrears or have been identified as doubtful. The second is the collective allowance which is a buffer for potential losses and would be calculated based on historical performance and management’s prudent estimates. The loan allowance has remained unchanged from the prior year at 0.18% of total loans and accrued interest. These ratios are in line with the industry’s loan allowance of 0.21% which reflect Tandia’s prudent lending policies and practices.

	2017	2016
Specific Allowance	\$389	\$391
Collective Allowance	\$1,410	\$1,181
Total Allowance	\$1,799	\$1,572
% of Loans and Accrued Interest	0.18%	0.18%
Write-offs	\$244	\$252
Recoveries	(\$59)	(\$57)
Net Write-offs	\$185	\$195

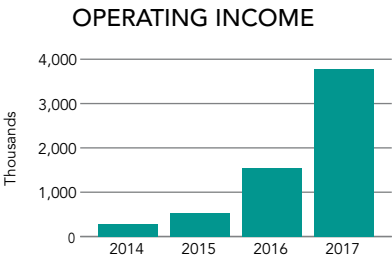
Tandia’s attention to the business mix has led us to focus equally on both sides of the balance sheet and as a result we have grown our deposits to help fund the lending growth and to support a reduction in other sources of funding. Total deposits increased by 10% or \$71 million (a total of \$35 million of deposits from MemberOne was transferred in 2017), one of our best years yet. The highest growth achieved was in the chequing and savings demands which grew by 20%, largely due to the introduction of our successful eVest product which launched in July 2017, as well as the demands acquired from MemberOne (total of \$14 million).

Tandia’s Wealth Services Advisors continued to provide members access to financial planning services consisting of comprehensive investment and retirement solutions. The Wealth Services team achieved strong growth ending the year at \$251 million held in mutual funds, stocks and bonds. This was an increase of 9% over 2016. The Wealth Services portfolio contributes significantly to operating income and make up over 19% of Tandia’s total assets under management.

Tandia continued to securitize pools of residential mortgages to fund the deficit between the lending and deposit growth. The change in the securitized borrowings was \$47 million in mortgages and totaled \$265 million at the end of 2017. The cash received from these pool sales

was used to pay down the debt with Central 1. While securitization continues to be a funding strategy for the credit union because of the change in rules introduced by the Government of Canada in late 2016, Tandia had less securitization funding available in 2017 and the same will remain true in 2018. The deposit goals for 2018 are 6% higher than 2017, necessary to ensure prudent cash flow and liquidity management.

Tandia generated \$3.9 million in pre-tax earnings, an increase of \$2.3 million or 155% over the previous year. The graph below illustrates Tandia’s pre-tax earnings trending higher every year over the past four years.



The prime rate increases in 2017, along with the increased volumes in lending has helped improve the financial margin. This coupled with higher other income revenues and operating expenses that were controlled have more than doubled operating income.

The financial margin (financial revenues minus financial expenses) grew by 6% or \$1.0 million and ended the year at 1.94% of average assets. Total financial revenues increased by 7% or \$2.2 million while the financial expense increased by less, \$1.1 million or 9%. Our members continued to prefer savings accounts over term deposits which contributed to the overall lower average cost of deposits. The average composite rate in 2017 was 1.31% compared to 1.41% in 2016.

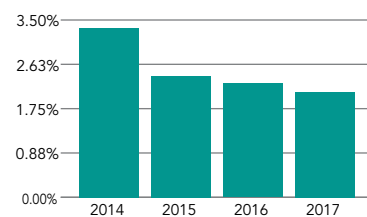
Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange and the final dividend distribution from the CUCO Co-op Class B investment shares (\$1.2 million) ended at \$5.8 million, a 39% increase over 2016.

Total operating expenses of the Credit Union only increased by 1.4% or \$306 thousand over 2016. As we implemented our strategic plan during 2017, a key focus of the Credit Union was to undergo an extensive evaluation of all areas of the business to find cost savings opportunities. Changes as a result of this evaluation were executed mid-year and resulted in one-time costs of \$730 thousand. We will reap the benefits of these changes in 2018 with lower operating costs and greater efficiencies without affecting the member experience. In addition, we incurred approximately \$85 thousand in merger related costs in the last quarter of 2017.

“We focus on maintaining strong capital ratios by building our capital base.”

Without these one-time costs, Tandia would have experienced a decline in expenses of 2% over 2016. Operating expenses are also expressed as a percentage of average assets and Tandia achieved its lowest ratio in 2017 at 2.10%, trending down since amalgamation in 2014 at 3.35% to 2.40% in 2015 and 2.26% in 2016. As the credit union grows their assets, expenses as a percentage of average assets should be declining year over year.

OPERATING EXPENSES
(as a % of average assets)



The Credit Union has remained in compliance with all legal requirements for Regulatory Capital. The following chart summarizes Tandia's capital position at the end of 2017 in comparison to 2016.

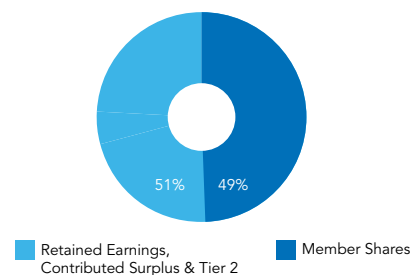
	2017	2016	Change
Regulatory Capital (000's)	\$62,023	\$59,479	\$2,544
Leverage Ratio (% of total assets)	5.7%	6.2%	(0.5%)
Min. Regulatory Limit	4.0%	4.0%	
Risk Weighted Ratio (% of total risk-weighted assets)	12.6%	13.7%	(1.1%)
Min. Regulatory Limit	8.0%	8.0%	
Tier 1 Capital (000's)	\$59,251	\$55,745	\$3,506
% of Total Capital	95.5%	93.7%	1.8%
Tier 2 Capital (000's)	\$2,772	\$3,734	(\$962)
% of Total Capital	4.5%	6.3%	(1.8%)

The strong income results in 2017 have improved Tandia's overall capital levels as well as the mix between retained earnings, contributed surplus and Tier 2 capital compared to member shares. Regulatory capital has increased by \$2.5 million over 2016, but the leverage ratio has fallen by 0.5%. This is a temporary decline in the ratio due to the nature of the purchase transaction with MemberOne. The consideration paid for the purchase of assets and assumption of liabilities was in the form of a note payable. The note payable is expected to be paid down during 2018, which will increase our contributed

surplus by \$2.4 million, and improves the ratio by 0.23%. The leverage ratio is well in excess of the minimum regulatory limit of 4%.

We focus on maintaining strong capital ratios by building our capital base using high quality retained earnings. Retained earnings are used to reinvest in your Credit Union to ensure we deliver products and services to stay ahead of our members' needs. Management is committed to implementing strategies to continue to strengthen Tandia's capital base. The capital levels are monitored monthly and presented to the Board of Directors and forecasted capital levels are monitored to ensure that a cushion is maintained for stability of the Credit Union. Tandia's Strategic Business Plan, presented to the Board of Directors annually, includes long term capital planning to ensure the Credit Union can continue to grow the business in the communities that we serve as well as seeking new areas for branch expansion.

MEMBER'S EQUITY



The Credit Union distributed \$1.1 million to members who hold Class B Investment Shares and Profit Shares.

While we know that there is much more for us to do to ensure we perform even better next year, we are extremely proud of our results and progress made to date. Looking forward to 2018, the future is positive for Tandia and we will continue to sharpen our focus and discipline to improve our metrics to those credit unions considered our industry peers. Part of this means continuing to improve or eliminate inefficient processes while ensuring our member service is at its best. In 2018, our budgeted goals are even higher in order to continue to strengthen our financial health and post high profitability levels. While the economic growth is expected to be slower for Ontario, there are no indicators to suggest that we will be pulled into a recession and we expect to be able to fulfill our growth goals and reach higher profitability levels than 2017.



MIKE VEERMAN
Audit and Operational
Risk Committee Chair

Audit and Operational Risk Committee Report

Tandia has maintained an Audit and Operational Risk Committee whose members are appointed by the Board of Directors from among the directors. The Audit and Operational Risk Committee met eleven (11) times during 2017 to complete its responsibilities. It does this by reviewing the financial information and reporting processes including the risks and controls related to those processes which management and the Board have established.

The Audit and Operational Risk Committee is comprised of four directors and has a mandate that includes all of the tasks specified for Audit Committees in the Credit Unions and Caisse Populaires Act, 1994 and the associated regulations. The 2017 Audit and Operational Risk Committee members were: Mike Veerman (Chair), Jackie Aird, Ivana Fortino and Dan Popov. Wayne Joudrie attends meetings as Ex-Officio.

The Audit and Operational Risk Committee's oversight role encompasses four critical responsibilities:

1. Review of financial reporting
2. Risk management and controls
3. Audit activities
4. Compliance activities

At the start of each year the Audit and Operational Risk Committee develops a plan that addresses all the areas to ensure that it achieves its mandate of responsibility. Oversight by the committee relates to monthly financial reporting, quarterly internal audit reporting to evaluate internal controls and review of the Enterprise Risk Management (ERM) Framework. In addition, any ongoing emerging risks or compliance issues are reviewed and reported to the Board of Directors. It is the responsibility of the Audit and Operational Risk Committee to report any updates, recommendations or reviews to the full Board of Directors in a timely fashion.

Highlights from 2017 are as follows:

- Grant Thornton LLP – Audit Plan 2017
- Confirmed that for year ended December 31, 2016 there were no material findings outstanding
- Review the evaluation of an external Internal Auditor appointment
- Receive updates on the DICO Action Plan – Third Party Examination

- Quarterly review the goals, objectives and results by the Internal Auditor – IT Governance and Change Management; retail and commercial credit lending and Human Resources
- Credit Union Services Association (CUSA) Audits specifically the external Vulnerability Scan
- Receive and review quarterly Enterprise Risk Management reports
- Receive and review quarterly Fraud Reports and Anti-Money Laundering Reports
- Review Credit Risk and Insurance Management Services annually
- Review and approve board policies pertaining to the Audit and Operational Risk Committee
- Review of Business Continuity and Disaster Recovery Plan

The Audit and Operational Risk Committee is not aware of any other matters that are required to be disclosed pursuant to the Act or the Regulations. It is effectively conducting its affairs in accordance with the Act and Regulations and has received and continues to receive full cooperation from management.

With the 2017 Audit Plan concluded, the Audit and Operational Risk Committee is satisfied with the policies, procedures and internal controls engaged by management in conducting the business of Tandia Financial Credit Union.

Financial Responsibility Report

The information in this annual report and the accompanying summarized financial statements are the responsibility of Management and have been approved by the Board of Directors.

Management is responsible for preparing the financial statements and for ensuring their reliability and accuracy. These financial statements have been prepared in accordance with International Financial Reporting Standards. When required to make estimates, management did so to the best of its knowledge.

The accounting system of Tandia Financial Credit Union Limited and related internal controls and procedures are designed to ensure the reliability of financial information and, to a reasonable degree, safeguard assets against loss or unauthorized use. These procedures include standards in hiring and training employees, an organizational structure with clearly defined lines of responsibility, written and updated policies and procedures, planning and follow-up of projects and budget controls. In addition, in the course of carrying out duties, the Internal Auditor may confer at any time with the Audit and Operational Risk Committee. Composed entirely of directors of Tandia, this Committee ensures that management has fulfilled its responsibilities with respect to financial information and the application of internal controls. During 2017, the Audit and Operational Risk Committee met eleven (11) times.

Deposit Insurance Corporation of Ontario will examine the affairs of Tandia to ensure that the provisions of its constituent legislation, particularly with respect to the protection of depositors, are duly observed and that Tandia is in sound financial condition.

The independent auditors appointed via the Amalgamation Agreement, Grant Thornton LLP, have the responsibility of auditing the financial statements in accordance with Canadian generally accepted auditing standards and of expressing their opinion. Their report follows. They may, at any time, confer with the Audit and Operational Risk Committee on all matters concerning the nature and execution of their mandate, particularly with respect to the accuracy of financial information provided by Tandia and the reliability of its internal control systems.

Tandia Financial Credit Union Limited
Hamilton, Canada
February 21, 2018


Richard Davies
President & CEO


Sandy Alward
SVP, Finance & Administration

Report of the Independent Auditor on the Summary Financial Statements

To the Members of
Tandia Financial Credit Union Limited:

The accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2017, the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, are derived from the audited financial statements of Tandia Financial Credit Union Limited as at December 31, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated February 21, 2018. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Tandia Financial Credit Union Limited.

Management's responsibility for the financial statements
Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1.

Auditor's responsibility
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Opinion
In our opinion, the summary financial statements derived from the audited financial statements of Tandia Financial Credit Union Limited for the year ended December 31, 2017 are a fair summary of those financial statements, on the basis described in Note 1.

Mississauga, Canada
February 21, 2018

 **Grant Thornton**
Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

Summary Statement of Financial Position

December 31	2017	2016
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 9,585	\$ 1,843
Investments	80,166	77,030
Loans to members	982,779	870,136
Other assets	3,245	5,465
Prepaid securitization fees	2,006	1,487
Derivative financial instruments	291	518
Property and equipment	9,082	8,653
Intangible asset	267	-
Deferred income taxes	214	92
	\$ 1,087,635	\$ 965,224
Liabilities		
Secured borrowings	\$ 265,408	\$ 218,543
Note payable	2,367	-
Payables and accruals	1,418	1,031
Income taxes payable	238	220
Deposits of members	756,816	686,237
Derivative financial instruments	775	895
Shares	2,083	2,015
	1,029,105	908,941
Equity		
Shares	28,398	27,454
Retained earnings	18,120	15,615
Accumulated other comprehensive income	13	1,215
Contributed surplus	11,999	11,999
	58,530	56,283
	\$ 1,087,635	\$ 965,224

On behalf of the Board



Wayne Joudrie,
Chair, Board of Directors



Mike Veerman,
Chair, Audit and Operational Risk Committee

Summary Statement of Comprehensive Income

December 31	2017	2016
	(in thousands)	
Financial income		
Interest on member loans	\$ 25,973	\$ 24,472
Interest on securitized loans	6,759	5,792
Other interest revenue	1,382	1,690
	34,114	31,954
Financial expense		
Interest on member deposits	9,231	9,091
Securizations expense	4,460	3,654
Other interest expense	510	338
	14,201	13,083
Financial margin	19,913	18,871
Other income	5,777	4,158
	25,690	23,029
Provision for impaired loans	300	285
Operating margin	25,390	22,744
Operating expenses		
Salaries and benefits	13,397	12,937
Occupancy	2,039	1,993
Computer, office and other equipment	2,087	2,161
Advertising and communications	1,039	884
Member security	755	861
Administration	1,279	1,616
Other	940	778
	21,536	21,230
Net income before taxes	3,854	1,514
Income taxes	252	192
Net income for the year	3,602	1,322
Other comprehensive income (net of tax)		
Items that may subsequently be reclassified to profit or loss		
Change in unrealized gains on available-for-sale investments	(1,202)	30
Total other comprehensive income for the year	(1,202)	30
Total comprehensive income for the year	\$ 2,400	\$ 1,352

Summary Statement of Changes in Members' Equity

December 31

(in thousands)

	Shares	Retained earnings	Accumulated other comprehensive income	Contributed surplus	Total
Balance at December 31, 2015	\$ 12,618	15,161	1,185	11,999	40,963
Net income	-	1,322	-	-	1,322
Distributions to members	-	(868)	-	-	(868)
Issue of profit shares	47	-	-	-	47
Issue of investment shares	15,027	-	-	-	15,027
Redemption of profit shares	(238)	-	-	-	(238)
Change in unrealized gains on Available-for-sale investments	-	-	30	-	30
Balance at December 31, 2016	27,454	15,615	1,215	11,999	56,283
Net income	-	3,602	-	-	3,602
Distributions to members	-	(1,097)	-	-	(1,097)
Acquisition of profit shares	311	-	-	-	311
Issue of profit shares	37	-	-	-	37
Issue of investment shares	780	-	-	-	780
Redemption of profit shares	(184)	-	-	-	(184)
Change in unrealized gains on Available-for-sale investments	-	-	(1,202)	-	(1,202)
Balance at December 31, 2017	\$ 28,398	\$ 18,120	\$ 13	\$ 11,999	\$ 58,530

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with IFRS as at December 31, 2017 and 2016 and for the years then ended.

The preparation of these summary financial statements requires management to determine the information that needs to be included so that they are consistent in all material respects with, or represent a fair summary, of the audited financial statements.

Management prepared these summary financial statements using the following criteria:

- The summary financial statements include a statement for each statement included in the audited financial statements;
- Information in the summary financial statements agrees with the related information in the audited financial statements;
- Major subtotals, totals and comparative information from the audited financial statements are included; and
- The summary financial statements contain the information from the audited financial statements dealing with matters having a pervasive or otherwise significant effect on the summary financial statements.

In addition, a copy of the audited financial statements is available to any member, upon request, at the credit union branch.

Summary Statement of Cash Flows

December 31

2017

2016

Increase (decrease) in cash and cash equivalents

(in thousands)

Operating

Net income	\$ 3,602	\$ 1,322
Provision for impaired loans	300	285
Depreciation and amortization	919	1,300
Deferred income taxes	(122)	(169)
Income taxes payable	18	342
Fair value of interest rate swap contracts	107	(65)
Proceeds on disposition of capital asset	-	12
Changes in members' activities:		
Increase in loans to members (net)	(88,199)	(69,018)
Increase (decrease) in deposits of members (net)	34,601	(15,877)
Other non-cash items	1,729	(1,950)
	(47,045)	(83,818)

Financing

Repayment of external borrowings	-	(10,000)
Distribution to members	(1,097)	(868)
Increase in secured borrowings	46,865	65,087
Increase in shares (net)	639	15,390
	46,407	69,609

Investing

Cash resources acquired upon business completion	5,145	-
Proceeds from investments (net)	4,011	8,461
Distributions received from CUCO Co-op investment	129	206
Purchase of property and equipment	(905)	(805)
	8,380	7,862

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents

Beginning of year	1,843	8,190
End of year	\$ 9,585	\$ 1,843
Interest received	\$ 33,999	\$ 32,069
Interest paid	\$ 14,683	\$ 13,624
Income taxes paid	\$ 135	\$ 171
Patronage dividends paid	\$ 15	\$ 17

