



2018 Annual Report



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.

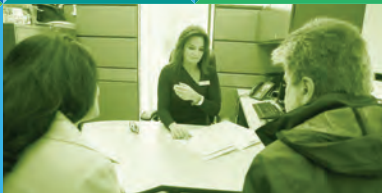
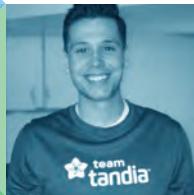


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Board Chair and President & CEO's Report



WAYNE JOUDRIE
Board Chair



RICHARD DAVIES
President & CEO

We are pleased to offer this joint report to the membership on a very successful year. As we reflect on 2018, we are very proud of the progress our organization has made from record-breaking profits to the charitable support within our communities. With guidance from the Board of Directors, Tandia's Executive Team once again demonstrated their commitment to focusing efforts on our member experience and ensuring Tandia is financially strong. They also championed and supported our community commitment initiatives that included financial literacy education and helping children in need.

Accelerating Change Continues

Over the past few years, there has been tremendous effort placed on containing expenses while working to grow our business in ways that benefit our members. In 2018, Tandia achieved our highest profits ever of \$6.5 million from both operational efficiencies gained in prior years, along with the sale of our corporate head office on James Street in Hamilton. Looking forward, 2019 will be a year of change for our business infrastructure as we focus on planning a new corporate head office and a new administrative centre. Tandia recognizes the need for physical branch locations and with the sale of our James Street property, we will carefully plan the relocation of our James Street branch, ensuring an optimal location is chosen to meet our members' needs. In order to successfully execute these moves, extensive research and planning is required. As a result, we have engaged the consulting services of a firm that can provide Tandia with their expertise and guidance as we make relocation decisions that are ideally advantageous to both our members and our employees.

Board Governance

Your Board of Directors is committed to prudent governance through continuing education at Board meetings and through attendance of various conferences both provincially and nationally. The Board adopted Board360 as our Board governance and training tool and collectively completed over 40 Board360 courses and webinars. In addition, the Board completed the Deposit Insurance Corporation of Ontario's (DICO) Assessment and Board/Committee Assessments.

Individual members of the Board are actively involved in specialized committees that meet on a quarterly basis throughout the year:

- ▶ Governance, Ethics, Human Resources and Policy
- ▶ Member and Community Relations
- ▶ Audit and Operational Risk
- ▶ Nominating

The Board diligently undertakes the oversight responsibilities that members entrust them with to supervise management's decisions and to gain assurance of the adequacy of controls and information, as well as monitoring the implementation of management policies and adherence to governing policies. Over the past year, the Board has focused on reviewing the governance policies to ensure that we are adhering to the compliance requirements outlined by our regulators.

In addition to governance related matters, the Governance, Ethics, Human Resources and Policy Committee carried out the responsibilities of reviewing the compensation structure for the organization as well as reviewing the performance of the President and CEO. The Member and Community Relations Committee had a busy year as well, as a formal Corporate Social Responsibility policy was created in addition to the monitoring of our Member Survey Results.

Updated Strategic Plan

Both the Board of Directors and Tandia's Executive Team held a Strategic Planning session in the fall of 2018. The outcome was an updated Strategic Plan that extends over a three year period, commencing in 2019 and running until 2021. Strategic priorities outlined in the plan include:

- ▶ A renewed focus on our member experience to ensure members not only have a positive and rewarding experience but also receive support from Tandia's knowledgeable staff to assist them in achieving their financial goals.
- ▶ Developing a strategy and implementing technology that will allow Tandia to better serve the small business segment of our membership. This strategic plan includes the development of a small business strategy that will benefit our current small business



The Board diligently undertakes the oversight responsibilities that members entrust them with.

WAYNE JOUDRIE
Board Chair



In 2018, Tandia achieved our highest profits ever of \$6.5 million.

RICHARD DAVIES
President & CEO



members by providing competitive products and services to new small business owners.

- ▶ Continued focus on growing our commercial portfolio to realign our balance sheet. This additional commercial growth will improve our net income allowing us to invest in other areas of our business.
- ▶ Member Survey results have validated the importance of wealth services for our members and the key role advisory services play in helping our members plan for their future. Tandia will continue to invest resources in this area, in order to ensure that our members' financial planning and investing needs are being met.
- ▶ Annual financial targets to support the defined strategies for long term growth and sustainability.

Investing in Technology

Advancements in technology are not only key to the streamlining of our operations, but they are integral to enhancing the experience our members have when conducting business with Tandia. The foundation of Tandia's technology and service delivery is our banking system. This past year, Tandia performed an evaluation of our current banking system and will continue to explore banking system enhancements over 2019.

Tandia was one of the first credit unions in Ontario to introduce Apple Pay, working on the implementation plan in 2018 and formally introducing this payment method to our membership in early 2019. Also in 2018, we began executing on a project plan that will allow us to launch a new responsive and mobile-friendly website to be launched in the second half of 2019.

Protecting our members' privacy and keeping their online accounts secure is of the highest priority for Tandia. In order to ensure the highest level of security, our IT team continuously researches advancements in online security and introduces these new features in a fashion that minimizes inconvenience to our members, while ensuring that we are providing the highest levels of security. This past year Tandia introduced Strong PAC (Personal Access Code) as well as PAC Blocking, two features that help maintain privacy and security against online hackers.

Tandia is committed to investing in these technologies and will continue to investigate and implement additional online banking security features as they become available.

Successful Merger Completion

In December 2017, Tandia welcomed MemberOne Credit Union and its members and employees as the newest branch of Tandia, with a prime location in downtown Toronto. Known as the MemberOne Branch and primarily serving employees of WSIB, their safety affiliates and their families, this branch became fully integrated with Tandia and our banking system in the spring of 2018. In addition to providing special welcome offers for existing and new members, hosting events and providing sponsorships, we also launched a financial literacy program for the employees of WSIB in Toronto and Hamilton. The Tandia Business Development team provided several "Lunch & Learn" sessions, demonstrating our commitment to providing financial wellness. We look forward to further developing this partnership with WSIB and their safety affiliates over the upcoming year, as we continue to assist their employees along their personal financial journeys and by showing our support for their corporately supported charities.

Tandia Collabria® Visa® Credit Card

Tandia remains committed to providing our members with the best products and services available in the industry. As a result, in 2018 we transitioned from CUETS Financial MasterCard products to Collabria Visa. After much analysis, it was decided that this change was necessary in order to provide our members with an improved credit card offering, in terms of card types, rates, rewards and overall service levels. The launch of Tandia Collabria Visa credit cards was very successful and we are pleased with the partnership that has developed with Collabria.

Brand Refresh

From our in branch experience to our digital communications, Tandia's brand commitment is to provide banking services that are "as unique as you". This means that our members' unique and individual needs always come first. We understand that everyone is different, and



Our success is attributed to the commitment and hard work of our skilled and talented employees.



as a result we tailor our banking services and advice to ensure that we are providing the best possible financial services and solutions to each of our members. In 2018, we underwent a brand refresh to ensure that this commitment was being clearly demonstrated in our brand and in our messaging. Our new brand creative focuses its visual imagery on the use of the thumbprint, and is symbolic of the uniqueness of our business and each of our members.

Employee Development and Engagement

At Tandia, we recognize that our success is attributed to the commitment and hard work of our skilled and talented employees. As such, we endeavour to provide continuous training and development opportunities, while building a strong corporate culture and an organization that our staff are proud to be part of. In addition to individualized and team training, we also provide our Tandia employees with opportunities to come together and make a difference in the communities in which we work and live. Participation in such events is not only confirmation of our commitment to our communities, but it also creates employee engagement by providing our employees with an opportunity to engage in meaningful and impactful work. This corporate volunteerism establishes a sense of pride in our employees as it reaffirms that they work for a caring organization and it also provides them with a sense of accomplishment in knowing that their efforts are truly making a difference in the lives of others.

A Sincere Thank You

On behalf of all the staff, management and Board of Directors we would like to thank our members for their loyal patronage and ongoing commitment to Tandia.

We also would like to thank our talented and dedicated employees for their tireless work in the face of continuous change in our industry. It is gratifying that you are able to exceed member expectations as evidenced by high levels of member satisfaction and positive feedback in our member surveys.

Last but not least, we would like to thank our Board of Directors for their commitment to Tandia Financial Credit Union. We greatly appreciate that our Directors eagerly embrace the continuously increasing workload and regulatory responsibilities that grow along with the Credit Union.

BOARD OF DIRECTORS

Term Expiry		Term Expiry	
Jacqueline Aird	2020	Bruce Neville	2021
John Deven	2019	Sharon O'Driscoll	2020
Nancy DiGregorio	2020	Dan Popov	2021
Ivana Fortino	2021	Michael Veerman	2019
Wayne Joudrie, Chair	2019		

Member Survey Highlights

For the past three years Tandia has reached out to our membership to check in and see how we are doing. As a member-owned Credit Union, our Board and Management team believe that it is important to give our members a voice and an opportunity to share their experiences with us. This knowledge is used to shape our strategy and ensure that consistently providing a positive and rewarding member experience is taken into consideration with every decision that is made.

In 2018, we received approximately 1,400 responses to our survey, and are pleased to share that we measured improved results over previous years in several key areas.

Key Survey Highlights:

- ▶ 91% of surveyed members believe that Tandia is willing to help when a problem occurs. This is a 4% improvement over the past two years.
- ▶ Similar to the favourable ratings for quality of advice, 88% of members surveyed rated Tandia staff highly for their knowledge of products and services.
- ▶ Members once again confirmed their satisfaction with the quality of advice they receive from Tandia staff, with 86% rating us highly in this category - up from 82% in 2017 and 80% in 2016.
- ▶ 85% of our members recognized that Tandia continues to strive to provide banking that we can all be proud of, and
- ▶ Our members continue to consistently rate us highly for our contributions to our local communities, with 87% of respondents acknowledging our efforts to make a difference.

Our 2018 overall results are very positive and continue to show year over year improvement. This member feedback is essential to our

business planning process, and the positive and constructive comments provided allow us to ensure that we keep in touch with members' changing needs, while continuing to provide valuable services and advice along with a rewarding member experience.

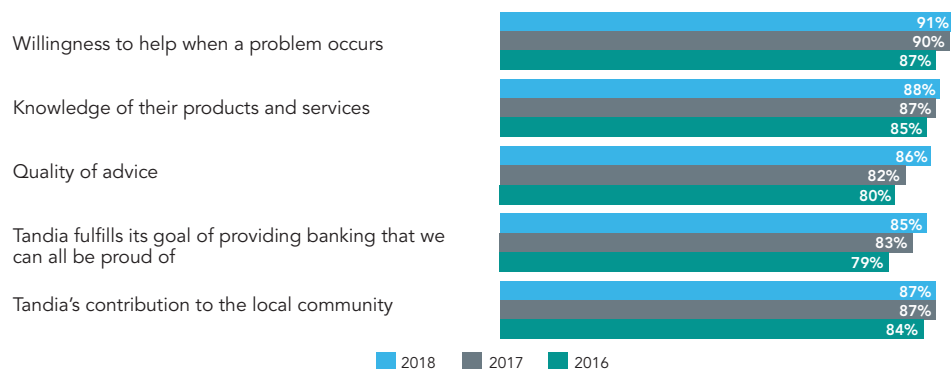
Based upon member feedback, an area that presents an opportunity for further improvement is "Assistance with financial planning." While we received positive results in the categories "Understanding and ability to meet members' financial needs" and "Knowledge of products and services", it is important that we continue to seek out opportunities to partner with our members on their financial journey and assist them in developing financial plans that will help them reach their personal goals. At Tandia we are committed to doing this by providing helpful and easy-to-use financial tools as well as having highly skilled and experienced staff available to assist and guide our members on their path to financial wellness.

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. We would also like to congratulate and celebrate our staff for their contributions to assisting our members and providing a consistently positive member experience. As promised, Tandia will be making a \$5,000 donation to Food4Kids on behalf of our members for completing our 2018 member survey.

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!

“It is important to give our members a voice and an opportunity to share their experiences with us.”

KEY PERFORMANCE HIGHLIGHTS



Membership Report

Tandia finished 2018 serving 29,500 voting members. Over 1,200 new members joined our credit union during the year with 22% of these members employed in the education sector and the remainder coming from within our local communities.

Member referrals continue to be a key contributor to our new member acquisition strategy and demonstrate our members' confidence in our organization as they continue to refer family and friends. In 2018 we received 433 new referrals, the highest number since the program launched in 2016.

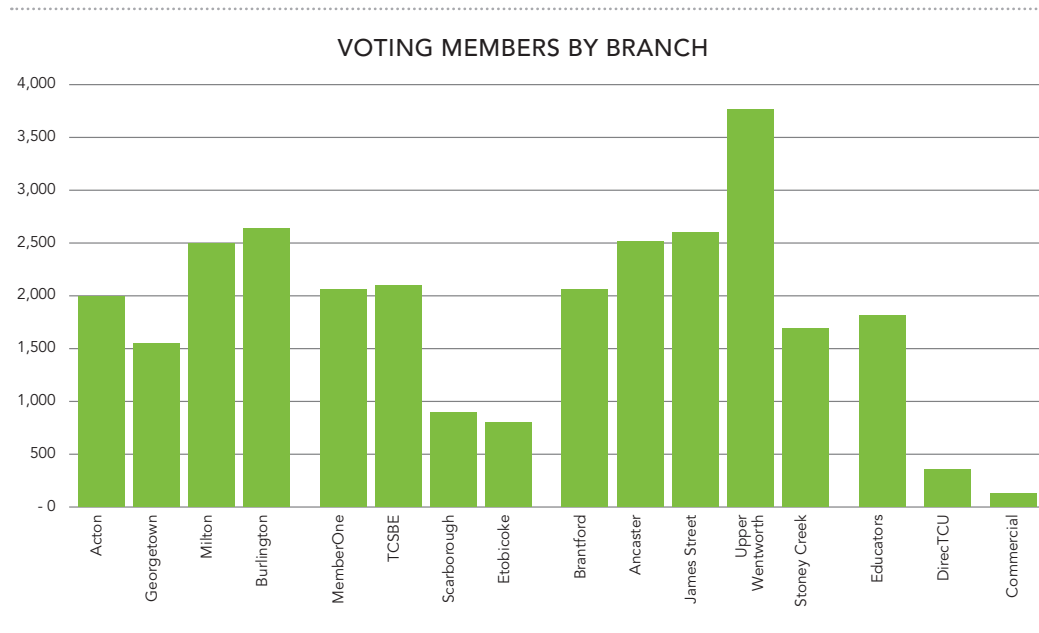
We sincerely appreciate these referrals, as they not only allow us to gain further brand

recognition in our communities, but they also contributed \$9.4 million in new business.

In 2018, we also launched a member acquisition strategy in Acton, as one of the banks decided to exit this market. This local campaign allowed Acton to acquire 86 new members last year, as we demonstrated our commitment to serving this community.

Our membership distribution is primarily in the Greater Hamilton and Halton regions, however we continue to see growth in the Toronto market as our three GTA locations continue to acquire new members and grow their portfolios.

The chart below illustrates the distribution of our members across our branch locations.



As we look ahead to 2019, Tandia will continue to focus on referral opportunities from our existing members and building awareness within our local communities and with our valuable employer partnerships.

2018 Community Impact Report

In 2018, Tandia continued its proud tradition of generously giving back to the communities in which we serve. Because it's an important part of what Tandia stands for and believing that actions speak louder than words, we worked hard to demonstrate our community commitment each and every day.

At Tandia, we believe in being accountable to the members we serve. An important aspect of our corporate accountability is to live up to our members' expectations that both our employees and our profits have a positive financial, social and environmental impact on the communities in which we live and work. By doing so, we all contribute to fundamentally changing the banking experience for the better and help deliver what we promise – a banking experience as unique as you.

This year Tandia was highly active, investing over \$100,000 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, reflecting our commitment to our roots in education.

1,141
VOLUNTEER
HOURS

\$101,000
TOTAL
SPONSORSHIPS &
DONATIONS

Community Involvement

While we live and work in communities that are economically strong and have the privilege of accessible education and health care for all, there remain many families living in poverty. Despite their best efforts, these families do not always have access to resources to change these circumstances and as a result are faced with raising their children without many of the basic necessities of life. At Tandia, we are committed to finding ways to support these children, as we believe that by assisting with necessities such as nutrition and education, these children will be able to focus on developing life skills that will allow them to change their circumstances, giving them the chance to have a better future.



Staff from our Milton Main branch participating in the 'Feeduary' Campaign for Halton Food for Thought, February 2018.



Tandia and the Hamilton Professional Fire Fighters Association present Food4Kids with a cheque for \$20,000 from the 2018 hockey tournament, October 2018.

The initiatives we are committed to and the charities we partner with are detailed as follows.



Tandia staff preparing healthy food packages for children at the Food4Kids office in Hamilton, November 2018.

Food4Kids

Food4Kids provides a generous shopping bag of healthy food to kids with limited or no food during weekend periods. Tandia employees regularly participate in weekly packing nights at the Food4Kids locations in Hamilton and Halton, which entails preparing over 1,800 food packages for deliveries that week. In addition, Tandia also helps deliver food packages to schools in the Greater Hamilton area. In 2018, Tandia contributed \$20,000 to this charity, hundreds of volunteer hours and also participated in many fundraising events to assist in gathering additional donations for this cause.



Team Tandia was on site throughout the holiday season to collect toys for Toy Mountain at CF Limeridge, December 2018.

Toy Mountain

During the Christmas season, Tandia works 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. In December, Tandia staff volunteer at the CF Lime Ridge donation drop-off, promoting the event and soliciting toy donations. Tandia staff also volunteer during a day-long live broadcast with K-Lite FM at CF Lime Ridge to literally build the mountain of toys. In 2018, Tandia invested \$6,000 in this cause and over 40 volunteer hours.



Team Tandia assisting with ROCK's 'Our Community Cares' Centre playroom renovation, September 2018.

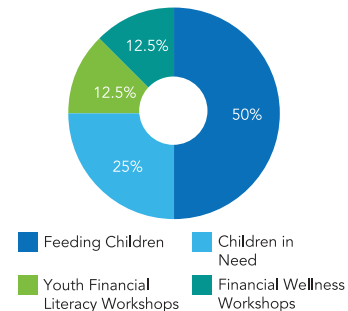
The Darling Home for Kids

Since 2015, Tandia has been helping The Darling Home for Kids, a respite care facility for children who have severe health complexities. In addition to a generous financial donation each year, Tandia also partners with The Darling Home to help raise funds and collect toys for a very special Christmas party for the families that benefit from the facility. Tandia contributed \$10,000 and approximately 60 volunteer hours in 2018.



Tandia donated \$5,000 to The Darling Home for Kids' Christmas Party and participated in this special event, December 2018.

INITIATIVE FOCUS



ROCK

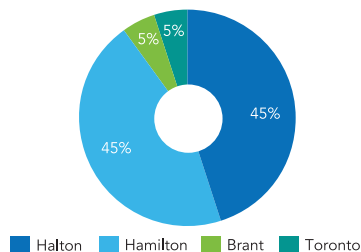
The Reach Out Centre for Kids – ROCK is an accredited, multi-service Halton-based organization that helps children and youth from birth to 17 years and their families and is the lead agency for child and youth mental health services. ROCK aims to improve the lives and relationships of families with children who are having social, emotional and behavioral concerns. In addition to financial support, Tandia contributes through employee clothing drives and volunteering for summer programs. On 2018's Credit Union Day in October, Tandia made a \$10,000 donation towards the remodel of ROCK's 'Our Community Cares' Centre.

Pink Shirt Day

Bullying is a major problem in our schools, workplaces, homes, and online. During the month of February and throughout the year, CKNW Kids' Fund's Pink Shirt Day aims to raise awareness of these issues, as well as raise funds to support programs that foster children's healthy self-esteem. On the last Wednesday of each February, we encourage Tandia staff to practice kindness and wear a pink shirt to symbolize support for this anti-bullying movement. In 2018, for each staff member who wore a pink shirt, Tandia donated \$25.00 to ROCK in Halton and St. Joseph's Healthcare Youth Wellness Centre in Hamilton.

“
Actions
speak louder
than words.”

GEOGRAPHIC FOCUS



Other education-focused initiatives that Tandia supports include:

- ▶ Halton Food for Thought – The Great Big Crunch
- ▶ The Angel Foundation for Learning – Scholarship, Golf Tournament, Gala
- ▶ Halton Catholic Children’s Education Foundation (HCCEF) – Charitable Golf Tournament
- ▶ Hamilton Foundation for Student Success (HWDSB Foundation) – Prom Project, Young Artists Gala

Green Initiatives

At Tandia, we believe in making a positive environmental impact in our community. We now have an extensive recycling program at both the James Street and Milton Main head offices. We also encourage our staff to help make our community a greener place by being mindful of the containers they use and usage of paper. Our staff also regularly participate in organized community clean ups in our regions.



Essential Aid was the recipient of Tandia’s 2018 ‘Giving Tuesday’ donation of \$4,000, November 2018.

Financial Literacy

We are proud to do our part by teaching financial literacy in our communities and we regularly conduct classroom workshops and seminars for our members and the community on a wide range of financial topics. We held over 20 workshops and seminars in 2018.

Here for Education

Our education-focused initiatives include:

▶ Adopt-A-School

Tandia’s own Adopt-A-School Program has been making a positive impact in high-need schools in Brant County, the greater Hamilton area and Halton since 2009. Each year a group of schools is selected and funds are donated to assist with their nutrition programs, supplies, school trips, equipment and technology. Also, staff are supported and encouraged to volunteer at these schools. Annually, Tandia donates approximately \$12,000 to this program and has committed 1,000 staff volunteer hours to assist in initiatives such as reading programs and breakfast clubs.



Burlington Branch staff presenting a \$1,500 donation to their 2018 Adopted School, St Paul Catholic Elementary, December 2018.

With Gratitude

We thankfully acknowledge the enthusiastic and unwavering support of our employees, management, Board of Directors and our members who continually support us in our charitable and community investment efforts. We take pride in our commitment to our vision and values and are grateful to have unique opportunities to make a positive financial, social and environmental impact on the communities in which we live and work.

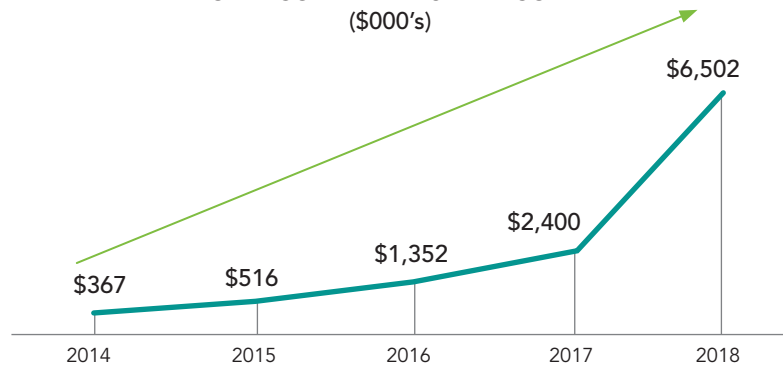
Financial Performance Highlights



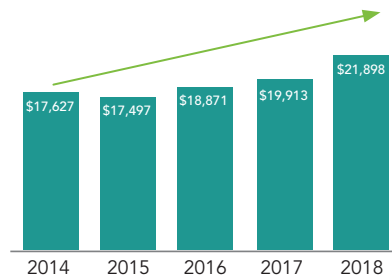
SANDY ALWARD
SVP, Finance &
Administration

Tandia delivered record-breaking earnings in 2018 reporting total comprehensive income of \$6.5 million, an increase of 171% over 2017 levels. Revenue growth was impressive with an increase of 14% over 2017. We have reported net interest income of almost \$22 million, which increased by \$2 million over prior year levels.

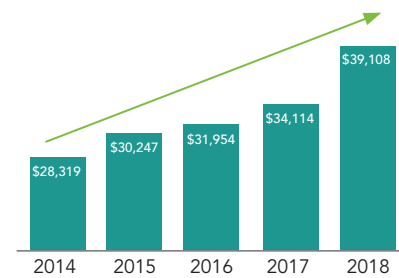
TOTAL COMPREHENSIVE INCOME
(\$000's)



NET INTEREST INCOME
(\$000's)



FINANCIAL REVENUES
(\$000's)



**\$1.1
Billion**
TOTAL ASSETS

**\$39
Million**
FINANCIAL
INCOME

**\$1
Billion**
LOANS

**\$807
Million**
DEPOSITS

**\$241
Million**
WEALTH
DEPOSITS

**\$6.5
Million**
INCOME

2018 Financial Performance

Total assets under administration that include members' loans, on book deposits and Wealth Management deposits ended at \$1.4 billion, increasing 2% (or \$29 million) in the year. Loans grew 4% while the on book deposits and investment shares grew by 7% over 2017. In 2018, Tandia's Wealth Management team continued to enhance the member experience through financial planning and investment solutions. Although the stock market fell over 12% last year, conservative portfolios and positive net sales mitigated the decline of overall assets under administration to only 4%. Moving forward, the Wealth Management team's practice management strategy will increase recurring revenues and add responsible investments to the \$241 million investment portfolio.

Overall lending growth slowed down in the latter part of 2018 and the total loan portfolio grew by 4% or \$35 million to reach \$1 billion at December 31, 2018. The majority of our retail growth comes from our branch network and DirecTCU, our virtual channel. A decision was made in 2018 to deplete the loans from our broker channel, which contributed to the slower growth in retail. In addition, the higher mortgage rates, stricter qualifying rules for mortgages and the softening of the housing market affected overall retail lending as they grew by 1% or \$6 million to reach \$677 million. Our Commercial department continued their strong growth at 12% or \$32 million over the previous year to end at \$297 million.

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

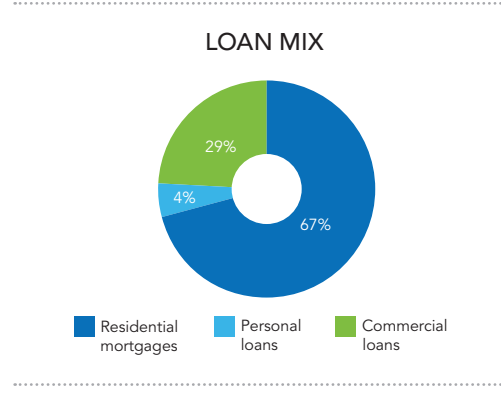
The following chart summarizes Tandia's total loan growth percentage year over year and the portfolio mix is the ratio of a category to the total loan portfolio. The emphasis for growth continues to be on changing the loan mix of the Credit Union by growing the commercial loans, which increased to 29% of total loans at

the end of 2018. By changing this loan mix, we will increase our return on assets to ensure long-term sustainability of Tandia by increasing capital levels through retained earnings. Tremendous progress was made in 2018, as our growth in commercial made up 89% of the total lending growth.

	2018 Growth	Portfolio Mix	2017 Growth	Portfolio Mix
Personal Loans	(5%)	4%	(1%)	5%
Residential Mortgage Loans	1%	66%	9%	68%
Commercial Loans	12%	29%	27%	27%
Total	4%	100%	13%	100%

On January 1, 2018, the Credit Union adopted the new accounting standards IFRS 9 and as permitted, did not restate the prior period. As part of the adoption of IFRS 9, the Credit Union recognizes a provision for expected credit losses on both non-impaired loans (stage 1 and 2) and impaired loans (stage 3). The financial impact on the change in this accounting standard was minimal as the loan allowance only increased slightly over the prior year. The loan allowance is 0.19% of total loans and accrued interest (0.18% in 2017).

Tandia made it a priority in the 2018 business plan to increase overall deposits and we were very successful in achieving our goals in 2018 and grew by more than budget. Our members entrusted over \$50 million with us in terms and demand deposits. Our successful marketing campaign held in the latter part of 2018 attracted term deposits where we achieved the highest growth in the history of Tandia at 19%. Our total deposit gathering funded the loan growth in 2018 and we therefore did not require any borrowings from Central 1. The Credit Union paid down its debt with Central 1 and we reduced our securitized borrowings by \$19 million or 7% at the end of 2018. Securitization continues to be a very important part of our funding strategy but due to the government's rule changes, less mortgages qualify and therefore, we relied



less on this type of funding during 2018. As we move forward into 2019, the volume of available mortgages that we can securitize is lower, so we will continue the focus on deposits from our retail members, businesses and commercial members.

Tandia has achieved the highest level of income in 2018 with pre-tax earnings of \$8.1 million or 110% higher compared to 2017. In 2018, we recognized a one-time gain on the sale of our Head Office building in Hamilton. This one-time gain makes up 57% of the overall income achieved and provides a significant boost to retained earnings.

The prime rate increased three times during 2018, which helps increase the operating margin of the Credit Union. The operating margin (financial revenues minus financial expenses) grew by 10% or \$2 million and ended the year

“Tandia’s efficiency ratio reached a record low at 73% at the end of December 31, 2018.”

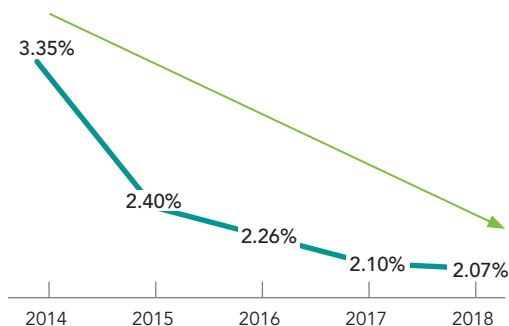
at 1.98% of assets up from 2017 at 1.94%. Total financial revenues increased by 15% or \$5 million while the financial expense increased by less, \$3 million. Our members have always preferred savings accounts but in 2018, chose term deposits, which puts more pressure on the margin as Tandia’s rates were slightly more competitive. However, terms as an investment option for members are simple and risk free.

Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange, lending fees and excluding the gain on sale, ended at \$4.9 million, a 15% decrease compared to 2017.

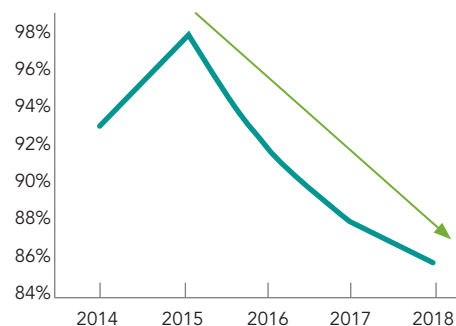
Total operating expenses of the Credit Union only increased by 6% or \$1.3 million over 2017. While the increase in expenses is minimal,

there are some one-time expenses related to conversion costs of the Member One banking system into Tandia. Also, with this new branch we incurred approximately \$200 thousand in additional expense to operate the branch in downtown Toronto. Operating expenses are also expressed as a percentage of average assets and Tandia is proud to have achieved its lowest ratio in 2018 at 2.07%, trending down since the high in 2014 at 3.35%. As the Credit Union grows their assets, expenses as a percentage of average assets should be declining year over year. We are always mindful of our operating expenses and monitor these closely to determine if we can eliminate inefficient processes with automated technological improvements.

OPERATING EXPENSES
AS A % OF AVERAGE ASSETS



EFFICIENCY RATIO



Tandia’s efficiency ratio reached a record low at 73% at the end of December 31, 2018. This low ratio includes the one-time gain and when removed from the calculation in order to better compare ourselves year over year, Tandia still reached an all-time low of 85%.

A lower efficiency ratio is best because lower ratios mean lower costs to generate every dollar of income. In the chart, you can see the continuous downward trend since 2015, an indicator of increasing efficiency year over year.

“
Tandia’s
Senior
Management
is committed
to keeping
up with the
momentum
of improved
financial
metrics.”

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 2018 in comparison to 2017.

	2018	2017	Change
Regulatory Capital (000's)	\$70,797	\$62,023	\$8,774
Leverage Ratio (% of total assets)	6.3%	5.7%	0.6%
Min. Regulatory Limit	4.0%	4.0%	
Risk Weighted Ratio (% of total risk-weighted assets)	13.2%	12.6%	0.6%
Min. Regulatory Limit	8.0%	8.0%	
Retained Earnings & Contributed Surplus	\$37,860	\$30,119	\$7,741
% of Total Capital	57%	51%	6%

A key indicator of Tandia’s financial strength is regulatory capital and with our strong income results in 2018 and the additional equity acquired from Member One have improved Tandia’s overall capital levels. Regulatory capital has increased by \$9 million over 2017 and the leverage ratio at 6.3% 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 meet our members’ priorities by seeking new and innovative ways to serve our members through the enhancement of our products and services. We have grown our retained earnings and contributed surplus by \$8 million or 6% over 2017.

The current economic outlook is facing a few challenges heading into 2019 especially if

Canadians may be easing up on spending due to higher debt loads, cooling of the housing market and higher interest rates. The weaker employment and wage growth and the collapse in oil price and pipeline capacity constraints will slow Canadian GDP. However, Tandia’s Senior Management is committed to keeping up with the momentum of improved financial metrics while growing both sides of the balance sheet through the development of a new three year Strategic Plan (2019-2021) with guidance from our Board of Directors. 2019 will be the commencement of year one of the plan and the team is excited and committed to execute the tactics to achieve the goals that have been set. The 2019 budget reflects the impacts of the economy but high profitability levels are expected along with higher capital levels.

Audit and Operational Risk Committee Report



MIKE VEERMAN
Audit and Operational
Risk Committee Chair

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 nine (9) times during 2018 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 2018 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

Highlights from 2018 are as follows:

- ▶ Grant Thornton LLP – Audit Plan 2018
- ▶ Confirmed that for year ended December 31, 2017 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
- ▶ Credit Risk and Insurance Management Services review and report
- ▶ 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 2018 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 the Tandia Financial Credit Union.

Mike Veerman
Audit and Operational Risk Committee Chair



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 2018, the Audit and Operational Risk Committee met nine (9) 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 20, 2019

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:**

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, the summary statements of comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Tandia Financial Credit Union Limited as at December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the financial statement, in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited financial statements and the auditor's report thereon.

The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those financial statements in our report dated February 20, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 to the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Mississauga, Canada
February 20, 2019



Chartered Professional Accountants
Licensed Public Accountants

Summary Statement of Financial Position

December 31	2018	2017
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 14,421	\$ 9,585
Investments	77,033	80,166
Loans to members	1,018,270	982,779
Other assets	5,684	3,245
Prepaid securitization fees	1,763	2,006
Derivative financial instruments	205	291
Property and equipment	7,849	9,082
Intangible asset	175	267
Deferred income taxes	52	214
	\$ 1,125,452	\$ 1,087,635
Liabilities		
Secured borrowings	\$ 246,231	\$ 265,408
Note payable	-	2,367
Payables and accruals	1,683	1,418
Income taxes payable	1,034	238
Deposits of members	807,129	756,816
Derivative financial instruments	427	775
Shares	2,119	2,083
	1,058,623	1,029,105
Equity		
Shares	28,956	28,398
Retained earnings	23,494	18,120
Accumulated other comprehensive income	13	13
Contributed surplus	14,366	11,999
	66,829	58,530
	\$ 1,125,452	\$ 1,087,635

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	2018	2017
	(in thousands)	
Financial income		
Interest on member loans	\$ 29,884	\$ 25,973
Interest on securitized loans	7,622	6,759
Other interest revenue	1,602	1,382
	39,108	34,114
Financial expense		
Interest on member deposits	11,461	9,231
Securizations expense	5,504	4,460
Other interest expense	245	510
	17,210	14,201
Financial margin	21,898	19,913
Other income	9,508	5,777
	31,406	25,690
Provision for impaired loans	448	300
Operating margin	30,958	25,390
Operating expenses		
Salaries and benefits	13,698	13,397
Computer, office and other equipment	2,275	2,087
Occupancy	2,168	2,039
Administration	1,532	1,279
Advertising and communications	1,307	1,039
Member security	1,013	755
Other	876	940
	22,869	21,536
Net income before taxes	8,089	3,854
Income taxes	1,587	252
Net income for the year	6,502	3,602
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)
Total other comprehensive income for the year	-	(1,202)
Total comprehensive income for the year	\$ 6,502	\$ 2,400

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, 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
Net income	-	6,502	-	-	6,502
Distributions to members	-	(1,128)	-	-	(1,128)
Issue of profit shares	3	-	-	-	3
Issue of investment shares	734	-	-	-	734
Redemption of profit shares	(179)	-	-	-	(179)
Change in contributed surplus from business combination	-	-	-	2,367	2,367
Balance at December 31, 2018	\$ 28,956	\$ 23,494	\$ 13	\$ 14,366	\$ 66,829

Basis of presentation (Note 1)

The summary financial statements are derived from the audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as at December 31, 2018 and 2017 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.

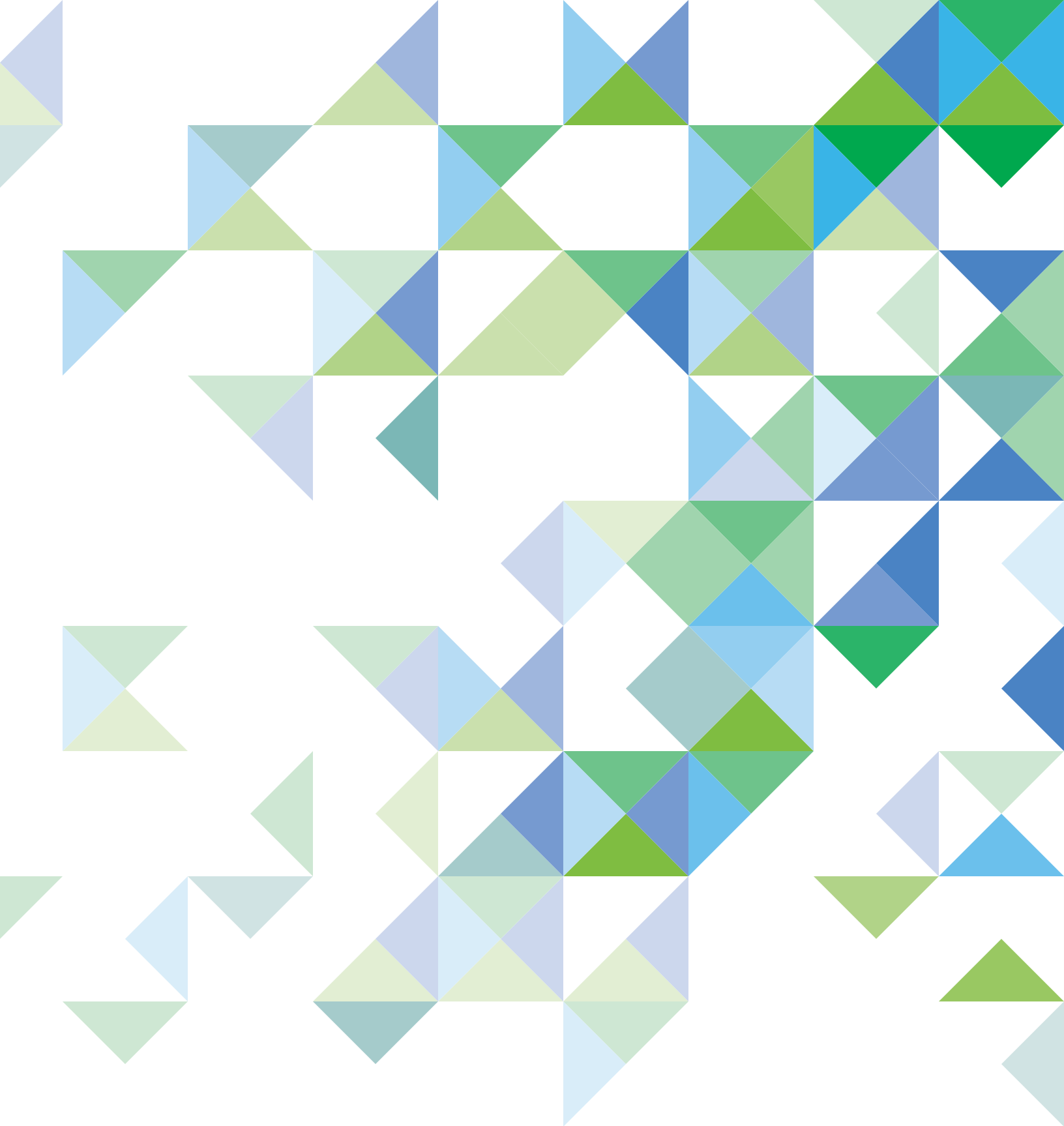
In addition, a copy of the audited financial statements is available to any member, upon request, at any branch of the credit union.

Summary Statement of Cash Flows

December 31	2018	2017
Increase (decrease) in cash and cash equivalents	(in thousands)	
Operating		
Net income	\$ 6,502	\$ 3,602
Provision for impaired loans	448	300
Gain on sale on land and building	(4,589)	-
Depreciation and amortization	1,017	919
Deferred income taxes	162	(122)
Income taxes recoverable	795	18
Fair value of interest rate swap contracts	(263)	107
Changes in members' activities:		
Increase in loans to members (net)	(36,033)	(88,199)
Increase in deposits of members (net)	50,370	34,601
Other non-cash items	(1,931)	1,729
	16,478	(47,045)
Financing		
Distribution to members	(1,128)	(1,097)
(Decrease) increase in secured borrowings	(19,177)	46,865
Increase in shares (net)	595	639
	(19,710)	46,407
Investing		
Cash resources acquired upon business combination	-	5,145
Proceeds from investments (net)	3,134	4,011
Proceeds on sale of land and building	5,700	-
Distributions received from CUCO Co-op investment	-	129
Purchase of property and equipment	(766)	(905)
	8,068	8,380
Net increase in cash and cash equivalents	4,836	7,742
Cash and cash equivalents		
Beginning of year	9,585	1,843
End of year	\$ 14,421	\$ 9,585
Interest received	\$ 38,920	\$ 33,999
Interest paid	\$ 15,873	\$ 14,683
Income taxes paid	\$ 639	\$ 135
Patronage dividends paid	\$ 18	\$ 15

Financial History

Year End Balances	2018	2017	2016	2015	2014
(in thousands)					
Statement of Financial Position					
Personal Loans and Lines of Credit	\$ 44,577	\$ 46,968	\$ 47,455	\$ 53,234	\$ 56,719
Mortgage Loans & Meritlines	677,072	670,911	614,178	562,170	532,118
Commercial Loans	297,158	265,472	209,053	186,581	165,103
Less expected credit loss	(1,952)				
Less allowance for loan losses		(1,799)	(1,572)	(1,482)	(1,723)
Accrued Interest Receivable	1,415	1,227	1,022	985	953
Total Loans	1,018,270	982,779	870,136	801,488	753,170
Chequing and Savings	290,169	295,171	245,350	233,250	226,849
Term and other Deposits	340,127	286,900	276,402	298,382	291,409
Registered Savings Plans	165,526	165,413	155,205	161,197	161,590
Other Registered Deposits	6,231	5,593	5,059	4,749	4,367
Accrued interest on deposits	5,076	3,739	4,221	4,762	4,863
Member shares	31,075	30,481	29,469	14,079	14,006
Total Deposits & Shares	838,204	787,297	715,706	716,419	703,084
Total Balance Sheet Assets	1,125,452	1,087,635	965,224	910,455	829,686
Annual % Increase	3%	13%	6%	10%	
Total Loans	1,018,270	982,779	870,136	801,488	753,170
Total Deposits	807,129	756,816	686,237	702,340	689,078
Total Investment Shares	27,981	27,212	26,399	10,764	10,369
	1,853,380	1,766,807	1,582,772	1,514,592	1,452,617
Total Other Assets and Other Services Under Administration	241,380	250,509	230,001	211,057	200,021
Annual % Increase	-4%	9%	9%	6%	
Total Assets Under Admin.	2,094,760	2,017,316	1,812,773	1,725,649	1,652,638
Annual % Increase	4%	11%	5%	4%	
Statement of Income					
Financial Income	39,108	34,114	31,954	30,247	30,503
Financial Expense	17,210	14,201	13,083	12,750	10,692
Other Income	9,508	5,777	4,158	3,837	4,789
Provision for impaired loan	(448)	(300)	(285)	(21)	(1,548)
Operating Margin	30,958	25,390	22,744	21,313	23,052
Total Operating Expenses	22,869	21,536	21,230	20,856	22,905
Income from operations before patronage distributions and income taxes	8,089	3,854	1,514	457	147
Distribution to members	1,128	1,097	868	525	476
Income Taxes	1,587	252	192	33	(121)
Retained Earnings and Contributed Surplus	37,860	30,119	27,614	27,160	27,261
Annual % Increase	26%	9%	2%	-0.4%	



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