

# 2019 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 of Directors Report



WAYNE JOUDRIE  
Board Chair



The Board's work continues to be guided by our Values.

WAYNE JOUDRIE  
Board Chair



### BOARD OF DIRECTORS

	Term Expiry
Jacqueline Aird	2020
John Deven	2022
Nancy DiGregorio, Vice Chair	2020
Ivana Fortino	2021
Wayne Joudrie, Chair	2022
Bruce Neville	2021
Sharon O'Driscoll	2020
Dan Popov	2021
Michael Veerman	2022

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 continues to serve us well.

### Board Training and Development

We continue to provide training sessions during the first hour of each Board meeting. As well, Board members continue their own personal training through accredited courses, conferences and low-cost webinars. In the past year, over forty online courses and programs were successfully completed by Directors. We have also committed to ongoing training in the area of securitization. We are relying on the expert leadership of a Board-designated resource to understand the complexities of this finance strategy. To date we have participated in two training sessions and a third session is planned for this spring.

### 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 inform our Board priorities and to refine our policies. Our results continue to exceed those of the credit union sector. A key component of our engagement continues to be a focus on Corporate Social Responsibility (CSR). Our staff continue to impress with their efforts at community engagement with a focus on education and poverty reduction.

### CEO and Board Performance Appraisal

The Board uses a defined set of tools for CEO and System Performance. These tools help the Board hold the CEO and Senior Team accountable for high performance in Finance, Member Engagement and Staff Engagement. We have also adopted a set of key performance indicators for Board and Director assessment based upon regulatory guidelines and our governance policy. We use these assessments

on an annual basis to continue our efforts at becoming a high impact board working in concert with our Senior Team.

### A Couple of Key Changes

The Board approved a reorganized structure for our Senior Executive in 2019. The intent of the restructure was to separate Sales and Risk into two segments. Retail and Commercial business development is now under the auspices of Operations while Finance has oversight of overall risk management. We believe that this new structure will serve Tandia in a prudent manner.

Our Corporate Office and Administration/Member Solutions Centre offices have changed. The new location for the Corporate Office is on the North Service Road in Burlington at Walker's Line. This location will provide an excellent profile for Tandia as we continue to grow across the GTHA. Our Administration/Member Solutions Centre offices have changed as well. This new office location is in the Ancaster Business Park. Both offices are in prime locations with excellent facilities. The Board is very excited to provide upgraded working conditions and a highly technological workplace for our employees.

### Our 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 reference these three values when exploring mergers and acquisitions with other credit unions. We have found that in this regard, our Values have acted as a compelling rationale to prospective partners.

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.

Wayne Joudrie  
Board Chair



## President and Chief Executive Officer's Report



RICHARD DAVIES  
President & CEO



We  
endeavour  
to be early  
adopters of  
advancements  
in technology  
that improve  
the member  
experience.

RICHARD DAVIES  
President & CEO



### Investing in our Future

2019 was a culminating year of a number of initiatives setting the stage for Tandia Financial Credit Union's continued success. Activities included the relocation of a new Corporate Office and Administration Centre and essential investments in the member experience, technology and our employees.

First and foremost, we fulfilled an amalgamation promise made in 2014 to relocate our Corporate Office more centrally in Burlington, at 3455 North Service Road. We have brought our Corporate Office employees from Hamilton and Milton together and given them a more productive, collaborative and technically-equipped workspace. Our James Street property in Hamilton was sold in late 2018 and our Main Street East property in Milton was sold in early 2019. The Milton branch will continue to operate in its current location for the foreseeable future and an announcement about the James Street branch relocation is forthcoming shortly.

We also prepared for a new Administration Centre in Ancaster at 1295 Cormorant Road. It accommodates our Member Solutions Centre and our larger administrative departments. Both new offices were officially occupied in January 2020.

Alongside the investment in our infrastructure, Tandia continues to look for like-minded credit unions as the system continues to consolidate. Mergers provide the opportunity for the growth of our membership network while providing value to other credit unions who could benefit from our modern facilities and technology.

### Member Enhancements

As we continually focus on improving the member experience at Tandia, these initiatives were undertaken.

#### New Website

In November 2019, Tandia launched a completely redesigned and mobile-friendly website and was one of the first credit unions in Canada to adopt this new digital banking platform. A notable improvement is its responsiveness to the type of device it is being viewed on. Ensuring that every visit to our website regardless of screen size is consistent

and positive is an outcome that we were proud to deliver.

The new website launched with our current online banking platform and mobile app. These too will both receive further enhancements in 2020, as continually delivering a better online banking experience is a key goal for Tandia. To that end, we are also relaunching our virtual channel DirectTCU on the same platform in 2020 as a stand-alone website, separate and distinct from Tandia's website. The goal is that directcu.ca also delivers a responsive and consistent website experience to the employer groups it currently serves and is future-equipped to serve additional employer groups as opportunities arise.

### Member Survey

We are very proud of our Member Survey results over the last four years that have held steady or measured notable improvements. The results continue to emphasize the importance of wealth services for our members and the key role advisory services play in ensuring that our members' financial planning and investing needs are met. In 2019, the foundation was laid for a new 'Wealth Desk' service to be introduced in 2020 where a team of qualified investment advisors are readily available to help with investment solutions for members who prefer to utilize a virtual advice option.

### Technology Enhancements

Given that 'Innovation' is a core value of Tandia, we endeavour to be early adopters of digital financial services and advancements in technology that improve the member experience. We accomplished the following in 2019:

#### Mobile Payment Options

With the rapid growth of ecommerce driving the demand for more digital payment options, Tandia was pleased to launch two mobile payment options for members in 2019, and also be among the first credit unions in Ontario to do so. The first was Apple Pay in January, followed by Samsung Pay in September. Both options, in conjunction with our Tandia MEMBER CARD® debit card, enable members to conveniently pay with Interac® Debit using Apple or Samsung devices at retailers that accept mobile payments.



Tandia was an early adopter of eSignature technology.



### **eSignature**

As more and more members choose to interact with Tandia online, one of the challenges is acquiring a member signature when needed, especially on credit applications. Tandia was an early adopter of eSignature technology and thanks to work completed in 2019, members can now safely and securely 'eSign' lending forms from their mobile phone, tablet or computer. This marks an exciting new chapter in our ability to conveniently serve members beyond the reach of our branches.

### **Banking System Review**

The foundation of Tandia's technology and service delivery to our members is our banking system. This past year, Tandia performed an extensive evaluation of our current system as our contract was up for renewal in 2020. As part of the evaluation, Management considered the direction our provider CGI was headed over the next few years along with Tandia's vision for delivering solutions to our members. Based on the information gathered, Management determined Tandia was well serviced to remain with CGI. This decision extends our contractual agreement until 2025.

### **Improved Data Security**

With constant attention always on ensuring the security of Tandia's technology infrastructure and given the relocation of our Corporate Office, we moved our Hamilton data centre to a secure off-site/co-location facility. This state-of-the-art facility provides physical security for our server and networking equipment at the highest level with features including secure two-factor authentication with biometric access throughout the facility and 24/7 security with onsite technical personnel.

### **Investing in Our Employees**

At Tandia, we recognize that our success is attributed to the commitment and hard work of our employees. The senior leadership team made a concerted effort in 2019 to improve

corporate communications and provide more opportunities for employees to come together as a team and will continue in 2020. Strategic plans were presented and quarterly updates were shared throughout the year. We continued our proud tradition of a Board and Staff Appreciation Dinner that includes years-of-service recognitions, a Volunteer of the Year award and our employee-nominated GEM awards, recognizing staff members who regularly 'Go the Extra Mile'. In late 2019, we launched a new employee intranet, a single and logically organized access point for essential information, training and procedures and the opportunity for employees to comment and submit suggestions.

### **A Sincere Thank You**

On behalf of all the staff, management and Board of Directors I would like to thank our members for their loyal patronage. We are only successful due to your continued support.

I also thank our dedicated staff and management for their tireless work in the face of never-ending change in our industry. It is clear that we have a very talented team as evidenced by high levels of satisfaction measured in our member surveys.

I would like to take this opportunity to acknowledge and remember two valued employees that the Tandia family recently lost: Ismail Kazi, Manager Administration (2019) and (retired) Lynda Tarves, Member Service Representative (2020). Their contributions to Tandia will never be forgotten.

In closing, I would like to recognize and thank our Board of Directors for their consistent attention and commitment to the business of Tandia Financial Credit Union. I sincerely appreciate that they eagerly embrace the continuously increasing workload and responsibilities that grow alongside the Credit Union.

Richard Davies  
President & CEO



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



## Member Survey Highlights

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. Over the past four years, Tandia has reached out to members for feedback in the form of a member survey. The responses have been used to shape our strategy and to help improve and ensure that a positive and rewarding member experience is consistently delivered.

In 2019, we received close to 1,300 responses to our survey and are pleased to share that we maintained or 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, a 4% improvement over the first measure in 2016.
- Similar to the favourable ratings for willingness to help, 88% of members surveyed rated Tandia staff highly for their knowledge of products and services, up from 85% in 2016.
- 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 80% in 2016.
- 85% of our members recognized that Tandia fulfills its goal of providing banking that we can all be proud of.
- Our members continue to rate us highly for our contributions to our local communities, with

86% of respondents acknowledging our efforts to make a difference.

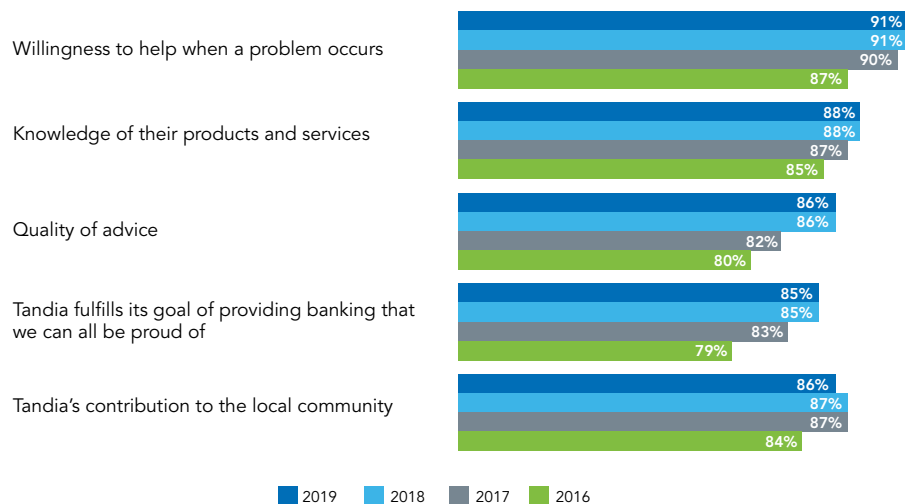
Based upon member feedback, an area that we continue to work on with our branch staff is "Assistance with financial planning." It is important that we continue to seek out opportunities to partner with our members and assist them in developing financial plans that will help them reach their personal goals. In 2019, several Member Service Advisors completed 'The Fundamentals of Financial Planning' and our team of Wealth Advisors held training seminars on Investment Basics for branch staff. We are committed to further and continually develop our employees to have a solid skill set to assist and guide our members on their path to financial wellness.

Once again, we would like to thank our members who took the time to participate in our survey and share their thoughts and ideas with us. As promised, Tandia has recently made a \$5,000 donation to Food4Kids on behalf of our members for completing our 2019 survey and awarded a \$1,000 Term Deposit to a member in January 2020.

In 2020, we are evaluating new options for our member survey. It is important that we continue to seek feedback from our members and are exploring alternatives in the marketplace that make it easier and more timely and we look forward to rolling it out in 2021.

“It is important that we continue to seek feedback from our members.”

### KEY PERFORMANCE HIGHLIGHTS

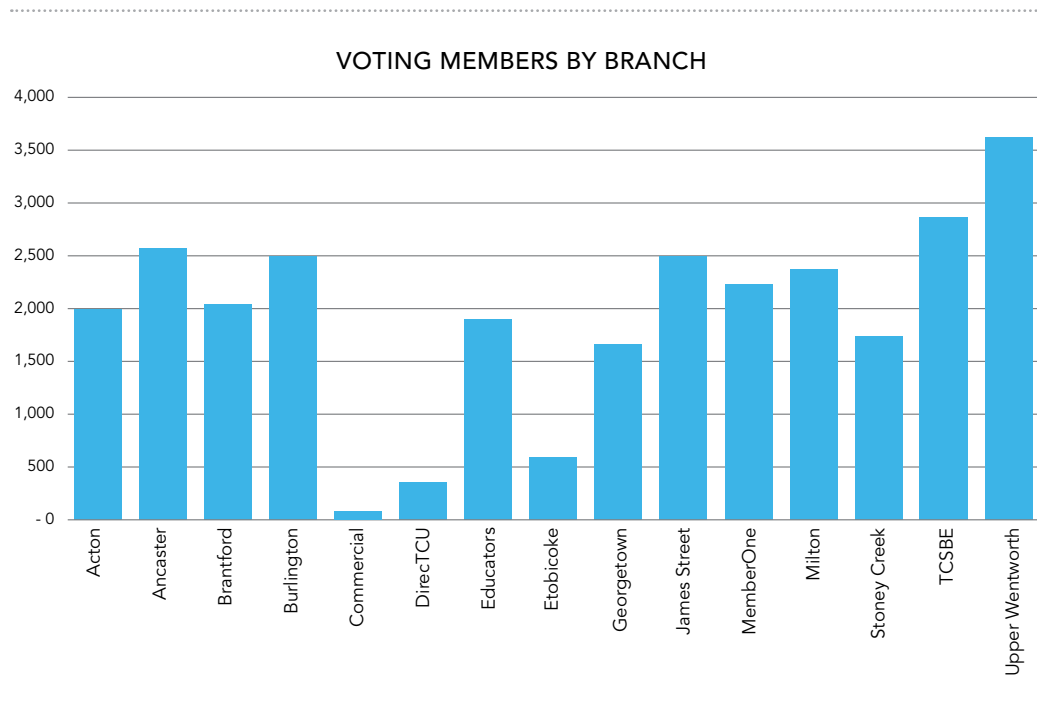


## Membership Report

Tandia finished 2019 serving 29,187 voting members. Last year, there were 1,221 new members that joined our Credit Union and gained the financial benefits of using our products and services. Increasing brand awareness continues to be a focus of ours through a combination of outreach initiatives, marketing activities and through the continued

confidence our members demonstrate by referring new members to us. During 2019, Tandia grew by 435 new members with our member referral program surpassing the previous year, in addition to gaining 236 new members from within the education sector.

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



As we look ahead to 2020, Tandia will continue to focus on expanding relationships with our existing members and will continue to encourage our satisfied members to refer family and friends.

# 2019 Community Impact Report



\$135,000 total sponsorships & donations



665 volunteer hours



87 financial literacy workshops provided



\$7,500 awarded in scholarships and bursaries

In 2019 Tandia was highly active in our community, investing over \$135,000 in event sponsorships, activities and charitable causes. With our deep roots in education, we have a natural affinity for causes that help children in need and promoting financial literacy. Donations benefited all the regions we serve.

Tandia is privileged to reside in and serve communities that are economically strong and offer accessible education and health care for all. Even so, there remain many families struggling with poverty. Despite their best efforts, these families are challenged to raise their children without many of the basic necessities most of us take for granted. At Tandia, we believe that by assisting with fundamental needs such as nutrition and financial education, these children will be able to focus on developing life skills that will give them the chance at a better future.



The cover of HAMILTON COOKS, first edition, a new Tandia-sponsored fundraising initiative for Food4Kids in 2019.



Carla Ricci, Manager Community Development at Tandia (left) presents a \$30,000 cheque from proceeds of HAMILTON COOKS sales to Cathy Haan, Executive Director, Food4Kids (right) and are surrounded by representatives from Tandia, Food4Kids, Feed the Social and many of the participating restaurants including Aberdeen Tavern, Berkley North, Cake and Loaf, Hambrgr, Jonny Blonde, Salty Espresso Bar, The Diplomat and The French.





Strive for Success Grant winner, St Teresa of Calcutta in Hamilton receives \$1,500 cheque from Tandia.



NHL player Zac Rinaldo partners with Tandia at a charitable hockey game 'Fight for a Cause', benefitting Food4Kids.



Linda Grgurich, VP Human Resources and Michael Butler, VP Wealth Services help decorate Tim Horton's Smile Cookies with proceeds to Food4Kids.

## 2019 HIGHLIGHTS

### Strive for Success

Tandia put a fresh face on our long-standing Adopt-A-School Program, by inviting schools and educators in the regions we serve to apply for one of ten \$1,500 grants to help fund a special project or initiative for their school. We had a great response and were able to award all ten grants, for a total of **\$15,000**. Projects funded included a robotics club and a violin music program for special needs students. The grant application process will re-open for the new school year in September 2020, with full details on the [tandia.com](http://tandia.com) website.

### Food4Kids

Tandia has been a loyal supporter of Food4Kids in Hamilton and Halton for several years now. At local schools on Fridays this charity discreetly provides a generous bag of healthy food for kids in need to take home – kids who would otherwise have limited or no food available to them on weekends.

Our employee volunteers help pack and deliver the food to schools and provide assistance with the summer feeding program. This year, Tandia – with the support of local restaurants and corporate partners – published and sold the first edition of *Hamilton Cooks* with 100% of the proceeds going to Food4Kids. This cookbook would not have been possible without the creativity and contributions of Tandia's

talented employees.

The recipes were kindly provided by 15 local restaurants and our production partners, Feed The Social and Allegra, helped bring this project to life. Over 1,500 copies were sold, raising **\$30,000** for Food4Kids from the book alone.

Additionally, Tandia has provided **\$15,000** in donations to Food4Kids for a grand total of **\$45,000**, plus 400 volunteer hours.



Tandia and Food4Kids profiles inside *HAMILTON COOKS*.

### Walk a Mile in Her Shoes

An enthusiastic team of Tandia employees participated in the Hamilton YWCA's Walk a Mile in Her Shoes fundraiser in June 2019. It's been an annual event in the city for ten years now. It challenges people of all ages, genders and abilities to walk a mile in a pair of high-heeled shoes to raise awareness and funds towards



Tandia and the Hamilton Firefighters' Association out together in support of 'WAM'.

ending violence against women and girls. This was Tandia's second year of participation and along with contributing a team, Tandia donated **\$3,000** to the cause.

### Toy Mountain

During the Christmas season, Tandia once again partnered as the lead sponsor with Bell Media/K-Lite FM and The Salvation Army to build a mountain of toys for children in our community. Tandia was there on December 19<sup>th</sup> for the day-long live broadcast with K-Lite FM at CF Lime Ridge and contributed **\$6,000** for the sponsorship.



Tandia volunteers helping out during the Toy Mountain broadcast at CF Lime Ridge.



Tandia helps build Toy Mountain in partnership with Bell Media/K-LiteFM and The Salvation Army.



Tandia presents ROCK with \$5,000 for backpacks and school supplies.

### 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. Tandia contributed \$5,000 during the holidays towards a very special Christmas party for the families that benefit from the facility.

### ROCK

The Reach Out Centre for Kids is a Halton-based organization that helps children and youth from birth to 17 years and their families. ROCK aims to improve the lives and relationships of families with children who are having social, emotional and behavioral concerns. In 2019, Tandia donated 100 backpacks full of school supplies valued at \$5,000.

### Financial Literacy

We are proud to do our part by teaching financial literacy in our communities. We regularly conduct classroom workshops and seminars for our members and the community on a wide range of financial topics. We held over 87 workshops and seminars in 2019.

### Scholarships

Tandia was proud to award the following scholarships in 2019:

- Three Tandia Post-Secondary Scholarships totalling \$4,000
- Brock University Financial Literacy Challenge – \$2,000
- WSIB Lincoln Alexander Scholarship – \$2,000

### Additional Community Support

Other charitable initiatives that Tandia supported in 2019 include:

- Big Brothers Big Sisters of Hamilton – Credit Union Day \$5,000 donation
- The Red Cross – Pink Shirt Day anti-bullying awareness fundraising
- Heart & Stroke Foundation – Big Bike Ride participation
- 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



Tandia Scholarship Grand Award winner Lauren Alward with Betty Luu, Member Solutions Manager, James Street.

### A Big Thank You

We thankfully acknowledge the enthusiasm of our employees, management, Board of Directors and members who support us in our community investment efforts. We are proud of our commitment and are very grateful to have the unique opportunity to make a positive financial, social and environmental impact on our communities.



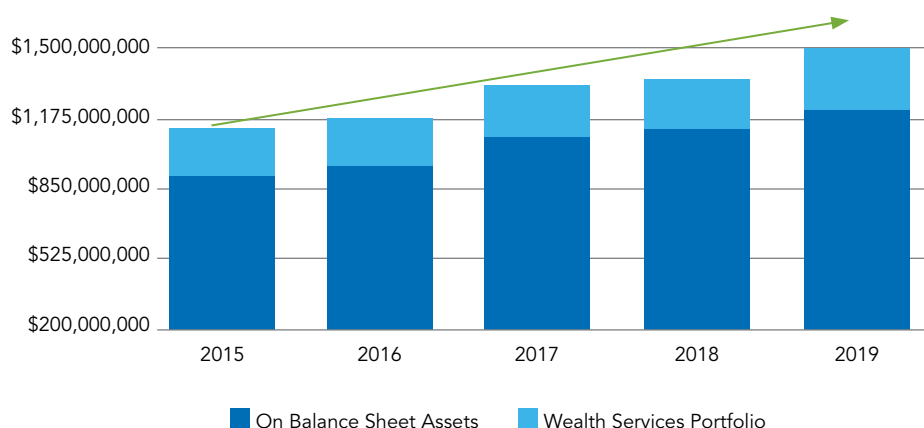
Tandia and the Hamilton Firefighters' Association present Food4Kids with a cheque for \$20,000 from 2019 Charitable Hockey Tournament proceeds.

## Financial Performance Highlights



**SANDY ALWARD**  
SVP, Finance &  
Administration

Tandia's financial results in 2019 exceeded our expectations in a time of economic uncertainty and continued weakness in the housing market. Total assets under administration that include members' loans, on book deposits and Wealth Management deposits ended at \$1.5 billion, increasing 10% (or \$132 million) in the year. While 2019 was a year of very low loan growth at only 1%, Tandia had an extremely successful growth year in on book deposits and Wealth Management off book deposits as they grew substantially by 10% (or \$107 million) over 2018. The excess deposits not used to fund lending growth were placed in various types of investments earning more than satisfactory rates of return, which helped improve overall financial margin.



Commencing in the latter part of 2018 and throughout 2019, growth in lending slowed. The overall total loan portfolio grew by 1% or \$8 million to end at \$1 billion on December 31, 2019. During 2019, personal loans contracted by 11% or a decline by \$5 million while residential mortgages grew by \$3 million or 0.4%. At the end of 2018, Senior Management made a decision to deplete the loans from our broker channel to focus on our own membership, however this contributed to the low growth in retail lending in 2019. More than 50% of the contraction in personal lending is related to the brokered business channel. Our commercial lending portfolio reached \$308 million with

growth of 4% or \$11 million. Tandia had a significant amount of construction draws during 2019 but also experienced a significant amount of payouts during 2019.

The following chart summarizes Tandia's total loan growth percentage change over 2018 and the portfolio mix is the ratio of a category to the total loan portfolio. Overall, the asset mix has remained unchanged from the prior year, with a small 1% shift between the retail and commercial portfolios. While these shifts are minor, they are in the correct path to achieve our Strategic Plan of growing the commercial book of business by more than retail lending.

	2019 Growth	Portfolio Mix	2018 Growth	Portfolio Mix
Personal Loans	(11%)	4%	(5%)	4%
Residential Mortgage Loans	.4%	66%	1%	67%
Commercial Lending	4%	30%	12%	29%
Total	1%	100%	4%	100%

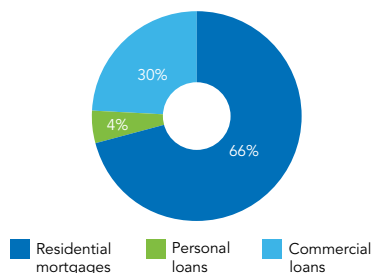




Tandia was very successful in achieving our deposit goals and grew by more than planned.



LOAN MIX



The loan allowance at the end of 2019 has increased from the prior year to 0.31% of total assets from 0.19% in 2018. The accounting for IFRS9 is one reason for the substantial increase this year. The IFRS9 model uses more than just historical loss data for the estimate of loan losses but also looks at other factors such as economic indicators and industry data to determine the amount of the loan allowance. During 2019, the economic indicators worsened which would increase the expected losses on loans. In addition, Tandia has set aside funds for one commercial loan that is considered impaired.

Tandia was very successful in achieving our deposit goals and grew by more than plan. Our members entrusted over \$72 million with us in terms and demand deposits. The term deposit specials offered throughout the year attracted the highest growth with an increase of 12% over 2018 followed by our registered savings deposits, with 7% growth over the prior year. Similarly, our members accepted advice and expertise from Tandia's Wealth Management Advisors to grow our off book deposits by \$34 million or 14%. Our Aviso Wealth partner offers a platform with the necessary scale and resources to meet the evolving needs of our members.

The investment portfolio increased by \$88 million or 114% over 2018 as we had excess funds available after the deposit growth covered the funding of the lower loan growth. In 2019, we were able to accomplish two things, firstly, these excess funds facilitated the creation of a Contingency Funding Pool,

which was required as part of our Strategic Plan in 2019-2021. Secondly, the remaining excess funds were placed in various fixed and variable rate products to help increase overall interest revenues and diversify our streams of revenues. Since loan interest was lower in 2019, the investment income assisted in making up for the lost loan revenues. All investments made were in accordance with Board approved Investment Policies and within our risk tolerance level.

Securitization continues to be a very important part of our funding strategy but we relied less on this type of funding during 2019 and ended the year with \$251 million in securitized borrowings, an increase of 2% or \$4 million in 2019.

The new accounting standard IFRS16 became effective on January 1, 2019 for lease accounting. Leases with high value and terms longer than 12 months are now recognized on the Statement of Financial Position in the form of a right-of-use asset and a lease liability. Total property owned and leased by Tandia totals \$22 million which has increased by 182% or \$14 million. 84% of this increase in property is related to leases recorded under IFRS16, which includes the new Corporate Office, the Administration Centre and all of the leased branches. The right-of-use assets are amortized over the life of leases and expensed in Occupancy on the Statement of Comprehensive Income.

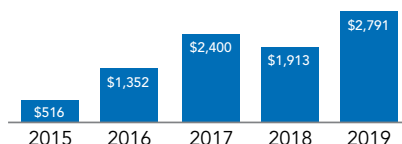
The infrastructure planning, which commenced in 2017, led to the credit union selling both of its office buildings and realizing substantial gains on sale in both 2018 and 2019, which increases income in the year it is recognized. These gains on sale of buildings are considered one-time events as they do not occur in the normal course of business and therefore should not be included when measuring and comparing the credit union's financial performance year-over-year. When the gains on sale are removed from income, the credit union reports normalized earnings as depicted in the graph below. Tandia reported the highest normalized earnings at the end of 2019 of \$2.8 million.



Tandia is always mindful of our operating expenses and monitors these closely.

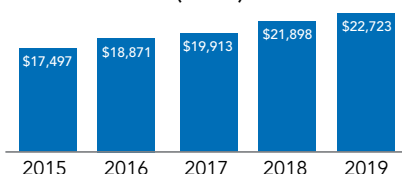


### TOTAL COMPREHENSIVE INCOME (NORMALIZED)



Throughout 2019, the Bank of Canada did not change their overnight target rate and therefore Tandia's prime rate remained unchanged all year. The financial margin (financial revenues minus financial expenses) grew by 4% or \$825 thousand and ended the year at 1.93% of average assets down from 2018 at 1.98%. Total financial revenues increased by 13% or \$5 million and the financial expense also increased by 24% or \$4 million. The interest expense has increased by more than revenue because the credit union had higher growth in deposits compared to lending growth. In the last two years, our members chose term deposits over demands as the rates were slightly more competitive, simple and risk free but this puts pressure on the financial margin.

### FINANCIAL MARGIN (000's)

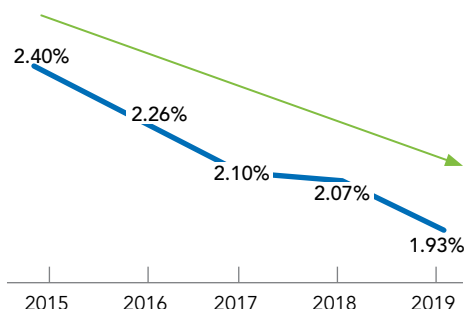


Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange, lending fees and excluding the gain, ended at \$4.3 million, a 12% decrease over 2018. In 2019 the lending fees were considerably lower compared to 2018.

Total operating expenses (Opex) of the Credit Union declined by 1% or \$229 thousand over 2018. Operating expenses are also expressed as a percentage of average assets and Tandia is proud to have achieved its lowest ratio in 2019 at 1.93%, trending down since the high in 2015 at 2.40%. As the credit union grows their assets, expenses as a percentage of average assets should be declining year-over-year. In 2019, Tandia took an important step of segregating

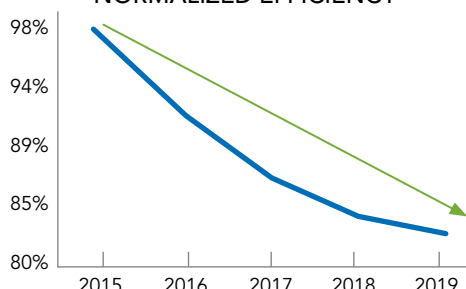
sales and risks departments, which involved a restructure at the Senior Executive level. In addition to the restructure, we experienced some savings in Personnel costs as there were some executive vacancies in the latter part of the year. Tandia is always mindful of our operating expenses and monitors these closely to determine if we can eliminate inefficient processes as our operating expenses will rise in 2020 with the additional costs related to our new Corporate Office and Administration Centre.

### OPEX AS A % OF AVERAGE ASSETS



The efficiency ratio is a calculation used to illustrate how profitable Tandia is. A lower efficiency ratio is ideal because lower ratios indicate that it takes less cost to generate every dollar of income. Tandia's efficiency ratio reached a record low at 84% at the end of December 31, 2019. The efficiency ratio has been 'normalized' to remove any one-time events such as the gains on sale of the office buildings. The chart below depicts that over time Tandia has steadily improved this ratio and has become more efficient every year. On average, the largest credit unions in Ontario operate at an efficiency ratio of 78% and Tandia has made this a target over the next few years.

### NORMALIZED EFFICIENCY





We focus on maintaining strong capital ratios by building our capital base using high quality retained earnings.



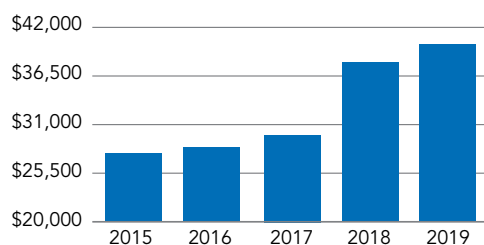
The Credit Union has remained in compliance with all legal requirements for Regulatory Capital. The following chart summarizes Tandia's capital position at the end of 2019 in comparison to 2018.

	2019	2018	Change
Regulatory Capital (000's)	\$74,487	\$70,797	\$3,690
<b>Leverage Ratio</b> (% of total assets)	<b>6.09%</b>	<b>6.29%</b>	<b>(0.20%)</b>
Minimum Regulatory Limit	4.00%	4.00%	
<b>Risk Weighted Ratio</b> (% of total risk-weighted assets)	<b>12.75%</b>	<b>13.23%</b>	<b>(0.48%)</b>
Minimum Regulatory Limit	8.00%	8.00%	
<b>Retained Earnings &amp; Contributed Surplus</b>	<b>\$40,474</b>	<b>\$37,860</b>	<b>\$2,614</b>
% of Total Capital	54%	53%	1%

Regulatory capital has increased by \$4 million over 2018 and the leverage ratio at 6.09% is well in excess of the minimum regulatory limit of 4.00%. We focus on maintaining strong capital ratios by building our capital base using high quality retained earnings. We have grown our retained earnings and contributed surplus by \$3 million or 7% over 2018.

Retained Earnings is an important component of Members' Equity as it is used to reinvest in your Credit Union to ensure we meet our members' priorities and is one of the least expensive forms of capital. The graph below depicts the growth in Retained Earnings and Contributed Surplus, an increase of 49% since 2015.

RETAINED EARNINGS AND  
CONTRIBUTED SURPLUS



At Tandia, we are committed to provide a positive member experience and strengthen our employee culture. This, coupled with technology, remains a core component of our strategy for success. In the last two years, we have invested heavily in technology to ensure that Tandia differentiates itself from other financial institutions to ensure each members' digital experience matches their unique lifestyle. This also allows enhanced working processes for our staff to improve efficiencies. 2019 marks the end of the first year of our Strategic Plan (2019-2021) with Senior Management's commitment to continue to drive this plan forward to achieve the goals that have been set. Our purpose in 2020 is to continue to focus on meeting the needs of our members in a very changing world while maintaining strong financial results and long-term sustainability.

## 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 six (6) times during 2019 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 2019 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 2019 are as follows:

- Confirmed that for the year ended December 31, 2018 there were no material findings outstanding

- Reviewed the comprehensive assessment of the External and Internal Auditors
- Received updates on the FSRA Action Plan – Third Party Examination
- Quarterly review of the goals, objectives and results by the Internal Auditor. 2019 audits included: Third Party IT Risk, Cyber Security, Treasury, Liquidity Risk, Securitization, Board Governance and Commercial Credit Risk and policies. Mandatory audit of Proceeds of Crime (Money Laundering) and Terrorist Financing Act Effectiveness review
- Credit Union Services Association (CUSA) Audits specifically the external Vulnerability Scan
- Receive and review quarterly Enterprise Risk Management and IT Governance reports
- Receive and review quarterly Fraud Reports and Anti-Money Laundering Reports
- Receive and review quarterly Credit Risk Management reports and Insurance Management Services review and report
- Review and approve Board Policies pertaining to the Audit and Operational Risk Committee
- Grant Thornton LLP – Audit Plan 2019

The Audit and Operational Risk Committee is not aware of any other matters that are required to be disclosed pursuant to the Act or 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 2019 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.

Mike Veerman  
Chair, Audit and Operational Risk Committee



## 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 2019, the Audit and Operational Risk Committee met six (6) times.

The Financial Services Regulatory Authority (FSRA) 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 annually, 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  
February 26, 2020

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 accompanying summary financial statements, which comprise the summary statement of financial position as at December 31, 2019, 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, 2019. We expressed an unmodified audit opinion on those financial statements in our report dated February 26, 2020. 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, 2019 are a fair summary of those financial statements, on the basis described in Note 1.

Mississauga, Canada  
February 26, 2020



Chartered Professional Accountants  
Licensed Public Accountants

## Summary Statement of Financial Position

December 31	2019	2018
	(in thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 1,385	\$ 14,421
Investments	164,840	77,033
Loans to members	1,026,119	1,018,270
Other assets	7,113	5,684
Prepaid securitization fees	1,631	1,763
Derivative financial instruments	138	205
Property and equipment	22,163	7,849
Intangible asset	84	175
Deferred income taxes	-	52
	<b>\$ 1,223,473</b>	<b>\$ 1,125,452</b>
<b>Liabilities</b>		
Secured borrowings	\$ 250,596	\$ 246,231
External borrowing	8,000	-
Payables and accruals	1,186	1,683
Income taxes payable	294	1,034
Deposits of members	879,571	807,129
Derivative financial instruments	381	427
Lease liability	11,069	-
Deferred income taxes	18	-
Shares	2,127	2,119
	<b>1,153,242</b>	<b>1,058,623</b>
<b>Equity</b>		
Shares	29,757	28,956
Retained earnings	26,108	23,494
Accumulated other comprehensive income	-	13
Contributed surplus	14,366	14,366
	<b>70,231</b>	<b>66,829</b>
	<b>\$ 1,223,473</b>	<b>\$ 1,125,452</b>

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	2019	2018
	(in thousands)	
Financial income		
Interest on member loans	\$ 32,604	\$ 29,884
Interest on securitized loans	7,273	7,622
Other interest revenue	4,135	1,602
	44,012	39,108
Financial expense		
Interest on member deposits	15,767	11,461
Securitizations expense	5,335	5,504
Other interest expense	187	245
	21,289	17,210
Financial margin	22,723	21,898
Other income	5,242	9,508
	27,809	31,406
Provision for impaired loans	1,403	448
Operating margin	26,562	30,958
Operating expenses		
Salaries and benefits	12,897	13,698
Computer, office and other equipment	2,623	2,275
Occupancy	2,319	2,168
Administration	1,718	1,532
Advertising and communications	1,240	1,307
Member security	1,047	1,013
Other	796	876
	22,640	22,869
Net income before taxes	3,922	8,089
Income taxes	161	1,587
Net income and comprehensive income for the year	3,761	6,502



## 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, 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 unrealized gains on Fair value through profit and loss investments	-	-	-	2,367	2,367
Balance at December 31, 2018	28,956	23,494	13	14,366	66,829
Net income	-	3,761	-	-	3,761
Distributions to members	-	(1,160)	-	-	(1,160)
Issue of profit shares	27	-	-	-	27
Issue of investment shares	898	-	-	-	898
Redemption of profit shares	(124)	-	-	-	(124)
Change in unrealized gains on Fair value through profit and loss investments	-	13	(13)	-	-
<b>Balance at December 31, 2019</b>	<b>\$ 29,757</b>	<b>\$ 26,108</b>	<b>\$ -</b>	<b>\$ 14,366</b>	<b>\$ 70,231</b>

### 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, 2019 and 2018 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 all credit union branches.

## Summary Statement of Cash Flows

December 31	2019	2018
Increase (decrease) in cash and cash equivalents	(in thousands)	
<b>Operating</b>		
Net income	\$ 3,761	\$ 6,502
Provision for impaired loans	1,403	448
Gain on sale on land and building	(970)	(4,589)
Depreciation and amortization	1,873	1,017
Deferred income taxes	70	162
Fair value of interest rate swap contracts	21	(263)
Interest paid on lease payments	(156)	-
Changes in members' activities:		
Increase in loans to members (net)	(9,244)	(36,033)
Increase in deposits of members (net)	72,499	50,370
Other non-cash items	(2,315)	(1,136)
	66,942	16,478
<b>Financing</b>		
Distributions to members	(1,160)	(1,128)
Proceeds from external borrowing	8,000	-
Increase (decrease) in secured borrowings	4,365	(19,177)
Principal re-payments of lease liability	(749)	-
Increase in shares (net)	809	595
	11,265	(19,710)
<b>Investing</b>		
(Purchase of) proceeds from disposal of investments (net)	(87,807)	3,134
Proceeds on sale of land and building	3,100	5,700
Purchase of property and equipment	(6,536)	(766)
	(91,243)	8,068
Net (decrease) increase in cash and cash equivalents	(13,036)	4,836
Cash and cash equivalents		
Beginning of year	14,421	9,585
End of year	\$ 1,385	\$ 14,421
Interest received	\$ 43,299	\$ 38,920
Interest paid	\$ 19,286	\$ 15,873
Income taxes paid	\$ 436	\$ 639
Patronage dividends paid	\$ 11	\$ 18

## Five Year Financial History

Year End Balances	2019	2018	2017	2016	2015
	(in thousands)				
<b>Statement of Financial Position</b>					
Personal Loans and Lines of Credit	\$ 39,609	\$ 44,577	\$ 46,968	\$ 47,455	\$ 53,234
Mortgage Loans & Meritlines	679,800	677,072	670,911	614,178	562,170
Commercial Loans	308,183	297,158	265,472	209,053	186,581
Less expected credit loss	(3,163)	(1,952)			
Less allowance for loan losses			(1,799)	(1,572)	(1,482)
Accrued Interest Receivable	1,690	1,415	1,227	1,022	985
<b>Total Loans</b>	<b>1,026,119</b>	<b>1,018,270</b>	<b>982,779</b>	<b>870,136</b>	<b>801,488</b>
Chequing and Savings	307,532	290,169	295,171	245,350	233,250
Term and other Deposits	381,212	340,127	286,900	276,402	298,382
Registered Savings Plans	177,236	165,526	165,413	155,205	161,197
Other Registered Deposits	6,512	6,231	5,593	5,059	4,749
Accrued interest on deposits	7,079	5,076	3,739	4,221	4,762
Member shares	30,469	31,075	30,481	29,469	14,079
<b>Total Deposits &amp; Shares</b>	<b>910,040</b>	<b>838,204</b>	<b>787,297</b>	<b>715,706</b>	<b>716,419</b>
<b>Total Balance Sheet Assets</b>	<b>1,223,473</b>	<b>1,125,452</b>	<b>1,087,635</b>	<b>965,224</b>	<b>910,455</b>
Annual % Increase	9%	3%	13%	6%	10%
Total Loans	1,026,119	1,018,270	982,779	870,136	801,488
Total Deposits	879,571	807,129	756,816	686,237	702,340
Total Investment Shares	28,911	27,981	27,212	26,399	10,764
	1,934,601	1,853,380	1,766,807	1,582,772	1,514,592
<b>Total Other Assets and Other Services Under Administration</b>	<b>275,596</b>	<b>241,380</b>	<b>250,509</b>	<b>230,001</b>	<b>211,057</b>
Annual % Increase	14%	-4%	9%	9%	6%
<b>Total Assets Under Admin.</b>	<b>2,210,197</b>	<b>2,094,760</b>	<b>2,017,316</b>	<b>1,812,773</b>	<b>1,725,649</b>
Annual % Increase	6%	4%	11%	5%	4%
<b>Statement of Income</b>					
Financial Income	44,012	39,108	34,114	31,954	30,247
Financial Expense	21,289	17,210	14,201	13,083	12,750
Other Income	5,242	9,508	5,777	4,158	3,837
Provision for impaired loan	(1,403)	(448)	(300)	(285)	(21)
Operating Margin	26,562	30,958	25,390	22,744	21,313
<b>Total Operating Expenses</b>	<b>22,640</b>	<b>22,869</b>	<b>21,536</b>	<b>21,230</b>	<b>20,856</b>
Income from operations before patronage distributions and income taxes	3,922	8,089	3,854	1,514	457
Distribution to members	1,160	1,128	1,097	868	525
Income Taxes	161	1,587	252	192	33
<b>Retained Earnings and Contributed Surplus</b>	<b>40,474</b>	<b>37,860</b>	<b>30,119</b>	<b>27,614</b>	<b>27,160</b>
Annual % Increase	7%	26%	9%	2%	-0.4%

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