



tandiatm
financial credit union

2023
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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FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO'S (FSRA) DEPOSIT INSURANCE PROGRAM PROTECTS INSURABLE DEPOSITS HELD WITH ONTARIO CREDIT UNIONS AND CAISSES POPULAIRES. ELIGIBLE DEPOSITS IN REGISTERED ACCOUNTS HAVE UNLIMITED COVERAGE THROUGH THE FINANCIAL SERVICES REGULATORY AUTHORITY (FSRA). ELIGIBLE DEPOSITS (NOT IN REGISTERED ACCOUNTS) ARE INSURED UP TO \$250,000 THROUGH THE FINANCIAL SERVICES REGULATORY AUTHORITY (FSRA). FOR MORE INFORMATION, VISIT WWW.FSRAO.CA

Ivana Fortino

BOARD CHAIR



Throughout 2023, we continued to experience economic pressures that were felt across the country as a result of the current interest rate environment. Consumers felt the impact of inflation with living expenses on the rise, which included their ability to afford increased mortgage

payments due to significantly higher interest rates. Such challenges created an opportunity for Tandia, as we were able to demonstrate our ability to support our members as they navigated these difficult times. While facing pressures in the financial services industry, Canada's financial infrastructure and regulatory oversight has created stability for the sector. In light of the changing landscape, as a Board we were charged to improve our competencies in Board oversight and governance. This process was led by the guidance of an outside consultant. This review resulted in the adoption of a new governance framework, and Board participation in training that was focused on Principles of Good Governance, Enterprise Risk Management, Operational Risk, Credit Risk, and Market Risk. The governance review also recommended changes to the Board Committee structure, which were adopted mid-year to bring the Board into alignment with a risk-based oversight framework. Tandia's Board Committee structure has adopted the following operating committees: Governance, Ethics and Human Resources, Audit and Operational Risk, Credit and Market Risk, and Nominating. Tandia's roots in education means that our culture supports and encourages continuous learning of your Board of Directors, and on an annual basis individual development plans are created with sector specific courses identified for completion. Additionally, full Board education sessions are provided throughout the year. Board members understand the importance of continuous development to ensure they remain knowledgeable about the changing financial services environment. This commitment to learning means that the

Board is able to support and guide the direction of the Credit Union in a prudent manner, as we recognize the importance of a strong and resilient Credit Union. Our Board continues to prioritize gender diversity and our current board composition consists of two (2) females and seven (7) males. Tandia recognizes and appreciates the long-standing relationship we have with our members and acknowledge that it has been key to our long-term success. Your Board of Directors is elected by the membership, and we always look forward to connecting with you. In 2020, we moved to a virtual Annual General Meeting that created a great opportunity for more members to participate from the comfort of their homes. This format proved to be more inclusive and accessible for all. Due to the resoundingly positive feedback we received, it was decided that we will continue to host our Annual Meeting virtually, allowing greater opportunity for more members to participate. Throughout 2023, the Board of Directors has worked diligently, meeting a total of 39 times, inclusive of both Committee and Board meetings, ensuring that we are providing strong strategic guidance that is reflective of both our members' values and their financial needs. The three-year Strategic Plan (2022-2024) that was developed remained focused on as we continued to execute on the priorities contained in the plan. In the Fall of 2023, the Board and Management reviewed the prior year's accomplishments and validated the priorities for the final year of the plan which will continue to be measured and evaluated by the Board.

Tandia's future looks promising with many exciting initiatives to share in early 2024. I would like to take the opportunity to thank you, our valued members, for your support and for allowing us to help shape your financial future. I would also like to extend my heartfelt thanks to my fellow Board members for their support over the past year, as they helped guide the Credit Union to ensure our members' financial wellness remains a priority.

Thank you, once again, for placing confidence in me as your Board Chair in 2023.

2023 Meeting Attendance

	BOARD MEETINGS ATTENDED	COMMITTEE MEETINGS ATTENDED	HONORARIUM PAID	PLACE OF RESIDENCE
I. Fortino, Board Chair	16/16	20/21	\$29,330	Ancaster
B. Neville, Board Vice-Chair	16/16	12/12	\$24,830	Pickering
W. Joudrie, Chair, Audit and Operational Risk Committee	16/16	14/14	\$21,830	Ancaster
M. Paron, Chair, Credit and Market Risk	8/14	9/10	\$14,560	Ancaster
N. Di Gregorio, Chair, Nominating	15/16	7/10	\$16,830	Binbrook
J. Deven	14/14	6/6	\$17,330	St. Thomos
R. Foxcroft	13/14	5/5	\$12,810	Ancaster
D. Popov	12/16	8/8	\$16,580	Etobicoke
M. Veerman	15/16	12/13	\$18,580	Burlington

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Richard Davies

PRESIDENT & CHIEF EXECUTIVE OFFICER



At Tandia, we are very proud of our rich history of providing unwavering support to our members as they move through their financial journeys. We have demonstrated this through our advisor consultations, wealth management advice, as well as educating our members through

our podcast “Tandia Talks Money” and our custom webinars that are tailored to meet the diverse and unique needs of our members. As the government announced the end of the pandemic, the country faced new challenges with the Bank of Canada’s ongoing increase in interest rates throughout 2023, reaching levels we had not experienced in over a decade. These heightened challenges faced by our members have remained a top priority at Tandia, as we diligently explore new ways to meet their evolving needs.

I’m pleased to report that Tandia saw an improvement in our financial results for 2023; exceeding performance goals as we increased earnings by over 109% to \$3.45 million in income before taxes. We accomplished this as Tandia’s Board and Management were focused on strategies to improve our financial performance and strengthen our long-term sustainability.

The unprecedented pace of change within the financial services industry has propelled Tandia to continually seek innovative ways to serve our members, while ensuring that we are meeting their changing needs.

As shared in late 2021, our partnership with ASAPP Technologies has allowed our members to conveniently open accounts and apply for loans from the comfort of their homes. This platform has evolved since its introduction, with continuous enhancements throughout 2023, such as streamlined email communication, improved turnaround time on credit requests and online marketing communications that seamlessly link to our current promotional offerings. Additionally, the platform now provides improved tools for our staff to document member discussions, allowing them to better assist our members with their needs in the future.

In 2022, our Commercial team established a partnership with nCino to adjudicate credit applications, support annual reviews, and enhance reporting. Throughout 2023, our team worked diligently to refine this application process to maximize the efficiencies that were envisioned at the time of implementation. The introduction of this underwriting software also standardized our processes, ensuring consistencies within the team and across our operations.

Over the past several years, I have highlighted the collaborative efforts of the Canadian Payments Association and financial institutions to modernize the payments system infrastructure. This extensive undertaking will significantly impact the sector by allowing instantaneous settlement between financial institutions, revolutionizing how payments are managed on behalf of our members. While this advancement will allow us to better serve our members, it is a substantive undertaking for credit unions as costs associated with the technology and internal resources are expected to increase year-over-year.

“I would like to extend my heartfelt gratitude to the dedicated team at Tandia, who consistently prioritize our members’ needs.”

Risk management has become increasingly important for our business as we assess risks not only in the present but also anticipating future risks and challenges, while planning ways to mitigate them. We have worked to elevate risk awareness at all levels within the organization, from our Board all the way through to our valued members. All identified risks are diligently captured by the Board and Management and reported to the Enterprise Risk Management team, who actively monitor and report on our progress. Cybersecurity, in particular, demands increased attention due to the growing sophistication of criminal tactics. In late 2022, Tandia implemented two-step verification (2SV) to mitigate cyber attack risks, and throughout 2023, further refinements were made to protect our members’ assets and the Credit Union. While decommissioning Telephone Banking was initially planned for the end of 2023 due to obsolescence, heightened risks necessitated an earlier transition off this platform with unfortunately short notice to our members. Recognizing that this change in service did have an impact on a small group of long-term members, we worked to provide alternative options, while assisting members in migrating away from Telephone Banking.

Our employees are the backbone of Tandia, as they continue to demonstrate their commitment to member service. This care and dedication was once again reflected in our Net Promoter Score, as we achieved an 18.5 in 2023. Although this represents a decline from 2022, it still surpasses the “Big Five” banks, who generally score below zero (0). The consolidation of our three (3) branch locations did impact our overall rating, prompting us to pivot and find new ways to support our members who are no longer in proximity to a physical branch location. We have made significant progress and remain committed to refining

our approach to connecting with remote members in the upcoming year.

As provincial restrictions eased, our employees who worked remotely throughout the pandemic returned to the office three (3) days a week. This return allowed for improved collaboration and further development of cross-functional relationships. Focus groups conducted by our Human Resources team in 2022 helped us understand employee priorities, leading to plans fostering organizational changes at all levels. Our commitment to in-person training contributed to the improved adoption of new applications and processes, which was also complemented by online training for all employees. Throughout this past year, increased visibility of our Senior Leadership Team, along with in-person meetings and training has contributed to increased engagement. I am pleased to report that our employee engagement score reached 74.5 at the end of 2023.

I would like to extend my heartfelt gratitude to the dedicated team at Tandia, who consistently prioritize our members’ needs. I would also like to extend a special thanks to our Board of Directors for their support and their commitment to Tandia’s success. The Board of Directors showed leadership and dedication throughout a challenging 2023, as well as completing a thorough review of governance and risk management practices. To our valued members, thank you for your ongoing support throughout this year and historically. We are excited about our future and look forward to continuing to assist you as you strive to achieve all of your financial goals.

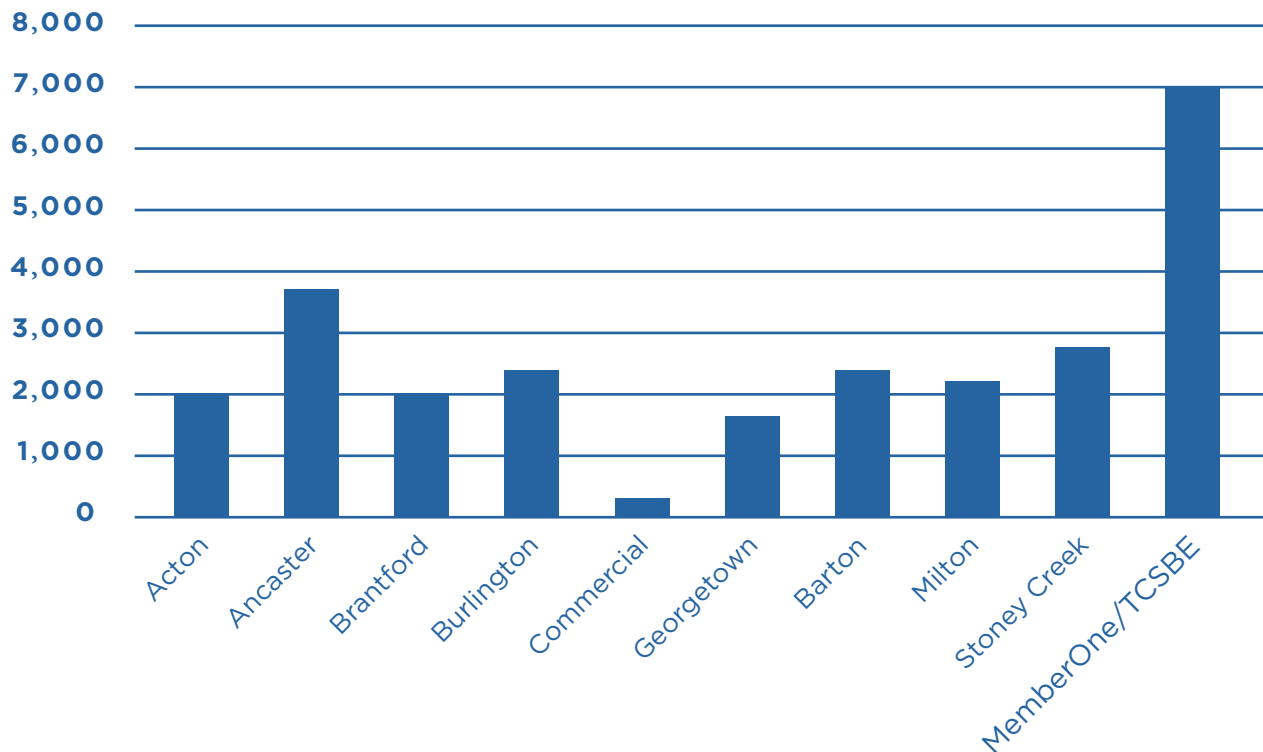
MEMBERSHIP REPORT

Tandia finished 2023 with 27,721 voting members spanning across the Greater Golden Horseshoe. During the year, we increased brand awareness of the Credit Union through offering both virtual and in-person financial wellness seminars and webinars, localized membership campaigns, our social media channels and podcast series, as well as business development activities throughout our communities. Additionally, we kept a strong presence in our local

communities demonstrating our commitment to giving back. With referrals being the strongest compliments, we were also fortunate to have 194 members refer their family and friends to the Credit Union through our Member Referral program in 2023.


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

Voting Tandia Members by Branch



As we move into 2024, we will continue to focus on leveraging technology to better connect with our existing members and uncover new opportunities for membership growth, all while making banking easier and more efficient. This includes promotion of our virtual operations which allow members to access Tandia from the comfort of their home or mobile device, ensuring all of their needs are met remotely. Technology, such as virtual meetings, secure online account opening, and e-signing capability has made this possible and aligns with changing member behaviour in today's modern world.

We remain committed to continually seeking out ways to provide excellent member service. As such, we thank those members who took the time to complete our member survey in 2023 - your survey responses provide us with valuable feedback. We use this feedback to celebrate the areas in which you tell us we are doing well, and review and make changes in areas where we can improve, ensuring excellent service and advice across all of Tandia's networks.



“We will continue to focus on leveraging technology to better connect with our existing members and uncover new opportunities for membership growth, all while making banking easier and more efficient.”





Our Impact

FINANCIAL LITERACY

At Tandia, we believe in the transformative power of financial literacy. By equipping our members with essential financial resources and providing guidance, we empower them to make informed decisions and foster a healthy relationship with money.

Our commitment to financial empowerment goes far beyond traditional banking services. Through our financial literacy programs, our informative podcasts, and our ongoing dedication to the education sector through grants and other programs, we aim to help instill financial confidence.

We strongly believe that financial freedom begins with knowledge, and our efforts have reached over 2,000 students across five (5) school boards since 2014. Through comprehensive financial literacy workshops, we provide students with the tools to understand and successfully navigate personal finance decisions. At Tandia, we see each interaction as an opportunity to contribute to a more financially savvy and empowered community. We want to help young people take their first steps towards a financially confident future.

FOOD AND NUTRITION

For the past decade, Tandia has proudly supported Food4Kids, a weekend nutrition program dedicated to ensuring no child within our community goes hungry.

Throughout this journey, we have supported all chapters of Food4Kids in the communities where we operate.

At Tandia Financial Credit Union, we take pride in giving back generously to our community. This support is a crucial part of what Tandia stands for and reflects our corporate values of respect and integrity. We are committed to supporting local, community-focused programs benefitting all of the regions we serve.

Along with our dedication to charitable giving, we are striving to help eliminate barriers faced by youth in our communities. Through local initiatives, we aim to expand opportunities and nurture aspirations for young people in the neighbourhoods we call home. An integral part of our corporate vision is ensuring that our employees, and our organization, make a positive social, economic, and environmental impact on the places we live and work. Together, we are committed to lending a hand in an effort to create sustainable, prosperous and equitable communities for future generations.

Nutrition is vital to a child's education, and contributing to Food4Kids helps vulnerable children in our communities to be more successful in school. Our impact has been significant and, to date, we have provided support to over 20,000 students through this vital program. Our commitment goes beyond financial support, and we are always eager to volunteer by rolling up our sleeves and preparing healthy food packages for students in need.

EDUCATIONAL SUPPORT

With deep roots in education, each Fall Tandia's focus turns towards supporting the education community through our Strive for Success grants. Through this annual program, dedicated to enhancing local classroom initiatives, educators can apply for one (1) of the ten (10) grants. The impact of this program extends to many diverse initiatives including support for wellness programs, the arts, eco-school initiatives, and nutrition programs. Through Strive for Success, our branch teams have the opportunity to directly interact with and show their support to local schools.

We are proud of our commitment to the educational community and are driven to make a positive and socially responsible impact wherever we can.



“Tandia Financial Credit Union has been unwavering in its commitment to the Hamilton Foundation for Student Success. This support has been crucial in helping HWDSB students overcome financial barriers so they have an equal opportunity to learn, grow and succeed.”

Amy Leeming Cote

**EXECUTIVE DIRECTOR,
HAMILTON FOUNDATION
FOR STUDENT SUCCESS**



“Tandia Financial Credit Union is our cherished partner! We are grateful to Tandia for always being by our side in our initiatives, pack days and fundraisers. Tandia has always stood beside us and continues to support our program in a variety of ways that truly make a profound difference to our program.”

Cathy Haan

**EXECUTIVE DIRECTOR,
FOOD4KIDS HAMILTON**



“Tandia has been a very special support for the ‘Our Community Cares’ program. The most impactful part of our relationship is that they take the time to truly understand - coming to our program sites, listening to our stories, and seeing the need in the communities where we work.”

Kelly Giuliani

**MANAGER,
ROCK - REACH OUT CENTRE
FOR KIDS**

2023 MILESTONES

Throughout 2023, we continued to build Tandia’s online presence through our accessible, engaging, and highly relatable financial literacy content. During the past year, we expanded our reach across various social media platforms, our podcast and other digital channels in an effort to make financial literacy accessible for all.

In 2023, we also broadened Tandia’s community engagement by seeking out opportunities to connect with diverse organizations that are aligned with our values. This support has been strategically directed towards community groups, youth BIPOC programs, youth organizations focused on mental health, and initiatives related to food and nutrition, along with our continued support of the local business community.

WE MAKE A DIFFERENCE TOGETHER

Over the years, we have had the privilege of engaging with outstanding community partners, and truly believe that together, we can make a difference. We would like to express our sincere gratitude for the invaluable collaborations that have shaped our journey, and we continue to be excited for the promising opportunities that lie ahead. Our heartfelt appreciation also extends to our dedicated Tandia employees, whose support and commitment have been instrumental in our volunteer outreach initiatives over this past year. As we look forward to a bright 2024, we remain committed to empowering our communities while building a future filled with shared prosperity and positive change.

Barbara Duffield

SVP, Finance & Administration



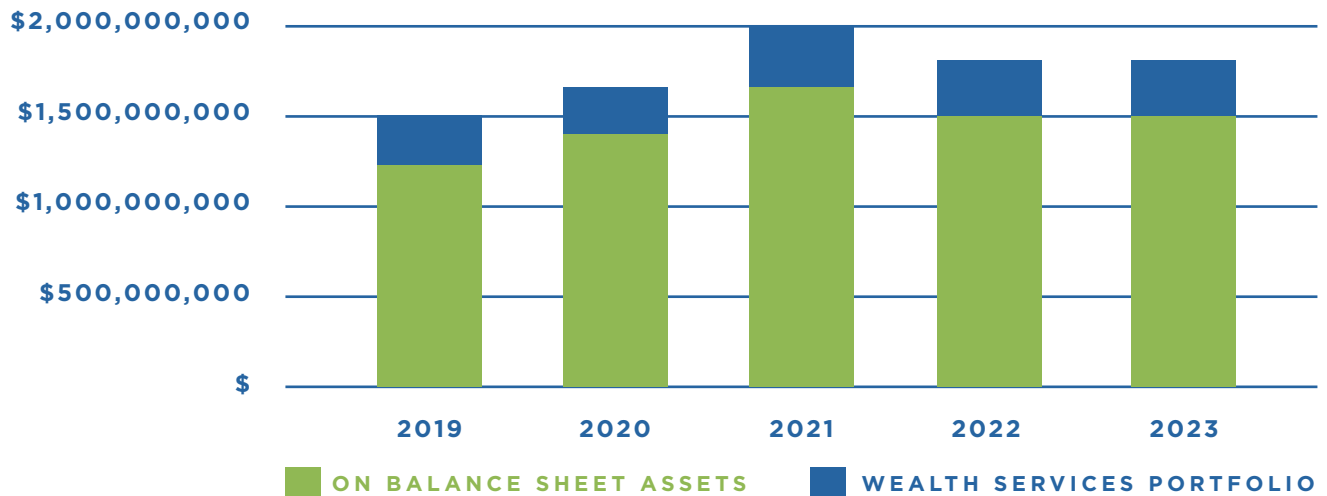
While 2023 was a challenging year, we are pleased to share that thanks to the steadfast dedication and support of our Board, Management, and staff we achieved record profits, paid a historically high dividend, and continued to contribute

to our capital. This report will provide you with a comprehensive overview of our financial performance and position over the last year, while explaining the economic and consumer markets within which we conducted our business. These statements serve as a reflection of our operations, providing key financial metrics and highlighting our commitment to financial stability and accountability.

In the rapidly changing landscape of 2023, the Government of Canada continued its pursuit of economic stability as they attempted to cool down the consumer market and curb inflation. As a result, the country saw an increase in the Prime Lending Rate which resulted in interest rates on both loans and deposit products increasing throughout the year. The increase in borrowing rates led to a rapid slowdown in the real estate market, creating a significant decline in demand for mortgages. As competition for deposits intensified among credit unions and banks, interest rates on fixed rate deposits saw a steady rise, reflecting members' growing interest in investing in term deposits which provided them with a higher rate of return over liquid deposits such as chequing and savings accounts. As well, Tandia saw many members choose to utilize savings to pay off or pay down their mortgage rather than facing mortgage renewals at much steeper rates. As a result of these shifts in member behavior, our balance sheet saw reductions.

2023 Financial Performance

Total Assets	Revenue	Loans
\$1.5 Billion	\$63 Million	\$1.3 Billion
Deposits	Wealth Deposits	Income
\$1.1 Billion	\$285 Million	\$3.2 Million



FINANCIAL PERFORMANCE HIGHLIGHTS

Based on prudent analysis of the prevailing economic conditions, and the impact on our portfolio, Tandia continued with our growth objectives established in 2022. The strategic decision was made that Tandia would focus on increasing the Commercial loan portfolio relative to total assets, as commercial loans typically attract higher margins. This shift on our balance sheet allowed us to bolster our financial margin in 2023, while positioning our Credit Union favourably for further growth. In addition, we remained diligent in our focus on sound risk management practices, maintaining strong financial ratios and managing the balance sheet, so that Tandia is well positioned to take advantage of opportunities for profitable future growth.

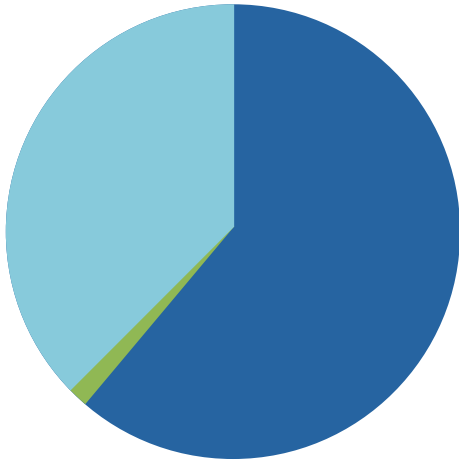
Total Assets under Administration, which include both on-balance sheet assets and wealth management deposits was \$1.8 billion at the end of 2023, representing a decrease of 1% (or \$12 million) for the year. In 2023, due to pressure felt by consumers as a result of the higher interest rate environment, demand for residential mortgage lending was limited.

The decline in Tandia's credit portfolio was the result of the reduction in retail mortgages, however, it was partially offset by the success of the Commercial team who generated opportunities from member referrals and established relationships from within their centres of influence. The Commercial lending portfolio experienced an increase in construction draws of \$18 million and growth in term loans of \$103 million, increasing total gross commercial lending by \$121 million. This growth in the Commercial portfolio allowed Tandia's total lending to remain relatively stable at \$1.31 billion by year-end, with an overall net increase in the commercial portfolio of 12% or \$46 million. On a net lending basis, total loans declined by \$35 million or 3%, as members holding retail mortgages diligently paid down principal balances during the year, and limited demand existed for new mortgages in the current high interest rate environment.

The following chart summarizes Tandia's total loan growth percentage change in comparison to 2022, with the portfolio mix representing the ratio of a category to the total loan portfolio. Overall, the portfolio mix is consistent with the prior year, with a continued favourable shift from retail to commercial lending.

	2023 Growth	2023 Portfolio mix	2022 Growth	2022 Portfolio mix
Personal Loans	(10%)	2%	(13%)	2%
Residential & Investment Mortgage Loans	(8%)	65%	(8%)	69%
Commercial Lending	12%	33%	27%	30%
Total	(3%)	100%	0.1%	100%

Loan Mix

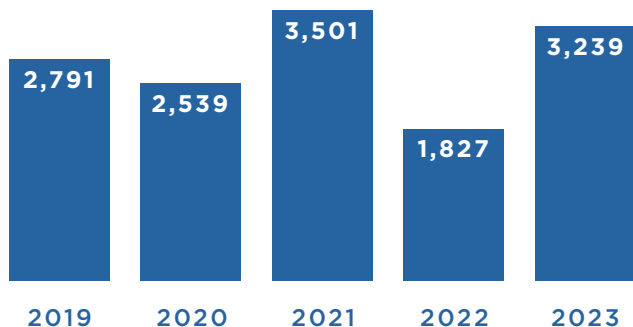


COMMERCIAL LOANS 33%

PERSONAL LOANS 1%

RESIDENTIAL MORTGAGES 65%

Total Comprehensive Income (Normalized, 000's)



The allowance for credit losses increased by \$258 thousand in 2023 compared to \$989 thousand in the prior year. The total provision for credit losses at the end of 2023 was 22 bps of loans in 2023 compared to 20 bps in 2022. This increase in the allowance for expected losses reflects the continued economic pressures faced by consumers, as they manage through this period of high inflation and interest rates.

Tandia's deposits grew by \$18 million or 2% during the year. Two (2) trends we experienced in 2023 were members taking advantage of higher interest rates by moving their savings into GICs, resulting in an increase in term and registered deposits, as well as an overall decrease in demand balances (chequing and savings) as inflation persisted and members needed to draw on savings to pay for day-to-day expenses. Members also continued to seek the advice and expertise from Tandia's Wealth Management Advisors, resulting in growth of our off-book deposits by \$14 million or 5%.

In 2023, Tandia's cash and investments portfolio increased by \$13 million or 8% with these funds utilized to increase liquidity, while allowing for funding of future lending growth and repaying borrowings. Interest revenues from investments increased by 108% due to increases in interest rates earned by Tandia's investments. All investments were in accordance with Board approved Investment Policies.

Securitization continues to be a very important part of our funding strategy. During 2023, secured borrowings decreased by \$41 million or 13% on a net basis. Despite this decrease, \$47 million in mortgages were securitized into the NHA MBS and CMB programs to help fund lending activities or held as part of Tandia's high quality liquid assets (HQLA).

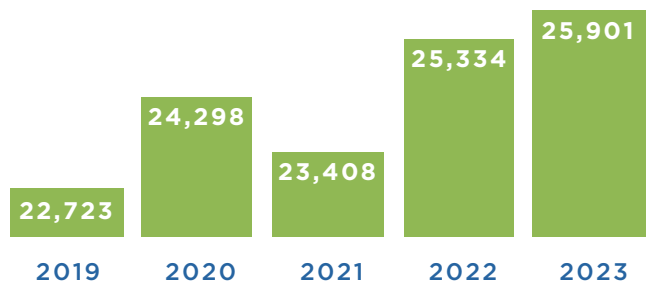
Tandia achieved **total comprehensive income** of \$3.2 million by the end of December 31, 2023, representing an increase of \$1.4 million or 77% from the previous year. Achieving this level of income was a great accomplishment for Tandia, and it far exceeded all expectations given the economic environment.

Throughout the past two (2) years, the Bank of Canada attempted to combat inflation by raising interest rates. The Bank of Canada raised its overnight interest rate eight (8) times in 2022 alone.

“Members continued to favour locking their savings into higher interest rate term deposits, moving funds from liquid deposits, and causing a significant portion of our deposit book to reprice at the higher rates.”

In 2023, there were two (2) additional increases in the overnight interest rate, bringing the rate to a high of 5%. This significant rate hike resulted in meaningful increases in both financial income and financial expense, and subsequently a modest increase in financial margin. Members continued to favour locking their savings into higher interest rate term deposits, moving funds from liquid deposits, and causing a significant portion of our deposit book to reprice at the higher rates. The repricing of deposits has continued to occur at a more rapid rate than interest rate changes on the loan portfolio, placing pressure on the financial margin.

Financial Margin (000's)



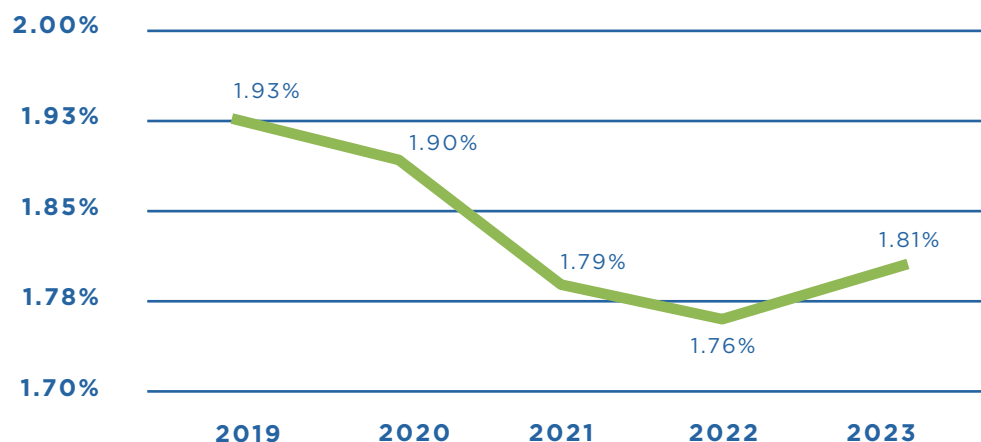
Total financial revenues increased by 28% or \$13.8 million, largely due to higher yields earned on loans and an increase in total commercial loan volume; however, financial expenses also increased by 56% or \$13.2 million. The net result was an overall improvement in financial margin (financial revenues minus financial expenses) of 2% or \$567 thousand. Financial margin as a percentage of average assets increased compared to the previous year, and ended 2023 at 1.70%, up from 1.59% in 2022.

Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange, lending fees and Wealth Management services ended at \$5.4 million in 2023, a 2% increase over the prior year. The Commercial and Wealth Management teams were successful in their efforts in 2023, contributing significantly to Tandia’s strategic goals and overall income.

Operating Expenses as a % of Average Assets

In 2023, Tandia's operating expenses decreased by 1% or \$413 thousand compared to the previous year. Operating expenses expressed as a percentage of average assets achieved a record low in 2022 at 1.76%. In 2023, while expenses were carefully managed and decreased in total compared to the prior year, the operating expense ratio increased slightly to 1.81% due to the decline in average assets. The Personnel and Other expense categories experienced increases, at 4% and 11% respectively, while all other expense categories had cost reductions. Personnel costs were higher in 2023 due to general wage increases and because Tandia experienced almost full employment during the year with very few vacancies. Other expenses increased by 11% or \$114 thousand for several reasons, including an increase the reimbursement of funds to members who were impacted by fraud.

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 2023 in comparison to 2022.](#)



	MINIMUM	2023	2022	CHANGE
Leverage ratio	3.00%	6.27%	6.22%	0.05%
Total capital ratio (Risk-weighted capital ratio)	8.00%	12.85%	13.10%	(0.25%)
Tier 1 capital ratio	6.50%	12.19%	12.33%	(0.14%)
Retained earnings to risk-weighted assets ratio	3.00%	6.04%	6.00%	0.04%
Capital conservation buffer ratio	2.50%	4.85%	5.10%	(0.25%)
Total supervisory capital ratio	10.50%	12.85%	13.10%	(0.25%)
Regulatory capital		\$95,185	\$96,273	(\$1,086)
Retained earnings & contributed surplus		\$44,585	\$43,939	\$646
% of Total Capital		47%	46%	1.00%

Regulatory capital declined by \$1 million as a result of investment share redemptions that were granted throughout the year. The escalating interest rate environment not only intensified competition for funds among credit unions, but also put pressure on members as they experienced increases in their day-to-day expenses, resulting in a need to access their savings. The competitive rate market along with members' needs for funds, resulted in member redemptions of investment shares for the first time since the shares were established. Total shares redeemed during the year was in compliance with the offering statements and Board approved investment share policies.

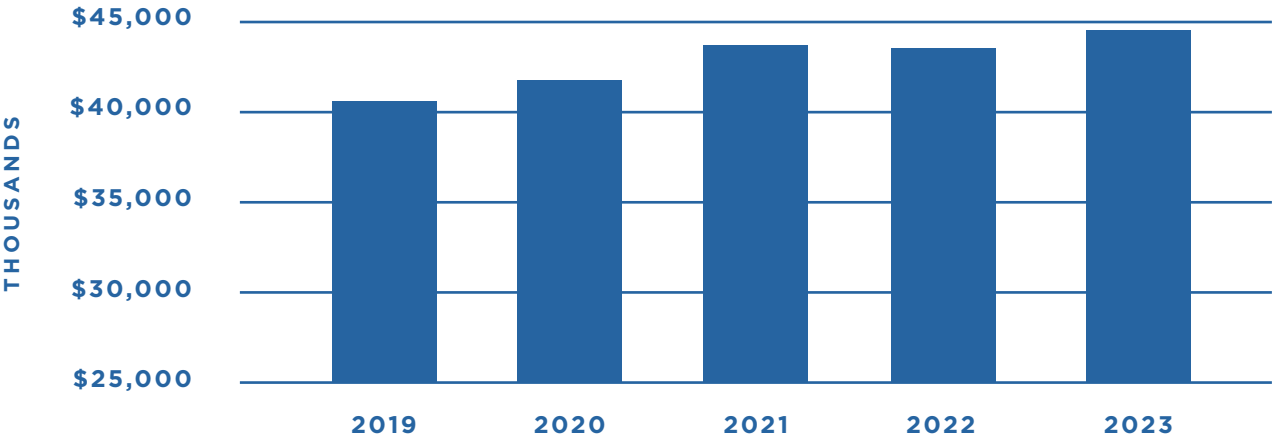
In 2023, our leverage ratio grew to 6.27%, remaining well above the minimum regulatory limit of 3.00%. The total capital ratio, also known as the risk-weighted ratio, decreased in 2023 to 12.85% from 13.10% the prior year. This change was anticipated due to the reduction in total regulatory capital resulting from investment share redemptions, combined with our ongoing

emphasis on expanding the commercial loans portfolio. The total capital ratio continues to meet all Board and regulatory requirements.

Tandia continues to focus on maintaining strong capital ratios by generating higher income levels, allowing us to build our capital base with high quality retained earnings. Retained earnings is an important component of members' equity as it is used to reinvest in Tandia, thereby allowing us to continue to meet members' needs, while utilizing one of the least expensive forms of capital. Retained earnings and contributed surplus increased in 2023 by \$646 thousand and our retained earnings as percentage of risk-weighted assets was well in excess of the regulatory minimum.

The graph below illustrates the changes in Retained Earnings and Contributed Surplus, showing an increase of 10% since 2019.

Retained Earnings and Contributed Surplus



Despite facing a challenging year characterized by ongoing economic pressures, Tandia was successful in navigating the financial environment and surpassed expectations for net income. Our asset mix continued to bolster the financial margin, aligning with all of our projections. As Canadians continue to adjust to the impacts of our inflationary environment, high interest rates and other economic conditions, we continue to adapt our strategy as we consider the impact the economy is having on our members. We are committed to executing our three-year Strategic Plan (2022-2024), reinvesting for our

long-term growth, while remaining committed to providing a positive member experience and strengthening our employee culture. As we embark on 2024, our commitment and focus remain on consistently delivering exceptional member experience, providing our teams with a positive and rewarding work environment, and ensuring that we meet all regulatory requirements as we strive to be a financially robust and sustainable organization into the future.

Wayne Joudrie

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 seven (7) times during 2023 to complete its responsibilities. The Committee 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 (4) Directors and has a mandate that includes all the tasks specified for the Committee in the Credit Unions and Caisse Populaires Act, and the associated regulations. The 2023 Audit and Operational Risk Committee members were: Wayne Joudrie (Chair), Ronnie Foxcroft, Dan Popov, Mike Veerman and Ivana Fortino attends as Ex-Officio.

The Audit and Operational Risk Committee's oversight role encompasses four (4) 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 2023 are as follows:

- Confirmed that for year ended December 31, 2023 there were no material findings outstanding
- Prepared and reviewed the annual evaluations of the External and Internal Auditors
- Quarterly reviewed the goals, objectives, and results by the Internal Auditor. The 2023 audits included: Treasury Management, Derivatives, Governance, Interest Rate Risk, Internal Capital Adequacy Assessment Process (ICAAP) & Stress Testing, Human Resources, Securitization, Business Resiliency (BCP), PCMLTFA (AML) Biennial Effectiveness Review and Market Conduct
- Credit Union Services Association (CUSA) Audits, specifically the External Vulnerability Scan
- Received and reviewed quarterly Enterprise Risk Management and IT Governance reports
- Received and reviewed quarterly Fraud Reports and Anti-Money Laundering reports
- Reviewed and approved Board policies pertaining to the Audit and Operational Risk Committee
- Grant Thornton LLP – Audit Plan 2023

The Audit and Operational Risk Committee is not aware of any other material matters that are required to be disclosed pursuant to the Act or Regulations. This Committee 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 2023 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 Limited.

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 their 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 2023, the Audit and Operational Risk Committee met seven (7) 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.

Richard Davies
President & Chief Executive Officer

Barbara Duffield
SVP, Finance & Administration

Tandia Financial Credit Union Limited
Burlington, Ontario
February 28, 2024

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, 2023, the summary statement of comprehensive income, summary statement of changes in members' equity, and summary statement of cash flows for the year then ended, are derived from the audited financial statements of Tandia Financial Credit Union Limited as at December 31, 2023. In our opinion, the accompanying summary financial statements are a fair summary of the financial statements, 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 28, 2024.

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 28, 2024

Chartered Professional Accountants
Licensed Public Accountants

SUMMARY STATEMENT OF FINANCIAL POSITION

(IN THOUSANDS)

December 31	2023	2022
Assets		
Cash and cash equivalents	\$ 85,026	\$ 30,273
Investments	87,968	129,336
Loans to members	1,311,347	1,346,329
Other assets	4,308	6,069
Income taxes receivable	—	230
Prepaid securitization fees	1,235	1,725
Derivative financial instruments	167	168
Property and equipment	20,779	23,008
Deferred income taxes	294	334
	<u>\$ 1,511,124</u>	<u>\$ 1,537,472</u>
Liabilities		
Secured borrowings	\$ 269,531	\$ 310,880
External borrowings	—	3,000
Payables and accruals	2,031	1,517
Income taxes payable	7	—
Deposits of members	1,132,354	1,114,151
Derivative financial instruments	506	123
Lease liability	13,197	13,885
Shares	3,844	3,950
	<u>1,421,470</u>	<u>1,447,506</u>
Members' Equity		
Shares	45,069	46,027
Retained earnings	30,219	29,573
Contributed surplus	14,366	14,366
	<u>89,654</u>	<u>89,966</u>
	<u>\$ 1,511,124</u>	<u>\$ 1,537,472</u>

On behalf of the Board

Ivana Fortino
Board Chair

Wayne Joudrie
Chair, Audit and Operational Risk Committee

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

(IN THOUSANDS)

Year ended December 31	2023	2022
Financial income		
Interest on member loans	\$ 48,430	\$ 37,196
Interest on securitized loans	7,913	8,617
Other interest revenue	6,245	3,008
	62,588	48,821
Financial expense		
Interest on member deposits	29,827	16,725
Securitized expense	6,696	6,341
Other interest expense	164	421
	36,687	23,487
Financial margin	25,901	25,334
Other income	5,435	5,345
Provision for impaired loans	258	989
Operating margin	31,078	29,690
Operating expenses		
Salaries and benefits	15,365	14,694
Computer, office and other equipment	4,340	4,477
Occupancy	3,128	3,881
Administration	1,617	1,819
Advertising and communications	752	817
Member security	1,280	1,321
Other	1,147	1,033
	27,629	28,042
Net income before taxes	3,449	1,648
Income taxes	210	(179)
Net income and comprehensive income for the year	\$ 3,239	\$ 1,827

SUMMARY STATEMENT OF CHANGES IN MEMBERS' EQUITY

(IN THOUSANDS)

Year ended December 31, 2023

	Shares	Retained Earnings	Contributed Surplus	Total
Balance at December 31, 2021	\$ 44,674	\$ 29,645	\$ 14,366	\$ 88,685
Net income	—	1,827	—	1,827
Distributions to members	—	(1,899)	—	(1,899)
Issue of profit shares	18	—	—	18
Issue of investment shares	1,448	—	—	1,448
Redemption of profit shares	(113)	—	—	(113)
Balance at December 31, 2022	\$ 46,027	\$ 29,573	\$ 14,366	\$ 89,966
Net income	—	3,239	—	3,239
Distributions to members	—	(2,593)	—	(2,593)
Issue of profit shares	30	—	—	30
Issue of investment shares	1,846	—	—	1,846
Redemption of profit shares	(110)	—	—	(110)
Redemption of investment shares	(2,724)	—	—	(2,724)
Balance at December 31, 2023	\$ 45,069	\$ 30,219	\$ 14,366	\$ 89,654

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 issued by the International Accounting Standards Board as at December 31, 2023 and 2022 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 of the Credit Union branches.

SUMMARY STATEMENT OF CASH FLOWS

(IN THOUSANDS)

Year ended December 31	2023	2022
Increase (decrease) in cash and cash equivalents		
Operating Activities		
Net income	\$ 3,239	\$ 1,827
Provision for impaired loans	258	989
Depreciation and amortization	2,501	3,286
Loss on disposal of capital assets (net)	—	75
Deferred income taxes	40	(350)
Fair value of interest rate swap contracts	384	(65)
Interest paid on lease payments	355	396
Changes in members' activities:		
Decrease/(increase) in loans to members (net)	34,724	(2,740)
Increase/(decrease) in deposits of members (net)	18,203	(59,587)
Other non-cash items	3,002	2,245
	62,706	(53,924)
Financing Activities		
Distributions to members	(2,593)	(1,899)
Repayment of external borrowing	(3,000)	(2,700)
Decrease in secured borrowings	(41,349)	(39,991)
Principal repayments of lease liability	(1,043)	(1,192)
(Decrease)/increase in shares (net)	(1,064)	1,402
	(49,049)	(44,380)
Investing Activities		
Proceeds from investments (net)	41,368	84,639
Proceeds from tenant inducement	—	59
Purchase of property and equipment	(272)	(508)
	41,096	84,190
Net increase/(decrease) in cash and cash equivalents	54,753	(14,114)
Cash and cash equivalents		
Beginning of year	30,273	44,387
End of year	\$ 85,026	\$ 30,273
Interest received	\$ 62,485	\$ 48,249
Interest paid	\$ 30,718	\$ 20,942
Income taxes paid	\$ 139	\$ 563
Patronage dividends paid	\$ 33	\$ 18

FIVE YEAR FINANCIAL HISTORY

(IN THOUSANDS)

Year End Balances	2023	2022	2021	2020	2019
Statement of Financial Position					
Personal loans and lines of credit	\$18,638	\$20,812	\$24,068	\$32,107	\$39,609
Mortgage loans & meritlines	855,428	934,382	1,007,305	717,329	679,800
Commercial loans	437,882	391,924	313,541	299,656	308,183
Less allowance for expected credit loss	(2,840)	(2,636)	(1,657)	(3,295)	(3,163)
Accrued interest receivable	2,239	1,847	1,321	1,563	1,690
Total Loans	1,311,347	1,346,329	1,344,578	1,047,360	1,026,119
Chequing and savings	336,539	389,613	491,667	373,171	307,532
Term and other deposits	592,754	531,638	495,477	389,924	381,212
Registered savings plans	182,482	178,187	174,374	177,782	177,236
Other registered deposits	6,839	6,942	6,994	6,872	6,512
Accrued interest on deposits	13,740	7,771	5,226	6,476	7,079
Shares	48,913	49,977	48,575	32,663	31,883
Total Deposits and Shares	1,181,267	1,164,128	1,222,313	986,888	911,454
Total Balance Sheet Assets	1,511,124	1,537,472	1,641,949	1,299,215	1,223,473
Annual % (Decrease) Increase	-2%	-6%	26%	6%	9%
Total Other Assets and Other Services Under Administration	284,511	269,807	361,898	300,871	275,596
Annual % (Decrease) Increase	5%	-25%	20%	9%	14%
Total Assets Under Admin.	1,795,635	1,807,279	2,003,847	1,600,086	1,499,069
Annual % (Decrease) Increase	-1%	-10%	25%	7%	10%
Statement of Income					
Financial income	62,588	48,821	42,030	44,442	44,012
Financial Expense	36,687	23,487	18,622	20,144	21,289
Other income	5,435	5,345	5,039	4,322	5,242
Provision for impaired loans	(258)	(989)	1,913	(1,723)	(1,403)
Operating margin	31,078	29,690	30,360	26,897	26,562
Total Operating Expenses	27,629	28,042	26,292	24,034	22,640
Income from operations before patronage distributions and income taxes	3,449	1,648	4,068	2,863	3,922
Distribution to members	2,593	1,899	1,309	1,194	1,160
Income taxes	210	(179)	567	324	161
Retained Earnings and Contributed Surplus	44,585	43,939	44,011	41,819	40,474
Annual % (Decrease) Increase	1%	-0%	5%	3%	7%



2023 ANNUAL REPORT
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