



2020 Annual Report



tandia[™]

financial credit union



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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Mutual funds and related financial planning services are offered through Credential Asset Management Inc. and Qtrade Asset Management (a tradename of Credential Asset Management Inc). Mutual funds, other securities and securities related financial planning services are offered through Qtrade Advisor, a division of Credential Qtrade Securities Inc.

Financial Services Regulatory Authority of Ontario's (FSRA) deposit insurance program protects insurable deposits held with Ontario credit unions and caisses populaires. At Tandia Financial Credit Union, insurable deposits in registered accounts have unlimited coverage and insurable deposits (not in registered accounts) are insured up to \$250,000. For more information, visit www.fsrao.ca/dirf.





NANCY DI GREGORIO
Board Chair



RICHARD DAVIES
President & CEO

Board of Directors' and President & Chief Executive Officer's Report

We began 2020 positively with the move into a new state-of-the-art Corporate Office in Burlington as well as a state-of-the-art Administration Centre in Ancaster. Both of these facilities have modern, open and collaborative workspaces with the latest in ergonomics and are supported by cutting edge technology. Then everything changed as the world faced the impact of COVID-19 and there was a tremendous amount of uncertainty for us as Canadians. Throughout 2020, Tandia Financial Credit Union operated as an essential service while demonstrating commitment to providing a safe environment for employees and members. One year later, Tandia continues to follow the direction of the Ministry of Health and the provincial government when establishing protocols for the workplace and our retail locations. As we looked for ways to quickly adapt with this rapidly changing business and work environment, we began leveraging technology to minimize member impact while continuing to serve our members in the safest manner possible. Our staff and our Board were quick to embrace these new technologies, while our members were equally responsive as they learned new ways to conduct their banking. We would like to thank our members for their flexibility and support during these unprecedented and challenging times; their commitment to our organization and the dedication of our staff is a true demonstration of our co-operative values. During what was a challenging year on many fronts, we continued to work together, assisting our members with their financial needs while consistently keeping the health and well-being of our members, staff, and our communities as our top priority.

At Tandia we remain committed to being an early adopter of new technologies and continuously seek out new ways to improve our business practices and enhance our member experience. This past year created an environment where this need became of even greater strategic importance. A few examples of the accomplishments achieved utilizing new technology include: our first ever Annual General Meeting via videoconference was held on April 7th, and our Board of Directors and

Committee meetings were conducted using WebEx allowing all Directors to participate remotely. In addition, the management team identified staff positions that could transition to working remotely and, with the support of our IT Team, were able to quickly introduce solutions to allow employees to transition to a work-from-home environment. Part of this initiative included the deployment of Microsoft Teams which allowed our staff to stay connected and engaged while working in this new environment.

Throughout this past year, your Board of Directors remained committed to setting strategic direction and oversight, utilizing four (4) committees that met regularly throughout the year. Those committees were: Governance, Ethics, Human Resources and Policy (GEHRP), Audit and Operational Risk (AOR), Member and Community Relations (MCR) and the Nominating Committee (NOM). Throughout 2020, Board Committees met 19 times and the full Board of Directors held 11 meetings.

This past year, the Board has upheld their commitment to education and professional development and, as a result, education sessions became an integral component of every board meeting. In 2020 they collectively logged over 105.5 hours in training and development. As the financial services industry is evolving quickly, your Board remains committed to keeping abreast of emerging matters while providing oversight and governance to the credit union that has been entrusted to us by you, our members.

Additionally, the Board of Directors continued to work closely with the President & CEO and his Executive team to navigate through COVID-19 while ensuring continued growth and positive financial performance. We continued to focus on the objectives set out in the Three-Year Strategic Plan (2019-2021) and ultimately closed out an exceptionally challenging year with record deposit growth. At the end of 2020, assets reached \$1.3 billion with an additional \$301 million in wealth management assets, resulting in assets under administration climbing to \$1.6 billion.

BOARD OF DIRECTORS

	Term Expiry
Jacqueline Aird, ACCUD	2023
John Deven	2022
Nancy Di Gregorio, Chair	2023
Ivana Fortino, Vice Chair	2021
Wayne Joudrie	2022
Bruce Neville	2021
Sharon O'Driscoll	2023
Dan Popov	2021
Michael Veerman	2022



We continued to deliver a positive member experience while maintaining strong financial performance.



Innovation remains a key focus for Tandia as we strive to enhance our delivery channels.



Our employees continue to be our greatest asset and, thanks to their dedication, we not only navigated through operational challenges created by a pandemic, but we continued to deliver a positive member experience while maintaining strong financial performance. The Board of Directors and management team are appreciative of these efforts and remain committed to ensuring our staff feel valued, work in a progressive and positive work environment and come to work confident that their health and safety is our top priority.

Over the course of 2020, many adjustments were made to our operations as the pandemic extended beyond what was originally anticipated. Protocols were established early on that were intended to limit the spread of COVID-19; these included introducing hand sanitization stations, screening protocols for visitors to our various locations, screening of staff in advance of attending the workplace, face shields for those employees conducting screening, deep cleaning of all branches twice per week and Tandia-branded masks for all staff. We are pleased to be able to say that these actions were effective in providing a safe environment for our employees.

In addition to these safety protocols, the Tandia retail team shared with our members various options to complete their transactional business which reduced the need to visit a branch. Whenever possible, member appointments transitioned to virtual meetings using Microsoft Teams or telephone calls, limiting in branch meetings to essential transactions that could not be online or over the telephone.

As business came to an unexpected halt in March, organizations around the globe struggled to keep their staff employed; however, our Management team at Tandia committed to finding ways to keep all employees employed. While our retail hours were reduced, our staff used that time as an opportunity to reach out to members to complete a wellness check. These calls were well received by our members, as they appreciated the proactive nature of the call

and the opportunity to discuss how they can manage their finances during this unusual time. Our Member Solutions Centre also continued to provide support to our members and kept wait times well below our industry standard, despite call volumes increasing significantly as members were seeking alternative ways to conduct their banking. In addition, our communication team kept in frequent contact with our members with weekly updates on credit union activities through member calls, e-mail communications and live updates on our website.

Moving into 2021, innovation remains a key focus for Tandia as we strive to enhance our delivery channels and create an exceptional member experience. Over this past year we continued to enhance our digital solutions, while seeking out new ways to connect with our members and simplify their banking transactions. This evolution began with the introduction of our new agile website in late 2019, with the second phase of this digital banking transformation occurring this past summer when we released our new on-line banking platform, followed by our new mobile app. As a project champion for our technology and banking partner Central 1, we were able to provide feedback on these platforms and ensure that our members' voices were heard and integrated into future development plans.

The current environment highlighted the need to further evolve and advance our virtual banking capabilities and resulted in a review of our on-line account opening and loans origination system. After extensive evaluation and feedback from our members, we determined that a new solution was necessary, and as result have established a partnership with ASAPP Technologies. This new platform will improve ease of use for members while delivering convenient on-line solutions. The project commenced in 2020 and we are excited to be able to share this new technology with our members in early 2021.

At Tandia, we have always been committed to branch innovation, which was demonstrated as early as 2010 when our Burlington Branch was successfully opened using an advisory based



At Tandia,
we have
always been
committed
to branch
innovation.



model with limited cash services. As society now continues to move away from the use of cash, it was the perfect opportunity to once again look for innovative ways to evolve our branch model. With a focus on technology and enhancing our member experience, we began planning the relocation of two of our retail locations – James Street, Hamilton and Main Street, Milton. After extensive industry research, significant investments were made in branch design and technology for these two locations. New ATMs were installed that do not require deposit envelopes and dispense both Canadian and US currency with the option to select denominations. Upon entering the branch, members can notify their advisor that they have arrived for their appointment by using the new iPad guest check-in system. The open and modern branch design allows our teams to operate fluidly in a welcoming environment, while having the flexibility to assist anyone with cash transactions as well as provide advisory services from start to finish. Additionally, each of these branches were equipped with video conferencing capability, allowing us to provide our members with the option to connect virtually

with our team. Feedback from our staff and members has been extremely positive as they see our continued commitment to innovation, technology and exceptional service.

While 2020 was unequivocally a challenging year for all, our Tandia team was able to produce strong results across all areas of the organization. These accomplishments could not have been achieved without their hard work and dedication to our members and to each other. On behalf of the Board of Directors and the staff we wish to express our gratitude to our members for their continued commitment to Tandia. Together we will continue to grow and prosper.

Nancy Di Gregorio
Board Chair

Richard Davies
President and Chief Executive Officer



Our Tandia
team was
able to
produce
strong results
across all
areas of the
organization.

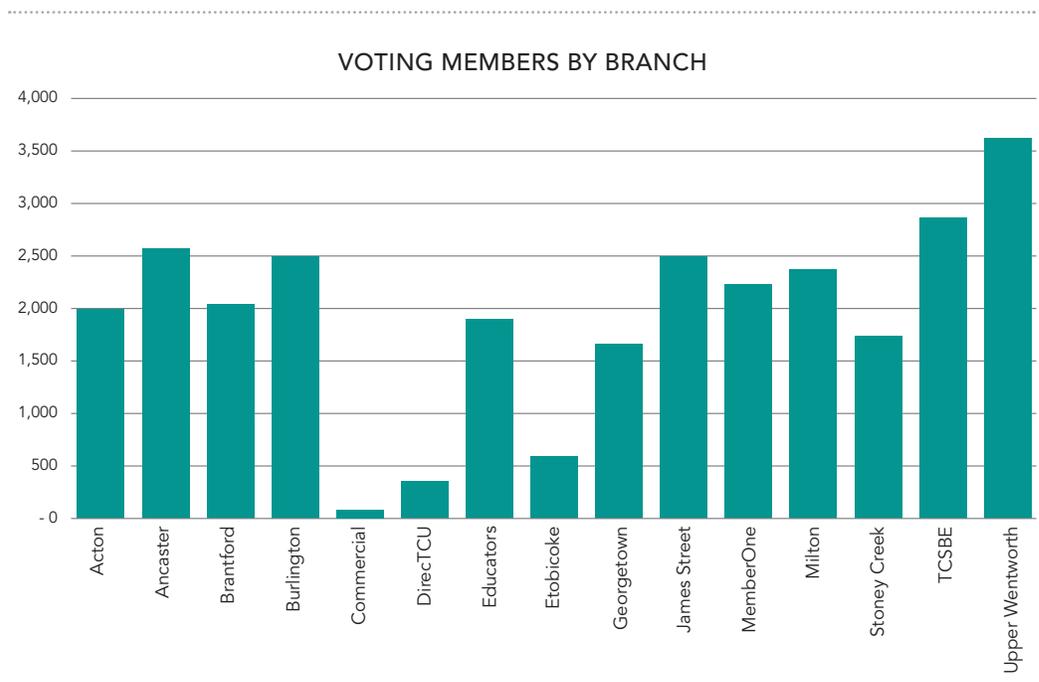


Membership Report

Tandia ended 2020 with 28,816 voting members. Onboarding new members was challenging during 2020 given restrictions imposed across the province due to COVID-19. Consumers maintained relationships with their current financial institutions rather than seeking alternative providers. Despite this trend, Tandia's members continued to encourage family and friends to join our organization, resulting in 360

member referrals over the year. Tandia continues to increase brand awareness in our communities by promoting the benefits of membership through social media, business development efforts, branch initiatives and by word-of-mouth from our satisfied members.

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



As we look to 2021, we will continue to build awareness within the communities we serve and with our employer groups. We will also leverage technology to increase opportunities for membership growth, as prospective members will be able to join Tandia from the comfort of their home with the introduction of secure online account opening. In addition to our focus on new member acquisition, we remain committed to cultivating our relationships with our valued members, while continually seeking out ways to provide exceptional service.

2020 Community Impact Report

\$140,000
TOTAL SPONSORSHIPS AND DONATIONS

2020 was a challenging year in so many aspects. Despite such an unprecedented year, Tandia was able to adapt and remained as active as ever supporting our communities in new and creative ways. We proudly invested just over \$140,000 in virtual event sponsorships, charitable initiatives and activities. Tandia's primary causes remain helping children in need and promoting financial literacy to benefit all the regions we serve.

Tandia is privileged to reside in and serve communities that are, for the most part, strong

economically with access to education and health care. But COVID-19 drastically impacted employment for many, increasing the number of families struggling to make ends meet. 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 to have a better future. Quickly recognizing more families would be challenged to raise their children with basic necessities, Tandia stepped up to help.

\$20,000
STAFF CHARITABLE GIVING



Tandia is also privileged to have caring employees who thoughtfully choose to make a donation from each pay to our Staff Charitable

Giving Fund. Those donations add up, and each year those thoughtful dollars have a big giving impact.



A Staff Charitable Giving Fund donation to Food4Kids



2020 COMMUNITY IMPACT HIGHLIGHTS

Tandia Supports Diversity and Inclusion

In the spring, the Black Lives Matter movement gave voice around the world to the outrage and pain of racial inequity. Tandia stands in solidarity with the Black community. We have been, and remain, committed to employment equity and diversity. In our support of the fight against racism and to promote inclusion within our organization and our communities, Tandia made \$5,000 donations to the Canadian Race Relations Foundation and the Canadian Anti-Hate Network.



Tandia's donation to the United Way

Financial Literacy Fundraiser

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. One event in particular was one of our most successful financial literacy initiatives of the year. In association with our MemberOne branch in downtown Toronto, we have a financial literacy partnership with WSIB for their employees to deliver in-person workshops. When COVID-19 struck, we were asked to create and deliver a virtual 'Financial Wellness Master Class' webinar instead. WSIB employees were asked to pay a voluntary 'fee' to attend with all proceeds being donated to The United Way.

Tandia gladly jumped on board and delivered an interactive, one-hour financial wellness webinar specifically tailored to managing finances during the COVID-19 pandemic. The webinar proved very popular and hundreds of employees signed up. They learned about saving for long-term goals while also managing the sudden and unexpected expenses experienced as a result of an emergency, like the pandemic. Through this event, hundreds of people (and their families) learned new financial skills, WSIB raised \$29,000 for the United Way and Tandia topped it off with an additional \$5,000 donation.



Food4Kids

Tandia is a loyal supporter of Food4Kids in Hamilton and Halton. On Fridays at local schools where the need is identified, this charity discreetly provides a generous bag of healthy food that kids can take home – kids who otherwise have limited or no food available to them on weekends. When the COVID-19 pandemic shut schools down, Food4Kids quickly adapted to safely distributing grocery gift cards. In 2020, Tandia contributed \$37,500 to this charity including \$12,500 from the Staff Charitable Giving Fund. Tandia also worked in partnership with the Hamilton Professional Firefighters' Association to raise a \$15,000 donation.



Tandia and HPPFA donate \$15,000 to Food4Kids



Tandia's Holiday donation to The Darling Home for Kids

The Darling Home for Kids

Tandia is proud to support The Darling Home for Kids in Milton, a respite care facility for children with severe health complexities. These children receive wonderful care in a beautiful, warm, home-like environment, which provides comfort and a break for families facing the daily challenges of caring for a child with complex medical needs. In addition to donations earlier in the year, Tandia helped support The Darling Home's "Holly Jolly Days," a full week of virtual activities to celebrate the festive season. Families also received a contactless delivery of a Holiday Cheer Box full of treats and activities including a cuddly teddy bear supplied by Tandia. In total, Tandia contributed \$10,000 to The Darling Home for Kids in 2020.



Toy Mountain

During the Christmas season, Tandia was the lead sponsor of the Toy Mountain campaign with Bell Media/K-Lite FM and The Salvation Army, with a mission to acquire toys and gift card donations for children in our community. While this event also had to be adapted to a virtual format, Tandia was there in spirit on December 10th with K-Lite FM encouraging listeners to donate online to the Toy Mountain Kettle to help reach The Salvation Army's fundraising goal.



Scholarships and Awards

Tandia was proud to present the following in 2020:

- Tandia Post-Secondary Scholarships (5) totalling \$5,000
- Tandia 'Buy My Books' social media campaign – \$2,000
- Brock University Financial Literacy Challenge – \$2,000
- Angel Foundation for Learning (TCDSB) Scholarship – \$1,000



The 'Buy My Books' contest winner

Additional Community Support

Other charitable initiatives supported by Tandia in 2020 include:

- ROCK – Reach Out Centre for Kids (Halton)
- Learning Disabilities Association of Halton-Hamilton (LDAHH)
- Terry Fox Run (Acton)
- The Baby Depot (Hamilton)
- Hamilton Foundation for Student Success (HWDSB Foundation)
- Halton Women's Place



Halton Women's Place receives a \$5,000 donation from Tandia

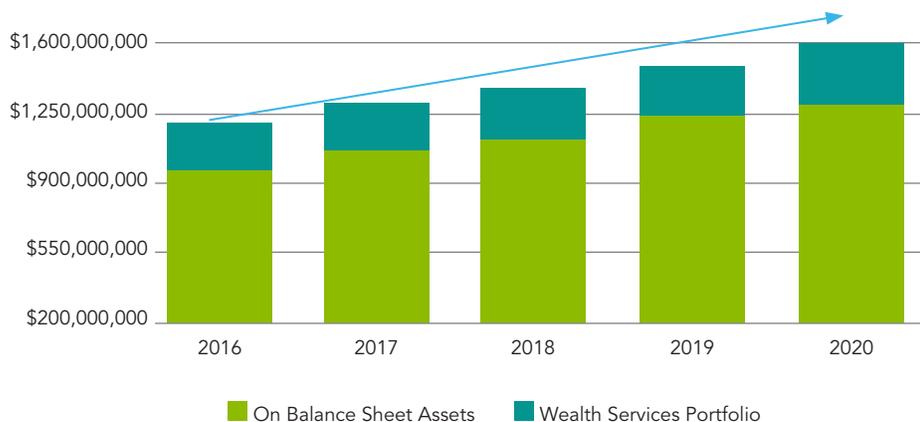
Our Sincere Thanks

Overcoming the challenges of 2020 to ensure we upheld our commitment to make a positive social impact in our communities is something we can all be proud of. We thankfully acknowledge the enthusiastic support of our employees, management, Board of Directors and members who unwaveringly supported us in our community investment efforts.



SANDY ALWARD
SVP, Finance &
Administration

Financial Performance Highlights



\$1.3
BILLION
TOTAL ASSETS

\$44
MILLION
REVENUE

\$1
BILLION
LOANS

\$954
MILLION
DEPOSITS

\$301
MILLION
WEALTH
DEPOSITS

\$2.5
MILLION
INCOME

2020 Financial Performance

2020 was one of the most difficult years that Tandia has faced which affected every person and the global economy due to the widespread COVID-19 pandemic. The COVID-19 pandemic has also negatively impacted Tandia's financial results including higher provisions for expected credit losses (ECL), lower loan growth, strong deposit growth, a negative impact on revenue from lower interest rates and changes due to the impact of market volatility.

Total assets under administration that include members' loans, on book deposits and Wealth Management deposits ended at \$1.6 billion, increasing 7% (or \$102 million) in the year. During 2020 loan growth was low at 2% while the deposits grew by \$75 million or 8% and Wealth Management off-book deposits increased 9% or \$25 million over 2019. 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.

The overall total loan portfolio grew by 2% or \$21 million to reach \$1.05 billion at December 31, 2020. Restrictions on economic activity intending to curb the pandemic resulted in a steep decline in housing market activity at the beginning of 2020. However, the housing market rebounded strongly with home sales surpassing pre-pandemic levels and prices rising sharply. This, along with the lower interest rate

environment created stronger results in the fourth quarter as our residential mortgages grew by \$38 million or 6% compared to 2019 which saw only 0.4% growth. Tandia continued to run off the brokered line of business resulting in personal loans contracting by 19% or a decline of \$8 million. Additionally, members had more liquidity to pay down their personal lines of credit. In the commercial lending portfolio, Tandia had significant construction draws of \$25 million, growth in term debt loans of \$39 million and \$5 million growth in investment mortgages which increased commercial lending by \$81 million. This growth was reduced by the significant number of payouts which resulted in a contraction of the commercial lending portfolio by 3% or \$9 million.

However, to support small businesses experiencing cash flow challenges during this pandemic, the Canadian Federal Government established many programs in which financial institutions including Tandia assisted with their financial relief. The Canada Emergency Business Account (CEBA) allowed Tandia to facilitate interest-free loans up to \$40,000 to existing small business members as a source of liquidity for immediate operating costs. The loans are funded by the Government of Canada with the credit union retaining no credit risk. At the end of December 31, 2020, Tandia had facilitated the administration of relief to 61 small business members who have enrolled in these programs, with a corresponding total of \$2.4 million.



Tandia was very successful in achieving the deposit goals and grew by more than plan.



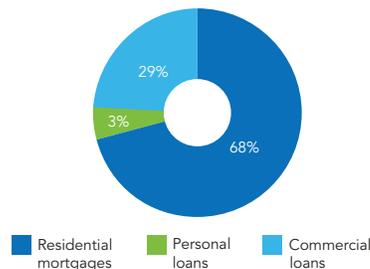
Since March, the credit union granted payment deferrals to over 293 retail and commercial accounts. Requests for payment deferrals peaked in the second quarter and have declined significantly thereafter. Tandia's members have resumed payments after exiting the deferral program and at the end of December 31, 2020 there were only six loans totalling \$8.8 million in the deferral

program and very few deferrals extended past January 31, 2021.

The following chart summarizes our total loan growth percentage change over 2019 and the portfolio mix is the ratio of a category to the total loan portfolio. Overall, the asset mix is consistent from the prior year, with a small shift between the retail and commercial portfolios.

	2020 Growth	Portfolio Mix	2019 Growth	Portfolio Mix
Personal Loans	(19%)	3%	(11%)	4%
Residential Mortgage Loans	6%	68%	.4%	66%
Commercial Lending	(3%)	29%	4%	30%
Total	2%	100%	1%	100%

LOAN MIX



Advisors to grow our off-book deposits by \$25 million or 9%. Our Aviso Wealth partner offers a platform with the necessary scale and resources to meet the evolving needs of our members.

The cash and investment portfolio increased by \$53 million or 32% over 2019 as the deposit growth was much higher than the loan growth. The interest revenues from investments increased by 64% which helped absorb the lower earnings from the lending portfolio. All investments made were in accordance with Board approved Investment Policies.

Securitization continues to be a very important part of our funding strategy and, with the tremendous economic impact of the pandemic, the Federal Government introduced numerous measures to ensure Canada's financial markets functioned as smoothly as possible. One such measure was the temporary expansion of eligible mortgages for the securitization programs. As a result, Tandia took advantage of this program due to the low cost of funds and securitized almost \$70 million during 2020. Most of these mortgages were securitized into the NHA MBS program and held on balance sheet as High-Quality Liquid Assets (HQLA).

The loan allowance at the end of 2020 has increased from the prior year by 4% but was stable at 0.31% of total loans. During 2020, the economic indicators used in the calculation of the loan losses worsened because of the pandemic which increased the provision by 23% or \$320 thousand over 2019.

Once again Tandia was very successful in achieving the deposit goals and grew by more than plan. Our members entrusted over \$75 million with us, largely in demand deposits. This growth reflected members spending less during lockdown restrictions and the depositing of funds from government-backed programs. Similarly, our members accepted advice and expertise from Tandia's Wealth Management



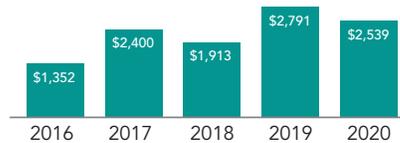
Tandia is proud to have achieved its lowest Operating Expenses ratio in 2020.



The financial margin strengthened by 7%.



TOTAL COMPREHENSIVE INCOME (NORMALIZED, 000's)



Total comprehensive income ended at \$2.5 million at the end of December 31, 2020, which is down from 2019 levels by 9% or \$252 thousand. Our 2020 income results far exceeded expectations given the pandemic environment

The Bank of Canada took steps to stimulate the economy through reductions in benchmark interest rates. Some of these programs remain in place or have continued to be developed to support the overall economy. During 2020, the Bank of Canada dropped their overnight target rate and therefore Tandia's prime rate was also dropped in early 2020. Total financial revenues increased by 0.98% or \$430 thousand and the financial expense declined by 5% or \$1.1 million. The financial margin strengthened (financial revenues minus financial expenses) by 7% or \$1.6 million and ended the year at 1.93% of average assets. The income earned from investments helped absorb the lower lending revenues and since members preferred demands over term deposits, the rates on demands are lower which reduced interest expenses.

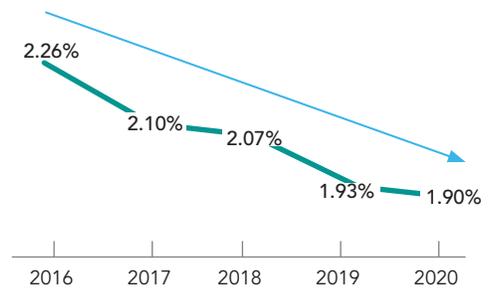
FINANCIAL MARGIN (000's)



Other (non-interest) income, which consists of service charges, insurance commissions, foreign exchange, lending fees and wealth management services ended at \$4.3 million, an 18% decrease over 2019. However, the 2019 Other Income includes a gain on sale of real estate and without this gain the other income would be flat year-over-year.

Total operating expenses (Opex) of the Credit Union increased by 6% or \$1.4 million over 2019. Operating expenses are also expressed as a percentage of average assets and Tandia is proud to have achieved its lowest ratio in 2020 at 1.90%, trending down since the high in 2016 at 2.26%. As the credit union grows their assets, expenses as a percentage of average assets should be declining year-over-year. The highest year-over-year increases were in Occupancy costs and computer, office and other equipment costs, 31% and 49% respectively. Tandia moved into new Corporate and Administration offices at the beginning of 2020 as well as relocating two branches in Hamilton and Milton. The higher occupancy costs reflect these new lease costs. In addition, all new locations have adopted new technologies that support communication, security and increased work productivity and benefits both the members and staff. An offset to these higher costs was the reduction in costs of Advertising and Administration.

OPEX AS A % OF AVERAGE ASSETS





The Credit Union has remained in compliance with all legal requirements for Regulatory Capital.



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 2020 in comparison to 2019.

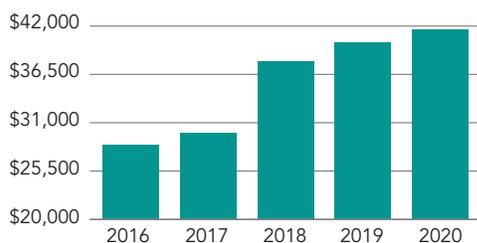
	2020	2019	Change
Regulatory Capital (000's)	\$77,381	\$74,487	\$2,894
Leverage Ratio (% of total assets)	5.96%	6.09%	(0.13%)
Minimum Regulatory Limit	4.00%	4.00%	
Risk Weighted Assets Ratio (% of total risk-weighted assets)	13.29%	12.75%	0.54%
Minimum Regulatory Limit	8.00%	8.00%	
Retained Earnings & Contributed Surplus	\$41,819	\$40,474	1,345
% of Total Capital	54%	54%	

Regulatory capital has increased by \$3 million over 2019 and the leverage ratio at 5.96% is well in excess of the minimum regulatory limit of 4.00%. Tandia continues to focus on maintaining strong capital ratios by building our capital base with high quality retained earnings by producing higher income levels. We have grown our retained earnings and contributed surplus by \$1 million or 3% over 2019. The Risk Weighted Assets Ratio has strengthened in 2020 due to the contraction of commercial lending coupled with the increase in securitized mortgages.

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. Retained earnings remain unchanged from 2019 at 54%. The graph below depicts the growth in Retained Earnings and Contributed Surplus, an increase of 51% since 2016.

Recently, the falling number of positive COVID-19 cases have prompted Ontario to begin easing restrictions on non-essential businesses and schools have re-opened. This, along with a smooth vaccine rollout will be necessary for a sustained economic recovery. In 2021, Tandia's Executive team will remain focused on the final year of the Three-Year Strategic Plan (2019-2021). We continue to reinvest for our long-term growth and remain committed to providing a positive member experience and strengthening our employee culture. The investment in technology over the last few years ensured that, amid significant disruption and uncertainty, many of our team members seamlessly transitioned to working remotely. Tandia's entire team was unwavering in the face of a challenge and made a difference in the lives of our members.

RETAINED EARNINGS AND CONTRIBUTED SURPLUS





MIKE VEERMAN
Audit and
Operational Risk
Committee Chair

Audit and Operational Risk Committee Report

Tandia has maintained an Audit and Operational Risk Committee whose members are appointed by the Board of Directors from among the directors. The Audit and Operational Risk Committee met eight (8) times during 2020 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 2020 Audit and Operational Risk Committee members were: Mike Veerman (Chair), Jackie Aird, Wayne Joudrie and Bruce Neville. Nancy Di Gregorio 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 2020 are as follows:

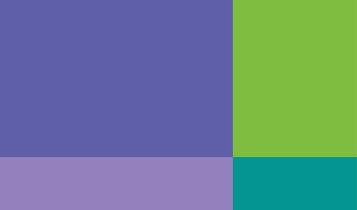
- Confirmed that for the year ended December 31, 2019 there were no material findings outstanding

- Prepared and reviewed the annual evaluations 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. 2020 audits included: Retail and Commercial Credit Risk Management and Commercial Credit Policy Review, Board Governance, Securitization and Treasury Governance and Compliance transactions
- 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 2020

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 2020 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 2020, the Audit and Operational Risk Committee met eight (8) 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

Burlington, Ontario
February 10, 2021

Richard Davies
President & CEO

Sandy Alward
SVP, Finance & Administration

Report of the Independent Auditor on the Summary Financial Statements

**To the Members of
Tandia Financial Credit Union Limited:**

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020, 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, 2020.

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 10, 2021.

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 10, 2021



Chartered Professional Accountants
Licensed Public Accountants

Summary Statement of Financial Position

December 31	2020	2019
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 31,752	\$ 1,385
Investments	187,580	164,840
Loans to members	1,047,360	1,026,119
Other assets	3,285	7,113
Prepaid securitization fees	1,980	1,631
Derivative financial instruments	137	138
Property and equipment	26,939	22,163
Intangible asset	-	84
Deferred income taxes	182	-
	\$ 1,299,215	\$ 1,223,473
Liabilities		
Secured borrowings	\$ 252,912	\$ 250,596
External borrowings	-	8,000
Payables and accruals	1,799	1,186
Income taxes payable	672	294
Deposits of members	954,225	879,571
Derivative financial instruments	206	381
Lease liability	14,919	11,069
Deferred income taxes	-	18
Shares	2,143	2,127
	\$ 1,226,876	\$ 1,153,242
Equity		
Shares	30,520	29,757
Retained earnings	27,453	26,108
Contributed surplus	14,366	14,366
	72,339	70,231
	\$ 1,299,215	\$ 1,223,473

On behalf of the Board

Nancy Di Gregorio,
Chair, Board of Directors

Mike Veerman,
Chair, Audit and Operational Risk Committee

Summary Statement of Comprehensive Income

December 31	2020	2019
	(in thousands)	
Financial income		
Interest on member loans	\$ 29,431	\$ 32,604
Interest on securitized loans	8,218	7,273
Other interest revenue	6,793	4,135
	44,442	44,012
Financial expense		
Interest on member deposits	14,228	15,767
Securizations expense	5,741	5,335
Other interest expense	175	187
	20,144	21,289
Financial margin	24,298	22,723
Other income	4,322	5,242
	28,620	27,965
Provision for impaired loans	1,723	1,403
Operating margin	26,897	26,562
Operating expenses		
Salaries and benefits	13,055	12,897
Computer, office and other equipment	3,428	2,623
Occupancy	3,444	2,319
Administration	1,506	1,718
Advertising and communications	681	1,240
Member security	1,147	1,047
Other	773	796
	24,034	22,640
Net income before taxes	2,863	3,922
Income taxes	324	161
Net income and comprehensive income for the year	\$ 2,539	\$ 3,761

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, 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)	-	-
Balance at December 31, 2019	29,757	26,108	-	14,366	70,231
Net income	-	2,539	-	-	2,539
Distributions to members	-	(1,194)	-	-	(1,194)
Issue of profit shares	8	-	-	-	8
Issue of investment shares	874	-	-	-	874
Redemption of profit shares	(119)	-	-	-	(119)
Balance at December 31, 2020	\$ 30,520	\$ 27,453	\$ -	\$ 14,366	\$ 72,339

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, 2020 and 2019 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

December 31	2020	2019
Increase (decrease) in cash and cash equivalents	(in thousands)	
Operating		
Net income	\$ 2,539	\$ 3,761
Provision for impaired loans	1,723	1,403
Gain on sale of land and building	-	(970)
Depreciation and amortization	3,000	1,873
Deferred income taxes	(200)	70
Fair value of interest rate swap contracts	(174)	21
Interest paid on lease payments	394	156
Changes in members' activities:		
Increase in loans to members (net)	(22,955)	(9,244)
Increase in deposits of members (net)	74,706	72,499
Other non-cash items	4,540	(2,315)
	63,573	67,254
Financing		
Distributions to members	(1,194)	(1,160)
(Repayment of) proceeds from external borrowing	(8,000)	8,000
Increase in secured borrowings	2,316	4,365
Principal repayments of lease liability	(1,389)	(1,061)
Increase in shares (net)	779	809
	(7,488)	10,953
Investing		
Purchase of investments (net)	(22,740)	(87,807)
Proceeds on sale of land and building	-	3,100
Proceeds from tenant inducement	1,813	-
Purchase of property and equipment	(4,791)	(6,536)
	(25,718)	(91,243)
Net increase (decrease) in cash and cash equivalents	30,367	(13,036)
Cash and cash equivalents		
Beginning of year	1,385	14,421
End of year	\$ 31,752	\$ 1,385
Interest received	\$ 44,763	\$ 43,299
Interest paid	\$ 20,747	\$ 19,286
Income taxes paid	\$ 277	\$ 436
Patronage dividends paid	\$ 7	\$ 11

Five Year Financial History

Year End Balances	2020	2019	2018	2017	2016
	(in thousands)				
Statement of Financial Position					
Personal Loans and Lines of Credit	\$ 32,107	\$ 39,609	\$ 44,577	\$ 46,968	\$ 47,455
Mortgage Loans & Meritlines	717,329	679,800	677,072	670,911	614,178
Commercial Loans	299,656	308,183	297,158	265,472	209,053
Less expected credit loss	(3,295)	(3,163)	(1,952)		
Less allowance for loan losses				(1,799)	(1,572)
Accrued Interest Receivable	1,563	1,690	1,415	1,227	1,022
Total Loans	1,047,360	1,026,119	1,018,270	982,779	870,136
Chequing and Savings	373,171	307,532	290,169	295,171	245,350
Term and other Deposits	389,924	381,212	340,127	286,900	276,402
Registered Savings Plans	177,782	177,236	165,526	165,413	155,205
Other Registered Deposits	6,872	6,512	6,231	5,593	5,059
Accrued interest on deposits	6,476	7,079	5,076	3,739	4,221
Shares	32,663	31,883	31,075	30,481	29,469
Total Deposits & Shares	986,888	911,454	838,204	787,297	715,706
Total Balance Sheet Assets	1,299,215	1,223,473	1,125,452	1,087,635	965,224
Annual % Increase	6%	9%	3%	13%	6%
Total Other Assets and Other Services Under Administration	300,871	275,596	241,380	250,509	230,001
Annual % Increase	9%	14%	-4%	9%	9%
Total Assets Under Admin.	1,600,086	1,499,069	1,366,832	1,338,144	1,195,225
Annual % Increase	7%	10%	2%	12%	7%
Statement of Income					
Financial Income	44,442	44,012	39,108	34,114	31,954
Financial Expense	20,144	21,289	17,210	14,201	13,083
Other Income	4,322	5,242	9,508	5,777	4,158
Provision for impaired loan	(1,723)	(1,403)	(448)	(300)	(285)
Operating Margin	26,897	26,562	30,958	25,390	22,744
Total Operating Expenses	24,034	22,640	22,869	21,536	21,230
Income from operations before patronage distributions and income taxes	2,863	3,922	8,089	3,854	1,514
Distribution to members	1,194	1,160	1,128	1,097	868
Income Taxes	324	161	1,587	252	192
Retained Earnings and Contributed Surplus	41,819	40,474	37,860	30,119	27,614
Annual % Increase	3%	7%	26%	9%	2%

