Financial Statements of

TANDIA FINANCIAL CREDIT UNION LIMITED

Year ended December 31, 2024

TANDIA FINANCIAL CREDIT UNION LIMITED

Contents

Year ended December 31, 2024

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To the Members of Tandia Financial Credit Union Limited

Opinion

We have audited the accompanying financial statements of Tandia Financial Credit Union Limited (the Credit Union), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in members' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 28, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Ontario

March 5, 2025

TANDIA FINANCIAL CREDIT UNION LIMITED

Statement of Financial Position
(In thousands of dollars)

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Cash and cash equivalents (note 5)	$ 63,186	$ 85,026
Investments (note 6)	113,232	87,968
Loans to members (note 7)	1,255,540	1,311,368
Other assets (note 10)	2,757	4,287
Income taxes receivable	109	–
Prepaid securitization fees	806	1,235
Derivative financial instruments (note 11)	221	167
Property and equipment (note 9)	20,029	20,779
Deferred income taxes (note 17)	484	294
	$ 1,456,364	$ 1,511,124
Liabilities and Members' Equity		
Liabilities:		
Secured borrowings (note 8)	$ 202,897	$ 266,576
Payables and accruals	3,947	4,986
Income taxes payable	–	7
Deposits of members (note 13)	1,142,601	1,132,354
Derivative financial instruments (note 11)	307	506
Lease liabilities (note 14)	14,046	13,197
Shares (note 15)	3,608	3,844
	1,367,406	1,421,470
Members' equity:		
Shares (note 15)	43,765	45,069
Retained earnings	30,827	30,219
Contributed surplus	14,366	14,366
	88,958	89,654
Commitments (note 21)		
	$ 1,456,364	$ 1,511,124

See accompanying notes to financial statements.

On behalf of the board

__________________________ Director   __________________________ Director

TANDIA FINANCIAL CREDIT UNION LIMITED

Statement of Comprehensive Income
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Financial income:		
Interest on member loans	$ 52,053	$ 48,430
Interest on securitized loans	7,261	7,913
Other interest revenue	8,397	6,245
	67,711	62,588
Financial expense:		
Interest on member deposits	36,891	29,827
Securitizations expense	5,575	6,696
Other interest expense	151	164
	42,617	36,687
Financial margin	25,094	25,901
Other income (note 18)	4,852	5,435
Provision for impaired loans (note 7)	903	258
Operating margin	29,043	31,078
Operating expenses:		
Salaries and benefits	14,871	15,365
Computer, office and other equipment	3,915	4,340
Occupancy	3,485	3,128
Administration	1,428	1,617
Advertising and communications	430	752
Member security	1,402	1,280
Other	818	1,147
	26,349	27,629
Net income before taxes	2,694	3,449
Income taxes (note 17)	76	210
Net income and comprehensive income for the year	$ 2,618	$ 3,239

See accompanying notes to financial statements.

TANDIA FINANCIAL CREDIT UNION LIMITED

Statement of Changes in Members' Equity
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	Shares	Retained earnings	Contributed surplus	Total
Balance at December 31, 2022	$ 46,027	$ 29,573	$ 14,366	$ 89,966
Net income	–	3,239	–	3,239
Distributions to members (note 16)	–	(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
Net income	–	2,618	–	2,618
Distributions to members (note 16)	–	(2,010)	–	(2,010)
Issue of profit shares	–	–	–	–
Issue of investment shares	1,573	–	–	1,573
Redemption of profit shares	(116)	–	–	(116)
Redemption of investment shares	(2,761)	–	–	(2,761)
Balance at December 31, 2024	$ 43,765	$ 30,827	$ 14,366	$ 88,958

See accompanying notes to financial statements.

TANDIA FINANCIAL CREDIT UNION LIMITED

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Net income	$ 2,618	$ 3,239
Provision for impaired loans	903	258
Depreciation and amortization	2,767	2,501
Loss on disposal of capital assets (net)	25	–
Deferred income taxes	(190)	40
Fair value of interest rate swap contracts	(253)	384
Interest paid on lease liabilities	490	355
Changes in members' activities:		
Decrease in loans to members (net)	54,925	34,780
Increase in deposits of members (net)	10,247	18,203
Other non-cash items (note 22)	804	2,481
	72,336	62,241
Financing activities:		
Distributions to members	(2,010)	(2,593)
Repayment of external borrowings	–	(3,000)
Decrease in secured borrowings	(63,679)	(40,884)
Principal repayments of lease liabilities	(1,315)	(1,043)
Decrease in shares (net)	(1,540)	(1,064)
	(68,544)	(48,584)
Investing activities:		
(Purchase of) proceeds from investments (net)	(25,264)	41,368
Purchase of property and equipment	(368)	(272)
	(25,632)	41,096
(Decrease) increase in cash and cash equivalents	(21,840)	54,753
Cash and cash equivalents, beginning of year	85,026	30,273
Cash and cash equivalents, end of year	$ 63,186	$ 85,026
Supplementary cash flow information:		
Interest received	$ 67,006	$ 62,482
Interest paid	41,271	30,718
Income taxes paid	614	139
Patronage dividends paid	–	33

See accompanying notes to financial statements.

1. Governing legislation and nature of operations:

Tandia Financial Credit Union ("Tandia") is incorporated under the Credit Unions and Caisses Populaires Act (the "Act") and its operations are subject to the Financial Institutions Act of Ontario. Tandia is a member of Central 1 Credit Union ("Central 1") and it serves Members in southern Ontario. The location of the head office is 3455 North Service Road, Burlington, Ontario, Canada.

Tandia exists to help members meet their financial needs in their local communities. Tandia's principal activities are the provision of deposit-taking and other financial services on a co-operative basis.

Tandia's member deposits are insured by the Financial Services Regulatory Authority of Ontario ("FSRA") under a mandatory program, the expense for which amounted to $789 (2023 - $661).

These financial statements have been approved and authorized for issue by the Board of Directors on March 5, 2025.

2. Basis of presentation and compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as interpretations issues by the IFRS Interpretations Committee ("IFRIC").

These financial statements were prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value.

Tandia's functional and presentation currency is the Canadian dollar. The financial statements are presented in thousands of Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying Tandia's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of material accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, current accounts with Central 1, net of bank indebtedness and short-term deposits with original maturities of three months or less from the date of acquisition.

3. Summary of material accounting policies (continued):

(b) Financial instruments:

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Under IFRS 9, all financial instruments are initially measured at fair value. Subsequent to initial recognition, all financial assets, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost. Financial assets are reclassified between measurement categories only when the business model for managing them changes.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and whether its contractual cash flow characteristics represent solely payments of principal and interest ("SPPI"). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated and instead, the financial instrument as a whole is assessed for classification.

Financial assets at amortized cost:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method.

Tandia measures loans to members, cash and cash equivalents and high quality liquid assets (HQLA) at amortized cost.

Financial assets at fair value through profit or loss (FVTPL):

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply, as disclosed below.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3. Summary of material accounting policies (continued):

(b) Financial instruments (continued):

Financial assets at fair value through profit or loss (FVTPL) (continued):

Tandia's derivative financial instruments, guaranteed investment certificates (GICs), bonds, corporate equities, Central 1 Credit Union shares, deposit notes, portfolio investments and other investments are classified as FVTPL.

Financial assets at fair value through other comprehensive income (FVOCI):

Tandia accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income ("OCI") will be recycled upon derecognition of the asset. Tandia does not have any financial assets categorized as FVOCI.

Recognition and derecognition:

Financial assets and financial liabilities are recognized when Tandia becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial liabilities:

Under IFRS 9, those fair value changes are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in OCI and (ii) the remaining amount of change in the fair value is presented in earnings or loss.

Tandia's financial liabilities include secured borrowings, deposits of members, payables and other liabilities, shares and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless Tandia designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Summary of material accounting policies (continued):

(c) Impairment of financial assets:

Under IFRS 9, impairment requires the use of more forward-looking information to recognize expected credit losses – the expected credit loss ("ECL") model. Recognition of credit losses requires Tandia to consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that Tandia expects to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

ECL stage development:

The model has three stages:

(Stage 1) On initial recognition of the financial instrument, a loss allowance is recognized and maintained equal to 12 months of ECL. 12-month ECL is defined as the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the 12 months after the reporting date.

(Stage 2) If credit risk increases significantly relative to initial recognition of the financial instrument, the loss allowance is increased to cover full lifetime ECL. In assessing whether credit risk has increased significantly, Tandia compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument as at the date of its initial recognition. Evidence of increased credit risk is observed when the financial instrument is 30 days or more past due on its contractual payment obligations or the financial instrument has had an unfavorable movement in internal risk ratings. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, Tandia places the financial instrument in the Stage 1 category and reverts to recognizing 12 months of ECL.

3. Summary of material accounting policies (continued):

(c) Impairment of financial assets (continued):

ECL stage development (continued):

(Stage 3) When a financial instrument is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Tandia considers a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears is automatically considered impaired. Any financial instruments where the borrower has filed for bankruptcy or consumer proposal will also be re-staged to Stage 3.

Due to the inclusion of relative credit deterioration criteria and consideration of forward-looking information (“FLI”), lifetime credit losses are generally recognized earlier under IFRS 9. Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Changes in the loss allowance, including the movement between 12 months and lifetime expected credit losses, is recorded in the statement of comprehensive income.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is evidence that there is no realistic prospect of future recovery. When financial instruments are secured, this is generally after all collateral has been realized or transferred to Tandia, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In events where a bankruptcy or consumer proposal occurs, management will file all required documentation with the Trustee and realize on any available security with the unrecoverable balance being immediately written off. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for losses.

(d) Derivative financial instruments:

Derivative financial instruments are financial contracts that require or provide an option to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Tandia periodically enters into derivative contracts to manage financial risks associated with movements in interest rates and other financial indices. Tandia’s policy is not to utilize derivative financial instruments for trading or speculative purposes.

3. Summary of material accounting policies (continued):

(e) Hedges:

Tandia, in accordance with its risk management strategies, enters into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates. Tandia manages interest rate risk through interest rate swaps.

Derivative financial instruments are accounted for at fair value through profit and loss (“FVTPL”) except for derivatives designated as hedging instruments which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and Tandia's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The hedged item is reliably measurable; and
- The hedging relationship meets all of the hedge effectiveness requirements described above at inception and on an ongoing basis. Tandia has chosen to test the effectiveness of its hedges on a monthly basis.

All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the statement of financial position. The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments.

For fair value hedges that meet the hedging documentation criteria, the hedged asset is adjusted for fair value changes attributable to the risk being hedged and the hedging instrument is measured at fair value. Gains and losses resulting from changes in the fair value are recorded in the statement of comprehensive income as other income.

3. Summary of material accounting policies (continued):

(e) Hedges (continued):

If Tandia closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the accumulated other comprehensive income to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss.

(f) Other non-hedge derivatives:

Tandia classifies certain financial assets upon initial recognition at fair value through profit or loss. Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits, and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

Foreign exchange contracts are used to hedge Tandia's net US dollar liability position.

(g) Loans to members:

Loans are initially measured at fair value and subsequently re-measured at their amortized cost, net of allowance, using the effective interest rate method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest for all loans is accounted for on the accrual basis.

(h) Loan fees:

The accounting treatment for loan fees varies depending on the transaction. Fees that are considered to be material and an adjustment to loan yield are deferred and amortized using the effective interest method. Mortgage prepayment fees are recognized in other interest income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the average remaining term of the original mortgages.

3. Summary of material accounting policies (continued):

(i) Bad debts written off:

Bad debts are written off from time to time as determined by management and approved by the Management Credit Committee, and reported to the Board of Directors, when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write-offs are recognized as expenses in net income.

(j) Mortgage securitizations:

Loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method.

(k) Interest income and expense:

Interest income and expense is recognized in the statement of comprehensive income for all interest-bearing financial instruments classified as held to maturity, available for sale, loans and receivables and other financial liabilities using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, Tandia estimates cash flows (using projections based on its experience of members' behavior) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

(l) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year-end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in income for the year.

3. Summary of material accounting policies (continued):

(m) Property and equipment:

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment (losses), with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	20 to 40 years
Equipment and furniture	3 to 10 years
Electronic equipment	5 years
Capital and leasehold improvements	5 to 10 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within “other income” or “other expenses”.

(n) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset’s cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net earnings, except to the extent they reverse gains previously recognized in other comprehensive income.

(o) Leased assets:

Tandia as a lessee:

Tandia makes the use of leasing arrangements principally for the provision of office space and branch locations. The rental contracts for offices and branches are typically negotiated for terms of between 3 and 20 years and some of these have extension terms. Tandia assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

3. Summary of material accounting policies (continued):

(o) Leased assets (continued):

Measurement and recognition of leases as a lessee:

At lease commencement date, Tandia recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by Tandia, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Tandia depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Tandia also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, Tandia measures the lease liability at the present value of the lease payments unpaid at that date, discounted using Tandia's incremental borrowing rate. The incremental borrowing rate is the estimated rate that Tandia would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of Tandia.

Measurement and recognition of leases as a lessee (continued):

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using Tandia's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in profit or loss.

3. Summary of material accounting policies (continued):

(o) Leased assets (continued):

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

Tandia has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Tandia as a lessor:

As a lessor, Tandia classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

(p) Deposits:

All Member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

(q) Members' shares:

Membership shares are classified as liabilities or as members' equity according to their terms. Where shares are redeemable at the option of the member, on demand upon withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of Tandia's board of directors, the shares are classified as equity, as per IFRIC 2 Members' Shares in Cooperative Entities and Similar Instruments.

(r) Distributions to members:

Patronage distributions are recognized in net income or members' equity when circumstances indicate Tandia has a constructive obligation that it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

3. Summary of material accounting policies (continued):

(s) Income taxes:

Tandia follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on Tandia forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when Tandia has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(t) New standards and interpretations not yet effective:

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- settling financial liabilities using electronic payments systems; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

Tandia is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

3. Summary of material accounting policies (continued):

(t) New standards and interpretations not yet effective (continued):

- entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

Tandia is in the process of assessing the impact of the new standard, particularly with respect to the structure of Tandia's statement of comprehensive income, statement of cash flows and the additional disclosure required for MPMs. Tandia is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

4. Significant management judgment in applying accounting policies and estimation uncertainty:

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

(a) Estimates:

Allowance for expected credit losses:

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by loan type and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination, and certain other criteria, such as 30-day past due and delinquency status. The assessment of a significant increase in credit risk requires experienced credit judgment.

4. Significant management judgment in applying accounting policies and estimation uncertainty:

(a) Estimates:

Allowance for expected credit losses (continued):

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. Refer to Note 7 for information relating to this estimate.

Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

The actual results may vary and may cause significant adjustments to Tandia's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2024, management assesses that the useful lives represent the expected utility of the assets to Tandia. The carrying amounts are analyzed in Note 9. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

Fair value of financial instruments:

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer to Note 24 for information relating to these estimates.

4. Significant management judgment in applying accounting policies and estimation uncertainty (continued):

(a) Estimates (continued):

Leases - determination of the appropriate discount rate to measure lease liabilities:

Tandia enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, Tandia uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that Tandia would have to pay to borrow over similar terms which requires estimations when no observable rates are available. Tandia consults with its main financial institutions to determine what interest rate they would expect to charge Tandia to borrow money to purchase a similar asset to that which is being leased. These rates are, where necessary, then adjusted to reflect the credit worthiness of the entity entering into the lease and the specific condition of the underlying leased asset. Refer to Note 14 for information relating to these estimates.

Income taxes:

Tandia periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, Tandia records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. Refer to Note 17 for information relating to these estimates.

(b) Judgments:

Allowance for expected credit losses:

In determining whether an impairment loss should be recorded in the statement of comprehensive income Tandia makes judgment on whether objective evidence of impairment exists individually for financial assets that are individually significant.

Where this does not exist, Tandia uses its judgment to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

(In thousands of dollars)

5. Cash and cash equivalents:

	2024	2023
Cash, current accounts, items in transit net of bank indebtedness	$ 38,039	$ 22,064
Net banker's acceptances & commercial papers maturing in three months or less	22,409	59,651
Net term deposits callable or maturing in three months or less	2,738	3,311
	$ 63,186	$ 85,026

Tandia maintains its current accounts, banker’s acceptances, commercial papers and term deposits with Central 1.

6. Investments:

	2024	2023
High quality liquid assets (HQLA)	$ 86,154	$ 82,991
Portfolio investments	–	2,108
Central 1 Credit Union shares	2,314	2,338
Bonds	24,234	–
Corporate equities	524	525
Other investments	6	6
	$ 113,232	$ 87,968

The Mandatory Liquidity Pool (“MLP”) consisting of high-quality liquid assets (HQLA) meets regulatory requirements and ensures the funds are bankruptcy remote and creditor-proof. The HQLA investments are due within five years. At maturity, these investments are reinvested at market rates for various terms.

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. Tandia’s allocation of Central 1 shares is based on asset size relative to other Class “A” members. Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis. Tandia does not intend to dispose of any Central 1 shares in the near future. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

(In thousands of dollars)

6. Investments (continued):

Portfolio investments are comprised of mortgage-backed securities. They are held with Community Trust Company, have varying maturity dates, and are classified as FVTPL.

The bonds and corporate equities investments which are held with Central 1 and National Bank, have varying maturity dates, and are classified as FVTPL.

Other investments are comprised of Genifi Inc. Units and are classified as FVTPL.

7. Loans to members:

	2024	2023
Residential mortgage loans bear interest at an average annual rate of 3.89% (2023 - 3.77%) and are receivable in blended principal and interest instalments for a maximum amortization period of 30 years. Some mortgages are open and at the option of the borrower may be paid off at any time without notice or penalty. Principal amount due within one year is estimated at $318,128 (2023 - $309,499).	$ 806,362	$ 855,438
Personal loans and lines of credit bear interest at an average annual rate of 8.32% (2023 - 9.20%) and are receivable in blended principal and interest instalments for a maximum amortization period of 15 years. Principal amount due within one year is estimated at $14,353 (2023 - $16,849).	16,014	18,638
Commercial mortgage loans bear interest at an average annual rate of 6.03% (2023 - 5.87%) and are receivable in blended principal and interest instalments for a maximum amortization period of 30 years. Principal amount due within one year is estimated at $234,378 (2023 - $208,584).	434,067	437,882
Accrued interest receivable	2,714	2,250
	1,259,157	1,314,208
Less: expected credit loss	3,617	2,840
	$ 1,255,540	$ 1,311,368

(In thousands of dollars)

7. Loans to members (continued):

(a) Concentration of risk:

Tandia has an exposure to groupings of individual loans or related groups of member loans which exceed 10% of members' equity. There are 7 loan connections with balances outstanding greater than 10% of members' equity ranging from $9,204 to $11,748.

Tandia's commercial loan portfolio consists of the following industry sectors:

	2024	2023
Retail and commercial buildings	55%	58%
Hospitality	14%	11%
Construction	11%	9%
Other	20%	22%

(b) Funds under administration:

Canada Emergency Business Account ("CEBA"):

At December 31, 2024, Tandia has disbursed loans in the amount of $380 (2023 - $1,451) on behalf of Central 1 related to the CEBA program. This amount has not been included in the loans balance on the statement of financial position.

Syndicated loans:

At December 31, 2024, Tandia has syndicated loans which have been issued and are administered in the capacity as an agent in the amount of $34,203 (2023 - $44,907). This amount has not been included in the loans balance on the statement of financial position.

Other loans:

In 2022, Tandia sold a pool of residential mortgages to another credit union, which were derecognized on the sale date. Subsequent to the sale, Tandia administers these loans in the capacity as an agent. At December 31, 2024, the balance of the remaining loans being administered is $Nil (2023 - $5,107). This amount is not included in the loans balance on the statement of financial position. No such mortgages were sold during 2024 or 2023.

(In thousands of dollars)

7. Loans to members (continued):

(c) Allowance for expected credit loss:

2024	Beginning balance	Provision	Write-offs less recoveries	Ending balance
Personal loans	$ 412	$ 63	$ (126)	$ 349
Residential mortgage loans	717	118	–	835
Commercial loans	1,711	722	–	2,433
	$ 2,840	$ 903	$ (126)	$ 3,617

2023	Beginning balance	Provision	Write-offs less recoveries	Ending balance
Personal loans	$ 445	$ 4	$ (37)	$ 412
Residential mortgage loans	660	74	(17)	717
Commercial loans	1,531	180	–	1,711
	$ 2,636	$ 258	$ (54)	$ 2,840

The following tables reconcile the opening and closing allowance for loans to members, by stage, for each major product category. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding re-measurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period, including those assets that were derecognized following a modification of terms.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- During the twelve months ended December 31, 2024, there were no significant changes to the models used to estimate expected credit losses.

(In thousands of dollars)

7. Loans to members (continued):

(c) Allowance for expected credit loss (continued):

Personal loans:

2024	Stage 1	Stage 2	Stage 3	Ending balance
Balance, beginning of year	$ 164	$ 136	$ 112	$ 412
Remeasurements	(18)	13	68	63
Write-offs less recoveries	–	–	(126)	(126)
Balance, end of year	$ 146	$ 149	$ 54	$ 349

Residential mortgage loans:

2024	Stage 1	Stage 2	Stage 3	Ending balance
Balance, beginning of year	$ 166	$ 279	$ 272	$ 717
Remeasurements	107	40	(29)	118
Write-offs less recoveries	–	–	–	–
Balance, end of year	$ 273	$ 319	$ 243	$ 835

Commercial loans:

2024	Stage 1	Stage 2	Stage 3	Ending balance
Balance, beginning of year	$ 942	$ –	$ 769	$ 1,711
Remeasurements	(14)	147	589	722
Write-offs less recoveries	–	–	–	–
Balance, end of year	$ 928	$ 147	$ 1,358	$ 2,433

(In thousands of dollars)

7. Loans to members (continued):

(d) Key assumptions in determining the allowance for expected credit losses:

The measurement of ECL is a complex calculation that involves a large number of interrelated variables. The key drivers of changes in ECL include the following:

- Changes in the credit quality of the borrower or instrument, reflected in changes in internal or external risk ratings. Tandia’s risk rating process assigns a score to each commercial loan based on industry standards as outlined by FSRA. Residential mortgages and personal loans are assigned a risk rating collectively by product type and security. All commercial and revolving residential mortgages/personal loans are reviewed annually, and their risk ratings updated accordingly;
- Changes in forward-looking macroeconomic conditions. Management utilizes statistically significant provincial data for unemployment rates and real estate rates and national data for real GDP, household debt levels and government of Canada 3-month bond rates. The inputs used in the model for calculating ECL may not always capture all characteristics of the market at the reporting date. To capture portfolio characteristics and risks, adjustments are made using management judgment. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, Tandia considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Tandia's historical experience and expert credit assessment, delinquency and monitoring, and macroeconomic outlook including forward-looking information. There is a rebuttable presumption that the risk of default has increased since initial recognition when contractual payments are more than 30 days overdue. For loans past due more than 90 days, default is presumed to have occurred.
- Changes in scenario design and the weights assigned to each scenario; and
- Migration between stages, which can be triggered by changes to any of the above inputs.

At December 31, the balances of loans in the portfolio (excluding accrued interest and expected credit loss) were as follows:

2024	Residential mortgages	Personal loans	Commercial mortgages	Total
Current	$ 798,667	$ 15,401	$ 416,291	$ 1,230,359
Less than 30 days in arrears	4,291	545	7,417	12,253
30 to 89 days	–	31	8,327	8,358
90 to 179 days	712	10	60	782
More than 180 days	2,692	27	1,972	4,691
Balance, end of year	$ 806,362	$ 16,014	$ 434,067	$ 1,256,443

(In thousands of dollars)

7. Loans to members (continued):

(d) Key assumptions in determining the allowance for expected credit losses (continued):

2023	Residential mortgages	Personal loans	Commercial mortgages	Total
Current	$ 838,817	$ 17,802	$ 427,657	$ 1,284,276
Less than 30 days in arrears	13,243	795	1,595	15,633
30 to 89 days	2,819	11	2,091	4,921
90 to 179 days	–	26	6,539	6,565
More than 180 days	559	4	–	563
Balance, end of year	$ 855,438	$ 18,638	$ 437,882	$ 1,311,958

Details of impaired loans are as follows:

2024	Impaired loans balance	Related security less expected costs	ECL
Personal loans	$ 183	$ 129	$ 54
Residential mortgage loans	5,734	5,491	243
Commercial loans	3,358	2,000	1,358
Balance, end of year	$ 9,275	$ 7,620	$ 1,655

2023	Impaired loans balance	Related security less expected costs	ECL
Personal loans	$ 880	$ 768	$ 112
Residential mortgage loans	4,006	3,734	272
Commercial loans	6,553	5,784	769
Balance, end of year	$ 11,439	$ 10,286	$ 1,153

8. Mortgage securitizations:

Tandia enters into loan securitization transactions. In accordance with Tandia’s accounting policy, the transferred financial assets continue either to be recognized in their entirety or to the extent of the continuing involvement, or are derecognized in their entirety. Tandia does not have any off-balance sheet securitized loans (2023 - $Nil).

Transferred financial assets that are not derecognized in their entirety:

The table below sets out the carrying amounts related to transferred loans to members that are not derecognized in their entirety and any associated liabilities. All loans to members are classified as loans and receivables and are measured at amortized cost in the statement of financial position.

	2024	2023
Carrying amounts of assets, included in loans to members	$ 199,590	$ 265,438
Carrying amount of associated liabilities, recognized as secured borrowings	202,897	266,576

Tandia does not have the ability to use the transferred assets during the term of the arrangement.

(In thousands of dollars)

9. Property and equipment:

	Land	Buildings	Equipment and furniture	Electronic equipment	Leasehold improvements	Vehicles	Total
Cost							
Balance on December 31, 2022	$ 930	$ 16,453	$ 2,669	$ 4,652	$ 9,947	$ 28	$ 34,679
Additions	–	–	48	199	25	–	272
Disposals	–	–	–	–	–	–	–
Balance on December 31, 2023	930	16,453	2,717	4,851	9,972	28	34,951
Additions	–	1,674	83	96	189	–	2,042
Disposals	–	(223)	(71)	–	(29)	–	(323)
Balance on December 31, 2024	930	17,904	2,729	4,947	10,132	28	36,670
Accumulated depreciation							
Balance on December 31, 2022	–	3,668	1,374	3,298	3,303	28	11,671
Depreciation expense	–	588	248	710	955	–	2,501
Disposals	–	–	–	–	–	–	–
Balance on December 31, 2023	–	4,256	1,622	4,008	4,258	28	14,172
Depreciation expense	–	1,092	223	487	965	–	2,767
Disposals	–	(223)	(50)	–	(25)	–	(298)
Balance on December 31, 2024	–	5,125	1,795	4,495	5,198	28	16,641
Net book value							
December 31, 2023	$ 930	$ 12,197	$ 1,095	$ 843	$ 5,714	$ -	$ 20,779
December 31, 2024	930	12,779	934	452	4,934	-	20,029

(In thousands of dollars)

9. Property and equipment (continued):

As at December 31, 2024, right-of-use assets with a cost of $15,915 (2023 - $14,464) relating to nine premises leased by Tandia are included in buildings above. During the year, depreciation charged on right-of-use assets was $1,042 (2023 - $538), resulting in accumulated depreciation of $4,577 (2023 - $3,758), leaving a net book value of $11,338 (2023 - $10,706). During the year, management renewed one lease agreement for an additional 5-year term applying an incremental borrowing rate of 4%. No new leases were entered into during the year. The length of lease term varies lease by lease but maturities range between 2029 and 2040. Management has exercised lease extension terms on nine of the nine leases.

10. Other assets:

	2024	2023
Other accounts receivable	$ 1,641	$ 2,583
Prepaid expenses	1,116	1,704
	$ 2,757	$ 4,287

11. Derivative financial instruments:

Asset liability management:

In the ordinary course of business, Tandia purchases derivative instruments from Central 1 and Concentra in order to hedge against exposure to interest rate fluctuations.

Derivative instruments have a fair value that varies based on the particular instrument and changes in interest rates; the purpose of these instruments is to provide a hedge against interest rate fluctuations by improving Tandia's matching of its asset and liability position.

Foreign exchange forward contracts:

Tandia offers deposit products denominated in US dollars. In order to meet liquidity reserve requirements, Tandia sells US dollars and to hedge the exchange risk.

(In thousands of dollars)

11. Derivative financial instruments (continued):

The following tables summarize the notional amounts and fair value of Tandia's derivative portfolio as at December 31, 2024 and 2023.

2024	Within 1 year	1 to 5 Years	Over 5 years	Total	Fair value Assets	Fair value Liabilities
Received fixed interest rate swaps	$ 100,000	$ –	$ –	$ 100,000	$ –	$ 86

2023	Within 1 year	1 to 5 Years	Over 5 years	Total	Fair value Assets	Fair value Liabilities
Received fixed interest rate swaps	$ 100,000	$ 100,000	$ –	$ 200,000	$ –	$ 339

No active hedge accounting relationships have been designated during the year.

Index linked term deposits:

Tandia offers deposit products linked to changes in the stock exchange index. Tandia hedges the underlying risk of these products by entering into an interest rate contract with an approved counterparty.

Consequently, Tandia has entered into a hedge agreement with Central 1 to offset the exposure associated with this product, whereby Tandia pays Central 1 a fixed rate of interest for three or five years on the face value of the Index-Linked Term Deposits sold. At the end of the term, Central 1 pays to Tandia an amount equal to the amount that will be paid to the depositor based on the terms and conditions of the index linked contract. Tandia has sold $1,150 (2023 - $1,876) of various Index-Linked Term Deposit products to its members.

As at December 31, 2024, the hedge agreements had fair values of $221 (2023 - $167) which have been recorded as both an asset and liability on the statement of financial position.

12. External borrowings:

Assets have been pledged as security for $60,002 (2023 - $70,002) of authorized credit facilities at Central 1 by an assignment of book debts and a general security agreement. As at December 31, 2024, Tandia had utilized $Nil (2023 - $Nil) of the available credit facilities.

(In thousands of dollars)

13. Deposits of members:

		2024		2023
Term and other deposits	$	622,266	$	592,754
Registered retirement savings plan deposits		102,460		108,564
Registered retirement income fund deposits		79,683		73,918
Other registered deposits		6,983		6,839
Chequing and savings		316,123		336,539
Accrued interest on deposits		15,086		13,740
	$	1,142,601	$	1,132,354

The average composite interest rate in force at December 31, 2024 was 3.19% (2023 - 3.08%).

Terms and conditions:

Chequing and savings deposits are due on demand and bear interest at variable rates ranging from 0.00% up to 4.20% at December 31, 2024 (2023 - 0.00% up to 5.95%). Interest is calculated daily and paid on the accounts monthly.

Term deposits bear interest at fixed rates of interest for terms of up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest rates offered on term deposits issued on December 31, 2024 range from 0.05% to 6.00% (2023 - 0.05% to 6.00%).

Registered retirement savings plans (“RRSPs”) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at rates up to 1.30% at December 31, 2024 (2023 – 2.00%).

Registered retirement income funds (“RRIFs”) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make regular withdrawals from a RRIF account on a monthly, semi-annual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

Registered education savings plans (“RESPs”) consist of both fixed and variable products with terms and conditions similar to those of the RRSPs above and is included in other registered deposits.

Tax-free savings accounts (“TFSAs”) can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above and is included in term and other deposits.

First home savings accounts (“FHSAs”) can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above and is included in other registered deposits.

(In thousands of dollars)

14. Lease liabilities:

Information about leases for which Tandia is a lessee is presented below:

Right-of-use assets:

		2024		2023
Balance, beginning of year	$	10,706	$	11,244
Additions to right-of-use assets		1,674		–
Depreciation charge for the year		(1,042)		(538)
Balance, end of year	$	11,338	$	10,706

Lease liabilities:

		2024		2023
Balance, beginning of year	$	13,197	$	13,885
Additions to lease liabilities		1,674		–
Interest on lease liabilities		490		355
Repayments		(1,315)		(1,043)
Balance, end of year	$	14,046	$	13,197

		2024		2023
Lease liabilities (current)	$	856	$	699
Lease liabilities (non-current)		13,190		12,498
	$	14,046	$	13,197

15. Shares:

	2024				2023			
		Liability		Equity		Liability		Equity
Membership shares	$	646	$	–	$	667	$	–
Profit shares		167		1,500		180		1,616
Investment shares		2,795		42,265		2,997		43,453
	$	3,608	$	43,765	$	3,844	$	45,069

15. Shares (continued):

These shares are not covered by deposit insurance.

(a) Membership shares:

Membership shares, which are classified as liabilities, represent a residual interest in the equity of Tandia. Membership shares are redeemable upon the request of the member and approval of the directors.

Shares are subscribed for at a par value of $5 per share, but payment may be made in instalments. A member is not liable to Tandia for amounts subscribed for in excess of the amount actually paid. Members over the age of 18 are required to retain a minimum of 5 shares as a condition of membership. There were 26,770 members with membership shares at December 31, 2024 (2023 - 27,721).

(b) Profit shares:

Tandia is authorized to issue an unlimited number of Class A non-voting, non-cumulative, non-participating, non-transferable, redeemable profit shares. These shares have been distributed to the membership based on average loan and deposit balances outstanding.

Profit shares are a special class of patronage shares created by Tandia. Tandia by-law restricts aggregate annual redemptions to a maximum of ten percent of the number of Class A shares issued and outstanding at the end of the immediately preceding fiscal year. There were approximately 1,667,000 profit shares issued and outstanding at December 31, 2024 (2023 - 1,796,000).

(c) Investment shares:

Tandia is authorized to issue an unlimited number of Class B – Series 1 non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 2,000 shares per member required to a maximum of 100,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of Tandia. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of 10% of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that Tandia is in compliance with Section 84 of the Credit Unions and Caisses Populaires Act. An appropriate rate has been defined by the directors as a rate which is the greater of 5% or that rate which exceeds by 125 basis points the simple average of Tandia's posted non-callable five-year term deposit rates as of the end of each quarter of Tandia's fiscal year. There were approximately 5,421,000 investment shares issued and outstanding at December 31, 2024 (2023 - 5,790,000).

15. Shares (continued):

(c) Investment shares (continued):

Tandia is authorized to issue an unlimited number of Class B – Series 2 non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 1,000 shares per member required to a maximum of 185,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of Tandia. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of 10% of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that Tandia is in compliance with Section 84 of the Act. An appropriate rate has been defined by the directors as a rate which is the greater of 5% or that rate which exceeds by 125 basis points the simple average of Tandia's posted non-callable five-year term deposit rates as of the end of each quarter of Tandia's fiscal year. There were approximately 6,258,000 investment shares issued and outstanding at December 31, 2024 (2023 - 6,725,000).

Tandia is authorized to issue an unlimited number of Class B – Series 2016 non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 1,000 shares per member required to a maximum of 250,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of Tandia. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of 10% of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that Tandia is in compliance with the Act.

An appropriate rate has been defined by the directors as a rate which is the greater of 4.10% or that rate which exceeds by 125 basis points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada for fiscal years ending before December 31, 2012. For fiscal years ending after that date, the Board had defined an appropriate rate to be equal to or greater than the rate which exceeds by 125 basis points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada. There were approximately 16,277,000 investment shares issued and outstanding at December 31, 2024 (2023 - 17,458,000).

15. Shares (continued):

(c) Investment shares (continued):

Tandia is authorized to issue an unlimited number of Class B – Series 2021 non-voting, non-cumulative, non-participating, non-transferable, redeemable investment shares. These shares have been sold to the membership with a minimum of 1,000 shares per member required to a maximum of 250,000 shares per member. These Class B shares rank prior to the Class A shares with regard to both the payment of dividends and also to the return of capital on dissolution of Tandia. These shares are not redeemable for five years from the date of issuance and thereafter are restricted to aggregate annual redemptions to a maximum of ten percent of the number of Class B shares issued and outstanding at the end of the immediately preceding fiscal year. An appropriate dividend will be declared and paid in each year, at the directors' discretion, provided that Tandia is in compliance with the Act.

An appropriate rate has been defined by the directors as a rate which is the greater of 3.50% or that rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada for fiscal years ending before December 31, 2026. For fiscal years ending after that date, the Board had defined an appropriate rate to be equal to or great than the rate which exceeds by 125 Basis Points the simple average of the yields on the monthly series of the Government of Canada five-year bonds (CANSIM Identifier VI22540) as published by the Bank of Canada. There were approximately 17,104,000 investment shares issued and outstanding at December 31, 2024 (2023 - 16,478,000).

16. Distributions to members:

On December 27, 2024, the Board of Directors declared a dividend of 4.60% (2023 – 5.75%) on Series 1, 2, 2016 and 2021 investment shares. The value of the declared dividend is $2,010 (2023 - $2,593).

(In thousands of dollars)

17. Income taxes:

The significant components of tax expense included in net income are composed of:

		2024		2023
Current tax expense based on current year taxable income	$	273	$	319
True up to prior year		(7)		57
Origination and reversal of temporary differences		(190)		(166)
		(197)		(109)
Total income tax expense	$	76	$	210

Deferred tax assets (liabilities) relate to:

		2024		2023
Non-deductible allowance for doubtful accounts	$	387	$	465
Property and equipment		(395)		(624)
Capital Leases		492		453
Total deferred tax assets (liabilities)	$	484	$	294

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2023 - 26.5%) are as follows:

		2024		2023
Net income before taxes	$	2,694	$	3,449
Expected taxes based on the statutory rate of 26.5%		714		914
Distributions to members charged against retained earnings		(366)		(472)
Credit Union Deduction		(224)		(286)
Other non-deductible portion of expenses		3		10
True up to prior year filing		(61)		57
Other		10		(13)
Total income tax expense	$	76	$	210

(In thousands of dollars)

18. Other income:

	2024	2023
Service charges, commissions and other	$ 2,773	$ 3,508
Wealth management	2,079	1,927
	$ 4,852	$ 5,435

19. Related party transactions:

Tandia's related parties include key management, as those persons having authority and responsibility for planning, directing and controlling the activities of Tandia, including executive management and the board of directors. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Tandia entered into the following transactions with key management personnel, which are defined by IAS 24 *Related Party Disclosures*.

	2024	2023
Compensation:		
Salaries and other short-term employee benefits	$ 1,390	$ 1,307
Total pension and other post-employment benefits	75	75
	$ 1,465	$ 1,382

	2024	2023
Loans to key management personnel:		
Aggregate value of loans balance	$ 721	$ 747
Interest received on loans and lines of credit advanced	56	49
Total value of lines of credit advanced	1,041	1,040
Unused value of lines of credit	826	841

Tandia's policy for lending to key management personnel is that all such loans were granted in accordance with normal lending terms.

(In thousands of dollars)

19. Related party transactions (continued):

	2024	2023
Deposits from key management personnel:		
Aggregate value of term and savings deposits	$ 4,209	$ 4,475
Total interest paid on term and saving deposits	29	53

Tandia's policy for receiving deposits from key management personnel is that all transactions are approved, and deposits accepted in accordance with the same conditions which apply to members for each type of deposit.

20. Other required disclosures

The following disclosures are required under the Credit Unions and Caisses Populaires Act, 2020.

The Credit Unions and Caisses Populaires Act, requires disclosure of the five highest paid officers and employees of Tandia over $175. The names, positions and remuneration paid during 2024 of those officers and employees are as follows:

Name	Title	Salary and compensation	Benefits	Total Remuneration
Richard Davies	President & CEO	$ 462	$ 66	$ 528
Kathy Clark	SVP, Sales/Services & Operations	251	32	283
Shawn Gordon	VP, Human Resources	211	29	240
Barbara Duffield	SVP, Finance & Administration	207	29	236
Cathie Vaillancourt	Sr Mgr, Investment Services	217	15	232

The aggregate remuneration paid to directors was $178 in 2024 (2023 - $181).

At December 31, 2024, loans to directors and officers of Tandia amounted to $1,762 (2023 - $1,787). All such loans were granted in accordance with normal lending terms, except for certain loans to officers at reduced rates.

(In thousands of dollars)

21. Commitments:

Mortgage and loan commitments:

Tandia has made commitments to disburse mortgages and loans of $73,647 (2023 - $73,967) subsequent to the year-end.

Total unextended lines of credit at year end are $269,478 (2023 - $279,853). Total letters of credit at year end are $2,628 (2023 - $2,287).

Contracts:

Tandia has commitments for banking system support services and computer processing costs totaling $3,786 over the next 3 years (2023 - $5,297 over 4 years).

Tandia has commitments for software licensing and support services totaling $717 over the next 3 years at present service levels (2023 - $1,175 over 4 years).

22. Cash flow support:

		2024		2023
Changes in other non-cash items:				
Change in other assets	$	1,530	$	1,705
Change in prepaid securitization fees		429		490
Change in payables and accruals		(1,039)		49
Change in income taxes payable		(116)		237
	$	804	$	2,481

23. Regulatory capital:

Tandia maintains policies and procedures relative to capital management to ensure that capital levels are sufficient to cover risks inherent in the business.

Tandia's objectives when managing capital are to implement a policy and procedures that:

(i) Ensure that the quantity, quality, and composition of required capital reflects the inherent risks of Tandia and to support the current and planned operations and are compliant with regulatory requirements and with FSRA's Standards of Sound Business and Financial Practices.

(ii) Provide a safety net for the variety of risks to which Tandia is exposed in the conduct of its business and to protect against losses from unexpected events either in earnings or in asset values; and

(iii) Impart a basis for confidence among members, creditors, and regulatory agencies.

The Credit Unions and Caisses Populaires Act, 2020 (the "Act") requires that credit unions maintain minimum regulatory capital, as defined by the Act. Regulatory capital is calculated as a percentage of total assets, and of risk-weighted assets. Risk-weighted assets are calculated by applying prescribed risk weight percentages, to various asset categories, operational and interest rate risk criteria. The prescribed risk weights are dependent upon the degree of risk inherent in the asset.

(In thousands of dollars)

23. Regulatory capital (continued):

The following capital ratios are required to be met:

(i) Minimum tier 1 capital ratio of 6.5% of total risk weighted assets

(ii) Minimum retained earnings of 3.0% of total risk weighted assets

(iii) Minimum total capital ratio of 8.0% of total risk weighted assets

(iv) Minimum capital conservation buffer of 2.5% of total risk weighted assets

(v) Minimum total supervisory capital ratio of 10.5% of total risk weighted assets

(vi) Minimum leverage ratio of 3% of total net assets

Tandia is in compliance with the Act and FSRA rules regarding capital adequacy.

The amount and composition of Tier 1 and Tier 2 capital was as follows:

	2024	2023
Tier 1 Capital:		
Membership shares	$ 646	$ 667
Profit shares	1,500	1,616
Investment shares	42,265	43,453
Contributed surplus	14,366	14,366
Retained earnings	30,827	30,219
Total tier 1 capital	89,604	90,321
Tier 2 Capital:		
10% of redeemable profit shares	167	180
10% of redeemable investment shares	2,795	2,997
Allowance for credit losses (stage 1 & 2)	1,962	1,687
Total tier 2 capital	4,924	4,864
Total regulatory capital	$ 94,528	$ 95,185

Tandia manages its Tier 1 and Tier 2 capital in accordance with internal policies and regulatory requirements. Tier 1 capital is the highest quality and consists of retained earnings, contributed surplus, membership shares, and the portion of investment and profit shares that are allowable as Tier 1. Tier 2 capital is comprised of the redeemable portion of investment and profit shares allowable as Tier 2 and the collective allowance for impaired loans.

(In thousands of dollars)

23. Regulatory capital (continued):

	Minimum %	2024 %	2023 %
Leverage ratio	3.00	6.45	6.27
Total capital ratio	8.00	12.84	12.85
Tier 1 capital ratio	6.50	12.17	12.19
Retained earnings to Risk weighted Capital ratio	3.00	6.17	6.04
Capital conservation buffer ratio	2.50	4.84	4.85
Total supervisory capital ratio	10.50	12.84	12.85

24. Financial instruments:

The estimated fair values of Tandia's financial instruments are set out below. No fair values have been determined for property and equipment or any other asset that is not a financial instrument.

2024	Book value	Estimated fair value	Fair value over (under) book value
Financial assets:			
Fair value through profit or loss:			
Derivative financial instruments	$ 221	$ 221	$ –
Central 1 Credit Union Shares	2,314	2,314	–
Bonds	24,234	24,234	–
Corporate equities	524	524	–
Other Investments	6	6	–
Amortized cost:			
Cash and cash equivalents	63,186	63,186	–
Loans to members	1,255,540	1,246,122	(9,418)
HQLA	86,154	87,108	954
Financial liabilities:			
Amortized cost:			
Deposits of members	1,142,601	1,138,201	(4,400)
Secured borrowings	202,897	205,777	2,880
Fair value through profit or loss:			
Derivative financial instruments	307	307	–

(In thousands of dollars)

24. Financial instruments (continued):

2023	Book value	Estimated fair value	Fair value over (under) book value
Financial assets:			
Fair value through profit or loss:			
Derivative financial instruments	$ 167	$ 167	$ –
Portfolio investments	2,108	2,108	–
Central 1 Credit Union Shares	2,338	2,338	–
Bonds	–	–	–
Corporate equities	525	525	–
Other Investments	6	6	–
Amortized cost:			
Cash and cash equivalents	85,026	85,026	–
Loans to members	1,311,368	1,270,362	(41,006)
HQLA	82,991	82,732	(259)
Financial liabilities:			
Amortized cost:			
Deposits of members	1,132,354	1,126,691	(5,663)
Secured borrowings	266,576	255,853	(10,723)
Fair value through profit or loss:			
Derivative financial instruments	506	506	–

The differences between the book and fair values of Tandia's loans, deposits and of other financial instruments are due primarily to changes in interest rates. The carrying value of Tandia's loans to and deposits of members are not adjusted to reflect increases or decreases in fair value due to interest rate changes, as it is Tandia's intention to realize their value over time by holding them to maturity.

Financial assets and liabilities are grouped into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level, within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement.

24. Financial instruments (continued):

The following methods and assumptions were used to estimate the fair value of financial instruments:

(a) The fair value of cash and cash equivalents and external borrowings is assumed to approximate their book values, due to their short-term nature. These assets and liabilities are classified as Level 1 financial instruments as they are valued using quoted market prices in active markets.

(b) The estimated fair value of loans carried at amortized cost reflects changes in market price that have occurred since the loans were originated. For fixed-rate loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at current market interest rates for loans with similar credit risks. Fixed-rate loans and deposits are classified as Level 3 financial instruments as they are valued using unobservable inputs. For floating-rate loans, changes in interest rates have minimal impact on fair value since loans reprice to the market frequently. On that basis, fair value is assumed to approximate carrying value. Floating-rate loans are classified as Level 2 financial instruments.

(c) The estimated fair value of fixed-rate investments and fixed-rate deposits is determined by discounting the expected future cash flows of these investments, deposits and borrowings at current market rates for products with similar terms and credit risks. Fixed-rate deposits are classified as Level 3 financial instruments as they are valued using unobservable inputs. Fixed-rate investments are classified as Level 2 financial instruments as they are valued using observable inputs other than quoted market prices. For deposits with no defined maturities, fair value is considered to approximate carrying value, and these deposits are classified as Level 2 financial instruments.

(d) The estimated fair values of derivative instruments are determined through valuation models on the derivative notional amounts, maturity dates and rates. These are classified as a Level 2 financial instrument as it is valued using observable inputs.

(e) The estimated fair values of securitized borrowings are determined through market-based pricing models. These are classified as a Level 2 financial instrument as it is valued using observable inputs.

(f) There have been no reclassifications between Level 2 and Level 3 during the year. A sensitivity analysis is not provided for Level 3 loans and deposits as their fair value would only change as a result of credit risk inputs and these inputs are not expected to be significant.

25. Financial instrument risk management:

(a) Market risk:

Market risk is the potential for profit or loss from changes in the value of financial instruments. The value of a financial instrument can be affected by changes in interest rates, foreign exchange rates, equity and commodity prices and credit spreads.

Tandia is exposed to market risk in the investment portfolio as well as through non-trading activities.

Market risk in investment activities is managed by the senior management of Tandia and the Asset Liability Committee. Every investment transaction is guided by policy and regulatory limitations.

Market risk exposure exists in non-trading Credit Union transactions with members which primarily includes deposit taking and lending. These are also referred to as “asset and liability” positions.

Asset and liability management deals with managing the market risks of the traditional Credit Union activities. Market risks primarily include interest rate risk and foreign currency risk.

(b) Foreign currency risk:

Tandia is subject to currency risk through its U.S. dollar denominated operating activities. Changes in the exchange rate may result in a decrease or increase in the gain or loss on foreign exchange. Activities that expose Tandia to currency risk are measured, monitored and controlled daily to minimize risk.

Tandia's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to 15% of foreign liability balances. As at December 31, 2024, Tandia does not have significant exposure to changes in foreign currency exchange rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(c) Credit risk:

Credit risk is the risk that the counterparty to a financial asset will default resulting in Tandia incurring a financial loss. The credit exposure is mitigated through the use of Board approved credit policies governing Tandia’s credit portfolio and with credit practices that limit transactions according to the borrowers’ credit quality. A substantial portion of Tandia’s loans to members are secured by residential properties. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, Tandia takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

25. Financial instrument risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that Tandia cannot meet a demand for cash or fund obligations as they come due. Demand for cash can result from withdrawals of deposits, debt maturities and commitments to provide credit. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Senior management manages liquidity risk and monitors the cash and funding needs on a daily basis.

Tandia has set a minimum liquidity ratio of 8% (2023 – 6%).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(e) Structural risk:

Structural risk is defined as the risk that Tandia's ability to meet business objectives will be adversely affected by volatility in market rates. Tandia manages structural risk using an Earnings at Risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Structural risk is monitored through the Structural Risk Management Policy with the objective of ensuring that Tandia manages its cash flows in a manner that contributes adequately to earnings and limits the risk to the financial margin and equity of Tandia. The objectives are also to ensure product terms, pricing and balance sheet mix, to balance member product demands with the need to protect the equity of Tandia, and to ensure that financial derivative instruments be used only to limit interest rate risk and not be used for speculative or investment purposes.

Tandia uses income simulation modelling to measure exposure to changes in interest rates over short term periods. Earnings at risk are calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions. Most likely assumptions include management's best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast. The resulting change in the forecast as a result of interest rate shocks is then compared to the most likely forecast to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 50 or 100 basis point volatility. At December 31, 2024, Tandia was in compliance with all limits set by the Structural Risk Management Policy.

(In thousands of dollars)

25. Financial instrument risk management (continued):

(e) Structural risk:

Asset/liability management limits	Maximum change limit	Projected change to earnings	Status
Most Likely Shocked + 100 basis points	$ (2,900)	$ 1,132	Compliant
Most Likely Shocked + 50 basis points	(2,900)	566	Compliant
Most Likely Forecast Scenario	Nil	Nil	Compliant
Most Likely Shocked - 25 basis points	(2,900)	(291)	Compliant
Most Likely Shocked - 50 basis points	(2,900)	(581)	Compliant

26. Interest rate sensitivity:

Tandia is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets, liabilities and off-balance sheet instruments scheduled to re-price on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

At December 31, 2024, Tandia had an outstanding interest rate swap contract in the notional principal amount of $100,000 (2023 - $200,000) maturing January 16, 2025.

The table below does not incorporate management's expectation of future events where re-pricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

2024	Assets	Yield	Liabilities and equity	Yield	Asset/ liability gap
Up to 6 months	$ 453,905	5.21%	$ 737,138	2.78%	$ (283,233)
6 months to 1 year	213,057	4.29%	265,606	3.66%	(52,549)
1 to 2 years	471,201	3.70%	166,010	2.11%	305,191
2 to 3 years	181,126	4.57%	66,514	3.55%	114,612
3 to 4 years	74,996	4.94%	25,168	4.28%	49,828
4 to 5 years	30,516	5.47%	64,067	4.55%	(33,551)
Total interest-sensitive	1,424,801		1,324,503		100,298
Non-interest-sensitive	31,563		131,861		
Total	$ 1,456,364		$ 1,456,364		

(In thousands of dollars)

26. Interest rate sensitivity (continued):

2023	Assets	Yield	Liabilities and equity	Yield	Asset/ liability gap
Up to 6 months	$ 461,474	4.57%	$ 643,834	2.06%	$ (182,360)
6 months to 1 year	215,486	4.23%	266,169	4.00%	(50,683)
1 to 2 years	283,250	3.63%	264,830	3.98%	18,420
2 to 3 years	378,560	3.55%	126,628	2.02%	251,932
3 to 4 years	84,666	4.01%	38,815	3.63%	45,851
4 to 5 years	53,796	5.11%	16,757	4.32%	37,039
Total interest-sensitive	1,477,232		1,357,033		120,199
Non-interest-sensitive	33,892		154,091		
Total	$ 1,511,124		$ 1,511,124		

27. Comparative figures:

The comparative figures for the year ended 2023 have been adjusted to ensure consistency with the current period presentation and the application of IFRS.