CREDIT UNION PROVINCIAL GOVERNMENT EMPLOYEES

Our mission at Provincial Government Employees Credit Union is to provide a full range of financial services and products to our valued members in an ethical and professional manner to enhance their financial well-being and that of our community.

Table of Contents

Agenda

- Welcome
- In Memoriam
- Minutes of Last Meeting
- Report of the Board Of Directors
- Report of the Auditor
- Report of the Chief Executive Officer
- Report of the Marketing and Member Relations Committee
- Report of the Credit Committee
- Report of the Audit Committee
- Report of the Nomination Committee

Minutes from the Annual Meeting

Call to order

The annual meeting of Provincial Government Employees Credit Union Limited was held Thursday, April 12, 2018 at Brightwood Golf and Country Club, 227 School Street, Dartmouth, NS.

Mr. Jim Sherry called the meeting to order at 7:00PM. Mrs. Ingrid Foshay Murphy explained that staff are wearing hockey jerseys in support of the Humboldt Broncos that were killed in a motor vehicle accident on April 6, 2018.

Moment of Silence for Departed Members

Mr. Sherry welcomed all those in attendance, and called for a moment of silence as a tribute of respect to the members who passed away during the year 2017.

Minutes of the 2017 Annual Meeting

The minutes of the 2017 Annual Meeting were read quietly by those in attendance. Mr. Sherry asked for the adoption of these minutes, which was moved by Mr. Stephen McManus and seconded by Mr. Jim Clayton.

Motion carried.

Board of Directors Report

Mr. Gary Kerr then asked Mr. Jim Sherry to present the Board of Directors report. There being no questions, Mr. Sherry moved to accept the report which was seconded by Mrs. Sandra McKenzie.

Motion carried.

Report of the Auditors

Mr. Sherry called upon Ms. Dragana Cooper of Collins Barrow to present the financial statements for the Year Ending December 31, 2017. Ms. Cooper explained various areas and indicated once again that Provincial Government Employees Credit Union's equity is very financially healthy at double the required minimum. Ms. Cooper also explained that operating costs are now higher due to now having to pay rent as well as early payout of staff service awards. She then reviewed the financial statements and indicated these are in good standing. There being no questions, Mr. Sherry then called to accept the report and this was moved by Mrs. Miriam Murray and seconded by Ms. Gwen Beazley.

Motion carried.

Report of the CEO

Mrs. Ingrid Foshay Murphy presented the Report of the CEO. She then welcomed two new staff members to our credit union, Nick Smith and Michelle MacKinnon. There being no further comments or questions, Mr. Sherry called on the membership to accept the report as read. This was moved by Mr. Mark Peck and seconded by Mr. Stephen McManus.

Motion carried.

Report of the Marketing and Member Placed Relations Committee

Mr. Jim Sherry called upon Mrs. Miriam Murray to read the report of the Marketing and Member Relations Committee. There being no questions, Mrs. Murray then asked for the adoption of the report which was seconded by Mr. Jim Clayton.

Motion carried.

Minutes from the Annual Meeting

Report of the Credit Committee

Mr. Sherry then called upon Mr. Gerry Langille to read the Credit Committee report. There being no questions, Mr. Langille asked to adopt the report. This was moved by Mrs. Linda Fraser and seconded by Mrs. Sheila Crummell.

Motion carried.

Report of the Audit Committee

Mr. Sherry called upon Mr. Stephen McManus to read the Report of the Audit Committee. There being no questions, Mr. McManus called for the adoption of the report which was seconded by Mrs. Miriam Murray.

Motion carried.

Report of the Nomination Committee

Mr. Sherry read the report of the Nomination Committee. There being no questions or comments, Mr. Sherry called for the adoption of the report. This was moved by Mrs. Miriam Murray and seconded by Mr. Gerry Langille.

Motion carried.

Notably Mentioned

Mr. Jim Sherry called upon Mr. Gary Kerr to read an email from Matthew Dubois, well known Annual Meeting attendee and credit union member. Mr. Dubois was unable to attend because he was getting married and indicated we are all welcome to the reception if in the area the next day. This was met with a round of applause and best wishes to both Matthew and Louise.

New Business

Mrs. Sheila Crummell asked Mr. Sherry when is the anticipated date of our credit union move. Mrs. Ingrid Foshay Murphy answered that the original date was June 22, 2018, however, it is more likely to be mid July barring unforeseen circumstances.

Door Prizes

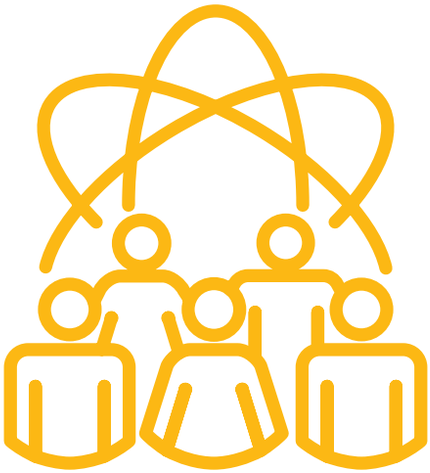
The door prizes were then drawn with the following winners:

1. Sheila Crummell - Tote Bag
2. Gerry Langille - 80 Toonies

Adjournment

There being no further business, Mr. Jim Sherry adjourned the meeting at 7:30pm.

A social, appetizers and desserts then followed.



Board of Directors' Report

The Board of Directors of Provincial Government Employees Credit Union is pleased to report that the year 2018 was once again a very successful year financially.

Our continued success comes from the commitment of our members, the dedication of our volunteers on the Board, the various committees and the exceptional employees on staff.

The Board thanks our Chief Executive Officer, Ingrid Foshay Murphy, for her continued excellent performance. Through her efforts we are one of the best Credit Unions in the province.

We thank the members of the Audit Committee, Credit Committee, Marketing and Member Relations Committee and the dedicated staff for their continued service. I personally thank the Board Members for their time and efforts over the past year.

On behalf of the Board, I thank our greatest asset, OUR MEMBERS.

Respectfully submitted,

James Sherry, *President*
Mark Peck, *Vice President*
Linda Fraser, *Secretary*
Gwen Beazley, *Director*
Meredith Cowan, *Director*
Gary Kerr, *Director*
Gerald Langille, *Director*
Stephen McManus, *Director*
Miriam Murray, *Director*
Sandra McKenzie, *Director*

Baker Tilly Nova Scotia Inc.
Suite 201, 130 Eileen Stubbs Ave
Dartmouth, NS
Canada B3B 2C4

D: +1 902.404.4000
F: +1 902.404.3099

halifax@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITORS' REPORT

To the Members of:
Provincial Government Employees Credit Union Limited

Opinion

We have audited the financial statements of **Provincial Government Employees Credit Union Limited** ("the Credit Union"), which comprise the statement of financial position as at December 31, 2018 and the statements of comprehensive income and changes in retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018, and results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our 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 ethical 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.

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 International Financial Reporting Standards, 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.

Auditors' 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 auditors' 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 these 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.

- 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.

bakertilly

- 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 conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

We 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
April 1, 2019

Chartered Professional Accountants
Licensed Public Accountants

bakertilly

Statement of Earnings and Retained Earnings

	2018	2017
	$	$
INTEREST INCOME	**1,404,788**	1,228,961
INTEREST EXPENSE	**331,693**	319,244
GROSS FINANCIAL PROFIT	**1,073,095**	909,717
SERVICE CHARGES AND OTHER REVENUE (Note 19)	**242,369**	307,271
FINANCIAL MARGIN	**1,315,464**	1,216,988
OPERATING EXPENSES		
Amortization	**22,502**	15,977
Charitable donations and education awards	**13,663**	8,773
General and administrative	**469,509**	433,370
Members' security	**45,782**	43,200
Occupancy	**33,421**	31,050
Personnel salaries and benefits	**609,570**	582,976
Provision for impaired loans (Note 5)	**17,384**	-
	1,211,831	1,115,346
EARNINGS BEFORE SHARE DIVIDEND	**103,633**	101,642
SHARE DIVIDEND	**701**	1,291
EARNINGS BEFORE INCOME TAXES	**102,932**	100,351
PROVISION FOR INCOME TAXES		
Current	**12,185**	(2,572)
Deferred	**-**	16,640
	12,185	14,068
COMPREHENSIVE INCOME	**90,747**	86,283
RETAINED EARNINGS - beginning of year	**3,740,025**	3,653,742
RETAINED EARNINGS - end of year	**3,830,772**	3,740,025

The accompanying notes are an integral part of these financial statements

bakertilly

Statement of Financial Position

	2018 $	2017 $
ASSETS		
MEMBERS' LOANS (Note 5)		
Mortgages under administration	**6,056,628**	5,061,171
Mortgages	**16,101,075**	14,199,033
Personal	**9,782,614**	9,685,314
Accrued interest	**37,888**	33,860
	31,978,205	28,979,378
Allowance for impaired loans (Note 5a)	**(160,000)**	(172,257)
	31,818,205	28,807,121
LONG-TERM INVESTMENTS (Note 6)	**780,924**	766,944
PROPERTY AND EQUIPMENT (Note 7)	**282,698**	15,496
	32,881,827	29,589,561
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	**4,201,815**	4,461,919
Income taxes recoverable	**165**	14,591
Other assets (Note 9)	**567,031**	462,704
	4,769,011	4,939,214
	37,650,838	34,528,775
LIABILITIES		
MEMBERS' DEPOSITS (Note 10)		
Savings and chequing	**13,746,185**	11,895,916
Deferred salary deposits	**907,877**	819,937
Term deposits	**18,886,855**	17,793,143
Accrued interest	**150,507**	153,042
	33,691,424	30,662,038
MEMBERS' SHARES (Note 11)	**14,245**	13,135
	33,705,669	30,675,173
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**113,696**	112,286
Share dividend payable	**701**	1,291
	114,397	113,577
	33,820,066	30,788,750
MEMBERS' EQUITY		
RETAINED EARNINGS (Note 13)	**3,830,772**	3,740,025
	37,650,838	34,528,775

COMMITMENTS (Note 20)
Approved by the Board of Directors

_____ **Director** _____ **Director**

The accompanying notes are an integral part of these financial statements

bakertilly

Statement of Cash Flows

	2018	2017
	$	$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings and comprehensive income	**90,747**	86,283
Item not affecting cash		
Amortization	**22,502**	15,977
	113,249	102,260
Changes in non-cash working capital items		
Income taxes payable (recoverable)	**14,426**	(16,929)
Other assets	**(104,327)**	(240,458)
Accounts payable and accrued liabilities	**1,410**	10,018
Share dividend payable	**(590)**	(5)
Decrease in long-service award	**-**	(120,230)
	24,168	(265,344)
FINANCING		
Members' shares issued	**1,790**	1,600
Members' shares redeemed	**(680)**	(1,625)
Net change in members' deposits	**3,029,386**	935,897
	3,030,496	935,872
INVESTING		
Net change in members' loans	**(3,011,084)**	(780,818)
Acquisition of long-term investments	**(13,980)**	(7,270)
Acquisition of equipment and leaseholds	**(289,704)**	-
	(3,314,768)	(788,088)
CHANGE IN CASH AND CASH EQUIVALENTS	**(260,104)**	(117,560)
CASH AND CASH EQUIVALENTS - beginning of year	**4,461,919**	4,579,479
CASH AND CASH EQUIVALENTS - end of year	**4,201,815**	4,461,919

The accompanying notes are an integral part of these financial statements

bakertilly

1. NATURE OF OPERATIONS

Provincial Government Employees Credit Union Limited ("the Credit Union") is incorporated under the Companies Act of Nova Scotia and its operations are subject to the Nova Scotia Credit Union Act.

The Credit Union operates a closed bond credit union, where the only members are employees or retirees of the Nova Scotia public service or members of the Nova Scotia Government Employees Union and their spouses, dependents, or former members of these groups. The Credit Union office is located in Halifax, Nova Scotia.

These financial statements have been authorized for issue by the Board of Directors on April 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB"). The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements were prepared under the historical cost principal using a going concern basis, with the exception of financial assets which are accounted for at fair value through profit and loss

The Credit Union's functional and presentation currency is the Canadian dollar.

The Credit Union classifies its expense by the nature of expenses method.

The Credit Union presents its statement of financial position on a classified basis in order of liquidity (least to most liquid).

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 the Credit Union'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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies

Effective January 1, 2018 the Credit Union has adopted IFRS 9 Financial Instruments ("IFRS 9"), which introduced new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The classification of financial instruments has been assessed on the basis of facts and circumstances that existed at January 1, 2018 and no other transitional provisions have been applied. Although the classification of some financial instruments have changed, the resulting change in measurement of financial instruments has not resulted in a change in the reported amounts in the financial statements for the current or the prior period. The impact of the classification changes of IFRS 9 are as follows:

	Previous Classification	**Classification Effective January 1, 2018**
Cash and cash equivalents	Held for trading	Financial assets at amortized cost
Other assets	Loans and receivables	Financial assets at amortized cost
Members' loans	Loans and receivables	Financial assets at amortized cost
Long-term investments	Available for sale	Financial assets at amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Financial liabilities at amortized cost
Members's deposits and members' shares	Other financial liabilities	Financial liabilities at amortized cost

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with Atlantic Central, and short term deposits having a term of less than 3 months at date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' loans

All members' loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as financial assets at amortized cost.

Members' loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Members' loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the carrying amount of the loan.

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

Provision for impairment

Members' loans are reviewed by management at each reporting period to assess the significance of the change in credit risk since the initial recognition of the member loan.

If there is objective evidence that the change in the credit risk of a member loan since original recognition is significant, an impairment loss equal to the lifetime expected credit loss is recognized in net earnings and comprehensive income.

If the change in the credit risk of a member loan since original recognition is not significant, an impairment loss equal to the 12-month expected credit loss is recognized in net earnings and comprehensive income.

If, in a subsequent period, the assessment of the significance of change in credit risk since original recognition changes, the resulting adjustment to expected credit losses is recognized in net earnings and comprehensive income.

Investments

Short-term investments, initially recorded at fair value, include a guaranteed investment certificate ("GIC") with a maturity of a year or less and is subsequently measured at amortized cost.

Long-term investments, initially recorded at fair value, include non-controlling share investments. The share investments are not quoted in an active market. Long-term investments are subsequently measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bad debts

Bad debts are written off from time to time as determined by management and approved by 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 impaired loans, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net earnings and comprehensive income.

Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax (losses), tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the assets are recovered.

Members' deposits

All members' 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accrued liabilities

Liabilities for trade creditors and accrued liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Members' shares

Members' shares issued by the Credit Union are classified as debt as the member receives a refund of paid-up capital amount when account is closed.

Mortgages under administration

The Credit Union, under a Mortgage Origination Program, has the ability to refer certain mortgages to a third party. No gain or loss on the initial sale is recorded by the Credit Union as a result of these transactions. Fees earned by the Credit Union to service these mortgages are recognized as the related services are provided and reported incomprehensive income as other income.

Revenue recognition

The Credit Union recognizes interest income on members' loans on the accrual basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan to the net carrying amount of the loan. When estimating the future cash flows, the Credit Union considers all contractual terms of the loan excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the loan is classified as uncollectable the interest income continues to be accrued, with the provision for impaired loans also increased by the same amount.

Service charges and other revenue are recognized when earned, the amount is fixed or determinable and collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. When 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 comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income.

Property and equipment

Property and equipment are recorded at cost and subsequently measured at cost less accumulated amortization. Amortization method, useful lives and residual values are reviewed annually. Amortization is recognized in net earnings and is provided for using the following rates and method over their estimated useful lives as follows:

Computer equipment	2 years	Straight-line
Furniture and equipment	5 years	Straight-line
Leasehold improvements	Term of lease	Straight-line

Share dividends

The Credit Union's policy is to accrue share dividends when approved by the Board of Directors, which is recorded in comprehensive income in the year which it relates.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, amendments and interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods. The standards, amendments and interpretations relevant to the Credit Union are:

i) In October 2016, the IASB issued amendments to paragraph 7 of IAS 1 and paragraph 5 of IAS 8 and deleted paragraph 6 of IAS 8. The purpose of these amendments is to clarify the definition of "material" and to align the definition of "material" used in the IFRS standards with the Conceptual Framework of IFRS. The standard is effective for annual periods beginning on or after January 1, 2020. The Credit Union is in the process of evaluating the impact of the new standard.

ii) In January 2016, the IASB issued IFRS 16. The new standard requires that for most leases, the lessees initially recognizes a lease liability for the obligation to make lease payments and a corresponding asset representing the right to use the underlying asset for the lease term. The standard will be effective for periods beginning after January 1, 2019, with early adoption permitted so long as IFRS 15 has been adopted. The Credit Union has elected not to early adopt IFRS 16 and has assessed the impact of the new standard to be not significant to the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities. These estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Fair value of financial instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market using valuation techniques. The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 15.

Income taxes

The Credit Union 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, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current 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.

5. MEMBERS' LOANS

Terms and conditions

Members' loans can have either a variable or fixed rate of interest with varying maturity dates. The interest rate sensitivity is disclosed in Note 17.

Variable rate loans are based on a 'prime rate' formula, ranging from prime less 1.95% to prime plus 15.3%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2018 was 3.95% (2017 - 3.20%).

The interest rate offered on fixed rate loans being advanced at December 31, 2018 ranges from 2% to 21% (2017 - 2.7% to 18.5%).

The Credit Union loans consists of mortgages under administration, residential mortgages and personal loans. Residential mortgages are loans secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only. Personal loans consist of term loans and lines of credit and, as such, have various repayment terms. Some of the personal loans are secured by personal property or investments or hold no security.

5. MEMBERS' LOANS (Continued)

Terms and conditions (Continued)

Average Yields to Maturity

Loans bear interest at variable and fixed rates with the following average yields:

	Principal $	**2018 Yield %**	Principal $	2017 Yield %
Variable rate	**9,702,014**	**6.26**	9,644,018	5.51
Fixed rate due less than 1 year	**4,045,503**	**3.65**	2,553,400	4.42
Fixed rate due between 1 and 5 years	**18,153,200**	**3.62**	15,748,100	3.24
Fixed rate due more than 5 years	**39,600**	**4.65**	1,000,000	4.00
	31,940,317	**4.43**	28,945,518	3.99

Concentration of risk

Concentration risk does exist, as generally members are required to be a member of the Nova Scotia Government Employees Union, or an employee or related to an employee of the Province of Nova Scotia or its agencies.

As at year-end, the Credit Union had 6 (2017 - 3) accounts in excess of 10% of members' equity totaling $5,207,237 (2017 - $3,253,450) or 16% (2017 - 11%) of the loan portfolio. Overall, the loan portfolio is diversified among members. Given this management feels the Credit Union does not have a material exposure to concentration risk relating to its portfolio.

Allowance for impaired loans

The Credit Union has determined the significance of the change in credit risk of member loans' since initial recognition and the resulting impairment loss has been recorded in the statement of earnings and comprehensive income.

In assessing the change in credit risk the Credit Union considers the loan type, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses.

5. MEMBERS' LOANS (Continued)

Allowance for impaired loans

The analysis of loans, by class, together with related allowances for doubtful loans is as follows:

	2018		2017	
	Impaired loans	**Impairment allowance**	Impaired loans	Impairment allowance
	$	**$**	**$**	**$**
Residential mortgages	**681,373**	**54,000**	590,875	53,000
Personal	**144,040**	**106,000**	169,296	119,257
	825,413	**160,000**	760,171	172,257

	2018	2017
	$	$
a) Continuity of allowance for impaired loans		
Balance - beginning of year	**172,257**	185,565
Current provision for impaired loans	**17,384**	-
Loans written off as uncollectable	**(33,862)**	(22,005)
Bad debts recovered (net)	**4,221**	8,697
Balance - end of year	**160,000**	172,257

6. LONG-TERM INVESTMENTS

	2018	2017
	$	$
Atlantic Central common shares	**320,050**	306,070
Atlantic Central preferred shares	**97,000**	97,000
League Savings and Mortgage Company - Preference A shares	**345,204**	345,204
League Data Limited Preferred 'B' shares	**18,660**	18,660
COOP EFT Development	**10**	10
	780,924	766,944

bakertilly

6. LONG-TERM INVESTMENTS (Continued)

The shares in Atlantic Central are required as condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. These shares are issued and redeemable at par value.

The Credit Union is not intending to dispose of any Atlantic Central shares as the services supplied by Atlantic Central are relevant to the day to day activities of the Credit Union. Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central.

The shares in League Savings and Mortgage Company and League Data Limited are issued and redeemable at par value.

7. PROPERTY AND EQUIPMENT

Cost	Computer equipment $	Furniture and equipment $	Leasehold improvements $	**Total $**
December 31, 2016	105,383	102,808	56,227	**264,418**
2017 additions	-	-	-	**-**
December 31, 2017	105,383	102,808	56,227	**264,418**
2018 additions	8,351	89,151	192,202	**289,704**
2018 disposals	(105,383)	(390)	(56,227)	**(162,000)**
December 31, 2018	8,351	191,569	192,202	**392,122**

Accumulated amortization	Computer equipment $	Furniture and equipment $	Leasehold improvements $	**Total $**
December 31, 2016	100,390	80,764	51,791	**232,945**
2017 amortization	2,917	8,624	4,436	**15,977**
December 31, 2017	103,307	89,388	56,227	**248,922**
2018 amortization	3,820	12,230	6,452	**22,502**
2018 disposals	(105,383)	(390)	(56,227)	**(162,000)**
December 31, 2018	1,744	101,228	6,452	**109,424**

Net book value	Computer equipment $	Furniture and equipment $	Leasehold improvements $	**Total $**
December 31, 2017	2,076	13,420	-	**15,496**
December 31, 2018	6,607	90,341	185,750	**282,698**

bakertilly

8. CASH AND CASH EQUIVALENTS

The Credit Union's current accounts are held with Atlantic Central. Cash balance consists of the following:

	2018 $	2017 $
Cash on hand	**315,474**	171,708
Current account	**46,534**	299,838
Atlantic Central demand liquidity	**1,123,961**	1,385,201
Atlantic Central mandatory liquidity	**2,684,287**	2,086,750
Atlantic Central USD account	**31,559**	18,422
Concentra term deposit, interest at 1.3%, matured February 2018	**-**	500,000
	4,201,815	4,461,919

The Credit Union's mandatory liquidity reserve with Atlantic Central must be at least at 6% of total assets. The Credit Union's required overall liquidity is 10% of total member deposits. The average yield on the balances held with Atlantic Central is 1%. The Credit Union is in compliance with these liquidity reserves.

The Credit Union has a $800,000 line of credit with Atlantic Central of Nova Scotia, secured by an assignment of book debts including loans and mortgages. As at December 31, 2018, the balance outstanding on the line of credit was $NIL (2017 - $NIL). When utilized, the line of credit bears interest at Atlantic Central of Nova Scotia's prime rate per annum.

9. OTHER ASSETS

	2018 $	2017 $
Rebates and other receivables	**39,407**	429,256
Accrued interest receivable	**4,400**	3,692
Deferred income taxes	**(8,728)**	(8,728)
Prepaid expenses	**23,667**	32,581
Prepaid interest (index-linked GICs)	**8,285**	5,903
Concentra term deposit, interest at 2.2%, maturing June 2019	**500,000**	-
	567,031	462,704

bakertilly

10. MEMBERS' DEPOSITS

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 1.25% (2017 - 1.05%) as at December 31, 2018. Interest is calculated daily and paid on the accounts monthly and quarterly depending on the account type.

Deferred salary deposits are due on demand and bear interest at variable interest rate up to 0.71% (2017 - 0.61%) as at December 31, 2018.

Term deposits, registered retirement savings plans (RRSPs), registered retirement income funds and tax-free savings accounts bear both fixed and variable rates of interest for terms up to five years. Interest can be paid annually, semi-annually, monthly or upon maturity. The interest offered ranged from 0.8% to 3.25% (2017 - 0% to 4.25%) as at December 31, 2018.

See Note 17 for the breakdown of interest rate sensitivity.

Maturities of principal for fixed interest rate deposits in each of the next five years are approximately as follows:

	$
2019	13,199,717
2020	2,516,700
2021	1,121,100
2022	946,900
2023	1,746,500

Average yields to maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:	**2018 Principal $**	**2018 Yield %**	2017 Principal $	2017 Yield %
Variable rate	**14,010,000**	**0.15**	11,856,896	0.12
Fixed rate due in less than 1 year	**13,199,717**	**1.54**	12,238,400	1.4
Fixed rate due between 1 and 5 years	**6,331,200**	**1.57**	6,413,700	1.72
	33,540,917	**0.96**	30,508,996	0.97

Concentration of risk

The Credit Union as at December 31, 2018 does not have any deposits to one individual in excess of 10% of member deposits. Therefore, management feels the Credit Union does not have a material exposure to concentration risk relating to its loan portfolio.

bakertilly

11. MEMBERS' SHARES

Authorized

Unlimited Non-transferable shares with a par value of $5

		2018 $	2017 $
Issued			
2,849	Member shares (2017 - 2,627)	**14,245**	13,135

As a condition of membership, which is required to use the services of the Credit Union, each member is required to purchase a share. The shares are redeemable at par only when membership is withdrawn. Dividends paid on members' shares are at the discretion of the Board of Directors.

During the year the Credit Union issued 358 shares (2017 - 320 shares) for a consideration of $1,790 (2017 - $1,600) and repurchased 136 shares (2017 - 325 shares) for a total consideration of $680 (2017 - $1,625).

12. PENSION PLAN AND RETIREMENT SAVINGS

a) The employees of the Credit Union are members of the Province of Nova Scotia's Public Service Superannuation Plan, a defined benefit pension plan administered under the Public Service Superannuation Act. The Credit Union matches employee contributions, calculated as percentage of salary. Contributions of $38,471 have been expensed in 2018 (2017 - $36,914). The Credit Union is not liable to the plan for other entities' obligations. With only eleven employees, the Credit Union represents an insignificant percentage of the pension plan.

The Credit Union is responsible for its portion of deficiencies (if any) that may arise in the plan from time to time. As at December 31, 2016, the date of the last actuarial valuation, the pension plan was fully funded.

b) Concentra Financial is the trustee of the Registered Retirement Savings and Registered Retirement Income plans offered to members. Under the agreement with Concentra Financial, members' contributions to these funds, as well as income earned thereon, are deposited in the Credit Union. On withdrawal, payment of the plan proceeds is made by the Credit Union.

13. RETAINED EARNINGS

In accordance with the Credit Union Act, the Credit Union is required to maintain a level of equity that is not less than 5% of its assets. As at December 31, 2018 members' equity as a percentage of assets was calculated as follows:

	2018	2017
	$	$
Members' equity	**3,830,772**	3,740,025
Total assets	**37,650,838**	34,528,775
Members' equity as a percentage of total assets	**10.17%**	10.83%

14. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, staff, directors, and committee members which are defined by IAS 24, Related Party Disclosures, as individuals having authority and responsibility for planning and directing and controlling the activities of the Credit Union.

i) Compensation to key management personnel

	2018	2017
	$	$
Salaries and other short-term employee benefits	**263,378**	257,525
Total pension contributions	**32,355**	31,515
	295,733	289,040

ii) Loans to all related parties

	2018	2017
	$	$
Aggregate value of loans and mortgages advanced	**2,080,603**	1,437,959
Total value of lines of credit advanced	**1,171,167**	1,125,444
	3,251,770	2,563,403

During the year, interest income on loans to related parties was approximately $82,000 (2017 - $40,000).

bakertilly

14. RELATED PARTY TRANSACTIONS (Continued)

The Credit Union's policy for lending to key management personnel is such where loans are approved and deposits accepted on the same terms and conditions which apply to members for each class of loan or deposit.

iii) Deposits from related parties	**2018**	2017
	$	$
Aggregate value of savings and checking	**217,719**	104,630
Aggregate value of term deposits	**1,330,536**	1,368,639
	1,548,255	1,473,269

During the year, interest paid on related party deposits was approximately $37,000 (2017 - $36,000).

With respect to mortgages and members' deposits, these transactions were made in the normal course of business. Interest rates on personal loans are in accordance with the Canada Revenue Agency's prescribed rates of interest (2% effective April 1, 2018) for management and staff, Board Members and under certain circumstances, former Board Members.

15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

Financial instruments classification is as follows:

		2018	2017
		$	$
Cash and cash equivalents	Amortized cost	**4,201,815**	4,461,919
Other assets	Amortized cost	**567,031**	462,704
Members' loans	Amortized cost	**31,818,205**	28,807,121
Long-term investments	Amortized cost	**780,924**	766,944
Accounts payable and accrued liabilities	Amortized cost	**(113,696)**	(112,290)
Members' deposits and members' shares	Amortized cost	**(33,705,669)**	(30,675,173)
		3,548,610	3,711,225

bakertilly

15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (Continued)

Financial assets and financial liabilities at amortized cost are initially measured at fair value, and subsequently measured at amortized cost using the effective interest mate method.

IFRS requires the use of a fair value hierarchy in order to classify the fair value measurements related to the financial instruments recognized in the Credit Union's statement of financial position at fair value. The fair value hierarchy has the following levels:

i) Level 1 - Quoted market prices;
ii) 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
iii) Level 3 - inputs for the asset of liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value as determined under Level 1 of the fair value hierarchy.

Long-term investments, other assets, accounts payable and accrued liabilities, long-service award, members' loans, deposits and shares are measured under Level 3 of the fair value hierarchy, they are measured at cost which approximates fair value.

The Credit Union does not have any financial instruments subsequently measured at fair value.

16. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies. The risk management design and operating of risk processes is the responsibility of Credit Union's management. The Board of Directors performs a periodic review of the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets.

The Credit Union's financial instruments include cash and cash equivalents, members' loans, accounts receivable (included in other assets), short-term investments, long-term investments, members' deposits, member shares, accounts payable and accrued liabilities.

16. FINANCIAL INSTRUMENTS (Continued)

Risks and concentrations

The Credit Union is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at December 31, 2018.

It is management's opinion that the Company is not exposed to significant currency and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Credit Union to concentrations of credit risk consist of cash and cash equivalents, members' loans, short-term investments, long-term investments and accounts receivable (including other assets).

The Credit Union deposits its cash with Atlantic Central of Nova Scotia, a reputable financial institution, and therefore believes the risk of loss to be remote. The Credit Union is exposed to credit risk from interest receivable on investments. The Credit Union believes this credit risk is minimized as the interest receivable is due from reputable investment management companies.

Credit risk associated with members' loans is mitigated through Credit Union's approval systems as designed to access and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay and value of collateral available to secure the loan. The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's members' loans credit risk policies comprise the following:

i) General loan policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;

ii) Loan lending limits; and

iii) Loan collateral security classifications, loan delinquency controls.

16. FINANCIAL INSTRUMENTS (Continued)

The Board of Directors reviews new loans and delinquent loans at each reporting period along with an analysis of bad debts and allowance for doubtful accounts.

The Credit Union's maximum exposure to credit risk at the statement of financial position date is in relation to each class of recognized financial assets at the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event members fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: (i) insurance and mortgages over residential lots and properties; and (ii) recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its members' deposits, members' shares, accounts payable and accrued liabilities. The Credit Union mitigates the liquidity risk by maintaining a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union's liquidity management includes a minimum liquidity ratio set at 6% of total assets. The Credit Union monitors its members' deposit profiles and ensures to maintain adequate reserves, liquidity support facilities and reserve borrowing facilities. As at December 31, 2018 the Credit Union was in compliance with the liquidity requirements throughout the fiscal year. (See Note 8 for the breakdown of the liquidity cash reserves.)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union is exposed to interest rate risk on its financial obligations at variable interest rates. Interest rate sensitivity is broken out in Note 17. The Credit Union manages the interest rate risk by monitoring the rates and ensuring that rates extended are in line with the market.

17. INTEREST RATE SENSITIVITY

The Credit Union's primary source of income is financial margin, which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to manage re-pricing or maturity dates of loans and investments and members' savings and deposits within policy limits that are intended to limit the Credit Union's exposure to changing interest rates.

The Credit Union's financial assets and liabilities bear interest at rates which adjust from time to time. The following table sets out the scheduled maturities or re-pricing dates, whichever occurs earlier, of the financial assets and liabilities as at December 31, 2018 together with the weighted average interest rates earned on the financial assets or paid on the financial liabilities.

	Demand Principal $	Rate %	Under 1 Year Principal $	Rate %	1-3 Year Principal $	Rate %	Over 3 Years Principal $	Rate %	Over 5 Years Principal $	Rate %
ASSETS										
Cash and investments	1,522,639	-	3,180,300	1.86	-	-	683,900	4.22	95,900	-
Members' loans										
Personal	9,702,014	6.26	3,800	-	25,000	4.67	12,200	8.90	39,600	4.65
Mortgages	-	-	4,041,703	3.65	7,954,900	3.51	10,161,100	3.71	-	-
	11,224,653		7,225,803		7,979,900		10,857,200		39,600	
LIABILITIES										
Members' deposits	14,010,000	0.15	13,199,717	1.54	3,637,800	1.62	2,693,400	1.49	-	-

For the fiscal year ended December 31, 2018, a 100 basis point increase or decrease in interest rates, assuming all other variables are constant, would have resulted in approximately a decrease or increase of $17,000 in the Credit Unions's net earnings, respectively.

18. CAPITAL RISK MANAGEMENT

Generally accepted accounting principles require the Credit Union to disclose information that enables financial statement users to evaluate the entity's objectives, policies and processes for managing capital.

The Credit Union provides financial services to its members and is subject to the capital requirements set out in the Credit Union Act of Nova Scotia (the "Act"). The Credit Union complied with these capital requirements as at December 31, 2018.

18. CAPITAL RISK MANAGEMENT (Continued)

The Credit Union's objectives when managing capital are to ensure the long-term viability of the Credit Union, and the security of members' deposits by holding a level of capital deemed sufficient to protect against unanticipated losses. The Credit Union is also required to comply at all times with the capital requirements set out in the Act.

The Credit Union measures the adequacy of capital using two methods:

i) Total capital as a percent of total assets;

ii) Total capital as a percent of risk weighted assets. Under this method the Credit Union reviews its loan portfolio and other assets and assigns a risk weighting using definitions and formulas set out in the Act, and by the Credit Union Deposit Insurance Corporation. The more risk associated with an asset, a higher weighting is assigned. This method allows the Credit Union to measure capital relative to the possibility of loss with more capital required to support assets that are seen as being higher risk.

The Credit Union's management ensures compliance with capital adequacy through the following:

i) Establishing policies for capital management, monitoring and reporting;

ii) Establishing policies for related areas such as asset/liability management;

iii) Reporting to the Board of Directors regarding financial results and capital adequacy;

iv) Reporting to the Credit Union Deposit Insurance Corporation on its capital adequacy; and

v) Establish budgets and reporting variances to those budgets.

The Credit Union's capital structure consists of members' equity. As at December 31, 2018, the Credit Union's members' equity was $3,830,772 (December 31, 2017 - $3,740,025).

19. SERVICE CHARGES AND OTHER REVENUE

	2018 $	2017 $
Discretionary rebates	**2,358**	17,945
Mortgage referral fees	**7,609**	2,208
Monthly service charges	**144,843**	156,506
CURP life and disability insurance	**69,941**	92,833
Money orders, mortgage penalties, loan administration fees, credit card charges and other	**17,618**	37,779
	242,369	307,271

Breakdown of the discretionary rebates revenue is as follows:	2018 $	2017 $
Atlantic Central	**-**	15,132
CUMIS bonding insurance	**1,425**	1,880
League Data and Savings	**933**	933
	2,358	17,945

20. COMMITMENTS

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2018 the total amount of unused lines of credit is $6,425,135 (2017 - $5,495,163). As at December 31, 2018 there were no approved and unadvanced mortgages or personal loans.

The Credit Union has a commitment related to a signed sublease with East Coast Credit Union. Approximate future minimum sublease payments over the next five years are as follows:

	$
2019	21,760
2020	21,760
2021	21,760
2022	21,760
2023	23,040

Chief Executive Officer Report

Provincial Government Employees Credit Union is a unique financial institution. Our Credit Union is owned by Provincial Government employees, our shareholders. This difference is integral to who we are; it is what sets us apart and why our efforts are firmly focused on serving the financial needs of Provincial Employees and their dependents.

It is with pleasure that I report to you, our shareholders that Provincial Government Employees Credit Union has had another extremely successful year.

2018 was both an exciting and challenging year, the biggest change being our move and new location. We are proud to have created a member centered experience with all of the latest technology, style and comfort in addition to an ATM and parking.

The competitive nature of the financial services industry coupled with the effects of financial and economic challenges over the past year makes our success even more gratifying.

The measurement of our success is widened by our commitment to our youth through sponsorships and education awards as well as provincial charities including Family Services Association, the Red Cross and the Salvation Army to name a few. The donations to these worthwhile causes were possible due to the support and collaboration of staff, board and our members.

We have continued to increase our exposure throughout Government and potential members through our new location and our Membership and Marketing Committee. Our Credit and Audit Committees are both very committed and involved in the internal requirements of our Credit Union. I would like to thank all of the volunteers on the aforementioned committees.

Uprooting staff from a place which was their second home for the past 25 years and moving to a new location, was although exciting, quite nostalgic. I would like to take this opportunity to thank and commend all of the staff for their hard work and wonderful resilience over the past year.

Finally, to our Board of Directors and members, I would like to thank you for your dedication to The Provincial Government Employees Credit Union during 2018.

Respectfully submitted,

Ingrid Foshay Murphy,
Chief Executive Officer

Marketing and Member Relations Committee Report

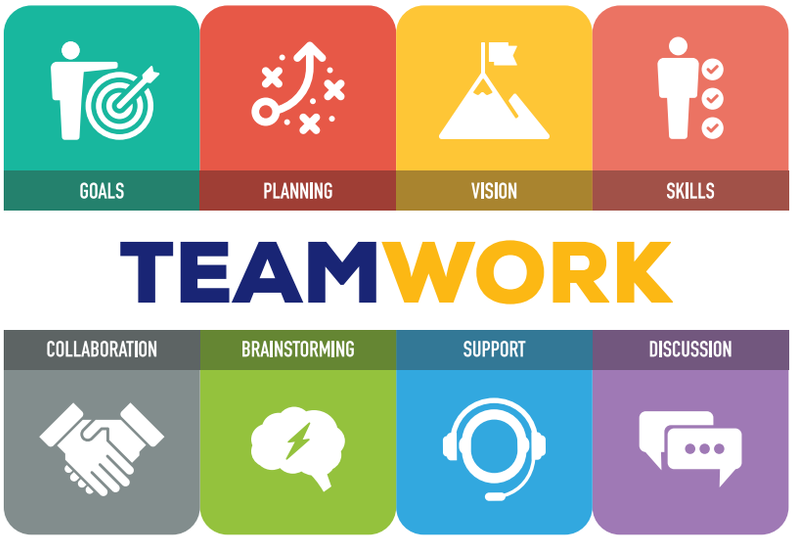
The last year has been one of great growth and change for the Provincial Government Employees Credit Union. Our new branch opening has reinvigorated our marketing committee. The new, centrally located, modern branch has provided opportunities to draw in new members and offer valuable services to our members. Through radio contests, lunch and learns, loan and credit promotions along with social media marketing, we've been able to increase our membership by 200. The marketing committee is seeing more opportunities to engage with public servants in our new location and we are using it to our advantage.

Our competition with the larger financial institutions remains, but our success continues. The staff, the credit union experience and the value based commitment is what sets us apart. We continue to see growth in members, profit and revenue and we continue to make significant strides in marketing our credit union as the best option for those public servants looking for modern, convenient and safe banking.

The upcoming year promises to be an exciting one with more partnerships and opportunities to increase our membership.

Respectfully submitted,

Meredith Cowan, *Chair*
Mark Peck
Sandra McKenzie
Kathleen Trott
Tracey Taweel



Credit Committee Report

The Credit Committee has a mandate to review loan policy and recommend changes, as deemed necessary, to the Board of Directors of the Provincial Government Employees Credit Union.

The Credit Committee reviews loans to staff and board members of the credit union, and any loans which are an exception to the loan policy. The Credit Committee also reviews delinquencies, bankruptcies and any loans which are written-off. These reviews are reported to the Board of Directors.

The Credit Committee has met quarterly during the 2018 fiscal year to address the aforementioned requirements.

As of December 31, 2018 the grand total of the loan account of the Provincial Government Employees Credit Union stood at $31,940,316.94.

The Credit Committee thanks the management and staff for their continued effort to maintain a high level of professionalism and a caring business environment for all members.

Respectfully submitted,

Gerry Langille, *Chairperson*
Gwen Beazley, *Vice Chairperson*
Donald Hebb

Audit Committee Report

The Audit Committee met on numerous occasions in 2018, during which time we followed the rules and regulations of the Nova Scotia Credit Union Act. The committee reviewed the minutes of the Board, staff loans and deposits, Board and committee member loans, and all financial reports sent to regulators and the Board. The committee also met with our external auditors in order to review their report. We are pleased to report all aspects reviewed by our committee were well within the policy and procedures of the Provincial Government Employees Credit Union and the rules and regulations of the Nova Scotia Credit Union Act.

We would like to congratulate the General Manager and her staff for their dedication and the excellent year they made possible. We also thank them for the exceptional cooperation given to the Audit Committee throughout 2018.

Respectfully submitted,

Stephen McManus, *Chairperson*
Linda Fraser
James Clayton
Miriam Murray

Report of the Nomination Committee

Board of Directors nominations for the three-year term ending December 31, 2021

Sandra McKenzie
Miriam Murray
Linda Fraser

Board
James Sherry
Mark Peck
Linda Fraser
Gwen Beazley
Meredith Cowan
Gary Kerr
Gerald Langille
Stephen McManus
Miriam Murray
Sandra McKenzie

Directors and Committees

Year Ending December 31, 2018

Board of Directors

James Sherry, *President*
Mark Peck, *Vice President*
Linda Fraser, *Secretary*
Gwen Beazley, *Director*
Meredith Cowan, *Director*
Gary Kerr, *Director*
Gerald Langille, *Director*
Stephen McManus, *Director*
Miriam Murray, *Director*
Sandra McKenzie, *Director*

Audit Committee Members

Stephen McManus, *Chairperson*
Linda Fraser
James Clayton
Miriam Murray

Credit Committee Members

Gerry Langille, *Chairperson*
Gwen Beazley, *Vice Chairperson*
Donald Hebb

Marketing and Member Relations Committee

Meredith Cowan, *Chair*
Mark Peck
Sandra McKenzie
Kathleen Trott
Tracey Taweel