79th Annual Report

CREDIT UNION
PROVINCIAL GOVERNMENT EMPLOYEES

2016

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.

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MINUTES FROM THE ANNUAL MEETING

April 21, 2015

CALL TO ORDER

The annual meeting of Provincial Government Employees Credit Union was held Tuesday, April 19, 2016 at Brightwood Golf and Country Club, 227 School Street, Dartmouth, NS.

Mr. Gary Kerr called the meeting to order at 7:05PM.

MOMENT OF SILENCE FOR DEPARTED MEMBERS

Mr. Kerr 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 2015.

MINUTES OF THE 2015 ANNUAL MEETING

The minutes of the 2015 Annual Meeting were read quietly by those in attendance. Mr. Kerr then asked for the adoption of these minutes, which was moved by Ms. Valerie Bobyk and seconded by Ms. Gwen Beazley.

Motion carried.

BOARD OF DIRECTORS REPORT

Mr. Kerr then turned the chair over to Mr. Mark Peck to call for the presentation of the report of the Board of Directors. Mr. Peck recalled Mr. Kerr to present the report. There being no questions, Mr. Kerr asked to adopt the report which was moved by Mr. Matthew Dubois and seconded by Ms. Sandra McKenzie.

Motion carried.

REPORT OF THE AUDITORS

Mr. Gary Kerr called upon Mr. Ian Stanley of Collins Barrow to present the financial statements for the year ending December 31, 2015. Mr. Stanley highlighted various areas and indicated once again that Provincial Government Employees Credit Union's equity is very financially healthy at 11.29%.

Mr. Kerr then called to accept the report and this was moved by Mr. Matthew Dubois and seconded by Ms. Valerie Bobyk.

Motion carried.

Mr. Kerr then read our mission statement before calling on Mrs. Ingrid Foshay Murphy to present the report of the CEO.

REPORT OF THE CEO

Mrs. Ingrid Foshay Murphy presented the Report of the CEO. Mr. Matthew Dubois asked for explanations of our Mobile App and Deposit Anywhere which was then clarified. Ms. Valerie Bobyk then thanked Provincial Government Employees Credit Union for our past donations to Family Service. Ms. Bobyk clarified that Family Service used these funds in 2015 to assist abused children in their therapy, a very worthy cause indeed. There being no further comments or questions, Mr. Kerr called on the membership to accept the report as read. This was moved by Mrs. Sheila Crummell and seconded by Mrs. Dianne Sturdy.

Motion carried.

REPORT OF THE MARKETING AND MEMBER RELATIONS COMMITTEE

Mr. Gary Kerr called upon Mr. Mark Peck to read the report of the Marketing and Member Relations Committee. Mr. Peck highlighted many updates since the Marketing Committee was formed such as the increase in Members' Equity and Retained Earnings. Mr. Peck noted that Mr. David Bell has joined the Committee and that Mrs. Miriam Murray has now assumed the Chair. There being no questions, Mr. Peck then asked for the adoption of the report which was moved by Ms. Gwen Beazley and seconded by Mr. Jim Clayton.

Motion carried.

MINUTES FROM THE ANNUAL MEETING (CON'T)

April 21, 2015

REPORT OF THE CREDIT COMMITTEE

Mr. Kerr then called upon Mr. Gerry Langille to read the Credit Committee report. There being no questions, Mr. Kerr asked to adopt the report which was moved by Mrs. Sheila Crummell and seconded by Mrs. Dianne Sturdy.

Motion carried.

REPORT OF THE AUDIT COMMITTEE

Mr. Kerr called upon Mrs. Miriam Murray to read the Report of the Audit Committee. Mr. Jim Clayton then notified those in attendance that the Committee did meet with the auditors and asked for a correction. Mr. Kerr then called for the adoption of the report with this change. This was moved by Mr. Jim Clayton and seconded by Mr. Matthew Dubois.

Motion carried.

REPORT OF THE NOMINATION COMMITTEE

Mr. Kerr then called on Ms. Gwen Beazley for the report of the Nomination Committee. Ms. Beazley then moved for the adoption of the report and it was seconded by Mrs. Miriam Murray.

Motion carried.

DOOR PRIZES

The door prizes were then drawn with the following winners:

1. Gina Peck
   - Basket of Credit Union Promotional Items
2. Gwen Beazley
   - First Aid Kit
3. Darlene Brunt
   - 78 Toonies

NEW BUSINESS

Mr. Matthew Dubois complemented the staff and management of Provincial Government Employees Credit Union for great service and friendly smiles.

ADJOURNMENT

There being no further business, Mr. Gary Kerr adjourned the meeting at 7:39pm.

A social, appetizers and desserts then followed.

BOARD OF DIRECTORS' REPORT

Year Ending December 31, 2016

The Board of Directors of Provincial Government Employees Credit Union is pleased to report that 2016 was a financially successful year. Our success comes from the commitment of our members, the dedication of our volunteers on the Board and 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,

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

INDEPENDENT AUDITOR' REPORT

Year Ending December 31, 2016

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To the Members of:
Provincial Government Employees Credit Union Limited

We have audited the accompanying financial statements of **Provincial Government Employees Credit Union Limited**, which comprise the statement of financial position as at December 31, 2016 and the statements of net earnings, comprehensive income and changes in retained earnings and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Provincial Government Employees Credit Union Limited** as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Inc.

Dartmouth, Nova Scotia
March 3, 2017

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ending December 31, 2016

	2016	2015
	$	$
INTEREST INCOME	**1,217,261**	1,287,193
INTEREST EXPENSE	**324,702**	336,594
GROSS FINANCIAL PROFIT	**892,559**	950,599
SERVICE CHARGES AND OTHER (Note 20)	**291,180**	281,515
NET FINANCIAL INCOME	**1,183,739**	1,232,114
OPERATING EXPENSES		
Amortization	**26,269**	14,351
Charitable donations and education awards	**15,488**	21,390
General and administrative	**426,144**	418,773
Members' security	**42,127**	41,114
Personnel	**573,969**	570,813
Provision for impaired loans (Note 5)	**8,000**	64,410
	1,091,997	1,130,851
EARNINGS BEFORE SHARE DIVIDEND AND LOYALTY REFUNDS	**91,742**	101,263
SHARE DIVIDEND	**(1,296)**	(1,288)
LOYALTY REFUNDS	**-**	(11,109)
EARNINGS BEFORE INCOME TAXES	**90,446**	88,866
PROVISION FOR INCOME TAXES		
Current	**13,488**	14,367
Deferred	**(1,285)**	(2,550)
	12,203	11,817
NET EARNINGS AND COMPREHENSIVE INCOME	**78,243**	77,049
RETAINED EARNINGS - beginning of year	**3,575,499**	3,498,450
RETAINED EARNINGS - end of year	**3,653,742**	3,575,499

See accompanying notes to the financial statements

BALANCE SHEET

Year Ending December 31, 2016

	2016	2015
	$	$
ASSETS		
MEMBERS' LOANS (Note 5)		
Mortgages under administration	**3,671,297**	4,061,268
Mortgages	**14,248,502**	14,863,171
Personal	**10,264,954**	9,403,619
Accrued interest	**27,115**	27,843
	28,211,868	28,355,901
Allowance for impaired loans (Note 5)	**(185,565)**	(210,458)
	28,026,303	28,145,443
LONG-TERM INVESTMENTS (Note 6)	**759,674**	751,774
EQUIPMENT AND LEASEHOLDS (Note 7)	**31,473**	46,301
	28,817,450	28,943,518
CURRENT ASSETS		
Cash and cash equivalents (Note 8)	**4,579,479**	2,063,574
Short-term investments	**-**	500,000
Income taxes recoverable	**-**	1,221
Other assets (Note 9)	**222,246**	160,665
	4,801,725	2,725,460
	33,619,175	31,668,978
LIABILITIES		
MEMBERS' DEPOSITS (Note 10)		
Savings and chequing	**11,019,090**	9,713,137
Deferred salary deposits	**1,078,630**	1,136,358
Term deposits	**17,466,844**	16,830,809
Accrued interest	**161,577**	164,546
	29,726,141	27,844,850
MEMBERS' SHARES (Note 11)	**13,160**	13,025
	29,739,301	27,857,875
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**102,268**	114,086
Income taxes payable	**2,338**	-
Share dividend	**1,296**	1,288
Long-service award (Note 12a)	**120,230**	120,230
	226,132	235,604
	29,965,433	28,093,479
MEMBERS' EQUITY		
RETAINED EARNINGS (Note 13)	**3,653,742**	3,575,499
	33,619,175	31,668,978

COMMITMENTS (Note 22)

Approved by the Board of Directors

_______________ **Director** _______________ **Director**

See accompanying notes to the financial statements

CASH FLOWS

Year Ending December 31, 2016

	2016 $	2015 $
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings and comprehensive income	**78,243**	77,049
Item not affecting cash		
Amortization	**26,269**	14,351
	104,512	91,400
Changes in non-cash working capital items		
Income taxes recoverable	**3,559**	(2,683)
Other assets	**(61,581)**	29,555
Accounts payable and accrued liabilities	**(11,818)**	2,548
Decrease in share dividend	**8**	(16)
Increase in long-service award	**-**	9,429
	34,680	130,233
FINANCING		
Members' shares issued	**805**	720
Members' shares redeemed	**(670)**	(775)
Net increase (decrease) in members' deposits	**1,881,291**	(71,645)
Net decrease (increase) in members' loans	**119,140**	(1,437,492)
Decrease (increase) in short-term investments	**500,000**	(500,000)
Decrease (increase) in long-term investments	**(7,900)**	506,510
	2,492,666	(1,502,682)
INVESTING		
Acquisition of equipment and leaseholds	**(11,441)**	(18,739)
CHANGE IN CASH AND CASH EQUIVALENTS	**2,515,905**	(1,391,188)
CASH AND CASH EQUIVALENTS - beginning of year	**2,063,574**	3,454,762
CASH AND CASH EQUIVALENTS - end of year	**4,579,479**	2,063,574

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ending December 31, 2016

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 Credit Union Act of Nova Scotia.

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 at 1724 Granville Street in Halifax, Nova Scotia.

These financial statements have been authorized for issue by the Board of Directors on March 3, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of presentation and measurement</u>

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB").

These financial statements were prepared under the historical cost convention using the functional and operational currency as the Canadian dollar.

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.

<u>Cash and cash equivalents</u>

Cash and cash equivalents consists of cash on hand and bank balances and a term deposit which had a term of less than 3 months at date of acquisition held with Atlantic Central.

<u>Investments</u>

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)

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 loans and receivables.

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.

Provision for impairment

Members' loans are reviewed by management on a continuous basis to assess whether there is any objective evidence that any loans or a group of loans are impaired.

If there is objective evidence that an impairment loss on members' loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate. Short-term balances are not discounted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net earnings and comprehensive income.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net earnings and 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.

Accounts payable and accrued liabilities

Liabilities for trade creditors and accrued liabilities are classified as other financial liabilities and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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.

Loyalty refunds

Loyalty refunds are recognized in net earnings and comprehensive income when circumstances indicate the Credit Union has a constructive obligation it has little or no discretion to avoid and it can make a reasonable estimate of the amount required to settle the obligation. The Loyalty refunds are awarded at the discretion of the Board of Directors.

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 has been 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 in net earnings and comprehensive income as other income.

Revenue recognition

The Credit Union recognizes interest income on members' loans on an amortized cost 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. All interest income is recognized on an accrual basis.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Loans are classified as impaired at the earliest of when, in the opinion of management, there is reasonable doubt as to the collectability of interest, or when interest or principal is contractually past due ninety days, unless the loan or mortgage is both well secured and in the process of collection.

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

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 net earnings and comprehensive income, except to the extent they reverse gains previously recognized in other comprehensive income.

Equipment and leaseholds

Equipment and leaseholds 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
Leaseholds	Term of lease	Straight-line

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, amendments and interpretations have been published that are mandatory for the Credit Union's accounting periods beginning on or after January 1, 2017 or later periods that the Credit Union has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Credit Union are:

3. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

i) In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the existing standards for revenue recognition. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions. New estimates and judgemental thresholds have been introduced. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The standard is effective for annual periods beginning on or after January 1, 2018. The Credit Union is in the process of evaluating the impact of the new standard.

ii) In July 2014, the IASB issued the complete IFRS 9 Financial Instruments ("IFRS 9"), which introduces 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 standard introduces additional amendments related to financial liabilities, the impairment model and hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Credit Union is in the process of evaluating the impact of the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. 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.

Members' loans loss provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgment on whether objective evidence of impairment exists for financial assets that are individually significant. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided in Note 5.

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 to prime plus 5%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2016 was 2.7% (2015 - 2.7%).

The interest rate offered on fixed rate loans being advanced at December 31, 2016 ranges from 1% to 21%.

5. MEMBERS' LOANS (Continued)

Terms and conditions (Continued)

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.

The fair value of member's loans as at December 31, 2016 is $28,026,303 (2015 - $28,145,443).

The estimated fair value of the variable rate loans is assumed to equal book value as the interest rates on these loans re-priced to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at the current market rates for products with similar term and credit risks.

Average Yields to Maturity

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

	2016 Principal $	**2016 Yield %**	2015 Principal $	2015 Yield %
Variable rate	**10,205,353**	**5.10**	9,398,719	5.34
Fixed rate due less than 1 year	**2,232,000**	**3.31**	2,607,439	4.26
Fixed rate due between 1 and 5 years	**15,747,400**	**3.68**	16,321,900	3.75
	28,184,753	**4.16**	28,328,058	4.32

The Credit Union does not have any loans with maturity over 5 years.

5. MEMBERS' LOANS (Continued)

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 2 accounts in excess of 10% of members' equity totaling $2,761,456 (2015 - $2,491,598) or 10% (2015 - 9%) 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 likely impairment loss on loans which have not maintained the repayment in accordance with the loan contract, or where there is other evidence of potential impairment such as debt consolidation, deterioration of member's net worth, job losses or economic circumstances.

In identifying the likely impairment from these events the Credit Union estimates the potential impairment using 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).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience. The Credit Union does not recognize a collective allowance.

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

	2016		2015	
	Impaired Loans $	**Impairment allowance $**	Impaired loans $	Impairment allowance $
Residential mortgages	**349,065**	**20,000**	234,009	10,000
Personal	**259,316**	**165,565**	416,632	200,458
	608,381	**185,565**	650,641	210,458

NOTES TO THE FINANCIAL STATEMENTS

Year Ending December 31, 2016

5. MEMBERS' LOANS (Continued)

b) Continuity of allowance for impaired loans

	2016 $	2015 $
Balance - beginning of year	**210,458**	182,988
Current provision for impaired loans	**8,000**	64,410
Loans written off as uncollectible	**(37,205)**	(42,758)
Bad debts recovered (net)	**4,312**	5,818
Balance - end of year	**185,565**	210,458

6. LONG-TERM INVESTMENTS

	2016 $	2015 $
Atlantic Central common shares	**298,800**	290,900
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	**18,670**	18,670
	759,674	751,774

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. There is no separately quoted market value available, however, fair value is determined to be equivalent to the par value as transactions occur 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. There is no separately quoted market value available, however, fair value is determined to be equivalent to the par value as transactions occur at par value.

NOTES TO THE FINANCIAL STATEMENTS

Year Ending December 31, 2016

7. EQUIPMENT AND LEASEHOLDS

	Cost $	Accumulated Amortization $	**Net 2016** **$**	Net 2015 $
Computer equipment	105,383	100,390	**4,993**	2,538
Furniture and equipment	102,808	80,764	**22,044**	25,389
Leaseholds	56,227	51,791	**4,436**	18,374
	264,418	232,945	**31,473**	46,301

8. CASH AND CASH EQUIVALENTS

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

	2016 **$**	2015 $
Cash on hand	**298,989**	250,609
Current account (indebtedness)	**204,517**	(138,241)
Atlantic Central demand liquidity	**1,256,087**	18,862
Atlantic Central mandatory liquidity	**2,026,160**	1,928,098
Atlantic Central USD account	**43,726**	4,246
Atlantic Central term deposit, interest at 0.82%, matured January 2017	**750,000**	-
	4,579,479	2,063,574

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, 2016, the balance outstanding on the line of credit was $NIL (2015 - $NIL). When utilized, the line of credit bears interest at Atlantic Central of Nova Scotia's prime rate per annum.

9. OTHER ASSETS

	2016	2015
	$	$
Rebates and other receivables	**165,360**	34,366
Accrued interest receivable	**200**	64,434
Deferred income taxes	**7,912**	6,627
Prepaid expenses	**44,279**	49,667
Prepaid interest (index-linked GICs)	**4,495**	5,571
	222,246	160,665

10. MEMBERS' DEPOSITS

Terms and conditions

Savings and chequing deposits are due on demand and bear interest at variable interest rates up to 0.75% (2015 - 0.75%) as at December 31, 2016. 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% (2015 - 0.71%) as at December 31, 2016.

Term deposits, registered retirement savings plans (RRSPs) 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% to 5% as at December 31, 2016.

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

	$
2017	12,142,600
2018	2,176,700
2019	2,373,600
2020	591,200
2021	1,013,300

Fair value

The carrying value of members' deposits approximates their fair value as the interest rates on these deposits re-price to market on a periodic basis. See Note 17 for the breakdown of interest rate sensitivity.

10. MEMBERS' DEPOSITS (Continued)

Average yields to maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:

	2016 Principal $	2016 Yield %	2015 Principal $	2015 Yield %
Variable rate	**11,267,164**	**0.11**	10,072,928	0.10
Fixed rate due in less than 1 year	**12,142,600**	**1.42**	9,394,576	1.53
Fixed rate due between 1 and 5 years	**6,154,800**	**2.03**	8,212,800	1.94
	29,564,564	**1.05**	27,680,304	1.13

Concentration of risk

The Credit Union as at December 31, 2016 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.

11. MEMBERS' SHARES

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

		2016 $	2015 $
Issued			
2,632	Member shares (2015 - 2,605)	**13,160**	13,025

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 161 shares (2015 - 144 shares) for a consideration of $805 (2015 - $720) and repurchased 134 shares (2015 - 155 shares) for a total consideration of $670 (2015 - $775).

12. PENSION PLAN, LONG-SERVICE AWARDS AND RETIREMENT SAVINGS

a) The Board of Directors has authorized the provision of a long-service award for the employees of the Credit Union. At December 31, 2016 the amount of the potential liability was $120,230 (2015 - $120,230) of which $NIL (2015 - $9,429) has been charged to personnel expense for the current year. The annual charge is based upon the number of years of service and current payroll cost for the employees. At the beginning of the year the Credit Union made changes to the award such that no additional years of service would be accrued, and are currently planning the disposition of amounts previously recorded.

b) 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 $36,000 have been expensed in 2016 (2015 - $36,688). The Credit Union is not liable to the plan for other entities' obligations. With only eight 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, 2015, the date of the last actuarial valuation, the pension plan was fully funded.

c) 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, 2016 members' equity as a percentage of assets was calculated as follows:

	2016 **$**	2015 $
Members' equity	**3,653,742**	3,575,499
Total assets	**33,619,175**	31,668,978
Members' equity as a percentage of total assets	**10.87%**	11.29%

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	**2016**	2015
	$	$
Salaries and other short-term employee benefits	**252,971**	246,238
Total pension contributions	**30,852**	30,010
Increase in long-service award	**-**	5,289
	283,823	281,537

ii) Loans to all related parties	**2016**	2015
	$	$
Aggregate value of loans and mortgages advanced	**1,319,976**	1,315,093
Total value of lines of credit advanced	**1,404,594**	1,247,712
	2,724,570	2,562,805

During the year, interest income on loans to related parties was approximately $26,000 (2015 - $25,000).

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	**2016**	2015
	$	$
Aggregate value of savings and checking	**97,536**	96,362
Aggregate value of term deposits	**1,252,145**	1,091,029
	1,349,681	1,187,391

During the year, interest paid on related party deposits was approximately $33,000 (2015 - $33,000).

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 (1% effective January 1, 2017) 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:

		2016 $	2015 $
Cash and cash equivalents	Held for trading	**4,579,479**	2,063,574
Short-term investments	Held to maturity	**-**	500,000
Other assets	Loans and receivables	**222,246**	160,665
Members' loans	Loans and receivables	**28,026,303**	28,145,443
Long-term investments	Available for sale	**759,674**	751,774
Accounts payable and accrued liabilities	Other financial liabilities	**(102,271)**	(114,086)
Long-service award	Other financial liabilities	**(120,230)**	(120,230)
Members' deposits and members' shares	Other financial liabilities	**(29,739,301)**	(27,857,875)
		3,625,900	3,529,265

Financial instruments classified as held for trading and available for sale are initially recognized at fair value based on quoted market price in an active market, subsequently they are measured at fair value. Realized gains and losses on available for sale investments are recognized directly in comprehensive income. Realized gains on held for trading investments are recognized in net earnings.

Loans and receivables, held to maturity instruments and other financial liabilities are initially measured at fair value, and subsequently measured at amortized cost which approximates fair value.

The Credit Union uses 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.

15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE (Continued)

Short-term investments are measured at amortized cost, amortized cost is determined using the Level 2 hierarchy where market values approximates the investment cost plus accrued interest.

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.

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, short-term investments, members' loans, accounts receivable (included in other assets), investments, members' deposits, accounts payable and accrued liabilities and long-service award.

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, 2016.

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 and long-term investments, and accounts receivable.

16. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

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.

The Board of Directors reviews new loans and delinquent loans on a regular basis 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.

16. FINANCIAL INSTRUMENTS (Continued)

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, accounts payable and accrued liabilities, and long-service award. 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, 2016 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, 2016 together with the weighted average interest rates earned on the financial assets or paid on the financial liabilities.

17. INTEREST RATE SENSITIVITY (Continued)

	Demand Principal $	Rate %	Under 1 Year Principal $	Rate %	1-3 Year Principal $	Rate %	Over 3 Years Principal $	Rate %
ASSETS								
Cash and investments	1,803,319	-	2,776,160	0.82	-	-	759,700	2.07
Members' loans								
Personal	10,131,254	5.10	5,800	-	36,000	8.37	91,900	4.88
Mortgages	74,100	2.70	2,226,200	3.32	8,278,700	3.89	7,340,800	3.39
	12,008,673		5,008,160		8,314,700		8,192,400	
LIABILITIES								
Members' deposits	11,267,164	.11	12,142,600	1.42	4,550,300	2.23	1,604,500	1.46

For the fiscal year ended December 31, 2016, 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 less than $10,000 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, 2016.

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.

19. CAPITAL RISK MANAGEMENT (Continued)

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, 2016, the Credit Union's members' equity was $3,653,742 (December 31, 2015 - $3,575,499).

20. SERVICE CHARGES AND OTHER

	2016 **$**	2015 $
Discretionary rebates	**23,717**	22,306
Mortgage referral fees	**2,420**	2,040
Monthly service charges	**160,103**	163,978
CURP life and disability insurance	**90,094**	70,972
Money orders, mortgage penalties, loan administration fees, credit card charges and other revenues	**14,846**	22,219
	291,180	281,515

20. SERVICE CHARGES AND OTHER (Continued)

Breakdown of the discretionary rebates revenue is as follows:	**2016** **$**	2015 $
Atlantic Central	**12,986**	15,391
CUMIS bonding insurance	**1,460**	2,735
League Data and Savings & CUETS	**9,271**	4,180
	23,717	22,306

21. CONTRIBUTED SERVICES

The Credit Union has elected not to record contributed services in the financial statements. The Credit Union receives rent-free office space and nightly security services. Effective January 1, 2017 the Credit Union no longer receives these contributed services.

22. COMMITMENTS

The Credit Union has a commitment to its members in terms of unused lines of credit. As at December 31, 2016 the total amount of unused lines of credit is $4,101,273 (2015 - $4,413,690). As at December 31, 2016 there were no approved and unadvanced mortgages or personal loans.

REPORT OF THE CHIEF EXECUTIVE OFFICER

Year Ending December 31, 2016

The Provincial Government Employees Credit Union is a unique financial institution that is owned solely by provincial civil servants. We are the only remaining closed bond Credit Union in Nova Scotia that is open only to Provincial Government employees and their dependents. This difference is what sets us apart and why both our efforts and success are firmly focused on servicing the needs of our members.

It is a pleasure that I report another successful year to you, our shareholders. This year is quite a milestone because as of this month, our Credit Union was founded 80 years ago! From humble beginnings we now have assets of over $33 million, approximately 3000 members, and equity of 10.87%.

In addition to offering all traditional products and services including Global Payment Mastercards, Mortgages, Tax-Free Savings Accounts, RESPs, and loans, we also offer full online banking and mobile banking and continue to participate in many aspects of social media. This past year, we were also proud to introduce the convenience of *Interac* Flash® for debit cards to our product list. Moreover, we continue our pledge for full personalized service.

Provincial Government Employees Credit Union continues our commitment to Educational Awards and Sponsorships as well as Community Donations including Breast Cancer Action NS, Feed Nova Scotia, and Family Services Association to name a few.

One of the challenges we have been faced with recently is the relocation of our brick and mortar branch. We are continuing our due diligence in order to minimize disruption to you, our members, and we will have a more concrete plan later this year.

I would like to take this opportunity to thank our Committees, Staff, Board of Directors and most importantly you, our members, for your support and commitment throughout 2016.

Respectfully submitted,

Ingrid Foshay Murphy,
Chief Executive Officer

REPORT OF THE MARKETING AND MEMBER RELATIONS COMMITTEE

Year Ending December 31, 2016

The past year, The Marketing and Member Relations Committee continued its work to engage public servants, promote our products and services, encourage more membership from across government, and increase member and potential member understanding of the advantages to being members of the Provincial Government Employees Credit Union.

Research through surveys was conducted to identify opportunities to better understand the needs of our members and of all public servants. Our social media efforts and communications to government employees were timely and rewarding. Work to create collaborative relationships throughout government was successful and will continue as new possibilities are identified.

A cooling housing market, an emphasis on personal debt repayment, and continued low interest rates were some specific challenges in 2016, however, with an increase of 165 members we continue to see success in our efforts.

As we enter the anniversary of our 80th year as the financial institution for Nova Scotia's public servants, we are planning to celebrate this remarkable milestone through various events and promotions. We are striving for another successful year in 2017 with continued increases in revenue and membership.

Respectfully submitted,

Miriam Murray, *Chair*
Mark Peck
Sandra McKenzie
Ingrid Foshay Murphy
Meredith Cowan

REPORT OF THE CREDIT COMMITTEE

Year Ending December 31, 2016

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 met quarterly during the 2016 fiscal year to address the aforementioned requirements.

As of December 31, 2016 the grand total of the loan account of the Provincial Government Employees Credit Union stood at $28,184,752.24.

The Credit Committee thanks the management and staff for their continued work 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

REPORT OF THE AUDIT COMMITTEE

Year Ending December 31, 2016

The Audit Committee met on several occasions during 2016. The committee reviewed the minutes of the board, staff loans and deposits, and all financial reports sent to the regulators and the board. The committee also met with our external auditors in order to review their report.

We are pleased to report that all aspects reviewed by our committee were well within the policy and procedures of Provincial Government Employees Credit Union as well as the rules and regulations of the Credit Union Act of Nova Scotia.

We would like to congratulate the Chief Executive Officer, Ingrid Foshay Murphy, and her staff for their dedication to the Credit Union and the excellent year they made possible. We also thank them for the exceptional cooperation given to the Audit Committee throughout 2016.

Respectfully submitted,

Stephen McManus, *Chairperson*
Linda Fraser
James Clayton

REPORT OF THE NOMINATION COMMITTEE

Year Ending December 31, 2016

Board of Directors nominations for the three-year term ending December 31, 2016.
Gwen Beazley
Mark Peck
Gerry Langille

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

DIRECTORS AND COMMITTEES

Year Ending December 31, 2016

BOARD OF DIRECTORS
James Sherry, *President*
Gary Kerr, *Vice President*
Linda Fraser, *Secretary*
Gwen Beazley
Gerry Langille
Sandra McKenzie
Stephen McManus
Miriam Murray
Mark Peck

AUDIT COMMITTEE MEMBERS
Stephen McManus, *Chairperson*
Linda Fraser
James Clayton

CREDIT COMMITTEE MEMBERS
Gerry Langille, *Chairperson*
Gwen Beazley, *Vice Chairperson*
Don Hebb

MARKETING AND MEMBER RELATIONS COMMITTEE
Miriam Murray, *Chairperson*
Ingrid Foshay Murphy, *CEO*
Mark Peck
Sandra McKenzie
Meredith Cowan

CREDIT
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*Ipsos 2016 Best Banking Awards are based on ongoing quarterly Customer Service Index (CSI) survey results. Sample size for the total 2016 CSI program year ended with the August 2016 survey wave was 47,305 completed surveys yielding 67,678 financial institution ratings nationally.

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