

Spring Newsletter



2021 - Laboratories Credit Union Ltd - lcu.com.au - (02) 9859 0585 - ABN 77 087 650 217

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Annual General Meeting

The 67th Annual General Meeting of Laboratories Credit Union Limited will be held on Thursday, 4th November 2021 at 6.00 pm by Videoconference

Agenda

1. Confirmation of minutes from the last AGM held on 5th November 2020.

2. To receive from the Board, General Manager and Auditor, reports on the results of operations of Laboratories Credit Union during the financial year ended 30 June 2021.

3. To consider and, if thought fit, pass the following resolution as a special resolution to amend the Constitution:
"That Laboratories Credit Union's Constitution be amended to allow for the issue of Mutual Capital Instruments (MCIs) by making the amendments marked-up in the copy of the Constitution which is tabled at the Meeting and signed by the Chair of the Meeting for the purposes of identification."

Note: The proposed amendments to the Constitution are described in the Explanatory Notes to this notice. A copy of the Constitution marked-up with the proposed amendments is available on our website at www.lcu.com.au. Alternatively, members can request a copy by contacting the Credit Union on (02) 9859 0585 or at info@lcu.com.au. A copy will also be available to view at the Annual General Meeting.

4. Election of Directors

Three (3) Directors are to be elected in accordance with the Constitution of the Credit Union. Current Directors Frank Benito de Valle, Alistair Scott Martin and Paul Swan have their terms of office terminating at this meeting. All Directors have re-nominated for a further term and are eligible for re-election in accordance with the Constitution, as the Credit Union has received three [3] nominations for three [3] positions, an election is not required. Subject to the Credit Union's Nomination Committee process, a separate resolution confirming each appointment will be put to the shareholders at the meeting.

5. Remuneration of Directors

It is recommended that the total remuneration to be shared by the Board of Directors for the 2021/22 period be increased from \$56,700 to \$57,500 plus 10% Superannuation Guarantee Contribution.

6. General Business

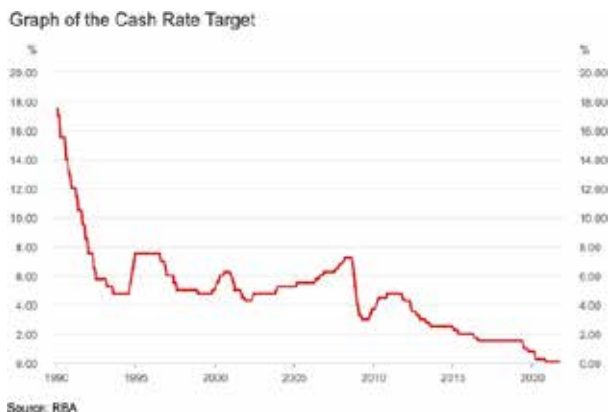
By Order of the Board
Leanne Harris
Secretary
15th September 2021

For information on entitlement to vote, proxies and annual reports, please visit our website.

Chairman's Report

Financial and Operating Performance in an Extraordinary Environment

I am pleased to be able to present this 67th Annual Report of LCU of our service to you, during another unusual year of extraordinarily low interest rates and extended period of what some are reporting as "COVID normal". To put this sustained economic environment in context, I have borrowed below a Reserve Bank of Australia chart of historical interest rates over the past 30 years.



Although interest rates have not moved from their historic lows this year, our local economy has been running in unpredictable fits and starts. Your LCU has continued to work with members providing our renowned personalised service whilst for a large part of the year, working in more flexible arrangements. I am pleased to report that the initial hardship loans and waivers, which we offered members towards the beginning of the COVID pandemic, have now been substantially repaid. We are very pleased to have been able to provide this support and that our members have seen their way out of hardship.

Throughout 2020–2021, LCU's financial results have remained steady. However, like 2019–2020, due to the low interest rate environment, our successes are modest and have been significantly supported by government assistance and rental assistance from CSIRO. We take a conservative, long-term view on our key performance indicators, knowing that the economic environment is strained and unpredictable.

Our financial metrics are:

- » Through careful management of interest rates and the investment portfolio, LCU achieved a net interest margin (the average difference between lending and borrowing rates) of 1.58%, which compares with 1.68% in 2020, and an industry average of 2.01%;

- » While keeping LCU fees and charges at sector-leading low levels, our 67th consecutive pre-tax surplus was pleasing at \$923,622, compared with \$803,040 in 2020. This surplus grows LCU member total capital to \$15,214,887 and generates a Return on Assets of 0.32% (0.30% in 2020);
- » Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements: Capital Adequacy was 15.23% (cf. 15.78% 2020) and Minimum Liquid Holdings 19.55% (cf. 20.06% 2020);
- » This year we have achieved loan growth of 12.32%, combined with 9.94% deposit growth; and
- » Total assets ending June 2021 exceeded \$230 million, representing very strong year-on-year growth of 11.3%.

As mentioned above, these financial results have been boosted by Government support of \$257,900 this year (2020: \$83,000) and rental reductions of nearly \$88,000 (2020: \$14,000), which we do not expect to continue. Of course, they also reflect LCU's continued prudent cost management, which lies at the core of LCU's ability to offer industry-leading value and still return earnings to boost capital. This is supported by having a single branch, efficient and engaged staff cross-trained over multiple functions and through the effective use of technology. Also, for efficiency reasons, the Board made the decision that LCU would become cash free, like many other modern businesses, at the end of the 2020–21 financial year. With such a small proportion of members utilising the cash services, and cash deposits still being available through the credit union network and such a large amount of cost and compliance associated with managing cash, it was a necessary modernisation move.

In this COVID economy, like a lot of businesses, we rely even more heavily than before on the technology to enable us to deliver services to you, and as advised in the 2020 Annual Report, the expected high cost of technology has landed and is here to stay. In particular, there have been two significant technology projects this year that we have been working on in the background. These have required a significant increase in investment by LCU.

The first is the legislated move to Open Banking, which will allow customers the ability to access their own financial data from all banks (APRA-regulated deposit-taking institutions) in a way they never have before, including to share with third party advisors. As one of the smallest players in the mutual sector, this a significant overhead. The requirements have been introduced very

quickly, at significant cost to all players and rely heavily on LCU's software provider being able to provide the necessary functionality. LCU is working closely with other small mutuals to share some of the implementation and ongoing maintenance costs that the Open Banking initiative brings.

During the year we have also upgraded the core-banking software. This was another large investment of our staff's time and energy and we are proud to say that this was achieved with no interruption to member-services. The Board is very grateful to the staff for taking on this important project that was managed on a frugal budget, as is LCU's way.

Looking forward, the Board acknowledges the day to day challenges our staff face managing such a low cost base. Your LCU staff have worked very effectively through the impacts on COVID, with increasing demands on their time to address legislative changes and technology costs, while continuing to provide high levels of service to members. The Board is very grateful for their positive attitude and member-service approach.

Small Mutuals Collaboration

We continue in our efforts to join forces with other credit unions and mutual banks as members of the SAM Group (Small Australian Mutuals) and COBA (the Customer Owned Banking Association). Historically we have been active members of SAM and this year have seen benefits in collaboration in the Open Banking project. We also continue to grow our loans to members of other credit unions in the shared loans project. This project allows use of some of our excess liquidity but also gives us the benefit of being able to offer larger loans where required, should the need arise in the expensive Sydney property market. We have other projects on foot with the SAM group that we expect will assist us in managing some other costs, such as compliance.

Scholarships

The Tertiary Scholarship program, launched in 1990, has seen LCU award in excess of \$280,000 to over 300 recipients. In 2021, LCU proudly continued its Tertiary Scholarship Program to eleven highly deserving young people: Laura Collins, Jasmine De Rosa, Chloe Duncan, Davis Murphy, Alexandra Pitt, Saskia Rees, Kayleigh Sleath, Ashleigh Smith, Harriett Southall, Laura Wrigley-Carr and Emma Yau, with the McDonald Clark Award for the highest ATAR going jointly to Alexandra Pitt and Jasmine De Rosa.

Our Tertiary Scholarship ceremony was once again combined with the CSIRO Alumni Scholarship ceremony in February. Since the inception of the CSIRO Alumni Scholarship in Physics in 2015, in the memory of Drs Gerry Haddad, Tony Farmer, John Dunlop and Don Price, LCU has been a significant contributor. Joining the two occasions brings our tertiary recipients in contact with the research community including the inspiring recipients, past and present, of the CSIRO Alumni Scholarship.

In 2021 the combined scholarship award presentation was held as an online virtual event. CSIRO's Dr Sarah Pearce hosted the event and the CSIRO Alumni Scholarship winner was Alison Campbell. Alison spoke on her research on organic photovoltaics and plans to travel to the University of Cambridge to use their ultrafast spectroscopic equipment.

Board and Staff

I would like to thank my fellow Directors, Scott Martin (Deputy Chair and Chair of the Risk Committee) Anita Andrew, Frank Benito de Valle, Tony Murphy, Peter Steele, John Stephens (Chair of the Board Audit Committee) and Paul Swan (Chair of Innovation Committee) for their service and contribution to the governance of LCU over the past year. I would also like to thank our Associate Director Gordana Papic, for her contributions and assistance again this past year.

The Board gratefully acknowledges the friendly service and commitment of our staff Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Susanne Tran-Lowder, Nalini Mannie, Matthew Thoms, Joanne O'Donnell, Betty Ho, Tejas Daulat, Sally Boswell and Karl Williams. Personal service and member value are the cornerstones of LCU's success and without this team, LCU would not be so successful. I hope this report has been clear in articulating how privileged the Board feels to have these staff members, they have continued to support our members with their banking needs again this year.

Allison Smart

Chairman

15 September 2021

Foreign Exchange & Cash Passports to be Discontinued

Due to the branch going cashless and changes to requirements on providing third party services, Foreign Cash purchases and encashments will be discontinued from 1st October 2021.

We will also no longer be issuing CashPassport cards. Existing cardholders can continue to use

their cards and reload online.

There are a number of other options available for both services. For example Foreign Cash can be purchased from many outlets including Australia Post.

CashPassport cards can be ordered directly from Cashpassport online

<https://www.cashpassport.com.au/get-card/step-1/>

Members can still send and receive foreign currency online via our services provided by Western Union. For more information on these, visit our website and head to Travel > Send (or Receive) money overseas.

Flubot Scam Warning

Since August 2021, many Australians have been getting scam text messages about missed calls, voicemails or deliveries. The ACCC has contacted Financial Institutions with urgent

information for members detailing the dangerous evolution and anticipated impact arising from the evolution of flubot scam and its viral distribution to customers via SMS. The next phase of the

'Flubot' malware scam is likely to evolve to include attempts to imitate mobile banking apps and access consumer's financial information. Read more on our website lcu.com.au



A Fixed Home Loan That's Still Flexible?
visit lcu.com.au to find out more

Features

- » Unlimited Extra Repayments
- » Free Redraws
- » 100% Offset Account (s)
- » No Annual Loan Fee

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