

Spring Newsletter



2022 - Laboratories Credit Union Ltd - lcu.com.au - (02) 9859 0585 - ABN 77 087 650 217

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Annual General Meeting

The 68th Annual General Meeting of Laboratories Credit Union Limited will be held on:

**Thursday, 3rd November 2022 at 6.00 pm
Via Videoconference**

Agenda:

1. Confirmation of minutes from the last AGM held on 4th November 2021.
2. To receive from the Board, Chief Executive Officer and Auditor, reports on the results of operations of Laboratories Credit Union during the financial year ended 30 June 2022.

3. Election of Directors

Three (3) Directors are to be elected in accordance with the Constitution of the Credit Union. Current Directors Anthony Murphy, Allison Smart and Gordana Pasic 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.

4. Remuneration of Directors

It is recommended that the total remuneration to be shared by the Board of Directors for the 2022/23 period be increased from \$57,500 to \$58,500 plus 10.5% Superannuation Guarantee Contribution.

5. General Business

By Order of the Board
Leanne Harris
Secretary
29th September 2022

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

Chairman's Report

A Year of Planning for Change

In this 68th Annual Report of LCU, I am reflecting on the huge amount of planning and work that has been carried out by your Board and LCU staff behind the scenes over the last twelve months, to continue to serve you today and into the future.

One of those changes that has been planned and executed over the year has been the retirement of our General Manager Leanne Harris. I'm sure most of our members would know Leanne, who joined LCU in 1986. Leanne soon became a valued member of staff moving on to become Assistant General Manager and then succeeding Michael Sinclair as General Manager in 2015 when he retired. Her friendly demeanour, disarming smile and commitment to all members receiving personal service has set the tone from the top for LCU that all members have experienced.

Many of you already know Leanne will retire in October this year, generously staying on for an extended hand over to our new CEO, Helen Lorigan. Leanne introduced many new innovations to LCU including: LCU being an inaugural member of ConnXsyn, a platform for sharing loans between credit unions; implementing new investments for LCU in peer-to-peer lending; automating compliance processes, and constantly staying up to date with the latest technology like Apple Pay and Google Pay, OSKO and the LCU App. Leanne understands our members are highly digitally literate and high adoption rates are evidence of her and her team's success. Introducing new banking tech is nothing like upgrading your software at home - these initiatives require painstaking planning, validation and regression testing to ensure systems remain secure and interoperable. Then there are additional behind the scenes upgrades of IT infrastructure and Government initiatives like the more recent Consumer Data Rights (CDR) legislation.

The Board is enormously grateful to Leanne for her calm and devoted leadership of LCU. She has led through a period of economic variability, prior to and after COVID and recently through the extended period of low interest rates. Proudly, in all this time, LCU has not had a member default on a loan under Leanne's prudent leadership and culture of responsible lending - and that includes hardship loans during COVID. LCU has grown in assets by nearly 50% under her watch.

The search and on-boarding of the person to replace Leanne has also been an extensive, planned project,

extending over many months. The Board has previously announced the appointment of Helen Lorigan to the position of CEO. Helen impressed the Board with her experience and knowledge of customer service in the banking sector.

During these changes we have also witnessed interest rates movement unknown to this generation of borrowers. At the beginning of this year, interest rates were still at historical lows of 0.10% rising to 2.35% this month. It is certainly an interesting time in which the Board must consider many and varied scenarios and how LCU thrives whichever way the market travels. Recent rises enable LCU to benefit from its careful financial management over the years building its capital base.

Extensive mandatory IT infrastructure extensions have consumed a significant investment in time and money by LCU. National initiatives such as the Open Banking Programme and implementation of the Consumer Data Rights legislation are large-scale activities that LCU must undertake just to maintain business as usual.

The low interest rate environment in 2021-2022 depressed returns on the LCU capital base with the abovementioned IT investments exacerbating outgoings. Despite these challenges, we have never lost sight of the need to balance the needs of both member borrowers and member depositors - particularly difficult when interest rates are low. We did benefit from the sale of our small shareholding of shares in CUSCAL, originally an industry body owned by credit unions which we have used to invest in our future through IT development. Our financial metrics are:

- » Net interest margin (the average difference between lending and borrowing rates) of 1.61%, which compares with 1.58% in 2021, and an industry average of 2.14%;
- » Continuing to keep fees and charges at sector-leading low levels, and with the headwinds of low interest rates and members continuing to pay down their mortgage loans at record levels, our 68th consecutive pre-tax surplus reduced to \$622,803, compared with \$923,622 in 2021. This surplus grows LCU member total capital to \$16,110,880 and generates a Return on Assets of 0.27% (0.32% in 2021);
- » Our critical financial resilience metrics remain within our target comfort zones and well in excess

- of prudential requirements: Capital Adequacy Ratio was 15.6% (cf. 15.23% 2021) and Minimum Liquid Holdings 16.94% (cf. 19.55% 2021);
- » This year we have achieved loan growth of 3.14%, combined with 7.03% deposit growth; and
 - » Total assets ending June 2022 were \$246 million.

LCU has not benefited from of the Government support of prior years (\$257,900 in 2021 and \$83,000 in 2020) nor the rental reductions (2021 of nearly \$88,000 and 2020 of \$14,000). We take a conservative, long-term view on our key performance indicators, knowing that investment for the future is a long-term decision and while our surplus has dropped this year, we forecast more favourable surpluses over the next 3 years.

Community

The LCU Tertiary Scholarship program continued in 2021-22 with awards to 9 young people: Rachel Barker, Harry Beasley, Katherine Cannon, Benjamin Ger, Damien Granet, Adelle Thomas, Bianca Vidler, Vivek Waller and Jasper Withers, with the McDonald Clark Award for the highest ATAR going to Bianca Vidler. These awards were presented on the 23rd March 2022 in conjunction with the CSIRO Alumni Scholarship in Physics award. Since LCU launched these scholarships in 1990, we have awarded over \$300,000 to over 320 recipients.

Board and Staff Retirements

This year has seen several changes in the Board composition. In April 2022 Peter Steele retired as Director of LCU. He joined in 1990, after serving many, repeat periods as Chair of the Audit Committee. During one of those periods, Peter had carriage of the changeover of the important role of Internal Auditor. I am pleased to say the Internal Auditor appointed remains and is still a much respected and relied upon advisor to the Board. Peter was Chair of the Board from November 1993 to November 1995 and also served on all committees during his term, always willing to bring a member focussed and prudent financial lens to the Board.

Anita Andrew, who joined as a Director in January 2010 and soon became Chair, serving as Chair from November 2013 to November 2016, also retired from the Board in April 2022. Anita also served on all Committees of the Board, with an extensive period as Chair of the Risk Committee. While Anita was Chair she managed the transition of General Managers from Michael Sinclair to

Leanne Harris. Like Peter, Anita brought a member centric, prudent and can do approach to the Board.

The Board acknowledges and thanks both Peter and Anita for their contribution over many years, both always willing to assist with additional duties in contributing to the governance of LCU.

The Board is also very grateful for Lyn Slatter who formally retired during the year but in her always giving and helpful approach has actually returned to assist LCU on a casual basis from time to time. If you have a loan with LCU Lyn has probably arranged it for you over her 33 years of service. The Board is very appreciative and wishes to extend its thanks and well wishes to Lyn in her retirement.

I would like to thank my fellow Directors, Frank Benito de Valle, Scott Martin, Tony Murphy (Chair of the Risk Committee), Gordana Pasic, John Stephens (Chair of the Board Audit Committee) and Paul Swan (Deputy Chair and Chair of Innovation Committee) for their contributions over this past year, particularly all the additional time commitments they made in interviews and meetings as we conducted our search for the new leader of LCU.

On behalf of the Board I would also like to acknowledge the friendly service and continuing commitment of our staff: Helen Lorigan, Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Susanne Tran-Lowder, Nalini Mannie, Matthew Thoms, Joanne O'Donnell, Betty Ho, Tejas Daulat and Sally Boswell for their efforts in 2021-22. Members appreciate your service and continue to provide excellent feedback on the service they receive from you. I am also sure this year will prove to be another year where the unseen hard work and planning completed by our staff in 2021-22 will result in continued growth of LCU.

In a final note, the Board and staff would like to acknowledge the recent passing of one of our 1954 founding Director's Trevor Clarke. Trevor was Head of the Regional Admin Office of CSIRO for many years until his retirement and served LCU over an extended period. Current and past Board members and staff fondly remember Trevor, as he continued his involvement with LCU long past being a director, attending Annual General Meetings and staying connected to the LCU community.

Allison Smart
Chairman 29 September 2022

Welcome to PayTo

PayTo is a new, secure payment option. With PayTo, you can pay directly from your bank account for recurring bills, subscriptions and memberships, with control at your fingertips.

It works like a direct debit, but you're in control. You can accept, pause and cancel a payment

agreement via internet banking.

Keep an eye on our website for further information on how to use PayTo.

This service will be available to members from October 2022. When a business sets up a PayTo agreement with you the payment

is sent using Osko meaning that it settles with the business immediately.

We expect that many businesses will start transitioning from the old direct debit (Direct Entry) system over the coming months to take advantage of the additional functionality of PayTo.

"Hi Mum" Scam Warning

Scamwatch is urging the public to be wary of phone messages from a family member or friend claiming they need help, following a significant rise in "Hi Mum" scams in recent months.

Known as "Hi Mum" or "family impersonation" scams, victims are contacted - most often through WhatsApp - by a scammer posing as a family member or friend. The scammer will claim they have lost or damaged their phone and

are making contact from a new number. Then, once they have developed a rapport with their target, they may request personal information or money to help urgently pay a bill, contractor or replace the phone.

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