

Spring Newsletter

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



What's inside...

Chairman's Report
Latest Scam Information

Annual General Meeting

The 66th Annual General Meeting of Laboratories Credit Union Limited will be held on:

Thursday, 5th November 2020 at 6.00pm

Due to current restrictions on public gatherings, we will be holding a virtual AGM this year via Videoconference. Details about registering for the AGM will be sent to members closer to the AGM date. Regrettably, we will not be holding a dinner following the AGM this year.

Agenda

1. Confirmation of minutes from the last AGM held on 7th November 2019.
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 2020.
3. Election of Directors

Two (2) Directors are to be elected in accordance with the Constitution of the Credit Union. Current Directors Peter Steele and Richard John Stephens have their terms of office terminating at this meeting. Both 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 two [2] nominations for two [2] 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.

Continued on page 4...



Chairman's Report



People

- » 3,249 members
- » 32% new members under 25
- » 80% Sydney basin
- » 96.17% satisfied or very satisfied with LCU service
- » 300 scholarships awarded to children of members



Performance

- » 1.68% net interest margin, lowest of our cohort
- » 0.30% return on average asset
- » \$0.589m net surplus, our 66th consecutive
- » Minimum disruption during COVID



Portfolio

- » 2.89% loan growth
- » 7.15% deposit growth
- » 15.78% capital adequacy

Financial and Operating Performance in an Extraordinary Environment

This 66th Annual Report of LCU is reporting on an extraordinary time. Drought, fires, record low interest rates and COVID-19 have touched so many lives. Our hearts go out to all members and their families who have been affected in our community. The human impact of all these extreme events and the constant change should not be underestimated.

During this strange year, your LCU has continued to work with our members and manage these additional burdens while maintaining the personalised service our members are used to. Whether you have been affected by the slowing of the property market or needed to make a hardship application, our staff have handled all enquiries with sensitivity and care. This, all whilst being asked to work from home (and in some cases self-isolate) as well as change many daily procedures and endure increased regulatory reporting.

Australia has recorded record-breaking low interest rates with the Reserve Bank of Australia reducing the cash rate 4 times during the financial year, bottoming out at 0.25%. Although LCU has one of the lowest cost ratios in the market,

meaning we can afford to offer reasonable rates, we know that the lower interest rates make it a challenge for our members with term deposits.

Through all this strange year, however, we are proud to say that at LCU we have remained strong and open for business. Our staff and our sensible financial approach have meant that despite the many extremes in the external environment, LCU has once again been successful. Our measure of success is more modest in these strange times, and is supported somewhat by Government assistance, but overall we demonstrated growth and a solid report card in our financial metrics:

- » Another year of careful cost control, LCU achieved a net interest margin (the average difference between lending and borrowing rates) of 1.68%, which compares to 1.92% in 2019, and an industry average of 2.01%;
- » While keeping LCU fees and charges at sector-leading low levels, our 66th consecutive pre-tax surplus was pleasing at \$803,040, compared with \$1,055,583 in 2019. This surplus grows LCU member total capital to \$14,620,995 and generates a healthy Return on Assets of 0.30% (0.40% in 2019) so that we can continue to lend to members in the future;
- » Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements: Capital Adequacy was 15.78% (cf 16.14% 2019) and Minimum Liquid Holdings 20.06% (cf 16.62% 2019);
- » This year we have achieved loan growth of 2.89%, combined with 7.15% deposit growth; and
- » Total assets passed the \$200 million mark, ending the year at \$211,342,368.

These financial results in some areas have been lower than in 2019, reflecting the deliberate balancing that LCU is constantly managing between the short-term and long-term economic environment, the interests of depositors, mortgagors, compliance costs, market

movements, not to mention the occasional pandemic. The 2019–20 results rest on long-established foundations of prudent and frugal operations over many years and are a testament to LCU's history and strength.

This prudent cost management, which lies at the core of LCU's ability to offer industry-leading value and still return earnings to boost capital is supported by having a single branch, efficient and engaged staff cross-trained over multiple functions and through the effective use of technology.

The cost of technology is a factor that for LCU, as one of the smallest players in the mutual sector, is a significant overhead. During the coming financial year, LCU will be undertaking two major technology projects – the Consumer Data Right or Open Banking as it is otherwise known, and an upgrade of the core-banking software. These are expensive, so to undertake these investments our constant focus on cost management is essential.

Looking forward, 2020/21 will continue to be challenging for LCU and the Board acknowledges the day to day challenges our staff face managing such a low cost base while providing what might be world-class service to our members and is very grateful for their positive attitude and member service approach.

2019 Member Survey

With this exceptional member service in mind, in late 2019 LCU conducted a member survey to establish a baseline measure of service. The survey produced a Net Promoter Score (NPS) of 73, a result that all at LCU are very proud of. To put this in context in 2018 the average Australian banking industry NPS was -3 and mortgage lenders only 8¹.

NPS is a tough measure of customer opinion but demonstrates just how many of our members are not just supporters of LCU but actively promote us to their friends and family. Our intention is to harness this even more in the future.

Chairman's Report Continued

A Year of Increased Collaboration

This year saw us invest in the role of a dedicated Business Development Manager, Sally Boswell, so that LCU could increase our engagement with the local business communities and science-related societies and institutes. We look forward to continuing our collaboration with the Northern Sydney Science Hub, Riverside Business Chamber, CSIRO, National Measurement Institute, Australian Institute of Physics, Royal Australian Chemical Institute and the Metrology Society of Australia.

We are also increasing our time and energy in joining forces with other credit unions and mutual banks as members of the SAM Group (Small Australian Mutuals) and COBA (the Customer Owned Banking Association). We have historically been active members of SAM and have seen some great advancements through collaboration with other small credit unions, like our shared loans project. We hope that in future through this mechanism we can bring to bear pressure on price setters and regulators to alleviate some of the pressure of the compliance process and perhaps other costs like IT.

Scholarships

In 1990 LCU launched the Tertiary Scholarship programme and since then 300 recipients have received awards in excess of \$265,000. In 2020 LCU proudly continued its Tertiary Scholarship Program to twelve highly deserving young people: Meaghan Collins, Danyan Balakrishnan, Joshua Poole, Jessica Gonzalez, Luella Rodin, Joshua Colley, William Russell, Jackson Beasley, Sylvie Panaretto, James Smith, Dusanna Barker and Brooklyn Egan with the McDonald Clark Award for the highest ATAR going to Meaghan Collins.

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 2020, Benjamin Dix-Matthews was the CSIRO Alumni Scholarship recipient. At the ceremony hosted by Dr Marcus Zipper, those present heard about Benjamin's project "Coherent optical free-space frequency dissemination" and Benjamin used the scholarship to travel to France to test his prototype system in a practical experiment of an optical transmission between two buildings in Toulouse. The project was in collaboration with the CNES, the French Space Agency.

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 for their valuable contribution to the governance of LCU over the past year. I would also like to thank our Associate Director Gordana Papis, who attends Board meetings by invitation and provide invaluable service and views to the Board.

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 and Sally Boswell. 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 provide the LCU service throughout such a strange and challenging time.

Allison Smart
Chairman 16 September 2020

¹ "Australia NPS® Industry Benchmarks 2018" by Perceptive @ www.customermonitor.com

Latest Scam Information

COVID-19 Scams

Scammers are still using the spread of COVID-19 (coronavirus) to take advantage of people across Australia. These scams can range from fake alerts that purport to be from government organisations warning you that you have been in contact with a positive case and to click a link in the email to book your test to the more common miracle cure, fake vaccine, and other scams.

Data Breaches

We would like to remind you that if you receive a notification that you have been affected by a data breach, please contact us to let us know. We can assist by replacing your Visa card, and noting that your account may have ID takeover attempts made.

Some simple measures you can take to avoid falling victim to a scam artist:

Do not open suspicious texts, pop-up windows or click on links or attachments in emails

Beware of any requests for your details or money. Never send money or give credit card details, online account details or copies of personal documents to anyone you don't know and trust

Be wary of unusual payment requests. Scammers will often ask you to use an unusual payment method, including preloaded debit cards, gift cards, iTunes cards or virtual currency such as Bitcoin.

Scammers will often pretend to be from a trusted organisation like the ATO, Australian Federal Police, Aus Post, Telstra etc.

Remember, if in doubt, hang up or delete the email/text and get in touch with the organisation via their public phone number or website.

Annual General Meeting Continued

4. Remuneration of Directors
It is recommended that the total remuneration to be shared by the Board of Directors for the 2020/21 period be increased from \$55,000 to \$57,000 plus 9.5% Superannuation Guarantee Contribution.

5. General Business

By Order of the Board
Leanne Harris
Secretary
16th September 2020

Entitlement to Vote

All members aged 18 years or more are entitled to vote at the AGM. A body corporate member wishing to appoint an individual as its representative at the AGM must provide the Credit Union with a validly executed written

appointment. Alternatively, members may appoint a proxy to attend and vote at the AGM on their behalf.

Proxies

You can appoint a proxy to attend and vote at the meeting on your behalf. Your proxy does not have to be a member of Laboratories Credit Union. You can obtain an Appointment of Proxy form from the Credit Union by phoning the Secretary on 02 9859 0560 or emailing a request to info@lcu.com.au. To be valid, your completed Appointment of Proxy form must reach Laboratories Credit Union at 1 The Village, 3 Julius Avenue (PO Box 1967 Macquarie Centre) North Ryde NSW 2113 no later than 48 hours before the Annual General Meeting.

Annual Reports

Copies of Laboratories Credit Union Annual Report for the year ended 30th June 2020 will be available on our website at www.lcu.com.au or Members can request a copy by telephoning or visiting the credit union office during working hours.

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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