

LCU NEWS SPRING 2016



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Reminder of the AGM

The 62nd Annual General Meeting and Dinner will be held on **3rd November 2016 at 6.00pm**. The Venue is the **North Ryde Golf Club**, Twin Road.

Please Register for the AGM by the **28th October 2016**.

Very Important: The Notice of the AGM & Annexure 'A' explanation of proposal change to the constitution are enclosed with your September statement. They will also be available on our website www.lcu.com.au

Chairman's Report Financial Year 2015—2016



On behalf of the Board, I am pleased to present to Members the 2016 Annual Report for Laboratories Credit Union Limited in our 62nd year.

The new broom

In May 2015, Leanne Harris took over the role of General Manager (GM) with the new LCU staff structure that included the promotion of Eileen Thoms to the position of Operations Manager and Assistant General Manager (AGM), Susanne Tran-Lowder to Finance Officer and appointment of Joanne O'Donnell as Risk and Compliance Officer. This Annual Report covers the first full year's performance under the new structure. The transition has meant a few new faces (Joanne and a returning Betty

Ho) and the acquisition of new software (*Jazzi* for financial reporting, payment applications, loan and investment products, and an upgraded website) that have enhanced our membership offering and performance.

LCU is active in the wider cooperative banking movement (Leanne on the SAM [Small Australian Mutuals] committee, the COBA Fintech group and the Compliance Network; Eileen on the COBA fraud and financial literacy groups, the IAFI Board and the Ultradata Small Client Group and Fraud Group; Joanne on the Compliance Network, Magpi and Mutual Banking Employers Association) and in local business groups (Macquarie Park Women's Network, Ryde Business Forum). Susanne and Dee Satheesan are participating in the COBA emerging leader program.

Financial and Operating Performance (check all the figures)

LCU remains strong and focused on serving the needs of its customers. In 2016, LCU achieved a modest overall asset growth of 3.8% in a market characterised by the slowing of credit demand and the rapidly increasing savings levels (particularly our Members). Our total deposits grew by 4.3%.

This Financial Year our before tax surplus of \$1,179,157 (\$843,168 after tax; return on assets of 0.47%), has broken the million-dollar mark for the first time and adds to our combined retained earnings of \$12.29 m. Collectively owned by our members, the retained earnings are important for investing to provide new benefits to members. At a time of record low interest rates, our record year for profit is a result of strong cost control and enhanced non-interest income.

Competition in banking remains strong but LCU continues to offer a viable competitive alternative to all our existing and new members. We are investing in new technology to improve our member products and services, office efficiency and regulatory compliance.

LCU continues to offer competitive term deposit rates helping our members earn competitive returns in one of the safest banking environments in the world. Additionally, LCU's low operating costs and at a low level of impaired loans and fraud costs contributed to a strong capital adequacy of 15.59% as at June 30. This value is lower than last year in part because of the repayment of the Tier One equity funds that was approved at the extraordinary general meeting in June 2016 but is expected to rise to over 16% in 2016–2017. Capital Adequacy measures LCU's ability to meet its obligations relative to our exposure to risk. LCU's Capital Adequacy is in excess of prudential requirements and well above those of all the big four banks.

(continued on page 3)

Step into your First Home with an LCU

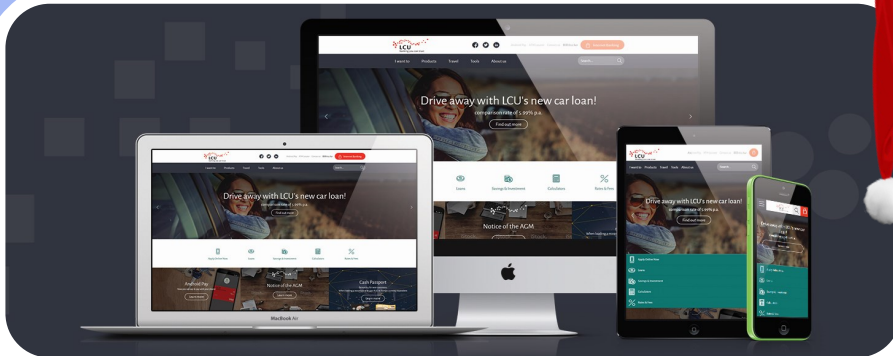
Savvy first home buyer loan

Interest rate
3.88 % pa

Comparison Rate*
4.25 % pa

Refer your family and friends!

*Comparison rate based on a secured loan of \$150,000 over 25 years. **WARNING:** This comparison rate applies only to the example given. Different amounts and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan. Only first home loan buyers are eligible for "The Savvy First Home Buyer Loan" which offers an ongoing discount of 0.50% for 3 years off our Intelligent Mortgage Variable Loan Rate. Loan applications are subject to Laboratories Credit Union's Ltd normal lending criteria. Full terms and conditions are available on application. Rate current as at 1/9/2016 and subject to change without notice. Laboratories Credit Union Ltd ABN 77 087 650 217 AFSL/Australian Credit Licence 240807.



Our New Website!

At Laboratories Credit Union we are dedicated to supporting our members and ensuring that they get the best banking experience that we can offer. The new website offers an updated design and layout which has been tailored around your lifestyle needs. Whether you're viewing the website from your computer, phone or tablet your experience will be optimised for your device.

Benefits

- A refreshed layout and design which will make navigation easier and banking simpler
- A design focused around you and your favourite browsing devices
- A seamless transition between portrait and landscape orientations on the phone for easier readability
- The same website URL, no need to change your browser settings

What's New on the Website?

- Our new navigational menu has been laid out to make finding the information you want simpler and quicker
- New Loans and Savings Account Online forms, you can now apply on the go without having to hand a form into the branch

Let us know how you feel about the new website! If you have any questions, contact LCU today by either emailing info@lcu.com.au or by calling (02) 9859 0585.

Christmas Club Funds

If you have a Christmas club account remember that you are able to access your Christmas Club online from 15th November 2016 to 31st January 2017!

Daffodil Day Donations!

Thank you to all our generous members and people at Riverside Corporate Park that bought Daffodil Day merchandise.



At least your payments
are perfectly timed
Schedule with BPAY today



At Least your Payments are Perfectly Timed with BPAY®

You can't perfectly time everything, but at least you can perfectly time payments with BPAY® Schedule. BPAY Schedule makes paying bills less complicated by allowing you to schedule your payments. Pay them immediately, or schedule a payment for later*.

To pay with BPAY:

1. Look for the distinctive BPAY logo on your bills.
2. Log on to your Internet or mobile banking site or call your phone banking service.
3. Select the BPAY or bill payment option and then follow the simple instructions.
4. Decide the amount you'd like to pay and schedule the payment date.

*Scheduled payments are subject to systems and funds availability. Some bills may require payments to be for an exact amount and/or made by a certain date. The biller may apply late payment charges or other penalties if paid after the due date. BPAY® is a trademark of BPAY Pty Ltd ABN 69 079 137 518. Check if BPAY is right for you by reading the terms and conditions available at www.bpay.com.au

Shop Silly,
Pay Smart

Get **2% cash back***
on your
holiday spend.

CashPassport[™]
MasterCard[®]



*T&Cs apply. Applies to spend in foreign currency between the date of your valid registration online and 30 October 2016. To be eligible for this offer, register and view T&Cs at cashpassport.com.au/2percent for full terms and conditions. Issuer: Heritage Bank Ltd (AFSL 240 984). Consider the PDS.

(Continued Chairman's Report from page 1)

Economic Landscape

The Reserve Bank of Australia has maintained a low cash rate of <2% in 2015–2016. The financial services marketplace has remained highly competitive over the year and in our primary market Sydney house prices have surged. APRA's limits on growth of interest-only loans to property investors have not affected LCU because our investor mortgages are a small part of our portfolio and we continue to offer the same interest rates as for home-owner mortgages.

Compliance and Regulation

In April 2016, APRA inspected LCU. The timing of these regular inspections is dependent on APRA's perception of the ADIs risk profile but occurs at least every 3 years. Our last review was in 2013. The reviews are by exception, with report highlighting areas for required or recommended changes. The 2016 APRA review of LCU identified 3 policy issues for possible change, which are currently being addressed.

Member Services and Marketing

Improvements to member services in 2015/16 include improved access (new Phone Banking system in July 2015, LCU Pay app launched Feb 16, Android Pay – launched July 2016), new savings and investment products (Bonus Saver account launched January 2016, loyalty bonus on fixed term deposits, new bridging loan and investment loan products) and improved fraud detection software. Our website has undergone a significant upgrade to improve access to information and products.

Scholarships

As part of its commitment to the community and education, LCU has been awarding Scholarships since 1991, and this year each scholarship is \$1,050. Scholarships are awarded to members or their children and grandchildren who have completed the HSC and are progressing to a tertiary institution or who have completed a TAFE Associate Diploma or Certificate. In February 2016, LCU hosted the annual luncheon to celebrate the achievements of our 2016 Tertiary Scholarship winners. Our 2016 winners were Katherine Allen, Lachlan Rhys Davis, Joshua Frankland, Emma Fu, Nader Haidar, Megan Harte, Christopher Johnston, Joanna Kot, Martin Ming-Tsek Lam, Emily Presdee, Jacob Vartanian, and Roanna Vohralik.

In 2014 the NSW Chapter of the CSIRO Alumni established a scholarship fund in honour of the distinguished CSIRO scientists, Drs. John Dunlop, Tony Farmer, Gerry Haddad and Don Price, who died in a helicopter accident on 21 March 2013. In March, the scholarship for 2016 was awarded to Brianna Ganly. Brianna studied for her undergraduate degree at the University of New South Wales and her current research focuses on improving analytical techniques for the analysis of unprepared samples for application on Earth and Mars. The scholarship assists with travel to work with The University of Guelph PIXE group in Canada, led by Professor J. L. Campbell that shares the same interests as Brianna in solving the particle size effect on unprepared samples. Professor Campbell, a world leading expert on PIXE, is also a co-investigator on Curiosity's APXS instrument at UoG. LCU sponsored the ceremony held in Lindfield in and contributes to the fund annually.

Board and Staff

I would like to thank my fellow Directors, Scott Martin (Deputy Chair; Chair of Audit Committee), Frank Benito de Valle, Kieran Greene, Tony Murphy, Allison Smart (Chair of the Board Risk Committee), Peter Steele and John Stephens (Director since February 2016) for their valuable contribution to the governance of LCU over the past year. I would also like to thank our Associate Directors Paul Swan and Amber O'Connell, who attend Board meetings by invitation and provide invaluable service and views to the Board. The position of Chairman at LCU is on a rotational basis for 3 year terms. This year is my final year as Chairman with Scott Martin taking the role from the November Board meeting.

I particularly want to acknowledge former director Ian McDonald, who died in April 2016. Ian was well known to many members as an active Board member for 34 years, retiring in March 2015.

Thanks to all our staff Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Rhonda Hatton, Susanne Tran-Lowder, Jenny Vote, Nalini Mannie, Deepthi Satheesan, Joanne O'Donnell and Betty Ho for continuing to provide a friendly yet efficient banking services alternative. November 2016 marks Leanne's 30th anniversary of leadership and service with LCU and Rhonda's 20th anniversary.

Looking Forward

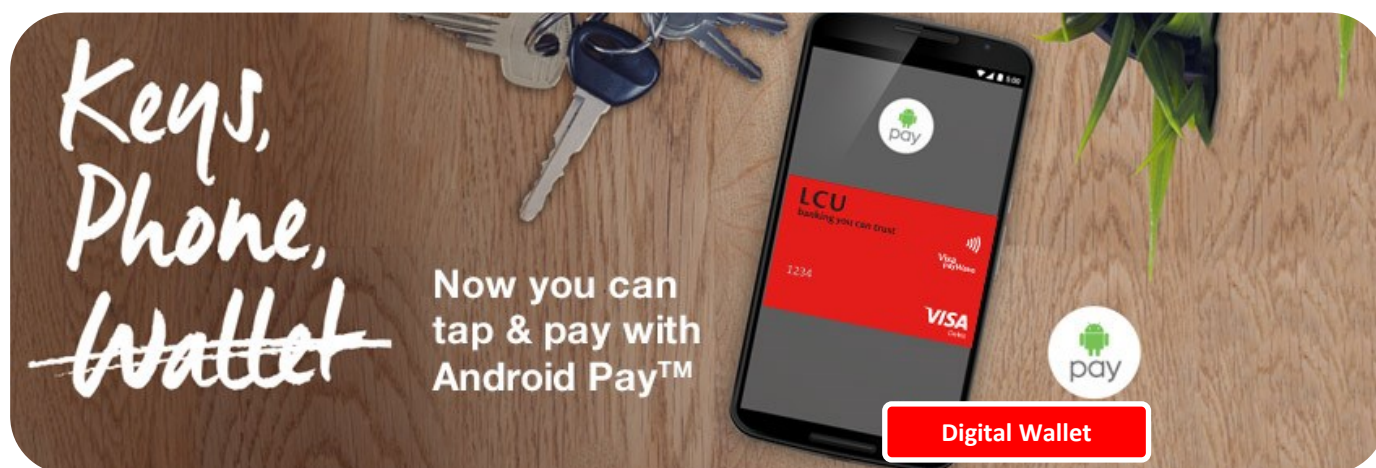
COBA, our industry body (<http://www.customerownedbanking.asn.au>), Strategic Vision project to enhance collaboration within the movement to improve our market penetration, service offerings and future financial viability across the sector, has focussed on shared service provision, key areas for innovation, improved performance measurement and governance performance management. LCU staff are directly involved in several of these sector-wide initiatives and we benefit directly through reduced costs and shared knowledge. The development of a shared value proposition and sector-based marketing has been stalled because of lack of sector-wide support for a marketing budget. Investment in marketing, service and product innovations will continue as these are seen as vital and importantly set LCU up for the future.

LCU members are integral to the future success of our credit union – your recommendations to family and friends are important to us. So thank you for your continuing support of LCU and for the trust you place in the Board, Management and Staff.

Anita Andrew

Chairman

21 September 2016



Android Pay™ - Digital Wallet

The Convenience of a Mobile Wallet is now in your Hands

Smarten up your smart phone with another way to pay. Download Android Pay™ and add your LCU Visa Debit Card to start making simple, secure purchases today. Now you can tap and pay with your phone using Android Pay, the new app that offers a smarter way to pay. Android Pay is an advanced Google product that heralds a significant shift in mobile payments. The new Android Pay app allows you to use NFC capable Android devices running KitKat 4.4 and above to make payments.

Tap. Pay. Done. It's that Easy.

You don't even need to open the app – simply wake your device by tapping the home or power button to pay in person with a tap of your phone. You can use Android Pay wherever contactless payments are accepted. For transactions over \$100 you will need to enter your PIN at the terminal. To make in app purchases select the Android Pay icon at the checkout. Download NOW and add your LCU Visa Debit Card.

How it Works

1. Download

Download the free Android Pay™ app from the Google Play Store



2. Add

Add your LCU Visa Debit Card



3. Tap & Pay

NO need to launch the app - simply wake your device to:



Pay in person with a tap of your phone wherever contactless payments are accepted or Pay in-app by selecting 'Buy with Android Pay.'

Android, Android Pay, and the Android Logo are trademarks of Google Inc.



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LCUDirect (02) 9859 0500

Join Our Online Community!

LCU is active on Facebook, Twitter & LinkedIn so please drop by and say hello



Important Notices

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