

# SPRING NEWSLETTER



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## Reminder of the AGM

The 64th Annual General Meeting and Dinner will be held on the 1st of November at 6:00pm. The Venue is the North Ryde Golf Club, Twin Road. Please RSVP for the AGM by the 19th of October 2018 for catering purposes. For more details visit our website A copy of our annual report is available on our website or by calling LCU on 98590585

## Chairman's Report

On behalf of the Board, we are pleased to present to Members the 2018 Annual Report for Laboratories Credit Union Limited in our 64th year.

### Financial & Operating Performance

2018 has been another year of very healthy growth and pleasing financial performance in all areas. Reflecting another year of careful cost control, LCU achieved a net interest margin (the average difference between lending and borrowing rates) of 1.95%, which compares to 1.97% in 2017, and an industry average of 2.5%. Despite keeping LCU fees and charges at sector-leading low levels, our 64th consecutive pre-tax surplus was both pleasing and on-target at \$1,040,704, compared with \$1,123,632 in 2017. This surplus grows LCU total capital to \$13.1 million, generating a healthy Return on Assets of 0.42% (2017 0.47%); Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements: Capital Adequacy was 16.2% (cf 16.54% 2017) and Minimum Liquid Holdings 16.16% (cf 18.85% 2017). After the unusually strong loan growth experienced in 2017, this year we have achieved a more normal level of loan growth of 6.1%, which combined with

with 5.7% deposit growth.

These excellent financial results rest on long-established foundations. Prudent and frugal operations lie at the core of LCU's ability to offer industry-leading value and still return earnings to boost capital. LCU's cost base is improved by having a single branch, by having efficient and engaged staff cross-trained over multiple functions and through the effective use of technology. However, the inexorable cost of technology is a factor that LCU will always be exposed to as one of the smallest players in the prudential sector. In summary, LCU has delivered another excellent result from strong financial fundamentals, which place us well entering the 2019 year.

### Economic Landscape

Smaller, non-diversified financial institutions historically experience an operational squeeze during times of low interest rates – it's simply harder to maintain the net interest margin. When interest rates were reducing some years ago, our strategy was to tighten the belt on spending and weather the coming lean time. None of us expected it to last this long! The previous and current senior management of LCU are to be

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## MVP Field Changes

**Very soon we're going to make things a little simpler for you in MyViewpoint Internet Banking.**

**The "Login" field will be renamed to "Member Number"**

**and**

**The "Access Code" field will be renamed to "Password"**

## Your Financial Wellness

**Spring is the perfect time to take a fresh look at your financial situation.**

**If you're looking for the perfect tool to get you started, head to:**

**[lcu.com.au/yourfinancialwellness](http://lcu.com.au/yourfinancialwellness)**

## Travelling?

Don't forget to **let us know before you travel overseas**. We are constantly monitoring VISA activity for fraudulent transactions - so to prevent us stopping your card because we believe it to be compromised, let us know ahead of time if you're planning on travelling outside Australia. There are also some countries (The US, Indonesia, Bali- to name a few) where if you travel and use your card there, we will replace the card upon your return due to the increased risk of compromise associated with those countries. Don't want to swap your card when you return? **Ask us about using a prepaid currency card on your trip** instead.



## Mail Theft

Did you know there is one very simple way you can reduce the amount of information readily available to identity thieves? Make sure bank statements and any other documents containing sensitive private information **aren't left sitting in an unlocked mailbox - accessible to anyone** willing to pop their hand into it. **Make the swap to e-statements** today and rest assured knowing that your private information is secure, waiting for you to access it anytime, anywhere, through your MVP Internet Banking.

## AFCA

Please be advised that from **1st November 2018**, the current external dispute resolution scheme, the Financial Ombudsman Service (FOS), will be replaced by the Australian Financial Complaints Authority (AFCA). **Members can lodge complaints with AFCA on 1800 831 678** and find more information on their website [www.afca.com.au](http://www.afca.com.au)

## Free Trials / Pay Postage Only

We've all seen those too good to be true offers: *"You get X, completely free! Just pay postage!"* & *"1 month only \$2.99"* Remember to read all the terms and conditions for offers like these **BEFORE** providing your VISA card details. These offers ask you to agree to a regular payment, or to be debited a much larger amount at a future date unless you opt out before that day. If you've provided your card details to someone, and then get charged further down the track this is something you'll have to resolve with the merchant directly. You may not be able to use your VISA card on these sites anymore because we've recently started proactively blocking merchants who consistently cause problems for our members with unexpected charges.

## Notifiable Data Breaches (NBD) Scheme

The NDB scheme introduced an obligation for companies to notify individuals whose personal information is involved in a data breach that is likely to result in serious harm. Since the scheme commenced on 22 February 2018, the OAIC has received a total of 305 notifications.

**If you should receive a notification from a company you have provided with your VISA card details, we ask that you contact us immediately** to organise the replacement of your card to prevent any possible fraud

## Online Payment Options

**When transacting online, you have plenty of choice when it comes to how you want to pay.**

**Ask us about what other payment options apart from your usual VISA card are available to you online.**

## Chairman's Report (cont.)

congratulated in not only weathering this transition but having established an operating configuration in which LCU not only survives, but thrives during low interest periods. Our 2018 figures are strong despite not a single official RBA interest rate change in the year.

### System-Wide Machinations

I don't intend to say much about the Royal Commission, suffice to say that thus far it has shone a positive light on the customer-owned banking sector as a real alternative to the large banks. Notwithstanding the disgust of customers of big banks to the public revelations there has yet to be a substantial exodus and is, perhaps, indicative of the populace indifference to banking, which is I believe partially responsible for enabling the poor business practices in the first place

### Compliance and Regulation

Compliance and regulation are aspects of LCU's operation that should not be apparent to the members, but from a board perspective, they are arguably our highest demands on time and effort. In this context, I would like to acknowledge Joanne O'Donnell for her work establishing the TriLine Risk Management System at LCU, ably supported by management and staff. This marks a significant evolution for LCU from a landscape of

manual spreadsheets to an integrated system across the organization, making welcomed efficiencies! In contrast to the past couple of years, APRA has alleviated some of the investor lending constraints for mutuals. This is a welcome development and one that we interpret as an acknowledgement of the lower actual risks in the system from the mutual sector. However, LCU business-as-usual was not constrained by APRA's previous limits so, equally, their removal confers no immediate benefit.

### Board and Staff

I would like to thank my fellow Directors, Anita Andrew (Deputy Chair and Chair of the Board Risk Committee), Frank Benito de Valle, Tony Murphy, Allison Smart, 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 Amber O'Connell, who attends Board meetings by invitation and provides invaluable service and views to the Board – Amber has made unprecedented contributions to the strategic planning activities of the Board and governance.

This year we farewelled Kieran Greene from LCU's Board of Directors. Kieran served as director since 2000 and as Chairman between 2006 and 2009.

## Chairman's Report (cont.)

We marked the occasion with a wonderful dinner during which appreciation for Kieran's attributes as a gentleman and a director resounded around a packed room. On behalf of LCU, I gratefully acknowledge and thank Kieran for his years of service; particular, his dignity, integrity and generous votes of gratitude towards others over the years. His positive influences on board culture and respectful discourse have set a precedent for decades to come.

The Board gratefully acknowledges the friendly service and commitment of our staff Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Rhonda Hatton, Susanne Tran-Lowder, Nalini Mannie, Deepthi Satheesan, Matthew Thoms, Joanne O'Donnell and Betty Ho. Personal service and member value are the cornerstones of LCU's success. We wish a successful and happy future for Dee, who left LCU this year to pursue a career closer to her new home on the central coast. From a personal perspective, it has been a pleasure collaborating in joint events in my role at CSIRO.

### Looking Forward

Last year, in this section I listed the Risk Management System, the Osko payment system, involvement in SocietyOne, APRA CET1 capital approval and LCU's participation in the loan sharing scheme and coming developments. It is wonderful to be able

to say that all of those exciting initiatives have come to pass and I commend management and staff for their dedication to LCU. It is testament to the able and committed leadership of Leanne Harris that LCU has been able to complete so many challenging projects in addition to business as usual and maintaining LCU's exemplary hallmark customer service.

Except for the launch of a new mobile banking app, there are no other significant IT projects in 2019. So much has been undertaken and accomplished in this area in the past two to three years that we now find LCU in a position well prepared for years to come. In its entire 64-year history, LCU has returned a surplus and today LCU has a solid model for sustained business even under low official interest rates. Our banking and operating systems are recently upgraded. I have strong confidence for LCU in coming years. One persisting concern (for the entire sector) is attracting younger members by offering a relevant and appealing proposition – not only in financial services, but being able to capitalise on the resurgence in authenticity and social responsibility. In many ways, that's where mutuals originated – we are akin to craft-banking or artisan-banking – we (collectively) face the challenge of how to get the message out there! LCU's sustained strength can be attributed to members' en-

thusiasm to promote and recommend LCU to friends and family – it is a powerful channel. On behalf of LCU, I thank all members for advancing our mutual cause and implore you to keep up the great work!

**Scott Martin**  
**Chairman**

**19 September 2018**

## Laboratories Credit Union

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**Then please come say hello!**



**HAVE YOUR SAY!**  
**Keep an eye on your email: your personal invitation to complete our survey will be arriving soon. If you miss the email, head to lcu.com.au**