

# LCU NEWS SPRING 2014



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A huge thanks for supporting Daffodil Day!

A big thank you to our LCU members and staff who purchased Daffodil Day merchandise. With all your kind donations we were able to help support the NSW Cancer Council fund their vital work in cancer research, prevention and support services.



## Chairman's Report Financial Year 2013 - 2014

On behalf of the Board, I am pleased to present to Members the 2014 Annual Report for Laboratories Credit Union Limited in our 60th year.



### Love and Credit Unions

In our need for focus on our bottom line we can overlook the bigger picture. In July 2014, the World Council of Credit Unions (WOCCU; [www.woccu.org](http://www.woccu.org)) held their annual congress on the Gold Coast. This was an opportunity to hear about the challenges and most importantly of the achievements of the credit union movement worldwide. While the challenges we face (membership, competition, etc.) are felt by credit unions in most countries, the achievements of the movement empower us all. In 2013 worldwide there were almost 208 million credit union members (4.5M in Australia), with almost 57,000 different credit unions in 103 countries and more than \$US1.7T in assets. In the last decade, the worldwide movement has grown by almost 80,000 new members, 15,000 new credit unions, 21 new countries and a doubling of assets.

By comparison by market capitalisation, the largest bank in the world, Wells Fargo & Co has 70 million customers, 9000 locations and \$US1.5T (2014) in assets. The Commonwealth Bank of Australia is no. 10 with 1100 locations and assets of \$A782B (2013).

Worldwide credit unions offer members from all walks of life much more than financial services, providing them with a chance to own their own financial institution and help create opportunities such as starting small businesses, growing farms, building family homes and educating their children. As democratic institutions, commonly located in countries with limited democracy, credit union members can run for the volunteer board of directors and cast a vote in elections; for many members this may be their first taste of democratic decision-making as well as providing the opportunity to develop their local communities. Through their local credit unions people in rural and remote areas gain access to financial institutions for saving and loans that would otherwise be unavailable. Local credit unions have provided small producers and vendors financial products to market and encourage fair commercialisation. Using savings from their community, the local credit unions provide microfinance to allow a family to set up a small business.

<sup>1</sup> *If love is wise, it can find ways of working in accordance with provident and just expediency, as is illustrated in a significant way by much of the experience of credit unions.* (From Encyclical Letter Caritas In Veritate Of The Supreme Pontiff Benedict XVI June 29, 2009)

For example, with help from the global movement, a credit union system has been built from the ground up in Afghanistan, where members have access to financial products and services compliant with Islamic Law. Many other examples can be found on the WOCCU website and in the Asia-Pacific area on the CUFA website ([www.cufa.org.au](http://www.cufa.org.au)).

Your LCU Board remains strong supporters of the mutual or customer owned banking model. Credit Unions and other Mutuals provide a vital alternative to the major banks in Australia. Mutuals are, by definition, better able to place the Interests of their customers first with customer satisfaction akin to taking care of a family member – their interests are paramount. We believe the mutual sector has a strong future in Australia.

Our industry body, Customer Owned Banking Association (COBA, formally ABACUS) is a powerful advocate for a level playing field in the Australian banking sector and most recently via submissions to the Financial System Enquiry. For more information see [www.customerownedbanking.asn.au](http://www.customerownedbanking.asn.au). While examining the LCU financial statements in this annual report, keep in mind the bigger picture and the importance of credit unions in the world economy.

# Teach your kids to save with an LCU Young and Free Account!

For full-time students aged 8 - 25

LCU would like to help educate the children and grandchildren of our existing members to manage their money. LCU's Student accounts are a great way to teach the younger generation about savings! It is important for our kids to learn good savings habits at a young age so they are equipped to make informed financial decisions in the future.



## **Who is Eligible for an LCU Young & Free Student Account?**

- Fulltime students aged 8 - 25 who are children or grandchildren of existing members
- A minimum deposit of \$10 (as a share) is required to set up an account

## **Benefits**

- No Monthly Account keeping fees
- Higher rate of interest at 5% for deposits up to \$1000
- For a limited time a \$5 savings starter will be deposited into the students Young and Free account when joining as a member for the first time. This offer closes 31/12/14

## **Who is Eligible for a Visa Debit Card?**

- High School and Tertiary Students with a regular monthly income (E.g. Part time job or regular pocket money from a parent or grandparent)
- If the student is under 18 Years old we require that their account to be linked to either a Parent or Grandparents account

## **Three Types of Young and Free Student Accounts**

### **Kids Saver - Primary School Students from 8 years of age**

- In-Branch transactions available
- Periodical payments available
- Mobile/Internet/Phone banking available

### **Teens Saver - High School Students**

- In-Branch transactions available
- Periodical payments available
- Visa Debit Cards may be available - if the student receives a regular income
- Mobile/Internet/Phone banking available

### **Youth Saver - Tertiary School Students up to 25 years of age**

- In-Branch transactions available
- Periodical payments available
- Visa Debit Card facilities available with a regular income
- Mobile/internet/phone banking available

## **Requirements to open account**

- Under 18's - A copy of the birth certificate
- Over 18's - NSW Permit, Drivers Licence or proof of age card
- New Account form
- Account Access form for all accounts
- Under 18 with Visa Debit Card - Account Access with joint account details for parent or grandparent

## **General Information**

- Savings accounts for children should be for pocket money, Christmas and birthday presents and wages from a part time job
- Any large amounts should be kept in the name of the parents/ grandparents to prevent children having unsupervised access
- If a child earns over \$416 in interest in a year they will have to pay tax, possibly at the highest marginal rate
- The ATO has a high tax rate on earnings over \$416 on children's accounts, to discourage adults from diverting income to their children
- Please refer to the ATO website for further information



(continued from page 1)

### **Financial and Operating Performance**

LCU remains strong and focused on serving the needs of its customers. In 2014 LCU achieved a modest overall asset growth of 6.47% despite a market characterised by slow demand for home lending, slowing of credit demand and the rapidly increasing savings levels of Australians (particularly our Members). Our total deposits grew by 6.7%.

LCU has, despite a tough business environment, continued its long-standing record of strong financial performance over the past year. LCU's net profit after tax is \$622,125, a return on assets of 0.37%. Collectively owned by our members, this profit is reinvested into LCU for the benefit of all members. The result is particularly pleasing considering the challenging market conditions of the past year.

Increased competition for consumer business has not weakened the hold that the Big 4 banks have on household deposits and lending, which continues to sit around 80% overall and 90% for new housing finance commitments. LCU continues to offer a viable competitive alternative to all our existing and new members. We invest in the future that will see us adapting to the rapidly changing external environment that is dominated by innovative technology, competitive pressures, regulatory imposts and the changing needs of our customers. Our new banking system will see the introduction of a mobile banking app for members in 2015.

LCU continues to offer competitive term deposit rates helping our members earn good returns in one of the safest banking environments in the world. Additionally, LCU's low operating costs and minimal impaired loans and fraud costs contributed to a strong capital adequacy of 16.93% as at June 30. 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 that of all the big four banks.

### **Economic Landscape**

The Reserve Bank of Australia reduced the cash rate from 2.75% in August 2013 to 2.50% where it remained for the rest of the FY. As a result, the financial services marketplace has remained highly competitive over the year. Subdued consumer demand for credit and strong saving over spending has meant that competition for customers – in both lending and saving – has remained fierce. This is good for borrowers but it has put real pressure on smaller lenders including LCU.

### **Compliance and Regulatory changes**

LCU continued to manage more changes in compliance with the EFT Code being replaced by the E-Payments Code, implementation of the Financial Claims Scheme, and changes required by Basel III for Capital and Liquidity reporting. Recent changes to the Privacy laws allow 'positive' credit reporting.

### **Member Services and Marketing**

2013/14 was another busy year with many changes and improvements to member services, with just but a few examples:

- Working towards the introduction of a new internet banking site
- Ultracs 4 is a new banking system that will allow mobile banking and new payment facilities
- Visa debit cards now allow PayWave
- International payments through Western Union
- Family Banking – off-set account and home loan product

### **Board and Staff**

I would like to take this opportunity of publicly thanking my colleagues on the Board, Management and all staff for their dedication and work during the past year.

Thanks to all our staff, Michael Sinclair (General Manager), Leanne Harris (Assistant General Manager), Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Rhonda Hatton, Susanne Tran, Jenny Vote, Nalini Mannie, Deepthi Satheesan and Elizabeth Sinclair for continuing to provide a friendly yet efficient banking services alternative.

I would like to thank my fellow Directors, Frank Benito (Deputy Chair), Kieran Greene, Ian McDonald, Tony Murphy, Peter Steele (Chair of the Board Audit Committee), Scott Martin and Allison Smart (Chair of the Board Risk Committee), for their valuable contribution to the governance of LCU over the past year. I would also like to thank our Associate Directors Eve Roberts and David Mitchell, who attend Board meetings by invitation and provide invaluable service and views to the Board.

### **Looking Forward**

As I have mentioned, it is a highly competitive marketplace for financial services. Management, staff and the Board, are focused on improving the service to members and continuing to provide financial products that will keep up with market demands. Investment in marketing, service and product innovations will continue as these are seen as vital and importantly set LCU up for the future.

Of course 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

18 September 2014

### Why Visa PayWave is safe!

- Visa PayWave has an Ultra Short Read range so the card must be held within 4cms of the payment terminal for transactions to go through.
- Visa payWave cards have their own unique built-in secret key, which is used to generate a one-time use code passed from the chip to the terminal for every Visa payWave transaction, preventing counterfeit card fraud.
- Every Visa payWave transaction is authorised securely and transactions are analysed in real-time and scored for their fraud potential.
- For added security there is a daily limit of 20 transactions and there is a daily total transaction limit of \$200. If you wish to spend more than \$200 total within a day you will need to use your PIN.
- Visa payWave reduces the risk of skimming as the card is not entered into the terminal.
- You can use Visa payWave for purchases over \$100 by using your PIN as authorisation at some terminals.



## Notice of Annual General Meeting

The 60th Annual General Meeting and Dinner will be held on Friday, 31st October 2014 commencing at 6.00pm. The venue is at the North Ryde RSL, Cnr Pittwater and Magdala Road, North Ryde.

### AGENDA

1. To confirm the minutes of the 59<sup>th</sup> Annual General Meeting held on 6th November 2013.
2. To receive, consider and adopt if thought appropriate; Directors' Report, Financial Statements and Balance Sheet and Auditor's Report.
3. To announce the Election of Directors.
4. To determine the amount of Directors' Honoraria.
5. General Business.

In accordance with the Constitution the following Directors retire from the Board:

Mr Ian McDonald

Mr Peter Steele

Who being eligible have nominated for re-election.

Members are hereby notified that as there is an equal number of nominations to vacancies and under the provisions of the LCU Constitution the election process is discontinued.

M Sinclair

Secretary

By Order of the Board

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