

17 September 2012

Dear Shareholder,

I am especially delighted to deliver the 2012 Annual Report for Mt Evelyn & Districts Financial Services Ltd, marking ten years of operation for Mt Evelyn **Community Bank®** Branch. To celebrate this significant milestone with you, our shareholders, we are planning a party to follow the formal proceedings of our AGM in October.

It has been a challenging year for the Australian banking community, with the long and slow recovery from the overseas economies. Despite this negative influence and allowances for Montrose **Community Bank®** Branch to become profitable, Mt Evelyn & Districts Financial Services Ltd has declared an after tax profit of \$162,071.

This pleasing result has been achieved by the outstanding efforts of David Watt and his dedicated team in developing the accounts value of both branches. We are extremely fortunate to have David and our wonderful branch staff, who excel in delivering the highest level of customer service and are passionate about making a difference in our communities, where they live.

Our Mt Evelyn branch continues to surpass budget forecasts in growth and our Montrose branch, now in its second year of operation, is steadily building business from its own catchments and is slowly approaching \$30million in accounts value. This has contributed significantly to the Company's total footings, which currently is sitting at around \$161million.

We are satisfied with our expansion strategy into Montrose. We thank you, our shareholders for having faith in this decision. We cannot predict the future, but we are confident that with continued steady growth, Montrose **Community Bank®** Branch will continue to be an important part of our total business and community engagement.

As part of the contractual arrangements, we have recently settled the purchase of the Montrose branch building. Apart from adding another significant asset to our Company, this acquisition also results in a reduction to our expenses and therefore an increase in profits.

"In many communities there are lots of organisations, but no-one organising communities".

We see the **Community Bank®** model as the perfect catalyst to give assistance to help organise our communities through our sponsorships and grants. With just on 300 branches now in the network, the **Community Bank®** brand is expanding its profile. Considering the first branch opened only fourteen years ago, this is testament to how communities and towns across Australia have embraced the model.

Your dedicated Board is the living embodiment of what the brand stands for. Together, we represent a truly deep brand and it is amazing to be a part of this unique way of banking. As our branches profitability grows, the guarantee of our investment in our communities is strengthened. A win win for all.

We have supported many wonderful organisations again this year, in projects and initiatives that enhance our local communities. As a mature and profitable company, we are now able to commit to sponsorships of a grander scale. This is building our profile and making us an "engine" to further drive our communities forward.

I would like to take this opportunity to acknowledge and thank our support team at the Regional Office. Sincere thanks to Mark Nolan and the team for all your assistance throughout the year.

Also, to our dedicated and passionate Board of Directors. Thank you all for your contribution and giving generously of your time and for continuing to live the dream.

To you, our shareholders, thank you for your wonderful support and please continue to spread the word about "Our Bank" and the tangible outcomes that have been achieved from your banking.

I look forward to seeing you at our AGM on Thursday 25 October 2012, 6.30pm at Swinburne Lilydale Campus Auditorium, Melba Avenue, Lilydale. Melway Ref: 38 D6

Following the AGM, please join us as we present our Annual Grants and host a party with supper and live entertainment to celebrate ten wonderful years for our Company.

Yours sincerely,



Jill Rule
Chairperson