

Chairman's Report FY2011-2012

Fellow Shareholders, I am very pleased to report, on behalf of the Board Directors, the progress that has been made in our community banking business over the last financial year.

Another Year of Outstanding Achievement

Ascertaining the success of a community service business such as ours can really only be done in the broad context of measuring the key aspects of success as perceived by our various stakeholders.

To our shareholders of which many of you were initial investors, taking the risks of providing capital to a community banking concept in North Ryde and taking shares in the full knowledge that this was a genuine "start-up" community business, was a brave undertaking and showed an exceptional commitment to our local North Ryde area. During the initial years you accepted that there would be no dividends during the business establishment phase. To all of you, I say a heartfelt thank you for your continued support and commitment to what only can be described as an outstanding success.

To our staff, ably led by our General Manager, Pat Italiano, who have clearly been engaged in the vision of having a sustainable community banking service and who have been striving to provide first class customer service. This service provided in a truly happy manner with a welcoming smile always on their faces; we say a "very big" thank you for your commitment.

To our faithful customers who have provided their banking business, we all say thank you knowing that you appreciate the services and the social capital that we invest back into the community to improve the quality of life in our local area. Your continued support is vital to the success of the business in future years.

To our business partner and our franchisor, Bendigo/Adelaide Bank, who provide the banking licence and model banking systems which offer a full range of banking and advisory services to our branch, our customers, our board and our staff, we also say thank you.

This last financial year has seen success on a broad range of fronts – an excellent financial report with a year of continued increases in revenues and profits, a substantial commitment to the support of various community projects and a steady build in the quality of our business overall.

Financial Results

Your Board of Directors is pleased to report that sales revenue increased by 12% over the period, resulting in a total revenue of \$976,000. An increase in profit of 35% after tax was achieved, resulting in an overall profit of \$292,000. Overall costs within the business were carefully contained over the period, which combined with the overall increase in the quality of business, resulted in outstanding financial results for FY2011/12.

The Cash Flow Statement shows that our overall cash position improved from \$978,000 to \$1,071,000 as of 30 June 2012. The Company also holds \$115,747 in other financial assets in a modest share portfolio. The earnings per security increased from 20.41c (June 2011) to 27.57c (June 2012). This shows that we have experienced another credible increase in the net cash asset backing of our shares. The net tangible asset backing of your shares has increased from \$1.07 per share (June 2011) to \$1.28 per share (June 2012).

Dividend Announcement

I am pleased to report that the Board, at its August meeting, approved an **8c dividend** (fully franked) per share. This was announced to the National Stock Exchange following this decision on 30 August 2012. The ex dividend date is: 1 November 2012 and the record date is 9 November 2012.

It is anticipated that payments of the dividend will be made at the end of November or first week of December.

Important Note

This is the last year dividend cheques will be made. We have requested that shareholders provide bank account details to our Share Registrar for the past few years. For those shareholders that are still receiving cheques, there will be a separate form for you to fill out providing your details to the Share Registrar.

Remuneration Report

The Remuneration Report is a requirement of the Corporations Law and reporting to ASIC of the annual accounts for a listed company. This report is outlined on page 2 of the financial statements and states that "no director or secretary of the company receives payment for services as a director or committee member". Accordingly, no disclosures are required on this matter.

During the period, your Board was approached by our franchisor, Bendigo & Adelaide Bank offering a Directors' Privilege Package in recognition of the voluntary work conducted on behalf of shareholders by directors. In effect, this was to offer some favourable rates on services fees that would otherwise be charged to customers. The Board considered this offer and determined that our Company would not take up this offer. This decision was based on the reasoning that each customer of the bank has to negotiate their own business and that directors should be treated in the same way as every shareholder and customer.

National Stock Exchange

During the year, a decision was taken to continue as a formally listed company on the National Stock Exchange. Our listing with Bendigo Stock Exchange was transferred onto the new Exchange. The rationale for this decision, we believe, is in the longer term interests of our Community Bank to have formal trading platform on which shares can be actively traded and provide a more liquid and transparent market, reflecting the market value of the Company's shares. Other important advantages in being a listed company is the probity that is required to conform to the listing rules of the Exchange providing a professional approach to the governance of the Company's trading environment.

We encourage shareholders to use the Exchange to obtain company information and announcements which are required on a continuous reporting requirement for both market sensitive and non-market sensitive information. The website address for National Stock Exchange is: www.nsx.com.au.

Your Board is also encouraging all shareholders who wish to buy/sell shares to engage with approved broker participants of the Exchange. A list of these brokers is outlined on the NSX website and are listed as being approved of Certified Securities T+5. To make this easy for

shareholders, a list of approved brokers and their contact details have been attached to the Company Secretary's Report.

One of the continuing issues we face is shareholders who do not hold what they consider to be "marketable" parcels of shares. Your Board is considering options to deal with this. However, if you are in this position and wish to sell these shares, it may be possible to trade these in an "off-market" transaction – please contact our Company Secretary, Pat Perrin, in writing at our registered office, Shop 14, 203-213 Cox's Road, North Ryde NSW 2113.

AFS & Associates

North Ryde Community Finance engages AFS & Associates to conduct our annual audit, prepare tax accounts and provide a share registry service. The directors engage AFS & Associates to ensure an "arm's length" approach to the above services to provide confidence and transparency to our shareholders and regulators.

Share Registry

There are no changes to the administration of our Share Registry. As you are aware, this is independently managed by AFS & Associates Pty Ltd. Should you have a query regarding your share holding, contact Rose Abbott at AFS & Associates by telephone: (03) 5443-0344 or email: r.abbott@afsbendigo.com.au.

The Audit Function

AFS & Associates provide a full audit function for the Company which includes reporting to ASIC on our behalf and providing half yearly and preliminary final reports to the National Stock Exchange. These half yearly reports can be found by shareholders and the general public on the National Stock Exchange website: www.nsx.com.au.

We wish to thank the staff of AFS & Associates for their support and advice throughout the year on all the above matters.

Annual General Meeting

The AGM this year will be held on Friday, 9 November at 10.00 am. The venue will be the same as last year – the Holy Spirit School Hall in Cox's Road, North Ryde. Information and procedural matters for the AGM will be made available to shareholders on a separate mail out basis containing the formal notes of meeting, statutory accounts and proxy forms.

Shareholders may attend the Annual General Meeting and register their votes on resolutions at the meeting. For the shareholders who have difficulty attending the meeting, you may vote via a proxy or choose to vote electronically. Electronic voting will again be conducted by Elections Australia.

I encourage all shareholders to attend the Annual General Meeting, after which morning tea is provided.

Our Directors

My thanks go to the entire Board of Directors for their active participation over the past 12 months. As we report to ASIC under Corporations Law, all our directors are subject to the required diligences and responsibility of the conduct of the business which, these days, is quite an onerous task. They also have to shoulder the responsibility of the listing rules of the National Stock Exchange and the overall governance and business focus of the Community Bank. Our directors continue to participate on a voluntary basis.

This year three directors retire by rotation. These directors are: Professor Gordon MacAulay, Matt Walker and Steve Perrin. Each director is offering himself for re-election for a further period of service.

The majority of our directors were foundation directors of the Company and as we have been operating for a period of seven years and now into our eighth year, the topic of succession planning is becoming more relevant. The average age of our Board is 65 and we have been

fortunate that this age group has brought significant business experience and wise counsel to the table. These issues will be further considered over the next 12 months by your Board in the context of the future of the business and the future skill base that will be required to sustain its successful operation at a Board level.

Our Partner - Bendigo & Adelaide Bank

Bendigo & Adelaide Bank have reported a net profit after tax and before specific items of \$312M. Their cash earnings were \$320M last financial year. Over the period, the credit ratings upgrades were seen which was an excellent achievement in a difficult market environment. Apart from a cost to income ratio of 59.1%, analysts have tended to look to Bendigo & Adelaide Bank in a reasonably favourable light, considering that the bank is relatively small in comparison to the big four. It comes as no surprise that the Bendigo brand and staff and customer engagement is still No 1 in the marketplace.

Your Board has a very good relationship with the senior management at both state and national level, with directors meeting frequently with senior executives in different areas of the bank. Given this level of communication, it engenders a good level of confidence in the future.

Restoring the Balance – the Community Banking Model

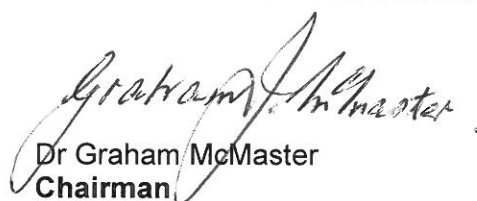
Our franchise agreement with our partner revolves around the fundamental business model that was developed over 10 years ago. With the changing business environment and external pressures at national and global levels, the community banking model continues to be “finetuned” or tailored directly to the economic environment. Accordingly, the model was changed 12 months ago to rectify perceived imbalances that had emerged. This resulted in a reduction in the revenues received by community banks and which was absorbed during the financial year. More recently, a second rebalancing is being mooted. If agreed, this would be implemented around May 2013. Your Board is currently working through this in a detailed manner with senior executives with a view to fully understanding the potential impacts on North Ryde Community Finance.

Engaging our Shareholders

A key theme for the 2012/13 year will be fully engaging our shareholders. We have a very good business platform which forms the basis of healthy profits and return on capital. This, in recent years, has translated to very healthy dividends. However, we need to seek stronger shareholder support in providing their business to the Bank. Currently, less than half our shareholders have their business with North Ryde Community Finance. Given the healthy return on shares and the net cash asset backing of the business, the further support of our shareholders can only benefit the overall business and our community.

In Conclusion

It is always pleasing to see a company with good business momentum and fulfilling its stated objectives as a community banking service which injects a proportion of its surpluses in community projects. For me as Chairman, it has been personally rewarding to see this business succeed at both a business and community level. This only comes about if the Board operates in a conservative and fully functional way and that our staff enjoy their work and love assisting our customers. I believe we have achieved this over the past seven years and that the future will be even more exciting.



Dr Graham McMaster
Chairman