

Chairman's Speech

Good evening ladies and gentleman and welcome to the 12th Annual General Meeting of East Gosford & Districts Financial Services Ltd.

I hope you have all read my Chairman's report within our Annual Report of which I will expand on as we have had a couple of questions posed and I feel it is best to answer them in this forum as you may also have similar questions to pose.

Firstly, we as a franchise company have no say in Bendigo & Adelaide Bank's Pricing, Policies, Procedures or Products so as the Bank advises that it moves towards stage two of Restore the Balance which will see commissions on certain products reduced further, we can only ensure we remain active in the community by attending and supporting events and causes and promoting ourselves to gain further business and set ourselves apart from our competitors. As part of this process of activity within the community we have put in place a programme where we have identified potential directors that are well known, involved and active to further engage within the community to promote our unique way of banking and its benefits to local communities. We have also appointed Directors to a Strategic Planning Committee to look over our current operations and plan for future growth and revenue sources.

Directors have given no consideration to any further issues of shares to our local areas to rejuvenate business. As stated above it is about what we do within the community that should promote and grow our business.

The business earns income from a number of sources from banking activities, being margin share, trailer commission, fee income etc. Bendigo & Adelaide Bank advise that due to funding pressures there is an imbalance in favour of the Community Banks that can only be rectified by reducing commissions paid on trailer income from greater than 90 day term deposits and fixed rate loans. We are provided with data from Bendigo & Adelaide Bank and our only recourse is to look at other forms of income within the business to grow being wealth and insurances along with our continued focus on lending as this provides the best source of revenue.

We talk regularly with other Community Bank boards, both locally and at state and national conferences, however whilst there has been collective discussions nothing has been pushed further at this time in regards to collective concerns with the Restore the Balance programme.

We believe the future of the business continues to look sound even if the next 12 months will see a further reduction in commissions of around \$80k which will have an impact. We will continue to grow in banking business but it may be harder to match this growth in revenue to previous years due to margin pressure and changes to our commissions.

We will continue to focus on our business and in particular our mix of business to continue our growth which in turn drives profitability which will enable us to hopefully pay stronger dividends to our shareholders and provide continued funding to the many community groups we support.

To our shareholders thank you for your continued support over the past few years and look forward to further support in the future and I would like to announce we are paying a 4 cent a share fully franked dividend 30th November 2012.

Thank you again and if you have any questions I will be here after the AGM if you would like to discuss any issues with me.

Max Hiron
Chairman