

Chairman's Report

This year has been another outstanding success for North Ryde Community Finance Limited (NRCFL). Our **Community Bank®** branch's performance is reflected not only in the excellent financial results, but also the community engagement achieved and the increased levels of support provided to community groups in our local area.

Financial results

During the reporting period:

- revenues increased by 5% to \$1.022 million
- profit before income tax was \$430,020 (42% of total revenue)
- after tax profit increased by 4% to \$303,418 (19% of total equity)
- net assets increased from \$1.39 million to \$1.609 million
- total equity now stands at \$1.609 million
- cash at end of period was \$1.303 million
- earnings per share increased to 28.66c
- net tangible asset backing per share increased from \$1.28 to \$1.50.

Operational and financial review

This is a new requirement from ASIC and is reported in detail in the financial statements. This is the first time that this statement has been included and gives an overview of the business, its drivers of performance and some insights into the strategy adopted by your Board.

Dividend announcement

As a result of the strong financial performance, your Board, at its September meeting, determined a dividend of 8c per share (fully franked) be paid. This was officially announced on the National Stock Exchange on 4 October 2013. The ex-dividend date is 12 November 2013 and the record date is 20 November 2013. It is expected that the dividend will be paid on 2 December 2013.

National Stock Exchange

The transfer to the NSX and remain a listed company, complying with the listing rules and associated requirements has proved to be successful. It has resulted in a more liquid and transparent market for NRCFL shares with substantial trades occurring over the period. Shareholders are encouraged to engage with an approved stockbroker should they wish to purchase further shares or sell shares. A list of these is provided in the Company Secretary's report. The NSX can be found at <http://www.nsx.com.au>.

Annual general meeting

The AGM this year will be held on Wednesday 20 November at 10.00am. 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 AGM 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.

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.

I encourage all shareholders to attend the AGM, 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®** branch. Our Directors continue to participate on a voluntary basis.

This year three Directors retire by rotation. These Directors are: Mrs Helen Patricia Perrin, Mr Robert Talbot and Mr Ivan Petch. Each Director is offering themselves for re-election for a further period of service.

During the year, Matt Walker resigned from the Board and moved interstate. Matt was a foundation Director of the Board and I thank him for his valuable contribution over the years.

Our partner – Bendigo and Adelaide Bank

Bendigo and Adelaide Bank continue to go from strength to strength as a quality alternative in the Australian banking market. It remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis and Bendigo and Adelaide Bank continues to be rated "A-" by Standard & Poor's. We have a good working relationship with Bendigo and Adelaide Bank and we thank Phil Jones (State Manager), Alex Hughes (Regional Manager) and their team for their help and support during the year.

Restoring the Balance and Project Horizon

During 2011 the revenue sharing arrangements set out in the Franchise Agreement were reviewed. Certain adjustments to commissions on some products were made. These adjustments moved **Community Bank®** branches' revenue share back towards a 50/50 split with Bendigo and Adelaide Bank. This resulted in a decrease for NRCFL in revenue allocation in 2011/12 financial year. This program was known as "Restoring the Balance". A further change to the commission structure was announced and commenced in April 2013. Our estimate of the impact of these changes is in the order of \$100,000 in revenue and hence, profit. The latter change affected only fixed home loans and term deposits greater than 90 days.

Your Board continues to monitor the impact of these changes and the challenges that they present in the shorter term.

The **Community Bank®** model was commenced some 15 years ago and has proved to be very successful. However, the operating environment for banking businesses continues to evolve with many changes that are challenging banking systems and banking models. Accordingly, a strategic program has been initiated by Bendigo and Adelaide Bank together with the Strategic Advisory Board and representatives of community banks to set a shared vision for the **Community Bank®** branch to be as successful in the next 15 years by accommodating anticipated future challenges and changes. This project is known as "Project Horizon".

Congratulations to our staff

Business success often depends on the quality of personnel managing a business. We have an outstanding team most ably led by our General Manager, Pat Italiano. To Pat and all his staff we say thank you in appreciation for their positive attitudes and outstanding customer service.

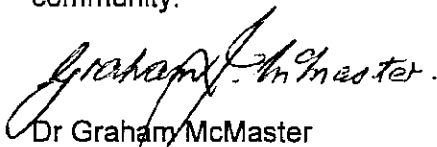
Our customers

Without our long standing and loyal customers and our relatively new customers, we also say thank you for your business and welcome any feedback you may have which will improve your banking experience into the future.

In conclusion

As we move into our 9th year of operation, your Board of Directors are continually looking to the future of your **Community Bank®** branch. They are identifying the critical success factors in developing and growing the business and are also focussing on future strategic issues in order that the **Community Bank®** branch can readily adjust to meet future challenges. We are confident of the future and feel that we can build on the platform that has already been established and which has an excellent track record in recent years.

To all our shareholders, customers big and small who are a part of our banking family, our Board of Directors and staff thank you for your continued support and business custom. I believe we all have the necessary enthusiasm and desire for future success in our own community.

A handwritten signature in dark ink, appearing to read "Graham McMaster". The signature is fluid and cursive, with a large initial "G".

Dr Graham McMaster
October 2013