

CHAIRMAN'S ADDRESS

2014 Annual General Meeting – Rye & District Community Financial Services Ltd

A Bendigo Bank executive with over 28 years experience was recently heard to say that the year just passed provided some of the most challenging banking conditions in his experience.

In reviewing my recent addresses at Annual General Meetings, this 'difficult year' scenario is a recurring theme – but never has it been so evident as in the financial year just concluded.

A market which displays high deposit levels, a reduced appetite for debt, a willingness to pay down debt, intense competition in the banking sector, with rates being cannibalised by the majors – all these circumstances have created an almost perfect storm for the smaller banking participants in the domestic market.

Our company has not been immune from these external pressures, yet with the dedicated efforts of our staff, led by our Senior Manager, Gary Sanford, we have been able to grow both our deposit and loan portfolios during the year by 10.6% and 7.6% respectively – a remarkable achievement and one for which we express our admiration and gratitude to Gary and all the team at our three branches.

The total volume of business on our books at the end of the financial year totalled over \$468 million, placing your company in the top echelon of **Community Banks®** in Australia.

Our ability to reward shareholders with a fully franked dividend of 6 cents per share, payable on Friday 28th November for those shareholders holding shares in our company as of 31st October 2014, whilst lower than last year, is a commendable achievement given the start-up costs associated with our new Rosebud branch and a full-year of the new income-sharing model instituted by Bendigo and Adelaide Bank Limited, which reduced our income earning capabilities by some \$170,000 when compared to last year.

As I said, a 'difficult year'.

I was able to introduce your directors at the beginning of this meeting and I take this opportunity to thank them for their ongoing support and for the commitment and dedication they continue to show towards acting in the best interests of you, our shareholders.

Your board experienced some very difficult situations during the year, particularly relating to the development at our Rosebud site but, on all occasions, after vigorously debating the issues, approved resolutions with good grace and collegiality, in the best interests of the company.

I am proud of the manner in which the entire board accepts its governance responsibilities.

I also take this opportunity to thank our Board Assistant Tony Harford. Tony assists with all the various aspects of running a Public Company including working closely with Dorothy our Secretary and Pat our treasurer, Bendigo, our accountants and auditors and finds time to attend all board meetings and Sponsorship and marketing committee. His assistance with compliance issues is invaluable. We are very fortunate indeed to have his services.

In a few minutes, as no nominations have been received from aspiring directors and, as a result, no election being necessary, you will be required to ratify the appointment to the board of those directors who have offered themselves for election or re-election.

I have no hesitation in endorsing this year's candidates and recommending their appointment.

You will recall my advice at last year's Annual General Meeting that the company had completed its development at its Rosebud site comprising two retail premises (one being the site of our Rosebud Branch, the other being available for rent) and two residential apartments.

I am pleased to advise that one of the residential apartments at our Rosebud development has been sold and there has been some interest shown in the other residential dwelling. We continue to market the retail tenancy as landlords, as it is our intention to maintain ownership of this retail premises as a means of maintaining this strong asset on our balance sheet.

We are confident that the sale and lease of these properties will be completed during the coming year.

Whilst operating in the difficult trading conditions outlined earlier, I am proud of our company's ability to continue to invest in our local community by way of our sponsorships, grants and donations program.

This year, our community contributions totalled nearly \$495,000, with 130 local community groups, all in the not-for-profit sector and mostly run by volunteers, being beneficiaries of our program.

This brings the total of our return to the community to over \$5 million in ten years and, whichever way one would want to view it, this is a remarkable achievement.

I am particularly proud of our relationship, developed during the year, with the Royal District Nursing Service through a program initiated by one of your board members.

The RDNS nurses assisted in the home care of the late husband of one of your board, Eileen Naylor, and it was through Eileen's initiative and, may I say, persistence that your company found a way to recognise and reward this group of 'angels on wheels'.

The resultant program saw your company fund the leases of four new vehicles for RDNS nurses for use in the Rosebud region – a marvellous outcome.

But wait, there's more.

Our Senior Manager, Gary Sanford, was instrumental in convincing Bendigo Bank to fund an overarching lease limit of \$2 million to enable other **Community Bank®** companies to provide new vehicles for the RDNS units in their area.

As of today, as a result of Eileen's vision and Gary's banking acumen, the RDNS enjoy the use of ten new cars throughout Australia.

As a result of the roll-out of the program throughout Australia, the company was awarded the Victorian Community Choice Award at the 2014 State Conference of Bendigo Bank **Community Banks®**.

On your behalf, I thank and congratulate both Eileen and Gary for an outstanding achievement and an excellent example of how your **Community Bank®** makes a difference in our community.

Speaking of Eileen, we experience the joy in basking in the glory of her RDNS initiative but also the sadness in her decision not to seek re-election at this year's AGM.

Eileen joined the board after the AGM of 2003 and became Company Secretary in November 2004 – a position she held until she voluntarily relinquished it in April this year.

Her decision to relinquish the company secretary role and to resign from the board is another example of the serious manner in which board members hold their responsibilities.

Eileen decided that, in the interests of good succession planning, it was timely and appropriate that she stand down from the board and allow other members to be recruited. Her resignation is a selfless act of a person who has the best interests of the company at heart.

As I said in the Annual Report, Eileen has been the conscience of the board and has been a great support to me in my time as Chairman.

We'll miss her wise counsel, her sage advice, her organisational abilities and her community involvement.

I thank her for the undoubted contribution she has made to the success and growth of this company and, at the risk of causing her acute embarrassment, ask that she step forward and accept these trinkets marking our immense appreciation

I would like to acknowledge the partnership we have with the Bendigo and Adelaide Bank Limited.

Whilst our past year has been difficult, it has been just as difficult for our major partner and we appreciate the guidance and leadership they have provided during the year.

‘Project Horizon’ which I mentioned last year, continues to evolve and it is likely that the **Community Bank®** model we enjoy today will be different in the years to come.

I have every confidence that Bendigo and Adelaide Bank Limited recognises the value it receives from **Community Banks®** in general and from our company in particular and that any change to the model will be mindful of maintaining strong relationships with their partner Community Banks and of protecting the value of shareholders.

Finally, to you, our customers and shareholders, may I offer the biggest vote of thanks of all.

Without your faith in our company - in what we are trying to achieve for our community - none of our success would be possible.

I thank you for your ongoing support but challenge you to become vocal and stringent ‘advocates’ for our business – extolling its virtues, singing its praises and recommending its customer service – to all with whom you maintain relationships.

We look forward to an even more rewarding year to come.

Shane McCarthy
Chairman

20 November 2014