

CHAIRMAN'S ADDRESS

It is with great pleasure that I address this meeting, my first as Chairman of your company, Rye & District Community Financial Services Limited.

I have been privileged to accept the mantle of Chairmanship afforded to me by my fellow directors after the retirement of our previous Chairman, Shane McCarthy.

Shane had been Chairman for a period of seven years and during that time, has led the company to a position of strength, in terms of both balance sheet and trading growth. We are indebted to Shane for the legacy he has left us and I am equally as indebted for the mentoring he has provided me since taking over the role.

I am particularly pleased to report a return to after-tax profit of \$188,284 for the financial year ending 30 June 2016 after the disappointing loss of \$152,904 the year before.

This turnaround of over \$340,000 is a remarkable achievement given the extremely tight market conditions in which we operate.

As all of Australia would be aware, we are operating in an environment of extremely low interest rates – the lowest of all time – with the official cash rate standing at 1.5% after falling from a rate of 2.0% at the start of the review period.

Bank profitability is driven by margin – the margin between the cost of funds and the interest rate received or paid out.

Whilst low interest rates are attractive for borrowing consumers, they present our bank with unique challenges.

One would be excused for thinking that a low interest rate environment would lead to an increase in lending, with borrowers taking advantage of the low cost of funds.

Ironically, and as was alluded to at last year's Annual General Meeting, banks in Australia, including our own company, are experiencing unprecedented levels of loan pay downs with borrowers taking the opportunity to increase the equity they hold in their assets. And in this environment, in order for us to grow, every loan that is paid down or paid out, requires replacement loans to bolster the book.

Similarly, low interest rates on deposits are causing investors to seek better returns for their funds by moving to other forms of higher-yielding securities such as managed funds or the domestic and international share markets.

These low interest rate levels have a real impact on our ability to increase our revenue, yet despite these adverse circumstances, our revenue for the year at \$3,571,717 stands as an all-time record for our company.

We continue to be at the forefront of **Community Banks**[®] throughout Australia and credit for this goes to our Senior Manager, Gary Sanford and his staff for their untiring efforts in driving our business growth.

On behalf of all shareholders, I thank Gary for his unswerving dedication, his zeal for business growth and his unwavering commitment to the **Community Bank**[®] model.

I also thank and commend all our staff for their relentless pursuit of customer satisfaction. I regularly receive comment about the high level of customer service delivered by our staff and these are comments which make me justifiably proud of the role our company plays within our community.

The other source of pride is the knowledge that, through the support we receive from our customers, we have been able to return over \$647,000 to our community in the form of sponsorships, grants and donations during the past financial year.

How good is that?

What a remarkable contribution to the sense of community and the community spirit displayed on the southern Mornington Peninsula.

As shareholders, you have every right to be proud of the contribution your company makes to this community.

I would like to make mention of a commitment made by your board to a special project launched during the year.

The “Cloverleaf” project involves the construction of supported residential accommodations for intellectually disabled residents in the Rosebud area. It is a joint initiative of the Southern Mornington Peninsula Uniting Church and Community Lifestyle Accommodation, the latter being a group of parents, all over 60 years of age, concerned about the quality of life available to their disabled children after they become too old or frail to look after themselves.

With land for the purpose being provided by the Uniting Church of Australia, and services being provided by the Mornington Peninsula Shire, funds to the order of \$3.1 million were required to complete the project.

Your company committed to provide the project with the amount of \$50,000 per year for a five-year period which, together with a financial commitment from each family group, enabled a successful approach to both State and Federal governments, each of whom provided \$1 million towards the project.

‘Cloverleaf’ has become a reality and building work on this development commences in 2017.

The involvement of our company in such a project is an excellent example of the leverage available to community groups with the support of a **Bendigo Bank Community Bank**[®].

The convenors of 'Cloverleaf' are in no doubt that, without the commitment of \$250,000 by Rye & District Community Financial Services Limited, the project would have been unable to attract government funding and the project would, in all likelihood, have been doomed.

This is a real example of how the Rye, Dromana and Rosebud **Bendigo Bank Community Banks**[®] can make a real difference to our community.

Our continuing success would not have been possible without the ongoing assistance of our partner, Bendigo and Adelaide Bank Limited in what has been a year of significant change.

As with any change, there has been resistance and some confusion but in the true spirit of partnership, Bendigo Bank has worked with us to ensure that the science now used to calculate revenue share is transparent and understood.

Early indications of the new model at work reveal that your company has not been disadvantaged in terms of income earned.

We appreciate the efforts our Regional Manager, Simon Sponza, has made on our behalf and thank him for his efforts.

We welcome Tania Hansen in her newly created role of Senior Manager, Community Relationships. Tania has a long history of involvement with Community Banks having been the Executive Director of the Lang Lang group for many years.

I am also thankful for the efforts of your board who continue to perform their governance duties with the utmost care and diligence.

It is a privilege to be counted amongst their number and you, as shareholders, can rest assured that your interests are at the forefront of their deliberations and decisions.

Thank you for entrusting the care of your company to our board of directors.

I would especially like to acknowledge the contribution of our Treasurer, Pat Tonks who has indicated her intention to retire from the board with effect from 31st December 2016.

Pat is a special lady.

She became involved with the Rye & District Community Bank well before it opened its doors in 2001 and has been a director ever since.

Pat was involved at the Steering Committee stage and was an integral player in the process of getting people to honour their pledges to provide the fledgling company with enough capital to be accepted by Bendigo Bank as a viable franchise.

In political 'speak', Pat even 'worked the phones' to ensure that the Mornington Peninsula Shire contributed to the original capital raising – skills obviously learned during her time as councillor with the Flinders Shire.

As the Treasurer of our company, Pat has overseen the financial growth of this company for the past fifteen years to the position it now holds with an extremely strong balance sheet and a proud history of profitability.

Shareholders can take great comfort in the knowledge that not a bill gets processed or paid without Pat's eagle eye having been cast over the invoice.

And to those community groups who have benefitted from sponsorship funding from our company over the years – you have much to be thankful for in Pat.

Your applications survived rigorous scrutiny from a very dedicated treasurer and Pat's tick of approval was a strong indicator of the likely success of a sponsorship funding application.

From maintaining an accounts payable register at home, to liaison with our accountants and auditors, to overseeing our transition to cloud-based accounting systems, Pat has been an integral member of the board.

We are going to miss her attention to detail, her wise counsel and her connection to the community.

We thank her for the invaluable contribution she has made to our company and wish her a long and happy retirement.

We would ask Pat to please come forward and accept this small token of our appreciation.

Our business will continue to grow if you are able to share the trust you have in our company with your family, friends and colleagues who may not yet support our company with their banking business.

It is universally acknowledged that the best referral for any business comes from 'word of mouth' referrals. We need all our customers to become advocates for the great banking services we provide and for the generous support we provide to our community.

I remain confident that, with your support, with the systems and strategies in place and with fair market conditions, your company will enjoy yet another successful year of growth and profitability.

Vin Cheers
Chairman