

CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

RYE & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

Tuesday 22 November 2011

If a company's performance can be measured by its ability to successfully create, manage and deliver against a range of significant events, then 2011 has been a very successful year for your company, Rye and District Community Financial Services Limited.

Firstly, this year marked the tenth anniversary of the opening of the Rye Branch, a company which from humble beginnings has grown into the organisation we have today – an important member of the Bendigo Bank Community Bank[®] family.

Secondly, our Rye Branch took the significant step of moving premises during the year.

As you would appreciate, moving company operations from one location to another carries significant risk but, through the dedication of our staff and the goodwill of our customers, the move was completed with minimal disruption to the day-to-day running of our Rye branch.

Today, we operate an extremely modern 'branch of the future' – with a layout about as far removed from the days of teller cages and security screens as one could imagine.

Thirdly, your company was chosen to host the 2011 State Conference for the Bendigo Bank Community Bank[®] network of Victoria and Tasmania in May this year with almost 400 delegates attending the two-day event at the Mornington Racecourse.

By all standards of measurement, the conference was very successful and the estimate of indirect economic benefit to the Mornington Peninsula region was in excess of \$300,000.

Fourthly, at last year's Annual General Meeting, I stood before you and declared a record profit for the year of \$445, 806.

It is with some satisfaction and not a little pride, that I can declare another record profit for the year just completed, with a record amount of \$543,969 – a very satisfying increase of 22% over last year's then record.

It is worth remembering that this result was achieved in another year of financial uncertainty where investor confidence was low, stock markets struggled to advance and national economies of some countries, particularly some in Europe, teetered on the edge of collapse.

And **finally**, as a result of this profit, your company has been able to return the amount of \$445,159 to community groups in the form of sponsorships, grants and donations during the year – another very significant achievement.

A list of most of the beneficiaries of this outstanding amount has been published in this year's Annual Report and a study of this list reveals the wide spread of organisations across the Mornington Peninsula who have benefitted from the support of your company.

This ability to support local groups would have to be the most significant, and certainly the most satisfying, aspect of the work undertaken by your board of directors.

When a normal multiplier effect is considered, there would be very few people in our region whose lives have not been touched, in some way, by the operation of the Bendigo Bank Community Banks[®] in Rye and Dromana.

It is my pleasure to announce that shareholders as at the record date of 31 October 2011, will receive a fully franked dividend of 6.7 cents per share.

This dividend will be paid this coming Friday, 25th November, by either direct credit via EFT to your nominated bank account or by cheque, depending upon the payment method selected by shareholders.

When taking the fully franked nature of these dividends into calculation, this year's dividend represents a return of over 8.5% - a very significant return in these days of economic constraint.

Of course, achievements, such as those I have outlined, don't happen by chance.

They are the result of a great deal of hard work, conscientious dedication and exceptional customer service by a range of people.

To our Management team of Julie Toward, Bronwyn Ralph and Di Kennedy, led by our exceptional Senior Manager, Gary Sanford, I say a huge 'thank you'.

To all our staff at Rye and Dromana, many of whom our shareholders and customers know personally and are regarded as members of their extended family, I also record my appreciation.

I believe that our customer service standards are what set us apart from other financial institutions. That customers are addressed by name, have interest shown in their personal lives by our staff and can transact their financial affairs with confidence and confidentiality, are significant factors in our continued growth and profitability.

As an example of the dedication of our staff to their customers and to the Community Bank model, I need go no further back than the relocation to our new branch in Rye.

The main part of the physical move took place over a weekend and every available staff member was on hand to play his or her part in the relocation.

Parts of our operation – such as the operation of the ATM machine at Rye - had to be closed on the Friday and the Monday, causing additional workload for staff.

Not only the Rye staff, but also those from Dromana, volunteered to man the desks to cope with our customer service requirements during this time of disruption.

As it was, we were able to open on time and on budget, with minimal disruption to our customers.

To our partners, Bendigo & Adelaide Bank Limited, I record our appreciation for their continued guidance and support.

Periods of the past year have been difficult for our major partner and it has been necessary for them to take some hard decisions about the Community Bank[®] model.

Those decisions have impacted on the revenue earning capabilities of Community Bank[®] companies, to the extent that, in our case, they will reduce our earning capability by some \$180,000 in the current financial year.

Whilst the decision has brought with it some pain, the process deployed by Bendigo and Adelaide Bank Limited has been exceptional.

Their communication efforts, the participation of Mike Hurst, the group's Chief Executive Officer and Managing Director, in the process and their willingness to

assist Community Bank[®] companies in their transition to the amended revenue sharing conditions, have been commendable.

We are also extremely fortunate to have Cora Clough as our Regional Manager.

Cora's support of your board and our company is exemplary and we value her guidance and her contribution.

To my fellow board members, I also express my appreciation and admiration for their continued dedication in performing their duties as the representatives of you, our shareholders.

Anecdotal feedback has it that your board, its behaviour and its achievements, are highly regarded within the Bendigo Bank Community Bank[®] network and this is a reputation of which we are extremely proud.

We thank our shareholders for the trust they have in us as directors and promise that we will continue to perform our duties in good faith and with due care and diligence as is required of us under the law.

I should provide a progress report on the development of our proposed new branch in Rosebud.

Preliminary designs have been prepared for the development with the intention of submitting them to the Mornington Peninsula Shire for the necessary approvals, prior to Christmas.

The current lease on the property expires in September 2012 and it is our intention to honour our obligations to the lessee.

We anticipate that final plans and approvals will have been completed by this time to allow construction to commence in October 2012 with a view to the premises be ready for occupancy by May 2013.

Concurrent with these requirements, discussions have commenced with Bendigo and Adelaide Bank Limited regarding the provision of a franchise for a new branch in Rosebud.

A formal business plan is in the process of preparation and will be submitted to Bendigo Bank during December. Bendigo has indicated its willingness to support our application with a view to approving a new franchise according to our construction timeframe.

Finally, I am pleased to advise that the performance of your company in the current financial year is in line with budgeted expectations.

Subject to relatively normal trading conditions, your board would anticipate another year of profitability and the maintenance of dividend levels on a par with those of the financial year just completed.

I wish to thank all shareholders for their ongoing support as both shareholders and customers.

I remind shareholders and customers that it is through their continued support of our banking operation that we are able to make those significant contributions to our community in the Southern Peninsula area.

Their word of mouth endorsement is a proven method of promoting our company to the general population and I urge everyone to continue to tell our story of significant success to the entire community.

Shane McCarthy
Chairman

22 November 2011