

Heathcote and District Financial Services Ltd
Annual General Meeting – 7pm
22 October 2007

Chairman's address to AGM 2007

Ladies and gentlemen, I take this opportunity to talk briefly about the year past and look at the year ahead.

For the Bendigo Bank, it has been quite a year. During the past 12 months, the 200th community bank was opened at Dromana. There were other significant events: the Bank of Queensland takeover proposal, which brought an overwhelmingly forceful response from the shareholders and customers. This was reflected in the Bendigo Bank board's decision to reject it.

There was the Adelaide Bank merger proposal and it is hoped that this merger will bring with it positive advantages – here the Bendigo Bank is aiming for a greater technical competency and wider business base.

As Bendigo Bank chairman Robert Johansson noted at the recent community bank national conference, these moves came at a time when the banking markets were in turmoil - although it was not a crisis affecting individual customers, rather a crisis of confidence in the banking sector around the world.

Next year, the Bendigo Bank will be 150 years old. That means it saw its beginnings just seven or eight years after the arrival of the first Europeans. A group of people came together in Abbots Hotel, pooled their resources, sharing their savings so that they would end up with domestic housing. We know the success story that has followed.

It's interesting to note that the Heathcote and District Community Bank had similar beginnings. No, this time it wasn't Abbots Hotel, it was born in a series of meetings involving a small group of local business people, who met regularly in a variety of Heathcote offices and shops. These people, with guidance from the Bendigo, were able to encourage other local people to pool their resources to establish their own bank. Your bank. This is a community helping itself – it is local history that should never be forgotten.

Just a little more on the community bank system - with the Bendigo Bank about to celebrate 150 years, and the community banking system ready to celebrate 10 years ... there are now more than 200 branches open, community banks have more than \$10.3 billion worth of business. There are more than 53,000 shareholders, more than 1000 staff members, and more than 600,000 customers. And here's part of the flow-on benefit for those communities: from those 200-plus branches, more than \$100 million is spent locally each year on wages, leases etc.

For your community bank, we began the year positive that we were on the right track. We had endured teething difficulties behind the scenes and overcame them. Our staff had remained loyal and intact and although we were not advancing at a rate quite as quickly as the board might have liked, we were advancing. Our office had become a local landmark in the town, always looking good; the ATM was a winner with locals and visitors alike.

Our manager Sally McGaffin, who had guided us through the first two years of business, came to the end of her contract. She had made the arduous journey from Lockwood to Heathcote every day to work, and it was apparent that perhaps it was not ideal that this should continue indefinitely. She was able to accept a position with the Bendigo Bank's head office in Bendigo, with the blessing and best wishes of this board of directors.

This, of course, left the board with the task of finding a replacement – and he was here under our noses. Most of you will already have met Les Owens, anyone who hasn't had the pleasure so far should take the opportunity tonight. The board was indeed delighted to have been able to appoint an experienced banker who lives locally. Les quickly demonstrated an aptitude for the community bank concept, a desire to put himself out into the community and work hard to bring business into the bank.

During the year, the directors were able to offer some modest financial support to a variety of local organisations, including the very active and always helpful Heathcote Lions Club, in the way of t-shirts for their members. District residents will have many opportunities to see the Lions proudly wearing their distinctive new shirts emblazoned with the words "proudly supported by the Heathcote and District Community Bank".

But the community bank concept is not just about banking. Yes, profit is important and the business needs to be profitable. But community banking is about community.

As a result, this community bank is embarking on a major community project for Heathcote. Partly as a result of a recent survey undertaken by the bank, the Heathcote and District Community Bank, in company with the committee of management of the Barrack Reserve, as well as the City of Greater Bendigo council, is leading a small community working group to fund and deliver a masterplan of Heathcote's community and sporting facilities.

It is anticipated that the masterplan will lead to a significant building and construction program to cater for current and future community requirements.

In collaboration with the Bendigo Bank's community enterprise advisors, the working group will establish a procedure for raising funds to employ a consultant to draw up the masterplan, but only after wide-ranging public discussions with all current and potential user groups. The consultant will also brief local government, state and federal government bodies with a view to taking advantage of financial opportunities.

This is an exciting project for Heathcote. Nothing can or will happen without the community being fully consulted. It can only bring much needed development to the township, for the community of the entire district.

The future: As they said often at Geelong during the latter half of the AFL season, we're keeping a lid on it. However, I think I am able to say without fear of contradiction that your directors are quietly confident that this community bank business is on track. We were able to accumulate about \$35 million worth of business by the end of the financial year. The period immediately following the transfer of the former manager and before the appointment of our new manager was not necessarily helpful in terms of business building, but we are confident that the October to December quarter will show considerably improved figures.

Speaking of directors, it would be remiss of me not to mention and applaud the work that is done by the, it has to be said, voluntary directors of this company. We have four existing directors who have made themselves available for re-election at this meeting – as well as a new director, Greg Speirs, whose appointment is to be ratified. I commend each of these directors to you. I must also add my personal thanks to the spouses of our directors who are well aware of the time commitment required to do the job properly on your behalf.

Also, I offer my thanks firstly to our regional manager Tim Rodda, and his team in the Bendigo head office who guide the community bank process. Maree Selwood (who had plenty on her mind, speaking of Geelong), Zenda McConnell, Lisa Keating and all the others. The work behind the scenes of the community bank organisation needs to be seen to be fully appreciated.

With that, I will finish this chairman's address with my thanks to our guests tonight, as well as all shareholders who have turned out tonight for this meeting. And I add my usual encouragement to continue to be an ambassador for your community bank. It is your bank, it is your community. Let's continue to work together to make it successful.

Thank you.

Barry Cail,
Chairman.
22 October 2007