

CHAIRMAN'S REPORT
Heathcote & District Financial Services Ltd
Annual General Meeting held 17th November 2008

Good evening ladies and gentlemen. Welcome to the third annual general meeting of Heathcote and District Financial Services Ltd, the company which operates the Heathcote and District Community Bank.

It is my pleasure to welcome a number of special guests tonight - we have representing the Bendigo Bank our regional manager Tim Rodda, Mr Ken Belfrage, who is representing our auditors, AFS and Associates, our guest speaker for this evening, the Bendigo Bank's own Collin Brady, etc etc

The chairman's address is traditionally an opportunity to look back at the year past and reflect on our achievements, and perhaps look towards the future as much as we can.

It is difficult to discuss banking these days without referring to the global economic crisis that our world leaders are busily addressing. It is apparent that the global effect is rippling down to smaller banks but we have utmost confidence in the Bendigo that any effects will be manageable.

Locally, the year began with the departure of our inaugural manager Sally McGaffin and the arrival of our new manager, Les Owens. The transition brought with it a minor hiatus in business but that was soon pushed well into the background as Les, an experienced banker, set about building the business with vigor.

The good news this year is that your bank is now in profit. Your annual report revealed that we were able to declare a very modest profit of just over \$10,000 after our third year of operation, very much in line with the prospectus. The size of the profit meant directors were unwilling to declare a dividend at this stage, but shareholders can be confident that if the bank continues to grow at its current rate, a shareholder dividend will be very much at the forefront of the directors' minds.

To illustrate this, I would like to draw your attention to some figures which became available to the board. Soon after the end of the financial year, your branch was writing loans to 106.7% of Budget, making this branch No 1 in the region. Deposits were 101.2% of Budget, this time No 4 in the region but with only 0.04% difference between the top three. Total Footings were 103.6% of Budget, making us No 1 in the Region, and other Business was 114.1% of Budget, again No 1 in the Region. In the field of insurance, we were one of only four branches to achieve all three strike rates, and our staff have achieved a level of six products per customer - our best result since opening.

As an overall guide to the past four months, growth on both the lending and deposit books has been excellent and well ahead of budget.

Speaking of staff, we are very proud as directors that the staff at our branch has been recognised for their work through some outstanding reports, including the infamous mystery shopper who gave the branch excellent marks. We are proud that Les, Jodie, Heidi, Maree and Marnie are offering our customers quality service. It's worth noting that Jodie has accepted a role as a Customers Relationship Officer, and this has widened her role in the branch, giving her more responsibility and more opportunity to give the Manager much-needed support.

Les and Jodie were also heavily involved in the opening of our new agency in the rapidly expanding business sector of Nagambie. Situated in the First National Real Estate office in the main street, the agency comes under the control of the Heathcote and District Community Bank and is expected to be a good contributor to the business. We offer our thanks to state manager Scott Elkington and our regional manager Tim Rodda for their encouragement and their efforts in helping to secure this opportunity for the Heathcote branch. The agency opened only on October 17 so we will have meaningful statistics to relate at our AGM next year.

Speaking of Tim Rodda, it is with some regret that we farewell him as our regional manager. Tim was successful in winning the job as State Operations Manager which he started last week. It has been our privilege to have worked with Tim and we recognise the benefits of his experience. We wish him the very best in his future role, although he will be missed, certainly by the Heathcote and Maldon community banks.

The community bank concept is not just about banking - community banking is about community. Once again, the directors were able to offer modest financial support to a variety of local organisations, including the bowling club, the golf club, junior football club and the cricket club. In fact, one of our projects this year involved sponsoring 12 young local people to do a defensive driving course at DECA near Shepparton. As a board, we have adopted a very sound principle among our criteria for offering assistance and that is considering a "safe Heathcote" approach. We believe that if we can help young local people to improve their skills and attitude on the road, it will have flow-on effects for the good of the community.

The Heathcote and District Community Bank also has been closely involved with the management of the Barrack Reserve, as well as the City of Greater Bendigo council, in leading a small community working group to masterplan Heathcote's community and sporting facilities. This work is continuing and the city council is keen to know that the community is behind each step. It is anticipated that the masterplan will lead to a significant building and construction program to cater for current and future community requirements.

Much more will be said about this project - and we have with us tonight one of the architects behind the establishment of the very successful Strathfieldsaye Sports Precinct, Mr Collin Brady, and he will later give us an overview of how effectively a community can help itself.

To conclude, it is worth noting that the Bendigo Bank is 150 years old this year. We as a branch celebrated this achievement with them - we believe we will have much to celebrate as a business in the future. The Bendigo embarked on a very significant advertising campaign during and after the Olympics, a campaign which your branch contributed to. The campaign promoted our national retail banking brand, Bendigo Bank, under the theme: 'At the Bendigo it starts with U'. Its central promise is that banking with the Bendigo produces great outcomes for individual customers and their community.

The bank is confident that this has been a major success and we as a board are keen to see the Bendigo Bank promoting the community bank concept at every opportunity.

You will be interested to learn that the campaign was based on some interesting research which showed that Bendigo Bank continues to lead customer satisfaction among Australia banks; We have easily the best reputation of any bank in the country; Around 10% of people are considering changing banks; and Their preferred destination is Bendigo Bank.

In their first annual result since the merger, the Bendigo and Adelaide Bank was able to report a net profit after tax, up 40 per cent, to \$170.5 million.

To finish, I want to mention and applaud the work done by the voluntary directors of this company. Tonight we have four existing directors who have made themselves available for re-election at this meeting - as well as a new director, Eleanor Dempster, whose appointment is to be ratified. I commend each of these directors to you.

And I would like to publicly thank Kathryn Gilmore, who has taken over the role of company secretary. Kathryn was an original director of the company, who retired due to family commitments. But she has now returned to the Community Bank in a very important role as company secretary. This has been a significant help to the board and will streamline our operation.

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

Thank you.

Barry Cail
Chairman
Heathcote & District Financial Services Ltd