



19 November 2009

Dear Shareholder

Your directors have become aware of a letter circulated to shareholders recently by a fellow shareholder, Mr Allen Barnes.

Some of the matters raised by Mr Barnes are not correct as to the facts, while other matters have had an incorrect interpretation placed on them.

The questions raised by Mr Barnes concerning profitability, customer service and remuneration all arise from two dominant themes over the past twelve months. The first was the Global Financial Crisis, which impacted on our income, and on the Branch Manager's remuneration package. The second was increased expenditure in marketing, sponsorship and community grants, all of which were conscious decisions by the Board, and in accordance with a five year strategic plan which runs until 2012. This increased investment is both in terms of money and the amount of time being spent by your directors in building relationships with the community.

The strategic plan specifically encompasses strengthening relationships with local schools and sporting clubs, through our Sponsorship program; continuing to develop our Community Grants program so that the local community becomes aware that we are serious about profit-sharing and developing sustainable communities; becoming the "heart" of the local shopping centre by providing community activities which were previously under the auspices of the Business Association; being responsive to opportunities provided to us by Bendigo and Adelaide Bank Ltd; pursuing community development projects in conjunction with local, state and federal governments and exploring alternative business models in non-banking areas which may be developed by Bendigo and Adelaide Bank. All of these activities are designed to build business as well as the community.

Your directors are committed to enriching the local community, as well as to operating a successful Community Bank®. A good measure of the ongoing profitability of the business is the level of dividends you receive. For the 2009 financial year, your return has been a total of 14 cents a share (14%pa on the value of your investment), fully franked. This is higher than you could get almost anywhere else, and is sustainable.

The company did not receive Mr Barnes' nomination as director within the time frame allowed under our Constitution. Therefore this resolution cannot be put at the meeting. The company has provided two alternative courses of action for Mr Barnes to join the Board, neither of which he has yet availed himself.

Concerning the directors who are standing for election, your Board unanimously endorses their candidacy, as they are all active members of the Board who are keen to progress the company and its business.

As a fellow shareholder, and a director, I am proud to be associated with this company, and through it, the community banking movement established by Bendigo & Adelaide Bank Ltd (BABL) over ten years ago.

I would encourage you to attend the forthcoming Annual General Meeting, where you can meet your directors and have the opportunity to ask further questions.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'Sue Allen'.

Sue Allen
Chairman, on behalf of the Board of Directors

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