

**KEW EAST FINANCIAL SERVICES LTD
A.C.N. 096 301 058**

24th June, 2010

Mr xxx
Company
Xx Street
Xx Suburb VIC 310x

Dear Shareholder,

As the end of the financial year approaches the Board is pleased to provide the following summary of activities.

Of foremost importance is to report that the business continues to grow and the Company is well placed in relation to the 2010 Budget.

The Board recognises a number of issues were raised at the AGM in November 2009. Whilst the Board has been systematically addressing these issues, it was reasoned that advice by letter would be the most informative means to advise Shareholders of the progress and outcomes, in conjunction with an information session. (Details below.)

Administration Costs

Ken Franks, a Director of the Board, is currently working in the role as honorary Company Secretary and a Bookkeeper was engaged in May 2010. Both these changes reflect a substantial reduction in our expenses, however the Board is exploring options of employing administrative support.

A new Auditor with Community Banking experience is also currently being engaged.

In addition, the Board in conjunction with Bendigo Bank is currently reviewing the relevance of registration on the BSX.

Director remuneration

The Board recognises that Director remuneration has relevance in our Company.

Presently all Kew East Financial Services Ltd Directors are volunteers. All of our Directors bring skills, knowledge, connections and experience which culminate in the successful management of the Company.

It is important to note that there are two distinct elements required to effectively manage this unique Company model. The first is a focus on business and the second on community.

Individually Directors offer skills in both elements but often contribute overlapping strengths in both business and their connection with the community. The workload of each Director has substantially grown over time and varies, but cannot, in any case, be underestimated.

As is the model for the majority of Community Banks throughout Australia, it is proposed to introduce Director remuneration at the next AGM.

The initial proposal is to allocate a sum of \$30,000 per annum to be apportioned to Directors based upon their particular role and time commitments associated with Board responsibilities.

Constitution

Bendigo and Adelaide Bank Limited have updated the recommended Constitution for Community Banks and the Board considers, as a matter of due diligence, we should upgrade our Constitution. Accordingly the Board has obtained an evaluation of the two Constitutions which will be submitted at the Annual General Meeting for approval. The new Constitution is available at the Branch or from the Company Secretary prior to the shareholder information session.

The evaluation was prepared by Henderson Ball, Solicitors, who have advised that:

By adopting the new form of Constitution there are a number of advantages to the company insofar as it is good housekeeping and keeps the Constitution of the company up to date with changes brought about by technology, listing of the company and the focus of the company.

Board Membership

In moving forward we are pleased to announce the appointment of Paula Davey to the Board. Paula is well known and is actively involved in the Kew community. We look forward to her contribution in growing our Community Bank.

Branch expansion

On another exciting note the Board is pleased to advise that we are moving towards the establishment of a new branch in Kew.

As at the date of this letter a site has been identified and due diligence in regard to this proposal is underway. We are working closely with representatives from the Bendigo and Adelaide Bank Limited. However the site is still some time away from being formalised.

Bendigo and Adelaide Bank Limited has outlined the campaign strategy and expectations that include:

- a public awareness campaign engaging local business owners and residents
- capital raising of \$400,000 from at least 120 pledges from residents in Kew
- conduct a feasibility study to gauge banking support and financial viability with a target of \$10 million of new business.

The establishment of a second Branch necessitates a valuation of the company, the review for possible changes in areas such as the name of the Company and Director appointments.

These issues are not yet sufficiently advanced to be formally considered at this time, however a working party has been formed to oversee this process.

Future Directions

Over the past 12 months the Board has been exploring opportunities to engage the community and grow our business.

One of the many positive results from our involvement in the Kew Courthouse has been the creation of a Boroondara Partnership Forum, driven by Bendigo Bank Regional Managers.

Representatives from organisations such as Rotary, Boroondara Enterprise, local Community Banks, State Government and the City of Boroondara have been jointly considering ways in which to fund projects that may benefit our community.

Through this initiative, the Board has identified a need for a Men's Shed in the Kew East precinct and we are presently working in partnership with the City of Boroondara to realise such a project.

In addition a program engaging the Harp Village Traders in street and networking events has assisted in raising the profile of the Bank. It is recommended that this program be continued into 2011.

The Board has also explored the option for a growth campaign in Glenferrie Road.

Board members are actively involved on working committees to assess, review and where appropriate, implement these program ideas.

AGM 2010

The 2010 AGM has been scheduled for the evening of Wednesday 17th November at a venue yet to be advised.

Summary

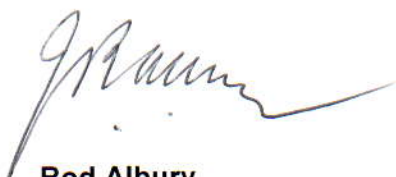
The Board has been proactive in dealing with issues raised at the 2009 AGM and has a positive forward vision. This is reflected in the appointment of new Directors and through the exploration of growth options for our Company.

Please find enclosed our half yearly newsletter highlighting our community activities.

The board welcomes the opportunity to meet with Shareholders and we invite you to attend an information session on Wednesday 14th July, 7:00pm at St Anne's School Hall, Beresford Street, Kew East.

I hope you may be able to join us at the information session and I look forward to writing to you again when we are in a position to announce the results of the 2009-10 financial year.

Yours faithfully,



Rod Albury
Chairman
Kew East Financial Services Ltd

Contact details:

Mobile: 0438118148

Email: rodalbury@netspace.net.au

Mail: 661A High Street
Kew East, VIC 3102