

2<sup>nd</sup> October 2006

Dear Shareholder,

It is with great pleasure and pride that I am able to present the fifth Annual Report of Mt. Evelyn & Districts Financial Services Ltd.

This report of the performance of “Our Bank” – Mt Evelyn & Districts Community Bank ® Branch is our fourth for a full year of operation.

The 2005-2006 financial year has seen us grow at a strong and pleasing rate and our current figures now stand at 4,750 Accounts and \$74.0M in Account Value.

These fantastic figures certainly prove the community’s acceptance of Community Banking with its emphasis on customer-friendly personal banking. Saturday morning trading has also proven to be of enormous benefit to our customers.

Our future is extremely promising also, and our Board of Directors has considered many initiatives, options, and directions throughout the year.

We have been very mindful and conscious of the faith and trust placed in us by, firstly our shareholders and secondly, the community in general. Also the predictions and forecasts of our feasibility study and subsequent Prospectus have been quite accurate which leads me to advise there will be several exciting announcements at this year’s AGM, including our first Grants Program.

Our branch has become busier and we are very grateful for the tremendous dedicated efforts of our Branch Manager David Watt and his team. They have all put in an enormous effort and can take pride in getting us where we are at present. One of our original girls, Shelley Wild is leaving us in the near future. Shelley has done a fantastic job for us and her happy, friendly disposition will be missed.

We believe friendly personal customer service is essential, and to help maintain a high level of service we have employed two more Customer Service Officers, Jan Krueger and Susan Nightingale. Both Jan and Sue have had previous banking experience and have fitted in very well in the team.

Your Board has been extremely busy, and one important decision decided unanimously was to remain unpaid directors.

Under the rules of our Constitution, it is necessary for a third of our Board to stand down prior to each AGM. Three Directors, Jan Simmons, Brian Hewett and Craig Keithley have decided to stand down and have offered themselves for re-election. Our board endorses the re-instatement of these Directors.

As you can see, there are several items on this year’s AGM Agenda, which I won’t elaborate on at this time.

I take this opportunity to once again thank you for your continued support of “Our Bank”, and ask you to spread the word among your friends, neighbours and relatives.

I look forward to seeing you at our AGM, however if you are unable to attend, please feel free to complete the Proxy Form enclosed, or if you have any queries, please do not hesitate to contact me on 9736-1425.

Yours Sincerely

Allan Grundy  
Chairman