

Treasurer's Report.

Good evening all

It is a pleasure to present my 2010 Treasurer's Report.

This year has certainly been a challenging and inspiring one. As Jill, David and others have attested it has been a year of continuing excellent banking service, community involvement whilst making our dream a reality. That dream was to work collaboratively to bring a Community Bank and full banking service to Montrose. And it has been done! Thankyou... to many and varied people, who have indeed been inspirational

As many of you know, it is central to the community bank philosophy that banking profits are shared between the shareholders and the community in which we operate. Your board is mindful of its duty to honour and embrace this vision. In addition, our franchise agreement prescribes the maximum dividends payable by a community bank company to its shareholders.

At the start of the year, the Board and Management considered its obligations to both our shareholders and to the wider community. We knew that some in our community would be disadvantaged by the global financial crisis, and that possibly our income and therefore our profits would be less than in previous years.

We were mindful though, that our support to the community by way of sponsorship and grants could soften the negative impact of the GFC. And so, we continued with our philosophy to support many and varied community groups from tots to seniors. Jill has discussed previously some of these examples.

It is a testament to the branch team, and their exceptional banking and customer service that your company has been able to achieve strong results in the economic climate that existed whilst also going through all the steps required to open the Montrose Branch.

If we look at our Statement of Income ,during the 2010 financial year our revenue increased by 17% to just under \$1.3 million dollars.

Our operating expenses also increased. The increase in the operating expenses was 16% from \$912,000 in 2009 to \$1,055,000 in 2010. We were able to contain increases in Employee Benefits, Depreciation, Finance Costs and Administration thereby freeing up funds to continue to put money into the community. Our charitable donations and sponsorship increased from \$197,000 in 2009 to \$274,000 in 2010. Of these amounts some funds were paid directly whilst others were deposited into the Community Enterprise Foundation to be part of our grants program. And some of those grants will be awarded this evening.

Our resulting net profit after tax increased by 24% to \$155, 000 in 2010.

Since Mt Evelyn opened its doors and started trading, then achieving profitability, we have contributed over \$1Million in grants and sponsorship.

In addition, to date, we have paid a total of just under \$310, 000 in fully franked dividends.

As you are aware, we have increased our share issued by the issue of bonus shares to our previously existing shareholders and the raising of additional capital. We issued bonus shares to reflect the value of the company and so as to treat fairly the existing shareholders and new shareholders who would take up shares under the prospectus. Our shareholding has increased from 702,510 to just under 3 million shares.

The dividend we declare is applicable to all shares. The dividend pool last year was \$68,846 and the dividend per ordinary share was 9.8 cents. Because of our strong result we have been

able increase the dividend pool slightly to \$73,502 and therefore declare a fully franked dividend of 2.5 cents per ordinary share.

The total dividends to be paid since incorporation are therefore approximately \$383,000.

And to the future.....Montrose has now opened its doors and the banking business is accumulating. Initially, and as outlined in the prospectus, it will take some time for Montrose to achieve profitability. Consequently, we expect the profit for the company to be reduced until Montrose achieves profitability and there may be a reduction in dividends that are able to be paid.

In our continuing operations, we continue to evaluate and where prudent implement our expansion strategies and opportunities with additional business and locations.

We are mindful of our joint obligations, to both shareholders and community, and the fact that sponsorship in the community helps us to grow our business and therefore our revenue and profits from which to pay dividends.

Consequently, we will continue to make significant grants and sponsorships within the community either in our own right or partnering with other community banks and government agencies. Some of our contributions benefit many; whilst some are targeted at smaller groups.

Quantifying the number of people who benefit from our grants and sponsorship initially appears quite difficult. But I would like to share some numbers other than financials with you. The recipients of our grants tonight will contribute to the wellbeing of approximately 10,000 people in our community. Our ongoing sponsorship would benefit more than that again..... so overall we are talking in the tens of thousands of people your company makes a difference to.

And then there is the multiplier effect of the dollars, Last year, we spoke about the fact that the dollars your company contributes is retained and spent locally, creating more work and opportunities for the community. We also continue to employ eleven full time and part time employees at the Mt Evelyn and four at Montrose. These wonderful people live in our communities and also help support local business, and further increase the flow-on effect.

We continue to be listed on the Bendigo/Newcastle Stock Exchange. You are able to use the internet to review various financial and non financial information relating to our company and other Community Banks. Shares can be traded through stock brokers.

In closing, thank you to all our various stakeholders, Bendigo and Adelaide Bank Community Network, our local government, our banking customers, you our shareholders, a dedicated and skilled board of directors, and most importantly the most wonderful team at the banks. Thanks to David and all of the team.

Thanks to you all.

Margi Sank

Treasurer and Director