



16/06/2009

Fellow Shareholder,

The last 18 months have been quite demanding for staff and Board members. I take this opportunity to publicly acknowledge the work and achievements of effectively a small number of people who have achieved significant outcomes.

At the forefront of our minds is the robbery on April 17<sup>th</sup>. Each staff member has been affected differently, and the Board members felt quite helpless on the day. We are working with Bendigo Bank and an Employee Assistance contractor to provide all the support we can. From a business perspective insurance coverage means any loss is minimal except for the policy excess. The most important aspect is to ensure staff are supported as best we can, to ensure continuity at the branch for themselves first, and for customers.

From a Board perspective our challenges have been unexpected and extraordinary. Not including the robbery, for a few months during this period there were only 2 Directors available because of life's twists and turns. The resignation and rotation of Directors adds to the already high workload of existing Directors.

Regardless of the 'winds of change' we have a core of Directors that have shared the work and provided stability. This sets an excellent platform for growth. Despite the current global financial context our branch has achieved strong lending and deposit growth. Our footings; sum of lending and deposits; reached \$35M in March 2009.

The Victoria Point Community Bank<sup>®</sup> Branch achieved "Branch of the Month" three times since January 2008. This is an additional positive indicator given performance is measured against Bendigo Bank and Community Bank branches throughout Queensland.

The Bendigo Bank provides us with a Market Development Fund (MDF) monthly. The amount received is based on our footings. The Board uses the MDF to both develop business and to provide support to the Redlands 'community'. In terms of community support and developing relationships within the community, we have provided resources on a case by case basis, and formed long term letters of agreement with various community organisations to the point where we have directly benefited over 5,500 people from more than 20 community organisations in the Redlands since September 2008.

We have been active in the community elsewhere. For example, I hope you have seen our Defensive Driving initiative in the Bayside Bulletin each month. This is the result of a 3-way agreement between the Bayside Bulletin, Driving Management Australia and the Community Bank<sup>®</sup> Branch. It enables community support and visibility of the Community Bank at the same time.

If, in the current global and National financial climate we have continued to grow, it would seem reasonable that the immediate outlook for Redlands Community Financial Services is for continued growth as the 'climate' improves.

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Victoria Point **Community Bank<sup>®</sup>** Branch



Comparison with other Community Bank® branches indicates we will need approximately \$55M in footings to be profitable. It is difficult to compare our branch business performance against other Community Banks to know where the profit line is. The various locations or demographics are too diverse.

In terms of an immediate outlook; although the business has trended positively against the market; so to speak, there are costs in the near future that will dampen the current trend. These costs are to secure the business premises and to increase relationships and customers from the business sector.

For example; a recent review of Branch security has resulted in recommendations for increased branch security infrastructure. A parallel review has resulted in the Board re-defining use the MDF to secure growth of the business. Increasing our ATM network will be initially expensive however the 'network' of ATM is highly likely to be profitable in the medium term.

Since formally appointed as Chairman, my role and activities have been;

- ☒ to change the direction of the Board and business
- ☒ to elevate our thinking
- ☒ to change shape of the business by establishing diverse business 'arms'
- ☒ to assess skills of current Board collective, and begin recruiting of new Directors
- ☒ to complete a modern and relevant business plan, and,
- ☒ to attend to compliance matters

On a final note; on behalf of the Board I thank shareholders who have offered advice or assistance, and provided feedback. I most certainly thank our staff for their efforts throughout this very demanding year.

Once again I ask you at every opportunity, please champion the cause of the Victoria Point Community Bank® Branch.

I encourage all shareholders to attend the Annual General Meeting on the 16<sup>th</sup> November 2009 to hear more of our performance, and to meet with all Directors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Garry White'.

Garry White  
Chairman

CC all Directors, Branch Manager, Regional Manager