

23 May 2011

Dear Shareholder

Half Yearly Report on Activities

It is pleasing to report that we continue to be able to provide strong support to our community and to date we have contributed more than \$460,000 in grants and sponsorships to assist local groups sustain and improve their activities.

A flyer is enclosed that shows the local groups that have benefited from these funds.

These community contributions come from a solid banking business and demonstrate the point that when people bank and plan together, individuals do better and the community gets richer at the same time.

Performance to 31 December 2010

We achieved a Net Profit of \$174,365, after a tax benefit of \$37,672 relating to the refurbishment of the Bank during the half year. This compares with a Net Profit of \$105,081 for the half year to 31 December 2009.

Total Assets increased from \$633,659 to \$774,261 over the same period.

A Community Bank® branch in Hampton

The Board continues to support the establishment of a **Community Bank®** branch in Hampton and the Steering Committee has now received pledges of \$323,000 from 71 people. An active program is being undertaken amongst individuals and community groups to promote the benefits of a **Community Bank®** branch and we are confident that we will be able to report positive progress at our 2011 Annual General Meeting.

Information on the proposed branch and a pledge form are enclosed and please feel free to give these to friends or relatives that may be interested in supporting this project. If you require any further information please feel free to contact Ian Siebert, the Chairman of the Hampton Steering Committee on 9598 6889.

Sandringham Community Bank® Branch

The refurbishment of Sandringham **Community Bank®** Branch was completed in September 2010 and has proven to be a great success with both staff and customers. Without the usual bank counters and barriers a much friendlier environment has been established and there is better interaction between staff and customers.

Unfortunately a Metro train overshot the rail barrier and struck the rear of the branch in March which disrupted our service for three days. The accident happened at night when the branch was vacant and fortunately only structural damage was done to the rear of the building. Repairs have now been completed and banking operations are back to normal. During the inconvenience the support of the staff, customers and community was most remarkable and highlighted the strong community standing of the branch.

Staff and Board

We are fortunate at Sandringham to have knowledgeable and friendly staff. One of our long serving staff members, Vicki, decided to make a change with less travel and left us in January. There are two new staff members, Kathryn and Siobhan, both have settled in quickly and are already providing quality service to our customers.

David Marshall retired from the Board in September 2010 following his move to the Surf Coast and we thank David for his contribution to the Board.

Three new Directors were appointed in January 2011 and we welcome Glen Kruger, Helen Searle and Kim Visek-Johnson. All three bring their individual expertise and wise counsel to the Board.

We will continue to help create a vibrant local community, generate strong support for community business and foster strong, long lasting partnerships, to grow our own business and promote a highly effective local economy.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Graham M Ludecke', written in a cursive style.

Graham M Ludecke
Chairman