

Upper Yarra Community Enterprise Ltd Chairman's Report

It is my great pleasure to present the 9th Annual report to our shareholders this evening, knowing that our Company is in a very healthy state with great potential for further growth into the future.

It has been an exciting year with the expansion of our organization during the year. We increased our share holdings and of course opened our new branch in Yarra Junction. I am pleased to advise that Yarra Junction has operated to expectation over the first couple of months.

We are also pleased, and somewhat relieved that the Warburton Branch has also performed strongly throughout the year. Overall the footings at Warburton have only reduced marginally.

It is very reassuring to note that there has been strong growth across the two branches. This is consistent with our expectations and very positive as we look forward.

The Bendigo Bank itself is performing comparatively well in these times of economic uncertainty. We have been reassured that Bendigo has had very little exposure to the sub prime crisis. Bendigo has deliberately not placed itself at the sharp/aggressive end of the market and has therefore minimised the impact of the global downturn.

In regards to Yarra Junction branch I would like to again acknowledge the outstanding work of the steering committee in getting the Branch up and going. Of course the work is not all over and we look forward to their ongoing support as we continue to grow our business on the 'western front'.

We welcomed a new Director in Sharon Hawkins. Sharon has made a very positive contribution to the Board. In particular her work in support of Yarra Junction has been outstanding. On the flip side, we are tonight bidding farewell to one of our favorite daughters in Catherine Aulich. Catherine will be greatly missed; she is one of our longer serving board members. With significant changes in her life recently Catherine has chosen to move on. She leaves with my absolute admiration and respect; she is really quite an amazing young lady. There will be more said about Catherine shortly.

From a business perspective we were also very pleased to announce a dividend of 2 cents per share for the 2007/08 financial year. This is an excellent outcome for our original shareholders and provides an immediate return for our new shareholders.

We continue to provide support to our community groups and projects in the Upper Yarra District. In 2007/08 we contributed just over \$160,000 in grants and sponsorships. That totals over \$750,000 during the last 4 years.

A project of particular note delivered in 2007/08 was 'Ban the Bulb' which exchanged 48,214 incandescent light bulbs with compact fluorescent lights. The project resulted in a carbon emissions reduction equivalent to taking 11,700 cars off the road for 12 months. It has become a flagship project for our partner, Bendigo Bank, who proudly promotes the project right across the country.

We were very excited to be inducted into the Community Bank Hall of Fame in 2008. There are now 210 community banks across Australia and we are only the second to receive this accolade. It is appropriate at this point to acknowledge the founders of our company, Don Vickers, Ian De la Rue and the members of the steering committee for the enormous contribution they made in introducing the community bank model to the valley.

I would like to extend congratulations to Darren, Adam and their teams for their excellent work over the year. We are very lucky to have such a committed group of staff.

Special thanks also to our Executive Officer Geoff Vickers. He is the only remaining inaugural Board member and has made a significant contribution to our recognition in the Hall of Fame.

Appreciation is extended to the Bendigo Bank, in particular our regional manager Alison Burr. Alison and her team have been an invaluable source of information and support over the year. In particular the support provided through the process of opening Yarra Junction was greatly appreciated.

As for my fellow Directors, I would like to thank each and every one of them for their contribution this year. It has been a very challenging and demanding one. In recent times we have made some significant decisions and I can assure you that all Directors have been very professional in representing you the shareholders, our customers and of course our community.

As directors of a public company we are fully aware of our responsibilities in regards to accountability and transparency and would value an opportunity to interact with you, our shareholders. We welcome your comments and feedback.

I would like to take this opportunity to clarify a couple of issues in regards to the community banking model. Board members are all volunteers, including Geoff who performs the additional paid role of Executive Officer. We give our time freely to support this amazing community owned enterprise. After paying our staff and operating expenses the profits of the business are shared amongst the shareholders by way of dividends and the community through grants and sponsorships.

We are a successful business and have already made significant contributions to the Upper Yarra Valley Community. The reality is we can be much more successful, we are only limited by the level of community support we receive. It's a simple equation, the more people who bank with us, the more profit we generate, and the greater return for the community.

As community representatives we, the Board, will continue to promote and support the growth of our business. But we can't do it all on our own, we need your help. Let's not become complacent. When the opportunity presents itself, I encourage you all to tell the story, let people know what we can achieve with their ongoing support, and encourage them to get on board. Together with the community the opportunities are endless.

On behalf of the Board, we look forward to the ongoing growth and development of this amazingly successful community owned enterprise and look forward to your continued support.

Rodney McKail
Chairman