

## Welcome to the 8<sup>th</sup> Annual General Meeting of East Gosford & Districts Financial Services Ltd

Extend a warm welcome to shareholders

**Stephen Brown**, Company auditor from Richmond Sinnott & Delahunty

**Scott Elwin**, Company accountant

**John Brent**, Company solicitor

Representing Bendigo Bank: **Ray Chappell**, State Community Enterprise Manager & **Rob Chittick**, Regional Manager Central Coast & northern NSW.

Distinguished guests, ladies & gentlemen

Introduce Board: Barry McDonald (Deputy Chairman)

Brian Lindbeck (Treasurer)

Max Hiron

Col Moran (who needs to be elected by Shareholders: item 4)

Garry Morris & Ken Howes

Michael Bell: Senior Manager & Company Secretary

This year celebrates 10 years of Community banking with the opening of the first **Community Bank**<sup>®</sup> branches in two Victorian towns on 25 June 1998. July this year also marked Bendigo Bank's 150<sup>th</sup> birthday as it was established in the goldfields in Bendigo in 1858.

The number of **Community Bank**<sup>®</sup> branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion.

East Gosford **Community Bank**<sup>®</sup> branch was the 26<sup>th</sup> branch to open in Australia and the third in NSW. There are now in excess of 220 branches in Australia.

Our three branches, East Gosford, Lisarow and Kincumber, have continued to perform in line with expectations, with combined banking business as at 30 June 2008 of \$128.4 million. This represents an increase of \$7.5 million or 6.2 per cent over the

previous year. Our trading result for the last financial year, after provision for income tax was a net profit of \$31,411 (2007 loss \$6,178) Two major factors affected our profits during the last financial year, the first being the high cost for security guards in all three branches after the security scare at the end of 2007 and was a directive from Bendigo Bank. Our staff safety is a number one priority.

Secondly, in the wash up of revelations about deteriorating US sub prime loans non-banking organizations increased their deposit rates, which affected our branches deposits.

Revenue increased from \$1.4 million in 2007 to \$1.6 million in 2008, representing an increase of 13.9 per cent.

Our branches have combined with Wyong and Ettalong branches to form a collaborative marketing campaign for the Central Coast. The campaign commenced in August this year with advertisements on NBN Central Coast television and will be followed with advertisements on Prime Central Coast television.

During the year we undertook a staff restructure program, which saw Managers placed in all three branches. This was done to ensure that these Managers were identifiable within their local area. The early signs of this restructure are very positive with some sound results year to date.

It is important to note at this stage what we have achieved in the last 8 years:

Opening of our East Gosford branch in August 2000.

Opening of our second branch at Lisarow in September 2003.

Opening of our third branch at Kincumber in September 2006.

We are now bedding down this expansion strategy and are not looking at any further expansion in the foreseeable future. This strategy will continue to provide growth and profitability with sound profit shown with Lisarow branch now profitable and Kincumber branch exceeding expectations.

It is a proven fact that multiple branches in close proximity benefits all branches in terms of business growth. We are confident that shareholders will be catered for into the future.

Shareholders were paid their first fully franked dividend in November 2003, since then more than \$260,000 has been paid to shareholders along with franking credits. Existing shareholders have also been given a one for two bonus issue on their original shareholdings.

Our company has contributed more than \$177,000 back to the community, sponsoring around 65 local community groups and projects.

We help more than 6,500 customers with 9,200 accounts, providing friendly face to face banking services.

We employ 20 local staff and currently have a combined banking business of \$137 million.

Some of you may have recently received a letter from a concerned shareholder. This shareholder requested a copy of names and addresses of our top 50 shareholders. This was given to him under Section 173 (3) of the Corporations Act 2001, which states that a Company must give a copy of the share register within 7 days but is restricted in what is sent to shareholders.

**Shareholder concerns:**

Not being able to sell his shares.  
Share price currently at 80 cents.  
5-cent dividend.

This shareholder can sell his shares if he wishes but will have to accept the market price, which during the worldwide financial crisis means selling at a lower price than otherwise be the case. However, the share price may recover when financial markets improve.

Our shares are not the only shares that are suffering from a lack of buyer interest at the moment. Some shares have fallen far in excess of twenty per cent.

The letter has not mentioned that our dividend is of 5-cents is fully franked which is equivalent to 7.2-cents. Legally the Company can only pay a dividend out of accrued profits.

We have now returned to shareholders in excess of 91% of their original shareholdings over the last 8 years.

In closing I would like to thank our senior Manager and all staff for continuing to provide an exceptional level of banking service and to shareholders and the community for continuing to support our branches.

Special thanks must also go to all Directors for giving up their time on a voluntary basis to support the **Community Bank®** model.

Lastly we have handed out a questionnaire so as gauge what you would like from us as a board. We are happy to hear from shareholders with idea's thoughts, who you might think we can assist and support etc, so please complete and let us know what you would like to know or what you think we can do better.

Thank you.