

Chairman's Report FY2009-2010

It gives me great pleasure to report on a year of outstanding achievement for North Ryde Community Finance Limited (NRCF). Our community bank has performed extremely well at every level. Significant achievements include the extension of the franchise agreement with Bendigo & Adelaide Bank and the extension of our lease arrangements at the Cox's Road premises. In addition, our staff has turned in an excellent all round performance in terms of customer service and community engagement.

Financial Results

Your Board of Directors is pleased to report that revenues increased over the reporting period by 29% to \$794K. This resulted in a profit after tax of \$190K, an increase of 68% for the year. More pleasing was the increase in our total banking business book from \$72M (30 June 2009) to \$92M (30 June 2010). Since June 30, our total banking business now stands at approximately \$100M.

Prudent approaches to costs within the business resulted in a relatively small increase in operating costs over the period.

During the reporting period, there were some significant cash outflows to make upfront payments for the renewal of the franchise agreement (\$69K) legal costs necessary during that process and a motor vehicle for company use. Notwithstanding these cash outflows, the net cash in the business increased from \$684K to \$806K, giving a credible increase in net cash asset backing to shares in NRCF. It is my view that the strategic focus of your Board in the finance areas, which is underpinned by a conservative approach, continues to protect the value of shareholders' capital and gives confidence to our customers and shareholders and the business going forward in the future.

Dividend Announcement

As a result of the strong financial performance, your Board, at its September meeting, approved an 8c dividend per share. This was announced to the Bendigo Stock Exchange following this decision on 30 September 2010. The dividend will be provided to shareholders during December this year. This dividend will be unfranked.

The business is now moving into a taxable position and your Board envisages that future dividends may be provided with 100% franking credits.

Extension of Franchise Agreement with Bendigo & Adelaide Bank

During the reporting period, negotiations were entered into with respect to an extension of our franchise agreement with Bendigo & Adelaide Bank. We were offered a new franchise agreement with a five year option. We sought expert legal advice on this matter and referred this advice to our franchisor. As a result, an option was exercised on the current franchise agreement as our legal advice indicated that elements of the new franchise agreement were not in alignment with the Franchise Code. Bendigo & Adelaide Bank have reviewed the legal advice and agreed to consider incorporating elements of this advice into new franchise agreements. We have accepted the current term of five years without a further five year option which Bendigo & Adelaide Bank have agreed, in good faith, to provide a Deed of Amendment regarding a further five year option.

The Bendigo Bank Foundation & Community Outreach

The vision of NRCF in establishing a community based banking franchise has been to engage with our local community in providing levels of financial support using our Market Development Fund. As a part of this initiative, NRCF has formed a partnership with the

Bendigo Bank Foundation which provides a fund distribution mechanism for the provision of financial support for local community projects. During the reporting period, NRCF has placed an initial sum of \$25,000 into the Foundation with a view to progressively build funds for North Ryde community projects. We expect to make at least one major project happen in North Ryde using these funds this financial year. In addition, our aim is also to provide a number of smaller investments supporting a number of community based organisations.

Our General Manager, Pat Italiano, will provide further information on funds invested in community projects over the past year in his report.

Our Customers and Clients

We are pleased to report a steady increase in local customers of the community bank with an increasing number of personal and business accounts being opened. The sustainable growth of our business model, based on community support enables the confidence and future success of the bank. It allows us to contribute in a meaningful way to our local community and improve the social capital that is critical to our society.

We are Proud of our Staff

One of the most pleasant experiences in banking is entering our premises and feeling welcome. Often our customers and clients may require assistance with their accounts and our staff are there and willing to provide solutions for any problems that may arise.

Accordingly, I'm sure that the high standard of customer service and care shown by our staff is much appreciated by our shareholders and customers and continues to bring a very strong sense of community trust and engagement.

Managing a community bank is not an easy exercise and in this regard, our special thanks go to Pat Italiano for his capable management. Congratulations to Pat and all our staff at the bank for a job extremely well done!

Our Directors

As you are aware, our Directors give their time and talents to NRCF on a totally voluntary basis. They do this in the full knowledge that they are acting under Corporations Law and accept full responsibility for the proper governance of the Company. As Chairman, my thanks go to the entire Board for their efforts, particularly our Secretary, Pat Perrin and our Treasurer, Tony Wise.

This year three Directors retire by rotation. These Directors are Mathew Walker, Bob Talbot and Pat Perrin. Each Director is offering himself/herself for re-election at the Annual General Meeting. The election of Directors will be conducted by Elections Australia in the same manner as at our previous AGM. Instructions on this matter will be made available to each shareholder on a separate mail out basis.

As we are a listed public company on the Bendigo Stock Exchange, we are required to comply with the listing rules of the Exchange and provide relevant information regarding our business to the Exchange in a manner that provides information to our shareholders and the general public. This allows a proper and transparent process for company announcements to be made and for providing information for those who wish to sell or purchase shares in NRCF. This information can be easily obtained from the BSX website under community banks. Our code on the BSX is **NRC**.

Trading our Shares

Shareholders wishing to trade our shares can do so by registering with approved broking firms of the Bendigo Exchange. Currently there are two firms operating as follows:

RBS Morgans Limited
Tel No: (07) 3334-4888
Email: info@rbsmorgans.com

Strategem Financial Group
Tel No: (03) 5445-4777
Email: info@strategem.com.au

Our Suppliers

Partnership with Bendigo & Adelaide Bank Limited

Bendigo & Adelaide Bank Ltd have continued to provide solid support to our business over the period. They provide the banking license necessary for our business to operate in this industry and the levels of probity and general procedures provided gives our business a very good level of protection. The Bendigo & Adelaide Bank continue to expand both community banks and their own branches and now have over 400 sites across Australia. Of these, 264 are community branches with NSW growing steadily with 52 Bendigo and community branches in total.

Bendigo & Adelaide Bank have successfully integrated their businesses and are providing new and innovative products for our customers. They are not a big bank compared with the four majors, but nevertheless, have had a very successful financial year. My understanding at the time of writing this report is that Bendigo & Adelaide Bank have expanded their interests in Elders Rural Bank to acquire 100% of the shares.

Special thanks go to our Regional Manager, Alex Hughes, our State Manager, Chris Bone and the staff at the Pymble office for their continued support.

Landlord – The Bietola Family

On behalf of our Board and shareholders, I wish to thank Sam and Mary Bietola, together with all of the Bietola family, who continue to provide complete support to our community vision. They appreciate and understand the importance of having the community bank supporting the overall business of Cox's Road. I am pleased to report that we have extended the lease on our current premises for a further five years.

AFS & Associates Pty Ltd

AFS & Associates provide our audit services, assist in our reporting to the BSX and also to ASIC on behalf of NRCF. In addition, they manage our Share Register in an 'arms length' manner. Our thanks go to David Hutchings and Leo Bruinier for their audit work and to Rose Abbott who attends to our Share Register.

The Future Five Years

Our first five years have allowed us to lay down a solid business platform. It allowed us to prove the business model and achieve wonderful support from our shareholders and customers and give confidence in the sustainability of an excellent banking service in the North Ryde and surrounding areas.

Your Board is developing further strategies to strengthen the business, improve our communication with the community and shareholders and to become more engaged in supporting local community activities.

On reflection, as your Chairman, I continue to be amazed at the teamwork and community enthusiasm for this business. Establishing a start up business such as this has a lot of risks attached to the initiative. Together we have all succeeded in managing those risks and creating a banking service of which we can all feel proud. I feel that our community bank can go on to bigger and better things on the basis of what has already been achieved and I ask for your continued support and continued enthusiasm in what can only be described as a very exciting future.

Graham McMaster
Chairman

October 2010