

15 October 2018

Dear Shareholders

I would like to take this opportunity to let you know of some of the matters that have made this last financial year such a successful one. I hope to see you at our Annual General Meeting to have the opportunity to provide you with more detailed information.

We have now completed our fifteenth full year of operation and we are extremely pleased to be able to report that our business has continued to grow, with total business at 30 June 2018 now standing at \$341.754 million, with 11,230 accounts opened. This represents growth of \$40.779 million (13.55%) and 908 accounts (8.8%) during the last twelve months.

I am also very pleased to report that the Board has resolved to pay a dividend of 5.3 cents per share, fully franked for the 2018 financial year. The total dividends paid to shareholders once this dividend is paid in December will be \$526,502.

As well, we have been able to return over \$2 million in grants, sponsorships and scholarships to our community in those fifteen years.

After 13 years as a Board member and Chairman, Simon Burgess made the decision to resign from the Board in September. There are not enough words to express how grateful I am to have been associated with Simon and to appreciate the enormous contribution he made to community banking in the Huon Valley. There is no doubt that the standing of our Community Bank network owes so much to Simon's dedication, commitment and leadership and our community would be much the poorer without his belief in the power of community banking. Thank you Simon, from us all.

The other major event on our calendar this year was the 15th anniversary of the establishment of our Geeveston and Dover branches. We had two terrific celebrations at Geeveston on 8 May and Dover on 10 May. We were fortunate to have Laurie Dillon, one of the inaugural Board members, speak at both events. Importantly also, I was honoured to be able to present 15 year service awards to four of our original staff – Tony Coulson, Colleen Shield, Cathy Thomson and Sharee Burgess.

Succession planning has always been at the forefront of the Board's, and manager's, strategic deliberations. As a company we are so very dependent on the professionalism and dedication of our wonderful staff, however none of us will be here forever and we must plan for such eventualities. We were thrilled therefore to be able to appoint one of our own, Phil Woolley, to a newly created Customer Relationship Manager position in January, as a first step to him taking on a full time lending role. As a Board we have been concerned for some time at the inordinate workload that falls to our managers and lenders. To have another person training to take some of that load is an important achievement.

The quality of our fantastic staff is not only recognised in the Huon Valley. In October, our Geeveston branch was awarded the Community Choice Award at the Regional Victoria and Tasmania Branch Manager's Seminar. 150 Community Bank branches were involved in the seminar and Geeveston took out the award for their amazing work on the Bell Family Fundraiser. Our staff – Sharee Burgess, Claudia Pulko, Narelle Gane and Tamara Jones raised \$43,568 for the Bell family who lost their mother and wife. Where would we be without such dedicated people.

The Board has always had an eye to the future of our valley and in particular our young people. Each year we are excited to be able to offer scholarships to enable our youth to undertake tertiary education. This year was no exception and we awarded 6 one year scholarships to the value of \$5,000 each, along with providing a second year scholarship to two more students. For the first time we also awarded 3 one year bursaries to the value of \$2,500 each.

Chris Walker sadly resigned from the Board in June, due in no small way to her commitment to the many community programs she manages with The Salvation Army. The Board's support for these programs means that we shall still stay in touch with Chris and her remarkable efforts.

We were fortunate to have Pam Lane and Sally Doyle join us as directors in May and we look forward to working with them and sharing the deep knowledge they have of the Huon Valley community and its needs. Welcome Pam and Sally.

Our staff are the face of Huon Valley Financial Services Limited. They are the people that have the day to day contact with our community. Without them there would be no community banking in the Huon Valley. A very sincere thank you to you all.

I look forward to seeing you at our Annual General Meeting.

Michael Lynch

A handwritten signature in black ink, appearing to read 'M Lynch'.

Chairman
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