

7<sup>th</sup> July 2021

Dear Shareholder,

## **Update on the conversion to a 'Community Bank' and name change to the Ellenbrook branch.**

As you know, on the 31st of March 2021 the Bendigo Bank Ellenbrook branch was converted to a Community Bank and renamed *Community Bank Bullsbrook-Ellenbrook*. Much has been happening as we all adjust to this new way of operating. The Board of Chittering Financial Services Ltd (CFS) would like to take this opportunity to provide some updates.

We are actively seeking new directors outside of Ellenbrook to maintain balanced representation across our area of operation. You can contact our office should you wish to be considered for a Board position or to nominate a community minded local person to the role.

## **Future planning continues**

Our current directors are proactively focused on CFS remaining profitable and providing sufficient support and training our dedicated branch staff to drive customer/lending growth. This is to offset the reduction in income due to the current low interest rate environment. The way people choose to conduct their banking continues to change and banking and cash transactions have changed dramatically over the past 20 years.

In 2020 the board undertook a comprehensive six-month review of:

- The company's historic, current, and forecast financial position
- Changing customer banking habits, transaction activity, visitor numbers
- Rising overhead costs and falling interest rates
- Different demographics and customer base with varying banking habits
- Different terms of branch leases, and exit costs
- Growth corridors, commercial hubs, and industry trends
- A full company cost benefit analysis to determine the closure of which branch represented the best decision going forward.

Whilst acknowledging disappointment at the decision, the Bullsbrook branch had seen a 60 per cent reduction in customer activity in the last decade, whilst staffing costs and overheads had increased during this time. The decision to rationalise the company from three branches to two was a very difficult one to make - but had to be done to ensure that CFS remains a viable business into the future.

As part of this change we now have a more efficient team, greater mobile lending capability and the opportunity to invest more back into the community. We are also working to ensure that more of our customers and the wider community better understand the Community Bank model, how it works and why it is important to 'support local'.

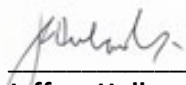
Lending and insurance are where most of our income is derived and the entire banking industry has been severely impacted by record low interest rates. Only about 10% of our customers have lending with our community bank branches and the greater portion of our customers have dormant accounts, student accounts and Term Deposits, all of which earn nil or extremely low interest and as a result, we have seen very low income in recent years.

We are not alone in the current challenging operating environment, but we *are* making a difference. In saying that, the measures that we have taken to reduce our cost base by consolidating branches will be better realised in the next financial year when we are likely to see greater financial benefit once our lease ends and overheads such as quarterly power bills/rates etc cease. Such savings will be timely indeed as we have seen a marked increase in sponsorship applications since we announced the Bullsbrook branch consolidation.

In terms of our commitment to continue to support the Bullsbrook area, we have been able to financially support the Bullsbrook Country Fair, Bullsbrook Netball Club and Bullsbrook Bowls Club. Our local Business Development Manager and Ellenbrook Customer Relationship Manager are also working with Muchea Sporting Clubs in a referral partnership to bring in more lending business following a commitment in 2020 to provide \$10,000 towards the sports complex redevelopment.

We appreciate the comments and correspondence we received earlier in the year and understand the disappointment and in some cases, the misunderstanding as to why this decision had to be made. What was clearly on display was a passion for the Bullsbrook community and a love for their local businesses. Thank you for your time to read this letter and we look forward to continuing to support the district and your financial services needs into the future.

Yours truly



**Jeffrey Hollands**  
Chair



**Nicolette Ward**  
Company Secretary