

East Gosford & Districts Financial Services Ltd Newsletter April 2009

Chairman's report

It is with mixed feelings I bring you up to date with the Company's performance since my last newsletter and address at the Annual General Meeting.

For the six months ending 31 December 2008 the net after tax loss of the Company was \$54,949 (2007: profit \$1,540).

Revenue for the same period decreased from \$780,700 to \$780,556 – which represents a decrease of only 0.02 per cent. Revenue is well below budget at East Gosford and Kincumber branches, which has impacted on income. Lisarow branch continues to perform in line with expectations.

The reason for the decrease in revenue relates directly to a squeeze on margins due to funding mix and the maturity of higher rated term deposits causing a negative effect on revenue growth.

This current interest rate climate has not been experienced during the life of our **Community Bank**[®] branch. Official interest rates have dropped by 4 per cent during the six-month period and the bank is still paying out interest on term deposits at various rates such as 7.75, 6.9 and 5 per cent. The interest earned on our surplus funds is well below these rates as is income earned from our lending portfolio. The Board and our Senior Manager are closely monitoring and discussing our position with Bendigo Bank. We expect revenue growth to gradually improve over the next few months as these higher rate term deposits mature.

Bendigo Bank itself wears the brunt of the margin squeeze as to some extent we are protected as we earn a trailer income on term deposits over 91 days at which Bendigo Bank is still paying interest at levels greater than 8 per cent.

Salaries and employee benefit expenses for the same period increased from \$421,255 to \$496,934. The main reason for the increase in salaries was due to the placement of Managers in all three branches. This staff restructure program commenced on 1 July 2008. The introduction of Managers in all branches was a necessity for the business to move forward and results to date would vindicate this approach. Overall our budget is some \$76,000 within plan for expenses and this is being reviewed monthly.

Whilst we are disappointed with the six-month financial result we need to focus on the positives, some of which are:-

As at 15 March 2009 business levels are as follows:

- East Gosford in excess of \$100 million.
- Lisarow in excess of \$30 million.
- Kincumber in excess of \$20 million.

This represents a year to date growth in excess of \$22 million. We have not seen year to date growth levels like these in our branches. The majority of this growth has been in Term Deposits and growth has been achieved across all three branches.

As at the 15 March 2009 total account numbers now stand at 9,490 which is net growth of in excess of 500 new accounts YTD.

All **Community Bank**[®] branches are given a Market Development Fund income monthly based on balance of current business levels capped at \$50 million in business. This fund has to be used to promote the branch. It should be noted that our television advertising and our sponsorships are currently paid out of this fund and not Company funds.

I would like to congratulate our Senior Manager, Michael Bell, our Branch Managers and all staff for their dedication and commitment to making our branches successful.

Special thanks must go to all Directors for giving up their time on a voluntary basis to support the **Community Bank**[®] model. As always we welcome any constructive feedback and in particular anyone who feels they can add value to our business and would like to become a Director. Please feel free to contact the Secretary on 43371716 to discuss further.

Again thank you all for your support and we are confident that with the increased business gained that when rates stabilise and margins return to an improved position we will again see the benefits in increasing profits.

Bob Rudd
Chairman

Senior Manager's report

A mixed result in that whilst we have record numbers of new accounts and growth across the branches, this has not translated into revenue and increased profits.

Whilst this is disappointing, it has to be noted that rates are set by Bendigo and Adelaide Bank in accordance with market and competitive pressures.

Of course, our **Community Bank**[®] branches provide more than just financial services. We're about encouraging community collaboration, keeping local money and local jobs in our community and directing profits to local initiatives and projects.

To achieve a more balanced book and therefore limit the effects of any future margin squeeze, branch staff will focus on growing our loan book for the remainder of this financial year and coming years.

Senior Manager's report (continued)

As advised, our growth has been mainly in new term deposit funds. Pleasingly we are seeing an increase in loan enquiry across the three branches with solid applications processed and good pipelines in place.

Our three new Branch Managers have settled in well and are actively out and about engaging with their communities. East Gosford recently held an East Gosford Businesses night; Lisarow had a Friday afternoon BBQ for customers, staff and patrons at Lisarow Shopping Centre; and Kincumber had a stall at the Kincumber Fair day all promoting our **Community Bank®** branches and spreading the word about what community banking can do for you and your community.

We would like to wish our Lisarow Branch Manager Michelle White all the best as she leaves to go on maternity leave in April. Michelle is an original employee of Lisarow and has been instrumental in its success over the past five and a half years.

Current Supervisor Terri Rutherford will be replacing Michelle as Manager whilst she is on leave. In addition we would like to welcome our new employee Kellie Coleman to the Lisarow branch. Kellie has worked at the Braidwood **Community Bank®** Branch for the past six years and recently moved back to the Central Coast. We are fortunate to have picked up such an experienced staff member who was able to start immediately.

Thank you to all those shareholders who currently bank with us and support the business and to those who continue to refer family and friends to us. More than ever, now is the time to keep those referrals happening. All staff would be happy to assist if you any questions.

We are confident that as we move forward and we see an easing to the overall economic environment, and with the steps we have taken to grow our business, the growth that has occurred and the new loans and lending pipelines in place, will see us again realise strong profits as we have in the past.

Michael Bell
Senior Manager

Results of survey

Taken at Annual General Meeting are as follows:

- Question 1.** 51% voted in favour of having AGM and Birthday celebrations during the day. Although comments were noted from some that only if work permitted.
- Question 2.** 64.4% voted to leave sponsorships the way they are.
- Question 3.** 60% voted they did not wish to have input into which organisations we assisted.



▲ Staff and Directors at the Lisarow Birthday BBQ Day.



▲ Staff and Directors at the Kincumber Fair Day.

East Gosford **Community Bank®** Branch,
101 Victoria Street, East Gosford NSW 2250
Phone: 4323 4559

Opening hours: Monday to Friday 9.00am – 5.00pm
and Saturday mornings 9.00am – 12 noon

Lisarow **Community Bank®** Branch,
Shop 16, Lisarow Shopping Centre,
Cnr Pacific Highway & Parsons Road, Lisarow NSW 2250
Phone: 4328 5472

Opening hours: Monday to Friday 9.00am – 5.00pm
and Saturday mornings 9.00am – 12 noon

Kincumber branch,
Shop 2a, 39 Avoca Drive, Kincumber NSW 2251
Phone: 4363 2133
Opening hours: Monday to Friday 9.00am – 5.00pm
and Saturday mornings 9.00am – 12 noon

Chairman: Bob Rudd.
Directors: Barry McDonald, Brian Lindbeck, Max Hiron,
Col Moran, Garry Morris, Ken Howes.