



18th Annual General Meeting

Chairman's address

23 October 2017

East Malvern Community
Financial Services Limited

ABN 27 089 542 174

East Malvern **Community Bank**[®] Branch

Chairman's address

It is again my pleasure to report on an excellent year for the company during which our branch displayed very strong momentum throughout the year across all key metrics with total revenue up 17%, operating profits before sponsorships up 46%, and total Branch Footings up 10%. Another key milestone was passed this year with cumulative fully franked dividends paid and payable to shareholders now exceeding \$1 million since the inception of the business.

As you would expect the East Malvern **Community Bank**[®] Branch has retained its position as one of the top performers of all **Community Bank**[®] branches, which now number more than 316 across Australia, and have collectively returned over \$ 165 million in community grants and dividends.

The current year saw Branch Revenue up 10% reflecting the same level of growth as Branch Footings. For the first time in the past six years Branch Revenue margin has stabilised on a year-to-year basis. The Investment portfolio benefited from a \$30,000 increase in mark-to-market adjustment for the year. The Investment portfolio was reduced during the year with proceeds converted to cash. Investments and cash holdings now total \$897,000, an increase of \$117,000 over the year with cash holdings equating to 26% (up from 10% last year) of Total Assets.

Detailed figures are listed in the Annual Report.

In 2016/17 year the Branch Operating Profit was \$ 116,000 higher than the prior year, boosted by a 10% growth in Branch Footings and Revenue while Branch Expenses were held flat year on year. Overall investment income was up \$79,000 from the prior year predominately due to favourable movements in the mark-to-market adjustment. Cash Investment earnings were held relatively constant with lower interest and dividend income offset by realised profits on sale as part of the investment fund was converted to cash.

Branch Footings increased by \$17.6 million or 10% over the past 12 months driven by strong growth in Savings Accounts.

As previously mentioned for the first time in the last six years the company's branch revenue margin i.e. Branch Revenue over Branch Footings has stabilised on a year-on-year basis at 0.66%. This has meant that the good work of the branch personnel in growing branch footings has been rewarded with commensurate increase in branch revenue and operating profits.

Reflecting the improved Branch Operating Result your Board has increased the final dividend for the year taking the full year dividend to 26 cents fully franked, payable on 31 October 2017 to all shareholders as at 30 September 2017.

As stated earlier this final dividend will take past \$1 million in dividends to shareholders on our initial raising of \$375,000.

As always the Board strives to keep the balance between all our stakeholders while staying true to the spirit of the **Community Bank**[®] model. As listed in the Annual report, since we opened in 2000 we have returned to the community \$5.141 million, \$3.604 million (70%) in Sponsorships and Donations, \$1.031 million (20%) in Dividends paid to shareholders, and Retained Earnings \$506,000 (10%).

Chairman's address (continued)

It is a record of which the Board is, and you should be, particularly proud.

Community Sponsorships are an integral part of our DNA and we provide grants and sponsorships to many community groups throughout the year and this year some 40 groups were assisted.

The company continued to build and support a portfolio of high profile events as a means of more effectively spreading the **Community Bank**[®] message which we link directly to the East Malvern **Community Bank**[®] Branch.

The company has been the principal sponsor for the Stonnington Gift since its inception seven years ago and for the third year we are the main sponsor for the Melbourne Racing Club's Charity Race Day at the Caulfield Racecourse. The main event is now known as the Bendigo Bank East Malvern MRC Foundation Charity Cup which this year raised \$190,000 for 19 local charities and community groups.

The East Malvern Food and Wine Festival was held in Central Park last November, with 20 Wineries from Bendigo and Heathcote promoting their wares, together with food providers and showcasing the East Malvern Traders Association and our local shopping centre, and was a great success. It will be held again this year on Sunday 19 November.

The Men's Shed is now meeting weekly at the East Malvern RSL and this month held a series of lectures on Mens Health. Their greatest challenge continues to be to locate suitable premises to provide woodworking and other craft facilities.

All these events and projects provide excellent exposure and promotion for our Bank.

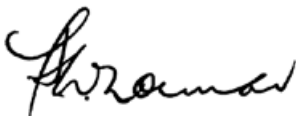
As always I acknowledge the continuing dedication the Board members provide to the success of the company, and the Manager, George Prodromidis and his team for our Bank maintaining the high level of regard we are held in the community.

Our continuing focus and challenge is to build on our solid foundation and grow the **Community Bank**[®] branch to provide more significant support in the community, and I encourage you all as shareholders and customers to provide the maximum support and promotion of the branch to your friends, colleagues and family.

I thank all shareholders who are customers and urge any shareholder who currently does not bank with us to come and experience the great service we deliver to our community.

We are Bigger than a Bank – We are a Community Resource.

I move the adoption of this report.



Peter Norman OAM
Chairman

East Malvern **Community Bank**[®] Branch
300 Waverley Road, East Malvern VIC 3145
Phone: (03) 9563 6044 Fax: (03) 9563 5322

Franchisee: East Malvern Community Financial Services Limited
300 Waverley Road, East Malvern VIC 3145
ABN: 27 089 542 174
www.bendigobank.com.au/east_malvern

Share Registry:
Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
Phone: (03) 5445 4200 Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

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