

28 June 2023

Dear Shareholder,

As we close out what has been a very successful 2022/23 financial year there are a number of important matters that I would like to provide an update on to all shareholders.

### Community Bank Wantirna

As announced on 14 April 2023 the Company entered an agreement to acquire the operations and revenue right of Community Bank Wantirna (**Wantirna**) from Wantirna Community Financial Services Limited (**WCFSL**). This transaction included the acquisition of both the branch operations and revenue right attached to this location. The revenue right pertains to the revenue generated by the loans, deposits and other revenue generating business under the franchise agreement between WCFSL and Bendigo and Adelaide Bank Limited (**Bendigo**).

Subsequently the WCFSL shareholders approved the sale and settlement for Wantirna went through as planned. Effective 1 June 2023 Bendigo transferred the Wantirna site to the Company's Franchise Agreement and from that point on we are now the proud owners of two Community Bank branches.

From a Company perspective this transaction was undertaken for a number of strategic reasons including;

- geographic/demographic diversification - Wantirna is in a classic mortgage belt suburb whereas Malvern East is not,
- significant expansion of our operating footprint,
- building scale by adding over 50% to our "footings" with solid growth potential,
- leveraging our existing human capital, resources and culture.

Wantirna was purchased for \$1,400,001 in a competitive bid process with 3 other bidders. Our proposal to retain the branch, increase community contributions and offer a fair price was highly attractive to the WCFSL board and shareholders. The purchase price included all the branch infrastructure and was funded by a new term loan facility for \$900,000 with the balance from cash reserves. To help build deep connections with the local community the Company committed to investing \$100,000 in Wantirna based community partner sponsorships by 30 June 2024 and thereafter providing annual community partner sponsorships in the range of 10% - 15% of Wantirna branch revenue. As part of the bid proposal the Company also undertook to offer WCFSL shareholders preferential access to a future capital raise the Company may undertake.

Wantirna has been operating for over 16 years with footings of \$119m and offers solid growth potential, particularly in lending, as the branch has significantly underperformed it's true potential due to a number of long standing issues that WCFSL was unable to resolve. As a comparison Malvern East took 11 years to reach the \$119m mark so the addition of Wantirna has instantly added substantial scale to our business that we could not otherwise hope to achieve through organic growth. Importantly Wantirna is profitable from day 1 and is expected to add materially to our results over the coming year.

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Community Bank Wantirna  
Shop 5-6 Wantirna Mall  
348 Mountain Highway, Wantirna

At Wantirna there is a new team in place led by our own Taylor Speechley who will report to Ruth Hall. Already branch opening hours have been returned from a 1.30pm daily close to the normal banking hours that most customers expect, a thorough “spring” clean has been undertaken, new staff are being employed and a fresh customer focused culture is being carefully re-established.

This is another key milestone in our development and an opportunity to show how successful Community Banks can re-invest and help to strengthen the Community Bank model that is at the core of our existence.

If you have the opportunity, please call into the Wantirna branch at Shop 5-6 Wantirna Mall, 348 Mountain Highway, Wantirna. Alternatively reach out to people you may know in the area to let them know that Community Bank Wantirna is under new management.

### **Dividend declaration**

Reflecting the very strong current year operating results, which from 1 June 2023 will also include Wantirna, the Board has resolved to pay a fully franked dividend of 14 cents per share (6 cents 2021/22) as a final dividend for the 2022/23 financial year to all shareholders on record as at 13 October 2023. The dividend will be payable on 31 October 2023. This will take total dividends paid/declared for the current full year to 30 cents (16 cents 2021/22) which is 88% higher than the prior year.

This dividend also marks the 41<sup>st</sup> consecutive semi-annual dividend that the Company has paid. For original shareholders dividends paid/declared have totaled \$4.09 per share, all of which have been fully franked apart from the first 2 dividend payments.

### **Change to quarterly dividend payments**

The addition of Wantirna will provide financial benefits from diversification and scale. Furthermore the annual dividend value has now reached a point where the Board believes it is warranted to move from semi-annual dividend payments to quarterly dividend payments. For the 2023/24 financial year and thereafter the intention is to pay a quarterly dividend on the last business day in October, January, March and July of each year.

While not yet officially declared, the expectation is that the 2023/24 Q1 dividend will be 9 cents per share fully franked and unless circumstances change materially this will be held stable for the remaining quarters in the financial year with the Q4 dividend in each year allowing for an adjustment to reflect any significant change in expected full year results.

In the first quarter of each new financial year the Board will advise shareholders what the expected quarterly dividend is likely to be. The intention is to provide shareholders with a stable and regular flow of dividends that respects the dividend guidelines in the Bendigo Franchise Agreement and fairly rewards shareholders for their stake in a successful social enterprise. It is anticipated that the quarterly dividend policy and our ongoing financial results will be highly attractive to the growing cohort of long term income investors, especially when combined with the strong Community Banking ESG credentials that our social enterprise offers.

In the transition from semi-annual dividends to quarterly dividends the final dividend for 2022/23 of 14 cents per share will be paid at the same time as the 2023/24 Q1 dividend of 9 cents per share fully franked. Accordingly the total dividend received by eligible shareholders on 31 October 2023 is expected to be 23 cents per share fully franked.

## Outlook

Since the half year report the FY 2023 Outlook has further improved and now includes Wantirna for the last month of the year.

	<b>Actual FY 2022</b>	<b>Prior Outlook FY 2023</b>	<b>New Outlook FY 2023</b>
Branch revenue	\$981,000	> \$2,000,000	> \$2,100,000
Branch operating profits	\$ 47,000	> \$1,000,000	> \$1,060,000
Sponsorships and donations	\$124,000	> \$ 250,000	> \$ 250,000
Dividends per share paid/declared	16 cents	at least 28 cents	30 cents

No guidance is provided for Investment Income as this can be highly variable.

The Wantirna acquisition is an example of a large upswing in branch network consolidation occurring across the Community Bank network and the wider industry. It is expected that there will be many other opportunities for M&A activity across the Community Bank network over the next few years which the Board remains open to closely examining should they be able to demonstrate they can profitably grow scale and be a good fit for our existing business. The long term industry trend is for gradual decline in margins and so to ensure the Company continues as a sustainable social enterprise long into the future requires investment to build scale and develop our people.

## Retirement of Founding Director

Phil Carey has announced his retirement and resignation as a director effective 30 June 2023. Phil was one of our founding directors and has served this Company with distinction over 24 years. He leaves an indelible mark on the Board and the history of the Company with his sage advice, wisdom, good humour and wit. With his legal background Phil has examined every material contract the Company has entered into including the original Franchise Agreement, it's many subsequent versions, property leases and property purchases. Over the years Phil has added Company Secretarial duties, management of the Low Volume Market, served on the Audit, Risk & Governance committee and was a long term member of the Sponsorship & Marketing committee. Phil leaves behind an amazing legacy and is certainly leaving the Company in top shape and ready for the next leg up in growth and prosperity.

On behalf of all shareholders, staff and the Board I thank Phil for his very valued service over 24 years to our social enterprise that I know he is immensely proud to have helped build and be associated with. I wish Phil all the best in his retirement and I am sure there will many opportunities for Phil to catch up with shareholders and community partners at future events.

Following Phil's retirement Melissa Hartmann will take on the Company Secretary duties effective 1 July 2023 and the Company has commenced searching for an appropriately skilled replacement director ideally from the Wantirna area.

Finally, I would like to acknowledge the considerable efforts put in by the Board and the entire branch team led by Ruth Hall as we integrate Community Bank Wantirna and build connections to a new community with a friendly, customer centric can-do culture.

Thank you for your continuing support,

Yours faithfully,



Stuart Martyn  
Chairman