

# Fraser Coast Community Enterprise Ltd

23 March 2015

Dear Shareholder

Since the **Community Bank**<sup>®</sup> model began some 17 years ago, the **Community Bank**<sup>®</sup> network has grown to over 300+ branches across Australia. Just over 18 months ago, Project Horizon was launched to undertake a comprehensive review of the **Community Bank**<sup>®</sup> network and Bendigo's partnership with the communities in which it is represented. The final report for this project was released on 13 February 2015 and sought to set a shared vision and strategy for the **Community Bank**<sup>®</sup> model into the future.

The final report is the culmination of extensive discussions between Bendigo Bank and directors, staff and shareholders, and sets out the final recommendations approved by the Project Steering Committee, the **Community Bank**<sup>®</sup> Strategic Advisory Board and Bendigo Bank. The report includes the following changes to the current financial model, which will take effect on 1 July 2016:

- Margin share on core banking products will be 50/50, to be calculated under a funds transfer pricing (FTP) based model.
- Term deposits over 90 days and fixed rate home loans will become margin rather than commission products.
- Market Development Fund (MDF) payments will be adjusted to provide greater support to new and less profitable sites, and less to established profitable sites. MDF payments will also be adjusted to support collaborative marketing.
- Transitional arrangements will be made by Bendigo Bank for those **Community Bank**<sup>®</sup> companies adversely affected by these changes to the financial model, for a maximum period of 3 years.

In addition, Bendigo Bank proposes to agree to accept annual payment of franchise renewal fees instead of an upfront payment for the full term for less established and less profitable sites where certain criteria are met. Bendigo Bank proposes to do this as payments become due i.e. in advance of the 2016 start date for the other changes. A wider review of the franchise renewal fees to examine variation based on the value of the market opportunity assigned to each **Community Bank**<sup>®</sup> branch is also proposed.

Over the next few months Bendigo Bank will be giving **Community Bank**<sup>®</sup> company boards information about the details of these changes for their individual **Community Bank**<sup>®</sup> company, and discussing this with us. However, at this stage the board of Fraser Coast Community Enterprise Limited does not have enough information to work out the likely impact of these changes to our company. As more information becomes available the Company will make a further announcement if it assesses the likely impact is material.

Yours sincerely

Neil Canning  
Chair  
Fraser Coast Community Enterprise Ltd

ABN 46 116 567 072  
9/55 Main Street, Pialba QLD 4655  
Phone 07 4124 6201 Fax 07 4124 5306, Email [herveybaymailbox@bendigobank.com.au](mailto:herveybaymailbox@bendigobank.com.au)  
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

STA5 (253702\_v1) (12/05/2015)