

Hello Shareholders

Update – Project Horizon

As advised in earlier updates about Bendigo Bank's **Project Horizon**, there are changes to the new Community Bank model that will be implemented in July 2016.

This new model has been tested against the data of many Community Banks across Australia, including ours. **It proves to be favourable to our business.**

The recommendations in the Project Horizon report, which was developed by a Project Steering Committee has been approved by Bendigo Bank and the Community Bank Strategic Advisory Committee.

The report includes the following changes:

- Margin share on core banking products will be calculated under the Funds Transfer Pricing (FTP) arrangement on a 50/50 basis.
- Fixed 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, with reduced payments to longer established community banks. (*Market Development Fund payments from Bendigo Bank are used for promotional and community investment purposes*)

For more information on the Funds Transfer pricing go to: <http://youtu.be/ICiqadA7tcE>

If you wish to discuss any of the above matters, please feel free to call me on Mob. 0427 583 697

Or email me at chairman@somersetcommunitybank.com.au.

Kindest regards



Keith Manz (Chairman)

PS In assisting us to reduce postage costs, please advise if you would be happy to receive correspondence by email (if you have not already)