

Trafalgar & District Financial Services Ltd

ABN 86 102 573 222

Shareholder Newsletter

May 2009

Dear Shareholder,

The Board of Directors is committed to keeping its shareholders up-to-date on the progress of their local **Community Bank**[®] branch. We are pleased to provide you with an overview of the branch's activities, outcomes and performance.

Directors

The Company's Annual General Meeting saw Bill Harrington and Peter Snape re-elected as directors for another term. The other directors making up the Board were Peter Cooke, Rob Carlesso, Michael Fozard, Peter Marx and Mick Bourke. This left the Board with two directors less than the number previously decided as being appropriate for the Board. Since the Annual General Meeting, the Board has co-opted two directors.

Michael Curtain was co-opted as a director in December to fill a vacancy not filled at the AGM. Michael, a Trafalgar resident, is a partner in the legal firm of Verhoeven and Curtain, in Moe. Michael brings to the Board much needed legal skills.

Jane Sneddon, also a Trafalgar resident, was co-opted by the Board to be a director in March to fill a further vacancy. Jane has recently qualified as a primary school teacher after having three children. She was previously in the travel industry, and has worked part-time in a managerial role at the Moe Racing Club on race days for a number of years. Jane brings organisational skills to the Board.

Consequential to the annual general meeting in November last year, the Board elected its office bearers. They are:

Mick Bourke (Chairman)

Peter Cooke (Deputy Chairman)

Peter Marx (Company Secretary)

Rob Carlesso (Company Treasurer)

Since the company was founded five years ago, its constitution has allowed for up to ten directors. Previous Boards considered nine directors were sufficient to meet their needs. The recent emphasis of the Board to develop a structured strategic planning process has resulted in directors undertaking an increased workload. Consequently, the Board decided at its March meeting to increase the number of directors by one, so that the Board will have its full constitutional complement.

Board of Directors, Trafalgar & District Financial Services Limited,
P.O. Box 391, Trafalgar 3824

Mick Bourke (Chairman), Peter Cooke (Deputy Chairman), Peter Marx (Secretary),
Rob Carlesso (Treasurer), Michael Fozard, Michael Curtain, Peter Snape, Bill Harrington, Jane Sneddon

The Board acknowledges that it has a gender imbalance, with only one female director. This figure has never been passed in the company's short existence. The Board is therefore keen to increase the number of female directors. It is clear that Trafalgar and its district has many skilled and experienced women capable of being directors of the company.

Of course, the number of women directors remains in your hands. The Board encourages you to start considering appropriately skilled women who would be suitable on our Board. Whoever you think would be appropriate for nomination as a director of the company, please consider whether they have one or more of the following skills:

- Strategic expertise – the ability to generate a strategy through constructive questioning and suggestion;
- Accounting and finance – the ability to read and comprehend the company's accounts, financial material presented to the board, financial reporting requirements and some understanding of corporate finance;
- Governance – the board's responsibility involves overseeing compliance with numerous laws as well as understanding an individual Director's legal duties and responsibilities;
- Managing risk – experience in identifying and managing areas of major risk to the company;
- Interpersonal and communication skills for managing people and achieving change;
- Knowledge and experience with financial markets;
- Commitment to the betterment of the broader community;
- Industry knowledge – experience in similar organisations or industries

Financial Update

Our **Community Bank**[®] branch has not been immune from the Global Financial Crisis (GFC), which has resulted in higher funding costs for banks, despite the reduction in official cash rates. While our **Community Bank**[®] branch continues to achieve business and customer account growth; (total business at April 2009 is \$65 million - up from \$55.5m in July 2008) and customer accounts number 3,379 as at the end of March 2009 compared to 3075 in July 2008), the GFC has impacted on our projected net income before tax.

Our profit on margins has reduced due to the reduction in rates on variable loans (the loans on our books are predominately variable loans). Another impact on our business has been Term Deposits taken in mid-2008 at 8.00+ per cent per annum. These are still working through their term before rolling to the new rates of 4.00 per cent or less. These Term Deposits need to reach maturity before they reprice in line with today's market.

The biggest non-banking operational impact on the budget has been the upfront cost of the renewed franchise agreement (\$79,277).

**For more information on our Community Bank[®] branch services,
please call into
103a Princes Highway, Trafalgar
or phone (03) 5633 2783**

Dividend

The Board will decide later this year whether it can announce a dividend to shareholders. The impact of GFC on the net profit of the **Community Bank**[®] branch over the next few months will determine whether or not a dividend may be set, and if so, it's level.

Franchise Renewal

The Company's first five-year franchise to operate the Trafalgar & District **Community Bank**[®] Branch of Bendigo Bank expired late last year. As part of the franchise discussions the company has successfully renewed its franchise agreement with the Bendigo Bank for a further five year period at a cost of \$79,277, which was payable on renewal. In the longer term, the new franchise allows for a further two renewals, thereby providing the existence of the **Community Bank**[®] branch franchise for at least the next 15 years.

Renewal of premises

The lease on the Trafalgar & District **Community Bank**[®] Branch building expired early this year. The Board has renewed the lease for another five years.

Strategic Plan

The company's first three-year strategic plan, of which you received a copy last year, has seen most of the activities identified being either achieved or near completion. The Board recently met to review the plan. As a result, it has maintained its broad strategies, and has identified activities to be completed during 2009-10.

A copy of the strategic plan is attached.

Staff

The company continues to employ five staff in its banking operations; Bryan Leaf (Branch Manager), Lorraine Morland (Customer Relations Officer) and Sharon Bowyer, Michelle Galea and Tiffany Jones (Customer Service Officers). Tiffany replaced Leanne Kells, who retired in January after working for us for four years. The Board is very appreciative of Leanne's work ethos whilst she was with the company, and we wish her all the best for the future.

Feedback from customers shows that the staff members provide an excellent service, and are well respected.

The company's Minute Secretary for the past three years, Kaye Dorling, recently gave notice of her resignation to the Board. Kaye has provided a great deal of secretarial support to the Board, often performing duties over and above her requirements. Similarly, she will be missed by the company.

We are open:

Monday-Friday 9.00am – 5.00pm

Saturday 9.00am - 12.00noon

Administrative support to the Board

You will notice from the strategic plan that the Board is investigating the feasibility of employing or contracting a person or persons to perform administrative and book keeping duties for the company. The Board's workload is increasing, and to adhere to its financial and legal obligations, and to ensure good governance, the Board believes that it needs support in undertaking its operational activities so that it can concentrate more fully on developing a strategic approach to the company's future.

A detailed analysis by the Board will determine whether the appointment of an administrative support person and/or book keeper is feasible. If we do proceed, it will enable the company to further employ or contract a local person(s).

Contributions to the Community

The **Community Bank**[®] branch's revenue performance has enabled it to support a wide range of Community projects. The Board has budgeted \$79,000 this financial year for marketing, sponsorships and grants for local communities. So far \$68,000 has been committed and distributed to many local community groups and sporting clubs.

The Youth Foundation Project forms part of this contribution and the bank remains a proud sponsor of this worthwhile initiative to support our young local community. This program is now fully underway, with Berry Street being awarded the contract to auspice the project. The three-year project, in which the company contributes approximately \$30,000 per annum, will provide Trafalgar and district's young people with the necessary skills to identify issues that affect them, and then apply for necessary government grants. The company's contribution to the project helps cover the costs of the facilitator.

Conclusion

The company is performing well, considering the current global financial environment. Our revenues and expenditures forecast remain under pressure, however, we are in a good position with a balanced book of deposits and loans. Having said this, we can't be complacent, and the Board is closely monitoring the company's performance.



Mick Bourke
Chairman

Trafalgar & District **Community Bank**[®] Branch



http://www.bendigobank.com.au/public/community_bank/our_community_banks.asp
then scroll to 'Trafalgar & District'

www.bendigobank.com.au Bendigo Bank Ltd, Fountain Court, Bendigo VIC 3550

ABN 11 068 049 178