

As we draw to the close of another financial year it is timely to touch base with our shareholders. I hope that you and your family have successfully managed the impacts of Covid 19 throughout the last 18 months. We know that the pandemic is not over, however, we appear to be much better placed now than we were 12 or 18 months ago.

I would like to take this opportunity to acknowledge and thank the staff of our two Community Banks for the outstanding manner in which they have conducted themselves throughout this period. The Board are very proud of their commitment to both our customers and our community. It is also important to recognise the commitment made by our Directors who volunteer their time and energy on behalf of shareholders and the community.

For the 2020/2021 financial year UYCE has fared quite well in terms of our overall performance. For the financial year ending 30 June we will end up with a modest profit, after having:

- ✓ contributed over \$95,000 in community contributions to a range of community groups
- ✓ distributed \$58,547 in dividends to Shareholders throughout the year
- ✓ taken the opportunity to build up our balance sheet with total assets now exceeding \$2.9 million.

The Hydro has also performed well, given the good rainfall that we have had over the last 12 months. It has maintained a positive cashflow and generated sufficient output to power more than 60 houses on a day-to-day basis. There is a concern that the feed in tariff on the power that we generate will reduce next year by up to 50%, if this occurs it will put considerable pressure on cashflow. This situation will be monitored carefully into the future.

I have been raising concerns about changes to the way banking is delivered for a couple of years. For a range of reasons these changes are now taking effect and they will have a negative impact on the 2021/2022 financial year. Having recently completed our budget, I can advise that next year will be challenging and will result in reductions in profits, less community investment contributions and in turn lower dividends.

Whilst our customer base has remained constant and 'footings' (total of loans and deposits) continue to grow, margins are reducing. A number of changes to the profit share arrangement with Bendigo Bank have also put pressure on our income stream.

Another issue impacting us is the way in which customers are transacting with banks. This has been changing over recent years, particularly with the move to online banking. We do note that this trend did accelerate through the period of the Covid Pandemic. Accepting the recent impact of Covid the declining trend has been evident for some time now. An example of this is the number of people attending at our two branches has dropped dramatically over the last 5 years, from a monthly average of 5,500 counter transactions across both sites in 2016 to 2,500 in 2021.

It is important for shareholders to be aware of these issues and to be reassured that your Board is monitoring the trends and proactively looking at ways that we, as a business, can remain sustainable and support our communities and Shareholders into the future.

Inevitably this will mean that changes will need to occur in the way that we operate our branches over the next 12 months and beyond. We need to move with the times and be more flexible, mobile, and agile in the way we offer our services. We have recently commenced a review of our entire operations. Please be assured that any changes proposed through this review will be aligned to our broader strategic objectives and relevant parties will be consulted as part of the deliberative process.

Our objective is to be ahead of the game, being proactive rather than reactive. In considering any changes we will of course be working closely with Bendigo Bank as our major business partner.

If the Board identifies the need for significant changes to the current model, we will consult with you, our Shareholders, prior to making any final decision.

More information will be available at our Annual General Meeting to be held in November, and you will be advised of the time and date in due course. We, the Board, would like to see a good attendance this year so that we can engage directly with you on some of the challenges that lie ahead.

It is timely for me to mention that this Community Bank model relies on support from our local community. As Shareholders you play an important part in the model, leading by example and taking full advantage of our banking services; and encouraging family, friends, and others, to do the same. The success of our Community Bank model does rely on ongoing local support and participation.

As always thank you for your ongoing support. If any Shareholder would like to discuss any aspects of our operations, please do not hesitate to contact me. Otherwise, I look forward to catching up with you at our 2021 AGM.

Regards

Rod McKail  
Chair, Upper Yarra Community Enterprise Limited  
Ph: 0437 373 752

Community Bank  
Warburton and Yarra Junction

 **Bendigo Bank**