

Chairman and Manager's 2024 AGM address

26 November 2024

East Malvern Community
Financial Services Limited

Community Bank
Malvern East, Murrumbeena and Wantirna

ABN 27 089 542 174

Chairman's address

For year ending 30 June 2024

Good evening and great to see so many shareholders here at our Malvern East branch, the heartland where our social enterprise began. This year we completed the phase 2 development of this property with the creation of an outdoor entertainment Community Space which is free to use for all community partners we support.

Last year at the AGM I reported on what had been an extraordinary year for the Company. This year it is my pleasure to report on what has been an even better year.

Our Malvern East branch has recently won two regional awards, displaying solid lending growth and a rising start award for one of our valued employees. There was further very strong growth in revenue, profits, community sponsorships and dividends to shareholders. All made possible by the recent acquisitions of Community Bank Wantirna on 1 June 2023 and Community Bank Murrumbena on 1 December 2023.

There is so much to celebrate this year across all our stakeholders:

- Community sponsorships increased by 45% to \$401,000 supporting more than 50 different groups over the year.
- Our staff grew considerably with new management structures and career paths established across our 3 branches.
- A highly successful capital raise was concluded in 2023 raising over \$670,000 before costs at \$3.60 per share.
- For shareholders there were record dividend declarations totalling 36 cents per share fully franked and in a first for any Community Bank company, they were paid quarterly. Dividend payments across the expanded capital base totalled \$260,000 up 50% on the prior year.
- With Murrumbena on board, total Branch footings increased by 81% to \$627m after increasing by 62% in the previous year and we now serve over 12,000 customers.

This year marks the 25th anniversary of our social enterprise and Community Bank Malvern East. Your Company was registered just over 25 years ago on 9 November 1999 and the Community Bank Malvern East branch subsequently opened on 6 May 2000. Over the last 25 years 20 people have served as directors on the board, \$5.7m has been distributed to community partners, \$2.0m returned to shareholders as fully franked dividends, \$2.3m invested in this property alone and \$4.1m invested in growing our Community Bank franchise.

While we can take intense pride in all that has been achieved, this is not the time to rest on our laurels. Your Board met in July to conduct a full day strategy session titled "EMCFS in 2030", out of which came a number of takeaways, some of which I would like to share with you tonight.

The first is that we have set ourselves the goal of becoming the leading Community Bank company in the Community Bank network. Continuing to build scale is crucial, especially in an industry with a long term trend of declining margins.

Next as a successful Community Bank company we recognize that we have an obligation to do what we can to protect and enhance the Community Bank network and the related business model that is central to our very existence. Despite many calls to the contrary we believe the future of Community Banking must always be based around the geographic proximity to the customers and communities we serve. Enhanced digital offerings will be a tool for all to use, but at its core, the physical branches will remain central to the ethos and purpose of Community Banking for the foreseeable future. So we will continue to invest in our branches and in our people, and ultimately our realistic growth ambitions extend well beyond what has already been achieved.

As part of enhancing the value of the Community Bank network, we have decided to join with many other Community Bank companies and seek official "social enterprise" status. Later in this meeting all shareholders will be asked to vote in a special resolution to adopt a standardized Mission Statement which is the key to seeking certification as a social enterprise with Social Traders Ltd. The board strongly encourages all shareholders to vote in favour of this special resolution.

The Community Bank model has moved from concept to one of the world's biggest social enterprises that returns not only banking services to the community but also significant community investment. Carefully managed, balancing returns to all stakeholders, this business model is incredibly profitable and your Board has in mind several opportunities for profitable expansion that will further build the scale and strength of our social enterprise.

Capital Raising

Subsequent to year end an Offer Information Statement (OIS) was registered with ASIC aiming to raise \$540,000 of new capital before costs. While this will be our third capital raise in four years, the funds raised previously have been deployed by the Board in building the business and in turn handsomely rewarding our shareholders along with all other stakeholders. I can however, see a rapidly approaching tipping point, where further general capital raises such as the 2024 OIS are no longer required as the annual boost from retained earnings becomes the dominant source of equity capital to support future growth.

As stated in the OIS document, the Company is making this offer in order to raise funds for general corporate purposes including debt reduction and possible future Community Bank acquisitions.

The Company's track record, strong ESG credentials and move to paying fully franked quarterly dividends, now at 10 cents per share, is proving very attractive to a growing cohort of long term income investors. Over the last few years the concentration of ownership in our top 10 shareholders has been progressively ramping up and all indications are that this trend will further increase as significant new investments are made by our top shareholders with the 2024 OIS. So I invite all shareholders

to take up what maybe one of the few opportunities left to make a further investment in our social enterprise.

At the \$4.00 offer price, the 10% fully franked yield is equivalent to 13.3% grossed up for franking credits. For shareholders who took up shares in the 2023 offer, their grossed up yield now exceeds 14.8% pa. For shareholders who took up shares in the 2021 offer, their grossed up yield now exceeds 21% pa. As you can see our long term investors have been handsomely rewarded, and while we have seen the financial results from the last two amazing years, I am very confident much better results lie ahead.

There is just over one week to go before the offer closes on 3 December 2024. All shareholders who have not yet responded are strongly encouraged to read the OIS and consider a further investment in our social enterprise that is achieving so much.

New shares issued under the OIS will rank equally with existing shares and are expected to be eligible for the FY25 Q2 and subsequent dividends.

Branch Operations

Returning to operational matters, Ruth Hall and the respective branch teams have put in a fantastic effort revitalising the customer service levels and putting in place the management structure to position our Company for future growth. Reflecting the growth of the Company and it's future ambitions, I am very pleased to announce that Ruth's position and title has been upgraded to the newly created General Manager level. Please join me in congratulating Ruth on this very well deserved change that appropriately reflects the Company building responsibilities she now undertakes on our behalf.

On behalf of all shareholders, I thank Ruth and her whole team for the great operational and financial results, the successful integration of our recent acquisitions and the continuing dedication to customer service across three communities.

Community Sponsorships

Sponsorships increased by 45% to \$401,000 as the Company reached out to new community partners particularly in the Wantirna area and now also Murrumbeena.

Both Ruth and Michael will cover our involvement and the impact we are having in more detail in their respective reports.

Dividends

As guided in last year's Annual Report and at the AGM, the Board has delivered on the move to paying a steady stream of fully franked quarterly dividends which for FY24 were set at 9 cents per share per quarter and paid on the last business day in October, January, April and July.

Subsequent to year end, the Board resolved to pay the first quarterly dividend for FY25 of 10 cents per share fully franked. The FY25 Q1 Interim Dividend was subsequently paid on 31 October 2024. The Board also announced that the expectation is that unless circumstances change materially the declared quarterly dividends will be held stable at 10 cents per share fully franked for the remaining quarters of FY25.

The intention is to provide shareholders with a stable and regular flow of dividends that respects the dividend guidelines in the Franchise Agreement with Bendigo Bank and fairly rewards shareholders for their stake in a successful social enterprise.

To conclude it would be remiss not to acknowledge the tremendous efforts of the Board and our capable Branch teams in taking the Company through to a significantly higher level of profitability and creating the building blocks for a very bright long term future.

The last financial year was truly remarkable in so many ways and the future is looking better again for our hopefully soon to be officially certified "social enterprise".

Stuart Martyn
Chairman

General Manager's report

For year ending 30 June 2024

Each year, I reflect on how busy it has been, and this past year was no exception, highlighted by the completion of the Murrumbeena Community Branch purchase.

Following the acquisition nearly 12 months ago, we undertook a minor refurbishment to align branding with franchise requirements, enhance the in-branch customer experience, and provide an improved workspace for staff.

To continue delivering exceptional service to our 12,000 plus customers across three branches, we implemented changes to our staff structure. We now have three branch

managers: Taylor Speechley, who was promoted to Murrumbeena Branch Manager, Leigh Conway joined us as Wantirna Branch Manager, and Sunny Kumar became Malvern East Branch Manager, bringing extensive retail banking experience from CBA and Bank of Melbourne.

We also promoted Krystal Hayward from Murrumbeena to Malvern East as a Personal Banker, filling her role with Tyler Catherine, who joined us from Oakleigh Corporate. Additionally, Ilonka Roode joined as our part-time Marketing and Social Media Manager, significantly



enhancing our digital presence while supporting community groups connected to our branches.

With nearly 20 staff, including nine bilingual team members, we are well-positioned to capitalise on opportunities, build a robust succession plan, and target new markets.

Our total footings now stand at \$627 million, an increase of \$280 million, largely due to acquiring Murrumbeena's revenue rights. Malvern East also achieved \$10 million in lending growth—a significant outcome considering the challenges of higher interest rates and reduced borrowing power.

The much-needed refurbishment of Wantirna Branch is in the planning stage, set for completion in 2025. This upgrade will match Malvern East's standards, including new features like artist walls to support local talent and an external defibrillator for community use—a first for our branches.

It was gratifying to see Malvern East win the Lending Award and Krystal Hayward earn the Rising Star Award at the Bayside Regional Awards.

With \$400,000 invested in 50 local groups this year through our community investment program, we

transitioned our sponsorship and grant management to Bendigo's Community Investment Hub. This digital platform, powered by SmartyGrants, simplifies the application process, enhances reporting, and ensures compliance.

Becoming certified as a Social Enterprise is a key strategic goal. Pending tonight's motion, certification will enable us to connect with accredited businesses, partners, and government bodies, strengthening our competitive edge and customer acquisition.

Finally, to celebrate our 25th anniversary, please save Tuesday, 6 May, for a special event to honour our shareholders, customers, and community partners.

Congratulations to Taylor and Krystal on their well-deserved promotions. My heartfelt thanks to Regional Manager Kristy Marshall, Strategic Performance Manager Simon Sponza, Project Manager Michael Haig, Stuart, and the Board for their unwavering support, which has been instrumental in our success.

Ruth Hall
General Manager

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 **Bendigo Bank**