

City West Community Financial Services Limited (ACN 134 051 219)
2012 Annual General Meeting
Minutes of Meeting

Date	1 November 2012
Time	7.00 pm
Place	Pymont Community Centre, John St Pymont
Present	Robert Gavagna (Chairman), Charles Perry (Deputy Chairman), Patricia Strong (Treasurer), Ian Bulluss (Secretary), John Hoff, Ashley Limbury, Peter Devoy, John Marsden, Muriel Chen
In Attendance	Phil Jones (NSW State Manager), Robert Chittick (Regional Manager), Costa Karas (Branch Manager), Amy Land, 4 Branch staff 19 Shareholders, 11 guests and community representatives.
Apologies	Margaret Broadbent (Director – overseas)

- 1. Welcome and apologies** Welcome to shareholders and guests.
A vote of appreciated was expressed by the Chairman for the work and effort of the former Chairman, Mr Bruce Naphali. The Board is indebted to Bruce’s vision and forward planning without which the creation of City West Community Financial Services and the Pymont Community Branch would not have been possible.
- 2. Quorum** It was noted that Quorum requirements were met and that the AGM could proceed
- 3. Notice of Meeting** It was noted that the Notice of Meeting was made available to all shareholders and that there was no request from any shareholder requiring the Notice to be read.
- 4. Minutes of previous Annual General Meeting** The Chairman reported that the minutes of the previous General Meeting of shareholders of City West Community Financial Services held on 27 October 2011, were approved by the Board and signed by the Chairman in accordance with the provisions of section 251A of the Corporations Act and that should any shareholder wish to inspect those minutes, a copy was available for that purpose.
- 5. Proxies** The Secretary reported that 10 notices of proxies had been received which were distributed in the following manner:
- Chairman / Mr Robert Gavagna: 8
Charles Perry: 1
John Hoff: 1
- 6. Chairman’s address** In addition to the report as published in the Annual Report, the Chairman stated:
- Between set up cost and subsequent trading losses, CWCFs consumed all its capital. It is now dependent upon Bendigo Bank for its capital as well as the franchise use of its banking license.*

The Chairman reported on some recent encouraging positives:

- *Revenue grew by 39% within the financial year.*
- *Customer base is 144% greater*
- *Loans are now over 6 times more than 2 years ago*
- *Total business has grown in 3 months from \$40m at the end of June to \$53m at end of September*

The Chairman reported on the disappointing fact that only 40% of shareholders bank with us. Shareholders were reminded that when CWCFs achieves profitability, 50% of the gross profit will be returned to the local area in the form of operational costs, worthy community projects, and shareholder dividends. Shareholders were also reminded that the CWCFs franchise agreement with Bendigo calls for community projects to receive up to 80% of our net profits and shareholder dividends up to 20%.

The Chairman reiterated that CWCFs directors and the Bendigo Bank senior management are highly motivated to achieve a return to the community of Pymont/Ultimo as soon as possible but recognise that there is work to be done.

The Chairman outlined the agreed 4-step recovery plan:

1. *Costa Karas to remain as branch manager*
2. *Bendigo to provide the branch with the support of 2 external business developers accountable for their performances to the branch manager. Bendigo to bear the cost of that support*
3. *Operational costs of staff will be trimmed by the reassignment of one of the branch staff to another branch. This is in no way a reflection of performance of that staff member but a reflection of the need to cut costs.*
4. *Remaining staff to be given the opportunity to up skill.*

The directors believe that this plan will give CWCFs the best chance of quickly reaching its first goal of achieving break even and the second goal of attaining profitability.

The Chairman stated that the CWCFs performance would be reviewed during the first half of next year. If at that time it is demonstrating a clear and positive momentum in performance the financial position with Bendigo will be favourably regarded.

7. Annual Report

The 2011/12 Annual Report was made available to all shareholders present along with the Notice of Meeting.

The Chairman sought from the shareholders present any matters requiring clarification pertaining to the audited books as stated in the distributed Annual Report.

8. Questions on notice

The following questions were been received from shareholder, Jeremy Portzer:

- *What happens when the line of credit is exceeded? Will a further line be sought? How much leverage will Bendigo Bank allow before the business is considered non-viable?*
- *If Bendigo Bank will not allow a further credit facility, what are the options? Will the corporation seek additional credit from other sources, or to raise more capital, or would it face being wound up?*

9. Phil Jones (State Manager) response to questions on notice

In addressing the questions on notice, Phil Jones outlined the strategy employed prior to opening a Community Branch. This included the undertaking of a very long due diligence process. This process surveys the community, examines what other banking services exist and what opportunities there are for Bendigo and what's committed. Using modelling of other community bank branches and how they were formed, Bendigo determines how much capital is required to set up the community company.

Phil Jones indicated that since 1999, community bank branches have experienced varying economic conditions; none the least was the GFC and its impact across all financial institutions. It was against the backdrop of the GFC that Bendigo examined the question of viability in the opening of the Bendigo Community (Pymont) branch.

Phil Jones reiterated the Chairman's comment that expenses have generally overrun what was originally thought resulting in the exhausting of seeding capital.

In consultation with Pymont it was agreed that it has been a tough time from the start, but there are positive signs. However, measures need to be taken to address the day-to-day operating costs.

Bendigo considers that Pymont can be successful over time but it faces challenges, and time, to actually get to profitability. And during that time, the company will still incur losses that run up overdrafts.

Over the next six months, with the Board's support, Bendigo will give every effort at achieving a commercially sustainable business operation.

Bendigo will be closely monitoring the situation over this time and would like to think that Pymont can continue to grow. However, Bendigo doesn't see Pymont being profitable in six months by any stretch of the imagination.

Bendigo would like to see in six months that there are a lot more customers in the door and that business-leading indicators are all looking positive.

Phil Jones stated that Bendigo will certainly be supporting Pymont through this financial year and in six or seven months it will be sitting down to have a look at what the end of June looks like. There will be continuous conversations throughout the course of the next six months.

Phil Jones reminded shareholders that the Community Bank really needs the support of Pymont itself with all the shareholders doing their banking business with it.

Bendigo would like to think that in six months, given the financial support of the community, all will be going good and well and the business will get there. But the next six months is absolutely critical. What Bendigo is looking for over the next six months are some sustainable growth leaders that are not just upward but continually upward.

If in six months time we still do not have the support of the Pymont Community, then we will have to make some serious decisions around what needs to occur.

10. Questions (5) from the floor

Question 1 Greg Lovekin:

"If the business now at \$53m is still a problem, what level of business is required? \$100m?"

Phil Jones:

To run the branch cost about \$50,000 a month. Historically revenue of \$1,000 roughly equates to \$1m in business. Based on that number Pymont is looking at \$85m to \$100m in business for sustainability.

Bendigo has never closed a community branch, but it has had to take measures to stop some haemorrhaging including the merger of some branches where it was seen as being geographically appropriate to do so.

Question 2 Greg Lovekin:

"Greater income comes from the margin which is rather crucial in banking."

Phil Jones:

Agreed. Bendigo makes money on Term Deposits investments like all banks do, but it is really very tight out there. All banks use term deposits to boost their balance sheet so they are all offering the best rates they can.

Question 3 Greg Lovekin:

"The problem in Pymont is that it has a large number of small businesses rather than large corporations and consequently has a limited amount of money they can put in."

Phil Jones:

Agreed. But it is more about performance and anticipating what they need. Small loans at \$5m and under become Bendigo's bread and butter.

Question 4 Unknown:

"Are we contacting the shareholders individually and not just through the newsletter?"

Costa Karas:

Pymont has a 2-prong call strategy for contacting shareholders: an initial soft phone contact, followed by newsletters and personal email every month.

Phil Jones:

Bendigo's niche difference with other banks is its community focus. Bendigo looks after about 60 NSW branches, with about 48 community banks. In metropolitan Sydney there are 18 community banks. All of these are at various stages of their life cycles but have put back over \$1m into their communities.

Pymont could be a performance super star, but we need to make the most of the opportunities around us. If we can just stop some of the people from walking past we will be leaders. It is the Community of Pymont that makes the difference.

Question 5 Ken Saunders

"Are we contacting the Real Estate agencies? What are we doing to target them?"

Chairman

An association has been formed with some, but so far it has not been that highly productive.

Phil Jones:

The plan is for the business developers to work with Costa to market to the real estate agents, the accountants and other preferred business customer groups to understand their needs and their understanding of our products.

11. Regional Manager's address

Mr Robert Chittick (Regional Manager) outlined the operational nature of the Community Bank business in the Sydney area.

The community bank network is quite large and is growing all the time. There are nearly 300 Community Banks throughout Australia with over 2,000 local directors, over 600,000 customers and just over 70,000 community shareholders (240 in Pymont). There are nearly 50 community banks in NSW and the ACT.

One of the main aims of the Pymont Community Bank is the ability to invest in the local community. Community banks have demonstrated the ability to leverage with other partners and return hundreds of thousands of dollars to their communities; today, after 14 years, communities banks have collectively returned over \$80million of which \$13million was in NSW/ACT.

Although Pymont is not at profit, Bendigo does provide funds to community banks dependent upon the level of business that exists. Known as marketing development funds, community banks can use the funds for marketing purposes to not only assist with promoting the growth of the bank but also to assist community projects through sponsorships or grants. It is these funds that enable Pymont to assist the worthy projects receiving presentations (this evening).

The banking industry has been tough times over the last few years. International pressures have caused increased expenses and a margin squeeze within banking resulting in high competition as seen with term deposit rates. The pressure on margins has also created the necessity to realign community banks profit share back towards the 50:50 status.

On a positive note, Bendigo/Adelaide Bank has received an increase in its credit rating to an "A" rating – the first bank in Australia to receive an increase after the GFC.

Here at Pymont, there is a dedicated board of volunteers working hard to make our community bank profitable (applause in recognition of the efforts of the board and branch staff).

The Regional Manager thanked shareholders for their on-going support as the bank looks forward to increased business. Shareholders were urged to keep spreading the positive story about the Pymont Community Bank to give it the best possible chance over the next 6 months and beyond.

12. Branch Manager's address

In introducing **Costa Karas (Branch Manager)**, the Chairman reminded all that the Bendigo/Adelaide Bank is Australia's 5th largest bank (after the Big "4").

In delivering an updated report as published in the Annual Report, Costa Karas stated that Pymont Community Bank is growing with increasing business revenue, number of customers and accounts.

Majority of business is through deposits; unfortunately deposits alone are not very profitable. The key to success is through the lending products.

Over the next year Pymont will continue to pursue new business and consolidate relationships with its existing customers.

Current initiatives include the "Get On Your Bike" promotion and the Pymont community "Fun Run" to be held next year.

Other initiatives include increased collaboration with other organisations in the area such as the Friends of the Pymont Community Centre and the Pymont Chamber of Commerce (of which Costa is treasurer). Also the relationship with Ultimo Public School and its P&C, the Ultimo Community Garden Group, the Pymont Ultimo Glebe Men's Shed, and Maybanke.

Costa stated that the Bendigo Adelaide Bank has won a few notable accolades throughout the year including business bank of the year 2011 and fairest credit card.

Costa expressed gratitude to the board and the branch staff and thanked Bendigo for its ongoing support and looked forward to creating more benefits for the Pymont community through increased business.

13. Election of Directors & Office Bearers

Elections were conducted for Directors Retiring by rotation:

Mr Charles Perry. Nominated by: Mr Ken Saunders; Seconded by: Mr William d'Anthes. CARRIED

Mrs Margaret Broadbent: Nominated by: Mr Gregory Lovekin; Seconded by: Mr William d'Anthes. CARRIED

Mr Ashley Limbury: Nominated by: Mrs Helen Gavagna; Seconded by Mrs Helen Devoy. CARRIED

Mr Robert Gavagna. Nominated by: Mr William d'Anthes; Seconded by: Mr Ken Saunders. CARRIED

Election of new Director:

Ms Muriel Chen. Nominated by: Mrs Helen Devoy; Seconded by: Mr Gregory Lovekin. CARRIED

Elections were conducted for Office Bearers:

Chairman: Mr Robert Gavagna.
Nominated by: Mr Ken Saunders; Seconded by: Mr Gregory Lovekin. CARRIED

Deputy Chairman/ Deputy Treasurer: Mr Charles Perry.
Nominated by: Mr Ken Saunders; Seconded by: Mrs Helen Devoy. CARRIED

Treasurer: Ms Patricia Strong.
Nominated by: Mrs Heather Marsden; Seconded by: Mr George Kristen. CARRIED

Secretary: Mr Ian Bulluss.
Nominated by: Mr Gregory Lovekin; Seconded by: Mrs Helen Gavagna. CARRIED

14. Presentations

Presentations of \$500 each were given by Director John Marsden to the following local community groups:

1. Glebe Rowing Club (accepted by Mr Brad Smith)
2. Pymont Soccer Clinic (accepted by Mr George Kristen)
3. Ultimo Public School (accepted by Mr William d'Anthes)

15. Close of Meeting

There being no further items, the Chairman thanked all those in attendance for their continuing assistance in supporting the growth of our Pymont Branch of the Bendigo Community Bank.

All present were invited to the next Annual General Meeting tentatively scheduled for 31 October 2013.

Meeting closed 8:16pm - Refreshments were then served.

Signed as a correct record

Robert Gavagna, Chairman:

Dated: 24 January 2013