

Setting up a Community Bank® – FAQ

Role of steering committee

The role of the steering committee, particularly in the early days, is to educate your community about the benefits of the **Community Bank®** concept and the process ahead, seeking their support for the campaign. Once support is achieved, the committee members will incorporate a company and the committee will become the Board of Directors. So you can imagine that running a **Community Bank®** company is very different to running, say, the local football club. It is important to put the time and effort into choosing the right people not only for a steering committee but also for the Board of Directors. A strong leader is also essential.

Consider who these people are within your community. If possible, try to include leaders from a diverse range of interest groups with a good mix of age and gender. Ideally, the committee should be made up of 10 to 15 people who are representative of your community. Work out how best to use the committee's talents and keep them involved. Ensure they are kept abreast of developments.

You may also consider involving the local council and other community leaders from the outset. Even if councillors are not involved in the day-to-day campaign, they may be able to offer valuable assistance by publicly supporting it.

What is a Community Bank® branch?

The **Community Bank®** concept was developed by Bendigo Bank to provide communities with the certainty that banking services and access to funding brings. The basic process is that communities form local publicly owned companies which enter into a commercial franchise to run a Bendigo Bank branch.

Bendigo Bank provides the banking infrastructure and licensing, while the community runs the branch operation and generates customer support in the area.

Together Bendigo Bank and the local community share the revenue, with local surpluses available for reinvestment in the community via grants, sponsorships and dividends to local shareholders.

What form of investment is a Community Bank® branch?

A local entity forms a public company to represent the local community, which raises investment funds locally and acquires the right to run a banking branch.

Does a Community Bank® branch offer full banking services?

Just like any branch of Bendigo Bank, **Community Bank®** branches offer a full range of banking and financial services, including:

- Savings and transaction accounts
- Home loans and personal loans
- Credit cards
- Financial planning
- Insurance
- Business Banking
- Phone and Internet banking

How long does it take for a Community Bank® branch to be profitable?

This varies from site to site. Some branches reach profit in the first 3 to 4 years, while others take longer.

Support from the local community, especially in the first twelve months, means the branch will become profitable sooner.

Can I own shares in my Community Bank® branch?

If your community decides to establish a **Community Bank**[®] branch, you will be able to purchase shares in the local company formed to operate the **Community Bank**[®] branch of Bendigo Bank.

These are shares in the locally-owed company, not Bendigo Bank.

How do I purchase my shares?

Before forming the company, your banking committee seeks pledges of financial support from the community. By making such pledge, you will be indicating your interest in becoming a shareholder of the local company.

Once the committee decides to open a **Community Bank**[®] branch it will form a company which will issue a prospectus. Your application for shares will be made via this prospectus.

How many shares can I buy?

Shares are usually initially offered at \$1.00 per share. Typically local companies seek to issue between 700,000 and 800,000 shares. Applications should be for a minimum of 500 shares, or a greater number in multiples of 100 up to a maximum of 20,000 shares. The prospectus will provide further detail.

It should be noted that no single shareholder can own more than 10% of the company.

Do my shares entitle me to a say in the company?

Again, the prospectus will detail your voting rights in full. However, generally each shareholder is entitled to one vote regardless of the number of shares held.

Will I receive a dividend?

The payment of dividends is decided by the directors of the community company. The purpose of the company is not simply for shareholder return. Subject to

profitability, Directors may decide to use company funds for community or charitable projects and/or in payment of dividends to shareholders.

Can I sell my shares?

Generally ordinary shares are transferable. However, the directors may refuse to register a transfer of shares in certain circumstances.

For example, the directors may refuse to register a transfer that would result in a shareholder holding too large a percentage of the company.

What happens if the Community Company fails?

Shareholder liability is usually limited to the value of their shares. This is explained fully in the prospectus.

The community itself controls the destiny of its own branch. Right from the start, the decision to open a branch is made only after a survey of the local community which identifies an individual's banking intentions.

The survey results form the basis of the business plan. As long as people follow through and support the branch as indicated, there is no reason to suppose the business will not be successful.