

1 May 2010

Dear Shareholder,

Proposed Lindfield Community Bank[®] Branch

The board of Ku-ring-gai Financial Services Limited (KFSL) is exploring the possibility of opening a second Community Bank[®] Branch – in Lindfield.

The purpose of this letter is to acquaint you with this proposal.

Business opportunity

The objective is to expand the operations of KFSL into the southern area of our Ku-ring-gai Municipality by opening a second site, and thereby increasing our community engagement and the scope of our banking services. Lindfield has been chosen as our preferred location as it has a similar demographic profile to Turrumurra, strong shopping precincts, has recently lost the services of a major bank and the adjacent suburbs of Killara and Roseville have no banks at all. The overall area is therefore poorly serviced by the industry and, in our view, would benefit from and support the opening of a second Community Bank[®] branch.

Process

The overall program to assess the viability of this project will follow Bendigo Bank's proven approach to opening new Community Bank[®] branches. Accordingly, it is very similar to the process undertaken when our Turrumurra Community Bank[®] was initially proposed, except that the Lindfield Community Bank[®] branch would be operated by an existing company (KFSL).

Accordingly, the key steps in this process will include establishment of a steering committee; conducting an awareness campaign including requests for indicative pledges of support; engaging an external consultant to conduct a feasibility study; preparing a business plan, and issuing a Prospectus.

We are working with Bendigo Bank, the franchisor of the Turrumurra Community Bank[®], and they are supportive of the project and actively involved.

Establishment of a Lindfield Community Bank[®] branch will involve raising additional share capital from the local community.

Whilst KFSL is probably in a position to meet the costs of opening a second branch from internal cash reserves, the board has decided in favour of the more prudent approach of raising more capital, as we believe that this approach will reduce the risk to existing shareholders. Furthermore, Bendigo Bank usually requires a minimum of 100 new (local) shareholders to allow the second site to be branded as a **Community Bank[®] Branch**. The amount of capital to be raised will be in the order of \$500,000, as we hope to achieve the commitment of more than 200 local shareholders/prospective customers by the conclusion of this overall process.

Please address all correspondence to:
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Phone: (02) 9488 9496 Fax: (02) 9488 8193

Registered Office: 1273 Pacific Highway Turrumurra NSW 2074 ABN 56 103 129 184
Franchisee of Bendigo Bank Limited Fountain Court Bendigo VIC 3550 ABN 11 068 049 178. AFSL No.237 879

Current status

We have formed a steering committee, largely comprising local business leaders and residents, but also including representatives from the KFSL board and management. This committee was formed in October 2009, and is now actively engaging with the community and requesting local residents to pledge their support to become shareholders, business supporters and advocates.

Your board is encouraged by the support shown so far by the Lindfield community. We have already received almost \$100,000 in indicative pledges, even though we have only recently begun to seek formal pledges.

A Public Meeting which will be widely advertised and conducted at Roseville Golf Club on 19 May will be the next major step in this process. You are welcome to attend this meeting and please extend this invitation any friends, relatives or business contacts in the Lindfield area. See www.lindfieldcommunitybank.com.au for more details.

Impact on current Shareholders

As a shareholder in KFSL, you will undoubtedly want to know what effect this proposal and process might have upon the value of your existing shares.

In the event that the Business Plan for this project is approved by KFSL and Bendigo Bank, a 'Lindfield' prospectus would seek to raise new share capital at \$1.00 per share. Before this prospectus is finalised, existing shares in KFSL will therefore need to be valued by an independent professional consultant with appropriate expertise in similar valuations. If the current shares are valued at more than \$1.00 per share, additional bonus shares would then be issued to existing shareholders on a pro rata basis so as to bring the value of all 'pre-Lindfield' shares in KFSL to \$1.00 per share, and thereby establish a pre-condition of parity between existing and new shareholders. Existing KFSL shareholders will also be eligible to apply for additional shares.

We trust that you will appreciate that the board is precluded from providing any indication regarding the value of your existing shares in KFSL at this stage. We recommend that you seek professional advice if you are invited to sell your shares in KFSL prior to completion of the valuation.


On-going communication

We will keep you informed of progress on a regular basis.

In the meantime, if you have any queries regarding these matters, please feel free to write to The Secretary, Ku-ring-gai Financial Services Limited at PO Box 430, Turramurra NSW 2074 or by email to board@turramurracommunity.com.au or call me at any time.

We thank you in anticipation of your continuing support.

Yours sincerely,



David A Langdon
Chairman

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