

2017

Members' Report



**Hume Bank**

Get more from your savings, pay less on loans and cut down on fees.

We offer a real banking alternative to the major banks.

## Strategic Objectives



### Relevance

Applying local knowledge and investing in products and services



### Momentum

Seeking new opportunities and growing our customer base



### Collaboration

Working together with our customers, communities and local suppliers

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## Purpose:

Hume is a customer owned bank that exists to invest in customers and their communities.

## Vision:

To be a successful, trusted bank.



Tony Whiting CHAIRMAN

Hume Bank's vision is to be a successful, trusted bank and I am reporting to members that we have met this aspiration in the 2016 -2017 financial year. As a customer owned bank we are forever cognizant of our responsibilities to all our community stakeholders, including our banking customers and members, the people we do business with in the region and our great employees.

We stand by our purpose of existing to invest in our customers and their communities. It is worth noting our significant contribution to the economic health of the region by way of sponsorships, salaries and other financial expenses including over \$22 million spent in the local economy this year. Our continued success and this level of community support can only be achieved if we profitably meet all the competitive challenges of providing a service that is trusted and valued by our customers.

Therefore it is with some satisfaction that Hume's financial strength continues to grow, notwithstanding the broader economic headwinds and political turbulence. Profit before tax was \$5.73 million, above last year by 7.6% and total member's funds increased to \$71.74 million, up 6.6%. We increased Loans and Advances to \$774.9 million, up 6.2% and held Deposits from members of \$966.1 million, up by 4.6%.

Our profitability is underpinned by the capacity to deliver net interest income and despite the continuing low-interest rate regime, we increased net interest

## Chairman's Report (2017)

income by 4.9% to \$23.7 million. I can only congratulate David Marshall and all his team for their stewardship of our Bank in maintaining our momentum and relevance to our market.

It is a privilege to be a part of the Hume Bank and as a relative newcomer I must thank the Board and Management for their help and guidance over the past year. Our past Chairman, Michael Gobel has been especially supportive and I thank Michael for his continuing help and service as Deputy Chairman. We, as a Board, have experienced some major renewal over the past 12 months with two long-standing Directors retiring, being Joy Stocker and Ulf Ericson, who sadly passed away last December. Their contribution to Hume has been exceptional and their colleagues will miss their corporate memory and dedicated service. Both Paul McGill and Kerry Grigg were subsequently appointed to the Board and come with excellent credentials to add value to our decision-making. I would also like to especially thank Melissa Ralph, our Company Secretary, for her help and guidance during the Board renewal process of recent years.

The Hume Board have set some aspirational targets for the Executive group to meet in the year ahead with the objective of continuing to build value for our members. I believe that David Marshall and his executive and staff are up to the challenges of banking in the fast changing digital world and I look forward to reporting on Hume Bank's progress this time next year.



David Marshall CEO

“We continue to invest over \$22m in the communities in which we operate directly and indirectly with our buy local focus. We use 200 local suppliers and businesses which support our local communities and their economies.”

## CEO's Report (2017)

I am delighted to present this year's CEO's report after another very busy and successful year for Hume Bank. Hume has experienced another strong year and the foundations remain strong. The stability we've created is no accident – it exists because of the unique relationship we have with our customers and the products and services we provide to enable our customers to bank with ease when, where and how they wish.

Hume continues to progress its strategic plan built around three key pillars of building momentum, maintaining relevance to our customers and collaborating with our key stakeholders. We continue to monitor the operating

environment and remain ready to course correct our strategy in an agile and nimble fashion should we be required to do so.

Our approach to banking continues to help us grow despite a challenging economic environment and increasing competition. This year our customer base grew to 61,122, we saw our loan book reach \$774.9 million, a 6.2% increase on the previous year. Our operating profit was above 2016 levels at \$5.73m, increasing by 7.6%. This is in part due to our improved lending performance but also ensuring our business is efficient and that our products and services are competitive. We also believe our customers need to be protected and in 2017 over 10,000 customers were covered through our partnerships with leading insurers. Hume also improved upon last year's financial metrics of revenue, capital, cost to income, and ROA (return on assets). These results were achieved despite some significant regulatory and economic headwinds.

“Hume improved upon last year's financial metrics this is important to ensure we can continue to invest in products and services for our customers. Whilst Hume's foundations are strong, we are committed to ensuring that we remain relevant to our customers.”

Taken together, these results show that we're performing well as a bank, both in terms of our financial position and our commitment to investing in our customers and their communities. However, Hume operates in a highly competitive market, being able to cater for the continued changes in customers' preferences towards greater use of digital / online channels is critical. Hume is meeting this challenge head on in an open minded and progressive fashion, providing our customers choice and

allowing them to do their banking where, when and how they wish with ease, creating a next generation customer experience.

The regulatory and economic landscape remains challenging however the recent senate inquiry into mutuals and customer – owned firms demonstrated a great opportunity to build the level of knowledge and understanding our politicians have about our sector.

We need to be persistent to ensure our needs are taken into consideration when government makes final policy decisions. Indications are that a more level playing field between customer owned banks and big banks is not far away; again the winner here will be customers.

“We continue to partner with like-minded organisations to provide improvements in our products and services to ensure our customers can do their banking with ease where, when and how they wish.”

We should be pleased with what we've achieved but I want to see us focus beyond the balance sheet to how well we're serving our customers where, when and how they wish. That's where we will remain relevant.

The continued success of Hume is attributed to the commitment and service excellence provided by our staff and I thank them for their efforts and their dedication throughout the year.

## Key initiatives



Flagship Olive Street branch underwent a refurbishment, reopening as a new look, integrated one-stop shop with a strong digital focus and more open layout. Over 30 local suppliers assisted in the refurbishment.



Replacement of entire ATM fleet improving convenience and ease in customer banking.



Launched new customer centric website, humebank.com.au, online banking and App, which was co-designed with 1,300 customers.



Launched online lending platform to allow customers to apply for loans online without attending a branch, as well as online loan redraw capability.



Expanded our mortgage broker network, again allowing customers to access their banking needs where, when and how they wish.



Completed a core banking system upgrade to deliver greater flexibility and capability to extend our products and services in a more agile fashion.



Early adoption of the PEXA e-settlement platform for home loan settlements.



Expanded our mobile lending capability to allow customers to enjoy easier access and convenience.



Significantly invested in our capability to build leadership and development to equip staff with practical tools so they can make a positive difference in the workplace.



Our new website and App received national awards. We are also a finalist in the International Banker 2017 Banking Awards run by Financial Publishing Ltd.

## Our Local Board



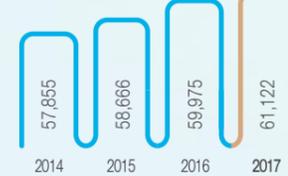
L → R  
 Kay Thawley  
 Tony Whiting, Chairman  
 Kerry Grigg  
 Joy Stocker (retired June 2017)  
 Michael Gobel, Deputy Chairman  
 Leo O'Reilly  
 Henrietta Cruddas  
 Paul McGill



Profit growth  
(4 years)



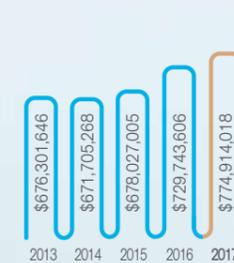
Customer number growth  
(4 years)



Total Deposits (\$m)



Total Loans (\$m)



Total Assets (\$m)



## Executive Management Team



"We are building a next generation community banking experience that combines the right technologies with the best face to face customer service."

L → R  
 David Marshall Chief Executive Officer  
 Alison Eaton Executive Manager - People and Capability  
 Jarrod O'Neill Executive Manager - Finance  
 David Rowe Executive Manager - Information Technology  
 Jason Woolhouse - Executive Manager Digital Services  
 Melissa Ralph Executive Manager - Change Governance / Company Secretary  
 Carly Brown Executive Manager - Sales and Service  
 Tyler Peachey Executive Manager - Credit  
 Alison Prentice Executive Manager - Enterprise, Risk & Compliance  
 Andrew de Graaff - Chief Customer Officer

## Customer convenience



Customers can do business with us however they choose – online, digitally, through branch, on the phone or stay up to date and interact with us via our social media channels.

## Save time, go online

We're committed to developing award winning digital capabilities for our customers.

Hume's website has won the "Award of Excellence" for general banking, "Award of Distinction" for user interface and the "Award of Distinction" for user experience in the 23rd Annual Communicator Awards. And was also awarded silver in the 2017 Melbourne Design Awards held by DRIVENxDESIGN, 'Digital – FinTech'.

Alongside our online credit card, personal and home loan applications, we have also launched a new responsive iBank which was shaped by 1,300 customers.

Our new App features modern interface, card management capabilities and fingerprint recognition. Customers can also personalise their accounts and savings goals with their own photos.

This year we're launching a new local contact centre which will provide a more personalised, consistent and quicker way to support our customers.



## Manage your cards

Hume's App gives you the ability to manage your cards by locking your card when it's misplaced or cancelling it when it's lost. Change your PIN, activate or reorder a brand new card.



## A move worth making



Our mobile lenders can take you through your options, whether you're buying your first or second home, investing in a property, refinancing, building, or renovating, they are here ready to help.



## Essential banking everyday

We help our customers every day so they can transact, save, borrow and protect; how they want, when they want and where they want. Essential banking is all about having needs based conversations with our customers at branch and offering enhanced convenience via our contact centre, digital channels and self-service options to make their lives easier.



## Never more relevant

We are responding to the needs of our customers today, while being flexible enough to respond to the world of tomorrow. The open-plan design of our Olive Street, Jindera and Wodonga Place branches reinvents Hume's customers' experience. It's a new way our customers can interact with us to ensure we remain relevant to their emerging needs, by delivering all the banking essentials seamlessly.



# Over \$22m into the local economy

Hume Bank is owned by its customers and the community - they are at the heart of everything we do. We use over 200 local suppliers and businesses to support important economic activity in the region every year. We also offer an exclusive workplace package to employees of our local businesses.

Community groups, charities and local events receive assistance through sponsorship, donations and in-kind support. Non-for-profit organisation groups can also participate in our Community Rewards Program to raise additional cash for their causes.



## Hume Bank City2City

We are passionate about Hume Bank City2City and that's why we have put our name behind it for the 3rd year running. Over 4,000 participants ran or walked to raise \$110,000 for the Albury-Wodonga Maternity Unit and Special Care Nursery.



## Big Splash

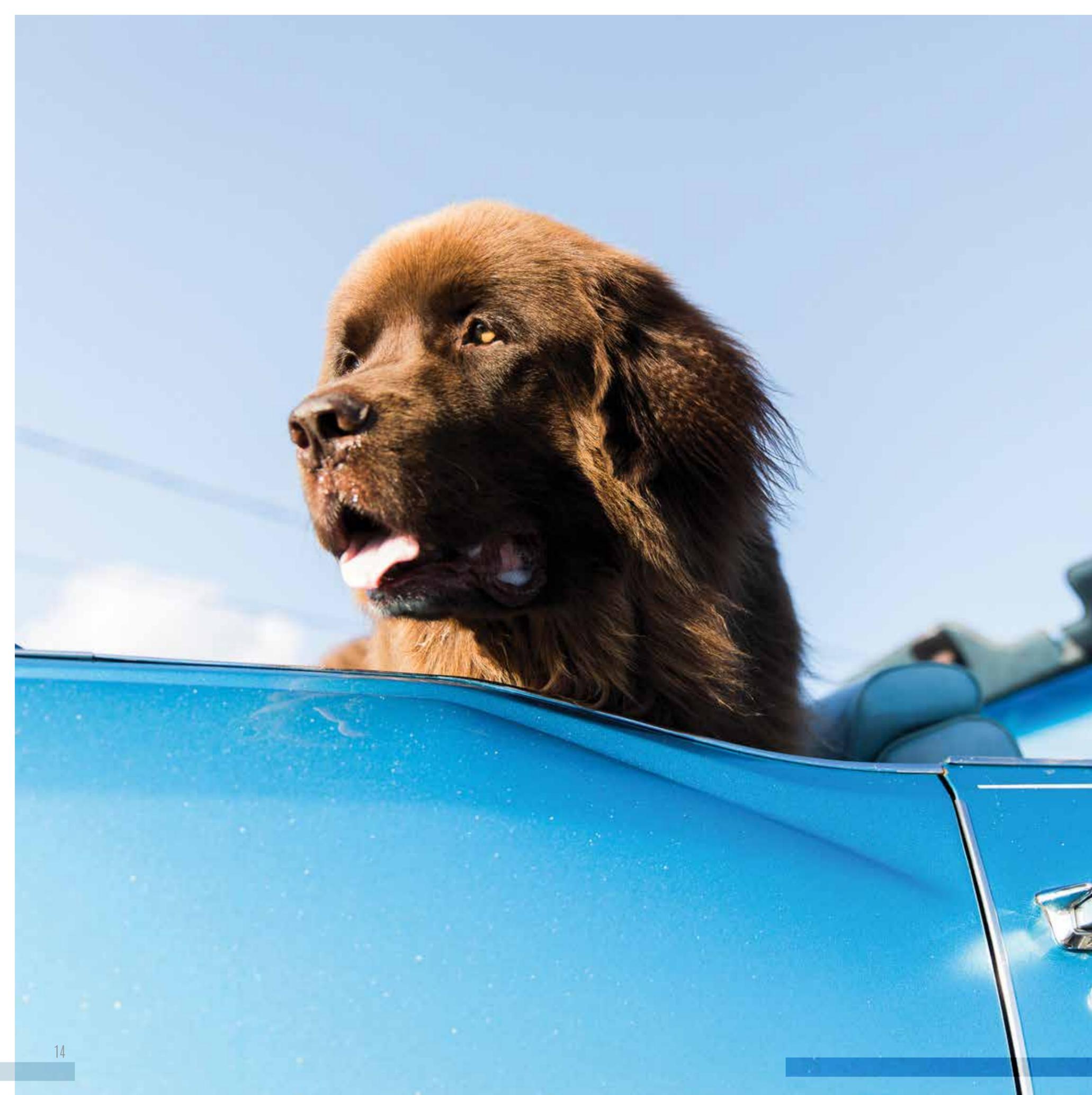
The Big Splash is a major swimming fundraiser family event for mental health. We're proud to be a major sponsor for the last 3 years, with \$11,000 raised for headspace Albury Wodonga and Survivors of Suicide and Friends.



## Hume Bank Charity Evening

Over 300 guests attended the Regent Cinema to hear from internationally recognised body image activist Taryn Brumfitt and watch her documentary, EMBRACE. \$10,000 was raised for the Women's Centre of Health and Wellbeing Albury Wodonga, "Lioness Program."





## Summarised Financial Report

for the year ended 30 June 2017

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Consolidated Statement of Profit or Loss  
and Other Comprehensive Income

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Independent Audit Report

Hume Bank Limited  
ABN 85 051 868 556  
AFSL No. 244248  
Australian Credit Licence No. 244248

## Basis of Preparation of Summarised Financial Statements

These summary financial statements have been extracted from the full audited financial report of Hume Bank Limited for the year ended 30 June 2017.

The Directors have extracted the following statements from the full audited financial report:

- › Consolidated Statement of Profit or Loss and Other Comprehensive Income
- › Consolidated Statement of Financial Position
- › Consolidated Statement of Cash Flows

for inclusion in the summary financial statements, on the basis that this is the most relevant information to the users of these statements.

The summarised financial results for the year ended 30 June 2017 have been prepared in accordance with the framework concepts and the recognition and measurement requirements of Australian Accounting Standards. The auditors' report on the full financial report is unmodified.

The summary financial statements do not contain sufficient information to allow as full an understanding of the results and affairs of the Group as is provided in the full audited financial report. The 2017 Annual report containing the full audited financial report is available on the Hume Bank Limited website.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

|   | 2017<br>\$'000 | 2016<br>\$'000 |
|---|----------------|----------------|
| <b>Interest income</b>  |                |                |
| Interest revenue  | 39,776         | 40,644         |
| Interest expense  | (16,074)       | (18,048)       |
| Net interest income   | 23,702         | 22,596         |
| <b>Non-interest income</b>  |                |                |
| Fees and commissions from non-customers                                   | 2,768          | 2,716          |
| Fees and commissions from customers                                       | 1,721          | 1,540          |
| Other non-interest income   | 405            | 206            |
| Total non-interest income   | 4,894          | 4,462          |
| Total operating income  | 28,596         | 27,058         |
| <b>Operating expenses</b>   |                |                |
| Personnel costs   | (11,684)       | (11,317)       |
| Occupancy costs   | (2,364)        | (2,346)        |
| ATM, Eftpos & electronic transaction processing costs                     | (2,316)        | (1,932)        |
| Depreciation and amortisation   | (1,186)        | (1,218)        |
| Information technology expenses   | (1,489)        | (1,244)        |
| Marketing expenses  | (952)          | (970)          |
| Other operating expenses  | (2,860)        | (2,742)        |
| Total operating expenses  | (22,851)       | (21,769)       |
| Impairment of loans and advances  | (115)          | 35             |
| Operating profit before fair value adjustments                            | 5,630          | 5,324          |
| Fair value adjustments  | 99             | -              |
| <b>Profit before income tax</b>   | 5,729          | 5,324          |
| Income tax expense  | (1,791)        | (1,617)        |
| <b>Profit for the year</b>  | 3,938          | 3,707          |
| <b>Other comprehensive income, net of tax</b>                             |                |                |
| <u>Items that will not be reclassified subsequently to profit or loss</u> |                |                |
| Revaluation of property   | 503            | -              |
| <u>Items that may be reclassified subsequently to profit or loss</u>      |                |                |
| Change in fair value of cash flow hedges                                  | (10)           | (50)           |
| <b>Other comprehensive income, net of tax</b>                             | 493            | (50)           |
| <b>Total comprehensive income for the year attributable to members</b>    | 4,431          | 3,657          |

The consolidated statement of profit or loss and other comprehensive income has been extracted from the annual statutory financial statements.

## Consolidated Statement of Financial Position

as at 30 June 2017

|   | 2017<br>\$'000   | 2016<br>\$'000   |
|---|------------------|------------------|
| <b>Assets</b>                                     |                  |                  |
| Cash and cash equivalents                         | 46,807           | 41,861           |
| Receivables due from other financial institutions | 55,631           | 63,019           |
| Investment securities                             | 160,375          | 157,203          |
| Trade and other receivables                       | 2,518            | 2,831            |
| Derivative financial instruments                  | -                | -                |
| Loans and advances                                | 774,914          | 729,744          |
| Other investments                                 | 204              | 204              |
| Investment property                               | 1,770            | 1,746            |
| Property, plant and equipment                     | 7,781            | 6,201            |
| Intangible assets                                 | 758              | 520              |
| Deferred tax assets                               | 1,092            | 1,249            |
| <b>Total assets</b>                               | <b>1,051,850</b> | <b>1,004,578</b> |
| <b>Liabilities</b>                                |                  |                  |
| Deposits  | 966,078          | 923,336          |
| Trade and other payables                          | 9,411            | 9,277            |
| Derivative financial instruments                  | 15               | -                |
| Income tax payable                                | 298              | 88               |
| Deferred tax liabilities                          | -                | -                |
| Provision for employee benefits                   | 2,307            | 2,567            |
| Borrowings  | 2,000            | 2,000            |
| <b>Total liabilities</b>                          | <b>980,109</b>   | <b>937,268</b>   |
| <b>Net assets</b>                                 | <b>71,741</b>    | <b>67,310</b>    |
| <b>Members' funds</b>                             |                  |                  |
| Reserves  | 3,569            | 2,995            |
| Retained earnings                                 | 68,172           | 64,315           |
| <b>Total members' funds</b>                       | <b>71,741</b>    | <b>67,310</b>    |

The consolidated statement of financial position has been extracted from the annual statutory financial statements.

## Consolidated Statement of Cash Flows

for the year ended 30 June 2017

|  | 2017<br>\$'000  | 2016<br>\$'000 |
|--|-----------------|----------------|
| <b>Cash flows from operating activities</b>                                  |                 |                |
| Interest received  | 39,861          | 40,505         |
| Interest paid  | (16,101)        | (18,780)       |
| Other non-interest revenue received  | 4,545           | 4,468          |
| Cash paid to suppliers and employees   | (21,468)        | (20,399)       |
| Fees and commissions paid  | (44)            | (27)           |
| Income tax paid  | (1,420)         | (1,653)        |
|  | <b>5,373</b>    | <b>4,114</b>   |
| <i>(Increase)/decrease in operating assets:</i>                              |                 |                |
| Net (increase)/decrease in loans and advances                                | (45,285)        | (51,682)       |
| Net increase/(decrease) in deposits  | 43,069          | 49,623         |
| <b>Net cash flows from operating activities</b>                              | <b>3,157</b>    | <b>2,055</b>   |
| <b>Cash flows from investing activities</b>                                  |                 |                |
| Net (increase)/decrease in receivables due from other financial institutions | 3,000           | 16,000         |
| Net (increase)/decrease in investments securities                            | (14,977)        | (20,065)       |
| Payments for property, plant and equipment                                   | (1,815)         | (469)          |
| Proceeds from sale of property, plant and equipment                          | 10              | 4              |
| Payments for intangible assets   | (624)           | (267)          |
| Payments for investment property   | -               | -              |
| <b>Net cash flows from investing activities</b>                              | <b>(14,406)</b> | <b>(4,797)</b> |
| <b>Cash flows from financing activities</b>                                  |                 |                |
| Proceeds from borrowings   | -               | -              |
| <b>Net cash flows from financing activities</b>                              | <b>-</b>        | <b>-</b>       |
| <b>Net increase/(decrease) in cash held</b>                                  | <b>(11,249)</b> | <b>(2,742)</b> |
| Cash at the beginning of the financial year                                  | 234,018         | 236,760        |
| <b>Cash at the end of the financial year</b>                                 | <b>222,769</b>  | <b>234,018</b> |

The consolidated statement of cash flows has been extracted from the annual statutory financial statements.

## Directors' Declaration

In the opinion of the directors of Hume Bank Limited ('the Company'), the accompanying summarised financial statements of the Company for the year ended 30 June 2017 set out in pages 16 to 19:

1. Have been derived from or are consistent with the full audited financial report for the year ended 30 June 2017; and
2. Do not contain all the disclosures required by Australian Accounting Standards, *the Corporations Act 2001*, *Corporations Regulations 2001* and International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Hume Bank Limited.

Signed in accordance with a resolution of Directors:

Anthony Whiting  
Chairman

Michael Gobel  
Deputy Chairman

Albury, 17 August 2017



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## Independent auditor's report to the members of Hume Bank Limited

### *Report on the summarised financial statements*

#### *Opinion*

The accompanying summarised financial statements, which comprise the summary statement of financial position as at 30 June 2017, the summary statement of profit or loss and other comprehensive income and summary cash flow statement for the year then ended, are derived from the audited financial report of Hume Bank Limited (the Company) for the year ended 30 June 2017.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial report, on the basis described on page 16 of the summarised financial statements.

#### *Summary financial statements*

The summarised financial statements do not contain all the disclosures required by Australian Accounting Standards, *Corporations Act 2001* and *Corporations Regulations 2001*. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

#### *The audited financial report and our report thereon*

We expressed an unmodified audit opinion on the financial report in our report dated 17 August 2017.

#### *Director's responsibility for the Summary Financial Statements*

The Directors of the Company are responsible for the preparation of a summary of the audited financial report on the basis described on page 16 of the summarised financial statements.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.

CROWE HORWATH ALBURY

DAVID MUNDAY  
Partner

Dated at Albury, 17 August 2017

*Crowe Horwath Albury is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.*

# Hume Bank

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