

# Members' Report 2018



**Hume Bank**

## Purpose

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

## Vision

To be a successful, trusted bank.

## 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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“Hume Bank continues to enrich the community, create wealth and prosperity and empower people to do amazing things through banking.”

## Key Initiatives



Launched Wodonga Place Flagship branch to suit emerging needs of customers and Head Office open plan refurbishment to promote team collaboration.



Invested in our lending capability and halved time in credit decision making so customers can get in their homes sooner.



Upgraded our online banking channel to support NPP, launched Osko and Pay ID so customers can make payments instantly by using a mobile number or email address.



Significant customer survey undertaken by Vision critical research to gain valuable feedback from customers so we can continue to improve our products and services.



Launched new Hume Bank Active Band to coincide with major Hume Bank City2City event providing participants and customers a convenient contactless payment option 'on the go'.

LOANS & ADVANCES

**\$832m**

DEPOSITS

**\$1.02b**

LOAN APPROVALS

**\$211m**

OPERATING PROFIT BEFORE TAX

**\$6.01m**

TOTAL CUSTOMERS

**61,504**

TOTAL ASSETS

**\$1.10b**



Tony Whiting, Chairman and Stephen Capello, CEO

# Chairman and CEO's Report 2018

“Hume Bank achieved positive results with its key strategic plan, by building momentum, maintaining relevance to our customers and collaborating with key stakeholders.”

## Locally owned and operated

Hume Bank continues to deliver on its strategic objectives of relevance, momentum and collaboration to ensure another successful and positive year. Our customer base grew to 61,504 and assets reached \$1.10bn.

Hume's responsibility to its customers is to be a trusted and unquestionably strong bank and despite a tough market we are maintaining momentum with the core purpose of our business. Deposits grew to \$1,016.4m and lending growth continued with loan and advances at \$831.8m, a 7.34% increase over the year prior as we put more local residents on the path to home ownership.

Given the current challenges of a tightening regulatory and economic environment, we again produced solid results with operating profit before tax increasing by 4.97% on the prior year to \$6.01m. The strength of these results have contributed to a net asset position of \$75.8m representing a 5.6% increase to the benefit of our customer owners.

## Contributing to our customers

Our purpose remains unchanged: Hume is a customer-owned bank that exists to invest in its customers and their communities. Our intent is to support our customers to prosper and succeed at every stage of their lives. With this in mind, we aspire to provide great services and products and utilise technology to support our staff to provide an exceptional customer experience.

Knowledge and understanding of our market, our competitors and more importantly the needs of our customers is one of Hume's key strengths. One of our key capabilities is being close to our communities and our customers through our friendly and accessible branch network but we also undertake comprehensive customer surveys to further understand customers' needs. It is pleasing to accept the accolades of a 'trusted', 'friendly' and a 'well loved' brand, however we are absolutely committed to further developing our business to meet the ever-changing needs of our marketplace.

## Delivering results for our customers

To reinforce the need to meet the changing banking habits of our customers we invested significant capital to ensure our branches continue to evolve to anticipate and fulfil customer's needs. The launch of the Wodonga Place flagship branch reinvented how customers interact with us in a more open-plan layout. Head Office also undertook a refurbishment with a modern open-plan design to promote teamwork and collaboration, making it easier for staff to work together and share ideas.

Our locally based contact centre was launched to provide a quicker, more personalised and more consistent way to support customers. We also invested in our lending capability to halve turn-around times on making a credit decision, which ensures we are confidently helping customers get into their homes sooner.

Digital banking continues to grow with online transactions increasing 16.83% from the previous year. With an ongoing focus on improving online services, customers are now able to order a Visa debit card via iBank at the same time as opening a new account. A new iBank login page was also designed, based on customer feedback, to improve user-ability and notification services. An upgrade to our mobile app ensured we could support the New Payments Platform. The launch of Osko by BPAY was a great achievement and milestone for Hume Bank. Now, payments can be made instantly via PayID to an email address or mobile number.

## Community focused

We actively engage the community and seek to support grass-roots developments and initiatives. This year was the first year of our annual Life Tech Challenge that aims to drive innovation in the region. Our passion to make a difference in our region continues by supporting a series of community health initiatives, including the sixth year of the Hume Bank City2City Run Walk, which also coincided with the launch of our Active Band – an innovative contactless payment option for customers.

A deeper collaboration with HotHouse Theatre saw Hume Bank as Principal Partner and the renaming of its artistic home to 'Hume Bank Butter Factory Theatre'. This partnership will assist HotHouse to continue to develop and present world-class contemporary theatre for Albury-Wodonga and surrounds.

## Planning for the future

Hume understands the challenges to succeed in a fast-changing world. With a long and successful history and a strong financial foundation we will continue to develop our customer experience and be a solid and trusted contributor to our member's wellbeing.

We recognise the need to meet the expectations of the marketplace as an ethical financial institution that is unquestionably strong. We believe we have the leadership and the capacity to meet these requirements.

This year Stephen Capello was appointed as CEO following David Marshall's resignation. Stephen comes to Hume with significant banking knowledge and enthusiasm to lead a renewed and optimised business strategy.

Our thanks to the Board of Directors who have delivered another successful year on behalf of customers. Further thanks to Andrew de Graaff, who took up the mantle of Acting CEO, and Melissa Ralph as Deputy CEO, for successfully maintaining the momentum of the organisation in the latter half of the year.

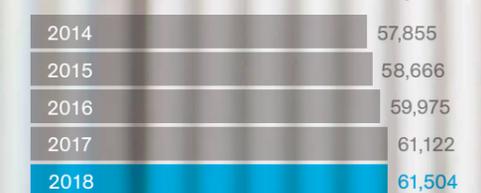
However it is the absolute dedication of all of our executive and staff who everyday deliver on the expectations of their leaders and their customers. The continued growth of Hume Bank is a tribute to their contribution.

Finally, it is our promise to understand our customers and their ever-developing needs. We commit to delivering products of value and to provide exceptional service so to enhance and improve the lives of our customers. As our customers grow, so does Hume Bank.

## Profit Growth (5 years)



## Customer Number Growth (5 years)



## Total Deposits (\$m)



## Net Loan & Advances (\$m)



## Total Assets (\$m)



# Our Local Board



Kay Thawley  
 Tony Whiting, Chairman  
 Leo O'Reilly  
 Henrietta Cruddas  
 Kerry Grigg  
 Michael Gobel, Deputy Chairman  
 Paul McGill

# Executive Management Team



Stephen Capello Chief Executive Officer  
 Andrew de Graaff Chief Customer Officer  
 Alison Prentice Executive Manager Enterprise Risk & Compliance  
 Carly Brown Executive Manager Sales & Service  
 David Rowe Executive Manager Information Technology  
 Jarrod O'Neill Executive Manager Finance  
 Jason Woolhouse Executive Manager Digital Services  
 Melissa Ralph Executive Manager Change Governance / Company Secretary  
 Tyler Peachey Executive Manager Credit





## Make yourself at Hume

We care about our customers and the communities they live in – because we live there, too. Which is why we're here to help you invest and buy, protecting your needs along the way. And why we always support home-grown organisations. We think you should be rewarded for your loyalty; not shareholders. That's why we don't have any. We're customer-owned, and we've always been that way. Because we believe people shouldn't invest in their banks: it should be the other way around. So, whether you're saving for the home of your dreams or starting the family business; we're here for you.

It's our customers who make us who we are.  
And at Hume, we're more than just a bank.

## Locations on Dean Street, Reid Street, and Easy Street

At Hume, we pride ourselves on offering all the benefits of local banking, with the convenience of a national bank. So we've worked hard to make sure we're in all the places you live, work and play. Apply for home loans, credit cards, and insurance at home or on-the-go 24/7 through iBank and the Hume App. Split bills, pay invoices, or send money to family in real-time using Osko, a new digital way to pay that's as fast as cash – without the hassle. Or, ditch your wallet and make payments hands-free with our Hume Bank Active Band. And with local branches in Albury, Wodonga, Wangaratta, Wagga Wagga and surrounds; one of our friendly faces is never far away.

So, no matter where your busy schedule takes you, we'll be right there.





The growth we care most about is yours

You trust your bank each and every day to keep your precious finances safe. So, it's only right that it should care about your personal well-being, too. We've made a special commitment to connect regional societies to the mental health resources they need. Experiences like our sold-out charity event for local support group North East Eating Disorders (NEEDS) join mental health advocates directly with members of our community. And the funds we've raised for Albury-Wodonga Headspace and the Survivors of Suicide (& Friends) through our annual Albury-Wodonga Big Splash go directly to support those we care about. Because we don't believe access to vital healthcare services should depend on your postcode.

## Because even our first dollar had to come from somewhere

At Hume, we're no strangers to starting small, then building something great. It's in our DNA. This innovative spirit is just one of the reasons why regional Australia is such a wonderful place to call home. (Trust us, we know.) We also know that improving our standard of living without big city resources can be difficult. That's why we've created our Life Tech Challenge, an initiative that fosters ideas on using technology to make life better in our communities. Plus, a prize of \$10,000 and industry mentorship to get the winning concept off the ground.

Because the 'next big thing' always begins with a helping hand.

# We're building a different kind of trust fund

They say it takes a village to raise a child. We think it takes an involved, nimble bank to nurture a community. Creating long-lasting ties to our locals is important, because as our community grows, we want to do so alongside it. That's why we're the founding sponsor of the Hume Bank City2City Run Walk and have helped build the Border Trust Community Foundation from the ground up. We continue to partner with these organisations on a daily basis. It's also why we've just celebrated ten years in partnership with the Regent Cinema. And why our newly minted principal sponsorship of the HotHouse Theatre has awarded us naming rights – now known as the Hume Bank Butter Factory Theatre. It all goes to show that when we partner with local organisations that make a difference, together, we make an impact that lasts.

keyourownplans



## A bank that has heart (over 61,000 in fact)

There's a human touch in everything we do. You could say it's what sets us apart from the rest. Behind our 16 local branches and 24/7 online presence, we're powered by a resilient Hume community. Whether it's launching regional businesses, supporting local charities, or creating diverse career opportunities for our staff, we've always been in the business of championing our hometown heroes. And as we continue to evolve, while our industry may change, our commitment to our community and compassion for our people won't. Because that's at the core of who we are, and who we've always been – a bank of the people, for the people.



# Summarised Financial Report

For the year ended 30 June 2018

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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 2018.

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 2018 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 2018 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 2018

|   | 2018<br>\$'000  | 2017<br>\$'000 |
|---|-----------------|----------------|
| <b>Interest income</b>  |                 |                |
| Interest revenue  | 41,368          | 39,776         |
| Interest expense  | (15,605)        | (16,074)       |
| Net interest income   | <u>25,763</u>   | 23,702         |
| <b>Non-interest income</b>  |                 |                |
| Fees and commissions from non-customers                                   | 2,839           | 2,768          |
| Fees and commissions from customers                                       | 2,132           | 1,721          |
| Other non-interest income   | 401             | 405            |
| Total non-interest income   | <u>5,372</u>    | 4,894          |
| Total operating income  | <u>31,135</u>   | 28,596         |
| <b>Operating expenses</b>   |                 |                |
| Personnel costs   | (12,432)        | (11,684)       |
| Occupancy costs   | (2,312)         | (2,364)        |
| ATM, Eftpos & electronic transaction processing costs                     | (2,854)         | (2,316)        |
| Depreciation and amortisation   | (1,362)         | (1,186)        |
| Information technology expenses   | (1,888)         | (1,489)        |
| Marketing expenses  | (943)           | (952)          |
| Other operating expenses  | (3,084)         | (2,860)        |
| Total operating expenses  | <u>(24,875)</u> | (22,851)       |
| Impairment of loans and advances  | (247)           | (115)          |
| Operating profit before fair value adjustments                            | <u>6,013</u>    | 5,630          |
| Fair value adjustments  | -               | 99             |
| <b>Profit before income tax</b>   | <u>6,013</u>    | 5,729          |
| Income tax expense  | (1,830)         | (1,791)        |
| <b>Profit for the year</b>  | <u>4,183</u>    | 3,938          |
| <b>Other comprehensive income, net of tax</b>                             |                 |                |
| <u>Items that will not be reclassified subsequently to profit or loss</u> |                 |                |
| Revaluation of property   | (159)           | 503            |
| <u>Items that may be reclassified subsequently to profit or loss</u>      |                 |                |
| Change in fair value of cash flow hedges                                  | 10              | (10)           |
| <b>Other comprehensive income, net of tax</b>                             | <u>(149)</u>    | 493            |
| <b>Total comprehensive income for the year attributable to members</b>    | <u>4,034</u>    | 4,431          |

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 2018

|   | 2018<br>\$'000   | 2017<br>\$'000   |
|---|------------------|------------------|
| <b>Assets</b>                                     |                  |                  |
| Cash and cash equivalents                         | 46,938           | 46,807           |
| Receivables due from other financial institutions | 39,992           | 55,631           |
| Investment securities                             | 172,352          | 160,375          |
| Trade and other receivables                       | 1,258            | 2,518            |
| Derivative financial instruments                  | -                | -                |
| Loans and advances                                | 831,791          | 774,914          |
| Other investments                                 | 204              | 204              |
| Investment property                               | 1,770            | 1,770            |
| Property, plant and equipment                     | 7,909            | 7,781            |
| Intangible assets                                 | 748              | 758              |
| Deferred tax assets                               | 1,148            | 1,092            |
| <b>Total assets</b>                               | <b>1,104,110</b> | <b>1,051,850</b> |
| <b>Liabilities</b>                                |                  |                  |
| Deposits  | 1,016,352        | 966,078          |
| Trade and other payables                          | 9,309            | 9,411            |
| Derivative financial instruments                  | -                | 15               |
| Income tax payable                                | 391              | 298              |
| Deferred tax liabilities                          | -                | -                |
| Provision for employee benefits                   | 2,282            | 2,307            |
| Borrowings  | -                | 2,000            |
| <b>Total liabilities</b>                          | <b>1,028,334</b> | <b>980,109</b>   |
| <b>Net assets</b>                                 | <b>75,776</b>    | <b>71,741</b>    |
| <b>Members' funds</b>                             |                  |                  |
| Reserves  | 3,494            | 3,569            |
| Retained earnings                                 | 72,282           | 68,172           |
| <b>Total members' funds</b>                       | <b>75,776</b>    | <b>71,741</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 2018

|  | 2018<br>\$'000  | 2017<br>\$'000  |
|--|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                  |                 |                 |
| Interest received  | 41,504          | 39,861          |
| Interest paid  | (15,515)        | (16,101)        |
| Other non-interest revenue received  | 5,280           | 4,545           |
| Cash paid to suppliers and employees   | (23,670)        | (21,468)        |
| Fees and commissions paid  | (51)            | (44)            |
| Income tax paid  | (1,797)         | (1,420)         |
|  | <b>5,751</b>    | <b>5,373</b>    |
| <i>(Increase)/decrease in operating assets:</i>                              |                 |                 |
| Net (increase)/decrease in loans and advances                                | (57,124)        | (45,285)        |
| Net increase/(decrease) in deposits  | 51,489          | 43,069          |
| <b>Net cash flows from operating activities</b>                              | <b>116</b>      | <b>3,157</b>    |
| <b>Cash flows from investing activities</b>                                  |                 |                 |
| Net (increase)/decrease in receivables due from other financial institutions | 2,023           | 3,000           |
| Net (increase)/decrease in investments securities                            | (10,027)        | (14,977)        |
| Payments for property, plant and equipment                                   | (1,239)         | (1,815)         |
| Proceeds from sale of property, plant and equipment                          | 65              | 10              |
| Payments for intangible assets   | (472)           | (624)           |
| <b>Net cash flows from investing activities</b>                              | <b>(9,650)</b>  | <b>(14,406)</b> |
| <b>Cash flows from financing activities</b>                                  |                 |                 |
| Proceeds from borrowings   | (2,000)         | -               |
| <b>Net cash flows from financing activities</b>                              | <b>(2,000)</b>  | <b>-</b>        |
| <b>Net increase/(decrease) in cash held</b>                                  | <b>(11,535)</b> | <b>(11,249)</b> |
| Cash at the beginning of the financial year                                  | 222,769         | 234,018         |
| <b>Cash at the end of the financial year</b>                                 | <b>211,234</b>  | <b>222,769</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 2018 set out in pages 18 to 21:

1. Have been derived from or are consistent with the full audited financial report for the year ended 30 June 2018; 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, 23 August 2018

## Report of the Independent Auditor on the Summary Financial Statements

### To the Members of Hume Bank Limited

#### Opinion

The accompanying summary financial statements, which comprise the summary consolidated statement of financial position as at 30 June 2018, the summary consolidated statement of profit or loss and other comprehensive income and summary consolidated 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 2018.

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 18 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 23 August 2018.

#### Directors' 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 18 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

**23 August 2018**  
Albury

# Hume Bank

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