

Members' Report 2016



Hume 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

We believe in local knowledge and expertise

Throughout the years, we've put our success down to understanding what locals want, better than any other bank. But of course, that's not hard to do when you're a local too.



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"Our focus on remaining relevant to our customers by investing in products and services, is our absolute priority".



David Marshall
CEO

Michael Gobel
Chairman

Chairman and CEO's Report (2016)

It has been year of substantial progress and momentum for Hume Bank. We are delighted to report we have achieved organic growth across Hume in all key areas and are building a solid foundation for continued strong performance. We achieved strong growth and continued to provide competitive interest rates, products and services for the benefit of our highest priority – our customers.

The 2016 financial year represented a very strong year for Hume Bank.

Hume Bank announced a \$5.3 million pre-tax operating profit for the financial year ending June 30, 2016.

This was a very pleasing result given the competitive market and economic conditions. Although Hume's goal isn't to maximise profit, we must still maintain strong profitability to invest in products

and services, while supporting important community causes and meeting prudential requirements.

These investments ensure that we can provide the ability for our customers to do business with us however and whenever they choose – online, through a branch, home lender, on the phone or in person in a seamless fashion. Our focus on remaining relevant to our customers by investing in products and services, is our absolute priority.

"During the year Hume was recognised by independent customer research organisation Mozo as Australia's Most Trusted Bank, Australia's Best Mutual Bank and Australia's Best Customer Service".

Chairman and CEO's Report continued

Hume continued to maintain a solid capital position of 14.7% and our capital reserves increased to stand at \$67 million. Our total asset base grew by 6% to see Hume reach an important milestone of \$1 billion in assets in our 61st year.

Our lending performance in 2016 was a real highlight, growing by 7% to \$730 million.

“Our strong home lending performance has also provided great opportunities to offer our customers a broader range of products, including insurance and financial planning advice to assist them in protecting and building their wealth”.

Hume's customer numbers grew strongly to 59,975, and in July reached another milestone of 60,000 customers.

Like all financial institutions, we must retain and cherish our loyal longstanding customers as well as engaging a younger demographic. This begins with our Clancy Koala accounts via School Banking and

transitioning through to young adults with a structured contact strategy including social media. We invite you to visit our Facebook page and website to follow our activities on a regular basis.

We believe our employees are our most valuable resource. We strive to create an engaged workforce, our employee engagement score of 73% from Hay Group is well above the average for Australia and New Zealand financial institutions.

Outlook

Hume's committed to building its organic capabilities, and in 2015/2016 made substantial progress. In the year ahead; we will continue to build on the momentum we have created.

The historic low interest rate environment and intense competition are a key characteristic of our current operating environment. Our results demonstrate Hume's ability to succeed in this environment and we continue to be agile in our approach as conditions change.

We continue to offer products and services which are competitive and allow us to be a positive disruptor and alternative to the big banks. Hume's profits will continue to be reinvested into products and

services that are relevant to our customers and in support of our communities in which we operate.

Board Changes

Mr Tony Whiting joined the Board of Directors in May 2016. Tony brings a wealth of local and international business experience having held executive roles in Fairfax and other large media entities.

June 2016 saw the retirement of long-standing Director and former CEO Mr Bill Hanrahan. Throughout his time on the Board, Bill was instrumental in helping Hume to work with key sectors within the local community, and the Board and management thank him for his stewardship.

Following Mr Hanrahan's retirement, Mr Paul McGill joined the Board in July 2016. Paul is an experienced governance professional with significant experience in strategic advice and consulting.

The Board looks forward to Tony and Paul's contributions to the Board.

Thank you for continuing to choose Hume Bank to provide your financial services.

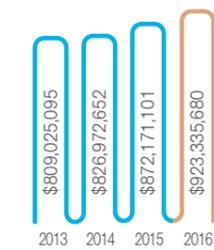
Our Local Board



L → R
 Bill Hanrahan
 Kay Thawley
 Michael Gobel, Chairman
 Joy Stocker
 Tony Whiting, Deputy Chairman
 Leo O'Reilly
 Henrietta Cruddas
 Ulf Ericson

“Our goal isn't to maximise profit like the big banks, but to invest in products and services for our customers, as well as continuing to support the community”.

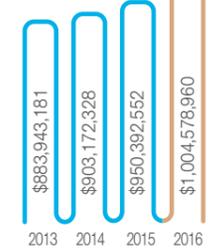
Total Deposits (\$m)



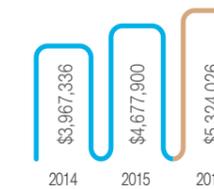
Total Loans (\$m)



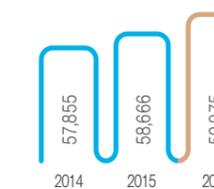
Total Assets (\$m)



Profit growth (3 years)



Customer number growth (3 years)



Executive Management Team

L → R

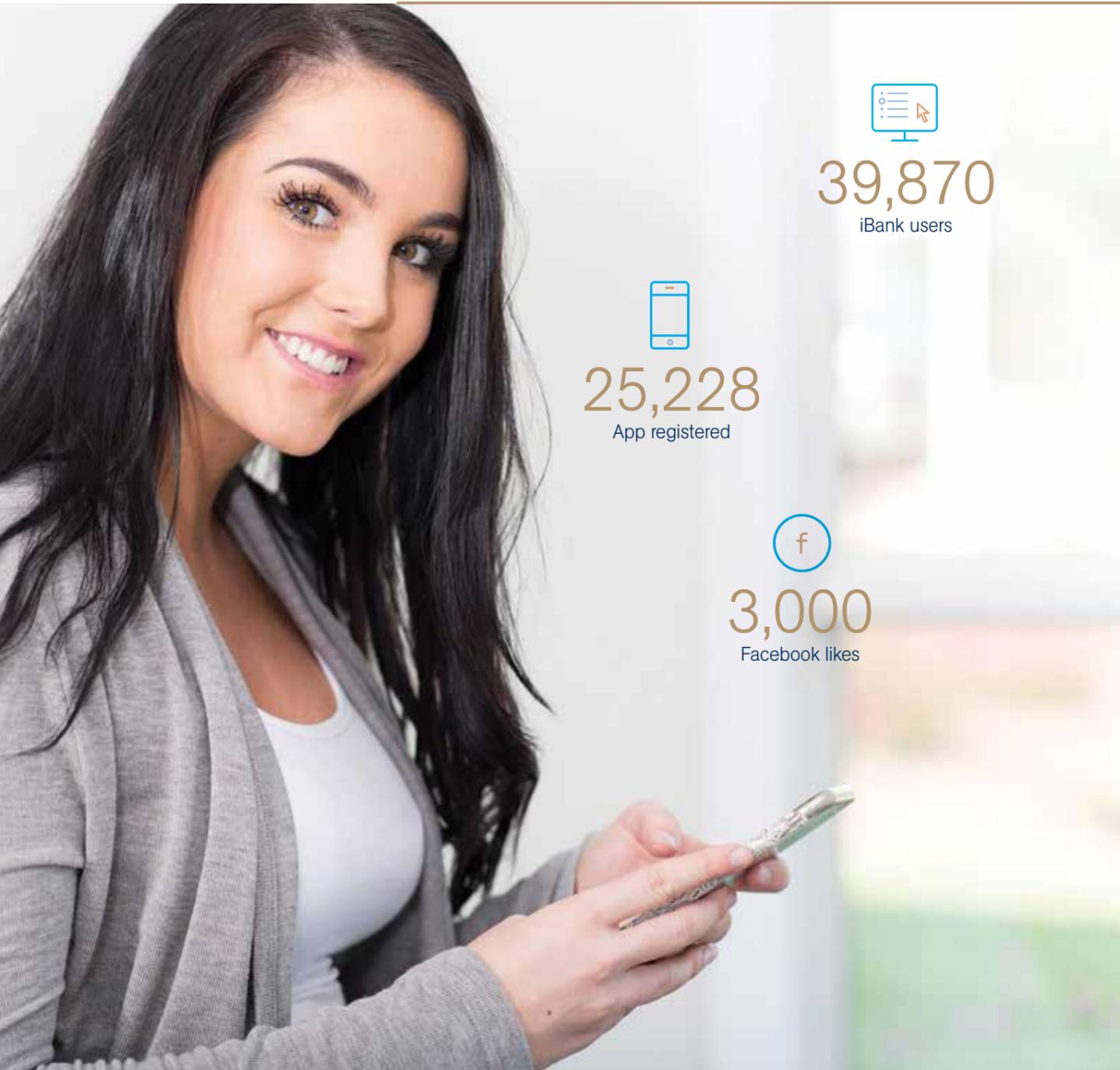
David Marshall Chief Executive Officer | Alison Eaton Executive Manager - People and Capability
 Jarrod O'Neill Executive Manager - Finance | Carly Brown Executive Manager - Sales and Service
 David Rowe Executive Manager - Information Technology | Alison Prentice Executive Manager – Enterprise, Risk & Compliance
 Jason Woolhouse Executive Manager - Customer Development and Support
 Melissa Ralph Executive Manager - Change Governance / Company Secretary | Tyler Peachey Executive Manager - Credit



We do banking differently

At Hume, we don't answer to shareholders. We're owned by our customers; the same people who make our communities what they are. It's this important difference that ties us closer to the regions we serve – and it's not the only difference either. Our local knowledge and expertise are second to none. It's true we're not like other banks. And we plan to keep it that way.





39,870
iBank users



25,228
App registered



3,000
Facebook likes



“Customers can do business with us however they choose – online, digitally, through a branch or on the phone”.

New online experience

We've been working hard to bring our customers a better online customer experience – our new website is modern, personal and reflects our commitment to being a local banking expert. Whether customers use their desktop, mobile or tablet device – they'll have the same viewing experience.

Self-service calculators and online applications for credit cards, personal loans and home loans are now mobile and tablet friendly. Customers can save their online applications and bring them into branch if necessary.

Our blended service approach to banking is personalised across our branches, ATM network, phone and online banking channels.

Customers can also stay up to date and interact with us via our social media channels.



Home Loans



Bank Accounts



Insurance



Business Loans



Credit Cards



Financial Planning



Everyday Transactions



Youth Banking

Essential life skills for every stage of life

From pocket money to part-time wages, learning to be good with money is an important life skill that you're never too young to learn. We drive this message home through our region-wide school banking program that teaches students about money.

Having a good grasp on personal finance doesn't necessarily come with age. To help first home buyers, we hosted a series of step-by-step home buying workshops facilitated by local experts. Topics included how much you can borrow and what's required, finding the right property, building a new home, government grants and stamp duty.



Your money goes back into the place you live, work and where your kids go to school

Supporting the community is one of the most important things to us. We're a bank for locals and believe money should be kept locally. This way, we can continue to give back to the community and help build a stronger future.

This year, we're helping finance the Upper Murray Family Care's (UMFC) major new head office development in Stanley Street Wodonga which is due to open later this year.

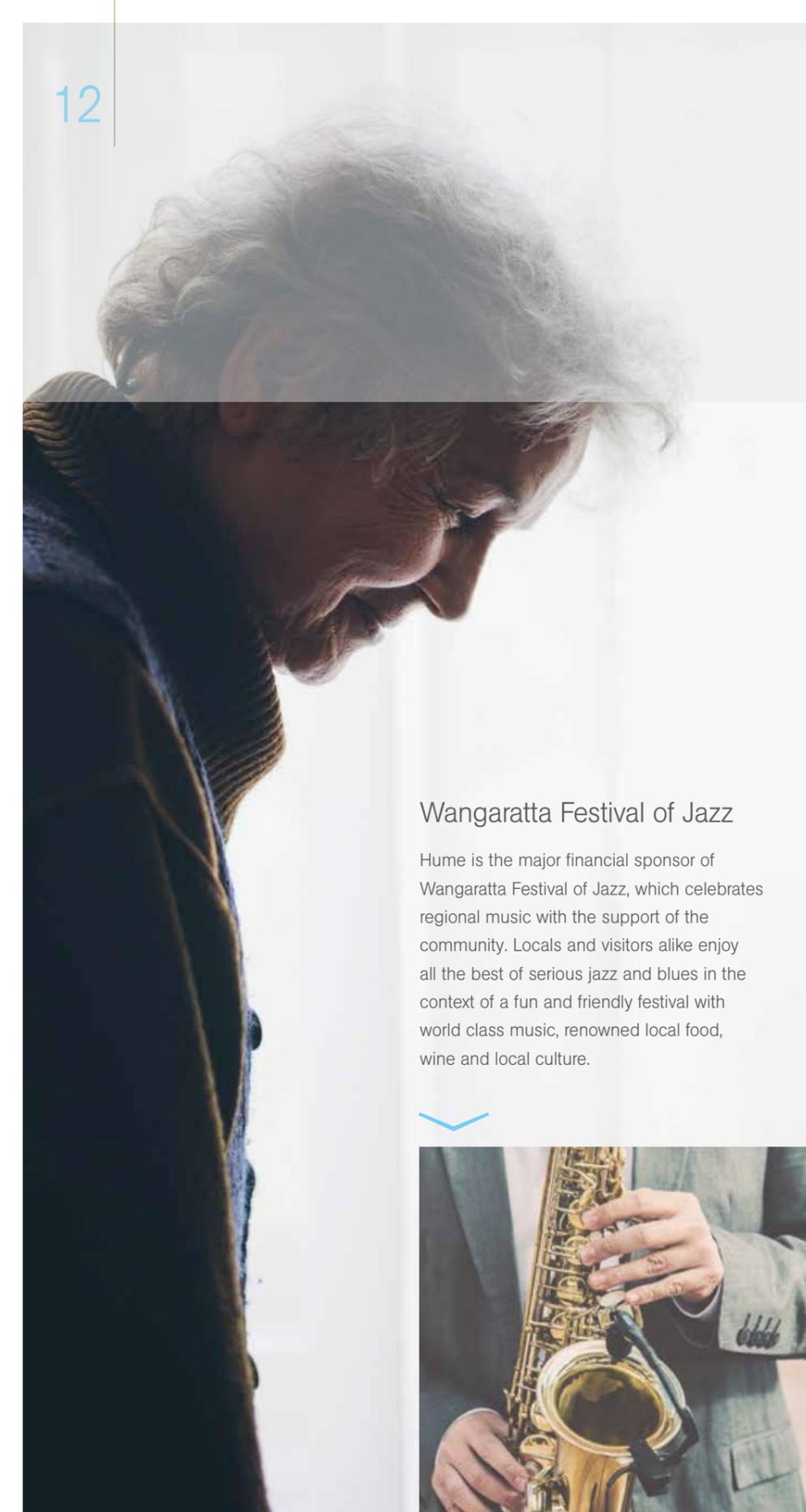


Home Loans

"Our major new head office development will help us better support the local community into the future".

Luke Rumbold - CEO UMFC





Wagga Sustainable Living Festival

Hume is the major sponsor of the bi-annual Sustainable Living Festival in Wagga which showcases sustainability with a focus on local producers and features demonstrations, workshops, food stalls and entertainment for families.



Wangaratta Festival of Jazz

Hume is the major financial sponsor of Wangaratta Festival of Jazz, which celebrates regional music with the support of the community. Locals and visitors alike enjoy all the best of serious jazz and blues in the context of a fun and friendly festival with world class music, renowned local food, wine and local culture.



City2City Run Walk

Hume is naming rights sponsor of the 2016 Hume Bank City2City Run Walk, which had over 4,270 participants. The event raised \$110,000 for Albury Wodonga Health, with funds going directly to North East Border Mental Health Service.



Hume's Annual Luncheon

Hume's annual event ran in conjunction with Men's Health Week and raised \$10,000 for 'Friends of Nolan House', which also included donations made from Hume's Staff Health and Wellbeing event. Ex-AFL footballer, highly respected AFL broadcaster and Founder of the Sunrise Foundation, Wayne Schwass, shared his candid, honest and inspiring story about his 14 year struggle with depression.



We value our community in more ways than one

Giving back to the community is part of who we are as a company – so we get involved every chance we can. We support more than 200 community groups, charities and local events through sponsorship, donations and in-kind support. Each year, we host various events to support local organisations and raise awareness on issues affecting our community such as mental health and education. We do what we can, whenever we can.

Our major sponsorships

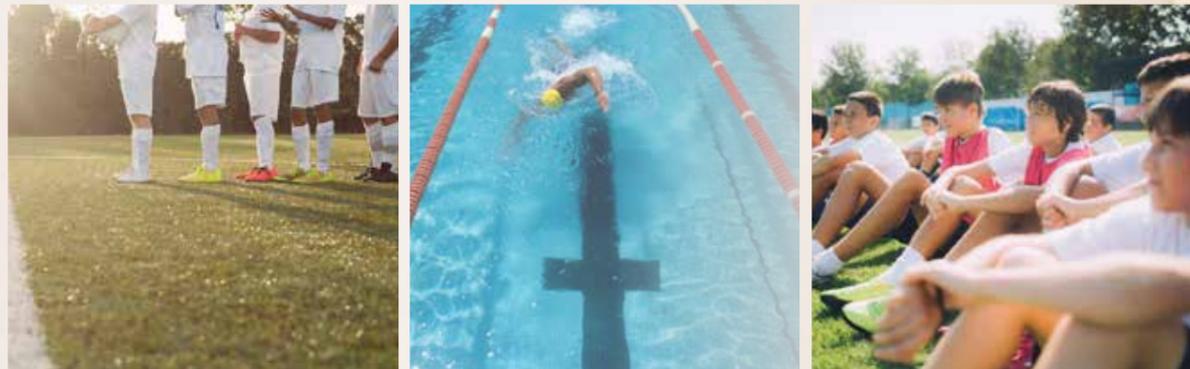




Rewarding local clubs

As part of our ongoing support of the community, not-for-profit sporting, cultural or recreational groups can participate in our Community Rewards Program to raise additional cash for their causes.

There are currently over 220 clubs who can benefit from cash rewards of up to \$350 when club members are referred to our banking services.



Supporting the local economy

Hume uses local suppliers, supporting important economic activity in the region.

Engaging our people

Our people are a fundamental part of Hume's growth and success. As an employer we aim to provide a rewarding work environment that encourages personal and professional development.





Mission

To build and enhance relationships with customers to enable them to make rewarding financial choices.

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

Summarised Financial Report

for the year ended 30 June 2016



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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 2016.

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 2016 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 2016 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 2016

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Interest income | | |
| Interest revenue | 40,644 | 42,493 |
| Interest expense | (18,048) | (21,208) |
| Net interest income | 22,596 | 21,285 |
| Non-interest income | | |
| Fees and commissions from non-customers | 2,716 | 2,554 |
| Fees and commissions from customers | 1,540 | 1,540 |
| Other non-interest income | 206 | 149 |
| Total non-interest income | 4,462 | 4,243 |
| Total operating income | 27,058 | 25,528 |
| Operating expenses | | |
| Personnel costs | (11,317) | (10,666) |
| Occupancy costs | (2,346) | (2,357) |
| ATM, Eftpos & electronic transaction processing costs | (1,932) | (1,609) |
| Depreciation and amortisation | (1,218) | (1,346) |
| Information technology expenses | (1,244) | (1,103) |
| Marketing expenses | (970) | (952) |
| Other operating expenses | (2,742) | (2,716) |
| Total operating expenses | (21,769) | (20,749) |
| Impairment of loans and advances | 35 | (101) |
| Operating profit before fair value adjustments | 5,324 | 4,678 |
| Fair value adjustments | - | - |
| Profit before income tax | 5,324 | 4,678 |
| Income tax expense | (1,617) | (1,403) |
| Profit for the year | 3,707 | 3,275 |
| Other comprehensive income, net of tax | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Revaluation of property | - | - |
| Items that may be reclassified subsequently to profit or loss | | |
| Change in fair value of cash flow hedges | (50) | 38 |
| Other comprehensive income, net of tax | (50) | 38 |
| Total comprehensive income for the year attributable to members | 3,657 | 3,313 |

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
for the year ended 30 June 2016

| | 2016 | 2015 |
|---|------------------|----------------|
| | \$'000 | \$'000 |
| Assets | | |
| Cash and cash equivalents | 41,861 | 54,339 |
| Receivables due from other financial institutions | 63,019 | 75,745 |
| Investment securities | 157,203 | 130,676 |
| Trade and other receivables | 2,831 | 906 |
| Derivative financial instruments | - | 71 |
| Loans and advances | 729,744 | 678,027 |
| Other investments | 204 | 204 |
| Investment property | 1,746 | 1,746 |
| Property, plant and equipment | 6,201 | 6,630 |
| Intangible assets | 520 | 578 |
| Deferred tax assets | 1,249 | 1,470 |
| Total assets | 1,004,578 | 950,392 |
| Liabilities | | |
| Deposits | 923,336 | 872,171 |
| Trade and other payables | 9,277 | 9,949 |
| Income tax payable | 88 | 367 |
| Deferred tax liabilities | - | - |
| Provision for employee benefits | 2,567 | 2,252 |
| Borrowings | 2,000 | 2,000 |
| Total liabilities | 937,268 | 886,739 |
| Net assets | 67,310 | 63,653 |
| Members' funds | | |
| Reserves | 2,995 | 2,979 |
| Retained earnings | 64,315 | 60,674 |
| Total members' funds | 67,310 | 63,653 |

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 2016

| | 2016 | 2015 |
|--|----------------|-----------------|
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Interest received | 40,505 | 42,721 |
| Interest paid | (18,780) | (22,030) |
| Other non-interest revenue received | 4,468 | 4,265 |
| Cash paid to suppliers and employees | (20,399) | (19,644) |
| Fees and commissions paid | (27) | (18) |
| Income tax paid | (1,653) | (1,642) |
| | 4,114 | 3,652 |
| <i>(Increase)/decrease in operating assets:</i> | | |
| Net (increase)/decrease in loans and advances | (51,682) | (6,423) |
| Net increase/(decrease) in deposits | 49,623 | 45,198 |
| Net cash flows from operating activities | 2,055 | 42,427 |
| Cash flows from investing activities | | |
| Net (increase)/decrease in receivables due from other financial institutions | 16,000 | (18,000) |
| Net (increase)/decrease in investments securities | (20,065) | - |
| Payments for property, plant and equipment | (469) | (730) |
| Proceeds from sale of property, plant and equipment | 4 | 57 |
| Payments for intangible assets | (267) | (426) |
| Payments for investment property | - | - |
| Net cash flows from investing activities | (4,797) | (19,099) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | - |
| Net cash flows from financing activities | - | - |
| Net increase/(decrease) in cash held | (2,742) | 23,328 |
| Cash at the beginning of the financial year | 236,760 | 213,432 |
| Cash at the end of the financial year | 234,018 | 236,760 |

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 2016 set out in pages 18 to 22:

1. Have been derived from or are consistent with the full audited financial report for the year ended 30 June 2016; 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:

Michael Gobel
Chairman

Anthony Whiting
Deputy Chairman

Albury, 18 August 2016



Crowe Horwath Albury
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Member Crowe Horwath International

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Independent Auditor's report to the members of Hume Bank Limited

Report on the summarised financial statements

The accompanying summary financial statements, which comprises the summary statement of financial position as at 30 June 2016, the summary statement of 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 2016. We expressed an unmodified audit opinion on that financial report in our report dated 18 August 2016.

The summary financial statements 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.

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 18 of the summarised financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial report of Hume Bank Limited for the year ended 30 June 2016 are consistent, in all material respects, with that audited financial report, on the basis described on page 18 of the summarised financial statements.

CROWE HORWATH ALBURY

DAVID MUNDAY
Partner

Albury, 18 August 2016

Our Values

Compassion

We seek to understand and support the needs and goals of customers, each other and the community.

Respect

We are inclusive and will act fairly, honestly and with integrity with consideration for others.

Aspiration

We empower and challenge each other to deliver operational excellence and will strive to improve everything we do.

Commitment

We work together as a team with dedication and loyalty to our organisation and take responsibility for our actions.

Responsive

We act with purpose, conviction and courage to deliver in a timely manner.

Branches

Albury

Head Office

492 Olive Street, Albury NSW 2640
Phone (02) 6051 3211 Fax (02) 6051 3255

Myer Centrepoint

David & Swift Streets, Albury NSW 2640
Phone (02) 6051 3306 Fax (02) 6041 3314

Centro Albury

487 Kiewa Street, Albury NSW 2640
Phone (02) 6051 3308 Fax (02) 6041 5697

Lavington Square

Griffith Road, Lavington NSW 2641
Phone (02) 6051 3302 Fax (02) 6040 3508

Thurgoona Plaza

Shuter Avenue, Thurgoona NSW 2640
Phone (02) 6051 3325 Fax (02) 6043 3140

Wodonga

131 High Street, Wodonga VIC 3690
Phone (02) 6051 3309 Fax (02) 6022 9066

Wodonga Plaza

Elgin Street, Wodonga VIC 3690
Phone (02) 6051 3303 Fax (02) 6022 9022

Birallee Village

97 Melrose Drive, Wodonga VIC 3690
Phone (02) 6051 3304 Fax (02) 6043 4304

White Box Rise

Shop 12, Victoria Cross Parade,
Wodonga VIC 3690
Phone (02) 6051 3326 Fax (02) 6024 3462

Wagga Wagga

115 Baylis Street, Wagga Wagga NSW 2650
Phone (02) 6939 7440 Fax (02) 6971 8134

Koorngal Mall

269 Lake Albert Road, Koorngal NSW 2650
Phone (02) 6939 7442 Fax (02) 6926 6936

Southcity Shopping Centre

1 Tanda Place, Glenfield Park NSW 2650
Phone (02) 6939 7441 Fax (02) 6971 2897

Wangaratta

76 Reid Street, Wangaratta VIC 3677
Phone (03) 5721 3322 Fax (03) 5721 3977

Regional

Corowa

79 Sanger Street, Corowa NSW 2646
Phone (02) 6051 3305 Fax (02) 6033 4312

Culcairn

50 Balfour Street, Culcairn NSW 2660
Phone (02) 6051 3310 Fax (02) 6029 8121

Howlong

45 Hawkins Street, Howlong NSW 2643
Phone (02) 6051 3317 Fax (02) 6026 8322

Jindera

8-9 Jindera Plaza, Jindera NSW 2642
Phone (02) 6051 3323 Fax (02) 6026 3718

Rutherglen

128-130 Main Street, Rutherglen VIC 3685
Phone (02) 6051 3321 Fax (02) 6032 7017

Yackandandah

18 High Street, Yackandandah VIC 3749
Phone (02) 6051 3311 Fax (02) 6027 1184



Hume Bank

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humbank.com.au