



Hume Bank

**Members'
Report 2019**

PURPOSE

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

VISION

To be a successful, trusted bank.

THE EXPLORER'S OPPORTUNITY

This year, Hume Bank launched a refreshed Strategic Business Plan 2018 – 2022: The Explorer's Opportunity.

The Strategic Business Plan is focused on steering the bank through a period of transformation as we reinvent and reposition ourselves to be a relevant, expanded and strong financial institution.

We remain differentiated via our unique position of being a citizen of regional NE Victoria and Southern NSW, championing the best of regional enterprise and creating strong and sustainable communities.

OUR 5 STRATEGIC SHIFTS



Being human-centred

People remain at the core of everything we do as we continue to enhance each and every customer experience.



Thinking beyond the bank

Traditional banking has changed. We offer an anytime, anywhere service, in person and online, with optimised distribution and touch points.



Making connections

We're using technology to foster greater collaboration within the region and beyond, to help drive innovation.



Striving for simplicity and exceeding expectations

We're meeting our customers' expectations by providing simpler, smarter banking solutions.

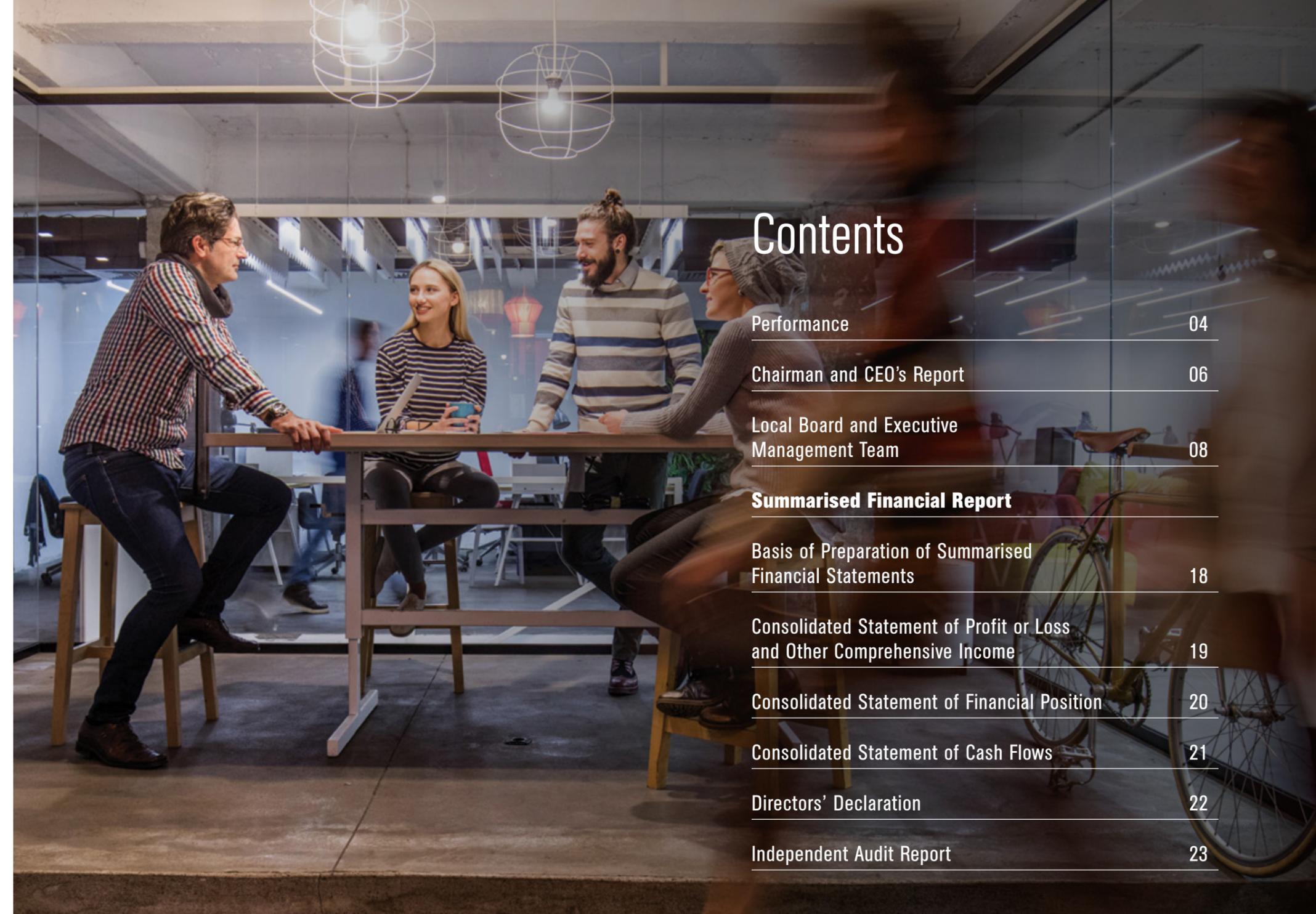


Embracing data

The insights from our data will enable Hume Bank to make informed and insightful decisions that will help meet our customers' needs.

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2019 KEY INITIATIVES



Launched online account opening for key transaction and savings accounts, enabling greater customer flexibility. Now customers can open a new account with Hume Bank anywhere, anytime.



Introduced paperless deposits and withdrawals in branch, with a focus on sustainability and simplification for our customers.



A new home in Yackandandah as we relocated to the State Bank building. Inside and out, the building stands as our commitment to Yackandandah and the broader Indigo Shire, supporting our community approach to banking.



A continued focus and investment in our lending capability, halving credit decision-making time, making it easier for customers to move into their homes sooner.



The introduction of our new Security Operations Centre, with a broader range of security measures to protect our customers and their data.



With a focus on ensuring that our customers voice is front-and-centre with all Hume Bank initiatives and decision-making, we launched 'Hume Sweet Hume'. Hume Sweet Hume is an online community where customers provide valuable feedback that helps us optimise our products and services.



Tony Whiting, **Chairman**
and Stephen Capello, **CEO**

LOANS & ADVANCES

\$909M

DEPOSITS

\$1.11BN

LOAN APPROVALS

\$290M

OPERATING PROFIT
BEFORE TAX

\$6.91M

TOTAL CUSTOMERS

61,667

TOTAL ASSETS

\$1.21BN

CHAIRMAN AND CEO'S REPORT 2019

At Hume Bank we're committed to remaining a vital part of the communities we serve and celebrating our community focus and regional identity. As we move forward with a refreshed Strategic Business Plan, we are confident in ensuring another successful year for the bank and our customers.

In 2018/19, our customer base grew to 61,667 and assets reached \$1.2bn. In a competitive market, the bank remained true to its course and maintained momentum to deliver a strong performance, despite external pressures. Deposits grew to \$1.11bn and lending growth continued with loan and advances at \$909m, a +9.3% increase vs. prior year. With a heightened regulatory focus and changing economic environment, we again delivered a profit result above forecast, with operating profit before tax increasing by +14.9% vs. prior year to \$6.91m. The success of Hume Bank is important to the region, as a customer owned bank we're able to reinvest profits for the development of improved products and services, as well as community support and investment.

Delivering exceptional customer experiences

We take the responsibility of being a customer owned bank seriously. Our focus is to support our customers and communities to thrive and prosper through each and every life stage.

With this in mind, Hume Bank is focused on delivering an exceptional customer experience every time. We're ensuring we build on our strengths and capabilities to allow our customers to do their banking on their terms.

We're continuously strengthening our online services, through our website, our Hume Bank App and iBank, delivering on our commitment of anywhere, anytime service. This strengthens the customer experience, whilst our Security Operations Centre ensures we're actively detecting and responding to potential cyber instances and threats.

We continue to develop and optimise our service offering online, while maintaining our close customer and community efforts through our friendly and accessible branch network. Our teams worked tirelessly to transform the old State Bank building in Yackandandah into our new home, preserving the building's important heritage and our continued commitment to community.

In ensuring we listen to the voice of the customer; it's pleasing for Hume Sweet Hume to facilitate two-way conversations with our customers and for the feedback to be shared that is positively shaping our product portfolio and allowing us to meet their needs and ever-evolving expectations. We're committed to listening first, before acting on customer feedback – consistently putting our customers front and centre.

Invested in the local community

This year saw us refocus our efforts in support of driving innovation within the region, as we entered year two of our annual Life Tech Challenge. Our passion for community health, and the support of local initiatives within this space allowed us to continue as main sponsor for the Hume Bank City2City Run Walk, for a seventh year. A greater collaboration and focus on mental health brought awareness to a broader audience through our partnership with the Big Splash in 2019.

Hume Bank remained as principal partner for the second year running with the Hume Bank 'Butter Factory Theatre'. This artistic partnership allows the team to attract a new audience to the theatre, with world-class contemporary acts being showcased locally in Albury-Wodonga.

Hume Bank prides itself on being culturally centred, and focused on key community pillars, in innovation/technology, physical and mental health, education, sports and the arts. We will continue to actively engage the community and the broader region to ensure we support relevant grass-roots developments and initiatives.

Our future is bright

Hume Bank remains an unquestionably strong bank. We understand both the challenges and opportunities in today's ever-changing world. The Strategic Plan launched this year allows us to build on our strong financial foundation, while refocusing our efforts on a sustainable growth plan that will allow us to strengthen our customer experience.

After his first year as CEO, Stephen Capello has delivered both an optimised business strategy and a new-found level of leadership, that is steering the bank in a direction of strength and growth.

“At Hume Bank we prioritise our people, our customers and our community. As we've grown over the years, our sense of community and regional heart remains.”

Our thanks also to the Board of Directors who have delivered another successful year on behalf of our customers.

We would also like to take this time to show gratitude for the continued dedication of all our executive, leadership and staff. Their continued commitment each and every day to delivering and exceeding on the expectations of both our customers and leaders within the bank is testament to the strong work ethic, and culture within Hume Bank. Thank you for all you have done and continue to do for the bank.

Finally, as a customer owned bank, our continued commitment is to you, our customers. This is a commitment we deliver through personalised services, products, and a continued promise to bring you an unforgettable customer experience. As an organisation, our goal is to leave a lasting impression on the lives of our customers. Together, we are 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
Non-executive Director
B Bus, GAICD



Tony Whiting
**Chairman,
Non-executive Director**
B Com



Henrietta Cruddas
Non-executive Director
B Sc (Hons), GAICD, LLM
(Academique)

*“At Hume Bank
we prioritise our
community.”*



Kerry Grigg
Non-executive Director
B Com, M Com (Marketing)
(Hons), PhD, GAICD



Michael Gobel
**Deputy Chairman,
Non-executive Director**
B Sc, MAppFin, GAICD



Paul McGill
Non-executive Director
B Sc, GAICD



Kent Griffin
Non-executive Director
FIAA, B Economics (Actuarial
Studies), GAICD

EXECUTIVE MANAGEMENT TEAM



Stephen Capello
Chief Executive Officer
MBA, FCPA, GAICD and
B Business (Commerce)



Kristy Campbell
Chief People & Change Officer
BA Arts (HR & Media Studies),
Adv. Dip. Management



Alison Prentice
Chief Risk Officer
Assoc. Dip (Accounting)

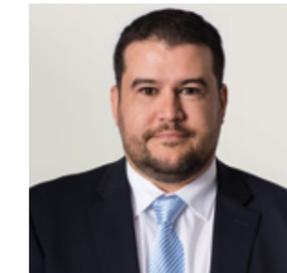


Carly Brown
Chief Sales Officer
BA Business (Accounting), CA

*“Our people and our
customers are at
the forefront of our
decision-making.”*



Lisa Ryan
Chief Technology Officer
MBA, GAICD



Jarrod O'Neill
Chief Financial Officer
BA Business (Accounting) and
Grad Dip (Accounting), CA



Jason Woolhouse
**Chief Design &
Marketing Officer**
B Sc



Short on time? Open your account online

We're more than just a bank. At Hume Bank, we pride ourselves on offering all the benefits of local banking, with the convenience of a national bank.

We've worked hard to ensure that we're available when you need us. As digital banking behaviours continue to evolve and grow, it's important new customers have the opportunity to experience Hume Bank's online services from their very first interaction. The inclusion of account opening online for new customers (this is already available through iBank for existing customers) means you can join Hume Bank 24/7 – from anywhere.

This option allows for an increased level of flexibility and appeal. We know that not everyone is close to town or may not have time to visit a branch. For added convenience, there are more options and account opening possibilities for our customers.



It's about making things a little easier

We know your time is precious. When we introduced paperless deposits and withdrawals in branch, we wanted to ensure we maintained our exceptional customer service, but ultimately, we made the process a little easier.

Staying true to engaging our customers and seeking feedback, we were pleased to hear this was a welcome change, another small step in ensuring less friction and more simplification in how we interact with our customers.

Now when you come into a branch, there's no need to complete a paper slip to access or deposit your money. We've ensured all the right security checks are in place so you can maintain your confidence and trust in us, while having a little extra time to do the things you want.

A helping hand

With our focus on continuing to improve our services, we've been vigilant, with investment in our lending capability, halving time for credit decision making, which means customers can move into their home sooner.

This is important to us, and our heritage as a bank. We started out 64 years ago, founded by a group of Albury residents who were dissatisfied with the availability of funds for housing and wanted to help local people purchase their own homes.

Our move into the Old State Bank building in Yackandandah saw us transform and preserve the building's important heritage. We're committed to remaining local and relevant to the region; with improved facilities and a larger site to support our customers, residents and the broader community.

This all demonstrates a strong nod to our heritage, with a strengthened service offering. Knowing we can deliver on this, with greater efficiency and in a more timely manner across the branch network or via our online services is a must for our customers.

The voice we care about is yours

The launch of Hume Sweet Hume, a community of Hume Bank customers, our advocates and supporters, has brought fresh views and perspectives.

Engaging with this online community has been invaluable for the bank in ensuring we deliver closely against customer needs, while also offering the opportunity to test and trial new ideas for products, service or technology.

This feedback allows the voice of the customer to be heard in all conversations, key projects and initiatives within the bank. We're already seeing the positive impact of this feedback, as we continue to expand our footprint beyond Albury-Wodonga, with an expansion focus on both sides of the Hume Highway, we're trusted to continue delivering prosperity to the local region. Hume Sweet Hume also allows us to stay true to our commitment in keeping the customer front and centre, what better way to do this than through genuine engagement. If you haven't yet joined the community speak to one of our staff – it's a lot of fun for all involved, and a priceless asset to the business.



Our regional heart remains strong

We're in the people business. And Banking.

Behind our 15 local branches and 24/7 online banking services, we're powered by a Hume Bank customer base and community that remains strong. We know the importance of making life-lasting connections in business. We're proud of our customers and their achievements in launching regional businesses, building property portfolios, supporting local charities and more.

We are also thankful for the Hume Bank staff and their continued commitment to putting our customers and communities first. They are our customers' biggest advocates and supporters and are the heart of the bank. As we continue to grow and evolve, we know that the banking landscape will change too. One thing is for certain, our commitment to our customers and community will remain strong – regardless of what the future brings.





Hume Bank

Summarised Financial Report

For the year ended 30 June 2019

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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 2019.

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 2019 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 2019 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 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Interest income | | |
| Interest revenue | 43,613 | 41,368 |
| Interest expense | (16,914) | (15,605) |
| Net interest income | 26,699 | 25,763 |
| Non-interest income | | |
| Fees and commissions from non-customers | 2,193 | 2,839 |
| Fees and commissions from customers | 2,915 | 2,132 |
| Other non-interest income | 532 | 401 |
| Total non-interest income | 5,640 | 5,372 |
| Total operating income | 32,339 | 31,135 |
| Operating expenses | | |
| Personnel costs | (12,207) | (12,432) |
| Occupancy costs | (2,088) | (2,312) |
| ATM, Eftpos & electronic transaction processing costs | (3,368) | (2,854) |
| Depreciation and amortisation | (1,291) | (1,362) |
| Information technology expenses | (1,955) | (1,888) |
| Marketing expenses | (900) | (943) |
| Other operating expenses | (3,290) | (3,084) |
| Total operating income | (25,099) | (24,875) |
| Impairment of loans and advances | (327) | (247) |
| Operating profit before fair value adjustments | 6,913 | 6,013 |
| Fair value adjustments | - | - |
| Profit before income tax | 6,913 | 6,013 |
| Income tax expense | (1,904) | (1,830) |
| Profit for the year | 5,009 | 4,183 |
| Other comprehensive income, net of tax | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| Revaluation of property | - | (159) |
| Revaluation of financial assets | 63 | - |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Change in fair value of cash flow hedges | - | 10 |
| Other comprehensive income, net of tax | 63 | (149) |
| Total comprehensive income for the year attributable to members | 5,072 | 4,034 |

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 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | 51,865 | 46,938 |
| Receivables due from other financial institutions | 53,000 | 39,992 |
| Investment securities | 181,672 | 172,352 |
| Trade and other receivables | 1,974 | 1,258 |
| Loans and advances | 908,804 | 831,791 |
| Other investments | 295 | 204 |
| Investment property | 1,770 | 1,770 |
| Property, plant and equipment | 7,269 | 7,909 |
| Intangible assets | 385 | 748 |
| Deferred tax assets | 1,241 | 1,148 |
| Total assets | 1,208,275 | 1,104,110 |
| Liabilities | | |
| Deposits | 1,112,521 | 1,016,352 |
| Trade and other payables | 12,099 | 9,309 |
| Income tax payable | 361 | 391 |
| Provision for employee benefits | 2,446 | 2,282 |
| Total liabilities | 1,127,427 | 1,028,334 |
| Net assets | 80,848 | 75,776 |
| Members' funds | | |
| Reserves | 3,672 | 3,494 |
| Retained earnings | 77,176 | 72,282 |
| Total members' funds | 80,848 | 75,776 |

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 2019

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Interest received | 43,629 | 41,504 |
| Interest paid | (16,708) | (15,515) |
| Other non-interest revenue received | 4,907 | 5,280 |
| Cash paid to suppliers and employees | (20,977) | (23,670) |
| Fees and commissions paid | (57) | (51) |
| Income tax paid | (2,055) | (1,797) |
| | 8,739 | 5,751 |
| <i>(Increase)/decrease in operating assets:</i> | | |
| Net (increase)/decrease in loans and advances | (77,339) | (57,124) |
| Net increase/(decrease) in deposits | 96,170 | 51,489 |
| Net cash flows from operating activities | 27,570 | 116 |
| Cash flows from investing activities | | |
| Net (increase)/decrease in receivables due from other financial institutions | 2,977 | 2,023 |
| Net (increase)/decrease in investments securities | (5,197) | (10,027) |
| Payments for property, plant and equipment | (265) | (1,239) |
| Proceeds from sale of property, plant and equipment | 66 | 65 |
| Payments for intangible assets | (116) | (472) |
| Net cash flows from investing activities | (2,535) | (9,650) |
| Cash flows from financing activities | | |
| Proceeds from/(payments of) borrowings | - | (2,000) |
| Net cash flows from financing activities | - | (2,000) |
| Net increase/(decrease) in cash held | 25,035 | (11,535) |
| Cash at the beginning of the financial year | 211,234 | 222,769 |
| Cash at the end of the financial year | 236,269 | 211,234 |

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 2019 set out in pages 17 to 21:

1. Have been derived from or are consistent with the full audited financial report for the year ended 30 June 2019; 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, 22 August 2019



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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 2019, 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 2019.

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 22 August 2019.

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 Albury
CROWE ALBURY



DAVID MUNDAY
Partner

22 August 2019

Albury

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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