



*Support local banking*

MEMBERS' REPORT 2015

**Hume Bank**

# 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.

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## Our Mission

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

## Our Vision

To be the financial institution of choice to the people in the communities in which Hume operates.

The logo for 'Crack' is written in a white, cursive font inside a dark blue circle.

*Celebrating 60 years of local banking and helping the community.*

# Hume Bank

*By banking locally and keeping your money in the region, you are making a difference to your community and its future.*

*Big things start from small beginnings*

We strive to make a difference through employing locally, making decisions locally and giving back to our local community.





Michael Gobel, CHAIRMAN | David Marshall, CEO

## Chairman and CEO's Report

Hume's support of over 100 local, community groups remains a hallmark of Hume's heritage and clearly differentiates our customer owned bank from other financial institutions in the region.

### Review of Operations

The 2015 financial year represented another solid year for Hume Bank.

Hume achieved customer and loan growth; a pleasing result given the very competitive landscape and flat economy.

Hume continued to provide excellent customer service while building our capability to remain relevant and meet the changing banking needs of our customers. Hume's customers continue to rate Hume extremely highly with a customer satisfaction rating of 96.0% as at 30 June 2015 according to Roy Morgan Research.

Hume's 19 branches, 48 ATMs, iBank and mBank were supported with the launch of the Hume Bank app this financial year. Hume's products continue to win national recognition.

Hume's support of over 100 local, community groups remains a hallmark of Hume's heritage and clearly differentiates our customer owned bank from other financial institutions in the region.

The 2015 results were a fitting way to mark Hume's 60 years as a financial institution and our first year as a Bank.

### Profitability & Growth

Operating profit before tax was \$4.678m, a ten percent increase on the previous year.

Despite the highly competitive market conditions and modest economy, Hume's loan portfolio returned to a growth position in the financial year. This was a very pleasing achievement particularly given existing borrowers are continuing to make additional repayments to reduce their loan balances.

Hume continued to grow its deposits to fund its loan growth by offering excellent deposit products with low fees and competitive rates. Despite not needing deposit growth to fund loan growth, Hume continued to offer competitive deposit

Chairman and CEO's Report continued

rates to its customers recognising that many rely on this income. Total deposit balances increased by \$45m and funded the increase in total assets to \$950.392m at year end (\$903.173m at June 2014).

While operating expenses increased in comparison to the previous financial year, Hume continues to manage its business conservatively and with discipline.

The combination of loan growth and an improved profit saw Hume's Capital Adequacy Ratio stand at 14.60% at the end of the financial year. Hume's Capital Adequacy Ratio, a measure of financial strength, continues to be well above the requirements set by the Australian Prudential Regulatory Authority (APRA).

## The Future

Hume has a clear business plan built around ensuring the bank remains relevant to our customers in the products and services we offer. This includes investing in capability to ensure our branches and digital channels better reflect the way our customers want to bank with us.

A combination of Hume's financial strength, branch network, reputation and great people will ensure Hume continues to keep pace with the rapidly changing financial environment.

Hume continues to be very focused on its heartland and is uniquely positioned to grow. Hume has the largest financial services head office in the region, ensuring staff can make decisions that are in the best interests of customers.

Our local region is largely unaffected by the mining boom and recent contraction; therefore local economic growth is expected to continue to be measured and steady.

Unlike many financial institutions, Hume continued to see an increase in the number of customers through

2014/15. With so many recognising the value and convenience that Hume provides, Hume is well positioned for the future.

Customer growth was strongest in Wangaratta and Wagga, where Hume is still relatively new and unknown, providing strong growth opportunities for the bank.

The conversion of Hume Building Society to Hume Bank has been well received by our customers and the community with the strength of the term 'bank' resonating with many. This change in perception has seen customers bringing more of their banking to Hume.

## Board Changes

Mrs Kay Thawley joined the Board in August 2014 following Mrs Denise Osborne's resignation. Kay brings with her a wealth of local and international financial services experience having held executive roles with nab, Deloitte Touche Tohmatsu and Industry Fund Services.

We would like to thank Denise for her contribution. Throughout her time on the Board, Denise was instrumental in helping Hume to work with key sectors within the local community.

## Thanks

Our thanks go to all staff and directors for their continued commitment to Hume's ongoing success and to customers for their support of Hume.

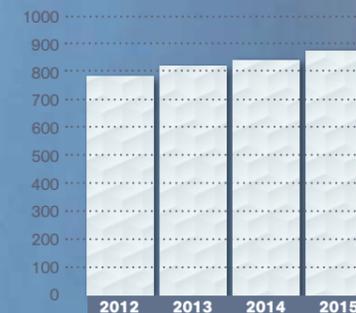
Our thanks also go to Andrew Saxby who retired as CEO of Hume Bank in February 2015 after 12 years in the role. The Board would like to thank Andrew Saxby for his dedication to Hume and for upholding Hume's culture during his period as CEO.



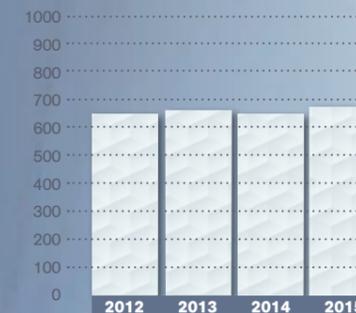
## Local Board

Left to right: BILL HANRAHAN, KAY THAWLEY, LEO O'REILLY, MICHAEL GOBEL - Chairman, HENRI CRUDDAS - Deputy Chairman, JOY STOCKER, ULF ERICSON

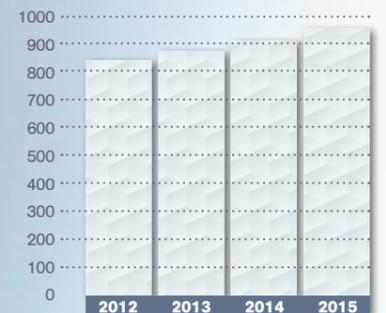
### Total Deposits (\$m)



### Total Loans (\$m)



### Total Assets (\$m)





# Support *Local Banking*

Hume Bank is one of Australia's leading customer owned banks and operates in north east Victoria and southern NSW. The name change to Hume Bank on 1st July 2014 celebrated our success in providing our customers and the region a real banking alternative.

As a customer focused bank, we offer lower fees and better rates at a local level. All decisions are made by a local board and senior management team with our customers' interests at heart.

Hume has been recognised nationally for its commitment to providing excellent banking products, exceptional service and customer convenience. We offer our customers award winning products with the convenience of online banking and easy access to branches and ATMs.

By banking locally you are able to help us give back to the community and make a real difference to the region and its people.

## Executive Team

Left to right:

DAVID MARSHALL  
Chief Executive Officer

DAVID ROWE  
General Manager  
Information Technology

WAYNE NAGLE  
General Manager  
Finance and Administration

ALISON PRENTICE  
Risk Manager

JESSIE ARNEY  
General Manager  
Human Resources

MELISSA SWEETLAND  
General Manager  
Customer Service, Sales and Marketing



Experience more  
*locally*



Hume has local teams in customer service, business banking, insurance, financial planning, lending, finance and information technology who are committed to putting customers first. Hume's local back office support teams provide the foundation from which customer needs can be met.

More people are recognising the benefits of banking locally, with Hume reaching record home loan applications this year.

Customers can access their money nationally while still banking with a local organisation through Hume's 19 branches and 48 ATMs, phone, online and mobile banking. Hume's new mobile banking app for Android, iPhone and Windows Phone, makes it even more easier to bank locally 24 x 7 from anywhere around the world.



# Celebrate our region



Hume launched a new concept store in Wangaratta in October 2014 to better reflect how customers now prefer to do their banking. The open plan design and removal of the glass barriers enables customers to discuss their banking face to face in a more comfortable and contemporary environment. The branch is the first of its kind and is an example of how Hume branches will look in the future.

Hume was also the major financial sponsor of Wangaratta Festival of Jazz which celebrated its 25 years with over 30,000 attendees visiting our region.



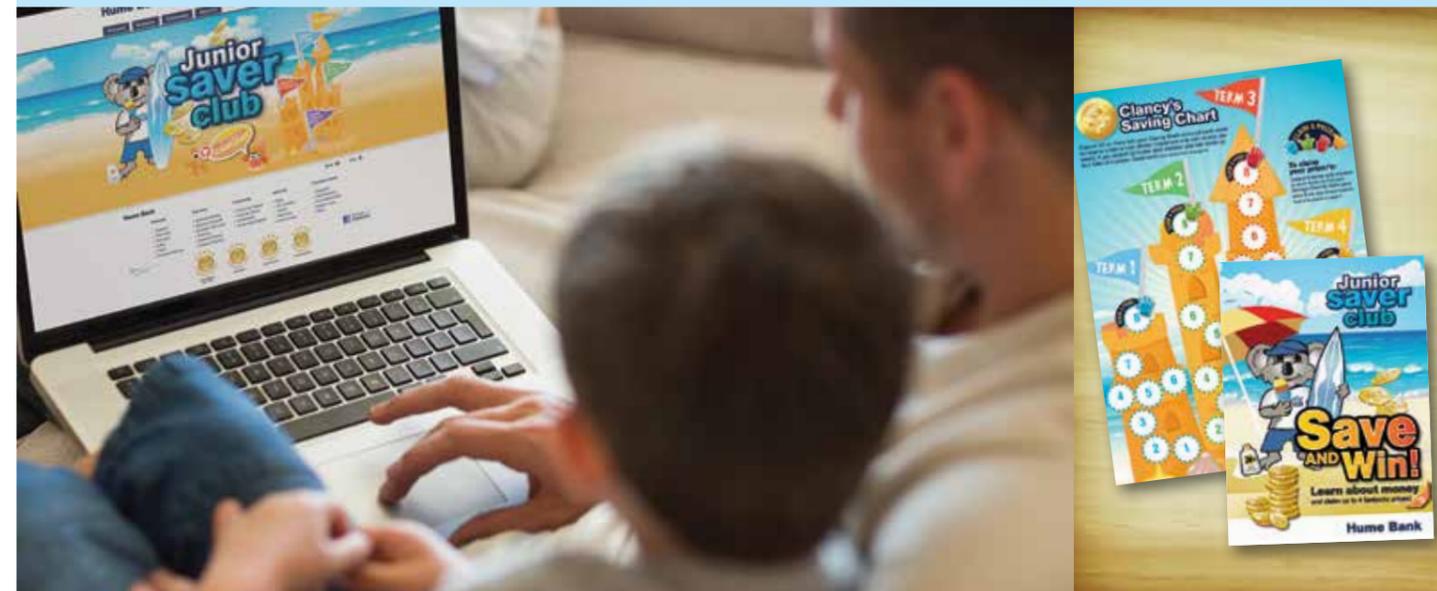


*Inspire*  
financial education



Hume helps children develop a passion for learning about money by working closely with schools. Hume provides students with essential financial education and has been awarded CANSTAR's Best Value Australian Youth Banking and Education for mutual banks, credit unions and building societies for the fourth consecutive year.

Banking locally enables us to provide school banking facilities to over 50 primary schools and 3,200 students. Hume provides children with educational material and games aimed at making learning about money fun. Hume also rewards children who save regularly.



Banking  
for the  
*Community*



Hume sponsors over 150 community groups, charities and local events through sponsorships, donations and in kind support. This year, Hume was the major financial sponsor of the Henty Machinery Field Days and for the first time provided onsite banking facilities with two automatic teller machines as well as cash handling facilities for more than 800 exhibitors and 60,000 visitors.



# Contribute *locally*

Hume hosts a series of events each year to support local organisations and raise awareness on important issues affecting our community.

Sharing stories can be one way of raising awareness, helping people to understand that they are not alone, and that support is available.



- 1 Hume's Annual Ladies Luncheon**  
The event helped raise awareness of mental health with all profits going to the Survivors of Suicide and Friends group, which supports those who have lost a loved one to suicide. Popular media personality, journalist and beyondblue ambassador, Jessica Rowe, shared her life journey and her struggle with postnatal depression.

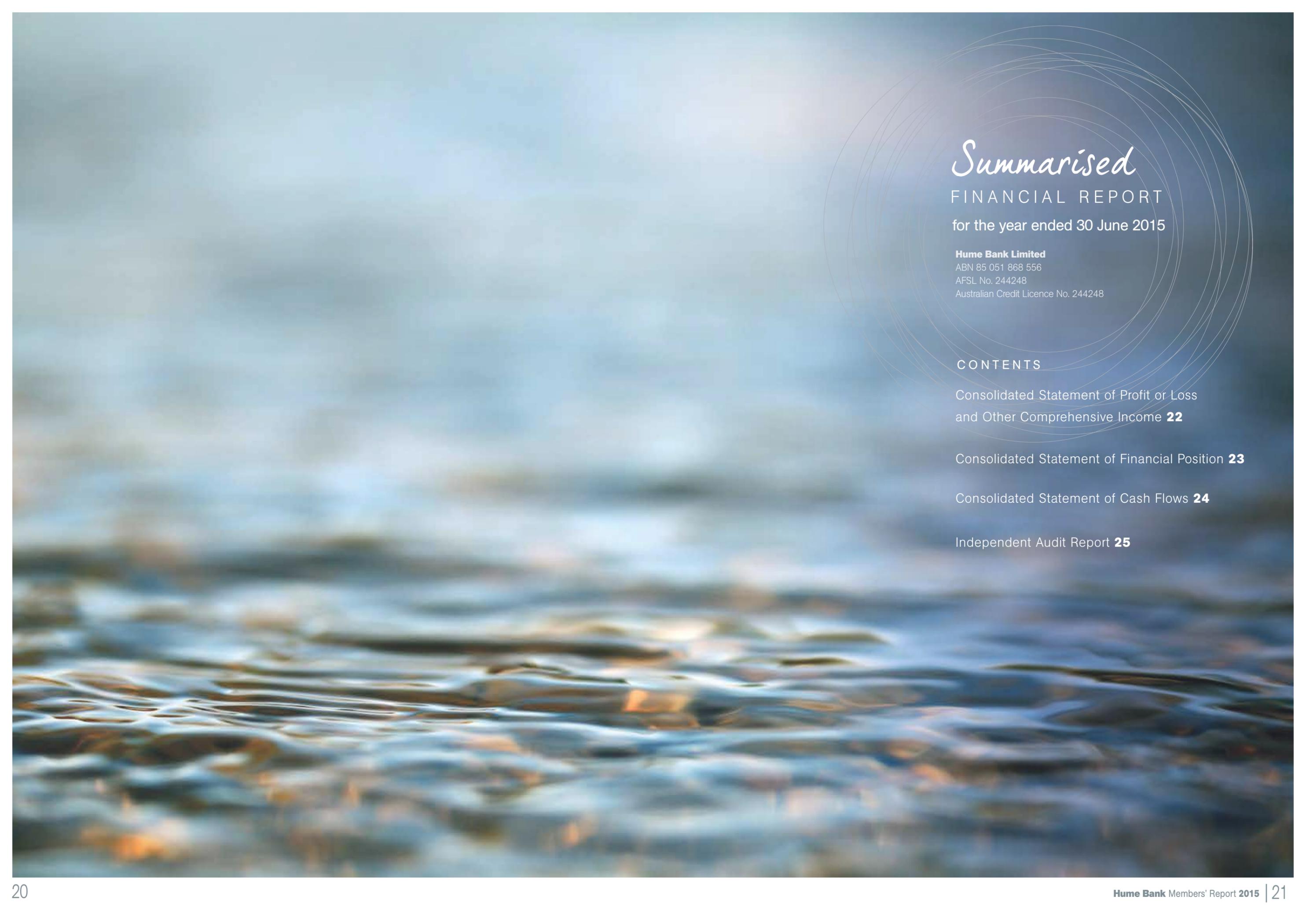
- 2 Hume's Charity Evening**  
'The Perks of Being a Wallflower' was showcased to help raise money for headspace Albury Wodonga; a local organisation that supports young people aged 12-25 and their families to get help for problems affecting their wellbeing. The evening encouraged school students and parents to place greater emphasis on 'having the conversation'.



- 3 BigSplash**  
This year Hume partnered up with Albury's Big Splash Committee to help raise \$15,000 for headspace Albury Wodonga and Survivors of Suicide. Over 1,500 people attended the Big Splash swimming event.



- 4 City2City RunWalk**  
Hume was also the major sponsor of the very first Hume Bank City2City RunWalk which raised \$100,000 for Albury Wodonga Health with 3,500 people taking part.



# *Summarised*

## FINANCIAL REPORT

for the year ended 30 June 2015

**Hume Bank Limited**

ABN 85 051 868 556

AFSL No. 244248

Australian Credit Licence No. 244248

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Interest income</b>		
Interest revenue	42,493	43,895
Interest expense	(21,208)	(23,609)
Net interest income	21,285	20,286
<b>Non-interest income</b>		
Fees and commissions from non-customers	2,554	2,449
Fees and commissions from customers	1,540	1,560
Other non-interest income	149	228
Total non-interest income	4,243	4,237
Total operating income	25,528	24,523
<b>Operating expenses</b>		
Personnel costs	(10,666)	(10,166)
Occupancy costs	(2,357)	(2,352)
ATM, Eftpos & electronic transaction processing costs	(1,609)	(1,412)
Depreciation and amortisation	(1,346)	(1,399)
Information technology expenses	(1,103)	(1,059)
Marketing expenses	(952)	(838)
Other operating expenses	(2,716)	(2,839)
Total operating expenses	(20,749)	(20,065)
Impairment of loans and advances	(101)	(208)
Operating profit before fair value adjustments	4,678	4,250
Fair value adjustments	-	(283)
<b>Profit before income tax</b>	<b>4,678</b>	<b>3,967</b>
Income tax expense	(1,403)	(1,204)
<b>Profit for the year</b>	<b>3,275</b>	<b>2,763</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property	-	225
Items that may be reclassified subsequently to profit or loss		
Change in fair value of cash flow hedges	38	12
<b>Other comprehensive income, net of tax</b>	<b>38</b>	<b>237</b>
<b>Total comprehensive income for the year attributable to members</b>	<b>3,313</b>	<b>3,000</b>

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 2015

	2015 \$'000	2014 \$'000
<b>Assets</b>		
Cash and cash equivalents	54,339	42,897
Receivables due from other financial institutions	75,745	67,874
Investment securities	130,676	108,661
Trade and other receivables	906	1,169
Derivative financial instruments	71	16
Loans and advances	678,027	671,705
Other investments	204	204
Investment property	1,746	1,746
Property, plant and equipment	6,630	6,996
Intangible assets	578	449
Deferred tax assets	1,470	1,456
<b>Total assets</b>	<b>950,392</b>	<b>903,173</b>
<b>Liabilities</b>		
Deposits	872,171	826,973
Trade and other payables	9,949	11,107
Income tax payable	367	571
Deferred tax liabilities	-	5
Provision for employee benefits	2,252	2,177
Borrowings	2,000	2,000
<b>Total liabilities</b>	<b>886,739</b>	<b>842,833</b>
<b>Net assets</b>	<b>63,653</b>	<b>60,340</b>
<b>Members' funds</b>		
Reserves	2,979	2,839
Retained earnings	60,674	57,501
<b>Total members' funds</b>	<b>63,653</b>	<b>60,340</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 2015

	2015	2014
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Interest received	42,721	43,955
Interest paid	(22,030)	(24,604)
Other non-interest revenue received	4,265	4,190
Cash paid to suppliers and employees	(19,644)	(19,335)
Fees and commissions paid	(18)	(24)
Income tax paid	(1,642)	(1,375)
	<u>3,652</u>	<u>2,807</u>
<i>(Increase)/decrease in operating assets:</i>		
Net (increase)/decrease in loans and advances	(6,423)	4,389
Net increase/(decrease) in deposits	45,198	17,948
<b>Net cash flows from operating activities</b>	<u>42,427</u>	<u>25,144</u>
<b>Cash flows from investing activities</b>		
Net (increase)/decrease in receivables due from other financial institutions	(18,000)	13,000
Payments for property, plant and equipment	(730)	(562)
Proceeds from sale of property, plant and equipment	57	22
Payments for intangible assets	(426)	(324)
Payments for investment property	-	(1,648)
<b>Net cash flows from investing activities</b>	<u>(19,099)</u>	<u>10,488</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	-
<b>Net cash flows from financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash held</b>	<b>23,328</b>	<b>35,632</b>
Cash at the beginning of the financial year	<u>213,432</u>	<u>177,800</u>
<b>Cash at the end of the financial year</b>	<u><u>236,760</u></u>	<u><u>213,432</u></u>

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



Crowe Horwath Albury  
ABN 16 673 023 918  
Member Crowe Horwath International  
491 Smollett Street  
Albury NSW 2640 Australia  
PO Box 500  
Albury NSW 2640 Australia  
Tel 02 6121 1111  
Fax 02 6041 1892  
[www.crowehorwath.com.au](http://www.crowehorwath.com.au)

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

**Report on the summarised financial statements**

We have audited the accompanying summarised financial statements of Hume Bank Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended on that date as set out on pages 22 to 24 which were derived from the audited financial statements of Hume Bank Limited for the year ended 30 June 2015. We expressed an unmodified Auditor's opinion on those financial statements in our auditor's report dated 20 August 2015. Those financial statements, and the summarised financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on that financial report.

The summarised financial statements do not contain all the disclosures required by the Australian Accounting Standards. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of the company.

*Directors' responsibility for the summarised financial report*

The Directors of the company are responsible for the preparation and fair presentation of the summarised financial statements.

*Auditor's responsibility*

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

*Auditor's opinion*

In our opinion, the information reported in the summarised financial statements is consistent, in all material respects, with the audited financial statements from which it was derived.

CROWE HORWATH ALBURY

DAVID MUNDAY  
Partner

Albury, 20 August 2015

*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.*

# We see the big in keeping things local

Through your support we are able to provide a local banking alternative and give back to the community.

Thank you to our staff, customers and the community for helping us remain local.



David Marshall -  
CEO Hume Bank

## Executive Team

DAVID MARSHALL  
Chief Executive Officer

JESSIE ARNEY  
General Manager  
Human Resources

WAYNE NAGLE  
General Manager  
Finance and Administration

ALISON PRENTICE  
Risk Manager

DAVID ROWE  
General Manager  
Information Technology

MELISSA SWEETLAND  
General Manager  
Customer Service,  
Sales and Marketing

## Management Team

OLYMPIA ANDRONICOS  
Regional Manager  
Southern NSW

DYANI BONACCI  
Marketing Manager

CARLY BROWN  
Regional Manager Victoria

JUDY CLOHESY  
Administrative Services  
and Facilities Manager

ALISON EATON  
Human Resources  
Manager

DALE JOHNSTONE  
Financial and Management  
Accountant

GEMMA NOORDEWIJER  
Acting Marketing Manager

JARROD O'NEILL  
Finance Manager

TYLER PEACHEY  
Credit Manager

BILL QUINN  
Information Technology  
Manager

MELISSA RALPH  
Compliance Manager

JUSTIN RYNEHART  
Regional Manager Riverina

JASON WOOLHOUSE  
Product Manager

## Service Centres

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



# Hume Bank

HEAD OFFICE:

492 Olive Street, Albury NSW 2640

PHONE:

(02) 6051 3211

FAX:

(02) 6051 3255

[humbank.com.au](http://humbank.com.au)