

07

Annual Report 2007



Local People, Local Banking



Hume
launched
4 Visa
Credit Cards

Removed its only account
keeping fee on FLO, Hume now
has no monthly account
keeping fees on any accounts.

92.2% Customer Satisfaction
level for 2007
© Roy Morgan Research

The Business
iSave
launched

Corowa
branch
opened on
Saturdays

Fees on excess
EFTPOS
withdrawals
reduced

5 new ATMs
in Baranduda, Hollywoods
Café Wodonga, Centrepoint
Arcade Albury, Union Rd Albury,
Yackandandah

Centro Albury and
Yackandandah branches
refurbished

Hume's iSave
account receives
CANNEX Top Award

Removed \$1 fee
on external electronic
transfers from personal
savings accounts

Hume's Investment
Interest Saver Home
Loan receives
CANNEX Top Award

highlights of 2007

“ Hume has worked to improve
convenience and service for
both new and existing members ”

PRODUCTS AND SERVICES

Personal

Savings Accounts

Transaction Accounts

Term Investments

Internet Accounts

Loans - Home, Car, Personal

Credit Cards

Insurance

Financial Planning

Business

Transaction Accounts

Overdrafts

Business Loans

Commercial Insurance

Financial Planning

Credit Cards

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“Hume has the
friendliness and
community values”

- of being truly local

HUME BUILDING SOCIETY LTD
ABN 85 051 868 556
AFSL NO.244248

Chairman's Report for 2007



The outstanding 2007 financial year is testimony to the extraordinary contribution by all of the people involved with Hume Building Society.

The addition to reserves of \$3.567 million was the greatest in the history of the Society and was an increase of 20.6% over the previous year and for the first time Hume's total assets exceeded \$0.5 billion. The strength of the Society mirrors the strength of the commitment to member service.

Financial Performance

Total assets increased by 9.9% to \$528 million at June 2007 on the back of net loan approvals of \$129 million, which were 6% below the record levels achieved the previous year.

The increase in assets contributed to the Society achieving a record pre-tax profit of \$5.088 million, an increase of 17.3% over the previous year. Net Interest Income increased by 11.8% despite the Society holding back the increase in interest rates announced in November 2006 until January 2007 for borrowing members, while passing it on immediately for deposit accounts.

Since Hume is owned by its members, the Society was able to remove its only account keeping fee during the year and now has no monthly account keeping fees at all. The Society reduced the fee for excess EFTPoS transactions by 35 cents following a reduction in the fee paid to the owners of EFTPoS terminals of 20 cents. This was based on the Reserve Bank of Australia's review of interchange fees.

These reductions meant that Non-Interest Income increased by only 1.8% for the year.

A range of Visa credit cards was launched during the year in response to numerous requests from members for their Society to offer a credit card that is widely accepted both locally and internationally.

The take-up of the card is testament to the desire by members to have all of their banking with Hume; however the costs associated with introducing the credit card contributed to a 6.6% increase in Operating Expenses.

Convenient Service

In contrast to lower fees, the high interest, internet account iSave was awarded a five star rating by Cannex during the year; the highest rating possible. The Investment Interest Saver Loan was also awarded a 5 star rating and a Business iSave account was offered during the year.

Offering great products is, however, only a part of the reason why an increasing percentage of the local population chooses to bank with Hume Building Society. A survey of members completed during the year confirmed that Hume maintained the high member satisfaction ratings it has achieved in similar surveys going back nearly ten years. Independent research by Roy Morgan Research measured member's satisfaction with Hume Building Society at April 2007 at 92.2%. Hume members value the convenient branches, the excellent internet banking service, the fee free accesses provided by the 26 Hume ATMs and also the friendly and helpful service provided by staff in all 12 of the Society's branches.

In turn, Hume staff are also generally happy to work at Hume. The Society commissioned a survey of all staff during the year and has committed to conduct annual reviews to allow it to identify ways that engagement and satisfaction can be improved.

That is reflective of Hume's approach for over 50 years: caring for staff who care for members and looking for ways to improve.

It was with this attitude in mind that the Board and Senior Managers spent several sessions reviewing the Society's Strategy and developing a Strategic Plan. That Plan was approved by the Board in July 2007; however the substance of the Strategy had been confirmed much earlier in the year and is a continuation of what has served the Society well for over 50 years.

Hume will continue to focus on developing relationships with its members and offering a range of accounts and financial services to them so they can choose to use those accounts in a way that suits them best whether that is on the internet, over the telephone, or face to face in a branch.

Although Hume has, and will continue to have, a local focus, it is supported by national industry bodies that allow it to offer the very best service and products to its members. Indeed, not only is Hume supported by those bodies, it contributes to them. The Society's Chief Executive Officer, Andrew Saxby, was appointed as an inaugural Director of Abacus - Australian Mutuals, the industry body representing all mutual building societies and credit unions in Australia and its Manager Information Technology, David Rowe, is a member of AAPBS Settlements Limited's Operations Committee. Other staff members contribute to various industry groups to ensure the interests of regional Australians are incorporated in decisions made in the capital cities. This extends to the Anti Money Laundering Legislation, which came into effect during the year, which will impact on how all financial institutions deal with customers. The cost of developing and implementing systems to deal with this, and other regulatory requirements, fall disproportionately on smaller bodies like Hume Building Society which makes the results achieved this year even more pleasing.

Economic Situation

At the time of finalising this report, international and Australian markets are reacting to the defaults being experienced in the American sub-prime mortgage market. The defaults are generally within the low-doc market and, although some Australian lenders offer this type of loan, Hume Building Society hasn't, and has no plans to, lower its credit standards simply to increase business activity.

Some sub-prime loans are funded by the issue of commercial debt and it has been the devaluation of these investments which has gained most media attention. Hume has prudent investment criteria and has not been exposed to losses from this type of investment.

Lenders who rely on commercial debt to fund their activities have warned that their loan rates might need to increase and some have started to do so, however Hume will not need to increase the rates charged to its variable rate borrowers.

In contrast to the defaults in the sub-prime market, the number of Hume's members who were behind in their loans at June 2007 was near record lows despite the interest rate increases late in 2006. Where possible and appropriate, Hume assists members who are experiencing financial difficulties but adopts a firmer stance when members either do not contact the Society or fail to adhere to the arrangements that have been agreed to. This is another example of where banking with a member owned organisation makes sense.

Staff and Board Changes

A long serving Director of Hume Building Society retired during the year. Les Boyes served on the Board for 22 years and contributed to the growth of Hume from \$61 million when he joined in August 1985 to more than \$500 million when he retired in February 2007. It's a tribute to Les' contribution to Hume that, at his farewell dinner, he noted that it took two people to replace him. Denise Osborne, the Mayor of Greater Hume Shire and a tireless worker for her community in a variety of roles, and Stuart Gilchrist, a local businessman with international marketing experience, were appointed to the Society's Board in March 2007. Both new Directors bring energy and experience to the Board to contribute to the knowledge, commitment and dedication of the existing Directors.

Following the retirement of the Society's longest serving staff member, David Fara, in June 2006, the next longest serving, David Schultz, commenced long service leave in June 2007 and will retire later this calendar year.

Both staff members were instrumental in the development and success of the Society and their contributions will continue due to the processes they developed and embedded within the Society.

While it is difficult to replace the knowledge gained over nearly 30 years, Hume's standing in the community has allowed it to attract experienced people to both the Board and to staff.

The 2007 year was successful due to the efforts of very many people. The support from members is not taken lightly and, on behalf of the Board, I extend my thanks to you for your continued relationship with Hume Building Society.

Success is rarely achieved without effort and personally, I would like to thank my fellow Directors for their wisdom, guidance and encouragement and all members of staff for their efforts and contributions to Hume's continuing success.



Ulf Ericson Chairman

“Local People, Local Banking”



Hume Building Society offers a full range of financial services, from transaction accounts, insurance, home loans and financial planning and delivers these offerings with friendly, personal service, a strong local branch presence and highly competitive products.

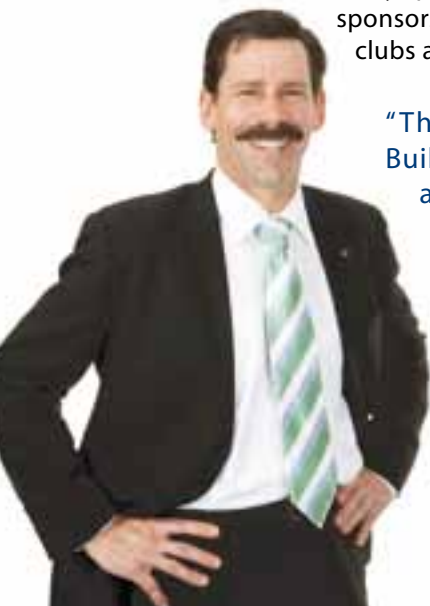
Hume will continue to focus on developing relationships with its members and offering a range of accounts and financial services, so members can use accounts in a way that is convenient to them – whether that is on the internet, over the telephone or face to face in a branch.

A local perspective

Hume has always been open and honest with its members, and strives to help members make the choices that are right for them. There is a mutual respect at the heart of the way Hume does business: respect for members, staff and community.

Hume has a local appreciation of its community and people, without losing sight of the big picture – that’s what sets Hume apart. As a successful, independent, financial organisation in the Albury-Wodonga region and surrounding areas, Hume’s focus is on meeting the needs of members. And, as a mutual organisation, it can do that. The members are the owners and therefore, rather than focusing on share price and dividend payments, Hume focuses simply on great products, unmatched convenience and exceptional service.

Hume sees sponsoring local events as giving back to the community and supports organisations that share consistent values and goals. Hume contributes to a variety of activities including community, business, charity, sport, agriculture, art/culture, educational and environment. Hume’s ability to provide sponsorship comes from the reciprocal benefit it receives from individuals, businesses, clubs and associations throughout the district.



“The 2007 financial year has been a resounding success for Hume Building Society. The company you see today is the result of committed and personalised service that extends beyond the provision of financial products and services to the communities we serve”.

CEO Andrew Saxby



Members

Hume's focus is on keeping things personal and offering quality; by knowing its members.

Hume is renowned for delivering excellent and personal service to its members, and this is shown through the long-term relationships that often extend for generations.

Having been a part of the Albury-Wodonga region for over 50 years, Hume continues to build relationships and offer value to members. With a proven commitment to service, Hume received a customer satisfaction level of 92.2% this year, which is the highest in the region. A high member satisfaction record reflects a consistent, member focused approach and the ability to deliver products and services at a reasonable cost.

By understanding its members, Hume can respond to their current needs and requirements for the future and help members make the choices that are right for them. As Hume's local network is growing, it remains focused on the future for Hume's members and the whole community.

What members like best about Hume

"Its local - friendly staff - and very helpful overall.

The best thing we did was change from a bank to a building society".

"Local, good value products".

"Hume Building Society provides an excellent service to its customers, I use a number of branches and find all staff at these branches to be friendly, prompt and very helpful to all my needs".

"Community feel. I feel I receive individually tailored service".

"Friendly approachable staff, all our requirements are met and all the services we need are provided at the branch we use. Our mortgage and financial advice matters are also very well covered".

"Hume is a local company and supports local towns by having their branches located in local communities around the area. Being open on Saturdays is excellent. Keep up the good work".

"Locally run for local people you can deal face to face with people you rely on to tend to your financial needs".

"Local people, local interests and low fees and bpay, internet banking".

(Comments from Hume Member Survey February 2007)

"92.2 % Customer Satisfaction level 2007 Roy Morgan Research"



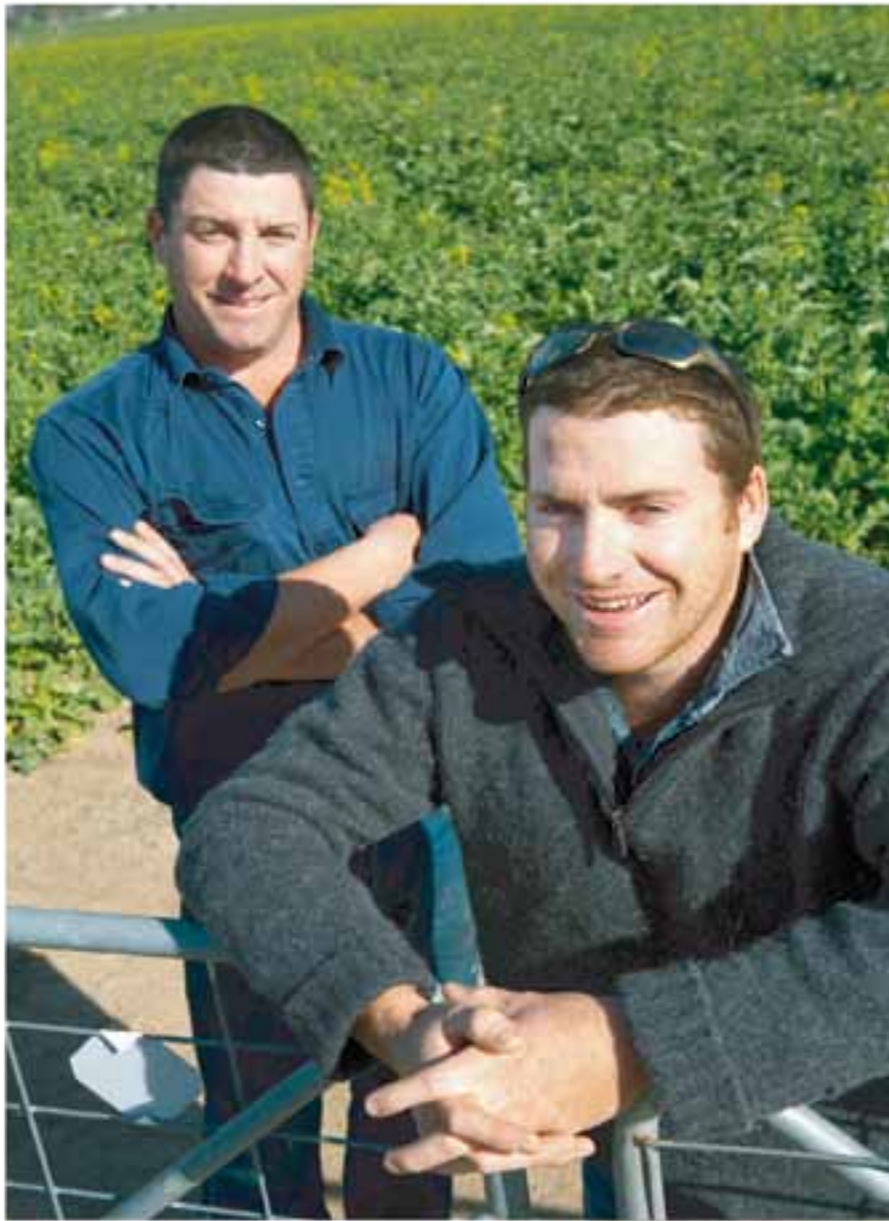
HOME OWNER

KATIE BALDOCK
PRODUCT: HOME LOAN

Katie Baldock is in her first year of teaching at a local primary school and a part time singer who performs regularly around the region. Having lived in the area all her life, she has recently bought her first home in Wodonga. Katie plans to get a head start in setting herself up for the future. Not only has Hume's home loan helped her buy her own place, but Hume has also shown her how she can repay her loan earlier and save money.

What I love about this area:

I love being a part of a close knit community away from the hustle and bustle of the big city. There are plenty of fantastic attractions with a great music scene to match!



FARMER

ARRANMORE PTY LTD
PRODUCT: BUSINESS BANKING

Brothers, James and Denis Clancy now operate the family farming enterprise of dry land farming, Arranmore Pty Ltd, located in regional NSW. The Clancy family own properties at Table Top and Pleasant Hills, which they have inherited as the land has remained in the family for over 100 years. Their parents have been long standing members of Hume for many years, and Hume has helped assist their enterprise for 10 years. Hume will continue to offer financial advice to the family and help the brothers plan for the future.

What we love about this area:

120 years ago our great grandparents started farming in this area. We are continuing with that. Farming is no longer about the lifestyle, it's a business. The decisions we make now influence where we will be in 10 years and beyond. The changes in farming are challenging, yet exciting.



SMALL BUSINESS



Andrea and Max Grimmond own and operate their local building business, Garage World Pty Ltd. Married for 17 years, and raising 3 children, they are also successful business partners. Hume's Business Banking team has supported the local business since its inception 12 years ago.

Andrea and Max believe it's important to support and have strong relationships with local suppliers and rely on Hume for their financial products and services for day-to-day and long term banking needs.

What we love about servicing this area:
Being a locally owned and operated business, supporting local suppliers, and employing local people. Even though we have received various national awards, it is still the rapport we build with our clients that is the most rewarding.

STAFF



Simple, Face - To - Face Local Banking

"Hume's people are its most valuable asset. Much of the positive energy is drawn from front-line branch staff."

The continued success of Hume is a reflection of the dedicated people that work within the various departments and branches across our network. Hume is committed to providing a rewarding and supportive workplace for staff. This year more effort has been devoted to staff training, upgrading training facilities and programs and ensuring staff are well equipped with knowledge of products and services.

Hume is increasing staff numbers to continue to meet the needs of members, with 110 on the payroll at June 2007. As Hume continues to care for its members, people and the community, there is a tangible sense of belonging at Hume that is experienced through the friendly staff.

Network

Hume has more branches than any other Financial Institution in the region

Hume prides itself on providing excellent coverage and convenience to its members. While other institutions appear to be abandoning regional communities, Hume remains committed to maintaining and even expanding its branch network.

With an excellent physical branch network, Hume also supports its members' needs, with online banking, telephone banking and a number of ATMs located in the area. The comprehensive network continues to expand with 26 ATMs and 12 branches across the region at the end of June 2007.

2007 Expansion

- Accessibility continues with Corowa branch opening on Saturdays joining Centro Wodonga, Centro Birallee, Myer City Centre, Centro Albury and Centro Lavington Shopping Centre
- Centro Albury and Yackandandah branches refurbished
- 5 new ATMs; Baranduda, Hollywoods Café Wodonga, Centrepoint Arcade Albury, Union Rd Albury and Yackandandah
- Extended hours at Yackandandah branch

Products

Hume's product range is first class with competitive rates.

- The Business iSave account was offered during the year and adds to the very competitive range of award winning accounts available from Hume
- Australia's leading financial services research group CANNEX, awarded Hume's iSave account 5 stars
- Hume's personal Investment Interest Saver Home Loan also awarded 5 stars for "superior value" by CANNEX
- Hume launched a range of Visa credit cards that is widely accepted within the local area and internationally; Value, Loyalty, Gold and Business

"Hume's focus is ongoing commitment to upgrading and improving all its services across the border"

Fees

Having previously been recognised as having exceptionally low fees, in 2007 Hume removed its last monthly account keeping fees and can now proudly say that 'Hume's members pay no monthly account keeping fees on any account'.

Hume also removed the \$1 fee on external electronic transfers from personal savings, and lowered fees on EFTPoS withdrawals by 35 cents. Hume continues to offer members the ability to pay bills over the internet via BPay fee free, and for those requiring cash; Hume's ATMs are also free for members using a Hume Cashcard. Hume's local Visa credit cards also feature very low fees.



Financial Literacy

Skills For Life

A focus for 2007 was increasing Hume's involvement in promoting financial literacy. As a community organisation, Hume believes it is important that members and the general public are able to make informed financial decisions.

Hume continued to grow School Banking within local primary schools, which enables children to save, while also providing lessons in financial literacy. Since recognising this important life skill to all stages of life, Hume is also expanding its programme by offering visits to secondary and tertiary institutions.

Hume also supports adult educational based programs such as providing a scholarship at the Continuing Education Centre, as well as sponsoring the Murray Hume Business Enterprise Centre and most local tertiary education providers.

Another development that has strengthened Hume's support of improving financial literacy is the sponsorship of the Upper Murray Regional Library with "The Hume Building Society Mobile Homework and Training Centre". This will involve supporting the mobile centre programme to continue with its worthwhile cause, as well as taking financial literacy to remote areas. Hume's financial literacy efforts will continue in 2008 with future development and strategies being rolled out.

While 21 month old Bailey spends some time colouring in and letting his imagination run riot, his parents are planning for his financial future with Bailey's first bank account – a Clancy Koala Account.

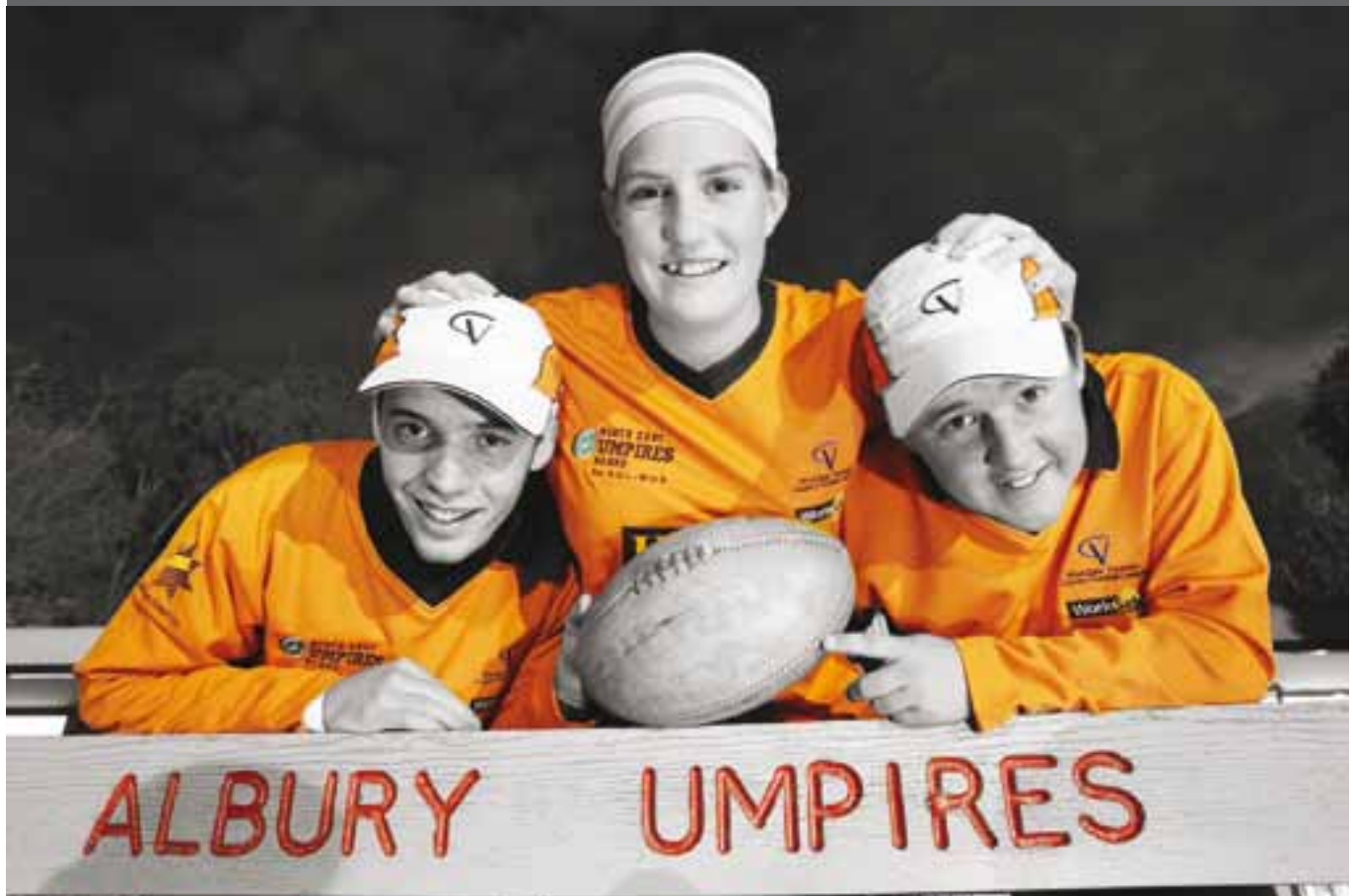


Sponsorship

sport	NORTH EAST UMPIRES BOARD
organisations	PARKLANDS ALBURY-WODONGA
charity	BORDER TRUST
culture & art	CAROLS AND APPLAUSE FESTIVAL
health	St. JOHN AMBULANCE
general	LOCAL CLUBS + ASSOCIATIONS
education	MURRAY HUME BUSINESS ENTERPRISE CENTRE ALBURY-WODONGA

Young umpires Matt Maclure, 17, Aleisha Casley, 17, and Mat Winchester, 15

For the past 25 years Hume has been a major sponsor of the Albury Umpires League (AUL), which in 2007 celebrated its 20th anniversary of the opening of its clubrooms at Noreul Park. The AUL and the Wangaratta Umpires Board have recently amalgamated to form the North East Umpires Board and Hume is pleased to continue to support the organisation.



North East Umpires Board (*Photograph* Border Mail)



Hume is a local organisation that understands the importance of supporting the local community. As a committed community member, Hume provides sponsorship to over 200 community organisations each year, and sponsors a broad range of events as well as donating to education and various charities. Sponsorships include Parklands Albury-Wodonga, North East Umpires Board, Nail Can Hill Fun Run, Murray Hume Business Enterprise Centre, Applause Festival and Carols in both Albury and Wodonga. Apart from providing financial support to local groups and clubs, Hume also contributes to the community in other ways with individual staff's participation.

People Of Hume

Hume remains committed to its staff program and to assisting charities and non-profit organisations across the border.

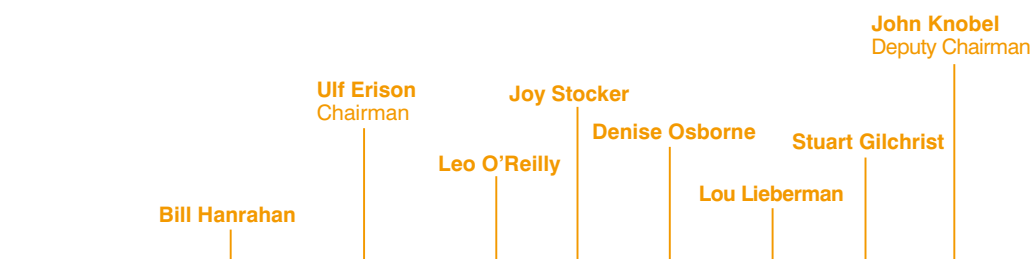
The staff charity program includes 3 key initiatives:

1. A regular donation to a local charity or non-profit organisation.
2. Granting one extra day of paid leave to each staff member who participates in an approved, organised community volunteer service.
3. Giving employees the opportunity to donate pre-tax income to their chosen charities.

FINANCIAL REPORT

For the year ended 30 June 2007

Board of Directors



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BRANCH AND ATM LOCATIONS

Albury

Head Office

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

Myer City Centre

David & Swift Streets, Albury NSW 2640
Phone (02) 6051 3300
Fax (02) 6051 3322

Centro Albury

Centro Albury Shopping Centre
487 Kiewa Street, Albury NSW 2640
Phone (02) 6051 3399
Fax (02) 6051 3366

Centro Lavington

Centro Lavington Shopping Centre
Griffith Road, Lavington NSW 2641
Phone (02) 6025 7877
Fax (02) 6040 3508

Wodonga

Wodonga Central

131 High Street, Wodonga VIC 3690
Phone (02) 6022 9088
Fax (02) 6022 9066

Centro Wodonga

Centro Wodonga Shopping Centre
Elgin Street, Wodonga VIC 3690
Phone (02) 6022 9000
Fax (02) 6022 9022

Centro Birallee

Centro Birallee Shopping Centre
97 Melrose Drive, Wodonga VIC 3690
Phone (02) 6043 4300
Fax (02) 6043 4304

Regional

Corowa

79 Sanger Street, Corowa NSW 2646
Phone (02) 6033 2688
Fax (02) 6033 4312

Culcairn

50 Balfour St, Culcairn NSW 2660
Phone (02) 6029 8083
Fax (02) 6029 8121

Yackandandah

10 High Street, Yackandandah VIC 3749
Phone (02) 6027 1171

Howlong

1-45 Hawkins Street, Howlong NSW 2643
Phone (02) 6026 8222
Fax (02) 6026 8322

Jindera

Shop 8-9, Jindera Plaza, Jindera NSW 2642
Phone (02) 6026 3720
Fax (02) 6026 3718

Other Hume ATM Locations

Federation Park

Federation Park Store
Barton Street, Wodonga

Thurgoona Plaza PP's Cafe

Shuter Avenue, Thurgoona

Cinema Centre

Dean Street, Albury

Borella Road Chicken Shop

Borella Road, Albury

621A Dean Street

Albury (Western End)

Baranduda General Store

Sage Crt Baranduda

Howlong Golf Club

86 Golf Club Drive, Howlong

Hollywoods Cafe

8/9 Thomas Mitchell Drive, Wodonga

Centrepoint Arcade

526 Olive Street, Albury

Albury Airport

Riverina Highway, Albury

IGA Supermarket

545 Union Road, North Albury

Email: hume@humebuild.com.au

Website: www.humebuild.com.au

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