Annual Financial Report 2016

Hume Bank

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

Financial Report
for the year ended 30 June 2016

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

Directors' Report

The Directors present their report, together with the financial statements of Hume Bank Limited (the 'company'), for the financial year ended 30 June 2016 and the Auditor's report thereon.

Directors

The names of the Directors of the company at any time during or since the end of the financial year are:

Name and qualifications	*Experience and special responsibilities*
Michael Conrad Gobel B.Sc, MAppFin, GAICD Independent, non-executive Director.	Equity Funds Manager Board member since November 2012, Chairman since November 2013 and Deputy Chairman from November 2012 to November 2013. Member of the Risk Committee and the Remuneration and Succession Committee (Chairman from November 2013 until November 2014). Former member of the Audit Committee. Michael has provided strategic financial advice to the private business sector, major domestic and international investment funds and government borrowing authorities. Michael is the Deputy Chairman of the Victorian Ovens and Murray Regional Partnerships Board is on the Latrobe University Regional Advisory Board and is a member of Scots School Board. Michael is a former Board member of Hothouse Theatre.
Henrietta Rachel Cruddas B. Sc (Hons), GAICD Independent, non-executive Director.	Solicitor. Board member and Deputy Chairman from November 2013 to October 2015. Previously a Board member from May 2011 to August 2012. Chairman of the Risk Committee and member of the Audit Committee. Henri has been a legal and compliance specialist in the financial services industry for the last 25 years in Australia, the UK and Asia.
Ulf Olof Ericson B. Ec, B. Comm, Grad Dip Advanced Taxation Law, Dip Law (BAB), FCA, MAICD, CTA Independent, non-executive Director.	Chartered Accountant – Director ATS Partners, Accounting and Financial Services. Board member since June 1988 and Chairman from August 1998 to June 2012. Member of the Risk Committee, the Audit Committee and the Remuneration and Succession Committee. Ulf is a Board Member of the Community Advisory Board for the Albury Wodonga Campus of the University of NSW Rural Clinical School.
William Thomas Hanrahan B Bus, B Leg S, Cost Acc P Cert, Dip Sec Inst, S F Fin, FCA, FCPA, FCIS FGIA, FAICD, B Rel Studies, Hon Dr Bus CSU. Non-independent, non-executive Director. Retired from the Board in June 2016.	Former CEO of the company for 20 years. Board member since June 1985. Member of the Risk Committee and the Remuneration and Succession Committee. Former member of the Audit Committee. Former Chairperson of the Albury-Wodonga Corporation for 17 years from 1997 to 2014. Bill has an ongoing association with Charles Sturt University, including a previous period as a member of the University Council, and is currently a member of the Murray Hume Regional Consultative Committee. Bill has also been involved as a member or chair of other Audit Committees. Bill retired from the Board on 30 June 2016.
Paul Carrington McGill B Sc (Melbourne University) Independent, non-executive Director Appointed to the Board in July 2016.	Former Consulting Director with Deloitte and Managing Consultant with PricewaterhouseCoopers, founding CEO of ActiveWealth, non-executive Director of Tourism North East, Director of Maakan Group Pty Ltd, Chair of HotHouse Theatre and Chair, Advisory Board for Bridge Road Brewers. Board member since July 2016.

Name and qualifications	*Experience and special responsibilities*
Leo Francis O'Reilly GAICD Independent, non-executive Director.	Former Chartered Accountant - former partner of an Accounting Firm. Board member since February 1998. Chairman of the Audit Committee and member of the Risk Committee. Leo is the Chairman of the AlburyCity Audit Committee, a former Director of Hume Medicare Local and former Chairman of Hume Medicare Local Audit and Risk Committee.
Feynella Joy Stocker B. Ed, M Ed (Adult Ed) Independent, non-executive Director.	Former Director of Educational Planning and Development, TAFE NSW Riverina Institute. Board member since October 1993. Deputy Chairman from November 2008 to November 2012, and from October 2015 to May 2016. Chairman of the Remuneration and Succession Committee and member of the Risk Committee. Former member of the Audit Committee. Joy is the Chairman of St Davids Uniting Church Council and is actively involved with other community activities.
Kay Denise Thawley B.Bus, GAICD Independent, non-executive Director.	Former Senior Executive with the National Australia Bank, former Partner with Deloitte Touche Tohmatsu and former Chief Executive Officer of Industry Fund Services. Board member since August 2014. Member of the Risk Committee and the Audit Committee. Kay is a Board member of the Wodonga Institute of TAFE and member of the Indigo Shire Audit Committee.
Anthony Charles Whiting B Com Independent, non-executive Director. Appointed to the Board in May 2016.	Former CEO of The Border Morning Mail Pty Ltd from 1996-2007, former board member of Wodonga Institute of TAFE, Director of Mandoe Pty Ltd, Director of Albury-Wodonga Community Media. Deputy Chairman since May 2016. Member of the Risk Committee.

Company Secretary

Mr David Gavin Marshall, BCom (Agriculture), PGradCom and Mr Wayne Anthony Nagle, BA (Accounting), CA were joint company secretaries until 19 October 2015. Mr Marshall is the Chief Executive Officer of the company and Mr Nagle was the Chief Financial Officer of the company. Mrs Melissa Ralph BBus (Banking – with distinction), GIACert was appointed as joint Company Secretary with Mr Nagle from 19 October 2015. Mr Nagle ceased as Company Secretary from 3 June 2016.

Directors Meetings

The Number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board of Directors	Risk Committee	Audit Committee	Remuneration & Succession Committee
Number of meetings held:	14	4	5	6
Number of meetings attended:				
Henrietta Rachel Cruddas	12	4	4	n/a
Ulf Olof Ericson	13	4	5	6
Michael Conrad Gobel	13	4	n/a	5
William Thomas Hanrahan	14	4	n/a	6
Leo Francis O'Reilly	14	4	5	n/a
Feynella Joy Stocker	13	4	n/a	6
Kay Denise Thawley	14	4	5	n/a
Anthony Charles Whiting[1]	3	1	n/a	n/a

[1]Appointed to the Board and to the Risk Committee in May 2016

Corporate Governance Statement

The Board's primary responsibility is to the members of the company to maintain the company's success. It participates in the development of the strategic plan and has authority for its approval. It also approves the annual budget and has responsibility for the appointment, remuneration and performance appraisal of the Chief Executive Officer. The Board delegates responsibility for the management of the company to the Chief Executive Officer and Senior Management.

The Board generally meets on a monthly basis and conducts an annual evaluation of its own performance and that of individual Directors. An allowance is made for professional development of all Directors and, to assist the Board in the execution of its responsibilities, the Board has established committees as noted below.

Committees of Directors

Audit Committee

The Audit Committee is a Board appointed committee comprising of four non-executive Directors. Its principal responsibility is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control system, risk management framework and internal and external audit functions. The Chief Executive Officer, Internal Auditor and External Auditors are invited to attend meetings however the Committee may meet without them. The Audit Committee is chaired by Leo O'Reilly.

Risk Committee

The Risk Committee was established in December 2014 and is a Board delegated committee comprising of all non-executive Directors. Its principal responsibilities are to assist the Board to fulfil its oversight responsibilities in relation to the implementation and operation of the company's risk management framework and the review and approval of policies which are required under the company's risk management framework. The Risk Committee also makes recommendations to the Board based on the company's risk appetite. The Chief Executive Officer will generally attend meetings and the Risk Manager must attend relevant sections of meetings, however the committee may meet without Management. The Risk Committee is chaired by Henri Cruddas.

Remuneration & Succession Committee

The Remuneration and Succession Committee is a Board appointed committee of four non-executive Directors. It is responsible for reviewing the performance of the Chief Executive Officer and making recommendations to the Board regarding his remuneration. It reviews appraisals and remuneration recommendations for the Senior Managers submitted by the Chief Executive Officer and also the Remuneration and Reward Policy which establishes staff remuneration structures. It also develops Board succession planning for consideration by the Board. The Remuneration and Succession Committee is chaired by Joy Stocker.

Principal activities

The principal activities of the company during the course of the financial year were those of an Authorised Deposit-taking Institution providing financial products and services to its members.

There were no significant changes in the nature of these activities during the period.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

Review and results of operations

The company achieved a profit before income tax of $5.324 million for the year (2015 - $4.678 million). Net profit after income tax was $3.707 million (2015 - $3.275). The result was based on an increase in total assets of 5.70% or $54.187 million to $1.005 billion on the back of net loan approvals of $196 million (2015 - $144 million). Net loans and advances outstanding at 30 June 2016 were $729.744 million (2015 - $678.027) and deposits by customers were $923.336 million (2015 - $872.171).

Events subsequent to reporting date

On 18 July 2016 the Company sold it's Financial Planning business. The proceeds of sale, cost savings and reduction in revenue will be recognised in the 2017 financial year results, the effects of which are disclosed in the notes to the accounts on page 49.

In the opinion of the Directors, this event is not likely to substantially affect the operations of the company in the future as the Company has maintained its referral agreement with Bridges Financial Services and continues to provide financial planning services to Hume's customers via this agreement.

Likely developments

There are no known likely developments at the date of this report that will impact on the operations of the company in a material way.

Directors' benefits

During or since the end of the financial year, no Director of the company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of compensation paid or payable to Key Management Personnel as shown on page 34 of the general purpose financial statements) by reason of a contract entered into by the company (or an entity that the company controlled, or a body corporate that was related to the company when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 30 June 2016.

Indemnification and insurance of Officers and Auditors

The company has agreed to indemnify any past, present or future Director, Secretary or Officer of the company in respect of liabilities to other persons (other than the company) that may arise from their position as Director, Secretary or Officer of the company, except where the liability arises out of conduct involving a lack of good faith. The company has entered into an insurance policy to cover the company's liability under the indemnity. The insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

The company has not indemnified its Auditors, Crowe Horwath Albury.

Public disclosure of prudential information

Prudential Standard APS 330 Public Disclosure requires the company to meet minimum requirements for the public disclosure of information. This information is published on the company's website under Regulatory Disclosures.

Rounding

The amounts in the financial statements and Directors' report have been rounded off to the nearest thousand dollars, in accordance with ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Michael Gobel Chairman	Anthony Whiting Deputy Chairman

Albury, 18 August 2016

Crowe Horwath

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Auditor Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Hume Bank Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been no contraventions of:

(1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(2) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hume Bank Limited and the entities it controlled during the financial year ended 30 June 2016.

CROWE HORWATH ALBURY

DAVID MUNDAY
Partner

Albury, 18 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Interest revenue	2	**40,644**	42,493
Interest expense	2	**(18,048)**	(21,208)
Net interest income		**22,596**	21,285
Non-interest income	3	**4,462**	4,243
Total operating income		**27,058**	25,528
Impairment of loans and advances	13	**35**	(101)
Other expenses	4	**(21,769)**	(20,749)
Operating profit before fair value adjustments		**5,324**	4,678
Fair value adjustments	5	**-**	-
Profit before income tax		**5,324**	4,678
Income tax expense	6	**(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 is to be read in conjunction with the accompanying notes set out on pages 11 to 49.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Note	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	Capital Profits Reserve	Cash Flow Hedge Reserve	Total Reserves	Total Members' Funds
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015								
Opening balance at 1 July 2014		57,501	1,195	1,039	593	12	2,839	60,340
Net profit for the year		3,275	-	-	-	-	-	3,275
Total other comprehensive income		-	-	-	-	38	38	38
Transfers to/(from) reserves		(102)	102	-	-	-	102	-
Closing balance at 30 June 2015	25, 26	60,674	1,297	1,039	593	50	2,979	63,653
2016								
Opening balance at 1 July 2015		**60,674**	**1,297**	**1,039**	**593**	**50**	**2,979**	**63,653**
Net profit for the year		**3,707**	**-**	**-**	**-**	**-**	**-**	**3,707**
Total other comprehensive income		**-**	**-**	**-**	**-**	**(50)**	**(50)**	**(50)**
Transfers to/(from) reserves		**(66)**	**66**	**-**	**-**	**-**	**66**	**-**
Closing balance at 30 June 2016	25, 26	**64,315**	**1,363**	**1,039**	**593**	**-**	**2,995**	**67,310**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 11 to 49.

Consolidated Statement of Financial Position

as at 30 June 2016

	Note	2016	2015
		$'000	$'000
Assets			
Cash and cash equivalents	7	**41,861**	54,339
Receivables due from other financial institutions	8	**63,019**	75,745
Investment securities	9	**157,203**	130,676
Trade and other receivables	10	**2,831**	906
Derivative financial instruments	11	-	71
Loans and advances	12	**729,744**	678,027
Other investments	14	**204**	204
Investment property	15	**1,746**	1,746
Property, plant and equipment	16	**6,201**	6,630
Intangible assets	17	**520**	578
Deferred tax assets	18	**1,249**	1,470
Total assets		**1,004,578**	950,392
Liabilities			
Deposits	19	**923,336**	872,171
Trade and other payables	20	**9,277**	9,949
Income tax payable	21	**88**	367
Deferred tax liabilities	22	-	-
Provision for employee benefits	23	**2,567**	2,252
Borrowings	24	**2,000**	2,000
Total liabilities		**937,268**	886,739
Net assets		**67,310**	63,653
Members' funds			
Reserves	25	**2,995**	2,979
Retained earnings	26	**64,315**	60,674
Total members' funds		**67,310**	63,653

The consolidated statement of financial position is to be read in conjunction with the accompanying notes set out on pages 11 to 49.

Consolidated Statement of Cash Flows
for the year ended 30 June 2016

	Note	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	21	**(1,653)**	(1,642)
		4,114	3,652
(Increase)/decrease in operating assets:			
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	27(b)	**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	27(a)	**234,018**	236,760

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 11 to 49.

Notes to the Financial Statements
for the year ended 30 June 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Hume Bank Limited (the 'company') is a company limited by shares and guarantee domiciled in Australia. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. No shares have been issued. The address of the company's registered office is 492 Olive Street, Albury, NSW, 2640.

These consolidated financial statements ('financial statements') comprise Hume Bank Limited, the ultimate parent company, and its subsidiary (together, the 'Group'). The Group is primarily involved in retail banking.

Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards ('AASBs') and interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial statements of the Group also comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 18 August 2016.

Basis of measurement

The financial statements are presented in Australian dollars.

The financial statements are prepared on the historical cost basis unless otherwise stated.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

RBA repurchase securitisation trust consolidation

Hume Bank Limited is the beneficiary of a trust which holds rights to a portfolio of residential mortgage secured loans to enable the company to secure funds from the Reserve Bank of Australia, if required, to meet emergency liquidity requirements. The company continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly:

a. The trust meets the definition of a controlled entity; and

b. As prescribed under the accounting standards, since the company has not transferred all the risks and rewards to the trust, the assigned loans are retained on the books of the company and are not de-recognised.

The Group has elected to present one set of financial statements to represent both the company as an individual entity and the consolidated entity on the basis that the impact of the consolidation is not material to the entity.

The subsidiary member of the Group is known as the Murray Trust Repo Series No. 1.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of estimates and judgements

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 37 - fair value of financial instruments; and
- note 13 - impairment of loans and advances.

Investment in equity securities

Equity investments held for trading are stated at fair value, with any resulting gain or loss recognised in the statement of profit or loss and other comprehensive income. The fair value of equity investments classified as held for trading and available-for-sale is their quoted bid price at balance date.

Equity investments where no market value is readily available are carried at cost less any provision for impairment.

Receivables due from other financial institutions (FI's)

Receivables due from other financial institutions are held-to-maturity investments which the Group has a positive intention and ability to hold to maturity.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

Investment securities

Investment securities are held-to-maturity investments which the Group has a positive intention and ability to hold to maturity.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

Employee benefits

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

A provision is recognised for the amount to be paid under short-term cash bonus or profit-sharing plans if the Group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service leave
The Group's obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to corporate bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

Superannuation plan
Contributions to the employees' superannuation fund are recognised as an expense as they are made.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Loans and advances

Loans and advances are recognised at amortised cost using the effective interest rate method, after assessing required provisions for impairment.

The effective interest rate method requires origination fees and associated transaction costs to be capitalised as part of the loan balance and amortised over the expected life of the loan as part of the loan's effective interest rate. The expected life of the loan has been determined based on an analysis of the Group's loan portfolio.

The interest on loans and overdrafts is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. The interest on revolving credit cards is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the 15th day of each month. Purchases are granted up to 55 days interest free until the due date for payment. All housing loans are secured by registered mortgages.

Fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

All loans and advances are reviewed and graded according to the determined level of credit risk. The classification adopted is described below:

- Impaired loans – are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are made.

- Assets acquired through the enforcement of security – are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

- Past-due loans – are loans where payments of principal and/or interest are at least 1 day or more in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in impaired loans.

Loan impairment – collective provision

The collective provision for impairment is determined as per Group policy which is consistent with that required by the Prudential Standards issued by the Australian Prudential Regulatory Authority (APRA). Specific percentages are applied to loan balances outstanding based on the length of time the loans are in arrears and the security held.

Loan impairment – specific provision

Specific impairment of a loan is recognised when there is objective evidence that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans.

Reserve for credit losses

Group policy requires that a general reserve for credit losses, sufficient to cover estimated future credit losses, be maintained. This Group maintains a general reserve for credit losses of 0.3% (2015 - 0.3%) of risk weighted assets.

Bad Debts

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents includes cash balances, call deposits, investment securities and receivables due from other financial institutions that are due to mature in less than three months.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Recognition and measurement
Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent accumulated depreciation for buildings.

All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Assets less than $500 are not capitalised.

Revaluation of land and buildings
Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Depreciation
With the exception of freehold land, depreciation is charged on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings — 40 years
- Plant and equipment — 3 – 10 years
- Leasehold improvements — 3 – 7 years (the lease term)

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Disposal
Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and are recognised within non-interest income in profit or loss.

Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. These lives range from 3 to 5 years.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance date to assess whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is determined.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation. Any excess is recognised through the statement of profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

The Group enters into derivatives such as interest rate swaps to manage its exposure to interest rate risk. Interest rate swaps relate to contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate. The Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Derivatives are recognised at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of derivatives is remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash flow hedges
The Group applies the new hedge accounting rules of AASB 9 from 1 January 2014. The new rules replace the 80-125% range rule previously used for hedge effectiveness testing with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship. Also, in regards to risk component it is designated as the hedged item, not only for financial items, but also for non-financial items, provided the risk component is separately identifiable and reliably measured. The time value of an option, the forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument and accounted for as costs of hedging. The financial instruments are recognised through assets and liabilities with mark to market movements in the instruments recognised through reserves for the effective portion of the hedge. The ineffective portion of the hedge is recognised through profit or loss.

The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to profit or loss in the period(s) in which the hedged item will affect profit or loss (e.g. when the forecast hedged variable cash flows are recognised within profit or loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss.

Leases

Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Operating leases
Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the lease term.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

All borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised as an expense in the period in which it is incurred. Interest payable is included in the amount of payables in the statement of financial position.

Goods and services tax

As a financial institution the company is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to profit or loss on a straight-line basis over the estimated useful lives of the related assets.

Revenue

Dividends
Revenue from dividends is recognised net of franking credits when the dividends are received.

Fees and commissions
Fees and commissions are recognised as revenues or expenses on an accrual basis.

Rental income
Rental income is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

New standards applicable for the current year

There were no new or revised accounting standards applicable for the financial year commencing from 1 July 2015 that had any significant impact on the financial statements of the Group.

Changes in accounting policies

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

New standards and interpretations not yet mandatory

The Group has adopted the revisions to AASB 9 in AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instrument*s from 1 January 2014. This includes the new hedging requirements contained in Chapter 6 which the Group has adopted at that date for all prospective hedge relationships. All of the hedge relationships that were entered into before 1 January 2014 have qualified for hedge accounting under the new requirements.

New accounting standards and interpretations not yet adopted

- AASB 9 '*Financial Instruments'* - Replaces the existing guidance in AASB 139 '*Financial Instruments: Recognition and Measurement'*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

  AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not expect the changes to AASB 9 to have a material effect on the financial statements other than the move to an expected loss model for impairment which may result in increases to provisions.

- AASB 15 '*Revenue from Contracts with Customers'* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 '*Revenue'* and AASB 111 '*Construction Contracts'*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Group of the amount expected to be entitled for performing under the contract.

  AASB 15 is effective for annual reporting periods commencing 1 January 2018, with early adoption permitted. The Group does not expect the changes to revenue recognition to have a material impact on the financial statements when AASB 15 is first adopted.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 16 '*Leases*' replaces AASB 117 'Leases' and some lease related interpretations. AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases, provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.

  AASB 16 is effective for annual reporting periods commencing 1 January 2019. The Group is yet to undertake a detailed assessment of AASB 16 however, based on preliminary assessments, the standard is expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted, as the Group has and will continue to have a number of operating leases. The Groups preliminary assessment does indicate that the likely impact on the transactions and balances recognised will be an increase in property, plant and equipment, an increase in liabilities and an increase in assets.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are monthly averages. Daily or weekly averages are also used provided they are representative of the Group's operations during the period.

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2016			
Cash at authorised deposit-taking institutions	**39,613**	**936**	**2.36**
Receivables due from other financial institutions	**79,677**	**2,111**	**2.65**
Investment securities	**147,303**	**3,902**	**2.65**
Loans and advances	**699,569**	**33,695**	**4.82**
	966,162	**40,644**	**4.21**
Interest expense 2016			
Customers' deposits	**907,368**	**17,884**	**1.97**
Borrowings	**2,000**	**164**	**8.20**
	909,368	**18,048**	**1.98**
Interest revenue 2015			
Cash at authorised deposit-taking institutions	42,519	1,203	2.83
Receivables due from other financial institutions	75,919	2,249	2.96
Investment securities	119,023	3,526	2.96
Loans and advances	672,748	35,515	5.28
	910,209	42,493	4.67
Interest expense 2015			
Customers' deposits	853,041	21,037	2.47
Borrowings	2,000	171	8.55
	855,041	21,208	2.48

3. NON-INTEREST INCOME

	2016 $'000	2015 $'000
Fees and commissions from customers		
- Loan and overdraft fees	**478**	372
- Transaction fees	**618**	695
- Credit card fees	**9**	10
- Other fees	**435**	463
	1,540	1,540
Fees and commissions from non-customers		
- Fees for service	**785**	811
- Commissions	**1,931**	1,743
	2,716	2,554
Total fees and commissions	**4,256**	4,094
Other non-interest income		
- Income from property	**59**	31
- Bad debts recovered	**13**	11
- Profit on disposal of property, plant and equipment	-	13
- Government grants	-	20
- Sundry income	**134**	74
	206	149
Total non-interest income	**4,462**	4,243

Government Grants

The Group did not benefit directly from any forms of government assistance during the reporting period (2015 – $20,000).

	Note	2016 $'000	2015 $'000
4. OTHER EXPENSES			
Amortisation – leasehold improvements	16	**120**	171
Amortisation – intangible assets	17	**325**	297
Depreciation			
- Plant and equipment	16	**698**	803
- Buildings	16	**75**	75
Total depreciation		**773**	878
Fees and commissions		**27**	18
Personnel costs			
- Provision for long service leave		**5**	29
- Provision for annual leave		**(12)**	(12)
- Superannuation contributions		**997**	986
- Termination benefits		**172**	-
- Salaries and wages		**8,783**	8,233
- Payroll tax		**512**	470
- Other		**860**	960
Total personnel costs		**11,317**	10,666
Marketing expenses		**970**	952
Information technology expenses		**1,244**	1,103
Occupancy costs			
- Rental – operating leases		**1,316**	1,287
- Other occupancy costs		**1,030**	1,070
Total occupancy costs		**2,346**	2,357
ATM, Eftpos and electronic transaction processing costs		**1,932**	1,609
Other administration expenses		**2,715**	2,695
Loss on disposal of property, plant and equipment		**-**	3
Total other expenses		**21,769**	20,749

	Note	2016 $'000	2015 $'000
5. FAIR VALUE ADJUSTMENTS			
Net fair value adjustment of investment property	15	**-**	- -
		-	-

	Note	2016 $'000	2015 $'000
6. INCOME TAX EXPENSE			
Income tax expense on profit		**1,617**	1,403
Income tax expense on other comprehensive income		**(21)**	16
		1,596	1,419
Recognised in statement of profit or loss and other comprehensive income			
Income tax expense comprises amounts set aside as:			
Income tax payable – current year	21	**1,412**	1,438
Under/(over) provision in prior years		**(38)**	-
Increase/(decrease) in deferred tax liabilities		**-**	(5)
(Increase)/decrease in deferred tax assets		**222**	(14)
		1,596	1,419
Reconciliation between tax expense and pre-tax profit			
Profit before income tax		**5,324**	4,678
Prima facie income tax expense calculated at 30%		**1,596**	1,403
Increase/(decrease) in income tax expense due to:			
Non-deductible expenses		**37**	33
Other deductible expenses		**(16)**	(33)
Fair value adjustments		**-**	-
		1,617	1,403
Income tax (over)/under provided in prior period		**(38)**	-
Income tax expense attributable to profit		**1,579**	1,403
Dividend franking account			
Franking credits held at balance date		**29,649**	27,996

	Note	2016 $'000	2015 $'000
7. CASH AND CASH EQUIVALENTS			
Cash on hand and at authorised deposit-taking institutions at call		**41,861**	54,339

	Note	2016 $'000	2015 $'000
8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		**63,019**	75,745
Maturity analysis			
Not later than 1 month		**23,019**	31,745
Later than 1 and not later than 3 months		**32,000**	20,000
Later than 3 and not later than 12 months		**5,000**	24,000
Later than 1 and not later than 5 years		**3,000**	-
		63,019	75,745

	Note	2016 $'000	2015 $'000
8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS (continued)			
Credit rating of receivables due from other financial institutions			
Authorised Deposit-taking Institutions rated A and above		**14,022**	37,481
Authorised Deposit-taking Institutions rated below A		**20,000**	17,000
Unrated Authorised Deposit-taking Institutions		**28,997**	21,264
		63,019	75,745
9. INVESTMENT SECURITIES			
Negotiable certificates of deposit		**137,138**	130,676
Floating rate notes		**20,065**	-
		157,203	130,676
Maturity analysis			
Not later than 1 month		**61,597**	43,718
Later than 1 and not later than 3 months		**75,541**	86,958
Later than 3 and not later than 12 months		**-**	-
Later than 1 and not later than 5 years		**20,065**	-
		157,203	130,676
Credit rating of investment securities			
Authorised Deposit-taking Institutions rated A and above		**20,065**	-
Authorised Deposit-taking Institutions rated below A		**137,138**	130,676
Unrated Authorised Deposit-taking Institutions		**-**	-
		157,203	130,676
10. TRADE AND OTHER RECEIVABLES			
Interest receivable on investments		**899**	760
Sundry debtors, accrued income and prepayments		**140**	146
Clearing settlements receivable		**1,792**	-
		2,831	906
11. DERIVATIVE FINANCIAL INSTRUMENTS			
Derivative financial instrument asset			
Interest rate swap contracts – cash flow hedge		**-**	71
Maturity analysis			
Not later than 1 year		**-**	26
Later than 1 and not later than 2 years		**-**	45
Later than 2 and not later than 3 years		**-**	-
		-	71

	Note	2016 $'000	2015 $'000
12. LOANS AND ADVANCES			
Overdrafts and Credit Cards		**10,130**	10,116
Term loans		**719,854**	668,553
Loans and advances before deferred fees and costs		**729,984**	678,669
Deferred loan transaction costs		**530**	420
Deferred loan origination fees		**(631)**	(712)
Deferred fixed rate loan renegotiation fees		**(1)**	(5)
Deferred Upfront Broker Commission		**84**	-
Total loans and advances		**729,966**	678,372
Provision for impairment	13	**(222)**	(345)
Net loans and advances		**729,744**	678,027
Maturity analysis			
Not later than 1 month		**12,578**	12,413
Later than 1 and not later than 3 months		**4,659**	4,356
Later than 3 and not later than 12 months		**21,640**	20,173
Later than 1 and not later than 5 years		**111,888**	102,485
Later than 5 years		**579,201**	538,945
		729,966	678,372

Concentration of risk

The loan portfolio of the Group does not include any loan which represents 10% or more of capital.

The Group has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

	2016 $'000	2015 $'000
- Southern NSW	**424,595**	403,939
- North East Victoria	**240,533**	218,303
- Other – non-concentrated	**64,856**	56,427
	729,984	678,669
Security held against loans and advances		
Secured by mortgage over residential property	**664,311**	616,317
Secured by mortgage over commercial property	**45,731**	46,728
Total loans and advances secured by real estate	**710,042**	663,045
Secured by funds	**872**	671
Partly secured by goods mortgage	**8,706**	5,541
Wholly unsecured	**10,364**	9,412
	729,984	678,669

Credit quality - loan to value ratio on loans and advances secured by real estate

It is not practical to value all collateral as at the balance date due to the variety of assets and their nature and condition. A breakdown of the quality of the mortgage security on a portfolio basis is as follows:

	2016 $'000	2015 $'000
Loan to value ratio of 80% or less	**597,042**	557,627
Loan to value ratio of more than 80% but mortgage insured	**102,800**	95,761
Loan to value ratio of more than 80% not mortgage insured	**10,200**	9,657
	710,042	663,045

	2016 $'000	2015 $'000
12. LOANS AND ADVANCES (continued)		
Securitised loans		
Securitised loans that do not qualify for derecognition	**123,258**	120,293

13. IMPAIRMENT OF LOANS AND ADVANCES

	2016 $'000	2015 $'000
Provision for impairment		
Collective provision	**195**	306
Specific provision	**27**	39
	222	345
Provision for impairment – collective provision		
Opening balance	**306**	321
Bad debts previously provided for written off during the year	**(52)**	(68)
Bad and doubtful debts provided for during the year	**(59)**	53
Closing balance	**195**	306
Provision for impairment – specific provision		
Opening balance	**39**	15
Bad debts previously provided for written off during the year	**(36)**	(23)
Bad and doubtful debts provided for during the year	**24**	47
Closing balance	**27**	39
Bad and doubtful debts expense comprises:		
Collective provision increase/(decrease)	**(59)**	53
Specific provision increase/(decrease)	**24**	47
Bad debts recognised directly to profit or loss	**-**	1
Total bad debts expense/(benefit)	**(35)**	101
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	**14,485**	14,939
More than 30 days but less than 90 days	**4,474**	5,908
More than 90 days but less than 180 days	**585**	1,120
More than 180 days but less than 270 days	**550**	287
More than 270 days but less than 365 days	**261**	341
More than 365 days	**176**	4
Accounts overdrawn and overdrafts over limit less than 14 days	**270**	365
	20,801	22,964

	2016 $'000	2015 $'000
13. IMPAIRMENT OF LOANS AND ADVANCES (continued)		
Loans and advances past due and impaired		
Up to 30 days	**20**	29
More than 30 days but less than 90 days	**2**	12
More than 90 days but less than 180 days	**244**	61
More than 180 days but less than 270 days	**32**	39
More than 270 days but less than 365 days	**51**	49
More than 365 days	**93**	292
Accounts overdrawn and overdrafts over limit less than 14 days	**12**	71
	454	553
Total past due loans and advances	**21,255**	23,517
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	**20,281**	22,430
Secured by funds	**-**	-
Partly secured by goods mortgage	**308**	381
Wholly unsecured	**212**	153
	20,801	22,964
Loans and advances past due and impaired		
Secured by mortgage over real estate	**210**	173
Secured by funds	**-**	-
Partly secured by goods mortgage	**101**	123
Wholly unsecured	**143**	257
	454	553
Total past due loans and advances	**21,255**	23,517
Assets acquired through enforcement of security		
Real estate acquired through enforcement of security held at the end of the financial year	**-**	163
Specific provision for impairment	**-**	(20)
Balance at the end of the financial year	**-**	143
Net fair value of real estate assets acquired through the enforcement of security during the financial year	**-**	122
Net fair value of other assets acquired through the enforcement of security during the financial year	**2**	2

	2016 $'000	2015 $'000

14. OTHER INVESTMENTS

	2016	2015
Unlisted shares – at cost	**204**	204

The unlisted shares are measured at cost as their fair value cannot be measured reliably. The shares are in a company that supplies services to Authorised Deposit-taking Institutions and is regulated by APRA. The shares are not tradeable and are not redeemable. The Group does not intend to dispose of these shares.

The financial reports of this company record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of the company, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily.

15. INVESTMENT PROPERTY

	2016	2015
Balance at the beginning of the year	**1,746**	1,746
Additions	**-**	-
Transfer from property, plant and equipment	**-**	-
Fair value adjustments through other comprehensive income	**-**	-
Disposals	**-**	-
Balance at the end of the year	**1,746**	1,746

Valuations

The valuation basis of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current market prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investments.

The investment properties were valued in June 2014 and appraised in June 2016 by Taylor Byrne Pty Ltd (previously known as Cosgraves Property Advisers), accredited independent valuers.

Leasing arrangements

The investment properties are leased to tenants under short term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2016	2015
Within 1 year	**28**	40
Later than 1 and not later than 2 years	**26**	26
Later than 2 and not later than 5 years	**5**	30
Aggregate lease payments receivable at balance date	**59**	96

Amount recognised in profit and loss for investment properties

	2016	2015
Rental income	**38**	28
Direct operating expenses	**(3)**	(3)
Net rental income received	**35**	25

	2016 $'000	2015 $'000

16. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Land and buildings		
At fair value	**4,760**	4,760
Provision for depreciation	**(150)**	(75)
Total freehold land and buildings	**4,610**	4,685
Leasehold improvements		
At cost	**1,557**	1,540
Provision for amortisation	**(1,404)**	(1,288)
Total leasehold improvements	**153**	252
Plant and equipment		
At cost	**7,366**	7,082
Provision for depreciation	**(5,928)**	(5,389)
Total plant and equipment	**1,438**	1,693
Total property, plant and equipment at net book value	**6,201**	6,630

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2016	2015
Land and buildings		
Carrying amount at the beginning of the year	**4,685**	4,760
Additions	**-**	-
Transfer to investment property	**-**	-
Fair value adjustments through other comprehensive income	**-**	-
Fair value adjustments through profit and loss	**-**	-
Depreciation	**(75)**	(75)
Carrying amount at the end of the year	**4,610**	4,685
Leasehold improvements		
Carrying amount at the beginning of the year	**252**	221
Additions	**21**	202
Disposals	**-**	-
Amortisation	**(120)**	(171)
Carrying amount at the end of the year	**153**	252
Plant and equipment		
Carrying amount at the beginning of the year	**1,693**	2,015
Additions	**447**	528
Disposals	**(4)**	(47)
Depreciation	**(698)**	(803)
Carrying amount at the end of the year	**1,438**	1,693

	2016 $'000	2015 $'000

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuations

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

The freehold land and buildings were valued in June 2014 by Taylor Byrne Pty Ltd (previously known as Cosgraves Property Advisers), accredited independent valuers. In the opinion of the Directors there have been no significant changes in market value since this date.

17. INTANGIBLE ASSETS

	2016 $'000	2015 $'000
Computer software and licences		
At cost	**2,885**	2,618
Provision for amortisation	**(2,365)**	(2,040)
	520	578

Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

	2016 $'000	2015 $'000
Computer software and licences		
Carrying amount at the beginning of the year	**578**	449
Additions	**267**	426
Disposals	**-**	-
Amortisation	**(325)**	(297)
Carrying amount at the end of the year	**520**	578

18. DEFERRED TAX ASSETS

	2016 $'000	2015 $'000
Deferred tax assets	**1,249**	1,470
Deferred tax assets are attributable to the following:		
Plant and equipment and intangible assets	**448**	460
Property and investment property	**102**	102
Provisions for employee benefits	**543**	545
Provision for impairment on loans	**67**	104
Borrowing Costs	**5**	9
Expenses not currently deductible	**84**	123
Deferred loan fees and transaction costs	**-**	127
Deferred income	**-**	-
	1,249	1,470

19. DEPOSITS

	2016 $'000	2015 $'000
Call deposits	**480,891**	411,148
Term deposits	**442,445**	461,023
	923,336	872,171
Maturity analysis		
Not later than 1 month	**576,888**	525,222
Later than 1 and not later than 3 months	**193,205**	172,317
Later than 3 and not later than 12 months	**136,563**	151,543
Later than 1 and not later than 5 years	**16,680**	23,089
	923,336	872,171
Concentration of deposits		
Southern NSW	**597,575**	571,466
North East Victoria	**257,968**	242,041
Other – non-concentrated	**67,793**	58,664
	923,336	872,171

The company's deposit portfolio does not include any deposit which represents 5% or more of total liabilities.

20. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Accrued interest payable	**3,250**	3,982
Creditors and other liabilities	**6,027**	5,967
	9,277	9,949

21. INCOME TAX PAYABLE

	2016 $'000	2015 $'000
Income tax payable	**88**	367
Movement during the year was as follows:		
Balance at the beginning of the year	**367**	571
Current year's income tax expense on profit before tax	**1,412**	1,438
Income tax paid – Current year	**(1,324)**	(1,071)
Income tax paid – Prior year	**(329)**	(571)
Under/(over) provision in prior period	**(38)**	-
Balance at the end of the year	**88**	367

		2016 $'000	2015 $'000
22.	**DEFERRED TAX LIABILITIES**		
	Deferred tax liabilities	**-**	-
23.	**PROVISION FOR EMPLOYEE BENEFITS**		
	Salaries, wages and other benefits accrued	**758**	435
	Provision for annual leave	**729**	741
	Provision for long service leave	**1,080**	1,076
		2,567	2,252

Included in employee benefits is a non-current amount of $374,000 (2015 - $396,000) relating to long service leave.

		2016 $'000	2015 $'000
24.	**BORROWINGS**		
	Subordinated debt	**2,000**	2,000
	Movement during the year was as follows:		
	Balance at the beginning of the year	**2,000**	2,000
	Increase due to debt issued	-	-
	Balance at the end of the year	**2,000**	2,000
	Maturity analysis		
	Not later than 1 month	**-**	-
	Later than 1 and not later than 3 months	**-**	-
	Later than 3 and not later than 12 months	**-**	-
	Later than 1 and not later than 5 years	**-**	-
	Later than 5 years	**2,000**	2,000
		2,000	2,000

The Group entered into an agreement to issue subordinated debt in November 2012. The debt instrument has a maturity date of 10 years but may be redeemed earlier subject to prior approval by APRA.

		2016 $'000	2015 $'000
25.	**RESERVES**		
	General reserve for credit losses	**1,363**	1,297
	Asset revaluation reserve	**1,039**	1,039
	Capital profits reserve	**593**	593
	Cash flow hedge reserve	**-**	50
		2,995	2,979
	Movements in reserves		
	General reserve for credit losses		
	Balance at the beginning of the year	**1,297**	1,195
	Transfer from retained earnings	**66**	102
	Balance at the end of the year	**1,363**	1,297

This reserve is required to be maintained to comply with Group policy.

Asset revaluation reserve		
Balance at the beginning of the year	**1,039**	1,039
Total other comprehensive income	**-**	-
Balance at the end of the year	**1,039**	1,039

This reserve includes gains made on property when a revaluation is carried out in line with Group policy.

Capital profits reserve		
Balance at the beginning of the year	**593**	593
Transfer from retained earnings	**-**	-
Transfer from fair value reserve	**-**	-
Balance at the end of the year	**593**	593

This reserve includes the cumulative capital profits made on the disposal of assets.

Cash flow hedge reserve		
Balance at the beginning of the year	**50**	12
Total other comprehensive income	**(50)**	38
Balance at the end of the year	**-**	50

This reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

		2016 $'000	2015 $'000
26.	**RETAINED EARNINGS**		
	Retained earnings at the beginning of the year	**60,674**	57,501
	Net profit attributable to members	**3,707**	3,275
	Transfers from/(to) reserves	**(66)**	(102)
	Retained earnings at the end of the year	**64,315**	60,674

		2016 $'000	2015 $'000
27.	**STATEMENT OF CASH FLOWS**		
(a)	**Reconciliation of cash**		
	Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:		
	Cash on hand and at authorised deposit-taking institutions	**41,861**	54,339
	Receivables due from other financial institutions less than 3 months	**55,019**	51,745
	Investment securities less than 3 months	**137,138**	130,676
		234,018	236,760
(b)	**Reconciliation of cash flows from operating activities**		
	Profit for the year	**3,707**	3,275
	Non-cash items		
	Charge for bad and doubtful debts	**(35)**	101
	Depreciation	**773**	878
	Amortisation of leasehold improvements	**120**	171
	Amortisation of intangible assets	**325**	297
	Provision for employee entitlements	**(7)**	17
	(Profit) on disposal of plant and equipment	**-**	(13)
	Loss on disposal of plant and equipment	**-**	3
	Fair value adjustments	**-**	-
	Changes in assets and liabilities		
	Interest receivable	**(139)**	228
	Other receivables	**6**	35
	Interest payable	**(732)**	(822)
	Income tax payable	**(258)**	(221)
	Trade and other payables	**(191)**	(336)
	Provision for employee benefits	**323**	58
	Deferred tax assets	**222**	(14)
	Deferred tax liabilities	**-**	(5)
		4,114	3,652
	Net (increase)/decrease in loans and advances	**(51,682)**	(6,423)
	Net increase/(decrease) in deposits	**49,623**	45,198
	Net cash flow from operating activities	**2,055**	42,427
28.	**AUDITOR'S REMUNERATION**		
	Amounts received or due and receivable by the External Auditor of the Group for:		
	– audit of the financial statements of the Group	**75,442**	69,507
	– other services in relation to the Group	**25,593**	30,024
		101,035	99,531

		2016 $'000	2015 $'000
29.	**EMPLOYEE BENEFITS**		

Superannuation commitments

The company contributes to the Hume Bank Staff Superannuation Fund which is an accumulation fund. The benefits provided are based on the amounts credited to each staff member's account in the fund. No actuarial assessment is required. Where applicable, the company contributed 9.50% (2015 – 9.50%) of each fund staff member's gross salary to cover its occupational superannuation obligations. Staff members may contribute to the fund on a voluntary basis. Staff may request the company to contribute to an alternative accumulated superannuation fund.

30. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the company enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The company uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The company holds collateral supporting these commitments where it is deemed necessary.

	2016 $'000	2015 $'000
Credit-related commitments		
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. They include undrawn balances of overdrafts and credit cards:		
Approved but undrawn loans and credit limits	**51,354**	55,174
Security analysis of credit-related commitments		
Secured by mortgage over real estate	**33,776**	38,664
Secured by funds	**911**	974
Partly secured by goods mortgage	**187**	189
Wholly unsecured	**16,480**	15,347
	51,354	55,174
Financial guarantees		
Financial guarantees written are conditional commitments issued by the company to guarantee the performance of a customer to a third party. Security is generally held for these guarantees.	**1,455**	2,462
Security analysis of financial guarantees		
Secured by mortgage over real estate	**844**	1,818
Secured by funds	**603**	636
Wholly unsecured	**8**	8
	1,455	2,462

	2016 $'000	2015 $'000

31. COMMITMENTS

Capital expenditure commitments

	2016 $'000	2015 $'000
Estimated capital expenditure contracted for at balance date but not provided for:		
– payable within one year	**241**	214

Operating leases (non-cancellable)

	2016 $'000	2015 $'000
Future operating lease commitments not provided for in the financial statements and payable:		
– within 1 year	**1,445**	1,372
– later than 1 and not later than 2 years	**1,201**	1,025
– later than 2 and not later than 5 years	**2,046**	2,098
– later than 5 years	**-**	21
Aggregate lease expenditure contracted for at balance date	**4,692**	4,516

32. KEY MANAGEMENT PERSONNEL DISCLOSURE

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly and has been taken to comprise the Directors and the members of the Executive Management team who are responsible for the day to day financial and operational management of the company.

The aggregate compensation of key management personnel during the year comprising amounts paid, payable or provided for was as follows:

	2016 $	2015 $
Short-term employee benefits		
- Directors	**424,488**	**366,219**
- Other key management personnel	**1,502,800**	**1,258,776**
Post-employment benefits – superannuation contributions		
- Directors	**126,426**	**115,730**
- Other key management personnel	**137,861**	**127,576**
Other long-term benefits – net increase/(decrease) in long service leave provision		
- Directors	**-**	**-**
- Other key management personnel	**(36,463)**	**(53,177)**
Termination benefits		
- Directors	**-**	**-**
- Other key management personnel	**172,198**	**-**
	2,327,310	**1,815,124**

Short term employee benefits include (where applicable) wages, salaries, paid annual and sick leave, bonuses and the value of fringe benefits received but excludes out of pocket expense reimbursements. During the period this has included personnel performing Executive Management roles in acting capacities and the appointment of new Executive Management personnel.

The members of the company at the previous Annual General Meeting approved the remuneration of Directors for the period.

32. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Loans to key management personnel and other related parties

Loan transactions with key management personnel and related parties are as follows:

	2016 $		2015 $	
	Mortgage Secured Loans	**Revolving Credit (unsecured)**	Mortgage Secured Loans	Revolving Credit (unsecured)
Loans to Directors				
Funds available to be drawn	**46,865**	**16,373**	-	17,051
Balance at reporting date	**795**	**4,127**	165,359	3,449
Loans advanced (including redraws)	**-**	**38,429**	-	26,291
Loan repayments	**167,548**	**37,751**	25,482	25,181
Interest and other revenue earned	**2,983**	**-**	9,001	-
Loans to Director related parties				
Funds available to be drawn	**-**	**13,160**	-	6,502
Balance at reporting date	**202,120**	**(160)**	683,435	6,498
Loans advanced (including redraws)	**-**	**28,272**	-	61,430
Loan repayments	**498,716**	**34,978**	49,776	55,431
Interest and other revenue earned	**17,401**	**48**	37,076	27
Loans to other key management personnel				
Funds available to be drawn	**141,670**	**12,748**	-	27,490
Balance at reporting date	**1,217,764**	**4,252**	907,788	7,510
Loans advanced (including redraws)	**1,367,789**	**171,668**	21,190	94,994
Loan repayments	**686,369**	**166,157**	278,177	99,112
Interest and other revenue earned	**85,606**	**124**	106,244	-

The company's policy for lending to key management personnel is that all loans are approved on the same terms and conditions which apply to customers for each class of loan.

There are no loans to either Directors or other key management personnel that are impaired in relation to the loan balances or interest.

There are no benefits or concessional terms and conditions applicable to the close family members or other related parties of key management personnel.

There are no loans to close family relatives or other related parties of key management personnel which are impaired in relation to the loan balances or interest.

32. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Deposits from key management personnel and other related parties

Details of deposits from key management personnel and related parties are as follows:

	2016	2015
	$	$
Deposits outstanding at balance date:		
- Directors	**303,342**	165,952
- Director related parties	**2,809,991**	3,137,147
- Other key management personnel	**119,858**	198,280
- Other key management personnel related parties	**275,953**	292,554
Interest paid on deposits:		
- Directors	**3,281**	1,893
- Director related parties	**78,747**	100,369
- Other key management personnel	**364**	251
- Other key management personnel related parties	**13,821**	12,021

The company's policy on deposit accounts from key management personnel and their related parties is that all transactions are on the same terms and conditions as those entered into by other customers.

Other transactions with related parties

There are no benefits paid or payable to close family members or other related parties of key management personnel other than those disclosed in this note.

There are no service contracts to which key management personnel, their close family members or other related parties are an interested party other than those disclosed in this note.

33. OUTSOURCING ARRANGEMENTS

The Group has an economic dependency on First Data Resources Australia Limited for the provision of ATM, Eftpos and VISA network services, ANZ Bank for cheque clearing services and Ultradata Australia Pty Ltd for computer software services.

34. SEGMENT INFORMATION

The Group operates exclusively in the finance industry within Australia.

35. TRANSFER OF FINANCIAL ASSETS

The company has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Murray Trust for securing the ability to obtain liquid funds from the Reserve Bank in the event of a liquidity crisis. These loans are not de-recognised as the company retains the benefits of the Trust until such time as a drawing is required.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred into the Trust.

Securitised loans retained on the balance sheet (not de-recognised)

The values of securitised loans which are not qualifying for de-recognition as the conditions do not meet the criteria in the accounting standards are set out below. 98.4% of the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

	2016	2015
	$'000	$'000
Balance sheet values		
Loans	**123,258**	120,293
Fair value of associated liabilities	**(123,258)**	(120,293)
Net	-	-
Carrying amount of the loans as at the time of transfer	**131,898**	131,153

Repurchase obligations Murray Trust

The Murray Trust is a trust established by the company to facilitate liquidity requirements of APRA's prudential standards. The trust has an independent Trustee. In the case of the Murray Trust, the company receives notes eligible to be sold to the Reserve Bank should the liquidity needs not be satisfied by normal operational liquidity. The notes are secured over residential mortgage-backed securities (RMBS).

The company has financed the loans and receives the net gains or losses from the Trust after trustee expenses. The company has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the notes received. The company retains the credit risk of losses arising from loan default or security decline and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Murray Trust fails to meet the Trust's criteria, the company is obliged to repurchase those loans and may substitute equivalent qualifying loans into the trust.

36. FINANCIAL RISK MANAGEMENT

Overview

The Board is ultimately responsible for the company's risk management framework and the oversight of it.

The Board is directly responsible for the company's strategy and has adopted a risk appetite statement, business plan and risk management strategy.

The company's risk appetite statement and risk management strategy is reviewed by the Risk Committee on an annual basis or more frequently where required.

The company adopts a Three Lines of Defence approach to risk management which reinforces a risk culture where all employees are responsible for identifying and managing risk and operating within the company's risk appetite. The company embeds risk culture and maintains an awareness of risk management responsibilities through regular communication, training and other targeted approaches that support the risk management framework.

Senior Management are responsible for implementing the company's risk management strategy and risk management framework and for developing policies, controls, processes and procedures for identifying and managing risk in all of the company's activities.

The Risk Committee assists the Board to fulfil its oversight of the implementation and operation of the company's risk management framework and the review and approval of associated policies. A designated Executive Manager assists the Risk Committee in its role. The Executive Manger Enterprise Risk and Compliance assists the Committee and Senior Management to develop and maintain best practice risk management frameworks whilst promoting a sustainable risk and compliance culture. As part of their participation in the decision-making process, the Executive Manger Enterprise Risk and Compliance provides effective challenge to ensure that material decisions are risk-based.

The company's Audit Committee oversees management's compliance with the company's risk management policies and procedures. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Objectives and policies

Managing the risks that affect the company is a fundamental activity and the success of risk management involves taking an integrated balanced approach to risk and return and assists in mitigating potential loss or damage while optimising growth opportunity.

The company's risk appetite statement defines the level of risk that the company is willing to accept to meet its strategic objectives and outlines the desire to minimise the impact of incidents that may have a material impact on the results. The risk appetite statement sets the context for the company's strategy, financial and capital forecasting processes. It is further defined by the identification of key risk types applicable to the company, consisting of:
- Credit risk;
- Operational risk;
- Liquidity risk;
- Market risk;
- Capital risk;
- Regulatory & compliance risk; and
- Strategic risk.

The Board has delegated to the Risk Committee the role of approving key policies and processes including the internal capital adequacy assessment process, the internal liquidity assessment process and review of the outcomes of stress testing completed.

An overview of risk management approaches to the company's key risk types are detailed below. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of failure by a counterparty to perform according to a contractual arrangement. This risk from es to loans and advances, off balance sheet exposures such as guarantees, acceptances, receivables due from other financial institutions and investment securities.

Credit risk arises principally from the company's loans, advances and liquid investments.

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances

The risk of losses from loans and advances is reduced by assessing the character of borrowers, their capacity to service the debt and the nature and quality of security taken.

The method of managing credit risk on loans and advances is by way of strict adherence to the credit assessment policies before the loan is approved and continued monitoring of loan repayments thereafter.

The company has established policies over:
- Credit assessment and approval of loans and facilities including acceptable assessment and security requirements. Credit assessment includes ensuring borrowers are creditworthy and capable of meeting the loan repayments;
- Requirements for lenders' mortgage insurance;
- Acceptable exposure limits to individual borrowers, non-mortgage secured loans and advances, commercial lending and industry groups considered at high risk of default;
- Reassessment and review of credit exposures on certain loans and advances;
- Establishment of appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance with these policies is conducted by Internal Audit.

Credit Concentration Risk

The risk of losses from large exposures and / or high correlation between exposures that increase the potential or actual losses that are sustained because of particular adverse circumstances. Exposures to individual large borrowers, industry sectors, geographic location, customer demographics and certain products can increase the chance of loss.

The company minimises concentrations of credit risk in relation to loans and advances receivable by lending to a large number of customers within each specified category. The majority of customers are concentrated in the North-east Victoria and Southern NSW region. Details of concentrations of credit risk on loans and advances receivable are set out in the notes. For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount. Credit risk also includes off balance sheet exposures such as approved but undrawn loans and credit limits, that are disclosed in note 30 contingent liabilities and credit commitments.

Credit risk – liquid investments

The risk of financial loss from liquid investments held is reduced by the nature and credit rating of the investee and the limits of concentration to each entity. The Board's appetite is to maintain counterparty limits with Australian banks to a maximum of 50% of capital and other non-bank financial institutions to a maximum of 30% of capital, dependent upon their credit rating. Given the high quality and/or relatively short duration of these investments, the company does not expect any counterparty to fail to meet its obligation. Details of exposures to liquidity investments are set out in the notes.

Liquidity risk

Liquidity risk is the risk that there is insufficient funds in a given period to meet the operational and funding needs of the company in both normal and an adverse operating environment.

The company manages liquidity risk by:
- Monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate cash reserves; and
- Monitoring the prudential and other liquidity ratios daily.

The company is required to maintain at least 9% of total adjusted liabilities as highly liquid assets capable of being converted to cash within 24 hours to satisfy APRA's prudential standards to qualify as Minimum Liquid Holdings asset (MLH). However, the company's policy requires a minimum of 12% of liabilities to be held in MLH qualifying assets to maintain adequate funds to meet customer withdrawal requests. Should the liquidity ratio fall below the company's trigger levels, Management and the Board are to address the matter and ensure that more liquid funds are obtained from new deposits and borrowing facilities available.

As at 30 June 2016, the company held 16.74% of total adjusted liabilities as MLH qualifying assets (2015 – 16.00%). The average during the financial year was 16.50% (2015 – 16.15%).

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The company also maintains 1.80% of total adjusted liabilities as MLH qualifying assets (2015 – 1.80%) as part of an internal standby facility.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the notes.

Internal securitisation and RBA repurchase

Securitisation risk is the risk of potential loss associated with securitisation activities.

The company maintains an internal securitisation facility to enable it to secure funds from the Reserve Bank of Australia, if required, to meet emergency liquidity requirements. As at 30 June 2016, the Company held $120.224 million (2015 – $117.914 million) of securities available to be used for RBA repurchase to meet emergency liquidity requirements.

In accordance with APS 120 - Securitisation, no additional capital will be held for the risks posed by the securitisation activity, as this is an internal securitisation activity. The company remains exposed to the credit risk arising from the assets (securitised loans).

Market risk and hedging policy

Market risk is the risk that fluctuating interest rates lead to a change in underlying value of assets and liabilities as well as an increase/decrease in profit.

Market risk comprises:

(a) general market risk in relation to interest rates, equities, foreign exchange and commodities; and
(b) specific risk in relation to the impact of interest rates or equity positions on the value of securities.

The company does not trade in the financial instruments it holds and is not exposed to currency risk. It is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing date of assets and liabilities.

Market risk arising from movements in interest rates is addressed separately under interest rate risk in the banking book.

Interest rate risk in the banking book

Interest rate risk in the banking book arises due to sudden across-the-board movements in interest rates where there is a mismatch in assets and liabilities maturities.

The company maintains a balanced 'on book' hedging strategy by ensuring the net difference between asset and liability maturities are not excessive.

The difference between asset and liability maturities is monitored monthly to identify any large exposure to interest rate movements. This monitoring will also seek to address excess to within acceptable levels via existing products. Interest rate swaps can also be used to reduce the gaps between assets and liabilities. Details of the interest rate risk profile are set out in note 37(b).

Value at Risk (VaR) and Earnings at Risk (EaR) are calculated monthly using internal models and managed within established limits. The model and limits have been reviewed by external specialist auditors.

An independent risk management consultant also conducts an independent review of the risk management profile annually. The Board monitors these risks through the independent reports and other management reports.

Based on independent VaR calculations as at 30 June 2016 using a 20 day holding period, 99% confidence level and a 250 day observation period, the VaR was 0.63% of capital. VaR as at 30 June 2015 was 0.34% of capital using the same parameters.

Based on independent EaR calculations as at 30 June 2016 using a shift in interest rates of 200 basis points for one year, EaR was a $5,621,999 variation or 22.93% from the base case. EaR as at 30 June 2015 was a $5,081,261 variation or 24.56% from the base case, using the same parameters.

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of direct or indirect loss from inadequate or failed internal processes, systems, human error, inadequate staff resourcing, or from external events. The definition includes legal risk and reputational risk.

The company's objective is to manage operational risk to balance the avoidance of financial losses through implementation of controls and avoidance of procedures that inhibit innovation, creativity and service. Operational risks are managed through the implementation of policies and systems to monitor the likelihood of events and minimise the consequences of them should they occur. Systems of internal control are enhanced through:

- Segregation of duties between employees and functions, including approval and processing duties;
- Documented policies and procedures, employee job descriptions and responsibilities to reduce the incidence of errors and inappropriate behaviour;
- Promotion of an open compliance culture and awareness of the duty to report exceptions and breaches;
- Effective dispute resolution procedures to respond to customer complaints; and
- Effective insurance arrangements to reduce the impact of losses.

The company has an extensive business continuity policy and plan which is regularly tested to provide assurance that the company's operations can be maintained.

Contracts with service providers are maintained. Key contracts include service level agreements and, where appropriate, penalties for non-compliance.

Regulatory & compliance risk

Regulatory & Compliance risk is the risk of failing to comply with regulatory requirements.

The company's compliance program identifies the key legislative and regulatory obligations that impact the company and identifies the measures in place to ensure compliance with them.

Strategic Risk

Strategic risk is the risk to current or prospective earnings and capital and the long-term performance and viability of the company resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social mores, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy sessions and, where applicable, is monitored via a quarterly risk report. Additional commentary on emerging issues is included in the monthly report.

Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss.

Company policy is to maintain a strong capital base and to maintain a balance between profitability and benefits provided to customers by way of better interest rates, lower fees, convenient locations and superior service.

The company's capital management objectives are to:

- Ensure there is sufficient capital to support the company's operational requirements;
- Maintain sufficient capital to exceed internal and externally imposed capital requirements; and
- Safeguard the company's ability to continue as a going concern in all types of market conditions.

The company is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The company reports to APRA under Basel III capital requirements and uses the standardised approach for credit and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADI specific minimum capital ratios which may be higher than these levels.

The Board approved internal capital assessment process requires capital to be well above the regulatory required level.

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The company's capital contains tier 1 and tier 2 capital. Tier 1 capital can contain both common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following characteristics:

(a) provide a permanent and unrestricted commitment of funds;
(b) are freely available to absorb losses;
(c) do not impose any unavoidable servicing charge against earnings; and
(d) rank behind the claims of depositors and other creditors in the event of winding-up of the issuer.

Common equity tier 1 capital consists of retained earnings and reserves. Deductions from tier 1 capital are made for intangible assets, certain capitalised expenses, deferred tax assets and equity investments in other ADIs.

Tier 2 capital includes the reserve for credit losses and tier 2 capital instruments including subordinated debt. Tier 2 capital instruments combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption features of equity.

	2016	2015
	$'000	$'000
36. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)		
Capital adequacy ratio calculation		
Tier 1 capital		
Common equity tier 1 capital		
Retained earnings	**64,315**	60,674
Capital profits reserve	**593**	593
Deferred fee income	**18**	297
Asset revaluation reserve	**1,039**	1,039
Cash flow hedge reserve	**-**	50
	65,965	62,653
Less prescribed deductions	**(1,973)**	(2,252)
Net tier 1 capital	**63,992**	60,401
Tier 2 capital		
General reserve for credit losses	**1,363**	1,297
Subordinated debt	**1,200**	1,400
Net tier 2 capital	**2,563**	2,697
Total capital	**66,555**	63,098
Risk profile		
Credit risk	**394,828**	374,540
Operational risk	**59,437**	57,749
Total risk weighted assets	**454,265**	432,289
Capital adequacy ratio	14.65%	14.60%

37. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instruments	**Note**	**Accounting policies**	**Terms and conditions**
Financial assets			
Loans and advances	12	The loan and overdraft interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Credit card interest is charged in arrears on daily balance outstanding on revolving credit cards on the 15th day of the month. Loans and advances are recorded at their recoverable amount. For further details on the classification of loans refer to note 1.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis but most are also secured by registered mortgages. Where appropriate, housing loans are covered by mortgage insurance.
Receivables due from other financial institutions	8	Receivables due from other financial institutions are held to maturity and are stated at cost. Interest revenue is recognised when earned.	Receivables due from other financial institutions have an average maturity of 127 days with effective interest rates of 1.50% to 3.10% (2015: 1.75% to 3.00%).
Other investments	14	Other investments are carried at the lower of cost or recoverable amount. Interest is recognised when earned.	
Investment Securities	9	Investment securities are held to maturity and are stated at cost. Fair value is stated in note 37(d). Interest revenue is recognised when earned.	Investment securities have an average maturity of 160 days and effective interest rates of 2.36% to 3.15% (2015: 2.36% to 2.71%)
Derivative financial assets	11	Derivative financial instruments (interest rate swaps) are carried at their fair value.	Interest rate swaps are reset every three months. Details of maturity terms are set out in note 11.
Financial liabilities			
Deposits	19	Deposits are recorded at the principal amount. Interest is calculated on the daily balance outstanding.	Details of maturity terms are set out in note 19.
Trade and other payables	20	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.	Trade liabilities are normally settled on 30-day terms.
Subordinated debt	24	Subordinated debt is recorded at the principal amount. Interest is calculated on the daily balance outstanding.	Details of maturity terms are set out in note 24.

37. FINANCIAL INSTRUMENTS (continued)

(b) Effective interest rates and repricing analysis

Interest rate risk in the statement of financial position arises from the potential for a change in interest rates to have an adverse affect on the net interest earnings in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Group's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The tables for both the 2015 and 2016 financial years detail the exposure of the Group's assets and liabilities to interest rate risk. The amount shown represents the face value of assets and liabilities.

The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For floating rate instruments the rate is the current market rate; for fixed rate instruments the rate is a historical rate. The bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

	Floating Rate	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
2016									
Financial assets									
Cash and cash equivalents	32,328						9,533	41,861	2.49
Receivables due from FI's	4,019	19,000	32,000	8,000				63,019	2.65
Investment securities		71,595	85,608					157,203	2.65
Trade and other receivables							2,831	2,831	n/a
Derivative financial assets									
Loans and advances	488,691	4,598	11,687	93,484	130,944	580	(240)	729,744	4.86
Other investments							204	204	n/a
Total financial assets	525,038	95,193	129,295	101,484	130,944	580	12,328	994,862	
Financial liabilities									
Deposits	480,891	95,997	193,205	136,563	16,680			923,336	1.97
Trade and other payables							9,277	9,277	n/a
Subordinated debt			2,000					2,000	8.20
Total financial liabilities	480,891	95,997	195,205	136,563	16,680	-	9,277	934,613	

2015									
Financial assets									
Cash and cash equivalents	46,101						8,238	54,339	2.13
Receivables due from FI's	13,745	18,000	20,000	24,000				75,745	2.64
Investment securities		43,718	86,958					130,676	2.56
Trade and other receivables							906	906	n/a
Derivative financial assets							71	71	n/a
Loans and advances	513,301	6,470	13,999	40,993	103,762	144	(642)	678,027	4.95
Other investments							204	204	n/a
Total financial assets	573,147	68,188	120,957	64,993	103,762	144	8,777	939,968	
Financial liabilities									
Deposits	411,148	114,074	172,317	151,543	23,089			872,171	2.03
Trade and other payables							9,949	9,949	n/a
Subordinated debt			2,000					2,000	8.08
Total financial liabilities	411,148	114,074	174,317	151,543	23,089	-	9,949	884,120	

n/a – not applicable for non-interest bearing financial instruments.

37. FINANCIAL INSTRUMENTS (continued)

(c) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total cash flows	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016								
Financial assets								
Cash and cash equivalents	41,910						41,910	41,861
Receivables due from FI's	23,190	32,267	5,134	3,122			63,713	63,019
Investment securities	62,078	76,073	453	21,181			159,785	157,203
Trade and other receivables	1,932						1,932	2,831
Derivative financial assets								
Loans and advances	15,392	10,389	46,308	229,334	623,687		925,110	729,744
Other investments						204	204	204
Total financial assets	144,502	118,729	51,895	253,637	623,687	204	1,192,654	994,862
Financial liabilities								
Deposits	577,990	195,417	139,947	17,302			930,656	923,336
Trade and other payables	6,027						6,027	9,277
Subordinated debt		40	118	631	2,215		3,004	2,000
On balance sheet	584,017	195,457	140,065	17,933	2,215	-	939,687	934,613
Undrawn credit commitments	51,354						51,354	51,354
Total financial liabilities	635,371	195,457	140,065	17,933	2,215	-	991,041	985,967

2015								
Financial assets								
Cash and cash equivalents	54,433						54,433	54,339
Receivables due from FI's	31,897	20,130	24,450				76,477	75,745
Investment securities	44,000	87,500					131,500	130,676
Trade and other receivables	89						89	906
Derivative financial assets	18		36	8			62	71
Loans and advances	15,142	9,942	44,302	217,455	582,238		869,079	678,027
Other investments						204	204	204
Total financial assets	145,579	117,572	68,788	217,463	582,238	204	1,131,844	939,968
Financial liabilities								
Deposits	526,703	174,660	155,915	24,351			881,629	872,171
Trade and other payables	5,967						5,967	9,949
Subordinated debt		40	121	647	2,381		3,189	2,000
On balance sheet	532,670	174,700	156,036	24,998	2,381	-	890,785	884,120
Undrawn credit commitments	55,174						55,174	55,174
Total financial liabilities	587,844	174,700	156,036	24,998	2,381	-	945,959	939,294

37. FINANCIAL INSTRUMENTS (continued)

(d) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

Financial instruments	Note	Total carrying amount 2016 $'000	Total carrying amount 2015 $'000	Aggregate net fair value 2016 $'000	Aggregate net fair value 2015 $'000
Financial assets					
Cash and cash equivalents	7	**41,861**	54,339	**41,910**	54,433
Receivables due from other financial institutions	8	**63,019**	75,745	**63,354**	76,057
Investment securities	9	**157,203**	130,676	**157,745**	131,106
Trade and other receivables	10	**2,831**	906	**1,932**	89
Derivative financial instruments	11	**-**	71		71
Loans and advances	12	**729,744**	678,027	**733,475**	682,336
Other investments	14	**204**	204	**204**	204
Total financial assets		**994,862**	939,968	**998,620**	944,296
Financial liabilities					
Deposits	19	**923,336**	872,171	**923,691**	872,902
Trade and other payables	20	**9,277**	9,949	**9,277**	9,949
Subordinated debt	24	**2,000**	2,000	**2,000**	2,000
Total financial liabilities		**934,613**	884,120	**934,968**	884,851

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and liquid assets and interest earning deposits

The carrying amounts approximate fair value because they have either a short term to maturity or are receivable on demand.

Receivables due from financial institutions

Trading securities are carried at net market/net fair value.

Investment securities

Trading securities are carried at net market/net fair value.

Trade and other receivables

The carrying amount approximates fair value as they are short-term in nature. Interest receivable is included as part of the fair value of the various financial instruments.

Derivative financial instruments

Fair value is determined using the present value of the future cash flows the Group expects to pay or receive based upon current interest rates. This value is equivalent to the amount that the Group would need to pay or receive to terminate the swap.

Loans and advances

The fair value of loans receivable (excluding impaired loans) are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

37. FINANCIAL INSTRUMENTS (continued)

Other investments

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Deposits

The fair value of deposits are estimated using a method not materially different from discounted cash flow analysis, based on current incremental deposit rates. The Group has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required.

Trade and other payables

The carrying amount approximates fair value as they are short-term in nature.

Subordinated debt

The fair value of subordinated debt is estimated using a method not materially different from discounted cash flow analysis, based on current market rates for similar arrangements.

38. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

2016	Note	Fair value measurement using Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value					
Derivative financial instruments	11	-	-	-	-
Investment property	15	-	**1,746**	-	**1,746**
Land and buildings	16	-	**4,760**	-	**4,760**
Total assets measured at fair value		-	**6,506**	-	**6,506**
Assets for which fair values are disclosed					
Cash and cash equivalents		-	**41,910**	-	**41,910**
Receivables due from other financial institutions		-	**63,354**	-	**63,354**
Investment securities		-	**157,745**	-	**157,745**
Trade and other receivables		-	-	**1,932**	**1,932**
Loans and advances		-	-	**733,475**	**733,475**
Other investments		-	-	**204**	**204**
Total assets for which fair value is disclosed		-	**263,009**	**735,611**	**998,620**
Liabilities for which fair values are disclosed					
Deposits		-	**923,691**	-	**923,691**
Trade and other payables		-	-	**9,277**	**9,277**
Subordinated debt		-	**2,000**	-	**2,000**
Total liabilities for which fair value is disclosed		-	**925,691**	**9,277**	**934,968**

There have been no transfers between levels during the year.

38. FAIR VALUE MEASUREMENT (Continued)

2015	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
		Fair value measurement using			
Assets measured at fair value					
Derivative financial instruments	11	-	71	-	71
Investment property	15	-	1,746	-	1,746
Land and buildings	16	-	4,760	-	4,760
Total assets measured at fair value		-	6,577	-	6,577
Assets for which fair values are disclosed					
Cash and cash equivalents		-	54,433	-	54,433
Receivables due from other financial institutions		-	76,057	-	76,057
Investment securities		-	131,106	-	131,106
Trade and other receivables		-	-	89	89
Loans and advances		-	-	682,336	682,336
Other investments		-	-	204	204
Total assets for which fair value is disclosed		-	261,596	682,629	944,225
Liabilities for which fair values are disclosed					
Deposits		-	872,902	-	872,902
Trade and other payables		-	-	9,949	9,949
Subordinated debt		-	2,000	-	2,000
Total liabilities for which fair value is disclosed		-	874,902	9,949	884,851

There have been no transfers between levels during the year.

39. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year, the parent of the Group was Hume Bank Limited.

On the basis that the securitised loans are not derecognised, there is no difference between the reported results on a consolidated basis and the results of the parent entity.

	2016 $'000	2015 $'000
Results of the parent entity		
Profit for the year	**3,707**	3,275
Other comprehensive income	**(50)**	38
Total comprehensive income for the year	**3,657**	3,313
Financial position of the parent entity		
Total assets	**1,004,578**	950,392
Total liabilities	**937,268**	886,739
Retained earnings	**64,315**	60,674
Reserves	**2,995**	2,979
Commitments for the acquisition of property, plant & equipment	**241**	214

The parent entity prepares its statement of financial position on a liquidity basis and therefore current assets and liabilities are not identified.

40. EVENTS AFTER REPORTING PERIOD

On 18 July 2016 the Group sold it's Financial Planning business. The Group has maintained it's referral agreement with Bridges Financial Services and continues to provide financial planning services to Hume's customers via this agreement.

The financial effect for the 2017 financial year is estimated as follows;

- Sale proceeds recognised through profit and loss, totalling $197,000
- Reduction in expenses associated with the sold Financial Planning business, totalling $125,000
- Reduction in revenue associated with the sold Financial Planning business, totalling $78,000

Directors’ Declaration

In the opinion of the Directors of Hume Bank Limited:

1. the financial statements and notes, set out on pages 7 to 49, are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the financial position of the company and Consolidated Entity as at 30 June 2016 and of their performance, for the financial year ended on that date; and
   (b) complying with Australia Accounting Standards and the Corporations Regulations 2001; and
2. the financial statements also comply with International Financial Reporting Standards; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors:

Michael Gobel
Chairman

Anthony Whiting
Deputy Chairman

Albury, 18 August 2016

Crowe Horwath.

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Independent auditor’s report to the members of Hume Bank Limited

Report on the Financial Report

We have audited the accompanying financial report of Hume Bank Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Director’s responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Crowe Horwath

Auditor's opinion

In our opinion:

(a) the financial report of Hume Bank Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

CROWE HORWATH ALBURY

DAVID MUNDAY
Partner

Albury, 18 August 2016

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Hume Bank Limited uses National Carbon Offset Standard
An Australian Government Initiative

Hume Bank

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