

Professional in business,
genuine in service.

Members' Report

2008





(Pictured left - right)

Wayne Nagle

General Manager Finance and Administration

Andrew Saxby

Chief Executive Officer

Cindy Mundy

General Manager Human Resources

David Rowe

General Manager Information Technology

Melissa Sweetland

General Manager Customer Service, Sales and Marketing

Cover: Hume Member
Dr. Peter Crawford

Hume Building Society Ltd
ABN 85 051 868 556
AFSL No. 244248

“To build and enhance relationships with members to enable them to make rewarding financial choices.”

Personal service; service that is more than just friendly; service that is truly tailored and proactive.



Contents

Chairman's Report	2
Highlights	4
Branch Network	5
Internet	6
Products and Services	8
Financial Literacy	12
Summarised Financial Report	14
Income Statement	16
Balance Sheet	17
Statement of Cash Flows	18
Independent Audit Report	19

CHAIRMAN'S REPORT

Ulf Ericson



Financial Performance

In challenging economic circumstances, Hume Building Society has had a very strong year. Net Profit for the twelve months to June 2008 was \$3.57 million, unchanged from the previous year as a result of a deliberate decision not to increase variable loan rates more than increases imposed by the Reserve Bank of Australia.

Hume increased term deposit rates to maintain its competitive position and also to allow it to maintain prudent cash reserves. Deposits increased as a result of deliberate pricing decisions and funded an 11.7% increase in Total Assets to \$590.7 million.

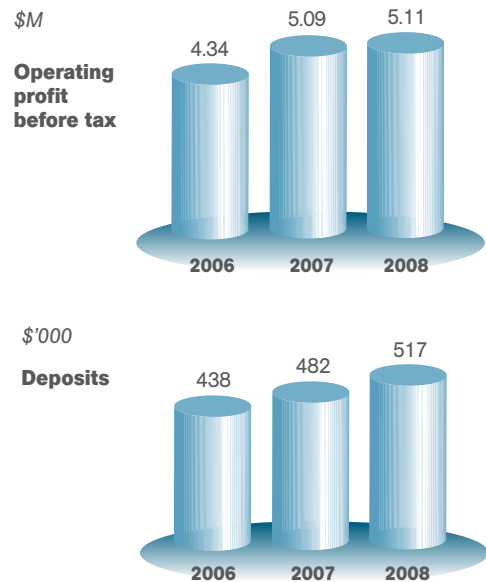
Loans and Advances increased by \$36.0 million (8.3%) and Receivables and Investment Securities increased by a combined \$31.6 million (48.2%).

The increase in Investment balances resulted in the High Quality Liquid Assets Ratio, one of the main prudential ratios for Authorised Deposit taking Institutions (ADIs), increasing to 19.1% at June 2008, up from 15.9% the year before. This is an excellent outcome for Hume in the midst of the current liquidity squeeze.

The way the Capital Adequacy Ratio, the other main prudential ratio, is calculated, changed on 1st January 2008 as Australia adopted the Basel II Capital Accord. Hume's capital ratio was 14.69% at June 2008. For comparison, using the old calculation method, it increased from 13.5% at June 2007 to 13.6% at June 2008.

The ability to improve both prudential ratios, despite the turbulent and volatile economic situation confronting global economic markets, highlights the success of Hume's proven strategy of developing relationships with members in convenient locations, providing excellent products and very high levels of service.

2008 Results



High Service Levels

Like most companies, Hume's success relies on the high standards delivered by its staff. The Board and Management are committed to ensuring the staff have the necessary tools, training and guidance to allow them to understand member's needs and deliver solutions through whatever channel members elect.

Hume works closely with its software providers to ensure systems are enhanced to meet new regulatory requirements like the Anti-money Laundering, Counter Terrorism Financing Legislation that came into effect in March 2007. Training on system enhancements is provided by experienced Hume staff, who also provide training on new and existing accounts to ensure service standards are maintained and legal requirements are complied with.

Demand for induction training was unusually high in 2008 as a result of new branches, increased staffing levels and the need to recruit and train staff for maternity relief positions. The number of staff resigning each year continues to be well below the industry average and allows members to be greeted and served by staff who know them and their banking needs.

In anticipation of ATM Direct Charging, a change in the way ATM fees are charged, Hume continues to increase both the number and distribution of ATMs available for use by members totally free of charge.

Regulatory Change

As noted, Hume has trained staff in the requirements of the Anti-money Laundering, Counter Terrorism Financing Legislation. There is no doubting the need for international response to money laundering and terrorism, however the regulatory burden weighs most heavily on smaller organisations like Hume Building Society.

The need to prevent a repeat of the poor lending practices that contributed to the so called sub-prime lending crisis that is causing major disruptions to global financial markets and prompting billions of dollars in write-downs is equally apparent. The proposal to transfer regulation of all credit activities to Federal jurisdiction is long overdue and must cover all types of lending by all lenders. The Consumer Credit Code requires lenders to be satisfied that borrowers can afford to repay loans granted to them. Hume applies this rule to all loan applications it receives and believes that this approach is all that is needed; new regulations are not necessary.

Economic Outlook

One result of poor lending standards has been the effective closure of the securitisation markets. Hume has not needed to access wholesale funds and has been relatively unaffected by the current liquidity squeeze other than higher deposit rates offered in the retail market to members.

Hume's projections and budgets for 2009 and beyond are for prudential ratios to be maintained at current high levels despite 2009 profit being lower than the year under review. The ability to shield borrowing members from even higher loan interest rates despite high deposit rates continuing into the current year is part of Hume's commitment to providing benefit to members. The concept of an organisation operated for the benefit of members, not shareholders, the mutual structure, has never been more evident.

Summary

The results achieved rely on Management and staff commitment to Hume's strategy of providing excellent products and high levels of service. Without their efforts, Hume would not have been able to continue to succeed.

The ability to improve in challenging economic times has its origins in the considered decisions made over many years. The contribution made by my fellow Board members puts Hume in an extremely sound position to respond to the challenges that 2009/10 is bound to present. I thank them for their continued and ongoing contribution.

Highlights

Convenient Locations



- Opened Wangaratta branch (November 2007)
- Installed four ATMs in Wangaratta (November 2007)
- Refurbished High Street Wodonga, Corowa and Centro Wodonga Plaza branches
- Installed ATM in Chiltern, a first for Chiltern (May 2008)
- Approved new Rutherglen branch (open November 2008)
- Approved further ATMs for Rutherglen, Wangaratta and Wodonga in response to member feedback

Excellent Products



- Launched Business iSave account offering businesses higher interest rates while retaining access to working capital
- Awarded CANNEX five star rating for Business Overdraft (residentially secured) and Commercial Loan (residentially secured)
- Enhanced Clancy Koala account offering additional interest when at least one deposit and no withdrawals in a month to encourage children to save (March 2008)
- Increased Reward Saver bonus interest rate (March 2008)
- Launched Visa debit card, allowing members to use their own money over the Visa network (May 2008)
- Launched Transactional loans and Line of Credit loans (May 2008)

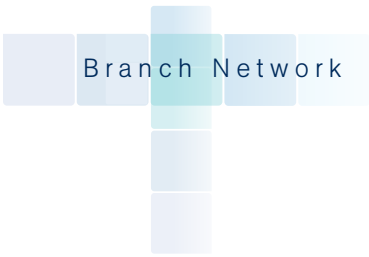
Service expansion



- Updated visual essence, uniforms and branches in line with to better reflect the high standard of service members receive
- Extended branch operating hours in Wangaratta to Saturdays (May 2008)
- Increased iBank functionality (January 2008)
- Launched new website with upgraded internet accessibility (June 2008)
- On-line transactions start to exceed branch transactions (March 2008)



CEO, Andrew Saxby



A dynamic and growing business

Hume Building Society is an Authorised Deposit-taking Institution offering an extensive range of financial products from personal and business transaction accounts to loans and credit cards as well as financial planning and insurance. As a local organisation in the Albury-Wodonga region for over 50 years, community values, friendly service, competitive products and member convenience are at the heart of Hume's existence.

Hume understands what is important to members in caring for their money, in providing expertise and experience and in delivering information that is easy to understand and relevant to individual circumstances.

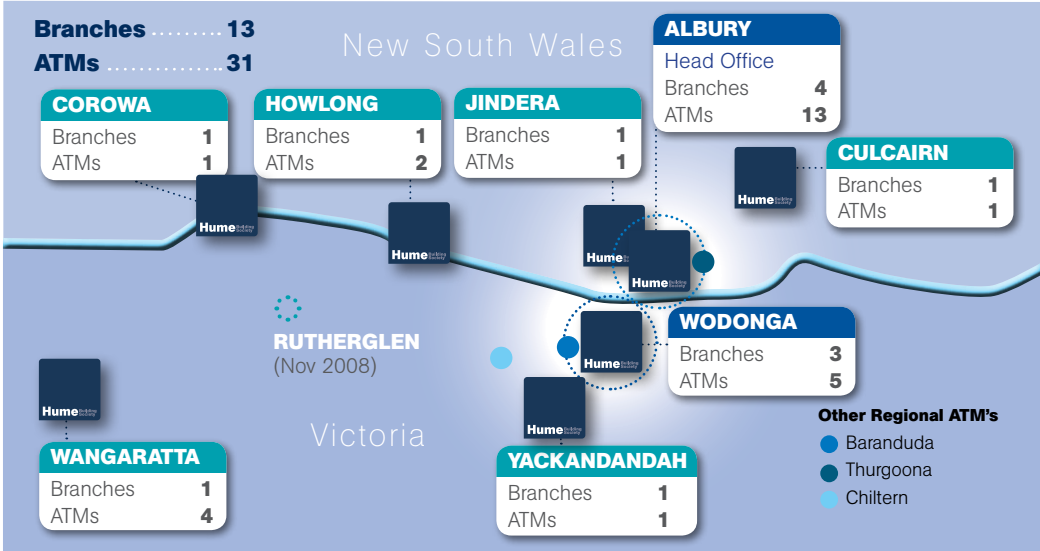
In 2007, Hume rolled out a new visual essence to better reflect its true offering and capability. The new brand is in line with Hume's vision, reinforcing a dynamic business as a contemporary local. The new image was first displayed in Wangaratta in November 2007.

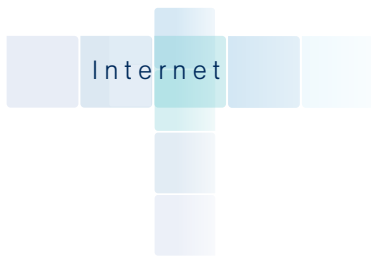
Hume continues to grow with 13 branches, 31 ATMs and over 50 branch staff, with a total of 120 staff at the end of June 2008. This represents greater convenience than any other financial services provider in the area.

The region has recognised the benefits of banking with Hume and in many towns where it operates, almost half of the population bank with Hume.

Hume aims to support the communities it services by being an employer of choice and sponsoring many local events.

As a mutual, Hume members gain the financial benefits through competitive products, that are not driven by shareholder demands.





Hume members now have more ways to bank

With a focus on convenience and simplicity, Hume aims to make every member feel welcome, however they choose to do their banking.

With a strong distribution network of branches and ATMs, supported by phone and online banking, Hume is one of the most accessible financial institutions in the area.

Whether face to face or over the phone, Hume provides the same commitment and friendly approach to its service. To better meet member's online banking requirements, Hume launched a new website in May 2008, offering a state of the art facility that is user friendly and easy to access.

Moving to an improved online platform has increased flexibility in gathering feedback and dynamically updating the site. Not only are more people visiting the new website, but those that do visit are spending almost twice as long browsing the pages.

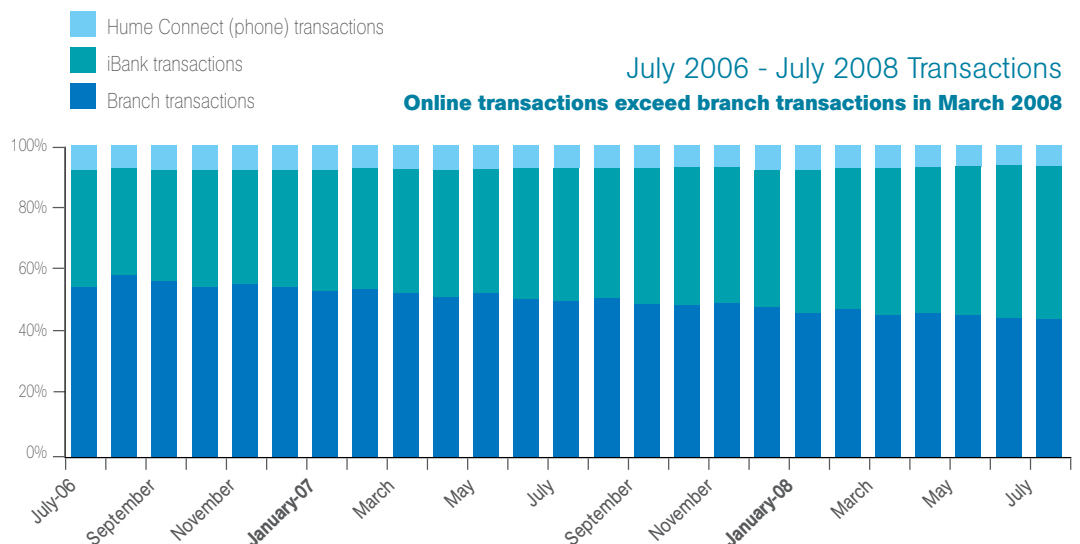
Hume continues to develop online banking with online transactions exceeding branch transactions for the first time this year.

Safer everyday banking

With Hume's internet banking service, iBank, members can view their transaction details as regularly as they wish, thereby keeping better track of their money.

iBank allows members to manage their finances when and where it suits them. Member's can transfer funds, pay bills, view their accounts, plus much more.

Hume will introduce security tokens at the end of the year which will provide one-time real-time passwords, providing a very high level of security. This further demonstrates Hume's commitment to the level of security it provides its members.



From Hume members



"I find iBank easy to use and it allows me to do everything that I need to do at a time convenient to me."

"iBank is absolutely fantastic."

"Excellent service quick and safe."

"Thank you for being a user friendly website."

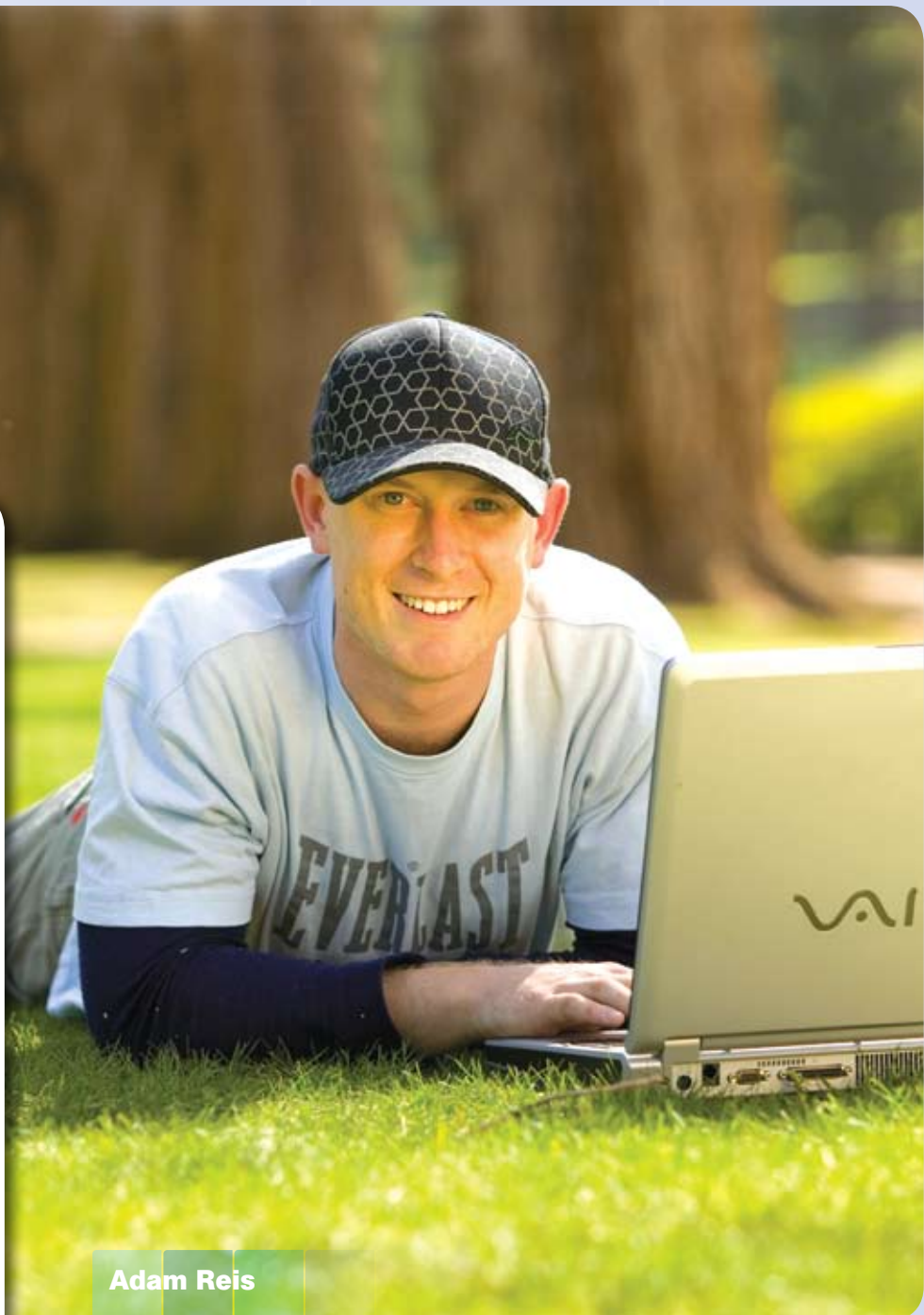
"I think iBank is an excellent service like all of Hume's services."

"Keep up the good work. I love Hume! It is the best security log on that I have with any of the banks that I deal with."

"I think this is one of the easiest internet banking services I've used, thank you."

"I love Hume the service I have received is above and beyond that of any other bank."

"Great service both online and within branches."



Adam Reis

Adam uses iBank to check his account balances and transfer money between accounts, as it is an easy way to manage his finances when he is on the go or travelling interstate. Online banking allows him to do his banking at a time that is convenient, 24 hours a day, in a safe and secure environment.

Competitive products to get everyone started

Some banks charge service fees for savings and loan accounts, as well as internet transfer fees. Hume takes the fees out of service and doesn't charge monthly account keeping fees.

Minimal fees are just one of the benefits of banking with Hume. Whether you require fee-free savings options or competitive interest rates, Hume has comprehensive personal and business banking options available. Hume also offers financial planning and insurance.

Hume's range of investment products also provides investors both choice and flexibility, with a range of short and long-term investment options.

Hume continues to release new products, such as the Visa debit card which allows members to use their own money via the Visa network.

Personal banking

Whether requiring finance for a new car, a new home, a holiday or just looking for some helpful advice, you can speak to one of Hume's customer service officers, financial service officers, insurance officers or lending consultants who have the expertise to provide information that is relevant to your situation.

Hume's range of home and investment loans suit a variety of circumstances and needs. The recent release of the Line of Credit and Transactional loans, completes the suite of lending products.

"A comprehensive suite of financial products and services, delivered in a service that is friendly, professional and personal."





Mark Fagan and Jodie Kensington with daughter, Irie.

Mark and Jodie recently purchased their new home following the arrival of their new daughter, Irie. Not only has Hume helped them through the home buying process, but Hume has provided the loan options to help them make the right move.

Business banking solutions

Whether just starting, managing, or protecting a business, Hume's Business Banking team is dedicated to finding solutions for small to medium businesses. Business Banking with Hume is a professional yet personal experience.

Hume continues to offer financial assistance to various businesses, by offering a comprehensive range of business banking products including savings and transaction accounts, iSave and Tax Manager accounts as well as loans, overdrafts and credit cards. Hume offers attractive rates on term investments for businesses that are looking to make a safe and rewarding investment. Business iSave is a high interest at call account that enables businesses to retain access to working capital.

Hume also provides unlimited, fee free electronic transactions, using internet banking, BPay, direct credit and debits. Hume's Business Overdraft (residentially secured) and Commercial Loan (residentially secured) were awarded CANNEX five star ratings this year.

Hume's online banking solution, Business iBank, saves businesses time, provides flexibility and is designed to assist businesses manage their finances, online, at a time that is convenient. It is completely free of charge.

In addition to the standard online banking features, Business iBank has been tailored to meet complex business needs allowing businesses to:

- Manage passwords, access levels and transaction limits for staff.
- Approve transactions created by staff at a later stage
- Upload details from accounting packages and pay employees or creditors
- Download account transactions to accounting package.

“Our Business Banking team is available to assist members with all their banking needs, with easy-to-understand banking solutions.”





Johanna Mroz Business Owner

Johanna Mroz banks with Hume because of the exceptional level of customer service she receives.

Hume has taken the time to understand her business, and has been there to see it grow into what it is today.

Investing in the community

Teaching financial literacy to the next generation is critical. Financial life skills are essential to help children become confident, informed consumers in their work and personal lives. By working with schools such as Holy Spirit, Hume is able to help provide students with the necessary knowledge, understanding, skills and values in developing rewarding lives.

There are now 27 local primary schools offering their students access to School Banking with Hume. These schools receive financial support from Hume and many invite staff to present to the students on a range of topics designed to help them control their financial future.

Hume has recently expanded its financial program to include seminars for primary, secondary and tertiary students through to investors and retirees, as well as providing financial literacy information and activities.

Driving financial literacy

Hume Building Society and Upper Murray Regional Library (UMRL) have worked together to develop 'The Hume Building Society Homework and Training Centre' which was launched on 5th May 2008.

The vehicle is operated by the UMRL with financial support from Hume. This three year sponsorship is a significant contribution to the provision of computer and internet access to the remote communities and groups serviced by the UMRL.

The project supports Hume Building Society's focus on providing financial literacy, as the vehicle offers access to online information on

how to save and manage money. As a mobile classroom, containing 7 laptops and an LCD screen, it is also used for school visits and community events.

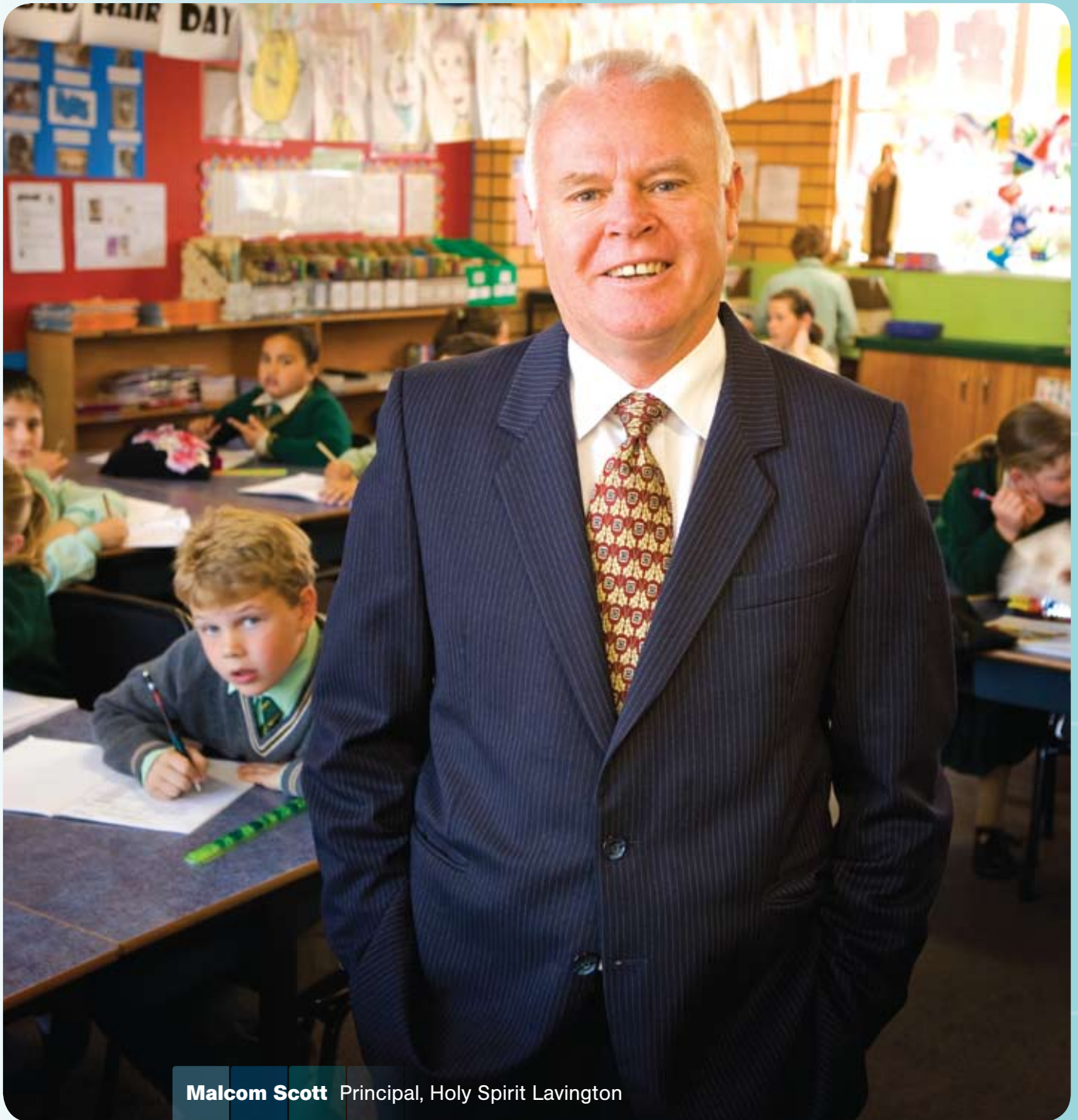
On 7th May 2008, Hume hosted 'School Night' which offered an opportunity for representatives from the region's primary, secondary and tertiary schools to discuss how Hume can help improve financial literacy in the region. The event helped shape Hume's comprehensive financial literacy program.

Hume's dedication to financial literacy continues, with ongoing development and activities being promoted within the community.

Educational Sponsorship

- The Hume Building Society Homework and Training Centre
- Continuing Education Centre
- The Centre (Wangaratta)
- Ed Mail supplement (Border Mail)
- Student Awards (Riverina TAFE, Wodonga TAFE)
- Scholarships (The Murray Conservatorium, Charles Sturt University)
- Murray Hume Business Enterprise Centre





Malcom Scott Principal, Holy Spirit Lavington

Holy Spirit joined Hume's School Banking program in 2005. Since then, 299 student accounts have been opened, helping to develop good saving habits at an early age.

Board of Directors

Left - right **Denise Osborne, Bill Hanrahan, Leo O'Reilly, Ulf Ericson** Chairman,
John Knobel Deputy Chairman, **Stuart Gilchrist, Joy Stocker,**
Lou Lieberman not pictured





SUMMARISED FINANCIAL REPORT

for the year ended 30 June 2008

Income Statement

Balance Sheet

Statement of Cash Flows

Independent Audit Report

Income Statement

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Interest income		
Interest revenue	42,892	37,199
Interest expense	(26,092)	(21,727)
Net interest income	16,800	15,472
Non-interest income		
Fees and commissions from non-members	1,311	1,085
Fees and commissions from members	1,147	1,123
Other non-interest income	41	234
Total non-interest income	2,499	2,442
Total operating income	19,299	17,914
Operating expenses		
Personnel costs	(6,894)	(6,087)
Occupancy costs	(1,365)	(1,199)
ATM, Eftpos & electronic transaction processing costs	(1,213)	(1,209)
Depreciation and amortisation	(1,205)	(1,106)
Information technology expenses	(685)	(580)
Marketing expenses	(668)	(451)
Other operating expenses	(2,191)	(2,022)
Total operating expenses	(14,221)	(12,654)
Bad and doubtful debts	28	(172)
Profit before income tax	5,106	5,088
Income tax expense	(1,539)	(1,521)
Profit for the year	3,567	3,567

The income statement has been extracted from the annual statutory financial report.

Balance Sheet

as at 30 June 2008

	2008	2007
	\$'000	\$'000
Assets		
Cash and cash equivalents	14,157	21,147
Receivables due from other financial institutions	43,200	15,050
Investment securities	54,062	50,573
Trade and other receivables	1,108	800
Loans and advances	469,136	433,098
Other investments	1,743	1,530
Property, plant and equipment	6,200	5,495
Intangible assets	356	321
Deferred tax assets	722	710
Total assets	590,684	528,724
Liabilities		
Deposits	516,987	477,175
Deposits from other financial institutions	500	5,000
Trade and other payables	10,985	7,893
Income tax payable	230	448
Borrowings	20,000	-
Deferred tax liabilities	175	87
Provision for employee benefits	1,284	1,165
Total liabilities	550,161	491,768
Net assets	40,523	36,956
Members' funds		
Reserves	1,712	1,761
Retained earnings	38,811	35,195
Total members' funds	40,523	36,956

The balance sheet has been extracted from the annual statutory financial report.

Statement of Cash Flows

for the year ended 30 June 2008

	2008 \$'000	2007 \$'000
Cash flows from operating activities		
Interest received	42,501	37,151
Interest paid	(24,028)	(22,034)
Other non-interest revenue received	2,582	2,816
Cash paid to suppliers and employees	(11,826)	(11,011)
Fees and commissions paid	(22)	(20)
Income tax paid	(1,681)	(1,739)
	<u>7,526</u>	<u>5,163</u>
<i>(Increase)/decrease in operating assets:</i>		
Net (increase)/decrease in loans and advances	(36,009)	(30,166)
Net increase/(decrease) in deposits	39,812	38,850
Net increase/(decrease) in deposits from other financial institutions	(4,500)	5,000
Net cash flows from operating activities	<u>6,829</u>	<u>18,847</u>
Cash flows from investing activities		
Net (increase)/decrease in receivables due from other financial institutions	(5,000)	-
Net (increase)/decrease in investment securities	2,968	7,871
Proceeds from sale of other investments	-	1
Payments for other investments	(214)	-
Proceeds from sale of investment property	-	2,196
Payments for property, plant and equipment	(1,673)	(645)
Proceeds from sale of property, plant and equipment	10	18
Payments for intangible assets	(303)	(220)
Net cash flows from investing activities	<u>(4,212)</u>	<u>9,221</u>
Cash flows from financing activities		
Proceeds from borrowings	20,000	-
Net cash flows from financing activities	<u>20,000</u>	<u>-</u>
Net increase/(decrease) in cash held	22,617	28,068
Cash at the beginning of the financial year	<u>81,802</u>	<u>53,734</u>
Cash at the end of the financial year	<u><u>104,419</u></u>	<u><u>81,802</u></u>

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

Independent Auditors' report to the members of Hume Building Society Ltd

Report on the summarised financial report

We have audited the accompanying summarised financial report of Hume Building Society Ltd (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement and cash flow statement for the year ended on that date as set out on pages 16 to 18 which were derived from the financial report of Hume Building Society Ltd for the year ended 30 June 2008. We expressed an unmodified Auditor's opinion on that financial report in our auditor's report dated 21 August 2008.

Directors' responsibility for the summarised financial report

The Directors of the Company are responsible for the preparation and fair presentation of the summarised financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised financial report based on our procedures, which were conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements.

Auditors' opinion

In our opinion, the information reported in the summarised financial report is consistent, in all material respects, with financial report from which it was derived. For a better understanding of the scope of our audit, this auditor's report should be read in conjunction with our audit report on the financial report.

WHK Audit & Risk Assessment

Timothy S. Frazer, Partner
Albury, 21 August 2008

Total Financial Solutions

Horwath refers to Horwath International Association, a Swiss Verein.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

WHK Audit & Risk Assessment Pty Ltd ABN 16 673 023 918
491 Smollett Street Albury NSW 2640 Australia
PO Box 500 Albury NSW 2640 Australia
Telephone +61 2 6021 1111 Facsimile +61 2 6041 1892
A WHK Group firm

This page was left blank intentionally



Service Centres

Albury

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

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

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

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

Wodonga

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

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

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

Wangaratta

56-58 Murphy Street, Wangaratta VIC 3677
Phone (03) 5721 3322
Fax (03) 5721 3977

Corowa

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

Culcairn

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

Yackandandah

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

Howlong

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

Jindera

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



Hume Building
Society

HEAD OFFICE
492 Olive Street
Albury NSW 2640
Phone: (02) 6051 3211
Fax (02) 6051 3255
www.humebuild.com.au