

Values you
can bank on.

Members' Report **2009**



Our vision

To be the financial institution of choice to the people in, or aligned to, north eastern Victoria and southern New South Wales while providing national convenience.

Our mission

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

Our values



Compassion

We seek to understand and support the needs and goals of members, each other and the community.



Respect

We are inclusive and will act fairly, honestly and with integrity with consideration for others.



Aspiration

We empower and challenge each other to deliver operational excellence and will strive to improve everything we do.



Commitment

We work together as a team with dedication and loyalty to our organisation and take responsibility for our actions.



Responsive

We act with purpose, conviction and courage to deliver in a timely manner.

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At a time of extraordinary economic circumstances, Hume has achieved outstanding results and shielded its members from as many challenges as possible.

→ KEY STATISTICS

Members **50,611**

96% Customer Satisfaction
(Roy Morgan Research)

88% Employee Satisfaction

Total Deposits **\$597m**

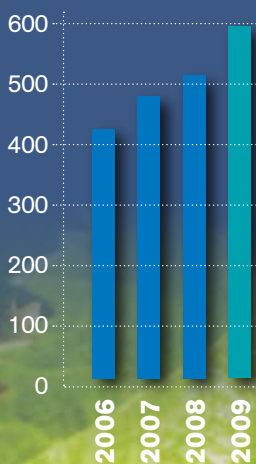
Total Loans **\$505m**

Net Loan Approvals **\$132m**

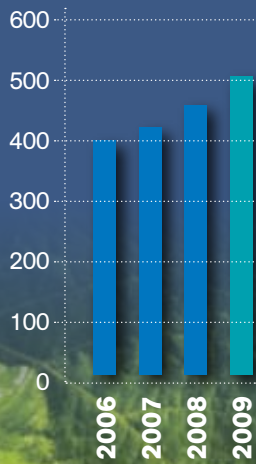
Total Assets **\$649m**

Operating Profit Before Tax **\$2.75m**

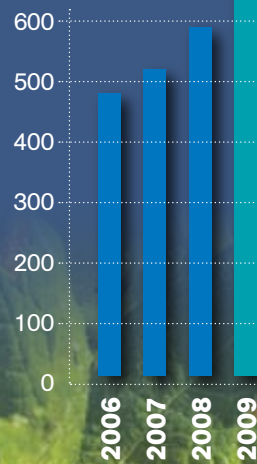
TOTAL DEPOSITS (\$m)



TOTAL LOANS (\$m)



TOTAL ASSETS (\$m)





→ Hume's ability to achieve what we have in the worst global economic downturn is testament to the direction set in the strategic plan - and even more so to the manner in which we have implemented it for our members.

CHAIRMAN'S REPORT

Performance Highlights

In light of the extraordinary economic circumstances prevailing for much of the year, Hume Building Society's results are an outstanding effort and a true credit to all at Hume that made it possible.

Recognising that Hume is owned by and managed for the benefit of members, the Board and Management made a number of decisions that impacted adversely on profit but enhanced members' interests. Hume opened a new branch in Rutherglen and commissioned another three ATMs. It also announced a decision to open its 15th branch in Thurgoona in early 2010.

Hume passed on reductions in interest rates to borrowers within three weeks of the decision by the RBA – the same time-frame applied when rates were increasing. Deposit interest rates were considered before loan rates – recognising that many members rely and live on interest earned on their deposits. Hume maintained staffing levels to ensure the high levels of service that members enjoy and expect were delivered throughout the year.

ATM Direct Charging, which came into place on 4 March 2009, presented an opportunity to provide National Access to cash; something that members regularly asked for. Hume entered into an agreement with Westpac Banking Corporation to allow members to use Westpac Group ATMs free of Direct Charge.

Economic Situation

Hume's performance was achieved in a year in which the Board of the Reserve Bank of Australia cut the cash rate 6 times over an eight month period; from a high of 7.25% in July 2008 to 3.00% in April 2009. A year in which Australia was the only developed country to avoid a technical recession. A year that saw the collapse of banks exposed to Collateralised Debt Obligations (CDOs), Credit Default Swaps and investments in securitisation debt instruments that funded irresponsible lending practices. A year in which Australian bank, building society and credit union deposits were guaranteed by the Federal Government in response to similar decisions by other Sovereign Governments.

Australia's resilience in the face of the Global Financial Crisis was due in part to the Government's actions and the sound



BOARD OF DIRECTORS



Ulf Ericson
Chairman



Joy Stocker
Deputy Chairman



Stuart Gilchrist



Bill Hanrahan



Lou Lieberman



Leo O'Reilly



Denise Osborne

Chairman's Report Continued

supervision of a strong banking sector that was not significantly exposed to the worst of the ravages sweeping the global financial markets.

Hume commenced the 2008/09 year in a strong financial position that allowed the Board and Management to make decisions based on Hume's mutual status – that is that it is owned by and run for the benefit of its 50,000 members.

Financial Performance

The 2008 Annual Report noted that Hume was projecting a lower profit for 2009 as a result of higher deposit interest rates being offered.

Retail deposit rates continued well above normal levels throughout the year and, combined with the discipline of reducing loan interest rates within 3 weeks of each Reserve Bank decision, contributed to Hume's profit being lower than originally forecast. The before tax profit was \$2.75 million is a very good result having regard for decisions made to put member needs ahead of profit. After tax profit of \$1.93 million was 46% lower than the \$3.57 million achieved in both 2007

and 2008; but was sufficient to allow the Capital Adequacy Ratio to be 14.12% at year end (14.69% at June 2008) which was very pleasing. The international minimum requirement for Capital Adequacy is 8%, a standard that APRA has also adopted. Hume's preferred trading range for its Capital Adequacy Ratio is between 13.0% and 14.7%, with Hume operating closer to the upper end of that range throughout the year. Hume's strength, developed over many years, allowed the Board to shield members during the tougher economic conditions that prevailed during the 2009 financial year.

The High Quality Liquid Assets Ratio (or HQLA) finished the year virtually unchanged at 18.5% (19.1% previously), well above the minimum requirement of 9%. During the year APRA required ADIs to maintain higher liquidity levels; particularly in the period before the Government's Deposit Guarantee was put in place. At all times, Hume maintained a buffer well above any minimum requirement.

Total Assets increased by 9.9% during the year to \$648.9 million (\$590.7 million at June 2008), made possible by a 15.4% increase in deposits to \$596.6 million (\$517.0 million).

Loan Result

Net loan approvals for the 12 months to June 2009 were \$132 million, 2% higher than the previous year. Despite higher loan approvals and a number of job losses within the border region. Hume's loan arrears remain well below national averages; with less than 1% of mortgage borrowers being behind in their loans.

Forecast

A strong opening financial position allowed Hume to shield its members from some of the worst impacts of the current economic environment. Hume achieved very satisfactory results recognising that it continued to invest in its staff and in expanding services for members and, the Board's decisions to continue to invest in new branches and services will contribute to improved results for the 2009/10 period.

Loan approvals are expected to match those achieved in recent years and will contribute to continuing growth in total assets. More importantly, more stable interest rates will allow profit to improve significantly and allow the capital adequacy ratio to be maintained around current levels.

Hume exceeded prudential requirements throughout the past year and will continue to do so in the future.

Board Changes

Hume's success for more than 50 years is a result of it providing first class banking services in a friendly and convenient way. The Board recognises that this does not happen by accident and Directors take into consideration members' views and position during strategic discussions. In April 2009 Hume's longest serving Director, John Knobel, retired after nearly 34 years

on the Board. John was employed by Hume's auditors before joining the Board, so his contribution to Hume pre-dates his appointment as a Director. John continues to be very actively engaged in community events and worked tirelessly during his time on the Board to ensure that decisions made by Hume's Board were in the best interests of members and their communities. Although John's involvement will be missed, the Board decided not to replace him on his retirement and to revert to having seven Directors – the position it was in before appointing Denise Osborne and Stuart Gilchrist when Les Boyes retired in February 2007.

On behalf of my fellow Directors and all those who worked with John during his time on the Board, I thank him for his selfless contribution over such a long period and wish him a long and healthy life.

Regulatory Environment

With tentative signs of recovery evident within the economy, politicians and regulators have started imposing new requirements. Hume will continue to exceed all prudential requirements; however the additional workload imposed on the Board will require even greater commitment of Director's time. New Governance requirements have already been announced and amended liquidity requirements have been released for review. The responsibility on non-executive Directors to understand and comply with new regulations is well understood by all of the Directors of Hume Building Society and I thank them for their ongoing contribution, experience and commitment.



Hume's values are important to our vision. Our values operate and impact on the business – we live them on a daily basis.

Andrew Saxby
CEO Hume Building Society

2009 AT A GLANCE

Excellent Service

Installed Rutherglen ATM (October 2008)

Launched Hume's Values (November 2008)

Opened Rutherglen branch (November 2008)

Celebrated 50,000th member (December 2008)

Implemented ATM Direct Charging (March 2009)

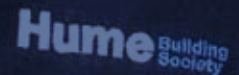
Provided members Australia wide access to cash via Westpac Group ATMs (March 2009)

Installed Urana Road Lavington ATM (March 2009)

96% Customer Satisfaction Roy Morgan Research Survey (June 2009)

More members recommend Hume to their friends by *Money Magazine's* Reader's Choice: Service Excellence (June 2009)

Excellent Products



Launched Border Trust Community Donation (August 2008)

New personal insurance provider - CUNA (December 2008)

New commercial insurance provider - Allianz (December 2008)

Money Magazine's 2009 Best of the Best winner 'Cheapest Flexible Home Loan' Interest Saver Loan (December 2008)

Money Magazine's 2009 Best of the Best winner 'Cheapest Small Business Term Loan' Commercial Loan (Residential security) (December 2008)

Finalist in *Money Magazine's* 2009 Best of the Best awards of 'Cheapest Small Business Term Loan' for the Commercial Loan (Commercial Security) and 'Cheapest Home Loan' for the Interest Saver Loan (December 2008)

National finalist Australian Banking & Finance Awards 2009 for Building Society (May 2009)



Penny Reeves
Rutherglen Vet

Hume provides personal service for local people.

VALUE TO MEMBERS

Hume Building Society is committed to providing exceptional value and service to members. Hume provides a local banking alternative as a regional financial services organisation with headquarters and key decisions made in Albury / Wodonga. Most towns that Hume operates in has close to 50% of the population that bank with Hume.

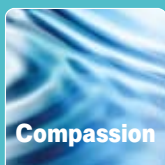
As a mutual organisation, members' needs come first and the decisions made are based on what is best for members not shareholders. Resources are focused on providing better value to members through competitive rates on all saving, investment and transaction accounts with minimal fees.

In 2008, Hume launched its values which were developed with participation by staff

and Directors. Service is based on core values which define Hume's culture and the way staff interact with members, each other and the community.

At the end of June 2009, Hume's customer satisfaction rating was 96% (Roy Morgan Research). The result is one of the highest rating for any bank, credit union or building society.

Hume reached its 50,000th member in December celebrating the milestone with a "Wish upon a Star" competition for members in conjunction with staff celebrations.



We seek to understand and support the needs and goals of members, each other and the community.



The values we embrace are the beliefs we hold and the standards to which we are dedicated.

Jessie Arney and family
Staff member





Simon Groves
Fletcher's Photography



Hume understands my business and helps manage everyday transactions with customers, employees and suppliers.

EXTENSIVE NETWORK

Hume continues to grow its branch, internet, telephone, ATM and EFTPOS network, with over 50,000 members sharing in Hume's wonderful service. At the end of June 2009, Hume employed 60 branch staff and a total of 115 staff and 7 Directors.

The new branch and ATM in Rutherglen provides the people of Rutherglen both convenience and flexibility, something the town has missed since most of the banks left. With 14 branches, 34 ATMs and a 15th branch planned for Thurgoona in 2010, Hume is one of the most accessible financial institutions in the area.

Members can now access their money nationally across Australia through the Westpac network. The announcement in March 2009 was one of the most exciting in Hume's 54 year history. Hume members can use Westpac ATMs in any town where there is no Hume ATM free of Direct Charge.

In June 2009, the agreement expanded to include Westpac Group ATMs. This includes St.George and Bank SA ATMs, giving members access to 2,800 ATMs across Australia.



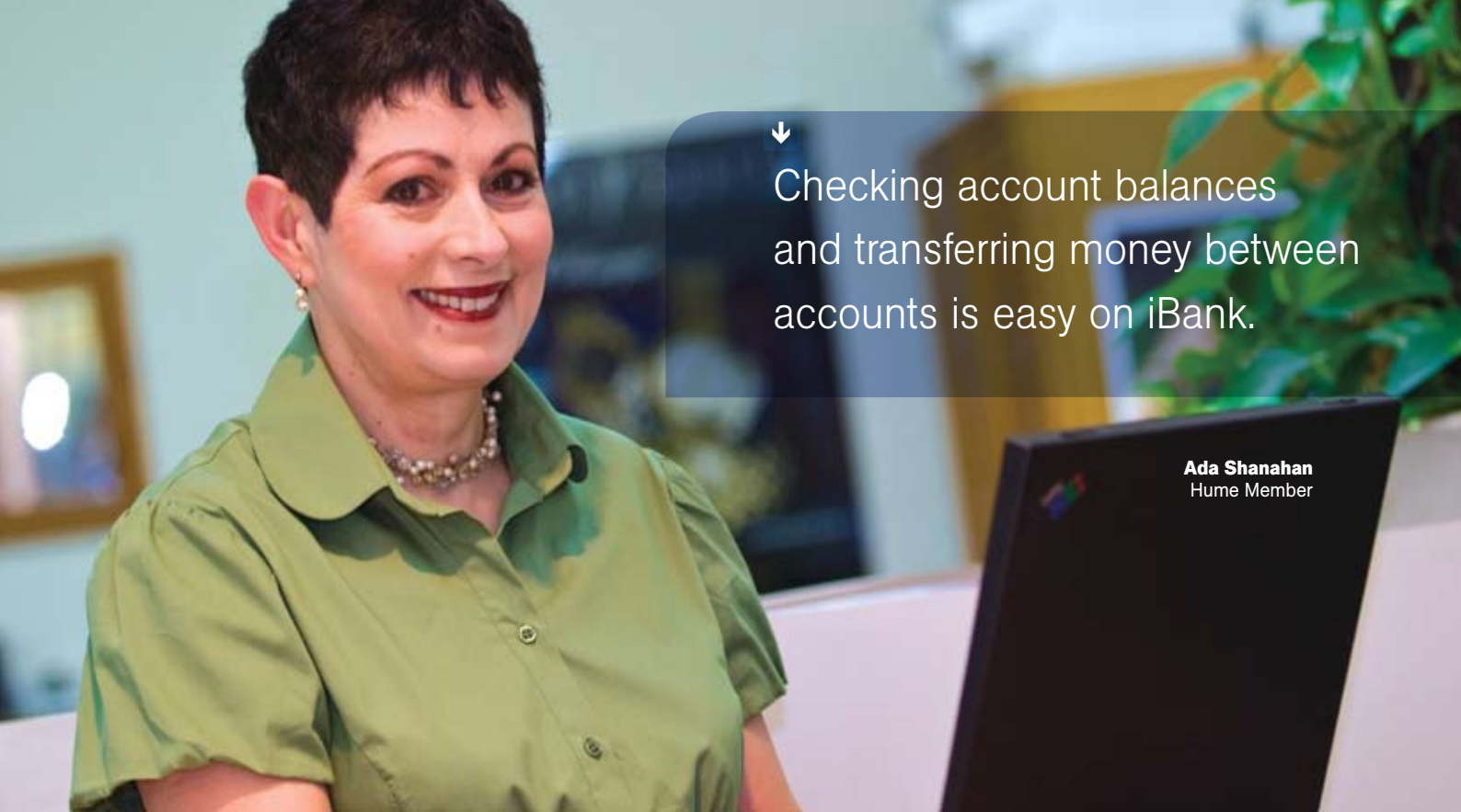
We are inclusive and will act fairly, honestly and with integrity with consideration for others.



Michael and Lisa Murtagh
Vintara Winery



Hume offers exceptional service and treats everyone as an individual.

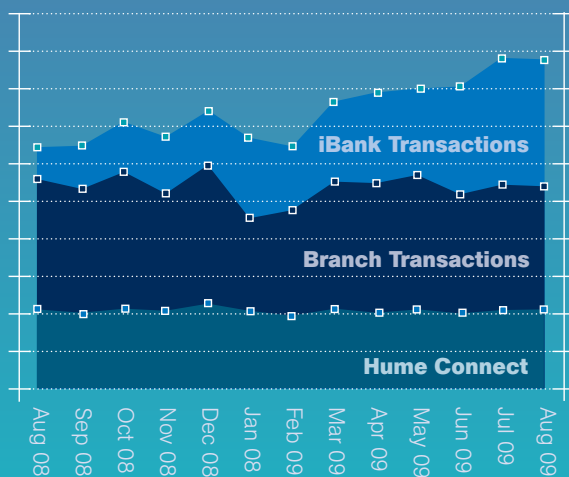


Checking account balances and transferring money between accounts is easy on iBank.

Ada Shanahan
Hume Member

ONLINE FACILITIES

Hume aims to make every member feel welcome however they choose to do their banking. More and more members are using the internet with online transactions increasing by 27% this year.



→ iBank growth outperforming other channels

Online tutorials assist members to do their banking online as the facility continues to advance in usability.

Hume provides a high level of security against fraud and internet banking. As part of Hume's internet banking security strategy, security tokens are offered to members free of charge. A security token protects accounts even if another person is in possession of a member number and password. The security tokens can be used wherever iBank can be accessed, including overseas and in remote areas.

Since launching the online credit card application in December 2008, members have found 24 hour access increasingly convenient with online applications outnumbering those on paper. Members can also quote and purchase insurance policies online in just a few minutes.



We empower and challenge each other to deliver operational excellence and will strive to improve everything we do.



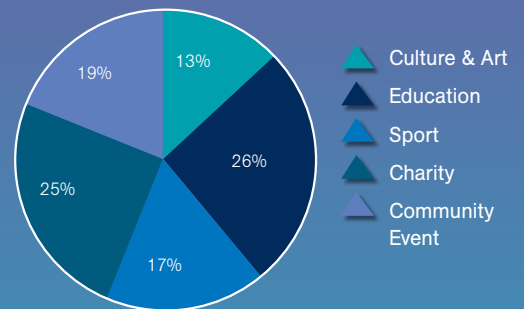
Hume's support helps provide a pathway for talented local footballers to reach their goals on and off the field.

Andrew Carson
Murray Bushrangers Football Club



COMMUNITY AND INVESTMENT

Hume supports towns and communities it operates in with over \$150,000 contributed this year to more than 160 community groups, charities and local events through sponsorships, donations and in kind support. Hume also supports its communities through employing local staff and purchasing locally whenever possible.



2009 COMMUNITY SUPPORT

Border Trust Community Donation

Hume launched the Border Trust Community Donation Community Trust account to offer a way to improve the lives of local people and support to community projects in the Albury Wodonga region. Members can donate the interest on their Hume Term Investment to Border Trust.

Staff involvement

Hume staff also actively support the community by volunteering for a range of different charities and programs including Club Red (blood donations), planting trees with Parklands Albury Wodonga, Meals on Wheels, Telecross and community visits for the Department of Health and Ageing.

Online support

Hume also invests its time in developing online payment systems for local charities and clubs, including the Border Ball which raises valuable funds for Country Hope. A similar system was developed for the Nail Can Hill Run which proved to be a valuable resource to the organising committee.



Commitment

We work together as a team with dedication and loyalty to our organisation and take responsibility for our actions.



Scott Pape

The Barefoot Investor talks to Border youth on money matters



Financial literacy is an essential skill for today's generation.

FINANCIAL LITERACY

Hume recognises the importance of teaching financial literacy and money management regardless of age. Financial life skills are essential to help children become confident, informed consumers in their work and personal lives.

Hume staff regularly speaks at primary, secondary and tertiary schools. To help promote financial literacy to the Border, Hume provides this service to schools at no charge.

Hume's financial literacy program also includes school banking and seminars for first home buyers, investors and retirees.

Hume continues to focus on young adults between 18-24 years given money issues are not traditionally covered at school.

To engage youth on money, Hume arranged

for Scott Pape, author of best selling book, "The Barefoot Investor", to present to over 370 local year 10, 11 and tertiary students at the Albury Convention & Performing Arts Centre in August 2008. The presentation gave schools in the area an opportunity to provide financial literacy to students from an inspiring and exciting speaker.

As principal sponsor of the Upper Murray Regional Library (UMRL) mobile classroom, 'The Hume Building Society Homework and Training Centre' provides schools and the community access to online information on money management. The UMRL also runs homework and library sessions for children and older residents. Since the vehicles launch, the UMRL has increased literacy assessment scores for primary school children from 40-50 per cent to 90 percent in just six months.





“More Hume members recommend Hume to their friends.”

According to *Money Magazine's* Reader's Choice: Service Excellence June 2009

OUR AWARDS

During 2008/09 Hume received the following awards and recognition:

Money Magazine Best of the Best

Money Magazine's 2009 Best of the Best awarded Hume Building Society winner of the 'Cheapest Flexible Home Loan' for its Interest Saver Loan and 'Cheapest Small Business Term Loan' for its Commercial Loan (Residential security).

Hume was also a finalist in *Money Magazine's* 2009 best of the Best awards 'Cheapest Small Business Term Loan' for the Commercial Loan (Commercial Security) and 'Cheapest Home Loan' for the Interest Saver Loan.

Money Magazine's 2009 Reader's Choice Award

Hume was national runner-up of *Money Magazine's* 2009 Reader's Choice Award Customer Excellence. Hume was the highest ranking in two categories;

- how likely a member was to recommend Hume to family and friends and;
- for branch interactions.



Australian Banking & Finance Awards (AB&F)

Hume was a national finalist in the Australian Banking & Finance Awards 2009 ("AB+F") Awards for excellence in Australia's banking system (Building Society).

Australia Marketing Institute (AMI)

National finalist in the 2008 Australian Marketing Institute ("AMI") Awards for Marketing Excellence – Brand Revitalisation.



We act with purpose, conviction and courage to deliver in a timely manner.

Summarised Financial Report

for the year ended 30 June 2009



(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

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Income Statement

for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Interest income		
Interest revenue	41,889	42,892
Interest expense	(27,233)	(26,092)
Net interest income	14,656	16,800
Non-interest income		
Fees and commissions from non-members	1,629	1,311
Fees and commissions from members	1,147	1,147
Other non-interest income	22	41
Total non-interest income	2,798	2,499
Total operating income	17,454	19,299
Operating expenses		
Personnel costs	(7,207)	(6,894)
Occupancy costs	(1,396)	(1,365)
ATM, Eftpos & electronic transaction processing costs	(1,224)	(1,213)
Depreciation and amortisation	(1,332)	(1,205)
Information technology expenses	(734)	(685)
Marketing expenses	(579)	(668)
Other operating expenses	(2,174)	(2,191)
Total operating expenses	(14,646)	(14,221)
Impairment of loans and advances	(56)	28
Profit before income tax	2,752	5,106
Income tax expense	(823)	(1,539)
Profit for the year	1,929	3,567

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

Balance Sheet

as at 30 June 2009

	2009	2008
	\$'000	\$'000
Assets		
Cash and cash equivalents	16,927	14,157
Receivables due from other financial institutions	74,334	44,739
Investment securities	37,310	54,062
Trade and other receivables	767	1,108
Loans and advances	511,718	469,136
Other investments	204	204
Property, plant and equipment	6,383	6,200
Intangible assets	358	356
Deferred tax assets	881	722
Total assets	648,882	590,684
Liabilities		
Deposits	596,580	516,987
Deposits from other financial institutions	-	500
Trade and other payables	8,043	10,985
Income tax payable	480	230
Borrowings	-	20,000
Deferred tax liabilities	23	175
Provision for employee benefits	1,304	1,284
Total liabilities	606,430	550,161
Net assets	42,452	40,523
Members' funds		
Reserves	1,892	1,712
Retained earnings	40,560	38,811
Total members' funds	42,452	40,523

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

Statement of Cash Flows

for the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Cash flows from operating activities		
Interest received	42,185	42,501
Interest paid	(29,939)	(24,028)
Other non-interest revenue received	2,843	2,582
Cash paid to suppliers and employees	(13,480)	(11,826)
Fees and commissions paid	(27)	(22)
Income tax paid	(884)	(1,681)
	<u>698</u>	<u>7,526</u>
(Increase)/decrease in operating assets:		
Net (increase)/decrease in loans and advances	(42,638)	(36,009)
Net increase/(decrease) in deposits	79,593	39,812
Net increase/(decrease) in deposits from other financial institutions	(500)	(4,500)
Net cash flows from operating activities	<u>37,153</u>	<u>6,829</u>
Cash flows from investing activities		
Net (increase)/decrease in receivables due from other financial institutions	3,000	(5,000)
Net (increase)/decrease in investment securities	(8,000)	2,968
Payments for property, plant and equipment	(1,303)	(1,673)
Proceeds from sale of property, plant and equipment	8	10
Payments for intangible assets	(246)	(303)
Net cash flows from investing activities	<u>(6,541)</u>	<u>(3,998)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	20,000
Repayment of borrowings	(20,000)	-
Net cash flows from financing activities	<u>(20,000)</u>	<u>20,000</u>
Net increase/(decrease) in cash held	10,612	22,831
Cash at the beginning of the financial year	<u>105,958</u>	<u>83,127</u>
Cash at the end of the financial year	<u>116,570</u>	<u>105,958</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 2009, 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 2009. We expressed an unmodified Auditor's opinion on that financial report in our auditor's report dated 20 August 2009.

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, 20 August 2009

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

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A WHK Group firm



Management Team

Senior Managers

Andrew Saxby
Chief Executive Officer

Cindy Mundy
General Manager Human Resources

Wayne Nagle
General Manager Finance and Administration

David Rowe
General Manager Information Technology

Melissa Sweetland
General Manager Customer Service,
Sales and Marketing

Managers

Dyani Abadi
Marketing Manager

Olympia Andronicos
Retail Services Manager

Jessie Arney
Human Resources Officer

Judy Clohesy
Support Services Manager

Tyler Peachey
Credit Manager

Frederikke Jensen
E-Marketing Manager

David Kiefel
Internal Auditor

Kylie Pettiford
Enhanced Service Manager

Kevin Phillips
Management Accountant

Bill Quinn
Systems Administrator

Trish Reis
Customer Service Manager

Service Centres

Albury

Head Office

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Phone (02) 6051 3211
Fax (02) 6051 3255

Myer City Centre

David & Swift Streets,
Albury NSW 2640
Phone (02) 6051 3306
Fax (02) 6041 3314

Centro Albury Shopping Centre

487 Kiewa Street,
Albury NSW 2640
Phone (02) 6051 3308
Fax (02) 6041 5697

Centro Lavington Shopping Centre

Griffith Road,
Lavington NSW 2641
Phone (02) 6051 3302
Fax (02) 6040 3508

Wodonga

131 High Street,
Wodonga VIC 3690
Phone (02) 6051 3309
Fax (02) 6022 9066

Centro Wodonga Shopping Centre

Elgin Street,
Wodonga VIC 3690
Phone (02) 6051 3303
Fax (02) 6022 9022

Centro Birallee Shopping Centre

97 Melrose Drive,
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Fax (02) 6043 4304

Wangaratta

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Wangaratta VIC 3677
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Fax (03) 5721 3977

Regional

Corowa

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Culcairn

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Culcairn NSW 2660
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Fax (02) 6029 8121

Yackandandah

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Yackandandah VIC 3749
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Fax (02) 6027 1184

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Jindera NSW 2642
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Fax (02) 6026 3718

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