wide bay
AUSTRALIA LTD
banking your way

Wide Bay Australia Ltd
ABN 40 087 652 060
ACL & AFSL No. 239686
BSB 656400

Wide Bay Australia House
16-20 Barolin Street
PO Box 1063
Bundaberg Qld 4670
Australia

telephone (07) 4150 4000
general facsimile (07) 4152 3499
loans facsimile (07) 4152 3299
email widebay@widebayaust.com.au
www.widebayaust.com.au

22 November 2011

WIDE BAY AUSTRALIA LTD (WBB)
CHAIRMAN'S ADDRESS 2011 ANNUAL GENERAL MEETING

On behalf of our Board of Directors, I am pleased to report another strong company performance despite continuing uncertainty prevailing in the world economy and financial markets..

The Wide Bay Australia Ltd ("Wide Bay Australia") group result for 2010/11 was an after tax profit of $22.7 million representing a 1.7% increase over that of 2009/10 ($22.3 million).

This result includes an after tax profit contribution of $2.3 million from our wholly owned lenders mortgage insurance company, Mortgage Risk Management Pty Ltd ("MRM"), which compared to a $2.9 million contribution in 2010.

Our cost-to-income ratio for the chief entity improved from 55.4% in 2010 to 54.3% in 2011. This measure of our efficiency has long been a stand-out when compared with our industry peers.

In accordance with our target, we have maintained an operating margin in excess of 2% throughout the year which provides a basis for a steady profit growth going forward, particularly as we seek to expand the growth in our loan book.

Our loan book has shown a nominal growth of 1.07% to $2.28 billion with loan approvals for the year of $308.2 million as compared to $369.91 million for 2009/2010.

Your Board is very pleased with this performance in a year that was characterised by a generally slowing housing market and the flow on effects from both Cyclone Yasi and the Queensland floods.

Based on these results, your Board resolved to pay a final fully franked dividend of 30 cents per share on 4 October 2011, bringing the total dividend for the year to 60 cents per share. The Board also resolved to reduce the Dividend Reinvestment Plan ("DRP") discount from 7.5% to 5%. The DRP receives strong support from our shareholders and we believe the discount continues to represent a significant incentive to participate.

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Current indications are that there is an emerging increase in housing market activity and we have undertaken several initiatives to broaden the company's lending operations so as to provide an increased level of growth in our overall lending.

For example, in the past we have intentionally limited our use of brokers and originators to approximately 20% of our total lending. Given the current market conditions, your Board has resolved to increase the use of selected brokers and mortgage originators this financial year.

The reduced profits from MRM reflected the slower housing market and increased provisioning for arrears. We remain very focused on the efficient management of any loans arrears and are pleased to report a steady and improving situation particularly since the Queensland floods and cyclone at the start of 2011.

During 2010-11, we experienced very strong growth in retail deposits reflecting an increasing trend by Australians to clear their debts and increase their savings.

The increase has also no doubt been influenced by the Commonwealth Government's Deposit Guarantee under the Financial Claims Scheme. Wide Bay Australia depositors obtained the Guarantee due to our status as an Authorised Deposit-taking Institution ('ADI') prudentially supervised by the Australian Prudential Regulation Authority ('APRA'). At the time of writing, the Government announced that the Scheme will now be extended indefinitely with new limits of $250,000 per person per ADI from 1 February 2012. Term deposits which existed on 10 September 2011 will continue to be covered up to $1 million per person per ADI until 31 December 2012 or until they mature – whichever is earlier.

Retail funds now account for 63% of our total loan funding (up from 53% as at 30 June 2010) and have resulted in reduced reliance on wholesale funding through warehousing and securitisation.

We continue to maintain a strong association with our bankers, with extensive undrawn facilities in warehouses with both ANZ and Westpac. We also have in place a 'repo' facility with the Reserve Bank of Australia, which has no current outstanding drawings, with the Board having a minimum requirement for management to have in place capacity of $200 million to be drawn down immediately, if required.

As the move towards Basel III draws closer, your Board and management have been actively restructuring our risk management function to conform to the requirements that will be introduced. It has been a significant exercise for our management team, including all our risk line managers, and has provided further strengthening of our risk management policies and procedures. In the near future a dedicated Chief Risk Officer will also take up duties to supervise the risk management functions within the organisation.

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Our branch network is performing soundly. We relocated one of our two Townsville branches in March and we currently operate 43 Queensland branches and agencies as well as interstate branches in Melbourne and Sydney and a lending outlet in Adelaide.

2011-2012 Outlook

The after tax profit for the six months to 31 December 2011 would be less than the corresponding period for last year and in the range of $9.5 million, as compared to $11.7 million for the first half of last year.

The first half last year included an estimated $1.25 million additional income from the society's captive Mortgage Risk Management Pty Ltd (MRM) over that of the current period, which will be affected by larger losses on mortgagee in possession situations and increased provisioning. MRM is expected to perform more strongly in the second six months.

Overall performance for the second half of 2011/2012 is expected to be similar to that of 2010/2011 at approximately $11 million.

Wide Bay Australia has taken initiatives to expand their lending operations through the increased use of brokers in New South Wales, Victoria and South Australia and increased lending would be reflected in the second half of 2011/2012.

Conclusion

To our Managing Director Ron Hancock, our Management Team and personnel, on behalf of the Board I congratulate you on your efforts over the course of the last 12 months.

I also take this opportunity to thank my fellow Directors for your diligence and contributions. As alluded to in last year's Directors' Report, John Fell stood down as a Director in December 2010 and we again thank John for his long term contribution.

We especially thank our shareholders, customers and business partners for your tremendous support and look forward confidently to the year ahead.

John Humphrey
Chairman

22 November 2011, Bundaberg