

21 August 2012

Wide Bay Australia Ltd 2011-2012 Final Results

The Directors of Wide Bay Australia Ltd today confirmed the final consolidated results for 2011/12 as an after-tax profit of \$19.04 million compared with \$22.68 million for 2010/11.

The consolidated profit includes a contribution of \$0.5 million from the society's wholly owned lenders mortgage insurer, Mortgage Risk Management Pty Ltd ('MRM'), which delivered a \$2.3 million contribution for the previous year.

Managing Director, Mr. Ron Hancock said this year's result, apart from the decline in MRM's profit, was also affected by a slowdown in lending for the year, particularly during the first 6 months where loan approvals totalled \$132.4 million and the loan book showed a decline of \$48.6 million.

He noted that for the second six month period, loan approvals for the chief entity had increased to \$174.2 million and the loan book as at 30 June 2012 had stabilised at 31 December 2011 levels. Total outstanding loans as at 30 June 2012 were \$2.23 billion.

Overall, the year's results were good results in difficult economic circumstances.

He reaffirmed that Wide Bay Australia does not participate in any of the 'sub-prime' or 'low doc' lending that has recently been the subject of media discussion in relation to some lenders.

Mr. Hancock reported that recent interest rate reductions had seen the operating margin fall from time to time to levels below the Company's targeted margin of 2%.

He said this could generally be attributed to a timing difference, with most of the society's mortgages at variable rates. This had the impact of reducing the interest rates applicable to the bulk of the loan book immediately following a rate reduction, while rates applicable to term deposits reduced only when the deposits matured. The current operating margin stands at 1.9%.

In addition, while interest rates have fallen, competition for term deposits was still very strong and as a result applicable interest rates had not necessarily reduced to the same extent as lending rates. Overall growth of deposits for the year was 11.5%.

Mr Hancock said that throughout the year, Wide Bay has steadily reduced its reliance on wholesale funding, with retail deposits increasing from 61% of total funding as at 30 June 2011 to 69% as at 30 June 2012. Considerable unused capacity was available with warehouse funding.

He advised that as part of the restructuring of MRM, a major portion of the loans insured by MRM had been transferred to QBE Lenders' Mortgage Insurance Limited ('QBE') and this will have a significant positive impact on the society's future activities with the pending implementation of Basel III and given QBE's 'AA-' credit rating compared with MRM's 'BBB/A2'.

He said that with this transfer of risk to QBE, and subject to actuarial advice and regulatory approval, a significant portion of capital will be returned to Wide Bay.

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As at 30 June 2012, capital stood at 13.37%, comprising 11.22% tier 1. The return of any capital from MRM will also form part of tier 1 for Wide Bay.

Mr. Hancock said that the Directors have declared a fully franked dividend of 25 cents per share bringing the total annual dividend to 47.5 cents per share. The dividend will be payable on 25 September 2012.

He advised that having regard to the current and expected future capital position, the Board had also resolved to suspend the Dividend Reinvestment Plan ('DRP').

Mr. Hancock said Wide Bay Australia has continued to review the society's branch network which, during the year, included the transfer from an agency to full branch facilities in Emerald; a relocation of the Gold Coast branch at Robina and the closure of a branch at Moranbah, due principally to the difficulties of retaining staff.

He said Wide Bay is continuing to develop its lending network and will take advantage of any opportunities available for expansion through acquisition.

With the recent promising outlook that has been emerging in the housing market and signs that conditions will continue to improve, we look forward to a positive impact on our results going forward.

ENDS

For further information, please contact:

A handwritten signature in black ink, appearing to read 'Ron Hancock', with a stylized flourish at the end.

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