

BS:CT

04 September 2013

Manager of Company Announcements  
ASX Limited  
Level 5, 123 Eagle Street  
Brisbane Qld 4000

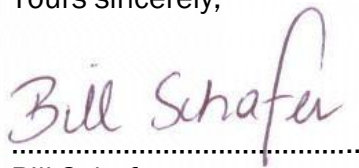
Dear Sir/Madam

**RE: Wide Bay Australia Limited (WBB) – Investor Presentation**

Please find attached an investor presentation to be presented to analysts and representatives of institutional investors.

The presentation provides a review of Wide Bay Australia's operating activities and an explanation of underlying earnings of the group for 2012/13 financial year.

Yours sincerely,



Bill Schafer  
Company Secretary

# Wide Bay Australia Ltd

Investor Presentation

04 September 2013



# Overview 2012/13

## A difficult year impacted by:

- Mortgage Risk Management Pty Ltd (MRM) provisions
- Write off of Financial Planning investment
- Home Loan book contraction to February 2013
- Collective impairment introduction
- Unsuccessful acquisition costs

## However some positive news:

- Strategic Plan developed in May 2013 and now being implemented
- Restructure aligned to key opportunities - now in place
- Home Loan book recovered to June 2013
- Personal Loan capability delivered and getting strong support
- Deposit growth 5% and self funding ratio 73%
- Margin management
- Mobile App & social media capability developed
- All Staff now have KPI's

# Financial Overview

Statutory NPAT \$2.453m for 12/13 down from \$17.578 in 11/12

Underlying cash NPAT \$12.126m for 12/13 down from \$14.667m in 11/12

Total dividend for the year 17c – 13c interim dividend and 4c final dividend

Write down of equity accounted investment by \$7.377m to nil (which is capital neutral)

Capital for the group strong at 13.82%, above Board target of 13.00%

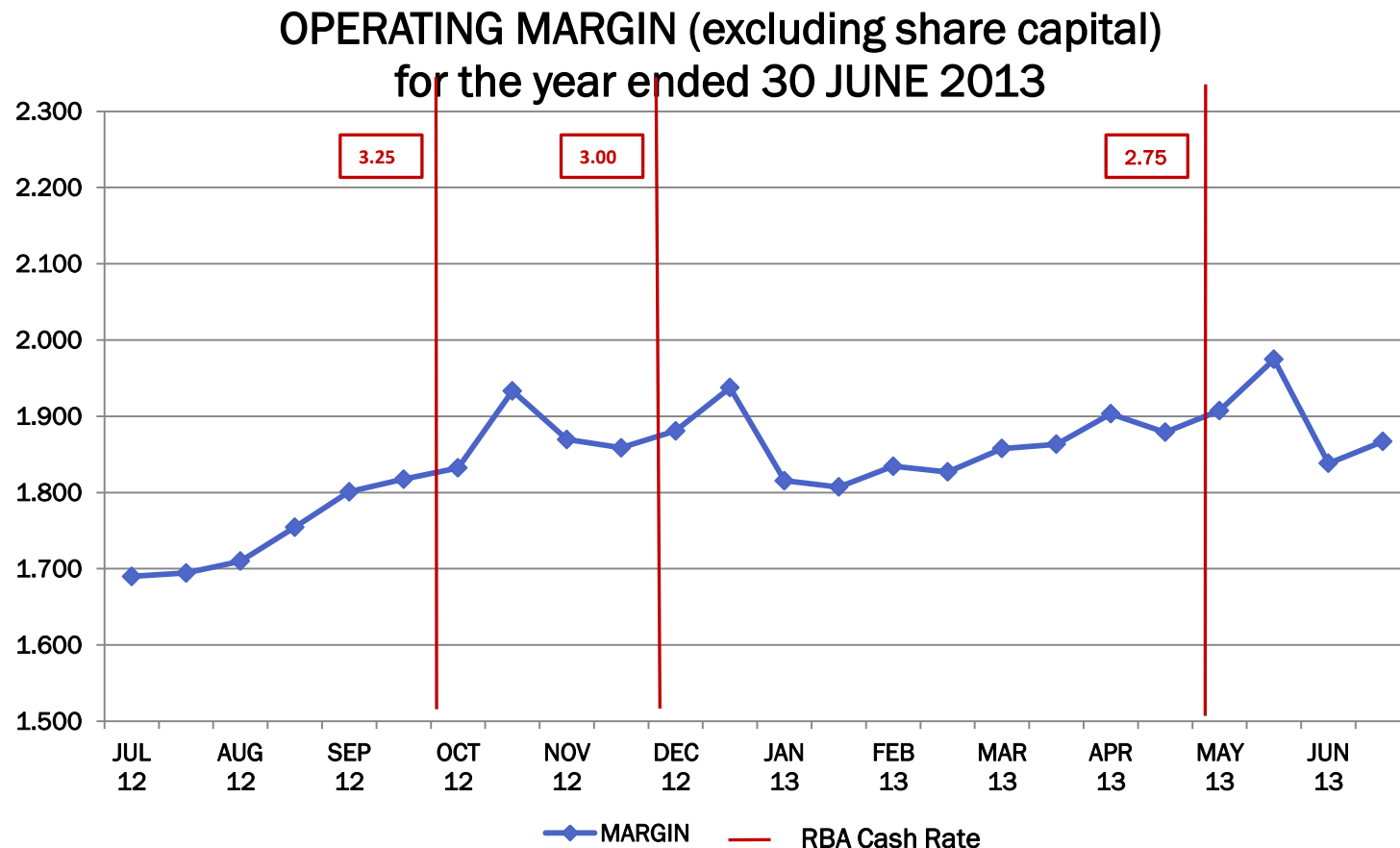
Mortgage Risk Management Pty Ltd (MRM) capital strong and in excess of prudential target

Provisions in the insurance subsidiary (MRM) up to \$11.4m to cover write-offs over 4 years

Loan book at \$2.229b at 30 June 2013, up from \$2.197b at 31 December 2012

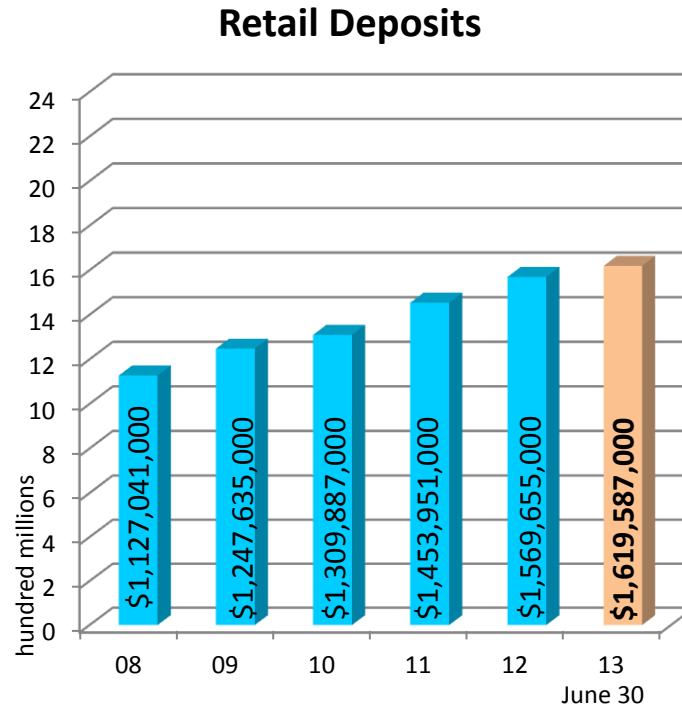
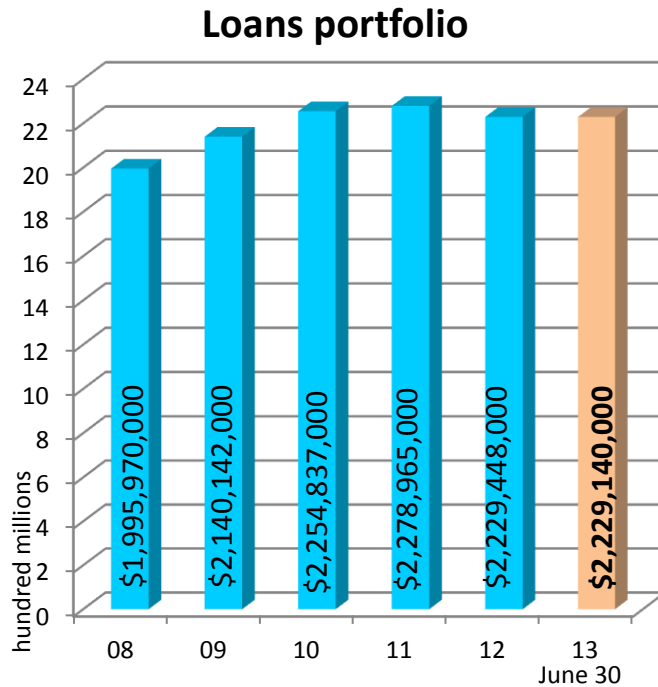
Budgeted consolidated statutory NPAT for 13/14 at \$13m - \$14m

# Net Interest Margin



- The operating margin is a twice monthly net interest margin calculation based on the actual interest rates on interest bearing assets and liabilities.

# Loans & Deposits



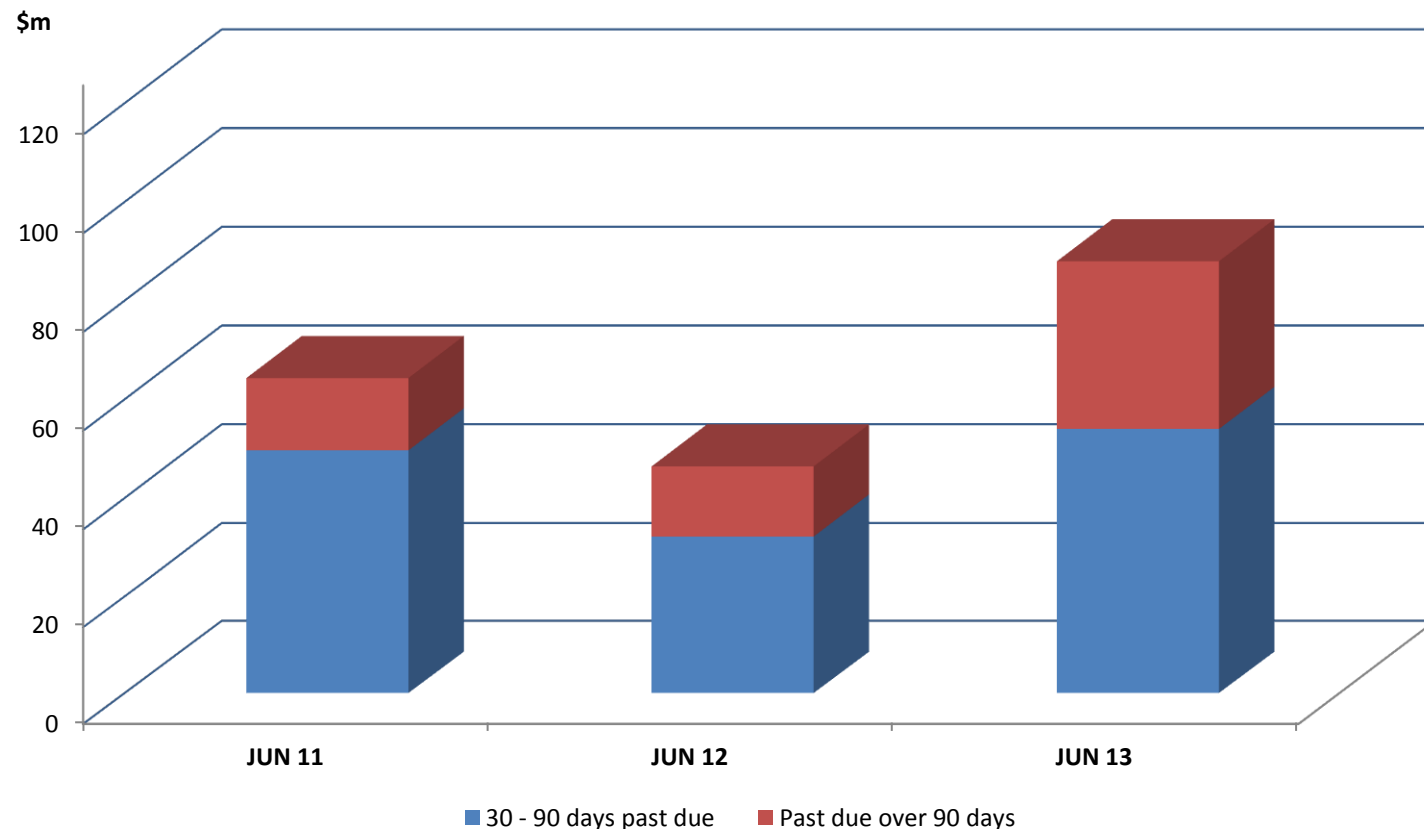
#### Self Funding Ratio

2011	64%
2012	70%
2013	73%

- The loans portfolio is as per the statutory financial accounts, net of provision for doubtful debts and intercompany loans.

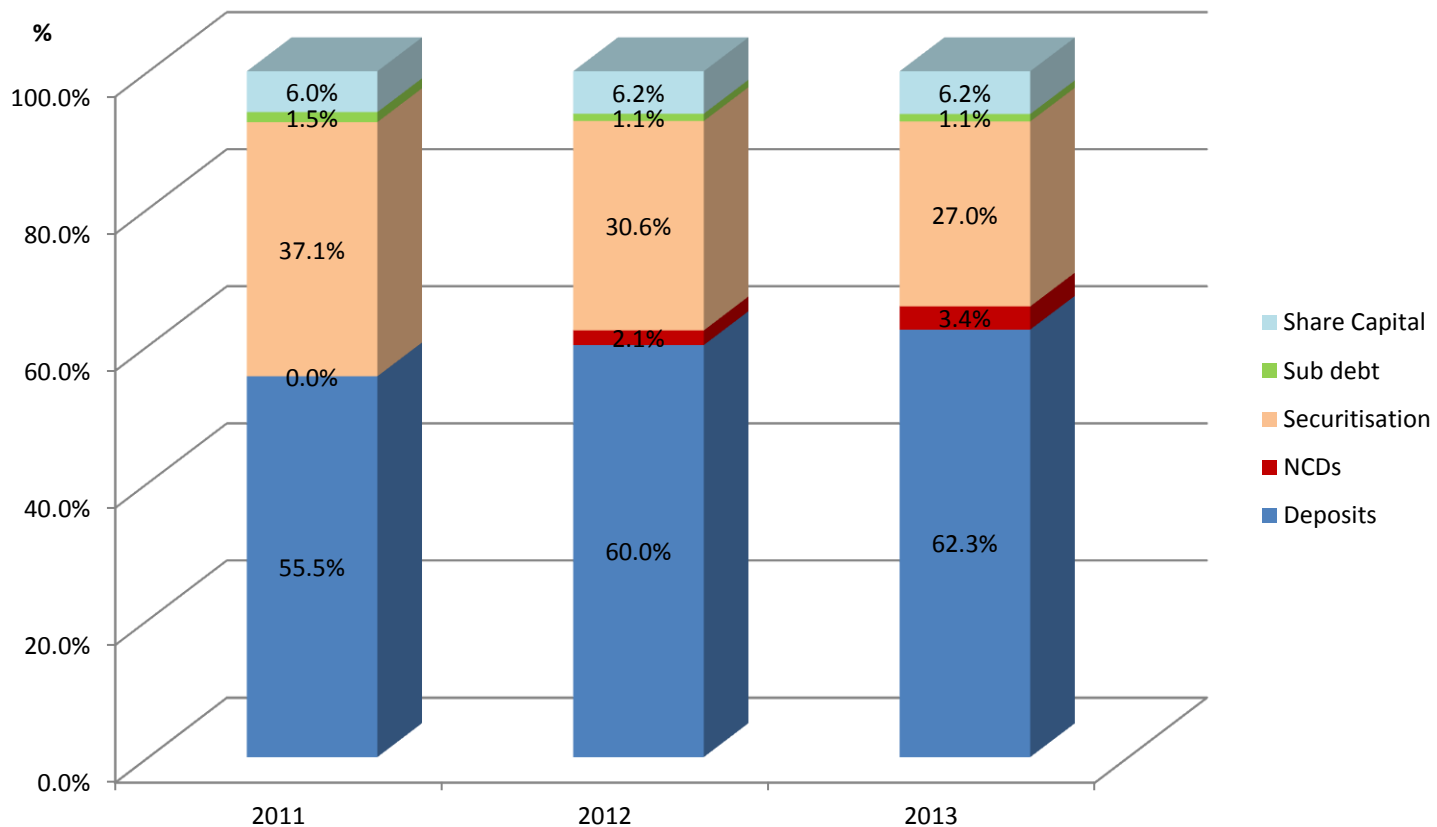
# Loans & Advances (past due)

Loans and advances past due (excluding effects of hardship accounts)



➤ Loans and advances exclude loans which were restructured and arrears capitalised under the NCCL Hardship Provisions.

## Source of Funds





# Cash Earnings

## SIGNIFICANT ITEMS

Reconciliation of Cash Earnings

	2013	2012
Underlying cash NPAT	\$12.126m	\$14.667m
Impairment of FTS	(\$5.164m)	-
One-off provision for doubtful debts*	(\$3.094m)	-
LMI commutation expense write-off	(\$0.925m)	-
One-off acquisition costs	(\$0.490m)	-
One-off insurance premium from commutation	-	\$2.450m
One-off credit clearing account dispute	-	\$0.461m
<b>Statutory NPAT</b>	<b>\$2.453m</b>	<b>\$17.578m</b>

- \* ➤ The provision for doubtful debts adjustment includes \$3.2m underwriting expense from MRM considered to be a one-off adjustment relating to the re-examination and revised modelling of the MRM insured loan book.
- 'One-off provision for doubtful debts' includes the amount of provisions in the chief entity and MRM considered by management to represent one-off issues or extraordinary legacy items.
- The adjustment includes flood related provisions and a one-off non-recourse loan.

# Cash Earnings data

## KEY METRICS - CASH EARNINGS

	2013	2012	Change 2013 v 2012
<b>Underlying cash NPAT</b>	<b>\$12.126m</b>	<b>\$14.667m</b>	<b>Down 17.3%</b>
<b>Cost to income ratio (chief entity) - cash NPAT</b>	<b>71.3%</b>	<b>65.6%</b>	<b>up 5.7%</b>
<b>Cost to income ratio (group) - cash NPAT</b>	<b>71.9%</b>	<b>69.8%</b>	<b>up 2.1%</b>
<b>Return on equity - cash NPAT</b>	<b>6.5%</b>	<b>7.4%</b>	<b>down 0.9%</b>
<b>Earnings per share - cash NPAT</b>	<b>33.51c</b>	<b>41.00c</b>	<b>down 7.49c</b>

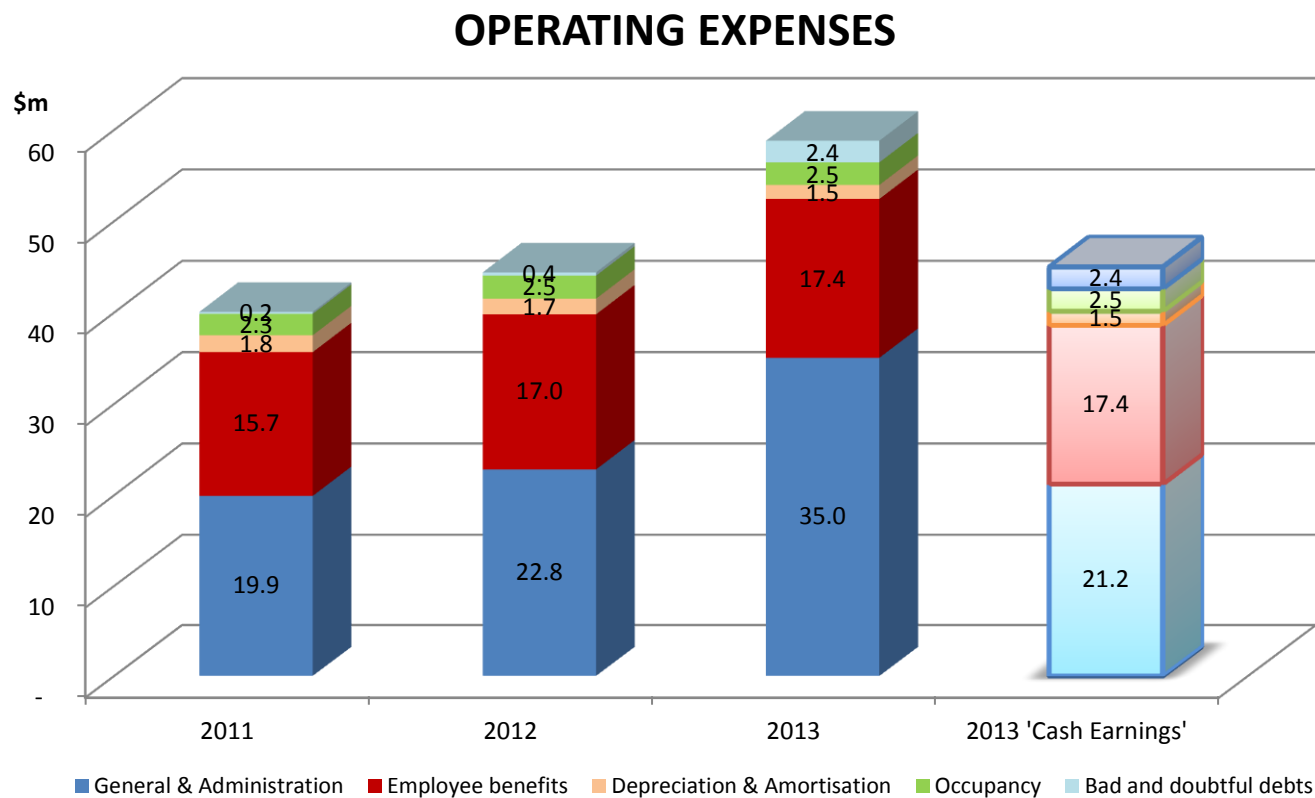
- Underlying cash earnings is used by management to present an overall view of the group's underlying operating results.
- The cash earnings exclude items which are considered to be volatile, one-off in nature or distortions of the current period's results. The calculations are consistently calculated across reporting periods and do not discriminate between income and expense items.
- Non-statutory financial disclosures are not audited.

# Statutory Net Profit data

## KEY METRICS - STATUTORY NET PROFIT

	2013	2012	Change 2013 v 2012
Statutory NPAT	\$2.453m	\$17.578m	down 86.0%
Total dividend for year	17.0c	47.5c	down 30.5c
Cost to income ratio (chief entity) - statutory NPAT	94.7%	59.3%	up 35.4%
Cost to income ratio (group) - statutory NPAT	94.0%	63.8%	up 30.2%
Return on equity - statutory NPAT	1.3%	8.9%	down 7.6%
Earnings per share – statutory NPAT	6.78c	49.14c	down 86.2%

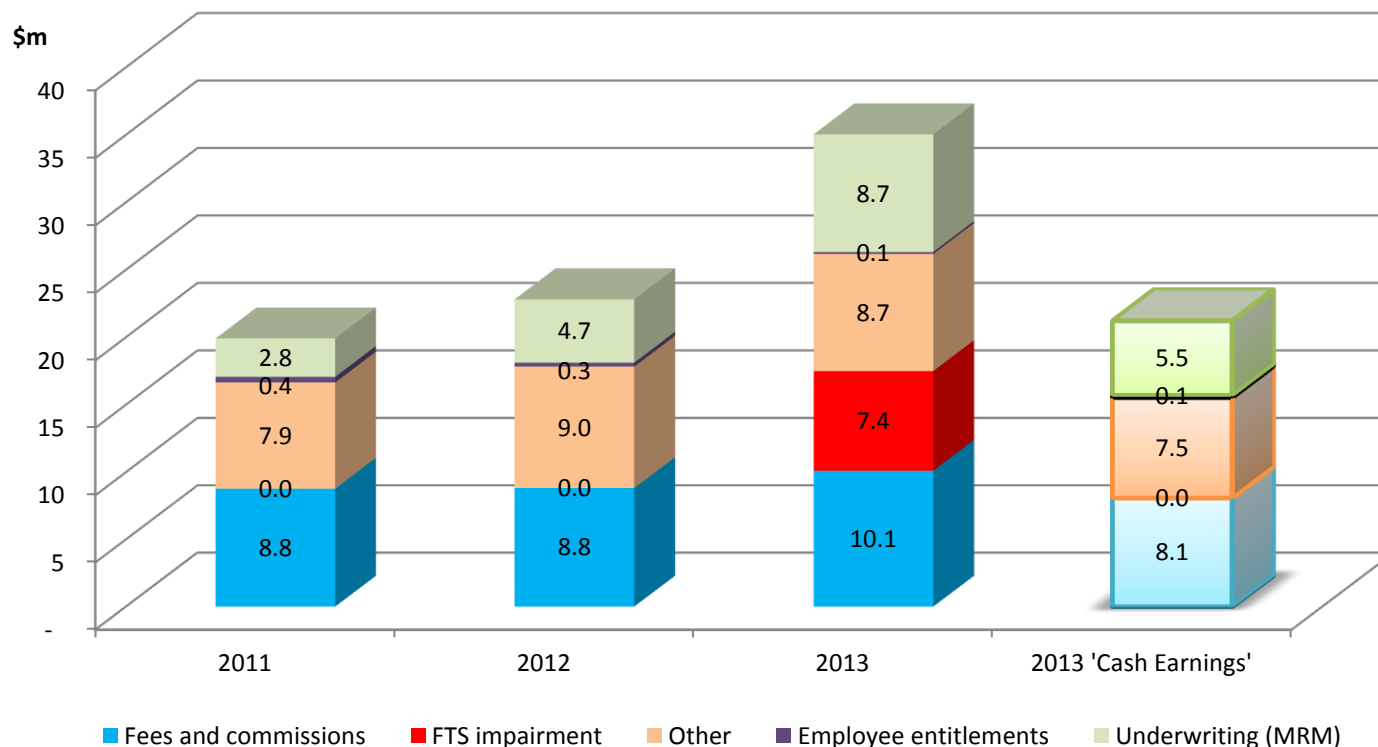
# Operating Expenses



- General & Administrative expenses are analysed further in the following graph.
- 2013 'cash earnings' expenses exclude the adjustments to expenses (as disclosed on page 8).

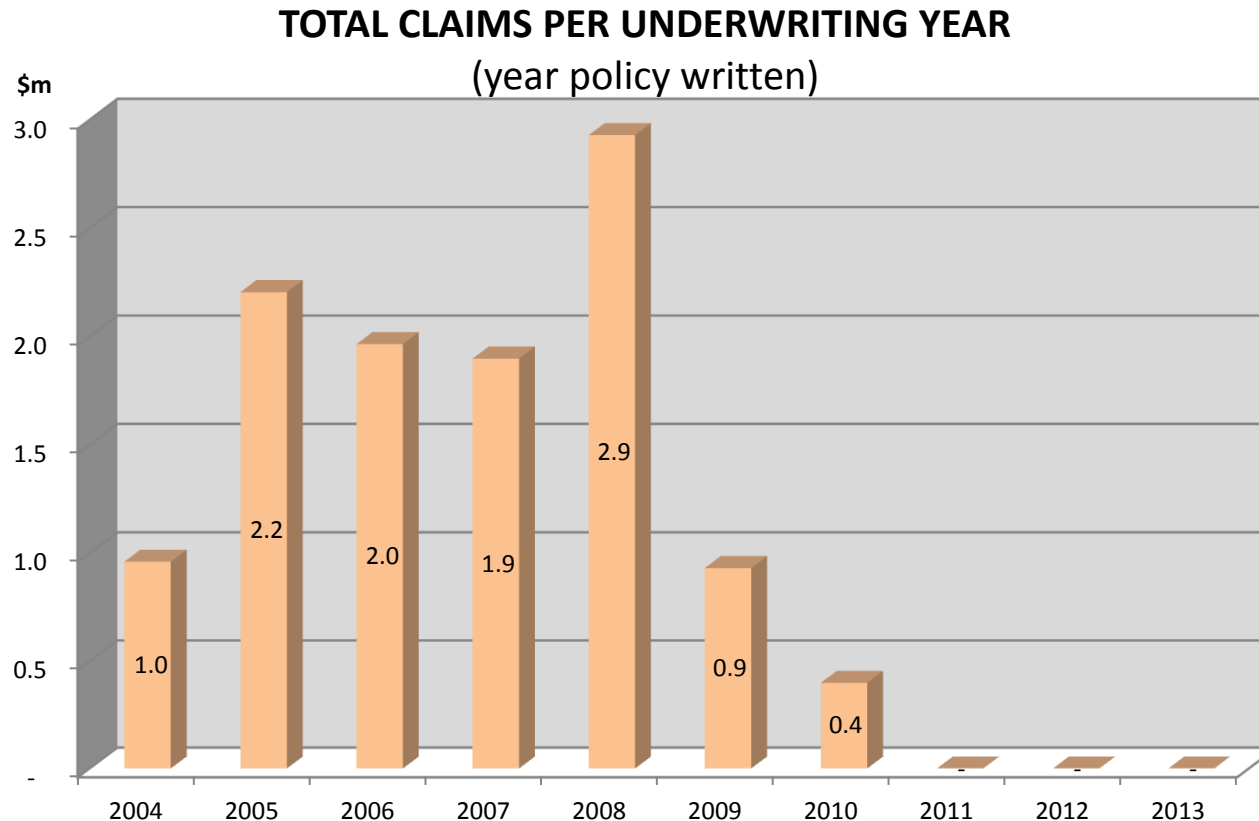
# General & Administration Expenses

## ANALYSIS OF GENERAL & ADMINISTRATION EXPENSES



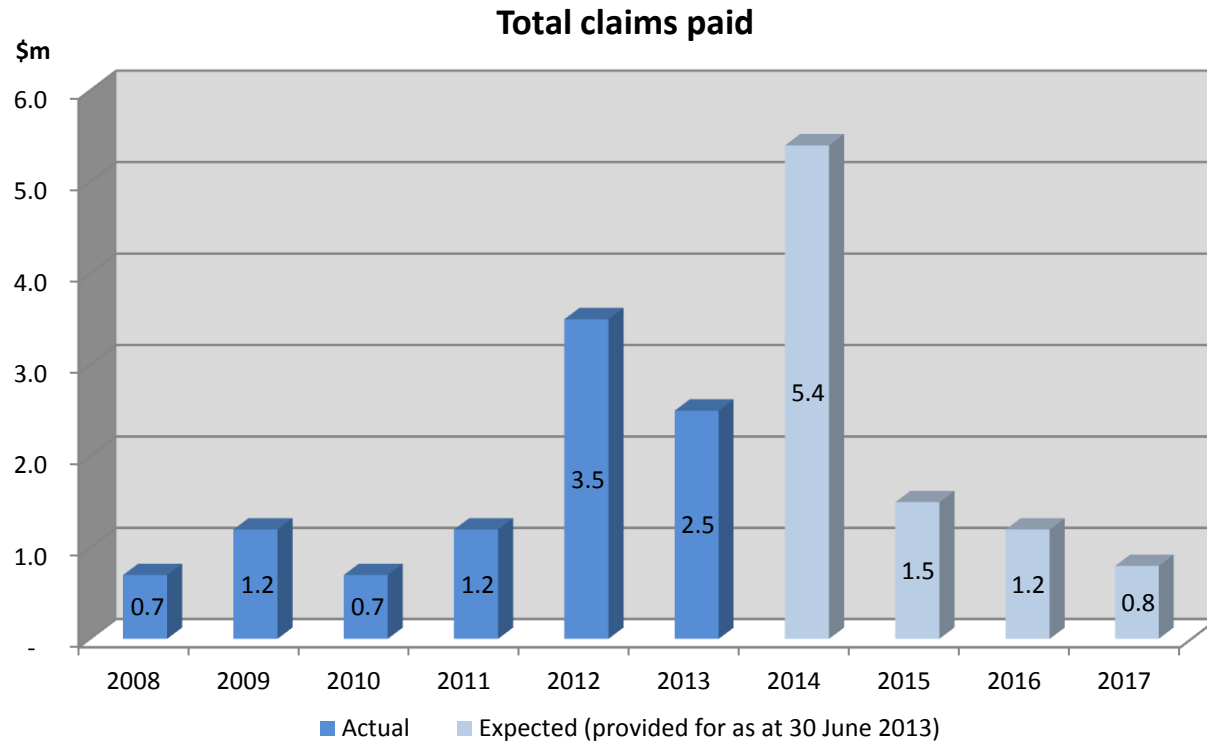
- Underwriting (MRM) expenses include the claims expense and provisions set aside in the wholly owned insurance captive Mortgage Risk Management Pty Ltd.
- Other Expenses include marketing, broker's fees, securitisation fees, IT expenses, telephone and office administration.
- 2013 'cash earnings' expenses exclude the adjustments to expenses (as disclosed on page 8).

# Mortgage Risk Management Pty Ltd



- Total claims per underwriting year indicates the year in which the loan was funded and the policy written for all claims in MRM up to 30 June 2013.
- No new business was written in MRM from August 2012.

# Mortgage Risk Management Pty Ltd



- The 'actual' claims (dark blue) represent the payments for actual claims made on bad debts in the financial year.
- The 'expected' claims (light blue) represent the forecast claims in the next 4 years based on mortgagees in possession, arrears on past due loans and arrears on 'hardship' accounts.
- MRM has \$11.4m in provisions set aside at 30 June 2013 in anticipation of the claims of \$8.9m over the next 4 years and for additional loans in arrears which may arise in that period.

# Summary & Outlook

A tough 2012/13 but some “Green Shoots”

Margin management to continue

Continue to improve capability and delivery of core business

Broker business improving in consideration and quality of deals

Business banking on track for commencement 31/10/13

Very well provided for the future with tough decisions made

Economic conditions and confidence levels remain uncertain. Slowdown in mining having some impact in busy areas of Mackay and Gladstone.

Strategic plan is in place and continued delivery over 2013/14 will improve WBA “fitness” and performance for the future.



# Strategic Plan



## THE BEST PEOPLE

Right attitude, skills training, desire to win



## TARGETS AND PERFORMANCE MANAGEMENT ACROSS THE ORGANISATION

KPI's across the organisation, remuneration linked to performance



## LEADER IN RETAIL BANKING AND HOME LOAN GROWTH IN WBA

Outperform in our home market, win more customers, be dynamic



## IMPROVE BROKER LOAN FLOW AND MANAGEMENT

Dedicated channel with BDM's, more flow and better quality



## LEAD IN TECHNOLOGY SOLUTIONS FOR CUSTOMERS

Leader in our class, innovative, make it easier for our customers



## COMMENCE BUSINESS BANKING

Quickly build traction in SME Banking, win quality new business in our core market



## MARKETING AND PRODUCT ALIGNMENT TO CHANNEL NEEDS

Support business channels with advertising and product support. Define WBA



## TIGHTEN OUR RISK AND COMPLIANCE CULTURE

Risk is everyone's responsibility, strengthen risk team, strengthen framework

# Strategic Plan

The 3 year Strategic Plan sets the agenda for the organisation over the medium term. It is a plan focused on the core business. It seeks to address and improve the current and future business performance of WBA via:

**Leadership & Culture** Restructure of the leadership team to align role responsibilities, address current performance challenges, compliance/risk challenges and to enable improved productivity across the organisation.

**Core Business** Improving the skills, capability and accountability of the Sales and Distribution team (Retail network) as a priority to lift both financial performance and customer experience. Training, performance management (including KPI setting) and recruitment of improved talent are key areas of focus.

**Broker & 3<sup>rd</sup> Party** Better defining, managing and growing home lending via the Broker and Mortgage Alliance introducers to ensure growth at or above market. The previous approach of local lenders working with local brokers is not effective given the national model that main aggregators operate.

**Business Banking** Introducing the new segment of Business Banking with a staged approach of July-October 2013 Build Phase and November 2013 Origination phase. The new channel will provide both growth opportunity as well as revenue diversification. The model will target SME customers primarily in the Wide Bay core catchment area.

**Support** Supporting the Business Channels via Product, Marketing, Technology, Risk, Operations, Human Resources and Infrastructure improvement. The organisational alignment is focused on supporting the Revenue Businesses (Sales & Distribution, 3<sup>rd</sup> Party and Business Banking) to attract more customers and provide them with the full services and products they require in a responsible and sustainable way.

**Productivity** Improving the back office service delivery and the frontline sales per FTE outcomes. A focus on reducing paperwork and processes via technology and reducing costs.

**Risk** A structured approach to Risk Management including dynamic provisioning, centralised collection and arrears management Risk Management approach to MRM.

# Important Notices

This Presentation has been prepared for Wide Bay Australia Ltd ABN 40 087 652 060, Australian Financial Services and Australian Credit Licence Number 239686, ASX Code WBB. The information is current as at 4 September 2013.

## **Financial amounts**

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of WBB's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of WBB cannot be relied upon as an indicator of (and provides no guidance as to) future WBB performance including future trading or share price performance.

## **Future performance**

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of WBB, and may involve significant elements of subjective judgment as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.