wide bay australia
banking your way

2013-2014 HALF YEAR REPORT

DIRECTORS' REVIEW

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Wide Bay Australia has reported a consolidated profit for the six months to 31 December 2013 of $7.190 million, up from $5.557 million for the corresponding period to 31 December 2012.

The consolidated results comprise an after tax profit from Wide Bay Australia Ltd, the chief entity, of $6.191 million (2012 - $6.447 million) and Mortgage Risk Management Pty Ltd (MRM) of $0.841 million (2012 - $0.994 million loss).

During the past six months, the chief entity's loan book has decreased by $36 million from $2.229 billion to $2.193 billion. Lending volumes generally have shown a slight increase, with approvals increasing from $160 million for the six months to 31 December 2012 to $176 million to 31 December 2013.

The core residential lending book has remained strong and demonstrated annualised growth of 1.7%. The retreat in the overall loan book relates to the run down of a portfolio of loans originally generated by the finance broking arm of a financial planning business, in which Wide Bay Australia's investment was written down to nil at 30 June 2013.

The improvement in the results in MRM has resulted from a decrease in the arrears across the half year and a favourable return on mark-to-market investments.

Wide Bay Australia, the chief entity, has $20.4 million invested in capital in MRM and as it continues to wind down, subject to actuarial calculations and regulatory approval, it is expected that there will be a return of that capital, increasing the chief entity's overall capital position.

Wide Bay Australia's capital position remains strong, with a consolidated capital adequacy ratio of 14.21% at 31 December 2013, comfortably in excess of the Board's target.

There has been continued steady growth in deposits across the half year, leading to reduced reliance on securitisation and wholesale funding. Wide Bay Australia's funding lines remain strong with sufficient capacity for future growth.

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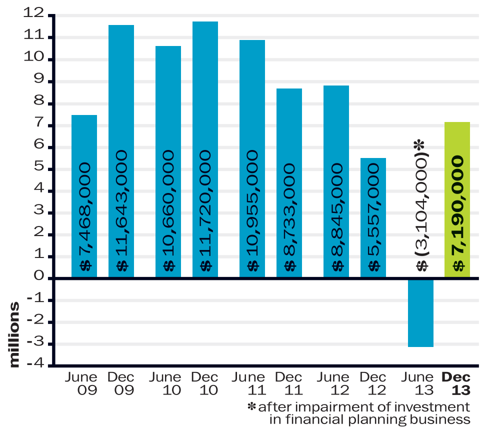
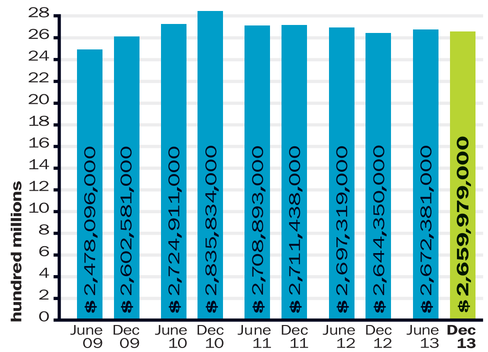
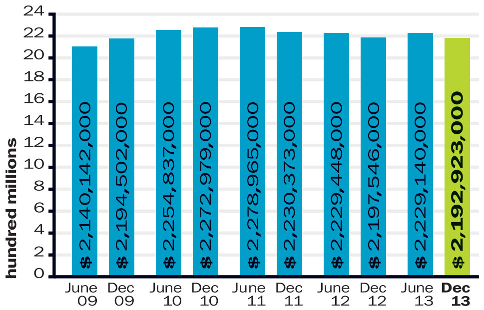
SIX MONTHLY AFTER-TAX PROFIT/(LOSS)



TOTAL ASSETS

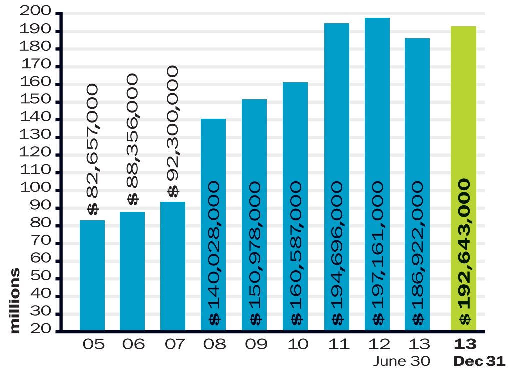


LOANS PORTFOLIO



SHAREHOLDERS' EQUITY

share capital and accumulated reserves



OUR DEDICATED BUSINESS BANKING CHANNEL WAS LAUNCHED IN OCTOBER 2013 AND IS RAPIDLY GAINING MOMENTUM.

OUR NEW TEAM OF HIGHLY EXPERIENCED BUSINESS BANKING MANAGERS BASED IN OUR CORE MARKETS ARE DELIVERING FIRST CLASS SERVICE AND A RANGE OF INNOVATIVE SOLUTIONS TO SMALL/MEDIUM ENTERPRISES THROUGHOUT REGIONAL QUEENSLAND.

LOCAL DECISIONS AND A DOWN-TO-EARTH PERSONALISED APPROACH THE "BIG BANKS" CAN'T MATCH, MEANS A BETTER DEAL THAT ALLOWS ALL TYPES OF BUSINESS OWNERS TO FOCUS ON THEIR GOALS AND WHAT'S "AT THE HEART" OF THEIR BUSINESS.

The Board believes that strong competition in the housing market will continue in 2014. Wide Bay Australia has strengthened the resources and products in the Sales and Distribution network throughout the branches and broker channels. In addition, the targets set for personal lending are consistently being met.

In accordance with the company's strategic plan, Business Banking has now commenced origination. Growth in Business Banking is expected throughout the second half of the financial year as the products and services are rolled out and promoted in the company's core markets.

The Board and Management remain committed to training our staff to deliver the highest quality of service and to the enhancement of our credit and risk systems. There will also be ongoing investment in our branches and technology to ensure our customers enjoy access to information and value services, whether face to face with our staff in a branch or through interface with modern systems.

The Board has declared a fully franked dividend of $0.13 per share which will be payable on 28 March 2014 and has resolved to reinstate the Dividend Reinvestment Plan for this interim dividend.

The Board of Directors and Management extend their appreciation to our shareholders and customers for their ongoing support.

John Humphrey
Chairman

Martin Barrett
Managing Director

18 February 2014 - Bundaberg

BOARD OF DIRECTORS

JOHN HUMPHREY
LLB
CHAIRMAN

MARTIN BARRETT
BA(ECON) MBA
MANAGING DIRECTOR

BARRY DANGERFIELD
DIRECTOR

GREG KENNY
GAICD GradDipFin
DIRECTOR

PETER SAWYER
FCA FAICD FIFS
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

		Consolidated	
	Note	**6 months to 31/12/2013 $000's**	6 months to 31/12/2012 $000's
Interest revenue	2	**69,068**	80,591
Borrowing costs	2	**44,087**	55,040
Net interest revenue		**24,981**	25,551
Non interest revenue		**6,182**	5,507
Total operating income		**31,163**	31,058
Bad and doubtful debts expense		**180**	33
Other expenses		**20,667**	23,104
Profit before income tax		**10,316**	7,921
Income tax expense		**3,126**	2,357
Profit from continuing operations		**7,190**	5,564
Other comprehensive income:			
Revaluation of RMBS investments to fair value		**(26)**	100
Less deferred tax relating to comprehensive income		**8**	(30)
Other comprehensive income for the period		**(18)**	70
Total comprehensive income for the period		**7,172**	5,634
Profit attributable to:			
Owners of the parent entity		**7,190**	5,557
Non-controlling interests		**-**	7
		7,190	5,564
Total comprehensive income attributable to:			
Owners of the parent entity		**7,172**	5,627
Non-controlling interests		**-**	7
		7,172	5,634
Basic earnings per share (cents per share)		**19.84**	15.37
Diluted earnings per share (cents per share)		**19.84**	15.37

CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Consolidated	
	as at 31/12/2013 $000's	as at 30/06/2013 $000's
Assets		
Cash and cash equivalents	**87,165**	74,993
Due from other financial institutions	**12,666**	12,666
Accrued receivables	**10,659**	7,545
Financial assets	**279,220**	268,813
Current tax assets	**2,300**	314
Loans and advances	**2,192,923**	2,229,140
Other investments	**466**	666
Property, plant and equipment	**17,146**	16,958
Deferred income tax assets	**7,046**	8,079
Other assets	**8,331**	11,150
Goodwill	**42,057**	42,057
Total assets	**2,659,979**	2,672,381
Liabilities		
Deposits and short term borrowings	**1,753,110**	1,707,382
Payables and other liabilities	**20,198**	33,851
Securitised loans	**654,333**	701,603
Income tax payable	**-**	-
Deferred income tax liabilities	**2,323**	2,433
Provisions	**9,372**	12,190
Subordinated capital notes	**28,000**	28,000
Total liabilities	**2,467,336**	2,485,459
Net assets	**192,643**	186,922
Equity		
Parent entity interest in equity		
Contributed equity	**162,377**	162,377
Reserves	**14,484**	14,502
Retained profits	**15,853**	10,113
Total parent entity interest in equity	**192,714**	186,992
Non-controlling equity interest		
Contributed equity	**1**	1
Retained profits	**(72)**	(71)
Total outside equity interest	**(71)**	(70)
Total equity	**192,643**	186,922

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Consolidated	
	6 months to 31/12/2013 $000's	6 months to 31/12/2012 $000's
Cash flows from operating activities		
Interest received	**68,552**	80,131
Borrowing costs	**(48,595)**	(56,714)
Other non interest income received	**6,068**	4,681
Cash paid to suppliers and employees	**(28,757)**	(19,186)
Income tax paid	**(4,182)**	(3,578)
Net cash flows from operating activities	**(6,914)**	5,334
Cash flows from investing activities		
Net increase/(decrease) in investment securities	**(14,769)**	38,778
Net increase/(decrease) in amounts due from other financial institutions	**6,057**	(9,996)
Net increase/(decrease) in loans	**33,123**	29,429
Net increase/(decrease) in other investments	**200**	(1,287)
Purchase of non current assets	**(956)**	(662)
Net cash used in investing activities	**23,655**	56,262
Cash flows from financing activities		
Net increase/(decrease) in deposits and other borrowings	**44,615**	51,610
Net increase/(decrease) in amounts due to other financial institutions and other liabilities	**(47,734)**	(101,454)
Proceeds from share issue	**-**	445
Dividends paid	**(1,450)**	(9,034)
Net cash flows from financing activities	**(4,569)**	(58,433)
Net increase / (decrease) in cash held	**12,172**	3,163
Cash at beginning of financial year	**74,993**	76,042
Cash at end of half year	**87,165**	79,205

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Attributable to equity holders of the company								
	Share Capital Ordinary $000's	Retained Profits $000's	Asset Revaluation Reserve $000's	General Reserve $000's	Statutory Reserve $000's	Doubtful Debts Reserve $000's	Available for Sale Reserve $000's	Non-controlling Interests $000's	Total $000's
Balance at 01 July 2012	161,810	21,406	3,418	5,834	2,676	2,388	127	(499)	197,160
Profit attributable to members of parent company	-	5,557	-	-	-	-	-	-	5,557
Profit attributable to minority shareholders	-	-	-	-	-	-	-	7	7
Increase due to revaluation increment on RMBS investments	-	-	-	-	-	-	100	-	100
Deferred tax liability adjustment on revaluation increment on RMBS investments	-	-	-	-	-	-	(30)	-	(30)
Subtotal	161,810	26,963	3,418	5,834	2,676	2,388	197	(492)	202,794
Issue of share capital	567	-	-	-	-	-	-	-	567
Dividends provided for or paid - ordinary shares	-	(9,034)	-	-	-	-	-	-	(9,034)
Balance at 31 December 2012	**162,377**	**17,929**	**3,418**	**5,834**	**2,676**	**2,388**	**197**	**(492)**	**194,327**
Balance at 01 July 2013	162,377	10,113	3,418	5,834	2,676	2,388	186	(70)	186,922
Profit attributable to members of parent company	-	7,190	-	-	-	-	-	-	7,190
Profit attributable to minority shareholders	-	-	-	-	-	-	-	(1)	(1)
Increase due to revaluation increment on RMBS investments	-	-	-	-	-	-	(26)	-	(26)
Deferred tax liability adjustment on revaluation increment on RMBS investments	-	-	-	-	-	-	8	-	8
Subtotal	162,377	17,303	3,418	5,834	2,676	2,388	168	(71)	194,093
Issue of share capital	-	-	-	-	-	-	-	-	-
Dividends provided for or paid - ordinary shares	-	(1,450)	-	-	-	-	-	-	(1,450)
Balance at 31 December 2013	**162,377**	**15,853**	**3,418**	**5,834**	**2,676**	**2,388**	**168**	**(71)**	**192,643**

NOTES
TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

1 BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Accounting Interpretations.

The half year report does not include full disclosures of the type normally included in the annual report. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Wide Bay Australia Ltd and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

a) Principles of Consolidation

A controlled entity is any entity that Wide Bay Australia Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent company.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests (non-controlling interests) and results of the entities that are controlled are shown as a separate item in the consolidated financial report in equity.

b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the condensed consolidated statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation legislation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of the financial year ended 30 June 2008. Wide Bay Australia Ltd is the head entity in the tax consolidation group, and, as a consequence, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

The tax consolidated group has not entered into a tax sharing agreement.

c) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the condensed consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the condensed consolidated statement of comprehensive income.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation periods used for each class of depreciable assets are:

Buildings - 40 years
Plant and equipment - 4 to 6 years
Leasehold improvements - 4 to 6 years or the term of the lease, whichever is the lesser

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that have been transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e) Financial Instruments

Recognition - Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the condensed consolidated statement of comprehensive income in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments - These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale financial assets - Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Share capital - Ordinary shares - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Fair value - Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment - At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the condensed consolidated statement of comprehensive income.

f) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

The financial statements of the associate are used by the group to apply the equity method. The reporting dates of the associate and the group are identical and both use consistent accounting policies.

The investment in the associate is carried in the condensed consolidated statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The condensed consolidated statement of comprehensive income reflects the group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the group recognises its share of any changes and disclose this, when applicable, in the condensed consolidated statement of changes in equity.

g) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

h) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the condensed consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the condensed consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Interest is recognised as it accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend revenue is recognised when the shareholder's right to receive the payment is established.

Fees and commissions are recognised as revenue or expenses on an accrual basis.

Premium Revenue - Mortgage Risk Management Pty Ltd

Premiums have been brought to account as income from the date of attachment of risk. Direct Premiums comprise amounts charged to the policy holder, excluding stamp duties collected on behalf of the statutory authorities. The earned portion of premiums received and receivable is recognised as revenue.

m) Loans and Advances - Doubtful Debts

Effective August 2012 MRM ceased to write new business. MRM will continue to insure the remaining portfolio not transferred, with all new loans in excess of 80% LVR being insured with QBE going forward.

Specific provisions for doubtful debts and write-off of debts are in respect of overdrawn savings accounts, leases, secured commercial loans and relevant non recoverable amounts.

n) New, Revised or Amending Accounting Standards and Interpretations Adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half year.

p) Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Mortgage Risk Management Pty Ltd

Provision is made at the end of the half year for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported.

The estimated costs of claims includes direct expenses to be incurred in settling claims net of the expected value of recoveries. MRM takes all reasonable steps to ensure that is has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the MRM uses a variety of estimation techniques generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be broadly consistent with past experience allowing for changes between the prospective and past environment.

2 INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Month end averages are used as they are representative of the entity's operations during the period.

	Average Balance $000's	Interest $000's	Average Interest Rate %
Interest revenue December 2013			
Deposits with other financial institutions	**57,350**	**684**	**2.36**
Investment securities	**205,674**	**3,162**	**3.05**
Loans and advances	**2,253,458**	**64,912**	**5.71**
Other	**26,503**	**310**	**2.33**
	2,542,985	**69,068**	**5.39**
Borrowing costs December 2013			
Deposits from other financial institutions	**630,451**	**12,568**	**3.95**
Customer deposits and NCD's	**1,738,431**	**30,083**	**3.43**
Subordinated notes	**28,000**	**1,436**	**10.17**
	2,396,882	**44,087**	**3.65**
Net interest revenue December 2013		**24,981**	
Interest revenue December 2012			
Deposits with other financial institutions	53,630	1,004	3.71
Investment securities	209,497	4,175	3.95
Loans and advances	2,259,674	75,028	6.59
Other	21,901	384	3.49
	2,544,702	80,591	6.28
Borrowing costs December 2012			
Deposits from other financial institutions	703,417	16,999	4.79
Customer deposits and NCD's	1,669,140	36,496	4.34
Subordinated notes	28,000	1,545	10.95
	2,400,557	55,040	4.55
Net interest revenue December 2012		25,551	

3 CAPITAL ADEQUACY

Consistent with Basel III, the approach to capital assessment provides for a quantitative measure of the capital adequacy and focuses on:

i) credit risk arising from on-balance sheet and off-balance sheet exposures;
ii) market risk arising from trading activities;
iii) operational risk associated with banking activities;
iv) securitisation risks; and
v) the amount, form and quality of capital held to act as a buffer against these and other exposures.

Details of the capital adequacy ratio on a chief entity and consolidated basis are set out below:

	Consolidated		Chief Entity	
	as at 31/12/2013 $	as at 30/06/2013 $	**as at 31/12/2013** $	as at 30/06/2013 $
Total risk weighted assets	**1,030,521,816**	1,033,696,379	**1,028,256,424**	1,030,340,368
Capital base	**146,432,229**	142,816,198	**144,183,357**	140,725,982
Risk-based capital ratio	**14.21%**	13.82%	**14.02%**	13.66%

4 CREDIT RISK

The past due loans and advances for the group (excluding effects of hardship accounts) comprise:

	Consolidated		Chief Entity	
	as at 31/12/2013 $	as at 30/06/2013 $	**as at 31/12/2013 $**	as at 30/06/2013 $
30 days and less than 60 days	**38,838,499**	40,915,178	**38,838,499**	40,915,178
60 days and less than 90 days	**13,758,075**	13,052,608	**13,758,075**	13,052,608
90 days and less than 182 days	**8,905,590**	16,732,261	**8,905,590**	16,732,261
182 days and less than 273 days	**2,838,569**	7,618,941	**2,838,569**	7,618,941
273 days and less than 365 days	**1,445,401**	6,576,124	**1,445,401**	6,576,124
365 days and over	**3,733,467**	3,044,653	**3,733,467**	3,044,653
	69,519,601	87,939,765	**69,519,601**	87,939,765

As at 31 December 2013 there was only one loan (31 December 2012: four loans) on which interest was not being accrued due to impairment.

5 DIVIDENDS PROVIDED FOR OR PAID

The Board declared a dividend of 13.0 cents per ordinary share ($4.711 million), for the six months to 31 December 2013, payable on 28 March 2014.

6 SEGMENT INFORMATION

The company operates predominantly in one industry. The principal activities of the company are confined to the raising of funds and the provision of finance for housing.

The company operates principally within the States of Queensland, New South Wales, Victoria and South Australia.

7 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

8 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date of a nature which require reporting.

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF WIDE BAY AUSTRALIA LTD

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2013 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Bentleys Brisbane Partnership
Chartered Accountants

Stewart Douglas
Partner

18 February 2014 - Brisbane

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WIDE BAY AUSTRALIA LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report ("financial report") of Wide Bay Australia Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the half-year ended on that date, accompanying explanatory notes to the financial statements including a statement of significant accounting policies and the directors' declaration of Wide Bay Australia Ltd consolidated entity ("the consolidated entity"). The consolidated entity comprises Wide Bay Australia Ltd ("the company") and the entities it controlled during the half-year period and at the half-year's end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 "*Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 "*Interim Financial Reporting* and the *Corporations Regulations 2001*". As the auditor of Wide Bay Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Wide Bay Australia Ltd is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting and the Corporations Regulations 2001*".

Bentleys Brisbane Partnership
Chartered Accountants

Stewart Douglas
Partner

18 February 2014 - Brisbane

DIRECTORS' STATUTORY REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The Directors present this report on the company's consolidated accounts for the six month period ended 31 December 2013, in accordance with the provisions of the Corporations Act 2001.

Directors

The Directors in office during or since the end of the half-year period are:

Professor John S Humphrey LL.B

Professor Humphrey was appointed to the Board on 19 February 2008, and was appointed Chairman following the 2009 Annual General Meeting. He was a senior partner in the Brisbane office of international law firm, King & Wood Mallesons (until 01 January 2013), where he specialised in commercial law and corporate mergers and acquisitions. He is now Executive Dean of the Faculty of Law at Queensland University of Technology. He is currently a non-executive director of Horizon Oil Limited and Downer-EDI Limited. Professor Humphrey is an independent director and a member of the Audit Committee and Group Board Remuneration Committee. He is aged 58.

Mr Martin J Barrett BA(ECON), MBA - Appointed 19 September 2013

Mr Barrett commenced as Chief Executive Officer of Wide Bay Australia Ltd on 4 February 2013, and was subsequently appointed Managing Director on 19 September 2013. Mr Barrett is an experienced senior executive with extensive experience in the banking sector, having previously held the positions of Managing Director (Queensland and Western Australia) and General Manager NSW/ACT Corporate & Business Bank at St George Bank. Prior to working at St George Bank, Mr Barrett held senior roles at regional financial institutions in the UK and at National Australia Bank. Mr Barrett was appointed as a director of Mortgage Risk Management Pty Ltd on 19 November 2013. He is an executive director and is a member of the Risk Committee. He is aged 49.

Mrs Frances M McLeod MAICD, FIFS - Retired 19 November 2013

Mrs McLeod was appointed to the Board in 2003. She retired as a director of the company following the Annual General Meeting on 19 November 2013. She has continued on in her position as General Manager - Strategy, Implementation and Productivity Improvement since her retirement from the Board and has a wide range of experience based on her involvement with the Company for over 39 years. Mrs McLeod also retired as a director of Mortgage Risk Management Pty Ltd on 19 November 2013. Mrs McLeod was an executive director until her retirement and is aged 55.

Mr John F Pressler OAM FAICD, FIFS - Retired 19 November 2013

Mr Pressler was appointed to the Board in 1988. He retired as a director of the company following the Annual General Meeting on 19 November 2013. He is a prominent figure in Emerald's agricultural and horticultural industries and is the Chairman of the listed Lindsay Australia Limited. Mr Pressler also retired as Chairman of Mortgage Risk Management Pty Ltd on 19 November 2013, a position he was appointed to in 2011. Until his retirement Mr Pressler was Chairman of the Group Board Remuneration Committee, a member of the Audit Committee and was an independent director. He is aged 71.

Mr Peter J Sawyer FCA, FAICD, FIFS

Mr Sawyer has been a director since 1987. Until August 2008, he was a partner of the firm Ulton, Chartered Accountants with offices in Bundaberg, Maryborough, Hervey Bay and Gladstone. Mr Sawyer is Chairman of the Bundaberg Friendly Society Medical Institute Ltd which runs the Friendly Society Private Hospital and Pharmacies in Bundaberg. Mr Sawyer is the Chairman of the Audit Committee, a member of the Group Board Remuneration Committee, a member of the Risk Committee and is an independent director. He was appointed as a director of Mortgage Risk Management Pty Ltd on 21 January 2011. He is aged 63.

Mr Barry Dangerfield

Mr Dangerfield was appointed to the Board on 22 November 2011. Mr Dangerfield has had a successful 39 year banking career with Westpac Banking Corporation having held positions across Queensland and the Northern Territory of Regional Manager Business Banking, Head of Commercial and Agribusiness and Regional General Manager Retail Banking. Mr Dangerfield was appointed to the Board of Mortgage Risk Management on 19 November 2013. Mr Dangerfield is the Chairman of the Group Board Remuneration Committee, a member of the Audit Committee, a member of the Risk Committee and is an independent director. He is aged 58.

Mr Gregory N Kenny GAICD GradDipFin - Appointed 19 November 2013

Mr Kenny was appointed to the Board on 19 November 2013. Mr Kenny has had a long and successful career with Westpac Banking Corporation and St George Bank Ltd, and prior to that with Bank of New York and Bank of America in Australia. At St George he held the positions of Managing Director (NSW and ACT), General Manager Corporate and Business Bank and General Manager Group Treasury and Capital Markets. Mr Kenny was appointed to the Board of Mortgage Risk Management Pty Ltd on 19 November 2013. He is the Chairman of the Risk Committee, a member of the Audit Committee and an independent director. He is aged 57.

The company continues to comply with the Australian Securities Exchange Corporate Governance Recommendations.

The independent non-executive directors each have many years of experience and it is considered with their diverse backgrounds and knowledge that they continue to make an integral contribution to the ongoing development of the company.

Review of Operations and Financial Results

Principal Activities

Wide Bay Australia Ltd (Wide Bay) is an approved deposit-taking institution and licensed credit and financial services provider. Wide Bay provides deposit, credit, insurance and banking services to personal and business customers across Australia, principally in regional and metropolitan Queensland. The majority of the company's loan book is comprised of residential mortgage loans, however personal and business lending has now been introduced. Funding for loans is raised through a combination of retail and wholesale deposits as well as through securitisation markets.

Mortgage Risk Management Pty Ltd (MRM) is Wide Bay Australia Ltd's wholly-owned lenders mortgage insurer, which ceased writing new business in August 2012.

There were no significant changes during the period in the nature of the activities of the consolidated entity.

Profitability

Wide Bay Australia Ltd recorded a solid profit result for the half-year ended 31 December 2013 with consolidated net profit after tax attributable to owners of the company of $7.190 million. This represents a 29.38% increase from $5.557 million in the prior corresponding period. This increase is primarily due to a positive contribution from MRM of $0.841 million, whereas in the prior corresponding half-year MRM contributed a loss of $0.994 million. The improved result from MRM is largely due to an improvement in arrears leading to a decrease in underwriting costs for the half year.

Financial Position

The net assets of the company increased by 3.06% over the six months to $192.643 million. This is largely attributable to the current year's profit after tax.

Loans approved during the half-year amounted to $176.322 million, which is a 9.93% increase over the prior corresponding period. The strong growth in loan approvals is a result of management's focus on driving sales in the last year. Sales will remain a major focus in 2014 as further improvement is required in order to grow the overall loan book. Gross loans under management have contracted by 1.62% since 30 June 2013, reflecting strong competition in the market and a difficult economic environment. Wide Bay is well positioned to benefit from a predicted upturn in economic conditions in Queensland in 2014, having already recorded pleasing approvals figures in January.

Arrears have improved over the six month period, which is the primary reason behind the reduction in the group's provisions since 30 June 2013.

Retail deposits continue to be Wide Bay's largest source of funding with growth of 2.68% in the six month period, resulting in an increase to $1.753 billion. This is a commendable result in a market where strong competition for retail deposits continues.

Capital Management

The group is in a strong capital position with the consolidated capital ratio at the end of December 2013 standing at 14.21%, with Tier 1 capital accounting for 11.53%. The consolidated capital ratio has increased from 13.82% at 30 June 2013.

Dividends

A final dividend in respect of the year ended 30 June 2013 of 4 cents per ordinary share (fully franked) was paid on 4 October 2013.

An interim dividend in respect of the half-year ended 31 December 2013 of 13 cents per ordinary share (fully franked) was declared on 19 February 2014.

Outlook and Strategy

There will be a strong focus on increasing loan approvals in the second half of the financial year. In addition to the residential mortgage market, there will be emphasis on growth of the company's new personal loan and business banking capabilities.

The board and management will continue to strengthen the risk framework within the organisation, including ongoing improvement in credit and arrears systems.

In accordance with the company's strategic plan, the second half of the financial year will highlight the training of our personnel, IT development and enhancement of broker channels.

Subsequent Events

On 19 February 2014 the directors of Wide Bay Australia Ltd declared an interim dividend of 13.0 cents per ordinary share (fully franked) in respect of the December 2013 half-year, payable on 28 March 2014. The amount estimated to be appropriated in relation to this dividend is $4.711 million. The dividend has not been provided for in the 31 December 2013 half-year financial statements.

No other matters or circumstances have arisen since the end of the financial half-year to the date of this report which significantly affects the operations of the company, the results of those operations or the state of affairs of the company in subsequent years.

Auditor's Independence Declaration

The Auditor's Independence Declaration for the half year ended 31 December 2013 has been received and been included in this financial report.

This Report is signed for and on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

John Humphrey
Director
18 February 2013 - Bundaberg

DIRECTORS' DECLARATION

The Directors of Wide Bay Australia Ltd declare that:

1. The condensed consolidated financial statements and notes for the financial period ended 31 December 2013 have been prepared in accordance with the Corporations Act 2001 including:
   a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

John Humphrey
Director
18 February 2014 - Bundaberg

IN AUGUST 2013, OUR NEW MASCOT WAS BORN!

ZIGGY HAS BEEN THE HIGHLIGHT OF MANY COMMUNITY EVENTS AND BRANCH PROMOS THROUGHOUT QUEENSLAND.

WHILE ZIGGY HELPS US REACH OUT TO QUEENSLANDERS OF ALL AGES, ULTIMATELY HIS LIFE PURPOSE IS TO PUT THE FUN BACK INTO SAVING AND BANKING!

OUR VISION

to be
the leader in
retail banking
in our
COMMUNITIES

we
achieve
this
through

our
exceptional
PEOPLE
providing an
exceptional
CUSTOMER
experience

WE WILL ALWAYS EXCEED EXPECTATIONS!

wide bay australia
banking your way

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