

Wide Bay Australia Subordinated Notes Investor Presentation



May 2009

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Offer Summary

Issuer	Wide Bay Australia Ltd
Security	Interest-bearing unsecured subordinated notes
Offer Size	Up to A\$25m, with the ability to raise more or less
Initial Margin	[TBD]%, quarterly in arrears
Step-up Margin	150% of the Initial Margin
Step-up Date	June 2014 (5 years)
Maturity Date	June 2019 (10 years)
Use of Proceeds	The funds will be used to strengthen Wide Bay's capital position particularly to support the ongoing origination of residential mortgages
Regulatory Capital	Lower Tier 2 capital

Profile of Wide Bay Australia Ltd

- Largest regionally based Queensland financial institution North of Brisbane
- Assets as at 31 December 2008 - \$2.410 billion
- Represents a merger of 5 provincial building societies which were predominately established in the 1950/1960's
- An extensive distribution channel - predominantly retail outlets
 - 41 in Queensland from Robina (Gold Coast) to Cairns
 - 1 branch in Sydney
 - 1 branch in Melbourne
 - 1 lending outlet in Adelaide
- Branches predominantly located in high retail areas throughout major suburbs and shopping centres
- Deposits and lending generated predominantly through retail outlets with low dependence on brokers
- Diversified product range limited principally to mortgage insured residential mortgages
 - Mortgage lending
 - Retail banking
 - Limited margin lending associated with the financial planning association
 - Limited secured commercial lending
 - In-house mortgage insurance captive
 - 25% interest in financial planning operation

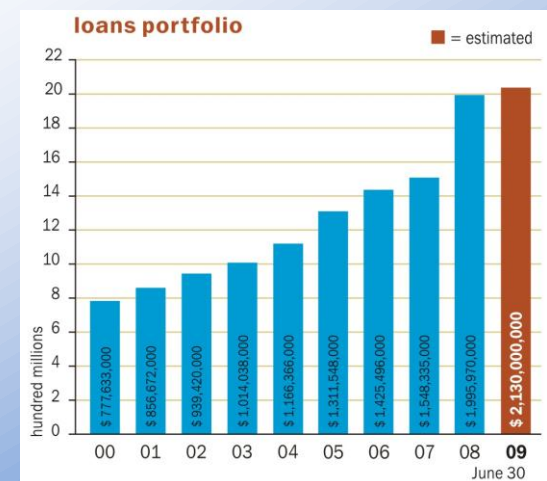


Profile of Wide Bay Australia Ltd - Cont

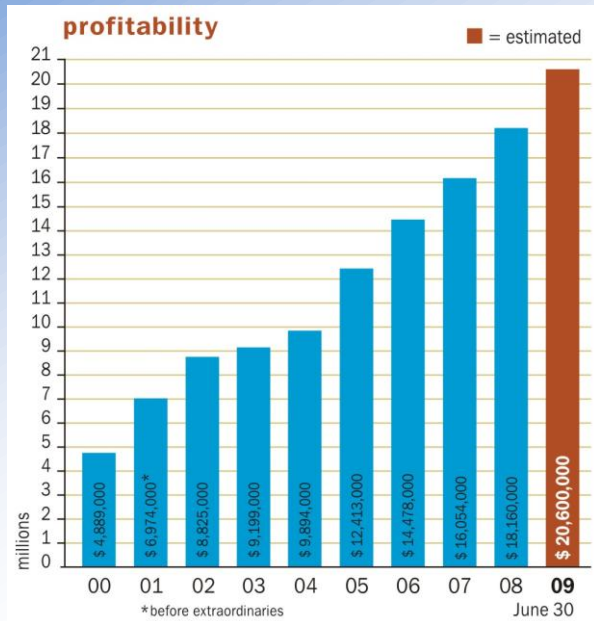
- Successful completion of acquisition of Mackay Permanent Building Society in 2008 generating significant synergies
- Recently closed and relocating branches acquired as part of the Mackay Permanent acquisition
 - 2 acquired branches in Cairns closed with a new branch located in Stockland Cairns and a further new branch to be opened in Redlynch Shopping Centre – higher profile retail areas
 - Closure of 2 branches in Townsville which were not considered satisfactory locations. Townsville Centro branch retained and refurbished. Currently endeavoring to obtain satisfactory locations in other shopping centres in Townsville
- Lending has been strong over the March quarter and may reflect lower interest rates and the First Home Owner Grant Boost (\$21,000 new homes/\$14,000 existing homes) which is scheduled to finish at 30/06/09

Strong Balance Sheet & Loans Portfolio

- Consistent strong growth over many years – estimated assets @ 30th June 2009 - \$2.5 billion and outstanding loans \$2.13 billion
- The society has never funded ‘sub-prime’ or ‘low-doc’ lending
- The bulk of lending is secured by residential mortgages which represents approximately 98% of loans – of which 98% is covered by lenders mortgage insurance
- Limited broker usage - 18% of total loan approvals which includes 14% interstate lending through society branches in Sydney, Melbourne and lending outlet in Adelaide
- Currently hold a BBB- “investment grade” rating from Standard and Poor’s
- Funding incorporates securitisation and warehouse programs since 1997, wholesale funding currently representing 45% of society’s total funding
- Provision for bad debts included in reserves in the balance sheet \$2,387,810. Bad and doubtful debts expense for 2007 of -\$18,297 and 2008 of -\$72,266 (representing principally write offs in winding down of small lease company). Expense for bad and doubtful debts to 31/12/2008 of \$41,000 credit (representing principally a write back of previous provisioning).
- High priority in collection and arrears administration



Continued Strong Trading Results



Financial Indicators - Past 2 Years

	<u>30 June</u> <u>2007</u>	<u>30 June</u> <u>2008</u>	
Net Profit after tax – actual	\$16.05m	\$18.16m	↑13.1%
Ordinary Dividends	60.0c	66.0c	↑10.0%
Loans Portfolio	\$1.55bn	\$1.996bn	↑28.9%
Total Assets	\$1.73bn	\$2.28bn	↑31.5%
Shareholders' Equity	\$92.30m	\$140.03m	↑51.7%
Loan Approvals	\$485.2m	\$518m	↑6.8%

Financial Indicators - Forecast

	Actual	Forecast	
	<u>30 June</u>	<u>30 June</u>	
	<u>2008</u>	<u>2009</u>	
Net Profit after tax	\$18.16m	\$20.6m	↑13.4%
Ordinary Dividends	66.0c	60.0c	
Loans Portfolio	\$1.996bn	\$2.13bn	↑6.7%
Total Assets	\$2.28bn	\$2.50bn	↑9.6%
Shareholders' Equity	\$140.03m	\$153m	↑9%
Loan Approvals	\$518m	\$490m	↓5.4%

Capital Summary

- The proposed Wide Bay Subordinated Notes will qualify as Lower Tier 2 capital under APRA's Prudential Standards
- Wide Bay repaid a \$10 million sub debt in December 2008 at the 5 year call date
- This sub debt was partly replaced by a rights issue which resulted in the allocation of a further 1,265,996 shares.
- The discounted DRP was introduced which resulted in the further placement of 166,622 shares in October 2008 and 379,217 in March 2009.
- Total shares on issue 31,241,947
- The proposed Wide Bay Subordinated Notes will assist Wide Bay to retain on balance sheet, lower rated tranches of Residential Mortgage Backed Securities ("RMBS") issued under their RMBS program.
- Wide Bay's capital adequacy at 31 March 2009 was 11.63%.

Diversification

- Traditional residential secured lending – no sub-prime, no low-doc, 98% fully mortgage insured
- Limited commercial lending - secured by real estate
- Financial Planning
 - 25% interest in Financial Technology Securities Pty Ltd
 - 25% also held by Aviva – 5th largest insurance group in the world
 - Balance held by FTS employees
 - Excellent return on capital
 - Access to residential and margin loans of client base
- Fully integrated customer service system to facilitate cross-selling of products
- Wide Bay has its own captive lenders mortgage insurer, Mortgage Risk Management “MRM” which insures 98% of Wide Bay’s residential mortgages.
- A range of banking, insurance and credit card services & ancillary financial products
- The society has commenced an agency distribution of Aviva life products under the banner of Widcover LiFE which will be marketed throughout the entire Wide Bay network. It is anticipated that this product will provide a significant contribution to the society’s operations

Current Funding

- With the introduction of the Government Guarantee considerable effort is being devoted to the securing of retail deposits through the branch and agency network.
- Wholesale funding facilities are in place at a significant cost.
- An application has been made to the Australian Office of Financial Management (AOFM) for funding under their recently announced program to assist the RMBS market which would provide further warehouse capacity for future funding, lending programs and provide cost benefits.
- The society has established a 'Repo' facility with the Reserve Bank which provides funding by repurchase of RMBS by the RBA for periods of up to 12 months. Whilst this is a very attractive facility the society is conscious that the maximum period is 12 months and the need to match the maturity profile with other options.

A special culture

- With Head Office based in Bundaberg, a regional Queensland city of 120,000 population, Wide Bay enjoys a very stable environment in relation to management and staffing generally and has the benefits of not being exposed to the high cost structures of capital city operations
- The Head Office is well located, given that the Queensland branch network now expands from Robina on the Gold Coast to Cairns, a distance of 1,490 air kilometres which compares to, as a matter of interest, 1,380 air kilometres from Brisbane to Melbourne
- The benefits of being located in Bundaberg have provided:
 - A stable, experienced team
 - Senior managers across all aspects of business
 - Infrastructure capable of managing a significantly larger business
 - Succession planning in place across all business units
 - Board Renewal Policy
 - Staff share plan for all staff has been in place since issuing shares in 1992, which encourages staff commitment and interest

Wide Bay Management Experience

Title	Experience
Managing Director	42 years
Executive Director/Chief Operating Officer	35 years
Operations and IT Manager	34 years
Training Manager	32 years
Administration Manager	30 years
Marketing Manager	24 years
Manager – Retail Outlets (QLD)	14 years
Manager – Structured Finance, Products and Interstate Operations	14 years
Chief Financial Officer	9 years
Loans Manager	8 years
Internal Auditor	7 years

Forecasts & Corporate Strategy - summary

- We have forecast an after tax profit increase of 13.4%. This forecast reflects some of the synergies from the Mackay acquisition and is dependent on the timing of forecasts in relation to funding costs and other issues such as the timing of interest rate decreases, relevant margin adjustments and sale of the previous Mackay Head Office building.
- We continue to source the bulk of our loans via the retail branch network and have more recently reassessed our panel of brokers reducing them significantly as well as the initial loan application fee and the commission trails payable.
- New South Wales and Victorian loans are in the main sourced through the use of brokers.
- Strong focus of arrears will be maintained.
- We will continue to expand our retail base and endeavor to take advantage of the opportunities from the Australian Government Deposit Guarantee.
- Lending will be selective and in accordance with strong credit policy.
- We will continue to look at opportunities for expansion through acquisitions, associations and partnerships. This is particularly reflected in our recent partnership with Aviva and the sale of their life insurance products.

Key Features of the Notes

Issuer	Wide Bay Australia Ltd
Issuer credit rating	BBB-
Structure	10NC5 step-up
Issue Price and Face Value	A\$100.00 per A\$ Wide Bay Note
Currency	Australian Dollars
Interest Rate	[fixed/floating] BBSW + Initial Margin
Step-up Margin	150% of the Initial Margin
Issuer call rights	On or after the Step-up Date on a regulatory, tax or change of control event.
Subordination	In the event of a winding-up of the Issuer, the claims of Holders in respect of \$A Wide Bay Australia Notes will be subordinated in right of payment to the claims of all Senior Creditors.

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