

MyState Limited Remuneration Policy

31 May 2011

MyState Limited Remuneration Policy

Preamble

MyState Limited (MYS) is a non-operating holding company created to effect the merger of MyState Financial (MSF) and Tasmanian Perpetual Trustees (TPT). MYS listed on the ASX in September 2009.

- Consistent with the Australian Prudential Regulatory Standard 510 (issued November 2009) the objective of MyState Limited's remuneration policy is to maintain behaviour that supports the sustained financial performance and security of the Group and to reward Executive and management efforts which increase shareholder and customer value. In accordance with APS 510, variable performance based pay does not apply to Senior Managers accountable for risk, compliance and financial control.

The MYS Remuneration Policy is based upon the long-term sustainable financial security of MYS as evidenced by:-

- Appropriately balanced measures of performance weighted towards long-term shareholder interests;
- Variable performance based pay for Executives involving a long-term incentive plan subject to an extended period of performance assessment;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay to attract and retain capable staff at all levels;
- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the shareholders; and
- Short-term and long-term incentive performance criteria are structured within the overall risk management framework of the Company.

Key Management Personnel

Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity. As such, KMP comprise the non-Executive Directors, the Managing Director and directly reporting

MyState Limited Remuneration Policy

31 May 2011

Executives. Remuneration packages for the Managing Director and directly reporting Executives are based on a notional Total Target Reward (TTR) comprising the following:

1. Fixed annual reward (inclusive of superannuation and fringe benefits) (FAR)
2. Cash based short term incentives (STI)
3. Equity based long term incentives (LTI)

The Managing Director's remuneration package is determined by the Board of MYS on the advice of the Board Human Resources and Remuneration Committee (HRRC). At its' discretion, the HRCC will seek external advice on the appropriate level and structure of the Managing Director's TTR.

The remuneration packages of the Executive team are approved by the Board of MYS on the recommendations of HRRC and the Managing Director. Similarly, the Managing Director may seek external advice on the appropriate level and structure of the level and structure of Executive remuneration packages.

The remuneration of the Managing Director and Executive team will be reviewed annually by the HRCC.

The Company's non-executive Directors receive only fees (including superannuation) for their services. They are not entitled to receive any benefit on retirement or resignation (other than superannuation) and do not participate in any share based remuneration.

Senior Managers

Senior Managers comprise direct reports to members of the Executive Team. The remuneration packages of the Senior Managers are set by each Executive within a framework and guidelines approved by the Managing Director and co-ordinated by the General Manager Brands, Communication, People & Development (GM BCPD). The GM BCPD may seek external advice on the appropriate level and structure of Senior Manager remuneration.

Remuneration packages at this level are based on Total Employee Reward (TER) comprising:

1. Fixed annual reward (inclusive of superannuation and fringe benefits) (FAR)
2. Cash based short term incentives (STI)

MyState Limited Remuneration Policy

31 May 2011

Structure of Remuneration

Short Term Incentive (STI)

The STI is calculated as a percentage of the FAR and is payable annually in respect of each financial year as cash and/or superannuation contributions. Maximum STI awards, expressed as a percentage of FAR are as follows: Managing Director up to 30% of FAR, Executives up to 15% and Senior Managers up to 15%.

Payment of STI is conditional upon the achievement of performance criteria tailored to the respective role.

Each year the HRRC sets the Key Performance Indicators (KPIs) for the Managing Director who, in turn, sets KPIs for Executives. The HRRC selects performance objectives which provide a robust link between Executive reward and the key drivers of long term shareholder value. The KPIs are measures relating to Company and personal performance accountabilities and include financial, strategic, operational and customer/stakeholder measures. The measures are chosen and weighted to best align the individual's reward to the KPIs of the Company and its overall performance. KPIs are weighed towards the achievement of profit growth targets.

The financial performance objectives are profit before income tax and after income tax compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, compliance and support of the Company's risk management policies and compliance culture, customer satisfaction, communication and staff development.

At the end of the financial year the Chairman assesses the actual performance of the Company and of the Managing Director against the KPIs set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the HRRC as to the STI payment.

At the end of the financial year the Managing Director assesses the actual performance of the Company and the Executives against their KPIs set at the beginning of the financial year. Based upon that assessment, a recommendation is made to the HRRC as to the STI payment.

The HRRC recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Payment of an STI to the Managing Director or Executives is at the complete discretion of the Board and can be adjusted downwards, to

MyState Limited Remuneration Policy

31 May 2011

zero if necessary to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Board also has discretion to adjust the STI payment down (potentially to zero) in the event that the Managing Director or an Executive commits a serious breach of duty.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

Executive Long Term Incentive Plan (ELTIP)

The ELTIP was established by the Board to encourage the Executive management team, comprising the Managing Director, General Managers and Chief Financial Officer/Company Secretary, to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to the Executive Management Team of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP an offer may be made to the members of the Executive Management Team every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the Executive Management Team. The percentages used are 50% for the Managing Director and 30% for the General Managers and Chief Financial Officer/Company Secretary. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company's shares over the twenty trading days prior to the offer date.

In order for the shares to vest in each eligible member of the Executive Management Team, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria and the performance period are set by the Board at its absolute discretion. The Board has for the time being set the three financial years commencing with the year in which an offer is made under the plan as the performance period, with growth in Total Shareholder Return (TSR) over the relevant performance period as the performance criteria.

ELTIP performance assessment will be measured against the performance of companies sized by market capitalisation within the S&P/ASX 300 Index (the benchmark group).

Any reward payable to any member of the Executive Team under any ELTIP offer is subject to reassessment and possible forfeiture, if the results on which the ELTIP reward

MyState Limited Remuneration Policy

31 May 2011

was based, are subsequently found to have been the subject of deliberate management misstatement.

Any reward payable to any member of the Executive Team under any ELTIP offer will be calculated as follows:

- The ELTIP reward for the performance period will be based upon the comparison of the actual MYS TSR growth compared to the benchmark group and will be payable on the following basis:
 - Below the mid-point percentage TSR growth – 0% reward
 - At the 50th percentile – 50% of the applicable reward
 - Between the 50th percentile and the 75th percentile TSR growth – 2% for every 1 percentile above the 50th percentile.
 - Above the 75th percentile – 100% of the applicable reward
 - No reward will be payable if TSR is negative irrespective of the benchmark group performance.
 - MYS share price baseline for TSR calculation for the 2009 ELTIP offer is \$2.70.
 - MYS share price baseline for TSR calculation for the 2010 ELTIP offer is \$3.12.

The ELTIP provides for an independent Trustee to acquire and hold shares. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company. Vesting of shares occurs once an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP Offer.

Vesting of shares to the Managing Director or Executives is at the complete discretion of the Board and can be adjusted downwards, to zero if necessary, to protect the financial soundness of the Company, i.e. to, at a minimum ensure that no breach of capital adequacy or liquidity policy thresholds occurs.

The Trustee will allocate any shares to each member of the Executive Management Team in accordance with their entitlement under the ELTIP. Any shares to be allocated to the Managing Director under this Plan require shareholder prior approval in accordance with ASX Listing Rules. The Trustee will hold the shares which have been allocated on behalf of the Executive Management Team member.

MyState Limited Remuneration Policy

31 May 2011

The Executive Management Team member cannot transfer or dispose of shares which have been allocated to them until the earlier of the seventh anniversary of the original offer date of the grant; leaving the employment of the Company; the Board giving permission for a transfer or sale to occur; or a specified event occurring (eg change in control of the Company). Upon request, the Board will release vested shares to an Executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, shares will be released only if the separation is due to a Qualifying Reason¹ or is at the initiation of the Company without cause. If this occurs within the three year performance period, shares will be allocated on a pro-rata basis by bringing the qualifying date forward to the date of separation.

During the period that allocated shares are held by the Trustee, the Executive Management Team member is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

On accepting an ELTIP offer made by MyState Limited, Executives are required to agree to not hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute a breach of duty and as such will involve disciplinary action and the risk of dismissal under the terms of the Executive's contract.

¹ A Qualifying Reason as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board in its absolute discretion may determine.

Basis of Employment

The policy of the Company is to:

- Employ the Managing Director and Senior Executives on continuing employment arrangements i.e. no fixed term;
- Provide a maximum termination payment of one year of base salary unless a breach of duty or grave misconduct has occurred. Where the termination is initiated by the Company STI and LTI entitlements, assessed in accordance with the remuneration policy, will be paid for any pro-rata period of a year up to the termination date; unless a breach of duty or grave misconduct has occurred;

MyState Limited Remuneration Policy

31 May 2011

- Engage an Executive on a fixed term contract under specific circumstances only.

Remuneration Governance

The Human Resources and Remuneration Committee (HRRC) exercises governance over the Remuneration Policy on behalf of the MYS Board. The charter of the HRRC defines the primary responsibility of the Committee as follows: “The role of the Human Resources and Remuneration Committee is to assist the Board in fulfilling its responsibilities in relation to Human Resource and Remuneration Policy. All such policy to satisfy legal and regulatory requirements to protect the Company from liability, improve organisational effectiveness and assist in the attainment of business goals.”

END