



1H2015

Investor Presentation

20 February 2015

ASX Code: MYS

MyState
LIMITED

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Agenda

- 1 **Overview – M. Sulicich,
Managing Director & CEO**
- 2 Financial Results – T. Taylor, Chief
Financial Officer
- 3 Outlook – M. Sulicich, Managing
Director & CEO



Significant improvements in lending.

Despite fierce competition, revenue improves on 2nd half of 2014.

1. NPAT increases to \$14.9m.
2. Loan book growth at 1.6 times system*.
3. Sound risk management – high credit quality.
4. Cost-to-income ratio down 60bps to 64.5%.
5. Capital ratio remains strong at 13.3%.

*6 months to December annualised growth. System growth calculated using spot balance growth for housing, personal and business credit, and weighting in line with MyState's portfolio as at 30/06/14. Spot balances source RBA

**Balance sheet
momentum
delivering green
shoots of revenue
and NPAT growth.**

	H1 2014	H2 2014	H1 2015		Change H1 2015 v H1 2014		Change H1 2015 v H2 2014
Revenue (\$m)	60.6	58.7	60.4	▼	-0.3%	▲	2.9%
Net profit after tax (\$m)	14.8	14.8	14.9	▲	0.7%	▲	0.7%
Net Interest Margin (%)	2.45	2.42	2.36	▼	-9bps	▼	-6bps
Cost-to-income ratio (%)	65.1	63.9*	64.5*	▼	60bps	▲	60bps
Capital Ratio (%)	14.4	13.8	13.3	▼	-110bps	▼	-50bps
Earnings per share (cps)	17.0	16.9	17.0	—	—	▲	0.6%
Return on equity (%)	10.6	10.4	10.2	▼	-40bps	▼	-20bps
Dividend – fully franked (cents)	14.0	14.5	14.0	—	—	N/A	N/A
Dividend payout ratio (%)	82	84	82	—	—	N/A	N/A
Credit performance – 30 day arrears (%)	0.59	0.76	0.78	▲	19bps	▲	2bps

*1H 2015 cost to income ratio is in line with full year FY14 ratio of 64.5%

Strong operational improvements in our banking business.

Enhanced financial performance in sight.

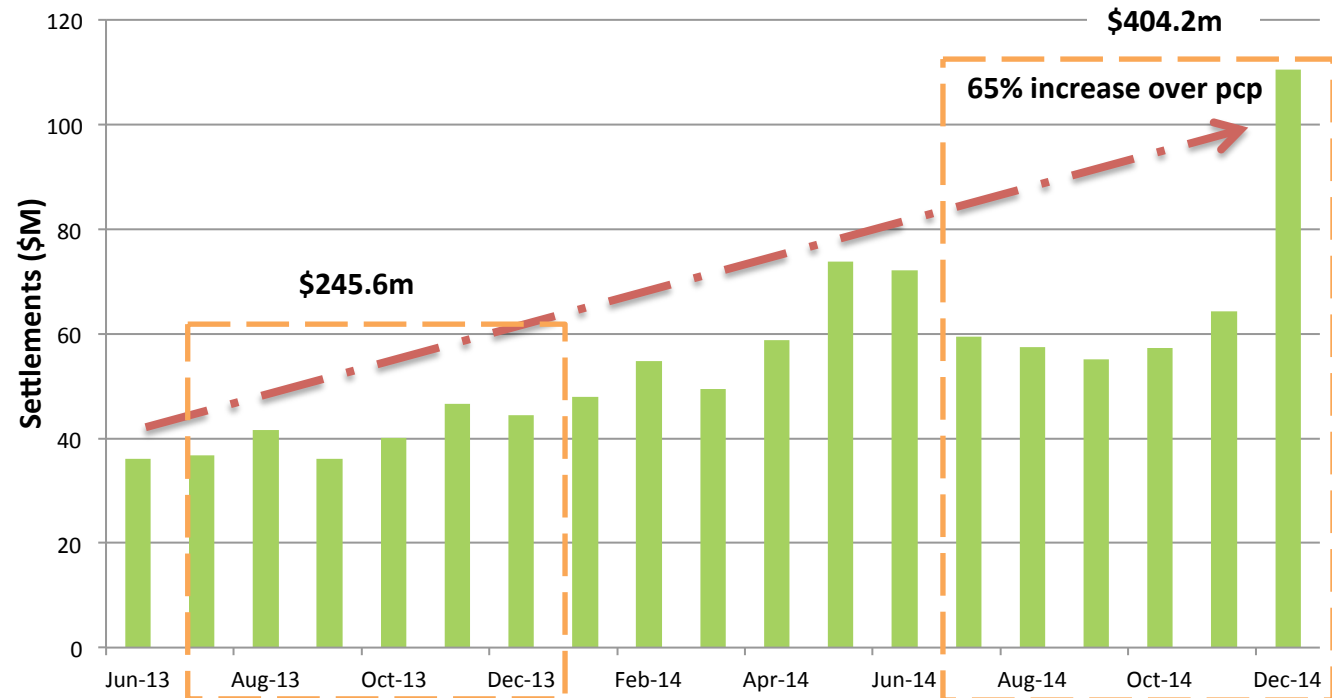
- Settlements going from strength to strength.
- Broker channel driving loan book momentum.
- Arrears trending well below peers.
- Ongoing simplification of processes and systems positions the business for further growth.
- Future cost savings to be reinvested in the business – technology, sales and distribution capability, and efficiency.

**Solid interim results
driven by significant
upward momentum
in settlements...**

**...2015 continues
strong first half
growth.**

**December quarter
loan growth the
highest in the
group's history.**

**Settlements continue to build following a strong 2H 2014
Monthly Loan Settlements \$M**



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Nate Austen from the Westbury Community Health Centre – a MyState Foundation grant recipient

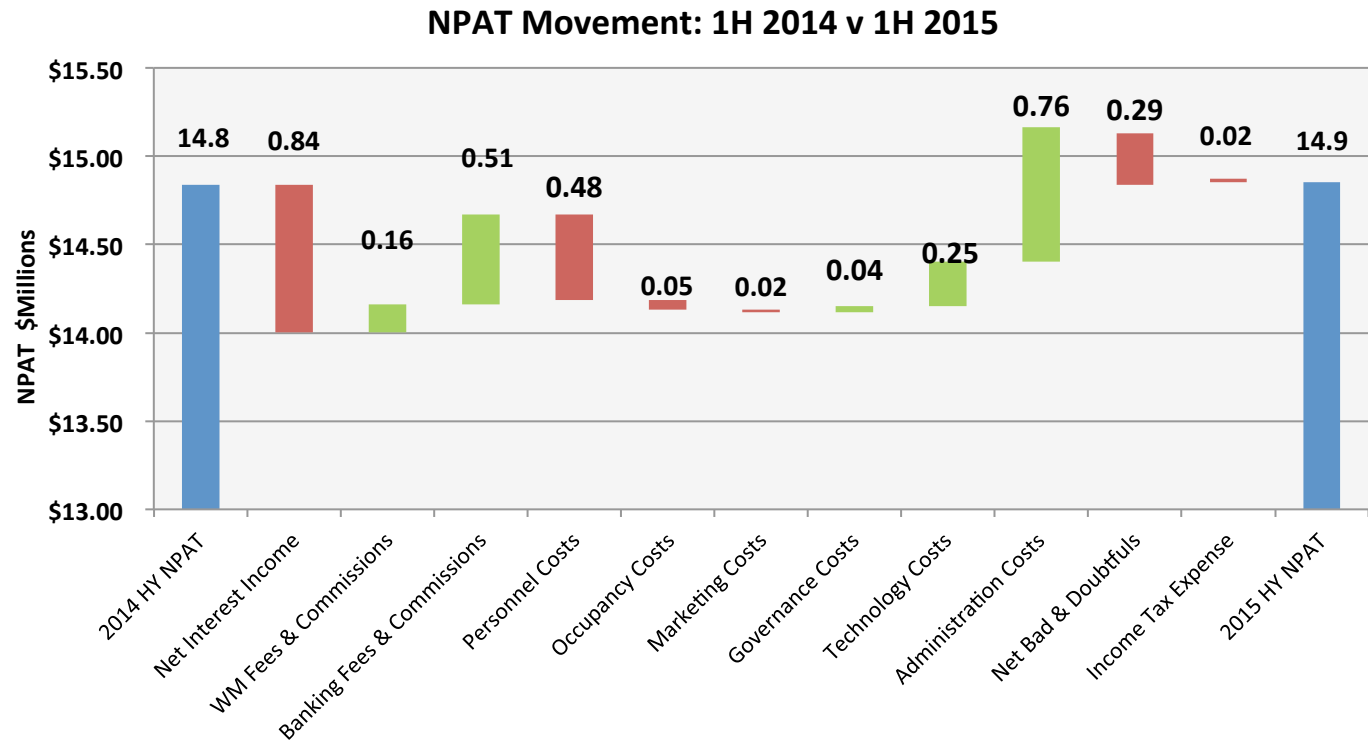
Continuing modest recovery in economic environment.

The Tasmanian economy is in recovery:

- Jobs added for the 14th consecutive month in December.
- Dwelling approvals continued to improve over the half year.
- Employment in the Tasmanian economy is at its highest level since late 2008, and the unemployment rate is at its lowest since 2011.
- Gross State Product continues to show signs of improvement.

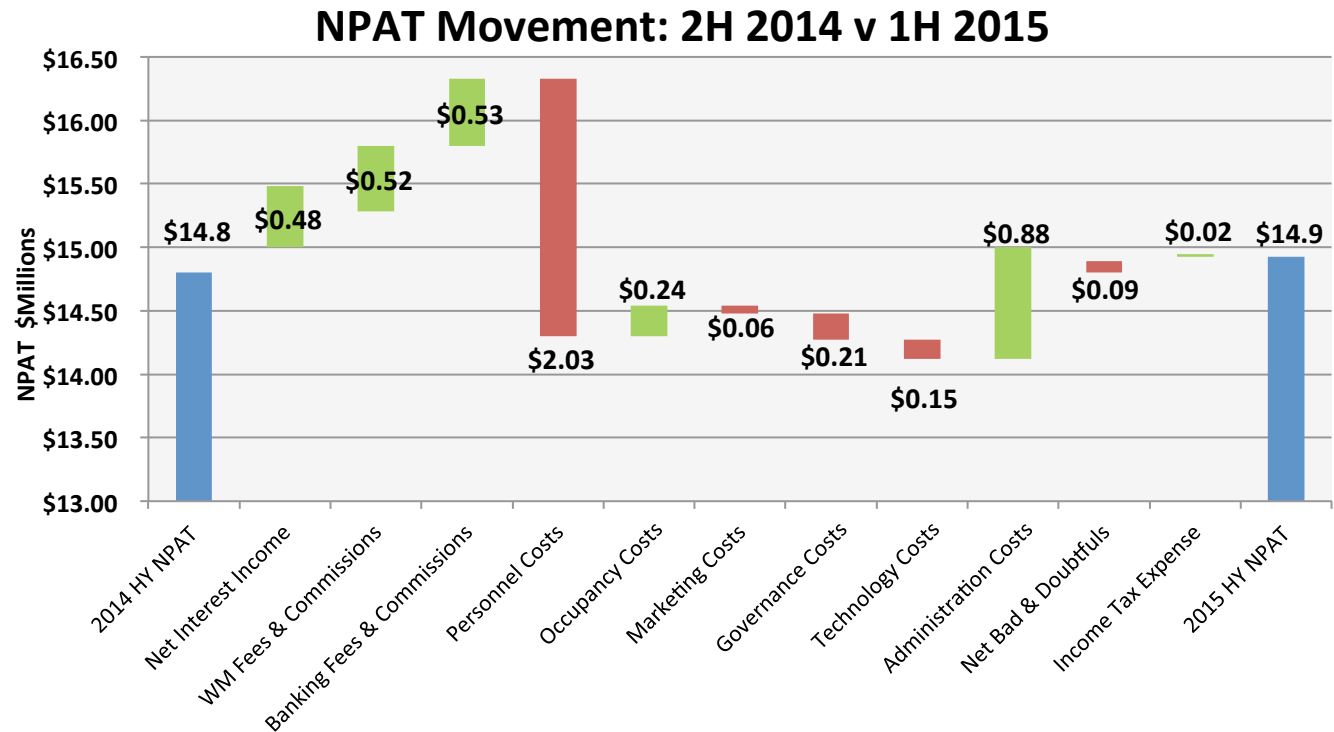


Margin pressures hinder NPAT growth.



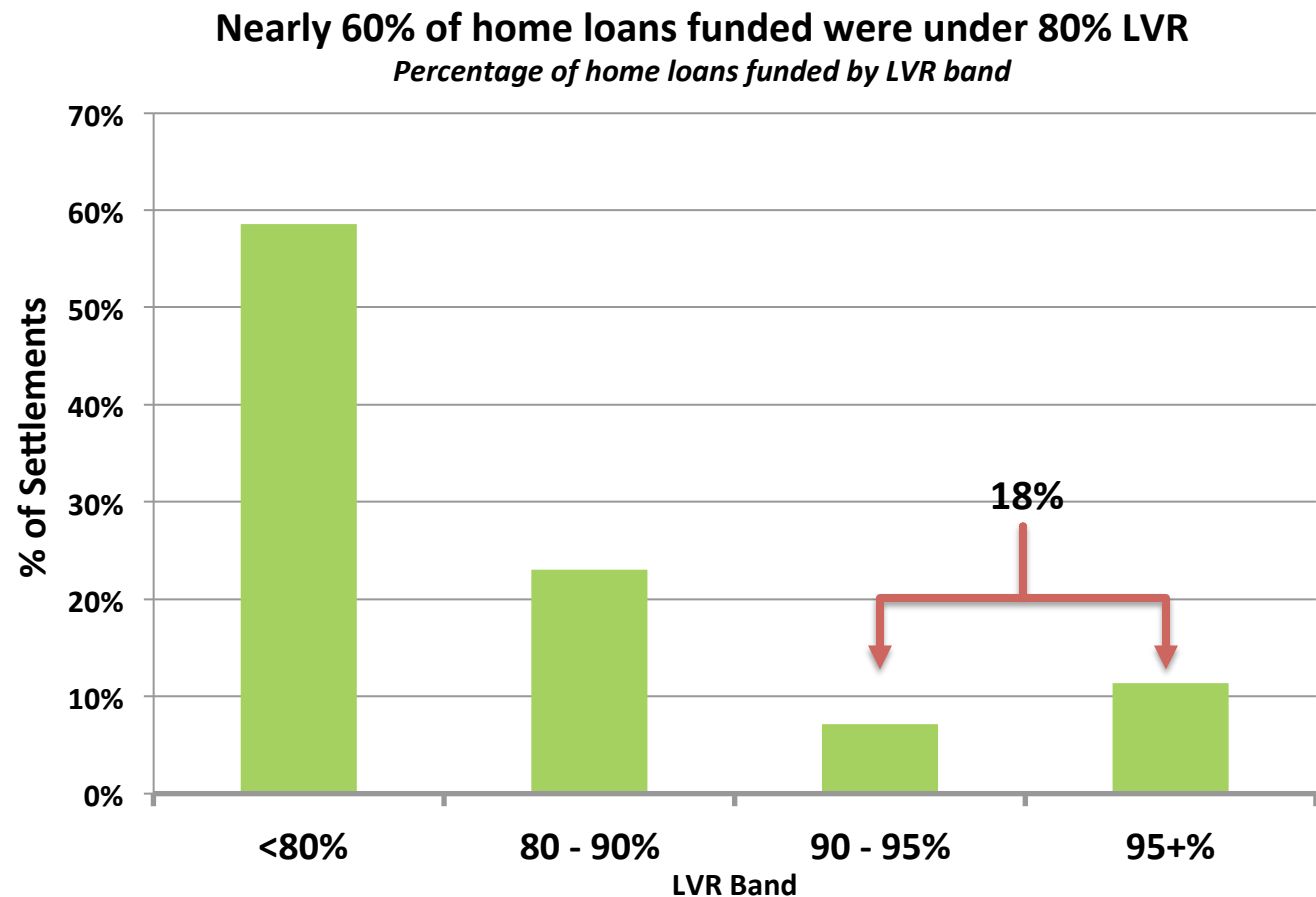
- Net interest income (NII) down on pcp. Competitive loan pricing to acquire and retain customers is squeezing margin.
- Commissions and sales related fees improve but banking transactional fee revenue declines as customers navigate towards fee free options.
- Modest improvement in wealth management FUM and trustee revenues.
- Soft revenue increase alleviated through tight management of operating expenses.

Revenue growth is building following strong loan book momentum in second half of 2014.



- First half shows benefit of the growth momentum, with uplift in revenue from 2H 2014.
- The rise in personnel costs in 1H 2015 is largely a reflection of the restriction of incentive arrangements in 2H 2014. Additional costs focused on sales capability and general salary inflation (Enterprise Agreement rises).

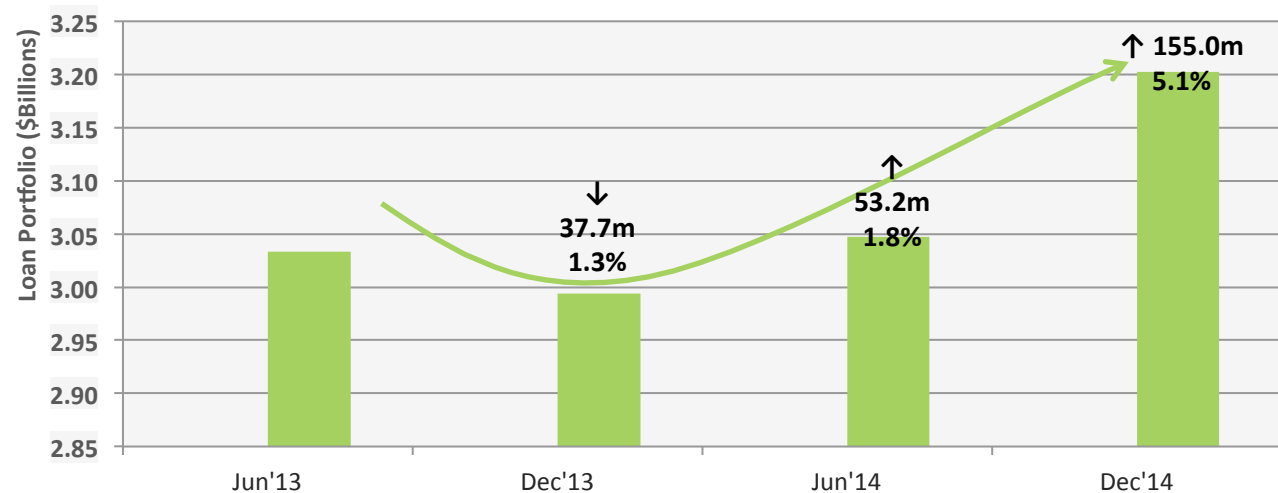
Product and pricing strategy successful in attracting lower LVR business.



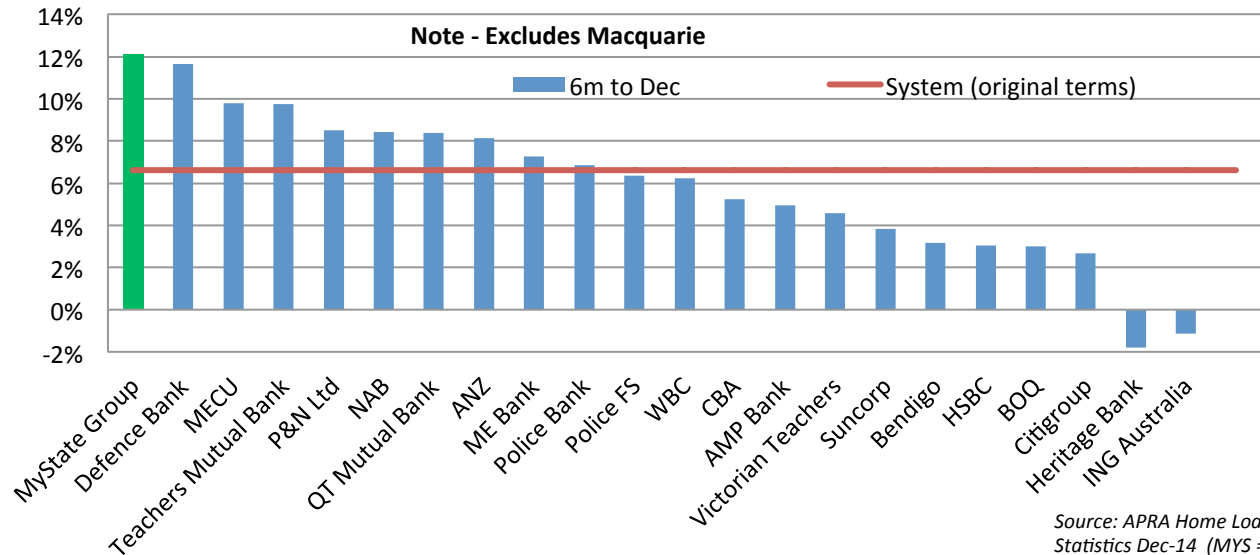
Significant and pleasing turnaround in total loan book momentum...

...with housing loans growing strongly at 1.8x system.

Total Loan Book Growth 5.1% (10.1% p.a.) for 1H 2015



Residential Mortgage Book Growth - 6 months to December 14 - Annualised

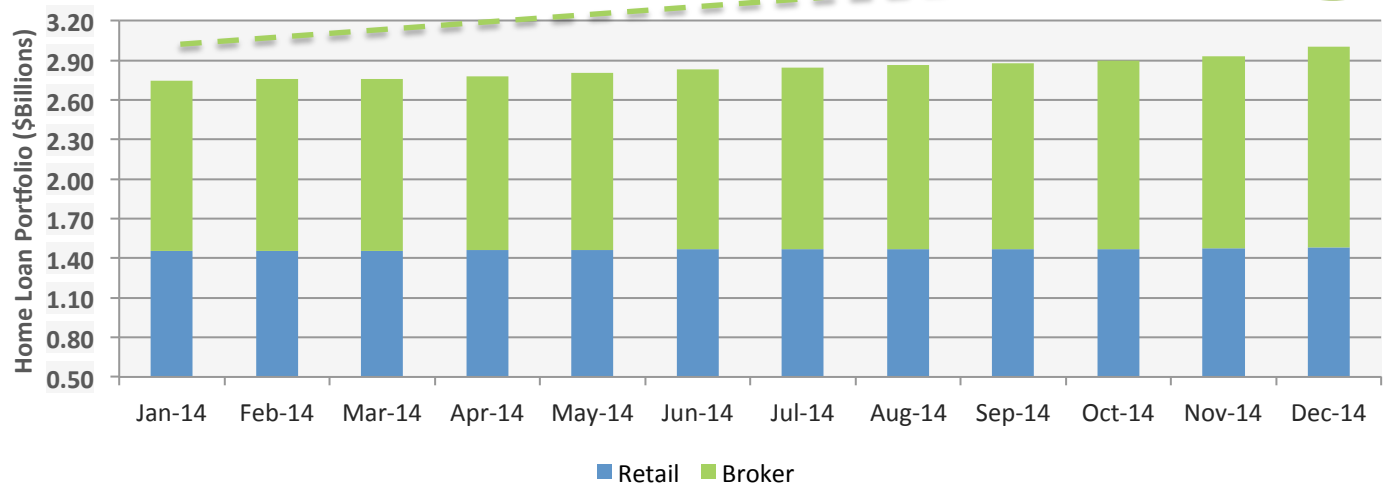


Source: APRA Home Loan Banking Statistics Dec-14 (MYS = MSB + ROK)

Home loan momentum driven by revitalised product and sales and distribution strategies.

Revitalised strategies deliver 8.9% home loan growth over the calendar year

(Home Loan Book by channel – \$bn)



Broker Strategies

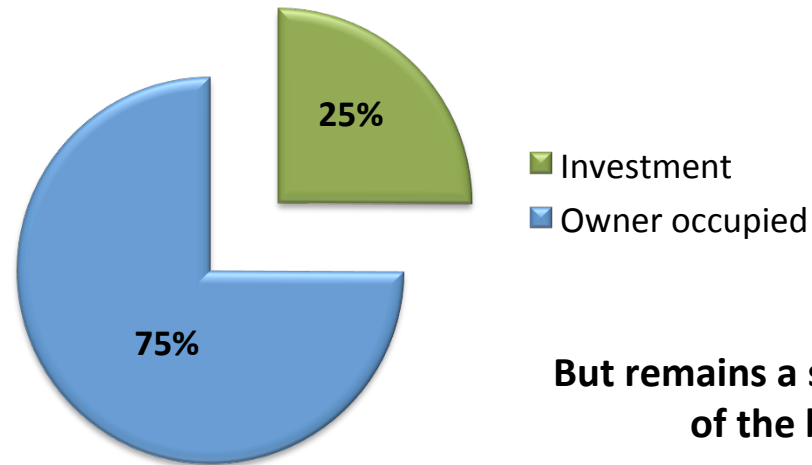
- Competitive pricing
- Enhanced products (80-85% LVR no LMI)
- New sales management
- Improved service delivery and turnaround times

Retail Strategies

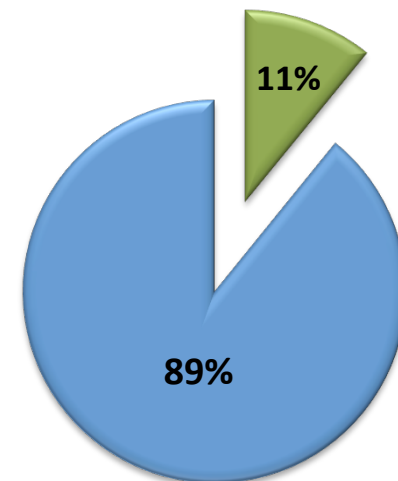
- Retention focus
- Improved sales management
- Improved turnaround times
- Mobile lenders

**Investor loans
growing at a
sustainable rate.**

**Investor lending contributed a quarter of
first half home loan growth...**



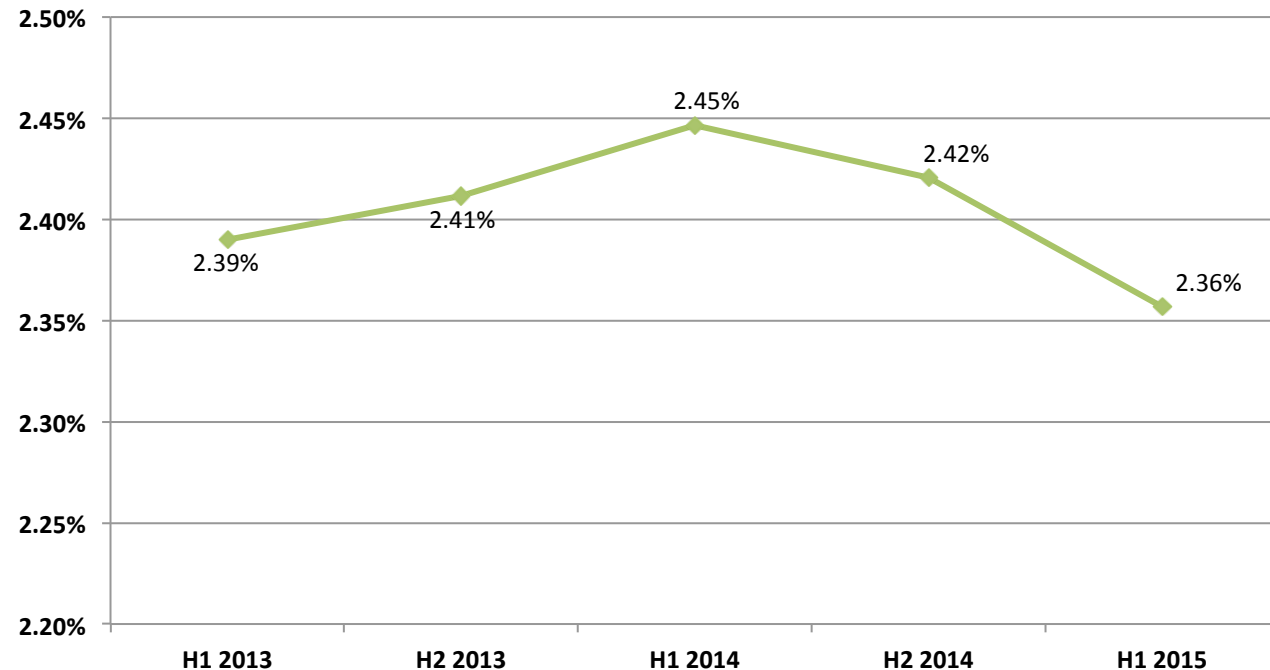
**But remains a small portion
of the book.**



Margin declines due to:

- Fierce competition for home loans impacting front book and back book
- Changing portfolio mix (high yielding portfolios declining) and capitalisation of broker commission costs

Group NIM declines in 1H 2015

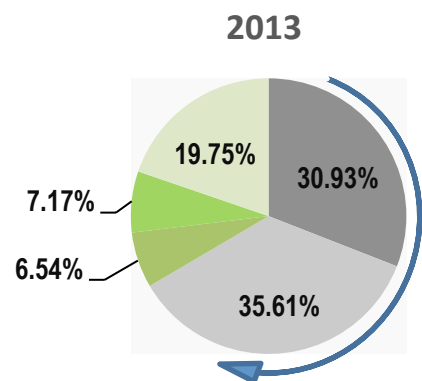


	H1 2014	H2 2014	2014 Full Year	H1 2015
Banking business NIM	2.45%	2.42%	2.43%	2.36%

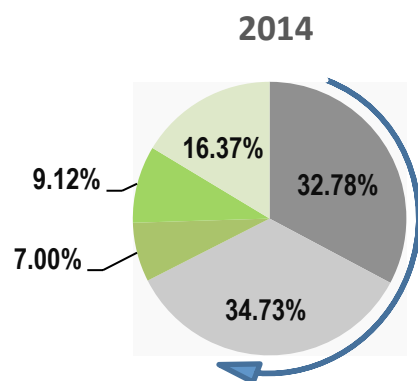
Funding diversification supports loan growth.

- Diversification within the deposit book maintained.
- Steady funding from cheaper at call deposits.
- Wholesale TDs utilised to support asset growth.
- Successful ConQuest 2014-2 RMBS transaction in December provides further support for expansion.

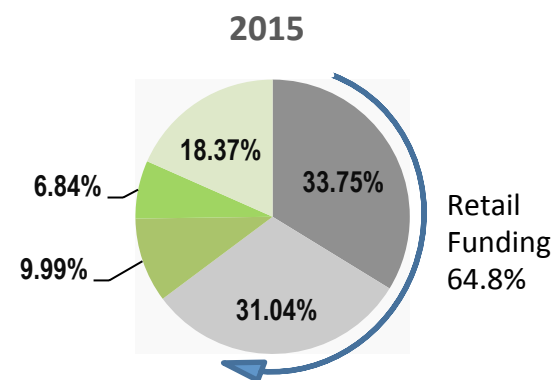
	FY13 \$b	FY14 \$b	1H 2015 \$b
At Call Accounts	1.017	1.054	1.150
TDs	1.386	1.342	1.398
NCDs	0.236	0.293	0.233
Securitisation	0.649	0.526	0.626



Retail Funding
66.5%



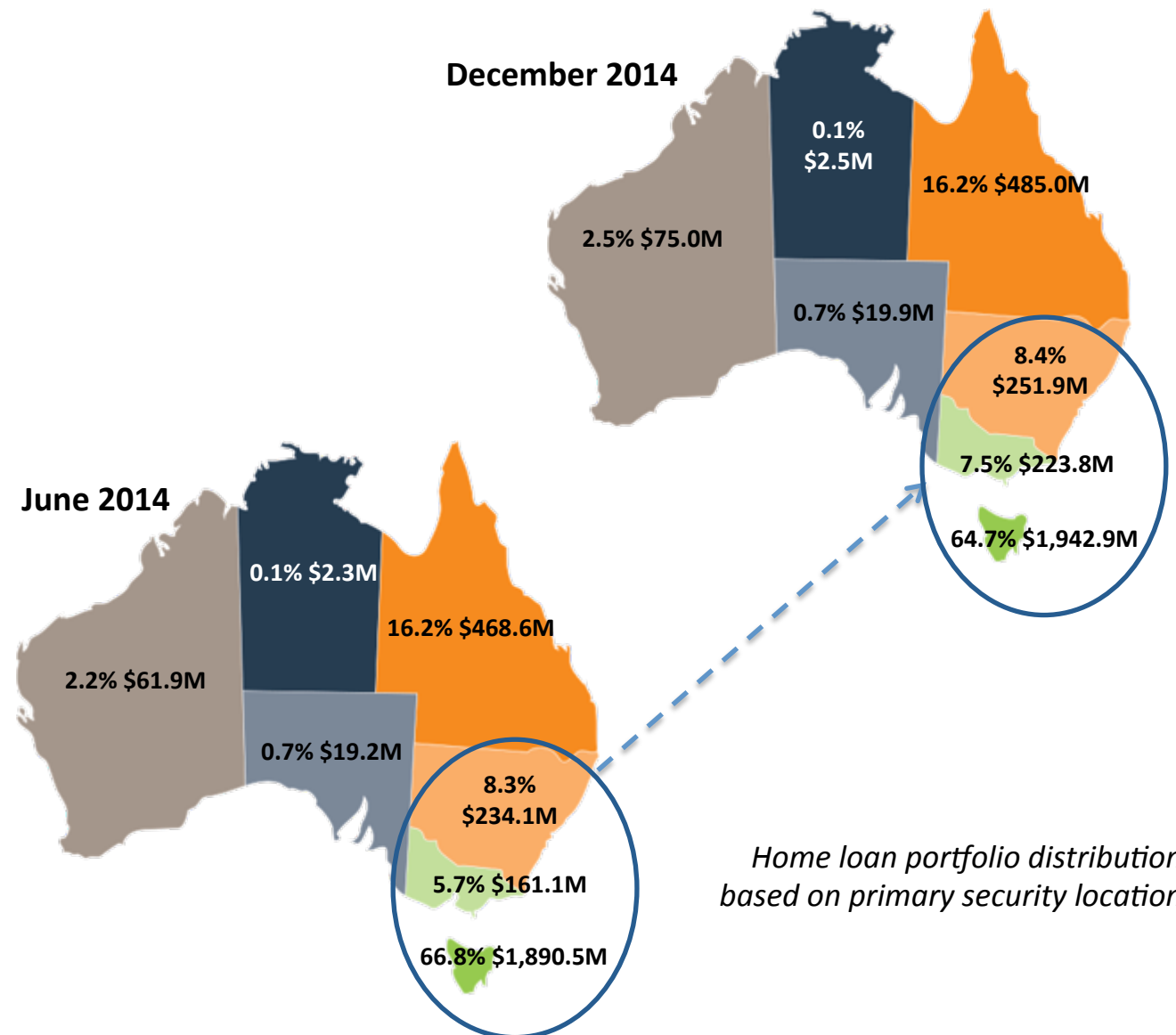
Retail Funding
67.5%



Retail Funding
64.8%

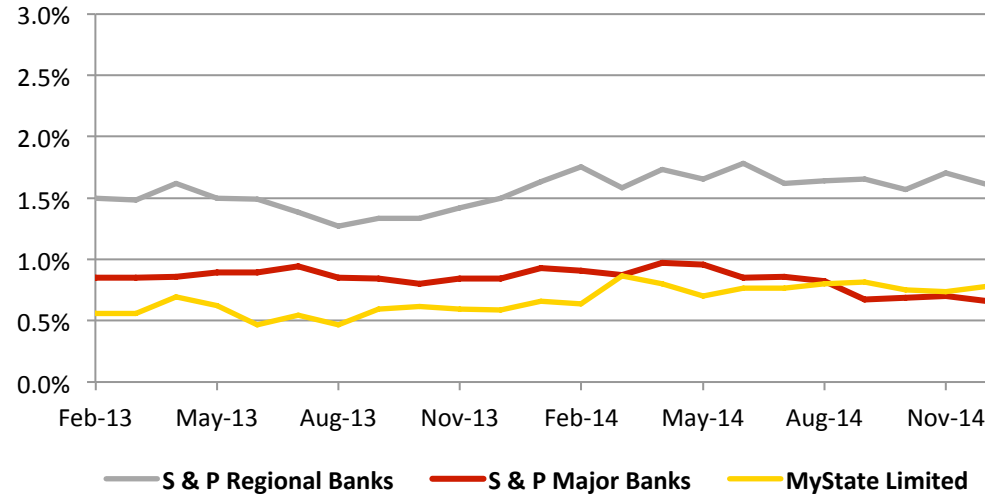
■ Retail at Call ■ Retail TDs ■ Wholesale TDs ■ NCDs ■ Securitisation

Geographic
diversification
improving with
sound growth in
NSW and VIC.



Arrears holding steady through the first half of 2015...

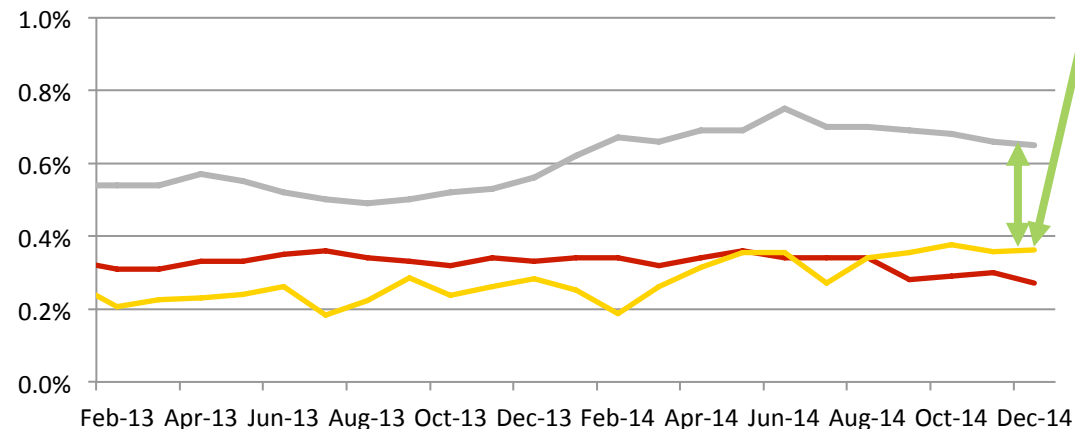
30+ Days S & P Arrears Data



30+ day arrears reflect the sound credit quality within the loan book.

...and continue to track well below the regional banks' trend.

90+ Days Arrears S & P Data

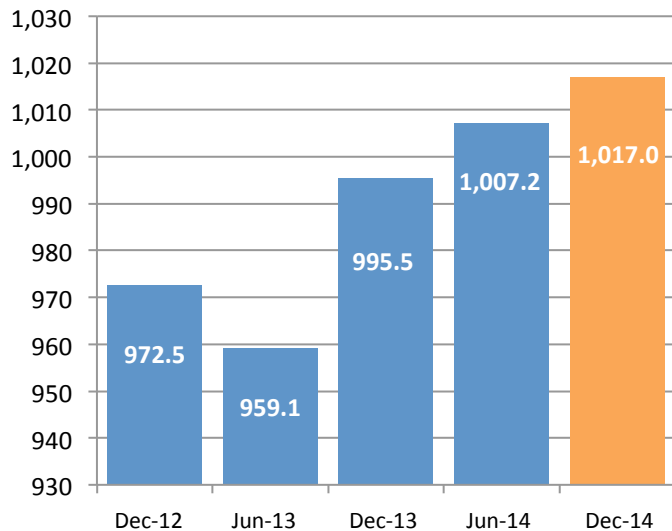


Steady 90+ day arrears to keep bad debt charges at a modest level.

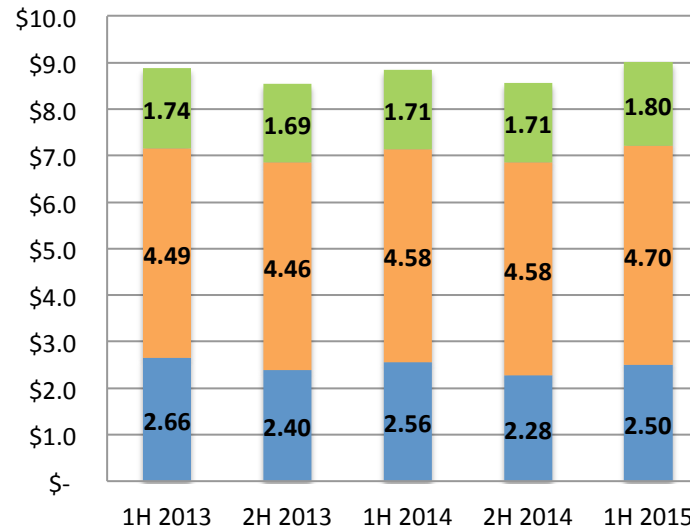
Wealth management performance solid and steady.

- Modest 1% growth in Funds Under Management to \$1.017b.
- Revenues lifted by 5.2% on 2H 2014.
- First half NPAT of \$2.1M in line with pcp.

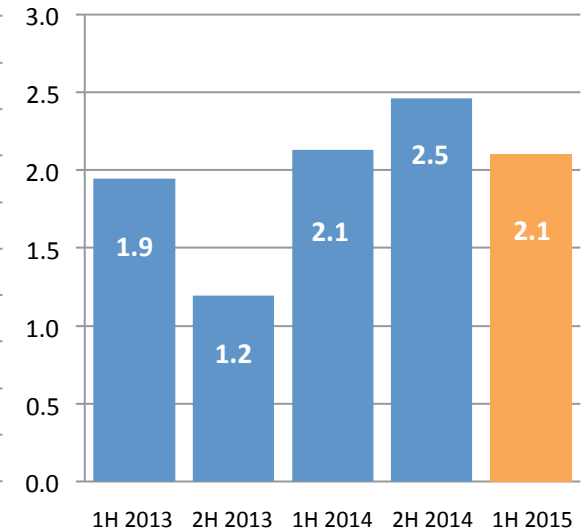
FUM (\$m)



Wealth Management Revenues (\$m)

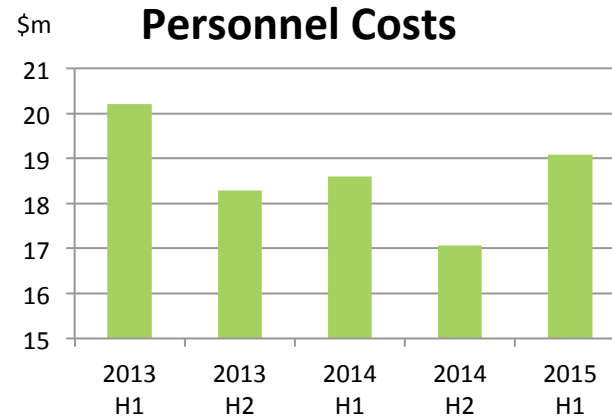


NPAT (\$m)

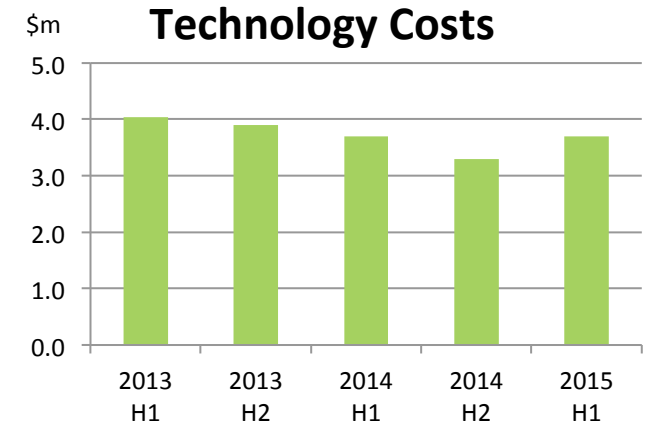


■ Trustee Services
 ■ Funds Management
 ■ Financial Planning

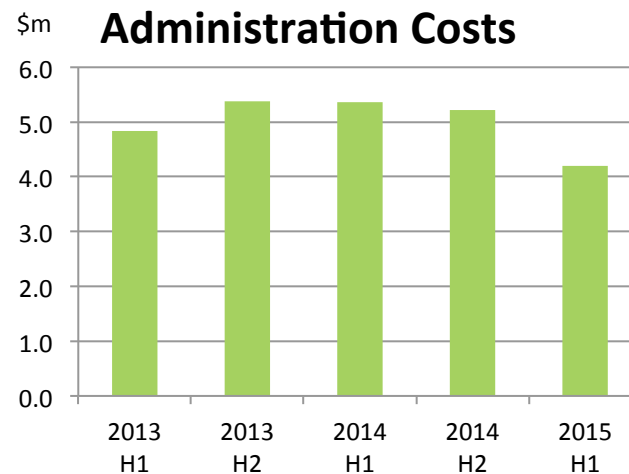
Firm cost management helps half year result.



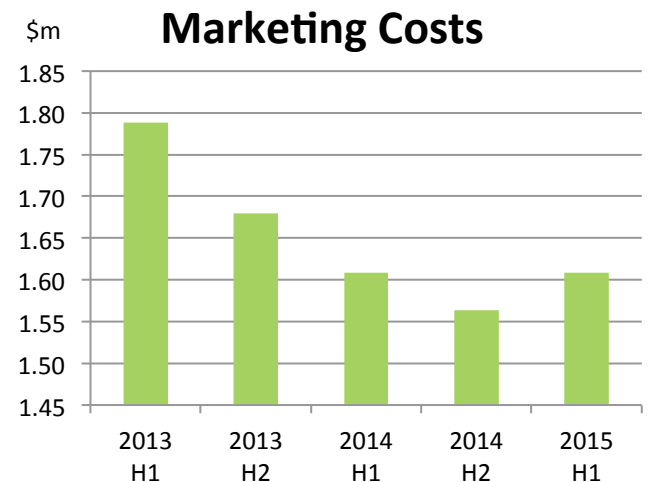
- Additional sales capability built to drive revenue.



- Investment in data centre capabilities reflects the slight increase on 2H 2014.

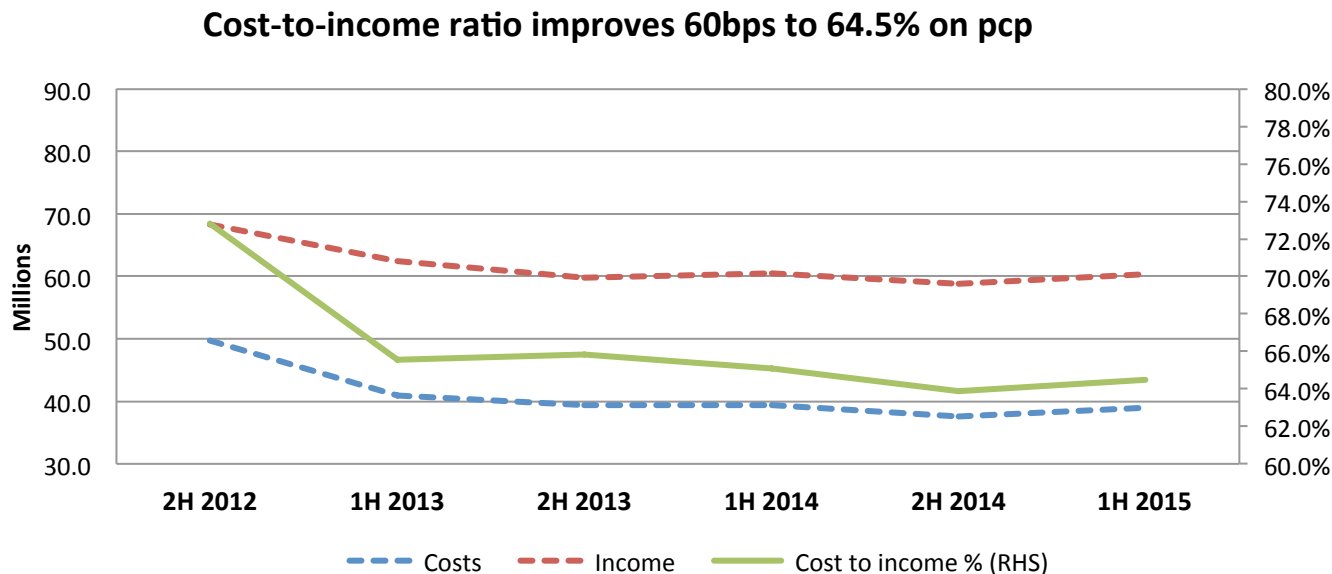


- Continued cost containment.



- Investment in revenue driving initiatives prioritised.

**First half
cost-to-income ratio
improves to 64.5%
(1H 2014: 65.1%).**



- Tight cost management – revenue growth building.
- While revenue growth remains challenging, cost to income ratio maintained through tight cost control.
- 1H 2015 cost base reduced \$0.493m/ 1.25% on pcip.

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Summary and outlook...

Well positioned and on the move.



Grow

- Sound NPAT with core business gaining momentum.
- Strong loan book growth driving uplift in revenue.
- M&A opportunities to be explored.



Simplify

- Enhanced systems will further improve service and turnaround times.
- Simplified processes and systems positions the business for further growth.



Strength

- Strong capital position maintained.
- Diversified funding base supporting asset growth.
- Strong cost management maintained.
- Margin management and deposit raising imperative in a low rate environment.



Relationships

- Strong broker relationship driving settlement growth.
- Enhanced community engagement supporting retail channel.



Transform

- Sales culture and strategy bearing fruit.
- New loan origination system to enhance service delivery.
- Online and digital strategy developing.

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