



August 2015 Investor Presentation



MyState is proud to continue its principal sponsorship of the Australian Wooden Boat festival, estimated to have contributed \$80 million to the Tasmanian economy in 2015.



Agenda

- 1 **Overview**
Melos Sulicich
CEO & Managing Director
- 2 Financial Results
David Harradine
Chief Financial Officer
- 3 Outlook
Melos Sulicich
CEO & Managing Director



The Rock proudly supports the CQ NRL bid.








Overview of FY2015 Financial Performance

- Statutory NPAT \$32.5m, up 10% on prior year.
- Underlying NPAT \$29.7m, up 0.3% on prior year.
- Underlying revenue \$119.5m, up 0.2% on prior year.
- Record settlements \$1bn, up 75% on prior year.
- Loan book \$3.6bn, up 16.3% on prior year and growth of 2.3x system.
- Capital adequacy ratio 12.7%, further enhanced through issue of \$25 million Tier 2 notes post year-end.
- Underlying cost-to-income ratio down 10bps to 64.4%.
- Final dividend 14.5 cps steady on prior year.
- Full year dividend 28.5 cps steady on prior year. Dividend payout ratio of 77%.

A sound underlying result which positions the Group well for the future.

Continued focus on strategic priorities

GROW		Growth in our revenue drivers	<ul style="list-style-type: none"> Record settlements – up 75% on prior year. Restored loan book growth of 16.3% (at 2.3x system).
SIMPLIFY		Simplifying processes for third party and direct channels	<ul style="list-style-type: none"> Enhanced systems will further improve service and turnaround times. Product simplification and rationalisation is continuing. Easy to sell, easy to buy, easy to administer.
STRENGTH		Capital ratio and arrears levels maintained	<ul style="list-style-type: none"> Sound capital ratio at 12.7%, further enhanced through issue of \$25M Tier 2 notes post year-end. Credit quality remains a cornerstone with BDD and arrears at continuing low levels.
RELATIONSHIPS		Better broker and customer engagement	<ul style="list-style-type: none"> Continued investment in third party channel relationships and systems to support growth and profitability. Renewed focus on the customer, with engagement improving from already high levels.
TRANSFORM		Transforming capability	<ul style="list-style-type: none"> A new, experienced, and capable executive team. Technology transformation underway.

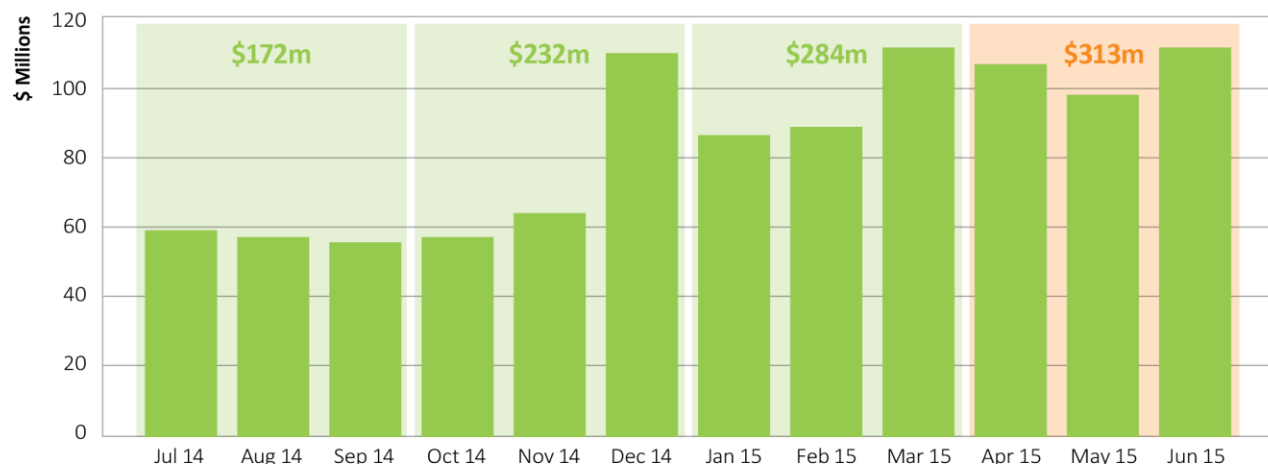
Loan book growth accelerated through the year

Settlements reach \$1bn for the first time in the Group's history

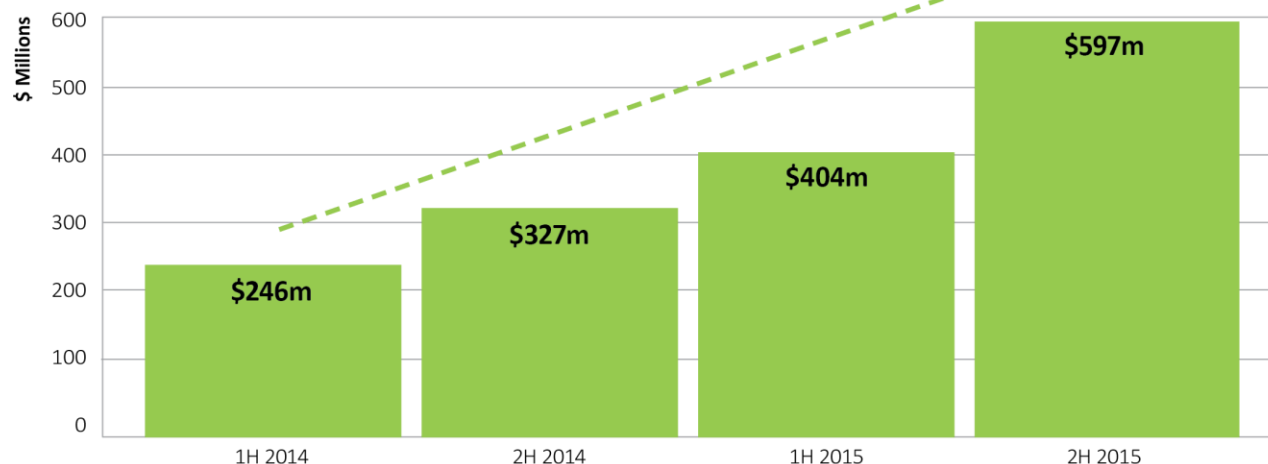
Continued acceleration in settlements with 2H 2015 ~50% above 1H 2015

FY15 settlements grew at 75% above prior year

Settlements growth achieved through every quarter of FY15



FY15 settlements up 75% on FY14



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MyState and Tasmanian Perpetual Trustees partnered to showcase the very best in local Tasmanian produce at 2015's Agfest.



Revenue increases despite competition and RBA rate cuts

Underlying earnings maintained

	2014	2015 (Statutory)	2015 (Underlying)	Change (Underlying v 2014)	
Revenue (\$m)	119.3	125.1	119.5		0.2%
Earnings (\$m)	29.6	32.5	29.7		0.3%
Net interest margin (%)	2.43	2.28	2.28		-15bps
Cost-to-income ratio (%)	64.5	62.7	64.3		-20bps
Capital adequacy ratio (%)	13.8	12.7	12.7		-110bps
Earnings per share (cps)	33.9	37.3	34.1		0.6%
Return on equity (%)	10.5	11.2	10.3		-20bps
Final dividend – fully franked (cents)	14.5	14.5	14.5	—	—
Total dividends – fully franked (cents)	28.5	28.5	28.5	—	—
Dividend payout ratio (%)	84	77	84	—	—
Credit performance – >30 day arrears (%)	0.75	0.72	0.72		-3bps

Reconciliation of underlying earnings with statutory profit

1. Cuscal share sale - Sale of non-strategic asset to support growth and reinvestment
2. Restructuring costs – Recruitment, termination and related costs to invest in new, experienced and capable Executive Leadership Team and selected positions.

	FY 2015	FY 2014
Underlying earnings after tax	\$29.7m	\$29.6m
Profit on sale of Cuscal shares ¹	\$3.9m	–
Restructuring costs ²	(\$1.1m)	–
Statutory profit after tax	\$32.5m	\$29.6m

Economic conditions continue to improve in Tasmania

The Tasmanian economy continues to improve:

- Business confidence high, with private investment spending posting solid gains during the financial year after a period of weakness.
- The major project pipeline is healthy and conditions are favourable.
- Household consumption has continued to record strong improvements and dwelling approvals posted strong gains through FY15.
- The labour market recorded further improvement in FY15 and this is expected to continue.



Mixed economic conditions in Queensland

The Queensland economy is mixed:

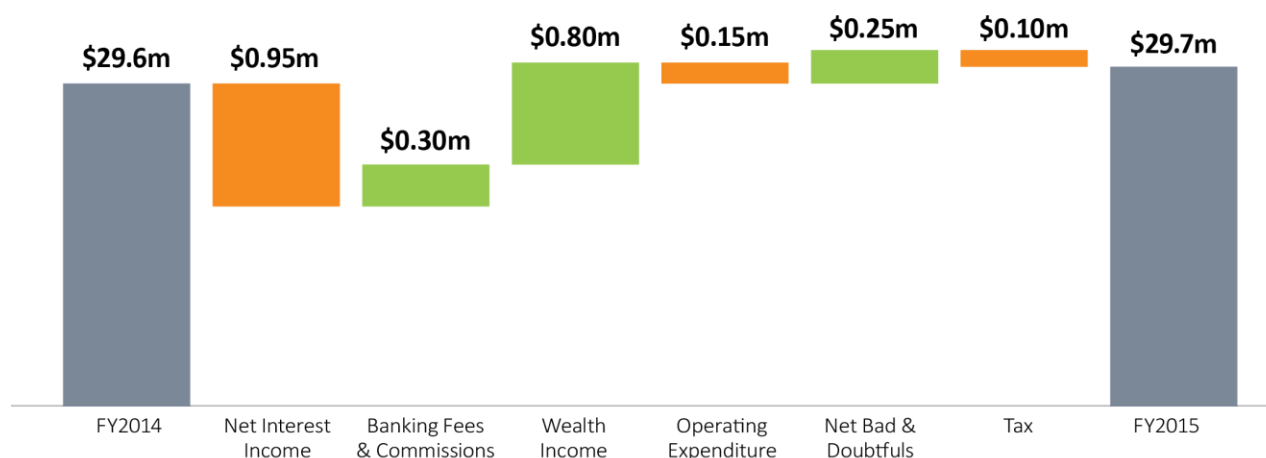
- Falling mining investment representing a challenge.
- Major areas are benefitting from an increase in dwelling approvals.
- The labour market remains soft.
- Low interest rates and a lower Australian dollar are providing some support, and improvement is broadly expected in the short to medium term.
- No signs of stress in The Rock loan book.



Sound underlying result and building for FY16

Revenue improves despite competitive intensity and NIM compression

Lending book velocity to underpin future growth and profitability



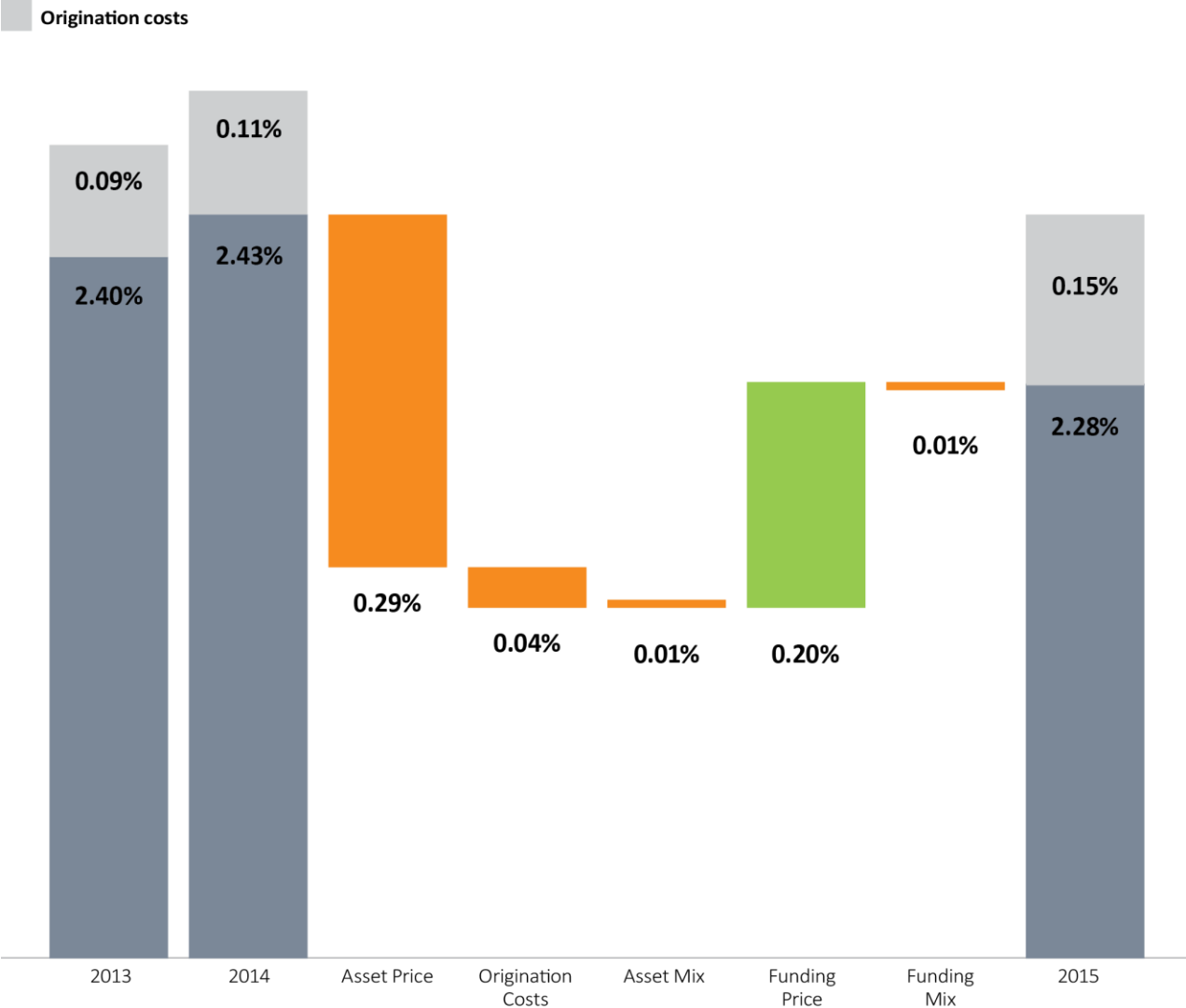
- Earnings stable, laying the foundations for FY16 earnings growth.
- RBA rate cuts and loan book growth presented hurdles to net interest income.
- Pleasing performance in Banking and Wealth non-interest income.
- Operating expenditure contained through focused cost management.
- Bad & doubtful debts benefitting from sound credit quality and conditions.

Net Interest Margin

Competition, RBA rate cuts and business growth impacting margin

Targeted asset repricing to ease NIM pressure

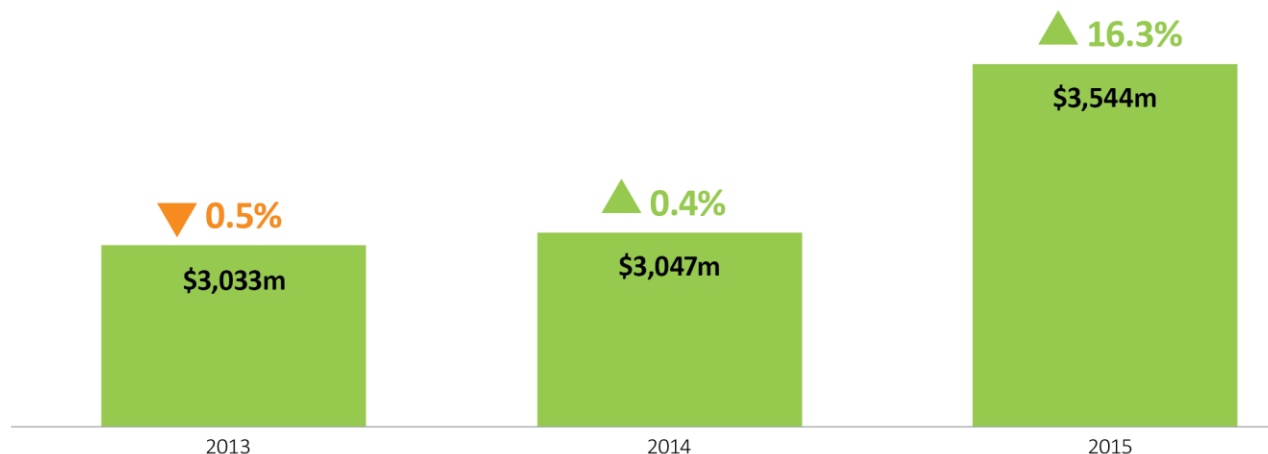
Funding costs expected to continue to ease in FY16



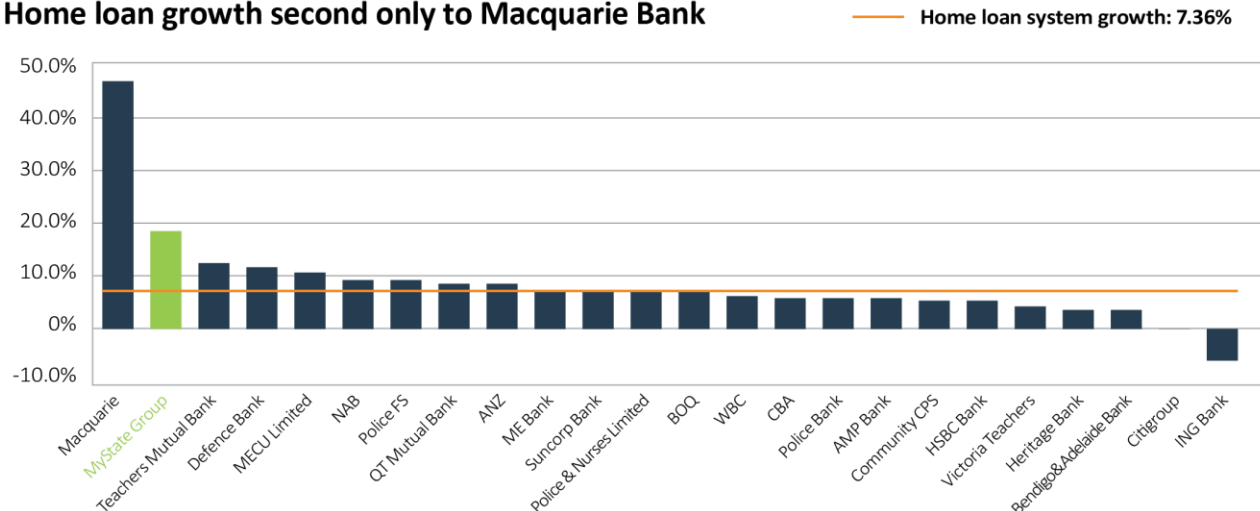
A targeted strategy and commitment to execution deliver record organic growth

Housing loan growth at 2.5x system

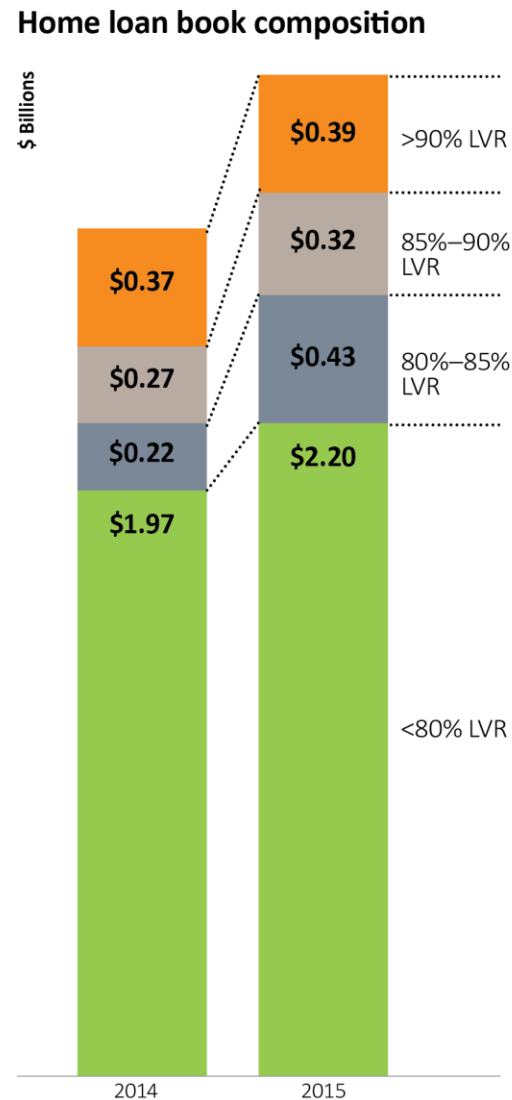
Gross loans and advances



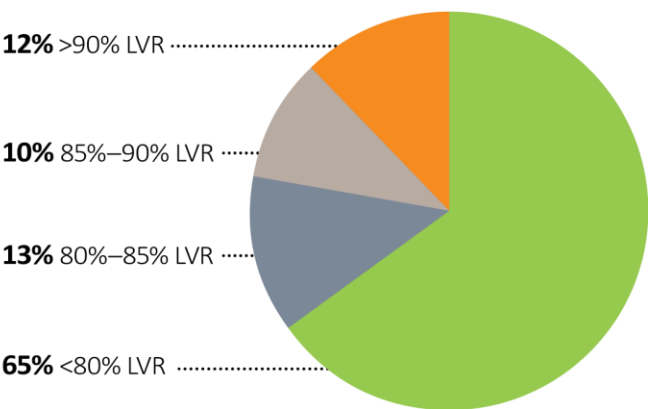
Home loan growth second only to Macquarie Bank



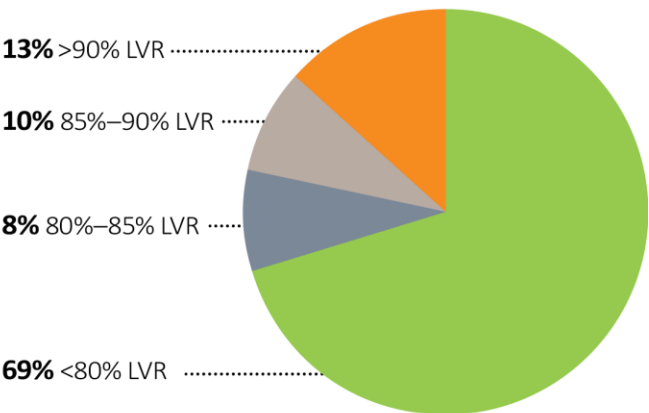
Product and pricing strategy successful in attracting quality lending business



2015 home loan book by LVR (\$3.3b total)



2014 home loan book by LVR (\$2.8b total)



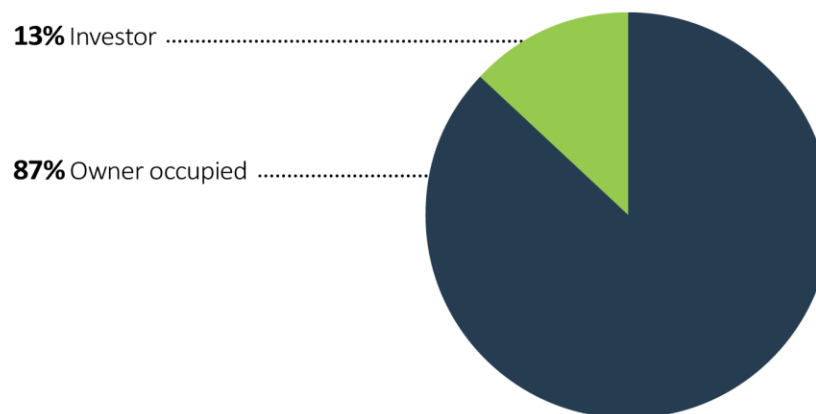
Sound loan book growth with investor loans below APRA ADI average

Investor loans comprise 13% of the loan book

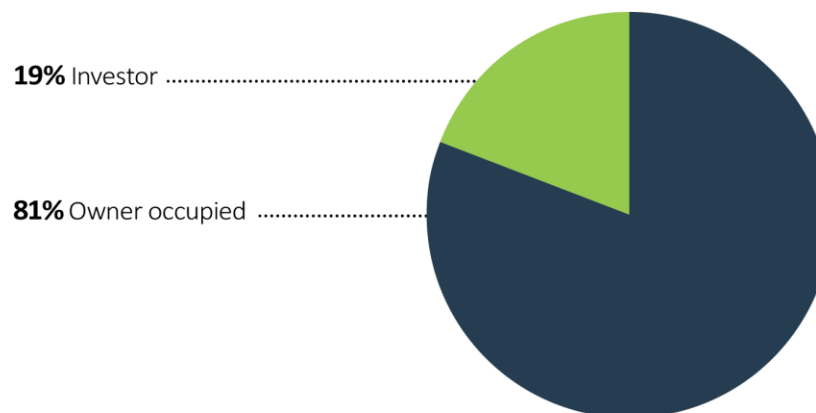
...well below the APRA ADI average of 35% ¹

1. APRA banking statistics June 2015.

2015 home loan book composition



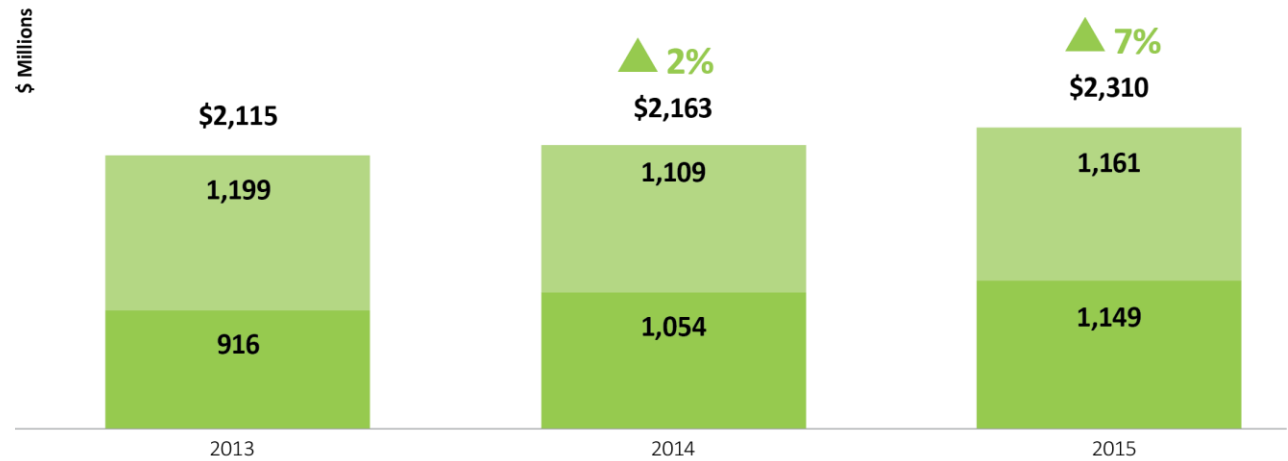
2015 home loan settlements (\$958m total)



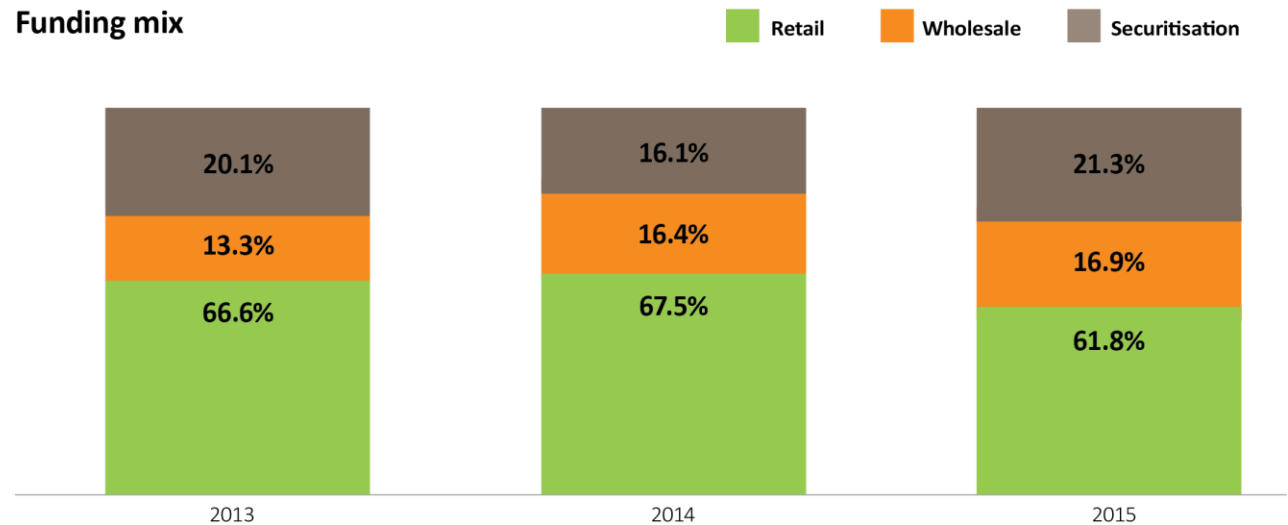
Diversified funding base supports loan growth

Successful RMBS transaction completed in 1H 2015 provides further support for growth

Retail deposits

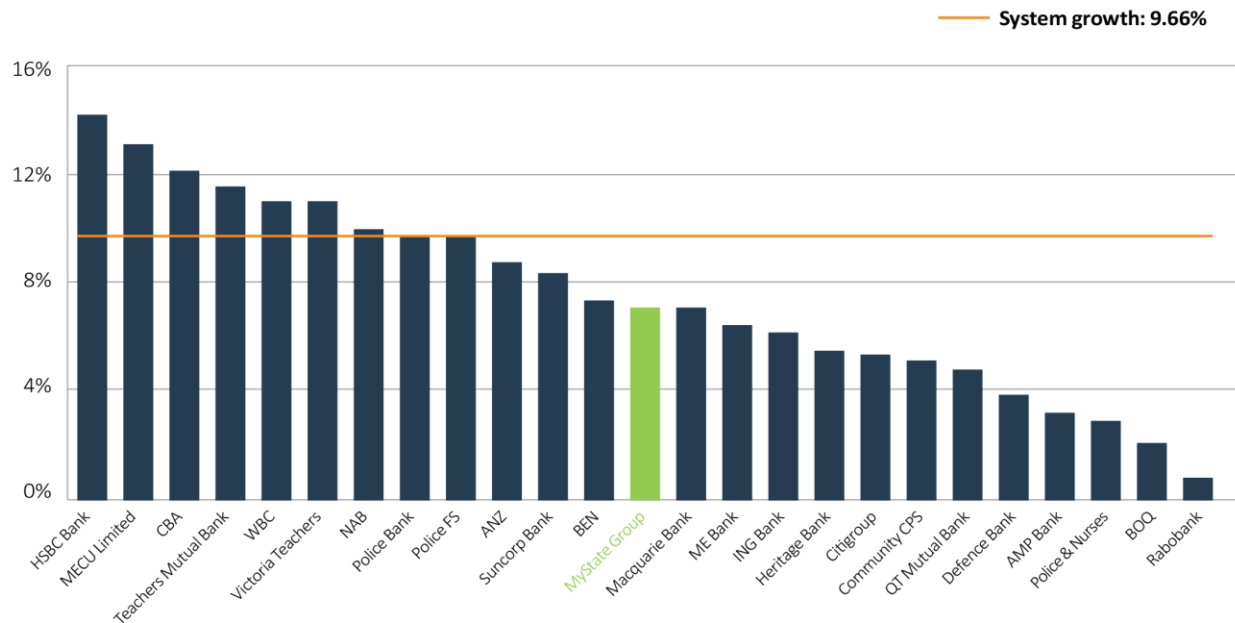


Funding mix

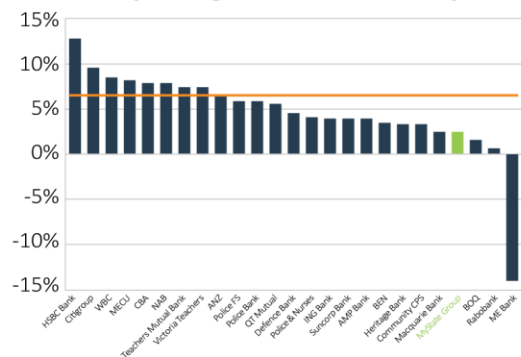


1. APRA banking statistics June 2015.

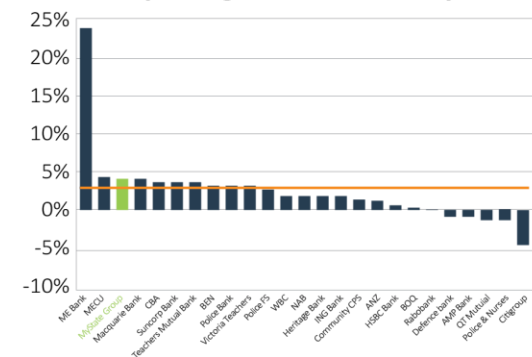
2H 2015 acceleration of retail deposits increases share of system growth



1H 2015 deposit growth at 0.42x system

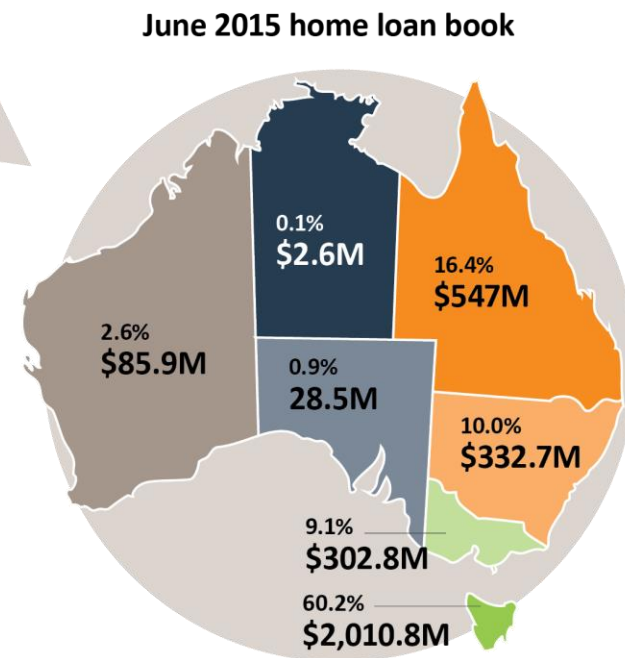
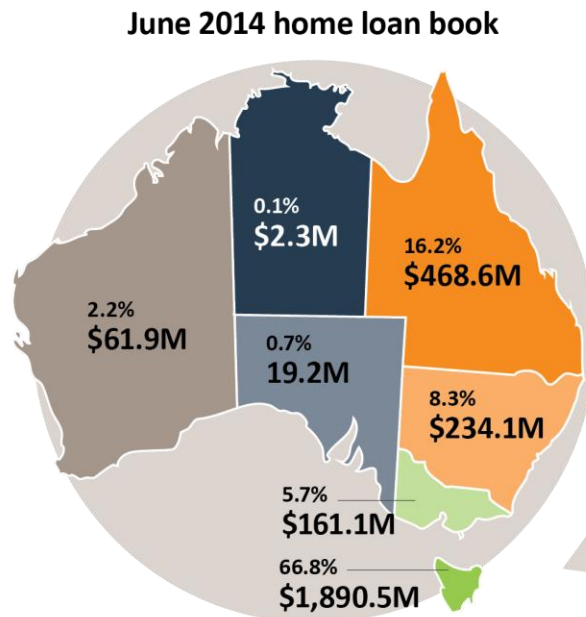


2H 2015 deposit growth at 1.4x system



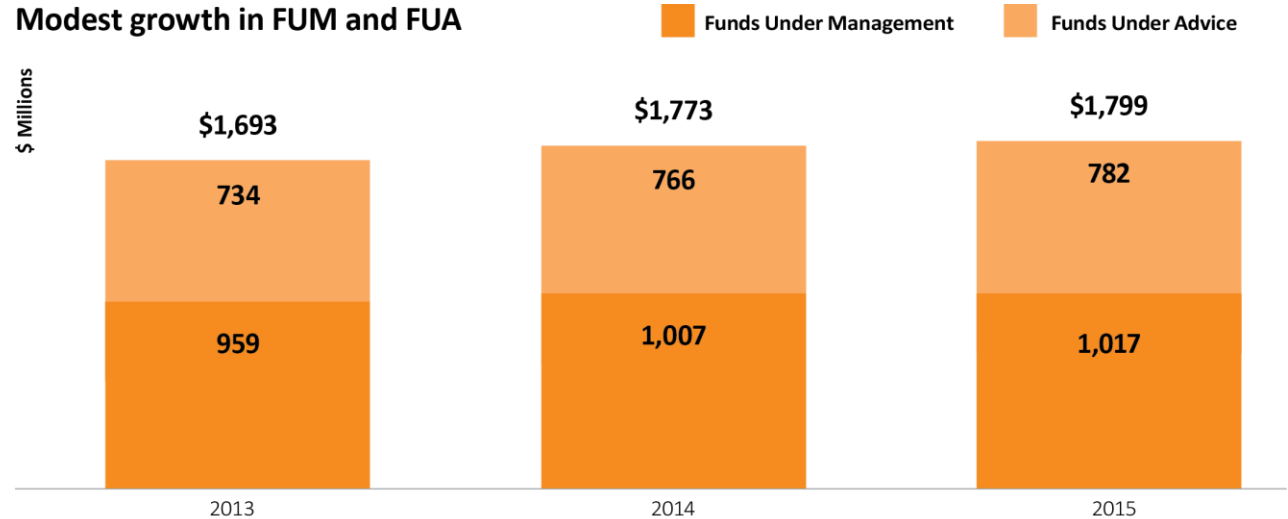
Source: APRA Banking Statistics June-15
(MYS = MSB + ROK)

Delivering on
our strategy to
further diversify
the loan book
and achieve
lower
geographic
concentration

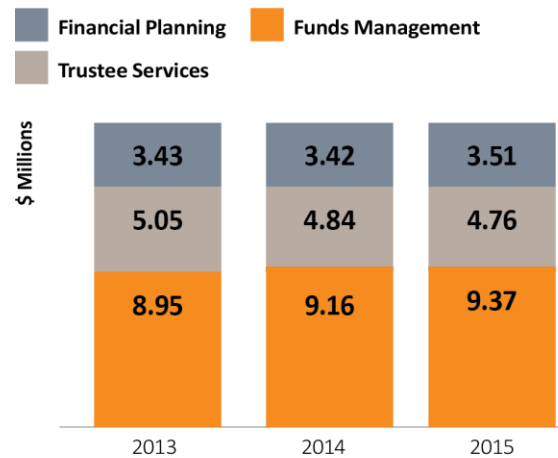


**Wealth
continues
to deliver
consistent,
stable returns
to the business**

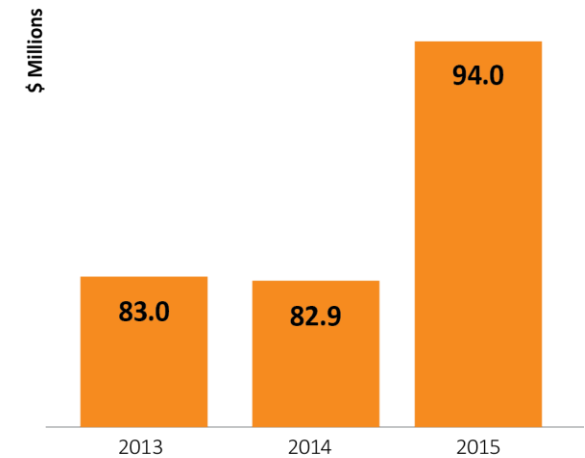
Modest growth in FUM and FUA



Core wealth income steady

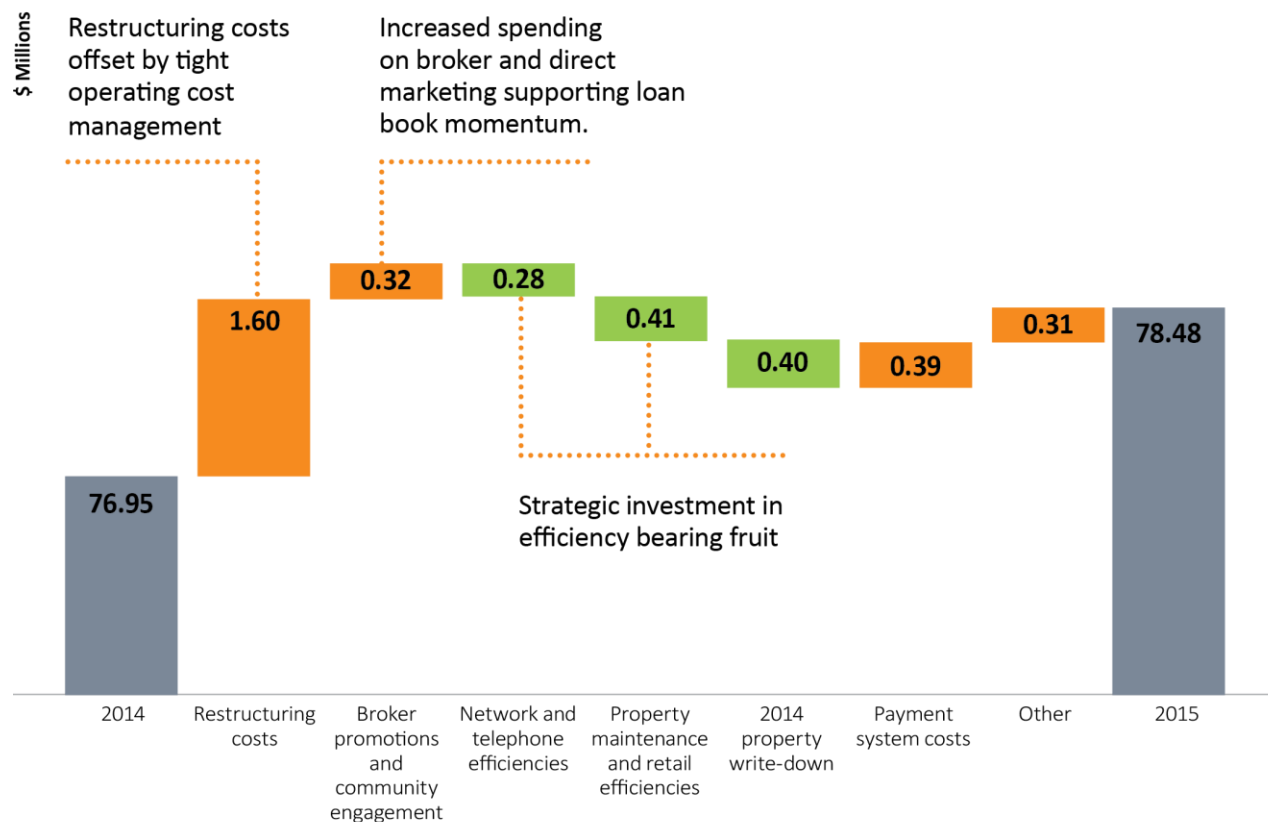


Increase in open estates



Tight operating cost management continues

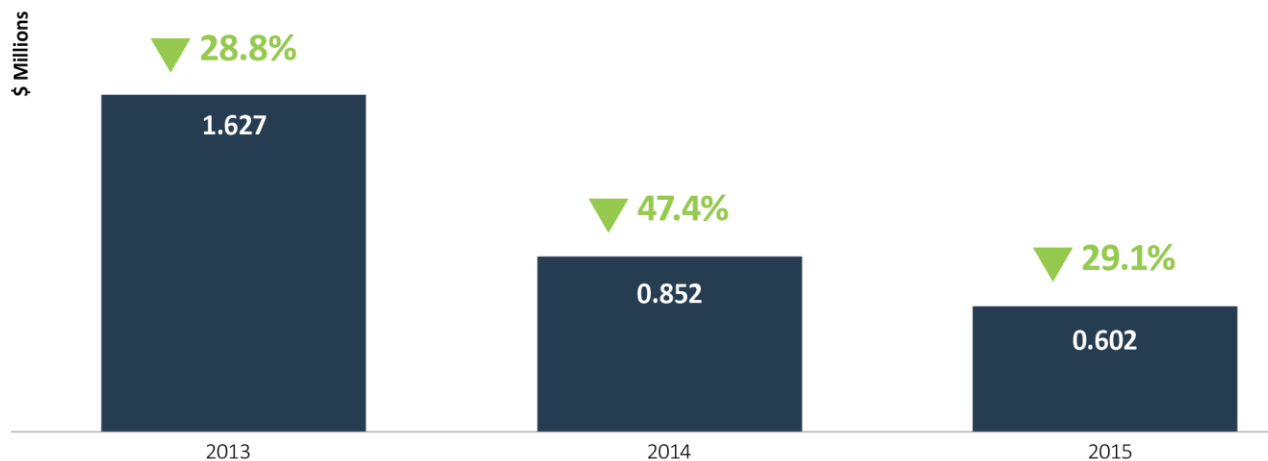
Operating expenditure



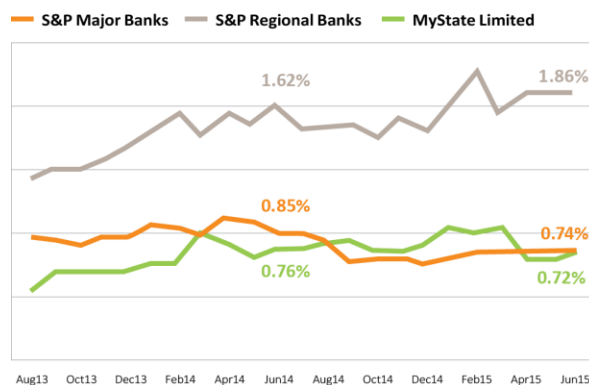
- Cost to income ratio (underlying earnings) improves by 20bps to 64.3%

Strong credit quality and conditions reflected in the continued decline in bad and doubtful debts

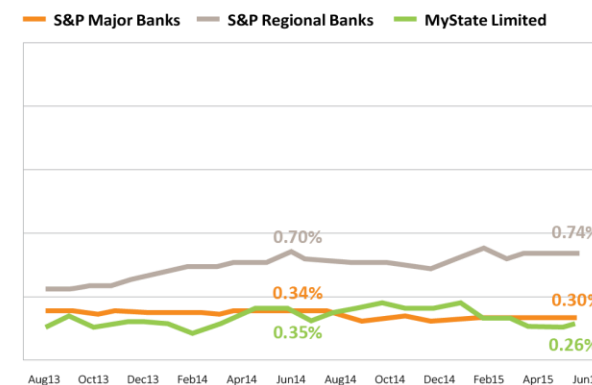
Bad and doubtfuls charge



30+ day arrears well below peers

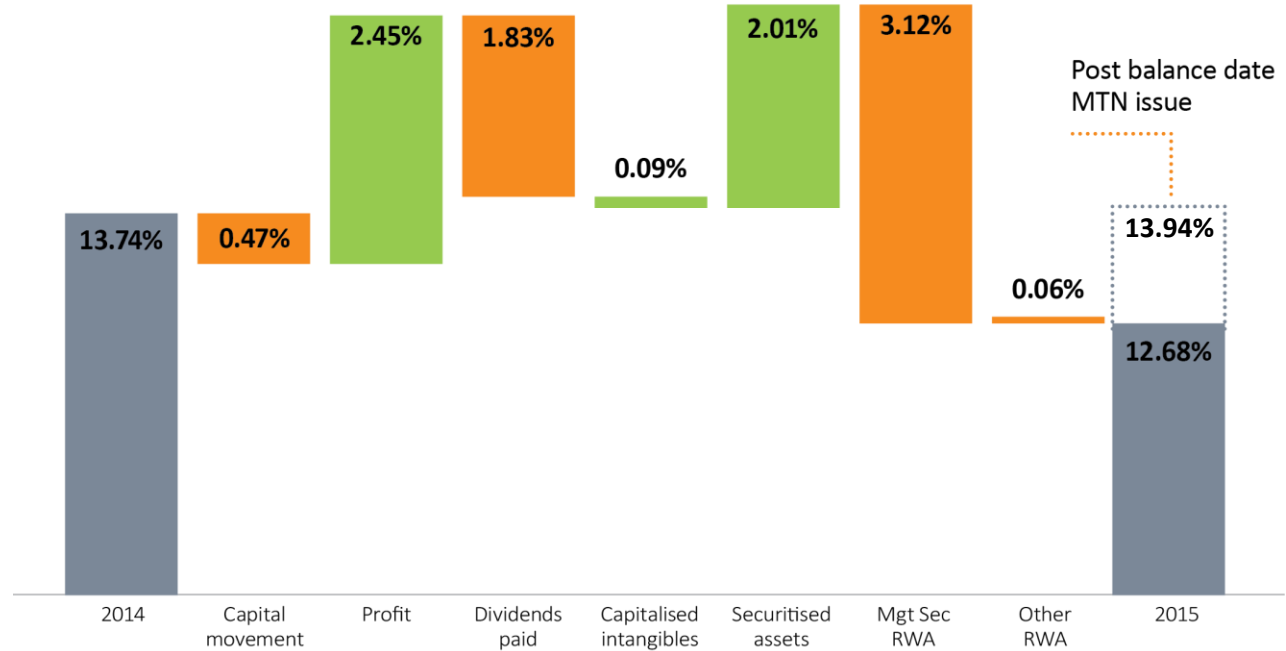


90+ day arrears tracking at 35% of Regional Banks' average



Strong asset growth contributed to a decline in the Group's capital ratio

Capital ratio movements



- Capital further enhanced through \$25 million Tier 2 medium term notes issue post balance date.

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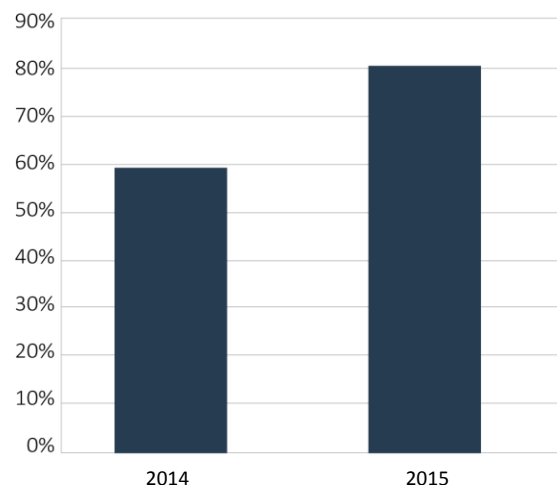


The MyState Student Film Festival showcases young Tasmanian talent to Australia – and the world.



Employee Connectivity and Customer Engagement both increase

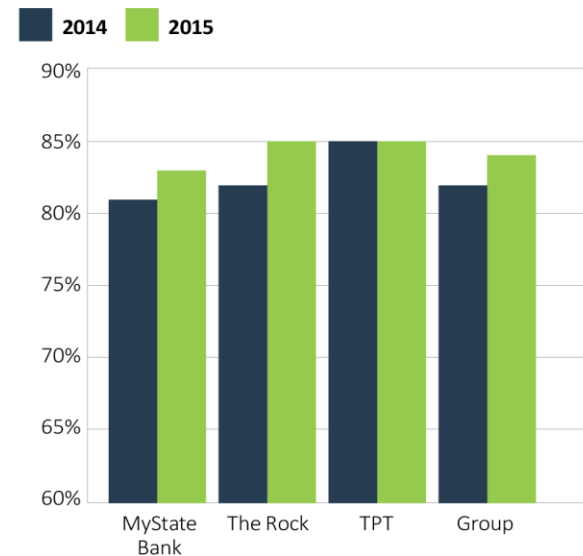
Employee Connectivity Score



Analysis of the Employee Connectivity Survey points to the following factors:

- New leadership and company direction
- Strong internal communications
- Culture building centred on 'The MyState Way'
- Staff benefits and rewards and recognition programs
- Employee/community recognition

Customer Engagement Index



Customer Engagement strength driven by:

- Improvement in new customers' experience of on-boarding
- Continued strong customer service experienced across all channels
- Reduction in reported errors

Pending Regulatory Reform

Regulatory Developments

- Higher capital and mortgage risk weighting
- Potential for federal government deposit tax (Financial Claims Scheme)

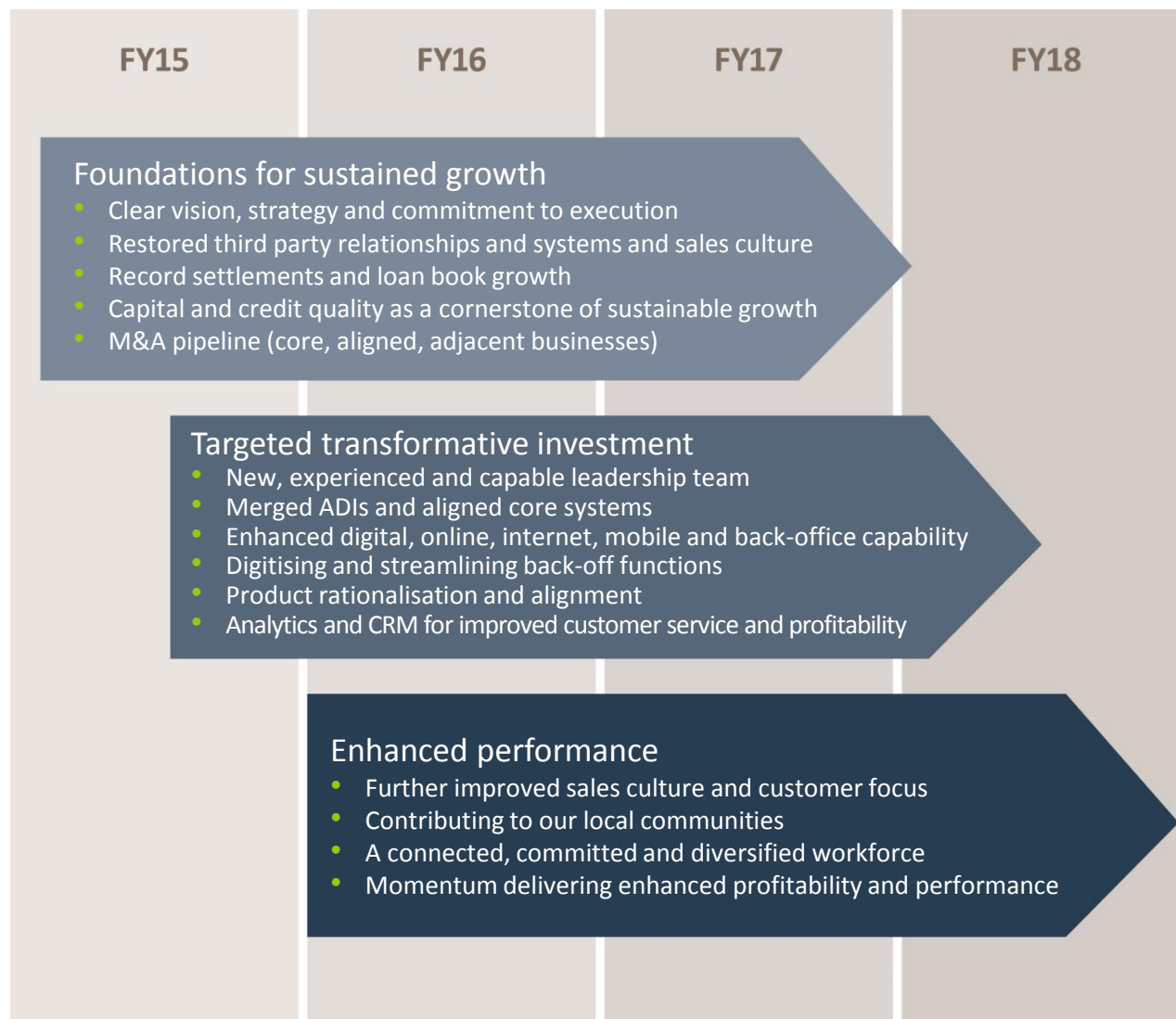
Implications for MyState

- MYS Tier 1 capital position remains well above industry average
- Levelling of competitive landscape between major banks and smaller ADIs
- Changing competitive landscape in mortgage pricing

**Sustained
growth...**

**...targeted,
transformative
investment**

**...leading to
enhanced
performance**



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