

Investor Presentation

Half Year 2021

The human way to bank

MyStateLimited 



Now here. Enhanced customers. With added auto-saver feature.
MyState Bank – personalised banking campaign – August 2020

Agenda

01

Key highlights

Melos Sulicich

CEO & Managing Director

02

Financial results

Gary Dickson

Chief Financial Officer

03

COVID-19

Gary Dickson

Chief Financial Officer

04

Strategy & outlook

Melos Sulicich

CEO & Managing Director

Key highlights

Melos Sulicich

The human way to bank



Now here. Enhanced customers. With added auto-saver feature.
MyState Bank – personalised banking campaign – August 2020

Key highlights

FINANCIAL

+18.8% **+12.6%**
Core earnings^{1, 2} Net profit after tax

-340bps **+5.1%**
Cost-to-income ratio² Customer deposits³

+65bps **12.5cps**
Return on average equity Fully franked dividend

Note: Financial performance figures compare 1H21 to 1H20 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2020 as pcp.

CUSTOMER

14,503
New customers acquired in CY20

+40
Customer Net Promotor Score

71%
Customer funding ratio

INITIATIVES DELIVERED

- Significant marketing drive commenced
- Wealth distribution capability & capacity enhanced
- AI enabled home loan retention tool now live
- Restructured Wealth division with new Trustee Services platform
- Significant cost out via Closure of 6 branches (4 in Central Queensland and 2 in Tasmania) – leaving network of 7 in Tasmania

POSITIONING FOR THE FUTURE

- Increased marketing spend
- Ongoing digitisation and capability build
- Positioned to significantly accelerate customer and balance sheet growth
- Increased bank mortgage distribution

WE HAVE A FOCUSSED DIGITAL GROWTH STRATEGY, WITH A SIGNIFICANT OPPORTUNITY FOR RAPID GROWTH.

1 Defined as pre-provision operating profit before tax
2 Excludes Restructure costs
3 Growth on 30 June 2020

Financial Results

Gary Dickson

Results summary

Performance

- NPAT bridge
- Funding
- Operating costs

Loan book

Capital

TPT Wealth

The human way to bank



Introducing, the next-gen, smart-spending shopper.
MyState Bank – personalised banking campaign – August 2020

Results summary

- Strong top line momentum with NIM continuing to benefit from lower funding costs.
- Positive “jaws” with Operating expenses continuing to be well managed.
- Return on average equity increased on pcp to 9.94% which compares favourably to regional bank peers.
- Interim dividend within target payout ratio range.

	1H21	1H20	Change	
Net interest income (\$m)	55.4	48.2	+15.0%	▲
Total operating income (\$m)	68.6	63.3	+8.5%	▲
Operating expenses (excl. BDD) (\$m) ¹	42.2	41.1	+2.7%	▲
Pre-provision operating profit (\$m) ¹	26.4	22.2	+18.8%	▲
Net profit after tax (\$m)	17.0	15.1	+12.6%	▲
Earnings per share (cps)	18.49	16.57	+11.6%	▲
Net interest margin	1.94%	1.82%	+12bp	▲
Cost to income ratio ¹	61.5%	64.9%	-340bp	▼
Total capital ratio ²	13.24%	13.01%	+23bp	▲
Return on average equity ³	9.94%	9.29%	+65bp	▲
Return on tangible equity ³	13.26%	12.64%	+62bp	▲
Dividend—fully franked (cps) ⁴	12.50	14.25	-1.75cps	▼
Dividend payout ratio	67.6%	86.0%	-18.4%	▼
Credit performance - 30 day arrears	0.57%	0.56%	+1bp	▲

Note: Financial performance figures compare 1H21 to 1H20 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2020 as pcp.

1. Excludes Restructure costs

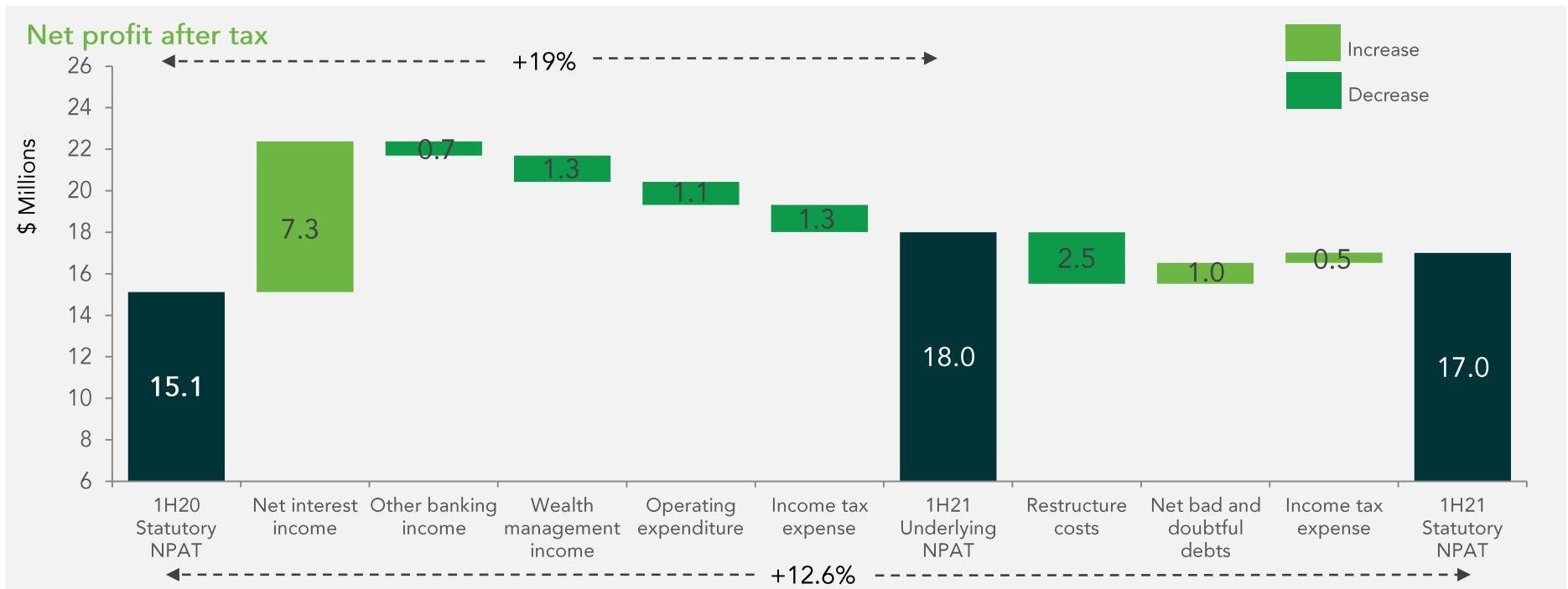
2. Comparative is as at 30 June 2020

3. Annualised FYTD

4. Interim dividend of 12.5cps payable to shareholders on the register at the record date of 25 February 2021

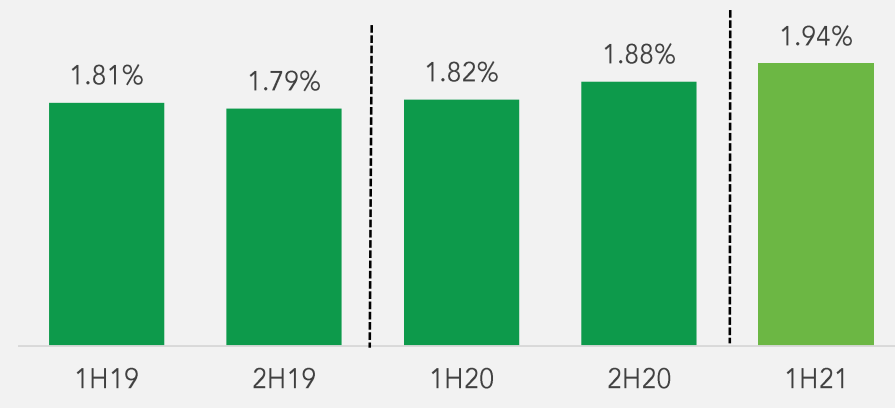
NPAT bridge

- NPAT growth of 12.6% and Underlying NPAT growth of 19%.
- Net interest income grew 15.0% on pcip benefiting from a higher average balance sheet, lower funding costs and focused margin management.
- Disciplined management of costs with ongoing investment in marketing and digital.
- Net bad and doubtful debts write-back of \$0.4m in 1H21 reflects a reduction in the forward looking overlay due to the significantly improved economic environment; the charge of \$0.6m in pcip reflected the increase in late stage arrears towards the end of CY19.
- Arrears remain well below benchmarks for regional bank peers and major banks.



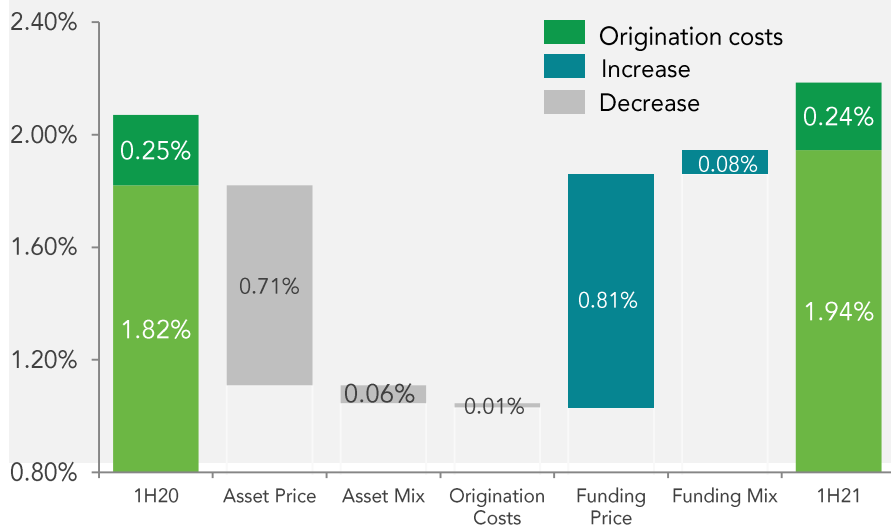
MyState Bank net interest margin expansion

NIM Trend

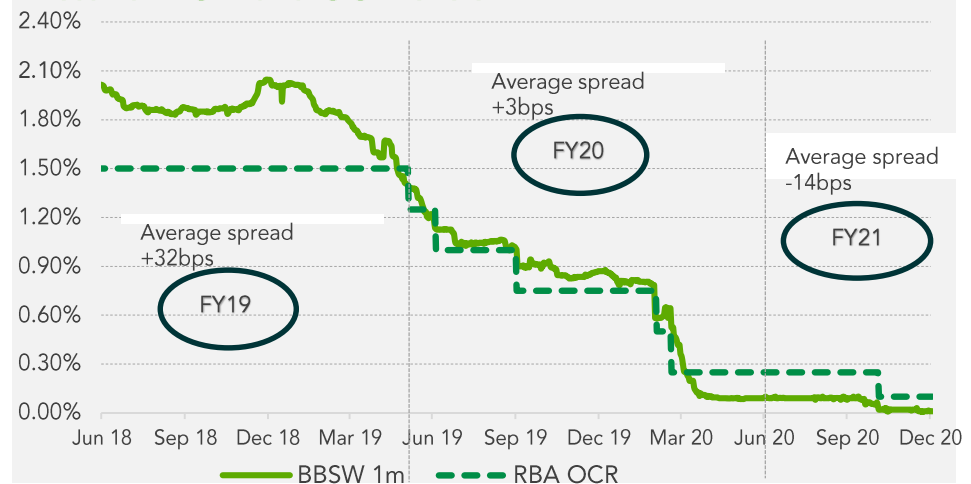


- Net interest margin up +6bps on 2H20.
- Home loan market remains highly competitive.
- Continued fall in wholesale funding costs.
- TD rates falling as book rolls to lower rates.
- Narrowing of cash-bills spread contributed 3bps of uplift in 1H21 relative to FY20 NIM of 1.86%.

NIM waterfall



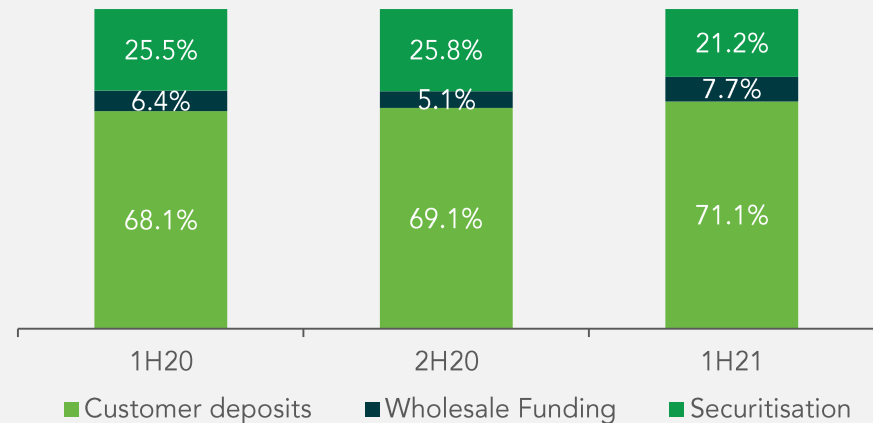
Historic BBSW and OCR levels



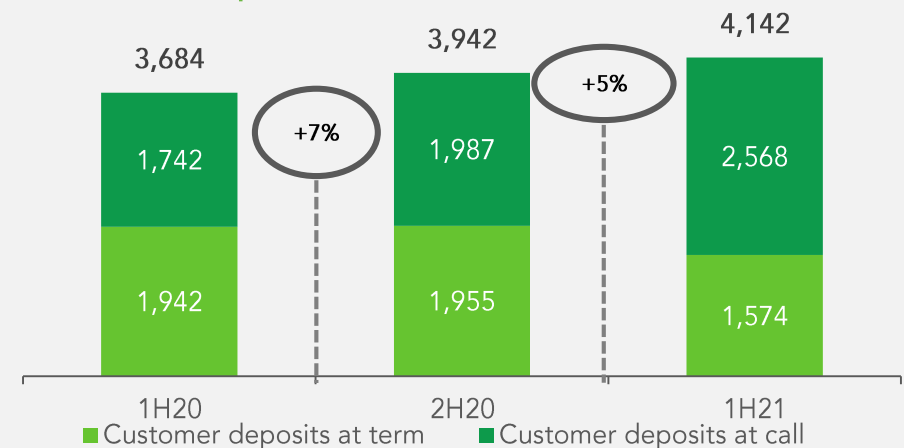
Funding

- Lower cost Customer deposits were up 5% on 30 June 2020.
- Significant growth in the award winning Bonus Saver Account (+210% on 30 June 2020) driven by digital acquisition of new customers.
- Retail funding costs continued to fall off the back of lower wholesale funding rates.
- Some customer attrition following the Central Queensland branch closures, predominantly in term deposits.
- Securitisation remains an important source of funding and the ConQuest program continues to be well supported by a broad investor-base.
- Moody's downgrade of MyState Bank to Baa2/P-2 investment grade rating in September 2020 has had no impact on access to and the cost of funding.

Funding mix (%)

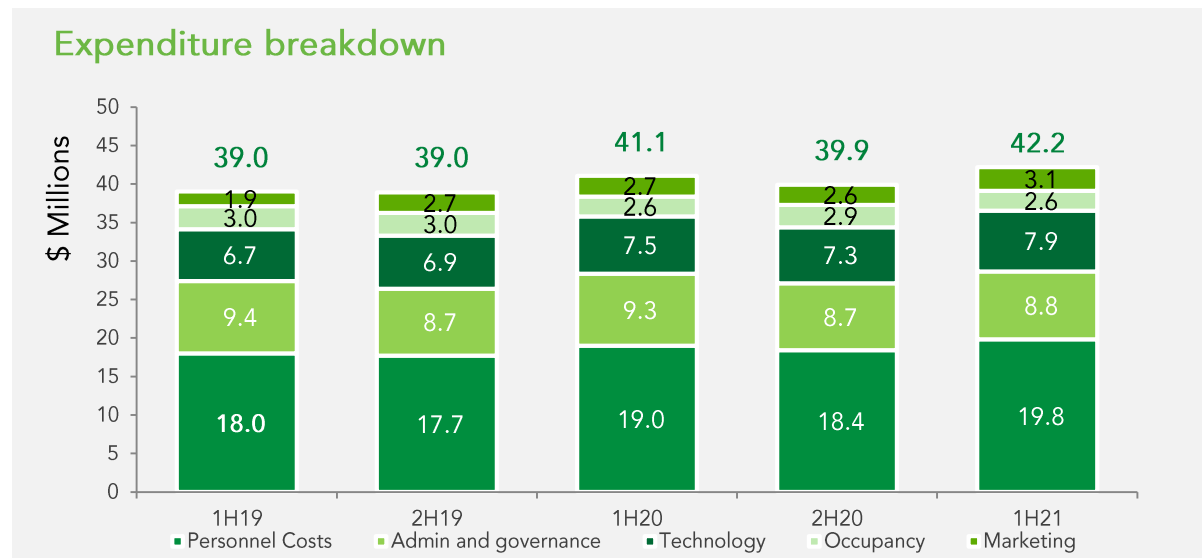
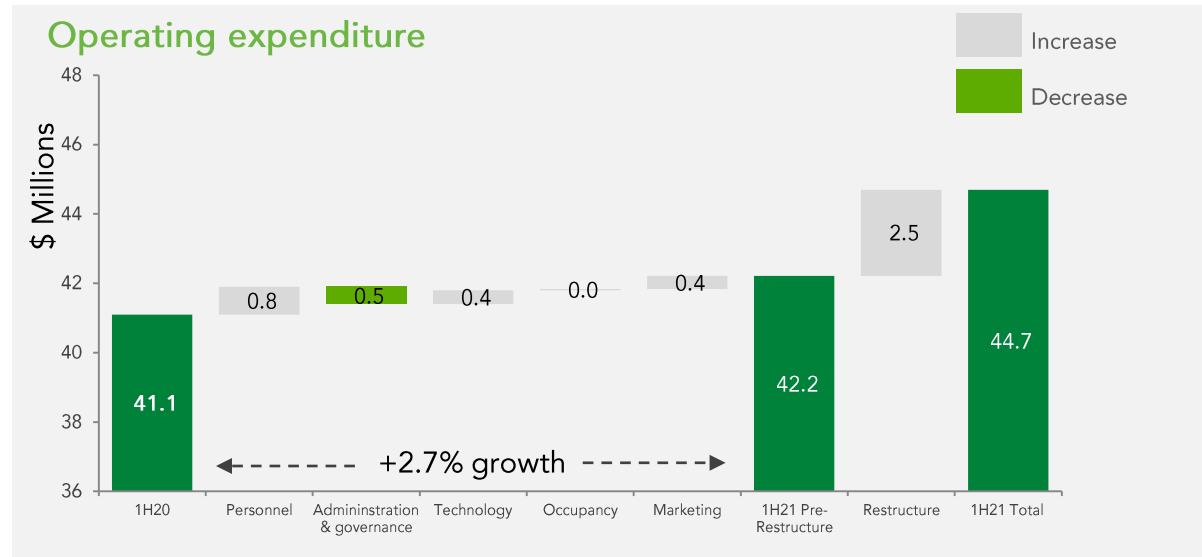


Customer deposits (\$m)



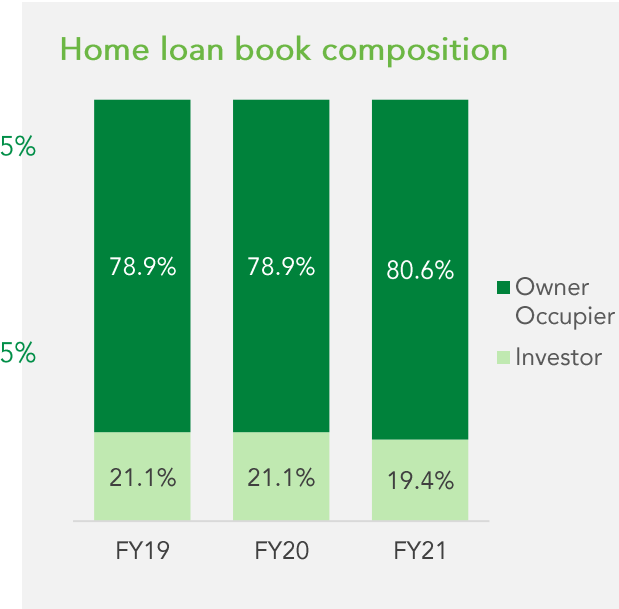
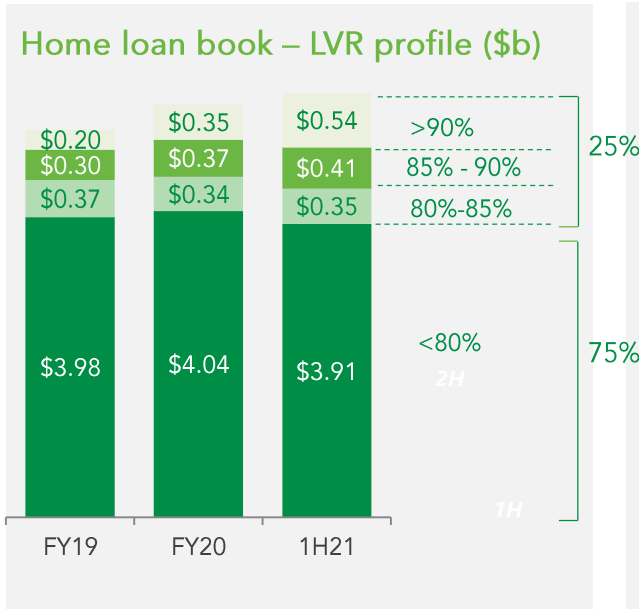
Operating costs

- Operating costs (before restructure costs) increased 2.7% on pcp driven by increased investment in capability, digitisation and marketing.
- Increased investment in marketing of \$0.4m, up 15% on pcp.
- Restructure costs of \$2.5m relate to the closure of branches in Central Queensland and a re-organisation of the Wealth business. Expected annualised benefits of \$2.1m to be reinvested in growth related initiatives.
- Personnel costs in 2H20 benefitted from the forfeiture of short term incentives due to the impacts of COVID-19.

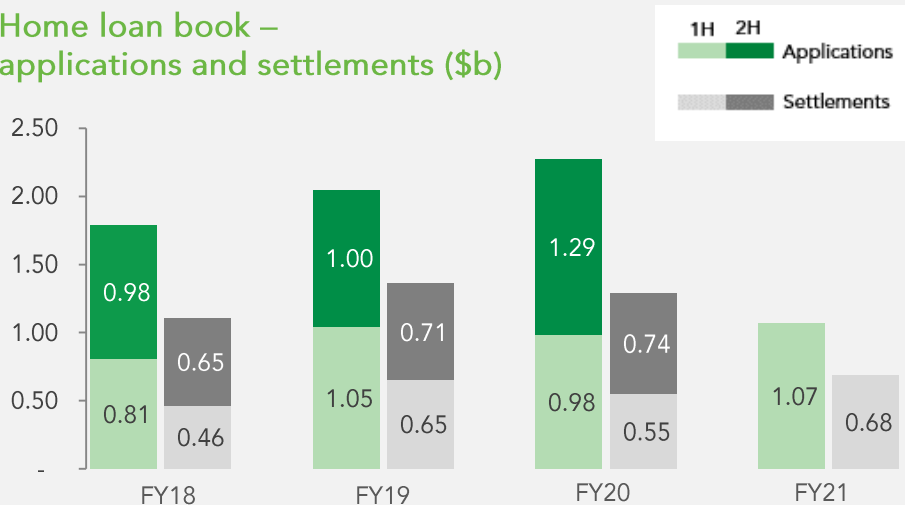


High quality, low risk loan book

- Total loan book grew 5.5% on 31 December 2019. Home loan book grew at 1.7x system (+6.2%) on 31 December 2019
- Home loan applications and settlements up c.10% and 24% respectively on pcp, partly offset by higher discharges and principal repayments.
- Maintaining quality lending growth amidst strong competition remains a key focus.
- Increase in higher LVR loans reflects participation in the FHLDS.

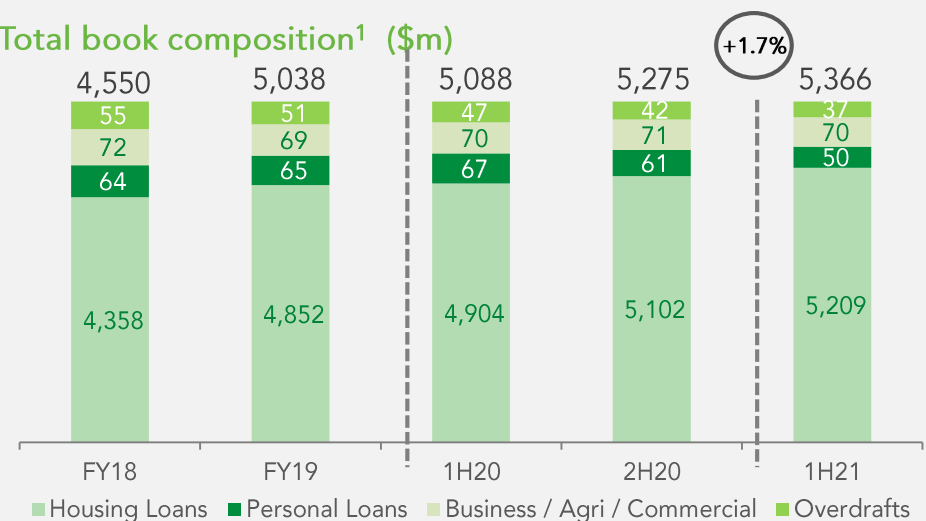


Home loan book – applications and settlements (\$b)



1. Excludes capitalised origination costs

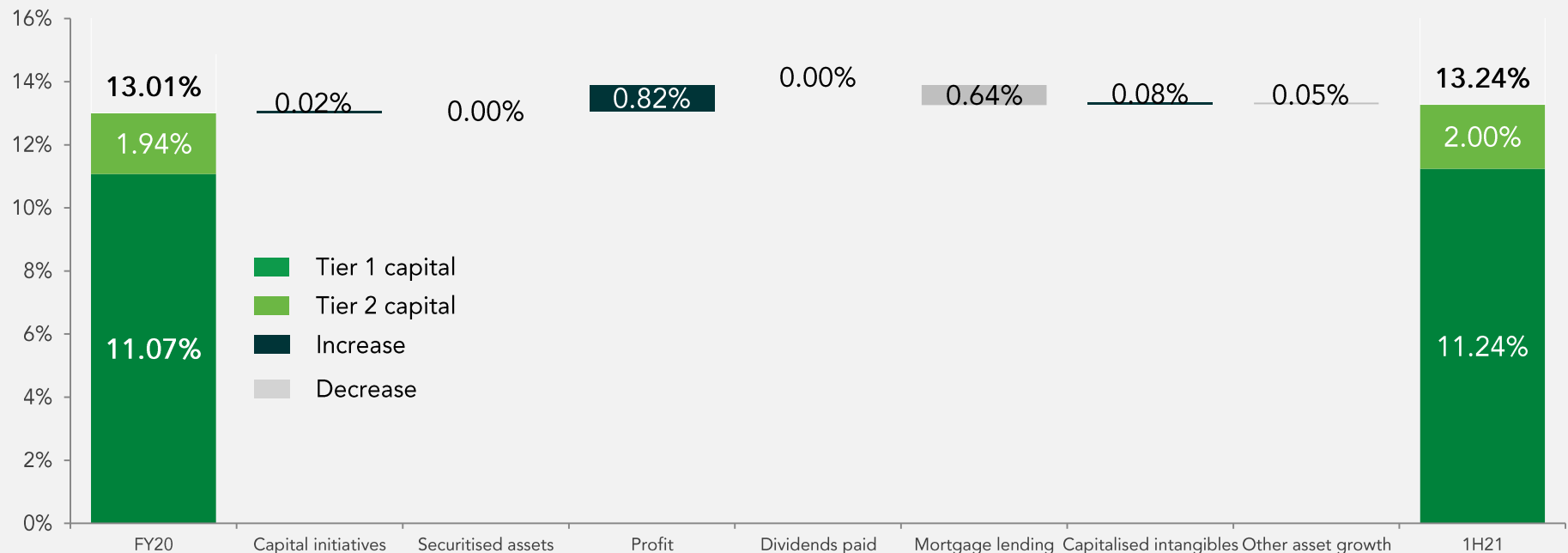
Total book composition¹ (\$m)



Well capitalised

- Capital ratios comfortably above regulatory minimums, providing headroom for further growth.
- Capital position supported by earnings growth and securitised funding.
- Effective capital strategy underpinning growth and investment in digital capability.
- Tier 2 capital (\$25m) redeemed at first call date and re-issued in July 2020.

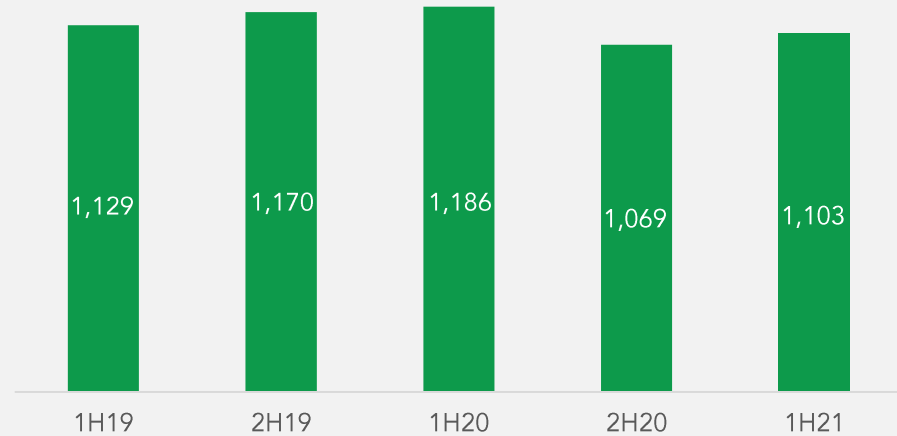
Capital



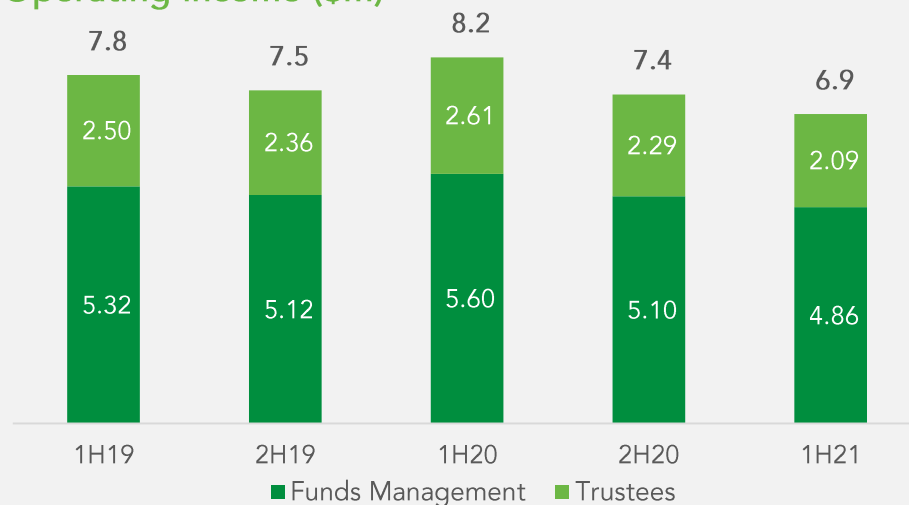
TPT Wealth

- Net FUM growth of 3.2% from 30 June 2020 to \$1.103b driven by income funds.
- Wealth revenue decreased 15.9% on pcp (and 6.8% on 2H20) due to lower trustee fees and funds management revenue (the latter partly due to the impacts of COVID-19).
- Investment management for growth funds outsourced to Mercer.
- Replacement of legacy trustee system on track for completion in late February.
- Distribution capability enhanced to drive growth on the Eastern seaboard, to complement the team in the heartland market of Tasmania.

Funds under management (\$m)



Operating income (\$m)



COVID-19

Gary Dickson

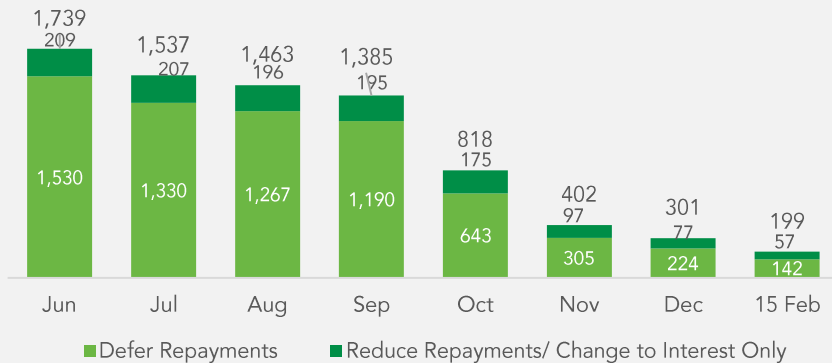
The human way to bank



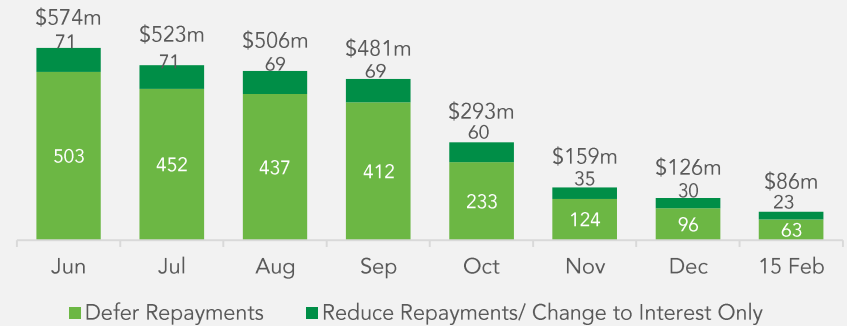
Here for you when life's a little unbalanced.
MyState Bank – unbalanced world campaign – July 2020

COVID-19 assistance to customers

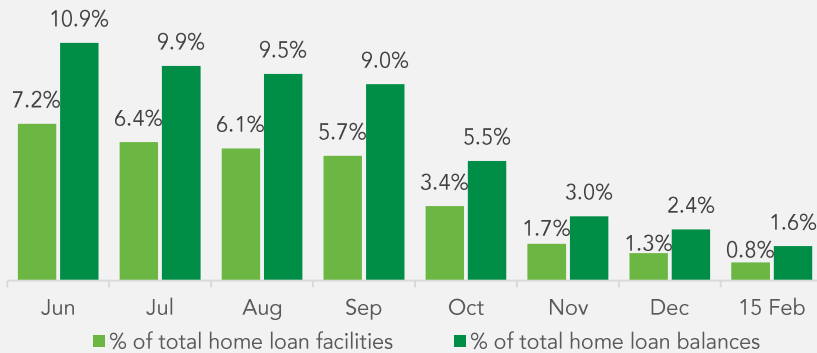
Total loans with assistance (facilities, no.)



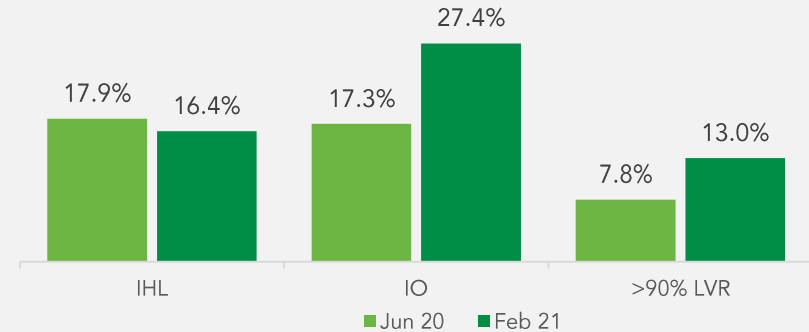
Total loans with assistance (balances, \$m)



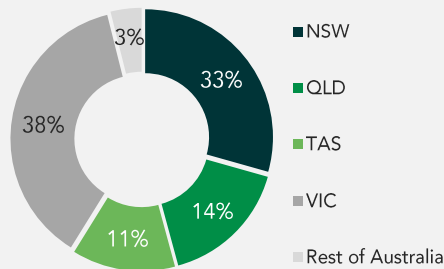
Home lending assistance



Home lending assistance profile
% of total home loan assistance balances



Home lending
deferrals by State
15 February 2021



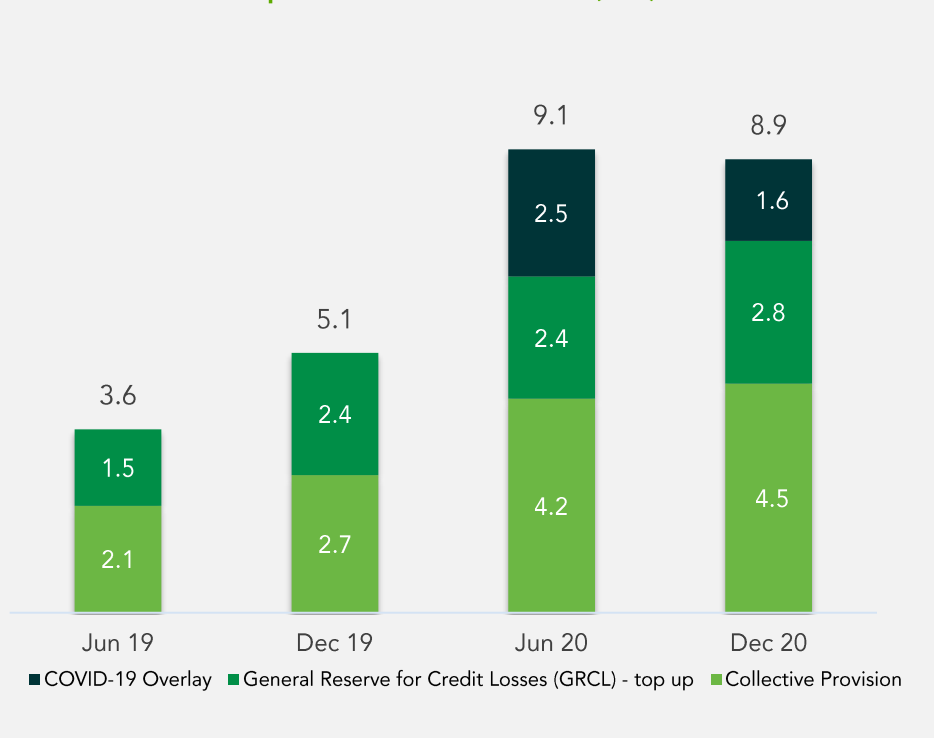
Financial assistance

- 199 customers remain on some form of assistance: 188 home loans, 6 personal loans and 5 commercial loans.
- 92.8% of customers who received assistance are making some sort of payment.
- 0.8% of the mortgage portfolio is receiving some form of assistance. Only 0.6% of the mortgage portfolio are on payment deferrals.
- 38% of the mortgage loans with COVID-19 assistance are in VIC. This represents 3.4% of the VIC mortgage portfolio.

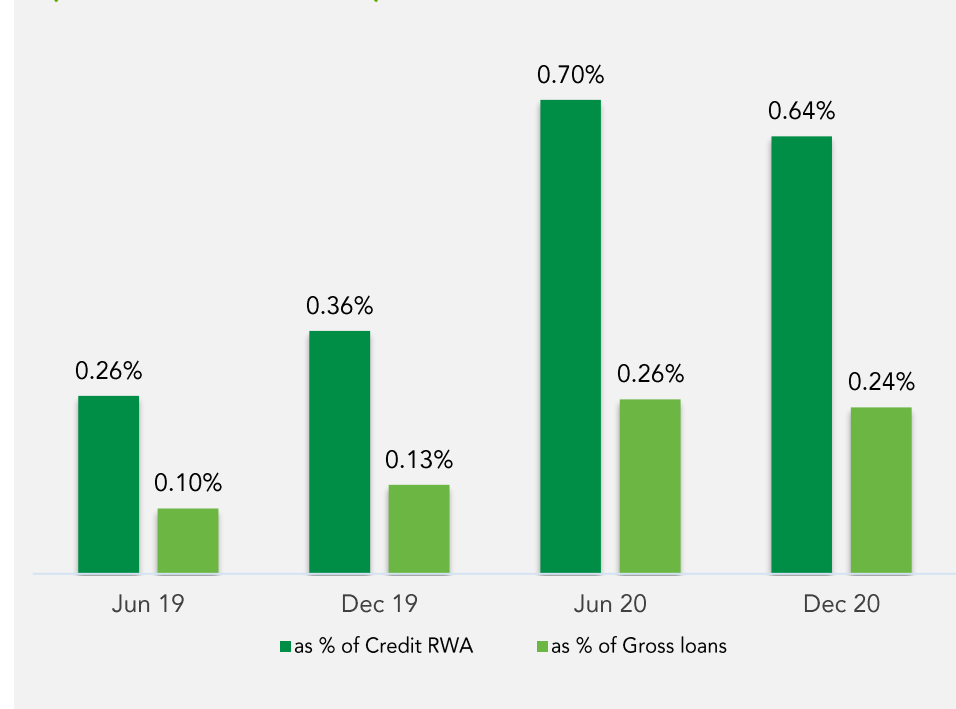
Provisions and coverage ratios

Loan provisioning assumptions updated for the improved economic outlook

Total collective provisions and GRCL (\$m)



Total Provision Coverage Ratio (Collective and GRCL)



- At 30 June 2020, the \$4.0m increase in Total Collective Provisions and GRCL reflects an increase in and the ageing of arrears in the total loan book (\$1.5m) and the COVID-19 overlay (\$2.5m).
- At 31 December 2020, the reduction in the COVID-19 overlay (\$0.9m) reflects the improved outlook for unemployment and house prices and the re-weighting of probabilities for each economic scenario; \$0.5m released to profit and \$0.4m reallocated to the Collective Provision.

Strategy and outlook

Melos Sulicich

Sector overview
Strategic priorities
Outlook

The human way to bank



All-new relaxed customer. Now with savings detection.
MyState Bank – personalised banking campaign – August 2020

Sector overview

Industry dynamics

- Key themes shaping the year ahead:
 - The Australian economy rebounded more strongly than originally envisaged.
 - Consumer and business confidence is very positive.
 - COVID related government assistance due to come to an end by 31 March 2021.
 - Competition for new lending remains intense.
- Low credit growth combined with low rates for longer increases importance of scale economies.
- Increased importance of technology delivery and customer proposition differentiation.
- Customers expecting more functionality from online and mobile banking.
- Customers coming out of COVID-19 with a different set of values; increase in 'austerity'?
- Impact of COVID on credit loss provisions becoming more clear but some uncertainty still remains.

Regulatory dynamics

- APRA and ASIC have reactivated their change agendas following a period of economic stability post COVID-19 impacts.
- APRA's temporary favourable capital treatment for deferred and restructured loans due to come to an end on 31 March 2021.
- Changes to 'responsible lending' regulations.
- Continued focus on culture, particularly risk culture and conduct and the effective balancing of obligations to customers, staff, shareholders and other stakeholders.

Strategic priorities

Current strategy

Driven by a strong focus on customer outcomes and significant growth opportunities.

Increased investment in marketing.

Focused on growing organisational capability, simplifying and streamlining the business through continuous improvement and the use of automation & robotics (RPA).

Our purpose

is helping people achieve their dreams

Our mission

is making financial services simple and trustworthy

Enablers

Increased **marketing investment** to grow market share.

Productivity through our MyExcellence program with a focus on process automation to achieve efficiencies.

Culture and capability to align organisational effectiveness, while enhancing employee experiences to optimise performance.

A strong capital position.

Additional front line Business Development resources.

MyStateBank 

- **Grow** our balance sheet
- **Increase** digital capabilities and use of automation
- **Build** our brand
- **Attract** and deepen relationships

TPT 
WEALTH

- **Invest** in contemporary, scalable wealth management and trustee products and systems
- **Grow** through mainland distribution

Supported by investment in marketing and a strong risk culture

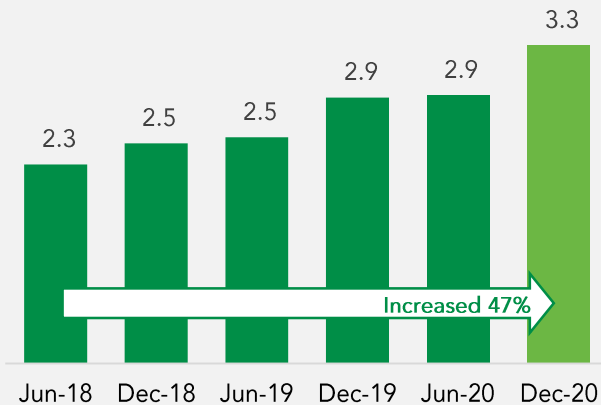
Continued migration to digital

- Best in class AI insights in MyState Bank app generating over 1.5m insights per month.
- Digitisation of back office processes continues to increase scalability.
- Customer uptake of internet and mobile banking continues to increase.
- Bonus Saver awarded 5 Stars by Canstar & Mozo Experts Choice Award.

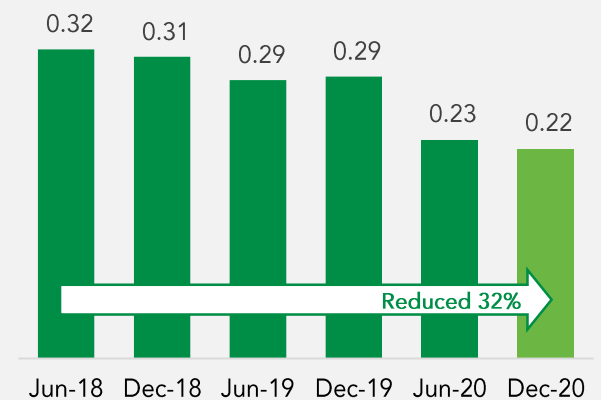


- Digitisation strategy is growing our customer base while also increasing satisfaction.

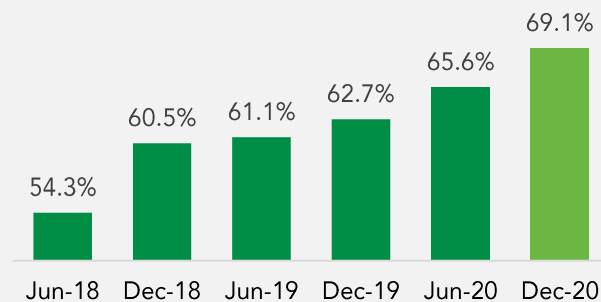
Digital transactions (#m)



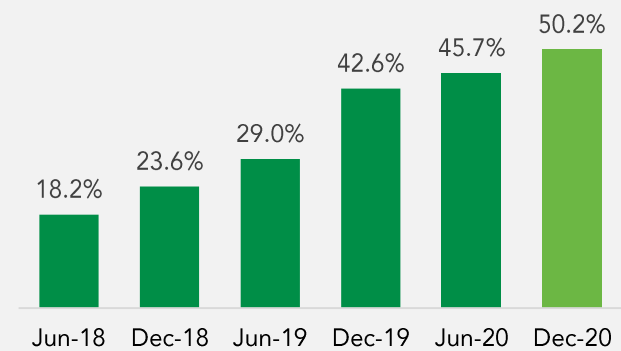
Branch transactions (#m)



Customers registered on Internet Banking (%)



Customers with eStatements (%)



Outlook

Revenue growth

- Accelerated bank customer and balance sheet growth – doubling bank BDM's
- Disciplined margin management.
- Income Fund growth via Mainland distribution.

Change

- Increased marketing spend to enhance MSB retail funding and TPT Wealth FUM growth.
- Enhanced customer facing digital proposition.
- Maintain simplification and scalability agenda.

Restructuring & costs

- Key restructuring activities complete – focus now on realising benefits and reinvesting in accelerated growth.
- Finalise replacement of legacy Trustee system and enhancements to Income Fund product range.

Takeaway

- Operational efficiencies and business improvements flowing through to the bottom line setting us up for a bright future.
- Well positioned for accelerated balance sheet growth.
- Lower cost to income ratio.
- Strong capital position underpinning growth and continued investment in digital.

WELL POSITIONED FOR ACCELERATED GROWTH

Appendix

High credit quality

COVID-19 economic outlook
and scenario weightings

The human way to bank

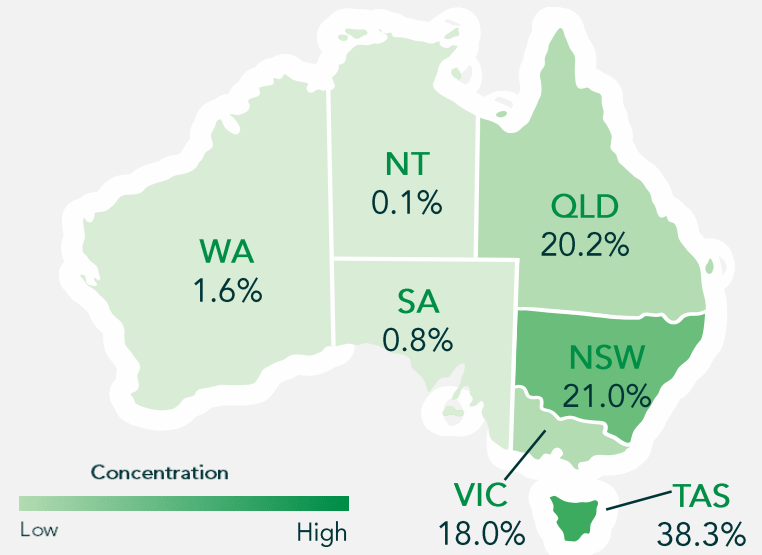


Here for you when life's a little unbalanced.
MyState Bank – unbalanced world campaign – July 2020

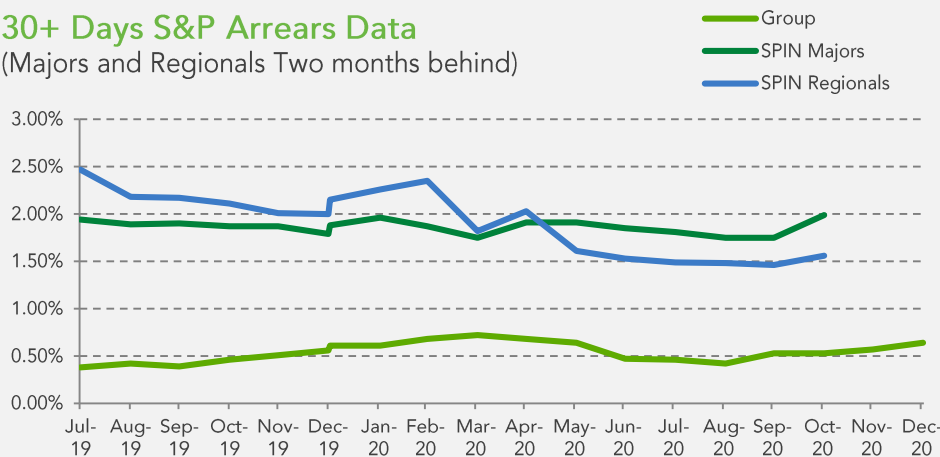
High credit quality

- Consistent focus on lower LVR loans.
- Successful participation in the FHLDS has driven >90% LVR growth.
- 30 and 90 day arrears well below industry.
- Impairments remain at historic lows.
- Further detail provided in COVID-19 section.

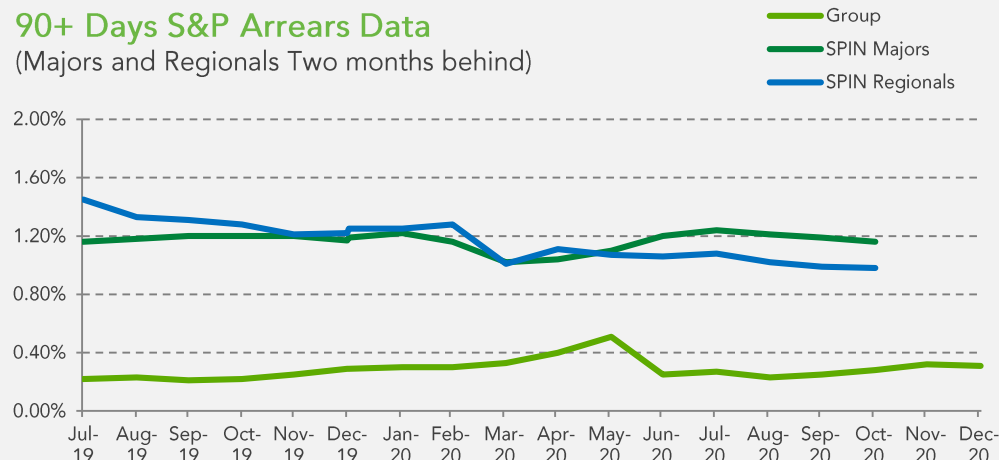
Home Loan geographic concentration



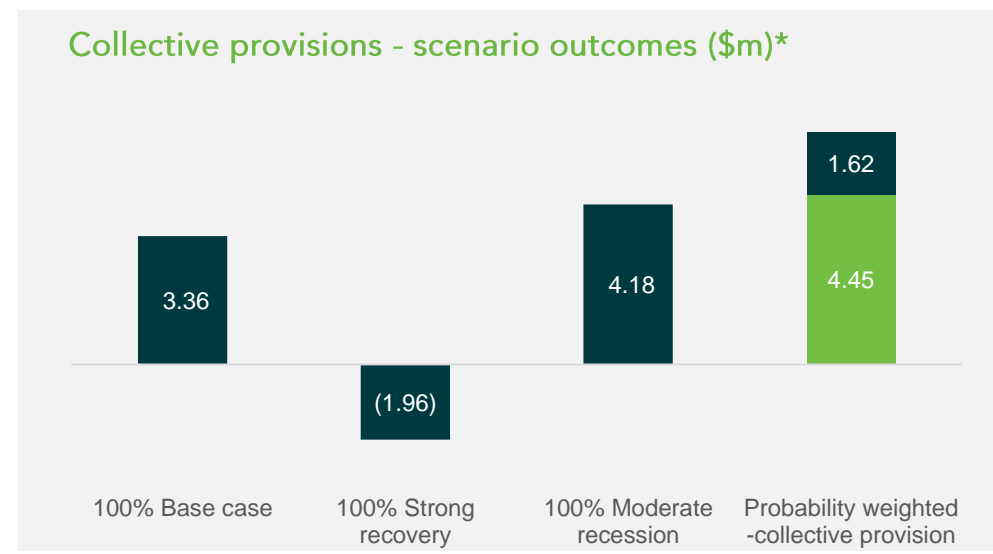
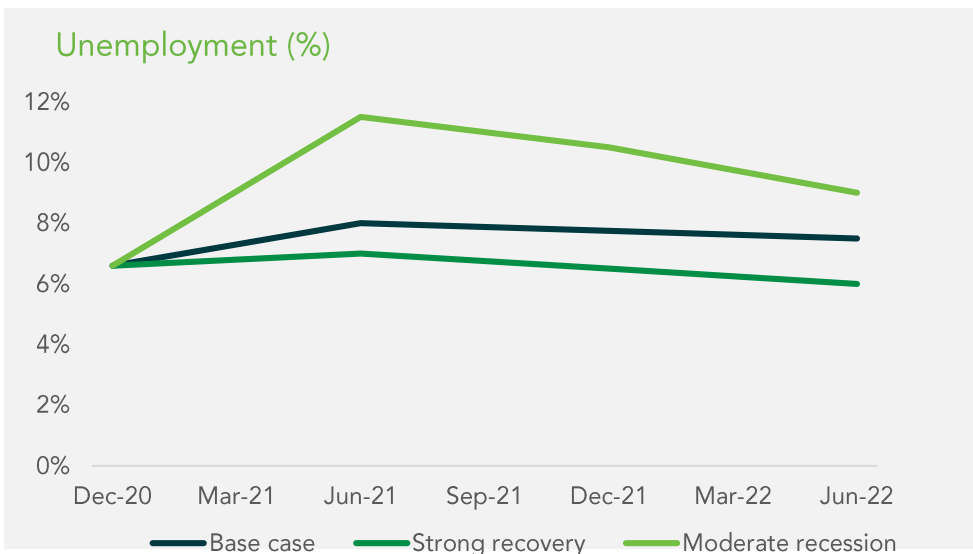
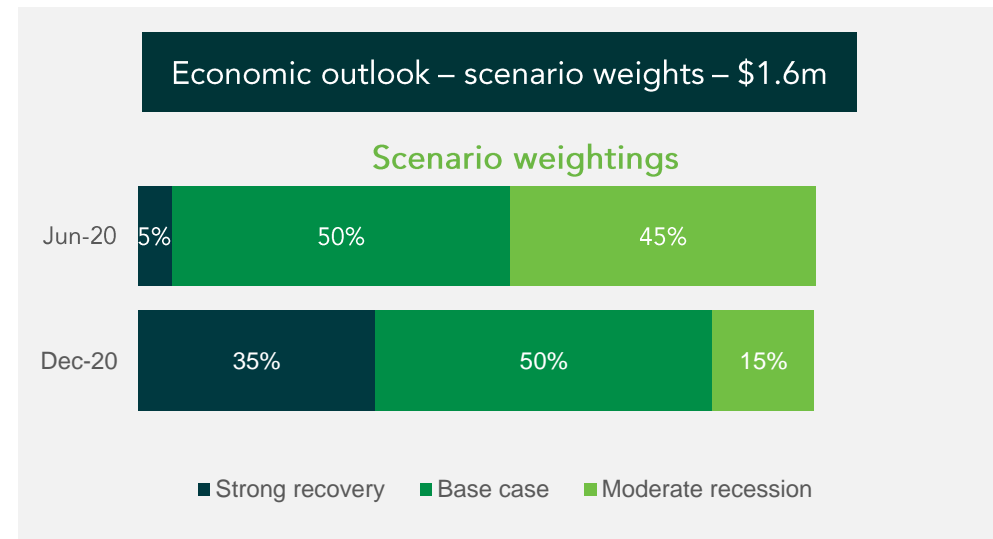
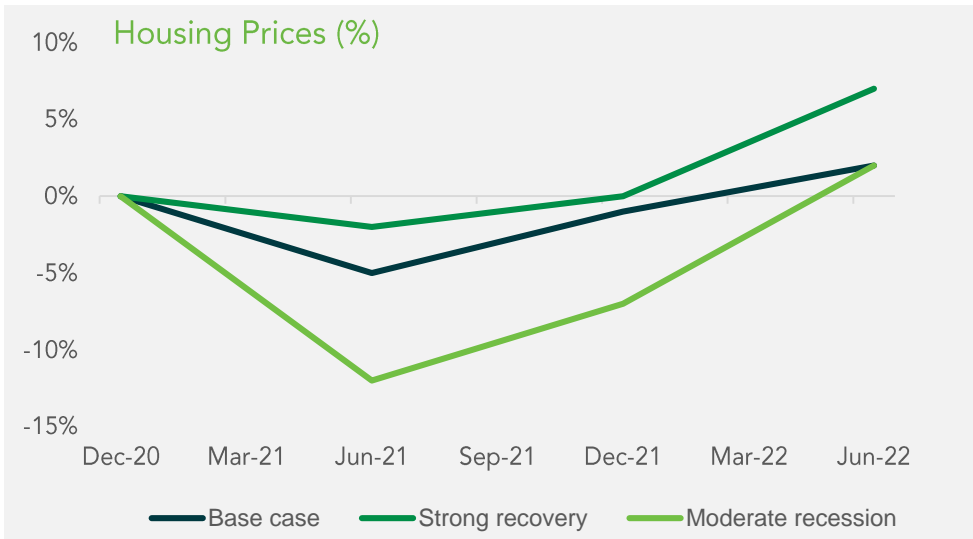
30+ Days S&P Arrears Data (Majors and Regionals Two months behind)



90+ Days S&P Arrears Data (Majors and Regionals Two months behind)



COVID-19 economic outlook and scenario weightings



*Excludes GRCL.

Glossary

1H: First half of financial year

2H: Second half of financial year

ADI: Authorised deposit-taking institution

APRA: Australian Prudential Regulation Authority

Avg: Average

ASX: Australian Securities Exchange

BBSW: Bank Bill Swap Rate

BDD: Bad & Doubtful Debt Expense

bps: basis points

CAGR: Compounded annual growth rate

CET1: Common Equity Tier 1

cps: Cents per share

CTI: Cost-to-income ratio

DRP: Dividend reinvestment plan

EPS: Earnings per share

FY: Financial year

HY: Half year

IO: Interest only

IRB: Internal ratings-based

Jaws: relationship between income and expense growth

LVR: Loan to valuation ratio

MYS: MyState Limited

MSB: MyState Bank Limited

NII: Net Interest Income

NIM: Net Interest Margin

NPAT: Net Profit after Tax

NPBT: Net Profit before Tax

PCP: Previous Corresponding Period

RBA: Reserve Bank of Australia

RMBS: Residential mortgage-backed security

ROE: Return on equity

SPIN: Standard and Poor's Performance Index

S&P: Standard and Poor's

TD: Term deposit

TPT: Tasmanian Perpetual Trustees Limited

Disclaimer

Summary Information

This Presentation contains summary information about MyState and its activities current as at the date of this Presentation. The information is subject to change without notice and does not purport to be complete or comprehensive. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with MyState's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

Not Financial Product Advice

This Presentation is for information purposes only and is not financial product advice or a recommendation to acquire shares. It has been prepared without taking into account any investor's objectives, financial position, situation or needs. Therefore, before making an investment decision, investors should consider the appropriateness of the information in this Presentation and have regard to their own objectives, financial situation and needs. Investors should seek such financial, legal or tax advice as they deem necessary or consider appropriate. MyState is not licensed to provide financial product advice in relation to the offer of shares. Cooling off rights do not apply to the acquisition of the shares.

Financial Information

All information in this Presentation is in Australian dollars (\$) unless stated otherwise. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation and totals may vary slightly due to rounding. All references to financial years (FY) appearing in this Presentation are to the financial years ended on 30 June of the indicated year.

Past Performance

Past performance information, including past share price information, given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future Performance

This Presentation may contain "forward-looking" statements including statements regarding MyState's intent, belief or current expectations with respect to their business operations, market conditions, results of operations, financial conditions, and risk management practices. Forward-looking statements can generally be identified by the use of forward-looking words such as "anticipated", "expected", "aim", "predict", "projections", "guidance", "forecast", "estimates", "could", "may", "target", "consider", "will" and other similar expressions. Indications of, and guidance on, future earnings, financial performance, and financial position are also forward looking statements. Forward looking statements, opinions and estimates are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, MyState and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Investment Risk

An investment in securities in MyState is subject to investment and other known and unknown risks, some of which are beyond the control of MyState, including possible loss of income or principal invested. MyState does not guarantee any particular rate of return or the performance of MyState. Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

Not an Offer

This Presentation is not an offer or an invitation to acquire shares in MyState or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law. It is for information purposes only.