



Investor Presentation

Full Year 2019

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CEO & Managing Director

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Chief Financial Officer

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Melos Sulicich

CEO & Managing Director

Highlights & strategy

Melos Sulicich

Key highlights
Results



Key highlights

Strong finish to FY19 as forecast

Above system growth in loans and deposits and decade high FUM

Increase in customer NPS to +42

Positive operating momentum through leading turnaround times and digital experience

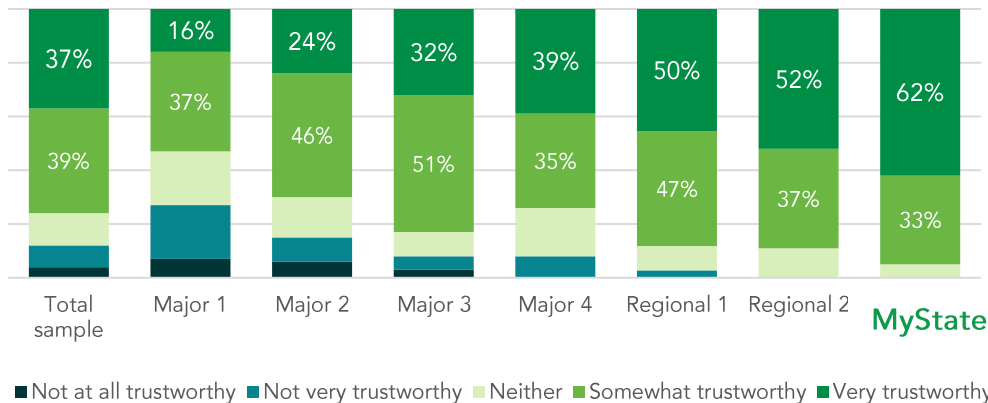
Investment in finance and risk systems increasing robustness of risk & regulatory framework

Sale of financial planning business

Unlocking the investment we have made in digital
and disciplined strategy execution are underpinning
MyState's performance and building our future

We are delivering competitive customer outcomes

Creating customer trust

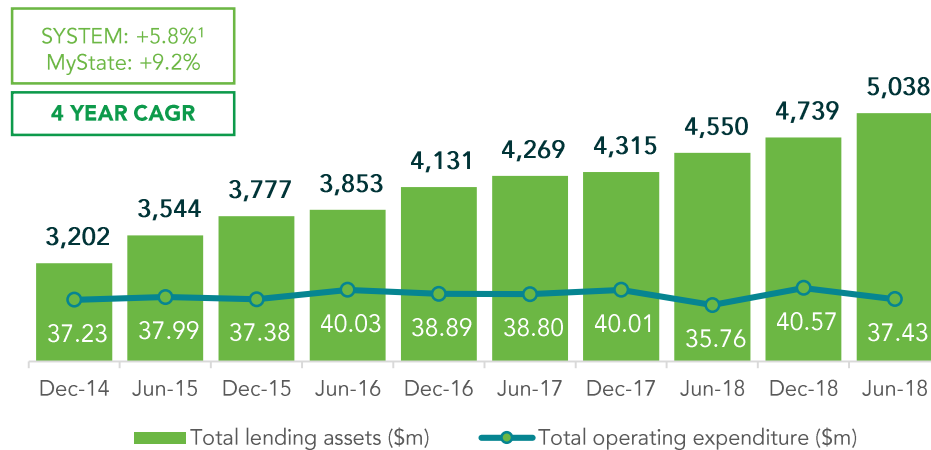


Source: MyState brand tracking survey November 2018

Enhanced digital experience

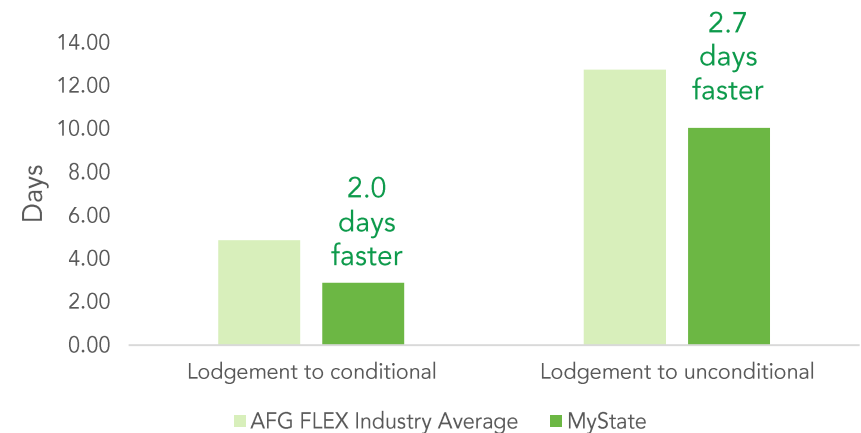
- ✓ New Payments Platform
- ✓ Modern contact centre system
- ✓ Contemporary internet and mobile banking platform
- ✓ Online origination engine
- ✓ All of the digital wallet 'Pays'

Improved operating leverage



1. System CAGR calculated using APRA Banking Statistics Total Gross Loans and Advances Jun-15 vs Jun-19

Faster turnaround times as at June 2019



Key metrics and performance drivers

Change on FY18 results

STRONG 2H PROFIT IN LINE WITH 2H18
as forecast at 1H19 result

Total loan book: **\$5.038b** ▲ **+10.7%**

ABOVE SYSTEM LENDING GROWTH
driven by superior customer service
proposition and advocacy

Customer deposits: **\$3.662b** ▲ **+12.1%**

WELL CAPITALISED
further strengthened with sale of financial
planning business

Total capital ratio: **12.90%** ▼ **-57bps**

ABOVE SYSTEM DEPOSIT GROWTH
supported by enhanced digital
experience and product innovation

Net profit after tax: **\$31.0m** ▼ **-1.5%**

Earnings per share: **34.17cps** ▼ **-0.80cps**

Fully franked dividend:¹ **28.75cps** — **Stable**

Note: All figures compare FY19 to FY18 as the previous corresponding period (pcp) unless otherwise indicated. All amounts shown represent statutory results inclusive of discontinued operations unless otherwise stated.

1. Final dividend of 14.5cps payable to shareholders on the register at the record date of 30 August 2019

Financial Results

David Harradine

Results summary
Performance
Loan book
Credit profile
Funding and capital
Wealth
Community and Tasmanian economy



Quality result in competitive market

Revenue growth and cost discipline delivered 2H positive jaws

Top line momentum, with home loan book growing at more than 2x system, and FUM growth from wealth

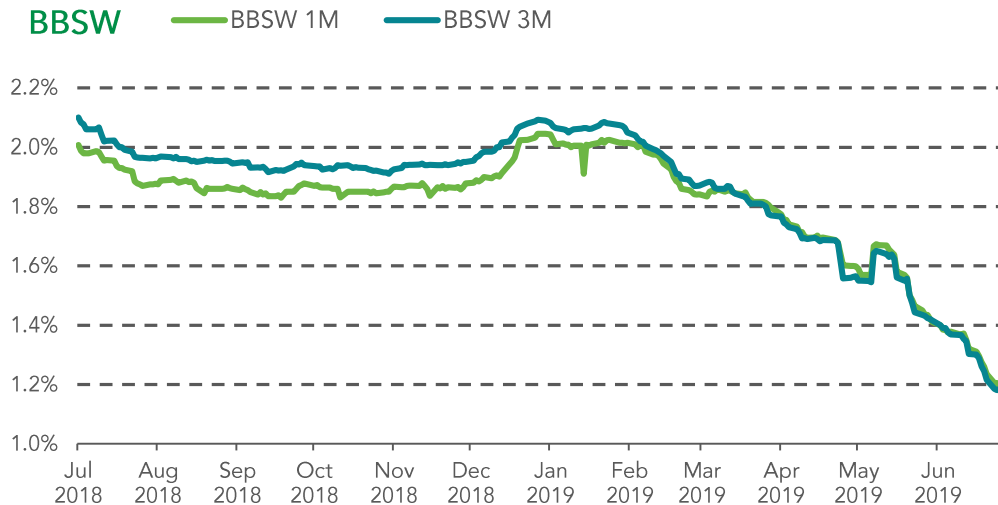
	FY19	FY18	Change (v FY18)		1HY19	2H19	2H v 1H Change
Total operating income (\$m) ¹	120.41	120.92	-0.41%	▼	59.41	61.00	+2.68%
Operating expenses (excl. BDD) (\$m) ¹	78.00	75.77	+2.94%	▲	39.28	38.72	-1.42%
Net profit after tax (\$m)	30.99	31.46	-1.51%	▼	13.98	17.01	+21.59%
Earnings per share (cps)	34.17	34.97	-0.80cps	▼	15.87	18.30	+2.43cps
Net interest margin (%)	1.80%	1.97%	-17bp	▼	1.81%	1.79%	-2bp
Cost to income ratio (%) ¹	64.77%	62.67%	+210bp	▲	66.11%	63.47%	-264bp
Total capital ratio (%)	12.90%	13.47%	-57bp	▼	13.05%	12.90%	-15bp
Return on average equity (%)	9.70%	10.09%	-38bp	▼	8.91%	10.85%	+194bp
Return on tangible equity (%)	13.46%	14.11%	-65bp	▼	12.51%	15.16%	+265bp
Dividend—fully franked (cps) ²	28.75	28.75	0.00cps	■	14.25	14.50	+25cps
Dividend payout ratio (%)	84%	83%	+1%	▲	90%	79%	-11%
Credit performance - 30 day arrears (%)	0.46	0.47	-1bp	▼	0.52	0.46	-6bp

Note: All figures compare FY19 to FY18 as the previous corresponding period (pcp) unless otherwise indicated. All amounts shown represent statutory results inclusive of discontinued operations unless otherwise stated

1. Excludes discontinued operations

2. Final dividend of 14.5cps payable to shareholders on the register at the record date of 30 August 2019

Funding pressure easing in competitive environment

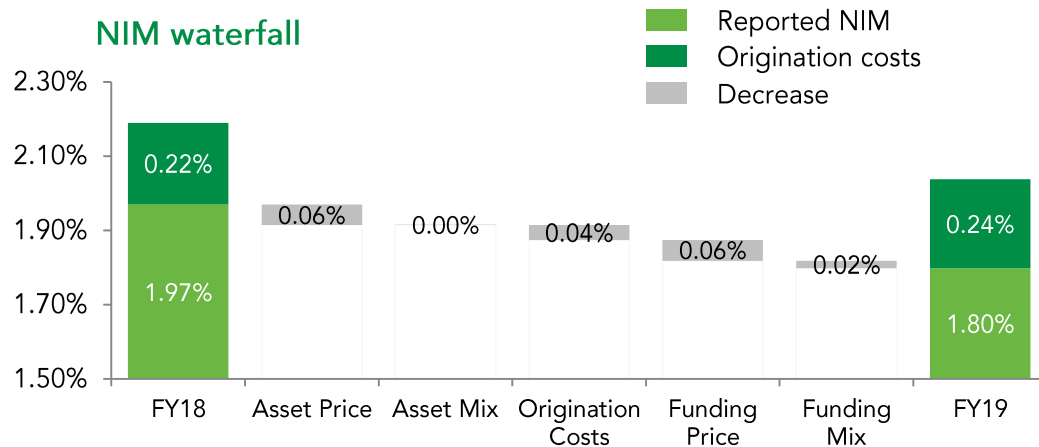


Significant decrease in wholesale funding costs during Q4 FY19 alleviating funding pressure

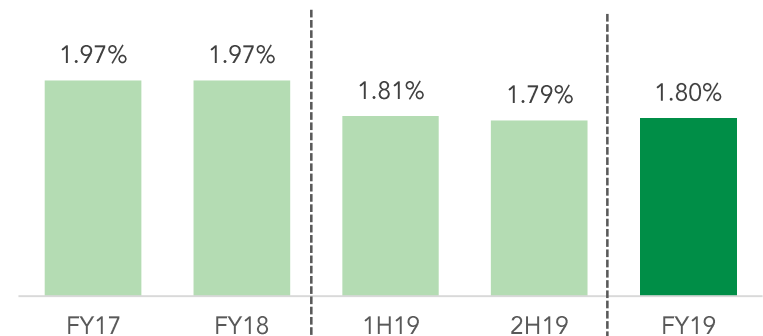
TD rates now falling with maturities

Net interest margin down -17bp on pcp

Lending market remains highly competitive



NIM trend



Effective management of costs

Operating costs increased 2.93% above pcp (1.97% excluding depreciation and amortisation)

Several one off costs were absorbed during the year, including a brand refresh and the rebranding of The Rock to MyState Bank and development of a new funds management operating model

Depreciation and amortisation increased on pcp as higher technology investments amortised

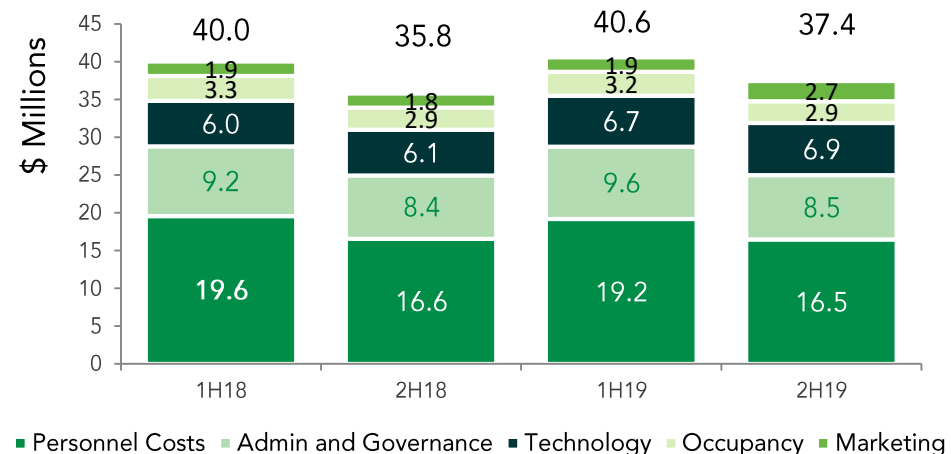
Personnel costs and FTEs continue to be carefully managed

One branch closure, network now 14 branches

Total expenditure



Expenditure breakdown



NPAT bridge

Focus on margin management in a difficult environment

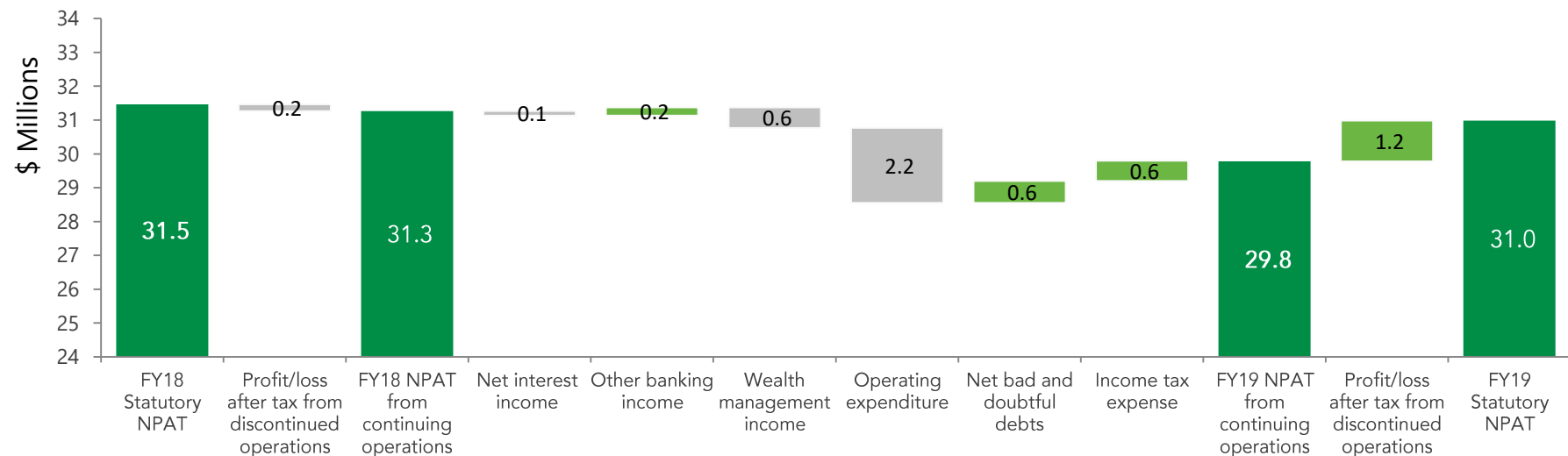
Managing ongoing costs while we invest in the business

NPAT decline of 1.51%

Net interest income fell below the pcip and was adversely impacted by external funding markets and competitive market pricing for home loans

High quality growth delivering low bad debt outcomes

Net profit after tax

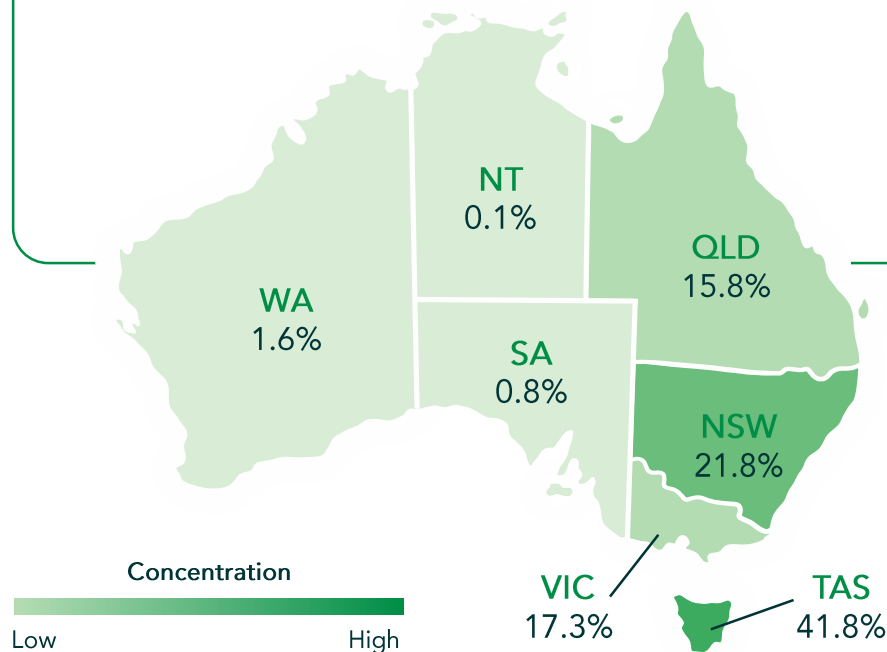


Strong lending growth

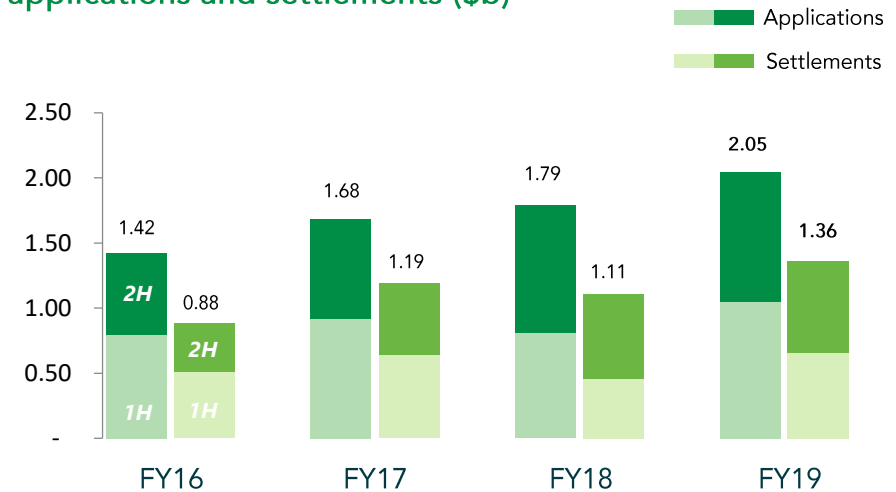
Loan book grew well above system during FY19 with record applications and settlements (+14%; +23% on pcp)

Margin management remains a key focus

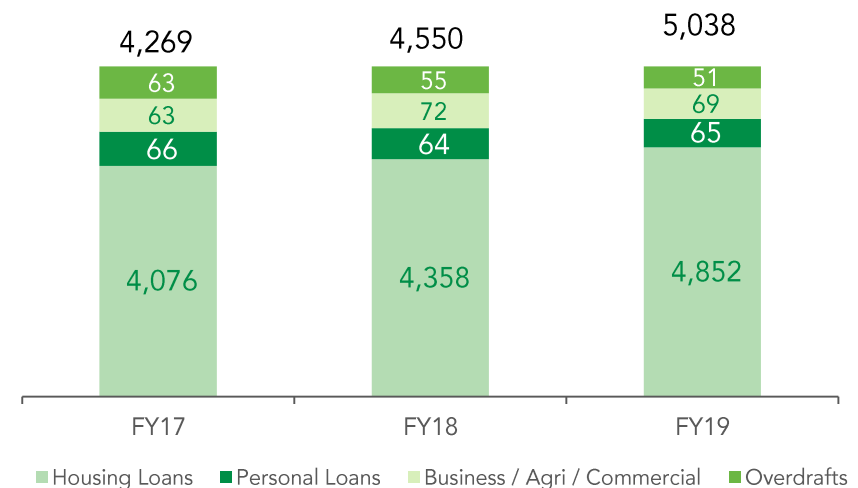
Growth targeted to Australian eastern seaboard



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



Total book composition (\$m)



High credit quality

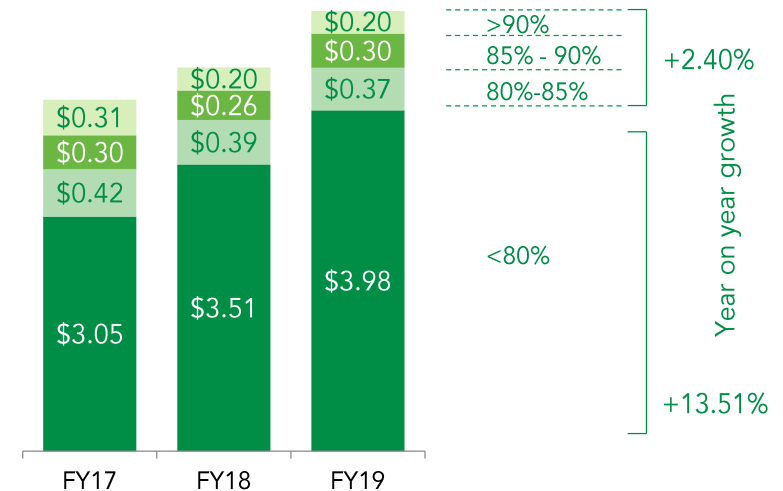
Focus on lower LVR loans with high asset quality

Impairments remain at historic lows

30 and 90 day arrears well below peers and stable

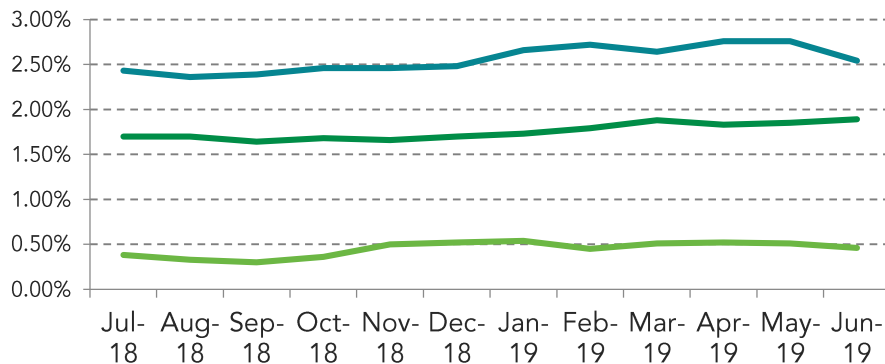
AASB 9 in place for entire year

Home loan book – LVR profile (\$b)



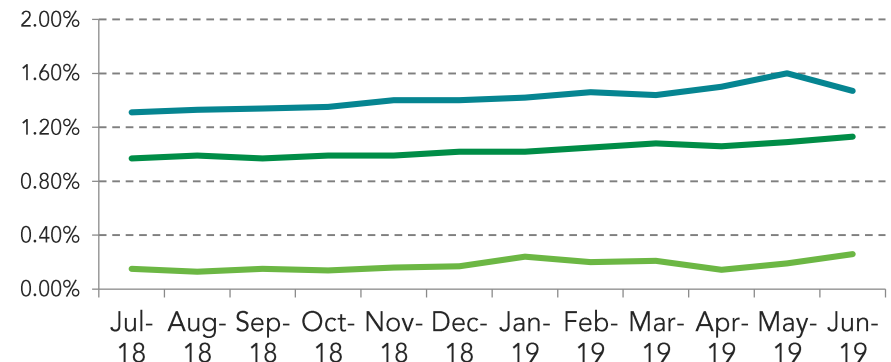
30+ Days S&P Arrears Data

Group
SPIN Majors
SPIN Regionals



90+ Days S&P Arrears Data

Group
SPIN Majors
SPIN Regionals



Growth in customer funding

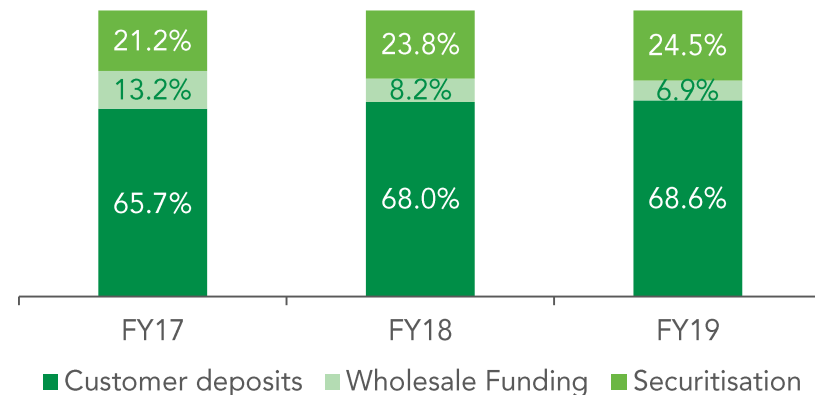
Stable funding mix enhanced by high growth in customer deposits

Customer deposit growth supported by introduction of Bonus Saver and Glide transaction account

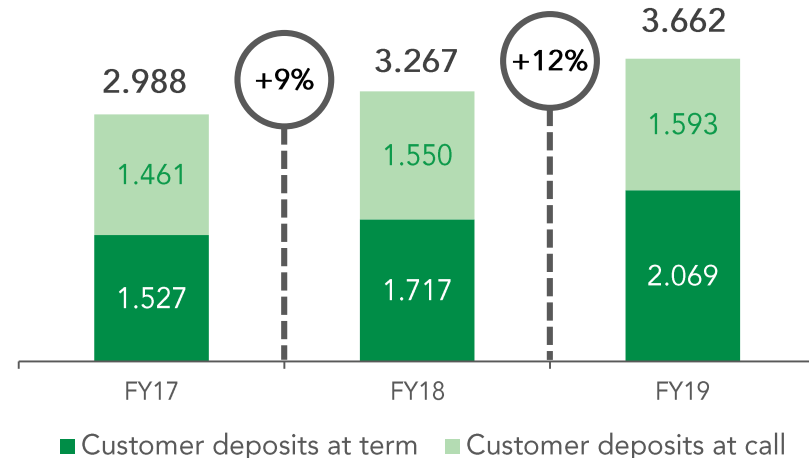
Programmatic RMBS issuance continues to be well supported by broad investor- base

Moody's Baa1/P2 stable investment grade rating

Funding mix (%)



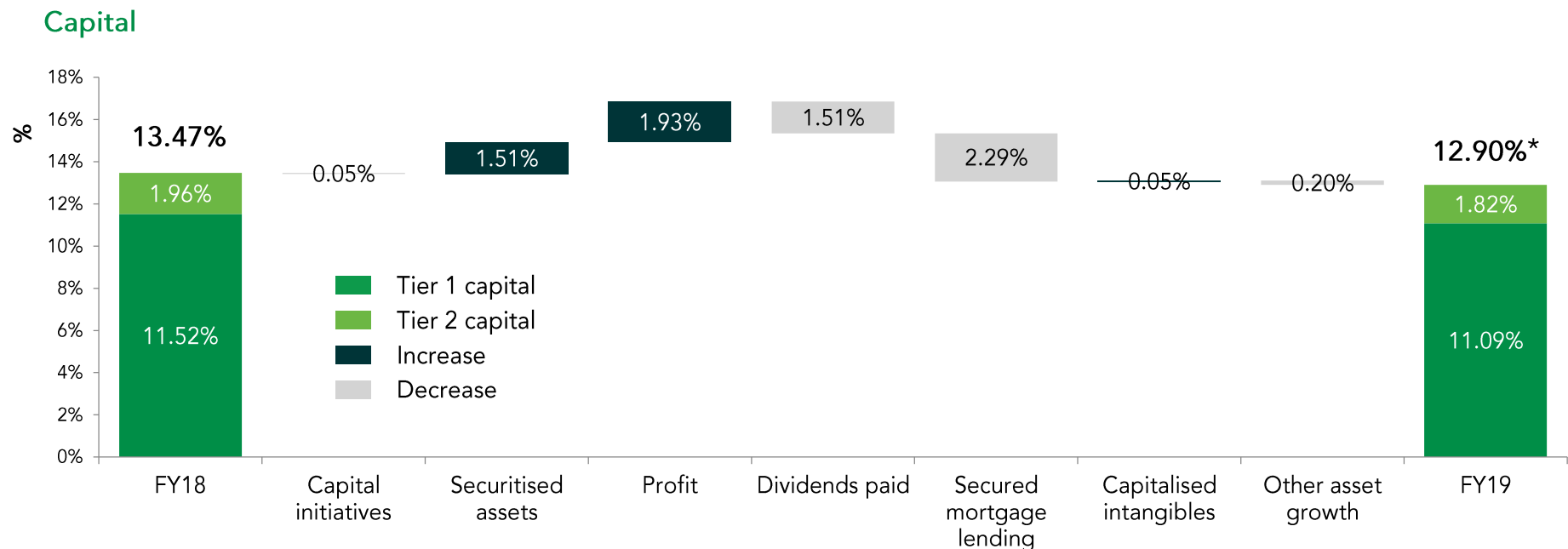
Customer deposits (\$b)



Well capitalised to support growth

Capital position supported by organic capital generation

Capital base underpinning growth and investment in digital



* On a pro forma basis, MyState's total capital ratio would increase to 13.0% if the proceeds of the financial planning sale were applied.

Wealth business

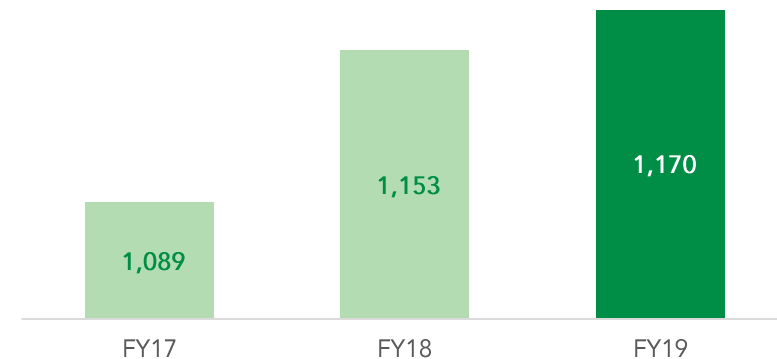
Net FUM growth to decade high of \$1.17b

Wealth revenue declined 3.7% on pcp due to lower trustee fees, partially offset by higher funds revenue

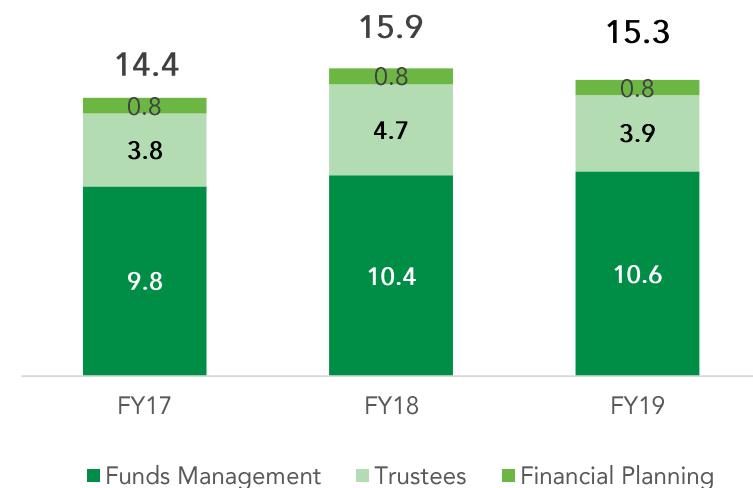
Costs increased by \$0.15m but included \$0.40m investment in product and system development to meet the income needs of retirees

Financial planning sold in 2H further simplifying the core business

Funds under management (\$m)



Operating income (\$m)



We make a genuine difference to our customers and communities every day

MyState Foundation

Empowering youth



\$2.2M

In grants to help more than 90 not-for-profit organisations

Hobart Hurricanes

Partners for the past 4 years



Principal partner of the Women's team and a major partner of the Men's team

MyState Student Film Festival

High numbers of entries



300

Entries

1,500

Students

More support

for our community



HardieFellowship, International Women's Day and Cape Hope Foundation

Tasmanian economy continues to perform well

State final demand

All time high



\$8.8b

+5.2% YoY

Population growth

Fastest rate in 27 years



+1.2%

YoY

Tourism

Strong economic driver



1.32m

Total visitors
+3.1% YoY

Housing

Price growth leading the nation



+2.9%

Dwelling value
growth YoY

Strategy & Outlook

Melos Sulicich

Sector overview
Strategic priorities
Outlook



Sector overview

Industry dynamics



Banking market increasingly more competitive

Continued NIM pressure following cash rate cut and slowing credit growth

Economic indicators easing; unemployment remains low but mixed economic signals

Banking Code of Practice

Regulatory dynamics



Regulatory intensity and scrutiny increasing significantly

Competitive landscape still unbalanced:

1. Mortgage broker ownership transparency and ongoing viability
2. Risk weighted asset and capital differentials
3. 'Too big to fail' funding cost advantage
4. Disproportionate impact of regulatory burden on smaller banks

Our strategic priorities

Our GOAL is to be



Simpler, more **relevant**, accessible for our customers and **easier** to “use”

Evermore **digitally enabled** so that we can attract the **target customers** we are seeking more cost effectively



Being **agile** with a strong focus on growth, **margins** and **cost management**

Our STRATEGY is focused on



Building out and operationalising our **digital bank, digital capabilities and brand**



Investing in contemporary **wealth management** products and systems



Our strategy is **DRIVEN BY**

Marketing and **continuous improvement**, underpinned by a **robust risk culture** to manage the risks posed in an environment of changing regulatory and community expectations

Outlook



Continued above system deposit and loan growth with a heightened focus on margin management



Simplify, automate, re-engineer and digitise processes for further operating efficiencies.

Increased use of technology to reduce operating costs



Enhancing digital roadmap and marketing capability for continued customer growth



Investment in mortgage funds management capabilities, products and systems.

Looking to increase FUM via mainland distribution

Growth of a great bricks and clicks banking and funds management business

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

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

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