



# Investor Presentation

Full Year 2020

# Agenda

- 01 **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

# Highlights

Melos Sulicich

Key highlights  
Results



# Key highlights

## FINANCIAL

+1.0%

Net profit after tax  
(continuing operations)<sup>1</sup>

-3.0%

Net profit after tax  
(statutory)<sup>1</sup>



+12.9%

Core earnings<sup>2</sup>

+7.6%

Customer deposits



-195bps

Cost-to-income ratio



+5.1%

Home loan growth

## CUSTOMER



+48

Consistently high  
customer NPS



Customer assistance  
through COVID-19



Strong participation in  
FHLDS

## RESPONSE TO COVID-19

- More than **1,800 personal and business customers** provided with a comprehensive range of support measures
- **100% office staff WFH** from mid-March, with graduated partial return to office
- Board reduced fees by 20% from May for 6 months
- Executives elected not to take any STI for FY20. No fixed salary increases
- No final dividend

## POSTIONING FOR THE FUTURE

- **Restructuring, digital transformation and capability build increasing momentum** and releasing funds to invest in marketing
- **Closure of 6 branches** in 1H21

WE HAVE A CLEAR DIGITAL GROWTH STRATEGY, A SIGNIFICANT OPPORTUNITY TO BUILD OUR BUSINESS AND A SCALABLE PLATFORM

<sup>1</sup> Including impairment expense of \$4.9m

<sup>2</sup> Defined as pre-provision operating profit before tax

# Key metrics and performance drivers

**STRONG CORE EARNINGS GROWTH**  
driven by solid uplift in net interest income

**NET PROFIT AFTER TAX**  
down 3% on statutory pcp but up 0.9% on continuing operations basis when excluding profit impact of FY19 sale of financial planning business

**COST TO INCOME RATIO**  
down 1.9% on pcp through revenue growth and effective management of costs

**ABOVE SYSTEM LOAN & DEPOSIT GROWTH**  
supported by digital experience and product innovation

## FINANCIAL PERFORMANCE

*Change\**

Core earnings <sup>1</sup> : <b>\$47.9m</b>	▲	<b>+12.9%</b>
Net profit after tax: <b>\$30.06m</b> (continuing operations basis)	▲	<b>+0.9%</b>
Net profit after tax: <b>\$30.06m</b> (statutory)	▼	<b>-3.0%</b>
Earnings per share: <b>32.86cps</b>	▼	<b>-3.9%</b>
Cost-to-income ratio: <b>62.8%</b>	▼	<b>-195bps</b>
Return on tangible equity: <b>12.77%</b>	▼	<b>-20bps</b>
Total capital ratio: <b>13.01%</b>	▲	<b>+11bps</b>
Total loan book: <b>\$5.3b</b>	▲	<b>+4.7%</b>
Customer deposits: <b>\$3.9b</b>	▲	<b>+7.6%</b>

\* Financial performance, balance sheet and capital figures compare FY19 to FY20 as the previous corresponding period (pcp). All amounts shown represent statutory results exclusive of discontinued operations unless otherwise stated.

<sup>1</sup> Defined as pre-provision operating profit before tax

# Financial Results

Gary Dickson

Results summary

Performance

- Funding
- Operating Costs
- NPAT

Loan book

Credit profile

Funding and capital

Wealth



# Results summary

Top line momentum, with NIM +6bps on pcp benefitting from significantly lower funding costs particularly across 2H

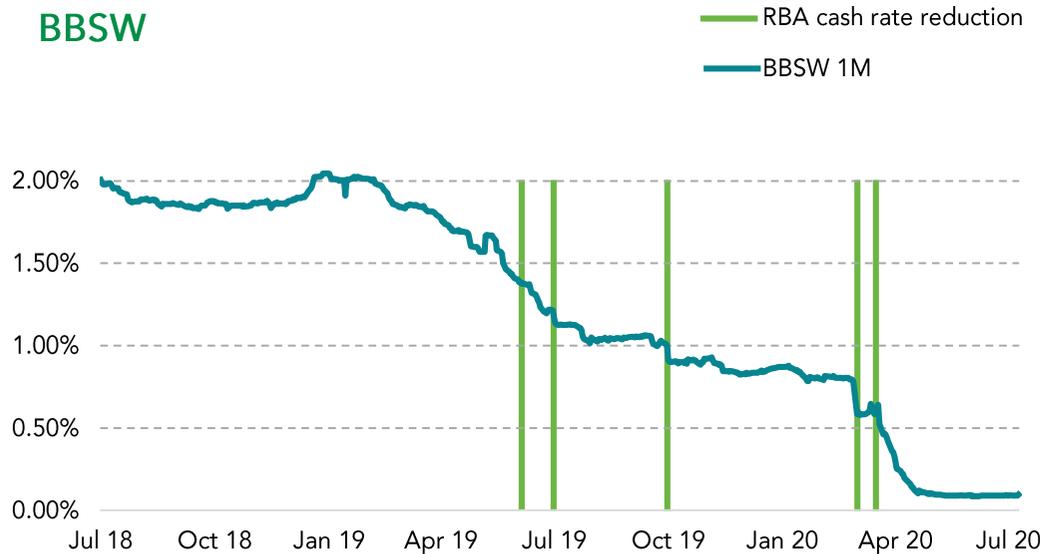
Positive jaws in FY20 with income growth exceeding cost growth leading to a lower cost to income ratio

	FY20	FY19	Change (v FY19)		1H20	2H20	2H v 1H Change
Total operating income (\$m)	128.9	120.4	+7.0%	▲	63.4	65.5	+3.4%
Operating expenses (excl. BDD) (\$m)	81.0	78.0	+3.8%	▲	41.1	39.8	-3.1%
Pre-provision operating profit (\$m)	47.9	42.4	+12.9%	▲	22.2	25.7	+15.5%
Statutory net profit after tax (\$m)	30.1	31.0	-3.0%	▼	15.1	15.0	-1.2%
Net profit after tax (\$m) (continuing basis)	30.1	29.8	+1.0%	▲	15.1	15.0	-1.2%
Statutory earnings per share (cps)	32.86	34.17	-1.31cps	▼	16.57	16.29	-0.28cps
Net interest margin (%)	1.86%	1.80%	+6bps	▲	1.82%	1.88%	+6bps
Cost-to-income ratio (%)	62.82%	64.77%	-195bps	▼	64.92%	60.80%	-412bps
Total capital ratio (%)	13.01%	12.90%	+11bps	▲	13.21%	13.01%	-20bps
CET1 ratio (%)	11.07%	11.09%	-2bps	▼	11.38%	11.07%	-31bps
Return on average equity (%)	9.16%	9.68%	-52bps	▼	9.29%	9.03%	-26bps
Return on tangible equity (%)	12.77%	13.43%	-49bps	▼	12.22%	13.03%	+81bps
Dividend-fully franked (cps)	14.25	28.75	-14.50cps	▼	14.25	-	-14.25cps
Dividend payout ratio (%)	43%	84%	-41%	▼	86%	-	-86%
Credit performance - 30 day arrears (%)	0.61%	0.46%	+15bps	▼	0.56%	0.61%	+5bps

Note: All figures compare FY20 to FY19 as the previous corresponding period (pcp) unless otherwise indicated. All amounts shown represent statutory results exclusive of discontinued operations unless otherwise stated

# MSB captures funding cost decrease

## BBSW

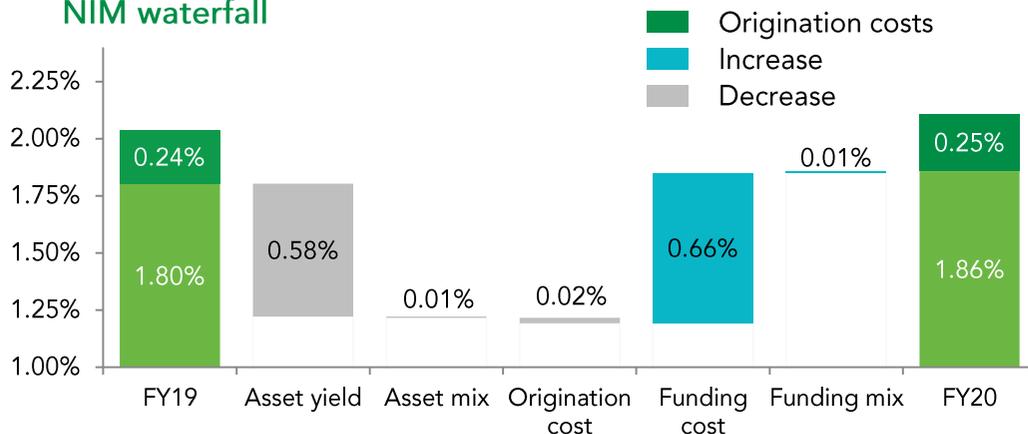


Rapid fall in BBSW and significant decrease in funding costs during 2H20

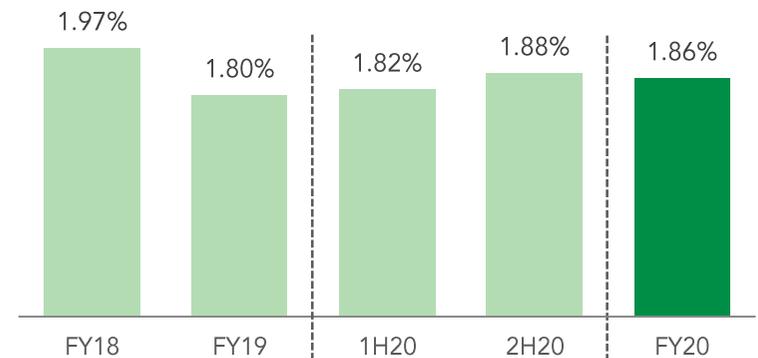
Net interest margin up 6bp on pcp

Lending market remains highly competitive

## NIM waterfall



## NIM trend



# Operating costs

Operating cost increased by 3.8% led by increased investment in capability, digital and marketing

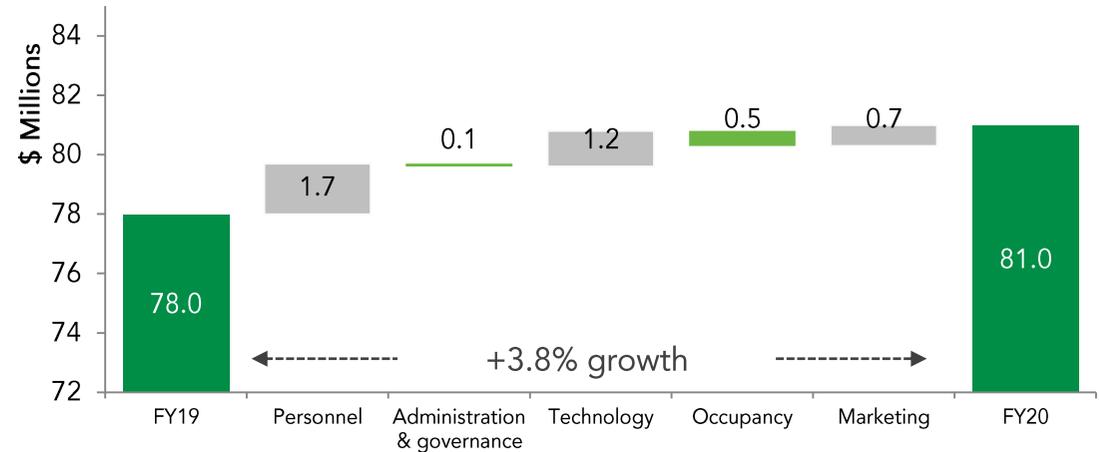
One off costs absorbed during the year including brand investment and costs relating to COVID-19

Personnel costs and FTEs continue to be carefully managed

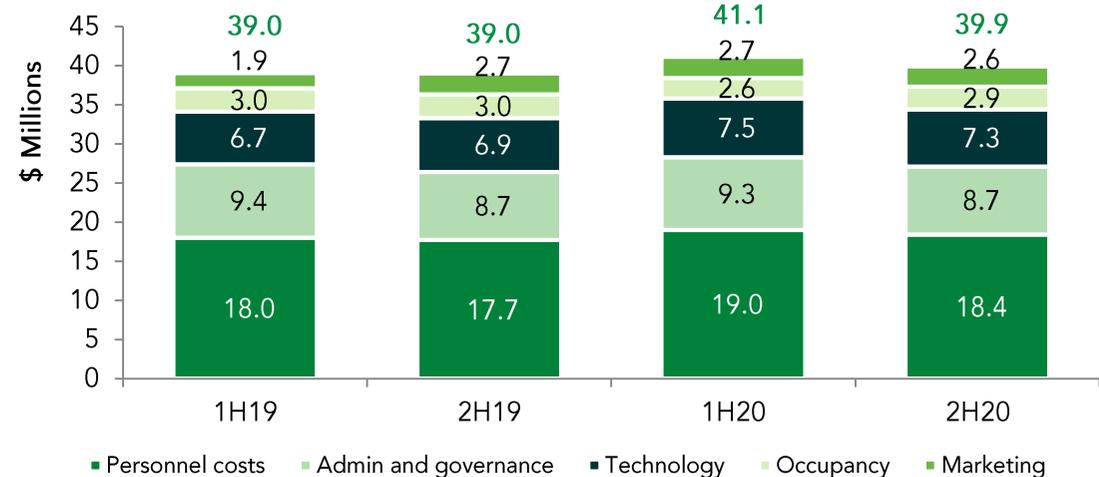
6 branch closures announced, to occur during 1H21 (2 in Tasmania; 4 in Central Queensland)

Closures to provide benefits and optionality from FY21

## Operating Expenditure



## Expenditure breakdown



# NPAT bridge

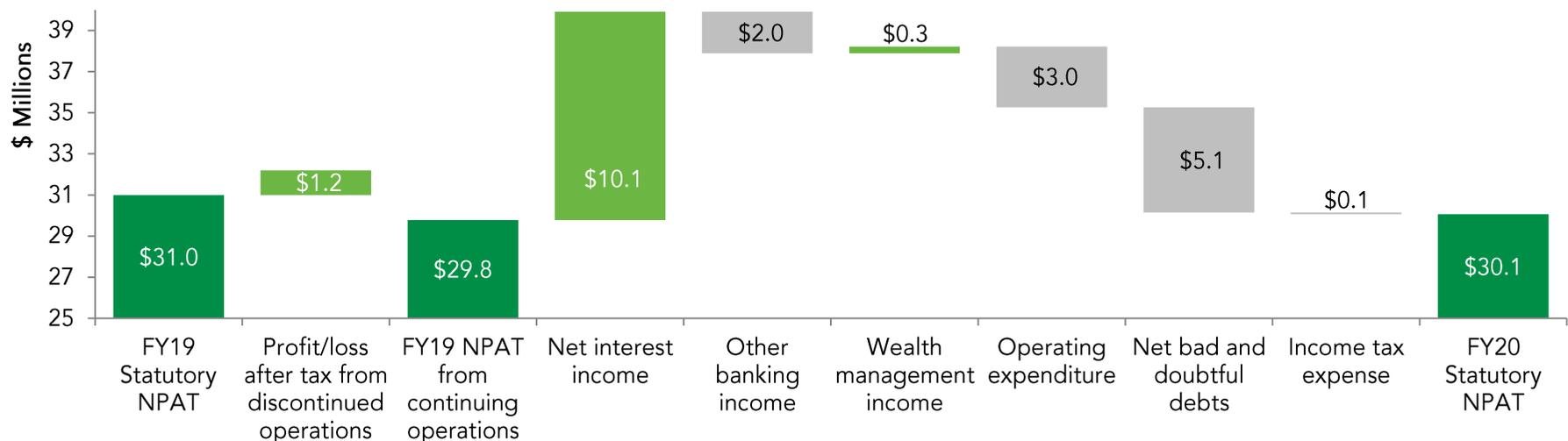
NPAT decline of 3.0% on statutory pcp but up 0.9% on continuing operations basis when excluding profit impact of FY19 sale of financial planning business

Net interest income up strongly on pcp benefiting from lower funding costs particularly across 2H and a higher average balance sheet

Focus on margin management in a difficult environment

COVID-19 related B&DD expense of \$4.92m weighed on result, in comparison to a net write-back of \$0.20m in FY19

## Net profit after tax



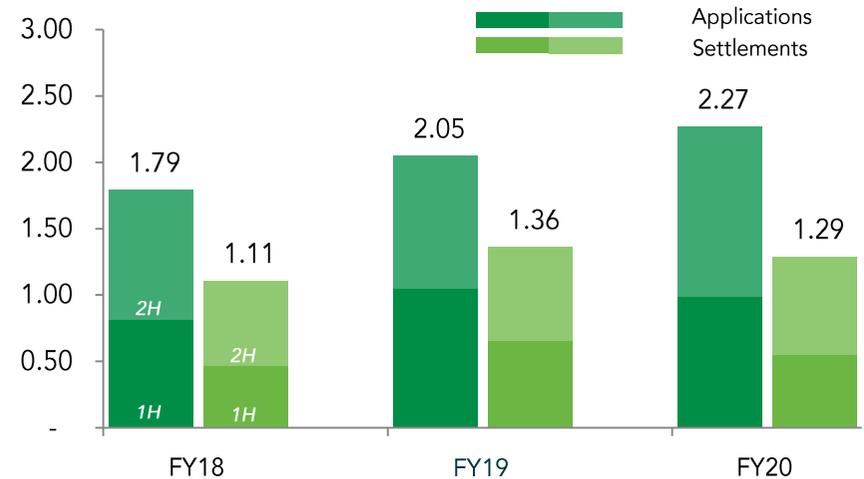
# Solid growth, low risk loan book

Loan book grew well above system during FY20 led by home lending (1.7x system; +5.1% on pcp) with strong 2H applications and settlements

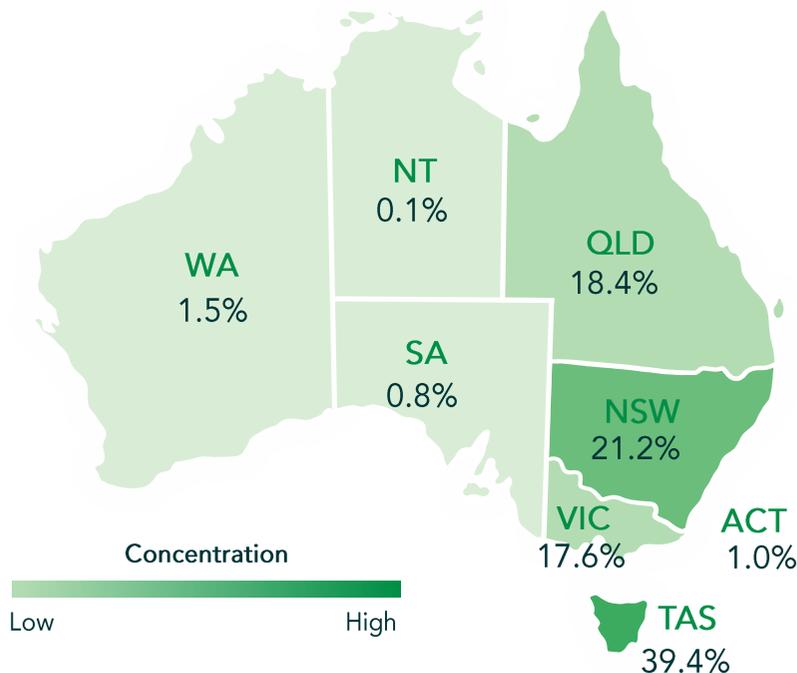
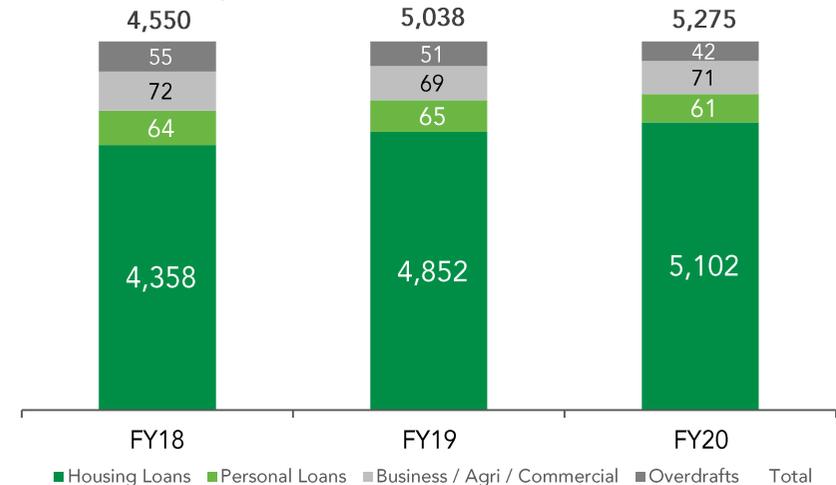
Meaningful participation in First Home Loans Deposit Scheme (FHLDS) with 985 places reserved

Maintaining quality lending growth remains a key focus

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



Total book composition (\$m)



# High credit quality

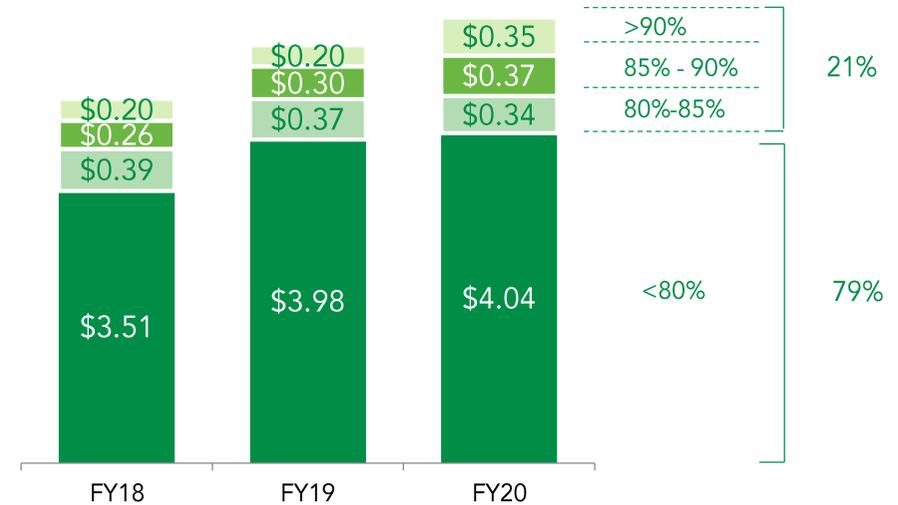
Consistent focus on lower LVR loans

While impairments have risen, 99% of home loan book arrears are 30 days or less and considered performing loans

Successful FHLDS has driven >90% LVR growth

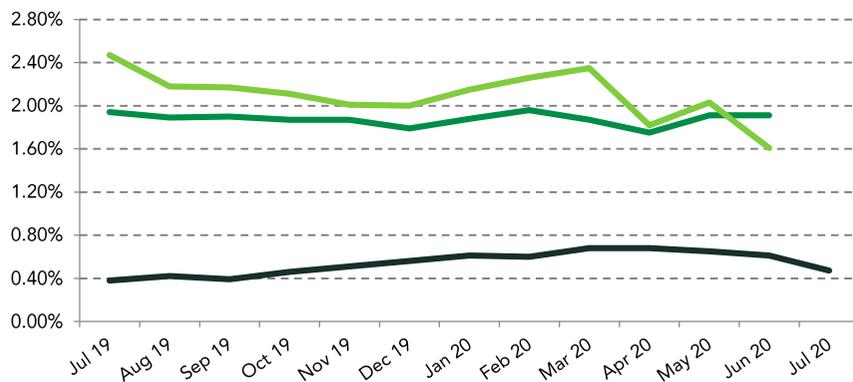
Further detail provided in COVID-19 section

## Home loan book - LVR profile (\$b)



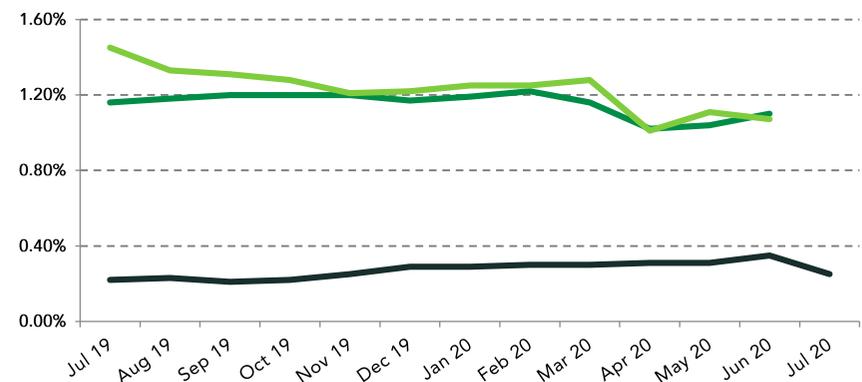
## 30+ Days S&P Arrears Data

MSB  
SPIN Majors  
SPIN Regionals



## 90+ Days S&P Arrears Data

MSB  
SPIN Majors  
SPIN Regionals



# Customer funding

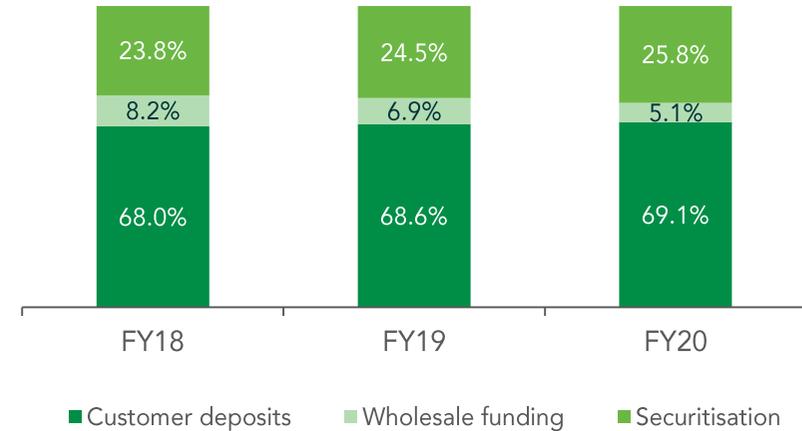
Funding mix continues to be enhanced by growth in lower cost at call customer deposits (+24.7% on pcp)

Customer deposits grew above system (+7.6% on pcp)

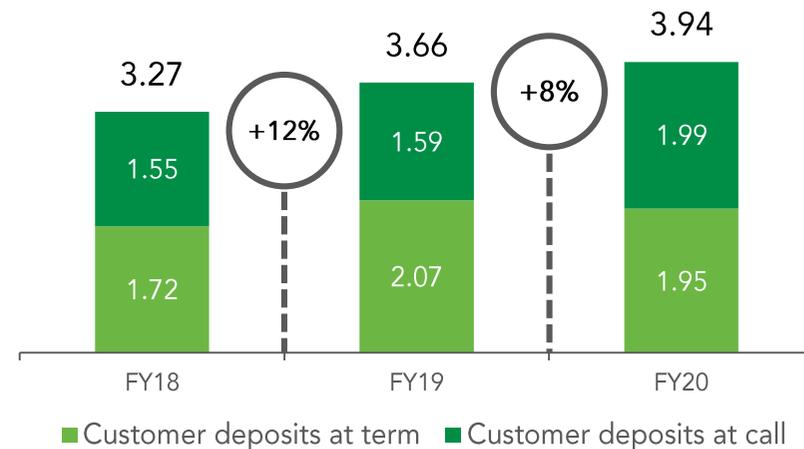
Programmatic RMBS issuance continues to be well supported by broad investor base

Current Moody's Baa1/P2 rating on review for downgrade

Funding mix (%)



Customer deposits (\$b)



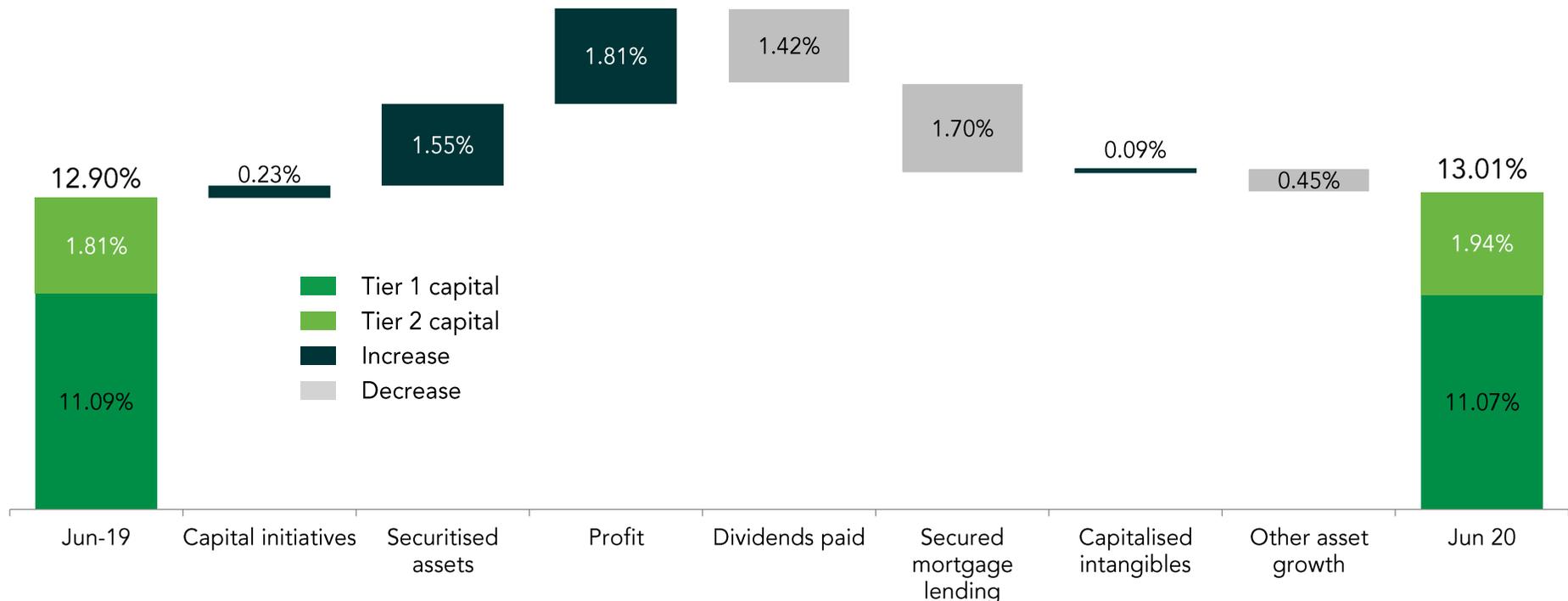
# Well capitalised

Capital ratios comfortably above regulatory minimums

Capital position supported by earnings growth and securitised funding

Effective capital strategy underpinning growth and investment in digital capability

Reviewing alternatives to improve balance sheet efficiency



# TPT Wealth

Net FUM \$100m lower to \$1.07b, impacted by COVID-19 market adjustment and investor sentiment

Wealth revenue increased 1.3%\* on pcp due to higher trustee fees and funds management revenue

Positive customer response to new funds management investor portal and rebranding of wealth operations to TPT Wealth

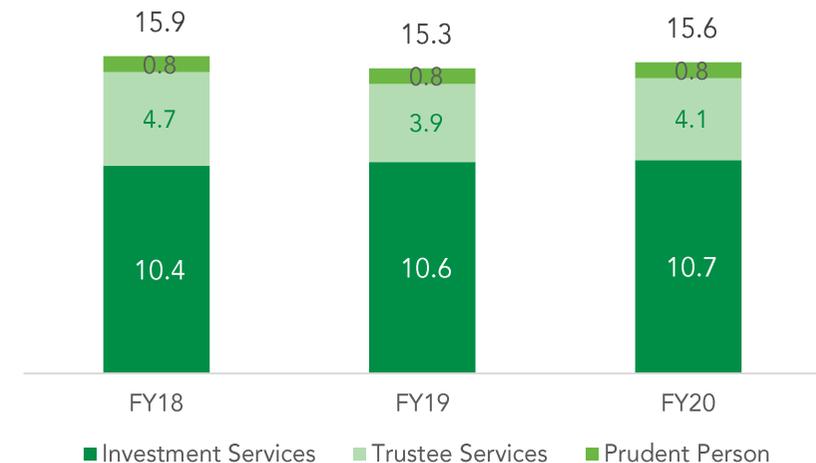
Replacement of legacy trustee system underway; target completion end 1H21

Closure of 2 sub-scale equity funds during the year

Funds under management (\$m)



Operating income (\$m)



\*on a continuing business basis

# COVID-19

Gary Dickson

Assistance provided to  
customers  
Provisions and coverage ratios  
COVID-19 economic outlook  
and scenario weightings



# COVID-19 assistance to customers

## MEASURES

MyState Bank's customer assistance (announced in March):

- Loan deferrals of up to 6 months – with a check-in at 3 months
- Maximum threshold on Bonus Saver Accounts increased to \$250,000
- Introduction of fee-free redraws on home and personal loans
- Early access to Term Deposits for business customers

## ASSISTANCE PROVIDED

Loans that have been provided assistance due to COVID-19 as at 30 June:

Assistance Type	Total balance of COVID-19 assistance (\$m)			
	Home loan	Personal loan	MSB commercial	Total
Restructure	\$61.1m	\$0.2m	\$0.1m	\$61.4m
Loan pause	\$428.5m	\$1.9m	\$14.1m	\$444.5m
Interest only	\$56.9m	-	\$0.9m	\$57.8m
Reduced repayments	\$10.0m	-	-	\$10.0m
<b>Total approved</b>	<b>\$556.5m</b>	<b>\$2.1m</b>	<b>\$15.1m</b>	<b>\$573.7m</b>

## 3 MONTH CHECK IN\*

Staff have commenced contact with COVID-19 affected customers

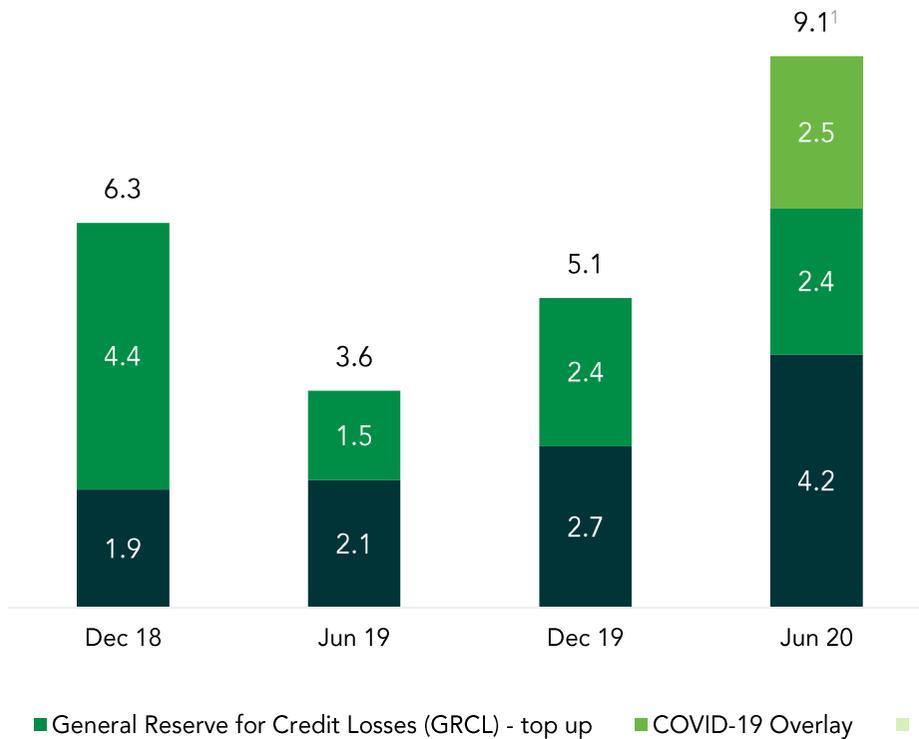
Customers with loans to a value of \$81.3m have either resumed repayments or discharged their loan (18% of customers who paused repayments)

Status as at 9 August 2020	Home loan	Personal loan	MSB commercial	Total
Assistance expired	\$31.4m	\$0.2m	\$0.0m	\$31.6m
Restarted payments	\$40.2m	\$0.2m	\$0.0m	\$40.4m
Discharged	\$9.3m	\$0.0m	\$0.0m	\$9.3m
Active hardship	\$476.4m	\$1.5m	\$14.5m	\$492.4m
<b>Total</b>	<b>\$557.3m</b>	<b>\$1.9m</b>	<b>\$14.5m</b>	<b>\$573.7m</b>

\* Data as at 9 August 2020

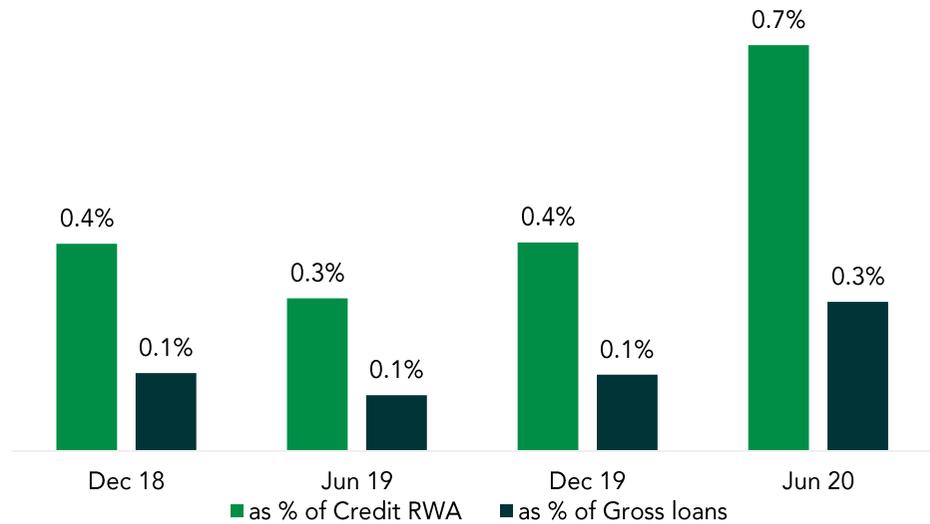
# Provisions and coverage ratios

Total collective provisions and GRCL (\$m)



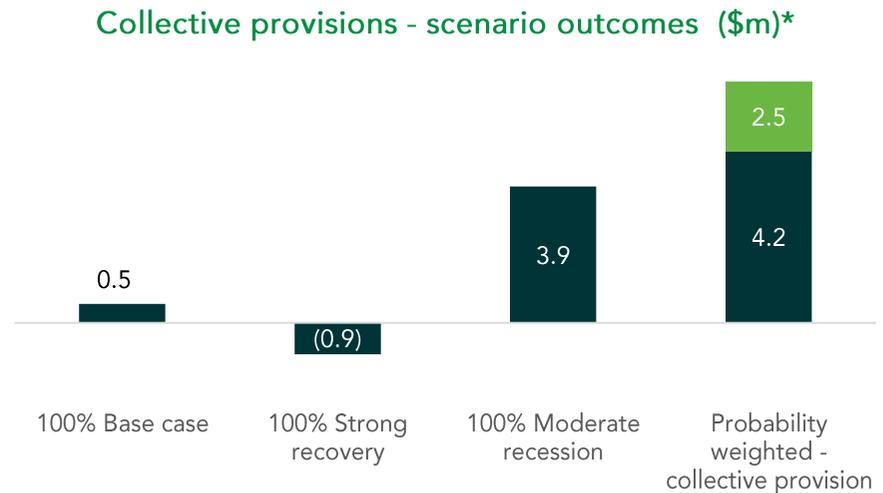
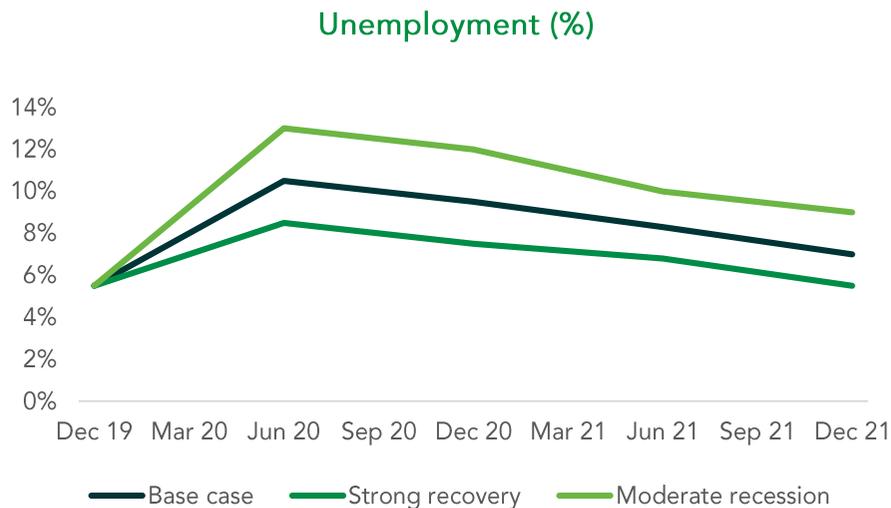
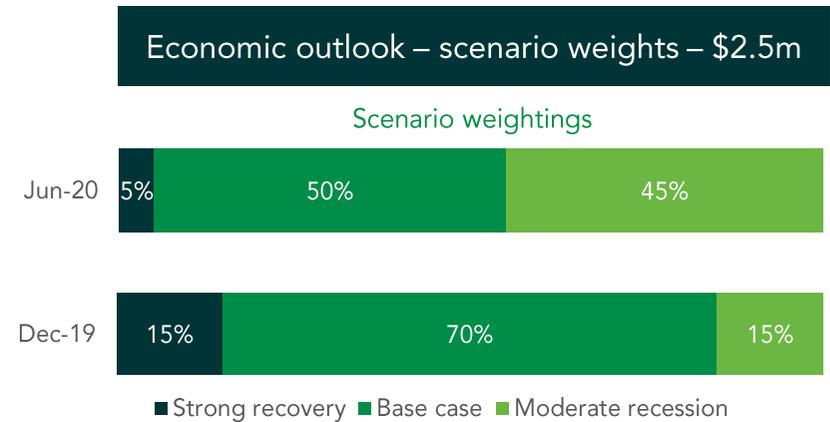
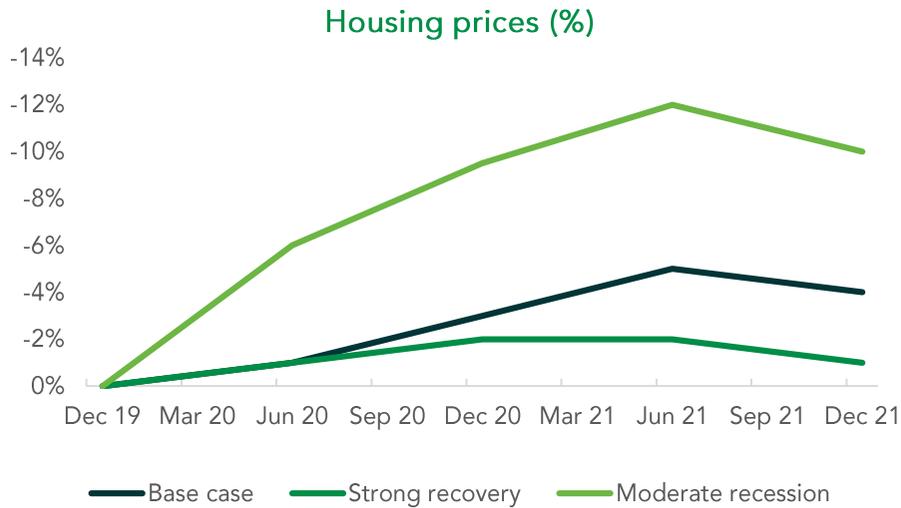
Loan provisioning strengthened for the potential impact of COVID-19

Total Provision Coverage Ratio (Collective and GRCL)



<sup>1</sup>The \$4.0m increase in Total Collective Provisions and GRCL between Dec 19 and Jun 20 is as follows:  
 +\$2.5m COVID-19 overlay (Collective Provision)  
 +\$1.5m GRCL Top-Up  
 - \$1.5m GRCL Top-up methodology change (contractual life to actual average life for stage 1 loans)  
 +\$1.5m Increase in total arrears and an ageing of arrears in the total loan book (Collective Provision)

# COVID-19 economic outlook and scenario weightings



\*Excludes GRCL. The probability-weighted forward looking overlay includes an additional overlay of \$0.5m

# Strategy & Outlook

Melos Sulicich

Community and Tasmanian  
economy  
Sector overview  
Strategic priorities  
Outlook



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

### MyState Foundation

Empowering youth



**\$2.3M**

in grants to help more than 130 not-for-profit organisations

### Football Tasmania

Grassroots support



Support to reboot football and get

**9,000**

Tasmanian kids back into the game

### MyState Student Film Festival

High engagement



**300**

Entries

**1,500**

Students

### More support for our community



Hardie Fellowship, International Women's Day and Cape Hope Foundation

## Tasmanian economy continues to perform well

### State final demand

Positive economic growth, although impacted by early stages of COVID-19



**+2.6%**

YoY

### Home building activity

Solid commencements although may slow on economic uncertainty



**+2.5%**

YoY

### Population growth

Above average trend still in place



**+0.9%**

YoY

### House price growth

Remains resilient as national property prices soften



**+5.9%**

Dwelling value growth YoY

### Tourism

Key industry supported



**'Make yourself at home'**

Campaign to encourage domestic tourism, supporting key state industry

# Sector overview

## Industry dynamics



Key themes shaping the 'COVID-19 impacted' year ahead

- Slowing economy and rising unemployment likely to mean a slow and uneven pathway out
- Soft consumer and business confidence
- Low credit growth
- Intensifying competition for new lending

Continuing pressure on operating costs and the balance between cost/efficiency and customer service

Customers expecting more functionality from online and mobile banking

Customers coming out of COVID-19 with a different set of values; increase in 'austerity'?

Uncertainty around impact of credit loss provisions

## Regulatory dynamics



Impact of COVID-19 has further heightened regulatory intensity and scrutiny...

... although many impending legislative changes deferred for a period due to COVID-19 disruption

Extension of APRA temporary favourable capital treatment for deferred and restructured loans a positive

Continued focus on culture, particularly risk culture.

# Our strategic priorities



**Our purpose**  
is to help people  
achieve their  
dreams



**Our mission**  
is making financial  
services simple and  
trustworthy



**Our  
Strategy**

## MyStateBank

- **Grow** and automate bank operations
- **Increase** digital capabilities
- **Build** our brand to ultimately grow our balance sheet
- **Attract** and deepen relationships with customers

## TPT WEALTH

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

Supported by investment  
in marketing and a strong  
risk culture

# Continued migration to digital

## DIGITAL HIGHLIGHTS

Launch of world class **AI insights** in MyState Bank app

Digitisation of back office processes increases scalability

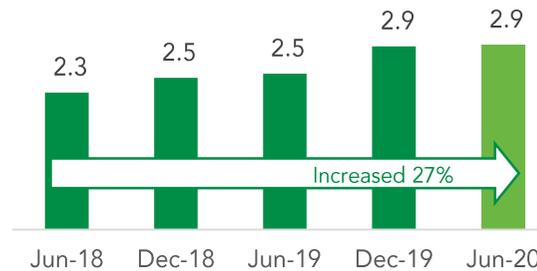
**Customer uptake** of internet and mobile banking continues to increase

Bonus Saver awarded **5 Stars** by Canstar & Mozo Experts Choice Award

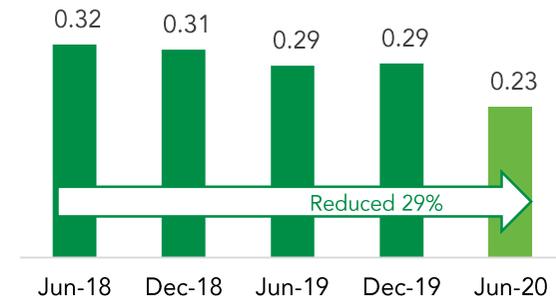


On-line book and on-line customer numbers **doubled for second consecutive year**

Digital transactions (#m)



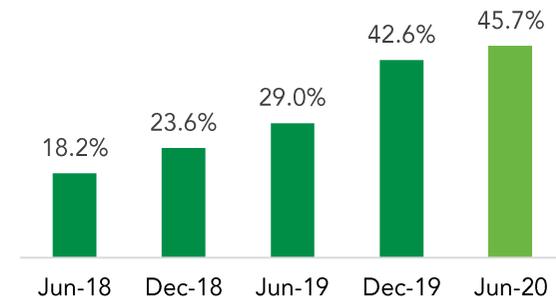
Branch transactions (#m)



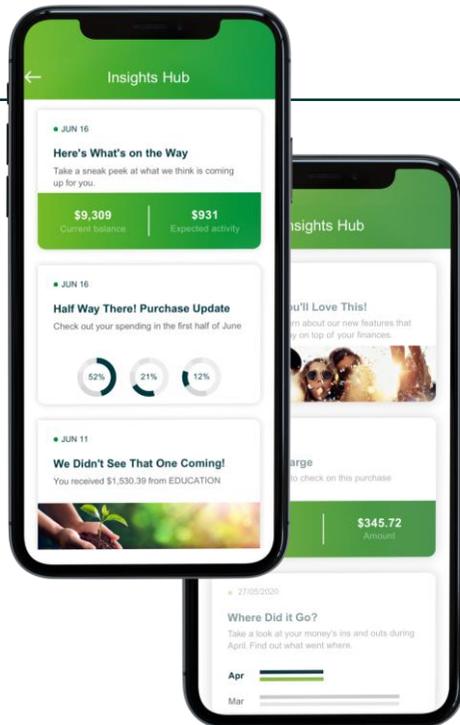
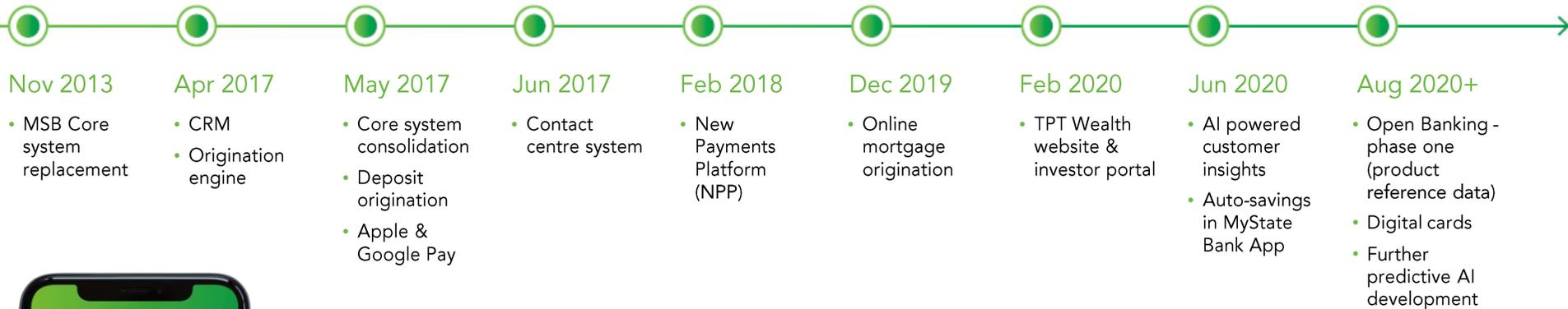
Customers registered on Internet Banking (%)



Customers with eStatements (%)



# Banking on the future



## INSIGHTS HUB

- ✓ Auto-savings
- ✓ Keep an eye on your spending
- ✓ Never forget to pay a bill again
- ✓ See into the future
- ✓ Less "uh-oh, we've overspent" moments



500,000

Insights generated for 63,000 customers



79%

Positive reviews for insights



\$1.75m

Potential auto-savings identified



19,000

Predictive insights warning of potential problems

# TPT Wealth - investing for the long game

Jun 2019

- Sale of retail Financial Planning business

1H20

- Rebranded to TPT Wealth
- Outsource of fund unit registry
- Fund product simplification

2H20

- Launch of new funds management investor portal
- Outsource of fund administration

1H21

- Replacement of legacy trustee system
- Launch of new cloud lending system

## OUR GOAL

Transformation into a national digital business, acknowledged as both a **trustee** as well as an **expert, specialist income fund provider**, delivering regular and reliable yield to investors.



We are investing in contemporary, scalable wealth management and trustee products and systems as well as growth through mainland distribution.



We are focused on achieving a functional and fluid ecosystem to take maximum advantage of our growth potential.

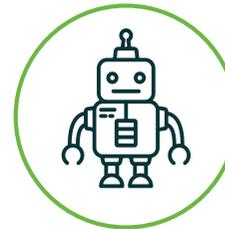
# Outlook

## REVENUE GROWTH



Bank balance sheet growth  
Disciplined margin management  
FUM growth via Mainland distribution.

## CHANGE



Increased marketing spend to enhance MSB retail funding and TPT Wealth FUM growth  
Further fund product rationalisation.  
Enhanced customer facing digital proposition.

## RESTRUCTURING & COSTS



Re-engineering cost base, improving productivity and reinvesting in growth  
Closure of 6 branches in 1H21  
Replacement of legacy Trustee system underway; targeting completion end of 1H21

## TAKEAWAY



The operational efficiencies and improvements that we have made in prior years are flowing through to the bottom line and are setting us up for a bright future.

**GROWTH OF A HIGHLY SCALABLE 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

PPOP: Pre-provision operating profit (before tax)

RBA: Reserve Bank of Australia

RMBS: Residential mortgage-backed security

ROE: Return on equity

RWA: Risk-Weighted Assets

SPIN: Standard and Poor's Performance Index

S&P: Standard and Poor's

TD: Term deposit

TPT Wealth: TPT Wealth Limited

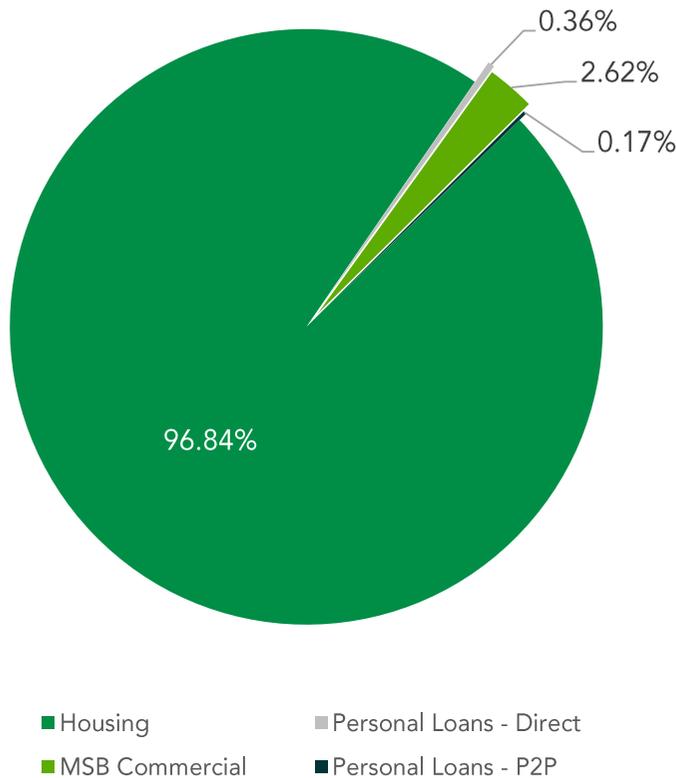
# Appendix

Profile of customers  
provided COVID-19  
assistance  
Total portfolio arrears

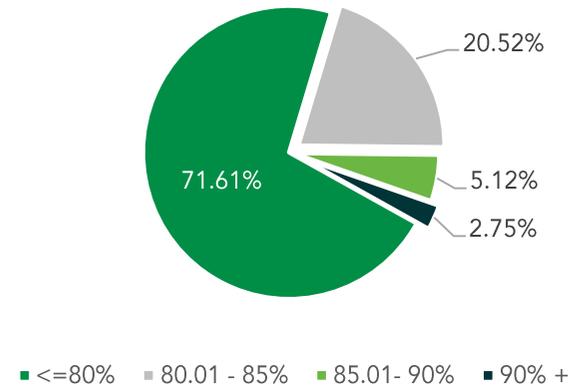


# COVID-19 profile of customers provided assistance

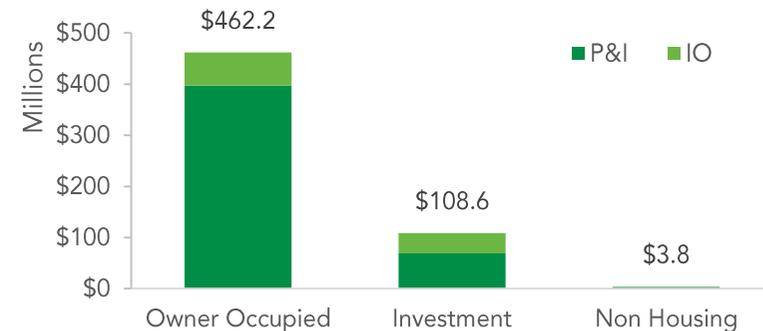
Total COVID-19 Loans



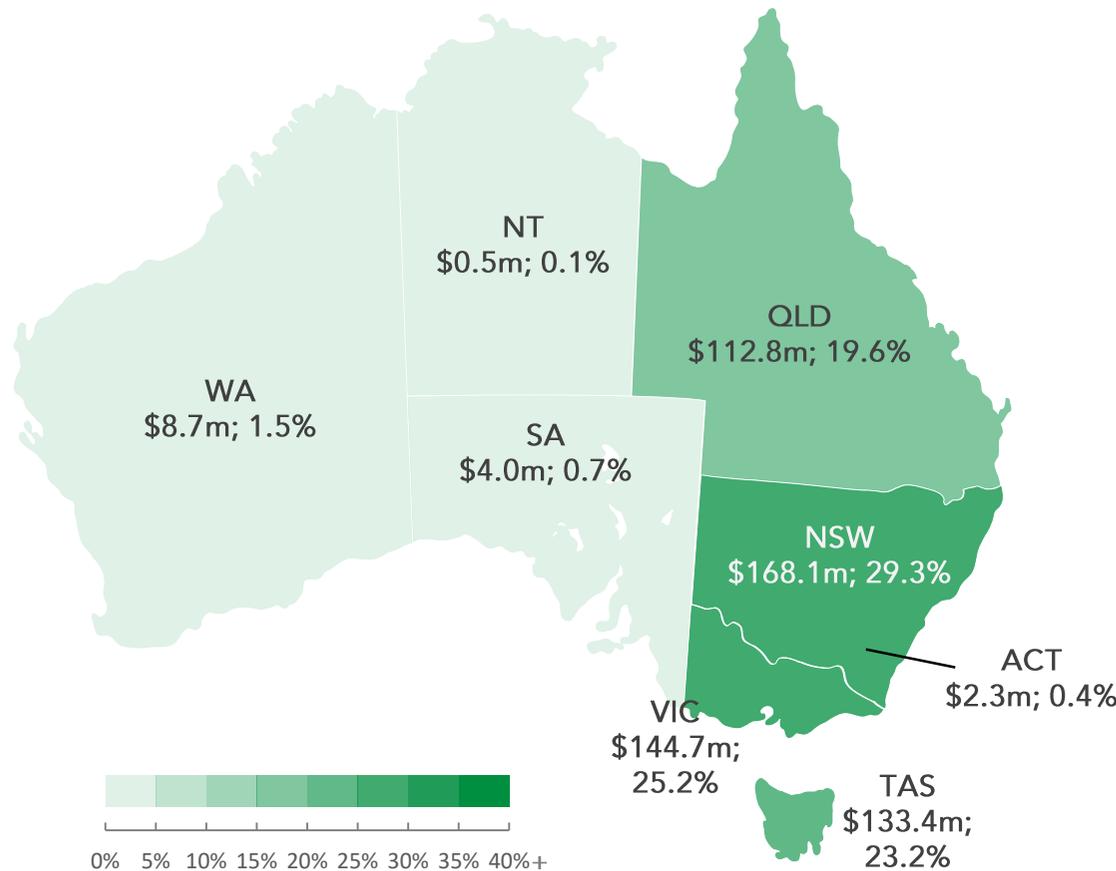
Home Loan LVR Breakdown



Purpose & Repayment Type



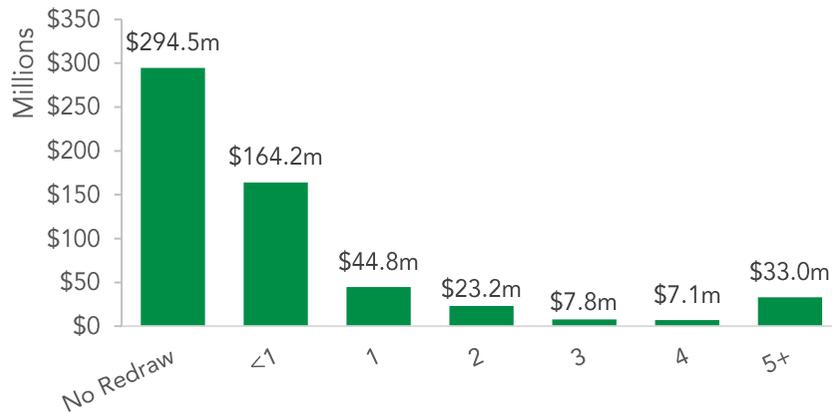
# COVID-19 profile of customers provided assistance



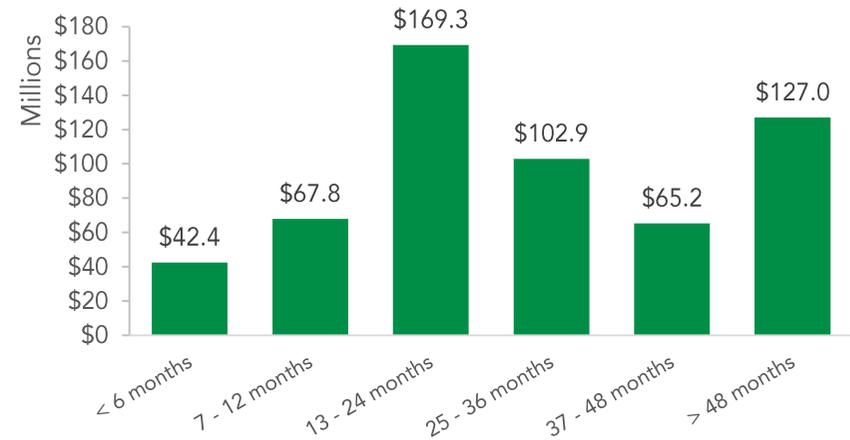
COVID-19 hardship loans are predominantly located in NSW (\$168m), followed by VIC (\$145m), TAS (\$133m) and QLD (\$113m)

# COVID-19 profile of customers provided assistance

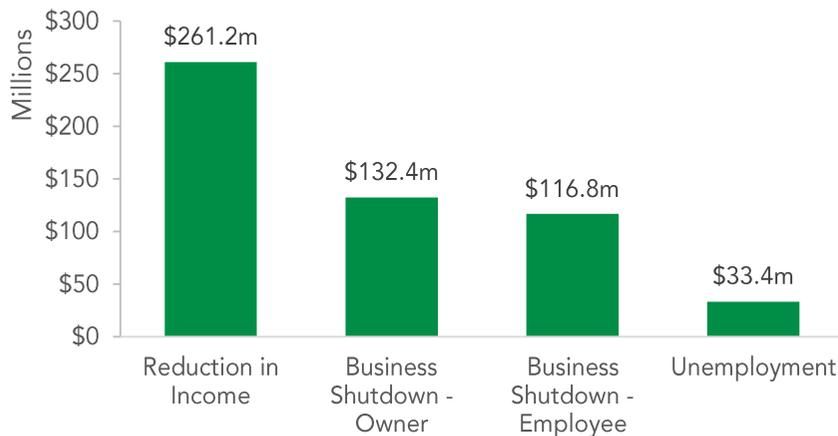
### Number of Advance Payments



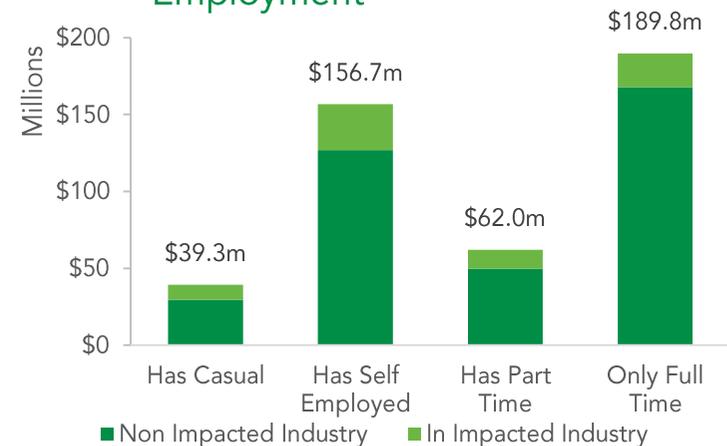
### Age of Loan



### Predominant Hardship Reasons



### Employment

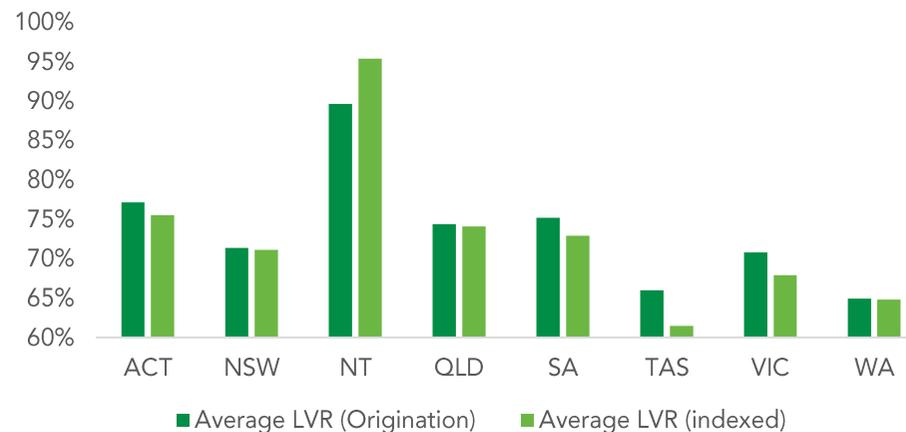


# COVID-19 profile of customers provided assistance

State	Average balance of loans with COVID-19 Assistance (\$)			
	Home Loan	Personal Loan	Commercial	All Lending
ACT	328,220			328,220
NSW	507,846	22,861	615,714	501,896
NT	457,070	20,962		239,016
QLD	344,087	22,798	171,250	325,945
SA	223,664	16,338		212,752
TAS	233,607	16,553	305,968	208,811
VIC	402,769	19,358	407,948	397,616
WA	320,236	20,246		299,547
All Lending	352,343	18,068	350,622	330,028
Total lending book	232,908	13,260	279,804	203,200

The average loan balance for COVID-19 assistance loans are slightly higher than the Bank's total loan book.

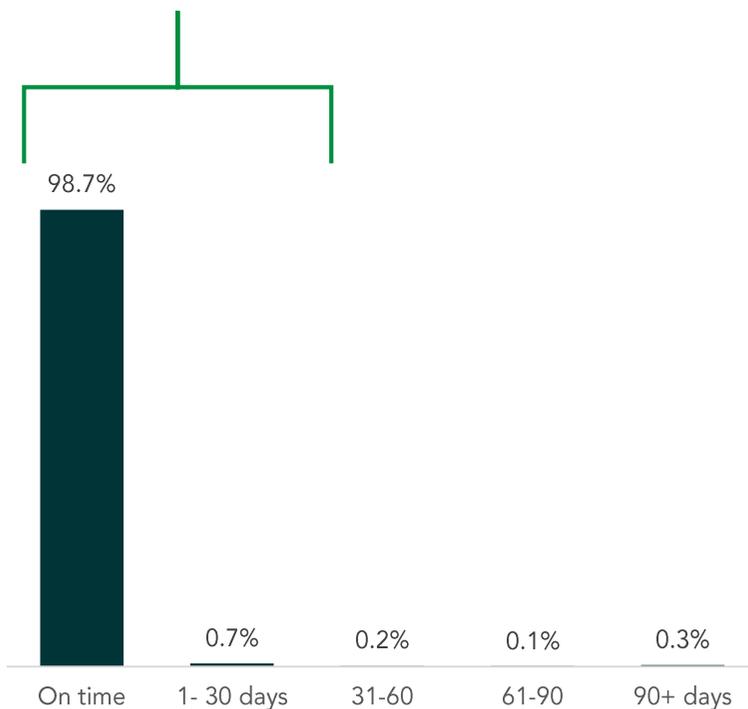
LVR change since origination  
(COVID-19 assistance loans)



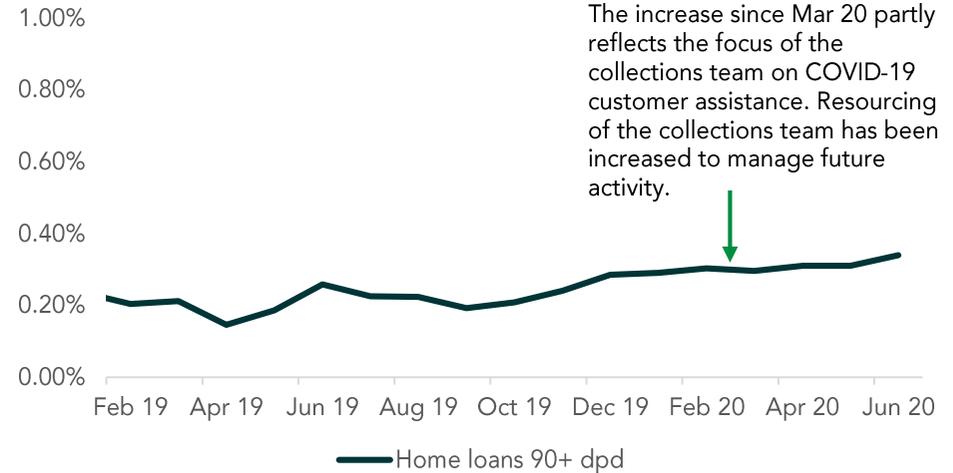
# Total portfolio arrears

## Home loan arrears profile (%)

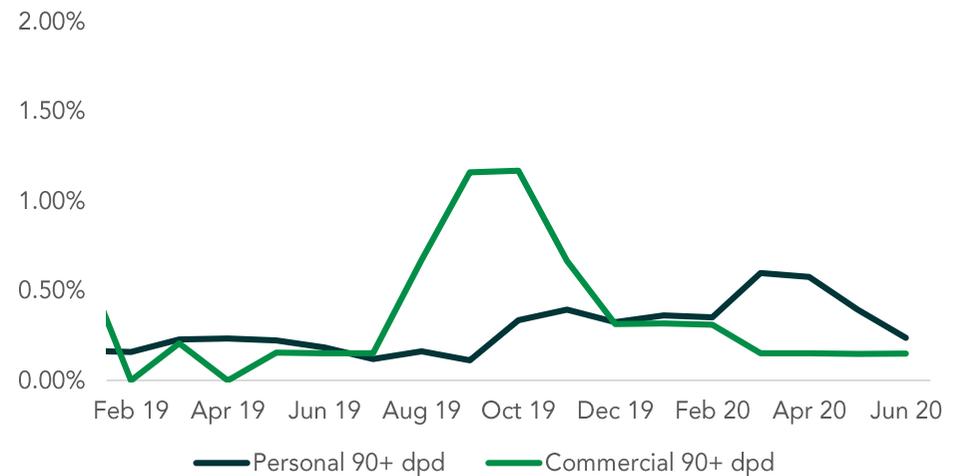
>99% of home loan book arrears is 30 days or less and therefore considered performing loans.



## Home loan arrears



## Commercial and personal arrears<sup>1</sup>



<sup>1</sup>Direct personal loan portfolio only  
Data at 30 June 2020

# 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](http://www.asx.com.au).

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