



MyStateLimited 

Investor Presentation

Half Year 2022

The human way to bank

01 Overview and highlights
Brett Morgan
Managing Director & CEO

02 Financial results
Gary Dickson
Chief Financial Officer

03 Strategy and outlook
Brett Morgan
Managing Director & CEO

04 Appendices



Agenda
Investor presentation Half Year 2022



Overview and highlights

Brett Morgan

01

Key highlights

Financial performance

\$6,068m
+11.4%
Home loan book

\$4,986m
+12.4%
Customer deposits

\$16.61m
-2.4%
Net profit after tax

15.76cps
-14.8%
Earnings per share

8.03%
-191bps
Return on average equity

1.77%
-17bps
Net interest margin

Strategic initiatives delivered

Grow

- ✓ Deploying capital raised in June 2021
- ✓ Home loan portfolio growth of 11.4% since 30 June (9.6% growth in Tasmania and 12.5% growth for rest of Australia)
- ✓ Customer deposit growth of 12.4% from 30 June
- ✓ Increase in MSB and TPT distribution capacity and capability
- ✓ Significant investment in leadership learning and development

Increase digital capability + automation

- ✓ Release of Open Banking Customer Data Right functionality
- ✓ Multiple automation improvements to contact centre, customer on-boarding and customer retention processes

Build our brand

- ✓ New *Numbers and Feelings* marketing campaigns into Tasmania and Melbourne
- ✓ Named in the 2021 AFR Boss magazine list as one of the 10 most innovative companies in banking, super and financial services

Attract + deepen relationships

- ✓ 9,500 new customers joined in the first half (+14% on pcpc)
- ✓ Strong customer advocacy (NPS +39)
- ✓ Customer funding ratio 74.6% (+120bps on pcpc)

Note: Financial performance figures compare 1H22 to 1H21 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2021 as pcpc.

We are executing on our growth strategy.

Growth strategy on track

Strong balance sheet growth

- Home loan portfolio growth accelerating; 1H22 home loan settlements up 116% on pcp
- Strong growth in customer deposits up 12.4% on pcp

Investment up as planned

- Operating costs increased 15.6% on pcp driven by increased investment in distribution capability and capacity and marketing

Customer numbers growing

- More than 9,500 new customers joined in 1H22
- Over 162,000 customers across MyState Bank and TPT Wealth

EPS & ROE diluted

- As previously foreshadowed, EPS & ROE dilution as capital is deployed



Financial results 02

Gary Dickson

Lending growth strong; EPS and ROE dilution as new capital deployed

- Rapidly deploying capital and growing loan book
- Total operating income up \$2.3m (+3.4%) on pcg
- NPAT down 2.4% to \$16.6m
- Cost to Income ratio increase to 68.8% reflects up front investment in growth initiatives
- EPS and ROE dilution as capital raised in June 2021 is fully deployed to support lending growth
- Interim dividend in line with the pcg

	1H22	1H21	Change	
Total operating income (\$m)	71.0	68.6	+3.4%	▲
Pre-provision operating profit (\$m) ¹	22.1	26.4	-16.3%	▼
Statutory net profit after tax (\$m)	16.6	17.0	-2.4%	▼
Underlying net profit after tax (\$m)	16.3	18.7	-13.0%	▼
Statutory earnings per share (cps)	15.8	18.5	-14.8%	▼
Net interest margin (%) (annualised)	1.77%	1.94%	-17bps	▼
Cost-to-income ratio (%) ²	68.8%	61.5%	+726bps	▲
Total capital ratio (%)	13.8%	14.8%	-103bps	▼
CET1 ratio (%)	11.6%	13.1%	-147bps	▼
Return on average equity (%) ³	8.0%	9.9%	-191bps	▼
Return on tangible equity (%) ³	10.2%	13.3%	-309bps	▼
Dividend-fully franked (cps) ⁴	12.50	12.50	+0.0cps	—
Credit performance - 30 day arrears (%)	0.47%	0.55%	-8bps	▼

Note: Financial performance figures compare 1H22 to 1H21 as the previous corresponding period (pcg). Balance sheet and capital figures compare 30 June 2021 as pcg.

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.

1. Operating profit before bad & doubtful debts expense, restructure costs, gain on revaluation of assets held for sale and income tax expense

2. Excludes restructure costs in 1H21 and gain on revaluation of assets held for sale in 1H22

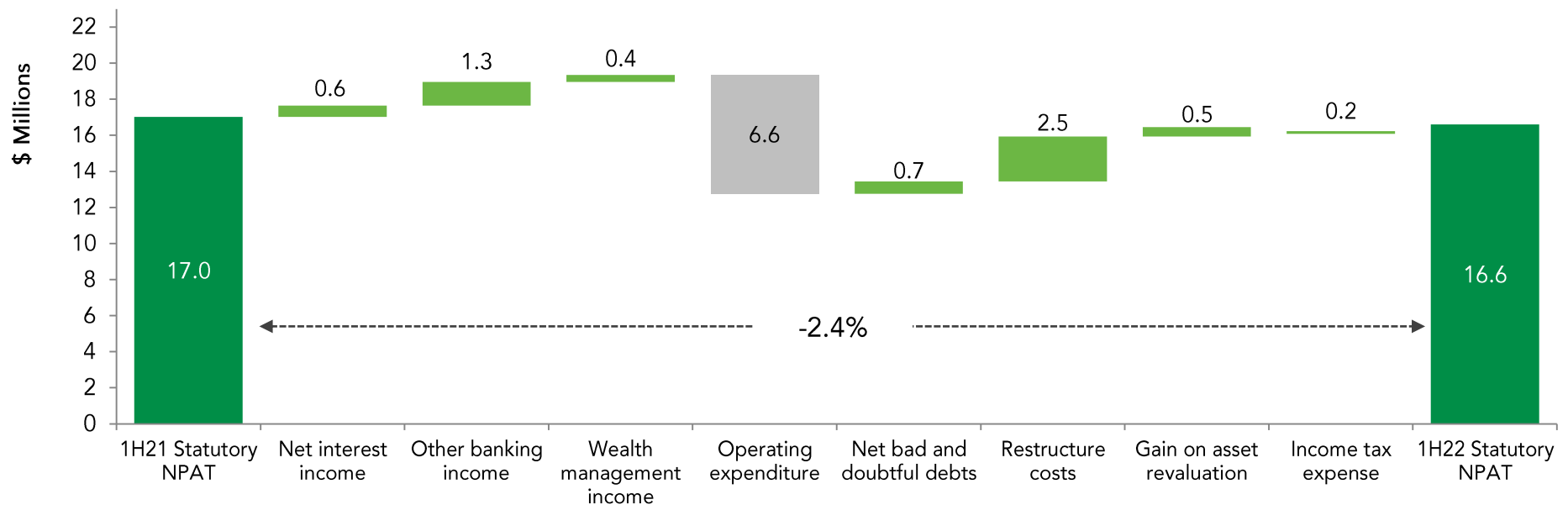
3. Annualised FYTD

4. Interim dividend of 12.50 cps payable to shareholders on the register at the record date of 24 February 2022.

NPAT softer with opex rising to support customer and lending growth

- Statutory NPAT decreased 2.4% on 1H21
- Net interest income up 1.1% on pcip benefiting from a higher average balance sheet, partly offset by lower NIM reflecting the competitive market environment for home loans
- Significant investment in marketing and brand building to support customer and lending growth contributing to an overall increase in operating expenditure of \$6.6m or 15.6%
- Restructure costs of \$2.5m in 1H21 relate to the closure of branches in Central Queensland and re-organisation of the Wealth business. Savings have been reinvested in growth related initiatives including distribution and customer acquisition related marketing spend
- Net bad & doubtful debts write-back reflects further improvement in arrears and the more positive economic outlook

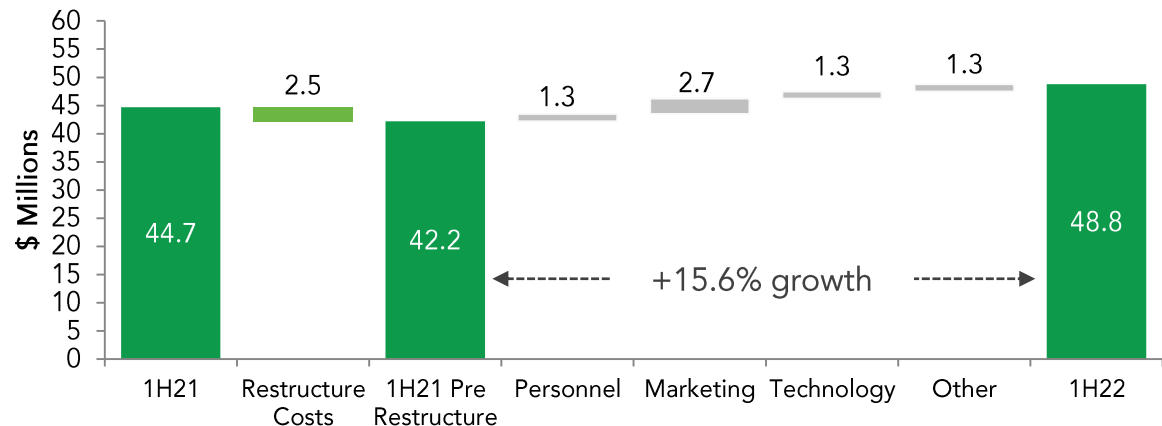
Net profit after tax



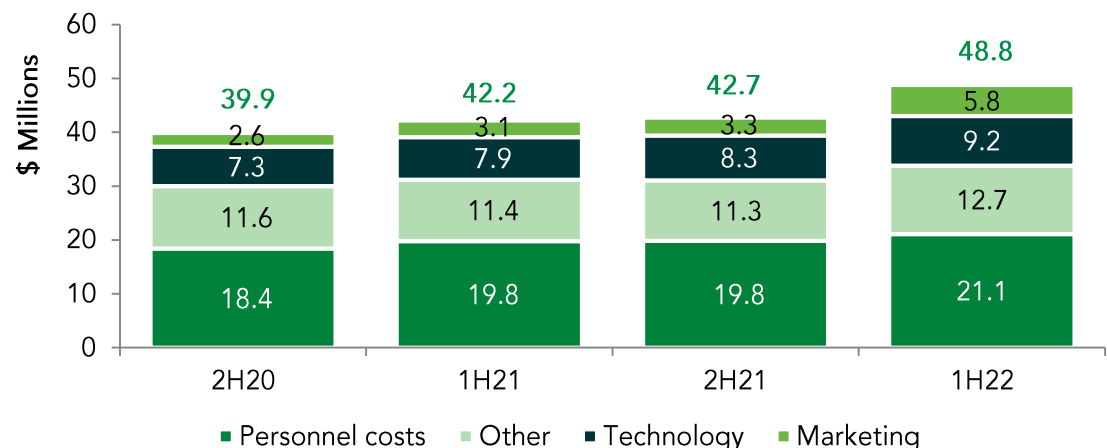
Up front investment in growth reflected in operating costs

- Operating costs increased by 15.6% driven by increased investment in distribution capability and capacity and marketing and corresponding higher lending volumes
- Higher personnel costs reflective of investment in growth related roles (primarily distribution and operations)
- Personnel costs in 2H20 benefited from the forfeiture of Executive short term incentives due to the impacts of COVID-19
- Marketing up \$2.7m or 91% on pcp due to investment in building the MyState brand on the mainland and customer acquisition focused activities
- Uplift in Other expenses primarily volume related

Operating expenditure



Expenditure breakdown

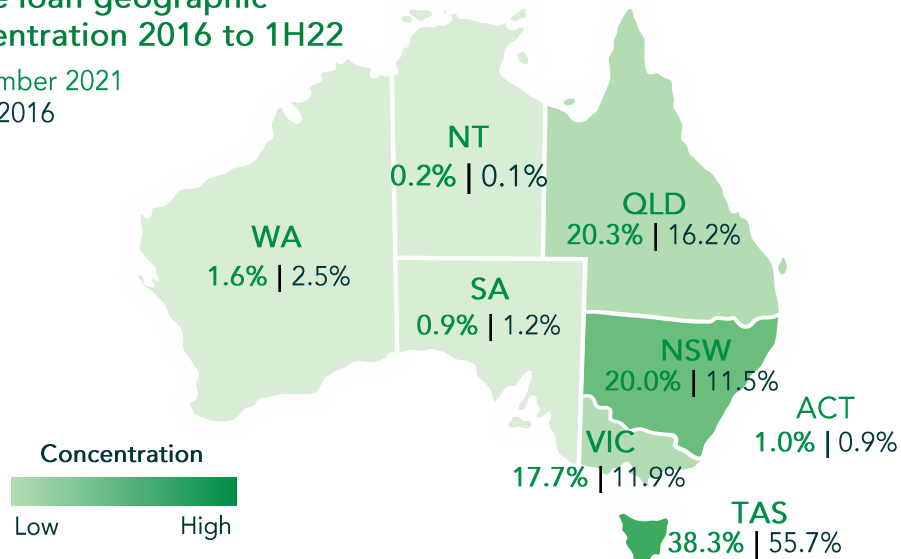


Note: Expenditure breakdown is exclusive of restructure costs

- Home loan book comprises 98% of lending assets
- Home loan settlements of \$1.48bn were up 116% on pcp (\$684m)
- Diversification across the Eastern seaboard continues

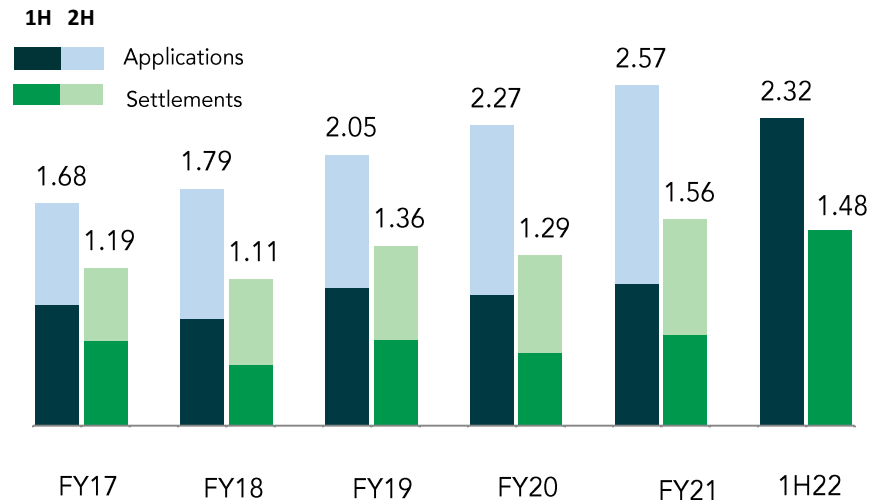
Home loan geographic concentration 2016 to 1H22

December 2021
June 2016

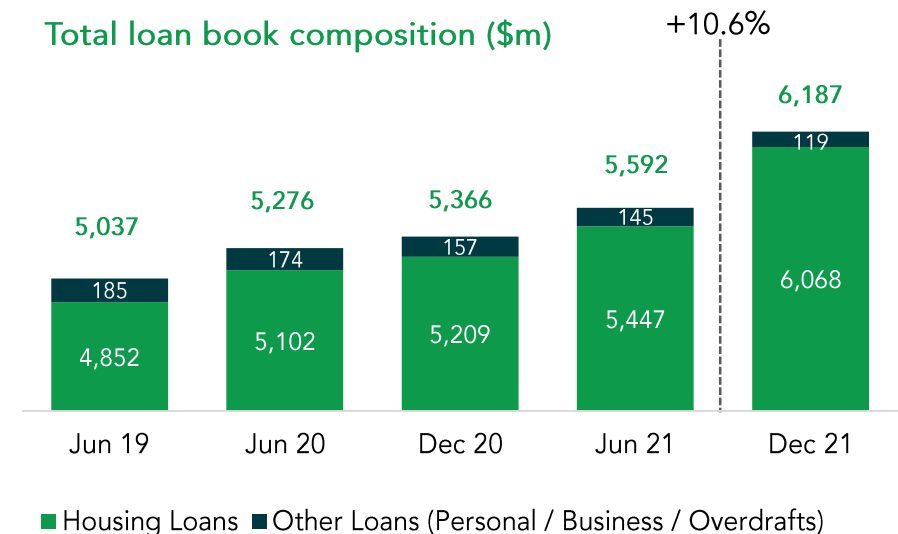


Accelerated home loan book growth

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

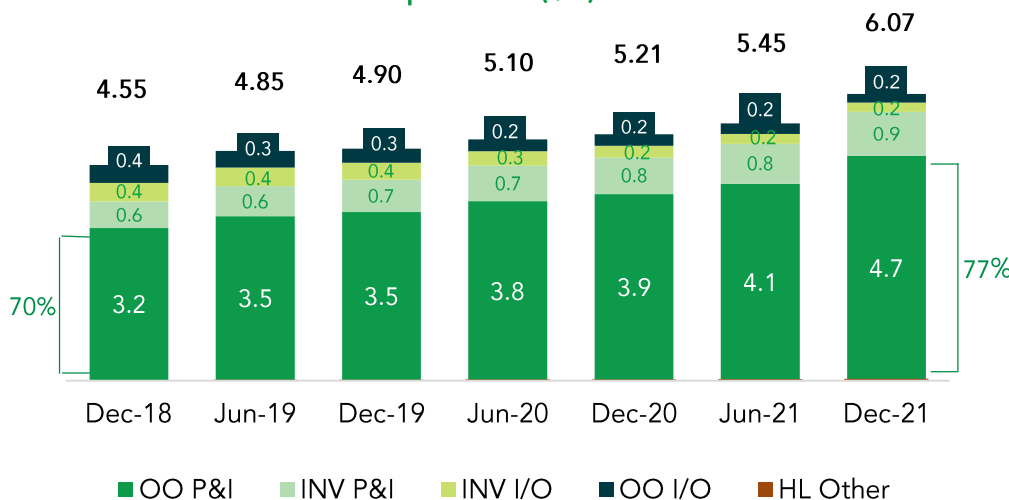


Total loan book composition (\$m)



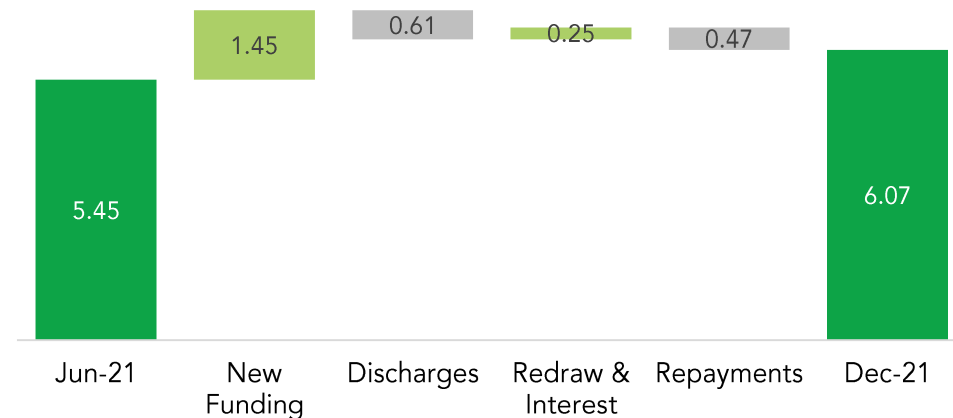
- Growth driven by lower risk owner occupied P&I lending with LVR <80%
- Fixed rate lending as a proportion of total flow was 34% in 1H22 (24% in the pcg)
- Run-off remains a sector wide challenge. MyState run-off of c.\$1bn was 48% higher than pcg (\$674m)
- Home loan book grew well above system in 1H22 (+11.4% on 30 June 2021 and c.3x system)

Total home loan composition (\$b)

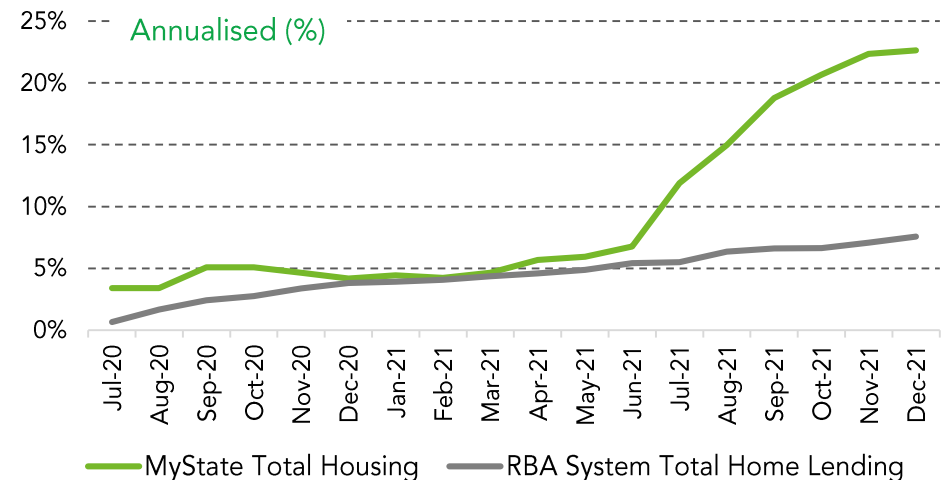


Accelerated home loan book growth

Loan balance & lending flows (\$b)



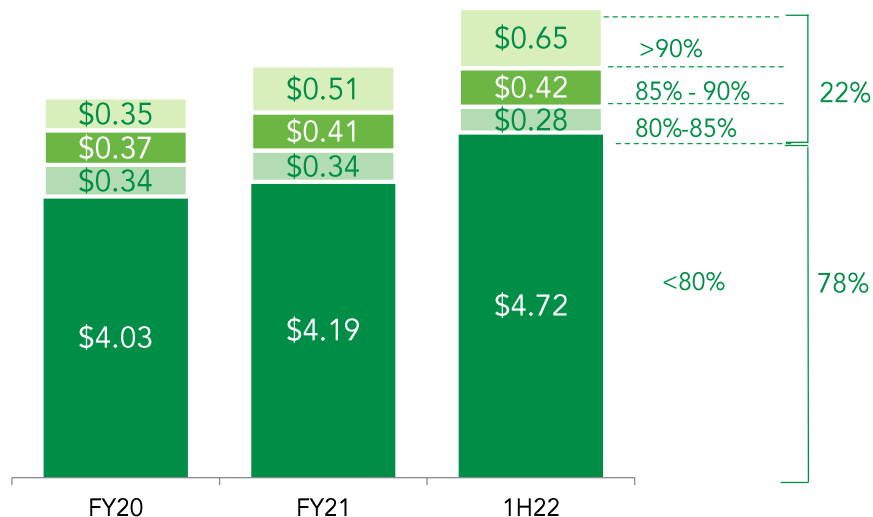
MyState home loan growth



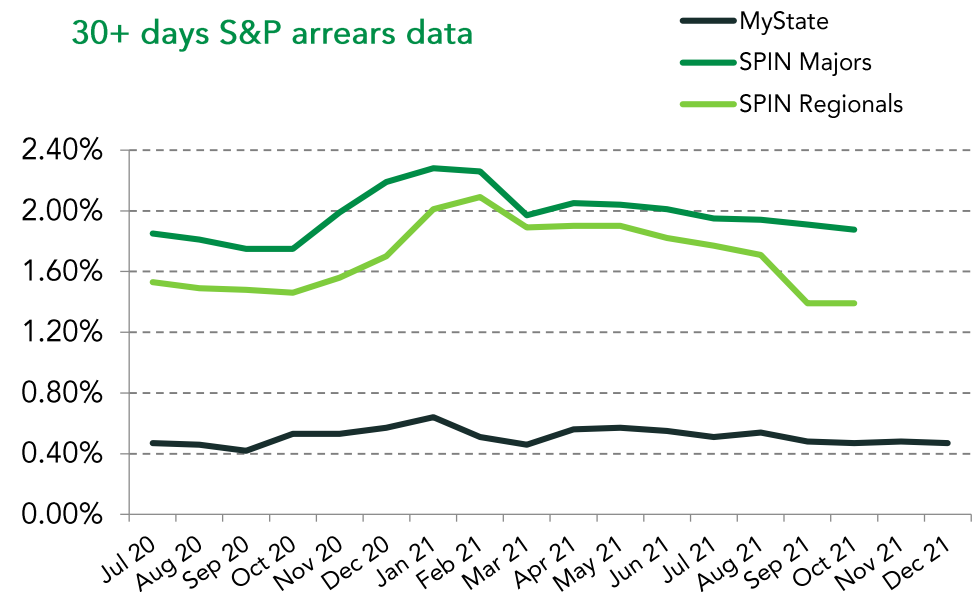
Continued high credit quality

- Maintaining quality lending growth remains a key focus and underpins balance sheet strength
- Focus on low-risk, owner occupied lending with LVR <80%
- Loans with a LVR >80% now 22% of the portfolio (Dec 2020: 25%)
- Growth in >90% LVR loans reflects support of Federal Government guaranteed FHLDS, which comprises c.10% of book
- Loans with COVID related assistance only 0.05% of the book

Home loan book - LVR profile (\$b)

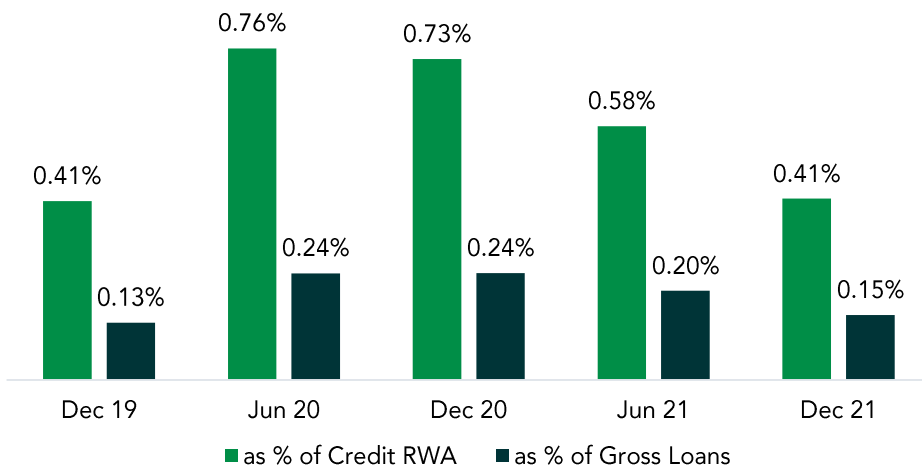


30+ days S&P arrears data



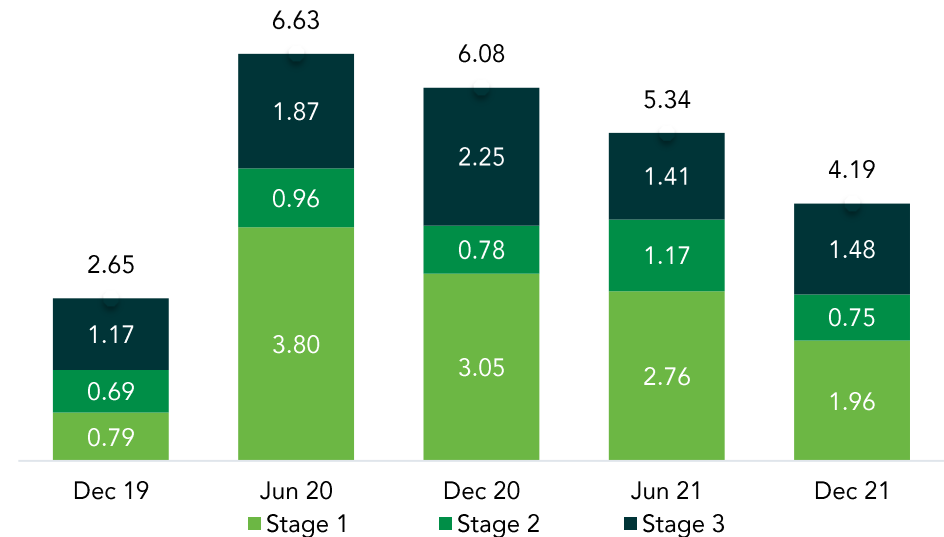
- Decrease in Total collective provisions and the General Reserve for Credit Losses (GRCL) consistent with lower arrears and the economic recovery as major Australian cities have exited lockdowns
- COVID-19 overlay reduced by \$0.6m reflecting the improved economic outlook and the significant reduction in COVID-19 impacted customers still receiving assistance (9 customers only)
- Provision coverage ratios are now consistent with pre COVID-19 levels (December 2019)

Total provision coverage ratio (Collective and GRCL)

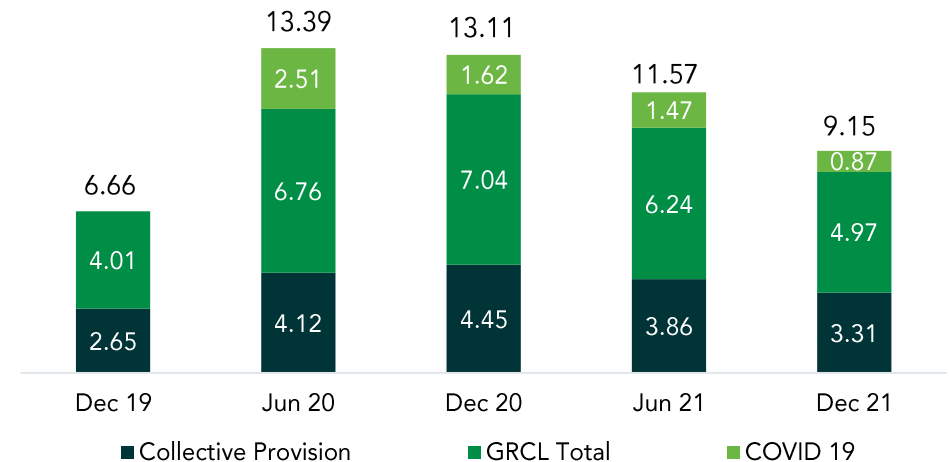


Loan provisioning remains prudent

Credit provisions (\$m)



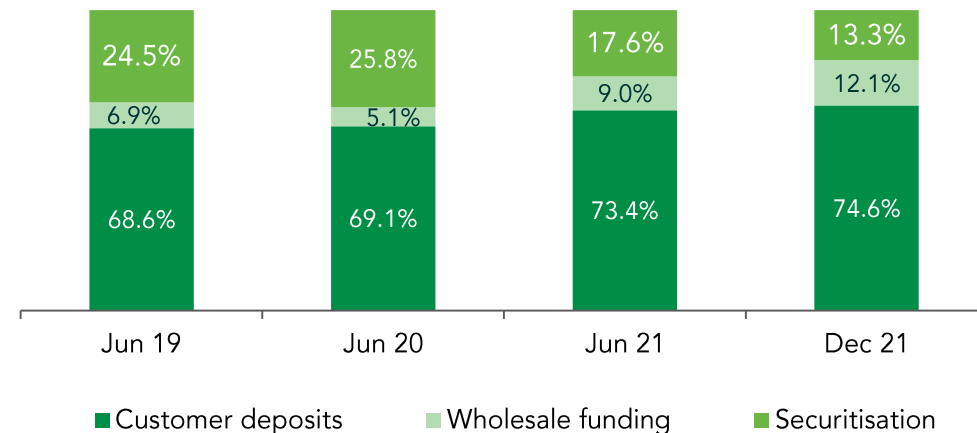
Total collective provisions and GRCL (\$m)



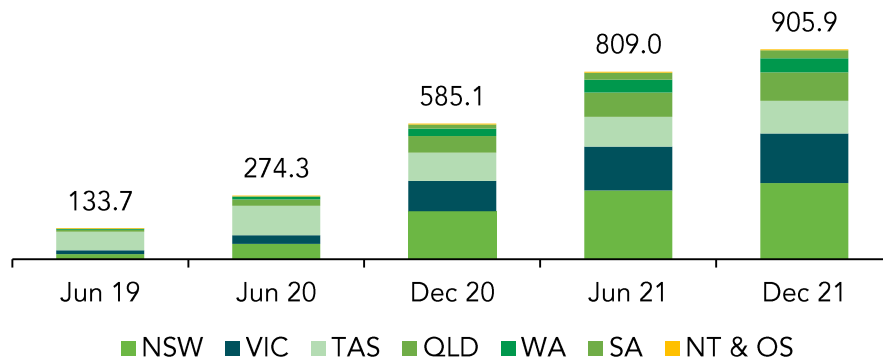
Customer funding driven by online acquisition

- Customer deposits grew 12.4% on 30 June 2021 and now represent c.75% of the funding mix
- Growth in 'At call' customer deposits (+16% on 30 June 2021) reflects current consumer preferences
- Significant growth in the award winning Bonus Saver Account (+19.6% on 30 June) driven by digital acquisition of new customers
- Issue of senior unsecured Medium Term Notes in June (\$50m) and November (\$100m)
- Securitisation remains an important source of funding and provides additional capital flexibility

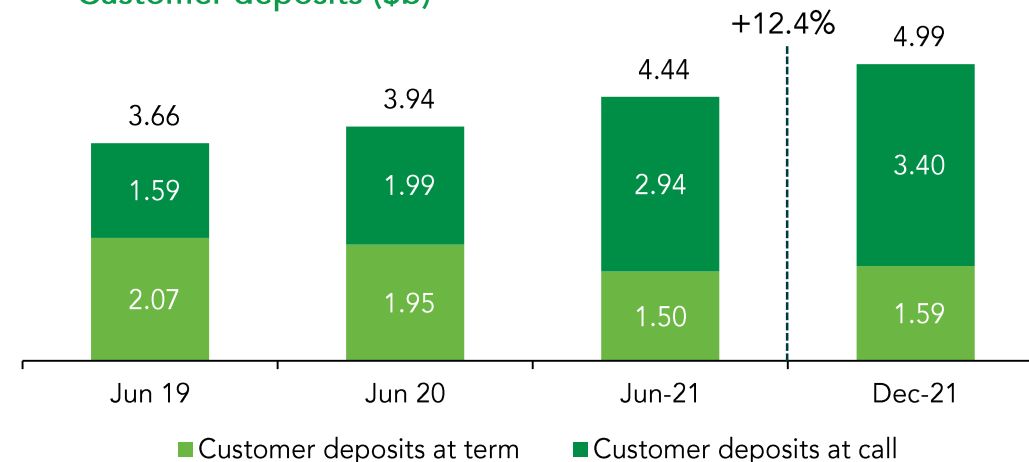
Funding mix (%)



Online customer deposits (\$m)



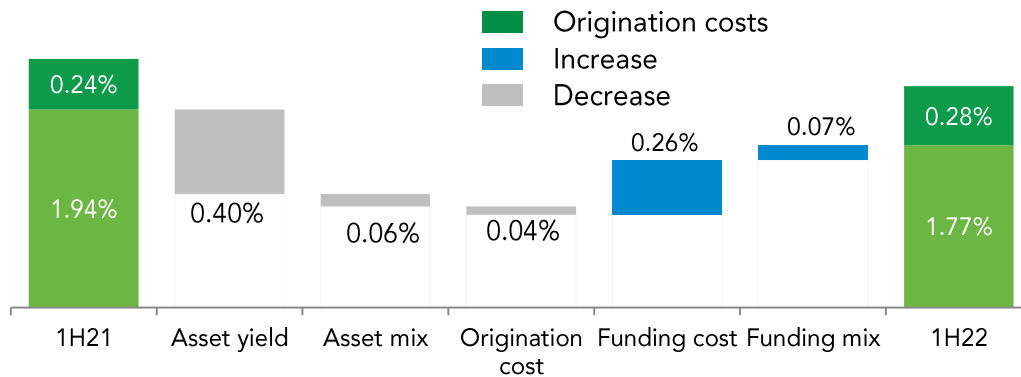
Customer deposits (\$b)



Note: during 1H22 a \$20m reclassification occurred reducing the At-Call balance at Jun-21

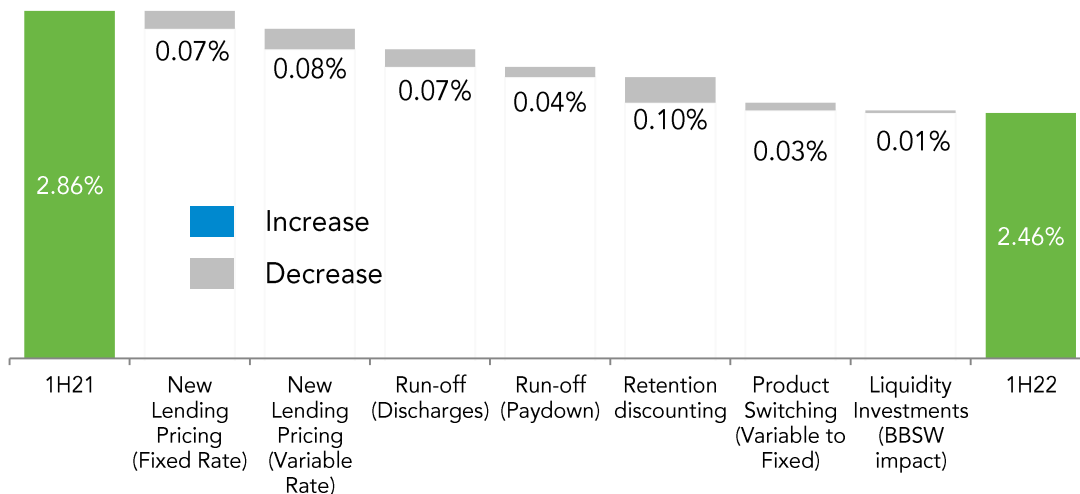
NIM decline expected and a reflection of market dynamics

NIM waterfall

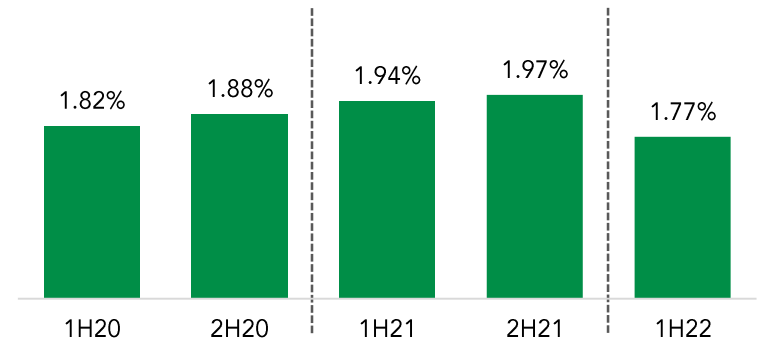


- Net interest margin down 17bps on pcp, driven by margin compression on the home loan book with growth well above system
- Lending market remains highly competitive due to low fixed rate offers, customer switching and retention discounting
- Funding cost benefits evident in FY21 continued but have plateaued in more recent months
- Exit NIM in December 2021 was 1.70% (June 2021: 1.89%)

Asset yield waterfall



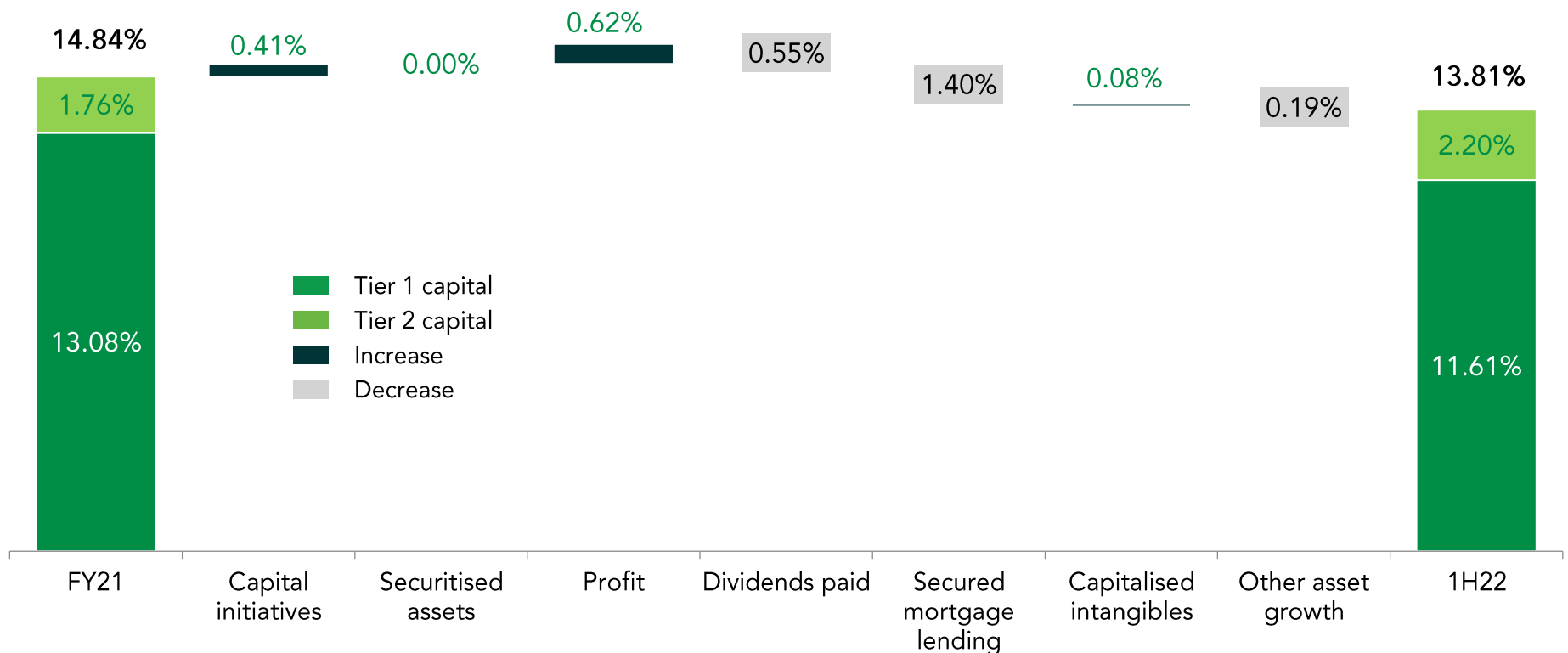
NIM trend



Capitalised for growth

- Effective capital strategy underpinning growth and investment in capability
- Capital raise proceeds of \$55.5m being rapidly deployed to execute MyState's growth strategies
- Capacity for Additional Tier 1 and Tier 2 capital and securitisation to provide further capital flexibility
- Expected CET1 and total capital benefit from the introduction of APRA's new bank capital framework (effective 1 January 2023)

Capital

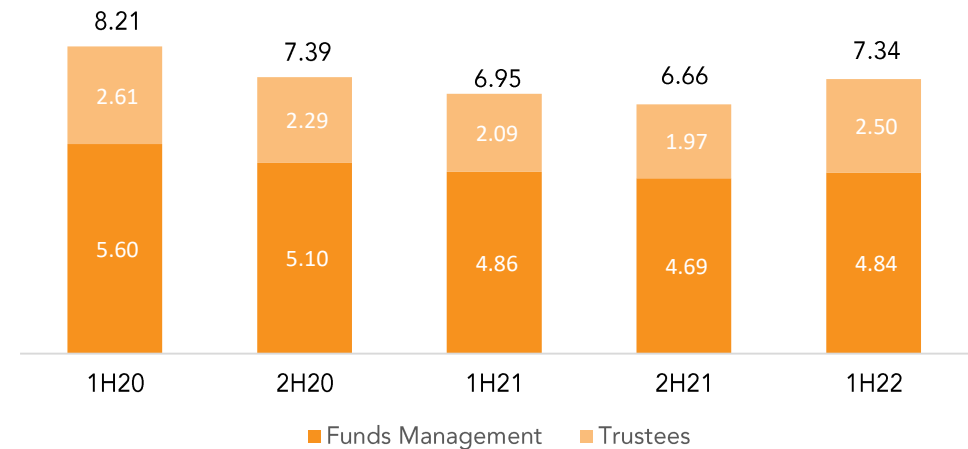


TPT Wealth

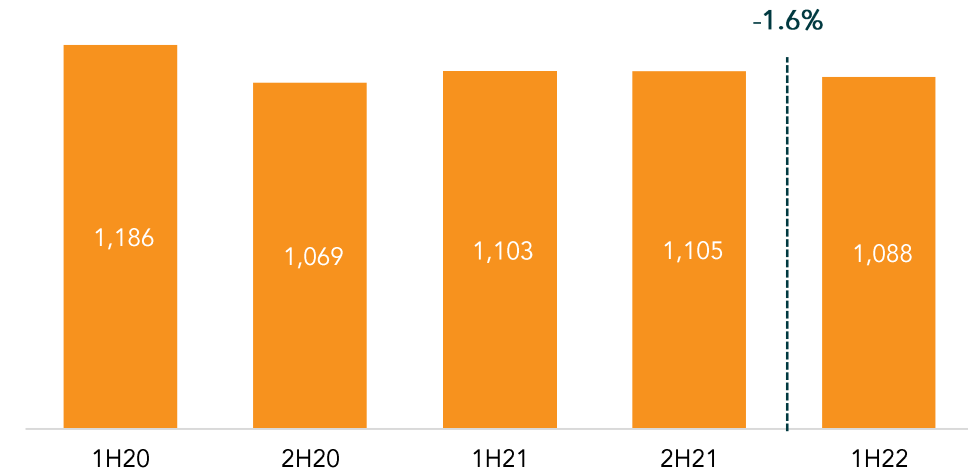
- Wealth operating income up 5.6% on pcg driven by Trustee Services commission income
- Investment Services management fees in line with pcg
- Distribution capability enhanced to drive growth on the eastern seaboard, to complement the team in the heartland market of Tasmania
- FUM remained relatively flat on pcg and closed at \$1.088bn
- TPT Fixed Term Fund, Select Mortgage Fund and Long Term Fund have been awarded a 4.0 Star 'superior' rating by independent research house SQM Research



Operating income (\$m)



Funds under management (\$m)





Strategy and outlook 03

Brett Morgan

Operating environment creating opportunities

Economic and industry dynamics



Economic growth and low unemployment



Low credit growth combined with low but rising rates



Competition for new lending remains intense



Shifting customer preferences towards digital



Regulatory requirements increasing



Increasing industry consolidation

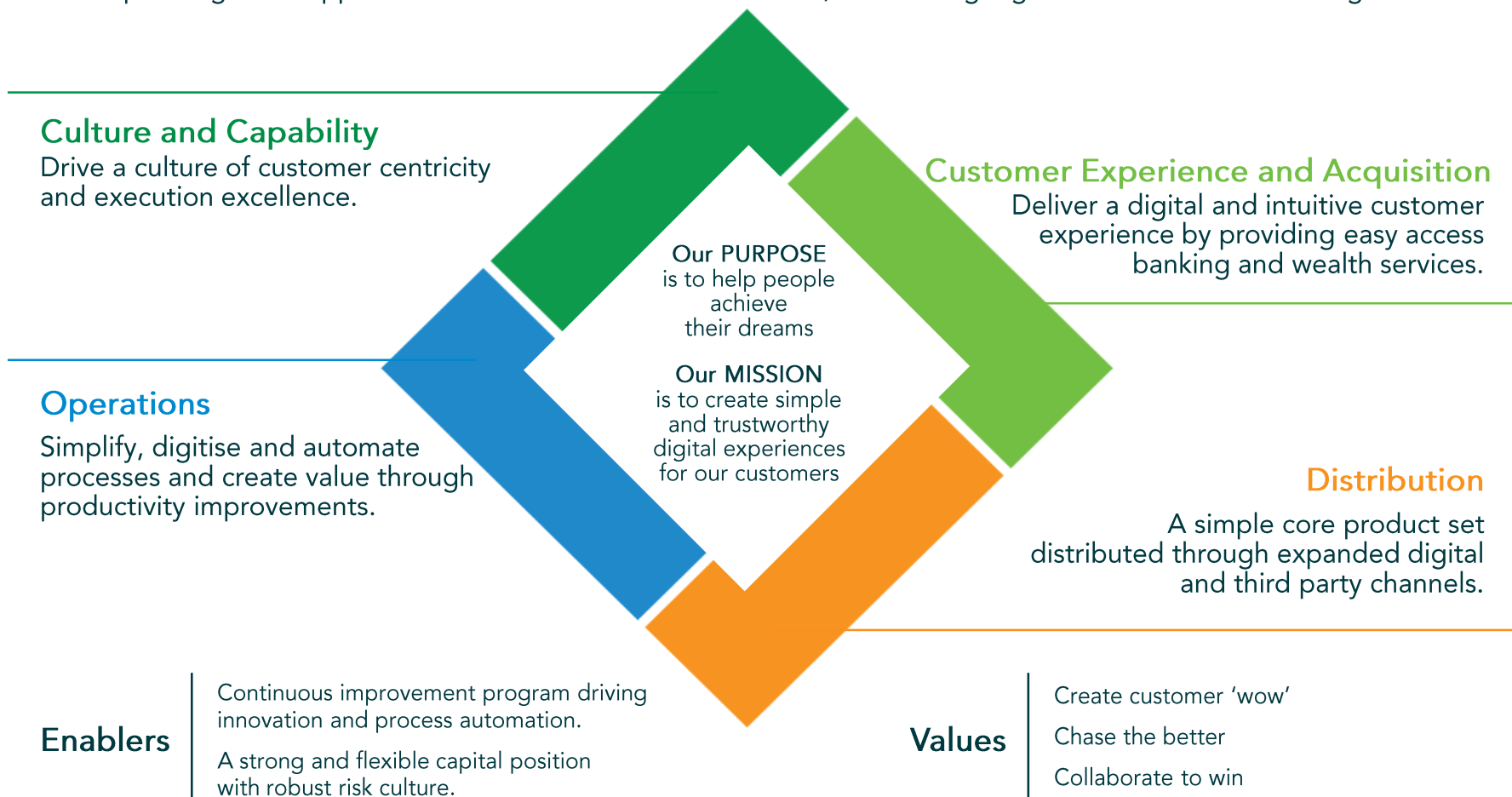
MyState's response

- Continue to grow market share in our heartland
- Accelerate growth in eastern seaboard markets
- Simple banking and wealth products delivered digitally
- Continued process automation
- Lending products primarily distributed through brokers
- Simple and easy origination – speed to decision
- 'Human way to bank' with strong digital capability
- Leading customer NPS
- Simplified business model reduces complexity
- Automation and digitisation reducing error rates
- A trusted brand with a deep care for customers
- Leadership in Tasmanian market

2025 growth strategy being executed

Our ambition is to grow our share in deposits, lending and FUM.

Our growth strategy is focused and bold. It builds on our strong financial position and high customer NPS to access specific growth opportunities in eastern seaboard markets, via a strong digital and AI enabled offering.



Key strategic objectives unchanged



Objectives ¹

- Rapidly accelerate balance sheet growth over the medium term, while maintaining asset quality
- Improved operating leverage (cost to income ratio) in line with business growth
- Targeting ROE accretion as capital is deployed
- Targeting growth in EPS over the medium term
- In FY22, EPS and ROE diluted while new capital is deployed with opex rising to support customer and lending growth



Closing remarks

- Demonstrated capability on strategic execution
- Trusted and respected challenger brand with leading customer advocacy
- Increasing digital and AI capabilities remain a focus for future investment
- Established digital bank

1. Targets assume current market conditions persist and there is no significant change or deterioration in Federal and State Government responses to COVID-19.



Appendices 04

MyState positioned for accelerated growth



MyState at a glance

- Diverse financial services business across banking and wealth management
- Geographical spread with greater than 60% of the home loan book in mainland Australia
- Consistent above system growth in loan and deposit books
- Experienced management team with a track record of delivering results



2025 strategy, capital raise and use of funds

- 2025 strategy builds on MyState's solid financial position, demonstrated execution capability and leading customer NPS to access growth opportunities via an intuitive digital and AI enabled offering
- Strategy is underpinned by four strategic priorities of Culture and Capability, Customer Experience and Acquisition, Distribution and Operations
- June 2021 capital raising: \$55.5m raised through Placement and Entitlement Offer
- Funds being used to build on current momentum and rapidly accelerate growth across banking and wealth management

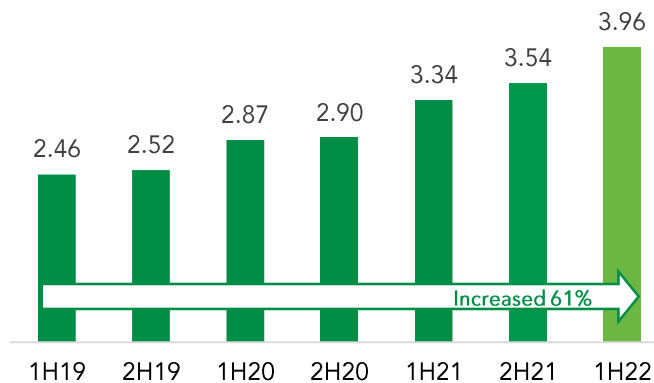
We have a focused digital strategy, with a significant opportunity to accelerate growth.

Digital transformation driving growth

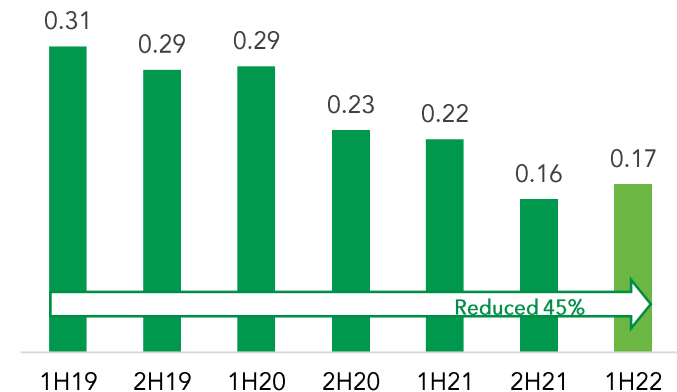
Migration to digital continues

- Customer uptake of internet and mobile banking increasing.
- Digitisation of back office processes increasing scalability and speed.
- AI insights in MyState Bank app generating over 1.5m insights per month.
- 95% of transactions completed digitally.
- Bonus Saver awarded 5 Stars by Canstar and Mozo Experts Choice Award.
- Digitisation strategy is growing our customer base with very high customer satisfaction.

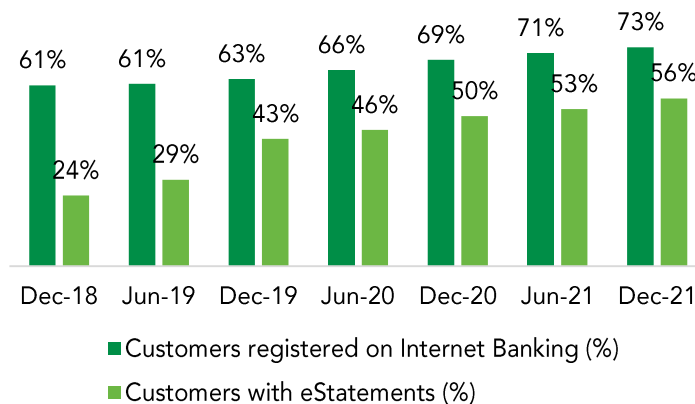
Digital transactions (#m)¹



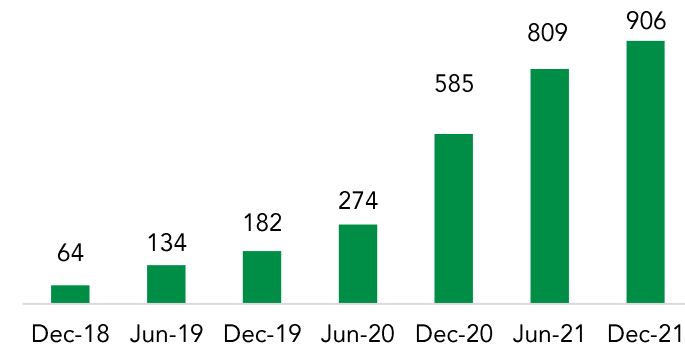
Branch transactions (#m)¹



Customers registered with IB & eStatements

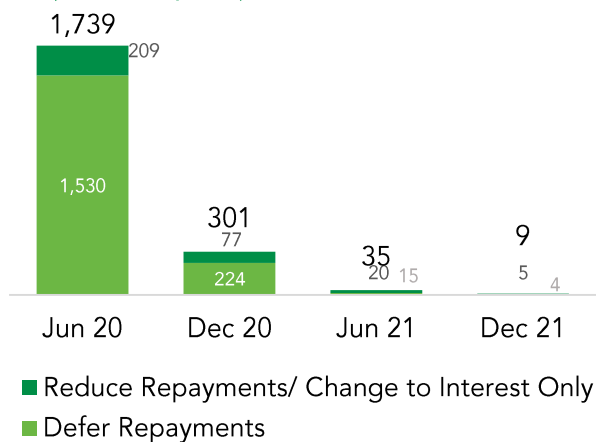


Online customer deposits (\$m)

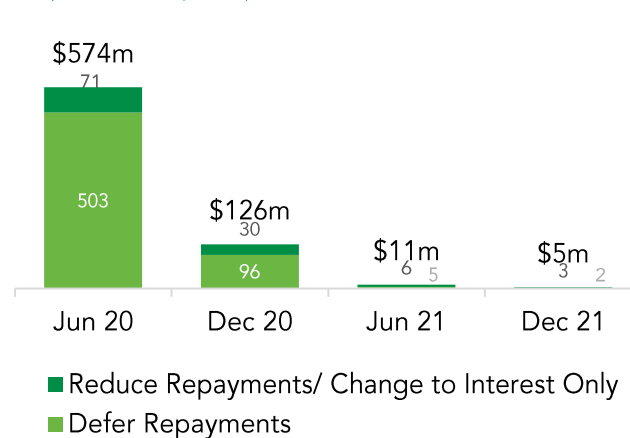


Mortgage assistance

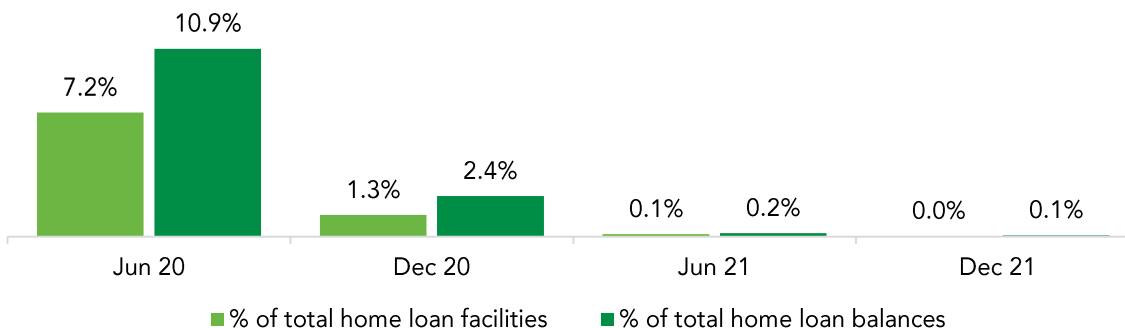
Total loans with assistance
(facilities, no.)



Total loans with assistance
(balances, \$m)



Home lending assistance profile
% of total home loan assistance balances



Financial assistance¹

- At 31 December 2021, a very small number of accounts remained in deferral (9 home loan customers)
- This equates to 0.05% of the mortgage portfolio receiving some form of assistance, with only 0.03% on payment deferrals
- At 3 January 2022, 8 loans are receiving some form of assistance, with 7 loans scheduled to restart repayments in January and 1 loan (interest only) in April.

1H: First half of financial year	IO: Interest only
2H: Second half of financial year	IRB: Internal ratings-based
ADI: Authorised deposit-taking institution	JAWS: relationship between income and expense growth
APRA: Australian Prudential Regulation Authority	LVR: Loan to valuation ratio
Avg: Average	MYS: MyState Limited
ASX: Australian Securities Exchange	MSB: MyState Bank Limited
BBSW: Bank Bill Swap Rate	NII: Net Interest Income
BDD: Bad & Doubtful Debt Expense	NIM: Net Interest Margin
bps: basis points	NPAT: Net Profit after Tax
CAGR: Compounded annual growth rate	NPBT: Net Profit before Tax
CET1: Common Equity Tier 1	PCP: Previous Corresponding Period
cps: Cents per share	RBA: Reserve Bank of Australia
CTI: Cost-to-income ratio	RMBS: Residential mortgage-backed security
DRP: Dividend reinvestment plan	ROE: Return on equity
EPS: Earnings per share	SPIN: Standard and Poor's Performance Index
FUM: Funds under management	S&P: Standard and Poor's
FY: Financial year	TD: Term deposit
FYTD: Financial year to date	TPT: TPT Wealth Limited
HY: Half year	

Summary Information

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