

**MyState Limited 2020 Annual General Meeting Addresses  
(ASX:MYS)**

Please find attached addresses to shareholders to be delivered by the Chairman, Mr Miles Hampton and the Managing Director and Chief Executive Officer, Mr Melos Sulicich at MyState Limited's 2020 Annual General Meeting today.

Yours faithfully,



**Scott Lukianenko**  
**Company Secretary**

**Authorised**

S Lukianenko – Company Secretary

**About MyState Limited**

Registered Office: 137 Harrington Street, Hobart 7000

MyState Limited is the ASX-listed (MYS) non-operating holding company of the diversified financial services Group consisting of MyState Bank and TPT Wealth, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and TPT Wealth hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.

**2020 Annual General Meeting**  
**Chairman's Address to Shareholders**  
**21 October 2020**

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Ladies and gentlemen, I am pleased to present my 2020 Chairman's Address.

**Trading results**

The company recorded statutory net profit after tax of \$30 million compared with \$31 million in the previous year.

The result was after an impairment charge of \$4.9 million, principally related to COVID-19 loan provisions.

It is very pleasing to note that core earnings as measured by net operating profit before impairment and tax increased 12.9% to \$47.9 million.

The improved core earnings result reflects in part the tailwind of reduced funding costs, but it also reflects the significant investment and effort that has been made over recent years to transform our business.

**Decision not pay a final dividend**

Whilst the operating result was strong and the capital position well above both regulatory and internal benchmarks, the Board came to a decision to not pay a final dividend.

We did not take this decision lightly recognising that many shareholders rely on dividends to fund living expenses.

But with the uncertainty surrounding the impact of the pandemic-induced recession on employment levels and home prices, the Board came to the view that it was prudent that we bolster our capital position by not paying a dividend.

Barring unforeseen circumstances, we anticipate resuming dividend payments after the end of the first half of the current financial year.

## **Reduction in Directors Fees**

In light of the circumstances, the Board reduced Non-Executive Directors' fees by 20% for the six month period from May 2020. Further, the Executive team elected to forego any short-term incentive payments for FY20 and there were no executive salary increases in 2020. While these decisions themselves do not have a material effect on profitability and capital strength or the financial performance of the company, they reflect a recognition of the hardship that many shareholders and customers will be experiencing.

## **Impairment charge**

MyState has traditionally had very low impairment expenses, reflecting a prudent approach to lending.

However, under accounting standards we are obliged to consider our provisioning looking forward and to recognise the possibility of future losses.

Management undertook a detailed analysis looking at various scenarios involving the key parameters of unemployment and house prices.

The impairment charge that we booked reflected a middle ground.

The provisions may have to be adjusted up or down as new information becomes available.

## **Customers impacted by COVID-19**

As a consequence of COVID-19 we had nearly 2,000 customers seek assistance. Over the recent period many customers who had sought assistance have recommenced loan repayments however it is expected that there will be a number of customers who may not be able to recommence repayments.

In working with this group of customers, we will bring empathy to their situation and explore all avenues to help them. But unfortunately in some circumstances the best interests of the customer may be served by selling their property. Where this is necessary we will work closely with individual customers to assist them through this process.

## **Strategic focus.... a digital bank**

The Board and senior management have for several years had a focus on building a digital bank. As one of the smaller listed banks, we are disadvantaged by a higher cost of funds, higher regulatory capital requirements and the diseconomy of a lack of scale. We are targeting a lower cost operating model that will ensure we can continue to compete whilst providing high quality services.

## **Strategic focus... a digital funds management business**

Last year I commented on our plans to transform the TPT funds management business and create a platform for national growth.

2019/20 saw significant further progress and we expect to complete the transformation by the end of the current financial year.

## **Vale Stephen Lonie**

I would like to acknowledge the passing late in 2019 of Stephen Lonie who had been a Director of MyState since 2011. The knowledge and experience that he brought to the Board was invaluable and his contribution was always insightful.

We extend our condolences to his wife Jenny and family.

## **Concluding remarks**

The significant progress that we continue to make in modernising our banking and wealth businesses reflects the hard work of our MyState team during very challenging circumstances and, on behalf of the Board, I say thank you to all team members.

Ladies and Gentlemen, that concludes my Chairman's address. I now invite our Managing Director, Melos Sulicich, to address the Annual General Meeting.

# Managing Director's 2020 AGM Address

Melos Sulicich



## **Slide 1 –Managing Director’s Address**

Thank you, Miles. It is my pleasure to add my welcome to that of the Chairman.

It is indeed an unusual time, but I am pleased to be able to utilise the technology that we have to hand to talk to you about what we are achieving at MyState.

Given the format, I’ll be relatively brief, but I would like to take you through our achievements, the impacts of COVID-19 on the business, our strategy and the outlook for the Company.



# FY20 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 **1,900 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

## POSITIONING FOR THE FUTURE

- **Digital transformation and capability build** increasing momentum
- **Increased investment in marketing spend** to enhance MyState Bank retail funding and TPT Wealth FUM growth

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

## Slide 2 – FY20 highlights

As I said at our full year results announcement, the year in review was like no other in our history. It was a year of slow economic growth, increased competition, ongoing regulatory change, and global uncertainty – not to mention the difficulties posed by a vicious bushfire season followed by a global pandemic, the likes of which none of us have seen in our lives.

With all these external issues going on around us, at MyState, we continued our focus on improving our capability and culture: simplifying, modernising and digitising the business; making it simpler, easier and better for customers to interact with us; and maintaining a laser-like focus on our balance sheet strength. In doing this, we significantly reduced the cost and risks of operating.

The Chairman has already touched on the financial results, so I won't dwell on those other than to say that our underlying business is performing exceptionally well at the moment. Were it not for the impact of COVID-19 and the resulting provisions for potential credit losses, we would have reported a profit well in excess of the prior year.

This strong result reflects the benefits of our investments over the past 6 years in our strategy of simplifying the business; digitisation and growth of our balance sheet, as well as our continuing expansion in mainland states.

Given our focus as a retail deposit-led business, customer deposits grew 7.6% to \$3.9 billion, or 69.1% of MyState Bank's funding. And retail deposits were up 15.5% over the year. Improving our deposit mix and lowering funding costs. The increase in retail deposits is especially pleasing and is proof that our core strategy is working and has set us up well for the future.

Income growth out-paced expenses, with our cost-to-income ratio improving 195 basis points to 62.8%.

We continued to grow our loan book, with an increase of 4.7% to \$5.3 billion – with home loan growth of 5.1%, being 1.7 times system. We were really pleased with our participation in the government's First Home Loan Deposit Scheme. This helped us grow our loan book in the latter months of the year and this growth has continued through the early months of the new financial year.

An increase in our Customer Net Promoter Score, which measures customer advocacy, to +48, is a reflection of our continued focus on customer service as we progressed our digital strategy. The core of our strategy is to 'Make Financial Services Simple and Trustworthy' and our customers are endorsing our execution of this strategic objective.

We responded quickly and decisively to the COVID-19 pandemic, firstly, concerned for the health and safety of our staff and then to support our customers through the uncertainty of what lay ahead.

All office and call centre staff moved to work from home from late-March, with no loss of productivity. Given the current situation in Tasmania, many have now opted to return to the office in Hobart or Launceston, but flexible working practices will remain



– we see an opportunity to allow staff the flexibility of office or home working environments into the future.

Loans to nearly 2,000 customers experiencing hardship had repayments deferred or were switched to interest-only, after discussions with impacted customers. Our Customer Care Centre and **all** branches remained open throughout the period – ensuring we were providing our customers the service they needed.

Our main focus over recent years has been to transform MyState Bank into a digital, scalable business that attracts a growing number of retail customers across Australia's eastern states.

This momentum is growing and we're exceptionally well positioned for the future and the future of banking.

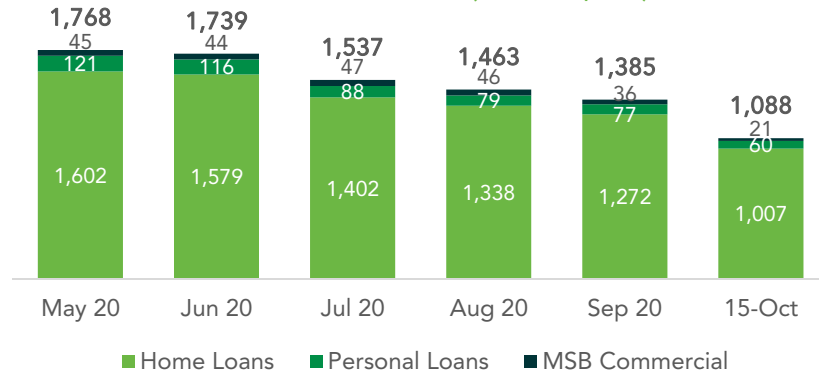
Our wealth business, rebranded as TPT Wealth during the year, also has undergone some additional restructuring. Fund administration and accounting have been outsourced and new digital funds management and lending platforms are being introduced, positioning the business to attract mainland investors. We are now moving TPT Wealth to become a digitally enabled funds management business and the early signs here are also very encouraging.

We have a clear digital growth strategy, a significant opportunity to build our business and a scalable platform.

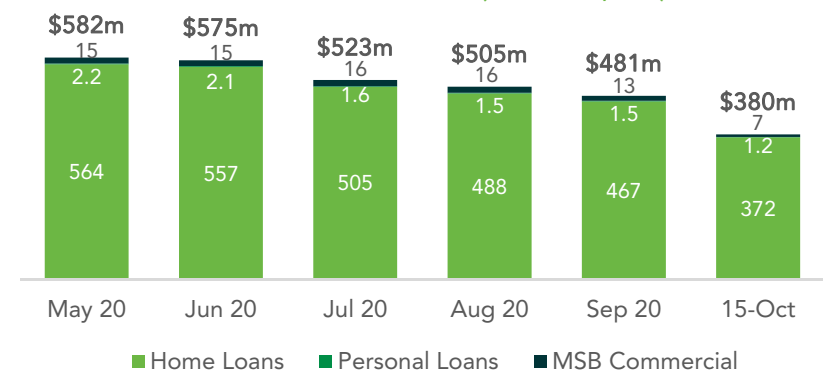
We have reached a clear leverage point in our transformation – and we are very excited at our prospects for the future.

# COVID-19 assistance to customers

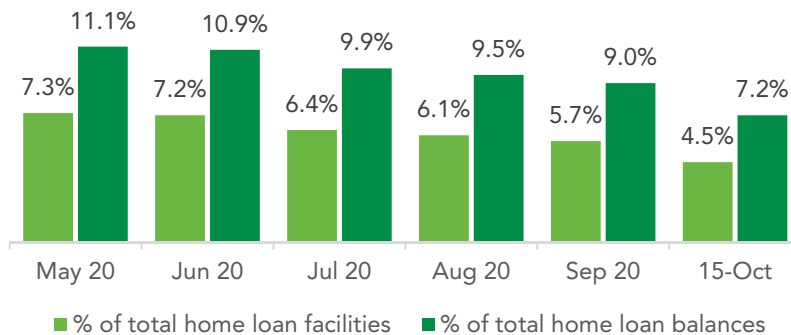
TOTAL DEFERRALS (facilities, no.)



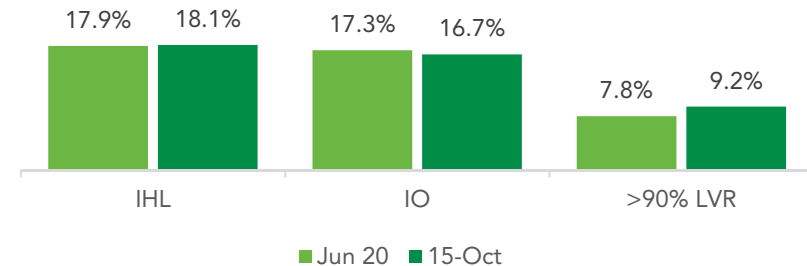
TOTAL DEFERRALS (balances, \$m)



HOME LENDING DEFERRALS

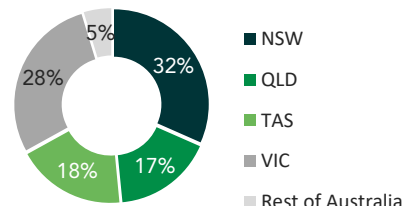


HOME LENDING DEFERRAL PROFILE  
% of total home loan deferral balances



Note:  
Customer assistance includes all assistance types: deferred repayments, reduced repayments & change to interest only

HOME LENDING DEFERRALS BY STATE  
15 October 2020



## FINANCIAL ASSISTANCE

- Total of 1,957 applications approved to 15 October.
- 869 customers have restarted repayments or discharged lending.
- 1,088 customers remain in active hardship.

### **Slide 3 – COVID-19 assistance to customers**

The extent of COVID-19 related assistance provided to customers is summarised here.

At 15 October, almost 2,000 customers had received some form of assistance, which represented total loan balances of \$645 million, or around 12% of the total loan book, which is broadly in line with the experience of other banks. And as you can see here, many customers are now beginning to resume normal repayments.

The majority of the assistance provided, related to customers who have opted for a Loan Pause. A smaller number of customers have moved to interest only payments or reduced their monthly repayment amount.

We are reviewing each customer's situation at the three month check-in point and again at the end of the six month period; so far, repayments have restarted on over 44% of affected mortgages.

We continue to work with our customers individually to arrive at the best outcome for each of them through this period.

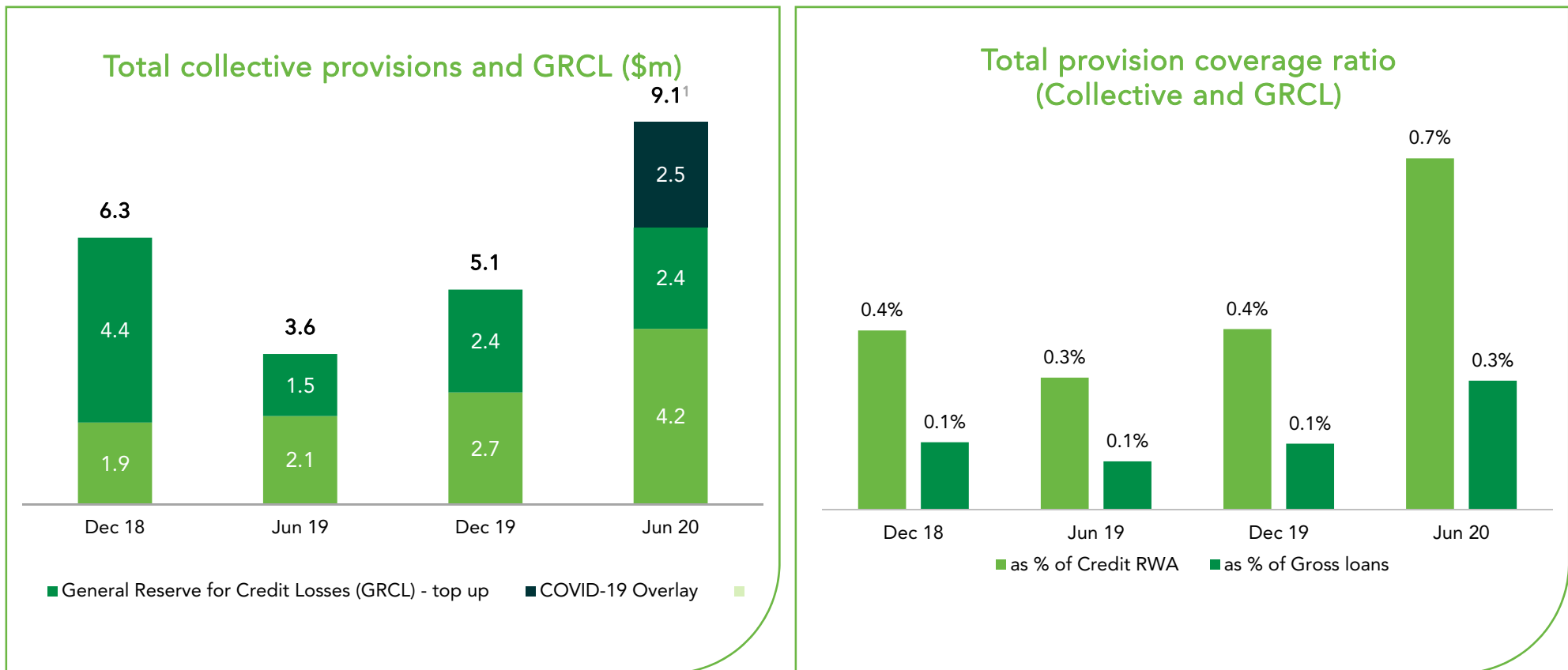
To date, nearly 870 of the customers requiring assistance have either repaid their loans or recommenced repayments.

Of the other 1,088 customers, we are focusing on those who we have classified as working in 'high risk' industries (those that have been hardest hit in the economic downturn). We have already contacted most of these customers and nearly two thirds of these have, or will, commence repayments. By the time we get to the end of the initial 6 month period we expect that we will have significantly fewer customers seeking extra assistance.

As a consequence, we believe that we are very well provided for any possible credit losses that may eventuate from the current economic situation.

# Provisions and coverage ratios

Loan provisioning strengthened for the potential impact of COVID-19



<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)

#### **Slide 4 – Provisions and coverage Ratios**

Following the latest accounting standards, we increased our collective provision and general reserve for credit losses by \$4.0 million between 31 December 2019 and the end of the financial year.

The majority of the increase in the collective provision was based on our view of the impacts of COVID-19 and does not reflect any deterioration in our underlying credit quality or lending standards.

We are assuming a slow and bumpy economic recovery and the increased provision reflects changes in the economy, unemployment and assumptions in respect to residential property prices. These changes are reflected in a forward looking economic overlay of \$2.5 million, increasing the collective provision. We'll revisit this provision at the end of December, however, we are comfortable that the assumptions we made in determining the overlay are both prudent and conservative.

Provision coverage ratios are shown in the chart on the right hand side, as a percentage of both credit risk weighted assets and gross loans.

It is worth reiterating that MyState Bank's loan book predominantly consists of high-quality housing loans, the vast majority of which are owner-occupied with a loan-to-valuation ratio of less than 80% and as a consequence we are very comfortable with our level of provisioning.

# Our strategic priorities





## Slide 5 – Our strategic priorities

I'll turn now to our strategic priorities.

We see our purpose is to **help people achieve their dreams** – whether it's saving a deposit for a house, taking out a personal loan for a first car or investing for a more comfortable retirement, we are focussed on customer **needs** and customer **outcomes**. As I mentioned previously – with a customer Net Promoter Score of +48 we must be doing something right!

Our mission is to **make financial services simple and trustworthy**. This has driven our strategy of making the business simpler, our products simpler and more transparent – and helped us to reduce the cost to serve.

We'll continue to develop our digital banking and wealth management capabilities, growing our share of eastern state markets. We'll grow the number of customers who bank with MyState Bank and as a result grow our retail deposits.

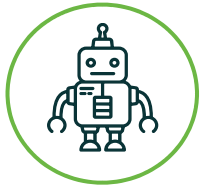
For MyState Bank, this will involve building brand awareness, continuing to automate and digitise operations and then growing our balance sheet. Our transformation into **a national digital bank** is already attracting new customers and deepening relationships with our existing customers – and we expect this growth to continue, fuelled by increased marketing expenditure. This transformation is occurring with the highest number of new customers on record joining MyState Bank in a single month occurring in September and the first quarter of the year being the highest on record for both home loan applications and settlements.

For TPT Wealth, we will continue to invest in contemporary, scalable products and expand into mainland states, supported by additional marketing and investment in digital technology.

We remain focused and agile, with a strong focus on growth, margins and cost management. This is underpinned by a strong and robust risk management framework and risk culture, as evidenced by the very positive outcomes in our Governance, Culture, Remuneration and Accountability review that we completed during the year.

# Outlook

## INVESTMENT



Increased marketing spend to enhance MyState Bank retail funding and TPT Wealth FUM growth.  
Further fund product rationalisation.

## DEVELOPMENT



Continued small customer facing enhancements to MyState Bank digital banking platform  
Replacement of legacy trustee system underway; targeting completion end of 1H21

## TAKEAWAY



The investments in technology and operational improvements we have made in prior years are flowing through and have set us up for a very bright future.

## FY21 FINANCIAL PERFORMANCE TO DATE <sup>1</sup>

Financial performance	1Q21	PCP	Change
Total operating income	\$33.6m	\$30.8m	▲ +9.1%
Core earnings (PPOP)	\$12.5m	\$10.3m	▲ +20.6%
Net profit after tax (excluding restructuring charges) <sup>2</sup>	\$8.7m	\$7.1m	▲ +21.7%
Net interest margin (NIM)	1.91%	1.76%	▲ +15bps
Balance sheet			
Total loan book	\$5.35b	\$5.29b	▲ +1.1%
Customer deposits	\$4.00b	\$3.94b	▲ +1.5%
Funds under management	\$1.09b	\$1.07b	▲ +1.9%

1. Unaudited management results. Financial performance figures compare 1Q21 to 1Q20 as the previous corresponding period (pcp). Balance sheet figures compare 30 June 2020 as pcp. Forward looking COVID-19 overlay unchanged since 30 June 2020.
2. 1Q21 Statutory net profit after tax (unaudited) \$8.0m (+12% on pcp) includes \$1.0m (pre-tax) of the \$2.4m restructuring charge announced as part of the FY20 Full year results.

Note: Percentage change may not calculate due to rounding.

GROWTH OF A HIGHLY SCALABLE BANKING AND FUNDS MANAGEMENT BUSINESS

## Slide 6 - Outlook

So finally, to our outlook. We see a very bright future for MyState.

We're investing more in building the MyState Bank brand on mainland Australia and will soon start a new campaign in Melbourne which is designed to boost our brand and increase the number of customers who bank with MyState Bank.

We're improving our digital marketing in TPT Wealth and are already seeing some promising results of investments coming from new markets. We expect TPT Wealth funds to benefit from being more easily accessible on the mainland.

We expect MyState Bank's balance sheet will continue to grow. We continue to see positive results in the current period. When compared with quarter 1 last year, our home loan settlements are up 40% and we had our highest ever settlements volume in the first quarter of a financial year. Since the end of June our total loan book is up 1.1% - nearly four and a half percent annualised and about two times system growth.

Our customer deposit book has continued to grow strongly with deposits up 1.5% since the end of June. All of this has helped our net interest margin grow to 1.91% for the first quarter, with September net interest margin growing to 1.95%.

We continue to re-engineer our cost base, improving productivity and investing in further growth. We will have our new trustee management system in place around the end of the year which will be the last technology plank in TPT Wealth's transformation. We are making progress with improving our funds' returns and differentiation and are excited about the prospect that this presents to us. Funds under management have already grown by nearly 2% since the end of June.

We have had a very strong first quarter with management reports showing revenue increasing by over 9% compared to the same period last year and Net Profit After Tax and before one off re-structuring costs up nearly 22% on the same quarter last year.

If the trend seen in the first quarter continues for the balance of the year, the full year result will likely be materially ahead of last year. We will provide a further update when we announce the half year results at the end of February 2021.

These are clearly a good set of financial metrics. Six years ago, we adopted a strategy to transform MyState into a highly scalable, digital banking and funds management business.

The operational efficiencies and the improvements we have made since then are now flowing through to the bottom line and setting us up for a very bright future.

I'd like to thank all of our staff and my board for their support and focus during what has indeed been an unprecedented period of time. I'd like to thank our customers for choosing us and our shareholders for supporting us.

Thank you for your time, I'll now hand back to the Chairman.

# 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).

## 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.

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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.

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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.

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