

Customer focus lifts MyState

- **NPAT \$15.8 million, up 4.0%***
- **Cost to Income ratio 64.6%, down 182 basis points**
- **Net interest income \$46.4 million, up 6.8%**
- **Fully franked interim dividend increased to 14.25 cents per share**
- **FUM up 10.7%**

** All figures compare 1H FY18 to 1H FY17 unless otherwise indicated.*

Friday 23 February 2018: MyState Limited, the banking and wealth management group, today announced 1H FY18 net profit after tax of \$15.8 million, a 4.0% increase on the previous corresponding period. Net profit before tax was \$22.6 million, up 7.7%. Earnings per share increased to 17.6 cents per share (cps) from 17.3 cps in the previous corresponding period, up 0.3 cps.

The Directors have increased the fully franked interim dividend to 14.25 cps, up 0.25 cps, payable on 29 March 2018 to shareholders on the register at the record date of 5 March 2018, with a 1.5% discount for shares issued under the Dividend Reinvestment Plan.

Increased scale and technology transformation supports profit growth

Managing Director and Chief Executive Officer, Melos Sulicich, attributed the solid growth in profit and earnings to the group's strategy and technology transformation, enabling MyState to provide better services to more customers.

"Our strategy of building a modern, scalable banking and wealth management business is delivering results. MyState is a more customer focused, agile organisation with sophisticated systems to target high-quality deposit and lending growth. Our digital platform offers modern customer services nationally and, at the same time, our business benefits from efficiencies and economies of scale.

"Total revenue was \$64.0 million, up 3.6%, and the loan book increased to \$4.3 billion, up 4.5% since December 2016, although its growth was constrained by the regulatory requirements imposed on interest-only and residential investor lending.

"Strong discipline helped maintain net interest margin at 1.94% and net interest income grew by 6.8%, which are outstanding achievements in a very competitive market where regulation has distorted competition, disproportionately impacting smaller banks."

Return on average equity continued to perform strongly amongst regional peers, at 10.2% on an annualised basis. Expenses were contained to a modest 0.7% increase and, with productivity benefits across the group, the cost-to-income ratio reduced to 64.6%, an improvement of 182 basis points.

Strong customer deposit growth

Simplification of the Banking Division's products and increased focus on service continued to drive customer growth. Customer deposits increased to \$3.1 billion, up 5%, driven by uptake of MyState's digital eSaver product. Retail deposits provide more than two-thirds of the group's funding base (67.3%).

Mr Sulicich said that the group's strategy of targeting Australia's eastern seaboard had resulted in a significant geographic shift of the group's loan book across Australia, with loans from NSW, Victoria and Queensland now exceeding loans in Tasmania. Annualised growth in NSW has exceeded 40% over the past two years and at the end of the half represented over 20% of MyState's loan book.

MyState maintained industry-leading credit quality, with arrears well below the S&P arrears indices for major and regional banks. The group consistently targets low-risk, owner occupied lending with a loan-to-valuation ratio of less than 80%.

Funds under management growth

Following a disappointing year in FY17, the group's Wealth Division showed strong momentum in the first half of FY18, with operating revenue up almost 11% and funds under management increasing to \$1.2 billion at 31 December 2017 (up 10.7%), the highest level in almost a decade. Trustee services improved with significant growth in wills written and growth in the value of estates administered.

Strong capital position

MyState's capital ratio at 31 December 2017 was 13.4%, increasing 43 bps. Mr Sulicich said the organisation's CET1 ratio of 11.4% was extremely sound and that with a strong balance sheet and capital position, provides opportunity for further growth.

Outlook

Mr Sulicich said that while the lending market had become significantly more competitive as property prices eased in capital cities and credit growth continued to soften, MyState remained focused on quality lending growth and is expecting 2H18 to be much stronger than 1H18.

"We are using our new technology platforms and analytical capabilities to provide better products to more Australians. We are originating an increasing number of deposit and personal loan customers online and will introduce home lending later in the year. We remain firmly focused on customers as we continue to build a scalable, modern banking and wealth management business. We have already gone live with the New Payments Platform, which will provide faster, simpler and smarter payment options for our customers.

"The lending market remains highly competitive and we continue to urge the government to embrace regulations that promote competition and benefit consumers, including changes to the framework that will enable smaller banks to compete on a more balanced playing field with major banks."

About MyState Limited

MyState Limited is the ASX-listed non-operating holding company of the diversified financial services Group consisting of MyState Bank (including The Rock – A division of MyState Bank) and Tasmanian Perpetual Trustees, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and Tasmanian Perpetual Trustees hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.

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APPENDIX

Results summary for six months to	31 Dec 17	31 Dec 16	Change*
Net interest income (\$m)	46.4	43.5	6.8%
Group revenue (\$m)	64.0	61.8	3.6%
Net profit before tax (\$m)	22.6	21.0	7.7%
Net profit after tax (\$m)	15.8	15.2	4.0%
Banking contribution (\$m)	13.6	12.7	6.4%
Wealth contribution (\$m) **	2.2	2.5	(8.9)%
Net interest margin (%)	1.94	1.94	steady
Earnings per share (cents)	17.6	17.3	+0.3 cps
Return on average equity (%)	10.15	10.16	-1 bp
Interim dividend per share – fully franked (cents)	14.25	14.0	+0.25 cps
Dividend payout ratio (%)	81.2	81.1	+0.3%

As at the end of the reporting period:	31 Dec 17 (\$ million)	31 Dec 16 (\$ million)	Change (%)
Total loan book	4,315.3	4,130.9	4.46%
Net assets	316.3	301.4	4.94%
Funds under management	1,158.9	1,046.5	10.7%

* Percentages may not reconcile due to rounding

** Prior period Wealth contribution included \$1.4m pre-tax gain on disposal of investment and \$0.3m in one-off costs. Excluding these items, Wealth contribution has increased 30.5% on PCP.