

23 August 2019

MyState delivers strong finish in competitive market

- **NPAT \$31.0 million**
- **EPS 34.17 cents per share**
- **Total dividends for FY19 28.75 cents per share**
- **Total loan book increases 10.7% to \$5.0 billion**
- **Net Promoter Score +42 at 30 June 2019**

** 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.*

Friday 23 August 2019: MyState Limited today announced a net profit after tax for FY19 of \$31.0 million, compared with \$31.5 million in the pcp. The result includes a post tax contribution of \$1.2 million from the sale of MyState's retail financial planning business in June 2019. Return on average equity remained high compared to regional bank peers at 9.7%.

Managing Director and Chief Executive Officer, Melos Sulicich, said: "After a challenging start, which was adversely impacted by elevated wholesale funding costs, MyState benefited in the second half from above system lending growth, ongoing disciplined cost management and lower funding costs.

"We said at the half year that we would deliver a full year net profit of around \$30m, which is what we delivered on an underlying basis. This was further bolstered by the sale of the financial planning business.

"MyState Bank's total loan book surpassed \$5 billion for the first time and we achieved lending growth of close to \$500 million (+10.7%).

"It is particularly pleasing to note that as part of our ongoing focus on meeting and exceeding customer expectations, MyState's Net Promoter Score (NPS) improved from +27 to +42 during the year, amongst the leading scores in the banking industry."

MyState's capital adequacy ratio at 30 June 2019 was 12.9% and the CET1 ratio was 11.1% which remains above APRA's 'unquestionably strong' capital targets.

The Board declared a final dividend of 14.5 cents per share, fully franked, consistent with the previous year and payable on 1 October 2019 to all shareholders on the register at the record date of 30 August 2019, with a 1.5% discount for shares issued under the Dividend Reinvestment Plan.

Digital services drive strong retail deposit growth

MyState Bank added new digital services during the year to offer a full online banking proposition which includes online origination of all banking products. During the year a transaction and savings account combination was introduced, designed to compete vigorously for the online everyday banking of new customers.

Customer deposits increased 12.1% to \$3.7 billion representing 68.6% of the Group's funding mix and bolstered by strong retail term deposit growth, particularly online origination.

The Group's cost-to-income ratio increased from 62.7% to 64.8%, largely reflecting increased investment into marketing activities, the investment in funds management administration and product systems, increased competition in the banking business and higher funding costs. Expenses increased 2.9% on pcp, mainly in depreciation and amortisation, technology and marketing costs.

Lending growth

MyState Bank continues to focus on low risk, owner-occupied lending with a loan-to-valuation ratio of less than 80%. Arrears were well below both peer and major bank benchmark indices and 90 days arrears were a historically low 0.26%.

Wealth management to benefit from digital technology investment

Funds under management increased to a new decade high of \$1.17 billion.

Divestment of the retail financial planning business was a strategic move to simplify and focus the Group and unlock investment to fund future growth of the wealth business. Digital technology will allow the Group to capitalise on a simpler product offering and national distribution capability for funds management.

Regulatory environment

One effect of the Hayne Royal Commission on the industry has been significantly heightened regulatory oversight. The Group maintains a strong risk management culture and will continue to invest in risk management processes, systems and people skills to ensure the highest standard of prudential focus and care.

MyState remains an advocate of the mortgage broker model which helps bring competition to the mortgage market, although greater transparency of ownership is needed to allow customers to make fully informed decisions.

Outlook

Mr Sulicich said: "In our banking business, we will continue on our pathway of innovation, introducing new products and services that are simpler and help our customers bank the way they want. Our digital platform is a key driver of organic customer growth outside of our traditional heartland areas. This investment has simplified our processes as we develop new products and services and, with our increasing scale, is driving efficiencies in the organisation.

"While we anticipate a slower credit growth environment, with increasing competition for high quality owner-occupied lending, we will maintain our disciplined focused strategy to build scale, control costs, carefully manage risk and leverage off our technology platform.

"Additionally, we are embarking on a program of back office automation which we envisage will enable a significant change in our operating model and cost profile.

"In our wealth business we will soon be launching a new funds management platform that will enhance customer experience and provide an avenue for significant growth.

"There is genuine evidence of operating leverage emerging in our business and combined with the industry leading NPS scores and leading service levels for our partners, we are confident that this will rapidly translate into increased value for shareholders."

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APPENDIX

Results summary for the year*	30 Jun 19	30 Jun 18	Change
Net interest income (\$m)	89.4	89.5	-0.1%
Group total operating income (\$m)	120.4	120.9	-0.4%
Net profit after tax (\$m)	31.0	31.5	-1.5%
Banking contribution (\$m)	25.9	26.9	-3.7%
Wealth contribution (\$m)	5.1	4.6	12.0%
Net interest margin (%)	1.80	1.97	-17bps
Earnings per share (cents)	34.17	34.97	-0.80cps
Return on average equity (%)	9.7	10.1	-38bps
Final dividend per share – fully franked (cents)	14.5	14.5	Stable
Total dividends per share – interim and final fully franked (cents)	28.75	28.75	Stable
Dividend payout ratio (%)	84	83	+1.0%

As at the end of the reporting period:	30 Jun 19 (\$ million)	30 Jun 18 (\$ million)	Change (%)
Total assets	5,712.9	5,168.3	10.5%
Net assets	327.5	320.7	2.1%
Funds under management	1,170	1,153	1.5%

* Percentages may not reconcile due to rounding

About MyState Limited

MyState Limited is the ASX-listed non-operating holding company of the diversified financial services Group consisting 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.