

MYSTATE FULL YEAR NPAT UP 4% TO \$29.6M

- Final dividend increased 3.6% to 14.5 cps fully franked
- Net interest margin improves 3 basis points
- TPT FUM grows 5.8% to \$1.007b
- Cost to income ratio improves 120 basis points to 64.5%
- MyState Financial preparing for Bank status

MyState Limited, the banking and wealth management group, today announced a statutory after-tax profit of \$29.6 million for the year to June 2014. This result is a 3.9% improvement on the prior year net profit after tax of \$28.5 million. Earnings per share increased 3.8% to 34 cents.

The Directors have declared an increased fully franked final dividend of 14.5 cents per share, payable on 3rd October 2014 to shareholders on the register at the 12th September 2014 record date. This brings total dividends for the year to 28.5 cents per share fully franked. The dividend payout ratio of 84% (pcp: 86%) is in line with the Board's dividend policy and previous dividend payments.

Return on average equity improved to 10.5%.

The Group's balance sheet remains strong, and MyState's total capital ratio of 13.9% is well above regulatory requirements.

The Group's cost-to-income ratio improved to 64.5%, down from 65.7% in the prior year.

Results summary for year	FY2014	FY2013	Change %
Group revenue	\$119.3m	\$122.3m	(2.5)
Net profit after tax	\$29.6m	\$28.5m	3.9
Earnings per share	33.9¢	32.7¢	3.8
Return on average equity	10.5%	10.4%	0.7
Final dividend per share – fully franked	14.5¢	14.0¢	3.6
Total dividend per share – fully franked	28.5¢	28.0¢	1.8
Dividend payout ratio	84.1%	85.7%	(1.9)
Net interest margin	2.43%	2.40%	1.3

As at the end of the reporting period:

	30 June 14	30 June 13	Change %
Total assets	\$3,555.8m	\$3,629.7m	(2.0)
Net assets	\$285.6m	\$279.7m	2.1
Funds under management	\$1,007.2m	\$951.8m	5.8

“We are pleased to report an increase in our full year earnings in an environment where top line revenue growth is challenging,” said MyState Limited’s Managing Director, Melos Sulicich. “Overall, it was a tale of two halves. The first half saw a decline in the group’s home loan portfolio due to soft economic conditions in our traditional markets and intense competition amongst lenders. Following increased focus on the broker channel, loan originations improved strongly in the second half. The result was an increase of 1.6% for the year in the group’s home loan portfolio; while this was disappointing, the second half increase in loan originations is expected to continue and we anticipate robust portfolio growth in the FY15 year.

“MyState continues to focus on writing high-quality loan business; arrears remain well below industry peers, reflecting the sound credit quality of the loan book.

“Net interest margin improved 3 basis points despite intense price competition for new loans, reflecting the Group’s disciplined margin management. The successful launch of a \$320 million RMBS transaction in November, along with repayment of more expensive third-party and wholesale funding, enabled MyState to reduce its overall cost of funds.

“Tight cost control, combined with structural changes to increase efficiency, has improved the cost to income ratio and supported the lift in earnings.”

Mr Sulicich added “With sales momentum now building, and the successful completion of a number of long term projects during the year, the business is well positioned to grow into the future. In addition, the newly shaped executive structure will provide further momentum to deliver sales and efficiency gains.”

Banking Business

Result for the year ended	FY2014	FY2013	Change %
MyState Financial - Net profit after tax	\$22.3m	\$22.3m	(0.3)
The Rock Building Society – Net profit after tax	\$2.8m	\$2.9m	(0.5)
Total Banking Business* <i>(* includes \$0.1m of intercompany transactions which are eliminated on consolidation)</i>	\$25.0m	\$25.2m	(0.9)

MyState operates its banking business through two ADI’s, MyState Financial, which is based in Hobart, and The Rock, which is based in Rockhampton.

MyState’s banking and financial services arm delivered a relatively flat performance for the year ended 30 June 2014, with NPAT reducing \$0.2m / 0.9% from the prior year.

Following a disappointing first-half decline in the loan portfolio, improved second-half originations lifted portfolio growth to 0.4% for the year overall. MyState Financial’s portfolio increased by 3.1% to

\$2.2 billion, benefitting from increased levels of broker originations in the Tasmanian and Victorian markets.

The Rock's portfolio contracted by 5.7% for the full year to \$0.9 billion. However the second half was more positive, with the portfolio increasing \$5.0m / 0.6% following a recovery in broker originations and reduction in the level of discharges.

The banking portfolio's 30 day arrears of 0.8% remains well below industry peers, and reflects the sound credit quality of the loan book.

MyState Financial's net interest margin deteriorated marginally to 2.74%, from 2.79% as a result of loan rate reductions. However, The Rock's net interest margin improved to 1.71% from 1.58% following the RMBS transaction in November, which enabled the replacement of expensive warehouse and wholesale funding, combined with favourable re-pricing of term deposits. This lifted the Group's net interest margin by 3 basis points to 2.43%.

Wealth Management Business

Result for the year ended	FY2014	FY2013	Change %
Tasmanian Perpetual Trustees - Net profit after tax	\$4.6m	\$3.1m	46.4

Tasmanian Perpetual Trustees (TPT), which provides wealth management and trustee services, reported an improved contribution for the year of \$4.6m, an increase of \$1.5m / 46.4% on the prior year result. Revenue growth was flat overall.

Revenue growth in the Wealth Management business remains challenging, as the industry looks to consolidate to acquire scale benefits and achieve growth.

Funds under management grew 5.8% to \$1.007 billion, driven by improvements in equity markets and investors seeking higher yielding assets in the lower interest rate environment. TPT's mortgage funds have continued to perform in the top quartile relative to its peer group, providing highly competitive products with capital stability and attractive yield.

Wealth management expenses decreased by \$2.1m / 15.8% on the prior year, as a result of further disciplined cost management and integration of back office functions into the MyState Group.

Outlook

It is expected that competition for new business will remain fierce in 2015, and is likely to result in ongoing margin pressure.

Increased originations from the broker channel will fuel improved portfolio growth. A new loan originations system is planned to provide a platform for greater service and document processing efficiency.

The Board expects that growth in NPAT in FY15 will be derived from improved sales management and focus on revenue growth, combined with continued strong cost management.

MyState Financial is in the final stages of regulatory approvals to become recognised as a Bank, which will provide opportunity to leverage the 'Bank' title and remove any ambiguity for our customers.

The Group continues to explore opportunities to participate in further industry rationalisation as they arise.

ENDS

About MyState Limited

MyState Limited, based in Tasmania, consists of MyState Financial (MSF), an authorised deposit-taking institution; Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company; and The Rock Building Society Limited (The Rock). MyState Limited, MSF and The Rock are regulated by the Australian Prudential Regulatory Authority (APRA) and MyState Limited was enabled under Tasmanian legislation to own the authorised trustee company TPT. MSF, The Rock and TPT hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission (ASIC).

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