

ASX Code: MYS  
December 2014

# MyState Limited

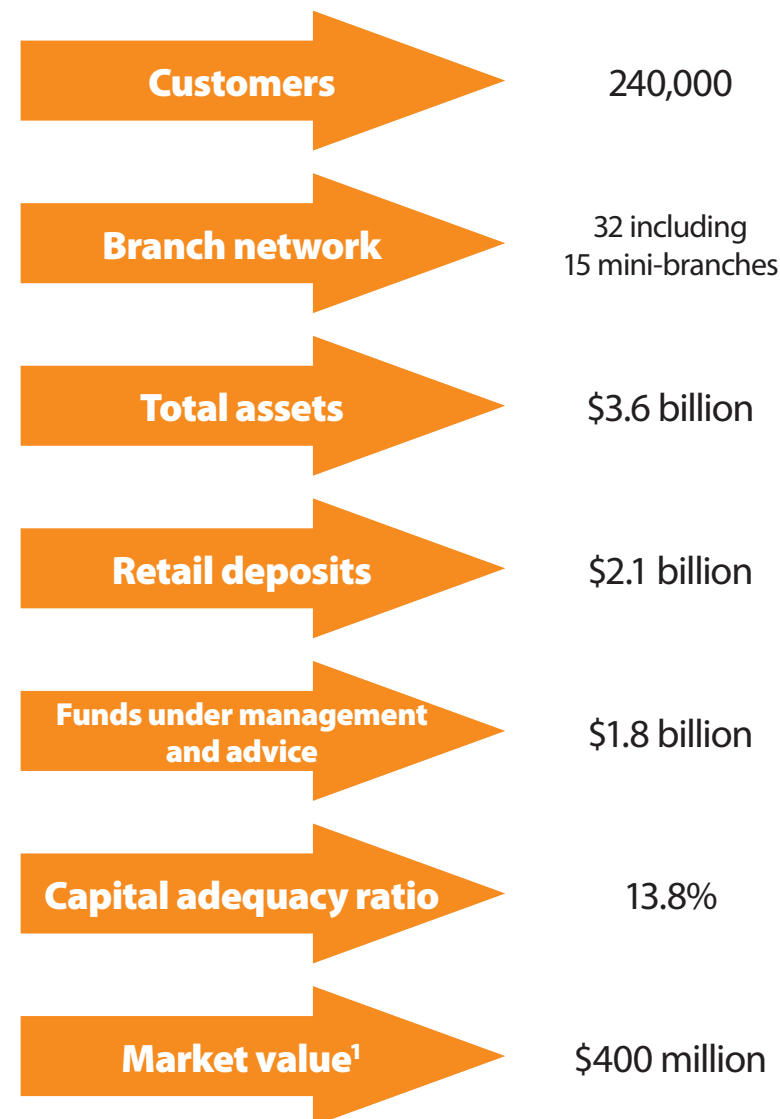
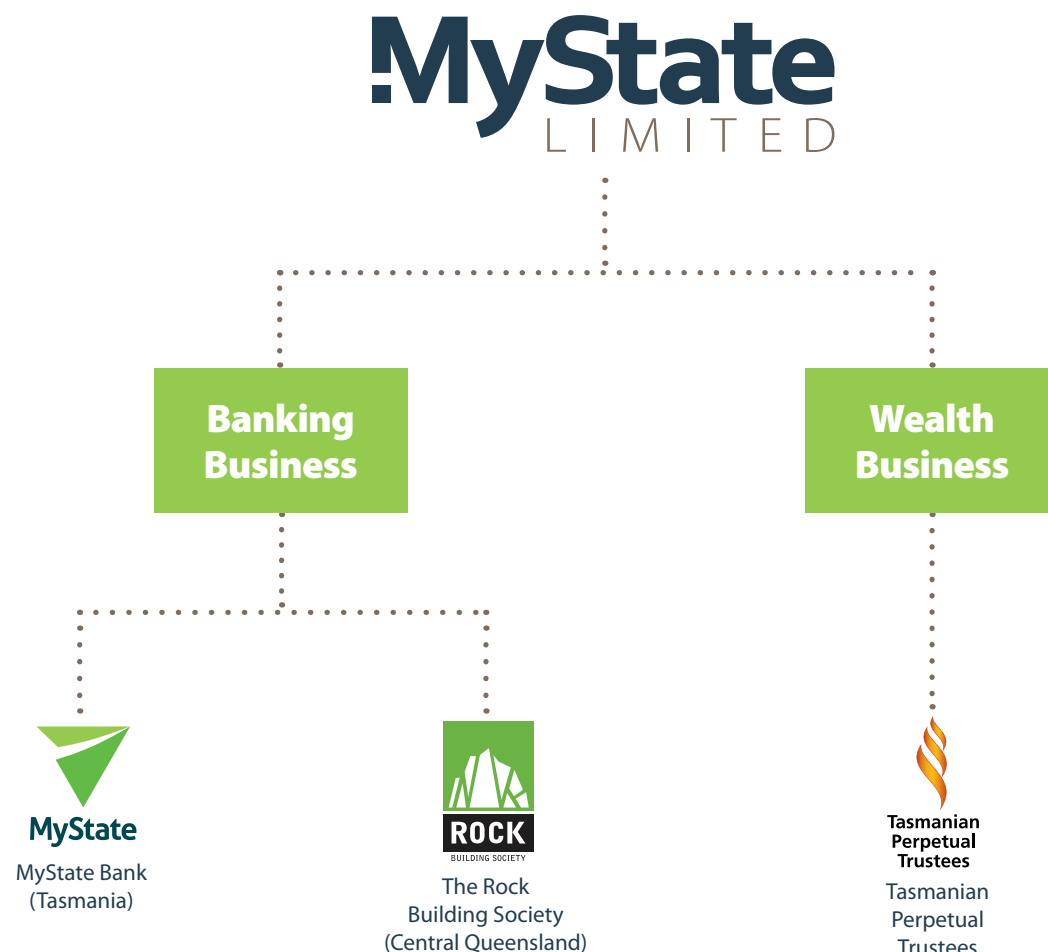
## A Growing Banking & Wealth Management Group

**Melos Sulicich**  
Managing Director & CEO

**UBS Australian Small Caps Conference**

**MyState**  
LIMITED

## Our core businesses



Operating  
nationally,  
known  
locally

**MyState and The Rock provide  
banking, agribusiness, and insurance  
services to 150,000 customers mainly  
in Tasmania and central Queensland.**



**Tasmanian Perpetual Trustees is a major  
provider of estate planning, wealth  
management, investment and trustee  
services in Tasmania.**



## Strong regional community ties

Long term commitment to deep connections in our local communities.

- MyState Community Foundation
- MyState Student Film Festival
- CQ NRL Junior Development Program
- John Maxwell Scholarship
- Golden Mount Festival
- The Hardie Fellowship
- Cape Hope
- MyState Wooden Boat Festival
- Staff Hands-On Program

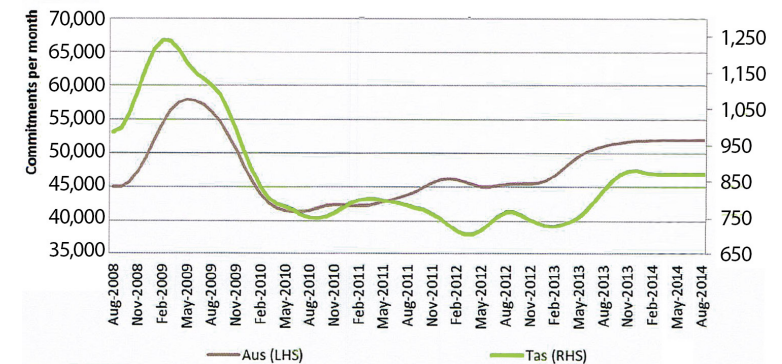


## Tasmanian economy slowly improving

Tasmanian economy continues to improve at a moderate pace.

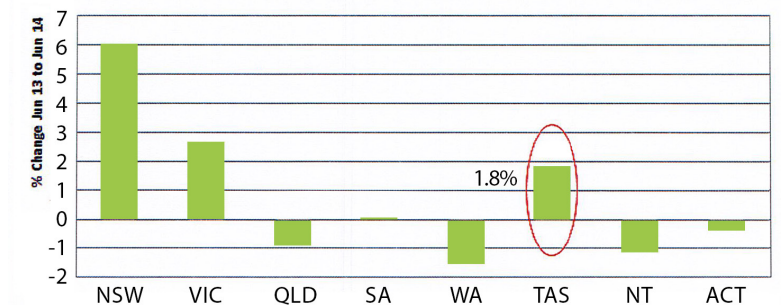
- Tasmanian Housing Finance Commitments have recovered off a low base

### Tasmanian housing finance commitments

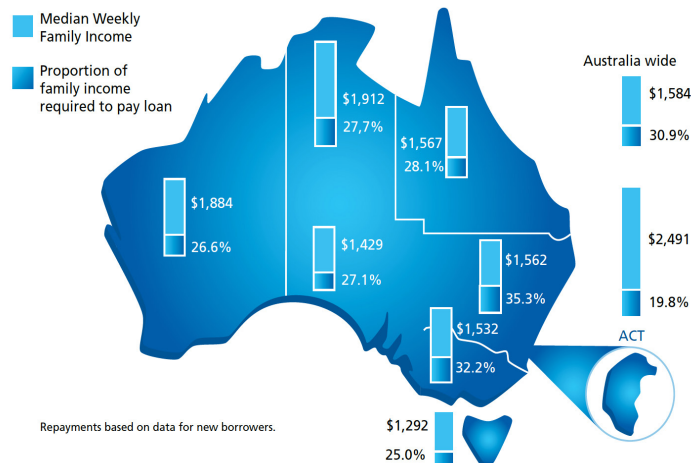


- Growth in Tasmanian state final demand relatively solid in 2014

### Change in state final demand %



- Tasmania has the lowest proportion of weekly income required to pay home loan of any state (25.0%)





# MyState Group

## Key Results – June 2014

NPAT of \$29.6m increased by 3.9% on previous year

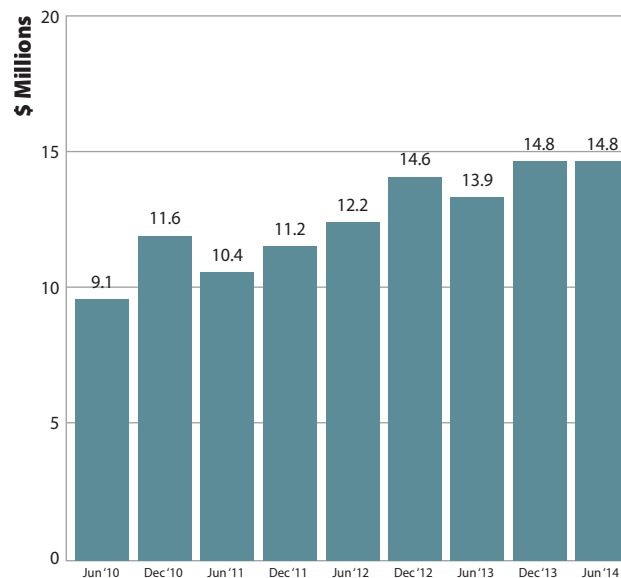
- Tight cost control
- Soft revenues
- Low bad debts expense reflecting sound credit quality

Cost to income ratio of 64.5%, down from 65.7%

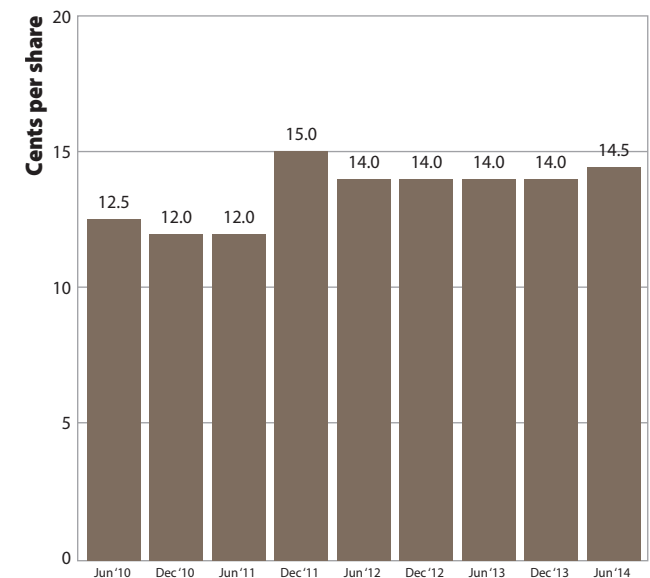
Return on average equity of 10.5%, up from 10.4%

Annual dividend increased by 3.6% to 28.5 cents per share, fully franked

**Half year earnings (NPAT) \$m**



**Half year dividends paid (cps)**



## Banking Business Key Results – June 2014

NPAT of \$25.0m is 0.8% down  
on previous year

- Revenue impacted by loan portfolio dynamics

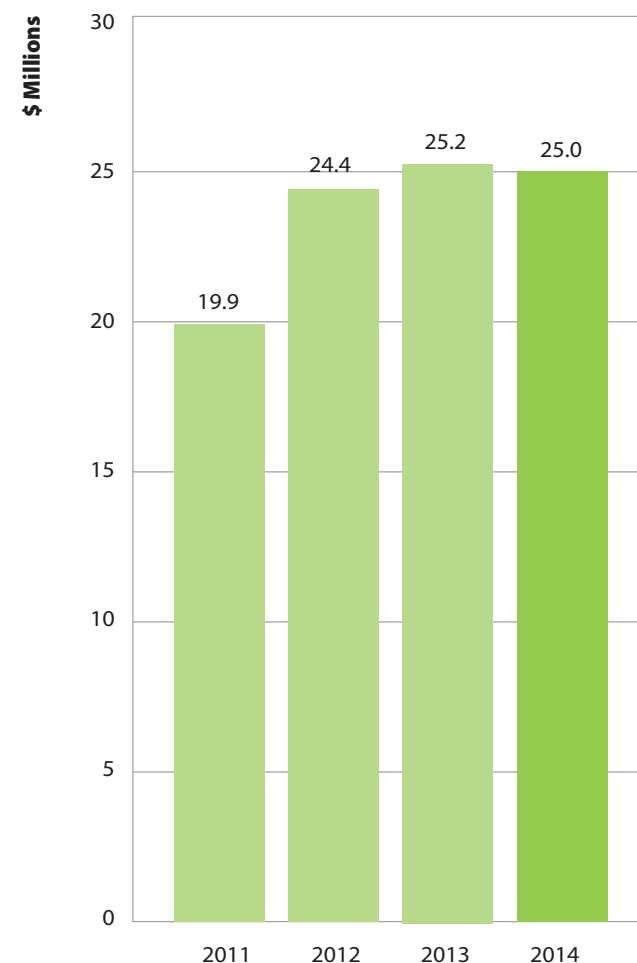
Total loan portfolio growth  
of 0.4%

- First half impacted by significant reduction in broker channel business
- Broker channel growth in the second half regained first half portfolio loss
- Business development managers deployed to support mortgage broker channels in Sydney and Melbourne

Net interest margin of 2.43%

- Margins remain under pressure due to strong competitive environment
- Discounting prevalent to win new business and retain customers
- Cost of funds improved at The Rock

**Banking Business NPAT \$m**

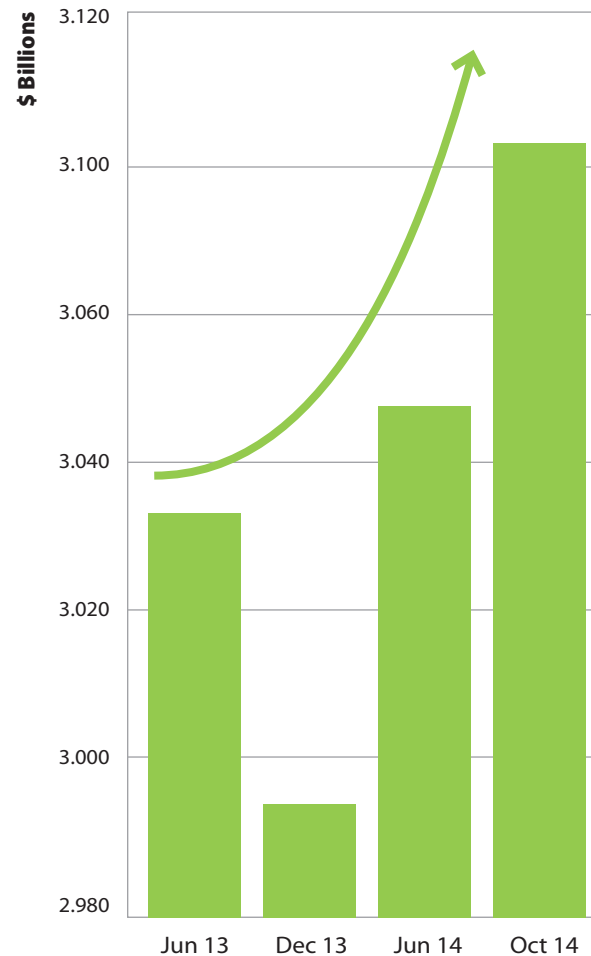


## Loan book growth gathering momentum

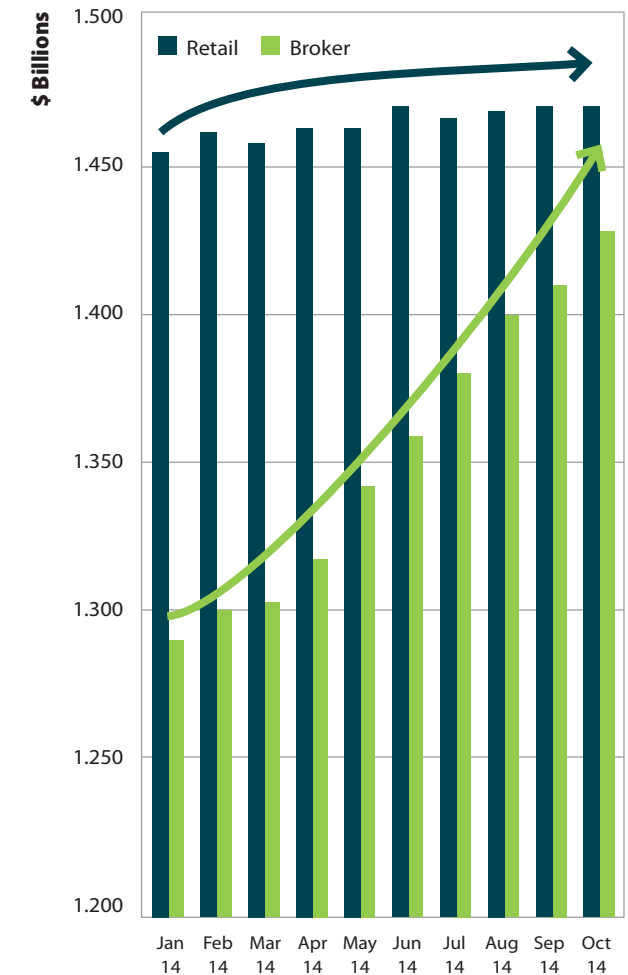
Focus on basic drivers of  
the business has delivered  
a turnaround in business  
momentum.

Most growth coming  
from the broker channel.

**Banking business loan book \$b**



**Home loan book \$b**





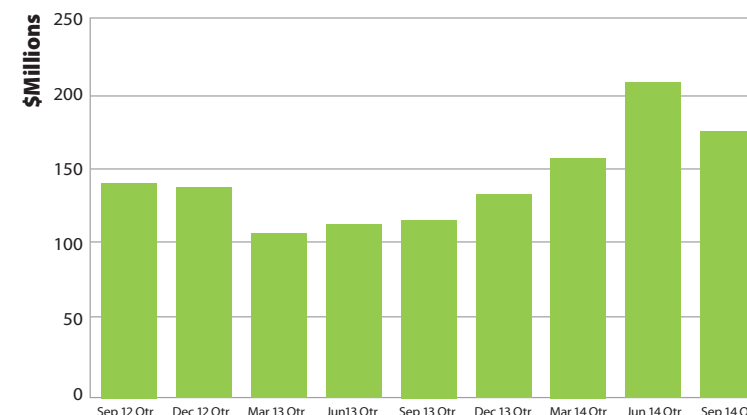
## Settlements are growing

Loan approval momentum is building and will deliver further uplift in settlements heading into the second half.

The home loan portfolio is growing well above system after a period of below system growth.

- Settlements reach a higher plateau

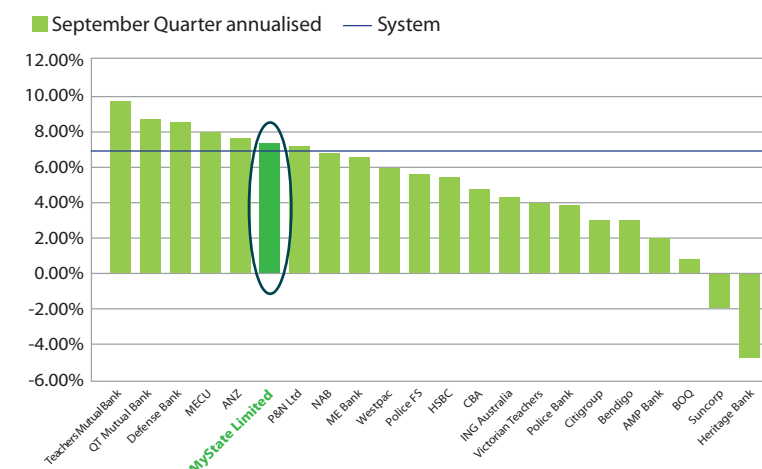
### Quarterly home loan settlements \$m



- MyState growing above system and faster than most other banks

Source: APRA Banking Statistics, September 2014

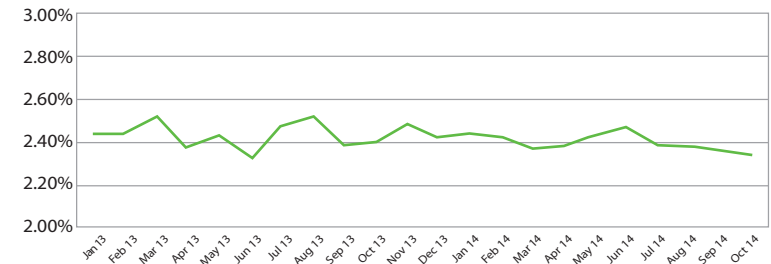
### Residential mortgage book growth annualised % September quarter – excluding Macquarie



Margins are tightening, but credit standards remain strong

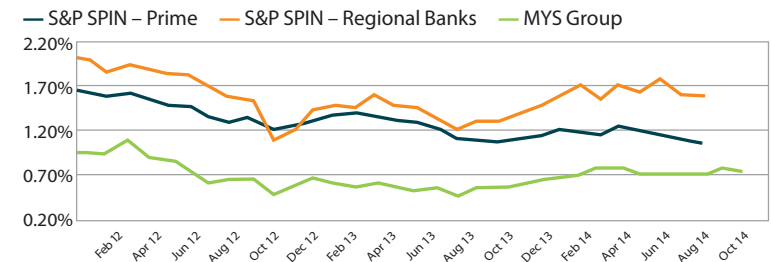
- Margins under competitive pressure

### Net interest margin %



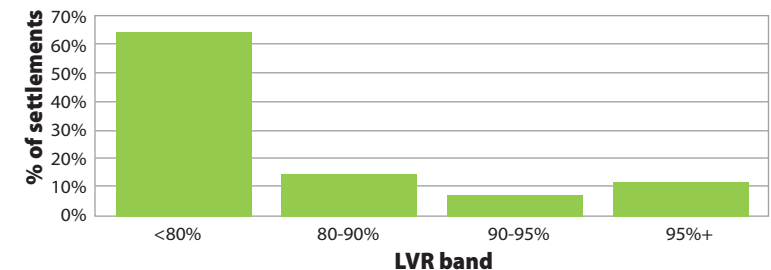
- Sound credit standards have arrears well below industry

### 30+ day arrears %



- New business profile skewed away from high LVR lending

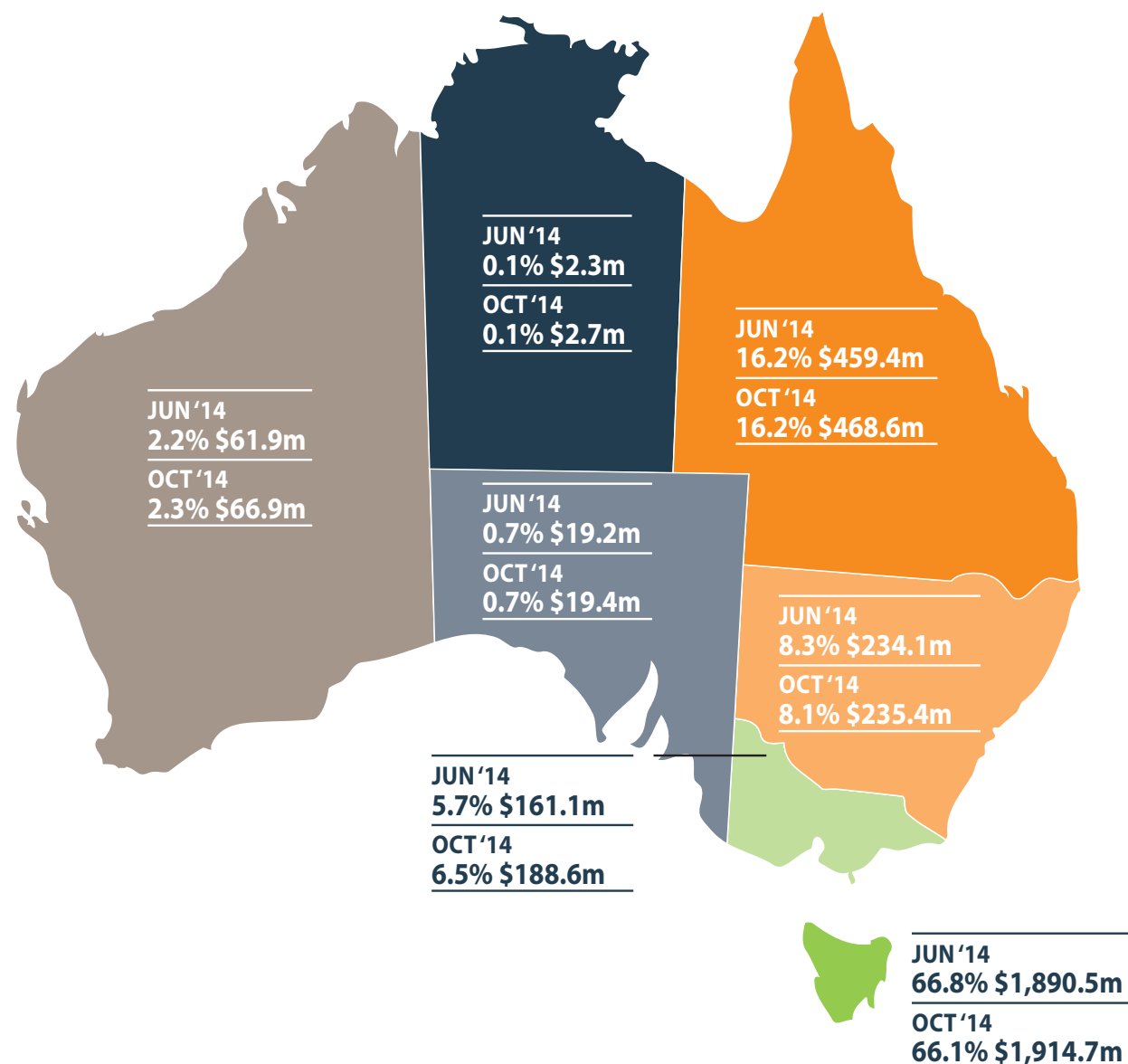
### Home loans funded by LVR band Jul-Oct '14 %



## Increasing loan book diversity

Loan book diversity changing away from Tasmania.

Home Loan Growth (Jul-Oct '14)	% (p.a.)
Mainland	13.8%
Tasmania	3.8%
<b>Total</b>	<b>7.1%</b>

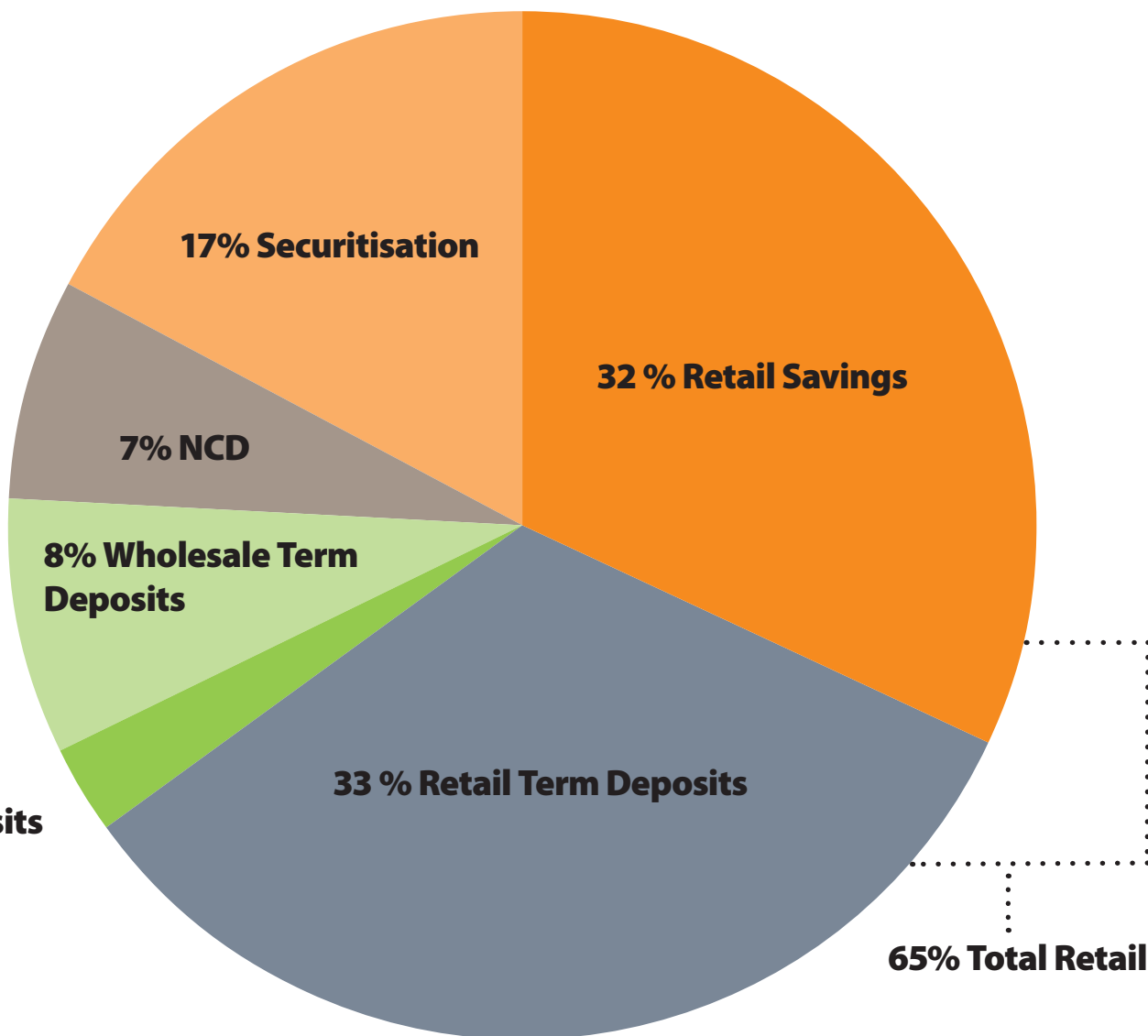


## Strong retail funding base an advantage

Our credit union heritage provides a strong and stable retail funding base.

- MyState Bank Limited and The Rock Building Society, both rated BBB (Stable) by Standard and Poors
- MyState is an issuer in the RMBS market

**3% Third Party Deposits**



# Wealth Management

## Key Results – June 2014

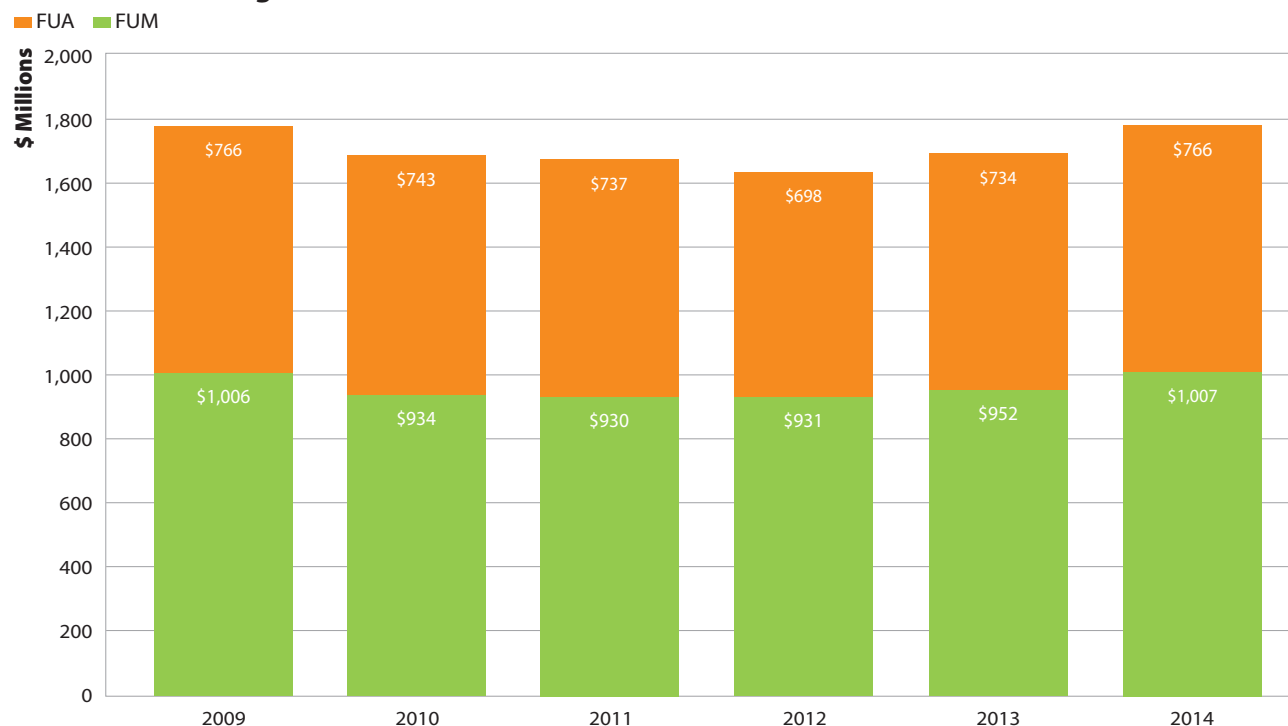
Not just a bank; the Wealth Management business provides:

- Income diversity
- Steady earnings

NPAT of \$4.6m is up 46.4% on previous year

- Improved NPAT through cost reductions and back office integration
- \$55.4m increase in Funds Under Management (+ 5.8%)
- \$32.3m increase in Funds Under Advice (+4.4%)
- Select Term Fund closed and Cash Management Fund merged into the At Call Fund to simplify the product set

**Funds under Management and Advice \$m**

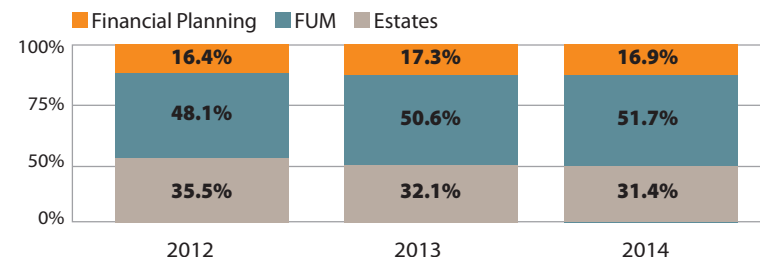


Wealth  
management  
business sound  
and steady

Conservative risk profile;  
the Funds avoided having  
to close during the GFC  
liquidity crisis.

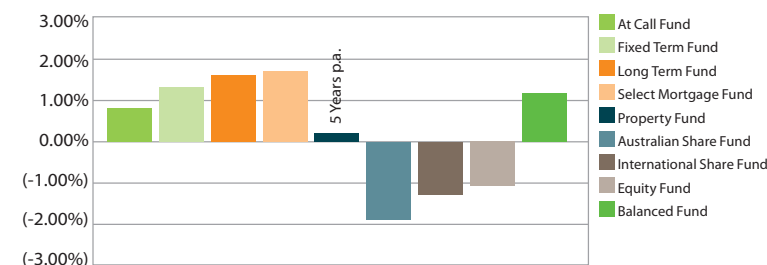
- FUM fees generate the majority of revenue for the wealth business, and are continuing to grow

### Wealth management fees %



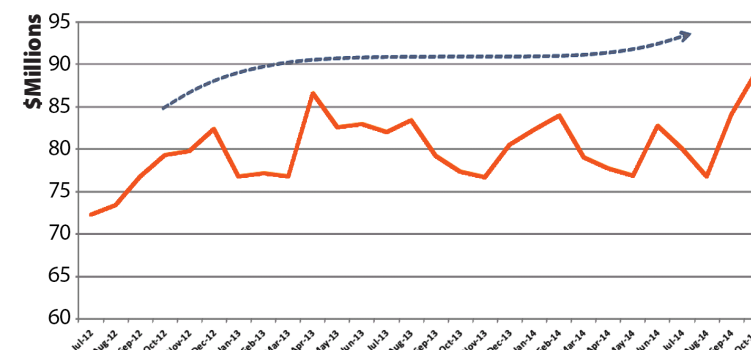
- Majority of TPT funds have outperformed their benchmark over 3M, 1Y, 3Y and 5Y time periods

### TPT funds – 5Y margin to benchmark %



- Stable trustee estate flows

### Value of open estates \$m

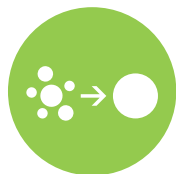


# Our strategy for growth



## Grow

- Sales development
- Brand development
- Customer base growth
- M&A opportunities



## Simplify

- Policy
- Process
- Empower staff
- Continuous improvement



## Strength

- Balance sheet
- Cost control
- Risk appetite
- Business Information



## Relationships

- Community development
- Know the customer
- Communication
- Stakeholder partnership



## Transform

- Leadership
- Culture
- Innovation
- Diversification
- Meet changing customer behaviours

### Maintain & grow strong presence in core markets

- Banking and Wealth Management
- Consolidate and strengthen customer offerings

### Ongoing focus on cost management

- Simplify and garner efficiencies
- Reinvest savings for growth

### Continued focus on enabling technologies

- Core platform
- Loan origination
- Digital transformation

### Opportunity for further mergers

- Potential to grow for scale and diversity benefits across
  - banking
  - funds management
  - wills & estates
  - financial planning



## Major projects

Investment in new systems and a focus on simplification will provide a firmer platform for growth.

### **New core banking platform deployed by MyState Bank**

**TCS** **BANCS**

- Increased capability to launch product and integrate new technologies
- Planning underway to consolidate core systems
- Single instance will provide further cost savings and productivity gains
- Investment in new systems and a focus on simplification will provide a firmer platform for growth

### **New loan origination system to increase lending and deposit capability**

**sandstone**  
TECHNOLOGY

- Greater simplicity and faster processing
- Quicker decisioning
- Making it easier to do business with us

### **MyState gains bank status**

- Increases credibility
- Building reputation as a local bank

There's only one bank that calls  
Tasmania home.

### **Ongoing focus on digital technologies**

### **Simplifying front-end customer servicing**

## Summary

- Sales momentum is building, and the home loan book is growing faster than system
- Increasing loan book geographic diversity
- Strong and stable retail funding base
- Wealth management business is steady, providing income diversity
- Continuing to invest in systems – to make it easier to do business with us
- Open to M&A opportunities