

MyState first half NPAT increases to \$14.9 million

- Interim dividend steady at 14 cps fully franked
- Loan book growth at 1.6 times system
- Cost-to-income ratio improves 60 basis points to 64.5%

Hobart, Friday, 20 February 2015: MyState Limited, the banking and wealth management group, today announced a solid result for the six months to 31 December 2014. After-tax profit was \$14.9 million for the first half, slightly above the prior comparative period (\$14.8 million). Earnings per share was steady at 17 cents.

The Directors have declared an unchanged interim dividend of 14 cents per share, fully franked, payable on 24 March 2015 to shareholders on the register at the 4 March 2015 record date. The dividend payout ratio of 82% (pcp: 82%) is in line with the Board's dividend policy.

MyState Limited results

Results summary for six months to		31 Dec 14	31 Dec 13	Change %
Group revenue	\$m	60.4	60.6	(0.3)
Net profit after tax	\$m	14.9	14.8	0.7
Earnings per share	cents	17.0	17.0	0.0
Return on equity	%	10.2	10.6	(0.4)
Interim dividend per share – fully franked	cents	14.0	14.0	0.0
Dividend payout ratio	%	82%	82%	0.0
Net interest margin	%	2.36	2.45	(0.09)

As at the end of the reporting period:		31 Dec 14	30 Jun 14	Change %
Total assets	\$m	3,742.1	3,555.9	5.2
Net assets	\$m	288.2	285.6	0.90
Funds under management	\$m	1,017	1,007	1.0

MyState Limited's Managing Director and Chief Executive Officer, Melos Sulicich said: "We are encouraged by the strong improvement in our lending operations, which included outstanding growth

from both MyState Bank's and The Rock's mortgage broker channels. Our total loan book grew by \$155 million, or 5.1%, which is more than 1.6 times system, compared with a \$37.7 million contraction, or 1.3%, in the prior comparative period. Of this increase, \$115 million was achieved in the second quarter, which was the highest quarter's growth in the group's history. The group's residential mortgage lending book grew approximately 12% in annualised growth terms, a substantial achievement which exceeded the loan growth of regional and major banks. This momentum is expected to continue in the second half.

"It was pleasing that the compelling propositions offered by our banking brands are being strongly supported by brokers and their customers. The transition of our Tasmanian banking brand to MyState Bank helped to clarify our position and provide greater comfort for brokers, enabling us to promote our customer proposition more effectively. We also strengthened our sales and distribution capabilities. These initiatives are being converted to strong portfolio growth on the Australian mainland, a greater proportion of low LVR loans and increasing diversification which is improving the quality of our home loan portfolio."

While competition for lending was fierce, revenue improved compared to the second half of FY2014. MyState Limited's loan book increased 5.1% to \$3.2 billion, reflecting the competitiveness of our pricing and product strategies and improved service delivery. Strong competition resulted in tighter margins and net interest margin overall declined 9 basis points to 2.36%.

Wealth management operations benefited from the highest level of open estates in recent years, and revenue from trustee services and funds under management increased over the second half of FY14.

MyState Bank and The Rock continued to focus on high-quality loan business, and arrears were significantly less than the average trend for regional banks. The sound credit quality of the group's assets facilitated the placement of a new \$300 million RMBS transaction to support further asset growth.

MyState benefited from tight cost management, technology savings and other efficiencies to reduce overheads by 1.25%, which resulted in a reduced cost-to-income ratio of 64.5%.

The company's balance sheet remains strong. While the total capital ratio declined 110 basis points to 13.3% after substantial loan growth, it remains well above regulatory requirements.

In October 2014, the group undertook research to understand the engagement levels of our customers. Across our brands, we achieved an average engagement score of 82 out of 100. Compared to the broader industry, this is a very strong result and we are working to improve further.

Banking Business

Net profit after tax for six months	31 Dec 14 (\$ million)	31 Dec 13 (\$ million)	Change %
Total Banking Business	12.8	12.7	0.8

MyState operates its banking business through MyState Bank in Tasmania and The Rock in central Queensland, with loans offered nationally through mortgage brokers.

Improved services to the mortgage broker industry, which included strengthening sales and distribution, helped the banking business secure record growth in approvals and settlements. This is reflected in an increase of 77% in settlements during the December quarter of 2014 compared to the prior comparative period and this momentum is continuing.

The company's product and pricing strategy attracted high-quality home lending, with approximately 60% of home loans funded at lower than 80% LVR. Geographic diversification of the loan book increased as MyState improved market share in NSW and Victoria.

The banking portfolio's 30 day arrears were steady at 0.8%, well below industry peers.

MyState's investment in a new loan origination system to strengthen services and processing efficiency for mortgage brokers is progressing well, and is expected to launch in the second half of FY2015.

Wealth Management Business

Net profit after tax for six months	31 Dec 14 (\$ million)	31 Dec 13 (\$ million)	Change %
Tasmanian Perpetual Trustees	2.1	2.1	0.0

Tasmanian Perpetual Trustees (TPT), which provides wealth management and trustee services, maintained its after-tax profit for the half year at \$2.1 million, consistent with the prior comparative period.

Revenue was stable reflecting steady funds under management fees, trustee services income and financial planning revenue. Funds under management increased 1.0% to \$1.017 billion. TPT's income funds continued to perform well relative to peer funds, providing highly competitive returns with capital stability and attractive yields.

Outlook

Interest rates are at historic lows and competition at all levels of the market is particularly strong, maintaining pressure on margins. Operational improvements in the banking business, together with efficiencies from enhanced processes and systems, support continued loan portfolio expansion and the strong loan growth momentum established in the second quarter is expected to continue.

Increased originations from the mortgage broker channel are expected to continue to drive revenue growth and geographic diversification. The launch of a new loan originations system to speed up application processes will provide a compelling proposition for the mortgage broker industry.

The financial services industry continues to change and MyState is well placed to continue to seek merger and acquisition opportunities where they add value to the MyState group and its shareholders.

- ENDS -

About MyState Limited

MyState Limited is an ASX-listed diversified financial services group consisting of MyState Bank (MyState); Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company; and The Rock Building Society (The Rock). MyState Limited, MyState and The Rock are regulated by the Australian Prudential Regulatory Authority. MyState, The Rock and TPT hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.

Media enquiries: Ashley Rambukwella, Financial & Corporate Relations, +61 2 8264 1004, 0407 231 282 or a.rambukwella@fcr.com.au