

MyState full year NPAT up 9.8% to \$32.5 million Underlying NPAT increases 0.3% to \$29.7 million

- Final dividend 14.5 cps fully franked
- 16.3% loan book growth to \$3.6 billion
- Cost-to-income ratio improves to 64.4%

Hobart, Friday, 21 August 2015: MyState Limited, the banking and wealth management group, today announced a statutory after-tax profit of \$32.5 million for the year to 30 June 2015, up 9.8% on the prior year. Excluding an after-tax contribution of \$3.9 million from the sale of the company's Cuscal shares and one-off restructuring costs of \$1.1 million, underlying NPAT was \$29.7 million, up 0.3% on the prior year. Underlying earnings per share were 34.1 cents, up 0.2 cents.

The group recorded impressive loan growth of 16.3% for the year taking the total loan book to \$3.6 billion.

MyState's balance sheet remains strong, with a total capital ratio of 12.68%, well above regulatory requirements. After balance date, capital has been enhanced through a medium term note program issuing \$25 million of 10-year, Tier 2 subordinated notes which, if executed at 30 June, would have resulted in a capital ratio of 13.94%.

Directors have declared an unchanged final dividend of 14.5 cents per share, fully franked, payable on 2 October 2015 to shareholders on the register as at the record date of 11 September 2015. This brings full year FY15 dividends to 28.5 cents per share, steady on the prior year. The dividend payout ratio is 77.0% on a statutory basis.

Results summary for year	FY2015	FY2014	Change
Group revenue (underlying) (\$m)	\$119.5	\$119.3	0.2%
Group revenue (statutory) (\$m)	\$125.1	\$119.3	4.9%
Net profit after tax (underlying) (\$m)	\$29.7	\$29.6	0.3%
Net profit after tax (statutory) (\$m)	\$32.5	\$29.6	9.8%
Earnings per share (underlying) (cents)	34.1	33.9	0.6%
Earnings per share (statutory) (cents)	37.3	33.9	10.0%
Final dividend per share – fully franked (cents)	14.5	14.5	-
Full year dividends – fully franked (cents)	28.5	28.5	-

As at the end of the reporting period:	FY2015	FY2014	Change %
Total assets \$m	4,080.8	3,556.7	14.7
Net assets \$m	293.1	285.6	2.6
Funds under management \$m	1,017	1,007	1.0

MyState Limited's Managing Director and CEO, Melos Sulicich said: "This is a solid result in a year when we made significant changes which will benefit customers and shareholders in future years. In pursuit of our vision to become Australia's number one local bank, we strengthened our executive team, began to simplify our business, embedded a staff performance culture and enhanced sales management.

"Importantly, our mortgage broker strategy has succeeded in generating growth in our loan book, which increased by 16.3%, compared with a 0.4% increase in the previous year. We ended FY15 with considerable momentum; in June 2015 we achieved monthly settlements of \$110 million, a record for the group. Approximately 87% of our home loans are to owner-occupiers, and investor lending remains a small proportion of overall loans.

"The strong growth in our loan book is a testament to the success of new sales initiatives. These included establishment of a dedicated sales and distribution team, hiring experienced business development managers and improving systems to speed up loan approvals. Product and pricing strategies leveraged MyState Bank's new status as a bank and The Rock's existing profile among brokers.

"We have a digital transformation program underway to improve services to customers. This includes the Bank's first iteration of our mobile app, and rolling out a new loan origination system which provides mortgage brokers with full electronic lodgement capability.

"Our people and culture are powerful differentiators. We were pleased that a recent customer engagement survey rated our services very highly at 84%. We are passionate about the communities that we serve and our grass root connections in Tasmania and central Queensland give us a firm foundation from which we can grow."

Restructuring costs were \$1.1 million, reflecting workplace changes and centralisation of the group's call centre activities to Hobart.

Banking Division

Underlying NPAT for year	FY2015 (\$ million)	FY2014 (\$ million)	Change %
Total Banking Business	25.5	25.0	2.0

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

While the banking division's net profit increased by 2% to \$25.5 million, strong competition, increased use of the broker channel, and the reduction in the official cash rate to 2% contributed to lower margins. Net interest margin fell to 2.28% compared to 2.43% in the prior year, but remained significantly higher than industry peers.

The group's increased effort to engage with mortgage brokers drove strong lending growth, and interstate expansion increased the portfolio's geographic diversification. Business lending was steady in a competitive market. Agricultural business and personal loan settlements were in line with the prior year.

Funding diversification increased through the Conquest 2014-2 Trust which in December 2014 completed a \$300 million RMBS transaction. Subsequent to balance date, the group further increased capital diversity through a Medium Term Note program, issuing \$25 million Tier 2 subordinated notes to support the continuing growth momentum of the business.

MyState Bank and The Rock maintained the high quality of their loan books. Credit quality remains a cornerstone of the group's business and bad and doubtful debts and arrears remain well below industry peers. At 30 June 2015, 30-day arrears were at historical lows at 0.72%, slightly below the prior year.

Wealth Management Division

Underlying NPAT for year	FY2015 (\$ million)	FY2014 (\$ million)	Change %
Tasmanian Perpetual Trustees	\$4.2	\$4.6	(8.7)

Tasmanian Perpetual Trustees (TPT), which provides wealth management and trustee services, reported its fourth consecutive year of funds growth.

Wealth management revenue grew by 4.6% as estate administration income and fund management fees increased. Estate administration revenues grew, although small business lending was constrained in a difficult market. The group maintains a strong business pipeline for estate administration and new and revised wills. Funds under management (FUM) increased slightly to \$1.02 billion. Underlying revenues benefited from increased estate administration activity.

Investment in new personnel drove further growth and one-off write-downs related to property fit-out and back-office consolidation reduced NPAT 8.7% to \$4.2 million.

Outlook

MyState has strong banking and wealth management businesses and maintains a positive outlook for the year ahead. The company maintains a strong balance sheet and capital position well above regulatory requirements and is well placed to continue to grow organically. In addition, the company continues to explore industry consolidation opportunities that will add value to the MyState group and its shareholders.

While interest rates remain at historic lows and intense competition is placing pressure on margins, the group is expecting to benefit from operational improvements.

The strong growth in new home loan origination through mortgage brokers is expected to continue into FY16, leading to an improvement in underlying earnings over FY15.

The outlook for the Tasmanian economy is encouraging with business confidence and key economic indicators showing strong signs of improvement.

Wealth management operations are expected to benefit from improved cross-selling and continued demand for estate and wills services.

MyState is also well positioned to benefit from regulatory capital changes that are likely to provide a more level playing field between the major and regional banks.

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About MyState Limited

MyState Limited, based in Tasmania, consists of MyState Bank (MSB), 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, MSB 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. MSB, The Rock and TPT hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission (ASIC).

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