

21 October 2015 MyState Limited Annual General Meeting

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Managing Director's Address Melos Sulicich



FY2015 results

| | 2014 | 2015 (Statutory) | 2015 (Underlying) | Change (Underlying v 2014) | |
|--|-------|---------------------|----------------------|---|---------|
| Revenue (\$m) | 119.3 | 125.1 | 119.5 |  | 0.2% |
| Net profit after tax (\$m) | 29.6 | 32.5 | 29.7 |  | 0.3% |
| Net interest margin (%) | 2.43 | 2.28 | 2.28 |  | -15bps |
| Cost-to-income ratio (%) | 64.5 | 62.7 | 64.3 |  | 20bps |
| Capital adequacy ratio (%) | 13.8 | 12.7 | 12.7 |  | -110bps |
| Earnings per share (cps) | 33.9 | 37.3 | 34.1 |  | 0.6% |
| Return on equity (%) | 10.5 | 11.2 | 10.3 |  | -20bps |
| Total dividends – fully franked (cents) | 28.5 | 28.5 | 28.5 | — | — |






- Statutory earnings include \$3.9 million profit from sale of non-strategic asset, Cuscal shares, to support growth and reinvestment; less \$1.1 million restructuring and related costs
- Capital further enhanced post year-end through \$25 million Tier 2 medium term notes issue, which if executed at 30 June would have resulted in a capital ratio of 13.98%.

**A sound underlying result which positions
the Group well for the future.**

Continued focus on strategic priorities

Stronger executive team with wealth of talent and experience



| | | | | |
|---------------|-----------|---|--|--|
| RELATIONSHIPS | GROW |  | Growth in our revenue drivers | <ul style="list-style-type: none"> Record settlements – up 75% on prior year. Restored loan book growth of 16.3% (at 2.3x system). |
| | SIMPLIFY |  | Simplifying processes for third party and direct channels | <ul style="list-style-type: none"> Successfully deployed new loan origination system “LendFast”. Continuing on further product simplification and digital technology upgrades. Easy to sell, easy to buy, easy to administer. |
| | STRENGTH |  | Capital ratio and arrears levels maintained | <ul style="list-style-type: none"> Sound capital ratio at 12.7%, further enhanced through issue of \$25m Tier 2 notes post year-end. Credit quality remains a cornerstone with bad and doubtful debts and arrears at continuing low levels. |
| | |  | Better broker and customer engagement | <ul style="list-style-type: none"> Continued investment in third party channel relationships and systems to support growth and profitability. Renewed focus on the customer, with engagement improving from already high levels. |
| | TRANSFORM |  | Transforming capability | <ul style="list-style-type: none"> A new, experienced, and capable executive team. Team strengthened with talent and experience from banking and financial services, consulting, technology and telecommunications. Technology transformation underway. Launched first mobile application for iOS and Android. |

Loan book growth accelerated through the year

Settlements reached \$1 billion for the first time in the Group's history

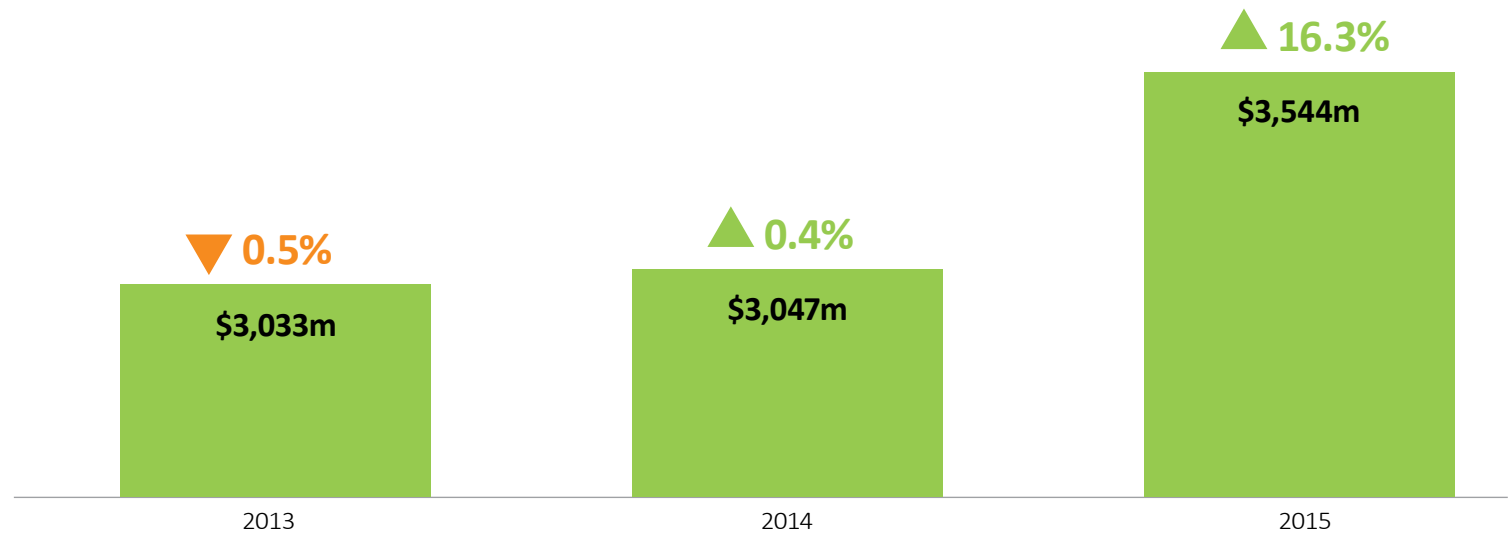
Continued acceleration in settlements with 2H 2015 ~50% above 1H 2015

FY15 settlements grew at 75% above prior year

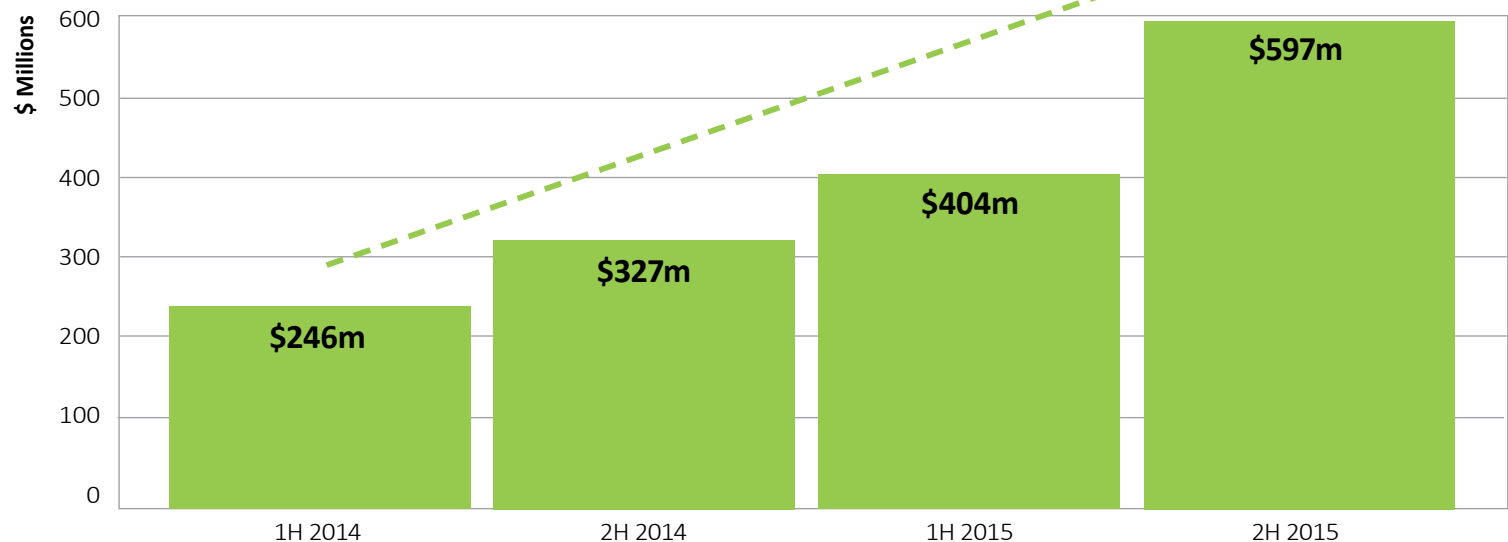
Sound loan book growth; investor loans 13%, well below APRA ADI average of 35%

1Q 2016 loan book momentum well above system growth

Gross loans and advances

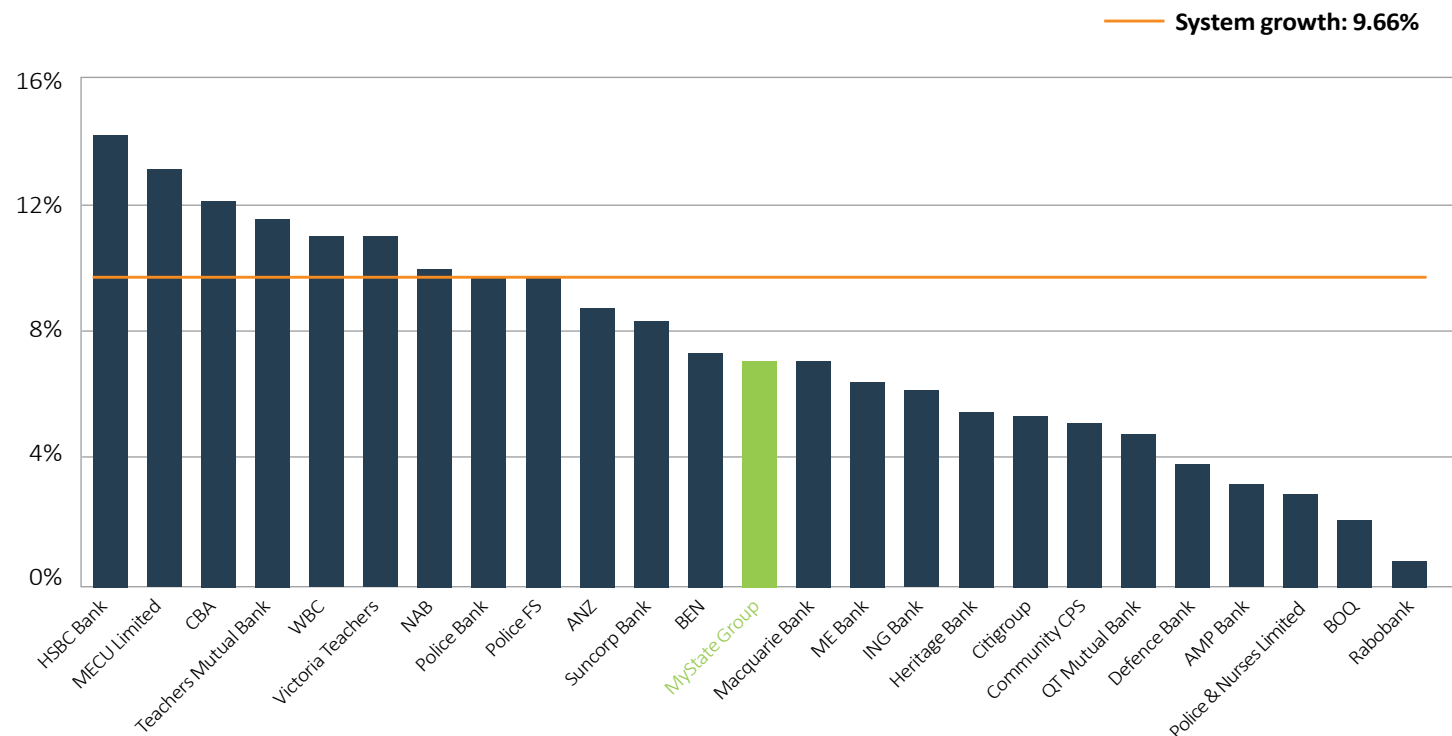


FY15 settlements up 75% on FY14

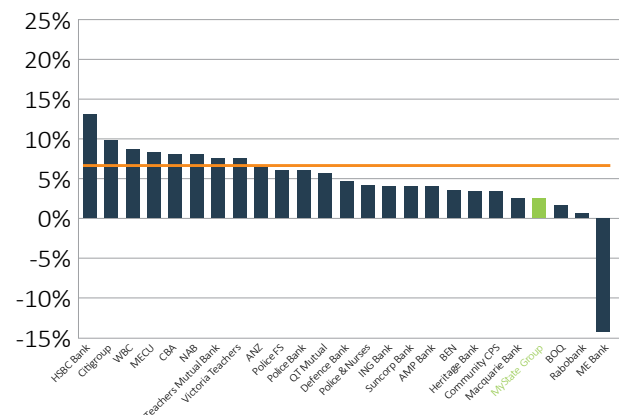


2H 2015 acceleration of retail deposits increased share of system growth

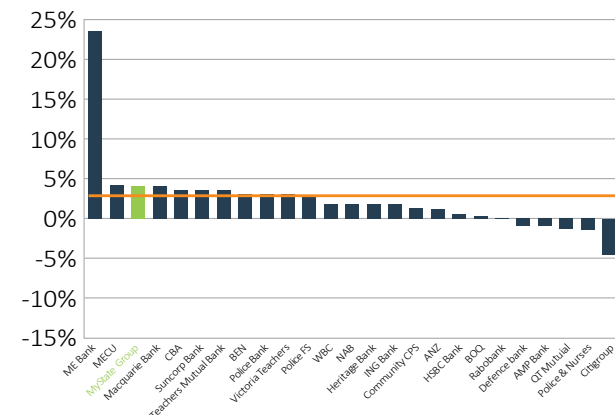
1Q 2016 deposit growth exceeds system growth



1H 2015 deposit growth at 0.42x system

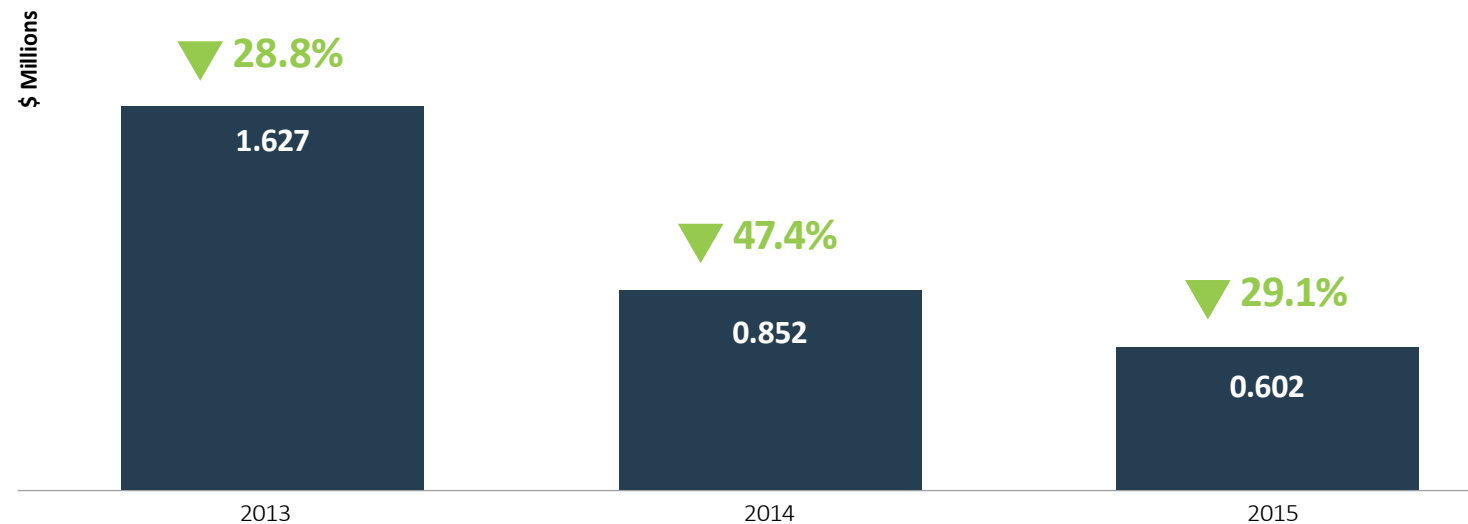


2H 2015 deposit growth at 1.4x system

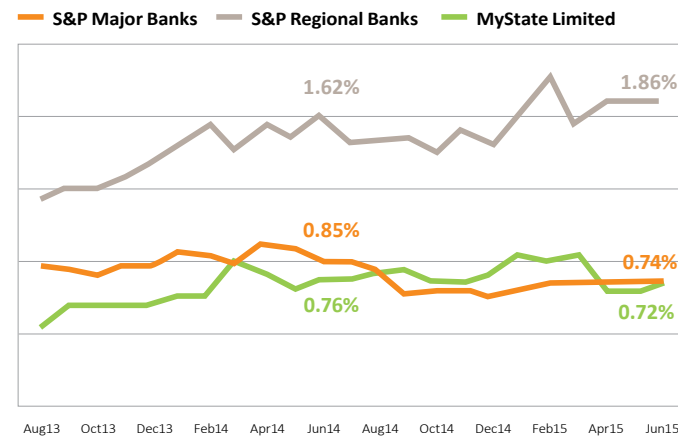


Strong credit quality and conditions reflected in continued decline in bad and doubtful debts

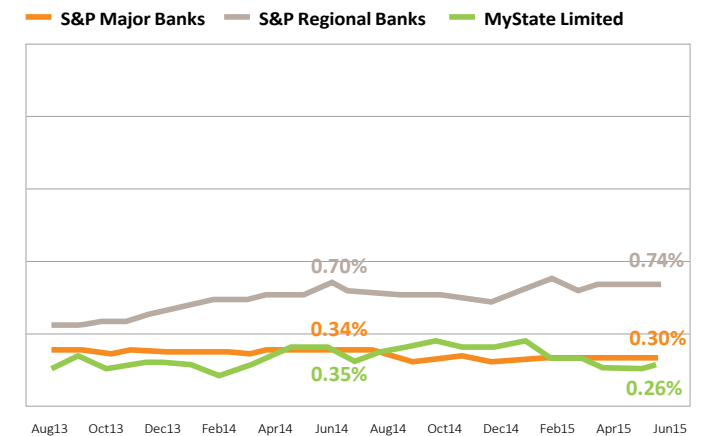
Bad and doubtful debts charge



30+ day arrears well below peers



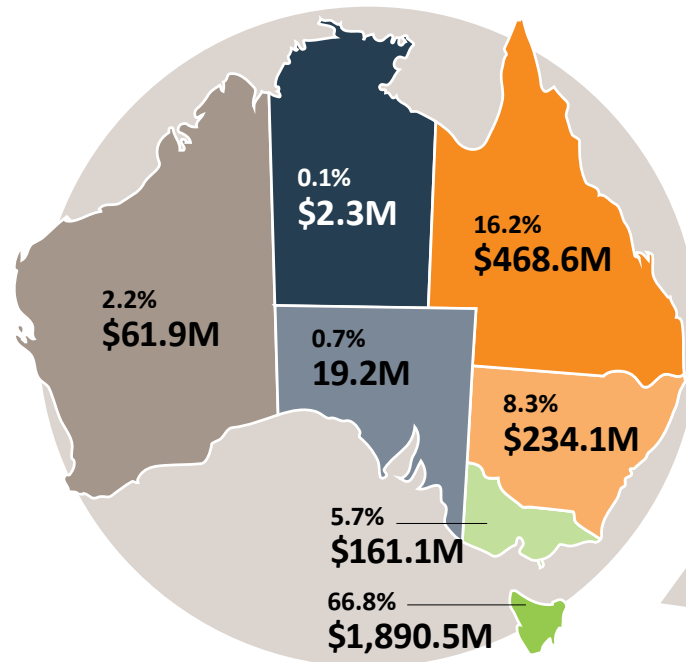
90+ day arrears tracking at 35% of regional banks' average



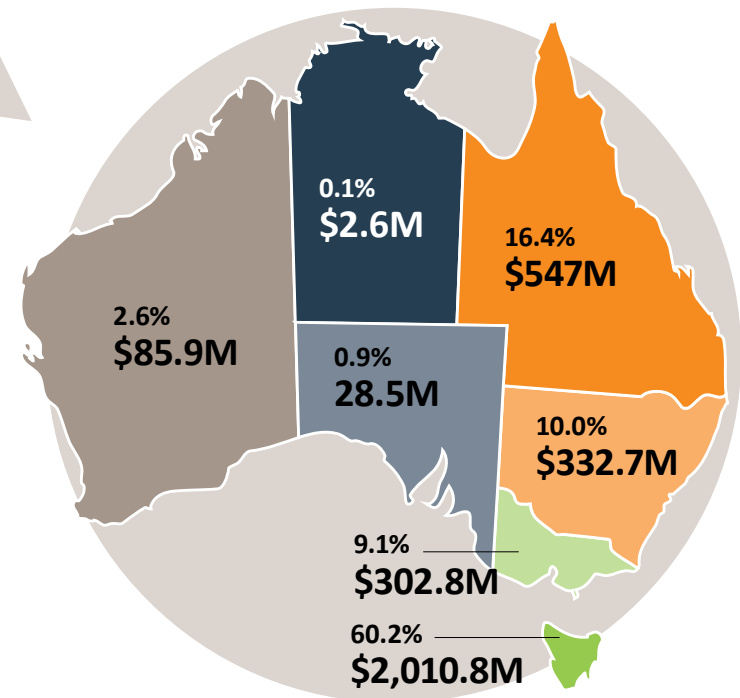
Delivering on our strategy to further diversify the loan book and achieve lower geographic concentration

Increasing diversification through growing mainland home loan book

June 2014 home loan book

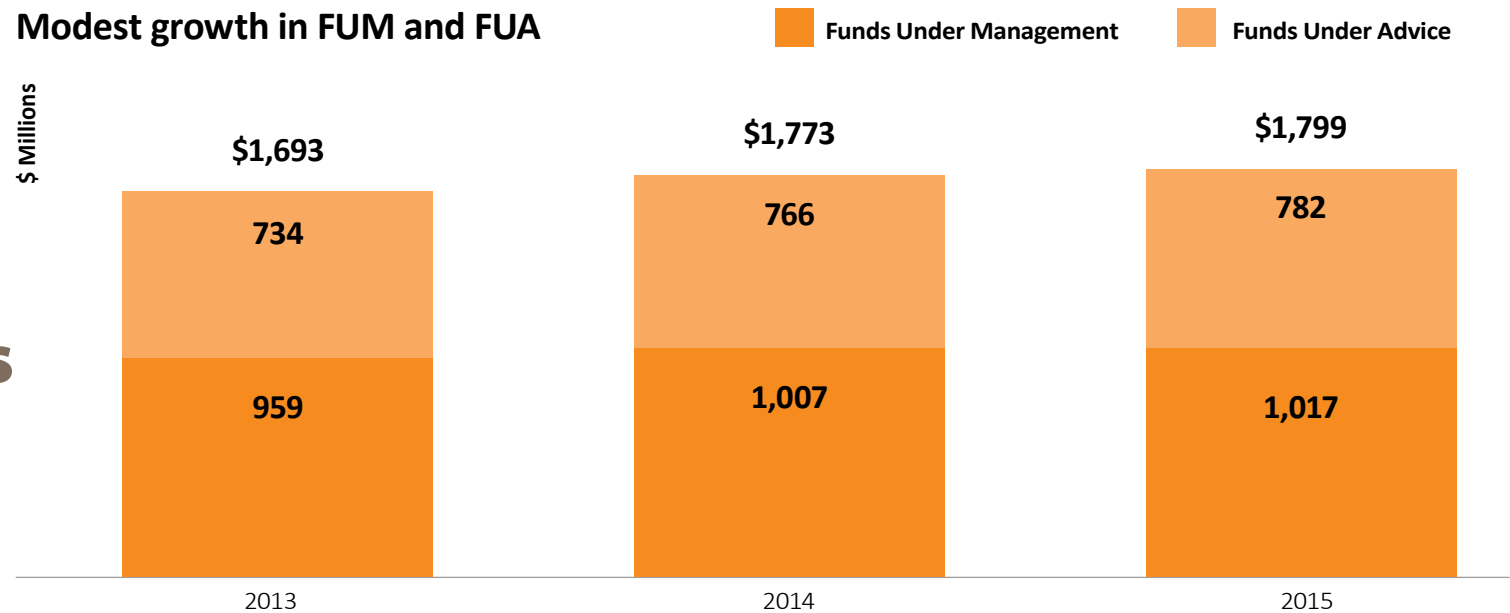


June 2015 home loan book

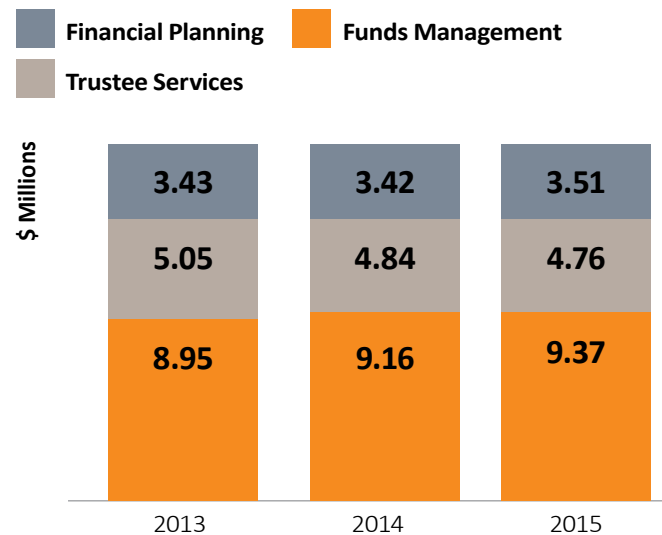


Wealth continued to deliver consistent, stable returns

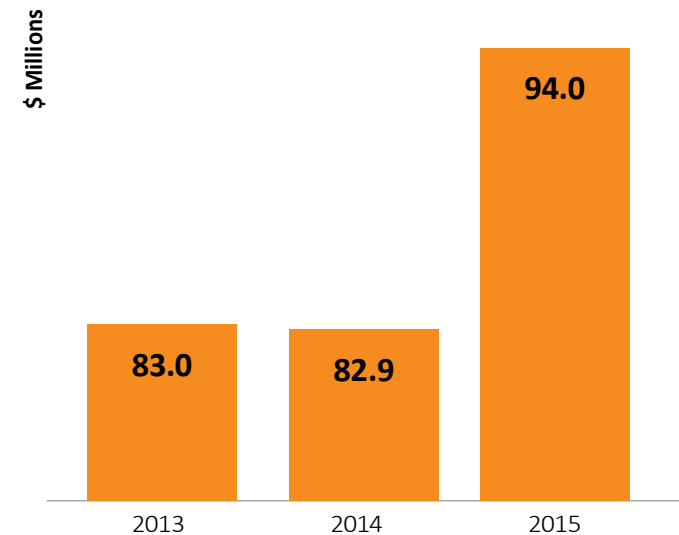
Modest growth in FUM and FUA



Core wealth income steady

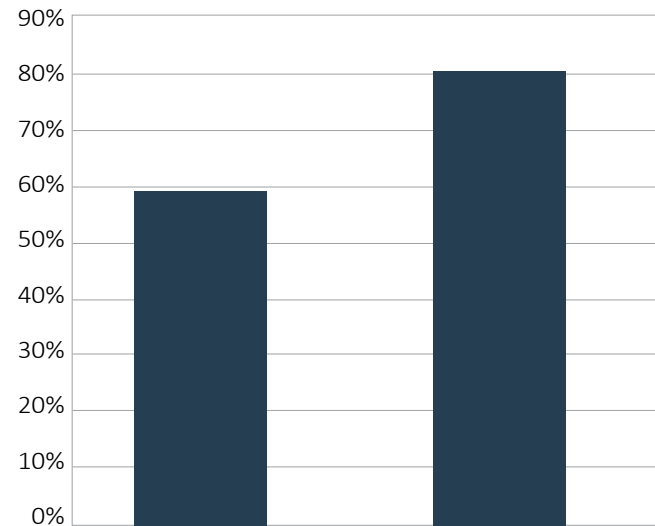


Increase in open estates



Employee Connectivity and Customer Engagement both increased

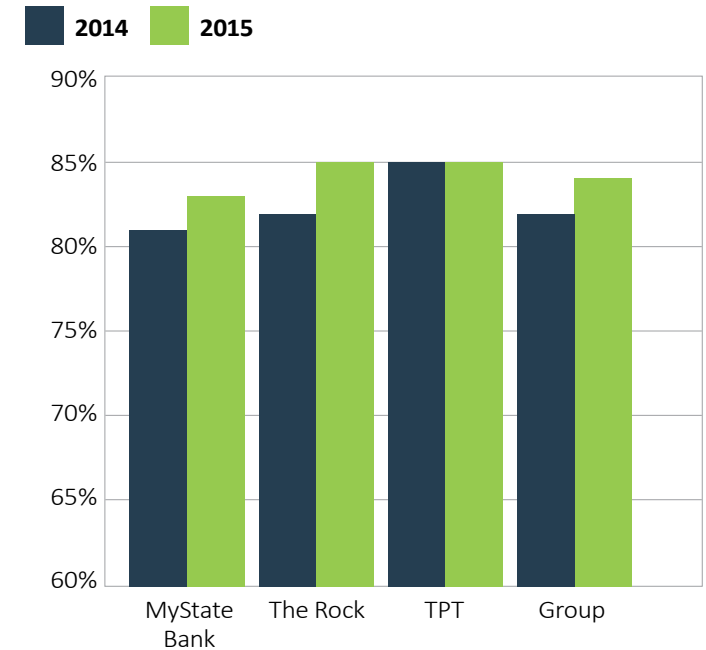
Employee Connectivity Score



Analysis of the Employee Connectivity Survey points to the following factors:

- New leadership and company direction
- Strong internal communications
- Culture building centred on 'The MyState Way'
- Staff benefits and rewards and recognition programs
- Employee/community recognition

Customer Engagement Index



Customer Engagement strength driven by:

- Improvement in new customers' experience of joining MyState
- Continued strong customer service experienced across all channels
- Reduction in reported errors

MyState in the community

MyState is committed to being a pillar of the local communities in which we live and work

The MyState Foundation donated \$106,000 in grants to 14 organisations across Tasmania in FY2015

Sponsorships include the MyState Wooden Boat Festival, MyState Student Film Festival and Central Queensland NRL Bid Junior Development program

We are proud to sponsor the Hobart Hurricanes in Cricket's 2015-2016 Big Bash

MyState
LIMITED



Summary and outlook

Well positioned for the future

Strong balance sheet and capital position

Increased momentum to deliver enhanced profitability and performance

