

ASX Code: MYS

MyState Limited

A Growing Banking & Wealth Management Group

Melos Sulicich
Managing Director & CEO

David Harradine
Chief Financial Officer

November 2015

MyState
LIMITED

AGENDA

1. MyState Overview
2. Financial Position and Performance
3. A Strong Platform for Growth and Transformation



MyState Overview



Evolution of the MyState Group

2009

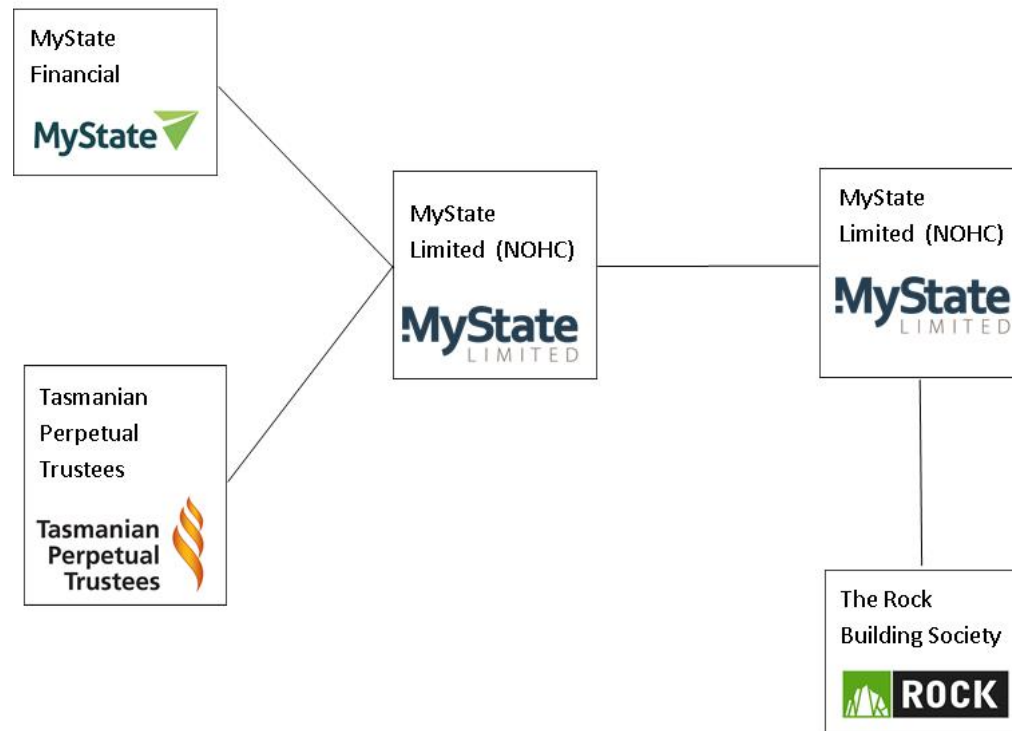
MyState Financial and Tasmanian Perpetual Trustees merge and form MyState Limited (NOHC)

2011

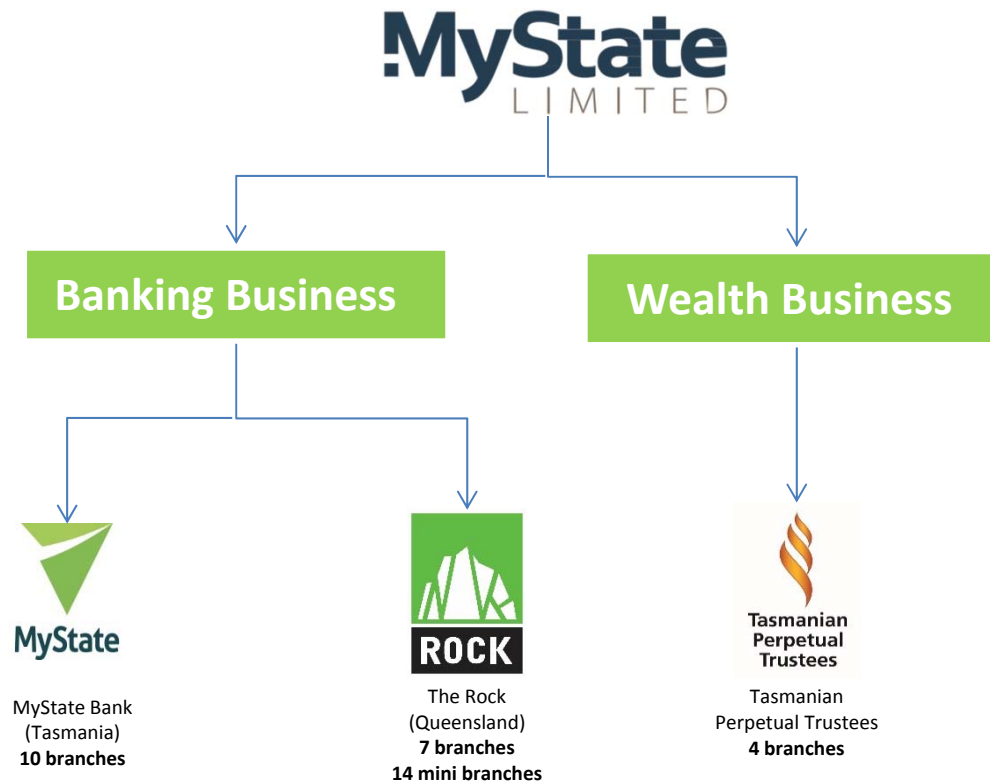
The Rock Building Society Limited joins the MyState Limited Group

2014

Banking Licence issued
Merger of ADIs



Our core businesses










Principal Activities

Banking Services	Trustee Services	Wealth Management
<ul style="list-style-type: none"> • Transactional and internet banking • Insurance and other alliances • Savings and investments • Business banking • Agribusiness • Personal, residential and business lending 	<ul style="list-style-type: none"> • Estate planning • Estate and trust administration • Power of attorney • Corporate and custodial trustee 	<ul style="list-style-type: none"> • Financial Planning • Managed fund investments • Portfolio administration services • Portfolio advisory services • Private client services

FY2015 results

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

	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 re-investment; 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 excluded at 30 June would have resulted in a capital ratio of 13.98%

Loan book growth accelerated through the year

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

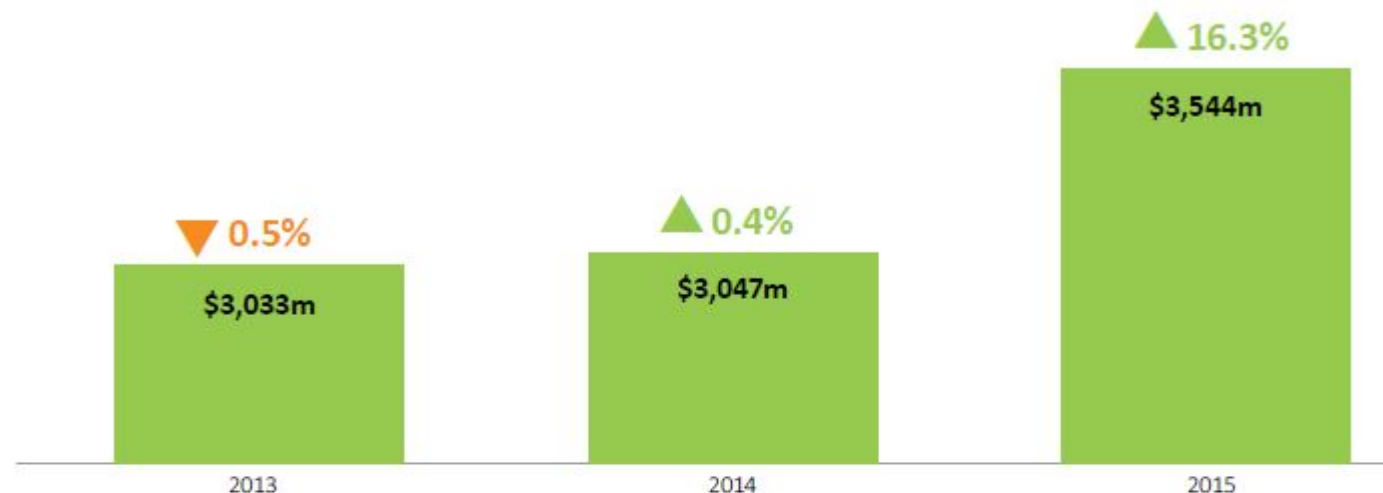
Continued acceleration in settlements with 2H 2015 ~50% above 1H 2015

FY15 settlements grew at 75% above prior year

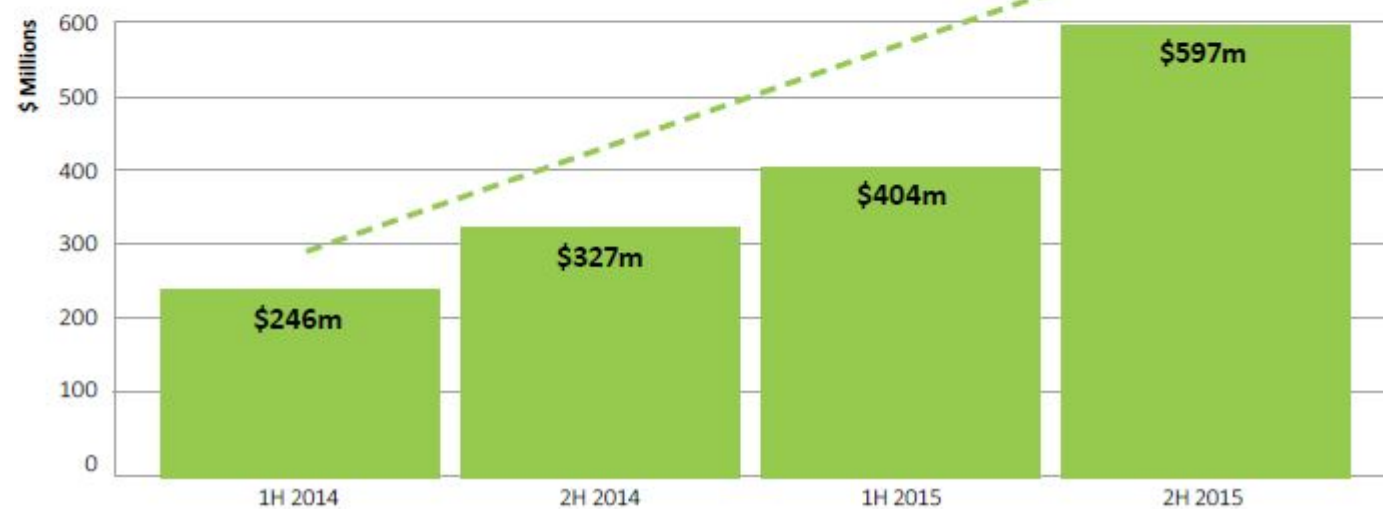
Sound loan book growth; investor loans 13%, well below APRA ADI average of 35%

1Q 2016 loan book momentum well above system growth

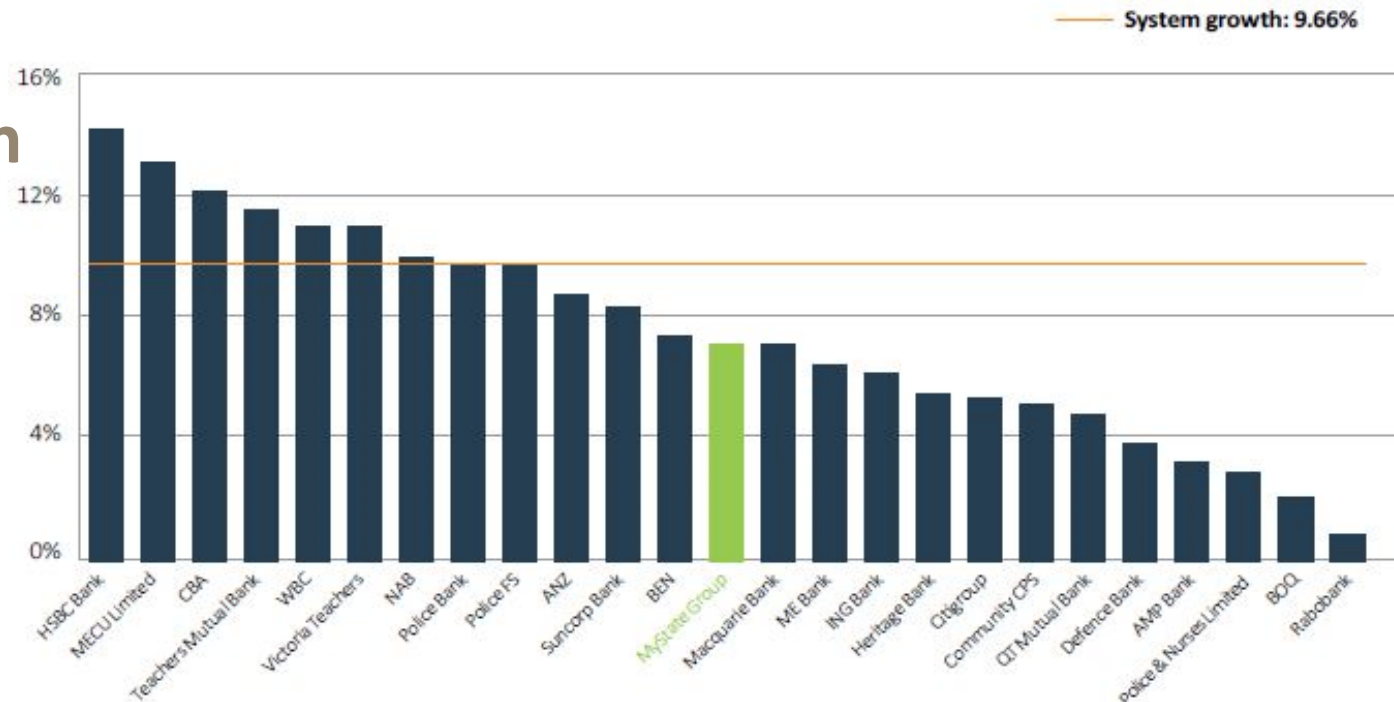
Gross loans and advances



FY15 settlements up 75% on FY14

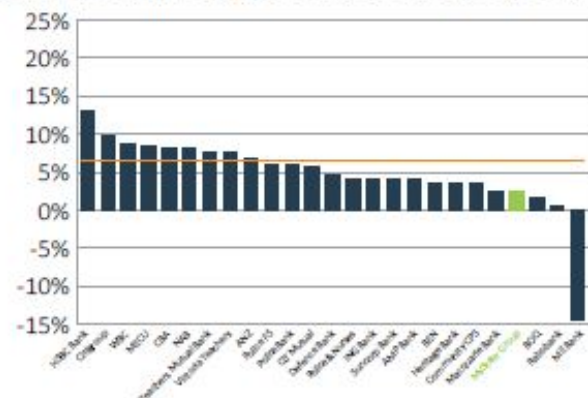


2H 2015 acceleration of retail deposits increased share of system growth

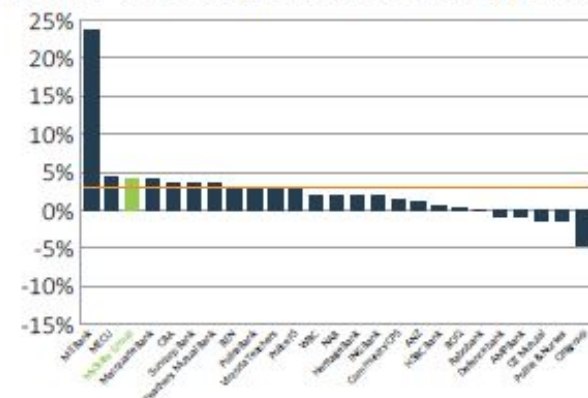


1Q 2016 deposit growth exceeds system growth

1H 2015 deposit growth at 0.42x system








2H 2015 deposit growth at 1.4x system



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.

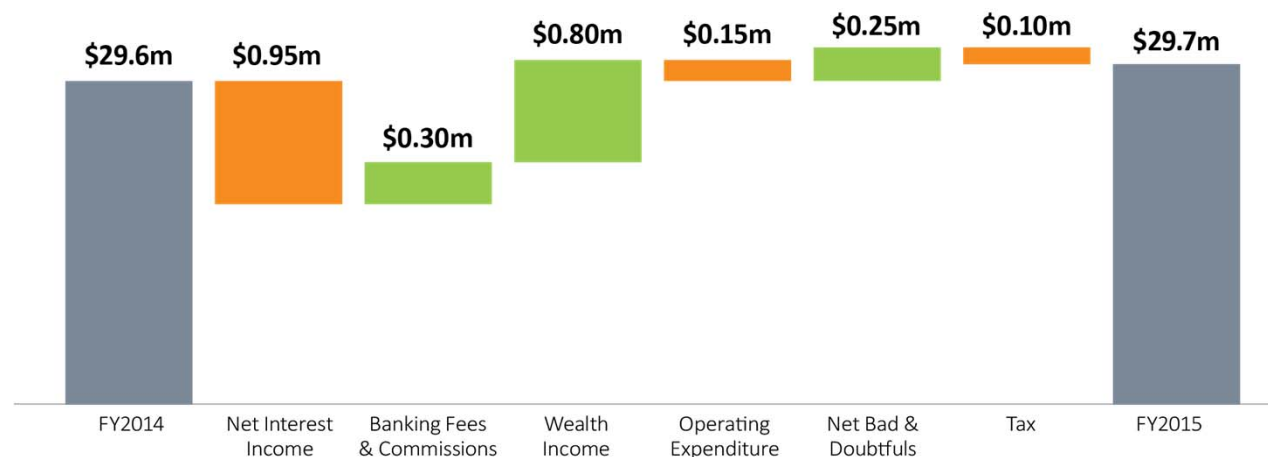
Financial Position and Performance



Sound underlying result and building for FY16

Revenue improves despite competitive intensity and NIM compression

Lending book velocity to underpin future growth and profitability



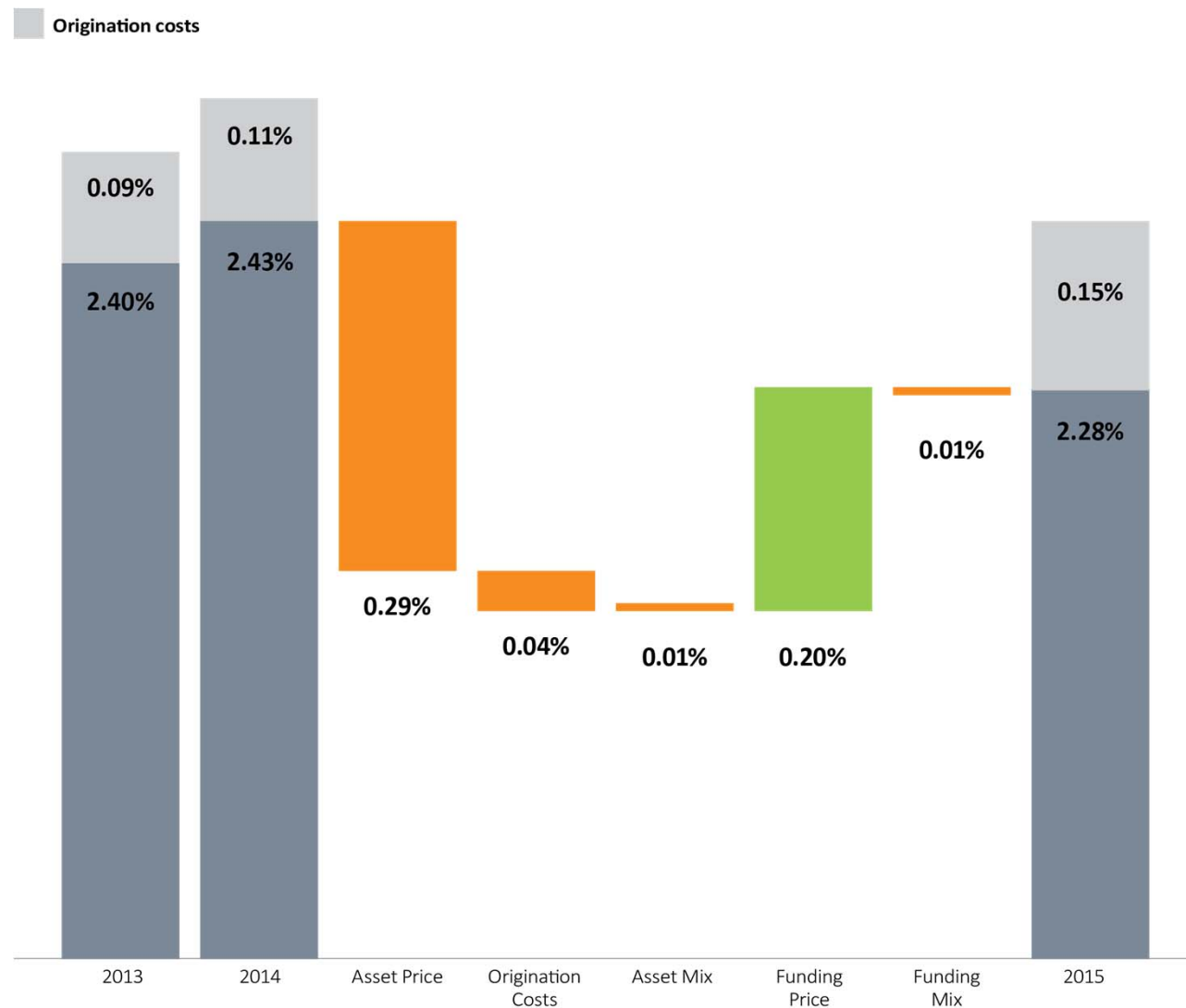
- Earnings stable, laying the foundations for FY16 earnings growth.
- RBA rate cuts and loan book growth presented hurdles to net interest income.
- Pleasing performance in Banking and Wealth non-interest income.
- Operating expenditure contained through focused cost management.
- Bad & doubtful debts benefitting from sound credit quality and conditions.

Net Interest Margin

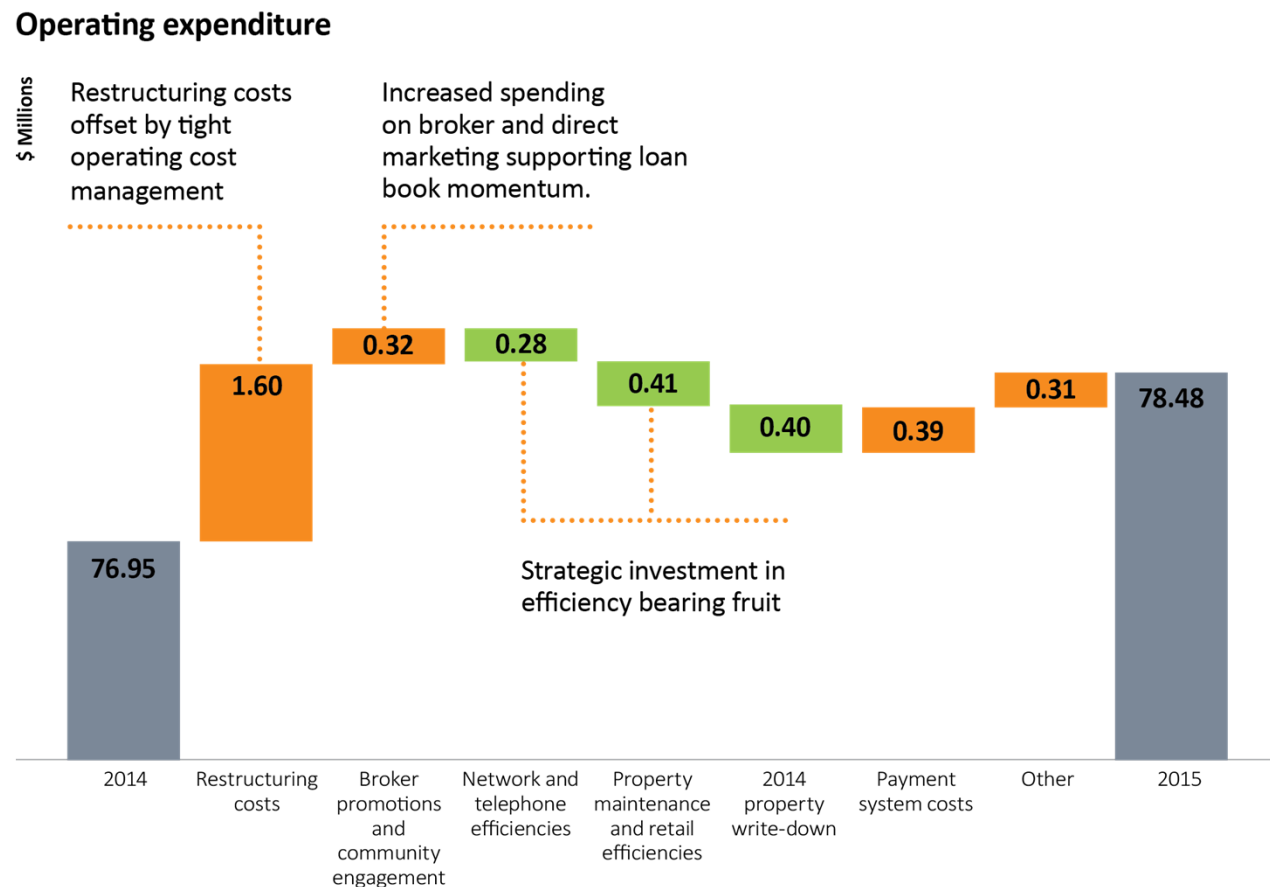
Competition, RBA rate cuts and business growth impacting margin

Targeted asset repricing to ease NIM pressure

Funding costs expected to continue to ease in FY16



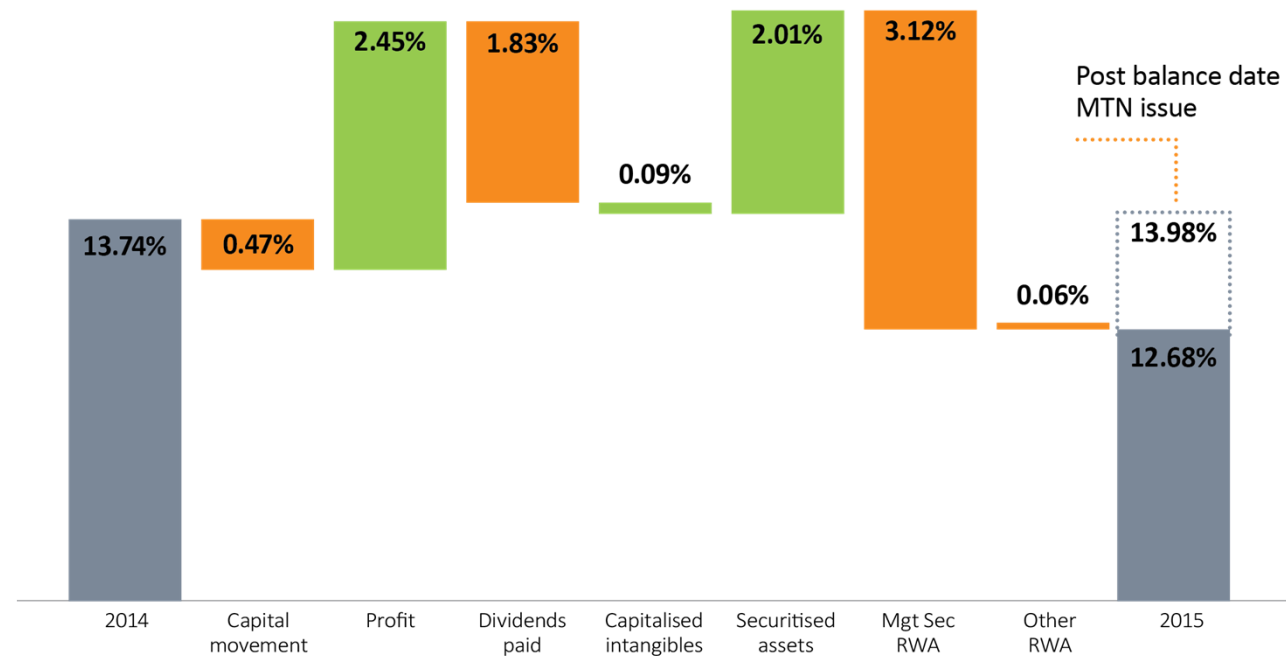
Tight operating cost management continues



- Cost to income ratio (underlying earnings) improves by 20bps to 64.3%

Strong asset growth contributed to a decline in the Group's capital ratio

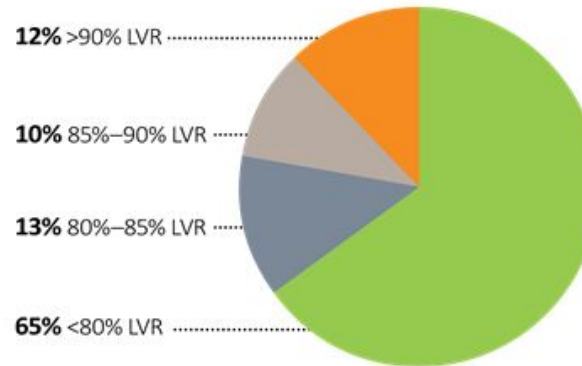
Capital ratio movements



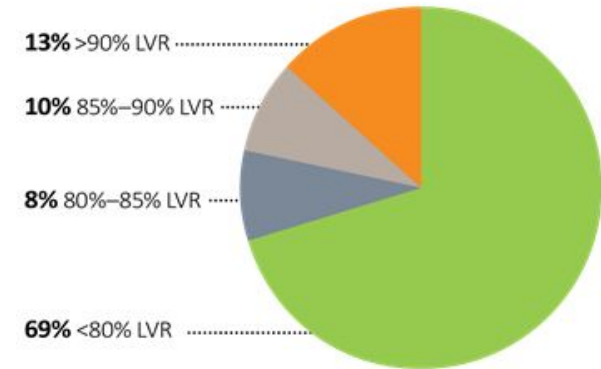
- Capital further enhanced through \$25M Tier 2 medium term notes issue post balance date.

Product and pricing strategy successful in attracting quality lending business

2015 home loan book by LVR (\$3.3b total)

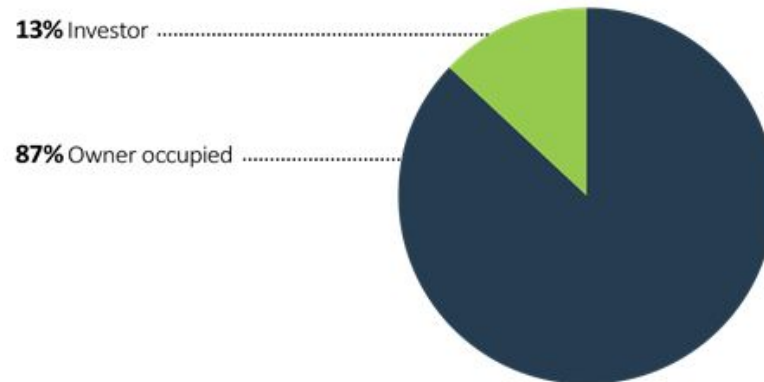


2014 home loan book by LVR (\$2.8b total)

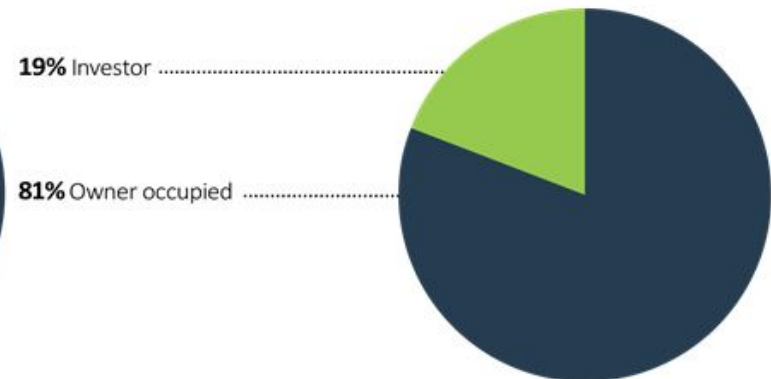


Sound LVR levels maintained year on year with declining >90% LVR

2015 home loan book composition



2015 home loan settlements

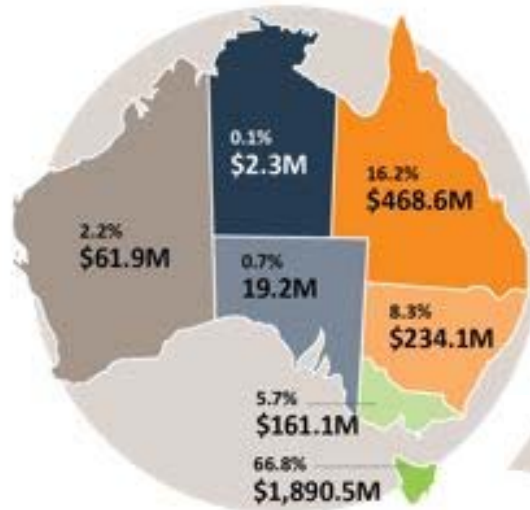


Sound loan book growth with investor loans below APRA ADI average

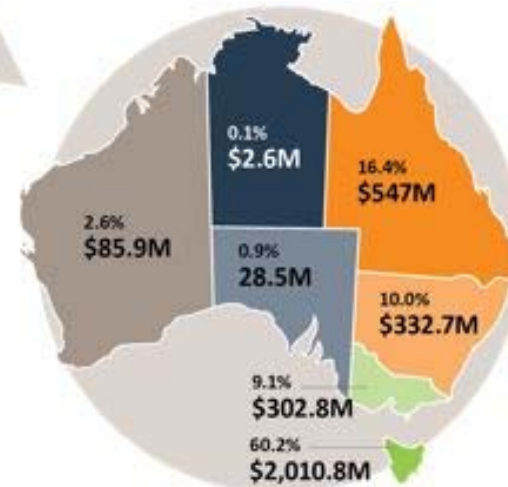
Delivering on
our strategy to
further
diversify the
loan book and
achieve lower
geographic
concentration

Increasing
diversification through
growing mainland
home loan book

June 2014 home loan book \$2,837.7M

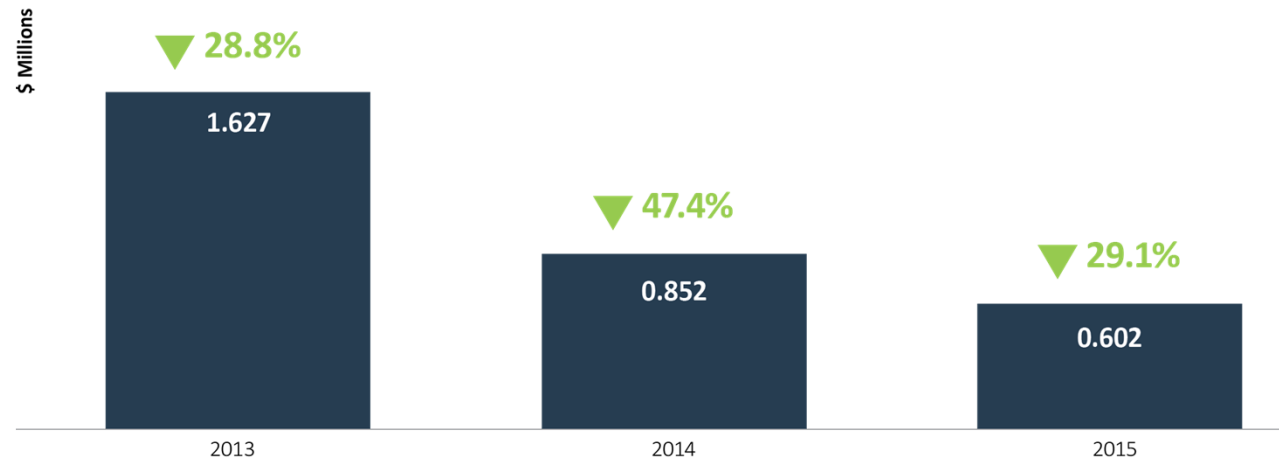


June 2015 home loan book \$3,310.3M

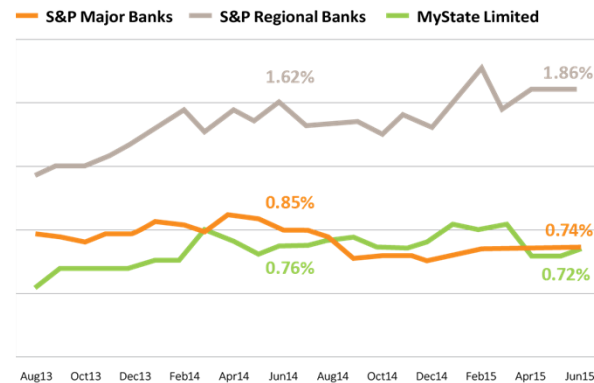


Strong credit quality and conditions reflected in continued decline in bad and doubtful debts

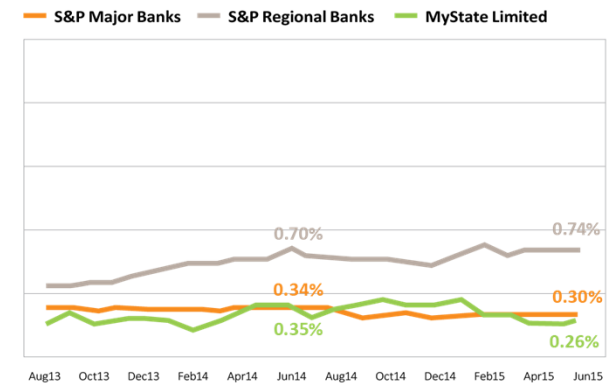
Bad and doubtful charge



30+ day arrears well below peers



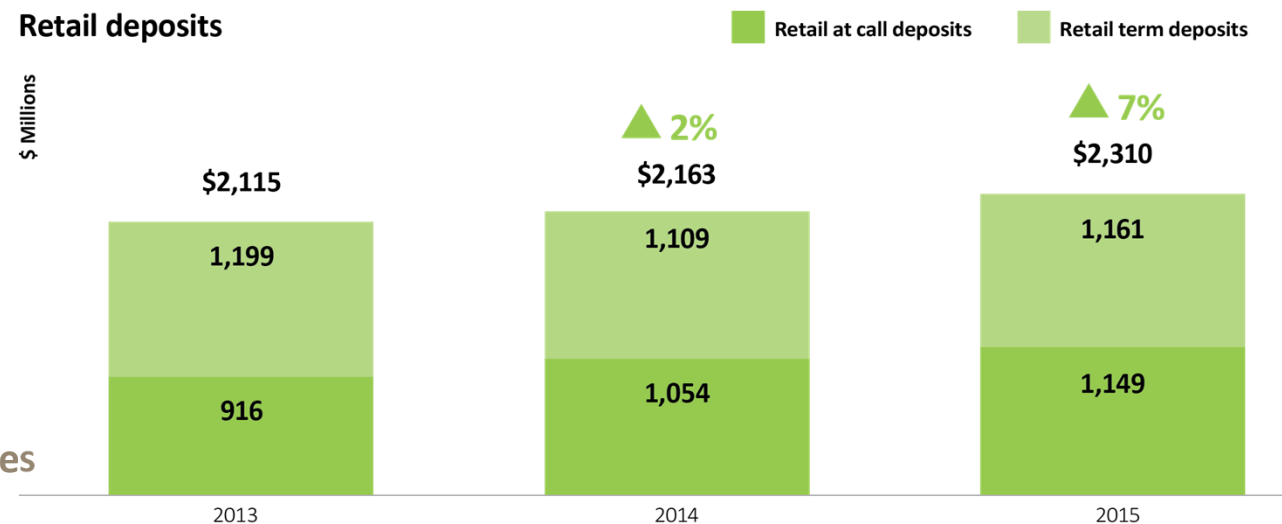
90+ day arrears tracking at 35% of Regional Banks' average



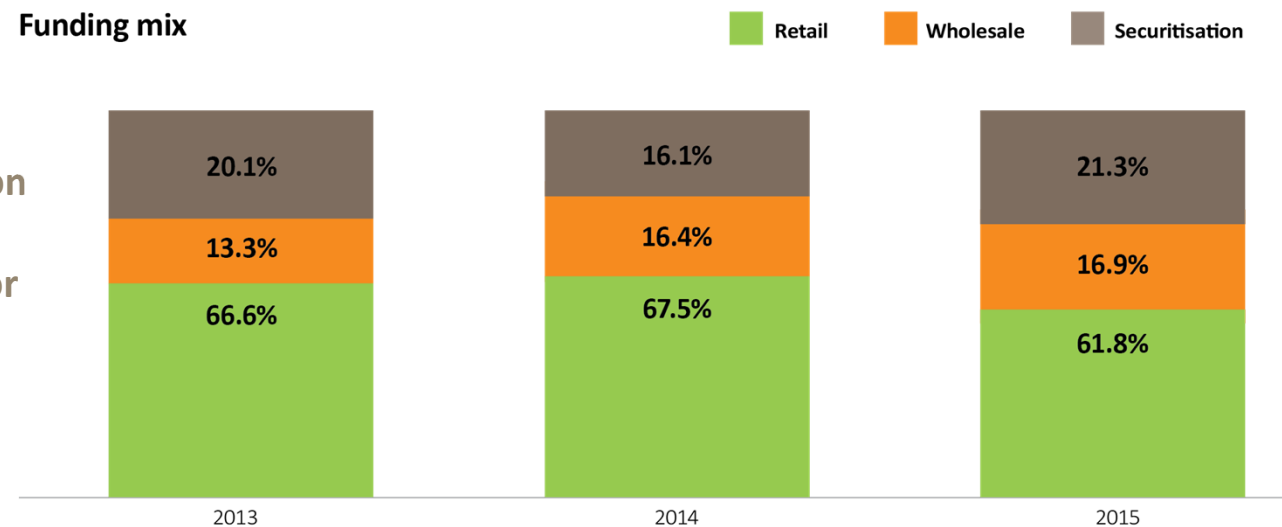
No signs of stress in loan book

Diversified funding base supports loan growth

Customer deposit growth driven by focus on retail banking basics and continues into FY16

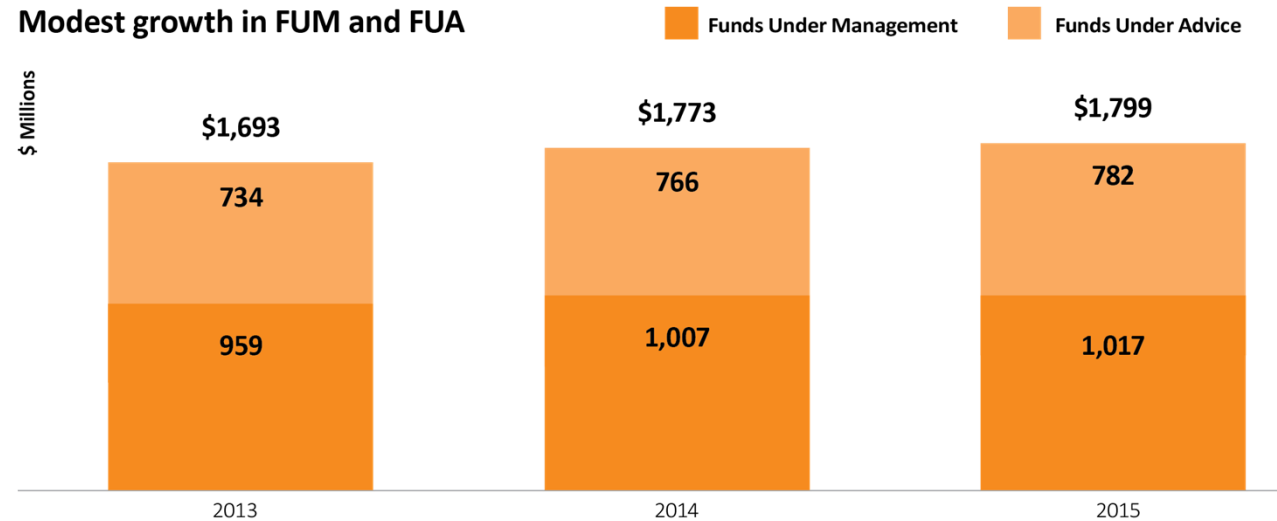


Successful RMBS transaction completed in 1H 2015 provides further support for growth

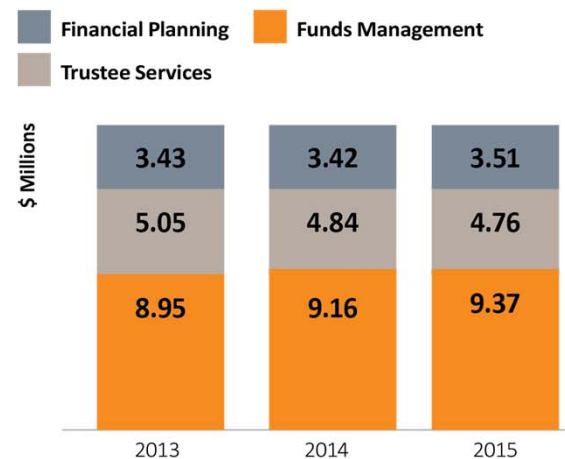


Wealth
 continues to
 deliver
 consistent,
 stable returns
 to the
 business

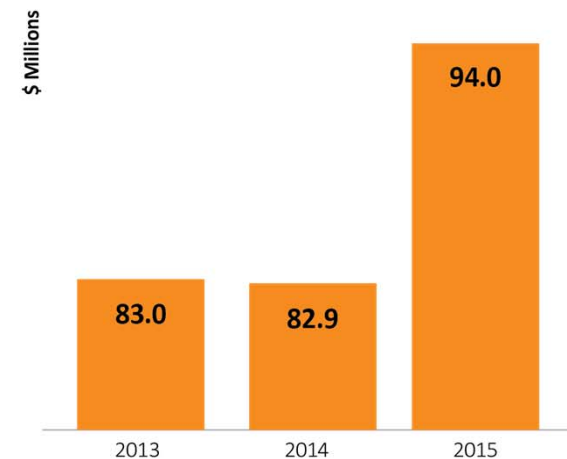
Modest growth in FUM and FUA



Core wealth income steady



Increase in open estates



Economic conditions continue to improve in Tasmania

The Tasmanian economy continues to improve:

- Business confidence high, with private investment spending posting solid gains during the financial year after a period of weakness
- The private investment pipeline is strong and dwelling approvals also performed exceptionally well
- The labour market continues to improve

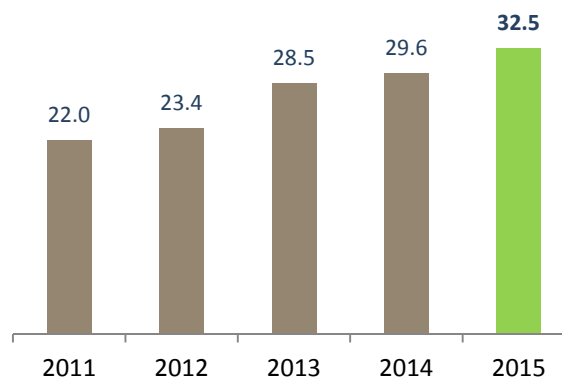
Australian economic growth remains subdued but confidence returning:

- The economy is adjusting to the decline in resources investment and commodity price weaknesses
- A lower AUD has supported a rebalancing of the economy with a lift in inbound tourism and export orientated sectors
- Recent improvements in job advertisements and labour market conditions has seen gains in consumer-related and business services sectors offsetting contractions in mining and resources
- Business confidence has proven to be more robust
- Housing outlook remains positive with some contraction in credit growth foreshadowed in the coming years

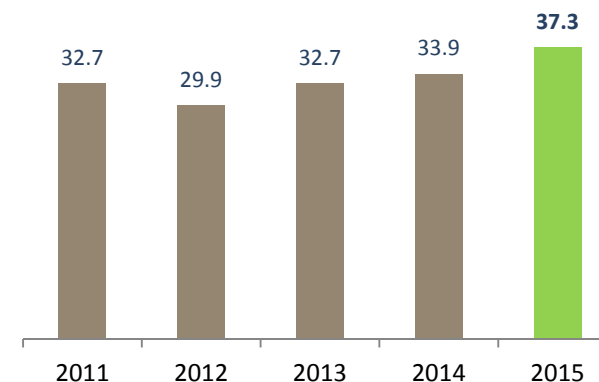
Group Performance

Stable, consistent earnings performance and returns

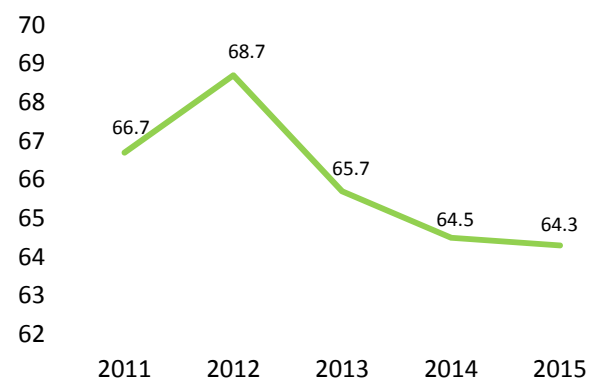
Statutory NPAT (\$ millions)



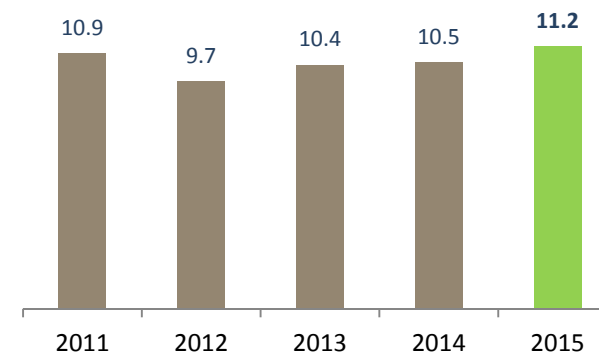
Statutory earnings per share (cents)



Underlying cost to income ratio (%)



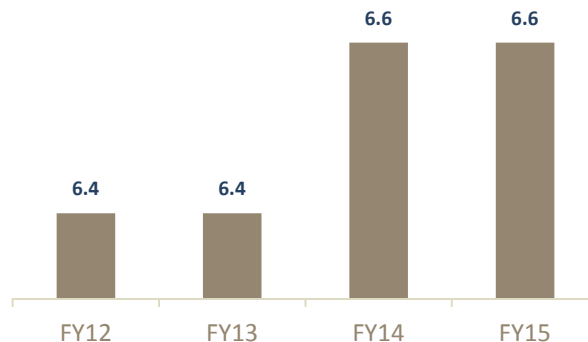
Return on average equity (%)



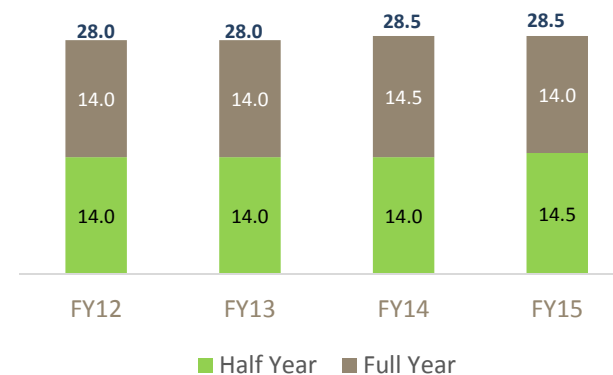
Dividend Performance

Market value of \$380 million¹

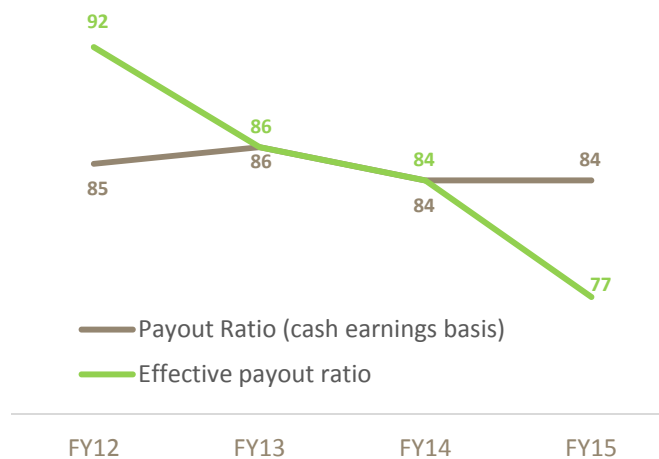
Dividend Yield (%)



Dividends (cents per share)



Ordinary dividend payout ratio (%)



Key dividend considerations

- Seek to maintain or increase nominal dividend whilst being alert to capital generation needs
- Maintain payment ratio that is sustainable in the long term
- Pay fully franked dividends given high franking credit surplus

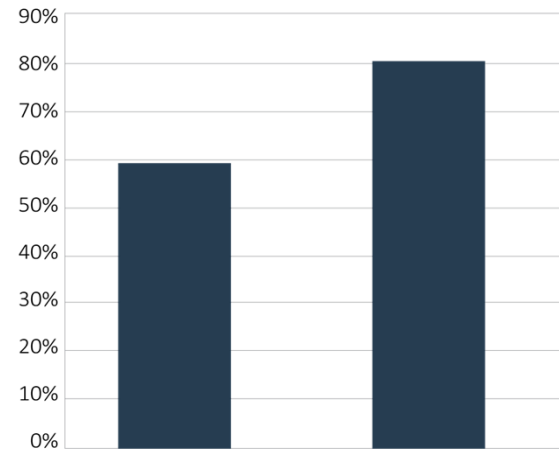
¹ Based on last sale price of MYS as at 9 November 2015

A Strong Platform for Growth and Transformation



Employee Connectivity and Customer Engagement both increased

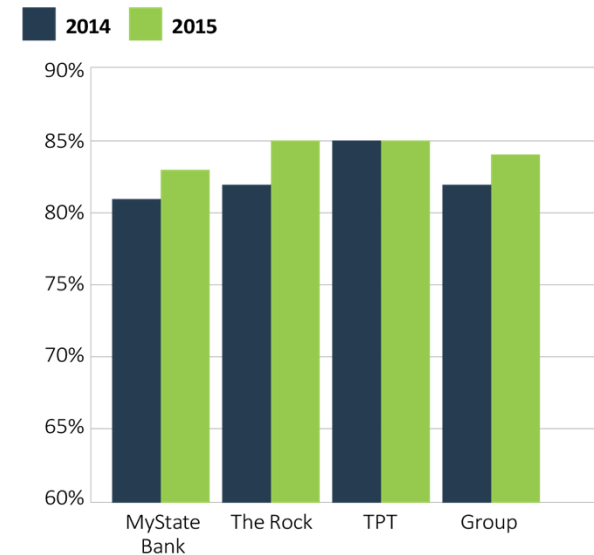
Employee Connectivity Score



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 on-boarding
- 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



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Pending regulatory reform

Regulatory Developments

- Higher capital and mortgage risk weighting
- APRA continued focus on the major banks to be “unquestionably strong”
- Basel IV reforms to take shape later in 2015

Implications for MyState

- MYS Tier 1 capital position remains well above industry average
- Levelling of competitive landscape between major banks and smaller ADIs
- Asset repricing providing tailwinds for future earnings

Summary and outlook

Well positioned for the future

Strong balance sheet and capital position

Increased momentum to deliver enhanced profitability and performance

Regulatory change provide earnings tailwind

