

MyState first half NPAT increases to \$15.1 million

- Strong home loan book growth at 2.0x system
- Cost to income ratio improves to 64.0%
- Interim dividend steady at 14 cps fully franked
- Announces activation of Dividend Reinvestment Plan (DRP)

MyState Limited, the banking and wealth management group, today announced a statutory after-tax profit of \$15.1 million for the six months to 31 December 2015, up 1.5% compared to the previous corresponding period (H1 FY2015: \$14.9 million). Earnings per share increased 1.8% to 17.3 cents (H1 FY2015: 17.0 cents).

The Directors have declared an interim dividend of 14 cents per share, fully franked, payable on 24 March 2016 to shareholders on the register at the record date of 2 March 2016. The dividend payout ratio of 81% is in line with previous dividends (H1 FY2015: 82%).

The group's loan book growth continued the strong momentum of the previous year, increasing to \$3.8 billion, up 6.6% from 30 June 2015. This growth represents 2.0 times the Australian home loan system growth.

MyState Managing Director and CEO, Melos Sulicich, said: "This was a robust result. MyState was pleased to report profit growth in its banking and wealth management businesses despite the highly competitive banking and financial services environment.

"Housing loan settlements increased by \$533 million in the half, up 32% from the previous corresponding period and customer deposits grew at an annualised rate of 16.2%."

Results summary for six months to	31 Dec 15	31 Dec 14	Change
Group revenue (\$m)	61.3	60.4	1.5%
Net profit after tax (\$m)	15.1	14.9*	1.5%
Earnings per share (cents)	17.3	17.0	1.8%
Return on average equity (%)	10.4	10.4	No change
Interim dividend per share – fully franked (cents)	14.0	14.0	No change
Dividend payout ratio (%)	81	82	1%
Net interest margin (%)	2.12	2.36	-24bps

*1H 2015 NPAT includes \$0.4 million in Cuscal dividends; if this was excluded from the 1H 2015 result, 1H 2016 NPAT growth would have been 4.1% on the pcip.

As at the end of the reporting period:	31 Dec 15 (\$ million)	31 Jun 15 (\$ million)	Change (%)
Total assets	4,354.0	4,080.0	6.7
Net assets	295.9	293.1	1.0
Funds under management	1,030	1,017	1.3

MyState remains soundly capitalised with a total capital adequacy ratio of 13.0%. During the period the company settled a medium term note program issuing \$25 million 10-year, Tier 2 subordinated notes in August 2015.

Costs remained under tight control, and the group's cost-to-income ratio further improved to 64.0% (pcp: 64.5%).

Mr Sulicich continued: "We maintained strong credit performance with arrears well below both peers and major banks. Standard & Poor's affirmed MyState Bank's 'BBB' long-term credit rating citing MyState Bank's improving asset quality. The rating reflects the bank's strong capital position and its focus on low-risk residential mortgages. Standard & Poor's also improved its outlook from stable to positive. "Our wealth management operations benefited from growth in trustee services and estate administration, and funds under management increased marginally.

"Across our business we continue to implement a range of initiatives to improve the customer experience whilst at the same time making the business more efficient."

Banking Division

Net profit after tax for six months	31 Dec 15 (\$ million)	31 Dec 14 (\$ million)	Change %
Banking Contribution	12.9	12.8	0.8

The banking division net profit increased 0.8% to \$12.9 million (H1 FY2015: \$12.8 million), as the group benefited from loan growth through both the mortgage broker and direct channels.

Settlements were \$533 million for the first half, up from \$404 million in the PCP.

Net interest margins were lower, reflecting increased third party costs and the highly competitive lending environment following the reductions in the official cash rate. Recent repricing of the loan book is expected to lead to higher asset yields in the coming period.

The focus on maintaining credit quality remains a key priority. Approximately 75% of the group's home loan growth has been achieved through less than 80% loan to valuation (LVR) lending, and more than two-thirds of the group's home loan portfolio is less than 80% LVR. Investor loans remain a comparatively small proportion of the group's book, comprising 13% of total home loans and well below industry averages.

The banking portfolio's 30 day arrears were at record lows at 0.49% at 31 December 2015 (H1 FY2015: 0.78%), well below industry peers. Impairment charges remain very low reflecting sound credit quality.

Geographic diversification of the loan book continued, with the group increasing its market share in NSW and Victoria. Approximately 57% of the overall loan book was Tasmania-based at 31 December 2015, down from 64.7% at 31 December 2014.

Wealth Management Division

Net profit after tax for six months	31 Dec 15 (\$ million)	31 Dec 14 (\$ million)	Change %
Wealth Management Contribution	2.2	2.1	4.8

The wealth management and trustee services division continued to deliver consistent, stable returns.

The division's funds under management increased to \$1.03 billion (H1 FY2015: \$1.02 billion).

Wealth management division revenue increased to \$9.2 million.

Dividend Reinvestment Plan

MyState today announced that the Board has decided to activate a Dividend Reinvestment Plan (DRP) which will allow shareholders to invest further in MyState, and fund continued growth.

DRP pricing will be based on a 3% discount to the volume weighted average price (VWAP) of MyState Limited shares calculated on the seven trading days between 7 March 2016 and 15 March 2016. DRP election forms have been sent to shareholders, who will have until 3 March 2016 to elect to participate in the DRP.

Announcing the details, Mr Sulicich said: "Activation of the Dividend Reinvestment Plan will enable MyState to maintain loan growth and other business development initiatives whilst maintaining a strong capital position. We have had frequent feedback from many shareholders about their desire to continue to invest in MyState via a DRP and the board has taken these views into account in making this decision."

Dividend Reinvestment Plan timetable:

Milestone	Date
Announcement of DRP activation	22 February 2016
Ex dividend date	29 February 2016
Dividend Record date	02 March 2016
Deadline for shareholder election to participate in the DRP	03 March 2016
Dividend pricing period	07 - 15 March 2016
Dividend payment & DRP share issue date	24 March 2016

Outlook

The business environment continues to be very competitive, however MyState is confident that its loan growth will remain above system.

Recent regulatory changes have assisted smaller banks and recent industry-wide repricing has eased pressure on margins.

The group transformation program that includes initiatives to improve the customer experience, significant investment in technology and business efficiency improvements combined with loan book growth is expected to flow through to further improvements in earnings.

Mr Sulicich said: "We have a clear strategy and, with strong settlement momentum, MyState is well positioned for growth with a detailed and exciting transformation program currently being undertaken. We have successfully attracted high-quality home loan business which is reflected in excellent credit performance. This is supported by a strong sales culture, and staff who provide exceptional customer service.

"The outlook for the Tasmanian economy continues to improve, and conditions are favourable for sustained growth.

"We are optimistic about the future and excited by the outcomes that we will deliver."

ENDS

About MyState Limited

MyState Limited is the ASX-listed non-operating holding company of the diversified financial services group consisting of MyState Bank (including The Rock – A division of MyState Bank) and Tasmanian Perpetual Trustees, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and Tasmanian Perpetual Trustees hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.

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