

ASX ANNOUNCEMENT

**MyState Limited Annual General Meeting
Best Western Hotel, 156 Bathurst Street, Hobart
26 October 2016**

Address by the Chairman Mr. Miles Hampton

Ladies and gentlemen, I am pleased to present my Chairman's Address.

Trading Results

Our Managing Director Melos Sulicich will go into more detail about our operational performance but it is pleasing to note that the underlying net profit after tax of \$31.1million was 4.5% ahead of the previous year.

The result fell slightly short of our expectations with increased competitive pressures and delays in securing productivity gains holding us back.

But we will continue to set ourselves ambitious growth targets, both in terms of the scale of our operations and earnings per share, as we seek to build a stronger MyState.

Whilst the contribution from our banking business improved, the contribution from the wealth management business was static.

We expect that the contribution of the wealth business will increase in FY2017.

The statutory result was impacted by the decision to move the two banking systems onto a single platform, resulting in a significant write down of software costs, and one-off costs associated with advanced M&A due diligence.

In each of the past three years we have invested substantial sums as we have sought to identify and negotiate M&A transactions.

To date our investment in this area has not resulted in a successful transaction, however increasing the scale of our business remains a key priority and we will continue to seek out value accretive M&A opportunities.

Capital Position

Our loan book continues to grow well ahead of system, and in FY16 the loan book grew from \$3.5bn to \$3.9bn, an increase of 8.7%.

At the same time customer deposits grew 8.9% to \$2.7bn.

To ensure that we remained within targeted capital ratios we issued \$25 million Tier 2 notes in August 2015.

Further, in May 2016 we established a new warehouse trust that increases funding capacity and will also deliver an improvement in securitisation funding costs.

At the end of the year total capital ratio was 13.04% compared with 12.68% in June 2015.

Approach to Risk

Business is about taking measured risks and at MyState we have a 'three lines of defence' approach, with all decisions being made in the context of Board approved risk appetite statements and policies.

We have a high-quality home loan book with 86% of loans to owner-occupiers and more than two thirds represent a loan-to-valuation ratio of less than 80%.

MyState continues to have a net impairment charge and 30 and 90 day arrears that are well below industry peers.

Key Initiatives

The investment in improved technology that commenced in 2015 gained further momentum in 2016.

Targeting both the customer interface and also productivity gains, a new MyState is gradually emerging.

One that is more relevant to today's tech savvy customer.

One that has a cost structure that will enable us to offer even more competitive products.

Banking is changing rapidly, with customers expecting to be able to do business with us any time, any day.

Enhancing the digital connection with our customers is pivotal to our future.

Dividends and DRP

The Board determined that there would be no increase in dividends in 2016, reflecting the significant investments in technology that are being made and the growth in the loan book.

In December 2015 the Board announced the introduction of a Dividend Reinvestment Plan and this applied to the interim dividend paid in March 2016.

However given the strong capital position the Board determined that the Dividend Reinvestment Plan would not apply to the final dividend this year.

Whether the DRP applies to a particular dividend and if a discount will apply, will be determined on a case by case basis, and be reflective of the capital needs of the business at the time.

Concluding Remarks

Each year presents new challenges and 2016 was no exception.

I would like to make particular mention of three new challenges.

The first is the intensity of competition for both loans and deposits. Fundamentally as a successful bank we have had no alternative but to respond, but we have done so in a measured way, recognising the need to be competitive, but also seeking to ensure that the viability of our business over the longer term is maintained.

The second is the criticism that has engulfed the banking and wealth management industry.

It appears that significant numbers of customers of some industry participants have suffered from poor service and worse still, poor advice.

This does not reflect well on the sector and we face the risk of greater regulation if it continues.

At MyState we remain vigilant to conduct risk and whilst I cannot say it will never happen here, I can say that we recognise the risk and constantly monitor our business to minimise the possibility of us having similar issues to those that have impacted some of our larger competitors.

Finally I note the emergence of new players and new business modelsfintech...as it has become known.

There is no doubt that the traditional banking and wealth management business models will be impacted as others seek to take market share from us.

Our challenge is to monitor, to respond where appropriate and from time to time be prepared to be an innovator ourselves.

Last year I said that we have much to do to stay relevant as a serious contender in the banking and wealth management space.

I continue to be confident that we are in the process of building a stronger business, one that will reaffirm the customer focused DNA that has for so long been part of our mutual and trustee heritage.

To all of the team at MyState, thank you for your willingness to embrace change.

To our customers, we will deliver improved products and services.

To our shareholders, we will deliver on the promise of improved returns.

Finally to my board colleagues, thank you for the energy and commitment that you bring to the governance and strategic direction of the business.

I particularly would like to place on record my appreciation of the contribution of Ian Mansbridge who retired as director in April 2016 after six years on the MyState Board and prior to that four years as a director of Tasmanian Perpetual Trustees Ltd.

And at the same time I welcome Brian Bissaker who brings considerable contemporary experience having held senior executive roles in the financial services sector.

Ladies and gentlemen, that concludes my Chairman's address. I now invite our Managing Director, Melos Sulicich, to address the Annual General Meeting.

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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.