

ASX Code: MYS

MyState Limited
Macquarie Australia Conference
6 May 2016

David Harradine
Chief Financial Officer

Agenda

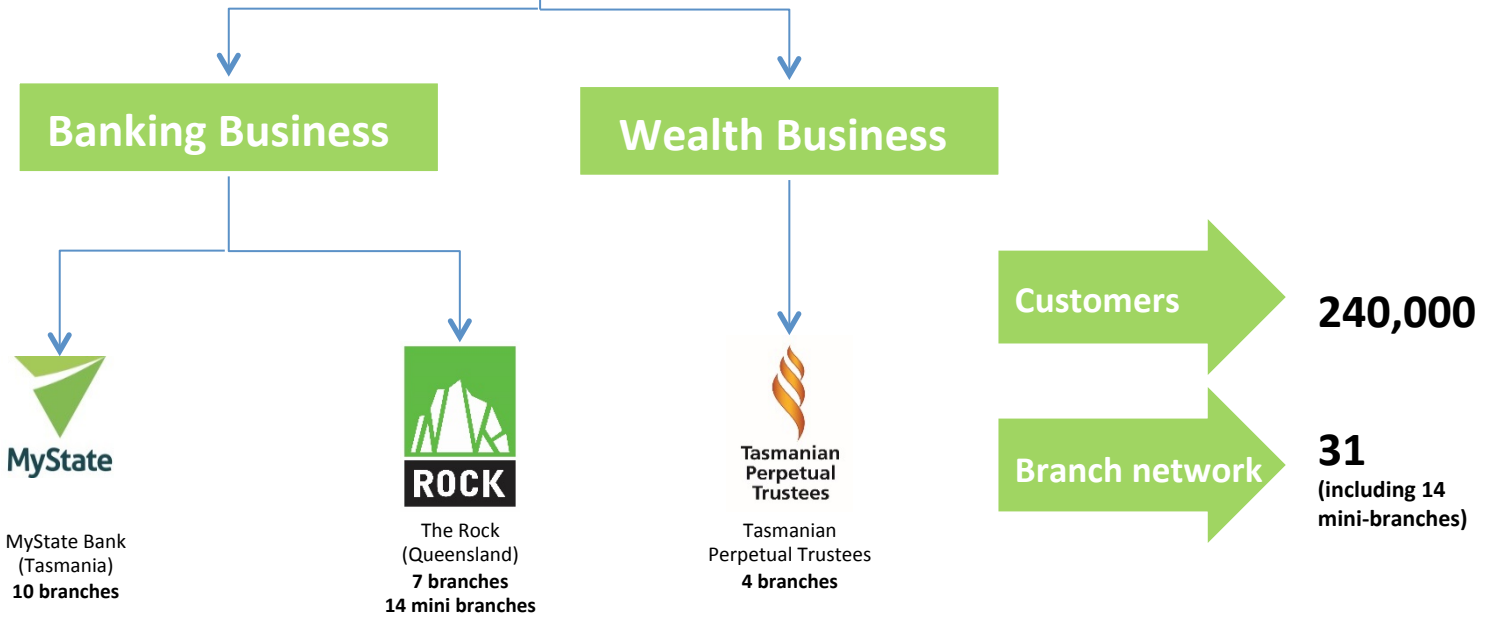
1. Our business
2. Our performance
3. The Tasmanian economy
4. Transformation journey



Our business



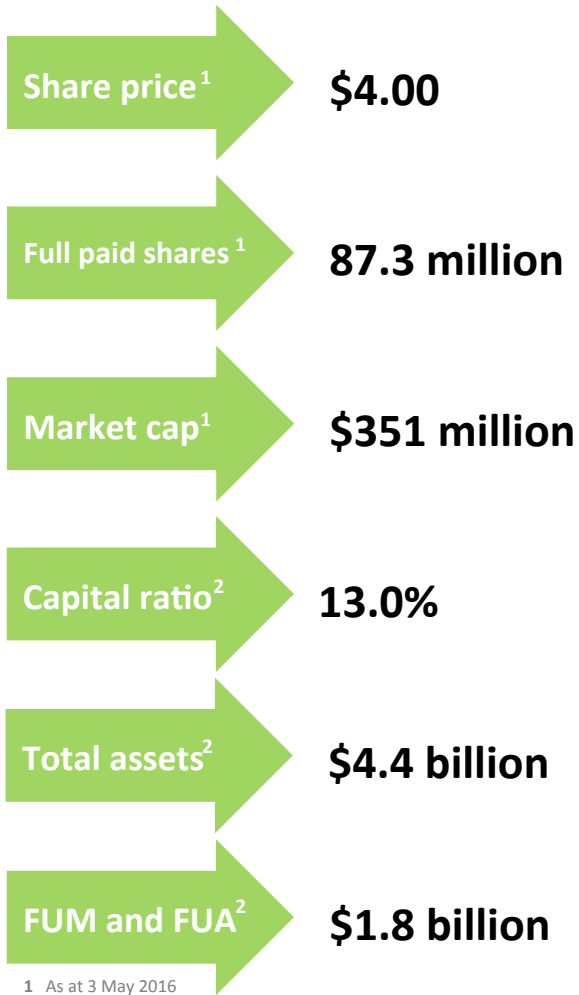
Our core businesses



Principal Activities

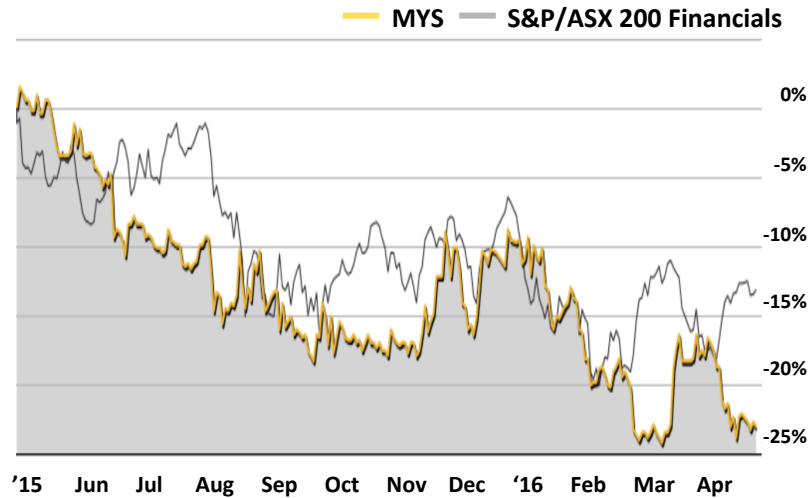
Banking Services	Trustee Services	Wealth Management
<ul style="list-style-type: none"> • Transactional and internet banking • Insurance and alliances • Savings and investments • Business banking • Agribusiness • Personal, residential and business lending 	<ul style="list-style-type: none"> • Estate planning • 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

Corporate snapshot



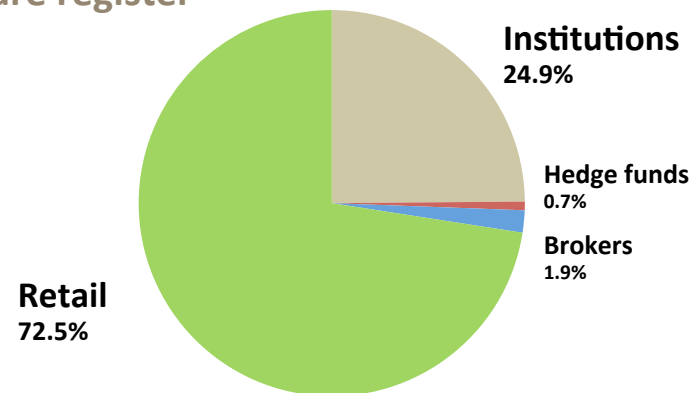
¹ As at 3 May 2016
² As at 31 Dec 2015

Share price (12 months)



Source: Commsec report, 29 April 2016

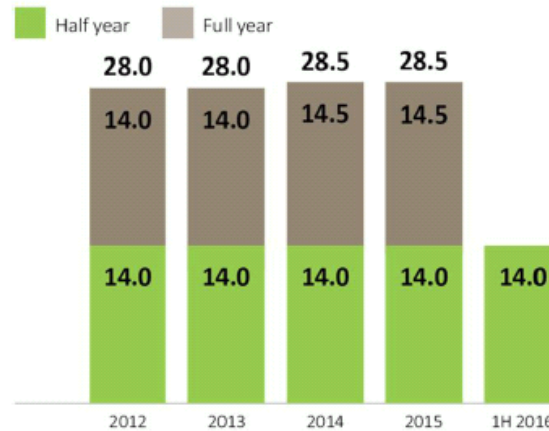
Share register



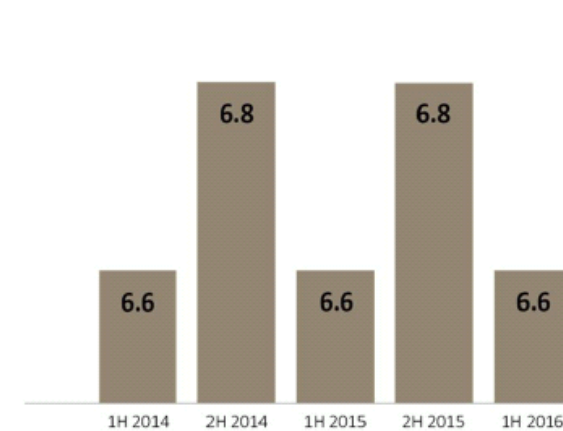
Source: sharetrak report 1 December 2015

Sustainable dividend performance

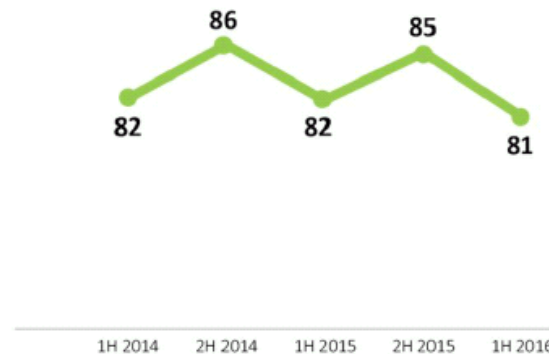
Dividends (cps)



Dividend yield (annualised %)



Underlying 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.

Our performance

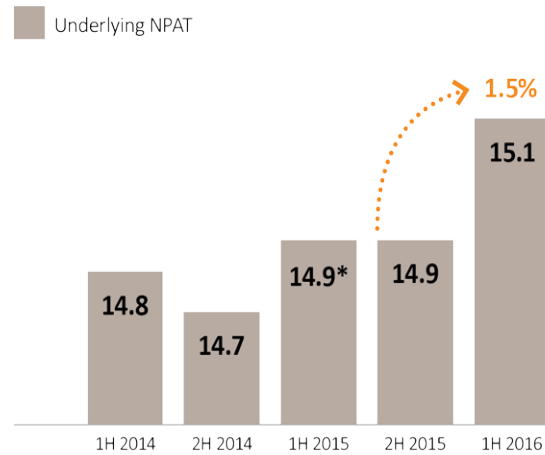


Delivering on our Strategic Goals

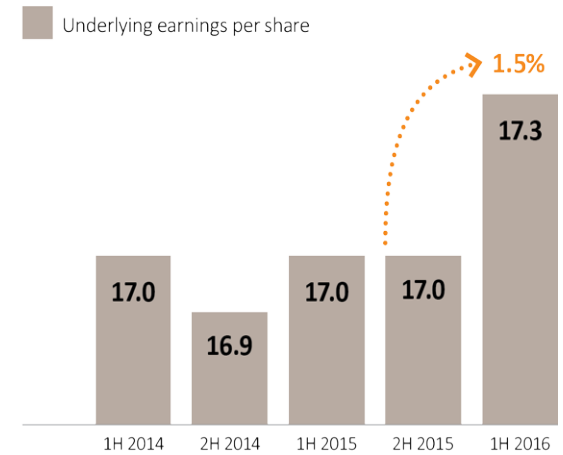
GROW		Growth in our revenue drivers	<ul style="list-style-type: none"> Record settlements, with growth achieved in both retail and broker channels. Record loan book size. Continued revenue growth in 1H 2016, with further upside into 2H 2016. Profit growth achieved in both banking and wealth divisions.
SIMPLIFY		Simplifying processes for third party and direct channels	<ul style="list-style-type: none"> Deployed new loan origination system. Product and process simplification to enhance customer experience. 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 13.0%. Dividend reinvestment plan to support continued book growth. Credit quality remains a cornerstone with BDD and arrears at continuing low levels. S&P rating of BBB with a positive outlook. Enhanced risk management capabilities.
RELATIONSHIPS		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. Focus on the customer and local community.
TRANSFORM		Transforming capability	<ul style="list-style-type: none"> Considerable IT investment underway to simplify and modernise systems. Internet banking & mobile platforms underway. Investment in talent and systems to manage today and deliver the future. Significantly improved capacity with new leadership team, including new CRO started 1 December, new GM Wealth Management commenced 22 February.

Key performance metrics heading in the right direction

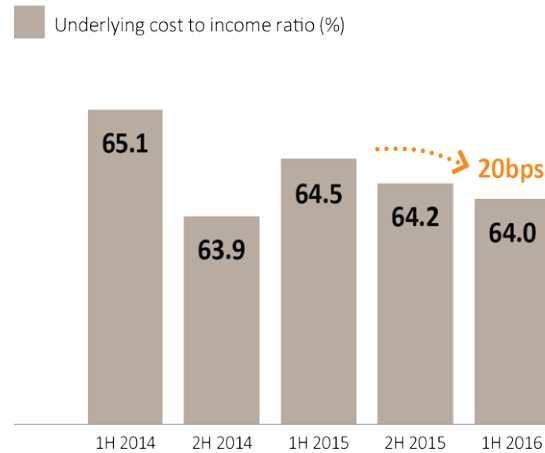
Net profit after tax (\$m)



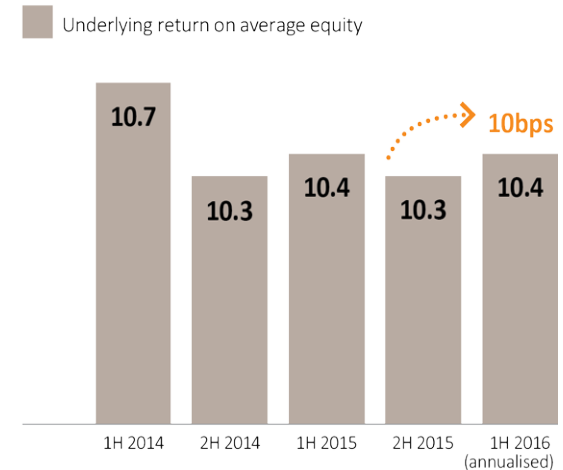
Earnings per share (cps)



Cost to income ratio (%)



Return on average equity (%)



*1H15 and prior periods include Cuscal dividends; 1H15 Cuscal dividends were \$0.4 million.

Strong revenue and NPAT performance

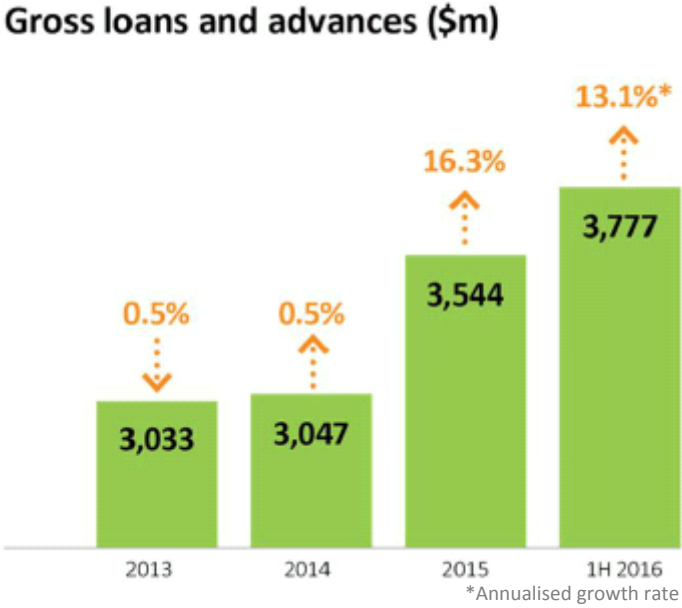
With further uplift expected in 2H 2016

- * 2H 2015 underlying result excludes profit from sale of Cuscal shares and one-off restructuring costs.
- ** 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 pcp.

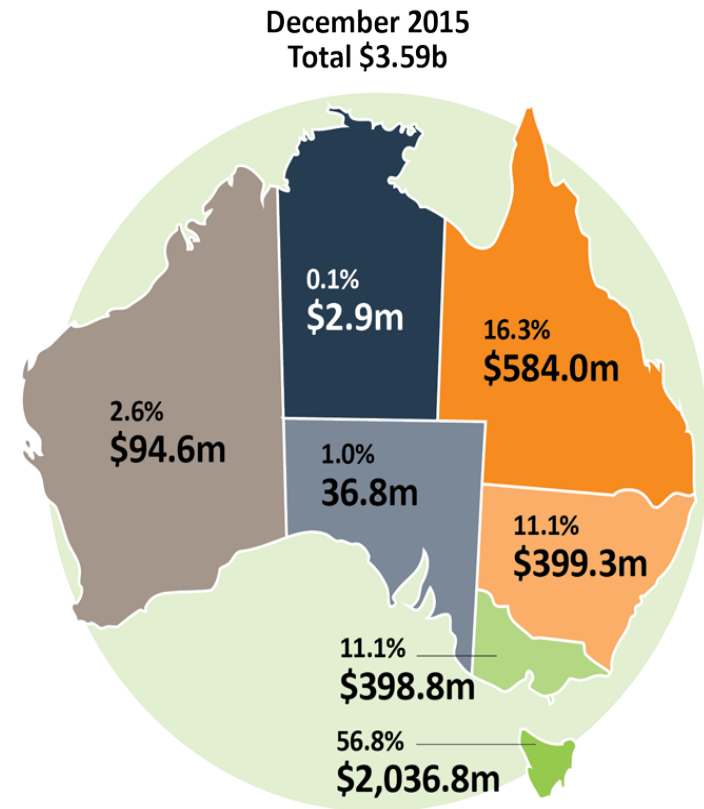
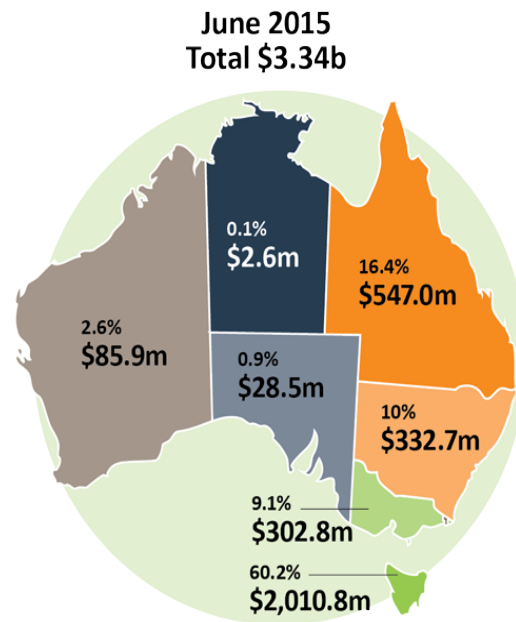
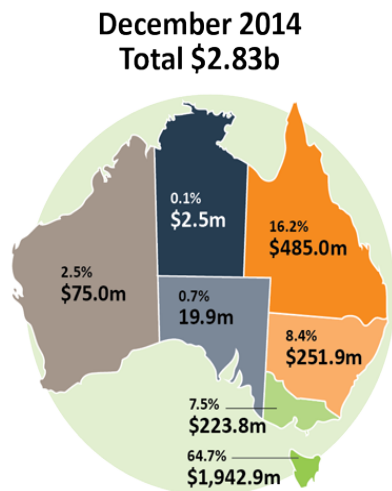
	1H 2015	2H 2015*	1H 2016	Change (v 1H 2015)		Change (v 2H 2015)	
Revenue (\$m)	60.4	59.1	61.3	▲	1.5%	▲	3.7%
Net Profit after tax (\$m)	14.9**	14.8	15.1	▲	1.5%**	▲	1.9%
Net interest margin (%)	2.36	2.18	2.12	▼	-24bps	▼	-6bps
Cost-to-income ratio (%)	64.5	64.2	64.0	▼	50bps	▼	20bps
Capital adequacy ratio (%)	13.3	12.7	13.0	▼	-30bps	▲	30bps
Common Equity Tier 1 ratio (%)	13.2	12.4	11.4	▼	-180bps	▼	-100bps
Earnings per share (cps)	17.0	17.0	17.3	▲	1.8%	▲	1.8%
Return on equity (%)	10.4	10.3	10.4	–	–	▲	10bps
Dividend – fully franked (cents)	14.0	14.5	[14.0]	–	–	▼	0.5cps
Dividend payout ratio (%)	82	85	[81]	▼	1%	▼	4%
Credit performance – 30 day arrears (%)	0.78	0.72	0.49	▼	29bps	▼	23bps

Loan book growth continuing

Loan book growth at 2x system for 1H16



Continued geographic diversification with Tasmanian concentration below 60%



Credit performance continues...

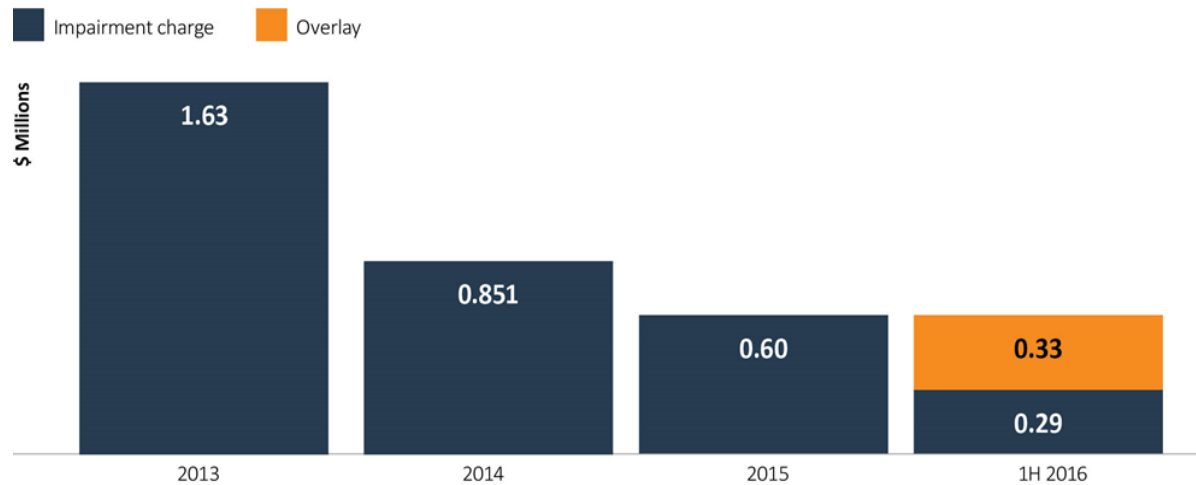
Impairment charges continue to fall reflecting sound credit quality.

Management overlay applied 1H16 as a prudent measure as loan book continues to grow.

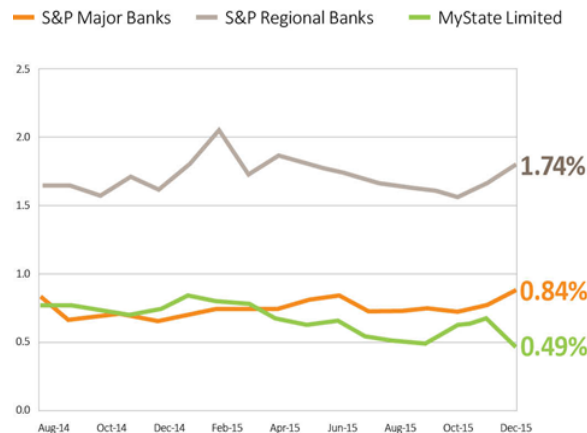
Arrears performance continuing well below peers.

No large commercial exposures.

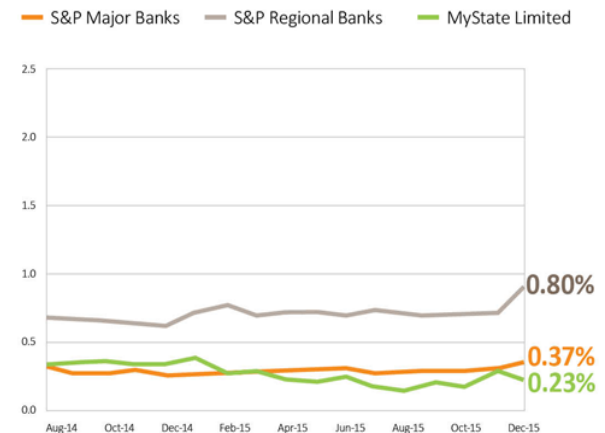
Impairment charge (\$m)



30+ day arrears remaining well below peers



With a similar story for 90+ day arrears

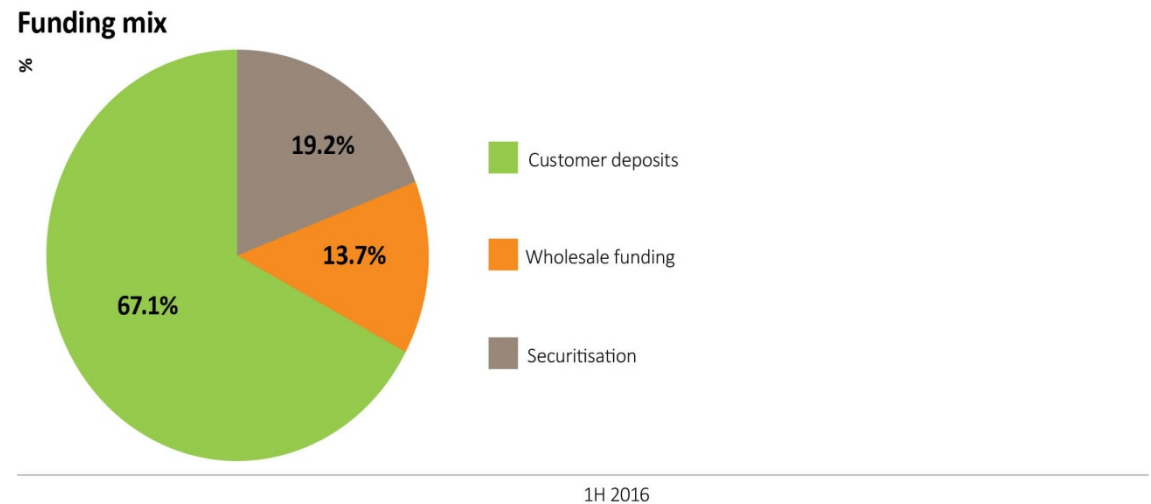
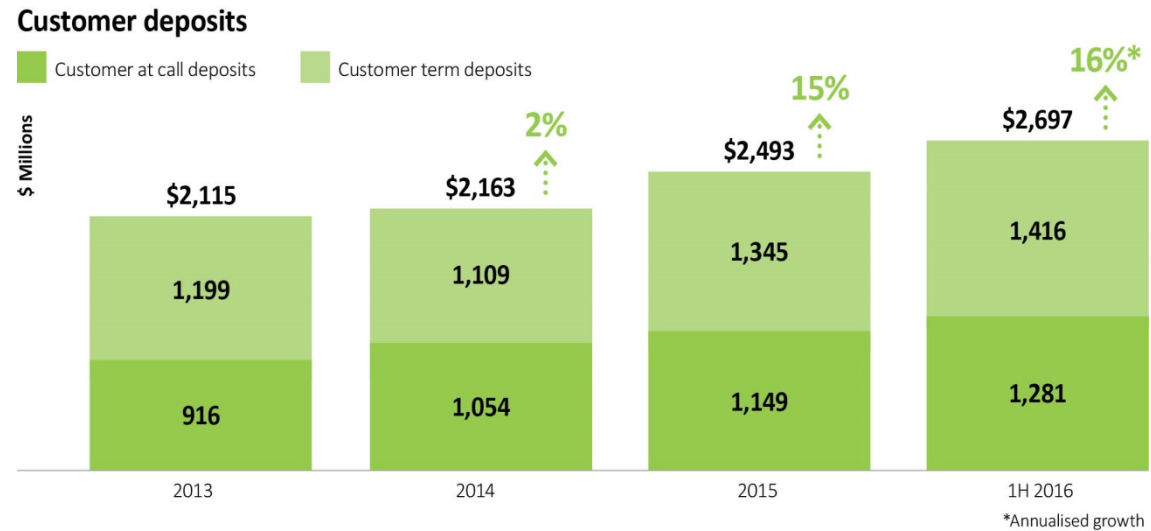


Source: S&P Mortgage Performance Index Dec 15.

Customer deposit growth continuing

Strong growth in customer deposits supporting sustainable lending growth.

A balanced and stable funding mix maintained despite strong asset growth.



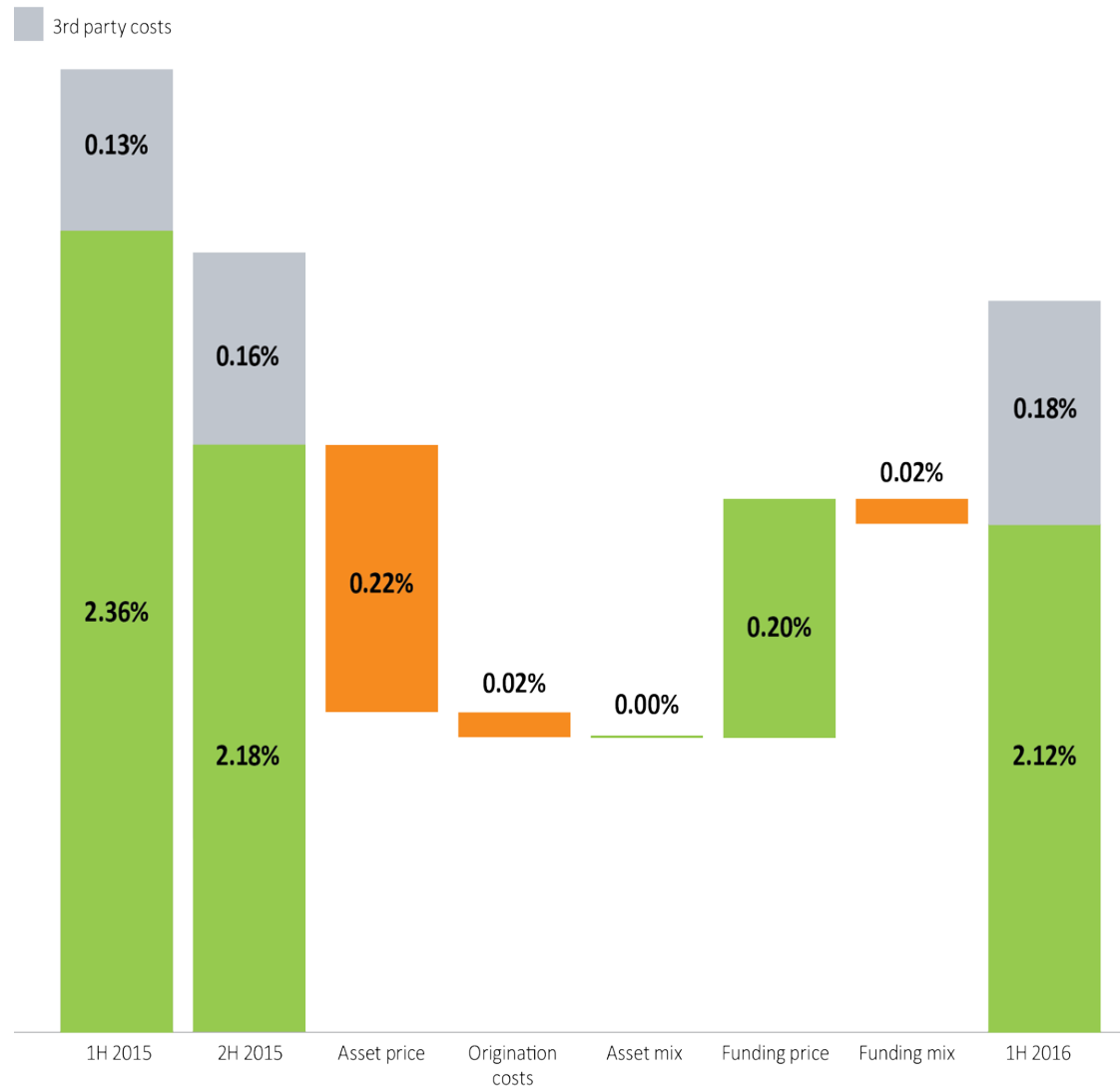
Net Interest Margin

NIM compression eased subsequent to loan book repricing late in 1H 2016.

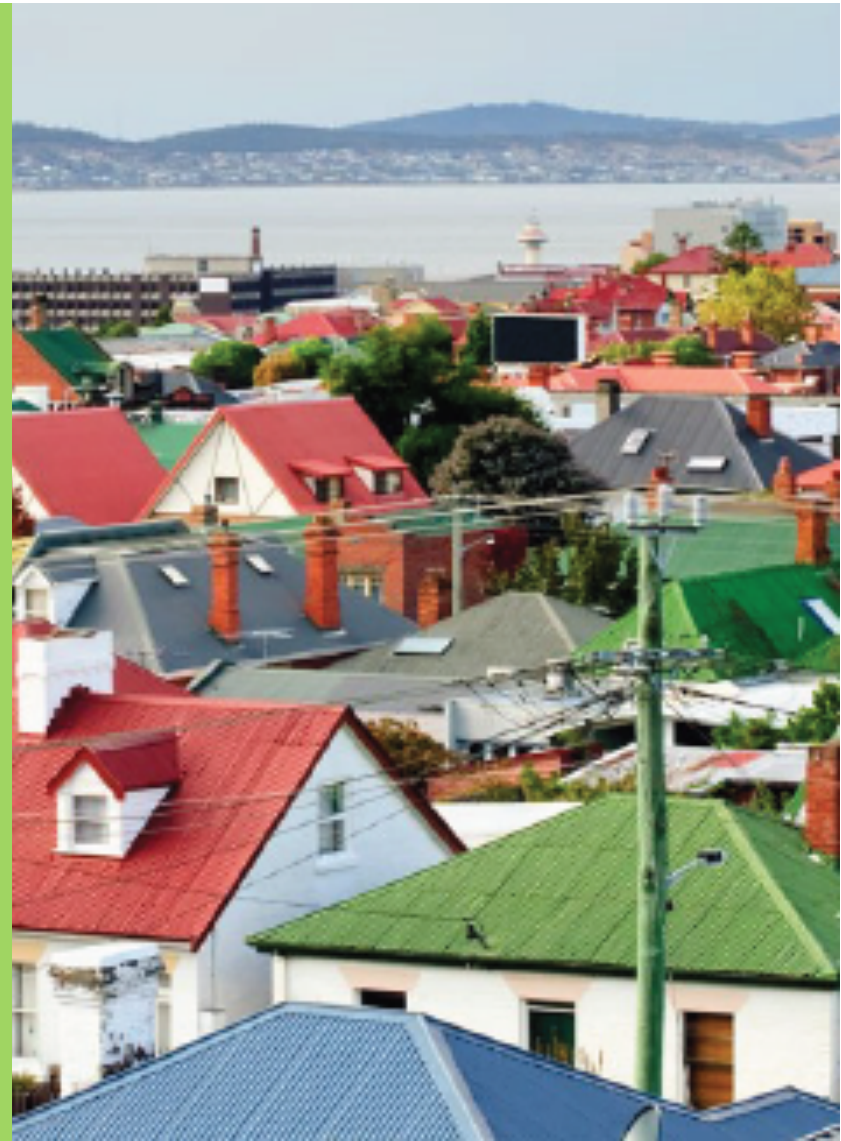
Funding costs improved in 1H 2016.

Wholesale funding markets continue to experience some volatility.

2H 2015 vs 1H 2016



The Tasmanian economy

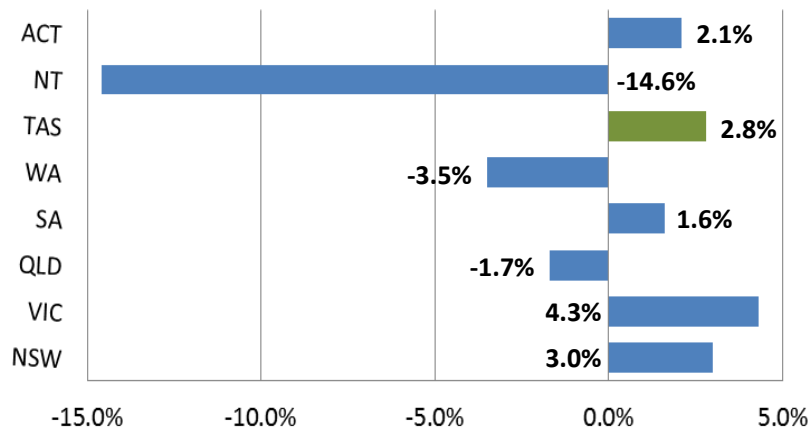


Tasmanian Economy

Tasmania's economy continues to perform, delivering further growth into 2016, building on the solid growth in 2015.

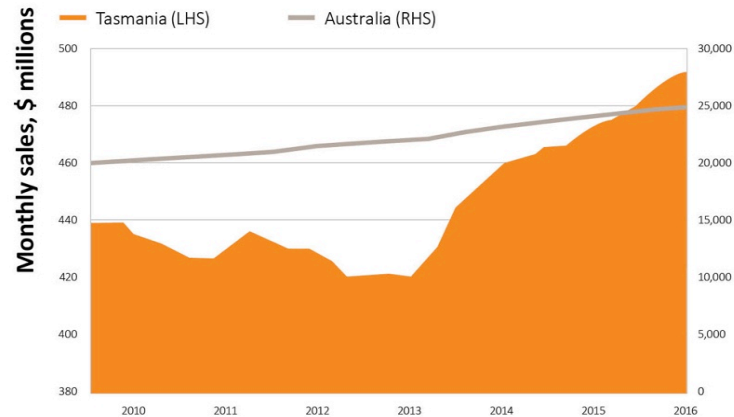
Increased retail sales is a reflection of improved local confidence and a booming tourism sector.

State final demand growth (12 months to December 2015)



Source: ABS, Australian National Accounts (5206.0), 2 March 2016

Retail sales outperforming national trend

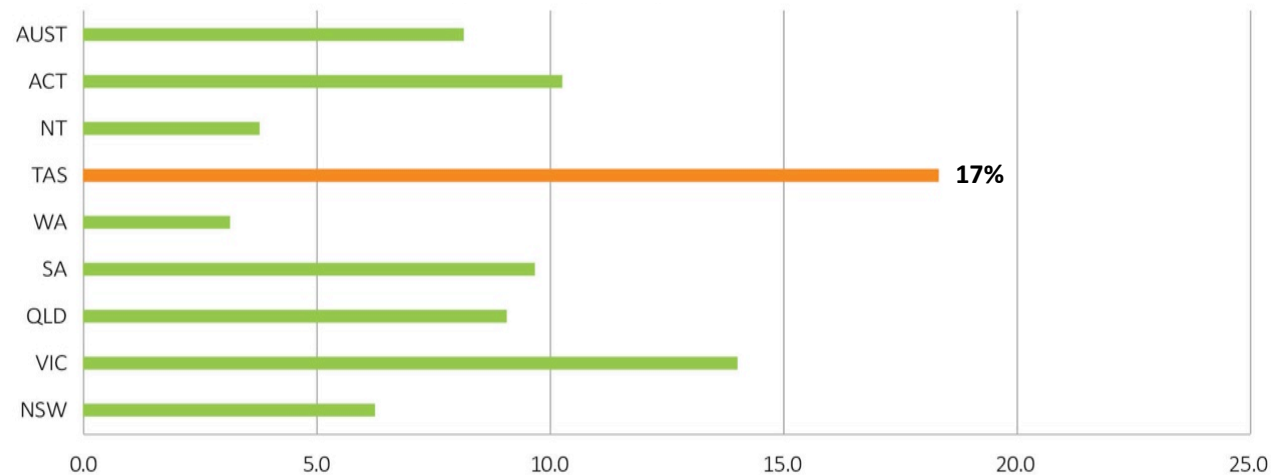


Source: ABS, Retail Trade (8501.0), 4 April 2016

Tourism a key contributor to growth

In a trend that draws some parallels to Australia's resources boom, Tasmania is currently experiencing a tourism boom.

International visitors to Tasmania (year on year growth to 31 December 2015)

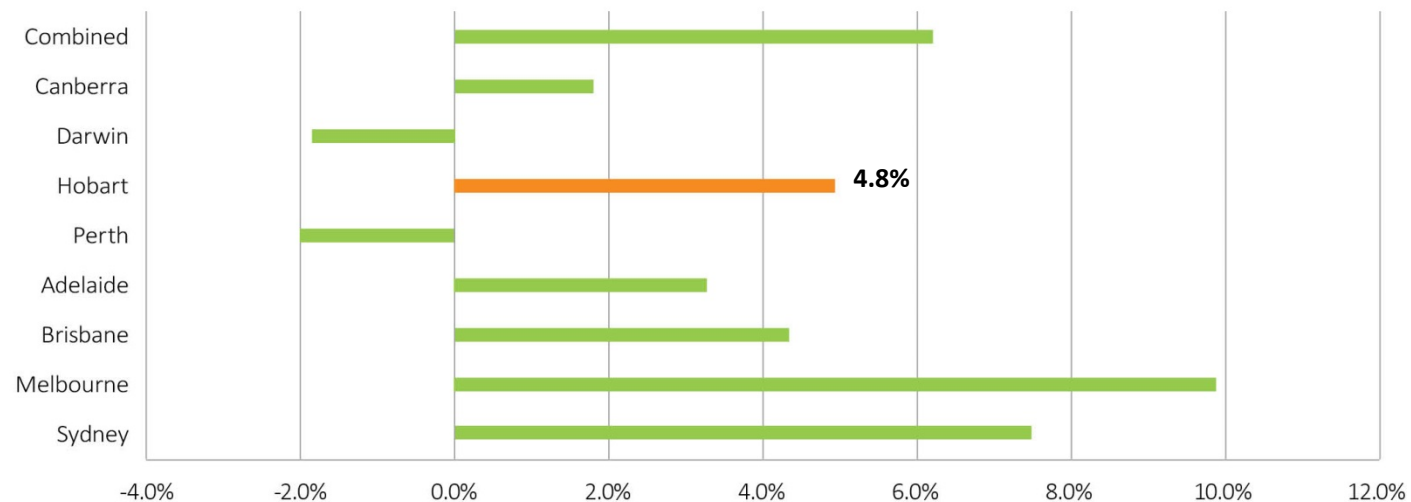


Source: Tourism Research Australia, current December 2015

The housing market is trending upward

Tasmanian housing market performing well, with Hobart recording the highest price increases of Australian capital cities in the March Qtr.

Dwelling price growth (12 months to March 2016)



Source: CoreLogic Housing Market and Economic Update, April 2016

The Tasmanian economy and our business

- MyState is increasingly diversifying its business and growth markets geographically
- Our business performance is becoming less reliant on economic and market conditions in Tasmania
- A strong Tasmanian economy remains important to:
 - Continue to grow and strengthen our business and secure our No.2 financial institution market position in Tasmania
 - Grow agribusiness and commercial lending as key sectors of the economy continue to grow, including construction, tourism and agribusiness
 - Performance of the loan portfolios and arrears profile for that part of the loan book within Tasmania
- MyState also seeks to continue to support businesses to grow and contribute to the Tasmanian community.

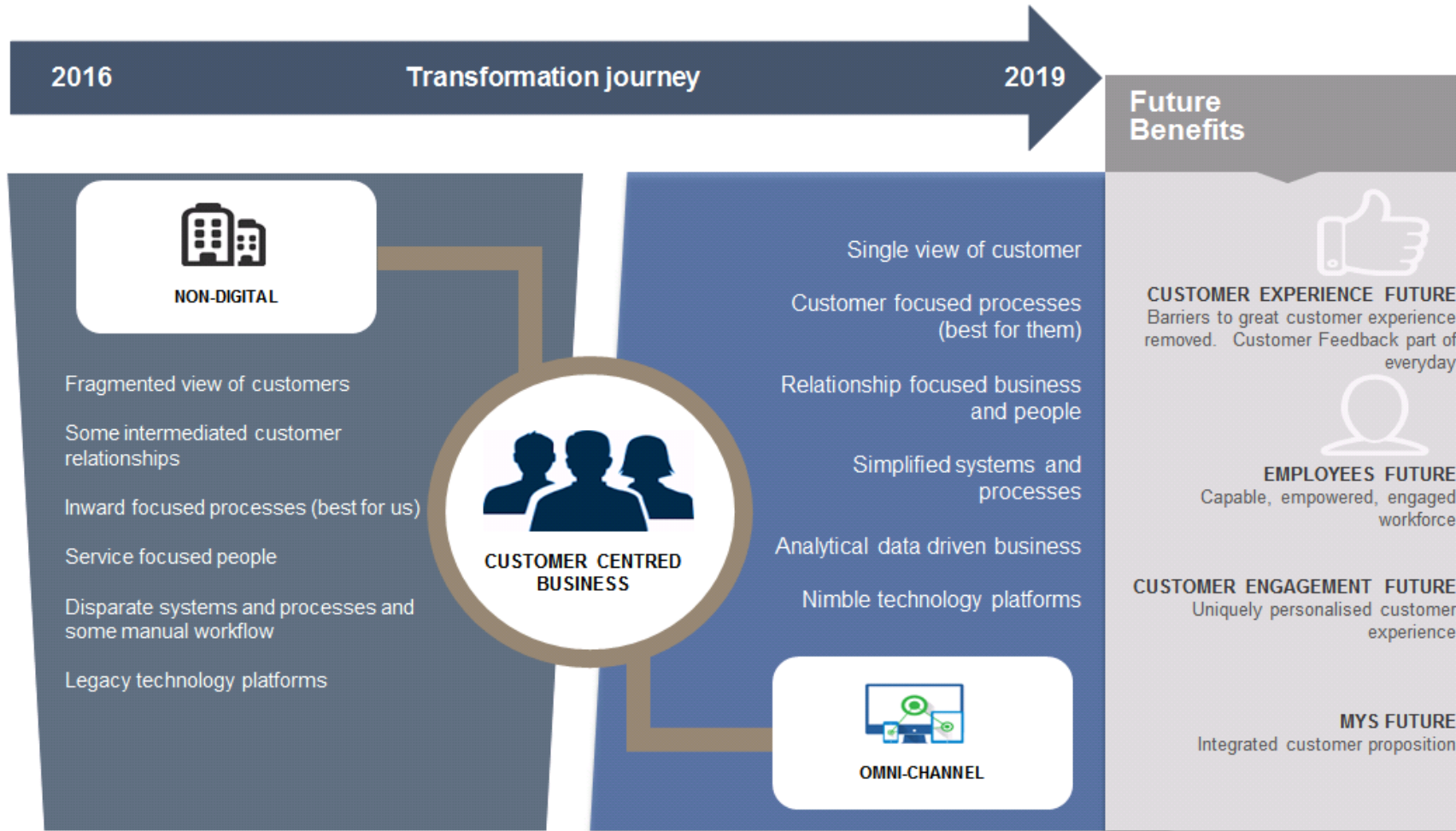
Transformation journey



External forces driving change



Our transformation roadmap



The journey so far

What we've achieved:	What we're currently working on:	What's to come:
<ul style="list-style-type: none">• Loan growth 2x system through improved sales culture.• New loan origination system.• Continued to manage costs well.• Significantly improved leadership capability.• Merged ADIs to provide efficiencies.• MTN program to diversify funding.• Implemented DRP.	<ul style="list-style-type: none">• Product rationalisation and aligned core systems.• Process simplification.• Internet banking, mobile and digital platform upgrades.• Analytics and CRM improvements.	<ul style="list-style-type: none">• Potential M&A opportunities with like-minded businesses.• Enhanced customer value propositions.• Group wide customer centric sales and service framework.

Underpinned by Credit, Risk & Capital Management

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