

# UBS

## AUSTRALASIA CONFERENCE





## AGENDA

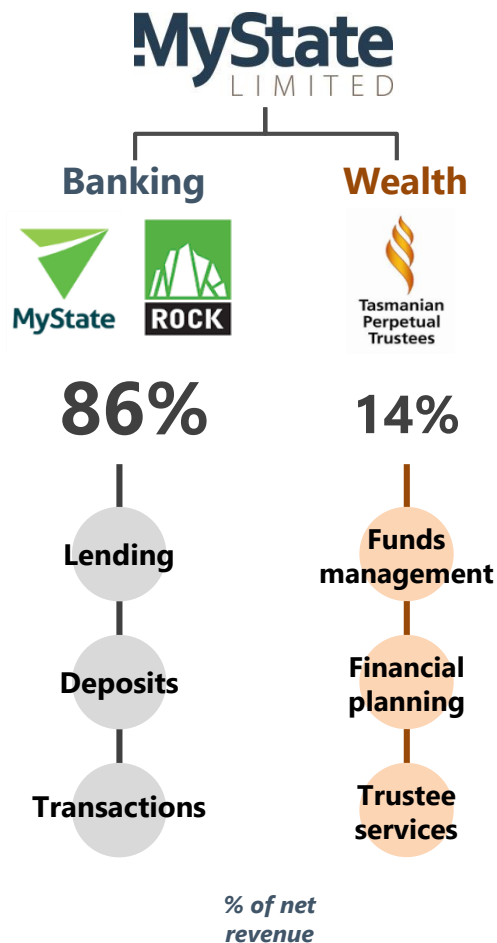
**Melos Sulicich** CEO

**David Harradine** CFO

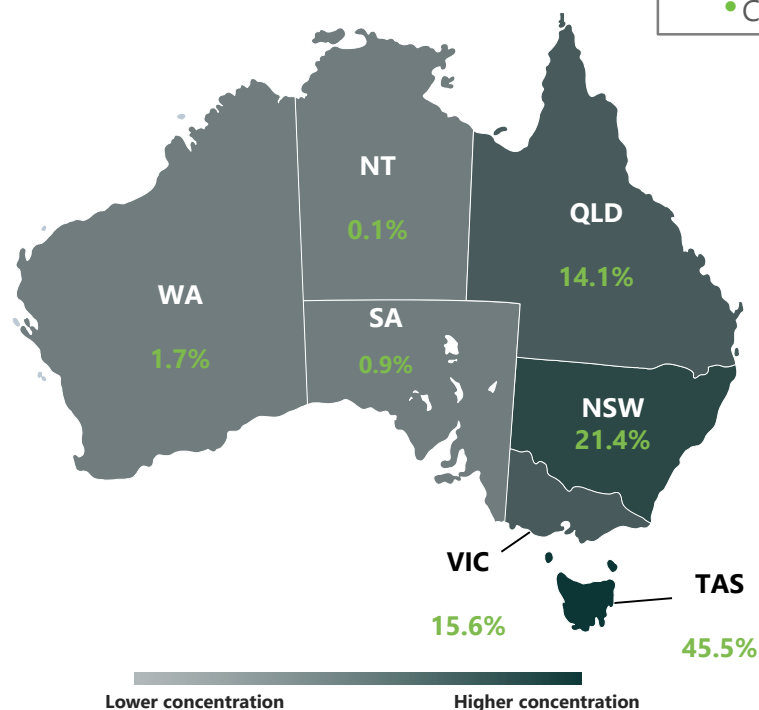
- Corporate Profile and History
- Strategy
- Sector Overview
- Key Highlights FY18
  - Banking Business
  - Wealth Business
- Sector Overview

# CORPORATE PROFILE

MyState is a leading regional bank with Banking and Wealth management operations



## Geographic home loan book spread



- ASX300 listed company
- Market capitalisation of c.\$420m
- c.64,000 shareholders
- Consistent dividend returns



# CORPORATE HISTORY



# STRATEGIC PRIORITIES

## Our PURPOSE

To help people achieve their **dreams**

## Our MISSION

To make financial services **simple** and **trustworthy**

## Our VISION

We want to make a **genuine difference** to our customers and communities **every day**

## The WORLD is changing

The **needs** and **expectations** of customers are changing and technology is opening opportunities to **attract** and **serve** new customer segments across Australia

At MyState, we know that our future success will be **founded on digital innovation** and evolving the way we **think and operate** so that we put **customers** at the centre of everything we do

## Our GOALS are to be

**Simpler**, more **relevant**, accessible for our customers and **easier** to “use”



Evermore **digitally enabled** so that we can attract the **target customers** we are seeking

More deeply **community connected**

Seen by our shareholders as being **agile** with a strong focus on growth, **margins** and **cost management**



# MODERNISED PRODUCT OFFERING

Investment in digital has **modernised** the banking business and allows us to **embrace digital savvy customers**

## New Payments Platform

COMPLETED: FEBRUARY 2018



## Contact centre system

COMPLETED: JUNE 2017



## IB and mobile

COMPLETED: MAY 2017



## Origination engine

COMPLETED: APRIL 2017



## CRM

COMPLETED: APRIL 2017



## Single core

COMPLETED: MAY 2017



## Currently enabled



## Coming soon



## Simplified products:

- Clean, simple online application process; accounts opened and operational in minutes.
- New "Glide" transaction account launched featuring no monthly fee and unlimited free electronic transactions.
- New Bonus Saver account launched featuring bonus interest and no penalty for withdrawals.

## Personal loan origination:

- Same day personal loan funding.
- Over 40% reduction in online PL conversion time FYTD.

## Coming soon

- Online mortgage origination.
- Single bank brand.

# PLATFORM FOR CONTINUED GROWTH

## What we've achieved



### Deposit and loan book growth

- Continued **growth** above system



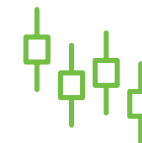
### Costs

- Targeted **branch closures**
- Productivity benefits accruing



### Digital transformation

- Increase in **customer NPS to +27**
- **Introduced** eSaver and Everyday transaction accounts and Basic Home Loan



### Robust capital position

- Moody's Baa1/P2 stable **investment rating**

## What we're working on



### Customer enhancements

- **MyExcellence** program
- Continued focus on **customer improvement initiatives** including continuous cycle of platform improvements



### Digital

- **Faster customer onboarding**
- **Digital** mortgage origination
- Focus on **digital deposit acquisition**



### Marketing

- Build out **marketing analytics** and CRM capabilities
- **Brand building + refresh**



### Wealth

- Investment in **Wealth**, with a focus on systems and capability

**We are modernising our business and putting customers at the centre of everything we do**

# BUILDING A DIGITAL, SCALABLE BUSINESS \*

## Growing contribution from digital



c. **280%** growth  
in bank accounts  
opened online



eSaver  
deposit growth  
**exceeds 100%**



Almost a **third** of  
personal loan applications  
made online



eStatement  
registrations up  
**over 130%**

## Increasing customer satisfaction and advocacy



Customer NPS  
increased to **+27**



**Over 400,000** NPP transactions  
since Feb 2018 launch.  
Processing NPP payment  
volumes significantly above  
MyState's market share.



Contact centre wait  
times reduced by  
**over 80%**



**Predictive modelling**  
improving customer  
outcomes and tailored  
offerings

## Operating momentum for further high quality growth



**Roadmap for future products**  
includes Bonus Saver, zero monthly fee  
transaction account, Fitbit Pay  
and Garmin Pay



Loan book spread **55%** mainland  
and proportion is increasing



Stable credit quality  
increasingly complemented  
by **credit automation**

\* All statistics compare FY18 with FY17 unless otherwise stated



# KEY HIGHLIGHTS FY18

- Growth across key financial metrics and underlying performance drivers
- Growing contribution from digital channels with increased customer adoption and advocacy
- Continued momentum in bank balance sheet and FUM growth and soundly capitalised for future growth

**High customer advocacy, disciplined strategy execution and increasing customer uptake of digital are underpinning MyState's performance**

# FY18 METRICS AND PERFORMANCE DRIVERS

*Change on FY17 results except where otherwise stated*

Solid  
performance and  
growth across all  
key metrics

Increased full year  
dividend of 28.75cps  
and final dividend  
steady at 14.5cps  
fully franked

Total income:  
**\$126.3m**



**+1.4%**

Net interest income:  
**\$90.8m**



**+3.1%**

Net profit after tax:  
**\$31.5m**



**+4.6%**

Earnings per share:  
**34.97 cps**



**+0.93cps**

Fully franked dividend:  
**28.75 cps**<sup>1</sup>



**+0.25cps**

Return on average equity:  
**10.1%**



**+9bps**

Cost to income:  
**64.0%**



**-190bps**

Total capital ratio:  
**13.47%**<sup>2</sup>



**+18bps**

Home loan book:  
**\$4.4b**  
1.2x system



**+6.9%**

Funds under management:  
**\$1.15b**



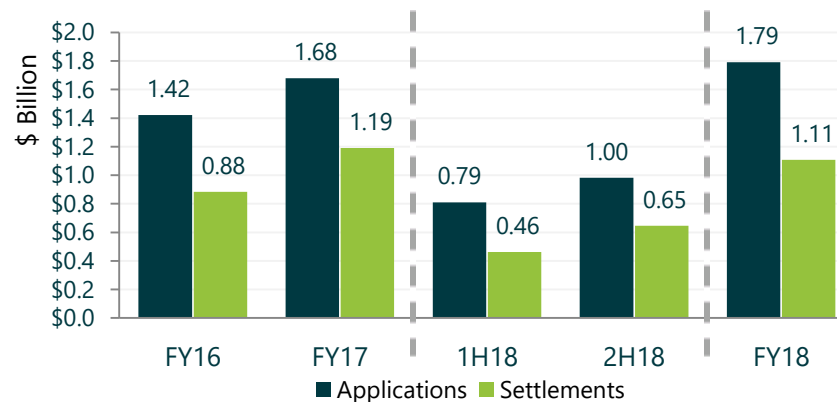
**+5.9%**

1. Final dividend of 14.5cps payable to shareholders on the register at the record date of 24 August 2018
2. 11.51% CET1 (FY17: 11.28%)

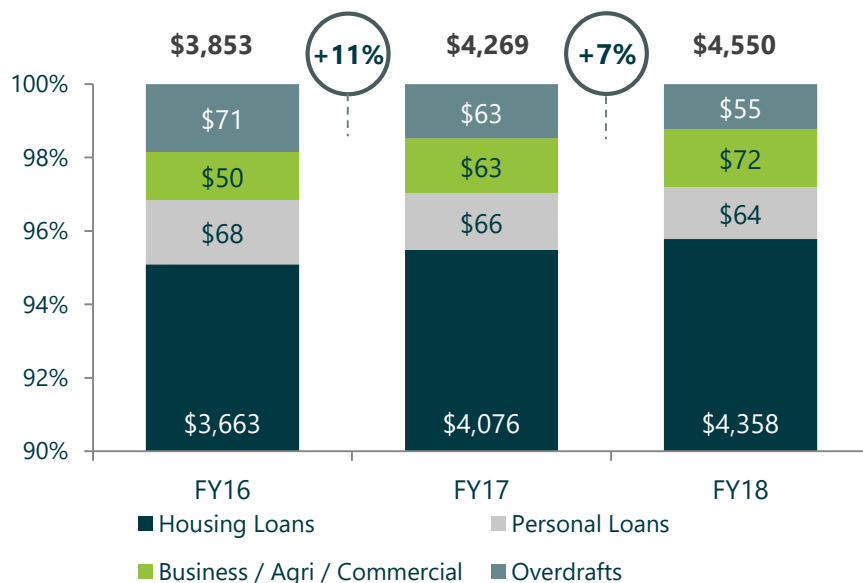
# STRONG 2H LENDING GROWTH

- Loan book grew +2x system during 2HFY18
- Margin management remains key focus
- Emphasis on maintaining quality lending growth amidst vigorous competition
- Growth targeted to Australian eastern seaboard; focus on lower LVR loans with high asset quality

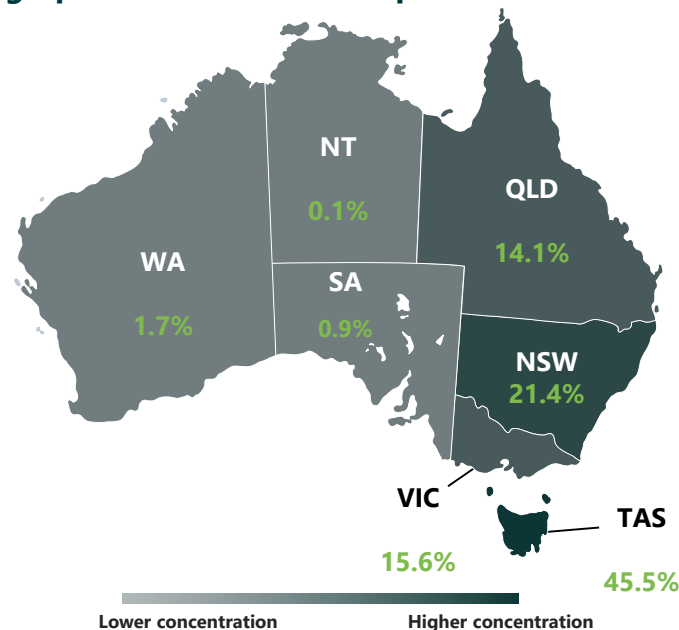
## Home loan book – applications and settlements



## Total book – composition (\$m)

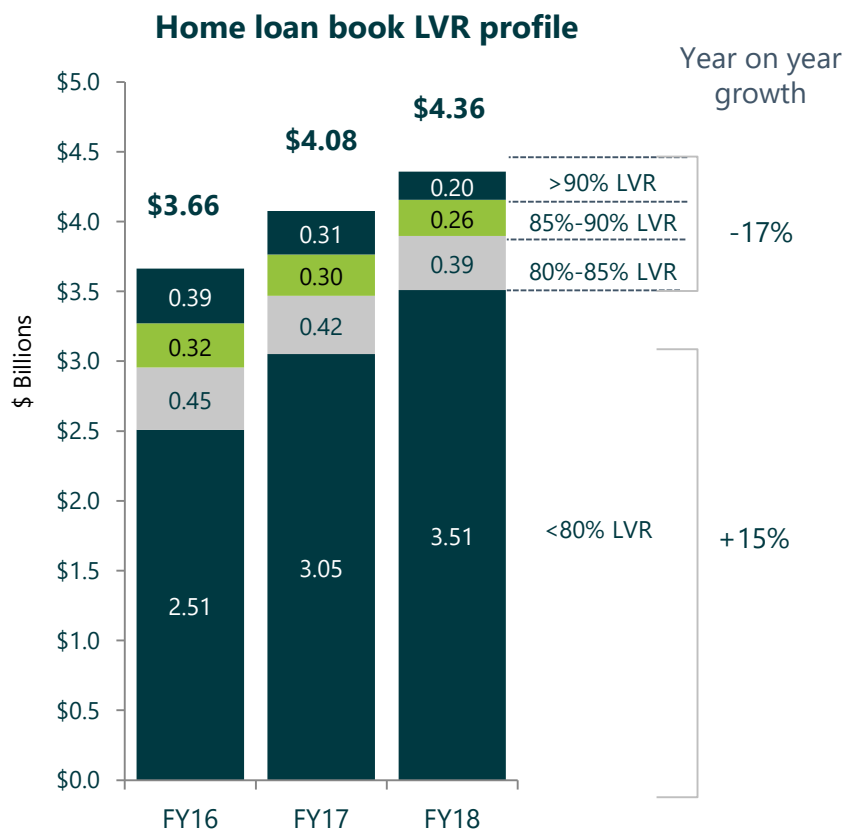


## Geographic home loan book spread

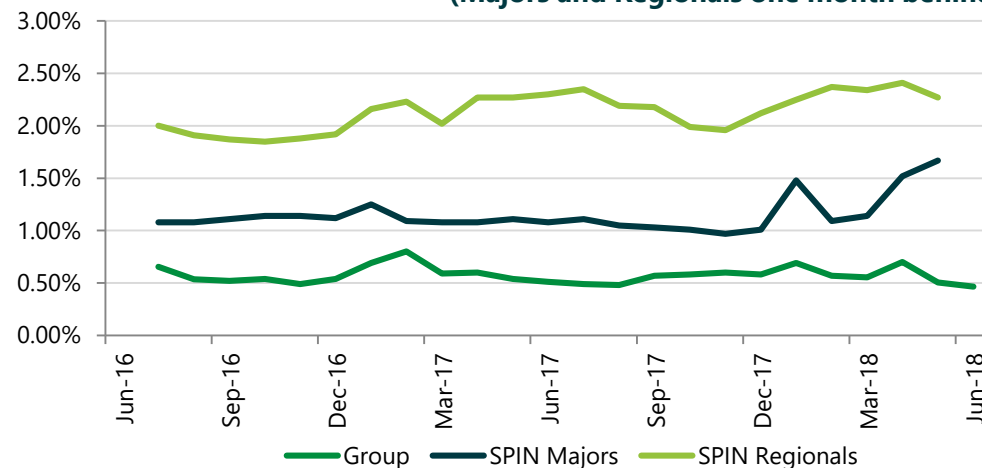


# CONTINUED HIGH CREDIT QUALITY

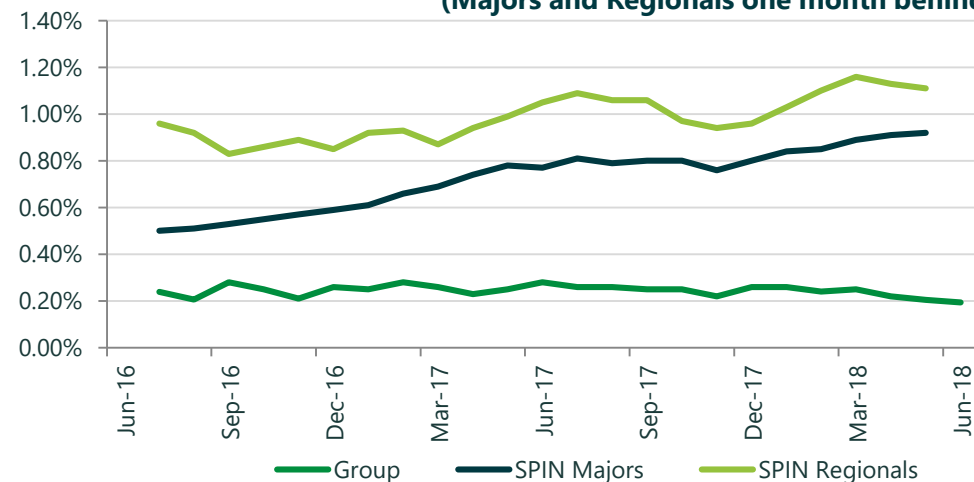
- Impairments remain at historic lows
- 30 and 90 day arrears well below peers and stable
- AASB 9 to be implemented FY19 with expected increase in provisions



**30+ Days S & P Arrears Data**  
(Majors and Regionals one month behind)



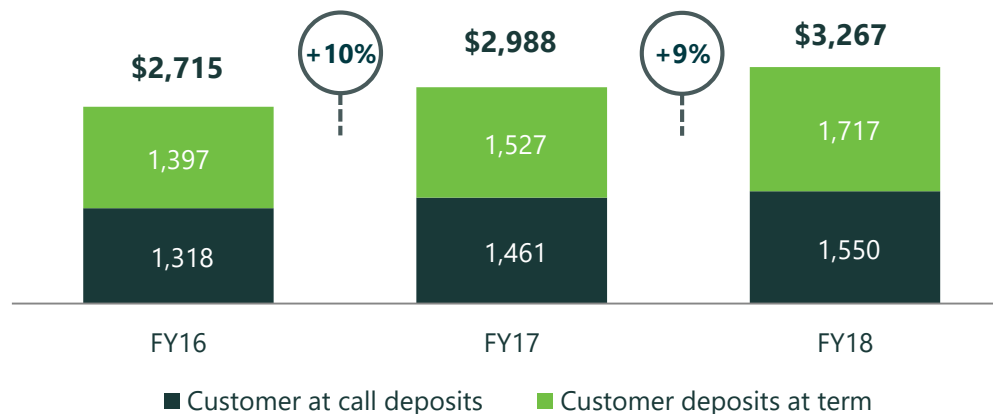
**90+ Days S & P Arrears Data**  
(Majors and Regionals one month behind)



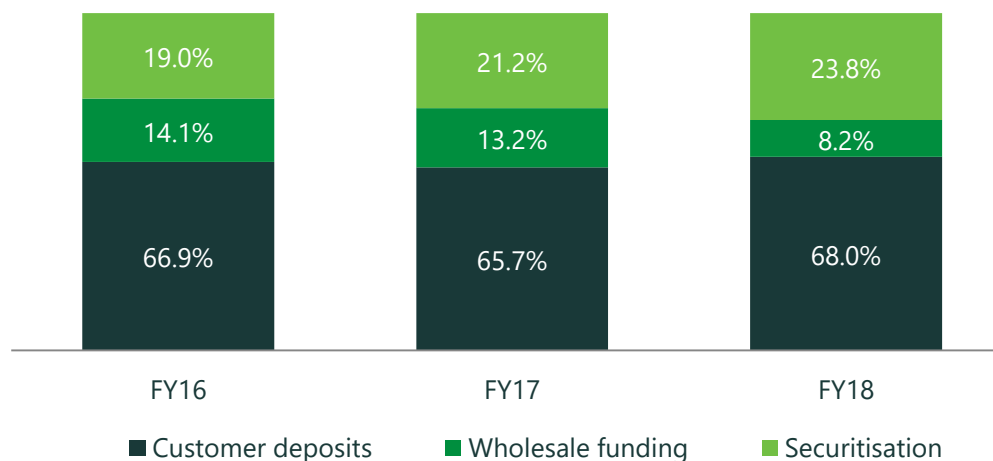
# IMPROVED FUNDING MIX

- Stable funding mix enhanced by growth in customer deposits
- Customer deposit growth supported by introduction of eSaver and Everyday transaction accounts
- Programmatic RMBS issuance continues to be well supported by broad investor-base
- Moody's Baa1/P2 stable investment grade rating

Customer deposits (\$m)



Funding mix

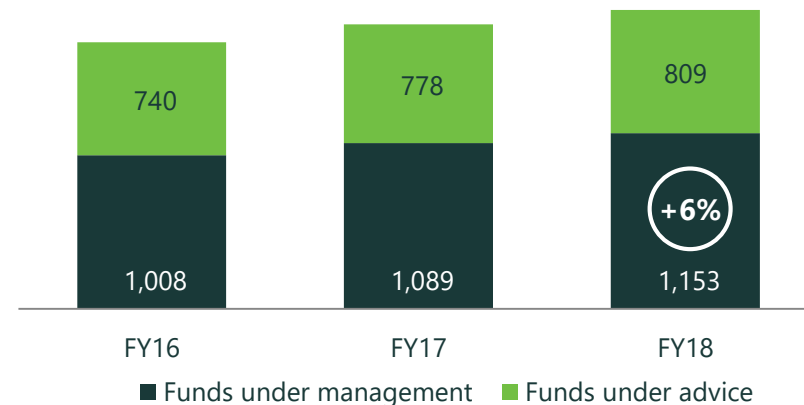




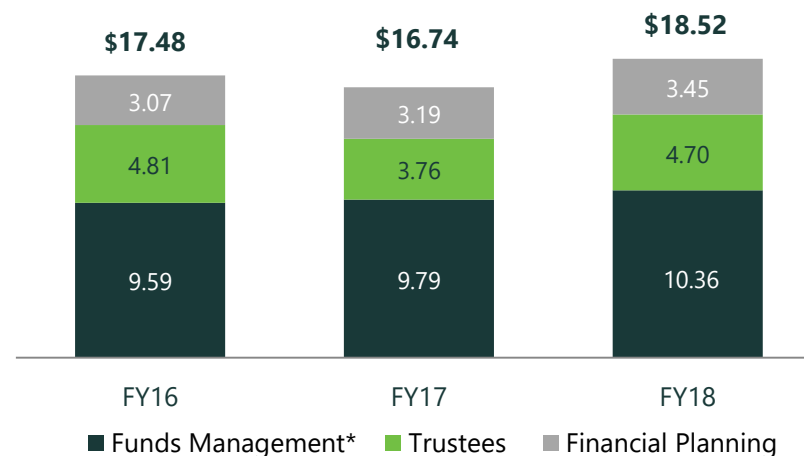
# GROWTH IN WEALTH BUSINESS

- Wealth revenue growth +10.6% on pcp with solid performance across all business lines
- Trustee revenue +25% on pcp benefiting from sustained focus on will writing
- FUM growth of \$64m +5.9%
- FUA growth of \$31m +4.0%
- Income fund strategy and investment focused on the growing income needs of retirees
- Investment planned to grow wealth business

Funds under management and funds under advice (\$m)



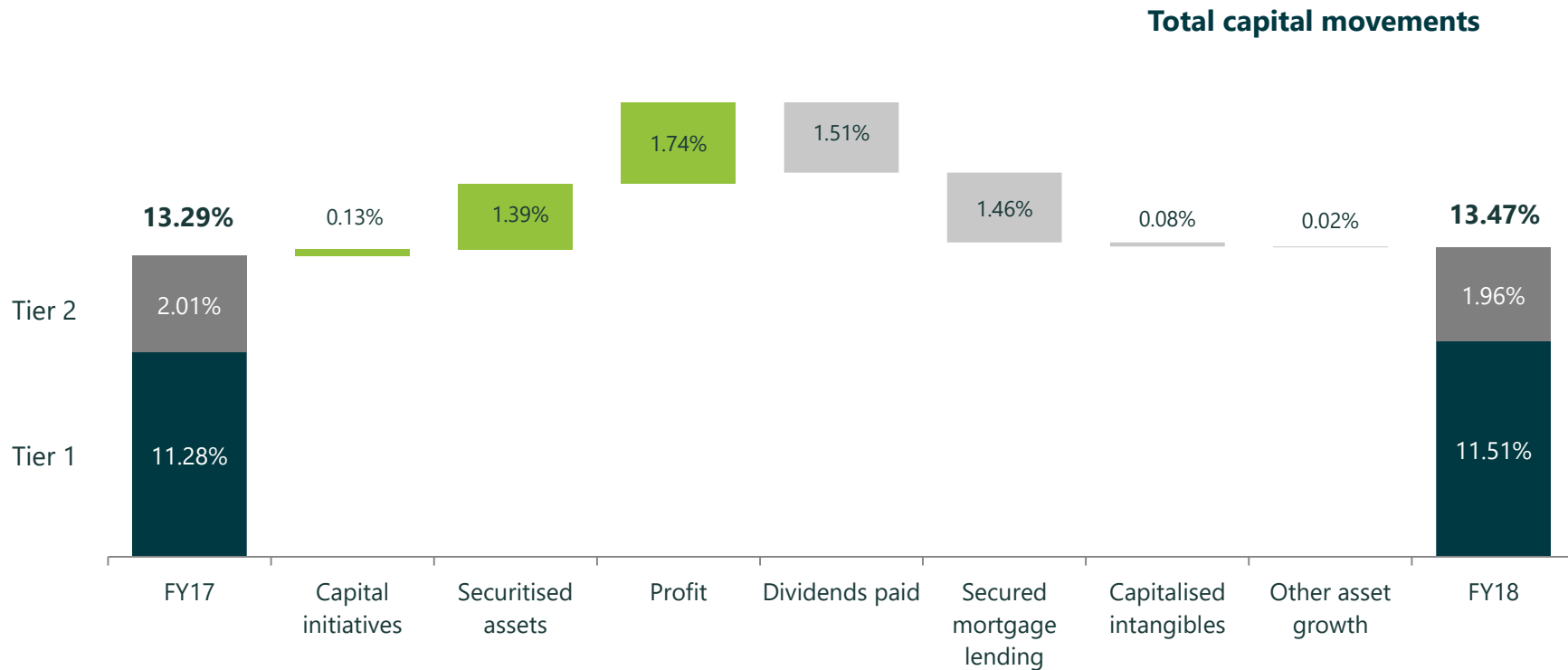
Operating income (\$m)



\* including funds management mortgage fees

# WELL CAPITALISED TO SUPPORT GROWTH

- Robust capital position supported by organic capital generation
- Capital base underpinning growth and investment in digital
- Well positioned to meet regulatory changes



# TASMANIAN ECONOMY

**State final demand**  
**All time high**



**Export growth**  
**Above national average**



**Tourism**  
**Strong economic driver**



**Housing**  
**Price growth leading the nation**



*Economic data sourced from ABS, CoreLogic and Tourism Tasmania*

# SECTOR OVERVIEW



## Industry dynamics

- System credit growth still slowing
- Housing market cooling nationally
- Lending market continues to be highly competitive
- Funding costs remain elevated



## Regulatory dynamics

- Royal Commission
- Productivity Commission Review
- Competitive landscape still unbalanced:
  1. Funding cost differentials
  2. Risk weighted asset and capital differentials
  3. Macroprudential regulation skewing competition and profitability in the sector
  4. Lack of transparency in vertical integration of mortgage brokers
  5. Disproportionate impact of regulatory burden on smaller banks
  6. Non ADIs benefiting from macro prudential interventions

# DISCLAIMER

## Summary Information

This Presentation contains summary information about MyState and its activities current as at the date of this Presentation. The information is subject to change without notice and does not purport to be complete or comprehensive. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with MyState's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

## Not Financial Product Advice

This Presentation is for information purposes only and is not financial product advice or a recommendation to acquire shares. It has been prepared without taking into account any investor's objectives, financial position, situation or needs. Therefore, before making an investment decision, investors should consider the appropriateness of the information in this Presentation and have regard to their own objectives, financial situation and needs. Investors should seek such financial, legal or tax advice as they deem necessary or consider appropriate. MyState is not licensed to provide financial product advice in relation to the offer of shares. Cooling off rights do not apply to the acquisition of the shares.

## Financial Information

All information in this Presentation is in Australian dollars (\$) unless stated otherwise. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation and totals may vary slightly due to rounding. All references to financial years (FY) appearing in this Presentation are to the financial years ended on 30 June of the indicated year.

## Past Performance

Past performance information, including past share price information, given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## Future Performance

This Presentation may contain "forward-looking" statements including statements regarding MyState's intent, belief or current expectations with respect to their business operations, market conditions, results of operations, financial conditions, and risk management practices. Forward-looking statements can generally be identified by the use of forward-looking words such as "anticipated", "expected", "aim", "predict", "projections", "guidance", "forecast", "estimates", "could", "may", "target", "consider", "will" and other similar expressions. Indications of, and guidance on, future earnings, financial performance, and financial position are also forward looking statements. Forward looking statements, opinions and estimates are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, MyState and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

## Investment Risk

An investment in securities in MyState is subject to investment and other known and unknown risks, some of which are beyond the control of MyState, including possible loss of income or principal invested. MyState does not guarantee any particular rate of return or the performance of MyState. Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

## Not an Offer

This Presentation is not an offer or an invitation to acquire shares in MyState or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law. It is for information purposes only.