

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

Address by the Chairman Mr. Miles Hampton

Operating Performance

Ladies and gentlemen, I am pleased to present my 2019 Chairman's Address. My opening remarks in the 2019 Annual Report sum up my view of the results for the year under review.

"Slightly disappointing but in the context of our digital journey and the overall circumstances of the banking sector, it was a solid performance."

Statutory NPAT fell 1.5% to \$31million, but when the discontinued operations are excluded NPAT fell from \$31.3m to \$29.8m.

The result was materially impacted by a decline in net interest margin. This was caused by a combination of increased competition for loans and deposits, but also impacted by adverse movements in the Bank Bill Swap Rate that impacted the cost of securitisation funding in the first half.

The result was also materially impacted by increased depreciation expense relating to the significant increase in technology investment over the past five years.

In 2019 we recorded a 10.7% increase in our loan book, well above industry peers. But we have maintained a disciplined focus on high quality lending and our impairment charge remains well below that of peers.

The group capital position fell slightly from 13.5% to 12.90% but nonetheless remains very strong.

In terms of our strategic progress, we are not quite yet a digital bank but we are making great strides.

The Board has maintained the full year dividend at 28.75 cents per share.

Sale of Financial Planning Business

In June 2019 we made a decision to sell our small financial planning business.

Whilst generating an acceptable return we had come to the view that the growth potential was limited vis a vis other opportunities for the group.

At the same time, whilst confident that we have been appropriately managing any conflicts of interest, the sale of the business removes that risk.

We realized a small gain on the sale of the business and the funds released will be deployed in growing our banking and funds management businesses.

Investment in our Funds Management Business

We have recently finalised plans to significantly invest and streamline the TPT funds management business.

The non-bank lending sector has experienced significant growth over the recent period and our funds management business enables us to be a serious competitor in that sector.

We expect that an enhanced technology platform and initiatives targeting improved returns to investors will deliver significant growth to that part of our business.

The decision to change the name of the business to TPT Wealth reflects our wish for the business to develop a national profile.

The Hayne Royal Commission

I spoke last year of the egregious behaviours of some of our peers that had been revealed in the interim report of the Hayne Royal Commission.

MyState were not called upon to attend the Royal Commission and I am pleased to report that we have not had to make multi-million or billion dollar provisions for remediation in respect of poor customer outcomes.

The Royal Commission made a particular emphasis on conduct risk, detailing and identifying six fundamental precepts.

At MyState conduct risk has always been an important focus and is embedded in our risk framework.

The Interest Rate Debate

In recent times we have seen much commentary criticising banks for failing to pass on in full Reserve Bank of Australia interest rate reductions.

Such criticism fails to recognise that banks have to balance a range of competing interests.

Not only do our borrowers want the lowest possible interest rates on loans, but our depositors want the highest possible interest rate on their deposits and our shareholders have a right to expect a reasonable return for their willingness to provide capital that facilitates the whole banking process.

At MyState we seek to achieve a fair balance of the competing interests and at the end of the day it is up to our borrowers, depositors and shareholders to decide if we have got it right.

If our loan rates are not competitive borrowers will look elsewhere and we will see a decline in our loan book. As reported in earlier comments we continue to see strong growth in our loan book.

If our depositor rates are not competitive we will see an outflow of an important source of funding. As Melos will detail in his address, we continue to see strong growth in retail deposits.

Finally if we do not pay our shareholders a reasonable return, our access to capital will be reduced and our capacity to facilitate the important intermediary role we play in the economy will be diminished.

Our returns to shareholders when measured in terms of earnings per share have been relatively static over the past few years, but our shareholders have endorsed our balancing of the competing interests with a relatively stable share price and strong participation in our dividend reinvestment plan.

Obviously we closely monitor the balancing of the competing interests, and if the market tells us we have got it wrong then we make appropriate adjustments.

Directors

In February this year we farewelled long term director Peter Armstrong.

Peter's contribution to MyState and to its antecedent credit unions was invaluable. We acknowledge and thank him for his contribution and wish him well in retirement.

Late in the year we announced the appointment of Mr Vaughn Richtor as Non-Executive Director. Vaughn was formerly the Managing Director of ING in Australia and is credited with the enormous growth of that company as Australia's pre-eminent digital bank.

Concluding Remarks

The significant progress that we continue to make in modernising our banking and wealth businesses reflects the hard work of the team at MyState and to that team I say thank you.

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

Miles Hampton
Chairman