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ASX ANNOUNCEMENT

MyState Limited Annual General Meeting
Hobart Function and Conference Centre
21 October 2015

Address by the Chairman Mr. Miles Hampton

Good morning, ladies and gentlemen, and welcome to this the seventh Annual General Meeting of MyState Limited.

This morning I will comment briefly on our trading results, capital position and our approach to risk.

I will also report on key initiatives, and conclude with some comments about the economic and regulatory environments.

Trading Results

Our Managing Director Melos Sulicich will go into more detail about our operational performance but statutory net profit was $32.5 million, which benefited from the $3.9 million gain on sale of MyState's shares in Cuscal. The underlying net profit after tax of $29.7 million was marginally ahead of the previous year.

Some of you may recall that last year I was critical of our performance and under the circumstances of a steady underlying profit result you might expect that I would be critical of our performance this year, but I am not.

At the commencement of the year our business had no momentum and we were on track to record a substantially reduced profit in FY2015.

The initiatives taken in FY2015 have enabled us to record a steady profit result.

But more significantly they have positioned the company for improved results going forward and we are confident that we will deliver on that promise.

Perhaps the most pleasing aspect of this year's result is that we know we have barely scratched the surface in opportunities to improve our trading performance.

In our banking business:

- we have yet to build sustained, broad-based momentum in our direct channel;
- our journey to significantly improve customer service has only just begun; and
- our investment in new technology to meet the needs of the banking customer of today is in its infancy.

In our wealth management business we have much to address as our primary focus in FY2015 was building momentum in the banking business.

Capital Position

One of the key metrics for any banking organisation is its capital position.

With our loan book growing at 16.3% to $3.5 billion, it was not unexpected that we would start to see pressure on targeted capital ratios.

However the sale of our shareholding in Cuscal and a $300 million securitisation transaction mitigated the effect of growth on capital ratios.

Post balance date we issued $25 million Tier 2 notes and if this transaction had been completed before 30 June 2015 our capital adequacy would have been 13.94%, up from 13.80% in the previous year.

In recent times the larger banks have found themselves having to raise significant capital to improve their capital ratios.

Smaller banks such as MyState have always maintained higher capital ratios than the major banks.

If we do find it necessary to raise capital it will be to fund growth rather than having to raise capital to address changed regulatory requirements.

Approach to Risk

MyState has a bad debt expense the envy of many in the industry and we are determined that we will continue to do so by appropriately managing risk.

We have a high-quality home loan book with 87% of loans to owner-occupiers. Investor loans are just 13% of our loan book, well below the industry average of 35%.

Tasmanian based home loans represent 60% of our loan book compared with 66.8% a year ago, whilst Queensland based loans represent 16.4% of our loan book.

Increased reliance on broker-introduced business has seen loans to New South Wales and Victorian borrowers grow significantly.

This lending is being prudently managed in the context of property prices that have risen significantly over the recent period.

Loan book growth has been significant but fewer customers are experiencing financial stress.

Mr Sulicich will provide further analysis of our loan performance in his presentation.

Key Initiatives

There have been significant changes in our executive team. This was not about change for change's sake, it is about recognition that our business needs leadership with different skills if we are to survive and prosper.

We have commenced a significant program of investing in technology. The focus here is both internal – about how we can more effectively manage our business - but also external, about how we can make it easier for customers to do business with us.

We have re-engaged with the broker market. The reality is that two-thirds of all new loans written by the banking sector in Australia are being introduced by the broker network.

In our case 70% was broker introduced. This is hardly surprising given the relatively low growth through direct channels in our traditional markets of Tasmania and Central Queensland.

Most especially we are gradually developing a high performance culture where the organisation as a whole has as its primary focus delivering the products and services that our customers expect.

Economic environment.

It is pleasing to note that in Tasmania there is a quiet confidence emerging, almost defying the national trend, and many key measures are pointing to an upturn in economic activity.

In our other core market in central Queensland the economy has been affected by reduced mining investment, but our lending book has maintained high credit quality.

Some will say that at the end of the day we cannot ignore the effect of the overall economic environment.

And to an extent this is true. But regardless of the overall economic trends, as I said in the annual report...

> *"We have demonstrated that we can punch above our weight and we are confident that we can continue to do so by being nimble and staying close to our customers."*

Regulatory Environment

As I noted in the annual report it is not yet clear if the Financial Services Inquiry and the APRA response to Basel developments will materially impact MyState.

However it is now clear that there will be changes to the regulatory environment to further improve the resilience of the financial system and to create a more level playing field across the market.

We certainly take the view that the community will benefit if the regulatory gap that exists between the larger banks and the rest of the market were narrowed.

Action is needed to address the regulatory, capital and funding advantages enjoyed by the Big Four banks.

Concluding Remarks

FY2015 has been a pivotal year in our business.

It was a year in which we recognised that we have much to do to not only recapture lost market share but to stay relevant as a serious contender in the banking and wealth management space.

But I am confident that at one step at a time we are re-building, re-positioning our products and services, and creating a customer focused business.

We will recapture lost market share and reaffirm the customer focused DNA that is part of our mutual and trustee heritage.

To all of the team at MyState, thank you for your efforts over the past year, the turnaround in our business is a direct result of your efforts.

To our customers, thank you for your support. A new MyState is emerging, one that is true to its old values, yet modern in how we do business.

To our shareholders, your support as investors is appreciated and we will deliver on the promise of improved returns.

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

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About MyState Limited
MyState Limited is an ASX-listed diversified financial services group including wholly owned subsidiaries MyState Bank Limited (MyState) incorporating The Rock – A division of MyState, and Tasmanian Perpetual Trustees Limited (TPT), a trustee and wealth management company. MyState Limited and MyState are regulated by the Australian Prudential Regulation Authority. MyState and TPT hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.