February 2016
Investor Presentation

MyState

ROCK BUILDING SOCIETY

Tasmanian Perpetual Trustees

MyState LIMITED

Agenda

1 **Overview**
Melos Sulicich
CEO & Managing Director

2 Financial Results
David Harradine
Chief Financial Officer

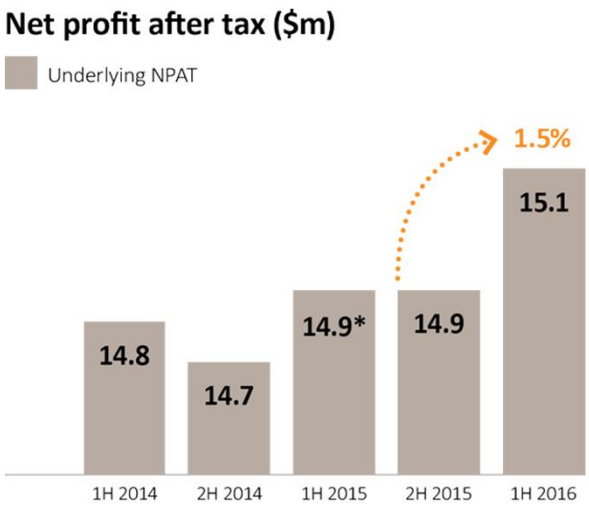
3 Outlook
Melos Sulicich
CEO & Managing Director

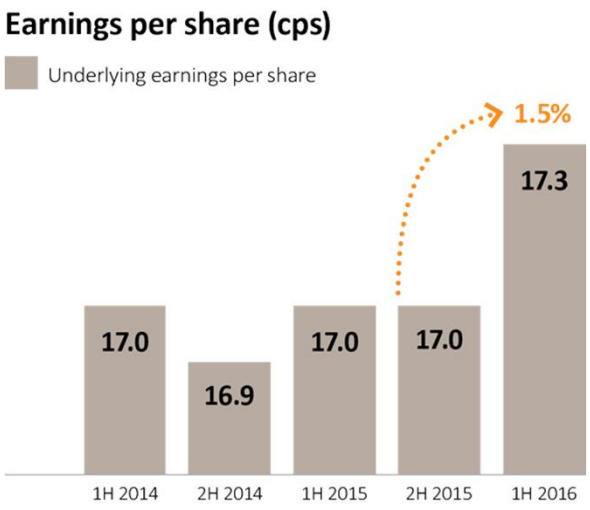
The MyState Community Foundation is proud to support Second Bite, an organisation focused on improving the nutrition of Tasmanian students.

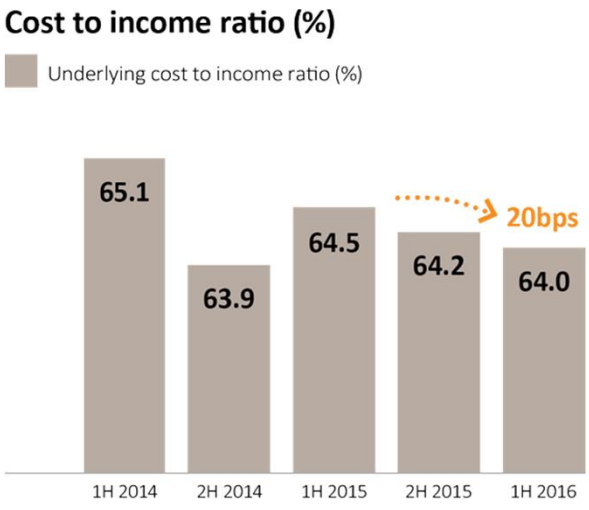
Overview of 1H 2016 Financial Performance

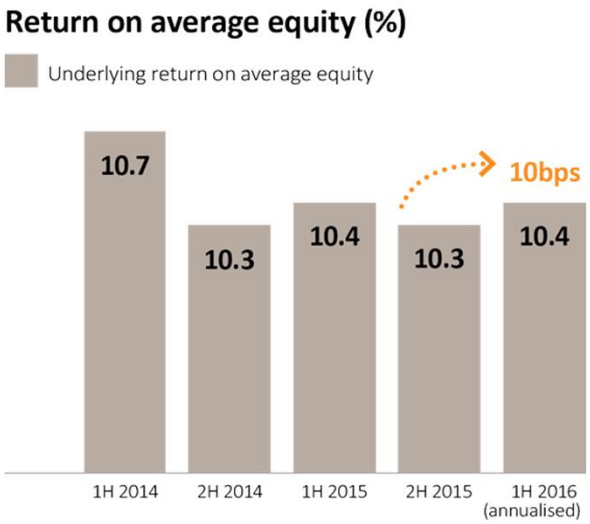
- Record 1H NPAT of $15.1m, up 1.5% on prior corresponding period (pcp). (1H NPAT growth of 4.1% on underlying pcp NPAT post divestment of Cuscal shares.)
- Interim dividend 14.0 cps maintained.
- 1H 2016 revenue of $61.3m, up 1.5% on pcp.
- Settlements of $533m, up 32% on pcp. Loan book $3.8bn, 13.1% annualised growth 2.0x system.
- Customer deposits increased to $2.7bn, 16.2% annualised growth.
- NIM compressed by 6bp in 1H16 to 2.12%; margin pressure eased by 20bp loan book repricing late in 1H16.
- Sound capital adequacy ratio at 13.0%.
- Cost to income ratio 64%, down 50 bp on pcp; revenue growth outpaced cost growth, delivering positive JAWS.
- Dividend Reinvestment Plan (DRP) activated with a 3% discount.

Key performance metrics heading in the right direction









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

Applications maintained at higher levels

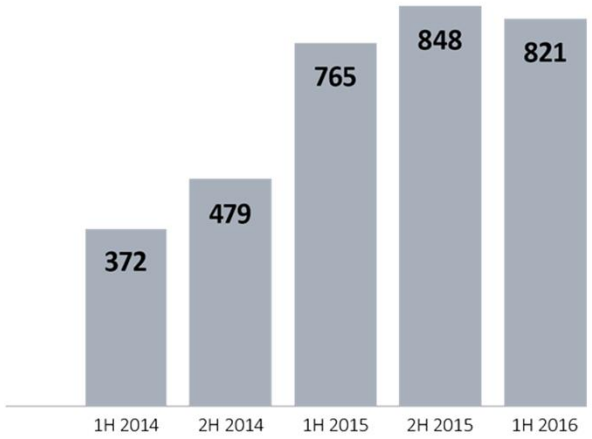
Strong broker flows and retail focus.

Settlement momentum continuing, with 1H 2016 settlements exceeding the pcp by 32%.

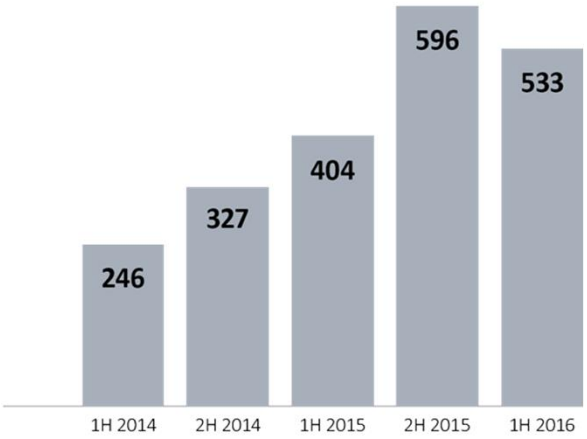
Home loan book growing at 2x system.[1]

1. Source: APRA banking statistics December 2015.

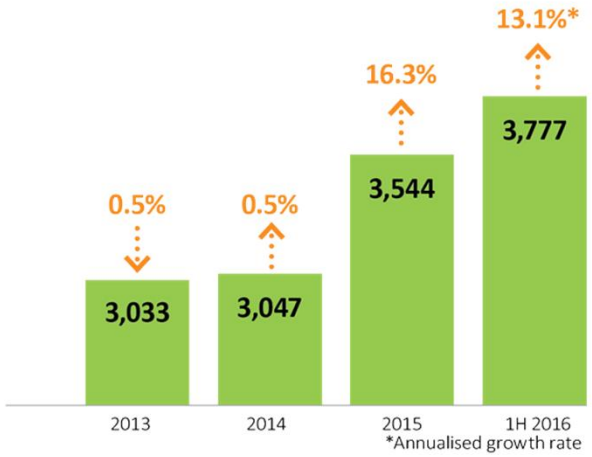
Application values ($m)



Half yearly settlements ($m)



Gross loans and advances ($m)



Delivering on our strategic goals

GROW	Growth in our revenue drivers	• 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	• 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	• Sound capital ratio at 13.0%, with inaugural MTN program successfully launched in August 2015. • 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	• Continued investment in third party channel relationships and systems to support growth and profitability. • Focus on the customer and local community.
TRANSFORM	Transforming capability	• 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 commences 22 February.

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The MyState Australian Wooden Boat Festival celebrates Tasmania's rich maritime history and $70 million wooden boat building industry.

Strong revenue and NPAT performance…

with further uplift expected in 2H 2016

	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

* 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.

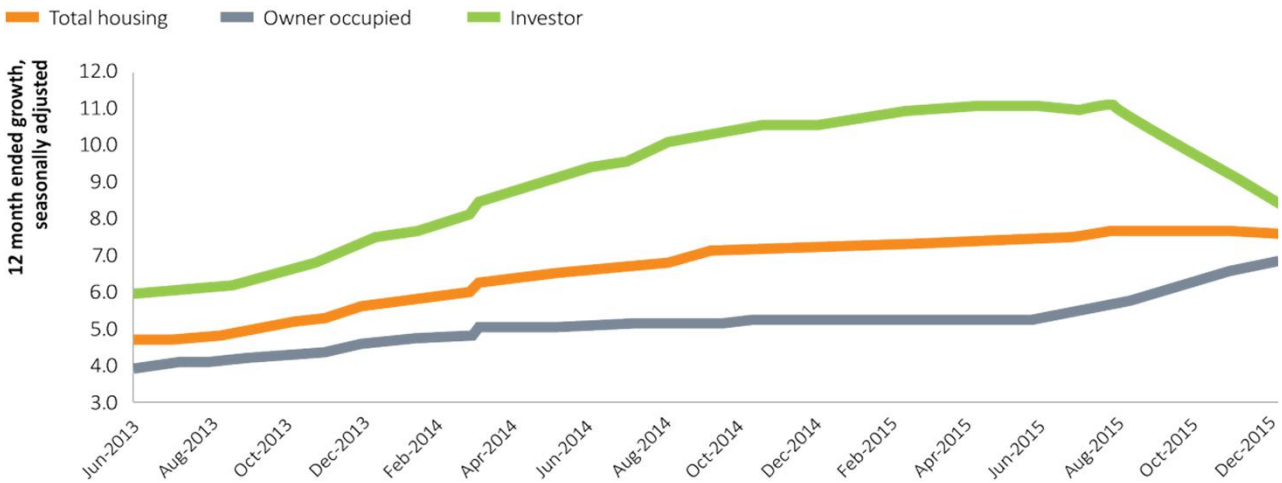
Australian credit growth still healthy

Credit growth in Australia remains sound.

Since June 2015:

- Credit growth across the Australian economy increased marginally driven by improvements in business and personal credit growth.
- Housing credit continues to grow at a rate of over 7%.
- Home loan Investor lending slowed to 8.5% from 11.0%, whilst owner-occupier lending has increased to 6.8% from 5.2% with competition in the market still fierce.

Australian housing credit growth (%)



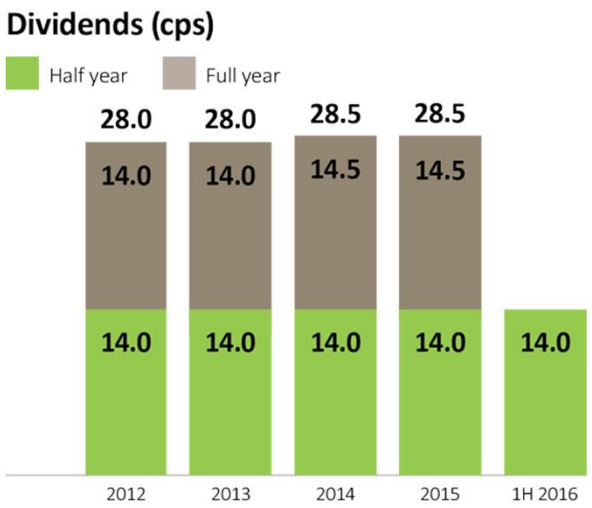
Source: RBA Growth in Selected Financial Aggregates December 2015

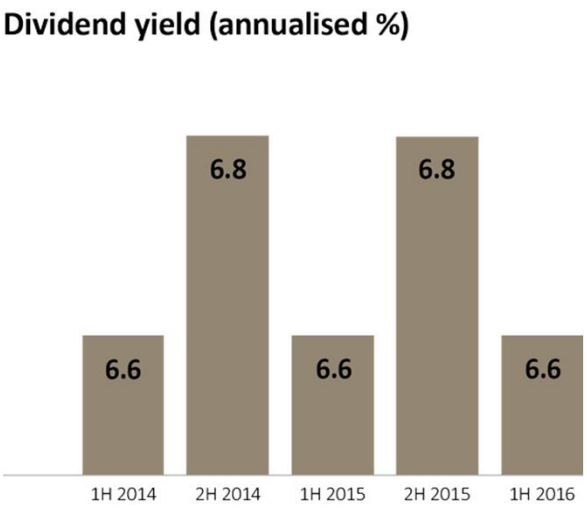
Continued improvement in the Tasmanian economy

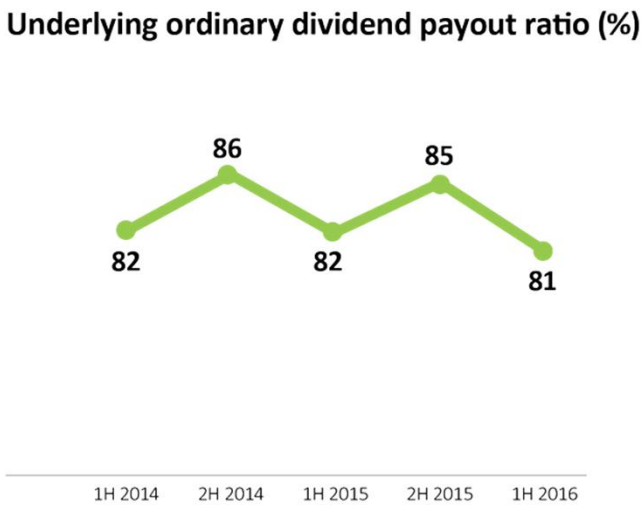
The Tasmanian economy continues to show improvement:

- Unemployment rate at 6.6%.
- Construction work remains strong.
- Retail spending growth continues.
- Population growth at 0.4%.
- Drought impacting agribusiness activity.
- Regional variations remain in economic performance.

Sustainable dividend performance







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.

Record 1H NPAT achieved through income growth

Strong loan book growth and margin improvement underpinned revenue growth.

Competition for both lending and deposits is intensifying.

Revenue growth outpaced costs, delivering positive JAWS.

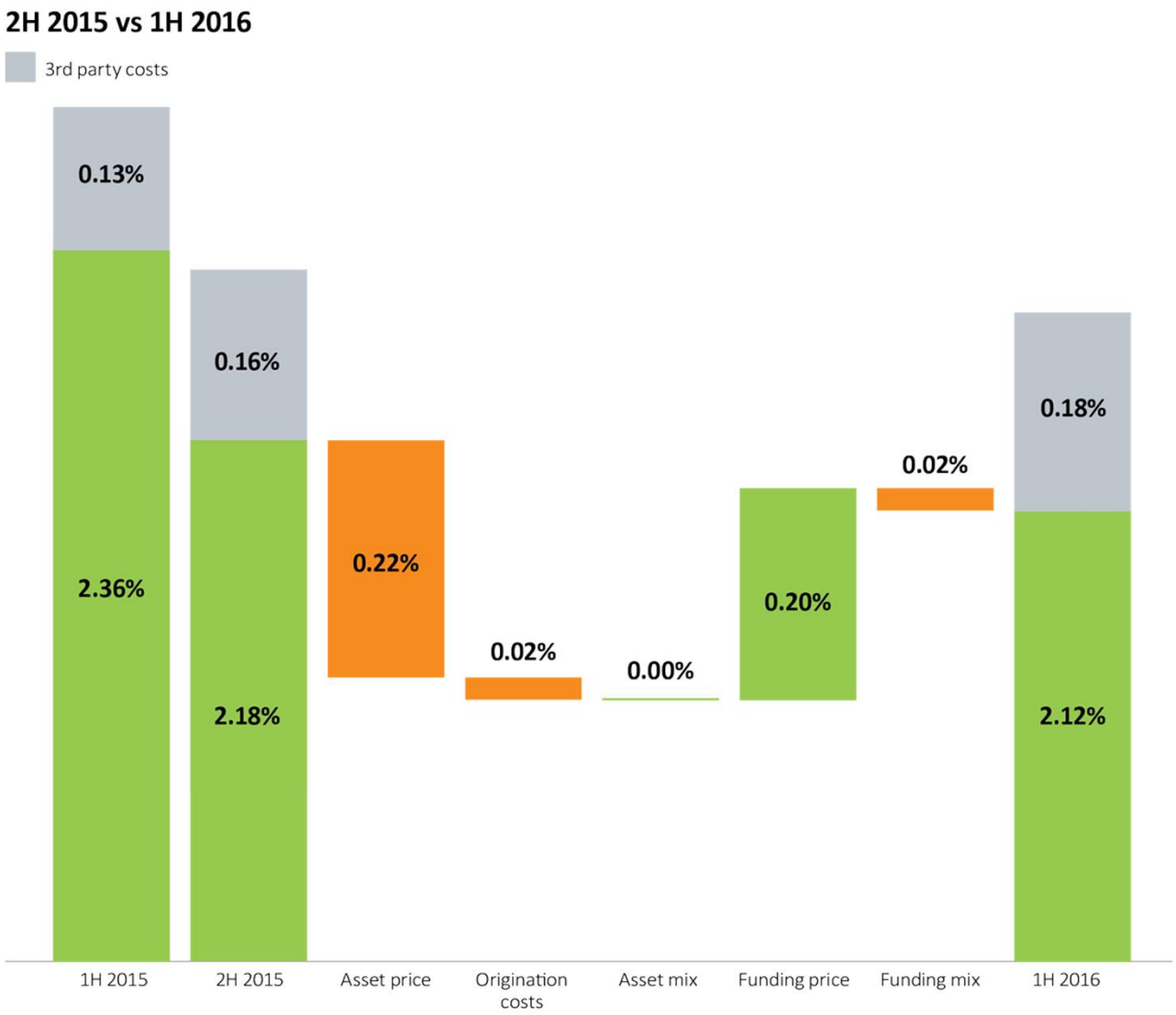
Record NPAT achieved in 1H 2016 ($m)

- 1H earnings growth with momentum continuing.
- Strong loan growth has underpinned 1H 2016 Net Interest Income performance.
- Banking non-interest income remains challenging.
- Operating expenditure contained through focused cost management.
- Bad & doubtful debts steady on the prior corresponding period, with conservative management overlay offsetting the unwinding of provisions.

Net Interest Margin

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

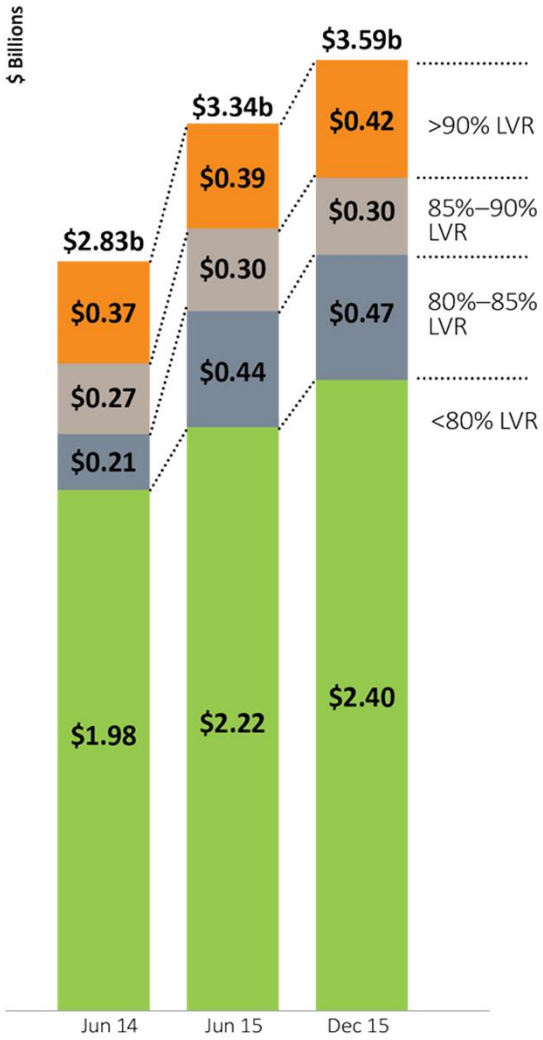
Funding costs have improved but wholesale markets continue to experience some volatility.



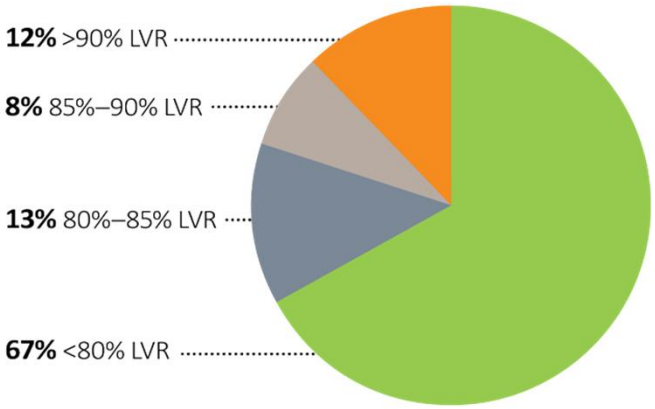
Growing sustainably is a strategic imperative

72% of home loan growth achieved from <80% LVR lending.

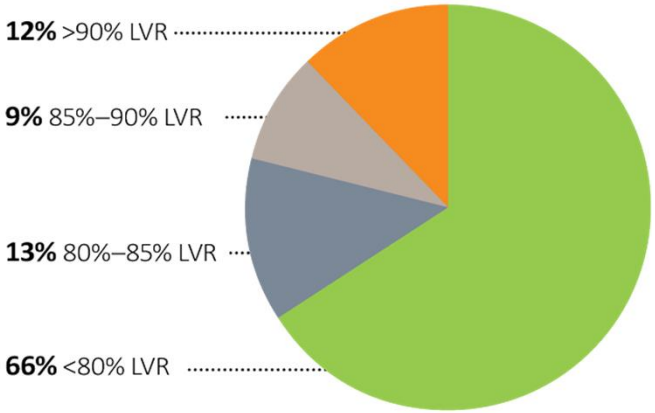
Home loan book composition ($b)



1H 2016 home loan book by LVR ($3.6b total)



2015 home loan book by LVR ($3.3b total)

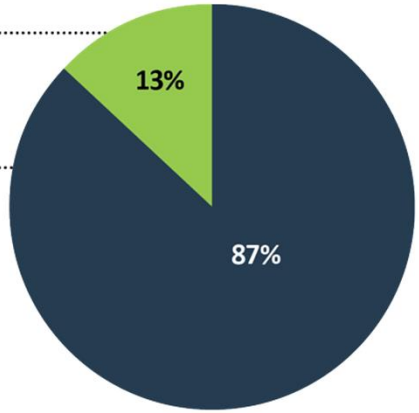


Investor lending well below industry average…

Competition for owner-occupied business has increased.

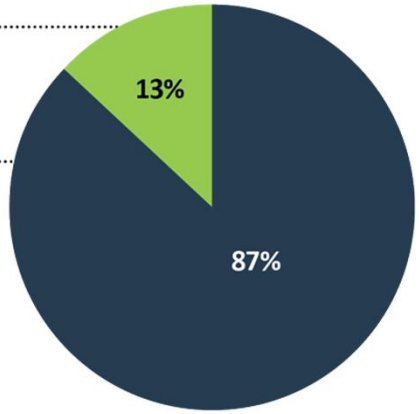
Despite the competition, MyState has continued its above system growth, with housing loan growth at 2x system.[1]

Home loan settlements composition

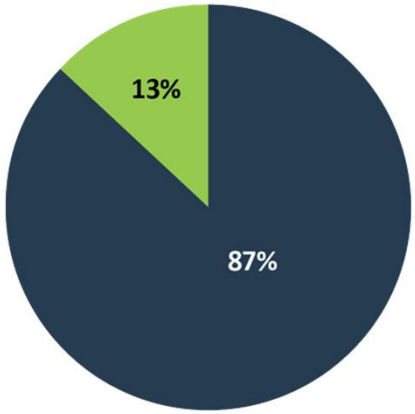


December 2015

Home loan book composition



June 2015

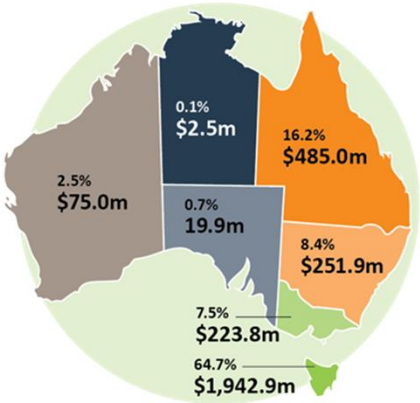


December 2015

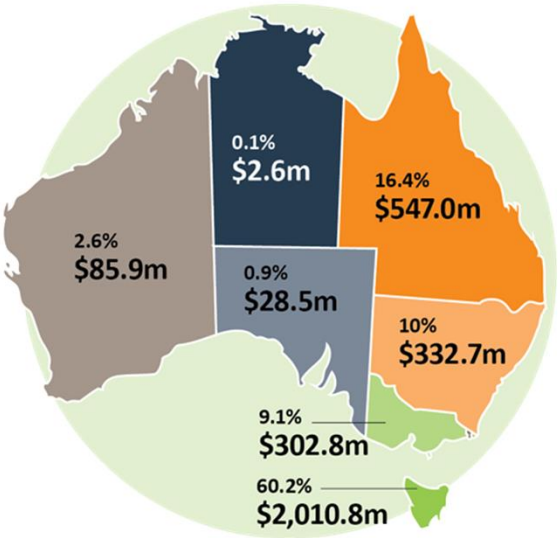
1. Source - APRA banking statistics December 2015.

Continued geographic diversification with Tasmanian concentration below 60%

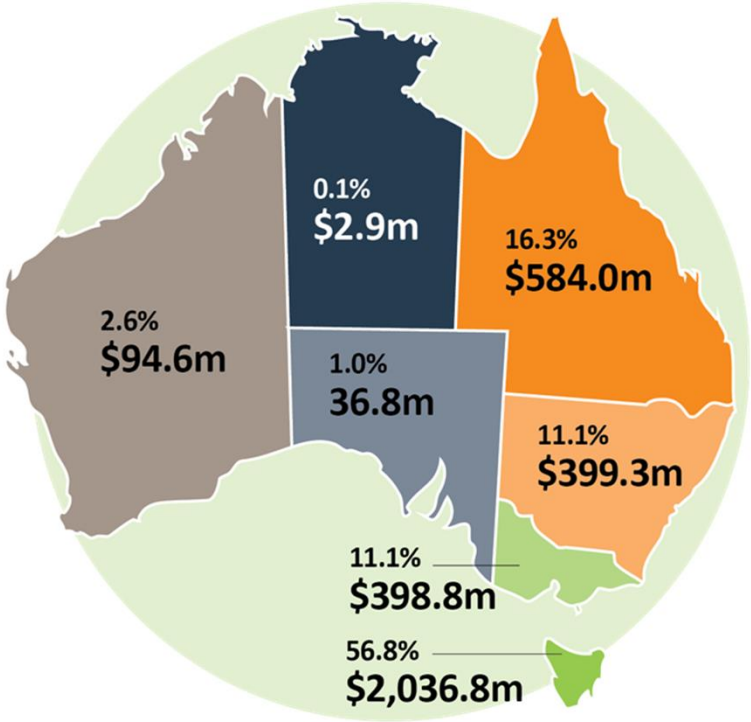
December 2014
Total $2.83b



June 2015
Total $3.34b



December 2015
Total $3.59b



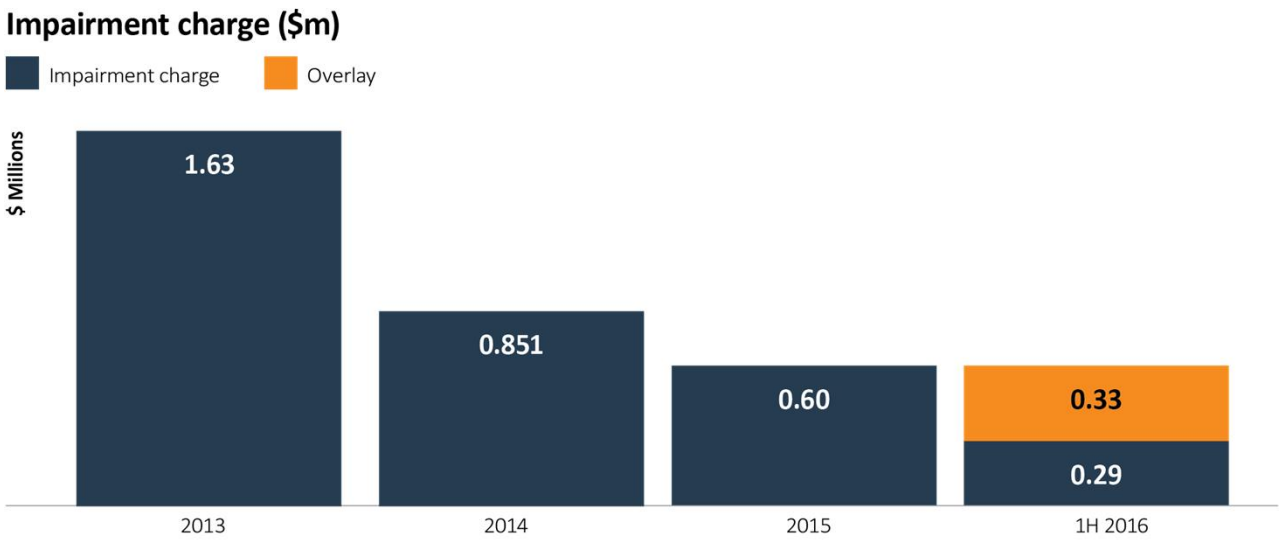
Credit performance continues…

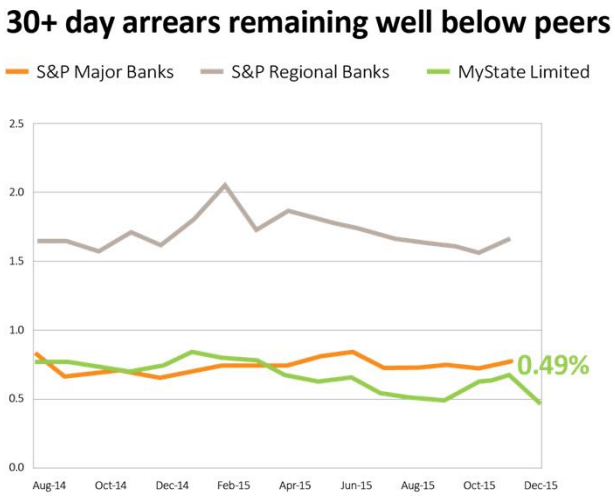
Impairment charges 3bps of gross loans.

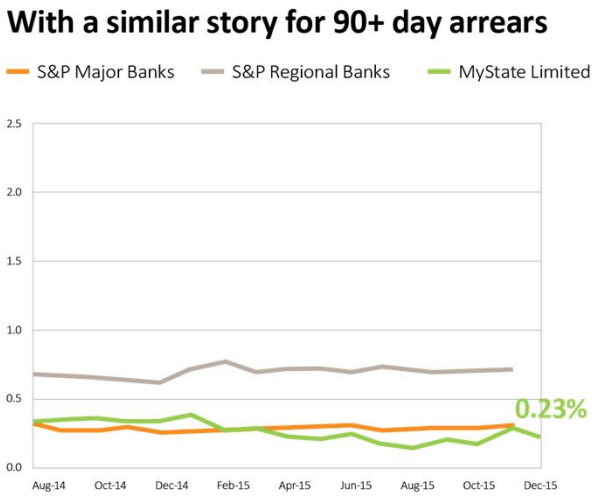
Impairment charges continue to fall reflecting sound credit quality.

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

With arrears still well below peers.

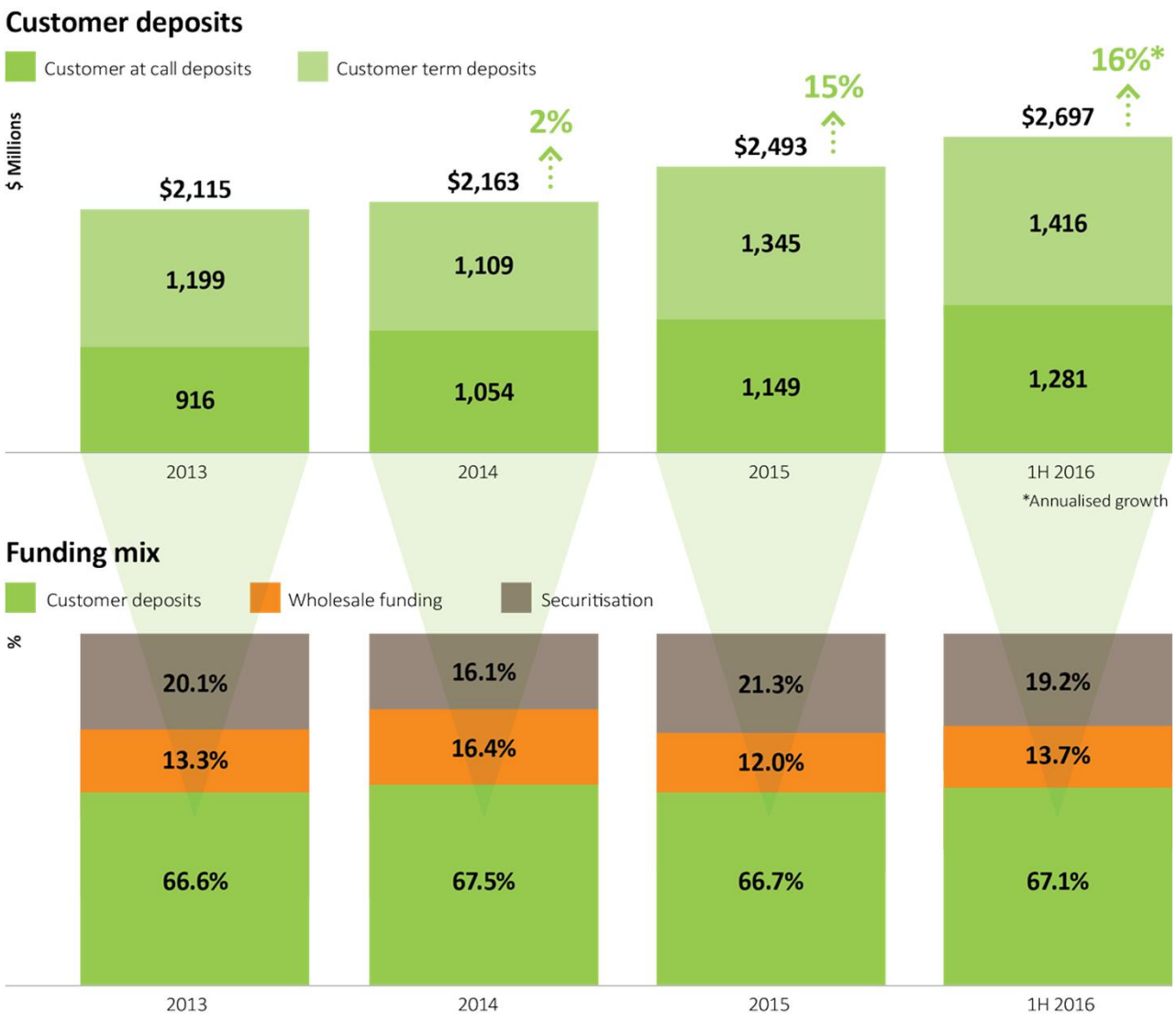






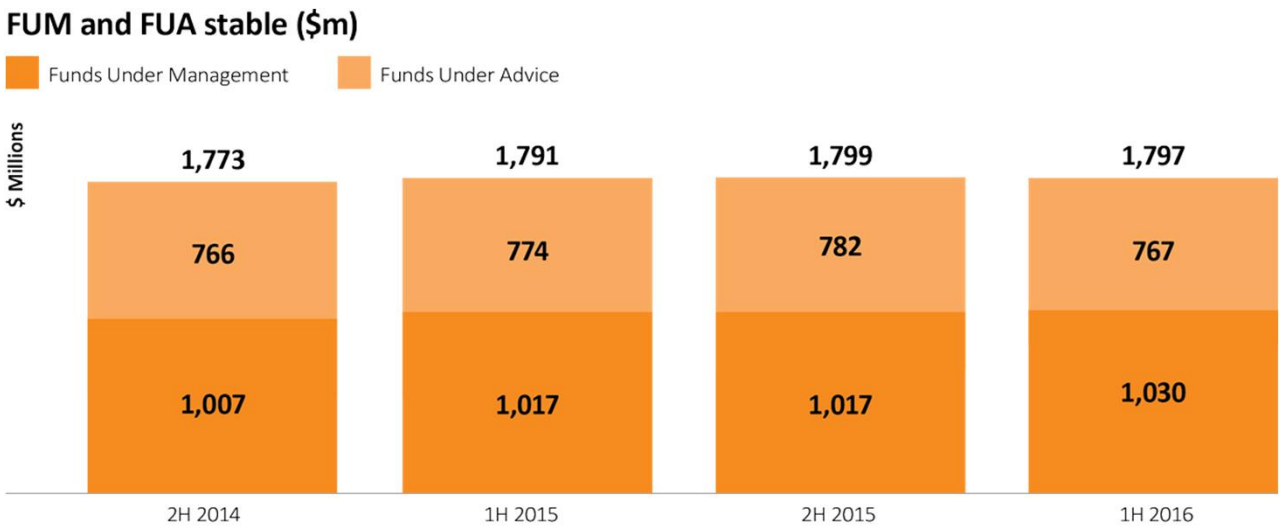
A stable funding mix supported by growth in customer deposits

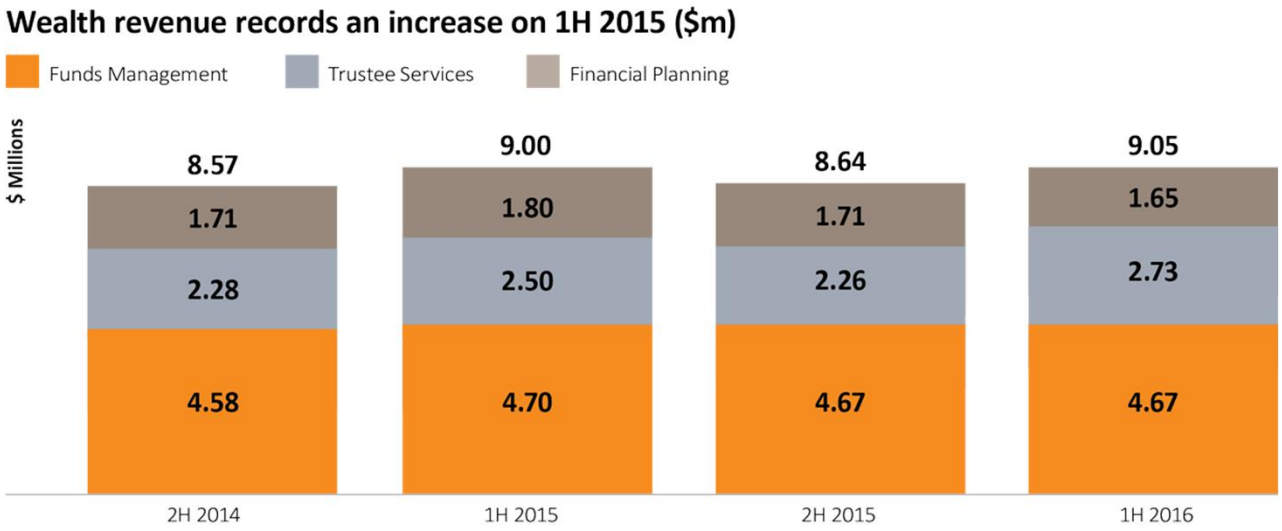
MTN program provides further funding diversification and tenor.



Wealth continues to deliver consistent, stable returns to the business

Appointed new General Manager Wealth Management in February 2016.





Tight operating cost management continues, with cost growth restricted to 0.85% on 1H 2015

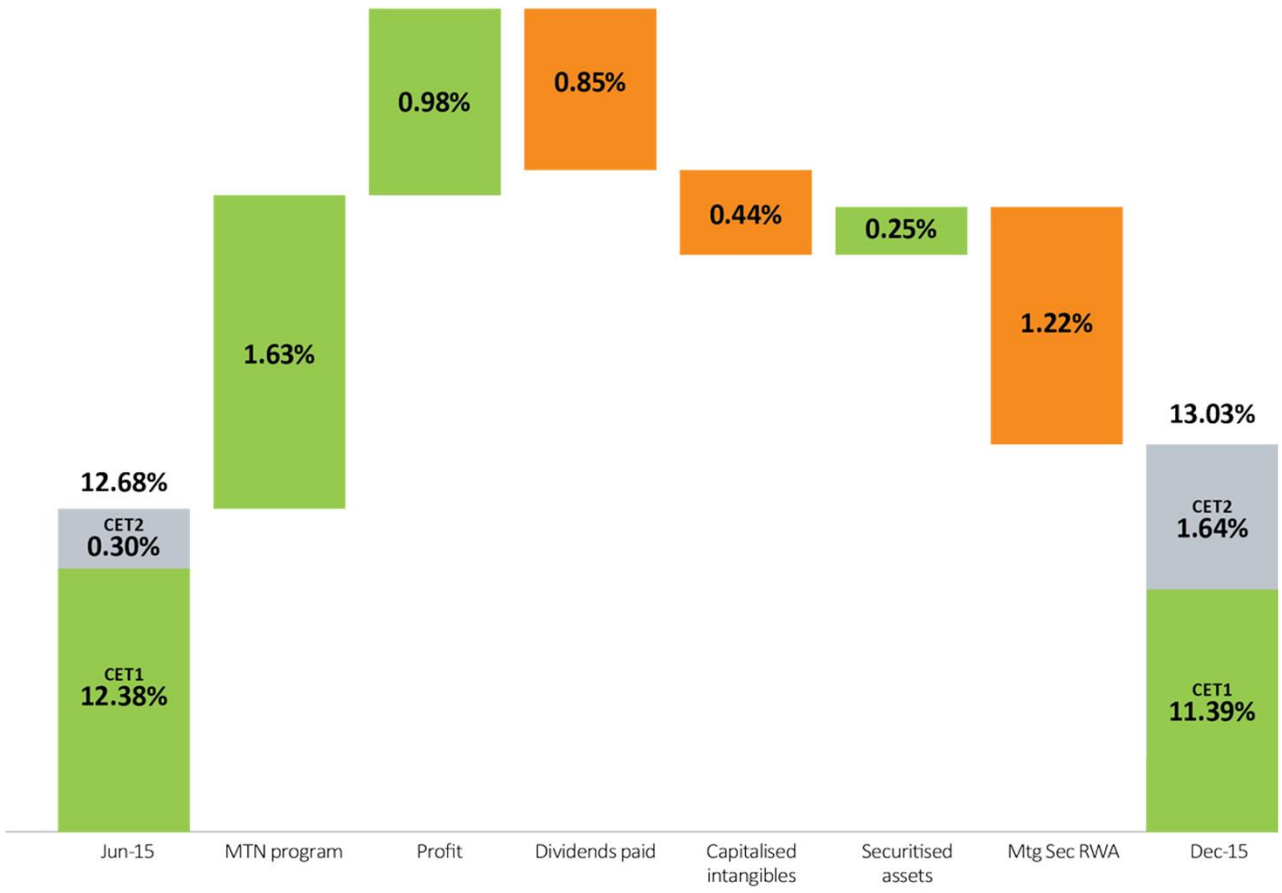
Cost to income ratio improves by 50bps to 64.0% on pcp.

Increased capital diversity through MTN issue…

…with a range of capital options to support continued lending growth.

S&P review resulted in a reassessment of MyState's prospects, with a BBB positive outlook and likely to move to BBB+ within 12 months.

Strong capital ratio despite above system lending growth



Dividend Reinvestment Plan Details

- MyState has announced activation of the DRP for shareholders.
- Allows existing MyState shareholders to invest further in MyState.
- DRP pricing will be based on a 3% discount to the volume weighted average price (VWAP) calculated over the 7 trading days between 7 March 2015 and 15 March 2015.
- Shareholders will have until 3 March 2016 to elect whether they want to participate in the DRP.

How to participate?

- Dividend Reinvestment Plan (DRP) election forms were recently sent to shareholders. Complete this form and return to Computershare.
- A DRP election can also be made online via the Computershare Investor Centre at www.computershare.com.au.
- If you have not received a DRP election form, or have any questions in relation to the DRP participation, contact Computershare on 1300 538 803.

Indicative DRP Timetable

Announcement of DRP activation	22 February 2016
Ex dividend date	29 February 2016
Dividend Record date	02 March 2016
Deadline for shareholder election to participate in the DRP	03 March 2016
DRP pricing period	07 – 15 March 2016
Dividend payment & DRP share issue date	24 March 2016

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Melos Sulicich
CEO & Managing Director

The MyState Student Film Festival showcases young Tasmanian talent to Australia – and the world.

Pending regulatory reform and industry developments

International developments

- Investor lending to attract higher risk weighting.
- Lower LVR lending to benefit.
- "Basel 4" – higher capital and mortgage risk weighting.

Domestic developments

- Higher level of industry oversight by regulator.
- Regulatory changes favour regional and smaller banks.
- Industry wide repricing eases pressure on margins.

Implications for MyState

- Capital position remains strong.
- Levelling of competitive landscape to benefit MyState.
- Competition for owner occupied business to remain fierce.

The journey so far…

What we've achieved:	What we're currently working on:	What's to come:
• 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	• Product rationalisation and aligned core systems. • Process simplification. • Internet banking, mobile and digital platform upgrades. • Analytics and CRM improvements.	• 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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