



ASX Media Release

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Further government action needed to level the banking playing field, says MyState

MyState loan book exceeds \$4 billion

Hobart, Wednesday, 26 October 2016: Speaking at today's MyState Limited (ASX: MYS) annual general meeting, managing director and CEO Melos Sulicich today urged the federal government to continue implementing the Murray report's competition recommendations and reduce continuing inequity between small and large banks.

Mr Sulicich said Australia needed more competition in financial services but small banks remained hamstrung by competitive inequity.

He said that while regulation had required large banks to increase the average mortgage risk weight from 18 per cent to 25 per cent, this was the lower limit of the Murray report's recommendations and not enough to level the playing field.

"The average mortgage risk weight for smaller banks is 39 per cent and we believe the government needs to raise the minimum average mortgage risk weight for large banks to at least the upper Murray report recommendation of 30 per cent, if not above, to address competitive inequality. At present small banks hold 56 per cent more capital which is a huge disparity," said Mr Sulicich.

"This regulatory capital requirement advantage is compounded by a funding cost advantage from an implicit government guarantee of 'too big to fail' which helps large banks obtain wholesale funding at significantly lower cost."

Mr Sulicich said mortgage risk weight changes would significantly benefit consumers.

"The public are crying out for the competition which is provided by small banks, but we are obliged to issue fewer mortgages using the same capital. The really unfair aspect is that the risk of the mortgages issued is the same.

"Banks like MyState want to compete vigorously and give large banks a run for their money. We are up for the competition, but our returns are lower due to the risk weight disadvantage. These constraints are stifling consumer choice.

"A focused product and pricing strategy and technology-driven innovation have helped us to increase our loan book at nearly double the national average over the past two years. We are gaining market share, but on an uneven playing field it is an uphill battle."

In October 2016 MyState's loan book surpassed \$4 billion for the first time, marking an important milestone for the company. This compares with a loan book of little over \$3 billion two years ago and demonstrates strong consumer appetite for MyState's competitive products and great customer service.

"MyState's strategy has enabled the company to grow without compromising the quality of its loan book. We place great emphasis on strong risk management, and our 30-day arrears are substantially less than regional peers and the benchmark for the big banks," said Mr Sulicich.

"We believe it is imperative that the competition recommendations contained in the Murray Inquiry continue to be implemented."

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About MyState Limited

MyState Limited is the ASX-listed non-operating holding company of the diversified financial services group consisting of MyState Bank (including The Rock – A division of MyState Bank) and Tasmanian Perpetual Trustees, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and Tasmanian Perpetual Trustees hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.