



# 26 October 2016 MyState Limited Annual General Meeting

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# FY2016 results\*

Revenue:  
**\$123.4m**  3.3%

Return on equity:  
**10.6%**  22bp

Net profit after tax:  
**\$31.1m**  4.5%

Earnings per share:  
**35.5cps**  4.4%

Capital adequacy ratio:  
**13.0%**  36bp

Cost-to-income ratio:  
**63.2%**  112bp

Loan book:  
**\$3.85b**  8.7%

Deposit book:  
**\$2.7b**  9.0%

30-day arrears: Well below  
**0.70%** industry averages

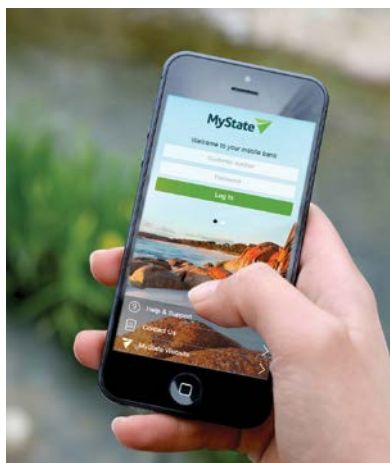
Total dividend  
fully franked: Steady  
**28.5 cents**

\* Results shown on an underlying basis.

- Statutory results includes one-off costs of \$2.8 million in FY2016 associated with a decision to consolidate separate core banking systems and M&A related expenditure and, in FY2015 includes \$3.9 million profit from sale of Cuscal shares less \$1.1 million restructuring and related costs.

# Delivering on our strategic goals

Making a genuine difference to our customers and communities everyday.



## GROW



Growth in our revenue drivers

- \$4bn loan book\*
- Net interest income up 6.6%.
- Sustainable deposit book growth.

## SIMPLIFY



Simplifying processes for third party and direct channels

- Consolidation of ADI's, data centres and core banking systems.
- Multiple process improvement initiatives.
- Investment in systems to streamline processes.

## STRENGTH



Capital ratio and arrears levels maintained

- Sound capital ratio at 13.0%.
- MTN program launch increases capital flexibility.
- Credit quality remains a cornerstone.
- S&P rating of BBB with positive outlook.

## RELATIONSHIPS



Better broker and customer engagement

- Bank Managers appointed to each branch.
- New Business Development Managers in broker markets.
- Significantly enhanced community engagement.
- Significantly increased brand presence.

## TRANSFORM

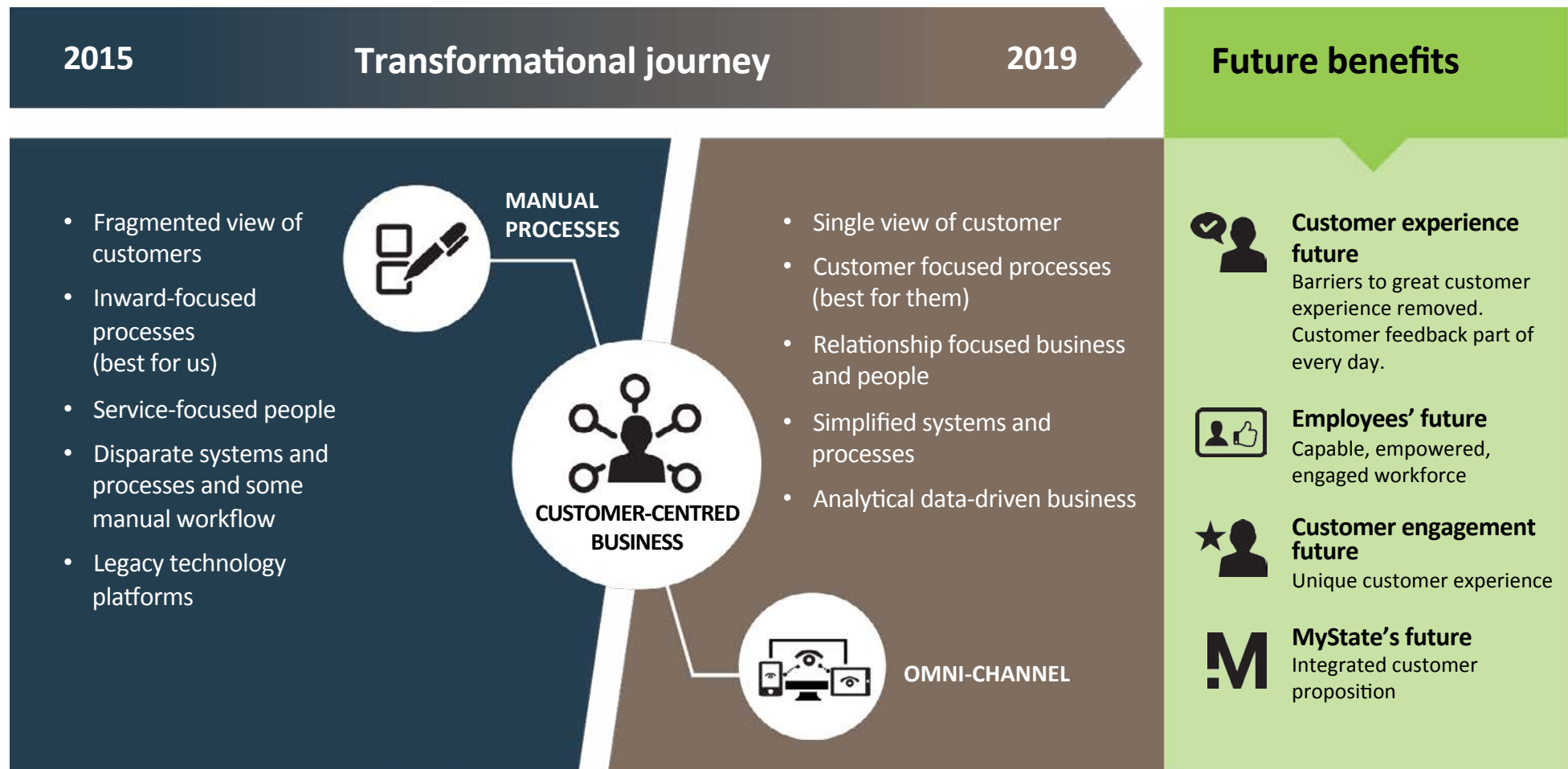


Transforming capability

- New digital and analytic skill sets.
- New internet banking and mobile platforms.
- Investment in CRM.
- Supporting payment system innovation (Android Pays).

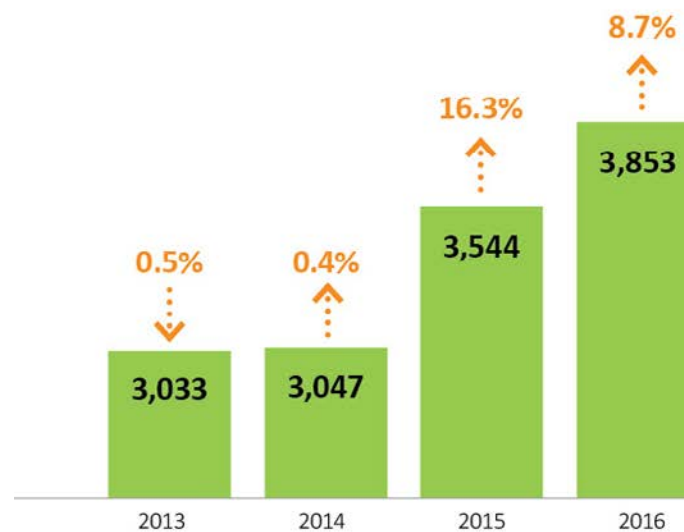
\* As at 10 October 2016

# Our transformation roadmap

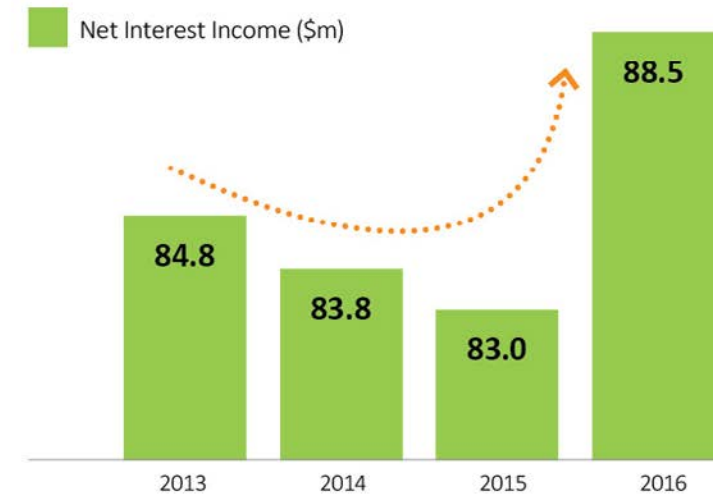


# Growth strategy delivers a resurgence in net interest income

Gross loans and advances (\$m)

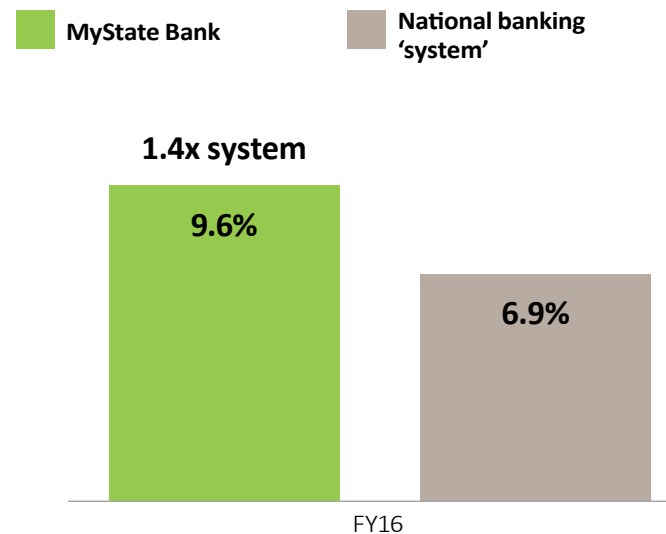


6.6% growth in 2016 Banking Net Interest Income

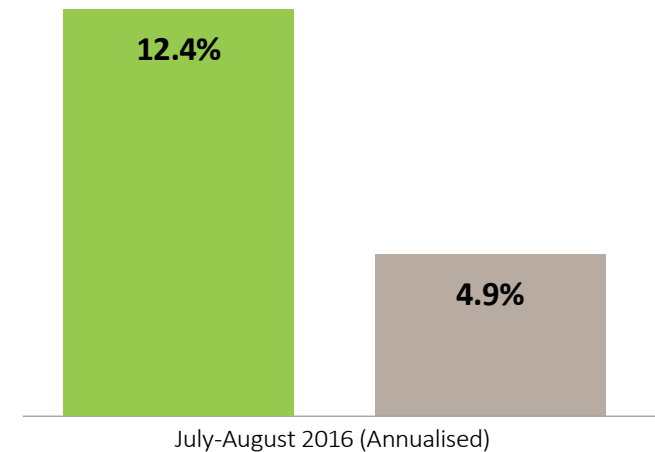


Strong home loan growth in FY15 and FY16 and continued positive momentum in FY17, at 2.5 times national banking system growth.

Home Lending



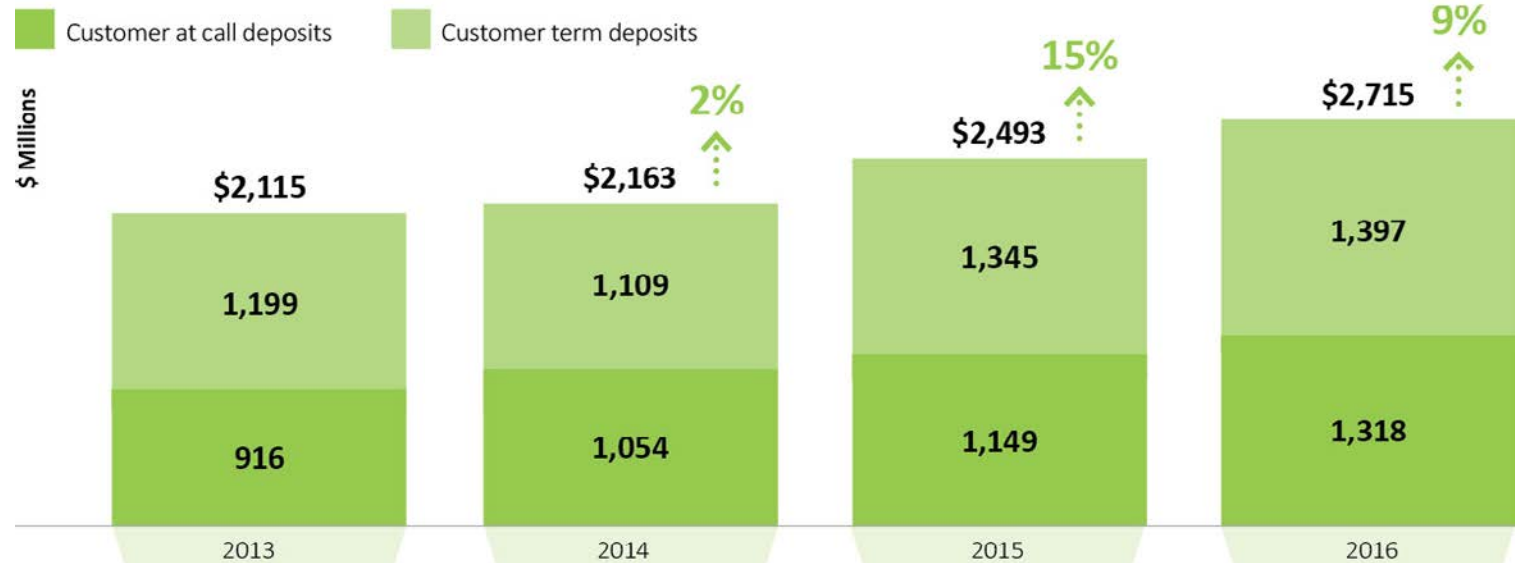
2.5x system



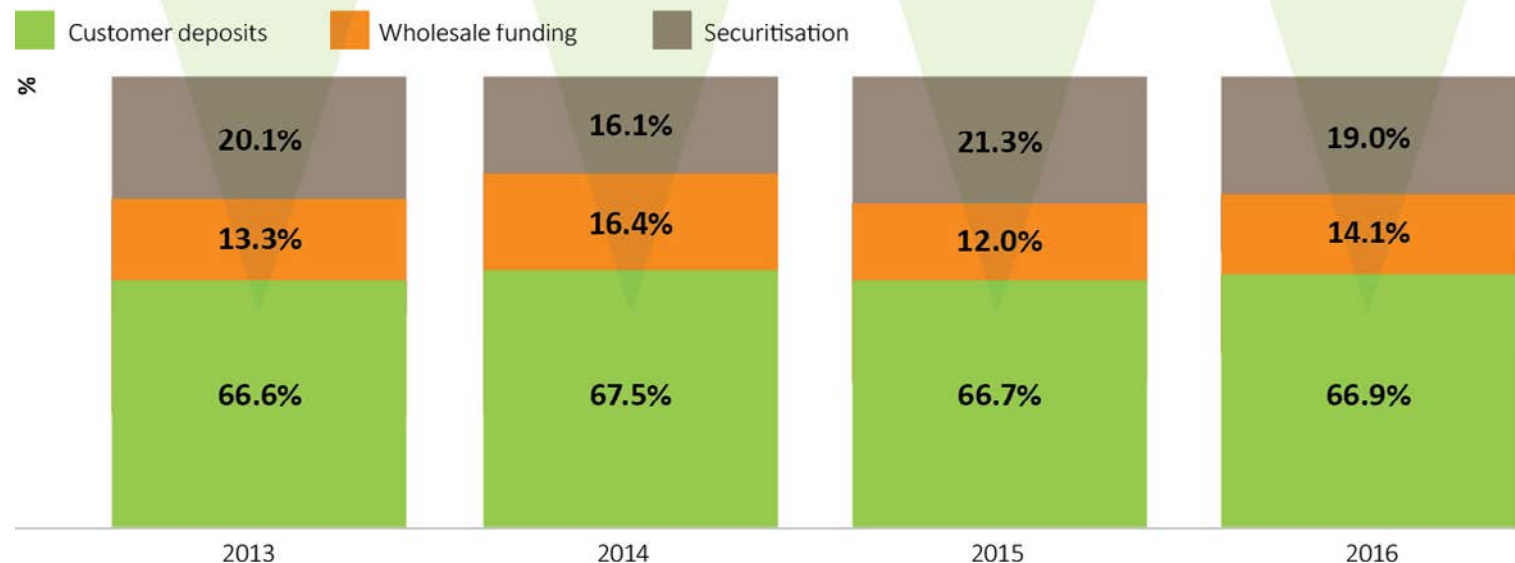
# A stable funding mix supported by growth in customer deposits

MTN program provides further funding diversification and tenor.

## Customer deposits



## Funding mix

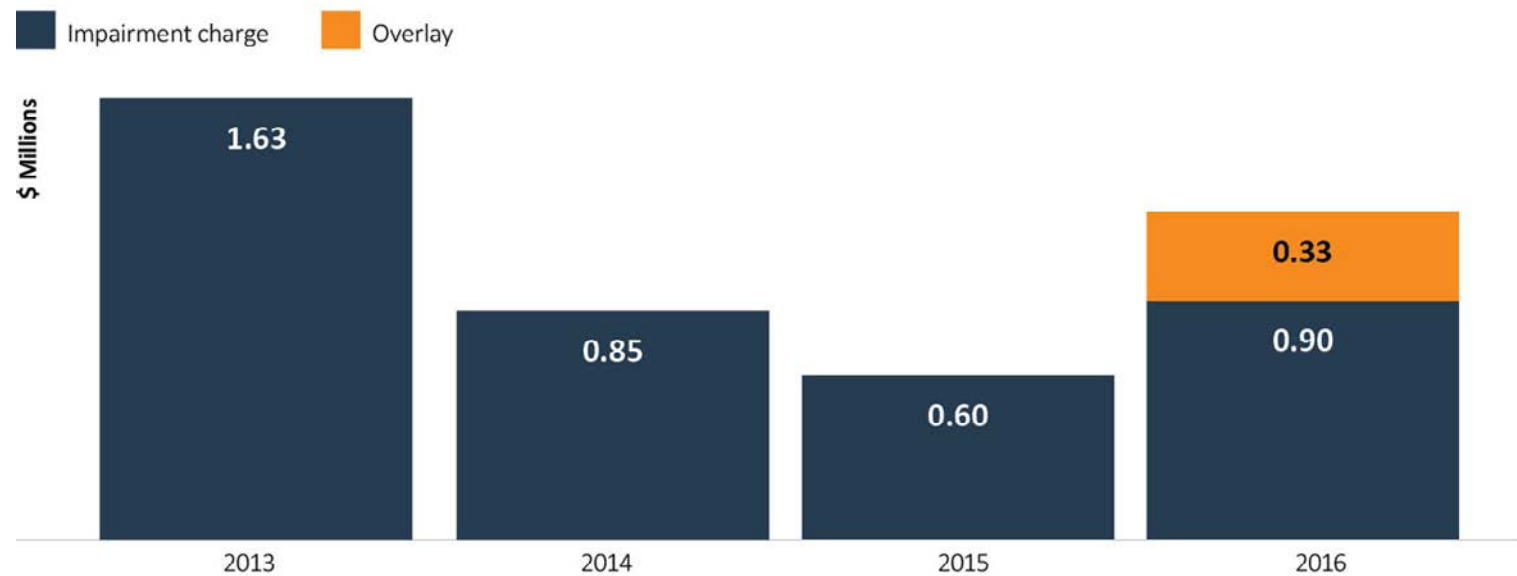


# Exemplary credit performance maintained

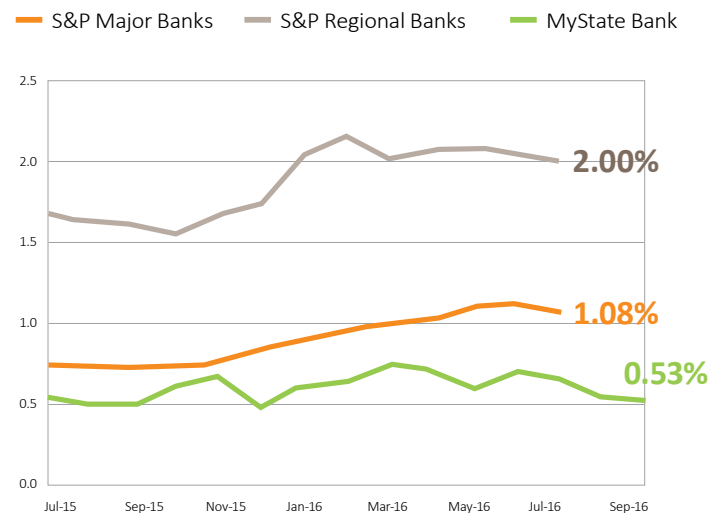
Management overlay applied as a prudent measure as loan book continues to grow.

Arrears still well below peers.

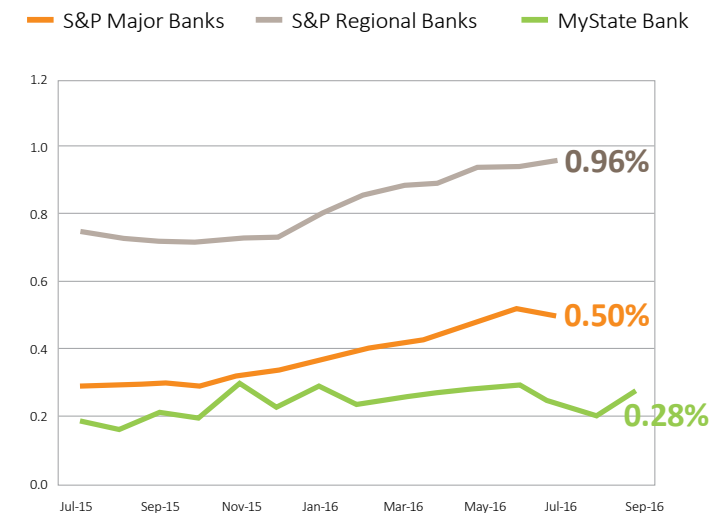
## Impairment charge (\$m)



## 30+ day S & P Arrears Data

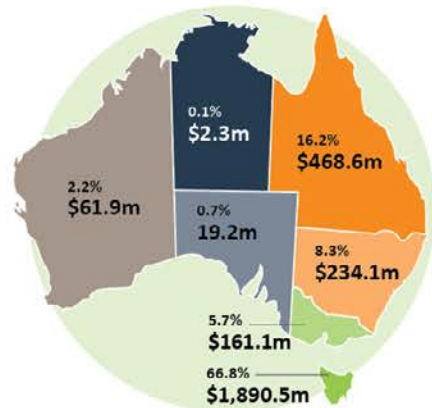


## 90+ day Arrears S & P Data

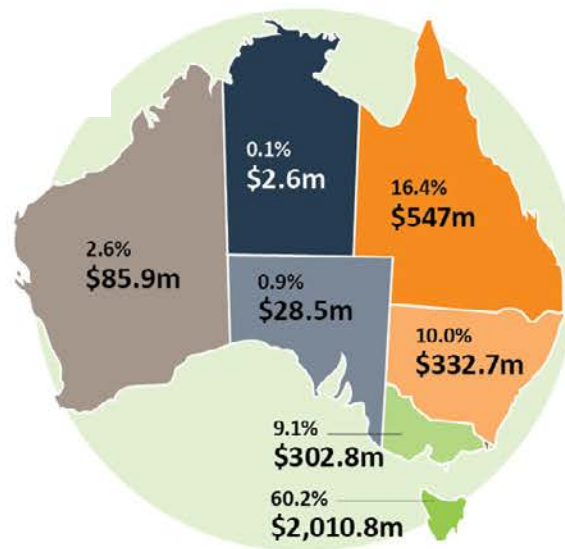


# Continued geographic diversification with NSW and VIC making nearly 1/4 of the home loan book

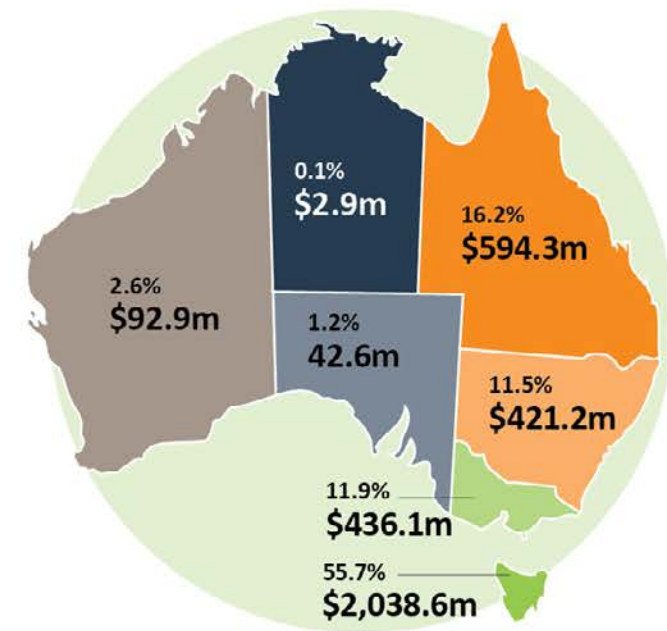
June 2014



June 2015



June 2016

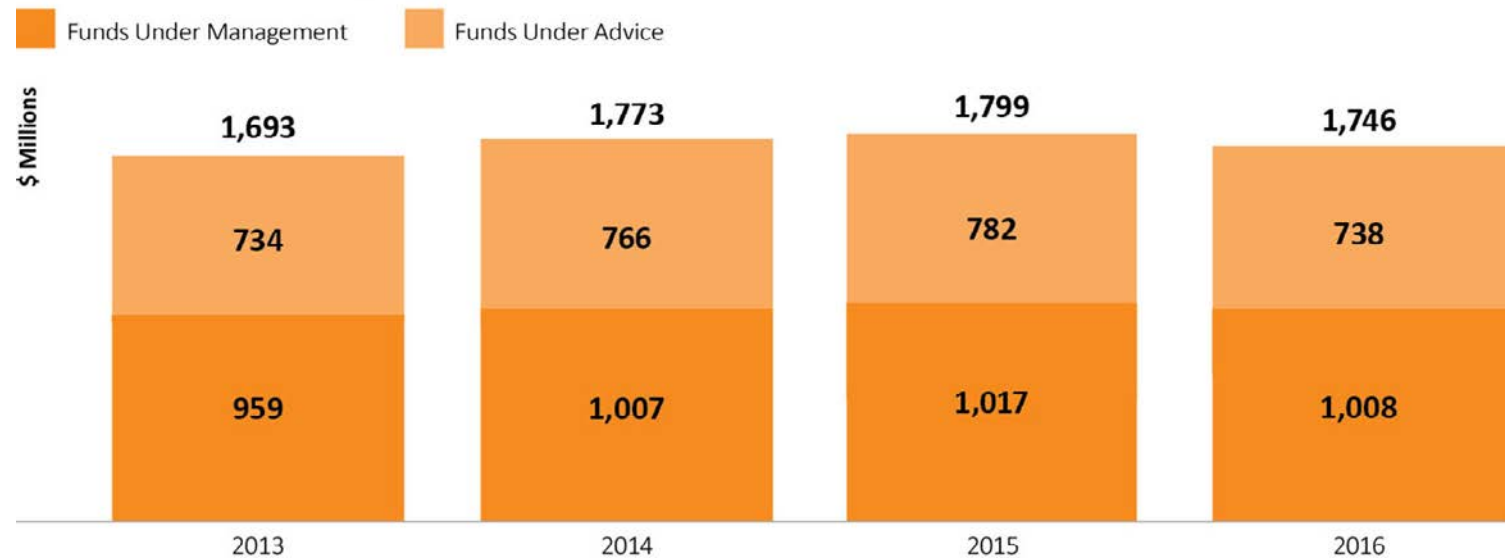


| State | 2 year CAGR |
|-------|-------------|
| VIC   | 64.5%       |
| SA    | 49.0%       |
| NSW   | 34.1%       |
| WA    | 22.5%       |
| QLD   | 12.6%       |
| NT    | 12.3%       |
| TAS   | 3.8%        |

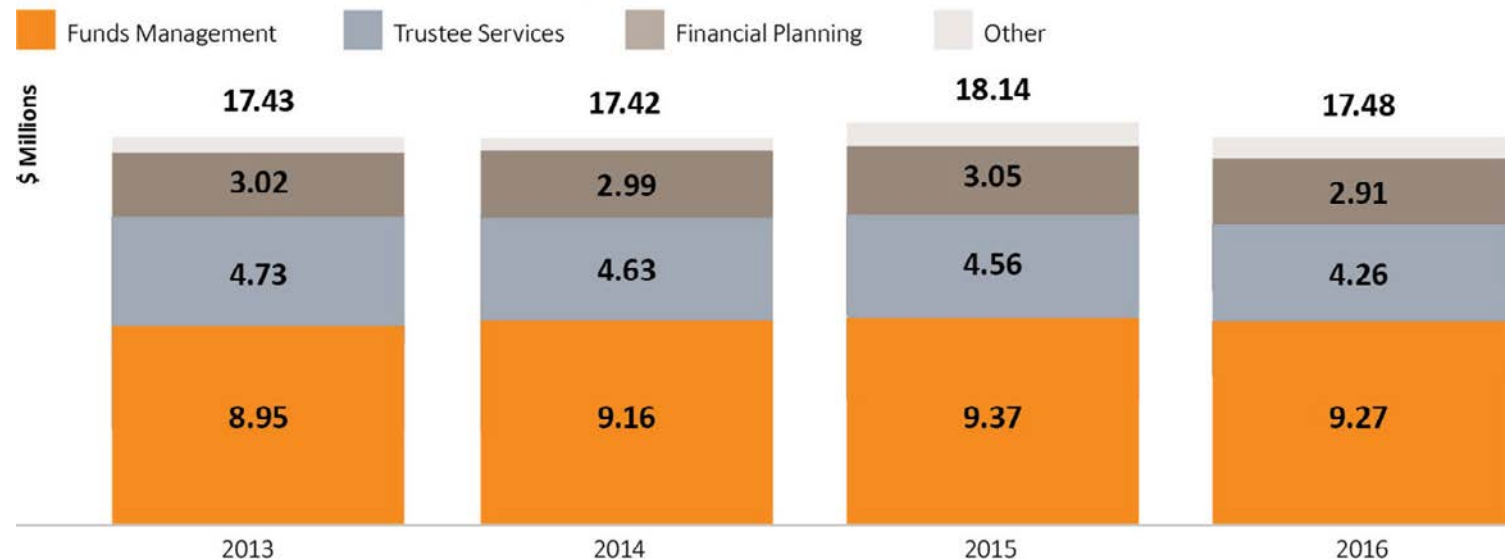
# Wealth business steady, with opportunity to grow

Deepening relationships across the entire business.

## FUM and FUA stable (\$m)



## Modest decline in wealth revenue (\$m)



# Continued improvement in the Tasmanian economy

The Tasmanian economy continues to see a modest lift in momentum:

- Growth in household consumption, retail sales, private investment, international tourism and exports.
- Retail sales growth continues to outperform the national average; improved consumer confidence.
- Tasmania's international tourism visitors increased 13% year on year to June 2016, highest of any State.
- Private capital expenditure remains strong, with Tasmania performing well compared to the national average.
- Hobart remains the most affordable capital city, with the lowest rental vacancies and highest rental yields.
- First home buyer finance commitments grew faster than the national average.



# Personalising MyState's branch services

**MyState and The Rock  
appointing 17 branch  
managers nationally.**

- MyState appointed 17 new Bank Managers across MyState's and The Rock's branches in Tasmania and Central Queensland.
- Ensures our customers have access to an 'in the branch' decision-maker who knows them, and the local community.
- Our bank managers will be responsible for lending, with greater local accountability and authority; able to create local business plans for their communities.
- This provides MyState with 'on the ground' leadership, helping us to strengthen customer relationships.



# MyState in the community

Being part of the community supports our purpose as a company.

Sponsorships include the MyState Wooden Boat Festival, Hobart Hurricanes, Stan Siejka Cycling Classic, CQ Capras QRL team and Agfest.

MyState Foundation has distributed \$1.5 million through 249 grants since 2001.



# Economic and regulatory outlook

## Changing industry dynamics.

**Modest growth outlook across the sector with margin pressure continuing.**

**High regulatory change and industry oversight continues.**

- Australian economic outlook tempered by global uncertainty and low inflation.
- Historic low interest rate environment likely to remain.
- Housing credit growth outlook stable.
- Constrained investor lending growth with continued strong competition for owner occupier lending causing margin pressure in the sector.

- Inequity between the capital requirement of small and large banks only partially addressed since Murray report.
- International developments likely to lead to higher investor loan risk weights.
- Regulation driving increased competition for stable funding sources – particularly from larger banks.
- Customer deposit funding costs likely to remain elevated causing significant margin pressure in the sector.

# Building a platform for continued profitable growth

## What we've achieved:

- Loan book growth well above peers.
- MTN program.
- New loan origination system.
- Merged ADIs.
- Significantly improved capability.

## What we're currently working on:

- Internet, mobile & digital banking, and contact centre system.
- Product rationalisation, consolidated core systems and data centres.
- Analytics, CRM and data warehouse.
- Process simplification.

## What's to come:

- Continued investment in technology and simplification to improve and streamline services to customers.
- Opportunity to build wealth products and distribution.
- Build out marketing and CRM capabilities.
- Continue to investigate M&A opportunities.

**Underpinned by Risk, Credit and Capital Management**