June 2017



Wilsons Rapid Insights Conference

MyState LIMITED

Agenda

1 **Overview and Strategic Landscape**
Melos Sulicich
CEO & Managing Director

2 Financial Results
David Harradine
Chief Financial Officer



The MyState Student Film Festival is Tasmania's premier youth artistic event.

Overview

High quality loan book with NIM and ROE ahead of peers

Significant continuing organisational transformation

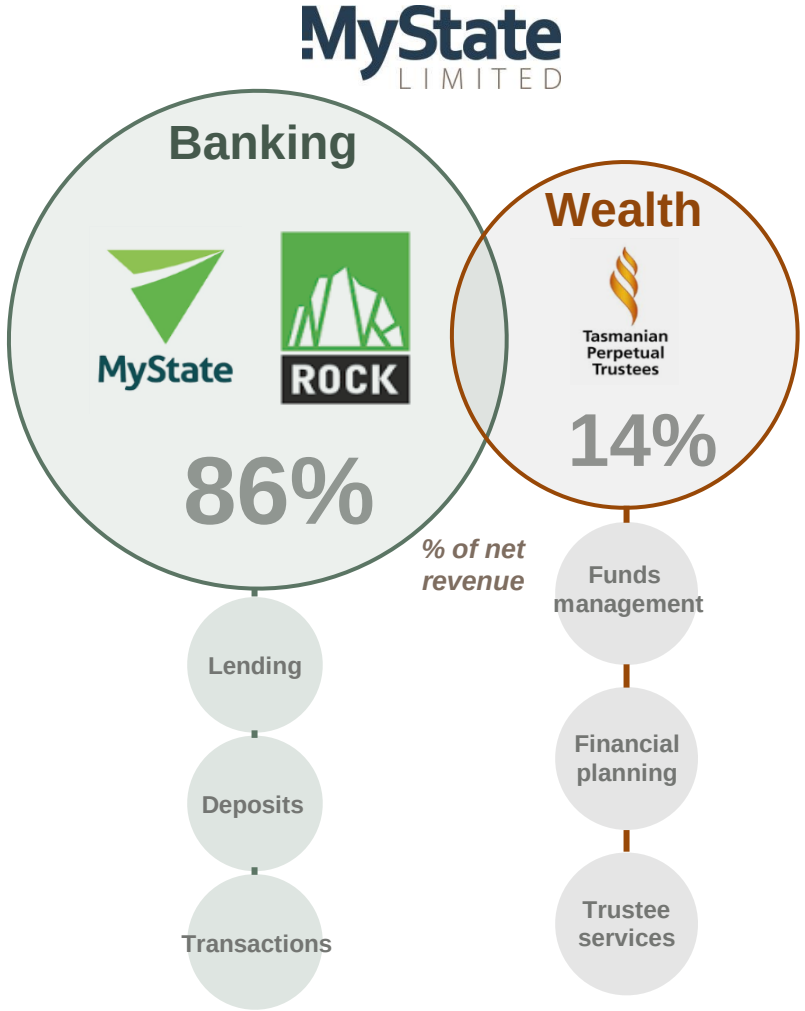
- Momentum in loan book growth, particularly in lower risk segments
- Exemplary asset quality and credit performance
- Disciplined execution on strategy with Transformation Program well underway, providing a platform for further growth and productivity improvements
- New internet and mobile banking platform plus Apple Pay and Android Pay launched

Introduction to MyState

- **ASX 300** listed company
- Regulated by **APRA**
- **Licensed** as a bank
- Market capitalisation **$420m***
- **BBB** credit rating

MyState is a leading Australian regional bank headquartered in Tasmania with Banking and Wealth operations





*As at 25 May 2017

Corporate history and share price



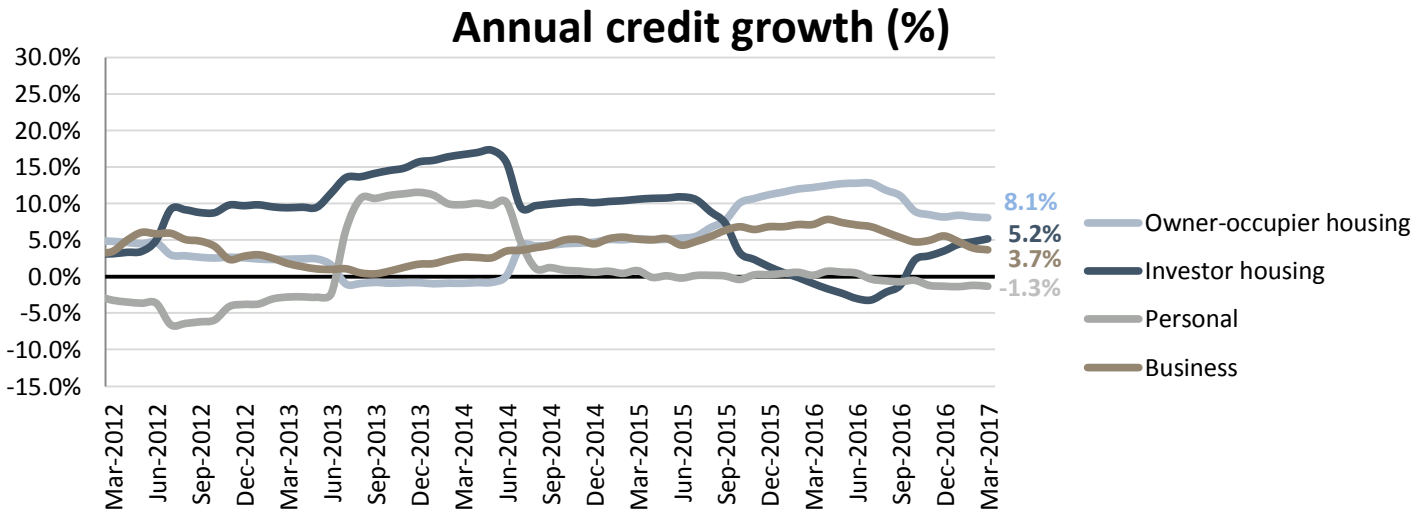
Banking landscape

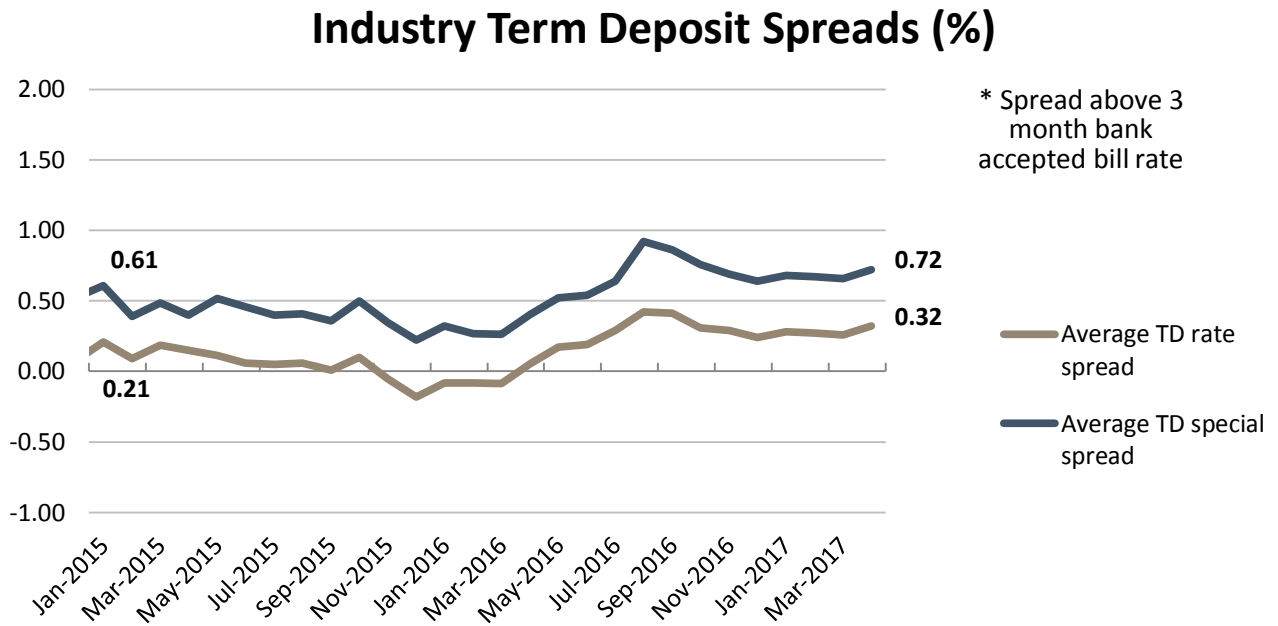
Strong competition in lending and deposits in 1H17 which has eased

Housing credit growth was strong over the year to March 2017, at 6.5%

Investor housing credit growth rebounded over the same period, but has since subsided

Industry term deposit spreads peaked in 1H17 with elevated spreads continuing





Source: RBA

Delivering on our strategic goals

OUR PURPOSE

To help people achieve their dreams

OUR MISSION

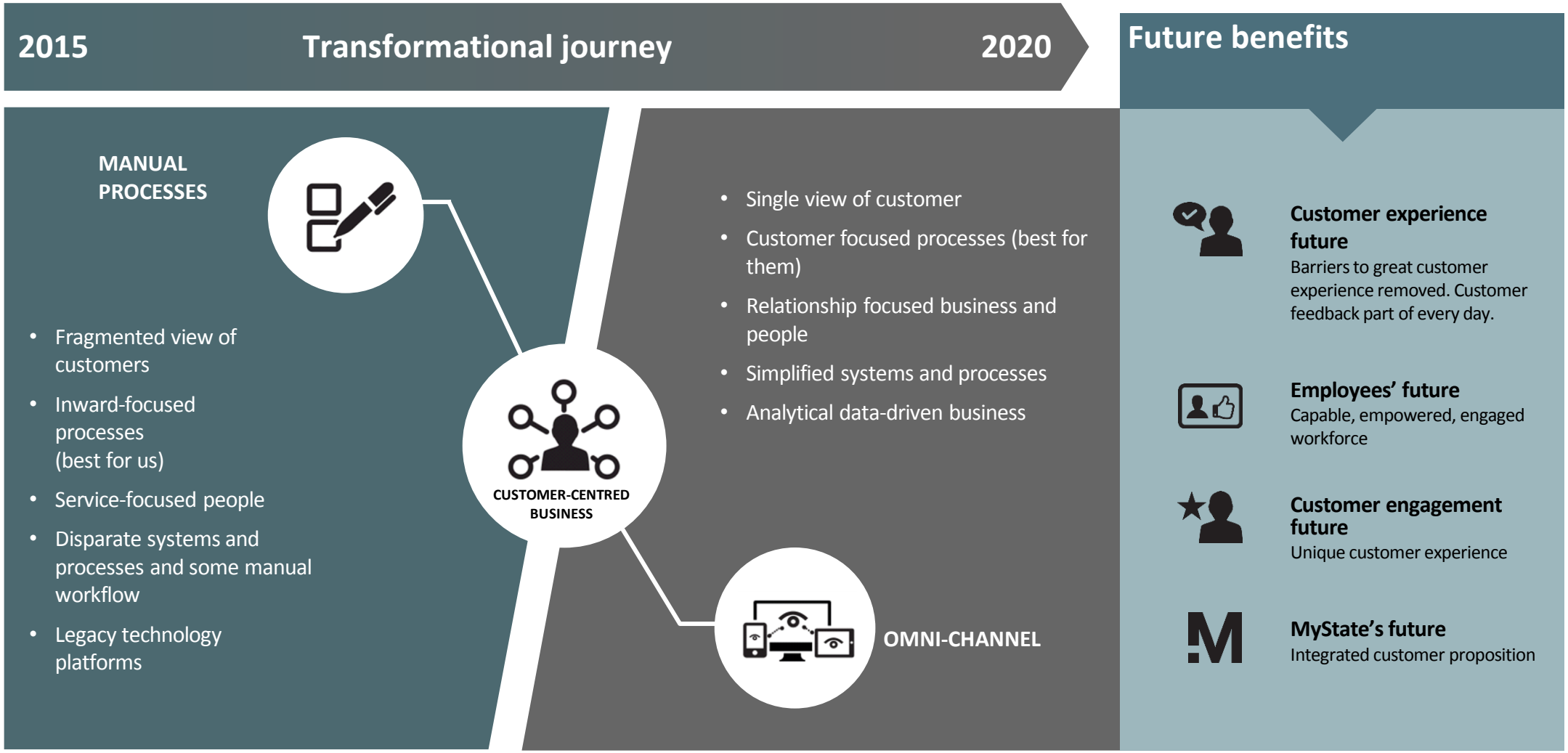
Make financial services simple and trustworthy

OUR VISION

To make a genuine difference to our customers and communities every day

GROW	Growth in our revenue drivers	• $4b+ loan book with home loans growing at around 2x system • Modest revenue growth in a challenging environment • Strong and stable customer deposit growth • Repricing of loan pools to support revenue
SIMPLIFY	Simplifying processes for third party and direct channels	• Consolidating data centres and core banking systems • Lean approach to simplifying processes • Customer experience and productivity focus • Improving application turnaround times is a constant focus
STRENGTH	Capital ratio and arrears levels maintained	• Sustainable growth in lending and customer deposits • Growth in low LVR and owner-occupied lending providing both capital and credit quality benefits • Strong and broad investor support for recent $400m RMBS issuance, the largest issuance in the CONQUEST program
RELATIONSHIPS	Better broker and customer engagement	• GM Banking, Sales and Service appointed to further retail banking focus • Dedicated GM Broker to further build national growth platform • Genesys contact management system to enhance customer experience • Increased brand presence and community engagement
TRANSFORM	Transforming capability	• Combined core banking systems into Single Core • IB and mobile banking implemented for MSB and Rock • CRM phase 1 launched • Investment in digital systems and analytical capability • Payment innovation through Android Pay and Apple Pay • Progressing well with New Payments Platform

Our transformation roadmap



MyState's digital transformation

Lendfast and Apply

Introduce a **web-based origination system** for customers to open accounts or lodge personal loan applications.

COMPLETED: APRIL 2017

CRM

stage 1

Implemented **automatic marketing and campaign management capabilities** for marketing staff.

COMPLETED: APRIL 2017

IB and Mobile

Replace **the current IB systems and mobile apps**, allowing for the integration of mobile wallets and the New Payments Platform (NPP).

COMPLETED: MAY 2017

Single Core

Enhance MyState BaNCS system to service **The Rock and MyState** customers on a **SINGLE CORE.**

COMPLETED: MAY 2017

Genesys

Replace **the current customer service system** to deliver inbound voice, inbound email and webchat services.

ON TRACK: JUNE 2017

New Payment Platform

Allow **real-time payments** to be made using a customer's mobile number or email address.

ON TRACK: OCTOBER 2017

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MyState's vision is to make a genuine difference to our customers and communities everyday.



Most recent financial results (1H FY17) - overview

MyState's Market Cap
$420m*

NPAT growth and maintained EPS despite sectoral headwinds

Net profit after tax: **$15.2m**	▲	**0.7%**	Home loan book: **$3.94b**	▲	**15.0%** 2.4x system
Customer deposits: **$2.93b**	▲	**16.0%** 1.6x system	Total assets: **$4.4m**	▲	**8.2%**
Earnings per share: **17.3cps**	▬	Steady	Capital adequacy ratio: **13.0%**	▬	Steady
Common Equity Tier 1 ratio: **10.9%**	▼	**-50bps**	Net interest margin: **1.94%**	▼	**-18bps**
Cost-to-income ratio: **66.4%**	▲	**240bps***	Return on equity: **10.2%**	▼	**-20bps**
30-day arrears: **0.54%**		Well below industry averages			

*36bps increase excluding significant M&A project costs (refer to slide 21)

*As at 25 May 2017

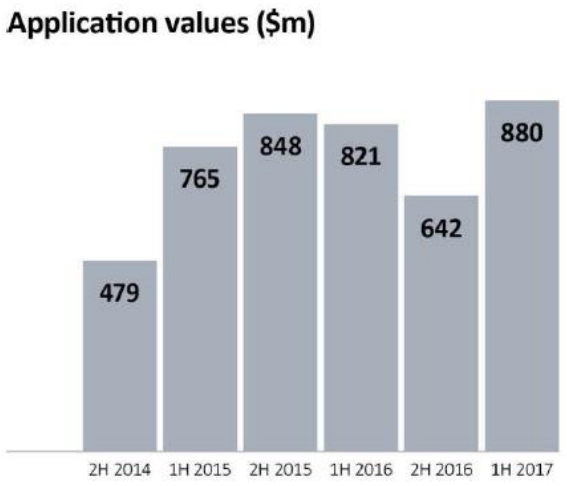
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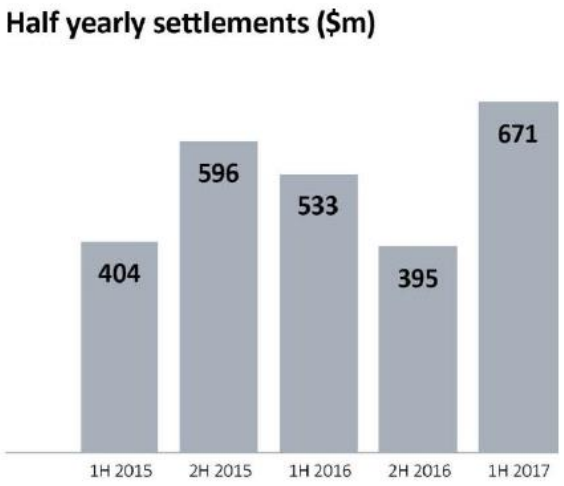
Applications and settlements maintained at higher levels

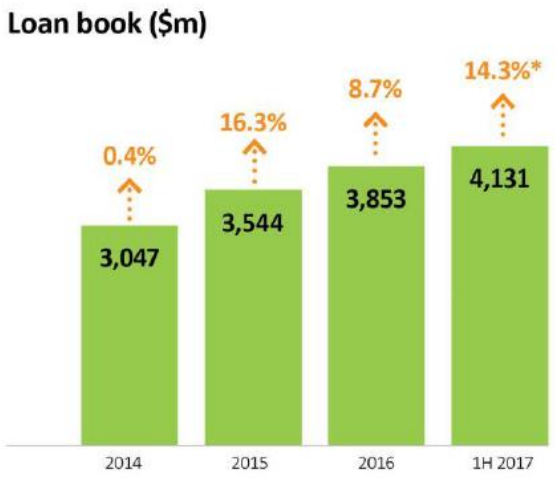
Strong broker and retail relationships reflected in settlements growth

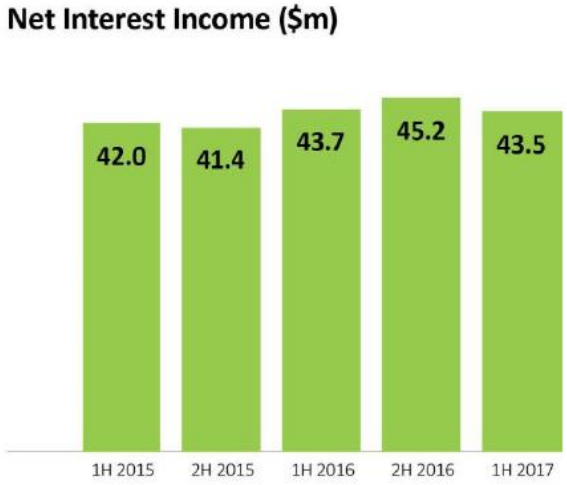
1H 2017 settlements exceeded pcp by 26%. Home loan book growing at 2.4x system

Increased conversation rate of applications reflects higher service levels and operational efficiency







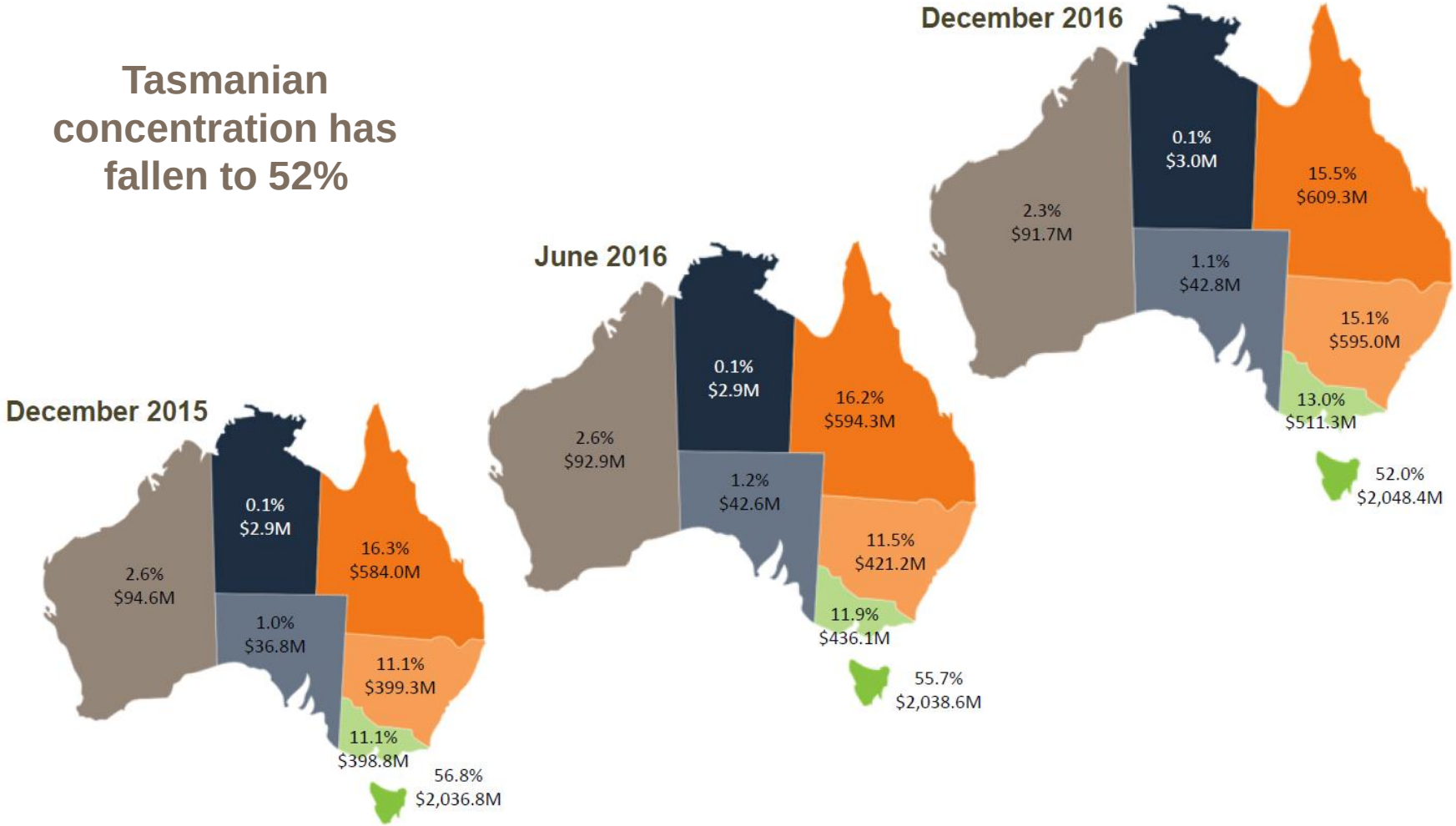


*Annualised growth rate

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Continued geographic diversification

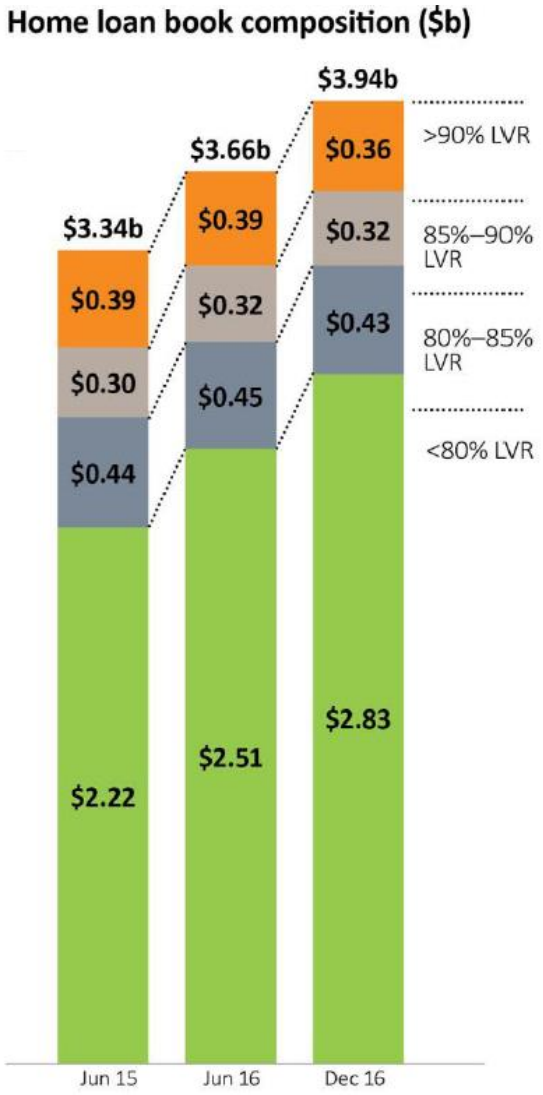
Tasmanian concentration has fallen to 52%

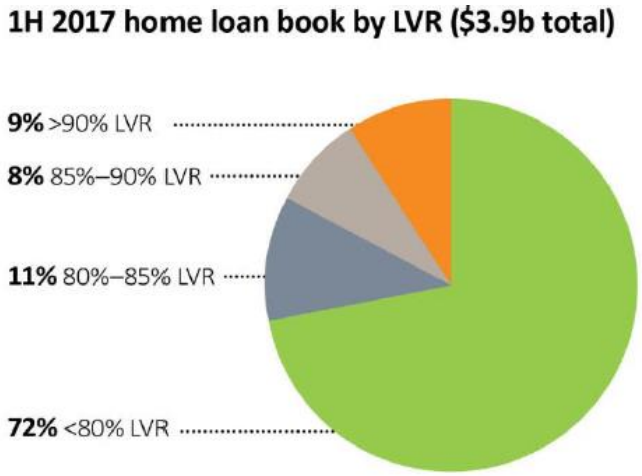


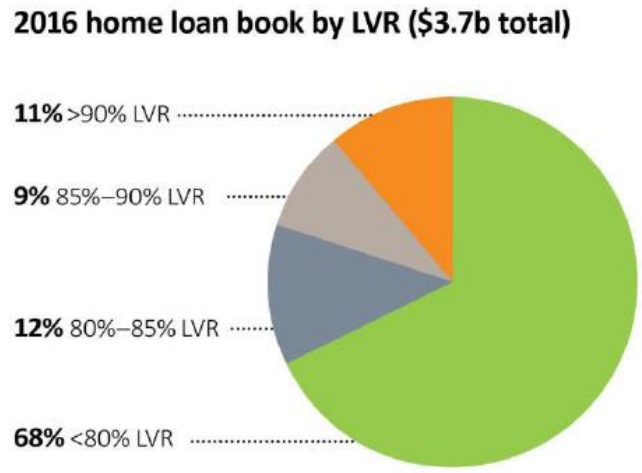
Low LVR growth strategy

Growing in a low risk manner is a strategic imperative

1H17 growth entirely from <80% LVR lending





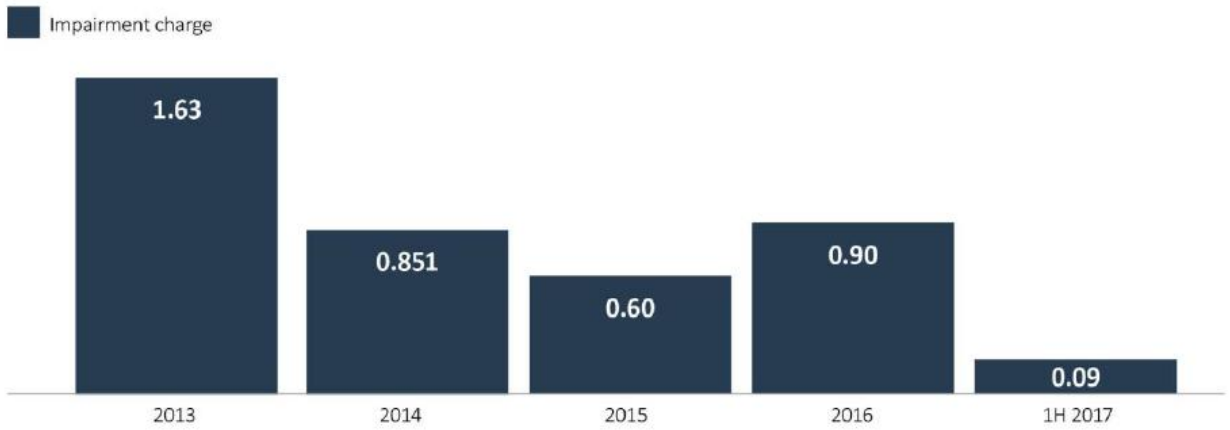


Credit performance continues to be at an industry leading level

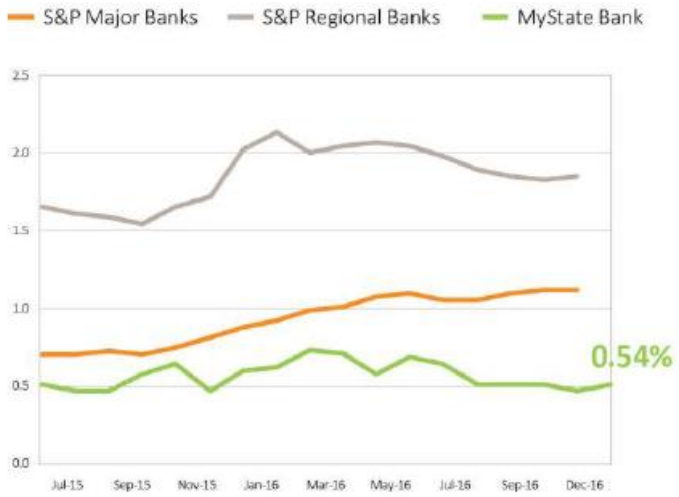
Outstanding arrears performance

Impaired assets at 4bp of loan book

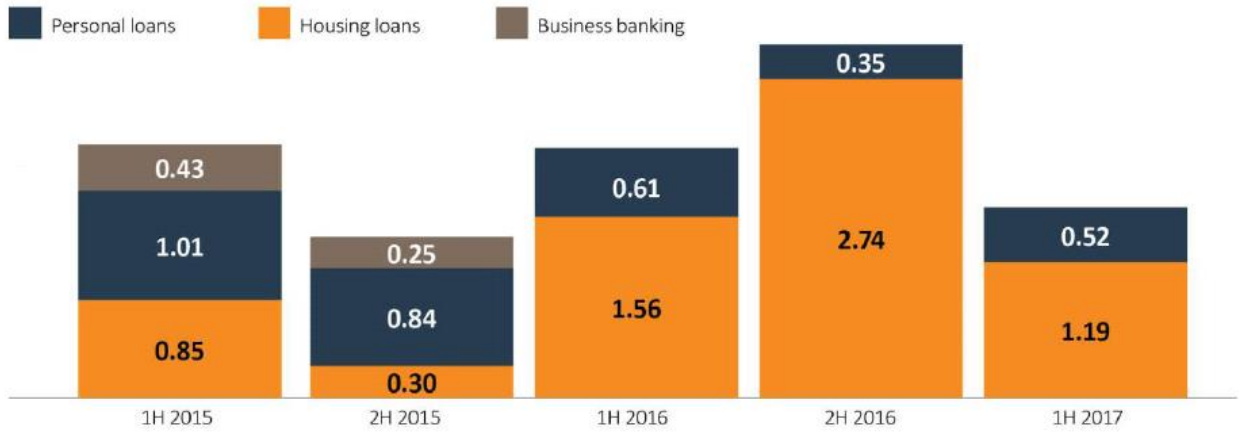
Impairment charge ($m) excluding management overlay



30+ day arrears remaining well below peers



Impaired assets 4bps of the loan book ($m)



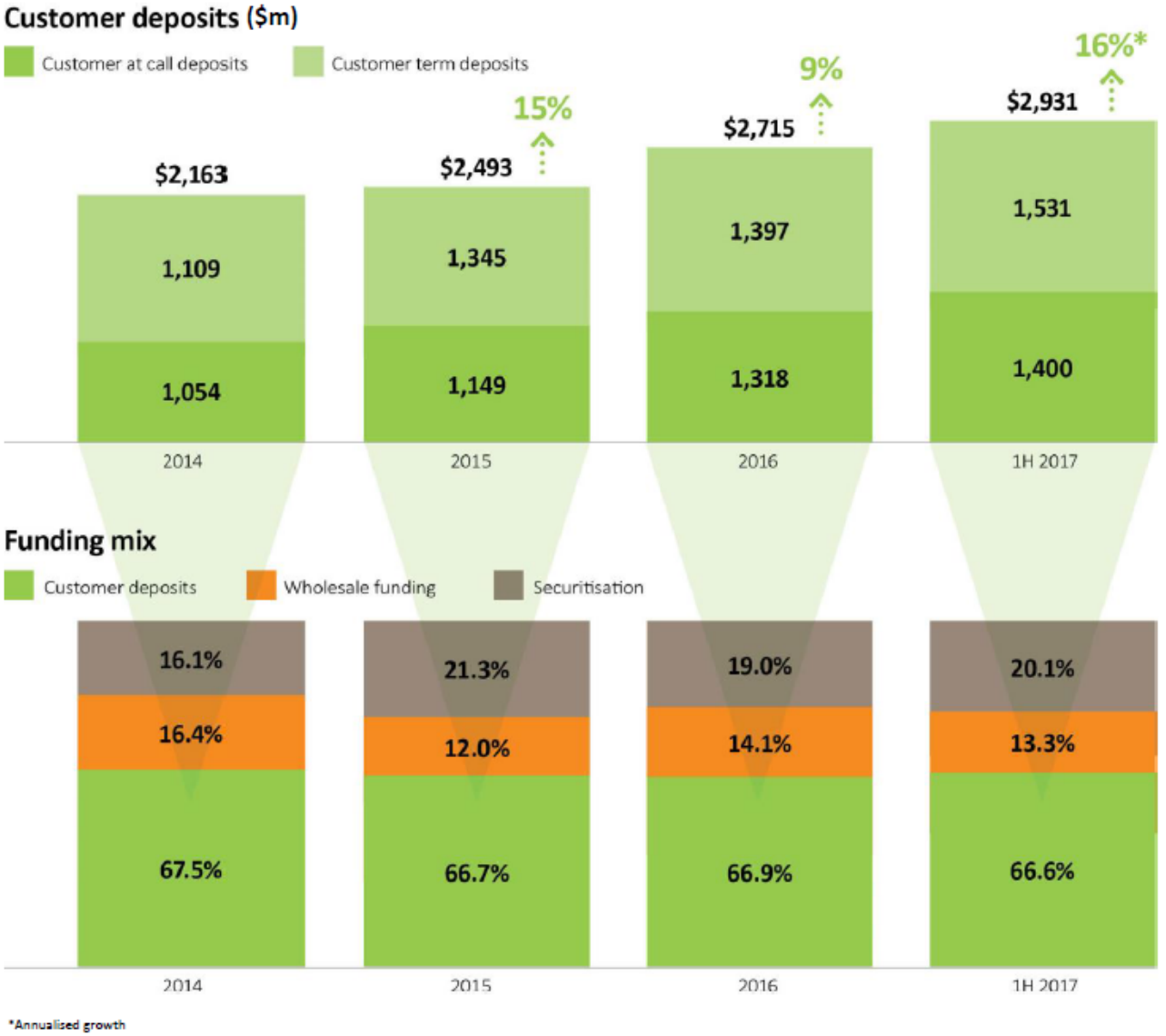
Overview of MyState funding

New online *'eSaver'* product attracting significant depositor funds with limited marketing.

Customer deposits underpin strong and stable liquidity.

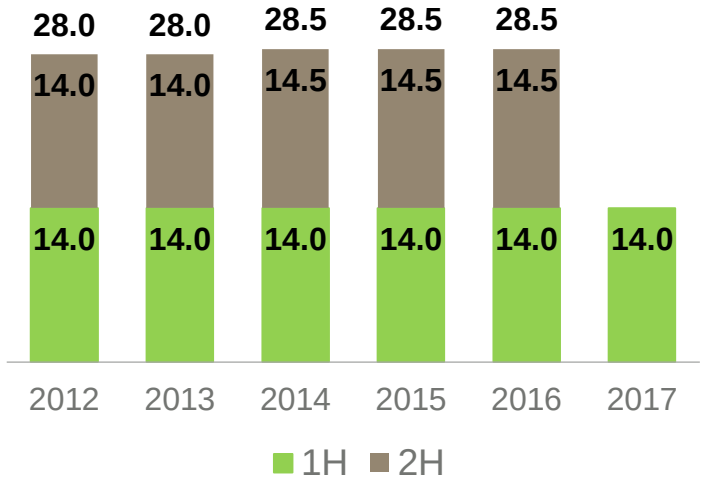
Continued funding diversification through wholesale funding and securitisation whilst maintaining balance sheet strength.

Strong investor demand for CONQUEST 2017-1 $400m RMBS following from a successful RMBS trade in November.

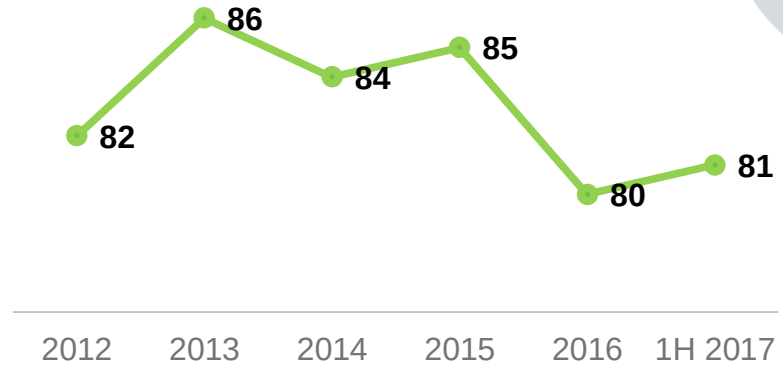


Strong and consistent returns to shareholders

Dividends (cps)



Underlying ordinary dividend payout ratio (%)

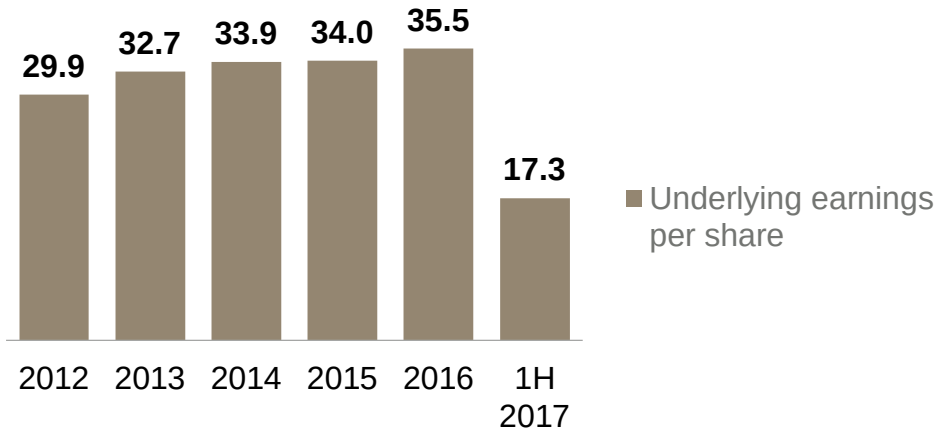


High dividend yield

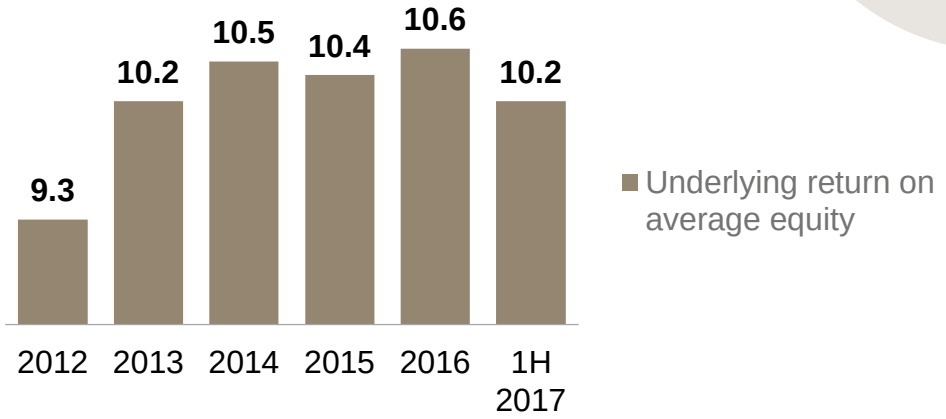
Fully franked dividends

Maintain or increase nominal dividend

Earnings per share (cps)



Return on average equity (%)



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Wealth

The Wealth business delivers traditional trustee services, financial planning and advice, and investment management

- Stabilise and grow existing revenue whilst building out new revenue streams
- Leverage income fund capability through specialist offering into growth markets
- Continue active will reviews and acquisition of quality clients
- Improve productivity and quality in referral platform across the Group
- Broaden capability and embed strong client focused culture
- Targeted investment to enhance client experience and improve productivity



Delivering a platform for continued growth

What we've achieved:	What we're currently working on:	What's to come:
• Loan book growth well above peers • MTN program and sub-debt issuance • Recent $400M RMBS issuance with strong investor participation • New internet and mobile banking system as well as contemporary payments systems (Android and Apple Pays) • Phase 1 of CRM deployed • Aligned core systems • Ability to originate deposits and personal loans online • Stronger leadership team and capability	• Call centre system replacement • Product rationalisation • Process simplification and productivity enhancement • Analytics and CRM improvements • New Payments Platform	• Leveraging technology and simplification to improve and streamline services to customers • Wealth business product and distribution growth strategy • Build out marketing and CRM capabilities • Online origination for TDs and mortgages

Underpinned by Credit, Risk & Capital Management

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