

13-14 NOVEMBER 2017

# MyState

LIMITED





# Agenda

**Melos Sulicich**

CEO & Managing Director

- FY17 Result and Highlights
- Corporate History and Strategy
- Banking Business
- Wealth Business
- Sectoral and Economic Outlook
- Strategy for Continued Growth



*MyState are major sponsors of the Hobart Hurricanes*

# Highlights



**Executing on  
business  
transformation**

**Continuing to grow with  
NIM and ROE remaining  
above peers**

- ✔ Underlying NPAT below prior year due to NIM compression, with NIM and ROE remaining above peers
- ✔ Above system deposit and lending growth with excellent credit quality
- ✔ Strong and efficient capital strategy with multiple RMBS issuances and other capital instrument initiatives
- ✔ Large scale digital transformation to modernise and consolidate banking technology platforms executed well
- ✔ Productivity and efficiency prioritised to enhance customer experience and profitability

# FY2017 results<sup>1</sup>

**Above system  
lending and  
deposit growth**

**Full year dividend  
of 28.5cps and final  
dividend steady at  
14.5cps fully  
franked with DRP  
discount of 2.0%**

|                                                                                                                                                |                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Total income:<br><b>\$124.6m</b>  1.0%                       | Home loan book:<br><b>\$4.08b</b><br>1.6x system  11.3% |
| Customer deposits:<br><b>\$3.0b</b><br>1.8x system  10.1%    | 30-day arrears:<br><b>0.51%</b>  -19bps                 |
| Capital adequacy ratio:<br><b>13.3%</b>  25bps               | Net profit after tax:<br><b>\$30.1m</b>  -3.2%          |
| Earnings per share:<br><b>34.0cps</b>  -1.5cps              | Net interest margin:<br><b>1.93%</b>  -20bps           |
| Cost-to-income ratio:<br><b>65.9%</b>  270bps <sup>2</sup> | Return on equity:<br><b>10.0%</b>  -62bps             |

1: FY2016 results presented on an underlying basis with removal of \$1.0m post tax software write down and \$1.8m post tax significant due diligence project costs

2: 60bps increase on FY16 excluding significant M&A project costs

## Corporate history and share price



# Strategic overview

## MyState's strategy



The **needs** and **expectations** of customers are changing and technology is opening opportunities to **attract** and **serve** new customer segments across Australia.



MyState is making **significant investments** in **technology** and changing the way we **think** and **operate** to thrive in this future.



This combination of **customer centricity** and **technology investment** and continued improvement is the key to MyState's **future success**.

**MyState's strategy** is underpinned by **5 strategic goals**, focused on how MyState plans to:



Grow



Simplify



Strengthen



Build  
Relationships



Transform the  
Business

## MyState's transformation

**Lendfast and Apply**

COMPLETED: APRIL 2017



**CRM stage 1**

COMPLETED: APRIL 2017



**Single core**

COMPLETED: MAY 2017



**IB and mobile** (incl. Apple, Android & Samsung Pay)

COMPLETED: MAY 2017



**Contact centre system**

COMPLETED: JUNE 2017



**New Payment Platform**

ON TRACK: END OF 2017



## Future benefits

Customer  
growth and  
service  
improvement

Cost and  
efficiency gains

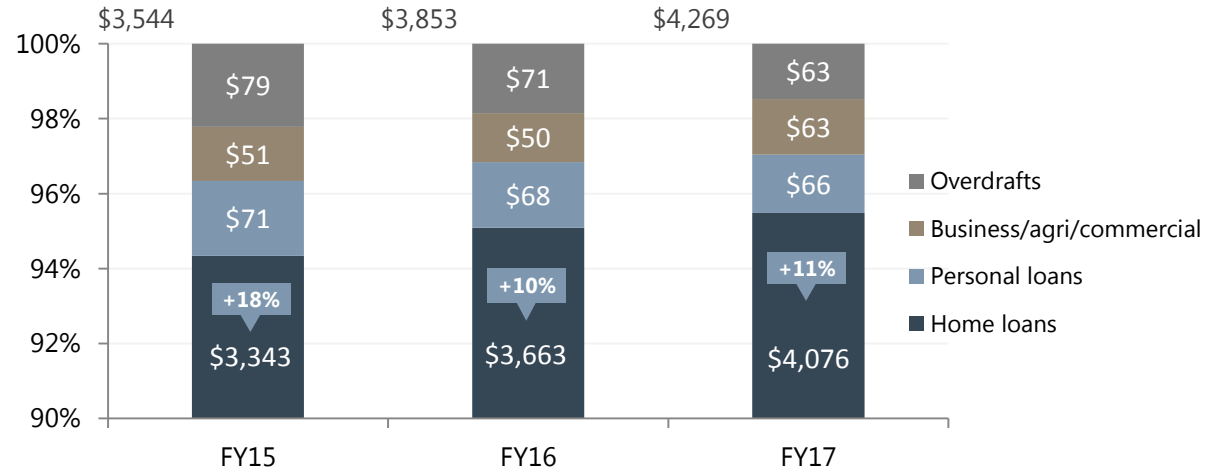
Improved  
earnings

# Loan book

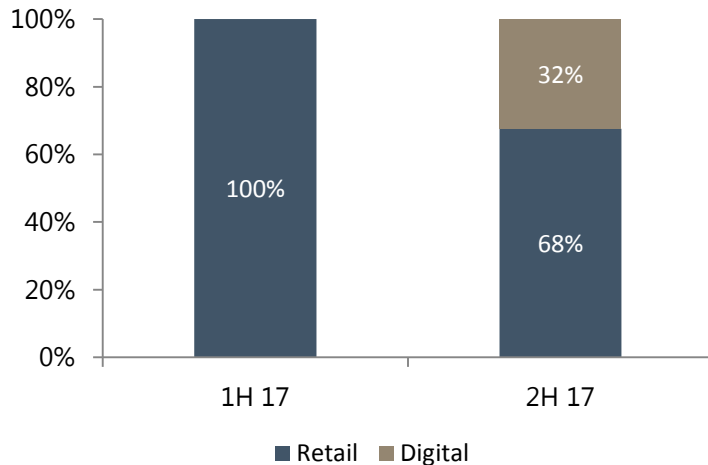
**Total loan book  
growing at 1.8 times  
system**

**Improved service  
proposition driving  
higher conversion  
to settlement**

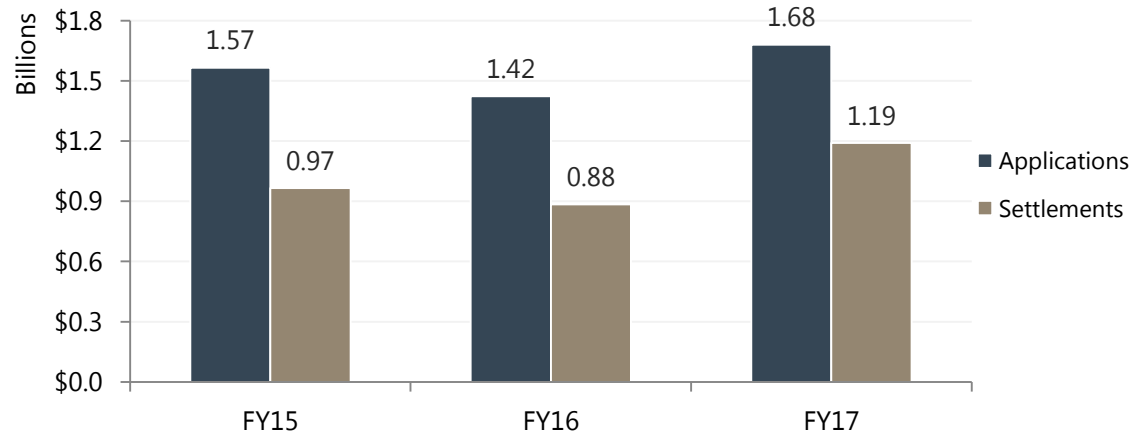
Total book – composition (\$m)



Total Personal Loan Applications FY17

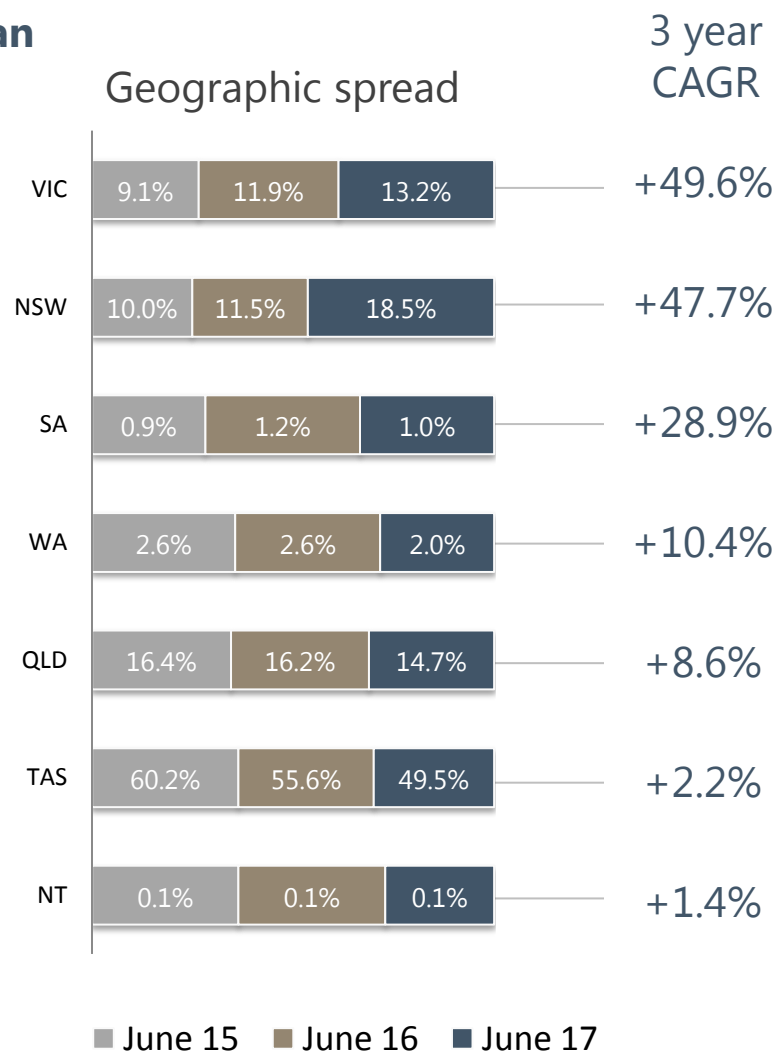
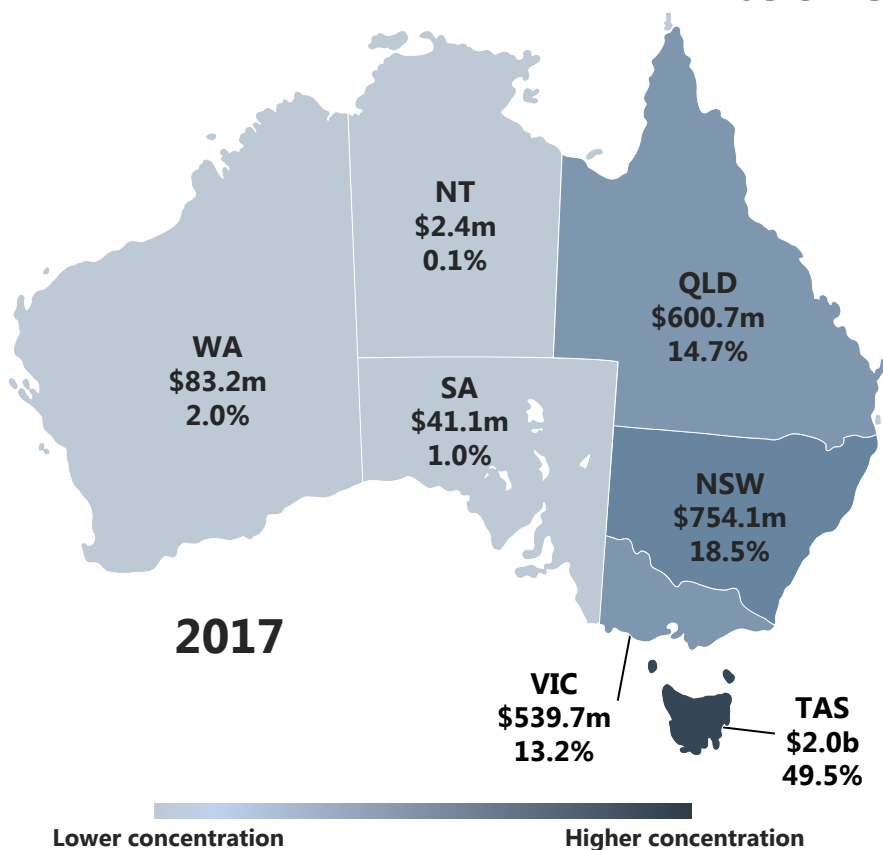


Home loan book – applications and settlements



# Geographic loan book spread

**Continued loan book spread with Tasmanian concentration below 50%**



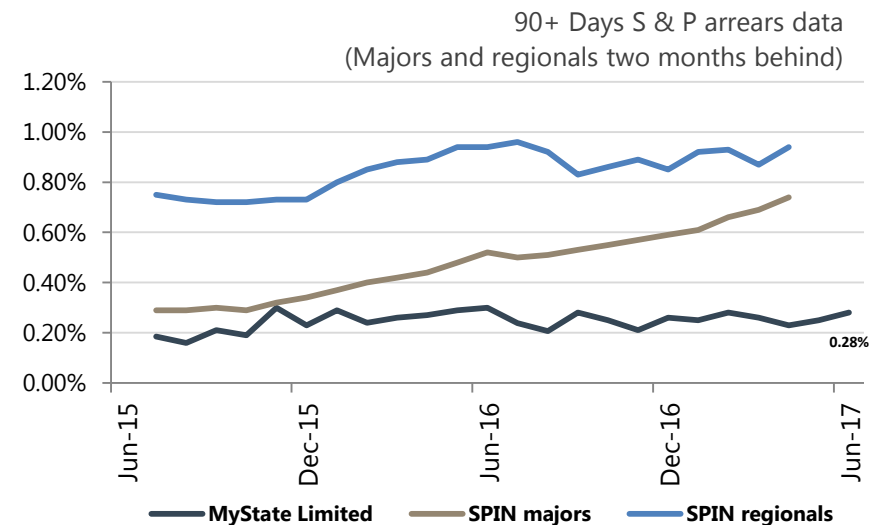
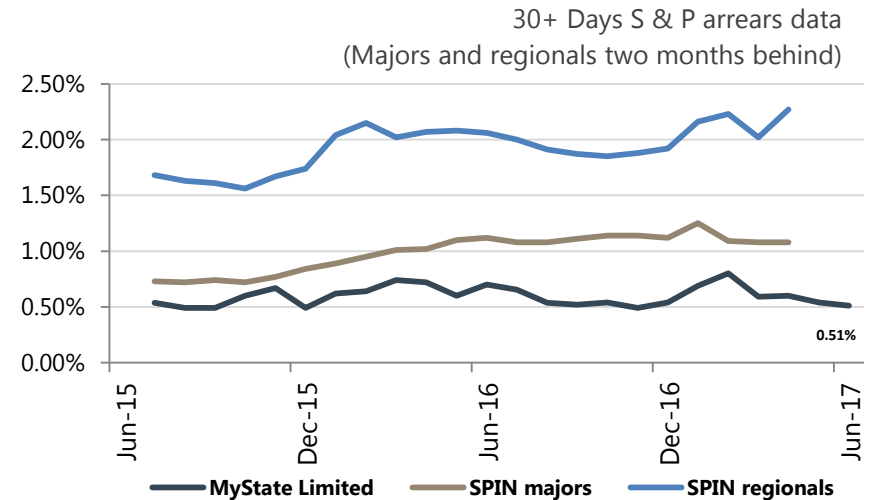
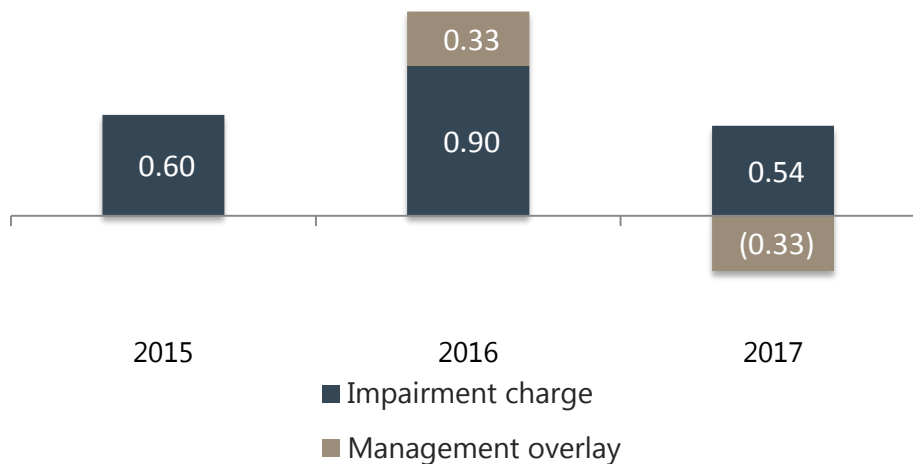
# Credit quality

**Credit quality remains excellent**

**Historically low impairments**

**30 day arrears performance improved in FY17 and remains well below industry**

## Impairment charge (\$m)



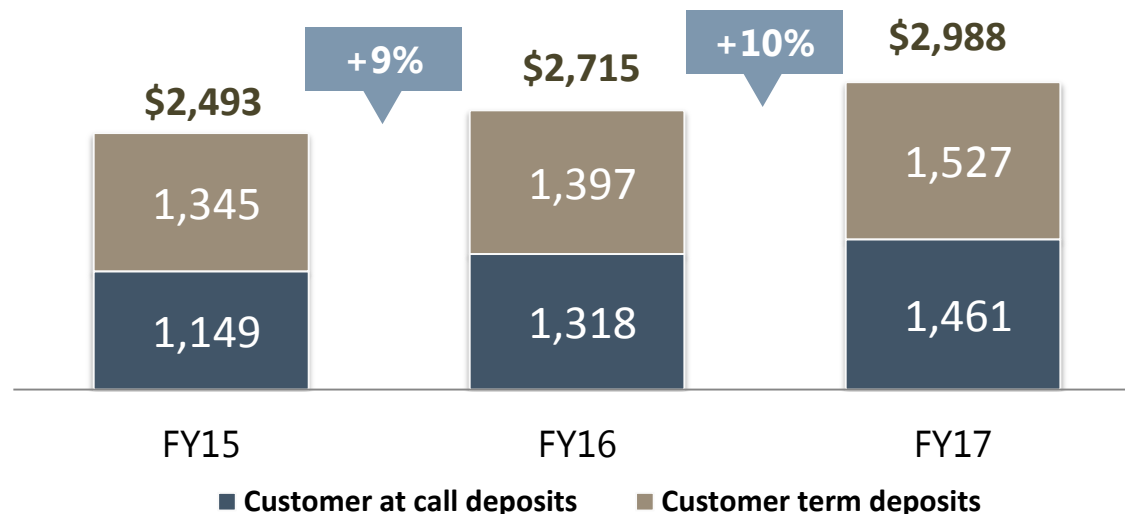
# Funding

**Moody's rating Baa1/P-2  
with stable outlook**

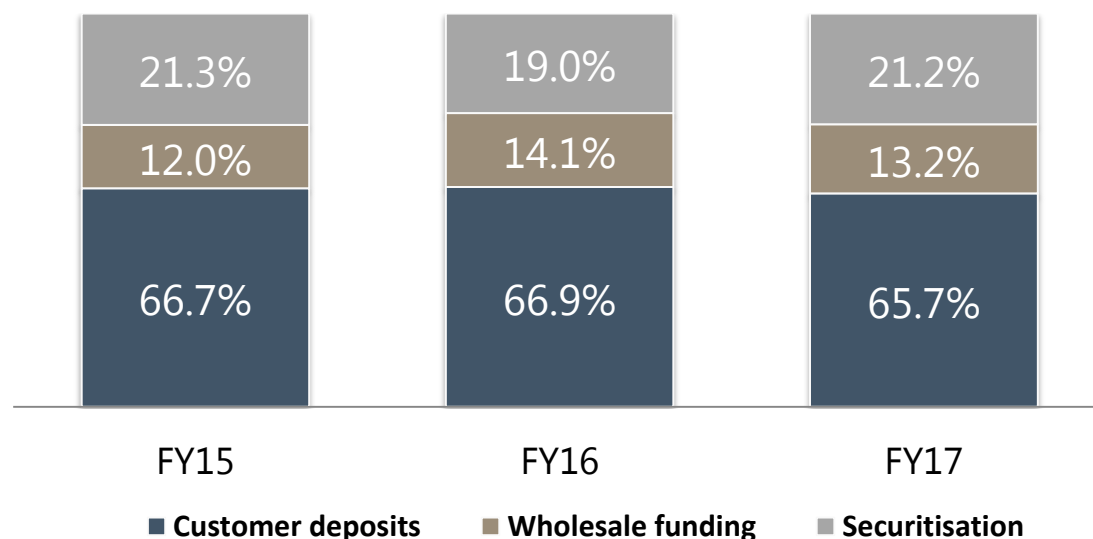
**eSaver product successfully  
launched in 2H17 enabling  
customers to open  
accounts and deposit  
money from anywhere**

**Multiple RMBS issuances  
with further issuance of  
sub-debt supported by  
broadened investor base**

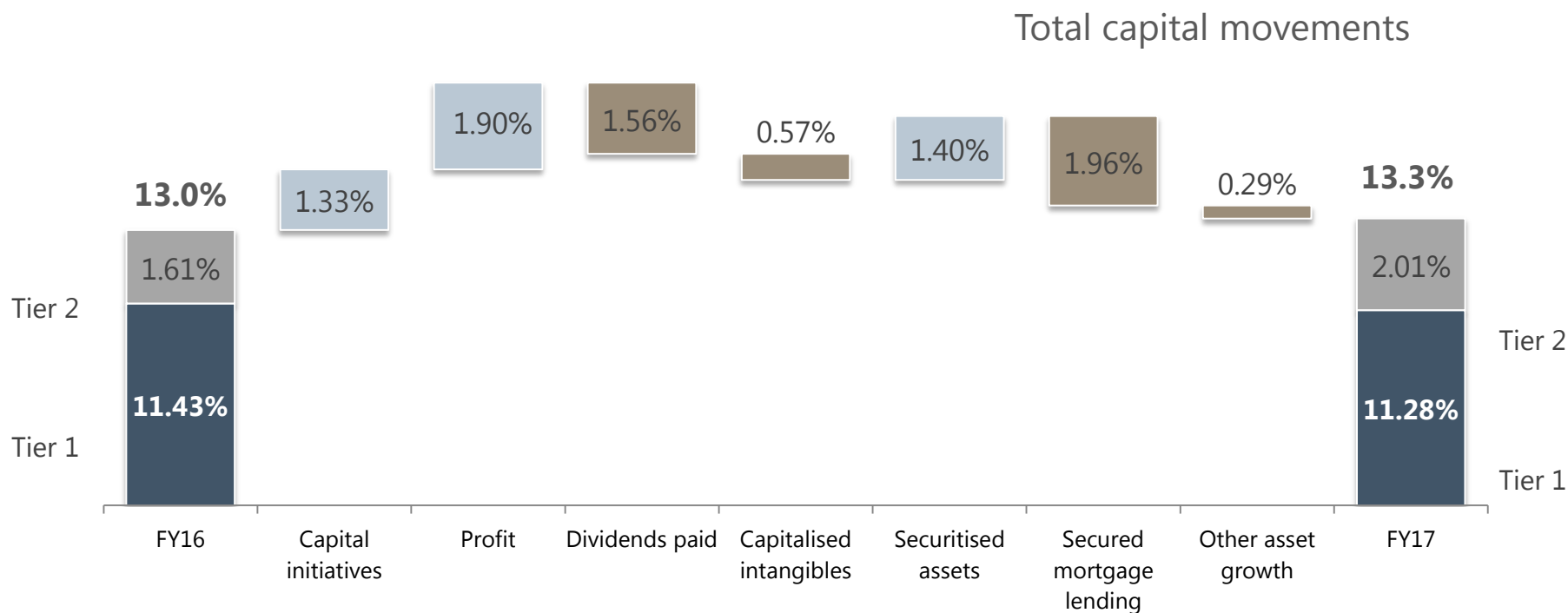
Customer deposits (\$m)



Funding mix



# Capital



**Strong and effective capital strategy underpinning growth and digital banking platform investments**

## Capital initiatives in FY17:

- \$10m sub-debt issuance in September 2016
- \$300m RMBS issuance in November 2016
- Partial DRP underwrite in February 2017
- \$400m RMBS issuance in June 2017

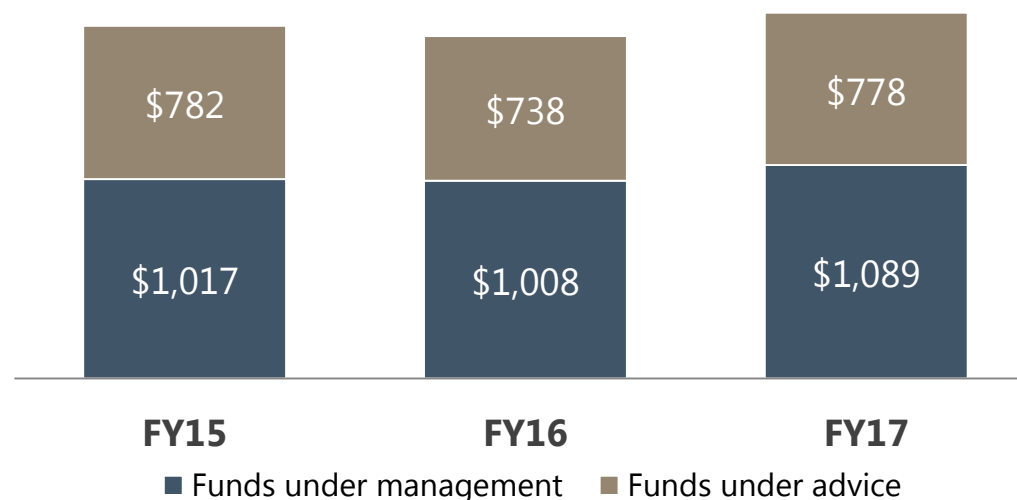
# Wealth Division

**Funds under Management growth of \$81m (+8%)**

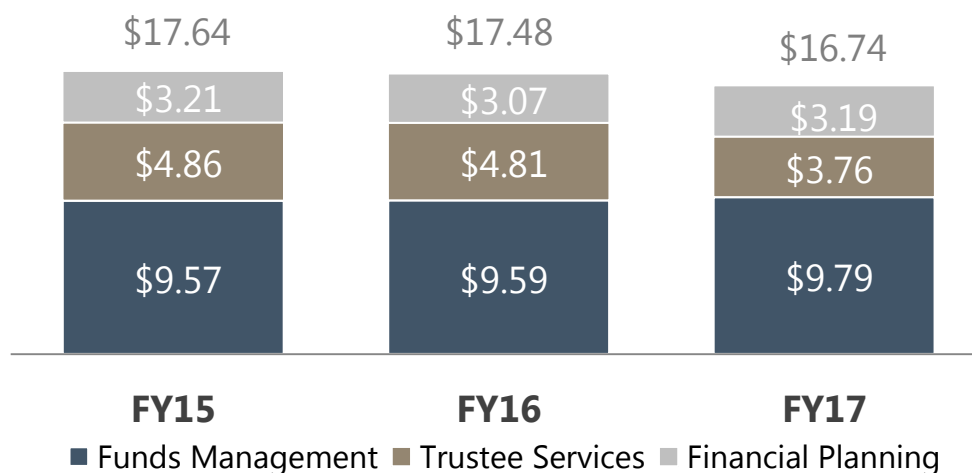
**Trustee revenue Challenged but improved in 2H17**

**Investing in systems, processes and people to modernise the business**

Funds under management and funds under advice (\$m)



Operating income (\$m)



# Sector overview



Changing  
industry  
dynamics

- ✔ System credit growth moderating
- ✔ Historically low interest rate environment continues
- ✔ Competition is fierce particularly in lower LVR owner occupied household lending



Regulatory  
change and  
oversight  
still high

*Additional regulation is  
not the way to improve  
competition*

- ✔ Financial system stability concerns and international issues influencing regulator and government actions
- ✔ Government needs to address the unbalanced competitive marketplace arising from:
  1. Funding cost advantage to big banks
  2. Risk weighted asset differentials
  3. Macroprudential regulation skewing competition in the sector
  4. Lack of transparency in vertical integration of mortgage brokers
  5. Disproportionate impact of regulatory burden on smaller banks

# Tasmanian economy



17 consecutive quarters of growth



Household spending remains solid



Tourism continues to be a key driver



Leading wage growth (2.2%)



Property prices, rental yields high



Population growth beginning to climb

# Platform for continued growth

## What we've achieved

### Digital transformation



- Internet and mobile banking
- Contact centre system replacement
- Single core banking system; new CRM
- Origination system
- Apply Pay, Android Pay, Samsung Pay launched

### Deposit and loan book growth



- Well above industry

### Capital optimisation



- MTN program and sub-debt issuance
- Multiple RMBS issuances in FY17

### Leadership



- Strong leadership team and capability

## What we're working on

### Cost efficiencies



- 'MyExcellence' productivity and process program
- Closed Rock agency network and 2 main branches

### Digital transformation



- New Payments Platform
- Analytics and CRM campaigns
- Online originations for savings, transaction and loan accounts
- Systems development to accelerate growth

### Banking products



- Retail deposit growth
- Basic home loans

### Wealth



- Exploring systems and product development for organic growth
- Wealth business product and distribution growth strategy

## What's to come

### Simplification



- MyExcellence program to streamline processes and utilise technology to enhance services and reduce cost

### Channel optimisation



- Broaden digital for growth

### Marketing



- Build out marketing analytics and CRM capabilities

### Growth



- Organic revenue growth
- Open to corporate transactions and strategic opportunities and assessing these as they arise

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