

MyState delivers high quality result

- **NPAT up 4.6% to \$31.5 million**
- **EPS 34.97 cents per share, up 2.7%**
- **Total dividends for FY18 increased to 28.75 cents per share**
- **Strong FUM growth, up 5.9%**
- **Net Promoter Score +27 at 30 June 2018**

** All figures compare FY18 to FY17 unless otherwise indicated.*

Friday 17 August 2018: MyState Limited today announced net profit after tax of \$31.5 million, up 4.6% compared to the previous corresponding period. Earnings per share were 34.97 cents, up 0.93 cents per share (+2.7%).

The Board declared a final dividend of 14.5 cents per share, fully franked, consistent with the previous year and payable on 25 September 2018 to shareholders on the register at the record date of 24 August 2018, with a 1.5% discount for shares issued under the Dividend Reinvestment Plan. This results in total dividends of 28.75 cents per share for FY18, an increase of 0.25 cents per share over the prior year.

Digital strategy supports customer growth

Managing Director and Chief Executive Officer, Melos Sulicich, said that the group's focus on improving services for customers and increasing efficiency had delivered a strong financial result.

"This was a strong result with increased profit, supported by productivity gains and cost management. Revenue increased and underlying costs were steady, delivering positive jaws with the cost to income ratio improving by 190 basis points. Improving customer services was also recognised by an increase in the group's net promoter score to +27 at the end of the financial year.

"We made significant progress, continuing to build and refine our digital proposition which positions MyState as a modern customer-centric bank. We are committed to creating the best customer experience and have improved our online platform which offers customers personal loan, transaction account and term deposit products.

"Our loan book increased at around twice system growth during the second half, closing the year at \$4.5 billion. Increasingly, we are benefiting from more targeted marketing, supported by our innovation in technology which enables us to increase scale and compete more effectively. Over the last two years our loan book has grown at an annualised rate of nearly 9% while maintaining very high quality lending.

"Wealth Management contributed strongly, with an improved result and solid funds management growth. We anticipate continued improvement as we transition our wealth services to a more modern technology system during the coming year."

The group's return on average equity remained high compared to peers at 10.1%.

In terms of the operating environment, Mr Sulicich said that MyState continues to see that the increase in regulation is disproportionately impacting smaller banks and adding additional costs.

Innovation supports banking growth

The group successfully launched a range of online savings and transactions accounts during the year, including an Everyday and eSaver Account, leading to significant growth in bank accounts opened online. Customer deposits increased to \$3.3 billion. A focus on productivity gains and simplifying operations through the MyExcellence programme continued to deliver efficiency benefits.

Earlier this year, MyState was in the first cohort of banks to introduce full New Payments Platform (NPP) capability to customers who have enthusiastically adopted the new service. Since launch, MyState has processed significantly higher volumes of NPP payments relative to its size.

Momentum as loan book achieves strong second half growth

MyState continued to focus on building a high-quality loan portfolio of low risk, owner-occupied lending with a loan-to-valuation ratio of less than 80%, with growth particularly strong in the second half. Funding costs increased in the second half, with a rising Bank Bill Swap Rate (BBSW) the major contributor.

Over the year net interest margin declined slightly to 1.89% in a market which remains highly competitive. Significantly, 30 and 90 day arrears remained well below peers and industry benchmarks.

Continued strong growth in funds under management

Wealth division performance improved with net profit after tax increasing to \$4.6 million in FY18 from \$3.8 million in the previous year. The group's cash and income funds outperformed benchmarks. Funds under management increased to \$1.15 billion at 30 June 2018 from \$1.09 billion at 30 June 2017. Trustee services reported improved estate administration fees and financial planning services income also increased.

Strong capital position

MyState's balance sheet remains strong. The group's capital adequacy ratio at 30 June 2018 was 13.5%, up 18 basis points compared to the previous year. MyState's CET1 capital ratio of 11.51% means it is well positioned for future growth. During the year MyState completed a successful \$400 million RMBS transaction, its largest to date, attracting broad domestic and international support.

Outlook

Mr Sulichich said that he expected the banking business to record above-system loan book growth as the group continued to focus on increasing scale and becoming a more sophisticated digital bank. He also expected further growth in MyState's wealth management division.

"We have a clear organic growth strategy based on innovation and a customer-centric business culture."

Media Enquiries

Ashley Rambukwella, Financial & Corporate Relations, 0407 231 282 and a.rambukwella@fcr.com.au

Investor Enquiries

David Harradine, Chief Financial Officer, MyState Limited, +61 3 6215 9609, 0414 258 540 and david.harradine@mystatelimited.com.au

APPENDIX

Results summary for the year*	30 Jun 18	30 Jun 17	Change
Net interest income (\$m)	90.8	88.1	+3.1%
Group total operating income (\$m)	126.3	124.6	+1.4%
Net profit before tax (\$m)	45.0	42.2	+6.5%
Net profit after tax (\$m)	31.5	30.1	+4.6%
Banking contribution (\$m)	26.9	26.3	2.4%
Wealth contribution (\$m)	4.6	3.8	19.7%
Net interest margin (%)	1.89	1.93	-0.4 bps
Earnings per share (cents)	34.97	34.0	+0.93cps
Return on average equity (%)	10.1	10.0	+9bps
Final dividend per share – fully franked (cents)	14.5	14.5	stable
Total dividends per share – interim and final fully franked (cents)	28.75	28.50	+0.25 cps
Dividend payout ratio (%)	83	84	stable

As at the end of the reporting period:	30 Jun 18 (\$ million)	30 Jun 17 (\$ million)	Change (%)
Total assets	5,173.3	4,910.5	5.4%
Net assets	320.7	310.9	3.1%
Funds under management	1,153	1,089	5.9%

* Percentages may not reconcile due to rounding

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.