

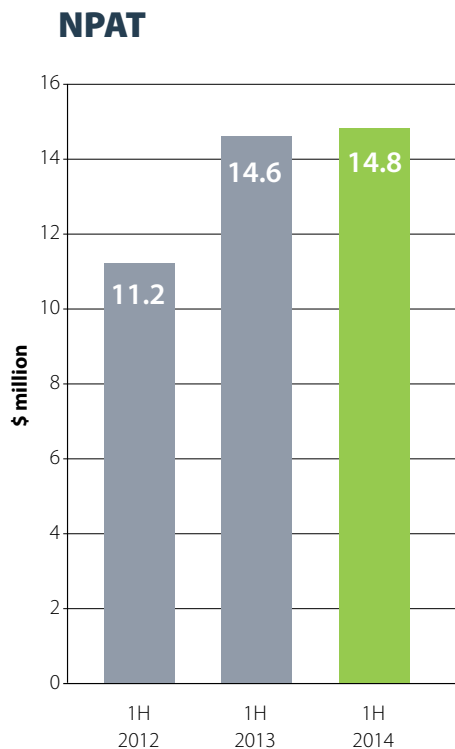
ASX Code: MYS



March 2014 Investor Presentation

Highlights

- Continued NPAT growth.
- Loan portfolio growth remains challenging, but improving.
- Margin slightly higher despite fierce competition in the mortgage market.
- Effective cost management.
- Successful transition to new core banking platform.
- Positive return to securitisation market.
- Well positioned to benefit from improving demand for credit.
- Strong credit management and low arrears.

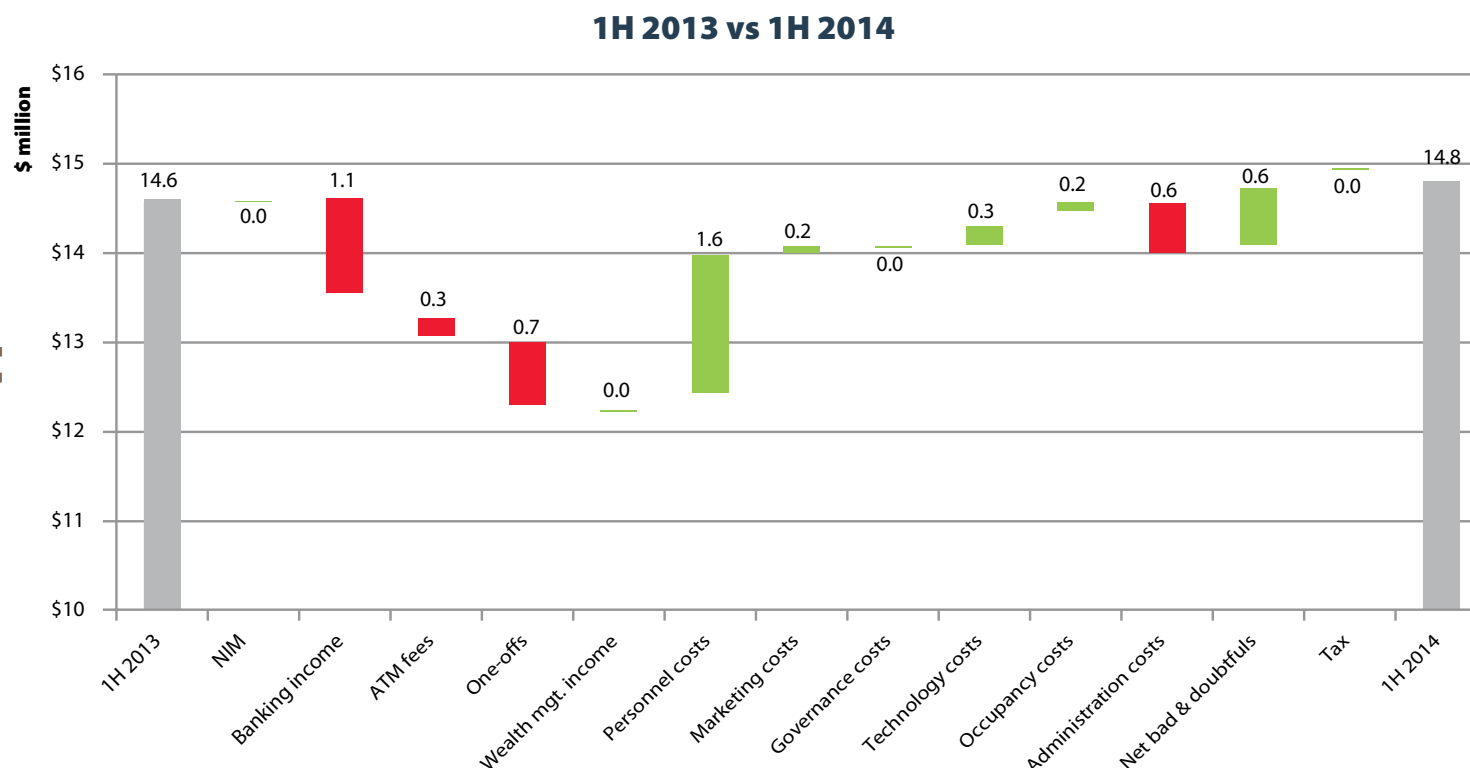


Increased earnings despite a low growth environment

	1H 2013	2H 2013	1H 2014	Change 1H 2013 vs 1H 2014
Reported NPAT (\$m)	14.6	14.0	14.8	2.0%
Earnings per share (cents)	16.7	16.0	17.0	1.7%
Dividend per share – fully franked (cents)	14.0	14.0	14.0	–
Return on equity (%)	10.6	10.0	10.6	–
Cost to income (%)	65.7	65.9	65.1	+60bps
Net interest margin (%)	2.53	2.52	2.57	+4bps

- ➔ Costs continue to fall in absolute terms and have been the major driver in the cost to income ratio reduction.
- ➔ Improved margin (%) through funding changes.

Reduction in operating costs drives NPAT improvement



- ➔ Net interest income (NII) flat against pcg, hindered by subdued portfolio growth.
- ➔ Decline in banking fee income (common across the industry), and reduced cross-selling opportunities into insurance products drove \$1.1m decline in banking income.
- ➔ ATM fees declined \$0.3m following sale of The Rock's ATM fleet in Nov-12.
- ➔ Focus on reductions in operating expenses continues to benefit the business.
- ➔ Administration costs impacted by up-front set-up costs for the RMBS transaction and increased customer communication on changeover of core banking platform.

Mixed economic environment

- In Tasmania, finance commitments have shown positive signs, with some recent improvement in building approval numbers and retail spending.
- The Queensland economy is faring significantly better, although benefits from the resources boom are beginning to moderate.
- The economy is now showing signs of responding to the low interest rate environment, as business investment in the resources sector subsides.



Strong balance sheet

	DEC '12	JUN '13	DEC '13	Change Dec 12 – Dec 13
Total assets (\$m)	3,647.5	3,629.7	3,605.8	(0.7%)
Total liabilities (\$m)	3,370.8	3,350.0	3,323.2	(0.8%)
Net assets (\$m)	276.6	279.7	282.6	1.0%
Risk-weighted assets (\$m)	1,303.0	1,322.0	1,296.4	(1.9%)
Capital ratio (%)	14.0	14.0	14.4	0.4

- Capital adequacy improved following return to securitisation market – strong Basel III CET1 ratio of 14.1% / total capital ratio 14.4%.
- Sound credit quality in the loan book and low arrears profile.
- The Rock's S&P credit rating raised to BBB (from BBB-) and MyState Financial maintained at BBB.

MyState Group reporting framework

MyState
LIMITED

**Banking
Business**

**Wealth
Business**



MyState
MyState Financial
(Tasmania)



ROCK
BUILDING SOCIETY
The Rock
Building Society
(Central Queensland)

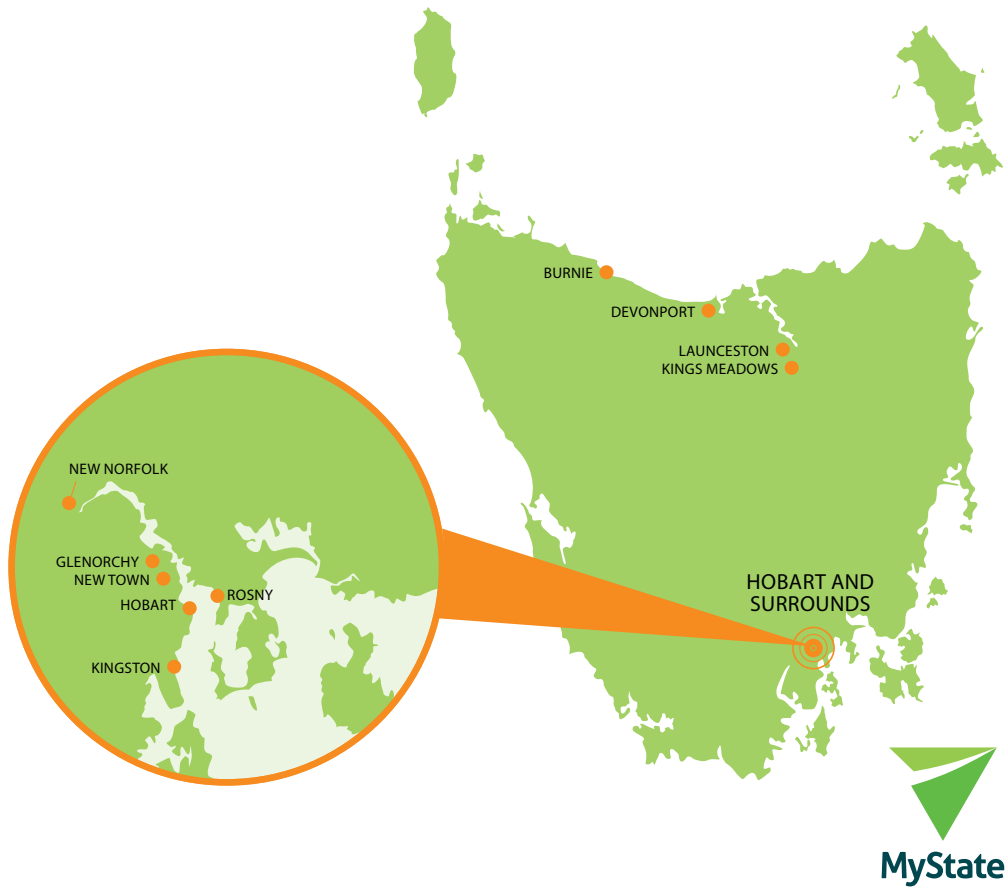


**Tasmanian
Perpetual
Trustees**
Tasmanian
Perpetual
Trustees

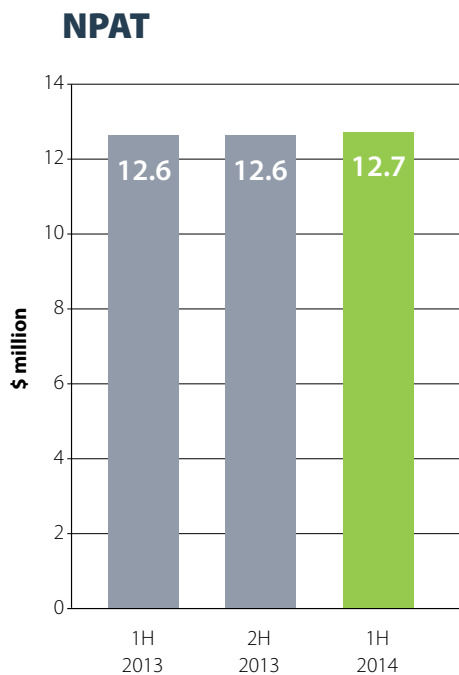
MyState
LIMITED

// MyState Financial provides retail and business banking, agribusiness and insurance services to 120,000 customers in Tasmania.

The Rock provides retail banking and insurance services to 40,000 customers in Queensland and around Australia. //

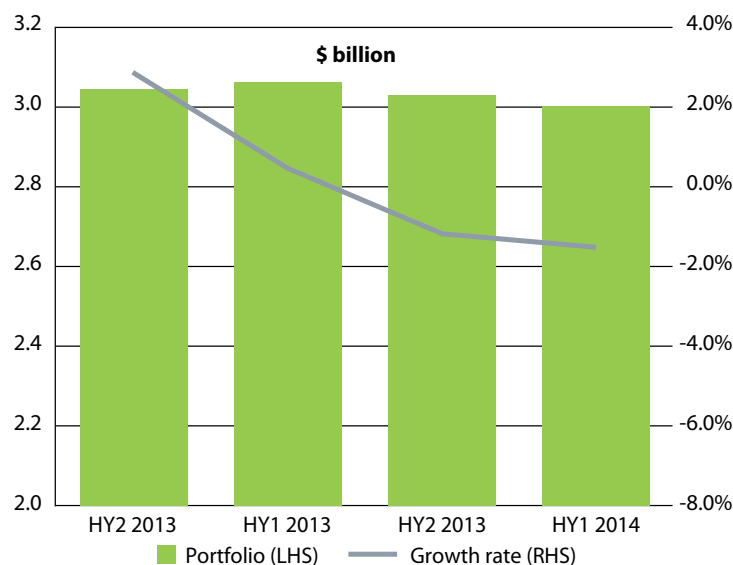


Steady performance for the banking business

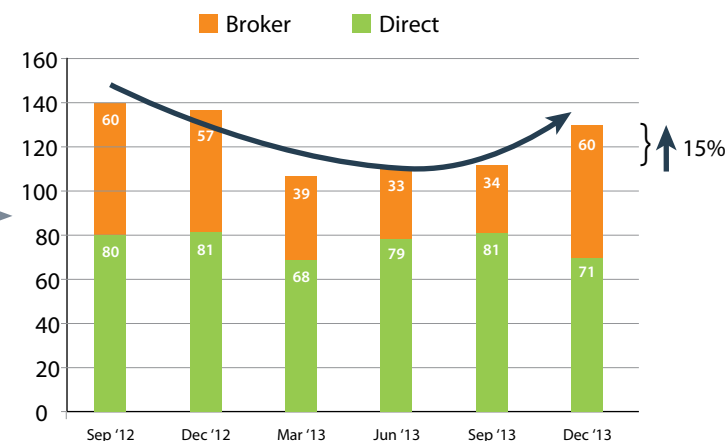


- Solid performance in low credit growth environment.
- Flat net interest income for the half against pcip.
- Total loan settlements down compared to 1H 2013, but improved on 2H 2013, particularly in 2Q 2014.
- Credit quality in loan book remains strong, with a lending base predominately secured by residential mortgages.
- Reduced competition for deposits and the RMBS issue took some pressure off funding costs.

Portfolio growth challenging – but improving



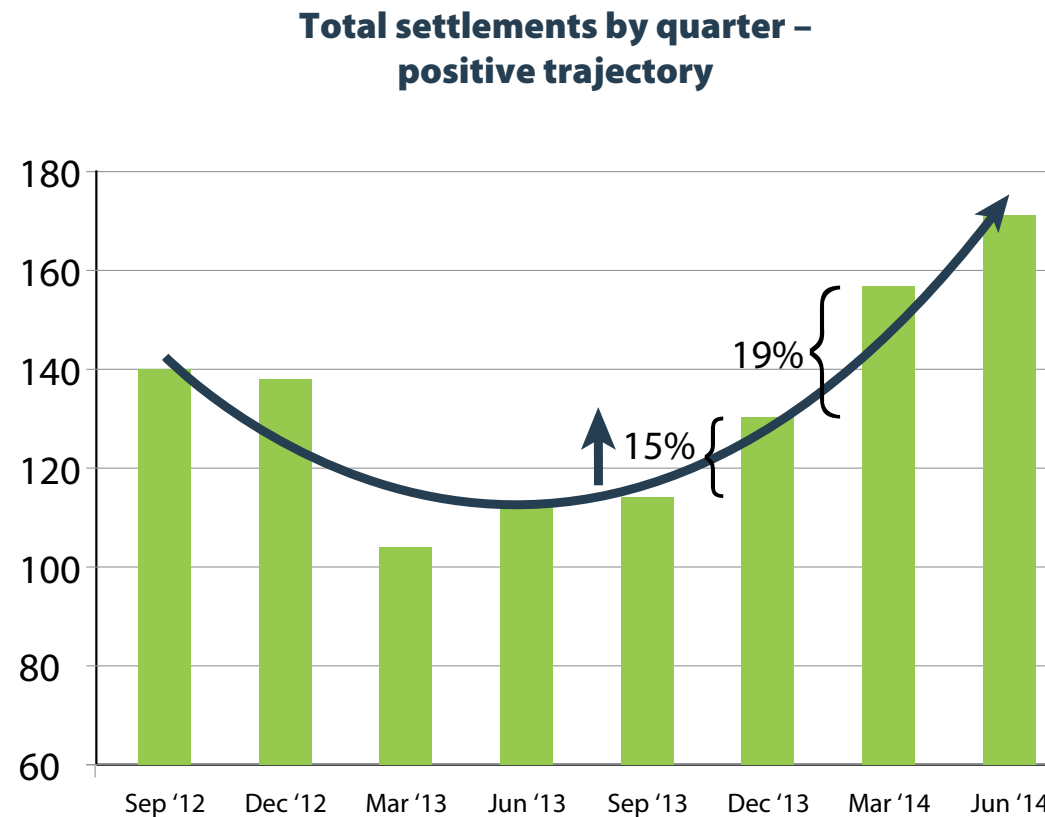
Total settlements by quarter



Broker initiatives	As at August 2013	As at February 2014
Pricing position	Moderate	Stronger
Front end technology	N/A	Implemented
Sydney BDM	N/A	In place
Melbourne BDM	N/A	Currently Recruiting
Broker care & service standards	Variable	Improved
Broker incentives	N/A	In place

- ➔ Significant effort to improve products and services for the broker channel has contributed to strong application and settlement growth.

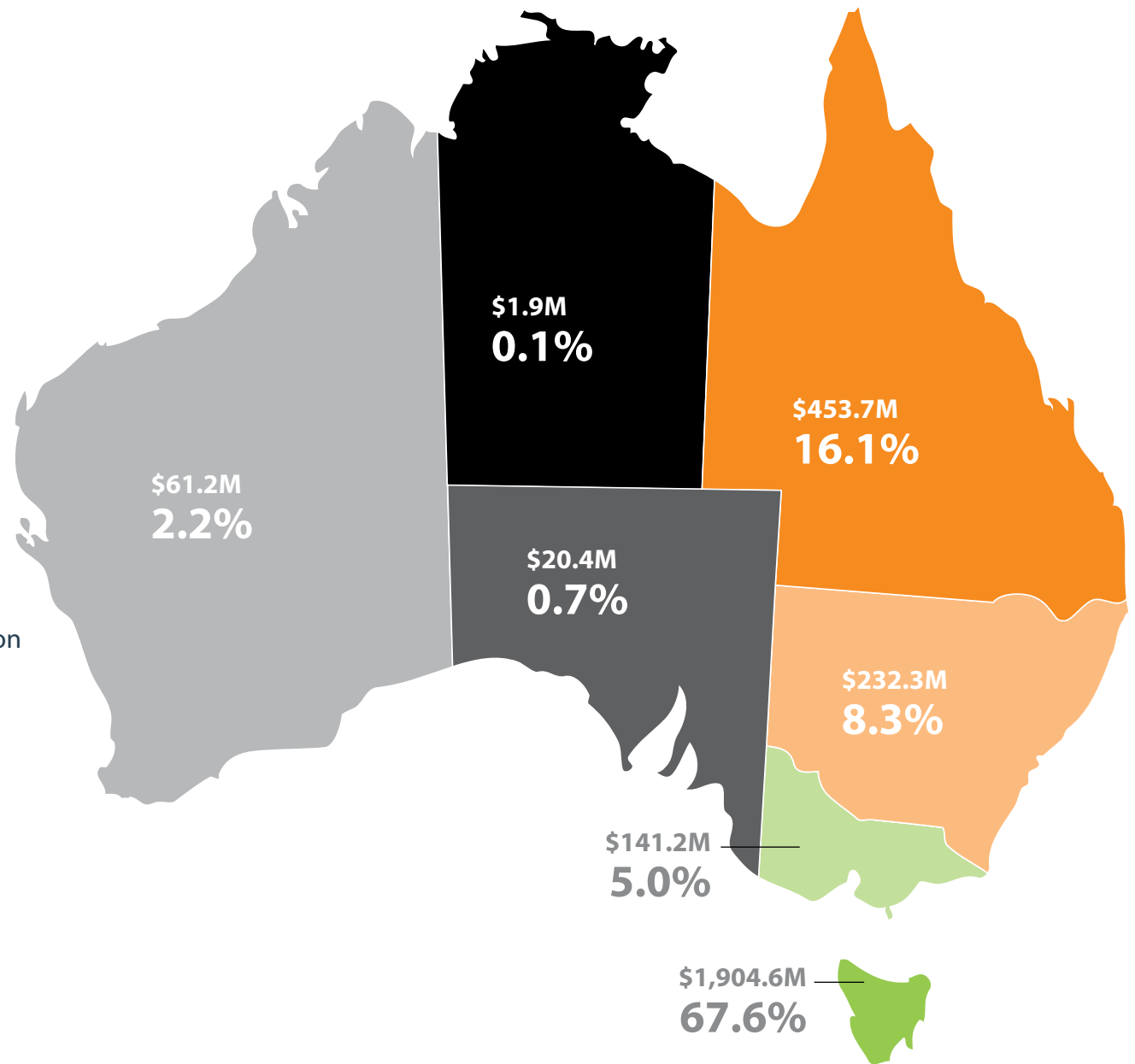
Improved outlook in second half



- ➔ All channels are lifting and building momentum – at current levels, settlements will see strong growth.

Working to increase diversification

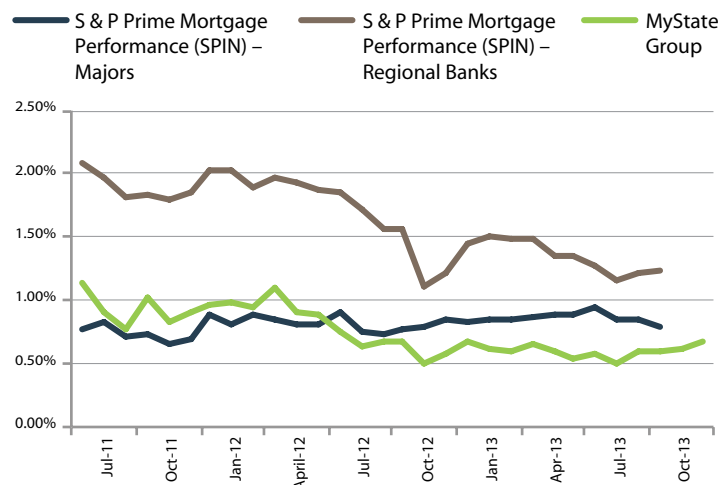
December 2013 home loan portfolio distribution
based on primary security location.



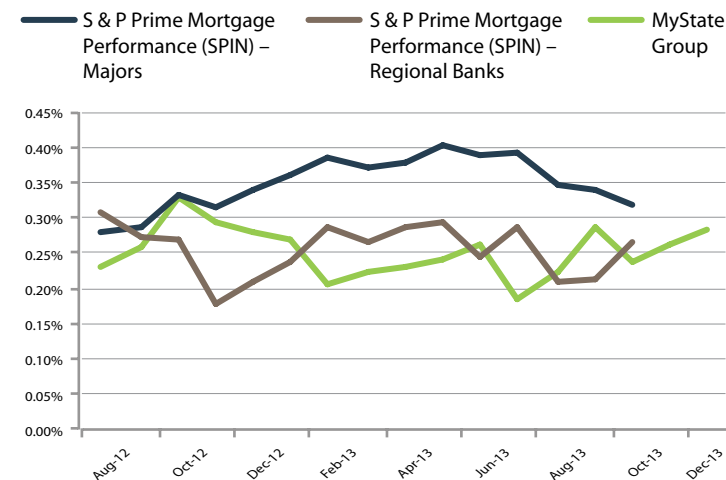
Arrears remain at low levels

- Despite economic conditions, arrears remain low.
- Low interest rate environment having positive impact on arrears as customers making additional repayments.
- Centralisation and standardisation of arrears management across the group.
- Standardisation of policies and procedures, and consolidation of loan origination platforms.

30+days arrears



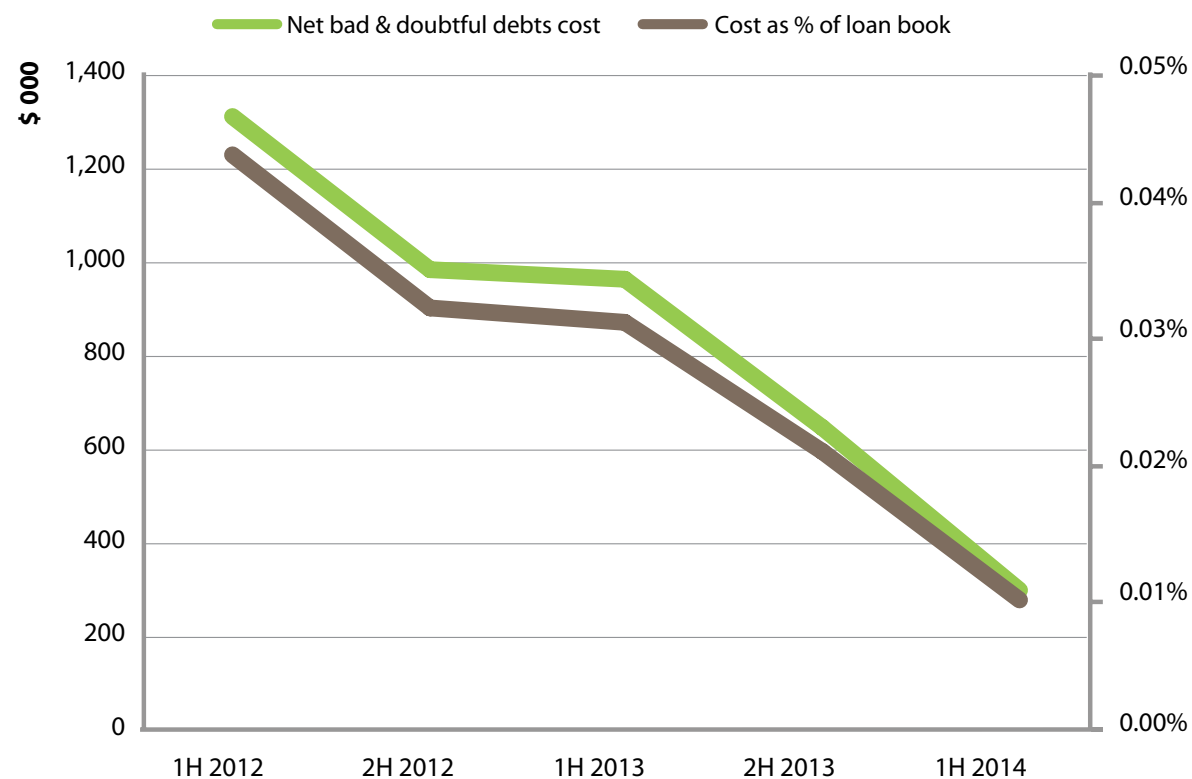
90+days arrears



Bad debts expense likely to flatten

	1H 2012	2H 2012	1H 2013	2H 2013	1H 2014
Bad debts written off (\$m)	2.093	2.741	2.192	1.887	1.156
Less bad debts recovered (\$m)	(0.515)	(0.628)	(0.708)	(0.829)	(0.878)
Less increase/(decrease) in provisioning (\$m)	(0.282)	(1.125)	(0.520)	(0.395)	0.049
Net charge to P&L (\$m)	1.296	0.988	0.964	0.663	0.327
BDD Bps Cost (\$m)	4.4	3.2	3.1	2.2	1.1

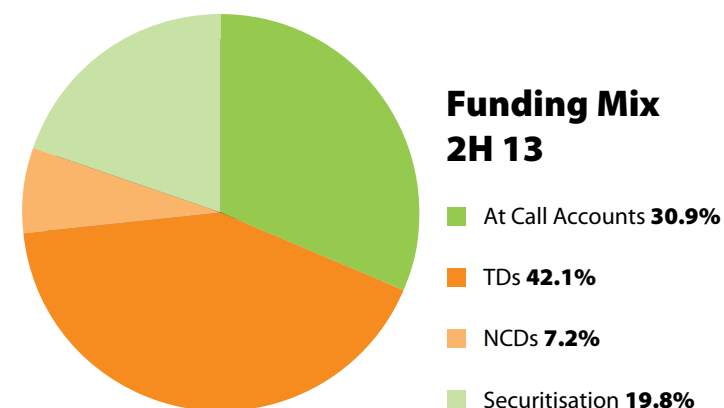
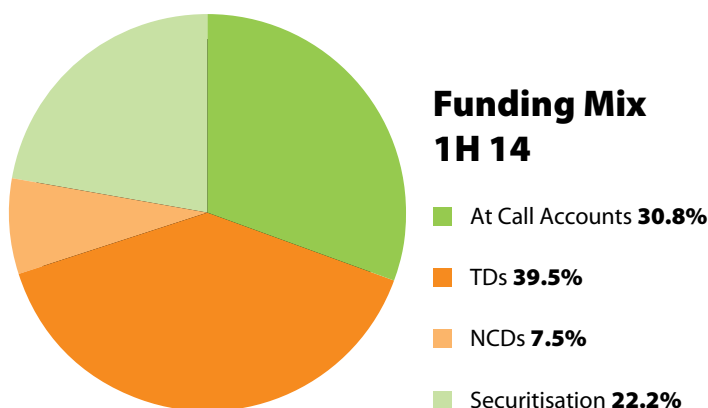
Group bad & doubtful debts



Solid retail funding base

- Maintained strong and stable retail funding base.
- Successful RMBS issue, well subscribed across all tranches, further diversified securitisation funding.
- Securitisation funding used to replace 'expensive' warehouse funding, reducing average cost of funds.
- Low credit growth has reduced competition for funds across the industry.

	2012 \$billion	2013 \$billion	1H 2014 \$billion
At call deposits	0.993	1.017	1.008
TD's	1.319	1.386	1.295
NCD's	0.210	0.236	0.247
Notes & bonds	0.787	0.649	0.729
Total	3.309	3.288	3.279

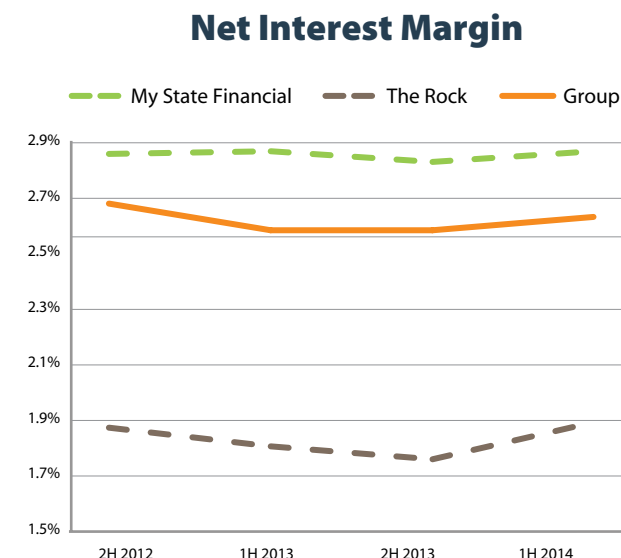


Improved funding costs helps to maintain margin

- NII (net interest income) flat due to sluggish growth.
- NIM for the group improved slightly through management of the liability base to improve margins.
- Funding costs reduced through repayment of higher priced wholesale funds; replaced with cheaper funding through RMBS and lower priced NCD's.
- Reduction in demand for credit taking the heat out of competition for deposits.
- Strong retail liability base maintained, providing foundation for strong and stable liquidity.

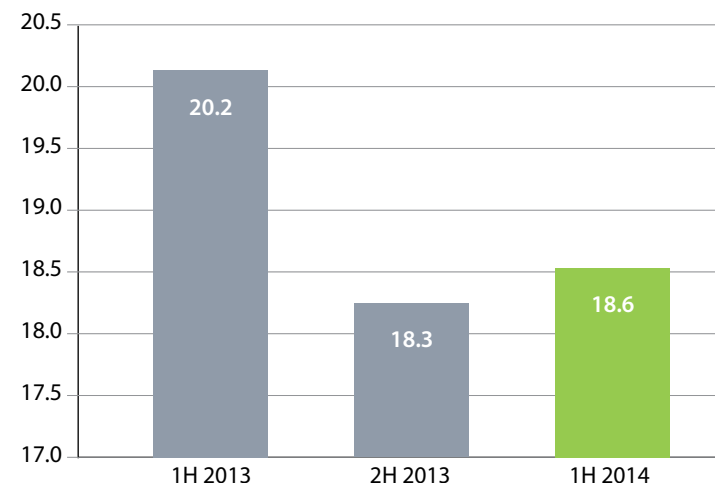
NIM %	1H 2013	2H 2013	1H 2014
Group	2.53%	2.52%	2.57%
MyState Financial	2.85%	2.81%	2.82%
The Rock	1.81%	1.78%	1.89%

Figures net of offset accounts



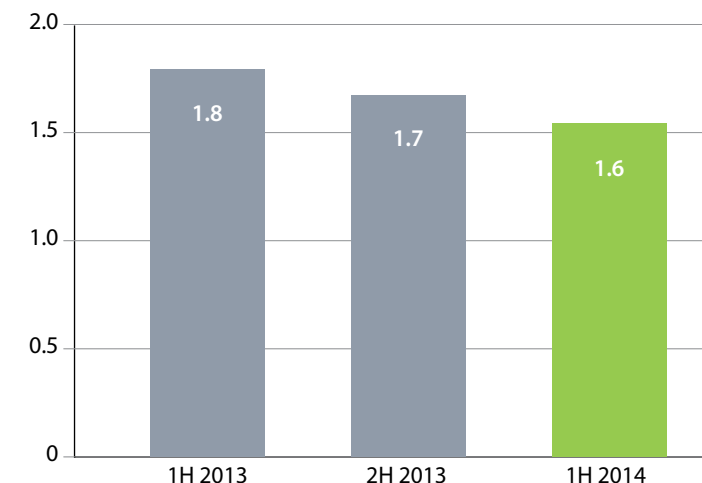
Prudent cost management for current market conditions

Personnel costs \$m



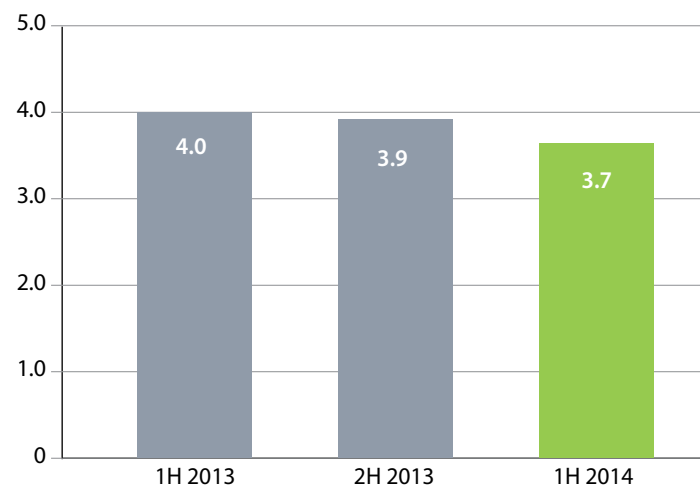
- Substantial cost savings achieved due to right-sizing the business for the low growth environment.

Marketing costs \$m



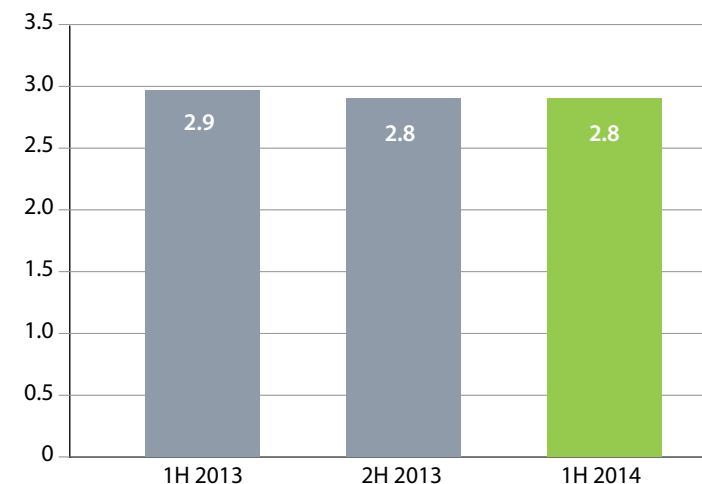
- Marketing focused on customer communication around implementation of the new core banking platform; now directed at growing business.

Technology costs \$m



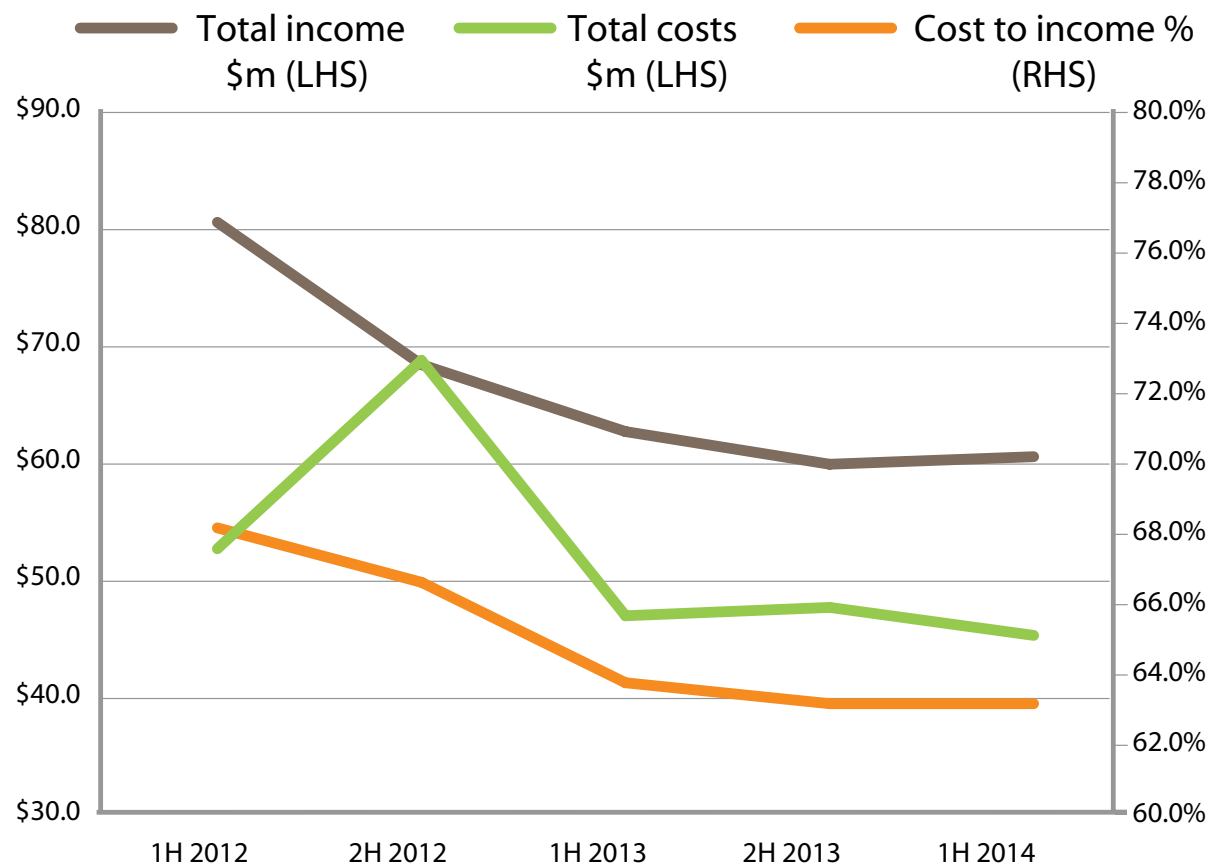
- Resources and activities devoted heavily to core banking project.

Occupancy costs \$m



- Benefit of savings from the branch rationalisation in 2013.

Cost-to-income improves despite revenue fall



- Cost-to-income ratio improved, despite 3.5% reduction in total income compared with pcp.
- \$1.8m (4.4%) reduction in total costs compared with pcp.
- On track to achieve zero operating cost inflation for 2014 year.

Core banking platform completed

- New core banking platform successfully launched in MyState Financial in Nov 2013.
- Project completed in 15 months, at a cost of \$7.3m – substantially less than our peers have spent on core banking technology transitions.
- Common core platform now in both MyState's ADIs.
- New core platform will improve customer experience.
- Next stage planning underway to merge two versions into a single version.



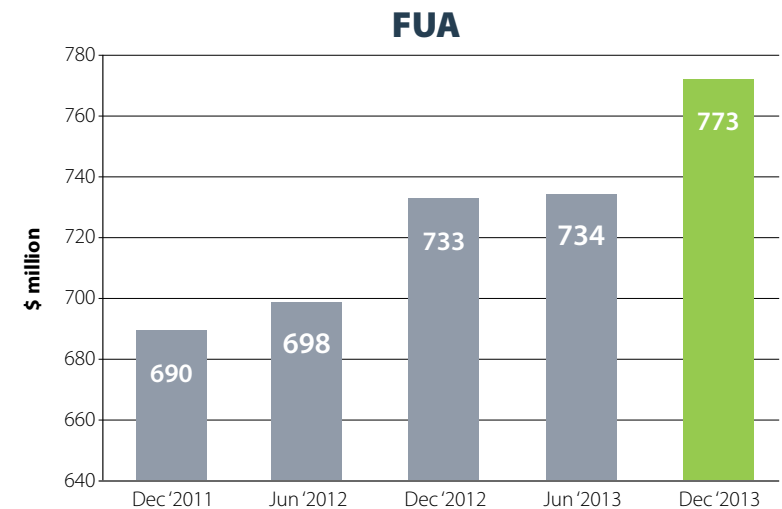
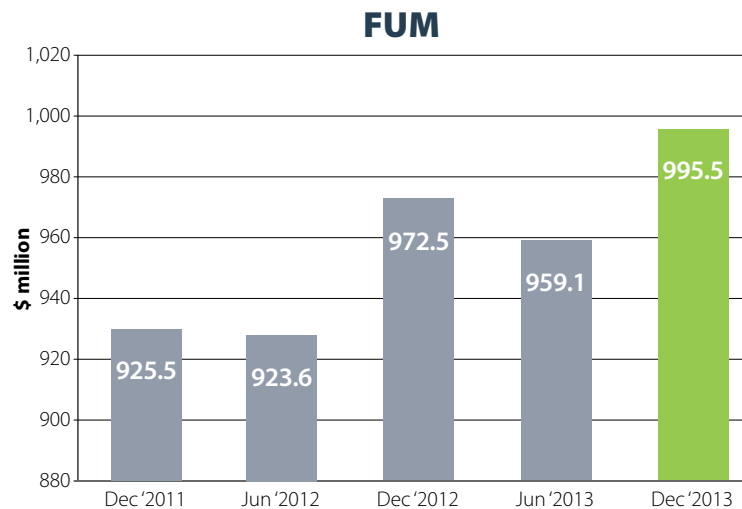
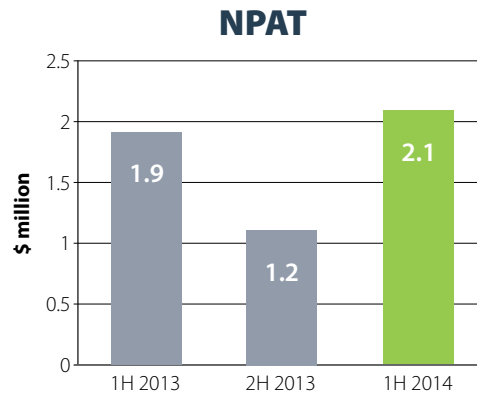
TCS BANCs

// **Tasmanian Perpetual Trustees is a major provider of estate planning, wealth management, investment and trustee services in Tasmania. //**



Sound contribution from the wealth business

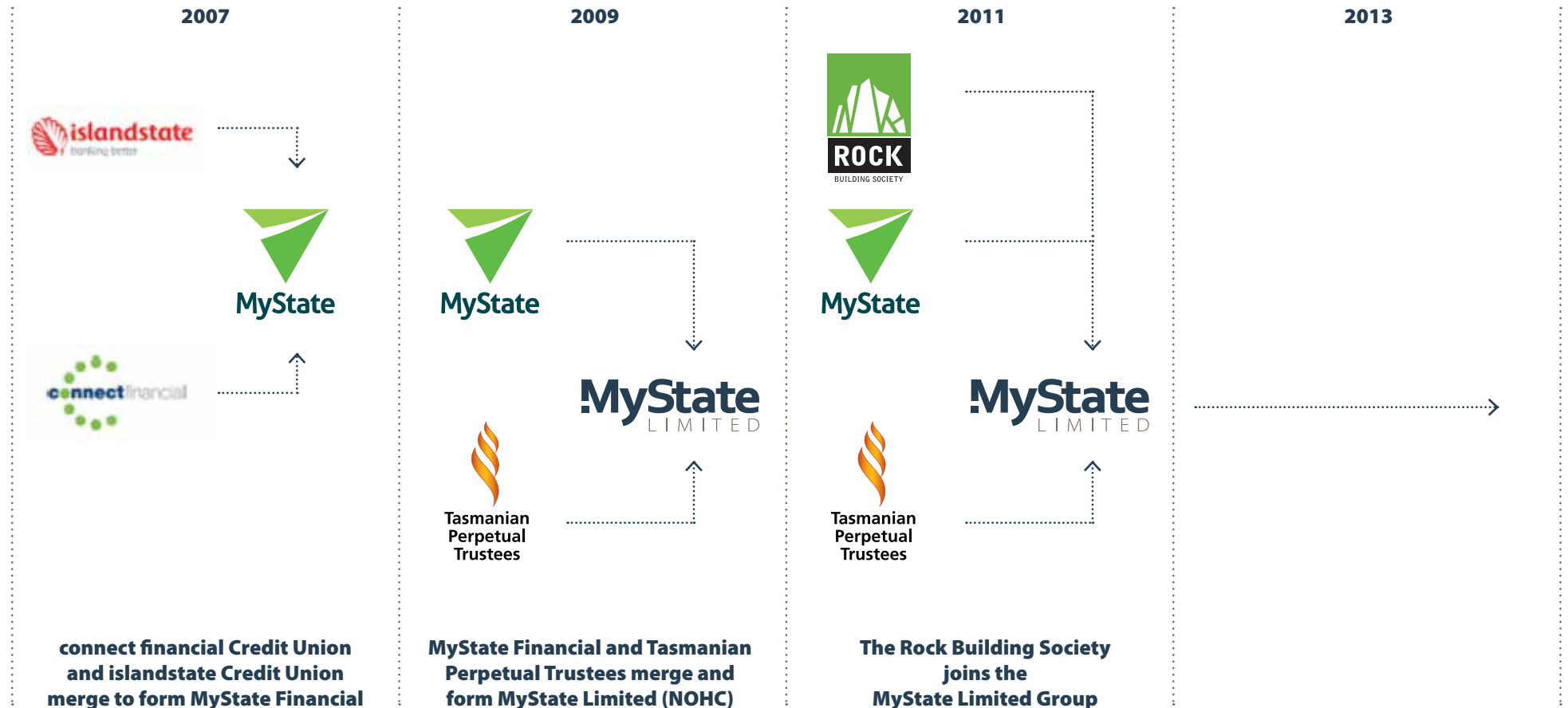
- Increased contribution – up \$0.2m / 9.5% on pcip.
- Improvement in equity markets + reinvestments contributed to \$36.4m / 3.8% increase in FUM.
- Cost reductions and further integration of back office activities led to an improved result.
- Potential for ongoing M&A activity in trustee space.



Future outlook

- We expect business conditions will improve at a gradual pace.
- Demand for credit starting to lift.
- Initiatives to re-invigorate growth via 3rd party channels starting to bear fruit as loan originations continue to improve.
- A strong balance sheet and lower cost base position MyState to grow earnings into the future.
- We expect at least the same NPAT for the 2nd half of FY14, notwithstanding usually lower 2H performance due to seasonal factors.

Evolution of the MyState Group



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