MyStateLimited

ASX ANNOUNCEMENT

23 February 2023

ASX: MYS

MYSTATE LIMITED DELIVERS RECORD HALF YEAR PROFIT

23 February 2023 – MyState Limited has delivered a record first half profit for the period ended 31 December 2022 with higher earnings per share and return on equity.

- Net profit after tax (NPAT) up 20.7% to $20.1 million
- Home lending book up 10.5% to $7.6 billion
- Customer deposits up 13.5% to $6.3 billion
- New to bank customers up 54% on the prior corresponding period (pcp)
- Cost to income ratio down 558 bps to 63.2%
- Return on equity grew from 8.0% to 9.2%
- Dividend 11.5 cps, in line with the 2022 final dividend

Managing Director and CEO Brett Morgan said MyState Limited was building on its sound financial position, 18-months into the 2025 Growth Strategy.

“The results show the execution of MyState Limited’s 2025 Growth Strategy is working and is providing real benefits for customers, investors and staff,” Mr Morgan said.

“In the first half of the 2023 financial year, we have delivered a record net profit after tax.

“This record result is being driven by strong above-system growth in deposits and the second fastest growing home loan book in Australian banking[1].

“We are delivering on our 2025 Growth Strategy. Our return on equity has increased to 9.2%, which puts us on track to deliver a cumulative return of 30% over three years. We are achieving this more efficiently with a sharply lower cost to income ratio as we increase scale through our operations.”

- Earnings per share (EPS) up 18% to 18.59 cps
- Core earnings up 36.7% to $30.3 million
- Net interest margin (NIM) 1.71%, up 14 bps on 2H22
- Total capital ratio was up 173 bps to 14.14%

“Australian banking is increasingly competitive in the Covid-recovery era,” Mr Morgan said. “But, MyState is well placed to continue to grow despite industry and market headwinds.

“Our 2025 Growth Strategy has driven strong increases in market share, with significant gains in every state along Australia’s eastern seaboard from Tasmania to Victoria, New South Wales and Queensland. Our plan sets us in good stead to continue to grow our market share.

“We see opportunity in the challenges that the industry is facing, as an unprecedented number of Australians must consider refinancing as their fixed rate loan terms expire.

“MyState is focussed on both retaining existing and picking up new customers by executing the fundamentals; offering competitive rates, closely partnering with our broker network, providing among

[1] In percentage terms, for banks with home loan books >$2bn

the sector's fastest turnaround times, and service that customers are happy to recommend to family and friends.

"Our Tasmanian based bank has attracted customers in record numbers across the country, with 14,500 new bank customers during the period, a 54% increase on 12 months ago. Nearly two thirds of our home loan customers are now from outside of our home state.

"Since we started our 2025 Growth Strategy 18 months ago, MyState's home lending book has grown by 39%, to $7.6 billion. Our rate of growth has increased to around 3.5 times system over that time.

"The biggest growth has been in one of our key target markets, Victoria, which increased by 69% in the 18 months to 31 December 2022, followed by New South Wales, up by 43%, and Queensland, which grew by 42%.

"These three states now represent 63% of MyState's total home loan book, compared with 58% when we started our Growth Strategy in July 2021."

Record net profit after tax: MyState has delivered the biggest half year NPAT in MyState Limited's history in the first half of the 2023 financial year. NPAT increased by 20.7% compared with the pcp, to reach $20.1 million.

Competitive market drives net interest margin: Relative to the second half of FY22, NIM increased by 14 bps, reflecting increased net interest income on the back of rising interest rates. This was partly offset by the competition in the lending and retail deposit markets.

Home loan book growth 4.3 times system: MyState's home loan book has grown at 4.3 times system, to reach $7.6 billion which represents 10.5% growth in the six months to 31 December 2022.

Credit quality: MyState's balance sheet strength is underpinned by lending to quality borrowers. The bank remains focussed on low-risk, owner occupied lending with a loan to value ratio (LVR) of less than 80% which represents around 76% of loans. There has been a small uptick in arrears, with 30+ day arrears at 0.61% and 90+ days to 0.24%, but both remain below industry average.

Capital position: MyState is managing capital effectively and added capital flexibility through the inaugural issue of Additional Tier 1 capital in August 2022. At 31 December 2022, total capital increased to 14.14%. The Australian Prudential Regulation Authority's new bank capital framework requirements were effective from 1 January 2023. On a pro forma basis, MyState expects an increase in the total capital ratio of approximately 130 bps.

TPT Wealth providing income diversification: Funds under management were 3.0% lower in the half, while operating income remained steady. This reflects a 5.3% increase in trustee services income, offset by lower management fee income.

Outlook: MyState 2025 Growth Strategy: MyState will continue to focus on executing its long term plan of growing market share on a profitable and sustainable basis, with the target of reducing its cost to income ratio to less than 60% in the medium term and creating cumulative ROE and EPS growth of 30% over the next three years.

ENDS

APPENDIX

Results summary for six months to	31 Dec 22	31 Dec 21	Change
Net interest income ($m)	68.0	56.0	21.3%
Group total operating income ($m)	82.3	71.0	16.0%
Operating expenses	52.0	48.8	6.6%
Pre-provision operating profit (Core earnings)	30.3	22.2	36.7%
Net profit after tax ($m)	**20.1**	**16.6**	**20.7%**
Banking contribution ($m)	19.3	15.5	24.0%
Wealth contribution ($m)	0.8	1.1	-25.8%
Net interest margin (%)	1.71	1.77	-6bps
Earnings per share (cents)	**18.6**	**15.8**	**18.0%**
Return on average equity (%)	9.2	8.0	113bps
Return on tangible equity (%)	11.0	10.2	82bps
Interim dividend per share – fully franked (cents)	11.5	12.5	-1.0
Dividend payout ratio (%)	62.5	79.4	-16.9%

As at the end of the reporting period:	31 Dec 22 ($ million)	30 Jun 22 ($ million)	Change (%)
Total assets	9,140.2	8,079.8	13.1%
Net assets	449.2	429.9	4.5%
Funds under management	1,030	1,088	-3.0%

Note: Financial performance figures compare 1H FY23 to 1H FY22 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2022 as pcp. Percentages may not reconcile due to rounding.

Authorised
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About MyState Limited
Registered Office: 137 Harrington Street, Hobart 7000
MyState Limited (ABN 26 133 623 962) is the ASX-listed (MYS) non-operating holding company of the diversified financial services Group consisting of MyState Bank and TPT Wealth, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and TPT Wealth hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.