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MyStateLimited

Investor Presentation

Half Year 2021

The human way to bank



Now here. Enhanced customers. With added auto-saver feature.
MyState Bank – personalised banking campaign – August 2020

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Agenda

01 Key highlights
Melos Sulicich
CEO & Managing Director

02 Financial results
Gary Dickson
Chief Financial Officer

03 COVID-19
Gary Dickson
Chief Financial Officer

04 Strategy & outlook
Melos Sulicich
CEO & Managing Director

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Key highlights

Melos Sulicich

The human way to bank



Now here. Enhanced customers. With added auto-saver feature.
MyState Bank – personalised banking campaign – August 2020

Key highlights

FINANCIAL

+18.8%
Core earnings[1, 2]

+12.6%
Net profit after tax

-340bps
Cost-to-income ratio[2]

+5.1%
Customer deposits[3]

+65bps
Return on average equity

12.5cps
Fully franked dividend

Note: Financial performance figures compare 1H21 to 1H20 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2020 as pcp.

CUSTOMER

14,503
New customers acquired in CY20

+40
Customer Net Promotor Score

71%
Customer funding ratio

INITIATIVES DELIVERED

- Significant marketing drive commenced
- Wealth distribution capability & capacity enhanced
- AI enabled home loan retention tool now live
- Restructured Wealth division with new Trustee Services platform
- Significant cost out via Closure of 6 branches (4 in Central Queensland and 2 in Tasmania) – leaving network of 7 in Tasmania

POSTIONING FOR THE FUTURE

- Increased marketing spend
- Ongoing digitisation and capability build
- Positioned to significantly accelerate customer and balance sheet growth
- Increased bank mortgage distribution

WE HAVE A FOCUSSED DIGITAL GROWTH STRATEGY, WITH A SIGNIFICANT OPPORTUNITY FOR RAPID GROWTH.

1 Defined as pre-provision operating profit before tax
2 Excludes Restructure costs
3 Growth on 30 June 2020

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Financial Results

Gary Dickson

Results summary
Performance
- NPAT bridge
- Funding
- Operating costs

Loan book
Capital
TPT Wealth

The human way to bank



Results summary

- Strong top line momentum with NIM continuing to benefit from lower funding costs.
- Positive "jaws" with Operating expenses continuing to be well managed.
- Return on average equity increased on pcp to 9.94% which compares favourably to regional bank peers.
- Interim dividend within target payout ratio range.

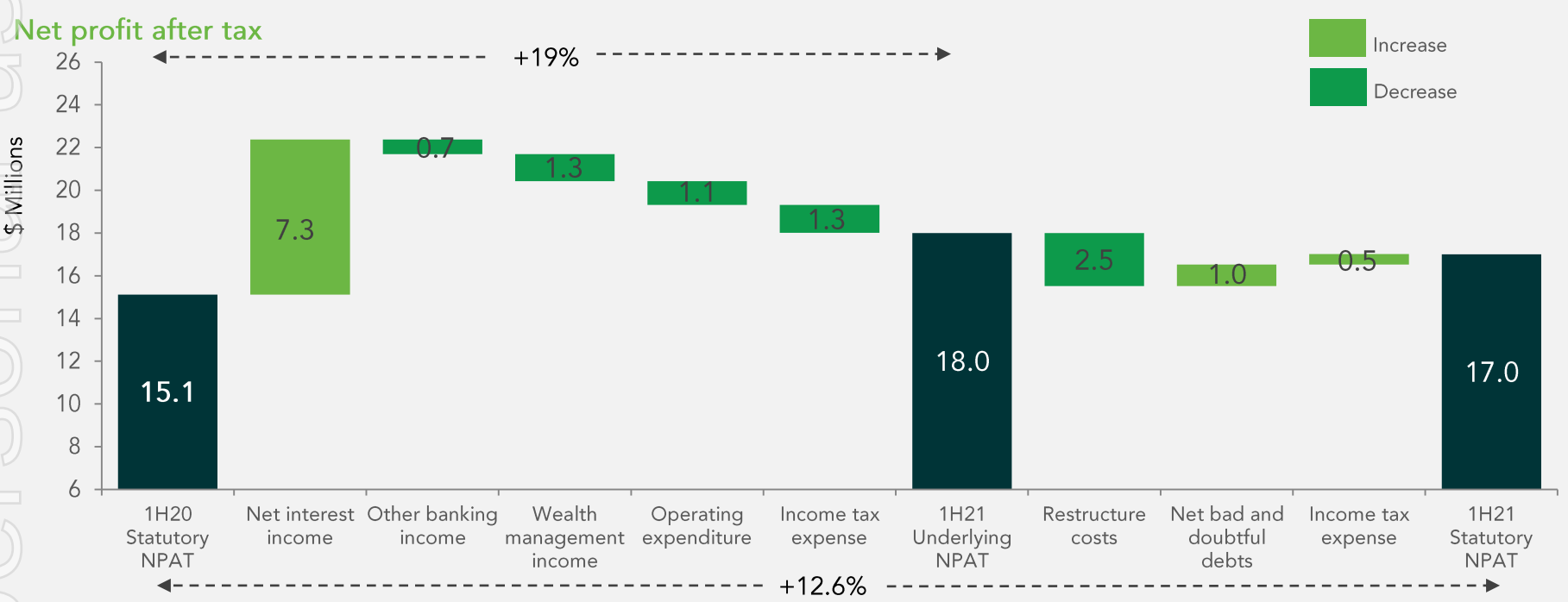
	1H21	1H20	Change	
Net interest income ($m)	55.4	48.2	+15.0%	▲
Total operating income ($m)	68.6	63.3	+8.5%	▲
Operating expenses (excl. BDD) ($m)[1]	42.2	41.1	+2.7%	▲
Pre-provision operating profit ($m)[1]	26.4	22.2	+18.8%	▲
Net profit after tax ($m)	17.0	15.1	+12.6%	▲
Earnings per share (cps)	18.49	16.57	+11.6%	▲
Net interest margin	1.94%	1.82%	+12bp	▲
Cost to income ratio[1]	61.5%	64.9%	-340bp	▼
Total capital ratio[2]	13.24%	13.01%	+23bp	▲
Return on average equity[3]	9.94%	9.29%	+65bp	▲
Return on tangible equity[3]	13.26%	12.64%	+62bp	▲
Dividend–fully franked (cps)[4]	12.50	14.25	-1.75cps	▼
Dividend payout ratio	67.6%	86.0%	-18.4%	▼
Credit performance - 30 day arrears	0.57%	0.56%	+1bp	▲

Note: Financial performance figures compare 1H21 to 1H20 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2020 as pcp.
1. Excludes Restructure costs
2. Comparative is as at 30 June 2020
3. Annualised FYTD
4. Interim dividend of 12.5cps payable to shareholders on the register at the record date of 25 February 2021

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NPAT bridge

- NPAT growth of 12.6% and Underlying NPAT growth of 19%.
- Net interest income grew 15.0% on pcp benefiting from a higher average balance sheet, lower funding costs and focused margin management.
- Disciplined management of costs with ongoing investment in marketing and digital.
- Net bad and doubtful debts write-back of $0.4m in 1H21 reflects a reduction in the forward looking overlay due to the significantly improved economic environment; the charge of $0.6m in pcp reflected the increase in late stage arrears towards the end of CY19.
- Arrears remain well below benchmarks for regional bank peers and major banks.

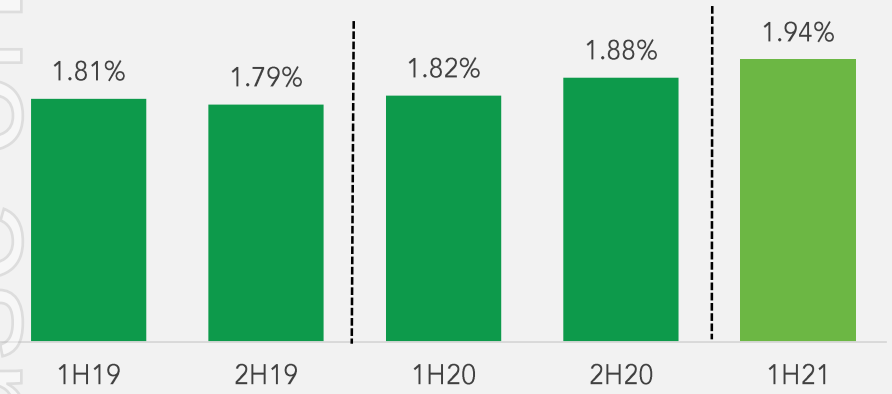


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MyState Bank net interest margin expansion

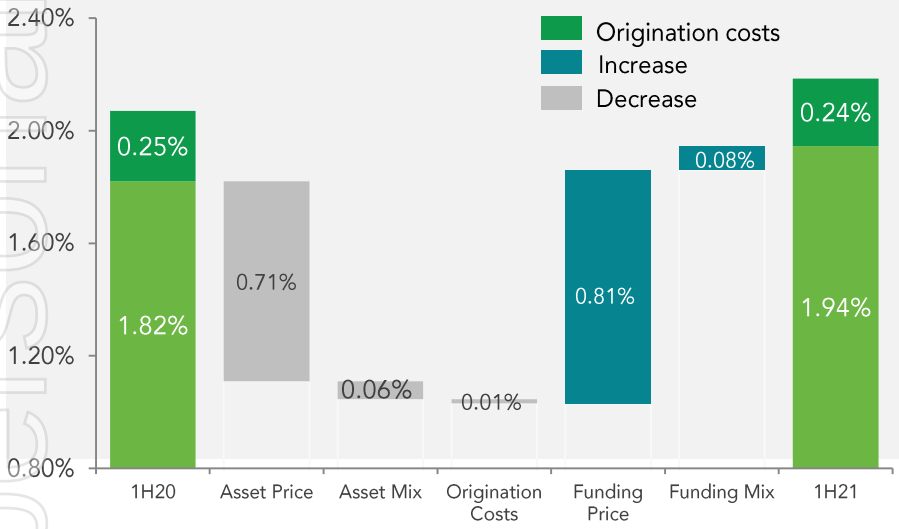
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NIM Trend

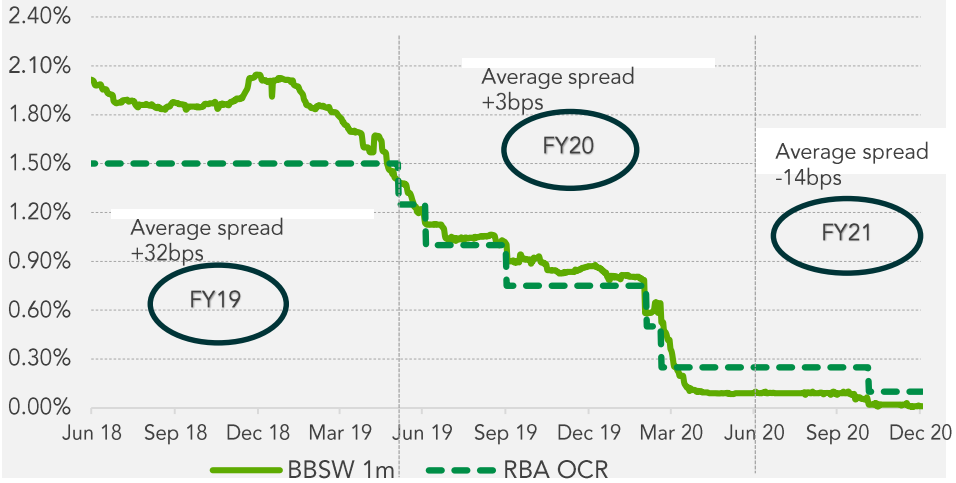


- Net interest margin up +6bps on 2H20.
- Home loan market remains highly competitive.
- Continued fall in wholesale funding costs.
- TD rates falling as book rolls to lower rates.
- Narrowing of cash-bills spread contributed 3bps of uplift in 1H21 relative to FY20 NIM of 1.86%.

NIM waterfall

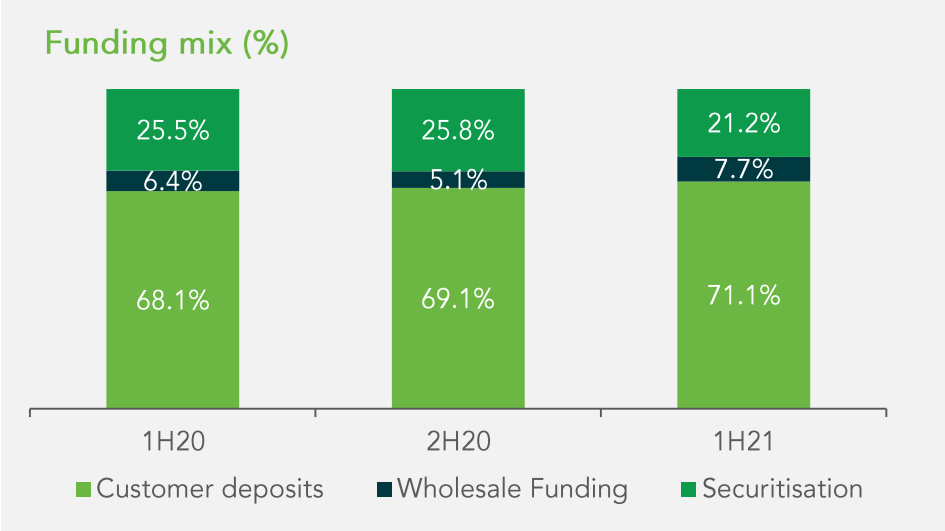


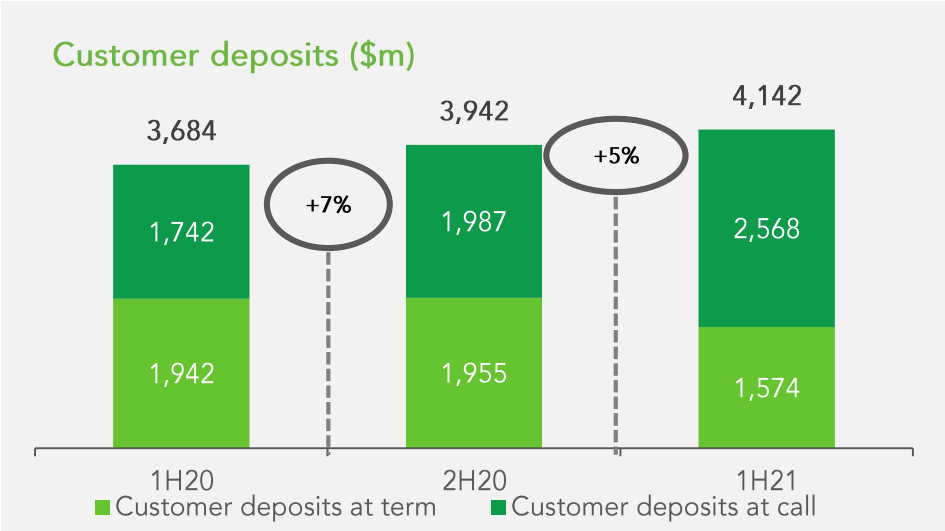
Historic BBSW and OCR levels



Funding

- Lower cost Customer deposits were up 5% on 30 June 2020.
- Significant growth in the award winning Bonus Saver Account (+210% on 30 June 2020) driven by digital acquisition of new customers.
- Retail funding costs continued to fall off the back of lower wholesale funding rates.
- Some customer attrition following the Central Queensland branch closures, predominantly in term deposits.
- Securitisation remains an important source of funding and the ConQuest program continues to be well supported by a broad investor-base.
- Moody's downgrade of MyState Bank to Baa2/P-2 investment grade rating in September 2020 has had no impact on access to and the cost of funding.



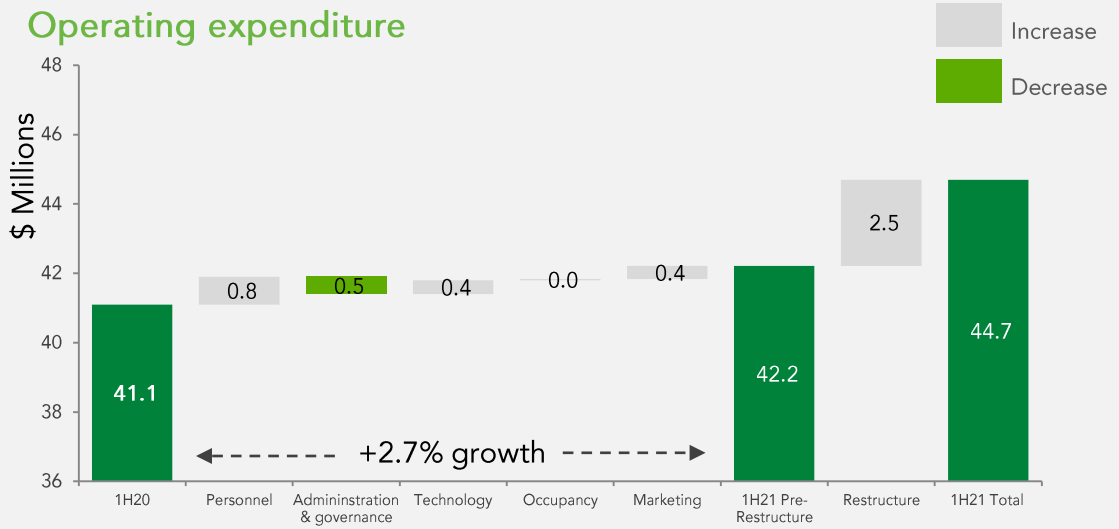


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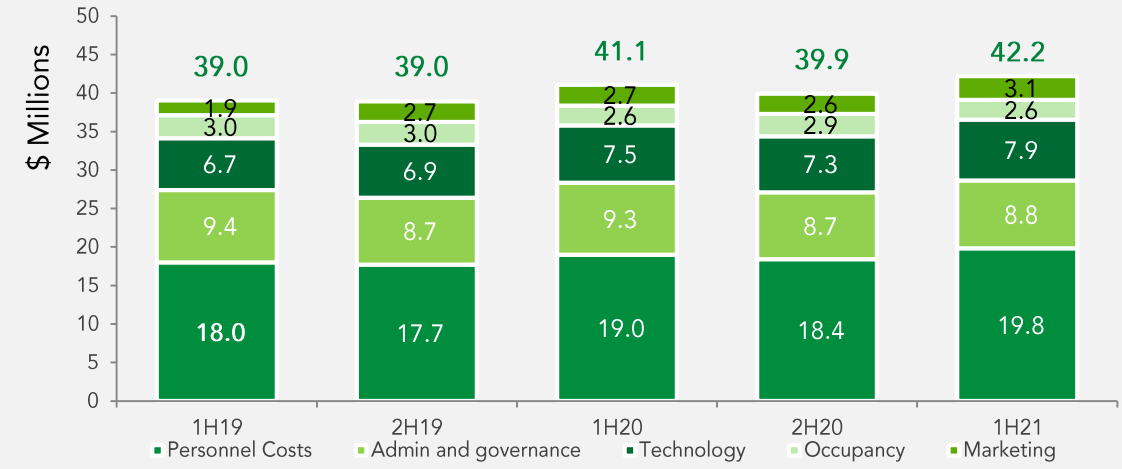
Operating costs

- Operating costs (before restructure costs) increased 2.7% on pcp driven by increased investment in capability, digitisation and marketing.
- Increased investment in marketing of $0.4m, up 15% on pcp.
- Restructure costs of $2.5m relate to the closure of branches in Central Queensland and a re-organisation of the Wealth business. Expected annualised benefits of $2.1m to be reinvested in growth related initiatives.
- Personnel costs in 2H20 benefitted from the forfeiture of short term incentives due to the impacts of COVID-19.

Operating expenditure



Expenditure breakdown

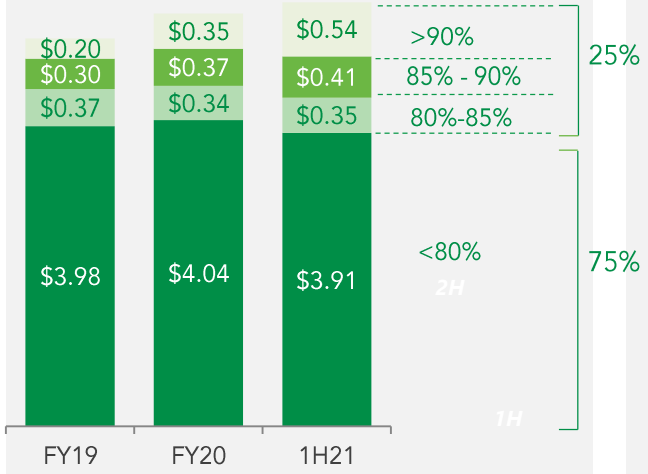


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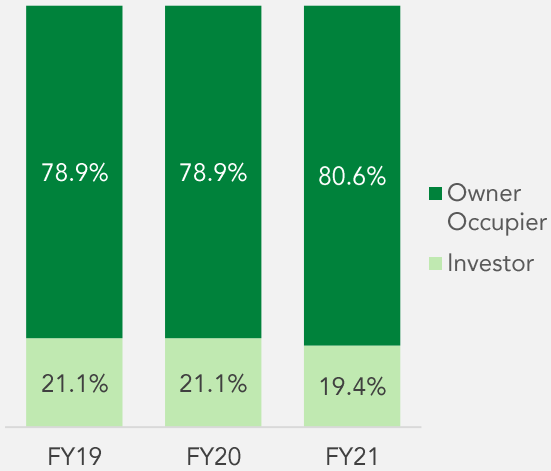
High quality, low risk loan book

- Total loan book grew 5.5% on 31 December 2019. Home loan book grew at 1.7x system (+6.2%) on 31 December 2019
- Home loan applications and settlements up c.10% and 24% respectively on pcp, partly offset by higher discharges and principal repayments.
- Maintaining quality lending growth amidst strong competition remains a key focus.
- Increase in higher LVR loans reflects participation in the FHLDS.

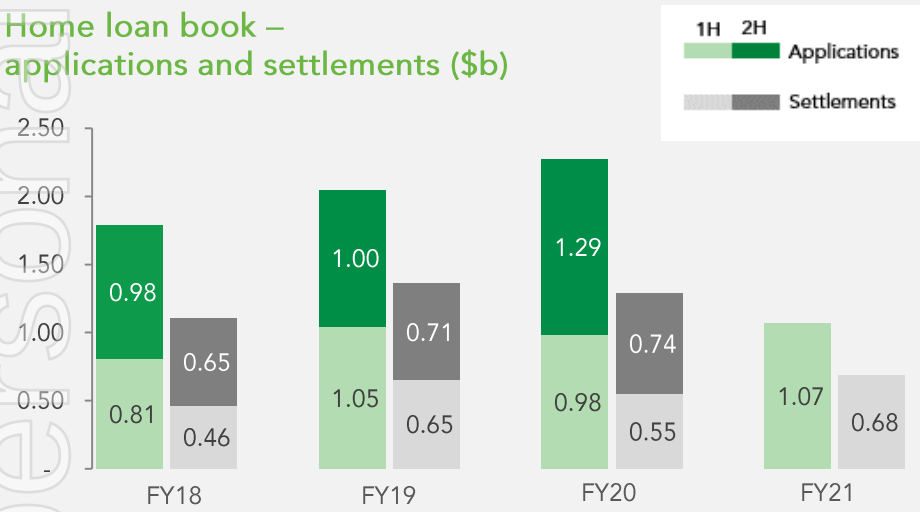
Home loan book – LVR profile ($b)



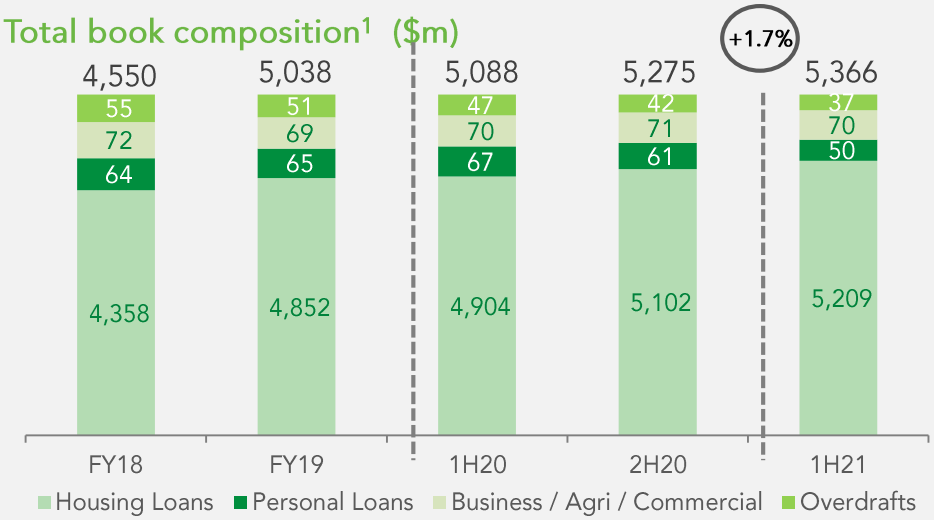
Home loan book composition



Home loan book – applications and settlements ($b)



Total book composition[1] ($m)

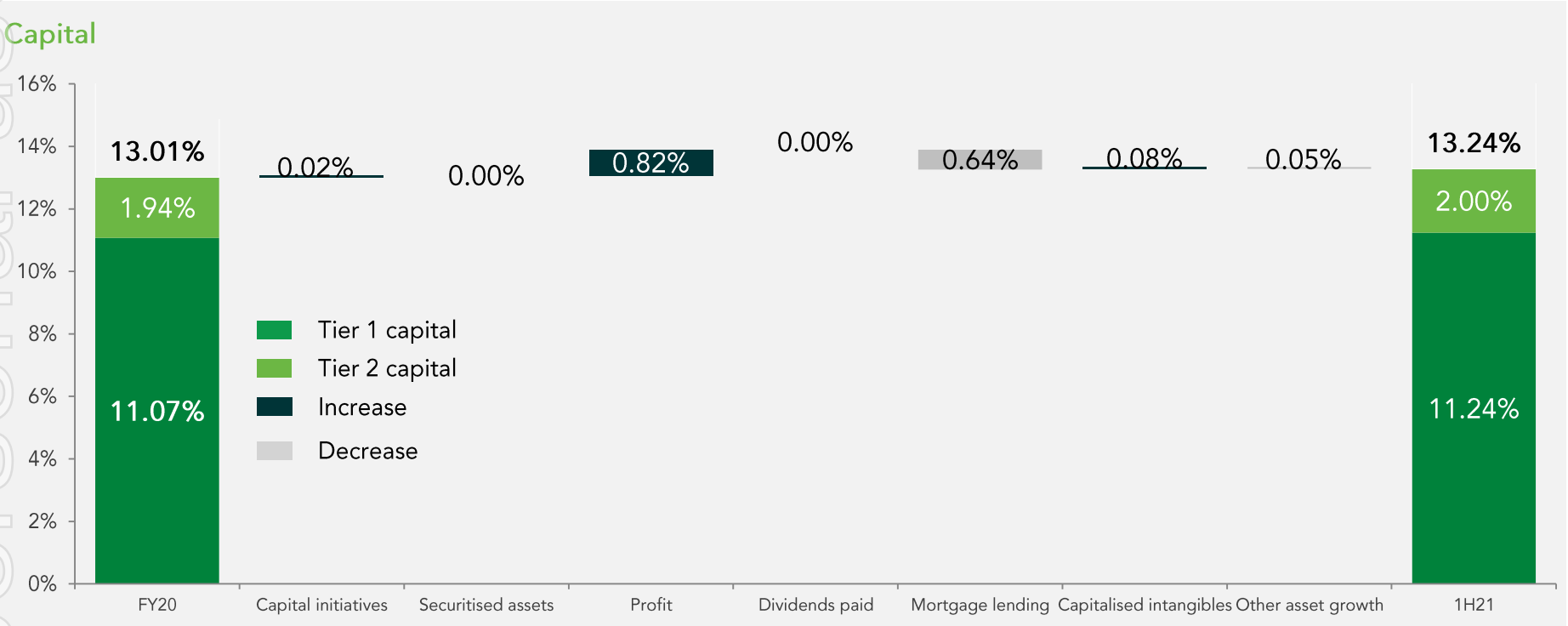


1. Excludes capitalised origination costs

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Well capitalised

- Capital ratios comfortably above regulatory minimums, providing headroom for further growth.
- Capital position supported by earnings growth and securitised funding.
- Effective capital strategy underpinning growth and investment in digital capability.
- Tier 2 capital ($25m) redeemed at first call date and re-issued in July 2020.

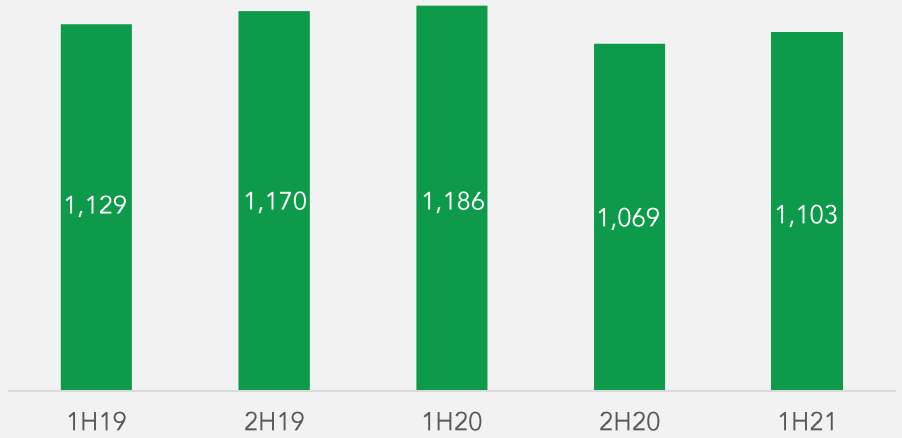


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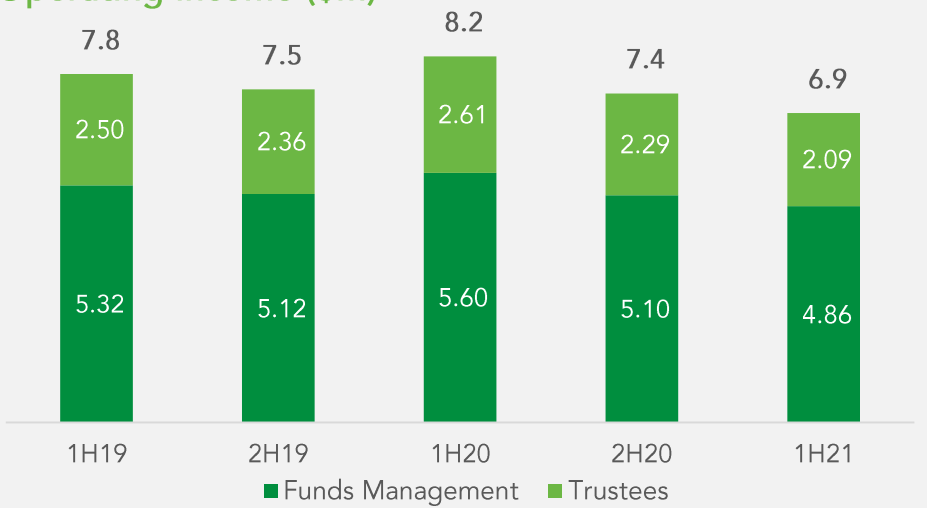
TPT Wealth

- Net FUM growth of 3.2% from 30 June 2020 to $1.103b driven by income funds.
- Wealth revenue decreased 15.9% on pcp (and 6.8% on 2H20) due to lower trustee fees and funds management revenue (the latter partly due to the impacts of COVID-19).
- Investment management for growth funds outsourced to Mercer.
- Replacement of legacy trustee system on track for completion in late February.
- Distribution capability enhanced to drive growth on the Eastern seaboard, to complement the team in the heartland market of Tasmania.

Funds under management ($m)



Operating income ($m)



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COVID-19

Gary Dickson

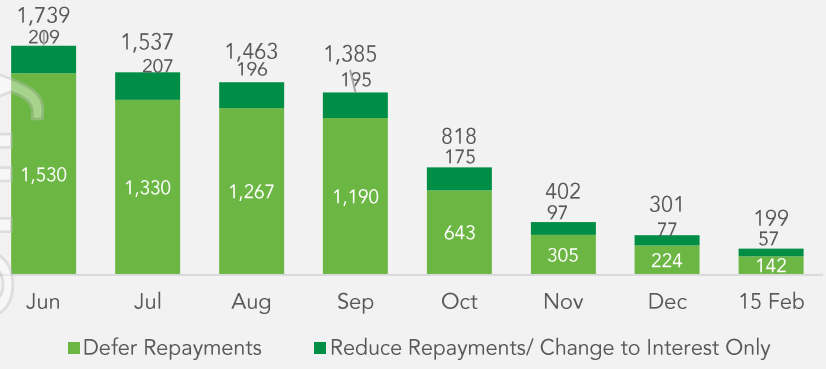
The human way to bank



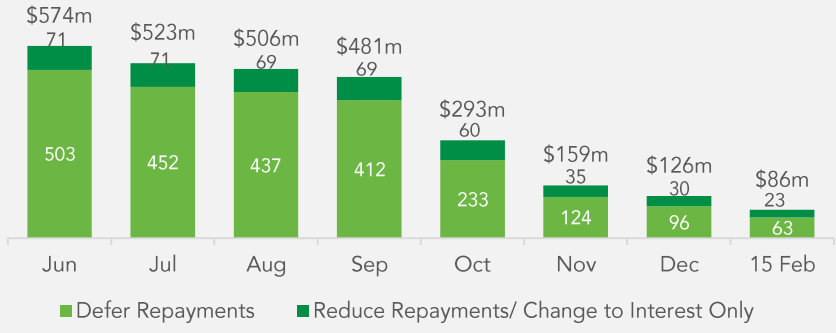
Here for you when life's a little unbalanced.
MyState Bank – unbalanced world campaign – July 2020

COVID-19 assistance to customers

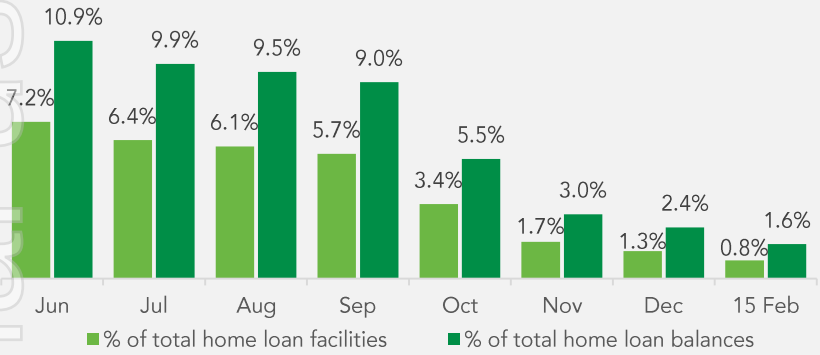
Total loans with assistance (facilities, no.)



Total loans with assistance (balances, $m)

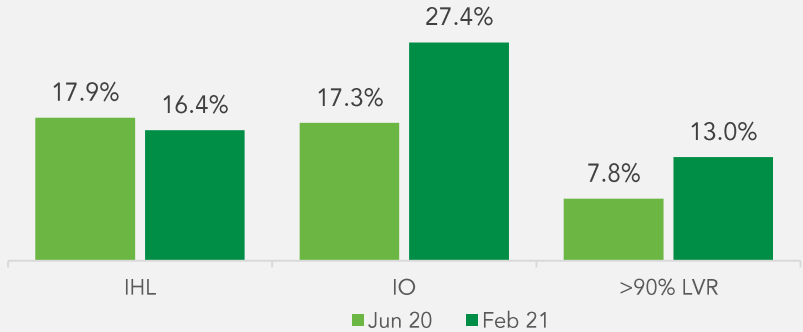


Home lending assistance



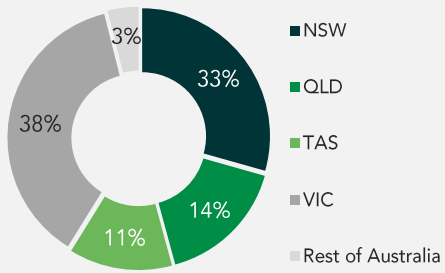
Home lending assistance profile

% of total home loan assistance balances



Home lending deferrals by State

15 February 2021



Financial assistance

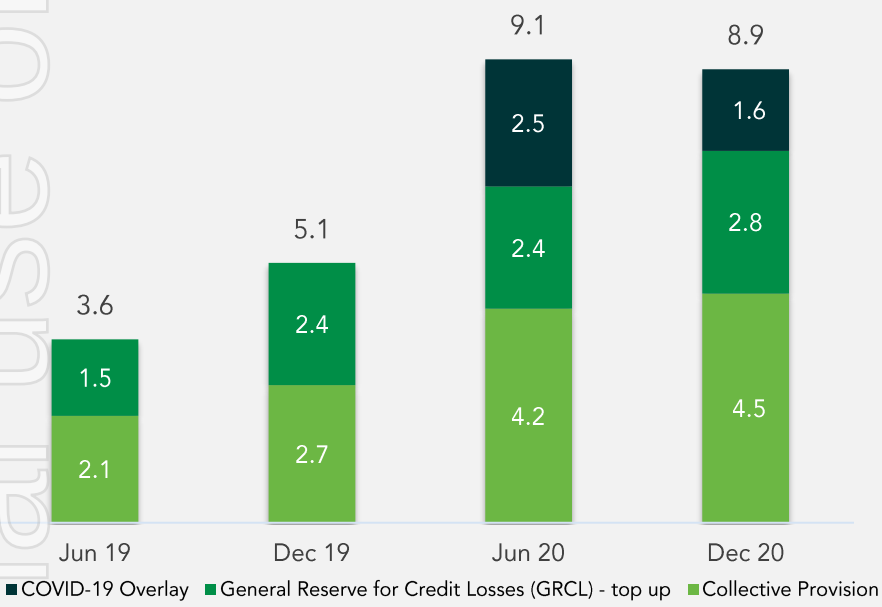
- 199 customers remain on some form of assistance: 188 home loans, 6 personal loans and 5 commercial loans.
- 92.8% of customers who received assistance are making some sort of payment.
- 0.8% of the mortgage portfolio is receiving some form of assistance. Only 0.6% of the mortgage portfolio are on payment deferrals.
- 38% of the mortgage loans with COVID-19 assistance are in VIC. This represents 3.4% of the VIC mortgage portfolio.

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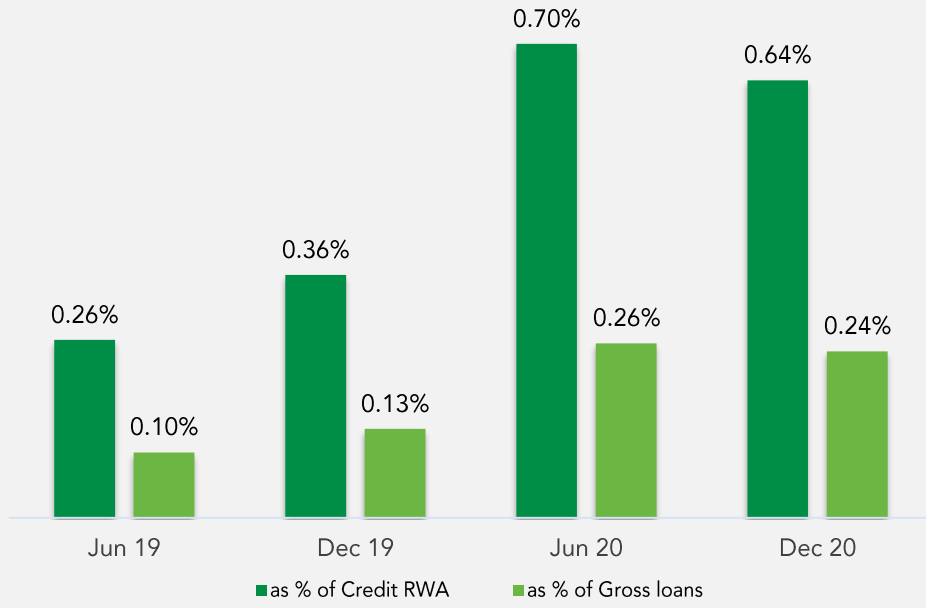
Provisions and coverage ratios

Loan provisioning assumptions updated for the improved economic outlook

Total collective provisions and GRCL ($m)



Total Provision Coverage Ratio (Collective and GRCL)



- At 30 June 2020, the $4.0m increase in Total Collective Provisions and GRCL reflects an increase in and the ageing of arrears in the total loan book ($1.5m) and the COVID-19 overlay ($2.5m).
- At 31 December 2020, the reduction in the COVID-19 overlay ($0.9m) reflects the improved outlook for unemployment and house prices and the re-weighting of probabilities for each economic scenario; $0.5m released to profit and $0.4m reallocated to the Collective Provision.

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Strategy and outlook

Melos Sulicich

Sector overview
Strategic priorities
Outlook

The human way to bank



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Sector overview

Industry dynamics

- Key themes shaping the year ahead:
  - The Australian economy rebounded more strongly than originally envisaged.
  - Consumer and business confidence is very positive.
  - COVID related government assistance due to come to an end by 31 March 2021.
  - Competition for new lending remains intense.
- Low credit growth combined with low rates for longer increases importance of scale economies.
- Increased importance of technology delivery and customer proposition differentiation.
- Customers expecting more functionality from online and mobile banking.
- Customers coming out of COVID-19 with a different set of values; increase in 'austerity'?
- Impact of COVID on credit loss provisions becoming more clear but some uncertainty still remains.

Regulatory dynamics

- APRA and ASIC have reactivated their change agendas following a period of economic stability post COVID-19 impacts.
- APRA's temporary favourable capital treatment for deferred and restructured loans due to come to an end on 31 March 2021.
- Changes to 'responsible lending' regulations.
- Continued focus on culture, particularly risk culture and conduct and the effective balancing of obligations to customers, staff, shareholders and other stakeholders.

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Strategic priorities

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Current strategy

Driven by a strong focus on customer outcomes and significant growth opportunities.

Increased investment in marketing.

Focused on growing organisational capability, simplifying and streamlining the business through continuous improvement and the use of automation & robotics (RPA).

Our purpose

is helping people achieve their dreams

Our mission

is making financial services simple and trustworthy

MyStateBank

- **Grow** our balance sheet
- **Increase** digital capabilities and use of automation
- **Build** our brand
- **Attract** and deepen relationships

TPT WEALTH

- **Invest** in contemporary, scalable wealth management and trustee products and systems
- **Grow** through mainland distribution

Enablers

Increased **marketing investment** to grow market share.

Productivity through our MyExcellence program with a focus on process automation to achieve efficiencies.

Culture and capability to align organisational effectiveness, while enhancing employee experiences to optimise performance.

A strong capital position.

Additional front line Business Development resources.

Supported by investment in marketing and a strong risk culture

Continued migration to digital

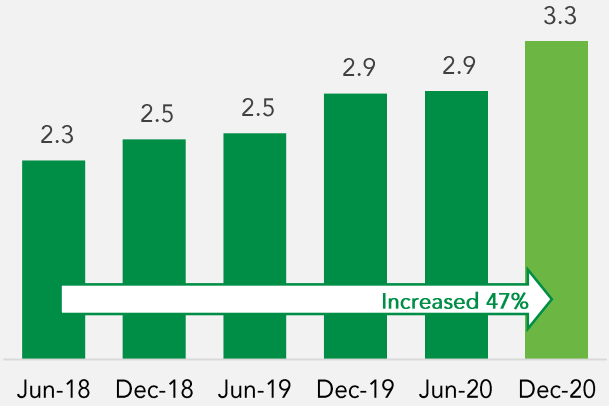
- Best in class AI insights in MyState Bank app generating over 1.5m insights per month.
- Digitisation of back office processes continues to increase scalability.
- Customer uptake of internet and mobile banking continues to increase.
- Bonus Saver awarded 5 Stars by Canstar & Mozo Experts Choice Award.



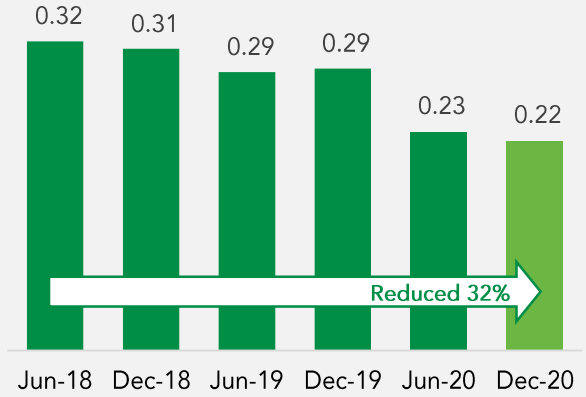


- Digitisation strategy is growing our customer base while also increasing satisfaction.

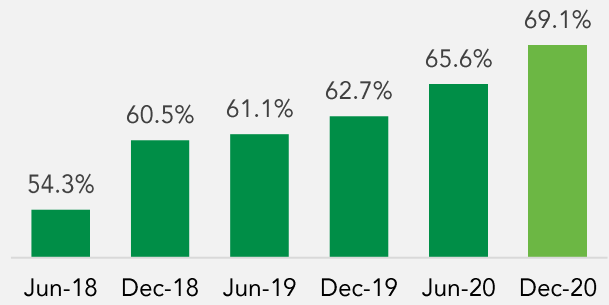
Digital transactions (#m)



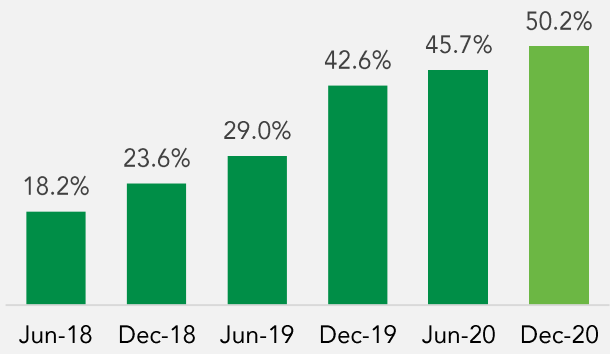
Branch transactions (#m)



Customers registered on Internet Banking (%)



Customers with eStatements (%)



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Outlook

Revenue growth

- Accelerated bank customer and balance sheet growth – doubling bank BDM's
- Disciplined margin management.
- Income Fund growth via Mainland distribution.

Change

- Increased marketing spend to enhance MSB retail funding and TPT Wealth FUM growth.
- Enhanced customer facing digital proposition.
- Maintain simplification and scalability agenda.

Restructuring & costs

- Key restructuring activities complete – focus now on realising benefits and reinvesting in accelerated growth.
- Finalise replacement of legacy Trustee system and enhancements to Income Fund product range.

Takeaway

- Operational efficiencies and business improvements flowing through to the bottom line setting us up for a bright future.
- Well positioned for accelerated balance sheet growth.
- Lower cost to income ratio.
- Strong capital position underpinning growth and continued investment in digital.

WELL POSITIONED FOR ACCELERATED GROWTH

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Appendix

High credit quality

COVID-19 economic outlook and scenario weightings

The human way to bank

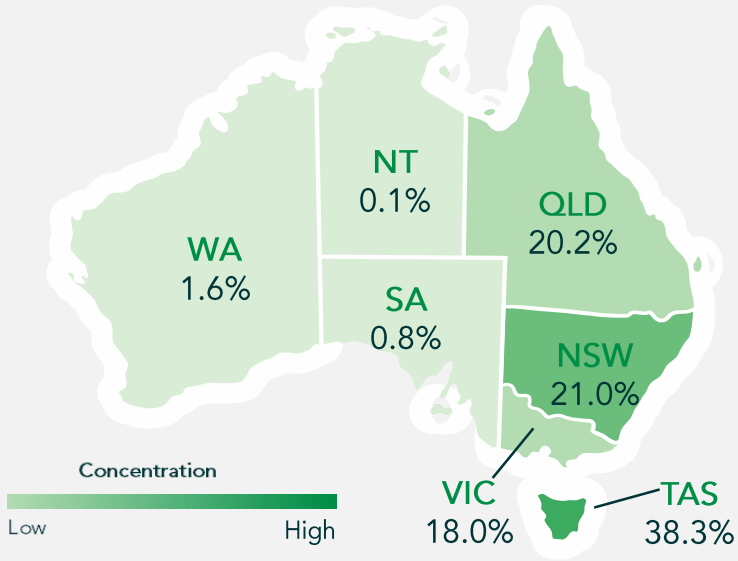


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High credit quality

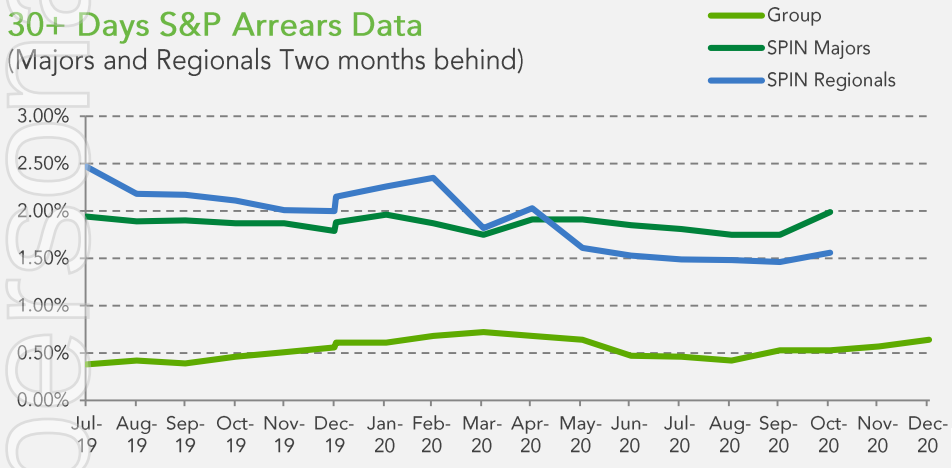
- Consistent focus on lower LVR loans.
- Successful participation in the FHLDS has driven >90% LVR growth.
- 30 and 90 day arrears well below industry.
- Impairments remain at historic lows.
- Further detail provided in COVID-19 section.

Home Loan geographic concentration



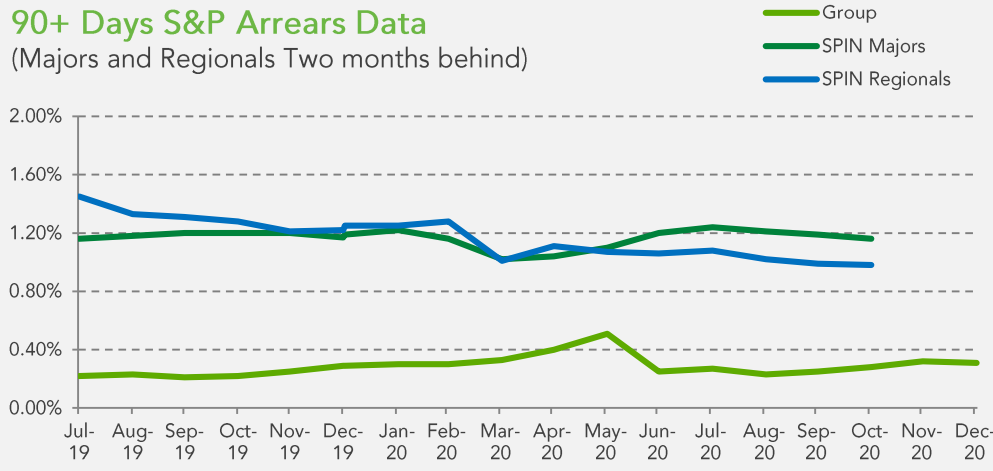
30+ Days S&P Arrears Data

(Majors and Regionals Two months behind)



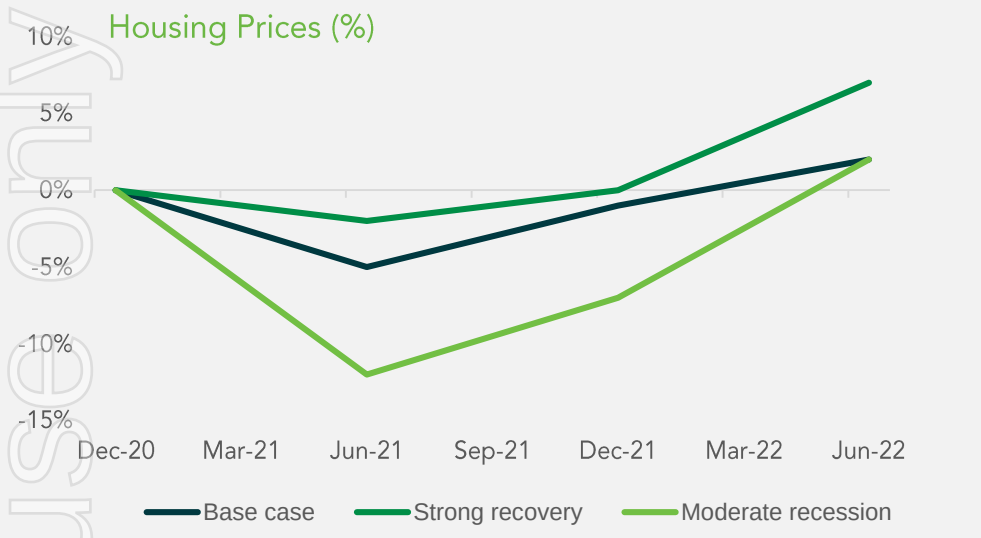
90+ Days S&P Arrears Data

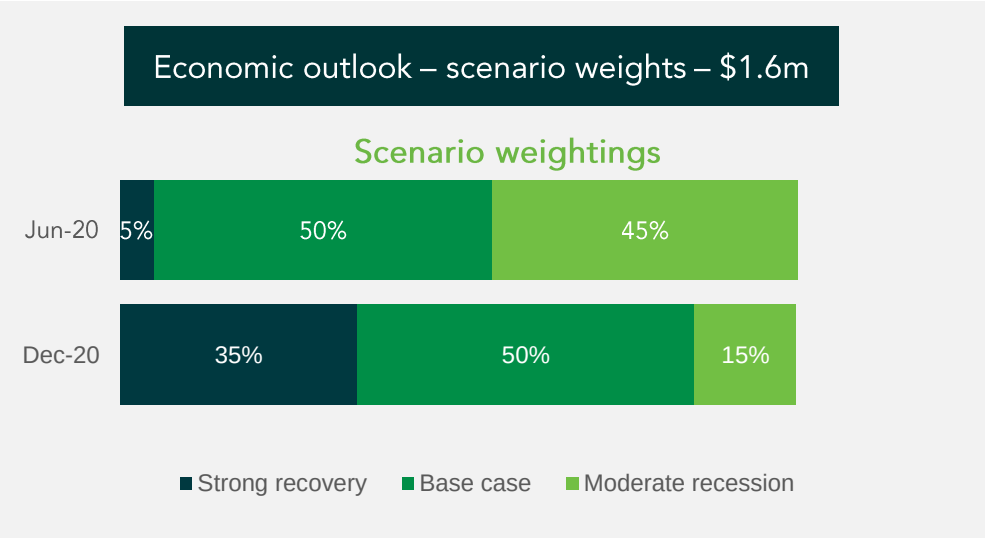
(Majors and Regionals Two months behind)

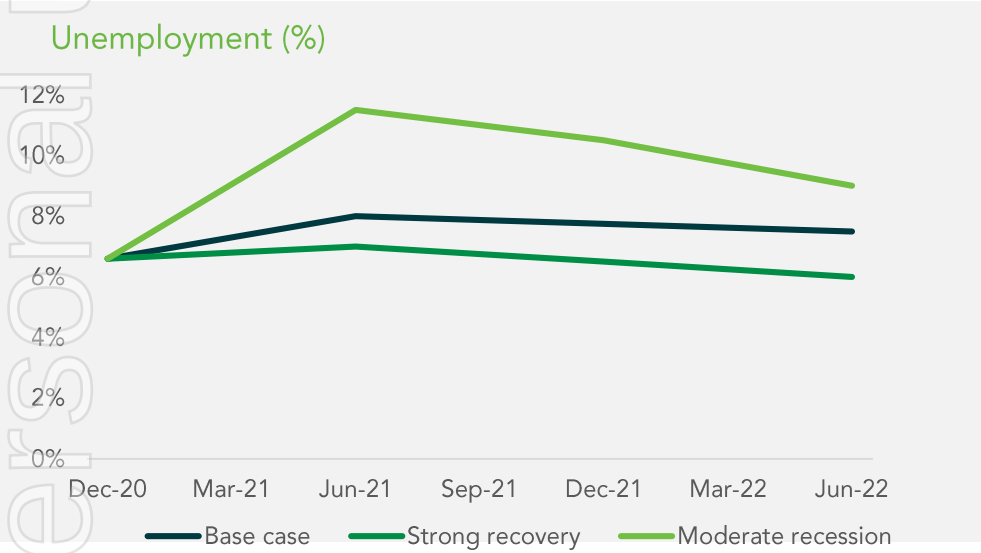


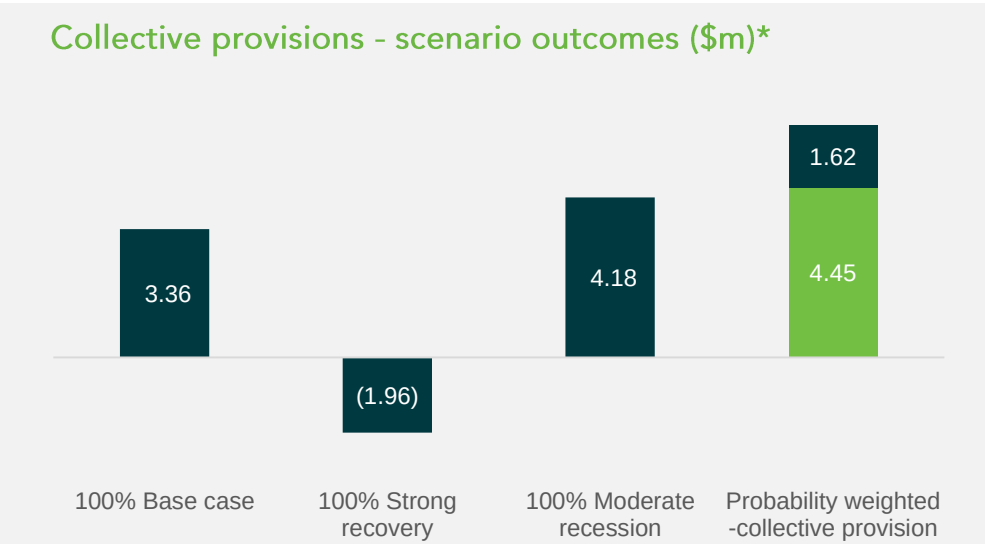
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COVID-19 economic outlook and scenario weightings









*Excludes GRCL.

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Glossary

1H: First half of financial year
2H: Second half of financial year
ADI: Authorised deposit-taking institution
APRA: Australian Prudential Regulation Authority
Avg: Average
ASX: Australian Securities Exchange
BBSW: Bank Bill Swap Rate
BDD: Bad & Doubtful Debt Expense
bps: basis points
CAGR: Compounded annual growth rate
CET1: Common Equity Tier 1
cps: Cents per share
CTI: Cost-to-income ratio
DRP: Dividend reinvestment plan
EPS: Earnings per share
FY: Financial year
HY: Half year
IO: Interest only
IRB: Internal ratings-based
Jaws: relationship between income and expense growth
LVR: Loan to valuation ratio
MYS: MyState Limited
MSB: MyState Bank Limited
NII: Net Interest Income
NIM: Net Interest Margin
NPAT: Net Profit after Tax
NPBT: Net Profit before Tax
PCP: Previous Corresponding Period
RBA: Reserve Bank of Australia
RMBS: Residential mortgage-backed security
ROE: Return on equity
SPIN: Standard and Poor's Performance Index
S&P: Standard and Poor's
TD: Term deposit
TPT: Tasmanian Perpetual Trustees Limited

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