

# 1H23 results

23 February 2023



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## Overview and highlights

Brett Morgan  
Managing Director & CEO

2

## Financial results

Gary Dickson  
Chief Financial Officer

3

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Brett Morgan  
Managing Director & CEO

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# Overview and highlights

**Brett Morgan**  
Managing Director & CEO

1

**Together for  
the better.**

**What does this mean for:**

Our people We grow and achieve great things

Our customers and clients We care about what matters

**What does this mean for:**

Our community We invest into and support our local communities

Our shareholders We deliver sustainable, profitable growth

## **Our purpose**

We're a Tasmanian based financial services company with big ambitions. We make managing your money easy, to help you achieve what matters most. We invest in our people and communities, so together we can thrive.

# For all stages of your financial life

MyState is a provider of banking, trustee and wealth management services to over 170,000 customers and clients across Australia through its retail brands – MyState Bank and TPT Wealth.

MyStateBank

TPT Wealth

Transaction accounts

Savings accounts  
Term deposits

Home lending  
Investment lending

Commercial lending  
Income funds

Wills & estate planning  
Charitable trusts

Spending

Saving

Borrowing

Investing

Legacy

Our award winning products assist our customers and clients at all stages of life.



# 1H23 highlights

## Record half year NPAT

### Second fastest growing home lender<sup>1</sup>

**\$7.6b**

Home loan book  
+10.5% growth  
4.3x system<sup>2</sup>

**\$6.3b**

Customer deposits  
+13.5% growth  
2.6x system<sup>3</sup>

**\$20.1m**

NPAT  
+20.7% on pcp  
Highest half year result on  
record

**14,500**

New to bank  
customers acquired  
+54% on pcp

**63.2%**

Cost to income ratio  
-558 bps on pcp

**9.2%**

Return on equity  
+113 bps on pcp

Note: Financial performance figures compare 1H23 to 1H22 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2022 as pcp.

1. APRA ADI statistics, last 12 months, for banks with home loan books >2.0b
2. RBA lending and credit aggregates - D2
3. APRA monthly ADI statistics – household deposits



# Winning at home and on the eastern seaboard

vs. pc <sup>1</sup>	NSW	QLD	VIC	TAS
Home loan book growth	+13%	+10%	+21%	+2%
Customer deposits growth	+17%	+7%	+17%	+7%
New to bank customer acquisition	+53%	+43%	+78%	+27%

1. Home loan book and customer deposits growth figures compare 30 June 2022 as pc. New to bank customer acquisition compares 1H23 with 1H22 as pc.



# Financial results

**Gary Dickson**  
Chief Financial Officer

# 2



# 1H23 positive financial momentum

- Core earnings up 36.7% to \$30.3m
- NPAT up 20.7% to \$20.1m
- NIM down -6bps on pcg but up 14bps on 2H22 reflecting margin recovery due to the rising rate environment
- Positive “jaws” with strong income growth
- Cost to Income ratio decreased 558bps to 63.2%
- Return on average equity increased on pcg to 9.2% which compares favourably to regional bank peers
- Interim dividend in line with the 2022 final dividend of 11.5 cents per share

Metric	1H23	1H23 vs 2H22	1H23 vs 1H22
Core earnings (\$m) <sup>1</sup>	30.3	+36.8% ▲	+36.7% ▲
Statutory net profit after tax (\$m)	20.1	+30.1% ▲	+20.7% ▲
Statutory earnings per share (cps)	18.6	+27.3% ▲	+18.0% ▲
Net interest margin (%) (annualised)	1.71%	+14bps ▲	-6bps ▼
Cost-to-income ratio (%) <sup>2</sup>	63.2%	-480bps ▼	-558bps ▼
Total capital ratio (%)	14.1%	+173bps ▲	+33bps ▲
Return on average equity (%) <sup>3</sup>	9.2%	+180bps ▲	+113bps ▲
Dividend–fully franked (cps) <sup>4</sup>	11.50	Steady ■	-1.0cps ▼

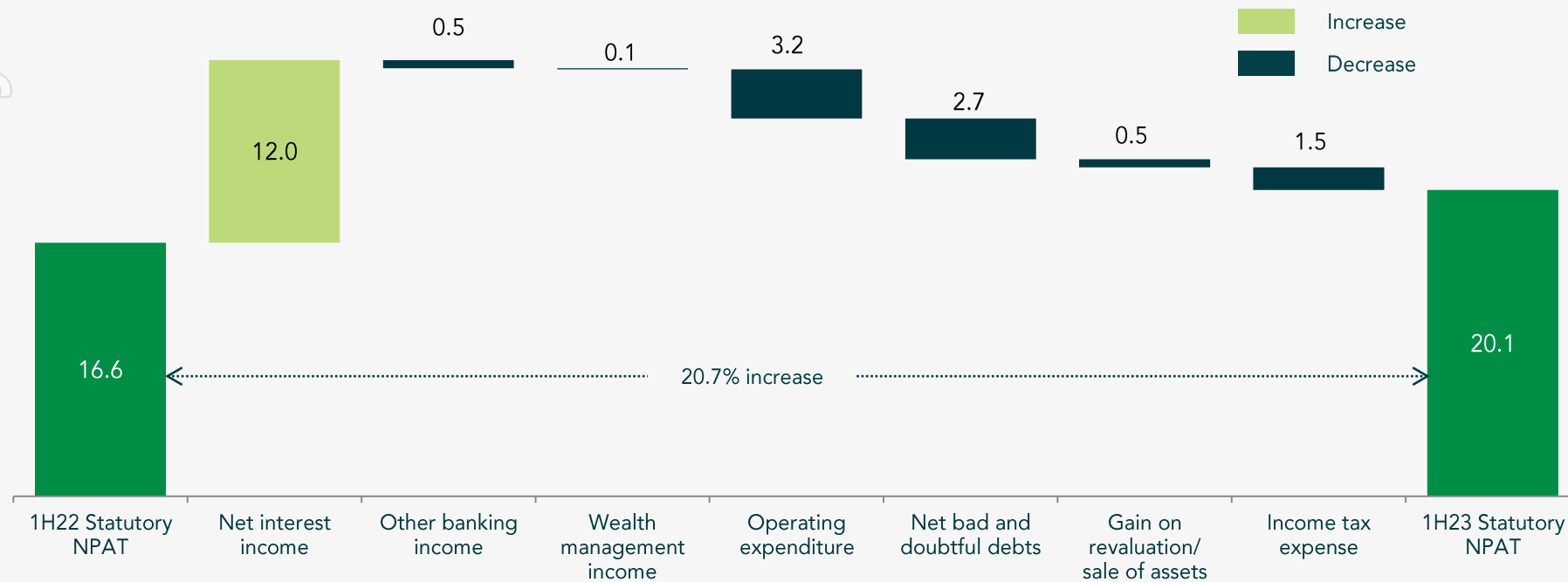
Note: Financial performance figures compare 1H23 to 1H22 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2022 as pcg.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation and totals may vary slightly due to rounding.

1. Operating profit before bad & doubtful debts expense, gain on revaluation of assets held for sale (1H22 only) and income tax expense
2. Excludes gain on revaluation of assets held for sale in 1H22
3. Annualised FYTD
4. Interim dividend of 11.50 cps payable to shareholders on the register at the record date of 1 March 2023

# Highest half year NPAT on record

Net profit after tax (\$m)

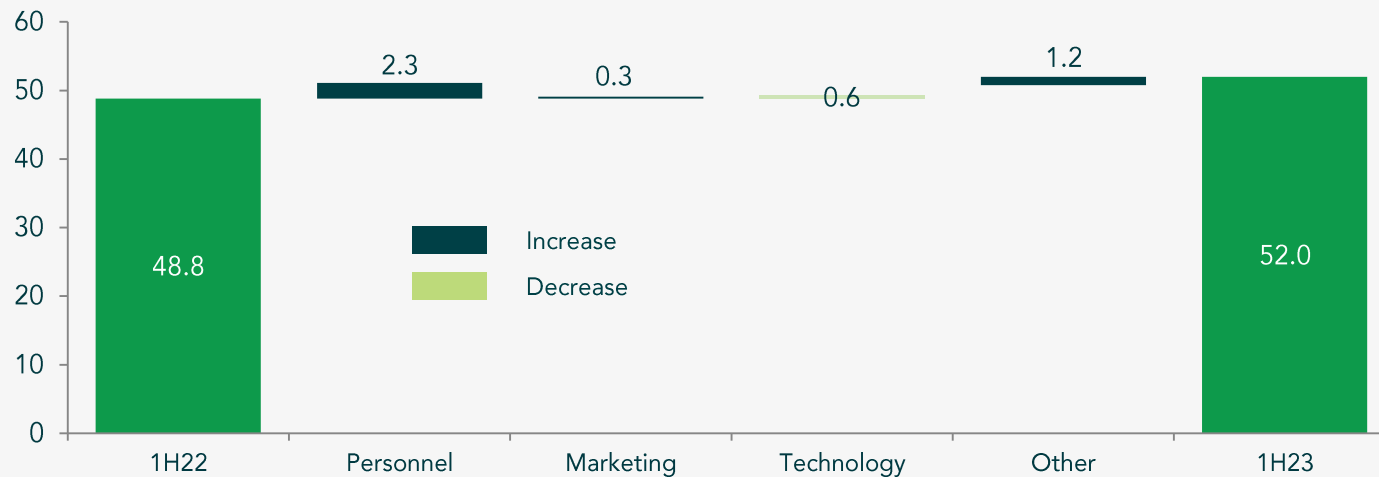


- NPAT increased 20.7% on 1H22
- Net interest income up 21.3%, primarily due to a larger average balance sheet
- Other banking income down 7.1% on pcp as a consequence of higher switching fees in the pcp as customers took advantage of lower fixed rate loans
- Wealth management income down 0.9%, driven by lower funds management fees partly offset by higher Trustee Services related income
- Total operating costs were up 6.6% on pcp, see following slide

# Operating costs well managed

- Operating costs increased by 6.6% driven by higher personnel and volume related costs
- Marketing up \$0.3m or 4.1% on pcp due to ongoing investment in building the MyState brand on mainland Australia as well as customer acquisition focused activities
- Uplift in Other expenses largely volume related

## Operating expenditure

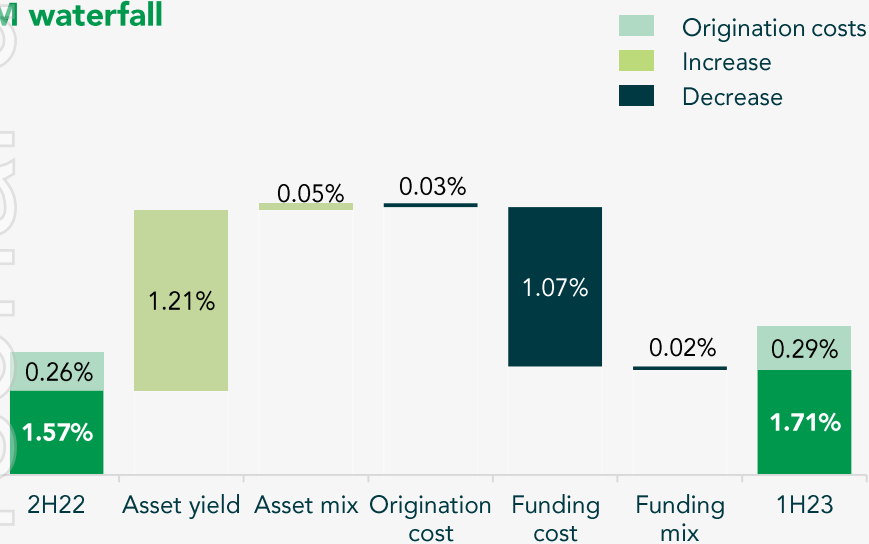


# MyState Bank

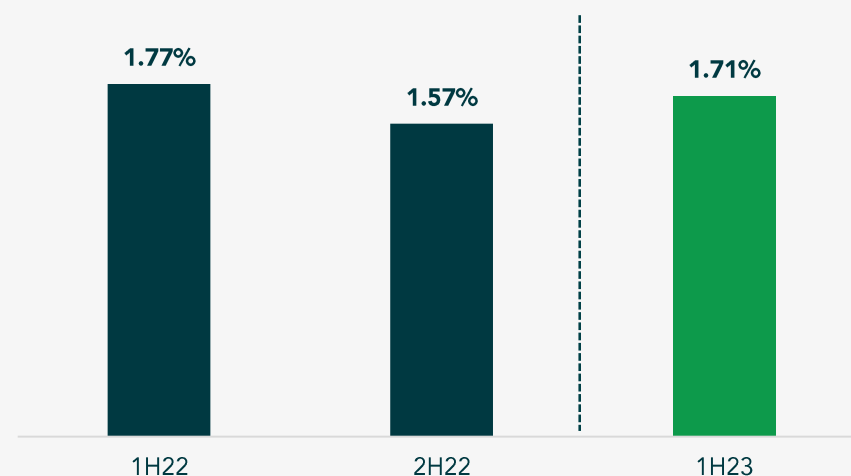
# NIM a reflection of market competition

- Net interest margin up 14 bps on 2H22, reflecting growth in the home loan book and positive leverage to a rising cash rate
- Lending market remains highly competitive
- Funding costs impacted by the competition for retail deposits and widening credit spreads
- MyState optimising growth and return

NIM waterfall



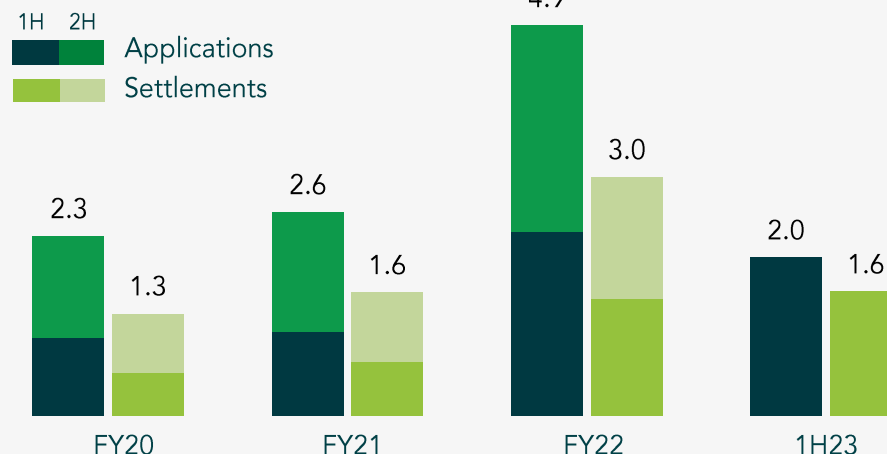
NIM trend



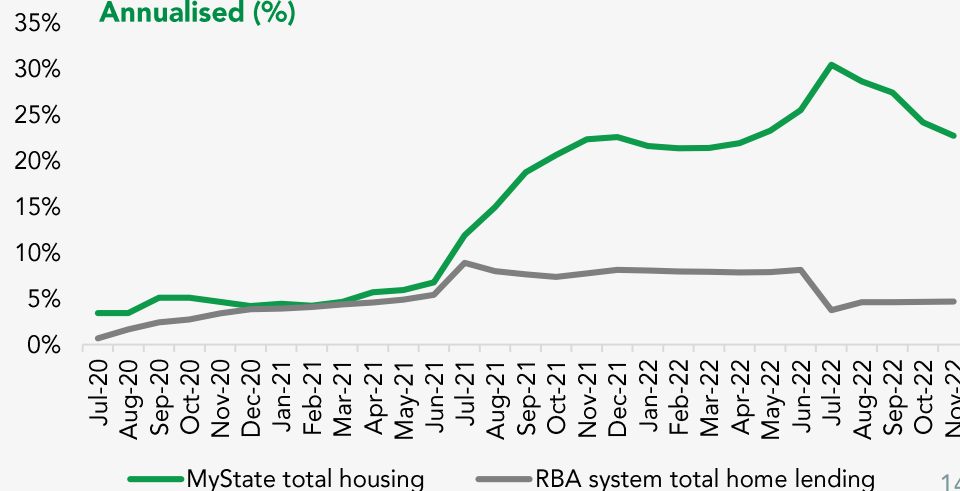
# Record growth in settlements driving loan book growth

- Record home loan settlements for a half; \$1.57b up 5.9% on pcg
- Home loan portfolio up \$2.1b (or 39%) since 30 June 2021 to \$7.6b
- Home loan book continues to grow well above system (+10.5% on 30 June 2022, over 4.3x system)
- Improving run-off, with both discharges and pay down levels lower than pcg
- Average number of days to unconditional approval for the half was 11.6 (all lenders: 17.6<sup>1</sup>)
- Maintaining quality lending growth remains a key focus
- Housing credit growth beginning to slow from late CY22

## Home loan book – applications and settlements (\$b)



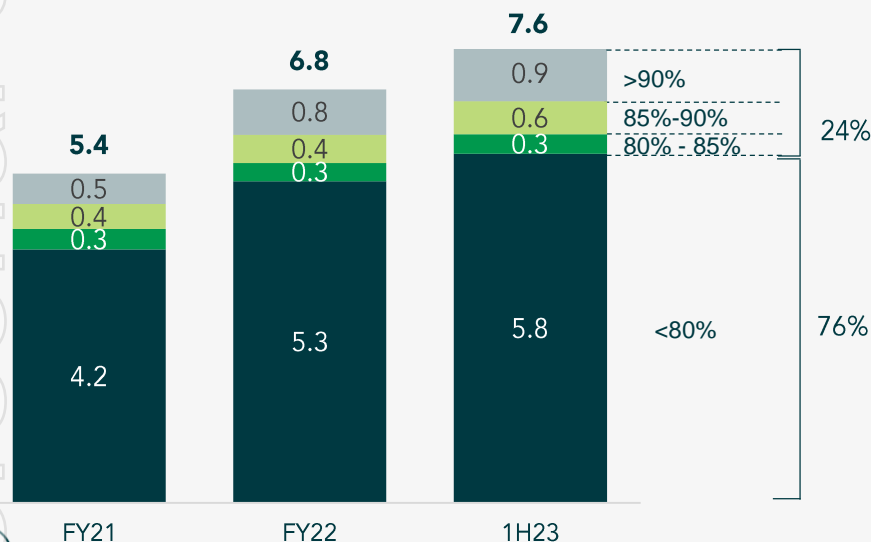
## MyState home loan growth Annualised (%)



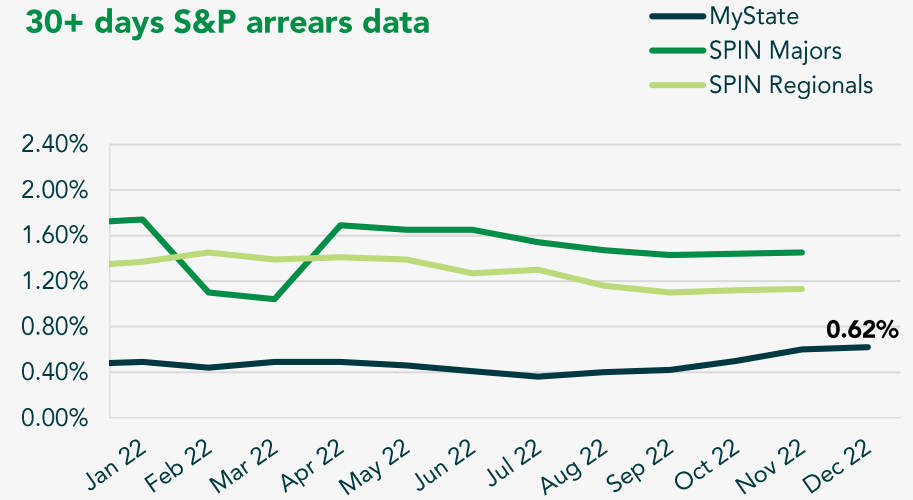
# Continued high credit quality

- Maintaining quality lending growth underpins our balance sheet strength
- Our focus is on low-risk, owner occupied lending with a LVR of less than 80%
- Growth in higher LVR loans reflects support of Federal Government guaranteed First Home Loan Deposit Scheme
- Uptick in arrears but still below industry average
- Average LVR 56.8% at 31 December 2022

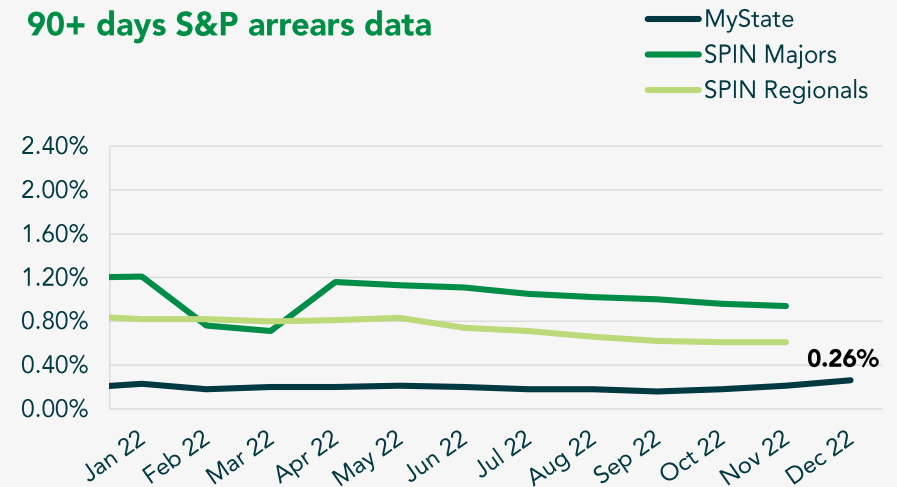
## Home loan book LVR profile (\$b)



## 30+ days S&P arrears data



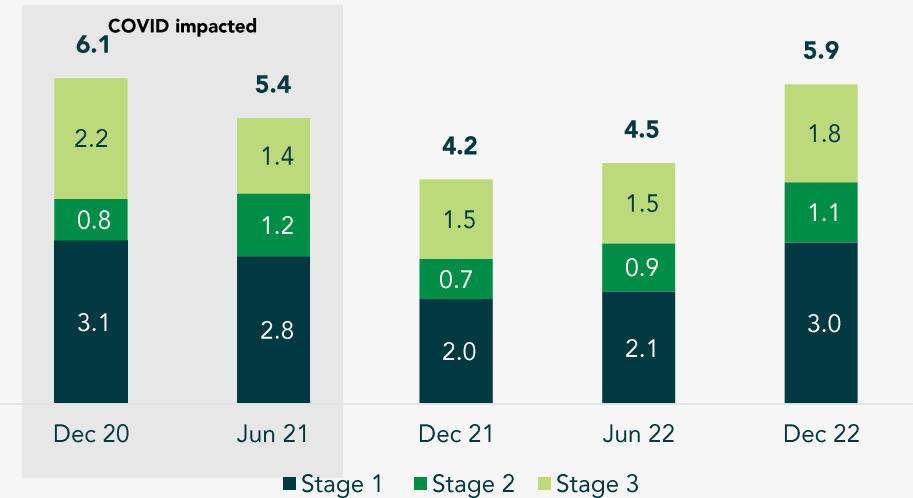
## 90+ days S&P arrears data



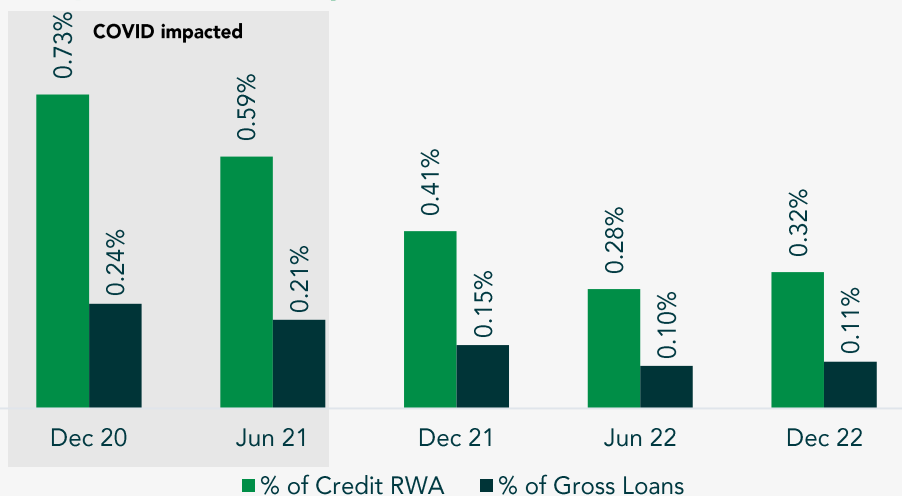
# Prudent loan provisioning

- Increase in total collective provisions consistent with rising arrears in an increasing interest rate environment
- Provision coverage ratios are consistent with pre COVID-19 levels
- Forward looking overlay increased from \$0.9m to \$1.6m reflecting deterioration in economic outlook (increase from 20% to 27% of total collective provision)

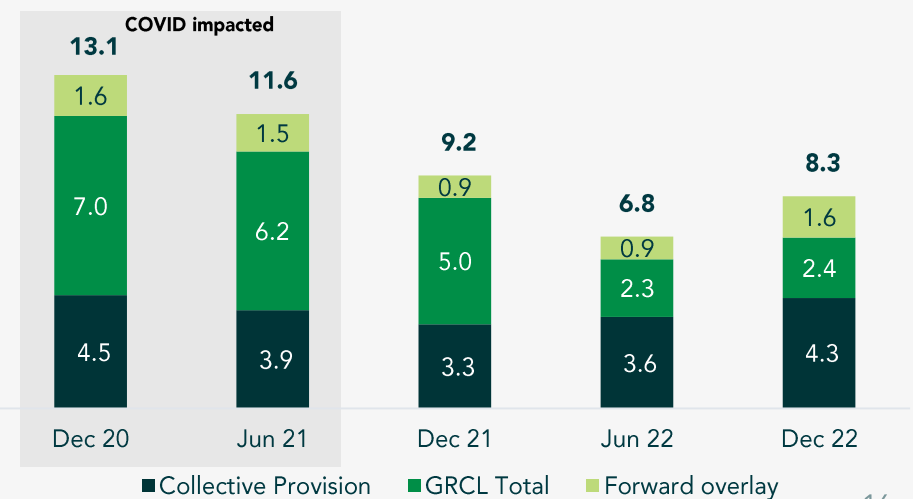
Credit provisions (\$m)



Total provision coverage ratio



Total collective provisions and GRCL (\$m)

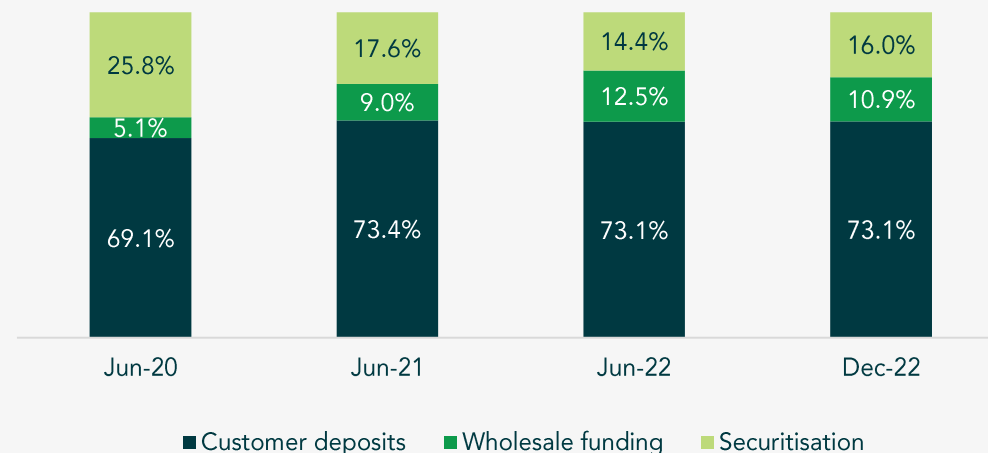




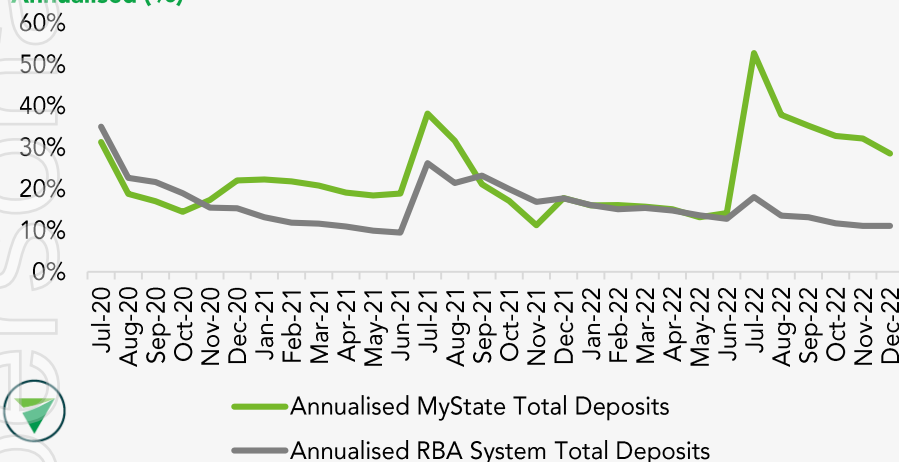
# Continued growth in customer funding

- Customer deposits up 13.5% since 30 June 2022 to \$6.3b and up 41% since June 2021
- Continued growth in the award winning Bonus Saver Account (+17.6% on 30 June 2022)
- Customers moved towards term style products over the half in response to the rising interest rate environment (+31.8% growth on 30 June 2022)
- Issuance of \$100m senior unsecured Medium Term Notes in October
- Securitisation remains an important source of funding and provides additional capital flexibility (RMBS issuance of \$400m in December)

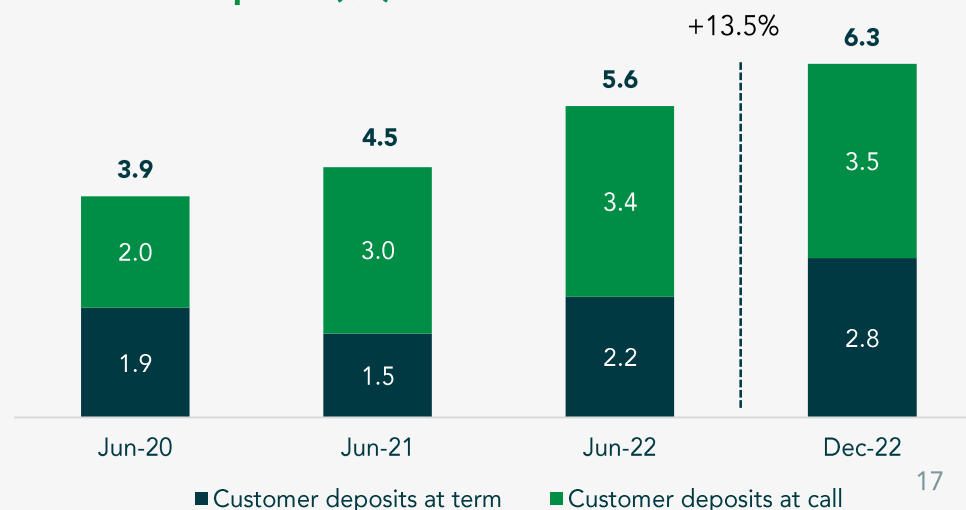
## Funding mix (%)



## MyState deposit growth Annualised (%)

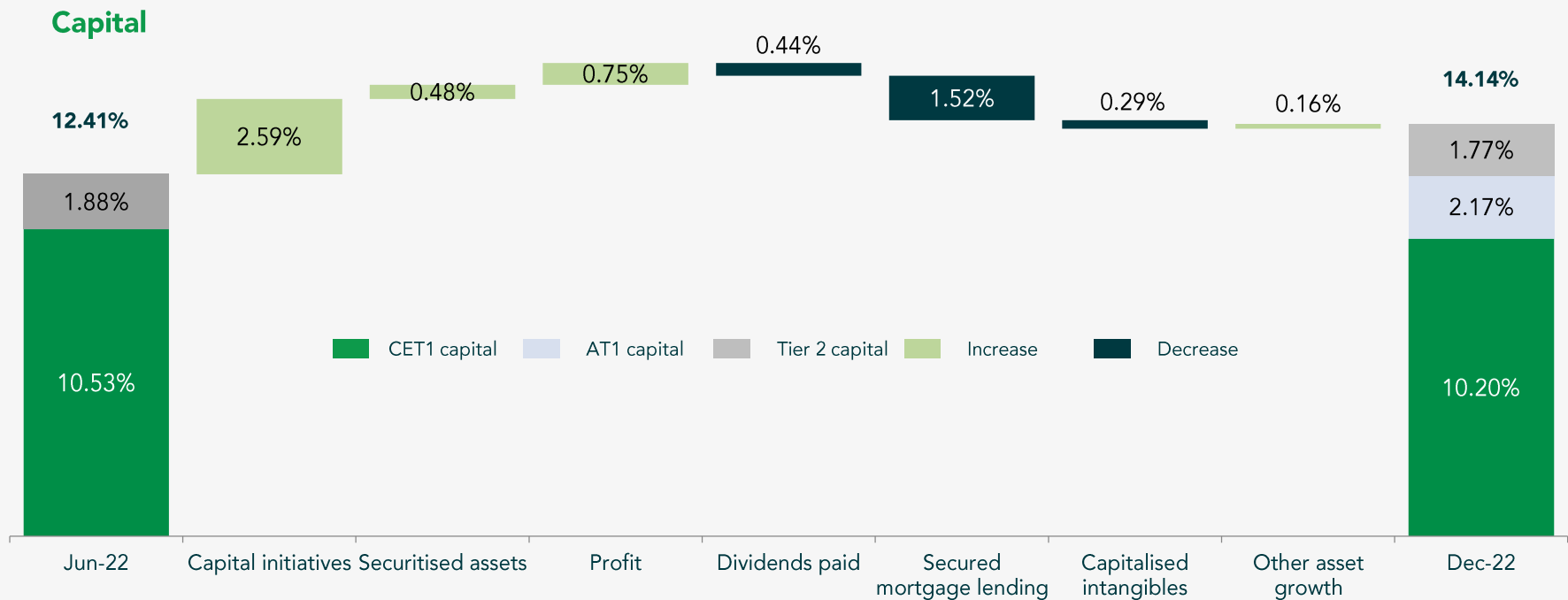


## Customer deposits (\$b)



# Ongoing diversification of capital base

- Total capital ratio up 173bps
- Effective capital strategy underpinning lending growth
- Further capital flexibility has been provided by inaugural Additional Tier 1 issuance in August 2022
- First public RMBS transaction since 2019 in December 2022



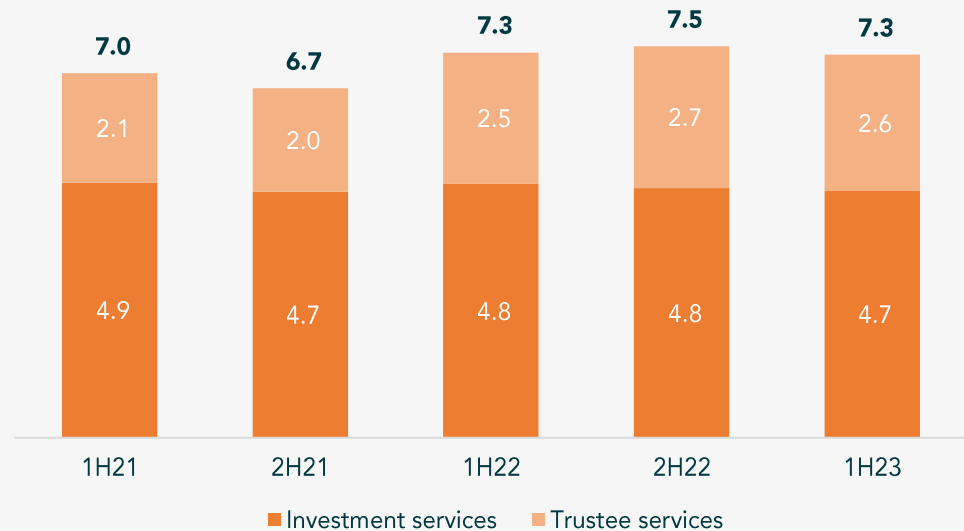


# TPT Wealth

# TPT Wealth delivering income diversification

- Wealth operating income steady on pcg
- Trustee services income higher on pcg (+5.3%)
- Investment Services management fees modestly lower on pcg on lower FUM
- Commercial lending fees higher on pcg on improved origination volume
- TPT Wealth embedding UN Principles for Responsible Investment

Operating income (\$m)

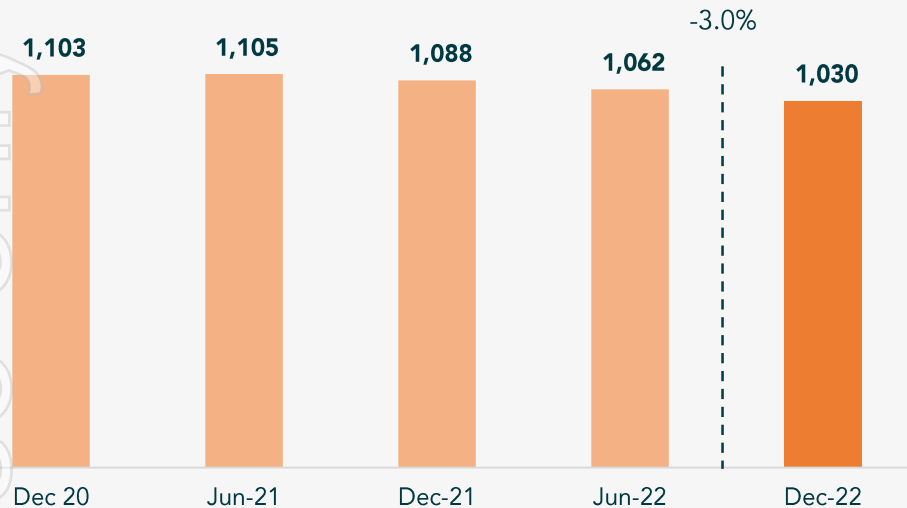


TPT WEALTH

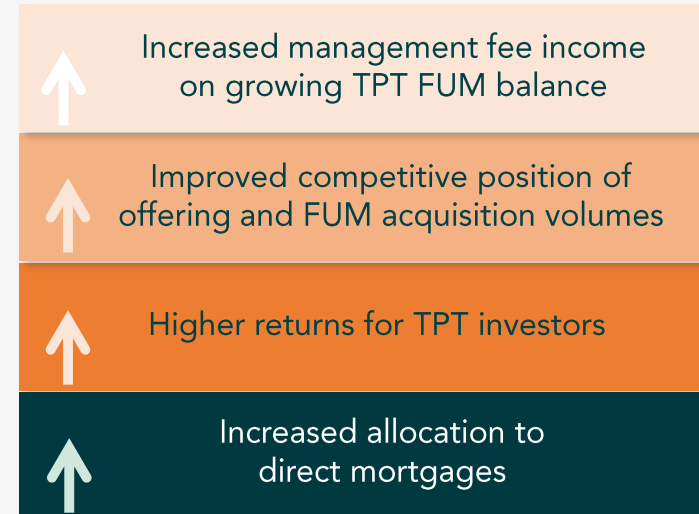


# TPT Wealth positioning for FUM growth

Funds under management (\$m)

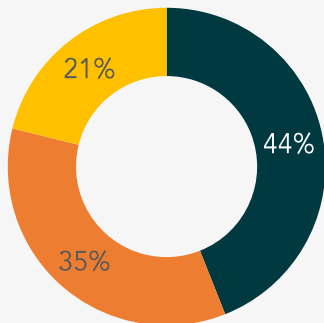


Benefits of increased allocation to direct mortgages

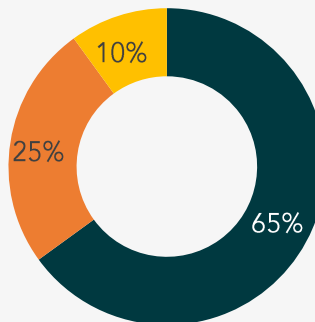


TPT Wealth asset allocation

December 2022



Strategic asset allocation goal



● Mortgages ● Cash and Liquid Investments ● Credit Assets

- Allocation to direct mortgages at 44%
- Rotation into liquid holdings to facilitate further growth in direct lending
- c.2% increase in returns for investors over the half, driven by rising interest rates and stronger returns across all asset classes

# Outlook

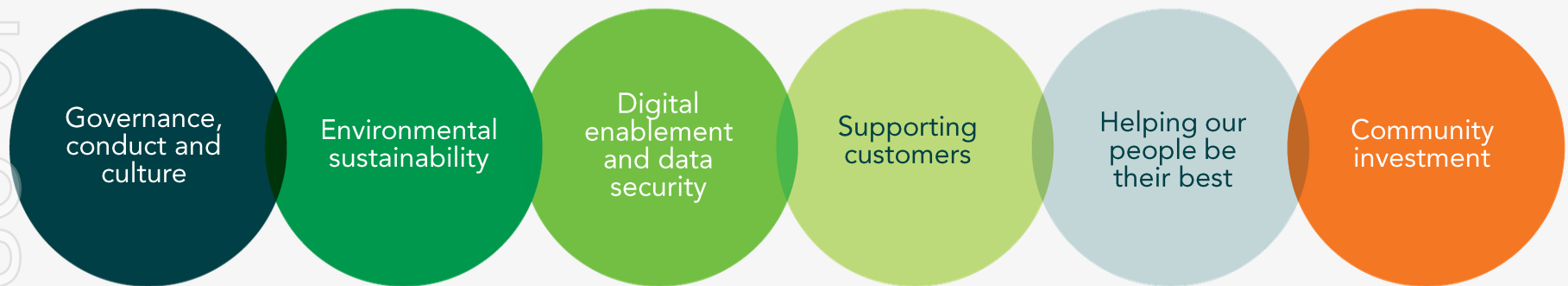
**Brett Morgan**  
Managing Director & CEO

# 3

# ESG

**For MyState, being sustainable is about how we create value for our stakeholders over the long-term**

6 ESG topics matter most to us:



## Progress in 1H23






- Release of first Task Force on Climate-related Financial Disclosure reporting (TCFD)
- Planning for measurement of Scope 3 financed emissions to understand our total GHG emissions footprint
- Hardship support for flood impacted customers in NSW and QLD
- Investment into scams detection, systems, education and information sharing





# Outlook

Based on current conditions, we are targeting to achieve the following<sup>1</sup>:

	Short term FY23	Medium term FY24-FY25	Update 31 December 22
 MyState Bank lending	Lending growth >2x system		4.3x system
 MyState Bank deposit composition	Customer deposits >65% of funding		73.1%
 Earnings per share	Cumulative growth of 30% over 3 years (above 5 year average <sup>2</sup> )		+8.3% annualised
 Operating efficiency	Cost to income ratio <63%	Cost to income ratio <60%	+63.2%
 Return on equity	Cumulative return of 30% over 3 years		+9.2% annualised

1. See disclaimer at the back of this presentation
2. 5 year average EPS 34.32 cps (FY18 35.0; FY19 34.2; FY20 32.9; FY21 39.2; FY22 30.3)

# Why MyState?



Comprises a fast growing bank and a trusted wealth management business



Trusted Tasmanian brand with strong market share and leading advocacy



Proven and consistent financial performance



Delivering on growth strategy



# Appendices

# 4

# Corporate profile

MyState is a provider of banking, trustee and wealth management services to over 170,000 customers across Australia through its retail brands – MyState Bank and TPT Wealth.

MyState listed on the ASX in 2009.

MyState has a market capitalisation of ~\$430m (as at 21 February 2023) and a shareholder base of ~58,000.

Total operating income for the half year ended 31 December 2022 was \$82.3m.

Ratings	MyState Limited	MyState Bank
Moody's	Baa3	Baa2
Fitch	BBB+	BBB+

**MyStateBank** 

MyState Bank is a leading challenger bank with strong digital capability. Since its establishment, it has grown its total assets to more than \$9.1bn, offers award winning products and has strong customer satisfaction ratings.

**91%\*** Banking  
Lending | Deposits | Transactions

**TPT**   
WEALTH

TPT Wealth, a 135 year old business, is one of the oldest providers of wealth solutions in Australia. A trusted brand, today it offers contemporary financial products including asset management and trustee services.

**9%\*** Wealth  
Funds management | Trustee services



\* % of Operating Income as at 31 December 2022

# 2025 growth strategy

Our ambition is to grow our share in deposits, lending and FUM

MyStateBank 

Together for  
the better

TPT  
WEALTH 

## Everyday banking

### Core offering

- Transaction accounts
- Saving accounts
- Term deposits

### Key channels Distribution & service

Digital  
Branches (TAS)  
Contact centre

## Lending

- Home Loans
- Investment Loans

Brokers  
Mobile lenders (TAS)  
Digital  
Contact centre

## Asset Management

- Mortgage funds
- Commercial lending

Relationship managers  
Digital  
Asset consultants

## Trustee Services

- Wills & Estate planning
- Estate administration
- Charitable trusts

Direct

Our people and values underpin our strategy

Create customer 'wow'  
Chase the better  
Collaborate to win



# Focusing on community



## **MyState Bank Arena**

Naming rights sponsorship of the new home of entertainment and sport in Tasmania.



## **MyState Foundation**

Over 20 years of supporting the community. Over \$2.5m in grants provided to not-for-profit organisations.



## **Tasmania JackJumpers**

Principal partner of the Tasmanian JackJumpers helping make genuine community connections all around Tasmania

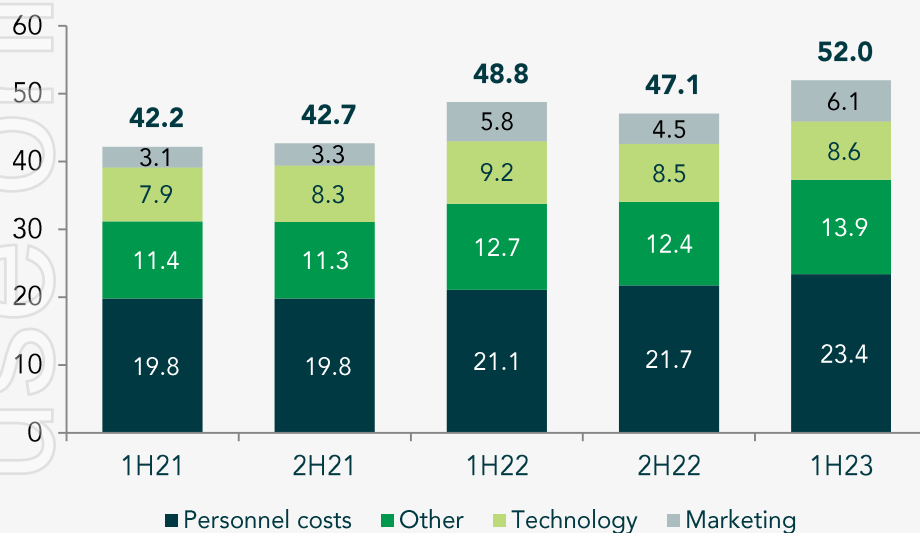


## **Football Tasmania**

Naming rights partner of the Women's Super League and leadership development program.

# Expenditure

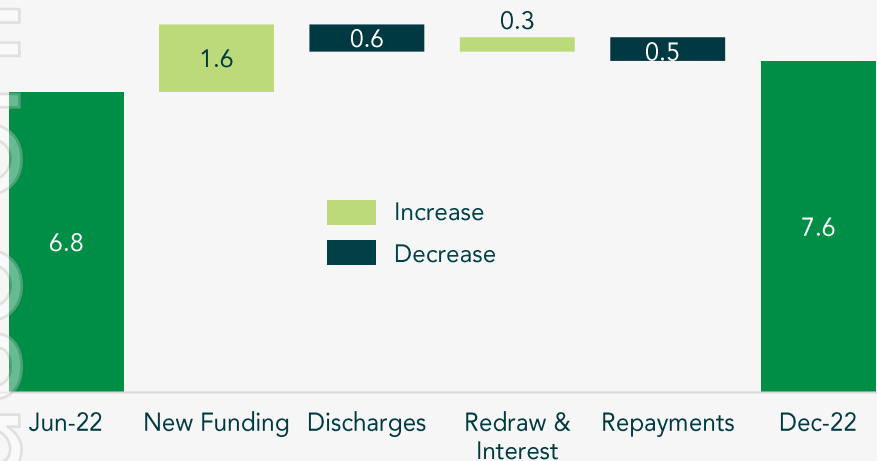
Expenditure breakdown (\$m)



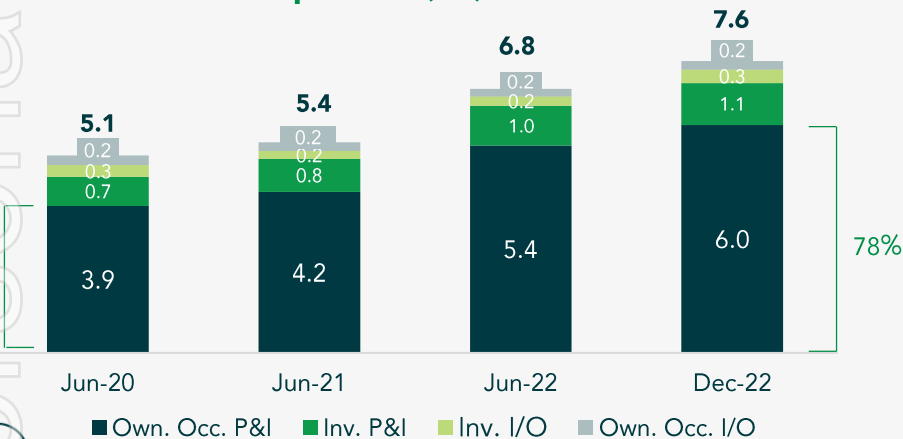
- Expense growth of 6.6% in 1H23 in line with previous guidance.
- Personnel costs were 10.5% higher reflective of the investment in growth related roles, primarily in distribution and operations.
- Average FTE was +9.7 in the half relative to pcp.
- Marketing spend uplift of 4.1% has contributed to customer acquisition, particularly retail deposits.
- Other expenses have increased in line with transactional volume including lending related valuation fees and higher payment system costs following the growth in customer deposits. Higher postage costs due to customer interest rate change notifications has also contributed.
- Technology expenses in line with 2H22.

# Home loan book growth

## Loan balance & lending flows \$b

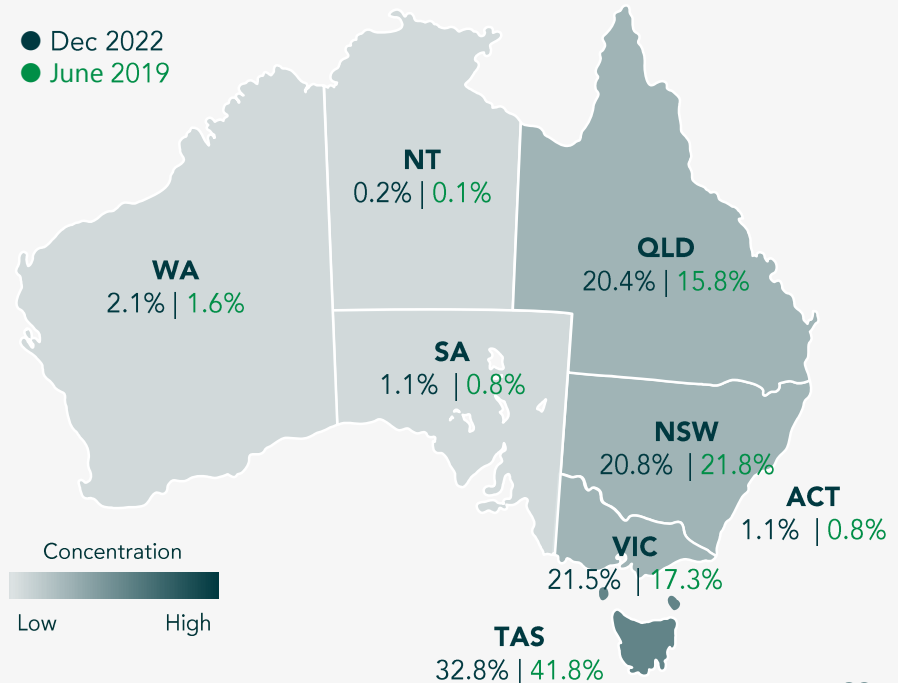


## Home loan book composition (\$b)



- Growth driven by lower risk owner occupied P&I lending with LVR <80%
- Variable rate lending as a proportion of total flow increased to 99% in 1H23 (66% in pcg) reflective of the rising rate environment
- While run-off remains a sector wide challenge, run-off rate declined to 28.2% compared to 35.4% in pcg

## Home loan concentration by state

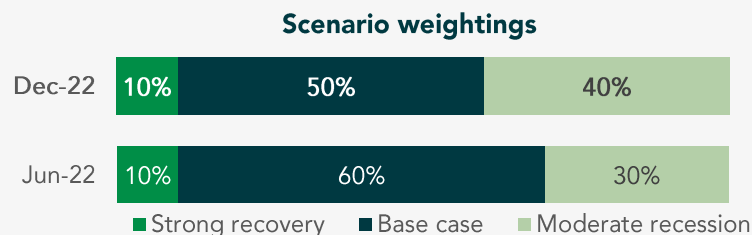




# Forward looking economic overlay assumptions

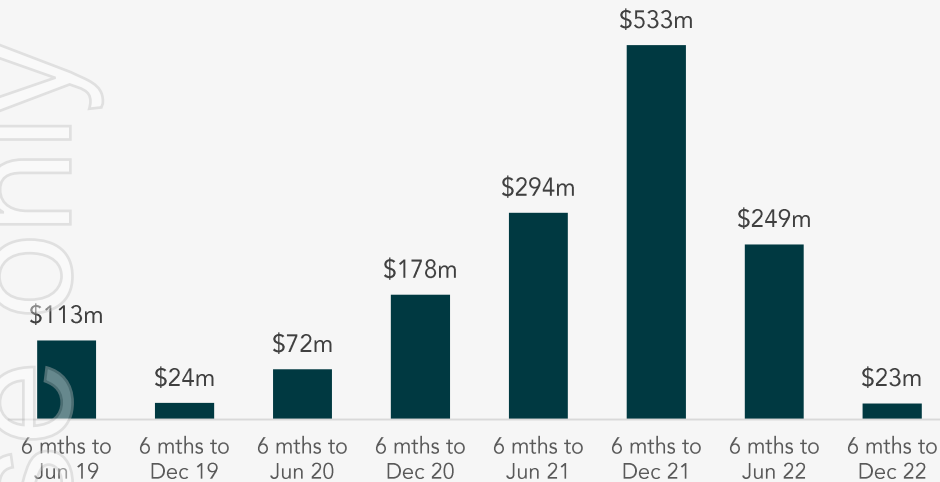
Assumptions	June 23	June 24
<b>Unemployment (year ended)</b>		
Base Case	3.50%	4.50%
Strong Recovery	3.25%	3.50%
Moderate Recession	4.00%	5.00%
<b>Cash Rate (year ended)</b>		
Base Case	3.60%	3.60%
Strong Recovery	4.10%	4.60%
Moderate Recession	3.10%	2.60%
<b>House Prices (yoy movement)</b>		
Base Case	(15%)	0%
Strong Recovery	(10%)	5%
Moderate Recession	(20%)	(10%)

- Forward looking overlay increased from \$0.9m to \$1.6m reflecting growth in arrears and deterioration in economic outlook
- At 31 December 2022, the key assumptions used to determine the forward looking economic overlay were revised to incorporate the latest observed economic data including:
  - ✓ a higher Official Cash Rate (OCR)
  - ✓ stable and strong levels of employment
  - ✓ house price falls (with a cumulative price fall of 30% across FY23 and FY24 under the moderate recession scenario)
- The assessment of the overlay used a scenario weighting of 50% base case, 40% moderate recession and 10% strong recovery.

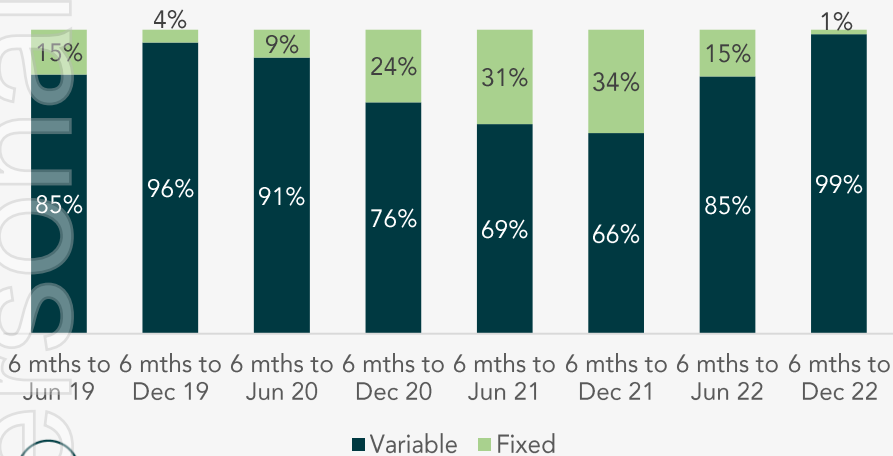


# Fixed rate home loan profile

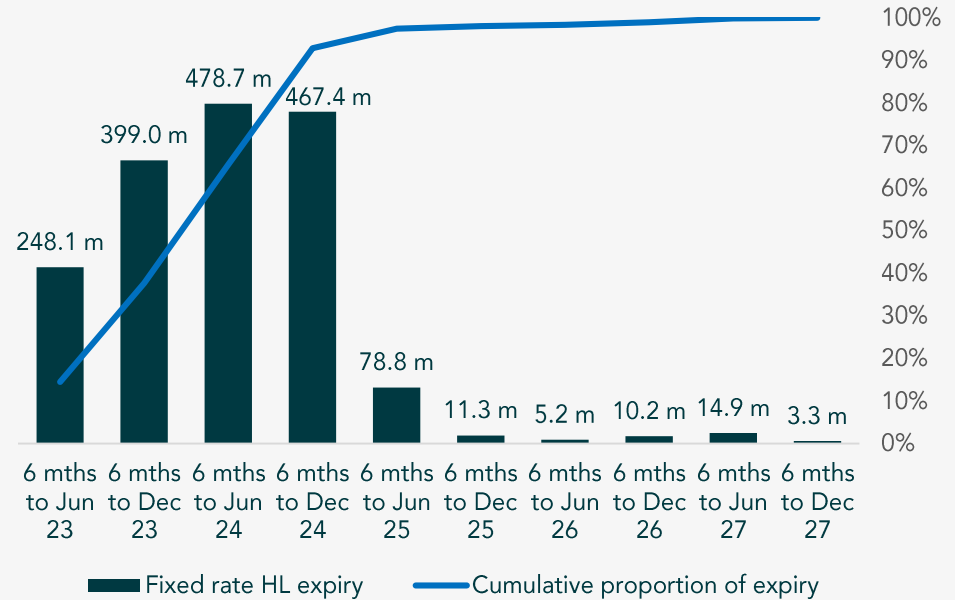
## New HL flow - fixed rate issuance



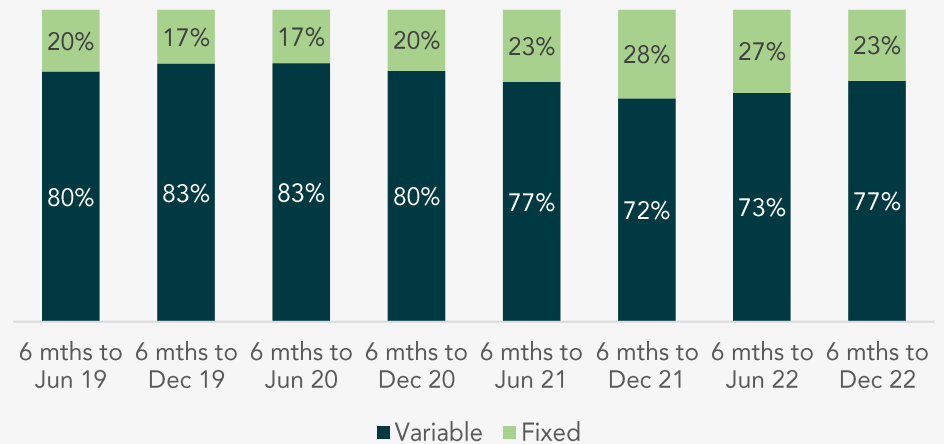
## Fixed rate issuance composition



## Fixed rate HL expiry schedule as at 31 Dec 22



## Fixed vs variable composition of book



# Board

## Vaughn Richtor (Board Chair)

Commenced September 2019

Group Risk Committee

Group Audit Committee

Group People Remuneration & Nominations Committee

Group Digital and Marketing Committee



## Robert Gordon (Deputy Chair)

Commenced February 2009

Group Risk Committee (Chair)

Group People Remuneration & Nominations Committee

Group Digital and Marketing Committee



## Sibylle Krieger

Commenced December 2016

Group People Remuneration & Nominations Committee (Chair)

Group Risk Committee



## Warren Lee

Commenced October 2017

Group Digital and Marketing Committee (Chair)

Group Risk Committee

Group Audit Committee



## Steve Davy

Commenced July 2021

Group Risk Committee

Group Audit Committee

Group People Remuneration & Nominations Committee



## Andrea Waters

Commenced October 2017

Group Audit Committee (Chair)

Group Risk Committee

Group Digital and Marketing Committee



## Brett Morgan (Managing Director & CEO)

Commenced January 2022



# Management team



**Brett Morgan**  
Managing Director  
& CEO



**Gary Dickson**  
Chief Financial Officer



**Mandy Khanna**  
Chief Risk Officer



**Janelle Whittle**  
GM People,  
Community & Public  
Affairs



**Huw Bough**  
GM Banking



**Paul Moss**  
Chief Operating  
Officer



**Alan Logan**  
GM Wealth



**Tim Newman**  
Head of  
Transformation

# Glossary

<b>1H:</b>	First half of financial year	<b>FHLDs:</b>	First Home Loan Deposit Scheme	<b>MLH:</b>	Minimum liquidity holdings
<b>2H:</b>	Second half of financial year	<b>FUM:</b>	Funds under management	<b>NII:</b>	Net Interest Income
<b>ADI:</b>	Authorised deposit-taking institution	<b>FY:</b>	Financial year	<b>NIM:</b>	Net Interest Margin
<b>APRA:</b>	Australian Prudential Regulation Authority	<b>FYTD:</b>	Financial year to date	<b>NPAT:</b>	Net Profit after Tax
<b>Avg:</b>	Average	<b>GLA:</b>	Gross Lending Assets	<b>NPBT:</b>	Net Profit before Tax
<b>ASX:</b>	Australian Securities Exchange	<b>GRCL:</b>	General Reserve for Credit Losses	<b>PCP:</b>	Previous Corresponding Period
<b>BBSW:</b>	Bank Bill Swap Rate	<b>HY:</b>	Half year	<b>RBA:</b>	Reserve Bank of Australia
<b>BDD:</b>	Bad & Doubtful Debt Expense	<b>IO:</b>	Interest only	<b>RMBS:</b>	Residential mortgage-backed security
<b>bps:</b>	basis points	<b>IRB:</b>	Internal ratings-based	<b>ROE:</b>	Return on equity
<b>CAGR:</b>	Compounded annual growth rate	<b>JAWS:</b>	relationship between income and expense growth	<b>RWA:</b>	Risk Weighted Assets
<b>CET1:</b>	Common Equity Tier 1	<b>LT:</b>	Long term	<b>S&amp;P:</b>	Standard and Poor's
<b>cps:</b>	Cents per share	<b>LVR:</b>	Loan to valuation ratio	<b>SPIN:</b>	Standard and Poor's Performance Index
<b>CTI:</b>	Cost-to-income ratio	<b>MYS:</b>	MyState Limited	<b>ST:</b>	Short term
<b>DRP:</b>	Dividend reinvestment plan	<b>MSB:</b>	MyState Bank Limited	<b>TD:</b>	Term deposit
<b>EPS:</b>	Earnings per share			<b>TFF:</b>	Term Funding Facility
				<b>TPT:</b>	TPT Wealth Limited

# Disclaimer

## Summary information

The material in this Presentation is general background information about MyState Limited (ABN 26 133 623 962) and its activities current as at the date of this Presentation. The information is given in summary form and does not purport to be complete or comprehensive. It should be read in conjunction with MyState's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

## Not an offer

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## Not financial product advice

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