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FY23 Results Investor presentation

For the full year ended 30 June 2023

18 August 2023

MyStateLimited 



Agenda

1 Overview and highlights
Brett Morgan
Managing Director & CEO

2 Financial results
Gary Dickson
Chief Financial Officer

3 Outlook
Brett Morgan
Managing Director & CEO

4 Appendices



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Overview and highlights

1

Brett Morgan
Managing Director & CEO



Our growth strategy

Our ambition is to grow our share in deposits, lending and funds under management.

Over the first two years of our growth strategy, we have grown our major portfolios of mortgages and deposits by 43% and 40% respectively.



Our people and values underpin our strategy
Create customer 'wow' | Chase the better | Collaborate to win

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



FY23 highlights; record earnings

\$7.8b

Home loan book
+14.1% growth
2.9x system¹

\$6.2b

Customer deposits
+12.3% growth
2.0x system²

25,690

New to bank customers acquired
+33% on pcp

\$57.7m

Core earnings
+30.3% on pcp
Highest on record

60.8%

Bank cost to income ratio
-641 bps on pcp

35.5 cps

Earnings per share
+16.8% on pcp

+35 Net Promoter Score | Strong customer advocacy

Note: All figures compare FY23 to FY22 as the previous corresponding period (pcp) unless otherwise indicated. All amounts shown represent statutory results unless otherwise stated

1. RBA lending and credit aggregates - D2
2. APRA monthly ADI statistics – household deposits



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Creating customer wow

At MyState we continue to invest in making things easier.

Economic conditions

- RBA cash rate increased 400 bps in 15 months
- Pressures on family finances from a sharp rise in the cost of living
- Concerns about the near-term economic outlook weighing on confidence
- Unemployment at 50 year low but likely to rise in FY24
- Limited supply and population growth underpinning house prices

Customer care

- Personalised customer service from our Tasmanian-based customer care teams
- 'MyAssist' program supports customers struggling with interest rate rises and the increased cost of living
- Strong customer advocacy as measured by NPS

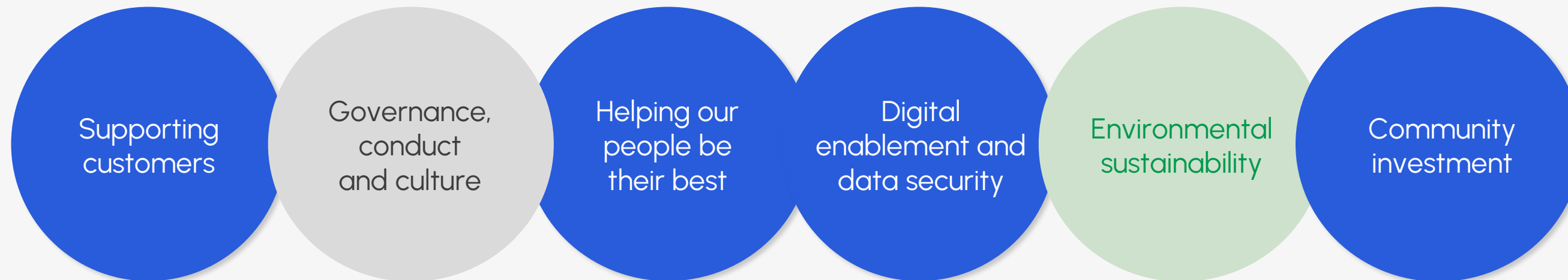
Fixed rate mortgage retention

- Proactive outbound customer contact prior to expiry
- Retention rates c.75%

ESG

We understand the importance of ESG to create and sustain value in a rapidly changing world.

6 ESG topics matter most to us:



FY23 progress

E

Environmental

- Measurement of material Scope 3 financed emissions associated with residential lending to understand our total GHG emissions footprint
- Significant emphasis on digital communication with customers

S

Social

- Investment into scams detection, systems, education and information sharing
- Continued enhancement of support for customers experiencing vulnerability due to circumstances such as financial hardship, family violence, elder abuse and scams
- Diversity ratios:
 - 50% of all leadership roles filled by women
 - 33% of Non-executive Directors are women
 - 25% of the Executive team (direct reports to the CEO) are women
 - 60% of all roles filled by women
- Investment into learning and leadership programs, focusing on developing our people

G

Governance

- Release of new Purpose
- Majority of MYS Board independent
- ESG Committee with oversight from the MYS Board



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Financial results

2

Gary Dickson
Chief Financial Officer



FY23 financial performance

- Core earnings up 30.3% to \$57.7m
- Record NPAT up 20.2% to \$38.5m
- Earnings per share up 16.8% to 35.5 cps
- NIM down 4bps on pcp reflecting margin compression due to slowing credit growth and competition for retail deposits
- Positive "jaws" with strong income growth
- Bank cost to income ratio decreased 64bps to 60.8%; Group cost to income ratio decreased 440bps to 64.0%
- Return on average equity increased on pcp to 8.7%, in line with regional bank peers
- Final dividend in line with the interim dividend of 11.5 cents per share

Metric	FY23	FY22	Change v FY22	
Core earnings (\$m) ¹	57.7	44.3	+30.3%	▲
Statutory net profit after tax (\$m)	38.5	32.0	+20.2%	▲
Statutory earnings per share (cps)	35.5	30.3	+16.8%	▲
Net interest margin (%) (annualised)	1.63%	1.67%	-4bps	▼
Bank cost-to-income ratio (%)	60.8%	67.2%	-64bps	▼
Group cost-to-income ratio (%)	64.0%	68.4%	-440bps	▼
Total capital ratio (%)	15.4%	12.4%	+302bps	▲
Return on average equity (%)	8.7%	7.7%	+100bps	▲
Dividend—fully franked (cps) ²	23.00	24.00	-1.0cps	▼

Note: Financial performance figures compare FY23 to FY22 as the previous corresponding period (pcp).

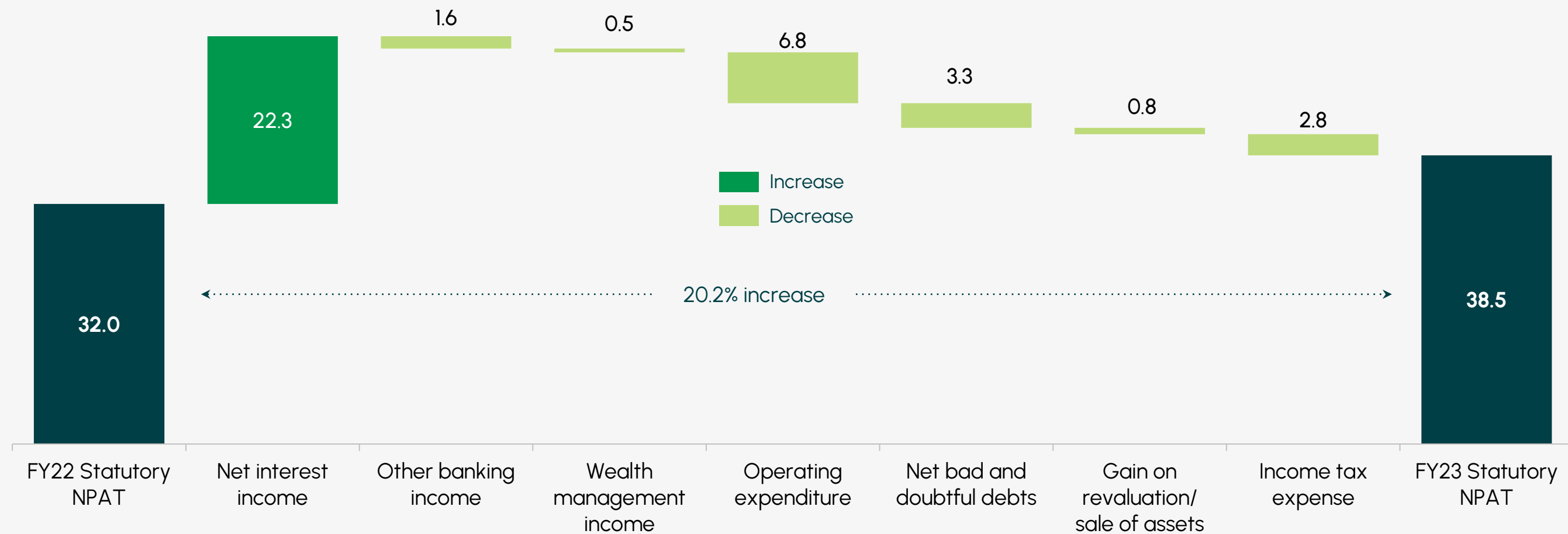
A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation and totals may vary slightly due to rounding.

1. Operating profit before bad & doubtful debts expense and income tax expense
2. Final dividend of 11.50 cps payable to shareholders on the register at the record date of 24 August 2023



Highest full year NPAT on record

Net profit after tax (\$m)



- NPAT highest on record; increasing 20.2% on FY22
- Net interest income up 20.3% as a result of a larger average balance sheet, partially offset by a moderate fall in net interest margin
- Other banking income down 10.8% with lending and transaction fees lower on pcp.
- Wealth management income down 3.5% driven by lower management fees from a decline in FUM
- Total operating costs up 7.1% on pcp, see following slide

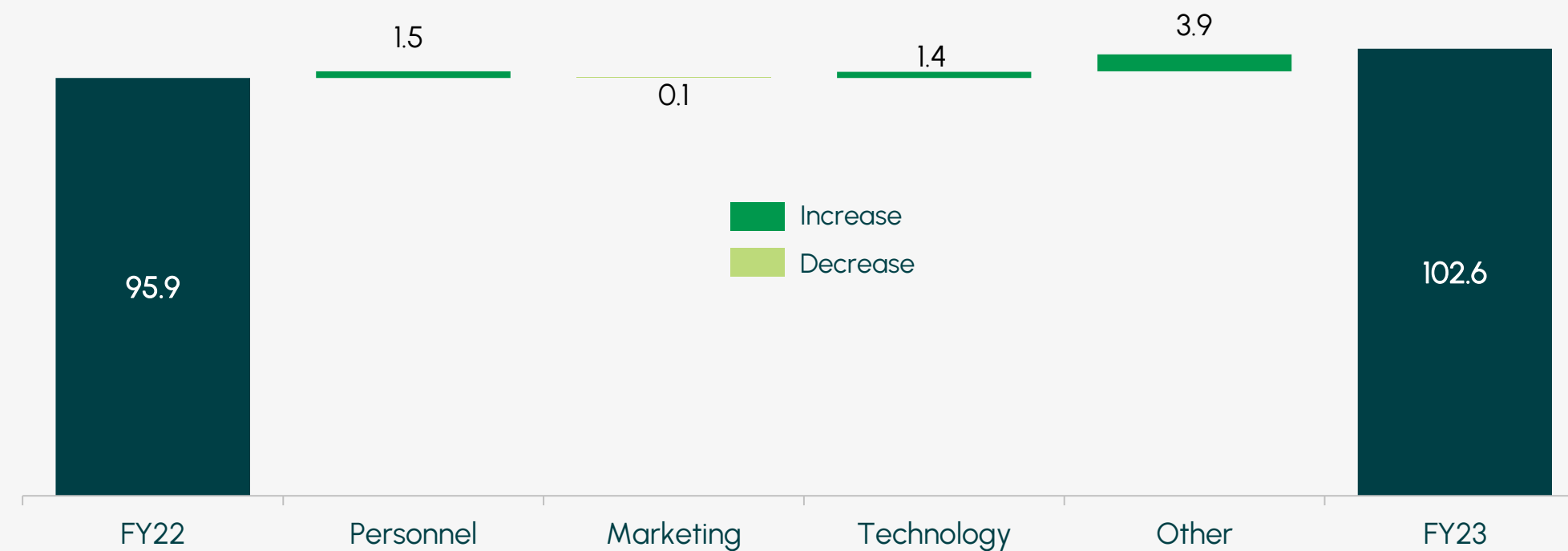


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Operating costs well managed

- Operating costs increased by 7.1% (\$6.8m) on pcp
- Personnel costs increased by 3.5% on higher salary costs
- Marketing costs largely flat on pcp
- Technology costs increased 7.8% reflecting higher software maintenance fees and SaaS system amortisation
- Other expenses uplift largely due to volume, administration and non-recurring operational related expenses

Operating costs (\$m)



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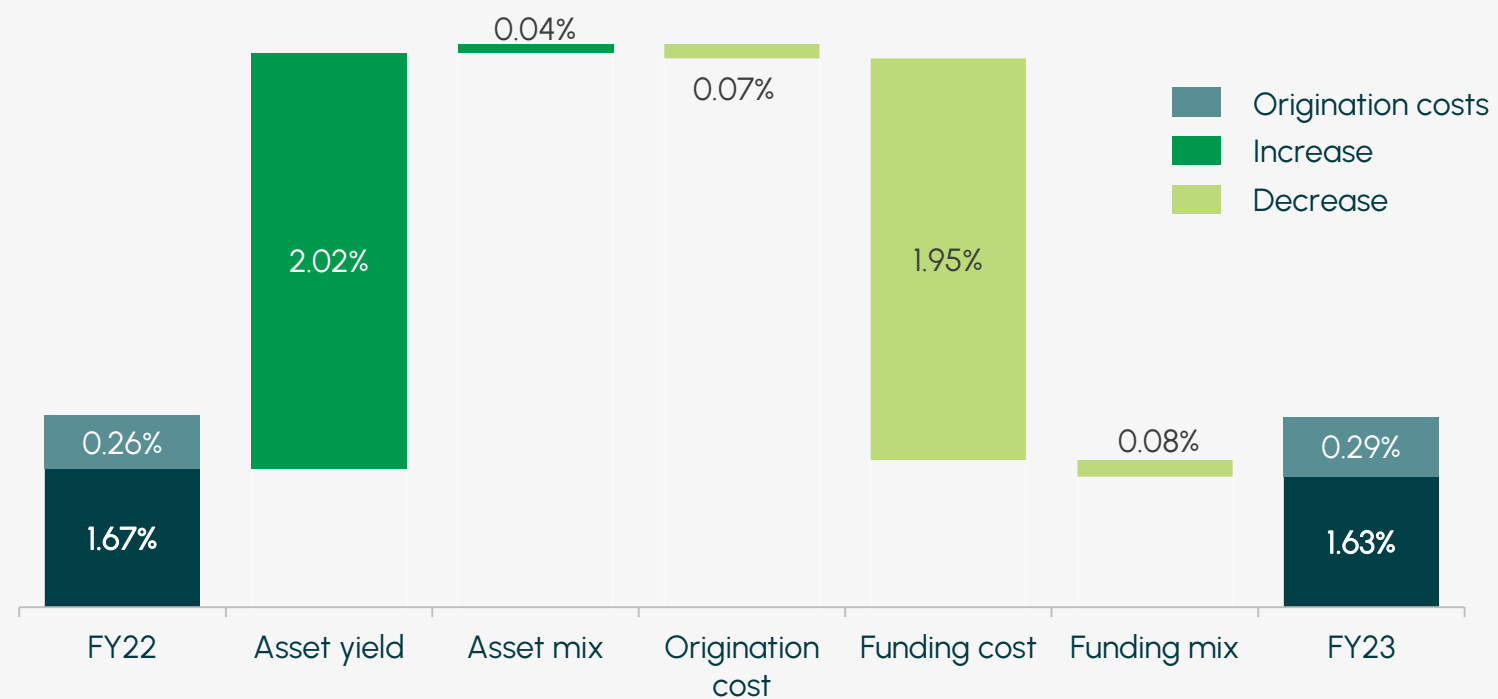
MyStateBank 



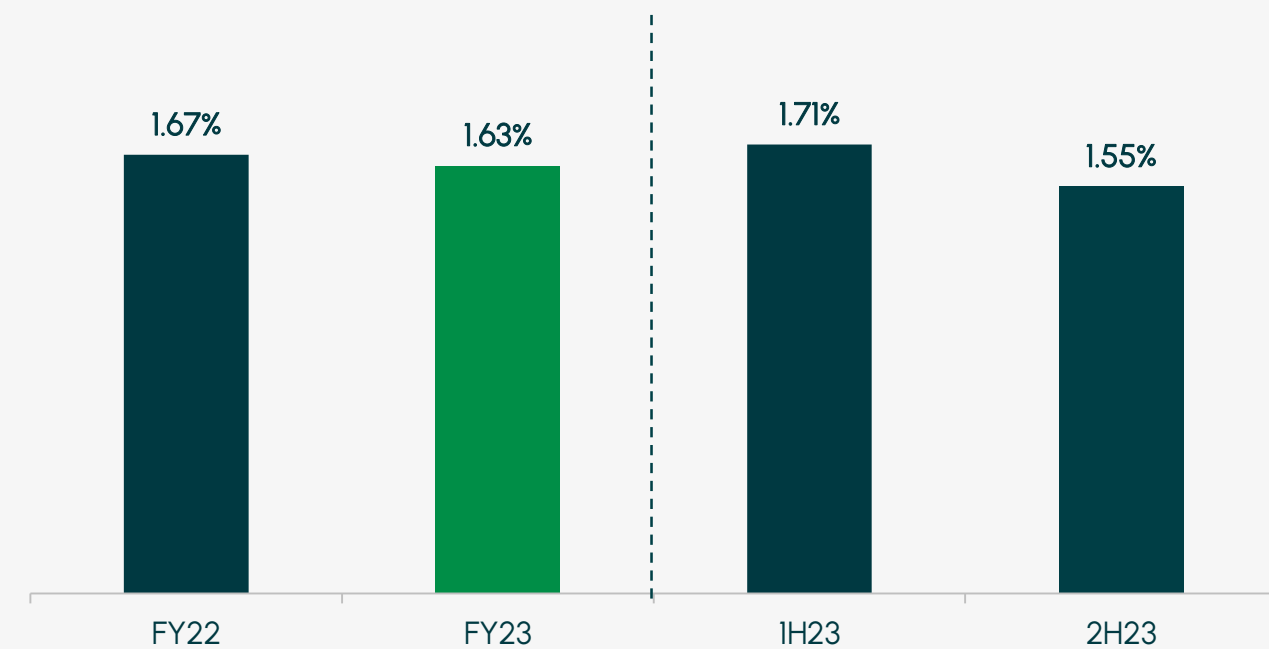
NIM a reflection of market competition

- Net interest margin down 4 bps on FY22
- Lending market still remains highly competitive due to slowing credit growth
- Funding costs impacted by the intense competition for retail deposits and widening credit spreads
- MyState optimising growth and return

NIM waterfall



NIM trend



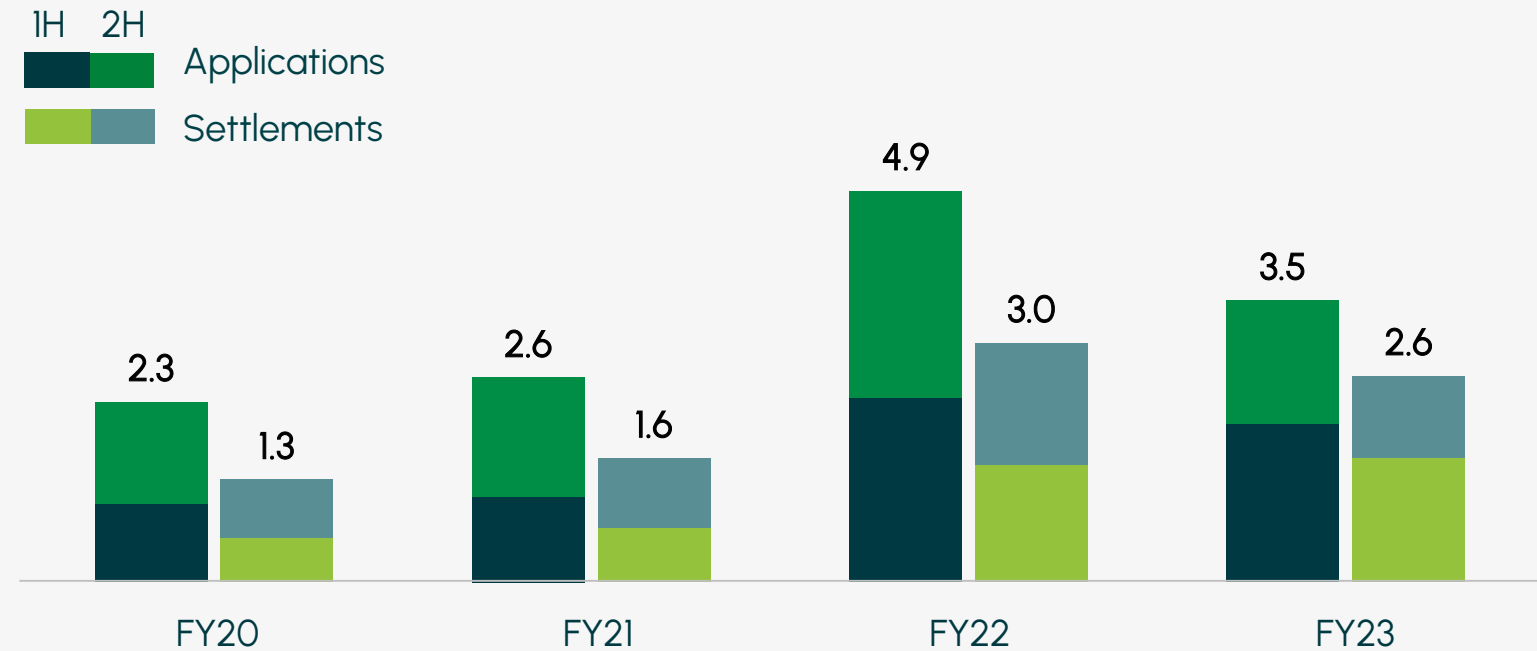
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Home loan book growth well above system

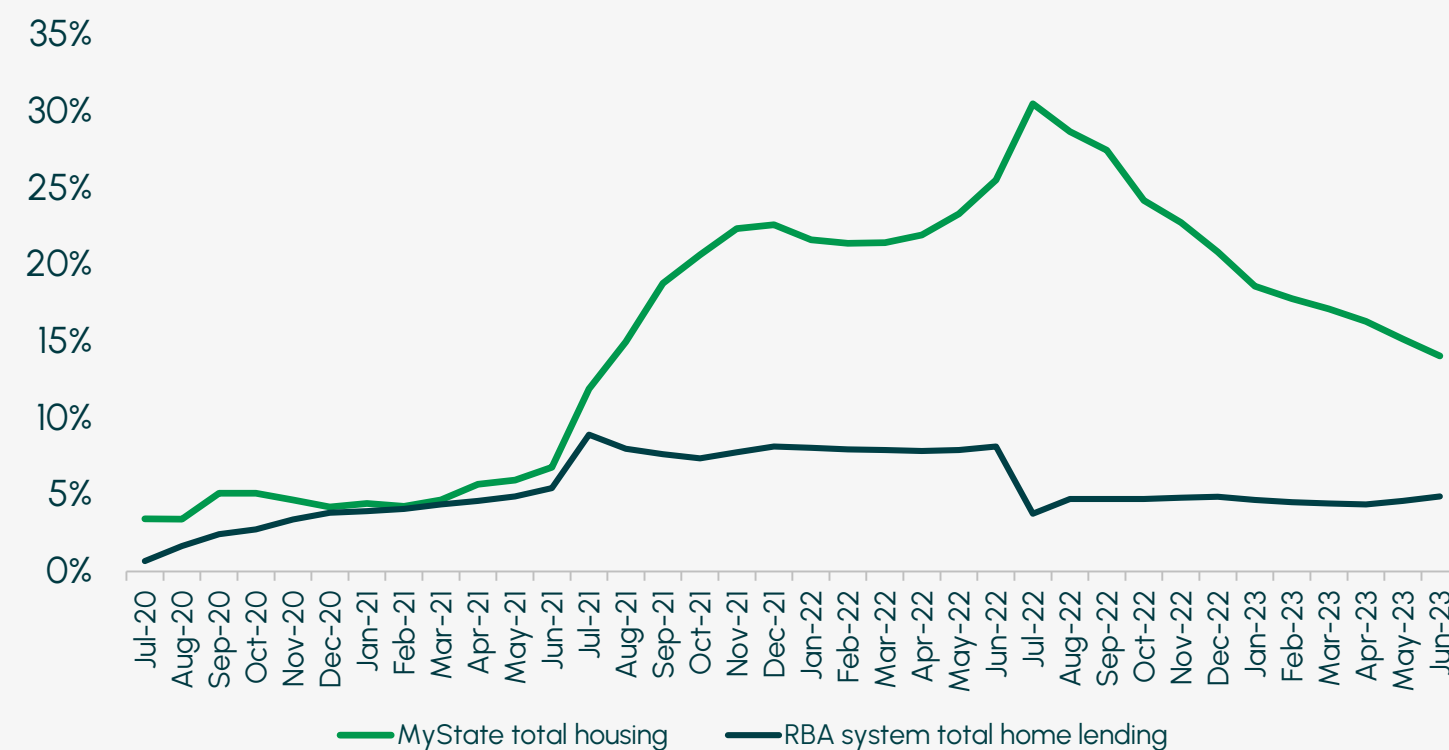
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- Home loan portfolio up \$961m (or 14.1%) on pcp to \$7.8b (2.9x system)
- Home loan settlements down 13.8% on pcp reflecting slower credit growth and competitive lending environment
- Improving run-off relative to pcp but still higher than long term average
- Average number of days to unconditional approval in line with service level targets
- Maintaining quality lending growth remains a key focus

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



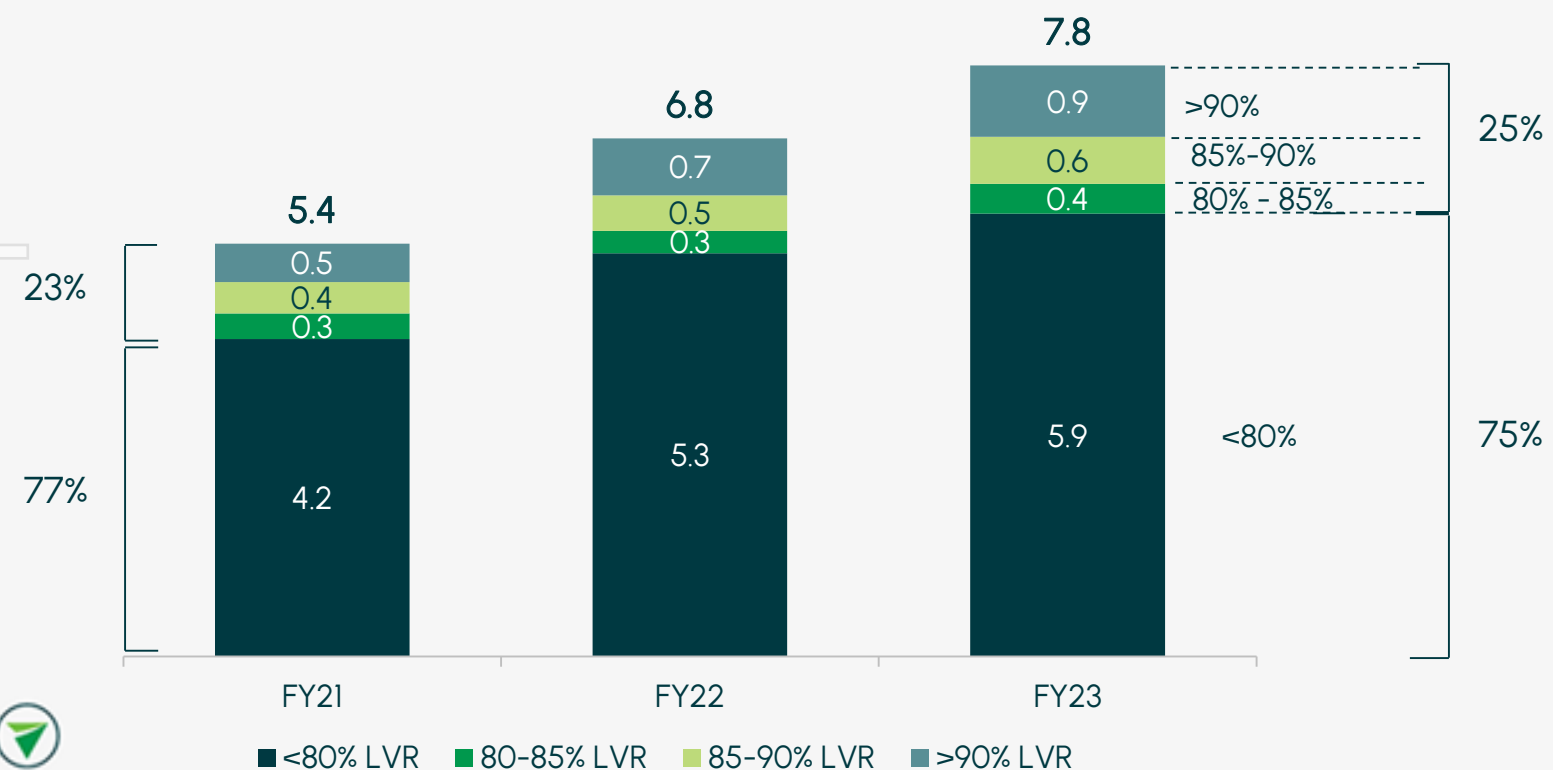
MyState home loan growth vs system (annualised)



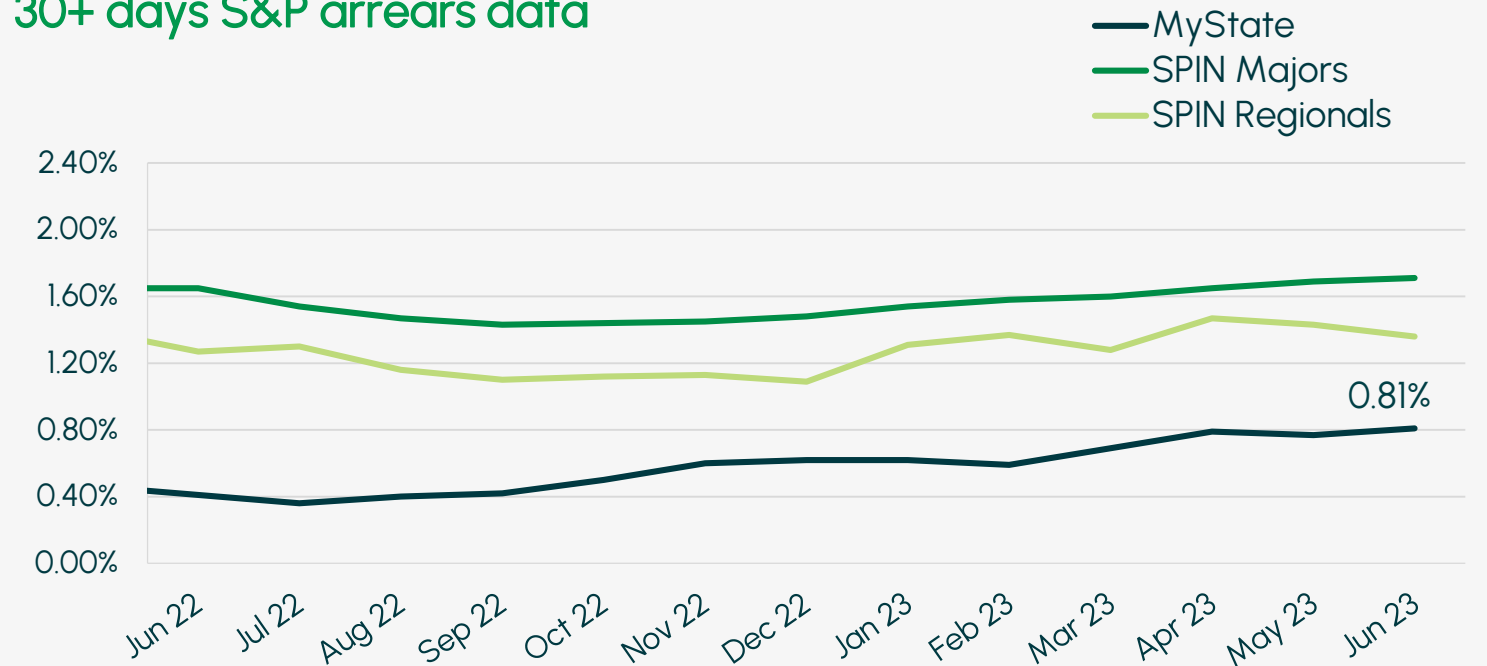
Continued high credit quality

- 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 30 June 2023

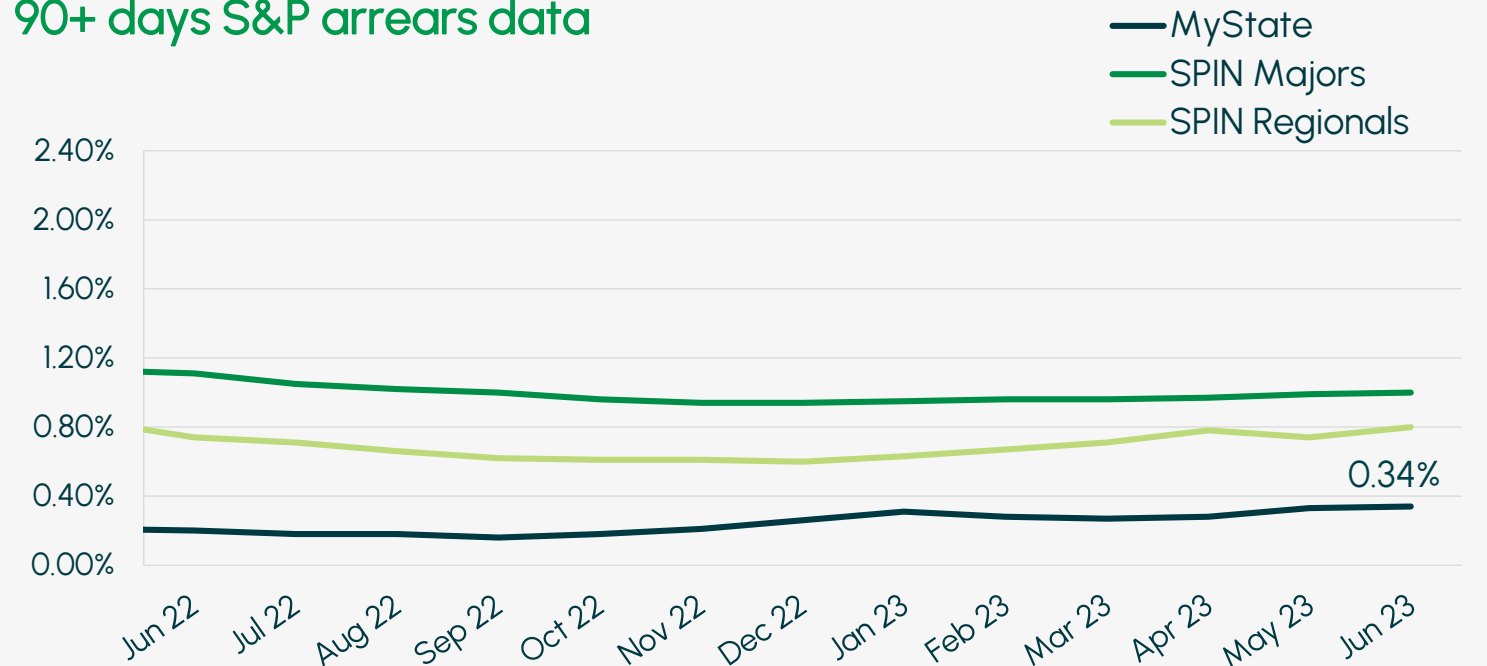
Home loan book LVR profile (\$b)



30+ days S&P arrears data



90+ days S&P arrears data



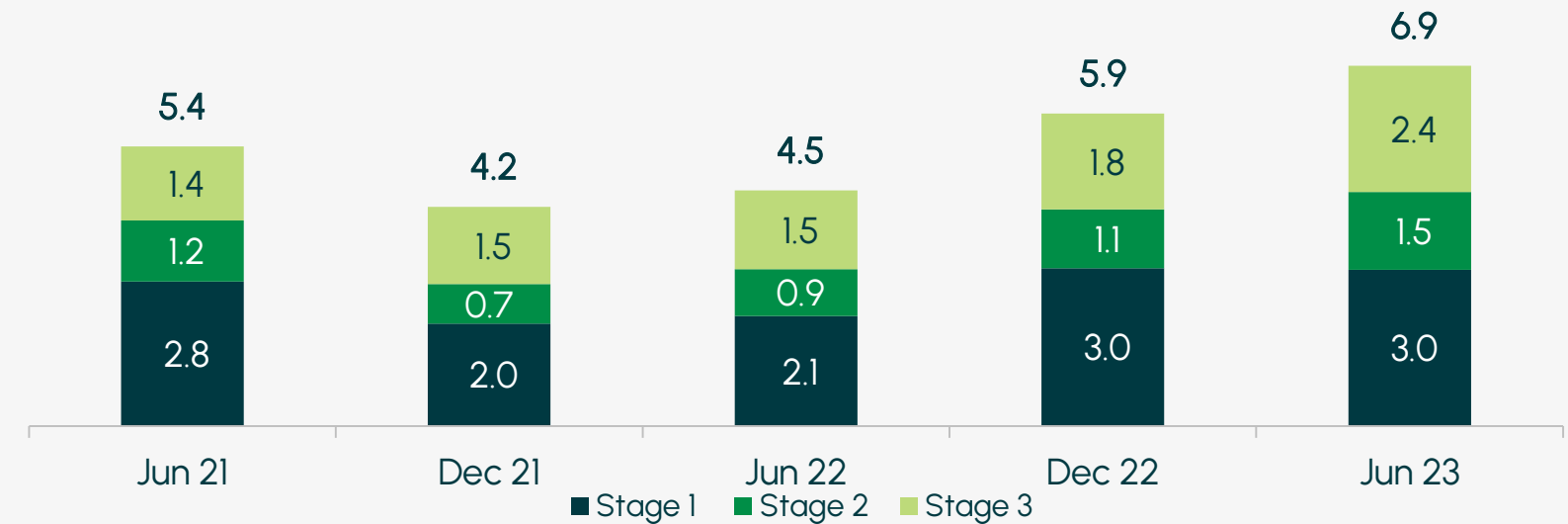
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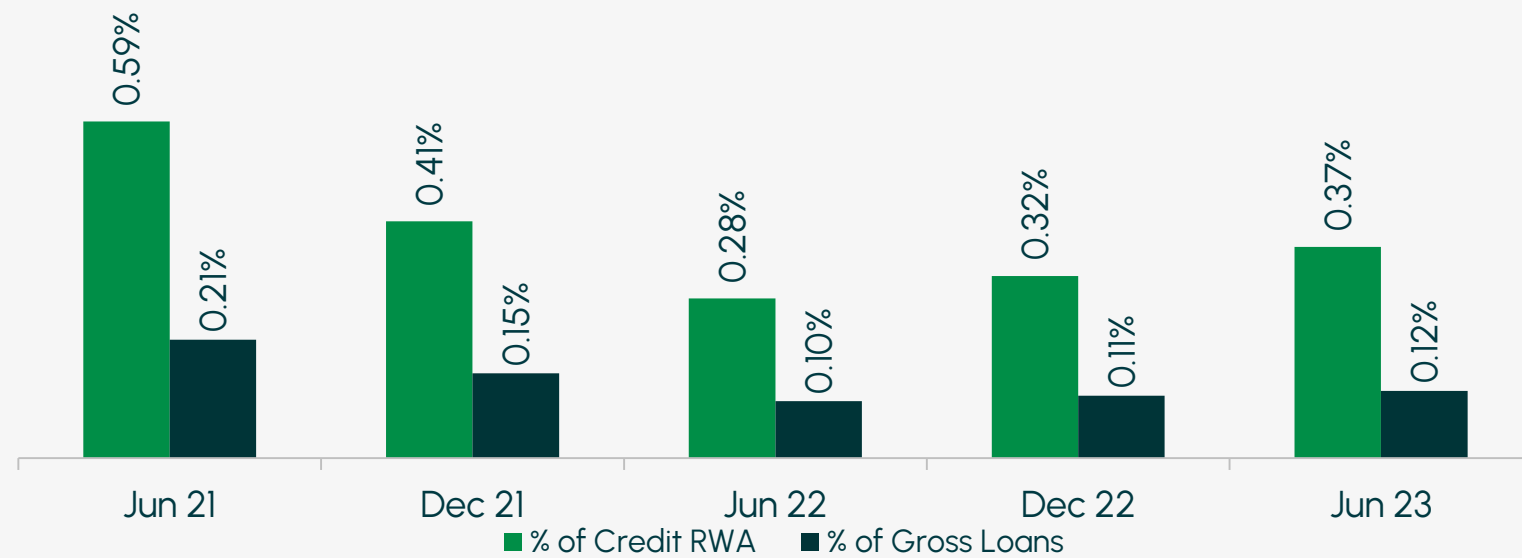
Prudent loan provisioning

- 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 uplift from June 2022 reflecting slight deterioration in economic outlook (represents 23% of total collective provision)

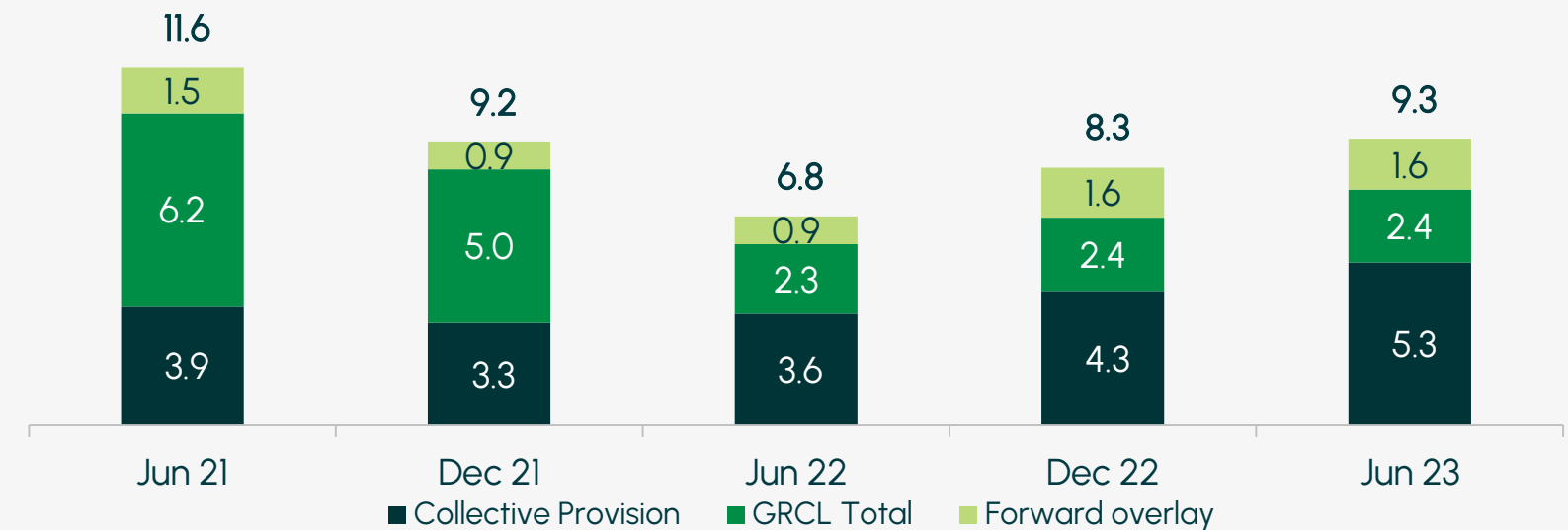
Credit provisions (\$m)



Total provision coverage ratio



Total collective provisions and GRCL (\$m)

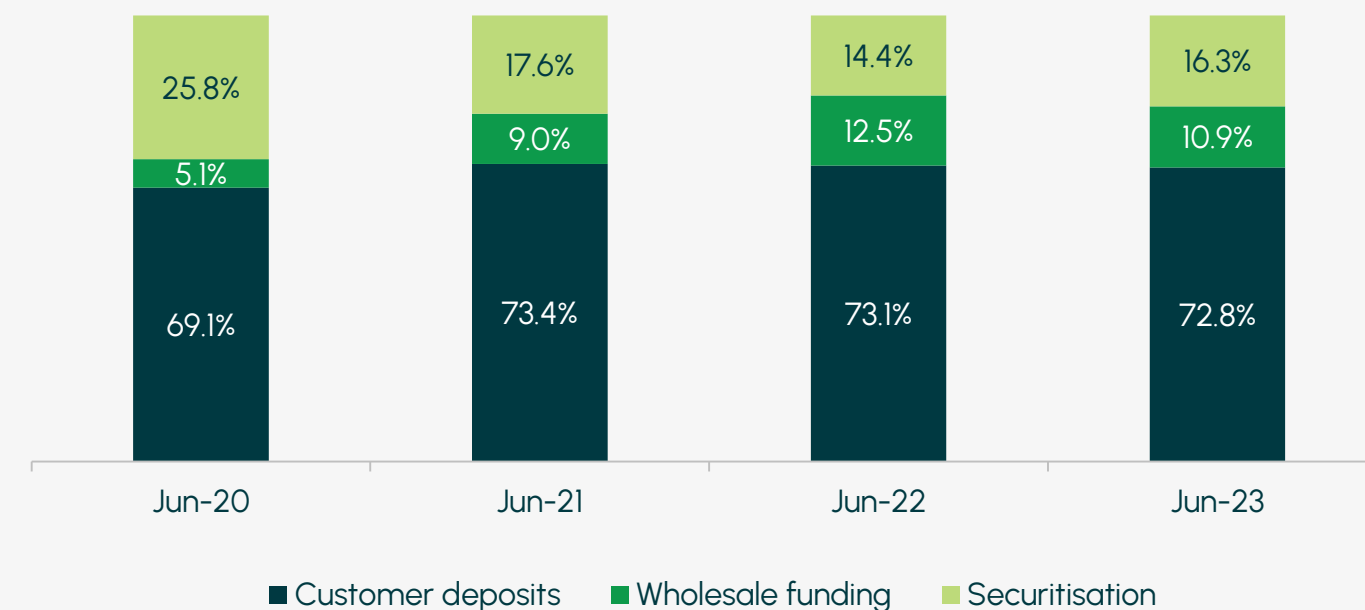


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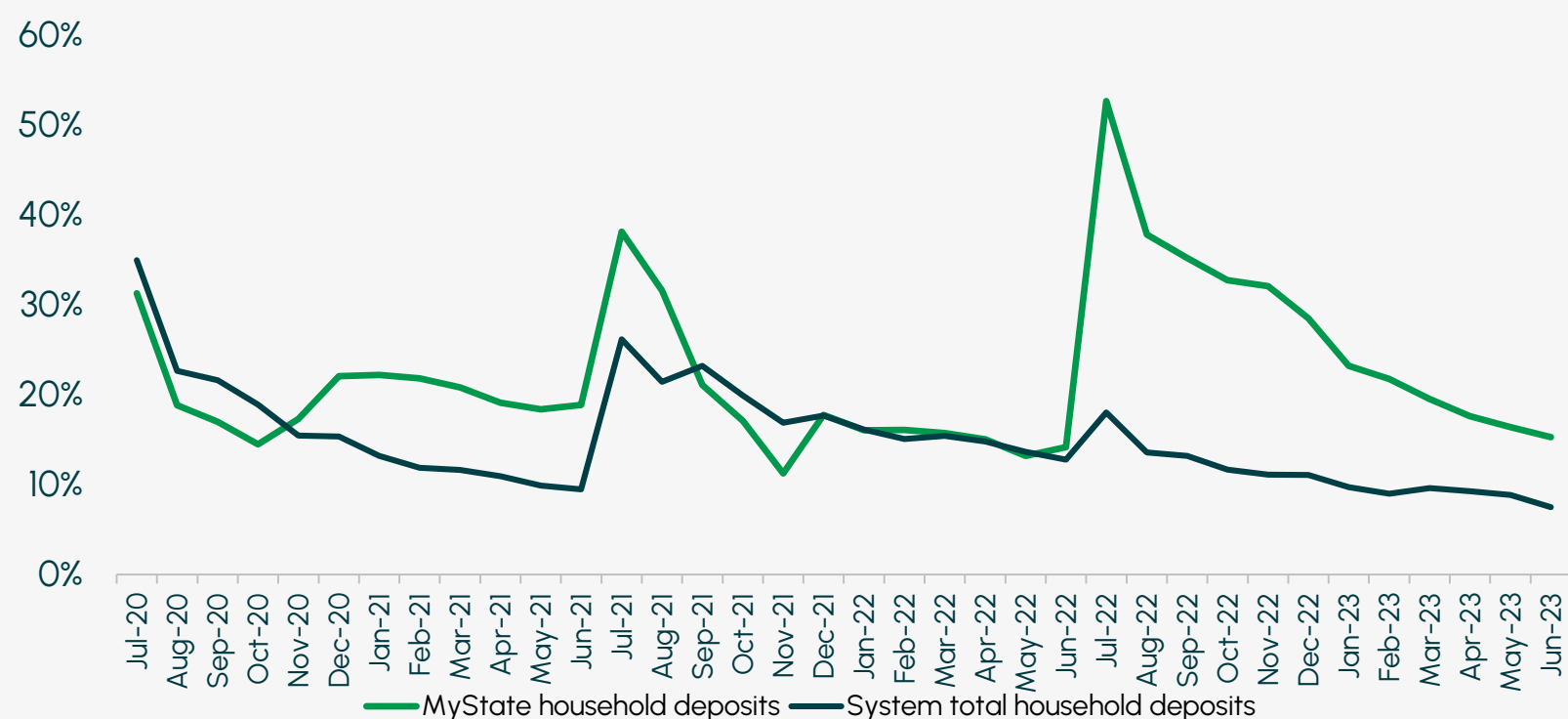
Continued growth in customer funding

- Customer deposits +12.3% on pcp to \$6.2b (+39.7% since June 2021) and represent 73% of the funding mix
- Continued growth in the award winning Bonus Saver Account (+28.1% on 30 June 2022)
- Customers continued to move towards term style products over the year in response to the rising interest rate environment (+31.4% growth on 30 June 2022)
- Securitisation remains an important source of funding and provides additional capital flexibility

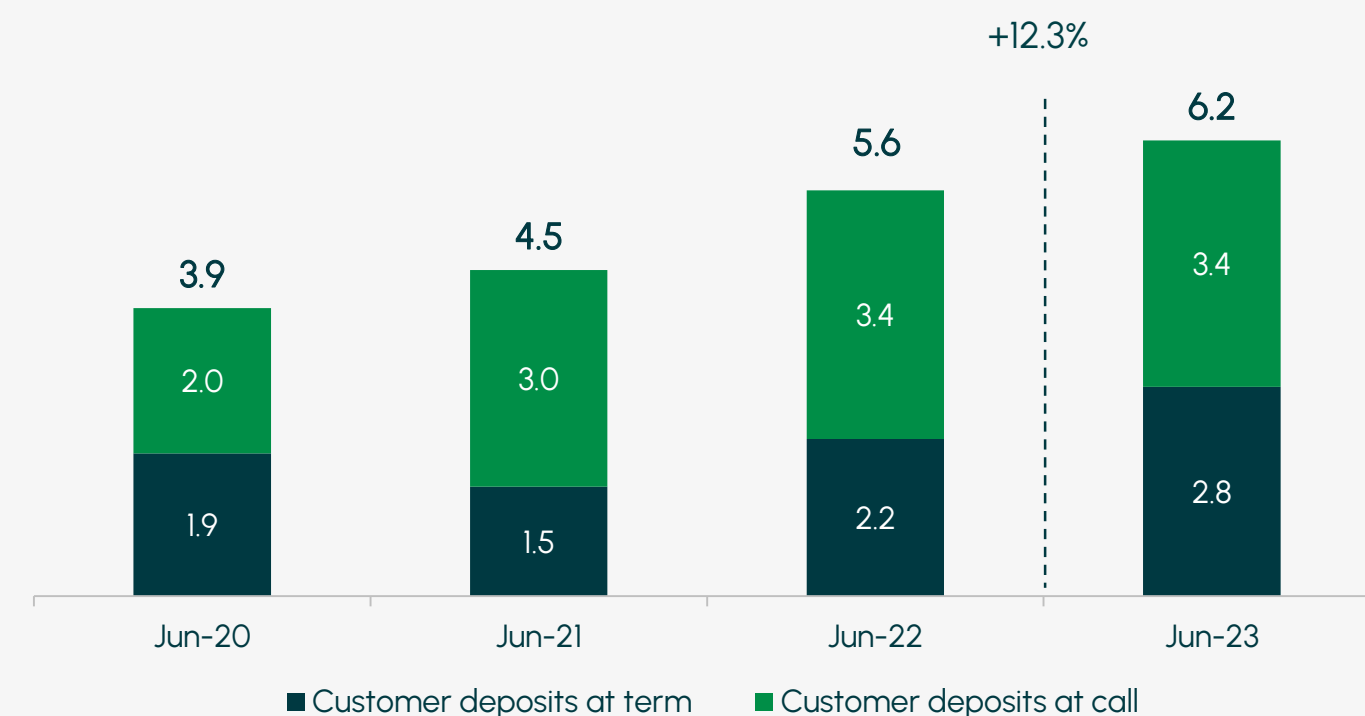
Funding mix (%)



MyState deposit growth vs system (annualised)



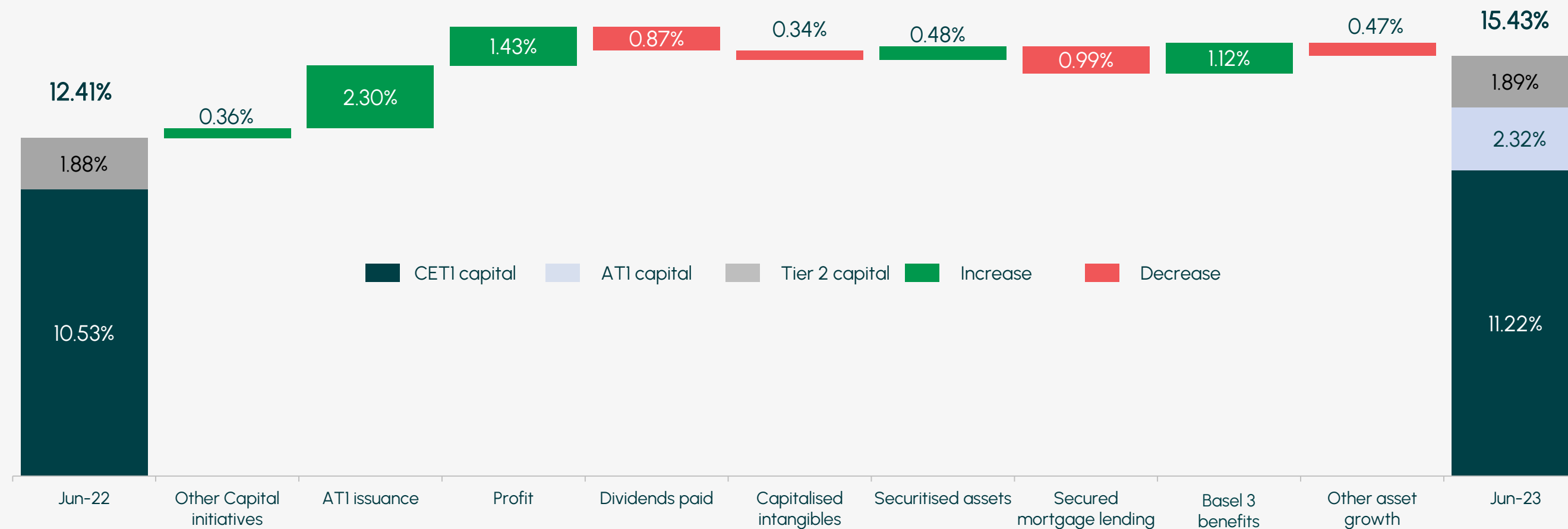
Customer deposits (\$b)



Ongoing diversification of capital base

- Total capital ratio up 302 bps
- Effective capital strategy underpinning lending growth
- During the year capital flexibility has been provided by Additional Tier 1 issuance in August, a term RMBS in December and a new committed warehouse funding agreement in May

Capital



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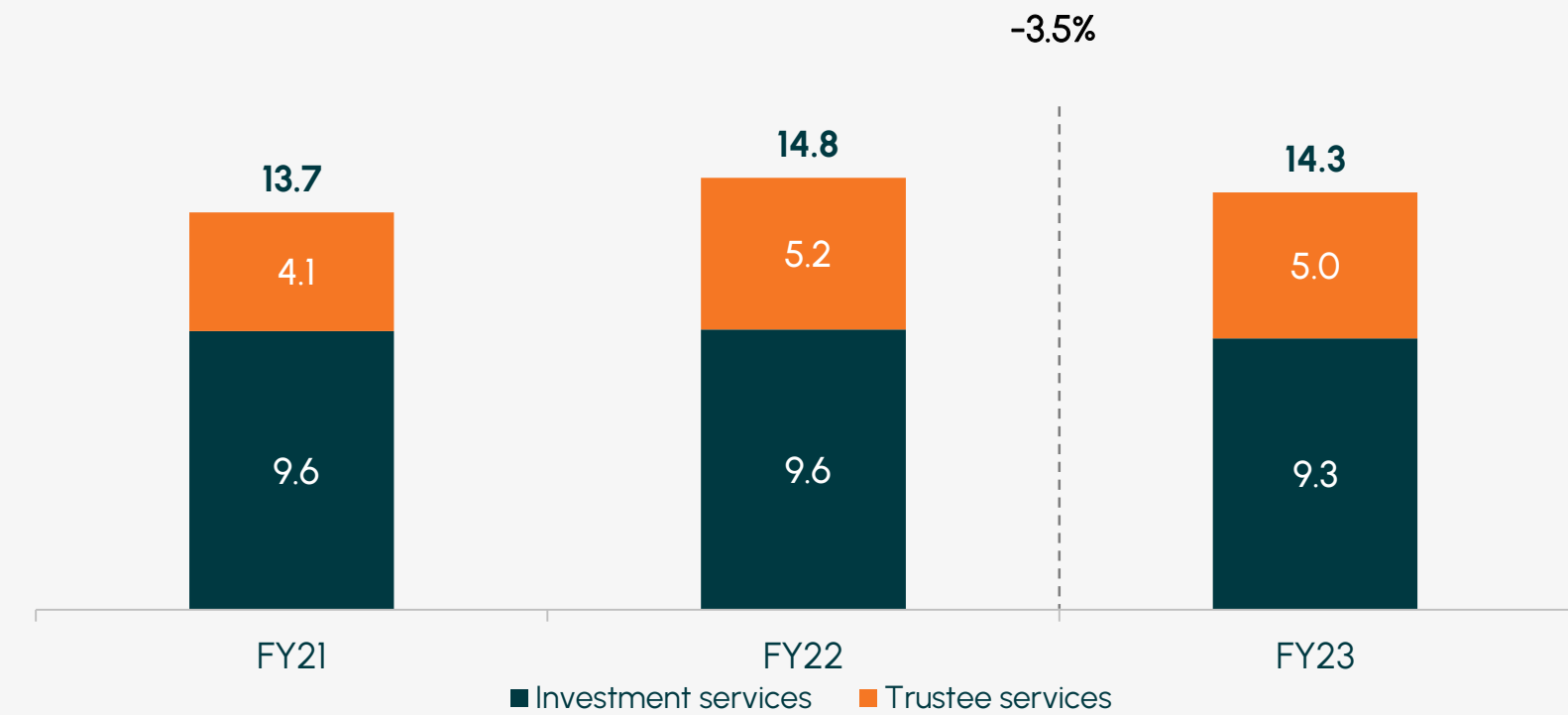
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TPT Wealth 

TPT Wealth providing income diversification

- TPT provided \$14.3m in fee revenue and income diversification for the Group
- Income was down 3.5% on pcp, with lower Investment Services income reflecting a fall in FUM (-6.4% on pcp)
- Focus remains on our Cash and Income funds
- Increased allocation to direct mortgages (+5% on pcp) delivering improved returns for fund investors
- TPT's near-term competitive focus is on our Tasmanian heartland

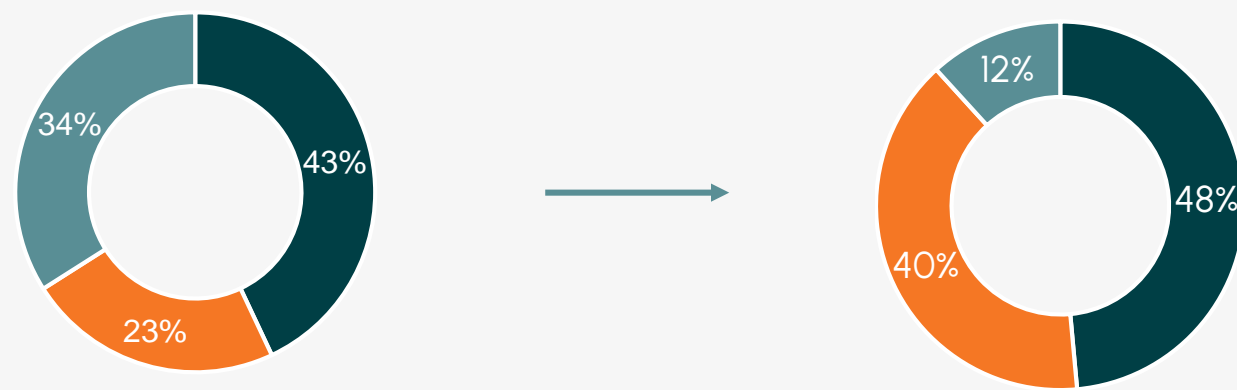
Operating income (\$m)



TPT Wealth asset allocation

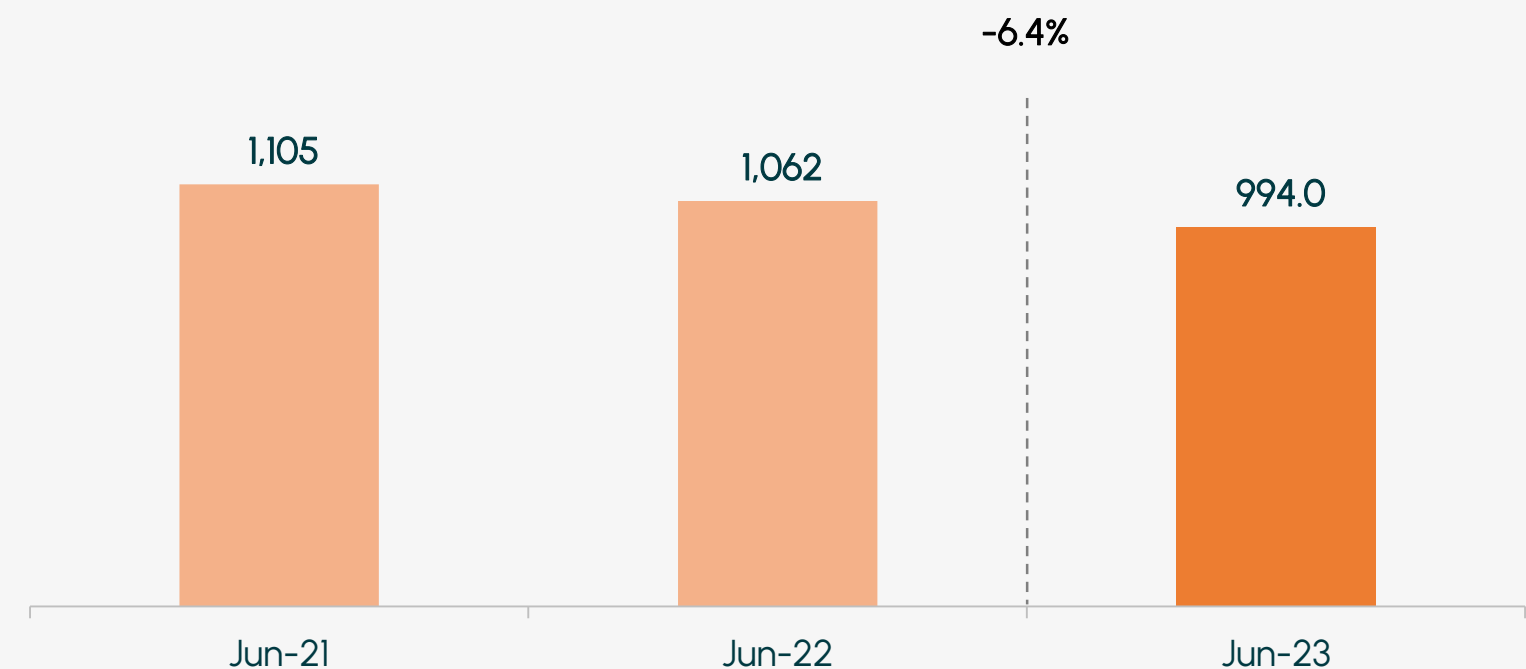
June 2022

June 2023



● Cash and Liquid Investments
 ● Credit Assets
 ● Mortgages

Funds under management (\$m)



Outlook






3

Brett Morgan
Managing Director & CEO



Outlook

Based on current market conditions we are focused on profitably and sustainably executing our growth strategy.

	FY23 result	FY24 guidance
 MyState Bank lending	2.9x system	Lending growth 2x system
 MyState Bank deposit composition	72.8%	Customer deposits >70% of funding
 Earnings per share	35.5 cps	In line with FY23
 MyState Bank underlying cost to income ratio	60.8%	In line with FY23
 Return on equity	8.7%	In line with FY23



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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

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Appendices

4



Corporate profile

MyState is a provider of banking, trustee and wealth management services to over 180,000 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 ~\$384m (as at 17 August 2023) and a shareholder base of ~58,000.

Total operating income for the year ended 30 June 2023 was \$160.4m.

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

MyState Bank 

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 30 June 2023

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**Together for
the better.**

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.

What does this mean for:

- ✔ **Our shareholders**
We deliver sustainable, profitable growth
- ✔ **Our community**
We invest into and support our local communities

What does this mean for:

- ✔ **Our customers and clients**
We care about what matters
- ✔ **Our people**
We grow and achieve great things

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

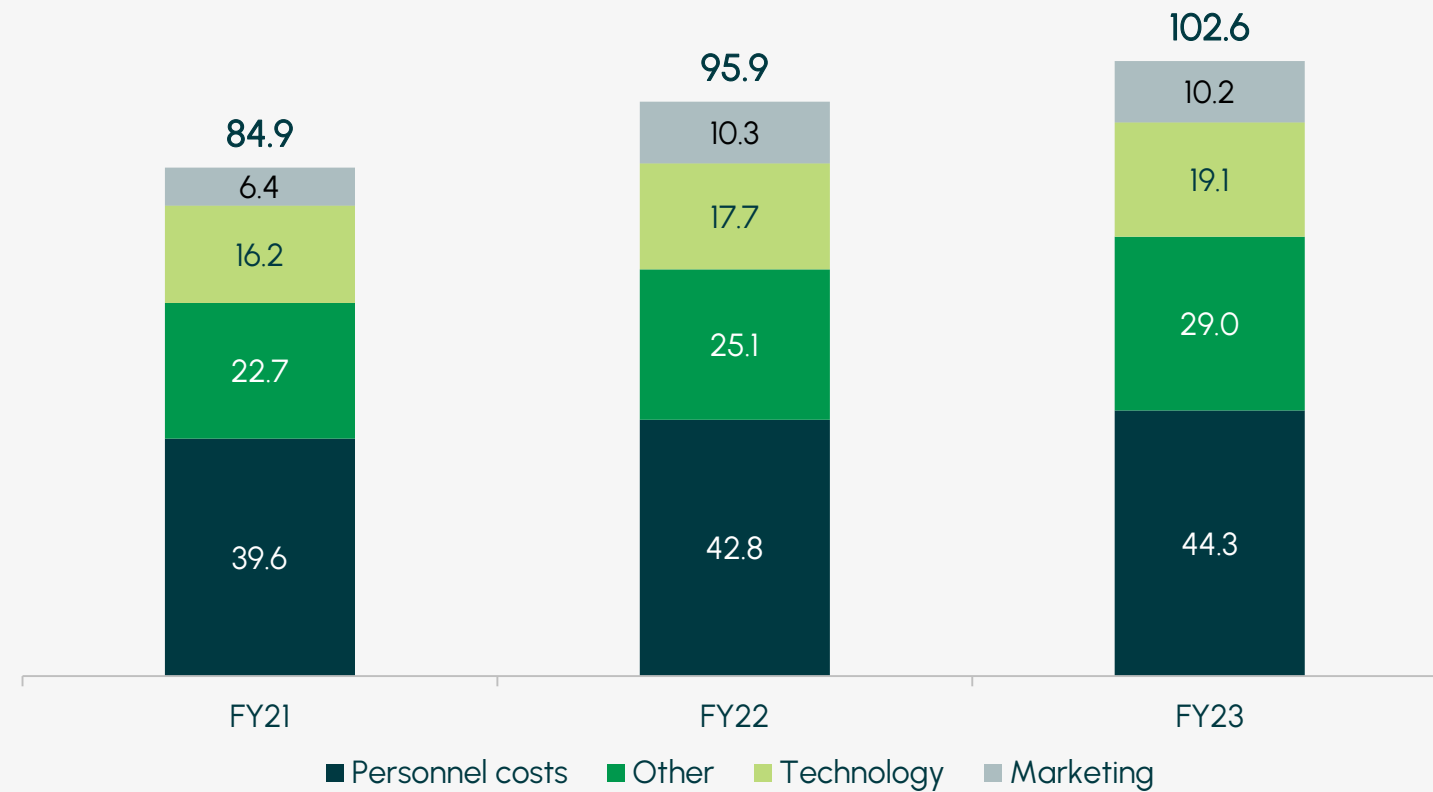


Football Tasmania
Naming rights partner of the Women's Super League and leadership development program.



Operating costs

Operating costs breakdown (\$m)

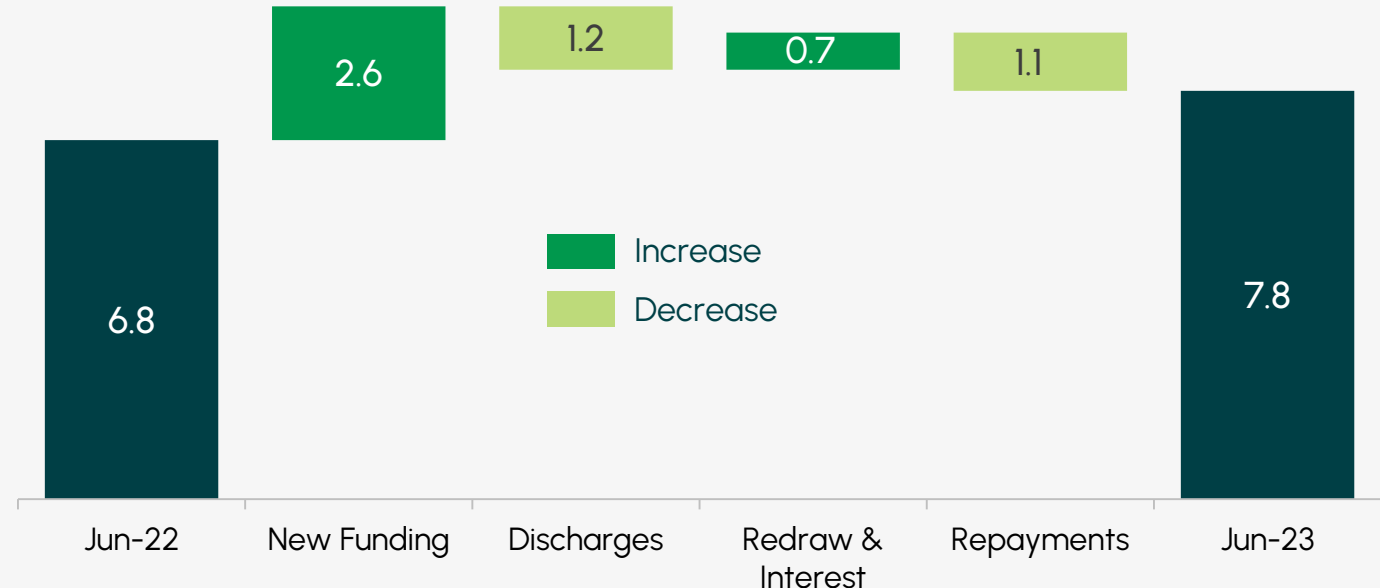


- Expense growth of 7.1% on pcp
- Personnel costs increased by 3.5% reflective of higher salary costs
- Marketing spend flat on pcp
- Other expenses have increased in line with transactional volume including lending related valuation fees, higher payment system costs in-line with the growth in customer deposits and accelerated non-recurring IT system amortisation
- Technology expenses higher on pcp due to higher software maintenance fees and SaaS system amortisation



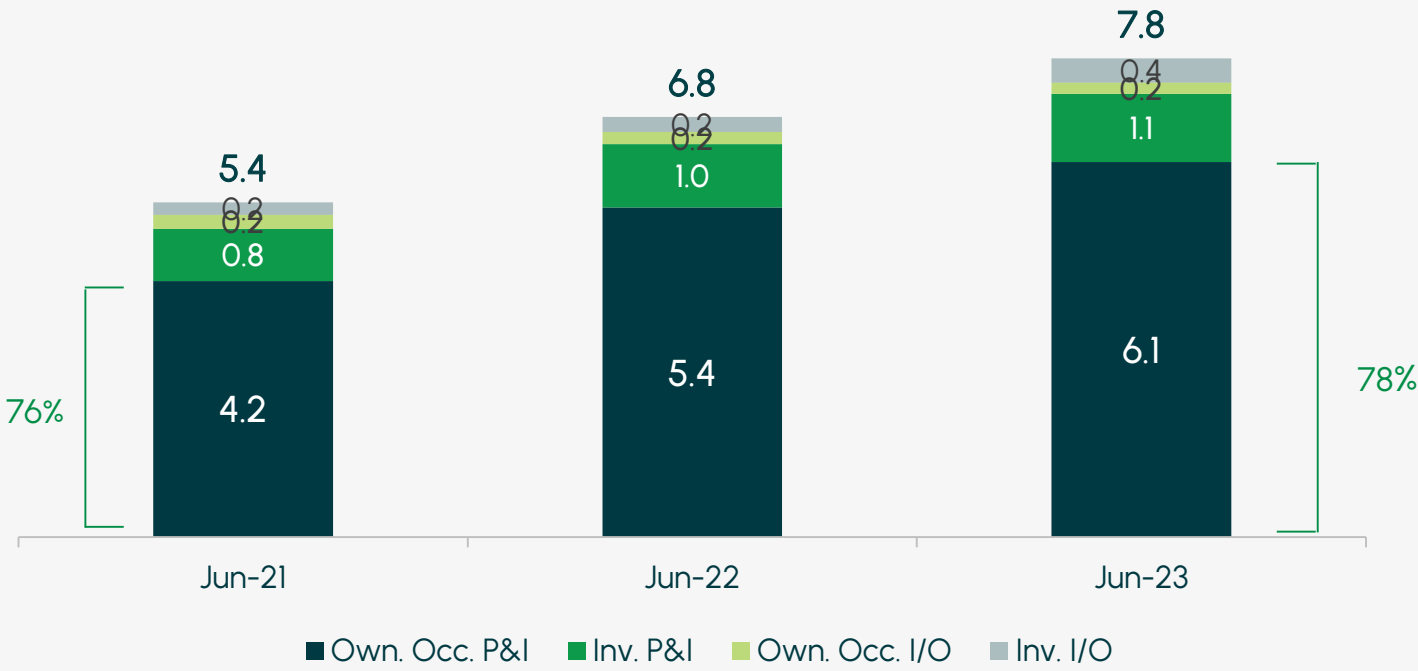
Home loan book growth

Loan balance and lending flows (\$b)

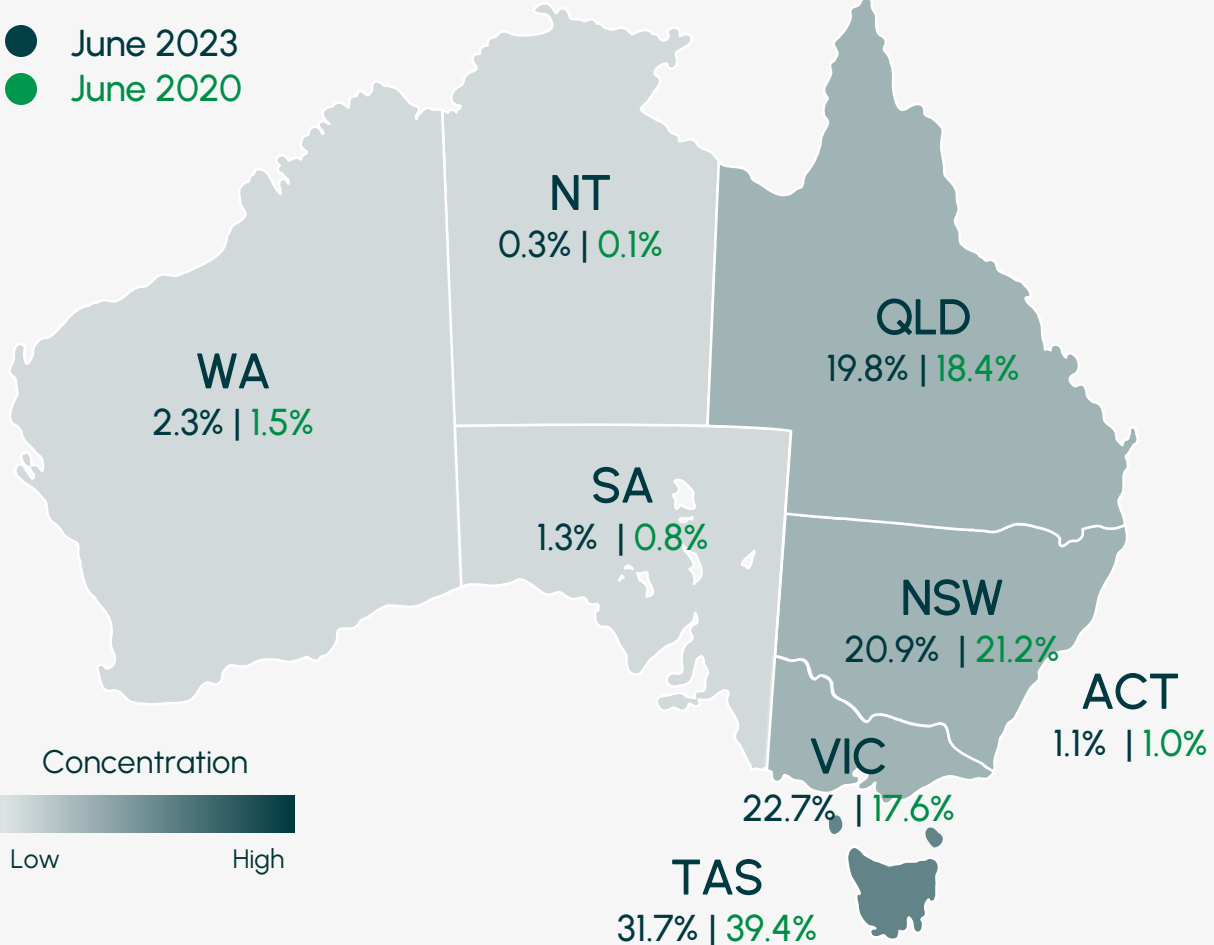


- Growth driven by lower risk owner occupied P&I lending with LVR <80%
- Variable rate lending as a proportion of total flow increased to 97.5% in FY23 (75.5% in pcip) reflective of the rising rate environment
- While run-off remains a sector wide challenge, run-off rate declined to 26.6% compared to 32.0% in pcip

Home loan book composition (\$b)



Home loan concentration by state



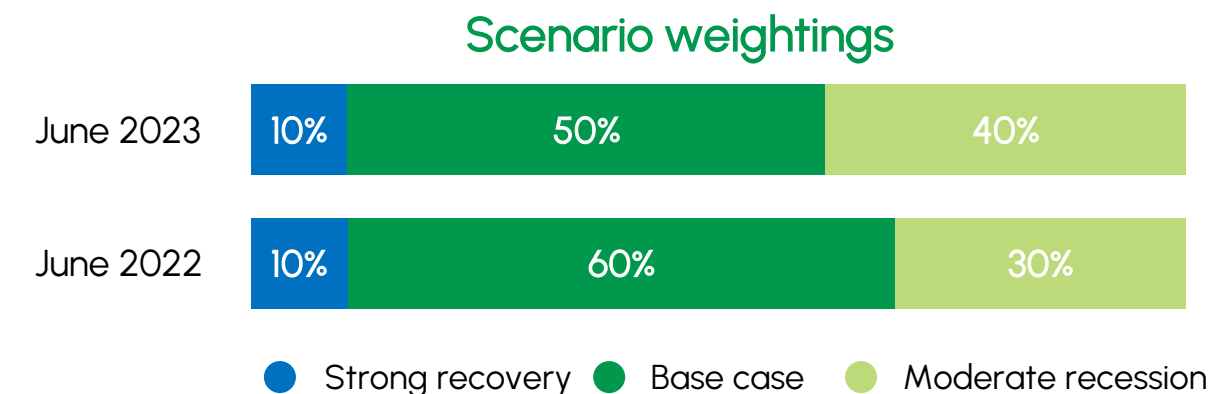
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Forward looking economic overlay assumptions

Assumptions	June 24	June 25
Unemployment (year ended)		
Base Case	4.00%	4.50%
Strong Recovery	3.50%	4.00%
Moderate Recession	5.00%	5.50%
Cash Rate (year ended)		
Base Case	3.85%	3.60%
Strong Recovery	4.35%	4.10%
Moderate Recession	2.85%	2.60%
House Prices (yoy movement)		
Base Case	(5%)	(5%)
Strong Recovery	5%	10%
Moderate Recession	(15%)	(20%)

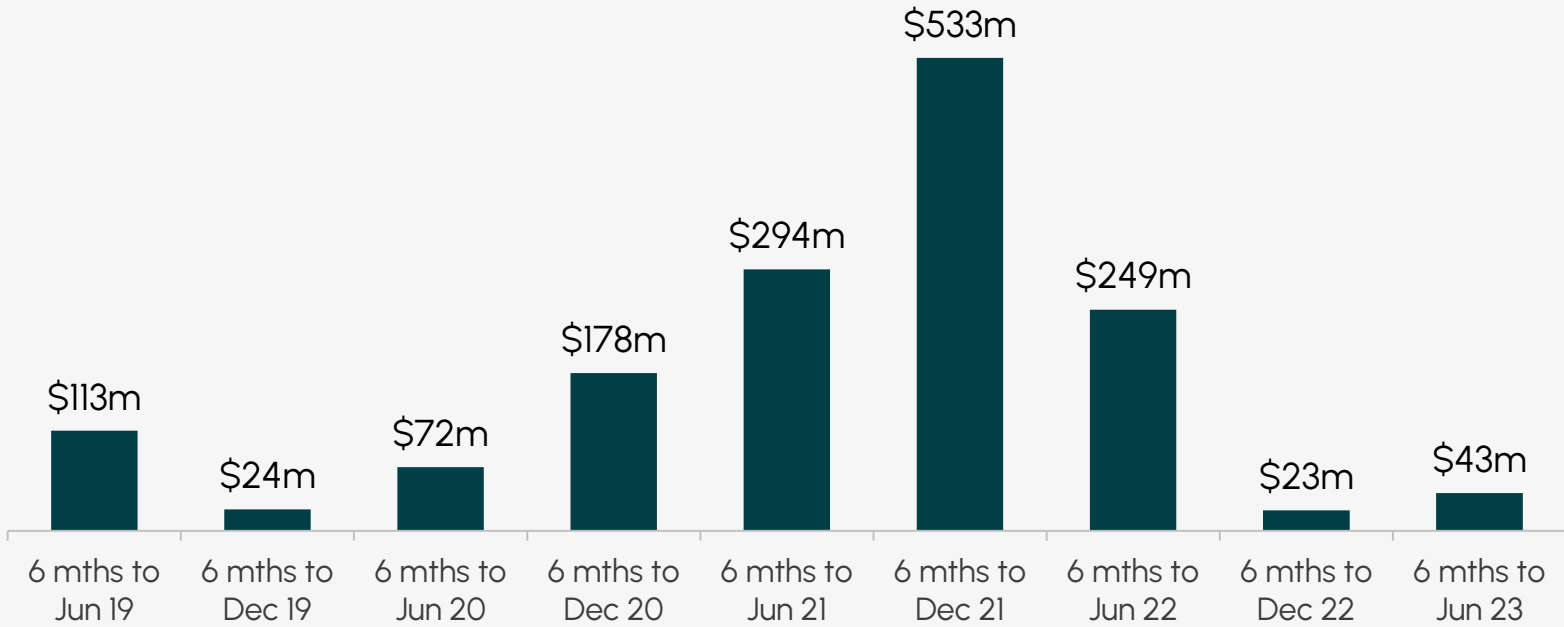
- Forward looking overlay increased from \$0.9m to \$1.6m reflecting growth in arrears and deterioration in economic outlook
- At 30 June 2023, the key assumptions used to determine the forward looking economic overlay were revised to incorporate the latest observed economic data including:
 - ✓ a higher Official Cash Rate (OCR)
 - ✓ stable and strong levels of employment
 - ✓ house price falls (with a cumulative price fall of 15% across FY24 and 20% across FY25 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.



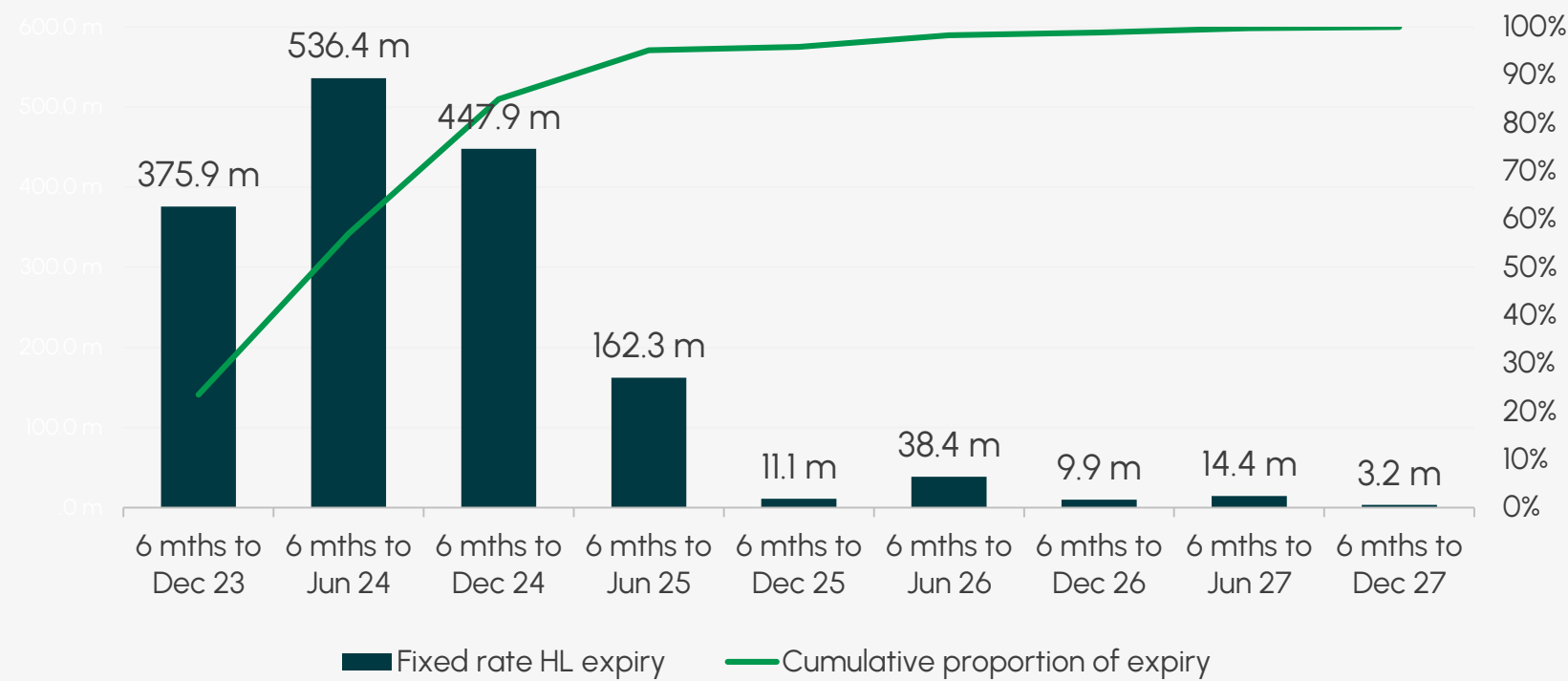
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Fixed rate home loan profile

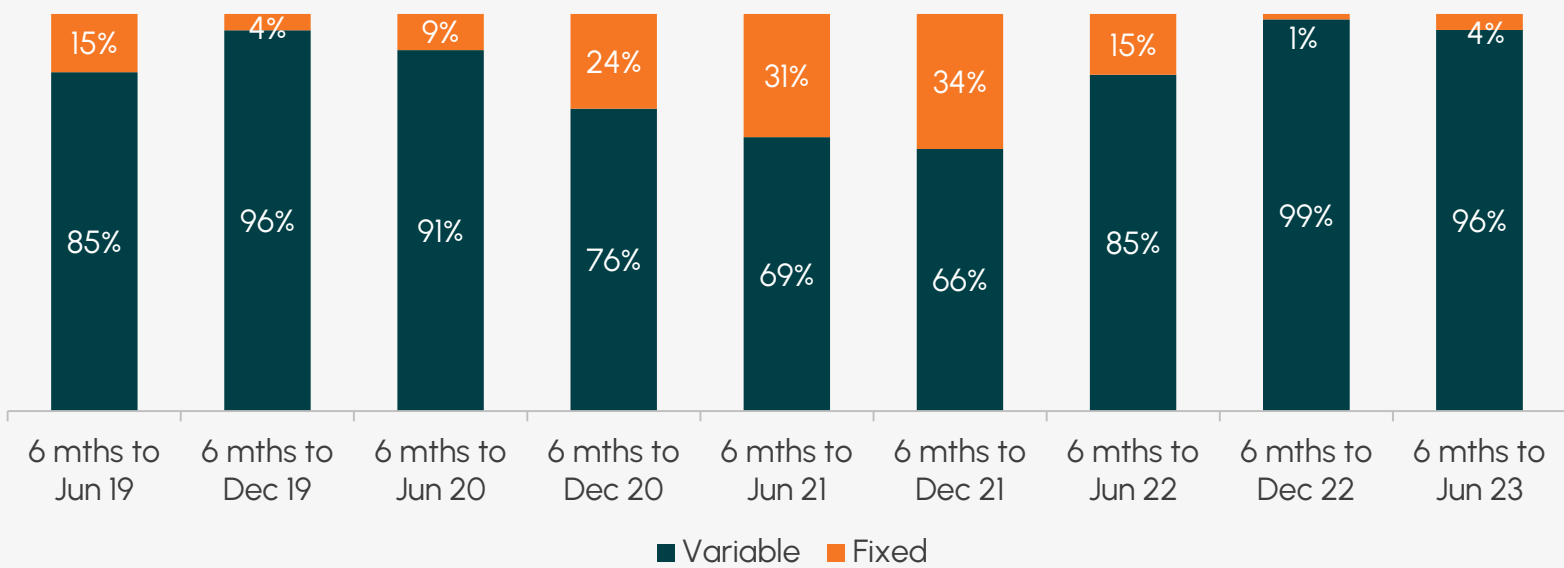
New HL flow – fixed rate issuance



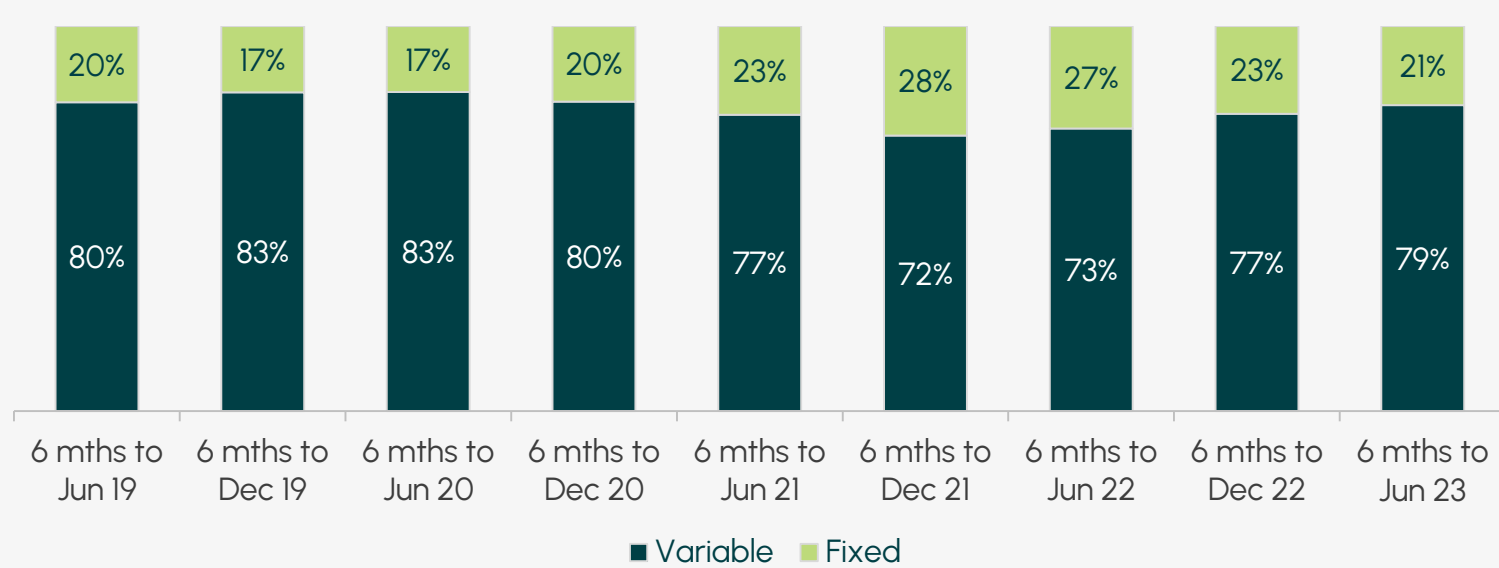
Fixed rate HL expiry schedule as at 30 June 23



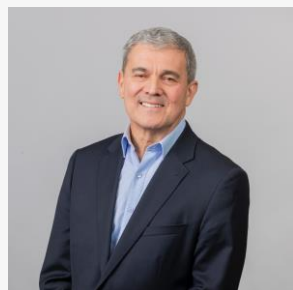
Fixed rate issuance composition



Fixed vs variable composition of book



Board



Vaughn Richtor (Board Chair)

Appointed September 2019

- Group Risk Committee
- Group Audit Committee
- Group People Remuneration & Nominations Committee



Robert Gordon (Deputy Chair)

Appointed February 2009

- Group Risk Committee (Chair)
- Group People Remuneration & Nominations Committee



Sibylle Krieger

Appointed December 2016

- Group People Remuneration & Nominations Committee (Chair)
- Group Risk Committee



Warren Lee

Appointed October 2017

- Group Risk Committee
- Group Audit Committee



Steve Davy

Appointed July 2021

- Group Risk Committee
- Group Audit Committee
- Group People Remuneration & Nominations Committee



Andrea Waters

Appointed October 2017

- Group Audit Committee (Chair)
- Group Risk Committee



Brett Morgan

(Managing Director & CEO)

Appointed January 2022



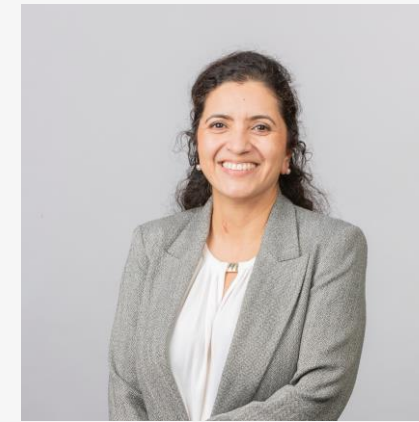
Management team



Brett Morgan
Managing Director
& CEO
Appointed January 2022



Gary Dickson
Chief Financial Officer
Appointed October 2019



Mandy Khanna
Chief Risk Officer
Appointed January 2015



Janelle Whittle
GM People, Community
& Public Affairs
Appointed January 2018



Claudio Mazzarella
GM Everyday Banking &
Marketing
Appointed May 2023



Paul Moss
Chief Operating Officer
Appointed May 2015



Tim Newman
GM Lending
Appointed June 2023



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Glossary

1H:	First half of financial year	EPS:	Earnings per share	NIM:	Net Interest Margin
2H:	Second half of financial year	FHLDS:	First Home Loan Deposit Scheme	NPAT:	Net Profit after Tax
ADI:	Authorised deposit-taking institution	FUM:	Funds under management	NPBT:	Net Profit before Tax
APRA:	Australian Prudential Regulation Authority	FY:	Financial year	PCP:	Previous Corresponding Period
Avg:	Average	FYTD:	Financial year to date	RBA:	Reserve Bank of Australia
ASX:	Australian Securities Exchange	GLA:	Gross Lending Assets	RMBS:	Residential mortgage-backed security
BBSW:	Bank Bill Swap Rate	GRCL:	General Reserve for Credit Losses	ROE:	Return on equity
BDD:	Bad & Doubtful Debt Expense	HY:	Half year	RWA:	Risk Weighted Assets
bps:	basis points	IO:	Interest only	SaaS:	Software as a Service
CAGR:	Compounded annual growth rate	IRB:	Internal ratings-based	S&P:	Standard and Poor's
CET1:	Common Equity Tier 1	JAWS:	relationship between income and expense growth	SPIN:	Standard and Poor's Performance Index
cps:	Cents per share	LT:	Long term	Stage 1:	performing loans (31-60 days arrears)
CTI:	Cost-to-income ratio	LVR:	Loan to valuation ratio	Stage 2:	under-performing loans (61-89 days arrears)
DRP:	Dividend reinvestment plan	MYS:	MyState Limited	Stage 3:	non-performing loans (90+ days arrears)
		MSB:	MyState Bank Limited	ST:	Short term
		MSB:	MyState Bank Limited	TD:	Term deposit
		MLH:	Minimum liquidity holdings	TFF:	Term Funding Facility
		NII:	Net Interest Income	TPT:	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.

Not an offer

Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell MyState securities. It is for information purposes only.

Not financial product advice

This Presentation is for general information purposes only. It is not financial product advice and should not be relied upon for investment purposes. It has been prepared without taking into account any investor's objectives, financial position, situation or needs. It does not purport to summarise all information that an investor should consider when making an investment decision. Therefore, before making an investment decision, investors should consider the appropriateness of the information in this Presentation and have regard to their own objectives, financial situation and needs. Investors should seek such financial, legal or tax advice as they deem necessary or consider appropriate. MyState is not licensed to provide financial product advice in relation to the offer of shares.

Financial information

All information in this Presentation is in Australian dollars (\$) unless stated otherwise. 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. All references to financial years (FY) appearing in this Presentation are to the financial years ended on 30 June of the indicated year. All figures are presented on an accruals basis unless otherwise stated.

Past performance not indicative of future performance

Past performance information, including past share price information, should not be relied upon as (and is not) an indication of future performance. To the extent that such information is included in this Presentation, it is given for illustrative purposes only.

Forward looking statements

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