

## Revenue growth lifts NPAT to \$15.1 million

- **NPAT up 5.4% to \$15.1 million**
- **Net interest income up 9.1% to \$48.2 million**
- **Cost-to-income ratio down 116bps to 64.9%**
- **Return on tangible equity up 20bps to 12.6%**
- **New Wealth Management managed funds platform positions business for growth**

*\* All figures compare 1H FY20 to 1H FY19 unless otherwise indicated.*

**Friday 21 February 2020:** MyState Limited today announced a net profit after tax of \$15.1 million for 1H FY20, up 5.4% on the prior year. Earnings per share increased to 16.6 cents, up 4.4%.

The Board declared an interim dividend of 14.25 cents per share, fully franked, payable on 15 April 2020 to shareholders on the register at the record date of 2 March 2020, with a 2.5% discount for shares issued under the Dividend Reinvestment Plan.

Managing Director and Chief Executive Officer, Melos Sulicich, said: "We are pleased to report a strong result, with significant improvements across the business. We have built a highly competitive position with our strategy of digitisation and delivering superior service, supporting solid customer growth. We are delighted that the MyState group's net promoter score of +40 at 31 December 2019 is one of the leading scores within the banking industry and now driving customer growth.

"Net interest income increased 9.1% to \$48.2 million, benefiting from balance sheet growth, disciplined deposit and lending margin management, and reduced wholesale funding costs over the period.

"MyState has driven transformation through implementing digital systems and structuring our business to serve customers more effectively, with 89% of all customer transactions now performed online or on a mobile device. The benefits of process re-engineering and increased use of process automation, including robotics, are beginning to flow, enabling us to serve greater numbers of customers and transactions while reducing average cost. Income growth has outpaced expenses with the cost-to-income ratio improving 116 basis points to 64.9%.

"A highlight of the half was the launch of a new managed funds platform simplifying services for investors. This is the first major plank in TPT Wealth's transition to provide a digital national funds management business focused on mortgage funds."

The group's return on average equity increased to 9.3% at 31 December 2019, which compares favourably to regional bank peers. MyState is well capitalised with a strong balance sheet; the group's total capital ratio at 31 December 2019 was 13.2% including a Common Equity Tier 1 (CET1) capital ratio of 11.4%.

### Banking

The loan book's growth rate eased, reflecting increased competition after RBA cash rate reductions and a focus on managing margins.

During the half, MyState Bank continued to broaden its digital, internet and mobile banking services, and online customer growth increased by a further 62%. The bank's monthly Bonus Saver account received a five-star rating from Canstar and an Experts Choice Award from Mozo, confirming the product as one of the country's

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top in its class. Additional investment of \$0.8 million was allocated to marketing, up 39% on pcp, to help grow the customer base.

MyState's prudent lending practices, focused on low-risk, owner-occupied lending with a loan-to-valuation ratio of less than 80%, have enabled the group to build a high-quality book. Improved loan turn-around times and continued digital innovation have improved customer service. Further, in December 2019, MyState was selected on the initial panel of residential mortgage lenders under the Australian government's First Home Loan Deposit Scheme and has already had enquiries and application numbers higher than originally envisaged.

Net interest margin improved, increasing to 1.82% at 31 December 2019, up 3bps on 1.79% for 2H FY19. The bank completed a \$400 million Residential Mortgage Backed Security (RMBS) raising in September 2019 at an attractive margin and received strong investor support.

The bank reported a non-cash credit impairment expense of \$0.6 million, which reflects changes in total and 90+ days arrears balances in the home loan portfolio. Arrears remain well below industry levels.

### **New Wealth Management brand and digital capability**

Mr Sulicich said: "Rebranding our Wealth Management operations as TPT Wealth was a significant step supporting our plans for national growth, facilitated by the launch of our new investor portal enabling investors to manage their investments online. Transition of the funds management business to a new digital funds and registry portal is progressing smoothly with plans to strengthen the new platform's sales and marketing capability, targeting Australia's eastern seaboard."

TPT Wealth revenue from continuing operations increased to \$8.2 million, up 5.1% from \$7.8 million in the pcp. Funds under management were \$1.19 billion at 31 December 2019, a decade high, up 1.3% on 30 June 2019.

### **Outlook**

Mr Sulicich said: "This is a great time for MyState, which has a positive reputation for serving our customers. While we are operating in a challenging and competitive market, MyState continues to build its strategic position with excellent asset quality, modern digital platforms and broader management capabilities.

"Investment in innovation and digital marketing is driving customer growth. We are further enhancing our banking proposition with data-driven processes to provide more intuitive services that improve customers' experiences. Lending momentum has returned with strong application flows toward the end of the year and very high applications under the Federal Government's First Home Loan Deposit Scheme. We anticipate solid bank balance sheet growth. Re-engineering of the business to manage scale is ongoing as robotics technology reduces average cost to serve. With increased capability, we expect continued productivity improvement in the second half.

"We are excited about the opportunity that TPT Wealth now provides us for substantial growth outside Tasmania. Our new administration system and customer portal provide the first planks in accessing substantial new markets for the business.

"MyState has a clear strategy of organic growth and a flexible, scalable platform. We are capitalising on a revitalised home lending market, building digital propositions that engage customers and attracting new customers every day who discover that banking with MyState Bank is better than alternatives. We continue to re-engineer the business, building a scalable business with digital capabilities across the organisation."

## APPENDIX

Results summary for six months to	31 Dec 19	31 Dec 18	Change
Net interest income (\$m)	48.2	44.1	9.1%
Group total operating income (\$m)*	63.3	59.4	6.7%
Net profit before tax*	21.6	20.5	5.5%
<b>Net profit after tax (\$m)*</b>	<b>15.1</b>	<b>14.3</b>	<b>5.4%</b>
Banking contribution (\$m)	13.2	12.1	9.1%
Wealth contribution (\$m) *	1.9	2.2	-13.6%
Net interest margin (%)	1.82	1.81	1 bps
<b>Earnings per share (cents)</b>	<b>16.6</b>	<b>15.9</b>	<b>0.7cps/4.3%</b>
Return on average equity (%)	9.29	9.02	27bps
Return on tangible equity (%)	12.64	12.44	20bps
Interim dividend per share – fully franked (cents)	14.25	14.25	
Dividend payout ratio (%)	86	90	

As at the end of the reporting period:	31 Dec 19 (\$ million)	30 Jun 19 (\$ million)	Change (%)
Total assets	5,793.3	5,712.9	1.4%
Net assets	331.2	327.5	1.1%
Funds under management	1,186.0	1,170.4	1.3%

Note: Financial performance figures compare 1H20 to 1H19 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2019 as pcp. All amounts shown represent statutory results inclusive of discontinued operations unless otherwise stated. Percentages may not reconcile due to rounding.

\* Excludes discontinued operations in the pcp.

### Authorised by the Board of Directors of MyState Limited

#### About MyState Limited

Registered Office: 137 Harrington Street, Hobart 7000

MyState Limited 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.

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