

# ASX ANNOUNCEMENT

18 February 2022

ASX: MYS

## MyState growth strategy on track

- **1HFY22 home loan portfolio growth of 11.4%, well above system, with settlements up 116% on the pcp**
- **Continued high credit quality with majority of growth in <80% LVR loans**
- **NPAT down 2.4% as MyState accelerates investment in customer and lending growth**
- **Interim dividend maintained at 12.5 cents per share**
- **Effective capital strategy underpinning investment and growth**

**18 February 2022** – MyState Limited, the banking and wealth management group, today announced significant above system home loan growth of 11.4% for the six months to 31 December 2021.

Total operating income increased 3.4% to \$71 million (1H21: \$68.6 million) with statutory NPAT falling 2.4% to \$16.6 million (1H21: \$17.0 million), primarily reflecting higher operating costs as the bank continues to invest in distribution focused roles, marketing and brand building to support its growth strategy.

The Board has declared an Interim dividend of 12.5 cents per share for the half year, in line with the previous corresponding period (pcp).

Managing Director and CEO, Brett Morgan said, “In line with our growth strategy, MyState has accelerated investment in marketing and customer acquisition initiatives that has seen us increase our home loan book by 11.4%, wealth income by 5.6% and attract more than 9,500 new customers over the last half.

The accelerated growth is underpinned by the digital transformation program that MyState has been undertaking. The program has enabled MyState to scale and grow market share in our Banking business.”

### NPAT softer, driven by investment to support customer and lending growth

The decrease in statutory NPAT over the period reflected higher operating expenditure for the half, up 15.6% on the pcp. Higher operating costs included MyState’s increased investment in people, marketing and brand building to support customer and lending growth, with marketing costs of \$5.8m, up 90% on the pcp. Higher personnel costs during the period, primarily in key distribution and operations roles, were a function of this increased investment in growth. MyState has continued to provide market leading customer service with no deterioration in home loan approval times, despite the significant increase in application volume.

As a result, the cost to income ratio increased to 68.8% while the deployment of new capital during the half saw dilution in Return on Equity (ROE), down 191 basis points (bps) to 8.0% on the pcp.

## Deterioration in NIM reflective of current market dynamics

Net interest margin (NIM) declined during the half, reflecting competition in the market for new home loans and customer preference for lower margin fixed rate loans, partly offset by lower funding costs. Average NIM was down 17bps on the pcp and exit NIM in December 2021 was 1.70% (June 2021: 1.89%).

## Balance sheet growth well above system while lending quality maintained

MyState continued to rapidly grow its loan book during the half, with loan book growth of 10.6%, significantly above the pcp (+1.7%).

The significant growth during the half was led by home lending, up 11.4%, and a significant uplift in applications and settlement volumes, up 117% and 116%, respectively on the pcp.

Customer deposits grew 12.4% on the pcp and now represent approximately 75% of the funding mix. There was strong growth in the award-winning Bonus Saver Account, up 19.6% on 30 June 2021 driven by the digital acquisition of new customers.

MyState's funding mix continues to be strengthened by growth in customer deposits, whilst securitisation remains an important source of funding for the bank.

## Continued high credit quality

MyState continues to focus on low-risk, owner-occupied lending. The growth in >90% LVR loans is primarily attributable to the support of the First Home Loan Deposit Scheme (FHLDS), which makes up around 10% of the book.

At 31 December 2021, nine customers are receiving COVID-19 assistance, representing just 0.05% of total home loan balances, down from a peak of 10.9% in June 2020. As a result, and reflecting the improved economic outlook, the forward-looking overlay for credit losses has reduced from \$1.5 million at 30 June 2021 to \$0.9 million at 31 December 2021.

## Capital

MyState maintained a strong capital position with all capital ratios comfortably above regulatory minimums.

The Group's total capital ratio decreased 103bps in the period to 13.81% at 31 December 2021 and the Group's Common Equity Tier 1 ratio decreased by 147bps to 11.61%, as the capital raised in June 2021 was deployed to support balance sheet growth.

Tier 2 capital was further bolstered by the issue of \$25 million of 10-year subordinated notes in November 2021.

## TPT Wealth income stronger due to higher advice income

TPT's operating income was up 5.6% on the pcp, driven by Trustee Services related revenue. Funds under management over the half remained relatively flat, down 1.6% on the pcp to \$1.088 billion.

MyState has enhanced its distribution capability within the wealth business to drive growth on the eastern seaboard to complement its Tasmanian team.

### Outlook

Commenting on the outlook for the Group, Mr Morgan said: "The growth strategy announced in May 2021 is on track. Our investment in brand, customers, digital capabilities and simple processes alongside our balance sheet strength puts us in a strong position to accelerate our growth despite the competitive banking landscape".

"We remain focused on accelerating our loan book growth and growing customer numbers and deposits at MyState Bank and funds under management at TPT Wealth".

### Authorised

MyState Limited Board

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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.

## APPENDIX

| Results summary for six months to                           | 31 Dec 21   | 31 Dec 20   | Change        |
|---|-------------|-------------|---------------|
| Net interest income (\$m)                                   | 56.0        | 55.4        | 1.1%          |
| Group total operating income (\$m)                          | 71.0        | 68.6        | 3.4%          |
| Operating expenses <sup>1</sup>                             | 48.8        | 42.2        | 15.6%         |
| Pre-provision operating profit (Core earnings) <sup>1</sup> | 22.2        | 26.4        | -16.1%        |
| <b>Net profit after tax (\$m)<sup>2</sup></b>               | <b>16.6</b> | <b>17.0</b> | <b>-2.4%</b>  |
| Banking contribution (\$m)                                  | 15.8        | 16.2        | -2.2%         |
| Wealth contribution (\$m)                                   | 1.1         | 0.9         | 11.9%         |
| Net interest margin (%)                                     | 1.77        | 1.94        | -17bps        |
| <b>Earnings per share (cents)</b>                           | <b>15.8</b> | <b>18.5</b> | <b>-14.8%</b> |
| Return on average equity (%)                                | 8.0         | 9.9         | -191bps       |
| Return on tangible equity (%)                               | 10.2        | 13.3        | -309bps       |
| Interim dividend per share – fully franked (cents)          | 12.5        | 12.5        | -             |
| Dividend payout ratio (%)                                   | 79.4        | 67.6        | 11.8%         |

| As at the end of the reporting period: | 31 Dec 21<br>(\$ million) | 30 Jun 21<br>(\$ million) | Change (%) |
|--|---------------------------|---------------------------|------------|
| Total assets                           | 7,246.9                   | 6,542.5                   | 10.8%      |
| Net assets                             | 419.7                     | 415.2                     | 1.1%       |
| Funds under management                 | 1,088                     | 1,105                     | -1.5%      |

<sup>1</sup> Excludes Restructure costs (\$2.5 million before tax) in 1H FY21

<sup>2</sup> Includes Corporate centre costs of \$0.3m in 1H FY22 (1H FY21: \$0.1m)

Note: Financial performance figures compare 1H FY22 to 1H FY21 as the previous corresponding period (pcp). Balance sheet and capital figures compare 30 June 2021 as pcp. All amounts shown represent statutory results inclusive of discontinued operations unless otherwise stated. Percentages may not reconcile due to rounding.

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