

# ASX

CEO CONNECT

11 December 2018





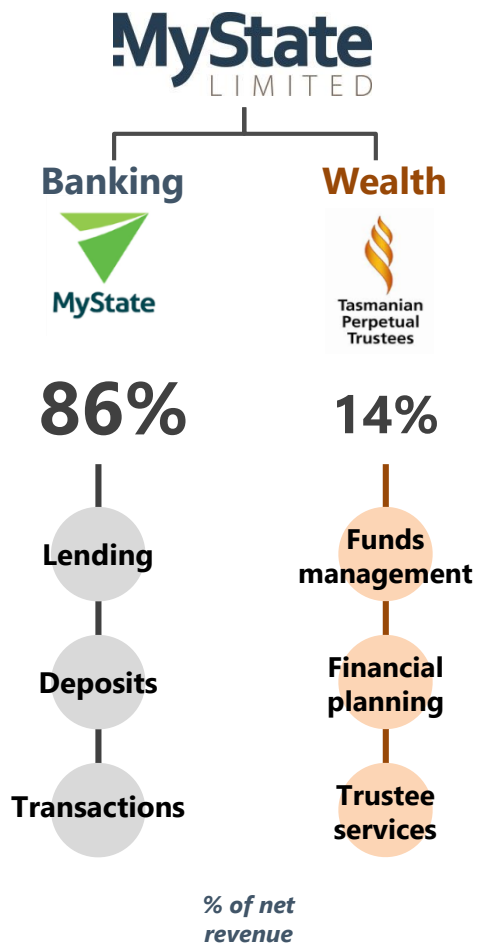
## **AGENDA**

**Melos Sulicich** CEO

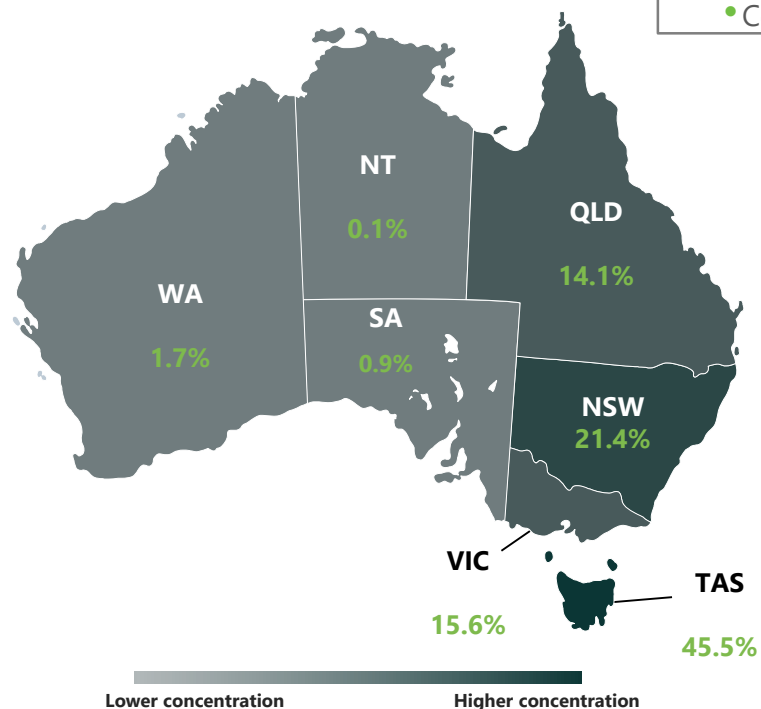
- Corporate Profile and History
- Strategy
- Key Highlights FY18
  - Banking Business
  - Wealth Business
- Summary

# CORPORATE PROFILE

MyState is a leading regional bank with Banking and Wealth management operations



## Geographic home loan book spread

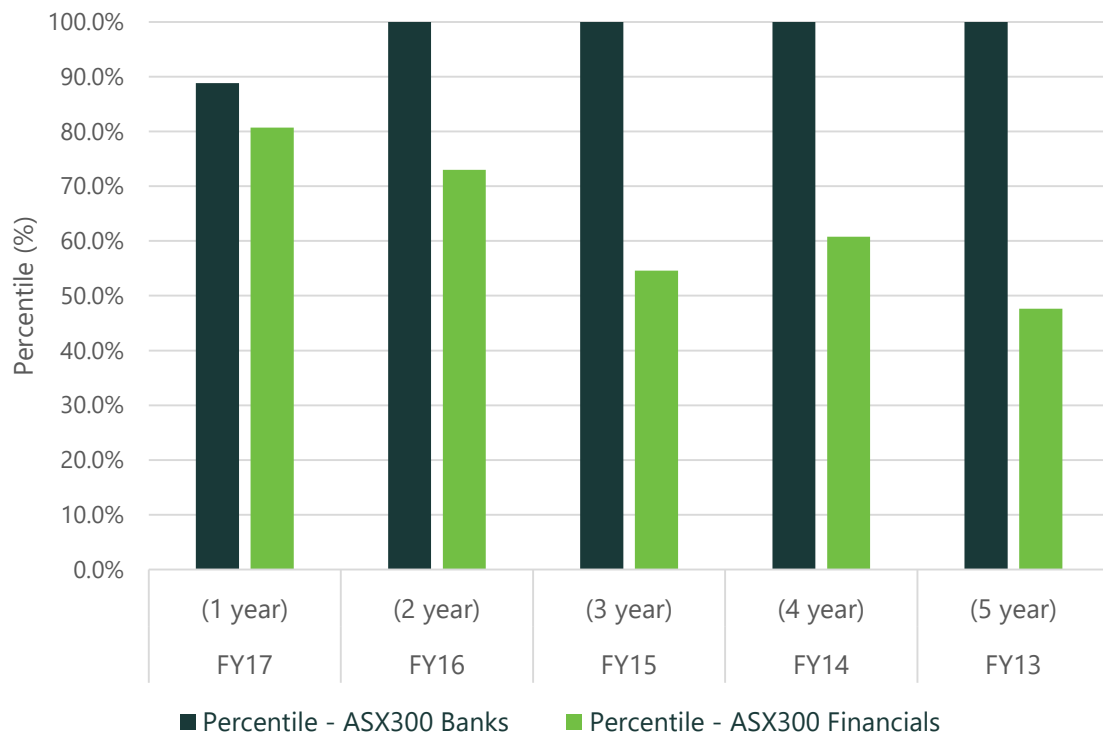


- ASX300 listed company
- Market capitalisation of c.\$400m
- c.64,000 shareholders
- Consistent dividend returns

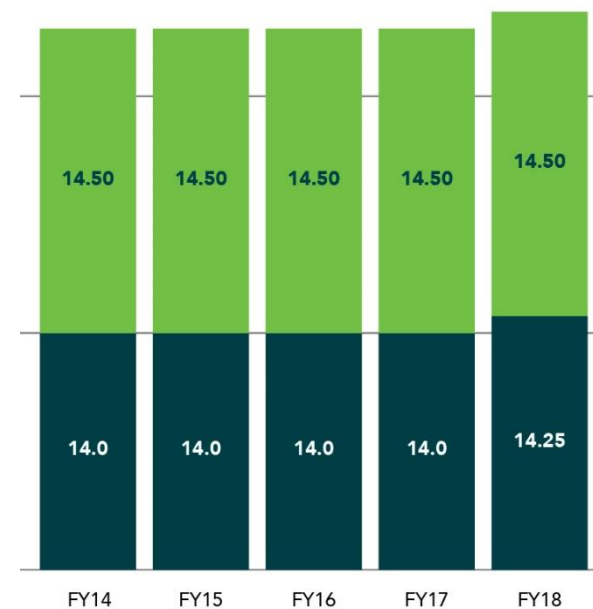
# CONSISTENT RETURNS TO SHAREHOLDERS

- Consistent dividend returns to investors
- 100<sup>th</sup> percentile TSR compared to ASX300 Banks in FY13, 14, 15 and 16. 90<sup>th</sup> percentile in FY17.
- High yielding fully franked dividend

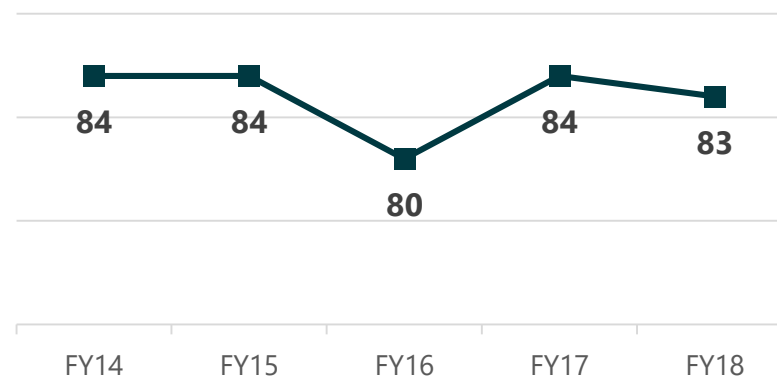
TSR comparison



Dividends (cps)

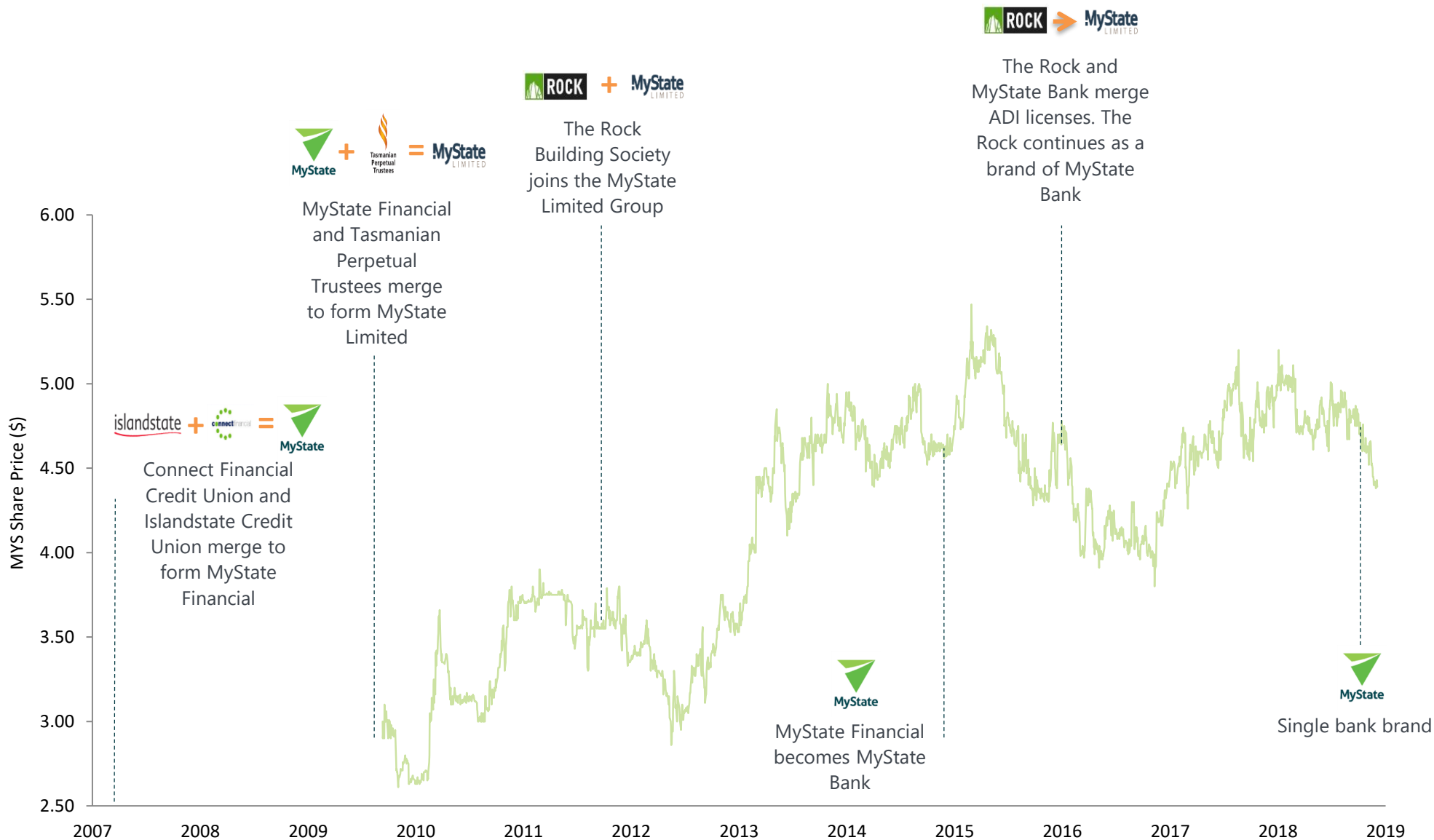


Dividend payout ratio





# CORPORATE HISTORY



# STRATEGIC PRIORITIES

## Our PURPOSE

To help people achieve their **dreams**

## Our MISSION

To make financial services **simple** and **trustworthy**

## Our VISION

We want to make a **genuine difference** to our customers and communities **every day**

## The WORLD is changing

The **needs** and **expectations** of customers are changing and technology is opening opportunities to **attract** and **serve** new customer segments across Australia

At MyState, we know that our future success will be **founded on digital innovation** and evolving the way we **think and operate** so that we put **customers** at the centre of everything we do

## Our GOALS are to be

**Simpler**, more **relevant**, accessible for our customers and **easier** to “use”



Evermore **digitally enabled** so that we can attract the **target customers** we are seeking



More deeply **community connected**



Seen by our shareholders as being **agile** with a strong focus on growth, **margins** and **cost management**







# MODERNISED PRODUCT OFFERING



Investment in digital has **modernised** the banking business and allows us to **embrace digital savvy customers**

**New Payments Platform**  
COMPLETED: FEBRUARY 2018  

**Contact centre system**  
COMPLETED: JUNE 2017  

**IB and mobile**  
COMPLETED: MAY 2017  

**Origination engine**  
COMPLETED: APRIL 2017  

**CRM**  
COMPLETED: APRIL 2017  

**Single core**  
COMPLETED: MAY 2017  

Currently enabled








## Simplified products:

- Clean, simple online application process; accounts opened and operational in minutes.
- New "Glide" transaction account launched featuring no monthly fee and unlimited free electronic transactions.
- New Bonus Saver account launched featuring bonus interest and no penalty for withdrawals.
- A single bank brand.

## Personal loan origination:

- Same day personal loan funding.
- Over 40% reduction in online PL conversion time FYTD.

## Coming soon

- Online mortgage origination.

# FY18 METRICS AND PERFORMANCE DRIVERS

Change on FY17 results except where otherwise stated

Solid performance and growth across all key metrics

Increased full year dividend of 28.75cps and final dividend steady at 14.5cps fully franked

Total income: <b>\$126.3m</b>	▲	<b>+1.4%</b>	Net interest income: <b>\$90.8m</b>	▲	<b>+3.1%</b>
Net profit after tax: <b>\$31.5m</b>	▲	<b>+4.6%</b>	Earnings per share: <b>34.97 cps</b>	▲	<b>+0.93cps</b>
Fully franked dividend: <b>28.75 cps</b> <sup>1</sup>	▲	<b>+0.25cps</b>	Return on average equity: <b>10.1%</b>	▲	<b>+9bps</b>
Cost to income: <b>64.0%</b>	▼	<b>-190bps</b>	Total capital ratio: <b>13.47%</b> <sup>2</sup>	▲	<b>+18bps</b>
Home loan book: <b>\$4.4b</b> 1.2x system	▲	<b>+6.9%</b>	Funds under management: <b>\$1.15b</b>	▲	<b>+5.9%</b>

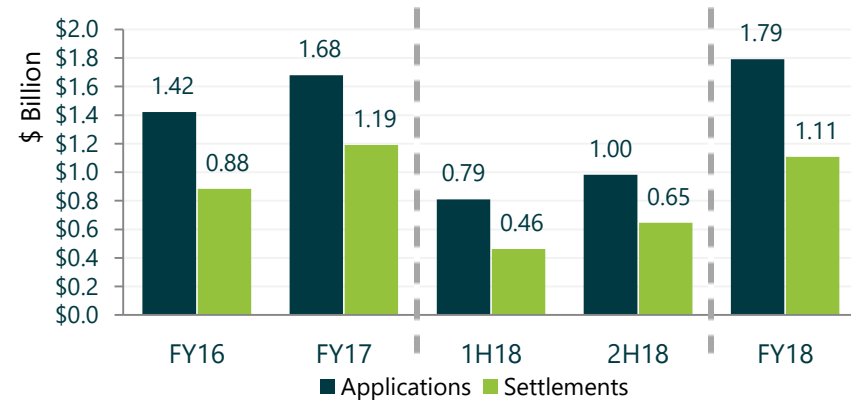
1. Final dividend of 14.5cps payable to shareholders on the register at the record date of 24 August 2018
2. 11.51% CET1 (FY17: 11.28%)



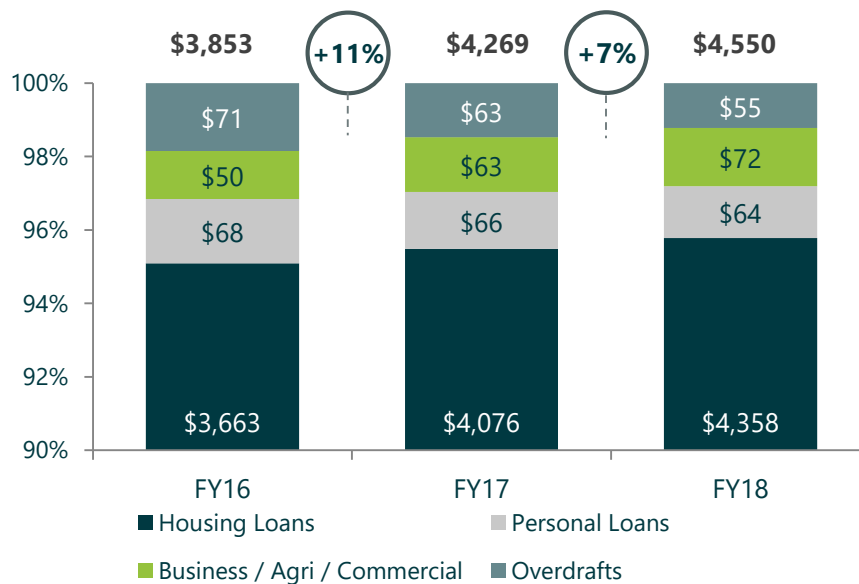
# STRONG 2H LENDING GROWTH

- Loan book grew +2x system during 2HFY18
- Margin management remains key focus
- Emphasis on maintaining quality lending growth amidst vigorous competition
- Growth targeted to Australian eastern seaboard; focus on lower LVR loans with high asset quality

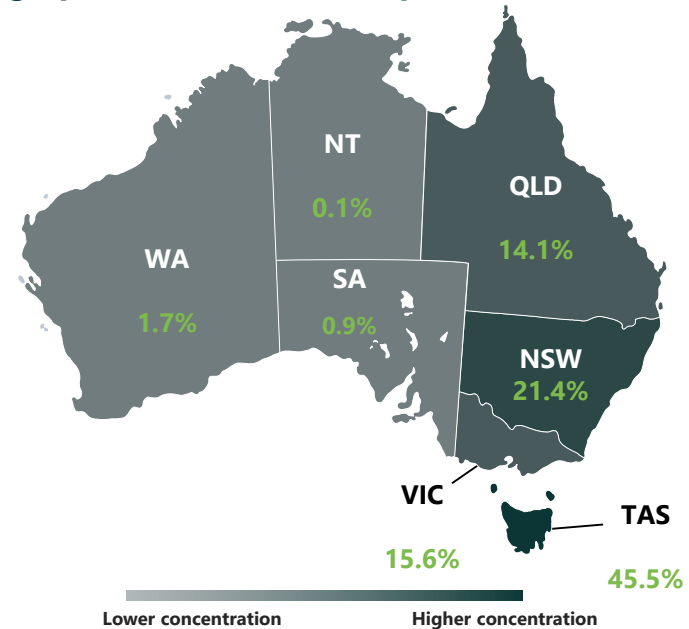
## Home loan book – applications and settlements



## Total book – composition (\$m)



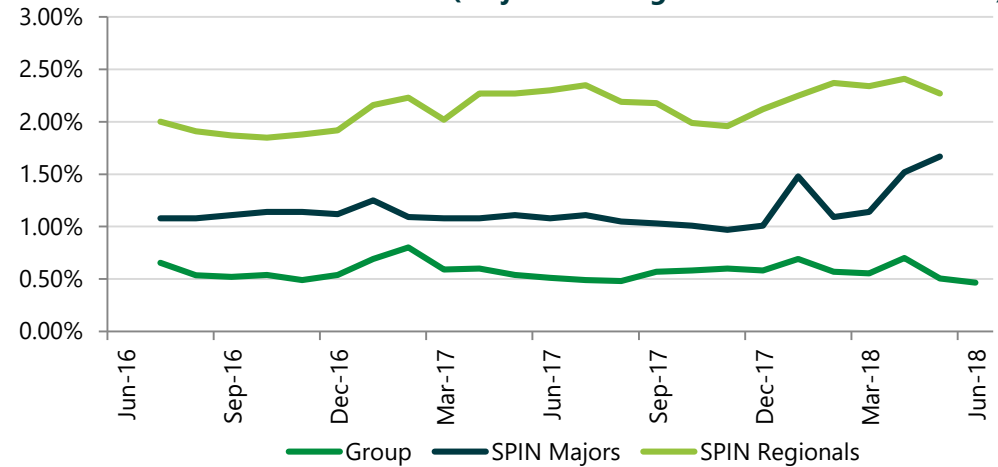
## Geographic home loan book spread



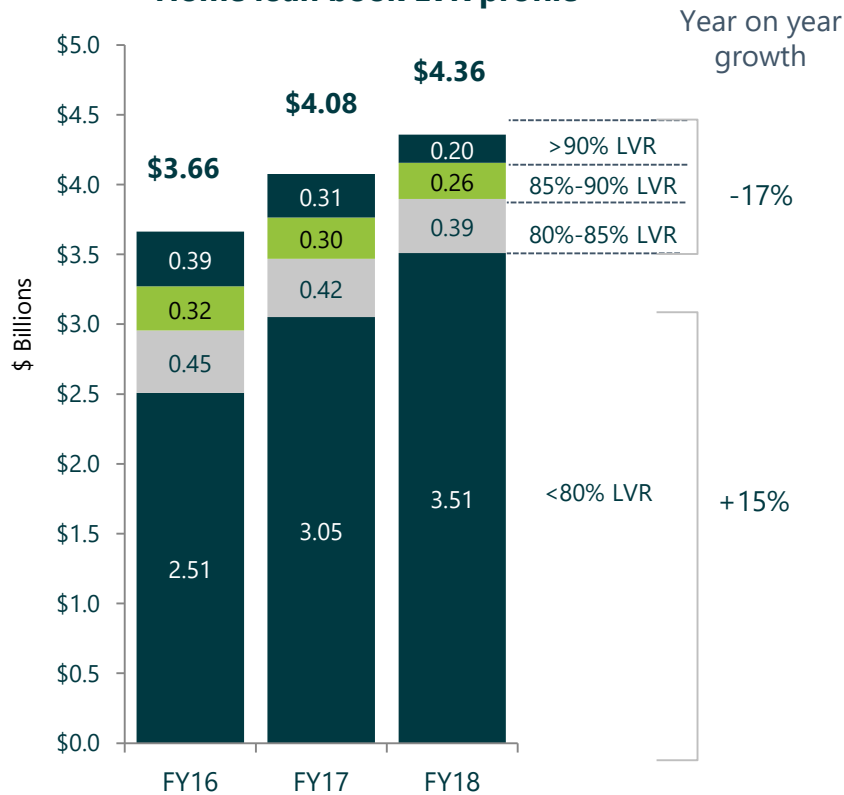
# CONTINUED HIGH CREDIT QUALITY

- Impairments remain at historic lows
- 30 and 90 day arrears well below peers and stable
- AASB 9 to be implemented FY19 with expected increase in provisions

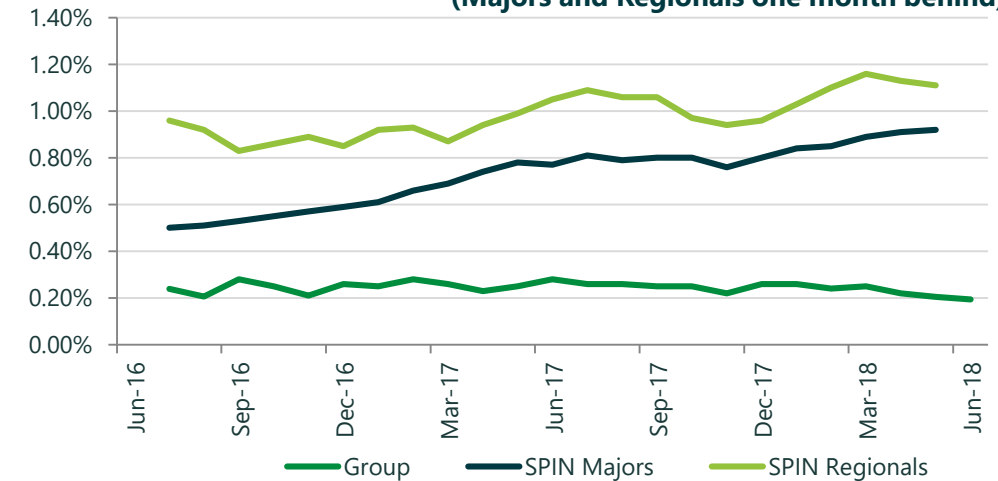
30+ Days S & P Arrears Data (Majors and Regionals one month behind)



Home loan book LVR profile



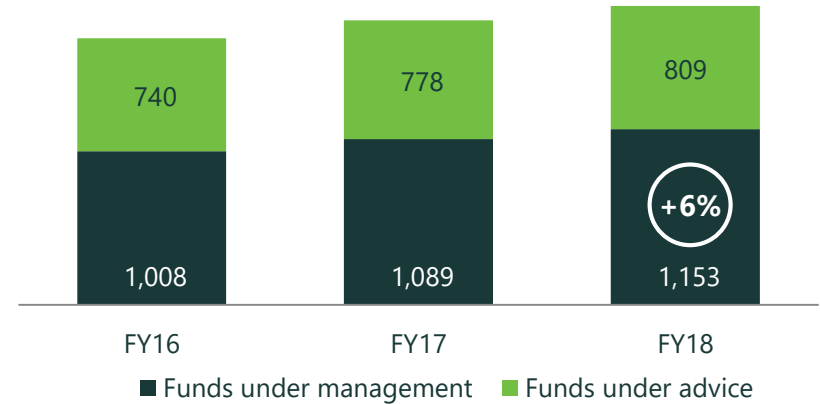
90+ Days S & P Arrears Data (Majors and Regionals one month behind)



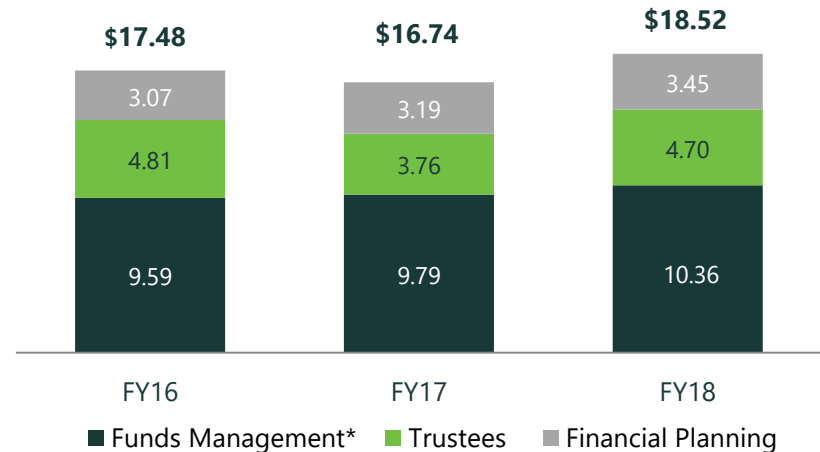
# GROWTH IN WEALTH BUSINESS

- Wealth revenue growth +10.6% on pcp with solid performance across all business lines
- Trustee revenue +25% on pcp benefiting from sustained focus on will writing
- FUM growth of \$64m +5.9%
- FUA growth of \$31m +4.0%
- Income fund strategy and investment focused on the growing income needs of retirees
- Investment planned to grow wealth business

Funds under management and funds under advice (\$m)



Operating income (\$m)



\* including funds management mortgage fees

# PLATFORM FOR CONTINUED GROWTH

## What we've achieved



### Deposit and loan book growth

- Continued **growth** above system



### Costs

- Productivity benefits accruing



### Digital transformation

- Increase in **customer NPS to +35**
- **Introduced** new transaction accounts and online origination



### Robust capital position

- Moody's Baa1/P2 stable **investment rating**

## What we're working on



### Customer enhancements

- **MyExcellence** program
- Continued focus on **customer improvement initiatives** including continuous cycle of platform improvements



### Digital

- **Faster customer onboarding**
- **Digital** mortgage origination
- Focus on **digital deposit acquisition**



### Marketing

- Build out **marketing analytics** and CRM capabilities
- **Brand building**



### Wealth

- Investment in **Wealth**, with a focus on systems and capability

**We are modernising our business and putting customers at the centre of everything we do**

# SECTOR OVERVIEW



## Industry dynamics

- System credit growth still slowing
- Housing market cooling nationally
- Lending market continues to be highly competitive
- Funding costs remain elevated



## Regulatory dynamics

- Royal Commission
- Productivity Commission Review
- Competitive landscape still unbalanced:
  1. Funding cost differentials
  2. Risk weighted asset and capital differentials
  3. Macroprudential regulation skewing competition and profitability in the sector
  4. Lack of transparency in vertical integration of mortgage brokers
  5. Disproportionate impact of regulatory burden on smaller banks
  6. Non ADIs benefiting from macro prudential interventions



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