

ASX ANNOUNCEMENT

Friday 20 August 2021

ASX : MYS

FY2021 results announcement

Disciplined execution delivered an excellent FY21 result with positive momentum in all key metrics.

Net profit after tax

+20.9% from FY20
\$36.3m

NPAT was supported by increased net interest income and active cost management.

Earnings per share

+19.2% from FY20
39.2cps

A positive increase in EPS in line with NPAT growth.

Customer deposits

+13.2% from FY20
\$4.5b

Growth in customer deposits has been driven by the award-winning MyState Bank Bonus Saver Account. With home lending growth of 6.8% to \$5.5b, equivalent to 1.3 times system growth.

Final dividend

13.00cps

The Directors have declared a fully franked final dividend of 13 cents per share. The dividend will be payable on 21 September 2021 to shareholders on the register at the record date of 26 August 2021.

Return on equity

+116bps from FY20
10.3%

Significant growth in return on equity compares favourably to other banks and is above regional bank peers*.

Net promoter score

+47

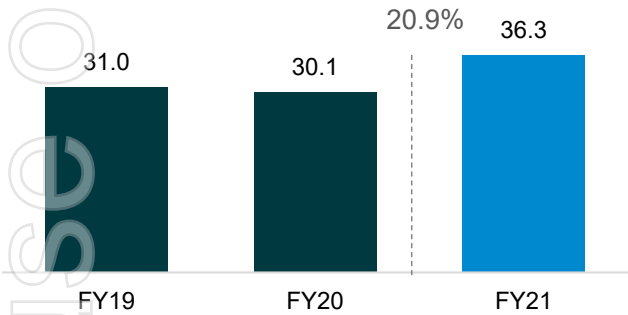
MyState continues to record a high customer NPS, driving the strongest period of organic customer growth we have experienced.

* As per most recent financial reporting

Friday, 20 August 2021

MyState Limited, the banking and wealth management group, today announced that statutory NPAT has grown 20.9% to \$36.3 million (FY20: \$30.1m). This result was underpinned by above system lending growth, significant deposit growth, active cost management and an improved cost of funding.

Net profit after tax



The cost to income ratio (excluding restructure costs) fell by 153bps to 61.3% for the full year, further supported by gains from technology investments. For the year to 30 June MyState’s ROE was 10.3%, up an impressive 116bps on the prior period.

As a result the Board has declared a Final Dividend of 13.0 cents per share.

The FY21 results follows MyState’s capital raising announced in May 2021, with \$55.5 million raised through a Placement and Entitlement Offer to rapidly accelerate MyState’s growth strategy.

Managing Director and Chief Executive Officer, Melos Sulicich, said “These results together with our recent capital raising enable us to accelerate our current momentum and put MyState in a fantastic position to execute our 2025 growth strategy. Our focused strategy will build on our strong financial position, demonstrated execution capability and leading customer Net Promoter Score to access growth opportunities via an enhanced digital and distribution offering. Our strategy is underpinned by our four strategic priorities of Customer Experience and Acquisition, Increased Distribution Capacity, Enhanced Operations and Culture and Capability development.

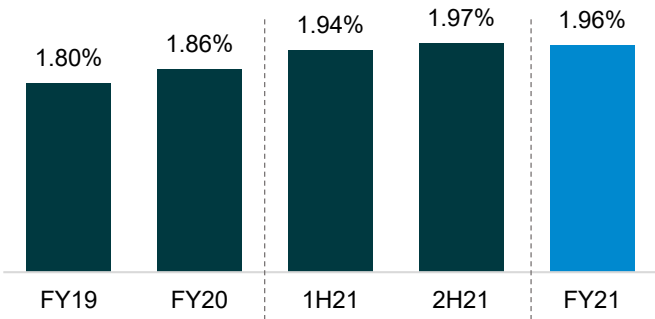
“The acceleration of our growth strategies across both banking and wealth management enhances our evolution as a digital bank and funds management business. Our ability to undertake this digital transformation means that our growing customer base across the Eastern seaboard finds we are easier, more trustworthy and intuitive to deal with, leading to deeper customer relationships.

“Just as importantly, it allows us to scale more efficiently as the competition for home lending intensifies. We are better able to refine our products and services to ensure they continue to suit our customer’s evolving needs, and harness resulting business opportunities to ensure they provide maximum benefit to shareholders.”

Net interest income and margin higher

Net interest income for the period grew 12.5% to \$112 million, due to growth in lending and lower funding costs. Funding costs fell across all products, with wholesale costs falling in line with moves in the BBSW benchmark. MyState reported a +10bps improvement in its Net Interest Margin (NIM) to 1.96% over the period, underpinned by increasing customer deposits, lower funding costs, reflective of current liquidity conditions, and favourable deposit interest rates.

NIM trend



Continued growth in lending assets with high credit quality

MyState was well positioned heading into the COVID-19 pandemic, given the quality of the underlying loan book and did not see a dramatic shift in its portfolio or underlying credit quality. At 30 June 2021, approximately 35 customers remain on some form of COVID-19 assistance, representing just 0.2% of the total home loan portfolio. As a result, the forward-looking credit loss overlay has reduced from \$2.5 million at 30 June 2020 to \$1.5 million. The total credit loss provision balance at 30 June 2021 was \$5.4 million (equivalent to 28bps of credit risk weighted assets).

Efficiency gains underpinned by technology investments

MyState continues to see benefits in lower operating costs, with a significant reduction of 153bps in the cost to income ratio (excluding restructure costs) for the full year, as operating expenses continue to be actively managed. With a significant number of customers transacting digitally, MyState is able to meet customer needs in a more efficient way.

As reported in the 1H21 result, the restructure of the TPT Wealth business and closure of MyState Bank branches led to a \$2.6 million restructure charge. Six branches were closed in the financial year, with the remaining seven branches located in Tasmania supporting the long-standing local customer base. The savings from these initiatives are being re-invested in the business, primarily in marketing and distribution to accelerate loan book and retail deposit growth.

With the market for personal loans having changed dramatically in recent years with the growth in the number of mono line personal loan providers combined with a consumer preference shift to buy-now-pay-later products, MyState ceased originating personal loans at the end of May. Customer needs for personal loans are now satisfied by a referral arrangement in a similar manner to that of general and health insurance. Efficiency savings generated here will be re-invested in accelerating home loan and retail deposit growth.

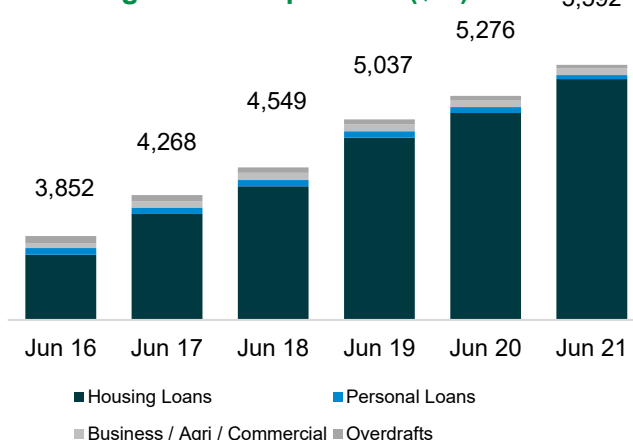
Loan growth ahead of system and excellent momentum in deposit growth

Home loan growth was 6.8% for the 12 months to 30 June 2021, equivalent to 1.3 times system growth. Home loan applications (up 13.3%) and settlements (up 20.9%) ensured continued solid lending growth, despite an increasing competitive lending environment. MyState Bank is further investing in distribution capacity and is expecting further growth in FY22.

MyState has also seen customer deposit growth of 13.2% in the 12 months to June 2021, with the award-winning MyState Bank Bonus Saver Account attracting significant growth – up 319% in the year – driven by an active digital acquisition program.

As a result of excellent growth in customer deposits, the customer deposit funding ratio increased to 73.4% at 30 June 2021, up from 69.1%.

Lending book composition (\$m)



Customer growth and NPS score

MyState continues to record a high customer net promoter score (NPS), with our internally measured NPS at +47 at the end of June. This result is beginning to drive the strongest period of organic customer growth experienced for the group to date.

Managing Director and Chief Executive Officer, Melos Sulicich said, "I am incredibly excited to see the high NPS scores resulting in our customer growth rate already accelerating, with our investments in new marketing initiatives further supporting this growth. Upgrades in digital infrastructure are now starting to pay off, with many customers enjoying having the option of digital, face-to-face, phone or mobile banking. Our customers can always also talk to an Australian based operator when they need to."

TPT Wealth income impacted by lower management income

Funds under management grew 3.4% for the year to \$1.105 billion as at 30 June 2021, driven largely by a suite of well performing income funds. Operating income was down 12.9% on FY20, a result of lower management fee income, due to both lower average FUM levels and fee rebates. Mortgage lending fees were down \$0.20 million on lighter TPT lending volumes, and Trustee services income was down \$0.92 million due to lower capital and income commissions.

On 30 August we will welcome Alan Logan to MyState as General Manager, Wealth. Alan is an experienced wealth management executive with deep experience in distribution. Alan will be responsible for driving TPT Wealth's growth and continuing to scale the business with the support of our dedicated team.

Management and outlook

Commenting on the outlook, Mr Sulicich said, “Notwithstanding the frequent outbreaks of the corona virus, the Australian economy is in very good condition, underpinned by comparatively high levels of business and consumer confidence. However, with ongoing lock downs there is some uncertainty, and this will continue to impact the pace and shape of recovery over the coming year.

“The banking sector has been in a lower growth, lower rate environment for a period of time now and is experiencing a significant increase in regulation as well as seeing the introduction of the consumer data right (open banking).

“The key to succeeding in this environment is ensuring you are a trusted brand, being customer-centric and agile enough to service changing customer needs, being digitally enabled to scale appropriately, having simple products and simple easy processes and having a strong balance sheet to manage it all. MyState has been actively working on all of these aspects for many years and as a consequence is very well positioned for the future.

“We will continue to digitise operations, adding to our AI-enabled capability, and generating momentum to drive further investment in attracting new customers. We will replace our existing internet and mobile banking platform in 2022, which will provide a new state of the art platform for our customers. We see a significant opportunity for us to grow the Bank and funds management businesses in a low-risk manner, but at much faster pace.

“Following our recent capital raise, increasing the number of shares on issue, we expect earnings per share to reduce in the short term, however, the business momentum we have seen in the first half of this calendar year is expected to increase into the second half. We expect the improvement in operating efficiencies to continue, further supporting our growth ambitions”.

Authorised

MyState Limited Board

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.

Investor Relations

Adrian Mulcahy
adrian.mulcahy@marketeye.com.au
+61 438 630 422

Media Relations

Christie Thomas
christie.thomas@mystate.com.au
+61 400 935 275

Appendix

Results summary for year ended	30 June 21	30 June 20	Change
Net interest income (\$m)	112.0	99.5	12.5%
Group total operating income (\$m)	138.5	128.9	7.5%
Net profit before tax	52.1	43.0	21.1%
Net profit after tax (\$m)	36.3	30.1	20.9%
Banking contribution (\$m)	34.9	26.4	32.5%
Wealth contribution (\$m)	1.5	3.7	-59.8%
Net interest margin (%)	1.96	1.86	10bps
Earnings per share (cents)	39.2	32.9	19.2%
Return on average equity (%)	10.3	9.2	116bps
Return on tangible equity (%)	14.1	12.8	133bps
Total dividend per share – fully franked (cents)	25.50	14.25	11.25cps
Dividend payout ratio (%)	69.3	43.0	25.2%

As at the end of the reporting period	30 June 21	30 June 20	Change
Total assets (\$m)	6,542.5	6,095.8	7.3%
Net assets (\$m)	415.2	334.3	24.2%
Funds under management (\$m)	1,105	1,069	3.4%

Note: all amounts shown represent statutory results unless otherwise stated. Percentages may not reconcile due to rounding.