

ASX ANNOUNCEMENT
MyState Limited Annual General Meeting
Grand Chancellor - Launceston
23 October 2012

Address by the Chairman Dr Michael Vertigan AC

It is my pleasure to report to you on the Company's achievements for the 2012 Financial Year.

The year was a challenging one across the Financial Services sector.

The ASX Index started the year at 4660 but by year end had fallen to 4135

In the money market the year started with most commentators expecting the RBA to follow a gradual tightening trend with two cash rate increases. Instead, as the magnitude of the problems in Europe became clear, economic activity in the USA at best showing signs of a modest and slow recovery, and with a slowdown in the rate of growth in China, the RBA adopted an easing strategy.

This resulted in rate cuts of 25bp in both October and November 2011, 50bp in May 2012 followed by a further 25bp in June.

The overall reduction of 125bp compared to an expectation of an increase of 50bp at the beginning of the year.

MyState passed 92bp of those reductions onto our borrowing customers but, as the market for Retail Deposits remained extremely competitive, there was continuing pressure on our margins.

Against this background I am pleased to report an underlying profit of \$25.87m.

This profit enabled us to increase the dividend to shareholders to 28 cents per share, up from 27 cents per share in 2011.

The Managing Director will expand on our financial results a little later.

In terms of individual business performance, MyState Financial had a sound year despite the pressure on interest margins and while The Rock did not perform as well as anticipated in the seven months following the merger, it is poised to deliver a stronger outcome going forward.

Tasmanian Perpetual Trustees performance was stable and in line with the broader industry performance. The business continues to develop and integrate its offerings across Wealth Management, Trustee and Estate services, however Funds Under Management remain steady and have not recovered from the impact of the GFC.

THE ROCK ACQUISITION

The year under review saw us enter the national market place with the acquisition of The Rock Building Society which is based in the growth area of Central Queensland.

This was the first step in our strategy to expand nationally to give greater geographic diversity for both our lending and deposit taking activities.

As part of this transaction, the Board identified a number of synergies which will flow over the next two years. These synergies relate to both cost and revenue initiatives as well as the opportunity to leverage from a modern core banking platform currently in operation at The Rock.

We are on track to deliver these synergies which include provision for a brand refresh and an upgrade to branches at The Rock. Our core banking system project at MyState is underway with a target conversion date in August 2013. That project itself will provide opportunities for further operating efficiencies.

We will continue to look at opportunities for growth in both the ADI and Wealth Management sectors but our primary focus for now is firmly centred on a successful implementation of The Rock acquisition.

STRATEGIC OBJECTIVES

In addition to growing our National footprint we remain committed to our core strategic objectives;

- building on our loyal and diverse customer base;
- enhancing our customer base by providing a high level of service and offering a broad range of competitive products;
- continuing to build a diversified funding base;
- enhancing our commitment to the community; and,
- providing a good work environment and development opportunities for our staff.

The Managing Director will provide more information regarding our customer research and staff engagement to you shortly.

During the year we launched new business and rural banking capabilities as part of expanding the scope of our product offerings. All of our financial planning activities were consolidated and rebranded and centred within our wealth management function.

These initiatives are a consequence of our commitment to provide a full range of financial services.

OUR COMMITMENT TO THE COMMUNITY

Since its inception just over a decade ago, the MyState Financial Community Foundation Limited has provided over \$1million to more than 80 not for profit organisations. Our goal is to educate, nurture, support and advance the interests of Tasmania's young people.

In 2012 the Foundation provided more than \$100,000 in grants to charity and community groups including the Springboard to Higher Education programme which assists young people to continue their education through Years 11 and 12 and on to University.

Similarly in Central Queensland The Rock supports a broad range of community activities including health, sporting, agricultural and education initiatives.

The MyState Student Film Festival will, in November, celebrate 10 years of providing young Tasmanians with an opportunity for hands on experience at all aspects of film production.

In February we are looking forward to again sponsoring the MyState Australian Wooden Boat Festival, an event of national and international significance, which looks set to build on the success of the Festival in 2012.

GOVERNANCE

Your Board remains committed to the high standards of Governance which are expected of a Public Company. Our policies are all available on the Company's website.

We have recently concluded a Review of Board Performance with the assistance of an Independent Expert.

GOING FORWARD

The world economy continues to face many challenges and we are not immune from these at a National or State level.

We expect that this year will be one of subdued growth in housing starts and mortgage activity. The Company will continue to position itself to meet the challenges ahead and an important part of that strategy will be to continue to focus on the efficiency of our operations.

At the end of last year our cost/income ratio (the standard industry measure of operating efficiency) stood at 70 % which compares with around 60% for our Regional Banking competitors. As a consequence of this disparity, our management team has conducted a review of the cost base of the Company which has identified potential cost savings of

\$4.5million on an annualised basis. Initiatives to deliver these operating savings are being implemented and they will start to accrue during this financial year.

A part of those initiatives will see us close two branches in Southern Tasmania and one in Rockhampton. Closing branches is not something we do lightly and these decisions have been very difficult as we endeavour to match the reality of changes in customer trends with the fact that not all customers change at the same pace. The way banking activity takes place is changing rapidly and we are committed to continue to invest in mobile and internet banking capabilities. The Managing Director will provide more detail in his report.

The year ahead will be another challenging one however we believe that we have the brands, the products and management skills to succeed.

I would like to conclude by acknowledging the continued commitment and contribution of my fellow directors to the affairs of the Company and to thank them for that.

I also express my appreciation to the management and staff of the Company who, under the leadership of the Managing Director, John Gilbert, have continued to respond effectively to both challenges and opportunities.

Thank you.