

ASX ANNOUNCEMENT

MyState Limited Annual General Meeting
RACV/RACT Hobart Apartment Hotel
16 October 2014

Address by the Chairman Mr Miles Hampton

Good morning, ladies and gentlemen, and welcome to this the sixth Annual General Meeting of MyState Limited.

This is my first Annual General Meeting as Chairman, and I would like to say at the outset that I am delighted to have the opportunity to lead the Company's Board and I am excited about our prospects.

I would like to commence by paying tribute to my predecessor as Chairman, Dr. Michael Vertigan. Mike was appointed Chairman of Tasmanian Perpetual Trustees in 2004 and became the inaugural Chairman of MyState Limited following the merger with MyState Financial. He provided outstanding leadership during a period of considerable change, for which I thank him on behalf of all shareholders.

Now to the Company's results for the year to 30 June 2014.

MyState Limited's net profit after tax was \$29.6 million, a 3.9% increase over the previous year. Earnings per share grew by 3.8% to 33.91 cents.

We were pleased to be able to increase the final dividend by half a cent to 14.5 cents per share fully franked bringing total dividends for the year to 28.5 cents fully franked.

But the growth in earnings per share was below our expectations and as such the result was disappointing.

It must be acknowledged that economic conditions in our principal markets were challenging, with Tasmania recovering slowly from recession, while Central Queensland experienced mixed conditions as the receding resources boom led to lower business confidence and investment.

But on several fronts we did not deliver.

In our banking business in Queensland we continued to underperform and the strategies we had put in place did not deliver earnings growth, whilst in Tasmania, with a slowing market, we didn't act sufficiently early to address the decline in earnings momentum.

As a result, our banking business' earnings contribution was lower and our position in the markets in which we operate declined in 2013/14.

Yes it is true that there was fierce competition from the major banks, but one of the attributes of a small player should be the ability to respond in a nimble manner and unfortunately we did not.

And whilst the trading result from our wealth management business improved, the absence of material growth in FUM, and high liquidity levels of our managed funds, point to the need to build momentum in that business as well.

The bottom line is that we are not satisfied with our trading result and we are committed to take such actions as are necessary to build earnings momentum and grow earnings per share whilst maintaining a strong balance sheet.

There were positives, however, last year.

Whilst the group's overall loan portfolio rose a modest 0.4% during the year with the portfolio declining in the first half, loan originations increased strongly in the second half, suggesting that momentum is being recaptured.

Further, the decline in net interest margin that has been consistent over the past five years was halted and net interest margin increased marginally to 2.43% however, competition remains strong and margins will remain under pressure.

Pleasingly, the group's cost-to-income ratio fell to 64.5% from 65.7% in the previous year.

We also maintained a strong capital position with the group's capital adequacy ratio of 13.8% and Tier 1 capital at 13.5% both comfortably above regulatory requirements.

Finally, the successful implementation of MyState Financial's new core banking system in November last year will reduce expenditure on technology support and provides a platform from which we can launch new products and services to customers.

It may be felt that my earlier critical assessment of our trading result and positioning was a bit strong given the positives I have just listed.

But if we are to survive and prosper as a strong, independent, banking and wealth management business we must grow our trading results at a faster rate than our competitors, whilst at the same time delivering on the business improvement initiatives that I have noted.

I would now like to focus on the future plans for the company.

On a national basis nearly 50% of loan origination is now conducted through mortgage brokers and we are working to strengthen the product and service proposition of our banking business to brokers and aggregators.

In our retail banking business, we acknowledge we have lost some market share and focus. We plan initiatives to recapture the share we have lost and to reaffirm the customer-focused DNA that is part of our mutual heritage.

We also recognise that our technology offering to customers must be contemporary in a fast moving world where most transactions are initiated outside branches, and we have plans to improve this significantly.

Earlier this month, MyState Financial took the important step of gaining a banking licence and is now MyState Bank.

From now on, MyState Bank's positioning in the eyes of our customers will be clearer, and they will expect us to provide products and services that are competitive with those offered by the major banks. As a small player, this will be challenging, but I am confident we are up to the task.

We are in the process of undertaking a comprehensive review of our wealth management business with a view to identifying opportunities to deliver further gains in profitability from that business.

Further, whether it be in banking or wealth management, we will actively explore opportunities to grow through acquisition, but will only do so where the case is compelling.

We will also give serious consideration to broadening the scope of our financial services business should opportunities arise.

Let me turn now to talk briefly about the Financial System Inquiry being chaired by David Murray.

A logical question at this time is do we anticipate that the outcome of the Murray Inquiry will impact the company.

Obviously it may and because of the scope of the Inquiry it could impact both our banking and our wealth management businesses.

The interim Report is wide-ranging, but one of its central themes is around the role of regulation in encouraging effective competition.

If the final Report continues to focus on this aspect it may well be that the recommendations from the Inquiry work in favour of smaller financial institutions such as ours.

We will continue to take a close interest in the work of the Inquiry to ensure that we are able to respond on a timely basis to both potential negative impacts but also opportunities.

Now I want to acknowledge MyState Limited's inaugural Managing Director.

John Gilbert retired as Managing Director on 31 March, and I would like to thank him for his leadership of the Company during the four years following the merger of Tasmanian Perpetual Trustees and MyState Financial in December 2009.

It is not an easy task merging two businesses and John did an excellent job in bringing the businesses together and laid a strong foundation for the future.

At the beginning of July, Melos Sulicich joined MyState Limited as Managing Director and Chief Executive Officer and I welcome him to his first Annual General Meeting. Melos was previously CEO of RAMS Financial Group and General Manager, mortgage distribution with Westpac.

Melos impressed the board with his substantial banking, wealth management, mortgage broking and franchising experience where he has demonstrated the leadership skills of building a business. But it was also his broad knowledge of a number of other industries which we consider is highly relevant in the context of a financial services industry undergoing tremendous change.

We have given him a strong mandate to recapture lost market share and presence, and to grow our businesses.

Your Board is optimistic and excited about the opportunities that the future will offer MyState Limited.

Thank you for your support and interest in the company.

About MyState Limited

MyState Limited is an ASX-listed diversified financial services group consisting of MyState Bank (MyState); Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company; and The Rock Building Society (The Rock). MyState Limited, MyState and The Rock are regulated by the Australian Prudential Regulatory Authority. MyState, The Rock and TPT hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.