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ASX ANNOUNCEMENT

MyState Limited Annual General Meeting
Hadleys Orient Hotel, 34 Murray Street, Hobart

19 October 2017

Address by the Chairman Mr. Miles Hampton

Ladies and gentlemen, I am pleased to present my 2017 Chairman's Address.

Our Managing Director Melos Sulicich will go into considerable detail about our operational performance but it is pleasing to report that statutory profit increased from $28.3 million to $30.1 million.

The need to increase capital to fund both loan book growth and technology investments caused earnings per share to decline from 35.5 cents to 34.0 cents.

However loan book growth is essential to remain competitive and we are confident that our technology investments will deliver significant productivity benefits over time.

Our loan book grew 10.8% or 1.6 times national system in FY17 and the loan book has grown nearly 50% over the past three years.

The increased scale of the business brings both opportunity and risk.

We are yet to deliver on the opportunity to reduce the cost of doing business as we have invested significantly in new technology.

However we are confident that efficiency in the business will improve as we realise the productivity gains that underpinned the investment decisions. We are confident that our principal measure of efficiency – our cost to income ratio, will fall as the business grows and the technology changes we have made take more effect.

As regards risk however, it is particularly pleasing to note that despite the growth in the size of our loan book, and the increased lending on mainland Australia, our bad debt expense and provisioning remains very low.

We have a high-quality home loan book with over 75% of loans to owner-occupiers and almost 75% represent a loan-to-valuation ratio of less than 80% at origination.

MyState continues to have a net impairment charge and 30 and 90 day arrears that are well below industry peers.

Capital Position

The group continues to maintain a strong balance sheet. The capital ratio increased from 13.04% at the end of June 2016 to 13.30% at the end of June 2017.

Utilising both RMBS and subordinated debt issuances, together with growth in deposits of over 10% and the raising of $8.7m under the dividend re-investment plan, the year-end capital position is very sound.

MyState is well positioned to meet APRA's unquestionably strong CET1 ratio requirements by 1 January 2020.

Competitive Positioning

Some of the regional banks have recently made a submission to the Productivity Commission's Competition Inquiry.

The submission argues that if the community want competition in the banking sector, the government and the regulators must take positive action to level the playing field.

The submission proposes that the bank levy is a step in the right direction, in part at least addressing the cost of funds advantage enjoyed by the big four banks given the implicit government guarantee of being too big to fail.

But the paper argues and we agree, that more is needed.

The dual system of estimating risk weighted assets whereby the major banks use an APRA accredited approach called "internal ratings based", place them at a considerable advantage over the other banks that use an APRA prescribed "standardised" approach. The gap between the approaches must be reduced, particularly in respect of lowest risk loans.

The paper also argues that the recent policy decision to impose a limit of 10% on the annual rate of growth in investor loans and 30% limit on interest only loans, has in effect "locked-in" market share status quo and proposed that macro-prudential rules should better balance macro outcomes and banking competition.

The paper made other recommendations in respect of the transparency of broker ownership and loan direction, and that before any new regulations are introduced, greater consideration should be given to the impact on smaller banks.

MyState fully endorse the recommendations as a way of ensuring a more level playing field that will deliver enhanced competition to the benefit of our customers and the whole Australian community.

Dividends and DRP

The Board determined that there would be no increase in dividends in 2017, reflecting the need to fund significant investments in technology and build the balance sheet to support growth in the loan book.

Further we acknowledge that dividends have not increased for an extended period as we have deliberately sought to bring the payout ratio more in line with our peers.

Directors

The Board has an agreed succession plan aimed at ensuring that we refresh on a regular basis.

In May 2017 Sarah Merridew retired and Colin Hollingsworth will retire at the conclusion of the Annual General Meeting.

Both Sarah & Colin had both been long serving directors including significant service on the boards of the antecedent corporations. We acknowledge their valuable contribution.

Brian Bissaker who had joined the board in May 2016 resigned from the Board in May 2017 to take up a senior executive role.

In December 2016 we welcomed Sibylle Krieger to the Board and we look forward to welcoming Andrea Waters and Warren Lee as directors who will join the board at the conclusion of today's Annual General Meeting.

Concluding Remarks

MyState has only just begun its transformation journey. Solid foundations have been laid and in several areas there is significant progress. However the journey was never going to be completed in a short time period.

But I am confident that our intent to be a truly customer focussed business will be realised and with it we will deliver increased value to our shareholders.

To all of the team at MyState, thank you for your willingness to embrace change.

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About MyState Limited

MyState Limited is the ASX-listed non-operating holding company of the diversified financial services group consisting of MyState Bank (including The Rock – A division of MyState Bank) and Tasmanian Perpetual Trustees, a trustee and wealth management company. MyState Bank is regulated by the Australian Prudential Regulatory Authority. MyState Bank and Tasmanian Perpetual Trustees hold Australian Financial Services Licences issued by the Australian Securities and Investments Commission.