



## MyState 2021 AGM Report

ASX Code	MYS
Meeting Time/Date	10:30am, Wednesday 20 October 2021
Type of Meeting	Virtual using the Lumi platform
Monitor	Ian Day assisted by John Whittington
Pre AGM Meeting?	Yes, with Chair Miles Hampton

## Strong Performance a Swan Song for CEO and Chair

### What the Company Does

MyState is the parent company of a Tasmanian regional bank (MyState Bank, which originates from the merger of various Tasmanian building societies), a building society in central Queensland (The Rock, although this has now been rebranded to Mystate), and a trustee and wealth management company (TPT Wealth). In recent years MyState have been growing their presence in mainland Australia as a purely digital bank.

### Developments in the Financial Year

The company had a strong year, increasing net profit after tax (NPAT) by 21% to \$36.3m, earnings per share (EPS) by 19% to 39.2 cents, and deposits by 13% to \$4.5bn. They attribute much of this to their digital and automation initiatives and their increased presence on the mainland.

## FY21 Key highlights

Financial performance	Strategic initiatives delivered
<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>+20.9%</b></p> <p>Net profit after tax</p> </div> <div style="text-align: center;"> <p><b>+19.2%</b></p> <p>Earnings per share</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <p><b>-153bps</b></p> <p>Cost to income<sup>1</sup></p> </div> <div style="text-align: center;"> <p><b>+10bps</b></p> <p>Net interest margin</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <p><b>+133bps</b></p> <p>Return on tangible equity</p> </div> <div style="text-align: center;"> <p><b>+13.2%</b></p> <p>Customer deposits</p> </div> </div> <p style="font-size: 8px; margin-top: 5px;">Note: All figures compare FY21 to FY20 as the previous corresponding period (pcp) unless otherwise indicated. All amounts shown represent statutory results exclusive of discontinued operations unless otherwise stated.</p> <p style="font-size: 8px; margin-top: 5px;"><sup>1</sup> Excludes restructure costs</p>	<div style="margin-bottom: 10px;"> <p><b>Grow</b></p> <ul style="list-style-type: none"> <li>✓ Customer deposit growth of 13.2%</li> <li>✓ Bank balance sheet growth of 6%, including 5% HL growth in Tasmania</li> <li>✓ Wealth distribution capability and capacity enhanced</li> <li>✓ \$55.5m capital raised to support growth</li> </ul> </div> <div style="margin-bottom: 10px; background-color: #f0f0f0; padding: 5px;"> <p><b>Increase digital capability + automation</b></p> <ul style="list-style-type: none"> <li>✓ AI enabled home loan retention tool live</li> <li>✓ Best in class AI insights in MyState Bank app generating over 1.5m insights per month</li> <li>✓ Multiple improvements to internet and mobile banking platform</li> <li>✓ New Wealth Trustee Services platform</li> </ul> </div> <div style="margin-bottom: 10px; background-color: #f0f0f0; padding: 5px;"> <p><b>Build our brand + capability</b></p> <ul style="list-style-type: none"> <li>✓ Significant expansion of marketing activities into Melbourne and Tasmania</li> <li>✓ MyState Bank Arena naming rights and sponsorship of Football Tasmania</li> <li>✓ Significant investment in learning and development experiences</li> </ul> </div> <div style="background-color: #f0f0f0; padding: 5px;"> <p><b>Attract + deepen relationships</b></p> <ul style="list-style-type: none"> <li>✓ 17,000 customers have joined across the past 12 months</li> <li>✓ Customer NPS +47; Customer funding ratio 73.4%</li> <li>✓ COVID assistance to customers</li> </ul> </div>

These results together with our recent capital raising have put us in a position to rapidly execute our 2025 strategy.

Source: MyState 2021 CEO AGM Presentation

MyState also claim to have a 2021 return on equity (RoE) of 10.3% which is higher than two unnamed regional competitors and greater than two of the big four banks.

It has been announced that the CEO Melos Sulicich will depart the company at the end of 2021 and will be replaced by Brett Morgan who has considerable experience in digital banking, much with ING in both Australia and overseas.

### **Summary of Historical ASA Issues with the Company**

In 2020 we had concerns about inadequate disclosure of short-term incentive (STI) metrics, STIs paid entirely in cash, and that there was no table of actual remuneration in the remuneration report. We supported the remuneration report but indicated that significant improvement would be required before we could support it again. However a combination of Covid and it being the first year monitoring Mystate meant we didn't have a great opportunity to engage with the company and provide this feedback.

### **Debate and Voting at the AGM**

Before the AGM the company released an announcement to the ASX that the current Chair, Miles Hampton, will retire on 31 March 2022 and be replaced by existing non-executive director Vaughn Richtor who has extensive banking experience, having previously worked at ING in the UK, Ireland, Asia, and Australia. So that means the CEO and Chair will change in the space of three months.

The meeting itself was a much better experience than last year with good handling of questions by the Chair and all directors standing for election speaking to the meeting. The three directors standing spoke well and were comfortably elected with over 99.6% in favour of directors Stephen Davy and Warren Lee and over 96% in favour of long-standing director Robert Gordon.

The meeting also provided the opportunity for spoken questions from the ASA and shareholders using Lumi's new "Virtual Microphone" capability which allows you to ask live questions by speaking into your own computer or smartphone microphone. This worked well and all ASA questions were asked in this way.


The ASA asked for details of when the current audit company was first appointed (the current company has been auditor of MyState since 2009 but was also auditor of the precursor companies for some time before that), when the last competitive audit tender was held (first year listed, ie 2009), and when the lead audit partner was last rotated (2.5 years ago and will change in 2.5 years' time). We also asked why the company did not offer "overs" in the recent capital raising (given there are 50,000 shareholders with less than 500 shares who haven't changed their shareholding in a long time, the board didn't think it would have much effect).

The remuneration report and issue of shares to the MD/CEO were well supported with both achieving over 96% support. The ASA asked the company to include a table of remuneration and to improve disclosure of metrics and weighting used in determining short-term incentive awards in future reports to which the Chair made a commitment that the board would consider these requests.

Only one other question was asked and was whether MyState was considering filling the gap caused by the big four banks withdrawing branches from regional Tasmania. The Chair indicated that more than 80% of people want to do their banking online and whilst the bank had no plans to reduce the number of branches in Tasmania, it had no plans to increase the number either.

### Outlook Statements from the Company

At the AGM, the CEO provided an update on first quarter figures for the new financial year with continued growth – 18,000 new customers, customer deposits up 22% on an annualised basis, and the home loan book up 19%. No outlook statements were made.



**Strategy being rapidly implemented**

- Focused on rapid execution and growth
- Trusted and respected challenger brand with leading customer advocacy
- Increasing digital and AI capabilities remain a focus for future investment
- Customer deposit funding ratio +13.2% on same time last year to 74.5%
- Named in the 2021 AFR Boss list as one of the 10 most innovative companies in banking, super and financial services

FINANCIAL REVIEW BOSS

**MOST INNOVATIVE COMPANIES**

• Across the last 12 months  
**+18,000 new customers**

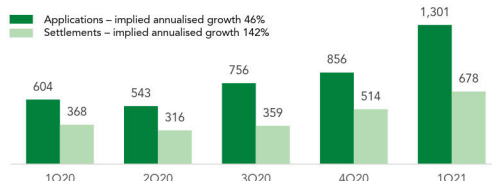
**Q1 update**

**FY22 financial performance to date<sup>1</sup>**

Balance sheet	Sep 21	Jun 21	Change	Implied annualised growth
Home loan book	\$5.70b	\$5.45b	+4.7% ▲	+18.9%
Customer deposits	\$4.71b	\$4.46b	+5.6% ▲	+22.3%
Funds under management	\$1.11b	\$1.11b	+0.2% ▲	+0.8%
CET1 ratio	12.0%	13.1%	-109ps ▼	
Total capital ratio	13.3%	14.8%	-151bps ▼	

1. Unaudited management results. Financial performance figures compare 30 June 2021 to 30 September 2021. Percentage changes may not calculate due to rounding.

**Home loan book - applications and settlements (\$m)**



Quarter	Applications	Settlements
1Q20	604	368
2Q20	543	316
3Q20	756	359
4Q20	856	514
1Q21	1,301	678

**MyState – a great growth business**

Source: MyState 2021 CEO AGM Presentation

### Meeting Statistics

Number of Holdings Represented by ASA	52
Number of Shares represented by ASA	1,184,467 (equivalent to 5th largest holder in Top 20 list)
Value of Shares represented by ASA	\$6.1 m
Number Attending Meeting	Unknown
Market capitalisation	\$541m
Were proxies voted?	Yes, on a poll