

Incorporating the requirements of Australian Prudential Standard 330

Quarter ended
December 2022



Executive Summary

This document has been prepared by MyState Limited ('MyState') to meet the disclosure obligations set down under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure of Prudential Information. This document should be read in conjunction with MyState Group's interim financial report.

MyState is a Tasmanian-based ASX listed diversified financial services company which operates two subsidiaries; MyState Bank and TPT Wealth – each are long established and highly respected brands.

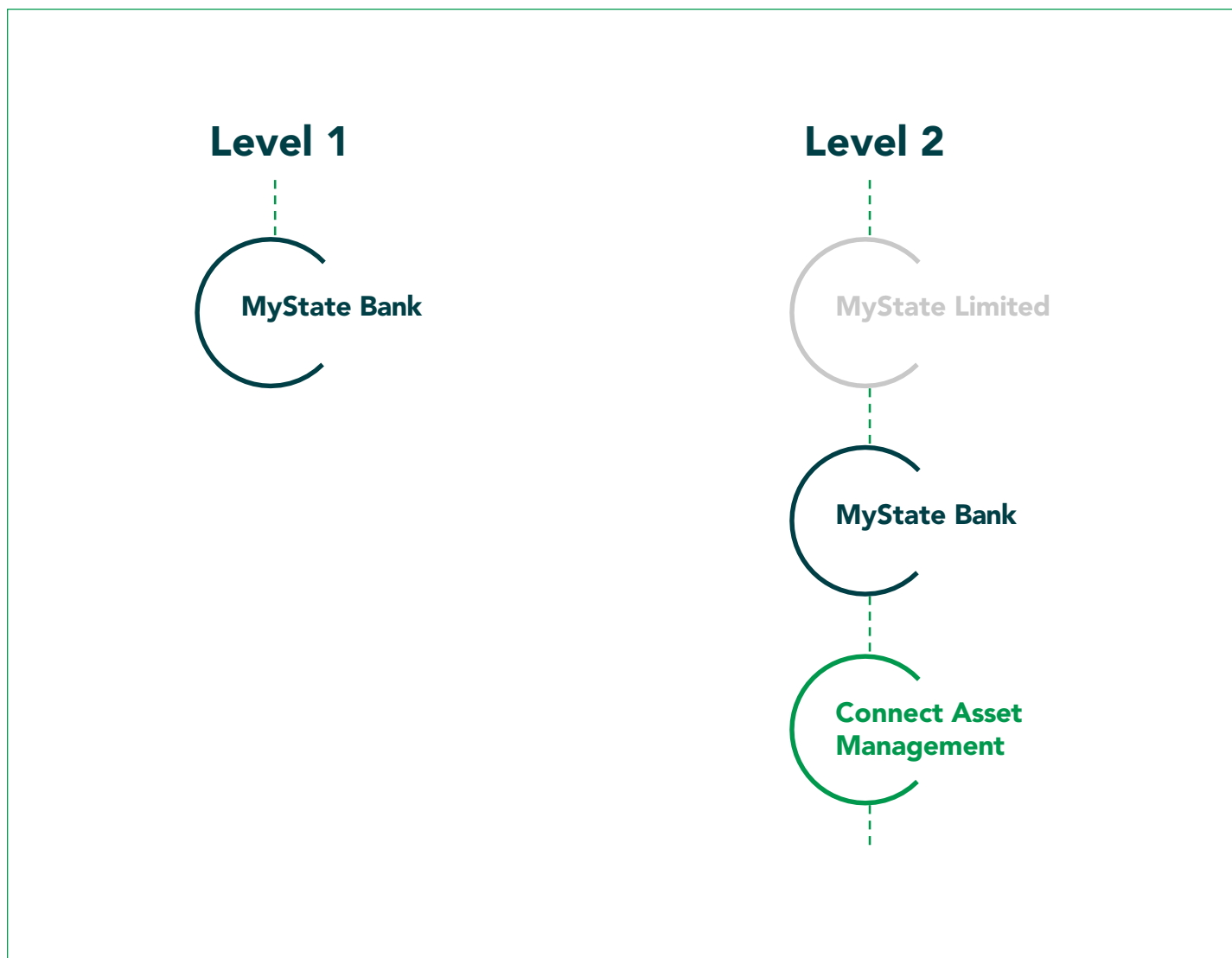
MyState seeks to ensure that it is adequately capitalised at all times, both on a stand-alone (ADI) basis and group basis. APRA monitors MyState's capital adequacy by assessing the financial strength on two levels:

Level 1, MyState Bank reports on a level 1 basis.

Level 2, the wider MyState Limited prudential group which comprises MyState Limited (NOHC), MyState Bank (ADI), and Connect Asset Management (Securitisation program manager).

MyState Limited Group Structure

The following diagram shows the Level 1 and Level 2 conglomerate group and illustrates the different tiers of regulatory consolidation.



Accounting Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries, including all special purpose vehicles as well as TPT Wealth. Furthermore, MyState's investment in TPT Wealth is deducted from the level 2 regulatory consolidation.

Unconsolidated Entities

The following tables reflect legal entities that are included in the accounting scope of consolidation but are excluded from the regulatory scope of consolidation:

Securitisation Special Purpose Vehicles as at 31 December 2022

	Total Assets (\$m)	Total Liabilities (\$m)
Conquest 2014- 2 Trust	32.0	32.0
Conquest 2016- 1 Trust	415.5	413.1
Conquest 2016- 2 Trust	57.2	57.0
Conquest 2017- 1 Trust	76.6	76.3
Conquest 2018- 1 Trust	99.3	98.5
Conquest 2019- 1 PP Trust	159.6	158.5
Conquest 2019- 2 Trust	142.8	141.3
Conquest 2022- 1 Trust	401.5	399.3

Principal Activity

The trusts were established for the purpose of regulatory capital relief, via the issue of residential mortgage backed securities.

Wealth Management and Trustee Services as at 31 December 2022

	Total Assets (\$m)	Total Liabilities (\$m)
TPT Wealth Limited	26.1	2.1

Principal Activity

The Company acts as a Trustee Company in the State of Tasmania, with its activities encompassing those of trustee, executor, agent and fund manager.

Regulatory Capital Reconciliation

The following table discloses the consolidated balance sheet of MyState Limited and its subsidiaries, as published in its financial statements, and the Balance Sheet under the Level 2 regulatory scope of consolidation pursuant to APS 111. The reference letters included in this table enable the reconciliation to the Common Disclosures - components of capital table.

Regulatory capital reconciliation as at 31 December 2022

	Balance Sheet per published Audited Financial Statements (\$m)	Adjustments ¹ (\$m)	Balance Sheet Under Regulatory Scope of Consolidation (\$m)	Reference
Assets				
Cash and Liquid Assets	356.6	(250.5)	106.1	
Financial instruments	961.6	(32.8)	928.8	
<i>of which: Derivatives</i>	8.1	(8.1)	-	
<i>of which: Equity investments in financial institutions</i>		0.2	0.2	(f)
Due from other financial institutions	31.1	49.6	80.7	
Loans and Advances	7,682.3	(1,218.8)	6,463.5	
<i>of which: Provision for doubtful debts</i>	6.0	-	6.0	
<i>of which: Capitalised loan and lease origination fees and commissions</i>	-	40.7	40.7	(g)
Other Assets	21.2	79.3	100.5	
<i>of which: Current and deferred tax assets</i>	7.8	(0.4)	7.4	(e)
<i>of which: Securitisation accrued income and liquidity reserves</i>	-	1.5	1.5	(i)
Property Plant & Equipment	9.0	(1.2)	7.8	
Intangible Assets and Goodwill	78.4	(15.4)	63.0	
<i>of which: Goodwill</i>	65.2	(15.4)	49.8	(d)
<i>of which: Information technology software costs</i>	13.2	-	13.2	(g)
Other Investments	-	36.9	36.9	
<i>of which: Investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	-	36.7	36.7	(h)
Total Assets	9,140.2	(1,352.9)	7,787.3	

1. The Adjustment column reflects entities that are treated as non-consolidated entities and are excluded from the Level 2 Regulatory Consolidated Banking Group.

Regulatory Capital Reconciliation (Cont)

	Balance Sheet per published Audited Financial Statements (\$m)	Adjustments ¹ (\$m)	Balance Sheet Under Regulatory Scope of Consolidation (\$m)	Reference
Liabilities				
Other liabilities	19.3	229.0	248.3	
Due to other financial institutions	40.6	(23.3)	17.3	
Tax liabilities	7.3	(2.3)	5.0	
<i>of which: Deferred Tax Liabilities</i>	7.3	(2.4)	4.9	(e)
Provisions	5.3	(0.8)	4.5	
Deposits and Other Borrowings	8,618.5	(1,558.8)	7,059.7	
<i>of which: Capitalised costs associated with establishing securitisation vehicles</i>	2.0	-	2.0	(g)
Total Liabilities	8,691.0	(1,356.2)	7,334.8	
Equity				
Share Capital	223.2	-	223.2	(a)
Reserves	8.4	(4.7)	3.7	(c)
<i>of which: unrealised gains/(losses) on AFS Items</i>	(1.0)	-	(1.0)	
<i>of which: Gains/(losses) on effective cash flow hedges</i>	5.7	(0.9)	4.8	(k)
<i>of which: Reserves for equity-settled share-based payments</i>	1.3	-	1.3	
<i>of which: General Reserve for Credit losses</i>	2.4	-	2.4	(j)
Retained Profits	217.6	8.0	225.6	(b)
Total Equity	449.2	3.3	452.5	

1. The Adjustment column reflects entities that are treated as non-consolidated entities and are excluded from the Level 2 Regulatory Consolidated Banking Group.

Capital Adequacy

Capital Adequacy as at 31 December 2022

Reference	Item Description	Value (\$m)
(a)	Capital Requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio:	
	Claims secured by residential mortgage	2,347.8
	Other retail	20.8
	All other	238.0
	Capital Requirements (in terms of Risk Weighted Assets) for securitisation	3.3
	Capital Requirements (in terms of Risk Weighted Assets) for counterparty credit risk	5.7
(b)	Capital Requirements (in terms of risk weighted assets) for equity exposures in the IRB approach	N/A
(c)	Capital Requirements (in terms of risk weighted assets) for market risk	N/A
(d)	Capital Requirements (in terms of risk weighted assets) for operational risk	343.6
(e)	Capital Requirements (in terms of risk weighted assets) for interest rate risk in the banking book (IRRBB) (IRB/AMA-approved Australian-owned ADI's only)	N/A
(f)	Common Equity Tier 1, Tier 1 and total Capital Ratio for the consolidated regulatory group:	
	Common Equity Tier 1 for the regulatory group	10.20%
	Tier 1 Capital ratio for the regulatory group	12.37%
	Total Capital Ratio for the regulatory group	14.14%

Credit Risk by Portfolio

Credit Risk as at 31 December 2022

Reference	Item Description	Dec 2022 Quarter (\$m)	Sep 2022 Quarter (\$m)	Average (\$m)
(a) (i)	Total gross credit risk exposures (excluding equity investments and securitisation exposures), plus average gross exposure over the period, broken down by major types of credit exposure:			
	Loans	6,471.9	6,441.5	6,532.3
	Housing	6,405.3	6,368.8	6,462.6
	Commercial	47.0	50.7	48.8
	Personal	19.6	22.0	20.9
	Debt Securities	652.0	630.9	606.8
	Commitments and off-balance sheet exposures¹	217.0	435.5	320.7
	Other	129.0	103.6	112.1
(b) (i)	Amount of impaired facilities, by portfolio:			
	Housing	42.8	38.4	
	Commercial	0.3	0.3	
	Personal	0.6	0.4	
(ii)	Amount of past due facilities, by portfolio:			
	Housing	4.8	3.7	
	Commercial	-	-	
	Personal	0.2	0.2	
(iii)	Specific provisions, by portfolio:			
	Housing	1.6	1.0	
	Commercial	0.1	0.2	
	Personal	0.1	-	
(iv)	Collective Provision Reconciliation²			
	Balance at beginning of period	6.0	5.2	
	Charge against impairment losses	0.5	-	
	Increase/(decrease) in provision	-	0.9	
	Bad debts written off	(0.2)	(0.1)	
	Bad debts recovered	0.2	0.1	
	Transfer to Specific Provision	-	-	
	Transfer from Specific Provision	-	-	
	Balance at end of period	6.5	6.0	
(v)	Specific Provision Reconciliation			
	Balance at beginning of period	1.3	1.5	
	Charged against impairment losses	-	-	
	Increase/(decrease) in provision	0.5	(0.2)	
	Impairment provision written off	-	-	
	Transfer to Collective Provision	-	-	
	Transfer from Collective Provision	-	-	
	Balance at end of period	1.8	1.3	

¹ Off Balance Sheet exposures have been converted into their credit equivalent amount.

² Includes General Reserve for Credit Losses.

Securitisation Exposures

Securitisation Exposures as at 31 December 2022

Reference	Item Description	December 2022 Quarter (\$m)	December 2022 Quarter (\$m)
		Total exposures securitised	Recognised gain or loss on sale
(a)	Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type) and recognised gain or loss on sale by exposure type:		
	Residential Mortgage	294.6	-
		On Balance Sheet	Off Balance Sheet
(b)	Aggregate amount of total securitisation exposures retained or purchased:		
	Liquidity support facilities	-	8.5
	Derivative facilities	-	247.9
	Holdings of securites	1,123.5	1,375.6
	Other	-	-

Please note that the value securitised during the quarter of \$294.6M is the net amount of loans securitised off balance sheet less loans moved to other securitisation vehicles.

Common disclosures Composition of Capital

The Group is applying the Basel III regulatory adjustments in full as implemented by APRA.

The capital disclosures detailed in the Common Disclosure template below represent the post 1 July 2018 Basel III common disclosure requirements.

		31 December 2022 (\$m)	Source in regulatory Capital Reconciliation
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	223.2	(a)
2	Retained earnings	225.6	(b)
3	Accumulated other comprehensive income (and other reserves)	3.7	(c)
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	N/A	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	N/A	
6	Common Equity Tier 1 capital before regulatory adjustments	Subtotal 452.5	
Common Equity Tier 1 capital regulatory adjustments:			
7	Prudential valuation adjustments	N/A	
8	Goodwill (net of related tax liability)	49.8	(d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	N/A	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2.5	(e)
11	Cash-flow hedge reserve	4.8	(k)
12	Shortfall of provisions to expected losses	N/A	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	N/A	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	N/A	
15	Defined benefit superannuation fund net assets	N/A	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	N/A	
17	Reciprocal cross-holdings in common equity	N/A	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	N/A	
20	Mortgage service rights (amount above 10% threshold)	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	N/A	
22	Amount exceeding the 15% threshold	N/A	

Common disclosures Composition of Capital (Cont)

		31 December 2022 (\$m)	Source in regulatory Capital Reconciliation
23	of which: significant investments in the ordinary shares of financial entities	N/A	
24	of which: mortgage servicing rights	N/A	
25	of which: deferred tax assets arising from temporary differences	N/A	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	94.3	
26a	of which: treasury shares	N/A	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	N/A	
26c	of which: deferred fee income	N/A	
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	0.2	(f)
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	N/A	
26f	of which: capitalised expenses	55.9	(g)
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	36.7	(h)
26h	of which: covered bonds in excess of asset cover in pools	N/A	
26i	of which: undercapitalisation of a non-consolidated subsidiary	N/A	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	1.5	(i)
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	N/A	
28	Total regulatory adjustments to Common Equity Tier 1 Subtotal	151.4	
29	Common Equity Tier 1 Capital (CET1) Subtotal	301.1	
Additional Tier 1 Capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments	N/A	
31	of which: classified as equity under applicable accounting standards	N/A	
32	of which: classified as liabilities under applicable accounting standards	N/A	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	N/A	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	N/A	
35	of which: instruments issued by subsidiaries subject to phase out	N/A	
36	Additional Tier 1 Capital before regulatory adjustments Subtotal	N/A	
Additional Tier 1 Capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	N/A	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	N/A	

Common disclosures Composition of Capital (Cont)

		31 December 2022 (\$m)	Source in regulatory Capital Reconciliation
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	N/A	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	N/A	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	N/A	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	N/A	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	N/A	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	N/A	
43	Total Regulatory adjustments to Additional Tier 1 capital	Subtotal	-
44	Additional Tier 1 Capital (AT1)	Subtotal	64.1
45	Tier 1 Capital (T1=CET1+AT1)	Subtotal	365.2
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	N/A	
47	Directly issued capital instruments subject to phase out from Tier 2	N/A	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	49.9	
49	of which: instruments issued by subsidiaries subject to phase out	49.9	
50	Provisions	2.4	(j)
51	Tier 2 Capital before regulatory adjustments	Subtotal	52.3
Tier 2 Capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	N/A	
53	Reciprocal cross-holdings in Tier 2 instruments	N/A	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	N/A	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	N/A	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	N/A	

Common disclosures Composition of Capital (Cont)

		31 December 2022 (\$m)	Source in regulatory Capital Reconciliation
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	N/A	
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	N/A	
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	N/A	
57	Total regulatory adjustments to Tier 2 Capital	Subtotal	-
58	Tier 2 Capital (T2)	Subtotal	52.3
59	Total Capital (TC=T1+T2)	Subtotal	417.5
60	Total risk-weighted assets based on APRA standards	Subtotal	2,953.5
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.20%	
62	Tier 1 (as a percentage of risk-weighted assets)	12.37%	
63	Total Capital (as a percentage of risk-weighted assets)	14.14%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	8.00%	
65	of which: capital conservation buffer requirement	1.00%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0.00%	
67	of which: G-SIB buffer requirement (not applicable)	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.20%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	N/A	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	N/A	
71	National total capital minimum ratio (if different from Basel III minimum) Amount below thresholds for deductions (not risk-weighted)	N/A	
72	Non-significant investments in the capital of other financial entities	N/A	
73	Significant investments in the ordinary shares of financial entities	N/A	
74	Mortgage servicing rights (net of related tax liability)	N/A	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2.4	(j)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	36.9	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	N/A	

Common disclosures Composition of Capital (Cont)

		31 December 2022 (\$m)	Source in regulatory Capital Reconciliation
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	N/A	
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	N/A	
84	Current cap on T2 instruments subject to phase out arrangements	N/A	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	

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