

MyState
LIMITED
ABN 26 133 623 962

Incorporating the
requirements of
Australian Prudential
Standard 330

QUARTER ENDING

DECEMBER
2016

EXECUTIVE SUMMARY

This document has been prepared by MyState Limited 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.

MyState Limited ('MyState') is a Tasmanian-based ASX listed diversified financial services company which operates two subsidiaries; MyState Bank and Tasmanian Perpetual Trustees – 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.

LEVEL 1



LEVEL 2



ACCOUNTING/REGULATORY CONSOLIDATION

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

UNCONSOLIDATED ENTITIES

The following legal entities 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 2016

	Total Assets \$M	Total Liabilities \$M
Conquest 2007-1 Trust ¹	1.8	1.8
Conquest 2010-2 Trust	53.8	53.8
Conquest 2013-1 Trust	91.5	91.5
Conquest 2014-1 Trust	60.2	60.2
Conquest 2014-2 Trust	179.3	179.5
Conquest 2016-1 Trust	214.1	214.3
Conquest 2016-2 Trust	288.1	288.4

¹Total assets and liabilities are those that relate to the MYS group and consolidated for statutory purposes. External interest is excluded.

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 2016

	Total Assets \$M	Total Liabilities \$M
Tasmanian Perpetual Trustees Pty Ltd	28.3	2.0

PRINCIPAL ACTIVITY

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

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 2016

	Group Balance Sheet	Total Adjustments	Level 2 Regulatory Balance Sheet	Reconciliation Reference
	\$'M	\$'M	\$'M	
Assets				
Cash and Liquid Assets	96.7	(26.4)	70.3	
Due from other financial institutions	11.0	(11.0)	-	
Other Assets	7.2	25.3	32.5	
<i>of which: Capitalised expenses - loan origination costs</i>		13.8	13.8	(g)
<i>of which: Deferred tax asset</i>		3.5	3.5	(e)
<i>of which: Securitisation accrued income and liquidity reserves</i>	1.2	-	1.2	(i)
<i>of which: Capitalised expenses - Securitisation Start-up costs</i>	2.9	-	2.9	(g)
Financial Instruments	385.8	1.7	387.5	
<i>of which: Equity investments in financial institutions not reported in Composition of Capital rows 18, 19 and 23</i>	0.2	-	0.2	(f)
Derivates	0.0	-	-	
Loans and Advances	4,142.2	(875.5)	3,266.7	
<i>of which: General Reserve for Credit Losses</i>	-	4.4	4.4	(k)
<i>of which: Capitalised expenses - Loan Origination Costs</i>	13.8	(13.8)	-	
Equity exposures (non-Additional Tier 1 or Tier 2 Capital instruments) and other capital support provided to non consolidated subsidiary	-	40.5	40.5	(h)
Property Plant & Equipment	8.4	(0.7)	7.7	
Deferred Tax	4.0	(4.0)	-	
Intangible Assets and Goodwill	83.4	(19.0)	64.4	
<i>of which: Goodwill</i>	66.0	(16.2)	49.8	(d)
<i>of which: Capitalised expenses - Information Technology</i>	14.6	-	14.6	(g)
Total Assets	4,738.8	(869.3)	3,869.6	
Liabilities				
Due to other financial institutions	24.5	(8.8)	15.7	
Other Liabilities	6.0	15.3	21.3	
Deposits and Other Borrowings	4,397.6	(882.1)	3,515.5	
<i>of which: Tier 2 instruments issued by subsidiaries and held by third parties (amount allowed in tier 2 capital)</i>	35.0	(4.0)	31.0	(j)
<i>of which: Capitalised expenses - Debt issuance costs</i>	0.4	-	0.4	(g)
Derivatives	0.7	(0.7)	-	
Provisions	5.4	(1.2)	4.2	
Current tax liability	3.3	(0.1)	3.2	
<i>of which: Deferred tax liability</i>	2.2	(0.2)	2.0	(e)
Total Liabilities	4,437.4	(877.6)	3,559.9	
Net Assets	301.4	8.3	309.7	
Share Capital	134.8	-	134.8	(a)
Reserves	4.8	(4.0)	0.8	
<i>of which: Reserves for equity-settled share-based payments</i>	0.8	-	0.8	(c)
<i>of which: General Reserve for Credit losses</i>	4.40	(4.4)	-	
Retained Profits	161.8	12.3	174.1	(b)
Total Equity	301.4	8.3	309.7	

CAPITAL ADEQUACY

CAPITAL ADEQUACY AS AT 31 DECEMBER 2016

Reference	Item Description	Value \$M
(a)	Capital Requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio:	
	<i>Claims secured by residential mortgage</i>	1,287.3
	<i>Other retail</i>	78.9
	<i>All other</i>	126.3
	<i>Capital Requirements (in terms of Risk Weighted Assets) for securitisation</i>	0.3
(b)	Capital Requirements (in terms of risk weighted assets) for equity exposures in the IRB approach	N/A
(b)	Capital Requirements (in terms of risk weighted assets) for market risk	N/A
(c)	Capital Requirements (in terms of risk weighted assets) for operational risk	195.0
(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:	
	<i>Common Equity Tier 1 for the regulatory group</i>	10.86%
	<i>Tier 1 Capital Ratio for the regulatory group</i>	10.86%
	<i>Total Capital Ratio for the regulatory group</i>	12.96%

CREDIT RISK BY PORTFOLIO

CREDIT RISK AS AT 31 DECEMBER 2016

Reference	Item Description	December 2016 Quarter \$M	September 2016 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	3,272.1	3,179.9	3,224.4
	Housing	3,139.1	3,015.3	3,084.5
	Commercial	53.6	50.4	51.7
	Personal	79.4	78.2	79.1
	Debt Securities	417.1	378.2	393.6
	Commitments and off-balance sheet exposures¹	143.7	172.8	163.1
	Other	60.3	78.5	79.0
(ii)	Geographical Breakdown - Home Lending (Inclusive of loans held in securitisation special purpose vehicles)			
	TAS	2,048.4	2,038.5	
	VIC	511.3	473.1	
	NSW	595.0	477.5	
	QLD	609.3	611.4	
	WA	91.7	93.8	
	ACT	39.2	37.0	
	NT	3.0	3.6	
	SA	42.8	43.3	
	Total	3,940.7	3,778.2	
(b)	(i)	Amount of impaired facilities, by portfolio:		
	Housing	1.2	2.6	
	Commercial	0.0	0.0	
	Personal	0.5	0.3	
(ii)	Amount of past due facilities, by portfolio:			
	Housing	9.9	7.9	
	Commercial	0.4	0.2	
	Personal	0.8	0.8	
(iii)	Specific provisions, by portfolio:			
	Housing	0.7	0.8	
	Commercial	0.0	0.0	
	Personal	0.0	0.0	
(iv)	Collective Provision Reconciliation			
	Balance at beginning of period	0.6	0.5	
	Charge against impairment losses	(0.2)	0.5	
	Impairment provision written off	(0.2)	(0.2)	
	Transfer to specific provision	0.1	(0.2)	
	Balance at end of period	0.3	0.6	
(v)	Specific Provision Reconciliation			
	Balance at beginning of period	0.8	0.6	
	Charge against impairment losses	(0.1)	0.2	
	Impairment provision written off	0.0	0.0	
	Balance at end of period	0.7	0.8	
(c)	(i)	The general reserve for credit losses		
	Balance at beginning of period	4.4	4.4	
	Balance at end of period	4.4	4.4	

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

SECURITISATION EXPOSURES

SECURITISATION EXPOSURES AS AT 31 DECEMBER 2016

Reference	Item Description	December 2016 Quarter \$M	December 2016 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:		
	<i>Residential Mortgage</i>	135.9	-
	<i>Credit Card and other personal loans</i>	-	-
	<i>Commercial Loans</i>	-	-
	<i>Other</i>	-	-
		On Balance Sheet	Off Balance Sheet
(b)	Aggregate amount of total securitisation exposures retained or purchased:		
	<i>Liquidity support facilities</i>	-	-
	<i>Derivative facilities</i>	-	858.8
	<i>Holdings of securites</i>	402.2	-
	<i>Other</i>	-	-

Please note that the value securitised during the quarter of \$135.8M is the net amount of loans securitised off balance sheet less loans bought back on balance sheet or moved to other securitisation vehicles. The previous version of the December APS330 had originally been published with the value of \$376.6M. This value did not deduct the value of loans that had been bought back on balance sheet or transferred 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 January 2018 Basel III common disclosure requirements.

		31 December 2016 \$M	Source in regulatory Capital Reconciliation
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	134.8	(a)
2	Retained earnings	174.1	(b)
3	Accumulated other comprehensive income (and other reserves)	0.8	(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	309.7
	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)	1.5	(e)
11	Cash-flow hedge reserve	-	
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	
23	<i>of which: significant investments in the ordinary shares of financial entities</i>	N/A	
24	<i>of which: mortgage servicing rights</i>	N/A	
25	<i>of which: deferred tax assets arising from temporary differences</i>	N/A	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	75.2	
26a	<i>of which: treasury shares</i>	N/A	
26b	<i>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</i>	N/A	
26c	<i>of which: deferred fee income</i>	N/A	
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	0.2	(f)
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	N/A	

COMMON DISCLOSURES

COMPOSITION OF CAPITAL CONT

		31 December 2016 \$M	Source in regulatory Capital Reconciliation
26f	<i>of which: capitalised expenses</i>	31.6	(g)
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	42.2	(h)
26h	<i>of which: covered bonds in excess of asset cover in pools</i>	N/A	
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>	N/A	
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	1.2	(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	126.4
29	Common Equity Tier 1 Capital (CET1)	Subtotal	183.3
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	N/A	
31	<i>of which: classified as equity under applicable accounting standards</i>	N/A	
32	<i>of which: classified as liabilities under applicable accounting standards</i>	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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	N/A	
36	Additional Tier 1 Capital before regulatory adjustments	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	
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	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	N/A	
41b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>	N/A	
41c	<i>of which: other national specific regulatory adjustments not reported in rows 41a and 41b</i>	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	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 Capital (T1=CET1+AT1)	Subtotal	183.3
	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)	31.0	(j)
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	31.0	
50	Provisions	4.4	(k)
51	Tier 2 Capital before regulatory adjustments	Subtotal	35.4

COMMON DISCLOSURES

COMPOSITION OF CAPITAL CONT

		31 December 2016 \$M	Source in regulatory Capital Reconciliation
	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	
56a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	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	35.4
59	Total capital (TC=T1+T2)	Subtotal	218.7
60	Total risk-weighted assets based on APRA standards	Subtotal	1,687.8
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.86%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.86%	
63	Total capital (as a percentage of risk-weighted assets)	12.96%	
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	<i>of which: capital conservation buffer requirement</i>	1.00%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>		
67	<i>of which: G-SIB buffer requirement (not applicable)</i>		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.86%	
	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)	4.4	(j)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	21.1	

COMMON DISCLOSURES

COMPOSITION OF CAPITAL CONT

		31 December 2016 \$M	Source in regulatory Capital Reconciliation
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	
	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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