ABN 26 133 623 962
Level 2, 137 Harrington Street
Hobart 7000
Tasmania Australia

22 February 2019

The Manager
Company Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sir

**MyState Limited – Half Year Report**
**(Appendix 4D) for the half year ended 31 December 2018**

The Directors of MyState Limited (the "Company") are pleased to announce the audited results of the Company for the half year ended 31 December 2018 as follows:

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

| Extracted from the Financial Statements for the half year ended | $'000 31 December 2017 | $'000 31 December 2018 | % Change |
|---|---|---|---|
| Revenue from operations | 62,665* | 60,728 | (3.09) |
| Profit after tax attributable to members | 15,792 | 14,364 | (9.04) |
| Net profit after tax attributable to members | 15,792 | 14,364 | (9.04) |

| Dividends for the current year are: | Amount per security | Franked amount per security |
|---|---|---|
| **Interim Dividend FY2019 fully franked at 30%**<br><br>Payable on 29 March 2019<br><br>Record date for determining entitlements for the interim dividend is 4 March 2019. | 14.25 cents | 14.25 cents |
| **Dividends for the previous year were:** | **Amount per security** | **Franked amount per security** |
| **Final dividend – 2018, fully franked at 30%**<br><br>Paid 25 September 2018 | 14.5 cents | 14.5 cents |
| **Dividend Reinvestment Plan** | **Last Date for Receipt of DRP Election Notice** | |
| The MyState Limited Dividend Reinvestment Plan is operational for this interim dividend. | 5 March 2019 | |
| **Net Tangible Assets per share** | **2017** | **2018** |
| | 259 cents | 259 cents |

*Please refer to the MyState Limited Financial Statements for information regarding the restated comparative figure.

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX Release dated 22 February 2019.

Further information regarding MyState Limited and its business activities can be obtained by visiting the company's website at www.mystatelimited.com.au.

Yours faithfully

Scott Lukianenko
**Company Secretary**

MyState Limited

ABN 26 133 623 962

# Consolidated Financial Statements

For the half year ended 31 December 2018

# Directors' Report

Your Directors present their report on MyState Limited for the half year ended 31 December 2018.

## Directors

- **Miles Hampton** BEc (Hons), FCPA, FAICD
  Chairman and independent non-executive Director.
- **Melos Sulicich** BBus, GAICD, SA FIN
  Managing Director – Executive Director.
- **Peter Armstrong** BEc (Hons), Dip ED, Dip FP, CPA, FAICD
  Independent non-executive Director.
- **Robert Gordon** BSc, MIFA, MAICD, FAMI
  Independent non-executive Director.
- **Sibylle Krieger** LLB (Hons), LLM, FAICD, MBA
  Independent non-executive Director.
- **Warren Lee,** BCom, CA,
  Independent non-executive Director.
- **Stephen Lonie** BCom, MBA, FCA, FFin, FAICD, FIMCA
  Independent non-executive Director.
- **Andrea Waters,** BCom, FCA, GAICD
  Independent non-executive Director.

## Company Secretary

- **Scott Lukianenko** Ad Dip BMgmt, Grad Cert BA, GIA (Cert).

## Principal Activities

| Banking Services | Trustee Services | Wealth Management |
|---|---|---|
| ▪ Personal, residential and business banking<br>▪ Transactional, internet & mobile banking<br>▪ Savings and investments<br>▪ Insurance and other alliances | ▪ Estate planning<br>▪ Estate and trust administration<br>▪ Power of attorney<br>▪ Corporate trustee | ▪ Managed fund investments<br>▪ Financial planning<br>▪ Portfolio administration<br>▪ Portfolio advisory<br>▪ Private client |

MyState Limited provides banking, trustee and wealth management products and services through its wholly-owned subsidiaries MyState Bank Limited and Tasmanian Perpetual Trustees Limited.

There have been no significant changes in the nature of the principal activities of the Group during the half year.

## Operating and Financial Review

The Group recorded a statutory profit after income tax for the half year ended 31 December 2018 (1H19) of $14.364m (31 December 2017: $15.792m).

## Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 14.25 cents per share. The dividend will be payable on 29 March 2019 to shareholders on the register at the Record Date of 4 March 2019.

Dividends paid in the half year ended 31 Dec 2018 were as follows:

- In respect of the year ended 30 June 2018, a fully franked final dividend of 14.5 cents per share, amounting to $13.097m, was paid on 25 September 2018.

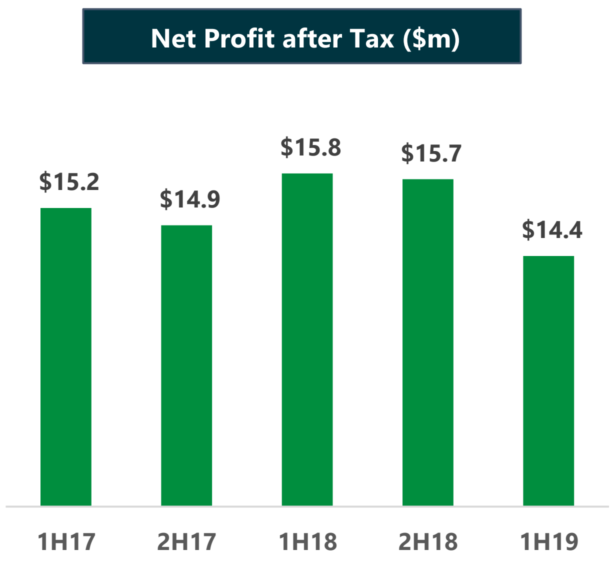
## Review and Results of Operations

***Financial Performance***

MyState Limited recorded a net profit after income tax for the half year ended 31 December 2018 of $14.364m, a decrease of 9.0% on the prior corresponding period 31 December 2017 (pcp) of $15.792m.

Earnings per share decreased by 9.6% to 15.87 cents per share on the pcp and return on equity decreased 112bps to 9.0%.

The half year result for the Group was largely driven by a decreasing net interest margin (NIM), which declined 21bps on the pcp. The environment for owner-occupied home loans and deposit funding remained competitive during the period, with system credit growth continuing to slow and funding costs rising adversely, impacted by elevated external funding markets. Whilst interest earned across the banking business' asset holdings increased for the half, this result was more than offset by increases in the Bank Bill Swap Rate (BBSW) benchmark, which remained elevated throughout the period. An elevated BBSW, coupled with the Reserve Bank of Australia (RBA) cash rate remaining at historic lows, placed downward pressure on margins during the period.




Although NIM experienced a decline, the banking business achieved loan book growth of around 2 times system, supported by an improved service proposition and turnaround times, as well as strong customer advocacy. The loan book grew $189.261m during 1H19 compared with growth of $46.107m in the pcp.

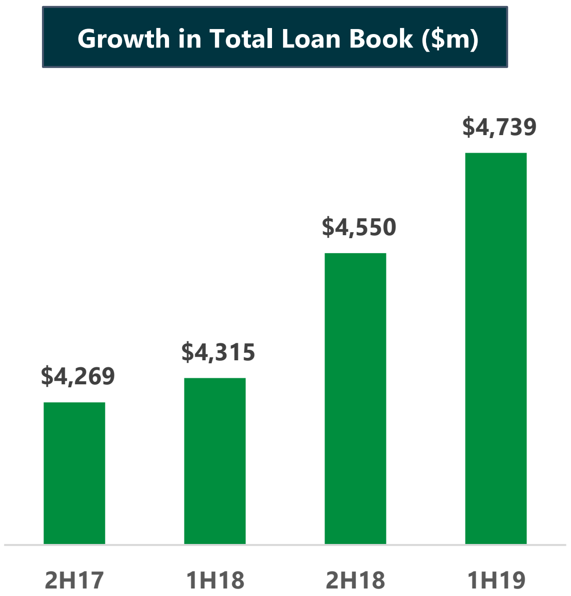
Over the first half, the business expanded the digitisation of its services, enhancing product and payment technologies, and achieved further growth in the uptake of digital offerings. Enhancements to product and services, coupled with responsiveness and speed of service, has made it easier for customers to do business with MyState. This continuing investment in improving the total customer experience has been recognised in the Group's net promoter score of +39 at the end of the first half, up from +27 at the end of June 2018. This result places MyState among the leading financial services firms, significantly above most banking peers.

Tight management of costs has resulted in only a small increase of $0.556m or 1.39% on the pcp. Within this cost envelope, MyState also completed a brand refresh, including the consolidation of banking brands, commenced the development of contemporary products and systems within the funds management business and incurred increasing operating and amortisation costs associated with digital technology investments.

The Group's wealth management business also reported a result in line with the pcp.

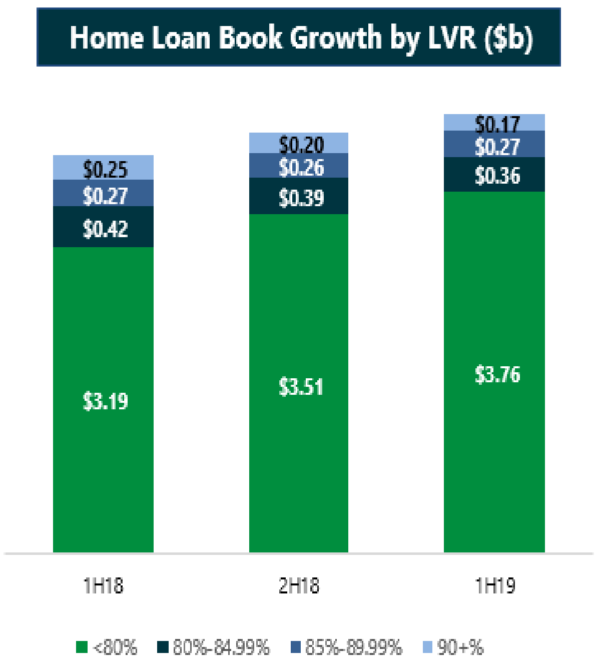
***High credit quality maintained with growth in lower risk, lower LVR loans***

The banking loan portfolio grew $424.216m or 9.8% on the pcp.  While credit growth slowed nationally, the banking business achieved loan book growth at around 2 times system, reflecting a compelling customer service proposition and high customer advocacy. MyState remained focused on low risk, owner-occupied lending with a loan-to-valuation ratio of less than 80%.




The Group maintained prudent lending practices and 30 and 90 day arrears continue to be below peers and industry benchmarks (at 0.52% and 0.17% respectively).

The home loan portfolio has also experienced growth in less than 80% LVR loans and a reduction in greater than 80% LVR loans.  Greater than 80% LVR loans fell by $141.423m or 15.1% on the pcp, whilst less than 80% LVR loans grew by $567.716m or 17.8% on the pcp. The business continues to maintain focus on prudent risk management and building in resilience as the housing market continues to ease nationally.



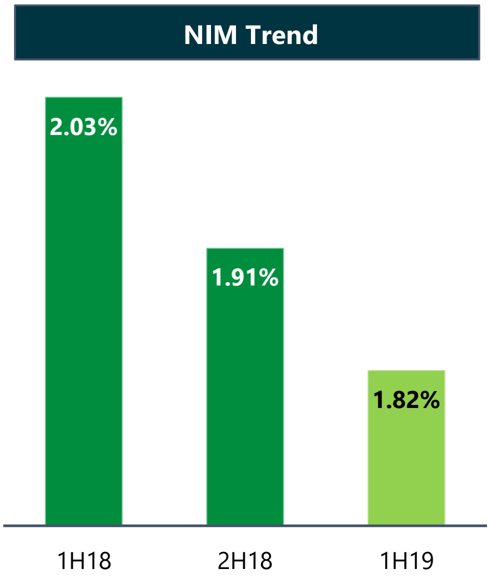

Exposure to investor and interest only lending remains very low and within regulatory guidelines.

During the period, the banking business continued to grow its customer base across the eastern seaboard of Australia, with the proportion of loans outside of Tasmania increasing from 54.5% to 56.3% since 30 June 2018.

***Margin pressure driven by increased cost of funding***

Net interest margin decreased 21bp on the pcp to 1.82% and largely reflected increased competition for wholesale and retail deposits, as well as a higher Bank Bill Swap Rate (BBSW), which disproportionately elevated funding costs.

Funding costs in 1H19 were elevated on the pcp and were driven by BBSW benchmarked wholesale funding costs. Despite an increase in funding costs, variable home loan rates for customers were maintained through the first half and repricing of mortgages was delayed until 29 January 2019, when variable rate mortgages were increased by between 11 and 16 basis points.




The repricing of mortgages has improved the margin outlook for the banking business for 2H19, however, there remains uncertainty around the outlook for BBSW.

MyState will continue to monitor and manage margins in what is a challenging funding market from a margin standpoint.

MyState's approach to digitising its services and being in a position to offer a complete digital product suite, provides operating leverage for growth in a lower margin environment. Customer deposits remain important to ensuring a stable funding base, noting that customer deposits increased $330.615m or 10.6% on the pcp.

***Non-interest income from banking activities***

Non-interest income from banking activities continued a steady decline, in line with market and industry trends, as well as changes in customer behaviour. Increased uptake of digital and preferences for lower cost self-serve products also impacted non-interest income, which declined by $0.223m (2.9%) on pcp.

***Wealth management***

MyState's Wealth management business continues to provide diversity in revenue for the Group, with NPAT of $2.221m decreasing slightly (0.94%) on the pcp.

The funds management business' Cash, Income and Growth Funds performed well against industry benchmarks, with eight of the ten funds comparing favourably to benchmarks during the half. Funds under management revenue increased slightly on the pcp, although funds under management were 2.5% lower, coming off a decade high in December 2018. Notwithstanding this slight reduction in FUM, income from funds management increased $0.10m (2.0%) on the pcp.

Financial Planning and trustee services income were slightly down on the pcp.

***Strong capital position***

The Group has maintained its strong balance sheet and the Group's capital adequacy ratio at 31 December 2018 was 13.05%, and, notwithstanding very strong lending growth, was down only 34 basis points on the pcp. The Group maintained 11.09% common equity tier 1 capital and remains well positioned to meet APRA's "unquestionably strong" requirements by 1 January 2020.

***Outlook***

Whilst competition for high quality, owner-occupied lending remains strong, the Group anticipates continued above-system home loan growth. Margin pressures are expected to remain, largely driven by external funding markets, however, recently announced mortgage repricing is expected to lessen these margin impacts.

Margin management and cost management will continue to be a focus for 2H19.

As the business moves beyond a period of significant investment in digital technology platforms, it will seek to continue to build customer advocacy and grow its customer base nationally, as well as pursue improved efficiencies through increased operating leverage.

The wealth business is expected to continue to provide further revenue diversity as the Group reinvigorates its funds management platform, introduces new services for investors and pursues new investors through the planned development of the national distribution process.

In the context of the challenging external environment, MyState's recent home loan repricing initiative, as well as volume and cost momentum, the second half of FY19 is expected to be broadly in line with the second half of FY18 and therefore the full year net profit after tax is expected to be around $30 million or 3-5% below FY18.

MyState notes the release of Commissioner Hayne's report into misconduct in the Banking, Superannuation and Financial Services Industry and its recommendations. Although MyState was not called to provide information or evidence to the Royal Commission, a number of recommendations in the report may have some impact on the Group. MyState welcomes recommendations to strengthen the accountability and effectiveness of regulators.

MyState notes the very important role that mortgage brokers play in bringing competition to the mortgage market in Australia. The Commission has made recommendations to change mortgage broker remuneration. Mortgage brokers are valued by customers and almost 60% of mortgages are written by mortgage brokers across the nation. MyState is committed to working with the mortgage broking industry through this period of uncertainty and change to help the industry evolve and continue to generate competition.

## Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2018.

## Rounding of amounts

In accordance with applicable financial reporting regulations and current industry practices, amounts in this report have been rounded off to the nearest one thousand dollars, unless otherwise stated. Any discrepancies between totals and sums of components in charts contained in this report are due to rounding.

Signed in accordance with a resolution of directors.

Miles Hampton
**Chairman**

Melos Sulicich
**Managing Director and Chief Executive Officer**

22nd February 2019, Hobart.

Auditor's Independence Declaration to the Directors of MyState Limited

In relation to our review of the financial report of MyState Limited for the half-year ended 31 December 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Joanne Doyle
Partner
Wise Lord & Ferguson

Date: 22 February 2019

# Consolidated Income Statement

**for the half year ended 31 December 2018**

| | Notes | 31 Dec 2018 $'000 | 31 Dec 2017 $'000 |
|---|---|---|---|
| Interest income | 2 | 99,100 | 94,159 |
| Interest expense (i) | 2 | (54,892) | (48,388) |
| **Net interest income** | | **44,208** | 45,771 |
| Non-interest income from banking activities (ii) | 2 | 7,394 | 7,617 |
| **Net banking operating income** | | **51,602** | 53,388 |
| Income from wealth management activities | 3 | 9,126 | 9,277 |
| **Total operating income** | | **60,728** | 62,665 |
| **Less: Expenses** | | | |
| Personnel costs | | 19,170 | 19,570 |
| Administration costs (i) & (ii) | 4 | 7,883 | 7,649 |
| Technology costs | 4 | 6,723 | 6,014 |
| Occupancy costs | 4 | 3,152 | 3,279 |
| Marketing costs | | 1,931 | 1,925 |
| Governance costs | | 1,706 | 1,572 |
| **Total operating expenses** | | **40,565** | 40,009 |
| **Profit before impairment and income tax expense** | | **20,163** | 22,656 |
| Impairment (recovery) / expense on loans and advances | 8 | (359) | 71 |
| **Profit before income tax expense** | | **20,522** | 22,585 |
| Income tax expense | | 6,158 | 6,793 |
| **Profit for the period** | | **14,364** | 15,792 |
| Profit attributable to the: | | | |
| **Equity holders of MyState Limited** | | **14,364** | 15,792 |
| Basic earnings per share (cents per share) | 5 | 15.87 | 17.56 |
| Diluted earnings per share (cents per share) | 5 | 15.87 | 17.56 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.

(ii) Comparatives restated to reflect change in accounting policy disclosed in note 1.3.

The accompanying notes form part of these financial statements.

# Consolidated Statement of Comprehensive Income

**for the half year ended 31 December 2018**

| | Notes | 31 Dec 2018 $'000 | 31 Dec 2017 $'000 |
|---|---|---|---|
| **Profit for the period** | | **14,364** | 15,792 |
| **Other comprehensive income / (expense)** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Cash flow hedges - Net gains / (losses) taken to equity | | 64 | (133) |
| Income tax effect | | (19) | 40 |
| **Total other comprehensive income / (expense) for the period** | | **45** | (93) |
| **Total comprehensive income for the period** | | **14,409** | 15,699 |
| Total comprehensive income for the period is attributable to: | | | |
| **Equity holders of MyState Limited** | | **14,409** | 15,699 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

**as at 31 December 2018**

| | Notes | 31 Dec 2018 $'000 | 30 Jun 2018 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and liquid assets | | 85,599 | 67,876 |
| Due from other financial institutions | | 20,663 | 25,826 |
| Other assets | | 8,185 | 6,950 |
| Financial instruments | | 415,082 | 406,864 |
| Loans and advances | 8 | 4,753,809 | 4,565,256 |
| Property, plant and equipment | | 6,437 | 7,034 |
| Deferred tax assets | | 4,112 | 3,948 |
| Intangible assets and goodwill (i) | | 86,050 | 84,551 |
| **Total assets** | | **5,379,937** | 5,168,305 |
| **Liabilities** | | | |
| Due to other financial institutions | | 29,801 | 33,334 |
| Other liabilities | | 7,548 | 7,666 |
| Deposits and other borrowings including subordinated notes (i) | | 5,011,854 | 4,796,378 |
| Employee benefit provisions | | 5,440 | 5,341 |
| Tax liabilities | | 2,894 | 4,924 |
| **Total liabilities** | | **5,057,537** | 4,847,643 |
| **Net assets** | | **322,400** | 320,662 |
| **Equity** | | | |
| Share capital | 10 | 147,015 | 145,380 |
| Retained earnings | | 170,497 | 170,568 |
| Reserves | | 4,888 | 4,714 |
| **Total equity** | | **322,400** | 320,662 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

**for the half year ended 31 December 2018**

| | Note | Share capital | Retained earnings | General reserve for credit losses | Employee equity benefits reserve | Hedging reserve | Total |
|---|---|---|---|---|---|---|---|
| | | **$' 000** | **$' 000** | **$' 000** | **$' 000** | **$' 000** | **$' 000** |
| **At 1 July 2017** | | 141,349 | 164,358 | 4,428 | 956 | (187) | 310,904 |
| Profit for the period | | - | 15,792 | - | - | - | 15,792 |
| Other comprehensive expense | | - | - | - | - | (93) | (93) |
| **Total comprehensive income for the period** | | - | 15,792 | - | - | (93) | 15,699 |
| Equity issued under executive long term incentive plan | | 104 | - | - | (104) | - | - |
| Share based payment expense recognised | | - | - | - | 179 | - | 179 |
| Equity issued under employee share scheme | | 80 | - | - | - | - | 80 |
| Equity issued under dividend reinvestment plan | | 2,383 | - | - | - | - | 2,383 |
| Dividends paid | | - | (12,970) | - | - | - | (12,970) |
| **At 31 December 2017** | | 143,916 | 167,180 | 4,428 | 1,031 | (280) | 316,275 |
| **At 1 July 2018** | | **145,380** | **170,568** | **4,428** | **483** | **(197)** | **320,662** |
| Impact of adoption of new accounting standards | 1.3 | **-** | (1,338) | **-** | **-** | **-** | **(1,338)** |
| **Restated opening total equity** | | **145,380** | **169,230** | **4,428** | **483** | **(197)** | **319,324** |
| Profit for the period | | - | 14,364 | - | - | - | 14,364 |
| Other comprehensive income / (expense) | | - | - | - | - | 45 | 45 |
| **Total comprehensive income for the period** | | - | 14,364 | - | - | 45 | 14,409 |
| Share based payment expense recognised | | - | - | - | 129 | - | 129 |
| Equity issued under employee share scheme | | 77 | - | - | - | - | 77 |
| Equity issued under dividend reinvestment plan | | 1,558 | - | - | - | - | 1,558 |
| Dividends paid | | - | (13,097) | - | - | - | (13,097) |
| **At 31 December 2018** | | **147,015** | **170,497** | **4,428** | **612** | **(152)** | **322,400** |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

**for the half year ended 31 December 2018**

| | Notes | 31 Dec 2018 $' 000 | 31 Dec 2017 $' 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 104,800 | 99,028 |
| Interest paid | | (53,349) | (50,160) |
| Fees and commissions received (i) | | 15,788 | 16,204 |
| Other non-interest income received | | 531 | 1,310 |
| Payments to suppliers and employees | | (39,318) | (37,626) |
| Income tax paid | | (7,780) | (6,254) |
| **Net cash flows from / (used in) operating activities** | | **20,672** | 22,502 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets (ii) | | (2,912) | (2,359) |
| Purchase of property, plant and equipment | | (700) | (113) |
| Net (increase) / decrease in loans to customers | | (195,781) | (51,790) |
| Net (increase) / decrease in amounts due from other financial institutions | | 5,159 | 20,206 |
| **Net cash flows from / (used in) investing activities** | | **(194,234)** | (34,056) |
| **Cash flows from financing activities** | | | |
| Net increase / (decrease) in deposits and other borrowings | | 217,990 | 16,359 |
| Net increase/ (decrease) in amounts due to other financial institutions (ii) | | (15,243) | (5,824) |
| Net increase / (decrease) in subordinated notes | | - | 97 |
| Employee share issue | | 3 | 82 |
| Dividends paid net of dividend reinvestment plan | 6 | (11,465) | (10,586) |
| **Net cash flows from / (used in) financing activities** | | **191,285** | 128 |
| Net increase / (decrease) in cash held | | 17,723 | (11,426) |
| Cash at beginning of the period | | 67,876 | 64,226 |
| **Closing cash carried forward** | 11 | **85,599** | 52,800 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.3.

(ii) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.

The accompanying notes form part of these financial statements.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

## 1 Summary of significant accounting policies

### 1.1 Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2018.

### 1.2 Basis of preparation

The condensed consolidated financial statements comprise of MyState Limited and the entities it controlled during the half year. They have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. The financial report has been presented in Australian dollars.

MyState Limited is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191, and, in accordance with that Class Order, amounts in the Directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

For the purpose of these financial statements, the following abbreviations have been applied:

| | |
|---|---|
| Group | MyState Limited and the entities it controlled at the end of, or during the period; |
| Company | MyState Limited; |
| Period | the half year ended 31 December 2018; |
| ASIC | Australian Securities and Investments Commission; and |
| ECL | Expected Credit Loss. |

The comparative information disclosed in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows is for the six months ended 31 December 2017. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2018. Comparative information may contain reallocation of amounts. Any adjustments are to assist in providing more meaningful information within the financial statements.

The accounting policies and methods of compilation are the same as those policies adopted in the most recent annual financial report, which is for the year ended 30 June 2018, except as otherwise detailed in the notes herein.

### 1.3 New Accounting Standards

#### AASB 9 *Financial Instruments*

In December 2014, the AASB issued AASB 9 *Financial Instruments* which replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The standard covers four broad topics: Impairment, Classification, Measurement and Hedging. AASB 9 *Financial Instruments* was effective for periods beginning on or after 1 January 2018. The standard introduced changes in the classification and measurement of financial assets and liabilities and simplifications to hedge accounting, all of which the Group early adopted in 2014. Additionally, AASB 9 included a new Expected Credit Loss (ECL) model for impairment. The Group implemented the ECL model for impairment on 1 July 2018 as outlined further within this note.

**1 Summary of significant accounting policies (continued)**

## 1.3 New Accounting Standards (continued)

*Impairment*
The Group has developed a AASB 9 ECL model, which replaces the previous incurred loss approach under AASB 139. The new model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised, resulting in an acceleration of impairment recognition.
The Group applies a three-stage approach to measuring the ECL based on credit risk since origination as they transition through the three stages. The Group estimates ECL through modelling the probability of default, loss given default and exposure at default, as follows:

- Stage 1 - Performing - This category includes financial assets that have not experienced a significant increase in credit risk since their origination. For these financial assets an allowance equivalent to 12 month's ECL is recognised, which represents the credit losses expected to arise from defaults occurring over the next 12 months.

- Stage 2 - Under-performing - This category includes financial assets that have experienced a significant increase in credit risk since their origination and are not credit impaired. For these financial assets an allowance equivalent to lifetime ECL is recognised. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets.

- Stage 3 - Non-performing (impaired) - This category includes financial assets that are credit impaired. The provision is also equivalent to the lifetime ECL.

Financial assets in stage 1 and stage 2 are assessed for impairment collectively, whilst those assets in stage 3 are subject to either collective or specific impairment assessment. The Group's methodology for specific provisions remains largely unchanged.

It is important to note that the increase in impairment provisions on transition to AASB 9 is not reflective of a change in underlying portfolio credit quality.

*Transition to ECL Model*
The impairment requirements have been applied retrospectively by adjusting opening retained earnings at 1 July 2018. The Group has elected not to restate prior period comparative balances on adoption of the new standard.

*Impact*
The following table provides a pre-tax breakdown of the transition to AASB 9 ECL model from AASB 139 as at 1 July 2018:

| | **AASB 139** | **AASB 9** | **Movement** |
|---|---|---|---|
| | $' 000 | $' 000 | $' 000 |
| Collective Provisions | 359 | 2,271 | 1,912 |
| Specific Provisions | 222 | 222 | - |
| **Total Provisions** | **581** | **2,493** | **1,912** |

The Group's opening balance sheet adjustment, based on the economic conditions, forecast economic scenarios, management judgements and assumptions as at 1 July 2018, was an increase in impairment provisions of $1.912m before tax, with a corresponding decrease in shareholders' equity of $1.338m after tax.

**1 Summary of significant accounting policies (continued)**

### 1.3 New Accounting Standards (continued)

The increase in the provision for doubtful debts on adoption of the standard has been taken through opening retained earnings as at 1 July 2018, with no impact on the income statement. The impact on the Group's Common Equity Tier 1 capital adequacy ratio (CET1 ratio ) on the date of adoption was a reduction of 12bps.

*Key judgements and estimates made by the Group include the following:*

- Significant changes in credit risk

Significant increases in credit risk for financial assets are assessed by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date compared to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk, the Group considers qualitative and quantitative information. The judgement to determine this is primarily based on changes in internal customer risk grades since origination of the facility. For all of the Group's loan portfolios, in addition to the primary indicator, a mathematical model has been developed to identify where a facility's recent behaviour has deteriorated significantly from its original behaviour.

- Forward looking information

The measurement of expected credit losses needs to reflect an unbiased probability-weighted range of possible future outcomes. AASB 9 provides limited guidance on how to meet this requirement and consequently, the Group has developed an approach considered appropriate for its credit portfolio, informed by emerging market practices.

In applying forward looking information in the Group's AASB 9 credit models, the Group considered three alternate economic scenarios (base case, strong recovery and moderate recession), to ensure a sufficient unbiased representative sample is included in estimating ECL.

The inclusion of a forward looking component in the model anticipates changes in the economic outlook, which will likely increase the volatility of the provision. Where applicable, further adjustments may be made to account for situations where known or expected risks and information have not been considered in the modelling process.

*Governance*

The Asset and Liability Committee (ALCO) is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

The Risk and Credit Committee (RCC) is responsible for recommending any adjustments required to account for situations where known or expected risks have not been adequately addressed in the modelling process.

The Group's provision for impairment, impairment on loans and advances and any areas of judgement are reported to the Group's Audit Committee (GAC) and Board at each reporting period.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

**1 Summary of significant accounting policies (continued)**

## 1.3 New Accounting Standards (continued)

**AASB 15 *Revenue from Contracts with Customers***

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* and is effective for periods beginning on 1 July 2018. The core principle of AASB 15 is that an entity recognises revenue based on the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The model in AASB 15 features a contract based five-step analysis of transactions, to determine whether, how much and when revenue is recognised.

The adoption of the new revenue methodology has resulted in no change to the timing of recognition of income. The only adjustment to Group reported revenue is where the Group acts as principal in a settlement arrangement. In these circumstances, the income and expense is required to be shown net. Previously, the Group had certain interchange income and expense that was reported gross, but now, this interchange income and expense has been netted and the comparative restated accordingly.

The Group has not had an opening balance sheet adjustment.

## 1.4 Changes in accounting policy and disclosure

The Group has adopted two changes to accounting policies in the current reporting period. These changes have been applied retrospectively in the financial statements. Where comparative information has been amended, references has been made back to this note.

1. *Inclusion of Bond Issuance costs in the effective interest rate*

Costs that are integral to the issuance of bonds have been capitalised in accordance with AASB 9 and amortised over the expected life of the issued bonds. The written down value of these costs had previously been recognised within "Intangible assets and goodwill", with the amortisation associated previously disclosed within "Administration costs" as "Amortisation - other intangibles". In the current reporting period, this policy has been changed. The costs continue to be capitalised in accordance with AASB 9 and amortised over the expected life of the issued bonds, however, the unamortised balance of these costs is now included in "Deposits and other borrowings including subordinated notes" and the expense is included in "Interest expense", to reflect the average effective interest rate calculation of the bonds issued. The value of unamortised bond issuance costs at 31 December 2018 is $4.388m (30 June 2018: $5.026m). Amortisation expense related to bond issuance costs in the half year ended 31 December 2018 is $0.826m (31 December 2017: $0.619m).

2. *Inclusion of Mortgage Offset Accounts in the calculation of average interest earned on assets*

The balance of Mortgage Offset accounts is included within "Deposits and other borrowings including subordinated notes" on the Consolidated Statement of Financial Position, which is unchanged. In Note 13 "Average balance sheet and source of net interest income", offset accounts had previously been reported in the liabilities total "Deposits and derivatives". As these balances represent a proportion of Loans and advances that are non-interest earning, this disclosure has changed and offset accounts are now netted off against the balance of "Loans and advances" to reflect the interest earning balances more accurately. The quantitative impact of this change is disclosed in the Note 13.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

| | 31 Dec 2018 $ '000 | 31 Dec 2017 $ '000 |
|---|---|---|
| **2 Net banking operating income** | | |
| **Interest income** | | |
| Loans and advances (i) | 93,383 | 89,162 |
| Investment securities | 5,717 | 4,997 |
| **Total interest income** | **99,100** | 94,159 |
| **Interest expense** | | |
| At call deposits | 6,880 | 7,024 |
| Fixed term deposits (i) | 48,012 | 41,364 |
| **Total interest expense** | **54,892** | 48,388 |
| **Non-interest income from banking activities** | | |
| Transaction fees (ii) | 2,600 | 2,918 |
| Loan fees | 2,381 | 2,389 |
| Banking commissions | 1,680 | 1,831 |
| Other banking operations income | 733 | 479 |
| **Total non-interest income from banking activities** | **7,394** | 7,617 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.
(ii) Comparatives restated to reflect change in accounting policy disclosed in note 1.3.

| | 31 Dec 2018 $ '000 | 31 Dec 2017 $ '000 |
|---|---|---|
| **3 Income from wealth management activities** | | |
| Funds management income | 5,121 | 5,019 |
| Other fees and commissions | 4,005 | 4,258 |
| **Total income from wealth management activities** | **9,126** | 9,277 |

**4 Expenses**

The following items are included within each item of specified expenses:

| | 31 Dec 2018 $ '000 | 31 Dec 2017 $ '000 |
|---|---|---|
| **Administration costs include:** | | |
| Amortisation - other intangibles (i) | 60 | 4 |
| Depreciation - furniture, equipment and computer hardware | 198 | 200 |
| **Technology costs include:** | | |
| Amortisation - computer software | 2,024 | 1,459 |
| **Occupancy costs include:** | | |
| Operating lease payments | 1,994 | 2,035 |
| Depreciation - buildings and leasehold improvements | 419 | 569 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

| | 31 Dec 2018 cents | 31 Dec 2017 cents |
|---|---|---|
| **5 Earnings per share** | | |
| Basic earnings per share | 15.87 | 17.56 |
| Diluted earnings per share | 15.87 | 17.56 |

The following information reflects the income and share data used in the calculation of basic and diluted earnings per share:

| | 31 Dec 2018 $ '000 | 31 Dec 2017 $ '000 |
|---|---|---|
| Profit for the period | 14,364 | 15,792 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 90,498,267 | 89,926,812 |

| | 31 Dec 2018 $ '000 | 31 Dec 2017 $ '000 |
|---|---|---|
| **6 Dividends** | | |
| **Dividends paid** | | |
| 2018 Final dividend paid: 14.5 cents per share (2017 Final dividend: 14.5 cents per share) | 13,097 | 12,970 |

The dividends paid during the period were fully franked at the 30% corporate tax rate.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

**7 Segment information**

The Group has identified two operating divisions and a corporate division which are its reportable segments. These divisions offer different products and services and are managed separately. The Group's management committee reviews internal management reports for each of these divisions at least monthly.

**Banking division**

The banking division's product offerings include lending, encompassing home loans, personal loans, overdrafts, lines of credit and commercial products, transactional savings accounts and fixed term deposits and insurance products. It delivers these products and services through its branch network, digital channels and third party channels. The banking division is conducted by the MyState Bank Group.

**Wealth management division**

The wealth management division is a provider of funds management, financial planning and trustee services. It operates predominantly within Tasmania. It holds $1.130 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 10 managed investment schemes. The wealth management division is conducted by Tasmanian Perpetual Trustees Limited. Tasmanian Perpetual Trustees Limited is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania.

**Corporate and consolidation division**

The corporate cost centre is responsible for the governance of the Group. The corporate cost centre charges the operating divisions on a cost recovery basis for costs it has incurred. This division is also where accounting eliminations and adjustments are made to remove the impacts of transactions occurring between the banking division and the wealth management division

| | Banking<br>$ '000 | Wealth management<br>$ '000 | Corporate and consolidation<br>$ '000 | Total<br>$ '000 |
|---|---|---|---|---|
| **Half year ended 31 December 2018** | | | | |
| Interest income | 98,924 | 118 | 58 | 99,100 |
| Interest expense | (54,892) | - | - | (54,892) |
| Other income | 7,462 | 9,126 | (68) | 16,520 |
| Other expenses | (34,148) | (6,068) | 10 | (40,206) |
| Income tax expense | (5,203) | (955) | - | (6,158) |
| **Segment net profit after income tax** | **12,143** | **2,221** | **-** | **14,364** |
| | | | | |
| **Segment assets** | **5,302,478** | **27,512** | **49,947** | **5,379,937** |
| **Segment liabilities** | **5,054,284** | **3,211** | **42** | **5,057,537** |
| | | | | |
| **Half year ended 31 December 2017** | | | | |
| Interest income | 94,010 | 93 | 56 | 94,159 |
| Interest expense (i) | (48,388) | - | - | (48,388) |
| Other income | 7,737 | 9,277 | (120) | 16,894 |
| Other expenses (i) | (33,977) | (6,167) | 64 | (40,080) |
| Income tax expense | (5,832) | (961) | - | (6,793) |
| **Segment net profit after income tax** | 13,550 | 2,242 | - | 15,792 |
| | | | | |
| **Balances as at 30 June 2018** | | | | |
| **Segment assets** | 5,094,131 | 27,646 | 51,554 | 5,173,331 |
| **Segment liabilities** | 4,847,633 | 3,291 | 1,745 | 4,852,669 |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

| | 31 Dec 2018 $' 000 | 30 Jun 2018 $' 000 |
|---|---|---|
| **8 Loans and advances** | | |
| **Classification of loans and advances at amortised cost** | | |
| Residential loans secured by mortgage | 4,567,520 | 4,374,002 |
| Personal loans and unsecured overdrafts | 69,361 | 74,450 |
| Overdrafts secured by mortgage | 51,310 | 44,915 |
| Commercial loans | 67,776 | 72,470 |
| **Total loans and advances at amortised cost** | **4,755,967** | 4,565,837 |
| | | |
| Specific provision for impairment | 215 | 222 |
| Collective provision for impairment | 1,943 | 359 |
| **Total loans and advances net of provisions for impairment** | **4,753,809** | 4,565,256 |
| | | |
| **Provision for impairment** | | |
| | | |
| **Specific provision for impairment** | | |
| Opening balance (1) | 222 | 620 |
| Net specific provision funding | (7) | 39 |
| Write-off of previously provisioned facilities | - | (437) |
| **Closing balance of specific provision for impairment** | **215** | 222 |
| | | |
| **Collective provision for impairment** | | |
| Opening balance (1) | 2,271 | 337 |
| Net collective provision funding | (157) | 685 |
| Write-off of previously provisioned facilities | (171) | (663) |
| **Closing balance of collective provision for impairment** | **1,943** | 359 |

(1) The opening balance for the comparative period is 1 January 2018 and the closing balance is 30 June 2018.
The opening balance for the current reporting period is recorded in accordance with the requirements of AASB 9. Pursuant to note 1, new impairment requirements have been applied prospectively from 1 July 2018, and, as such, the opening balance may not agree to the closing balance as at 30 June 2018.

| | 31 Dec 2018 $' 000 | 31 Dec 2017 $' 000 |
|---|---|---|
| **Charge to profit for impairment on loans and advances** | | |
| | | |
| - Increase / (decrease) in specific provision for impairment | (7) | (490) |
| - Increase / (decrease) in collective provision for impairment | (328) | 154 |
| - Bad debts recovered | (498) | (534) |
| - Bad debts written off directly | 474 | 941 |
| **Total impairment expense / (recovery) on loans and advances** | **(359)** | 71 |

There are no loans that individually represent 10% or more of shareholders' equity. The banking division's customers are predominantly in the states of Tasmania, Queensland, New South Wales and Victoria. The wealth's division customers are predominantly in the state of Tasmania.

# Notes to the consolidated financial statements

## for the half year ended 31 December 2018

**9 Fair value of financial instruments**

**Classification of financial instruments**

Cash and liquid assets, amounts due to financial institutions and amounts due from financial institutions are carried at cost. As these assets are short term assets, their cost is considered to approximate their fair value.

The following financial assets and liabilities are also carried at amortised cost:

- Financial instruments;
- Loans and advances;
- Deposits; and
- Other borrowings including subordinated notes.

The aggregate net fair value of financial assets and financial liabilities, which are carried at amortised cost is:

| | 31 Dec 2018 | | 30 Jun 2018 | |
|---|---|---|---|---|
| | Carrying value $ '000 | Net fair value $ '000 | Carrying value $ '000 | Net fair value $ '000 |
| **Financial assets** | | | | |
| Financial instruments | 414,428 | 414,338 | 406,292 | 404,923 |
| Loans and advances | 4,753,809 | 4,741,911 | 4,565,256 | 4,558,478 |
| **Total financial assets** | **5,168,237** | **5,156,249** | 4,971,548 | 4,963,401 |
| **Financial liabilities** | | | | |
| Deposits | 3,843,083 | 3,840,368 | 3,624,905 | 3,623,058 |
| Other borrowings including subordinated notes | 1,168,771 | 1,168,771 | 1,176,499 | 1,176,499 |
| **Total financial liabilities** | **5,011,854** | **5,009,139** | 4,801,404 | 4,799,557 |

**Fair value hierarchy**

The level in the fair value hierarchy of the inputs used in determining the fair values is as follows:

Level 1 - inputs that are prices quoted for identical instruments in active markets;
Level 2 - inputs based on observable market data other than those in level 1; and
Level 3 - inputs for which there is no observable market data.

Where the expected maturity is in excess of 12 months, the fair value is discounted to its present value. During the year, there have been no material transfers between levels of the fair value hierarchy. The Group has determined this approach based on a reassessment of the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Significant unobservable inputs, which are sensitive to reasonably possible changes in non-market assumptions, would not have a material impact on the consolidated result.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

**9 Fair value of financial instruments (continued)**

**Fair value hierarchy (continued)**

| | Level 1 value $ '000 | Level 2 value $ '000 | Level 3 value $ '000 | Total value $ '000 |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| **Financial assets** | | | | |
| Financial instruments | **-** | **414,338** | **-** | **414,338** |
| Loans and advances | **-** | **-** | **4,741,911** | **4,741,911** |
| | | | | |
| **Financial liabilities** | | | | |
| Deposits | **-** | **3,840,368** | **-** | **3,840,368** |
| Other borrowings including subordinated notes | **-** | **1,168,771** | **-** | **1,168,771** |
| | | | | |
| **30 June 2018** | | | | |
| **Financial assets** | | | | |
| Financial instruments | - | 404,923 | - | 404,923 |
| Loans and advances | - | - | 4,558,478 | 4,558,478 |
| | | | | |
| **Financial liabilities** | | | | |
| Deposits | - | 3,623,058 | - | 3,623,058 |
| Other borrowings including subordinated notes | - | 1,176,499 | - | 1,176,499 |

There has been no impact on profit and loss of fair value movements of assets that are within Level 3 of the fair value hierarchy.

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

| | 31 Dec 2018 $ '000 | 30 Jun 2018 $ '000 |
|---|---|---|
| **10 Share capital** | | |
| **Issued and paid up capital** | | |
| Ordinary shares fully paid | **147,015** | 145,380 |

**Movements in share capital**

| | 31 December 2018 | |
|---|---|---|
| | Number of shares | Amount $ '000 |
| **Ordinary Shares** | | |
| Opening balance as at 1 July 2018 | **90,308,117** | **145,380** |
| Shares issued pursuant to the: | | |
| - Group employee share scheme | **15,983** | **77** |
| - Dividend reinvestment plan | **335,326** | **1,558** |
| **Closing balance as at 31 December 2018** | **90,659,426** | **147,015** |

| | 31 December 2017 | |
|---|---|---|
| | Number of shares | Amount $ '000 |
| **Ordinary Shares** | | |
| Opening balance as at 1 July 2017 | 89,445,395 | 141,349 |
| Shares issued pursuant to the: | | |
| - Executive long term incentive plan | 21,658 | 104 |
| - Employee share scheme of the Group | 16,727 | 80 |
| - Dividend reinvestment plan | 508,910 | 2,383 |
| **Closing balance as at 31 December 2017** | 89,992,690 | 143,916 |

# Notes to the consolidated financial statements

**for the half year ended 31 December 2018**

## 11 Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and liquid assets includes:

| | 31 Dec 2018<br>$ '000 | 31 Dec 2017<br>$ '000 |
|---|---|---|
| Notes, coins and cash at bank | **63,619** | 44,826 |
| Other short term liquid assets | **21,980** | 7,974 |
| **Total cash and liquid assets** | **85,599** | 52,800 |

## 12 Customer commitments

| | 31 Dec 2018<br>$ '000 | 30 Jun 2018<br>$ '000 |
|---|---|---|
| (a) Loans approved but not advanced to borrowers | **77,624** | 76,319 |
| (b) Undrawn continuing lines of credit | **60,561** | 63,658 |
| (c) Performance guarantees | **2,947** | 2,947 |

There have been no material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2018.

# Notes to the consolidated financial statements

## for the half year ended 31 December 2018

### 13 Average balance sheet and source of net interest income

The following table shows the major categories of interest-earning assets and interest-bearing liabilities, together with their respective interest earned or paid by the Group and the average interest rates. Averages are calculated based on the balance at each month end.

| | Half year ended 31 Dec 2018 | | | Full year ended 30 Jun 2018 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest | Average rate (annualised) | Average balance | Interest | Average rate |
| | $ '000 | $ '000 | % | $ '000 | $ '000 | % |
| **Average assets and interest income** | | | | | | |
| **Interest-earning assets** | | | | | | |
| Cash and liquid assets | **68,671** | **196** | **0.57%** | 61,418 | 279 | 0.45% |
| Financial instruments | **414,866** | **5,524** | **2.64%** | 408,321 | 10,116 | 2.48% |
| Loans and advances (i) & (ii) | **4,368,506** | **93,380** | **4.24%** | 4,070,257 | 177,869 | 4.37% |
| **Total average interest-earning assets** | **4,852,043** | **99,100** | **4.05%** | 4,539,997 | 188,264 | 4.15% |
| Non-interest earning assets | **120,568** | **-** | **-** | 107,074 | - | - |
| **Total average assets** | **4,972,611** | **99,100** | **3.95%** | 4,647,071 | 188,264 | 4.05% |
| **Average liabilities and interest expense** | | | | | | |
| **Interest-bearing liabilities** | | | | | | |
| Deposits and derivatives (i) | **3,454,419** | **35,015** | **2.01%** | 3,270,165 | 65,424 | 2.00% |
| Notes and bonds on issue | **1,150,066** | **19,877** | **3.43%** | 1,058,130 | 33,329 | 3.15% |
| **Total average interest-bearing liabilities** | **4,604,485** | **54,892** | **2.36%** | 4,328,295 | 98,753 | 2.28% |
| Non-interest bearing liabilities | **49,870** | **-** | **-** | 49,657 | - | - |
| **Total average liabilities** | **4,654,355** | **54,892** | **2.34%** | 4,377,952 | 98,753 | 2.26% |
| Reserves | **318,256** | **-** | **-** | 295,266 | - | - |
| **Total average liabilities and reserves** | **4,972,611** | **54,892** | **2.19%** | 4,673,218 | 98,753 | 2.11% |

(i) Comparatives restated to reflect change in accounting policy disclosed in note 1.4.
(ii) The offset account average balance included in Loans and advances is $265.488m (Jun 18 : $267.460m).

### 14 Events subsequent to balance date

There were no matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

# Directors' Declaration

**for the half year ended 31 December 2018**

In accordance with a resolution of the Directors of MyState Limited, we state that:
In the opinion of the Directors:

(a) The financial statements and notes of the group are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting,* the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) There are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

| | |
|---|---|
| Miles Hampton | Melos Sulicich |
| **Chairman** | **Managing Director and Chief Executive Officer** |

Hobart
Dated this the 22nd of February 2019.

To the members of MyState Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MyState Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MyState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MyState Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Joanne Doyle
Partner
Wise Lord & Ferguson

Date: 22 February 2019