

21 February 2020

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

**MyState Limited – Half Year Report  
(Appendix 4D) for the half year ended 31 December 2019**

The Directors of MyState Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2019 as follows:

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Extracted from the Financial Statements for the half year ended	\$'000 31 December 2019	\$'000 31 December 2018	% Change
Revenue from operations	63,344	59,360*	6.7
Profit after tax attributable to members	15,119	14,364	5.3
Net profit after tax attributable to members	15,119	14,364	5.3

<b>Dividends for the current year are:</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Interim Dividend FY2020 fully franked at 30%</b>  Payable on 15 April 2019  Record date for determining entitlements for the interim dividend is 2 March 2020.	14.25 cents	14.25 cents
<b>Dividends for the previous year were:</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final dividend – 2019, fully franked at 30%</b>  Paid 1 October 2019	14.5 cents	14.5 cents
<b>Dividend Reinvestment Plan</b>	<b>Last Date for Receipt of DRP Election Notice</b>	
The MyState Limited Dividend Reinvestment Plan is operational for this interim dividend.	3 March 2020	
<b>Net Tangible Assets per share</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
	268 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 21 February 2020.

Further information regarding MyState Limited and its business activities can be obtained by visiting the company's website at [www.mystatelimited.com.au](http://www.mystatelimited.com.au).

Yours faithfully



Scott Lukianenko  
Company Secretary

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Appendix 4D

**Consolidated Interim Financial Report**

For the period ended 31 December 2019

ABN 26 133 623 962

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**MyState Limited**  
**Appendix 4D: Consolidated Interim Financial Report**  
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## Directors' Report

Your Directors present their report on MyState Limited for the half year ended 31 December 2019.

### Directors

- **Miles Hampton** BEc (Hons), FCPA, FAICD  
Chairman and independent non-executive Director.
- **Melos Sulicich** BBus, GAICD, SA FIN  
Managing Director – 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 (deceased 20 November 2019)  
Independent non-executive Director.
- **Vaughn Richtor** BA (Hons), MAICD (commenced 1 September 2019)  
Independent non-executive Director.
- **Andrea Waters** BCom, FCA, GAICD  
Independent non-executive Director.

### Company Secretary

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

### Principal Activities

Banking Services	Trustee Services	Funds Management
<ul style="list-style-type: none"><li>▪ Personal, residential and business banking</li><li>▪ Transactional, internet &amp; mobile banking</li><li>▪ Savings and investments</li><li>▪ Insurance and other alliances</li></ul>	<ul style="list-style-type: none"><li>▪ Estate planning</li><li>▪ Estate and trust administration</li><li>▪ Power of attorney</li><li>▪ Corporate trustee</li></ul>	<ul style="list-style-type: none"><li>▪ Managed fund investments</li></ul>

MyState Limited provides banking, trustee and managed fund products and services through its wholly-owned subsidiaries MyState Bank Limited (MyState Bank) and TPT Wealth Limited (TPT Wealth).

TPT Wealth, formerly named "Tasmanian Perpetual Trustees Limited", rebranded on 2 December 2019 as part of MyState Group's transformation of the Wealth business. TPT Wealth now has national distribution capability along with new digital products and services. Its principal activities, as listed in the table above, are unchanged. This follows the divestment of the retail financial planning business on 28 June 2019.

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

## Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 14.25 cents per share. The dividend will be payable on 15 April 2020 to shareholders on the register at the record date of 2 March 2020.

Dividends paid in the half year ended 31 December 2019 were as follows:

- In respect of the year ended 30 June 2019, a fully franked final dividend of 14.5 cents per share, amounting to \$13.204m, was paid on 1 October 2019.

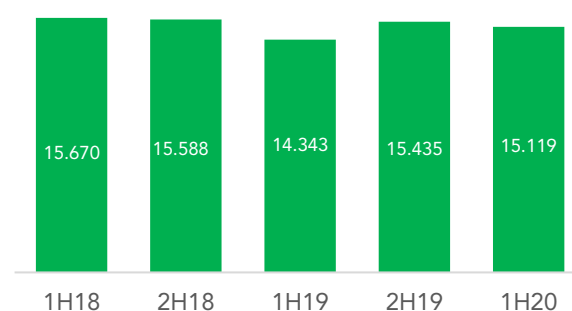
## Operating and Financial Review

### Financial Performance

The Group recorded a net profit after income tax (NPAT) for the half year ended 31 December 2019 of \$15.1m, an increase of 5.4% from \$14.3m in the prior corresponding period ended 31 December 2018 (pcp).

Earnings per share increased by 4.4% to 16.57 cents per share on the pcp (1H FY19: 15.87 cents per share) and return on average equity increased 27bps to 9.3%, which compares favourably to regional and bank peers.

### Net Profit after Tax (\$ m)\*



The half year result for the Group was largely driven by improved banking net interest income (NII), up 9.1% to \$48.2 million. This reflected balance sheet growth, a reduction in retail and wholesale funding costs and disciplined deposit and lending margin management. The result also benefited from ongoing process re-engineering, increased use of automated processes and robotics.

The lending environment for owner-occupied home loans remained competitive during the period, despite slow system credit growth. The total lending book grew \$49.8m during 1H20.

Income growth exceeded the increase in operating costs, which grew \$1.9m or 4.8% on 1H19 (including depreciation and amortisation) as the company continued to increase investment in capability, marketing and technology, in addition to higher depreciation and amortisation from previous IT systems and digital investment. The cost to income ratio improved by 116bp to 64.9%.

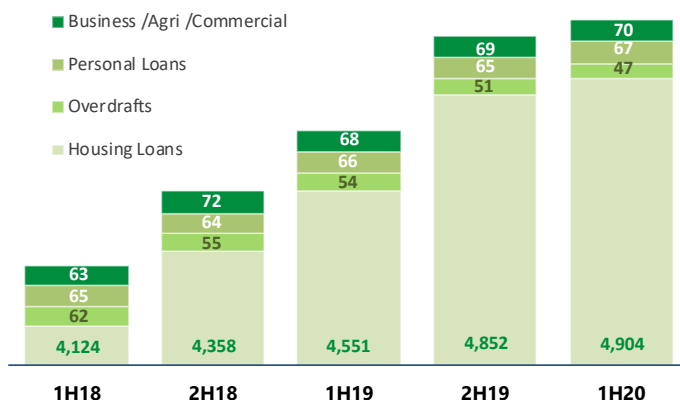
TPT Wealth reported a net profit after income tax for the half year ended 31 December 2019 of \$1.9m, compared to \$2.2m in the pcp (excluding discontinued operations).

Over the first half, the business continued ongoing investment in digitisation, delivering new digital services with greater responsiveness and speed of service. Our first RPA (Robotics Process Automation) process was implemented in the business, speeding up and simplifying processes and saving staff and customer time. We are focused on anticipating and meeting the evolving needs of our customers and it is pleasing that this investment in improving customer experience has been recognised in the Group's net promoter score of +40 at the end of the first half, up from +39 at the

end of December 2018. This result places MyState among the leading financial services firms in Australia, significantly above most banking peers.

### *High credit quality maintained in 1H20*

#### Total Book Composition (\$m)



repayments. Impairments remain at historic lows and 30+ and 90+ day arrears remain well below industry benchmarks (at 0.56% and 0.29% respectively).

MyState Bank is focused on low risk, owner-occupied lending with a loan-to-valuation ratio of less than 80%.

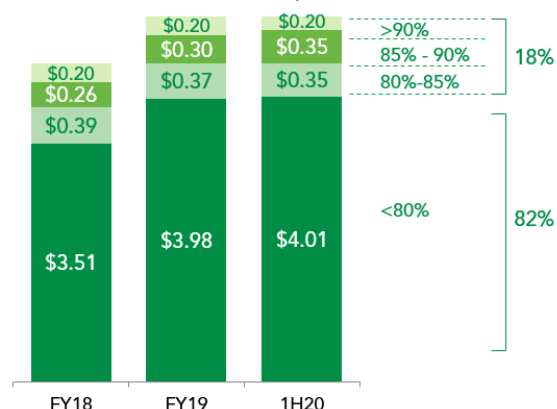
The banking loan portfolio grew 1% on pcp, reaching \$5,088 million at 31 December 2019.

The impairment expense of \$0.6 million on loans and advances reflects an increase in both total and 90+ days arrears balances in the home loan portfolio. This resulted from a very small number of high value mortgage loans falling behind in

Exposure to investor and interest-only lending remains very low.

During the period, MyState Bank continued to grow its customer base across the eastern seaboard of Australia, with the proportion of home loans outside of Tasmania increasing from 58.2% to 59.1% since 30 June 2019. Over recent years, MyState has moved from being a predominantly Tasmanian bank to a national bank which is based in Tasmania.

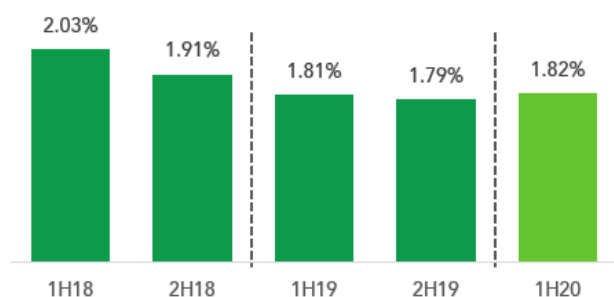
#### Home loan book – LVR profile (\$b)



### *Reduced funding costs*

Funding costs in 1H20 were below pcp, as wholesale funding rates eased nearly 90 basis points and the Reserve Bank reduced the cash rate in July and October.

### NIM trend



Interest income benefited from a home loan (HL) book that was \$441m (9.9%) higher (on average) than the pcg (on the back of strong 2H19 portfolio growth). The book grew \$51.3m (1%) in 1H20. Applications of \$0.98 billion and settlements of \$0.55 billion were slightly below the pcg.

The repricing of mortgages also helped to contribute to margin maintenance in the half.

Customer deposits, which are important to ensure a competitive and stable funding base, were \$3.684 billion, up \$240.8m or 7.0% on the pcg.

The bank's Bonus Saver account received a five-star rating from Canstar and an Experts Choice Award from Mozo, confirming the product as one of the country's top in its class. The bank's Business Online Saver was also awarded an Experts Choice from Mozo for Small Business No Strings Savings.

### Non-interest income from banking activities

Non-interest income from banking activities was below the prior period, in line with market and industry trends. Increased uptake of digital products and preferences for lower-cost self-serve functionality also impacted non-interest income, which declined by \$0.425m (5.8%) on the pcg.

### TPT Wealth

In a significant step, which supports plans for national growth, Tasmanian Perpetual Trustees was re-branded as TPT Wealth and a new investor portal launched which enables investors to manage their investments online.

TPT Wealth revenue from continuing operations increased to \$8.2 million, up 5.1% from \$7.8 million in the pcg. Funds under management were \$1.186 billion at 31 December 2019, a decade high, up 1.3% from \$1.170 billion at 30 June 2019.

### Funds under management (\$m)

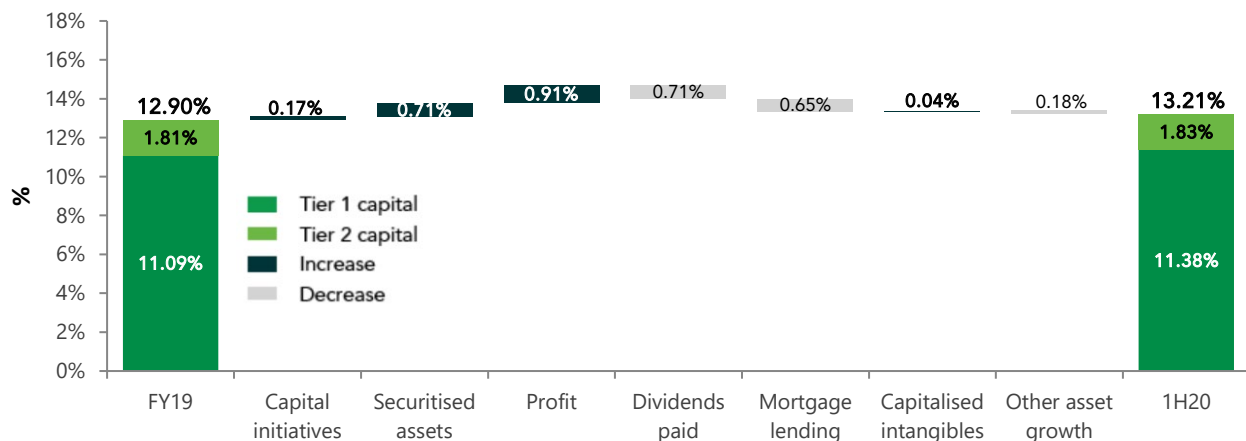


### Strong capital position

The Group has maintained its strong balance sheet with a total capital ratio at 31 December 2019 of 13.21%, 31 basis points higher than at 30 June 2019. The Group also improved its Common Equity Tier 1 capital ratio by 29bps to 11.38% and is well positioned to meet the expected changes to APRA's capital standards.



## Capital



The Board continues to explore a range of alternatives to further improve balance sheet efficiency.

### ***Robust risk & regulatory framework and track record***

The Group has continued to invest in strengthening its risk management capability and embedding an even stronger risk culture.

MyState's approach to risk management continues to mature and is overseen by the Board and its Group Risk Committee, supported by a well-defined and detailed risk appetite statement, contemporary processes and systems and an industry standard three lines of defence model, which supports the identification, assessment, evaluation and management of risk.

Conduct risk is an area of risk that has attracted much attention within the sector and MyState's long-standing commitment to delivering great customer outcomes continues to be affirmed by our Customer Advocate, a role independent from the bank's existing complaints resolution process and designed to ensure the most difficult customer complaints are managed appropriately and with direct access to the CEO if necessary.

In addition, our commitment to our Code of Conduct has been strengthened by improvements to our whistle blower program. MyState adopted the new Banking Code of Practice on 1 July 2019. Core to the Banking Code are the concepts of being diligent and prudent bankers, and understanding our duty of care for all our customers.

### ***Outlook***

MyState continues to build its strategic position with excellent asset quality, modern digital platforms and broader management capabilities.

While lending momentum in the first quarter was below expectations, application flows and settlements were stronger in the second quarter. This momentum has continued in 2020, further assisted by the early and strong uptake of applicants for the Federal Government's First Home Loan Deposit Scheme. Margin management remains important in the context of a low interest rate environment that is expected to be a feature of the industry for the foreseeable future.

The business is realising the benefits from its significant investment in digital technology and rebranding. The focus for 2H20 will be to continue to build customer advocacy and further grow the customer base nationally, as well as to pursue further operating efficiencies.

A multi-year plan to reinvigorate TPT Wealth is in place. The first phase of this plan completed in December with the launch of the new managed fund platform. Building a national distribution capability is expected to provide further revenue diversity, with new services and improved returns for investors.

We have a clear organic revenue growth strategy and a significant opportunity to build our business. Superior customer outcomes remain the priority, as digital transformation and capability increase the Group's positive momentum.

### ***MyState Managing Director and CEO update***

On 10 January 2020, MyState informed the market that Managing Director and Chief Executive Officer, Melos Sulicich, had advised the Board of his decision to resign and will be leaving the company in July 2020. Chairman of MyState, Miles Hampton, said that Mr Sulicich who joined the company in 2014 has had a significant impact on the business.

"Melos has overseen a period of substantial growth, and successfully led us through a very challenging period for the banking industry in Australia. We are now a significantly different business, and have created a banking and wealth business that is well set for the future."

The Board has commenced the process to appoint a new Managing Director and Chief Executive Officer and will update shareholders as this process progresses.

## 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 2019.

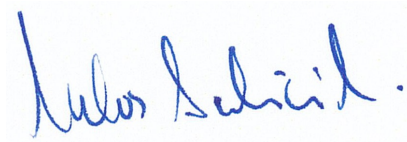
## Rounding of amounts

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

21 February 2020, 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 2019, 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.



Danny McCarthy  
Partner  
WLF Accounting & Advisory

Date: 21 February 2020

**MyState Limited**  
**Consolidated Income Statement**  
**for the half year ended 31 December 2019**

	Notes	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
Interest income	2.1	98,031	99,100
Interest expense (i)	2.1	(49,872)	(54,952)
<b>Net interest income</b>		<b>48,159</b>	<b>44,148</b>
Non-interest income from banking activities	2.1	6,969	7,394
<b>Net banking operating income</b>		<b>55,128</b>	<b>51,542</b>
Income from wealth management activities (ii)	2.2	8,216	7,818
<b>Total operating income</b>		<b>63,344</b>	<b>59,360</b>
<b>Less: Expenses</b>			
Personnel costs (ii)		19,054	18,045
Administration costs (i) & (ii)	2.3	7,821	7,723
Technology costs	2.3	7,470	6,723
Occupancy costs (ii)	2.3	2,564	3,099
Marketing costs		2,686	1,931
Governance costs		1,525	1,706
<b>Total operating expenses</b>		<b>41,120</b>	<b>39,227</b>
<b>Profit before impairment and tax expense</b>		<b>22,224</b>	<b>20,133</b>
Impairment (recovery) / expense on loans and advances	3.1	602	(359)
<b>Profit before tax from continuing operations</b>		<b>21,622</b>	<b>20,492</b>
Income tax expense (ii)		6,503	6,149
<b>Profit for the period from continuing operations</b>		<b>15,119</b>	<b>14,343</b>
<b>Discontinued operations</b>			
Profit / (loss) after tax for the period from discontinued operations	1.4	-	21
<b>Profit for the period</b>		<b>15,119</b>	<b>14,364</b>
Profit attributable to the:			
<b>Equity holders of MyState Limited</b>		<b>15,119</b>	<b>14,364</b>
<b>Basic earnings per share (cents per share)</b>	2.4	<b>16.57</b>	<b>15.87</b>
<b>Diluted earnings per share (cents per share)</b>	2.4	<b>16.57</b>	<b>15.87</b>

(i) Refer to note 1.3 for information regarding the adoption of AASB 16 *Leases*.

(ii) Comparatives restated to exclude the discontinued operations disclosed in note 1.4.

**MyState Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the half year ended 31 December 2019**

	Notes	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
<b>Profit for the period</b>		<b>15,119</b>	14,364
<b>Other comprehensive income / (expense)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges - Net gains / (losses) taken to equity		(9)	64
Income tax effect		3	(19)
<b>Total other comprehensive income / (expense) for the year</b>		<b>(6)</b>	<b>45</b>
<b>Total comprehensive income for the year</b>		<b>15,113</b>	<b>14,409</b>
Total comprehensive income for the year is attributable to:			
<b>Equity holders of MyState Limited</b>		<b>15,113</b>	<b>14,409</b>

**MyState Limited**  
**Consolidated Statement of Financial Position**  
**as at 31 December 2019**

	Notes	31 Dec 2019 \$ '000	30 Jun 2019 \$ '000
<b>Assets</b>			
Cash and liquid assets	3.3	80,437	79,994
Due from other financial institutions		23,531	27,168
Other assets		8,509	7,405
Financial instruments	3.2	471,495	450,333
Loans and advances	3.1	5,101,901	5,053,091
Property, plant and equipment		5,556	5,779
Lease right of use asset (i)		13,786	-
Deferred tax assets		4,013	4,133
Intangible assets and goodwill		84,084	84,979
<b>Total assets</b>		<b>5,793,312</b>	<b>5,712,882</b>
<b>Liabilities</b>			
Due to other financial institutions		19,979	38,180
Other liabilities		8,113	7,092
Deposits and other borrowings including subordinated notes		5,412,142	5,331,516
Lease liability (i)		13,894	-
Employee benefit provisions		5,229	5,384
Tax liabilities		2,703	3,211
<b>Total liabilities</b>		<b>5,462,060</b>	<b>5,385,383</b>
<b>Net assets</b>		<b>331,252</b>	<b>327,499</b>
<b>Equity</b>			
Share capital	4.1	150,625	148,707
Retained earnings		176,536	175,880
Reserves		4,091	2,912
<b>Total equity</b>		<b>331,252</b>	<b>327,499</b>

(i) Refer to note 1.3 for information regarding the adoption of AASB 16 *Leases*.

**MyState Limited**  
**Consolidated Statement of Changes in Equity**  
**for the half year ended 31 December 2019**

	Note	Share capital \$ '000	Retained earnings \$ '000	General reserve for credit losses \$ '000	Employee equity benefits reserve \$ '000	Hedging reserve \$ '000	Total \$ '000
<b>At 1 July 2018</b>		<b>145,380</b>	<b>170,568</b>	<b>4,428</b>	<b>483</b>	<b>(197)</b>	<b>320,662</b>
Impact of adoption of new accounting standards		-	(1,338)	-	-	-	(1,338)
<b>Restated opening total equity</b>		<b>145,380</b>	<b>169,230</b>	<b>4,428</b>	<b>483</b>	<b>(197)</b>	<b>319,324</b>
Profit for the period		-	14,364	-	-	-	14,364
Other comprehensive income / (expense)		-	-	-	-	45	45
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>14,364</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>14,409</b>
Equity issued under employee share scheme		77	-	-	-	-	77
Equity issued under dividend reinvestment plan		1,558	-	-	-	-	1,558
Share based payment expense recognised		-	-	-	129	-	129
Dividends paid	2.5	-	(13,097)	-	-	-	(13,097)
<b>At 31 December 2018</b>		<b>147,015</b>	<b>170,497</b>	<b>4,428</b>	<b>612</b>	<b>(152)</b>	<b>322,400</b>
<b>At 1 July 2019</b>		<b>148,707</b>	<b>175,880</b>	<b>2,749</b>	<b>640</b>	<b>(477)</b>	<b>327,499</b>
Profit for the year		-	15,119	-	-	-	15,119
Other comprehensive income / (expense)		-	-	-	-	(6)	(6)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>15,119</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>15,113</b>
Equity issued under employee share scheme		88	-	-	-	-	88
Equity issued under executive long term incentive plan		170	-	-	(170)	-	-
Equity issued under dividend reinvestment plan		1,660	-	-	-	-	1,660
Share based payment expense recognised		-	-	-	96	-	96
Transfer to retained earnings		-	(1,259)	1,259	-	-	-
Dividends paid	2.5	-	(13,204)	-	-	-	(13,204)
<b>At 31 December 2019</b>		<b>150,625</b>	<b>176,536</b>	<b>4,008</b>	<b>566</b>	<b>(483)</b>	<b>331,252</b>

The accompanying notes form part of these financial statements.



**MyState Limited**  
**Consolidated Statement of Cash Flows**  
**for the half year ended 31 December 2019**

	Notes	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
<b>Cash flows from operating activities</b>			
Interest received		104,891	104,800
Interest paid		(56,431)	(53,349)
Fees and commissions received		14,373	15,788
Other non-interest income received		1,771	531
Payments to suppliers and employees		(38,745)	(39,318)
Income tax paid		(6,888)	(7,780)
<b>Net cash flows from / (used in) operating activities</b>		<b>18,971</b>	<b>20,672</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(1,557)	(2,912)
Proceeds from sale of property, plant and equipment		10	-
Purchase of property, plant and equipment		(263)	(700)
Net (increase) / decrease in loans to customers		(56,004)	(195,781)
Net (increase) / decrease in amounts due from other financial institutions		(18,046)	(3,080)
<b>Net cash flows from / (used in) investing activities</b>		<b>(75,860)</b>	<b>(202,473)</b>
<b>Cash flows from financing activities</b>			
Employee share issue		-	77
Dividends paid net of dividend reinvestment plan	2.5	(11,544)	(11,539)
Net increase / (decrease) in deposits and other borrowings including subordinated debt		70,255	210,986
Lease financing		(1,379)	-
<b>Net cash flows from / (used in) financing activities</b>		<b>57,332</b>	<b>199,524</b>
Net increase / (decrease) in cash held		443	17,723
Cash at beginning of financial year		79,994	67,876
<b>Closing cash carried forward</b>	3.3	<b>80,437</b>	<b>85,599</b>

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

**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 2019.

**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 during the period;
Company	MyState Limited;
Period	the half year ended 31 December 2019; and
ASIC	Australian Securities and Investments Commission.

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 2018. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2019. 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 2019, except as otherwise detailed in the notes herein.

**1.3 New Accounting Standard - AASB 16 Leases**

The Group adopted AASB 16 *Leases* from 1 July 2019, but has not restated comparatives for the 2019 reporting period as permitted under the modified retrospective transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had been previously classified as 'operating' leases under the principles of AASB 117 *Leases*; the Group did not have any 'finance' leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the leases range from 5 to 10%.

Note that costs incurred from operating leases, not recognised as right-of-use assets under AASB 16 *Leases*, are reported in occupancy costs on the consolidated income statement. Depreciation charges relevant to right-of-use lease assets are reported in administration costs on the consolidated income statement. (Refer to note 2.3).

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

**1.3 New Accounting Standard - AASB 16 Leases (continued)**

The change in policy resulted in the recognition of a \$15.4M lease liability and an equal right-of-use lease asset on 1 July 2019.

In applying AASB 16 for the first time, the Group has used two practical expedients permitted by the standard. The first is the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and the second is to place reliance on previous assessments on whether leases are onerous.

**1.4 Discontinued operations**

On 17 June 2019, the Group publicly announced the decision of its Board of Directors to sell its retail financial planning business, a division of its wholly-owned subsidiary, TPT Wealth Limited. The sale was completed on 28 June 2019.

The retail financial planning business previously formed part of the "Wealth" segment. As the division is now classified as a discontinued operation, it is no longer presented in the segment note. The results of the division for the half year are presented in the following table:

	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
Revenue from contracts with customers	-	1,308
Expenses	-	(1,278)
<b>Profit / (loss) before tax from discontinued operations</b>	-	30
<b>Tax benefit / (expense)</b>		
Tax on disposal of discontinued operations	-	-
Tax related to operations of the discontinued operations	-	(9)
Tax on remeasurement to fair value	-	-
<b>Profit / (loss) for the year from discontinued operations</b>	-	21

**Write-down of trade receivables**

Following the classification of the retail financial planning business as a discontinued operation, the recoverable amount was estimated for certain trade receivables. An impairment loss was identified of \$0.16M, which was recognised in the carrying amount of the assets in the disposal group and in the Consolidated Income Statement within Discontinued Operations.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
<b>2.1 Net banking operating income</b>		
<b>Interest income</b>		
Loans and advances	93,859	93,383
Investment securities	4,172	5,717
<b>Total interest income</b>	<b>98,031</b>	<b>99,100</b>
<b>Interest expense</b>		
At call deposits	6,347	6,880
Fixed term deposits	42,924	48,072
Financing cost - leases (i)	601	-
<b>Total interest expense</b>	<b>49,872</b>	<b>54,952</b>
<b>Non-interest income from banking activities</b>		
Transaction fees	2,367	2,600
Loan fees	2,212	2,381
Banking commissions	1,516	1,680
Other banking operations income	874	733
<b>Total non-interest income from banking activities</b>	<b>6,969</b>	<b>7,394</b>
(i) Refer to note 1.3 for information regarding the adoption of AASB 16 <i>Leases</i> .		
<b>2.2 Income from wealth management activities</b>		
Funds management income	5,602	5,322
Other fees and commissions (ii)	2,614	2,496
<b>Total income from wealth management activities</b>	<b>8,216</b>	<b>7,818</b>
(ii) Comparatives restated to reflect the discontinued operations disclosed in note 1.4.		
<b>2.3 Expenses</b>		
The following items are included within each item of specified expenses:		
<b>Occupancy costs include:</b>		
Operating lease payments (i)	-	1,994
Depreciation - right-of-use lease assets (i)	1,489	-
Depreciation - buildings and leasehold improvements	287	419
<b>Technology costs include:</b>		
Amortisation - computer software	2,483	2,024
<b>Administration costs include:</b>		
Depreciation - furniture, equipment and computer hardware	157	198
(i) Refer to note 1.3 for information regarding the adoption of AASB 16 <i>Leases</i> .		

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

	31 Dec 2019 cents	31 Dec 2018 cents
<b>2.4 Earnings per share</b>		
Basic earnings per share from continuing operations	16.57	15.85
Basic earnings per share from discontinued operations	-	0.02
<b>Total basic earnings per share</b>	<b>16.57</b>	<b>15.87</b>
Diluted earnings per share from continuing operations	16.57	15.85
Diluted earnings per share from discontinued operations	-	0.02
<b>Total diluted earnings per share</b>	<b>16.57</b>	<b>15.87</b>

The following table details the weighted average number of shares used in the calculation of basic and diluted earnings per share:

	Number	Number
<b>Weighted average number of ordinary shares used in calculating basic and diluted earnings per share</b>	<b>91,245,917</b>	90,498,267

**2.5 Dividends**

	Date of payment	31 Dec 2019 \$ '000	31 Dec 2018 \$ '000
<b>Dividends paid</b>			
2019 Final dividend paid - 14.5 cents per share	1 Oct 2019	13,204	13,097

The dividends paid during the year were fully franked at the 30 per cent corporate tax rate.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

**2.6 Segment financial information**

**Operations of reportable segments**

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 review 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, overdraft, line of credit and commercial products, transactional savings accounts, 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 MyState Bank Limited.

**Wealth Management division**

The Wealth Management division is a provider of funds management and trustee services. It operates predominantly within Tasmania. It holds \$1.19 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 9 managed investment schemes. The division also provided financial planning however ceased to do so in June 2019, refer to note 1.4. The results relating to financial planning have been excluded from the segment note below for the current and prior financial year. The Wealth Management division is conducted by TPT Wealth Limited. TPT Wealth 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 eliminations are allocated between the Banking division and the Wealth Management division.

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
<b>Half year ended 31 December 2019</b>				
Interest income	97,880	103	48	98,031
Interest expense	(49,872)	-	-	(49,872)
Other income	7,493	8,216	(524)	15,185
Other expenses	(36,656)	(5,516)	450	(41,722)
Income tax expense	(5,649)	(854)	-	(6,503)
<b>Segment profit for the period</b>	<b>13,196</b>	<b>1,949</b>	<b>(26)</b>	<b>15,119</b>
<b>Segment balance sheet information</b>				
Segment assets	5,721,999	24,680	46,633	5,793,312
Segment liabilities	5,463,811	1,713	(3,464)	5,462,060
<b>Half year ended 31 December 2018</b>				
Interest income	98,924	118	58	99,100
Interest expense	(54,952)	-	-	(54,952)
Other income (i)	7,462	7,818	(68)	15,212
Other expenses (i)	(34,088)	(4,790)	10	(38,868)
Income tax expense (i)	(5,203)	(946)	-	(6,149)
<b>Segment profit for the period (i)</b>	<b>12,143</b>	<b>2,200</b>	<b>-</b>	<b>14,343</b>
<b>Segment balance sheet information as at 30 June 2019</b>				
Segment assets	5,634,791	29,283	48,808	5,712,882
Segment liabilities	5,382,178	4,342	(1,137)	5,385,383

(i) Comparatives restated to reflect the discontinued operations disclosed in note 1.4.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

	31 Dec 2019 \$ '000	30 Jun 19 \$ '000
<b>3.1 Loans and advances</b>		
<b>Classification of loans and advances at amortised cost</b>		
Residential loans secured by mortgage	4,920,993	4,870,272
Personal loans and unsecured overdrafts	67,147	74,752
Overdrafts secured by mortgage	65,910	41,068
Commercial loans	50,750	69,363
<b>Total loans and advances at amortised cost</b>	<b>5,104,800</b>	<b>5,055,455</b>
Specific provision for impairment	239	266
Collective provision for impairment	2,660	2,098
<b>Total loans and advances at amortised cost net of provision for impairment</b>	<b>5,101,901</b>	<b>5,053,091</b>

**Provision for impairment**

<b>Specific provision for impairment</b>		
Opening balance (i)	266	215
Net specific provision funding	-	521
Write-off of previously provisioned facilities	(27)	(470)
<b>Closing balance of specific provision for impairment (i)</b>	<b>239</b>	<b>266</b>
<b>Collective provision for impairment</b>		
Opening balance (i)	2,098	1,943
Net collective provision funding	562	(16)
Write-off of previously provisioned facilities	-	171
<b>Closing balance of collective provision for impairment (i)</b>	<b>2,660</b>	<b>2,098</b>

(i) The opening balance for the comparative period is 1 January 2019 and the closing balance is 30 June 2019.

	31 Dec 2019 \$ '000	31 Dec 18 \$ '000
<b>Charge to profit for impairment on loans and advances</b>		
Increase / (decrease) in specific provision for impairment	-	(7)
Increase / (decrease) in collective provision for impairment	562	(328)
Bad debts recovered	(398)	(498)
Bad debts written off directly	438	474
<b>Total impairment (recovery) / expense on loans and advances</b>	<b>602</b>	<b>(359)</b>

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 Management division's customers are predominantly in the state of Tasmania.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

### 3.2 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.

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

	31 December 2019		30 June 2019	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
<b>Financial assets</b>				
Financial instruments	471,387	471,037	450,125	451,903
Loans and advances	5,101,901	5,132,079	5,053,091	5,043,730
<b>Total financial assets</b>	<b>5,573,288</b>	<b>5,603,116</b>	<b>5,503,216</b>	<b>5,495,633</b>
<b>Financial liabilities</b>				
Deposits	3,994,869	3,995,688	3,994,242	3,992,342
Other borrowings including subordinated notes	1,417,273	1,417,273	1,337,274	1,337,274
<b>Total financial liabilities</b>	<b>5,412,142</b>	<b>5,412,961</b>	<b>5,331,516</b>	<b>5,329,616</b>

#### Fair value hierarchy

The level in the fair value hierarchy of the inputs used in determining the fair values is shown below. The fair value of these assets is:

- 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.



**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

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

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
<b>31 December 2019</b>				
<b>Financial assets</b>				
Financial instruments	-	471,037	-	471,037
Loans and advances	-	-	5,132,079	5,132,079
<b>Financial liabilities</b>				
Deposits	-	3,995,688	-	3,995,688
Other borrowings including subordinated	-	1,417,273	-	1,417,273
<b>30 June 2019</b>				
<b>Financial assets</b>				
Financial instruments	-	451,903	-	451,903
Loans and advances	-	-	5,043,730	5,043,730
<b>Financial liabilities</b>				
Deposits	-	3,992,342	-	3,992,342
Other borrowings including subordinated notes	-	1,337,274	-	1,337,274

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.

	31 Dec 2019 \$ '000	30 Jun 19 \$ '000
<b>3.3 Statement of Cash Flows</b>		
For the purposes of the Statement of Cash Flows, cash and liquid assets includes:		
Notes, coins and cash at bank	68,493	66,972
Other short term liquid assets	11,944	13,022
<b>Total cash and liquid assets</b>	<b>80,437</b>	<b>79,994</b>

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

**3.4 Average balance sheet and sources 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.

	31 Dec 2019			30 June 2019		
	Average balance \$ '000	Interest (i) \$ '000	Average rate %	Average balance \$ '000	Interest \$ '000	Average rate %
<b>Average assets and interest income (i)</b>						
<b>Interest-earning assets</b>						
Cash and liquid assets	79,608	164	0.41%	67,178	370	0.55%
Financial instruments	458,505	4,008	1.73%	425,122	11,381	2.68%
Loans and advances (ii)	4,822,790	93,859	3.86%	4,481,845	190,352	4.25%
<b>Total average interest-earning assets</b>	<b>5,360,903</b>	<b>98,031</b>	<b>3.63%</b>	<b>4,974,145</b>	<b>202,103</b>	<b>4.06%</b>
Non-interest earning assets	142,380	-	-	102,811	-	-
<b>Total average assets</b>	<b>5,503,283</b>	<b>98,031</b>	<b>3.53%</b>	<b>5,076,956</b>	<b>202,103</b>	<b>3.98%</b>
<b>Average liabilities and interest expense</b>						
<b>Interest-bearing liabilities</b>						
Deposits and derivatives	3,910,677	30,669	1.56%	3,550,144	72,419	2.04%
Notes and bonds on issue	1,462,144	18,602	2.52%	1,193,405	40,301	3.38%
<b>Total average interest-bearing liabilities</b>	<b>5,372,821</b>	<b>49,271</b>	<b>1.82%</b>	<b>4,743,549</b>	<b>112,720</b>	<b>2.38%</b>
Non-interest bearing liabilities	54,961	-	-	46,903	-	-
<b>Total average liabilities</b>	<b>5,427,782</b>	<b>49,271</b>	<b>1.80%</b>	<b>4,790,452</b>	<b>112,720</b>	<b>2.35%</b>
Reserves	314,073	-	-	302,877	-	-
<b>Total average liabilities and reserves</b>	<b>5,741,855</b>	<b>49,271</b>	<b>1.70%</b>	<b>5,093,329</b>	<b>112,720</b>	<b>2.21%</b>

(i) Financing costs relating to leases is excluded from this analysis.

(ii) Interest bearing loans and advances are net of offset facilities.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2019**

	31 Dec 2019 \$ '000	30 Jun 19 \$ '000
<b>4.1 Share capital</b>		
Issued and paid up ordinary shares	150,625	148,707

**Movements in ordinary share capital**

	31 Dec 2019		31 Dec 2018	
	Number of shares	Amount \$ '000	Number of shares	Amount \$ '000
Opening balance	91,040,545	148,707	90,308,117	145,380
Shares issued pursuant to the				
- Group employee share scheme	18,885	88	15,983	77
- Executive long term incentive plan	41,310	170	-	-
- Dividend reinvestment plan	375,245	1,660	335,326	1,558
<b>Closing balance</b>	<b>91,475,985</b>	<b>150,625</b>	<b>90,659,426</b>	<b>147,015</b>

**Terms and conditions**

Ordinary shares have the right to receive dividends as declared from time to time and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote per share, either in person or by proxy at meetings of the Company.

The Company does not have authorised capital or par value in respect of its issued shares.

	31 Dec 2019 \$ '000	30 Jun 19 \$ '000
<b>4.2 Customer commitments</b>		
(a) Loans approved but not advanced to borrowers	61,952	50,529
(b) Undrawn continuing lines of credit	58,595	59,092
(c) Performance guarantees	4,535	3,378

There have been no material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2019.

**4.3 Events subsequent to balance date**

There were no matters or circumstances that have arisen since the end of the year 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.

**MyState Limited**  
**Directors' Declaration**  
**for the half year ended 31 December 2019**

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

In the opinion of the Directors:

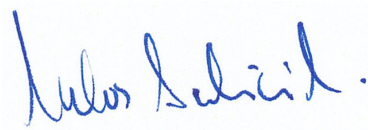
- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
  - (ii) Complying with Accounting 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  
**Chairman**



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

Hobart  
Dated 21 February 2020.

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 2019, 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 2019 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.

### 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.

Liability limited by a scheme approved under Professional Standards Legislation.

## 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 2019 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*.

A handwritten signature in black ink, appearing to be 'DM' followed by a long horizontal stroke.

**Danny McCarthy**

Partner

WLF Accounting & Advisory

Date: 21 February 2020