

23 February 2018

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 2017**

The Directors of MyState Limited (the “Company”) are pleased to announce the audited results of the Company for the half year ended 31 December 2017 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracted from the Financial Statements for the half year ended	\$'000 31 December 2016	\$'000 31 December 2017	% Change
Revenue from operations	61,836	64,044	3.57%
Profit after tax attributable to members	15,190	15,792	3.96%
Net profit after tax attributable to members	15,190	15,792	3.96%

Dividends for the current year are:	Amount per security	Franked amount per security
Interim Dividend FY2018 fully franked at 30% Payable on 29 March 2018 Record date for determining entitlements for the interim dividend is 5 March 2018.	14.25 cents	14.25 cents
Dividends for the previous year were:	Amount per security	Franked amount per security
Final dividend – 2017, fully franked at 30% Paid 13 September 2017	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.	6 March 2018	
Net Tangible Assets per share	2016	2017
	243 cents	243 cents

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 23 February 2018.

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



Directors Report & Consolidated Financial Statements

For the half year ended 31 December 2017

Directors' Report

for the half-year ended 31 December 2017

Directors' Report

Your Directors present their report on MyState Limited (the Company) for the half-year ended 31 December 2017.

Directors

- **Miles L Hampton** BEc (Hons), FCIS, FCPA, FAICD
Chairman and independent non-executive Director.
- **Melos A Sulicich** BBus, GAICD, SA FIN
Managing Director – Executive Director.
- **Peter D Armstrong** BEc (Hons), DipED, Dip FP, CPA, FAICD, FAMI
Independent non-executive Director.
- **Robert L Gordon** BSc, MIFA, MAICD, FAMI
Independent non-executive Director.
- **Colin M Hollingsworth** CPA, MAICD, FAMI (Retired 19 October 2017)
Independent non-executive Director.
- **Sibylle Krieger** LLB (Hons), LLM, FAICD, MBA
Independent non-executive Director.
- **Warren Lee**, BCom, CA, (Commenced 19 October 2017)
Independent non-executive Director.
- **Stephen Lonie** BCom, MBA, FCA, FFin, FAICD, FIMCA
Independent non-executive Director.
- **Andrea Waters**, BCom, FCA, MAICD (Commenced 19 October 2017)
Independent non-executive Director.

Company Secretary

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

Principal Activities

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

Banking Services	Trustee Services	Wealth Management
<ul style="list-style-type: none"> ▪ Personal, residential and business banking ▪ Transactional internet & mobile banking ▪ Savings and investments ▪ Insurance and other alliances 	<ul style="list-style-type: none"> ▪ Estate planning ▪ Estate and trust administration ▪ Power of attorney ▪ Corporate trustee 	<ul style="list-style-type: none"> ▪ Managed fund investments ▪ Financial planning ▪ Portfolio administration services ▪ Portfolio advisory services ▪ Private client services

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

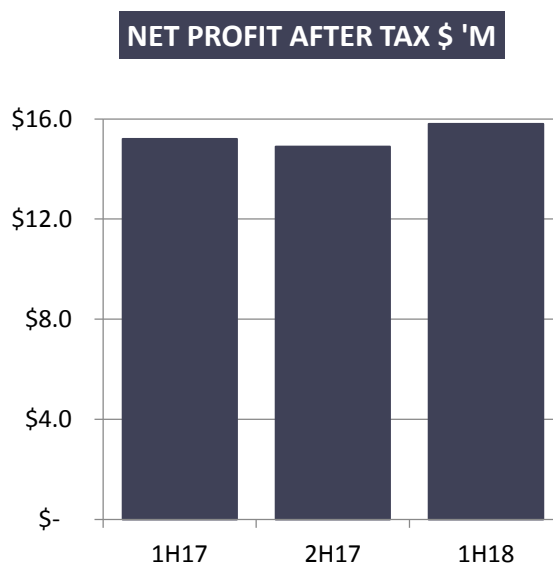
Review and Results of Operations

Growth in NPAT and EPS with a lower cost to income ratio

MyState Limited recorded net profit after income tax for the half year ended 31 December 2017 of \$15.8 million, an increase of 3.9% on the prior corresponding period 31 December 2016 (pcp) of \$15.2 million.

Earnings per share of 17.56 cents represents an increase of 0.27 cents per share / 1.6% from the pcp of 17.29 cents per share. Return on equity increased 0.25% on the pcp to 10.2%.

The combination of growth in total income and maintaining a relatively flat cost profile on the pcp resulted in a 182 bp reduction in the cost to income ratio to 64.6%.



The Group is realising the benefit of its recent investment in digital technology platforms and capabilities to reduce operating cost to income and acquire customers digitally, and has continued to invest to create a simpler, more customer-centric business.

In an environment of increasing competition, particularly in relation to low risk owner occupied housing loans, the Group's banking business has continued to grow, expanding its geographic footprint and maintaining its high credit quality standards within its loan book, while maintaining a stable Net Interest Margin (NIM).

The Group's wealth management business also reported pleasing revenue and profit growth, underpinned by strong growth in funds under management (FUM) and an improvement in the trustee business.

Embracing digital transformation

MyState commenced the half year with improved operating leverage following a period of significant investment in its digital capabilities. The Group has rapidly transformed and modernised its technology platforms and digital offerings and continues to do so, keeping pace with changing customer needs and enabling growth beyond traditional distribution channels and geographies.

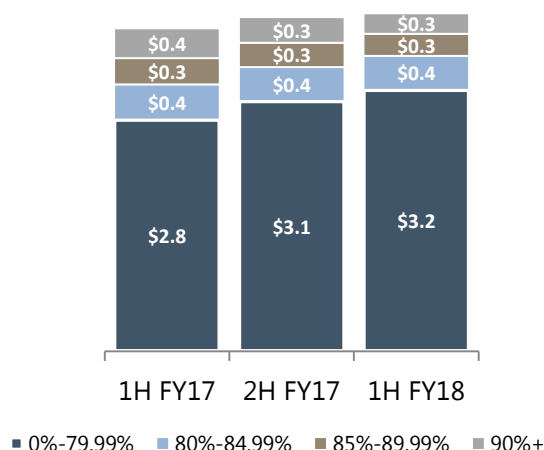
The Group is continuing to innovate in its digital customer acquisition with the successful implementation of online application processes and paperless signatures. The Group's systems are also fully enabled for the impending release of the New Payments Platform real-time payments which has been a focus this half year in the digital strategy.

The Group is benefiting from these projects through reduced costs as well as increasing customer self service, providing customers with an attractive digital offering and making products more accessible through online application processes.

High quality asset growth and credit performance

The banking loan portfolio grew \$46.94 million / 1.10% during the period. This growth rate is subdued relative to recent periods reflecting some headwinds in current market. Continuing regulatory restrictions on investor and interest only lending across the industry, coupled with a recent slowing in system credit growth, has increased competition for owner occupier lending. Notwithstanding these challenges, MyState continued to grow its loan portfolio and maintain margins.

Home loan book LVR profile (\$b)



Importantly, growth in less than 80% loan-to-valuation-ratio (LVR) lending grew at 13% on the pcg and investor and interest only lending was maintained well below that of peers.

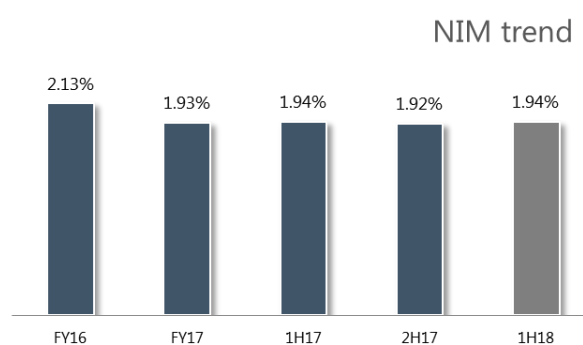
Impairment charges remain very low, with 30 day arrears 0.56% of the loan portfolio and 90 day arrears of 0.13%, well below benchmarks for both major and regional banks.

A further highlight has been the increased geographical spread in the loan portfolio. The Group continued to grow its customer base across the eastern seaboard of Australia, with the Tasmanian loan portfolio concentration now below 50%.

With a strong focus on growing in lower LVR home loans and increased geographical spread, MyState has grown prudently and has built in resilience to any potential changes in the economic and housing cycle.

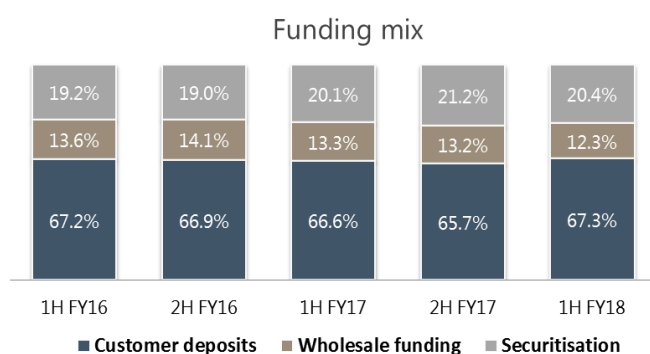
Margin improvement with stable lending volumes

Net interest margin has remained relatively stable on the pcg, and increased 2bps on 2H17. Margin management has been a priority amidst very strong competition and the combination of margin management and continued lending growth has enabled net interest income to increase 6.8% on pcg.



Downward pressure on pricing for owner-occupier lending continued and, whilst MyState has not engaged in the same level of discounting, it has introduced more competitive product suite to deliver more value to customers.

MyState has also selectively repriced some back book lending products, which has indirectly offset some of the front book margin erosion.



Funding costs eased during the period through a combination of internal and external forces. The Reserve Bank of Australia (RBA) cash rate remains at historic lows, which has translated into a lowering in the cost of deposits.

MyState's successful deposit strategy has included opening up digital channels and sourcing less costly customer funding.

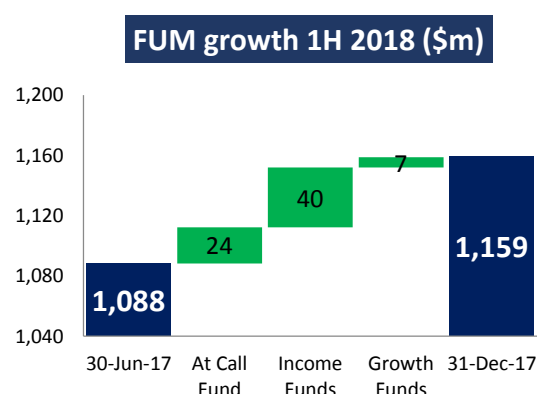
Through a combination of customer centric products and the use of the recently implemented "ApplyOnline" system, the Group has increased customer deposits by \$86.9 million and increased the proportion of customer deposit funding to 67.3% over the half year (pcp 66.6%), whilst reducing the proportion of wholesale funding.

Non-interest income from banking activities

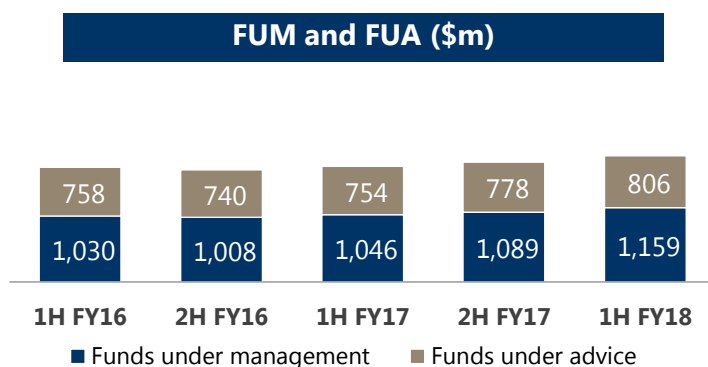
Non interest income from banking activities declined slightly by \$0.23 million / 2.68% on the pcp. This result was driven by comparably lower lending volumes and reductions in deposit fees charged to customers. Banking insurance commissions and other income from banking activities increased slightly on the pcp.

Non-Interest income: Wealth business revenue growth underpinned by strong growth in FUM and FuA

MyState's wealth management business continues to provide a diversity in revenue for the Group and, in the current period experienced strong growth across all business lines, with total income increasing \$0.88 million / 10.51% on the pcp. Wealth NPAT increased to \$2.9 million from \$2.5m in the pcp (excluding the one off gain on disposal of investment and one-off costs in the pcp).



The Wealth business' cash, income and growth funds have consistently outperformed their benchmarks. The funds continued to grow on the back of a strong FY2017 and supported an increase of \$0.34 million in management fee income compared to the pcp.



FUM has again recorded a high level of growth of \$70.5 million / 6.5% in the current period, the highest growth rate since 2005 and the highest level of FUM in almost a decade. Improved returns to investors and sound funds management has attracted growth in new

investors and supported retention of existing investors.

The financial planning and trustee services divisions also returned solid results, with total other fees and commissions increasing \$0.54 million / 14.62% on the pcp. A strengthened financial planning team supported an increase in funds under advice, which grew by 6.9% to \$806 million. The trustee services business has recorded a \$0.58 million or 31.7% increase in revenue on the pcp. This result has been

achieved through an increase in the number of probate applications and the value of estates during the current period and have started to reap the benefits of a sustained focus on generating new wills and revising existing wills over the past three years.

Targeting cost to income reductions and productivity improvement

The Group continues to target reductions in its underlying cost to income ratio leveraging technological advances that position MyState as a highly scalable modern banking business, able to deliver better customer outcomes in a more efficient manner. In the current period, the cost to income ratio reduced 182 bps on the pcip to 64.6%. Operating expenditure was prudently managed with cost growth of just \$0.30 million / 0.7% on the pcip.

Due to the significant improvement in our online and mobile banking applications and the resulting improvement in the ability of customers to self serve, we closed our Central Queensland mini-branch network and full service branches – Emerald and Biloela during the period. The benefits of these closures will flow through to following periods. Additionally, the Group conducted a productivity review during the period which will lead to ongoing process and productivity improvements, which should lead to further improvements in the cost to income ratio in the periods ahead.

Robust capital structure

The Group has maintained its balance sheet strength, with a capital ratio at 13.39%, an increase of 10bps during the period. The Group has used capital options prudently and efficiently, with limited securitisation issuance or other capital measures deployed. MyState remains well positioned to meet APRA's "unquestionably strong" CET1 ratio requirements by 1 January 2020.

Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 14.25 cents per share. The dividend will be payable on Thursday 29 March 2018 to shareholders on the register at 5pm EST on 5 March 2018. The Board has elected to maintain the dividend reinvestment plan for the dividend with new shares to be issued at a 1.5% discount to the 5 day Volume Weighted Average Price (VWAP) during the pricing period. During the current period, the final dividend in respect of the year ended 30 June 2017 of 14.5 cents per share was paid and amounted to \$12.740 million.

Outlook

Looking forward, MyState will continue to realise the benefits of its investment in its technology, digital transformation and productivity program, to build capability and efficiency across the business and to enhance the customer experience.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2017.

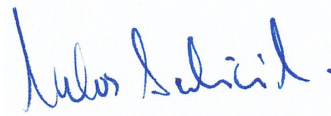
Rounding of amounts

MyState Limited is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191, dated 24 March 2016 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.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.



M L Hampton
Chairman



M A Sulicich
Managing Director

23rd February 2018, 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 2017, 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: 23 February 2018

Consolidated Income Statement

for the half year ended 31 December 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Interest income	2	94,159	90,266
Less: Interest expense	2	(47,769)	(46,813)
Net interest income		46,390	43,453
Non-interest income from banking activities	2	8,377	8,611
Net banking operating income		54,767	52,064
Income from wealth management activities	3	9,277	8,395
Profit from sale of other investments	4	-	1,362
Income from other activities	4	-	15
Total operating income		64,044	61,836
Less: Expenses			
Personnel costs		19,570	18,761
Administration costs	5	9,028	8,991
Significant due diligence project costs		-	1,279
Technology costs	5	6,014	5,181
Occupancy costs	5	3,279	3,728
Marketing costs		1,925	1,715
Governance costs		1,572	1,433
Total operating expenses		41,388	41,088
Profit before bad and doubtful debts and income tax expense		22,656	20,748
Less: Impairment expense / (recovery) on loans and advances	9	71	(232)
Profit before income tax expense		22,585	20,980
Income tax expense		6,793	5,790
Profit for the period		15,792	15,190
Profit attributable to the: Equity holders of MyState Limited		15,792	15,190
Basic earnings per share (cents per share)	6	17.56	17.29
Diluted earnings per share (cents per share)	6	17.56	17.29

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Profit for the period		15,792	15,190
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges - Net gains / (losses) taken to equity		(133)	(695)
Change in fair value of assets classified at fair value through other comprehensive income		-	(619)
Income tax effect		40	385
Total other comprehensive income for the period		(93)	(929)
Total comprehensive income for the period		15,699	14,261
Total comprehensive income for the period is attributable to:			
Equity holders of MyState Limited		15,699	14,261

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets			
Cash and liquid assets		52,800	64,226
Due from other financial institutions		12,493	35,161
Other assets		7,142	6,577
Financial instruments		422,812	420,769
Loans and advances	9	4,329,460	4,282,525
Property, plant and equipment		6,814	8,296
Deferred tax assets		4,838	4,718
Intangible assets and goodwill		89,288	88,179
Total assets		4,925,647	4,910,451
Liabilities			
Due to other financial institutions		25,992	34,319
Other liabilities		7,814	6,801
Deposits and other borrowings including subordinated notes		4,565,593	4,548,966
Employee benefit provisions		5,254	5,370
Tax liabilities		4,719	4,091
Total liabilities		4,609,372	4,599,547
Net assets		316,275	310,904
Equity			
Share capital	11	143,916	141,349
Retained earnings		167,180	164,358
Reserves		5,179	5,197
Total equity		316,275	310,904

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2017

	Share capital \$' 000	Retained earnings \$' 000	General reserve for credit losses \$' 000	Employee equity benefits reserve \$' 000	Hedging reserve \$' 000	Net unrealised gains reserve \$' 000	Total \$' 000
At 1 July 2016	134,756	159,320	4,428	675	16	433	299,628
Profit for the year	-	15,190	-	-	-	-	15,190
Other comprehensive income / (expense)	-	-	-	-	(496)	(433)	(929)
Total comprehensive income for the period	-	15,190	-	-	(496)	(433)	14,261
Equity issued under employee share scheme	80	-	-	-	-	-	80
Share based payment expense recognised	-	-	-	136	-	-	136
Dividends paid	-	(12,739)	-	-	-	-	(12,739)
At 31 December 2016	134,836	161,771	4,428	811	(480)	-	301,366
At 1 July 2017	141,349	164,358	4,428	956	(187)	-	310,904
Profit for the year	-	15,792	-	-	-	-	15,792
Other comprehensive income / (expense)	-	-	-	-	(93)	-	(93)
Total comprehensive income for the period	-	15,792	-	-	(93)	-	15,699
Equity issued under executive long term incentive plan	102	-	-	(102)	-	-	-
Share based payment expense recognised	-	-	-	177	-	-	177
Equity issued under employee share scheme	82	-	-	-	-	-	82
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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the half year ended 31 December 2017

	Notes	31 Dec 2017 \$' 000	31 Dec 2016 \$' 000
Cash flows from operating activities			
Interest received		99,028	94,177
Interest paid		(50,160)	(48,925)
Fees and commissions received		16,964	16,374
Other non-interest income received		1,310	461
Payments to suppliers and employees		(38,386)	(40,300)
Income tax paid		(6,254)	(6,928)
Net cash flows from / (used in) operating activities		22,502	14,859
Cash flows from investing activities			
Purchase of intangible assets		(2,529)	(5,124)
Proceeds from sale of property, plant and equipment		-	14
Purchase of property, plant and equipment		(113)	(419)
Net (increase) in loans to customers		(51,790)	(282,824)
Net (increase) / decrease in amounts due from other financial institutions		20,206	(26,264)
Proceeds from sale of other investments		-	3,857
Net cash flows from / (used in) investing activities		(34,226)	(310,760)
Cash flows from financing activities			
Net (decrease) / increase in deposits and other borrowings		16,626	329,463
Net (decrease) in amounts due to other financial institutions		(5,824)	(4,280)
Employee share issue		82	80
Dividends paid net of dividend reinvestment plan	7	(10,586)	(12,739)
Net cash flows from / (used in) financing activities		298	312,524
Net increase / (decrease) in cash held		(11,426)	16,623
Cash at beginning of the period		64,226	80,126
Closing cash carried forward	12	52,800	96,749

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the half year ended 31 December 2017

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 2017.

1.2 Basis of preparation

The condensed consolidated financial statements comprise of MyState Limited (the 'Company') 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, dated 24 March 2016 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 2017; 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 2016. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2017. 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 adopted in the most recent annual financial report which is for the year ended 30 June 2017.

1.3 New Accounting Standards

As disclosed in the financial report for the year ended 30 June 2017, AASB 9 Financial Instruments is effective for periods beginning on 1 July 2018. The standard introduces impairment requirements based on an expected credit loss model that replaces the incurred loss model under the current accounting standard and will change the Group's methodology for calculating the provision for doubtful debts. The Group has undertaken initial impact assessments of the financial impact on adopting the new provision methodology but has not concluded these assessments in order to be in a position to reliably estimate the impact on the financial statements. Whilst the Group is not anticipating any material impact on the financial statements on adoption of the new standard, it is expected that the collective provision will increase as is the expectation for financial institutions due to incorporating expected credit losses into the impairment assessment. Any increase on adoption of the standard will be taken through opening retained earnings with no impact on the income statement but will have a consequent impact on the Group's capital adequacy ratio.

Notes to the consolidated financial statements

for the half year ended 31 December 2017

	31 Dec 2017 \$ '000	31 Dec 2016 \$ '000
2 Income from banking activities		
Interest income		
Loans and advances	89,162	85,239
Investment securities	4,997	5,027
Total interest income	94,159	90,266
Interest expense		
At call deposits	7,024	5,664
Fixed term deposits	40,745	41,149
Total interest expense	47,769	46,813
Non-interest income from banking activities		
Transaction fees	3,678	3,816
Loan fees	2,389	2,541
Banking commissions	1,831	1,795
Other banking operations income	479	459
Total non-interest income from banking activities	8,377	8,611
3 Income from wealth management activities		
Funds management income	5,019	4,680
Other fees and commissions	4,258	3,715
Total income from wealth management activities	9,277	8,395
4 Income from other activities		
Profit from sale of other investments	-	1,362
In the half year ended 31 December 2016, the Group disposed of its investment in listed equities. The carrying value of these shares at the date of disposal was \$3,841,000.		
Dividends from other corporations	-	15
Total income from other activities	-	15
5 Expenses		
The following items are included within each item of specified expenses:		
Administration costs include:		
Amortisation - other intangibles	623	368
Depreciation - furniture and equipment	96	280
Technology costs include:		
Amortisation - computer software	1,459	966
Depreciation - computer equipment	104	75
Occupancy costs include:		
Operating lease payments	67	87
Depreciation - leasehold improvements	569	793

Notes to the consolidated financial statements

for the half year ended 31 December 2017

	31 Dec 2017 cents	31 Dec 2016 cents
6 Earnings per share		
Basic earnings per share	17.56	17.29
Diluted earnings per share	17.56	17.29

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

	31 Dec 2017 \$ '000	31 Dec 2016 \$ '000
Profit for the period	15,792	15,190

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	89,926,812	87,865,452

	31 Dec 2017 \$ '000	31 Dec 2016 \$ '000
7 Dividends		
Dividends paid		
2017 Final dividend paid: 14.5 cents per share (2016 Final dividend: 14.5 cents per share)	12,970	12,739

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 2017

8 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 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, 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 \$1.16 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 eliminations are shown between the banking division and the wealth management division.

	Banking \$ '000	Wealth management \$ '000	Corporate and consolidation \$ '000	Total \$ '000
Half year ended 31 December 2017				
Interest income	94,010	93	56	94,159
Interest expense	(47,769)	-	-	(47,769)
Other income	8,497	9,277	(120)	17,654
Other expenses	(35,356)	(6,167)	64	(41,459)
Income tax expense	(5,832)	(961)	-	(6,793)
Segment net profit after income tax	13,550	2,242	-	15,792
Segment assets	4,849,767	26,864	49,015	4,925,647
Segment liabilities	4,606,832	3,247	(707)	4,609,372
Half year ended 31 December 2016				
Interest income	90,065	78	123	90,266
Interest expense	(46,813)	-	-	(46,813)
Other income	8,659	9,782	(58)	18,383
Other expenses	(33,941)	(6,346)	(569)	(40,856)
Income tax expense	(5,240)	(1,054)	504	(5,790)
Segment net profit after income tax	12,730	2,460	-	15,190
Balances as at 30 June 2017				
Segment assets	4,834,688	25,385	50,378	4,910,451
Segment liabilities	4,596,089	2,652	806	4,599,547

Notes to the consolidated financial statements

for the half year ended 31 December 2017

	31 Dec 2017 \$' 000	30 Jun 2017 \$' 000
9 Loans and advances		
Classification of loans and advances		
Residential loans secured by mortgage	4,139,141	4,090,546
Personal loans and unsecured overdrafts	76,353	77,249
Overdrafts secured by mortgage	51,310	52,261
Commercial loans	63,277	63,426
Total loans and advances	4,330,081	4,283,482
Specific provision for impairment	130	620
Collective provision for impairment	491	337
Total loans and advances net of provisions for impairment	4,329,460	4,282,525
Provision for impairment		
Specific provision for impairment		
Opening balance (1)	620	567
Charge / (credit) against profit	(89)	94
Write-off of previously provisioned facilities	(401)	(41)
Closing balance of specific provision for impairment	130	620
Collective provision for impairment		
Opening balance (1)	337	491
Charge / (credit) against profit	462	322
Write-off of previously provisioned facilities	(308)	(476)
Closing balance of collective provision for impairment	491	337

(1) The opening balance for the comparative period is 1 January 2017, the closing balance is 30 June 2017.

	31 Dec 2017 \$' 000	31 Dec 2016 \$' 000
Charge to profit for impairment on loans and advances		
- Increase / (decrease) in specific provision for impairment	(490)	99
- Increase / (decrease) in collective provision for impairment	154	(245)
- Bad debts recovered	(534)	(629)
- Bad debts written off directly	941	543
Total impairment expense / (recovery) on loans and advances	71	(232)

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 2017

10 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 2017		30 Jun 2017	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Financial instruments	422,376	421,271	419,388	419,023
Loans and advances	4,329,460	4,318,593	4,282,525	4,275,447
Total financial assets	4,751,836	4,739,864	4,701,913	4,694,470
Financial liabilities				
Deposits	3,601,356	3,602,827	3,552,146	3,544,954
Other borrowings including subordinated notes	964,237	964,237	996,820	996,820
Total financial liabilities	4,565,593	4,567,064	4,548,966	4,541,774

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. 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 2017

10 Fair value of financial instruments

Fair value hierarchy (continued)

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 December 2017				
Financial assets				
Financial instruments	-	421,271	-	421,271
Loans and advances	-	-	4,318,593	4,318,593
Financial liabilities				
Deposits	-	3,602,827	-	3,602,827
Other borrowings including subordinated notes	-	964,237	-	964,237
30 June 2017				
Financial assets				
Financial instruments	-	419,023	-	419,023
Loans and advances	-	-	4,275,447	4,275,447
Financial liabilities				
Deposits	-	3,544,954	-	3,544,954
Other borrowings including subordinated notes	-	996,820	-	996,820

There has not been an 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 2017

	31 Dec 2017 \$ '000	30 Jun 2017 \$ '000
11 Share capital		
Issued and paid up capital		
Ordinary shares fully paid	143,916	141,349
Movements in share capital		
	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	102
- Employee share scheme of the Group	16,727	82
- Dividend reinvestment plan	508,910	2,383
Closing balance as at 31 December 2017	89,992,690	143,916
	31 December 2016	
	Number of shares	Amount \$ '000
Ordinary Shares		
Opening balance as at 1 July 2016	87,854,255	134,756
Shares issued pursuant to the:		
- Executive long term incentive plan	-	-
- Employee share scheme of the Group	18,729	80
Closing balance as at 31 December 2016	87,872,984	134,836

Notes to the consolidated financial statements

for the half year ended 31 December 2017

	31 Dec 2017 \$ '000	31 Dec 2016 \$ '000
12 Statement of Cash Flows		
For the purpose of the Statement of Cash Flows, cash and liquid assets includes:		
Notes, coins and cash at bank	44,826	67,025
Other short term liquid assets	7,974	29,724
Total cash and liquid assets	52,800	96,749

	31 Dec 2017 \$ '000	30 Jun 2017 \$ '000
13 Customer commitments		
(a) Loans approved but not advanced to borrowers	49,012	42,520
(b) Undrawn continuing lines of credit	65,149	72,952
(c) Performance guarantees	1,993	2,000

There have been no material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2017.

Notes to the consolidated financial statements

for the half year ended 31 December 2017

14 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 2017			Full year ended 30 Jun 2017		
	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	59,124	153	0.51%	78,636	567	0.72%
Financial instruments	413,301	4,845	2.33%	380,293	9,490	2.50%
Loans and advances	4,289,772	89,161	4.12%	4,100,642	172,163	4.20%
Total average interest-earning assets	4,762,197	94,159	3.92%	4,559,571	182,220	4.00%
Non-interest earning assets	127,107	-	-	126,301	-	-
Total average assets	4,889,304	94,159	3.82%	4,685,872	182,220	3.89%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	3,529,774	32,126	1.81%	3,442,306	65,742	1.91%
Notes and bonds on issue	1,000,914	15,643	3.10%	903,172	28,346	3.14%
Total average interest-bearing liabilities	4,530,688	47,769	2.09%	4,345,478	94,088	2.17%
Non-interest bearing liabilities	47,323	-	-	34,923	-	-
Total average liabilities	4,578,011	47,769	2.07%	4,380,401	94,088	2.15%
Equity	311,289	-	-	285,200	-	-
Total average liabilities and equity	4,889,300	47,769	1.94%	4,665,601	94,088	2.02%

15 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 2017

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 2017 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



M L Hampton
Chairman



Andrea Waters
Director

Hobart

Dated this the 23rd of February 2018.

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 2017, 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 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 2017 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.

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 2017 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: 23 February 2018