MyState Limited
Directors' Report

MyState Limited ABN 26 133 623 962

Directors' Report

Your Directors present their report on MyState Limited (the Company) for the financial year ended 30 June 2015.

Directors and Company Secretary

The names and particulars of the Directors and Company Secretaries in office during the year and since the end of the year are:

Directors

- **Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD

  Chairman and independent non-executive Director
- **Melos A Sulicich** BBus, GAICD

  Managing 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

  Independent non-executive Director
- **Ross A Illingworth** B Bus (HR), GAICD, CFP

  Independent non-executive Director (Appointed 17 December 2014, Resigned 12 June 2015)
- **Stephen Lonie** BCom, MBA, FCA, Senior FFin, FAICD, FIMCA

  Independent non-executive Director
- **Ian G Mansbridge** CPA, FCIS, FCIM, FGIA

  Independent non-executive Director
- **Sarah Merridew** BEc, FCA, FAICD

  Independent non-executive Director

Company Secretary

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

  Company Secretary

MyState Limited
Directors' Report

Principal Activities

Banking Services	Trustee Services	Wealth Management
▪ Transactional and internet banking ▪ Insurance and other alliances ▪ Savings and investments ▪ Business banking ▪ Agribusiness ▪ Personal, residential and business lending	▪ Estate planning ▪ Estate and trust administration ▪ Power of attorney ▪ Corporate and custodial trustee	▪ Financial planning ▪ Managed fund investments ▪ Portfolio administration services ▪ Portfolio advisory services ▪ Private client services

MyState Limited, the listed diversified financial services group based in Tasmania, provides a range of financial products and services to existing and new customers through its wholly-owned subsidiaries MyState Bank Limited and The Rock Building Society Limited, a bank and authorised deposit-taking institution respectively, and Tasmanian Perpetual Trustees Limited, the trustee and wealth management company.

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

Operating and Financial Review

The Group's net profit after income tax for the year ended 30 June 2015 was $32.513 million (2014: $29.571 million).

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 14.5 cents per share. The dividend will be payable on 2 October 2015 to shareholders on the register at 5pm EST on 11 September 2015.

Dividends paid in the year ended 30 June 2015 were as follows:

- In respect of the year ended 30 June 2014, a fully franked dividend of 14.5 cents per share, amounting to $12.660 million, was paid on 3 October 2014.
- In respect of the half year ended 31 December 2014, a fully franked dividend of 14 cents per share, amounting to $12.220 million, was paid on 24 March 2015.

Total dividends to be paid from the 2015 financial year results amounts to 28.50 cents per share. The payout ratio of 77% remains in the Board's policy range of 70% to 90%.

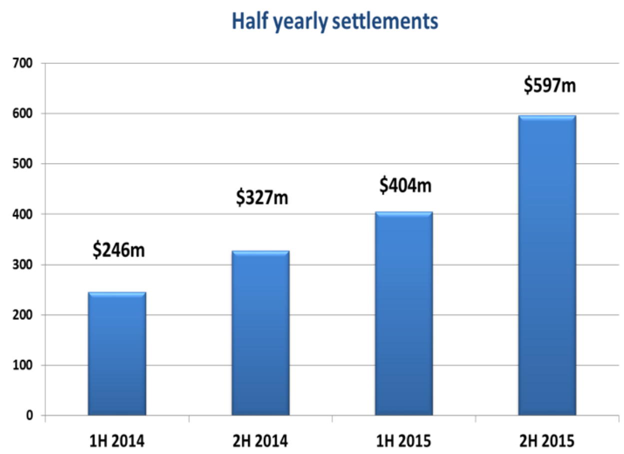
Review and Results of Operations

Financial Performance

MyState Limited posted a record statutory profit after income tax for the year ended 30 June 2015 of $32.513 million, an increase of 9.95% on the prior year. Underlying profit after tax was $29.7m, an increase of 0.3% on the prior year.

The underlying result removes the impact of the profit on sale of Cuscal shares and costs associated with restructuring of executive and senior management positions within the Group.

The board regards the underlying result as solid in a year when the business made significant changes which will benefit customers and shareholders in future years. Those changes included the revitalisation of the executive team, restoring growth in the loan portfolio, simplifying the business, as well as embedding a high staff performance culture and strengthened sales management. These changes will ensure that the business is well placed in its pursuit of becoming Australia's number 1 regional bank.



The strong growth in the loan book is a testament to the success of the new sales initiatives and enhanced sales culture. Initiatives included establishing a dedicated sales team, hiring experienced business development managers and improving systems to increase the speed of loan approvals. Further improvements are expected over the next 12 months that will support continued growth and MyState's goal of assisting its customers to achieve their dreams.

The businesses' broker strategy has succeeded in generating growth in the loan book which increased by 16.3% to $3.5 billion, compared with a 1.3% contraction in the previous year. 2015 financial year settlements reached $1 billion, a milestone for the Group.

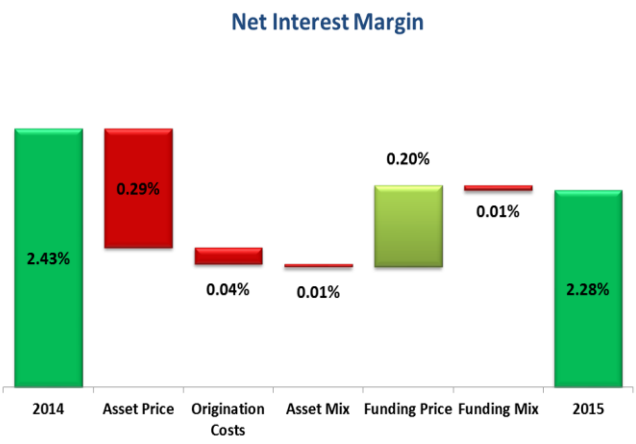
Credit quality remains sound, with investor loans remaining well below industry levels at 13% of the home loan book, and geographic diversification continues to be built into the portfolio. Whilst Tasmanian-based assets grew over the year, their proportion of the total asset base declined by 6.9% to 60.2%.

Tasmanian-based settlements comprised 37% of total settlements, with Queensland making up 19%. The shift in settlements from the core markets has moved largely to New South Wales and Victoria with nearly 2 out of every 10 settlements occurring in those two States.

Income

Net Interest Income (NII) growth remained challenging during the year, largely due to RBA rate cuts. The RBA cut the cash rate by 0.25% on 4 February 2015 and then, by a further 0.25%, on 6 May 2015 leaving the official interest rate at a historic low of 2.0%. Overall, the banking division's NII declined by $0.782m/ 0.93%. However, the Directors expect a reversal of this trend as the benefits of the strong loan growth, particularly in the second half will be realised in FY16 and beyond.

The Net Interest Margin declined during the year by 15bps to 2.28%, predominantly due to pressures on asset yields. This was partly offset by funding cost benefits through strong management of the liability base.



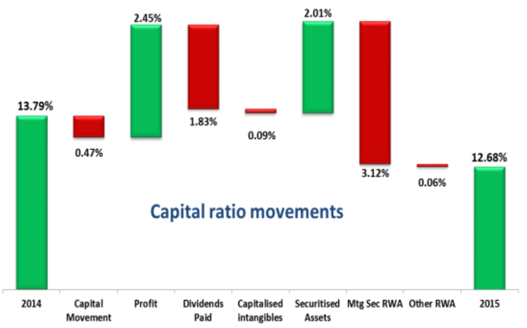
Banking non-interest income declined by $0.233m/ 2.1%, due to reductions in customer account transactions fees. This was offset by pleasing loan fee income growth, which was boosted by the strong settlement numbers.

In the wealth management and trustee business, the 1.0% growth in Funds Under Management generated an additional $0.182m/ 2.0% on the prior year. Capital and income commissions from the Trustee Services arm grew by $0.263m/ 8.0%. This is on the back of a $12.0m/ 14.6% growth in open estates.

Expenses

Statutory operating expenditure increased by 2.0% driven by restructuring costs and investments in embedding the MyState brand through the broker and aggregator network. Underlying operating expenditure declined slightly by $0.154m/ 0.2%, reflecting the strong cost management by the business.

Continued cost management during 2015 resulted in the underlying cost-to-income ratio falling slightly from 64.5% to 64.4%. The business is targeting further reductions in the cost-to-income ratio through continuing to simplify processes and significant investment in digital capability.



Active management of the cost base will also enable further reinvestment in the business to drive asset and revenue growth.

Capital Position

The Group maintains a strong balance sheet and capital position comfortably above regulatory requirements and is well positioned to continue to grow organically. The Group's capital adequacy ratio as at 30 June 2015 was 12.68%. MyState Bank's first issuance of Tier 2 subordinated notes in August as part of its approved Medium Term Note program will further support capital and continued growth.

Outlook

Looking forward, the strong growth in new home loan originations through mortgage brokers and aggregators is expected to continue into the 2016 financial year and support earnings growth.

The banking division will continue to build upon the sales momentum through broker and aggregator distribution networks, in conjunction with improved sales management in the direct channel.

The wealth management and trustee business will be supported through product development and rationalisation activities, as well as improving product penetration across the Group's customer base, particularly in Tasmania and Queensland.

State of Affairs

During the financial year, there was no significant change in the state of affairs of the Company other than referred to in the review and results of operation.

Events Subsequent To Balance Date

On the 14th of August 2015, the group issued $25 million of floating rate subordinated notes ("notes"). The issuer was MyState Bank Limited. The notes have a term of 10 years (maturing 14 August 2025) and will pay interest quarterly at a floating rate equal to the three-month BBSW plus a margin of 5.00% per annum. The issuer has the option to redeem all or some of the notes on 14 August 2020 and each quarterly interest payment date thereafter, and for certain regulatory events (in each case subject to APRA's prior written approval). If APRA notifies the issuer that a non-viability trigger event has occurred, the notes will be converted into ordinary shares of MyState Limited, or written-off. The amount included in the Level 2 Group's regulatory capital is 75% of the face value of the notes on issue. MyState Bank Limited includes 100% at level 1 in its Tier 2 Capital. If these notes were on issue at 30 June 2015, Tier 2 Capital for the Level 2 Regulatory Group would have been 13.94%.

MyState Limited
Directors' Report

In the opinion of the Directors, there has not arisen, in the period between the end of the financial year and the date of this report, any material item, transactions or event that is likely to significantly affect the operations of the consolidated entity.

Likely Developments and Expected Results

Directors do not foresee any material changes in the likely developments in the operations or the expected results of those operations in future financial years.

Directors consider that the disclosure of additional information in respect of likely developments in the operations or the expected results of those operations may unreasonably prejudice the Company. Accordingly, this information has not been disclosed in this report.

Environmental Regulation

The Company is not subject to significant environmental regulation.

Directors' Meetings

The number of meetings of Directors (including meetings of the Committees of Directors) held during the year and the number of meetings attended by each director are as indicated in the following table:

MyState Limited Directors' Meetings 2014/2015

Director	Board Meetings		Group Audit Committee		Group Remuneration Committee		Group Risk Committee		Group Nominations & Corporate Governance Committee	
	A	B	A	B	A	B	A	B	A	B
P Armstrong	15	15	-	-	7	7	-	-	-	-
R Gordon	15	15	-	-	-	-	3	3	4	4
M Hampton	14	15	5	5	7	7	-	-	4	4
C Hollingsworth	15	15	5	5	-	-	-	-	-	-
R Illingworth*	9	9	3	3	-	-	2	2	-	-
S Lonie	14	15	5	5	7	7	-	-	-	-
I Mansbridge	14	15	-	-	-	-	3	3	4	4
S Merridew	15	15	-	-	-	-	3	3	-	-
M Sulicich	15	15	-	-	-	-	-	-	-	-

A - Number of meetings attended
B - Number of meetings eligible to attend
* R Illingworth attended all meetings during the term of his appointment

Directors' Interests

Interest in the shares of the Company and Managed Investment Funds offered by a related Body Corporate as at the date of this report are set out in the following table.

	Beneficially Held	Non-beneficially Held	Managed Funds Direct	Managed Funds Indirect
P D Armstrong	987	3,934	-	-
R L Gordon	2,387	-	-	-
M L Hampton	-	600,000	-	-
C M Hollingsworth	3,000	17,274	-	-
S E Lonie	-	50,000	-	-
I G Mansbridge	-	170,000	-	-
S Merridew	4,000	20,000	-	-
M A Sulicich	-	28,750	-	-

Indemnification and Insurance of Directors and Officers

The Company has paid, or agreed to pay, a premium in relation to a contract insuring the Directors and Officers listed in this report against those liabilities for which insurance is permitted under Section 199B of the Corporations Act 2001.

The Company has not otherwise, during or since the relevant period, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Non-Audit Services

During the year Wise Lord & Ferguson, the Company's auditor has performed certain other services in addition to their statutory duties. Further details are set out in note 8.2 to the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by the Group Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Group Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and,
- The non-audit services provided do not undermine the general principles relating to the auditor independence as they related to technical disclosure issues.

Auditor's Independence Declaration to the Directors

The Directors received the following declaration from the auditor of the Company:

"In relation to our audit of the financial report for the consolidated group for the financial year ended 30 June 2015, 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.

This declaration is in respect of MyState Limited and the entities it controlled during the period.

D McCarthy
Partner
Wise Lord & Ferguson
Hobart "

Dated 20 August 2015

Remuneration Report

MyState Limited Remuneration Report

This Remuneration Report forms part of the Directors' Report and outlines the Director and Executive remuneration arrangements of MyState Limited (the Company or MYS) for the year ended 30 June 2015, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

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1. Group Remuneration Committee

The Board has established a Group Remuneration Committee that assists the Directors in discharging the Board's responsibilities in relation to remuneration and human resource responsibilities by reviewing and making recommendations to the Board on:

- Remuneration policy and arrangements for Directors, the Managing Director and other Executives, having regard to comparative remuneration in the financial services industry and independent advice, including assessment of the Remuneration Policy's effectiveness and compliance with the requirements of APRA Prudential Standards.
- Applicable Human Resource Policies and Practices and ratification of Industrial instruments, to ensure compliance with all legal and regulatory requirements.
- Matters such as the Company's Employee Share Scheme or other incentive schemes for Executives and staff.
- Succession planning, to ensure the Company has sufficiently skilled staff to competently perform their roles.

The Group Remuneration Committee monitors the potential for actual or perceived conflict of interest regarding Executive Director involvement in Board decisions on remuneration packages and also in monitoring the involvement of Management generally in Committee discussions and deliberations regarding remuneration policy. No Executive is directly involved in deciding their own remuneration.

2. Remuneration Philosophy

The fundamental objective of the Company's Remuneration Policy is to maintain behaviour that supports the sustained financial performance and security of the Group and to reward Executive and Management efforts which increase shareholder and customer value.

The Remuneration Policy is premised on:

- Appropriately balanced measures of performance;
- Variable performance based pay for Executives involving short and long-term incentive plans;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay, to attract and retain capable staff at all levels;

  Short-term and long-term incentive performance criteria being structured within the overall risk management framework of the Company; and
- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the Shareholders.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration is separate and distinct from Executive remuneration.

The Company links the nature and amount of the remuneration of the Executive Management Team (EMT), comprising the Managing Director and Executives directly reporting to the Managing Director, to its financial and operational performance. The remuneration of the EMT is based on a package which from time to time may comprise one or more of the following:

- Fixed annual reward (inclusive of superannuation and fringe benefits) (FAR);
- Cash based short term incentives (STI); and
- Equity based long term incentives (LTI).

3. Consequences of performance on Shareholder wealth

In considering the Company's performance and benefits for Shareholder wealth, the Group Remuneration Committee has regard to the following indices:

Indicator	2011 $'000	2012 $'000	Change	2013 $'000	Change	2014 $'000	Change	2015 $'000	Change
Underlying Profit after income tax	22,020	25,483	15.73%	28,457	11.67%	29,571	3.9%	29,719	0.5%
Underlying Earnings per share (cents)	32.65	29.91	(8.4%)	32.68	9.3%	33.91	3.8%	34.10	0.56%
Dividends paid	16,523	19,564	18.4%	24,378	24.6%	24,417	0.2%	24,880	1.9%
Share price (dollars)	3.51	3.05	(13.1%)	4.24	39.0%	4.64	9.4%	4.83	4.1%
Underlying Return on equity	10.9%	9.7%	(1.2%)	10.4%	0.7%	10.5%	0.1%	10.2%	(0.3%)

The Company ultimately assesses its performance against earnings and relative share price movements. The performance measures for triggering both the Company's cash based Short Term Incentive Plan (STI) and Executive Long Term Incentive Plan (ELTIP) have been tailored to align "at-risk" remuneration and performance hurdle thresholds to the delivery of financial and operational objectives and sustained shareholder value growth. STI includes financial and non-financial metrics. ELTIP performance measures are based on total shareholder return (TSR) for the "2012" and "2013" offers. For the "2014" offer, the measures are weighted equally between TSR and absolute return on equity (ROE). TSR is a measure which incorporates both dividends paid and movements in share prices, whilst absolute ROE is a measure of corporate profitability.

4. Key Management Personnel

The Key Management Personnel (KMP) of the Company in office during the year and up to the date of this report were as follows:

NAME	POSITION	MOVEMENTS IN 2015 FINANCIAL YEAR
Non Executive Directors		
Miles Hampton	Non Executive Chairman	
Peter Armstrong	Non Executive Director	
Robert Gordon	Non Executive Director	
Colin Hollingsworth	Non Executive Director	
Stephen Lonie	Non Executive Director	
Ian Mansbridge	Non Executive Director	
Sarah Merridew	Non Executive Director	
Ross Illingworth	Non Executive Director	Appointed 17 December 2014; Ceased 12 June 2015
Executive Directors		
Melos Sulicich	Managing Director and Chief Executive Officer	Appointed 1 July 2014
Executives		
Huw Bough	General Manager Sales and Distribution	Appointed 13 August 2014
Miles Farrow	Acting Chief Risk Officer	Appointed as Acting CRO 21 April 2015
David Harradine	Chief Financial Officer	Appointed 16 March 2015
David Mills	Head of Technology	Ceased being a KMP on 12 May 2015
Paul Moss	General Manager Technology and Operations	Appointed 13 May 2015
Stephen Pender	Head of Marketing, Communication and Products	Ceased employment 27 March 2015
Aaron Pidgeon	General Manager HR & Property	
Tim Rutherford	Chief Operating Officer	Ceased employment 10 October 2014
Tom Taylor	Chief Financial Officer	Fixed Term Contract finalised on 31 March 2015
Chris Thornton	General Manager Product and Marketing	Appointed 20 April 2015
Natasha Whish-Wilson	Chief Risk Officer	Ceased employment 20 April 2015

5. Non-Executive Director Remuneration

The Company's Non-Executive Directors (NEDs) receive only fees, including statutory superannuation, for their services and the reimbursement of reasonable expenses. These fees may be taken as shares subject to prior shareholder approval. They do not receive any retirement benefits other than compulsory superannuation. The fees paid to the Company's NEDs reflect the demands on and responsibilities of those Directors.

The Board reviews its fees to ensure the Company's NEDs are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role and to have in place a fee scale which enables the Company to attract and retain talented NEDs.

The advice of independent remuneration consultants is taken to ensure that the Directors' fees are in line with market standards.

The aggregate remuneration paid to all the NEDs, inclusive of statutory superannuation, may not exceed the $950,000 amount fixed by Shareholders at the October 2012 Annual General Meeting of Shareholders. This "fee pool" is only available to NEDs, as Board membership is taken into account in determining the remuneration paid to Executive Directors as part of their normal employment conditions.

Each NED currently receives $85,000 per annum inclusive of statutory superannuation.

The Chairman is paid an additional amount of $127,500 (2014 $85,000) per annum inclusive of statutory superannuation.

Board Committee Chairs are paid an additional amount of: Group Audit, $15,000; Group Risk, $12,500; Group Technology, $12,500 and Group Remuneration, $12,500, per annum inclusive of statutory superannuation. Additionally, Members of Board Committees are paid $5,000 per annum per committee, inclusive of statutory superannuation.

6. Managing Director and Executive Remuneration

6.1 Fixed Annual Remuneration

The Fixed Annual Remuneration (FAR) is paid by way of cash salary, superannuation and salary sacrificed fringe benefits and is reviewed annually by the Group Remuneration Committee. In addition, at times, external consultants provide analysis and advice to the Committee to ensure that Executives' remuneration is competitive in the marketplace. It reflects the complexity of the role, individual responsibilities, individual performance, experience and skills. The total employment cost of the remuneration package, including fringe benefits tax, is taken into account in determining an employee's FAR.

6.2 Short Term Incentive

The STI is an annual "at risk" incentive payment. It rewards EMT members for their contribution towards the achievement of the Company's strategic goals. The maximum potential payment is calculated as a percentage of the FAR of each EMT member and is payable in cash and/or superannuation contributions.

Payment is conditional upon the achievement, during the financial year under review, of financial and non-financial performance objectives. The measures are chosen and weighted to best align the individual's contribution to the Key Performance Indicators (KPI's) of the Company and its overall performance. There is no fixed minimum payment amount, and there may not be any payment made where appropriate. The KPI's are measures relating to Company and personal performance accountabilities and include financial, strategic, operational, cultural, compliance, risk management and customer/stakeholder engagement measures.

Each year, the Group Remuneration Committee, in consultation with the Board, sets the KPI's for the Managing Director who, in turn, sets KPI's for Executives, subject to approval of the Board following a recommendation from the Group Remuneration Committee. The Group Remuneration Committee selects performance objectives which provide a robust link between Executive reward and the key drivers of long term shareholder value.

At the end of the financial year, the Group Remuneration Committee assesses the performance of the Managing Director against the KPIs set at the beginning of the financial year. At the end of the financial year, the Managing Director assesses the performance of the Executives against their KPIs set at the beginning of the financial year. Based upon that assessment, a recommendation for each Executive is made to the Group Remuneration Committee as to the STI payment.

The Group Remuneration Committee recommends the STI payments to be made to the Managing Director and Executives for approval by the Board. Approval and payment of a STI to the Managing Director or Executives is at the complete discretion of the Board. If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management misstatement, the Board may require repayment of the relevant STI, in addition to any other disciplinary actions.

Current STI Offers

Details of STI that affect the calculation of KMP remuneration for the 2014/15 financial year are set out in the following tables. During the financial year, KMP were paid their STI entitlement, as assessed, in respect of the 2013/14 financial year. Assessment and payment of STI bonuses in respect of the 2014/15 financial year has been completed In August 2015.

Details of the amounts paid and forfeited are set-out in the accompanying table.

	2013/2014 STI					
KEY MANAGEMENT PERSONNEL	Max. % (of FAR)	Max Payable	% Awarded	% Forfeited	Amount Paid $	% Which is not yet assessed for payment
John Gilbert	50%	$327,600	31%	69%	$100,000	-%
David Mills	15%	$30,000	43%	57%	$12,750	-%
Andrew Paynter	15%	$37,015	13%	87%	$4,700	-%
Stephen Pender	15%	$30,000	30%	70%	$9,000	-%
Aaron Pidgeon	15%	$41,625	43%	57%	$17,700	-%
Tim Rutherford	30%	$120,263	33%	67%	$39,100	-%
Tom Taylor(1)	58.3%	$112,088	62.5%	37.5%	$70,055	-%
Natasha Whish-Wilson	30%	$99,806	33%	67%	$32,500	-%

	2014/2015 STI					
KEY MANAGEMENT PERSONNEL	Max. % (of FAR)	Max Payable	% Awarded	% Forfeited	Amount Paid $	% Which is not yet assessed for payment
Melos Sulicich	50%	$275,000	48.86%	51.14%	$134,370	-%
Huw Bough	30%	$90,000	36.37%	63.63%	$32,731	-%
Miles Farrow	15%	$28,678	42.79%	57.21%	$12,272	-%
David Harradine	30%	$102,000	9.70%	90.30%	$9,889	-%
David Mills	15%	$30,000	30.00%	70.00%	$9,000	-%
Paul Moss	30%	$87,000	6.16%	93.84%	$5,363	-%
Stephen Pender(2)	15%	$30,000	23%	77%	$6,750	-%

	2014/2015 STI					
	Max. % (of FAR)	Max Payable	% Awarded	% Forfeited	Amount Paid $	% Which is not yet assessed for payment
Aaron Pidgeon	15%	$41,625	37.64%	62.36%	$15,668	-%
Tim Rutherford	30%	$120,262	0%	100%	$0	-%
Tom Taylor(1)	58.3%	$112,088	46.75%	53.25%	$52,405	-%
Chris Thornton	30%	$96,000	8.04%	91.96%	$7,717	-%
Natasha Whish-Wilson(2)	30%	$99,806	24%	76%	$24,375	-%

1) During his engagement as Chief Financial Officer, Mr Taylor was continuously employed under several consecutive fixed term contracts. Due to the nature of this engagement, which did not coincide with the annual performance period applying to other members of the EMT, he was offered STIs in respect of each contract period. After the conclusion of each period, Mr Taylor's entitlement to an STI payment has been assessed and paid. The maximum STI payment, as a percentage of FAR, applying to Mr Taylor's offers, takes account of the fact that he is not entitled to receive any reward under the ELTIP.

2) STI paid on departure.

6.3 Executive Long Term Incentive Plan

The ELTIP provides a long term "at risk" incentive, assessed over a three year performance period. It was established by the Board to reward the Executive Management Team (EMT), comprising the Managing Director and participating Executives, to have a greater involvement in the achievement of the Company's objectives. To achieve this aim, the ELTIP provides for the issue to participating Executives of fully paid ordinary shares in the Company if performance criteria specified by the Board are satisfied in a set performance period.

Under the ELTIP, an offer may be made to individual members of the EMT every year as determined by the Board. The maximum value of the offer is determined as a percentage of the FAR of each member of the EMT. As a general guide, noting that the Board has absolute discretion, the current maximum percentages used are 50% for the Managing Director and between 15% and 30% for participating Executives. The value of the offer is converted into fully paid ordinary shares based upon the weighted average price of the Company’s shares over a twenty trading day period from the 1st of July.

Where an Executive commences employment with the Company post 1 July in a given year, the following conditions will apply in respect of ELTIP:

- If deemed eligible by the Board, the Executive shall receive a pro rata offer for that year, unless that person commences employment between 1 April and 30 June, in which case, they shall not be entitled to receive an offer for that financial year;
- The 20 day VWAP, calculated from the 1st July will continue to apply, irrespective of when an employee commences; and
- Where an ELTIP participant ceases employment with MyState during a performance period due to expiration of a fixed term contract, the offer shall be assessed at the end of the performance period, along with all other participants, subject to meeting the 12 month employment hurdle that applies to any ELTIP offer.

In order for the shares to vest in each eligible member of the EMT, certain performance criteria must be satisfied within a predetermined performance period. Both the performance criteria and the performance period are set by the Board at its absolute discretion. The Board has, for the time being, set the three financial years, commencing with the year in which an offer is made under the plan, as the performance period, with relative Total Shareholder Return (TSR) and absolute Return on Equity (ROE) as the performance criteria, equally weighted at 50%.

The ELTIP provides for an independent Trustee to acquire and hold shares on behalf of the participating Executives. The Trustee is funded by the Company to acquire shares, as directed by the Board, either by way of purchase from other shareholders on market, or issue by the Company. Vesting of shares occurs once an assessment has been made after the performance period (currently 3 years) and once the Board resolves to notify the Trustee to issue entitlements under the relevant ELTIP Offer.

Where shares have vested, the Trustee will allocate those shares to each eligible member of the EMT in accordance with their entitlement. The Trustee will hold the shares which have been allocated on behalf of the eligible EMT member. During the period that allocated shares are held by the Trustee, the eligible EMT member is entitled to receive the income arising from dividend payments on those shares and to have the Trustee exercise the voting rights on those shares in accordance with their instructions.

The participating EMT member cannot transfer or dispose of shares which have been allocated to them until the earlier of:

- The seventh anniversary of the original offer date of the grant;
- Upon leaving the employment of the Company;
- Upon the Board giving permission for a transfer or sale to occur; or
- Upon a specified event occurring, such as a change in control of the Company.

Upon request, the Board will release vested shares to an Executive to the extent required to meet a taxation assessment directly related to the award of those shares.

On separation from the Company, ELTIP shares will be released only if the separation is due to a Qualifying Reason or is at the initiation of the Company without cause. Effective as of the 2014 ELTIP Offer, if this separation occurs within the three year performance period, shares will be allocated on a pro-rata basis, following the completion of each applicable performance period and applicable performance assessment.

A Qualifying Reason, as defined by the ELTIP Plan Rules, is death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board, in its absolute discretion, may determine.

Vesting of shares to the Managing Director and eligible Executive is at the complete discretion of the Board. Any shares to be allocated to the Managing Director under this Plan require shareholder prior approval in accordance with ASX Listing Rules.

On accepting an ELTIP offer made by the Company, participating Executives are required not to hedge their economic exposure to any allocated non-vested entitlement. Failure to comply with this directive will constitute a breach of duty and may result in forfeiture of the offer and/or dismissal.

Current ELTIP Offers

Details of offers made under the ELTIP to KMP that affect the calculation of their remuneration in this financial year are set out in the following table.

Offer	"2012"	"2013"	"2014"
Performance Period	1 July 2012 to 30 June 2015	1 July 2013 to 30 June 2016	1 July 2014 to 30 June 2017
Performance Criteria			
Measure	100% Total Shareholder Return	100% Total Shareholder Return	50% Total Share Return (TSR) 50% Absolute Post tax Return on Equity (ROE)
The comparator group	Performance assessment will be measured against a selected group of "financial" companies. (Refer to the list following)		Members of the S&P/ASX300
Calculation of the reward	Shares will vest in accordance with the following schedule		
Share price baseline for TSR calculation	$3.00	$4.30	$4.67
Offer Date			
- Managing Director and Chief Executive Officer	14 November 2012(1)	11 December 2013(1)	3 November 2014
- Other Eligible Executives	9 October 2012	11 December 2013	Natasha Whish-Wilson 3 November 2014 Huw Bough[3] 3 November 2014 David Harradine[3] 27 March 2015
Share Price Used in Calculations			
- Managing Director and Chief Executive Officer	$3.63(1)	$4.82(1)	$4.72
- Other Eligible Executives	$3.37	$4.82	$4.72
Value of Offer (2)			
- Managing Director and Chief Executive Officer	$325,000(1)	$327,600(1)	$275,000
- Other Eligible Executives	$163,500	$220,069	$291,806

1) These offers were made to the former Managing Director and Chief Executive Officer.
2) The value of the offer is calculated as at the date of offer to the KMP at that time. As such, it may include the value of offers made to individuals who are no longer KMP of the Company.
3) Pro-rata offer.

The Comparator Group for the 2012 and 2013 Years

ASX Ticker	Name	ASX Ticker	Name
AMP	AMP Ltd	IAG	Insurance Australia Group Ltd
ANZ	Australia & New Zealand Banking Group Ltd	IFL	IOOF Holdings Ltd
BEN	Bendigo And Adelaide Bank Ltd	MQG	Macquarie Group Ltd
BOQ	Bank Of Queensland Ltd	NAB	National Australia Bank Ltd
CBA	Commonwealth Bank Of Australia	PPT	Perpetual Ltd
CCP	Credit Corp Group Ltd	QBE	QBE Insurance Group Ltd
CCV	Cash Converters International	SUN	Suncorp Group Ltd
CGF	Challenger Ltd	WBC	Westpac Banking Corporation
FXL	Flexigroup Ltd	ABA	Auswide Bank
HGG	Henderson Group Plc		

Calculation of the Reward

TSR Component

For the 2014 Offer, TSR is measured against members of the S&P/ASX 300 Index. ELTIP will be payable on the following basis:

- Below the mid-point percentage – 0% reward;
- At the 50th percentile – 50% of the applicable reward;
- Between the 50th percentile and the 75th percentile – 50% plus 2% for every 1 percentile above the 50th percentile;
- Above the 75th percentile – 100% of the applicable reward; and
- No reward will be payable if performance is negative irrespective of the benchmark group performance.

For prior offers, the TSR component of the ELTIP reward will be based upon the comparison of the Company's actual TSR performance to the comparator group.

ROE Component

The performance period for the absolute ROE component for the ELTIP reward will be based upon the on the Company's Aggregate ROE for the three periods covering the ELTIP and will be payable on the following basis:

- Below 32.22% = 0% reward;
- 32.22% = 25% reward;
- 32.22% to 33.25% = percentage vesting increases on a straight line basis from 25% vesting at 32.22% to 100% vesting at 33.25%; and
- 33.25% or above = 100%.

Actual and Potential ELTIP Share Allocations

The following table details, for current KMP, the status of offers made under the ELTIP. The "2012" offer performance period was completed on 30 June 2015. The assessment of this offer has not yet been completed by the Group Remuneration Committee and Board.

Name	Maximum Offer	Forfeited	Vested in the 2013/14 Financial Year	Not yet assessed for Vesting
	Number	**Number**	**Number**	**Number**
"2012" Offer				
John Gilbert	89,532	61,988	27,544	-
Tim Rutherford	26,261	-	-	26,261
Natasha Whish-Wilson	22,255	-	-	22,255
"2013" Offer				
John Gilbert	67,967	67,967	-	-
Tim Rutherford	24,951	-	-	24,951
Natasha Whish-Wilson	20,707	-	-	20,707
"2014" Offer (TSR)				
Melos Sulicich	29,132	-	-	29,132
Huw Bough	9,535	-	-	9,535
David Harradine	10,806	-	-	10,806
Natasha Whish-Wilson	10,574	-	-	10,574
"2014" Offer (ROE)				
Melos Sulicich	29,131	-	-	29,131
Huw Bough	9,534	-	-	9,534
David Harradine	10,805	-	-	10,805
Natasha Whish-Wilson	10,572	-	-	10,572

7. Remuneration of Key Management Personnel

		Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Post Employment Superannuation $	Termination Benefits $	Share Based Payment [3] $	Total [(1), (2)] $
Non-Executive Directors								
Miles Hampton	2015	174,498	-	-	16,547	-	-	191,045
	2014	133,062	-	-	12,308	-	-	145,370
Michael Vertigan	2015	-	-	-	-	-	-	-
	2014	50,135	-	-	4,637	-	-	54,772
Peter Armstrong	2015	70,597	-	-	26,636	-	-	97,233
	2014	72,061	-	-	24,146	-	-	96,207
Robert Gordon	2015	67,653	-	-	27,086	-	-	94,739
	2014	79,777	-	-	10,859	-	-	90,636
Colin Hollingsworth	2015	64,374	-	-	35,352	-	-	99,726
	2014	63,831	-	-	35,074	-	-	98,905
Ross Illingworth	2015	10,595	-	-	36,046	-	-	46,641
	2014	-	-	-	-	-	-	-
Stephen Lonie	2015	86,520	-	-	8,219	-	-	94,739
	2014	82,962	-	-	7,674	-	-	90,636
Ian Mansbridge	2015	86,520	-	-	8,219	-	-	94,739
	2014	82,962	-	-	7,674	-	-	90,636
Sarah Merridew	2015	78,797	-	-	18,436	-	-	97,233
	2014	74,305	-	-	17,798	-	-	92,103
Sub Total	**2015**	**639,554**	**-**	**-**	**176,541**	**-**	**-**	**816,095**
	2014	**639,095**	**-**	**-**	**120,170**	**-**	**-**	**759,265**

		Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Post Employment Superannuation $	Termination Benefits $	Share Based Payment [3] $	Total [(1), (2)] $
Managing Director								
Melos Sulicich	2015	516,981	134,370	-	35,135	-	29,668	716,154
	2014	-	-	-	-	-	-	-
John Gilbert	2015	-	-	-	-	-	-	-
	2014	475,806	69,580	-	(16,787)	656,931	76,643	1,262,173
Executives								
Huw Bough	2015	242,360	47,731	-	23,024	-	9,329	322,444
	2014	-	-	-	-	-	-	-
Miles Farrow[(4)]	2015	47,874	12,272	-	6,417	-	204	66,767
	2014	-	-	-	-	-	-	-
David Harradine[(5)]	2015	91,843	14,889	-	8,849	-	8,411	123,992
	2014	-	-	-	-	-	-	-
David Mills[(6)]	2015	152,630	9,800	-	20,416	-	829	183,675
	2014	180,095	10,710	-	19,660	-	1,000	211,465
Paul Moss[(7)]	2015	35,652	5,363	-	3,387	-	-	44,402
	2014	-	-	-	-	-	-	-
Andrew Paynter[(8)]	2015	-	-	-	-	-	-	-
	2014	203,718	1,161	-	19,043	-	1,000	224,922
Stephen Pender [(9)]	2015	134,879	5,969	-	15,232	220,624	-	376,704
	2014	181,357	7,682	-	19,377	-	-	208,416
Aaron Pidgeon	2015	273,476	17,693	-	26,359	-	-	317,528
	2014	227,130	12,287	360	23,070	-	-	262,847
Tim Rutherford[(10)]	2015	101,495	24,795	-	9,642	287,837	12,447	436,216
	2014	375,993	5,768	-	24,137	-	34,018	439,916
Tom Taylor[(11)]	2015	262,896	74,468	-	34,015	31,726	-	403,105
	2014	360,950	206,172	-	32,774	-	-	599,896
Chris Thornton [(12)]	2015	58,560	7,717	-	5,553	-	-	71,830
	2014	-	-	-	-	-	-	-
Natasha Whish-Wilson [(13)]	2015	241,972	32,796	-	23,321	369,617	24,554	692,260
	2014	293,866	14,448	-	18,297	-	25,297	351,908

		Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Post Employment Superannuation $	Termination Benefits $	Share Based Payment [3] $	Total [(1), (2)] $
Sub Total [14]	**2015**	**2,160,618**	**387,863**	**-**	**211,350**	**909,804**	**85,442**	**3,755,077**
	2014	**2,298,915**	**327,808**	**360**	**139,571**	**656,931**	**137,958**	**3,561,543**
Total [14]	**2015**	**2,800,172**	**387,863**	**-**	**387,891**	**909,804**	**85,442**	**4,571,172**
	2014	**2,938,010**	**327,808**	**360**	**259,741**	**656,931**	**137,958**	**4,320,808**

1) The amounts disclosed for the remuneration of KMP are the cost to the Company for these components, as recorded by it in the financial year. These amounts have been calculated in accordance with relevant accounting policies and Accounting Standards. As these figures are based on accrual accounting and not a reflection of actual cash paid or shares vested, negative figures can result in the event of accrual reversals being recorded. Amounts stated are in respect of the period that the individual held a role of a KMP.

2) Approximately 50% of the maximum amount, in respect of the 2014/15 financial year STI offers, has been accrued on the basis that it is probable that the KMP will partially meet this proportion of their respective KPI's for the period. Any adjustments between the actual amounts to be paid, as determined by the Group Remuneration Committee and Board, and the amounts accrued will be disclosed in the Company's Remuneration Report and financial statements for the 2016 financial year. In addition, the disclosed amounts include satisfaction of prior year STI obligations.

3) Share based payment amounts have been calculated in accordance with the relevant accounting policy and Accounting Standard. The fair value of the share grant is calculated at the date of grant and is allocated to each reporting period evenly over the period from grant date to vesting date. This fair value will generally be different to the value of shares at the time they vest. The value disclosed is the portion of the fair value of the share grant allocated to this reporting period. These amounts represent share grants which will only vest to the KMP when certain performance and service criteria are met. In some circumstances all, or a portion, of the shares may never vest to the KMP.

4) Mr Farrow commenced as a KMP on the 21 April 2015.

5) Mr Harradine commenced as a KMP on the 16 March 2015.

6) Mr Mills ceased as a KMP on the 12 May 2015.

7) Mr Moss commenced as a KMP on 13 May 2015.

8) Mr Paynter ceased as a KMP on 30 June 2014.

9) Mr Pender ceased as a KMP on 27 March 2015.

10) Mr Rutherford ceased as a KMP on 10 October 2014.

11) Mr Taylor was appointed to the role on contract 11 April 2013. The fixed term contract finalised on 31 March 2015.

12) Mr Thornton commenced as a KMP on 20 April 2015.

13) Mrs Whish-Wilson ceased as a KMP on 20 April 2015.

14) Totals in respect of the year ended 30 June 2014 do not necessarily equal the sum of amounts disclosed for 2014 for individuals specified in this report, as different individuals were specified in the 2014 Remuneration Report.

8. Shareholdings of Key Management Personnel

Non Executive Director Minimum Shareholding Requirement

From 1 January 2015, a Minimum Shareholding Requirement (MSR) will be implemented for all Non Executive Directors.

Non Executive Directors, in the absence of approval from the Board to the contrary, are required to acquire and maintain, directly or indirectly, shares in MyState Limited to the equivalent of one year's pre-tax base Director's fee. The MSR must be achieved within four years of their appointment or the date of implementation of this policy, whichever is the latter.

Executive Minimum Shareholding Requirement

From 1 January 2015, in the absence of approval from the Board to the contrary, a Minimum Shareholding Requirement (MSR) will apply to Executives whom:

1. Receive a Fixed Annual Remuneration (FAR) greater or equal to $250,000; and
2. Participate in ELTIP and STI programs.

The MSR will be 25% of FAR and must be achieved within 4 years of the date that the policy becomes applicable to the Executive.

The shares in MyState Limited (ASX code: MYS) may be held directly or indirectly, and may include shares obtained prior to 1 January 2015 and/or shares acquired through ELTIP or any other scheme, where this includes shares vested and allocated but still held in trust, but excludes any allocated shares which have not yet vested.

Details regarding the holdings by KMP and their related parties of ordinary shares in the Company are set out in the following table. Related parties include close members of the family of the KMP. It also includes entities under joint or several control or significant influence of the KMP and their close family members. No equity transactions with KMP, other than those arising as payment for compensation, have been entered into with the Company.

	Balance at commencement of financial year	Granted as compensation	Net change other	Balance at end of financial year	Balance at end of financial year held by ELTIP trustee
Non-Executive Directors					
Miles Hampton	600,000	-	-	600,000	-
Peter Armstrong	1,161	-	3,760	4,921	-
					-
Robert Gordon	387	-	2,000	2,387	-
Colin Hollingsworth	10,274	-	10,000	20,274	-
Stephen Lonie	50,000	-	-	50,000	-
Ian Mansbridge	170,000	-	-	170,000	-
Sarah Merridew	24,000	-	-	24,000	-

	Balance at commencement of financial year	Granted as compensation	Net change other	Balance at end of financial year	Balance at end of financial year held by ELTIP trustee
Managing Director					
Melos Sulicich	-	-	28,750	28,750	-
Executives					
Huw Bough	-	-	-	-	-
Miles Farrow	5,324	-	-	5,324	-
David Harradine	-	-	-	-	-
Paul Moss	-	-	-	-	-
Aaron Pidgeon	-	-	-	-	-
Chris Thornton	-	-	-	-	-
Total	861,146	-	44,510	905,656	-

9. Loans to Key Management Personnel

There are no loans guaranteed or secured by the Company to KMP and their related parties in 2015.

Related parties include close members of the family of the KMP. It also includes entities under joint or several control or significant influence of the KMP and their close family members.

10. Contract terms and conditions

The Managing Director and Executives are employed under individual employment agreements.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
Melos Sulicich	1st July 2014	4 Year term from 1 July 2014.	$550,000	50% of FAR	50% of FAR	Notice The contract may be terminated by the Company with 6 months notice or payment in lieu of notice. Entitlement • Pro-rata STI payment applied, at the full discretion of the Board, as at the date of termination. • Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
	Share Ownership Required to purchase and maintain shares to the value of 50% of FAR by 30th June 2018.					
Huw Bough	13 August 2014	2 Year term from August 2014	$320,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice The contract can be terminated by the Company upon provision of 3 months notice. Entitlement • Payment of the equivalent to the pro-rata balance of FAR. • Pro-rata STI payment applied as at the date of termination. • Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
Miles Farrow	Appointed as Acting Chief Risk Officer 21 April 2015	Ongoing	$265,000 (inclusive of loading for role as acting CFO)	15% of FAR	N/A	Notice The contract can be terminated by the Company upon provision of 5 weeks notice. Entitlement Payment of 7 Weeks for the first completed year of service and 3 weeks for each subsequent year of completed service to a cap of 52 weeks.
David Harradine	16 March 2015	Ongoing	$355,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice The contract can be terminated by the Company upon provision of 3 months notice. Entitlement Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
Paul Moss	13 May 2015	Ongoing	$290,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice The contract can be terminated by the Company upon provision of 3 months notice. Entitlement Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR) (per year and subject to market based review mechanisms)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company (subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total)
Aaron Pidgeon	10 September 2012	Ongoing	$277,500	30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice The contract can be terminated by the Company upon provision of 1 months notice. Entitlement Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination.
Chris Thornton	20 April 2015	Ongoing	$320,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice The contract can be terminated by the Company upon provision of 3 months notice. Entitlement Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

Signed in accordance with a resolution of the Directors.

M L Hampton
Chairman

M A Sulicich
Managing Director

Hobart
Dated this 20 August 2015

MyState
LIMITED
ABN 26 133 623 962

Consolidated Financial Statements

For the year ended 30 June 2015

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MyState Limited
Consolidated Income Statement
for the year ended 30 June 2015

	Notes	30 Jun 15 $ '000	30 Jun 14 $ '000
Interest income	2.1	**175,239**	177,719
Less: Interest expense	2.1	**(91,804)**	(93,330)
Total interest income		**83,435**	**84,389**
Non-interest income from banking activities	2.1	**17,288**	16,913
Net banking operating income		**100,723**	**101,302**
Income from wealth management activities	2.2	**18,142**	17,338
Profit from sale of other investments	2.3	**5,643**	-
Income from other activities	2.3	**608**	616
Total operating income		**125,116**	**119,256**
Less: Expenses			
Personnel costs	2.4	**37,652**	35,659
Administration costs	2.4	**18,466**	18,739
Technology costs	2.4	**8,905**	8,720
Occupancy costs	2.4	**7,052**	7,619
Marketing costs		**3,493**	3,171
Governance costs		**2,915**	2,975
Total operating expenses		**78,483**	**76,883**
Profit before bad and doubtful debts and income tax expense		**46,633**	**42,373**
Less: Impairment expense on loans and advances at amortised cost	4.3	**602**	852
Profit before income tax		**46,031**	**41,521**
Income tax expense	6.1	**13,518**	11,950
Profit for the year		**32,513**	**29,571**
Profit attributable to the:			
Equity holders of MyState Limited		**32,513**	**29,571**
Basic earnings per share (cents per share)	2.5	**37.25**	**33.91**
Diluted earnings per share (cents per share)	2.5	**37.25**	**33.91**

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Comprehensive Income
for the year ended 30 June 2015

	Notes	30 Jun 15 $ '000	30 Jun 14 $ '000
Profit for the year		**32,513**	29,571
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Net gains / (losses) taken to equity		**(564)**	1,280
Change in fair value of assets available for sale		**-**	(593)
Reversal of fair value on assets previously classified as available for sale		**93**	-
Income tax effect		**142**	(206)
Total other comprehensive income for the year		**(329)**	**481**
Total comprehensive income for the year		**32,184**	**30,052**
Total comprehensive income for the year is attributable to:			
Equity holders of MyState Limited		**32,184**	**30,052**

MyState Limited
Consolidated Statement of Financial Position
as at 30 June 2015

	Notes	30 Jun 15 $ '000	30 Jun 14 $ '000
Assets			
Cash and liquid assets	4.1	**66,290**	57,958
Due from other financial institutions for payment settlements		**27,546**	22,547
Financial instruments	4.2	**338,837**	321,616
Loans and advances	4.3	**3,550,907**	3,050,873
Other investments		**1,721**	5,056
Property, plant and equipment	5.1	**11,654**	15,621
Deferred tax assets	6.1	**4,323**	4,034
Intangible assets and goodwill	5.2	**78,677**	78,117
Total assets		**4,079,955**	**3,555,822**
Liabilities			
Due to other financial institutions for payment settlements		**41,773**	43,764
Deposits and other borrowings	4.5	**3,730,683**	3,214,632
Derivatives		**564**	-
Employee benefit provisions	5.3	**5,418**	5,594
Tax liabilities	6.1	**8,377**	6,183
Total liabilities		**3,786,815**	**3,270,173**
Net assets		**293,140**	**285,649**
Equity			
Share capital	5.4	**132,670**	132,566
Retained earnings		**155,872**	146,343
Reserves		**4,598**	6,740
Total equity		**293,140**	**285,649**

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2015

	Note	Share capital $ '000	Retained earnings $ '000	General reserve for credit losses $ '000	Asset revaluation reserve $ '000	Employee equity benefits reserve $ '000	Hedging reserve $ '000	Net unrealised gains reserve $ '000	Total $ '000
At 1 July 2013		132,241	140,645	4,528	2,340	501	(896)	350	**279,709**
Net profit after income tax		-	29,571	-	-	-	-	-	**29,571**
Other comprehensive income		-	-	-	-	-	896	(415)	**481**
Total comprehensive income for the year		**-**	**29,571**	**-**	**-**	**-**	**896**	**(415)**	**30,052**
Equity issued under employee share scheme	5.4	114	-	-	-	-	-	-	**114**
Equity issued under executive long term incentive plan	5.4	211	-	-	-	(325)	-	-	**(114)**
Share based payment expense recognised	5.4	-	-	-	-	305	-	-	**305**
Transfer to / from retained earnings		-	544	(544)	-	-	-	-	**-**
Dividends paid	2.6	-	(24,417)	-	-	-	-	-	**(24,417)**
At 30 June 2014		**132,566**	**146,343**	**3,984**	**2,340**	**481**	**-**	**(65)**	**285,649**
At 1 July 2014		132,566	146,343	3,984	2,340	481	-	(65)	**285,649**
Net profit after income tax		-	32,513	-	-	-	-	-	**32,513**
Other comprehensive income		-	-		-	-	(394)	-	**(394)**
Transfer to retained earnings due to reclassification of instruments		-	-		-	-	-	65	**65**
Total comprehensive income for the year		**-**	**32,513**	**-**	**-**	**-**	**(394)**	**65**	**32,184**
Equity issued under employee share scheme	5.4	104	-	-	-	-	-	-	**104**
Share based payment expense recognised	5.4	-	-	-	-	83	-	-	**83**
Transfer to / from retained earnings		-	1,896	444	(2,340)	-	-	-	**-**
Dividends paid	2.6	-	(24,880)	-	-	-	-	-	**(24,880)**
At 30 June 2015		**132,670**	**155,872**	**4,428**	**-**	**564**	**(394)**	**-**	**293,140**

Retained earnings

Retained earnings contains amounts of retained profits that have been set aside for the purpose of funding specific projects and asset replacement that are announced from time to time.

Asset revaluation reserve

The asset revaluation reserve is used to record increments in the value of land and buildings.

Employee equity benefits reserve

This reserve is used to record the value of equity benefits expected to be provided to employees as part of their remuneration. It also records the tax benefit attributable to these transactions that is recognised directly in equity.

Hedging reserve

The cashflow hedge reserve constitutes movements in the fair value of the underlying interest rate swap derivative where it has been deemed to be effective. If, at any stage, the derivative is deemed to be ineffective, the fair value movement is taken from the reserve to the Income Statement.

Net unrealised gains reserve

This reserve comprised the cumulative net change in the fair value of available-for-sale financial assets. AASB 9 Financial Instruments was adopted on 1 July 2014. The assets previously fair valued are now held at amortised cost and as a result the reserve balance has been reduced to nil.

General reserve for credit losses

A general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Maintenance of such a reserve is a prudential requirement of APRA. Increases and decreases in the general reserve for credit losses are appropriations of retained earnings.

MyState Limited
Consolidated Statement of Cash Flows
for the financial year ended 30 June 2015

	Notes	30 Jun 15 $ '000	30 Jun 14 $ '000
Cash flows from operating activities			
Interest received		**178,863**	178,815
Interest paid		**(88,073)**	(96,848)
Fees and commissions received		**32,950**	33,688
Dividends received		**444**	614
Other non-interest income received		**2,076**	2,528
Payments to suppliers and employees		**(77,768)**	(72,990)
Income tax paid		**(11,600)**	(6,747)
Net cash flows from / (used in) operating activities	4.1	**36,892**	**39,060**
Cash flows from investing activities			
Proceeds on sale of financial assets		**8,992**	-
Purchase of intangible assets		**(3,032)**	(5,325)
Proceeds from sale of property, plant and equipment		**2,490**	370
Purchase of property, plant and equipment		**(1,505)**	(1,550)
Net decrease / (increase) in loans to customers		**(506,160)**	(12,627)
Net increase / (decrease) in amounts due from other financial institutions		**(2,571)**	71,926
Net cash flows from / (used in) investing activities		**(501,786)**	**52,794**
Cash flows from financing activities			
Employee share issue		**-**	305
Dividends paid	2.6	**(24,880)**	(24,417)
Net (decrease) / increase in deposits		**266,227**	(84,608)
Net increase / (decrease) in due to other financial institutions		**231,879**	7,989
Net cash flows used in financing activities		**473,226**	**(100,731)**
Net (decrease) / increase in cash held		**8,332**	(8,877)
Cash at beginning of financial year		**57,958**	66,835
Closing cash carried forward	4.1	**66,290**	**57,958**

1.1 Reporting entity

MyState Limited (the Company) is incorporated and domiciled in Australia and is a company limited by shares that are publicly traded on the Australian Securities Exchange. The consolidated financial statements of MyState Limited and its subsidiaries (the Group) were authorised for issue by the Directors on 20 August 2015.

1.2 Basis of accounting

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

Early Adoption of AASB 9 "Financial Instruments"

Under s. 334(5) of the Corporations Act 2001, the Directors have elected to apply Accounting Standard AASB 9 'Financial Instruments' for the financial year beginning 1 July 2014, even though the standard is not required to be applied until annual reporting periods beginning on or after 1 January 2017. In accordance with the transition requirements of these provisions, comparatives have not been restated.

- The Held to Maturity (HTM) and Available for Sale (AFS) asset categories have been removed.
- Financial assets previously classified as "Available for sale" are contained within "Financial instruments" and detailed in the note as each instrument type. These instruments, when classified as "available for sale", were initially measured at cost and subsequently measured at fair value through other comprehensive income, they are now carried at amortised cost. This change has resulted in the reversal of the fair value gains previously recognised in the Unrealised Gains Reserve in the Consolidated Statement of Comprehensive Income.

The classification and measurement of other financial assets and liabilities is unchanged.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability as market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1.2 Basis of accounting (continued)

The following transactions are exceptions to these described methods of determining fair values:

- Share-based payment transactions that are within the scope of AASB 2;
- Leasing transactions that are within the scope of AASB 117; and
- Measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Rounding of amounts
The company is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100, dated 10 July 1998, and, in accordance with that Class Order, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars.

1.3 Use of estimates and judgement

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report such as:

- Recoverability of deferred tax assets, refer note 6.1;
- Impairment losses on loans and advances and held for sale investments, refer note 4.3;
- Fair value of financial instruments, refer note 4.6; and
- Impairment losses on goodwill, refer note 5.2.

1.4 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset, or as part of the expense.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1.5 Provisions (other than for impairment of financial assets)

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability most closely matching the expected future payments.

	30 Jun 15 $ '000	30 Jun 14 $ '000
2.1 Income from banking activities		
Interest income		
Loans and advances	**163,131**	163,880
Investment securities	**12,108**	13,839
Total interest income	**175,239**	**177,719**
Interest expense		
At call deposits	**12,260**	12,462
Fixed term deposits	**79,544**	80,868
Total interest expense	**91,804**	**93,330**
Non-interest income from banking activities		
Transaction fees	**7,256**	8,122
Loan fee income	**3,826**	3,325
Banking commissions	**5,049**	4,695
Other banking operations income	**1,157**	771
Total non-interest income from banking activities	**17,288**	**16,913**

Income accounting policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Interest, fees and commissions:

- Control of a right to receive consideration for the provision of, or investment in, assets has been attained. Interest and fees and commission revenue is brought to account on an accrual basis.
- The interest is accrued using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Loan origination fees:

- Loan origination fees are recognised as components of the calculation of the effective interest method in relation to originated loans. They, therefore, affect the interest recognised in relation to this portfolio of loans. The average life and interest recognition pattern of loans in the relevant loan portfolios is reviewed annually to ensure the amortisation methodology for loan origination fees is appropriate.

	30 Jun 15 $ '000	30 Jun 14 $ '000
2.2 Income from wealth management activities		
Funds management income	**9,370**	9,188
Other fees and commissions	**8,772**	8,150
Total Income from wealth management activities	**18,142**	**17,338**

Funds management income and fiduciary activities

Tasmanian Perpetual Trustees Limited, a controlled entity of the Group, acts as Responsible Entity, Trustee and Funds Manager for ten managed investment schemes. The investment schemes place monies with external wholesale fund managers, direct mortgages and mortgaged backed securities, term deposits and other investments. The clients include individual and superannuation investors.

The assets and liabilities of these funds are not included in the Consolidated Financial Statements. Income earned by the Group in respect of these activities are included in the Consolidated Income Statement of the Group as "Funds management income".

Other fees and commissions

Tasmanian Perpetual Trustees Pty Ltd provides financial planning, private client tax accounting services and acts as trustee and executor of estates. "Other fees and commissions income" is the income earned from these activities.

The following table shows the balance of the unconsolidated funds under management and funds under advice that gives rise to funds management and other fees and commissions income respectively:

	30 Jun 15 $ 'M	30 Jun 14 $ 'M
Funds under management	**1,017**	1,007
Funds under advice	**782**	767

Income accounting policy

Funds management income and other fees and commissions income is brought to account on an accrual basis to the extent that:

- It is probable that the economic benefits will flow to the entity;
- The revenue can be reliably measured; and
- Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

	30 Jun 15 $ '000	30 Jun 14 $ '000
2.3 Income from other activities		
Profit from sale of other investments	**5,643**	-

In 2015, the Group disposed of its investment in Cuscal Limited shares. The carrying value of these shares at the date of disposal was $3.35M.

	30 Jun 15 $ '000	30 Jun 14 $ '000
Dividends from other corporations	**444**	614
Profit on sale of property plant and equipment assets	**164**	2
Total income from other activities	**608**	**616**

Dividend accounting policy

Dividends are recorded as income when the right to receive the dividend is established.

2.4 Expenses

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

	30 Jun 15 $ '000	30 Jun 14 $ '000
Personnel costs include:		
Termination payments	**1,084**	430
Occupancy costs include:		
Operating lease payments	**4,045**	3,507
Depreciation - leasehold improvements	**1,642**	1,794
Technology costs include:		
Amortisation - computer software	**2,190**	1,723
Administration costs		
Amortisation - software and other intangibles	**282**	170
Depreciation - furniture and equipment	**659**	1,367
Loss on sale of property plant and equipment assets	**645**	-

Expense accounting policy

Operating lease expense

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis in the Consolidated Income Statement over the life of the lease.

Depreciation and amortisation expense

The Group adopts the straight line method of depreciating property, plant and equipment and amortising intangible assets over the estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired expected term of the lease or the estimated useful life of the improvements. Estimated useful lives are:

Buildings	40 years.
Office furniture, fittings & equipment	4 - 7 years.
Building fit-out (owned buildings)	4 to 15 years.
Computer hardware	3 years.
Software	3 to 10 years.

	30 Jun 15 cents	30 Jun 14 cents
2.5 Earnings per share		
Basic earnings per share	**37.25**	33.91
Diluted earnings per share	**37.25**	33.91

Earnings per share accounting policy

Basic earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders by the weighted average number of ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

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

	30 Jun 15 $' 000	30 Jun 14 $' 000
Profit for the year	**32,513**	29,571
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**87,280,013**	87,199,366

2.6 Dividends

	Date of payment	30 Jun 15 $ '000	30 Jun 14 $ '000
Dividends paid			
2013 Final dividend paid - 14 cents per share	4 Oct 2013	-	12,205
2014 Interim dividend paid - 14 cents per share	6 Mar 2014	-	12,212
2014 Final dividend paid - 14.5 cents per share	3 Oct 2014	**12,660**	-
2015 Interim dividend paid - 14 cents per share	24 Mar 2015	**12,220**	-
		24,880	**24,417**

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

	30 Jun 15	30 Jun 14
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the period at 30% (2014: 30%)	**53,901**	52,881
Franking credits that will arise from the payment of income tax payable at the end of the period	**6,182**	4,635

2.6 Dividends (continued)

Dividends not recognised at the end of the financial year

On 20 August 2015, the Directors resolved to pay a final dividend for the 2015 financial year of 14.5 cents per share or $12,656,000 total to be paid on the 3rd of October 2015, fully franked at the 30 per cent corporate tax rate. This dividend has not been brought to account as the amount had not been determined at the reporting date. This dividend will reduce the balance of the franking account by $5,424,000.

2.7 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 consists of two authorised deposit-taking institutions. Its product offerings include lending, encompassing home loans, personal, overdraft, line 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, as well as through the mortgage broker channel. The banking division is conducted by the MyState Bank Group and the Rock Building Society 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 over $1 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.

2.7 Segment financial information (continued)

	Banking $' 000	Wealth Management $' 000	Corporate and Consolidation $' 000	Total $' 000
Year ended 30 June 2015				
Interest income	174,797	224	218	175,239
Interest expense	(91,804)	-	-	(91,804)
Other income				
Transaction fees	7,256	-	-	7,256
Loan fee income	3,826	-	-	3,826
Banking commissions	5,049	-	-	5,049
Other banking operations income	1,706	-	(549)	1,157
Funds management income	-	9,370	-	9,370
Other wealth management fees and commissions	-	8,772	-	8,772
Profit from sale of other investments	5,643	-	-	5,643
Income from other activities	609	-	(1)	608
Total operating income	107,082	18,366	(332)	125,116
Expenses				
Personnel costs	26,557	7,274	3,821	37,652
Administration costs	21,070	3,598	(6,202)	18,466
Technology costs	8,257	563	85	8,905
Occupancy costs	6,591	842	(381)	7,052
Marketing costs	2,999	389	105	3,493
Governance costs	590	85	2,240	2,915
Impairment expense on loans and advances	602	-	-	602
Income tax expense	11,831	1,676	11	13,518
Segment profit for the year	28,585	3,939	(11)	32,513
Segment balance sheet information				
Segment assets	4,000,522	28,394	51,039	4,079,955
Segment liabilities	3,782,607	2,804	1,404	3,786,815

	Banking $' 000	Wealth Management $' 000	Corporate and Consolidation $' 000	Total $' 000
Year ended 30 June 2014				
Interest income	177,105	394	220	177,719
Interest expense	(93,330)	-	-	(93,330)
Other income			-	
Transaction fees	8,122	-	-	8,122
Loan fee income	3,325	-	-	3,325
Banking commissions	4,695	-	-	4,695
Other banking operations income	1,344	-	(573)	771
Funds management income	-	9,188	-	9,188
Other Wealth Management fees and commissions	-	8,150	-	8,150
Income from other activities	605	11	-	616
Total operating income	101,866	17,743	(353)	119,256
Expenses				
Personnel costs	25,600	6,456	3,603	35,659
Administration costs	21,627	2,713	(5,601)	18,739
Technology costs	8,073	602	45	8,720
Occupancy costs	7,200	969	(550)	7,619
Marketing costs	2,768	347	56	3,171
Governance costs	810	72	2,093	2,975
Impairment expense on loans and advances	852	-	-	852
Income tax expense	9,892	1,994	64	11,950
Segment profit for the year	25,044	4,590	(63)	29,571
Segment balance sheet information				
Segment assets	3,477,036	29,661	49,125	3,555,822
Segment liabilities	3,267,211	3,280	(318)	3,270,173

3.1 Capital management strategy

The Group's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The Group's capital management objectives are to:

- Continue to support MyState Bank Limited and the Rock Building Society Limited's credit ratings;
- Ensure sufficient capital resource to support the Group's business and operational requirements;
- Maintain sufficient capital to exceed prudential capital requirements; and
- Safeguard the Group's ability to continue as a going concern.

The Group's capital management policy covers both internal and external capital threshold requirements.

Regulatory capital requirements are measured at two levels:

Level 1 The authorised deposit taking institutions (ADI's), the Rock Building Society Limited and MyState Bank Limited, each report separately on a level 1 basis.

Level 2 The wider MyState Limited prudential group which comprises MyState Limited (non-operating holding company), MyState Bank, the Rock Building Society and Connect Asset Management (the Securitisation program Manager) report as a level 2 group.

The Regulatory groups above exclude certain securitisation vehicles and also excludes Tasmanian Perpetual Trustees Limited.

The Australian Prudential Regulatory Authority (APRA) requires ADI's to have a minimum ratio of capital to risk weighted assets of 8 per cent at both level 1 and level 2, with at least 4 per cent of this capital in the form of tier 1 capital. In addition, APRA imposes ADI specific minimum capital ratios which may be higher than these levels. The Group has complied with the regulatory minimum capital requirements at all times during the year. The Group's capital management policy, set by the Board, requires capital floors above this regulatory required level.

The Group has developed a detailed Internal Capital Adequacy Assessment Plan (ICAAP). This plan covers the capital requirements of the Regulated Groups (level 1 and level 2 as described above) and Tasmanian Perpetual Trustees.

The ICAAP aims to ensure that adequate planning activities take place so that the Group is efficiently capitalised to a level also satisfactory to regulators. The ICAAP caters for all known financial events, dividend policy, capital raisings, securitisation and the potential to establish a dividend reinvestment plan in the future.

3.1 Capital management strategy (continued)

The Board has currently set a minimum total capital adequacy ratio of 12.5%. Capital adequacy, at year end, of the level 2 regulatory group, which includes MyState Limited, MyState Bank Limited, Connect Asset Management Pty Ltd and the Rock Building Society Limited is detailed in the following table:

	30 Jun 15 $ '000	30 Jun 14 $ '000
Qualifying capital		
Common equity tier 1 capital		
Paid-up ordinary share capital	**95,178**	93,295
Retained earnings	**174,051**	166,397
Reserves excluding general reserve for credit losses	**566**	4,108
Total common equity tier 1 capital	**269,795**	**263,800**
Regulatory adjustments		
Deferred expenditure including deferred tax assets	**23,857**	17,713
Goodwill and intangibles	**19,821**	19,821
Other deductions	**42,610**	42,962
Total regulatory adjustments	**86,288**	**80,496**
Net common equity tier 1 capital	**183,507**	**183,304**
Tier 2 capital		
General reserve for credit losses	**4,428**	3,984
Total capital	**187,935**	**187,288**
Risk weighted assets	**1,482,367**	**1,357,831**
Capital adequacy ratio	**12.68%**	**13.79%**

3.2 Financial risk management

Risk management is an integral part of the Group's business processes. The Board sets policy to mitigate risks and ensure the risk management framework is appropriate, to direct the way in which the Group conducts business. Promulgated Board approved policies ensure compliance throughout the business, which are monitored by way of a dedicated compliance system. Risk management plans exist for all documented risks within the Group and these plans are reviewed regularly by the Executive Management Team, the Group Risk Committee and the Board. Business units are accountable for risks in their area and are responsible for ensuring the appropriate assessment and management of these risks.

Risk exposure profile
The Group actively monitors a range of risks, which are not limited to, but include the following:

- Credit risk,
- Market risk; and
- Liquidity risk.

3.2.1 Credit risk

Approach to credit risk management

Credit risk arises within the Group's lending and treasury investment activities and is the risk that a counterparty may fail to complete its contractual obligations when they fall due.

The Group's approach to managing this risk is to separate prudential control from operational management by assigning responsibility for approval of credit exposures to specific individuals and management committees. The Group Risk Committee has oversight of credit risk exposures and the Group's Credit Committee monitors credit related activities through regular reporting processes, including monitoring large exposure to single groups and counterparties. The roles of funding and oversight of credit are separate.

Board approved lending policies guide the processes for all loan approvals by subsidiary operations. All loans over a designated amount, whether within delegated limits or not, are reported to the Group Risk Committee on a regular basis. Any loan outside of delegated parameters must be approved by the Board prior to funding.

Maximum exposure to credit risk
The amounts disclosed in the following table are the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets recognised on the Balance Sheet, the exposure to credit risk equals their carrying amount. For customer commitments, the maximum exposure to credit risk is the full amount of the committed facility as at the reporting date.

	30 Jun 15 $ '000	30 Jun 14 $ '000
Cash and liquid assets	**66,290**	57,958
Due from other financial institutions for payment settlements	**27,546**	22,547
Financial instruments	**338,837**	321,616
Other investments	**1,721**	5,056
	434,394	**407,177**
Gross loans and advances at amortised costs	**3,550,907**	3,050,873
Customer commitments (1)	**133,597**	130,020
Maximum exposure to credit risk	**4,118,898**	**3,588,070**

(1) For further information regarding these commitments, refer to note 8.1.

3.2 Financial risk management (continued)

The credit quality of financial assets has been determined based on Standards and Poor's credit ratings for financial assets other than loans and advances at amortised cost. For loans and advances at amortised cost, the assets identified as being "closely monitored" are those assets that are greater then 30 days past due.

	30 Jun 15 $ '000	30 Jun 14 $ '000
Credit quality of financial assets		
Financial assets other than loans and advances at amortised cost		
Equivalent S&P rating A+ and above	**142,037**	228,625
Equivalent S&P rating A- and below	**292,357**	178,552
Loans and advances at amortised cost		
New Facilities - not closely monitored	**1,100,122**	618,376
New Facilities - closely monitored	**4,869**	1,251
Continuing facilities - not closely monitored	**2,419,709**	2,410,038
Continuing facilities - closely monitored	**26,207**	21,208
Total on balance sheet exposure to credit risk	**3,985,301**	**3,458,050**

New facilities are loans that have been funded within the financial year.

	30 Jun 15 $ '000	30 Jun 14 $ '000
Neither past due or impaired	**3,527,097**	**3,017,001**
Past due but not impaired - loans and advances at amortised cost		
31 to 60 days	**9,302**	16,004
61 to 90 days	**6,098**	6,830
More than 90 days	**7,012**	8,149
Total past due but not impaired	**22,412**	**30,983**
Impaired - loans and advances at amortised cost	**1,398**	2,889
Maximum exposure to credit risk	**3,550,907**	**3,050,873**
Estimate of collateral held against past due but not impaired assets	**32,777**	43,316
Estimate of collateral held against impaired assets	**1,113**	1,047

Estimate of collateral held
The Group holds collateral against loans and advances to customers in the form of a mortgage charge over property. To mitigate credit risk, the bank and ADI can take possession of the security held against the loans and advances as a result of customer default. The collateral shown above is an estimate of the value of collateral held, it is not practicable to determine the fair value.

3.2 Financial risk management (continued)

Credit quality is impacted by concentration risk created by the ensuing vulnerability of assets to similar conditions such as economic or political factors. The Group monitors the geographical diversification of its loans and advances. An analysis of this concentration of credit risk at the reporting date is shown in the following table:

	30 Jun 15 $ '000	30 Jun 14 $ '000
Tasmania	**2,200,195**	2,097,117
Victoria	**308,585**	166,166
New South Wales	**337,338**	210,370
Queensland	**552,191**	463,568
Western Australia	**88,232**	64,315
Australian Capital Territory	**32,572**	27,502
Northern Territory	**3,086**	2,561
South Australia	**29,370**	20,100
Gross loans and advances at amortised cost	**3,551,569**	**3,051,699**

There are no loans that individually represent 10% or more of shareholders' equity.

3.2.2 Market risk

Managing market risk
Market risk is the exposure to adverse changes in the value of the Group's portfolio as a result of changes in market prices or volatility. The Group is exposed primarily to interest rate risk.

Interest rate risk exposure
The operations of the ADI's are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rate on their assets and liabilities.

Value at Risk (VaR)
The following table indicates the VaR based on historical data. The Group estimates VaR as the potential loss in earnings from adverse market movements over a 20 day holding period to a 99% confidence level. VaR takes account of all material market variables that may cause a change in the value of the loan portfolio. Although an important tool for the measurement of market risk, the assumptions underlying the model are limited to reliance on historical data.

	Net profit after tax higher/(lower)	
	30 Jun 15 $ '000	30 Jun 14 $ '000
Value at risk based on historic data		
Average	**2,346**	3,138
Minimum	**1,423**	2,654
Maximum	**3,458**	3,433

Derivatives
The Group is exposed to changes in interest rates. The only derivative instruments currently entered into by the Group are interest rate swaps. The group has a portfolio of fixed rate loans. In order to protect its exposure to variable rate debt obligations, it pays fixed rates to the swap providers and receives variable rates in return. The variable receipts mitigate the exposure to interest rate changes that will impact on the groups variable rate payment obligations.

3.2 Financial risk management (continued)

Derivatives accounting policy

All derivatives, including those derivatives used for Consolidated Statement of Financial Position hedging purposes, are recognised on the Consolidated Statement of Financial Position and are disclosed as an asset where they have a positive fair value at balance date, or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets. Movements in the carrying amounts of derivatives are recognised in the Consolidated Income Statement, unless the derivative meets the requirements for hedge accounting.

The Group documents the relationship between the hedging instruments and hedged items at inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives used in hedging transactions have been or will continue to be, highly effective in offsetting changes in the fair values or cash flows of hedged items. This assessment is carried out both at inception and on a monthly basis.

Cash flow hedges:
The group has cash flow hedges that are used to hedge the variability of interest rates in relation to certain liabilities. These derivative instruments are established with terms that exactly match the terms of the liability designated as the hedged item and therefore form highly effective relationships. The portion of the liability designated in the hedging relationship is determined by reference to specific fixed rate assets within the loan portfolio. Sources of ineffectiveness are limited to credit risk of parties to the relationship. The Group tests for ineffectiveness each month. The variability in fair values attributable to an item designated as a cash flow hedge is recognised in Other Comprehensive Income to the extent of the hedges effectiveness. Any ineffective portion of the change in the fair value of a derivative is recognised immediately in the Consolidated Income Statement.

Derivatives that do not qualify for hedge accounting:
If a derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in Other Comprehensive Income remains in Other Comprehensive Income until the forecast transaction affects the Consolidated Income Statement. If the forecast transaction is no longer expected to occur, it is reclassified to the Consolidated Income Statement as a reclassification adjustment.

When a derivative is not designated in a qualifying relationship, all changes in its fair value are recognised immediately in the Consolidated Income Statement, as a component of net income from other financial instruments carried at fair value.

3.2 Financial risk management (continued)

3.2.3 Liquidity risk

Managing liquidity risk
Liquidity risk is the risk that the Group is unable to meet its financial and statutory obligations as they fall due, which could arise due to mismatches in cash flows.

The Group's objective is to manage its funds in a way that will facilitate growth in core business under a wide range of market conditions. The Group maintains, and adheres to, an Internal Liquidity Adequacy Assessment Plan (ILAAP). This process includes acknowledgements of liquidity risks within the Group and justification of the amount of liquidity that is being held based on the liquidity risk profile of the organisation.

Group Treasury is responsible for implementing liquidity risk management strategies in accordance with the ILAAP. The Group's Assets and Liabilities Committee (ALCO) assists the Board with oversight of asset and liability management including liquidity risk management. The Group's liquidity policies are approved by the Board after endorsement by the Group Risk Committee and the Banking Group's ALCO.

The Group maintains a portfolio of highly marketable assets that can be liquidated in the event of an unforeseen interruption of cash flows. The Group also has committed lines of credit that it can access to meet its liquidity needs. Liquidity scenarios are calculated under stressed and normal operating conditions, to assist in anticipating cash requirements providing adequate reserves.

Liquidity risk exposure
The Group is exposed to liquidity risk primarily through its banking activities.

The Group's contractual cash flows associated with its financial liabilities and hedging derivatives, within relevant maturity groupings is as follows. These are presented on an undiscounted basis and therefore will not agree to amounts presented on the balance sheet as they incorporate principal and associated future interest payments.

	On demand $ '000	3 months or less $ '000	Between 3 months and 1 year $ '000	Between 1 and 5 years $ '000	More than 5 years $ '000	Total $ '000
2015						
At call deposits	1,170,904	-	-	-	-	1,170,904
Due to other financial institutions for payment settlements	-	41,773	-	-	-	41,773
Term deposits	-	800,251	678,159	38,076	-	1,516,486
Negotiable certificates of deposit	-	232,168	44,318	-	-	276,486
Securitisation liabilities	-	-	-	-	907,097	907,097
Contractual amounts payable	1,170,904	1,074,192	722,477	38,076	907,097	3,912,746
Derivative liability	7	3,117	8,356	6,937	-	-

3.2 Financial risk management (continued)

3.2.3 Liquidity risk (continued)

	On demand $ '000	3 months or less $ '000	Between 3 months and 1 year $ '000	Between 1 and 5 years $ '000	More than 5 years $ '000	Total $ '000
2014						
At call deposits	1,053,934	-	-	-	-	1,053,934
Due to other financial institutions for payment settlements	-	43,764	-	-	-	43,764
Term deposits	-	707,543	616,302	36,459	-	1,360,304
Negotiable certificates of deposit	-	264,804	34,309	-	-	299,113
Securitisation liabilities	-	-	-	-	598,033	598,033
Contractual amounts payable	**1,053,934**	**1,016,111**	**650,611**	**36,459**	**598,033**	**3,355,148**

Contractual maturity of assets and liabilities

The contractual maturities of the Group's financial assets and liabilities as at reporting date is contained in the following table. The Group expects that certain assets and liabilities will be recovered or settled at maturities which are different to their contractual maturities.

	30 Jun 15			30 Jun 14		
	Less than 12 months $ '000	More than 12 Months $ '000	Total $ '000	Less than 12 months $ '000	More than 12 Months $ '000	Total $ '000
Financial assets						
Cash and liquid assets	**66,290**	**-**	**66,290**	57,958	-	**57,958**
Financial instruments	**257,937**	**80,900**	**338,837**	295,360	26,256	**321,616**
Loans and advances	**127,719**	**3,423,188**	**3,550,907**	125,031	2,925,842	**3,050,873**
Other financial assets	**29,267**	**-**	**29,267**	27,603	-	**27,603**
Total financial assets	**481,213**	**3,504,088**	**3,985,301**	505,952	2,952,098	**3,458,050**
Financial liabilities						
Due to other financial institutions for payment settlements	**(41,773)**	**-**	**(41,773)**	(43,764)	-	**(43,764)**
Deposits	**(2,898,548)**	**(34,687)**	**(2,933,235)**	(2,644,752)	(44,137)	**(2,688,889)**
Securitisation liabilities	**-**	**(797,448)**	**(797,448)**	-	(525,743)	**(525,743)**
Derivative liability	**-**	**(564)**	**(564)**	-	-	**-**
Total financial liabilities	**(2,940,321)**	**(832,699)**	**(3,773,020)**	(2,688,516)	(569,880)	**(3,258,396)**
Net contractual amounts receivable / (payable)	**(2,459,108)**	**2,671,389**	**212,281**	**(2,182,564)**	**2,382,218**	**199,654**

3.3 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.

	30 Jun 15			30 Jun 14		
	Average balance $ '000	Interest $ '000	Average rate %	Average balance $ '000	Interest $ '000	Average rate %
Average interest earning assets and interest income						
Interest-earning assets						
Cash and liquid assets	**75,168**	**1,118**	**1.49%**	69,462	1,126	1.62%
Financial instruments	**334,481**	**10,990**	**3.29%**	367,926	12,713	3.46%
Loans and advances	**3,256,095**	**163,131**	**5.01%**	3,007,294	163,880	5.45%
Total average interest-earning assets	**3,665,744**	**175,239**	**4.78%**	**3,444,682**	**177,719**	**5.16%**
Non-interest earning assets	**127,413**	**-**	**-**	134,076	-	0.00%
Total average assets	**3,793,157**	**175,239**	**4.62%**	**3,578,758**	**177,719**	**4.97%**
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits	**2,842,808**	**70,221**	**2.47%**	2,644,867	71,545	2.71%
Notes and bonds on issue	**617,773**	**21,583**	**3.49%**	604,788	21,785	3.60%
Total average interest-bearing liabilities	**3,460,581**	**91,804**	**2.65%**	**3,249,655**	**93,330**	**2.87%**
Non-interest bearing liabilities	**47,295**	**-**	**-**	49,627	-	-
Total average liabilities	**3,507,876**	**91,804**	**2.62%**	**3,299,282**	**93,330**	**2.83%**
Reserves	**269,918**	**-**	**-**	266,927	-	-
Total average liabilities and reserves	**3,777,794**	**91,804**	**2.43%**	**3,566,209**	**93,330**	**2.62%**

	30 Jun 15 $ '000	30 Jun 14 $ '000
4.1 Cash and liquid assets		
Notes, coins and cash at bank	**46,764**	31,597
Other short term liquid assets	**19,526**	26,361
Total cash and liquid assets	**66,290**	**57,958**

Notes to the statements of cash flows

	30 Jun 15 $ '000	30 Jun 14 $ '000
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	**32,513**	29,571
Add / (less) items classified as investing / financing activities or non-cash items:		
Depreciation of property, plant and equipment	**2,301**	2,903
Amortisation of intangible assets	**2,472**	1,893
Impairment of property, plant and equipment	**-**	476
Net (gain)/ loss on sale of investments	**(5,162)**	(2)
Bad and doubtful debts expense net of recoveries	**602**	852
Deferred upfront lending costs	**4,103**	-
Increase / (decrease) in employee equity benefits reserve	**188**	(206)
Changes in assets and liabilities		
Decrease / (increase) in financial instruments	**(517)**	556
Decrease / (increase) in due from other financial institutions	**(1,121)**	1,087
Decrease / (increase) in deferred tax assets	**(289)**	2,182
Increase / (decrease) in deposits and other borrowings	**1,007**	1,007
Increase / (decrease) in due to other financial institutions	**(1,223)**	(4,468)
Increase / (decrease) in employee benefit provisions	**(176)**	(17)
Increase / (decrease) in tax liabilities	**2,194**	3,226
Net cash flows used in operating activities	**36,892**	**39,060**

Accounting policies

Cash and liquid assets
Cash and liquid assets in the Consolidated Statement of Financial Position and for the purposes of the Consolidated Statement of Cash Flows comprise cash at bank and in hand and short-term deposits with an original maturity of less then three months, net of outstanding bank overdrafts. Cash flows arising from deposits, share capital, investments, loans to subsidiaries and investments in associates are presented on a net basis in the Statement of Cash Flows.

Cash Flow statement
Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:
- Customer deposits and withdrawals from savings and fixed-term deposit accounts;
- Movements in investments;
- Amounts due to and from other financial institutions; and
- Customer loans and advances.

4.2 Financial instruments

	30 Jun 15 $ '000	30 Jun 14 $ '000
Negotiable certificates of deposits	**80,519**	44,696
Floating rate notes	**106,431**	118,946
Short-term deposits	**151,887**	157,974
Total other financial assets	**338,837**	**321,616**

Accounting policies

Financial instruments at amortised cost

Financial instruments at amortised cost are those non-derivative financial assets that the Company has acquired with the objective of holding in order to collect contractual cash flows. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in Other Comprehensive Income is recognised in profit or loss. A cumulative gain or loss that had been recognised in Other Comprehensive Income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

	30 Jun 15 $ '000	30 Jun 14 $ '000
4.3 Loans and advances at amortised cost		
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	**3,351,150**	2,833,096
Personal loans and unsecured overdrafts	**83,803**	98,439
Overdrafts secured by mortgage	**65,651**	69,611
Commercial loans	**50,965**	50,553
Total loans and advances at amortised cost	**3,551,569**	**3,051,699**
Specific provision for impairment	**115**	55
Collective provision for impairment	**547**	771
Total loans and advances at amortised cost net of provision for impairment	**3,550,907**	**3,050,873**

Loans and advances at amortised cost accounting policy

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and advances". Loans and advances are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Provision for impairment

	30 Jun 15 $ '000	30 Jun 14 $ '000
Specific provision for impairment		
Opening balance	**55**	-
Charge / (credit) against profit	**60**	55
Closing balance of specific provision for impairment	**115**	**55**
Collective provision for impairment		
Opening balance	**771**	650
Charge / (credit) against profit	**(164)**	200
Write-off of previously provisioned facilities	**(60)**	(79)
Closing balance of collective provision for impairment	**547**	**771**

	30 Jun 15 $ '000	30 Jun 14 $ '000
4.3 Loans and advances at amortised cost (continued)		
Charge to profit for impairment on loans and advances at amortised cost		
Increase / (decrease) in specific provision for impairment	**60**	55
Increase / (decrease) in collective provision for impairment	**(224)**	200
Bad debts recovered	**(1,359)**	(1,609)
Bad debts written off directly	**2,125**	2,206
Total impairment on loans and advances at amortised cost	**602**	**852**

Impairment of financial assets accounting policy
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The primary source of credit risk for the Group arises on its loan portfolio. In relation to this portfolio, the Group maintains an individually assessed provision and a collective provision.

Specific provisions for impairment are made against individual risk rated credit facilities where a loss is expected. The provisions are measured as the difference between a financial asset's carrying amount and the expected future cash flows. All other loans and advances that do not have an individually assessed provision are assessed collectively for impairment. The evaluation process is undertaken by categorising all loans in to a credit risk hierarchy based on a series of estimates and judgements based on APRA Prudential Standard APS 220 - Credit Quality.

4.4 Transfer of financial assets (securitisation program)

Loans and advances to customers are sold by the Group to securitisation vehicles. The transfer takes the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes. The Group utilises its securitisation program to provide regulatory capital relief and funding diversification.

The following table sets out the values at the transaction date of financial assets transferred in this manner to vehicles that provide regulatory capital relief during the year and the value of the associated liabilities issued from the vehicles.

	Carrying value at transaction date	
	30 Jun 15 $ '000	30 Jun 14 $ '000
Transferred financial assets:		
Loans and advances at amortised cost	**466,223**	114,866
Associated financial liabilities		
Securitisation liabilities to external investors	**446,775**	117,751

Transfer of financial assets accounting policy
Once assets are transferred to a securitisation vehicle, the Group does not have the ability to use the transferred assets during the term of the arrangement. The Group does not have any loans transferred to unconsolidated securitisation vehicles.

The consolidated securitisation vehicles generally transfer all the risks and rewards of ownership of the assets to the investors in the notes. However, derecognition of the transferred assets from the Group is prohibited because the cash flows that the securitisation vehicles collect from the transferred assets on behalf of the investors are not passed to them without material delay. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

4.4 Transfer of financial assets (securitisation program) (continued)

Interest in Joint Operations accounting policy

Securitised positions are held through a number of Special Purpose Entities (SPE's). These entities are classified as joint operations, as the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities requires unanimous consent of the parties sharing control.

The Group recognises its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it re-sells those assets to a third party.

	30 Jun 15 $ '000	30 Jun 14 $ '000
4.5 Deposits and other borrowings		
Deposits		
At call deposits	**1,170,904**	1,053,934
Term deposits	**1,490,787**	1,341,529
Negotiable certificates of deposit	**271,544**	293,426
Total deposits	**2,933,235**	**2,688,889**
Other borrowings		
Securitisation liabilities	**797,448**	525,743
Total deposits and other borrowings	**3,730,683**	**3,214,632**
Concentration of deposits:		
Retail deposits	**2,310,032**	2,163,474
Wholesale deposits	**623,203**	525,415
Securitisation liabilities	**797,448**	525,743
Total deposits	**3,730,683**	**3,214,632**

There are no customers who individually have deposits which represent 10% or more of total liabilities.

Deposits and other borrowings accounting policy

Deposits and other borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group does not currently hold any financial liabilities at fair value through profit and loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.6 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 at amortised cost;
- Loans and advances at amortised cost;
- Other investments;
- Deposits; and
- Other borrowings.

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

	30 Jun 15		30 Jun 14	
	Carrying value $ '000	Net fair value $ '000	Carrying value $ '000	Net fair value $ '000
Financial assets				
Financial instruments at amortised cost	**338,837**	**338,993**	321,616	321,616
Loans and advances at amortised cost	**3,550,907**	**3,550,610**	3,050,873	3,144,546
Other investments	**1,721**	**1,721**	5,056	5,056
Total financial assets	**3,891,465**	**3,891,324**	**3,377,545**	**3,471,218**
Financial liabilities				
Deposits	**2,933,235**	**2,934,197**	2,688,889	2,773,230
Other borrowings	**797,448**	**797,448**	525,743	525,743
Total financial liabilities	**3,730,683**	**3,731,645**	**3,214,632**	**3,298,973**

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.

	Level 1 value $ '000	Level 2 value $ '000	Level 3 value $ '000	Total value $ '000
2015				
Financial assets				
Financial instruments	**-**	**338,993**	**-**	**338,993**
Loans and advances at amortised cost	**3,550,610**	**-**	**-**	**3,550,610**
Other investments	**1,000**	**36**	**685**	**1,721**
Financial liabilities				
Deposits	**-**	**2,934,197**	**-**	**2,934,197**
Other borrowings	**-**	**797,448**	**-**	**797,448**
2014				
Financial assets				
Financial instruments	-	321,616	-	321,616
Loans and advances at amortised cost	3,144,546	-	-	3,144,546
Other investments	1,000	36	4,020	5,056
Financial liabilities				
Deposits	-	2,773,230	-	2,773,230
Other borrowings	-	525,743	-	525,743

	30 Jun 15 $ '000	30 Jun 14 $ '000
5.1 Property, plant and equipment		
Land and buildings		
At revalued amount	**15,654**	16,334
Accumulated depreciation	**(6,059)**	(4,862)
	9,595	**11,472**
Plant and equipment		
At cost	**6,386**	7,540
Accumulated depreciation	**(4,327)**	(3,391)
	2,059	**4,149**
Total property, plant and equipment	**11,654**	**15,621**

Property, plant and equipment accounting policy

Plant and equipment
Plant and equipment, including leasehold improvements, are measured at cost less accumulated depreciation and any impairment in value.

Land and buildings
Following initial recognition at cost, land and buildings are carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Independent valuations are performed with sufficient regularity to ensure the carrying amount does not differ materially from the asset's fair value at the Consolidated Statement of Financial Position date. Fair value, is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Consolidated Statement of Financial Position, unless it reverses a revaluation decrease of the same asset previously recognised in the Consolidated Income Statement. Any revaluation deficit is recognised in the Consolidated Income Statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. Accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Impairment of property, plant and equipment
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Derecognition of property, plant and equipment
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Income Statement in the year the item is derecognised.

5.2 Intangible assets and goodwill

	Goodwill $ '000	Software $ '000	Other $ '000	Total $ '000
Year ended 30 June 2015:				
At 1 July 2014, net of accumulated amortisation	**65,978**	**11,225**	**914**	**78,117**
Additions	**-**	**1,771**	**1,261**	**3,032**
Amortisation	**-**	**(2,190)**	**(282)**	**(2,472)**
At 30 June 2015, net of accumulated amortisation	**65,978**	**10,806**	**1,893**	**78,677**
At 30 June 2015				
Cost (gross carrying amount)	**65,978**	**20,422**	**1,986**	**88,386**
Accumulated amortisation	**-**	**(9,616)**	**(93)**	**(9,709)**
Net carrying amount	**65,978**	**10,806**	**1,893**	**78,677**
Year ended 30 June 2014:				
At 1 July 2013, net of accumulated amortisation	65,978	8,594	113	74,685
Additions	-	4,354	971	5,325
Amortisation	-	(1,723)	(170)	(1,893)
At 30 June 2014, net of accumulated amortisation	**65,978**	**11,225**	**914**	**78,117**
At 30 June 2014				
Cost (gross carrying amount)	65,978	18,651	8,573	93,202
Accumulated amortisation	-	(7,426)	(7,659)	(15,085)
Net carrying amount	**65,978**	**11,225**	**914**	**78,117**

Intangibles accounting policy

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or infinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Consolidated Income Statement. Certain costs directly incurred in acquiring and developing software are capitalised and amortised over the estimated useful life.

Intangible assets are tested for impairment where an indicator of impairment exists and, in the case of indefinite life intangibles, annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Goodwill is treated as an indefinite life intangible, Software and Other intangibles are finite life intangibles.
Refer to note 2.2 Expenses for the useful life of tangible and intangible assets.

5.2 Intangible assets and goodwill (continued)

Impairment testing of Goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's two cash-generating units (CGU's) the Banking Business and the Wealth Management Business. These CGU's represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each CGU for the purpose of impairment testing is as follows:

	30 Jun 15 $ '000	30 Jun 14 $ '000
Banking Business	**40,189**	40,189
Wealth Management Business	**25,789**	25,789
Total goodwill	**65,978**	**65,978**

The recoverable amounts for the relevant CGU's have been assessed based on value-in-use calculations using cash flow projections. The Company's assessment of goodwill value-in-use exceeds the carrying value allocated to the CGU's and included in the accounts.

Each CGU's value-in-use was determined using cash flow projections from Board approved financial budgets for the year ending 30 June 2016. Growth rates have been applied from year two through to year twenty. Cash flows are projected by undertaking detailed calculations for each income and expense category over the twenty year period. Certain income categories are modelled by projecting growth in relevant portfolio balances and the resulting income derived there-from. Other non-portfolio related income streams and expense categories are modelled by projecting real rates of growth (above inflation) for each category. Terminal value is determined at year twenty using the assumption that the CGU achieves no real growth above inflation into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business which the CGU operates. The discount rate used of 10.0% reflects the Group's post-tax nominal weighted average cost of capital, in which has been calculated by externally engaged advisers and approved by the Board. Average inflation is projected to be 2.5%. The method for determining value-in-use is consistent with that adopted in the comparative period.

The key assumptions adopted in assessing Banking's value-in-use are the rate of growth in the balance of the housing loan portfolio and the outlook for net interest margin (NIM). Taking into account management's past experiences and external evidence, the assumptions that have been adopted for both of these components are considered to be conservative. NIM is projected to be consistent with the budget outlook, which reflects the current low interest rate environment, this depresses this figure. Management expects that, over time, these assumptions will be positively exceeded and that any reasonably possible change to assumptions used in Management's assessment will not result in impairment.

The key assumption adopted in assessing wealth management's value-in-use is the rate of growth in income derived from management fee (MF) income. MF income is derived from its activities as the responsible entity for various Managed Investment Schemes (MIS). MF income derived is directly related to the portfolio balances of the MIS. Taking into account Management's past experiences and external evidence, the assumption adopted is considered reasonable and conservative. Management's assessment of wealth management's value-in-use significantly exceeds its carrying value. Any reasonably possible change to assumptions used in Management's assessment will not result in impairment.

5.2 Intangible assets and goodwill (continued)

Impairment testing of Goodwill (continued)

Goodwill accounting policy

Goodwill on the acquisition of businesses is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of subsidiaries accounting policy

Investments in subsidiaries are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the investments carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each balance sheet date, the investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment.

5.3 Employee benefits provisions

	30 Jun 15 $ '000	30 Jun 14 $ '000
Balances		
Provision for annual leave	**1,979**	2,022
Provision for long service leave	**3,439**	3,572
Total employee benefits provisions	**5,418**	**5,594**
Due to be settled within 12 months	**4,191**	4,874
Due to be settled more than 12 months	**1,227**	720
Total employee benefits provisions	**5,418**	**5,594**

Employee benefits accounting policy
Liabilities for salaries, wages and annual leave are recognised in respect of the employees service up to the reporting date. Where settlement is expected to occur within twelve months of the reporting date, the liabilities are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. Where settlement is expected to occur later than twelve months from reporting date, the liabilities are measured at the present value of payments which are expected to be paid when the liability is settled.

A liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

	30 Jun 15 $ '000	30 Jun 14 $ '000
5.4 Share capital		
Issued and paid up ordinary shares	**132,670**	132,566

Movements in ordinary share capital

	30 Jun 15		30 Jun 14	
	Number of shares	**Amount $ '000**	Number of shares	Amount $ '000
Opening balance	**87,261,995**	**132,566**	87,153,047	132,241
Shares issued pursuant to the employee share scheme of the Group	**21,422**	**104**	24,398	114
Shares issued under the executive long term incentive plan	**-**	**-**	84,550	211
Closing balance	**87,283,417**	**132,670**	**87,261,995**	**132,566**

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.

The group offers share based remuneration, refer to note 7.3 and the Remuneration Report for further information regarding these arrangements.

	30 Jun 15 $ '000	30 Jun 14 $ '000
6.1 Income tax expense, current and deferred tax balances		
The major components of income tax expense /(benefit) are:		
Income tax expense		
Current income tax charge	**14,231**	11,592
Adjustment in respect of current income tax of previous years	**(1,212)**	(868)
Adjustments in respect of deferred income tax of previous years	**999**	566
Relating to origination and reversal of temporary differences	**(500)**	660
Total income tax expense	**13,518**	**11,950**
A reconciliation between tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Income tax expense attributable to:		
Accounting profit before tax	**46,031**	41,521
The income tax expense comprises amounts set aside as:		
Provision attributable to the current year at the statutory rate of 30%, being:		
- Prima facie tax on accounting profit before tax	**13,809**	12,456
- Under / (over) provision in prior year	**(213)**	(302)
Tax effect of tax credits and adjustments	**(92)**	(184)
Other	**14**	(20)
Income tax expense reported in the consolidated income statement	**13,518**	**11,950**
Weighted average effective tax rates	29.4%	28.8%

	30 Jun 15 $ '000	30 Jun 14 $ '000
6.1 Income tax expense, current and deferred tax balances (continued)		
Deferred income tax relates to the following:		
Deferred tax assets		
Employee entitlements	**1,742**	1,678
Deferred revenue	**69**	-
Provisions	**96**	893
Doubtful debts	**258**	248
Other	**1,916**	972
Carried forward losses	**242**	243
Total deferred tax assets	**4,323**	**4,034**
Deferred tax liabilities		
Property, plant and equipment	**862**	843
Other	**1,333**	705
Total deferred tax liabilities	**2,195**	**1,548**
Current tax payable	**6,182**	4,635
Total tax liabilities	**8,377**	**6,183**

Movements in deferred tax balances

	Deferred tax assets		Deferred tax liabilities	
	30 Jun 15 $' 000	30 Jun 14 $' 000	30 Jun 15 $' 000	30 Jun 14 $' 000
Opening balance	**4,034**	6,216	**1,548**	2,368
Reclassification deferred tax	**-**	(694)	**-**	(694)
(Charged) / credited to income statement	**373**	(979)	**(126)**	(319)
Credited/(charged) to equity	**142**	58	**-**	194
Adjustments for deferred tax of prior years	**(226)**	(567)	**773**	(1)
Closing balance	**4,323**	**4,034**	**2,195**	**1,548**

6.1 Income tax expense, current and deferred tax (continued)

Taxation accounting policy

Income tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in the Consolidated Statement of Comprehensive Income. Income tax on the profit or loss of the period comprises current tax and deferred tax.

Current tax payable

Current tax payable is the expected tax payable on the taxable income for the financial year using tax rates that have been enacted, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred income tax is provided on all temporary differences at the Consolidated Statement of Financial Position date. Temporary differences are calculated at each reporting date as the difference between the carrying amount of assets and liabilities for financial reporting purposes and their tax base.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the taxable temporary differences associated with the investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor the taxable profit and loss; and
- When the deductible temporary differences are associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

The Group undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Group estimates its tax liability based on its understanding of the tax law.

6.1 Income tax expense, current and deferred tax (continued)

Taxation accounting policy (continued)

Tax consolidation

The Group has elected to be taxed as a single entity under the tax consolidation regime. The head company is MyState Limited. The members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities among the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The Company and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the separate tax payer within group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

7.1 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	30 Jun 15 $ '000	30 Jun 14 $ '000
Assets		
Cash and liquid assets	**2,952**	2,807
Other receivables	**64**	8
Related party receivables	**5,611**	4,280
Investments in subsidiaries	**241,311**	237,511
Deferred tax assets	**924**	780
Total assets	**250,862**	**245,386**
Liabilities		
Other liabilities	**867**	950
Related party payables	**407**	286
Tax liabilities	**6,182**	4,635
Employee benefit provisions	**139**	225
Total liabilities	**7,595**	**6,096**
Net assets	**243,267**	**239,290**
Equity		
Share capital	**238,598**	238,495
Retained earnings	**4,103**	315
Reserves	**566**	480
Total equity	**243,267**	**239,290**
Financial performance		
Profit after income tax for the year	**28,668**	**24,415**
Other comprehensive income	**-**	-
Total comprehensive income	**28,668**	**24,415**

The parent entity has not entered in to any guarantees and does not have any contingent liabilities as at 30 June 2015 (30 June 2014: nil).

Transactions between the Company and the consolidated entities principally arise from the provision of management and governance services. All transactions with subsidiaries are in accordance with regulatory requirements, the majority of which are on commercial terms. All transactions undertaken during the financial year with the consolidated entities are eliminated in the Consolidated Financial Statements. Amounts due from and due to entities are presented separately in the Statement of Financial Position of the Company except where offsetting reflects the substance of the transaction or event.

7.2 Controlled Entities and principles of consolidation

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

Significant subsidiaries	Principal activities	Country of Incorporation	Ownership Interest
MyState Bank Limited	Banking	**Australia**	100%
The Rock Building Society Limited	Banking	**Australia**	100%
Tasmanian Perpetual Trustees Limited	Wealth Management	**Australia**	100%
Connect Asset Management Pty Ltd	Manager of Securitisation Vehicles	**Australia**	100%

There has been no changes in ownership interests during the current period.

Basis of consolidation accounting policy

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patters at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Income Statement and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

7.3 Related party disclosures

The ultimate parent entity and controlling entity is MyState Limited. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed in the following paragraphs.

Managed Investment Schemes
Within the Group, TPT is a Responsible Entity for Managed Investment Schemes (Funds) and, accordingly, has significant influence over their activities. TPT receives management fees from these Funds. TPT also pays expenses of the Funds for which it is reimbursed. TPT and the Company have also invested in these Funds and receives distributions on these investments. These investments are made on the same terms and conditions that apply to all investors in these Funds. Details of these transactions and balances are as follows:

	Consolidated		TPT	
	30 Jun 15 $ '000	30 Jun 14 $ '000	30 Jun 15 $ '000	30 Jun 14 $ '000
Management fees received	**9,370**	9,188	**9,370**	9,188
Balance of investment held at year end	**11,507**	13,498	**4,638**	6,346
Distributions received from managed funds	**387**	502	**184**	350

The Funds have:
- Accepted money on deposit from Directors and Executives or entities associated with Directors and Executives at prevailing Fund rates and conditions;
- Loaned money to MSB , in the form of term deposits, totalling $31.75 million (2014: $10.12 million); and
- Loaned money to Trusts within the ConQuest Trusts Residential Mortgage Backed Securities Program in the form of Class A and B notes totalling $43.89 million (2014: $19.00 million).

These deposits are made on the same terms and conditions that apply to all similar transactions.

Key Management Personnel

Individual Directors and Executive compensation disclosures
Information regarding individual Directors, Executive compensation, and equity instruments disclosures, as required by the Corporations Regulation 2M.2.03, is provided in the Remuneration Report section of the Directors' report. Disclosure of the compensation and other transactions with key management personnel (KMP) is required pursuant to the requirements of Australian Accounting Standard AASB 124 Related Party Disclosures. The KMP of the Group is comprised of the non Executive Directors, Managing Director and Chief Executive Officer and certain Executives.

	30 Jun 15 $ '000	30 Jun 14 $ '000
Key management personnel compensation		
The key management personnel compensation comprised:		
Short-term employee benefits	**3,163**	3,266
Post employment benefits	**411**	260
Share-Based payment (i)	**85**	138
Termination benefits	**910**	657

(i) These amounts are estimates of compensation and include a portion that will only vest to the Managing Director or Executive when certain performance criteria are met or a 'Capital Event' occurs. The fair value of shares is calculated at the date of grant and is allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the shares allocated to this reporting period.

	30 Jun 15 $ '000	30 Jun 14 $ '000
8.1 Contingent liabilities and expenditure commitments		
Operating lease expenditure commitments		
not later than 1 year	**3,765**	3,527
later than 1 and not later than 5 years	**10,950**	10,139
later than 5 years	**13,637**	14,158
Total lease expenditure contracted for at balance date	**28,352**	**27,824**

The Group occupies a number of properties which house its branch network. The leases for these properties are on normal commercial terms and conditions. The usual initial term for these leases is five years.

In the 2012 period, MSB commenced leasing its Headquarters building located in Hobart. The term of the lease is fifteen years, with an option for a further ten year term. Rental increases over the term of the lease are determined by reference to movements in the consumer price index. The Group also entered into a lease of a property situated in Launceston, which is principally used to house elements of the TPT business. The term of the lease is five years, with an option for two further five year terms. Rental increases over the term of the lease are determined by reference to movements in the consumer price index. If the options for further terms are exercised, the rental is to be determined by market appraisal at that time.

Other operating leases have an average term of 3 years and are non-cancellable. Assets that are the subject of operating leases are computer equipment and property.

MSB has provided guarantees to third-parties in order to secure the obligations of customers. The range of situations in which guarantees are given include:

- Local Government Authorities, to secure the obligations of property and sub-divisional developers to complete infrastructure developments;
- Local Government Authorities, Schools and other building owners, to secure the obligations of building contractors to complete building works;
- Landlords, to secure the obligations of tenants to pay rent; and
- CUSCAL, to secure payroll and direct debit payments processed by CUSCAL on behalf of customers.

Loans approved but not advanced to borrowers	**49,702**	46,742
Undrawn continuing lines of credit	**79,931**	81,611
Performance guarantees	**3,964**	1,667

Guarantees are issued in accordance with approved Board policy. Those guarantees over $10,000 are required to be secured. In the event that a payment is made under a guarantee, the customer's obligation to MSB is crystallised in the form of an overdraft or loan.

Bank Guarantee	**1,000**	1,000

The Group is a non-broker participant in the Clearing House Electronic Sub Register System operated by the Australian Securities Exchange and has provided a guarantee and indemnity for the settlement account from Bendigo and Adelaide Bank Limited (BABL). The Group maintains a deposit with BABL for $1,000,000 (2014: $1,000,000) as collateral for the guarantee.

		30 Jun 15 $ '000	30 Jun 14 $ '000
8.1	**Contingent liabilities and expenditure commitments (continued)**		
	Loan Guarantees	**135**	138

TPT has given guarantees to Local Government Authorities to secure the obligations of property and sub-divisional developers to complete infrastructure developments required of them. The developers are borrowers from managed funds for which TPT is the Responsible Entity. The developers provide cash or real property as security for the Group providing the loan guarantee.

Estate Administration

The Group acts as executor and trustee for a significant number of trusts and estates. In this capacity, the Group has incurred liabilities for which it has a right of indemnity out of the assets of those trusts and estates. Accordingly, these liabilities are not reflected in the financial statements.

Other contracted commitments for expenditure on plant and equipment as at the reporting date are for only minimal amounts.

		30 Jun 15 $ '000	30 Jun 14 $ '000
8.2	**Remuneration of auditors**		
	During the financial year, the following fees were paid or payable for services provided by the auditor or the Group, Wise Lord & Ferguson:		
	Audit services		
	Audit of the financial statements of the consolidated entities	**358**	394
	Total remuneration for audit services	**358**	**394**
	Audit related services		
	Assurance related services	**25**	26
	Audit of loans and other services to the securitisation program	**60**	73
	Total remuneration for audit related services	**85**	**99**
	Other non-external audit related services		
	Other services	**50**	3
	Total remuneration for non-audit related services	**50**	**3**
	Total remuneration for services provided	**493**	**496**

8.3 Events subsequent to balance date

On the 14th of August 2015, the group issued $25 million of floating rate subordinated notes ("notes"). The issuer was MyState Bank Limited. The notes have a term of 10 years (maturing 14 August 2025) and will pay interest quarterly at a floating rate equal to the three-month BBSW plus a margin of 5.00% per annum. The issuer has the option to redeem all or some of the notes on 14 August 2020 and each quarterly interest payment date thereafter, and for certain regulatory events (in each case subject to APRA's prior written approval). If APRA notifies the issuer that a non-viability trigger event has occurred, the notes will be converted into ordinary shares of MyState Limited, or written-off. The amount included in the Level 2 Group's regulatory capital is 75% of the face value of the notes on issue. MyState Bank Limited includes 100% at level 1 in its Tier 2 Capital. If these notes were on issue at 30 June 2015, Tier 2 Capital for the Level 2 Regulatory Group would have been 13.94%.

8.3 Events subsequent to balance date (continued)

There were no other 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.

8.4 Other significant accounting policies and new accounting standards

The principal accounting policies, which are consistent with those applied in the comparative period unless otherwise stated, that have been adopted in the preparation of the financial report are set out in this section and the preceding sections.

8.4.1 New and revised accounting standards
The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application for reporting periods beginning on or after 1 July 2014. The adoption of these accounting standards have not resulted in any significant changes to the financial statements:

AASB 10 *Consolidated Financial Statements (and AASB 127 (2011) Separate Financial Statements).*
AASB 11 *Joint Arrangements.*
AASB 128 (2011) *Investments in Associates and Joint Ventures.*
AASB 12 *Disclosure of Interests in Other Entities.*
AASB 13 *Fair Value Measurements.*
AASB 119 (2011) *Employee Benefits.*
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard.*
AASB 2013-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and*
AASB 2013-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011*
AASB 2013-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and*
AASB 2013-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.*
AASB 2013-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other*
AASB 2014-1 *Amendments to Australian Accounting Standards (Part C: Materiality).*
AASB 1048 (2013) *Interpretation of Standards.*
AASB CF 2013-1 *Amendments to the Australian Conceptual Framework.*
AASB 2013-9 (part A) *Amendments to Australian Accounting Standards – Conceptual Framework.*

The following standard, amendments to standard and interpretation has been identified as an accounting standard which may impact the entity in the period of initial application. It is available for early adoption at 30 June 2015, but has not been applied in preparing this financial report. The Group will adopt this standard on its effective date. It is not expected that adoption of this standard will have a significant impact on the presentation of the Group's financial statements:
AASB 15 *Revenue from Contracts with Customers.*

The following standard has been early adopted, refer to note 1.1 for information regarding the application of this standard.
AASB 9 *Financial Instruments – Classification & Measurement.*

MyState Limited

Directors' Declaration
for the financial year ended 30 June 2015

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

1. In the opinion of the Directors:

(a) The financial statements and notes of the Group set out on pages 1 to 48 are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) Complying with Accounting Standards, 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.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.2.

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

On behalf of the Board

M L Hampton
Chairman

C M Hollingsworth
Director

Hobart
Dated this 20 August 2015.

Wise Lord & Ferguson
Chartered Accountants
advice to advantage

Independent auditor's report to the members of MyState Limited

Report on the financial report

We have audited the accompanying financial report of MyState Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Mendlik, Nathan Brereton, Melissa Johnson, Donna Powell, Rebecca Meredith, Naomi Norman, Maryellen Salter
Consultant: Peter Beven

Independence
In conducting our audit 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.

Opinion
In our opinion:

a. the financial report of MyState Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion, the Remuneration Report of MyState Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

D J McCARTHY
Partner
Wise Lord & Ferguson
Chartered Accountants

Date: 20 August 2015