

18 February 2022

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

**MyState Limited – Half Year Report  
(Appendix 4D) for the half year ended 31 December 2021**

The Directors of MyState Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2021 as follows:

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b>Extracted from the Financial Statements for the half year ended</b>	<b>\$'000 31 December 2021</b>	<b>\$'000 31 December 2020</b>	<b>% Change</b>
Revenue from operations	70,980	68,646	3.4%
Profit after tax attributable to members	16,609	17,018	-2.4%
Net profit after tax attributable to members	16,609	17,018	-2.4%

<b>Dividends for the current financial year are:</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>FY2022 Interim Dividend fully franked at 30%</b>  Payable on 15 March 2022  Record date for determining entitlements for the interim dividend is 24 February 2022.	12.50 cents	12.50 cents
<b>Dividends for the previous financial year were:</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
FY2021 Interim Dividend – paid March 2021 FY2021 Final dividend – paid September 2021	12.5 cents 13.0 cents	12.5 cents 13.0 cents
<b>Dividend Reinvestment Plan</b>	<b>Last Date for Receipt of DRP Election Notice</b>	
The MyState Limited Dividend Reinvestment Plan is operational for the FY2022 Interim Dividend.	25 February 2022	
<b>Net Tangible Assets per share</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
	315 cents	285 cents

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX Release dated 18 February 2022.

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

Yours faithfully



Scott Lukianenko  
**Company Secretary**

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Appendix 4D

**Consolidated Interim Financial Report**

For the period ended 31 December 2021

ABN 26 133 623 962



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

Your Directors present their report for MyState Limited and its controlled entities (the Group) for the half year ended 31 December 2021.

### Directors

- **Miles Hampton** BEc (Hons), FCPA, FAICD  
Chairman and Independent Non-Executive Director.
- **Brett Morgan** BEc, MAppFin  
Managing Director and Chief Executive Officer – Executive Director.  
(Commenced 17 January 2022)
- **Stephen Davy** BSc (Hons)  
Independent Non-Executive Director.  
(Commenced 1 July 2021)
- **Robert Gordon** BSc, MIFA, MAICD, FAMI  
Independent Non-Executive Director.
- **Sibylle Krieger** LLB (Hons), LLM, FAICD, MBA  
Independent Non-Executive Director.
- **Warren Lee** BCom, CA  
Independent Non-Executive Director.
- **Vaughn Richtor** BA (Hons), MAICD  
Independent Non-Executive Director.
- **Andrea Waters** BCom, FCA, GAICD  
Independent Non-Executive Director.
- **Melos Sulicich** BBus, GAICD, SA FIN  
Managing Director and Chief Executive Officer – Executive Director.  
(Retired 31 December 2021)

### Company Secretary

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

### Principal Activities

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

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

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

## Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 12.5 cents per share. The dividend will be payable on 15 March 2022 to shareholders on the register at the record date of 24 February 2022.

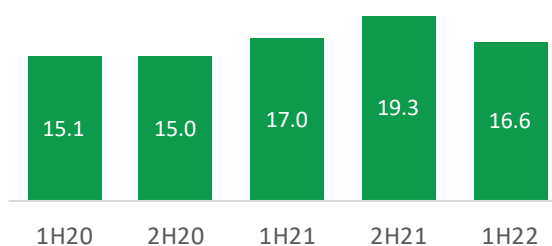
## Operating and Financial Review

### Financial Performance

The Group recorded a net profit after income tax for the half year ended 31 December 2021 of \$16.6m, a decrease of 2.4% on the prior corresponding period (pcp) to 31 December 2020 of \$17.0m.

Earnings per share (EPS) decreased by 14.8% to 15.76 cents per share (1H21: 18.49 cents per share) and return on equity (ROE) decreased 191bps to 8.03%. In June 2021, ordinary share capital of \$55.5m was raised to rapidly accelerate MyState's growth strategy. At the time, the Board indicated that EPS and ROE would be diluted in FY22 as the new capital is fully deployed to support home loan book growth and operating expenses would increase to support customer and lending growth.

Net Profit after tax (\$m)



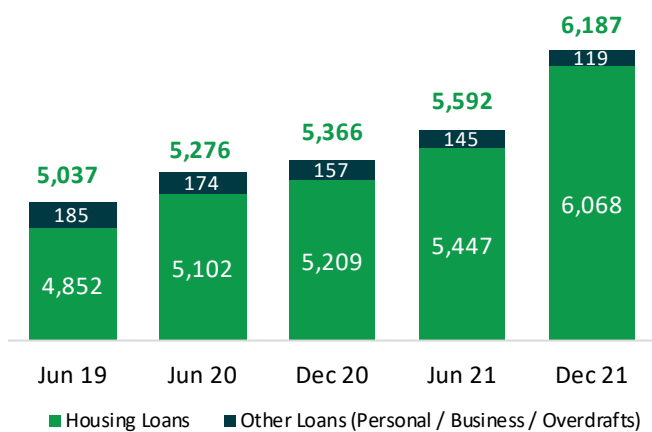
The total loan book (excluding capitalised acquisition costs) grew \$595m or 10.6% during 1H22 compared with \$90m or 1.7% in 1H21. The home loan book grew \$621m (11.4% or 3 times system growth) over the period. Although the market for owner-occupied home loans remains very competitive, MyState's home loan portfolio growth momentum is expected to be maintained with continued discipline and focus on asset quality.

Operating costs increased by \$4.1m or 9.2% driven by increased investment in distribution capability and capacity, investment in building the MyState brand on the mainland, and customer acquisition-focused marketing. MyState's 2025 Strategy to grow market share in deposits, lending and funds under management (FUM) has gained early traction, as evidenced by the loan book growth noted above, and the more than 18,000 new customers joining MyState in the past 12 months. Existing customers are increasingly choosing to transition to digital transactions in both the Banking and Wealth businesses, and MyState was recently named as one of the 10 most innovative companies in banking, super and financial services for 2021 by AFR BOSS magazine.

Despite a period of significant change and the challenges presented by COVID-19, MyState's customer net promoter score was +39 at 31 December 2021 and remains among the highest for financial services providers, and is significantly above most banking peers.

**High credit quality maintained in 1H22**

**Total loan book composition (\$m)<sup>1</sup>**



<sup>1</sup> Excludes capitalised origination costs

The Banking loan portfolio grew 15.3% from 31 December 2020 and 10.6% from 30 June 2021, reaching \$6,187m at 31 December 2021.

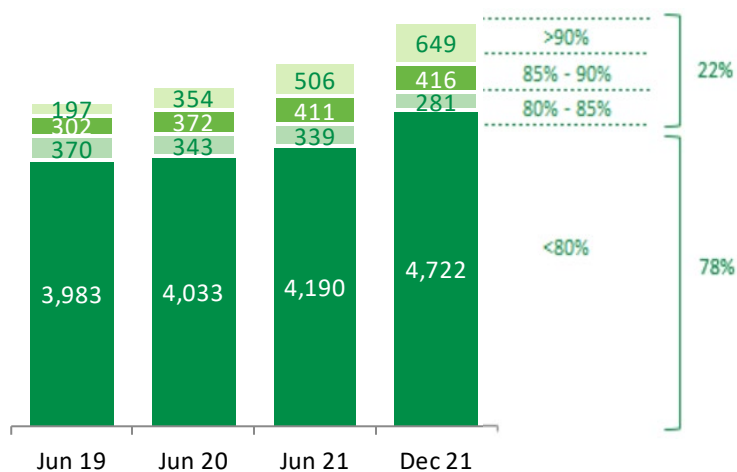
Impairment recoveries were \$0.68m higher than pcp, reflecting the decrease in 90+ days arrears at 31 December 2021 and a current period write-back of the forward looking overlay (\$0.6m), as a result of the improved economic outlook, in particular for unemployment and house prices.

My State’s 30 and 90-day arrears remain below industry benchmarks at 0.47% and 0.19% respectively (30 June 2021: 0.55% and 0.24%).

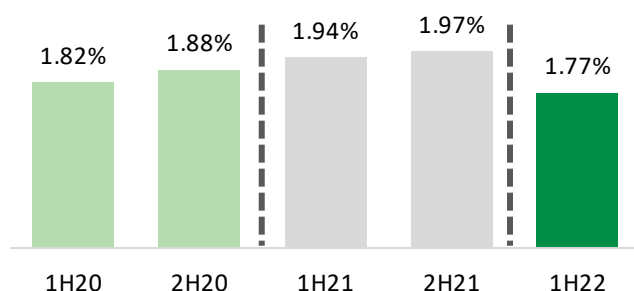
The Bank remains focused on low-risk, owner-occupied lending with a loan to valuation ratio (LVR) of less than 80%. Exposure to investor and interest-only lending remains relatively low compared to sector averages.

The increase in loans with an LVR greater than 90% since June 2019 reflects the success of the Bank’s participation in the Federal Government’s First Home Loan Deposit Scheme (FHLDS) which is all owner-occupied lending. The FHLDS is an Australian Government initiative to support eligible customers purchase their first home sooner with as little as a 5% deposit. The National Housing Finance and Investment Corporation provides a guarantee of up to a maximum amount of 15% of the value of a property (as assessed by MyState) purchased under the scheme.

**Home loan book - LVR profile (\$m)**



## NIM Trend



Customer deposits increased by 12.4% in the period driven by growth in the award winning Bonus Saver Account with the majority of customers acquired via digital and online channels. Importantly, the Bank's online originated deposit portfolio grew an additional \$97m to \$906m (12%) from 30 June 2021.

MyState Bank's reliance on securitisation funding reduced during the period as a result of the increase in customer deposits, but remains an important source of funding.

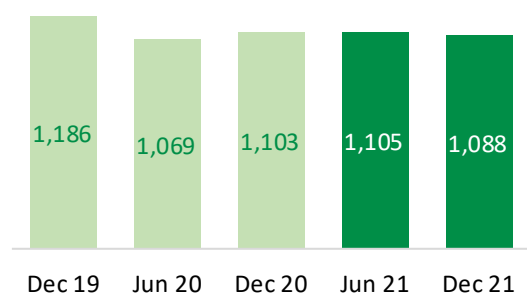
### Non-interest income from banking activities

Non-interest income from banking activities increased by \$1.3m or 21% on pcp, as a result of loan related transaction fees, reflecting the accelerated growth of the loan book.

### TPT Wealth

Income from wealth management activities increased by \$0.4m or 5.6% on pcp. Revenue from Trustee services was the key driver increasing by \$0.39m or 27.5% on pcp. Funds under management were marginally below the previous year. The ongoing transformation of the TPT Wealth business is seeing distribution capacity enhanced to extend reach across the eastern seaboard, coupled with strategic investments in digital capabilities and a new cloud lending platform.

## Funds under management (\$m)



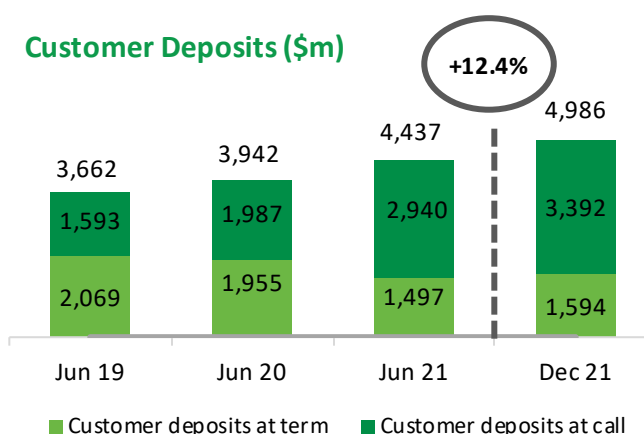
FUM decreased \$17m from 30 June 2021 with the Income Funds declining by \$39m, partly offset by increases in the At Call Fund (\$12m) and the Growth Funds (\$10m).

The TPT Fixed Term Fund, Select Mortgage Fund and Long Term Fund have been awarded a 4.0 Star 'superior' rating by independent research house SQM Research, recognising TPT Wealth's highly experienced investment team, strong credit credentials and more than 40-year track record of funds management. These ratings are expected to help increase inflows into the funds from retail investors.

## Net interest margin compression

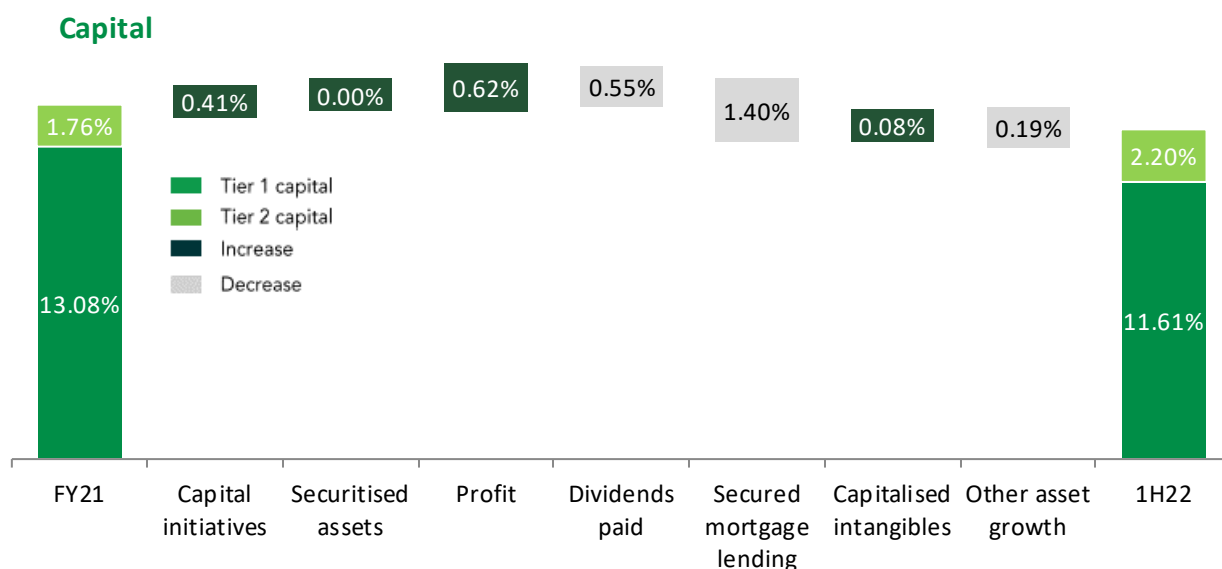
Net interest income was up \$0.6m or 1.1% versus pcp with the fall in Net Interest Margin (NIM) reflecting competition in the market for new home loans, partly offset by lower funding costs and above-system loan book growth. Average NIM decreased by 17bps to 1.77% versus pcp. NIM in the month of December 2021 was 1.70% (30 June 2021: 1.89%).

## Customer Deposits (\$m)





**Strong capital position**

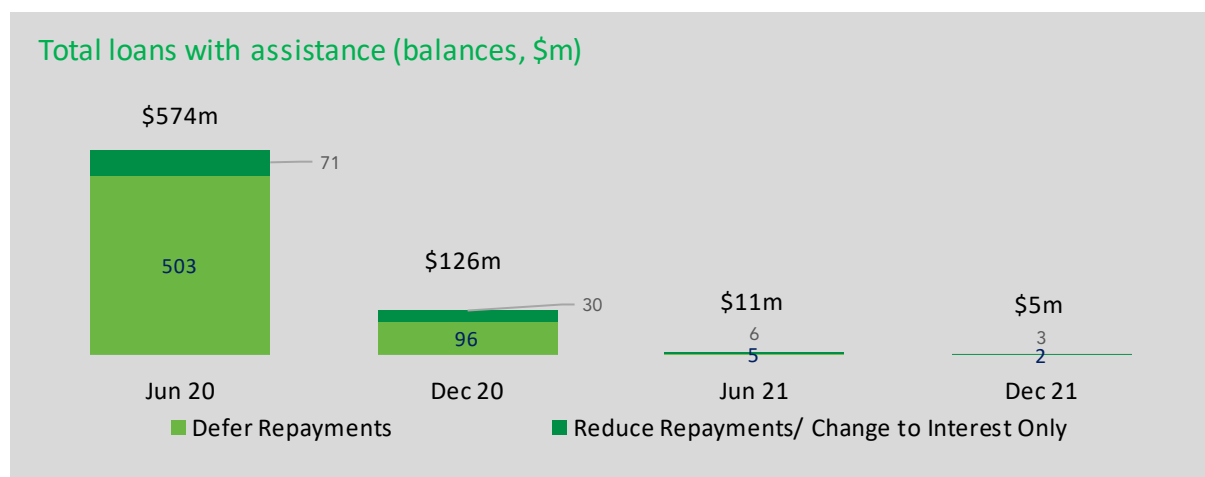


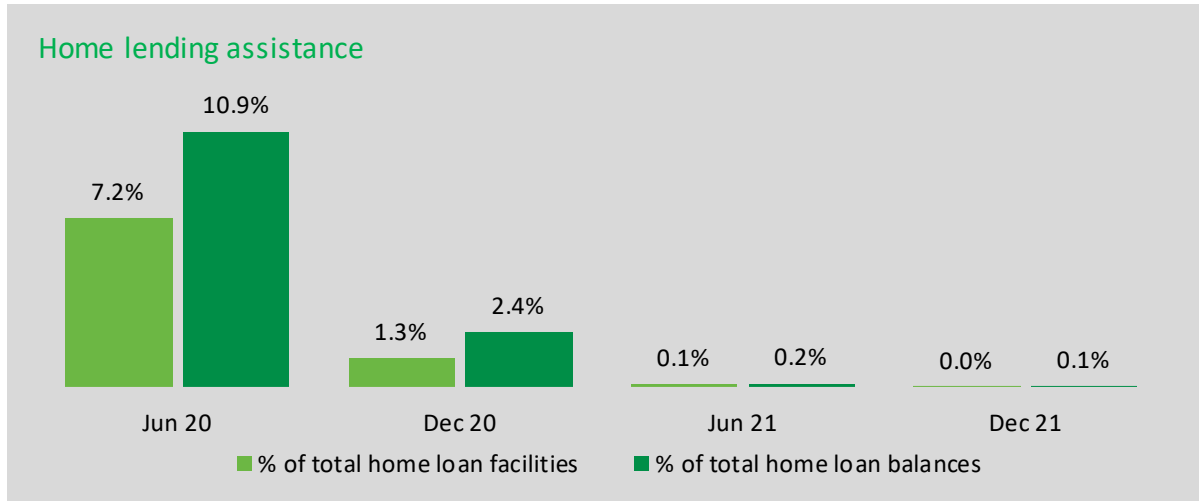
The Group has maintained a strong capital position with all capital ratios comfortably above regulatory minimums. The Group’s total capital ratio decreased 103bps in the period to 13.81% at 31 December 2021 and the Group’s Common Equity Tier 1 ratio decreased by 147bps. Tier 2 capital was further bolstered by the issue of \$25 million of 10-year subordinated notes in November 2021.

The Group is on track to meet the Australian Prudential Regulation Authority’s (APRA) recently finalised new bank capital framework requirements, effective from 1 January 2023 onwards. At 31 December 2021, the Group expects a net uplift in the Common Equity Tier 1 ratio of 30 to 40 bps and the total capital ratio of 60 to 70 bps, net of the 1% increase in the counter-cyclical capital buffer.

**COVID-19 assistance to customers**

Following the onset of the COVID-19 pandemic, MyState Bank has supported over 1,900 customers through a range of measures including loan deferrals, moving customers to interest-only loans or by reducing minimum monthly repayments. At 31 December 2021, only 9 customers remain on some form of assistance representing 0.1% of total home loan balances (down from a peak of 10.9% in June 2020).





While the Australian economy has performed better than expected over the past year, with strong house price growth and declining unemployment levels, the ongoing disruption caused by the Omicron variant of the virus is expected to continue to impact on economic activity. MyState Bank will continue to support impacted customers over the coming months.

**Community**

MyState seeks to make a genuine difference to our customers and the communities within which we operate. Since 2001, the MyState Foundation has awarded more than \$2.4 million in grants to help more than 90 not-for-profit organisations in Tasmania with a focus on empowering youth.

**Outlook**

The Board-endorsed plan to accelerate the growth in lending has gained early momentum. In the medium term, the business expects to realise the benefits from its investment in digital capabilities, distribution and marketing to grow the customer base nationally, while maintaining a strong risk culture to manage the risks associated with an uncertain but improving economic environment.

At TPT Wealth, the rate of lending growth is expected to accelerate following a rebuild of capability and to benefit from the transformation of the business over recent years. Higher lending will help drive investment returns across the Income Funds, which will in turn provide a compelling proposition to investors looking for more stable returns in a low interest rate environment.

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

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2021.

## Rounding of amounts

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

## Events Subsequent To Balance Date

In the opinion of the Directors, there has not arisen, in the period between the half year ended 31 December 2021 and the date of this report, any other material item, transactions or event that is likely to significantly affect the operations of the Group.

## Environmental Regulation

The Group is not subject to any significant environmental regulation.

Signed in accordance with a resolution of the Directors.



Miles Hampton  
**Chairman**



Brett Morgan  
**Managing Director and Chief Executive Officer**

18 February 2022, Hobart.

### Auditor's Independence Declaration to the Directors of MyState Limited

In relation to our review of the financial report of MyState Limited for the half-year ended 31 December 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



DANNY MCCARTHY  
Partner  
WLF Accounting & Advisory

Date: 18 February 2022

**MyState Limited**  
**Consolidated Income Statement**  
for the half year ended 31 December 2021

	Notes	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
Interest income	2.1	78,400	84,973
Interest expense	2.1	(22,373)	(29,569)
<b>Net interest income</b>		<b>56,027</b>	<b>55,404</b>
Non-interest income from banking activities	2.1	7,614	6,294
<b>Net banking operating income</b>		<b>63,641</b>	<b>61,698</b>
Income from wealth management activities	2.2	7,339	6,948
<b>Total operating income</b>		<b>70,980</b>	<b>68,646</b>
<b>Less: Expenses</b>			
Personnel costs		21,145	19,841
Administration costs	2.3	8,978	7,379
Technology costs	2.3	9,197	7,932
Occupancy costs	2.3	2,181	2,649
Marketing costs		5,841	3,057
Governance costs		1,490	1,383
Restructure costs	2.3	-	2,484
<b>Total operating expenses</b>		<b>48,832</b>	<b>44,725</b>
<b>Profit before impairment and tax expense</b>		<b>22,148</b>	<b>23,921</b>
Impairment recovery / (expense) on loans and advances	3.1	1,127	444
<b>Other income</b>			
Gains on revaluation of assets held for sale		530	-
<b>Profit before tax</b>		<b>23,805</b>	<b>24,365</b>
Income tax expense		7,196	7,347
<b>Profit for the period</b>		<b>16,609</b>	<b>17,018</b>
Profit attributable to the:			
<b>Equity holders of MyState Limited</b>		<b>16,609</b>	<b>17,018</b>
Basic earnings per share (cents per share)	2.4	15.76	18.49
Diluted earnings per share (cents per share)	2.4	15.76	18.49

**MyState Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the half year ended 31 December 2021**

Notes	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
<b>Profit for the period</b>	<b>16,609</b>	17,018
<b>Other comprehensive income / (expense)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedges - Net gains / (losses) taken to equity	1,468	(199)
Income tax effect	(440)	60
<b>Total other comprehensive income / (expense) for the year</b>	<b>1,028</b>	<b>(139)</b>
<b>Total comprehensive income for the year</b>	<b>17,637</b>	<b>16,879</b>
Total comprehensive income for the year is attributable to:		
<b>Equity holders of MyState Limited</b>	<b>17,637</b>	<b>16,879</b>

**MyState Limited**  
**Consolidated Statement of Financial Position**  
**as at 31 December 2021**

	Notes	31 Dec 2021 \$ '000	30 Jun 2021 \$ '000
<b>Assets</b>			
Cash and liquid assets	3.3	171,614	80,266
Due from other financial institutions		16,971	31,859
Other assets		9,593	7,032
Financial instruments		730,466	707,166
Loans and advances	3.1	6,211,129	5,607,300
Property, plant and equipment and right-of-use assets		10,660	11,678
Investment property		-	3,801
Non-current assets held for sale		4,241	-
Current and deferred tax assets		9,796	9,896
Intangible assets and goodwill		82,394	83,478
<b>Total assets</b>		<b>7,246,864</b>	<b>6,542,476</b>
<b>Liabilities</b>			
Due to other financial institutions		12,692	18,821
Deposits and other borrowings including subordinated notes		6,789,014	6,079,794
Employee benefits provisions		5,513	5,240
Other liabilities		16,921	20,605
Tax liabilities		3,042	2,802
<b>Total liabilities</b>		<b>6,827,182</b>	<b>6,127,262</b>
<b>Net assets</b>		<b>419,682</b>	<b>415,214</b>
<b>Equity</b>			
Share capital	4.1	209,233	208,196
Retained earnings		204,438	201,044
Reserves		6,011	5,974
<b>Total equity</b>		<b>419,682</b>	<b>415,214</b>

**MyState Limited**  
**Consolidated Statement of Changes in Equity**  
**for the half year ended 31 December 2021**

	Note	Share capital \$ '000	Retained earnings \$ '000	General reserve for credit losses \$ '000	Employee equity benefits reserve \$ '000	Hedging reserve \$ '000	Other reserves \$ '000	Total \$ '000
<b>At 1 July 2020</b>		<b>152,775</b>	<b>175,688</b>	<b>6,761</b>	<b>704</b>	<b>(606)</b>	<b>(1,000)</b>	<b>334,322</b>
Profit for the period		-	17,018	-	-	-	-	17,018
Other comprehensive income / (expense)		-	-	-	-	(139)	-	(139)
<b>Total comprehensive income for the period</b>		-	17,018	-	-	(139)	-	16,879
Equity issued under employee share scheme		84	-	-	-	-	-	84
Equity issued under executive long term incentive plan		166	-	-	(166)	-	-	-
Equity issued under dividend reinvestment plan		-	-	-	-	-	-	-
Share based payment expense recognised		-	-	-	254	-	-	254
Transfer to retained earnings		-	(277)	277	-	-	-	-
Dividends paid	2.5	-	-	-	-	-	-	-
<b>At 31 December 2020</b>		<b>153,025</b>	<b>192,429</b>	<b>7,038</b>	<b>792</b>	<b>(745)</b>	<b>(1,000)</b>	<b>351,539</b>
<b>At 1 July 2021</b>		<b>208,196</b>	<b>201,044</b>	<b>6,238</b>	<b>1,038</b>	<b>(302)</b>	<b>(1,000)</b>	<b>415,214</b>
Profit for the year		-	16,609	-	-	-	-	16,609
Other comprehensive income / (expense)		-	-	-	-	1,028	-	1,028
<b>Total comprehensive income for the year</b>		-	16,609	-	-	1,028	-	17,637
Equity issued under employee share scheme		62	-	-	-	-	-	62
Equity issued under dividend reinvestment plan		1,105	-	-	-	-	-	1,105
Share based payment expense recognised		-	-	-	277	-	-	277
Entitlement offer share issuance costs, net of tax		(130)	-	-	-	-	-	(130)
General reserve for credit losses write back		-	1,268	(1,268)	-	-	-	-
Derecognition of capitalised costs under SAAS arrangements		-	(797)	-	-	-	-	(797)
Dividends paid	2.5	-	(13,686)	-	-	-	-	(13,686)
<b>At 31 December 2021</b>		<b>209,233</b>	<b>204,438</b>	<b>4,970</b>	<b>1,315</b>	<b>726</b>	<b>(1,000)</b>	<b>419,682</b>



**MyState Limited**  
**Consolidated Statement of Cash Flows**  
**for the half year ended 31 December 2021**

Notes	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
<b>Cash flows from operating activities</b>		
Interest received	86,945	91,951
Interest paid	(21,697)	(31,426)
Fees and commissions received	13,792	13,183
Other non-interest income received	661	739
Payments to suppliers and employees	(49,527)	(39,663)
Income tax paid	(7,296)	(11,129)
<b>(Increase) / decrease in operating assets:</b>		
Due from other financial institutions	15,109	13,118
Financial instruments	(20,742)	(55,706)
Loans and advances	(611,026)	(99,348)
<b>Increase / (decrease) in operating liabilities:</b>		
Due to other financial institutions	(6,495)	(6,017)
Deposits and other borrowings excluding subordinated notes and floating rate notes	593,927	124,710
<b>Net cash flows from / (used in) operating activities</b>	<b>(6,349)</b>	<b>412</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(1,501)	(1,611)
Purchase of property, plant and equipment	(897)	(317)
<b>Net cash flows from / (used in) investing activities</b>	<b>(2,398)</b>	<b>(1,928)</b>
<b>Cash flows from financing activities</b>		
Employee share issue	62	88
Entitlement offer share issuance costs	(130)	-
Receipts/(payments) for lease liabilities	(1,137)	(1,289)
Subordinated notes	15,098	(153)
Floating rate notes	99,572	-
Dividends paid net of dividend reinvestment plan	2.5 (13,370)	-
<b>Net cash flows from / (used in) financing activities</b>	<b>100,095</b>	<b>(1,354)</b>
Net increase / (decrease) in cash held	91,348	(2,870)
Cash at beginning of financial year	80,266	116,502
<b>Closing cash carried forward</b>	3.3 <b>171,614</b>	<b>113,632</b>

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

**1.1 Statement of compliance**

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2021.

**1.2 Basis of preparation**

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

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

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

Group	MyState Limited and the entities it controlled during the period;
Company	MyState Limited;
Period	the half year ended 31 December 2021; and
ASIC	Australian Securities and Investments Commission.

The comparative information disclosed in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows is for the six months ended 31 December 2020. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2021. Comparative information may contain reallocation of amounts. Any adjustments are to assist in providing more meaningful information within the financial statements.

***Non-current assets held for sale***

At 31 December 2021, a property has been reclassified from Investment property to Held for sale and disclosed separately in the Consolidated Statement of Financial Position, in line with AASB 5 *Non-Current assets held for Sale*. Prior to reclassification, the property was revalued and a gain on revaluation of \$530,000 was recognised in the Consolidated Income Statement in line with the requirements of AASB 140 *Investment Property*.

***Software as a Service arrangement***

Capitalised costs of configuring or customising a supplier's application software in a software as a service arrangement have been derecognised in the financials at 31 December 2021 in line with the IFRS Interpretation Committee's (IFRIC) agenda decision in April 2021. The impact has been recognised in the Group's retained earnings.

All other accounting policies and methods of compilation are the same as those policies adopted in the most recent annual financial report, which is for the year ended 30 June 2021.

There have been no new accounting standards which have been determined to have a material impact on this financial report.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
<b>2.1 Net banking operating income</b>		
<b>Interest income</b>		
Loans and advances	76,637	83,224
Investment securities	1,763	1,749
<b>Total interest income</b>	<b>78,400</b>	<b>84,973</b>
<b>Interest expense</b>		
At call deposits	8,420	5,856
Fixed term deposits	13,205	23,051
Floating rate note	279	-
Financing cost - leases	469	662
<b>Total interest expense</b>	<b>22,373</b>	<b>29,569</b>
<b>Non-interest income from banking activities</b>		
Transaction fees	1,924	1,883
Loan fees	3,142	2,327
Banking commissions	1,654	1,497
Other banking operations income	894	587
<b>Total non-interest income from banking activities</b>	<b>7,614</b>	<b>6,294</b>
<b>2.2 Income from wealth management activities</b>		
Funds management income	4,611	4,765
Other fees and commissions	2,728	2,183
<b>Total income from wealth management activities</b>	<b>7,339</b>	<b>6,948</b>
<b>2.3 Expenses</b>		
The following items are included within each item of specified expenses:		
<b>Occupancy costs include:</b>		
Operating lease payments	54	(29)
Depreciation - right-of-use lease assets	1,358	1,636
Depreciation - buildings and leasehold improvements	185	183
<b>Technology costs include:</b>		
Amortisation - computer software	3,217	2,499
<b>Administration costs include:</b>		
Depreciation - furniture, equipment and computer hardware	131	143
<b>Restructure costs (i)</b>		
Depreciation - early termination of right-of-use lease assets	-	1,140
Termination payments	-	952
Loss on disposal of fit out costs	-	248
Other	-	144
<b>Total restructure costs</b>	<b>-</b>	<b>2,484</b>

(i) During the comparative period, branches in Queensland and Tasmania were closed and properties in Northern Tasmania were consolidated. The restructure costs include early lease termination costs and redundancy costs related to impacted staff.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

	31 Dec 2021 cents	31 Dec 2020 cents
<b>2.4 Earnings per share</b>		
Basic earnings per share	15.76	18.49
Diluted earnings per share	15.76	18.49

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

	Number	Number
<b>Weighted average number of ordinary shares used in calculating basic and diluted earnings per share</b>	<b>105,402,553</b>	92,030,267

**2.5 Dividends**

	Date of payment	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
<b>Dividends paid</b>			
2021 Final dividend paid - 13.0 cents per share	21 Sep 2021	13,686	-

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

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

**2.6 Segment financial information**

**Operations of reportable segments**

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

**Banking division**

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

**Wealth Management division**

The Wealth Management division is a provider of funds management and trustee services. It operates predominantly within Tasmania. It holds \$1.09 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 8 managed investment schemes. The Wealth Management business is conducted by TPT Wealth Limited. TPT Wealth Limited is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania.

**Corporate and consolidation division**

The corporate cost centre is responsible for the governance of the Group. The corporate cost centre charges the operating divisions on a cost recovery basis for costs it has incurred. This division is also where eliminations are allocated between the Banking division and the Wealth Management division.

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
<b>Half year ended 31 December 2021</b>				
Interest income	78,389	(9)	20	78,400
Interest expense	(22,090)	-	(283)	(22,373)
Other income	7,614	7,339	-	14,953
Other expenses	(43,017)	(5,815)	-	(48,832)
Impairment recovery / (expense) on loans and advances	1,127	-	-	1,127
Gains on revaluation of assets held for sale	530	-	-	530
Income tax expense	(6,733)	(463)	-	(7,196)
<b>Segment profit for the period</b>	<b>15,820</b>	<b>1,052</b>	<b>(263)</b>	<b>16,609</b>
<b>Segment balance sheet information</b>				
Segment assets	7,171,044	25,052	50,768	7,246,864
Segment liabilities	6,823,770	1,354	2,058	6,827,182

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

**2.6 Segment financial information**

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
<b>Half year ended 31 December 2020</b>				
Interest income	84,983	(7)	(3)	84,973
Interest expense	(29,560)	(1)	(8)	(29,569)
Other income	6,502	6,948	(208)	13,242
Other expenses	(37,048)	(5,312)	119	(42,241)
Impairment recovery / (expense) on loans and advances	444	-	-	444
Restructure costs (i)	(2,202)	(282)	-	(2,484)
Income tax expense	(6,941)	(406)	-	(7,347)
<b>Segment profit for the period</b>	<b>16,178</b>	<b>940</b>	<b>(100)</b>	<b>17,018</b>
<b>Segment balance sheet information as at 30 June 2021</b>				
Segment assets	6,467,120	24,307	51,049	6,542,476
Segment liabilities	6,123,366	1,426	2,470	6,127,262

(i) Costs related to the restructure for the Banking Division are nil (2020 \$2.2M) and for the Wealth Management division are nil (2020 \$0.3M). Refer to note 2.3 for further information.

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

	31 Dec 2021 \$ '000	30 Jun 2021 \$ '000
<b>3.1 Loans and advances</b>		
<b>Classification of loans and advances at amortised cost</b>		
Residential loans secured by mortgage	6,096,958	5,468,427
Personal loans and unsecured overdrafts	29,022	46,989
Overdrafts secured by mortgage	31,821	29,200
Commercial loans	57,636	68,102
<b>Total loans and advances at amortised cost</b>	<b>6,215,437</b>	<b>5,612,718</b>
Specific provision for impairment	125	50
Collective provision for impairment	4,183	5,368
<b>Total loans and advances at amortised cost net of provision for impairment</b>	<b>6,211,129</b>	<b>5,607,300</b>

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

**Provision for impairment**

<b>Specific provision for impairment</b>		
Opening balance (i)	50	305
Net specific provision funding	75	(255)
Write-off of previously provisioned facilities	-	-
<b>Closing balance of specific provision for impairment (i)</b>	<b>125</b>	<b>50</b>
<b>Collective provision for impairment</b>		
Opening balance (i)	5,368	6,632
Net collective provision funding	(1,185)	(1,037)
Write-off of previously provisioned facilities	-	(227)
<b>Closing balance of collective provision for impairment (i)</b>	<b>4,183</b>	<b>5,368</b>

(i) The opening balance for the comparative period is 1 January 2021 and the closing balance is 30 June 2021.

	31 Dec 2021 \$ '000	31 Dec 2020 \$ '000
<b>Charge to profit for impairment on loans and advances</b>		
Increase / (decrease) in specific provision for impairment	75	(150)
Increase / (decrease) in collective provision for impairment	(1,185)	(558)
Bad debts recovered	(311)	(382)
Bad debts written off directly	294	646
<b>Total impairment (recovery) / expense on loans and advances</b>	<b>(1,127)</b>	<b>(444)</b>

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

**3.1 Loans and advances (continued)**

**Provision for impairment (continued)**

The Group has undertaken a review of the expected credit loss of its lending portfolios against relevant specific economic conditions under varying scenarios. The review considered the macroeconomic outlook, customer credit quality, the quality of collateral held and exposure at default as at the reporting date. These model inputs including forward-looking information have been revised in recognition that COVID-19 is a key driver of the estimates therein. The modelled expected credit loss (ECL) is sensitive to the speed and resilience of post-COVID-19 economic normalisation, and the longevity of any monetary and fiscal intervention, as these influence both the probability of default, and the value of collateral that may be utilised. Whilst the inputs have been revised, the underlying methodology for calculating the ECL is consistently applied in the current and comparative period as described in the 'Impairment of financial assets accounting policy' presented below.

In arriving at the reported ECL, the following assumptions have been considered the more probable outcome as at the reporting date:

- Australian unemployment rates to moderate to approximately 5% in the 2022 financial year and further reduce to 4% in the 2023 financial year as economic activity returns towards normalised levels.
- Australian house prices to increase by approximately 6% in the 2022 financial year and 3% in the 2023 financial year.
- The Reserve Bank of Australia to maintain the cash rate at historic lows until 2023 to continue to support economic activity.

Given the potential emergence of new COVID variants, future economic conditions that result in outcomes that differ from the current estimate are possible and will be accounted for in future periods.

**3.2 Fair value of financial instruments**

**Classification of financial instruments**

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

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

- Financial instruments;
- Loans and advances;
- Deposits; and
- Other borrowings.

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

	31 Dec 2021		30 Jun 2021	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
<b>Financial assets</b>				
Financial instruments	729,499	743,359	707,166	725,199
Loans and advances	6,211,129	6,204,116	5,607,300	5,613,341
<b>Total financial assets</b>	<b>6,940,628</b>	<b>6,947,475</b>	<b>6,314,466</b>	<b>6,338,540</b>
<b>Financial liabilities</b>				
Deposits	5,597,803	5,594,931	4,928,741	4,928,719
Other borrowings including subordinated notes	1,191,211	1,190,884	1,151,053	1,150,973
<b>Total financial liabilities</b>	<b>6,789,014</b>	<b>6,785,816</b>	<b>6,079,794</b>	<b>6,079,692</b>



**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

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

**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 half 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
<b>31 December 2021</b>				
<b>Financial assets</b>				
Financial instruments	-	743,359	-	743,359
Loans and advances	-	-	6,204,116	6,204,116
<b>Financial liabilities</b>				
Deposits	-	5,594,931	-	5,594,931
Other borrowings including subordinated notes	-	1,190,884	-	1,190,884
<b>30 June 2021</b>				
<b>Financial assets</b>				
Financial instruments	-	725,199	-	725,199
Loans and advances	-	-	5,613,341	5,613,341
<b>Financial liabilities</b>				
Deposits	-	4,928,719	-	4,928,719
Other borrowings including subordinated notes	-	1,150,973	-	1,150,973

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

**3.3 Statement of Cash Flows**

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

	31 Dec 2021 \$ '000	30 Jun 2021 \$ '000
Notes, coins and cash at bank	166,348	75,469
Other short term liquid assets	5,266	4,797
<b>Total cash and liquid assets</b>	<b>171,614</b>	<b>80,266</b>

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

**3.4 Average balance sheet and sources of net interest income**

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

	31 Dec 2021			30 Jun 2021		
	Average balance \$ '000	Interest \$ '000	Average rate %	Average balance \$ '000	Interest \$ '000	Average rate %
<b>Average assets and interest income</b>						
<b>Interest-earning assets</b>						
Cash and liquid assets	105,670	11	0.02%	102,751	21	0.02%
Financial instruments	704,759	1,752	0.49%	608,672	3,403	0.56%
Loans and advances (i)	5,625,334	76,637	2.70%	5,173,127	160,912	3.11%
<b>Total average interest-earning assets</b>	<b>6,435,763</b>	<b>78,400</b>	<b>2.42%</b>	<b>5,884,550</b>	<b>164,336</b>	<b>2.79%</b>
Non-interest earning assets	144,583	-	-	141,968	-	-
<b>Total average assets</b>	<b>6,580,346</b>	<b>78,400</b>	<b>2.36%</b>	<b>6,026,518</b>	<b>164,336</b>	<b>2.73%</b>
<b>Average liabilities and interest expense</b>						
<b>Interest-bearing liabilities</b>						
Deposits and derivatives	5,279,558	14,407	0.54%	4,563,415	30,861	0.68%
Notes and bonds on issue	1,105,399	7,966	1.43%	1,300,339	20,206	1.55%
<b>Total average interest-bearing liabilities</b>	<b>6,384,957</b>	<b>22,373</b>	<b>0.70%</b>	<b>5,863,754</b>	<b>51,067</b>	<b>0.87%</b>
Non-interest bearing liabilities	34,245	-	-	42,846	-	-
<b>Total average liabilities</b>	<b>6,419,202</b>	<b>22,373</b>	<b>0.69%</b>	<b>5,906,600</b>	<b>51,067</b>	<b>0.86%</b>
Reserves	355,333	-	-	332,453	-	-
<b>Total average liabilities and reserves</b>	<b>6,774,535</b>	<b>22,373</b>	<b>0.66%</b>	<b>6,239,053</b>	<b>51,067</b>	<b>0.82%</b>

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

**MyState Limited**  
**Notes to the consolidated financial statements**  
**for the half year ended 31 December 2021**

	31 Dec 2021 \$ '000	30 Jun 2021 \$ '000
<b>4.1 Share capital</b>		
Issued and paid up ordinary shares	209,233	208,196

**Movements in ordinary share capital**

	31 Dec 2021		31 Dec 2020	
	Number of shares	Amount \$ '000	Number of shares	Amount \$ '000
Opening balance	105,275,092	208,196	92,008,862	152,775
Shares issued pursuant to the				
- Group employee share scheme	12,584	62	21,853	84
- Executive long term incentive plan	-	-	34,063	166
- Dividend reinvestment plan	213,767	1,105	-	-
<b>Closing balance</b>	<b>105,501,443</b>	<b>209,363</b>	<b>92,064,778</b>	<b>153,025</b>

**Terms and conditions**

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

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

	31 Dec 2021 \$ '000	30 Jun 2021 \$ '000
<b>4.2 Contingent liabilities and expenditure commitments</b>		
(a) Loans approved but not advanced to borrowers	145,634	134,076
(b) Undrawn continuing lines of credit	61,936	62,458
(c) Performance guarantees	2,917	3,858

There have been no other material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2021.

**4.3 Events subsequent to balance date**

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

**MyState Limited**  
**Directors' Declaration**  
**for the half year ended 31 December 2021**

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 are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.

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 half year ended 31 December 2021.

3. The financial statements and notes also comply with International Financial Reporting Standard IAS 34 *Interim Financial reporting* as disclosed in note 1.1.

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

On behalf of the Board



Miles Hampton  
**Chairman**



Brett Morgan  
**Managing Director and Chief Executive Officer**

Hobart  
Dated 18 February 2022.

To the members of MyState Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MyState Limited, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MyState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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

## Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'DM', with a long horizontal stroke extending to the right.

**DANNY MCCARTHY**

Partner

WLF Accounting & Advisory

Date: 18 February 2022