

23 February 2023

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 2022**

The Directors of MyState Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2022 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracted from the Financial Statements for the half year ended	\$'000 31 December 2022	\$'000 31 December 2021	% Change
Revenue from operations	82,328	70,980	16.0%
Profit after tax attributable to members	20,054	16,609	20.7%
Net profit after tax attributable to members	20,054	16,609	20.7%

Dividends for the current financial year are:	Amount per security	Franked amount per security
FY2022 Interim Dividend fully franked at 30% Payable on 21 March 2023 Record date for determining entitlements for the interim dividend is 01 March 2023.	11.50 cents	11.50 cents
Dividends for the previous financial year were:	Amount per security	Franked amount per security
FY2022 Interim Dividend – paid March 2022 FY2022 Final dividend – paid September 2022	12.5 cents 11.5 cents	12.5 cents 11.5 cents
Dividend Reinvestment Plan	Last Date for Receipt of DRP Election Notice	
The MyState Limited Dividend Reinvestment Plan is operational for the FY2023 Interim Dividend.	2 March 2023	
Net Tangible Assets per share	31 December 2022	31 December 2021
	326 cents	302 cents

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX Release dated 23 February 2023.

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

Yours faithfully



Scott Lukianenko
Company Secretary

Appendix 4D

Consolidated Interim Financial Report

For the period ended 31 December 2022

ABN 26 133 623 962



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

Directors' Report

Your Directors present their report for MyState Limited and its controlled entities (the Group) for the half year ended 31 December 2022.

Directors

- **Vaughn Richtor** BA (Hons), MAICD
Chairman and Independent Non-Executive Director.
- **Robert Gordon** BSc, MIFA, MAICD, FAMI
Independent Non-Executive Deputy Chairman.
- **Brett Morgan** BEc, MAppFin
Managing Director and Chief Executive Officer – Executive Director.
- **Stephen Davy** BSc (Hons)
Independent Non-Executive Director.
- **Sibylle Krieger** LLB (Hons), LL.M, FAICD, MBA
Independent Non-Executive Director.
- **Warren Lee** BCom, CA
Independent Non-Executive Director.
- **Andrea Waters** BCom, FCA, GAICD
Independent Non-Executive Director.

Company Secretary

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

Principal Activities

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

MyState Bank delivers home lending, savings and transactional banking solutions through digital and branch channels, an Australian based contact centre, mobile lenders and mortgage brokers.

TPT Wealth delivers asset management and trustee services through relationship managers, digital channels and an Australian based support team.

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 interim dividend of 11.5 cents per share. The dividend will be payable on 21 March 2023 to shareholders on the register at the record date of 1 March 2023.

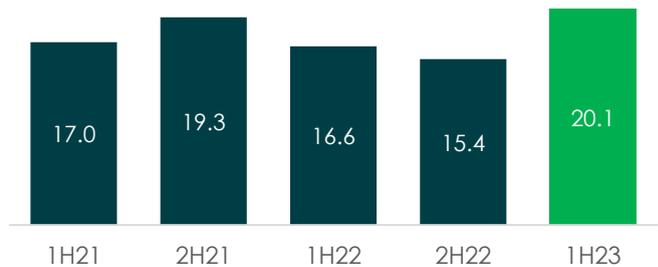
Operating and Financial Review

The "2025 Strategy" to accelerate MyState's growth trajectory and create scale is gaining traction, as evidenced by loan book and customer deposit growth, a 54.0% uplift in new customers over the past 6 months, a record half year profit after tax and improvement across all key financial metrics.

Financial performance

The Group recorded a net profit after income tax for the half year ended 31 December 2022 of \$20.1m, an increase of 20.7% on the prior corresponding period (pcp) to 31 December 2021 of \$16.6m.

Group net profit after tax (\$m)



Earnings per share (EPS) was 18.59 cents per share (1HY22: 15.76 cents per share), return on equity (ROE) was 9.2% (1HY22: 8.0%) and the cost to income ratio (CTI) was 63.2% (1HY22: 68.8%). The improvement in these key metrics reflects the business momentum generated through the execution of the Group's 2025 Growth Strategy and the resulting operating leverage, led by strong income growth and the benefits of scale.

The total loan book (excluding capitalised acquisition costs) grew \$710m or 10.2% from 30 June 2022. The home loan book grew \$719m (10.5% or 4.3 times system growth) during the period. Over the last 18 months the home loan book has grown \$2.1bn (or 39%). MyState will continue to target home loan portfolio growth with continued discipline and sustained focus on asset quality.

Pre-provision operating profit before tax of \$30.3m increased 36.7% on pcp, largely driven by an increase in operating income of \$11.3m or 16.0%, partly offset by operating expense growth of 6.6%.

In 2022, MyState Bank outperformed strong competition to take out the Mortgage and Finance Association of Australia (MFAA) Excellence Award for Mutual Credit Unions/ Lenders for Victoria/Tasmania.

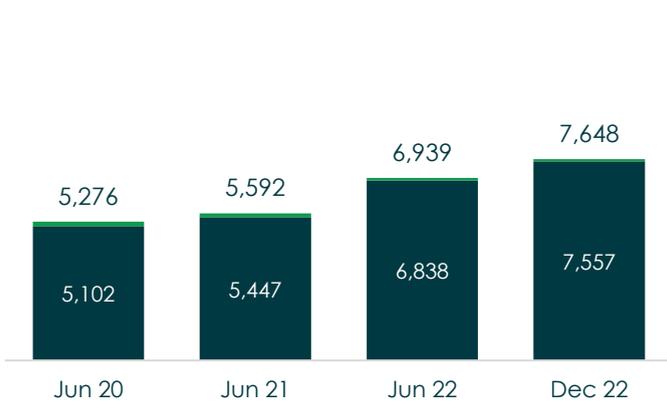
Despite a period of significant change and the challenges presented by COVID-19 over the last three years, MyState's internally measured customer net promoter score was +46 at 31 December 2022 and remains strong.

MyState Bank

Exceptional lending growth and high credit quality maintained in FY23

MyState Bank's loan portfolio grew 10.2% from 30 June 2022, reaching \$7,648m at 31 December 2022.

Total loan book composition (\$m)



- Housing Loans
- Other Loans (personal / business / overdrafts)

Impairment expense was \$2.6m higher than pcp, reflecting the increase in total collective provisions of \$1.5m at 31 December 2022, consistent with an increase in 30+ days arrears and an increase in the forward looking economic overlay due to the potential impact of the significant increase in the RBA interest rates. Central banks globally have a fine balancing act ahead, to manage inflation down without stalling economic activity and pushing economies into recession.

While arrears are higher than 12 months ago reflecting the flow on effect of recent increases in the Official Cash Rate, both 30 and 90 day arrears remain below industry benchmarks at 0.62% and 0.26% respectively (30 June 2022: 0.41% and 0.20%).

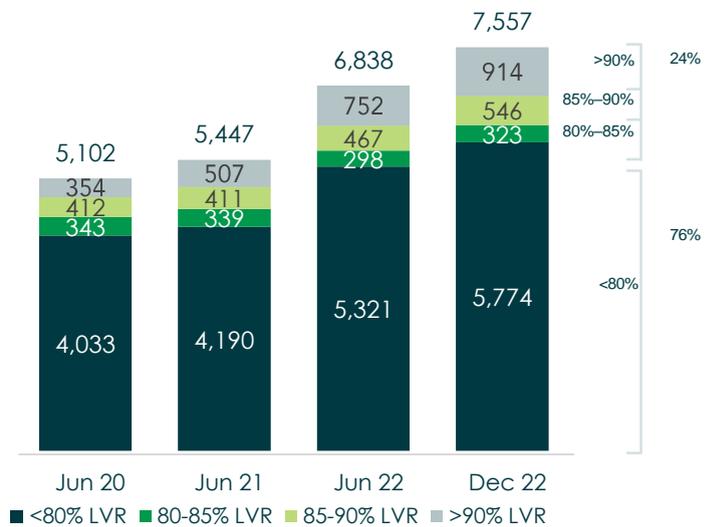
The Bank remains focused on low-risk, owner-occupied lending with a loan to valuation ratio (LVR) of less than 80%.

Exposure to investor and interest-only lending remains relatively low compared with sector averages.

The increase in loans with an LVR greater than 90% since June 2020 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.

At 31 December 2022, FHLDS loans account for 82% of loans with an LVR greater than 90%. The National Housing Finance and Investment Corporation (NHFC) 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)



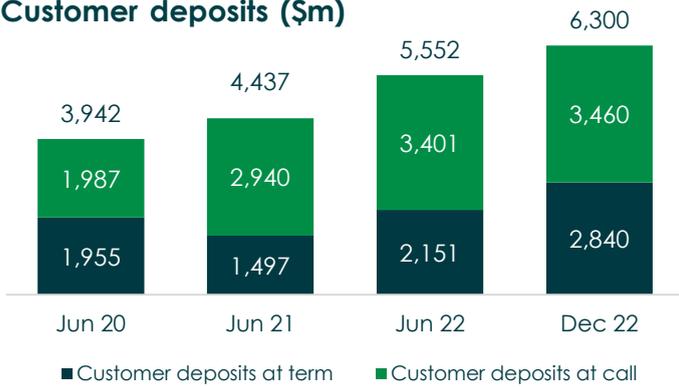
Net interest margin (NIM) trend

Net interest income was up \$12.0m or 21.3% on pcp driven by a substantially larger average balance sheet. Relative to the second half of FY22, NIM increased by 14 bps reflecting positive leverage to a rising interest rate environment but also competition in the lending market, with refinance incentives driving increased levels of customer switching and retention discounting. Funding costs were also impacted by strong competition for new deposits and widening credit spreads.



While the recent increases in the official cash rate have been positive for NIM, overall outcomes are also subject to the competitiveness of the home loan market and funding cost pressures.

Customer deposits (\$m)



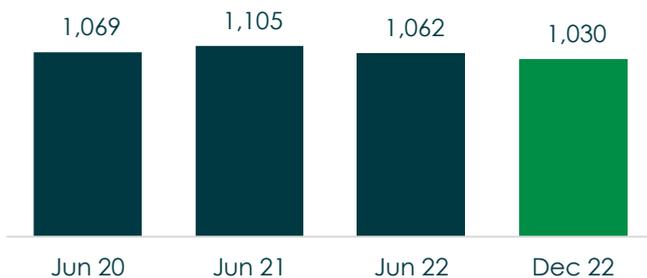
Customer deposits increased by 13.5% in the period driven by growth in term deposits as customers opted to benefit from higher term deposit rates. Retail customers were acquired evenly across direct and online channels. The Bank's online originated retail deposit portfolio grew an additional \$189m to \$1.09b (21.0%) from 30 June 2022. Over the last 18 months customer deposits have grown \$1.8bn (or 41%).

Securitisation funding increased from 14% to 16% of total funding during the period and remains an important source of funding in conjunction with an increase in customer deposits.

Non-interest income from banking activities decreased by \$0.6m or 7.1% on pcp, as a result of simplifying our products leading to reduced monthly account keeping fees, electronic dishonor fees and periodical payment fees.

TPT Wealth

Funds under management (\$m)



Income from wealth management activities decreased by \$0.07m or 0.9% on pcp, with managed funds and lending fee income down by \$0.20m or 4.1% on pcp and Trustee Services related income up by \$0.13m or 5.3% on pcp. Funds under management fell 3% from 30 June 2022.

The ongoing transformation of the TPT Wealth business is seeing distribution capacity enhanced in the home market of Tasmania, coupled with strategic investments in digital capabilities and a new cloud lending platform.

FUM decreased \$58m from 31 December 2021 with the Income Funds declining by \$31m and the Growth Funds by \$27m.

TPT Wealth's commitment to the Principles for Responsible (PRI) Investment underscores a number of changes to the business over the period. TPT Wealth will include ESG considerations in investment decisions, and allows the business to form new alliances and joint ventures with firms that are also PRI signatories.

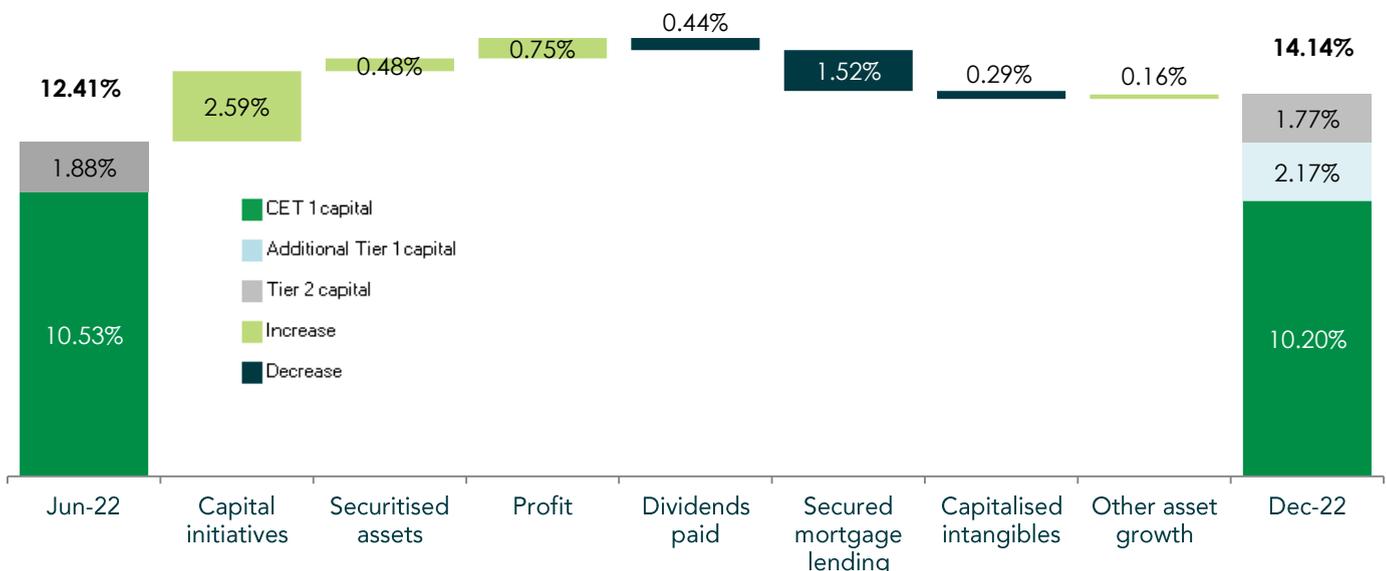
Capital position

The Group's total capital ratio increased to 14.14% at 31 December 2022 and the Group's Common Equity Tier 1 ratio decreased to 10.20%.

Further capital flexibility was provided during the period by the inaugural issuance of \$65m of Additional Tier 1 capital notes in August, as well as a \$400m RMBS transaction in December.

The Australian Prudential Regulation Authority's (APRA) new bank capital framework requirements became effective on 1 January 2023. Using the 31 December 2022 capital position, on a pro forma basis, the Group expects the Total capital ratio to be approximately 130 bps higher, noting the 1% increase in the counter-cyclical capital buffer also became effective on the same date.

Capital



Community

MyState seeks to make a genuine difference to customers and the communities within which it operates.

Since 2001, the MyState Foundation has awarded more than \$2.5m million in grants to help more than 90 not-for-profit organisations in Tasmania with a focus on helping young Tasmanians reach their full potential.

Outlook

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

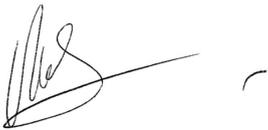
Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2022.

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.



Vaughn Richtor
Chairman

23 February 2023, Hobart

Events subsequent to balance date

In the opinion of the Directors, other than as noted above, there has not arisen, in the period between the half year ended 31 December 2022 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. A task force on Climate-Related Financial Disclosures (TCFD) Report outlining MyState's baseline scope 1, 2 and 3 greenhouse gas (GHG) emissions associated with the activities and facilities that support the businesses' everyday operations, was included in MyState's 2022 Annual Report.



Brett Morgan
Managing Director and Chief Executive Officer

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 2022, 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.

Wise Lord & Ferguson

WISE LORD & FERGUSON



NICK CARTER

Partner

Date: 23 February 2023

MyState Limited
Consolidated Income Statement
for the half year ended 31 December 2022

	Notes	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Interest income	2.1	152,081	78,400
Interest expense	2.1	(84,103)	(22,373)
Net interest income		67,978	56,027
Non-interest income from banking activities	2.1	7,076	7,614
Net banking operating income		75,054	63,641
Income from wealth management activities	2.2	7,274	7,339
Total operating income		82,328	70,980
Less: Expenses			
Personnel costs		23,358	21,145
Administration costs	2.4	10,062	8,978
Technology costs	2.4	8,631	9,197
Occupancy costs	2.4	2,213	2,181
Marketing costs		6,082	5,841
Governance costs		1,701	1,490
Total operating expenses		52,047	48,832
Profit before impairment and tax expense		30,281	22,148
Impairment recovery / (expense) on loans and advances	3.1	(1,537)	1,127
Income from other activities	2.3	-	530
Profit before tax		28,744	23,805
Income tax expense		8,690	7,196
Profit for the period		20,054	16,609
Profit attributable to the:			
Equity holders of MyState Limited		20,054	16,609
Basic earnings per share (cents per share)	2.5	18.59	15.76
Diluted earnings per share (cents per share)	2.5	15.54	15.70

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2022

Notes	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Profit for the period	20,054	16,609
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges - Net gains / (losses) taken to equity	(1,450)	1,468
Income tax effect	435	(440)
Total other comprehensive income / (expense) for the period	(1,015)	1,028
Total comprehensive income for the period	19,039	17,637
Total comprehensive income for the year is attributable to:		
Equity holders of MyState Limited	19,039	17,637

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Financial Position
as at 31 December 2022

	Notes	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Assets			
Cash and liquid assets	3.3	356,605	119,215
Due from other financial institutions		31,140	40,924
Other assets		13,399	9,831
Financial instruments		961,561	842,926
Loans and advances	3.1	7,682,267	6,971,375
Property, plant and equipment and right-of-use assets		9,045	10,453
Tax assets		7,806	6,278
Intangible assets and goodwill		78,404	78,845
Total assets		9,140,227	8,079,847
Liabilities			
Due to other financial institutions		40,575	22,982
Deposits and other borrowings including subordinated notes		8,618,551	7,598,184
Employee benefits provisions		5,313	5,585
Other liabilities		19,279	17,213
Tax liabilities		7,335	5,970
Total liabilities		8,691,053	7,649,934
Net assets		449,174	429,913
Equity			
Share capital	4.1	223,249	211,167
Retained earnings		217,553	209,788
Reserves		8,372	8,958
Total equity		449,174	429,913

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Changes in Equity
for the half year ended 31 December 2022

	Share capital	Retained earnings	General reserve for credit losses	Employee equity benefits reserve	Hedging reserve	Other reserves	Total
Note	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
At 1 July 2021	208,196	201,044	6,238	1,038	(302)	(1,000)	415,214
Profit for the period	-	16,609	-	-	-	-	16,609
Other comprehensive income / (expense)	-	-	-	-	1,028	-	1,028
Total comprehensive income for the period	-	16,609	-	-	1,028	-	17,637
Equity issued under employee share scheme	62	-	-	-	-	-	62
Equity issued under executive long term incentive plan	-	-	-	-	-	-	-
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	2.6	-	(13,686)	-	-	-	(13,686)
At 31 December 2021	209,233	204,438	4,970	1,315	726	(1,000)	419,682
At 1 July 2022	211,167	209,788	2,257	1,027	6,674	(1,000)	429,913
Profit for the year	-	20,054	-	-	-	-	20,054
Other comprehensive income / (expense)	-	-	-	-	(1,015)	-	(1,015)
Total comprehensive income for the year	-	20,054	-	-	(1,015)	-	19,039
Equity issued under employee share scheme	50	-	-	-	-	-	50
Equity issued under dividend reinvestment plan underwrite	10,058	-	-	-	-	-	10,058
Equity issued under dividend reinvestment plan	2,121	-	-	-	-	-	2,121
Dividend reinvestment plan issuance costs net of tax	(147)	-	-	-	-	-	(147)
Share based payment expense recognised	-	-	-	319	-	-	319
General reserve for credit losses	-	(110)	110	-	-	-	-
Dividends paid	2.6	-	(12,179)	-	-	-	(12,179)
At 31 December 2022	223,249	217,553	2,367	1,346	5,659	(1,000)	449,174

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Cash Flows
for the half year ended 31 December 2022

Notes	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Cash flows from operating activities		
Interest received	162,321	86,945
Interest paid	(62,497)	(21,697)
Fees and commissions received	12,571	13,792
Other non-interest income received	562	661
Payments to suppliers and employees	(48,378)	(49,527)
Income tax paid	(8,851)	(7,296)
(Increase) / decrease in operating assets:		
Due from other financial institutions	14,114	15,109
Financial instruments	(120,747)	(20,742)
Loans and advances	(724,049)	(611,026)
Increase / (decrease) in operating liabilities:		
Due to other financial institutions	(5,962)	(6,495)
Deposits and other borrowings excluding subordinated notes and floating rate notes	855,976	593,927
Net cash flows from / (used in) operating activities	75,060	(6,349)
Cash flows from investing activities		
Purchase of intangible assets	(1,422)	(1,501)
Purchase of property, plant and equipment	(138)	(897)
Net cash flows from / (used in) investing activities	(1,560)	(2,398)
Cash flows from financing activities		
Employee share issue	50	62
Entitlement offer share issuance costs	-	(130)
Receipts/(payments) for lease liabilities	(1,160)	(1,137)
Subordinated notes	-	15,098
Floating rate notes	100,000	99,572
Additional Tier 1 capital issuance	65,000	-
Dividend paid net of DRP and underwrite	-	(13,370)
Net cash flows from / (used in) financing activities	163,890	100,095
Net increase / (decrease) in cash held	237,390	91,348
Cash at beginning of financial year	119,215	80,266
Closing cash carried forward	356,605	171,614

The accompanying notes form part of these financial statements.

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

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 2022.

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 2022; 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 2021. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2022. Comparative information may contain reallocation of amounts. Any adjustments are to assist in providing more meaningful information within the financial statements.

Additional Tier 1 issuance

On 30 August 2022, MyState Limited (MyState) issued \$65m of inaugural Additional Tier 1 notes to wholesale investors (Capital Notes). The Capital Notes were fully paid, mandatorily convertible subordinated perpetual debt securities of MyState.

The principal terms of the MyState Capital Notes were disclosed in an ASX announcement on 30 August 2022 and is available on the MyState Limited website.

The Group has used the net proceeds of the issue to subscribe for Capital Notes issued by MyState Bank Limited and for the Capital Notes to qualify as Additional Tier 1 capital.

MyState Bank Limited will use the Capital Notes to support future balance sheet growth.

Other than the above, the accounting policies and methods of compilation are the same as those policies adopted in the most recent annual financial report, which is for the year ended 30 June 2022.

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 2022

	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
2.1 Net banking operating income		
Interest income		
Loans and advances	139,707	76,637
Investment securities	12,374	1,763
Total interest income	152,081	78,400
Interest expense		
At call deposits	22,727	8,420
Fixed term deposits	58,346	13,205
Floating rate notes	4,465	279
Financing costs - leases	415	469
Swap interest ¹	(1,850)	-
Total interest expense	84,103	22,373
Non-interest income from banking activities		
Transaction fees	1,697	1,924
Loan fees	3,013	3,142
Banking commissions	1,634	1,654
Other banking operations income	732	894
Total non-interest income from banking activities	7,076	7,614
2.2 Income from wealth management activities		
Funds management income	4,364	4,611
Other fees and commissions	2,910	2,728
Total income from wealth management activities	7,274	7,339
2.3 Income from other activities		
Gain on revaluation of non-current assets held for sale	-	530
Total income from other activities	-	530
2.4 Expenses		
The following items are included within each item of specified expenses:		
Occupancy costs include:		
Operating lease payments	209	54
Depreciation - right-of-use lease assets	1,361	1,358
Depreciation - buildings and leasehold improvements	102	185
Technology costs include:		
Amortisation - computer software	1,863	3,217
Administration costs include:		
Depreciation - furniture, equipment and computer hardware	163	131

¹Swap interest relates to hedges that the Group has entered into to protect its portfolio of term deposits from changes in interest rates.

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

	31 Dec 2022 cents	31 Dec 2021 cents
2.5 Earnings per share		
Basic earnings per share	18.59	15.76
Diluted earnings per share	15.54	15.70
Reconciliation of earnings used in calculation of earnings per ordinary share	\$ '000	\$ '000
Net profit after tax	20,054	16,609
Total statutory earnings	20,054	16,609
Earnings used in calculating statutory earnings per ordinary share	20,054	16,609
Add back: distributions accrued and/or paid on dilutive loan capital instrument	1,256	-
Total diluted earnings	21,311	16,609

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

	Number	Number
WANOS used in the calculation of basic earnings per share	107,886,488	105,402,553
Effect of dilution - executive performance rights	551,514	402,019
Effect of dilution - loan capital instrument	28,697,572	-
WANOS used in the calculation of diluted earnings per share	137,135,574	105,804,571

Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period

	<i>Dilutive instruments</i>	
	31-Dec-22	31-Dec-21
Loan capital instrument	Yes	n/a
Executive performance rights	Yes	Yes
Subordinated note (with non viability clause)	No	No

2.6 Dividends

	Date of payment	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Dividends paid			
2021 Final dividend paid - 13.0 cents per share	21 Sep 2021	-	13,686
2022 Final dividend paid - 11.5 cents per share	7 Sep 2022	12,179	-

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 2022

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'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 \$1.03 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
Half year ended 31 December 2022				
Interest income	152,016	49	16	152,081
Interest expense	(84,091)	-	(12)	(84,103)
Other income	7,076	7,274	-	14,350
Other expenses	(45,838)	(6,205)	(4)	(52,047)
Impairment recovery / (expense) on loans and advances	(1,537)	-	-	(1,537)
Gains on revaluation of assets held for sale	-	-	-	-
Income tax expense	(8,352)	(338)	-	(8,690)
Segment profit for the period	19,274	780	-	20,054
Segment balance sheet information as at 31 December 2022				
Segment assets	9,056,368	26,149	57,710	9,140,227
Segment liabilities	8,680,149	2,119	8,785	8,691,053

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
Half year ended 31 December 2021				
Interest income	78,389	(9)	20	78,400
Interest expense	(22,369)	-	(4)	(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)
Segment profit for the period	15,541	1,052	16	16,609
Segment balance sheet information as at 30 June 2022				
Segment assets	7,995,029	25,821	58,997	8,079,847
Segment liabilities	7,637,791	1,721	10,422	7,649,934

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
3.1 Loans and advances		
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	7,596,988	6,872,096
Personal loans and unsecured overdrafts	13,845	20,238
Overdrafts secured by mortgage	30,445	31,846
Commercial loans	46,998	51,652
Total loans and advances at amortised cost	7,688,276	6,975,832
Specific provision for impairment	20	-
Collective provision for impairment	5,989	4,457
Total loans and advances at amortised cost net of provision for impairment	7,682,267	6,971,375

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

Specific provision for impairment		
Opening balance (i)	-	50
Net specific provision funding	20	(50)
Write-off of previously provisioned facilities	-	-
Closing balance of specific provision for impairment (i)	20	-
Collective provision for impairment		
Opening balance (i)	4,457	5,368
Net collective provision funding	1,532	(918)
Write-off of previously provisioned facilities	-	7
Closing balance of collective provision for impairment (i)	5,989	4,457

(i) The opening balance for the comparative period is 1 January 2022 and the closing balance is 30 June 2022.

	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Charge to profit for impairment on loans and advances		
Increase / (decrease) in specific provision for impairment	20	75
Increase / (decrease) in collective provision for impairment	1,532	(1,185)
Bad debts recovered	(242)	(311)
Bad debts written off directly	227	294
Total impairment (recovery) / expense on loans and advances	1,537	(1,127)

3.1 Loans and advances (continued)

Provision for impairment (continued)

Movements in provisions and reserve

	Stage 1	Stage 2	Stage 3		Subtotal (1)	General reserve for credit losses (2)	Grand Total (1) + (2)
	12 month ECL	Lifetime ECL	Collectively assessed - lifetime ECL	Individually assessed - lifetime ECL			
	\$ '000	\$ '000	\$ '000	\$ '000			
Balance as at 1 July 2022	2,117	879	1,461	-	4,457	2,257	6,714
<i>Transfers during the period to:</i>							
Increase/(decrease) in provisions	916	249	367	20	1,552	111	1,663
Total provision for doubtful debts as at 31 Dec 2022	3,033	1,128	1,828	20	6,009	2,368	8,377

The Group applies a three-stage approach to measuring the expected credit loss (ECL) based on credit risk since origination. The Group estimates ECL through modelling the probability of default, loss given default and exposure at default, as follows:

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

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

Stage 3 - Non-performing (impaired) - This category includes financial assets that are credit impaired. The provision is also equivalent to the lifetime ECL. The difference to the provision calculated on stage 2 loans is that the stage 3 loan calculation is not discounted over a future period, but rather the provision is calculated at nominal value.

Financial assets in stage 1 and stage 2 are assessed for impairment collectively, whilst assets in stage 3 are subject to either collective or specific impairment assessment.

The Group has undertaken a review of the ECL 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 rising cash rates is a key driver of the estimates therein. The modelled 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.

At 31 December 2022, this review includes forward looking economic assumptions using a scenario weighting of 50% base case, 40% moderate recession and 10% strong recovery. The key assumptions used to determine the forward looking economic overlay were revised to incorporate the latest observed economic data, including a higher Official Cash Rate (OCR), stronger levels of employment and near term house price reduction, with price falls under the moderate recession scenario of -30% across FY23 and FY24.

Given the ever-changing economic environment in Australia and geopolitical uncertainties affecting the world, future economic conditions that result in outcomes that differ from the current estimate are possible and will be accounted for in future periods.

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

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. Derivative assets are carried at fair value.

The following financial assets and liabilities are 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 2022		30 Jun 2022	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Financial instruments	953,446	940,912	833,397	819,283
Loans and advances	7,682,267	7,773,168	6,971,375	7,049,150
Total financial assets	8,635,713	8,714,080	7,804,772	7,868,433
Financial liabilities				
Deposits	6,881,102	6,852,166	6,308,547	6,301,702
Other borrowings including subordinated notes	1,737,449	1,734,459	1,289,637	1,288,359
Total financial liabilities	8,618,551	8,586,625	7,598,184	7,590,061

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

	31 Dec 2022		30 Jun 2022	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Derivative assets	8,115	8,115	9,529	9,529
Due from other financial institutions	31,140	31,140	40,924	40,924
Total financial assets	39,255	39,255	50,453	50,453
Financial liabilities				
Due to other financial institutions	40,575	40,575	22,982	22,982
Total financial liabilities	40,575	40,575	22,982	22,982

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. Classifications are reviewed at reporting dates and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

3.2 Fair value of financial instruments (continued)

Fair value hierarchy for items carried at amortised cost

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 December 2022				
Financial assets				
Financial instruments	-	940,912	-	940,912
Loans and advances	-	-	7,773,168	7,773,168
Financial liabilities				
Deposits	-	6,852,166	-	6,852,166
Other borrowings including subordinated notes	-	1,734,459	-	1,734,459
30 June 2022				
Financial assets				
Financial instruments	-	819,283	-	819,283
Loans and advances	-	-	7,049,150	7,049,150
Financial liabilities				
Deposits	-	6,301,702	-	6,301,702
Other borrowings including subordinated notes	-	1,288,359	-	1,288,359

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.

Fair value hierarchy for items carried at fair value

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 December 2022				
Financial assets				
Derivative assets	-	8,115	-	8,115
Due from other financial institutions	-	31,140	-	31,140
Financial liabilities				
Due to other financial institutions	-	40,575	-	40,575
30 June 2022				
Financial assets				
Derivative assets	-	9,529	-	9,529
Due from other financial institutions	-	40,924	-	40,924
Financial liabilities				
Due to other financial institutions	-	22,982	-	22,982

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

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
3.3 Cash and liquid assets		
Cash and liquid assets includes:		
Notes, coins and cash at bank	352,172	114,570
Other short term liquid assets	4,433	4,645
Total cash and liquid assets	356,605	119,215

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2022

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 2022			30 Jun 2022		
	Average balance \$ '000	Interest \$ '000	Average rate %	Average balance \$ '000	Interest \$ '000	rate %
Average assets and interest income						
Interest-earning assets						
Cash and liquid assets	148,232	119	0.16%	109,206	26	0.02%
Financial instruments	863,463	12,255	2.82%	739,889	4,487	0.61%
Loans and advances (i)	7,088,067	139,707	3.91%	5,933,925	155,236	2.62%
Total average interest-earning assets	8,099,762	152,081	3.72%	6,783,020	159,749	2.36%
Non-interest earning assets	143,790	-	-	142,541	-	-
Total average assets	8,243,552	152,081	3.66%	6,925,561	159,749	2.31%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	6,698,103	60,190	1.78%	5,588,647	31,184	0.56%
Notes and bonds on issue	1,353,734	23,498	3.44%	1,146,984	16,822	1.47%
Total average interest-bearing liabilities	8,051,837	83,688	2.06%	6,735,631	48,006	0.71%
Non-interest bearing liabilities	51,048	-	-	36,982	-	-
Total average liabilities	8,102,885	83,688	2.05%	6,772,613	48,006	0.71%
Reserves	423,241	-	-	397,433	-	-
Total average liabilities and reserves	8,526,126	83,688	1.95%	7,170,046	48,006	0.67%

(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 2022

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
4.1 Share capital		
Issued and paid up ordinary shares	223,249	211,167

Movements in ordinary share capital

	31 Dec 2022		31 Dec 2021	
	Number of shares	Amount \$ '000	Number of shares	Amount \$ '000
Opening balance 1 July	105,904,941	211,167	105,275,092	208,196
Shares issued pursuant to the				
- Group employee share scheme	10,954	50	12,584	62
- Dividend reinvestment plan underwrite	2,587,858	10,058	-	-
- Dividend reinvestment plan issuance costs, net of tax	-	(147)	-	-
- Dividend reinvestment plan	545,654	2,121	213,767	1,105
- Entitlement offer share issuance costs, net of tax	-	-	-	(130)
Closing balance	109,049,407	223,249	105,501,443	209,233

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 2022	30 Jun 2022
	\$ '000	\$ '000
4.2 Contingent liabilities and expenditure commitments		
(a) Loans approved but not advanced to borrowers	37,205	34,662
(b) Undrawn continuing lines of credit	55,602	58,269
(c) Performance guarantees	2,870	2,919
Total contingent liabilities and expenditure commitments	95,677	95,850

There have been no other material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2022.

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 2022

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

1. In the opinion of the Directors:

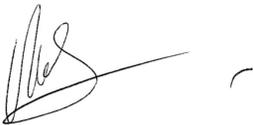
- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
 - (ii) Complying with Accounting 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 2022.

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



Vaughn Richtor
Chairman



Brett Morgan
Managing Director and Chief Executive Officer

Hobart
Dated 23 February 2023.

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 2022, 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 2022 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.

Liability limited by a scheme approved under Professional Standards Legislation.

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 2022 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*.

Wise Lord & Ferguson

WISE LORD & FERGUSON



NICK CARTER

Partner

Date: 23 February 2023