MyState LIMITED

2015 Annual Report

Net profit after tax increased to $32.5 milllion

Improved cost-to-income ratio of 64.4%, down from 64.5%

Improved return on average equity of 11.2%, up from 10.5%

28.5¢

28.5¢ total dividend for the year fully franked

FY2015

Highlights

Contents

MyState Limited
ABN 26 133 623 962

MyState Limited Registered Office
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Hobart, Tasmania, 7000
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Annual General Meeting
10:30am, 21 October 2015
Hobart Function Centre
1 Elizabeth Street,
Hobart, Tasmania

"We've been with MyState for over 20 years. We run a local building business which believes in supporting Tasmanian based companies and that's why we choose MyState.

They were there to help us purchase our family home and we'll continue to support them as our family grows."

PETER AND JEANNINE, WITH SON HUGO AND DAUGHTER ELINA, LAUDERDALE TASMANIA

MyState is a leading provider of banking, trustee and wealth management services.

Through our retail brands – MyState Bank, The Rock and Tasmanian Perpetual Trustees – we provide services to more than 200,000 customers across Australia.

MyState LIMITED

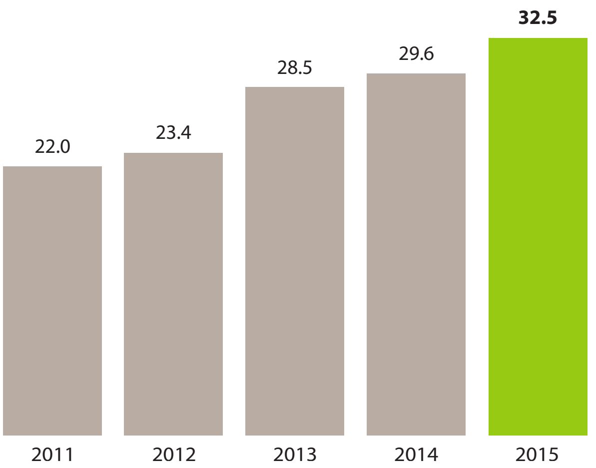
ROCK

MyState

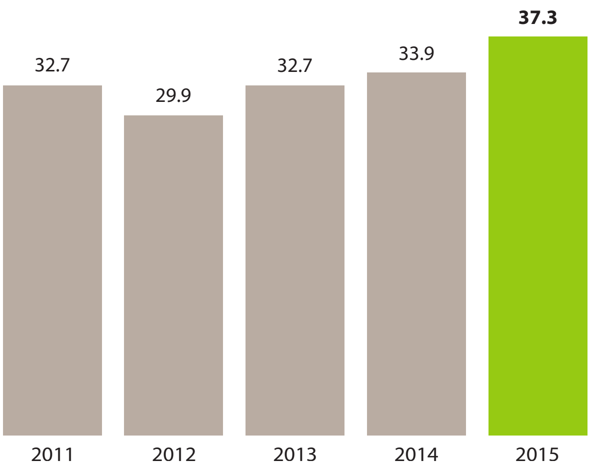
Tasmanian Perpetual Trustees

Group Performance

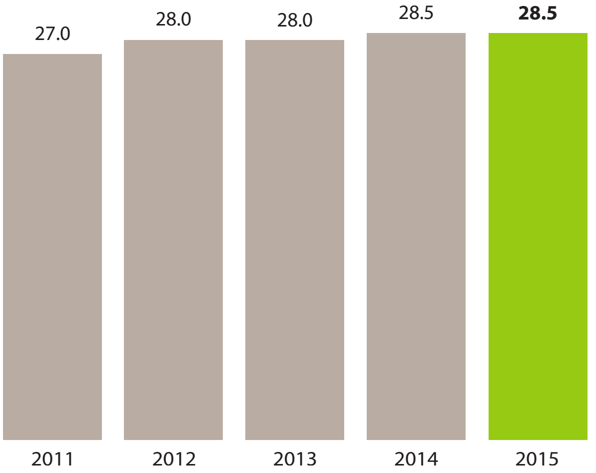
Statutory NPAT ($ millions)



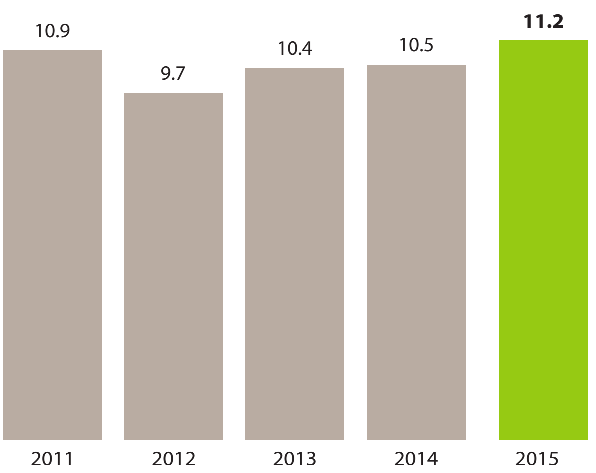
Statutory earnings per share (cents)



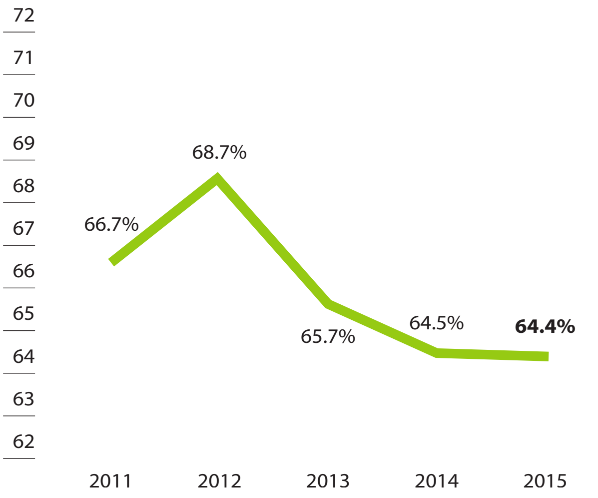
Dividends – fully franked (cents)



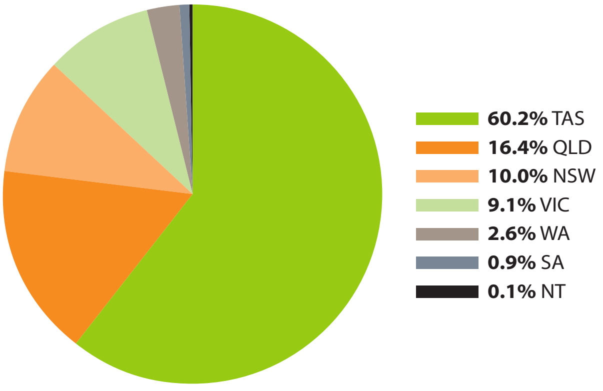
Return on average equity (%)



Underlying cost to income ratio (%)



Loan distribution by state



"We have demonstrated that we can punch above our weight and we are confident that we can do so by being nimble and staying close to our customers."

MILES HAMPTON
CHAIRMAN

MyState Limited's trading result for the 2015 financial year was an underlying net profit of $29.7 million. Whilst only marginally ahead of 2014, given that our business began the year with little momentum and key indicators suggested a significantly lower profit, the result was pleasing.

Momentum in the banking business gradually improved, particularly in the second half. Although better economic conditions in our key markets helped, this growth principally reflected efforts to recapture lost market share and expand in new markets.

The wealth management business saw a small decline in contribution reflecting investment for growth and one-off write-downs.

Reported net profit of $32.5 million benefited from the $3.9 million gain on sale of the company's shareholding in Cuscal. This was primarily a capital management initiative, albeit the asset was non-core.

We ended the year with a strong balance sheet. Capital adequacy was 12.7%, well above regulatory requirements.

Business Momentum

In our banking business we generated net loan book growth of 16.3%, representing 2.3 times system. The majority of growth was delivered through the mortgage broker channel, with settlement growth the highest in Victoria. We are comfortable with both outcomes; we recaptured lost market share and diversified our loan profile.

We are confident that improvement in broker originations will continue as the introduction of new technology and a service focus make transacting with MyState a simpler and more efficient proposition.

We have yet to develop sustained, broad based momentum in our direct channel in Tasmania or in our wealth management business. A number of major initiatives are planned to help us build impetus in both areas.

Risk Profile

There is no doubt that greater use of the broker channel to generate growth and increased exposure to non-traditional markets involves an element of increased risk. However, loan quality remains strong, and we have made changes in our product offerings specifically targeted at minimising risk.

Funding

Although significant loan book growth started to put pressure on targeted capital ratios, the sale of Cuscal shares and a $300 million securitisation transaction improved capital adequacy. Post balance date we issued $25 million tier 2 notes. If this had been completed on 30 June 2015, capital adequacy would have been 13.94%. We maintain a strong focus on funding our loan book from retail deposits.

Net Interest Margin

Competitive pressures in terms of both loan and deposit products resulted in net interest margin falling from 2.43% to 2.28%. It would be pleasing if we were able to say that this trend is not expected to continue, but the reality is different. The era of high net interest margins is unlikely to return, and we are focused on being efficient and developing other revenue sources to ensure that lower margins do not reduce returns to shareholders.

Technology

Increasingly our customers interact with us using digital technologies. We plan significant investment over the next three years to further enhance mobile and internet applications. We have established a board committee which is focused on ensuring the relevance of our customer interfaces and maximising technology benefits to improve cost efficiency.

Our Executive Team

During the year Managing Director Melos Sulicich has further strengthened the executive team. The Board are confident that we have the team to lead a revitalisation of our business. The increased engagement of our people across the entire business has been dramatic, as has the acceptance of responsibility and accountability.

Our Customer Focus

We are determined to maintain focus on delivering a customer experience that is second to none, and a relevant product suite for the increasingly mobile and savvy banking consumer. The streamlining of our business to make us more efficient through technology investment is but a part of this focus. We are also investing in our people to ensure that the customer experience at MyState is always improving. We are undertaking a comprehensive review of our products to ensure that we meet the needs of our customers.

Dividends

Full year dividends were 28.5 cents, unchanged from the previous year. This reflected steady underlying net profit.

Regulatory Impact

The impact of the Financial Services Inquiry and the APRA response to Basel developments remains uncertain. However it seems likely that any changes arising may improve the competitive positioning of smaller ADI's like MyState. We continue to monitor developments to ensure that we can respond quickly should opportunities become clearer.

The Future

As a small player in a market dominated by behemoths our challenge is significant. However, we have demonstrated that we can punch above our weight and we are confident that we can do so by being nimble and staying close to our customers.

We expect that the momentum in our business will continue across a broader base, enabling shareholders to benefit from improved profitability and dividends.

Banking business

Activities

- Provides financial services to approximately 180,000 customers through 10 branches in Tasmania and approximately 30,000 customers through seven branches and 14 mini-branches in central Queensland
- Consumer home and personal loans, general insurance, life insurance, credit and debit cards, transaction, savings and investment products and multi-currency services
- Business lending and overdrafts, transaction, savings and investment products, and merchant services

FY2015 commentary

- Former MyState Financial business renamed MyState Bank
- Home loan settlements up 75% to $1b on prior calendar period
- Mortgage broker business exceeded 50% of total loans
- Loan book up 16.3% to $3.54 billion, more than double system growth
- Revenue flat for the year as competition and lower interest rates placed pressure on margins
- Net interest margin compressed to 2.28%, remains significantly higher than industry peers
- Business and agricultural lending steady
- Arrears at historically low levels; arrears of 30 days or more reduced to 0.72%
- Revitalised executive team introduced broad wealth of talent and experience
- Embedded staff performance culture & staff engagement score increased to 80%
- Increased customer engagement to 84%
- Residential Mortgage Backed Securities issue completed successfully
- Standard and Poor's BBB ratings affirmed with stable outlooks

Wealth management

Activities

- Financial planning advice, wealth management services, personal and risk insurance
- Provides investment, estate and trustee services to 80,000 customers through eight branches in Tasmania (including shared premises with MyState Bank)
- Managed investments include cash and income funds and investment growth funds
- Wills and estate planning, estate management and trust administration, administration under guardianship and private client services
- Rural and commercial lending

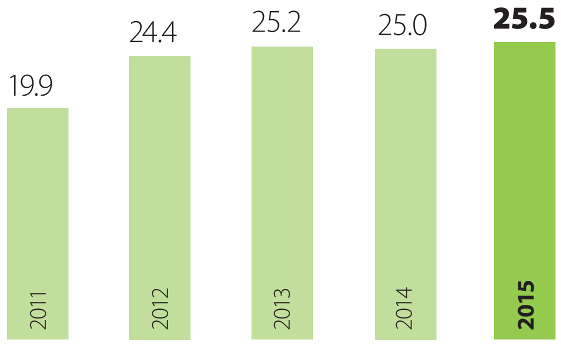
FY2015 commentary

- Funds under management increased slightly to $1.02 billion
- Underlying revenues benefited from increased estate administration activity
- Wealth management revenue grew by 3.5% to $18.4 million
- Estate administration income and fund management fees increased
- Small business lending remained constrained
- Investment in new personnel to drive growth
- Consolidation of back office services to improve efficiency

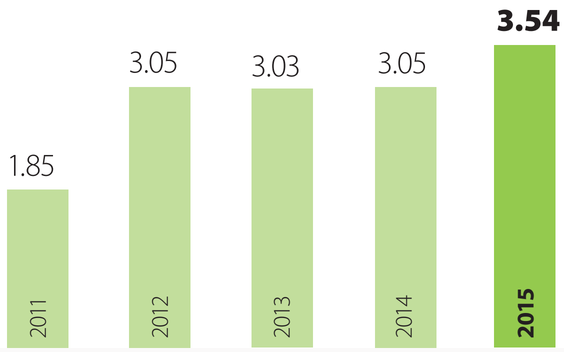
MyState

ROCK BUILDING SOCIETY

Underlying NPAT ($ millions)



Loan book ($ billions)

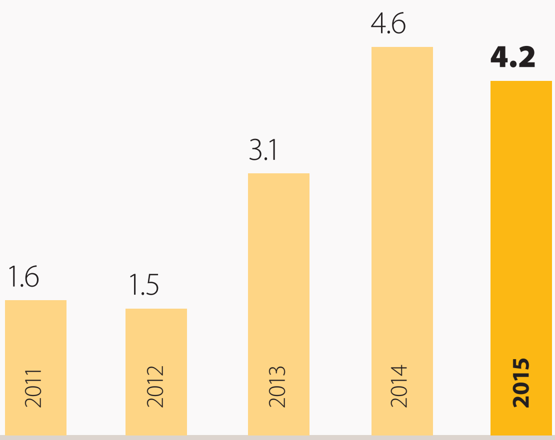


FY2015 strategy

- Further improve sales and services for retail customers
- Rollout of loan origination platform enabling full electronic lodgement for mortgage brokers
- Continued focus to improve services to mortgage broker and aggregators
- Maintain business and agribusiness lending
- Ongoing focus on high credit quality
- Development of digital platform to improve technology services for customers, including contact centre and internet and mobile banking
- Further cost-to-income ratio improvement to come from revenue growth
- Be pillars of local communities in Tasmania and central Queensland
- Potential to grow through partnerships, mergers and acquisitions

Tasmanian Perpetual Trustees

Underlying NPAT ($ millions)



FY2015 strategy

- Opportunity to increase cross-selling for financial planning and wills and estates clients
- Product enhancement and simplification continuing
- Value-based pricing for estate planning, estate and trust management services
- Maintain prudent cost control

BUILDING AUSTRALIA'S No.1 LOCAL BANK

Local knowledge, wider connections

Over the last year we have made significant changes which will benefit customers and shareholders in future years.

In October, MyState Financial was granted 'bank' status and has now become MyState Bank, which is the only bank headquartered in Tasmania. Being a bank has improved customers' understanding of our operations and contributed to increased recognition of the group across Australia.

MyState Bank, Tasmanian Perpetual Trustees and The Rock are strong businesses which serve more than 200,000 customers in Tasmania and central Queensland. These are closely knit communities with which we have deep grass-roots connections and we have a responsibility to provide them with competitive financial products and the highest standards of service.

While our underlying result was broadly in line with the previous year's, we are now a much more robust company. We strengthened our executive team, introducing a broad wealth of talent and experience from banking and financial services, consulting, technology and telecommunications. This experience has helped to establish the building blocks for sustainable and customer focused growth.

Our latest annual staff survey was very encouraging, with executives' and managers' 'connectivity' rising, on average, more than 20%. This renewed enthusiasm and confidence in our staff, we believe, reflect our team's knowledge, experience, passion

Our strategy to re-engage with mortgage brokers and aggregators continued to drive strong lending growth

"We have a clear vision. Our aim is to become Australia's number one local bank. We want to be a pillar of strength in the communities in which we operate; our commitment to customer service and cultural values underpins everything we do."

MELOS SULICICH
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

and drive. The survey recognised genuine commitment to progress, the ability for feedback to become a catalyst for change, and greater commitment to education.

Additionally, we are proud of our customer engagement survey results which rated our customer engagement across the group very highly at 84%, compared to an industry average of about 70%. According to customers, our staff provide excellent service and 97% of customers said their highest expectations of branches were met or exceeded. This is a tribute to the quality personal service provided by our front-line staff. Almost half the group's customers believed that MyState Bank's and The Rock's service was better than the service by other banking and financial organisations.

The MyState Way

At the core of our business is creation of a workplace that encourages performance. We are committed to the MyState Way which articulates our purpose as a company – to help people achieve their dreams – and will guide our future growth. Many of our customers want home ownership and financial security and we have an important role to play in helping them to succeed.

Our mission is to make financial services simple and trustworthy, so customers find our products easy to understand. Our aim is to have our products to be easy to buy, easy to sell and easy to administer.

We have a clear vision. Our aim is to become Australia's number one local bank. We want to be a pillar of strength in the communities in which we operate; our commitment to customer service and cultural values underpins everything we do. The values that form our strategic foundations are:

Our Strategic Pillars

Grow

- Sales culture
- Brand development
- Satisfy more customer needs
- M&A opportunities

Simplify

- Policy
- Process
- Empower staff
- Continuous improvement

Strength

- Strong balance sheet
- Cost management
- Risk appetite
- Business knowledge

Relationships

- Community involvement
- Know our customers
- Effective communication
- Stakeholder partnerships

Transform

- Lead and develop our people
- Culture
- Innovation
- Meet changing customer behaviours

We replicated our high-quality retail customer service for mortgage brokers providing improved, more transparent services to speed loan decisions.

MyState tailors our agribusiness offering to meet the needs of its customers.

Integrity We do what we say, and we hold ourselves and each other accountable for our actions and our commitments.

Innovation We embrace change and are always looking to improve the way we do things.

Courage Our actions are bold, our decision-making brave, and we won't be scared to challenge convention in our efforts to learn and grow.

Relationships We are obsessive about customer experience, and committed to building quality customer and stakeholder relationships. We're one team, we're stronger together and we celebrate success.

Community We live, work and play locally. We are passionate about the communities that we serve, and we understand that everyone has a valuable contribution to make.

Financial overview

Total revenue for the year to 30 June 2015, including net interest income and fees and commissions from banking and wealth management, was up 4.9% to $125.1 million, compared with $119.3 million in FY2014. Excluding $5.6 million from the sale of Cuscal shares in March 2015 to provide additional capital for growth, revenue was up slightly to $119.5 million. This compared with a 2.5% decline in FY2014, when a patchy economic recovery, low balance sheet growth and increased price competition impacted mortgage originations.

Importantly, in FY15, our loan book grew 16.3% to $3.54 billion, up from $3.05 billion, demonstrating the success of our mortgage broker loan origination strategy and the ongoing efforts of our branch based staff to service and help our customers. We maintained rigorous credit controls, and arrears of 30 days or more reduced to 0.72% from 0.76%, a historical low in line with major banks and well below industry peers. Loan pre-payment rates were high with over 90% of our customers now in advance of their requirements. Bad and doubtful debts declined to $0.6 million for the year as fewer customers experienced financial stress.

The strong competitive environment and the Reserve Bank of Australia's interest rate cuts in February and May 2015 impacted the banking division's margins, and net interest margin declined 15 basis points to 2.28%. Despite this, margins remained significantly higher than industry peers.

Funds under management were $1.0 billion, up slightly for the year.

There were restructuring costs of $1.1 million after tax, resulting from workplace changes including centralisation of the group's call centre activities to Hobart.

The profit on the sale of Cuscal shares reduced the group's cost-to-income ratio further to 62.7% (64.4% on an underlying basis) from 64.5%.

Return on average equity increased to 11.2%, up from 10.5%, as we continued to maintain tight controls over our costs.

Earnings per share were 37.3 cents on a statutory basis and 34.1 cents on an underlying basis, up slightly from 33.9 cents in FY2014.

In December 2014, Standard and Poor's affirmed our BBB ratings with stable outlooks for MyState Bank and The Rock,

Our customer engagement survey results highlighted the excellent customer service from our staff, and 97% of customers said their highest expectations of service were met or exceeded.

Branches continued to provide a very high quality of service to customers.

reflecting the organisations' strong reputations in their core markets, initiatives to improve their financial positions, and increased diversification of their assets and funding.

Net tangible assets, liquidity and capital adequacy remained well above required policy levels. Our internal capital adequacy assessment process is aligned to new prudential standards and includes regular stress testing and capital forecasting. This assists our evaluation of a broad range of capital options supporting continued strong organic growth and investment. Subsequent to year end, we concluded a Medium Term Note program which provided greater capital diversity and strengthened liquidity management.

The group's internal liquidity adequacy assessment process includes routine stress testing and enhances understanding of liquidity risk management. This process includes the calculation and monitoring of additional liquidity measures required under Basel III for specific scenarios well ahead of prudential implementation dates.

MyState continues to monitor and anticipate regulatory developments, particularly as they relate to changes to capital requirements. We are well positioned to capitalise on changes in the competitive landscape between major and regional banks.

Banking operations

MyState's banking businesses, MyState Bank and The Rock, increased their underlying net profit by 2% to $25.5 million from $25.0 million in FY2014.

Our retail operations benefited from a strengthening Tasmanian economy. Employment, dwelling approvals, retail sales and tourism rose; consumer confidence was higher; and there has been increased private investment in the Hobart region.

The central Queensland economy, however, was softer, reflecting reduced resources sector investment and lower commodity prices, and population growth and residential building approvals slowed as major LNG construction projects neared completion. Nonetheless, The Rock's business was resilient and is expected

$3.54 billion

Loan book growth accelerated during the year. The total value of our loan book increased 16.3% in FY2015.

$1 billion

Settlements reached $1 billion for the first time in the group's history.

to benefit from growth in the region's substantial agriculture and tourism businesses following the fall in the Australian dollar.

Our strategy to re-engage with mortgage brokers and aggregators continued to drive strong lending growth. The group's banking loan book increased by 16.3% for the year, more than double system growth and a significant improvement on 0.4% growth in the previous year. Significantly, we increased the portfolio's geographic diversification.

The foundation of our strategy was to replicate our high quality retail customer service for mortgage brokers on the mainland. We appointed experienced business development managers nationally to raise our profile and improve relationships, and established a dedicated, experienced origination team to speed up loan decisions. Increased communication helped secure business in a highly competitive market.

We reinforced The Rock's profile among mortgage brokers and leveraged MyState Bank's strong brand in Tasmania, and also established new partnerships with mortgage aggregators. Our offering matched the financial security of a bank with nimble pricing, personal service and an active product and pricing strategy attracted high quality home lending, with approximately 60% of loans at lower than 80% of loan-to-value ratio. Approximately 87% of our home loan portfolio is for owner-occupiers with investor lending remaining a small proportion of our total portfolio.

We passed several important milestones. In June 2015, monthly loan settlements were $110 million, a record for the group. Over the financial year we settled over $1 billion in loans – the first time the group has achieved this significant milestone. We continue to upgrade our service, and soon will provide full electronic lodgement for mortgage brokers.

We were pleased that our improved service proposition for mortgage brokers was recognised by the Australian Marketing Institute with its 2014 Marketing Communication (Business-to-Business) Award.

While home loans grew, business lending remained subdued, although some improvement was evident. Agricultural business was impacted by reduced lending rates and was steady in a very competitive market. Personal loans were in line with the previous year.

Through our partnership with CGU, we continued to offer a range of competitive general insurance products including home and contents, motor vehicle and caravan, life, landlord, total and permanent disability, and travel insurance.

As the loan portfolio has grown, the proportion of wholesale and securitisation funding has increased, reducing the group's retail funding ratio from 67.5% to 61.8%.

The sound credit quality of the group's assets facilitated a $300 million RMBS transaction in December 2014 and further securitisation issues are anticipated.

MyState Bank and The Rock currently operate as separate authorised deposit taking institutions (ADIs) and we are working to consolidate them as a single ADI. This will not impact services to customers, but will simplify the group's business and risk management practices.

Wealth management

The wealth management division holds more than $1 billion in funds under management (FUM) across cash, income and growth funds. Despite interest rate cuts and margin pressure, FUM increased by $9.7 million during the year, which was Tasmanian Perpetual Trustees' fourth consecutive year of growth.

While revenue increased by 4.6%, investment in new personnel to enable further growth, together with property fit-out write-downs due to back-office consolidation, reduced Tasmanian Perpetual Trustees' underlying net profit by 8.7% to $4.2 million.

Estate administration revenue grew strongly, although small business lending was constrained in a difficult market.

MyState Wealth Management's revenue from financial planning services increased as cross-selling to customers rose from a low base. We are continuing to increase customers' flexibility and choice, and anticipate further business growth.

Technology

During the year, we embarked upon a digital transformation program to attract new customers and retain them by being easy to do business with. An electronic origination system is being rolled out for MyState Bank's and The Rock's customers, and we improved retail phone and internet banking services and consolidated contact centre operations. We also deployed our first mobile banking apps for both iOS and Android users.

Improvements in ease-of-use and speed were acknowledged by customers in the survey, and more than 98% of customers stated that their expectations of our digital services were met or exceeded.

Over time, we intend to develop a full service internet and mobile banking platform and use new technologies such as social media, web chat and video conferencing to complement branches, expediting service times and increasing convenience for customers.

Risk Management

Our group's business units actively identify and manage risk, supported by an enterprise risk management system. We recognise that a risk management culture can be a key business driver for which every employee is responsible, and our goal is to create a workplace where employees have the confidence to ask questions and to challenge assumptions about the conduct of our business.

MyState's risk management model has three lines of defence. The first line is formed by business units and branches that are responsible for identifying, evaluating and managing risks. The second line consists of specialist risk management and compliance staff who provide independent monitoring and oversight. The third line is provided by MyState's board, with the assistance of independent internal and external audit, which reviews and tests business unit compliance.

Our risk management policy and framework link all relevant activity to the group's business strategy and operations.

Faster and better. **We are rolling out a new loan origination system which provides mortgage brokers with full electronic lodgement capability.**

Tasmanian Perpetual Trustees reported its fourth consecutive year of funds under management growth.

We have embarked upon a digital transformation program to ensure we are easy to do business with.

This ensures that risk management is part of everyday decision-making at all levels. The group maintains a set of risk appetite statements aligned with our corporate values, strategic plan and business objectives, and appropriate processes are incorporated into all strategic planning activities.

A pillar of the community

We are committed to building closer grass-roots ties with our communities. Our company-wide hands-on volunteer programs allow staff to spend one fully paid day each year working with a non-profit organisation, helping us to remain in touch with local aspirations.

As a local bank, we know that small contributions can make a large difference in people's lives. When Cyclone Marcia brought devastation to central Queensland families, many of whom lost power for more than two weeks, The Rock's staff participated in the Salvation Army's 'Fill a Fridge' campaign to help raise funds and matched donations to double community assistance.

The Rock's staff also assisted at events including an Anzac Day community event, the Rocky River Run and the Mount Morgan Golden Festival. In addition, we are proud sponsors of the Central Queensland NRL Bid Junior Development Program which takes a 'from the ground up' approach to helping young central Queenslanders develop leadership skills through rugby league.

This year, the MyState Foundation donated $106,000 in grants to 14 charitable and community organisations across all regions of Tasmania. Recipients included The Beacon Foundation which helps teenage youth to transition from school to work; Kennerley Children's Homes which supports young adults in hardship; Second Bite, which redistributes surplus fresh food to community food programs; and the St Giles Society which supports children and people with disabilities.

One of the biggest attractions of the Tasmanian tourism calendar is the MyState Australian Wooden Boat Festival, which is estimated to generate about $80 million for the Tasmanian economy. In 2015, MyState sponsored this biennial event for the third time and more than 500 wooden boats from Australia, the US and Europe participated, drawing over 220,000 visitors. We also sponsor the MyState Student Film Festival which has become Tasmania's premier event for students to showcase their visual arts creativity.

Looking ahead

This was the company's first year of organic growth following the acquisition of The Rock, and we have made significant investments and changes to structure and position the group for further growth.

We have a strengthened executive team and a performance-focused sales and service culture, and momentum in our banking business has been restored. Our retail businesses remain strong, and the loan book growth trajectory is expected to continue into the new financial year.

We are constantly focusing on improving our services to customers. We are investing in technology to support our operations and customer service and are developing a new digital platform for online and mobile banking, together with enhanced customer relationship management systems. Our passion for our local communities and personal service will not change, but we will be a stronger, better banking and wealth management business with broader and more effective products and services for customers.

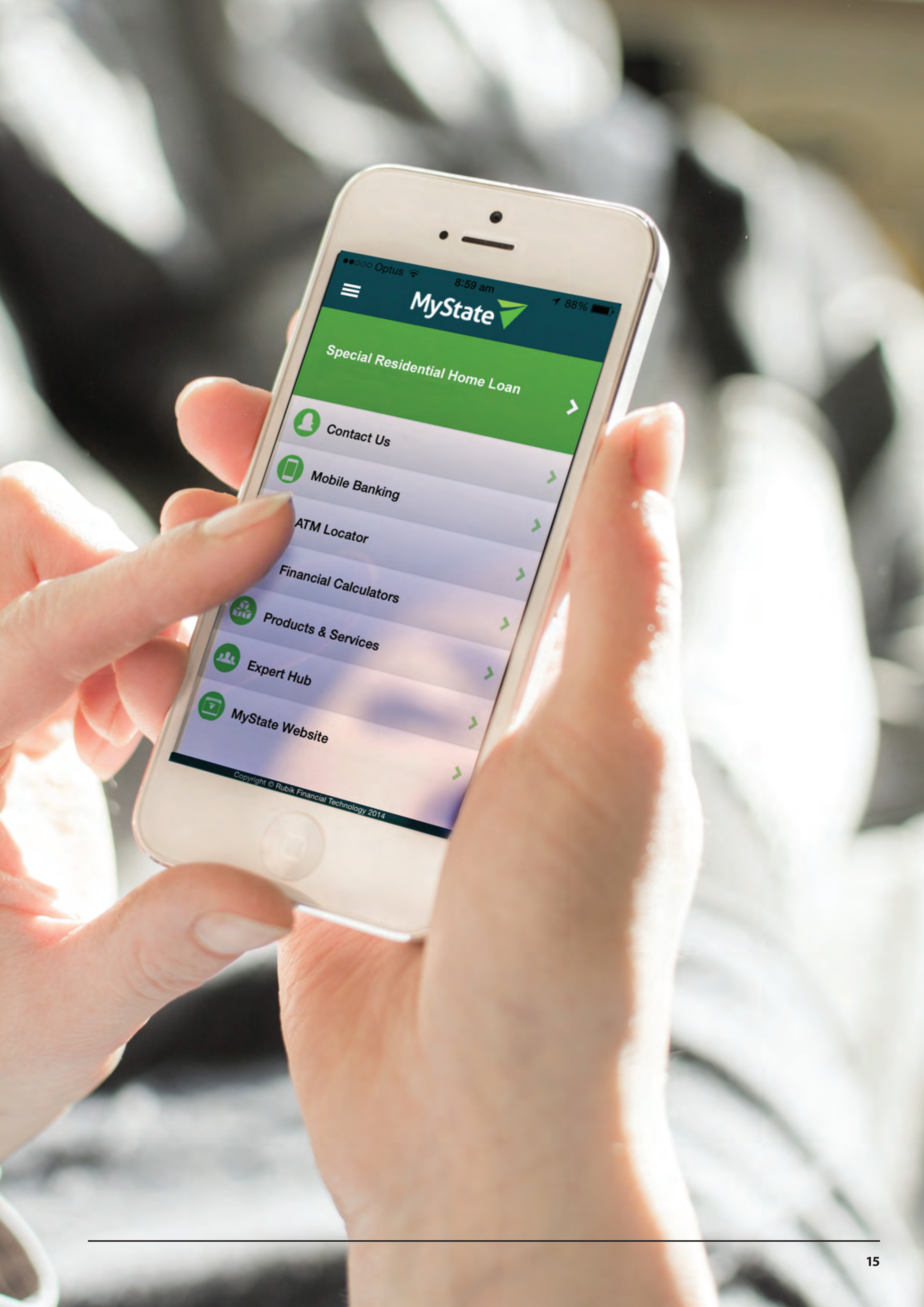
MyState maintains a strong balance sheet, and the group's strong capital position provides scope for organic growth and partnerships as well as acquisitions that increase shareholder value.

In closing, I would like to thank our hard-working staff for their dedication and commitment, and also thank you, our shareholders, for your support. I would also like to thank the board for their invaluable support and guidance throughout the year.

The MyState Wooden Boat Festival is one of the biggest attractions in Tasmania's tourism calendar.

MyState deployed its first mobile banking apps for both iOS and Android in 2015.

Always people focused. We are constantly focusing on improving services to customers.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88%
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Special Residential Home Loan
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Financial Calculators
Products & Services
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BUILDING AUSTRALIA'S No.1 LOCAL BANK

Committed to our local communities

We are committed to being pillars of the local communities in which we live and work.

The MyState Group maintains an ongoing program of support, including corporate and individual contributions, to help local communitives thrive.

Staff Hands-On Program

We aim to enable a vibrant, creative and aspirational community where people encourage and bring out the best in each other. We support events financially and contribute to activities to drive their success.

The staff 'Hands on' program is an important initiative backing up this commitment. We encourage all staff to take one paid day annually to volunteer for a not-for-profit charitable organisation of their choice. Through our Hands-On volunteer program staff have collaborated with organisations including The Beacon Foundation, St Giles Society and a number of Police Citizens' Youth Clubs statewide.

MyState Financial Community Foundation 2

Through the Foundation, MyState invests in young Tasmanians because we consider them the future custodians of the state. Investing in the capability of youth enriches the local community and in June 2015 the Foundation awarded $106,000 to 14 charitable or community organisations including Kennerley Children's Homes and Second Bite. The MyState Foundation has been empowering young Tasmanians across the state for over 14 years, bestowing over $1.1 million in grants to more than 90 not-for-profit organisations and in excess of 200 initiatives.

The Foundation also supports the springboard to higher education program, in partnership with the University of Tasmania, providing financial support to help disadvantaged youth further their education.

MyState Wooden Boat Festival 1, 3

The biennial MyState Australian Wooden Boat Festival is a celebration of Australia's rich maritime culture and one of the world's most anticipated maritime events. In 2015, more than 220,000 people visited Hobart's waterfront across four days to celebrate Tasmania's $70 million wooden boat building industry.

MyState Student Film Festival 5

Tasmania's premier youth artistic event helps young people develop key life skills such as creative thinking, planning, teamwork, problem solving and management through the art of film. The festival has showcased more than 750 films by students from over 250 Tasmanian schools in the past 13 years, providing a springboard for young Tasmanian talent to the world.

Agfest

In 2015, MyState continued its support for Tasmania's premier rural showcase, winning "Best Double Site" for MyState Bank's and Tasmanian Perpetual Trustees' partnered site. The event attracted over 65,000 patrons who sampled free fresh local produce, such as apples from Lees Orchards or Bills Beetroot Marmalade from Tasmanian Gourmet Kitchens.

Central Queensland NRL Bid Junior Development Program 4

The Rock is a proud sponsor of the Central Queensland NRL Bid Junior Development Program, which fosters rugby league skills for local talent. The program gathers the best junior players from across the region for a holistic development camp. In addition to financial support, The Rock works with young players on how to manage their money, helping them to develop more complete life skills and prepare for challenges ahead.

The Hardie Fellowship

Tasmanian Perpetual Trustees is a proud supporter of The Hardie Fellowship, which is one of the most substantial and prestigious opportunities in Australian education. It provides Tasmanian teachers with financial support to achieve excellence in their profession through study and research at US universities. Fellowship recipients then enrich the local community by passing on their learnings to others in Tasmania.

Rocky River Run 6

The Rocky River Run is a colourful and energetic annual fun run event for all ages and abilities that raises funds for the local Rotary Club. All monies raised are distributed to organisations promoting mental health and well-being in the community.

Beacon Foundation

Beacon Foundation is a non-profit organisation working with Tasmanian students to support and inspire them for life after school. In 2015 MyState staff worked with the Beacon Foundation to mentor students in work readiness programs, also offering two students traineeships to work part time with MyState while finishing their tertiary studies.

Golden Mount Festival

The Golden Mount Festival is an annual event held on the outskirts of Rockhampton which in 2015 attracted thousands of locals. Offering a great fun-filled family day out, the event brings people together to celebrate their shared mining heritage.

John Maxwell scholarship

Named in memory of a former chairman of The Rock, the scholarship is awarded to a first year accounting student at Central Queensland University. The scholarship provides financial support to enable the student to further their education.

Cape Hope

Tasmanian Perpetual Trustees is proud to support fundraising organisation Cape Hope. This year, Tasmanian Perpetual Trustees helped Cape Hope raise funds for The City Mission, Magnolia Place Launceston Women's Shelter, the Ravenswood Neighbourhood House and Rural Alive and Well charities.

Board of Directors

Miles L Hampton

BEc (Hons), FCIS, FCPA, FAICD

Independent non-executive Chairman

Appointed 12 February 2009

Mr Hampton was appointed a Director of MyState Limited on 12 February 2009 and became Chairman on 29 October 2013. He has been a Director of Tasmanian Perpetual Trustees Limited since July 2006. He was appointed a Director of MyState Financial Limited in September 2009 and was appointed a Director of The Rock Building Society Limited in December 2011.

Mr Hampton is a member of the MyState Limited Board's Group Audit Committee, Group Remuneration Committee and Chair of the Group Nominations and Corporate Governance Committee. Mr Hampton is also a director of the MyState foundation.

Mr Hampton was Managing Director of ASX listed agribusiness and real estate public company, Roberts Limited from 1987 until 2006.

He is currently Chairman of TasWater and a director of Money3 Corporation Ltd.

Mr Hampton has previously been a Director of public companies Ruralco Holdings Ltd, Australian Pharmaceutical Industries, Wentworth Holdings Ltd, HMA Ltd and Gibsons Ltd and was a Director of Impact Fertilisers Pty Ltd, Chairman of Forestry Tasmania, Chairman of Hobart Water and Deputy Chairman of The Van Diemen's Land Company.

Melos Sulicich

BBus, GAICD

Managing Director and Chief Executive Officer

Appointed 1 July 2014

Mr Sulicich was appointed as Managing Director and Chief Executive Officer of MyState Limited on 1 July 2014.

Mr Sulicich has extensive experience in a diverse range of businesses and industry sectors covering petrol retailing, financial services, industrial services, healthcare, transport and logistics.

From 2008 to 2013, he held the position of Chief Executive Officer of RAMS Financial Group, a subsidiary of Westpac. Prior to this, he spent eight years in general management positions for companies including Mayne Group, Adstream Marine and the Spotless Group.

From 1995 to 2000, Mr Sulicich worked in various General Management positions for Colonial Group Limited, including General Manager Marketing, Director Sales and Marketing for Colonial UK Limited and General Manager, Network Financial Services.

Mr Sulicich is also a Director of the MyState Foundation.

Colin M Hollingsworth

CPA, MAICD, FAMI

Independent non-executive Director

Appointed 12 February 2009

Mr Hollingsworth is the former General Manager, Corporate Services, TAFE Tasmania, and is an experienced company director and former Chairman and Director of both CPS and Island State Credit Unions.

Mr Hollingsworth was appointed a Director of MyState Financial and subsidiary companies on 1 July 2007 and Tasmanian Perpetual Trustees Limited on 22 September 2009.

Mr Hollingsworth is Chairman of MyState Limited Board's Group Audit Committee. He was appointed a Director of The Rock Building Society Limited in December 2011.

Stephen Lonie

B Com, MBA, FCA, Senior FFin, FAICD, FIMCA

Independent non-executive Director

Appointed 12 December 2011

Mr Lonie is a former partner of the international accounting and consulting firm KPMG and now practices as an independent management consultant.

Currently, he is non-executive Chairman of Central Queensland mining group, Jellinbah Resources Pty Ltd and is a non-executive Director of Corporate Travel Management Ltd and Retail Food Group Ltd.

Mr Lonie was formerly Chairman of The Rock Building Society Ltd and continued as a non-executive Director of the Company following the acquisition by MyState Limited.

Mr Lonie is a member of MyState Limited Board's Group Audit Committee and Group Remuneration Committee.

Mr Lonie was formerly a non-executive Director of CMI Limited (December 2012 - February 2013), Oaks Hotels & Resorts Limited (February 2012 to May 2012) and Dart Energy Ltd (September 2013 to October 2014).

Sarah Merridew

BEc, FCA, FAICD

Independent non-executive Director

Appointed 12 February 2009

Mrs Merridew is a non-executive Director of Tasmanian Railway. She is Honorary Treasurer of the Royal Flying Doctor Service Tasmania and actively involved with other community organisations.

Mrs Merridew was formerly a Director of Tasmanian Public Finance Corporation and a partner of Deloitte Touche Tohmatsu. She is an experienced company director and has extensive experience in providing audit, risk management and business advisory services to the public and private sectors.

Mrs Merridew was appointed a Director of Tasmanian Perpetual Trustees on 11 December 2001, and a Director of MyState Financial and subsidiaries on 22 September 2009 and following her previous appointment to the Board of Perpetual Trustees Tasmania Limited.

She is the Chair of MyState Limited Board's Group Risk Committee. Mrs Merridew was appointed a Director of The Rock Building Society Limited in December 2011.

Robert L Gordon

BSc, MIFA, MAICD, FAMI

Independent non-executive Director

Appointed 12 February 2009

Mr Gordon is currently CEO of the Institute of Foresters of Australia (IFA) having previously held the position of Managing Director, Forestry Tasmania.

He has been a company director for sixteen years including six years as Chairman of connectfinancial. Mr Gordon has been a director of companies in the tourism, research and development , construction and infrastructure industries.

Mr Gordon was appointed as a Director of MyState Financial on 1 July 1998. He is Chairman of MyState Financial Community Foundation Limited and was appointed a Director of Tasmanian Perpetual Trustees Limited on 22 September 2009 and The Rock Building Society Limited on 12 December 2011.

He is a member of the MyState Limited Board's Group Nomination & Corporate Governance Committee and the Group Risk Committee.

Peter D Armstrong

BEc (Hons), Dip ED, Dip FP, CPA, FAICD, FAMI

Independent non-executive Director

Appointed 12 February 2009

Mr Armstrong is Chairman of the MyState Limited Board's Group Remuneration Committee. He is a Director of MyState Financial, Tasmanian Perpetual Trustees Limited and the Rock Building Society Limited.

Mr Armstrong is a former Chairman of connectfinancial and Teachers, Police and Nurses Credit Union. He is a career educator at senior secondary and tertiary levels.

Mr Armstrong is also a member of MyState's Group Nominations and Corporate Governance Committee. He is also a Director of Tennis Australia Ltd.

He is a Fellow of both the Australian Institute of Company Directors and the Australian Mutuals Institute.

Ian G Mansbridge

CPA, FCIS, FCIM, FGIA

Independent non-executive Director

Appointed 12 February 2009

Mr Mansbridge's career has included positions as Managing Director of Sandhurst Trustees Ltd, Managing Director of National Mortgage Market Corporation, Managing Director of Elders Rural Bank (Rural Bank) and General Manager of Bendigo Bank.

He was appointed a Director of Tasmanian Perpetual Trustees Ltd in March 2004, and MyState Financial on 22 September 2009. He is a member of MyState Limited Board's Group Risk and the Group Nomination & Corporate Governance Committees. Mr Mansbridge was appointed a Director of The Rock Building Society Limited in December 2011.

He has been National President of the Trustee Corporations of Australia, a Director of Tasmanian Banking Services and Chair of the National Stock Exchange of Australia Ltd. He is currently a Director of Australian Friendly Society, Sandhurst Trustees Ltd and Goulburn-Murray Water.

Key Management Personnel

Huw Bough
DipFS (FP), DipF&MB, MAICD
General Manager, Sales and Distribution

Mr Bough is responsible for the leadership, operation, customer service and sales performance of MyState Limited group's sales divisions. He joined the company in August 2014.

Previously, he held national executive distribution roles in banking and financial services organisations including nine years at Westpac, where he was General Manager franchise for RAMS Financial Group from October 2011 to July 2014 and General Manager Westpac Mortgage Broker Distribution from November 2008 to October 2011. Before that, he was head of RAMS Home Loans' broker sales from April 2005 to November 2008.

Miles Farrow
LLB
Acting Chief Risk Officer and Principal Legal Officer Risk & Compliance

Mr Farrow is responsible for Enterprise Risk Management throughout the MyState Group and directly oversees the management and operations of the Legal and Compliance Team, Enterprise Risk Management, Fraud Risk Team and Credit Teams, which includes oversight of Credit Risk.

Mr Farrow was appointed Company Solicitor for Tasmanian Perpetual Trustees Limited in 2001 and subsequently had oversight of compliance, risk management and legal activities. In 2009 upon the formation of MyState Limited, Mr Farrow had particular oversight of the Legal and Compliance Team and more recently Enterprise Risk Management and the Credit Team. Prior to joining Tasmanian Perpetual Trustees Limited, Mr Farrow had 10 years' private legal practice experience working in a number of areas including financial services.

David Harradine
BCom, CA, MIIA, CIA
Chief Financial Officer

Mr Harradine is responsible for controlling the financial management activities within the group through leadership of the Finance, Treasury and Investment Management teams. Mr Harradine commenced with MyState Limited in March 2015. Prior to joining MyState Mr Harradine was an audit Partner with the accounting and advisory firm Deloitte. David is Chairman of the Board of CatholicCare Tasmania and a Board member of Affordable Community Housing Alliance Tasmania.

Paul Moss
BEng (Hons)
General Manager, Technology and Operations

Mr Moss is responsible for the strategic direction and delivery of MyState Limited's back office processing and technology.

He joined the company in May 2015 having previously been a Director of IT Advisory at KPMG in Tasmania. Prior, Mr Moss spent 11 years at Betfair, in the UK and Australia, as Director of Information Systems and Operations, focusing on strategy development, global infrastructure deployments and customer experience. Before that he occupied technical leadership positions in UK-based investment banks.

Aaron Pidgeon
Post DipBusMan, MAICD
General Manager, Human Resources and Property

Mr Pidgeon has worked with MyState Limited for almost 10 years and is responsible for the strategic direction and delivery of MyState Limited's Human Resource and Property Management.

Mr Pidgeon has worked in various leadership positions within MyState Limited, including the MyState retail network and oversight of Project Management and Operations. Prior to MyState, Mr Pidgeon worked in leadership positions with the Commonwealth Bank of Australia.

Chris Thornton
BSc (Hons)
General Manager, Product and Marketing

Mr Thornton is responsible for end-to-end product performance, customer and brand strategy. He joined MyState in April 2015 having held product and marketing leadership roles in Australia and the UK. Prior to joining MyState Mr Thornton was with RAMS Financial Group, and prior to that held positions with Virgin, Dell, AAPT and 3M. Mr Thornton has extensive experience in developing and implementing marketing strategy, brand building, product development and customer lifecycle management.

From left: David Harradine, Chris Thornton, Paul Moss, Melos Sulicich, Aaron Pidgeon, Miles Farrow, Huw Bough.

Directors' Report

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

Directors and Company Secretary

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

Directors

- **Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD
  Chairman and independent non-executive Director
- **Melos A Sulicich** BBus, GAICD
  Managing Director
- **Peter D Armstrong** BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI
  Independent non-executive Director
- **Robert L Gordon** BSc, MIFA, MAICD, FAMI
  Independent non-executive Director
- **Colin M Hollingsworth** CPA, MAICD, FAMI
  Independent non-executive Director
- **Ross A Illingworth** B Bus (HR), GAICD, CFP
  Independent non-executive Director
  (Appointed 17 December 2014, Resigned 12 June 2015)
- **Stephen E Lonie** BCom, MBA, FCA, Senior FFin, FAICD, FIMCA
  Independent non-executive Director
- **Ian G Mansbridge** CPA, FCIS, FCIM, FGIA
  Independent non-executive Director
- **Sarah Merridew** BEc, FCA, FAICD
  Independent non-executive Director

Company Secretary

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

Principal Activities

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

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

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

Operating and Financial Review

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

Dividends

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

Review of Operations (continued)

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

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

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

Review and Results of Operations

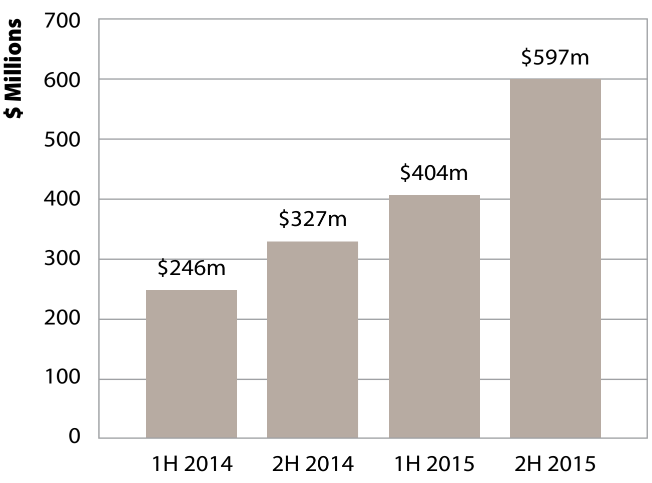
Financial Performance

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

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

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

Half yearly settlements



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

The businesses' broker strategy has succeeded in generating growth in the loan book which increased by 16.3% to $3.5 billion, compared with a 0.4% increase in the previous year. 2015 financial year settlements reached $1 billion, a milestone for the Group.

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

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

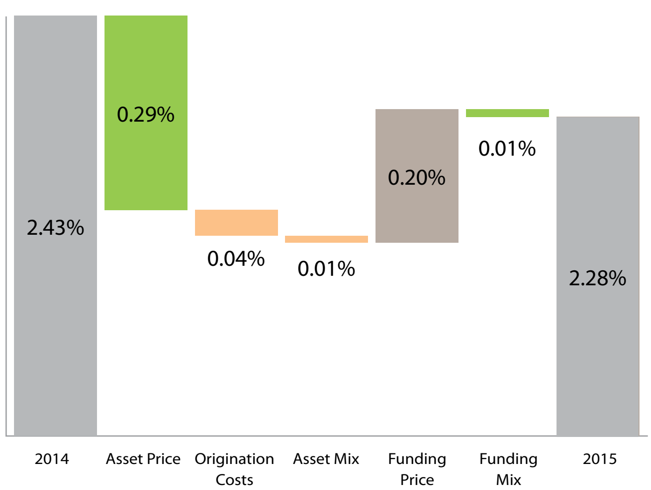
Income

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

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

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

Net Interest Margin



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

Expenses

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

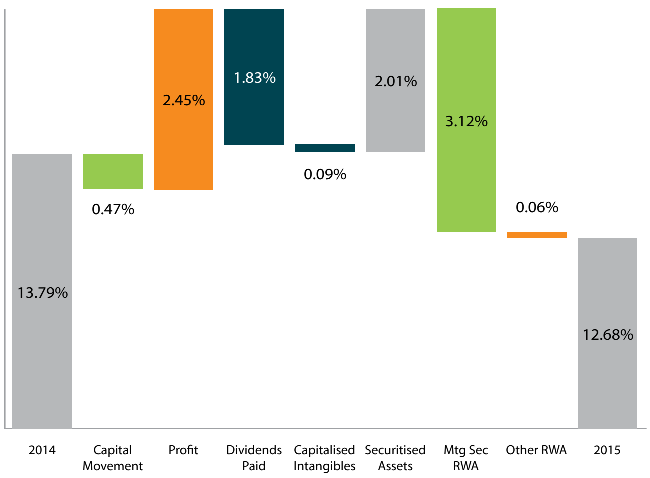
Continued cost management during 2015 resulted in the underlying cost-to-income ratio falling slightly from 64.5% to 64.4%. The business is targeting further reductions in the cost-to-income ratio through continuing to simplify processes and significant investment in digital capability.

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

Capital Position

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

Capital Ratio Movements



Outlook

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

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

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

State of Affairs

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

Events Subsequent To Balance Date

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

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

Likely Developments and Expected Results

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

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

Environmental Regulation

The Company is not subject to significant environmental regulation.

Review of Operations (continued)

Directors' Meetings

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

MyState Limited Directors' Meetings 2014/2015

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

A – Number of meetings attended

B – Number of meetings eligible to attend

*R Illingworth attended all meetings during the term of his appointment

Directors' Interests

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

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

Indemnification and Insurance of Directors and Officers

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

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

Non-Audit Services

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

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

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

Auditor's Independence Declaration to the Directors

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

In relation to our audit of the financial report for the consolidated group for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

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

D McCarthy
Partner
Wise Lord & Ferguson
Hobart

Dated 20 August 2015

Remuneration Report

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

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

Contents

1. Group Remuneration Committee

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

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

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

2. Remuneration Philosophy

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

The Remuneration Policy is premised on:

- Appropriately balanced measures of performance;
- Variable performance based pay for Executives involving short and long-term incentive plans;
- Recognition and reward for strong performance;
- A considered balance between the capacity to pay and the need to pay, to attract and retain capable staff at all levels;
- Short-term and long-term incentive performance criteria being structured within the overall risk management framework of the Company; and

- The exercise of Board discretion as an ultimate means to mitigate unintended consequences of variable pay and to preserve the interests of the Shareholders.

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

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

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

3. Consequences of Performance on Shareholder wealth

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

Indicator	**2011 $'000**	**2012 $'000**	**Change**	**2013 $'000**	**Change**	**2014 $'000**	**Change**	**2015 $'000**	**Change**
Underlying Profit after income tax	22,020	25,483	15.73%	28,457	11.67%	29,571	3.9%	29,719	0.5%
Underlying Earnings per share (cents)	32.65	29.91	(8.4%)	32.68	9.3%	33.91	3.8%	34.10	0.6%
Dividends paid	16,523	19,564	18.4%	24,378	24.6%	24,417	0.2%	24,880	1.9%
Share price (dollars)	3.51	3.05	(13.1%)	4.24	39.0%	4.64	9.4%	4.83	4.1%
Underlying Return on equity	10.9%	9.7%	(1.2%)	10.4%	0.7%	10.5%	0.1%	10.2%	(0.3%)

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

4. Key Management Personnel

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

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

5. Non-Executive Director Remuneration

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

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

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

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

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

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

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

6. Managing Director and Executive Remuneration

6.1 Fixed Annual Remuneration

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

6.2 Short Term Incentive

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

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

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

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

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

6. Managing Director and Executive Remuneration (continued)

Current STI Offers

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

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

2013/2014 STI						
Key Management Personnel	**Max. % (of FAR)**	**Max Payable**	**% Awarded**	**% Forfeited**	**Amount Paid $**	**% Which is not yet assessed for payment**
John Gilbert	50%	$327,600	30.53%	69.47%	$100,000	-%
David Mills	15%	$30,000	42.50%	57.50%	$12,750	-%
Andrew Paynter	15%	$37,015	12.70%	87.30%	$4,700	-%
Stephen Pender	15%	$30,000	30.00%	70.00%	$9,000	-%
Aaron Pidgeon	15%	$41,625	42.52%	57.48%	$17,700	-%
Tim Rutherford	30%	$120,263	32.51%	67.49%	$39,100	-%
Tom Taylor(1)	58.3%	$112,088	62.50%	37.50%	$70,055	-%
Natasha Whish-Wilson	30%	$99,806	32.56%	67.44%	$32,500	-%

2014/2015 STI						
Key Management Personnel	**Max. % (of FAR)**	**Max Payable**	**% Awarded**	**% Forfeited**	**Amount Paid $**	**% Which is not yet assessed for payment**
Melos Sulicich	50%	$275,000	48.86%	51.14%	$134,370	-%
Huw Bough	30%	$90,000	36.37%	63.63%	$32,731	-%
Miles Farrow	15%	$28,678	42.79%	57.21%	$12,272	-%
David Harradine	30%	$102,000	9.70%	90.30%	$9,889	-%
David Mills	15%	$30,000	30.00%	70.00%	$9,000	-%
Paul Moss	30%	$87,000	6.16%	93.84%	$5,363	-%
Stephen Pender(2)	15%	$30,000	22.50%	77.50%	$6,750	-%
Aaron Pidgeon	15%	$41,625	37.64%	62.36%	$15,668	-%
Tim Rutherford	30%	$120,262	0.00%	100%	$0	-%
Tom Taylor(1)	58.3%	$112,088	46.75%	53.25%	$52,405	-%
Chris Thornton	30%	$96,000	8.04%	91.96%	$7,717	-%
Natasha Whish-Wilson(2)	30%	$99,806	24.42%	75.58%	$24,375	-%

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

(2) STI paid on departure.

6.3 Executive Long Term Incentive Plan (ELTIP)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Managing Director and Executive Remuneration (continued)

Current ELTIP Offers

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

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

(1) These offers were made to the former Managing Director.

(2) The value of the offer is calculated as at the date of offer to the KMP at that time. As such, it may include the value of offers made to individuals who are no longer KMP of the Company.

(3) Pro-rata offer.

The Comparator Group for the 2012 and 2013 Years

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

Calculation of the Reward

TSR Component

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

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

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

ROE Component

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

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

6. Managing Director and Executive Remuneration (continued)

Actual and Potential ELTIP Share Allocations

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

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

7. Remuneration of Key Management Personnel

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

7. Remuneration of Key Management Personnel (continued)

		Salary and Fees $	Cash Bonus $	Non-Monetary Benefits $	Post Employment Super-annuation $	Termination Benefits $	Share Based Payment[3] $	Total[1] [2] $
Managing Director								
Melos Sulicich	**2015**	**516,981**	**134,370**	**–**	**35,135**	**–**	**29,668**	**716,154**
	2014	–	–	–	–	–	–	–
John Gilbert	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	475,806	69,580	–	(16,787)	656,931	76,643	1,262,173
Senior Executives								
Huw Bough	**2015**	**242,360**	**47,731**	**–**	**23,024**	**–**	**9,329**	**322,444**
	2014	–	–	–	–	–	–	–
Miles Farrow[4]	**2015**	**47,874**	**12,272**	**–**	**6,417**	**–**	**204**	**66,767**
	2014	–	–	–	–	–	–	–
David Harradine[5]	**2015**	**91,843**	**14,889**	**–**	**8,849**	**–**	**8,411**	**123,992**
	2014	–	–	–	–	–	–	–
David Mills[6]	**2015**	**152,630**	**9,800**	**–**	**20,416**	**–**	**829**	**183,675**
	2014	180,095	10,710	–	19,660	–	1,000	211,465
Paul Moss[7]	**2015**	**35,652**	**5,363**	**–**	**3,387**	**–**	**–**	**44,402**
	2014	–	–	–	–	–	–	–
Andrew Paynter[8]	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	203,718	1,161	–	19,043	–	1,000	224,922
Stephen Pender[9]	**2015**	**134,879**	**5,969**	**–**	**15,232**	**220,624**	**–**	**376,704**
	2014	181,357	7,682	–	19,377	–	–	208,416
Aaron Pidgeon	**2015**	**273,476**	**17,693**	**–**	**26,359**	**–**	**–**	**317,528**
	2014	227,130	12,287	360	23,070	–	–	262,847
Tim Rutherford[10]	**2015**	**101,495**	**24,795**	**–**	**9,642**	**287,837**	**12,447**	**436,216**
	2014	375,993	5,768	–	24,137	–	34,018	439,916
Tom Taylor[11]	**2015**	**262,896**	**74,468**	**–**	**34,015**	**31,726**	**–**	**403,105**
	2014	360,950	206,172	–	32,774	–	–	599,896
Chris Thornton[12]	**2015**	**58,560**	**7,717**	**–**	**5,553**	**–**	**–**	**71,830**
	2014	–	–	–	–	–	–	–
Natasha Whish–Wilson[13]	**2015**	**241,972**	**32,796**	**–**	**23,321**	**369,617**	**24,554**	**692,260**
	2014	293,866	14,448	–	18,297	–	25,297	351,908
Sub Total [14]	**2015**	**2,160,618**	**387,863**	**–**	**211,350**	**909,804**	**85,442**	**3,755,077**
	2014	2,298,915	327,808	360	139,571	656,931	137,958	3,561,543
Total[14]	**2015**	**2,800,172**	**387,863**	**–**	**387,891**	**909,804**	**85,442**	**4,571,172**
	2014	2,938,010	327,808	360	259,741	656,931	137,958	4,320,808

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Shareholdings of Key Management Personnel

Non Executive Director Minimum Shareholding Requirement

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

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

Executive Minimum Shareholding Requirement

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

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

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

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

8. Shareholdings of Key Management Personnel (continued)

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

	Balance at commencement of financial year	Granted as compensation	Net change other	Balance at end of financial year	Balance at end of financial year held by ELTIP trustee
Non-Executive Directors					
Miles Hampton	600,000	–	–	600,000	–
Peter Armstrong	1,161	–	3,760	4,921	–
Robert Gordon	387	–	2,000	2,387	–
Colin Hollingsworth	10,274	–	10,000	20,274	–
Stephen Lonie	50,000	–	–	50,000	–
Ian Mansbridge	170,000	–	–	170,000	–
Sarah Merridew	24,000	–	–	24,000	–
Managing Director					
Melos Sulicich	–	–	28,750	28,750	–
Executives					
Huw Bough	–	–	–	–	–
Miles Farrow	5,324	–	–	5,324	–
David Harradine	–	–	–	–	–
Paul Moss	–	–	–	–	–
Aaron Pidgeon	–	–	–	–	–
Chris Thornton	–	–	–	–	–
Total	**861,146**	**–**	**44,510**	**905,656**	**–**

9. Loans to Key Management Personnel

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

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

10. Contract Terms and Conditions

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

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR)(1)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company(2)
Melos Sulicich	1 July 2014	4 Year term from 1 July 2014	$550,000	50% of FAR	50% of FAR	Notice: The contract may be terminated by the Company with 6 months notice or payment in lieu of notice. Entitlement: • Pro-rata STI payment applied, at the full discretion of the Board, as at the date of termination. • Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
	Share Ownership: Required to purchase and maintain shares to the value of 50% of FAR by 30 June 2018.					
Huw Bough	13 August 2014	2 Year term from August 2014	$320,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice: The contract can be terminated by the Company upon provision of 3 months notice. Entitlement: • Payment of the equivalent to the pro-rata balance of FAR. • Pro-rata STI payment applied as at the date of termination. • Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
Miles Farrow	Appointed as Acting Chief Risk Officer 21 April 2015	Ongoing	$265,000 (inclusive of loading for role as acting CRO)	15% of FAR	N/A	Notice: The contract can be terminated by the Company upon provision of 5 weeks notice. Entitlement: Payment of 7 Weeks for the first completed year of service and 3 weeks for each subsequent year of completed service to a cap of 52 weeks.

(1) Per year and subject to market based review mechanisms.

(2) Subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total.

10. Contract Terms and Conditions (continued)

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR)(1)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company(2)
David Harradine	16 March 2015	Ongoing	\$355,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice: The contract can be terminated by the Company upon provision of 3 months notice. Entitlement: Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.
Paul Moss	13 May 2015	Ongoing	\$290,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice: The contract can be terminated by the Company upon provision of 3 months notice. Entitlement: Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

(1) Per year and subject to market based review mechanisms.

(2) Subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total.

Incumbent	Commenced in role	Contract term	Fixed Annual Remuneration (FAR)(1)	Short Term Incentive (maximum)	ELTIP (maximum)	Termination Provisions In the event of termination by the Company(2)
Aaron Pidgeon	10 September 2012	Ongoing	$277,500	30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice: The contract can be terminated by the Company upon provision of 1 months notice. Entitlement: Payment of the equivalent of 9 months FAR. Pro-rata STI payment applied as at the date of termination.
Chris Thornton	20 April 2015	Ongoing	$320,000	Between 15% and 30% of FAR	Between 15% and 30% of FAR upon invitation to participate	Notice: The contract can be terminated by the Company upon provision of 3 months notice. Entitlement: Payment of the equivalent of 6 months FAR. Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, made following the completion of the applicable performance periods.

(1) Per year and subject to market based review mechanisms.

(2) Subject to shareholder approval in the event that they exceed the equivalent of 1 year FAR in total.

Signed in accordance with a resolution of the Directors.

M L Hampton
Chairman

M A Sulicich
Managing Director

Hobart
Dated this 20 August 2015

Consolidated Financial Statements

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Consolidated Income Statement

for the year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Interest income	2.1	**175,239**	177,719
Less Interest expense	2.1	**(91,804)**	(93,330)
Total interest expense		**83,435**	84,389
Non-interest income from banking activities	2.1	**17,288**	16,913
Net banking operating income		**100,723**	101,302
Income from wealth management activities	2.2	**18,142**	17,338
Income from sale of other investments	2.3	**5,643**	–
Income from other activities	2.3	**608**	616
Total operating income		**125,116**	119,256
Less: Expenses			
Personnel costs	2.4	**37,652**	35,659
Administration costs	2.4	**18,466**	18,739
Technology costs	2.4	**8,905**	8,720
Occupancy costs	2.4	**7,052**	7,619
Marketing costs		**3,493**	3,171
Governance costs		**2,915**	2,975
Total operating expenses		**78,483**	76,883
Profit before bad and doubtful debts and income tax expense		**46,633**	42,373
Less: Impairment expense on loans and advances at amortised cost	4.3	**602**	852
Profit before income tax		**46,031**	41,521
Income tax expense	6.1	**13,518**	11,950
Profit for the year		**32,513**	29,571
Profit attributable to the:			
Equity holders of MyState Limited		**32,513**	29,571
Basic earnings per share (cents per share)	2.5	**37.25**	33.91
Diluted earnings per share (cents per share)	2.5	**37.25**	33.91

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Profit for the year		**32,513**	29,571
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Net gains/(losses) taken to equity		**(564)**	1,280
Change in fair value of assets available for sale		**–**	(593)
Reversal of fair value on assets previously classified as available for sale		**93**	–
Income tax effect		**142**	(206)
Total other comprehensive income for the year		**(329)**	481
Total comprehensive income for the year		**32,184**	30,052
Total comprehensive income for the year is attributable to:			
Equity holders of MyState Limited		**32,184**	30,052

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Assets			
Cash and liquid assets	4.1	**66,290**	57,958
Due from other financial institutions for payment settlements		**27,546**	22,547
Financial instruments	4.2	**338,837**	321,616
Loans and advances	4.3	**3,550,907**	3,050,873
Other investments		**1,721**	5,056
Property, plant and equipment	5.1	**11,654**	15,621
Deferred tax assets	6.1	**4,323**	4,034
Intangible assets and goodwill	5.2	**78,677**	78,117
Total assets		**4,079,955**	3,555,822
Liabilities			
Due to other financial institutions for payment settlements		**41,773**	43,764
Deposits and other borrowings	4.5	**3,730,683**	3,214,632
Derivatives		**564**	–
Employee benefit provisions	5.3	**5,418**	5,594
Tax liabilities	6.1	**8,377**	6,183
Total liabilities		**3,786,815**	3,270,173
Net assets		**293,140**	285,649
Equity			
Share capital	5.4	**132,670**	132,566
Retained earnings		**155,872**	146,343
Reserves		**4,598**	6,740
Total equity		**293,140**	285,649

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2015

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

The accompanying notes form part of these financial statements.

Retained earnings

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

Asset revaluation reserve

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

Employee equity benefits reserve

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

Hedging reserve

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

Net unrealised gains reserve

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

General reserve for credit losses

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

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities			
Interest received		**178,863**	178,815
Interest paid		**(88,073)**	(96,848)
Fees and commissions received		**32,950**	33,688
Dividends received		**444**	614
Other non-interest income received		**2,076**	2,528
Payments to suppliers and employees		**(77,768)**	(72,990)
Income tax paid		**(11,600)**	(6,747)
Net cash flows from operating activities	4.1	**36,892**	39,060
Cash flows from investing activities			
Proceeds on sale of financial assets		**8,992**	–
Purchase of intangible assets		**(3,032)**	(5,325)
Proceeds from sale of property, plant and equipment		**2,490**	370
Purchase of property, plant and equipment		**(1,505)**	(1,550)
Net decrease/(increase) in loans to customers		**(506,160)**	(12,627)
Net increase/(decrease) in amounts due from other financial institutions		**(2,571)**	71,926
Net cash flows from/(used in) investing activities		**(501,786)**	52,794
Cash flows from financing activities			
Employee share issue		**–**	305
Dividends paid	2.6	**(24,880)**	(24,417)
Net (decrease)/increase in deposits		**266,227**	(84,608)
Net increase/(decrease) in due to other financial institutions		**231,879**	7,989
Net cash flows from/(used) in financing activities		**473,226**	(100,731)
Net increase/(decrease) in cash held		**8,332**	(8,877)
Cash at beginning of financial year		**57,958**	66,835
Closing cash carried forward	4.1	**66,290**	57,958

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2015

1.1 Reporting entity

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

1.2 Basis of accounting

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

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

Early Adoption of AASB 9 "Financial Instruments"

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

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

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

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

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

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

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

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

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

Rounding of amounts

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

1.3 Use of estimates and judgement

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

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

1.4 Goods and services tax

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

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

1.5 Provisions (other than for impairment of financial assets)

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

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

2.1 Income from banking activities

	30 June 2015 $'000	30 June 2014 $'000
Interest income		
Loans and advances	**163,131**	163,880
Investment securities	**12,108**	13,839
Total interest income	**175,239**	177,719
Interest expense		
At call deposits	**12,260**	12,462
Fixed term deposits	**79,544**	80,868
Total interest expense	**91,804**	93,330
Non-interest income from banking activities		
Transaction fees	**7,256**	8,122
Loan fee income	**3,826**	3,325
Banking commissions	**5,049**	4,695
Other banking operations income	**1,157**	771
Total Non-interest income from banking activities	**17,288**	16,913

Income accounting policy

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

Interest, fees and commissions:

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

Loan origination fees:

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

2.2 Income from wealth management activities

	30 June 2015 $'000	30 June 2014 $'000
Funds management income	**9,370**	9,188
Other fees and commissions	**8,772**	8,150
Total Income from wealth management activities	**18,142**	17,338

Funds management income and fiduciary activities

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

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

Other fees and commissions

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

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

	30 June 2015 $M	30 June 2014 $'M
Funds under management	**1,017**	1,007
Funds under advice	**782**	767

Income accounting policy

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

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

2.3 Income from other activities

	30 June 2015 $'000	30 June 2014 $'000
Profit from sale of other investments	**5,643**	–
In 2015, the Group disposed of its investment in Cuscal Limited shares. The carrying value of these shares at the date of disposal was $3.35M.		

	30 June 2015 $'000	30 June 2014 $'000
Dividends from other corporations	**444**	614
Profit on sale of property plant and equipment assets	**164**	2
Total income from other activities	**608**	616

Dividend accounting policy

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

2.4 Expenses

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

	30 June 2015 $'000	30 June 2014 $'000
Personnel costs include:		
Termination payments	**1,084**	430
Occupancy costs include:		
Operating lease payments	**4,045**	3,507
Depreciation – leasehold improvements	**1,642**	1,794
Technology costs include:		
Depreciation – computer software	**2,190**	1,723
Administration costs		
Amortisation – software and other intangibles	**282**	170
Depreciation – furniture and equipment	**659**	1,367
Loss on sale of property plant and equipment assets	**645**	–

Expense accounting policy

Operating lease expense

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

Depreciation and amortisation expense

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

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

2.5 Earnings per share

	30 June 2015 cents	30 June 2014 cents
Basic earnings per share	**37.25**	33.91
Diluted earnings per share	**37.25**	33.91

Earnings per share accounting policy

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

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

	30 June 2015 $'000	30 June 2014 $'000
Profit for the year	**32,513**	29,571

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	**87,280,013**	87,199,366

2.6 Dividends

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

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

Franking credit balance

	30 June 2015 $'000	30 June 2014 $'000
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the period at 30% (2014: 30%)	**53,901**	52,881
Franking credits that will arise from the payment of income tax payable at the end of the period	**6,182**	4,635

Dividends not recognised at the end of the financial year

On 20 August 2015, the Directors resolved to pay a final dividend for the 2015 financial year of 14.5 cents per share or $12,656,000 total to be paid on the 2nd of October 2015, fully franked at the 30 per cent corporate tax rate. This dividend has not been brought to account as the amount had not been determined at the reporting date. This dividend will reduce the balance of the franking account by $5,424,000.

2.7 Segment financial information

Operations of reportable segments

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

Banking division

The banking division consists of two authorised deposit-taking institutions. Its product offerings include lending, encompassing home loans, personal, overdraft, line of credit and commercial products; transactional savings accounts and fixed term deposits; and insurance products. It delivers these products and services through its branch network, as well as through the mortgage broker channel. The banking division is conducted by the MyState Bank Group and The Rock Building Society Group.

Wealth management division

The wealth management division is a provider of funds management, financial planning and trustee services. It operates predominantly within Tasmania. It holds over $1 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 10 managed investment schemes. The wealth management division is conducted by Tasmanian Perpetual Trustees Limited. Tasmanian Perpetual Trustees Limited is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania.

Corporate and consolidation division

The corporate cost centre is responsible for the governance of the Group. The corporate cost centre charges the operating divisions on a cost recovery basis for costs it has incurred. This division is also where eliminations are shown between the banking division and the wealth management division.

2.7 Segment financial information (continued)

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

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

3.1 Capital management strategy

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

The Group's capital management objectives are to:

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

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

Regulatory capital requirements are measured at two levels:

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

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

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

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

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

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

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

	30 June 2015 $'000	30 June 2014 $'000
Qualifying capital		
Common equity tier 1 capital		
Paid-up ordinary share capital	**95,178**	93,295
Retained earnings	**174,051**	166,397
Reserves excluding general reserve for credit losses	**566**	4,108
Total common equity tier 1 capital	**269,795**	263,800
Regulatory adjustments		
Deferred expenditure including deferred tax assets	**23,857**	17,713
Goodwill and intangibles	**19,821**	19,821
Other deductions	**42,610**	42,962
Total regulatory adjustments	**86,288**	80,496
Net common equity tier 1 capital	**183,507**	183,304
Tier 2 capital		
General reserve for credit losses	**4,428**	3,984
Total capital	**187,935**	187,288
Risk weighted assets	**1,482,367**	1,357,831
Capital adequacy ratio	**12.68%**	13.79%

3.2 Financial risk management

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

Risk exposure profile

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

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

3.2.1 Credit risk

Approach to credit risk management

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

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

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

Maximum exposure to credit risk

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

	30 June 2015 $'000	30 June 2014 $'000
Cash and liquid assets	**66,290**	57,958
Due from other financial institutions for payment settlements	**27,546**	22,547
Financial instruments	**338,837**	321,616
Other investments	**1,721**	5,056
	434,394	407,177
Gross loans and advances at amortised costs	**3,550,907**	3,050,873
Customer commitments(1)	**133,597**	130,020
Maximum exposure to credit risk	**4,118,898**	3,588,070

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

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

	30 June 2015 $'000	30 June 2014 $'000
Credit quality of financial assets		
Financial assets other than loans and advances at amortised cost		
Equivalent S&P rating A+ and above	**142,037**	228,625
Equivalent S&P rating A- and below	**292,357**	178,552
Loans and advances at amortised cost		
New Facilities – not closely monitored	**1,100,122**	618,376
New Facilities – closely monitored	**4,869**	1,251
Continuing facilities – not closely monitored	**2,419,709**	2,410,038
Continuing facilities – closely monitored	**26,207**	21,208
Total on balance sheet exposure to credit risk	**3,985,301**	3,458,050

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

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

Estimate of collateral held

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

3.2 Financial risk management (continued)

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

	30 June 2015 $'000	30 June 2014 $'000
Tasmania	**2,200,195**	2,097,117
Victoria	**308,585**	166,166
New South Wales	**337,338**	210,370
Queensland	**552,191**	463,568
Western Australia	**88,232**	64,315
Australian Capital Territory	**32,572**	27,502
Northern Territory	**3,086**	2,561
South Australia	**29,370**	20,100
Gross loans and advances at amortised cost	**3,551,569**	3,051,699

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

3.2.2 Market risk

Managing market risk

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

Interest rate risk exposure

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

The figures in the table below indicates the earnings at risk for an ensuing 12 month period of a 1% parallel shock increase to the yield curve. A 1% decrease has the equal opposite result.

Value at Risk (VaR)

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

	Net profit after tax higher/(lower)	
	30 June 2015 $'000	30 June 2014 $'000
Value at risk based on historic data		
Average	**2,346**	3,138
Minimum	**1,423**	2,654
Maximum	**3,458**	3,433

Derivatives

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

Derivatives accounting policy

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

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

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

Cash flow hedges:

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

Derivatives that do not qualify for hedge accounting:

If a derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in Other Comprehensive Income remains in Other Comprehensive Income until the forecast transaction affects the Consolidated Income Statement. If the forecast transaction is no longer expected to occur, it is reclassified to the Consolidated Income Statement as a reclassification adjustment.

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

3.2.3 Liquidity risk

Managing Liquidity Risk

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

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

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

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

3.2 Financial risk management (continued)

Liquidity risk exposure

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

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

	On demand $'000	3 months or less $'000	Between 3 months and 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000	Total $'000
2015						
At call deposits	**1,170,904**	**–**	**–**	**–**	**–**	**1,170,904**
Due to other financial institutions for payment settlements	**–**	**41,773**	**–**	**–**	**–**	**41,773**
Term deposits	**–**	**800,251**	**678,159**	**38,076**	**–**	**1,516,486**
Negotiable certificates of deposit	**–**	**232,168**	**44,318**	**–**	**–**	**276,486**
Securitisation liabilities	**–**	**–**	**–**	**–**	**907,097**	**907,097**
Contractual amounts payable	**1,170,904**	**1,074,192**	**722,477**	**38,076**	**907,097**	**3,912,746**
Derivative liability	**7**	**3,117**	**8,356**	**6,937**	**–**	**–**
2014						
At call deposits	1,053,934	–	–	–	–	1,053,934
Due to other financial institutions for payment settlements	–	43,764	–	–	–	43,764
Term deposits	–	707,543	616,302	36,459	–	1,360,304
Negotiable certificates of deposit	–	264,804	34,309	–	–	299,113
Securitisation liabilities	–	–	–	–	598,033	598,033
Contractual amounts payable	1,053,934	1,016,111	650,611	36,459	598,033	3,355,148

Contractual maturity of assets and liabilities

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

	30 June 2015			30 June 2014		
	Less than 12 months $'000	**More than 12 months $'000**	**Total $'000**	**Less than 12 months $'000**	**More than 12 months $'000**	**Total $'000**
Financial assets						
Cash and liquid assets	**66,290**	**–**	**66,290**	57,958	–	57,958
Financial instruments	**257,937**	**80,900**	**338,837**	295,360	26,256	321,616
Loans and advances	**127,719**	**3,423,188**	**3,550,907**	125,031	2,925,842	3,050,873
Other financial assets	**29,267**	**–**	**29,267**	27,603	–	27,603
Total financial assets	**481,213**	**3,504,088**	**3,985,301**	**505,952**	**2,952,098**	**3,458,050**
Financial liabilities						
Due to other financial institutions for payment settlements	**(41,773)**	**–**	**(41,773)**	(43,764)	–	(43,764)
Deposits	**(2,898,548)**	**(34,687)**	**(2,933,235)**	(2,644,752)	(44,137)	(2,688,889)
Securitisation liabilities	**–**	**(797,448)**	**(797,448)**	–	(525,743)	(525,743)
Derivative liability	**–**	**(564)**	**(564)**	–	–	–
Total financial liabilities	**(2,940,321)**	**(832,699)**	**(3,773,020)**	**(2,688,516)**	**(569,880)**	**(3,258,396)**
Net contractual amounts receivable/(payable)	**(2,459,108)**	**2,671,389**	**212,281**	**(2,182,564)**	**2,382,218**	**199,654**

3.3 Average balance sheet and source of net interest income

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

	30 June 2015			30 June 2014		
	Average balance $'000	Interest $'000	Average rate %	Average balance $'000	Interest $'000	Average rate %
Cash and liquid assets	**75,168**	**1,118**	**1.49%**	69,462	1,126	1.62%
Financial instruments	**334,481**	**10,990**	**3.29%**	367,926	12,713	3.46%
Loans and advances	**3,256,095**	**163,131**	**5.01%**	3,007,294	163,880	5.45%
Total average interest-earning assets	**3,665,744**	**175,239**	**4.78%**	**3,444,682**	**177,719**	**5.16%**
Non-interest earning assets	**127,413**	**–**	**–**	134,076	–	0.00%
Total average assets	**3,793,157**	**175,239**	**4.62%**	**3,578,758**	**177,719**	**4.97%**
Average liabilities and interest expense						
Interest bearing liabilities						
Deposits	**2,842,808**	**70,221**	**2.47%**	2,644,867	71,545	2.71%
Notes and bonds on issue	**617,773**	**21,583**	**3.49%**	604,788	21,785	3.60%
Total average interest bearing liabilities	**3,460,581**	**91,804**	**2.65%**	**3,249,655**	**93,330**	**2.87%**
Non interest bearing liabilities	**47,295**	**–**	**–**	49,627	–	-
Total average liabilities	**3,507,876**	**91,804**	**2.62%**	**3,299,282**	**93,330**	**2.83%**
Reserves	**269,918**	**–**	**–**	266,927	–	–
Total average liabilities and reserves	**3,777,794**	**91,804**	**2.43%**	**3,566,209**	**93,330**	**2.62%**

4.1 Cash and liquid assets

	30 June 2015 $'000	30 June 2014 $'000
Notes, coins and cash at bank	**46,764**	31,597
Other short term liquid assets	**19,526**	26,361
Total cash and liquid assets	**66,290**	57,958
Notes to the statements of cash flows		
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	**32,513**	29,571
Add/(less) items classified as investing/financing activities or non-cash items:		
Depreciation of property, plant and equipment	**2,301**	2,903
Amortisation of intangible assets	**2,472**	1,893
Impairment of property, plant and equipment	**–**	476
Net (gain)/ loss on sale of investments	**(5,162)**	(2)
Bad and doubtful debts expense net of recoveries	**602**	852
Deferred upfront lending costs	**4,103**	–
Increase/(decrease) in employee equity benefits reserve	**188**	(206)
Changes in assets and liabilities		
Decrease/(increase) in financial instruments	**(517)**	556
Decrease/(increase) in due from other financial institutions	**(1,121)**	1,087
Decrease/(increase) in deferred tax assets	**(289)**	2,182
Increase/(decrease) in deposits and other borrowings	**1,007**	1,007
Increase/(decrease) in due to other financial institutions	**(1,223)**	(4,468)
Increase/(decrease) in employee benefit provisions	**(176)**	(17)
Increase/(decrease) in tax liabilities	**2,194**	3,226
Net cash flows used in operating activities	**36,892**	39,060

Accounting policies

Cash and liquid assets

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

Cash Flow statement

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- Customer deposits and withdrawals from savings and fixed-term deposit accounts;
- Movements in investments;
- Amounts due to and from other financial institutions; and
- Customer loans and advances.

4.2 Financial instruments

	30 June 2015 $'000	30 June 2014 $'000
Negotiable certificates of deposits	**80,519**	44,696
Floating rate notes	**106,431**	118,946
Short-term deposits	**151,887**	157,974
Total other financial assets	**338,837**	321,616

Accounting policies

Financial instruments at amortised cost

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

Derecognition of financial assets

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

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

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

4.3 Loans and advances at amortised cost

	30 June 2015 $'000	30 June 2014 $'000
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	**3,351,150**	2,833,096
Personal loans and unsecured overdrafts	**83,803**	98,439
Overdrafts secured by mortgage	**65,651**	69,611
Commercial loans	**50,965**	50,553
Total loans and advances at amortised cost	**3,551,569**	3,051,699
Specific provision for impairment	**115**	55
Collective provision for impairment	**547**	771
Total loans and advances at amortised cost net of provision for impairment	**3,550,907**	3,050,873

Loans and advances at amortised cost accounting policy

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

Provision for impairment

	30 June 2015 $'000	30 June 2014 $'000
Specific provision for impairment		
Opening balance	**55**	–
Charge/(credit) against profit	**60**	55
Closing balance of specific provision for impairment	**115**	55
Collective provision for impairment		
Opening balance	**771**	650
Charge/(credit) against profit	**(164)**	200
Write-off of previously provisioned facilities	**(60)**	(79)
Closing balance of collective provision for impairment	**547**	771
Charge to profit for impairment on loans and advances at amortised cost		
Increase/(decrease) in specific provision for impairment	**60**	55
Increase/(decrease) in collective provision for impairment	**(224)**	200
Bad debts recovered	**(1,359)**	(1,609)
Bad debts written off directly	**2,125**	2,206
Total impairment on loans and advances at amortised cost	**602**	852

Impairment of financial assets accounting policy

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

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

4.4 Transfer of financial assets (securitisation program)

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

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

	Carrying value at transaction date	
	30 June 2015 $'000	**30 June 2014 $'000**
Transferred financial assets:		
Loans and advances at amortised cost	**466,223**	114,866
Associated financial liabilities		
Securitisation liabilities to external investors	**446,775**	117,751

Transfer of financial assets accounting policy

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

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

Interest in Joint Operations accounting policy

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

The Group recognises its interest in a joint operation:

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

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

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

4.5 Deposits and other borrowings

	30 June 2015 $'000	30 June 2014 $'000
Deposits		
At call deposits	**1,170,904**	1,053,934
Term deposits	**1,490,787**	1,341,529
Negotiable certificates of deposit	**271,544**	293,426
Total deposits	**2,933,235**	2,688,889
Other borrowings		
Securitisation liabilities	**797,448**	525,743
Total deposits and other borrowings	**3,730,683**	3,214,632
Concentration of deposits:		
Retail deposits	**2,310,032**	2,163,474
Wholesale deposits	**623,203**	525,415
Securitisation liabilities	**797,448**	525,743
Total deposits	**3,730,683**	3,214,632

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

Deposits and other borrowings accounting policy

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

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

Derecognition of financial liabilities

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

4.6 Fair value of financial instruments

Classification of financial instruments

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

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

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

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

	30 June 2015		30 June 2014	
	Carrying value $'000	Net fair value $'000	Carrying value $'000	Net fair value $'000
Financial assets				
Financial instruments at amortised cost	**338,837**	**338,993**	321,616	321,616
Loans and advances at amortised cost	**3,550,907**	**3,550,610**	3,050,873	3,144,546
Other investments	**1,721**	**1,721**	5,056	5,056
Total financial assets	**3,891,465**	**3,891,324**	**3,377,545**	**3,471,218**
Financial liabilities				
Deposits	**2,933,235**	**2,934,197**	2,688,889	2,773,230
Other borrowings	**797,448**	**797,448**	525,743	525,743
Total financial liabilities	**3,730,683**	**3,731,645**	**3,214,632**	**3,298,973**

Fair value hierarchy

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

Level 1 – inputs that are prices quoted for identical instruments in active markets;

Level 2 – inputs based on observable market data other than those in level 1; and

Level 3 – inputs for which there is no observable market data.

Where the expected maturity is in excess of 12 months, the fair value is discounted to its present value. During the year, there have been no material transfers between levels of the fair value hierarchy.

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

5.1 Property, plant and equipment

	30 June 2015 $'000	30 June 2014 $'000
Land and buildings		
At revalued amount	**15,654**	16,334
Accumulated depreciation	**(6,059)**	(4,862)
	9,595	11,472
Plant and equipment		
At cost	**6,386**	7,540
Accumulated depreciation	**(4,327)**	(3,391)
	2,059	4,149
Total property, plant and equipment	**11,654**	15,621

Property, plant and equipment accounting policy

Plant and equipment

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

Land and buildings

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

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

Impairment of property, plant and equipment

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

Derecognition of property, plant and equipment

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

5.2 Intangible assets and goodwill

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

Intangibles accounting policy

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

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

Goodwill is treated as an indefinite life intangible, Software and Other intangibles are finite life intangibles. Refer to note 2.4 Expenses for the useful life of tangible and intangible assets.

Impairment testing of Goodwill

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

	30 June 2015 $'000	30 June 2014 $'000
Banking Business	**40,189**	40,189
Wealth Management Business	**25,789**	25,789
Total goodwill	**65,978**	65,978

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

5.2 Intangible assets and goodwill (continued)

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

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

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

Goodwill accounting policy

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

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

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

Impairment of subsidiaries accounting policy

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

5.3 Employee benefit provisions

	30 June 2015 $'000	30 June 2014 $'000
Balances		
Provision for annual leave	**1,979**	2,022
Provision for long service leave	**3,439**	3,572
Total employee benefits provisions	**5,418**	5,594
Due to be settled within 12 months	**4,191**	4,874
Due to be settled more than 12 months	**1,227**	720
Total employee benefits provisions	**5,418**	5,594

Employee benefits accounting policy

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

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

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

5.4 Share capital

Issued and paid up ordinary shares	**132,670**	132,566

Movements in ordinary share capital

	30 June 2015		30 June 2014	
	Number of shares	Amount $'000	Number of shares	Amount $'000
Opening balance	**87,261,995**	**132,566**	87,153,047	132,241
Shares issued pursuant to the employee share scheme of the Group	**21,422**	**104**	24,398	114
Shares issued under the executive long term incentive plan	**–**	**–**	84,550	211
Closing balance	**87,283,417**	**132,670**	87,261,995	132,566

Terms and conditions

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

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

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

6.1 Income tax expense and deferred tax

	30 June 2015 $'000	30 June 2014 $'000
The major components of income tax expense/(benefit) are:		
Income tax expense		
Current income tax charge	**14,231**	11,592
Adjustment in respect of current income tax of previous years	**(1,212)**	(868)
Adjustments in respect of deferred income tax of previous years	**999**	566
Relating to origination and reversal of temporary differences	**(500)**	660
Total Income tax expense	**13,518**	11,950
A reconciliation between tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Income tax expense attributable to:		
Accounting profit before tax	**46,031**	41,521
The income tax expense comprises amounts set aside as:		
Provision attributable to the current year at the statutory rate of 30%, being:		
– Prima facie tax on accounting profit before tax	**13,809**	12,456
– Under/(over) provision in prior year	**(213)**	(302)
Tax effect of tax credits and adjustments	**(92)**	(184)
Other	**14**	(20)
Income tax expense reported in the consolidated income statement	**13,518**	11,950
Weighted average effective tax rates	**29.4%**	28.8%
Deferred income tax relates to the following:		
Deferred tax assets		
Employee entitlements	**1,742**	1,678
Deferred revenue	**69**	–
Provisions	**96**	893
Doubtful debts	**258**	248
Other	**1,916**	972
Carried forward losses	**242**	243
Total deferred tax assets	**4,323**	4,034
Deferred tax liabilities		
Property, plant and equipment	**862**	843
Other	**1,333**	705
Total deferred tax liabilities	**2,195**	1,548
Current tax payable	**6,182**	4,635
Total tax liabilities	**8,377**	6,183

Movements in deferred tax balances

	Deferred tax assets		Deferred tax liabilities	
	30 June 2015 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2014 $'000
Opening balance	**4,034**	**6,216**	1,548	2,368
Reclassification deferred tax	**–**	**(694)**	–	(694)
(Charged)/credited to income statement	**373**	**(979)**	(126)	(319)
Credited/(charged) to equity	**142**	**58**	–	194
Adjustments for deferred tax of prior years	**(226)**	**(567)**	773	(1)
Closing balance	**4,323**	**4,034**	2,195	1,548

Taxation accounting policy

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

Current tax payable

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

Deferred tax

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

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

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

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

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

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

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

Tax consolidation

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

6.1 Income tax expense and deferred tax (continued)

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

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

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

7.1 Parent Entity Information

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

Statement of Financial Position	**30 June 2015 $'000**	**30 June 2014 $'000**
Assets		
Cash and liquid assets	**2,952**	2,807
Other receivables	**64**	8
Related party receivables	**5,611**	4,280
Investments in subsidiaries	**241,311**	237,511
Deferred tax assets	**924**	780
Total assets	**250,862**	245,386
Liabilities		
Other liabilities	**867**	950
Related party payables	**407**	286
Tax liabilities	**6,182**	4,635
Employee benefit provisions	**139**	225
Total liabilities	**7,595**	6,096
Net assets	**243,267**	239,290
Equity		
Share capital	**238,598**	238,495
Retained earnings	**4,103**	315
Reserves	**566**	480
Total equity	**243,267**	239,290
Financial position		
Profit after income tax for the year	**28,668**	24,415
Other comprehensive income	**–**	–
Total comprehensive income	**28,668**	24,415

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

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

7.2 Controlled Entities and principles of consolidation

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

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

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

Basis of consolidation accounting policy

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

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

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

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

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

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

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

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

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

7.3 Related party disclosures

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

Managed Investment Schemes

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

	Consolidated		TPT	
	30 June 2015 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2014 $'000
Management fees received	**9,370**	9,188	**9,370**	9,188
Balance of investment held at year end	**11,507**	13,498	**4,638**	6,346
Distributions received from managed funds	**387**	502	**184**	350

The Funds have:

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

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

Key Management Personnel

Individual Directors and Executive compensation disclosures

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

	30 June 2015 $'000	30 June 2014 $'000
Key management personnel compensation		
The key management personnel compensation comprised:		
Short-term employee benefits	**3,163**	3,266
Post employment benefits	**411**	260
Share-Based payment[(i)]	**85**	138
Termination benefits	**910**	657

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

8.1 Contingent liabilities and expenditure commitments

	30 June 2015 $'000	30 June 2014 $'000
Operating lease expenditure commitments		
not later than 1 year	**3,765**	3,527
later than 1 and not later than 5 years	**10,950**	10,139
later than 5 years	**13,637**	14,158
Total lease expenditure contracted for at balance date	**28,352**	27,824

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

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

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

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

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

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

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

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

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

Loan Guarantees	**135**	138

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

Estate Administration

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

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

8.2 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor or the Group, Wise Lord & Ferguson:

	30 June 2015 $'000	30 June 2014 $'000
Audit services		
Audit of the financial statements of the consolidated entities	**358**	394
Total remuneration for audit services	**358**	394
Audit related services		
Assurance related services	**25**	26
Audit of loans sold into the securitisation program	**60**	73
Total remuneration for audit related services	**85**	99
Other non-external audit related services		
Other services	**50**	3
Total remuneration for non-audit services	**50**	3
Total remuneration for services provided	**493**	496

8.3 Events subsequent to balance date

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

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

8.4 Other significant accounting policies and new accounting standards

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

8.4.1 New and revised accounting standards

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

AASB 10 *Consolidated Financial Statements (and AASB 127 (2011) Separate Financial Statements)*.

AASB 11 *Joint Arrangements*.

AASB 128 (2011) *Investments in Associates and Joint Ventures*.

AASB 12 *Disclosure of Interests in Other Entities*.

AASB 13 *Fair Value Measurements.*

AASB 119 (2011) *Employee Benefits*.

AASB 2011-7 A*mendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard*.

AASB 2013-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.

AASB 2013-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*.

AASB 2013-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*.

AASB 2013-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*.

AASB 2013-10 A*mendments to Australian Accounting Standards – Transition Guidance and Other Amendments (AASB 10, AASB 128)*.

AASB 2014-1 *Amendments to Australian Accounting Standards (Part C: Materiality)*.

AASB 1048 (2013) *Interpretation of Standards*.

AASB CF 2013-1 *Amendments to the Australian Conceptual Framework.*

AASB 2013-9 (part A) *Amendments to Australian Accounting Standards – Conceptual Framework*.

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

AASB 15 *Revenue from Contracts with Customers*.

The following standard has been early adopted, refer to note 1.1 for information regarding the application of this standard.

AASB 9 *Financial Instruments – Classification & Measurement*.

Directors' Declaration

for the financial year ended 30 June 2015

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

1. In the opinion of the Directors:

   (a) The financial statements and notes of the Group set out on pages 41 to 85 are in accordance with the Corporations Act 2001, including:

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

      (ii) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) There are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.

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

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

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

On behalf of the Board

M L Hampton
Chairman

C M Hollingsworth
Director

Hobart
Dated this 20 August 2015

Wise Lord & Ferguson
Chartered Accountants
advice to advantage

Independent auditor's report to the members of MyState Limited

Report on the financial report

We have audited the accompanying financial report of MyState Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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

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

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

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Tel: (03) 6223 6155 Email: email@wlf.com.au Internet: www.wlf.com.au
Partners: Harvey Gibson, Danny McCarthy, Douglas Thomson, Joanne Doyle, Stuart Clutterbuck, Ian Wheeler, Dean Johnson, Marg Marshall, Paul Lyons, Alicia Leis, Nick Carter
Managers: Melanie Richardson, Simon Jones, Trent Queen, Rachel Mendlik, Nathan Brereton, Melissa Johnson, Donna Powell, Rebecca Meredith, Naomi Norman, Maryellen Salter
Consultant: Peter Beven

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

Opinion
In our opinion:

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

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

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

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

Report on the remuneration report

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

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

D J McCARTHY
Partner
Wise Lord & Ferguson
Chartered Accountants

Date: 20 August 2015

Information relating to Shareholders

As at 21 August 2015

Range of Units Snapshot

Range	Total holders	Units	% of Issued Capital
1 – 1,000	61,678	24,204,992	27.73
1,001 – 5,000	2,404	6,546,107	7.50
5,001 – 10,000	853	6,293,513	7.21
10,001 – 100,000	715	17,002,987	19.48
100,001 – 9,999,999,999	46	33,235,818	38.08
Rounding			**0.00**
Total	**65,696**	**87,283,417**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $4.57 per unit	110	236	9,165

Information relating to shareholders as of 21 August 2015

Top Holders Snapshot – Ungrouped

Rank	Name	Units	% of Units
1.	NATIONAL NOMINEES LIMITED	5,361,426	6.14
2.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	4,082,982	4.68
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,485,935	3.99
4.	DIVERSIFIED UNITED INVESTMENT LIMITED	2,590,000	2.97
5.	CITICORP NOMINEES PTY LIMITED	2,390,588	2.74
6.	THE IAN POTTER FOUNDATION LTD <NO 1 A/C>	1,500,000	1.72
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,451,056	1.66
8.	AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	1,345,000	1.54
9.	SELECT MANAGED FUNDS LTD	1,225,960	1.40
10.	BNP PARIBAS NOMS PTY LTD <DRP>	1,041,705	1.19
11.	MR BRIAN DAVID FAULKNER	750,000	0.86
12.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L <WAM ACCOUNT>	557,729	0.64
13.	MR IAN GREGORY GRIFFITHS + MRS SUSAN JANE GRIFFITHS <GLENLORE SUPER SCHEME A/C>	453,741	0.52
14.	MILTON CORPORATION LIMITED	444,992	0.51
15.	MRS WENDY JEAN FAULKNER	405,000	0.46
16.	NATIONAL RELIANCE INVESTMENT & UNDERWRITING COMPANY PTY LTD <EDGECUMBE INV GROUP S/F A/C>	392,253	0.45
17.	PRESTIGE FURNITURE PTY LTD	363,000	0.42
18.	BEECHWORTH HOLDINGS PTY LTD <BEECHWORTH SUPER FUND A/C>	350,000	0.40
19.	MRS JOAN E EVERSHED	312,160	0.36
20.	GARMARAL PTY LTD	253,011	0.29
Totals: Top 20 holders of Ordinary Fully Paid Shares (Total)		**28,756,538**	**32.95**
Total Remaining Holders Balance		**58,526,879**	**67.05**

Corporate Governance Statement

The Board of MyState Limited is committed to upholding the highest levels of corporate governance and subscribes to the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council in order to promote investor confidence in the company and within the broader market.

MyState Limited's Corporate Governance Statement and policies are available on the Company's website at www.mystatelimited.com.au/about-corporate-governance.htm

Corporate Directory

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Facsimile: (03) 6215 9760
Website: mystatelimited.com.au
Email: info@mystatelimited.com.au

MyState Bank Limited

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Level 2, 137 Harrington Street
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Telephone: 138 001
Website: mystate.com.au
Email: info@mystate.com.au

Tasmanian Perpetual Trustees Limited

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Level 2, 137 Harrington Street
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Telephone: 1300 138 044
Website: tasmanianperpetual.com.au
Email: info@tptl.com.au

The Rock Building Society Limited

ABN: 16 067 765 717
Level 2, 137 Harrington Street
Hobart TAS 7000
Telephone: 1800 806 645
Website: therock.com.au
Email: rock@therock.com.au

Directors

Miles Hampton (Chairman – non-executive)
Melos Sulicich (Managing Director)
Colin Hollingsworth (non-executive Director)
Stephen Lonie (non-executive Director)
Sarah Merridew (non-executive Director)
Robert Gordon (non-executive Director)
Peter Armstrong (non-executive Director)
Ian Mansbridge (non-executive Director)

Company Secretary

Scott Lukianenko

Share Registry

Computershare Investor Services.
GPO Box 2975EE
Melbourne VIC 3000
Telephone: 1300 538 803
Overseas callers: +61 3 9415 4660
Website: computershare.com.au

Auditors

Wise Lord and Ferguson
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Internet website

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Australian Securities Exchange Listing

MyState Limited is listed on the Australian Securities Exchange under the code MYS.

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