MyStateLimited

2022 Annual Report

Contents

MyStateLimited

Annual general meeting

MyState's annual general meeting (AGM) will be held on Wednesday 19 October 2022 commencing at 10.30 a.m. (AEDT) at the Best Western Hotel, 156 Bathurst Street, Hobart. Shareholders will also be able to attend online via a digital meeting platform. The online platform will enable shareholders to ask questions about the business of the AGM and vote on resolutions.

In accordance with the *Corporations Act 2001*, hard copies of the Notice of AGM (NoM) will not be sent to shareholders unless they have previously requested a hard copy. Instead, the NoM and other related material, including an online meeting guide, can be viewed and downloaded from our AGM website accessible via **mystatelimited.com.au**

Corporate governance

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 to promote investor confidence in the company and within the broader market. In addition, the Australian Prudential Regulation Authority (APRA) requires MyState Limited, as the non-operating holding company of a bank, to comply with the prudential obligations that apply directly to the bank. To this end, the Board of MyState Limited has a governance framework whereby the appropriate Board policies, meeting the APRA prudential requirements, apply across the Group.

MyState Limited's Board-approved Corporate Governance Statement is available on the Company's website at **mystatelimited.com.au**

MyState values

Create customer 'wow'

- We walk in our customers' shoes and appreciate their perspectives.
- We think and act in the best interest of our customers.
- We are clear, concise and trustworthy in our customer interactions.
- We design and deliver exceptional customer experiences, with a human touch.
- We make things simpler and easier for our customers.

Chase the better

- We are bold in our ambition.
- We seek out and embrace the change that is required to succeed.
- We have the courage to try new things and grow from our failures.
- We simplify (and digitise) to deliver exceptional customer experiences, with a human touch.
- We seek industry-leading productivity and always drive for better outcomes.

Collaborate to win

- We care for each other, our customers, partners and community.
- We give our best, do the right thing, and trust our colleagues to do the same.
- We hold each other to account.
- We openly share information so that everyone can make informed decisions.
- We reach out across teams to rapidly solve problems – and celebrate our successes and learnings.

Highlights

Home loan book

+25.5%

from FY21

$6.8b

Home loan growth over
3x system in FY22

Customer deposits

+25.1%

from FY21

$5.6b

Strong deposit growth driving
favourable funding mix

Net profit after tax

2nd highest

$32.0m

Second highest NPAT on record

New customer growth

+14.8%

from FY21

+19,500

New to bank customers

Strong organic growth from FY21

TPT Wealth commercial loan book

+33.9%

from FY21

$354m

Growth reflecting improved
distribution capability

30 day home loan book arrears

-14 **basis points**

from FY21

0.41%

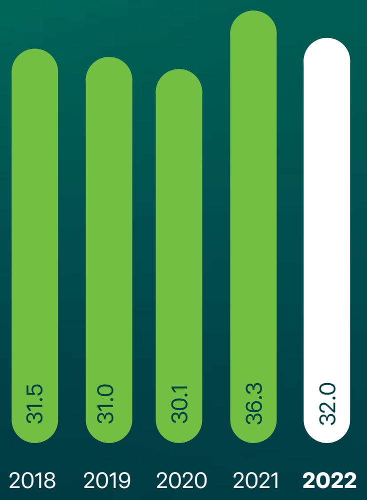
Well below industry benchmark

+43 Net Promoter Score[1]

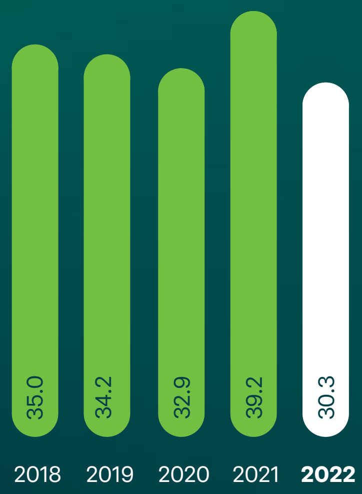
Strong customer advocacy

(1) As at 30 June 2022

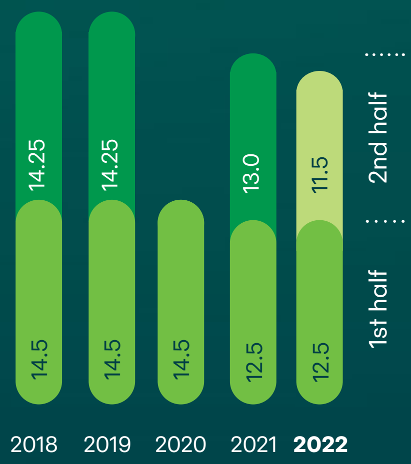
Group performance



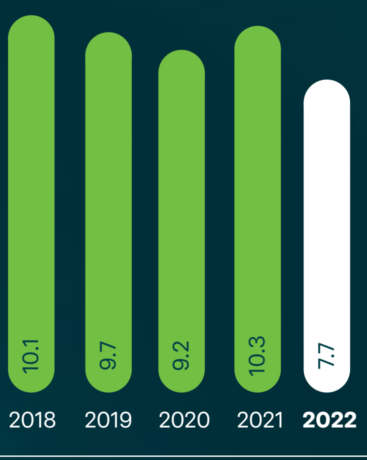
Net profit after tax
($ million)



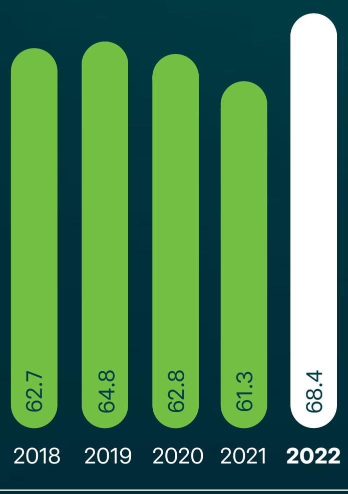
Earnings per share
(cents)



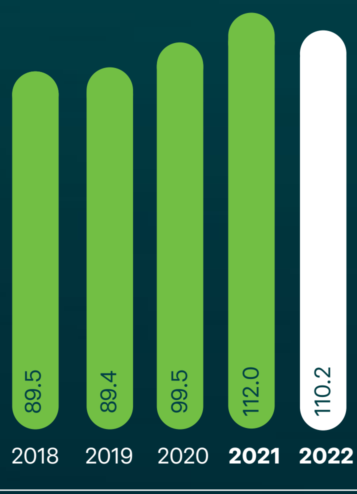
Dividends – fully franked per share
(cents)



Return on average equity (%)



Cost-to-income ratio[1] (%)



Net interest income
($ million)

(1) 2021 excludes restructure costs

Chairman's report

Statutory net profit after tax for the 2022 financial year was the second highest on record at

$32.0m

I am pleased and proud to present my first annual report as chairman of MyState Limited.

Despite ongoing challenges presented by the COVID pandemic, our company has continued to meet, and in some areas exceed, key goals and objectives – both financially and in terms of servicing the needs of our growing customer base. We completed the 2022 financial year in a strong position, with increased market share and sound underlying profitability.

As many shareholders will be aware, MyState has in recent years undergone significant change in its business model. From our historical roots as a solid and trusted regional Tasmanian credit union, we are now well advanced in our successful transformation into a modern financial services company with a strong home base in Tasmania, a digital online focus and an expanding national customer base.

The changes have so far delivered gratifying results – not least making MyState among the fastest growing banks in Australia, as measured by home loan market share, during the financial year.

A key driver of this expansion has been our building of partnerships with independent mortgage brokers – committed financial professionals who are uniquely placed to meet the diverse needs of borrowers in their local communities across Tasmania and in the mainland states where we have been growing our business.

Through this approach we remain true to our company ethos, which prioritises customer service.

I believe the results presented in this annual report provide further vindication of our approach.

Operating performance

Statutory net profit after tax (NPAT) for the financial year was the second highest on record at $32.0 million, but down 11.9% from the previous financial year's record $36.3 million. The reduction was largely due to higher operating costs associated with our strategic investment in distribution capacity, marketing and brand building to support our national growth strategy.

Earnings per share decreased 22.6% to 30.3 cents.

Core earnings (operating profit before restructure costs, bad and doubtful debts expense and income tax) fell by 17.4% to $44.3 million, with total operating income up 1.2% and operating expenses up 12.9%, reflecting the upfront investment in growth.

The cost-to-income ratio (excluding restructure costs in FY21) rose by 710 bps to 68.4% for the full year.

The total loan book grew by 24.1% to $6.94 billion, and home loan book growth of 25.5% equated to 3.1x system growth (+8.15%). Customer deposits grew by 25.1% to reach $5.6 billion.

TPT Wealth's commercial loan book was up 33.9% to $354 million, reflecting improved distribution capability in our Tasmanian home market.

Dividend and capital

In the 2022 financial year, the Board determined to pay a final dividend of 11.5 cents per share, fully franked, equivalent to a payout ratio of 79.2% of after-tax earnings. This decision is in line with our current dividend guidance range and strikes the right balance between pursuing our growth strategy and rewarding shareholders with dividends. The Board also elected to fully underwrite any shortfall in the Dividend Reinvestment Plan to help support the next phase of balance sheet growth.

On 23 August 2022, MyState announced it had successfully priced $65 million of fully paid, mandatorily convertible subordinated perpetual debt securities that are eligible to be recognised as Additional Tier 1 regulatory capital. The funds raised from these capital initiatives will be used to support future balance sheet growth.

Growth strategy

Our achievement of 14.8% growth in new bank customers in the past financial year, including 12,827 new customers in the three eastern seaboard mainland states, is testament to the success of our multi-pronged expansion strategy in a highly competitive banking landscape.

In addition to building and nurturing a network of mortgage brokers in mainland states, we have achieved consistently fast loan approval turnaround times and enhanced our digital banking platforms – while maintaining a highly visible and accessible branch network across Tasmania.

TPT Wealth is also well placed for growth, following completion of a major brand and strategy review to take the 135-year-old wealth management business into the future.

Our people

Since the easing of COVID restrictions, I've been able to meet more frequently with staff in Tasmania. Our employees continue to deliver for our customers and for each other. I am particularly grateful to team members for their feedback on ways in which we might further improve customer experience.

Our customers

Through the outstanding efforts of employees in our Hobart-based call centre and branch networks, and our friendly customer support teams, we've maintained a high level of customer advocacy, ending FY22 with an internally measured net promoter score of +43, among the highest in the sector.

We also received industry acknowledgement of our recent achievements in the banking market, including awards for our competitive range of banking products and for our lending teams.

From our historical roots as a solid and trusted regional Tasmanian credit union, we are now well advanced in our successful transformation into a modern financial services company with a strong home base in Tasmania, a digital online focus and an expanding national customer base.

Retirement of Chairman and Managing Director

I would like to pay tribute to my predecessor, Miles Hampton, who retired as Chair of MyState Limited in March 2022, having served on the Board with distinction for 13 years, including nine as Chair.

Together with former Managing Director and CEO Melos Sulicich, Miles played a pivotal role in the bank's successful transition to a modern digital platform – without compromising the high-quality customer service that has made MyState Limited such a trusted and successful brand over so many years.

Miles has left us with solid foundations to continue growing this great business. I thank him for his friendship and guidance in my new role as Chair.

Melos retired as Managing Director and CEO in December 2021 after seven years in the role. Having announced his retirement in early 2020, he agreed to a request from the Board to stay on and guide the business through the challenges of the global pandemic. I thank him for this commitment, and for his key role in driving the evolution of MyState to a digital bank with a human touch.

Our bright future under a new Managing Director and CEO

Our new Managing Director and CEO, Brett Morgan, who assumed his role in January 2022, has a distinguished and successful history in banking, including international banking and Fintech experience. I know from personal experience that Brett stands for what he believes in, challenges the status quo and puts the customer at the centre of his decisions.

We have now built the platform for an ambitious growth program that will ensure we can provide the services that customers expect, career opportunities for our people and acceptable shareholder returns which can be maintained over the longer term.

We're investing in branches and building a concept that delivers on our brand promise – the human touch. We want banking to be more personal, and we're looking for ways to evolve our traditional branches. Deposit gathering is a key to our strategy and our branches play a leading role in delivering this growth.

MyState's investment in brand, customers, digital capabilities and simple, straightforward customer-focused processes puts us in a solid position to increase market share in a competitive banking landscape.

I thank my fellow directors for their commitment, contribution and support as we implement our ambitious growth strategy.

Finally, and most importantly, I'd like to thank you, our shareholders, for your continued support. I believe we have much to look forward to together.

Vaughn Richtor
Chairman


MyState

Managing Director's report

Total loan book

$6.9b

Home loan applications increased

89%

Home loan settlements increased

93%

Customer deposits grew

25.1%

With the support of our shareholders through a $55.5 million capital raise in June 2021, we have successfully launched MyState's 2025 growth strategy – an ambitious yet financially prudent plan for sustained expansion of our market share in deposits, lending and funds under management to 2025 and beyond.

Having completed a full year since the launch of the growth strategy, the FY22 results detailed in this report confirm that the strategy is on track. While operating conditions remained highly competitive, we performed strongly, growing our customer base and significantly increasing our home loan book and customer deposits.

In line with our strategy to increase direct lending into our funds, our TPT Wealth commercial loan book also grew by 33.9%. We are continuing to build the wealth management side of the business and have seen some early positive momentum in our home market of Tasmania.

Our internally measured Net Promotor Score (NPS) of +43 reflects our commitment to putting positive customer experiences at the core of everything we do, and proves we are delivering the best possible customer service.

To support the execution of our growth strategy, we invested in additional marketing and distribution capacity and capability, as well as key digital and operational initiatives – while preserving and maintaining our company culture focused on delivering positive and intuitive customer experiences.

This focus, together with our recent issue of Additional Tier 1 capital, will enable us to continue to build on our current growth momentum and create value for shareholders. Our strategy will also build on our strong financial position, demonstrated execution capability and leading customer advocacy to access growth opportunities from an increasingly geographically diverse customer base.

Financial overview

Our financial results for FY22 were pleasing in the context of the major investments undertaken in our growth strategy – our net profit after tax of $32 million was the second highest on record.

Total operating income was up 1.2% and other banking and wealth management-related income up 12.6%.

While total loan book grew to $6.94 billion, net interest income dipped by 1.5%. This reduction was due primarily to a lower net interest margin reflecting above-system home loan book growth and a more competitive landscape, particularly for fixed rate home loans. These factors were partly offset by lower funding costs and a higher average balance sheet.

The upfront investment in our growth strategy resulted in an increase in the cost-to-income ratio to 68.4%, and pre-provision operating profit was 17.4% lower than the prior year. As foreshadowed at the time of the capital raise in June 2021, this investment in growth has led to dilution in earnings per share and return on equity for the year.

Accelerating home loan and retail deposit growth

Despite an increasingly competitive home lending environment, we achieved strong lending growth throughout FY22, with home loan applications up 89% and settlements up 93%. MyState has also continued to provide strong customer service with no deterioration in home loan approval times despite the significant increase in application volumes.

Customer deposits grew 25.1% in the 12 months to June 2022, and we achieved 14.8% growth in new-to-bank customers. Our customer funding ratio remained stable, decreasing slightly from 73.4% to 73.1%. Growth in retail customer numbers will continue underpin the competitive positioning of the business.

MyState Bank's reliance on securitisation reduced during the year as a result of the increase in customer deposits but will remain an important source of funding and additional capital flexibility.

TPT Wealth transformation now allows scale

TPT Wealth's operating income was up 8.8% on the prior year, driven by trustee services-related revenue. While funds under management dipped by 3.9% to $1.062 billion, TPT Wealth has enhanced its distribution capacity and seen growth of 33.9% in the commercial lending book, the key asset class for our income funds.

In FY22, TPT Wealth became a signatory to the United Nations-supported Principles for Responsible Investment, a prerequisite to growing funds under management in target segments of the wealth market.

Customer experience

We remain very pleased with our customer engagement. In short, our customers trust us. MyState staff seek to deliver a positive customer experience with every interaction, and deliver a human way to bank, enabled by technology.

Our NPS remains among the highest in the sector. It reflects our efforts to empower customers both through digital services and care with a human touch.

Culture and community

Our unique and positive culture has been a key enabler of our results. While we have always been very customer-focused, our culture of continuous improvement provides the capacity to adapt to new challenges and meet our customers' evolving needs.

The Tasmanian community is an integral part of MyState's DNA. It defines who we are, what we stand for and our attitude, tone and style. In another big year for our community programs, we continued our sponsorship of Football Tasmania, the MyState Bank Student Film Festival and the MyState Bank Arena, while also joining the Tasmania JackJumpers as a major partner for their inaugural successful season.

I am very proud of the whole MyState team and want to especially thank our frontline branch and Tasmanian contact centre teams for the way they continue to serve our customers so brilliantly in these challenging times.

Building on our strong financial position and the trust of our customers, we are well placed to continue to simplify financial services and make our products and services easier and more intuitive for our customers to use. We are focused on improving customers' digital and human experience across both MyState Bank and TPT Wealth and will continue to simplify our products, processes and systems.

Looking ahead

While the financial services environment continues to be competitive and will operate under increasing regulation, MyState's ambition of increasing our market share across deposits, lending and funds under management does not change.

Building on our strong financial position and the trust of our customers, we are well placed to continue to simplify financial services and make our products and services easier and more intuitive for our customers to use. We are focused on improving customers' digital and human experience across both MyState Bank and TPT Wealth and will continue to simplify our products, processes and systems.

We have built a culture that continually innovates and improves services to deliver accelerated growth, while maintaining asset quality. As we grow, we will deliver operating leverage as well as return-on-equity accretion and growth in earnings per share over the medium term, thereby creating value for shareholders and all our stakeholders.

This marks my first report to MyState shareholders. I have thoroughly enjoyed my first eight months at MyState, meeting and working with our wonderful staff and engaging with our customers, shareholders and community. The business is in a strong position to deliver on the 2025 strategy. I am excited about what the future holds.

Brett Morgan
Managing Director and CEO


MyStateBank
CLARENCE ZEBRAS

Our strategy

Our ambition is to grow our share in deposits, lending and funds under management

MyState Bank | To help people achieve their dreams | TPT WEALTH

	Everyday banking	Lending		Asset management	Trustee services
Core offering	Transaction accounts Saving accounts Term deposits	Home loans Investment loans		Mortgage funds Commercial lending	Wills and estate planning Estate administration Charitable trusts
Key channels Distribution and service	Digital Branches (Tas) Contact centre	Brokers Mobile lenders (Tas) Digital Contact centre		Relationship managers Digital Asset consultants	Direct

Our people and values underpin our strategy

Create customer 'wow' | **Chase the better** | **Collaborate to win**

We are executing the boldest strategy in our history with an overarching ambition to grow our share in deposits, lending, and funds under management.

The strategy will see us seeking to take advantage of our position as a respected and established digital challenger brand with demonstrated capability in making financial things simpler for our customers.

The unique combination of services offered by MyState Bank and TPT Wealth means we can help people across all life stages. We do this through our core offerings of everyday banking products, home and investment loans, asset management and commercial lending, and our trustee services business.

These products and services are delivered through our key channels. For MyState, this encompasses digital, mortgage brokers, mobile lenders in Tasmania, and our Tasmanian branches and contact centre. For our TPT Wealth business, our key channels include digital and relationship managers.

Our people and values underpin our strategy

Having the right culture and capability is fundamental to the success of our growth strategy. We have invested in working with our people to develop and embed three core values to position ourselves to execute the 2025 strategy:

- **'Create customer wow'** where we are designing and delivering exceptional customer experiences with a human touch. We can do this because we think and act in the best interests of our customers, appreciate their perspectives and are clear and trustworthy.
- **'Chase the better'** is being bold so we can embrace the change that is continually required to succeed and always drive better outcomes. We are simplifying and digitising to deliver things faster and more accurately.
- **'Collaborate to win'** is about openly sharing information so we can collectively make informed decisions, while caring for each other, our customers and other stakeholders.

We have reduced the number of administration and process-oriented roles and increased staff numbers in customer facing, servicing, and marketing roles to cater for increasing customer numbers at the service levels they want – in order to create **'customer wow'.**

We are undertaking several programs to train and upskill staff, develop team capabilities and grow a company-wide culture of continuous improvement and innovation – **'chase the better'**. This will attract new talent that promotes our growth objectives and ensures operational excellence focused on the value of **'collaborate to win'.**

In FY22, through our commitment to culture and capability and new core values, we have increased our employee engagement score from 64% to 71%.

Our strategy is also supported by a strong risk culture that is embedded into the values of MyState employees, all of whom have undertaken risk management training.

This allows us to stay true to our human approach to banking and wealth management, backed by a strong digital capability and enhanced by our customer-facing digital proposition.

Executing on our growth strategy

We have achieved much in the first year of our growth strategy. We have grown our home loan book by 25.5% and broadly matched this with growth in customer deposits of 25.1% over the year. We also increased new to bank customers by 14.8%.

Alongside this, and in line with our strategy to increase direct lending into our funds, our TPT Wealth commercial loan book grew by 33.9%.

Our investment in the growth strategy is delivering. The investment into our distribution capability and capacity has delivered great momentum across both the MyState Bank and TPT Wealth lending books. The investment in marketing has supported the acceleration in customer and customer deposit growth.

The growth in TPT Wealth lending has directly contributed to improved returns for TPT Wealth investors.

We have also won a number of awards, reflecting the quality of our products and services, and the value we deliver to our customers and partners.

Increasing investment in ESG

For MyState, sustainability across our operations is about how we create value for all stakeholders over the long-term. We are making a conscious effort to integrate tangible changes to the way we operate our business in six key areas.

The most pertinent to us are governance, sustainability, digital enablement and data security, supporting our customers, helping people be their best, and community investment.

During FY22 we calculated our baseline scope 1, 2 and 3 greenhouse gas emissions footprint, as well as identifying and prioritising MyState's climate change risks and opportunities in the short, medium and long term.

We are also committed to calculating the financed emissions from our loan book in future periods. Once we understand our combined operational and financed emissions impact, we will explore appropriate emissions reduction targets and initiatives.

During the year TPT Wealth also become a signatory of the Principles for Responsible Investment – or PRI. As a new signatory, TPT is fully committed to adopting the Principles and we expect to increase transparency in our use of ESG data over the next few years.

Outlook

As we look to the future, we will continue to execute our 2025 growth strategy , centred on increasing our market share across deposits, lending and funds under management.

We are very focused on improving our customers' digital and human experience across MyState Bank and TPT Wealth. And we will continue to simplify our products, processes and systems.

Though we are in uncertain times and a highly competitive market environment, we believe these conditions play to our strengths.

We are a unique, proven business, with a strong brand and position in Tasmania which has consistently delivered in the past, and is now delivering on the early stages of our 2025 growth strategy.

MyState Bank

Over the course of its 64-year history, MyState Bank has built an enviable reputation as one of Tasmania's most trusted financial institutions. Our status is built not just on dependability and strong financial performance, but on our attention to the individual needs and wants of our customers.

The human way to bank

Today, as we enter the next phase of our transformation into a modern nationwide banking operation centred on a digital offering, we have not forgotten the fundamental 'human' elements of our traditional business model that have underpinned our success in Tasmania over so many decades.

The pursuit of our 2025 growth strategy into the mainland is predicated on bringing our large, loyal local customer base with us. This includes maintaining and constantly improving our traditional bank branch network across Tasmania, as well as our Hobart contact centre.

Beyond Tasmania, MyState is using the strength of its 'human' approach to expand nationally, with a particular focus on better online and app experiences for new and existing customers. We have also created valuable relationship-based partnerships with mortgage brokers across the eastern seaboard, building on the trust in our brand, people and products.

The MyState approach, succinctly conveyed in our campaign slogan 'the human way to bank', is producing impressive results on many levels – not least in the rapid expansion of our home loan business. We're now one of Australia's fastest growing home loan lenders, with a fast loan approvals process that is consistently delivering conditional approval turnaround times of two business days.

The bank ended the FY22 with close to 160,000 customers, including 19,500 who joined us over the previous 12 months. Our efforts are also reflected in strong industry recognition and customer surveys. In the past year we received industry awards for our competitive banking products, broker relations and excellence in our mortgage and lending teams.

Though we remain a challenger brand with a traditional 'human' approach, we are proudly making big strides in a highly competitive banking industry.

Customer-focused innovation

Over the past five years, MyState Bank has invested heavily in digital banking capabilities to automate back-end processes and accelerate applications, providing a more seamless customer banking experience.

We've introduced AI and have over 30 robotics processes at work in our back office. Together, these changes have significantly improved customer wait times and accuracy and provided a platform for us to further scale up our operations.

Our increasing visibility in alternative channels, including mobile app and online, allows us to fuel growth outside our traditional core branch network, and is yielding strong results. More than 74% of our customers are now registered to use internet and mobile banking, while 58% of all customers are opting to receive their statements electronically.

Our technology is helping customers save money and time

Now in its second year, MyState Bank's real-time data analytics tool, Insights, has provided 330,000 personalised messages to customers. The messages predict when bills are due, tell customers whether they have enough funds to cover upcoming expenses, Beyond Tasmania, MyState is using the strength of its 'human' approach to expand nationally, with a particular focus on better online and app experiences for new and existing customers. We have also created valuable relationship-based partnerships with mortgage brokers across the eastern seaboard, building on the trust in our brand, people and products.

and also provide people with the ability to automatically move their money between accounts when conditions allow.

MyState Bank's auto-savings tool has found and automatically saved almost $2 million for customers in the past year. On average, that works out at more than $2,000 for each customer subscribed to the program, with our best performer saving almost $15,000.

Strong customer advocacy

A major system upgrade has allowed MyState to construct a leading support operation for customers when they phone the bank, allowing for a more efficient use of resources and intuitive and quicker outcomes for customers.

Through the great efforts of both the Hobart contact centre, our branch networks and friendly support teams, we've maintained our strong customer advocacy scores. Supported by our focus on the 'human way to bank', we ended FY22 with an internally measured net promoter score of +43, among the highest in the sector.

Investment in the broker channel

Our focus on building and nurturing our mainland mortgage broker network and on improving loan approval turnaround times (which are among the best in the industry) has helped us to improve market share in a highly competitive banking landscape.

The geographic diversification of our home loan book continues to improve, with 71.5% of settlements and 64.5% of our home loan book being from outside of Tasmania.

Home loan book growth

We have successfully deployed the majority of the additional capital raised in June 2021, recording home loan book growth of 25.5%, which is significantly above industry average, and settlements up 93% on the previous corresponding period. MyState Bank's continued focus on low-risk, owner-occupied lending underpins our balance sheet strength.

Customer deposits growth

Customer deposits grew 25.1% to $5.6 billion during the year, as our increased marketing initiatives and brand presence on the mainland started to take effect.

Marketing investment in Tasmania and the mainland

While we have strong brand presence in our home state of Tasmania, we have significantly expanded our marketing activities across Australia.

Our sponsorship of the MyState Bank Arena and partnership with breakthrough National Basketball League team the Tasmania JackJumpers ensured our brand reached new audiences across Australia, with an overriding strategy of driving new customers, deposits and lending opportunities.


MyState Bank
TASMANIA
JACKJUMPERS
01

Approach to risk

Our risk management frameworks ensure risks are identified, managed and mitigated on a timely basis. We undertake regular reviews of the risk frameworks to meet our regulatory obligations and deliver the best outcomes for our customers and stakeholders.

Management of financial and non-financial risks is a key focus of our business, and an integral part of the platform upon which we've built our 2025 growth strategy.

Throughout FY22, we continued to embed a strong culture of risk awareness and accountability across the organisation.

The risk strategy for the past year was built on three pillars:

- Promotion of risk management principles to support a healthy risk culture
- A Risk Framework that is appropriate to the size and complexity of the business, and that is dynamic, iterative and responsive to change
- Digitisation and simplification of risk management processes to support business growth and productivity

Our risk management frameworks ensure risks are identified, managed and mitigated on a timely basis. We undertake regular reviews of the risk frameworks to meet our regulatory obligations and deliver the best outcomes for our customers and stakeholders. We continue to enhance our risk controls to manage our information security, cyber and fraud risks while supporting and protecting our customers.

During the past year, we implemented significant initiatives in response to a changing regulatory environment. The initiatives included new design and distribution principles, enhanced customer complaints processes, anti-hawking controls and enhanced breach reporting obligations. These measures have further strengthened our risk frameworks and enhanced the integrity of our commitments to our customers.

We also continued to build a culture of risk accountability among our employees, facilitating training programs, alerting employees to indicators of risk, initiating timely closure of risk incidents, and providing recognition for employees who championed our risk principles. The maturity of our '3 lines of defence' framework was also enhanced through the operation of Divisional Risk Committees.

Throughout the year, we also kept our Pandemic Response Plan active, serving our customers without disruption, while continuing to support employees during periods of absence. Vulnerable customers were supported via our customer contact centre and branches, and we remained conscious of our duty of care to customers who need additional assistance.

The MyState loan portfolio grew strongly during the year within Board approved risk limits, and this has been a key factor in maintaining the quality of the loan portfolio. The Bank's prudent lending practices helped us deliver arrears outcomes considerably below the benchmark of our regional peers and the major banks.

TPT Wealth

Our commercial lending business had an outstanding year, with the commercial loan book growing by 33.9%, following further investment in distribution capacity.

TPT Wealth delivered a solid performance in FY22, with an 8.8% increase in operating income to $14.8 million achieved amid the implementation of significant positive changes across the business. TPT Wealth is now well positioned for further growth through operational efficiencies, product enhancements and an expansion of business development resources across Tasmania and eastern seaboard states.

Our managed funds division was strengthened after investors voted in November 2021 to approve changes to the Select Mortgage Fund, resulting in a more differentiated offering of income funds to investors. The quality of these funds was acknowledged by the independent SQM Research, which gave all three of our income funds four-star ‘superior’ ratings during FY22.

In line with the mainland digital growth strategy for MyState Bank, TPT Wealth continued to expand its presence online with growing investor appetite for digital interactions leading to the increasing uptake of the self-serve investor portal.

TPT Wealth also responded during the year to increasing investor demand for consideration of ESG (environmental, social and governance) issues in investment. We were pleased to formally commit to an ESG agenda, becoming a signatory to the United Nations-supported Principles for Responsible Investment.

Our commercial lending business had an outstanding year, with the commercial loan book growing by 33.9%, following further investment in distribution capacity. The business was successfully relaunched into the Tasmanian market with a series of innovative new commercial lending products, and an expansion of our client relationship team across our Hobart, Launceston and Burnie offices.

Our Trustee Services business also experienced strong growth, with a 40% increase in the number of estates managed.

2022 ESG update

Our approach

As a proud Tasmanian company, we understand the importance of our operations mitigating our environmental, social and governance impacts.

Our materiality assessment represents the ESG issues that matter most to our organisation. In 2021, six key materiality issues were validated and prioritised by MyState.

In 2022, with support from internal stakeholders, we have further explored these material issues to better understand how we are creating value for our stakeholders over the long-term, and to integrate tangible changes to the way we operate our business in these areas.

This has meant an increased ability to more accurately understand and calculate the impact our business operations have on the environment – the 'E' in ESG - through our inaugural Task force on climate-related financial disclosures (TCFD). TCFD is a globally recognised standard set of recommendations used by more than 3,000 leading organisations that either prepare or use financial disclosures, with the aim of building a more resilient financial system through climate-related disclosure.

Importantly, this focus has not been at the exclusion of social and governance considerations– the 'S' and 'G' –as our stakeholders also want to know what we are doing to address matters such as human rights, customer vulnerability and the communities in which we operate.

The quantitative measures of ESG will provide the foundations for us to integrate them into our business operations.

How we listen and engage

MyState's stakeholder groups include customers, shareholders, investors, our people, communities, regulators, government and suppliers. In FY22 we continued to capture the voices of our stakeholders through formal and informal feedback methods.

Supporting customers

To help customers make good choices and putting things right if they go wrong

How we engage

- Customer surveys
- Assist customers experiencing financial hardship
- Customer panel collaboration to shape the future of MyState
- Participation in the Federal Government's First Home Loan Deposit Scheme (FHLDS)
- Assistance to vulnerable customers

What we have been focusing on

- Continuing to enhance our support for customers experiencing vulnerability due to circumstances such as financial hardship, family violence, elder abuse and scams
- Promptly resolving customer complaints and interactions with our customer relations specialists and MyState's Customer Advocate.
- Account-keeping fee simplification and reduction across all products
- Customer communications in plain english

Metrics at 30 June 2022

- 157,350 bank customers
- Customer NPS +43
- 74% of bank customers registered for internet and mobile banking
- 2,993 complaints handled in FY22
- 87% of complaints resolved in under 5 days
- 360 applications supported for financial hardship over the year
- 1,076 basic transaction accounts opened

Governance, conduct and culture

Our principles of governance, conduct and culture provide the foundations of conducting our business in an ethical, responsible and transparent way including driving the right behaviours that put the needs of stakeholders first.

How we engage

- MyState subscribes to the ASX Corporate Governance Council's 4th Edition Corporate Governance Principles and Recommendations and publishes an annual Corporate Governance Statement and Appendix 4G in compliance with ASX Listing Rules
- Full and half-year reporting and investor presentations
- Regular briefings and meetings with investors and analysts
- Signatories to the Banking Code of Practice
- Modern slavery statements
- Human rights statement
- Supplier code of conduct
- Risk Management Strategy and Framework
- ESG Committee and supporting working groups
- Measuring and evolving our organisational culture and risk
- Diversity and inclusion program with board oversight
- Whistle-blower policy (StandUp program)

What we have been focusing on

- Membership and active participation with Australian Banking Association
- Ongoing prudential reporting and engagement with regulators
- TPT Wealth membership of the United Nations-supported Principles for Responsible Investment (PRI)
- Culture survey to measure and enhance organisational risk culture

Metrics at 30 June 2022

- Compliance with Banking Code of Practice
- Key vendors screened for modern slavery assessment over the year
- Diversity ratios:
  - 46% of all leadership roles filled by women
  - 33% of non-executive Directors are women
  - 38% of the executive team (direct reports to the CEO) are women
  - 57% of all roles filled by women

Helping our people be their best

To drive a culture of customer centricity and execution excellence we rely on our people being at their best.

How we engage

- Clear expectations for workplace behaviour
- Development of our people leaders
- Wellbeing program
- Flexible and inclusive work practices to assist in difficult times, including access to paid parental leave
- Enhancing the employee experience to provide meaningful and rewarding opportunities to our people

What we have been focusing on

- Leadership development
- Evolving our change maturity
- Identifying and assessing human centric capabilities
- Measuring and understanding our culture
- Living the MyState values
- Reward and recognition
- Increased focus on empowering our people to manage their wellbeing
- Connecting our people with our strategic ambitions

Metrics at 30 June 2022

- Employee experience 71%

Digital enablement and data security

We continue to evolve our systems and products to meet our customers' increasing expectations, keep their money safe and protect their data.

How we engage

- Online deposit product origination
- Internet and mobile banking capability
- Digital cards and payment methods (e.g. Apple Pay, real time payments)
- Open Banking according to the Consumer Data Right
- Cyber security framework
- Information security policy
- Privacy policy

What we have been focusing on

- Keeping customers and their data and accounts safe through strengthening our systems and educating our customers in relation to data security and being aware of scams
- Encouraging customer take-up of digital solutions and the migration of customers to digital channels
- Making our digital products helpful (e.g reminding customers when bills are due), intuitive and easy to use

Metrics at 30 June 2022

- 58% of customers on e-statements
- 74% of bank customers are registered for internet and mobile banking
- 96% of transactions completed digitally

Environmental sustainability

Helping us transition to a low-carbon economy.

How we engage

- e-statements
- Significant emphasis on digital communication with customers

What we have been focusing on

- Our inaugural TCFD report. See following section.

Metrics at 30 June 2022

- MyState's Year 1 TCFD carbon footprint was assessed to be 4,690 tonnes of carbon dioxide equivalent or CO2-e (Scope 1,2 and limited Scope 3 emissions)

Community investment

Enabling us to make a difference and support our communities.

How we engage

- Through the MyState Foundation, we help young Tasmanians reach their full potential
- Through our sponsorship of MyState Bank Arena we are bringing quality sports and entertainment experiences to Tasmania

What we have been focusing on

- Distributing our grants and refining the grants process to make sure the support is going where it will have the most impact
- Working with the team at MyState Bank Arena to make the venue the heart of sport and entertainment for all Tasmanians

Metrics at 30 June 2022

- Over $143,000 in community grants provided through the MyState Foundation in 2021/22 and over $2.5 million since inception
- 18 charities supported through the MyState Foundation
- 9,070 Tasmanian youth engaged via the MyState Foundation.

Task force on climate-related financial disclosures (TCFD) report

Climate change position

MyState acknowledges that climate change is a global issue with significant implications for the environment, society, and the economy. MyState supports the recommendations of the TCFD.

This is our first disclosure in line with the TCFD recommendations. It allows us to progressively enhance our approach to managing climate-related risk and opportunities, understand our impact on climate change and contribute to enhancing long-term climate resilience.

Governance

The governance structure for oversight of climate and ESG-related risks continues to evolve as our TCFD journey matures, with the Board overseeing the development and approval of the strategy.

The MyState executive leadership team (ELT) is accountable for the endorsement of the ESG strategy to the Board. The ELT is ultimately responsible for the identification, management and monitoring of climate-related risks, opportunities, and impacts.

Strategy

This year, MyState progressed its understanding of the potential impact climate change could have on our business and the impact we have on climate change.

Using FY21 as our baseline year, we calculated our scope 1, 2 and 3[1] greenhouse gas (GHG) emissions footprint and undertook a preliminary climate risk and opportunity identification and prioritisation assessment. We derived potential climate risks and opportunities through engagement with key stakeholders across MyState's business and performed desktop research that included an internal document review and peer benchmarking. Risks and opportunities were prioritised according to their potential level of consequence and impact on MyState.

Preliminary prioritised risks and opportunities (R/O) (see table) will inform our FY23 climate scenario analysis which will use the latest climate science and related modelling to assess the resilience of our business model and potential finance-related impacts of climate change on MyState's business.

R/O	Prioritised risks and opportunities	Physical or transition	Timeframe	Potential impacts on MyState / MyState's stakeholders
R	Increase in frequency and severity of extreme weather events including flooding associated with rain, cyclones, storms and bushfires, and its impact on the lending portfolio	Physical (acute)	Short to long term	› Damage to assets causing devaluation of collateral › Rise in insurance premiums and restricted ability to gain insurance
O	Support customers to transition to the low-carbon economy and build climate resilience through innovative services and product offerings.	Transition	Long term	› Revenue from new market › Reduced carbon intensity of loan book
R	Disruption of carbon-intensive sectors and associated value chains	Transition	Short to medium term	› Devaluation of collateral › Obsolete assets › Credit risk - increased arrears, hardship and impairments
O	Build business processes to better capture relevant customer climate data	Transition	Short term	› Increased understanding of relevant customer risks and mitigants
R	More ambitious government climate policies (e.g. carbon taxes and cross border tariffs) and increased regulations from governing bodies (APRA and ASIC)	Transition	Short term	› Increased operating costs / complexity › Decreased value of assets

(1) Included within the total scope 3 emissions boundary are purchased goods and services, capital goods, fuel, and energy related activities (not included in scope 1 and 2), upstream transportation and distribution, waste generated in operations, business travel, employee computing, upstream leased assets, and working from home. It does not include financed emissions.

Risk management

MyState reviews existing and emerging climate-related regulatory requirements as part of our overall risk management processes.

In future years, we will focus on integrating climate risks and opportunities into these risk management processes.

Metrics and targets

Credit risk exposure

At 30 June 2022 the MyState Bank loan book size was $6.9b and TPT Wealth had funds under management of $1.06b. We do not lend to coal, oil or gas projects.

Scope 1, 2 and 3 emissions

This year, MyState calculated its baseline Scope 1, 2 and 3 GHG emissions associated with the activities and facilities that support the business' everyday operations.

FY21 emissions calculations were prepared in accordance with Australian government standards, namely the Climate Active Carbon Neutral Standard for Organisations, and reflect the consolidated group (excluding the MyState Foundation). This calculation does not include financed emissions.

MyState recognises the importance of understanding the emissions associated with our lending portfolio and investments and will be calculating our financed emissions in future periods. Once we understand our combined operational and financed emissions impact, we will explore appropriate emissions reduction targets and initiatives.

As our response to climate change evolves, we will identify metrics to track performance against climate commitments and most material climate risks and opportunities.

Greenhouse gas emissions - tonnes carbon dioxide equivalent (tCO_2-e)	2021
Scope 1 emissions	54
Scope 2 emissions	271
Scope 3 emissions	4,365
Total emissions	**4,690**

Included within the total scope 3 emissions boundary are purchased goods and services, capital goods, fuel, and energy related activities (not included in scope 1 and 2), upstream transportation and distribution, waste generated in operations, business travel, employee computing, upstream leased assets, and working from home.

Board of Directors

Vaughn Richtor

Independent Non-Executive Chairman
BA (Hons), MAICD

MyState Bank Limited,
TPT Wealth Ltd

Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee, Group Digital and Marketing Committee

Vaughn was appointed as a Non-Executive Director in September 2019 and was appointed Chairman on 1 April 2022. He has held CEO roles in Asia and is the former CEO of ING DIRECT Australia and CEO Challenger and Growth Countries – Asia, ING Group after joining ING in London in 1991 as Deputy General Manager UK and Ireland. Vaughn is a Non-Executive Director of Rest Super and also a current adviser to both Rhizome, Spriggy, Wyvern Health and the Strategy Implementation Institute in Singapore. He is a prior Board member of TMB Bank in Thailand, ING Vysya Bank in India, Kookmin Group in Korea, and a Non-Executive Director, and later Chairman, of Ratesetter Australia. In addition, he writes and speaks extensively on leadership, corporate culture, customer centricity and digital banking.

Brett Morgan

Managing Director and
Chief Executive Officer
BEc, MAppFin

MyState Bank Limited, TPT Wealth Ltd, MyState Community Foundation Limited, Connect Asset Management Pty Ltd

Brett commenced with the MyState Group on 17 January 2022. He was previously Chief Executive Officer, Banking and Wholesale at ASX listed BNK Banking Corporation Limited (ASX:BBC) and has extensive digital banking experience having held a number of key executive roles over 15 years at ING DIRECT.

Stephen Davy

Independent Non-Executive Director
BSc (Hons)

MyState Bank Limited,
TPT Wealth Ltd ,
MyState Community Foundation Limited

Group Risk Committee, Group People Remuneration and Nominations Committee, Group Audit Committee

Stephen was appointed as a Non-Executive Director in July 2021. He was formerly Chief Executive Officer and Director of Hydro Tasmania, a position he held from 2013 to 2020. Prior to that role he held senior executive roles at Hydro Tasmania, Eraring Energy, Societe General and Bankers Trust and started his banking career at Macquarie Bank. Stephen is also a Director at Sonic Civil Investments and at Volunteering Tasmania.

Robert Gordon

Independent Non-Executive
Deputy Chairman
BSc, MIFA, MAICD, FAMI

MyState Bank Limited,
TPT Wealth Ltd, MyState Community Foundation Limited (Chair)

Group Risk Committee (Chair), Group People Remuneration and Nominations Committee, Group Digital and Marketing Committee

Robert has been a Non-Executive Director since February 2009 and prior, a Director of MyState Bank Limited, (previously connectfinancial), from July 1998. He is the current President of the Institute of Foresters of Australia (IFA) and Football Federation Tasmania and Chair of the Supported Affordable Accommodation Trust.

He is the former Managing Director of Forestry Tasmania and has previously served on the Board of a number of companies in the tourism, research and development, construction and infrastructure industries.

Sibylle Krieger

Independent Non-Executive Director
LLB (Hons), LLM, FAICD, MBA

MyState Bank Limited,
TPT Wealth Ltd

Group People Remuneration & Nominations Committee (Chair), Group Risk Committee

Sibylle has been a Non-Executive Director since December 2016 and has over 40 years of broad commercial experience as a lawyer, economic regulator, company director and independent consultant. She was a partner in two large commercial law firms for 22 years and has over 15 years' experience as a Non-Executive Director and Chair across listed and unlisted companies in multiple sectors. Her current portfolio includes financial services, fintech, essential infrastructure services and energy.

Sibylle is currently a Non-Executive Director of Openpay Group Limited (ASX:OPY), AEMO Services Limited and Ventia Services Group Limited (ASX:VNT). She is also a member of the advisory board of Law Squared, a challenger "new law" firm. She has previously served as Chair of Xenith IP Group Limited (ASX:XIP) and as a Director of Sydney Ports Corporation, Allconnex Water, TasWater, Vector Limited (NZX:VCT), the Australian Energy Market Operator Ltd, and as a trustee of the Royal Botanic Gardens and Domain Trust and of Sydney Grammar School. In addition, for six years Sibylle served as a Tribunal member of the principal NSW economic regulatory tribunal.

Warren Lee

Independent Non-Executive Director
BCom, CA

MyState Bank Limited,
TPT Wealth Ltd

Group Digital and Marketing Committee (Chair), Group Audit Committee, Group Risk Committee

Warren was appointed as a Non-Executive Director in October 2017. He has extensive experience in the international financial services industry, including 15 years at AXA in senior management positions within the company's Australian and Asian businesses.

Warren was previously the Chief Executive Officer of the Victorian Funds Management Corporation and Chief Executive Officer, Australia and New Zealand for AXA Asia Pacific Holdings Limited. He has previously served as a Director of Avenue Hold Limited and Avenue Bank Limited.

Warren is currently a Non-Executive Director of Tower Limited (ASX:TWR), MetLife Limited, Warakirri Asset Management Limited and Flinders Investment Partners Pty Ltd and is a member of Chartered Accountants Australia and New Zealand.

Andrea Waters

Independent Non-Executive Director
BCom, FCA, GAICD

MyState Bank Limited,
TPT Wealth Ltd

Group Audit Committee (Chair), Group Risk Committee, Group Digital and Marketing Committee

Andrea was appointed as a Non-Executive Director in October 2017. She is an experienced non-executive director, auditor and accountant with over 35 years' experience in financial services. She is a Fellow of Chartered Accountants Australia & New Zealand, and both a member and accredited facilitator of the Australian Institute of Company Directors. She is a former partner with KPMG, specialising in financial services audit.

Andrea is a Director of Bennelong Funds Management Group, Citywide Service Solutions Pty Ltd, Colonial Foundation, Genworth Mortgage Insurance Australia Limited (ASX:GMA) and Grant Thornton Australia Ltd. Prior, she was a Director of The Lord Mayor's Charitable Foundation, Chartered Accountants Australia & New Zealand, Cancer Council Victoria, CareSuper and Cash Converters International Limited (ASX:CCV).

Key Management Personnel

Huw Bough

General Manager, Banking
Appointed June 2021
DipFS(FP), DipF&MB, MAICD

Huw is the General Manager, Banking and has responsibility for the banking division which includes retail branches, call centre, business banking and the mortgage broker channel.

Huw has recently returned to MyState after two years having previously served for four years as the Group's General Manager Retail Banking, Business Banking and Broker. Most recently he consulted to Avant, helping establish a specialist JV for medical professionals. His prior roles include various general management positions at RAMS Financial Group and Westpac.

Gary Dickson

Chief Financial Officer
Appointed October 2019
BCom, MBA (Executive), FCA

As Chief Financial Officer, Gary is responsible for managing the finance, treasury, regulatory reporting, strategy and property functions for MyState. Gary is also a Director of Connect Asset Management Pty Ltd.

Gary has over 25 years of experience in a variety of financial roles, with 12 years of CFO experience. His most recent position was at ME Bank as CFO, where he drove strong growth in key financial metrics during his six-year tenure. Prior to this, Gary held the position of CFO for AXA Australia for five years. His prior financial services roles include senior positions with the Colonial First State Group, the Investments & Insurance Services division at Commonwealth Bank and Portfolio Partners Limited.

Alan Logan

General Manager, Wealth Management
Appointed August 2021
MBA, GAICD, AdDipFS

Alan is responsible for the strategic, financial and ongoing management of the MyState Limited Group's Wealth Management division, TPT Wealth Limited, which specialises in Asset Management and Trustee Services.

With over 25 years' experience in the financial services sector, Alan was previously the General Manager for Godfrey Pembroke and MLC Connect and prior to this, General Manager of ANZ Advice and Distribution and ANZ Financial Planning. He has also held roles with BT Funds Management, Sealcorp and National Mutual. Alan is also a Non-Executive Director for the Prior Family Foundation and Director, Royal Botanic Gardens Victoria Foundation.

Mandakini (Mandy) Khanna

Chief Risk Officer
Appointed December 2015
BCom, GAICD, FGIA

Mandy is responsible for the management of the financial and non-financial risks of the MyState Limited Group. Mandy and her team are responsible for strengthening risk culture and risk frameworks, building a culture of accountability and sharpening the focus on customer outcomes at MyState.

Mandy has over 20 years' experience in banking and retail financial and has held senior risk management positions in GE Capital across Asia Pacific. Prior to joining MyState, Mandy was the Chief Credit Officer for GE Capital in Asia Pacific.

Paul Moss

General Manager, Technology, Operations and Product
Appointed May 2015
BEng (Hons)

As General Manager, Technology, Operations and Product, Paul is responsible for the strategic direction and delivery of MyState Limited Group's back office processing, technology and products.

Paul was previously a Director of IT Advisory at KPMG, following 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. Prior, Paul occupied technical leadership positions in UK-based investment banks.

Janelle Whittle

General Manager, People and Culture
Appointed January 2018
BCom, MHRM

Janelle has overall responsibility for MyState Limited Group's human resources function, including remuneration and benefits, health and safety, recruitment and employee relations.

People and Culture leads internal communications and has a key role in developing and fostering organisational culture and capability to support MyState's growth aspirations. Janelle has over 20 years' experience in human resource management across a number of industries including aquaculture, utilities and higher education. Her previous senior leadership positions in human resources include General Manager People and Culture at Aurora Energy, and Director Organisational Design and Change at the University of Tasmania.

Directors' report

Your Directors present their report for MyState Limited and its controlled entities (the Group) for the year ended 30 June 2022.

Directors

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

Company Secretary

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

Principal activities

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

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

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

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

Dividends

Dividends paid in the full year ended 30 June 2022 were as follows:

- For the year ended 30 June 2021, a fully franked dividend of 13.00 cents per share, amounting to $13.69m was paid on 21 September 2021.
- For the half year ended 31 December 2021, a fully franked dividend of 12.50 cents per share, amounting to $13.19m was paid on 15 March 2022.

The Directors have declared a fully franked final dividend of 11.5 cents per share. The dividend will be payable on 7 September 2022 to shareholders on the register at the record date of 19 August 2022, taking the dividend for the full year to 24.0 cents per share.

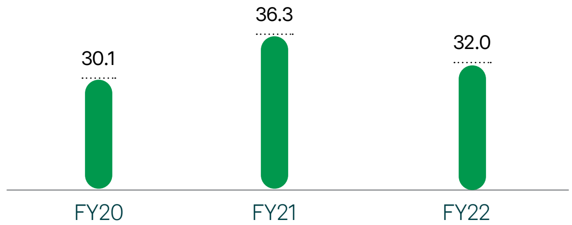
Operating and financial review

Financial performance

The Group recorded a net profit after income tax for the year ended 30 June 2022 of $32.0m, a decrease of 11.9% on the prior corresponding period (pcp) to 30 June 2021 of $36.3m.

Earnings per share (EPS) was 30.34 cents per share (FY21: 39.18 cents per share) and return on equity (ROE) was 7.7%. In June 2021, ordinary share capital of $55.5m was raised to rapidly accelerate MyState's growth strategy. At the time, the Board indicated that EPS and ROE would be diluted in FY22 as the new capital is deployed to support home loan book growth and operating expenses would increase to support customer, lending and deposit growth.

Group net profit after tax ($m)



The total loan book (excluding capitalised acquisition costs) grew $1,347m or 24.1% on pcp. The home loan book grew $1,390m (25.5% or 3.1 times system growth) during the period. MyState will continue to target home loan portfolio growth momentum with continued discipline and focus on asset quality.

Pre-provision operating profit of $44.3m decreased 17.4% on pcp, largely driven by an increase in operating costs of $11.0m or 12.9%. MyState's 2025 strategy to accelerate growth and create scale led to increased investment in distribution capacity, investment in building the MyState brand on the mainland and customer acquisition-focused marketing. The strategy to grow market share in deposits, lending and funds under management (FUM) continues to gain momentum, as evidenced by loan book and customer deposit growth, and a 14.8% uplift in new customers joining MyState in the past 12 months.

The Momentum Intelligence's 2022 Third Party Lending annual survey of 1,050 residential mortgage brokers ranked MyState Bank as the strongest third-party provider of 14 small banks, testament to the trusted relationship MyState has built with the broker community. MyState was also awarded Mozo's 'Expert's Choice Award' in the 'First Home Buyer Loan' category and for the 'Bonus Saver' product, further acknowledging the successful execution of the strategy combined with a relentless focus on customers.

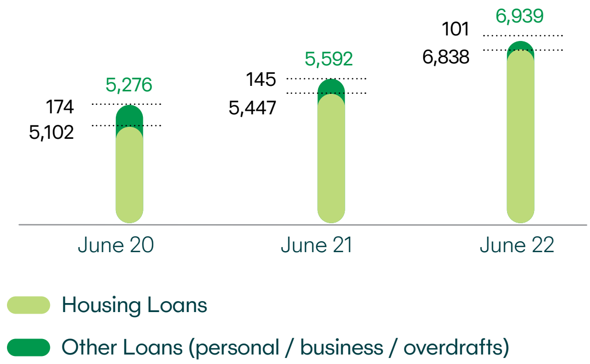
Despite a period of significant change and the challenges presented by COVID-19 over the last two years, MyState's internally measured customer net promoter score was +43 at 30 June 2022 and remains strong.

MyState Bank

Exceptional lending growth and high credit quality maintained in FY22

MyState Bank's loan portfolio grew 24.1% from 30 June 2021, reaching $6,939m at 30 June 2022.

Total loan book composition ($m)



Impairment recoveries were $0.2m lower than pcp, reflecting the reduction in the forward looking economic overlay at 30 June 2021, as a result of the improved economic outlook at that time.

MyState's 30 and 90-day arrears remain below industry benchmarks at 0.41% and 0.20% respectively (30 June 2021: 0.55% and 0.24%).

Central banks globally have a fine balancing act ahead, to manage inflation down without stalling economic activity and pushing economies into recession.

While arrears are lower than 12 months ago, the flow on effect of recent increases in the official cash rate, and expected future increases, may not become visible for months. Consequently, at 30 June 2022, the forward looking economic overlay of $0.9 million (forms part of the collective provision for impairment) remains unchanged from 31 December 2021.

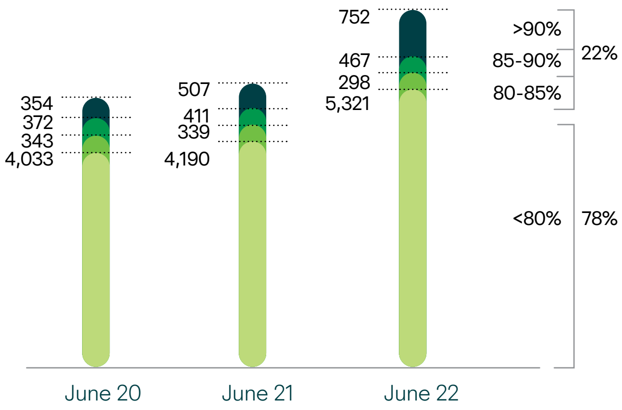
The Bank remains focused on low-risk, owner-occupied lending with a loan to valuation ratio (LVR) of less than 80%.

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

The increase in loans with an LVR greater than 90% since June 2020 reflects the success of the Bank's participation in the Federal Government's First Home Loan Deposit Scheme (FHLDS) which is all owner-occupied lending. The FHLDS is an Australian Government initiative to support eligible customers purchase their first home sooner with as little as a 5% deposit.

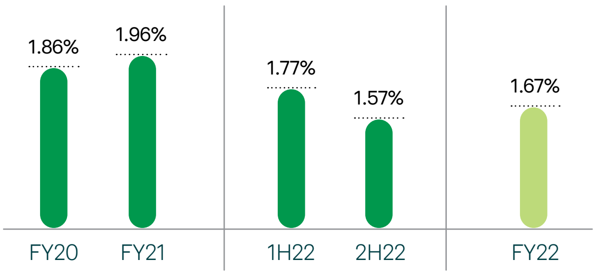
The National Housing Finance and Investment Corporation (NHFIC) provides a guarantee of up to a maximum amount of 15% of the value of a property (as assessed by MyState) purchased under the scheme.

Home loan book – LVR profile ($m)



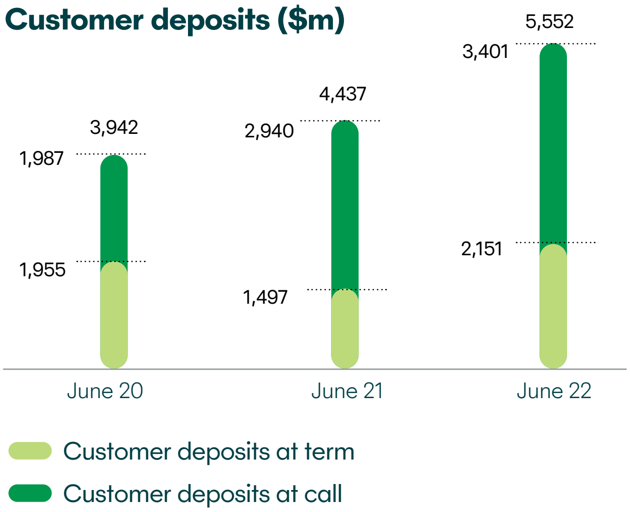
Net interest margin (NIM) trend

Net interest income was down $1.7m or 1.5% on pcp with the fall in NIM reflecting competition in the market for new home loans, partly offset by lower funding costs and above-system loan book growth. Average NIM decreased by 29 bps to 1.67% on pcp. NIM in the month of June 2022 was 1.57% (30 June 2021: 1.89%), in line with average NIM for the second half.



The recent and expected increases in the official cash rate are expected to be positive for NIM moving forward with overall NIM outcomes also subject to the competitiveness of the home loan market and funding cost pressures.

Customer deposits ($m)



Customer deposits increased by 25.1% in the period driven by growth in the award winning Bonus Saver Account with the majority of customers acquired via digital and online channels.

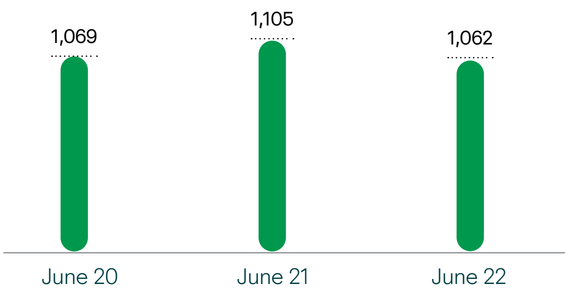
Importantly, the Bank's online originated deposit portfolio grew an additional $92m to $901m (11.4%) from 30 June 2021.

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

Non-interest income from banking activities increased by $2.2m or 16.6% on pcp, as a result of loan related transaction fees, reflecting the accelerated growth of the loan book.

TPT Wealth

Funds under management ($m)



Income from wealth management activities increased by $1.2m or 8.8% on pcp, with managed funds fee income in line with last year and Trustee Services related income up 29.4%. Funds under management were marginally below the previous year.

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

FUM decreased $43m from 30 June 2021 with the Income Funds declining by $34m and the Growth Funds by $15m, partly offset by an increase in the At Call Fund ($6m).

The TPT Fixed Term Fund, Select Mortgage Fund and Long Term Fund have been awarded a 4.0 Star 'superior' rating by independent research house SQM Research, recognising TPT Wealth's highly experienced investment team, strong credit credentials and more than 40-year track record of funds management.

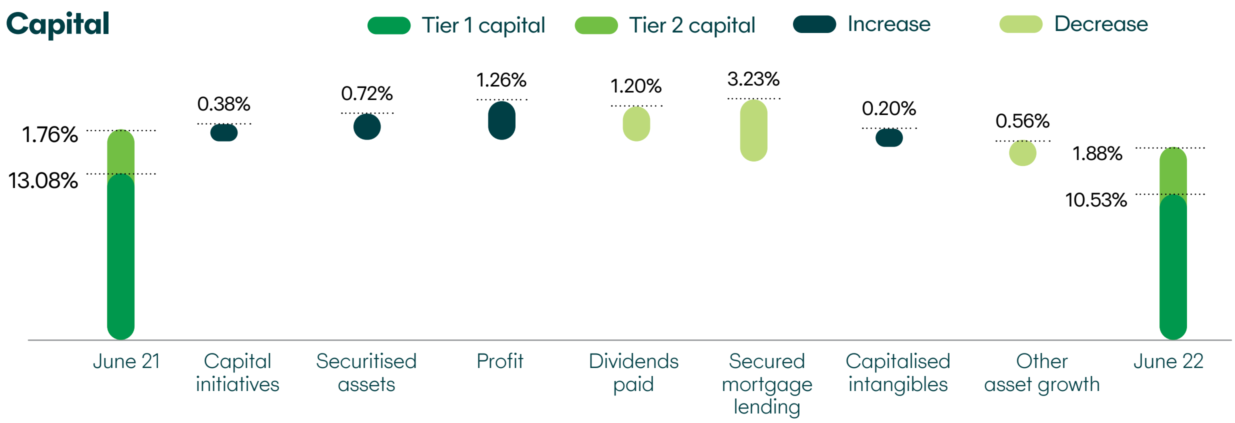
Capital position

The Group's total capital ratio decreased to 12.41% at 30 June 2022 and the Group's Common Equity Tier 1 ratio decreased to 10.53%, as the $55.5 million of capital raised in June 2021 was deployed to support lending growth.

Tier 2 capital was bolstered by the issue of $25 million of 10-year subordinated notes in November 2021.

MyState expects further capital flexibility will be provided by the inaugural issue of Additional Tier 1 capital and further securitisation.

The Group is on track to meet the Australian Prudential Regulation Authority's (APRA) finalised new bank capital framework requirements, effective from 1 January 2023 onwards. Using the 30 June 2022 capital position, on a pro-forma basis, the Group expects a net uplift in the Common Equity Tier 1 ratio of 30 to 40 bps and the total capital ratio of 60 to 70 bps, net of the 1% increase in the counter-cyclical capital buffer.



Community

MyState seeks to make a genuine difference to customers and the communities within which they operate.

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

Outlook

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

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

The lead auditor's independence declaration is set out on page 39 and forms part of the Directors' Report for the year ended 30 June 2022.

Rounding of amounts

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

Events subsequent to balance date

On 8 August 2022, the MyState Limited Group announced that it had mandated Westpac and Ord Minnett to engage with investors with the aim to investigate the prospect of issuing a capital note that will qualify as Additional Tier 1 regulatory capital.

In the opinion of the Directors, other than as noted above, there has not arisen, in the period between the year ended 30 June 2022 and the date of this report, any other material item, transactions or event that is likely to significantly affect the operations of the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation. TCFD report outlining MyState's baseline scope 1, 2 and 3 greenhouse gas (GHG) emissions associated with the activities and facilities that support the businesses' everyday operations, is included as an ESG update in MyState's annual report.

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:

Directors' Meetings

MYS Directors	MYS Board Meetings		Group Audit Committee		Group Risk Committee		Group People, Remuneration & Nominations Committee*		Group Nominations & Corporate Governance Committee*		Group Digital and Marketing Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
S Davy (appointed 1/7/21)	13	13	1	1	7	7	2	2	n/a	n/a	n/a	n/a
R Gordon	13	13	n/a	n/a	7	7	1	1	3	3	4	4
M Hampton (retired 31/3/22)	9	10	3	3	5	6	2	2	3	3	3	3
S Krieger	13	13	n/a	n/a	7	7	4	4	3	3	n/a	n/a
W Lee	13	13	4	4	7	7	n/a	n/a	n/a	n/a	4	4
B Morgan (appointed 17/1/22)	5	5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
V Richtor	13	13	4	4	7	7	4	4	n/a	n/a	4	4
M Sulicich (retired 31/12/21)	8	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
A Waters	13	13	4	4	7	7	n/a	n/a	n/a	n/a	1	1

A Number of meetings attended. **B** Number of meetings eligible to attend.

* The Group People and Remuneration Committee merged with the Group Nominations & Corporate Governance Committee on 1 June 2022 to become the Group People, Remuneration & Nominations Committee.

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 that 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 auditor independence as they related to technical disclosure issues.

Auditor's independence declaration to the Directors

Auditor's Independence Declaration to the Directors of MyState Limited

In relation to our audit of the financial report of MyState Limited for the financial year ended 30 June 2022, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

WISE LORD & FERGUSON

DANNY MCCARTHY

Partner

Wise Lord & Ferguson

Date: 15 August 2022

Liability limited by a scheme approved under Professional Standards Legislation.

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Remuneration Report

Letter from the Chair of the Group People, Remuneration and Nominations Committee

Dear Shareholder,

The 2022 financial year (FY22) marked a significant year of change for MyState Limited, the first year of a multi-year growth strategy. In May 2021, the company announced a substantial capital raise to accelerate its growth, with implications in the short, medium and longer term for the financial performance of MyState. The capital raise in 2021 received strong support from shareholders, with the accelerated growth strategy and its performance implications forming the backdrop to executive remuneration arrangements and outcomes at MyState for several years to come. On behalf of the Board, I present to you the Company's Remuneration Report (Report) for FY22.

In broad terms, the purpose of MyState's Executive remuneration framework has always been to facilitate long-term sustainable growth for MyState's shareholders. This includes ensuring levels of remuneration are market-competitive to attract, motivate and retain suitably qualified individuals focused on MyState's strategic priorities. The performance conditions and measurement timeframes are consistent with the objective of long-term sustainable growth, and our performance targets are designed to be challenging. The payment vehicles and ownership requirements are designed to align executive and shareholder interests, with the deferral and vesting periods designed for appropriate risk management and to be consistent with the regulatory frameworks in which MyState conducts business.

The Report describes the Group's Director and Executive remuneration frameworks and how they contribute to the execution of our business strategy and support our values and desired culture.

Our financial performance for FY22 assessed against our key financial metrics was solid in the context of a long period of COVID-related uncertainty, together with investment in capacity and capability to drive our accelerated growth strategy. In the end result, however, the company-wide financial measures which are gateways for the payment of short term incentives were not met.

FY22 Executive remuneration framework

It may be helpful to recap the design principles that underlie the MyState Executive remuneration framework, further details of which are set out in the Report:

- Executive remuneration arrangements should be fit-for-purpose for MyState, supporting MyState's overall business strategy and appropriate for the size and complexity of the business.
- Remuneration should be competitive in the market to ensure that MyState is able to attract, motivate and retain talented executive leaders.
- Remuneration, particularly MyState's incentive arrangements, should be aligned to the interests of MyState's shareholders.
- Executive remuneration should drive appropriate behaviours and support the desired culture.
- Remuneration should be simple and transparent.
- Short-term incentive: STI performance is measured over a single financial year. STI payments are subject to financial and non-financial gateways and are also subject to overriding Board discretion.
- Long-term incentive: MyState has a long-term incentive (LTI) arrangement that has been designed to align executives with long-term value creation for shareholders. The LTI design also aims to provide executives with a simple, transparent and meaningful incentive. LTI performance is measured over three years with an additional holding lock of a further two years.
- Minimum shareholding requirements: consistent with ASX practice, MyState has minimum shareholding requirements for its Non-executive Directors and Chief Executive Officer, such that each individual is required to build and maintain a minimum level of shareholding in MyState to align their interests with shareholders. The minimum shareholding requirement is determined by reference to base fees or fixed reward.

We hope that you find this brief overview helpful in understanding the context in which the Report was prepared. We welcome your feedback. Please email any comments to secretariat@mystatelimited.com.au

Sibylle Krieger
Chair - Group People, Remumeration and Nominations Committee

Our people and our company

Key Management Personnel and Directors who served our company in the year ended 30 June 2022 were:

Name	Role	Commenced	Group, People, Remuneration & Nominations Committee
Vaughn Richtor	Chairman	01 September 2019	✔
Stephen Davy	Non-executive Director	01 July 2021	✔
Robert Gordon	Non-executive Director	12 February 2009	✔
Sibylle Krieger	Non-executive Director	01 December 2016	Chair
Warren Lee	Non-executive Director	19 October 2017	
Andrea Waters	Non-executive Director	19 October 2017	
Brett Morgan	Managing Director, Chief Executive Officer	17 January 2022	
Gary Dickson	Chief Financial Officer	19 October 2019	
Mandakini Khanna	Chief Risk Officer	12 December 2015	
Alan Logan	General Manager Wealth Management	30 August 2021	
Paul Moss	Chief Operating Officer	13 May 2015	
Huw Bough	General Manager Banking	01 June 2021	
Janelle Whittle	General Manager People, Community & Public Affairs	22 January 2018	
Name	**Role**	**Ceased**	
Miles Hampton	Chairman	31 March 2022	Retired
Melos Sulicich	Managing Director, Chief Executive Officer	31 December 2021	Retired
Heather McGovern	General Manager Digital and Marketing	13 July 2022	Resigned

Our remuneration framework

Philosophy and principles

MyState Limited's remuneration policy is founded on a company-wide commitment to transparency, ethical practices and the creation of long-term value. The framework is designed to encourage and reward actions by executives that deliver positive results for both customers and shareholders through good discipline and strong financial performance, prudent risk management, and the maintenance and enhancement of our company's earned and valued reputation for trustworthiness in the market for financial services. The remuneration policy is designed to support these objectives through:

- Appropriately structured performance-based pay for executives and other eligible employees, including short-term and long-term incentive plans
- Recognition and reward for strong performance linked to both favourable customer experiences and positive sustainable returns to shareholders
- A thoughtful balancing of the company's capacity to pay and our need to attract and retain excellent staff at all levels
- Careful structuring of remuneration for our risk and financial control managers, including performance-based payments, to preserve their independence in carrying out their important roles
- Board discretion over variable remuneration generally, including discretion to apply malus (reduction or forfeiture) to executive incentives, when appropriate, to preserve the interests of shareholders and customers and avoid unexpected or unjust outcomes
- Enhancement of risk management and governance by maintaining separate structures for non-executive director remuneration and executive remuneration.

Directors' remuneration

MyState's non-executive directors (NEDs) are paid annual fixed fees, including statutory superannuation, for their services. They are also entitled to reimbursement of reasonable expenses. Unlike executives, non-executive directors do not receive short-term or long-term incentive payments. The Board determines the level of fees paid to non-executive directors according to two main criteria:

- The level of skill and experience required to conduct their roles
- The level of fees needed to attract and retain talented non-executive directors.

The Board also obtains independent advice from remuneration consultants to guide its deliberations on director fees. The aggregate remuneration paid to all NEDs, including statutory superannuation, may not exceed the amount fixed by shareholders, which is currently $950,000 per year. This total amount has now remained unchanged for 10 years.

Each NED currently receives a base fee of $110,000 per annum, and the Chairman receives $236,500 per annum. Chairs of Board committees (other than the Board Chair) receive an additional $10,000 per annum, the Deputy Chair receives an additional $10,000 per annum.

Managing Director and executive remuneration

Executive remuneration mix

MyState Limited's remuneration packages for the Managing Director and executives who report directly to the Managing Director are structured to support the company's ability to attract and retain talented and experienced leaders, and to provide incentives and rewards for high performance and achievement of the company's goals and objectives over the short, medium and long-term. Executive remuneration packages comprise three elements: total fixed reward (TFR), cash-based short-term incentives (STI) and equity-based long-term incentives (ELTIP).

1. Total fixed reward TFR

Total fixed reward (TFR) for executives, including the Managing Director, comprises a fixed base salary, superannuation contributions and optional salary sacrifice. The level of payment is set with reference to:

- The relative strategic value and importance of the role
- The complexity and breadth of the role
- Experience and skills required
- External market considerations for comparable positions

Base salary rates are set with a view to attracting and retaining talented and culturally aligned executives, while delivering value to shareholders. Executive salaries are periodically reviewed to take into account external market conditions, the business-critical nature of the role, and individual performance.

2. Cash-based short-term incentives STI

Cash-based short-term incentives (STIs) provide appropriate rewards to executives for meeting or exceeding performance targets and achieving our core company goals – both financial and non-financial. To this end, STI performance measures and associated targets are set with reference to the drivers of annual company performance and the roles of individual executives in achieving positive business outcomes. The level of STI assigned to executives is calculated annually using an STI 'scorecard', which comprises multiple performance elements. These include financial, growth, cultural, risk and compliance, reputational, customer and stakeholder measures. Financial and non-financial gateways serve to balance reward with MyState's profitability and to avoid rewarding conduct that is inconsistent with our values and risk framework. The STI is calculated as a percentage of TFR for each role, and the maximum percentage of TFR payable as an STI is determined by the Board.

3. Equity-based long-term incentives ELTIP

Long-term incentive payments to executives, in the form of company shares or performance rights, under the Executive Long-Term Incentive Plan (ELTIP), exist to encourage and culturally embed long-term thinking and risk management among our company leaders. Long-term planning plays an indispensable role in preparing the company to meet future challenges in an evolving financial services marketplace, and to take advantage of new opportunities as they arise. MyState's ongoing transition to a national, digital business model exemplifies this approach – one designed to meet the ever-changing needs of customers and to sustain long-term value for shareholders.

Executive remuneration breakdown

Managing Director & CEO **Total Target Reward**

Total Fixed Remuneration 44%	Maximum STI 26%	Maximum ELTIP 30%
	Paid as cash. Performance assessed against business and individual performance for the financial year.	Paid as shares or performance rights. Total Shareholder Return (TSR) 50% / Return on Equity (ROE) 50%
	60% of Total Fixed Reward	70% of Total Fixed Reward

Executive **Total Target Reward**

Total Fixed Remuneration 62%	Maximum STI 19%	Maximum ELTIP 19%
	Paid as cash. Performance assessed against business and individual performance for the financial year	Paid as shares or performance rights. Total Shareholder Return (TSR) 50% / Return on Equity (ROE) 50%
	30% of Total Fixed Reward	30% of Total Fixed Reward

Remuneration governance

A Group People, Remuneration and Nominations Committee – appointed by the MyState Board and comprising four non-executive directors – assists the Board in discharging its remuneration governance responsibilities. Among a range of functions, the committee reviews and makes recommendations to the Board on:

- Remuneration arrangements for directors, the Managing Director and other executives
- Executive incentives, including setting gateways, performance measures and targets at the commencement of the performance period, and assessing performance outcomes against these measures and targets at the conclusion of the performance period, and making recommendations for payment or otherwise
- The appropriate exercise of Board discretion on variable remuneration matters.

The committee assists the Board to meet remuneration obligations required by APRA Prudential Standards and the Banking Executive Accountability Regime (BEAR). The committee also aims to eliminate conflicts of interest from decisions concerning executive remuneration. To this end, no executive is directly involved in deciding their own remuneration.

Company performance

MyState's financial performance in recent years has helped to inform the level of incentive-based remuneration – both short-term and long-term – provided to the Managing Director and other key executives in the year to 30 June 2022.

As shown below, the company has performed consistently across various financial indicators in the period from FY18 to FY22.

In May 2021, the company announced a substantial capital raise and announced its intention to accelerate growth. At the time of the capital raising the company explained the anticipated effects of the growth strategy on short, medium and longer term financial measures:

The 2021 - 2025 strategy has the following objectives:

- Accelerated home loan and retail deposit growth over the medium term, while maintaining asset quality
- Improved operating leverage (cost to income ratio) in line with business growth
- ROE accretion as capital is deployed
- Sustainable growth in EPS over the medium term.

In FY22, ROE and EPS are expected to be diluted as capital is deployed and increased operating expenses continue to deliver balance sheet growth.

Indicator	2018	2019	2020	2021	2022
Statutory profit after income tax ($'000)	31,461	30,987	30,060	36,341	**32,026**
Statutory earnings per share (EPS) (cents)	34.97	34.17	32.86	39.18	**30.34**
Dividends paid ($'000)	25,794	26,016	26,241	11,508	**26,874**
Share price (dollar)	5.01	4.49	3.93	4.68	**4.08**
Statutory average return on equity (%)	10.1	9.7	9.2	10.3	**7.7**
Statutory cost-to-income ratio (5)	64.0	64.8	62.8	63.1	**68.4**

The company has performed strongly across various financial indicators in FY22.

- Home loans book $6.84b – up 25.5% on the PCP, comprised of 14.4% growth in Tasmania and 32.6% growth for the rest of Australia
- Home loan settlements up 93% on PCP
- Geographical spread with 60% of the home loan book on mainland Australia
- Customer deposits $5.55b – up 25.1% on PCP
- 19,346 new customers – up 15% on PCP
- Strong customer advocacy (NPS +43)
- Transformation to a national digital business model with 96% of transactions completed digitally

PCP - Previous Corresponding Period **NPS** - Net Promoter Score

Short-term incentive (STI) payments

How STI payments are calculated

Each year, the Group People, Remuneration and Nominations Committee (the Committee) recommends to the Board key performance indicators (KPIs) for the Managing Director with reference to short-term incentive payments. The Managing Director, in turn, recommends KPIs for executives to the Committee, which then makes a recommendation to the Board. KPIs for STI payments include both financial and non-financial metrics that are considered consistent with the business plans of the Group and also supportive of the desired culture of the Group.

At the end of each financial year, the Managing Director assesses the performance of the executives against their KPIs and makes a recommendation for each executive to the Committee. Simultaneously, the Committee assesses the performance of the Managing Director against the relevant KPIs. After consultation with the chairs of the Group Audit Committee and the Group Risk Committee, the Committee recommends STI payment amounts for approval by the Board.

The Board retains complete discretion over STI payments, including the right to reduce or forfeit payments as it sees fit. The annual STI component may be reduced or forfeited if the company, or an individual executive, does not meet the 'gateway' criteria approved by the Board at the start of the financial year.

Threshold performance levels for risk and compliance, executive behaviour standards and profit must be met or exceeded for payments to be made under the STI program. Executives are assessed as a group with reference to performance on net profit, and on risk and compliance – including corporate reputational matters. Individual executive behaviours are assessed against the MyState values, and individual executives' risk and compliance accountabilities are measured via a scorecard comprising several indicators. The Board has the discretion to reduce the STI (including to zero) if any of these gateways are not met.

The STI scorecard includes a mix of financial and non-financial metrics, with the relative weightings varying between different executive roles. In FY22, the highest weighting for financial metrics – 65% – has been applied to the Managing Director, Chief Financial Officer and General Manager Banking, while the lowest financial metrics weighting – 40% – has been applied to the Chief Risk Officer. The scorecard comprises a diverse list of both quantitative and qualitative performance measures (or criteria), which have been chosen with a view to driving positive outcomes not just for MyState shareholders but also for customers, employees and other key stakeholders of the organisation.

Quantitative performance measures include earnings per share, net interest margin, funds under management, loan book growth, net customer growth and employee engagement. Executives are also individually assessed with reference to their performances as leaders in their specific roles, and to their individual contributions to the future development of the organisation. The Board has the discretion to vary STI outcomes to reflect differing levels of performance.

The 3 Cs - MyState Values

Create customer 'wow'

- We walk in our customers' shoes and appreciate their perspectives.
- We think and act in the best interest of our customers.
- We are clear, concise and trustworthy in our customer interactions.
- We design and deliver exceptional customer experiences, with a human touch.
- We make things simpler and easier for our customers.

Chase the better

- We are bold in our ambition.
- We seek out and embrace the change that is required to succeed.
- We have the courage to try new things and grow from our failures.
- We simplify (and digitise) to deliver.
- We seek industry-leading productivity and always drive for better outcomes.

Collaborate to win

- We care for each other, our customers, partners and community.
- We give our best, do the right thing, and trust our colleagues to do the same.
- We hold each other to account.
- We openly share information so that everyone can make informed decisions.
- We reach out across teams to rapidly solve problems – and celebrate our successes and learnings!

2021-2022 'gateway' criteria for short-term incentive payments

Gateway	Assessment measures
1. Group risk	STI may be reduced or forfeited at the Board's discretion if MyState Limited does not meet compliance and risk management obligations, if its reputation is materially damaged, if capital adequacy and liquidity fall below prudential requirements, or if an executive does not meet their personal accountability BEAR obligations.
2. Individual risk	If an individual's Risk Scorecard does not meet the standard required, then STI may be reduced or forfeited.
3. Net profit after tax (NPAT)	If NPAT is below FY22 budget, STI may be reduced or forfeited.
4. Values and behaviours (individual)	If an individual fails to meet or exceed expectations as assessed against the MyState values, the Board may exercise its discretion for STI to be reduced or forfeited.

The Board retains the residual discretion not to award or pay STIs even if the criteria have been met if, in its reasonable view, the needs of the Group require this.

STI outcomes for 2021-2022

The following key performance measures for the STI component and the level of achievement were assessed by the Board for the 2021-2022 financial year:

Area	Drivers	Measures	Performance
Financial	Earnings	Increasing earnings per share	⊘
	Net interest margin	Managed in accordance with Board expectations	⊘
	Funds under management	Growing funds under management in our Wealth Business	⊘
	Balance sheet	Growing the size of our loan book	●
People	Employee experience	Positive employee experience score	●
	Leadership	Lifting the bar on leadership	●
		Individual contribution to delivery of strategically significant projects	◐
	Culture	Evolving our customer-centric culture	●
Customer	Growth	Net customer and investor growth	⊘

● Exceeded or met target ⊘ Below target ◐ Partially met target

STI outcomes for 2021-2022 continued

The Board has determined that the gateway criteria for payment of the STIs for NPAT have not been met for FY22. Performance against three company wide performance measures – earnings per share, net interest margin and funds under management have also not been met. However, it was pleasing to note that the following key non-financial measures – employee experience score (which uses the results of our annual employee engagement survey) and net customer growth were both higher than the previous year.

It is important to note that MyState's growth strategy is on track, with strong growth in customer numbers and significant above system growth in our home loan portfolio. NPAT has been impacted by a decline in net interest margin driven by strong competition for new home loans and customer preference for lower margin fixed rate loans in the first half of the financial year. In addition, the market has seen elevated levels of refinancing activity for most of the year leading to retention discounting and a range of cash back incentives for new lending.

As foreshadowed at the time of the capital raise in June 2021, as capital has been deployed both earnings per share and return on equity have been diluted in FY22. Management and the Board remain confident that return on equity and earnings per share will grow over the medium term.

If the results on which any STI reward was based are subsequently found by the Board to have been the subject of deliberate management miss-statement, error, misrepresentation or act or omission, which the Group People and Remuneration Committee or the Board (acting reasonably) considers would have resulted in the KPIs not being satisfied, or there is otherwise a reward decision incorrectly made, the Board may require repayment of the whole or part of the relevant STI, in addition to taking any other disciplinary actions.

Payment offers

Details of STI payment offers for the 2021/2022 financial year and the 2020/2021 financial year are set out below.

The following key performance measures for the STI component and the level of achievement were assessed by the Board for FY22:

Key Management Personnel	% max. (of TFR)	Max. payable	% awarded	% forfeited	$ amount paid	% which is not yet assessed for payment
2021/2022						
Brett Morgan(1)	60%	$169,521	0%	100%	$0	0%
Gary Dickson	30%	$120,000	0%	100%	$0	0%
Mandakini Khanna	30%	$117,000	0%	100%	$0	0%
Heather McGovern	30%	$99,000	0%	100%	$0	0%
Huw Bough	30%	$117,000	0%	100%	$0	0%
Alan Logan(1)	30%	$92,130	0%	100%	$0	0%
Paul Moss	30%	$109,500	0%	100%	$0	0%
Janelle Whittle	30%	$94,500	0%	100%	$0	0%
Melos Sulicich(1)	60%	$187,500	0%	100%	$0	0%
2020/2021						
Melos Sulicich	50%	$312,500	89.30%	10.70%	$279,063	0%
Gary Dickson	30%	$120,000	90.65%	9.35%	$108,780	0%
Mandakini Khanna	30%	$117,000	94.90%	5.10%	$111,033	0%
Heather McGovern	30%	$99,000	86.40%	13.60%	$85,536	0%
Anthony MacRae	30%	$117,000	0%	100%	$0	0%
Craig Mowll(1)	30%	$113,153	0%	100%	$0	0%
Paul Moss	30%	$109,500	92.45%	7.55%	$101,233	0%
Janelle Whittle	30%	$90,750	88.65%	11.35%	$80,450	0%

1) Pro-rata max payable based on commencement and cessation dates as applicable.

Executive Long-Term Incentive Plan (ELTIP)

How the ELTIP works

The Executive Long-Term Incentive Plan (ELTIP) was established by the Board to encourage and motivate the Managing Director and other eligible executives by rewarding them with company shares for helping to create long-term value for the company's shareholders. Until 30 June 2021, participating executives were allocated fully paid ordinary shares in the company, without payment, if performance criteria specified by the Board were satisfied in a set period. Since 1 July 2021, the allocations have been in the form of 'performance rights' which, on vesting, deliver one share for each vested performance right.

Each year, the Board has the discretion to offer executives shares/performance rights worth up to a specified percentage of their total fixed reward (salary). In FY22, the offers have been equal to 70% of total fixed reward for the Managing Director, and 30% of total fixed reward for eligible executives. The number of shares or performance rights allocated is based on the volume weighted average price (VWAP) of shares calculated over the 20 trading days to 30 June immediately prior to the commencement of the performance period for the relevant offer.

For the shares or performance rights to vest, certain performance criteria must be satisfied within the specified performance period.

Both the performance criteria and the performance period are set by the Board alone. ELTIP performance measures are weighted equally between relative total shareholder return (TSR) and return on equity (ROE). The relative TSR incorporates both dividends paid and movements in share prices, while the ROE is a measure of corporate profitability.

Currently, the Board has set three financial years, commencing with the year in which an offer is made, as the performance period, with relative TSR and post-tax underlying ROE for the 2018 and 2019 offers. Relative TSR and statutory ROE have been set as the performance criteria for the 2020, 2021 and 2022 offers. The Board may adjust the statutory ROE performance criteria for one-off items for the 2020 and subsequent offers.

The performance criteria are assessed following the completion of each performance period. Under the ELTIP rules, an assessment is made against the performance criteria to determine the number of shares or performance rights awarded to the Managing Director and each participating executive.

Shares or rights cannot be allocated for a further two years. This means a total period of five years will elapse from the commencement of the performance period to the time when shares are vested. Any ELTIP reward is subject to reassessment and possible reduction or forfeiture. This enables the Board to adjust share allocations (potentially to zero) to protect the financial soundness of the company or respond to significant unforeseen or unexpected consequences. In addition, if the Managing Director or a participating executive is an accountable person under the BEAR, allocating the shares will be subject to the Board being satisfied that the accountable person has met their accountability obligations. The number of shares allocated (and/or value of any associated payment) may be reduced or cancelled to the extent that the Board determines that the accountability obligations have not been met.

Allocation of shares to the Managing Director and eligible executives is ultimately at the complete discretion of the Board. The ELTIP rules provide that an independent trustee, acting at the direction of the company, may acquire and hold allocated shares on behalf of executives. The participating executive cannot transfer or dispose of shares before they have been allocated to them. Any shares or performance rights to be allocated to the Managing Director under this plan require shareholder approval in accordance with ASX listing rules. Participating executives are required to not hedge their economic exposure to any allocated non-vested entitlement.

Failure to comply with this directive will constitute breach of duty and may result in forfeiture of the offer and/or dismissal.

Commencement of employment during a financial year

Subject to Board approval, a pro-rata ELTIP offer can be made to an executive who commences employment during the financial year, but before 1 April. The terms of the offer must be consistent with all other offers for that year, irrespective of the date of employment commencement.

Cessation of employment

Executives who cease employment with the company will be eligible to receive shares only if the cessation is due to a Qualifying Reason, as defined by the ELTIP Plan Rules. Qualifying reasons include death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board may determine. Where an ELTIP participant ceases employment, their ELTIP offer will be assessed by the Board 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. If the separated employee is an accountable person under BEAR, any awarded shares will not be allocated until all BEAR requirements are satisfied, including the variable remuneration deferral period.

Entitlement to dividend income

When shares allocated to an executive are held by a trustee, the executive is entitled to receive dividend payments on the allocated shares and to have the trustee exercise the voting rights on those shares in accordance with the executive's instructions. However, executives have no entitlements to dividends or voting rights for shares or performance rights during the deferral period.

ELTIP outcomes 2021-2022

Payment offers

Details of offers made under the Executive Long-Term Incentive Plan (ELTIP) are detailed in the following table:

Offer	2019	2020	2021
Performance period	1 July 2019 to 30 June 2022	1 July 2020 to 30 June 2023	1 July 2021 to 30 June 2024
The comparator group	Members of the S&P/ASX300		
Fair value of shares on offer date[1] › Managing Director › Other Executives	Managing Director $2.49 Other Executives $2.49	Managing Director $3.36 Other Executives $3.36	Managing Director $3.10 Other Executives $3.10
Offer date › Managing Director[3] › Other Executives[3]	28 October 2019 28 October 2019	16 November 2020 16 November 2020	17 January 2022 23 September 2021
Value of offer[2] › Managing Director › Other Executives	$312,500 $787,664	$312,500 $649,500	$197,774 $750,699

1) The fair value of offers that are assessed and awarded on market-based conditions is determined on the grant date in accordance with AASB 2. The fair value is used to recognise an expense over the performance period for the TSR component of offers. The fair value attached to Managing Director will be subject to valuation review upon shareholder approval of "2021" Offer at FY22 Annual General Meeting, but deemed to be materially correct as at reporting date.

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

3) Pro-rata offer made in respect of the "2019" Offer to Gary Dickson on 16 March 2020. Pro-rata offer made in respect of the "2021" Offer to Alan Logan and Brett Morgan on 23 September 2021 and 17 January 2022. Noting that the "2021" Offer to Brett Morgan is subject to shareholder approval at the 2022 AGM.

Calculation of the reward TSR component

The ELTIP offers TSR components will vest on the following basis.

TSR component

For the 2020 offer:

MYS TSR relative to the ASX 300:	Percentage of the applicable reward that will vest:
Below the 25th percentile:	0
At the 25th percentile	25%
Between the 25th and 75th percentile	Straight line basis between 25% and 100%
Above the 75th percentile	100%

For the 2021 offer:

MYS TSR relative to the ASX 300:	Percentage of the applicable reward that will vest:
Below the 50th percentile	0
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Straight line basis between 50% and 100%
At or above the 75th percentile	100%

For the 2022 offer:

MYS TSR relative to the ASX 300:	Percentage of the applicable reward that will vest:
Below the 50th percentile	0
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Straight line basis between 50% and 100%
At or above the 75th percentile	100%

Calculation of the reward ROE component

The performance period for the ROE component for the ELTIP reward will be based upon the Company's post-tax ROE and will be payable on the following basis.

ROE component

For the 2020 offer:

MYS aggregate statutory ROE, which may be adjusted for one-off items at the discretion of the Board, for the performance period:	Percentage of the applicable reward that will vest:
Below 27.00%	0%
27.00%	25%
27.00% to 30.00%	Straight line from 25% to 100%
30.00% or above	100%

For the 2021 offer:

Statutory ROE with Board discretion to adjust for one-off items:	Percentage of the applicable reward that will vest:
Below 30.00%	0%
30.00%	50%
30% to 31.50%	Straight line basis from 50% to 100%
31.50% or above	100%

For the 2022 offer:

Statutory ROE with Board discretion to adjust for one-off items:	Percentage of the applicable reward that will vest:
Below 30.00%	0%
30.00%	50%
30% to 31.50%	Straight line basis between 50% and 100%
31.50% or above	100%

Actual and potential ELTIP share allocations

The following table details, for current and former KMP, the status of offers made under the ELTIP. The '2018' offer performance period was completed on 30 June 2021. The '2019' offer performance period was completed on 30 June 2022.

2019 Offer	Component	Maximum offer	Forfeited / lapsed	Awarded in the 2021/22 financial year	Not yet assessed for vesting
Key Management Personnel			Number of shares		
Melos Sulicich[1]	TSR	34,036	17,199	16,837	-
	ROE	34,035	34,035	-	-
Gary Dickson[2]	TSR	9,570	3,866	5,704	-
	ROE	9,570	9,570	-	-
Mandakini Khanna	TSR	12,743	5,148	7,595	-
	ROE	12,743	12,743	-	-
Heather McGovern	TSR	10,783	10,783	-	-
	ROE	10,782	10,782	-	-
Anthony MacRae	TSR	12,743	12,743	-	-
	ROE	12,743	12,743	-	-
Paul Moss	TSR	11,926	4,818	7,108	-
	ROE	11,926	11,926	-	-
Craig Mowll	TSR	12,743	12,743	-	-
	ROE	12,743	12,743	-	-
Janelle Whittle	TSR	9,476	3,828	5,648	-
	ROE	9,475	9,475	-	-

2018 Offer	Component	Maximum offer	Forfeited / lapsed	Awarded in the 2020/21 financial year	Not yet assessed for vesting
Key Management Personnel			Number of shares		
Melos Sulicich	TSR	32,188	16,062	16,126	-
	ROE	32,187	32,187	-	-
Anthony MacRae	TSR	4,590	4,590	-	-
	ROE	4,589	4,589	-	-
Heather McGovern	TSR	2,934	1,464	1,470	-
	ROE	2,933	2,933	-	-
David Harradine	TSR	11,742	11,742	-	-
	ROE	11,742	11,742	-	-
Mandakini Khanna	TSR	11,124	5,551	5,573	-
	ROE	11,124	11,124	-	-
Paul Moss	TSR	10,506	5,242	5,264	-
	ROE	10,506	10,506	-	-
Craig Mowll	TSR	11,556	11,556	-	-
	ROE	11,555	11,555	-	-
Janelle Whittle	TSR	8,961	4,472	4,489	-
	ROE	8,961	8,961	-	-

1) The awarding of the 2019 offer is subject to shareholder approval subsequent to the publishing of this report.
2) Pro-rata offer made for "2019".

The 2020, 2021 and 2022 offers have not been assessed for vesting. The following table shows the maximum number of shares available under each of these offers:

	Component	2020 offer	2021 offer	2022 offer [4]
Key Management Personnel			**Number of shares**	
Melos Sulicich [1]	TSR	38,676	-	-
	ROE	38,675	-	-
Brett Morgan[2]	TSR	-	20,602	52,458
	ROE	-	20,601	52,458
Gary Dickson	TSR	14,852	12,500	14,389
	ROE	14,851	12,500	14,388
Mandakini Khanna	TSR	14,480	12,188	14,029
	ROE	14,480	12,187	14,029
Heather McGovern	TSR	12,252	10,313	-
	ROE	12,252	10,312	-
Anthony MacRae	TSR	14,480	-	-
	ROE	14,480	-	-
Paul Moss	TSR	13,552	11,407	13,130
	ROE	13,552	11,406	13,129
Craig Mowll	TSR	14,480	-	-
	ROE	14,480	-	-
Janelle Whittle	TSR	10,767	9,844	11,331
	ROE	10,767	9,844	11,331
Huw Bough	TSR	-	12,188	14,029
	ROE	-	12,187	14,029
Alan Logan[3]	TSR	-	9,630	13,310
	ROE	-	9,630	13,309

1) There was no "2021" offer made to Melos Sulicich due to the announcement of his retirement.
2) Pro-rata offer made for "2021". Subject to shareholder approval.
3) Pro-rata offer made for "2021".
4) The Board has made the decision, subject to shareholder approval for the MD & CEO and acceptance of the offers by relevant participants, to award up to 265,349 performance rights under the 2022 ELTIP and that such offer will be notified to the market if and when shareholder approval/acceptances are received.

Review of executive remuneration

During FY21, the Committee commissioned independent advice in respect of the structure and performance criteria for executive variable remuneration. With the benefit of that advice, the Board decided to make a number of changes that take effect from 1 July 2021. These changes have been implemented and include moving the Executive Long-Term Incentive Program to a Performance Rights scheme, and reviewing the targets for threshold performance. The details of the Executive Long-Term Incentive Program are provided in section 5. Our Executive remuneration framework will be subject to further review following the introduction of the Financial Accountability Regime (FAR) and the APRA prudential standard for Remuneration.

Statutory tables

	Financial year	Salary & fees	Cash bonus[1]	Other short-term benefits	Non-monetary benefits[2]	Post-employment superannuation	Termination benefits	Share-based payment[3]	Total
Non-Executive Directors									
Miles Hampton	2022	157,942	-	-	1,191	15,794	-	-	174,927
	2021	209,004	-	-	393	19,855	-	-	229,252
Robert Gordon	2022	95,903	-		-	26,750	-	-	122,653
	2021	89,849	-	-	-	26,275	-	-	116,124
Vaughn Richtor	2022	130,519	-		-	13,052	-	-	143,571
	2021	97,211	-	-	-	9,235	-	-	106,446
Sibylle Krieger	2022	109,091	-		-	10,909	-	-	120,000
	2021	106,049	-	-	-	10,075	-	-	116,124
Warren Lee	2022	109,091	-		-	10,909	-	-	120,000
	2021	106,049	-	-	-	10,075	-	-	116,124
Stephen Davy	2022	101,923				10,183	-	-	112,106
	2021	-	-	-	-	-	-	-	0
Andrea Waters	2022	120,001	-		-	-	-	-	120,001
	2021	116,124	-	-	-	-	-	-	116,124
Total NED	**2022**	**824,470**	**-**	**-**	**1,191**	**87,597**	**-**	**-**	**913,258**
	2021	**724,286**	**-**	**-**	**393**	**75,515**	**-**	**-**	**800,194**

	Financial year	Salary & fees	Cash bonus(1)	Other short-term benefits	Non-monetary benefits(2)	Post-employment superannuation	Termination benefits	Share-based payment(3)	Total
Executives									
Melos Sulicich	2022	358,105	-	-	-	25,538	-	(27,811)	355,832
	2021	623,077	279,063	-	1,095	25,961	-	156,698	1,085,894
Brett Morgan	2022	282,663	-	-	-	13,010	-	32,869	328,542
	2021	-	-	-	-	-	-	-	-
David Harradine	2022	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	4,046	4,046
Huw Bough	2022	362,500	20,000	-	-	27,500	-	23,416	433,416
	2021	36,986	-	-	-	3,514	-	-	40,500
Mandakini Khanna	2022	362,500	40,000	-	-	37,594	-	42,695	482,789
	2021	369,863	111,033	-	-	35,137	-	56,434	572,467
Anthony MacRae	2022	13,500	-	-	-	96	-	(24,263)	(10,667)
	2021	372,019	-	-	-	25,481	-	50,573	448,073
Heather McGovern	2022	302,500	-	-	-	27,500	-	36,129	366,129
	2021	312,961	85,536	-	-	29,731	-	42,132	470,360
Paul Moss	2022	337,500	-	-	1,302	27,500	-	39,959	406,261
	2021	353,077	101,233	-	1,302	25,961	-	52,892	534,465
Craig Mowll	2022	-	-	-	-	-	-	(8,446)	(8,446)
	2021	383,075	-	-	-	20,295	-	24,390	427,760
Janelle Whittle	2022	279,396	30,000	-	1,302	27,500	-	33,251	371,449
	2021	276,519	80,450	-	1,302	27,245	-	42,505	428,021
Gary Dickson	2022	374,622	-	-	-	24,975	-	42,623	442,220
	2021	389,423	108,780	-	-	25,961	-	43,532	567,696
Alan Logan	2022	293,760	-	-	-	23,586	-	17,692	335,038
	2021	-	-	-	-	-	-	-	-
Total Executive	**2022**	**2,967,046**	**90,000**	**-**	**2,604**	**234,799**	**-**	**208,114**	**3,502,563**
	2021	**3,117,000**	**766,095**	**-**	**3,699**	**219,286**	**-**	**473,202**	**4,579,282**
Total KMP	**2022**	**3,791,516**	**90,000**	**-**	**3,795**	**322,396**	**-**	**208,114**	**4,415,821**
	2021	**3,841,286**	**766,095**	**-**	**4,092**	**294,801**	**-**	**473,202**	**5,379,476**

1) The cash bonus shown in "2021" represents the actual amount awarded in respect to STI offers. The cash bonus shown in "2022" represents the gratuity amount award in respect to performance for select KMP.

2) Non-monetary benefits consist of car parking expense, travel & accommodation and entertainment.

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. 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.

Shareholdings of Key Management Personnel (KMP)

Non-executive Director minimum shareholding

In the absence of approval from the Board to the contrary, non-executive directors 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 or base Chair fee as the case may be. The minimum requirement must be achieved within four years of their appointment as NED or as Chair.

Managing Director minimum shareholding requirement

In the absence of approval from the Board to the contrary, the Managing Director will be required to acquire and maintain shares in MyState Limited equivalent to 50% of their total fixed reward (TFR) within four years of appointment. Any shares subject to deferral (including shares that may be allocated in respect of awarded performance rights) will be recognised for the purposes of the requirement. The shares in MyState Limited may include shares obtained prior to commencement of employment and/or shares acquired through ELTIP or any other scheme.

Related parties of KMP shareholdings

Details of ordinary shares in the company held by key management personnel and their related parties are set out in the table below. Related parties include close family members and entities under joint or several control, or significant influence, of the KMP and their close family members. No equity transactions with the KMP, other than those arising as payment for compensation, have been entered into with the company.

Key Management Personnel	Number of shares at commencement of financial year (1) 1	Number of shares awarded but not yet vested (2) 2	Net change other (3) 3	No. of shares at end of financial year 1 + 2 + 3	*Of which:* No. of shares at end of financial year held by ELTIP Trustee(4)
Non-executive Directors					
Miles Hampton	898,362	-	13,154	911,516	-
Robert Gordon	33,725	-	3,000	36,725	-
Sibylle Krieger	26,850	-	1,407	28,257	-
Warren Lee	27,641	-	10,000	37,641	-
Vaughn Richtor	11,831	-	5,687	17,518	-
Andrea Waters	32,056	-	1,680	33,736	-
Sub Total	**1,030,465**	**-**	**34,928**	**1,065,393**	**-**
Executives					
Melos Sulicich(5)	142,890	32,963	1,598	177,451	-
Brett Morgan	-	-	4,250	4,250	-
Gary Dickson	-	5,704	-	5,704	-
Heather McGovern	-	1,470	-	1,470	-
Mandakini Khanna	14,109	13,168	677	27,954	13,586
Paul Moss	12,639	12,372	662	25,673	13,301
Janelle Whittle	7,661	10,137	-	17,798	2,232
Huw Bough	5,758	-	(5,758)	-	-
Alan Logan	-	-	-	-	-
Sub Total	**183,057**	**75,814**	**1,429**	**260,300**	**29,119**

1) Number of shares at commencement of financial year does not agree to the closing position per FY21 Remuneration Report due to the transfer of "2018" Offers awarded to column 2.
2) From the "2018" Offer onwards, under BEAR requirements, any shares awarded are "held" in suspension pending the additional Board assessment (two years post) that there has been no subsequent forfeiture event.
3) KMP personal share purchase or participation in Dividend Reinvestment Plan (DRP).
4) These amounts are the shares awarded under the "2016 & 2017 Offer" or through participation in DRP. These shares have been issued to the Trustee to hold on behalf of the Executives.
5) "2014" - "2017" Offers awarded to Melos Sulicich and held in trust (pre-BEAR deferral requirements) were released to his personal account during FY22. The shares awarded from the "2014" Offer exceeded the 4 year holding period in November 2021 and shares held in trust for the "2015" - "2017" offers were released following the cessation of employment. The accumulated value of these shares was $231,543.

Loans to Key Management Personnel

Loan transactions

Loans to KMP and their related parties (including close family members and entities over which the KMP and/or their close family members have control, joint control or significant influence) are provided in the ordinary course of business. Normal commercial terms and conditions are applied to all loans. Any discounts provided to KMP are the same as those available to all employees of the Group. There have been no write-downs or amounts recorded as provisions during FY22.

Details of loans held by KMP and their related parties during FY22, where the individual's aggregate loan balance exceeded $100,000 at any time in this period, are as follows:

Key Management Personnel	Balance as at 1 July 2021	Interest charged during the year	Balance as at 30 June 2022	Highest balance during the year
Brett Morgan(1)	0	$1,147	$967,147	$967,147

1) Loan funded on 14 June 2022. The balance as at 31 July 2022 is $451,678.

Executive employment agreements

The Managing Director and executives are employed under individual open-ended employment contracts that set out the terms of their employment, as detailed below.

Incumbent	Commenced in role	Contract term	TFR	Short Term Incentive (maximum)	ELTIP (maximum)	Termination provisions in the event of termination by the Company
Brett Morgan[1]	17 January 22	Ongoing	$625,000	60% of TFR	70% of TFR	**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 as at the date of termination. • Payment of STI if the performance period is complete but not yet paid. • Pro-rata ELTIP allocation, in accordance with the ELTIP rules.
Huw Bough	1 June 21	Ongoing	$390,000	30% TFR	30% of TFR upon invitation to participate	**Notice:** Each contract can be terminated by the Company upon provision of three months' notice. **Entitlement:** • 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, in accordance with the ELTIP rules.
Alan Logan	30 August 21	Ongoing	$370,000			
Gary Dickson	19 October 19	Ongoing	$400,000	30% TFR	30% of TFR upon invitation to participate	**Notice:** Each contract can be terminated by the Company upon provision of three months' notice. **Entitlement:** • Payment of the equivalent of six months TFR (inclusive of the provision of three months' notice). • 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, in accordance with the ELTIP rules.
Mandakini Khanna	1 December 15	Ongoing	$390,000			
Heather McGovern	18 March 19	Ongoing	$330,000			
Paul Moss	13 May 15	Ongoing	$365,000			
Janelle Whittle	22 January 18	Ongoing	$315,000			

1) Required to hold shares to the value of 50% of TFR.

Signed in accordance with a resolution of the Directors.

Vaughn Richtor
Chairman

Brett Morgan
Managing Director and Chief Executive Officer

Hobart, dated this 15 August 2022

Financial report

Contents

Consolidated Income Statement

	Notes	30 June 2022 $'000	30 June 2021 $'000
Interest income	2.1	**159,749**	164,336
Interest expense	2.1	**(49,504)**	(52,385)
Net interest income		**110,245**	111,951
Non-interest income from banking activities	2.1	**15,103**	12,951
Net banking operating income		**125,348**	124,902
Income from wealth management activities	2.2	**14,820**	13,618
Total operating income		**140,168**	138,520
Less: Expenses			
Personnel costs		**42,841**	39,615
Administration costs	2.4	**17,759**	15,346
Technology costs	2.4	**17,706**	16,200
Occupancy costs	2.4	**4,294**	4,763
Marketing costs		**10,297**	6,394
Governance costs		**2,985**	2,580
Restructure costs	2.4	**-**	2,559
Total operating expenses		**95,882**	87,457
Profit before impairment and tax expense		**44,286**	51,063
Impairment recovery / (expense) on loans and advances	4.3	**762**	995
Income from other activities	2.3	**854**	-
Profit before tax		**45,902**	52,058
Income tax expense	6.1	**13,876**	15,717
Profit for the year		**32,026**	36,341
Profit attributable to the:			
Equity holders of MyState Limited		**32,026**	36,341
Basic earnings per share (cents per share)	2.5	**30.34**	39.18
Diluted earnings per share (cents per share)	2.5	**30.34**	39.18

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income

	Notes	30 June 2022 $'000	30 June 2021 $'000
Profit for the year		**32,026**	36,341
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges - Net gains / (losses) taken to equity		**9,966**	434
Income tax effect		**(2,990)**	(130)
Total other comprehensive income / (expense) for the year		**6,976**	304
Total comprehensive income for the year		**39,002**	36,645
Total comprehensive income for the year is attributable to:			
Equity holders of MyState Limited		**39,002**	36,645

Consolidated statement of financial position

	Notes	30 June 2022 $'000	30 June 2021 $'000
Assets			
Cash and liquid assets	4.1	**119,215**	80,266
Due from other financial institutions		**40,924**	31,859
Other assets		**9,831**	7,032
Financial instruments	4.2	**842,926**	707,166
Loans and advances	4.3	**6,971,375**	5,607,300
Property, plant and equipment and right-of-use assets	5.1	**10,453**	11,678
Investment property	5.2	**-**	3,801
Current and deferred tax assets	6.1	**6,278**	9,896
Tax assets	5.3	**78,845**	83,478
Intangible assets and goodwill			
Total assets		**8,079,847**	6,542,476
Liabilities			
Due to other financial institutions		**22,982**	18,821
Deposits and other borrowings including subordinated notes	4.5	**7,598,184**	6,079,794
Employee benefits provisions	5.4	**5,585**	5,240
Other liabilities	4.6	**17,213**	20,605
Tax liabilities	6.1	**5,970**	2,802
Total liabilities		**7,649,934**	6,127,262
Net assets		**429,913**	415,214
Equity			
Share capital	5.5	**211,167**	208,196
Retained earnings		**209,788**	207,282
Reserves		**8,958**	(264)
Total equity		**429,913**	415,214

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Note	Share capital $'000	Retained earnings $'000	General reserve for credit losses $'000	Employee equity benefits reserve $'000	Hedging reserve $'000	Other reserves $'000	Total $'000
At 1 July 2020		**152,775**	**175,688**	**6,761**	**704**	**(606)**	**(1,000)**	**334,322**
Profit for the year		-	36,341	-	-	-	-	**36,341**
Other comprehensive income / (expense)		-	-	-	-	304	-	**304**
Total comprehensive income for the year		**-**	**36,341**	**-**	**-**	**304**		**36,645**
Equity issued under employee share scheme	5.5	84	-	-	-	-	-	**84**
Equity issued under executive long term incentive plan	5.5	167	-	-	(167)	-	-	**-**
Equity issued under dividend reinvestment plan	5.5	1,397	-	-	-	-	-	**1,397**
Equity issued under institutional placement and entitlement offer	5.5	31,280	-	-	-	-	-	**31,280**
Equity issued under retail entitlement offer	5.5	24,203	-	-	-	-	-	**24,203**
Share based payment expense recognised		-	-	-	501	-	-	**501**
Entitlement offer share issuance costs, net of tax	5.5	(1,710)	-	-	-	-	-	**(1,710)**
Transfer to retained earnings	2.6	-	523	(523)	-	-	-	**-**
Dividends paid	2.6	-	(11,508)	-	-	-	-	**(11,508)**
At 30 June 2021		**208,196**	**201,044**	**6,238**	**1,038**	**(302)**	**(1,000)**	**415,214**
At 1 July 2021		**208,196**	**201,044**	**6,238**	**1,038**	**(302)**	**(1,000)**	**415,214**
Profit for the year		-	32,026	-	-	-	-	**32,026**
Other comprehensive income / (expense)		-	-	-	-	6,976	-	**6,976**
Total comprehensive income for the year		**-**	**32,026**	**-**	**-**	**6,976**	**-**	**39,002**
Equity issued under employee share scheme	5.5	62	-	-	-	-	-	**62**
Equity issued under dividend reinvestment plan	5.5	3,000	-	-	-	-	-	**3,000**
Transfer of unvested shares under executive long term incentive plan		-	238	-	(238)	-	-	**-**
Share based payment expense recognised		-	-	-	227	-	-	**227**
General reserve for credit losses write back		-	3,981	(3,981)	-	-	-	**-**
Entitlement offer share issuance costs, net of tax	5.5	(91)	-	-	-	-	-	**(91)**
Derecognition of capitalised costs under SAAS arrangements		-	(627)	-	-	-	-	**(627)**
Dividends paid	2.6	-	(26,874)	-	-	-	-	**(26,874)**
At 30 June 2022		**211,167**	**209,788**	**2,257**	**1,027**	**6,674**	**(1,000)**	**429,913**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Notes	30 June 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Interest received		**177,087**	178,286
Interest paid		**(44,119)**	(54,343)
Fees and commissions received		**27,351**	25,777
Other non-interest income received		**1,688**	2,027
Payments to suppliers and employees (i)		**(90,104)**	(76,756)
Income tax paid		**(7,220)**	(21,905)
(Increase)/decrease in operating assets:			
Due from other financial institutions		**(1,864)**	3,336
Financial instruments		**(135,256)**	(163,814)
Loans and advances		**(1,381,203)**	(334,763)
Increase/(decrease) in operating liabilities:			
Due to other financial institutions		**1,706**	(3,868)
Deposits and other borrowings excluding subordinated notes and floating rate notes		**1,402,550**	323,729
Net cash flows from / (used in) operating activities	4.1	**(49,384)**	(122,294)
Cash flows from investing activities			
Purchase of intangible assets		**(4,343)**	(4,282)
Proceeds from sale of non-current assets held for sale		**4,765**	-
Purchase of property, plant and equipment		**(700)**	(499)
Net cash flows from / (used in) investing activities		**(278)**	(4,781)
Cash flows from financing activities			
Employee share issue		**62**	84
Entitlement and placement offer share issue		**-**	55,339
(Receipts)/payments for lease liabilities		**(1,669)**	(2,757)
Subordinated notes		**15,097**	(146)
Floating rate notes issue		**99,709**	49,976
Dividends paid net of dividend reinvestment plan	2.6	**(24,588)**	(11,657)
Net cash flows from / (used in) financing activities		**88,611**	90,839
Net increase / (decrease) in cash held		**38,949**	(36,236)
Cash at beginning of financial year		**80,266**	116,502
Closing cash carried forward	4.1	**119,215**	80,266

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2022

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 address of its registered office and principal place of business is 137 Harrington Street, Hobart Tasmania 7000. The consolidated financial statements of MyState Limited and its subsidiaries (the Group) were authorised for issue by the Directors on 15 August 2022.

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, Australian Accounting Standards and Interpretations, and other requirements of the law. The financial report complies with Australian equivalents to International Financial Reporting Standards ("AIFRS").

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.

Where necessary, comparative figures have been re-classified and re-positioned for consistency with current period disclosures.

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.

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191, and, in accordance with that Class Order, amounts in the 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 judgements

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:

- Loan origination cost amortisation, refer note 2.1;
- Impairment losses on loans and advances, refer note 4.3;
- Fair value of financial instruments, refer note 4.7;
- Impairment assessment of intangibles and goodwill, refer note 5.3;
- Recoverability of deferred tax assets, refer note 6.1; and
- Assessment of right-of-use assets and lease liabilities, refer notes 4.6 and 5.1.

Non-current assets held for sale

At 31 December 2021, a property was reclassified from Investment property to Held for sale and disclosed separately in the Consolidated Statement of Financial Position, in line with AASB 5 Non-Current assets held for Sale. Prior to reclassification, the property was revalued and a gain on revaluation of $530,000 was recognised in the Consolidated Income Statement in line with the requirements of AASB 140 Investment Property. The property was subsequently sold and a gain of $324,000 on disposal has been disclosed separately in the Consolidated Income Statement.

Software as a Service arrangement

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

1.4 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.

2.1 Net banking operating income

	30 June 2022 $'000	30 June 2021 $'000
Interest income		
Loans and advances	**155,236**	160,912
Investment securities	**4,513**	3,424
Total interest income	**159,749**	164,336
Interest expense		
At call deposits	**16,972**	12,851
Fixed term deposits	**31,034**	38,217
Financing cost - leases	**1,498**	1,317
Total interest expense	**49,504**	52,385
Non-interest income from banking activities		
Transaction fees	**3,703**	3,918
Loan fees	**6,284**	4,674
Banking commissions	**3,282**	2,984
Other banking operations income	**1,834**	1,375
Total non-interest income from banking activities	**15,103**	12,951

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

Interest income is accrued using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument. Loan origination fees are recognised as components of the calculation of the effective interest rate method in relation to originated loans, and therefore effect the interest recognised in relation to this portfolio of loans. The average life of loans in the relevant loan portfolios is reviewed annually to ensure the amortisation methodology for loan origination fees is appropriate.

Interest expense is calculated on an accruals basis using the effective interest rate method. The effective interest rate method is the rate that exactly discounts future payments through the expected life of the financial instrument.

Non-interest income from banking activities

Refer to the "income accounting policy" in note 2.2.

2.2 Income from wealth management activities

	30 June 2022 $'000	30 June 2021 $'000
Funds management income	**9,078**	9,412
Other fees and commissions	**5,742**	4,206
Total income from wealth management activities	**14,820**	13,618

Funds management income and fiduciary activities

TPT Wealth Limited, a controlled entity of the Group, acts as Responsible Entity, Trustee and Funds Manager for eight 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 individuals, superannuation funds and corporate 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 is included in the Consolidated Income Statement of the Group as "Funds management income".

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 2022 $'M	30 June 2021 $'M
Funds under management	**1,062**	1,105
Funds under advice	**434**	487

Other fees and commissions

TPT Wealth Limited provides 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.

Income accounting policy

The Group earns three main types of fees and commissions under contracts with customers. The first income type is single performance obligation contracts, such as transaction services, where the performance obligation is performed and consideration received in quick succession. Income from these contracts is recorded as the performance obligations are satisfied. The second income type is where contracts with the customer are for the performance of multiple obligations over time and the customer only benefits from delivery of all those obligations together over time, for example the provision of trustee services and services to funds under management. For these contracts, income is recognised over the service period. The third type of income is insurance intermediary income where the performance obligations are satisfied substantially at the time of referring the customer and economic benefits flow to the Group over time. The Group has estimated that nil income will be brought forward as a contract asset under these contracts due to the insufficient probability of the timing and amount of future income that will flow from these contracts. This income is therefore recorded when received.

2.3 Income from other activities

	30 June 2022 $'000	30 June 2021 $'000
Gain on revaluation of non-current assets held for sale	**530**	-
Gain on disposal of non-current assets held for sale	**324**	-
Total income from other activities	**854**	-

2.4 Expenses

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

	30 June 2022 $'000	30 June 2021 $'000
Occupancy costs include:		
Operating lease payments	**185**	(114)
Depreciation - right of use lease assets	**2,728**	2,934
Depreciation - buildings and leasehold improvements	**281**	362
Technology costs include:		
Amortisation - computer software	**5,625**	5,275
Administration costs include:		
Depreciation - furniture, equipment and computer hardware	**282**	276
Restructure costs include (i):		
Depreciation - early termination of right-of-use lease assets	**-**	1,215
Termination payments	**-**	952
Loss on disposal of fit out costs	**-**	248
Other	**-**	144
Total restructure costs	**-**	2,559

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

The Group's leasing activities

(i) Real estate leases

The Group leases land and buildings for its office space and branch network. The leases of office space and branches typically run for a period of between 3 and 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

There are no other convenants or restrictions on the Group's leases other than those identified above.

	30 June 2022 $'000	30 June 2021 $'000
Amount recognised in the Consolidated Income Statement		
Expenses relating to short-term leases and low-value leases	**101**	128
Future cash outflows to which the Group, as a lessee, is exposed to:		
FY22	**-**	3,427
FY23	**3,473**	3,535
FY24	**3,564**	3,625
FY25	**3,657**	3,739

Expense accounting policy

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 and right-of-use assets 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	4-15 years
Computer hardware	3 years
Software	3-10 years
Right-of-use assets	2-15 years

Each year the useful life of assets are evaluated. The remaining useful life of select core banking systems has been revised and extended in the current year as the Group has implemented significant increased functionality and, in turn, longevity of these sytems over their initial capacity. The revised remaining useful life is within the above stated parameters however the total life since original core system implementation is in excess of the above stated lives in some instances.

2.5 Earnings per share

	30 June 2022 cents	30 June 2021 cents
Basic earnings per share from continuing operations	**30.34**	39.18
Diluted earnings per share from continuing operations	**30.34**	39.18

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

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**105,570,983**	92,761,685

2.6 Dividends

	Date of payment	30 June 2022 $'000	30 June 2021 $'000
Dividends paid			
2021 Interim dividend paid - 12.5 cents per share	16 Mar 2021	**-**	11,508
2021 Final dividend paid - 13.0 cents per share	21 Sep 2021	**13,686**	-
2022 Interim dividend paid - 12.5 cents per share	15 Mar 2022	**13,188**	-
Total dividends paid		**26,874**	11,508

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

2.6 Dividends (continued)

	30 June 2022 $'000	30 June 2021 $'000
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the period at 30%	**82,170**	82,890
Franking credits that will arise from the payment of income tax payable at the end of the period	**(638)**	4,049

Dividends not recognised at the end of the financial year

On 15 August 2022, the Directors resolved to pay a final dividend for the 2022 financial year of 11.5 cents per share or $12.179m total to be paid on 7 September 2022, fully franked at the 30% 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 $5.22m.

2.7 Segment financial information

Operations of reportable segments

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

Banking division

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

Wealth Management division

The Wealth Management division is a provider of funds management and trustee services. It operates predominantly within Tasmania. It holds $1.062 billion (2021: $1.105 billion) in funds under management on behalf of personal, business and wholesale investors as the responsible entity for eight managed investment schemes. The Wealth Management division comprises TPT Wealth Limited which 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 division is responsible for the governance of the Group. The corporate division charges the operating divisions on a cost recovery basis for costs it has incurred. This division is also where eliminations are allocated between the Banking division and the Wealth Management division.

2.7 Segment financial information

	Banking $'000	Wealth Management $'000	Corporate and Consolidation $'000	Total $'000
Year ended 30 June 2022				
Interest income	159,721	22	6	159,749
Interest expense	(49,495)	(2)	(7)	(49,504)
Other income				
Transaction fees	3,703	-	-	3,703
Loan fee income	6,284	-	-	6,284
Banking commissions	3,282	-	-	3,282
Other banking operations income	1,834	-	-	1,834
Funds management income	-	9,078	-	9,078
Other wealth management fees and commissions	-	5,742	-	5,742
Total operating income	125,329	14,840	(1)	140,168
Expenses				
Personnel costs	31,514	6,723	4,604	42,841
Administration costs	22,147	2,633	(7,021)	17,759
Technology costs	16,136	1,577	(7)	17,706
Occupancy costs	3,917	95	282	4,294
Marketing costs	9,782	420	95	10,297
Governance costs	752	189	2,044	2,985
Impairment expense / (recovery)	(755)	(7)	-	(762)
(Gain) / Loss on disposal of non-current assets	(854)	-		(854)
Income tax expense	12,852	967	57	13,876
Segment profit for the year	29,838	2,243	(55)	32,026
Segment balance sheet information				
Segment assets	7,995,029	25,821	58,997	8,079,847
Segment liabilities	7,637,791	1,721	10,422	7,649,934

	Banking $'000	Wealth Management $'000	Corporate and Consolidation $'000	Total $'000
Year ended 30 June 2021				
Interest income	164,358	(12)	(10)	164,336
Interest expense	(52,370)	(2)	(13)	(52,385)
Other income				
Transaction fees	3,918	-	-	3,918
Loan fee income	4,674	-	-	4,674
Banking commissions	2,984	-	-	2,984
Other banking operations income	1,695	-	(320)	1,375
Funds management income	-	9,412	-	9,412
Other Wealth Management fees and commissions	-	4,206	-	4,206
Total operating income	**125,259**	**13,604**	**(343)**	**138,520**
Expenses				
Personnel costs	27,241	6,338	6,036	39,615
Administration costs	20,999	2,964	(8,617)	15,346
Technology costs	14,893	1,017	290	16,200
Occupancy costs	4,532	144	87	4,763
Marketing costs	6,042	344	8	6,394
Governance costs	549	181	1,850	2,580
Impairment expense / (recovery)	(1,180)	185	-	995
Restructure costs	2,277	282	-	2,559
Income tax expense	15,002	646	69	15,717
Segment profit for the year	**34,904**	**1,503**	**(66)**	**34,351**
Segment balance sheet information				
Segment assets	6,467,120	24,307	51,049	6,542,476
Segment liabilities	6,123,366	1,426	2,470	6,127,262

3.1 Capital management strategy

The Group's capital management strategy is to adhere to regulatory requirements and 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:

- Comply with internal and regulatory capital requirements;
- Ensure sufficient capital resource is available to support the Group's business, operational and investment activities;
- Maintain balance sheet resilience to safeguard the Group's ability to continue as a going concern; and
- Support MyState Limited's and MyState Bank Limited's credit rating.

The Group's capital management policy considers each of internal, regulatory and rating agency capital requirements. Under APS 110 Capital Adequacy, the ultimate responsibility for the prudent management of capital resides with the Board of Directors. The Board must ensure that an appropriate level and quality of capital is maintained, commensurate with the type, amount and concentration of risk exposures.

The Group's regulatory capital requirements are measured on a Level 1 and Level 2 basis.

Level 1 is comprised of MyState Bank Limited (the ADI) and ConQuest 2010-1R.

Level 2 is comprised of the wider MyState Limited prudential group. This group includes MyState Limited (the non-operating holding company), MyState Bank Limited, Connect Asset Management Limited (the Securitisation programme Manager) and ConQuest 2010-1R.

All entities that are consolidated for accounting purposes are included within the Level 2 regulatory capital calculation except for TPT Wealth Limited and securitisation special purposes vehicles (Conquest 2014-2 Trust, Conquest 2016-1 Trust, Conquest 2016-2 Trust, Conquest 2017-1 Trust, Conquest 2018-1 Trust, Conquest 2019-1 PP Trust, and Conquest 2019-2 Trust).

The Group has developed a detailed Internal Capital Adequacy Assessment Plan (ICAAP). This plan covers the capital requirements of the Group on a Level 1 and Level 2 basis (as previously described) as well as TPT Wealth Limited. The Group's capital position is monitored on a frequent basis and is reported to the Board monthly. The ICAAP also includes a three year forecast of capital adequacy which is prepared and submitted to the Board at least annually.

The ICAAP aims to ensure that adequate planning activities take place so that the Group is effectively capitalised. The ICAAP encompasses known financial events, dividend policy, capital raisings, securitisation and stress testing.

The Board has currently set a minimum total capital adequacy ratio of 12.5% for the Group. Capital adequacy of the Group on a level 2 basis is detailed in the following table:

	30 June 2022 $'000	30 June 2021 $'000
Qualifying capital		
Common equity tier 1 capital		
Paid-up ordinary share capital (i)	**211,167**	208,196
Retained earnings	**221,796**	219,128
Reserves excluding general reserve for credit losses	**6,980**	44
Total common equity tier 1 capital	**439,943**	427,368
Less: Regulatory adjustments		
Deferred expenditure including deferred tax assets	**35,540**	24,818
Goodwill and intangibles	**64,556**	68,913
Other deductions	**47,086**	41,733
Total regulatory adjustments	**147,181**	135,464
Net common equity tier 1 capital	**292,761**	291,904
Tier 2 capital		
Subordinated notes (ii)	**50,000**	32,706
General reserve for credit losses	**2,257**	6,380
Total capital	**345,018**	330,990
Risk weighted assets	**2,780,972**	2,231,100
Capital adequacy ratio (iii)	**12.41%**	14.84%

(i) On 24 June 2021, the Group raised $24.2 million (5,628,573 shares at $4.30 each) under a retail entitlement offer. This followed an institutional entitlement offer and fully underwritten institutional placement (Placement) which raised $11.3 million and $20 million respectively (7,274,502 ordinary shares at $4.30 each) from existing and new institutional investors, on 2 June 2021.

(ii) On 10 July 2020, the Group issued $25 million of floating rate subordinated notes ("notes"). The issuer was MyState Limited. The notes have a term of 10 years, maturing 10 July 2030, and pay interest quarterly at a floating rate equal to the three-month BBSW plus a margin of 4.35% per annum. The issuer has the option to redeem these notes on 10 July 2025 and each quarterly interest payment date thereafter, and for certain regulatory events (in each case subject to APRA's prior written approval). On the same date, and with the same terms, MyState Bank Limited issued $25 million of floating rate subordinated notes to MyState Limited with terms identical to those issued by MyState Limited.

On 3 November 2021, the Group issued $25 million of floating rate subordinated notes ("notes"). The issuer was MyState Limited. The notes have a term of 10 years, maturing 3 November 2031, and pay interest quarterly at a floating rate equal to the three-month BBSW plus a margin of 2.75% per annum. The issuer has the option to redeem these notes on 3 November 2026 and each quarterly interest payment date thereafter, and for certain regulatory events (in each case subject to APRA's prior written approval). On the same date, and with the same terms, MyState Bank Limited issued $25 million of floating rate subordinated notes to MyState Limited with terms identical to those issued by MyState Limited.

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. For the notes issued on 3 November 2021, the amount included in the Group's Level 2 Tier 2 regulatory capital is a percentage equal to that of the external interest in the Group's regulatory capital. The amount included in the Group's Level 1 Tier 2 regulatory capital is 100%. For the notes issued on 10 July 2020, the amount included in the Group's Level 1 and Level 2 Tier 2 regulatory capital is 100%.

(iii) At 30 June 2022, the Group's total capital ratio of 12.41% was marginally below the Board's risk appetite limit (12.50%) with Additional Tier 1 capital issuance and planned securitisation to remediate this position.

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 Enterprise Risk 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 limits 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 in the Statement of Financial Position, 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 2022 $'000	30 June 2021 $'000
Cash and liquid assets	**119,215**	80,266
Due from other financial institutions	**40,924**	31,859
Other assets	**9,831**	7,032
Financial instruments	**842,926**	707,166
	1,012,896	826,323
Loans and advances	**6,971,375**	5,607,300
Customer commitments (i)	**268,364**	200,392
Maximum exposure to credit risk	**8,252,635**	6,634,015

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

The credit quality of financial assets has been determined based on Standard 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 than 30 days past due. New facilities are loans that have been funded within the financial year.

	30 June 2022 $'000	30 June 2021 $'000
Credit quality of financial assets		
Financial assets other than loans and advances at amortised cost		
Equivalent S&P rating A+ and above	**622,183**	476,364
Equivalent S&P rating A and below	**390,713**	349,959
Loans and advances at amortised cost		
New Facilities - not closely monitored	**2,860,403**	1,544,649
New Facilities - closely monitored	**1,372**	364
Continuing facilities - not closely monitored	**4,085,757**	4,036,862
Continuing facilities - closely monitored	**23,843**	25,425
Total on balance sheet exposure to credit risk	**7,984,271**	6,433,623

Loans and advances at amortised cost past due analysis		
Not past due	**6,942,215**	5,576,675
Past due days:		
31 to 60 days	**8,285**	11,492
61 to 90 days	**7,166**	5,760
More than 90 days	**13,709**	13,373
Total loans and advances at amortised cost	**6,971,375**	5,607,300
Estimate of collateral held against past due assets	**39,730**	45,588

Estimate of collateral held

To mitigate credit risk, MyState Bank (ADI) holds collateral against select loans and advances in the form of a mortgage charge over property. The bank 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.

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 2022 $'000	30 June 2021 $'000
Tasmania	**2,510,364**	2,223,256
Victoria	**1,356,804**	981,390
New South Wales	**1,414,717**	1,122,964
Queensland	**1,415,876**	1,106,049
Western Australia	**125,683**	77,467
Australian Capital Territory	**68,109**	50,601
South Australia	**71,510**	43,897
Northern Territory	**12,769**	7,094
Gross loans and advances at amortised cost	**6,975,832**	5,612,718

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 MyState Bank are subject to the risk of interest rate fluctuations as a result of mismatches in the timing of the repricing of interest rates on its 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.

	30 June 2022 $'000	30 June 2021 $'000
Value at risk (post-tax) based on historic data		
Average	**4,084**	1,531
Minimum	**3,286**	980
Maximum	**4,878**	2,999

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 protects its portfolio of fixed rate loans, corporate and retail term deposits, NCDs and exposure to variable rate debt obligations, by paying fixed or variable rates to swap providers and receiving fixed or variable rates in return, dependent on the hedged item. The hedge instruments are benchmarked to either BBSW (Bank Bill Swap rate) or AONIA (RBA Interbank Overnight Cash Rate). The hedging strategy is to mitigate earnings volatility for the Group by managing interest rate margins in an increasing rate environment.

Derivatives accounting policy

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 assets and liabilities. These derivative instruments are established with terms that exactly match the terms of the asset or liability designated as the hedged item and therefore form highly effective relationships. The portion of the asset or liability designated in the hedging relationship is determined by reference to specific fixed rate assets or liabilities within the deposit or loan portfolio. The Group conducts tests for ineffectiveness and sources of ineffectiveness are limited to credit risk of parties to the relationship. 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 hedge's 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.

The following table indicates the Group's hedge exposures at 30 June 2022.

Description	Cash flow hedges $'000	Fair value hedges $'000
Notional amount of hedging instrument (i)	**577,129**	-
Carrying amount of hedging instrument (i)	**9,534**	-

(i) Note that Derivatives are reported as financial instruments in the statement of financial position.

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 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.

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, a Liquidity Risk Management framework (LRMF). This process includes acknowledgement 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 LRMF. 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.

On 19 March 2020 the RBA established a Term Funding Facility (TFF) that offered ADI's three-year funding at a rate of 0.25% per annum to support the Australian economy through COVID-19. MyState Bank, the Group's ADI, was granted an allowance of $109.0m which was fully drawn ahead of the 30 September 2020 deadline.

On 1 September 2020, the RBA announced changes to the TFF, including a Supplementary Allowance that provided ADI's additional three year funding at a rate of 0.10%. MyState Bank was granted an allowance of $75.7m which was fully drawn ahead of the 30 June 2021 deadline.

The combined drawn amount as at the reporting date of $184.7m is reported within "term deposits". Funding obtained under the TFF has been secured by $219.4m of eligible asset backed self-securitisation. The funding was drawn down progressively and will therefore be able to be repaid progressively at the end of each respective three year term, commencing in May 2023 and ending in June 2024.

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 Consolidated Statement of Financial Position as they incorporate principal and associated future interest payments.

	On demand $'000	< 3 months $'000	3 months to 1 year $'000	1 year to 5 years $'000	> 5 years $'000	Total $'000
2022						
At call deposits	**3,456,811**	**-**	**-**	**-**	**-**	**3,456,811**
Due to other financial institutions	**-**	**22,982**	**-**	**-**	**-**	**22,982**
Term deposits	**-**	**789,825**	**1,219,829**	**368,469**	**-**	**2,378,123**
Negotiable certificates of deposit	**-**	**342,107**	**174,356**	**-**	**-**	**516,463**
Subordinated notes	**-**	**664**	**1,991**	**10,619**	**63,273**	**76,547**
Floating rate notes	**-**	**2,771**	**11,084**	**105,422**	**-**	**119,277**
Securitisation liabilities	**-**	**92,557**	**277,672**	**794,187**	**-**	**1,164,416**
Contractual amounts payable	**3,456,811**	**1,250,906**	**1,684,932**	**1,278,697**	**63,273**	**7,734,619**
Derivative liability	**-**	**186**	**5,096**	**18,009**	**-**	**23,291**
2021						
At call deposits	2,965,447	-	-	-	-	2,965,447
Due to other financial institutions	-	18,821	-	-	-	18,821
Term deposits	-	632,137	807,082	242,796	-	1,682,015
Negotiable certificates of deposit	-	281,279	-	-	-	281,279
Subordinated notes	-	380	1,141	6,087	50,335	57,943
Floating rate notes	-	253	1,013	55,065	-	56,331
Securitisation liabilities	-	82,541	247,622	808,855	-	1,139,018
Contractual amounts payable	**2,965,447**	**1,015,411**	**1,056,858**	**1,112,803**	**50,335**	**6,200,854**
Derivative liability	**-**	**163**	**1,922**	**13,775**	**-**	**15,860**

Contractual maturity of assets and liabilities

The contractual maturities of the Group's financial assets and liabilities as at the reporting date are 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 2022			30 June 2021		
	< 12 months $'000	> 12 months $'000	Total $'000	< 12 months $'000	> 12 months $'000	Total $'000
Financial assets						
Cash and liquid assets	**119,215**	**-**	**119,215**	80,266	-	80,266
Due from other financial institutions	**40,924**	**-**	**40,924**	31,859	-	31,859
Other assets	**9,831**	**-**	**9,831**	7,032	-	7,032
Financial instruments	**381,929**	**460,997**	**842,926**	351,018	356,148	707,166
Loans and advances (i)	**73,160**	**6,898,215**	**6,971,375**	66,042	5,541,258	5,607,300
Total financial assets	**625,059**	**7,359,212**	**7,984,271**	**536,217**	**5,897,406**	**6,433,623**
Financial liabilities						
Due to other financial institutions	**(22,982)**	**-**	**(22,982)**	(18,821)	-	(18,821)
Other liabilities	**(17,213)**	**-**	**(17,213)**	(20,605)	-	(20,605)
Deposits	**(5,982,929)**	**(325,618)**	**(6,308,547)**	(4,685,945)	(242,796)	(4,928,741)
Subordinated notes	**-**	**(49,758)**	**(49,758)**	-	(34,662)	(34,662)
Floating rate notes	**-**	**(149,685)**	**(149,685)**	-	(49,976)	(49,976)
Securitisation liabilities	**(273,421)**	**(816,773)**	**(1,090,194)**	(267,457)	(798,958)	(1,066,415)
Total financial liabilities	**(6,296,545)**	**(1,341,834)**	**(7,638,379)**	**(4,992,828)**	**(1,126,392)**	**(6,119,220)**
Net contractual amounts receivable / (payable)	**(5,671,486)**	**6,017,378**	**345,892**	**(4,456,611)**	**4,771,014**	**314,403**

(i) Contractual recovery is subject to evolving regulatory and industry support for counterparties requesting such support, as at the reporting date, the primary support provided to borrowers is repayment deferral periods.

3.3 Average balance sheet and sources of net interest income

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

	30 June 2022			30 June 2021		
	Average balance $'000	Interest $'000	Average rate %	Average balance $'000	Interest $'000	Average rate %
Average assets and interest income						
Interest-earning assets						
Cash and liquid assets	**109,206**	**26**	**0.02%**	102,751	21	0.02%
Financial instruments	**739,889**	**4,487**	**0.61%**	608,672	3,403	0.56%
Loans and advances (i)	**5,933,925**	**155,236**	**2.62%**	5,173,127	160,912	3.11%
Total average interest-earning assets	**6,783,020**	**159,749**	**2.36%**	**5,884,550**	**164,336**	**2.79%**
Non-interest earning assets	**142,541**	**-**	**-**	141,968	-	-
Total average assets	**6,925,561**	**159,749**	**2.31%**	**6,026,518**	**164,336**	**2.73%**
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	**5,588,647**	**31,184**	**0.56%**	4,563,415	30,861	1.36%
Notes and bonds on issue	**1,146,984**	**16,822**	**1.47%**	1,300,339	20,206	2.25%
Total average interest-bearing liabilities	**6,735,631**	**48,006**	**0.71%**	**5,863,754**	**51,067**	**0.87%**
Non-interest bearing liabilities	**36,982**	**-**	**-**	42,846	-	-
Total average liabilities	**6,772,613**	**48,006**	**0.71%**	**5,906,600**	**51,067**	**0.86%**
Reserves	**397,433**	**-**	**-**	332,453	-	-
Total average liabilities and reserves	**7,170,046**	**48,006**	**0.67%**	**6,239,053**	**51,067**	**0.82%**

(i) The offset account average balance included in Loans and advances is $262.919 million (2021: $232.382 million).

4.1 Cash and liquid assets

	30 June 2022 $'000	30 June 2021 $'000
Notes, coins and cash at bank	**114,570**	75,469
Other short term liquid assets	**4,645**	4,797
Total cash and liquid assets	**119,215**	80,266
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	**32,026**	36,341
Add / (less) items classified as investing / financing activities or non-cash items:		
Depreciation of property, plant and equipment	**563**	638
Depreciation of right of use assets	**2,728**	3,626
Amortisation of intangible assets	**5,625**	5,275
Loss / (gain) on sale of non-current assets	**(854)**	248
Bad and doubtful debts expense net of recoveries	**(762)**	(995)
Share based payment	**227**	501
Tax movement within reserves	**(2,990)**	(130)
Changes in assets and liabilities:		
Decrease / (increase) in due from other financial institutions	**(9,065)**	2,756
Decrease / (increase) in loans and advances	**(1,363,313)**	(320,192)
Decrease / (increase) in financial instruments	**(125,795)**	(164,167)
Decrease / (increase) in other assets	**(548)**	(270)
Decrease / (increase) in deferred tax assets	**3,617**	(614)
Increase / (decrease) in due to other financial institutions	**2,059**	(4,619)
Increase / (decrease) in deposits and other borrowings	**1,403,585**	325,186
Increase / (decrease) in employee benefits provisions	**345**	(434)
Increase / (decrease) in tax liabilities	**3,168**	(5,444)
Net cash flows used in operating activities	**(49,384)**	(122,294)

Cash and liquid assets 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 than 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;
- Customer loans and advances; and
- Dividends paid.

Where operational income and expense accruals and prepayments are included in the above line items, the movements will differ between the Statement of Financial Position and the disclosure in this note.

4.2 Financial instruments

	30 June 2022 $'000	30 June 2021 $'000
Financial instruments at amortised cost		
Negotiable certificates of deposits	**341,098**	317,703
Term deposits	**35,700**	35,700
Floating rate notes	**455,878**	353,258
Other deposits	**721**	1,068
Total financial instruments at amortised cost	**833,397**	707,729
Financial instruments at fair value		
Derivatives	**9,529**	(563)
Total financial instruments	**842,926**	707,166

Financial instruments accounting policies

Financial instruments at amortised cost

Financial instruments at amortised cost are those non-derivative financial assets that the Group 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.

Financial instruments at fair value

Financial instruments other than those carried at amortised cost, are carried at their fair value at the reporting date. Note 4.7 contains information on how the Group determines fair values. Fair value gains and losses are recognised in comprehensive income until the derecognition date, at which point the net gains and losses are transferred to profit or loss for that instrument.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired, or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

4.3 Loans and advances

	30 June 2022 $'000	30 June 2021 $'000
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	**6,872,096**	5,468,427
Personal loans and unsecured overdrafts	**20,238**	46,989
Overdrafts secured by mortgage	**31,846**	29,200
Commercial loans	**51,652**	68,102
Total loans and advances at amortised cost	**6,975,832**	5,612,718
Less:		
Specific provision for impairment	**-**	50
Collective provision for impairment	**4,457**	5,368
Total loans and advances at amortised cost net of provision for impairment	**6,971,375**	5,607,300

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 recognised on trade date and 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 2022 $'000	30 June 2021 $'000
Provision for impairment		
Specific provision for impairment		
Opening balance	**50**	305
Net specific provision funding	**(50)**	(255)
Write-off of previously provisioned facilities	**-**	-
Closing balance of specific provision for impairment	**-**	50
Collective provision for impairment		
Opening balance	**5,368**	6,632
Net collective provision funding	**(918)**	(1,037)
Write-off of previously provisioned facilities	**7**	(227)
Closing balance of collective provision for impairment	**4,457**	5,368
Charge to profit for impairment on loans and advances		
Increase / (decrease) in specific provision for impairment	**(50)**	(255)
Increase / (decrease) in collective provision for impairment	**(918)**	(1,037)
Bad debts recovered	**(539)**	(675)
Bad debts written off directly	**745**	972
Less charge related to discontinued operation	**-**	-
Total impairment (recovery) / expense on loans and advances	**(762)**	(995)

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

At 30 June 2022, this review includes forward looking economic assumptions using a scenario weighting of 60% base case, 30% moderate recession and 10% strong recovery. The key assumptions used to determine the forward looking economic overlay were revised to incorporate the latest observed economic data, including a higher Official Cash Rate (OCR), stronger levels of employment and lower near term house price growth, with price falls under the moderate recession scenario of -20% across FY23 and FY24.

Given the ever-changing COVID-19 environment in Australia and geopolitical uncertainties affecting the world, future economic conditions that result in outcomes that differ from the current estimate are possible and will be accounted for in future periods.

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 a specific 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 collective provisions are calculated using an Expected Credit Loss (ECL) model. This model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

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

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

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

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

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

Significant changes in credit risk

Significant increases in credit risk for financial assets are assessed by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date compared to the corresponding risk of default at origination. In determining what constitutes a significant increase in credit risk, the Group considers qualitative and quantitative information. The judgement to determine this is primarily based on changes in internal customer risk grades since origination of the facility. For all of the Group's loan portfolios, in addition to the primary indicator, a mathematical model has been developed to identify where a facility's recent behaviour has deteriorated significantly from its original behaviour.

Key judgements and estimates made by the Group include the following:

Forward looking information

The measurement of expected credit losses needs to reflect an unbiased probability-weighted range of possible future outcomes. AASB 9 provides limited guidance on how to meet this requirement and consequently, the Group has developed an approach considered appropriate for its credit portfolio, informed by emerging market practices.

In applying forward looking information in its AASB 9 credit models, the Group considered three alternate economic scenarios (base case, strong recovery and moderate recession), to ensure a sufficient unbiased representative sample is included in estimating ECL. At 30 June 2022, the forward looking component of the collective provision for doubtful debts is $0.9m (2021: $1.5m). The balance of the overlay at 30 June 2021 reflected the level of uncertainty of the potential ongoing impact of COVID-19 at that time. At 30 June 2022, while there are no customers on COVID related assistance, the overlay now primarily reflects the uncertainty surrounding the impact of inflation and higher interest rates on the economic recovery.

4.4 Transfer of financial assets (securitisation program)

Some 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 carrying values at the transaction date of financial assets transferred during the financial year in this manner to vehicles that provide regulatory capital relief and the value of the associated liabilities issued from the vehicles. This table does not include transfer of assets to the securitisation vehicle in which the Group is the bond holder.

	30 June 2022 $'000	30 June 2021 $'000
Transferred financial assets:		
Loans and advances	**350,389**	-
Associated financial liabilities		
Securitisation liabilities to external investors	**350,389**	-

Transfer of financial assets accounting policy

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

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

4.5 Deposits and other borrowings including subordinated notes

	30 June 2022 $'000	30 June 2021 $'000
Deposits		
At call deposits	**3,456,811**	2,965,447
Term deposits	**2,335,273**	1,682,015
Negotiable certificates of deposit	**516,463**	281,279
Total deposits	**6,308,547**	4,928,741
Other borrowings		
Subordinated notes(i)	**49,758**	34,662
Floating rate notes(ii)	**149,685**	49,976
Securitisation liabilities	**1,090,194**	1,066,415
Total deposits and other borrowings including subordinated notes	**7,598,184**	6,079,794
Concentration of deposits:		
Customer deposits	**5,553,779**	4,462,773
Wholesale deposits	**754,768**	465,968
Subordinated notes(i)	**49,758**	34,662
Floating rate notes(ii)	**149,685**	49,976
Securitisation liabilities	**1,090,194**	1,066,415
Total deposits	**7,598,184**	6,079,794

(i) Refer to note 3.1 (ii) for details regarding the subordinated notes issue.

(ii) On 20 November 2021, floating rate notes with a face value of $100m and term of 3 years were issued by MyState Limited.

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.

4.6 Other liabilities

	30 June 2022 $'000	30 June 2021 $'000
Trade payables and related accruals	**6,975**	8,699
Lease liabilities	**10,238**	11,906
Total other liabilities	**17,213**	20,605

Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate).

Lease payments are allocated between principal and interest expense. Interest expense is recognised as a financing cost within interest expense (refer note 2.1) in the income statement over the lease period. Any variable lease payments not included in the measurement of the lease liability are also recognised in the income statement in the period in which the event or condition that triggers those payments occurs. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the Right-of-use (ROU) asset, or, in the income statement, where the carrying value of the ROU asset has been fully written down. The ROU asset is recorded in property, plant and equipment and right-of-use assets (refer to note 5.1).

4.7 Fair value of financial instruments

Classification of financial instruments

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

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

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

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

	30 June 2022		30 June 2021	
	Carrying value $'000	Net fair value $'000	Carrying value $'000	Net fair value $'000
Financial assets				
Financial instruments	**833,397**	**819,283**	707,729	725,199
Loans and advances	**6,971,375**	**6,893,600**	5,607,300	5,613,341
Total financial assets	**7,804,772**	**7,712,883**	**6,315,029**	**6,338,540**
Financial liabilities				
Deposits	**6,308,547**	**6,301,702**	4,928,741	4,928,719
Other borrowings including subordinated notes	**1,289,637**	**1,288,359**	1,151,053	1,150,973
Total financial liabilities	**7,598,184**	**7,590,061**	**6,079,794**	**6,079,692**

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
2022				
Financial assets				
Financial instruments	**-**	**819,283**	**-**	**819,283**
Loans and advances	**-**	**-**	**6,893,600**	**6,893,600**
Financial liabilities				
Deposits	**-**	**6,301,702**	**-**	**6,301,702**
Other borrowings including subordinated notes	**-**	**1,288,359**	**-**	**1,288,359**
2021				
Financial assets				
Financial instruments	-	725,199	-	725,199
Loans and advances	-	-	5,613,341	5,613,341
Financial liabilities				
Deposits	-	4,928,719	-	4,928,719
Other borrowings including subordinated notes	-	1,150,973	-	1,150,973

The Group has performed a VaR analysis as detailed in note 3.2, Market risk. VaR takes account of all material market variables that may cause a change in the value of the loan portfolio, being 100% of Level 3 inputs.

5.1 Property, plant and equipment and right-of-use assets

	30 June 2022 $'000	30 June 2021 $'000
Leasehold improvements		
At revalued amount	**7,370**	7,351
Accumulated depreciation	**(6,820)**	(6,629)
	550	722
Plant and equipment		
At cost	**5,847**	5,433
Accumulated depreciation	**(5,040)**	(4,826)
	807	607
Right-of-use assets - land and buildings		
At cost	**15,581**	14,938
Accumulated depreciation	**(6,485)**	(4,589)
	9,096	10,349
Total property, plant and equipment	**10,453**	11,678

Property, plant and equipment accounting policy

Leasehold improvements

Following initial recognition at cost, leasehold improvements are carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation on leasehold improvements. 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.

A property previously classified as land and buildings was reclassified as Investment property in the prior comparative period and held for sale and subsequently disposed of during the financial year.

Plant and equipment and right-of-use (ROU) assets

Plant and equipment and right-of-use assets are measured at cost less accumulated depreciation and any impairment in value. The cost of ROU assets correspond to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date, net of any lease incentives received and initial direct costs.

Impairment of property, plant and equipment and right-of-use assets

The carrying values of property, plant and equipment and right-of-use assets 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 and right of use assets

An item of property, plant and equipment or right-of-use asset 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 Investment property

	30 June 2022 $'000	30 June 2021 $'000
Land and buildings		
At revalued amount	-	5,293
Accumulated depreciation	-	(1,492)
	-	3,801
Total investment property	-	3,801

Investment property accounting policy

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.

At 31 December 2021, the investment property was reclassified from Investment property to Held for sale in line with AASB 5 Non-Current *assets held for Sale*. Prior to reclassification, the property was revalued and a gain on revaluation of $530k was recognised in line with the requirements of *AASB 140 Investment Property*. The property has subsequently been sold and settled on 16 May 2022. A gain on disposal of $324k has been recorded separately in the Consolidated Income Statement. (Refer note 1.3)

5.3 Intangible assets and goodwill

	Goodwill $'000	Software $'000	Total $'000
Year ended 30 June 2022			
At 1 July 2021, net of accumulated amortisation	**65,152**	**18,326**	**83,478**
Additions	**-**	**4,343**	**4,343**
Disposal	**-**	**-**	**-**
Transfer out from derecognition of SAAS capitalised costs	**-**	**(3,351)**	**(3,351)**
Amortisation	**-**	**(5,625)**	**(5,625)**
At 30 June 2022, net of accumulated amortisation	**65,152**	**13,693**	**78,845**
At 30 June 2022			
Cost (gross carrying amount less impairment)	**65,152**	**40,293**	**105,445**
Accumulated amortisation	**-**	**(26,600)**	**(26,600)**
Net carrying amount	**65,152**	**13,693**	**78,845**
Year ended 30 June 2021			
At 1 July 2019, net of accumulated amortisation	65,152	19,319	84,471
Additions	-	4,282	4,282
Disposal	-	-	-
Amortisation	-	(5,275)	(5,275)
At 30 June 2021, net of accumulated amortisation	**65,152**	**18,326**	**83,478**
At 30 June 2021			
Cost (gross carrying amount less impairment)	65,152	41,066	106,218
Accumulated amortisation	-	(22,740)	(22,740)
Net carrying amount	**65,152**	**18,326**	**83,478**

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.

Software as a Service arrangement

Any capitalised costs of configuring or customising a supplier's application software in a software as a service arrangement have been derecognised in the financials in line with the IFRS Interpretation Committee's (IFRIC) agenda decision in April 2021. The impact has been recognised in the Group's retained earnings. (Refer to note 1.3)

Intangible assets are tested for impairment where an indicator of impairment exists and, in the case of indefinite life intangibles (limited to Goodwill), 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 2022 $'000	30 June 2021 $'000
Banking Business	**40,189**	40,189
Wealth Management Business	**24,963**	24,963
Total goodwill	**65,152**	65,152

The Group's assessment of goodwill value-in-use exceeds the carrying value allocated to the CGUs and included in the financial statements.

The recoverable amounts for each CGU's value-in-use was determined using cash flow projections from Board approved financial budgets for the year ending 30 June 2023. Growth rates have been applied from year two through to year ten. Cash flows are projected by undertaking detailed calculations for each income and expense category over a three year period and are then extrapolated off the 3rd year, which is the lowest point of growth. An exit value is calculated at the end of 10 years, based on an implied terminal value earnings multiple of 8.5 and 9.2 for the Banking Business and the Wealth Management Business respectively, and a long-term growth rate not exceeding industry. A post-tax discount rate of 11.7% (16.7% pre-tax) and 11.1% (15.9% pre tax) was used for the Banking Business and the Wealth Management Business respectively. 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 ten 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 11.7% reflects the Group's post-tax nominal weighted average cost of capital, which has been reviewed by externally engaged advisers and approved by the Board. Average inflation is projected to be 5.1%. 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 reasonable. Management expects 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. Other sources of income for the Wealth Management Business are its Trustee Services divisions. Taking into account Management's past experiences and external evidence, the assumptions adopted are considered reasonable. Management's assessment of Wealth Management's value-in-use 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 CGU's) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata based on the carrying amount of each asset in the CGU. 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 CGU, 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 investment's 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.

5.4 Employee benefits provisions

	30 June 2022 $'000	30 June 2021 $'000
Balances		
Provision for annual leave	**2,319**	2,006
Provision for long service leave	**3,266**	3,234
Total employee benefits provisions	**5,585**	5,240
Due to be settled within 12 months	**4,129**	3,879
Due to be settled in more than 12 months	**1,456**	1,361
Total employee benefits provisions	**5,585**	5,240

Employee benefits accounting policy

Liabilities for salaries, wages and annual leave are recognised in respect of 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.

5.5 Share capital

	30 June 2022 $'000	30 June 2021 $'000
Issued and paid up ordinary shares	**211,167**	208,196

Movements in ordinary share capital	30 June 2022 Number of shares	30 June 2022 Amount $'000	30 June 2021 Number of shares	30 June 2021 Amount $'000
Opening balance	**105,275,092**	**208,196**	92,008,862	152,775
Shares issued pursuant to the:				
- Group employee share scheme	**12,584**	**62**	21,853	84
- Executive long term incentive plan	**-**	**-**	34,063	167
- Dividend reinvestment plan	**617,265**	**3,000**	307,239	1,397
- Institutional placement and entitlement offer	**-**	**-**	7,274,502	31,280
- Retail entitlement offer	**-**	**-**	5,628,573	24,203
- Less: Share issue transaction costs, net of tax	**-**	**(91)**	-	(1,710)
Closing balance	**105,904,941**	**211,167**	105,275,092	208,196

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 5.2 in the Remuneration Report for further information regarding these arrangements.

6.1 Income tax expense, current and deferred tax balances

	30 June 2022 $'000	30 June 2021 $'000
The major components of income tax expense /(benefit) are:		
Income tax expense		
Current income tax charge	**12,426**	14,794
Adjustment in respect of current income tax of previous years	**(34)**	78
Adjustments in respect of deferred income tax of previous years	**-**	(10)
Adjustments in respect of equity / goodwill	**(2,789)**	611
Relating to origination and reversal of temporary differences	**4,273**	244
Total income tax expense	**13,876**	15,717
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 income tax	**45,902**	52,058
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	**13,771**	15,617
- Under / (over) provision in prior year	**(34)**	63
Expenditure not allowable for income tax purposes	**139**	36
Other	**-**	1
Income tax expense reported in the consolidated income statement	**13,876**	15,717
Total income tax expense	**13,876**	15,717
Weighted average effective tax rates	**30.2%**	30.2%
Deferred income tax relates to the following:		
Deferred tax assets		
Employee entitlements	**1,676**	1,572
Provisions	**243**	221
Doubtful debts	**1,337**	1,662
Other	**1,639**	2,445
Total deferred tax assets	**4,895**	5,900
Current tax receivable	**1,383**	3,996
Total tax assets	**6,278**	9,896
Deferred tax liabilities		
Financial assets at fair value	**61**	68
Property, plant and equipment	**1,711**	2,387
Other	**4,198**	347
Total deferred tax liabilities	**5,970**	2,802
Current tax payable	**-**	-
Total tax liabilities	**5,970**	2,802

Movements in deferred tax balances	Deferred tax assets 30 June 2022 $'000	Deferred tax assets 30 June 2021 $'000	Deferred tax liabilities 30 June 2022 $'000	Deferred tax liabilities 30 June 2021 $'000
Opening balance	**5,900**	5,286	**2,802**	1,944
Reclassification deferred tax	**(130)**		**(130)**	
(Charged)/credited to income statement	**(916)**	13	**468**	858
Credited/(charged) to equity	**41**	611	**2,830**	-
Adjustments for deferred tax of prior years	**-**	(10)	**-**	-
Closing balance	**4,895**	5,900	**5,970**	2,802

Taxation accounting policy

Income tax expense 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 expense 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 reporting 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.

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 and policy notes within the financial statements for a summary of the significant accounting policies relating to the Group.

Statement of Financial Position	**30 June 2022 $'000**	**30 June 2021 $'000**
Assets		
Cash and liquid assets	**3,963**	318
Other receivables	**1,131**	965
Related party receivables	**50,000**	25,000
Investments in subsidiaries	**324,392**	321,392
Current and deferred tax assets	**2,588**	5,510
Total assets	**382,074**	353,185
Liabilities		
Other liabilities	**820**	2,536
Other borrowings	**50,000**	25,000
Related party payables	**5,392**	2,921
Tax liabilities	**121**	32
Employee benefits provisions	**439**	457
Total liabilities	**56,772**	30,946
Net assets	**325,302**	322,239
Equity		
Share capital	**317,095**	314,124
Retained earnings	**7,182**	7,071
Reserves	**1,025**	1,044
Total equity	**325,302**	322,239
Financial performance		
Profit after income tax for the year	**26,813**	12,841
Other comprehensive income	**-**	-
Total comprehensive income	**26,813**	12,841

The parent entity has not entered into any guarantees and does not have any contingent liabilities as at 30 June 2022 (30 June 2021: nil).

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

7.2 Controlled entities and principles of consolidation

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

Significant subsidiaries	Principal activities	Country of Incorporation	Ownership Interest
MyState Bank Limited	Banking	Australia	100%
TPT Wealth Limited	Wealth Management	Australia	100%
Connect Asset Management Pty Ltd	Manager of Securitisation Vehicles	Australia	100%

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 patterns 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 in 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 Wealth Limited (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 receive 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 2022 $'000	30 June 2021 $'000	30 June 2022 $'000	30 June 2021 $'000
Management fees received	**9,078**	9,412	**9,078**	9,412
Balance of investment held at year end	**2,532**	2,553	**2,532**	2,509
Distributions received from managed funds	**23**	(35)	**22**	(23)

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 MyState Bank, in the form of term deposits and negotiable certificates of deposit, totalling $2.58M (2021: $2.55M); and
- Invested in the ConQuest Trusts Residential Mortgage Backed Securities Program in the form of Class A and B notes totalling $31.29M (2021: $28.94M).

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

Key Management Personnel

(i) Loans to directors

During 2022, secured loans advanced to the Managing Director and Chief Executive Officer were $0.97m. At 30 June 2022, the balance outstanding was $0.97m and is included in loans and advances. (Note 4.3)

(ii) 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 2022 $'000	30 June 2021 $'000
Key management personnel compensation		
The key management personnel compensation comprised:		
Short-term employee benefits	**3,885**	4,611
Post employment benefits	**323**	295
Share-Based payment (i)	**208**	473
Termination benefits	**-**	-

(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

MyState Bank 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.

	30 June 2022 $'000	30 June 2021 $'000
Customer commitments		
Loans approved but not advanced to borrowers	**207,176**	134,076
Undrawn continuing lines of credit	**58,269**	62,458
Performance guarantees	**2,919**	3,858
Total customer commitments	**268,364**	200,392

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 MyState Bank is crystallised in the form of an overdraft or loan.

Estate Administration

TPT Wealth Limited acts as executor and trustee for a significant number of trusts and estates. In this capacity, this company 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 which are shown exclusive of GST claimed were paid or payable for services provided by the auditor of the Group, Wise Lord & Ferguson:

	30 June 2022 $'000	30 June 2021 $'000
Audit services		
Audit of the financial statements of the consolidated entities	**418**	401
Total remuneration for audit services	**418**	401
Audit related services		
Assurance related services	**51**	50
Audit of loans and other services to the securitisation program	**4**	6
Total remuneration for audit related services	**55**	56
Other non-external audit related services		
Other services	**51**	10
Total remuneration for non-audit related services	**51**	10
Total remuneration for services provided	**524**	467

8.3 Events subsequent to balance date

On 8 August 2022, the MyState Limited Group announced that it had mandated Westpac and Ord Minnett to engage with investors with the aim to investigate the prospect of issuing a capital note that will qualify as Additional Tier 1 regulatory capital.

There were no other matters or circumstances, other than as noted above, 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, new accounting standards and disclosures

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.

(i) Other assets

Other assets comprise accounts receivable, accrued income and prepayments. Accounts receivable are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment loss.

(ii) Other liabilities

Other liabilities comprise accounts payable and accrued expenses and represent liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of the recognition of the liability.

(iii) New and revised accounting standards

The Group has adopted the following new standards and amendments to standards:

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments.*
- AASB 2019-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date.*

The following accounting standards will become effective in future financial years:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

Adoption of these amendments is not expected to result in any significant changes to how the Group applies accounting standards in future financial years.

Directors' Declaration
for the year ended 30 June 2022

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

1. In the opinion of the Directors:

   (a) The financial statements and notes of the Group set out on pages 58 to 99 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 2022 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 2022.

3. 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

Vaughn Richtor
Chairman

Brett Morgan
Managing Director and Chief Executive Officer

Hobart, dated 15 August 2022.

Independent Auditor's Report

To the Shareholders of MyState Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MyState Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 Company.

In our opinion the accompanying financial report of the Group is 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 2022 and of its financial performance for the year then ended; and

II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

1. Operation of IT Systems and Controls

Key audit matter	How our audit addressed the matter
This is a key audit matter because a significant part of the Group's financial reporting process is heavily reliant on IT systems with automated processes and controls for the capture, processing, storage, and extraction of information. There has been continued change to the Group's IT landscape in the 2022 financial year and it has been essential to ensure appropriate user access and change management protocols exist and are being observed. These protocols are important because they ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner. These key controls mitigate potential fraud or error because of change to an application or underlying data. MyState has outsourced arrangements in place for a number of key IT processes.	We focus our audit on those IT systems and controls that are significant to the Group's financial reporting process. We assessed and tested the design and operating effectiveness of the Group's IT controls, including those over user access and change management as well as data reliability and integrity. This involved assessing: • Technology control environment and governance; • Change management processes for software applications; • Access controls designed to enforce segregation of duties; • System development, reviewing the appropriateness of management's testing and implementation controls; • We carried out direct tests of the operation of key programs to establish the accuracy of calculations, the correct generation of reports, and to assess the correct operation of automated controls and technology-dependent manual controls; and • Third party reports on IT systems and controls. For outsourced providers, we obtain assurance from third party auditors on the design and operating effectiveness of controls.

2. Recognition and Measurement – Software Assets and Goodwill

Refer to Note 5.3 'Software assets and goodwill'

Key audit matter	How our audit addressed the matter
The recognition and measurement of software assets is a key audit matter because of the Group's ongoing investment in new systems and the judgement required to: • Recognise when costs incurred transition from research to development; and • Assess the useful life of IT assets. The Group continues to enhance its IT systems and online servicing capability. There is also a high level of judgement required in the Group's annual testing of impairment of goodwill with significant forward-looking assumptions used in the valuation models.	To address the risk of material misstatement and obtain sufficient audit evidence, we performed the following procedures over software assets and goodwill: • We evaluated and tested the Group's policies and processes for recognising software assets; • We reviewed amounts capitalised for significant projects currently being completed by the group. This included a retrospective assessment of amounts capitalised in early stages of significant projects; • We reviewed the Group's processes for considering the completion of projects and commencement of amortisation; • We ensured software assets made redundant through new projects were written off; • We reviewed the useful lives applied to IT systems to ensure they are reasonable; and • We reviewed the goodwill valuation model and forward-looking assumptions applied to each CGU of the Group.

3. Provision for Impairment on Loans and Advances

Refer to Note 4.3 'Loans and advances'

Key audit matters	How our audit addressed the matter
The provision for impairment on loans and advances is a key audit matter because of the Group's significant balance of loans and advances, the significant growth in loan balances during the 2022 financial year, and the significant judgement inherent in the provisioning model. The provisioning model is determined in accordance with the requirements of AASB 9 *Financial Instruments*. Provision for impairment of loans and advances that exceed specific thresholds are individually	To address the risk of material misstatement and obtain sufficient audit evidence, we performed the following procedures over the provisions for impairment on loans and advances: • Assessed the governance oversight; • Reviewed and tested the calculation of the expected credit loss model, including the specific provision, collective provision for impairment and management overlays; • Considered the assumptions within the management overlays;

Key audit matters	How our audit addressed the matter
assessed by management with reference to future cash repayments and proceeds from the realisation of security. Other loans that do not have an individually assessed provision are assessed on a portfolio basis with loans with similar risk characteristics. Key areas of judgement included: • The design of the expected credit loss model used; • The selection of assumptions adopted such as the probability of default, loss given default, exposure at default and forward-looking information, and the impact of COVID-19 on these assumptions; • The design of the management overlays applied in response to significant economic events; and • The stress test modelling undertaken to verify provisioning levels.	• Ensured the methodology for write off of debt was consistent with prior periods; • Tested the accuracy of the data used to calculate the provision; • Reviewed a sample of current arrears balances and reviewed follow up procedures, including whether specific financial assets in arrears had been appropriately provided for; and • Reviewed management assessments of provision for loans that exceed specific thresholds. We also assessed the impact of regulatory changes on the provision for impairment on loans and advances, specifically the impact of Prudential Standard APS 220 Credit Risk Management. We considered the impact of the growth in loan balances on credit risk and tested the internal control environment that supports lending.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 40 to 57 of the Directors’ report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of MyState Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

WISE LORD & FERGUSON

DANNY MCCARTHY
Partner

Date: 15 August 2022

Shareholder information

Voting Rights

In accordance with the MyState Limited Constitution, a shareholder is entitled to exercise one vote in respect of each fully paid ordinary share held.

Range of Units at 17 August 2022

The Company's quoted securities on the ASX (ASX Code: MYS) are ordinary fully paid shares.

Range	Total holders	Units	% Units
1 - 1,000	51,970	21,638,726	20.43
1,001 - 5,000	3,312	8,396,053	7.93
5,001 - 10,000	1,238	8,891,791	8.40
10,001 - 100,000	1,170	25,601,432	24.17
100,001 Over	53	41,376,939	39.07
Rounding			**0.00**
Total	**57,743**	**105,904,941**	**100.00**

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 4.8000 per unit	105	480	15,744

Top Holders (Grouped) as at 17 August 2022

Rank	Range	Total holders	Units
1	CITICORP NOMINEES PTY LIMITED	10,976,640	10.36
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,773,082	7.34
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,346,302	6.94
4	SELECT MANAGED FUNDS LTD	1,225,960	1.16
5	MR BRIAN DAVID FAULKNER	1,002,000	0.95
6	BEECHWORTH HOLDINGS PTY LTD <BEECHWORTH SUPER FUND A/C>	900,000	0.85
7	BNP PARIBAS NOMS PTY LTD <DRP>	873,791	0.83
8	MR KENNETH JOSEPH HALL <HALL PARK A/C>	684,588	0.65
9	NATIONAL NOMINEES LIMITED	613,902	0.58
10	PRESTIGE FURNITURE PTY LTD	556,000	0.52
11	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	531,849	0.50
12	STANBOX NO 2 PTY LTD	525,000	0.50
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	498,742	0.47
14	MRS WENDY JEAN FAULKNER	411,864	0.39
15	HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	394,652	0.37
16	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	384,618	0.36
17	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	377,718	0.36
18	DONETTA PTY LIMITED	332,652	0.31
19	MRS JOAN ELIZABETH EVERSHED	312,547	0.30
20	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	310,287	0.29
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**36,032,194**	**34.03**
	Total Remaining Holders Balance	**69,872,747**	**65.97**

Unquoted Securities

A total of 532,884 unquoted performance rights issued pursuant to the company's employee incentive scheme (ASX Code MYSAC) are held by 11 people.

MyStateLimited

Registered Office

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Website: mystatelimited.com.au
Email: info@mystatelimited.com.au

Company Secretary

Scott Lukianenko

Share Registry

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

Auditors

Wise Lord & Ferguson
Level 1, 160 Collins Street
Hobart TAS 7000

Australian Securities Exchange Listing

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

MyState Bank

ABN 89 067 729 195
Phone: 138 001
Website: mystate.com.au
Email: info@mystate.com.au

TPT Wealth

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Phone: 1300 138 044
Website: tptwealth.com.au
Email: info@tptweatlh.com.au

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