

19 February 2021

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

**MyState Limited – Half Year Report
(Appendix 4D) for the half year ended 31 December 2020**

The Directors of MyState Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2020 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracted from the Financial Statements for the half year ended	\$'000 31 December 2019	\$'000 31 December 2020	% Change
Revenue from operations	63,344	68,646	8.4%
Profit after tax attributable to members	15,119	17,018	12.6%
Net profit after tax attributable to members	15,119	17,018	12.6%

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Dividends for the current year are:	Amount per security	Franked amount per security
Interim Dividend FY2021 fully franked at 30% Payable on 16 March 2021 Record date for determining entitlements for the interim dividend is 25 February 2021.	12.50 cents	12.50 cents
Dividends for the previous year were:	Amount per security	Franked amount per security
Final dividend – 2020	Nil	Nil
Dividend Reinvestment Plan	Last Date for Receipt of DRP Election Notice	
The MyState Limited Dividend Reinvestment Plan is operational for this Interim Dividend FY2021.	26 February 2021	
Net Tangible Assets per share	31 December 2019	31 December 2020
	268 cents	285 cents

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX Release dated 19 February 2021.

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

Yours faithfully



Scott Lukianenko
Company Secretary

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Appendix 4D

Consolidated Interim Financial Report

For the period ended 31 December 2020

ABN 26 133 623 962

MyState 
Limited

MyState Limited
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Directors' Report

Your Directors present their report on MyState Limited for the half year ended 31 December 2020.

Directors

- **Miles Hampton** BEc (Hons), FCPA, FAICD
Chairman and independent non-executive Director.
- **Melos Sulicich** BBus, GAICD, SA FIN
Managing Director and Chief Executive Officer – Executive Director.
- **Robert Gordon** BSc, MIFA, MAICD, FAMI
Independent non-executive Director.
- **Sibylle Krieger** LLB (Hons), LLM, FAICD, MBA
Independent non-executive Director.
- **Warren Lee** BCom, CA
Independent non-executive Director.
- **Vaughn Richtor** BA (Hons), MAICD
Independent non-executive Director.
- **Andrea Waters** BCom, FCA, GAICD
Independent non-executive Director.

Company Secretary

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

Principal Activities

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

MyState Limited 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).

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

Dividends

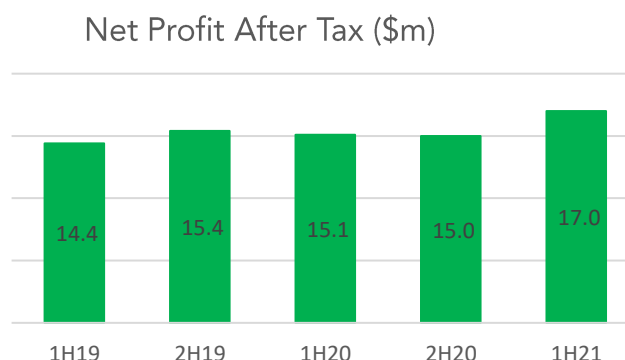
The Directors have declared a fully franked (at 30%) interim dividend of 12.50 cents per share. The dividend will be payable on 16 March 2021 to shareholders on the register at the record date of 25 February 2021.

Operating and Financial Review

Financial Performance

The Group recorded a net profit after income tax (NPAT) for the half year ended 31 December 2020 of \$17.0m, an increase of 12.6% on the prior corresponding period to 31 December 2019 (pcp) of \$15.1m.

Earnings per share increased by 11.6% to 18.49 cents per share and return on equity increased 65bps to 9.94%.



The increase in NPAT for the Group was largely due to net interest income, up 15.0% on the pcp, reflecting growth in lending assets and improved net interest margin (NIM), which increased 12bps on the pcp. NIM benefitted from significantly lower funding costs, driven by lower retail deposit costs and lower wholesale interest rates.

The environment for owner-occupied home loans and deposit funding remained competitive during the period. Despite this, loan book growth of 1.4 times system was achieved. The loan book, net of provisions and origination costs, grew \$92.8m or 1.76% during 1H21 compared with growth of \$48.8m or 0.97% in 1H20.

During the half year the business expanded its digital capabilities by implementing a cloud lending platform through which the Wealth Management business can broaden its lending services. As more customers transition to the broad range of digital offerings, both the Banking and Wealth businesses reduced their physical footprint through the closure of six branches (two in Tasmania and four in Central Queensland) and a consolidation of some properties across Tasmania. The cost of these restructures was approximately \$2.5m and it is expected that annualised benefits of \$2.1m will be reinvested into growth related initiatives. There are now seven branches continuing to service Tasmania with the broader Australian customer base serviced entirely via the digital platforms and supported by the Tasmanian based Customer Care Centre and third party services such as those provided by Australia Post.

Operating costs, excluding restructure costs, increased \$1.1m or 2.7% driven by increased investment in capability, digitisation and marketing.

Through a period of significant change and one characterised by the challenges presented by COVID-19, MyState's customer net promoter score was +40 at 31 December 2020. MyState's score remains among the leading financial services providers, and is significantly above most banking peers.

The Group's Wealth Management business reported earnings well below the pcp with funds under management impacted by the COVID-19 induced fall in equity markets from their high point in mid to late February 2020 and investors who withdrew their money from both our Income and Growth funds to provide themselves with liquidity and certainty in uncertain economic times. Also, lower interest rates impacted returns and directors elected to reduce the management fee on the At Call

Fund in order to support investor returns; this had the impact of reducing the management fee earned by TPT. Pleasingly, investors commenced reinvesting as confidence returned with strong net flows into our Income funds during the latest half.

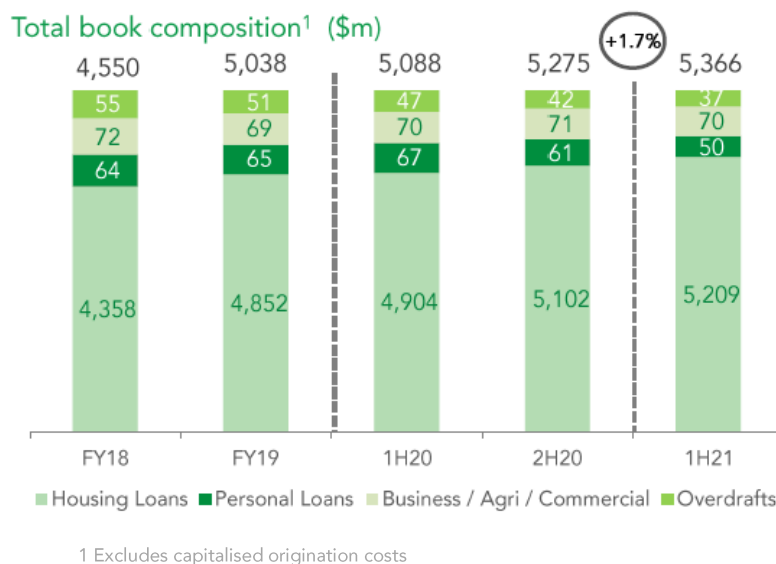
High quality / low risk loan book

MyState Bank remains focused on low risk, owner occupied lending with a loan to valuation ratio of less than 80%.

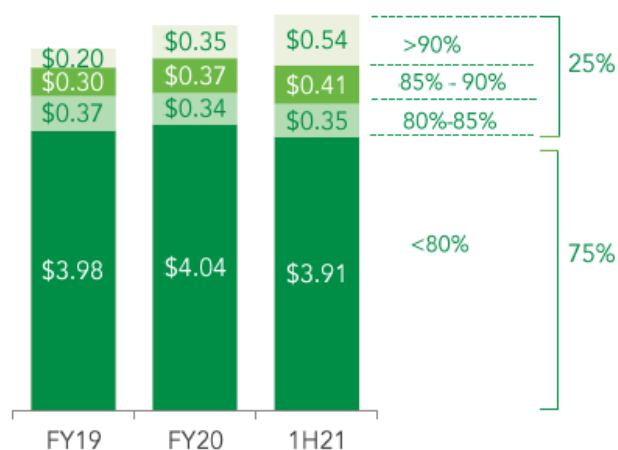
The banking loan portfolio grew 5.5% from 31 December 2019 and 1.7% on 30 June 2020, reaching \$5.37 billion.

Impairment expense was \$1.05m lower than pcp with the prior period expense reflecting the increase in 90+ days arrears at 31 December 2019 and the current period write-back being driven by the partial release of the COVID-19 overlay (\$0.5m) due to the improved economic outlook, in particular for unemployment and house prices.

30 and 90 day arrears continue to be below peers and industry benchmarks (at 0.57% and 0.32% respectively).



Home loan book – LVR profile (\$b)



Exposure to investor and interest only lending remains very low and well within regulatory guidelines.

The increase in loans with an LVR greater than 90% since FY19 reflects the success of the Bank's participation in the Federal government's First Home Loan Deposit Scheme.

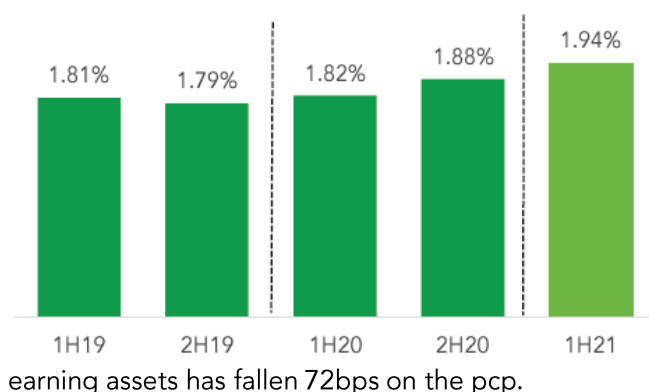
During the period, MyState Bank continued to grow its customer base across the eastern seaboard of Australia, with the proportion of home loans outside of Tasmania increasing from 60.6% to 61.7% since 30 June 2020. The

Bank has refocused our efforts in Tasmania with the view of substantially increasing our customer base and mortgage book in Tasmania in the near term.

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Net interest margin expansion

NIM Trend



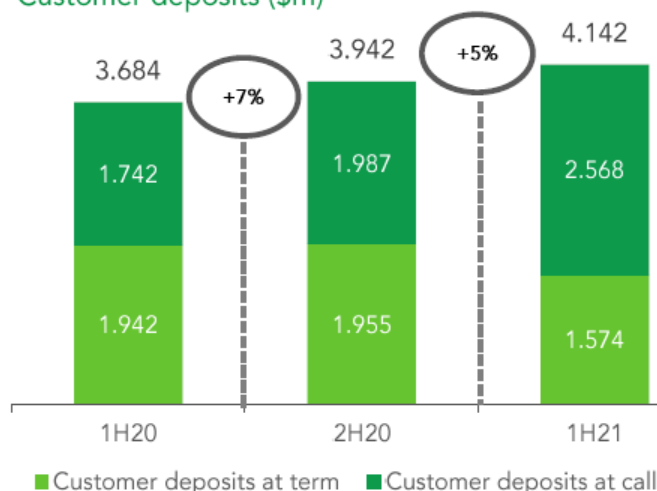
Net interest income benefited from significantly lower funding costs, with total interest expense falling 40.7% on the pcp, while interest income fell by just 13.3%. Net Interest Margin (NIM) increased 6bps on the second half of FY20 and 12bps on the pcp. The home loan market remains highly competitive and lower BBSW rates have impacted returns on the liquid assets portfolio. The average rate on interest

earning assets has fallen 72bps on the pcp.

Wholesale funding costs and term deposit rates have fallen at a faster rate than lending rates and the average cost on interest bearing liabilities has fallen 81bps on the pcp.

Lower cost customer deposits increased 5% in the half driven by significant growth in the award winning Bonus Saver Account with the majority of customers acquired via digital and online channels. Some transitional customer attrition including loss of term deposits, was experienced following the branch closures in Central Queensland.

Customer deposits (\$m)

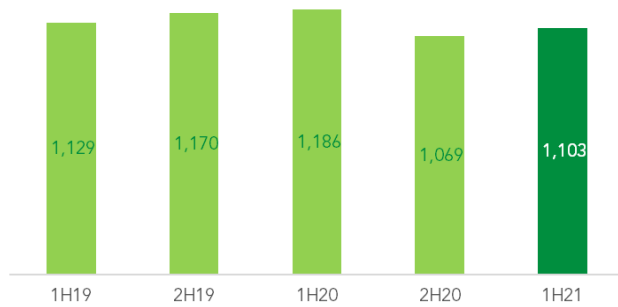


Non-interest income from banking activities

Non-interest income from banking activities continued to trend lower (by \$0.675m or 9.7% on the pcp) reflecting the increased uptake of digital products and preferences for lower cost self-serve functionality.

TPT Wealth

Funds under management (\$m)



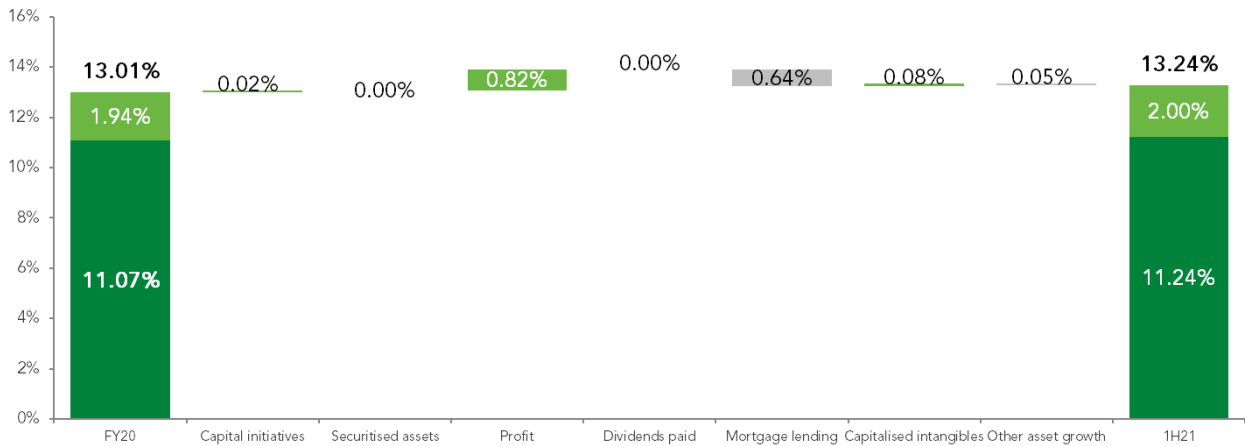
Income from wealth management activities was \$1.27m or 15% lower than the pcp, with average funds under management approximately 8% lower and lower fees from trustee related services.

During the half, investment management for TPT's Growth funds was outsourced to Mercer.

The legacy trustee system was replaced in mid-February 2021.

Strong capital position

Capital

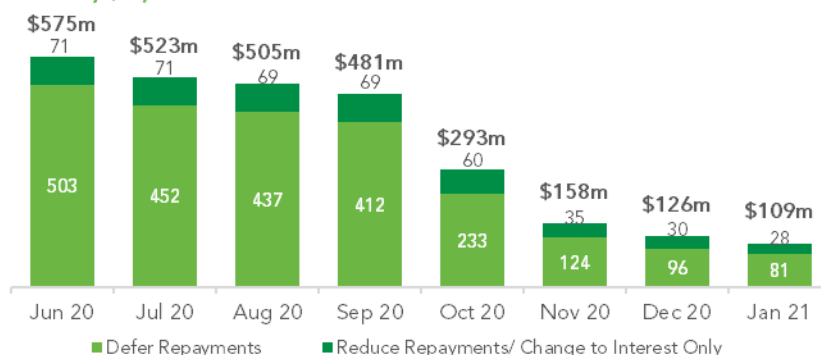


The Group has maintained a strong capital position with all capital ratios comfortably above regulatory minimums, providing headroom for further balance sheet growth. The Group's total capital ratio increased 23bps in the period to 13.24% at 31 December 2020 driven by earnings growth, partly offset by an increase in risk weighted assets. The Group's Common Equity Tier 1 ratio improved by 17bps. In early July 2020, subordinated notes that qualify as eligible Tier 2 capital were issued to replace existing notes that were subsequently redeemed at the first call date in August 2020.

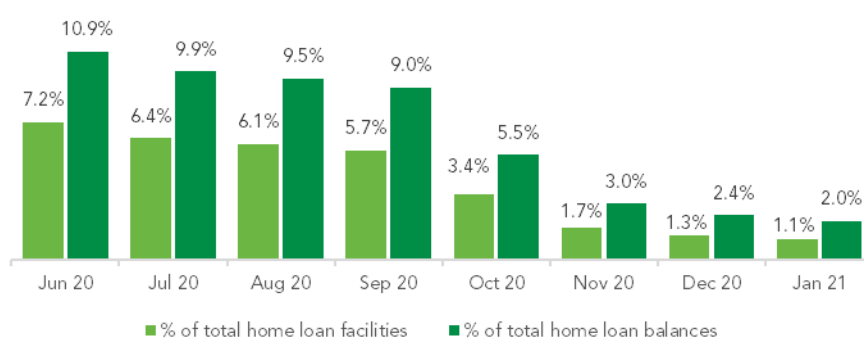
COVID-19 assistance to customers

Following the onset of the COVID-19 global pandemic, MyState Bank has supported over 1,900 customers through a range of measures including loan deferrals, moving customers to interest only loans or by reducing minimum monthly repayments. At 31 January 2021, approximately 260 customers remain on some form of assistance, with the majority being home loan customers representing 2.0% of total home loan balances (down from a peak of 10.9% in June 2020).

Total loans with assistance (balances, \$m)



Home lending assistance



MyState Bank will continue to support customers over the coming months as Federal government stimulus measures and support packages are scheduled to finish by 31 March 2021.

Community

MyState seeks to make a genuine difference to our customers and communities each and every day.

Since 2001, the MyState Foundation has awarded more than \$2.2 million in grants to help more than 90 not-for-profit organisations with a focus on empowering youth.

Outlook

MyState Bank expects to continue to achieve strong growth in lending assets while maintaining a high level of credit quality. The business expects to realise the benefits from recent restructuring activity and investment in its digital capabilities, distribution and marketing to grow the customer base nationally, while maintaining a strong risk culture to manage the risks associated with an uncertain, but improving economic environment.

TPT Wealth has now completed the majority of its multi-year transformation with fund administration and accounting outsourced, a new cloud lending platform implemented, investment management for the Growth funds outsourced and the replacement of the legacy trustee system completed in February. The business is now focused on growing funds under management across the Eastern seaboard of Australia while maintaining its strong presence in the heartland market of Tasmania. TPT Wealth is expected to provide complementary and countercyclical revenue diversity to the broader business into the future.

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

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2020.

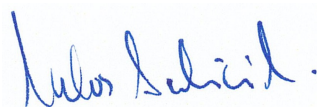
Rounding of amounts

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

Signed in accordance with a resolution of directors.



Miles Hampton
Chairman



Melos Sulicich
Managing Director and Chief Executive Officer

19 February 2021, Hobart.

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Auditor's Independence Declaration to the Directors of MyState Limited

In relation to our review of the financial report of MyState Limited for the half-year ended 31 December 2020, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



DANNY MCCARTHY
Partner
WLF Accounting & Advisory

Date: 19 February 2021

MyState Limited
Consolidated Income Statement
for the half year ended 31 December 2020

	Notes	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
Interest income	2.1	84,973	98,031
Interest expense	2.1	(29,569)	(49,872)
Net interest income		55,404	48,159
Non-interest income from banking activities	2.1	6,294	6,969
Net banking operating income		61,698	55,128
Income from wealth management activities	2.2	6,948	8,216
Total operating income		68,646	63,344
Less: Expenses			
Personnel costs		19,841	19,054
Administration costs	2.3	7,379	7,821
Technology costs	2.3	7,932	7,470
Occupancy costs	2.3	2,649	2,564
Marketing costs		3,057	2,686
Governance costs		1,383	1,525
Restructure costs	2.3	2,484	-
Total operating expenses		44,725	41,120
Profit before impairment and tax expense		23,921	22,224
Impairment (recovery) / expense on loans and advances	3.1	(444)	602
Profit before tax		24,365	21,622
Income tax expense		7,347	6,503
Profit for the period		17,018	15,119
Profit attributable to the:			
Equity holders of MyState Limited		17,018	15,119
Basic earnings per share (cents per share)	2.4	18.49	16.57
Diluted earnings per share (cents per share)	2.4	18.49	16.57

MyState Limited
Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2020

Notes	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
Profit for the period	17,018	15,119
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges - Net gains / (losses) taken to equity	(199)	(9)
Net (gains) / losses transferred to profit and loss	-	-
Change in fair value of financial assets at fair value through other comprehensive income	-	-
Reversal of fair value on assets previously classified as available for sale	-	-
Income tax effect	60	3
Total other comprehensive income / (expense) for the year	(139)	(6)
Total comprehensive income for the year	16,879	15,113
Total comprehensive income for the year is attributable to:		
Equity holders of MyState Limited	16,879	15,113

MyState Limited
Consolidated Statement of Financial Position
as at 31 December 2020

	Notes	31 Dec 2020 \$ '000	30 Jun 2020 \$ '000
Assets			
Cash and liquid assets	3.3	113,632	116,502
Due from other financial institutions		21,462	34,615
Other assets		5,376	6,762
Financial instruments	3.2	597,977	542,565
Loans and advances	3.1	5,378,903	5,286,114
Property, plant and equipment and right-of-use asset		16,901	19,491
Deferred tax assets		5,492	5,286
Intangible assets and goodwill		83,579	84,471
Total assets		6,223,322	6,095,806
Liabilities			
Due to other financial institutions		16,449	25,617
Deposits and other borrowings including subordinated notes		5,830,095	5,704,778
Employee benefit provisions		5,101	5,674
Other liabilities		19,525	21,165
Tax liabilities		613	4,250
Total liabilities		5,871,783	5,761,484
Net assets		351,539	334,322
Equity			
Share capital	4.1	153,025	152,775
Retained earnings		199,467	182,449
Reserves		(953)	(902)
Total equity		351,539	334,322

MyState Limited
Consolidated Statement of Changes in Equity
for the half year ended 31 December 2020

	Note	Share capital \$ '000	Retained earnings \$ '000	Employee equity benefits reserve \$ '000	Hedging reserve \$ '000	Other reserves \$ '000	Total \$ '000
At 1 July 2019		148,707	178,629	640	(477)	-	327,499
Profit for the period		-	15,119	-	-	-	15,119
Other comprehensive income / (expense)		-	-	-	(6)	-	(6)
Total comprehensive income for the period		-	15,119	-	(6)	-	15,113
Equity issued under employee share scheme		88	-	-	-	-	88
Equity issued under executive long term incentive plan		170	-	(170)	-	-	-
Equity issued under dividend reinvestment plan		1,660	-	-	-	-	1,660
Share based payment expense recognised		-	-	96	-	-	96
Dividends paid	2.5	-	(13,204)	-	-	-	(13,204)
At 31 December 2019		150,625	180,544	566	(483)	-	331,252
At 1 July 2020		152,775	182,449	704	(606)	(1,000)	334,322
Profit for the year		-	17,018	-	-	-	17,018
Other comprehensive income / (expense)		-	-	-	(139)	-	(139)
Total comprehensive income for the year		-	17,018	-	(139)	-	16,879
Equity issued under employee share scheme		84	-	-	-	-	84
Equity issued under executive long term incentive plan		166	-	(166)	-	-	-
Share based payment expense recognised		-	-	254	-	-	254
Dividends paid	2.5	-	-	-	-	-	-
At 31 December 2020		153,025	199,467	792	(745)	(1,000)	351,539

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Cash Flows
for the half year ended 31 December 2020

Notes	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
Cash flows from operating activities		
Interest received	91,951	104,891
Interest paid	(31,426)	(56,431)
Fees and commissions received	13,183	14,373
Other non-interest income received	739	1,771
Payments to suppliers and employees	(40,952)	(40,124)
Income tax paid	(11,129)	(6,888)
(Increase) / decrease in operating assets:		
Due from other financial institutions	13,118	3,224
Financial instruments	(55,706)	(21,270)
Loans and advances	(99,348)	(56,004)
Increase / (decrease) in operating liabilities:		
Due to other financial institutions	(6,017)	687
Deposits and other borrowings excluding subordinated notes	124,710	69,508
Net cash flows from / (used in) operating activities	(877)	13,737
Cash flows from investing activities		
Purchase of intangible assets	(1,611)	(1,557)
Proceeds from sale of property, plant and equipment	-	10
Purchase of property, plant and equipment	(317)	(263)
Net cash flows from / (used in) investing activities	(1,928)	(1,810)
Cash flows from financing activities		
Employee share issue	88	-
Subordinated notes	(153)	60
Dividends paid net of dividend reinvestment plan	2.5	(11,544)
Net cash flows from / (used in) financing activities	(65)	(11,484)
Net increase / (decrease) in cash held	(2,870)	443
Cash at beginning of financial year	116,502	79,994
Closing cash carried forward	3.3	80,437

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

1.1 Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2020.

1.2 Basis of preparation

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

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

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

Group	MyState Limited and the entities it controlled during the period;
Company	MyState Limited;
Period	the half year ended 31 December 2020; and
ASIC	Australian Securities and Investments Commission.

The comparative information disclosed in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows is for the six months ended 31 December 2019. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2020. Comparative information may contain reallocation of amounts. Any adjustments are to assist in providing more meaningful information within the financial statements.

The accounting policies and methods of compilation are the same as those policies adopted in the most recent annual financial report, which is for the year ended 30 June 2020.

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

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
2.1 Net banking operating income		
Interest income		
Loans and advances	83,224	93,859
Investment securities	1,749	4,172
Total interest income	84,973	98,031
Interest expense		
At call deposits	5,856	6,347
Fixed term deposits	23,051	42,924
Financing cost - leases	662	601
Total interest expense	29,569	49,872
Non-interest income from banking activities		
Transaction fees	1,883	2,367
Loan fees	2,327	2,212
Banking commissions	1,497	1,516
Other banking operations income	587	874
Total non-interest income from banking activities	6,294	6,969
2.2 Income from wealth management activities		
Funds management income	4,765	5,602
Other fees and commissions	2,183	2,614
Total income from wealth management activities	6,948	8,216
2.3 Expenses		
The following items are included within each item of specified expenses:		
Occupancy costs include:		
Depreciation - right-of-use lease assets	1,636	1,489
Depreciation - buildings and leasehold improvements	183	287
Technology costs include:		
Amortisation - computer software	2,499	2,483
Administration costs include:		
Depreciation - furniture, equipment and computer hardware	143	157
Restructure costs (i)		
Depreciation - early termination of right-of-use lease assets	1,140	-
Termination payments	952	-
Loss on disposal of fit out costs	248	-
Other	144	-
Total restructure costs	2,484	-

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

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

	31 Dec 2020 cents	31 Dec 2019 cents
2.4 Earnings per share		
Basic earnings per share from continuing operations	18.49	16.57
Diluted earnings per share from continuing operations	18.49	16.57

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	92,030,267	91,245,917

2.5 Dividends

	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
Dividends paid		
2020 Final dividend paid	-	13,204

There were no dividends paid during the period, those paid in the prior period were fully franked at the 30 per cent corporate tax rate.

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MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

2.6 Segment financial information

Operations of reportable segments

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

Banking division

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

Wealth Management division

The Wealth Management division is a provider of funds management and trustee services. It operates predominantly within Tasmania. It holds \$1.10 billion in funds under management on behalf of personal, business and wholesale investors as the responsible entity for 8 managed investment schemes. The Wealth Management business is conducted by TPT Wealth Limited. TPT Wealth Limited is a trustee company licensed within the meaning of Chapter 5D of the Corporations Act 2001 and is the only private trustee company with significant operations in Tasmania.

Corporate and consolidation division

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

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
Half year ended 31 December 2020				
Interest income	84,983	(7)	(3)	84,973
Interest expense	(29,560)	(1)	(8)	(29,569)
Other income	6,502	6,948	(208)	13,242
Other expenses	(37,048)	(5,312)	119	(42,241)
Impairment (recovery) / expense on loans and advances	444	-	-	444
Restructure costs (i)	(2,202)	(282)	-	(2,484)
Income tax expense	(6,941)	(406)	-	(7,347)
Segment profit for the period	16,178	940	(100)	17,018
Segment balance sheet information				
Segment assets	6,148,369	23,884	51,069	6,223,322
Segment liabilities	5,869,841	1,313	629	5,871,783

MyState Limited
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for the half year ended 31 December 2020

2.6 Segment financial information

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
Half year ended 31 December 2019				
Interest income	97,880	103	48	98,031
Interest expense	(49,872)	-	-	(49,872)
Other income	7,493	8,216	(524)	15,185
Other expenses	(36,054)	(5,516)	450	(41,120)
Impairment (recovery) / expense on loans and advances	(602)	-	-	(602)
Income tax expense	(5,649)	(854)	-	(6,503)
Segment profit for the period	13,196	1,949	(26)	15,119
Segment balance sheet information as at 30 June 2020				
Segment assets	6,056,509	25,195	14,102	6,095,806
Segment liabilities	5,795,422	2,183	(36,121)	5,761,484

(i) Costs related to the restructure for the Banking Division are \$2.202M and for the Wealth Management division are \$0.282M. Refer to note 2.3 for further information.

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Notes to the consolidated financial statements
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	31 Dec 2020 \$ '000	30 Jun 2020 \$ '000
3.1 Loans and advances		
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	5,228,195	5,119,511
Personal loans and unsecured overdrafts	49,764	67,351
Overdrafts secured by mortgage	37,172	35,398
Commercial loans	69,946	70,791
Total loans and advances at amortised cost	5,385,077	5,293,051
Specific provision for impairment	100	305
Collective provision for impairment	6,074	6,632
Total loans and advances at amortised cost net of provision for impairment	5,378,903	5,286,114

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

Provision for impairment

Specific provision for impairment		
Opening balance (i)	305	239
Net specific provision funding	(150)	100
Write-off of previously provisioned facilities	(55)	(34)
Closing balance of specific provision for impairment (i)	100	305
Collective provision for impairment		
Opening balance (i)	6,632	2,660
Net collective provision funding	(558)	3,972
Write-off of previously provisioned facilities	-	-
Closing balance of collective provision for impairment (i)	6,074	6,632

(i) The opening balance for the comparative period is 1 January 2020 and the closing balance is 30 June 2020.

	31 Dec 2020 \$ '000	31 Dec 2019 \$ '000
Charge to profit for impairment on loans and advances		
Increase / (decrease) in specific provision for impairment	(150)	-
Increase / (decrease) in collective provision for impairment	(558)	562
Bad debts recovered	(382)	(398)
Bad debts written off directly	646	438
Total impairment (recovery) / expense on loans and advances	(444)	602

MyState Limited
Notes to the consolidated financial statements
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3.1 Loans and advances (continued)

Provision for impairment (continued)

The Group has undertaken a review of the expected credit loss of its lending portfolios against relevant specific economic conditions triggered by COVID-19 at the current reporting date and concluded that the following assumptions are considered the more probable outcomes as at the reporting date:

- Australian unemployment rates of approximately 8% (June 2020: 9%) recovering to pre COVID-19 levels by the 2022 calendar year.
- House prices decline by 5% (June 2020: 7%) in the 2021 financial year and recovering to pre-COVID-19 levels by the 2022 calendar year.
- The Reserve Bank of Australia maintaining the current cash rate of 0.10% (June 2020: 0.25%) until 2023.

This represents a favourable change from that anticipated at the time of reporting the 30 June 2020 provision for impairment. At 31 December 2020, the forward looking component of the collective provision for impairment was \$1.621M, a reduction from \$2.510M.

At 31 December 2020 there were \$126M (30 June 2020: \$536M) of loans where customers were still receiving some form of assistance as a result of COVID-19.

3.2 Fair value of financial instruments

Classification of financial instruments

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

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

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

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

	31 Dec 2020		30 Jun 2020	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Financial instruments	597,977	592,371	542,565	543,339
Loans and advances	5,378,903	5,376,662	5,286,114	5,295,507
Total financial assets	5,976,880	5,969,033	5,828,679	5,838,846
Financial liabilities				
Deposits	4,555,975	4,557,604	4,200,587	4,203,504
Other borrowings including subordinated notes	1,274,120	1,274,120	1,504,191	1,504,191
Total financial liabilities	5,830,095	5,831,724	5,704,778	5,707,695

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.

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Notes to the consolidated financial statements
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3.2 Fair value of financial instruments (continued)

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 December 2020				
Financial assets				
Financial instruments	-	592,371	-	592,371
Loans and advances	-	-	5,376,662	5,376,662
Financial liabilities				
Deposits	-	4,557,604	-	4,557,604
Other borrowings including subordinated	-	1,274,120	-	1,274,120
30 June 2020				
Financial assets				
Financial instruments	-	543,339	-	543,339
Loans and advances	-	-	5,295,507	5,295,507
Financial liabilities				
Deposits	-	4,203,504	-	4,203,504
Other borrowings including subordinated notes	-	1,504,191	-	1,504,191

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

	31 Dec 2020 \$ '000	30 Jun 2020 \$ '000
3.3 Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and liquid assets includes:		
Notes, coins and cash at bank	107,909	110,831
Other short term liquid assets	5,723	5,671
Total cash and liquid assets	113,632	116,502

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MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

3.4 Average balance sheet and sources of net interest income

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

	31 Dec 2020			30 Jun 2020		
	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	119,093	380	0.63%	94,219	241	0.26%
Financial instruments	572,495	1,369	0.47%	494,983	7,175	1.45%
Loans and advances (i)	5,101,073	83,224	3.24%	4,873,672	180,914	3.71%
Total average interest-earning assets	5,792,661	84,973	2.91%	5,462,874	188,330	3.45%
Non-interest earning assets	140,660	-	-	145,239	-	-
Total average assets	5,933,321	84,973	2.84%	5,608,113	188,330	3.36%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	4,378,717	17,705	0.80%	4,033,629	54,751	1.36%
Notes and bonds on issue	1,402,527	11,864	1.68%	1,457,203	32,849	2.25%
Total average interest-bearing liabilities	5,781,244	29,569	1.01%	5,490,832	87,600	1.60%
Non-interest bearing liabilities	45,355	-	-	53,338	-	-
Total average liabilities	5,826,599	29,569	1.01%	5,544,170	87,600	1.58%
Reserves	330,099	-	-	310,388	-	-
Total average liabilities and reserves	6,156,698	29,569	0.95%	5,854,558	87,600	1.50%

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

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2020

	31 Dec 2020 \$ '000	30 Jun 2020 \$ '000
4.1 Share capital		
Issued and paid up ordinary shares	153,025	152,775

Movements in ordinary share capital

	31 Dec 2020		31 Dec 2019	
	Number of shares	Amount \$ '000	Number of shares	Amount \$ '000
Opening balance	92,008,862	152,775	91,040,545	148,707
Shares issued pursuant to the				
- Group employee share scheme	21,853	84	18,885	88
- Executive long term incentive plan	34,063	166	41,310	170
- Dividend reinvestment plan	-	-	375,245	1,660
Closing balance	92,064,778	153,025	91,475,985	150,625

Terms and conditions

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

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

	31 Dec 2020 \$ '000	30 Jun 2020 \$ '000
4.2 Contingent liabilities and expenditure commitments		
(a) Loans approved but not advanced to borrowers	78,049	77,755
(b) Undrawn continuing lines of credit	65,084	63,443
(c) Performance guarantees	4,573	4,672

During the period TPT Wealth Limited ceased to be a non-broker participant in the Clearing House Electronic Sub Register System operated by the Australian Securities Exchange. It therefore no longer maintains a deposit for \$1,000,000 as collateral guarantee.

There have been no other material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2020.

4.3 Events subsequent to balance date

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

MyState Limited
Directors' Declaration
for the half year ended 31 December 2020

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

In the opinion of the Directors:

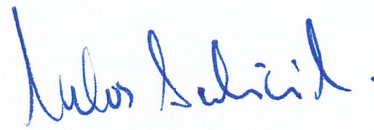
- (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.
- (c) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and Chief Financial Officer for the half year ended 31 December 2020.

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

On behalf of the Board



Miles Hampton
Chairman



Melos Sulicich
Managing Director and Chief Executive Officer

Hobart
Dated 19 February 2021.

To the members of MyState Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MyState Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MyState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DANNY MCCARTHY

Partner

WLF Accounting & Advisory

Date: 19 February 2021