

23 February 2024

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 2023**

The Directors of MyState Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2023 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracted from the Financial Statements for the half year ended	\$'000 31 December 2022	\$'000 31 December 2023	% Change
Revenue from operations	82,328	75,809	-7.9%
Profit after tax attributable to members	20,054	17,474	-12.9%
Net profit after tax attributable to members	20,054	17,474	-12.9%

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Dividends for the current financial year are:	Amount per security	Franked amount per security
FY2024 Interim Dividend fully franked at 30% Payable on 22 March 2024 Record date for determining entitlements for the interim dividend is 29 February 2024.	11.50 cents	11.50 cents
Dividends for the previous financial year were:	Amount per security	Franked amount per security
FY2023 Interim Dividend – paid March 2023 FY2023 Final dividend – paid September 2023	11.50 cents 11.50 cents	11.50 cents 11.50 cents
Dividend Reinvestment Plan	Last Date for Receipt of DRP Election Notice	
The MyState Limited Dividend Reinvestment Plan is operational for the FY2024 Interim Dividend.	1 March 2024	
Net Tangible Assets per share	31 December 2022	31 December 2023
	326 cents	336 cents

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Media and ASX Release dated 23 February 2024.

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 2023

ABN 26 133 623 962



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Directors' Declaration

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Directors' report

Your Directors' present their report for MyState Limited and its controlled entities (the Group) for the half year ended 31 December 2023.

Directors' Report

Your Directors present their report for MyState Limited and its controlled entities (the Group) for the half year ended 31 December 2023.

Directors

- **Vaughn Richtor** BA (Hons), MAICD
Chairman and Independent Non-Executive Director.
- **Robert Gordon** BSc, MIFA, MAICD, FAMI
Deputy Chairman and Independent Non-Executive Director.
- **Brett Morgan** BEc, MAppFin
Managing Director and Chief Executive Officer - Executive Director.
- **Stephen Davy** BSc (Hons)
Independent Non-Executive Director.
- **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.

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 estate planning, trust administration and support team.

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

Dividends

The Directors have declared a fully franked final dividend of 11.5 cents per share. The dividend will be payable on 22 March 2024 to shareholders on the register at the record date of 29 February 2024.

Operating and Financial Review

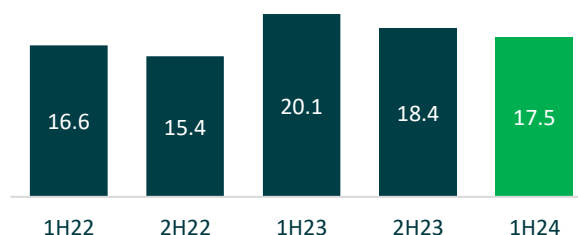
Financial performance

The Group recorded a net profit after income tax (NPAT) for the half year ended 31 December 2023 of \$17.5m, a decrease of 12.9% on the prior corresponding period (pcp) to 31 December 2022 of \$20.1m.

Earnings per share (EPS) was 15.89 cents per share (1HY23: 18.59 cents per share), return on equity (ROE) was 7.7% (1HY23: 9.2%) and the Group cost to income ratio (CTI) was 65.7% (1HY23: 63.2%).

The movement in key financial performance reflects the impact from the current competitive operating environment. MyState constantly evaluates and seeks to optimise financial performance, including dynamically balancing the trade-off between growth and margin as well as continuing to focus on operating efficiency.

Group net profit after tax (\$m)



The total loan book (excluding capitalised acquisition costs) grew \$62.8m or 1.0% on June 2023. The home loan book grew \$77m (1.0% or 0.5 times system) during the period. In light of current market conditions, in the near term, MyState will continue to focus on maintaining asset quality and profitable growth.

Pre-provision operating profit of \$26.0m decreased 14.2% on pcp, largely driven by a decrease in operating income of \$6.5m or 7.9% and is reflective of the current economic and competitive environment. The reduction in revenue was partly offset by a decrease in operating expenses of \$2.2m or 4.3% on pcp and represents MyState's ongoing focus on operating efficiency in a high-inflation environment. While prudently managing operating costs, MyState continues to invest in key strategic initiatives, including the customer facing digital experience and mitigating the impact of cyber and fraud related risk.

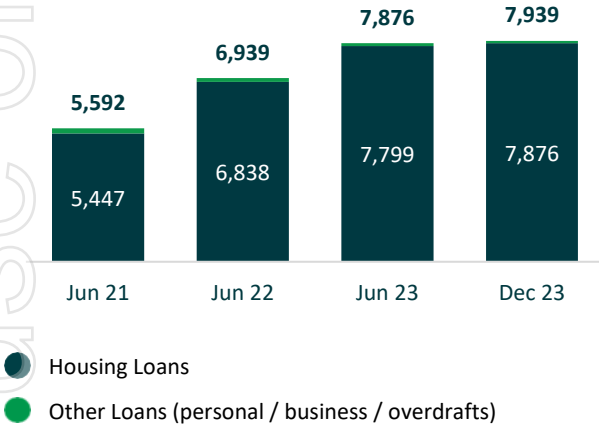
Despite a period of significant change and the challenges presented by the rising cost of living in recent times, MyState's internally measured customer net promoter score was +41 at 31 December 2023 and reflects a high level of ongoing customer advocacy.

Directors' report continued

MyState Bank

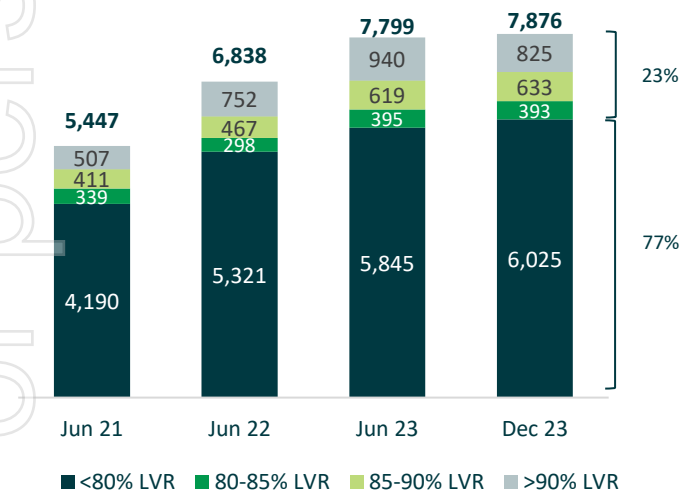
MyState Bank's loan portfolio grew 1.0% from 30 June 2023, reaching \$7,939m at 31 December 2023.

Total loan book composition (\$m)



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

Home loan book – LVR profile (\$m)



In 1H24, home loan book growth was driven by loans with an LVR less than 80%. Since June 2021, high LVR lending has generally been to borrowers eligible to participate in the First Home Owner Grant scheme, which is all owner-occupied lending. The scheme is an Australian Government initiative to support eligible customers purchase their first home sooner with as little as a 5% deposit.

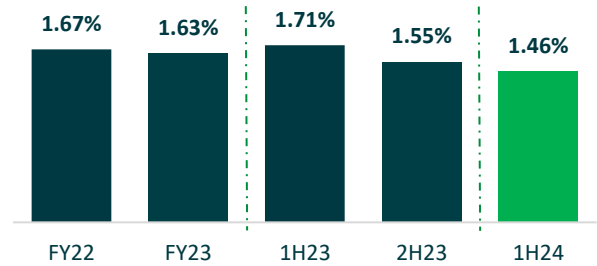
While MyState's 30 and 90-day arrears have increased as a consequence of the rise in interest rates since May 2022,

they remain below industry benchmarks at 0.91% and 0.39% respectively (30 June 2023: 0.81% and 0.34%).

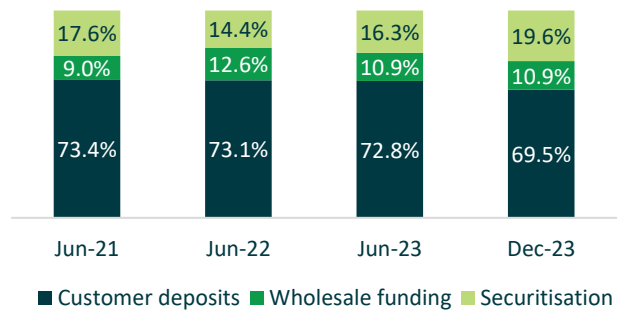
Whilst loan losses remained negligible in line with historical experience, impairment expense was \$0.9m during the period, reflecting an increase of \$0.85m in total collective provisions, consistent with an increase in arrears in a rising interest rate environment. As at 31 December 2023, there were no Mortgagee in Possession loans.

Net interest margin (NIM) trend

Net interest income was down \$5.0m or 7.3% on pcp as a result of a fall in NIM partly offset by the benefits of a larger average balance sheet. Relative to the second half of FY23, the fall in NIM of 9 bps to 1.46% during the period reflects ongoing competition in the market for new home loans, elevated levels of customer switching and retention discounting and higher funding costs.



Funding mix (\$m)



MyState's funding mix remains well diversified. The reduction in the Customer deposit ratio reflects the decline in more price sensitive third party deposits and an increase in term securitisation with our largest deal ever issued in September 2023. With the increase in interest rates, customers continued to shift from lower cost transaction and savings accounts to higher interest bearing products.

The competition for retail deposits remains strong and is expected to continue in the second half of the financial year as banks repay the RBA's Term Funding Facility (TFF). At 31 December 2023, the TFF for MyState (\$75.6m) only represented 0.9% of total funding and will be repaid in full by 30 June 2024.

MyState welcomed a further 7,690 new to bank customers this financial year.

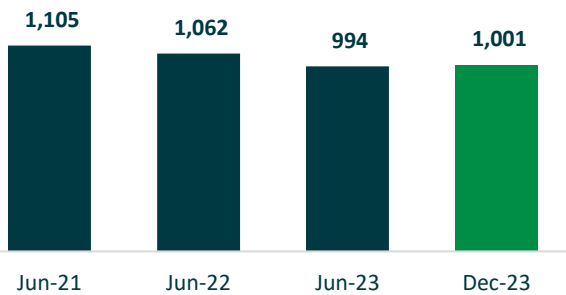
Directors' report continued

Non-interest income

Non-interest income from banking activities decreased by \$1.1m or 14.9% on pcp, as a result of lower transaction and loan fees.

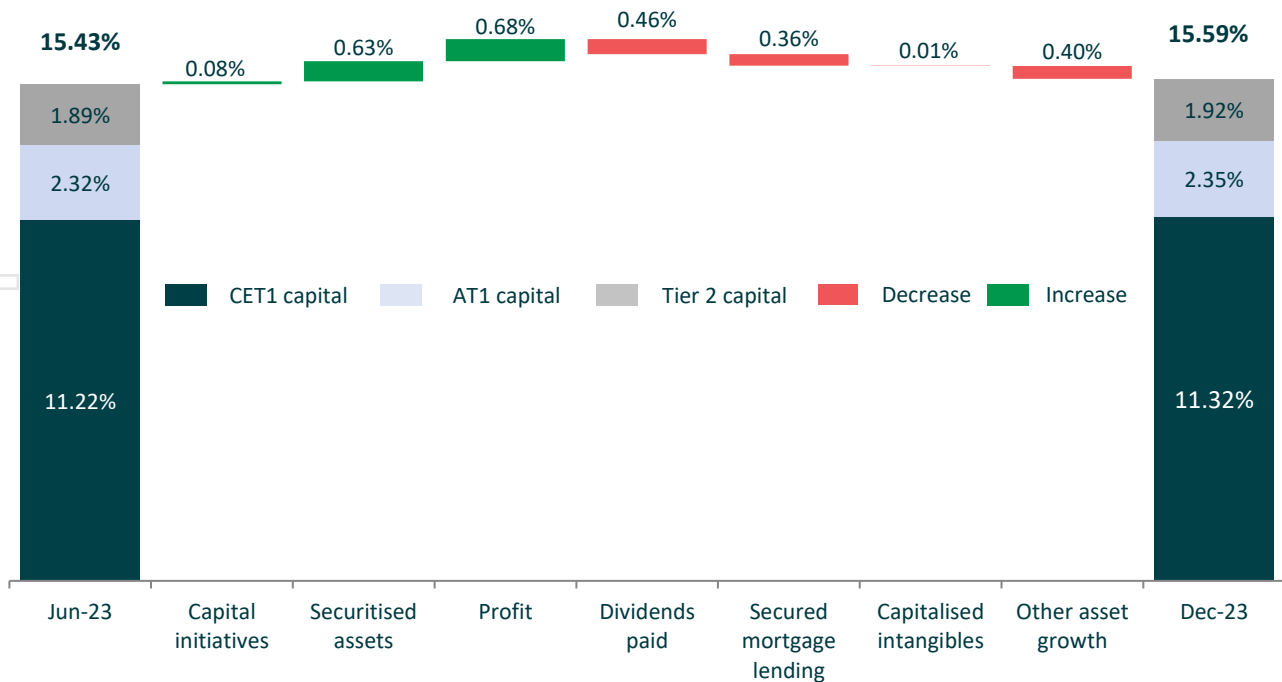
TPT Wealth

Funds under management (\$m)



Income from wealth management activities decreased by \$0.5m or 6.8% on pcp, with Investment Services income

Capital movement for the half



lower over the period due to a reduction in the Growth funds management fee, partly offset by an increase in Trustee Services income.

Funds under Management (FUM) was up over the period, supported by higher investor returns. Wealth NPAT for the half was 31% higher than pcp, driven by lower operating costs.

Capital position

MyState remains well capitalised. The Group's Common Equity Tier 1 ratio increased to 11.32% and total capital ratio increased to 15.59% at 31 December 2023.

During the period, MyState completed a capital relief \$500m term RMBS transaction and drew down on a committed warehouse facility established in June 2023. Other asset growth predominantly reflects an increase in liquid asset holdings.

Directors' report continued

Community

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

Since 2001, the MyState Foundation has awarded more than \$2.7 million in grants to help more than 149 not-for-profit organisations in Tasmania with a focus on helping young Tasmanians reach their full potential.

Outlook

Our ambition is to profitably grow our share of deposits, lending and funds under management. Since announcing a growth strategy in mid-2021, the home loan portfolio and customer deposits have increased by 45% and 37% respectively and the Board remains committed to the strategic intent of profitably growing our share of the market.

Given the economic and competitive environment, the business is temporarily targeting home lending growth at market for FY24, whilst continuing to invest into strategic priorities including digital and cyber, and accelerate as market conditions and returns become more favourable.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2023.

Rounding of amounts

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

Events subsequent to balance date

In the opinion of the Directors, there has not arisen in the period between the half year ended 31 December 2023 and the date of this report, any material item, transaction or event that is likely to significantly affect the operations of the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation. A task force on Climate-Related Financial Disclosures (TCFD) Report outlining MyState's baseline scope 1, 2 and 3 greenhouse gas (GHG) emissions associated with the activities and facilities that support the businesses' everyday operations, was included in MyState's 2023 Annual Report.

Signed in accordance with a resolution of the Directors.



Vaughn Richtor
Chairman

23 February 2024



Brett Morgan
Managing Director and Chief Executive Officer

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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 2023, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Wise Lord & Ferguson

WISE LORD AND FERGUSON



NICK CARTER
Partner

Date: 23 February 2024



MyState Limited
Consolidated Income Statement
for the half year ended 31 December 2023

	Notes	31 Dec 2023 \$ '000	31 Dec 2022 \$ '000
Interest income	2.1	234,575	152,081
Interest expense	2.1	(171,571)	(84,103)
Net interest income		63,004	67,978
Non-interest income from banking activities	2.1	6,023	7,076
Net banking operating income		69,027	75,054
Income from wealth management activities	2.2	6,782	7,274
Total operating income		75,809	82,328
Less: Expenses			
Personnel costs		22,060	23,358
Administration costs	2.3	10,231	10,062
Technology costs	2.3	10,620	8,631
Occupancy costs	2.3	2,170	2,213
Marketing costs		3,055	6,082
Governance costs		1,694	1,701
Total operating expenses		49,830	52,047
Profit before impairment and tax expense		25,979	30,281
Impairment recovery / (expense) on loans and advances	3.1	(934)	(1,537)
Profit before tax		25,045	28,744
Income tax expense		7,571	8,690
Profit for the period		17,474	20,054
Profit attributable to the:			
Equity holders of MyState Limited		17,474	20,054
Basic earnings per share (cents per share)	2.4	15.89	18.59
Diluted earnings per share (cents per share)	2.4	14.08	15.54

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2023

Notes	31 Dec 2023 \$ '000	31 Dec 2022 \$ '000
Profit for the period	17,474	20,054
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges - Net gains / (losses) taken to equity	(4,990)	(1,450)
Income tax effect	1,497	435
Total other comprehensive income / (expense) for the period	(3,493)	(1,015)
Total comprehensive income for the period	13,981	19,039
Total comprehensive income for the year is attributable to:		
Equity holders of MyState Limited	13,981	19,039

The accompanying notes form part of these financial statements.

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MyState Limited
Consolidated Statement of Financial Position
as at 31 December 2023

	Notes	31 Dec 2023 \$ '000	30 Jun 2023 \$ '000
Assets			
Cash and liquid assets	3.3	192,606	127,778
Due from other financial institutions		38,950	48,003
Other assets		16,882	12,085
Financial instruments		1,000,590	936,880
Loans and advances	3.1	7,973,893	7,908,080
Property, plant and equipment and right-of-use assets		7,489	7,977
Tax assets		7,294	5,558
Intangible assets and goodwill		77,526	77,922
Total assets		9,315,230	9,124,283
Liabilities			
Due to other financial institutions		59,494	66,295
Deposits and other borrowings including subordinated notes		8,760,650	8,568,185
Employee benefits provisions		5,225	5,345
Other liabilities		19,652	18,111
Tax liabilities		9,065	8,784
Total liabilities		8,854,086	8,666,720
Net assets		461,144	457,563
Equity			
Share capital	4.1	227,512	225,274
Retained earnings		228,368	223,497
Reserves		5,264	8,792
Total equity		461,144	457,563

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Changes in Equity
for the half year ended 31 December 2023

	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 2022		211,167	209,788	2,257	1,027	6,674	(1,000)	429,913
Profit for the period		-	20,054	-	-	-	-	20,054
Other comprehensive income / (expense)		-	-	-	-	(1,015)	-	(1,015)
Total comprehensive income for the period		-	20,054	-	-	(1,015)	-	19,039
Equity issued under employee share scheme		50	-	-	-	-	-	50
Equity issued under executive long term incentive plan		-	-	-	-	-	-	-
Equity issued under dividend reinvestment plan underwrite		10,058	-	-	-	-	-	10,058
Equity issued under dividend reinvestment plan		2,121	-	-	-	-	-	2,121
Share based payment expense recognised		-	-	-	319	-	-	319
Entitlement offer share issuance costs, net of tax		(147)	-	-	-	-	-	(147)
General reserve for credit losses write back		-	(110)	110	-	-	-	-
Dividends paid	2.6	-	(12,179)	-	-	-	-	(12,179)
At 31 December 2022		223,249	217,553	2,367	1,346	5,659	(1,000)	449,174
At 1 July 2023		225,274	223,497	2,368	1,314	6,110	(1,000)	457,563
Profit for the year		-	17,474	-	-	-	-	17,474
Other comprehensive income / (expense)		-	-	-	174	(3,493)	-	(3,319)
Total comprehensive income for the year		-	17,474	-	174	(3,493)	-	14,155
Equity issued under employee share scheme		35	-	-	(35)	-	-	-
Equity issued under executive long term incentive plan		174	-	-	(174)	-	-	-
Equity issued under dividend reinvestment plan		2,029	-	-	-	-	-	2,029
Share based payment expense recognised		-	-	-	-	-	-	-
Entitlement offer share issuance costs, net of tax		-	-	-	-	-	-	-
General reserve for credit losses write back		-	-	-	-	-	-	-
Dividends paid	2.6	-	(12,603)	-	-	-	-	(12,603)
At 31 December 2023		227,512	228,368	2,368	1,279	2,617	(1,000)	461,144

The accompanying notes form part of these financial statements.

MyState Limited
Consolidated Statement of Cash Flows
for the half year ended 31 December 2023

Notes	31 Dec 2023 \$ '000	31 Dec 2022 \$ '000
Cash flows from operating activities		
Interest received	248,255	162,321
Interest paid	(167,028)	(62,497)
Fees and commissions received	10,512	12,571
Other non-interest income received	1,424	562
Payments to suppliers and employees	(47,792)	(48,378)
Income tax paid	(7,290)	(8,851)
(Increase) / decrease in operating assets:		
Due from other financial institutions	9,077	14,114
Financial instruments	(68,663)	(120,747)
Loans and advances	(79,673)	(724,049)
Increase / (decrease) in operating liabilities:		
Due to other financial institutions	(8,866)	(5,962)
Deposits and other borrowings excluding subordinated notes and floating rate notes	191,797	855,976
Net cash flows from / (used in) operating activities	81,753	75,060
Cash flows from investing activities		
Purchase of intangible assets	(5,027)	(1,422)
Purchase of property, plant and equipment	(380)	(138)
Net cash flows from / (used in) investing activities	(5,407)	(1,560)
Cash flows from financing activities		
Employee share issue	35	50
Receipts/(payments) for lease liabilities	(939)	(1,160)
Floating rate notes	-	100,000
Additional Tier 1 capital issuance	-	65,000
Dividend paid net of DRP	(10,614)	-
Net cash flows from / (used in) financing activities	(11,518)	163,890
Net increase / (decrease) in cash held	64,828	237,390
Cash at beginning of financial year	127,778	119,215
Closing cash carried forward	3.3 192,606	356,605

The accompanying notes form part of these financial statements.

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2023

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 2023.

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 2023; 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 2022. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2023. 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 2023.

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 2023

	31 Dec 2023 \$ '000	31 Dec 2022 \$ '000
2.1 Net banking operating income		
Interest income		
Loans and advances	211,356	139,707
Investment securities	21,187	10,600
Swap interest ¹	2,032	1,774
Total interest income	234,575	152,081
¹ Swap interest relates to hedges that the Group has entered into to protect its portfolio of loans and advances from changes in interest rates.		
Interest expense		
At call deposits	45,607	22,727
Fixed term deposits	62,675	32,256
Negotiable certificates of deposit	10,777	5,447
Subordinated notes	1,981	1,493
Term funding facility	62	176
Floating rate notes	6,505	3,140
Securitisation	43,350	18,974
Additional Tier 1 Hybrid capital instrument	2,340	1,325
Financing costs - leases	342	415
Swap interest ²	(2,068)	(1,850)
Total interest expense	171,571	84,103
² Swap interest relates to hedges that the Group has entered into to protect its portfolio of term deposits from changes in interest rates.		
Non-interest income from banking activities		
Transaction fees	1,454	1,697
Loan fees	2,348	3,013
Banking commissions	1,556	1,634
Other banking operations income	665	732
Total non-interest income from banking activities	6,023	7,076
2.2 Income from wealth management activities		
Funds management income	3,824	4,364
Other fees and commissions	2,958	2,910
Total income from wealth management activities	6,782	7,274
2.3 Expenses		
The following items are included within each item of specified expenses:		
Occupancy costs include:		
Operating lease payments	278	209
Depreciation - right-of-use lease assets	1,302	1,361
Depreciation - buildings and leasehold improvements	107	102
Technology costs include:		
Amortisation - computer software	2,214	1,863
Administration costs include:		
Depreciation - furniture, equipment and computer hardware	197	163

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2023

	31 Dec 2023 cents	31 Dec 2022 cents
2.4 Earnings per share		
Basic earnings per share	15.89	18.59
Diluted earnings per share	14.08	15.54
Reconciliation of earnings used in calculation of earnings per ordinary share	\$ '000	\$ '000
Net profit after tax	17,474	20,054
Total statutory earnings	17,474	20,054
Earnings used in calculating statutory earnings per ordinary share	17,474	20,054
Add back: distributions accrued and/or paid on dilutive loan capital instrument	2,206	1,256
Total diluted earnings	19,680	21,310

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

	Number	Number
WANOS used in the calculation of basic earnings per share	109,986,210	107,886,488
Effect of dilution - executive performance rights	1,095,134	551,514
Effect of dilution - loan capital instrument	28,697,572	28,697,572
WANOS used in the calculation of diluted earnings per share	139,778,916	137,135,574

Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period

	<i>Dilutive instruments</i>	
	31 Dec 2023	31 Dec 2022
Loan capital instrument	Yes	Yes
Executive performance rights	Yes	Yes
Subordinated note (with non viability clause)	No	No

2.5 Dividends

	Date of payment	31 Dec 2023 \$ '000	31 Dec 2022 \$ '000
Dividends paid			
2022 Final dividend paid - 11.5 cents per share	7 Sep 2022	-	12,179
2023 Final dividend paid - 11.5 cents per share	19 Sep 2023	12,603	-

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

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2023

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 \$1.0 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 2023				
Interest income	234,382	153	40	234,575
Interest expense	(171,568)	-	(3)	(171,571)
Other income	6,023	6,782	-	12,805
Other expenses	(44,343)	(5,450)	(37)	(49,830)
Impairment recovery / (expense) on loans and advances	(918)	(16)	-	(934)
Income tax expense	(7,128)	(443)	-	(7,571)
Segment profit for the period	16,448	1,026	-	17,474
Segment balance sheet information as at 31 December 2023				
Segment assets	9,234,978	27,914	52,338	9,315,230
Segment liabilities	8,846,656	2,115	5,315	8,854,086

	Banking \$' 000	Wealth Management \$' 000	Corporate and Consolidation \$' 000	Total \$' 000
Half year ended 31 December 2022				
Interest income	152,016	49	16	152,081
Interest expense	(84,091)	-	(12)	(84,103)
Other income	7,076	7,274	-	14,350
Other expenses	(45,838)	(6,205)	(4)	(52,047)
Impairment recovery / (expense) on loans and advances	(1,537)	-	-	(1,537)
Income tax expense	(8,352)	(338)	-	(8,690)
Segment profit for the period	19,274	780	-	20,054
Segment balance sheet information as at 30 June 2023				
Segment assets	9,037,452	26,835	59,996	9,124,283
Segment liabilities	8,651,513	2,060	13,147	8,666,720

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2023

	31 Dec 2023 \$ '000	30 Jun 2023 \$ '000
3.1 Loans and advances		
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	7,914,161	7,838,723
Personal loans and unsecured overdrafts	6,116	9,249
Overdrafts secured by mortgage	24,804	25,401
Commercial loans	36,714	41,761
Total loans and advances at amortised cost	7,981,795	7,915,134
Specific provision for impairment	181	171
Collective provision for impairment	7,721	6,883
Total loans and advances at amortised cost net of provision for impairment	7,973,893	7,908,080

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)	171	20
Net specific provision funding	10	151
Write-off of previously provisioned facilities	-	-
Closing balance of specific provision for impairment (i)	181	171
Collective provision for impairment		
Opening balance (i)	6,883	5,989
Net collective provision funding	838	894
Write-off of previously provisioned facilities	-	-
Closing balance of collective provision for impairment (i)	7,721	6,883
Total provision for impairment	7,902	7,054

(i) The opening balance for the comparative period is 1 January 2023 and the closing balance is 30 June 2023.

	31 Dec 2023 \$ '000	30 Jun 2023 \$ '000
Charge to profit for impairment on loans and advances		
Increase / (decrease) in specific provision for impairment	10	171
Increase / (decrease) in collective provision for impairment	838	2,426
Bad debts recovered	(185)	(399)
Bad debts written off directly	271	344
Total impairment (recovery) / expense on loans and advances	934	2,542

3.1 Loans and advances (continued)

Provision for impairment (continued)

Movements in provisions and reserve

Provision for doubtful debts	Stage 1	Stage 2	Stage 3		Subtotal (1)	General reserve for credit losses (2)	Grand Total (1) + (2)
	12 month ECL	Lifetime ECL	Collectively assessed - lifetime ECL	Individually assessed - lifetime ECL			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 1 July 2023	2,984	1,486	2,413	171	7,054	2,368	9,422
<i>Transfers during the period to:</i>							
Increase/(decrease) in provisions	44	546	248	10	848	-	848
Balance as at 31 December 2023	3,028	2,032	2,661	181	7,902	2,368	10,270

Provision for doubtful debts	Stage 1	Stage 2	Stage 3		Subtotal (1)	General reserve for credit losses (2)	Grand Total (1) + (2)
	12 month ECL	Lifetime ECL	Collectively assessed - lifetime ECL	Individually assessed - lifetime ECL			
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 1 Jan 2023	3,033	1,128	1,828	20	6,009	2,368	8,377
<i>Transfers during the period to:</i>							
Increase/(decrease) in provisions	(49)	358	585	151	1,045	-	1,045
Balance as at 30 June 2023	2,984	1,486	2,413	171	7,054	2,368	9,422

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

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

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

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

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

The Group has undertaken a review of the ECL of its lending portfolios against relevant specific economic conditions under varying scenarios. The review considered the macroeconomic outlook, customer credit quality, the quality of collateral held and exposure at default as at the reporting date. These model inputs including forward-looking information have been revised in recognition that rising cash rates is a key driver of the estimates therein. The modelled ECL is sensitive to the current environment of high inflation and cost of living pressures, 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 in the most recent annual financial report.

At 31 December 2023, this review includes forward looking economic assumptions using a scenario weighting of 50% base case, 40% moderate recession and 10% strong recovery. The key assumptions used to determine the forward looking economic overlay were revised to incorporate the latest observed economic data, including a lower Official Cash Rate (OCR) under a moderate recession scenario, increasing levels of unemployment and lower near term house price growth, with price falls under the moderate recession scenario of -15% and 20% respectively across FY24 and FY25.

Given the uncertain economic outlook of the Australian and global economy, global geopolitical uncertainties still lingering, rising cost of living pressures and their repercussions on financial hardships, future economic conditions that result in outcomes that differ from the current estimate are possible and will be accounted for in future periods.

3.2 Fair value of financial instruments

Classification of financial instruments

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

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

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

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

	31 Dec 2023		30 Jun 2023	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Financial instruments	996,844	989,984	928,152	911,377
Loans and advances	7,973,893	7,937,239	7,908,080	7,840,782
Total financial assets	8,970,737	8,927,223	8,836,232	8,752,159
Financial liabilities				
Deposits	6,685,281	6,692,879	6,653,980	6,651,540
Other borrowings including subordinated notes	2,075,369	2,075,034	1,914,205	1,912,535
Total financial liabilities	8,760,650	8,767,913	8,568,185	8,564,075

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

	31 Dec 2023		30 Jun 2023	
	Carrying value \$ '000	Net fair value \$ '000	Carrying value \$ '000	Net fair value \$ '000
Financial assets				
Derivative assets	3,746	3,746	8,728	8,728
Due from other financial institutions	38,950	38,950	48,003	48,003
Total financial assets	42,696	42,696	56,731	56,731
Financial liabilities				
Due to other financial institutions	59,494	59,494	66,294	66,294
Total financial liabilities	59,494	59,494	66,294	66,294

Fair value hierarchy

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

The fair value of these assets is:

- Level 1 - inputs that are prices quoted for identical instruments in active markets;
- Level 2 - inputs based on observable market data other than those in level 1; and
- Level 3 - inputs for which there is no observable market data.

Where the expected maturity is in excess of 12 months, the fair value is discounted to its present value. During the half year, there have been no material transfers between levels of the fair value hierarchy. Classifications are reviewed at reporting dates and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

3.2 Fair value of financial instruments (continued)

Fair value hierarchy for items carried at amortised cost

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 Dec 2023				
Financial assets				
Financial instruments	-	989,984	-	989,984
Loans and advances	-	-	7,937,239	7,937,239
Financial liabilities				
Deposits	-	6,692,879	-	6,692,879
Other borrowings including subordinated notes	-	2,075,034	-	2,075,034
30 June 2023				
Financial assets				
Financial instruments	-	911,377	-	911,377
Loans and advances	-	-	7,840,782	7,840,782
Financial liabilities				
Deposits	-	6,651,540	-	6,651,540
Other borrowings including subordinated notes	-	1,912,535	-	1,912,535

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

Fair value hierarchy for items carried at fair value

	Level 1 value \$ '000	Level 2 value \$ '000	Level 3 value \$ '000	Total value \$ '000
31 Dec 2023				
Financial assets				
Derivative assets	-	3,746	-	3,746
Due from other financial institutions	-	38,950	-	38,950
Financial liabilities				
Due to other financial institutions	-	59,494	-	59,494
30 June 2023				
Financial assets				
Derivative assets	-	8,728	-	8,728
Due from other financial institutions	-	48,003	-	48,003
Financial liabilities				
Due to other financial institutions	-	66,294	-	66,294

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 2023 \$ '000	30 Jun 2023 \$ '000
3.3 Cash and liquid assets		
Cash and liquid assets includes:		
Notes, coins and cash at bank	187,339	123,138
Other short term liquid assets	5,267	4,640
Total cash and liquid assets	192,606	127,778

MyState Limited
Notes to the consolidated financial statements
for the half year ended 31 December 2023

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 2023			30 Jun 2023		
	Average balance \$ '000	Interest \$ '000	Average rate %	Average balance \$ '000	Interest \$ '000	rate %
Average assets and interest income						
Interest-earning assets						
Cash and liquid assets	131,841	311	0.47%	140,274	312	0.22%
Financial instruments	951,090	22,908	4.82%	890,124	30,676	3.45%
Loans and advances (i)	7,589,435	211,356	5.57%	7,203,932	321,982	4.47%
Total average interest-earning assets	8,672,366	234,575	5.41%	8,234,330	352,970	4.29%
Non-interest earning assets	146,484	-	-	148,048	-	-
Total average assets	8,818,850	234,575	5.32%	8,382,378	352,970	4.21%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	6,756,047	117,910	3.49%	6,799,811	156,449	2.30%
Notes and bonds on issue	1,865,369	53,661	5.75%	1,460,606	63,927	4.38%
Total average interest-bearing liabilities	8,621,416	171,571	3.95%	8,260,417	220,376	2.67%
Non-interest bearing liabilities	87,112	-	-	66,928	-	-
Total average liabilities	8,708,528	171,571	3.94%	8,327,345	220,376	2.65%
Reserves	441,237	-	-	423,242	-	-
Total average liabilities and reserves	9,149,765	171,571	3.75%	8,750,587	220,376	2.52%

(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 2023

	31 Dec 2023 \$ '000	30 Jun 2023 \$ '000
4.1 Share capital		
Issued and paid up ordinary shares	227,512	225,274

Movements in ordinary share capital

	31 Dec 2023		31 Dec 2022	
	Number of shares	Amount \$ '000	Number of shares	Amount \$ '000
Opening balance 1 July	109,594,435	225,274	105,904,941	211,167
Shares issued pursuant to the				
- Group employee share scheme	9,982	35	10,954	50
- Executive long term incentive plan	35,786	174	-	-
- Dividend reinvestment plan underwrite	-	-	2,587,858	10,058
- Dividend reinvestment plan issuance costs, net of tax	-	-	-	(147)
- Dividend reinvestment plan	635,050	2,029	545,654	2,121
Closing balance	110,275,253	227,512	109,049,407	223,249

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 2023 \$ '000	30 Jun 2023 \$ '000
4.2 Contingent liabilities and expenditure commitments		
(a) Loans approved but not advanced to borrowers	94,817	91,849
(b) Undrawn continuing lines of credit	51,891	53,591
(c) Performance guarantees	2,211	2,472
Total contingent liabilities and expenditure commitments	148,919	147,912

There have been no other material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2023.

4.3 Events subsequent to balance date

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

MyState Limited
Directors' Declaration
for the half year ended 31 December 2023

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

1. In the opinion of the Directors:

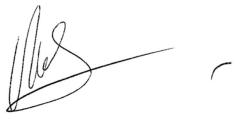
- (a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the half year ended 31 December 2023.

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

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

On behalf of the Board



Vaughn Richtor
Chairman



Brett Morgan
Managing Director and Chief Executive Officer

Hobart
Dated 23 February 2024.

Independent Auditor's Review Report to the Shareholders of MyState Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MyState Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Responsibility of the Directors for the Financial Report

The directors of the Group 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 control as the directors determine is 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 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*.

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.

Wise Lord & Ferguson

WISE LORD & FERGUSON



NICK CARTER

Partner

Date: 23 February 2024