MyState LIMITED
ABN 26 133 623 962

Registered Office
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17 February 2017

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

Dear Sir

MyState Limited – Half Year Report
(Appendix 4D) for the half year ended 31 December 2016

The Directors of MyState Limited (the "Company") are pleased to announce the audited results of the Company for the half year ended 31 December 2016 as follows:

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracted from the Financial Statements for the half year ended	$'000 31 December 2015	$'000 31 December 2016	% Change
Revenue from operations	61,289	61,836	0.9%
Profit after tax attributable to members	15,084	15,190	0.7%
Net profit after tax attributable to members	15,084	15,190	0.7%

Dividends for the current year are:	Amount per security	Franked amount per security
Interim Dividend FY2017 fully franked at 30% Payable on 20 March 2017 Record date for determining entitlements for the interim dividend is 24 February 2017.	14.0 cents	14.0 cents
Dividends for the previous year were:	**Amount per security**	**Franked amount per security**
Final dividend – 2016, fully franked at 30% Paid 3 October 2016	14.5 cents	14.5 cents
Dividend Reinvestment Plan	**Last Date for Receipt of DRP Election Notice**	
The MyState Limited Dividend Reinvestment Plan is operational for this interim dividend.	24 February 2017	
Net Tangible Assets per share	**2015**	**2016**
	248 cents	243 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 17 February 2017.

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

MyState LIMITED

ABN 26 133 623 962

Directors Report & Consolidated Financial Statements

For the half year ended 31 December 2016

Directors' Report

for the half-year ended 31 December 2016

Your Directors present their report on MyState Limited ABN 133 623 962 (the Company) for the half-year ended 31 December 2016.

Directors and Company Secretary

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

Directors

- **Miles L Hampton** BEc(Hons), FCIS, FCPA, FAICD
  Chairman of the board and independent non-executive Director.
- **Melos A Sulicich** BBus, GAICD, SA FIN
  Managing Director.
- **Peter D Armstrong** BEc(Hons), DipED, Dip FP, CPA, FAICD, FAMI
  Independent non-executive Director.
- **Brian V Bissaker** BEc, FCA
  Independent non-executive Director (Appointed 1 May 2016).
- **Robert L Gordon** BSc, MIFA, MAICD, FAMI
  Independent non-executive Director.
- **Colin M Hollingsworth** CPA, MAICD, FAMI
  Independent non-executive Director.
- **Sibylle Krieger,** LLB (Hons), LLM, FAICD, MBA
  Independent non-executive Director (Appointed 1 December 2016).
- **Stephen Lonie** BCom, MBA, FCA, FFin, FAICD, FIMCA
  Independent non-executive Director.
- **Sarah Merridew** BEc, FCA, FAICD
  Independent non-executive Director.

Company Secretary

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

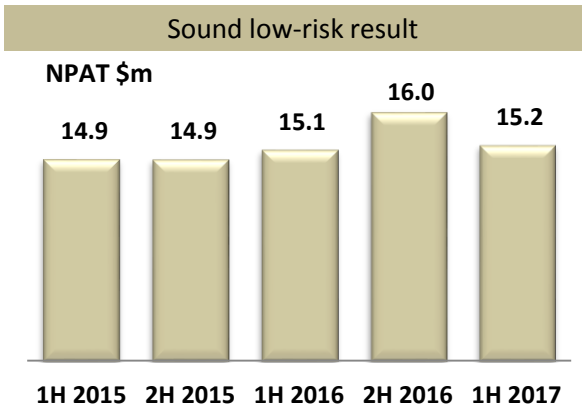
Review of Operations

Net Profit after Tax

MyState Limited (MyState) reported a net profit after tax of $15.2m for the half year ended 31 December 2016.

Statutory earnings per share remained stable on the prior comparative period (pcp) at 17.3 cents per share, with return on equity decreasing by 20bps to 10.2% over the same period.

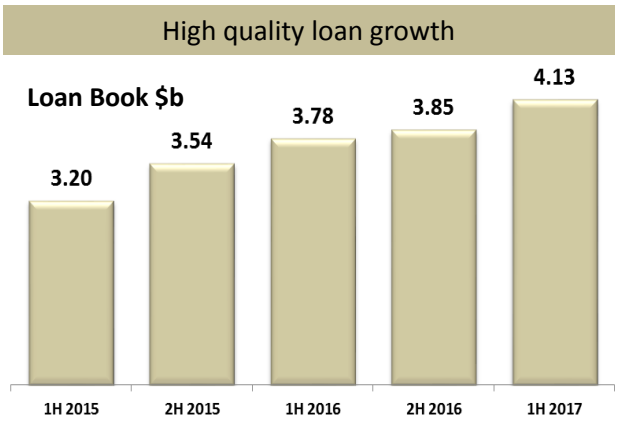
This result was achieved despite the broad challenges facing the banking sector, including increased competition, continued reductions in interest rates, and increased intensity in regulatory activity.



Significant milestones in technology and digital transformation

The result was also accompanied by the achievement of significant milestones in MyState's program of technology transformation. During the half year, MyState introduced new internet banking and digital services to benefit customers, including Android Pay, Apple Pay, and new MyState Bank internet banking and mobile banking apps. MyState also began the transition of the Group's core banking platforms to a single core banking platform which will underpin MyState's transition to an omni-channel, analytical data-driven business, supporting profitable growth. New customer services commenced with the launch of online origination for personal loans and with the implementation of the first phase of a customer relationship management system.

High quality asset growth and credit performance



The banking division's loan book increased by $278m or 7.2% since June 2016, with the home loan portfolio growing at 2.4 times system.

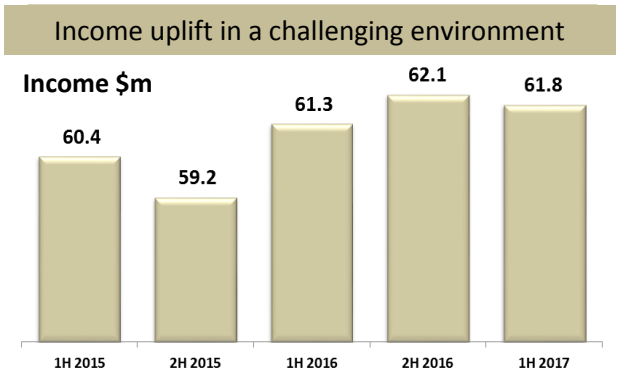
The bank's focus on lower risk owner occupier and lower LVR home lending underpinned an exemplary asset quality and credit performance. Loan impairment charges reduced to 2bps of gross loans and 30 day arrears and 90 day arrears of 0.54% and 0.26% respectively were well below regional peers and the major banks.

Impairment expense fell by $0.85m on pcp.

Geographic loan diversification continues, with MyState increasing its loan book size in New South Wales and Victoria. 52.0% of the overall loan book was Tasmania-based at 31 December 2016, down from 55.7% at 30 June 2016.

Income

Income increased marginally above the pcp as did net profit after tax.



Operating income increased marginally however the challenging banking environment saw net interest income decline by $0.2m or 0.5% on pcp.

Net interest margin (NIM) declined 19bp since June 2016 to 1.94% for the period, reflecting RBA cash rate reductions and a competitive funding market. More recently, competition has appeared to ease and, coupled with a repricing of the variable rate home loan book in early January 2017, margins are expected to improve.

The wealth management division reported stable revenue and an increased contribution. Revenue was in line with 2H16 but was down on the pcp. Funds under management increased to $1.05b at 31 December 2016 compared with $1.0b at 30 June 2016, an annualised growth rate of 7.5%. While trustee services volumes were lower, the financial planning business improved revenue over the pcp.

Expenditure

The Group continues to manage its cost base prudently. Expense growth was 4.74% on the pcp. Excluding the impact of M&A related project costs (as disclosed in the FY16 financial report) of $1.4m that carried over into the early part of the current half year, cost growth was contained to 1.5%.

Capital

The business has maintained its balance sheet strength, reporting a capital ratio of 13.0%, consistent with the pcp. During the period, S&P upgraded MyState Bank's BBB rating with a positive outlook to BBB+ with a negative outlook in its recent review, reflecting the sound management of the bank's balance sheet. The business was also successful in a $10m issuance of subordinated notes and a $300m RMBS issuance during the period. These initiatives will provide funding to enable the continued loan book growth and investment in transformational projects.

Dividends

The Directors have declared an interim dividend of 14.0 cents per share (pcp: 14.0 cents per share), fully franked, payable on 10 March 2017 to shareholders on the register at the record date of 23 February 2017.

Dividend Reinvestment Plan

The Board announced the reactivation of the Dividend Reinvestment Plan (DRP) to enable shareholders to participate in further ownership of the Group. The DRP price will be set at 2.5% discount to the volume weighted average price of MYS shares calculated over the 5 trading days between 27 February 2017 and 3 March 2017.

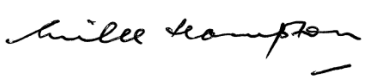
Outlook

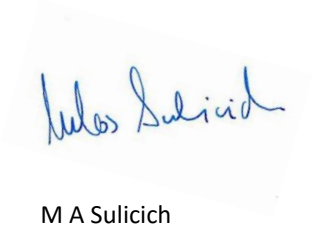
Looking forward, MyState will continue its program of investment technology and digital transformation, as well as capability across the business to enhance the customer experience and drive productivity improvements.

Auditor's Independence Declaration to the Directors under section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the Directors:





M L Hampton
Chairman

M A Sulicich
Managing Director

17th February 2017, Hobart.

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 2016, 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.

Joanne Doyle
Partner
Wise Lord & Ferguson

Date: 17 February 2017

Consolidated Income Statement

for the half year ended 31 December 2016

	Notes	31 Dec 2016 $'000	31 Dec 2015 $'000
Interest income	2	**90,266**	90,258
Less: Interest expense	2	**(46,813)**	(46,595)
Net interest income		**43,453**	43,663
Non-interest income from banking activities	2	**8,611**	8,565
Net banking operating income		**52,064**	52,228
Income from wealth management activities	3	**8,395**	9,060
Profit from sale of other investments	4	**1,362**	-
Income from other activities	4	**15**	-
Total operating income		**61,836**	61,288
Less: Expenses			
Personnel costs		**18,761**	18,812
Administration costs	5	**10,270**	8,681
Technology costs	5	**5,181**	4,857
Occupancy costs	5	**3,728**	3,690
Marketing costs		**1,715**	1,797
Governance costs		**1,433**	1,388
Total operating expenses		**41,088**	39,225
Profit before impairment expense on loans and advances and income tax expense		**20,748**	22,063
Less: Impairment expense / (recovery) on loans and advances	9	**(232)**	619
Profit before income tax expense		**20,980**	21,444
Income tax expense		**5,790**	6,358
Profit for the period		**15,190**	15,086
Profit attributable to the:			
Equity holders of MyState Limited		**15,190**	15,086
Basic earnings per share (cents per share)	6	17.29	17.28
Diluted earnings per share (cents per share)	6	17.29	17.28

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2016

	Notes	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit for the period		**15,190**	15,086
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Net gains / (losses) taken to equity		**(695)**	239
Change in fair value of assets classified at fair value through other comprehensive income		**(619)**	-
Income tax effect		**385**	(72)
Total other comprehensive income for the period		**(929)**	167
Total comprehensive income for the period		**14,261**	15,253
Total comprehensive income for the period is attributable to:			
Equity holders of MyState Limited		**14,261**	15,253

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	31 Dec 2016 $'000	30 Jun 2016 $'000
Assets			
Cash and liquid assets		96,749	80,126
Due from other financial institutions		11,026	17,875
Other assets		7,160	5,819
Financial instruments		385,790	355,969
Derivatives		8	540
Loans and advances	9	4,142,176	3,863,133
Property, plant and equipment		8,414	9,812
Deferred tax assets		4,047	3,664
Intangible assets and goodwill		83,433	78,982
Total assets		**4,738,803**	4,415,920
Liabilities			
Due to other financial institutions		24,450	30,710
Other liabilities		6,045	6,961
Deposits and other borrowings including subordinated notes		4,397,645	4,068,182
Derivatives		680	517
Employee benefit provisions		5,361	5,515
Tax liabilities		3,256	4,407
Total liabilities		**4,437,437**	4,116,292
Net assets		**301,366**	299,628
Equity			
Share capital	11	134,836	134,756
Retained earnings		161,771	159,320
Reserves		4,759	5,552
Total equity		**301,366**	299,628

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2016

	Share capital	Retained earnings	General reserve for credit losses	Employee equity benefits reserve	Hedging reserve	Net unrealised gains reserve	Total
	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
At 1 July 2015	132,670	155,872	4,428	564	(394)	-	293,140
Profit for the year	-	15,086	-	-	-	-	15,086
Other comprehensive income / (expense)	-	-	-	-	167	-	167
Total comprehensive income for the period	-	15,086	-	-	167	-	15,253
Equity issued under employee share scheme	97	-	-	-	-	-	97
Equity issued under executive long term incentive plan	46	-	-	(46)	-	-	-
Share based payment expense recognised	-	-	-	74	-	-	74
Dividends paid	-	(12,659)	-	-	-	-	(12,659)
At 31 December 2015	132,813	158,299	4,428	592	(227)	-	295,905
At 1 July 2016	**134,756**	**159,320**	**4,428**	**675**	**16**	**433**	**299,628**
Profit for the year	-	15,190	-	-	-	-	15,190
Other comprehensive income / (expense)	-	-	-	-	(496)	(433)	(929)
Total comprehensive income for the period	-	15,190	-	-	(496)	(433)	14,261
Equity issued under executive long term incentive plan	80	-	-	-	-	-	80
Share based payment expense recognised	-	-	-	136	-	-	136
Dividends paid	-	(12,739)	-	-	-	-	(12,739)
At 31 December 2016	**134,836**	**161,771**	**4,428**	**811**	**(480)**	**-**	**301,366**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the half year ended 31 December 2016

	Notes	31 Dec 2016 $' 000	31 Dec 2015 $' 000
Cash flows from operating activities			
Interest received		94,177	92,685
Interest paid		(48,925)	(49,306)
Fees and commissions received		16,374	16,894
Other non-interest income received		461	547
Payments to suppliers and employees		(40,300)	(55,826)
Income tax paid		(6,928)	(10,928)
Net cash flows from / (used in) operating activities		**14,859**	(5,934)
Cash flows from investing activities			
Proceeds from sale of financial assets		3,857	-
Purchase of intangible assets		(5,124)	(1,244)
Proceeds from sale of property, plant and equipment		14	37
Purchase of property, plant and equipment		(419)	(122)
Net increase in loans to customers		(282,824)	(238,390)
Net (increase) / decrease in amounts due from financial institutions		(26,264)	(11,652)
Net cash flows from / (used in) investing activities		**(310,760)**	(251,371)
Cash flows from financing activities			
Net increase in deposits and other borrowings		329,463	287,618
Net increase / (decrease) in amounts due to financial institutions		(4,280)	9,171
Employee share issue		80	145
Dividends paid	7	(12,739)	(12,659)
Net cash flows from / (used in) financing activities		**312,524**	284,275
Net increase in cash held		16,623	26,970
Cash at beginning of the period		80,126	66,290
Closing cash carried forward	12	**96,749**	93,260

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

1 Summary of significant accounting policies

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 2016.

1.2 Basis of preparation

The condensed consolidated financial statements comprise of MyState Limited (the 'Company') 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 ASIC Class Order 98/100, dated 10 July 1998 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:

Consolidated entity / Group	MyState Limited and the entities it controlled at the end of, or during the period;
TPT	Tasmanian Perpetual Trustees Limited;
Period	the half year ended 31 December 2016; 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 2015. The comparative information disclosed in the Consolidated Statement of Financial Position is as at 30 June 2016. 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 adopted in the most recent annual financial report which is for the year ended 30 June 2016.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

	31 Dec 2016 $ '000	31 Dec 2015 $ '000
2 Income from banking activities		
Interest income		
Loans and advances	85,239	84,872
Investment securities	5,027	5,386
Total interest income	**90,266**	90,258
Interest expense		
At call deposits	5,664	6,042
Fixed term deposits	41,149	40,553
Total interest expense	**46,813**	46,595
Non-interest income from banking activities		
Transaction fees	3,816	3,949
Loan fees	2,541	2,364
Banking commissions	1,795	1,828
Other banking operations income	459	424
Total non-interest income from banking activities	**8,611**	8,565
3 Income from wealth management activities		
Funds management income	4,680	4,672
Other fees and commissions	3,715	4,388
Total income from wealth management activities	**8,395**	9,060
4 Income from other activities		
Profit from sale of other investments	1,362	-

In the half year ended 31 December 2016, the Group disposed of its investment in listed equities. The carrying value of these shares at the date of disposal was $3,841,000.

Dividends from other corporations	15	-
Total income from other activities	**15**	-
5 Expenses		
The following items are included within each item of specified expenses:		
Occupancy costs include:		
Depreciation - leasehold and freehold improvements	1,073	1,069
Technology costs include:		
Operating lease payments	87	127
Amortisation - computer software	966	945
Depreciation - computer equipment	75	70
Administration costs include:		
Significant due dilligence project costs	1,279	-
Amortisation - other intangibles	368	250
Depreciation - motor vehicles	3	8

Notes to the consolidated financial statements

for the half year ended 31 December 2016

	31 Dec 2016 cents	31 Dec 2015 cents
6 Earnings per share		
Basic earnings per share	17.29	17.28
Diluted earnings per share	17.29	17.28

The following information reflects the income and share data used in the calculation of basic and diluted earnings per share:

	31 Dec 2016 $ '000	31 Dec 2015 $ '000
Profit for the period	15,190	15,086

	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	87,865,452	87,311,633

	31 Dec 2016 $ '000	31 Dec 2015 $ '000
7 Dividends		
Dividends paid		
2016 Final dividend paid: 14.5 cents per share (2015 Final dividend: 14.5 cents per share)	12,739	12,659

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

Notes to the consolidated financial statements

for the half year ended 31 December 2016

8 Segment information

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, overdrafts, lines of credit and commercial products; transactional savings accounts and fixed term deposits and insurance products. It delivers these products and services through its branch network, as well as through the mortgage broker channel. The banking division is conducted by the MyState Bank Group. Prior to 30 September 2015, the Rock Building Society Group formed part of this group and was a second ADI. On 30th September 2015, the rights and obligations of the Rock Building Society Group were transferred to MyState Bank Limited and, as a result, the banking group is now comprised of one ADI and its subsidiaries.

Wealth management division

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

Corporate and consolidation division

The corporate cost centre is responsible for the governance of the Group. The corporate cost centre charges the operating divisions on a cost recovery basis for costs it has incurred. This division incorporates intercompany eliminations 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 2016				
Interest income	90,065	78	123	90,266
Interest expense	(46,813)	-	-	(46,813)
Other income	8,659	9,782	(58)	18,383
Other expenses	(33,941)	(6,346)	(569)	(40,856)
Income tax expense	(5,240)	(1,054)	504	(5,790)
Segment net profit after income tax	**12,730**	**2,460**	**-**	**15,190**
Segment assets	**4,659,471**	**28,287**	**51,045**	**4,738,803**
Segment liabilities	**4,433,703**	**1,949**	**1,784**	**4,437,437**
Half year ended 31 December 2015				
Interest income	90,048	100	110	90,258
Interest expense	(46,595)	-	-	(46,595)
Other income	8,656	9,060	(91)	17,625
Other expenses	(33,767)	(6,058)	(19)	(39,844)
Income tax expense	(5,460)	(898)	-	(6,358)
Segment net profit after income tax	12,882	2,204	-	15,086
Balances as at 30 June 2016				
Segment assets	4,335,161	28,483	52,276	4,415,920
Segment liabilities	4,110,774	2,378	3,140	4,116,292

Notes to the consolidated financial statements

for the half year ended 31 December 2016

	31 Dec 2016 $' 000	30 Jun 2016 $' 000
9 Loans and advances		
Classification of loans and advances		
Residential loans secured by mortgage	3,953,001	3,674,988
Personal loans and unsecured overdrafts	79,373	79,565
Overdrafts secured by mortgage	57,065	59,308
Commercial loans	53,649	50,330
Total loans and advances	**4,143,088**	3,864,191
Specific provision for impairment	666	567
Collective provision for impairment	246	491
Total loans and advances net of provisions for impairment	**4,142,176**	3,863,133
Provision for impairment		
Specific provision for impairment		
Opening balance (1)	567	172
Charge / (credit) against profit	99	395
Closing balance of specific provision for impairment	**666**	567
Collective provision for impairment		
Opening balance (1)	491	739
Charge / (credit) against profit	246	204
Write-off of previously provisioned facilities	(491)	(452)
Closing balance of collective provision for impairment	**246**	491

(1) The opening balance for the comparative period is 1 January 2016, the closing balance is 30 June 2016.

	31 Dec 2016 $' 000	31 Dec 2015 $' 000
Charge to profit for impairment on loans and advances at amortised cost		
- Increase / (decrease) in specific provision for impairment	99	57
- Increase / (decrease) in collective provision for impairment	(245)	192
- Bad debts recovered	(629)	(634)
- Bad debts written off directly	543	1,004
Total impairment / (recovery) on loans and advances at amortised cost	**(232)**	619

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 majority of Wealth Management loans are advanced to customers in the State of Tasmania.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

10 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 including subordinated notes.

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

	31 Dec 2016		30 Jun 2016	
	Carrying value $ '000	Net fair value $ '000	Carrying value $ '000	Net fair value $ '000
Financial assets				
Financial instruments	385,790	385,277	351,174	351,007
Loans and advances	4,142,176	4,147,045	3,863,133	3,862,014
Total financial assets	**4,527,966**	**4,532,322**	4,214,307	4,213,021
Financial liabilities				
Deposits	3,480,518	3,482,692	3,262,377	3,262,826
Other borrowings including subordinated notes	917,127	917,127	805,805	805,805
Total financial liabilities	**4,397,645**	**4,399,819**	4,068,182	4,068,631

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. The Group has determined this approach based on a reassessment of the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Significant unobservable inputs, which are sensitive to reasonably possible changes in non-market assumptions, would not have a material impact on the consolidated result.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

10 Fair value of financial instruments

Fair value hierarchy (continued)

	Level 1 value $ '000	Level 2 value $ '000	Level 3 value $ '000	Total value $ '000
31 December 2016				
Financial assets				
Financial instruments	**-**	**385,277**	**-**	**385,277**
Loans and advances	**-**	**-**	**4,147,045**	**4,147,045**
Financial liabilities				
Deposits	**-**	**3,482,692**	**-**	**3,482,692**
Other borrowings including subordinated notes	**-**	**917,127**	**-**	**917,127**
30 June 2016				
Financial assets				
Financial instruments	-	351,007	-	351,007
Loans and advances	-	-	3,862,014	3,862,014
Financial liabilities				
Deposits	-	3,262,826	-	3,262,826
Other borrowings including subordinated notes	-	805,805	-	805,805

There has not been an impact on profit and loss of fair value movements of assets that are within Level 3 of the fair value hierarchy.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

	31 Dec 2016 $ '000	30 Jun 2016 $ '000
11 Share capital		
Issued and paid up capital		
Ordinary shares fully paid	**134,836**	134,756

Movements in share capital

	31 December 2016 Number of shares	Amount $ '000
Ordinary Shares		
Opening balance as at 1 July 2016	**87,854,255**	**134,756**
Shares issued pursuant to the:		
- Employee share scheme of the consolidated entity	**18,729**	**80**
Closing balance as at 31 December 2016	**87,872,984**	**134,836**

	31 December 2015 Number of shares	Amount $ '000
Ordinary Shares		
Opening balance as at 1 July 2015	87,283,417	132,670
Shares issued pursuant to the:		
- Executive long term incentive plan	27,901	46
- Employee share scheme of the consolidated entity	21,054	97
Closing balance as at 31 December 2015	87,332,372	132,813

Notes to the consolidated financial statements

for the half year ended 31 December 2016

	31 Dec 2016 $ '000	31 Dec 2015 $ '000
12 Statement of Cash Flows		
For the purpose of the Statement of Cash Flows, cash and liquid assets includes:		
Notes, coins and cash at bank	**67,025**	57,628
Other short term liquid assets	**29,724**	35,632
Total cash and liquid assets	**96,749**	93,260

	31 Dec 2016 $ '000	30 Jun 2016 $ '000
13 Customer commitments		
(a) Loans approved but not advanced to borrowers	**49,587**	49,360
(b) Undrawn continuing lines of credit	**74,619**	76,415
(c) Performance guarantees	**1,640**	1,876

There have been no material changes in contingent liabilities or expenditure commitments since the end of the last reporting period ended 30 June 2016.

Notes to the consolidated financial statements

for the half year ended 31 December 2016

14 Average balance sheet and source of net interest income

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

	Half year ended 31 Dec 2016			Full year ended 30 Jun 2016		
	Average balance	Interest	Average rate (annualised)	Average balance	Interest	Average rate
	$ '000	$ '000	%	$ '000	$ '000	%
Average assets and interest income						
Interest-earning assets						
Cash and liquid assets	**84,894**	**345**	**0.81%**	76,351	809	1.06%
Financial instruments	**365,324**	**4,682**	**2.54%**	357,276	10,264	2.87%
Loans and advances	**3,990,933**	**85,239**	**4.24%**	3,756,712	172,278	4.59%
Total average interest-earning assets	**4,441,151**	**90,266**	**4.03%**	4,190,339	183,351	4.38%
Non-interest earning assets	**121,248**	**-**	**-**	124,711	-	-
Total average assets	**4,562,399**	**90,266**	**3.92%**	4,315,050	183,351	4.25%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	**3,364,906**	**33,096**	**1.95%**	3,199,496	68,513	2.14%
Notes and bonds on issue	**854,703**	**13,717**	**3.18%**	776,070	25,928	3.34%
Total average interest-bearing liabilities	**4,219,609**	**46,813**	**2.20%**	3,975,566	94,441	2.38%
Non-interest bearing liabilities	**44,009**	**-**	**-**	45,959	-	-
Total average liabilities	**4,263,618**	**46,813**	**2.18%**	4,021,525	94,441	2.35%
Equity	**288,261**	**-**	**-**	277,665	-	-
Total average liabilities and equity	**4,551,879**	**46,813**	**2.04%**	4,299,190	94,441	2.20%

15 Events subsequent to balance date

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

Directors' Declaration

for the half year ended 31 December 2016

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 2016 and of its performance for the period 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.

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

On behalf of the Board

M L Hampton	C M Hollingsworth
Chairman	Director

Hobart
Dated this the 17th of February 2017.

wlf
ACCOUNTING
& ADVISORY

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 2016, 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 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 2016 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.

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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 2016 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.

Joanne Doyle
Partner
Wise Lord & Ferguson

Date: 17 February 2017