



Together

for the better



MyStateLimited 

Annual Report
2024

At MyState Limited we understand the importance of tailoring financial services to all stages of life.

We're always ready to serve the best interests of our customers and shareholders.



Scan to learn more about our RAP and the artist that created our artwork, Bianca Templar.

Acknowledgement of Country

MyState Limited acknowledges Aboriginal and Torres Strait Islander Peoples and their rich culture. We acknowledge the Traditional Owners and Custodians of Country throughout Australia and their connections to land, sea and community.

We acknowledge MyState's Aboriginal and Torres Strait Islander employees, partners and stakeholders, and pay our respects to their Elders, both past and present, for they are the knowledge-keepers who hold the memories and traditions of the oldest continuing living culture in the world.

We recognise and value the ongoing contribution of Aboriginal and Torres Strait Islander cultures to Australian life and how this enriches us and our communities. We embrace the spirit of reconciliation, working towards mutual respect, equality and a better future together.

About MyState Limited

MyState Limited (MYS) is the non-operating holding company of a diversified financial services group listed on the ASX, and is a leading provider of banking, trustee and wealth management services to customers across the country through our retail brands – MyState Bank and TPT Wealth.

MyStateLimited 

MyStateBank 

TPT Wealth 



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Annual General Meeting

The 2024 Annual General Meeting of MyState Limited will be held on Wednesday, 23 October 2024 at 10:30 a.m. (Hobart time) at the MyState Bank Arena, 601 Brooker Hwy, Glenorchy and online.

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

Corporate Governance

The Board of MyState Limited is committed to upholding the highest levels of corporate governance and subscribes to the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council in order to promote investor confidence in the Company and within the broader market. In addition, the Australian Prudential Regulation Authority (APRA) requires MyState Limited, as the non-operating holding company of a bank, to comply with the prudential obligations that apply directly to its wholly owned subsidiary MyState Bank Limited.

To this end, the Board of MyState Limited has a governance framework whereby the appropriate Board policies, meeting the APRA prudential requirements, apply across the Group.

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

Cash trans

Together

for the better

Our purpose and values

MyState purpose

We're a Tasmanian-based financial services company with big ambitions. We make managing your money easy, to help you achieve what matters most. We invest in our people and communities, so together we can thrive.

Our purpose represents the way we collaborate with each other, our customers, our shareholders and our community to deliver the very best outcomes for all. Our purpose is lived through our rally cry – **Together for the better.**

What this means for:	Our shareholders	Our community	Our customers and clients	Our people
	We deliver sustainable, profitable growth	We invest into and support our local communities	We care about what matters	We grow and achieve great things

MyState values

Create customer 'wow'	Chase the better	Collaborate to win
<ul style="list-style-type: none">• We walk in our customers' shoes and appreciate their perspectives.• We think and act in the best interests of our customers.• We are clear, concise and trustworthy in our customer interactions.• We design and deliver exceptional customer experiences, with a human touch.• We make things simpler and easier for our customers.	<ul style="list-style-type: none">• We are bold in our ambition.• We seek out and embrace the change that is required to succeed.• We have the courage to try new things and grow from our failures.• We simplify (and digitise) to deliver exceptional customer experiences, with a human touch.• We seek industry-leading productivity and always drive for better outcomes.	<ul style="list-style-type: none">• We care for each other, our customers, partners and community.• We give our best, do the right thing, and trust our colleagues to do the same.• We hold each other to account.• We openly share information so that everyone can make informed decisions.• We reach out across teams to rapidly solve problems – and celebrate our successes and learnings.

Our year at a glance



Our performance

Home loan book **\$8.0b**

Customer deposits **\$5.9b**

Net profit after tax **\$35.3m**

Earnings per share **32.0 cps**

Cost to income ratio **66.3%**

Dividend **23.0 cps**



Our customers

New digital experience

Total bank customers **174,390**

New to bank customers acquired **14,100**

Net promoter score **+58**

Expanded our trustee services offering

Award-winning products





Our team

70%

Employee experience score

New leadership
program launched

320

Staff volunteering hours

62

Employees promoted

MyState employees

41%59%

MaleFemale

Celebrating diversity



Our community

Tasmania JackJumpers

Principal partner of the NBL
championship-winning team

Colony 47 JumpStart program

Partnership to assist with youth accessing
housing in Tasmania

MyState Bank Arena

Naming rights sponsorship of the
home of entertainment and sport
in Tasmania

18

Community programs supported
through the MyState Foundation





Group performance

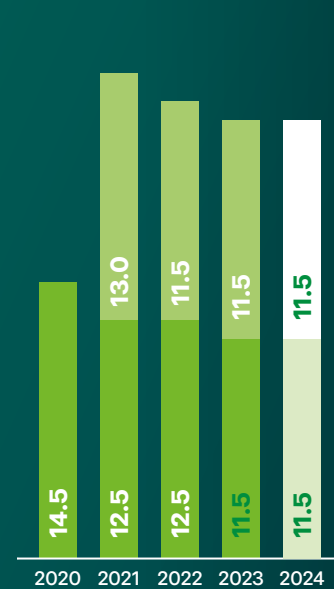
**Net profit after tax
(\$ million)**



**Earnings per share
(cents)**



**Dividends – fully
franked per share
(cents)**



**Return on average
equity (%)**



**Cost to income
ratio (%)**



**Net interest income
(\$ million)**



Chair's review

I congratulate the team at MyState for continuing to provide high-quality customer service, supporting the communities in which we operate and maintaining shareholder returns in a challenging environment.

Vaughn Richter
Chair



Introduction

I am pleased to present the FY24 Annual Report as Chair of MyState Limited.

In a challenging year in financial services our Company has balanced growth, revenue and costs to produce a solid return. While down on our record profit in 2023, it compares very favourably with others in the industry in a year where deposit and loan pricing was extremely competitive.

MyState growth slowed over the year as the management team successfully executed strategies to protect revenue and control costs.

At the same time, the foundations for growth were strengthened with strategic investments designed to support accelerated growth as conditions improve.

Over FY24 we have maintained a stable dividend and increased our capital strength.

We grew mortgages in a particularly competitive environment and maintained a prudent approach to managing risk. Arrears remain low and below industry average.

We grew new to bank customers from within and outside Tasmania, while improving our customer advocacy rates as measured by the Net Promoter Score – a key measure of customer focus.

Digital transformation is a key part of the strategy of making growth in customers and balance sheet

sustainable. We continued the digital transformation of the bank with the launch of a new internet and mobile banking platform, replacing our outdated capability with enhanced functionality and ease of use.

I congratulate the team at MyState for continuing to provide high-quality customer service, supporting the communities in which we operate and maintaining shareholder returns in a challenging environment.

Operating performance

Statutory net profit after tax (NPAT) for the fiscal year was \$35.3 million, down 8.3% on the record result in FY23.

Revenue fell 5.0% largely driven by an 18-basis point compression in NIM over the period, reflective of intense competition for both mortgages and retail deposits. NIM was stable half-on-half as conditions normalised.

The business closely managed operating expenses, which fell 1.6% to \$101 million. This was a pleasing result given the higher inflation Australia experienced over the period.

Earnings per share fell 9.7% to 32.0 cps.

Return on equity was 7.7% from 8.7% the previous year.

TPT Wealth saw a solid improvement in NPAT, with an increase in revenue and a decline in underlying operating expenses, as a result contributing positively to the Group's financial performance.

Dividend and capital

In the 2024 fiscal year, the Board determined to pay a final dividend of 11.5 cents per share, fully franked, equivalent to a payout ratio of 72% of after-tax earnings.

This decision is in line with the current dividend guidance range and strikes a balance between pursuing our growth strategy and rewarding shareholders.

MyState's capital position strengthened with a total capital ratio of 16.4% at 30 June 2024, up from 15.4% at 30 June 2023, providing capacity for future investment and growth.

During the year MyState issued \$500 million in Term RMBS and established a second committed warehouse funding agreement. The Term Funding Facility was fully repaid in June.



Strategy

MyState continues to pursue its growth strategy with prudent, sustainable, and profitable growth at its heart.

The strategy will be enhanced with the proposal to merge with Auswide Bank, headquartered in Queensland.

We expect significant cost synergies and revenue-enhancing opportunities from the merger, which we also expect to be earnings per share accretive for MyState shareholders from FY26 on a post synergies run rate basis.

The scheme, which is subject to the customary regulatory, Auswide shareholder and third-party approvals, is expected to become effective in mid-to-late December 2024.

Our future

We expect the proposed merger will significantly enhance the scale and value proposition of the Group, providing it with the opportunity to accelerate its earnings and growth profile while benefiting from an enlarged balance sheet and increased funding flexibility.

MyState and Auswide have quality loan books evidenced by their low arrears and loyal customer bases. The proposed merger will also further diversify loan balances by geography and support deposit generation.

As always I would like to thank shareholders for not only supporting the business, but also being loyal customers.

Vaughn Richtor
Chair

We expect significant cost synergies and revenue-enhancing opportunities from the merger, which we also expect to be earnings per share accretive for MyState shareholders from FY26 on a post synergies run rate basis.

Chief Executive Officer's review

MyState has responded to intense competition and cost of living challenges by delivering value, great service and an improved digital experience.

Brett Morgan
Managing Director and CEO



2024 has been a year of consolidation for MyState with growth balanced against returns, managing costs and delivering key strategic initiatives. I am proud to say the business has ended the year in very good shape with a strong foundation in place to support profitable growth.

Delivering for customers

MyState customers continue to show resilience in the face of inflation, higher interest rates and cost of living challenges.

More than 60% of mortgage customers are ahead in repayments, and arrears remain below industry averages at 44 bps for 90+ days. To ensure customers understand all available options, we continue to proactively contact every mortgage customer transitioning from low fixed rates to the prevailing interest rate.

While customers are saving less as cost of living pressures bite, it is good to see many taking advantage of our award-winning bonus saver and higher term deposit rates.

MyState has responded to intense competition and cost of living challenges by delivering competitive products, great service and an improved digital experience.

A key measure of customer advocacy is the Net Promoter Score (NPS), which increased 23 points over the year. The NPS measures the number of customers who are willing to recommend MyState to their family and friends.

MyState Bank also successfully delivered a new internet and mobile banking platform, with customers responding to the change very positively.

The new mobile app simplifies the process of moving money and bill payments and gives customers the tools to more easily manage their finances.

On the wealth side, MyState expanded TPT's trustee services and improved our client and beneficiary experience.

Delivering on our profitable growth strategy

In a challenging and competitive environment, MyState managed the balance between growth and margin well, and our focus on extracting efficiencies and expense management delivered a reduction in operating costs in an inflationary environment.

We attracted more than 14,100 new to bank customers and our home lending grew by 2% to \$8 billion, with positive momentum running into FY25.

Our Net interest margin (NIM) fell by 18 basis points to 1.45%, reflecting continued competition for deposits and mortgages. Despite this, we reported a net profit after tax (NPAT) of \$35.3 million, down 8.3% on the previous year. Total operating costs were 1.6% lower at \$101 million, while core earnings were down 10.9% to \$51.4 million.

TPT Wealth experienced a strong rebound in income and improved operating efficiency, contributing more than \$15 million in fee revenue and income diversification to the Group.

Delivering for the community

Our approach to sustainability focuses on driving positive change across the business and the community. During the year we adopted new carbon accounting technology to

measure and report on MyState's carbon footprint. We also continued to encourage customers to adopt e-statements, with 68% of bank customers having done so, up from 62% in the prior year.

The MyState Foundation supports the Tasmanian community by providing grants to charitable organisations focused on helping young people reach their full potential. In FY24, grants totalling \$155,000 were made to 18 recipients including JCP Youth, Tassie Mums, Beacon Foundation and The Smith Family. In addition, the MyState Foundation is investing \$56,800 over three years to deliver the JumpStart housing program with community partner Colony 47.

MyState co-authored a Tasmanian Financial Wellbeing Index with Colony 47 to highlight areas of strength and opportunities in the community and better understand the pressure points and aspirations of our customers and the broader Tasmanian community.

Investment in our community provides opportunities for our staff to connect with local initiatives. During the year MyState staff contributed over 320 volunteering hours to community organisations including Dress for Success, Ronald McDonald House and Tassie Mums.

Our continuing partnership with the Tasmania JackJumpers is an example of MyState's commitment to fostering a vibrant sports culture and inspiring future generations of athletes in Tasmania. The MyState Arena partnership gives us a platform to connect with customers and the community through events, concerts and sport.



\$8.0b

Home loan book

+14,100

New to bank
customers increased

The delivery of a new internet and mobile banking platform reflects our understanding that customers expect more from their digital banking experience.

Digital banking

More than 80% of MyState customers are registered for mobile and online banking.

The delivery of a new internet and mobile banking platform reflects our understanding that customers expect more from their digital banking experience. The new app and internet banking platform make it easier for customers to pay bills, make payments and keep track of their finances.

Our new digital experience is just the start. The platform enables MyState to more easily and quickly make enhancements based on customer feedback and needs.

Providing a great place to work

We know that people want to work at places where they can connect with the organisation's purpose. A key call out in our purpose is investing in our people, which continued to be a focus this year.

To help staff develop and perform to their potential, we continue to invest in learning and leadership, focusing on training and development. We launched a new leadership development program, Drive, to support leaders to drive change and apply their learning to business

transformation projects that help the business grow and succeed. This investment in leadership supported 62 internal promotions over the year.

Our continued investment in our people and our community contributes to our positive culture and engaged workforce.

MyState's independently assessed engagement score for the year was 70%.

Protecting customers

We all continue to be very concerned about cyber security risks and scams.

Australians lost more than \$2 billion during the year to scammers.

While the amount of money being lost is declining due to ongoing investment in prevention, detection and response, everyone remains a potential target as the types of scams constantly evolve and become more sophisticated.

To support scam prevention, we educate customers on scam threats through the website, customer updates and social media. Customer education includes information on protecting passwords, double-checking new billers, and being wary of unsolicited calls and clicking on links.

We are also working with industry, government and the Australian Financial Crimes Exchange to prevent, detect and respond to the constant threats. It takes a team approach, including the active involvement of our customers to shut down the scammers.

Looking ahead

We are committed to profitably growing our business across our key portfolios of customer deposits, home lending, income funds and trustee services.

On 19 August 2024, we announced a proposed merger with Auswide Bank, which will combine two high-quality and complementary businesses with reach across the eastern seaboard, delivering significant scale advantages to the Group.

The proposed merger is aligned to our profitable growth strategy, delivering value for our people, communities and shareholders.

Brett Morgan
Managing Director and CEO

Our strategy



Our strategic ambition to grow our share in deposits, lending and funds under management has proven to be effective and remains unchanged.

Three years into our growth strategy, our home lending book has grown by 46% per cent to \$8.0 billion, with nearly two-thirds of our home loan customers now originating from mainland Australia. Customer deposits are up 33% over the same period.

The award-winning products and services offered by MyState Bank and TPT Wealth mean we can help people across all life stages. We do this through our core offerings of everyday banking products, home and investment loans, asset management and commercial lending, right through to estate planning and administering trusts.

These products and services are delivered through our key channels. For MyState Bank this encompasses digital, brokers to grow outside our heartland of Tasmania, mobile lenders in Tasmania, as well as our Tasmanian branches and contact centre.

For TPT Wealth, our key channels include digital and relationship managers.

And given the importance of a strong and positive culture – which is critical to the success of our strategy – we have three key values that we live by every day – create customer wow, chase the better and collaborate to win.

In FY24 we maintained our focus on growing profitably while delivering on a range of important strategic initiatives, including the launch of a new internet and mobile banking experience and an expanded trustee services offering. Along with efficiency initiatives delivered across the Group, which supported a reduction in total operating costs, we have set strong foundations, which will help to drive profitable growth into the future.

The proposed merger with Auswide Bank

While our strategy and vision remain the same, as we enter a new financial year we are excited to have signed a scheme implementation agreement (SIA) to merge with Auswide Bank, headquartered in Queensland. The combination of two high-quality and complementary businesses is consistent with our stated growth strategy and brings significant scale advantages to the Group. We expect significant cost synergies from the merger, which we also expect to be EPS accretive for MyState shareholders from FY26 on a post synergies run rate basis. The scheme, which is subject to the customary regulatory, Auswide shareholder and third-party approvals, is expected to become effective in mid-to-late December 2024.



The opportunity to accelerate earnings and growth

It is expected that the proposed merger will significantly enhance the scale and value proposition of the Group, providing it with the opportunity to accelerate its earnings and growth profile while benefiting from an enlarged balance sheet and increased funding flexibility.

MyState and Auswide have quality loan books evidenced by low arrears and loyal customer bases. The proposed merger will also further diversify loan balances by geography and support deposit generation.

Significant value creation for both sets of shareholders

MyState expects significant pre-tax cost synergies of between \$20 million to \$25 million and the merger is expected to be EPS accretive for MyState shareholders including full run rate synergies from FY26. MyState expects that operational integration will largely be achieved by the end of FY27, at which point the business will have realised the ongoing benefits of the merger.

The main sources of synergies are expected to include the consolidation of technology platforms, the integration of shared services, a refined leadership and management structure, and consolidation of third-party providers.

FY25 earnings will be impacted by upfront transaction and integration costs.

Profile of the merged group

The merged group is expected to have a pro forma loan book of \$12.5 billion, net assets of \$755 million and total deposits of \$9.6 billion. The merged group will have a pro forma CET 1 capital ratio of 12.1% as at 30 June 2024 (relative to MyState's standalone CET 1 capital ratio of 12.0% as at 30 June 2024).

Implementation process

On current expected timing, the proposed merger is scheduled to complete in December 2024. However, this timing is subject to change as it is conditional upon Auswide shareholder and Court approval, and requires Auswide shareholders to approve the scheme by the requisite majorities in accordance with the Corporations Act. The proposed merger is also conditional on regulatory approval from the Treasurer under the Financial Sector Shareholdings Act as set out in the SIA.

Confidence in successful integration

The proposed merger is being undertaken on a collaborative basis. Following its completion, the merged group's Board and management will make key business decisions, ensuring minimisation of disruption to both businesses and their customers.

Within this environment, MyState remains well placed to continue to benefit from the willingness of Australians to switch banks, and following the merger our ambition is to continue to attract new customers and grow above system in both mortgages and deposits.

Our focus

Though the merger is exciting news, the external market remains highly competitive. Our focus therefore remains on our growth strategy and telling our unique story of making managing money easy, to help our customers and clients achieve what matters most, so together we can thrive.

Approach to risk

Management of financial and non-financial risks continues to be a key focus of our business, and an integral part of the platform on which our strategy is built.

In FY24 we continued to focus on a strong culture of risk awareness and accountability across the organisation.

As it has been in previous years, our risk strategy continued to be founded on three pillars:

Promote Risk Management Principles

Awareness and adoption of risk management principles/practices that support a healthy risk culture.

Fit for Purpose Risk Framework

Business size and complexity are always front of mind while being aware of customer, regulatory and community expectations.

Digitised and Simplified Process

Digitisation and simplification of risk management processes to support business growth and productivity.



MyState's risk management frameworks are designed to identify, mitigate and/or manage risks on a timely basis. We undertake regular reviews of these frameworks to meet customer and stakeholder expectations, as well as our regulatory obligations.

During the past year, assurance reviews focused on further enhancing our operational risk capabilities,

while we also worked on further enhancement of our risk controls to manage our information security, cyber, data and fraud risks to support and protect our customers from scams.

We use our values to continue to build a culture of risk accountability among our employees. This encompasses facilitating training programs, alerting employees to indicators of risk,

initiating timely raising and closure of risk incidents, and providing recognition for employees who champion our risk principles.

Throughout the year customers were supported via our customer contact centres branches and collection teams, and we remained conscious of our duty of care to customers who needed additional assistance.

Our risk strategy is integral in protecting the best interests of our employees, customers and shareholders.



Sustainability report



The three pillars of Environmental, Social and Governance (ESG) provide a structured framework for assessing how well a company manages risks and opportunities related to sustainability. In this section we review the pillars, with an aim to provide you with an update on MyState's progress for the period 1 July 2023 to 30 June 2024.

These six topics form the foundation of our ESG focus:

1. Environmental sustainability
2. Supporting customers
3. Helping our people be their best
4. Digital enablement and data security
5. Community investment
6. Governance, conduct and culture

By reading this Sustainability report we trust you'll get a clear picture of our performance in these six areas. We know that progress on sustainability is an evolution, and we are proud to be taking steps to positively impact our customers and the communities within which we work.



Our approach to ESG

How MyState approaches, governs and manages Environmental, Social and Governance topics that impact business strategies and practices.

Environmental

Considers environment-related risks and what MyState may do to reduce or mitigate them. It includes carbon emissions and climate change.

Examples include MyState's carbon footprint, waste management, any pollution MyState contributes to, and the sustainability efforts that make up MyState's supply chain. It also includes the physical and transitional risk associated with MyState's portfolio on account of climate change.

Social

Addresses the relationships MyState maintains as well as the reputation MyState has with its staff, customers, suppliers and institutions in the communities where MyState does business.

Examples include workplace safety, wellbeing and culture, the MyState Foundation, diversity, equity and inclusion, customer satisfaction, digital enablement and data privacy.

Governance

Directs the internal system of practices, controls and procedures MyState adopts in order to make effective decisions, comply with the law and meet the needs of stakeholders.

Examples include Board and leader composition, pay and rewards, and ethical operation.

The ESG topics that matter most to MyState:



Environmental sustainability

To help MyState transition to a low-carbon economy.



Supporting customers

To help customers make good choices and to put things right if we make a mistake.



Helping our people be their best

To drive a culture of customer centricity and execution excellence, MyState relies on its people being at their best.



Digital enablement and data security

To continue the evolution of MyState's systems and products to meet its customers' increasing expectations, and to keep their money and data safe.



Community investment

To enable us to make a difference and support our Tasmanian community.



Governance, conduct and culture

To continue to conduct our business in an ethical, responsible and transparent way – driving the right behaviours that put the needs of stakeholders first.

What we are doing to integrate ESG into organisational processes:

1. Build ESG consciousness across the organisation.
2. Manage ESG risks and opportunities through Board and management Committees.
3. Maintain ESG reporting and market disclosures.

Facilitated by:

MyState Limited Board

Oversees the development and approval of the ESG strategy.

Managing Director & CEO

Demonstrates and communicates commitment to ESG through setting 'the tone from the top'.

Executive

Responsible for recommending ESG strategy to the Board and considering and identifying ESG opportunities and impacts.

ESG Committee

Proposes ESG strategy to Executive and keeps track of ESG initiatives and associated reporting for internal and external stakeholders.

Sustainability report continued



Environmental sustainability

In FY24 we have focused on enhancing the robustness of our carbon reporting to prepare for mandatory reporting, which for MyState is anticipated to begin in 2027. We have internalised our carbon accounting processes in line with global standards to help us make our disclosures robust.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none"> Encouraging our customers to adopt e-statements. Emphasis on digital communication with customers. 	<ul style="list-style-type: none"> New internet and mobile banking experience to provide customers with greater digital access and engagement with MyState and help increase the take-up of e-statements. Our third climate-related financial disclosures. See following section. 	<ul style="list-style-type: none"> MyState's FY24 GHG emissions footprint was assessed to be 5,535 tonnes of carbon dioxide equivalent or tCO₂e (Scope 1, 2 and limited Scope 3 emissions). Scope 3 financed emissions 50,983 tCO₂e. 99% of the energy used in our Tasmanian HQ was renewable.



Supporting customers

MyState continued to assist vulnerable customers with practical steps to regain control of their finances or connect them with appropriate support agencies.

Our key measure of customer advocacy, Net Promotor Score or NPS, finished the year at +58. MyState is proud of this score, as it reflects our ongoing commitment of putting our customers at the centre of everything we do.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none"> Seek feedback on service levels through customer surveys. Assist customers experiencing financial hardship. Customer collaboration to shape the future of products and services at MyState. Participation in the Federal Government's First Home Loan Deposit Scheme (FHLDS). Assistance to vulnerable customers. 	<ul style="list-style-type: none"> Educating our customers in relation to fraud, being aware of scams and staying safe online. Continuing to enhance our internal risk controls to detect and respond to scams. Continuing to support our customers experiencing financial hardship. Promptly resolving customer complaints via interactions with our customer relations specialists and MyState's Customer Advocate. Account-keeping fee simplification and reduction across select MyState Bank products. Customer communications in plain language. Improving service times through the customer contact centre. 	<ul style="list-style-type: none"> Customer NPS +58. 80% of bank customers registered for internet and mobile banking. 3,750 complaints handled in FY24. 85% of complaints resolved in under five days. Supported 534 customers in financial hardship. 886 basic transaction accounts opened. 100% of customer facing staff trained to support customers in need of extra care. 99% mandatory training completion.



Helping our people be their best

As a growing bank, ensuring that we continue to attract and retain engaged employees who are aligned to our purpose and culture is critical to meeting the needs of our customers and other stakeholders.

To help our people be at their best, we have continued to invest in our learning and leadership programs, focusing on developing our people to support our growth ambitions and creating a Wellbeing program to enhance resilience. Our employee advocate networks, including our diversity and inclusion collective, Belong, our culture advocates and change community of practice, enable a workplace culture where we aim for everyone to feel included, and have a voice.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none">• Clear expectations for workplace behaviour (Code of Conduct).• Clear expectations of individual performance.• Coaching and development for our people leaders.• Regular monitoring and assessment of individual performance and development goals.• Workplace health and safety program.• Diversity and inclusion program.• Change management maturity developed through the change community of practice.• Talent assessment, and succession planning.• Flexible and inclusive work practices are available to all staff.• Annual listening program <i>Voice of the Employee</i>.• Enhancing the employee experience to provide meaningful and rewarding opportunities to our people.	<ul style="list-style-type: none">• Living the MyState purpose and values.• Connecting our people with our strategic ambitions.• Supporting our people leaders.• Evolving our change maturity.• Identifying and embedding human-centric capabilities.• Peer/leader led, in the moment recognition.• Rewarding high performers.• Increased focus on empowering our people to manage their wellbeing.• Launch of internal DRIVE leadership program to develop emerging leaders.• Expanding our workplace health and safety program to include psychosocial factors.• Celebrated culturally significant events in support of our focus areas for diversity and inclusion.• Progressed drafting of our inaugural reflect reconciliation action plan, with Reconciliation Australia.	<ul style="list-style-type: none">• 70% employee experience score.• 62 employees promoted.• 32 internal appointments.• 25 emerging leaders on DRIVE leadership training program.• 87% performance development and appraisal process completion rate.• 252 employees participated in our Wellbeing program.• Diversity ratios:<ul style="list-style-type: none">– 43% of all leadership roles filled by women.– 33% of Non-Executive Directors are women.– 25% of the executive team (direct reports to the CEO) are women.– 59% of all roles filled by women.– 15% of employees born outside of Australia.• Gender pay gap 22.2% (WGEA).

Sustainability report continued



Digital enablement and data security

In a busy year for MyState's digital team, we continued to evolve our systems and products to meet our customers' increasing expectations, keep their money safe and protect their data.

Immediately post year-end, we were proud to release a new internet and mobile banking experience to staff, which has subsequently been well received by customers.

In line with global trends, our bank customers continued to shift towards digital banking with more than 80% registered for internet and mobile banking. In support of this, we have stepped up our investment in cyber security and in educating customers on how to avoid being scammed in response to the rapidly increasing prevalence of malicious digital and cyber activity.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none"> Online deposit product origination. Internet and mobile banking capability. Digital cards and payment methods (e.g. Apple Pay, real-time payments). Open Banking according to the Consumer Data Right. Cyber security framework. Information security policy. Privacy policy. 	<ul style="list-style-type: none"> Keeping customers and their data and accounts safe through strengthening our systems and educating our customers in relation to data security and being aware of scams. Launch of our next-generation digital banking experience, with enhanced features to protect customers. Redevelopment of our online application forms to improve and simplify user experience for our customers. Making our digital products helpful (e.g. reminding customers when bills are due), intuitive and easy to use. Adding sustainability pages to the MyState Bank and TPT Wealth websites. 	<ul style="list-style-type: none"> 68% of bank customers on e-statements. 80% of bank customers registered for internet and mobile banking. 97% of bank transactions completed digitally.



Community investment

As a purpose-led business, our community investment delivers outcomes for Tasmanian not-for-profit organisations as well as our team. We continued to support the Tasmanian community through the MyState Foundation, investing \$155,000 to support 18 charitable organisations focused on helping youth reach their full potential. The recipients included Dress for Success Tasmania, The Smith Family, Beacon Foundation, JCP Youth, St Vincent de Paul and Tassie Mums.

Our staff team also volunteered over 320 hours to support a number of Tasmanian-based charities, including Colony 47, Beacon, Tassie Mums, Dress for Success, Ronald McDonald House, Hobart Dogs Home, Bonorong Wildlife Sanctuary and Lifeblood.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none"> Through the MyState Bank Foundation we provide investment in community programs for Tasmanian youth. Our employment offering includes a volunteering program, with access to one volunteering day per year. Days can be pooled across teams to create additional volunteering opportunities. 	<ul style="list-style-type: none"> Consultation with the Tasmanian not-for-profit sector to make sure the investment from the MyState Bank Foundation is having the most impact. Expanding our grants program to include partnerships. Release and assessment of the FY24 partnership and grant round. Distribution and monitoring of the grants allocation for FY23. Implementation of our volunteering program to support our communities. Community engagement via the MyState Foundation. 	<ul style="list-style-type: none"> \$155,000 in community grants provided through the MyState Foundation in 2023/24 and over \$2.6m since inception in 2001. 18 community programs supported through the MyState Foundation. 320 staff volunteering hours, almost one hour per full-time staff member. The MyState Foundation entered a partnership supporting Colony 47's JumpStart program, which helps young people in Tasmania to access affordable housing.



Introduction and performance

Chair's review

Chief Executive Officer's review

Our strategy and approach to risk

Sustainability report

Board of Directors and KMP

Directors' report and remuneration report

Financial report

Shareholder information



Governance, conduct and culture

Good corporate governance and sound risk management practices are fundamental aspects of MyState's business conduct and culture.

One measure of the health of our culture comes through our annual employee experience survey, which measures overall levels of staff engagement. In February 2024, 90% of our employees completed the survey, with the results identifying a pleasing overall employee engagement score of 70%.

How we engage	What have we been focusing on	Updated at 30 June 2024
<ul style="list-style-type: none">• MyState subscribes to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and publishes an annual Corporate Governance Statement and Appendix 4G in compliance with ASX Listing Rules.• Full and half-year reporting and investor presentations.• Regular briefings and meetings with investors and analysts.• Signatories to the Banking Code of Practice.• Modern slavery statements.• Human rights statement.• Supplier code of conduct.• Risk Management Strategy and Framework.• ESG Committee.• Measuring and evolving our organisational culture and risk.• Whistle-blower policy (StandUp program).• Maintaining our accountability obligations under the Banking Act.	<ul style="list-style-type: none">• Ongoing prudential reporting and engagement with regulators.• Clarity of Executive portfolios and single points of accountability.• Transitioning from the Banking Accountability Regime (BEAR) to the Financial Accountability Regime (FAR).• Updating our remuneration framework to meet new standards required by CPS 511 <i>Remuneration</i>.	<ul style="list-style-type: none">• Annual Board review and approval of MyState Corporate Governance Statement.• Compliance with Banking Code of Practice.• Key vendors screened for modern slavery assessment over the year.• 93% of small business suppliers paid within 30 days.• Stable risk culture survey outcome.

Sustainability report continued

Climate-related financial disclosures

About this report

This report outlines MyState's approach and strategies for assessing and managing the risks and opportunities presented by climate change. The report follows the IFRS S2 Climate-related Disclosures with Task Force on Climate-related Financial Disclosures (TCFD) Recommendations covering governance, strategy, risk management, and metrics and targets. The tables that form part of this report include the basis and methodologies for the calculations.

In FY24, our focus has been on further developing and strengthening our measurement, monitoring, and reporting of our Greenhouse Gas (GHG) emissions footprint resulting from our activities, in accordance with the Greenhouse Gas Protocol. This work represents an important step in being able to have confidence that our current and future emissions reporting will meet the requirements of the proposed new mandatory climate-related financial disclosure regime that will impact MyState, as well as other Australian companies.

Our approach to climate reporting

Measuring and reporting on climate metrics is challenging as it is necessarily based on estimates and the use of currently available technology and methodologies. We have aimed to apply consistent principles in how we measure and report on climate metrics, but recognise that these are estimates and despite our best attempts it is not possible, or feasible, to be completely accurate. Nevertheless, it is vital that we undertake this analysis, including estimating our impact and reporting on year-on-year change and progress.

As a result, readers need to consider these limitations, recognising our intent and not just the numbers. Over time, our climate-related reported data will change as new methodologies emerge, technology changes and our stakeholders become better at measuring their climate impact.

Greenhouse gas GHG emissions and energy consumption are reported for 12-month periods ended 30 June unless otherwise stated. All dollar amounts are in Australian dollars, unless otherwise stated.

Governance

Board's oversight of climate-related risks and opportunities

MyState's Board (Board) retains oversight of ESG risks and opportunities, including climate change. The Board is responsible for undertaking that ESG considerations are integrated into business strategy, operations and risk management.

The Board is supported by relevant committees, including the ESG Committee, Audit Committee, and Risk Committee. Their respective responsibilities are described in Table 1 below.

Management's role in assessing and managing climate-related risks and opportunities

MyState's Managing Director & CEO, supported by the Company's Executives, is responsible for the management of MyState's day-to-day approach to climate change. The CEO and Executive work to integrate the assessment of risks and opportunities related to ESG into MyState's operations.

Table 1: Summary of MyState's climate and sustainability governance structure

Role of Board and Committees

The Board	<ul style="list-style-type: none"> Approves key ESG policies, including review of the ESG Framework, and oversees compliance management.
Group Audit Committee	<ul style="list-style-type: none"> Reviews and recommends to the Board for approval ESG-related disclosures in financial reports and accompanying material reported to the market, as well as the appropriateness and consistency of the application of, or adherence to, climate-related accounting principles.
Group Risk Committee	<ul style="list-style-type: none"> Recommends ESG-related policies to the Board for approval. Oversees the implementation and operation of the Risk management framework. This includes monitoring the ESG risk profile and the effectiveness of systems and controls within the Board-approved risk appetite.
ESG Committee	<ul style="list-style-type: none"> Proposes ESG strategy to the Executive team. Creates and develops ESG initiatives.

Role of management

Managing Director/CEO	<ul style="list-style-type: none"> Demonstrates and communicates commitment to ESG strategy by 'setting the tone from the top'. Monitors existing ESG strategies and initiatives.
Executive	<ul style="list-style-type: none"> Recommends the ESG strategy to the Board. Supports effective identification and management of MyState's ESG risks and opportunities through decision-making processes and structures.

Strategy

Climate-related risks and opportunities over the short, medium and long term

MyState's approach to climate is aligned to our purpose of investing in our people and communities so together we can thrive.

A changing climate poses both transition and physical risks. In FY22 MyState undertook analysis to identify and prioritise our climate-related risks and opportunities in the short (0 to five years), medium (10 to 15 years) and long term (20+ years). These risks included physical climate extremes impacting the lending portfolio, disruption of carbon-intensive value chains and more ambitious climate policies.

MyState's short, medium and long-term transitional and physical risks are shown in Table 2 below. As assessed by MyState, the risks and opportunities have been steady since the prior period as there has been no significant change in our external or internal environment.

The impact of climate-related risks and opportunities on strategy and financial planning

We understand the severity of the climate change impact on our people, customers and operations, and our climate-related opportunities are focused on transitioning to a low-carbon economy and enhancing our business processes to better capture customer climate data.

Resilience of our strategy in different climate-related scenarios

Building on the climate risks identified in FY22, in FY23 we engaged climate experts to undertake the climate scenario analysis shown in Table 3 using two widely adopted reference climate scenarios for physical and transition climate assessments. We assessed the Shared Socio-economic Pathways (SSPs)/Representative Concentration Pathways (RCPs) and the Australian Energy Market Operator (AEMO) for the transition assessment as the energy system transition is a key aspect that we can support our customers with. The physical and transition scenario analysis has provided long-term insights into how our risks and opportunities evolve in the coming decades. The results found in the analysis continue to apply to MyState's position this year as there have been no material changes in the concentration of our mortgaged assets, or a change in our strategy.

Table 2: MyState's prioritised climate-related short, medium and long-term risks and opportunities

R/O	Prioritised risks and opportunities	Physical or transition	Timeframe	Potential impacts on MyState and its stakeholders
R	Increase in frequency and severity of extreme weather events including flooding associated with rain, cyclones, storms and bushfires, and its impact on the lending portfolio.	Physical (acute)	Short to long term	<ul style="list-style-type: none"> Damage to assets causing devaluation of collateral. Rise in insurance premiums and restricted ability to gain insurance.
O	Growth of low-carbon sectors that support the transition to a low-carbon economy.	Transition	Short to medium term	<ul style="list-style-type: none"> Reduced carbon intensity of loan book. Revenue from new markets.
R	Disruption of carbon-intensive sectors and associated value chains.	Transition	Short to medium term	<ul style="list-style-type: none"> Devaluation of collateral. Obsolete assets. Increased arrears, hardship and impairments (credit risk).
R	Insufficient data to adequately assess customer transition risk.	Transition	Short term	<ul style="list-style-type: none"> Credit risk – increased arrears, hardship and impairments. Obsolete assets.
R	More ambitious government climate policies (e.g. carbon taxes and cross border tariffs) and increased regulations from governing bodies (APRA and ASIC).	Transition	Short term	<ul style="list-style-type: none"> Increased operating costs/complexity. Decreased value of assets.

R = Risk O = Opportunity Short term: 0-5 years Medium term: 10 years Long term: 20+ years

Sustainability report continued

Table 3: Climate scenario analysis approach

	Transition	Physical
Risk/opportunity	Support customers to transition to the low-carbon economy and build climate resilience through innovative services and product offerings.	The impact on our lending portfolio from extreme weather events including extreme rain, cyclones, storms and bushfires.
Climate scenarios	<ol style="list-style-type: none"> Low emissions (AEMO 'Step Change') Moderate emissions (AEMO 'Slow Change') 	<ol style="list-style-type: none"> Low emissions (SSP1-2.6/RCP2.6) Moderate emissions (SSP2-4.5/RCP4.5) High emissions (SSP5-8.5/RCP8.5)
Time horizons	All scenarios assessed were for 2030 and 2050 future time horizons compared to the recent past climate (approximately over the past two decades).	
Climate metrics chosen as proxies for hazards and drivers	<ul style="list-style-type: none"> Energy efficiency and electrification. Evolving customer expectations of financial service providers and green banking trends. 	<ul style="list-style-type: none"> Extreme rain intensity (one-in-20-year rainfall). Extreme rain frequency of events. Very high fire weather days per year. Extreme heat days above 35°C per year. Cyclone intensity and frequency. Storm surge events and sea level rise.
Where we assessed	Transition metrics and themes were assessed on state to national levels using climate model outputs and supporting literature.	Physical metrics and themes were assessed on a postcode scale using 5km climate model projections, where possible, and supporting literature.

Physical scenario analysis

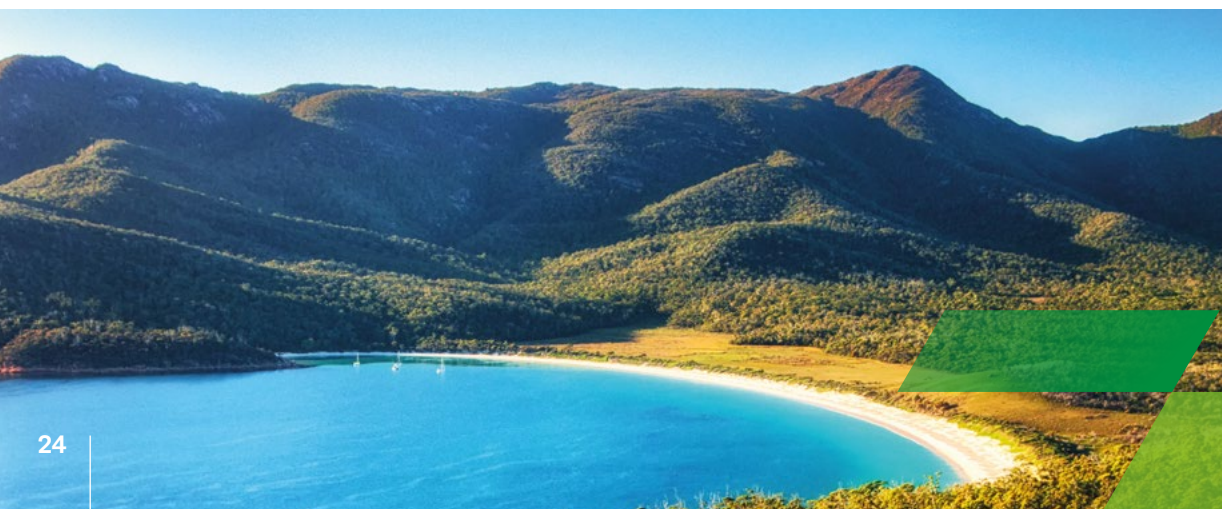
Like other lenders, climate projections indicate that by 2030 our portfolio faces heightened exposure to extreme rain events in Tasmania, south-east Australia and Queensland. Moreover, our portfolio in Western Australia and northern Queensland is most exposed to tropical cyclones, which may shift further south in a warmer climate. Rising sea levels pose significant risks to mortgage securities, with more frequent storm surges projected for northern and central Queensland, south-east Australia and Tasmania. Inland areas of Queensland, Victoria and New South Wales face a substantial increase in extreme heat

exposure and heightened bushfire risks, particularly affecting our lending in central and northern Queensland. These severe weather events can lead to property damage, reducing collateral value or even complete asset loss. Additionally, changes in insurance availability/affordability in the future may impact customer repayments and increase hardship claims.

Transition scenario analysis

The global shift towards a low-carbon world necessitates a transition to clean energy sources such as renewables. The transition climate scenario analysis focused on the

potential for customer lending to support the significant growth in the installation of rooftop solar photovoltaic (PV) through to 2050. In the near term, energy efficiency and electrification present an opportunity to support customers to reduce their exposure to volatile energy markets. Medium-term (2030s-2040s) indicators suggest there will be strong growth in residential battery storage, with the potential for increased lending opportunities by 2050. The scenario analysis also highlighted the increasing adoption of electric appliances and improved energy efficiency in Australian households.



Risk management

The processes for identifying and assessing climate-related risks

MyState identifies and assesses the risks and associated impacts within its Risk management framework. The Risk management framework aims at identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating all internal and external sources of risk. It is reviewed by the Risk Committee and approved by the Board annually. Additionally, MyState's climate-related risk is incorporated within the Risk Appetite Statement.

The processes for managing climate-related risks

Physical risks

Physical risks impacting our assets and lending could be managed by, for example, reminding that mortgage holders have appropriate insurance and reviewing our guidance for loans in high-risk hazard regions.

Transition risks

MyState continues to work on evaluating the most appropriate strategies to support customers to transition to the low-carbon economy and build climate resilience.

The integration of the processes for identifying, assessing and managing climate-related risks into MyState's overall risk assessment

In FY24, MyState continued supporting our rally cry of 'Together for the better', which extends to how we consider decisions in relation to sustainability and climate resilience. Across our business, we assessed our environmental impact through measuring the carbon footprint of our operational Scope 1, 2 and 3 emissions, as we also undertook in FY21, FY22 and FY23.

Metrics and targets

In the sections below we disclose the metrics related to our operational emissions.

The metrics used to assess climate-related risks and opportunities

Operational emissions

MyState's base year (FY21) operational emissions (Scope 1, 2 and limited Scope 3 emissions) were assessed to be 4,690 tonnes of carbon dioxide equivalent (tCO₂e). This year MyState continued to assess our Scope 3 financed emissions, including the most material financed emissions – those associated with residential mortgage lending – which accounts for over 95% of the value of our lending portfolio.

In FY24 we worked to strengthen our methodology with regards to GHG inventory and carbon footprint assessment and continued to actively consult on how climate change may present risks or opportunities to our operations, customers and stakeholders as guided by IFRS recommendations.



Sustainability report continued

Digitisation

MyState has continued emphasis on digital communication and we encourage our customers to adopt e-statements.

Scope 1, 2, and 3 (GHD) emissions and related risks

A summary of MyState's operational and financed greenhouse gas emissions for FY22, FY23 and FY24 (and base year FY21) are presented in Table 4. MyState's FY24 emissions

footprint was assessed to be 5,535 tCO₂e (Scope 1, 2 and limited Scope 3 emissions). Scope 3 financed emissions were 50,983 tCO₂e.

MyState's emissions intensity decreased in FY24 to 0.69 tCO₂e/\$m. This figure represents the amount of carbon dioxide equivalent generated in running MyState's operations (our Scope 1, 2 and limited Scope 3 emissions) divided by the size of our home lending book.

As at 30 June 2024, 68% of our customers have adopted e-statements and 80% were registered for internet and mobile banking.

Table 4: MyState operational and financed greenhouse gas emissions (tCO₂e) and the percentage change in FY24 from FY23

Greenhouse gas emissions (tCO ₂ e)	FY21 ⁽¹⁾	FY22	FY23 ⁽⁴⁾	FY24	Change from FY23
Scope 1 – Direct emissions	54	40	38	38	0%
Scope 2 – Electricity-related emissions	271	207	119	93	-22%
Scope 3 – Indirect emissions ⁽²⁾	4,365	4,622	5,674	5,404	-5%
Total operational emissions (Scope 1, 2 and limited Scope 3 emissions)	4,690	4,869	5,831	5,535	-5%
Scope 3 – Financed emissions ⁽³⁾	Not estimated	44,295	51,315	50,983	-1%
Total emissions	4,690	49,164	57,147	56,518	-1%
Emissions intensity (excluding financed emissions) (tCO ₂ e/\$m)	0.86	0.71	0.75	0.69	-8%

Notes to Table 4

1. FY21 has been used as the base year for emissions calculations due to data availability and it being a year that truly and fairly represents MyState's activity data.
2. Included within the total Scope 3 emissions boundary was purchased goods and services, capital goods, fuel and energy-related activities (not included in Scope 1 and 2), upstream transportation and distribution, waste generated in operations, business travel, employee commuting and working from home.
3. Scope 3 financed emissions are those linked to MyState's investment portfolio and lending activities. The lending portfolio grew 1.9% in FY24.
4. In FY24 MyState internalised calculation of its carbon accounting reporting through use of a cloud-based reporting tool. To ensure the accuracy of the tool, the previously disclosed FY23 GHG emissions result was back-tested and carefully analysed for variances. Through this work, a positive variance of +1,339 tCO₂e resulted, primarily through use of a higher Scope 3 postage emissions factor. Due to the uplift on the previously disclosed FY23 result being immaterial (+2.3%), the FY23 figures shown in the table have been updated to reflect the change in reporting tool and will be referenced in all future MYS reporting.

Looking forward

As a Tasmanian born and based Company, we are proud of the economic credentials of our home state.

We don't lend to mining companies and fossil fuel projects; 99% of the energy we use in our Tasmanian

headquarters is renewable, 14 of our 15 vehicles are hybrids, and we're helping more and more customers move to bank digitally and transition to online statements.

It's a start we are building on to create and sustain long-term value in a rapidly changing world.

We know that progress on sustainability is an evolution, and we are proud to be taking steps to positively impact our customers and the communities within which we work.



Board of Directors



Vaughn Richtor
Independent Non-Executive Chairman
BA (Hons) MAICD

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

Vaughn joined the Board as a Non-Executive Director in September 2019 and was appointed Chairman on 1 April 2022. He has held CEO roles in Asia and is the former CEO of ING DIRECT Australia and CEO Challenger and Growth Countries – Asia, ING Group after joining ING in London in 1991 as Deputy General Manager UK and Ireland.

Vaughn is a Non-Executive Director of Rest Super and also a current adviser to Rhizome and Spriggy. He is a prior board member of TMB Bank in Thailand, ING Vysya Bank in India, Kookmin Group in Korea, and a Non-Executive Director, and later Chairman, of Ratesetter Australia. He was previously an adviser to the Strategy Implementation Institute in Singapore and Wyvern Health, and has written and spoken extensively on leadership, corporate culture, customer centricity and digital banking.



Robert Gordon
Independent Non-Executive Deputy Chairman
BSc, FIFA, MAICD

- Group Risk Committee
- Group People Remuneration and Nominations Committee

Bob has been a Non-Executive Director since February 2009, and prior a Director of MyState Bank Limited (previously connectfinancial), from July 1998. He is President of Football Federation Tasmania and the Chairman of both the Australian Forest and Wood Innovation Board and the Supported Affordable Accommodation Trust.

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



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

- Group Risk Committee (Chair)
- Group People Remuneration and Nominations Committee

Sibylle has been a Non-Executive Director since December 2016 and has over 40 years of broad commercial experience as a lawyer, economic regulator, company Director and independent consultant. She was a partner in two large commercial law firms for 22 years and has over 17 years' experience as a Non-Executive Director and Chair across listed and unlisted companies in multiple sectors. Her current portfolio includes financial services, essential infrastructure services, professional services and energy.

Sibylle is currently a Non-Executive Director of Ventia Services Group Limited (ASX:VNT) and AEMO Services Limited. She is also a member of the Commonwealth Capacity Investment Scheme Investment Committee, an advisory body for Commonwealth investment in the energy transition, and a member of the advisory board of Law Squared, a challenger to the traditional law firm model.

She has previously served as Chair of Xenith IP Group Limited (ASX:XIP) and as a Director of Sydney Ports Corporation, Allconnex Water (south-east Queensland), TasWater, Vector Limited (NZX:VCT) and the Australian Energy Market Operator Ltd (AEMO), Openpay Group Limited and as a trustee of the Royal Botanic Gardens and Domain Trust and of Sydney Grammar School. In addition, for six years Sibylle served as a tribunal member of the principal NSW economic regulatory tribunal, IPART.

She holds undergraduate and post-graduate degrees in law and an MBA from Melbourne Business School. She is a Fellow of the Australian Institute of Company Directors.



Warren Lee

Independent Non-Executive Director

BCom, CA

- TPT Wealth Limited Chairman
- Group Audit Committee
- Group Risk Committee

Warren was appointed as a Non-Executive Director in October 2017 and appointed Chairman of TPT Wealth Limited on 17 August 2023. He has extensive experience in the international financial services industry, including 15 years at AXA in senior management positions within the company's Australian and Asian businesses.

Warren was previously the Chief Executive Officer of the Victorian Funds Management Corporation and Chief Executive Officer, Australia and New Zealand for AXA Asia Pacific Holdings Limited.

He has previously served as a Director of Avenue Bank Limited and Tower Limited.

Warren is currently a Non-Executive Director of MetLife Limited and Solterra Agriculture Pty Ltd and is Chair of Warakirri Asset Management Limited and Flinders Investment Partners Pty Ltd.



Stephen Davy

Independent Non-Executive Director

BSc (Hons)

- Group People Remuneration and Nominations Committee (Chair)
- Group Risk Committee
- Group Audit Committee

Stephen was appointed as a Non-Executive Director in July 2021. He was formerly Chief Executive Officer and Director of Hydro Tasmania, a position he held from 2013 to 2020. Prior to that role he held senior executive roles at Hydro Tasmania, Eraring Energy, Societe General and Bankers Trust, and started

his banking career at Macquarie Bank. Stephen is also a Director of the MyState Community Foundation, Sonic Civil Investments, CleanCo Queensland and The Mather Endowment Trust, and was formerly a Director of Volunteering Tasmania.



Andrea Waters

Independent Non-Executive Director

BCom, FCA, GAICD

- Group Audit Committee (Chair)
- Group Risk Committee

Andrea was appointed as a Non-Executive Director in October 2017. She is an experienced Non-Executive Director, auditor and accountant with over 40 years' experience in financial services. She is a Fellow of Chartered Accountants Australia & New Zealand, and both a member and accredited facilitator of the Australian Institute of Company Directors. She is a former partner with KPMG, specialising in financial services audit.

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



Brett Morgan

Managing Director and Chief Executive Officer

BEC, MAppFin

Brett commenced with the MyState Group on 17 January 2022. He was previously Chief Executive Officer, Banking and Wholesale at ASX listed BNK Banking Corporation Limited

(ASX:BBC), and has extensive fintech and digital banking experience having held a number of key executive roles over 15 years at ING DIRECT.

Key Management Personnel



Gary Dickson

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

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

Gary has over 30 years of experience in a variety of financial roles, with 16 years of CFO experience. His most recent position was at ME Bank as CFO, where he drove strong growth in key financial metrics during his six-year tenure. Prior to this, Gary held the position of CFO for AXA Australia for five years. His prior financial services roles include senior positions with the Colonial First State Group, the Investments & Insurance Services division at Commonwealth Bank and Portfolio Partners Limited.



Janelle Whittle

General Manager, People
Community and Public Relations
Appointed January 2018
BCom, MHRM

Janelle has overall responsibility for MyState Limited Group's human resources function, community portfolio, including the MyState Bank Community Foundation, and public relations.

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



Mandakini Khanna

Chief Risk Officer
Appointed December 2015
BCom, GAICD, FGIA

Mandy is responsible for both financial and non-financial risks at MyState. She chairs the group Enterprise Risk Committee and the ESG Committee.

Mandy has over 25 years' experience in banking and financial services across sales, product management, operations and risk management. Prior to joining MyState in December 2015, Mandy was the Chief Credit Officer for GE Capital, before which she held various senior risk positions in GE Capital across Asia Pacific.



Paul Moss

Chief Operating Officer
Appointed May 2015
BEng (Hons)

As Chief Operating Officer, Paul is responsible for the strategic direction and delivery of MyState Limited Group's Technology, Data, Cyber and Banking Operations.

Paul was previously a Director of IT Advisory at KPMG, following 11 years at Betfair in the UK and Australia as Director of Information Systems and Operations, focusing on strategy development, global infrastructure deployments and customer experience. Prior, Paul occupied technical leadership positions in UK-based investment banks.



Tim Newman
General Manager, Lending
Appointed June 2023
BBus

As General Manager, Lending, Tim is responsible for all elements of MyState's retail lending business – including product development, distribution, operations and service delivery.

Tim joined MyState in 2022 as Head of Business Transformation. Prior to this Tim spent 15 years at ING Australia in a variety of senior leadership positions across the retail bank – including Head of Product, Head of Strategy, Head of Customer Experience and Service, and Executive Director for Operations.



Claudio Mazzarella
General Manager, Everyday Banking & Marketing
Appointed May 2023
GradDip Management

As General Manager, Everyday Banking & Marketing, Claudio has strategic, commercial and operational responsibility for MyState's Everyday Banking & Marketing business that includes product (deposits), digital, marketing, payments, retail branches and contact centre that is designed to drive customer and deposit growth.

Claudio has over 19 years' experience across financial services and digital banking in senior business and functional leadership roles spanning product, payments, digital, marketing, channel management, operational support and transformation. He was previously General Manager, Group Payments at BOQ, before which he was General Manager for Products and Payments at ME Bank. He has also held key functional roles at NAB and Coles Myer Ltd (now Coles Group).



Matt Pearson
General Manager, Wealth Management
Appointed September 2023
LLB (Hons), BCom

As General Manager of MyState Limited Group's Wealth Management division, TPT Wealth Limited, Matt has strategic, commercial and operational responsibility for the division's commercial lending, funds management and private trustee businesses.

Matt has over 20 years' experience in the financial services and private trustee sectors, having held senior roles in the UK, New Zealand and Australia, most latterly as Head of Australian Executor Trustees' private trustee business.

Directors' report

Your Directors present their report for MyState Limited and its controlled entities (the Group) for the year ended 30 June 2024.

Directors

- **Vaughn Richter** BA (Hons), MAICD
Chairman and Independent Non-Executive Director
- **Robert Gordon** BSc, FIFA, MAICD
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 year.

Dividends

Dividends paid in the full year ended 30 June 2024 were as follows:

- For the year ended 30 June 2023, a fully franked dividend of 11.50 cents per share, amounting to \$12.60m, was paid on 19 September 2023.
- For the half year ended 31 December 2023, a fully franked dividend of 11.50 cents per share, amounting to \$12.68m, was paid on 23 February 2024.

The Directors have declared a fully franked final dividend of 11.5 cents per share. The dividend will be payable on 16 September 2024 to shareholders on the register at the record date of 23 August 2024, taking the dividend for the full year to 23.0 cents per share.

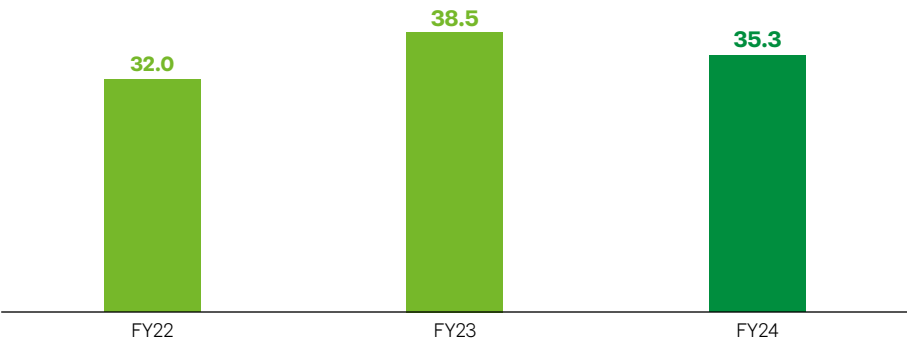
Operating and financial review

Financial performance

The Group delivered a net profit after income tax (NPAT) for the year ended 30 June 2024 of \$35.3m, a decrease of 8.3% on the prior corresponding period (pcp) to 30 June 2023 of \$38.5m.

Earnings per share (EPS) was 32.0 cents per share (FY23: 35.5 cents per share), return on equity (ROE) was 7.7% (FY23: 8.7%) and the cost to income ratio (CTI) was 66.3% (FY23: 64.0%). These key metrics reflect the current environment banks operate in with competitive home loan and retail deposit markets contributing to softer net interest margin. MyState constantly evaluates and seeks to optimise financial performance, including actively 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 \$145.6m or 1.8% from June 2023. The home loan book grew \$158.9m or 2.0% during the period. MyState will continue to focus on maintaining asset quality and profitable growth.

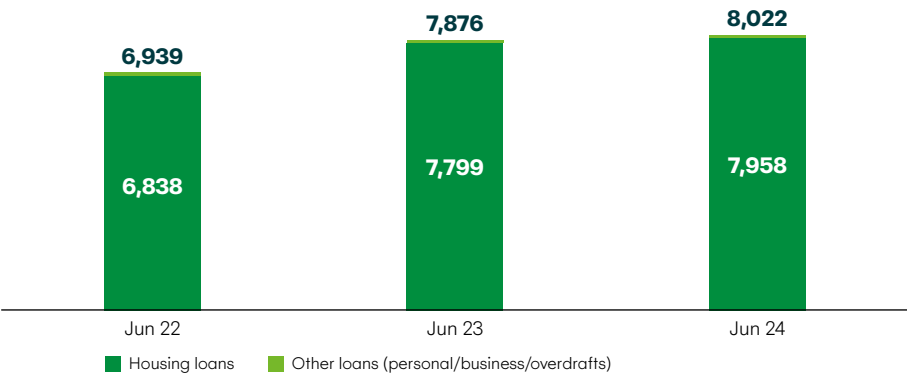
Pre-provision operating profit of \$51.4m decreased 10.9% on pcp, largely driven by a decrease in operating income of \$7.9m or 5.0%, partly offset by a decrease in operating expenses of 1.6%, highlighting MyState's ongoing focus on operating efficiency in a high-inflation environment. While prudently managing operating costs, MyState continues to invest in key strategic initiatives, with July 2024 culminating in the initial launch of a brand new MyState Bank mobile app and internet banking experience with customer centricity and an enhanced digital experience in mind. MyState also continues to invest in initiatives to mitigate the sector-wide impact of cyber and fraud-related risks.

Despite a period of significant change and the challenges presented by the rising cost of living, MyState's internally measured customer net promoter score was +58 at 30 June 2024, and continues to reflect a high level of ongoing customer advocacy.

MyState Bank

MyState Bank's loan portfolio grew 1.8% from 30 June 2023, reaching \$8,022m at 30 June 2024.

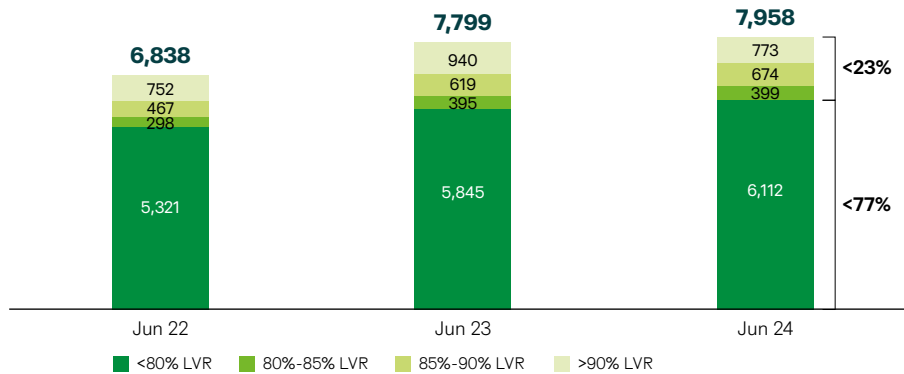
Total loan book composition (\$m)



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

Directors' report continued

Home loan book – LVR profile (\$m)



In FY24, home loan book growth was driven by loans with an LVR of less than 80%. Since June 2021, high LVR lending has generally been to borrowers eligible to participate in the First Home Owner Grant scheme reserved for 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.

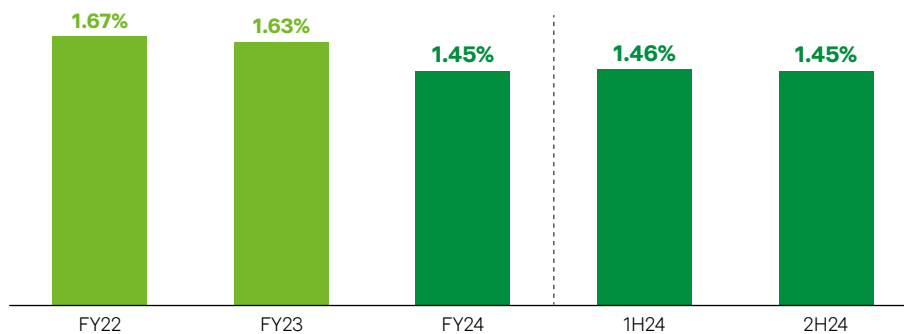
The National Housing Finance and Investment Corporation (NHFIC) provides a guarantee of up to a maximum amount of 15% of the value of a property (as assessed by MyState) purchased under the scheme.

All non-First Home Owner Grant scheme loans with an LVR >80% are mortgage insured.

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 0.97% and 0.44% respectively (30 June 2023: 0.81% and 0.34%).

Loan losses remained negligible in line with historical experience. Impairment expense was \$1.2m during the period, reflecting an increase of \$1.0m in total collective provisions consistent with an increase in arrears in a rising interest rate environment. As at 30 June 2024, there were five Mortgagee in Possession loans.

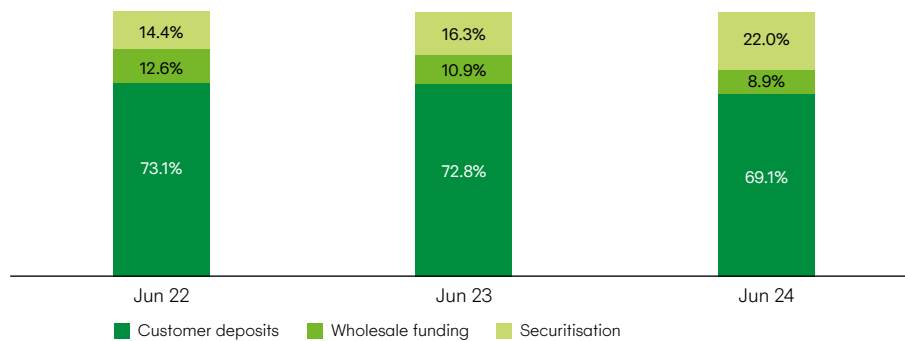
Net interest margin (NIM) trend



Net interest income was down \$8.1m or 6.1% on pcp as a result of a fall in NIM partly offset by the benefits of a slightly larger average balance sheet.

Relative to FY23, the fall in NIM of 18 bps to 1.45% during the year is a result of sector-wide pressures from competition for lending, elevated levels of customer switching and retention discounting and higher funding costs.

Funding mix (%)



MyState's funding mix remains well diversified. The reduction in the customer deposit ratio is driven by the decline in more price-sensitive third-party deposits and an increase in term securitisation with our largest deal ever issued, completed 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.

Competition for retail deposits remained strong for the period, and was further heightened by the effects of banks repaying the RBA's Term Funding Facility (TFF). The TFF allowance for MyState at 30 June 2023 was \$154.7m, and this has been repaid in full with the final instalment of \$18.6m paid on 24 June 2024.

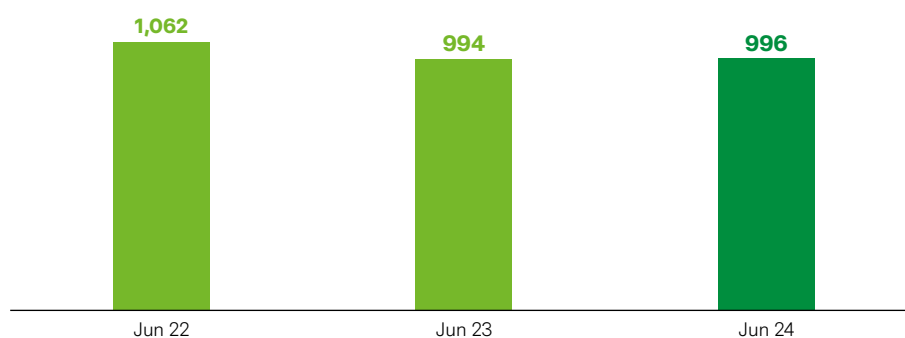
MyState welcomed more than 14,000 new to bank customers this financial year.

Non-interest income

Non-interest income from banking activities decreased by \$1.0m or 7.3% on pcip, as a result of lower transaction and loan fees.

TPT Wealth

Funds under management (\$m)



Income from wealth management activities increased by \$1.1m or 7.7% on pcip, with an increase in Trustee Services income reflecting higher capital commission levels, partly offset by lower Investment Services income due to a reduction in the Growth funds management fee, from 1.0% to 0.5%, effective from 1 August 2023.

Funds under Management (FUM) was marginally up over the period, supported by higher investor returns. TPT Wealth NPAT for the year was \$2.8m, a significant uplift on pcip, driven by higher revenue as noted above and lower operating costs.

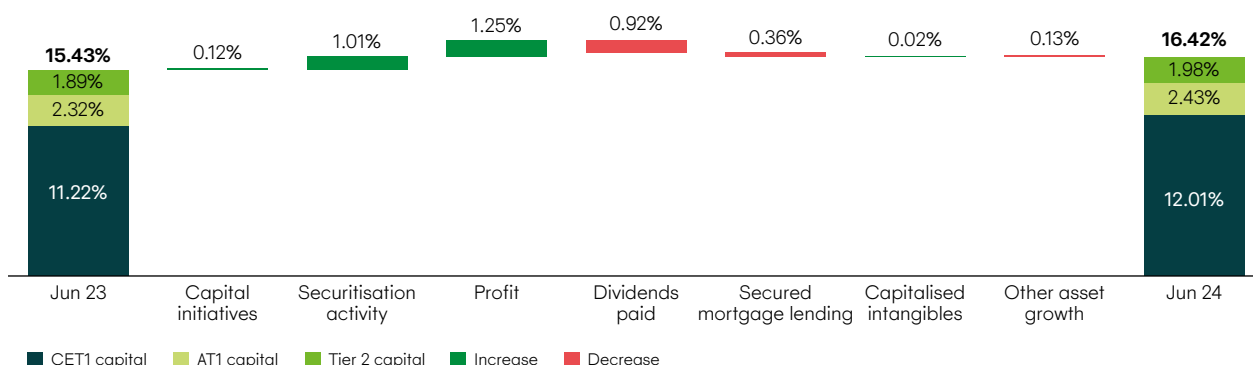
Directors' report continued

Capital position

MyState remains well capitalised with the Group's common equity tier 1 (CET1) ratio increasing by 79 bps to 12.01% and the total capital ratio increasing by 99 bps to 16.42% at 30 June 2024.

During the period, MyState completed a \$500m capital relief term Residential Mortgage Backed Security (RMBS) transaction and drew down on a committed warehouse facility established in June 2023.

Capital



Community

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

Since 2001, the MyState Foundation has awarded more than \$2.6m in grants to help 167 not-for-profit organisations in Tasmania, with a focus on helping young Tasmanians reach their full potential.

Outlook

The Board remains focused on profitably growing 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 46% and 33% respectively, and the Board remains committed to the strategic intent of profitably growing our share of the market.

Given the economic and competitive environment in FY24, the business temporarily slowed home lending growth, whilst continuing to invest in strategic priorities including digital, data, cyber and scam prevention, and plans to accelerate growth as market conditions and returns become more favourable and following the successful launch of the new internet banking platform and mobile app in early July 2024.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2024.

Rounding of amounts

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

Events subsequent to balance date

On 19 August 2024, MyState announced that the Company and its wholly owned subsidiary, MyState Bank, had signed a Scheme Implementation Agreement pursuant to which MyState Bank will acquire all of the ordinary shares in Auswide Bank Limited (Auswide). Under the proposed Scheme, Auswide shareholders will receive new shares in MyState, which will result in pro forma ownership of 65.9% of the combined group for existing MyState shareholders.

The combination of two high-quality, complementary businesses is expected to deliver significant scale, contributing to improved operating efficiency from a larger balance sheet and increased funding flexibility. The proposed merger is expected to be earnings per share accretive from FY26 on a post synergies run rate basis. The Scheme, which is subject to regulatory, Auswide shareholder and third-party approvals, is expected to become effective in mid-to-late December 2024.

Other than the above, in the opinion of the Directors, there are no other matters or circumstances that have arisen since the end of the financial year that have 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.

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 business's everyday operations will be included in MyState's 2024 Annual Report.

Directors' meetings

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

MYS Directors	MYS Board Meetings		Group Audit Committee		Group Risk Committee		Group People, Remuneration and Nominations Committee	
	A	B	A	B	A	B	A	B
S Davy	9	10	5	6	4	5	4	4
R Gordon	8	10	n/a	n/a	5	5	4	4
S Krieger	10	10	n/a	n/a	5	5	4	4
W Lee	10	10	6	6	5	5	n/a	n/a
B Morgan	10	10	n/a	n/a	n/a	n/a	n/a	n/a
V Richtor	10	10	6	6	5	5	4	4
A Waters	10	10	6	6	5	5	n/a	n/a

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

Indemnification and insurance of Directors and officers

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

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

Non-audit services

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

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

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

Auditor's independence declaration to the Directors



Auditor's Independence Declaration to the Directors of MyState Limited

In relation to our audit of the financial report of MyState Limited for the financial year ended 30 June 2024, 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 & FERGUSON

A handwritten signature in blue ink, appearing to be 'Nick Carter'.

NICK CARTER

Partner

Date: 19 August 2024



Remuneration report

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

Dear Shareholder,

On behalf of the Board, I present to you the Company's Remuneration report for the year ended 30 June 2024 (FY24).

MyState's executive remuneration framework is designed to align executive remuneration with the interests of the Company and shareholders and the regulatory framework we operate in. MyState's remuneration needs to be competitive to attract, motivate and retain skilled individuals focused on our strategic priorities – making managing money easy for our customers and creating long-term value for our shareholders.

Our performance targets are challenging and our executives are assessed against financial and non-financial measures including threshold performance for behaviour and individual accountability for risk and compliance. The design of our remuneration framework takes into account regulatory and prudential requirements, including long-term risk management.

In assessing executive performance for FY24, the Board has taken into account the performance of the Group in a challenging environment. While NPAT for the Group was lower than the prior year, costs were well managed in a higher inflationary environment and the TPT Wealth business returned to growth in FY24, driven by a strong uplift in Trustee Services-related income. During the year, lending growth was slowed and costs controlled to focus attention on margin and strategic priorities, such as the new digital experience for bank customers and our new internet banking and mobile app launched in July 2024. Our credit quality remains sound and the dividend was maintained at 23 cents per share for the year.

We continued to invest in our people, including leadership capability across the Group and we are well prepared to accelerate growth when market conditions become more favourable.

It is within this context that the Board awarded short term incentive payments to executives for their significant contributions. Each executive has been assessed against the individual gates of risk, accountability and values. These gates are considered open for all executives. In determining the value of incentives awarded, payments are targeted to those who have supported delivery of results and key initiatives over the year.

The Remuneration report explains the Director and executive remuneration frameworks and how they support our business strategy, values and culture.

We trust this overview helps you understand our approach to executive and non-executive remuneration. Our remuneration policy can be found on the MyState Limited website at mystatelimited.com.au/home/?page=corporate-governance.

We welcome your feedback. Please email any comments to secretariat@mystatelimited.com.au



Stephen Davy

Chair – Group People, Remuneration and Nominations Committee

Remuneration report continued

Our people and our Company

Key Management Personnel and Directors who served our Company in the year ended 30 June 2024 were:

Name	Role	Commenced	Group, People, Remuneration and Nominations Committee
Vaughn Richtor	Chairman	1 September 2019	✓
Stephen Davy	Non-Executive Director	1 July 2021	Chair
Robert Gordon	Deputy Chairman and Non-Executive Director	12 February 2009	✓
Sibylle Krieger	Non-Executive Director	1 December 2016	✓
Warren Lee	Non-Executive Director	19 October 2017	
Andrea Waters	Non-Executive Director	19 October 2017	
Brett Morgan	Managing Director, Chief Executive Officer	17 January 2022	
Gary Dickson	Chief Financial Officer	19 October 2019	
Mandakini Khanna	Chief Risk Officer	12 December 2015	
Paul Moss	Chief Operating Officer	13 May 2015	
Tim Newman	General Manager Lending	12 June 2023	
Janelle Whittle	General Manager People, Community & Public Affairs	22 January 2018	
Claudio Mazzarella	General Manager Everyday Banking & Marketing	29 May 2023	
Matthew Pearson	General Manager Wealth	11 September 2023	

Our remuneration framework

Philosophy and principles

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

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

Directors' remuneration

MyState's Non-Executive Directors (NEDs) are paid annual fixed fees, including statutory superannuation, for their services. They are also entitled to reimbursement of reasonable expenses.

Unlike executives, Non-Executive Directors do not receive short-term or long-term incentive payments. The Board determines the level of fees paid to Non-Executive Directors according to two main criteria:

- the level of skill and experience required to conduct their roles; and
- the level of fees needed to attract and retain talented Non-Executive Directors.

By resolution of shareholders at the Annual General Meeting in 2023, the aggregate remuneration paid to all NEDs, including statutory superannuation, was increased by \$250,000 per annum, to a maximum of \$1.2m. This is the first time the total amount has been increased in 11 years. Aggregate remuneration paid to all NED, may not exceed this amount fixed by shareholders.

Each NED currently receives a base fee of \$110,000 per annum, and the Chairman receives \$236,500 per annum. Chairs of Board Committees (other than the Board Chair) receive an additional \$20,000 per annum, the TPT Wealth Limited Board Chair receives an additional \$30,000 per annum and the Deputy Chair receives an additional \$20,000 per annum.

Managing Director and executive remuneration

Executive remuneration mix

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

1. Total fixed reward (TFR)	2. Cash-based short term incentives (STI)	3. Executive long term incentive plan (ELTIP)
<p>Total fixed reward (TFR) for executives, including the Managing Director, comprises a fixed base salary, superannuation contributions and optional salary sacrifice. The level of payment is set with reference to:</p> <ul style="list-style-type: none">• the relative strategic value and importance of the role;• the complexity and breadth of the role;• experience and skills required; and• external market considerations for comparable positions. <p>Base salary rates are set with a view to attracting and retaining talented and culturally aligned executives, while delivering value to shareholders.</p> <p>Executive salaries are periodically reviewed to take into account external market conditions, the business-critical nature of the role, and individual performance.</p>	<p>Cash-based short term incentives (STI) provide appropriate rewards to executives for meeting or exceeding performance targets and achieving our core Company goals – both financial and non-financial. To this end, STI performance measures and associated targets are set with reference to the drivers of annual company performance and the roles of individual executives in achieving positive business outcomes. The level of STI assigned to executives is calculated annually using an STI 'scorecard', which comprises multiple performance elements. These include financial, growth, cultural, risk and compliance, reputational, customer and stakeholder measures. Financial and non-financial gateways serve to balance reward with MyState's profitability and to avoid rewarding conduct that is inconsistent with our values and risk framework. The STI is calculated as a percentage of TFR for each role, and the maximum percentage of TFR payable as an STI is determined by the Board.</p>	<p>Long term incentive payments to executives, in the form of Company shares or performance rights, under the ELTIP exist to encourage and culturally embed long term thinking and risk management among our Company leaders.</p> <p>Long term planning plays an indispensable role in preparing the Company to meet future challenges in an evolving financial services marketplace, and to take advantage of new opportunities as they arise. MyState's ongoing transition to a national, digital business model exemplifies this approach – one designed to meet the ever-changing needs of customers and to sustain long-term value for shareholders.</p>

Remuneration report continued

FY24 Executive remuneration breakdown

Managing Director and CEO – total target reward

Total fixed remuneration 40%	Maximum STI 28%	Maximum ELTIP 32%
	Paid as cash. Performance assessed against business performance for the financial year.	Paid as shares or performance rights.
	70% of total fixed reward	Total shareholder return (TSR) 75% Return on equity (ROE) 25%
		80% of total fixed reward

Executives – total target reward

Total fixed remuneration 59%	Maximum STI 18%	Maximum ELTIP 23%
	Paid as cash. Performance assessed against business and individual performance for the financial year.	Paid as shares or performance rights.
	30% of total fixed reward	Total shareholder return (TSR) 75% Return on equity (ROE) 25%
		40% of total fixed reward

CRO – total target reward

Total fixed remuneration 62%	Maximum STI 19%	Maximum ELTIP 19%
	Paid as cash. Performance assessed against business and individual performance for the financial year.	Paid as shares or performance rights.
	30% of total fixed reward	Total shareholder return (TSR) 75% Return on equity (ROE) 25%
		30% of total fixed reward

Remuneration governance

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

- remuneration arrangements for Directors, the Managing Director and other executives;
- executive incentives, including setting gateways, performance measures and targets at the commencement of the performance period, and assessing performance outcomes against these measures and targets at the conclusion of the performance period, and making recommendations for payment or otherwise;
- incentive payments for material risk takers, and the aggregate pool for short term incentives for non-executive staff; and
- the appropriate exercise of Board discretion on variable remuneration matters.

The Committee assists the Board to meet remuneration obligations required by APRA Prudential Standards and the Financial Accountability Regime (FAR). Effective from 15 March 2024, the FAR replaced the Banking Executive Accountability Regime (BEAR), which commenced in 2018, and is jointly administered by APRA and ASIC. The Committee also aims to eliminate conflicts of interest from decisions concerning executive remuneration. To this end, no executive is directly involved in deciding their own remuneration.

Company performance

MyState's financial performance in recent years has helped to inform the level of incentive-based remuneration – both short term and long term.

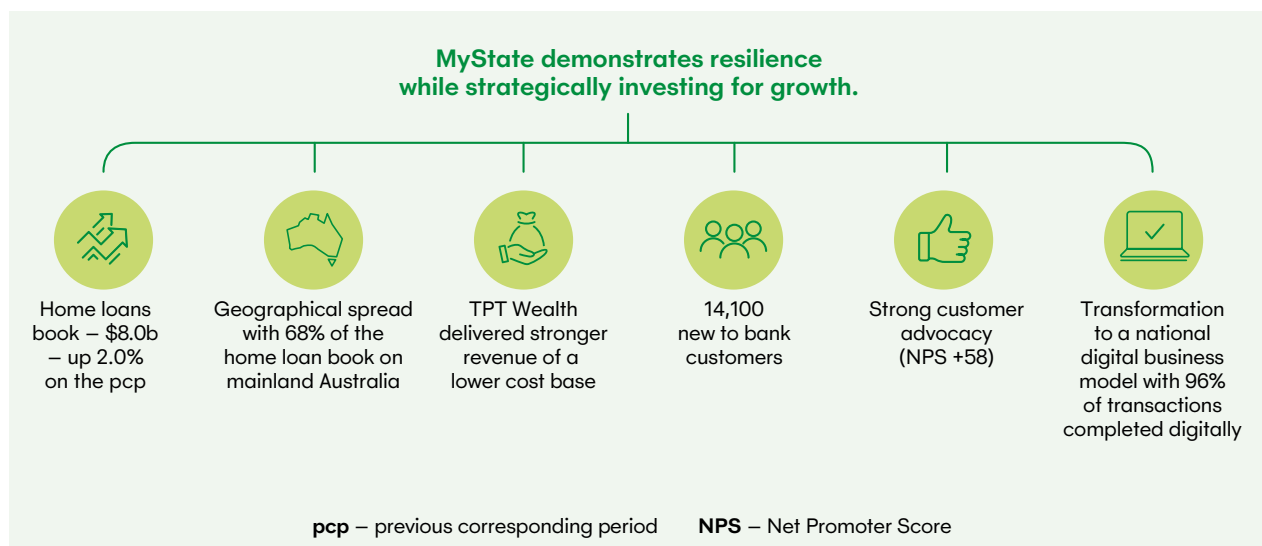
MyState delivered an FY24 net profit after tax of \$35.3m, growing new to bank customer numbers and home lending while controlling costs in a challenging retail banking market. Focus was maintained on growing profitably while delivering on a range of important strategic initiatives, including the launch of a new internet and mobile banking experience in July 2024 and an expanded trustee services offering. Credit quality remains sound with arrears rates below industry average, and MyState's capital position has strengthened during the course of the year.

As shown below, in FY24 the Company has delivered a sound full-year profit in a challenging market and economic environment.

Indicator	2020	2021	2022	2023	2024
Statutory profit after income tax (\$'000)	30,060	36,341	32,026	38,502	35,288
Statutory earnings per share (EPS) (cents)	32.86	39.18	30.34	35.45	32.02
Dividends paid (\$'000)	26,241	11,508	26,874	24,720	25,285
Share price (dollar)	3.93	4.68	4.08	3.17	3.74
Statutory average return on equity (%)	9.2	10.31	7.7	8.7	7.7
Statutory cost-to-income ratio (%)	62.8	63.1	68.4	64.0	66.3

Key highlights for FY24 include:

- Appropriate balance struck between growing the home loan book and retail deposits with margin optimisation and returns.
- Ongoing focus on productivity and efficiency with total operating expenses down 1.6%.
- Strong recovery in TPT Wealth's financial performance with new growth opportunities in the early stage of execution.



Remuneration report continued

Short term incentive (STI) payments

How STI payments are calculated

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

At the end of each financial year, the Managing Director assesses the performance of the executives against their KPIs and makes a recommendation for each executive to the Committee.

Simultaneously, the Committee assesses the performance of the Managing Director against the relevant KPIs. After consultation with the Group Risk Committee, the Committee recommends STI payment amounts for approval by the Board.

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

Threshold performance levels for risk and compliance, executive behaviour standards and profit must be met or exceeded for payments to be made under the STI program.

Executives are assessed as a group with reference to performance on net profit and on risk and compliance – including corporate reputational matters. Individual executive behaviours are assessed against the MyState Values, and individual executives' risk and compliance accountabilities are measured via a scorecard comprising several indicators. The Board has the discretion to reduce the STI (including to zero) if any of these gateways are not met.

The STI scorecard includes a mix of financial and non-financial metrics, with the relative weightings varying between different executive roles.

The scorecard comprises a diverse list of both quantitative and qualitative performance measures (or criteria), which have been chosen with a view to driving positive outcomes not just for MyState shareholders, but also for customers, employees and other key stakeholders of the organisation.

Quantitative performance measures include cost to income ratio, funds under management, loan book and retail deposit growth, the increase in bank customers and employee engagement. Executives are also individually assessed with reference to their performance as leaders in their specific roles, and to their individual contributions to the future development of the organisation. The Board has the discretion to vary STI outcomes to reflect differing levels of performance.

The 3 Cs – MyState Values

Create customer 'wow'	Chase the better	Collaborate to win
<ul style="list-style-type: none"> We walk in our customers' shoes and appreciate their perspectives. We think and act in the best interest of our customers. We are clear, concise and trustworthy in our customer interactions. We design and deliver exceptional customer experiences, with a human touch. We make things simpler and easier for our customers. 	<ul style="list-style-type: none"> We are bold in our ambition. We seek out and embrace the change that is required to succeed. We have the courage to try new things and grow from our failures. We simplify (and digitise) to deliver. We seek industry-leading productivity and always drive for better outcomes. 	<ul style="list-style-type: none"> We care for each other, our customers, partners and community. We give our best, do the right thing, and trust our colleagues to do the same. We hold each other to account. We openly share information so that everyone can make informed decisions. We reach out across teams to rapidly solve problems – and celebrate our successes and learnings!

2023-2024 'gateway' criteria for short-term incentive payments

If threshold performance is not met, the STI may be reduced or forfeited at the discretion of the Board. The Board retains a residual discretion not to award or pay STIs even if the measures have been met, if, in its reasonable view, the needs of the Group require this.

Gateway	Assessment measures
1. Group risk	MyState Group meets compliance and risk management obligations; reputation is not materially damaged; capital adequacy and liquidity are managed within Board limits.
2. Individual risk	Executive risk scorecard meets the standard required.
3. Individual accountability	An accountable person meets their personal accountability obligations as per the FAR.
4. Group profit	NPAT exceeds threshold level as determined by the Board.
5. Values and behaviours	Individual meets behaviour expectations, assessed against the MyState Values.

STI outcomes for 2023-2024

The following key performance measures and the level of achievement have been assessed by the Board for the 2023-2024 financial year. In making this assessment, the Board took into account the challenging market conditions, management's response to optimising business performance within these constraints, and the delivery of projects of strategic significance. More detail is contained in the following section.

Area	Measure	Driver	Performance
Financial	Cost-to-income Ratio	Operating efficiency	●
	Business unit P&L	Operating performance	●
	Funds under management	Growing funds under management in our wealth business	○
	Balance sheet	Growing the size of our loan book	◐
	Customer growth	Growing our deposit and customer numbers	○
People	Employee engagement	Positive employee experience score	◐
	Leadership	Lifting the bar on capability	◐
		Individual contribution to delivery of strategically significant projects	●
Customer	Customer sentiment	Digital experience and customer advocacy	●

● Met or exceeded target ○ Below target ◐ Target partially met

While NPAT for the Group was lower than the prior year, MyState Bank continues to perform relatively well in a challenging banking environment with NIM compression and rising home loan arrears evident in FY24. TPT Wealth has performed strongly during the year with revenue up 9% and expenses significantly down, reflecting the ongoing focus on operating efficiency.

MyState continually evaluates the balance between growth and margin, which led to a decision to temporarily rebalance our lending growth aspirations for FY24. Importantly, our focus on extracting efficiencies and expense management also delivered an overall reduction in operating costs at a Group level.

The Board notes the challenging market conditions and the implementation of the Board-endorsed approach to prioritise margin over growth, with focused management of expenses, including discretionary investments. Targeted actions implemented by the executive delivered an increase in revenue and cost reductions.

Significant progress has been made on the delivery of projects during the performance period, including regulatory, risk and customer projects. The pending launch of our new banking application to improve the digital customer experience was noted, as well as the success of the launch and customer migration to the new digital platform. In the context of the circumstances, the Board determined to treat the gateways as met through their exercise of discretion.

Remuneration report continued

Customer advocacy remains strong and the digital transformation is on track with the Board's expectations. Each executive's individual contribution to our strategic priorities and FY24 performance has been considered in the award of cash bonuses.

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

Payment offers

Details of STI payment offers for the 2023-2024 financial year and the 2022-2023 financial year are set out below.

The following key performance measures for the STI component and the level of achievement were assessed by the Board for FY24:

Key Management Personnel	% max. (of TFR)	Max. payable	% awarded	% forfeited	\$ amount paid	% which is not yet assessed for payment
2023-2024						
Brett Morgan	70%	\$448,000	67%	33%	\$300,000	—
Gary Dickson	30%	\$123,000	73%	27%	\$90,000	—
Mandakini Khanna	30%	\$123,000	73%	27%	\$90,000	—
Tim Newman	30%	\$112,500	55%	45%	\$62,000	—
Matthew Pearson ⁽¹⁾	30%	\$90,000	56%	44%	\$50,000	—
Paul Moss	30%	\$112,500	55%	45%	\$62,000	—
Janelle Whittle	30%	\$97,500	55%	45%	\$54,000	—
Claudio Mazzarella	30%	\$112,500	50%	50%	\$56,000	—
2022-2023						
Brett Morgan	60%	\$375,000	—	100%	—	—
Gary Dickson	30%	\$120,000	—	100%	—	—
Mandakini Khanna	30%	\$117,000	—	100%	—	—
Tim Newman	30%	\$112,500	—	100%	—	—
Huw Bough ⁽¹⁾	30%	\$117,000	—	100%	—	—
Alan Logan ⁽¹⁾	30%	\$111,000	—	100%	—	—
Paul Moss	30%	\$109,500	—	100%	—	—
Janelle Whittle	30%	\$94,500	—	100%	—	—
Claudio Mazzarella ⁽²⁾	—	—	—	—	—	—

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

2. No STI on offer in FY23 due to commencement date.

Executive Long Term Incentive Plan (ELTIP)

How the ELTIP works

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

Each year, the Board has the discretion to offer executives shares/performance rights worth up to a specified percentage of their total fixed reward (salary). The 2020-2022, offers have been equal to 70% of total fixed reward for the Managing Director, and 30% of total fixed reward for eligible executives. The 2023 and 2024 offers are equal to 80% of total fixed reward for the Managing Director, and a range of 30-40% for eligible executives as determined by the Board. The number of shares or performance rights allocated is based on the volume weighted average price (VWAP) of shares calculated over the 20 trading days to 30 June immediately prior to the commencement of the performance period for the relevant offer.

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

Both the performance criteria and the performance period are set by the Board alone. ELTIP performance measures for the 2020-2022 offers are weighted equally between relative total shareholder return (TSR) and return on equity (ROE). The relative TSR incorporates both dividends paid and movements in share prices, while the ROE is a measure of corporate profitability. For the 2023 and 2024 offer, the TSR performance measure will have a weighting of 75% and the ROE performance measure will have a weighting of 25%.

Currently the Board has set three financial years, commencing with the year in which an offer is made, as the performance period. Relative TSR and statutory ROE have been set as the performance criteria for the 2020, 2021, 2022, 2023 and 2024 offers. The Board may adjust the statutory ROE performance criteria for one-off items for the 2020 and subsequent offers.

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

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

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

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

Commencement of employment during a financial year

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

Cessation of employment

Executives who cease employment with the Company will be eligible to receive shares only if the cessation is due to a Qualifying Reason, as defined by the ELTIP Plan Rules. Qualifying Reasons include death, total and permanent disability, retirement at normal retirement age, redundancy or other such reason as the Board may determine. Where an ELTIP participant ceases employment, their ELTIP offer will be assessed by the Board at the end of the performance period along with all other participants, subject to meeting the 12-month employment hurdle that applies to any ELTIP offer. If the separated employee is an accountable person under the BEAR or the FAR, any awarded shares will not be allocated until all BEAR/FAR requirements are satisfied, including the variable remuneration deferral period.

Entitlement to dividend income

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

Remuneration report continued

ELTIP outcomes 2023-2024

Payment offers

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

Offer	2021	2022	2023
Performance period	1 July 2021 to 30 June 2024	1 July 2022 to 30 June 2025	1 July 2023 to 30 June 2026
The comparator group	Members of the S&P/ASX300		
Fair value of shares on offer date ⁽¹⁾			
• Managing Director	Managing Director \$3.10	Managing Director \$3.66	Managing Director \$1.66
• Other executives	Other executives \$3.10	Other executives \$3.87	Other executives \$2.16
Offer date			
• Managing Director ⁽³⁾	17 January 2022	19 October 2022	19 October 2023
• Other executives ⁽³⁾	23 September 2021	19 August 2022	17 August 2023
Value of offer ⁽²⁾			
• Managing Director	\$197,774	\$333,922	\$202,362
• Other executives	\$750,699	\$645,462	\$557,742

1. The fair value of offers that are assessed and awarded on market-based conditions is determined on the grant date in accordance with AASB 2.

The fair value is used to recognise an expense over the performance period for the TSR component of offers. The value of the offer is the maximum value calculated as at the date of offer at that time. As such, it may include the value of offers made to individuals who are no longer executives of the Company.

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

3. Pro-rata offer made in respect of the '2021' offer to Alan Logan and Brett Morgan and the '2023' offer to Matthew Pearson.

Calculation of the reward TSR component

For the ELTIP offers, the TSR components will vest on the following basis.

For the 2021 and 2022 offers, the TSR component has a weighting of 50%:

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

For the 2023 and 2024 offers, the TSR component has a weighting of 75%:

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

Calculation of the reward ROE component

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

For the 2021 and 2022 offers, the ROE component has a weighting of 50%:

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

For the 2023 offer, the ROE component has a weighting of 25%:

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

For the 2024 offer, the ROE component has a weighting of 25%:

Statutory ROE with Board discretion to adjust for one-off items:	Percentage of the applicable reward that will vest:
Below the Board-approved business plan target %	0%
Equal to the Board-approved business plan target %	50%
Exceeds the Board-approved business plan target by 1.5%/150 bps	100%
	Straight-line basis from 50% to 100%

Remuneration report continued

Actual and potential ELTIP share allocations

The following table details, for current and former KMP, the status of offers made under the ELTIP. The '2020' offer performance period was completed on 30 June 2023. The '2021' offer performance period was completed on 30 June 2024.

2021 offer	Component	Maximum offer	Forfeited lapsed	Awarded in the 2023-2024 financial year	Not yet assessed for vesting
Key Management Personnel		Number of shares			
Brett Morgan	TSR	20,602	20,602	—	—
	ROE	20,602	20,602	—	—
Gary Dickson	TSR	12,500	12,500	—	—
	ROE	12,500	12,500	—	—
Mandakini Khanna	TSR	12,188	12,188	—	—
	ROE	12,187	12,187	—	—
Heather McGovern	TSR	10,313	10,313	—	—
	ROE	10,312	10,312	—	—
Alan Logan	TSR	9,630	9,630	—	—
	ROE	9,630	9,630	—	—
Paul Moss	TSR	11,407	11,407	—	—
	ROE	11,406	11,406	—	—
Huw Bough	TSR	12,188	12,188	—	—
	ROE	12,187	12,187	—	—
Janelle Whittle	TSR	9,844	9,844	—	—
	ROE	9,844	9,844	—	—

2020 offer	Component	Maximum offer	Forfeited lapsed	Awarded in the 2022-2023 financial year	Not yet assessed for vesting
Key Management Personnel		Number of shares			
Melos Sulicich	TSR	38,676	31,521	7,155	—
	ROE	38,675	38,675	—	—
Gary Dickson	TSR	14,852	9,357	5,495	—
	ROE	14,851	14,851	—	—
Mandakini Khanna	TSR	14,480	9,122	5,358	—
	ROE	14,480	14,480	—	—
Heather McGovern	TSR	12,253	12,253	—	—
	ROE	12,252	12,252	—	—
Anthony MacRae	TSR	14,480	14,480	—	—
	ROE	14,480	14,480	—	—
Paul Moss	TSR	13,552	8,538	5,014	—
	ROE	13,552	13,552	—	—
Craig Mowll	TSR	14,480	14,480	—	—
	ROE	14,480	14,480	—	—
Janelle Whittle	TSR	10,767	6,783	3,984	—
	ROE	10,767	10,767	—	—

The 2022, 2023 and 2024 offers have not been assessed for vesting. The following table shows the maximum number of shares available under each of these offers.

	Component	2022 offer	2023 offer	2024 offer ⁽³⁾
Key Management Personnel		Number of shares		
Brett Morgan ⁽³⁾	TSR	52,458	121,905	102,127
	ROE	52,458	40,635	34,043
Gary Dickson	TSR	14,389	39,048	32,713
	ROE	14,388	13,016	10,904
Mandakini Khanna	TSR	14,029	29,286	24,535
	ROE	14,029	9,762	8,178
Matthew Pearson ⁽²⁾	TSR	—	28,571	29,921
	ROE	—	9,524	9,973
Paul Moss	TSR	13,130	35,714	29,921
	ROE	13,129	11,905	9,973
Janelle Whittle	TSR	11,331	30,952	25,930
	ROE	11,331	10,317	8,644
Huw Bough	TSR	14,029	—	—
	ROE	14,029	—	—
Alan Logan ⁽¹⁾	TSR	13,310	—	—
	ROE	13,309	—	—
Tim Newman	TSR	—	35,714	29,921
	ROE	—	11,905	9,973
Claudio Mazzarella	TSR	—	35,714	29,921
	ROE	—	11,905	9,973

1. Pro-rata offer made for '2021'.

2. Pro-rata offer made for '2023'.

3. The Board has made the decision, subject to shareholder approval, for the Managing Director and CEO and acceptance of the offers by relevant participants, to award up to 136,170 performance rights under the 2024 ELTIP offer and that such an offer will be notified to the market if and when shareholder approval/acceptances are received.

Review of executive remuneration

The details of individual executive terms and conditions are provided in the section titled executive employment agreements. Our executive remuneration framework has been subject to further review following the introduction of the Financial Accountability Regime (FAR), which commenced on 15 March 2024, and APRA prudential standard CPS 511 applicable to the performance period commencing 1 July 2024.

Remuneration report continued

Statutory tables

	Financial year	Salary & fees \$	Cash bonus ⁽¹⁾ \$	Other short term benefits \$	Non- monetary benefits ⁽²⁾ \$	Post- employ- ment \$	Termin- ation benefits \$	Share- based payment ⁽³⁾ \$	Total \$
Non-Executive Directors									
Vaughn Richter	2024	213,063	—	—	—	23,437	—	—	236,500
	2023	214,027	—	—	—	22,473	—	—	236,500
Robert Gordon	2024	125,641	—	—	—	25,521	—	—	151,162
	2023	103,997	—	—	—	26,003	—	—	130,000
Sibylle Krieger	2024	112,716	—	—	—	12,399	—	—	125,115
	2023	108,597	—	—	—	11,403	—	—	120,000
Warren Lee	2024	124,047	—	—	—	13,645	—	—	137,692
	2023	108,597	—	—	—	11,403	—	—	120,000
Stephen Davy	2024	109,044	—	—	—	11,995	—	—	121,039
	2023	99,548	—	—	—	10,452	—	—	110,000
Andrea Waters	2024	125,115	—	—	—	—	—	—	125,115
	2023	116,930	—	—	—	3,070	—	—	120,000
Total NED	2024	809,626	—	—	—	86,997	—	—	896,623
	2023	751,696	—	—	—	84,804	—	—	836,500

	Financial year	Salary & fees \$	Cash bonus ⁽¹⁾ \$	Other short-term benefits \$	Non- monetary benefits ⁽²⁾ \$	Post- employ- ment \$	Termin- ation benefits \$	Share- based payment ⁽³⁾ \$	Total \$
Executives									
Brett Morgan	2024	608,750	300,000	–	1,627	27,500	–	149,251	1,087,128
	2023	597,500	35,000	–	3,411	34,276	–	65,451	735,638
Gary Dickson	2024	377,495	90,000	–	–	24,794	–	52,928	545,217
	2023	362,558	–	–	–	26,990	–	46,805	436,353
Mandakini Khanna	2024	377,500	90,000	–	1,627	27,500	–	45,564	542,191
	2023	362,500	40,000	–	3,411	27,500	–	45,633	479,044
Heather McGovern	2024	–	–	–	–	–	–	–	–
	2023	11,635	–	–	–	13,433	153,354	–	178,422
Paul Moss	2024	345,000	62,000	–	1,627	27,500	–	48,354	484,481
	2023	335,876	40,000	–	3,411	27,368	–	42,709	449,364
Janelle Whittle	2024	306,848	54,000	–	1,627	27,500	–	41,821	431,796
	2023	289,636	30,000	–	3,411	26,752	–	35,564	385,363
Tim Newman	2024	347,500	62,000	–	–	27,500	–	33,362	470,362
	2023	326,685	30,000	–	–	30,477	–	8,811	395,973
Claudio Mazzarella	2024	347,983	56,000	–	–	27,385	–	8,214	439,582
	2023	36,858	–	–	–	3,524	–	–	40,382
Huw Bough	2024	115,301	–	–	–	6,769	–	–	122,070
	2023	380,625	–	–	–	27,500	–	12,221	420,346
Alan Logan	2024	–	–	–	–	–	–	–	–
	2023	318,789	–	–	–	27,500	114,576	3,816	464,681
Matthew Pearson	2024	282,265	50,000	–	–	22,338	–	7,674	362,277
	2023	–	–	–	–	–	–	–	–
Total Executive	2024	3,108,642	764,000	–	6,508	218,786	–	387,168	4,485,104
	2023	3,022,662	175,000	–	13,644	245,320	267,930	261,010	3,985,566
Total KMP	2024	3,918,268	764,000	–	6,508	305,783	–	387,168	5,381,727
	2023	3,774,358	175,000	–	13,644	330,124	267,930	261,010	4,822,066

1. The cash bonus shown in '2023' and '2024' represents the gratuity award and short term incentives in respect to performance for select KMP.

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

3. Share-based payment amounts have been calculated in accordance with the relevant accounting policy and accounting standard. The fair value of the share grant is calculated at the date of grant and is allocated to each reporting period evenly over the period from grant date to vesting date. This fair value will generally be different to the value of shares at the time they vest. The value disclosed is the portion of the fair value of the share grant allocated to this reporting period. These amounts represent share grants that will only vest to the KMP when certain performance and service criteria are met. In some circumstances all, or a portion, of the shares may never vest to the KMP. As these figures are based on accrual accounting and are not a reflection of actual cash paid or shares vested, negative figures can result in the event of accrual reversals being recorded. Amounts stated are in respect of the period that the individual held a role of a KMP.

Remuneration report continued

Shareholdings of Key Management Personnel (KMP)

Non-Executive Director minimum shareholding

In the absence of approval from the Board to the contrary, Non-Executive Directors are required to acquire and maintain, directly or indirectly, shares in MyState Limited to the equivalent of one year's pre-tax base Director's fee or base Chair fee as the case may be. The Minimum Shareholding Requirement (MSR) must be achieved within four years of their appointment as NED or as Chair. The value of the shares held for the purpose of calculating the MSR will be determined by the price of the shares at time purchase.

Managing Director minimum shareholding requirement

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

Related parties of KMP shareholdings

Details of ordinary shares in the Company held by Key Management Personnel and their related parties are set out in the table below, which shows both issued shares and performance rights to be converted to shares. Related parties include close family members and entities under joint or several control, or significant influence, of the KMP and their close family members. No equity transactions with the KMP, other than those arising as payment for compensation, have been entered into with the Company.

	Number of shares at commencement of financial year ⁽¹⁾	Number of shares awarded but not yet vested ⁽³⁾	Net change other ⁽²⁾	No. of shares at end of financial year 1 + 2 + 3	Of which: No. of shares at end of financial year held by ELTIP trustee ⁽⁴⁾
Key Management Personnel	1	2	3	1 + 2 + 3	
Non-Executive Directors					
Vaughn Richtor	30,212	—	11,470	41,682	—
Robert Gordon	38,725	—	—	38,725	—
Sibylle Krieger	29,994	—	2,145	32,139	—
Warren Lee	37,641	—	—	37,641	—
Andrea Waters	35,809	—	2,562	38,371	—
Stephen Davy	—	—	—	—	—
Sub total	172,381	—	16,177	188,558	—
Executive					
Brett Morgan	14,250	—	27,550	41,800	—
Melos Sulicich ⁽⁵⁾	40,118	—	(16,126)	23,992	—
Gary Dickson	11,199	—	—	11,199	—
Paul Moss	31,505	—	989	32,494	8,821
Janelle Whittle	21,782	—	—	21,782	6,721
Tim Newman	—	—	—	—	—
Mandy Khanna	34,147	—	1,022	35,169	9,156
Claudio Mazzarella	—	—	—	—	—
Matthew Pearson	—	—	—	—	—
Heather McGovern	1,470	—	—	1,470	1,470
Sub total	154,471	—	13,435	167,906	26,168

1. Number of shares at commencement of financial year agrees to the closing position per FY23 remuneration report and includes shares awarded under the '2020' offer and shares that have vested under the '2019' offer. From the '2018' offer onwards, under BEAR/FAR requirements, any shares awarded are 'held' in suspension pending the additional Board assessment (two years post) that there has been no subsequent forfeiture event.
2. KMP personal share purchase or participation in Dividend Reinvestment Plan (DRP). With respect to Melos Sulicich, this represents the net change to arrive at share balance per footnote 5 below.
3. The independent assessment of the Company performance against the '2021' ELTIP targets was completed in August 2024 and resulted in no shares being awarded to participants.
4. These amounts are the shares awarded under the '2017 and 2018 ELTIP' offers and may also include shares subsequently received through participation in the DRP. These shares have been issued and are held by the trustee on behalf of the executives.
5. Melos Sulicich retired on 31 December 2021. The net change in column 3 includes shares that have been awarded and vested under the '2019' offer and those that have been awarded but not yet vested under the '2020' ELTIP offer.

Loans to Key Management Personnel

Loan transactions

Loans to KMP and their related parties (including close family members and entities over which the KMP and/or their close family members have control, joint control or significant influence) are provided in the ordinary course of business. Normal commercial terms and conditions are applied to all loans. Any discounts provided to KMP are the same as those available to all employees of the Group. There have been no write-downs or amounts recorded as provisions during FY24.

There were no loans held by KMP and their related parties during FY24, where the individual's aggregate loan balance exceeded \$100,000 at any time in this period.

Remuneration report continued

Executive employment agreements

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

Incumbent	Commenced in role	Contract term	TFR	Short term incentive (maximum)	ELTIP (maximum)	Termination provisions in the event of termination by the Company
Brett Morgan ⁽¹⁾	17 January 2022	Ongoing	\$640,000	70% of TFR	80% of TFR	Notice: The contract may be terminated by the Company with six months' notice or payment in lieu of notice. Entitlement: <ul style="list-style-type: none"> Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, in accordance with the ELTIP rules.
Tim Newman ⁽²⁾	9 August 2022	Ongoing	\$375,000	30% TFR	40% of TFR upon invitation to participate	Notice: Each contract can be terminated by the Company upon provision of three months' notice. Entitlement: <ul style="list-style-type: none"> Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, in accordance with the ELTIP rules.
Claudio Mazzarella	29 May 2023	Ongoing	\$375,000			
Matthew Pearson	11 September 2023	Ongoing	\$375,000			
Gary Dickson	19 October 2019	Ongoing	\$410,000	30% TFR	40% of TFR upon invitation to participate	Notice: Each contract can be terminated by the Company upon provision of three months' notice. Entitlement: <ul style="list-style-type: none"> Payment of the equivalent of six months' TFR (inclusive of the provision of three months' notice). Pro-rata STI payment applied as at the date of termination. Payment of STI if the performance period is complete but not yet paid. Pro-rata ELTIP allocation, in accordance with the ELTIP rules.
Paul Moss	13 May 2015	Ongoing	\$375,000			
Janelle Whittle	22 January 2018	Ongoing	\$325,000			
Mandakini Khanna	1 December 2015	Ongoing	\$410,000		30% of TFR upon invitation to participate	

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

2. Initial commencement in an executive role. Appointed GM Lending 12 June 2023.

Signed in accordance with a resolution of the Directors.



Vaughn Richter
Chairman



Brett Morgan
Managing Director and Chief Executive Officer

Hobart, dated this 19 August 2024

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Consolidated income statement

for the year ended 30 June 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Interest income	2.1	478,922	352,971
Interest expense	2.1	(354,386)	(220,378)
Net interest income		124,536	132,593
Non-interest income from banking activities	2.1	12,490	13,477
Net banking operating income		137,026	146,070
Income from wealth management activities	2.2	15,404	14,308
Total operating income		152,430	160,378
Less: Expenses			
Personnel costs		45,806	44,326
Administration costs	2.3	20,255	21,428
Technology costs	2.3	21,430	19,084
Occupancy costs	2.3	4,142	4,392
Marketing costs		6,109	10,233
Governance costs		3,282	3,188
Total operating expenses		101,024	102,651
Profit before impairment and tax expense		51,406	57,727
Impairment recovery/(expense) on loans and advances	4.3	(1,204)	(2,542)
Profit before tax		50,202	55,185
Income tax expense	6.1	14,913	16,683
Profit for the year		35,289	38,502
Profit attributable to the:			
Equity holders of MyState Limited		35,289	38,502
Basic earnings per share (cents per share)	2.4	32.02	35.45
Diluted earnings per share (cents per share)	2.4	28.38	30.85

The accompanying notes form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 30 June 2024

	30 June 2024 \$'000	30 June 2023 \$'000
Profit for the year	35,289	38,502
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges – Net gains/(losses) taken to equity	(8,839)	(806)
Income tax effect	2,652	242
Total other comprehensive income/(expense) for the year	(6,187)	(564)
Total comprehensive income for the year	29,102	37,939
Total comprehensive income for the year is attributable to:		
Equity holders of MyState Limited	29,102	37,939

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and liquid assets	4.1	114,544	127,778
Due from other financial institutions		45,394	48,003
Other assets		13,149	12,085
Financial instruments	4.2	807,889	936,880
Loans and advances	4.3	8,088,120	7,908,080
Plant and equipment and right-of-use assets	5.1	6,467	7,977
Tax assets	6.1	7,161	5,558
Intangible assets and goodwill	5.2	85,655	77,922
Total assets		9,168,379	9,124,283
Liabilities			
Due to other financial institutions		61,125	66,295
Deposits and other borrowings including subordinated notes	4.5	8,569,609	8,568,185
Employee benefits provisions	5.3	5,437	5,345
Other liabilities	4.6	59,641	18,111
Tax liabilities	6.1	7,630	8,784
Total liabilities		8,703,442	8,666,720
Net assets		464,937	457,563
Equity			
Share capital	5.4	228,603	225,274
Retained earnings		233,501	223,497
Reserves		2,833	8,792
Total equity		464,937	457,563

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the financial year ended 30 June 2024

	Notes	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 year		–	38,502	–	–	–	–	38,502
Other comprehensive income/(expense)		–	–	–	–	(564)	–	(564)
Total comprehensive income for the year		–	38,502	–	–	(564)	–	37,938
Equity issued under employee share scheme	5.4	50	–	–	–	–	–	50
Equity issued under Dividend Reinvestment Plan underwrite	5.4	10,058	–	–	–	–	–	10,058
Equity issued under Dividend Reinvestment Plan	5.4	4,146	–	–	–	–	–	4,146
Share-based payment expense recognised		–	–	–	287	–	–	287
Tax-related movement – Executive Long-Term Incentive Plan		–	38	–	–	–	–	38
Transfer of vested shares under Executive Long-Term Incentive Plan	5.4	–	–	–	–	–	–	–
General reserve for credit losses write-back		–	(111)	111	–	–	–	–
Share issuance transaction costs net of tax	5.4	(147)	–	–	–	–	–	(147)
Dividends paid	2.5	–	(24,720)	–	–	–	–	(24,720)
At 30 June 2023		225,274	223,497	2,368	1,314	6,110	(1,000)	457,563
At 1 July 2023		225,274	223,497	2,368	1,314	6,110	(1,000)	457,563
Profit for the year		–	35,289	–	–	–	–	35,289
Other comprehensive income/(expense)		–	–	–	–	(6,187)	–	(6,187)
Total comprehensive income for the year		–	35,289	–	–	(6,187)	–	29,102
Equity issued under employee share scheme	5.4	35	–	–	–	–	–	35
Equity issued under Dividend Reinvestment Plan underwrite	5.4	–	–	–	–	–	–	–
Equity issued under Dividend Reinvestment Plan	5.4	3,120	–	–	–	–	–	3,120
Share-based payment expense recognised		–	–	–	402	–	–	402
Tax-related movement – Executive Long-Term Incentive Plan		–	–	–	–	–	–	–
Transfer of vested shares under Executive Long-Term Incentive Plan	5.4	174	–	–	(174)	–	–	–
General reserve for credit losses write-back		–	–	–	–	–	–	–
Share issuance transaction costs net of tax	5.4	–	–	–	–	–	–	–
Dividends paid	2.5	–	(25,285)	–	–	–	–	(25,285)
At 30 June 2024		228,603	233,501	2,368	1,542	(77)	(1,000)	464,937

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the financial year ended 30 June 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Cash flows from operating activities			
Interest received		506,429	374,687
Interest paid		(354,378)	(175,287)
Fees and commissions received		24,344	28,006
Other non-interest income received		2,259	454
Payments to suppliers and employees		(96,938)	(98,173)
Income tax paid		(17,670)	(13,278)
(Increase)/decrease in operating assets:			
Due from other financial institutions		2,834	(5,740)
Financial instruments		121,821	(91,918)
Loans and advances		(167,619)	(963,355)
Increase/(decrease) in operating liabilities:			
Due to other financial institutions		2,023	65,681
Deposits and other borrowings excluding subordinated notes and floating rate notes		(66)	805,352
Net cash flows from/(used in) operating activities	4.1	23,039	(73,571)
Cash flows from investing activities			
Purchase of intangible assets and other assets		(11,772)	(2,943)
Purchase of plant and equipment		(689)	(2,240)
Net cash flows from/(used in) investing activities		(12,461)	(5,183)
Cash flows from financing activities			
Employee share issue		35	50
Payments for lease liabilities		(1,751)	(2,060)
Subordinated notes		69	66
Floating rate notes issue		—	99,871
Dividends paid net of dividend reinvestment plan	2.5	(22,165)	(10,610)
Net cash flows from/(used in) financing activities		(23,812)	87,317
Net increase/(decrease) in cash held		(13,234)	8,563
Cash at beginning of financial year		127,778	119,215
Closing cash carried forward	4.1	114,544	127,778

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2024

1.1 Reporting entity

MyState Limited (the Company) is incorporated and domiciled in Australia and is a company limited by shares that are publicly traded on the Australian Securities Exchange. The address of its registered office and principal place of business is 137 Harrington Street, Hobart, Tasmania 7000. The consolidated financial statements of MyState Limited and its subsidiaries (the Group) were authorised for issue by the Directors on 19 August 2024.

1.2 Basis of accounting

These consolidated financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and other requirements of the law. The financial report complies with Australian equivalents to International Financial Reporting Standards (AIFRS).

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

Where necessary, comparative figures have been reclassified and repositioned for consistency with current period disclosures.

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

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 2016/191, and, in accordance with that Class Order, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars.

1.3 Use of estimates and judgement

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

- loan origination cost amortisation, refer note 2.1;
- impairment losses on loans and advances, refer note 4.3;
- fair value of financial instruments, refer note 4.7;
- impairment assessment of intangibles and goodwill, refer note 5.2;
- recoverability of deferred tax assets, refer note 6.1; and
- assessment of lease liabilities and right-of-use assets, refer notes 4.6 and 5.1.

1.4 Provisions (other than for impairment of financial assets)

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

Notes to the consolidated financial statements continued

2.1 Net banking operating income

	30 June 2024 \$'000	30 June 2023 \$'000
Interest income		
Loans and advances	433,109	321,982
Investment securities	40,777	27,176
Swap interest ⁽¹⁾	5,036	3,813
Total interest income	478,922	352,971
Interest expense		
At call deposits	89,566	60,634
Fixed term deposits	127,598	82,383
Negotiable certificates of deposit	20,242	13,030
Subordinated notes	3,987	3,270
Term funding facility	89	403
Floating rate notes	13,545	8,648
Securitisation	96,186	49,078
Additional Tier 1 Hybrid capital instrument	4,709	3,464
Financing cost – leases	680	781
Swap interest ⁽²⁾	(2,216)	(1,313)
Total interest expense	354,386	220,378
Non-interest income from banking activities		
Transaction fees	2,924	3,367
Loan fees	4,484	5,580
Banking commissions	3,192	3,120
Other banking operations income	1,890	1,410
Total non-interest income from banking activities	12,490	13,477

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.

2. Swap interest relates to hedges that the Group has entered into to protect its portfolio of term deposits from changes in interest rates.

Income accounting policy

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

Interest

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

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

Non-interest income from banking activities

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

2.2 Income from wealth management activities

	30 June 2024 \$'000	30 June 2023 \$'000
Funds management income	7,966	9,260
Other fees and commissions	7,438	5,048
Total income from wealth management activities	15,404	14,308

Funds management income and fiduciary activities

TPT Wealth Limited, a controlled entity of the Group, acts as responsible entity, trustee and funds manager for eight Managed Investment Schemes. The investment schemes place monies with external wholesale fund managers, direct mortgages and mortgage backed securities, term deposits and other investments. The clients include individuals, superannuation funds and corporate investors.

The assets and liabilities of these funds are not included in the consolidated financial statements. Income earned by the Group in respect of these activities is included in the consolidated income statement of the Group as 'Funds management income'.

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

	30 June 2024 \$M	30 June 2023 \$M
Funds under management	996	994
Funds under advice	387	490

Other fees and commissions

TPT Wealth Limited provides private client tax accounting services and acts as trustee and executor of estates. 'Other fees and commissions income' is the income earned from these activities.

Income accounting policy

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

Notes to the consolidated financial statements continued

2.3 Expenses

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

	30 June 2024 \$'000	30 June 2023 \$'000
Occupancy costs include:		
Operating lease payments	427	453
Depreciation – right-of-use lease assets	2,650	2,662
Depreciation – buildings and leasehold improvements	204	209
Technology costs include:		
Amortisation – computer software	4,041	3,866
Administration costs include:		
Depreciation – furniture, equipment and computer hardware	394	336

The Group's leasing activities

(i) Real estate leases

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

(ii) Other leases

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

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

	30 June 2024 \$'000	30 June 2023 \$'000
Amount recognised in the consolidated income statement		
Expenses relating to short-term leases and low-value leases	74	70

Expense accounting policy

Depreciation and amortisation expense

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

Office furniture, fittings and equipment	4-7 years
Building fit-out	4-15 years
Computer hardware	3 years
Software	3-10 years
Right-of-use assets	2-15 years

Each year the useful life of assets are evaluated. The remaining useful life of select core banking systems was revised and extended in the 2021 financial year due to the implementation of significant increased functionality and, in turn, longevity of these systems over their initial capacity. The revised remaining useful life is within the above stated parameters; however, the total life since original core system implementation is in excess of the above stated lives in some instances.

2.4 Earnings per share

	30 June 2024 cents	30 June 2023 cents
Basic earnings per share	32.02	35.45
Diluted earnings per share	28.38	30.85
Reconciliation of earnings used in calculation of earnings per ordinary share	\$'000	\$'000
Net profit after tax	35,289	38,502
Total statutory earnings	35,289	38,502
Earnings used in calculating statutory earnings per ordinary share	35,289	38,502
Add back: distributions accrued and/or paid on dilutive loan capital instrument	4,440	4,136
Total diluted earnings	39,729	42,638

Earnings per share accounting policy

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

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

	Number	Number
WANOS used in the calculation of basic earnings per share	110,219,779	108,615,478
Effect of dilution – executive performance rights	1,095,134	875,663
Effect of dilution – loan capital instrument	28,697,572	28,697,572
WANOS used in the calculation of diluted earnings per share	140,012,485	138,188,713

Potentially dilutive instruments

The following instruments are potentially dilutive during the reporting period:

	Dilutive instruments	
	30 June 2024	30 June 2023
Loan capital instrument	Yes	Yes
Executive performance rights	Yes	Yes
Subordinated note (with non-viability clause)	No	No

Notes to the consolidated financial statements continued

2.5 Dividends

	Date of payment	30 June 2024 \$'000	30 June 2023 \$'000
Dividends paid			
2022 Final dividend paid – 11.5 cents per share	7 Sep 2022	–	12,179
2023 Interim dividend paid – 11.5 cents per share	21 Mar 2023	–	12,541
2023 Final dividend paid – 11.5 cents per share	19 Sep 2023	12,603	–
2024 Interim dividend paid – 11.5 cents per share	23 Feb 2024	12,682	–
Total dividends paid		25,285	24,720

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

	30 June 2024 \$'000	30 June 2023 \$'000
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the period at 30%	95,293	92,199
Franking credits that will arise from the payment of income tax payable at the end of the period	1,744	1,075

Dividends not recognised at the end of the financial year

On 19 August 2024, the Directors resolved to pay a final dividend for the 2024 financial year of 11.5 cents per share or \$12.719m total to be paid on 16 September 2024, fully franked at the 30% corporate tax rate. This dividend has not been brought to account as the amount had not been determined at the reporting date. This dividend will reduce the balance of the franking account by \$5.45m.

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 Executive Committee reviews internal management reports for each of these divisions at least monthly.

Banking division

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

Wealth Management division

The Wealth Management division is a provider of funds management and trustee services. It operates predominantly within Tasmania. It holds \$0.997b (2023: \$0.994b) in funds under management on behalf of personal, business and wholesale investors as the Responsible Entity for eight Managed Investment Schemes. The Wealth Management division comprises TPT Wealth Limited, which is a trustee company licensed within the meaning of Chapter 5D of the *Corporations Act 2001* and is the only private trustee company with significant operations in Tasmania.

Corporate and consolidation division

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

	Banking \$'000	Wealth Management \$'000	Corporate & Consolidation \$'000	Total \$'000
Year ended 30 June 2024				
Interest income	478,532	311	79	478,922
Interest expense	(354,384)	—	(2)	(354,386)
Other income				
Transaction fees	2,924	—	—	2,924
Loan fee income	4,484	—	—	4,484
Banking commissions	3,192	—	—	3,192
Other banking operations income	1,890	—	—	1,890
Funds management income	—	7,966	—	7,966
Other Wealth Management fees and commissions	—	7,438	—	7,438
Total operating income	136,638	15,715	77	152,430
Expenses				
Personnel costs	33,690	6,785	5,331	45,806
Administration costs	26,129	2,321	(8,195)	20,255
Technology costs	19,628	1,779	23	21,430
Occupancy costs	3,026	383	733	4,142
Marketing costs	5,836	265	8	6,109
Governance costs	972	135	2,175	3,282
Impairment expense/(recovery)	1,167	37	—	1,204
Income tax expense	13,892	1,210	(189)	14,913
Segment profit for the year	32,298	2,800	191	35,289
Segment balance sheet information				
Segment assets	9,090,131	27,777	50,471	9,168,379
Segment liabilities	8,698,246	2,202	2,994	8,703,442
	Banking \$' 000	Wealth Management \$' 000	Corporate & Consolidation \$' 000	Total \$' 000
Year ended 30 June 2023				
Interest income	352,801	125	45	352,971
Interest expense	(220,365)	(1)	(12)	(220,378)
Other income				
Transaction fees	3,367	—	—	3,367
Loan fee income	5,580	—	—	5,580
Banking commissions	3,120	—	—	3,120
Other banking operations income	1,408	2	—	1,410
Funds management income	—	8,798	—	8,798
Other Wealth Management fees and commissions	—	5,510	—	5,510
Total operating income	145,911	14,434	33	160,378
Expenses				
Personnel costs	32,515	7,221	4,590	44,326
Administration costs	24,093	4,281	(6,946)	21,428
Technology costs	17,507	1,533	44	19,084
Occupancy costs	3,949	126	317	4,392
Marketing costs	9,784	440	9	10,233
Governance costs	886	285	2,017	3,188
Impairment expense/(recovery)	2,542	—	—	2,542
Income tax expense	16,426	175	82	16,683
Segment profit for the year	38,209	373	(80)	38,502
Segment balance sheet information				
Segment assets	9,037,452	26,835	59,996	9,124,283
Segment liabilities	8,651,513	2,060	13,147	8,666,720

Notes to the consolidated financial statements continued

3.1 Capital management strategy

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

The Group's capital management objectives are to:

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

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

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

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

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

All entities that are consolidated for accounting purposes are included within the Level 2 regulatory capital calculation except for TPT Wealth Limited and securitisation special purposes vehicles (Conquest 2016-2 Trust, Conquest 2017-1 Trust, Conquest 2018-1 Trust, Conquest 2019-1 PP Trust, Conquest 2019-2 Trust, Conquest 2022-1 Trust, Conquest 2023-1 Warehouse Trust, Conquest 2023-2 Trust and Conquest 2023-3 Warehouse Trust).

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

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

The Board has currently set a minimum total capital adequacy ratio of 15% for the Group (2023: 14%). Capital adequacy of the Group on a Level 2 basis is detailed in the following table:

	30 June 2024 \$'000	30 June 2023 \$'000
Qualifying capital		
Common Equity Tier 1 capital		
Paid-up ordinary share capital	230,424	227,306
Retained earnings	242,802	237,562
Reserves excluding general reserve for credit losses	(696)	(1,134)
Total Common Equity Tier 1 capital	472,530	463,734
Less: Regulatory adjustments		
Deferred expenditure including deferred tax assets	39,770	41,775
Goodwill and intangibles	65,473	63,793
Other deductions	49,770	49,016
Total regulatory adjustments	155,013	154,584
Net Common Equity Tier 1 capital	317,517	309,150
Additional tier 1 capital		
Floating rate notes AT1 issuance ⁽ⁱ⁾	64,105	63,835
Tier 2 capital		
Subordinated notes ⁽ⁱ⁾	49,949	49,901
Equity reserve for credit losses	2,368	2,368
Total capital	433,939	425,254
Risk weighted assets	2,643,303	2,755,453
Capital adequacy ratio	16.42%	15.43%

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

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

If APRA notifies the issuer that a non-viability trigger event has occurred, the notes will be converted into ordinary shares of MyState Limited, or written-off. For the notes issued on 3 November 2021, the amount included in the Group's Level 2 Tier 2 regulatory capital is a percentage equal to that of the external interest in the Group's regulatory capital. The amount included in the Group's Level 1 Tier 2 regulatory capital is 100%. For the notes issued on 10 July 2020, the amount included in the Group's Level 1 and Level 2 Tier 2 regulatory capital is 100%.

(ii) On 30 August 2022, MyState Limited (MyState) issued \$65m of Additional Tier 1 notes to wholesale investors (Capital Notes). The Capital Notes ('notes') were fully paid, mandatorily convertible subordinated perpetual debt securities of MyState. The issuer was MyState Limited. The notes have a term in perpetuity and pay interest quarterly at a floating rate equal to the three-month BBSW plus a margin of 5.50% per annum. The issuer has the option to redeem these notes on 30 August 2027, 30 November 2027 and 28 February 2028 respectively, and for certain regulatory events (in each case subject to APRA's prior written approval). If APRA notifies the issuer that a loss-absorption event has occurred, the notes will be converted into ordinary shares of MyState Limited, or written off.

Notes to the consolidated financial statements continued

3.2 Financial risk management

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

Risk exposure profile

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

- credit risk,
- market risk; and
- liquidity risk.

3.2.1 Credit risk

Approach to credit risk management

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

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

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

Maximum exposure to credit risk

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

	30 June 2024 \$'000	30 June 2023 \$'000
Cash and liquid assets	114,544	127,778
Due from other financial institutions	45,394	48,003
Other assets	13,149	12,085
Financial instruments	807,889	936,880
	980,976	1,124,746
Loans and advances	8,088,120	7,908,080
Customer commitments ⁽ⁱ⁾	185,691	147,912
Maximum exposure to credit risk	9,254,787	9,180,738

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

The credit quality of financial assets has been determined based on Standard & Poor's credit ratings for financial assets other than loans and advances at amortised cost. For loans and advances at amortised cost, the assets identified as being 'closely monitored' are those assets that are greater than 30 days past due. New facilities are loans that have been funded within the financial year.

	30 June 2024 \$'000	30 June 2023 \$'000
Credit quality of financial assets		
Financial assets other than loans and advances at amortised cost		
Equivalent S&P rating A+ and above	839,368	914,400
Equivalent S&P rating A and below	150,456	210,346
Loans and advances at amortised cost		
New facilities – not closely monitored	1,819,359	2,589,507
New facilities – closely monitored	4,672	7,983
Continuing facilities – not closely monitored	6,198,165	5,260,343
Continuing facilities – closely monitored	65,924	50,247
Total on balance sheet exposure to credit risk	9,077,944	9,032,826
Loans and advances at amortised cost past due analysis		
Not past due	8,010,146	7,862,948
Past due days:		
31 to 60 days	28,656	16,059
61 to 89 days	10,986	11,476
Greater or equal to 90 days	38,332	17,597
Total loans and advances at amortised cost	8,088,120	7,908,080
Estimate of collateral held against past due assets	78,637	51,194

Estimate of collateral held

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

Notes to the consolidated financial statements continued

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

	30 June 2024 \$'000	30 June 2023 \$'000
Tasmania	2,568,397	2,533,845
Victoria	1,908,598	1,789,071
New South Wales	1,585,303	1,648,836
Queensland	1,575,449	1,559,328
Western Australia	199,695	181,467
Australian Capital Territory	86,620	83,175
South Australia	110,155	99,602
Northern Territory	22,493	19,810
Gross loans and advances at amortised cost	8,056,710	7,915,134

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

3.2.2 Market risk

Managing market risk

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

Interest rate risk exposure

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

Value at Risk (VaR)

The following table indicates the VaR based on historical data. The Group estimates VaR as the potential change in value of the balance sheet from adverse market movements over a 20-day holding period to a 99% confidence level. Market risks attributable to trading activities are primarily measured using a historical simulation VaR model based on historical data. VaR takes account of all material market variables that may cause a change in the value of the loan portfolio. As an additional overlay to VaR, the individual market risks of interest rate, foreign exchange, credit and equity are managed using a framework that includes stress testing, scenario analysis, sensitivity analysis and stop losses. Risks are monitored and measured against limits delegated by the Asset Liability Committee (ALCO) and approved by the Group's Risk Committee. Although an important tool for the measurement of market risk, the assumptions underlying the model are limited to reliance on historical data.

	30 June 2024 \$'000	30 June 2023 \$'000
VaR (post-tax) based on historic data		
Average	2,165	4,440
Minimum	1,474	2,059
Maximum	3,062	7,964

Derivatives

The Group is exposed to changes in interest rates. The only derivative instruments currently entered into by the Group are interest rate swaps. The Group protects its portfolio of fixed rate loans, corporate and retail term deposits, NCDs and exposure to variable rate debt obligations by paying fixed or variable rates to swap providers and receiving fixed or variable rates in return, dependent on the hedged item. The hedge instruments are benchmarked to either BBSW (Bank Bill Swap rate) or AONIA (RBA Interbank Overnight Cash Rate). The hedging strategy will assist with managing interest rate margins in an increasing interest rate environment and reduce earnings volatility, all else equal. The hedge reduces net interest margin volatility on MyState's variable interest rate loans by matching the repricing frequency of assets and liabilities.

Derivatives accounting policy

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

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

Cash flow hedges

The Group has cash flow hedges that are used to hedge the variability of interest rates in relation to certain assets and liabilities. These derivative instruments are established with terms that exactly match the terms of the asset or liability designated as the hedged item and therefore form highly effective relationships. The portion of the asset or liability designated in the hedging relationship is determined by reference to specific fixed rate assets or liabilities within the loan or deposit portfolio. The Group conducts tests for ineffectiveness and sources of ineffectiveness are limited to credit risk of parties to the relationship. The variability in fair values attributable to an item designated as a cash flow hedge is recognised in other comprehensive income to the extent of the hedge's effectiveness. Any ineffective portion of the change in the fair value of a derivative is recognised immediately in the consolidated income statement.

Derivatives that do not qualify for hedge accounting

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

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

The following table indicates the Group's hedge exposures at 30 June 2024.

Description	Cash flow hedges \$'000	Fair value hedges \$'000
Notional amount of hedging instrument ⁽ⁱ⁾	2,217,908	—
Carrying amount of hedging instrument ⁽ⁱ⁾	111	—

The following table indicates the Group's hedge exposures at 30 June 2023.

Description	Cash flow hedges \$'000	Fair value hedges \$'000
Notional amount of hedging instrument ⁽ⁱ⁾	1,243,290	—
Carrying amount of hedging instrument ⁽ⁱ⁾	8,728	—

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

Notes to the consolidated financial statements continued

3.2.3 Liquidity risk

Managing liquidity risk

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

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

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

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

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

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

The funding was drawn down progressively and repaid progressively over the respective three-year term, which commenced in May 2023 and ended in June 2024. At 30 June 2024, the total collateral security (2023: \$183.7m) of eligible asset backed self-securitisation and the combined drawn amount (2023: \$154.7m) are both nil.

Liquidity risk exposure

The Group is exposed to liquidity risk primarily through its banking activities. The Group's contractual cash flows associated with its financial liabilities and hedging derivatives within relevant maturity groupings is as follows. These are presented on an undiscounted basis and, therefore, will not agree to amounts presented on the consolidated statement of financial position as they incorporate principal and associated future interest payments.

	On demand \$'000	< 3 months \$'000	3 months to 1 year \$'000	1 year to 5 years \$'000	> 5 years \$'000	Total \$'000
2024						
At call deposits	3,163,029	—	—	—	—	3,163,029
Due to other financial institutions	—	61,125	—	—	—	61,125
Term deposits	—	45,242	2,386,834	360,342	—	2,792,418
Term Funding Facility	—	—	—	—	—	—
Negotiable certificates of deposit	—	306,835	64,079	—	—	370,914
Subordinated notes	—	991	2,972	15,853	58,147	77,963
Floating rate notes	—	10,010	40,041	261,860	—	311,911
Securitisation liabilities	—	131,375	394,126	1,583,376	—	2,108,877
Additional Tier 1 Hybrid capital instrument	—	1,120	3,361	75,461	—	79,942
Contractual amounts payable	3,163,029	556,698	2,891,413	2,296,892	58,147	8,966,179
Derivative liability	—	—	11,801	3,093	564	15,458
2023						
At call deposits	3,380,217	—	—	—	—	3,380,217
Due to other financial institutions	—	66,295	—	—	—	66,295
Term deposits	—	70,225	2,378,555	432,306	—	2,881,086
Term Funding Facility	—	79,633	75,874	—	—	155,507
Negotiable certificates of deposit	—	377,419	17,325	—	—	394,744
Subordinated notes	—	914	2,741	14,621	57,514	75,790
Floating rate notes	—	3,275	9,826	261,647	—	274,748
Securitisation liabilities	—	96,538	295,315	1,099,499	—	1,491,352
Additional Tier 1 Hybrid capital instrument	—	1,121	3,362	74,713	—	79,196
Contractual amounts payable	3,380,217	695,420	2,782,998	1,882,786	57,514	8,798,935
Derivative liability	—	259	2,405	10,898	—	13,563

Notes to the consolidated financial statements continued

Contractual maturity of assets and liabilities

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

	30 June 2024			30 June 2023		
	< 12 months \$'000	> 12 months \$'000	Total \$'000	< 12 months \$'000	> 12 months \$'000	Total \$'000
Financial assets						
Cash and liquid assets	114,544	—	114,544	127,778	—	127,778
Due from other financial institutions	45,394	—	45,394	48,003	—	48,003
Other assets	13,149	—	13,149	12,085	—	12,085
Financial instruments	141,775	666,114	807,889	194,676	742,204	936,880
Loans and advances ⁽ⁱ⁾	54,930	8,033,190	8,088,120	62,808	7,845,272	7,908,080
Total financial assets	369,792	8,699,304	9,069,096	445,350	8,587,476	9,032,826
Financial liabilities						
Due to other financial institutions	(61,125)	—	(61,125)	(66,295)	—	(66,295)
Other liabilities	(59,641)	—	(59,641)	(18,111)	—	(18,111)
Deposits	(5,224,191)	(1,102,170)	(6,326,361)	(5,777,052)	(876,928)	(6,653,980)
Term funding facility	—	—	—	(79,040)	(75,660)	(154,700)
Subordinated notes	—	(49,893)	(49,893)	—	(49,824)	(49,824)
Floating rate notes	—	(249,776)	(249,776)	—	(249,556)	(249,556)
Securitisation liabilities	(471,372)	(1,408,102)	(1,879,474)	(350,190)	(1,046,100)	(1,396,290)
Additional Tier 1 Hybrid capital instrument	—	(64,105)	(64,105)	—	(63,835)	(63,835)
Total financial liabilities	(5,816,329)	(2,874,046)	(8,690,375)	(6,290,688)	(2,361,903)	(8,652,591)
Net contractual amounts receivable/ (payable)	(5,446,537)	5,825,258	378,721	(5,845,338)	6,225,573	380,235

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

3.3 Average balance sheet and sources of net interest income

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

	30 June 2024			30 June 2023		
	Average balance \$'000	Interest \$'000	Average rate %	Average balance \$'000	Interest \$'000	Average rate %
Average assets and interest income						
Interest-earning assets						
Liquid assets and financial instruments	988,119	45,813	4.64%	932,203	30,989	3.32%
Loans and advances ⁽ⁱ⁾	7,617,324	433,109	5.69%	7,260,274	321,982	4.43%
Total average interest-earning assets	8,605,443	478,922	5.56%	8,192,477	352,971	4.31%
Average liabilities and interest expense						
Interest-bearing liabilities						
Deposits and derivatives	6,482,158	236,285	3.65%	6,565,276	156,451	2.38%
Notes and bonds on issue	1,867,409	118,101	6.32%	1,421,197	63,927	4.50%
Total average interest-bearing liabilities	8,349,567	354,386	4.24%	7,986,473	220,378	2.75%
Interest rate spread	–	–	1.32%	–	–	1.56%
Capital	440,468	–	0.13%	423,242	–	0.07%
Net interest margin	–	–	1.45%	–	–	1.63%

(i) The offset account average balance included in loans and advances is \$283.645m (2023: \$295.861m).

Notes to the consolidated financial statements continued

4.1 Cash and liquid assets

	30 June 2024 \$'000	30 June 2023 \$'000
Notes, coins and cash at bank	110,016	123,138
Other short term liquid assets	4,528	4,640
Total cash and liquid assets	114,544	127,778
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	35,289	38,502
Add/(less) items classified as investing/financing activities or non-cash items:		
Depreciation of property, plant and equipment	598	545
Depreciation of right-of-use assets	1,404	4,980
Amortisation of intangible assets	4,041	3,866
Bad and doubtful debts expense net of recoveries	1,204	2,542
Share-based payment	576	287
Tax movement within reserves	(6,187)	(564)
Changes in assets and liabilities:		
Decrease/(increase) in due from other financial institutions	2,609	(7,079)
Decrease/(increase) in loans and advances	(180,040)	(939,247)
Decrease/(increase) in financial instruments	128,991	(94,778)
Decrease/(increase) in other assets	(2,916)	(2,254)
Decrease/(increase) in deferred tax assets	(1,602)	(664)
Increase/(decrease) in due to other financial institutions	38,710	46,271
Increase/(decrease) in deposits and other borrowings	1,424	870,064
Increase/(decrease) in employee benefits provisions	92	(240)
Increase/(decrease) in tax liabilities	(1,154)	4,198
Net cash flows used in operating activities	23,039	(73,571)

Cash and liquid assets accounting policies

Cash and liquid assets

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

Cash flow statement

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

- customer deposits and withdrawals from savings and fixed-term deposit accounts;
- movements in investments;
- amounts due to and from other financial institutions;
- customer loans and advances; and
- dividends paid.

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

4.2 Financial instruments

	30 June 2024 \$'000	30 June 2023 \$'000
Financial instruments at amortised cost		
Negotiable certificates of deposits	72,633	156,832
Term deposits	35,700	35,700
Floating rate notes	699,434	734,962
Other deposits	233	658
Total financial instruments at amortised cost	808,000	928,152
Financial instruments at fair value		
Derivatives	(111)	8,728
Total financial instruments	807,889	936,880

Financial instruments accounting policies

Financial instruments at amortised cost

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

Financial instruments at fair value

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

Derecognition of financial assets and liabilities

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

4.3 Loans and advances

	30 June 2024 \$'000	30 June 2023 \$'000
Classification of loans and advances at amortised cost		
Residential loans secured by mortgage	7,958,331	7,798,855
Personal loans and unsecured overdrafts	3,910	9,249
Overdrafts secured by mortgage	24,547	25,401
Commercial loans	34,863	41,761
Upfront capitalised loan origination costs	35,059	39,868
Trail broker commission ^{(a)(b)}	39,473	—
Total loans and advances at amortised cost	8,096,183	7,915,134
Less:		
Specific provision for impairment	176	171
Collective provision for impairment	7,887	6,883
Total loans and advances at amortised cost net of provision for impairment	8,088,120	7,908,080

(a) During the current financial year, the Group revised its treatment of ongoing trail commissions payable to mortgage brokers. The Group recognised a liability within Other liabilities equal to the present value of expected future trail commissions payable and a corresponding increase in capitalised brokerage costs in loans.

(b) Comparatives have not been revised for this change in accounting policy as the impact of the change is not material to the financial statements.

Loans and advances at amortised cost accounting policy

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

Notes to the consolidated financial statements continued

	30 June 2024 \$'000	30 June 2023 \$'000
Provision for impairment		
Specific provision for impairment		
Opening balance	171	–
Net specific provision funding	5	171
Closing balance of specific provision for impairment	176	171
Collective provision for impairment		
Opening balance	6,883	4,457
Net collective provision funding	1,004	2,426
Closing balance of collective provision for impairment	7,887	6,883
Total balance of provision for impairment	8,063	7,054
Charge to profit for impairment on loans and advances		
Increase/(decrease) in specific provision for impairment	5	171
Increase/(decrease) in collective provision for impairment	1,004	2,426
Bad debts recovered	(325)	(399)
Bad debts written off directly	520	344
Total impairment (recovery)/expense on loans and advances	1,204	2,542

Movements in provisions and reserve

	Stage 1	Stage 2	Stage 3			General reserve for credit losses	Grand total
	12-month ECL \$'000	Lifetime ECL \$'000	Collectively assessed – lifetime ECL \$'000	Individually assessed – lifetime ECL \$'000	Subtotal (1) \$'000	(2) \$'000	(1) + (2) \$'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	311	257	436	5	1,009	–	1,009
Total provision for doubtful debts as at 30 June 2024	3,295	1,743	2,849	176	8,063	2,368	10,431
Balance as at 1 July 2022	2,117	879	1,461	–	4,457	2,257	6,714
<i>Transfers during the period to:</i>							
Increase/(decrease) in provisions	867	607	952	171	2,597	111	2,708
Total provision for doubtful debts as at 30 June 2023	2,984	1,486	2,413	171	7,054	2,368	9,422

The Group has undertaken a review of the expected credit loss (ECL) of its lending portfolios against relevant specific economic conditions under varying scenarios. The review considered the macroeconomic outlook, customer credit quality, the quality of collateral held and exposure at default as at the reporting date. These model inputs, including forward-looking information, have been revised in recognition that rising cash rates is a key driver of the estimates therein. The modelled ECL is sensitive to the 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 below.

At 30 June 2024, 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 higher Official Cash Rate (OCR), 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 FY25 and FY26.

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.

Impairment of financial assets accounting policy

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

Specific provisions for impairment are made against individual risk rated credit facilities where a loss is expected. The provisions are measured as the difference between a financial asset's carrying amount and the expected future cash flows.

All other loans and advances that do not have an individually assessed provision are assessed collectively for impairment. The collective provisions are calculated using an Expected Credit Loss (ECL) model. This model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

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

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

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

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

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

Significant changes in credit risk

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

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

Forward-looking information

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

In applying forward-looking information in its AASB 9 credit models, the Group considered three alternate economic scenarios (base case, strong recovery and moderate recession) to ensure a sufficient unbiased representative sample is included in estimating ECL. At 30 June 2024, the forward-looking component of the collective provision for doubtful debts is \$1.9m (2023: \$1.6m). At 30 June 2024, the overlay primarily reflects the uncertainty surrounding the impact of inflation and higher interest rates on borrowers and the economy more broadly.

Notes to the consolidated financial statements continued

4.4 Transfer of financial assets (securitisation program)

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

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

	30 June 2024 \$'000	30 June 2023 \$'000
Transferred financial assets:		
Loans and advances	930,448	594,305
Associated financial liabilities:		
Securitisation liabilities to external investors	930,448	594,305

Transfer of financial assets accounting policy

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

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

4.5 Deposits and other borrowings including subordinated notes

	30 June 2024 \$'000	30 June 2023 \$'000
Deposits		
At call deposits	3,163,029	3,380,217
Term deposits	2,792,418	2,881,086
Negotiable certificates of deposit	370,914	392,677
Total deposits	6,326,361	6,653,980
Other borrowings		
Subordinated notes ⁽ⁱ⁾	49,893	49,824
Floating rate notes	249,776	249,556
Securitisation liabilities	1,879,474	1,396,290
Term funding facility	—	154,700
Additional Tier 1 Hybrid capital instrument ⁽ⁱ⁾	64,105	63,835
Total deposits and other borrowings including subordinated notes	8,569,609	8,568,185
Concentration of deposits:		
Customer deposits	5,928,098	6,236,356
Wholesale deposits	398,263	417,624
Subordinated notes ⁽ⁱ⁾	49,893	49,824
Floating rate notes	249,776	249,556
Term funding facility	—	154,700
Securitisation liabilities	1,879,474	1,396,290
Additional Tier 1 hybrid capital instrument ⁽ⁱ⁾	64,105	63,835
Total deposits	8,569,609	8,568,185

(i) Refer to note 3.1 for details regarding the subordinated notes and Additional Tier 1 hybrid capital instrument issue. There are no customers who individually have deposits that represent 10% or more of total liabilities.

Deposits and other borrowings accounting policy

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

The Group does not currently hold any financial liabilities at fair value.

Notes to the consolidated financial statements continued

4.6 Other liabilities

	30 June 2024 \$'000	30 June 2023 \$'000
Trade payables and related accruals ^(a)	51,973	9,934
Lease liabilities	7,668	8,177
Total other liabilities	59,641	18,111

(a) Refer to note 4.3 Loans and advances for details of a change in accounting policy relating to the treatment of ongoing trail commissions payable to mortgage brokers.

Lease liabilities

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

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

4.7 Fair value of financial instruments

Classification of financial instruments

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

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

- financial instruments;
- loans and advances;
- deposits; and
- other borrowings.

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

	30 June 2024		30 June 2023	
	Carrying value \$'000	Net fair value \$'000	Carrying value \$'000	Net fair value \$'000
Financial assets				
Financial instruments	808,000	798,687	928,152	911,377
Loans and advances	8,088,120	8,070,153	7,908,080	7,840,782
Total financial assets	8,896,120	8,868,840	8,836,232	8,752,159
Financial liabilities				
Deposits	6,326,361	6,324,892	6,653,980	6,651,540
Other borrowings including subordinated notes	2,243,248	2,242,651	1,914,205	1,912,535
Total financial liabilities	8,569,609	8,567,543	8,568,185	8,564,075

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

	30 June 2024		30 June 2023	
	Carrying value \$'000	Net fair value \$'000	Carrying value \$'000	Net fair value \$'000
Financial assets				
Derivative assets	(111)	(111)	8,728	8,728
Due from other financial institutions	45,394	45,394	48,003	48,003
Total financial assets	45,283	45,283	56,731	56,731
Financial liabilities				
Due to other financial institutions	61,125	61,125	66,294	66,294
Total financial liabilities	61,125	61,125	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.

Notes to the consolidated financial statements 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
2024				
Financial assets				
Financial instruments	–	798,687	–	798,687
Loans and advances	–	–	8,070,153	8,070,153
Financial liabilities				
Deposits	–	6,324,892	–	6,324,892
Other borrowings including subordinated notes	–	2,242,651	–	2,242,651
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
2024				
Financial assets				
Derivative assets	–	(111)	–	(111)
Due from other financial institutions	–	45,394	–	45,394
Financial liabilities				
Due to other financial institutions	–	61,125	–	61,125
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. The Group has performed a VaR analysis as detailed in note 3.2, Market risk. VaR takes account of all material market variables that may cause a change in the value of the loan portfolio, being 100% of Level 3 inputs.

5.1 Plant and equipment and right-of-use assets

	30 June 2024 \$'000	30 June 2023 \$'000
Leasehold improvements		
At cost	7,555	7,429
Accumulated depreciation	(7,234)	(7,030)
	321	399
Plant and equipment		
At cost	6,542	6,175
Accumulated depreciation	(5,770)	(5,375)
	772	800
Right-of-use assets – land and buildings		
At cost	14,094	15,181
Accumulated depreciation	(8,720)	(8,403)
	5,374	6,778
Total plant and equipment	6,467	7,977

Plant and equipment accounting policy

Leasehold improvements

Leasehold improvements are carried at cost less any subsequent accumulated depreciation on leasehold improvements.

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

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

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

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

Derecognition of plant and equipment and right-of-use assets

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

Notes to the consolidated financial statements continued

5.2 Intangible assets and goodwill

	Goodwill \$'000	Software \$'000	Total \$'000
Year ended 30 June 2024			
At 1 July 2023, net of accumulated amortisation	65,152	12,770	77,922
Additions	–	11,772	11,772
Amortisation	–	(4,041)	(4,041)
At 30 June 2024, net of accumulated amortisation	65,152	20,501	85,653
At 30 June 2024			
Cost (gross carrying amount less impairment)	65,152	52,065	117,217
Accumulated amortisation	–	(31,564)	(31,564)
Net carrying amount	65,152	20,501	85,653
Year ended 30 June 2023			
At 1 July 2022, net of accumulated amortisation	65,152	13,693	78,845
Additions	–	2,943	2,943
Amortisation	–	(3,866)	(3,866)
At 30 June 2023, net of accumulated amortisation	65,152	12,770	77,922
At 30 June 2023			
Cost (gross carrying amount less impairment)	65,152	40,293	105,445
Accumulated amortisation	–	(27,523)	(27,523)
Net carrying amount	65,152	12,770	77,922

Intangibles accounting policy

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

Software as a Service arrangement

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

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

Goodwill is treated as an indefinite life intangible; software and other intangibles are finite life intangibles. Refer to note 2.3 Expenses for the useful life of tangible and intangible assets.

Impairment testing of goodwill

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

	30 June 2024 \$'000	30 June 2023 \$'000
Banking Business	40,189	40,189
Wealth Management Business	24,963	24,963
Total goodwill	65,152	65,152

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

The recoverable amounts for each CGU's value-in-use was determined using cash flow projections from the latest business plan approved by the Board in June 2024. Growth rates have been applied from year two through to year 10. Cash flows are projected by undertaking detailed calculations for each income and expense category over a three-year period and are then extrapolated off the third year, which is the lowest point of growth. An exit value is calculated at the end of 10 years, based on an implied terminal value earnings multiple of 15.2 and 12.7 for the Banking Business and the Wealth Management Business respectively, and a long-term growth rate not exceeding industry. A post-tax discount rate of 10.7% (15.3% pre-tax) and 9.6% (13.7% pre tax) was used for the Banking Business and the Wealth Management Business respectively. Certain income categories are modelled by projecting growth in relevant portfolio balances and the resulting income derived there from. Other non-portfolio-related income streams and expense categories are modelled by projecting real rates of growth (above inflation) for each category. Terminal value is determined at year 10 using the assumption that the CGU achieves no real growth above inflation into perpetuity. The growth rates applied do not exceed the long-term average growth rate for the business that the CGU operates. The discount rate used of 10.7% reflects the Group's post-tax nominal weighted average cost of capital, which has been reviewed by externally engaged advisers and approved by the Board. Average inflation is projected to be 3.8%. The method for determining value-in-use is consistent with that adopted in the comparative period.

The key assumptions adopted in assessing Banking's value-in-use are the rate of growth in the balance of the housing loan portfolio and the outlook for net interest margin (NIM). Taking into account management's past experiences and external evidence, the assumptions that have been adopted for both of these components are considered to be reasonable. Management expects that any reasonably possible change to assumptions used in management's assessment will not result in impairment.

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

Goodwill accounting policy

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

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

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

Impairment of subsidiaries accounting policy

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

Notes to the consolidated financial statements continued

5.3 Employee benefits provisions

	30 June 2024 \$'000	30 June 2023 \$'000
Balances		
Provision for annual leave	2,232	2,198
Provision for long service leave	3,205	3,147
Total employee benefits provisions	5,437	5,345
Due to be settled within 12 months	4,178	4,193
Due to be settled in more than 12 months	1,259	1,152
Total employee benefits provisions	5,437	5,345

Employee benefits accounting policy

Liabilities for salaries, wages and annual leave are recognised in respect of employees' service up to the reporting date. Where settlement is expected to occur within 12 months of the reporting date, the liabilities are measured at their nominal amounts based on the remuneration rates that are expected to be paid when the liability is settled. Where settlement is expected to occur later than 12 months from reporting date, the liabilities are measured at the present value of payments that are expected to be paid when the liability is settled.

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

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

5.4 Share capital

	30 June 2024 \$'000	30 June 2023 \$'000
Issued and paid up ordinary shares	228,603	225,274

Movements in ordinary share capital

	30 June 2024		30 June 2023	
	Number of shares	Amount \$'000	Number of shares	Amount \$'000
Opening balance	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
– Dividend reinvestment plan underwrite	–	–	2,587,858	10,058
– Dividend reinvestment plan	960,598	3,120	1,090,682	4,146
– Executive long term incentive plan	35,786	174	–	–
– Less: Share issue transaction costs, net of tax	–	–	–	(147)
Closing balance	110,600,801	228,603	109,594,435	225,274

Terms and conditions

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

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

The Group offers share-based remuneration; refer to the Remuneration report for further information regarding these arrangements.

6.1 Income tax expense, current and deferred tax balances

	30 June 2024 \$'000	30 June 2023 \$'000
The major components of income tax expense/(benefit) are:		
Income tax expense		
Current income tax charge	16,759	16,674
Adjustment in respect of current income tax of previous years	(181)	78
Adjustments in respect of equity/goodwill	1,923	289
Relating to origination and reversal of temporary differences	(3,588)	(358)
Total income tax expense	14,913	16,683
A reconciliation between tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Income tax expense attributable to:		
Accounting profit before income tax	50,202	55,185
The income tax expense comprises amounts set aside as:		
Provision attributable to the current year at the statutory rate of 30%, being:		
– Prima facie tax on accounting profit before tax	15,061	16,556
– Under/(over) provision in prior year	(181)	78
Expenditure not allowable for income tax purposes	33	49
Income tax expense reported in the consolidated income statement	14,913	16,683
Total income tax expense	14,913	16,683
Weighted average effective tax rates	29.7%	30.2%
Deferred income tax relates to the following:		
Deferred tax assets		
Plant and equipment	78	–
Intangible assets	201	–
Derivatives	730	–
Employee entitlements	1,631	1,604
Provisions	–	267
Doubtful debts	2,419	2,116
Other	2,102	1,571
Total deferred tax assets	7,161	5,558
Current tax receivable	–	–
Total tax assets	7,161	5,558
Deferred tax liabilities		
Financial assets at fair value	–	59
Property, plant and equipment	1,291	1,945
Other	2,269	4,271
Total deferred tax liabilities	3,560	6,275
Current tax payable	4,070	2,509
Total tax liabilities	7,630	8,784

Notes to the consolidated financial statements continued

Movements in deferred tax balances

	Deferred tax assets		Deferred tax liabilities	
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	30 June 2023 \$'000
Opening balance	5,558	4,895	6,275	5,970
Reclassification deferred tax	—	71	—	71
(Charged)/credited to income statement	1,603	545	(792)	476
Credited/(charged) to equity	—	47	(1,923)	(242)
Closing balance	7,161	5,558	3,560	6,275

Taxation accounting policy

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

Current tax payable

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

Deferred tax

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

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

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

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

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

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

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

Tax consolidation

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

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

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

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

7.1 Parent entity information

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

Statement of financial position	30 June 2024 \$'000	30 June 2023 \$'000
Assets		
Cash and liquid assets	2,113	4,903
Other receivables	597	833
Related party receivables	116,454	113,836
Investments in subsidiaries	343,588	340,469
Current and deferred tax assets	1,111	1,024
Total assets	463,863	461,065
Liabilities		
Other liabilities	1,080	457
Other borrowings	114,105	113,836
Related party payables	765	4,188
Tax liabilities	4,068	2,557
Employee benefits provisions	444	373
Total liabilities	120,462	121,411
Net assets	343,401	339,654
Equity		
Share capital	334,531	331,203
Retained earnings	7,329	7,139
Reserves	1,541	1,312
Total equity	343,401	339,654
Financial performance		
Profit after income tax for the year	25,472	24,637
Other comprehensive income	—	—
Total comprehensive income	25,472	24,637

The parent entity has not entered into any guarantees and does not have any contingent liabilities as at 30 June 2024 (30 June 2023: nil).

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

Notes to the consolidated financial statements continued

7.2 Controlled entities and principles of consolidation

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

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

Basis of consolidation accounting policy

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

7.3 Related party disclosures

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

Managed Investment Schemes

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

	Consolidated		TPT	
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 \$'000	30 June 2023 \$'000
Management fees received	7,966	8,798	7,966	8,798
Balance of investment held at year end	2,727	2,605	2,727	2,605
Distributions received from managed funds	122	74	122	74

The Funds have:

- accepted money on deposit from Directors and Executives or entities associated with Directors and Executives at prevailing Fund rates and conditions;
- loaned money to MyState Bank, in the form of term deposits and negotiable certificates of deposit, totalling \$1.89m (2023: \$2.61m); and
- invested in the ConQuest Trusts Residential Mortgage Backed Securities Program in the form of Class A and B notes totalling \$36.1m (2023: \$32.50m).

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

Key Management Personnel

(i) Individual Directors and Executive compensation disclosures

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

	30 June 2024 \$'000	30 June 2023 \$'000
Key Management Personnel compensation		
The Key Management Personnel compensation comprised:		
Short-term employee benefits	3,925	3,963
Post-employment benefits	306	330
Share-based payment ⁽ⁱ⁾	387	261
Termination benefits	—	268

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

Notes to the consolidated financial statements continued

8.1 Contingent liabilities and expenditure commitments

MyState Bank Limited has provided guarantees to third parties in order to secure the obligations of customers. The maximum exposures to these guarantees are disclosed below. The range of situations in which these guarantees are given include:

- local government authorities, to secure the obligations of property and sub-divisional developers to complete infrastructure developments;
- local government authorities, schools and other building owners, to secure the obligations of building contractors to complete building works;
- landlords, to secure the obligations of tenants to pay rent; and
- CUSCAL, to secure payroll and direct debit payments processed by CUSCAL on behalf of customers.

	30 June 2024 \$'000	30 June 2023 \$'000
Customer commitments		
Loans approved but not advanced to borrowers	133,523	91,849
Undrawn continuing lines of credit	49,495	53,591
Performance guarantees	2,673	2,472
Total customer commitments	185,691	147,912

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

Estate administration

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

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

8.2 Remuneration of auditors

	30 June 2024 \$'000	30 June 2023 \$'000
During the financial year, the following fees that are shown exclusive of GST claimed were paid or payable for services provided by the auditor of the Group, Wise Lord & Ferguson:		
Audit services		
Audit of the financial statements of the consolidated entities	469	448
Total remuneration for audit services	469	448
Audit-related services		
Assurance-related services	58	60
Audit of loans and other services to the securitisation program	3	4
Total remuneration for audit-related services	61	64
Other non-external audit-related services		
Other services	3	49
Total remuneration for non-audit-related services	3	49
Total remuneration for services provided	533	561

8.3 Events subsequent to balance date

On 19 August 2024, MyState announced that the Company and its wholly owned subsidiary, MyState Bank, had signed a Scheme Implementation Agreement pursuant to which MyState Bank will acquire all of the ordinary shares in Auswide Bank Limited (Auswide). Under the proposed Scheme, Auswide shareholders will receive new shares in MyState, which will result in pro forma ownership of 65.9% of the combined group for existing MyState shareholders.

The combination of two high-quality, complementary businesses is expected to deliver significant scale, contributing to improved operating efficiency from a larger balance sheet and increased funding flexibility. The proposed merger is expected to be earnings per share accretive from FY26 on a post synergies run rate basis. The Scheme, which is subject to regulatory, Auswide shareholder and third-party approvals, is expected to become effective in mid-to-late December 2024.

Other than the above, in the opinion of the Directors, there are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

8.4 Other material accounting policies, new accounting standards and disclosures

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

(i) Other assets

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

(ii) Other liabilities

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

(iii) New and revised accounting standards

There are no new Australian Accounting Standards in effect from the 2024 financial year that have not already been adopted by the Group.

The following accounting standards became effective in the current financial year:

- AASB 2020-1 *Amendments to Australian Accounting Standards* – Classification of Liabilities as Current or Non-current (effective 1 January 2024).
- AASB 2022-5 *Amendments to Australian Accounting Standards* – Lease Liability in a Sale & Leaseback.

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

Consolidated entity disclosure statement

for the year ended 30 June 2024

Name of entity	Type of entity	Trustee, partner or participate in joint venture	% of share capital held	Country of incorporation	Australian or foreign resident (for tax purposes)
MyState Limited	Body Corporate	N/A	N/A	Australia	Australia
MyState Bank Limited	Body Corporate	N/A	100	Australia	Australia
TPT Wealth Limited	Body Corporate	N/A	100	Australia	Australia
Connect Asset Management Pty Ltd	Body Corporate	N/A	100	Australia	Australia
Conquest 2010-1R Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2016-2 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2017-1 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2018-1 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2019-1 PP Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2019-2 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2022-1 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2023-1 Warehouse Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2023-2 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2023-3 Warehouse Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia
Conquest 2024-1 Trust ⁽ⁱ⁾	Trust	N/A	N/A	Australia	Australia

(i) Entities listed here are securitisation special purpose vehicles. Connect Asset Management Pty Ltd is the securitisation program manager.

Directors' declaration

for the year ended 30 June 2024

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

- 1. In the opinion of the Directors:
 - (a) the financial statements and notes of the Group set out on pages 57 to 100 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
 - (ii) complying with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe that MyState Limited will be able to pay its debts as and when they become due and payable; and
 - (c) the consolidated entity disclosure statement, required by section 295(3A) of the *Corporations Act 2001*, is true and correct.
- 2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2024.
- 3. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.2.

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

On behalf of the Board



Vaughn Richtor
Chairman

Hobart
Dated 19 August 2024



Brett Morgan
Managing Director and Chief Executive Officer

Independent auditor's report

to the Shareholders of MyState Limited



Independent Auditor's Report to the Shareholders of MyState Limited

Opinion

We have audited the financial report of MyState Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year then ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit

included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

1. Operation of IT Systems and Controls

Key audit matter	How our audit addressed the matter
<p>This is a key audit matter because a significant part of the Group's financial reporting process is heavily reliant on IT systems with automated processes and controls for the capture, processing, storage, and extraction of information.</p> <p>There has been continued change to the Group's IT landscape in the 2024 financial year and it has been essential to ensure appropriate user access and change management protocols exist and are being observed. These protocols are important because they ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner.</p> <p>These key controls mitigate potential fraud or error because of change to an application or underlying data. MyState has outsourced arrangements in place for a number of key IT processes.</p>	<p>We focus our audit on those IT systems and controls that are significant to the Group's financial reporting process.</p> <p>We assessed and tested the design and operating effectiveness of the Group's IT controls, including those over user access and change management as well as data reliability and integrity.</p> <p>This involved assessing:</p> <ul style="list-style-type: none"> • Technology control environment and governance; • Change management processes for software applications; • Access controls designed to enforce segregation of duties; • System development, reviewing the appropriateness of management's testing and implementation controls; • We carried out direct tests of the operation of key programs to establish the accuracy of calculations, the correct generation of reports, and to assess the correct operation of automated controls and technology-dependent manual controls; and • Third party reports on IT systems and controls. <p>For outsourced providers, we obtain assurance from third party auditors on the design and operating effectiveness of controls.</p>

2. Recognition and Measurement – Goodwill

Refer to Note 5.2 'Intangible assets and goodwill'

Key audit matter	How our audit addressed the matter
<p>There is also a high level of judgement required in the Group's annual testing of impairment of goodwill with significant forward-looking assumptions used in the valuation models.</p> <p>Details on the methodology and assumptions used in the impairment assessment if goodwill are included in Note 5.3 – Intangible assets and goodwill.</p>	<p>To address the risk of material misstatement and obtain sufficient audit evidence, we performed the following procedures over goodwill:</p> <ul style="list-style-type: none"> • Assessed whether the models used in the impairment testing of goodwill met the requirements of Australian Accounting Standards;

Independent auditor's report continued

Key audit matter	How our audit addressed the matter
	<ul style="list-style-type: none"> Assessed the appropriateness of the Cash Generating Units (CGU) identified to which goodwill has been allocated; Agreed the forecast cash flows to the most recent forecasts approved by management or the Board, considered the reasonableness of these forecasts based on the current economic environment, and assessed the accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results; Assess the key assumptions used in the impairment assessment with reference to market rates and historical performance; Test the mathematical accuracy of the impairment models; Assessed the adequacy of the disclosures associated with the impairment assessment of goodwill within the financial report.

3. Provision for Impairment on Loans and Advances

Refer to Note 4.3 'Loans and advances'

Key audit matters	How our audit addressed the matter
<p>The provision for impairment on loans and advances is a key audit matter because of the Group's significant balance of loans and advances, the growth in loan balances during the 2024 financial year, and the significant judgement inherent in the provisioning model. The provisioning model is determined in accordance with the requirements of AASB 9 <i>Financial Instruments</i>.</p> <p>Provision for impairment of loans and advances that exceed specific thresholds are individually assessed by management with reference to future cash repayments and proceeds from the realisation of security.</p> <p>Other loans that do not have an individually assessed provision are assessed on a portfolio basis with loans with similar risk characteristics.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> The design of the expected credit loss model used; Assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis) such as the 	<p>To address the risk of material misstatement and obtain sufficient audit evidence, we performed the following procedures over the provisions for impairment on loans and advances:</p> <ul style="list-style-type: none"> Assessed the governance oversight; Reviewed and tested the calculation of the expected credit loss model, including the specific provision, collective provision for impairment and management overlays; Considered the assumptions within the management overlays; Ensured the methodology for write off of debt was consistent with prior periods; Tested the accuracy of the data used to calculate the provision; Reviewed a sample of current arrears balances and reviewed follow up procedures, including whether specific financial assets in arrears had been appropriately provided for; and Reviewed management assessments of provision for loans that exceed specific thresholds.

Key audit matters	How our audit addressed the matter
<p>financial condition of the counterparty, expected future cash flows, and forward-looking macroeconomic factors (e.g. GDP growth, unemployment rates, central bank interest rates);</p> <ul style="list-style-type: none">• The incorporation of forward-looking information to reflect current or future external factors, specifically judgments related to current economic uncertainty, both in the multiple forward-looking scenarios and the probability weighting determined for each of these scenarios• The design of the management overlays applied in response to significant economic events; and• The stress test modelling undertaken to verify provisioning levels.	<p>We also assessed the on-going impact of regulatory changes on the provision for impairment on loans and advances, specifically the impact of Prudential Standard APS 220 Credit Risk Management.</p> <p>We considered the impact of the growth in loan balances on credit risk and tested the internal control environment that supports lending.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- b) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

Independent auditor's report continued

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 56 of the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of MyState Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



WISE LORD & FERGUSON



NICK CARTER

Partner

Date: 19 August 2024

Shareholder information

Company information

Registered office

MyState Limited

ABN 26 133 623 962

Level 2, 137 Harrington Street
Hobart TAS 7000

Phone: 138 001

Website: mystatelimited.com.au

Email: info@mystatelimited.com.au

Company Secretary

Scott Lukianenko

Auditor

Wise Lord & Ferguson

Level 1, 160 Collins Street
Hobart TAS 7000

Securities information

Share registry

Computershare Investor Services

GPO Box 2975EE
Melbourne VIC 3000

Phone: 1300 538 803

Overseas callers: +61 3 9415 4660

Website: computershare.com.au

Australian Securities Exchange listing

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

Issued securities

The Company has 110,600,801 fully paid ordinary shares on issue as at 16 August 2024.

Voting rights

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

Unquoted securities

A total of 1,095,134 unquoted performance rights pursuant to the Company's employee incentive scheme (ASX code: MYSAC) are held by 10 people as at 16 August 2024.

Range of units

The range of fully paid ordinary shares on issue is as follows as at 16 August 2024.

Range	Total holders	Units	% units
1 – 1,000	50,461	21,436,816	19.38
1,001 – 5,000	3,421	8,832,918	7.99
5,001 – 10,000	1,376	10,113,011	9.14
10,001 – 100,000	1,417	32,907,030	29.75
100,001 and over	54	37,311,026	33.73
Rounding			0.01
Total	56,729	110,600,801	100.00

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$3.9400 per unit	127	558	22,575

Top holders (grouped)

The list of top 20 shareholders is as follows as at 16 August 2024.

Rank	Name	Units	% Units
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,416,454	10.32
2	CITICORP NOMINEES PTY LIMITED	7,176,912	6.49
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,275,655	4.77
4	MR BRIAN DAVID FAULKNER	1,026,000	0.93
5	BEECHWORTH HOLDINGS PTY LTD <BEECHWORTH SUPER FUND A/C>	1,000,000	0.90
6	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	768,535	0.69
7	PRESTIGE FURNITURE PTY LTD	645,000	0.58
8	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	595,024	0.54
9	NATIONAL NOMINEES LIMITED	517,871	0.47
10	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	506,253	0.46
11	DONETTA PTY LIMITED	435,000	0.39
12	TRAFALGAR CUSTODIANS PTY LTD <THE FORFAR A/C>	433,951	0.39
13	MRS WENDY JEAN FAULKNER	411,864	0.37
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	395,010	0.36
15	MR SIMON HENRY LUDDINGTON	350,557	0.32
16	MRS JOAN ELIZABETH EVERSHERD	312,547	0.28
17	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	305,293	0.28
18	LYMAL PTY LTD	281,131	0.25
19	TAMBORINE TREES PTY LTD <TAMBORINE TREES A/C>	250,000	0.23
20	DECERNA PTY LTD	230,304	0.21
Totals: Top 20 holders of ordinary fully paid shares (Total)		32,333,361	29.23
Total remaining holders balance		78,267,440	70.77

Substantial shareholder

The following parties and their associates have notified the Company that they have a substantial relevant interest in the ordinary shares of the Company.

Substantial shareholder	Number of ordinary shares held	% of total shares issued ⁽¹⁾	Date of last notice
Vanguard Group	5,482,990	5.003%	21/7/2023

1. As at the date of the substantial shareholder's last notice lodged with the ASX.

