

21 August 2020



ABN 26 133 623 962
Level 2, 137 Harrington Street
Hobart 7000
Tasmania Australia

Dear Shareholder,

Given the very challenging circumstances of the COVID-19 pandemic and especially the impact on the banking sector, I write to provide an update on behalf of the Board.

The company has acted decisively to protect our people, help our customers and ensure the business is in a strong financial position.

Chief Executive Officer

In January 2020 we announced that Managing Director & Chief Executive Officer Melos Sulicich had resigned and would be leaving us in June 2020 to return to Sydney.

The search process to find a successor was well advanced, but in late March with the escalating pandemic crisis enveloping the world and particularly the banking sector, the Board came to the view that the best interests of MyState would be served through continuity of leadership.

We were very pleased to announce in March that Melos had agreed to stay on until at least September 2021.

Social Distancing and Working from Home

The safety of our people was a paramount consideration and the management team led by Melos very quickly implemented changes to working arrangements in order that the vast majority of non-customer facing personnel could work from home. Branches have remained open, but with strict social distancing protocols.

Customer Initiatives

Along with other banks we have implemented a number of initiatives to help our customers:

- We have allowed home loan and business loan customers impacted by COVID-19 to pause repayments for six months
- We have lowered interest rates on lending products and reduced a number of fees and charges
- We have offered impacted businesses low-cost funding to help them get through this challenging period.

Approximately 2,000 customers have had loan repayments paused or reduced and we will continue to work with our customers still experiencing genuine financial hardship to ensure they're supported past the initial six months of assistance provided.

Trading Results

We have today announced our trading results for the financial year ended 30 June 2020.

Statutory net profit after tax fell from \$31 million to \$30 million, after taking into account an impairment charge of \$4.9 million, principally COVID-19 related.

The increased impairment charge reflects our current estimate of potential losses. The level of provisioning may have to be adjusted up or down as new information becomes available.

It is very pleasing to note that core earnings as measured by net profit before impairment expense and tax increased 12.9% to \$47.9 million.

Capital and Dividends

The capital adequacy ratio increased from 12.9% to 13.0%, well above both internal benchmarks and regulatory requirements.

Nonetheless the Board has determined that no final dividend will be paid in respect of the financial year ended 30 June 2020.

This decision was not taken lightly as we fully understand that many shareholders rely on dividends to fund living expenses.

However, the Board decided that we had to maintain a very strong capital position given the challenges and uncertainties we are facing.

The Board expects that, barring unforeseen circumstances, we will pay a dividend for the half year ending 31 December 2020.

In light of the present circumstances the Board has resolved that the dividend policy will be modified for the time being and that we will be targeting a payout ratio in the range 60-80%. Previously we had been targeting a ratio in the range 70-90% and our average dividend payout ratio over the past four years has been 85%.

Directors Fees and Executive Incentives

The Board determined that non-executive director fees be reduced by 20% for a six month period commencing in May 2020.

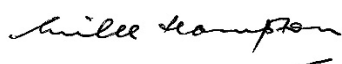
Further the executive team has decided that they will not receive any short-term incentive payment in respect to the 2019/2020 financial year. The usual cycle for executive and senior management fixed remuneration reviews has been suspended and accordingly no fixed remuneration increases will be granted in 2020.

These initiatives of themselves do not have a material effect on profitability and capital strength, but they reflect our recognition of the hardships many of our shareholders will be experiencing.

Strategic Positioning

Whilst the demands that COVID-19 has placed on the business have been very challenging, we have nonetheless remained focused on further developing our digital banking presence and growing our customer base.

The Board and executive team led by Melos thank you for your continuing support as shareholders.



Miles Hampton
Chairman

PLEASE NOTE – 2020 ANNUAL GENERAL MEETING

Due to the continuing uncertainty created by the COVID-19 pandemic, the Board has determined to hold an online Annual General Meeting (AGM) this year. This approach will provide a safe environment for shareholders to attend the meeting.

In response to COVID-19 the Australian Government has made temporary amendments to the Corporations Act 2001. These amendments allow notices of meeting and other information regarding the AGM to be provided to shareholders online where it can be viewed and downloaded.

This year our Notice of AGM will be published on the MyState website www.mystatelimited.com.au on Friday 18th September 2020. The website and notice of meeting will include details of how to attend the AGM online, view the webcast, submit questions and vote in real time. The website will also advise how shareholders can lodge a proxy vote ahead of the meeting.