

Proposed Merger Chairman's Address



10 October 2008

TONY REIDY

Good Morning ladies and gentlemen, my name is Tony Reidy and I am Chairman of MyState Financial and Thank you for attending.

Can I start by introducing my colleagues here, Dr. Michael Vertigan, Chair of Tasmanian Perpetual Trustees, Mr. Mark Scanlon, Managing Director of TPTL and Mr. Chris Brooks, Chief Executive of MyState Financial.

Cover Slide:

Today we are making a significant announcement that we believe will transform the financial services sector in Tasmania and position it for growth into the future.

Agenda Slide:

This morning we will take you step by the step through the merits and benefits of the proposal to merge MyState Financial and Tasmanian Perpetual Trustees, which we believe is a watershed moment in the development of the financial services sector in Tasmania.

Introduction Slide:

The Boards of MyState Financial and Tasmanian Perpetual Trustees have unanimously agreed to merge the two businesses and create a fully integrated financial services Group that will be ranked by market capitalisation within the top 300 Industrial Companies on the ASX.

It will be the first time that Tasmania has had a shareholder owned company of this kind, let alone one with the financial strength to pursue opportunities in new markets as well as existing markets to enhance revenue growth into the future.

MyState Financial and Tasmanian Perpetual Trustees are two very strong companies in their own right and our historical and most recent full year results unequivocally reflect that.

In the case of MyState Financial in the Full Year 2008 results we posted NPAT of \$12.15 million, which was above forecast and achieved a return on investment of 10.72%.

In the case of Tasmanian Perpetual Trustees, it posted NPAT of \$7.03 million and achieved earnings per share of 32.28 cents.

We believe this financial strength and stability, built over many years of Tasmanian heritage, as well as our combined strength in customer service, will mean that this merger will bring together a trustee services and wealth management business and an authorized deposit taking institution that will be even stronger together for our shareholders, customers and Tasmania.

The initial approach by Tasmanian Perpetual Trustees led to discussions to determine if there was a basis for combining the two businesses.

Both Boards and Executive Management then worked assiduously to arrive at the proposal we believe our members and shareholders will find compelling.

This proposal not only makes financial sense, but it also makes sense for

- **Members** of MyState Financial, who will receive a direct and immediate benefit via a share allocation in the combined company.

This company will be known as MyState Limited, and it will give our members access to fully franked dividends into the future – a benefit they have previously been unable to access.

- **TPTL shareholders** who will own shares in a more significant Group by converting their TPX shares into MyState Limited shares, which will be EPS accretive in Year 1 and strongly accretive thereafter.
- **Customers of both companies** who will have access to a broader and deeper range of products and services, while knowing existing services will be maintained in all areas, and
- **Staff** who will have enhanced career opportunities in an organisation that is strong, innovative and positioned for growth.

Our announcement today is just the first step in a process that will take several months to conclude and during that time we will be putting a compelling case to MyState Financial members and TPTL shareholders about the value of this proposal and the strong future it will create for them as well as customers and staff.

I'm pleased to now ask my counterpart at Tasmanian Perpetual Trustees, Chairman, Dr. Michael Vertigan to take you through the proposal.

MICHAEL VERTIGAN

Thank you Tony and good morning everyone.

Merger Rationale Slide:

As Tony has said, Tasmanian Perpetual Trustees and MyState Financial are two very strong companies in their own right. They are also complementary with a strong customer and service delivery focus with the highest prudential and governance standards, and a proud history of sound financial management.

As Tony said, this merger will mean the two businesses will be stronger together, because together we will create a platform for growth that will benefit shareholders, members, customers, staff and indeed the broader Tasmanian economy.

MyState Limited will be ranked by market capitalisation within the top 300 Industrial Companies on the ASX and it is this scale that will enable us to;

- deliver a greater range of products and services to existing and new customers
- pursue future growth opportunities in new markets and maintain our competitiveness in a rapidly evolving financial services sector; and
- deliver shareholder value and grow shareholder returns by combining the balance sheet strength of both businesses.

In short, this is a merger that is about strength, innovation and growth.

Using balance sheet **strength**, and **innovation** in products and services to drive **growth** into the future.

Merger Proposal Slide:

The two businesses – Tasmanian Perpetual Trustees and MyState Financial will become operating subsidiaries of MyState Limited, which will be a Non-operating holding company.

The existing shareholders of Tasmanian Perpetual Trustees and the members of MyState Financial will hold stakes of 37% and 63% respectively in MyState Limited, reflecting the relative size and scale of MyState Financial to TPTL.

MyState Financial members will receive between 277-285 shares in the combined Group, which based on Tuesday's TPX closing price would be valued between \$1163-\$1197.

Tasmanian Perpetual Trustees shareholders will convert their TPX shares into MyState Limited shares.

This proposal will result in a \$165 million wealth injection into the Tasmanian economy and we expect the combined Group will

- be EPS accretive in Year 1 and strongly accretive thereafter
- deliver continued and further uplift as a result of expected cost and revenue synergies, and
- provide enhanced and fully franked dividend payments based on profits of MyState Limited.

So you can see why we believe these two independently strong businesses will be stronger together.

I think it also very important to point out that both Tasmanian Perpetual Trustees and MyState Financial have track records of successful merger transactions. Just last year MyState Financial merged to create the largest Tasmanian owned financial institution, delivering strong results in its first year of operations. TPTL successfully merged Tasmanian Trustees and Tasmanian Perpetual seven years ago, and has gone from strength to strength ever since.

This track record demonstrates our ability to extract value for members, shareholders and customers. That experience and expertise will be invaluable as we progress this proposal, commence implementation and roll out a strategy for MyState Limited.

Turning to some of the agreed details of the merger.

Governance Slide:

The Board of Directors of MyState Limited will be comprised of current Directors of the two businesses. I will have the honour of leading the Board as Chairman, while my counterpart Tony Reidy will be Deputy Chairman.

Tony and I will be joined on the Board by four current TPTL and three current MyState Financial directors, who will bring the necessary experience and expertise required in the combined Group.

Structural Slide:

Tasmanian Perpetual Trustees will continue to be led by Mark Scanlon and MyState Financial will continue to be led by Chris Brooks. Both businesses will retain their current names and brands as operating subsidiaries of MyState Limited.

We think this is important. Continuity of leadership through times of change is a significant issue and I know both Mark and Chris are energised by the growth prospects and the challenges of implementation.

Market Position Slide:

Both Mark and Chris, along with our Boards are fully aware that the current global economic environment is challenging, but it will also present opportunities for companies which are well funded and well managed.

Building on the existing strength of the two businesses, My State Limited will be well funded and well managed and retain the highest prudential standards that have served us well in the face global economic volatility.

Of course, this volatility will not have passed any of us by, and in coming together MyState Financial and Tasmanian Perpetual Trustees will be better positioned to take advantage of the opportunities that will present in the future.

This merger will enable us to seek out these opportunities – opportunities that are prudent and appropriate – to enhance the activities of our financial services Group. We can only do this because of the strength of our starting point.

That starting point is, as you can see, significant. MyState Limited will be ranked by market capitalisation within the top 300 Industrial Companies on the ASX and have combined net assets of more than \$154 million.

At MyState Financial the loan book is sound, built upon many years of solid and careful lending practices in personal and Tasmanian based mortgage lending.

This combines with TPTL's lending, which supports our managed investment schemes, and is focused on rural and small commercial lending, and is similarly built upon a proud heritage of solid lending practices.

In fact, both operating businesses have demonstrated their strength delivering a combined NPAT in excess of \$19 million for the FY 2008. This is an excellent outcome, given the levels of uncertainty and volatility we have witnessed over the past 6-9 months.

Other prudential measures also indicate the size and scale of the Group we will create – the shared strength in lending will be enhanced by the funds under management at TPTL, and the deposits of MyState Financial.

Merger Outcomes Slide:

In asking shareholders and members to vote on this proposal we are laying out a compelling case, unanimously supported by both Boards.

Obviously we have identified a range of cost synergies that can be achieved. There is likely to be around 30 primarily senior manager/executive roles that will be made redundant as a result of duplication or overlap.

However, it is important to stress that this is a growth proposition and over time, as we grow our company and tap into new and emerging opportunities we will create new jobs in new areas as

they are required. As is good business practice we will have the right people, in the right place, at the right time.

Pursuing opportunities in existing and new markets such as wealth management will drive revenue synergies, both through product and services innovation and expansion into new areas.

That innovation will be built on the existing products and services, which we will continue to provide to the more than 200,000 current customers of TPTL and MyState Financial combined.

And, as you can see on the slide, we will continue to operate both brands and provide ongoing services in those areas where we currently have TPTL or MyState Financial operations.

Proposed Timeline Slide:

Of course, we are operating to a pretty tight timeline, but we are well positioned to meet our deadlines and we are looking forward to putting what we believe is a compelling case before shareholders and members.

As I said before, both businesses have a track record of successful merger transactions and we will be deploying that expertise and skill again in this case.

Members and shareholders will be required to vote at separate meetings. A majority in number of members and shareholders and at least 75% of votes cast at each meeting will need to be cast in favour of the proposal for the Schemes to go forward for approval by the Supreme Court of Tasmania and the Australian Prudential Regulatory Authority.

One other factor you should be aware of is the need for the Tasmanian Government to bring forward legislation to amend the Trustee Companies Act 1953, to accommodate the proposed ownership structure whilst retaining the current 10% ownership limit.

This will enable the Group to continue to deliver vital trustee and executor services at the highest standards of professionalism and integrity, as has been done for over 120 years.

Summary Slide:

The merits and benefits of this proposal are what make it compelling. Two strong businesses that will be stronger together.

As I have already said, MyState Limited's market capitalisation will place it in the Top 300 Industrial Companies on the ASX. It will have more than 200,000 customers, net assets of more than \$154 million and a strong history of sound financial management and prudential responsibility.

As Tony said at the beginning this proposal not only makes financial sense, but it also makes sense for

- **MyState Financial members**, who will receive a direct and immediate benefit via a share allocation in the combined Group and gain access to fully franked dividends into the future

- **TPTL shareholders** who will own shares in a more significant Group by converting their TPX shares into MyState Limited shares, which we anticipate to be EPS accretive in Year 1 and strongly accretive thereafter
- **Customers** who will have access to a broader and deeper range of products and services, while knowing existing services will be maintained in all areas, and
- **Staff**, who will have enhanced career opportunities in an organisation that is strong, innovative and positioned for growth.

Questions Slide:

Can I thank you for your attendance today.

Both Tony and I, along with Mark and Chris will be more than happy to answer any questions that you might have.