

4 March 2013



## **Equity Trustees' Offer for your shares in The Trust Company - a compelling opportunity for improved value & dividends.**

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Dear Trust Company Shareholder,

On 21 February 2013, Equity Trustees Limited (ASX: EQT) announced an Offer to acquire all of the shares in The Trust Company Limited (ASX: TRU). This letter is a precursor to the formal Offer documentation being delivered to you and provides a summary of the terms of the Offer and its advantages, for your earlier consideration<sup>1</sup>.

### **About Equity Trustees**

Our heritage and, we think, our culture, is very similar to that of The Trust Company. Equity Trustees was established in Melbourne in 1888 and throughout its long history has developed into a highly respected Australian financial services provider specialising in wealth management, superannuation, managed funds, corporate trusts, estate planning and philanthropy. Further details are shown at [www.eqt.com.au](http://www.eqt.com.au) and will be contained in the Bidder's Statement that you should receive in coming weeks.

Equity Trustees has recently announced another strong performance. For the six months ended 31 December 2012 Equity Trustees generated an increase of 8% in revenue and 15% increase in operating profit before tax, compared with the six months to 31 December, 2011. This positive result led to an increased interim dividend (up 5% to 42 cents per share).

### **Our Offer for Trust Company**

Equity Trustees is offering shareholders of The Trust Company 33 shares in Equity Trustees for every 100 shares held in The Trust Company. Based on Equity Trustees' share price before the announcement, this equated to \$5.28 per Trust Company share. Following the Offer, the share prices of Equity Trustees and The Trust Company have both increased. The Trust Company share price at the close of trade on 1<sup>st</sup> March was \$5.55 – which is 16% higher than the \$4.75 share price before our Offer was announced. The current share prices of both companies remain consistent with the value of the Offer we made. We regard this as tacit endorsement of the terms of our Offer to combine the two companies.

### **Key benefits of our Offer for Trust Company Shareholders**

Equity Trustees is offering you shares in a company that will be bigger, stronger and more diversified as a result of the successful amalgamation. Former Trust Company shareholders will own approximately 59% of the combined entity and will receive 59% of the financial benefits from combining the two companies.

If you accept Equity Trustees' Offer, you:

- Will participate in synergies estimated to be up to \$8m pre-tax per year – this is significant given The Trust Company earned \$11.2m in net profit after tax in 2012.
- Will retain up to 17 cents per share as 2013 final dividends from The Trust Company.
- May qualify for Equity Trustees final 2013 dividend.
- Should qualify for rollover relief from any applicable Capital Gains Tax if the Offer is successful, based on past precedent.

1. This letter should be read in conjunction with the Equity Trustees ASX release dated 21 February 2013 which includes a more complete description of the proposed Offer and its conditions, at [www.asx.com.au](http://www.asx.com.au) under 2013 "Announcements" for ASX: EQT.

### Strategic rationale for the combination

The powerful logic of this transaction has been contemplated for some time and noted as such by market analysts and financial commentators. Indeed, discussions have been held between The Trust Company and Equity Trustees within the last year on this very idea. However, we have been unable to agree a path forward and so Equity Trustees has decided to put the Offer direct to you as a shareholder.

Equity Trustees is in a position to assist in resolving a number of issues currently facing The Trust Company, as enumerated below. We feel we can do so with less risk and with higher shareholder value emerging sooner than TRU can do itself.

<b>The Trust Company issues</b>	<b>Equity Trustees' solution</b>
<i>1. CEO announced resignation on 3 December 2012 and no replacement has been announced</i>	✓ Proven CEO, Robin Burns, who has successfully led EQT since 2010
<i>2. TRU is yet to implement a new IT system, which TRU has estimated to cost \$9m</i>	✓ EQT's IT system is current, functioning and can be configured to handle TRU's business
<i>3. Underperformance of personal client business</i>	✓ EQT's strategies in its Private Wealth division, which resulted in increased revenue by 5% in the first half of 2013, can be applied to lift TRU's performance in this area.
<i>4. TRU reduced its 2013 dividends</i>	✓ EQT's earnings momentum led to a dividend increase of 5% in the first half of 2013. Successful integration of EQT and TRU would provide a positive environment for earnings and dividend growth for the Combined Group.
<i>5. TRU's share price has tracked sideways over 10 years</i>	✓ Over 10 years, EQT's share price has more than tripled. Successful integration of EQT and TRU would provide a positive environment for the share price of the Combined Group.

### Preserving Trust Company's heritage

Equity Trustees will consider ways to cement The Trust Company's proud history and values into the corporate identity that will be carried forward. A review will be done on the most appropriate company naming and branding strategy for the Combined Group to determine the best customer-facing propositions. We also intend to invite up to two Trust Company directors to join the Board of the combined entity, bringing continuity of corporate knowledge.

### Next Steps

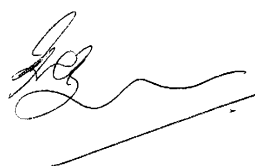
Our Bidder's Statement will be sent to you in coming weeks outlining the details of our Offer and how you can accept it. If you would like further information regarding our Offer, please call the Shareholder Information Line toll free on 1300 357 574 or visit our website at [www.eqt.com.au](http://www.eqt.com.au).

On behalf of the Board of Equity Trustees, we urge you to accept our Offer and share in the benefits from creating a leading Australasian trustee services provider that is best placed to thrive in today's competitive marketplace.

Yours faithfully,



**Tony Killen OAM**  
Chairman  
Equity Trustees Limited



**Robin Burns**  
Managing Director  
Equity Trustees Limited