

DIRECTORS' COMMENTARY

TRUST DELIVERS 18% INCREASE IN OPERATING EARNINGS

SELLS JOINT VENTURE INTEREST TO BNY MELLON FOR \$39.2 MILLION

28 April 2008

Trustee and financial services company Trust Company Limited (Trust) today reported an increase of 18% in operating earnings before interest, tax, depreciation and amortisation (EBITDA) – including after tax profit from BNY Trust Australia joint venture (BNYTA) – to \$23.1 million for year ended 29 February 2008. The FY08 result was ahead of guidance given at the last Annual General Meeting of not less than 15% growth in operating EBITDA.

The Board has declared a final fully franked dividend of 30 cents per share, bringing the total full franked ordinary dividends for the year to 54 cents per share, up 23% on the previous corresponding period (pcp).

Separately today, Trust announced the sale of its 50% interest in its BNYTA joint venture with The Bank of New York Mellon (BNY Mellon) for a cash consideration of \$39.2 million. An after tax accounting profit on sale of around \$14 million will be reflected in Trust's FY09 results. Trust will distribute the equivalent net cash proceeds from the sale being approximately \$32 million which represents \$1.00 per share to Trust shareholders and is currently reviewing the optimal structure to achieve this. The distribution will comprise either (i) an approximately 50% franked special dividend of \$1.00 per share payable around the end of June or (ii) a 50c per share fully franked special dividend payable around the end of June and a 50c per share capital return expected by the end of August. Both (i) and (ii) are subject to appropriate approvals.

Key features of FY08 result:

- Strong FY08 result, despite volatile market conditions in 2H08
- Operating revenue up 12% to \$61.5 million
- 24% increase in net operating profit after tax (NPAT) – excluding other income and net significant items – to \$16.1 million
- Reported NPAT – after including other income and net significant items – of \$20.3 million – down \$5.1 million. Prior year included \$12.4 million of other income and significant items
- 18% growth in operating EBITDA – above guidance of not less than 15%
- Improved operating EBITDA margin at 33%
- Fully franked final dividend of 30 cents per share – up 25% on pcp
- Total FY08 ordinary dividends of 54 cents (fully franked) – up 23%
- Strong balance sheet with nil debt and liquid investments of \$78 million as at year end
- Total group funds under supervision grew by 9% over pcp to \$122 billion as at year end

Other developments

- Continued execution of Trust's industry consolidation strategy with exploratory merger discussions with Equity Trustees Limited, an ASX listed company in which Trust owns a 13% shareholding
- Refined the Private Clients model
- Completed a strategic review of superannuation and implemented the Better Super reforms across all funds under trusteeship
- Developed and launched in March 2008 a "Manage the Manager" (MTM) product for the Philanthropy business in partnership with Russell Investment Management
- Completed first steps in an IT architecture and systems review with phased roll out planned over the next two years

Summary results

12 months ending February A\$ million	2008	2007	% change
Operating revenue	61.5	55.1	12%
Operating EBITDA	20.3	17.6	15%
<i>Operating margin</i>	<i>33%</i>	<i>32%</i>	
Share of NPAT – BNYTA joint venture	2.8	2.0	39%
Operating EBITDA (including joint venture)	23.1	19.6	18%
Depreciation and amortisation	(1.0)	(1.0)	
Income tax expense	(6.0)	(5.6)	
Operating NPAT	16.1	13.0	24%
Other income (after tax)	4.0	2.4	
Net significant items (after tax)	0.2	10.0	
Reported NPAT	20.3	25.4	(20%)
EPS operating (cents per share)	49.9	40.0	25%
EPS reported (cents per share)	62.8	78.8	(20%)
DPS (cents per share)	54.0	44.0	23%

Net significant items for FY08 were considerably lower at \$0.2 million, compared to a net contribution of \$10.0 million after tax in FY07. Prior year significant items included an after tax profit of \$7.4 million relating to the sale of investments and a \$2.4 million after tax claim recovery from the FAI settlement.

Operating margin increased to 33%. Trust is now experiencing the benefits of the process completed last year to establish two operating divisions: Financial Services and Institutional Services. These two divisions have brought added focus to Trust's core services and maximised opportunities for sustainable revenue and earnings growth.

The Institutional Services division performed strongly delivering revenue of \$21.9 million – an increase of 27% over the previous year. The strong performances of the Responsible Entity and Property and Infrastructure Custody businesses with revenues up 48% and 44% respectively were particularly pleasing. Operating EBITDA for the division increased 22% to \$8.2m and assets under supervision grew by 9% over the year to \$118 billion.

The Financial Services division grew revenue by 5% in FY08. Operating EBITDA for the division increased 11% to \$12.1 million and assets under supervision remained steady at \$3.8 billion. In February 2008, Mr Eugene Quass was appointed Executive General Manager of Financial Services. Eugene brings with him a wealth of experience in the financial services

market having worked in platform, trustee and distribution businesses. During the year, we worked in partnership with the globally recognised financial services firm Russell Investment Management to develop a MTM product for Philanthropy in pursuit of a promising new growth path for this business. This new fund was successfully launched in March 2008 with an initial subscription of \$60m.

During FY08, Trust completed a review of its IT systems and processes. The aim of this review is to enhance service delivery across our businesses. This system review covers the areas of governance, risk and compliance management, corporate custody rationalisation, electronic document management, customer relationship management, financial services reporting and corporate accounting. A phased roll out is planned over the next two years.

Exploratory merger discussions

Trust has continually sought to play an active role in industry consolidation and it forms a core part of our corporate strategy. The successful merger with Permanent Trustees in 2002 delivered value to both groups of shareholders and customers and we believe other opportunities exist to replicate this success in the current market.

Since 2004, Trust has built stakes in two trustee companies, Equity Trustees Limited, based in Victoria, and Tasmanian Perpetual Trustees Limited.

As advised to the Australian Securities Exchange on 14 March 2008, Trust has commenced exploratory discussions with Equity Trustees, in which Trust has a 13% shareholding, regarding a possible merger. These discussions are at a very preliminary stage and due diligence has not yet commenced.

Trust will update the market on developments as appropriate.

Outlook

Trust's long-term underlying business drivers remain strong: an ageing population, increased regulatory scrutiny and need for independent fiduciary oversight. Against these drivers of future growth we also continue to be well positioned with strong market shares, a large, loyal and diverse client base, critical mass in funds under advice and an attractive annuity base earnings stream reflective of our history and positioning in all key fiduciary growth markets.

In Institutional Services, there remains a growing need for independent fiduciary services in superannuation and investment management. In the Financial Services business, Trust's unique suite of services – covering wealth transfer planning, philanthropic services, health and personal injury services and estate management – will remain in demand from an ageing and increasingly wealthy and financially sophisticated population.

However, current uncertainty in investment markets presents an ongoing challenge for all financial services and trustee companies in the short term. Offsetting this is the fact that over half of Trust's operating revenue comprises annuity style income streams that are less affected by movements in asset values.

Based on current equity and financial market conditions continuing throughout FY09, ongoing operating EBITDA for the financial year ending 28 February 2009 is expected to be similar to the \$20.3 million (excluding the contribution from BNYTA joint venture) achieved for the 2008 financial year. This forecast does not include any benefits or costs associated with major technology enhancements and any financial impact of the possible merger under discussion. It is also before the circa \$14 million after tax profit from the sale of the 50% interest in BNYTA.

A further update on our outlook will be provided at the Annual General Meeting, currently scheduled to be held on 23 July 2008.

Contact: Mr Jonathan Sweeney, Managing Director, Trust Company Ltd
T: 61 2 8295 8100