

Chairman's address



Ian Blair - Chairman

On behalf of the Board and senior management of IOOF Holdings Limited (IOOF), I welcome you to the annual general meeting of our company for 2009.

I would particularly like to welcome new shareholders that joined IOOF as a result of the merger with Australian Wealth Management Limited (AWM) in May this year.

At last year's AGM I told shareholders that the work of the Board had been focussed on the longer term strategic options open to IOOF, particularly in light of the economic conditions we were encountering. Today I am pleased to report on the outcome of that review – a merger with AWM and the acquisition of Skandia Australia (now known as Global One).

In November 2008 we announced a merger between IOOF and AWM which was overwhelmingly approved by AWM's shareholders in May 2009.

Then in March 2009, IOOF, with the backing of the Board of AWM, acquired Skandia Australia, which brought a further \$8 billion in funds to the Group.

This strategic activity has resulted in a much larger, more diversified wealth management business that is well positioned to endure difficult market conditions and effectively compete in the financial services industry.

We now offer additional services such as stockbroking, estate planning and trustee services, which partner perfectly with the investment and superannuation products we are renowned for.



Financial result

The Global Financial Crisis made this year exceedingly difficult for equity markets worldwide. Financial services businesses, including IOOF were not immune from this unprecedented external impact. The Underlying Net Profit After Tax (UNPAT) of \$23.1 million that we reported to the market is not a true indication of the earnings base of the new Group. Had the Group merged at the beginning of the financial year, the UNPAT result would have been in the order of \$52.1 million.

Dividend

While the company did not pay a dividend in the first half, a special dividend of 13 cents per share was distributed to shareholders at the end of July. Your directors also declared a 4 cent per share final dividend at the end of the period which was paid in October.



Risk and compliance focus

IOOF operates in a highly regulated industry. The merger has provided us with the perfect opportunity to review our approach to compliance responsibilities and to the management of risk.

The Board remains committed to ensuring that the company operates under a comprehensive risk and compliance framework and fully support the industry regulators in their efforts to raise service standards.

Today we will be asking you to deal with six items of business.

In item 2, we are asking shareholders to re-elect two directors, Ms Jane Harvey and Mr Jim Pfeiffer in accordance with the company's constitution and we are proposing the election of three new directors, Mr Ian Griffiths, Mr George Venardos and Mr Christopher Kelaher. These three new Directors were formerly on the board of Australian Wealth Management and joined the IOOF board under the terms of the merger.



In this context, I would again like to thank and recognise the contributions made by Tony Robinson, Kate Spargo, Rick Harper and Tony Hodges who retired from the Board earlier this year, at the time of the merger.

In items 3, 4 and 5, we will ask you to adopt the remuneration report and to approve a grant of options and shares to the Managing Director.

The Remuneration Committee and the Board have worked hard to develop remuneration policies which incentivise our people to maximise the performance of the company and to create shareholder wealth.

Reviewing remuneration arrangements after the merger has been a very difficult exercise, bearing in mind the Productivity Commission Review, the APRA Remuneration Standards currently under discussion, the proposed changes to taxation law, and the views of various groups who promote good governance with a variety of similar but often different views. While the situation is



becoming clearer every day, it may be some time before the issue of executive remuneration is finalised.

The final item of business is to ask shareholders to approve the grant of options to the former CEO, Mr Tony Robinson. As outlined in this year's notice of meeting, the Scheme booklet relating to the AWM/IOOF merger and an announcement to the Australian Securities Exchange in February this year, an error was made in the 2007 Notice of Meeting where the terms of the grant of options previously were originally proposed and approved by shareholders. The Board intended that the performance hurdle for the options would be tested over 2, 3 and 4 year periods. However the wording in the 2007 Notice of Meeting incorrectly stated that the options were to vest on a series of one year assessments and would lapse if the performance hurdle is not achieved in any year of the applicable performance period.

The Board seeks to correct this mistake today. I want to emphasise that the proposed options have an exercise price of \$9.89 as compared to yesterday's closing price of \$5.54. IOOF shares will have to almost double in price before Mr Robinson can



benefit from these options. A share price of \$9.89 is something that would benefit all shareholders.

As I said in the annual report, despite the global downturn, I remain firmly of the opinion that the wealth management industry will continue to survive and prosper. Ensuring your financial future well beyond retirement is still as important as ever and I believe IOOF will be there for our clients for many years to come.

Against the backdrop of the worst financial crisis seen in recent times, IOOF is taking advantage of the downturn to rejuvenate its business, ensuring it is well positioned for the market recovery and beyond. Chris Kelaher will expand on this important work when he addresses the meeting.

Finally, I would like to thank the Directors, as well as our dedicated employees, all of whom have contributed so much to the business this year. It has been a challenging year for all, undertaking not one, but two major transactions during a global financial downturn.

I now invite the Managing Director, Chris Kelaher to address the meeting.

