



IOOF and Australian Wealth Management Merger General Frequently Asked Questions

1. Why have IOOF Holdings Ltd and Australian Wealth Management (AWM) decided to merge?

The two companies have decided to merge to establish a significantly stronger business.

The rationale for combining these two organisations is compelling. It will deliver substantial enhanced earnings per share accretion for both IOOF and AWM shareholders. Moving forward, we expect the experience of IOOF and AWM customers will also be enhanced.

The merger will create a leading financial services company with more than \$88 billion funds under management and administration, spanning the entire wealth management value chain, with an enhanced distribution network of over 580 aligned financial advisers nationwide.

There is significant value in bringing the two companies together as they are similar in so many ways, with the merger expected to generate post tax cost synergies of \$20 million per annum in the first 12 months.

2. Why are you merging at this time?

The merger represents a unique opportunity to combine two highly complementary businesses. In a difficult operating environment for wealth managers, we expect that the transaction will realise immediate value for both sets of shareholders and put the merged group in a very strong market position.

The recent downturn has illustrated the importance of size and scale in terms of competitive position. The new company, through the synergies, will be much stronger and better placed to compete in the current marketplace. The size of the synergies relative to the expected market capitalisation of the combined company also becomes greater.

Going forward, it is expected that the combined entity will be well positioned to take advantage of any improvement in the markets.

3. How will the merger be funded?

The merger will be achieved by IOOF Holdings Ltd acquiring AWM Limited via a Scheme of Arrangement. The consideration will be one IFL share for every 3.73 AWM shares. The transaction will take more than four months to complete, subject to a vote by AWM shareholders.

As this is a scrip only transaction, no significant cash funding is required.

4. Has the merger received the approval of IOOF shareholders?

We expect IOOF shareholders to be highly supportive of this deal. They will now be shareholders in a more profitable and robust company, with significantly improved long term prospects.

5. Why is IOOF paying a premium to AWM shareholders when they will emerge as the largest shareholders?

This is a good deal for all shareholders and should be viewed from the perspective of the new company's prospects. It will be much better equipped to compete in the present environment and better able to take advantage of opportunities as markets improve. The new company will be better able to create value for all shareholders going forward.

While AWM shareholders are receiving an implicit premium based on current prices, IOOF shareholders are getting significant enhanced earnings per share and dividends per share uplifts when synergies are factored.

6. What will be the structure of the new company?

The new company will retain the name IOOF Holdings Limited and its Melbourne headquarters. The united group will be owned approximately 30% by IOOF shareholders and 70% by AWM shareholders, reflecting the relative size of the two companies. The management and decision making of the new company will be genuinely shared.

Following the successful merger, current AWM managing director Chris Kelaher will become managing director and CEO of the merged group. Until that time, Tony Robinson will remain as CEO of IOOF Holdings Ltd.

Current IOOF chairman Ian Blair will become chairman of the new merged entity, with existing IOOF Board members representing a majority of the merged group's Board.

7. Why is Chris Kelaher the new company's MD?

It makes sense for Chris to be the MD as from a business continuity perspective, the majority of businesses are contributed from AWM and he knows these intimately. However, other management positions will be based on merit and there will be cross-company working groups to ensure the synergy savings are achieved at minimal business disruption.

8. Will there be redundancies following the merger due to possible duplication of roles?

The combined group currently employs in excess of 1,200 staff. The merger will result in duplicated roles, so as a consequence, there will be redundancies, though no detail of any restructuring will be determined until post merger.

9. What is the benefit of the merger to shareholders?

We believe that the merger is in the best interests of IOOF and AWM shareholders. This transaction allows IOOF/AWM shareholders to retain a significant shareholding in the merged entity, with enhanced earnings per share and dividends per share and participation in the synergies and any improvement in market conditions going forward.

10. How will things change for stakeholders?

The merged company will be significantly stronger with better scale in its operations, wider sales and distribution reach, a broader product range, lower overheads, improved service to advisors, the opportunity to increase flows to Perennial and other asset management business units, and ultimately, a stronger balance sheet.

11. How will the merger affect IOOF businesses?

There will be no change to the product or service offerings, and the combined business will continue to develop the extensive range of products to be relevant to broader market segments.

12. What is going to happen to the IOOF share price?

The merger is highly accretive for IOOF shareholders in relation to earnings per share and dividends per share. We are also confident that the PE rating of the combined company going forward should reflect the considerable benefits of the merger, including significant potential synergies and enhanced growth options.

13. What is the history of Australian Wealth Management?

Australian Wealth Management Limited (AWM) is a leading provider of wealth creation products and services in Australia.

Listed on the Australian Stock Exchange (ASX:AUW), AWM is in the top 200 ASX listed companies in Australia.

In June 2006, AWM merged with Select Managed Funds Limited, considerably expanding the group's services, Funds Under Management, Administration, Advice and Supervision (FUMAS) and geographical footprint. As at 30 June 2008, AWM had \$60.4 billion in FUMAS.

Operating under a variety of brands including Bridges Financial Services, Australian Executor Trustees (AET), Spectrum Super and United Funds Management.

In June 2008, AWM acquired a 70% interest in wealth management company, Ord Minnett Holdings Pty Limited.