



31 August 2011

THE ROCK AND MYSTATE ANNOUNCE AGREED MERGER

The Rock Building Society Limited (The Rock) and MyState Limited (MyState) today announced that they have entered into a Scheme Implementation Deed (SID) whereby it is proposed that the two companies will merge by way of a scheme of arrangement (Scheme).

The proposed Scheme follows the successful merger of MyState Financial and Tasmanian Perpetual Trustees in 2009 to create MyState. It also follows a period of considerable consolidation in the banking industry in Australia in recent years and realises the ambitions of both MyState and The Rock to expand operations geographically, to secure growth opportunities.

The Boards of both The Rock (in the absence of a Superior Proposal) and MyState have each unanimously agreed to support the transaction which will, when fulfilled, create one of Australia's leading listed community-focused financial services groups (Merged Entity).

The MyState Board anticipates that the proposed Scheme will result in pre-tax net synergies in the order of \$7.5 million to \$8.5 million per annum by year three and that the transaction will be earnings per share (EPS) accretive for MyState on an NPAT and cash basis in the first full year (excluding one-off transaction costs). The transaction is anticipated to be strongly accretive by year three.

The proposed Scheme is anticipated to be implemented by December 2011, subject to the approval of The Rock's shareholders, certain regulatory and other approvals, and the fulfilment of certain conditions.

Strategic rationale

The Boards of The Rock and MyState see substantial strategic benefits in combining the organisations, including:

- building on a shared vision and organisation values
- immediately accessible efficiency gains and cost savings
- enhanced distribution, with MyState able to access The Rock's extensive national presence in the broker channel and both companies benefiting from an extended branch network
- geographic and balance sheet diversification, with the potential for further benefits such as reduced funding costs
- increased distribution opportunities for MyState's wealth and trustee administration capabilities as well as imminent business banking and agribusiness offerings
- potential technology efficiencies
- improved growth opportunities for the Merged Entity over the near to medium term

More broadly, the Scheme is expected to result in a range of benefits for the shareholders, customers and employees of both organisations, including:

- MyState customers can anticipate funding benefits derived from an increase in the size of the balance sheet in addition to opportunities to bring forward improvements in IT systems, including enhanced online and mobile capabilities
- The Rock customers are expected to benefit from an improved range of products and services, including access to MyState's rural and business banking capabilities as well as Wealth Management and Estate Planning and Trustee Administration offerings
- employees of both organisations are expected to benefit from enhanced employment prospects and wider opportunities within the Merged Entity
- shareholders of both companies are expected to benefit from improved operational efficiency as a result of the anticipated synergies

Transaction summary

Under the terms of the proposed Scheme, The Rock's shareholders will receive 7.75 MyState shares for every 10 shares in The Rock. Based on the last sale price of MyState shares of \$3.50 on 30 August 2011, the transaction represents a:

- value per The Rock share of \$2.71
- premium of 47.4% to the last sale price of The Rock shares (recorded on 29 August 2011), which equates to a price to book ratio of 1.13 times net book value¹
- premium of 40.2% to The Rock's one month volume weighted average price (VWAP) of \$1.93 per share
- premium of 30.2% to The Rock's three month VWAP of \$2.08 per share
- valuation for The Rock's fully diluted share capital of approximately \$68.3m

To ensure that both The Rock and MyState shareholders benefit from the performance of the respective entities in the period leading up to the implementation of the Scheme, the Boards of The Rock and MyState propose to bring forward the record dates for their respective interim dividends, with these dividends intended to be paid shortly following implementation of the proposed Scheme. The payment of the proposed The Rock interim dividend will be contingent upon the successful implementation of the Scheme. The payment of the proposed MyState interim dividend will not be contingent upon the successful implementation of the Scheme.

The Scheme is subject to approval by The Rock shareholders at a Scheme Meeting anticipated to be held in Rockhampton in November 2011. If the proposed Scheme is approved, The Rock and MyState shareholders will own approximately 22% and 78% of the Merged Entity respectively. The Merged Entity will have:

- an estimated combined market capitalisation of \$282m based on the last sale prices of The Rock and MyState shares
- combined loans of \$2.85bn and combined deposits of \$2.24bn²
- a network of 21 branches and 20 mini branches and approximately 530 employees²
- funds under management and advice of \$1.68bn²

The Boards of MyState and The Rock consider that the proposed combination represents a natural partnership that affords the opportunity to deliver significant mutual benefits for customers, employees and shareholders.

¹ Net book value as at 30 June 2011 and based on the last sale price of The Rock shares recorded on 29 August 2011

² Based on results as at 30 June 2011

This merger provides The Rock shareholders with the opportunity to be part of the larger MyState financial services group, which currently owns and operates MyState Financial, an authorised deposit-taking institution (ADI) based in Tasmania, as well as a trustee and wealth management company, Tasmanian Perpetual Trustees, under a non-operating holding company structure.

The merger will enable expansion of MyState to include The Rock as a wholly owned subsidiary, with the key advantages of the structure being the ability of The Rock to:

- maintain a separate operational structure focused on the needs of regional Queensland
- continue the proud traditions of The Rock brand and service to the local community
- benefit from the substantially increased operational capability and financial stability of the Merged Entity

The proposed Scheme will see The Rock's Rockhampton head office maintained after implementation of the Scheme.

In separate announcements, The Rock and MyState today also announced their respective results for the full year to 30 June 2011.

The Rock reported a net profit after tax of \$4.86m (\$5.13m before exceptional items).

MyState reported a net profit after tax of \$22.02m.

Full details are set out in the companies' respective results announcements.

Commenting on the proposed Scheme, Stephen Lonie, Chairman of The Rock said:

"Despite tough financial market conditions, the challenges of a regulatory inquiry and the recent Queensland floods, The Rock has maintained a strong balance sheet and has continued to provide an excellent level of service to its customers both in the Rockhampton region and around Australia. The proposed merger is the next logical step in The Rock's development, to build a broader and more diverse retail business that provides a regionally-focused alternative to the bigger banks for the communities of regional Queensland."

Dr Michael Vertigan AC, Chairman of MyState, said:

"We are delighted to have reached agreement to merge with The Rock. In addition to offering an attractive premium to The Rock shareholders, the merger will deliver operational and financial synergies that will underpin the Merged Entity's ability to compete more effectively with the bigger banks and deliver our respective customers a wider range of products and services. The proposed merger is a great development for MyState shareholders, most of whom live here in Tasmania, as we begin to expand operations nationally in order to grow and remain competitive."

Anticipated synergies

It is anticipated that the Merged Entity will be able to realise pre-tax net synergies in the order of \$7.5 million to \$8.5 million per annum by year three. One-off implementation costs of approximately \$3.5 million before tax are expected to be incurred over the full three year period.

These synergies are expected to be achieved as a result of:

- revenue opportunities from the introduction of new products
- treasury and funding cost improvements
- IT-related costs savings
- efficiencies in head office and other central administration costs

Balance sheet considerations

The transaction will not have an initial material impact on the capital position or liquidity of the Merged Entity. However, going forward substantial capital and liquidity management benefits are anticipated to accrue to the Merged Entity.

Board and management structure

Dr Michael Vertigan AC will continue as Chairman of MyState and Stephen Lonie, currently Chairman of The Rock, will be invited to join the MyState Board as a non-executive director.

The Merged Entity's executive team will continue to be led by the current Managing Director of MyState, John Gilbert. The Rock's Managing Director, Stuart McDonald, will not continue in a role as part of the Merged Entity.

Scheme conditions

The conditions to the Scheme are set out in full in the SID which has been separately released to the Australian Securities Exchange (ASX) today.

In summary, the key conditions of the Scheme include, but are not limited to:

- all necessary regulatory approvals and consents are obtained and there is no adverse regulatory action by any public authority
- no material adverse change occurs in relation to The Rock or MyState businesses
- no 'prescribed occurrences' occur
- no material acquisitions, disposals or changes in the conduct of the business of The Rock or MyState, other than under certain circumstances
- approval by The Rock shareholders
- approval of the Scheme by the Court

Exclusivity and reimbursement arrangements

The SID also contains:

- no shop, no talk, notification and matching rights in favour of MyState, subject to certain fiduciary exceptions
- a reimbursement fee payable by The Rock and MyState in certain circumstances

Unanimous recommendation by The Rock's Directors

The Directors of The Rock unanimously recommend to The Rock's shareholders that the Scheme is in the interests of The Rock and its shareholders and that shareholders should vote in favour of the resolutions to be proposed at the Scheme Meeting, in the absence of a Superior Proposal. This recommendation is subject to the Independent Expert concluding that the Scheme is in the best interests of The Rock shareholders. Each Board member of The Rock intends, in the absence of a Superior Proposal, to vote, or procure the voting of any Rock shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme, at the Scheme Meeting.

Shareholder information

Further information on progress relating to the proposed Scheme will be lodged with the ASX and made available via The Rock and MyState web sites and in due course The Rock shareholders will receive further details of the Scheme Meeting. It is anticipated that the Scheme Booklet will be distributed to The Rock shareholders in October 2011.

Further information for The Rock shareholders will be available from The Rock by calling 1800 806 645 or +61 7 4931 5500.

Advisers

The Rock has retained Pottinger and Clayton Utz and MyState has retained Ernst & Young and Freehills as financial advisers and legal advisers respectively.

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For further information, please contact:

Analysts:	John Gilbert, Managing Director, MyState	(03) 6211 2600
	Stuart McDonald, Managing Director, The Rock	(07) 4931 5519
Media:	Anthony Tregoning or Ashley Rambukwella, FCR	(02) 8264 1000 or (02) 8264 1004
Rock investors:	Shareholder information line	1800 806 645 or +61 7 4931 5500

Information about The Rock

The Rock is a customer-focused financial institution founded in Rockhampton in 1967. It is an ADI governed by APRA. The Rock listed on the ASX in 1992.

The business provides a range of products and services, including home loans, term deposits, savings accounts, insurance and online financial products through its branch, mini-branch, ATM and mortgage broker networks. The Rock has nine branches, 20 mini-branches and 32 ATMs across regional Queensland, where it has strong brand recognition and customer loyalty. It has approximately 130 staff.

The Rock maintains strong links with the communities in which it operates, supporting community events, organisations and charities through its highly-regarded and award-winning Community Support Program.

Information about MyState

MyState is a non-operating holding company and is a major Tasmanian based listed diversified financial group. It was formed in September 2009 to effect the merger of MyState Financial, an ADI, and Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company.

Both MyState and MyState Financial are regulated by APRA and MyState was enabled under Tasmanian legislation to own TPT, an authorised trustee company. TPT continues to be a registered superannuation entity. Both MSF and TPT hold Australian Financial Services Licences and Australian Credit Licences issued by the Australian Securities and Investments Commission (ASIC).

Important notice

This announcement contains forward-looking statements which can be identified by the use of words such as “may”, “should”, “will”, “projected”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “scheduled” or “continue” or similar expressions. Any forward-looking statements contained in this announcement are subject to significant risks, uncertainties, assumptions, contingencies and other factors (many of which are outside the control of, and unknown to, MyState, The Rock and their respective officers, employees, agents and associates), which may cause their actual results or performance to be materially different from any future result so expressed or implied by such forward looking statements. There can be no assurance or guarantee that actual outcomes will not differ materially from these statements. The parties reserve the right to vary the information in this announcement at their absolute discretion.