Scheme Booklet

For the Scheme of Arrangement between Promina Group Limited and the holders of ordinary shares in Promina Group Limited in relation to the proposed merger with Suncorp-Metway Limited

Together

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

promina

Promina Group Limited ABN 79 000 746 092

Overview of this booklet

What is this booklet for?

This booklet is about the proposed recommended Merger of Promina and Suncorp by way of a scheme of arrangement.

The booklet is designed to provide Promina Shareholders with information to consider before voting on whether the Merger should proceed, at the meeting of Promina Shareholders scheduled for 5 March 2007.

Why should you vote?

As a Promina Shareholder, you have a say in whether the Merger between Promina and Suncorp is completed or not – this is your opportunity to play a role in deciding the future of the business in which you have a stake.

Is the Merger in the best interests of Promina Shareholders?

The Promina Board unanimously recommends that Promina Shareholders vote in favour of the Merger between Promina and Suncorp, subject to no superior offer being made for Promina.

The Independent Expert has also concluded that the Merger is in the best interests of Promina Shareholders. Its report is also included in this booklet for your consideration.

What you should do next

Read this booklet and consider the Merger

You should read and carefully consider the information included in this booklet to help you make an informed decision.

There are frequently asked questions included on page 13, to help answer any questions you may have.

If you have any doubts as to what action you should take, please contact your financial, tax or other adviser.

Vote on the Merger

As a Promina Shareholder, it is your right to vote on whether the Merger should proceed.

You can vote:

- by proxy, using the enclosed proxy form; or
- in person by coming to the Promina Shareholders meeting to be held at 10.00 am (Sydney time) on 5 March 2007 at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000.

If you vote by proxy, your proxy form must be received by 10.00 am (Sydney time) on 3 March 2007, for your vote to be counted. You can do this by posting or faxing your proxy form to the addresses or fax numbers set out in Part D (How to vote).

For further information

If you have any questions after reading this information, you can call the Promina Shareholder Information Line:

- Australia (Toll Free): 1300 653 785
- New Zealand (Toll Free): 0800 333 459
- Outside Australia and New Zealand: (+613) 9415 4603 between 9.00 am and 5.00 pm (Sydney time) Monday to Friday.

Financial Advisers:

Goldman Sachs JBWere

MACQUARIE

Legal Adviser:

Freehills

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Some important dates for your diary

Key events	Key dates
Promina's 2006 Financial Year results announcement	19 February 2007
Suncorp's first half 2007 Financial Year results announcement	20 February 2007
Promina Shares and Suncorp Shares begin trading on an "ex-dividend" basis	1 March 2007
Last time and date by which proxy forms for the Scheme Meeting must be received	3 March 2007 at 10.00 am
Time and date for determining eligibility to vote at the Scheme Meeting	3 March 2007 at 7.00 pm
Scheme Meeting to be held at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000	5 March 2007 at 10.00 am
Record date for Promina final dividend and Suncorp interim dividend	7 March 2007
Last day of trading of Promina Shares	9 March 2007
Trading halt of Promina Shares and Suncorp Shares commences	Commencement of trading on 12 March 2007
Court hearing for approval of the Scheme	12 March 2007
Effective Date of the Scheme	13 March 2007
Suspension of Promina Shares from ASX and NZSX trading	Close of trading on 13 March 2007
Suncorp trading halt ends. Suncorp Shares to be issued under the Scheme begin trading on ASX on a deferred settlement basis	15 March 2007
Scheme Record Date	16 March 2007
Payment of Promina final dividend	16 March 2007
Implementation Date for Scheme. Transfer of Scheme Shares to Suncorp	20 March 2007
Dispatch of holding statements to Scheme Shareholders and payment of cash component of the Scheme Consideration	20 March 2007
Suncorp Shares issued under the Scheme begin trading on ASX on a normal settlement basis	21 March 2007

Important note: The timetable provided above is indicative only. Promina has the right (with Suncorp's consent and subject to any necessary approvals or orders from the Court) to vary any or all of these dates and times and will provide reasonable notice of any such variation. Certain dates and times are subject to change due to, among other things, receipt of certain Regulatory Approvals and the review and approval procedures of the Federal Court of Australia and other regulatory authorities. Any changes to the timetable will be announced through ASX, NZX and on Promina's websites **www.promina.com.au** or **www.promina.co.nz**. All times are references to the time in Sydney, Australia.

"The Merger is expected to create an approximately $18 billion (NZ$21 billion) market capitalised company which would, as of 7 December 2006, be among Australia's 15 largest ASX listed companies by market capitalisation."

Your directors believe that Promina Shareholders will be better served by being part of a much larger diversified financial services group with expanded reach in the Australian general insurance market, an increased presence in wealth management and a successful banking franchise.

Dear Promina Shareholder

On 21 October 2006, Suncorp-Metway Limited (**Suncorp**) and Promina Group Limited (**Promina**) entered into the Merger Implementation Agreement under which they agreed to merge their businesses by way of a scheme of arrangement. The Merger is expected to create an approximately $18 billion (NZ$21 billion) market capitalised company which would, as of 7 December 2006, be among Australia's 15 largest ASX listed companies by market capitalisation.

Since listing in May 2003, Promina has demonstrated its success in creating long term shareholder value through its strategy of specialisation and focus. This strategy has led to an average return on equity of 19.1% and a compound annualised total shareholder return of 49% between listing and 10 October 2006. Whilst the Promina Board remains confident of Promina's ongoing differentiation in the market and its ability to deliver strong profitable growth into the future, in the Promina Board's view, the Merger with Suncorp is a logical strategic combination and is supported unanimously.

Under the terms of the proposal, Promina Shareholders are being offered 0.2618 Suncorp Shares (subject to a possible upward adjustment to accommodate Suncorp's Entitlements Issue) plus $1.80 in cash for each Promina Share.

The proposal is subject to the agreement of Promina Shareholders at a Court-convened Scheme Meeting anticipated to be held on 5 March 2007 and Court approval of the Scheme. If the proposed Scheme is approved and implemented, existing Promina Shareholders will have ownership of approximately 30% of the Merged Group.

The Scheme is also subject to the receipt of certain Regulatory Approvals, and the management of Suncorp and Promina are currently working closely with the relevant regulators, including the ACCC and APRA in Australia and the OIO in New Zealand, with a view to satisfying the conditions of the Merger Implementation Agreement.

The Independent Expert, Grant Samuel, has concluded that the Scheme is in the best interests of Promina Shareholders.

The Promina Board recommends that Promina Shareholders vote in favour of the Scheme, subject to no superior offer being made for Promina. Your directors are committed to maximising shareholder wealth and believe that Promina Shareholders will be better served by being part of a much larger diversified financial services group with expanded reach in the Australian general insurance market, an increased presence in wealth management and a successful banking franchise.

This Scheme Booklet provides details of the Merger, including the Independent Expert's Report and information on how to vote. Please read it carefully before making your decision.

Yours sincerely,

Leo Tutt
Chairman
Promina Group Limited

"Suncorp has proven experience in extracting synergies from major transactions. We are confident that, through the combined expertise of Suncorp and Promina, this Merger will deliver significant benefits to shareholders of the Merged Group."

We expect the Merged Group to deliver enhanced value to both Promina and Suncorp shareholders over the medium and long term.

Dear Promina Shareholder

The Suncorp Board is very pleased to provide you with further information regarding the Merger of our two successful companies, and to be part of this opportunity to deliver enhanced shareholder value, for both Suncorp and Promina Shareholders.

We unanimously support this business combination and believe it is driven by compelling commercial and strategic logic – to create the leading diversified financial services organisation operating in Australia and New Zealand.

Since its formation in 1996, by the merger of three established Queensland based financial institutions, Suncorp has grown from a company with assets of approximately $20 billion and 25,000 shareholders, to being one of Australia's top 25 listed companies, with an asset base of approximately $57 billion, approximately 177,000 shareholders and a market capitalisation of more than $11 billion as at 7 December 2006.

Suncorp has a strong track record of creating value for our shareholders, delivering an annualised total shareholder return over the 10 years to 1 December 2006 of 23%. This has exceeded the performance of each of the ASX listed major and regional banks and the only other Australian insurer listed over that period.

We expect the Merged Group to deliver enhanced value to both Promina and Suncorp shareholders over the medium and long term, by bringing together two highly complementary businesses, established and respected brands, a comprehensive product range and an extensive distribution network across Australia and New Zealand.

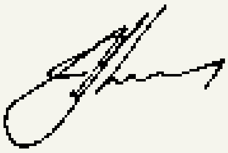
We also expect to realise significant synergies through the integration of the two businesses. Suncorp believes that these synergies will be realised without negatively impacting on customers' experience or brand strengths.

Suncorp has proven experience in extracting synergies from major transactions. We are confident that, through the combined expertise of Suncorp and Promina, this Merger will deliver significant benefits to shareholders of the Merged Group.

We are also very pleased that following the completion of the Merger, the Suncorp Board will be enhanced through the proposed addition of up to four members of the Promina Board, including the Promina Chairman, Leo Tutt. We look forward to the valuable contribution that they will bring to the Merged Group's future direction.

On behalf of the Suncorp Board, I encourage you to read this document in its entirety and to vote in favour of the Scheme. We look forward to welcoming you as a shareholder of the Merged Group.

Yours sincerely,



John Story
Chairman
Suncorp-Metway Limited

C. Important notices

Purpose of Scheme Booklet

This Scheme Booklet contains the explanatory statement under Part 5.1 of the Corporations Act in relation to the Scheme. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved) and to provide information material to the decision of Promina Shareholders whether to agree to the Scheme.

This Scheme Booklet complies with Australian disclosure requirements and Australian accounting standards. These disclosure requirements and accounting standards may be different from those in other countries.

If you have sold all your Promina Shares, then please ignore all enclosed documents.

Read this document

This document is important. You should carefully read this document in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

Investment decisions

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to your individual investment objectives, financial situation or needs. The information in this document should not be relied upon as the sole basis for any investment decision in relation to your Promina Shares. You should seek independent financial, tax and other professional advice before making any investment decision in relation to your Promina Shares and how to vote at the Scheme Meeting.

Responsibility statement

The Promina Information has been prepared by Promina and is the responsibility of Promina. Suncorp and its directors, officers and advisers, and the advisers of Promina and Suncorp, do not assume any responsibility for the accuracy or completeness of the Promina Information.

The Suncorp Information has been prepared by Suncorp and is the responsibility of Suncorp. Promina and its directors, officers and advisers, and the advisers of Suncorp and Promina, do not assume any responsibility for the accuracy or completeness of the Suncorp Information.

Except to the extent that they are responsible under the Corporations Act, Promina, Suncorp and their respective directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Grant Samuel has prepared the Independent Expert's Report in relation to the Scheme which is included in Appendix 1 and is responsible for that report.

KPMG has prepared the Accountant's Report which is included in Appendix 2 and is responsible for that report.

Ernst & Young ABC Pty Limited has prepared the Independent Actuary's Report which is included in Appendix H to the Independent Expert's Report and is responsible for that report.

Roles of ASIC, ASX and NZX

A copy of this Scheme Booklet has been examined by ASIC pursuant to section 411(2) of the Corporations Act and registered with ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the statement, then it will be produced to the Court at the time of the Second Court Date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX and NZX. None of ASX nor NZX nor any of their respective officers takes any responsibility for the Scheme Booklet.

Role of APRA

A copy of this Scheme Booklet has been provided to APRA. Neither APRA nor any of its officers takes any responsibility for the contents of this Scheme Booklet. APRA has no formal role in relation to schemes of arrangement pursuant to section 411 of the Corporations Act, but in its capacity as prudential regulator of general insurers has confirmed that it has no objection to the Scheme proceeding.

Court process

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under sections 411(1) and 411(1A) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

No offer

This Scheme Booklet does not constitute an offer to sell you, or a solicitation of an offer to buy from you, any securities in Promina or Suncorp in any jurisdiction in which such an offer or solicitation would be illegal.

Important notice to United States shareholders

Promina and Suncorp intend to rely on an exemption from the registration requirements of the *Securities Act of 1933* (United States) (**US Securities Act**) provided by Section 3(a)(10) of the US Securities Act in connection with the consummation of the Scheme and the issuance of new Suncorp Shares. Approval of the Scheme by the Court will be relied upon by Promina and Suncorp for the purposes of qualifying for the Section 3(a)(10) exemption.

United States shareholders should note that this offer is made for the securities of an Australian company in accordance with the laws of Australia and ASX Listing Rules. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States. Financial statements included in this Scheme Booklet have been prepared in accordance with Australian accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under United States federal securities laws, since Suncorp is located in Australia, and some or all of its officers and directors are residents of Australia. You may not be able to sue Suncorp or its officers or directors in Australia for violations of the United States securities laws. It may be difficult to compel Suncorp and its affiliates to subject themselves to a United States court's judgement.

You should be aware that Suncorp may purchase securities otherwise than under the Scheme, such as in open market or privately negotiated purchases.

This Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary is a criminal offence.

The Suncorp Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act or the securities laws of any United States state or other jurisdiction. The Scheme is not being made in any United States state or other jurisdiction where it is not legally permitted to do so or that require registration or qualification.

Notice to Promina Shareholders in jurisdictions outside Australia, New Zealand and the United States

Promina Shareholders that are considered to be Ineligible Overseas Shareholders will not be able to receive Suncorp Shares under the Scheme. Suncorp Shares that otherwise would be issued to these shareholders in connection with the Scheme will be issued to either of the Sale Agents (or their nominees) to be sold on ASX, with the net proceeds of such sale to be paid to the Ineligible Overseas Shareholders.

Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States).

Tax

Promina Shareholders who are subject to taxation outside Australia and New Zealand should consult their tax adviser as to the applicable tax consequences of the Scheme.

Forward looking statements

Certain statements in this Scheme Booklet are about the future. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Promina or Suncorp to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct, results, performance or achievements to be materially different from historical conduct, results, performance or achievements. Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

None of Promina, Suncorp, their respective directors, officers and advisers, or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements.

In particular, none of Promina, Suncorp or any of their respective directors, officers and advisers is responsible for any forward looking statements in the Independent Expert's Report in Appendix 1, unless expressly stated otherwise. Any forward looking statements set out in the Independent Expert's Report have been prepared by Grant Samuel.

C. Important notices

The forward looking statements in this Scheme Booklet reflect views held only as of 13 December 2006, unless otherwise stated. Subject to the Corporations Act and any other applicable laws or regulations, each of Promina and Suncorp disclaims any duty to update these statements other than with respect to information Promina and Suncorp respectively become aware of prior to the Scheme Meeting which is material to the making of a decision by a Promina Shareholder regarding whether or not to vote in favour of the Scheme.

Privacy and personal information

Promina needs to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of Promina Shareholders together with contact details of individuals appointed by Promina Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Promina Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact Promina by email at merger@promina.com.au if they wish to exercise those rights.

The information may be disclosed to Suncorp, Suncorp's advisers, Promina's advisers and service providers to the extent necessary to effect the Scheme. If the information outlined above is not collected, Promina may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

Promina Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Promina Share Register. This register contains personal information about Promina Shareholders.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet are defined in the Glossary in section 9 of this Scheme Booklet.

Unless otherwise stated, all data contained in this Scheme Booklet, including in charts, graphs and tables, are based on information available as at 7 December 2006.

All references to "$", "dollar" and "cent" are references to Australian currency, unless stated otherwise.

All references to "NZ$" or "New Zealand dollar" are references to New Zealand currency.

All references to times in this Scheme Booklet are references to the time in Sydney, Australia.

Date of this Scheme Booklet

This Scheme Booklet is dated 14 December 2006.

D. How to vote

Your vote is important

Your vote is important. It is important that you vote on the resolution to be considered at the Scheme Meeting. The Scheme will not proceed unless the resolution is passed by the required majorities, being:

- a majority in number (i.e. more than 50%) of Promina Shareholders who vote at the Scheme Meeting (in person or by proxy); and
- at least 75% of the total number of the Promina Shares voted at the Scheme Meeting (in person or by proxy).

Information explaining the resolution to be proposed at the Scheme Meeting is set out in section 8.2 (Implementation of the Scheme).

Promina Shareholders entitled to vote on the Scheme resolution are those shareholders who hold Promina Shares at 7.00 pm on 3 March 2007, other than the holders of Excluded Shares (in respect of those Excluded Shares).

You may vote by attending the Scheme Meeting in person yourself (or sending an attorney or a corporate representative on your behalf) or by completing and returning a proxy form (see below and the Notice of Scheme Meeting contained in Appendix 6) for further details).

All persons attending the meeting must disclose their name at the point of entry to the Scheme Meeting. All persons entitled to vote at the meeting will then be given a voting card and admitted to the Scheme Meeting.

Promina Shareholders, their attorneys or representatives (including proxies and their representatives) who plan to attend the Scheme Meeting are asked to arrive at the venue at least 30 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, so that their shareholding may be checked against the Promina Share Register and attendance noted.

Voting in person

To vote in person, you must attend the Scheme Meeting at 10.00 am on 5 March 2007 at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000.

If you appoint an attorney to attend the Scheme Meeting, you should lodge the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting with Promina or the Promina Share Registry by 10.00 am on 3 March 2007, being 48 hours before the start of the Scheme Meeting or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting.

If you are a corporation, your authorised corporate representative may attend and vote at the Scheme Meeting. You should ensure that your authorised corporate representative brings evidence of his or her appointment as a corporate representative to the meeting unless evidence has already been provided to the Promina Share Registry.

Voting by proxy

If you cannot attend the Scheme Meeting but otherwise wish to vote, you may appoint a proxy by completing the personalised proxy form accompanying this Scheme Booklet and returning it to the Promina Share Registry by posting it in the reply paid envelope provided, or by faxing it to the numbers set out under the heading "Where to send your proxy form" below.

You will only be able to exercise your vote by proxy if it is received by Promina or the Promina Share Registry by 10.00 am (Sydney time) on 3 March 2007, being 48 hours before the start of the Scheme Meeting or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting.

Appointing a proxy will not stop you attending the Scheme Meeting in person and voting at the Scheme Meeting instead of your proxy.

D. How to vote

Where to send your proxy form

By mail

Promina Share Registry

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne, VIC 3001

or

Private Bag 92119
Auckland 1020
New Zealand

OR

Registered Office

Promina Group Limited
Level 15
465 Victoria Avenue
Chatswood NSW 2067

By hand

Promina Share Registry

Computershare Investor Services Pty Limited

Level 2, 60 Carrington Street
Sydney NSW 2000

or

Level 2, 159 Hurstmere Road,
Takapuna, North Shore City
New Zealand

OR

Registered Office

Promina Group Limited
Level 15
465 Victoria Avenue
Chatswood NSW 2067

By facsimile transmission

Australia: (03) 9473 2118

New Zealand: (09) 488 8787

Outside Australia and New Zealand: (+613) 9473 2118

E. Questions and answers

Q1: What is the Merger?	The Merger will combine Promina and Suncorp by way of a scheme of arrangement. The Merger is expected to create an approximately $18 billion (NZ$21 billion)[1] market capitalised company which would, as at 7 December 2006, be among Australia's 15 largest ASX listed companies by market capitalisation, based on Suncorp's closing share price as at that date and assuming Suncorp raises $1.15 billion through its Entitlements Issue.
Q2: What is the effect of the Merger?	If the Merger is implemented, your Promina Shares will be transferred to SIHL, a wholly-owned Subsidiary of Suncorp, and Promina will become a wholly-owned Subsidiary of Suncorp. In consideration for the transfer of your Promina Shares to SIHL, you will receive at least 0.2618 Suncorp Shares and $1.80 cash for each Promina Share, as further discussed in Question 6 below. Following completion of the Merger, Suncorp will remain a listed company on ASX and all Promina Shares will be removed from the official list of ASX and removed from the NZSX.
Q3: Why should I vote in favour of the Scheme?	The Promina Board believes that, in the absence of a superior offer for Promina, the Merger is a logical strategic combination and is the most value enhancing alternative for Promina to pursue at this time, delivering greater value to Promina Shareholders in the foreseeable future than Promina would generate as a standalone entity. Further information regarding the advantages of the Merger is set out in section 1.5 (Reasons to vote in favour of the Scheme).
Q4: What does the Promina Board recommend?	The Promina directors unanimously recommend that you vote in favour of the Scheme, in the absence of a superior offer for Promina. Each Promina director who holds Promina Shares, or on whose behalf Promina Shares are held, intends to vote in favour of the Scheme.
Q5: What is the opinion of the Independent Expert?	The Independent Expert has considered the Merger and has concluded that the Merger is in the best interests of Promina Shareholders. The Independent Expert's Report is set out in full in Appendix 1 (Independent Expert's Report).
Q6: What will I receive if the Merger is implemented?	Promina Shareholders will receive: • 0.2618 Suncorp Shares (subject to a possible upward adjustment to accommodate Suncorp's Entitlements Issue as described in section 8.5 (Scheme Consideration)); and • $1.80 cash, for each Promina Share held on the Record Date. The value of the Scheme Consideration on the Implementation Date will depend on the Suncorp Share price at that time. If you are a shareholder with a registered address in New Zealand, the cash component of your Scheme Consideration will be converted into New Zealand dollars at the spot exchange rate received by Suncorp on the Business Day prior to the Implementation Date. If you are a shareholder with a registered address outside Australia, New Zealand or the United States, the Suncorp Shares to which you would otherwise be entitled will be sold and you will receive the net proceeds of the sale. You should refer to Question 24 below and section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.

[1] Assuming an exchange rate of A$1 : NZ$1.1463.

E. Questions and answers

Q7: How will the Merger be implemented?	The Merger is to be implemented by way of a scheme of arrangement. In order for the Merger to be implemented: • the Scheme must be agreed to by the necessary majorities of Promina Shareholders at the Scheme Meeting; and • the Court must approve the Scheme. Further details on how the Merger will be implemented are set out in section 8.2 (Implementation of the Scheme).
Q8: When and where will the Scheme Meeting be held?	The Scheme Meeting will be held on 5 March 2007 at the City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000 commencing at 10.00 am (Sydney time).
Q9: What voting majorities are required in order to agree to the Scheme?	For the Scheme to proceed, it must be agreed to by: • a majority in number (i.e. more than 50%) of Promina Shareholders who vote at the Scheme Meeting (in person or by proxy); and • at least 75% of the total number of the Promina Shares voted at the Scheme Meeting (in person or by proxy).
Q10: Who is entitled to vote at the Scheme Meeting?	Promina Shareholders who are recorded as members on the Promina Share Register as at 7.00 pm (Sydney time) on 3 March 2007, other than the holders of Excluded Shares (in respect of those Excluded Shares).
Q11: Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting to be held on 5 March 2007, you may complete and return the proxy form enclosed with this Scheme Booklet. For further details regarding how to vote and submit proxy forms for the Scheme Meeting, see Part D (How to vote).
Q12: Who will manage the Merged Group following the completion of the Merger?	Suncorp will become Promina's ultimate holding company following completion of the Merger. The existing Suncorp CEO and Managing Director, John Mulcahy, will retain his current position. The composition of the remaining senior leadership team will not be finalised until after the implementation of the Merger.
Q13: Who will be on the board of directors of the Merged Group?	The existing members of the Suncorp Board will continue to be directors following completion of the Merger except James Kennedy, who has recently resigned from the Suncorp Board, effective 31 December 2006. The existing Suncorp Chairman, John Story, will retain his current position. Four members of the Promina Board are proposed to join the Suncorp Board. Leo Tutt (current Promina Chairman) and Ewoud Kulk will join the Suncorp Board immediately following completion of the Merger, while Paula Dwyer and Geoffrey Ricketts will join the Suncorp Board subject to any necessary legislative and Suncorp constitutional changes being made. For further details regarding the proposed board of the Merged Group, see section 4.5 (Board and management of the Merged Group).
Q14: What other factors should I consider in deciding whether to vote in favour of the Scheme?	The Promina directors have considered the advantages and disadvantages of the Merger. Some of the key matters to which the directors have had regard to in making their recommendation are set out in section 1.5 (Reasons to vote in favour of the Scheme), section 1.6 (Disadvantages of voting in favour of the Scheme) and section 1.7 (Other relevant considerations). You should also be aware of the risks associated with the Merger, which are set out in section 5 (Risk factors).

Q15: What are the risks of the Merger?	There are risks associated with the Merger, including the risk: • that the integration of the two groups will not be achieved in an orderly and timely manner; • of loss of key personnel as a result of the Merger; and • that the combined business model for the Merged Group may not fully leverage the inherent value in both groups. For a more detailed discussion of these and other risks, see section 5 (Risk factors).
Q16: What are the steps necessary for the completion of the Merger?	The following steps must be completed in order to implement the Scheme: • the Conditions Precedent described in section 8.3 (Conditions Precedent) must be satisfied or waived; • Promina Shareholders must agree to the Scheme at the Scheme Meeting; • Suncorp Shares must be issued to partly fund the cash component of the Scheme Consideration (as further discussed under the heading "Entitlements Issue" in section 4.8 (Sources of cash and share consideration)); and • the Scheme must be approved by the Court.
Q17: When will the Merger become Effective?	If all the necessary steps described above have been successfully completed, the Merger will become Effective the day the Court order approving the Scheme is lodged with ASIC, which is expected to be on 13 March 2007.
Q18: Who is entitled to receive the Scheme Consideration?	Only persons registered as holders of Promina Shares (other than Excluded Shares) at 7.00 pm on the Record Date (expected to be on 16 March 2007) may participate in the Merger and will be entitled to receive the Scheme Consideration.
Q19: When will I receive the Scheme Consideration?	Your cash consideration will be paid to you by cheque or by making a deposit into an account notified by you on the Implementation Date, expected to be 20 March 2007. You will also be issued with your Suncorp Shares and a holding statement detailing your holding will be sent to you on the same date. Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.
Q20: What will happen to my Promina Share dividend?	Promina will announce the Promina Share final dividend on the date on which it releases its 2006 Financial Year results, which is currently expected to be on 19 February 2007. The record date for this dividend is expected to be on 7 March 2007 and the dividend is expected to be paid on 16 March 2007. Promina Shareholders will be entitled to receive this dividend whether or not the Scheme is implemented.
Q21: When can I start trading Suncorp Shares?	The last day of trading in Promina Shares on ASX and NZSX is expected to be 9 March 2007. The Suncorp Shares issued pursuant to the Scheme are expected to begin trading on a deferred settlement basis at the start of trading on 15 March 2007.
Q22: Will I be required to pay broker fees or stamp duty?	You will not have to pay broker fees or stamp duty in relation to the Merger. However, if you sell your Suncorp Shares after the implementation of the Merger, you may have to pay broker fees.

Q23: What if I do not want to keep Suncorp Shares?	If you receive Suncorp Shares under the Scheme, it is expected that you will be able to sell those Suncorp Shares on an ordinary settlement basis on ASX at any time on or after 21 March 2007. It is also expected that you will be able to sell those Suncorp Shares on a deferred settlement basis commencing on 15 March 2007. If you have a registered address in New Zealand, you should be aware that your Suncorp Shares will not be listed on NZSX. If you wish to sell your Suncorp Shares, you should contact an ASX participating broker in order to sell your Suncorp Shares on ASX or off-market.
Q24: What if I am a shareholder outside Australia, New Zealand or the United States?	Suncorp is not obliged to issue Suncorp Shares as consideration to you if you are an Ineligible Overseas Shareholder (that is, if your address in the Promina Share Register is outside Australia or its external territories, New Zealand or the United States) unless Promina and Suncorp are reasonably satisfied that the issue of Suncorp Shares to you is not prohibited, unduly onerous or unduly impracticable. Promina and Suncorp currently expect that all Promina Shareholders whose addresses in the Promina Share Register are outside Australia or its external territories, New Zealand and the United States will be Ineligible Overseas Shareholders. In this event, Suncorp Shares that would have been issued to you will be issued to either of the Sale Agents (or their nominees) who will sell the shares on ASX and Suncorp will pay you your proportion of the net proceeds received from the Sale Agents (after deduction of any applicable costs, taxes and charges). Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.
Q25: What are the tax implications of the Merger?	The tax implications of the Merger for Promina Shareholders who are resident in Australia or New Zealand for tax purposes are described in section 6 (Tax implications). The tax implications for Employee Share Plan Participants are separately described in section 7.4 (Employee Share Plan Participants). Your decision on how to vote on the Scheme should be made only after consultation with your financial, tax or other adviser based on your own investment objectives, financial situation, taxation position and particular needs.
Q26: What will happen if the Merger does not proceed?	If the Merger does not proceed, Promina Shareholders will retain their Promina Shares and Promina will continue to operate as a standalone entity. Promina will continue to focus on its current strategy. The rights of Promina Shareholders will remain unchanged, although the current price for Promina Shares is likely to fall. Promina will be liable to pay for any costs and expenses incurred by Promina in relation to the Scheme (for example, printing costs and advisers' fees) whether or not the Merger proceeds. These costs are expected to be substantial, however, no break fee will be payable to Suncorp if Promina Shareholders do not agree to the Scheme, but the Promina Board has recommended that Promina Shareholders vote in favour of the Scheme. A break fee may be payable if the Promina Board changes its recommendation, depending on the circumstances. For further details of the break fee arrangements between Suncorp and Promina, see the heading "Break fees" in section 1.7 (Other relevant considerations).

Q27: What other information is available?

This Scheme Booklet provides detailed information in relation to the Merger that all Promina Shareholders should read.

Promina expects to announce its full year results to 31 December 2006 on 19 February 2007 and Suncorp expects to announce its half year results to 31 December 2006 on 20 February 2007.

The results will be available from ASX or on its website **www.asx.com.au.** In addition, Promina's results will be available from NZX or on its website **www.nzx.com** and on Promina's websites **www.promina.com.au** or **www.promina.co.nz**. Suncorp's results will be available on the Suncorp website **www.suncorp.com.au**.

If you have any questions or require further information, you can call the Promina Shareholder Information Line on:

- Australia (Toll Free): 1300 653 785
- New Zealand (Toll Free): 0800 333 459
- Outside Australia and New Zealand: (+613) 9415 4603

Alternatively, please contact your financial, tax or other adviser.

Section 1: Details of the Merger

1.1 Background

On 21 October 2006, Promina and Suncorp entered into a Merger Implementation Agreement under which they agreed to merge their businesses by way of a scheme of arrangement. Under the Scheme, Suncorp will acquire (through its wholly-owned Subsidiary, SIHL) all the Promina Shares. As a result, Promina Shareholders will own approximately 30% of the Merged Group[2], with the remainder owned by existing Suncorp Shareholders. A summary of the Merger Implementation Agreement is set out in Appendix 3 (Summary of Merger Implementation Agreement).

If approved, the Merger will create a leading, customer focused, diversified financial services provider operating in Australia and New Zealand. The Merger is expected to create an approximately $18 billion (NZ$21 billion[3]) market capitalised company which would, as at 7 December 2006, be among Australia's 15 largest ASX listed companies by market capitalisation.[4]

The Merged Group will have assets of approximately $73 billion[5] with around 16,000 staff delivering superior customer outcomes to a combined base of more than 7 million[6] customers and a distribution network of over 450 offices, branches and agencies across Australia and New Zealand.

It will comprise Australia's second largest domestic general insurer and sixth largest retail bank, with significant life insurance and wealth management businesses.

It will also comprise New Zealand's second largest general insurer, with significant life insurance and wealth management businesses.

1.2 What Promina Shareholders will receive

Consideration

Under the terms of the Scheme, Promina Shareholders (other than Ineligible Overseas Shareholders) will receive a mix of cash and Suncorp Shares as consideration for the transfer of their Promina Shares (other than Excluded Shares) to Suncorp.

On implementation of the Merger, Promina Shareholders will receive:

- 0.2618 Suncorp Shares (subject to a possible upward adjustment to accommodate Suncorp's Entitlements Issue, as further described in section 8.5 (Scheme Consideration)); and
- $1.80 cash,

for each Promina Share held at the Record Date, which is currently expected to be at 7.00 pm (Sydney time) on 16 March 2007. The consideration will be provided to Promina Shareholders on the Implementation Date, which is currently expected to be on 20 March 2007. For Promina Shareholders with a registered address in New Zealand, the cash component of the Scheme Consideration will be converted into New Zealand dollars at the spot exchange rate received by Suncorp on the Business Day prior to the Implementation Date. The value of the Scheme Consideration will depend on the price of Suncorp Shares at the time of the Merger. In the table below, the implied value of the Scheme Consideration is illustrated based on different Suncorp Share prices.

Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.

[2] Assuming Suncorp completes a $1.15 billion Entitlements Issue.

[3] Assuming an exchange rate of A$1 : NZ$1.1463.

[4] Based on Suncorp's closing share price as at 7 December 2006 and assuming Suncorp raises $1.15 billion through its Entitlements Issue.

[5] As at 30 June 2006.

[6] Based on the combination of Suncorp's and Promina's estimated customer bases. These customer bases may overlap.

Implied value of Scheme Consideration per Promina Share for varying Suncorp Share prices

Illustrative Suncorp Share price	Implied value of Scheme Consideration per Promina Share*
$19.00	$6.77
$19.50	$6.91
$20.00	$7.04
$20.50	$7.17
$21.00	$7.30
$21.50	$7.43
$22.00	$7.56
$22.50	$7.69
$23.00	$7.82

* Rounded to the nearest cent.

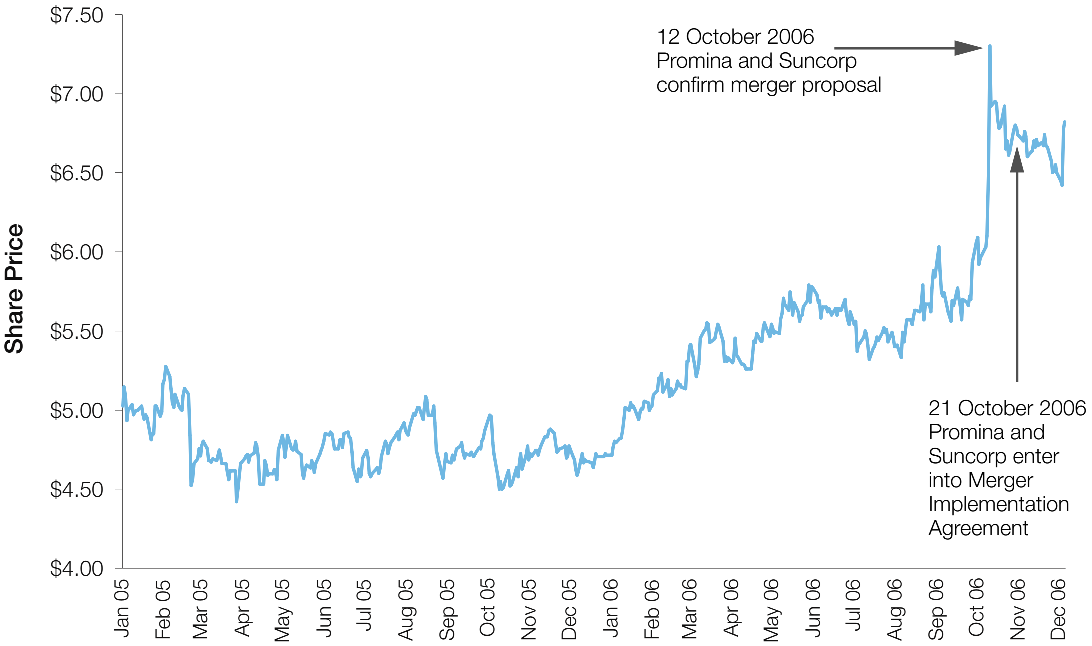
For example, if the price of Suncorp Shares was $21.00 at the time of the Merger, then the implied value of the Scheme Consideration per Promina Share would be $7.30 (being [$21.00 x 0.2618] + $1.80). The following chart sets out the daily closing share price of Suncorp Shares on ASX from 1 January 2005 to 7 December 2006.

Figure 1 – Suncorp Share price trading history

Source: IRESS as at 7 December 2006

The following chart sets out the daily closing share price of Promina Shares on ASX from 1 January 2005 to 7 December 2006.

Figure 2 – Promina Share price trading history



Source: IRESS as at 7 December 2006

Neither the Suncorp Share prices in the above table nor the historical share price information contained in Figure 1 should be taken as necessarily being an indication of the likely Suncorp Share price following completion of the Merger.

Suncorp Shares

Suncorp Shares to be issued under the Scheme will be fully paid and will rank equally with existing Suncorp Shares. See the heading "Rights attaching to Suncorp Shares" in section 2.10 (Suncorp Shares) for further information on the rights attaching to the Suncorp Shares that will be issued under the Scheme.

Suncorp Shares are quoted on ASX. Application will be made by Suncorp to ASX for official quotation of the Suncorp Shares to be issued under the Scheme. Suncorp Shares are not and will not be quoted on NZSX. The table below shows various historical prices for Suncorp Shares on ASX:

Date	Suncorp Share price
Closing price on 13 December 2006 (being the Business Day prior to this Scheme Booklet being lodged for registration with ASIC)	$19.92
Highest recorded sale price in the three months to 13 December 2006	$23.52
Lowest recorded sale price in the three months to 13 December 2006	$19.89
Closing price on 10 October 2006 (being the Business Day prior to market speculation that Suncorp and Promina were in discussions in relation to the merger proposal)	$22.35
Closing price on 20 October 2006 (being the Business Day prior to the announcement of the Merger)	$22.70

Effects of rounding

All entitlements to Suncorp Shares will be rounded up or down to the nearest whole number of Suncorp Shares in order to avoid fractions of Suncorp Shares. If either Promina or Suncorp reasonably believes that a Promina Shareholder has been a party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, then Promina and Suncorp reserve the right to round the entitlement of such holdings so as to provide only the number of Suncorp Shares that would have been received but for the splitting or division.

Payment date

Cash consideration: Payments in respect of any cash consideration due to the Scheme Shareholders under the Scheme will be made to Promina Shareholders on the Implementation Date, currently expected to be 20 March 2007, by dispatching, or procuring the dispatch of, a cheque to the Scheme Shareholder or by making, or procuring the making of, a deposit into an account notified by the Scheme Shareholder to Suncorp.

Suncorp Shares: Suncorp Shares to be issued under the Scheme will be issued to Scheme Shareholders on the Implementation Date. However, Suncorp Shares are currently expected to trade on a deferred settlement basis at the commencement of trading 15 March 2007). Issuer sponsored holding statements for Suncorp Shares (as applicable) will be issued to Scheme Shareholders on the Implementation Date. Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.

Trading on ASX of Suncorp Shares issued pursuant to the Scheme on an ordinary settlement basis is expected to commence the Business Day after holding statements have been dispatched.

Entitlement to Promina Share final dividend for 2006

Under the Merger Implementation Agreement, Promina and Suncorp have agreed to limit their respective dividends to a maximum of 13.5 cents and 55.0 cents per Promina Share and Suncorp Share respectively between the date of the Merger Implementation Agreement and the Implementation Date unless otherwise agreed.

Promina will announce its Promina Share final dividend on the date on which it releases its full year results to 31 December 2006, which is currently expected to be on 19 February 2007. Promina Shareholders who are registered on the Promina Share Register as at 7 March 2007 will be entitled to receive this dividend and the dividend is expected to be paid on 16 March 2007.

Promina Shareholders will be entitled to receive this dividend whether or not the Merger is implemented. However, Promina Shareholders will not be entitled to receive the Suncorp Share interim 2007 dividend, which is expected to be paid on the same date as the Promina Share final dividend, even if the Merger is implemented.

1.3 Promina Board recommends that Promina Shareholders vote in favour of the Scheme

The Promina Board unanimously recommends that Promina Shareholders vote in favour of the Scheme, subject to no superior offer being made for Promina. The Promina Board has considered the advantages and disadvantages of the Merger and believes that the Merger is in the best interests of Promina Shareholders. In making this recommendation, the Promina Board has, in particular, considered the following:

- the reasons why Promina Shareholders should vote in favour of the Scheme, as set out in section 1.5 (Reasons to vote in favour of the Scheme);
- the reasons why Promina Shareholders should not vote in favour of the Scheme, as set out in section 1.6 (Disadvantages of voting in favour of the Scheme); and
- the risks associated with the Merger, as set out in section 5 (Risk factors).

Each Promina director who holds Promina Shares, or on whose behalf Promina Shares are held, intends to vote in favour of the Scheme.

1.4 Independent Expert's opinion

The Independent Expert, Grant Samuel, has concluded that the Scheme is in the best interests of Promina Shareholders and that the Scheme Consideration offered to Promina Shareholders is fair and reasonable. Grant Samuel believes that Promina Shareholders will clearly be better off voting in favour of the Scheme.

Given the relative sizes of Promina and Suncorp, the Independent Expert has concluded that it is appropriate to evaluate the Merger both as a merger of two companies and as a takeover of Promina by Suncorp.

In assessing the transaction as a merger, the Independent Expert:

- compared the relative values contributed by the two companies with the relative interests that Promina Shareholders will hold in the Merged Group;
- discussed the benefits to be realised as a result of the Merger;
- considered any disadvantages of the Merger; and
- assessed whether, overall, Promina Shareholders would be better off if the Merger proceeds than if it does not.

The Independent Expert has concluded that the Merger terms are favourable to Promina Shareholders. While on the basis of the Independent Expert's valuations Promina Shareholders contribute approximately 31% – 32% to the Merged Group, they will be entitled to approximately 36% – 37% of the initial value of the Merged Group (including the cash component of the Scheme Consideration but before taking account of the value of any Merger synergies).

The Independent Expert stated that the Merger should create substantial value. While there are inevitable uncertainties associated with the synergies, their timing and implementation costs, the Independent Expert stated that it is reasonable to rely on the Merger generating significant synergy value. The Independent Expert acknowledged that Suncorp has a good track record of successfully managing the integration of its three predecessor businesses and the more recent acquisition of GIO.

The Independent Expert has also concluded that the disadvantages of the Merger for Promina Shareholders are not significant and that Promina Shareholders will be better off if the Merger proceeds than if it does not.

In assessing the Merger as a takeover, the Independent Expert considered whether the Scheme Consideration payable to Promina Shareholders is fair and reasonable.

The Independent Expert has assessed the full underlying value of Promina Shares incorporating a control premium to be in the range of $6.46 – $7.33. This value exceeds the price at which the Independent Expert would expect Promina Shares to trade at on ASX, based on current market conditions, in the absence of the Merger or some similar change of control transaction.

The Independent Expert has attributed a value of $7.10 – $7.20 to the Scheme Consideration based on the recent trading history of Suncorp, and has concluded that the Scheme Consideration provides an attractive premium to the pre-announcement Promina Share price. The Independent Expert has concluded that the Scheme Consideration is fair and reasonable.

Promina Shareholders should read the full Independent Expert's Report in its entirety in addition to the summary of the Independent's Expert Report, which are set out in Appendix 1 (Independent Expert's Report).

1.5 Reasons to vote in favour of the Scheme

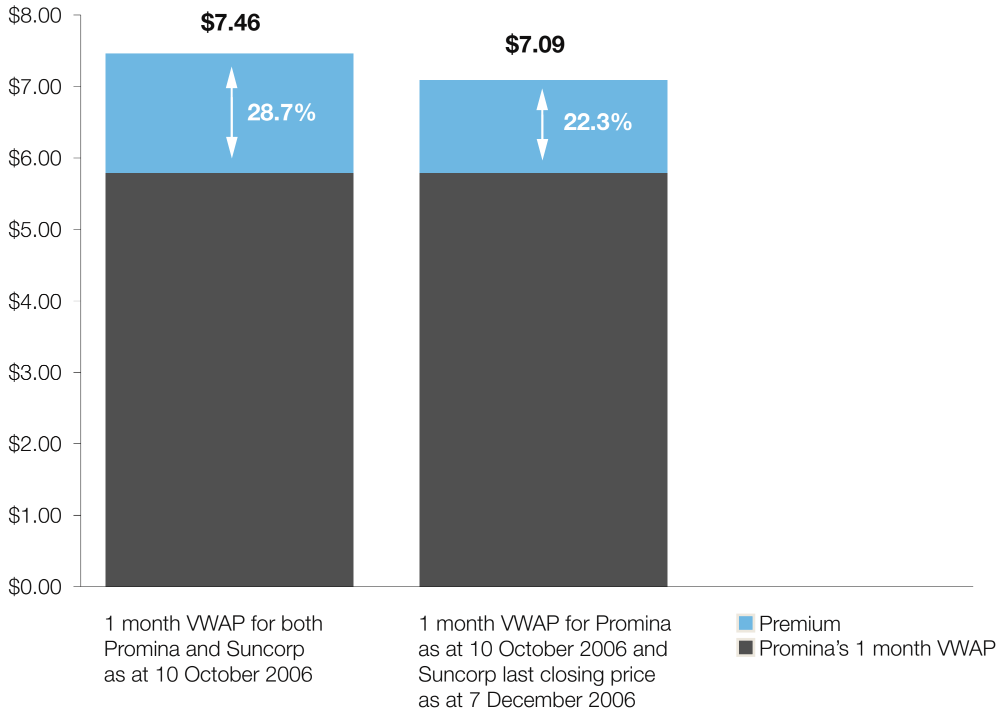
The Promina Board believes that the Merger is value enhancing

The Promina Board believes that, in the foreseeable future, the Merger delivers greater value to Promina Shareholders than Promina would generate as a standalone entity.

When the Merger was announced, the implied value of the Scheme Consideration was $7.46 per Promina Share based on the one month VWAP of Suncorp Shares (up to and including 10 October 2006) of $21.61. This represents a premium of 28.7% on the Promina Shares one month VWAP (up to and including 10 October 2006) of $5.80. As at 7 December 2006, the implied value of the Scheme Consideration was $7.09 per Promina Share based on the closing price of Suncorp Shares of $20.20.

The value of the consideration to be received by Promina Shareholders is dependent upon the price at which Suncorp Shares will trade once the Merger is implemented, which may be more or less than the current Suncorp Share price. The value of Suncorp Shares will be exposed to the normal risks associated with share ownership and Suncorp's exposure to trading volumes, and the price could fluctuate up or down depending upon business performance, market conditions and other relevant factors affecting equities markets.

Figure 3 – Value of Scheme Consideration compared to Promina Share price



The Promina Board believes that the Merger is the most value enhancing alternative for Promina to pursue at this time

In forming its recommendation with respect to the Merger, the Promina Board has carefully considered Promina's strategy as a standalone entity. Whilst this strategy offers the opportunity to grow Promina Shareholder value, in the opinion of the Promina Board, the Merger with Suncorp is a logical strategic combination and allows for the acceleration and expansion of those value creation opportunities by being part of a much larger diversified financial services group with expanded scale in the Australian general insurance market, a strengthened presence in wealth management, a successful banking franchise and a strong business presence in New Zealand.

Promina Shareholders have the opportunity to benefit from the enhanced strategic position of the Merged Group

At a group level, the Merger will combine Promina's and Suncorp's complementary customer focused strategies and geographic presence to create an enhanced distribution footprint in Australia and New Zealand (see section 4 (Profile of the Merged Group)).

In summary:

- Promina's and Suncorp's activities in general insurance are complementary and will benefit from additional scale and risk diversification. The Merged Group will be the second largest general insurer in Australia and New Zealand, with GWP of approximately $5.4 billion and NZ$0.7 billion in those respective markets;
- the Merged Group's wealth management business will benefit from significantly increased scale and funds under management. It will be Australia's seventh largest life insurance group with in force annual premiums of approximately $560 million as well as being the fourth largest life insurer in New Zealand with in force annual premiums of approximately NZ$106 million; and

- Suncorp's banking business will remain the sixth largest in Australia with total assets of approximately $46 billion. It provides an important distribution channel for general insurance and wealth management products.

Furthermore, benefits are expected to arise from the Merged Group's increased reach with a combined customer base of more than 7 million customers[7] and 450 offices, branches and agencies across Australia and New Zealand. This will give it the ability to distribute a wider range of products to a significantly larger customer base by broader and deeper distribution networks. Collectively, this will result in improved opportunities to deliver increased medium term growth.

The Merged Group is expected to achieve substantial synergies

The Merged Group is expected to benefit from a number of areas where cost savings and other synergies can be realised. Promina Shareholders will share in gains generated by the Merger, through owning shares in the Merged Group.

Suncorp expects that the Merger will allow it to achieve estimated net annual pre-tax synergies (before integration costs) of approximately $225 million.

Suncorp expects that synergies will be realised from head office synergies and operational synergies achieved from individual lines of business. Specifically, Suncorp has identified the following sources of expected synergies:

- reduction of overlapping corporate functions;
- reduction of overlap and scale efficiencies in shared services, including purchasing and processing efficiencies;
- information technology efficiencies arising through rationalisation of applications and scale efficiencies in information technology infrastructure;
- operational synergies in general insurance, for instance claims costs and reinsurance; and
- operational synergies in wealth management, including scale efficiencies and marketing procurement.

For further details, see the heading "Integration synergies" in section 4.1 (Benefits of and rationale for the Merger).

If the Merger is not approved, the Promina Share price is likely to fall

In the absence of the Merger, the trading price of Promina Shares is unlikely to exceed the implied value under the Scheme.

The one month VWAP up to and including 10 October 2006 was $5.80 per Promina Share.

The Independent Expert has valued the full underlying value of Promina, incorporating a premium for control, in the range of $6.46 – $7.33 and concluded that the Scheme Consideration is fair and reasonable.

This value exceeds the price at which, based on current market conditions, the Independent Expert would expect Promina Shares to trade on ASX in the absence of the Merger or some similar change of control transaction.

Greater index weighting of the Merged Group

The Merged Group will represent approximately 1.45% of ASX All Ordinaries index, 1.90% of the S&P/ASX 100 index (as at 6 December 2006), 0.11% of the MSCI EAFE (Europe, Asia, Far East) index and 0.62% of the MSCI AEJ (Asia Ex-Japan) index, based on market capitalisations (as at 5 December 2006), whereas Promina represented approximately 0.53% and 0.70% of ASX All Ordinaries and the S&P/ASX 100 indices (as at 10 October 2006) and Promina was not included in either the MSCI EAFE or AEJ indices. This higher index weighting may attract additional investors or cause existing shareholders to increase their holding in the Merged Group.

[7] Based on the combination of Suncorp's and Promina's estimated customer bases. The customer bases may overlap.

1.6 Disadvantages of voting in favour of the Scheme

Potential risks of the Merger for Promina Shareholders

There are a number of risks that may result from the implementation of the Merger (including risks relating to the integration of Promina and Suncorp) to be considered when making a decision on how to vote on the Scheme. While the Promina Board acknowledges these risks, it believes the advantages outweigh these risks and recommends that Promina Shareholders vote in favour of the Scheme, subject to no superior offer being received. For a detailed discussion of these risks, refer to section 5 (Risk factors).

Change in the nature of investment

The Merger, if implemented, will result in Promina Shareholders having a reduced exposure to Promina's business and an increased exposure to Suncorp's business. Promina Shareholders' existing direct interest in Promina's business will be exchanged for an indirect interest via shares in Suncorp. If the Merger is implemented, Promina Shareholders' interests in Promina's businesses will be reduced from the current 100% to approximately 30% of the Merged Group.

The principal effect is that Promina Shareholders will therefore have new exposure to the banking sector and increased exposure to the Queensland CTP sector compared to their current holdings. This means the risk and return characteristics of an investment in the Merged Group will be different in some respects from the current characteristics of Promina.

Value of Scheme Consideration will fluctuate with Suncorp Share price

If the Merger proceeds, new Suncorp Shares will be issued to Promina Shareholders as part of the Scheme Consideration. The majority of the value of the Scheme Consideration which Promina Shareholders receive will therefore be dependent on the value of Suncorp Shares. The price of Suncorp Shares is subject to upwards or downwards fluctuations. Any fluctuation in price will directly impact the equivalent dollar value of the Scheme Consideration received, and may change the value of the Scheme Consideration.

Taxation

If the Merger is implemented, it may result in taxation consequences for some Promina Shareholders which arise earlier than would otherwise have been the case. The general Australian and New Zealand tax consequences of the Merger for relevant Promina Shareholders are contained in section 6 (Tax implications). The tax implications for Employee Share Plan Participants are separately described in section 7.4 (Employee Share Plan Participants).

Promina Shareholders should consider the tax consequences of the Merger in view of their own particular circumstances and seek advice from their tax advisers.

1.7 Other relevant considerations

No superior proposal has emerged

While there is the possibility that a superior proposal could be made for Promina, since the announcement of the Merger the Promina Board has not received any alternative proposal from any other party, despite the public nature of the Merger. As at 13 December 2006, the Promina Board has no basis for believing that any such offer will be forthcoming.

Management of capital by Suncorp

Suncorp has announced that it intends to maintain its existing target capital ratios following completion of the Merger. Suncorp's existing and target capital ratios are set out in section 2.7 (Capital management). Discussion of Suncorp's capital management strategy in relation to the Merged Group is also set out in section 4.7 (Capital structure).

Suncorp intends to fund the cash component of the Scheme Consideration through a series of arrangements which are further described in section 4.8 (Sources of cash and share consideration). These arrangements are designed to enable the Merged Group to meet its target capital ratios. A component of the financing arrangements is the completion of the Entitlements Issue described under the heading "Entitlements Issue" in section 4.8 (Sources of cash and share consideration).

No listing on NZSX

The Merged Group will not be listed on NZSX. Promina Shareholders resident in New Zealand will not be able to buy or sell Suncorp Shares on NZSX and will need to do so on ASX. You should contact an ASX participating broker in order to sell your Suncorp Shares on ASX or off-market.

Four Promina directors proposed to join Suncorp Board

Subject to any necessary changes in Queensland legislation and to Suncorp's constitution (as further described in section 4.5 (Board and management of Merged Group)), four members of the Promina Board are expected to join the Suncorp Board if the Scheme is implemented. Leo Tutt and Ewoud Kulk will join the Suncorp Board immediately upon the implementation of the Merger, while Paula Dwyer and Geoffrey Ricketts will join the Suncorp Board subject to Suncorp obtaining any necessary legislative and constitutional changes. James Kennedy has recently resigned from the Suncorp Board, effective 31 December 2006.

Role of key Promina executives in the Merged Group

Promina's CEO Michael Wilkins has agreed to consult on the integration of the Merged Group for six months following the implementation of the Merger.

The composition of the senior leadership team of the Merged Group will be finalised after completion of the Merger. In the meantime, retention arrangements have been offered to ensure all key executives in both organisations have an incentive to remain with the business both up to and following completion of the Merger.

Third party proposal for Suncorp Shares

While Suncorp has not received any proposal in relation to an acquisition of a material interest in Suncorp, Promina Shareholders should be aware that, like any other company, Suncorp could be the subject of a takeover offer or other proposal by a third party to acquire Suncorp. A proposal for Suncorp may affect the value of the Suncorp Shares.

The Suncorp Board has advised that as at 13 December 2006, it has no basis for believing that any such offer will be forthcoming.

The Merger Implementation Agreement does not contain a right for Suncorp to terminate the agreement merely because there is a third party proposal for Suncorp. The absence of such a termination right is typical in takeovers or acquisitions by way of a scheme of arrangement.

Following completion of the Merger, the Merged Group will be larger than Suncorp on a standalone basis. The Merged Group will also have a mixture of banking, general insurance and wealth management businesses. The combination of these factors may make the Merged Group a more or less attractive target to third parties seeking to acquire Suncorp.

Exclusivity

The Merger Implementation Agreement includes certain exclusivity provisions in relation to both Promina and Suncorp, which effectively impose on them an obligation not to solicit or initiate any discussions with third parties which may reasonably be expected to lead to an acquisition by that third party of an interest of more than 10% in Promina or Suncorp respectively (or a material part of the business or assets of either group).

Further details of this obligation are set out under the heading "Exclusivity" in Appendix 3 (Summary of Merger Implementation Agreement).

Break fees

The Merger Implementation Agreement also provides that Suncorp and Promina will pay a break fee to each other in certain circumstances.

In summary, Promina will be obliged to pay a break fee of $35 million to Suncorp in certain circumstances, including where:

- a third party gains a material interest in Promina Shares or the businesses or assets of Promina;
- the Promina Board does not recommend or withdraws their recommendation of the Scheme; or
- the Merger does not proceed because Promina is in material breach of its obligations under the Merger Implementation Agreement.

Suncorp will be obliged to pay a break fee of $35 million to Promina in certain circumstances, including where:

- the Merger does not proceed because Suncorp is in material breach of its obligations under the Merger Implementation Agreement; or
- the Scheme does not proceed because Suncorp has failed to raise sufficient equity capital to the extent required to satisfy its obligations to pay the cash component of the Scheme Consideration.

Further details of the break fee provisions are set out under the heading "Payment of liquidated amount" in Appendix 3 (Summary of Merger Implementation Agreement).

1.8 Implications of failure to approve the Scheme

Each of Promina's directors recommends that Promina Shareholders agree to the Scheme as the Merger is expected to provide benefits for Promina Shareholders which could not be achieved within the foreseeable future by Promina on a standalone basis.

However, should the Scheme not proceed, the benefits of the Merger will not materialise. The Promina Board believes that, in the absence of this proposal or any alternative proposal to acquire control of Promina, Promina Shareholders are unlikely, in the foreseeable future, to realise a price for their Promina Shares which is equivalent to the value of the Scheme Consideration and that the current price for Promina Shares is likely to fall.

Promina will be liable to pay for any costs and expenses incurred by Promina in relation to the Scheme (for example, printing costs and advisers' fees) whether or not the Merger proceeds. These costs are expected to be substantial, however, no break fee will be payable to Suncorp if Promina Shareholders do not agree to the Scheme, but the Promina Board has recommended that Promina Shareholders vote in favour of the Scheme. A break fee may be payable if the Promina Board changes its recommendation, depending on the circumstances. For further details of the break fee arrangements between Suncorp and Promina, see the heading "Break fees" in Section 1.7 (Other relevant considerations).

Promina Shareholders would, if the Merger did not proceed, retain their direct interest in Promina and continue to collectively control Promina. Promina would remain an independent company and it would be Promina's intention to continue operating in accordance with its stated strategy.

1.9 Implementation of the Scheme and timing

Timing

Important dates and times are set out on page 3.

Key Conditions Precedent

A number of Conditions Precedent must be satisfied or waived before the Scheme can be implemented, as further described in section 8.3 (Conditions Precedent) and under the heading "Conditions Precedent" in Appendix 3 (Summary of Merger Implementation Agreement). In particular, the Scheme is subject to:

- certain Regulatory Approvals, including approvals from the Treasurer of the Commonwealth of Australia, the ACCC and the OIO;
- approval of Promina Shareholders at the Scheme Meeting; and
- approval of the Court.

The status of the key Conditions Precedent as at 13 December 2006 is discussed in section 1.10 (Status of key Conditions Precedent).

The Merger Implementation Agreement timetable also envisages that the Suncorp Shares offered under the Entitlements Issue (which is further discussed under the heading "Entitlements Issue" in section 4.8 (Sources of cash and share consideration)) must be issued before the Scheme is implemented.

The Entitlements Issue is underwritten by the Underwriter. The Underwriting Agreement is subject to certain preconditions and termination events. These events are summarised in Appendix 4 (Underwriting Agreement – preconditions and termination events). Subject to certain preconditions being satisfied and there being no earlier termination of the Underwriting Agreement, upon the approval of the Court, the Underwriter will have an obligation to subscribe for Suncorp Shares on the date on which the Court approval order is made.

If for any reason the Entitlements Issue does not occur, or does not occur in the expected timeframe, Suncorp is obliged under the Merger Implementation Agreement to continue to use its best endeavours to raise the required equity capital to enable the Merger to proceed. However, in this event the timetable for the Merger may be delayed, and if the Merger has not become Effective by 30 June 2007 or any later date agreed by Promina and Suncorp, the Scheme will lapse and be of no further force or effect.

Scheme Meeting

Promina Shareholders will be asked to agree to the Scheme at the Scheme Meeting to be held at 10.00 am on 5 March 2007 at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000.

For the Scheme to proceed, it must be agreed to by:

- a majority in number (i.e. more than 50%) of Promina Shareholders who vote at the Scheme Meeting (in person or by proxy); and
- at least 75% of the total number of the Promina Shares voted at the Scheme Meeting (in person or by proxy).

If the Scheme is agreed to at the Scheme Meeting, approved by the Court and becomes Effective, the Scheme will be binding on all Promina Shareholders (including those who voted against the resolution to agree to the Scheme or who did not vote at all).

For actions to be taken by Promina Shareholders who propose to attend and vote at the Scheme Meeting or to appoint a proxy to attend and vote on the shareholder's behalf, see Part D (How to vote).

Persons who hold Excluded Shares are not entitled to vote in respect of those Excluded Shares at the Scheme Meeting.

The timetable outlined on page 3 is subject to a number of considerations. The current Scheme Meeting date anticipates that key Regulatory Approvals in relation to the Scheme will have been received prior to the Scheme Meeting. Additionally, under the terms of the Merger Implementation Agreement, Promina and Suncorp must consult with each other in good faith with a view to postponing the Scheme Meeting (subject to seeking approval from the Court to do so) if approval from the ACCC has not been obtained prior to the Scheme Meeting. In this event, the Promina Board will send a notice to Promina Shareholders informing them that the Scheme Meeting will be adjourned to a later date.

Court approval

If the necessary majority of Promina Shareholders vote in favour of the Scheme, all other conditions of the Scheme have been satisfied and the subscription monies for Suncorp Shares to be issued under the Entitlements Issue have been received, the Court will be asked to agree to the Scheme.

Implementation of the Scheme

If the Conditions Precedent are satisfied, the Scheme will be implemented on the Implementation Date, which is presently expected to be on 20 March 2007.

On the Implementation Date:

- the cash component of the Scheme Consideration will be paid to Promina Shareholders; and
- Suncorp Shares will be issued pursuant to the Scheme and holding statements for Suncorp Shares will be dispatched to Promina Shareholders. Ineligible Overseas Shareholders should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.

Quit Date

If the Scheme is agreed to by Promina Shareholders at the Scheme Meeting, the Merger may still not be implemented for the reasons set out in this section. The Scheme will lapse and be of no further force and effect if the Scheme has not become Effective on or before 30 June 2007, or such later date as Suncorp and Promina may agree.

It is important for Promina Shareholders to understand that delays in the implementation of the Scheme could lead to the Scheme lapsing if it fails to become Effective by 30 June 2007.

1.10 Status of key Conditions Precedent

The Scheme is subject to a number of Conditions Precedent. The status as at 13 December 2006 of the key Conditions Precedent is outlined in section 8.4 (Status of Conditions Precedent).

One of these Conditions Precedent is confirmation from the ACCC that it does not oppose the Merger. Suncorp has made an application to the ACCC for such confirmation. Following market enquiries and the release of a Statement of Issues, the submission is currently under consideration by the ACCC. The ACCC has indicated that it anticipates making a final decision in relation to Suncorp's application on or around 20 December 2006. This date is merely indicative and the ACCC may revise the date on which it anticipates making a final decision. Any findings released by the ACCC will be announced by Suncorp to ASX and by Promina to ASX and NZX and will be available on the ACCC's website **www.accc.gov.au.**

Promina Shareholders should be aware that the outcome of the ACCC clearance process cannot be guaranteed. Clearance from the ACCC may be subject to undertakings which, depending on their nature, may or may not be material to the Merged Group's operations and profitability.

A discussion of the risks relating to the ACCC regulatory approval is also set out under the heading "Regulatory approval" in section 5 (Risk factors).

1.11 Announcement of results

Promina expects to announce its full year results to 31 December 2006 on 19 February 2007 and Suncorp expects to announce its half year results to 31 December 2006 on 20 February 2007.

The results will be available from ASX or on its website **www.asx.com.au**. In addition, Promina's results will be available from NZX or on its website **www.nzx.com** and on Promina's websites **www.promina.com.au** or **www.promina.co.nz**. Suncorp's results will be available on the Suncorp website **www.suncorp.com.au**.

Following the release of these results, the Promina Board will confirm with the Independent Expert that the results do not change the Independent Expert's opinion that the Merger is in the best interests of Promina Shareholders. This confirmation would be announced to ASX in advance of the Scheme Meeting.

1.12 Shareholders outside Australia, New Zealand and the United States

Suncorp is not obliged to issue Suncorp Shares as consideration to any Promina Shareholder whose address in the Promina Share Register is outside Australia or its external territories, New Zealand or the United States unless Promina and Suncorp are reasonably satisfied that the issue of Suncorp Shares to such Promina Shareholders would not be prohibited, unduly onerous or unduly impracticable.

The Suncorp Shares that would have been issued to these Ineligible Overseas Shareholders will be issued to either or both of the Sale Agents (and/or to a nominee or nominees of the Sale Agents) on the Implementation Date. Suncorp will:

- procure that, as soon as reasonably practicable (and in any event not more than 10 Business Days after the Implementation Date), the Sale Agents, in consultation with Suncorp and Promina, sell or procure the sale on ASX of all of the Suncorp Shares issued to the Sale Agents and/or their nominees in such manner, at such price and on such other terms as the Sale Agents determine in good faith; and
- promptly pay to the Ineligible Overseas Shareholders their proportion of the net proceeds of sale received from the Sale Agents (after deduction of any applicable costs, taxes and charges).

Promina, Suncorp and the Sale Agents give no assurance as to the price that will be achieved for the sale of Suncorp Shares described above. The proceeds that Ineligible Overseas Shareholders will receive may be more or less than the current market value of Suncorp Shares.

Promina and Suncorp currently expect that all Promina Shareholders whose addresses in the Promina Share Register are outside Australia or its external territories, New Zealand or the United States will be Ineligible Overseas Shareholders.

1.13 Tax considerations for Promina Shareholders

Implementation of the Scheme will result in a taxable event occurring, for the purposes of Australian capital gains tax, in relation to the Promina Shares transferred to SIHL under the Scheme.

Some Promina Shareholders may be eligible to obtain partial CGT roll-over relief in respect of the disposal of their Promina Shares under the Scheme, to the extent that the Scheme Consideration received by a Promina Shareholder relates to Suncorp Shares. The roll-over relief will not be available to the extent that the Scheme Consideration is received in cash, or to some Promina Shareholders generally.

A general outline of the potential Australian and New Zealand tax consequences for certain Promina Shareholders in relation to the Scheme Consideration is set out in section 6 (Tax implications). The tax implications for Employee Share Plan Participants are separately described in section 7.4 (Employee Share Plan Participants).

1.14 No brokerage or stamp duty

Promina Shareholders will not incur any brokerage or stamp duty on the transfer of Promina Shares pursuant to the Scheme. However, if you sell your Suncorp Shares after the implementation of the Merger, you may have to pay broker fees.

1.15 Questions

If you have any questions about your Promina Shares or any other matter in this Scheme Booklet, please call the Promina Shareholder Information Line:

- Australia (Toll Free): 1300 653 785
- New Zealand (Toll Free): 0800 333 459
- Outside Australia and New Zealand: (+613) 9415 4603

between 9.00 am and 5.00 pm (Sydney time) Monday to Friday or consult your financial, tax or other adviser without delay.

Section 2: Profile of Suncorp

This section 2 (Profile of Suncorp) has been prepared by Suncorp and Suncorp has accepted responsibility for this section. Promina and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

2.1 Overview

Suncorp is a diversified financial services provider operating across the banking, general insurance and wealth management sectors. The group operates nationally and has its head office in Brisbane, Queensland.

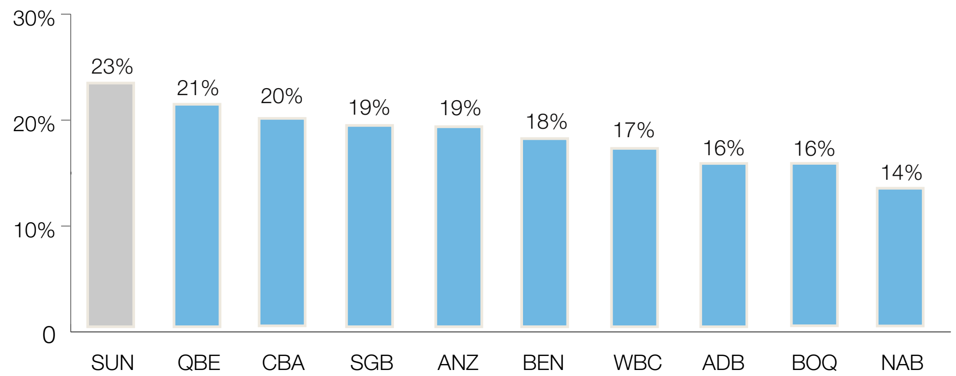
1 December 2006 marked the tenth anniversary of the creation of Suncorp via the three-way merger of QIDC, Metway Bank and SUNCORP Insurance & Finance. In the last ten years, Suncorp has grown from a company with assets of approximately $20 billion and approximately 25,000 shareholders to today being one of Australia's top 25 listed companies, with an asset base of approximately $57 billion and approximately 177,000 shareholders.

Suncorp focuses on personal customers and business customers. The latter includes both SMEs and commercial businesses. Suncorp employs approximately 8,200 full time equivalent employees and services approximately 4.3 million customers, predominantly on Australia's eastern seaboard. An overview of Suncorp's distribution footprint is set out in the section headed "Distribution" in section 2.3 (Vision, strategy and business model) below.

Suncorp derives approximately 60% of its revenues from within Queensland. Economic growth in Queensland has exceeded the growth of the Australian economy nationally for much of the last twenty years.

The compound annualised TSR for a Suncorp Shareholder over the ten year period to 1 December 2006 was 23%, which exceeded the returns of the major and regional banks and the only other Australian insurer listed over that period. Refer to Figure 4 below. As at 7 December 2006, Suncorp had a market capitalisation of more than $11 billion.

Figure 4 – Suncorp's annualised ten year TSR against peers*

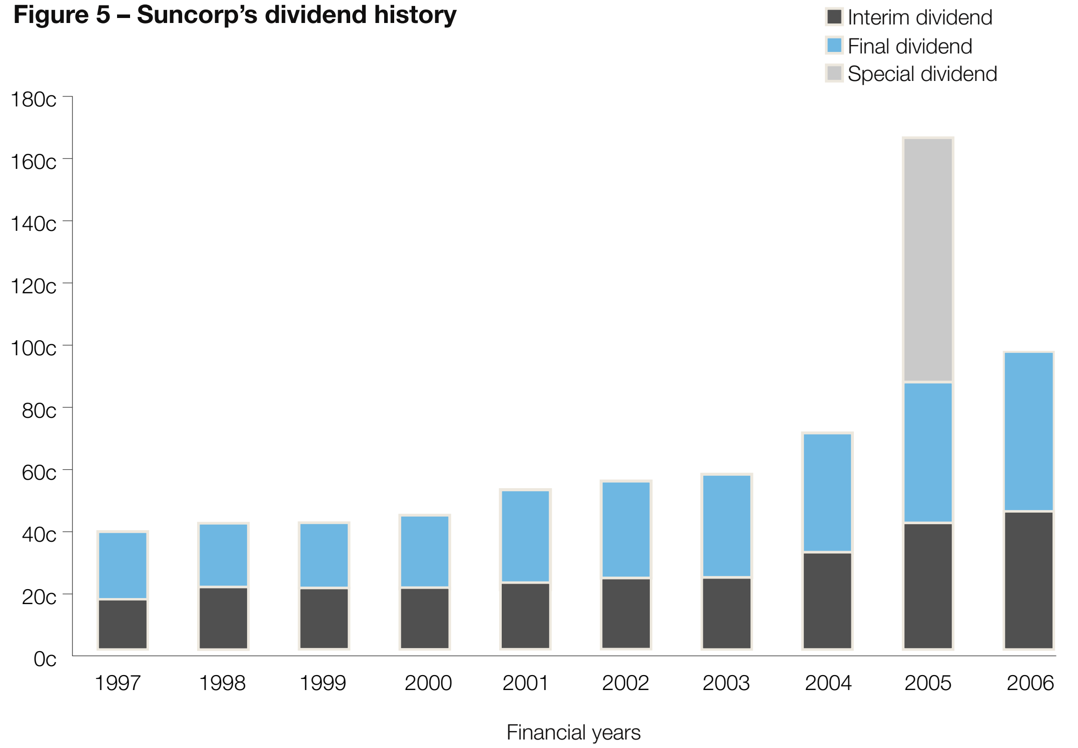


Source: IRESS.

*As at 1 December 2006. The companies referred to in the above chart are identified by their ASX codes. Each TSR has been determined by calculating the annual percentage return from share price appreciation and dividends paid over the period, in comparison to the opening period share price. The calculation assumed dividends paid were reinvested in shares at the time of the ex-dividend date.

Suncorp also has a track record of providing strong dividend growth for its shareholders as illustrated in Figure 5 below.

Figure 5 – Suncorp's dividend history



2.2 Recent history

In 1996, Metway Bank Ltd (a public listed company) acquired SUNCORP Insurance & Finance and QIDC Ltd (both then owned by the Queensland Government) under a three-way merger. Metway Bank Ltd changed its name to Suncorp-Metway Limited shortly afterwards.

In 2001, Suncorp acquired from AMP the GIO Australian personal and SME lines of business, consolidating Suncorp's position as a leading general insurance participant in the Australian market. In 2002, the Suncorp Group acquired AMP Life Ltd's 50% shareholding in two motoring club insurance joint ventures – RACQ Insurance Pty Ltd in Queensland and RAA Insurance Pty Ltd in South Australia.

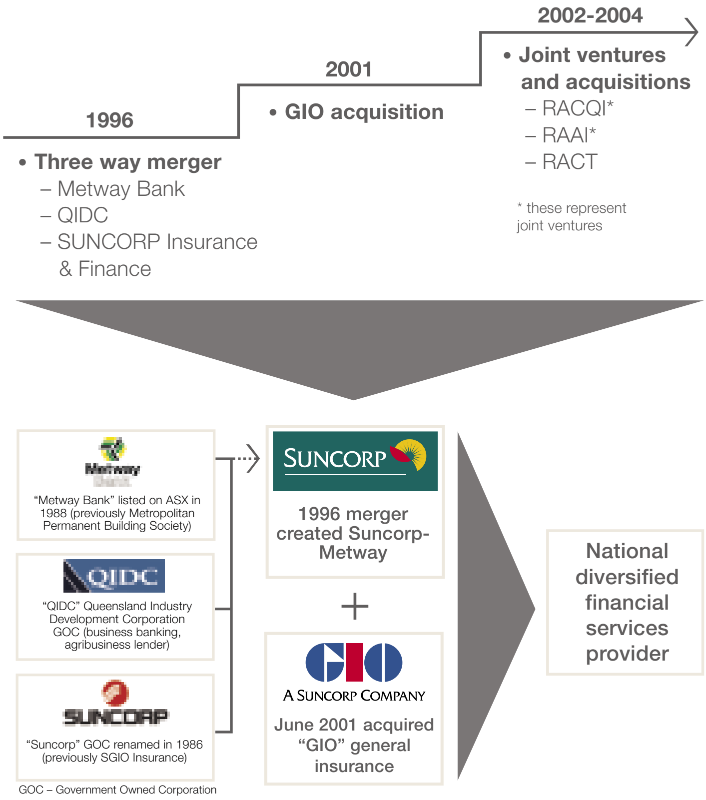
On 1 July 2002, Suncorp simplified its brand from "Suncorp-Metway" to "Suncorp" and this brand is utilised for all activities in Queensland and for banking and wealth management nationally. The GIO brand is the main brand for general insurance business outside of Queensland.

In 2004, Suncorp acquired RACT Insurance Pty Ltd, and that company entered into an agreement with The Royal Automobile Club of Tasmania Limited for the distribution of general insurance products in Tasmania.

An overview of these developments is set out in Figure 6 below.

Figure 6 – Suncorp's recent history

Recent Milestones in Suncorp's formation



2.3 Vision, strategy and business model

Vision

Suncorp's vision is to be Australia's most desirable financial services organisation for:

- customers to do business with;
- employees to work for;
- the community to be associated with; and
- shareholders to invest in.

Strategy

Suncorp's strategy is based on its three lines of business performing strongly in their own right while also realising the available cost and revenue synergies from bringing together three lines of business in one organisation. This allows Suncorp to operate very cost effectively for an organisation of its size.

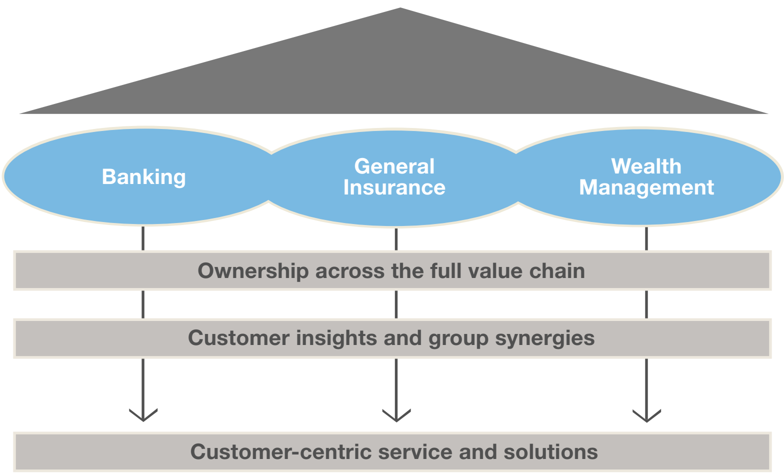
Additionally, the diversified financial services strategy allows Suncorp increased opportunities for customer interaction and a greater level of customer knowledge. This enables an improved understanding of customer needs and the ability to offer targeted customer solutions, drawing on product and service offerings across banking, general insurance and wealth management.

Suncorp's business lines are supported by a corporate centre function, providing services including human resources, information technology, communications and financial budgeting and reporting. The management structure is focused on leaders having end-to-end accountability for business performance.

Business model

Suncorp's business model is illustrated in Figure 7 below.

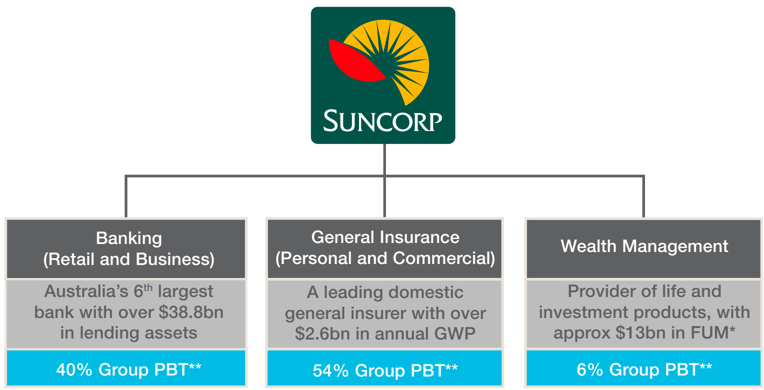
Figure 7 – Suncorp's business model



Business divisions

Suncorp operates three main business divisions as illustrated in Figure 8 below.

Figure 8 – Overview of Suncorp primary business activities



Note:
* FUM – Funds Under management
** PBT – Profit before tax (year ended 30 June 2006)

Banking

Suncorp's retail banking operations had approximately $22 billion of lending assets as at 30 June 2006 and provide a range of banking products such as home and personal loans, savings and transaction accounts, margin lending, credit cards and foreign currency services. The retail bank has over 800,000 personal customers, serviced by a wide range of distribution channels (see the table under the heading "Distribution" below) and by its on-line banking system (approximately 280,000 registered users as at 3 November 2006). Suncorp also distributes its retail banking products via its wholly-owned LJ Hooker real estate franchise, a distribution arrangement with the First National real estate franchise and through third party intermediaries.

Suncorp's business banking operations had approximately $17 billion of lending assets as at 30 June 2006 and provide approximately 77,000 SME and commercial customers with a range of banking products and services, including working capital and term finance, project and structured finance, vehicle and equipment leasing and rental and chattel mortgages. The business is structured over five specialist business lines comprising: commercial banking, corporate banking, agribusiness, property finance and equipment finance.

General insurance

Suncorp's general insurance business serves over 3.8 million personal and business customers throughout Australia.

Personal lines products include insurance of home and contents, personal effects, motor vehicles (including CTP insurance) and marine pleasure craft.

Commercial lines products include workers compensation, as well as various insurance products tailored to the SME market such as commercial motor, property, rural and liability.

Products are sold through a wide range of distribution channels (see the table under the heading "Distribution" below).

Wealth management

Suncorp's wealth management business comprises the provision of life insurance, superannuation and investment management products.

The wealth management business provides a range of products and services, including superannuation (personal, allocated pension and employer sponsored), managed investments (unit trusts), life insurance products (term life, trauma and disability insurance) and financial planning and advice to more than 160,000 personal and business customers. The products and services are delivered through Suncorp's wide range of distribution channels (see the table under the heading "Distribution" below).

Suncorp had approximately $13 billion in funds under management as at 30 June 2006, including both internally generated funds (from the general insurance and life insurance operations), as well as external funds relating to superannuation and investment funds (including wholesale investment products) and wholesale third party investment management mandates. Mandates cover domestic and international asset classes including cash, fixed income, equities and listed property trusts via sector specific or diversified investment options.

Distribution

Suncorp's distribution footprint is set out in the following table:

Suncorp's distribution footprint as at 1 December 2006

Distribution channel	National	Queensland only
Retail branches and agencies	172	134
GIO agencies	34	Not applicable
Business banking outlets	54	36
Mobile lenders	73	54
Business banking relationship managers	209	127
Corporate/general insurance agencies	96	94
Corporate agents/authorised representatives	296	285
Financial advisers and planners	104	87
AMP authorised representatives/brokers	1,350	Not available
General insurance brokers	465	165
Motor dealers finance brokers/authorised representatives	1,047	941
Call centres (national servicing)	5	3

2.4 Suncorp's integration experience

Suncorp's corporate history and financial performance highlight a track record in executing and integrating major acquisitions and improving shareholder returns. Suncorp has built up a strong corporate competency in the execution of such projects, including a number of in-house proprietary systems and methodologies developed during the course of several successful integrations. Suncorp's relevant experience includes:

- merging the disparate cultures inherited as part of the three-way merger in 1996;
- extracting synergies of $240 million in annual pre-tax cost savings from the GIO acquisition – significantly in excess of the original business case;
- successful restructuring of the organisation in 2003 along a diversified financial services model, with each business unit retaining full accountability for their end-to-end profitability, supported by a corporate centre; and
- acquiring and integrating RACT Insurance Pty Ltd in Tasmania and continuing to operate a successful commercial agreement with the Royal Automobile Club in Tasmania.

2.5 Suncorp's board and management structure

Suncorp Board

The Suncorp Board currently comprises seven non-executive directors and two executive directors (the Managing Director and the Chief Financial Officer).

John Story

Chairman and Non-Executive Director, BA, LLB, FAICD
Director since January 1995, Deputy Chairman since June 2002 and Chairman since March 2003. John Story is non-executive Chairman of the board of the law firm Corrs Chambers Westgarth and is a director of CSR Limited and Tabcorp Holdings Limited. He is Chairman of the national board of the Australian Institute of Company Directors. Mr Story has also been appointed a member of the Senate of the University of Queensland and the Companies Auditors and Liquidators Disciplinary Board and is a Commissioner of the Service Delivery and Performance Commission (Qld).

William Bartlett

Non-Executive Director, FCA, CPA, FCMA, CA (SA)
Director since 1 July 2003. Bill Bartlett is a director of Reinsurance Group of America Inc., RGA Reinsurance Company of Australia Limited, Peptech Limited and MoneySwitch Limited. He has had 35 years experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003.

Mr Bartlett also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board since 1994. In December 2004, he was appointed as a consultant to the Financial Reporting Council and he holds an honorary position on the board of the Bradman Foundation and the Bradman Museum.

Ian Blackburne

Non-Executive Director, MBA, PhD, BSc (First Class Hons)
Director since August 2000. Ian Blackburne is Chairman of CSR Limited and a director of Teekay Shipping Corporation and Symbion Health Limited. He is the former Managing Director of Caltex Australia Limited having spent 25 years in the petroleum industry.

Cherrell Hirst AO

Non-Executive Director, MBBS, BEdSt, DUniv (Hon), FAICD
Director since February 2002. Cherrell Hirst is a medical doctor and was a leading practitioner in the area of breast cancer diagnosis. She is Chairman of Peplin Limited, and Deputy Chairman of Queensland BioCapital Funds Pty Ltd. She is a director of MBF Australia Limited Group, Opera Queensland Limited, Australasian Medical Insurance Limited and United Medical Protection Limited. Dr Hirst was a director of Metway Bank from July 1995 to December 1996. Dr Hirst was Chancellor of Queensland University of Technology from 1994 to 2004.

James Kennedy AO CBE

Non-Executive Director, DUniv (QUT), FCA

Director since August 1997. James Kennedy is a Chartered Accountant and a director of GWA International Limited and until recently was also a director of Australian Stock Exchange Ltd and Qantas Airways Limited. Mr Kennedy has recently resigned from the Suncorp Board, effective 31 December 2006.

Martin Kriewaldt

Non-Executive Director, BA, LLB (First Class Hons), FAICD

Director since 1 December 1996. Martin Kriewaldt was also a director of the Suncorp Group from 1990 and Chairman at the time of the merger that formed the Suncorp-Metway Limited Group in 1996. He is Chairman of Opera Queensland Limited, and a director of Campbell Brothers Limited, GWA International Limited, Oil Search Limited and Peptech Ltd. Mr Kriewaldt is President of the Queensland Council of the Australian Institute of Company Directors. He also provides advice to Allens Arthur Robinson and Aon Holdings Australia Limited and is a member of the Redeemer Lutheran College Council.

Zygmunt Switkowski

Non-Executive Director, BSc (Hons), PhD, FAICD

Director since September 2005. Ziggy Switkowski is a director of Healthscope Limited, Tabcorp Holdings Limited, Opera Australia and Chairman of the Uranium Mining, Processing and Nuclear Energy Review Taskforce. He was previously CEO of Telstra Corporation Limited, Optus Communications Ltd and Kodak Australasia Pty Ltd.

John Mulcahy

CEO and Managing Director, PhD (Civil Engineering), BE (First Class Hons)

John Mulcahy joined Suncorp as CEO and Managing Director on 6 January 2003. He previously held a number of executive roles at the Commonwealth Bank since 1995. Mr Mulcahy is an experienced financial services executive with broad management experience, having served as Chief Executive of Lend Lease Property Investment Services and Chief Executive of Civil & Civic prior to 1995. In March 2006, he was appointed by the Federal Government to the Future Fund Board of Guardians. Mr Mulcahy is also president elect of the Insurance Council of Australia and is a Council member of the Australian Bankers Association.

Chris Skilton

Chief Financial Officer and Executive Director, BSc (Econ)(Hons), ACA, MAICD

Chris Skilton joined Suncorp in June 2001 as Chief Financial Officer. He has over 20 years experience in various senior roles in the finance sector. He was previously Deputy Chief Financial Officer and then Group Executive for New Zealand and the Pacific Islands with Westpac Banking Corporation, Managing Director and CEO of AIDC Ltd. Mr Skilton was also appointed as acting CEO of the Australian Submarine Corporation, a large and complex engineering project. He has held executive positions with Security Pacific Australia and Barclay Group of Companies. He has been a director of Suncorp since 13 November 2002.

Residency of directors and head office requirements

The Facilitation Act requires that:

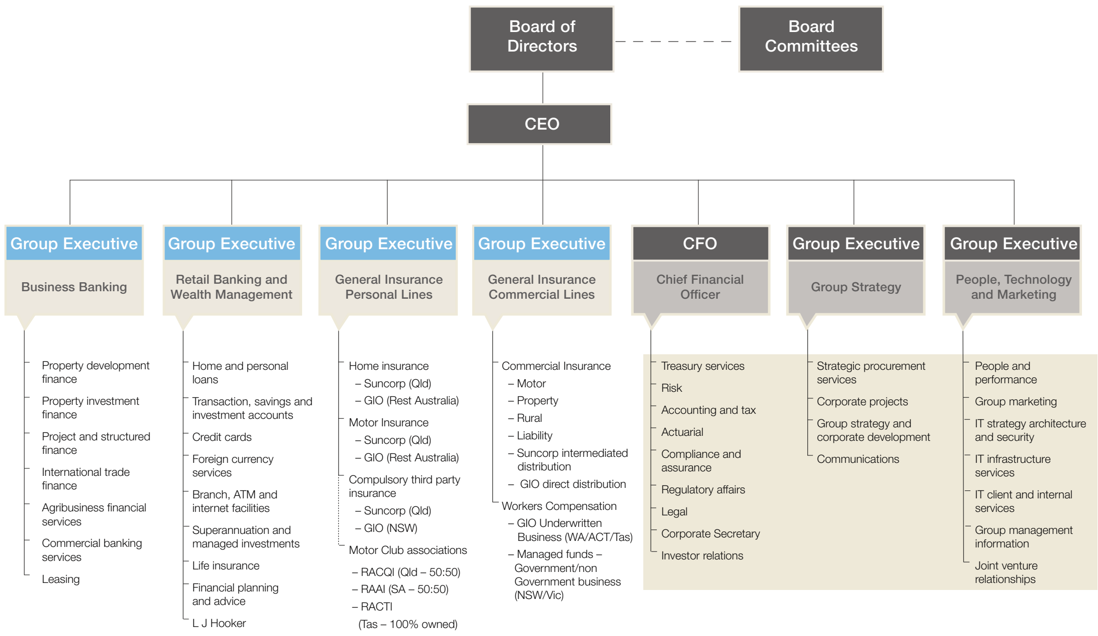
- the head office of Suncorp and certain other principal operating companies (including the principal operational offices of the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and of various company services) must at all times be located in Queensland; and
- a majority of directors, including the managing director, must be ordinarily resident in Queensland.

The Suncorp constitution and the constitutions of the other principal operating companies reflect these requirements.

Management structure

Suncorp's management structure as at 7 December 2006 is set out in Figure 9 below.

Figure 9 – Suncorp organisational structure



Group executive profiles

John Mulcahy, PhD (Civil Eng), BE (First Class Hons)

Executive Director, CEO and Managing Director

John Mulcahy's profile is set out under the heading "Suncorp Board" above.

Chris Skilton, BSc (Econ)(Hons), ACA, MAICD

Executive Director, Chief Financial Officer

Chris Skilton's profile is set out under the heading "Suncorp Board" above.

David Foster, BSc, MBA

Group Executive Strategy

David Foster is responsible for the Suncorp Group strategy functions. He joined Suncorp in 2003 after 14 years in a number of senior roles at Westpac Banking Corporation in Queensland and New South Wales. Since joining Suncorp, he has worked in retail banking, responsible for strategy and deposit customer management, and from November 2005 to May 2006, was the General Manager for Group Strategy and Corporate Development.

Mark Milliner, BComm, MBA

Group Executive General Insurance – Commercial Lines

Mark Milliner was appointed to the Group Executive position in July 2006. He was previously General Manager General Insurance Property Claims and has extensive experience in accounting, insurance, banking and organisational change management. Mr Milliner joined Suncorp in 1994 and has worked on strategic change management projects including the merger of Suncorp, Metway Bank and QIDC in 1996 and the integration of Suncorp and GIO in 2001. He has also held a number of senior insurance management positions throughout Suncorp.

Mark Blucher, SF Fin

Group Executive General Insurance – Personal Lines

Mark Blucher was recently appointed Group Executive General Insurance – Personal Lines, recognising the growth of Suncorp's general insurance business. Mr Blucher was previously Group Executive Retail Banking Customers and Group General Manager Retail Distribution. He joined Suncorp as General Manager Human Resources in September 1997, after 19 years in a number of senior positions with the ANZ Bank's operation in New Zealand.

Diana Eilert, MComm (Mktg & Finance), BSc (Pure Maths)

Group Executive People, Technology & Marketing

Diana Eilert heads people and performance, technology, marketing and joint ventures. She joined Suncorp in 2003 as Group Executive General Insurance. Ms Eilert moved to her current role in July 2006. She has worked in financial services for over 20 years, commencing her career with NRMA Insurance. Ms Eilert has held executive and senior management roles in banking – including 10 years with Citibank – and insurance and investment. She has also worked as a consultant including roles as a principal with AT Kearney and as a partner with IBM.

Bernadette Inglis, BBus (Mktg), MBA

Group Executive Retail Banking & Wealth Management

Bernadette Inglis leads the combined Retail Bank and Wealth Management Division. She was previously responsible for the Wealth Management and group strategy and the marketing function across Suncorp. Ms Inglis joined Suncorp in 2003 and has over 20 years experience in the financial services sector. Previously, she held a number of senior executive roles at the Commonwealth Bank, including responsibility for the Retail Banking division's strategy development, the growth of the bank's internet banking and the development of the Commonwealth Bank's online businesses.

Stuart McDonald, BComm, MAppFin

Group Executive Business Banking Customers

Stuart McDonald was appointed Group Executive Business Banking Customers in December 2005. He was previously General Manager Group Strategy and Corporate Relations. Mr McDonald was responsible for developing group strategy, corporate development, public affairs and government relations, and e-commerce. He was recruited to QIDC in 1995, where he established and managed the foreign exchange sales and trading functions. Following the merger of Suncorp, Metway Bank and QIDC in 1996, Mr McDonald played a major role in the implementation of the ensuing transformation programme. He then spent five years as General Manager Customer Development and Strategy for Suncorp's business banking operations.

2.6 Suncorp's performance

Historical financial information

Historical financial information provided below has been extracted from Suncorp's Annual Report 2006. This information does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Suncorp Group as the full consolidated financial report.

A copy of Suncorp's 2006 Annual Report, including the consolidated financial report and independent audit report, is available on the Suncorp website **www.suncorp.com.au.**

The consolidated financial report was audited by KPMG.

Income statement

The following table shows the consolidated income statements for Suncorp for the years ended 30 June 2005 and 30 June 2006.

	2006 $m	2005 $m
Revenue		
Banking interest revenue	2,887	2,527
Banking interest expense	(2,039)	(1,740)
	848	787
General insurance premium revenue	2,644	2,587
Life insurance premium revenue	136	113
Banking fee and commission revenue	202	211
Banking fee and commission expense	(73)	(82)
Reinsurance and other recoveries revenue	335	338
General insurance investment revenue		
– insurance funds	241	302
– shareholder funds	232	199
Life insurance investment revenue	805	586
Other revenue	210	280
	5,580	5,321
Expenses		
Operating expenses	(1,431)	(1,260)
General insurance claims expense	(1,948)	(2,085)
Life insurance claims expense	(78)	(73)
Outwards reinsurance premium expense	(145)	(147)
Increase in net policy liabilities	(497)	(378)
Decrease in unvested policy owner benefits	55	24
Non-banking interest expense	(184)	(26)
	(4,228)	(3,945)
Share of profits of associates and joint ventures	25	28
Profit before impairment losses on loans and advances and tax	1,377	1,404
Impairment losses on loans and advances	(31)	(27)
Profit before tax	**1,346**	**1,377**
Income tax expense	(430)	(386)
Profit for the year	**916**	**991**
Profit attributable to outside equity interests	–	(109)
Profit attributable to equity holders of the parent	**916**	**882**

Earnings per share for profit attributable to the ordinary equity holders of the company:	Cents	Cents
Basic earnings per share	166.6	160.5
Diluted earnings per share	166.6	160.4

Suncorp recorded a net profit after tax for the year ended 30 June 2006 of $916 million, compared to $882 million in the previous year. The divisional operating profit before income tax and amortisation of goodwill is as follows:

	2006 $m	2005 $m
Banking	506	454
General insurance	691	660
Wealth management	153	238
Other	(4)	25
Total	1,346	1,377

The wealth management profit includes profits relating to outside equity interests and income tax attributable to policy owners. The following reconciliation adjusts for these items:

	2006 $m	2005 $m
Contribution to profit from Wealth Management activities before tax	153	238
Profit attributable to outside equity interests	–	(82)
Income tax attributable to policy owners	(72)	(63)
Contribution to profit from Wealth Management activities before tax excluding policy owners' interests	81	93

Group results

Suncorp's underlying profit before tax for the year ended 30 June 2006 was $1,042 million, excluding goodwill, one-off gains and earnings on shareholder funds in both general insurance and wealth management. Net profit after tax was $916 million.

Suncorp declared a fully franked final ordinary dividend of 50 cents per Suncorp Share for 2006, bringing the full year ordinary dividend to 97 cents per Suncorp Share.

Set out below are the results for each of Suncorp's business divisions for 2006.

Banking

Banking profit before tax increased 11% to $506 million (2005: $454 million). This was underpinned by solid revenue growth, continued control over costs and disciplined credit practices.

During the 2006 Financial Year, the bank focused on driving profitable growth through product innovation, packaging and competitive pricing, together with cost and credit discipline.

Net interest income, including securitised loans and funding, increased 8% to $848 million (2005: $786 million) driven by solid growth in loan assets and deposits.

Total receivables (including securitised assets) reached $38.5 billion, up 11% on the prior year (2005: $34.8 billion). Housing loans (including securitised assets) increased 10% to $20.8 billion (2005: $18.9 billion) and business banking grew by 10% to $16.8 billion (2005: $15.2 billion). Growth in business lending was achieved against the backdrop of a competitive market and subdued development and construction in the residential sector.

Operating expenses increased by 2% to $460 million (2005: $452 million) due mainly to additional staff expenses. However, the rate of growth was less than the revenue increase of 7%, leading to a reduced cost to income ratio of 46.1% (2005: 48.4%).

Impairment losses on loans and advances were $31 million (2005: $28 million). As a proportion of average loans, impairment losses for the year remained constant with the prior year, further underlining the strong credit quality of the loan portfolio.

General insurance

General insurance's profit before tax increased by 5% to $691 million (2005: $660 million) driven by solid premium growth and favourable claims experience in short and long tail classes.

These benefits were offset to some extent by the costs associated with Cyclone Larry ($80 million net of reinsurance recoveries) and premium reductions in the CTP portfolio as the benefits of tort law reforms are passed on to customers.

GWP increased by 3% to $2.6 billion (2005: $2.5 billion), primarily due to growth in short tail personal lines. The growth occurred despite a highly competitive operating environment and continued pressure on premium rates, particularly in commercial lines. Overall premium growth is also constrained by the business' sizeable CTP portfolio.

Net earned premium increased by 2% to $2.5 billion (2005: $2.4 billion) reflecting slightly lower growth than GWP, due to higher unearned premium movement.

Net incurred claims decreased by 8% to $1.6 billion (2005: $1.8 billion). Storm activity had a significant impact on the short tail classes over the year, particularly due to Cyclone Larry. Otherwise, the claims cost reduction work led to improved underlying claims experience in both long tail and short tail classes, and tort law reform has continued to benefit long tail classes.

Total operating expenses for the year increased by 16% to $669 million (2005: $575 million), increasing the total operating expense ratio to 26.5% (2005: 23.3%). The majority of the increase was due to higher acquisition costs impacted by lower deferral of acquisition costs (including AIFRS liability adequacy adjustments), higher levies and charges and increased investment in marketing.

Investment income on insurance provisions increased 27% to $310 million before discount rate adjustments (2005: $244 million), reflecting higher provisioning balances together with higher yields and funds under management.

The insurance trading result increased by 6% to $471 million (2005: $444 million). This equates to a margin of 18.6% on net earned premium.

Wealth management

Wealth management's profit before tax was $81 million (excluding income tax attributable to policy owners). The underlying profit of $54 million for the year, which excluded one-off items and the impact of investment earnings, was up 17.4% from $46 million (on an AIFRS comparable basis) for 2005. The result benefited from higher planned profit, improved experience profit and increased fees from growth in funds under administration and funds under management.

New business sales increased 19% to $782 million (2005: $658 million). Growth was supported by the sustained confidence in equity markets as well as changes to taxation legislation applying to superannuation. The value of new business increased very strongly by 78%, boosted by increased volumes and increased profitability driven mainly by improved retention on most products and movement to a risk-free discount rate for risk and annuity business under AIFRS.

Balance sheets

The following table shows the consolidated balance sheets for Suncorp as at 30 June 2005 and 30 June 2006.

	2006 $m	2005 $m
Assets		
Cash and cash equivalents	489	1,084
Receivables due from other banks	26	67
Other financial assets		
Trading securities	3,773	3,396
Investment securities	10,926	9,958
Investments in associates and joint ventures	138	213
Loans, advances and other receivables	39,633	35,771
Bank acceptances of customers	316	74
Property, plant and equipment	131	105
Investment property	196	156
Intangible assets	1,124	1,101
Other assets	617	563
Total assets	57,369	52,488
Liabilities		
Deposits and short term borrowings	27,683	27,157
Payables due to other banks	120	66
Bank acceptances	316	74
Payables and other liabilities	781	1,044
Current tax liabilities	136	182
Provisions	154	201
Deferred tax liabilities	68	55
Outstanding claims, unearned premiums and unexpired risk liabilities	5,672	5,538
Gross policy liabilities	3,906	3,244
Unvested policy owner benefits	270	324
Outside beneficial interests	854	–
Securitisation liabilities	5,700	3,906
Bonds, notes and long term borrowings	5,560	4,468
Subordinated notes	1,466	968
Preference shares	250	–
Total liabilities	52,936	47,227
Net assets	4,433	5,261
Equity		
Share capital	2,973	3,018
Reserves	28	12
Retained profits	1,432	1,484
Total equity attributable to equity holders of the parent	4,433	4,514
Outside equity interests	–	747
Total equity*	4,433	5,261

*Total equity decreased by $828 million in the year to 30 June 2006. The main reason for this decrease is the reclassification of certain items from equity to liabilities on 1 July 2005 upon transition to AIFRS. Specifically, $244 million of preference shares and $747 million of outside equity interests were reclassified from equity to liabilities.

Key ratios

The table below sets out the key financial ratios for Suncorp for the years ended 30 June 2005 and 30 June 2006.

		2006	2005
Performance ratios			
Earnings per share			
Basic	Cents	166.6	160.5
Diluted	Cents	166.6	160.4
Return on average shareholders' equity			
Basic	%	21.1	21.6
Diluted	%	21.0	21.4
Insurance trading ratio	%	18.6	18.0
Productivity			
Banking cost to income ratio	%	46.1	48.4
General Insurance expense ratio	%	26.5	23.3

Impact of AIFRS

The Suncorp consolidated financial report for the year ended 30 June 2006 has been prepared in accordance with AIFRS. Comparatives have been updated to reflect AIFRS. They exclude the impact of certain AIFRS adjustments which are subject to transitional arrangements. The largest impact to net profit after tax is that goodwill is no longer being amortised under AIFRS, as illustrated below.

	2005 $m
Net profit reported at 30 June 2005 (AGAAP)	821
AIFRS adjustments:	
Goodwill	61
AIFRS net profit (statutory)	882

The AIFRS adjustments excluded from the comparatives due to the transitional arrangements do not have a material impact on net profit or cash earnings of Suncorp.

More detailed information on the impact of AIFRS is contained in Suncorp's consolidated financial report for the year ended 30 June 2006.

One-off items

The following one-off items were noted in Suncorp's Annual Results Analysts' Presentation 2006 (available on Suncorp's website **www.suncorp.com.au**).

	2006 $m	2005 $m
One-off items included in profit before income tax are:		
Sale of management rights over Australian Prime Property Fund	–	17
Corporate real estate	(5)	–
Change in valuation methodology of policy liabilities of unit linked statutory fund business	(2)	–
	(7)	17
The above items affect the following captions in the contribution to profit:		
Contribution from Life Company	(2)	–
Contribution from Funds Management	–	17
Operating expenses	(5)	–
	(7)	17

Subsequent events

There have been no material changes to the financial position of Suncorp since 30 June 2006, other than in the ordinary course of business.

2.7 Capital management

Suncorp's capital management policy is aimed at maximising shareholder returns while ensuring there is sufficient capital to support the risks borne by the different lines of business. It requires the maintenance of adequate capital levels as well as an appropriate capital mix.

Suncorp has regulated business entities whose minimum capital requirements are determined by the regulator, APRA. For example, the bank and banking group have to meet capital adequacy requirements and the licensed general insurers have to meet MCR coverage requirements. In addition to the regulatory requirements, Suncorp maintains a level of capital that is appropriate for its target credit ratings.

Capital ratios

Capital ratio	Target	Actual June 2006	Pro forma June 2006
Bank Capital Adequacy Ratio	10.0% - 10.5%	12.31%	11.28%
Bank Adjusted Common Equity (ACE) Ratio	4.5% - 5.0%	6.07%	6.47%
General Insurance MCR Coverage	1.6 times	1.79 times	1.79 times

Suncorp has completed several capital management initiatives since June 2006. The first reset date for Suncorp RPS was in September 2006. At that time $106 million of the Suncorp RPS were exchanged for new ordinary shares and the remaining $144 million Suncorp RPS were reset at a market rate. The first call option date on $275 million of the bank's subordinated debt fell in late September, at which time the subordinated debt was redeemed. The pro forma impact of these transactions is shown in the table above.

As part of Suncorp's 2006 full year result announcement in September 2006, Suncorp announced an intention to undertake a $250 million to $300 million issue of a Tier 1 innovative hybrid instrument and to consider a distribution of surplus banking capital in the December quarter. Upon entering the Merger Implementation Agreement, Suncorp announced that it would not proceed with the proposed capital transactions and would instead seek to employ the surplus capital to assist the funding of the cash component of the Scheme Consideration, should the Scheme proceed.

2.8 Funding

Sources of funding

Suncorp funds its operations through a combination of retail deposits, wholesale borrowings, securitised assets and capital.

Retail deposits are raised by Suncorp's banking business and comprise transaction accounts, investment accounts and term deposits.

Suncorp actively taps both the inter-bank and wholesale short-term markets in Australia and offshore, through its wholesale markets desks in Brisbane, Sydney and Melbourne.

Securitisation of assets forms part of Suncorp's diversified funding programme. By structuring the debt to enhance the credit profile, Suncorp effectively accesses a different investor base than that which typically subscribes for Suncorp's own "A" rated debt securities. To date, all assets securitised have been residential mortgages.

2.9 Credit rating

Suncorp's current credit ratings are set out in the table below.

Credit ratings	Short term	Long term	Insurer financial strength General Insurance	Insurer financial strength Life & Super
Standard & Poor's	A-1	A	A	A
Moody's – Bank deposits	P-1	A2	N/A	N/A
Moody's – Senior debt	P-1	A2	N/A	N/A
Fitch Ratings	F1	A	A+	A

The credit ratings are subject to change following the completion of the relevant agency's assessment of the impact of the Merger. The reviews are anticipated to result in a positive change to Suncorp's current ratings. See section 4.7 (Capital structure) for further details.

2.10 Suncorp Shares

Suncorp's capital structure

As at 13 December 2006, there are:

- 565,706,921 Suncorp Shares;
- 1,440,628 Suncorp RPS; and
- 2,000 Non-Participating Shares,

on issue.

Rights attaching to Suncorp Shares

Set out below is a summary of the rights attaching to Suncorp Shares. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Suncorp, which can involve complex questions of law arising from the interaction of Suncorp's constitution and statutory, common law and ASX Listing Rule requirements.

Share capital

Subject to Suncorp's constitution, the Corporations Act and ASX Listing Rules and to any special rights attached to any shares:

- all unissued shares shall be under the control of the Suncorp Board who may classify, allot, grant options over, or otherwise dispose of or deal with them on such terms and conditions as the Suncorp Board may determine;
- the Suncorp Board may issue shares with such preferential, deferred, qualified or special rights, privileges or conditions, or subject to such restrictions, whether in regard to dividends, voting, return of capital or otherwise, as they think fit; and
- the Suncorp Board shall not issue any share in the company other than the Non-Participating Shares with a voting right more advantageous than that available to any Suncorp Share previously issued by the company.

There are 2,000 Non-Participating Shares held by Permanent Trustee Australia Limited as trustee under a deed of trust dated 23 March 1988. The Non-Participating Shares confer certain limited rights on the holder in relation to pre-conversion reserves of approximately $13 million. These are reserves in existence as at the date of conversion of Suncorp from Metropolitan Permanent Building Society Limited to Metway Bank Limited in 1988, and are held for the benefit of former Metropolitan Permanent Building Society Limited members. These shares confer limited voting rights on the trustee (but effectively include a veto right on amendments to certain entrenched provisions in the constitution relating to the Non-Participating Shares and the pre-conversion reserves).

Voting
Subject to some minor exceptions, on a show of hands each Suncorp Shareholder present in person or by representative, attorney or proxy shall have one vote, and on a poll every such person shall have one vote for every Suncorp Share held by them.

Partly paid ordinary shares in Suncorp confer on a poll only such fraction of one vote as the amount paid up (not credited) on that share bears to the total amounts paid and payable on that share (excluding amounts credited).

Dividends
The Suncorp Board may, from time to time, declare a dividend to be paid to Suncorp Shareholders out of profits.

The dividend so declared is divisible among Suncorp Shareholders in the proportions which the amounts paid up (not credited) on the Suncorp Shares held by them respectively bear to the total amounts paid and payable (excluding amounts credited) in respect of those Suncorp Shares.

Transfer of Suncorp Shares
Suncorp Shares may be transferred by written transfer (stamped if necessary) or in any manner permitted or required by ASX Listing Rules or the ASTC Settlement Rules.

The Suncorp Board may refuse to register a transfer of Suncorp Shares, or may ask ASTC to apply a Holding Lock, where such refusal is permitted under ASX Listing Rules or when registration is not permitted by any court order or the ASX Listing Rules.

General meetings and notices
Each Suncorp Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of Suncorp and to receive all notices, accounts and other documents required to be sent to shareholders under Suncorp's constitution or the Corporations Act.

Winding up
If Suncorp is wound up and, after payment of the creditors of the company (other than shareholders in their capacity as shareholders), there are surplus assets, those surplus assets shall be applied as follows:

- if the winding up occurs before the Pre-conversion Reserve Termination Date, the holders of the Non-Participating Shares shall receive an amount equal to the pre-conversion reserves (plus any amount by which those pre-conversion reserves have previously been written down as permitted under the constitution); and
- the remainder (if any) in the following order:
  - firstly, to the holders of the Non-Participating Shares, if such shares still exist, to the extent of the capital paid up on those shares; and
  - secondly, to the Suncorp Shareholders in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

The terms of the Suncorp RPS provide that the holders are entitled to receive, on a winding up, the amount of any accrued but unpaid dividend plus the face value of the Suncorp RPS before any return of capital is made to holders of Suncorp Shares or any other class of shares ranking behind the Suncorp RPS.

Employee share schemes
Suncorp currently has in place an exempt employee share plan (Suncorp EESP), a deferred employee share plan (Suncorp DESP), a Non-executive Directors Share Plan (Suncorp NEDSP) and an Executive Performance Share Plan (Suncorp EPSP). An overview of the Suncorp EPSP is contained below.

While the terms of these plans allow Suncorp to issue Suncorp Shares for the purposes of these plans, Suncorp's practice is to acquire the required Suncorp Shares in the ordinary course of trading on ASX.

As noted above, Suncorp has previously operated an Employee Option Plan, but no further options are being issued under that plan.

Suncorp EPSP
Executive directors and other senior management of the Suncorp Group may participate in the Suncorp EPSP.

Offers are generally made at the commencement of employment, and then annually.

Suncorp Shares are offered to a participant under the Suncorp EPSP at a price equivalent to the VWAP of Suncorp Shares on ASX over a five trading day period preceding the date of the offer.

The vesting of Suncorp Shares offered under the Suncorp EPSP is subject to the satisfaction of performance criteria over a performance period.

The criteria are based on TSR achieved by Suncorp over a performance period compared to the TSR by a comparator group comprising the Top 50 Industrial companies in the S&P/ASX 100 index, excluding listed property trusts. No Suncorp Shares are vested unless Suncorp's TSR ranking at the end of a performance period is above the 50th percentile of the comparator group.

If Suncorp's TSR ranking is less than the 50th percentile no Suncorp Shares will vest, at the 50th percentile 50% of shares will vest and at or above the 75th percentile 100% of the shares will vest. Between the 50th and 75th percentiles, an additional 2% of the shares will vest for each 1% increase (on a straight-line basis) in Suncorp's TSR ranking above the 50th percentile.

A performance period generally commences on the date of offer to participate in the Suncorp EPSP and the first performance measurement point is three years after the offer date.

The employee has the right to elect to receive an allocation of Suncorp Shares at that point, based on the allocation described above, or extend the performance period for a further two years.

If the employee elects to accept the year three performance result, any Suncorp Shares subject to that same offer that are not allocated are forfeited. After year three, performance measurements are undertaken on a six monthly basis, in March and September each year, up to the end of year five. Employees electing to extend the performance period from three to five years waive their right to make any further election in regard to acceptance of a performance result (and therefore cannot have shares allocated) until the end of year five. The employee's entitlement to an allocation of shares at the end of year five will be based on the highest performance measurement result recorded at any of the prescribed performance measurement points over the period from the end of year three to the end of year five inclusive. Suncorp Shares not allocated at the end of year five are forfeited.

As a result of the Merger, Suncorp has decided to implement certain retention arrangements with its senior management, including arrangements in relation to entitlements to Suncorp Shares offered under the Suncorp EPSP. Details of these arrangements are contained under the heading "Management" in section 4.5 (Board and management of the Merged Group).

Dividend Reinvestment Plan
The Suncorp DRP was implemented in 2002.

Participation in the Suncorp DRP is open to, and at the option of, any Suncorp Shareholder who holds Suncorp Shares. Any Suncorp Shareholder having a registered address or being resident in a country other than Australia or New Zealand may not be able to participate in the Suncorp DRP because of the legal requirements applying in that country. The Suncorp Board has the discretion to determine whether any such shareholder is excluded from the Suncorp DRP.

The rules of the Suncorp DRP are available on the Suncorp website **www.suncorp.com.au.**

2.11 Additional information

Interests of Suncorp Group in Promina securities
As at 7 December 2006, Suncorp Metway Investment Management Limited (**SMIML**) has a relevant interest in 4,303,420 Promina Shares as responsible entity for various wholesale and retail managed investment schemes and under various investment mandates. Details of these relevant interests, including the registered holder of the Promina Shares in which SMIML has a relevant interest, are set out in the table. Suncorp Custodian Services Pty Ltd is a Subsidiary of Suncorp, but Cogent Nominees Pty Ltd and JP Morgan Nominees Australia Limited are not.

Holder of relevant interest	Registered Holder	Shareholding	% of issued Promina Shares
SMIML as responsible entity for various managed investment schemes	Suncorp Custodian Services Pty Ltd	3,764,240	0.364
SMIML under certain Investment Mandate Agreements	Suncorp Custodian Services Pty Ltd	172,200	0.017
SMIML under certain Investment Mandate Agreements	Cogent Nominees Pty Limited	100,680	0.010
SMIML under an Investment Mandate Agreement	JP Morgan Nominees Australia Limited	266,300	0.025
Total relevant interests in Promina Shares		**4,303,420**	**0.418**

As a result, at 7 December 2006, Suncorp has voting power of approximately 0.418% in Promina. However, the Promina Shares to which that voting power relates are not Excluded Shares and will participate in the Scheme.

As at 7 December 2006, Suncorp Metway Insurance Limited and GIO General Ltd (both wholly-owned Subsidiaries of Suncorp which are authorised insurers under the Insurance Act) collectively beneficially hold as part of their technical reserves 68,000,903 units (approximately 6.05%) of the Suncorp Investment Management Australian Equities Trust. That trust has a holding of Promina Shares as shown in the table above. Suncorp does not have any beneficial interest in those Promina Shares merely because of its holding of those units, but Suncorp does have voting power in those Promina Shares because SMIML is the responsible entity of the Suncorp Investment Management Australian Equities Trust.

In addition, the Suncorp Group holds approximately $15.3 million of subordinated fixed rate bonds and approximately $21.5 million of subordinated floating rate notes, each issued by Vero Insurance Ltd (a Subsidiary of Promina).

As at 7 December 2006, no member of the Suncorp Group had any interest in Promina securities except as set out in this section 2.11 (Additional information).

Interests of Suncorp directors in Suncorp Shares

As at 13 December 2006, Suncorp directors had the following interests in Suncorp securities:

Suncorp director	Number of Suncorp Shares
John Story	79,846
William Bartlett	15,287
Ian Blackburne	23,022
Cherrell Hirst	7,756
James Kennedy	1,000
Martin Kriewaldt	49,196
Zygmunt Switkowski	10,000
John Mulcahy [1]	840,000
Chris Skilton [2]	349,771

1 Includes 640,000 Suncorp Shares offered under the Suncorp EPSP. See the heading “Suncorp EPSP” in section 2.10 (Suncorp Shares) for further information.

2 Includes 185,649 Suncorp Shares offered under the Suncorp EPSP. See the heading “Suncorp EPSP” in section 2.10 (Suncorp Shares) for further information.

Interests of Suncorp directors in Promina Shares

As at 13 December 2006, no Promina Shares were held by or on behalf of Suncorp directors.

Material litigation

Legal proceedings arise from time to time in the course of the Suncorp Group's business. Suncorp does not believe that the outcome of any current proceedings (as at 13 December 2006) involving the Suncorp Group will have a material adverse effect on the business or financial position of the Merged Group.

Substantial shareholding notices

As at 13 December 2006, the following persons were contained in Suncorp's register of substantial shareholders, based on substantial shareholding notices received:

Substantial shareholder	Voting Power
Perpetual Limited and related entities	5.11%

Information disclosed to ASX and documents lodged with ASIC

Suncorp is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to continuous reporting and disclosure obligations. In particular, as a listed company, Suncorp must comply with ASX Listing Rules which require continuous disclosure of any information Suncorp has concerning it that a reasonable person would expect to have a material effect on the price or value of its shares (subject to certain exceptions).

Announcements made by Suncorp are available from ASX or its website **www.asx.com.au**.

In addition, Suncorp is required to lodge various documents with ASIC. Copies of such documents may be obtained from an ASIC office.

A copy of the Suncorp 2006 Annual Report is also available on the Suncorp website **www.suncorp.com.au**.

Further information

For further information relating to Suncorp, please visit Suncorp's website **www.suncorp.com.au**.

Viewing of this information and any other information available under Suncorp's regular reporting and disclosure obligations is also available through Suncorp's registered office during business hours.

In addition, Suncorp's half year results to 31 December 2006 (which are expected to be announced on 20 February 2007) will be available:

- from ASX or on its website **www.asx.com.au**; and
- on Suncorp's website **www.suncorp.com.au**.

Recent Suncorp ASX announcements

The following table summarises key events in relation to Suncorp and announcements made to ASX by Suncorp that may have affected share price movements over the period since June 2006.

Date	Event
6 December 2006	Suncorp Acknowledges ACCC Statement
6 December 2006	ACCC Calls for Comment on the Proposed Acquisition of Promina
16 November 2006	CEO Presentation ASIA Pacific Summit
26 October 2006	Results of Meeting
25 October 2006	News Release: Suncorp Long-Term Benefits to Shareholders
25 October 2006	Chairman's Address 2006 AGM
25 October 2006	Becoming a substantial holder from PPT
25 October 2006	Chairman's Address to Shareholders – Annual General Meeting
23 October 2006	Suncorp & Promina Merger Announcement
12 October 2006	Proposal to acquire Promina
21 September 2006	Release of 2006 Annual Report
1 September 2006	Preliminary Final Report & Full Year Accounts
3 August 2006	Earnings Guidance Upgrade
8 June 2006	Media release: Changes to Group structure

Source: ASX

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Section 3: Profile of Promina

3.1 The business of Promina

Background

Promina is a portfolio of specialised and focused general insurance and selected financial services businesses. Promina has origins dating back to 1833 in Australia and 1878 in New Zealand.

Promina listed on ASX and NZSX on 12 May 2003. Today, Promina employs more than 7,000 people in 210 locations and has around 4 million customers.

Promina's vision is to be a leading and trusted general insurance and financial services organisation that, through its business model, creates superior stakeholder value.

Since listing in 2003, Promina has achieved an average return on equity of 19.1% and a compound annualised total shareholder return of 49% between listing and 10 October 2006, supported by organic growth and strategic bolt-on acquisitions.

Figure 10 – Promina Group business portfolio

	Direct General Insurance	Intermediated General Insurance	Financial Services
Australia	LUCKY YOU'RE WITH AAMI; AAMI BUSINESS INSURANCE; JUST-CAR INSURANCE; INSURANCE	vero; CIL Insurances Part of the Vero Group; DEPOSIT POWER Your deposit, guaranteed Part of the Vero Group; secure sentinel Part of the Vero Group; NTI National Transport Insurance	asteron; Tyndall; GUARDIAN Financial Planning; CAMERON WALSHE; Standard Pacific
New Zealand	AA Insurance; SIS Insurance	vero; AXIOM; mariner; Comprehensive Travel Insurance	asteron; AA Life; Tyndall; Guardian Trust

Note: RAC Insurance, National Transport Insurance, AA Insurance, AA Life, Mariner, Axiom and Comprehensive Travel Insurance brands are held or licensed jointly by Promina Group with third parties under joint venture arrangements.

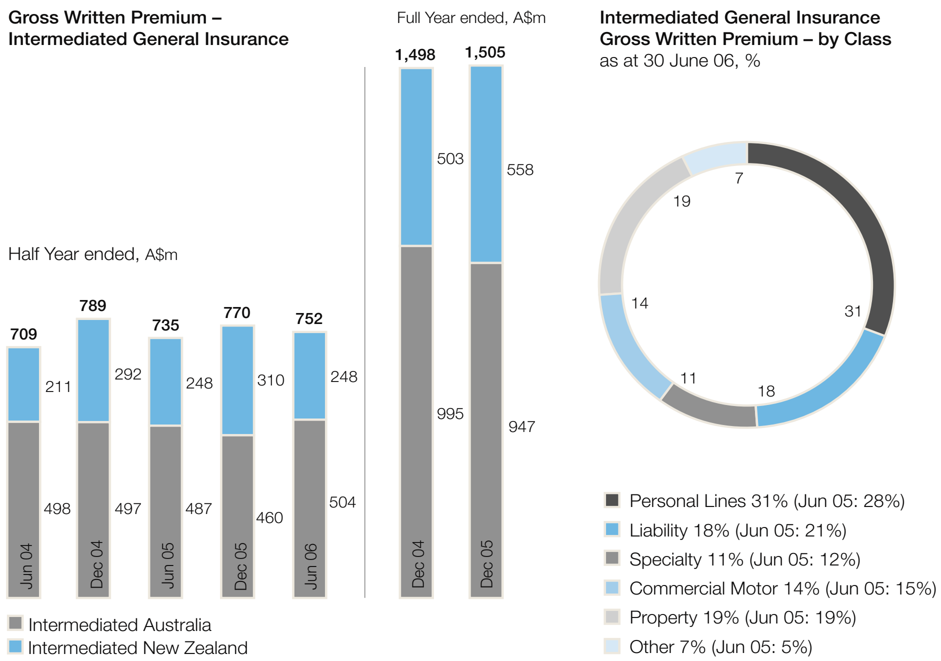
Promina's business divisions

Promina operates within three primary business areas:

Intermediated general insurance

Promina's intermediated general insurance operations provide a range of general insurance products across personal and commercial lines through a network of intermediaries and corporate partners. Promina's intermediated general insurance operations include brands such as Vero and Secure Sentinel.

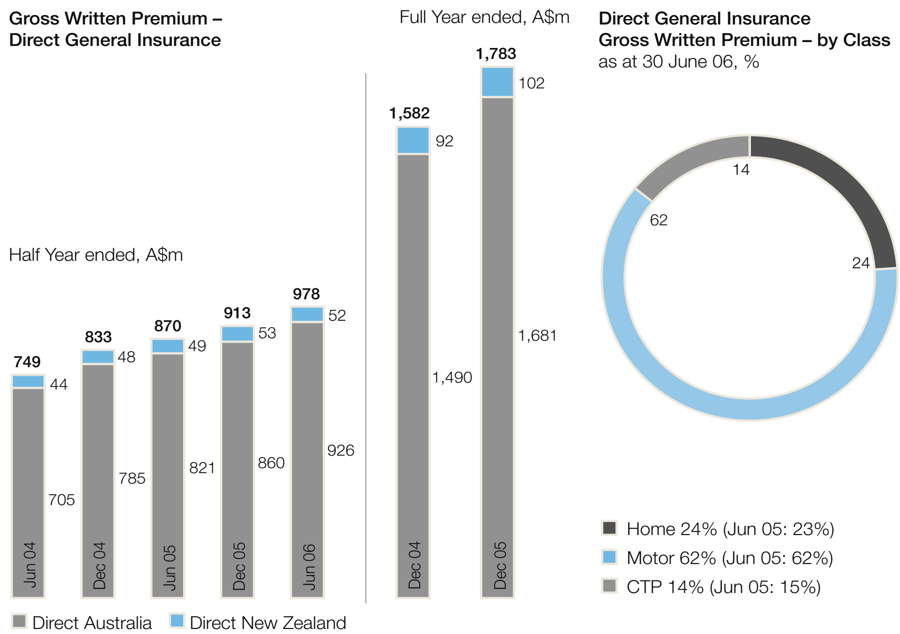
Figure 11 – GWP for Intermediated General Insurance



Direct general insurance

Promina's general insurance operations provide a range of general insurance products directly to customers through a combination of call centre operations, branch networks and online facilities. Promina's general insurance operations include some of Australia's best known brands in its portfolio, such as AAMI, Australian Pensioners Insurance Agency, Shannons and Just Car Insurance as well as AA Insurance in New Zealand.

Figure 12 – GWP for Direct General Insurance



Financial services

Promina's financial services operations provide a range of life insurance, wealth management, asset management, and custodial products through its specialised businesses in Australia and New Zealand. Promina's financial services operations include brands such as Asteron, Tyndall and New Zealand Guardian Trust.

Figure 13 – Life Risk

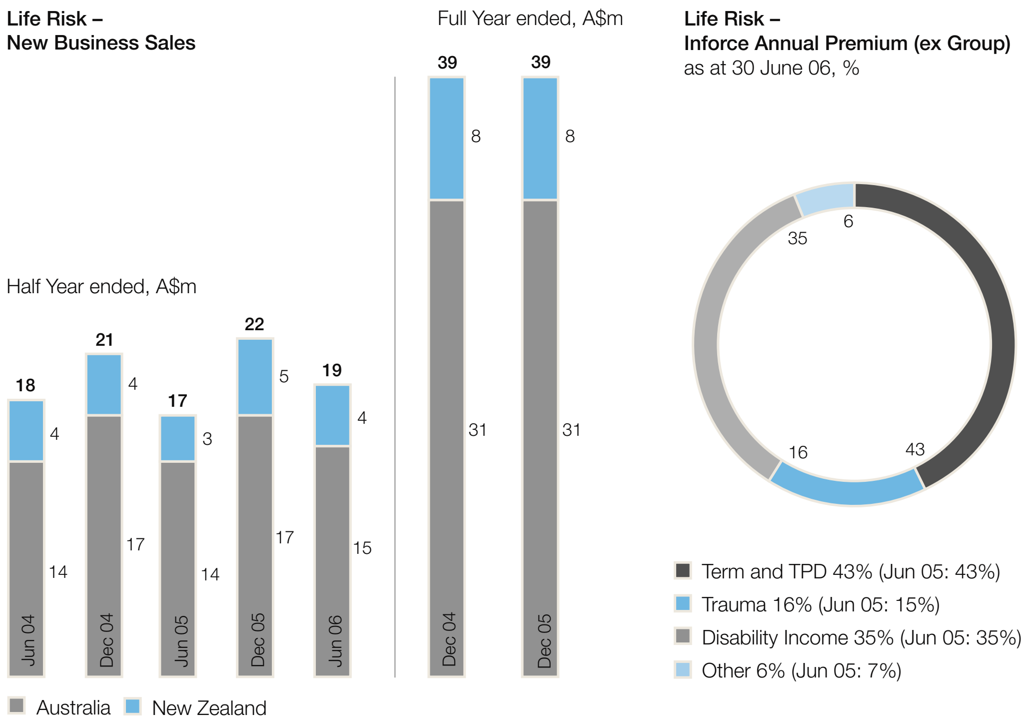
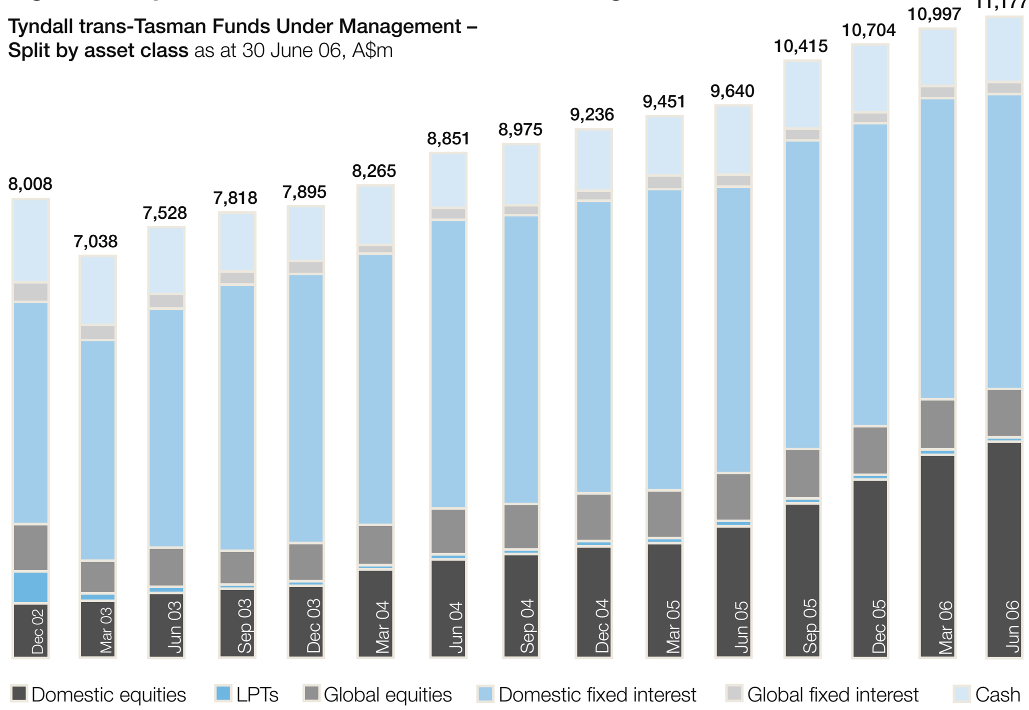


Figure 14 – Tyndall trans-Tasman Funds Under Management



Promina's strategic priorities

Over the medium term (three to five years), Promina has committed to four strategic priorities that build on the solid foundation already provided by the specialised and focused business model. These priorities are:

- delivering above-market organic growth;
- seeking bolt-on acquisitions;
- fostering innovation; and
- exploring selected international opportunities.

Promina believes that delivering on these priorities would reinforce it as an organisation that has a portfolio of high performing (high growth and high return on capital) business units in both general insurance and selected financial services in Australia and New Zealand, and over time, possibly in selected markets outside Australia and New Zealand.

These strategic priorities aim to deliver growth in shareholder value by positioning Promina to deliver superior growth, whilst simultaneously achieving rates of return well in excess of the cost of capital.

3.2 Structure of Promina Group

Promina's structure is driven by its strategy of specialisation and focus, to allow largely autonomous business units to create superior customer experiences for their selected customer groups.

Promina has a corporate office that focuses on value adding portfolio management and leveraging synergies where they are available. Its decentralised business model clearly defines the decisions made at the business unit and corporate level.

Activities controlled at the Promina corporate office include:

- group strategy, portfolio and capital management/allocation;
- identification, development and deployment of key talent;
- stakeholder management;
- management of a consistent compliance and reporting framework;
- transfer and coordination of opportunities;
- delivery of shared services; and
- risk management and reinsurance.

Activities controlled at a business unit level include:

- brand;
- market strategies;
- product design;
- pricing;
- customer selection and underwriting;
- service delivery and the customer experience;
- culture; and
- employee selection, development and retention.

3.3 Promina's board and management structure

Promina Board

The Promina Board currently comprises six non-executive directors and one executive director (the CEO and Managing Director).

Leo Tutt

Chairman FCA, FAIM, FAICD

Leo Tutt has been Chairman of Promina since its listing in May 2003. Mr Tutt was appointed Chairman in 1996 of the entity that became Promina and has been a non-executive director of Promina and other companies within Promina Group in Australia since February 1994.

Prior to joining the Promina Board, Mr Tutt was an executive director and the Chief Executive Australasia and Asia of Rexam plc (formerly Bowater plc) of the United Kingdom, from 1978 to 1996. Mr Tutt has over 29 years experience in the insurance sector as a non-executive director or Chairman with Phoenix Assurance Company Australia (1974 – 1982), Chairman of Friends Provident Life Assurance Co Ltd and a director of Friends Provident (UK) Life Office (1984 – 1994). He was also a director of Metway Bank Limited (1992 – 1996) and formerly Chairman of MIM Holdings Limited until that company's acquisition in 2003. Mr Tutt is also Chairman of Crane Group Limited.

Michael Wilkins

CEO and Managing Director, BComm, MBA, DLI, FCA, FAICD

Michael Wilkins has been the CEO and Managing Director of Promina since its listing in May 2003. Mr Wilkins was appointed Managing Director in August 1999 of the entity that became Promina, after Tyndall Australia Limited (now known as Asteron Limited), of which he was also Managing Director, was acquired by the then Royal & Sun Alliance Group. Mr Wilkins had held the position of Tyndall Managing Director from April 1994 after having joined the company in 1989. Mr Wilkins has over 25 years' experience in the insurance and financial services sector, and retired as president of the Insurance Council of Australia in December 2004. In July 2005, Mr Wilkins was appointed a non-executive director of Alinta Limited, a listed energy company.

Allan Diplock

Non-Executive Director, SF Fin, FAICD

Allan Diplock has been a non-executive director of Promina since its listing in May 2003. He was appointed a non-executive director of the entity which became Promina in January 1996. Prior to joining that board, Mr Diplock was Chief General Manager (Australia) of National Australia Bank Limited. Mr Diplock has over 45 years' experience in the banking and finance industry both in Australia and internationally. He is a former director of Mercury Asset Management Limited (now Merrill Lynch Investment Managers), Arab Bank Australia Limited, Victorian Plantations Corporation and AMCAL.

Paula Dwyer

Non-Executive Director, BComm, FCA, FAICD, FFin

Paula Dwyer was appointed a non-executive director of Promina in February 2003. She has served as Chairman of the Board Audit Risk and Compliance Committee since then. Ms Dwyer is a chartered accountant by profession and during her 20 year executive career held senior positions in the securities, investment management and investment banking sectors. In particular, Ms Dwyer specialised in the provision of corporate financial advice to companies operating in regulated industries, including financial institutions and utilities. Ms Dwyer is also a non-executive director of Tabcorp Holdings Limited and Babcock & Brown Japan Property Management Limited. Ms Dwyer was formerly a non-executive director of David Jones Limited. Ms Dwyer is a member of the ASIC Business Consultative Panel (Melbourne Chapter) and Vice President of the Baker Heart Research Institute.

Anna Hynes

Non-Executive Director, BSc (Hons), MBA, GAICD

Anna Hynes was appointed a non-executive director of Promina in December 2004. Ms Hynes has over 20 years international experience in marketing and general management with organisations such as Unilever, Johnson & Johnson, McKinsey & Company and Chemical Bank (JP Morgan Chase). Most recently, Ms Hynes held a number of senior executive positions with American Express including Country Head – New Zealand. Ms Hynes was also formerly a non-executive director of Country Road Limited.

Ewoud Kulk

Non-Executive Director, BEcon

Ewoud Kulk was appointed a director of the entity that became Promina in June 1994. Mr Kulk has worked for entities that now comprise Promina Group in Australia since 1989 and was Managing Director of the Australian General Insurance Group from 1994 to 1998. Mr Kulk was appointed Group Director, Asia Pacific for Royal & Sun Alliance Insurance Group plc in March 1998 and continued in that role until his retirement in September 2003, whereupon he became a non-executive director of Promina. Mr Kulk is also a past president of the Insurance Council of Australia, and has over 25 years' experience in the insurance industry.

Geoffrey Ricketts

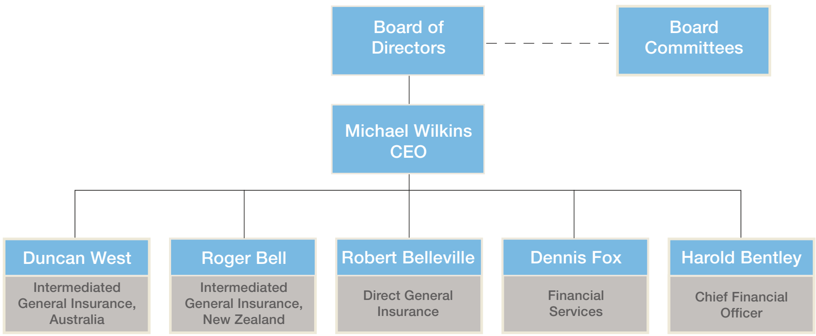
Non-Executive Director, LLB (Hons)

Geoffrey Ricketts was appointed a non-executive director of Promina in February 2003. Prior to joining Promina, Mr Ricketts was Chairman of Royal & Sun Alliance's New Zealand (R&SA NZ) operations, having been a non-executive director of R&SA NZ for over ten years. Mr Ricketts is also Chairman of Lion Nathan Limited and a non-executive director of Spotless Group Limited and Todd Corporation Limited. He is a director of the Centre of Independent Studies. Mr Ricketts is a lawyer and a consultant for Russell McVeagh, Solicitors (Auckland and Wellington, New Zealand) and was partner in that firm from 1973 until 2000.

Management structure

Promina's management structure as at 13 December 2006 is set out in Figure 15 below.

Figure 15 – Promina organisational structure



Michael Wilkins

CEO and Managing Director

Michael Wilkins' profile is set out under the heading "Promina Board" above.

Dennis Fox

Chief Executive, Financial Services

Dennis Fox is responsible for the profitable management and growth of the financial services division of Promina, including both Tyndall and Asteron in Australia and New Zealand as well as Guardian, Guardian Trust and Cameron Walshe.

Mr Fox joined Tyndall Australia in September 1991 as their Appointed Actuary. Since this time, his roles have covered a wide range of senior management positions, including Chief Executive Officer of Royal & Sun Alliance Financial Services in Australia. He has over 35 years' experience in financial services covering all facets of superannuation and life insurance, having held senior executive positions for 20 years, initially as a partner in the actuarial firm of Towers Perrin.

Mr Fox holds a BA, Macquarie University majoring in Actuarial Sciences and is a Fellow of the Institute of Actuaries of Australia. He was appointed a non-executive director of the Investment & Financial Services Association (IFSA) in October 2005.

Robert Belleville

Chief Executive, Direct General Insurance

Robert Belleville was appointed Chief Executive, Direct General Insurance in July 2005, and is responsible for AAMI, AAMI Business Insurance, Australian Pensioners Insurance Agency (APIA), Just Car Insurance, Shannons, Skilled Drivers of Australia, Automobile Insurance of New Zealand (NZAA) and Superannuants Insurance of NZ (SIS).

Mr Belleville began his career with AAMI in 1970 and was appointed Chief Executive Officer in May 2002. In that time, his roles have spanned a wide range of activities and disciplines, including Chief Operating Officer (2000-2002) and General Manager, Operations (1992–2000). He has an MBA from Monash University, Melbourne.

Duncan West

Chief Executive, Intermediated General Insurance Australia

Duncan West was appointed to his current position in 2005, having been Chief Executive, Vero Insurance Limited since May 1998. Before that, he spent two and a half years in New Delhi, India as CEO of Royal & Sun Alliance Group, India. As Chief Executive for all the Intermediated General Insurance businesses in Australia, he is responsible for the development and delivery of specialised general insurance products and services to the insurance intermediaries. He also has responsibility for strategy, reinsurance and insurance risk management for Promina. Mr West brings to his current role a wide range of experience in the United Kingdom within the Royal & Sun Alliance UK operations. He is a past Chairman of NTI Ltd and Insurance Statistics Australia, and deputy president of the Australian and New Zealand Institute of Insurance and Finance.

Mr West holds a BSc in Economics and is a Fellow of the Chartered Insurance Institute, member of the Australian Institute of Company Directors and Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Roger Bell

Chief Executive, Intermediated General Insurance New Zealand

Roger Bell was appointed to his current position in 2003. He is responsible for the strategy and operational delivery of all intermediated general insurance operations in New Zealand. These operations include the Vero intermediary business and a number of niche specialist businesses.

Mr Bell has been with the Promina Group for 33 years, during which period he has held many different roles. He is a Fellow of the Australian and New Zealand Institute of Insurance and Finance, a past president and current Board member of the Insurance Council of New Zealand, and sits on the board of the New Zealand Business Excellence Foundation.

Harold Bentley

Chief Financial Officer & Chief Executive Promina Corporate Services

Harold Bentley is responsible for the Promina head office functions of Corporate Affairs & Investor Relations, Finance, General Insurance Actuarial, Internal Audit, Legal, People Performance & Culture, Risk & Compliance, Secretarial, Taxation and Treasury. He has over 22 years' experience in the insurance sector. Prior to joining Promina Group in 1984, he held the position of audit manager at PriceWaterhouseCoopers where he specialised in finance and insurance companies. Mr Bentley holds a masters degree in economics, is a chartered accountant and a chartered company secretary.

3.4 Consolidated financial and operating data

The year ended 31 December 2005 was the first full year in which Promina was required to report its financial statements in accordance with AIFRS. The date of adoption of AIFRS was 1 January 2005.

Unless otherwise stated, in this section 3.4 (Consolidated financial and operating data), any charts, graphs or references to 2004 financial year comparatives are AIFRS compliant.

Promina's financial performance

Promina's last full financial year ended on 31 December 2005, with the financial results of this year released to the market on 28 February 2006. On 28 August 2006, Promina released its financial results for the first half of 2006. The table and discussion below analyse the financial performance of Promina for both of these periods in comparison with prior comparative periods.

		Half Year			Full Year	
Promina Group Limited – consolidated		**1H06**	**2H05**	**1H05**	**FY05**	**FY04**
Net profit attributable to members of Promina	A$m	**216**	276	229	**505**	460
Return on equity	%	**18.1**	–	18.1	**20.3**	19.6
Return on capital	%	**15.7**	–	16.7	**18.3**	18.4
Earnings per ordinary share	Cents	**20.7**	26.2	21.5	**47.7**	43.3
Interim dividend per ordinary share	Cents	**11.0**	–	10.5	**10.5**	10.0
Final dividend per ordinary share	Cents	**–**	13.0	–	**13.0**	12.0
Special dividend per ordinary share	Cents	**–**	5.0	–	**5.0**	–
Promina Group Limited – General Insurance						
Gross written premium	A$m	**1,730**	1,683	1,605	**3,288**	3,080
General insurance result	A$m	**135**	174	163	**337**	282
Combined ratio	%	**93.7**	93.3	94.9	**94.0**	95.5
Insurance margin	%	**8.9**	11.7	11.4	**11.6**	10.4
Net Profit After tax	A$m	**159**	212	168	**380**	333
Return on capital	%	**16.9**	_	18.3	**20.3**	20.1
Promina Group Limited – Financial Services						
Operating margins after tax	A$m	**38**	36	31	**67**	50
Net profit after tax	A$m	**55**	72	60	**132**	120
Return on capital	%	**11.3**	_	12.9	**13.8**	14.5

Full year ended 31 December 2005

For the 2005 Financial Year, Promina reported a net profit after tax of $505 million. This represented an increase of 9.8% against 2004. The full year earnings per Promina Share for Promina was 47.7 cents, up from 43.3 cents in 2004 (an increase of 10.2%). Total dividends paid in respect of the 2005 Financial Year were 28.5 cents per ordinary share, including a 5 cent per Promina Share special dividend.

This result equates to a return on equity of 20.3%, which is in line with the 19.6% figure reported in 2004. This outcome significantly outperformed Promina's long term benchmark, which is an average of 1.5 times its weighted average cost of capital.

General insurance

The general insurance division delivered growth in GWP of 6.8% against the 2004 Financial Year, which was at the top end of the forecast range of 5% to 7% and was well in excess of industry growth for the same period.

The general insurance result increased 19.5% to $337 million, from $282 million in 2004. This performance was driven primarily by a 41.8% increase in the underwriting result from $122 million in 2004 to $173 million in 2005.

Insurance margin for the division of 11.6% was up 1.2 percentage points from the 10.4% achieved in 2004. This result was well ahead of the minimum expectation for the year, and continued to outperform the rate required to deliver a return on equity in line with Promina's stated objectives.

The general insurance operations of Promina Group maintained a strong capital position with the consolidated MCR on an internal basis of 2.19 times. The Australian general insurance APRA MCR was 2.82 times.

Financial services

The financial services division recorded a 10.0% increase in net profit after tax, increasing from $120 million in 2004 to $132 million in 2005.

This enhanced performance was driven by a 34.0% increase in operating margins after tax, which increased from $50 million in 2004 to $67 million in 2005.

Half year ended 30 June 2006

Promina reported a net profit after tax of $216 million for the six months ended 30 June 2006, equating to earnings per Promina Share for Promina of 20.7 cents. Promina's return on equity of 18.1% continued to outperform its long term benchmark of an average of 1.5 times its weighted average cost of capital. Since its listing in May 2003, Promina's average return on equity is 19.1%.

Promina's directors declared an interim dividend on Promina Shares of 11.0 cents per Promina Share on 29 August 2006.

General insurance

The general insurance division reported GWP growth of 7.8%, with the general insurance division generating GWP growth of 12.4% and the intermediated general insurance division growing by 2.3%.

The general insurance operations delivered a net profit after tax of $159 million, a decrease of 5.4% against the first half 2005. This equated to a 16.9% return on capital which was well ahead of the targeted internal rate of return.

At 30 June 2006, the consolidated general insurance MCR on an internal basis was 1.73 times, with an Australian general insurance APRA MCR of 2.36 times. On 3 July 2006, Promina completed the sale of its lenders mortgage insurance business. The pro forma MCR for Promina Group, assuming this transaction was completed at 30 June, was 1.97 times on an internal basis, and 2.46 times on an Australian APRA basis.

Financial services

The financial services division recorded a net profit after tax of $55 million (post minority interests). This result was driven by a 22.6%, or $7 million, increase in operating margins after tax. The very strong operational performance in this division has led to a return on capital of 11.3%.

3.5 Capital management

Promina's current capital ratios and Standard & Poor's insurer financial strength rating are set out below.

	Actual June 2006	Actual December 2005
General Insurance MCR Ratio (Internal) [8]	1.73 times (1.97 times post-LMI sale)	2.19 times
General Insurance MCR Ratio (APRA) [9]	2.36 times (2.46 times post-LMI sale)	2.82 times
Standard & Poor's Rating – Insurer financial strength	A+	A+

[8] There are no comparable capital adequacy requirements in New Zealand. As a result Promina's general insurance business calculates MCR ratios for both the combined Australian and New Zealand business on an internal basis and a ratio for APRA's requirements on the Australian business.

[9] There are no comparable capital adequacy requirements in New Zealand. As a result Promina's general insurance business calculates MCR ratios for both the combined Australian and New Zealand business on an internal basis and a ratio for APRA's requirements on the Australian business.

3.6 Promina securities

Ordinary Shares

As at 13 December 2006, Promina had a total of 1,029,025,222 fully paid ordinary shares on issue.

Additionally, as at 13 December 2006, there are a total of 4,997,077 outstanding Conditional Entitlements issued pursuant to the SMPSP that will vest to become 4,997,077 Promina Shares upon the Scheme becoming Effective. These Conditional Entitlements were issued in 2005 and 2006.

There are also a total of 2,934,530 outstanding Conditional Entitlements as at 13 December 2006 that may vest on the date that Promina's financial results for the 2006 Financial Year are approved by the Promina Board. These Conditional Entitlements were issued in 2004. The total number of Conditional Entitlements which vest depends on the extent to which the applicable performance criteria are satisfied. If they vest fully, then 2,934,530 Promina Shares will be issued to the relevant Employee Share Plan Participants.

Reset Preference Shares

As at 13 December 2006, Promina had a total of 3,000,000 Reset Preference Shares on issue.

For further details of the arrangements in relation to the Reset Preference Shares, see section 7 (Arrangements for Reset Preference Share Holders and Employee Share Plan Participants).

3.7 Further information

For further information relating to Promina Group, please visit Promina's websites **www.promina.com.au** or **www.promina.co.nz**.

The following documents relating to Promina are available on the Promina websites:

- Full Year Results 2005 Investor Report and Presentation;
- Annual Report 2005;
- Half Year Results 2006 Investor Report and Presentation; and
- Half Year Results 2006 Shareholder Update.

Viewing of these documents and any others available under Promina's regular reporting and disclosure obligations is also available through Promina's registered office during business hours (see our Corporate Directory for further details).

In addition, Promina's full year results to 31 December 2006 (which are expected to be announced on 19 February 2007) will be available:

- from ASX or on its website **www.asx.com.au**;
- from NZX or on its website **www.nzx.com**; and
- on Promina's websites **www.promina.com.au** or **www.promina.co.nz**.

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Section 4: Profile of the Merged Group

This section 4 (Profile of the Merged Group) has been prepared by Suncorp and Suncorp has accepted responsibility for this section. Promina and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

4.1 Benefits of and rationale for the Merger

Overview

The Merger will bring together two successful Australian financial services groups to create an even stronger business with the potential to become the leading customer focused diversified financial services provider in Australia and New Zealand.

Suncorp believes that the Merged Group's general insurance business will benefit from a strong strategic presence in both personal lines products and in commercial lines products, distributed via direct and intermediated channels. It will operate in each of the major geographic markets of Australia and New Zealand and will benefit from improved product and geographic diversification. The Merged Group will also include a materially stronger wealth management business, offering a broader range of products through an enhanced distribution network.

More broadly, the Merged Group will have access to a number of established and respected brands with effective and diversified methods of distribution and will have an enhanced ability to understand and meet customers' needs across both Australia and New Zealand. The Merger should also enable the realisation of substantial synergies in the short and medium term, which will allow the Merged Group to compete more effectively in the increasingly competitive financial services market.

In summary, the Suncorp Board believes that:

- there is a strong overall strategic fit between Promina and Suncorp, which have closely aligned customer focused strategies;
- the groups' activities in general insurance are complementary;
- the Merged Group's wealth management business will benefit from significantly increased scale;
- the banking business provides additional scale benefits at head office level and also provides an important distribution channel for general insurance and wealth management products;
- benefits will arise from the Merged Group's increased reach, giving it the ability to distribute a wider range of products to a significantly larger customer base by broader and deeper distribution networks;
- integration synergies will be realised from the Merger;
- improved opportunities exist to deliver increased medium and long term growth; and
- there will be benefits from the Merged Group's increased market capitalisation, including higher index weightings and improved stock market liquidity.

The Suncorp Board has assessed the strategic options currently available to it and believes that the Merger provides the best opportunity for sustained profitable long term growth. The Promina Board has also considered the advantages and disadvantages of the Merger and believes that the Merger is in the best interests of Promina Shareholders. For further details, see section 1.3 (Promina Board recommends that Promina Shareholders vote in favour of the Scheme).

Both Suncorp and Promina have strong track records of creating value for shareholders and Suncorp is confident the Merged Group will be well positioned to continue to do so.

Further details on the benefit of and rationale for the Merger are set out below.

Strong overall strategic fit

At a group level, the Merger will combine Promina's and Suncorp's complementary geographic presence to create an enhanced distribution footprint in Australia and New Zealand. In addition, both organisations have excellent management teams with strong commercial skills and substantial experience of implementing a customer focused strategy.

Over the medium to long term, the Merged Group has the potential to deliver a superior growth profile through harnessing the benefits of a differentiated customer proposition.

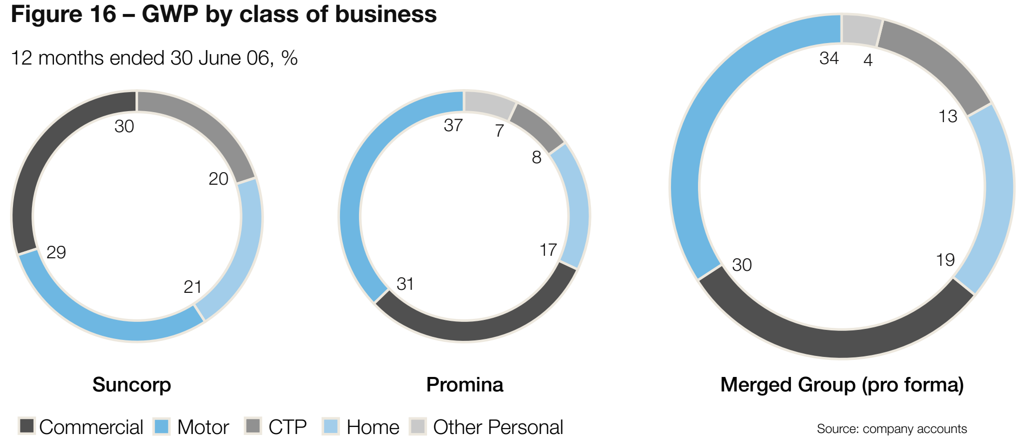
Complementary general insurance activities

Suncorp's and Promina's activities in general insurance are complementary. The Merged Group will become the second largest domestic general insurer in both Australia and New Zealand, with GWP of approximately $5.4 billion and NZ$0.7 billion respectively in those markets.[10] Suncorp believes that the general insurance business of the Merged Group will benefit from:

- an excellent strategic fit between the two groups, in terms of geographic footprint, brands, distribution channels and product mix;
- a market position underpinned by a strong portfolio of brands targeted at well defined customer segments. These include well known brands such as AAMI, GIO, Suncorp, Vero, APIA, Shannons and Just Car Insurance in Australia and Vero and AA Insurance in New Zealand;
- the strength of Suncorp's direct distribution of general insurance products, including distribution through Suncorp's bank branch network;
- Promina's strength in both direct and intermediated distribution of general insurance products;
- joint ventures and alliances with motor clubs, which provide access to strong distribution capabilities; and
- diversified product mix in the general insurance portfolio, as illustrated in Figure 16 below.

Figure 16 – GWP by class of business

12 months ended 30 June 06, %



Source: company accounts

Significantly increased scale in wealth management

The combination of Suncorp's and Promina's respective life insurance businesses will create Australia's seventh largest life insurance business, with in force annual premiums of approximately $560 million as at 30 June 2006.[11] The Merged Group is expected to benefit from a broader life risk product range and enhanced distribution networks. Suncorp believes that this, combined with increased economies of scale in product development and manufacturing, will assist the Merged Group to compete more effectively with Australia's largest life risk insurers and thereby result in improved growth prospects over the medium term. In addition, the Merged Group will have the fourth largest life business in New Zealand with in force annual premiums of approximately NZ$106 million.

Similarly, the Merged Group will have a significantly stronger investment administration business, with approximately $15 billion of funds under administration (on a pro forma basis). This increased scale will enable the Merged Group to continue to develop its capabilities and investment offering and provide the capacity to achieve profitable growth over the medium term.

The Merged Group's funds management business will have approximately $24 billion of funds under management (on a pro forma basis). The Merged Group will have particular strengths in Australian fixed income investment management, ranking approximately seventh in terms of funds under management (on a pro forma basis). The Merged Group will also be well placed in Australian equity investment management, ranking approximately sixteenth in terms of funds under management (on a pro forma basis). In addition, the Merged Group has the opportunity to offer a number of investment styles.

[10] Based on GWP as at 30 June 2006.

[11] Based on The Life Industry Report at 30 June 2006 prepared by Plan for Life.

The Merged Group will benefit from strengths in each of the key distribution channels for wealth management products, as set out under the heading "Increased reach" below.

Banking benefits

The Merged Group will also be Australia's sixth largest bank, with total assets of approximately $46 billion as at 30 June 2006. The banking business is an attractive distribution channel for both general insurance and wealth management products. In particular, the sale of banking products such as residential mortgages, consumer loans and credit cards provides an opportunity to offer customers an enhanced value and service proposition by including relevant general insurance and life insurance products as part of a single package.

Ownership of the banking business also gives rise to a number of other benefits:

- the Merged Group's significant customer base will afford greater opportunities to offer retail banking products offered as part of an appropriate financial solution;
- there will be some cost savings in Suncorp's banking business due to the increased scale and cost efficiencies that arise directly as a result of the Merger; and
- the banking operations will provide the Merged Group with a strong brand, revenue diversification and a stable income stream.

Increased reach

The Merged Group will have one of the largest customer bases of any financial services group in Australia, with more than 7 million customers[12] in Australia and New Zealand. It will offer a comprehensive range of financial services products under a range of well established brands. Further, the Merged Group will benefit from a multi-channel distribution network, which will include:

- the strong consumer marketing capabilities of both businesses under a variety of well positioned brands;
- a network of 172 retail branches and 34 GIO agencies, with particularly strong coverage in the high growth state of Queensland, further supplemented by 73 mobile lenders;
- approximately 187 financial planners, within Promina's dealer groups Cameron Walshe and Guardian FP, supplemented by Suncorp's 104 financial advisers and planners;
- significant distribution by independent intermediaries, within the general insurance business, banking and in the wealth management business, in particular through both groups' strong existing intermediary relationships;
- well developed direct marketing capability of suitably tailored products, both by call centres and by the internet; and
- the ability to market wealth management products such as consumer credit insurance and life insurance as an add-on to mainstream banking products such as residential mortgages.

Integration synergies

In addition to the strategic benefits created by the Merger, Suncorp believes that net annual pre-tax synergies (before integration costs) of approximately $225 million should be available from the Merger. These synergies are in addition to planned cost saving initiatives currently in progress within Suncorp.

As part of its general consideration of strategic opportunities, Suncorp has conducted research and analysis of the level of synergies that might be achieved in the event of a merger of the Suncorp and Promina businesses. During the due diligence exercise conducted both prior to and after entering into the Merger Implementation Agreement, Suncorp has had the opportunity to consider further and discuss the assumptions that underpin this analysis and research and is confident that the level of synergies identified is both realistic and achievable.

[12] Based on the combination of Suncorp's and Promina's estimated customer bases. These customer bases may overlap.

The table below provides a summary of the source of expected synergies.

Synergies relating to corporate functions, shared services functions and IT	
Reduction of overlapping corporate functions	• Chief Executive office • Listing and compliance costs • Consolidation of other group head office functions • Other efficiencies in group head office operations
Reduction of overlap and scale efficiencies in shared services	• Purchasing • Processing efficiencies
Information technology	• Rationalisation of applications • Scale efficiencies in IT infrastructure • IT system development and implementation • Telecommunications and provision of network infrastructure
Operational efficiencies specific to individual lines of business	
General insurance	• Claims costs • Reinsurance benefits • Marketing procurement • Other operational efficiencies
Wealth management	• Scale efficiencies arising in the combined life insurance businesses • Scale efficiencies arising from an increase in total funds under management • Marketing procurement

The programme for realising these synergies is being designed to minimise any negative impact on customer experience. Over the medium and longer term, it is anticipated that customer experience will be further enhanced by improvements to the Merged Group's products, systems and processes.

An allowance has been made within the pre-tax net synergy estimate of $225 million for a level of customer attrition following completion of the Merger, although every effort will be made to minimise this. Allowance has also been made for a possible marginal increase in balance sheet funding costs that may occur in Suncorp's banking business as a result of an increased contribution from general insurance.

Suncorp estimates that at least 75% of the annual cost savings will have been achieved by the end of the second year following completion of the Merger on an annualised basis.

The realisation and timing of these synergies are subject to certain risks which are further considered under the heading "Integration and synergies" in section 5.2 (Risks specific to the Merger).

Enhanced medium and long term growth potential

The Merged Group has the potential for enhanced growth over the medium and long term as a result of a number of factors, the benefits of which have not been factored into the estimate of integration synergies:

- as outlined under the heading "Increased reach" above, there are expected to be greater opportunities to drive revenue growth resulting from the ability to offer the Merged Group's products and services across a significantly larger customer base;
- upside potential from the selective introduction of enhanced information technology platforms, which is expected to result in greater flexibility, reduced system maintenance and development costs as well as improved speed to market for new product developments; and
- an increased ability to implement group-wide initiatives, where appropriate, to enhance revenue growth prospects or improve efficiency, as the cost associated with such initiatives will be spread across a larger revenue base. One example of this type of initiative is Suncorp's existing single desktop programme, by which Suncorp is moving from multiple desktop PC environments to a single consistent environment for all PC users across the entire Suncorp Group, thereby significantly reducing desktop support costs.

Benefits from greater index weighting

The Merged Group is expected to have a pro forma market capitalisation of approximately $18 billion (NZ$21 billion)[13] which would, as at 7 December 2006, be among Australia's 15 largest ASX listed companies by market capitalisation.

[13] Assuming an exchange rate of A$1 : NZ$1.1463.

On this basis, the Merged Group would have an increased weighting in a number of relevant indices, as set out in the table below.[14]

Index weighting	Promina (10 October 2006)	Suncorp	Merged Group
ASX All Ordinaries Index	0.53%	0.90%	1.45%
S&P/ASX 100 Index	0.70%	1.18%	1.90%
S&P/ASX 200 Index	0.64%	1.08%	1.73%
S&P/ASX 20 Index	N/A	N/A	3.04%
MSCI EAFE (Europe, Asia Far East) Index	N/A	0.07%	0.11%
MSCI AEJ (Asia Ex-Japan) Index	N/A	0.38%	0.62%

This higher index weighting may attract additional investors or cause existing shareholders to increase their holding in the Merged Group. In addition, the increased market capitalisation and higher index weightings may lead to an increased volume of trading in the Merged Group's shares.

4.2 Benefits for customers and employees of the Merged Group

Benefits for customers

Both groups share a commitment to a customer-led strategy serving distinct customer segments. The Merged Group will continue to build on market-leading brands across Australia and New Zealand. All of the businesses within the Merged Group are committed to delivering superior customer experiences through their respective brands and it is the intention of the Merged Group that those customer experiences will be maintained or enhanced.

Customers of both groups will benefit from a broader range of market-leading products and services, accessible by a wide range of distribution channels, including general insurance outlets, bank branches, financial planners, Suncorp's corporate agents, intermediaries, telephone and the internet. The Merged Group will also have the opportunity to draw on the best of both groups' products and experiences to design new customer propositions to benefit customers.

Benefits for employees

Overall, the Merged Group's objective will be to target a high level of employee engagement and commitment. The Merged Group will seek to ensure that it is an attractive and rewarding place to work, underpinned by shared core values. Both groups also have in place strategies to encourage the retention of staff with key skills and experience.

The Merged Group will provide expanded career and development opportunities for both Promina and Suncorp employees. The Merged Group will have significant operations in both Australia and New Zealand, including substantial businesses in banking, general insurance and wealth management. As a result, staff will have the opportunity to develop their careers in different geographic locations and to broaden their experience across a wide variety of areas in financial services.

4.3 Framework for the business model of the Merged Group

The business model for the Merged Group will combine the relative strengths of both businesses. The guiding principles for establishing the business model for the Merged Group reflect a customer-led strategy that aims to ensure the continued delivery of superior customer experiences and outcomes. This will be achieved by a clear allocation of end-to-end accountability for all relevant aspects of the management of each business and/or brand to the relevant business unit head.

The Merged Group will operate over three principal lines of business being banking, general insurance and wealth management. The Merged Group will benefit from strong brands in each line of business, with an attractive portfolio of specialist brands targeted at strategic customer segments and geographies.

[14] Based on market capitalisations as at 6 December 2006 for ASX indices and 5 December 2006 for MSCI Indices.

These customer-facing activities will be supported by a focused corporate centre to maximise the opportunities created through the Merged Group's scale, while also aiming to deliver appropriate returns for the shareholders of the Merged Group.

4.4 Integration costs and timing

The planned integration process will focus at the outset on the achievement of a reduction of overlapping corporate functions and scale efficiencies in shared services and operational efficiencies within both the general insurance and wealth management businesses. In general, the approach to the integration of the two businesses will be to combine the best from each business, leveraging experience, capability and resources across the Merged Group wherever possible. Suncorp's track record in extracting "group synergies" is evidenced by its relatively strong cost efficiency measures compared to larger peers in both banking and general insurance.

A significant proportion of the cost savings is expected to result from improvements and efficiencies in information technology systems and associated resources and development costs. In common with other major financial services businesses, Promina and Suncorp operate a significant number of inter-connected information technology platforms and systems in their various businesses. In combining these, the general approach will be to consolidate onto the best of Promina's and Suncorp's existing platforms. In certain areas, however, it is anticipated that there may be an opportunity to consolidate onto new platforms.

In due course, improved systems should result in greater flexibility, reduced system maintenance and development costs and improved speed to market for new systems developments. This is expected to contribute positively both to the cost efficiency of the Merged Group and its ability to deliver attractive revenue growth over the medium to longer term.

In order to achieve the above synergies, Suncorp expects that the Merged Group will incur a total of approximately $355 million of one-off integration costs, equivalent to approximately 1.6 times the level of net annual pre-tax synergies expected to be achieved.

In the announcement of the proposed Merger dated 21 October 2006, Suncorp stated that it expected to achieve net annual pre-tax synergies of approximately $225 million and to incur pre-tax integration costs of approximately $395 million. Subsequent to the announcement of the proposed Merger, Suncorp has had the opportunity to carry out further integration planning, which has included further discussions with Promina and external suppliers. Further to these discussions, Suncorp has confirmed its initial estimate of net annual pre-tax synergies of $225 million and has been able to revise downwards the level of expected pre-tax integration costs by approximately $40 million to $355 million. This reduction has largely resulted from a lower estimate of information technology integration costs. Information technology integration costs represent approximately 60% of the total revised integration costs.

The integration costs are expected to be incurred over three years, with approximately 50% of the estimated spend incurred in year one of integration, 45% in year two and the residual 5% in the third year.

Combining two groups the size and complexity of Suncorp and Promina carries a certain level of integration risk. These risks are further considered under the heading "Integration and synergies" in section 5.2 (Risks specific to the Merger).

4.5 Board and management of the Merged Group

Board of Directors

Following completion of the Merger, two members of the current Promina Board, Leo Tutt (Promina's Chairman) and Ewoud Kulk, will immediately join the Suncorp Board. In addition, two other members of the current Promina Board, Paula Dwyer and Geoffrey Ricketts, will also join the Suncorp Board, subject to any necessary amendment of:

- section 64(1)(b) of the Facilitation Act by the Queensland Parliament; and
- clauses 14.1(a) and 14.2 and of the Suncorp constitution by Suncorp Shareholders.

In accordance with section 64(1)(b) of the Facilitation Act, the Suncorp constitution requires that a majority of directors, including the managing director, be ordinarily resident in Queensland. These provisions may require amendment because, if Paula Dwyer and Geoffrey Ricketts join the Suncorp Board, there may not be a majority of Queensland resident directors. The Queensland government has indicated its willingness to propose amendments to the Facilitation Act to enable the appointment of these persons to the Suncorp Board following completion of the Merger.

Clause 14.1(a) of the Suncorp constitution provides that the maximum number of directors of Suncorp from time to time is 11. This clause requires amendment because, if the changes to the Suncorp Board outlined above occur, there would be more than 11 directors.

As soon as possible after the later of any required amendment of the Facilitation Act and the Implementation Date, Suncorp will, if necessary, convene a meeting of its members to propose the amendments to its constitution.

Brief biographies of Leo Tutt, Ewoud Kulk, Paula Dwyer and Geoffrey Ricketts are set out in section 3.3 (Promina's board and management structure).

James Kennedy has recently resigned from the Suncorp Board, effective 31 December 2006.

Management

An important part of the negotiations between each group has been focused on ensuring that the momentum of both groups' businesses is maintained during the period up to completion of the Merger and throughout the subsequent integration period. The final management structure of the Merged Group will be designed to facilitate the execution of the Merged Group's strategy.

Suncorp's existing CEO, John Mulcahy, will remain as CEO of Suncorp and therefore of the Merged Group.

The composition of the remaining senior leadership team will not be finalised until after completion of the Merger. Promina's current CEO, Michael Wilkins, has agreed to undertake a consultative role with the Merged Group for a period of six months following the Implementation Date.

Retention arrangements

To ensure business continuity and the successful integration of the two groups, it is important that key executives are retained. Their knowledge and experience will be critical to delivering the expected benefits from the Merged Group. Accordingly, both Promina and Suncorp have offered retention arrangements to key talent in the Merged Group over the critical integration phase. A key principle in designing the retention arrangements has been the need to ensure comparability of the arrangements between the key executives of both Promina and Suncorp.

Provision for the cost of the retention arrangements has been included in the estimate of integration costs. These arrangements are conditional upon the Scheme being implemented.

Suncorp

Suncorp has offered retention arrangements to certain members of Suncorp management. Key executives who remain with the Merged Group until 30 June 2007 will receive the equivalent of either three or six months of their total employment cost in the form of a retention bonus. Key executives who remain until 30 June 2008 will receive a further retention bonus equivalent to three months total employment cost. These arrangements do not apply to the CEO of Suncorp. The total cost of Suncorp's retention bonuses is expected to be approximately $10 million.

In addition to the retention arrangements set out above, changes have been made to the vesting of the Suncorp EPSP for group executives and general managers. For those who participated in the 2004 and 2005 Suncorp EPSP, 100% of the allocated Suncorp Shares will vest on completion of the relevant performance period, if the executive remains employed with the Merged Group. This will provide an additional retention incentive. These changes do not apply to the CEO of Suncorp. The estimated additional cost of these changes to the vesting arrangements is approximately $4.2 million. No changes have been made to the 2003 and 2006 Suncorp EPSP offers.

The variable component of the Suncorp's executive remuneration model is focused on the payment of both short term and long term incentives. Looking forward, the quantum of these incentives will be intrinsically linked to the financial performance of the Merged Group, including the synergies realised during the integration process.

Promina

Promina has also offered retention arrangements to certain Promina Group management. Details of these arrangements are further discussed in section 8.10 (Payments and benefits).

4.6 Suncorp's intentions for Promina

Available information

The following statements of intention are based on information concerning Promina and Suncorp known by Suncorp at the time of preparation of this Scheme Booklet. It should be recognised that the following statements are statements of current intention and are subject to change as new information becomes available or as circumstances change.

Corporate structure of the Merged Group

The Merger will be implemented by way of a scheme of arrangement, which will result in SIHL acquiring all of the issued Promina Shares. Suncorp, as the holding company of SIHL, will therefore be the ultimate parent company for the Merged Group.

Following the Implementation Date, consideration will be given to simplifying and optimising the corporate structure of the Merged Group.

Continuation of business

The Suncorp Board anticipates that, other than as described within this section 4 (Profile of the Merged Group):

- all material elements of Promina's and Suncorp's respective businesses will continue following completion of the Merger; and
- no major changes will be made to the business or the deployment of the fixed assets of the two groups.

Future employment prospects for staff of the Merged Group

Suncorp believes the Merger presents a significant opportunity to combine the strengths of each business and acknowledges that Promina will bring to the Merged Group a team of highly talented people.

Suncorp's employment decisions will be made in the context of the proposed business model and the expected growth of the Merged Group. Suncorp intends, where possible, to retain high performing personnel from both organisations using a merit based selection process.

To the extent that activities or functions currently carried out by either Promina or Suncorp are duplicated, and therefore possibly redundant, Suncorp intends to use its best efforts to manage this through re-assignment or natural attrition.

Where redundancies occur, Suncorp will recognise the terms of existing agreements and employment contracts, and affected individuals will be treated consistently with the Merged Group values set out in the Merger Implementation Agreement.

4.7 Capital structure

Suncorp intends to maintain its target capital ratios, which are set out in section 2.7 (Capital management), following completion of the Merger. To satisfy this objective, Suncorp has put in place arrangements to finance the cash component of the Scheme Consideration that are described in section 4.8 (Sources of cash and share consideration).

Standard & Poor's has indicated to Suncorp that it expects to assign the Merged Group an A+ (Positive Outlook) long-term counterparty credit rating upon implementation of the Merger. Standard & Poor's currently assigns the Suncorp Group an A (CreditWatch Positive) counterparty credit rating.[15]

Suncorp currently also has long-term credit ratings assigned by Moody's (A2/Review with Direction Uncertain) and Fitch (A/Rating Watch Positive).

The Merged Group's capital position will be impacted by the timing of the integration expenses and the realisation of synergies, in addition to factors inherent in its normal operations. Management of capital over this period may involve further initiatives to meet capital ratio targets such as additional subordinated debt issuance from Suncorp in the ordinary course of its business.

Following completion of the Merger, Suncorp will undertake measures to optimise the overall capital structure and capital efficiency of the Merged Group. Suncorp believes that there are potential capital management opportunities that may be available to the Merged Group. These opportunities will be evaluated in the context

[15] Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. In Australia, credit ratings are assigned by Standard & Poor's (Australia) Pty Limited, which does not hold an Australian financial services licence under the Corporations Act.

of the business mix of the Merged Group, prevailing operating conditions, regulatory requirements, and further discussions with the ratings agencies. The quantum of any capital management initiatives resulting from these opportunities will be subject to further investigation following completion of the Merger.

4.8 Sources of cash and share consideration

As at 13 December 2006, there were 1,029,025,222 Promina Shares on issue. Under the SMPSP, up to a further 7,931,607 Promina Shares may be issued prior to the Record Date as outlined in section 3.6 (Promina securities).

Therefore, the total number of Promina Shares that may be on issue on the Record Date is 1,036,956,829.

As at 13 December 2006, there are no Promina Shares which are Excluded Shares.

Under the Scheme, Suncorp is to pay $1.80 cash and issue at least 0.2618 Suncorp Shares (subject to a possible upward adjustment to accommodate Suncorp's Entitlements Issue as described in section 8.5 (Scheme Consideration)).

Share consideration

Suncorp and SIHL have entered into the Deed Poll in favour of the Promina Shareholders. Under the Deed Poll, Suncorp covenants to issue Suncorp Shares to Promina Shareholders as contemplated by the Scheme.

Suncorp has the capacity to issue the maximum number of Suncorp Shares which it may be required to issue under the Scheme.

Cash consideration

Based upon the maximum number of Promina Shares that may be on issue on the Record Date as set out above, the cash component of the Scheme Consideration would total $1.87 billion. Suncorp expects to fund the cash consideration through a combination of the Entitlements Issue (as described under the heading "Entitlements Issue" below), an unsecured bridge financing facility provided by Citibank NA, Sydney branch (of $450 million) and existing capital resources.

The amount of the bridge facility will be within the Merged Group's capacity to issue subordinated debt which will qualify as lower Tier 2 capital under APRA's capital guidelines (including, after the possible redemption of the Reset Preference Shares, subject to APRA approval, described in section 7.2 (Reset Preference Share Offer)). The bridge facility is expected to be repaid through the issue of such subordinated debt.

Entitlements Issue

The Entitlements Issue is an underwritten pro-rata offer of new Suncorp Shares to Suncorp Shareholders to fund part of the cash component of Scheme Consideration. Based on the best estimate of the factors that may influence the Merged Group's capital position up until the Implementation Date, the Entitlements Issue is expected to raise approximately $1.15 billion.

To facilitate an application to the Court prior to completion of the Entitlements Issue, the Underwriter has agreed, subject to satisfaction of certain preconditions and there being no earlier termination of the Underwriting Agreement, to deposit into a trust bank account in the name of Suncorp the total funds to be raised by 9.00 am on the Second Court Date. If certain further preconditions are satisfied and there is no earlier termination of the Underwriting Agreement, the Underwriter will have an obligation to subscribe for Suncorp Shares and those funds will be applied to such subscription on the date on which the Court approval order is made. The Underwriter would then transfer the Suncorp Shares to successful applicants in the Entitlements Issue. The preconditions and termination events are summarised in Appendix 4 (Underwriting Agreement – preconditions and termination events).

Suncorp Shares offered under the Entitlements Issue will be issued at a price to be determined having regard to market conditions at the relevant time, but are likely to be at some discount to the then prevailing market price of Suncorp Shares. To the extent the issue price under the Entitlements Issue is less than the VWAP of Suncorp Shares sold during the three Trading Days prior to lodgement of the Prospectus, an adjustment will be made to the number of Suncorp Shares which Promina Shareholders receive under the Scheme. The details of this adjustment are further described in section 8.5 (Scheme Consideration), but the purpose of the adjustment is to compensate for dilution of the value of the Suncorp Shares to be issued as Scheme Consideration as a result of the Entitlements Issue.

Suncorp proposes to lodge the Prospectus before the opening of trading of Suncorp Shares on ASX on the Second Court Date.

The Entitlements Issue is expected to involve an accelerated structure in which the institutional component of the pro-rata offering is undertaken at the beginning of the offer over a two to three Business Day period, with remaining Suncorp Shareholders receiving their pro-rata offers later over a more extended timetable. This structure will mean that Suncorp and Promina Shares are likely to be placed on a trading halt while the institutional component of the offer is undertaken.

4.9 Earnings per share impact on Suncorp

In the announcement of the Merger, Suncorp indicated that the transaction is expected to be cash earnings per share (**Cash EPS**) accretive to Suncorp Shareholders in the second full year following completion of the Merger. Cash EPS is determined prior to the amortisation and any impairment charges relating to intangibles and the earnings impact of the integration costs.

A number of factors will influence the impact of the Merger on the earnings per share of Suncorp. Major factors include:

- the number of shares that will be issued to Suncorp Shareholders as a consequence of the Entitlements Issue;
- the future performance of the Merged Group;
- the level and timing of cost savings, revenue enhancements and other synergies derived as a consequence of the Merger;
- the level and timing of integration costs, the degree to which these costs are capitalised and the rate at which they are amortised; and
- the amount and rate of amortisation and charges for impairment that may relate to intangible assets created in the accounts of Suncorp as a consequence of the Merger.

Based on the best estimate of the above factors, Suncorp confirms that the transaction is expected to be Cash EPS accretive to Suncorp Shareholders in the second full year following completion of the Merger. This estimate is independent of any potential capital management initiative described in section 4.7 (Capital structure) and assumes that at least 75% of the expected annual cost savings will be achieved by the end of the second year following completion of the Merger on an annualised basis.

In accordance with Australian accounting standards (AASB 133), prior period historical earnings per share will be adjusted in future financial reports of the Merged Group for the impact of the bonus element of any discount that may apply to the proposed Entitlements Issue. In calculating Cash EPS accretion, Suncorp has adjusted its standalone forecast Cash EPS position in the same way. As such, there is no impact on Cash EPS accretion caused by the discount that may apply to the Entitlements Issue.

4.10 Dividend policy of the Merged Group

Suncorp has maintained a dividend policy focused on delivering sustainable growth in annual dividends, whilst maintaining sufficient capital for growth purposes. Suncorp has been prepared to vary the payout ratio on a reported basis if it is confident in the strength of underlying business performance. This policy is reviewed on a regular basis.

Suncorp intends to continue to pursue a consistent dividend policy for the Merged Group centred on providing sustainable growth in annual dividends, although growth may not necessarily be at the same rate as in recent years. It is likely that the Merged Group's payout ratio will temporarily rise during the integration period, due to timing of synergy realisation and integration expenses.

4.11 Statement regarding pro forma forecast financial information

The Suncorp Board has determined not to include pro forma forecast financial information with respect to the Merged Group in this Scheme Booklet because it believes the information would not be sufficiently reliable.

The Merged Group's performance in any period will reflect a number of factors that cannot be predicted with a high level of confidence and are outside its control. These factors include:

- the level of investment returns impacting both the general insurance and wealth management businesses;
- the level of prospective releases from provisions set aside to meet long tail general insurance liabilities;
- general insurance short tail claim cost volatility induced by unexpected weather related events; and
- greater earnings volatility following the introduction of AIFRS, particularly the expected impact on accounting for impairment charges on banking loans and advances.

The future performance of the Merged Group's businesses is subject to the risk factors set out in section 5 (Risk factors).

4.12 Pro forma financial statements for the Merged Group

Introduction

The pro forma financial information of the Merged Group disclosed in this section includes the following:

- the pro forma historical income statement of the Merged Group for the 12 months ended 30 June 2006 (**Merged Group pro forma historical income statement**) and any underlying Merger adjustments; and
- the pro forma historical balance sheet of the Merged Group as at 30 June 2006 (**Merged Group pro forma historical balance sheet**) and any underlying Merger adjustments.

The financial year end of Suncorp is 30 June whilst the financial year end of Promina is 31 December.

The Accountant has prepared an Accountant's Report in respect of the historical and pro forma historical financial information included in this section. A copy of this report is included in Appendix 2 (Accountant's Report).

Merged Group pro forma historical income statement

Basis of preparation

The Merged Group pro forma historical income statement is compiled from the aggregation of the:

- income statement of Suncorp for the year ended 30 June 2006;
- income statement of Promina for the half year ended 31 December 2005;
- income statement of Promina for the half year ended 30 June 2006; and
- relevant Merger adjustments required to present the Merged Group on an aggregated basis.

The Suncorp historical financial information has been extracted from the audited financial statements of Suncorp for the year ended 30 June 2006.

The Promina historical financial information has been extracted from the audited financial statements of Promina for the year ended 31 December 2005 and the reviewed financial statements of Promina for the half year ended 30 June 2006.

The Merged Group pro forma historical income statement is provided for illustrative purposes and is prepared on the basis that the Merger had occurred on 1 July 2005. It does not reflect that Suncorp will own Promina for only part of the 2007 Financial Year.

The Merged Group pro forma historical income statement is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. In particular, it does not include the notes to and forming part of the financial statements of Suncorp and Promina.

The accounting policies of the Merged Group used to prepare the pro forma financial information are based on the accounting policies of Suncorp contained in its audited financial statements for the year ended 30 June 2006 (but adopting a segmentated presentation) unless otherwise noted.

The Merged Group pro forma historical income statement and the Merger adjustments on which it is based have been adopted by the Suncorp Board and are based on information prepared by both Suncorp and Promina.

Pro forma historical income statement for the 12 months ended 30 June 2006

	Suncorp A$m	Promina A$m	Adjustments A$m	Merged Group A$m
Banking				
Net interest income	848	–	–	848
Net fee and commission income	129	–	–	129
Other income	20	–	–	20
Total income from banking activities	997	–	–	997
Operating expenses	(460)	–	–	(460)
Impairment losses on loans and advances	(31)	–	–	(31)
Banking result from operating activities	***506***	**–**	**–**	***506***
General insurance				
Net premium revenue	2,527	3,015	(24)(3)	5,518(4)
Net incurred claims	(1,633)	(1,965)	–	(3,598)
Underwriting expenses	(669)	(829)	(1)(3)	(1,499)
Reinsurance commission revenue	5	–	–	5
Underwriting result	230	221	(25)	426
Investment revenue – insurance funds	241	116	40(1)(3)	397
Investment revenue – shareholder funds	232	167	(54)(1)(3)	345
Share of net profit of joint ventures and associates	25	16	–	41
Fee for service and other income	124	24	–	148
Non-banking interest expense	(16)	–	(30)(2)	(46)
Other expenses	(145)	(23)	–	(168)(4)
General Insurance result from operating activities	***691***	***521***	***(69)***	***1,143***
Wealth Management				
Net premium revenue	108	329	–	437
Investment revenue	805	477	–	1,282
Other revenue	88	150	–	238
Net revenue	1,001	956	–	1,957
Net incurred claims	(58)	(149)	–	(207)
Other operating expenses	(151)	(356)	–	(507)
Increase in net policy liabilities	(497)	(240)	–	(737)
Decrease in unvested policy owner benefits	55	–	–	55
Non-banking interest expense	(197)	–	(9)(2)	(206)
Wealth Management result from operating activities	***153***	***211***	***(9)***	***355***
Other net expenses	(4)	(39)	39(2)	(4)
Profit before tax	*1,346*	*693*	*(39)*	*2,000*
Income tax expense	(430)	(198)	13(3)	(615)(5)
Outside equity interests	–	(3)	–	(3)
Profit for the year	**916**	**492**	**(26)**	**1,382**

Notes (refer further discussion below)

1. Promina allocates mismatch investment income on insurance funds to investment revenue on shareholder funds. This adjustment reallocates mismatch investment income to investment revenue on insurance funds, to align with Suncorp's presentation.
2. This adjustment reallocates interest expense from other net expenses to the general insurance and wealth management results.
3. This adjustment removes the contribution of Vero Lenders Mortgage Insurance Limited (**VLMI**) which was sold by Promina in July 2006.
4. The Suncorp and Promina information is based on the statutory reporting requirements. No adjustment to the reported results has been made to net fire service levy income and expenses or other statutory fees and charges.
5. The Suncorp and Promina information is based on the statutory reporting requirements. No adjustment has been made for tax payable on behalf of life insurance policyholders. Income tax expense therefore includes tax payable on behalf of life insurance policyholders, mostly related to superannuation contributions and surcharge taxes.

Merger adjustments underlying the pro forma historical income statement

(a) Aligning the presentation of Suncorp and Promina

The following material adjustments have been made to the results of Promina to align the presentation of financial information with that of Suncorp. These adjustments relate only to the presentation of information and have no impact on net profit.

- Allocation of mismatch investment revenue to return on shareholder funds (note 1)

  In the reported Promina results, investment income is notionally allocated to general insurance technical reserves on the assumption that assets backing technical reserves are of the same size and duration as the liability portfolio. The earning rate is assumed to be the risk-free bond rate and is the same rate used to discount outstanding claim provisions.

  The differences between the actual earning rates and asset durations against the risk-free rates and liability durations are referred to as the 'mismatch' position, and are allocated to investment revenue on shareholder funds. However, in the reported Suncorp results the mismatch position is included within investment revenue on insurance funds.

  The reported Promina results have therefore been adjusted to ensure the disclosure is consistent with Suncorp. An amount of $43 million has been reclassified from investment revenue on shareholder funds to investment revenue on insurance funds.

- Allocation of interest expense (note 2)

  Suncorp allocates non-banking interest expense (i.e. finance costs) relating to subordinated debt and reset preference shares to individual business segments. Promina recognises interest expense at a group level and does not allocate interest expense between business segments.

  The reported Promina results have therefore been adjusted to allocate non-banking interest expense between segments. Of the $39 million adjustment, $30 million has been allocated to general insurance with the remainder allocated to wealth management.

  Methods of allocating interest expense between the segments will be reviewed subsequent to completion of the Merger and adjustments between segments may occur.

(b) Aligning the accounting policies of Suncorp and Promina

Based on publicly available information no material differences have been identified between the accounting policies of Suncorp and Promina and therefore no adjustments have been made to the pro forma historical income statement.

A full and detailed review of the application of accounting policies will be undertaken after completion of the Merger and may result in further adjustments.

(c) Synergies and costs

No adjustment has been made to the pro forma historical income statement for the impact of expected cost synergies, revenue loss, integration costs or transaction costs related to the Merger that may impact the income statement. Synergies and costs associated with the Merger are discussed in more detail in sections 4.1 (Benefits of and rationale for the Merger) and 4.4 (Integration costs and timing).

(d) Adjustments relating to the new capital structure

The proposed capital structure of the Merged Group is set out in section 4.7 (Capital structure). A net increase in financing costs is expected following the issue of subordinated debt and redemption of Promina's Reset Preference Shares. No adjustment has been made to the Merged Group's pro forma historical income statement to reflect any change in financing costs.

A full and detailed review of the proposed capital structure and the impact on net interest expense will be undertaken after completion of the Merger.

(e) Adjustments relating to the impact of acquisition accounting
The impact of acquisition accounting is discussed in more detail in the pro forma historical balance sheet section.

For the purposes of the pro forma historical income statement no adjustments have been made to reflect the impact of acquisition accounting because it is not possible to accurately determine the fair value of Promina's assets and liabilities and the cost of the acquisition at this time.

The expected impact of adopting acquisition accounting on the income statement of the Merged Group will include an amortisation charge for finite life intangible assets. See the pro forma historical balance sheet section for further discussion on potential intangible assets which may arise as a result of the Merger.

(f) Adjustment relating to non-recurring and one-off transactions (note 3)
In July 2006, Promina sold its controlled entity VLMI.

The pro forma historical income statement has been adjusted to reflect the sale of VLMI on the assumption that the sale occurred on 1 July 2005 resulting in a reduction of net profit after tax of $26 million. No adjustment has been made for the profit on sale in the income statement.

No other non-recurring or one-off transactions of a material nature have been identified.

Merged Group pro forma historical balance sheet

Basis of preparation
The Merged Group pro forma historical balance sheet is compiled from the aggregation of the:

- balance sheet of Suncorp as at 30 June 2006;
- balance sheet of Promina as at 30 June 2006; and
- relevant Merger adjustments required to present the Merged Group on an aggregated basis.

The Suncorp historical financial information has been extracted from the audited financial statements of Suncorp for the year ended 30 June 2006.

The Promina historical financial information has been extracted from the reviewed financial statements of Promina for the half year ended 30 June 2006.

The Merged Group pro forma historical balance sheet is provided for illustrative purposes and is prepared on the basis that the Merger had occurred on 30 June 2006.

The Merged Group pro forma historical balance sheet is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. In particular, it does not include the notes to and forming part of the financial statements of Suncorp and Promina.

The Merged Group pro forma historical balance sheet and the Merger adjustments on which it is based has been adopted by the Suncorp Board and is based on information prepared by both Suncorp and Promina.

Pro forma historical balance sheet as at 30 June 2006

	Suncorp $m	Promina $m	Adjustments $m	Merged Group $m
Assets				
Cash and cash equivalents	489	372	8[2][3][4]	869
Receivables due from other banks	26	–		26
Other financial assets – Trading securities	3,773	–	(477)[2]	3,296
Other financial assets – Investment securities	10,926	8,343	(239)[4]	19,030
Investment in associates and joint ventures	138	100	–	238
Loans, advances and other receivables	39,149	732	–	39,881
Bank acceptances of customers	316	–	–	316
Reinsurance and other recoveries[1]	484	767	–	1,251
Deferred insurance assets[1]	222	363	(6)[4]	579
Property plant and equipment	131	66	–	197
Deferred tax assets	–	99	–	99
Investment property	196	4	–	200
Goodwill and intangible assets	1,124	257	5,237[3][4]	6,618
Other assets	395	122	(5)[4]	512
Total assets	**57,369**	**11,225**	**4,518**	**73,112**
Liabilities				
Deposits and short term borrowings	27,683	–	–	27,683
Payables due to other banks	120	–	–	120
Bank acceptances	316	–	–	316
Payables and other liabilities	781	404	(2)[4]	1,183
Current tax liabilities	136	63	–	199
Provisions	15	–	–	15
Employee benefit obligations[1]	139	74	–	213
Deferred tax liabilities	68	140	–	208
Unearned premiums and unexpired risks	1,399	1,744	(62)[4]	3,081
Outstanding claims liabilities[1]	4,273	2,847	(3)[4]	7,117
Gross policy liabilities	3,906	2,962	–	6,868
Unvested policy owner benefits	270	–	–	270
Outside beneficial interests	854	–	–	854
Securitisation liabilities	5,700	–	–	5,700
Bonds, notes and long term borrowings	5,504	–	–	5,504
Subordinated notes[1]	1,466	250	450[2]	2,166
Other financial liabilities[1]	56	231	–	287
Preference shares[1]	250	300	(300)[2]	250
Total liabilities	**52,936**	**9,015**	**83**	**62,034**
Net assets	**4,433**	**2,210**	**4,435**	**11,078**
Equity				
Share capital	2,973	1,252	5,364[3]	9,589
Reserves	28	(56)	56[3]	28
Retained profits	1,432	977	(985)[3][4]	1,424
Outside equity interests	–	37		37
Total equity	**4,433**	**2,210**	**4,435**	**11,078**

Notes (refer further discussion below):

1. In compiling the Suncorp and Promina balance sheets, these individual line items have been amended to align presentation and disclosure of Suncorp and Promina. There has been no impact on total assets and total liabilities of Suncorp or Promina.
2. These adjustments reflect the funding of the Merger and the proposed capital structure following completion of the Merger.
3. These adjustments reflect the impact of acquisition accounting as a result of the Merger.
4. These adjustments reflect the sale of VLMI which occurred in July 2006.

Merger adjustments underlying the pro forma historical balance sheet

(a) Aligning the presentation of Suncorp and Promina (note 1)
The following adjustments have been made to align the presentation of assets and liabilities of Promina and Suncorp:

- reinsurance recoveries, deferred acquisition costs, outstanding claims, employee benefits, subordinated debt and reset preference shares are disclosed as separate line items; and
- Suncorp borrowings relating to the general insurance segment have been included under financial liabilities.

(b) Aligning the accounting policies of Suncorp and Promina
No material differences have been identified between the accounting policies of Suncorp and Promina based on published accounting policies and therefore no adjustments have been made to the Merged Group pro forma historical balance sheet.

A full and detailed review of the application of accounting policies will be undertaken after completion of the Merger and may result in further adjustments. In particular a review of methodologies adopted in valuing outstanding general insurance claims liabilities and life insurance policy liabilities may identify differences in applying accounting policies.

(c) Adjustments relating to funding and new capital structure (note 2)
The proposed funding of the Merger and the capital structure of the Merged Group, set out in sections 4.7 (Capital structure) and 4.8 (Sources of cash and share consideration), have the following impact on the pro forma historical balance sheet:

- reduction in Promina equity attributable to equity holders of the parent entity to nil;
- additional subordinated debt of $450 million. In the interim period between completing the Merger and issuing the subordinated debt this amount will be financed through a bridging finance facility;
- an increase in equity of $6.62 billion as a result of $5.49 billion of new Suncorp Shares and $1.13 billion following the proposed Entitlements Issue (net of issue costs). As discussed below, the equity is based on an assumed market price for Suncorp Shares of $20.20;
- acquisition of $300 million Reset Preference Shares currently issued by Promina. This assumes that the Reset Preference Shares will be repurchased at $102.5641 per share, resulting in a total outflow of funds of $308 million (for further details, see section 7.2 (Reset Preference Share Offer)). This would occur subsequent to the Merger; and
- a reduction in liquid financial assets of $477 million and a reduction in cash of $200 million, being surplus capital of Suncorp and Promina contributed to funding of the Merger and acquisition of the Reset Preference Shares.

(d) Adjustments relating to the impact of acquisition accounting (note 3)
Accounting standard AASB 3 Business Combinations requires Suncorp to measure the cost of the Merger at the aggregate of the fair value of assets, liabilities and equity issued by Suncorp in exchange for control of Promina at the date on which the exchange occurs.

Suncorp Shares form part of the cost of acquisition. In accordance with accounting standards, the fair value of the Suncorp Shares will be determined as the published market price on the date of the Promina acquisition. For the purposes of calculating the cost of acquisition a value of $20.20 has been used for Suncorp Shares. To the extent the Suncorp Share price changes in the period to the acquisition date, the cost of acquisition and accordingly the value of intangible assets acquired (discussed below) will change.

The cost of the Merger includes assumed pre-tax transaction costs of $85 million incurred by both Suncorp and Promina. As these costs form part of the cost of acquisition and are non-recurring in nature, they do not impact the pro forma historical income statement. All identifiable assets (including intangible assets), liabilities and contingent liabilities that meet certain recognition criteria should be recognised separately in the consolidated financial statements of the Merged Group. Once this process has been completed, the excess of the cost of the Merger over and above Suncorp's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities should be recognised as goodwill. This goodwill amount and any related impairment will only be identified once the Merger occurs. Similarly, the identification and valuation of intangible assets, including the breakdown between finite life and infinite life intangibles, will not be possible until after completion of the Merger. Accounting standards allow a period of 12 months to finalise provisional acquisition accounting adjustments from the date of acquisition.

The following potential intangible assets may be recognised in the consolidated balance sheet subsequent to the Merger:

- market related assets such as brands;
- customer related assets such as the general insurance renewal book determined with reference to customer relationships and any customer lists;
- contract based assets such as contracts in force, funds under management, embedded value of the life business, employment contracts, lease agreements and insurance licences; and
- technology based assets such as software.

For the purposes of the pro forma historical balance sheet, total intangible assets, including goodwill, relating to the acquisition are $5,494 million. This amount will change once the fair value of all assets, liabilities and contingent liabilities acquired are determined as at the acquisition date. The $5,494 million amount is determined as the excess of the cost of acquisition of $7,380 million based on the implied value of the Scheme Consideration as at 7 December 2006 over Promina's pro forma net tangible assets as of 30 June 2006 of $1,886 million (after adjusting for the sale of VLMI, outside equity interests and transaction costs expected to be incurred by Promina). These numbers include assumed aggregate pre-tax transaction costs of $85 million incurred by both Suncorp and Promina (of which approximately $30 million will be included in the total cost of acquisition).[16]

(e) Adjustment relating to non-recurring and one-off transactions (note 4)
In July 2006, Promina sold its controlled entity VLMI.

The pro forma historical balance sheet has been adjusted to reflect the sale of VLMI on the basis that the sale occurred on 30 June 2006 and prior to the Merger. The sale resulted in a profit of $25 million.

[16] Excludes the cost of raising equity (through the Entitlements Issue) and debt incurred to fund the cash component of the Scheme Consideration. The issue costs of the Entitlements Issue are expected to be approximately $25 million before tax and will be net against the proceeds recorded in Share Capital in Suncorp's balance sheet and not expensed. The costs incurred to raise debt and issue debt securities will be net against the liability and amortised as interest expense over the expected term of the debt facility or securities issued.

Section 5: Risk factors

5.1 Introduction

If the Merger proceeds, new Suncorp Shares will be issued to Promina Shareholders as part of the Scheme Consideration. The value of the Scheme Consideration which Promina Shareholders receive under the Scheme will therefore be dependent on the value of Suncorp Shares.

There are many factors which may influence the price of Suncorp Shares and the future dividends paid on Suncorp Shares following completion of the Merger. These include risk factors that:

- relate to the Merger (see section 5.2 (Risks specific to the Merger));
- are specific to an investment in the Merged Group arising from Suncorp's business (see section 5.3 (Risks specific to an investment in the Merged Group arising from Suncorp's business)); and
- are common to both Promina's and Suncorp's businesses (see section 5.4 (Risks common to Promina's and Suncorp's businesses)).

The risk factors described below outline some of the key, but not all, risks associated with an investment in the Merged Group and Suncorp Shares. This section does not take into account the investment objectives, financial situation, taxation position or particular needs of Promina Shareholders and is not an exhaustive list.

5.2 Risks specific to the Merger

Integration and synergies

Combining two groups of the size and complexity of Suncorp and Promina carries integration risks.

There is a risk that the Merged Group will lose customers and market share, or face operational disruptions, if the integration is not achieved in an orderly and timely fashion.

In addition, the ability to achieve targeted synergies on time or at all and to their fullest extent is subject to a number of risks, including the following:

- unforeseen difficulties in the amalgamation of business sites and physical business locations;
- unforeseen difficulties in integrating management information systems;
- unforeseen difficulties in integrating the existing or introducing new information technology platforms;
- lower than expected cost savings; and
- any differences in the cultures or management styles of the two organisations.

If, as a consequence of the integration, any damage occurs to the reputation of the Promina or Suncorp brands, this could have an adverse impact on the future financial position and performance of the Merged Group.

Any failure to achieve targeted synergies may impact on the financial performance and position of the Merged Group and the future price of Suncorp Shares.

Suncorp has estimated the total pre-tax cost of integration at around $355 million. See section 4.4 (Integration costs and timing) for further details. There is no guarantee that integration costs will not exceed the expected amount. There is a risk that costs could increase due to unforeseen complications. Such an increase may have a material adverse impact on the future financial position and performance of the Merged Group.

Business model of the Merged Group

Suncorp and Promina have mutually agreed the principles underlying the development of the combined business model of the Merged Group to ensure the continued delivery of superior customer experiences and outcomes, via the end-to-end alignment of strong brands serving a diverse set of distinct client and customer segments.

There is a risk that the combined business model may not fully leverage the inherent value in both groups. This may impact the Merged Group's profitability.

Issue of Suncorp Shares

Suncorp will issue a significant number of Suncorp Shares under the Scheme and under the Entitlements Issue. Some Promina Shareholders and some other recipients of these Suncorp Shares may not intend to continue to hold their Suncorp Shares and may wish to sell them on market, and this may have an adverse effect on the market price of Suncorp Shares in the short term.

Loss of key personnel

Although retention arrangements have been offered to key executives in both organisations, there may be unplanned departures of key personnel. It is possible that there will be some unintended loss of key people following combination of the two businesses, which may impact on the performance of the Merged Group.

Queensland legislation affecting Suncorp

Queensland legislation requires Suncorp to maintain its head office in Queensland and to maintain a majority of Queensland resident directors. (See section 2.5 (Suncorp's board and management structure) for further information about this requirement and section 4.5 (Board and management of the Merged Group) for information about potential changes to the residency requirement.) This could potentially inhibit the Merged Group's operations in the future as well as any future takeover of, or by, the Merged Group.

Regulatory approval

The Scheme is subject to a number of Conditions Precedent, including confirmation from the ACCC that it does not oppose the Merger. On 26 October 2006, Suncorp made an application to the ACCC for such confirmation. Following market enquiries and the release of a Statement of Issues, the submission is currently under consideration by the ACCC.

The ACCC has indicated that it anticipates making a final decision in relation to Suncorp's application on or around 20 December 2006. This date is merely indicative and the ACCC may revise the date on which it anticipates making a final decision. Any findings released by the ACCC will be announced to ASX and will be available on the ACCC's website **www.accc.gov.au**.

Promina Shareholders should be aware that the outcome of the ACCC clearance process cannot be guaranteed. Clearance from the ACCC may be subject to undertakings, which may or may not be material to the Merged Group's operations and profitability. Any such undertaking could, depending on its nature, have an adverse impact on the operations and profitability of the Merged Group.

Effect of change in control on contractual arrangements

Some of the commercial contracts to which members of the Promina Group are parties contain change of control clauses which may enable the counterparty to those contracts to terminate the contracts upon the implementation of the Merger. As at 7 December 2006, Promina has identified a number of joint venture agreements, corporate partner agreements and software licence, support and services agreements that contain change of control clauses which will be triggered if the Merger is implemented. In particular, Promina has identified joint venture contracts with respect to RAC Insurance Pty Ltd and NTI Limited which contain change of control clauses.

If a counterparty does terminate a contract, the Merged Group could lose the benefit of the contract and may not be able to obtain similarly favourable terms upon entry into replacement arrangements, if any.

5.3 Risks specific to an investment in the Merged Group arising from Suncorp's business

Competition in banking services

The Merged Group would face considerable competition from both traditional banking groups and non-bank financial institutions, which compete vigorously for customer investments and deposits and the provision of lending and financial planning services. There is an increasing number of banking product specialists, particularly in mortgage and SME lending. To the extent that specialist lenders gain market share, this could affect the profitability of the major and regional banks, including the profitability of the banking operations of the Merged Group.

Regulatory matters

The banking operations of Suncorp are heavily regulated and are subject to prudential supervision by APRA. Among other things, APRA requires all banks, including Suncorp, to meet minimum capital requirements for their banking operations. These regulations are stringent and are subject to change. In particular, APRA is proposing to apply capital adequacy principles as determined by the Basel II Accord to banks. In addition, there are several changes being proposed to bank capital adequacy. There is a possibility that the overall capital required to be held within the banking operations may be higher than the current requirement. This could have an adverse effect on the return on equity of the Merged Group.

Fiscal and monetary policy

The Reserve Bank of Australia regulates the supply of money and credit in Australia. Its policies determine in large part the cost of funds for Suncorp for lending and investing. This, in turn, will determine the return the Merged Group will earn on its loans and investments. Both of these impact its net interest margin, and can materially affect the value of financial instruments it holds, such as debt securities. The policies of the Reserve Bank of Australia can also affect the Merged Group's borrowers, potentially increasing the risk that borrowers may fail to repay their loans.

Market and liquidity

Market risk for a bank relates to the risk of loss arising from changes in interest rates, foreign exchange rates and prices of commodities, debt securities and other financial contracts, including derivatives. Losses arising from these risks may have an adverse effect on the Merged Group. The Merged Group will also be exposed to liquidity risk, which is the risk that it has insufficient funds and is unable to meet its payment obligations as they fall due, including obligations to repay deposits and maturing wholesale debt.

System credit growth

Lending growth is a key driver of profitability for a bank. There is a risk that system growth may slow down, due to a combination of factors – both macroeconomic and company-specific. For instance, rises in interest rates tend to reduce housing loan growth which, in turn, has a direct impact on the returns that the Merged Group can generate. Movements in the business cycle also impact on the volume of business lending.

Margin compression

Over the past several years, net interest margins for the major banks in Australia have narrowed as a result of increased competitive pressure and other factors. Several factors impact the net interest margin of Suncorp, which will have a direct bearing on the profitability of the Merged Group. These factors include, but are not limited to, cost of funding, asset yield, asset/liability matching, competition and portfolio mix. Any event or occurrence that affects these drivers will impact the net interest margin of the Merged Group. For instance, increasing price based competition through offering high yield deposit accounts or low priced mortgages has the effect of contracting the net interest margin. This has the potential to affect the profitability of the Merged Group.

Credit risk and non-performing assets

Credit risk arises from Suncorp's lending activities and the potential for loss arising from the failure of customers or counterparties to meet their contractual obligations. As a result, the Merged Group will hold provisions to cover bad and doubtful debts. The amount of these provisions is determined by assessing, based on current information, the extent of credit risk within the current lending portfolio. However, if the information upon which the assessment of risk is based proves to be inaccurate, the provisions made for loan loss may be insufficient, which could have a material adverse effect on the results and operations of the Merged Group.

Banking concentration

The Merged Group will derive a significant proportion of its banking earnings from Queensland. More than two-thirds of Suncorp's housing and business loans are Queensland based, which exposes the banking operation to fluctuations in the Queensland economy. If there is a downturn in the Queensland economy, Suncorp's exposure to Queensland may affect the Merged Group's future profitability.

Another source of concentration is portfolio concentration. Suncorp has a relatively large exposure to property finance and agribusiness loans and, to the extent there is a downturn in these sectors, the profitability of the Merged Group could be impacted.

5.4 Risks common to Promina's and Suncorp's businesses

Promina Shareholders should be aware that a number of risks already apply to Promina's and Suncorp's existing businesses and will continue to apply even if the Scheme does not proceed. Such risks include, but are not limited to, the general risks of owning shares, economic risk, currency risk, and fluctuations in equity and debt capital markets.

There also exist other risk factors including, but not limited to, broad general insurance and financial services industry risks. As Promina Shareholders are already exposed to these risks, they are only briefly set out and described below.

General risks

Economic
Changes in economic conditions can affect financial results of general insurance and financial services businesses through their effect on market conditions, investment income, changes in consumer demand for products and services and increased claims and credit losses.

Changes in exchange rates
General insurance and financial services businesses are directly and indirectly exposed to movements in exchange rates.

Share ownership
The value of shares in a listed company is subject to fluctuations in the share market, which can be precipitated by a wide variety of factors.

General insurance and financial services

Competition
The Merged Group competes with a large number of general insurance, life insurance and wealth management companies, as well as other financial services companies, such as banks and other financial institutions, for individual customers. Major factors contributing to competition include the entry of new participants, consolidation of existing participants and the development of new methods of distribution.

Operational risk
General insurance and financial services businesses are exposed to a variety of generalised risks, arising from process error, fraud, systems failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance. The failure to adequately manage these operational risks could have a material adverse effect on financial performance and condition.

Personnel risk
General insurance and financial services businesses are dependent on the efforts and abilities of key personnel and as such any loss of a number of key personnel may have a material adverse effect on the financial performance and condition of such businesses.

Brands
Brands can be particularly important to sourcing new and renewal business for general insurance and financial services businesses. Any damage to the reputation of such brands could have an adverse impact on the financial performance and condition of such businesses.

Systems risk
General insurance and financial services businesses rely to a significant degree on information technology systems, with day-to-day operations of each aspect of business being computer based, as are the systems used to calculate and monitor underwriting risks, reserve modelling and reinsurance arrangements. Failure of such systems could result in business interruption, the loss of customers, damaged reputation and weakening of competitive position and could therefore adversely affect business.

Capital and funding requirements
General insurance and financial services businesses cannot provide assurances that additional capital or liquidity will not be required in the future nor that appropriate capital or funding, if and when needed, will be available on favourable terms.

Credit rating
General insurance and financial services businesses rely on their respective credit rating to write business. If such businesses experience a credit rating downgrade, some agents, brokers, other distributors and customers may choose to withhold business. Furthermore, the cost of capital may increase and the ability to raise capital may be significantly impaired.

Investment income
Investment income relating to investment portfolios supporting liabilities arising from general insurance and life insurance businesses may have a material adverse effect on the financial performance and condition of such businesses.

Catastrophes
General insurance and financial services businesses are subject to claims and policy benefits arising from catastrophes caused by natural and man-made disasters. These events are inherently unpredictable in terms of their incidence and severity.

War, terrorism and pandemic cover
General insurance and financial services businesses may have potential exposure to claims and policy benefits as a result of acts of war, terrorism and pandemics (such as avian influenza).

Climate change
Climate change might lead to more significant and frequent weather related claims. Climate change may adversely impact the performance of general insurance and financial services businesses.

Estimation of insurance liabilities
Provisions for claims and policy benefits do not represent an exact calculation of liability, but rather an estimate of the expected ultimate cost based on actuarial and statistical projections. Insufficient provisions for such liabilities could have a material adverse effect on the financial performance and condition of the respective general insurance and financial services businesses.

Escalation in claims costs and adverse movements in premium rates
Premium and claims trends in general insurance are cyclical in nature. Classes of general insurance, in particular commercial long-tail classes, may be subject to rapid escalation in the cost of claims and/or falls in premium rates, creating significant losses for general insurers in a given market. The causes of such adverse trends cannot be predicted nor in general controlled and may have a material adverse impact on the financial performance and condition of general insurance businesses.

Reinsurance rates
The availability, amount and cost of reinsurance depends on prevailing market conditions, in terms of price and available capacity, and may vary significantly. There are also risks associated with the determination of proper levels of outwards reinsurance protection, the cost of such reinsurance, the financial security of reinsurers and that reinsurers dispute or default on their obligation to pay valid claims.

Insurance agents and brokers
To the extent products are distributed through insurance agents and brokers, business is reliant on relationships with insurance agents and brokers to provide the feedback on market conditions and to generate demand through their marketing efforts. The failure, inability or unwillingness of insurance agents or brokers to successfully market such products, or the inability of these counterparties to meet their obligations, could have a material adverse effect on the financial performance and condition of the respective general insurance and financial services businesses.

Litigation
General insurance and financial services businesses are exposed to litigation relating to policies underwritten by them. Policyholders and other persons may, in the normal course of business, commence or threaten litigation against Promina or Suncorp or, following completion of the Merger, the Merged Group, either on an individual or class action basis.

In addition, there can also be no assurances that courts will not expand the basis upon which general insurance and financial services businesses may suffer liability in connection with policies written or that the basis for calculation of damages will not change. Both of these possibilities may have a material adverse effect on the Merged Group's results.

Changes in government policy and regulation
General insurance and financial services businesses are subject to extensive legislation, regulation and supervision by federal and state regulatory organisations. This regulatory regime is complex and is subject to change. Changes in government policy and legislation or regulation, such as tort law reform, could have a material adverse effect on the Merged Group's results.

Section 6: Tax implications

6.1 Taxation outline – Scheme Shareholders

This outline contains a general overview of the Australian income tax and Goods and Services Tax (**GST**) implications for Promina Shareholders who are Australian residents for taxation purposes and who hold their Promina Shares on capital account.

The outline does not address the tax treatment for Promina Shareholders who:

- hold their Promina Shares on revenue account such as banks and share trading entities; or
- are non-residents of Australia for taxation purposes (including non-resident shareholders who currently hold Promina Shares or will hold Suncorp Shares through a permanent establishment in Australia).

The information contained in this outline is of a general nature only. It does not constitute tax advice and should not be relied upon as such.

The New Zealand tax implications are set out in section 6.6 (New Zealand tax implications). The tax implications for Employee Share Plan Participants are set out in section 7.4 (Employee Share Plan Participants). These sections are also general in nature only.

All Promina Shareholders should seek independent professional advice on the consequences of participating in the Scheme, based on their particular circumstances.

6.2 Australian tax consequences of participating in the Scheme

Exchange of Promina Shares

Promina Shareholders who participate in the Scheme will receive consideration for the transfer of their Promina Shares to SIHL in the form of cash and Suncorp Shares.

The transfer of Promina Shares to Suncorp will be a capital gains tax (**CGT**) event for Promina Shareholders. Promina Shareholders will:

- make a capital gain if the capital proceeds for their Promina Shares are greater than the cost base of their Promina Shares subject to the application of CGT scrip-for-scrip roll-over relief (**CGT partial roll-over relief**) (refer below); or
- make a capital loss if the capital proceeds for their Promina Shares are less than the reduced cost base of their Promina Shares.

The capital proceeds from the exchange will be the cash consideration plus the market value of the Suncorp Shares.

The market value of the Suncorp Shares should be worked out at the time of the CGT event, which should be the day on which the Scheme is implemented.

The cost base of Promina Shares will generally include their original or deemed cost of acquisition, plus incidental costs incurred in relation to their acquisition and disposal. Additionally, for Promina Shareholders who held their shares at the time of the Promina capital reductions described below, the cost base of these shares will be reduced by any returns of capital received.

When Promina listed on ASX the Promina Shares were offered to retail investors and institutional investors at $1.70 and $1.80 per share respectively.

The cost base of Promina Shares acquired under Promina's dividend reinvestment plan will be the amount reinvested by Promina Shareholders. Details of the reinvestment prices to date are as follows:

Date dividend paid	Allocation price
15 April 2004	$3.49
1 November 2004	$4.57
2 May 2005	$5.03
31 October 2005	$4.69
31 March 2006	$5.65
3 October 2006	$5.68

Capital reductions approved by Promina Shareholders on 29 April 2005 for Promina Shares held as at 9 June 2005 and on 28 April 2006 for Promina Shares held as at 1 June 2006 represented returns of capital of $0.23 and $0.15 per Promina Share respectively.

Capital gains and capital losses of a Promina Shareholder in an income year from all sources are aggregated to determine whether there is a net capital gain or net capital loss for that income year.

CGT partial roll-over relief

Availability

Promina Shareholders who would otherwise make a capital gain in respect of the transfer of their Promina Shares, should be eligible to choose CGT partial roll-over relief for the transfer of their Promina Shares to the extent the capital gain relates to Suncorp Shares received.

Promina has applied for a class ruling in relation to a number of matters discussed in this section including the availability of roll-over relief for Promina Shareholders. It is possible that the Australian Taxation Office (ATO) may have a different view in the class ruling from that expressed in this section. If this occurs Promina will notify the Promina Shareholders.

Effect

If CGT partial roll-over relief is available and an election is made to utilise the relief, the capital gain that relates to the consideration received in the form of Suncorp Shares is disregarded.

The capital gain under CGT partial roll-over relief will be calculated as follows:

$$\text{Capital gain for Promina Shares exchanged} = \text{Cash consideration received} - \frac{\text{Cash consideration received}}{\text{Cash consideration received} + \text{Market value of Suncorp Shares received}} \times \text{Cost base of Promina Shares exchanged}$$

In calculating the capital gain, Promina Shareholders may be eligible for the CGT discount (see below).

A simple example of the capital gain on the transfer of Promina Shares in exchange for $1.80 cash and 0.2618 Suncorp Shares per Promina Share under CGT partial roll-over relief is set out below. The example assumes that the Promina Shareholder acquired 1,000 Promina Shares as part of the offer made to retail investors on the listing of Promina in 2003 and that the market value of a Suncorp Share received is $21.00.

$$\text{Capital gain for Promina Shares exchanged} = \$1{,}800 - \frac{\$1{,}800}{\$1{,}800 + \$5{,}497.80} \times \$1{,}320^{*}$$

Capital gain for Promina Shares exchanged	=	$1,474.42

Capital gain for Promina Shares exchanged assuming CGT discount applies	=	$1,474.42 x 50%	=	$737.21

* The cost base of $1,320 represents the initial acquisition cost of $1.70 per share as well as adjustments for amount returned as capital of $0.23 per share and $0.15 per share as a result of the Promina capital reductions (discussed above).

As such the amount of $737.21 would be included when aggregating capital gains and capital losses to determine the Promina Shareholder's net capital gain or loss for the income year ending 30 June 2007.

How to choose CGT partial roll-over relief

Promina Shareholders will generally need to choose CGT partial roll-over relief before lodging their income tax return for the income year in which the CGT event happens. For Promina Shareholders who are individuals, this is expected to be the tax return for the year ending 30 June 2007. Choosing CGT partial roll-over relief can simply be evidenced by excluding the relevant capital gain, in respect of which CGT partial roll-over relief is chosen, from the Promina Shareholder's tax return.

Where CGT partial roll-over relief is not chosen or not available

As discussed above, CGT partial roll-over relief is not available to the extent that part of the exchange of a Promina Share for a Suncorp Share is cash.

CGT discount
Individuals, complying superannuation entities or trustees that have held Promina Shares for at least 12 months should be entitled to discount the amount of the capital gain (after the application of any current year or carry forward capital losses). The amount of this discount is 50% in the case of individuals and trustees and $33\frac{1}{3}\%$ for complying superannuation entities. This is referred to as the “CGT discount”. The CGT discount is not available for Promina Shareholders that are companies.

Where the Promina Shareholder is a trustee of a trust, the CGT discount may flow through to the beneficiaries in that trust, other than beneficiaries which are companies. Promina Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries attributable to discount capital gains.

CGT cost base of Suncorp Shares
Following the exchange of shares, you may wish to sell the Suncorp Shares. To work out any capital gain or capital loss on a disposal of Suncorp Shares, it will be necessary to have regard to the cost base or reduced cost base of the Suncorp Shares, respectively, and their date of acquisition. These will be affected where a Promina Shareholder chooses CGT partial roll-over relief in respect of Promina Shares exchanged for Suncorp Shares.

Where CGT partial roll-over relief is chosen
Where a Promina Shareholder elects CGT partial roll-over relief, the CGT cost base of the Suncorp Shares received will be calculated as follows (based on partial CGT roll-over applying):

$$\text{Cost base for Suncorp Shares received} = \text{Cost base for Promina Shares exchanged} - \frac{\text{Cash consideration received}}{\text{Cash consideration received} + \text{Market value of Suncorp Shares received}} \times \text{Cost base of Promina Shares exchanged}$$

Using the same information in the simple example above, the CGT cost base of the Suncorp Shares received by the Promina Shareholder would be calculated as follows:

$$\text{Cost base for Suncorp Shares received} = \$1,320 - \frac{\$1,800}{\$1,800 + \$5,497.80} \times \$1,320$$

$$\text{Cost base for Suncorp Shares received} = \$994.42$$

Each Suncorp Share received in exchange for Promina Shares will be taken for CGT purposes to have the same acquisition date as the Promina Shares.

Where CGT roll-over relief is not chosen or is not available
In this case the cost base of the Suncorp Shares received will be equal to the market value of the Promina Share exchanged less the cash amount received and will be taken, for CGT purposes, to have been acquired at the time the Scheme is implemented.

6.3 Dividends

This section 6.3 (Dividends) applies only to Promina and Suncorp Shareholders who are Australian residents for tax purposes.

With respect to the Promina Share final dividend for 2006, generally the value of any franked distribution received directly by Australian resident shareholders will be grossed up to take into account any franking credits attached to the distribution and will be included in the assessable income of the shareholder. A tax offset equal to the franking credits will be available to offset or reduce the resulting tax liability. Certain shareholders, such as individuals and complying superannuation entities may be entitled to a refund where the tax offset for any franked distribution exceeds their tax liability. Different tax treatment may apply where the distribution is received indirectly.

Generally, a Suncorp Shareholder’s assessable income will include any franking credit attached to dividends paid to Suncorp Shareholders in addition to the amount of the dividends (even if any of the dividends are reinvested).

Where the franking credit is included in a Suncorp Shareholder's assessable income, the Suncorp Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Suncorp Shareholder.

Relevantly, to be eligible for the franking credit and tax offset, the Suncorp Shareholder must satisfy the "holding period rules", whereby the Suncorp Shares must be held at risk for at least 45 days (not including the date of acquisition or the date of disposal). The holding period rules will not apply to a Suncorp Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed $5,000 for the income year in which the franked dividend is received.

A Suncorp Shareholder will not be taken to have held Suncorp Shares at risk where the Suncorp Shareholder holds "positions" (such as options or other hedging arrangements) which materially diminish the risks of loss or opportunities for gain in respect of those shares.

Where the Suncorp Shareholder is an individual, a complying superannuation entity or a registered charity (in certain circumstances), the Suncorp Shareholder will generally be entitled to a refund to the extent that the franking credit attached to the Suncorp Shareholder's dividends exceeds the Suncorp Shareholder's tax liability for the income year. Where the Suncorp Shareholder is a company, the Suncorp Shareholder will generally be entitled to a carry forward loss calculated by reference to any excess of the franking credit attached to the Suncorp Shareholder's dividends over the Suncorp Shareholder's tax liability for the income year. Suncorp Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of Suncorp Shares and the calculation of carry forward losses arising from excess tax offsets.

Where the Suncorp Shareholder is a corporate shareholder, franked dividends distributed to the Suncorp Shareholder will generally also give rise to a franking credit in the Suncorp Shareholder's franking account, where the Suncorp Shareholder satisfies the rules outlined above for claiming a tax offset.

6.4 GST

No GST should generally be payable in respect of the exchange of Promina Shares or the acquisition of the Suncorp Shares.

There may be an indirect GST cost in relation to GST charged on supplies related to the Scheme (e.g. legal and other adviser fees paid to obtain advice on whether to participate in the Scheme).

6.5 Tax file numbers

It is not compulsory for Promina Shareholders to notify Suncorp of their Australian Tax File Number (**TFN**) (or Australian Business Number (**ABN**) if the Suncorp Shares are held in the course of carrying on an enterprise).

However, if a TFN or ABN notification is not provided to Suncorp, tax at the top individual marginal tax rate plus the Medicare levy, currently totalling 46.5% will be deducted from the unfranked component of dividends paid. However, shareholders are entitled to claim an income tax credit/refund (as applicable) in their income tax returns in respect of the tax withheld.

6.6 New Zealand tax implications

General

The following summary is based on the *Income Tax Act 2004* (NZ) and *Goods and Services Tax Act 1985* (NZ) consolidated to 7 December 2006. This summary relates only to New Zealand tax. It is intended to be general in nature and is not intended to deal with all relevant considerations or possible alternatives.

Exchange of Promina Shares

Under the terms of the Scheme, Promina Shareholders who are resident in New Zealand for tax purposes (**Promina NZ Shareholders**) who participate in the Scheme will receive consideration for the transfer of their Promina Shares to Suncorp in the form of cash and Suncorp Shares. A partial (or full) share for share exchange will be a realisation of the Promina Shares for New Zealand tax purposes.

For shareholders who hold their shares on capital account, the proceeds (including the cash component) derived from the exchange will not be gross income for New Zealand tax purposes.

A Promina NZ Shareholder will not hold shares on capital account in certain circumstances, including where the shareholder:

- is in the business of dealing in shares;
- acquires shares with the purpose of resale;
- sells shares related to a profit making undertaking or scheme; or
- holds and realises shares as part of another business.

For Promina NZ Shareholders who do not hold their Promina Shares on capital account, the proceeds derived from the exchange will be gross income for New Zealand tax purposes. The proceeds will be equal to the cash consideration plus the market value of the Suncorp Shares at the time the shares are exchanged. The total Australian dollar proceeds should be converted to New Zealand dollars using the actual exchange rate on the date that the shares are exchanged, or the exchange rate indicated by the Inland Revenue Department on its Inland Revenue form IR 270. A deduction will generally be available for the cost of the shares, converted to New Zealand dollars at the appropriate exchange rates.

Prior Promina capital reductions (on 9 June 2005 and 1 June 2006) which were treated as dividends at the time for New Zealand tax purposes should not reduce the cost base of the Promina Shares exchanged. The cost base of Promina Shares acquired under Promina's dividend reinvestment plan will be the amount reinvested by Promina NZ Shareholders, again converted to New Zealand dollars at the appropriate exchange rates (refer to the table in section 6.2 (Australian tax consequences of participating in the Scheme)).

The exchange of Promina Shares for Suncorp Shares will not be subject to New Zealand goods and services tax.

Dividends

Promina has elected into the trans-Tasman imputation regime. Therefore, to the extent that Promina attaches New Zealand imputation credits to any pre-merger dividends, they may be utilised by Promina NZ Shareholders, depending on whether they are corporates (companies and unit trusts) or non-corporates (individuals, trusts or superannuation schemes).

For corporate Promina NZ Shareholders, dividends derived from Promina will be exempt income. However, corporate shareholders are generally required to deduct and pay to the Inland Revenue Department an upfront Foreign Dividend Withholding Payment (**FDWP**). Credits should be available for New Zealand imputation credits attached to the dividends and certain Australian taxes. Corporate Promina NZ Shareholders should seek their own tax advice in respect of their FDWP liabilities.

For non-corporate Promina NZ Shareholders, dividends, including the amount of any New Zealand imputation credits attached, will be included in their gross income. New Zealand imputation credits attached to dividends will give rise to a New Zealand tax credit which will be offset against the New Zealand tax liability in the income year in which the dividend is derived. Any excess New Zealand imputation credits may be used to reduce the New Zealand tax liability in respect of other income derived in the same income year, or the excess credits may be carried forward to succeeding income years.

If Suncorp were to elect into the trans-Tasman imputation regime, the Merged Group should be able to attach available New Zealand imputation credits, as they arise, to future dividends for the benefit of post-Merger Suncorp Shareholders resident in New Zealand for tax purposes.

Dividends will not be subject to New Zealand goods and services tax.

Proposed New Zealand tax changes

The above summary is based on the tax laws as at 7 December 2006. There are currently proposals to be put before New Zealand Parliament which may significantly change the New Zealand taxation of income from investment through New Zealand collective investment vehicles and income from offshore portfolio investment in shares. The May 2006 Bill is still subject to extensive debate and is expected to change materially prior to enactment.

The offshore portfolio investment proposals have already been withdrawn and replaced with alternative proposals.

The new rules were to apply from 1 April 2007, but have generally been deferred until 1 October 2007. However, some of the offshore portfolio investment proposals may still apply from 1 April 2007. It is therefore possible that some aspects of the May 2006 Bill will have effect, but the final form of the proposals is still unclear.

Accordingly, Promina NZ Shareholders should seek their own taxation advice in relation to their own taxation position in respect of the exchange and all other aspects of holding their Promina Shares.

Section 7: Arrangements for Reset Preference Share Holders and Employee Share Plan Participants

7.1 Reset Preference Share terms

In 2004 Promina issued $300 million Reset Preference Shares to retail and institutional investors. As at 7 December 2006 there were approximately 3,400 Reset Preference Share Holders.

The full terms of issue of the Reset Preference Shares are set out in the Reset Preference Share prospectus (which is available on the Promina website **www.promina.com.au** or **www.promina.co.nz**).

Under the terms of issue of the Reset Preference Shares, Court approval of the Scheme will be an event which will entitle Promina and Reset Preference Share Holders to certain rights, as further discussed below.

Notification of Court approval

Promina must notify Reset Preference Share Holders once Court approval of the Scheme has been obtained by publishing a notice in *The Australian* or another daily financial newspaper in Australia as soon as practicable after the Second Court Date.

Rights of Promina

Upon Court approval of the Scheme, Promina may send to all Reset Preference Share Holders an "Exchange Notice" within 35 Business Days after the publication of the notice by Promina referred to under the heading "Notification of Court approval" above. In this instance, Promina has the option to do one or a combination of the following:

- convert Reset Preference Shares into Promina Shares in accordance with the terms of issue; or
- subject to the prior approval of APRA, redeem, buy-back or cancel Reset Preference Shares for their face value and send the proceeds plus any accrued dividends owing to the Reset Preference Share Holder on the redemption date to the Reset Preference Share Holder.

Rights of Reset Preference Share Holders

Upon Court approval of the Scheme, Reset Preference Share Holders may individually elect to exchange their Reset Preference Shares by delivering an "Exchange Notice" to Promina within 35 Business Days after publication of the notice by Promina referred to under the heading "Notification of Court approval" above.

In response to an Exchange Notice delivered by individual Reset Preference Share Holders, Promina has the option to do one or a combination of the following:

- convert the Reset Preference Shares into Promina Shares in accordance with the terms of issue;
- procure the acquisition of the Reset Preference Shares by a third party for their face value and send the proceeds plus any accrued dividends owing to the Reset Preference Share Holder on the acquisition date to the Reset Preference Share Holder; or
- subject to the prior approval of APRA, redeem, buy-back or cancel the Reset Preference Shares for their face value and send the proceeds plus any accrued dividends owing to the Reset Preference Share Holder on the redemption date to the Reset Preference Share Holder.

Inconsistency between Exchange Notices

If both Reset Preference Share Holders and Promina have issued Exchange Notices, Promina's Exchange Notice will prevail to the extent of any inconsistency.

APRA approval

Promina may only redeem, buy-back or cancel the Reset Preference Shares if APRA has given its prior approval. See section 7.3 (Redemption of Reset Preference Shares) for further details.

7.2 Reset Preference Share Offer

Under the Merger Implementation Agreement, it has been agreed that Suncorp will, as soon as practicable and in any event no later than two Business Days after the Second Court Date, do one of the following (the choice of which will be at Suncorp's discretion);

- offer to Reset Preference Share Holders a "residual Tier 1 instrument" as defined by APRA issued by Suncorp or a Related Entity of Suncorp in exchange for their Reset Preference Shares on terms and conditions to be decided by Suncorp; or

- make a cash offer for the Reset Preference Shares at $102.5641 per Reset Preference Share (being the face value of $100 per Reset Preference Share, with an allowance for the 2.5% discount to the Promina Share VWAP that Reset Preference Share Holders would receive under the terms of issue if the Reset Preference Shares were converted into Promina Shares), plus any accrued dividend.

The offer will be open for at least 15 Business Days from the date it is made. Reset Preference Share Holders will receive additional information regarding the Reset Preference Share Offer once the terms of the offer have been finalised.

7.3 Redemption of Reset Preference Shares

Reset Preference Share Holders are not obliged to accept the Reset Preference Share Offer.

If any Reset Preference Share Holders do not accept the Reset Preference Share Offer by the close of the offer, Promina intends to issue an Exchange Notice to such holders and to redeem the Reset Preference Shares held by those holders in accordance with their terms of issue. Any redemption of Reset Preference Shares will be made at the face value of $100 per Reset Preference Share and holders will also receive any accrued dividends owing on the redemption date.

APRA has approved such a redemption, subject to certain conditions, including a condition that Promina receives a capital injection from Suncorp that funds the redemption in its entirety. Under the terms of the Merger Implementation Agreement, Suncorp has agreed to subscribe for an amount of new shares in Promina that is equal to the required redemption amount of the Reset Preference Shares to facilitate such redemption occurring.

7.4 Employee Share Plan Participants

Promina operates the following executive and employee share plans:

- the **SMPSP** pursuant to which participants are offered Conditional Entitlements to receive Promina Shares each year, which are subject to the satisfaction of performance conditions measured over a three year period;
- the **Exemption Plan** and the **Deferral Plan** pursuant to which offers are made to eligible Australian based employees to acquire Promina Shares at a discount; and
- the **New Zealand Plan**, pursuant to which eligible New Zealand based employees are offered the opportunity to acquire Promina Shares at a discount.

SMPSP

Unvested Conditional Entitlements

Under the terms of the SMPSP, 100% of outstanding Conditional Entitlements to Promina Shares offered to Employee Share Plan Participants under the SMPSP will automatically vest immediately upon the Effective Date. The vesting will occur regardless of the fact that the relevant performance period will not have expired at the time the Scheme becomes Effective and regardless of the fact that the performance criteria applicable to the Conditional Entitlements will not have been fulfilled at the time the Scheme becomes Effective. This will include Conditional Entitlements issued in 2005 and 2006.

As the Conditional Entitlements to Promina Shares offered will not vest until the Effective Date, Employee Share Plan Participants will not be able to vote in respect of the Promina Shares to which such Conditional Entitlements relate at the Scheme Meeting, nor will they be eligible to receive any 2006 Financial Year final dividend on Promina Shares declared by the Promina Board on or about 19 February 2007.

If the Scheme becomes Effective, the Promina Shares underlying the Conditional Entitlements will be issued to the SMPSP Trustee on trust on behalf of the Employee Share Plan Participants. They may then direct the SMPSP Trustee to:

- sell the Promina Shares held on their behalf to a third party; or
- transfer the Promina Shares held on their behalf to them.

If the Employee Share Plan Participant sells their Promina Shares prior to the Record Date, they will not participate in the Scheme.

If the Employee Share Plan Participant chooses to have the Promina Shares transferred into their own name or if, instead, the Promina Shares continue to be held by the SMPSP Trustee on their behalf, then the shares will be transferred to SIHL in the same manner as Promina Shares held by other Scheme Shareholders under the Scheme (provided that the forfeiture conditions have not been breached).

Conditional Entitlements issued in 2004 may vest on the date on which Promina's financial results for the 2006 Financial Year are approved by the Promina Board. The total number of Conditional Entitlements which vest depends on the extent to which the applicable performance criteria are satisfied. Holders of Promina Shares issued as a result of such vesting will be eligible to receive any 2006 Financial Year final dividend on Promina Shares declared by the Promina Board on or about 19 February 2007, provided that they still hold their shares on the dividend record date.

Vested Conditional Entitlements

Promina Shares held as a result of the vesting of Conditional Entitlements under the SMPSP (such as the entitlements issued in 2003 and possibly the entitlements issued in 2004) may remain held by the SMPSP Trustee on behalf of the Employee Share Plan Participants at the time the Scheme becomes Effective. These Promina Shares are ordinarily subject to disposal restrictions.

However, the SMPSP rules provide that if the Scheme becomes Effective, the Employee Share Plan Participants may then direct the SMPSP Trustee to:

- sell the Promina Shares held on their behalf to a third party; or
- transfer the Promina Shares held on their behalf to them.

If the Employee Share Plan Participant sells their Promina Shares prior to the Record Date, they will not participate in the Scheme.

If the Employee Share Plan Participant chooses to have the Promina Shares transferred into their own name or if, instead, the Promina Shares continue to be held by the SMPSP Trustee on their behalf, then the shares will be transferred to SIHL in the same manner as Promina Shares held by other Scheme Shareholders under the Scheme (provided that the forfeiture conditions have not been breached).

Employee Share Plan Participants will not be subject to any disposal restrictions in respect of the Suncorp Shares issued to them as part of their Scheme Consideration (except in so far as any employee share trading policy or applicable laws may apply to individual participants from time to time).

Employee Share Plan Participants who were granted Conditional Entitlements in the SMPSP in 2003 and whose Promina Shares granted as a result of the vesting of those Conditional Entitlements remain held under the SMPSP Trust will be entitled to direct the SMPSP Trustee to vote in respect of Promina Shares at the Scheme Meeting on their behalf.

Exemption Plan

Promina Shares acquired under the Exemption Plan are subject to disposal restrictions (via a Holding Lock) that prevent the holder from disposing of those Promina Shares for a period of three years from the date they were acquired (or earlier cessation of employment with the Promina Group).

If the Scheme becomes Effective, the Employee Share Plan Participants will be required to dispose of their Promina Shares pursuant to the Scheme in the same manner as other Scheme Shareholders.

Employee Share Plan Participants who hold Promina Shares under the Exemption Plan may attend and vote at the Scheme Meeting in respect of their Promina Shares.

Deferral Plan

Promina Shares acquired under the Deferral Plan are held by the Deferral Plan Trustee and are subject to disposal restrictions that prevent the holder from disposing of those Promina Shares for a period of three years from the date they were acquired (or earlier cessation of employment with the Promina Group) and are subject to forfeiture conditions. If the Scheme becomes Effective, the Promina Board has determined that those restrictions will (to the extent they remain applicable) cease to apply. This will mean that those Employee Share Plan Participants may dispose of their Promina Shares pursuant to the Scheme in the same manner as other Scheme Shareholders.

If the Scheme becomes Effective, the Employee Share Plan Participants may then direct the Deferral Plan Trustee to:

- sell the Promina Shares held on their behalf to a third party; or
- transfer the Promina Shares held on their behalf to them.

If the Employee Share Plan Participant sells their Promina Shares prior to the Record Date, they will not participate in the Scheme.

If the Employee Share Plan Participant chooses to have the Promina Shares transferred into their own name or if, instead, the Promina Shares continue to be held by the Deferral Plan Trustee on their behalf, then the shares will be transferred to SIHL in the same manner as Promina Shares held by other Scheme Shareholders under the Scheme (provided that the forfeiture conditions have not been breached).

Employee Share Plan Participants will not be subject to any disposal restrictions in respect of the Suncorp Shares issued to them as part of their Scheme Consideration (except in so far as any employee share trading policy or applicable laws may apply to individual participants from time to time).

Employee Share Plan Participants who hold Promina Shares under the Deferral Plan will be entitled to direct the Deferral Plan Trustee to vote their Promina Shares at the Scheme Meeting on their behalf.

New Zealand Plan

Under the New Zealand Plan rules, Employee Share Plan Participants who hold Promina Shares under the New Zealand Plan must agree to sell their Promina Shares under the Scheme on the terms and conditions approved by the Promina Board. The Promina Board has determined that these Employee Share Plan Participants will be entitled to dispose of their Promina Shares pursuant to the Scheme in the same manner as other Scheme Shareholders.

Under the New Zealand Plan rules, the New Zealand Plan Trustee is entitled to vote Promina Shares held on behalf of Employee Share Plan Participants under the New Zealand Plan in its absolute discretion. Additionally, under the terms of the New Zealand Plan, Employee Share Plan Participants who hold Promina Shares under the New Zealand Plan are required to vote for, consent to and not raise any objections to the Scheme. Accordingly, the New Zealand Plan Trustee has indicated that it will vote in favour of the Scheme in respect of all Promina Shares held by the New Zealand Plan Trustee on behalf of Employee Share Plan Participants under the New Zealand Plan.

Employee Share Plan trusts

In the case of the SMPSP, the Deferral Plan and the New Zealand Plan, the Suncorp Shares will first be issued to the relevant plan trustee to hold the Suncorp Shares on behalf of Employee Share Plan Participants. The Employee Share Plan Participants may elect to retain their Suncorp Shares in the SMPSP Trust, the Deferral Plan Trust and the New Zealand Plan Trust respectively. There is no guarantee that Suncorp will continue to maintain these trust arrangements in the medium to long term. The cash component of the Scheme Consideration will not be retained under any of the plan trusts and will be distributed by the relevant plan trustee to the Employee Share Plan Participants.

Trading in Promina and Suncorp Shares

Certain Employee Share Plan Participants may be prevented from selling or transferring their Promina Shares and any Suncorp Shares they may hold as a result of the application of the Promina Group Limited Share Trading Policy if, at the time they wish to sell or transfer those shares, they possess information which they know, or ought reasonably to know, is unpublished price sensitive information in relation to Promina securities or Suncorp securities (within the meaning set out in the policy). All references to selling or transferring Promina Shares or Suncorp Shares by an Employee Share Plan Participant in this section 7.4 (Employee Share Plan Participants) must be read subject to that policy.

In addition, Employee Share Plan Participants who are designated officers under that policy are permitted to sell or transfer Promina Shares and Suncorp Shares during trading window periods approved for the purposes of the policy, provided that they are not otherwise in possession of information that they know or ought reasonably to know is unpublished price sensitive information in relation to those securities. Such designated officers should be aware that there is no guarantee that the trading window will be opened after the announcement of Promina's full year results to 31 December 2006 (which is expected to take place on or about 19 February 2007).

All Employee Share Plan Participants should also be aware that after the Implementation Date they may be subject to the Suncorp share dealing policy.

Tax consequences for Promina Employee Share Plan Participants of participating in the Scheme

Australia

SMPSP

The tax implications for Employee Share Plan Participants in respect of the Merger will depend on whether a Section 139E election has been made in respect of the Promina Shares issued to the SMPSP Trustee on their behalf.

Where an Employee Share Plan Participant makes a Section 139E election

Where this election is made, an amount equal to the market value of Promina Shares at the time they are acquired by the SMPSP Trustee on behalf of the Employee Share Plan Participant less any amount contributed by the Employee Share Plan Participant, is included in the Employee Share Plan Participant's assessable income and is subject to income tax at their marginal tax rate.

The Employee Share Plan Participant will obtain a cost base for the amount that was taxable to them.

Once the Scheme becomes Effective, the Employee Share Plan Participant will be considered beneficially entitled to the Promina Shares held on his or her behalf.

The Employee Share Plan Participant may direct the SMPSP Trustee to transfer the Promina Shares to them before the implementation of the Scheme. Any capital gain or loss on the transfer will be disregarded. However, the Employee Share Plan Participant will derive a capital gain or loss on the subsequent exchange of Promina Shares pursuant to the Scheme Implementation. However, the Employee Share Plan Participant should be eligible to choose CGT partial roll-over relief to the extent that the capital gain relates to Suncorp Shares received. The CGT roll-over relief is not available for the cash portion of the Scheme Consideration.

For more information on the principles of CGT partial roll-over relief, refer to the headings "Effect" and "How to choose CGT partial roll-over relief" in section 6.2 (Australian tax consequences of participating in the Scheme).

Employee Share Plan Participants should be entitled to a 50% discount on the amount of any capital gain for Promina Shares which have been held on their behalf for at least 12 months.

Where an Employee Share Plan Participant does not make a Section 139E election

(a) Where Promina Shares are transferred by the SMPSP Trustee first to an Employee Share Plan Participant

Where an Employee Share Plan Participant, after the Scheme becomes Effective but before the Implementation Date applies for and receives a transfer of Promina Shares held on their behalf, a taxing event will arise. The Employee Share Plan Participant will be subject to income tax at their marginal tax rate in the income year in which the event takes place.

If the shares are transferred from the SMPSP Trustee within 30 days prior to the Implementation Date, the taxable amount included in the Employee Share Plan Participant's assessable income will be the consideration received of $1.80 cash and the value of Suncorp Shares received in exchange for Promina Shares. The CGT consequences of the transfer on implementation shall be disregarded.

If the shares are transferred to the Employee Share Plan Participant more than 30 days prior to the Implementation Date, the taxable amount will be the market value of the Promina Shares at the time the Promina Shares are transferred to the Employee Share Plan Participant. The Employee Share Plan Participant can then also be taxable on any gain derived when participating in the Scheme in the same way as any other Scheme Shareholders. In calculating any taxable gain on implementation, the Employee Share Plan Participant's cost base will be equal to the market value of the Promina Shares on transfer from the SMPSP Trustee. To the extent that a capital gain is made in relation to the exchange of Promina Shares, the Employee Share Plan Participant can elect for CGT partial roll-over relief. The CGT roll-over relief is not available for the cash portion of the Scheme Consideration. For more information on the principles of CGT partial roll-over relief refer to the headings "Effect" and "How to choose CGT partial roll-over relief" in section 6.2 (Australian tax consequences of participating in the Scheme).

(b) Where the SMPSP Trustee transfers the Promina Shares directly to SIHL

Under the SMPSP, the Employee Share Plan Participant can continue to defer paying income tax in respect of the shares held for them.

The tax law allows for a continuation of the deferral to the extent that the SMPSP Trustee receives Suncorp Shares that can be reasonably regarded as matching the Promina Shares transferred to SIHL under the Scheme. In this regard, the Suncorp Shares will be treated as a continuation of the Promina Shares. The deferral can continue until the earliest of the following trigger events:

- where the SMPSP Trustee disposes of the Suncorp Shares to or on behalf of the Employee Share Plan Participant;
- where an Employee Share Plan Participant ceases to be an Eligible Employee (as that term is defined in the SMPSP rules); or
- 10 years from the start of the tax year in which the Promina Shares were originally acquired on behalf of the Employee Share Plan Participant.

However, to the extent that Promina Shares are exchanged by the SMPSP Trustee for cash, an Employee Share Plan Participant is treated as having disposed of part of the Promina Shares and the cash amount should be included in their assessable income and subject to income tax at their marginal tax rate.

Exemption Plan

Under the Exemption Plan, Employee Share Plan Participants can make a Section 139E election for each tax year in which Promina Shares are issued to them. Where this election is made, the first $1,000 of Promina Shares acquired each tax year through the Exemption Plan is exempt from income tax.

The tax implications for Employee Share Plan Participants in respect of the Merger will depend on whether a Section 139E election has been made in respect of the Promina Shares acquired.

Where an Employee Share Plan Participant makes a Section 139E election

The transfer of Promina Shares to Suncorp will be a CGT event. Employee Share Plan Participants will either make a capital gain, subject to the application of CGT partial roll-over relief, or make a capital loss on the transfer of Promina Shares to SIHL. However, Employee Share Plan Participants who would otherwise make a capital gain in respect of the transfer should be eligible to choose CGT partial roll-over relief, to the extent that the capital gain relates to Suncorp Shares received. The CGT partial roll-over relief is not available for the cash portion of the Scheme Consideration. For more information on the principles of CGT partial roll-over relief, refer to the headings "Effect" and "How to choose CGT partial roll-over relief" in section 6.2 (Australian tax consequences of participating in the Scheme).

The cost base and reduced cost base for the purposes of calculating the capital gain or loss on the transfer of Promina Shares to SIHL will generally include the cost at which Promina Shares were acquired on behalf of an Employee Share Plan Participants.

Employee Share Plan Participants should be entitled to a 50% discount on the amount of any capital gain for Promina Shares held under the Exemption Plan for at least 12 months.

Based on ATO Policy, Employee Share Plan Participants will continue to be exempt from income tax on the first $1,000 of Promina Shares which have been acquired each income year under the Exemption Plan. To the extent that the Suncorp Shares are reasonably regarded as matching the Promina Shares for which they are exchanged, according to the Australian Tax Laws, the Suncorp Shares acquired need not be subject to the same disposal restrictions as the Promina Shares.

Promina has applied for an ATO class ruling in relation to a number of matters discussed in this section, including the availability of the tax exemption of up to $1,000 and the cost base of Promina Shares disposed of. It is possible the ATO may express a different view in the class ruling than that expressed in this section. If this occurs, Promina will notify Employee Share Plan Participants as soon as possible.

Where an Employee Share Plan Participant does not make a Section 139E election
Under the Exemption Plan, where an Employee Share Plan Participant has not made a Section 139E election, the Employee Share Plan Participant could defer paying income tax in respect of the Promina Shares for up to 10 years after the Promina Shares were acquired if the Suncorp Shares are reasonably regarded as matching the Promina Shares exchanged.

Where tax is continued to be deferred in respect of Promina Shares exchanged for Suncorp Shares, it is deferred until the earliest of the following trigger events:

- where the Employee Share Plan Participant disposes of the Suncorp Shares. As mentioned above, if the Scheme does become Effective, the Holding Lock restrictions will cease to apply;
- where an Employee Share Plan Participant ceases to be an Eligible Employee (as that term is defined in the Exemption Plan rules); and
- 10 years from the start of the tax year in which the Promina Shares were originally acquired by the Employee Share Plan Participant.

However, to the extent that Promina Shares are exchanged for cash, an Employee Share Plan Participant is deemed to have disposed of part of their Promina Shares and the cash amount is included in the Employee Share Plan Participant's assessable income and is subject to income tax at their marginal tax rate.

Deferral Plan
Under the Deferral Plan, the tax implications for Employee Share Plan Participants in respect of the Merger will depend on whether a Section 139E election has been made in respect of the Promina Shares acquired on their behalf.

Where an Employee Share Plan Participant makes a Section 139E election
Where this election is made, an amount equal to the market value of Promina Shares at the time they are issued to, or acquired by, the Deferral Plan Trustee on behalf of the Employee Share Plan Participant less any amount contributed by the Employee Share Plan Participant, is included in the Employee Share Plan Participant's assessable income and is subject to income tax at their marginal tax rate.

The Employee Share Plan Participant will obtain a cost base for the amount that was taxable to them. Once the Scheme becomes Effective the Employee Share Plan Participant will be considered beneficially entitled to the Promina Shares held on their behalf.

The Employee Share Plan Participant may direct the Deferral Plan Trustee to transfer the Promina Shares to them before the implementation of the Scheme, any capital gain or loss on the transfer will be disregarded. However, the Employee Share Plan Participant will derive a capital gain or loss on the subsequent exchange of Promina Shares pursuant to the Scheme implementation. However, the Employee Share Plan Participant should be eligible to choose CGT partial roll-over relief, to the extent that the capital gain relates to Suncorp Shares received. The CGT roll-over relief is not available for the cash portion of the Scheme.

For more information on the principles of CGT partial roll-over relief, refer to the headings "Effect" and "How to choose CGT partial roll-over relief" in section 6.2 (Australian tax consequences of participating in the Scheme).

Employee Share Plan Participants should be entitled to a 50% discount on the amount of any capital gain for Promina Shares which have been held on their behalf for at least 12 months.

Where an Employee Share Plan Participant does not make a Section 139E election
(a) Where Promina Shares are transferred first by the Deferral Plan Trustee to an Employee Share Plan Participant

Where an Employee Share Plan Participant, after the Scheme becomes Effective but before the Implementation Date applies for and receives a transfer of Promina Shares held on their behalf to them, a taxing event will arise. The Employee Share Plan Participant will be subject to income tax at their marginal tax rate in the income year in which the event takes place.

If the shares are transferred within 30 days prior to the Implementation Date, the taxable amount included in the Employee Share Plan Participant's assessable income will be the consideration received of $1.80 cash and the value of Suncorp Shares received in exchange for Promina Shares. The CGT consequences of the transfer on implementation shall be disregarded.

If the shares are transferred to the Employee Share Plan Participants more than 30 days prior to the Implementation Date, the taxable amount will be the market value of the Promina Shares at the time the Promina Shares are transferred to the Employee Share Plan Participant. The Employee Share Plan Participant can then also be taxable on any gain derived when participating in the Scheme in the same way as any other shareholders. In calculating any taxable gain on implementation, the Employee Share Plan Participant's cost base will be equal to the market value of the Promina Shares at the date of transfer from the Deferral Plan Trustee. To the extent that a capital gain is made in relation to the exchange of Promina Shares, the Employee Share Plan Participant can elect for CGT partial roll-over relief. The CGT roll-over relief is not available for the cash portion of the Scheme Consideration. For more information on the principles of CGT partial roll-over relief refer to the headings “Effect” and “How to choose CGT partial roll-over relief” in section 6.2 (Australian tax consequences of participating in the Scheme).

(b) Where the Deferral Plan Trustee transfers the Promina Shares directly to SIHL

Under the Deferral Plan, the Employee Share Plan Participant could defer paying income tax in respect to the Promina Shares for up to 10 years after the Promina Shares were acquired. This deferral can continue provided the Suncorp Shares are reasonably regarded as matching the Promina Shares for which they are exchanged. In this regard the Suncorp Shares will be treated as a continuation of the Promina Shares. The deferral can continue until the earliest of the following trigger events:

- where the Employee Share Plan Participant disposes of the Suncorp Shares;
- where an Employee Share Plan Participant ceases to be an Eligible Employee (as that term is defined in the Deferral Plan rules); and
- 10 years from the start of the tax year in which the Promina Shares were originally acquired on behalf of the Employee Share Plan Participant.

However, to the extent that Promina Shares are exchanged for cash, an Employee Share Plan Participant is deemed to have disposed of their Promina Shares and the cash amount is included in the Employee Share Plan Participant's assessable income and is subject to income tax at the Employee Share Plan Participant's marginal tax rate.

New Zealand

New Zealand Plan

This share plan was approved by the New Zealand Commissioner of Inland Revenue as a share purchase scheme under the provisions of the *Income Tax Act 1994* (NZ). The shares held currently by the New Zealand Plan Trustee on behalf of Employee Share Plan Participants must be held for a period of three years to satisfy the conditions for tax exemption. Once the three year period ends, the Employee Share Plan Participants are able to receive their share entitlements under the New Zealand Plan tax free.

The Promina Shares currently held under the New Zealand Plan will be exchanged for Suncorp Shares and cash. It is not anticipated that the exchange will be taxable for Employee Share Plan Participants on the basis that the exchanged shares will be held on their behalf under the New Zealand Plan Trust, on the same terms as those that applied to the Promina Shares. However, it is possible that the New Zealand Inland Revenue Department will need to confirm the cash component of the Scheme Consideration as proposed under the Merger as it relates to the terms of this plan. In particular, Promina may require a formal ruling from the department as to whether or not the cash component of the Scheme Consideration will be treated as a taxable amount. If so, Promina will notify Employee Share Plan Participants of the outcome as soon as possible.

SMPSP

Employee Share Plan Participants resident in New Zealand who acquire Promina Shares under the SMPSP are subject to New Zealand tax on the market value of the Promina Shares at the date the Conditional Entitlements vest under the plan.

Employee Share Plan Participants participating in the 2004 SMPSP will see their Conditional Entitlements vest on the announcement of Promina's 2006 financial results in February 2007 assuming that all performance criteria have been met. Income tax will be payable based on the market value of these shares at that time.

The Conditional Entitlements to Promina Shares for the 2005 and 2006 SMPSPs will vest on the Effective Date. This vesting will be a taxable event once the actual share entitlements and related market values are determined.

A subsequent exchange for Suncorp Shares will not attract additional tax provided the Promina Shares were not acquired for the purpose of resale.

However, Promina is currently in discussions with the New Zealand Inland Revenue Department on the most appropriate method of remitting the tax liabilities related to the vesting of the Conditional Entitlements and therefore, some of the taxation outcomes referred to above may change. Promina will notify the Employee Share Plan Participants of the outcome of those discussions as soon as possible.

Section 8: Additional information

8.1 Structure and effect of the Scheme

If the Scheme becomes Effective, the Merger will proceed and result in:

- each Scheme Shareholder ceasing to be a holder of, or having any interest in, their Promina Shares;
- SIHL (a wholly-owned Subsidiary of Suncorp) becoming the holder of all the Promina Shares by the transfer to SIHL of all of the Scheme Shares;
- each Scheme Shareholder receiving the Scheme Consideration as described in section 8.5 (Scheme Consideration); and
- Promina becoming a wholly-owned Subsidiary of Suncorp,

on the Implementation Date.

The Scheme will not be implemented unless all of the Conditions Precedent have been satisfied, or where applicable, waived, in accordance with the Merger Implementation Agreement, as described in section 8.3 (Conditions Precedent).

Suncorp will remain a listed company on ASX following the Implementation Date. Suncorp will apply to ASX for official quotation of the Suncorp Shares to be issued under the Scheme by 8.00 am on the Second Court Date. Promina Shares will be removed from quotation on the official lists of ASX and NZSX after the Implementation Date.

8.2 Implementation of the Scheme

Overview of the Scheme and the Scheme Meeting

On 14 December 2006, Suncorp and SIHL executed a Deed Poll in favour of Scheme Shareholders pursuant to which:

- Suncorp agreed to provide to each Promina Shareholder who held Promina Shares as at the Record Date, the Scheme Consideration for their Promina Shares; and
- Suncorp and SIHL agreed to perform their respective obligations under the Scheme, subject to the Scheme becoming Effective.

On 14 December 2006, the Court ordered that Promina convene a Scheme Meeting of Promina Shareholders at 10.00 am (Sydney time) on 5 March 2007 at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000, for the purposes of approving the Scheme. At the Scheme Meeting, Promina Shareholders will be asked to agree to the following resolution in relation to the Scheme:

> "That pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement proposed to be entered into between Promina Group Limited and its fully paid ordinary shareholders (which is described in the booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Federal Court of Australia)."

Steps to implement the Scheme

Promina, Suncorp and/or SIHL will take, or procure the taking of, the following steps required to implement the Scheme:

- on 5 March 2007, Promina Shareholders will vote at the Scheme Meeting on the Scheme (other than holders of Excluded Shares, in respect of those Excluded Shares);
- if the necessary Promina Shareholder approvals are obtained and the relevant Conditions Precedent have been satisfied or, where applicable, waived, Promina will apply to the Court for an order approving the Scheme;
- if the Court makes this order, Promina will lodge with ASIC an office copy of the Court order under section 411 of the Corporations Act approving the Scheme;
- if the Scheme becomes Effective, on the Implementation Date, the Scheme Consideration will be paid to relevant Scheme Shareholders in accordance with the terms of the Scheme; and

- on the Implementation Date, subject to the Scheme Consideration being paid to Scheme Shareholders in accordance with the Scheme, Promina will transfer all the Scheme Shares to SIHL.

The Scheme will lapse and be of no further force and effect if the Scheme has not become Effective on or before 30 June 2007, or such later date as Suncorp and Promina may agree.

Entitlement to vote at the Scheme Meeting

Promina Shareholders who hold Promina Shares at 7.00 pm on 3 March 2007 are entitled to vote on the Scheme resolution. For further details on how to vote at the Scheme Meeting, see Part D (How to vote). The holders of Excluded Shares are not entitled to vote in respect of those Excluded Shares at the Scheme Meeting.

Warranties from Scheme Shareholders

The Scheme provides that each Scheme Shareholder is deemed to have warranted to Suncorp and to SIHL that:

- all of their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to SIHL under the Scheme will, on the date of the transfer, be fully paid and free from all mortgages, charges, liens, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise; and
- they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to SIHL under the Scheme.

Promina Shareholder agreement to the Scheme

For the Merger to proceed, the Scheme must be agreed to by:

- a majority in number (i.e. more than 50%) of Promina Shareholders who vote at the Scheme Meeting (in person or by proxy); and
- at least 75% of the total number of the Promina Shares voted at the Scheme Meeting (in person or by proxy).

If the Scheme is agreed to at the Scheme Meeting and becomes Effective, the Scheme will be binding on all Promina Shareholders (including those who voted against the resolution to agree to the Scheme or who did not vote at all).

Effective Date and Implementation Date

Subject to satisfaction or, where applicable, waiver of the Conditions Precedent, the Scheme will become Effective on the Effective Date, which is currently expected to be on 13 March 2007. This is the date on which the Court order approving the Scheme will be lodged with ASIC.

Once the Scheme becomes Effective, Promina and the Scheme Shareholders will be bound to implement the Scheme in accordance with the terms of the Scheme of Arrangement. The Scheme will be implemented on the Implementation Date, which is currently expected to be on 20 March 2007.

8.3 Conditions Precedent

The obligations of Suncorp and Promina to complete the Merger are subject to the Conditions Precedent. All of the Conditions Precedent (other than the Condition Precedent relating to Court approval of the Scheme) are required to be satisfied, or where applicable, waived, by 8.00 am on the Second Court Date.

In summary, the Conditions Precedent are as follows:

Regulatory Approvals

(a) Suncorp or SIHL, as applicable, having obtained the following Regulatory Approvals to implement the Scheme:

(1) Suncorp receiving confirmation from the ACCC that the ACCC does not intend to oppose the acquisition of Promina Shares by SIHL for the Scheme;

(2) consent being given under the OIA to the acquisition of Promina Shares by SIHL for the Scheme;

(3) the approval of the Treasurer of the Commonwealth of Australia for the holding by SIHL and its Related Entities of a stake of 100% in Promina and its Related Entities under section 14 of the *Financial Sector (Shareholdings) Act 1998* (Cth);

(4) written confirmation from the relevant Minister that he or she will not revoke the approval of Vero

Insurance Limited as an approved insurer under the *Workers' Compensation Act 1951* (ACT) or otherwise suspend such approval, or materially vary the conditions attaching to such approval as a result of the Scheme;

(5) written confirmation from the WorkCover Board of Tasmania that it will not revoke or suspend the licence of Vero Insurance Limited under the *Workers Rehabilitation and Compensation Act 1988* (Tas), or materially vary the conditions attaching to such licence as a result of the Scheme;

(6) written confirmation from the Motor Accidents Authority of New South Wales that it will not:

(A) suspend the licence of Australian Associated Motor Insurers Limited; or

(B) cancel such licence,

under the *Motor Accidents Compensation Act 1999* (NSW) as a result of the Scheme; and

(7) written confirmation from the Motor Accident Insurance Commission that it will not:

(A) withdraw or suspend the licence of the Australian Associated Motor Insurers Limited; or

(B) materially vary such licence;

under the *Motor Accident Insurance Commission Act 1994* (Qld) as a result of the Scheme.

No prohibitions

(b) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition being in effect at 8.00 am on the Second Court Date which prevents the consummation of any aspect of the Scheme.

Quotation of Suncorp Shares for the Scheme

(c) The Suncorp Shares to be issued pursuant to the Scheme are approved for official quotation by ASX by 8.00 am on the Second Court Date.

Court approval of the Scheme

(d) The Court approving the Scheme under section 411(4)(b) of the Corporations Act.

Promina Shareholder approval of the Scheme

(e) Promina Shareholders approving the Scheme by the necessary majorities at the Scheme Meeting.

8.4 Status of Conditions Precedent

This section 8.4 (Status of Conditions Precedent) has been prepared by Suncorp and Suncorp has accepted responsibility for this section. Promina and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

ACCC

Suncorp lodged a submission on 26 October 2006 with the ACCC for confirmation that it does not oppose the Merger. Following market enquiries and the release of a Statement of Issues, the submission is currently under consideration by the ACCC. The ACCC has indicated that it expects to provide a response to the parties by 20 December 2006. This date is merely indicative and the ACCC may revise the date on which it anticipates making a final decision. Any findings released by the ACCC will be announced by Suncorp to ASX and by Promina to ASX and NZX and will be available on the ACCC's website **www.accc.gov.au**.

Financial Sector (Shareholdings) Act Approval

Suncorp lodged an application on 14 November 2006 with the Treasurer of the Commonwealth of Australia and APRA for approval for Suncorp and its Related Entities to hold of a stake of 100% in Promina and its Related Entities that are authorised insurers and to hold a stake of 50% in RAC Insurance Pty Ltd under section 13 of the *Financial Sector (Shareholdings) Act 1998* (Cth).

Suncorp has been consulting with APRA and officers from the Commonwealth Treasury and anticipates that a response to the application will be made in mid January 2007.

New Zealand Overseas Investment Office (OIO)

An application has been lodged under the OIA for Suncorp to acquire the Promina Shares under the Scheme. Suncorp is consulting with the OIO with respect to the application.

State insurance approvals

Suncorp has sent notifications to each Regulatory Authority referred to in paragraphs (a)(4) to (7) under the heading "Regulatory Approvals" in section 8.3 (Conditions Precedent):

- setting out details of the Scheme; and
- requesting the relevant confirmations.

8.5 Scheme Consideration

Under the terms of the Scheme, Promina Shareholders will receive a mix of cash and Suncorp Shares as consideration for the transfer of their Promina Shares (other than Excluded Shares) to Suncorp.

On implementation of the Merger, Promina Shareholders will receive:

- 0.2618 Suncorp Shares (subject to a possible upward adjustment to accommodate the Entitlements Issue as further described below); and
- $1.80 cash,

for each Promina Share held at the Record Date.

For Promina Shareholders with a registered address in New Zealand, the cash component of the Scheme Consideration will be converted into New Zealand dollars at the spot exchange rate received by Suncorp on the Business Day prior to the Implementation Date.

If you are a shareholder with a registered address outside Australia, New Zealand or the United States, the Suncorp Shares to which you would otherwise be entitled will be sold and you will receive the net proceeds of the sale. You should refer to section 1.12 (Shareholders outside Australia, New Zealand and the United States) for further details.

Suncorp will fund part of the cash component of the Scheme Consideration through an Entitlements Issue which will dilute the consideration paid to Promina Shareholders. Accordingly, an Adjustment Factor (as described below) will be applied to the scrip component of the Scheme Consideration. The purpose of the Adjustment Factor is to compensate for dilution of the value of the Suncorp Shares to be issued as Scheme Consideration as a result of the Entitlements Issue.

The Exchange Number of Suncorp Shares will be calculated in accordance with the following formula (rounded to the nearest four decimal places):

Exchange Number of Suncorp Shares	=	0.2618 x **Adjustment Factor**

Where the Equity Raising is conducted through an Entitlements Issue, the **Adjustment Factor** is calculated according to the following formula (rounded to the nearest four decimal places) provided that the Adjustment Factor must not be less than 1:

$$\textbf{Adjustment Factor} = \frac{\textbf{Fair Value per Share before Exercise of Entitlements}}{\textbf{Theoretical Ex-entitlements Value per Share}}$$

where:

Fair Value per Share before Exercise of Entitlements means the volume weighted average sale price (rounded to the nearest full cent) of Suncorp Shares sold on ASX on the three Trading Days prior to lodgement of the Prospectus excluding any transaction defined in ASX Business Rules as 'special' crossings prior to the commencement of normal trading, crossings during the closing phase and after hours adjust phase nor any overseas trades or trades pursuant to the exercise of options over Suncorp Shares or any overnight crossings; and

Theoretical Ex-entitlements Value per Share is calculated according to the following formula (rounded to the nearest full cent):

$$\textbf{Theoretical Ex-entitlements Value per Share} = \frac{(A \times B) + C}{D}$$

where:

A is the Fair Value per Share before Exercise of Entitlements;

B is the number of Suncorp Shares on issue prior to the Entitlements Issue;

C is the total dollar amount received by Suncorp upon issue of Suncorp Shares under the Entitlements Issue; and

D is the number of Suncorp Shares on issue prior to the Entitlements Issue plus the total number of Suncorp Shares issued under the Entitlements Issue.

Worked example

Important note: The example below is for illustrative purposes only. It does not indicate, guarantee or forecast the actual Exchange Number of Suncorp Shares that Scheme Shareholders will receive, the price of Suncorp Shares in the future, or the total amount that Suncorp will raise under the Entitlements Issue.

Fair Value per Share before Exercise of Entitlements (A)	$20.20 per share
Number of shares on issue prior to the Entitlements Issue (B)	565,706,921
Total dollar amount received from the Entitlements Issue (C)	$1,150,000,000
Rights issue discount (RD) (Indicative only)	20.0%
Rights offer price (A X (1-RD)) (ER)	$16.16 per share
Number of shares issued under the Entitlements Issue (C/ER)	71,163,366

$$\text{Theoretical Ex-entitlements Value per Share} = \frac{((\$20.20 \times 565{,}706{,}921) + \$1{,}150{,}000{,}000)}{(565{,}706{,}921 + 71{,}163{,}366)}$$

$$= \$19.75 \text{ per share}$$

$$\text{Adjustment Factor} = \frac{\$20.20}{\$19.75}$$

$$= 1.0229$$

$$\text{Exchange Number of Suncorp Shares} = 0.2618 \times 1.0229$$

$$\mathbf{= 0.2678}$$

8.6 Interests in Promina securities

The marketable securities of Promina held by or on behalf of the directors and executive officers of Promina or to which they are otherwise entitled as at 13 December 2006 are set out below:

Name	Number of Promina Shares Held	Outstanding Conditional Entitlements	Reset Preference Shares
Directors			
Leo Tutt	141,429	N/A	NIL
Michael Wilkins	962,801	421,559	750
Allan Diplock	40,000	N/A	NIL
Paula Dwyer	45,000	N/A	NIL
Anna Hynes	17,000	N/A	NIL
Ewoud Kulk	25,200	N/A	NIL
Geoffrey Ricketts	57,707	N/A	NIL
Executive officers			
Roger Bell	88,642	238,026	NIL
Robert Belleville	97,830	289,418	NIL
Harold Bentley	381,014	318,836	500
Dennis Fox	244,374	289,418	NIL
Duncan West	174,244	304,720	NIL

Under the terms of the SMPSP, 100% of the outstanding Conditional Entitlements offered to Employee Share Plan Participants under the SMPSP will automatically convert into Promina Shares immediately upon the Scheme becoming Effective.

8.7 Interest in Suncorp securities

At 13 December 2006, 5,000 Suncorp Shares are held on Leo Tutt's behalf. Save as disclosed, no marketable securities of Suncorp are held by or on behalf of any other Promina directors.

8.8 Agreements or arrangements with Promina directors

Four members of the Promina Board have been invited to join the Suncorp Board if the Scheme is implemented. These members are Leo Tutt, Ewoud Kulk, Paula Dwyer and Geoffrey Ricketts. The appointments of Paula Dwyer and Geoffrey Ricketts are subject to any necessary changes in Queensland legislation and to Suncorp's constitution (as further described in section 4.5 (Board and management of Merged Group)).

Michael Wilkins, CEO of Promina, has entered into a consultancy agreement with Suncorp to act as a consultant to Suncorp in relation to the integration of Suncorp and Promina for a period of 6 months from the Implementation Date. The agreement is conditional on the Scheme being implemented. Under the agreement, Michael Wilkins will receive a consultancy fee of $1.5 million for his services. For the period of the consultancy, Michael Wilkins will also receive reimbursements for out of-pocket expenses and the use of an office, secretarial support and a car park.

Except as disclosed in this section and elsewhere in this Scheme Booklet, as at 13 December 2006 there are no other agreements or arrangements made between any Promina director and any other person in connection with or conditional upon the outcome of the Scheme.

8.9 Other interests in Suncorp

Except as disclosed in this Scheme Booklet, no Promina director nor any of his or her associates holds any interests in contracts of Suncorp (other than in respect of Suncorp products) or has any other interests in Suncorp.

8.10 Payments and benefits

Michael Wilkins will be entitled to a redundancy payment from Promina as compensation for loss of office in accordance with the terms of his employment agreement dated 24 May 2006. Assuming a termination date as at the Implementation Date, the payment would consist of:

- a payment in lieu of notice amounting to 24 months of Mr Wilkins' annual total employment cost as at the Implementation Date. This payment is expected to be approximately $2,600,000, based on Mr Wilkins' annual total employment cost as at 13 December 2006;
- a pro-rata short term incentive for the 2007 year (the amount of which is currently not ascertainable, but which will not exceed 120% of Michael Wilkins' annual total employment cost as at the Implementation Date on a pro-rata basis. This amount is not expected to exceed $390,000, based on Mr Wilkins' total employment cost as at 13 December 2006 and assuming that the Implementation Date is prior to 1 April 2007); and
- an amount representing Mr Wilkins' accrued but unused annual and long service leave.

In common with other Employee Share Plan Participants under the SMPSP, Michael Wilkins will also be entitled to receive Promina Shares in respect of his outstanding Conditional Entitlements which vest under the SMPSP (as set out in section 8.6 (Interests in Promina securities)).

As a separate matter, the Promina Board has agreed to pay Mr Wilkins a one-off payment of $750,000 as compensation for the unintended effects of the structure of Mr Wilkins' incentives over several years. The payment is a payment for Mr Wilkins' past services and will be made whether or not the Scheme is implemented. It does not form part of any redundancy or termination payment to Mr Wilkins.

Promina has offered retention arrangements to certain Promina Group management (excluding Michael Wilkins). To the extent that these management of Promina or Promina's Related Entities have entered into these retention arrangements, management who remain with Promina or the Merged Group until 30 June 2007 or are made redundant prior to that date will receive the equivalent of (depending on their seniority) three or six months of their total employment cost in the form of a retention bonus. Those who remain until 30 June 2008 or are made redundant after 30 June 2007 but prior to 30 June 2008 will receive a further retention bonus equivalent to three months of their total employment cost. These payments will be payable whether or not the Merger proceeds and the total amount that could be payable by Promina under all of these retention arrangements would be approximately $9 million, based on the current remuneration of these employees.

In accordance with Suncorp's intentions for the Merged Group as set out in section 4.6 (Suncorp's intentions for Promina), Suncorp is expected to agree with certain of Promina Group's senior management that they will be made redundant following implementation of the Scheme. These managers will become entitled to redundancy payments in accordance with their applicable employment agreements and Promina policy.

Save as disclosed above and elsewhere in this Scheme Booklet, there are no other payments or benefits proposed to be made or given in connection with the Merger to any director, secretary or executive officer of Promina or any related body corporate of Promina as compensation for the loss of, or as consideration for or in connection with his or her retirement from office.

8.11 Intentions of the Promina Board

If the Merger becomes Effective, it is a matter for the reconstituted Suncorp Board to determine its intentions as to:

- the continuation of the business of Promina;
- any major changes to be made to the business of Promina; and
- the future employment of the present employees of Promina.

The current intentions of Suncorp in relation to these matters are set out in section 4.6 (Suncorp's intentions for Promina).

If the Merger does not become Effective, the current Promina Board intends to continue the business of Promina in accordance with its stated strategy. In this event, the Promina Board does not presently intend to make any major changes to the business of Promina, whether in respect of the redeployment of its assets or the future employment of the present employees of Promina or otherwise.

8.12 Material changes in the financial position of Promina

Within the knowledge of the Promina directors, and other than as disclosed in this Scheme Booklet (in particular, in section 3 (Profile of Promina)) or to ASX, the financial position of Promina has not materially changed since 31 December 2005, being the date of the balance sheet for the full year accounts of Promina for the 2005 Financial Year.

Promina's full year results to 31 December 2006 (which are expected to be announced on 19 February 2007) will be available:

- from ASX or on its website **www.asx.com.au**;
- from NZX or on its website **www.nzx.com**; or
- on Promina's websites **www.promina.com.au** or **www.promina.co.nz**.

8.13 Consents and disclaimers

The following parties have given and have not, before the time of lodgement of this Scheme Booklet with ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Suncorp (in respect of the Suncorp Information only) and to the inclusion of the Suncorp Information;
- Goldman Sachs JBWere Pty Ltd and Macquarie Bank Limited as financial advisers to Promina;
- Freehills as legal adviser to Promina;
- Citigroup Global Markets Australia Pty Ltd as Underwriter;
- Goldman Sachs JBWere Pty Ltd and Macquarie Securities (Australia) Limited as Sale Agents;
- Grant Samuel as the Independent Expert and to the inclusion of the Independent Expert's Report in Appendix 1;
- KPMG as the Accountant and to the inclusion of the Accountant's Report in Appendix 2;
- Ernst & Young ABC Pty Limited as the Independent Actuary and to:
  - the information in the Independent Actuary's Report being used in the Independent Expert's Report in the form and context in which it is used; and
  - the inclusion of the Independent Actuary's Report in the Independent Expert's Report; and
- Computershare Investor Services Pty Limited as the Promina Share Registry.

Each of the above persons:

- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than in the case of Suncorp, Grant Samuel, KPMG and Ernst & Young ABC Pty Limited, any statement or report included in this Scheme Booklet with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and in the case of Suncorp, Grant Samuel, KPMG and Ernst & Young ABC Pty Limited, any statement or report included in this Scheme Booklet with the consent of that party.

8.14 Fees

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are Goldman Sachs JBWere Pty Ltd and Macquarie Bank Limited (as financial advisers to Promina), Freehills (as legal adviser to Promina), Grant Samuel (as the Independent Expert), KPMG (as the Accountant), Ernst & Young ABC Pty Limited (as the Independent Actuary) and Computershare Investor Services Pty Limited (as the Promina Share Registry). Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging.

8.15 Other material information

Except as disclosed in this Scheme Booklet, there is no other material information that Promina Shareholders would reasonably require to make a decision in relation to whether or not to vote in favour of the Scheme, being information that is within the knowledge of any Promina director, that has not previously been disclosed to Promina Shareholders.

Section 9: Glossary

Unless otherwise stated, all data contained in this Scheme Booklet, including in charts, graphs and tables are based on information available as at 7 December 2006.

$, **dollar** and **cent** refers to Australian currency unless stated otherwise.

ACCC means the Australian Competition and Consumer Commission.

Accountant means KPMG.

Accountant's Report means the Accountant's report on historical and pro forma historical financial information of the Merged Group included in Appendix 2 to this Scheme Booklet.

Adjustment Factor means the adjustment multiple for the purposes of calculating the Exchange Number of Suncorp Shares, as set out in section 8.5 (Scheme Consideration).

AIFRS means Australian equivalents to International Financial Reporting Standards.

APRA means the Australian Prudential Regulation Authority.

ASIC means the Australian Securities and Investments Commission.

Associates has the meaning given in section 9 of the Corporations Act.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASTC Settlement Rules means the settlement rules of ASTC.

ASX means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange market operated by ASX Limited.

ASX Listing Rules means the official listing rules of ASX.

Australian Tax Laws means the *Income Tax Assessment Act 1997* (Cth) and the *Income Tax Assessment Act 1936* (Cth).

Business Day has the meaning given in the ASX Listing Rules.

CEO means Chief Executive Officer.

CGT means Australian capital gains tax.

Change in Law means the introduction into the Parliament of the Commonwealth of Australia or of any state or territory of Australia of any law, or the making of any new regulation under any law, or the adoption by any Regulatory Authority of any policy, or the announcement by or on behalf of any government of the Commonwealth of Australia or of any state or territory of Australia or any Regulatory Authority that such a law or regulation will be introduced or such a policy adopted (as the case may be).

Conditional Entitlements means the conditional entitlements to Promina Shares offered to certain Promina Group employees under the SMPSP.

Conditions Precedent means the conditions precedent to the Merger, as set out in under the heading "Summary of Merger Implementation Agreement – Conditions Precedent" in Appendix 3 (Summary of Merger Implementation Agreement).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing by Promina and Suncorp.

CTP means compulsory third party insurance (greenslip insurance in New South Wales, third party insurance in the Australian Capital Territory and CTP in Queensland).

Deed Poll means the deed poll in the form set out in Appendix 5 dated 14 December 2006 executed by Suncorp and SIHL in which, among other things, Suncorp and SIHL have covenanted in favour of the Promina Shareholders to perform their respective obligations under the Scheme.

Deferral Plan means the Promina Group Limited Employee Share Purchase Plan (Deferral 2003), being a share plan established by the Promina Board on 27 March 2003.

Deferral Plan Trust means the Promina Group Limited Employee Share Purchase Plan (Deferral 2003) Trust, being a trust established for the Deferral Plan by trust deed dated 29 May 2003 between Promina, the Deferral Plan Trustee and Geoff Price as settlor.

Deferral Plan Trustee means CPU Share Plans Pty Limited ABN 20 081 600 875 as trustee of the Deferral Plan Trust.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means, in relation to the Scheme, the date on which the Scheme becomes Effective.

Employee Share Plan Participant means a participant in the Deferral Plan, the Exemption Plan, the New Zealand Plan or the SMPSP, as the context requires.

Entitlements Issue means the underwritten pro-rata offer of Suncorp Shares to Suncorp Shareholders as further described under the heading "Entitlements Issue" in section 4.8 (Sources of cash and share consideration).

Equity Raising means the issue of Suncorp Shares to finance part of the cash component of the Scheme Consideration, whether in accordance with the Underwriting Agreement or otherwise.

Exchange Number of Suncorp Shares means the number of Suncorp Shares to be issued to Scheme Shareholders as consideration for each Scheme Share, calculated in accordance with section 8.5 (Scheme Consideration).

Excluded Shares means Promina Shares held by:

(a) Suncorp;

(b) SIHL;

(c) any other Subsidiary of Suncorp; or

(d) any person on behalf of, or for the benefit of, Suncorp, SIHL or any other Subsidiary of Suncorp,

but does not include a Promina Share held by such a person as custodian for, or on behalf of, or for the benefit of, Suncorp Metway Investment Management Limited in its capacity as:

(e) responsible entity of a managed investment scheme; or

(f) investment manager under an investment management agreement with a person who is not a Subsidiary of Suncorp.

Exemption Plan means the Promina Group Limited Employee Share Purchase Plan (Exemption 2003), being a share plan established by the Promina Board on 27 March 2003.

Facilitation Act means the *State Financial Institutions and Metway Merger Facilitation Act 1996* (Qld).

Financial Year means, in relation to Promina, the year to 31 December and, in relation to Suncorp, the year to 30 June.

Grant Samuel means Grant Samuel & Associates Pty Limited ACN 050 036 372.

GST means Goods and Services Tax (and has the meaning given to it in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

GWP means gross written premium, the total amount of premiums relating to insurance polices underwritten by an insurer during a specific period, before deduction of outwards reinsurance premium. This can also include fire services levy where appropriate.

Holding Lock has the meaning given to it in section 2 of the ASTC Settlement Rules.

Implementation Date means, in relation to the Scheme, the second Business Day after the Record Date.

Independent Actuary means Ernst & Young ABC Pty Limited.

Independent Actuary's Report means the report prepared by the Independent Actuary and included in Appendix H to the Independent Expert's Report.

Independent Expert means Grant Samuel.

Independent Expert's Report means the report prepared by the Independent Expert and included in Appendix 1 to this Scheme Booklet.

Ineligible Overseas Shareholder means a Scheme Shareholder whose address as shown in the Promina Share Register at the Record Date is in a jurisdiction other than Australia or its external territories, New Zealand or the United States, unless Promina and Suncorp are reasonably satisfied that the issue of Suncorp Shares to the Scheme Shareholder is not prohibited, unduly onerous or unduly impracticable in that jurisdiction.

KPMG means KPMG Transaction Services (Australia) Pty Limited ACN 003 891 718.

MCR means minimum capital requirement as defined by APRA.

Merged Group means Suncorp and its Related Entities following completion of the Merger, including Promina and its Related Entities.

Merger means the merger of Suncorp and Promina as described in this Scheme Booklet.

Merger Implementation Agreement means the merger implementation agreement between Suncorp and Promina dated 21 October 2006, as amended.

NZ$ or **New Zealand dollar** refers to New Zealand currency.

New Zealand Plan means the Promina (New Zealand) Employee Share Purchase Plan, being a share plan established by the Promina Board on 27 March 2003.

New Zealand Plan Trust means the Promina (New Zealand) Employee Share Purchase Plan Trust, being a trust established for the New Zealand Plan by trust deed dated 23 June 2003 between Promina, the New Zealand Plan Trustee and Promina Group Holdings (NZ) Limited Registration No 1270178 as settlor.

New Zealand Plan Trustee means CPU (NZ) Share Plans Limited Registration No 1288035 as trustee of the New Zealand Plan Trust.

Non-Participating Shares mean non-participating shares of Suncorp as defined in Suncorp's constitution.

Notice of Meeting means the notice convening the Scheme Meeting set out in Appendix 6 to this Scheme Booklet.

NZSX means the main board equity security market operated by NZX.

NZX means New Zealand Exchange Limited.

OIA means the *Overseas Investment Act 2005* (NZ).

OIO means the New Zealand Overseas Investment Office.

Pre-conversion Reserve Termination Date means the date which is the termination date of the trusts under which Permanent Trustee Australia Limited holds the Non-Participating Shares.

Promina means Promina Group Limited ACN 000 746 092.

Promina Board means the board of directors of Promina.

Promina Group means Promina and its Related Entities prior to the completion of the Merger.

Promina Information means the information in this Scheme Booklet, other than the Suncorp Information, Appendix 1 (Independent Expert's Report) and Appendix 2 (Accountant's Report).

Promina Material Adverse Change has the meaning given to that term in the Merger Implementation Agreement.

Promina NZ Shareholder means Promina Shareholders who are resident in New Zealand for tax purposes.

Promina Share means a fully paid ordinary share in the capital of Promina.

Promina Share Register means the register of members of Promina maintained in accordance with the Corporations Act.

Promina Share Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

Promina Shareholder means each person registered in the Promina Share Register as the holder of Promina Shares.

Prospectus means any prospectus to be lodged with ASIC by Suncorp in relation to the Equity Raising (including the Entitlements Issue).

Quit Date means 30 June 2007 or such later date as Suncorp and Promina may agree in writing.

Record Date means, in relation to the Scheme, 7.00 pm on the third Business Day after the Effective Date or such other date as Suncorp and Promina agree in writing.

Regulatory Approval means:

- any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with a Regulatory Authority; or
- in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

Regulatory Authority means a government or a governmental, semi-governmental or judicial entity or authority or any minister, department, office or delegate of any government. It includes a self-regulatory organisation established under statute or a stock exchange, APRA, ASIC, NZX and ASX.

Related Entity means, in relation to an entity, any entity which is related to that entity within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any accounting standard in force under section 334 of the Corporations Act) that is controlled by that entity (other than managed investment schemes).

Relevant Interest has the meaning given in section 9 of the Corporations Act.

Reset Preference Share means a reset preference share in the capital of Promina.

Reset Preference Share Holder means each person registered in the Promina Share Register as the holder of Reset Preference Shares.

Reset Preference Share Offer means the offer made by Suncorp for the Reset Preference Shares in accordance with the Merger Implementation Agreement, described in section 7.2 (Reset Preference Share Offer).

Sale Agent means each of Goldman Sachs JBWere Pty Ltd and Macquarie Securities (Australia) Limited, who will be jointly appointed (or such other persons nominated by Promina after consultation with Suncorp) to sell the Suncorp Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme means the proposed scheme of arrangement between Promina and Promina Shareholders, other than holders of the Excluded Shares (in respect of those Excluded Shares) as described in this Scheme Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Booklet means this scheme booklet, incorporating the explanatory statement under Part 5.1 of the Corporations Act and including a copy of the Scheme, the Deed Poll, the Independent Expert's Report, the Accountant's Report, a summary of the Merger Implementation Agreement, a summary of the Underwriting Agreement preconditions and termination events and the Notice of Meeting (together with a proxy form).

Scheme Consideration means the consideration to be provided to Scheme Shareholders for the transfer to SIHL of each Scheme Share, ascertained in accordance with section 1.2 (What Promina Shareholders will receive).

Scheme Meeting means the meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.

Scheme Order means the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme.

Scheme Shareholder means each person recorded in the Promina Share Register as the holder of Scheme Shares as at the Record Date.

Scheme Shares means the Promina Shares on issue at the Record Date other than the Excluded Shares.

Second Court Date means the first day on which an application made to the Court for an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

SIHL means Suncorp Insurance Holdings Limited, ACN 123 023 334 a wholly-owned Subsidiary of Suncorp.

SME means small to medium enterprise.

SMPSP means the Promina Group Limited Senior Management Performance Share Plan (2003), being a share plan established by the Promina Board on 27 March 2003.

SMPSP Trust means the Promina Group Limited Senior Management Performance Share Plan Trust, being a trust established for the SMPSP by trust deed dated 13 October 2003 between Promina, the SMPSP Trustee and Geoff Price as settlor.

SMPSP Trustee means CPU Share Plans Pty Limited ABN 20 081 600 875 as trustee of the SMPSP Trust.

Standard & Poor's means Standard & Poor's (Australia) Pty Limited.

Subsidiary means, in relation to a body corporate, any body corporate which is a subsidiary of the first mentioned body corporate within the meaning of section 46 of the Corporations Act.

Suncorp means Suncorp-Metway Limited ACN 010 831 722.

Suncorp Board means the board of directors of Suncorp.

Suncorp DRP means Suncorp's dividend reinvestment plan.

Suncorp EPSP means Suncorp's executive performance share plan.

Suncorp Group means Suncorp and its Related Entities prior to the completion of the Merger.

Suncorp Information means the information in Part B (Letter from Chairman of Suncorp), sections 2 (Profile of Suncorp), 4 (Profile of the Merged Group), 8.4 (Status of Conditions Precedent) and Appendix 4 (Underwriting Agreement – preconditions and termination events).

Suncorp Material Adverse Change has the meaning given to that term in the Merger Implementation Agreement.

Suncorp RPS means a reset preference share in the capital of Suncorp.

Suncorp Share means a fully paid ordinary share in the capital of Suncorp.

Suncorp Shareholder means a holder of Suncorp Shares.

Trading Day has the meaning given in the ASX Listing Rules.

TSR means total shareholder return.

Underwriter means Citigroup Global Markets Australia Pty Ltd ACN 003 114 832, the underwriter of the Entitlements Issue.

Underwriting Agreement means the underwriting agreement dated 8 December 2006 between the Underwriter and Suncorp in relation to the Entitlements Issue.

United States means United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

VLMI means Vero Lenders Mortgage Insurance Limited.

VWAP means volume-weighted average price.

Appendix 1: Independent Expert's Report

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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24 November 2006

The Directors
Promina Group Limited
465 Victoria Avenue
Chatswood NSW 2067

Dear Directors

Merger between Promina Group Limited and Suncorp-Metway Limited

1 Introduction

Promina Group Limited ("Promina") is a leading Australasian insurance company, with general insurance, life insurance and other financial services businesses in Australia and New Zealand. Promina's brands include AAMI, Vero and Asteron. Listed on the Australian Stock Exchange ("ASX") and the New Zealand Stock Exchange, Promina had a market capitalisation as at 10 October 2006 of approximately $6.3 billion. Suncorp-Metway Limited ("Suncorp") operates banking, general insurance, life insurance and other financial services businesses, principally under the Suncorp and GIO brands. Suncorp is also listed on the ASX and had a market capitalisation as at 10 October 2006 of approximately $12.6 billion.

On 12 October 2006, Promina and Suncorp announced that they were in discussions that could lead to a merger. On 23 October 2006, Promina and Suncorp announced that they had reached agreement for a merger of Promina and Suncorp ("Merger"). The Merger, which is subject to the approval of Promina shareholders, is to be effected by way of a Scheme of Arrangement ("Scheme"). Under the Scheme, Promina shareholders will receive 0.2618 Suncorp shares plus $1.80 cash for each Promina share ("Consideration"). Suncorp plans a share issue to fund the cash component of the Consideration. There will be an upwards adjustment to the share exchange ratio to compensate Promina shareholders for any dilution resulting from Suncorp's capital raising. Following the Merger and Suncorp's planned share issue, Promina shareholders will hold in aggregate around 30% of the shares in Suncorp.

The directors of Promina have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Promina shareholders. A copy of this report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to Promina shareholders. This letter contains a summary of Grant Samuel's opinion and main conclusions.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372 AFS LICENCE NO 240985

GRANT SAMUEL

2 Summary of Opinion

In Grant Samuel's view the Scheme is in the best interests of Promina shareholders.

Following the Merger, Suncorp will be a substantial, diversified financial services company. Based on current share market values, it will have a market capitalisation of around $18.5 billion. Suncorp's general insurance business will be Australia's second largest, with a number of strong brands, a diversified business mix and a strong presence in every state of Australia and in New Zealand. Suncorp's banking business is the sixth largest in Australia, with a focus on the rapidly growing Queensland market and growing operations in other states. The combined wealth management businesses of Promina and Suncorp will be a significant participant in the life insurance, wholesale funds management and wealth management sectors.

The terms of the Merger are favourable to Promina shareholders. Based on Grant Samuel's assessment of the relative values of Promina and Suncorp, the contribution of Promina shareholders to the Merger in terms of value will be approximately 31-32%. Allowing for the cash payment to Promina shareholders of $1.80 per share (totalling approximately $1.87 billion), Promina shareholders will be entitled to approximately 36-37% of the initial value of the merged Suncorp (before taking account of any merger synergies).

The Merger should create substantial value. Suncorp has estimated that it will realise annual merger synergies of approximately $225 million (pre-tax), 75% of which are expected to be achieved within the first two years. Suncorp has estimated that the integration costs will be around A$355 million. The timing and cost of achieving these synergies is inevitably uncertain, and the quantum of synergies achieved may differ from current estimates. However, it is reasonable to rely on the Merger generating significant synergy value. Following the Merger, Suncorp intends to develop a business model based on multi-branded, differentiated financial services offerings delivered to a targeted customer base, and supported by integrated, low cost back office functions. This model has the potential to generate a range of strategic growth options for Suncorp. Promina shareholders in aggregate will hold a stake of around 30% in Suncorp following the Merger. They will have an opportunity to share in the value created by the Merger by continuing to hold shares in Suncorp.

Grant Samuel has valued Promina in the range $6.46-7.33 per share and has attributed a value of $7.10-7.20 to the Consideration. The value of the Consideration is towards the top end of Grant Samuel's valuation range. Accordingly, in Grant Samuel's view, the Consideration is clearly fair. The valuation of Promina incorporates a material component for the synergies that could be available to acquirers of Promina. On Grant Samuel's analysis, the value delivered to Promina shareholders through the Merger is such that Promina shareholders will capture much of the gains from the expected synergy benefits.

The disadvantages of the Merger for Promina shareholders are not significant. There are, inevitably, risks associated with the implementation of a merger of two large, complex companies. However, Suncorp has a track record of successful merger and acquisition integrations. In any event, this is essentially a longer term issue, more relevant to the longer term investment decision for Promina shareholders as to whether they continue to hold Suncorp shares.

In Grant Samuel's view, the Merger terms are favourable to Promina shareholders. They will share disproportionately in the merged Suncorp and the value expected to be generated through the Merger. The Consideration is fair. Accordingly, Grant Samuel has concluded that the Scheme is in the best interests of Promina shareholders.

3 Key Conclusions

- **The Merger will result in the creation of a substantial, diversified financial services company.**

  The Merger will result in the creation of a substantial, diversified financial services company. Based on current share market values, Suncorp will have a market capitalisation of around $18.5 billion, and will rank amongst the 20 largest companies by market capitalisation on the ASX. Suncorp's general insurance business will be Australia's second largest. The general insurance business will have a portfolio of strong brands and significant market positions in all states of Australia and in New Zealand, with a diversified mix of short and long tail personal lines of insurance and a commercial insurance business using both direct and intermediated distribution channels. Suncorp's banking business is the sixth largest in Australia, with a focus on the rapidly growing Queensland market and growing operations in other states. While the wealth management businesses of each of Suncorp and Promina are, arguably, sub-scale, the combined wealth management businesses will be a significant participant in the life insurance, wholesale funds management and wealth management sectors.

  Following the Merger, Suncorp intends to develop a business model based on multi-branded, differentiated financial services offerings delivered by a variety of distribution channels to a targeted customer base, and supported by integrated, low cost back office functions. The business strategy will be focussed on carefully defining customer requirements and ensuring that Suncorp's various businesses are designed and managed so that their products and services deliver superior customer experiences and outcomes. The proposed business model and strategy broadly represent an integration of the current business models and strategies of Suncorp and Promina, and continue the focus of both companies on customer-led business propositions.

- **Grant Samuel's assessment is based on both merger and takeover analysis.**

  Given the relative sizes of Promina and Suncorp (Promina's market capitalisation immediately before the announcement that Promina and Suncorp were in discussions was approximately $6.7 billion, while Suncorp's market capitalisation was approximately $12.6 billion), it is appropriate to evaluate the Merger both as a merger of the two companies, and as a takeover of Promina by Suncorp. Whilst control of Promina (at least at a board and management level) will pass to Suncorp (suggesting that takeover analysis is appropriate), there are factors that suggest a merger analysis is also relevant. In particular:

  - Promina shareholders collectively will hold approximately 30% of the shares in the merged company immediately after implementation of the Scheme;

  - Promina shareholders will share in a material way in the merger synergies and other benefits expected to result from the merger; and

  - the share register of the merged Suncorp will be relatively open, with no controlling shareholder. Promina shareholders will continue to have at least some possibility of realising a control premium for their investment through a future transaction involving the merged Suncorp.

  Accordingly, in evaluating the Merger, Grant Samuel has:

  - assessed the Merger as a merger transaction, by:

    - comparing the relative values contributed to the merged company by Promina and Suncorp shareholders (both on the basis of market values and on the basis of Grant Samuel's estimates of full underlying value) with the relative interests they will hold in Suncorp;

    - evaluating the benefits expected to be realised as a result of the merger of the companies;

    - considering any disadvantages of the merger; and
    - assessing whether, overall, Promina shareholders will be better off if the Merger proceeds than if it does not; and
  - assessed the Merger as a takeover transaction, by considering whether the consideration payable to Promina shareholders is fair and reasonable. The consideration will be fair if it reflects the assessed underlying value of Promina. The consideration will be reasonable if it is fair, or if there are factors that suggest Promina shareholders would be better off accepting the consideration even if it is not fair.

- **Grant Samuel has valued Promina in the range $6,700-7,600 million, corresponding to $6.46-7.33 per share.**

  Grant Samuel has valued Promina in the range $6,700-7,600 million, corresponding to $6.46-7.33 per share. The valuation represents the full underlying value of Promina and incorporates a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Promina shares to trade on the ASX in the absence of the Merger or some similar change of control transaction. The valuation is summarised below:

Promina - Valuation Summary ($ millions)

	Value Range	
	Low	**High**
General Insurance	4,600	5,300
Financial Services	2,100	2,300
Total business value	**6,700**	**7,600**
Fully diluted shares on issue (millions)[1]	1,037.0	1037.0
Value per share	**6.46**	**7.33**

  The value attributed to the operating businesses of $6,700-7,600 million is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings, multiples of NTA, discounted cash flow analysis and actuarial estimates of embedded value for Promina's life business. The valuation represents the following multiples of earnings and net assets:

[1] The number of shares on issue on a fully diluted basis assumes that all performance rights are vested.

Promina Valuation - Implied Multiples (times)		
	Low	**High**
Promina		
Net profit after tax (actual to 31 December 2005)	13.4x	15.2x
Net profit after tax (forecast to 31 December 2006)[2]	15.3x	17.4x
Net tangible assets	3.5x	4.0x
General Insurance Business		
Net profit after tax (actual to 31 December 2005)	12.5x	14.4x
Net tangible assets	5.0x	5.7x
Financial Services Business		
Net profit after tax (actual to 31 December 2005)	16.2x	17.8x
Net tangible assets	2.3x	2.5x

In Grant Samuel's view these multiples are reasonable, having regard to the following:

- Promina has generated consistent growth in earnings, strong returns on capital and significant returns to shareholders since its listing in 2003;
- acquirers of Promina should be able to extract considerable value through merger synergies; and
- Promina's businesses in Australia and New Zealand are strategically attractive. In particular, Promina's Australian direct general insurance business, including the AAMI business, has been very successful in growing market share and profitability in recent years. Given competition regulation and the current industry structure in Australia, Suncorp's acquisition of Promina's direct general insurance business in Australia may be the last meaningful in-market general insurance acquisition in the Australian market place.

▪ **Grant Samuel has valued Suncorp in the range $13.0-15.2 billion.**

Grant Samuel has valued Suncorp in the range $13.0-15.2 billion. The valuation represents the full underlying value of Suncorp and includes a premium for control. The value exceeds the likely share market value of Suncorp based on current market conditions, and corresponds to the range of values that could be realised through a takeover offer or other change of control transaction for Suncorp. The valuation is summarised below:

2 Based on brokers' consensus forecasts for the year to 31 December 2006.

Suncorp - Valuation Summary ($ millions)	Value Range	
	Low	High
Banking	6,100	7,100
General Insurance	5,600	6,600
Wealth Management	1,100	1,300
Total business value	**12,800**	**15,000**
Other assets	200	200
Total assets	**13,000**	**15,200**
Fully diluted shares on issue (millions)[3]	565.6	565.6
Value per share	**22.98**	**26.87**

The valuation represents the following multiples of earnings and net assets:

Suncorp Valuation - Implied Multiples (times)	Low	High
Suncorp		
Net profit after tax (actual to 30 June 2006)	14.2x	16.6x
Net profit after tax (forecast to 30 June 2007)[4]	14.9x	17.5x
Net tangible assets at 30 June 2006	3.9x	4.5x
Banking Business		
Net profit after tax (actual to 30 June 2006)	17.2x	20.1x
Net profit after tax (forecast to 30 June 2007)	15.7x	18.3x
Net tangible assets at 30 June 2006	3.7x	4.3x
General Insurance Business		
Net profit after tax (actual to 30 June 2006)	11.2x	13.2x
Net profit after tax (forecast to 30 June 2007)	13.5x	15.9x
Net tangible assets at 30 June 2006	4.9x	5.8x
Wealth Management Business		
Net profit before tax (actual to 30 June 2006)	13.6x	16.1x
Net assets at 30 June 2006	3.9x	4.6x

In Grant Samuel's view these multiples are reasonable, having regard to the following:

- since its creation in 1996 through the merger of Suncorp Insurance, QIDC and Metway Bank, Suncorp has become a substantial financial institution. Following its acquisition and integration of the GIO general insurance business from AMP in 2001, Suncorp is now Australia's fourth largest general insurer and sixth largest bank. Suncorp has generated strong growth in earnings and has outperformed the market in recent years;
- the Suncorp brand and Suncorp's market position are particularly strong in Queensland; and
- both Suncorp's banking business and its general insurance operations (if available to be acquired) would be attractive acquisitions, potentially offering significant synergies and strategic value to acquirers.

3 The number of shares on issue on a fully diluted basis assumes that all performance rights are vested.

4 All forecasts based on brokers' consensus forecasts for the year to 30 June 2007.

- **The Merger of the Promina and Suncorp businesses should yield significant benefits.**

  The Merger should yield significant benefits. Suncorp has estimated that synergies available through the combination of the Promina and Suncorp businesses will generate a net increase in annual pre-tax earnings of $225 million[5]. Approximately 75% of these synergies are expected to be realised in the first two years. Suncorp has estimated that total business integration costs will be around $355 million.

  There are inevitable uncertainties associated with the synergies to be achieved through the Merger, their timing and the implementation costs. To date, Suncorp has undertaken no more than a high level due diligence review of Promina. It will be able to estimate the likely synergies and associated costs with more confidence once it has completed a detailed review of Promina's businesses and developed a detailed integration plan. Even then, the realisation of synergies will be subject to integration risk and, at least in part, the competitive behaviour of other participants in the insurance sector. However, Suncorp has a track record of successfully managing the integration of its three predecessor businesses, and, more recently, the acquisition of the GIO general insurance business from AMP.

  Within its expanded general insurance business, Suncorp intends to implement a business model of multi-branded lines of business supported by an integrated, low cost back office function. Successful execution of this model would provide Suncorp with the capabilities required to exploit a range of strategic growth options in other areas of the financial services industry and would ensure that Suncorp is well positioned for future growth.

  There may be some opportunity for a market re-rating of the merged Suncorp. It will be significantly larger in terms of market capitalisation and its shares should have greater liquidity than shares in either Promina or Suncorp on a standalone basis, enhancing its appeal to institutional investors (although investors will no longer be able to access the relatively pure insurance exposure currently provided by Promina).

- **Promina shareholders will hold a disproportionately large share in Suncorp following the Merger and will enjoy a disproportionate share of the Merger benefits.**

  Immediately following the Merger, Promina shareholders will in aggregate hold around 30% of the shares in Suncorp. In addition, they will receive $1.80 per Promina share (a total cash consideration of approximately $1,870 million). The following table compares the relative contribution in terms of value to be made by Promina shareholders to the Merger with the share of total value of the merged group (including the cash component of the Consideration) to which Promina shareholders will be entitled. The contributions to the Merger are assessed in terms of both market value and underlying value as estimated by Grant Samuel. The analysis does not take into account the incremental value expected to be generated by the Merger.

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5 Grant Samuel has discussed with Suncorp management the synergies that Suncorp estimates should be available through the combination of the Promina and Suncorp businesses and has reviewed the basis on which the synergy estimates have been compiled. However, Grant Samuel has not verified or otherwise confirmed the estimate of annual synergies of $225 million and gives no undertaking or assurance that this synergy value will be achieved. Given that the estimate of $225 million has been prepared in advance of the preparation of a detailed integration plan for the two businesses, the estimate is subject to inherent uncertainty. The actual synergies ultimately realized may be greater or less than the estimate of $225 million.

GRANT SAMUEL

Assessment of Relative Value Contributions and Value Shares								
	Underlying Value Analysis				Share Market Value Analysis			
	Low		High		1 Month VWAP		3 Month VWAP	
Value Contributions								
Promina	6,700	*32.1%*	7,600	31.1%	6,010	*30.9%*	5,880	*31.4%*
Suncorp	13,000	*62.2%*	15,200	63.9%	12,221	*62.9%*	11,669	*62.2%*
Capital raising	1,200	*5.7%*	1,200	5.0%	1,200	*6.2%*	1,200	*6.4%*
Total value contributed	20,900		24,000		19,431		18,749	
Less: Cash consideration to Promina shareholders	(1,867)		(1,867)		(1,867)		(1,867)	
Suncorp value after Merger	19,033		22,133		17,564		16,882	
Value Sharing								
PMN shareholders' share of SUN value	5,764		6,703		5,319		5,112	
Cash paid to PMN shareholders	1,867		1,867		1,867		1,867	
Total value received by PMN shareholders	7,630	*36.5%*	8,859	35.7%	7,185	*36.98%*	6,979	*37.2%*

On the basis of share market values, Promina shareholders will contribute approximately 31% of the value contributed to the Merger, but will be entitled to around 37% of the merged group value (including the cash component of the Consideration). On the basis of Grant Samuel's valuations, Promina shareholders will contribute approximately 31-32% of the value, but will be entitled to approximately 36-37% of the merged group value (including the cash component of the Consideration).

Having regard to their contributions in terms of value, Promina shareholders will hold a disproportionately large share in the merged company. The Merger terms are favourable to Promina shareholders.

- **Grant Samuel has attributed a value of $7.10-$7.20 to the Consideration to be received by Promina shareholders.**

Promina shareholders will receive 0.2618 Suncorp shares and $1.80 cash for every Promina share held. The value of the Consideration depends on the value attributed to a share in the merged Suncorp/Promina. For this purpose, the trading price of Suncorp shares immediately following the Merger is the relevant benchmark.

Shares in both Promina and Suncorp are followed by a number of analysts and are actively traded. Both companies have recently released results (Suncorp for the year ended 30 June 2006 and Promina for the six months to 30 June 2006) and there is no reason to believe that the market is not fully informed.

Ordinarily, it would be reasonable to expect that the Suncorp share price would reflect current market expectations for the prospects of the merged Promina and Suncorp businesses. However, since the announcement of the Merger, Promina shares have traded at a modest discount to the value implied by the Suncorp share price, suggesting some market uncertainty as to whether the Merger will be approved by the Australian Competition and Consumer Commission ("ACCC"). Consequently, it is not clear whether the Suncorp share price has also been affected by this uncertainty and, if so, how the Suncorp share price would react if the Merger did receive ACCC approval. The Suncorp share price fell immediately after the announcement of the Merger terms, apparently because market hopes for a third party bid for Suncorp appeared to dissipate, but potentially also because the Merger terms were viewed as favourable to Promina shareholders. This suggests a possibility that the Suncorp share price could fall modestly on confirmation that the Merger will be allowed to proceed.

Since the announcement of the Merger, Suncorp shares have traded in the range $20.16-20.97, with a corresponding range of values for the Consideration of $7.08-$7.23. Based on the last closing price for Suncorp shares on 24 November 2006 of $20.60, immediately before the completion of this report, the Consideration had a value of $7.19. On the basis of recent trading, Grant Samuel has attributed a value of $7.10-7.20 to the Consideration.

- **Promina shareholders are being offered an attractive premium.**

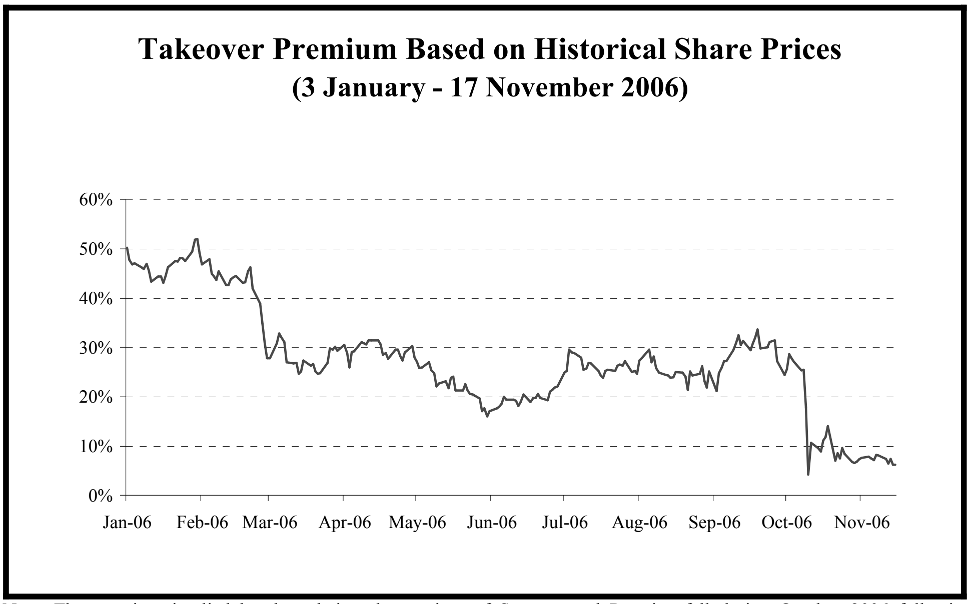
The Consideration provides an attractive premium to the pre-announcement Promina share price. The premium relative to Promina's share price for the days immediately preceding the Merger announcement is modest, reflecting a significant increase in the Promina share price (from $6.03 to $6.48) over the two days preceding the announcement.

Takeover Premium

Measured relative to		Bid Value	
		$7.10	**$7.20**
Closing share price - 11 October	$6.48	9.6%	11.1%
Closing share price - 10 October	$6.10	16.4%	18.0%
VWAP - one week (excludes 11 October)	$6.00	18.3%	20.0%
VWAP - one month (excludes 11 October)	$5.80	22.5%	24.2%
VWAP - three months (excludes 11 October)	$5.67	25.3%	27.1%

While the premium calculated by reference to Promina's volume weighted average share price for longer periods prior to the Merger announcement is more significant, it is still towards the lower end of the range of premiums commonly paid in major change of control transactions. Promina's share price may already have incorporated some expectation of a change of control transaction, as Promina has long been viewed as a takeover target in the context of a general insurance industry in which at least one more major rationalisation transaction was expected.

The following chart shows the takeover premium implied by the relative share prices of Suncorp and Promina since 1 January 2006. Since March 2006 the share price relativities have generally meant that the Merger terms would deliver a premium in the approximate range of 20-30% to Promina shareholders:

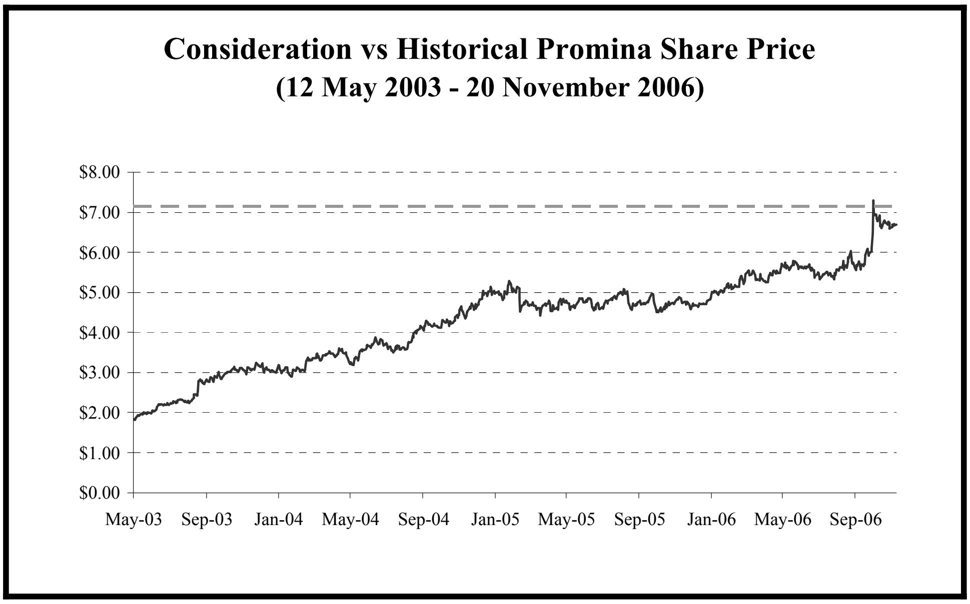


Note: The premium implied by the relative share prices of Suncorp and Promina fell during October 2006 following speculation regarding the Merger and the announcement of the Merger terms.

- **The Consideration offered to Promina shareholders is fair and reasonable.**

  Grant Samuel has valued Promina in the range $6.46-7.33 per share. The value of the Consideration of $7.10-7.20 is towards the top end of the valuation range for Promina. Accordingly, the Consideration is fair.

  Moreover, the value of the Consideration is well above the highest price at which Promina shares have traded since its listing (before the announcement of the Merger):



In Grant Samuel's view the Consideration offered to Promina shareholders is fair and reasonable.

- **The bulk of the benefits expected to be realised through the Merger will go to Promina shareholders.**

  Grant Samuel's valuation of Promina attributes significant value to the synergies that should be available to acquirers of Promina. The value attributed to the Consideration is towards the top end of Grant Samuel's valuation range for Promina of $6.46-7.33. Promina shareholders will receive a disproportionate share of the value of the combined group (taking into account the cash component of the Consideration). In Grant Samuel's view, Promina shareholders will effectively receive the bulk of the synergy benefits expected to be realised through the Merger.

- **The disadvantages of the Merger for Promina shareholders are not significant.**

  The disadvantages of the Merger for Promina shareholders are not significant. While there are implementation risks in any merger, Suncorp has a track record of successful merger and acquisition integration.

  Investors who hold Promina shares for a relatively pure exposure to the Australian and New Zealand insurance sector will find that sectoral exposure diluted by Suncorp's banking business. Promina's personal lines insurance business has grown more rapidly than Suncorp's in recent years and appears to have superior growth prospects. The Merger will mean that Promina shareholders' participation in this growth will be diluted. On the other hand, the differential growth prospects are reflected in the market values of the two companies and in the terms of the Merger. In Grant Samuel's view the value of the Consideration fully reflects Promina's prospects.

  Following the Merger, shareholders in Suncorp will continue to be exposed to the broader pressures currently facing the Australian general insurance sector, with all general insurers facing profitability pressure in what is a highly competitive market. Promina shareholders who continue to hold Suncorp shares will be exposed to additional uncertainty related to the extent to which Suncorp's large Queensland CTP business can continue to maintain its current profitability, and the sustainability of the significant reserve releases that have bolstered the profitability of Suncorp's general insurance business in recent years. On the other hand, Suncorp's banking operations will provide some diversification from this insurance risk.

  However, these issues are generally of relevance to the medium term prospects for Suncorp after the Merger. They are more likely to be relevant to a decision as to whether to continue to hold shares in the merged Suncorp than to an assessment of whether to vote in favour of the Merger. Grant Samuel makes no recommendation as to whether Promina shareholders should continue to hold Suncorp shares after the Merger. That is a separate investment decision, in relation to which shareholders should reach their own views and, if necessary, seek advice.

- **The Merger is in the best interests of Promina shareholders.**

  On the basis of takeover analysis, the Consideration is fair to Promina shareholders. On the basis of merger analysis, Promina shareholders will hold a disproportionately large share of the merged Suncorp and will enjoy a disproportionately large share of the significant benefits expected to result from the Merger. Promina shareholders will be better off if the Merger proceeds than if it does not. Accordingly, in Grant Samuel's view the Merger is in the best interests of Promina shareholders.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual shareholders in Promina. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Promina in relation to the Merger.

Voting for or against the Merger is a matter for individual shareholders, based on their own views as to value and future market conditions and their particular circumstances including risk profile, liquidity

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preference, portfolio strategy and tax position. Shareholders who are in doubt as to the action they should take should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to continue to hold Suncorp shares received under the Merger. This is an investment decision independent of a decision on whether to vote in favour of the Merger, and Grant Samuel offers no advice to Promina shareholders in relation to their decision as to whether to continue holding Suncorp shares received under the Merger.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

Financial Services Guide
and
Independent Expert's Report
in relation to the Proposal by
Suncorp-Metway Limited

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

24 November 2006

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GRANT SAMUEL & ASSOCIATES

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Promina Group Limited ("Promina"), in relation to the proposal by Suncorp-Metway Limited ("Suncorp") to acquire all of the ordinary shares in Promina via a court approved scheme of arrangement, Grant Samuel will receive a fixed fee of $1.95 million plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 11.3 of the Promina Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. The following information in relation to the independence of Grant Samuel is stated in Section 11.3 of the Promina Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Promina or Suncorp that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Suncorp Proposal.

Grant Samuel group executives hold parcels of less than 3,000 shares in Suncorp and Promina.

Grant Samuel had no part in the formulation of the Merger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $1.95 million for the preparation of this report. This fee is not contingent on the outcome of the Suncorp Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993. "

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No. F 4197.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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Appendices

1 Details of the Terms of the Suncorp Proposal

On 21 October 2006 Promina and Suncorp jointly announced the signing of a Merger Implementation Agreement, under which Suncorp has agreed to acquire all the ordinary shares in Promina for consideration of 0.2618 Suncorp ordinary shares plus $1.80 in cash for each Promina ordinary share ("the Merger"). The transaction is to be implemented by way of a court approved scheme of arrangement pursuant to Section 411 of the Corporations Act 2001 ("the Scheme").

Promina is an insurance and financial services company with operations in Australia and New Zealand. The company operates a portfolio of companies engaged in the provision of general insurance, life insurance, wealth management and financial services. It is the second largest general insurer in both Australia and New Zealand. Its shares are listed on the Australian Stock Exchange ("ASX") and the New Zealand Stock Exchange ("NZX"). As at 10 October 2006, the day prior to market speculation regarding a possible merger or offer, Promina had a market capitalisation of $6.3 billion.

Suncorp is a national ASX listed insurance, banking and financial services company, with its head office in Queensland. It is the fourth largest general insurer and the sixth largest bank in Australia. As at 10 October 2006, Suncorp had a market capitalisation of $12.6 billion.

The Merger Implementation Agreement has been entered into with the unanimous approval of the boards of directors of Promina and Suncorp. The Directors of Promina have unanimously recommended that Promina shareholders vote in favour of the Scheme, subject to the conclusion of Grant Samuel & Associates Pty Limited ("Grant Samuel") (in this report) that the Scheme is in the best interests of Promina shareholders, and in the absence of a superior proposal.

Under the Merger, Promina shareholders will receive 0.2618 Suncorp ordinary shares plus $1.80 in cash for each Promina ordinary share (the "Consideration"). Suncorp intends to fund the cash component of the Consideration (approximately $1.87 billion) through utilisation of excess Suncorp capital and a pro-rata entitlements issue to Suncorp shareholders prior to implementation of the Scheme. The ratio of Suncorp shares to be received will be subject to upwards adjustment to compensate for the share price dilution caused by any discount applying to the proposed Suncorp equity issue to partially fund the cash component of its offer. Immediately after the Merger, Promina shareholders will in aggregate hold an interest of approximately 30% in Suncorp, subject to the size of the Suncorp equity issue.

Other terms of the Merger are:

- provided that Promina shareholder and final court approval is received, Suncorp will make offers to the holders of Promina reset preference shares ("RPS") to acquire all the RPS on issue. The acquisition consideration will be either (at Suncorp's discretion):
  - the exchange of each RPS for a "Residual Tier 1 Instrument" (as defined by the Australian Prudential Regulatory Authority ("APRA")) issued by Suncorp; or
  - $102.5641 in cash (being the cash equivalent of conversion of an RPS into Promina ordinary shares, after allowing for a 2.5% conversion discount) plus any accrued dividend.
- Promina is subject to exclusivity obligations, under which Promina and its representatives may not invite, encourage or solicit any negotiations or discussions regarding a potential or actual competing proposal for Promina. Promina may enter into a competing transaction with a third party (without breaching the Merger Implementation Agreement) only if the Promina board and its advisers determine the third party proposal to be superior to the Suncorp Proposal and the Promina board receives external legal advice that the board is required to respond to the third party proposal in order to comply with its fiduciary or statutory obligations. Suncorp is subject to similar exclusivity obligations;
- a break fee of $35 million is payable by Promina to Suncorp in certain circumstances, including where any third party proposal is successful (above certain thresholds), any director of Promina withdraws support for the Suncorp Proposal or gives support for a competing proposal, or Promina contravenes the exclusivity obligations. However, no fee shall be payable if the Scheme is not implemented by 30 June 2007, if Suncorp is in material breach of its obligations under the Merger

GRANT SAMUEL

Implementation Agreement, or if Grant Samuel concludes (in this report) that the Scheme is not in the best interests of Promina shareholders;

- a break fee of $35 million is payable by Suncorp to Promina in certain circumstances, including where Suncorp is in material breach of its obligations under the Merger Implementation Agreement or where Suncorp fails to raise the additional equity capital;
- the Merger Implementation Agreement may be terminated by Promina and/or Suncorp in certain limited circumstances including certain defined events of "material adverse change" to the financial performance or net assets of the respective companies; and
- Promina may pay a dividend of up to 13.5 cents per share, and Suncorp may pay a dividend of up to 55 cents per share, prior to implementation of the Scheme without either party breaching the Merger Implementation Agreement.

The Merger Implementation Agreement provides for certain changes to the management and board of directors of Promina and the combined group. Following implementation of the Scheme, at least two, and up to four (subject to changes to legislation and shareholder approval of the required amendments to the Suncorp Constitution), of the existing Promina directors will be invited to join the Suncorp board. The combined group will be led by the current CEO of Suncorp, Mr John Mulcahy.

The Scheme is conditional upon certain conditions precedent being satisfied or waived including:

- Suncorp having obtained, by the second court date, the following regulatory approvals:
  - confirmation that the ACCC does not intend to oppose the acquisition of Promina shares by Suncorp;
  - consent being given under the Overseas Investment Act (New Zealand) to the acquisition of Promina shares by Suncorp;
  - the approval of the Treasurer of the Commonwealth of Australia for the holding by Suncorp of a 100% stake in Promina under the Financial Sector (Shareholdings) Act 1998 (CTH); and
  - certain other confirmations from certain State insurance regulatory authorities.

If such conditions precedent are met, the Scheme shall then be conditional upon:

- the Court approving the Scheme; and
- Promina shareholders approving the Scheme by the necessary majorities at the scheme meeting.

2 Scope of the Report

2.1 Purpose of the Report

The Suncorp Proposal is to be implemented by a Scheme of Arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act") between Promina and its shareholders. Under Section 411, the Scheme of Arrangement must be approved by a majority in number (i.e. at least 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. The Scheme of Arrangement will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of Promina have engaged Grant Samuel to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Promina shareholders and to state reasons for that opinion.

The sole purpose of this report is an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of Promina shareholders. A copy of this report will accompany the Notice of Meeting and Explanatory Statement ("the Scheme Booklet") to be sent to shareholders by Promina.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Promina shareholders. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Promina in relation to the Merger.

Approval or rejection of the Scheme is a matter for individual shareholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Suncorp Proposal should consult their own professional adviser.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". The Australian Securities Commission (now the Australian Securities and Investments Commission ("ASIC")) issued Policy Statement 75 which established certain guidelines in respect of independent expert's reports prepared for the purposes of Sections 411, 640 and 703 of the Corporations Act. Policy Statement 75 is primarily directed towards reports prepared for the purpose of Section 640 and comments on the meaning of "fair and reasonable" in the context of a takeover offer. The statement gives limited guidance as to the regulatory interpretation or meaning of "in the best interests" other than to imply that it is similar to "fair and reasonable".

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not.

In Grant Samuel's opinion, the most appropriate basis on which to evaluate the Merger is to assess the overall impact on the shareholders of Promina and to form a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinion as to whether the Scheme is in the best interests of Promina shareholders, Grant Samuel has considered the following:

- the underlying value of Promina shares;
- the value to be attributed to the Consideration payable to Promina shareholders under the Merger;
- the benefits of the merger of the Promina and Suncorp businesses;
- the proportion of the merged company to be held collectively by Promina shareholders by comparison with the relative contributions of value to be made by Promina and Suncorp to the merged company;
- any other advantages and benefits arising from the Merger;
- the costs, disadvantages and risks of the Merger;
- the likely market price and liquidity of Promina shares in the absence of the Merger; and
- the likelihood of alternative transactions that could realise better value.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts);
- annual reports of Promina for the three years ended 31 December 2005 and annual reports of Suncorp for the three years ended 30 June 2006;
- half year report of Promina for the six months ended 30 June 2006;
- press releases, public announcements, media and analyst presentation material and other public filings by Promina and Suncorp including information available on their websites;
- brokers' reports and recent press articles on Promina and Suncorp and the general insurance, life insurance, wealth/funds management and banking industries; and
- sharemarket data and related information on Australian and international listed companies engaged in the general insurance, life insurance, wealth/funds management and banking industries and on acquisitions of companies and businesses in these industries.

Non-public Information provided by Promina

- management accounts for Promina for the 12 months to 31 December 2005 and nine months to 30 September 2006 and monthly management reports from December 2005 to September 2005; and
- other confidential documents, board papers, presentations and working papers.

Non Public Information provided by Suncorp

- management accounts for Suncorp for the period ending 30 June 2006; and
- other confidential documents, board papers, presentations and working papers.

In addition, Promina and Suncorp provided certain prospective financial information to Grant Samuel. The prospective financial information is as follows:

- Promina provided budgets for the years ending 31 December 2006 and 31 December 2007 and forecasts for the years ended 31 December 2008 and 31 December 2009, prepared by Promina management (but not approved by Promina's Board of Director); and
- Suncorp provided budgets for the years ending 30 June 2007, 2008 and 2009 prepared by Suncorp management (but not yet approved by Suncorp's Board of Directors)

Grant Samuel has not adopted these budgets and longer term forecasts for the purposes of its valuations of Promina and Suncorp. The basis of Grant Samuel's consideration of this prospective financial information is discussed in Section 2.4 below and in Sections 8.2.3, 9.1, 9.2.4 and 9.3.3 of this report.

In preparing this report, representatives of Grant Samuel visited the business premises of Promina and Suncorp. Grant Samuel has also held discussions with, and obtained information from, senior management of Promina and its advisers and senior management of Suncorp and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances. However, Grant Samuel has no obligation or undertaking to advise any person of any change in circumstances which has come to its attention after the date of this report or to review, revise or update its report or opinion.

This report is also based upon financial and other information provided by Suncorp and Promina and their advisers. Grant Samuel has considered and relied upon this information. Both Promina and Suncorp have represented in writing to Grant Samuel that to their knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of Promina shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. Due diligence is beyond the scope of an independent expert's report. In any event, an opinion of the kind expressed in this report is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of either Promina or Suncorp. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included budgets and forecasts (jointly "prospective financial information") for Promina and Suncorp prepared by management of the respective companies. However, this prospective financial information had not been formally endorsed or approved by the Boards of Promina and Suncorp, and neither company has authorised its public disclosure.

Grant Samuel has had regard to this prospective financial information as part of its assessment of the operational and financial prospects of the businesses of Promina and Suncorp. The major assumptions underlying the prospective financial information were reviewed by Grant Samuel to the extent appropriate in the context of current economic, financial and other conditions. However, it should be noted that the prospective financial information and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the prospective financial information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors, inter alia, into account:

- the prospective financial information has not been approved by the Directors of either Suncorp or Promina;
- both Promina and Suncorp are large businesses with sophisticated management and financial reporting processes;
- the prospective financial information has been prepared through a detailed budgeting process involving preparation of "ground up" budgets by the management of both Suncorp and Promina and is subject to ongoing analysis and updating by the companies to reflect the impact of actual performance on assessments of likely future performance.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed or otherwise disclosed to Grant Samuel;
- the information set out in the Explanatory Memorandum/Notice of Meeting sent by Promina to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Scheme are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

Grant Samuel appointed Ernst & Young ABC Pty Limited ("Ernst & Young") to provide certain specialist advisory services to Grant Samuel and to prepare an Independent Actuary's Report. The purpose of the Independent Actuary's Report was:

- for the general insurance businesses of Promina and Suncorp, to review the adequacy of outstanding claims provisions as at 30 June 2006; and

- for the life insurance businesses of Promina and Suncorp, to review the embedded value and the value of one year's new sales as at 30 June 2006.

The Independent Actuary's Report is set out as Appendix H.

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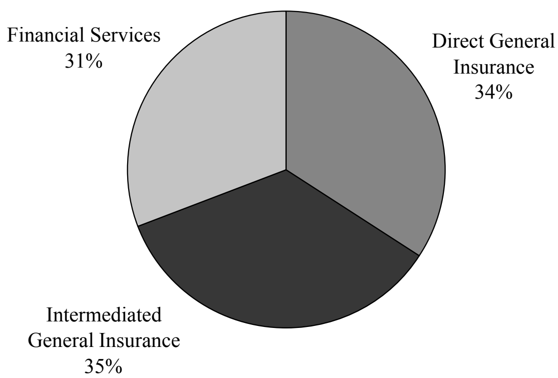
3 Profile of Promina

3.1 Background and History

In November 2002, following a strategic review of its international operations, Royal & Sun Alliance Insurance Group plc ("Royal & Sun Alliance") announced its intention to sell its Australian and New Zealand operations. The Australian and New Zealand businesses were subsequently merged under the holding company Promina Group Limited, which was listed on the ASX and NZX in May 2003 following an initial public offering ("IPO") of 1.06 billion shares (including the maximum oversubscription amount). The IPO included an institutional offer, which was priced at $1.80 per share, and a retail offer priced at $1.70, being a 10 cent discount to the institutional price. Promina's market capitalisation on 12 May 2003 (the first day of trading) was approximately $2.1 billion.

Promina operates a portfolio of specialised insurance and financial services businesses. Through its wholly owned businesses and joint-venture companies, it is engaged in the provision of direct general insurance, intermediated general insurance and financial services (including life risk insurance and superannuation products, wealth management, funds management and trustee services). It is the second largest general insurer in both Australia and New Zealand.

Promina - Divisional Contribution to Net Profit Before Tax (Year ended 31 December 2005)



Source: Promina

Promina's overriding corporate strategy is to develop and operate a portfolio of specialised, focused insurance and financial services businesses. The goal of the "specialised-focused" business model is to generate consistent shareholder returns through the development of technical expertise and intimate knowledge of customer needs at the business unit level. Over the next three to five years Promina is committed to four strategic priorities:

- deliver above market organic growth;
- seek bolt on acquisitions;
- foster innovation; and
- explore selected international opportunities.

In line with its strategy, Promina operates a relatively large number of businesses and brands, each focused on key customer and product segments. Key brands and businesses of the group include:

- Direct general insurance:
  - Australia: AAMI, AAMI Business Insurance, Australian Pensioners Insurance Agency, Just Car Insurance, RAC Insurance (joint venture) and Shannons Insurance;
  - New Zealand: AA Insurance (joint venture) and SIS;
- Intermediated general insurance:
  - Australia: Vero (through multiple business units covering specific insurance products), Caravan Insurance Leaders, Deposit Power, Secure Sentinel and National Transport Insurance (joint venture);
  - New Zealand: Vero (through specialist business units including Vero, Vero Liability, Vero Marine) and Autosure New Zealand, and through joint ventures such as Axiom, Comprehensive Travel Insurance and Mariner;
- Financial services:
  - Australia: Asteron, Cameron Walshe, Guardian Financial Planning, Tyndall and Standard Pacific; and
  - New Zealand: Asteron, NZ Guardian Trust Company and Tyndall, and the AA Life Services joint venture.

More detailed profiles of Promina's businesses are provided in Section 4.

Significant corporate transactions in Promina's recent history include:

- August 2004 – the acquisition of Autosure New Zealand, a motor vehicle, consumer goods warranty and credit insurance business, for NZ$68 million;
- December 2004 – the acquisition of Aviation Office of Australia, an aviation insurance underwriting agency;
- September 2005 – the acquisition of the remaining shareholding in Standard Pacific, a boutique Australian corporate superannuation services provider;
- February 2006 – the establishment of AA Life Services, a life insurance marketing and distribution joint venture between Asteron and the New Zealand Automobile Association ("NZAA"); and
- July 2006 – the sale of Vero Lenders Mortgage Insurance ("VLMI") for $219 million. The operations of VLMI were discontinued at the time of the Promina IPO and the insurance portfolio was consequently in "run-off" over the period leading up to the sale.

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3.2 Financial Performance

The financial performance of Promina for the three years ended 31 December 2005 and for the half year ended 30 June 2006 is summarised below.

Promina - Financial Performance ($ millions)					
	Year ended 31 December				Half year ended 30 June
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	2006 AIFRS
General insurance					
Net earned premium	2,441	2,709	2,709	2,912	1,510
Insurance trading result	253	274	282	337	135
Investment and income on SHF and other income	65	167	169	168	79
Operating profit	**318**	**441**	**451**	**505**	**214**
Financial services					
Operating result	90	109	97	131	63
Investment income on SHF	59	103	100	93	25
Operating profit	**149**	**212**	**197**	**224**	**88**
Total operating profit[1]	**467**	**653**	**648**	**729**	**302**
Amortisation of goodwill	(23)	(20)	-	-	-
Write-down of goodwill[2]	(16)	-	-	-	-
Net profit before tax	**428**	**633**	**648**	**729**	**302**
Income tax expense	(144)	(199)	(195)	(217)	(87)
After tax borrowing costs	-	-	(11)	(20)	(14)
Net profit after tax from discontinued activity	17	27	21	15	16
Net profit after tax before minority interests	**301**	**461**	**463**	**507**	**217**
Net profit attributable to minority interests	(3)	(3)	(3)	(2)	(1)
Net profit after tax attributable to Promina shareholders	**298**	**458**	**460**	**505**	**216**
Statistics[3]					
Basic earnings per share (cents)	*32.3*	*43.2*	*43.3*	*47.7*	*20.7*
Dividends per share (cents)[4]	*12.5*	*22.0*	*22.0*	*23.5*	*11.0*
Dividend payout ratio	*43.1%*	*48.8%*	*50.7%*	*48.7%*	*na*
Amount of dividend franked	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*na*
Growth in operating profit – General insurance	*na*	*38.7%*	*41.8%*	*12.0%*	*(7.8)%*
Growth in operating profit – Financial services	*na*	*42.3%*	*32.2%*	*13.7%*	*(19.3)%*
Total operating profit growth	*na*	*39.8%*	*38.8%*	*12.5%*	*(11.4)%*

Source: Promina investor reports and Grant Samuel analysis

The historical figures set out in the above table represent Promina's reported performance (as per the Investor accounts) and have not been normalised or otherwise adjusted. Promina reports its earnings under the broad business segments of general insurance and financial services, consisting of life risk and wealth management. For valuation purposes, Grant Samuel has separately analysed Promina's life risk and wealth management businesses. The performance of Promina's general insurance, life risk and wealth management businesses is discussed in more detail in Sections 4.1 and 4.2 of this report.

1 Operating profit represents divisional net profit before tax. It is stated before amortisation and writedown of goodwill, profits from discontinued activities, income tax and borrowing costs relating to reset preference shares reclassified as liabilities under AIFRS (previously equity under AGAAP).

2 Writedown of goodwill in financial services division.

3 Statistics of operating profit growth for the 6 months ended 30 June 2006 represent growth over the previous corresponding period (half year ending 30 June 2005).

4 Dividends per share and dividend payout ratio exclude a 5 cent per share special dividend ($52.1 million) paid out of retained earnings as at 31 December 2005. If the special dividend is included, Promina's dividend payout ratio of the year ended 31 December 2005 was 58.8% of net profit after tax and minority interests.

The following are relevant to an interpretation of Promina's financial performance over the last three years:

- Promina adopted Australian equivalents of International Financial Reporting Standards ("AIFRS") from 1 January 2004. The adoption of AIFRS impacted the measurement and recognition of many revenue and expense items, most notably the discontinuance of amortisation of goodwill. However, the overall impact of the transition on reported financial results is not material;
- results for the year to 31 December 2002 have not been included as they precede Promina's listing, do not include the operations of Promina New Zealand (acquired on 16 May 2003 in conjunction with Promina's IPO) and were impacted by a $418 million write-down in the carrying value of the financial services business;
- the general insurance business has performed well, achieving consistent growth in net revenues and market share, although competition has intensified in the last two financial years, placing pressure on pricing. Notwithstanding losses arising from Australian weather events in 2003 and flooding and storm events in New Zealand in 2004 and 2005, the insurance business has enjoyed a relatively benign claims environment;
- improved operating results from the financial services business reflect organic business growth and the positive impact of a rationalisation programme undertaken over the last two years to rationalise and integrate the business systems used across Australia and New Zealand, streamline business processes and remove duplicated and excess costs. The rationalisation programme has focused in particular on reducing the cost base of the New Zealand operations;
- group results have benefited from strong growth in investment income as a result of the strong performance of Australian and international equities markets over the review period.

Significant influences on Promina's financial performance in the year to 31 December 2005 were:

- general insurance operating profits increased by $54 million (12.0%) as a result of a $203 million increase in net earned premiums (due to improved market share across all personal insurance lines) and the release of certain Compulsory Third Party, workers compensation and other provisions, offset by a $86 million increase in net claims expense (partly due to lower reinsurance levels) and a $66 million increase in underwriting expenses;
- financial services operating profits increased by $27 million (13.7%) due to increases in net life insurance premiums and financial services fee income. Operating results benefited from continued performance improvements within the New Zealand life risk business. Revenue increases were partly offset by higher net claims and investment management expenses; and
- investment income (including that on general insurance technical reserves and shareholder funds attributable to both divisions) was virtually unchanged from the prior year. On a combined basis, investment income was $412 million (down $2 million).

3.3 Balance Sheet

The balance sheet of Promina as at 31 December 2005 and 30 June 2006 (as reported within statutory accounts) is summarised below:

Promina – Balance Sheet ($ millions)		
	As at	
	31 December 2005	30 June 2006
Assets		
Cash and cash equivalents	265	372
Receivables	654	732
Financial assets at fair value	8,442	8,343
Reinsurance recoveries (general insurance)	584	586
Reinsurance recoveries (life insurance)	190	181
Deferred reinsurance premiums	71	78
Deferred acquisition costs	277	285
Investments in associates and joint ventures	109	100
Plant and equipment	66	66
Intangible assets	283	257
Deferred tax assets	95	99
Other assets	121	126
Total assets	**11,156**	**11,225**
Liabilities		
Payables	381	404
Financial liabilities	671	781
Unearned premium liabilities	1,710	1,744
Outstanding claims liabilities	2,804	2,847
Life insurance policy liabilities	2,859	2,962
Current tax liabilities	39	63
Other liabilities	228	214
Total liabilities	**8,692**	**9,015**
Net assets	**2,464**	**2,210**
Equity		
Share capital	1,446	1,252
Treasury shares	(12)	-
Reserves	40	(56)
Retained profits	949	977
Parent entity interest	**2,423**	**2,173**
Minority interests	42	37
Total equity	**2,464**	**2,210**

Source: Promina annual report and half yearly report

The following should be taken into account when reviewing the consolidated balance sheet of Promina:

- receivables primarily represent premiums due from policyholders and amounts due from reinsurers;
- financial assets at fair value represent policyholder and shareholder funds invested in various asset classes, including government securities, debentures and corporate bonds, unit trust investments, discounted debt securities and shares in corporations;
- reinsurance recoveries comprise recoveries receivable under general insurance and life insurance reinsurance contracts;
- deferred acquisition costs represent the capitalisation of costs incurred in obtaining insurance contracts where it is probable that they will give rise to revenue in future reporting periods (and the cost can be reliably measured);
- investments in associates and joint ventures consist of investments in a number of 50:50 joint venture entities. The majority of these entities are general insurance businesses, with the

investment in RAC Insurance representing virtually all of the value of investments in associates and joint ventures;

- other assets as at 30 June 2006 include surpluses on defined benefit funds of $9.0 million and investment properties of $4.1 million (based on an independent fair value assessed as at 31 December 2005);
- financial liabilities as at 30 June 2006 include reset preference shares ($300 million) and subordinated debt notes ($250 million) with the balance being debt drawn down and obligations under repurchase agreements;
- unearned premium liabilities represent the proportion of premium revenue not recognised as having been earned (and therefore not taken to the income statement), in accordance with accounting and actuarial recognition policies;
- outstanding claims liabilities represent estimated future insurance claims and claims handling costs arising under existing policies, discounted to a present value using a risk free discount rate. Estimation of outstanding claims liabilities is essentially a prediction of future claims experience and involves a variety of actuarial techniques;
- life insurance policy liabilities represent the net present value of future cash flows under life insurance policies, comprising future premiums receivable, investment margins and eventual payment of policy benefits;
- other liabilities include deferred tax liabilities and employee benefit obligations;
- as part of its continuing capital management programme, Promina has undertaken a number of capital returns and on-market buybacks in order to optimise the company's capital structure and improve shareholder returns. The company completed a capital return of $244 million (23 cents per share) on 20 June 2005 and a further return of $156 million (15 cents per share) on 16 June 2006. Between September and November 2005, after completing a subordinated debt issue of $250 million, Promina bought back 20.7 million shares on-market for total consideration of $100 million. A further on-market buyback between May and October 2006 resulted in the buyback of 13.8 million shares for total consideration of approximately $75 million. In total, Promina has paid out approximately $575 million since June 2005 under capital optimisation initiatives;
- on 31 March 2006, Promina paid a fully franked special dividend of $52 million (5 cents per share), representing a further return of excess capital to shareholders; and
- the company is targeting gearing of 25%.

3.4 Cash Flow

Promina's cash flows for the three years ended 31 December 2005 and for the six months ended 30 June 2006 are summarised below. For the purposes of this analysis, cash flows relating to the general insurance and financial services businesses have been grouped together rather than shown separately:

Promina –Cash Flows ($ millions)	Year ended 31 December				Six months ending 30 June 2006
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	AIFRS
Cash flows from operating activities					
Premiums received	3,438	3,786	3,786	4,000	2,104
Reinsurance and other recoveries received	283	269	269	188	76
Dividend and interest income	220	431	438	510	227
Other income received	97	119	119	146	72
Claim and policy payments	(1,931)	(2,192)	(2,192)	(2,416)	(1,225)
Payments to suppliers, employees and agents	(956)	(1,064)	(1,064)	(1,195)	(595)
Outwards reinsurance paid	(457)	(429)	(429)	(347)	(184)
Finance costs	(12)	-	-	(9)	(13)
Income tax	(160)	(175)	(175)	(172)	(66)
Net cash flows from operating activities	**521**	**745**	**752**	**704**	**396**
Cash flows from investing activities					
Proceeds from sale of financial assets	23,699	20,022	20,022	11,995	4,673
Proceeds from sale of assets and capital return from associates	48	6	6	30	3
Dividends from associates[5]	1	7	-	-	-
Payments for financial assets	(24,632)	(20,808)	(20,808)	(12,512)	(4,609)
Acquisition of assets and businesses	(389)	(86)	(86)	(40)	(18)
Net cash flows from investing activities	**(1,273)**	**(859)**	**(866)**	**(526)**	**49**
Cash flows from financing activities					
Proceeds from borrowings	100	17	17	353	52
Proceeds from issue of ordinary and preference shares	1,018	300	300	-	-
Capital reduction and share buy back	-	-	-	(343)	(188)
Repayment of borrowings	(441)	-	-	-	-
Debt and share issue costs	(50)	(6)	(6)	(2)	-
Purchase of treasury shares	-	-	(15)	-	-
Ordinary dividends and preference share distributions	(37)	(198)	(198)	(252)	(195)
Net cash flows from financing activities	**590**	**112**	**97**	**(244)**	**(331)**
Net increase/(decrease) in cash held	(162)	(2)	(16)	(67)	113
Effect of exchange rate on cash held	(3)	4	4	1	(6)
Opening cash	493	328	343[6]	331	265
Closing cash	328	330	331	265	372

Source: Promina annual reports and Grant Samuel analysis

The cash flow analysis shows:

- substantial growth in operating cash flows, consistent with business growth over the review period;
- a significant reduction in the turnover of financial assets, which reflects a more stable trading environment in 2006 than in the preceding years, when market volatility required frequent changes to risk positions and the use of short duration funding instruments;
- a significant investment in assets and businesses in 2003, primarily reflecting the acquisition of Promina New Zealand in relation to the merger of Promina's Australian and New Zealand operations prior to listing. Acquisitions in 2004 included the acquisitions of Autosure in New Zealand and Aviation Office of Australia; and
- substantial proceeds from the issue of shares and repayment of borrowings in 2003, relating to the IPO of Promina.

5 Following the adoption of AIFRS, dividends from associates are included within dividend income within operating cash flows.

6 Cash and cash equivalents increased by $15 million on the date of transition to AIFRS (1 January 2004) due to the consolidation of the Senior Management Performance Share Plan Trust which held cash of $15 million.

3.5 Taxation Position

At 30 June 2006, Promina recognised franking credits of $44.5 million. During the six months to 31 December 2006, the franking account balance will be adjusted for franking credits that:

- are expected to arise from the payment of current tax liabilities recognised at balance date;
- are expected to arise from the receipt of dividends receivable; and
- may not be available for distribution in the financial year ending 31 December 2006.

At the time of implementation of the Suncorp Proposal (expected to be around March 2007), the accumulated franking credit balance is expected to be approximately $54 million, which includes the estimated impacts of tax payments, franked investment receipts and dividend payments prior to implementation.

At 30 June 2006, Promina had no income tax losses within Australia, but held capital tax losses of $294 million, which are available to offset future tax liabilities arising from capital gains within the Promina Group. In addition, Promina holds income tax losses of approximately NZ$32 million within its New Zealand subsidiaries, which may be used to offset future income tax liabilities incurred in New Zealand. New Zealand income tax losses are not transferable outside of New Zealand.

3.6 Capital Structure and Ownership

As at 8 November 2006, Promina had the following securities on issue:

- 1,029,025,222 ordinary shares;
- 3,000,000 RPS (reset preference shares); and
- 7,931,607 conditional entitlements to ordinary shares (issued under the Promina Senior Management Performance Share Plan) ("Conditional Entitlements").

Promina has no options on issue.

In April 2004, Promina issued $300 million of RPS. The RPS have a face value of $100 each and are traded on the ASX. The RPS pay a non-cumulative, floating rate dividend in preference to dividends on ordinary shares. The dividend rate is equal to the applicable 180-day bank bill swap rate on the first day of each half-yearly dividend period plus a margin of 1.4% (which may be adjusted on each reset date, the first being 30 April 2009), adjusted for franking credits. The current dividend rate (for the period ending 29 April 2007) is 5.52% fully franked (i.e. 7.89% gross).

RPS are exchangeable into Promina ordinary shares or redeemable for cash in certain limited circumstances. Promina may exchange some or all of the RPS upon the occurrence of certain events, including a change of control event, which would be triggered by final court approval for the Scheme. In such circumstance, Promina may, at its discretion:

- convert the RPS into Promina ordinary shares, with the number of ordinary shares into which each RPS would convert determined by dividing the face value of the RPS ($100) by 97.5% of the volume weighted average price ("VWAP") of Promina ordinary shares during the 20 business days leading up to the end of the month in which Promina gives notice of conversion; or
- redeem, buy back or cancel the RPS (subject to APRA approval).

If final court approval for the Scheme is given, the holders of RPS also have the right to request the exchange of all (but not some) of their RPS. If such request is made, Promina may, at its option, convert, redeem, buy back or cancel the RPS as described above, or procure the acquisition of the RPS by a third party for face value.

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Under the terms of the Merger Implementation Agreement, Suncorp has committed, no later than two business days after the final court approval, to make offers to the holders of the RPS to either (at its discretion):

- exchange the holder's RPS for a "Residual Tier 1 Instrument" (as defined by APRA) issued by Suncorp; or
- acquire the holder's RPS for $102.5641 in cash per RPS (being the $100 face value of the RPS, scaled up by 2.5% to account for the discount that would apply if the RPS were converted into Promina ordinary shares under their terms of issue) plus any accrued dividend.

Conditional Entitlements are issued to eligible senior executives under the Senior Management Performance Share Plan ("SMPSP"). Each Conditional Entitlement represents an entitlement to one Promina ordinary share (for nil consideration), with conversion conditional upon the satisfaction of performance criteria over a three year period from the date of issue. Conditional Entitlements, unless and until converted and vested in the relevant executive, do not represent any claim over the assets of Promina and do not have any dividend or voting entitlement. In accordance with the terms of the SMPSP, all unvested (2005 and 2006 plans) Conditional Entitlements will automatically convert into ordinary Promina shares in the event that the Scheme is implemented. For valuation purposes, Grant Samuel has therefore assumed that the Conditional Entitlements are converted. This has no impact on the value of the Consideration offered to Promina shareholders but results in a minimal dilution of Grant Samuel's estimate of the per share equity value of Promina. The dilutionary effect is less than 1%.

At 8 November 2006 there were approximately 37,600 registered shareholders in Promina. The top 20 shareholders accounted for approximately 76% of the ordinary shares on issue:

Promina - Major Shareholders as at 8 November 2006

Holder	Number of Shares (000's)	Percentage
JP Morgan Nominees Australia Ltd	194,700	18.94%
National Nominees Ltd	133,322	12.97%
Westpac Custodian Nominees	128,853	12.54%
RBC Dexia Investor Services Australia Nominees Pty Ltd	61,248	5.96%
ANZ Nominees Ltd	46,785	4.55%
Citicorp Nominees Pty Ltd	43,312	4.21%
Cogent Nominees Pty Ltd	35,937	3.50%
UBS Nominees Pty Ltd	26,800	2.61%
Queensland Investment Corporation	22,619	2.20%
AMP Life Ltd	13,517	1.32%
RBC Dexia Investor Services Australia Nominees Pty Ltd	11,721	1.14%
HSBC Custody Nominees (Australia) Ltd	10,599	1.03%
Citicorp Nominees Pty Ltd	9,199	0.90%
RBC Dexia Investor Services Australia Nominees Pty Ltd	8,157	0.79%
New Zealand Central Securities Depository Ltd	7,716	0.75%
Australian Reward Investment Alliance	7,693	0.75%
Credit Suisse Securities	5,900	0.57%
IAG Nominees Pty Ltd	5,119	0.50%
Citicorp Nominees	5,033	0.49%
Cogent Nominees Pty Ltd	4,839	0.47%
Subtotal - Top 20 shareholders	**783,068**	**76.19%**
Other shareholders (approximately 37,600 shareholders)	245,899	23.81%
Total	**1,028,967**	**100.00%**

Source: Promina

As at 17 November 2006, the following entities are registered as substantial shareholders in Promina:

Promina – Substantial Shareholders		
Substantial Shareholder	**Date of Notice**	**Percentage**
Perpetual Trustees Australia	27 October 2006	11.4%
The Capital Group of Companies	2 March 2006	5.6%
Schroder Investment Management Australia	2 March 2006	5.3%
Barclays Global Investors Australia	9 October 2006	5.3%
UBS Nominees	8 November 2006	5.1%

Source: Promina

3.7 Share Price History

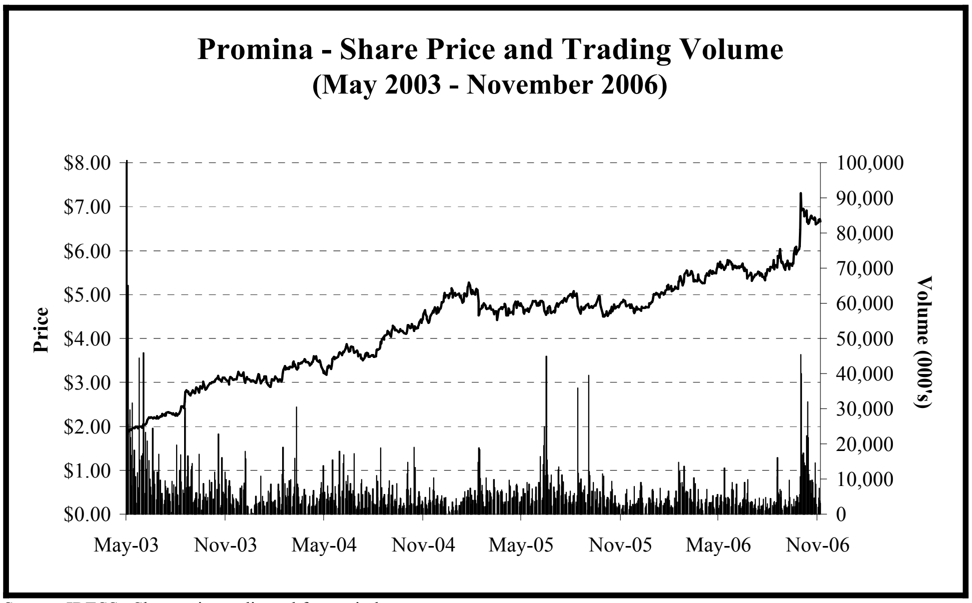
Promina was listed on the ASX on 12 May 2003 following an IPO of 1.06 billion ordinary shares under an institutional offer priced at $1.80 per share and a retail offer priced at $1.70 per share (a 10 cent discount to the institutional price). On the first day of trading, Promina shares closed at $1.98. A summary of the price and trading history of Promina since listing on 12 May 2003 is set out below:

Promina - Share Price History					
	Share Price ($)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2003	3.25	1.76	3.05	37,414	951
2004	5.06	2.88	5.02	25,948	1,666
2005	5.32	4.37	4.71	28,774	2,555
Quarter ended					
31 March 2006	5.65	4.70	5.33	26,706	3,021
30 June 2006	5.86	5.19	5.62	20,916	3,105
30 September 2006	6.03	5.27	5.93	19,259	3,424
Month ended					
31 October 2006	7.70	5.90	6.80	72,683	6,708

Source: IRESS

Note: Historical share prices have been adjusted for a capital return of 23 cents per share on 2 June 2005 and a subsequent capital return of 15 cents per share on 25 May 2006.

The following graph illustrates the movement in the Promina share price and trading volumes since listing on 12 May 2003:



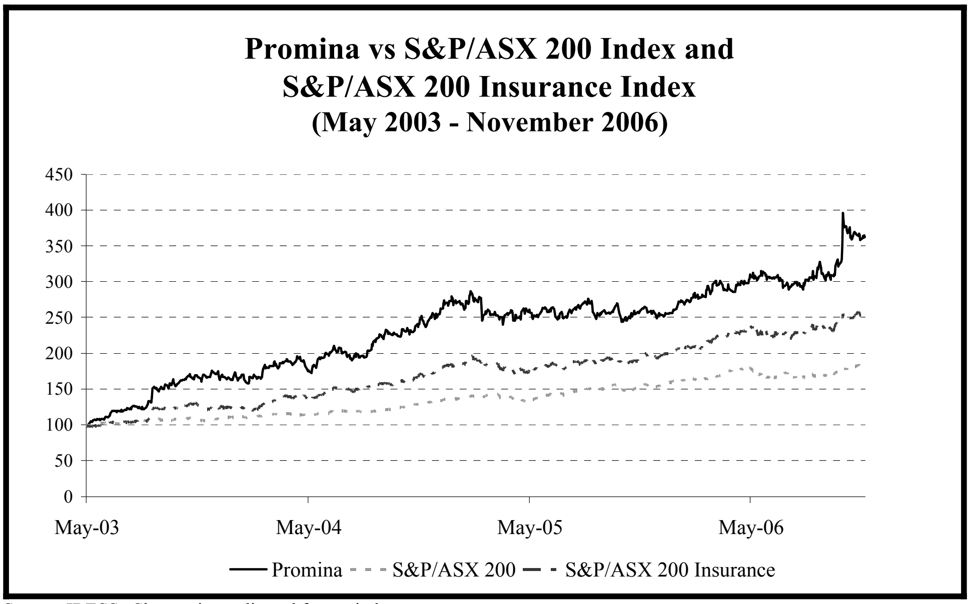
Source: IRESS. Share prices adjusted for capital returns

Since listing, Promina shares have provided strong capital growth. For the period from listing until mid February 2005, the Promina share price grew at a cumulative average growth rate (excluding dividends paid during the period) of 75% per annum. On 22 February 2005, Promina released its 2004 annual result which, although consistent with market consensus expectations, included a decline in the insurance trading margin from 10.4% to 10.1%, impacted by a $60 million increase in asbestos claims provisions, and indicated increasing price pressure in the commercial insurance market. The market reaction was an 11% drop in the share price over the next two days to $4.52.

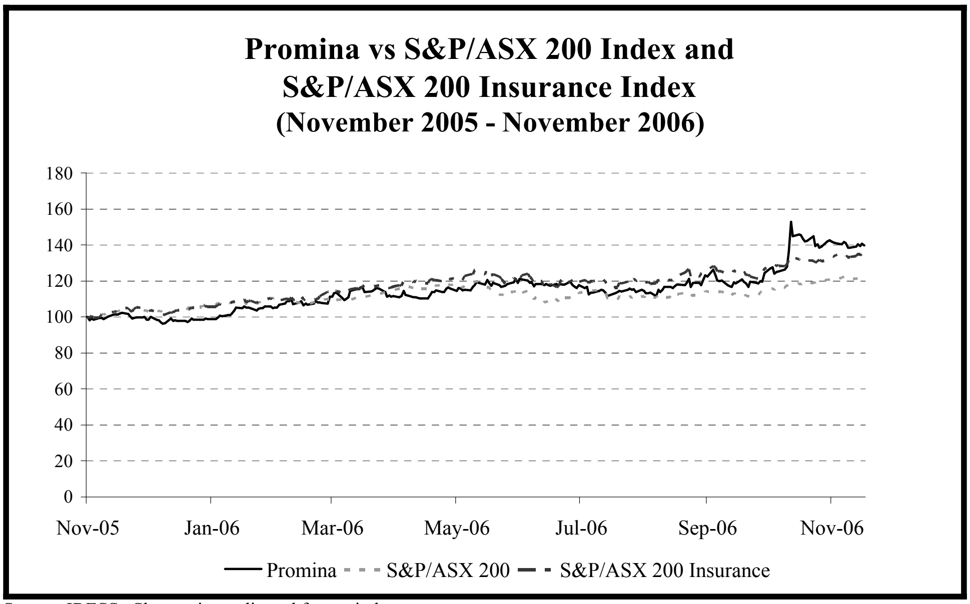
The share price performance lagged over the next 12 months. Market sentiment and price appreciation seemed to return following the announcement of 2005 full year results in late February 2006. Results included a net profit after tax around 5% above market expectations, strong results from both the general insurance and financial services divisions and the announcement of a 5 cent per share special dividend and further capital optimisation initiatives.

The share price has shown consistent growth during the remainder of 2006 on continued positive operating performance.

Promina is a member of various indices including the S&P/ASX 200 Index and the S&P/ASX 200 Insurance Index. At 17 November 2006, its weighting in these indices was approximately 0.7% and 11.5% respectively. The following graphs illustrate the performance of Promina shares relative to these indices since listing and over the most recent 12 month period.



Source: IRESS. Share prices adjusted for capital returns



Source: IRESS. Share prices adjusted for capital returns

Promina's performance since listing has been measurably above that of both the S&P/ASX 200 index and the more sector specific S&P/ASX 200 Insurance index. Over the three and a half year period from initial listing to 10 October 2006 (immediately prior to takeover speculation), Promina's share price has appreciated by an average annual rate of 41%. Average price growth over the last 12 months has been ahead of general market performance (measured by the S&P/ASX 200 index) of around 17% and has kept pace with the insurance index performance of around 28%.

4 Promina Business Description

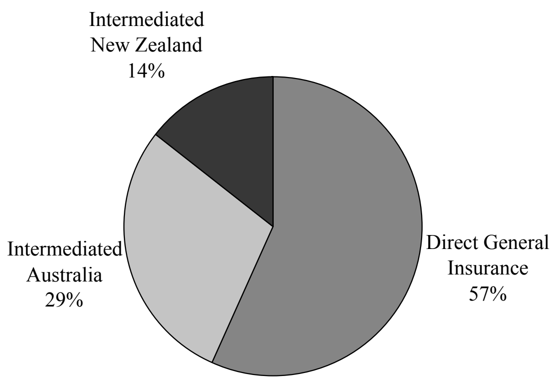
4.1 General Insurance

Promina is the second largest general insurer in both Australia and New Zealand. Promina's general insurance division ("Promina General Insurance") is divided into three separate operating divisions:

- Direct General Insurance;
- Intermediated General Insurance Australia; and
- Intermediated General Insurance New Zealand.

The graph below illustrates the divisional split by gross written premium ("GWP").

General Insurance Gross Written Premiums (6 months to 30 June 2006)



Source: Promina

Promina's General Insurance business has achieved strong growth in revenue and profits in recent years, as shown below:

General Insurance Financial Performance (A$ millions)	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
Gross written premium	**2,976**	**3,080**	**3,080**	**3,288**	**1,730**
Net written premium	2,596	2,794	2,794	3,032	1,589
Gross earned premium	2,785	3,029	3,029	3,174	1,642
Outwards reinsurance expense	(344)	(320)	(320)	(262)	(132)
Net earned premium	**2,441**	**2,709**	**2,709**	**2,912**	**1,510**
Net claims expense	(1,588)	(1,851)	(1,851)	(1,937)	(1,004)
Net commission	(187)	(224)	(224)	(262)	(122)
Acquisitions costs	(305)	(323)	(323)	(334)	(168)
Other underwriting expenses	(200)	(200)	(189)	(206)	(120)
Underwriting expenses	(505)	(523)	(512)	(540)	(288)
Underwriting result	**161**	**111**	**122**	**173**	**96**
Investment income on insurance technical reserves	92	163	160	164	39
General insurance result	**253**	**274**	**282**	**337**	**135**
Other general insurance net revenue	8	13	15	13	4
Net profit attributable to divisions	**261**	**287**	**297**	**350**	**139**
Investment income on shareholder funds	57	154	154	155	75
Net profit before tax	**318**	**441**	**451**	**505**	**214**
Income tax expense	(72)	(119)	(118)	(125)	(55)
Net profit after tax	**246**	**322**	**333**	**380**	**159**
Claims ratio[7]	*65.1%*	*68.3%*	*68.3%*	*66.5%*	*66.5%*
Commission ratio[8]	*7.7%*	*8.3%*	*8.3%*	*9.0%*	*8.1%*
Expense ratio[9]	*20.7%*	*19.3%*	*18.9%*	*18.5%*	*19.1%*
Combined operating ratio[10]	*93.5%*	*95.9%*	*95.5%*	*94.0%*	*93.7%*
Insurance margin[11]	*10.4%*	*10.1%*	*10.4%*	*11.6%*	*8.9%*
ROC[12]	*17.8%*	*18.5%*	*20.1%*	*20.3%*	*16.9%*

Source: Promina

The following table analyses the profitability of Promina's General Insurance business as between its Direct and Intermediated businesses:

Profit Analysis – Direct vs Intermediated (A$ millions)	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
General insurance result - Direct	88	169	173	149	50
General insurance result - Intermediated	165	105	109	188	85
Total General insurance result	**253**	**274**	**282**	**337**	**135**
Net profit after tax - Direct	99	197	206	187	73
Net profit after tax - Intermediated	147	125	127	193	86
Total net profit after tax – General insurance	**246**	**322**	**333**	**380**	**159**

Source: Promina

A number of storm and weather related events affected the financial performance of the Direct division for the year ending 31 December 2005, although they had limited impact on the

7 Net claims expense expressed as a percentage of net earned premium.

8 Net commissions expressed as a percentage of net earned premium.

9 Underwriting expenses expressed as a percentage of net earned premium.

10 Claims and underwriting expenses expressed as a percentage of net earned premium.

11 General insurance result expressed as a percentage of net earned premium.

12 Return on weighted average shareholders' capital.

Intermediated division. Significant storm activity in the six months to 30 June 2006, mainly Cyclone Larry and New Zealand South Island snow storms, impacted the half year results in 2006, both in the Direct and Intermediated businesses. The operations and financial performance of the Direct and Intermediated businesses are discussed in more detail below.

Promina separately reports the financial performance of its Australian and New Zealand general insurance operations. The following table analyses the profitability of Promina's general insurance business between its Australian and New Zealand operations:

Profit Analysis – Australia vs New Zealand (A$ millions)

	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
Gross written premium – Australia	2,433	2,485	2,485	2,628	1,430
Gross written premium – New Zealand	543	595	595	660	300
Total Gross written premium	**2,976**	**3,080**	**3,080**	**3,288**	**1,730**
General insurance result - Australia	190	197	204	257	117
General insurance result – New Zealand	63	77	78	80	18
Total General insurance result	**253**	**274**	**282**	**337**	**135**

Source: Promina

Both the Australian and New Zealand operations have experienced strong growth over the last three years. For the year ending 31 December 2005, the Australian operations accounted for 80% of gross written premium and 76% of general insurance result. Weather-related events in both countries have impacted first half results in 2006. In addition, the deterioration of the AUD/NZD exchange rate has negatively impacted New Zealand based earnings.

4.1.1 Direct General Insurance

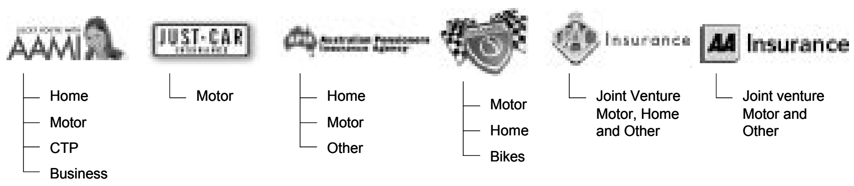
The Direct general insurance division provides a range of general insurance products directly to customers through a combination of call centre operations, branch networks and web-based facilities. The Direct division consists of a number of businesses, each operating under its own brand, including AAMI, Australian Pensioners Insurance Agency ("APIA"), Just Car Insurance, and Shannons. In addition, Promina's direct general insurance division includes a 50% interest in RAC Insurance ("RACI"), a 50:50 joint venture with Royal Automobile Club of WA (Incorporated), and a 68% interest in AA Insurance, a joint venture with New Zealand's Automobile Association.

The key elements of the Direct general insurance strategy are:

- defining the characteristics and needs of specific direct general insurance customer segments;
- utilising a range of businesses and brands, each of which has developed a differentiated product and customer service proposition focused on one of these segments;
- alignment of the capabilities, culture and priorities of each business in a way that best allows it to execute its chosen service proposition;
- maintenance of a high level of business autonomy and responsibility for outcomes;
- investment in technology and superior processes to simultaneously deliver a low overall cost base and the promises inherent in each customer service proposition;
- detailed data capture and analysis to identify the profitability of portfolios at sub-segment level; and
- investment in brand awareness and attribute development.

The Direct division is supported by 4,500 staff and is focused on building a differentiated customer proposition in each of its businesses and portfolios. The majority of the businesses have their own end to end capabilities ranging from pricing and claims management to the operation of branded call and assessment centres and retail branches. There is typically extremely limited centralisation of back office functions, with each business operating on a largely standalone basis. The management of each business has full responsibility and accountability for the profitability of that business. The diagram below illustrates the major brands and portfolios of the Direct division.

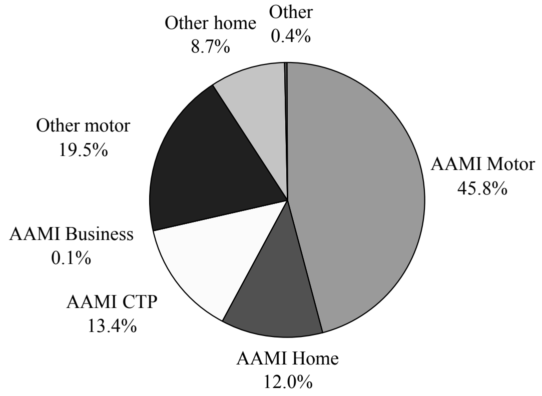
Promina Direct General Insurance – (Major Brands)



AAMI is a leading Australian direct insurer offering motor and home insurance throughout Australia (excluding WA) and compulsory third party ("CTP") personal injury insurance in New South Wales and Queensland. AAMI employs 3,500 staff, operates four call centres and has 50 assessment centres and branches spread across Australia. AAMI's call centres operate on a regional basis ensuring the specific needs of each target market are met. AAMI is available to customers 24 hours a day, seven days a week. One of AAMI's key competitive advantages has been its ability to manage claims costs. AAMI assumes full responsibility for the repair process, gaining quotes from repairers through a competitive process and managing the repair process on behalf of the insured, guaranteeing the quality of repair work undertaken. Customer surveys reflect a high degree of satisfaction with this process.

The AAMI motor business is by far the largest portfolio in the Direct division in terms of both gross written premium ("GWP") and profitability. The AAMI motor portfolio accounts for 46% of the Direct division's GWP with the combined AAMI brand accounting for over 71% of GWP.

Gross Written Premium by Portfolio (31 December 2005)



Source: Promina

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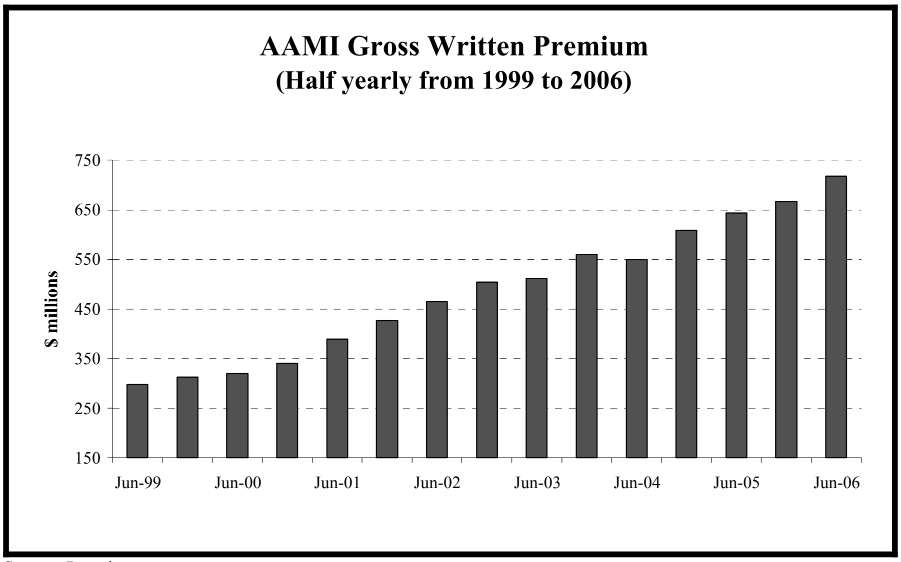
The AAMI business has grown significantly in recent years. The following chart shows GWP in each half year since 30 June 1999.



Source: Promina

The APIA business provides insurance to members in the over 50 age group not working full time. It has developed a unique approach to dealing with its chosen customer segment that involves a high level of personal engagement with customers, and which is encapsulated in the "Understanding, not just insurance" tagline. APIA currently leverages off the capabilities of the AAMI business for motor claims management, but otherwise operates independently.

JCI specialises in products and services for young drivers including comprehensive insurance, third party property damage insurance and third party property damage insurance plus fire and theft cover. JCI's customer base includes drivers under 25, drivers gaining insurance for the first time, drivers with a 'less than perfect' driving or insurance history, drivers of imported second hand cars and drivers of modified and high performance cars. JCI has recently developed its own specific claims handling capability, geared to the needs of its youthful customers and claims relating to exotic cars.

Shannons is a dedicated insurer and auctioneer meeting the personal insurance needs of motoring enthusiasts. Shannons' expertise lies in the knowledge and valuation of specialty and classic vehicles and all employees are deeply knowledgeable in the specialist motor vehicle arena. Shannons offer its customers a choice of repairer as most customers in this target market already have close relationships with their repairer.

RACI is a 50:50 joint venture between Promina and the Royal Automobile Club of Western Australia. RACI offers motor, home, boat and caravan insurance to residents of Western Australia. The Direct division provides RACI with robust systems and RACI is able to leverage off the Direct division's knowledge and experience. AA Insurance offers motor and other personal insurance lines to residents of New Zealand. This business is run through a joint venture between Promina, which owns 68%, and the New Zealand Automobile Association. The strong AA brand in New Zealand and the large customer base provide considerable opportunity to grow the joint venture.

Financial Performance

The financial performance of Promina's Direct division for the three years ended 31 December 2005 and for the six months ended 30 June 2005 is summarised below. Results for the year ended 31 December 2004 are reported under both Australian Generally Accepted Accounting Principles ("AGAAP") and Australian equivalents to International Financial Reporting Standards ("AIFRS") for comparative purposes only.

Direct General Insurance Financial Performance (A$ millions)

	Year ended 31 December				Half year ended 30 June
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	2006 AIFRS
Gross written premium	**1,457**	**1,582**	**1,582**	**1,783**	**978**
Net written premium	1,400	1,538	1,538	1,734	950
Gross earned premium	1,373	1,519	1,519	1,676	911
Outwards reinsurance expense	(57)	(45)	(45)	(50)	(28)
Net earned premium	**1,316**	**1,474**	**1,474**	**1,626**	**883**
Net claims expense	(981)	(1,088)	(1,088)	(1,256)	(691)
Net commission	(3)	-	-	-	-
Underwriting expenses	(290)	(297)	(291)	(304)	(168)
Underwriting result	**42**	**89**	**95**	**66**	**24**
Investment income on insurance technical reserves	46	80	78	83	26
General insurance result	**88**	**169**	**173**	**149**	**50**
Other general insurance net revenue	7	16	20	12	6
Net profit attributable to divisions	**95**	**185**	**193**	**161**	**56**
Investment income on shareholder funds	28	90	90	89	45
Net profit before tax	**123**	**275**	**283**	**250**	**101**
Income tax expense	(24)	(78)	(77)	(63)	(28)
Net profit after tax	**99**	**197**	**206**	**187**	**73**
Claims ratio	*74.5%*	*73.8%*	*73.8%*	*77.2%*	*78.3%*
Expense ratio	*22.0%*	*20.2%*	*19.7%*	*18.7%*	*19.0%*
Combined operating ratio	*96.7%*	*94.0*	*93.5%*	*95.9%*	*97.3%*
Insurance margin	*6.7%*	*11.5%*	*11.7%*	*9.2%*	*5.7%*
ROC	*15.0%*	*23.7%*	*25.3%*	*19.7%*	*14.5%*

Source: Promina

The Direct division's focus on specialist, customer-centric insurance propositions has resulted in strong earnings performance, with significant growth in premium income and earnings since 2003. In reviewing the financial performance of the division, the following should be noted:

- the low investment income on technical reserves for the year ended 31 December 2003 was due to an upward movement in the yield curve which resulted in unrealised capital losses in that period, offset by reduced claims expense;
- the improvement in investment income in shareholder funds for the year ending 31 December 2004 was the result of improved returns on the equity portfolio;
- the Direct division grew premiums by 12.7% (or $201 million) for the year ending 31 December 2005. Market share gains were experienced across all major portfolios in a mature market that is characterised by intense competition, advertising and promotional activity. The increase in market share was the result of a number of factors including customer loyalty created by specialist brands, successful marketing campaigns, targeted direct marketing and cross-selling activities and product innovation;
- the rise in the claims ratio in 2005 was primarily due to a significant increase in the number and cost of storm and weather-related claim events. The cost of these

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weather-related events (before catastrophe treaty reinsurance recoveries) was $59 million compared to only $13 million for the year ending 31 December 2004. The insurance margin and return on capital ("ROC") fell in FY05 as a result of the weather-related events. However, the ROC was still maintained above the Direct division's minimum ROC requirement of 15%; and

- for the six months ending 30 June 2006, the Direct division was impacted by Cyclone Larry, which hit the North Queensland coast in March 2006. Advertising and promotional spend continue to increase as industry players aim to differentiate themselves from the competition. However the strength of Promina's various direct brands continues to attract market share, and GWP growth for the six months ending 30 June 2006 was 12.4%, a continuation of the strong trends seen in 2005.

4.1.2 Intermediated General Insurance

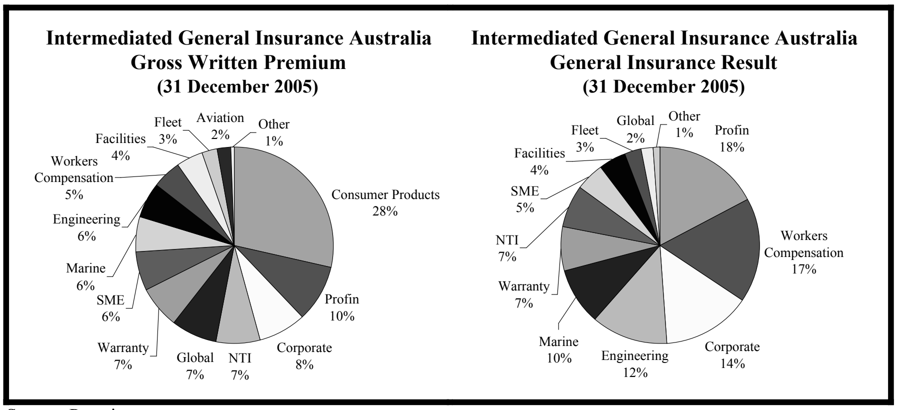
Australia

Promina's Intermediated division in Australia operates through Vero Insurance Limited ("Vero Australia"). Vero Australia sells a range of specialised personal and commercial insurance products. It aims to leverage off the size and financial strength of Promina while offering the experience and expertise of specialists to carefully targeted insurance market niches. Insurance is sold through brokers, agents and business partners and serviced by teams who have expertise in their particular portfolio. Approximately 80% of GWP is written through the broker network with the remaining 20% split between financial institutions, corporate partners and dealers. The breadth of Vero's product range is illustrated below:

- Aviation;
- Construction and Engineering;
- Corporate Liability;
- Corporate Property;
- Resolution (industrial special risks);
- Enterprise;
- Global and Risk Managed (property and liability);
- Motor Fleet;
- National Marine;
- Travel;
- Caravan;
- Deposit Power;
- Personal Lines (home and motor);
- Profin (professional indemnity and directors and officers liability);
- Warranty; and
- Workers Compensation.

Vero Australia has over 900 staff, with each specialised business run by a general manager who is responsible for the operations and profitability of the business. Brands and marketing, human resources, broker relationship management, information technology, risk and compliance, finance, portfolio management, reinsurance and (for some lines of business) claims management are shared services. For workers compensation, warranty, aviation, marine and construction & engineering insurance, claims management is undertaken within the specialist business.

Travel (part of consumer products) is the largest contributor to GWP for Vero Australia. Profin, which includes professional indemnity and directors and officers liability, produces the second largest GWP.



Source: Promina

Whilst a significant portion of Vero's GWP comes from personal line/consumer products (Travel 17.5%, Home & Motor 8.3% and Caravan 1.4%), the majority of the division's earnings are generated by commercial lines. Profin was the largest contributor to the division's earnings for 2005, followed by workers' compensation. The strong workers' compensation performance for 2005 was the result of reserve releases.

The competitive conditions in the commercial insurance industry have resulted in average premium reductions in the order of 5% over the last 12 to 18 months, with some sectors showing much larger premium reductions. Vero Australia's disciplined approach to pricing has meant that it has lost some market share in the commercial space. However, Vero Australia's specialist focus, disciplined pricing and value proposition have all helped to minimise profitability erosion and ensure that returns on capital remain at acceptable levels.

New Zealand

Promina's general insurance business in New Zealand is the second largest insurer behind IAG and has almost doubled market share over the last eight years to 25%, helped in part by the acquisition of AMP General. The business has a track record of successful acquisitions going back 20 years, including the acquisitions of Guardian Royal Exchange, Commercial Union and Royal Insurance. Following the transfer of responsibility for managing the AAI joint venture to the Direct division, Promina's New Zealand general insurance business is almost exclusively an intermediated business. The business is run completely separately from the Australian intermediated business, with its own management team, brands and product range tailored for local conditions.

The New Zealand business has a strong focus on excellence within all aspects of its operations. In 2004 Vero New Zealand was awarded the Achievement Award – Silver Level from the New Zealand Business Excellence Foundation. The business is committed to continuing its achievement of world class financial results, and to achieving the highest award level, Gold, by 2008. This will independently certify the business as being a world class leader in general insurance.

The New Zealand business provides a suite of specialist commercial, corporate and personal insurance products under a number of brands including Vero, Mariner (marine insurance), Autosure, Axiom (commercial motor) and Comprehensive Travel Insurance. A range of personal, commercial and corporate insurance products are distributed under the

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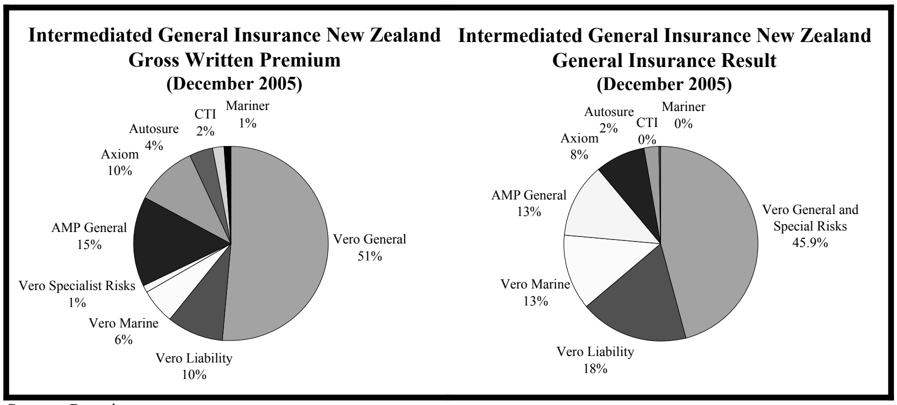
Vero brand, primarily through brokers. Vero New Zealand has 16 offices throughout the country, employing over 800 staff. Vero General is the major contributor to gross written premiums and the earnings of the New Zealand business, accounting for 51% of gross written premiums and 49% of earnings in the year ending 31 December 2005.

The GWP and earnings (insurance result) split by businesses is illustrated below.



Source: Promina.
Note: General insurance result for Vero General: 49%, general insurance result for Vero Special Risks: -3%.

The majority of the New Zealand business written is commercial insurance. Products are predominantly sold through brokers and other intermediaries. In addition, the business has a manufacturing agreement with AMP under which Vero underwrites insurance products for distribution through the AMP adviser network under the AMP brand.

Financial Performance

The financial performance of Promina's Intermediated General Insurance division (incorporating both Australia and New Zealand) for the three years ended 31 December 2005 and for the half year ended 30 June 2006 is summarised below. The year ended 31 December 2004 is reported under both AGAAP and AIFRS for comparative purposes only.

Intermediated General Insurance Financial Performance (A$ millions)					
	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
Gross written premium					
Australia	1,061	995	995	947	504
New Zealand	458	503	503	558	248
Total gross written premium	**1,519**	**1,498**	**1,498**	**1,505**	**752**
Net earned premium					
Australia	759	806	806	802	397
New Zealand	366	429	429	484	230
Total net earned premium	**1,125**	**1,235**	**1,235**	**1,286**	**627**
Net claims expense	(607)	(763)	(763)	(681)	(313)
Net commission	(184)	(224)	(224)	(262)	(122)
Underwriting expenses	(215)	(226)	(221)	(236)	(120)
Underwriting result	**119**	**22**	**27**	**107**	**72**
Investment income on insurance technical reserves	46	83	82	81	13
General insurance result	**165**	**105**	**109**	**188**	**85**
Other general insurance net revenue	1	(3)	(5)	1	(2)
Net profit attributable to divisions	**166**	**102**	**104**	**189**	**83**
Investment income on shareholder funds	29	64	64	66	30
Net profit before tax	**195**	**166**	**168**	**255**	**113**
Income tax expense	(48)	(41)	(41)	(62)	(27)
Net profit after tax	**147**	**125**	**127**	**193**	**86**
Claims ratio	*54.0%*	*61.8%*	*61.8%*	*53.0%*	*49.9%*
Commission ratio	*16.4%*	*18.2%*	*18.1%*	*20.4%*	*19.5%*
Expense ratio	*19.1%*	*18.3%*	*17.9%*	*18.4%*	*19.1%*
Combined operating ratio	*89.5%*	*98.3%*	*97.8%*	*91.8%*	*88.5%*
Insurance margin	*14.7%*	*8.5%*	*8.8%*	*14.6%*	*13.6%*
ROC	*20.1%*	*13.4%*	*15.0%*	*21.0%*	*19.7%*

Source: Promina

In reviewing the financial performance of the Intermediated General Insurance division, the following should be noted:

- the low investment income on technical reserves for the year ended 31 December 2003 was due to an upward movement in the yield curve which resulted in unrealised capital losses, offset by reduced claims expense through an increase in discount rates and consequent reduction in claims provisions;
- the improvement in investment income on shareholder funds for the year ending 31 December 2004 was the result of improved returns on the equity portfolio;
- the increased claims ratio for the year ending 31 December 2004 was the result of a $60 million increase in the outstanding claims provision for Asbestos and a $41 million increase in provisions for all intermediated classes to increase the probability of sufficiency from 85% to 90%. The total cost of $101 million pre-tax equated to an 8.2 percentage point increase in the claims ratio. The claims ratio returned to more normal levels for the year ending 31 December 2005;
- the strong GWP written in the high commission travel insurance portfolio resulted in an increase in the commission ratio in 2005;
- continued price competition in both the Australian and New Zealand commercial insurance markets during 2005 (particularly in the Australian market) meant that GWP only grew 0.5% for the year. Premiums in Australia fell 4.8% during the year, predominantly in the commercial property and commercial liability portfolios.

Despite the competition, Vero remained firm on its pricing approach, preferring to cede some market share to ensure that it continued to write profitable business; and

- for the six months ending 30 June 2006, competitive conditions in the commercial book of business continue to depress premiums. Price reductions in the order of 10-15% have been evident in the corporate market and have been more pronounced in the liability portfolios. In this environment the Intermediated division has focussed on ensuring that technical standards in pricing, underwriting and risk selection are maintained.

4.1.3 Claims Provisioning

The following table illustrates the release from central estimates of outstanding claims relating to prior years (where it was determined that the outstanding estimates were likely to exceed ultimate actual claim payments) for the three years ended 31 December 2005 and half year ended 30 June 2006, by major class of insurance businesses in Australia and New Zealand.

Central Estimate Incurred – Prior Year Releases (A$ millions)

	Year ended 31 December			Half year ended
	2003	2004	2005	30 June 2006
Australia Direct				
CTP	9	37	41	29
Short-tail and other	(6)	8	15	1
Total	**3**	**45**	**56**	**30**
Australia Intermediated				
CTP	1	7	9	4
Liability	(2)	4	13	24
Workers Compensation	4	-	19	7
Short-tail	4	(3)	3	1
Asbestos	2	(45)	(4)	-
Total	**9**	**(37)**	**40**	**36**
Total Australia	**12**	**8**	**96**	**66**
New Zealand				
Workers compensation	2	13	-	-
Other	(10)	-	20	6
Total New Zealand	**(8)**	**13**	**20**	**6**

Source: Promina

Although Promina's CTP portfolios do not account for a large portion of Promina's general insurance premium income and profitability, the nature of this longer-tail insurance class means that there is a greater prospect of differences arising between original net estimates for outstanding claims and actual ultimate claim payments. The CTP releases in 2005 were the result of lower cost per policy assumptions for accident years since 1999 in the New South Wales portfolio and since 2000 in the Queensland portfolio.

Liability releases in 2005 are due to growing recognition of the beneficial impact of tort reform and lower than expected incurred cost development for past accident years. The continued reduction in industry average claim sizes for the workers compensation portfolio as well as lower than expected incurred cost development resulted in reserve releases in this class of insurance in 2005.

Asbestos claims were relatively close to expectations in 2005. The decision to increase the net outstanding claims provision in the 2004 year reflected the following:

- outcomes from the James Hardie Inquiry heightened public attention on the asbestos issue including a significant increase in the number of claims reported to the company; and
- the number of mesothelioma claims received by Promina was greater than expected.

Within the New Zealand business, liability, motor and property experienced prior year releases in 2005.

Promina decided to increase the probability of sufficiency of its provisions for all classes of business from 85% to 90% as at 31 December 2004.

4.1.4 Minimum Capital Requirement

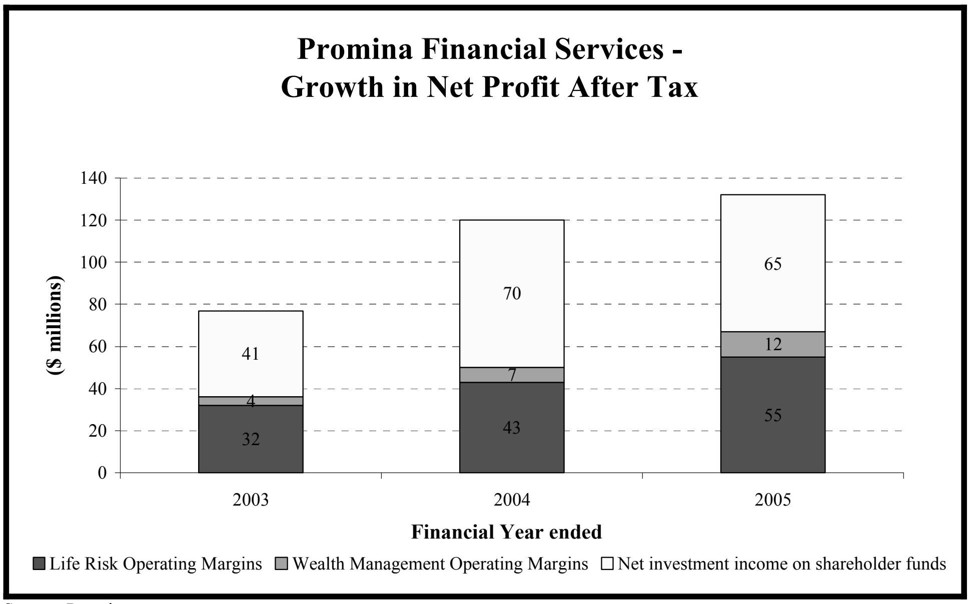
APRA aims to protect policyholder funds held by general insurers by requiring that general insurers maintain a minimum capital requirement ("MCR"). The MCR ratio is the ratio of the actual capital held by a company to its MCR. There are no comparable capital adequacy requirements in New Zealand. As a result Promina's general insurance business calculates MCR ratios for both the combined Australian and New Zealand business on an internal basis and a ratio for APRA's requirements on the Australian business. As at 30 June 2006 the MCR for the combined business on an internal basis was 1.73x and for APRA requirements the MCR for the Australian business was 2.36x.

4.2 Financial Services

Promina's financial services business ("Promina Financial Services") provides life risk insurance, funds management, wealth management, financial planning and trustee services. Promina Financial Services is managed as an integrated trans-Tasman business under distinct brands, providing specialised products to target customer segments, namely:

- Asteron – life risk and superannuation products;
- Tyndall – asset management;
- New Zealand Guardian Trust – personal and corporate trusts; and
- distribution businesses – personal financial advice provided under various brands, including Guardian Financial Planning, Cameron Walshe, Standard Pacific, AA Life, Stone & Associates and the One Adviser Network.

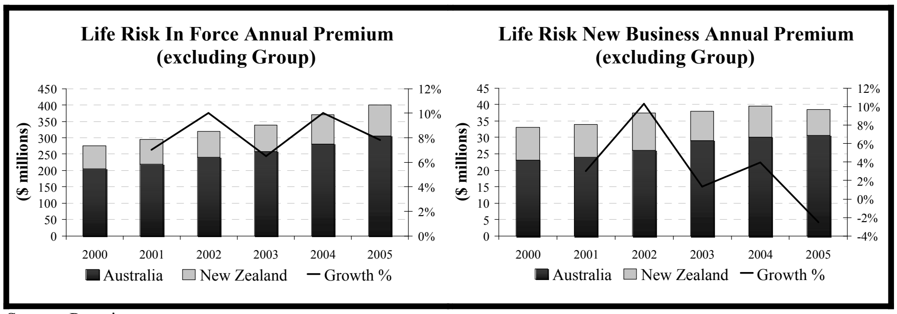
With 1,250 employees and in excess of one million customers in Australia and New Zealand, Promina Financial Services generates approximately $425 million of in-force annual risk premiums. It has funds under management of approximately $11.2 billion, funds under administration of $5.1 billion and $28 billion in funds under supervision. Promina Financial Services has grown significantly in recent years:



Source: Promina
Note: 2003 financial results prepared under AGAAP.

4.2.1 Asteron

Asteron is a significant participant in the Australian and New Zealand life insurance markets, providing a broad range of life insurance, superannuation and savings products. Asteron has experienced consistent growth in recent years:



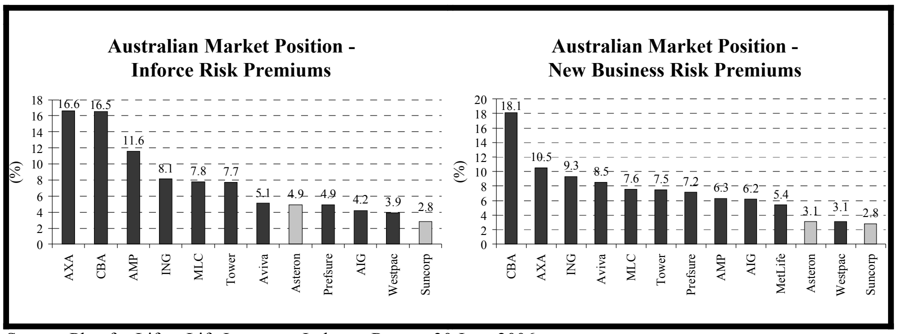
Source: Promina

Asteron's major risk products in the Australian market place are:

- term risk and total and permanent disability ("TPD");
- trauma; and
- disability income.

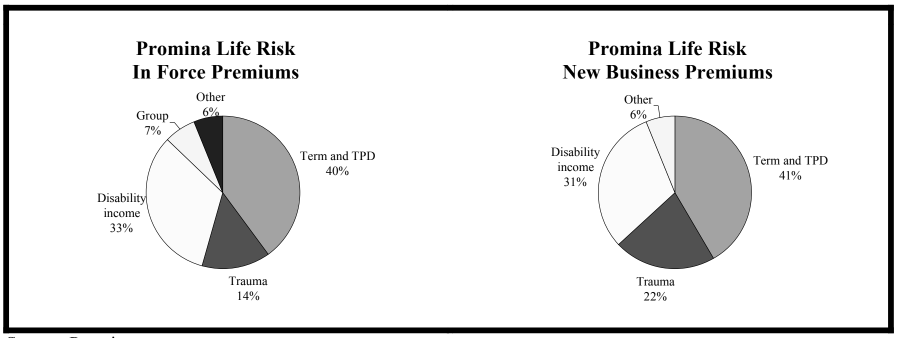
In Australia, Asteron no longer actively writes group life business.

Asteron has a mid-ranking market share in Australia:



Source: Plan for Life – Life Insurance Industry Report, 30 June 2006

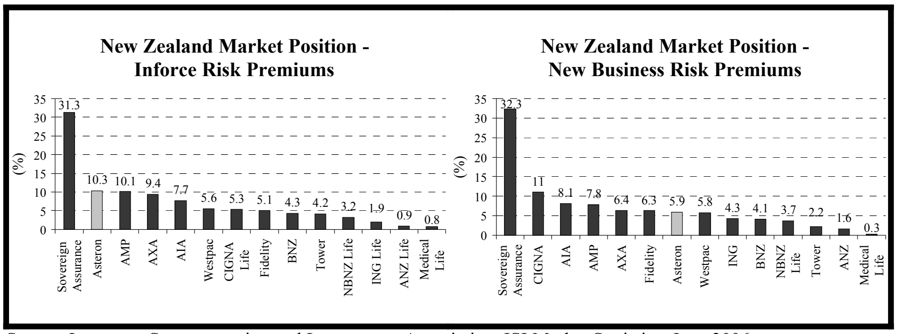
The relative contributions to life risk in-force and new business premiums of the major risk products (for both Australia and New Zealand) for the year ended 31 December 2005 are illustrated below:



Source: Promina
Note: Group schemes business was not underwritten after February 2003.

In Australia, Asteron also offers a range of superannuation products and retirement solutions, including simple, flexible savings plans for both individual and corporate requirements, and a range of pension products that provide a regular income during retirement.

The Asteron business in New Zealand also offers an extensive product portfolio of life insurance, investment savings, superannuation, personal savings and income protection plans, and has a significant market share:



Source: Insurance Superannuation and Investments Association, ISI Market Statistics, June 2006

Asteron distributes its products and services to customers through independent financial advisers, financial advisers licensed by the Promina Group, corporate partners and others. The majority is distributed through non-owned channels.

During 2005 Asteron restructured its Australia business into three key business units: retail, corporate and distribution and investment services. The restructure was designed to ensure a customer/adviser focus, taking a 'whole of business' approach to both product and service requirements.

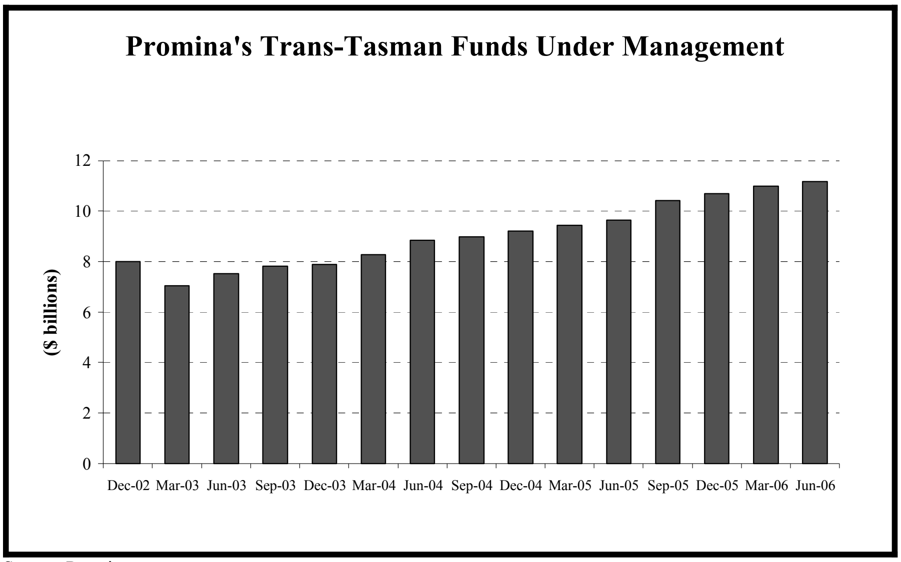
Asteron New Zealand has also undergone a period of operational restructure from 2004 to 2006, through the implementation of a remediation and rationalization program. The programme was introduced to simplify operating systems and streamline business operations. More recently, Asteron New Zealand has simplified its product range and sought to develop new ways to interact with its customers, in an effort to address the ongoing issue of underinsurance in the New Zealand market. One such avenue is through AA Life Services, a joint venture between Asteron and the Automobile Association ("AA") that was introduced in February 2006.

Asteron's strategic focus has been on restructuring its Australian and New Zealand operations to operate more efficiently as one trans-Tasman business. Multiple information technology systems are being consolidated and back office systems rationalised in order to improve business efficiency. To date, the rationalisation process is progressing in line with cost and benefit expectations. The program is expected to be completed in late 2006, resulting in the decommissioning of a large number of legacy administration platforms. The full impact of the cost savings will be realised in the 2007 financial year.

4.2.2 Tyndall

Promina Financial Services' asset management business, Tyndall, manages investments for the Promina Group, individuals, superannuation funds and institutional investors. As at 31 December 2005, Tyndall had $10.7 billion in funds under management (representing growth for the year of 15.9%). For the six months to 30 June 2006, funds under management grew to $11.2 billion.

Tyndall's key operating company, Tyndall Equities Australia Ltd, is 50% owned by its employees.



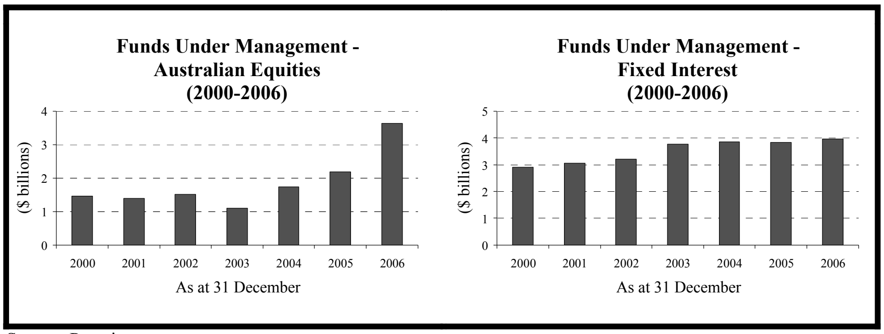
Source: Promina

Tyndall provides a wide range of services and products including:

- wholesale funds management;
- trust, estates and agency services;
- retirement income;
- Tyndall unit trust;
- superannuation products; and
- other wealth management products.

In Australia, Tyndall is a specialist, active value based investment management firm, managing over $8 billion (as at 30 June 2006) on behalf of individuals, superannuation funds and institutions. It specialises in Australian and international fixed interest and Australian equities. Tyndall was named as Standard & Poor's Fund Manager of the Year in 2005.

Tyndall has enjoyed strong growth in recent years. For the year ended 31 December 2005, Tyndall achieved growth rates well in excess of market growth rates, attracting new mandates and increasing funds under management from existing mandates. For the year, Tyndall had a 51.4% increase in net fund flows and a 19.4% increase in funds under management relative to 2004.

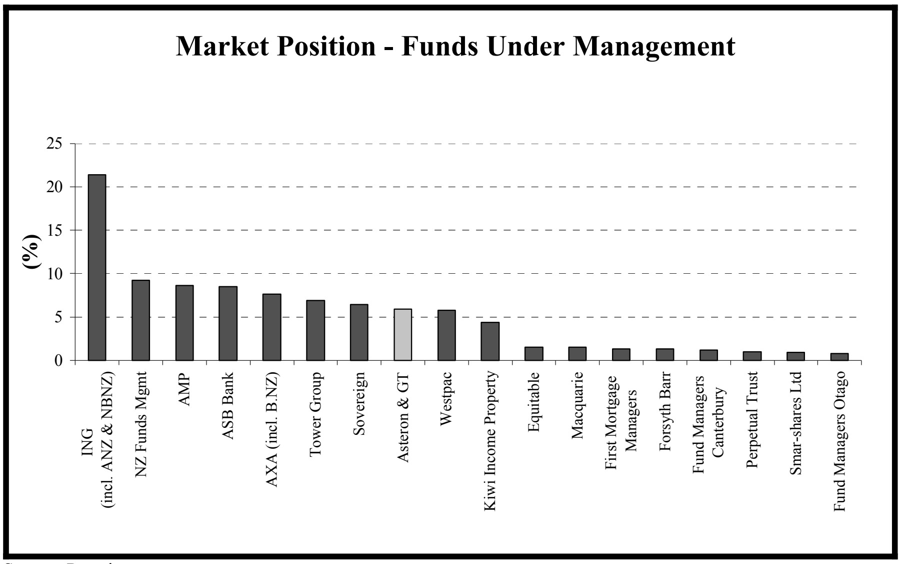


Source: Promina

Throughout 2005, Tyndall continued to implement its strategy of reinvesting profits into marketing to drive growth in funds under management. Consequently, the business has continued to increase sales momentum with new wholesale mandates totalling in excess of $700 million for the year, whilst retail sales were up 120% against 2004.

In New Zealand, Tyndall manages in excess of NZ$3 billion of investments for superannuation funds, charities and institutional clients. Tyndall provides services across all asset sectors and has performed strongly over the last few years.

Overall, Tyndall has a mid-ranking position in the Australian funds management market.



Source: Promina

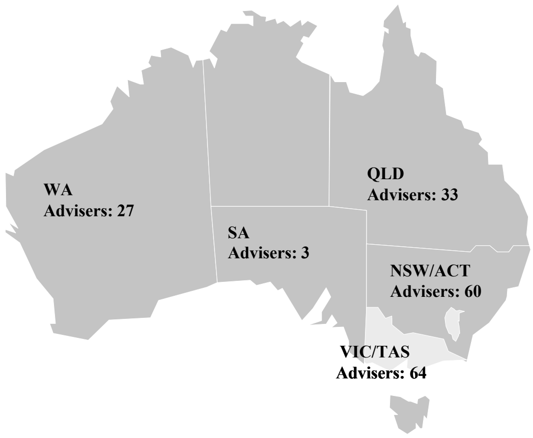
4.2.3 Distribution Businesses

http://www.asteron.com.au/Promina offers financial planning services in Australia through its three professional financial planning businesses: Cameron Walshe, Guardian Financial Planning and Standard Pacific. In New Zealand, Promina distributes financial services products through Stone & Associates, the One Adviser Network and AA Life Services, a 50:50 joint venture with the New Zealand Automobile Association.

Cameron Walshe and Guardian Financial Planning offer professional financial planning advice and products to clients across Australia, including financial and retirement planning, salary packaging, master trusts, wrap accounts and a portfolio management system. Standard Pacific provides a premium range of financial services to corporate and private clients including superannuation consulting, private wealth management and investment consulting.

As at October 2006, Guardian Financial Planning had 162 advisers, Cameron Walshe had 23 advisers and Standard Pacific had two advisers across Australia:

Financial Advisers by State/Territory
(At October 2006)



Source: Promina

Promina's financial advisers distribute products from Asteron and other product manufacturers. The products and services provided include:

- a range of life risk products;
- superannuation retirement and investment planning;
- direct equities and structured investments; and
- loans and reverse mortgages.

4.2.4 New Zealand Guardian Trust

New Zealand Guardian Trust ("Guardian Trust") is a leading New Zealand financial adviser, trustee and asset manager catering primarily for high net worth clients. With 14 offices in New Zealand, Guardian Trust administers approximately $7.3 billion in funds and is a corporate trustee for some NZ$30 billion of securities.

Through its network and intermediary distribution channels, Guardian Trust has over 50,000 wills clients, 800 group investment fund clients and acts on behalf of 6,500 trust and financial services clients.

Guardian Trust has two core frontline businesses:

- Personal Client Services; and
- Corporate Trusts.

For its personal clients, Guardian Trust provides an extensive range of trust and financial services including the preparation of wills, administration of trusts and estates, investment funds, comprehensive financial planning, and mortgage finance.

Guardian Trust's Corporate Trust business provides various services to borrowers and lenders, debt issues and securitisation programmes, unit trusts, group investment funds and superannuation.

Guardian Trust's Operations division also provides a range of back office functions to the Promina Group of companies and external clients, including settlement services for securities, foreign exchange and derivative transactions.

4.2.5 Financial Performance

The financial performance of Promina Financial Services (for both Australia and New Zealand) for the three years ended 31 December 2005 and the half year ended 30 June 2006 is summarised below. For the purposes of comparison, the year ended 31 December 2004 is reported under AGAAP and AIFRS.

Promina Financial Services Financial Performance ($ millions)

	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
Life Risk					
Planned profit margin release	34	35	35	39	25
Experience deviations	9	5	6	12	1
Recapture of losses	(11)	2	2	4	(2)
Life Risk operating margins after tax	**32**	**42**	**43**	**55**	**24**
Wealth Management					
Wealth Management operating margins after tax	**4**	**18**	**7**	**12**	**14**
Total operating margins after tax	**36**	**60**	**50**	**67**	**38**
Net investment income on shareholder funds	41	72	70	65	17
Net profit after tax	**77**	**132**	**120**	**132**	**55**

Source: Promina

For the year to 31 December 2005, Promina Financial Services reported operating margins after tax of $67 million, representing a 34% increase on the $50 million result for 2004. Net profit after tax of $132 million represented a 10.0% increase on the 2004 result of $120 million.

The improved performance reflected the focus of the business on delivering specialised product offerings. The business is willing to cede market share to maintain profitable business.

Both the life risk and wealth management businesses delivered strong growth in operating margins. In addition to the strong operational performance, Promina Financial Services also benefited from favourable investment markets that delivered net investment income on shareholder funds of $65 million, a 7.1% reduction on 2004 net investment income of $70 million.

Promina Financial Services largely achieved its goals for 2005, including:

- growing new business, particularly in the life risk market;
- expanding Guardian Financial Planning and Cameron Walshe in Australia and pursuing further New Zealand distribution opportunities;
- generating further cost savings through the trans-Tasman back-office rationalisation program;
- continuing the program of customer and adviser research and segmentation, leading to greater alignment of product offering to target markets;
- maintaining consistent asset management returns and growing external mandates.

For the half year ending 30 June 2006, Promina Financial Services delivered net profit after tax of $55 million (post minority interest). This included an improvement in operating margins of $7 million, offset by a decrease of $12 million in investment returns on shareholder funds, resulting in an aggregate decline in profit of $5 million, or 8%, compared to the half year ended 30 June 2005. For the six months to 30 June 2006:

- the Australian business posted a net profit after tax of $35 million, and had a 26.3% increase in operating margins from $19 million to $24 million. Investment income was $15 million lower than last year's corresponding half, largely a result of movements in bond rates. This resulted is an aggregate decline in profit of $10 million or 22.2% relative to the first half of 2005;
- the performance of the New Zealand business was strong as the business recognised the benefits of the remediation programme. Net profit after tax was $20 million, a 33% increase on the $15 million in the first half of 2005, with operating margins up 17.7% and investment income up 81%. The improvement would have been even more significant if not for the 7% deterioration in the AUD/NZD exchange rate over that period;
- overall operating margins after tax increased 23% to $38 million, well ahead of Promina's forecast 10% growth;
- investment income on shareholder funds fell from $29 million in the corresponding half to $17 million, adversely impacted by lower earnings on Australian equities; and
- overall operating revenue (gross risk business premium plus fee and other income) for the division increased by 4% despite the poor investment results. This increase was primarily driven by improved business sales in the life risk market.

Several initiatives are expected to drive further positive results in the near future:

- the launch of the joint venture with AA in New Zealand;
- the acquisition of the remaining shareholding in Standard Pacific Financial Services (NSW) Limited, a boutique corporate superannuation services provider, in October 2005. This is expected to provide continued opportunities for expansion in the corporate market; and
- the trans-Tasman back-office rationalisation program, which will continue to produce some cost benefits during 2006, with the full impact expected in the 2007 financial year.

Life Risk Business

The financial performance of Promina's Asteron life risk business (for both Australia and New Zealand) for the three years ended 31 December 2005 and the half year ended 30 June 2006 is summarised below. For the purposes of comparison, the year ended 31 December 2004 is reported under both AGAAP and AIFRS.

GRANT SAMUEL

Life Risk Financial Performance ($ millions)					
	Year ended 31 December				Half year ended
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	30 June 2006 AIFRS
Life Risk net profit					
Planned profit margin release	34	35	35	39	25
Experience deviations					
Mortality	7	9	9	5	3
Morbidity	-	(4)	(4)	-	(1)
Other	2	-	1	7	(1)
Total experience deviations	**9**	**5**	**6**	**12**	**1**
Recapture of losses	(11)	2	2	4	(2)
Operating margins after tax	**32**	**42**	**43**	**55**	**24**
Net investment income on shareholder funds	36	63	61	58	14
Net profit after tax	**68**	**105**	**104**	**113**	**38**

Source: Promina

For the financial year ended 31 December 2005, life risk operating margins rose 27.9% from $43 million in 2004 to $55 million in 2005. In Australia, operating margins improved 20.0% from $30 million in 2004 to $36 million in 2005. The New Zealand business produced a 46.2% improvement in operating margins, from $13 million in 2004 to $19 million in 2005. A positive experience deviation of $12 million across both Australia and New Zealand, driven by better than forecast mortality and persistency experience, underpinned the improved operating margins.

Despite the difficult market conditions, Asteron achieved profitable growth in the term and trauma portfolios for the year ended 31 December 2005. Asteron's focus on profitable core markets led to growth in annual in-force premiums of 7.8% (excluding group business).

For the half year ended 30 June 2006, the life risk operating margin was $24 million, down from the $26 million posted in the first half of 2005. Within Australia, total operating margins fell from $17 million to $15 million. Life risk business in New Zealand delivered a strong operating result of $9 million, increasing 5% relative to the first half of 2005, driven by good mortality and lapse experience.

The life risk business has focused on generating profitable sales in a more price competitive environment, through better management and servicing of the adviser base. Following a year of consolidation in 2005, new business sales have gained some momentum after the division introduced strategies to improve broker perception and a new product range. New business sales improved 9% and in-force annual premiums (excluding group business) grew 6% during the six months to 30 June 2006.

Strong growth in New Zealand reflected the benefits of new distribution channels including Promina's joint venture with AA.

Wealth Management Businesses

The financial performance of Promina's wealth management business (incorporating both Australia and New Zealand) for the three years ended 31 December 2005 and the half year ended 30 June 2006 is illustrated below. For the purposes of comparison, the year ended 31 December 2004 is reported under both AGAAP and AIFRS.

Wealth Management Financial Performance ($ millions)					
	Year ended 31 December				Half year ended 30 June 2006 AIFRS
	2003 AGAAP	2004 AGAAP	2004 AIFRS	2005 AIFRS	
Wealth Management net profit/(loss)					
Asset Administration	4	17	6	13	13
Distribution	(1)	-	-	(2)	-
Asset Management	1	1	1	1	1
Operating margins after tax	**4**	**18**	**7**	**12**	**14**
Net investment income on shareholder funds	5	9	9	7	3
Net profit after tax	**9**	**27**	**16**	**19**	**17**

Source: Promina

For the financial year ended 31 December 2005, the wealth management business delivered an increase of 71.4% in operating margins after tax to $12 million, driven by revenue growth of 15.7%. Most notably, operating margin after tax from asset administration increased by 117% to $13 million. The operating performance of the New Zealand wealth management business was strong, with a contribution of $8 million, underpinned by the operations of New Zealand Guardian Trust. In Australia, the business improved from a 2004 break-even result to an operating margin after tax of $4 million.

For the half year to 30 June 2006, wealth management operating margins increased to $14 million. In addition to a one-off profit of $5 million on investment assets backing the annuity business in Australia, the improved performance was driven by strong revenue growth:

- inflows into wealth management in Australia were up 63% or $251 million on the corresponding half in the previous year;
- new wholesale mandates totalled in excess of $900 million, exceeding the 2005 full year total; and
- net growth in funds under management was $393 million. Inflows into the funds under management were offset by outflows to fund capital management initiatives, the impact of the movement in AUD/NZD exchange rates, and the impact of unrealised capital losses stemming from interest rate changes.

The New Zealand wealth management business delivered a contribution of $5 million, an increase of $2 million from the corresponding half in the previous year, underpinned by the strong operational performance of New Zealand Guardian Trust. The Australian wealth management business also delivered an increase in operating margins with a half year result of $9 million by comparison with a result of $2 million for the prior corresponding period.

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5 Profile of Suncorp

5.1 Background and History

Suncorp was formed in December 1996 through the merger of two Queensland Government owned businesses, Suncorp Insurance & Finance and QIDC, with ASX listed Metway Bank.

Suncorp Insurance & Finance originally commenced operations in 1916 as the (Queensland) State Accident Insurance Office and later changed its name to State Government Insurance Office (SGIO), extending its operations into life insurance, general insurance and CTP insurance. Over the years, superannuation, building society and finance operations were also added.

Originally the Queensland Agricultural Bank, QIDC was a Queensland Government owned finance company principally engaged in rural and commercial lending. Metway Bank was Queensland's largest locally based bank. Its operations were concentrated in Queensland, with some activities in New South Wales and Victoria. It had been a publicly listed company since July 1988 and had assets of approximately $7.1 billion at the time of the merger.

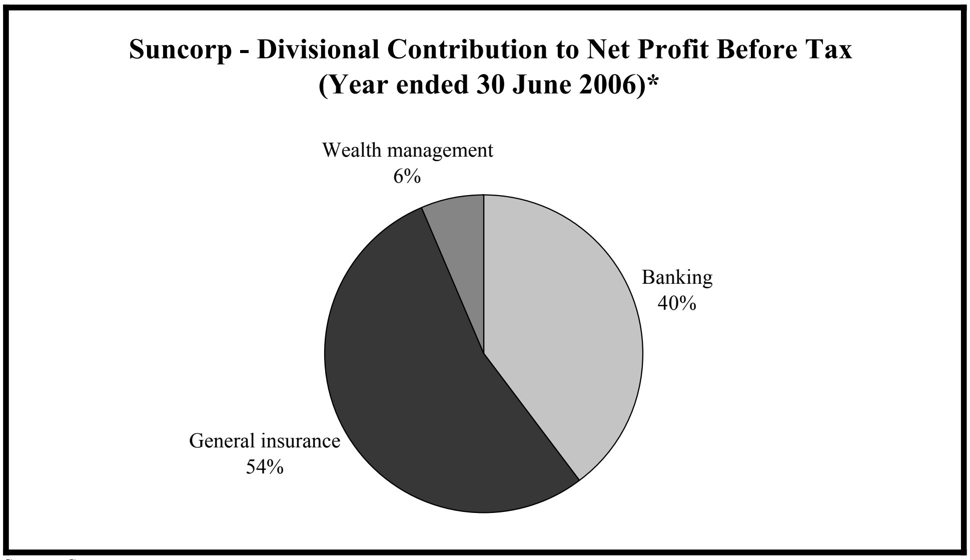
As consideration for the sale of Suncorp and QIDC into Metway Bank (which was later rebranded Suncorp Metway), the Queensland government received a shareholding in the combined group of approximately 68% (in ordinary shares and capital notes), which it subsequently sold down to the public. All three entities had significant brand presence in the Queensland market within their respective business lines.

Significant events in Suncorp's history since its 1996 formation include:

- the acquisition of certain parts of the general insurance businesses of AMP, which primarily consisted of the GIO group of companies ("GIO") but excluded inwards reinsurance and other large corporate business, in September 2001, making Suncorp (at the time) the second largest general insurer in Australia;
- the acquisition of AMP's 50% interests in the RACQ Insurance (Queensland) and RAA Insurance (South Australia) motoring club joint venture insurance businesses; and
- the acquisition of RACT Insurance in Tasmania.

Today, Suncorp is a diversified financial services company engaged in the provision of retail and business banking services, general insurance, life insurance and wealth management services. It is Australia's sixth largest bank and fourth largest general insurer, and is within Australia's top 25 publicly listed companies by market capitalisation. To a large extent, Suncorp's business operations and market positioning continue to reflect its origins. Suncorp has retained a strong position in the Queensland market, where the Suncorp and Metway brands have a long history and a multi-generational following.

In the year to 30 June 2006, Suncorp generated net profit before tax of approximately $1.3 billion. The profit contributions from each of its major business units were as follows:



Source: Suncorp
Note: *Represents divisional contribution to net profit before tax from main business activities (excludes net profit before tax from LH Hooker ($13 million) and Wealth Management consolidation adjustment).

Suncorp's consolidated branding strategy enables the company to leverage its brand across its retail and business lines in order to maximise cross-selling opportunities, create multi-product customer relationships (which assists with customer retention) and pursue cost savings. While most products operate under the single brand, Suncorp runs its core business divisions separately, having devolved reporting and management responsibility to the separate business units in 2003. The 2003 restructuring provided clearer measurement of financial performance and greater accountability for results. The improvement of divisional financial performance observed in recent periods is credited, in part, to the success of these restructuring initiatives.

Brief overviews of each of Suncorp's core business divisions are provided below.

General Insurance

Suncorp provides a range of insurance lines including home, contents, motor vehicle, CTP, commercial, and workers compensation insurance. Insurance products are sold under the Suncorp brand in Queensland, the RACT Insurance brand in Tasmania, and the GIO brand elsewhere in Australia. Motor vehicle insurance is also provided on a regional basis through joint ventures with the Queensland RACQ and South Australian RAA. In the year to 30 June 2006, Suncorp insured 3.8 million customers, generating insurance premiums of $2.6 billion.

Banking

Suncorp provides retail and business banking services under the Suncorp brand in Queensland, New South Wales, Australian Capital Territory, Victoria, Western Australia and Tasmania through a national network of 229 retail and business banking outlets. The bank also uses an extensive network of brokers to originate lending business and also offers its customers ATM, phone and internet banking facilities. As at 30 June 2006, the banking division had lending assets of approximately $39 billion.

Wealth Management

Suncorp's wealth management division provides life insurance, superannuation and management investment (unit trust investment) products and financial planning and advisory services to personal and small business customers. Life insurance products include term life, trauma and income protection insurance. Products and services are distributed under the Suncorp brand through a network of approximately 220 financial advisors and planners comprising both Suncorp employed and independent agents. As at 30 June 2006, total funds under management were approximately $13 billion.

LJ Hooker

Suncorp is the 100% owner of the master franchise for LJ Hooker real estate agencies, principally in Australia and New Zealand ("LJ Hooker"). Income is earned from royalties on property sales and management fees and the provision of professional training. Franchised agencies also provide mortgage broking services, generating additional royalties and providing a growing source of mortgage referrals for the retail banking division.

5.2 Financial Performance

Suncorp reports its annual financial results in both a statutory format (in its annual report), and in a divisional format (as per its consolidated financial results pack). The preparation of the consolidated financial results differs in certain material respects from that of the statutory accounts. In relation to life insurance entities, the statutory reporting rules require Suncorp to consolidate all assets, liabilities, income, expenses and equity of the entity in its financial reports, regardless of whether they are designated as relating to policy owners or shareholders. This results in distortion of reported earnings and tax relating to the wealth management division. Grant Samuel considers the consolidated financial results provide a more meaningful summary of the financial performance of the Suncorp group. The financial performance of Suncorp, as presented in its consolidated financial results, for the four years ended 30 June 2006 is summarised below:

Suncorp – Financial Performance ($ millions)					
	Year ending 30 June				
	AGAAP 2003	AGAAP 2004	AGAAP 2005	AIFRS 2005	AIFRS 2006
General insurance					
Net earned premium	2,012	2,184	2,412	2,420	2,456
Insurance trading result	209	315	427	433	474
Investment income and other net income	43	169	250	253	254
Capital funding costs	(19)	(19)	(26)	(26)	(37)
Net profit before tax	**233**	**465**	**651**	**660**	**691**
Banking					
Net interest income	592	656	771	786	848
Non-interest income	155	177	162	148	149
Operating and other expenses	(429)	(462)	(475)	(480)	(491)
Net profit before tax	**318**	**371**	**458**	**454**	**506**
Wealth management					
Contribution from life company	32	57	64	62	66
Contribution from funds management	9	9	27	31	15
Net profit before tax	**41**	**66**	**91**	**93**	**81**
Net profit before tax from main activities[13]	**592**	**902**	**1,200**	**1,207**	**1,278**
LJ Hooker	9	12	9	8	13
Other	-	31	-	(10)	(13)
Total net profit before tax	**601**	**945**	**1,209**	**1,205**	**1,278**
Amortisation of goodwill	(62)	(60)	(61)	-	-
Net profit before tax	**539**	**885**	**1,148**	**1,205**	**1,278**
Income tax expense	(155)	(267)	(327)	(323)	(362)
Net profit after tax	**384**	**618**	**821**	**882**	**916**
Statistics					
Basic earnings per share (cents)	*69.8*	*112.8*	*148.7*	*160.5*	*166.6*
Dividends per ordinary share (cents)[14]	*56.0*	*70.0*	*87.0*	*87.0*	*97.0*
Dividend payout ratio - basic	*81.3%*	*63.2%*	*59.6%*	*55.4%*	*59.1%*
Amount of dividend franked	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Growth in NPBT – General insurance	*na*	*100%*	*40%*	*42%*	*5%*
Growth in NPBT – Banking	*na*	*16.7%*	*23.5%*	*22.4%*	*11.5%*
Growth In NPBT – Wealth management	*na*	*61.0%*	*37.9%*	*40.9%*	*(12.9)%*
Growth in NPBT – Total main activities	*na*	*52.4%*	*33.0%*	*33.8%*	*5.9%*

Source: Suncorp financial reports and Grant Samuel analysis

Detailed reviews of the performance of each of Suncorp's businesses are set out in Sections 6.1, 6.2 and 6.3 of this report.

Suncorp adopted AIFRS reporting from 1 July 2005. Financial statements for the year ended 30 June 2006 have been prepared under AIFRS with comparative results for the year ended 30 June 2005 restated as if prepared under AIFRS. The table above includes 2005 consolidated results as reported under AGAAP and restated under AIFRS (excluding certain transitional arrangements, which do not have a significant impact on profit). The restatement of results for the year ended 30 June 2005 resulted in substantial movements in certain revenues, expenses, assets and liabilities. However, on a net basis the effect was an increase in profit after tax of $61 million, mainly representing the elimination of goodwill amortisation in that year.

The original merger of Metway Bank, Suncorp Insurance & Finance and QIDC in 1996 and the subsequent acquisition of the GIO businesses in 2001 meant that Suncorp in its early years devoted considerable resources to the integration of those businesses. This substantial task was largely completed by the year ended 30 June 2003. With integration complete, Suncorp has focused on the restructuring of the group along business lines, organic growth in the company's

13 Net profit before tax from main activities represents net profit before tax and amortization from Suncorp's three primary business divisions.

14 Dividends per ordinary share and dividend payout ratio exclude the fully franked special dividend of 75 cents per share paid on 3 October 2005.

core businesses and the achievement of operational and cost improvements across the group. The following key points are relevant to a review of Suncorp's financial performance:

- revenue and earnings within the banking division have shown consistent growth. However, performance in 2006 was impacted by a slowdown in home lending and property development and a significant increase in competition in retail and business lending, and for retail deposits;
- general insurance results have benefited from organic growth and legislative reforms in the areas of liability and negligence, which have reduced uncertainty and moderated claims liabilities under personal injury awards. As a result, Suncorp was able to release $135 million in claims provisions in the year to 30 June 2005 and a further $204 million in the year to 30 June 2006. While the business benefited from lower than average storm costs in some of these years, significant weather events impacted results in 2004 (Australia's East Coast) and 2006 (North Queensland's Cyclone Larry). Recent intensification of competition, particularly in commercial lines, has slowed general insurance growth; and
- wealth management operating performance has benefited from significant investment inflows experienced throughout the investment industry and strong investment returns.

5.3 Balance Sheet

The following table provides a summary of Suncorp's balance sheet as at 30 June 2005 and 2006 as reported in its statutory accounts:

Suncorp – Balance Sheet ($ millions)

	As at 30 June	
	2005	**2006**
Assets		
Cash and cash equivalents	1,084	489
Other financial assets	13,354	14,699
Loans, advances and receivables	35,912	39,975
Property, plant and equipment	105	131
Intangible assets	1,101	1,124
Other assets	932	951
Total assets	**52,488**	**57,369**
Liabilities		
Deposits and short term borrowings	27,157	27,683
Payables and other liabilities	1,110	901
Current tax liabilities	182	136
Other liabilities	330	538
Outstanding claims, unearned premiums and unexpired risk liabilities	5,538	5,672
Gross policy liabilities	3,244	3,906
Unvested policy owner benefits	324	270
Outside beneficial interests	-	854
Securitisation liabilities	3,906	5,700
Bonds, notes and long-term borrowings	4,468	5,560
Subordinated notes	968	1,466
Preference shares	-	250
Total liabilities	**47,227**	**52,936**
Net assets	**5,261**	**4,433**
Equity		
Share capital	3,018	2,973
Reserves	12	28
Retained profits	1,484	1,432
Total equity attributable to equity holders of Suncorp	**4,514**	**4,433**
Outside equity interests	747	-
Total equity	**5,261**	**4,433**

Source: Suncorp, Grant Samuel analysis

The following points should be taken into account when reviewing Suncorp's summarised statutory balance sheet:

- in October 2005 Suncorp paid ordinary shareholders a fully franked special dividend of 75 cents per share ($412 million), aimed at optimising the capital structure;
- other financial assets represent interest bearing trading securities held in relation to banking activities (including bank bills, certificates of deposit and other short term negotiable securities) of $3,773 million and investment securities held in relation to the investment activities of the general insurance, wealth management and funds management divisions of $10,926 million, in each case stated at fair value as at 30 June 2006;
- the loans, advances and receivables line comprises housing, business and other loans relating to banking operations of $38.4 billion (including securitised home loan balances of $5.4 billion) as well as receivables relating to general and life insurance activities of $1.3 billion;
- other assets include investments in joint ventures ($138 million), bank acceptances of customers ($316 million), investment property ($196 million) and other assets ($617 million). Investments in joint ventures are stated at cost, adjusted for Suncorp's share in any increases in net assets since acquisition and any impairment adjustment. Investment properties are stated at fair value, as assessed by an independent valuer;
- deposits and short term borrowings represent unsecured on-call and term deposits received from banking customers and short term company borrowings;
- outstanding claims, unearned premiums and unexpired risk liabilities relate to the general and life insurance businesses. The outstanding claims liability for general insurance is calculated as the present value of expected future payments against claims received and claims incurred but not reported on or prior to the reporting date, after allowing for future claims handling costs, reinsurance and third party recoveries and a risk margin to allow for the inherent uncertainty in the central estimate of the outstanding claims liability;
- gross policy liabilities represent the estimated future cost of providing contracted benefits under life insurance and life investment policies, incorporating future premiums and investment earnings;
- outside beneficial interests represent outside unitholder funds held in managed investment schemes consolidated within Suncorp's accounts. In prior years, such outside interests were classified as "outside equity interests" and presented within the equity section of the balance sheet;
- Suncorp conducts a loan securitisation programme whereby housing mortgage loans are pooled, packaged and sold to wholesale funds as securities. Suncorp does not guarantee the performance of the securitised loans but retains the right to any residual income after all payments due to investors in the securitisation programme have been met. On account of the residual interest in the securitisation programme, Suncorp is required to recognise within its accounts the housing loan balances and liabilities associated with the securitisation programme;
- subordinated notes of approximately $1.5 billion include Suncorp's ASX listed subordinated perpetual floating rate notes, which have an outstanding face value of $170 million; and
- after balance date $105 million of reset preference shares were converted to ordinary shares leaving $144 million outstanding. A brief overview of Suncorp's reset preference shares is provided in Section 5.6.

As previously discussed, Suncorp provides both statutory accounts and detailed divisional reporting. Divisional accounts include segmental balance sheets on an unconsolidated basis (i.e. without eliminating assets and liabilities resulting from inter-divisional transactions). The following table provides a summary of the stand-alone divisional balance sheets as at 30 June 2006, followed by the consolidation adjustments to arrive at total group assets and liabilities. The statutory balance sheet summarised above consolidates all assets and liabilities of the life insurance statutory funds and fund liabilities (including the interests of policyholders). The divisional balance sheets consolidate only Suncorp's net interest in these funds as a single line – "investment in life statutory funds". This results in a reduction in reported total assets and liabilities (of approximately $4.9 billion), although there is no effect on net assets.

Suncorp – Divisional Balance Sheet Analysis ($ millions)						
	As at 30 June 2006					
	Banking	Insurance	Wealth Management	Other[15]	Consolidation Entries	Group
Assets						
Cash and cash equivalents	221	325	22	33	(114)	487
Other financial assets	3,776	5,727	34	-	(44)	9,493
Loans, advances and receivables	38,709	1,213	69	-	(87)	39,904
Property, plant and equipment	129	-	-	1	-	130
Intangible assets	82	929	-	10	103	1,124
Investment in life statutory funds	-	-	174	-	-	174
Other assets	704	664	11	9	(244)	1,144
Total assets	**43,621**	**8,858**	**310**	**53**	**(386)**	**52,456**
Liabilities						
Deposits and short term borrowings	27,972	15	12	-	(163)	27,836
Payables and other liabilities	486	523	9	8	(269)	757
Current tax liabilities	136	-	-	(2)	1	135
Other liabilities	545	109	5	8	(9)	658
Outstanding claims, unearned premiums and unexpired risk liabilities	-	5,651	-	-	-	5,651
Securitisation liabilities	5,710	-	-	-	-	5,710
Bonds, notes and long-term borrowings	5,504	56	-	-	-	5,560
Subordinated notes	1,271	195	-	-	-	1,466
Preference shares	250	-	-	-	-	250
Total liabilities	**41,874**	**6,549**	**26**	**14**	**(440)**	**48,023**
Net assets	**1,747**	**2,309**	**284**	**39**	**54**	**4,433**

5.4 Cash Flow

Suncorp's cash flows, as per its statutory accounts, for the four years ended 30 June 2006 are summarised below:

15 The "Other" column primarily represents the assets of LJ Hooker.

Suncorp – Cash Flows ($ millions)					
	Year ending 30 June				
	AGAAP 2003	AGAAP 2004	AGAAP 2005	AIFRS 2005	AIFRS 2006
Cash flows from operating activities					
Interest received	1,873	2,197	2,657	2,873	3,262
Other operating income received	3,539	4,072	4,049	3,856	3,927
Dividends received	46	65	103	104	175
Interest paid	(1,100)	(1,293)	(1,594)	(1,737)	(2,161)
Claims paid	(1,768)	(1,953)	(2,050)	(2,050)	(2,700)
Outwards reinsurance paid	(175)	(200)	(159)	(158)	(251)
Other operating expenses paid	(1,327)	(1,117)	(1,338)	(1,424)	(766)
Income tax	(126)	(219)	(78)	(79)	(255)
Net movement in banking assets and liabilities[16]	-	-	-	(2,489)	(4,059)
Net cash flows from operating activities	**962**	**1,552**	**1,590**	**(1,104)**	**(2,828)**
Cash flows from investing activities					
Proceeds from sale of insurance investments	21,157	19,278	10,213	10,213	11,225
Proceeds from sale of assets and associates	2	3	2	-	83
Payments for purchase of insurance investments	(21,832)	(20,170)	(10,914)	(10,416)	(11,574)
Net movement in banking assets and liabilities[16]	(3,063)	(4,077)	(4,242)	-	-
Payments for purchase of assets and associates	(125)	(75)	(81)	(65)	(96)
Income taxes paid - investing activities	(31)	(52)	(179)	(179)	(182)
Net cash flows from investing activities	**(3,892)**	**(5,093)**	**(5,201)**	**(447)**	**(544)**
Cash flows from financing activities					
Proceeds from net increase in borrowings	2,875	3,720	3,938	1,864	2,960
Proceeds from issue of subordinated notes	13	-	199	199	520
Proceeds from issue of shares	6	9	34	34	10
Payments for net increase in treasury shares	-	-	-	(8)	(16)
Dividends paid	(257)	(277)	(350)	(349)	(792)
Net cash flows from financing activities	**2,637**	**3,452**	**3,821**	**1,740**	**2,682**
Net increase/(decrease) in cash held	(293)	(89)	210	189	(690)
Cash balances acquired during the period	-	3	-	94	-
Opening cash	1,181	888	802	802	1,085
Closing cash	888	802	1,012	1,085	395

Source: Suncorp

The cash flow analysis shows:

- growth in net operating cash flows in the core banking, insurance and wealth management businesses, offset in 2005 and 2006 by the reclassification of certain banking cash flows from financing cash flows to operating cash flows under AIFRS. This has significantly skewed operating cash flows as a large proportion of the funding for these assets is from borrowings which remain classified as financing cashflows; and
- relatively consistent payments for purchases of assets, which principally relate to capital expenditure on property, plant and equipment and software and systems development, with little expenditure on the acquisition of businesses or interests in associates.

[16] Net movement in banking assets and liabilities includes acquisition of banking securities, increases in loans, advances and other receivables and increases in deposits and short term borrowings. Such items are classified as operating cash flows under AIFRS but were previously classified as financing cash flows under AGAAP.

5.5 Taxation Position

At 30 June 2006, Suncorp recognised franking credits of $484 million, which includes the franking credit balance at the end of the financial year, adjusted for franking credits that:

- will arise from the payment of current tax liabilities recognised at balance date; and
- will arise from the receipt of dividends receivable; less
- franking debits that are expected to be incurred from the payment of dividends declared subsequent to financial year end; and
- franking credits that Suncorp may be prevented from distributing in subsequent years.

At the time of implementation of the Suncorp Proposal (expected to be in March 2007), the accumulated franking credit balance is expected to be approximately $560 million, which includes the estimated impacts of tax payments, imputed investment receipts and dividend payments prior to implementation.

At 30 June 2006, Suncorp had no carried forward income tax or capital tax losses.

5.6 Capital Structure and Ownership

As at 8 November 2006, Suncorp had the following securities on issue:

- 565,622,921 ordinary shares;
- 1,698,008 floating rate capital notes with a face value of $100 each;
- 1,440,628 reset preference shares with a face value of $100 each;
- 2,000 non-participating shares; and
- 116,666 employee options over unissued ordinary shares;

In December 1998, Suncorp completed an issue of subordinated perpetual floating rate capital notes, raising $200 million to repay $55 million of capital notes issued by the former Metway Bank and for general funding purposes. The capital notes carry an interest rate of 0.75% over the 90-day bank bill rate (which is reset each quarter) and are traded on the ASX. Approximately $170 million of the capital notes remain on issue following the repurchase in May 1999, of approximately $30 million of notes which are held by a wholly owned subsidiary of Suncorp.

In September 2001, Suncorp completed the issue of 2.5 million reset preference shares under a non-retail offer for total value of $250 million. Funds raised by the issue were used as part of the funding of the acquisition of GIO from AMP. Initially, the reset preference shares paid fully franked dividends on a semi-annual basis at a fixed rate of 6.25%. In August 2006, the terms of these securities were reset by Suncorp, and the dividends became fully franked semi-annual floating rate dividends, based on the five-year swap rate plus 100 basis points (adjusted for franking). At the time of the reset, approximately $106 million of the reset preference shares were exchanged into Suncorp ordinary shares (at the holders' election). The reset preference shares are traded on the ASX.

The 2,000 non-participating shares in Suncorp are held in trust by Metropolitan Permanent Building Society Trust and are a legacy of the capital structure of the former Metway Bank. The shares are not listed, cannot participate in dividends and carry only an entitlement to "pre-conversion reserves" of approximately $13 million, payable only in limited circumstances.

At 9 November 2006 there were approximately 179,000 registered shareholders in Suncorp. The top 20 registered shareholders accounted for approximately 37.4% of the ordinary shares on issue:

Suncorp - Major Shareholders as at 9 November 2006		
Holder	**Number of Shares (000's)**	**Percentage**
JP Morgan Nominees Australia Ltd	42,542	7.52%
National Nominees Ltd	40,800	7.21%
Westpac Custodian Nominees Ltd	24,305	4.30%
Citicorp Nominees Pty Ltd	21,554	3.81%
RBC Dexia Investor Services Australia Nominees Pty Ltd	17,202	3.04%
ANZ Nominees Ltd (Cash Income A/c)	12,388	2.19%
Cogent Nominees Pty Ltd	11,636	2.06%
UBS Nominees Pty Ltd	11,500	2.03%
Queensland Investment Corporation	4,845	0.86%
Dervat Nominees Pty Ltd	3,052	0.54%
HSBC Custody Nominees (Australia) Ltd	2,719	0.48%
AMP Life Ltd	2,530	0.45%
SME Staff Share Plan Pty Ltd	2,498	0.44%
Australian Foundation Investment Company Ltd	2,356	0.42%
RBC Dexia Investor Services Aust Nominees (PIIC A/c)	2,277	0.40%
UBS Wealth Management Australia Nominees Pty Ltd	2,020	0.36%
Milton Corporation Ltd	1,936	0.34%
Citicorp Nominees Pty Ltd (CFS WSLE Geared Shr Fnd)	1,922	0.34%
Australian Reward Investment Alliance	1,866	0.33%
Questor Financial Services Ltd	1,847	0.33%
Subtotal - Top 20 shareholders	**211,797**	**37.44%**
Other shareholders (178,960 shareholders)	353,826	62.56%
Total	**565,623**	**100.00%**

Source: Suncorp

Perpetual Limited is the only substantial shareholder in Suncorp with 5.11% of the voting securities in Suncorp.

Prior to June 2002, Suncorp operated an Executive Option Plan, under which there remain on issue 116,666 options over Suncorp ordinary shares. Each option entitles the holder to acquire one new ordinary share at an exercise price of $12.30 per share. 84,000 options are expected to be exercised in January 2007, the balance will be forfeited.

In addition to the above securities, Suncorp operates an Executive Performance Share Plan, under which it has acquired and holds in trust approximately 1.24 million ordinary shares which may vest to participating executives if certain market-based performance targets (based on total shareholder returns) are met. No adjustment to Suncorp's issued capital has been made for these shares as they are already included within total outstanding ordinary shares.

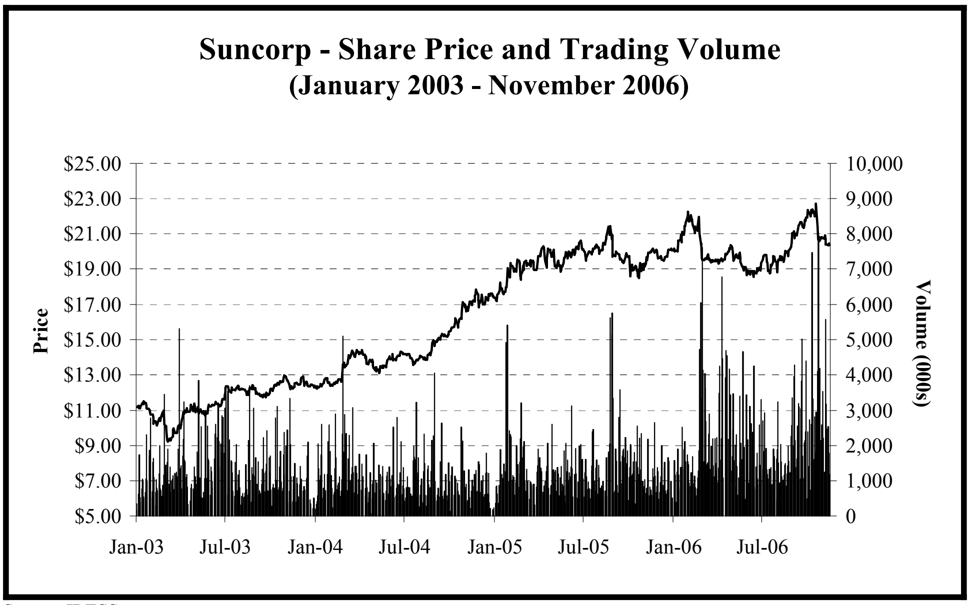
5.7 Share Price History

A summary of the price and trading history of Suncorp since 2001 is set out below:

Suncorp - Share Price History					
	Share Price ($)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2001	15.45	10.60	14.03	3,890	1,558
2002	14.99	10.62	11.15	5,693	2,197
2003	13.03	9.12	12.39	5,924	2,096
2004	17.91	12.20	17.38	5,109	2,066
2005	21.87	17.10	20.05	6,202	3,358
Quarter ended					
31 March 2006	22.30	19.10	19.44	9,382	5,293
30 June 2006	20.48	18.50	19.35	11,301	5,345
30 September 2006	22.09	18.70	21.94	9,901	5,607
Month ended					
31 October 2006	23.52	20.25	20.80	14,967	7,403

Source: IRESS

The following graph illustrates the movement in Suncorp's share price and trading volumes since 1 January 2003:



Source: IRESS

Suncorp's shares provided solid price appreciation between the start of 2003 and 26 August 2005, when they reached a peak of $21.45. Share price growth over this period represented a cumulative average growth rate of around 28% per annum.

On 26 August 2005, Suncorp released its annual results for the year ended 30 June 2005, reporting net profit after tax of $821 million, a 33% increase over the prior year and around 5-10% above broker forecasts. However, over the next few trading days Suncorp shares fell by around 8%, to $19.70 on 31 August 2005, reflecting market concerns over Suncorp's ability to sustain profit growth, particularly in its insurance business, and consideration of the significant provision releases and other one-off benefits contained within the reported 2005 result.

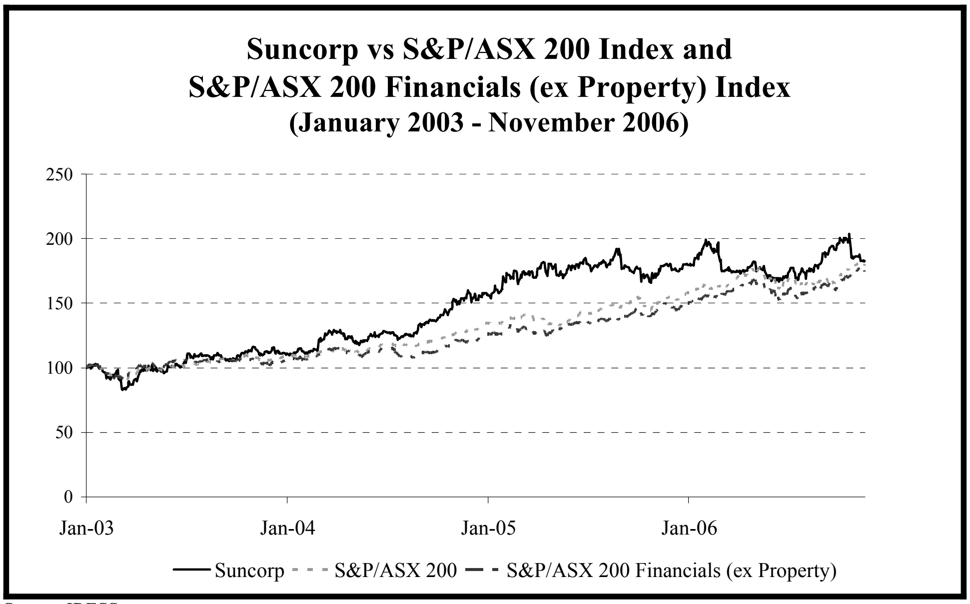
The share price regained momentum from late October 2005 following positive company comment at its Annual General Meeting regarding performance to date and expected dividend growth.

The share price fell sharply (by around 10%) in the days after the release of its first half year results to 31 December 2005. The negative market reaction seemed to have reflected concerns over the sustainability of Suncorp's relatively high insurance margins and the material releases from technical reserves that had supported them in recent periods.

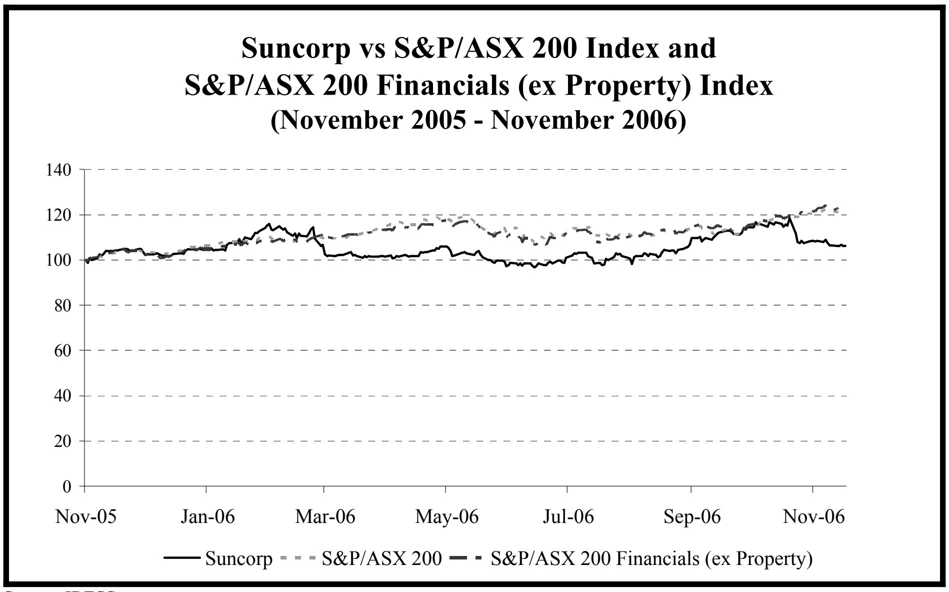
Suncorp's share price suffered temporarily following the announcement of expected losses of $80-85 million from Cyclone Larry but has improved following the full year result announcement in early September 2006. Within the announcement Suncorp provided greater disclosure regarding the nature and sustainability of reserve releases and announced its intention to undertake a return of surplus capital to shareholders over the December 2006 quarter.

Share price growth has continued following the full year result release and up to the announcement of the proposal to merge with Promina.

Suncorp is a member of various indices, including the S&P/ASX 200 Index and the S&P/ASX 200 Financials (excluding property trusts) Index, which comprises a portfolio of companies involved in Suncorp's core industries of insurance, banking, wealth/funds management and financial services. At 17 November 2006, Suncorp's weightings within the S&P/ASX 200 Index and the S&P/ASX Financials (excluding property trusts) Index were 1.1% and 3.1% respectively. The following graphs illustrate the performance of Suncorp shares relative to these indices since 1 January 2003 and the most recent 12 month period.



Source: IRESS



Source: IRESS

As previously noted, Suncorp's share price performed strongly over the period leading up to the notable change in late August 2005 in market sentiment regarding its growth outlook. Subsequent price performance has, on average, been below market although moderate above-market growth has been achieved over the last five to six months.

6 Suncorp Business Description

6.1 Banking

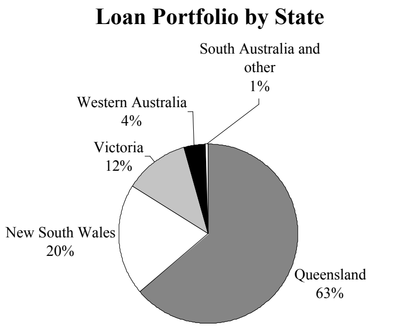
Overview

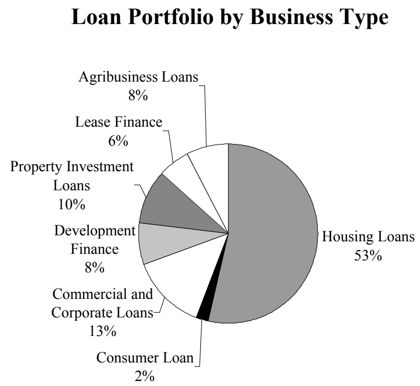
Suncorp's banking business consists of retail banking and business banking operations. With a total loan book at 30 June 2006 of $39 billion, Suncorp is Queensland's largest locally-based bank and the sixth largest Australian bank. Despite its expanding interstate presence, particularly in New South Wales, Victoria and Western Australia, Suncorp is still considered a regional bank because of its Queensland origins and distribution focus. Approximately 63% of Suncorp's total loan portfolio was originated in Queensland. The bank is significantly smaller than the majors, with a loan portfolio of around half the size of that of St George Bank (Australia's fifth largest bank) and one tenth the size of that of National Australia Bank (Australia's largest bank).

Suncorp's retail banking operations are focused on consumer lending, including housing, personal, credit card and margin lending product, and deposit facilities. Housing lending accounts for over 96% of Suncorp's retail banking receivables.

Suncorp's business banking operations provide working capital, term finance, equipment finance and transaction banking and investment products to its business customers. The bank focuses on small to medium enterprises and has developed strong franchises in the agribusiness, development finance and property investment sectors, particularly in the Queensland market. The bank has also grown an increasing presence in the corporate lending market.

The charts below set out Suncorp's banking business mix by state and business type as at 30 June 2006.





Source: Suncorp

Suncorp originates new business and services its customers through a number of channels. It has a retail branch network of 120 in Queensland, 29 across New South Wales and Australian Capital Territory, seven in Victoria and Tasmania, plus one branch in each of South Australia and Western Australia. Suncorp also has 14 retail agencies servicing various rural communities, and 56 business banking outlets concentrated mainly in Queensland's commercial hubs. Broker origination is accounting for a growing proportion of new business for Suncorp's retail and business banking operations. Suncorp's national LJ Hooker real estate franchise provides an additional indirect channel for housing loan origination. Indirect origination accounted for 40% of Suncorp's total loan book at 30 June 2006. The bank also has an ATM and EFTPOS network, focussed mainly in Queensland, and offers sales and service functions through its call centre, phone banking and internet facilities.

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Market Position

Suncorp's banking activities are underpinned by its brand and distribution strength in its home market of Queensland. Suncorp's main competitors in the Queensland market are the major Australian banks. Suncorp also competes with the Bank of Queensland, and to a lesser extent, the other regional banks. Foreign banks have also begun to compete more aggressively in the Queensland market over recent years, particularly in retail banking lending and deposits.

Queensland market share data for Suncorp's banking business and its competitors is not readily available. However, the bank estimates that its Queensland share of housing lending is 10-15%, with a share of business lending of around 15-20%. To put this in context, Suncorp's share of the national total lending and housing lending markets is on average 3.7%.

While Queensland remains Suncorp's core market, its strategy in recent years has been to increase its presence in other states. In particular, New South Wales and Victoria and, more recently, Western Australia have been target markets. Suncorp's financial planner and broker networks are the primary channels for its interstate growth. Centralised broker support and Suncorp's interstate branch network provides approvals and back office support for these channels. The bank has successfully grown its business outside Queensland to 37% of total lending in 2006, compared to 24% in 2000. The strategy has enabled the bank to diversify the geographic and industry exposure of its receivables portfolio and access markets that are in different phases of the business cycle. Despite this growth, Suncorp's market share outside Queensland is still relatively small, reflecting the bank's relatively recent entry to these markets.

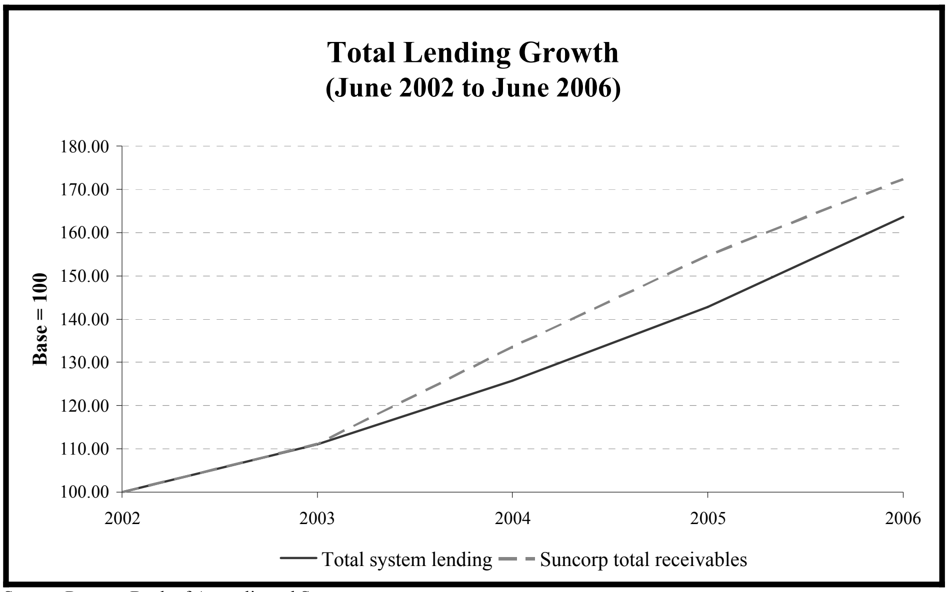
Over the past five years, competition across all of Suncorp's banking lines has intensified considerably. A prosperous Queensland economy and increasing broker traction in the retail segment, coupled with a low default credit environment, attracted new competitors into the Queensland market, particularly from overseas. In 2003, Suncorp introduced a number of major structural changes to improve its competitiveness, including a group restructure, simplification of the bank's product range and a focus on broker distribution. These initiatives assisted Suncorp to improve market share and to establish an effective platform to grow its interstate business. As a result, the bank's overall performance has improved since 2004.

Over the past 18 months, competition in Suncorp's markets has further intensified. In housing lending, credit origination has shifted further in favour of brokers and an increasing number of foreign banks have entered the eastern states using aggressive pricing to gain market share. A softening in residential property markets nationally (with the exception of Western Australia) has increased margin attrition, which has resulted in a shift in brokers' origination focus from housing towards small to medium enterprise ("SME") commercial lending.

In response to these conditions, in the second half of 2006 Suncorp implemented a number of competitive initiatives across its retail and business receivables lines. In retail receivables, Suncorp simplified its product set, where necessary revising pricing in line with competitors' rates, and improved service levels and approval turn-around times for brokers. Suncorp also restructured its LJ Hooker origination platform. In business receivables, the bank focussed on refining pricing models, increasing average loan size in its SME and property investment portfolios and further improving its broker offering. These initiatives helped Suncorp to reverse the declining lending growth experienced in the first half of 2006 and better prepare the bank to respond to continued volume and margin pressure in 2007.

Receivables Portfolio Overview

Suncorp has achieved strong growth in its lending assets over the past five years, increasing the size of its total receivables portfolio by 70% during the period. This exceeded national system credit growth of 64% over the same period. The chart below compares Suncorp's lending growth with total market lending growth over the five years to 30 June 2006.



Source: Reserve Bank of Australia and Suncorp

In the years up to 2003, Suncorp's receivables portfolio growth was generally below system growth (matching system in 2003), but it has outperformed since then. This turnaround was largely the result of the bank's restructuring initiatives and a significant uplift in business lending activity.

The composition of Suncorp's total receivables portfolio over the past five years is summarised below:

Suncorp Bank – Composition of Receivables Portfolio ($ millions)

	Year ended 30 June				
	2002	**2003**	**2004**	**2005**	**2006**
Housing loans[17]	13,303	14,547	17,238	18,865	20,810
Consumer loans	514	477	543	645	822
Retail loans	**13,817**	**15,024**	**17,781**	**19,510**	**21,632**
Commercial (SME)[18]	na	na	na	3,246	3,511
Corporate	1,692	2,068	2,743	1,223	1,819
Development finance	1,156	1,475	2,381	2,846	2,914
Property investment	2,214	2,523	2,920	3,277	3,744
Lease finance	1,591	1,774	1,918	2,099	2,228
Agribusiness	1,940	2,075	2,279	2,626	2,937
Business loans	**8,593**	**9,915**	**12,241**	**15,317**	**17,153**
Structured finance and other receivables	156	120	95	60	22
Total receivables b/f provision for impairment	**22,566**	**25,059**	**30,117**	**34,887**	**38,807**
Provision for impairment	(124)	(121)	(142)	(156)	(124)
Total receivables after provision for impairment	**22,442**	**24,938**	**29,975**	**34,731**	**38,683**

Source: Suncorp

Approximately 54% of Suncorp's receivables portfolio at 30 June 2006 consisted of housing loans, compared to 59% in 2002. This change in portfolio composition evidences Suncorp's decreasing reliance on traditional retail branch referrals, a reduction in geographical concentration and strong growth in business receivables. Suncorp's current housing loans contribution is roughly

17 Includes securitised housing loans.

18 Commercial (SME) figure was combined with Corporate lending until 2005.

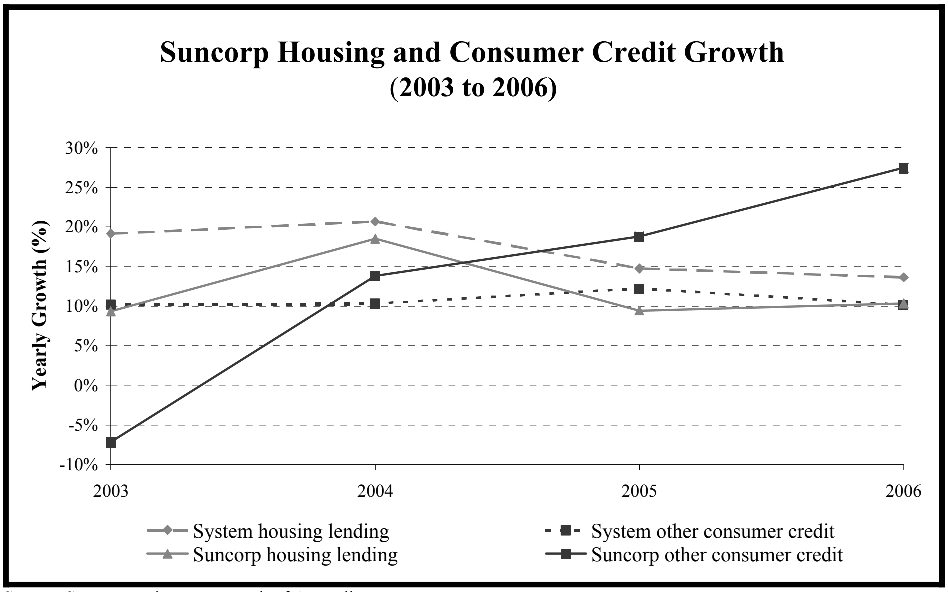
equivalent to the average for the major four Australian banks though below that of the smaller regional banks. Suncorp's expectation of continued higher growth rates for its business receivables portfolio than for its retail receivables suggests that this trend towards diminishing reliance on housing loans will continue.

Retail Receivables

Housing lending is the single largest receivables segment within the bank and constitutes virtually the entire retail receivables portfolio. Buoyant consumer and equity market conditions have driven strong growth in margin lending, credit cards and personal loans in recent years. However, collectively, these lines account for less than 5% of the bank's overall receivables portfolio.

Suncorp has a significant retail banking brand in Queensland, and the bank's branch network is the core distribution channel for housing loans. Suncorp's direct housing lending channels accounted for 60% of total housing lending at 30 June 2006. However, the broker origination channel has become an increasingly important retail distribution channel for Suncorp. Customer driven behaviour has increased the proportion of home loans originated by brokers, and this has assisted Suncorp to defend its local retail market share and generate new interstate mortgage business. However, the broker channel is more price sensitive than branch generated lending and consequently has the propensity to show greater volatility, particularly during periods of margin compression. The broker origination channel accounted for 36% of total housing lending at 30 June 2006. A restructured referral model for the LJ Hooker real estate franchise resulted in a 67% increase in home loan origination from LJ Hooker in 2006. Although this translated to only 4% of Suncorp's total housing lending portfolio in 2006, referrals growth from the LJ Hooker franchise is expected to continue in future years.

The chart below shows Suncorp's yearly growth in home and other consumer lending compared to system growth over the past five years.



Source: Suncorp and Reserve Bank of Australia

Slowing growth in credit formation in housing lending, coupled with margin compression, are expected to continue over the short term. Suncorp anticipates that as a result of the competitive initiatives it has put in place since 2004 and the ongoing management of its distribution channels, it will match market growth in its retail receivables in future years.

Business receivables

There are six customer segments within Suncorp's business receivables portfolio:

- **Commercial lending** – services small to medium enterprise business clients. Typical loan sizes in this segment are $1.0-1.5 million. Suncorp has a long history of commercial banking in Queensland and relies heavily on its direct branch channels for origination. In recent years, the bank has also made inroads into a number of interstate markets through broker channels. Over the past 12 months broker led competition for SME credit has intensified, particularly in the sub $2 million turnover sub-segment where lending packages tend to be more commoditised. Although Suncorp's Queensland commercial lending was able to maintain strong growth over this period, the bank's overall commercial lending portfolio suffered reduced volume growth. The bank's initiative to raise the average loan size in commercial lending is expected to produce better growth rates.

- **Corporate lending** – services larger business enterprises that typically require more tailored debt solutions. Suncorp lends directly to corporates and also participates in secured syndicated facilities led by other Australian banks. The bank does not participate in unsecured lending or in transactions originated by foreign banks. Typical loan sizes in this segment range from $40-75 million. Over the past 24 months this segment has benefited from Suncorp's exposure to Queensland's rapidly expanding economy and corporate sector. Suncorp achieved 48.7% growth in its corporate lending book in 2006. Suncorp is still relatively under-represented in the structured and more complex corporate lending markets (traditionally the domain of the major Australian and foreign banks). It plans to improve participation in this sub-segment by developing deeper expertise in selected industries. As an example, Suncorp recently established a dedicated infrastructure team to generate banking opportunities.

- **Development finance** – provides project finance for property developments. Suncorp's development finance portfolio is mainly weighted towards the Queensland residential development sector, but the business also has a strong presence in New South Wales, Western Australia and Victoria. The average borrowing term for this segment is 24 months, being the typical residential development construction period. Margins are higher in this segment, reflecting the relatively higher risk inherent in development projects and Suncorp's profit participation in some of the projects that it funds. Consequently, while profitable, the high turnover and cyclical nature of this segment results in greater variability in growth from year to year. As a result of slowing construction growth in Queensland and other states, Suncorp achieved growth of only 2.4% in development finance in 2006. Suncorp's growth strategy for this segment involves leveraging its project development expertise across a broader range of developments (commercial and industrial property) and other geographies.

- **Property investment –** provides financing for shopping centres, commercial and industrial property assets. Compared to the development finance segment, this portfolio involves longer term lending against assets with more predictable cashflows. Origination in this segment is strongly relationship driven and Suncorp employs a national industry team to source business. Suncorp's property investment lending portfolio is again concentrated in Queensland, but as with other business lines, its interstate presence is increasing. Suncorp's property investment lending portfolio grew by 14.3% in 2006, and is the largest segment within business receivables.

- **Agribusiness –** Suncorp's history as a lender to the agribusiness segment dates back to its QIDC origins. This portfolio is driven primarily through Suncorp's direct banking relationships with the rural business community. Suncorp's agribusiness portfolio is primarily concentrated in Queensland and northern New South Wales. Suncorp has developed deep knowledge of commodities in those regions, including sugar, grain, beef and dairy. The growth strategy for this segment involves leveraging this knowledge to secure business from interstate borrowers with operations in these commodities. Credit growth in this segment is cyclical, and is generally a function of grower conditions and commodity prices. Suncorp achieved growth of 11.8% in agribusiness lending during 2006.

- **Leasing** – this segment offers finance leasing for equipment and vehicles in Queensland, New South Wales, Victoria and Western Australian. A large part of this portfolio is originated through Suncorp's commercial and agribusiness clients. The bank has developed a niche in the higher value 'yellow goods' (construction equipment) leasing segment, which is primarily broker originated. Growth in this segment is driven largely by construction cycles and general business growth. Suncorp's leasing credit grew by 6.1% in 2006.

Overall, Suncorp's business receivables portfolio grew by 12% during 2006, compared to the RBA system growth rate for business lending of 17%.

A common theme in Suncorp's future growth strategy for all of its business receivables segments is improved penetration of interstate markets by better leveraging specific industry knowledge and expertise. The bank also plans ongoing reviews of service levels, both in its direct and broker intermediary channels, to protect its traditional business lending markets.

Provision for Impaired Loans and Asset Quality

Suncorp's provisioning for impaired assets relative to gross non performing loans and total assets over the past five years is set out below:

Banking Division – Asset Provisioning and Quality ($ millions)

	Year ended 30 June				
	2002 AGAAP	**2003 AGAAP**	**2004 AGAAP**	**2005 AIFRS**	**2006 AIFRS**
General provision	97	104	123	139	-
Collective provision	-	-	-	-	103
Specific provision	27	17	19	17	21
Total provision for impairment	124	121	142	156	124
Losses on loans expense	40	49	48	28	31
Total receivables (b/f impairment provision)	22,566	25,059	30,117	34,887	38,807
Total non performing loans[19]	230	187	129	174	232
Key ratios:					
Total provisions/non performing loans	53.9%	64.7%	110.1%	89.7%	53.4%
Total provisions/total receivables	0.5%	0.5%	0.5%	0.4%	0.3%
Total provision/loan loss expenses	3.1x	2.5x	3.0x	5.6x	4.0x
Non performing loans/total receivables	1.0%	0.7%	0.4%	0.5%	0.6%

Source: Suncorp

Over the past five years Suncorp has had extremely low levels of non performing loans relative to total receivables. In part, this reflects Australia's strong credit environment over the last decade. It also evidences Suncorp's prudent lending policies. From a coverage perspective, Suncorp's provisioning is also conservative, with an average ratio of total provisions to loan loss expenses over the past five years of 3.6 times. Approximately 90% of Suncorp's total receivables portfolio is secured by hard assets, limiting losses from non-performing loans.

Due to the introduction of AIFRS accounting from 1 July 2005, Australian banks have switched from general provisioning to collective provisioning. Unlike the previous general provision which covered average loss levels expected across the business cycle, the collective provision requires loans to be grouped by credit risk, and provisions raised based on historical loss experience adjusted for current circumstances, trends, conditions and other factors that might affect each loan grouping. For Suncorp, this has resulted in lower provisioning despite its growing loan portfolio. The specific provision is an estimate of likely losses from identified non performing loans.

[19] Represents the sum of those loans where the estimated recoverable amount of the receivable is less than its book value (i.e. impaired loans) plus loans on which payments of interest or principal are overdue by 90 days or more.

Suncorp has experienced a small increase in non performing loans since 2004, which is broadly proportional to its receivables portfolio growth. Construction and development lending is the largest contributor to loan impairment and specific provisioning. However, this is commensurate with the higher interest returns that Suncorp receives from this segment.

There is industry-wide consensus that 2004 to 2005 represented a low point in the non performing loan cycle, with an expectation that credit quality will inevitably deteriorate (even if only gradually) over the short to medium term. An early indication of this is the sizeable increase in loans past due by 90 days reported by many Australian banks during 2006. Over the longer term, the credit quality environment is expected to remain broadly favourable and Suncorp is anticipating only a marginal increase in the ratio of non performing loans to total receivables.

Funding Sources

Suncorp generates funding for its loan portfolio through the retail, wholesale and securitisation funding markets. The current and historical composition of Suncorp's funding mix is summarised below:

Banking – Funding Sources ($ millions)

	Year ended 30 June				
	2002 AGAAP	2003 AGAAP	2004 AGAAP	2005 AIFRS	2006 AIFRS
Retail funding	**11,719**	**13,129**	**13,422**	**15,252**	**16,932**
Bonds, notes and senior debt	11,072	12,042	15,633	16,376	16,544
Subordinated debt	0	371	360	770	1,271
Preference shares[20]	0	0	0	0	250
Wholesale funding	**11,072**	**12,413**	**15,993**	**17,146**	**18,065**
Securitised funding[21]	**525**	**1,650**	**2,314**	**3,906**	**5,710**
Total funding sources	**23,316**	**27,192**	**31,729**	**36,304**	**40,707**

Source: Suncorp

In managing its funding mix Suncorp seeks to minimise its overall financing costs while, to the greatest extent possible, reducing the maturity mismatch between its lending and borrowing portfolios.

The retail deposits market has become highly contested in recent years. The emergence and acceptance of online banking has gradually eroded the competitive advantage of geographic branch network coverage and has attracted innovative and aggressive overseas competitors. Despite this, Suncorp's growth in retail deposits exceeded industry growth over the past two years, although margins and fee income have suffered in line with most other banks. Suncorp attracts significant retail deposits through its Queensland branch network. Its strategy for customer retention and growth focuses on offering superior and more personalised service levels than the major banks. Over the past two years the bank has secured incremental deposit growth by also competing in the high yield transaction account market via its 'Everyday Options' product. Suncorp has over 560,000 retail householder customers, 84% of whom are based in Queensland.

Suncorp is currently growing its retail deposits at approximately 150% of system growth, and expects to maintain this growth trend in the near term. However further margin and fee erosion in retail deposits is anticipated as deposit migration to high interest products continues.

Over the past 12 months Suncorp has also focussed on generating incremental business banking deposits. As a consequence, this funding source increased by 50% during 2006 to $2.4 billion. Suncorp expects to continue to maintain above system growth in business banking deposits.

20 Preference shares were shown as equity prior to AIFRS adoption for the 2006 accounts.

21 Securitisation vehicles were not consolidated under AGAAP, therefore this funding is in addition to the funding disclosed in the 2002, 2003 and 2004 statutory accounts.

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Suncorp's wholesale funding portfolio is highly diversified, with debt diversified by term, product type, investor type, global geography and currency denomination. Suncorp accesses the offshore debt markets to take advantage of relatively lower cost funding available to investment grade borrowers in certain overseas jurisdictions.

Securitisation of housing lending receivables continues to be an effective funding source for Suncorp. Although the margin premium on securitisation funding relative to overseas wholesale funding has narrowed in recent years, securitisation is still the highest cost funding source across the portfolio.

The table below sets out estimated costs of funding for the Australian banks and the extent of their reliance on deposits to fund their lending portfolios.

Australian Banks – Relative Cost of Funding

	Major Four	St George	Bendigo Bank	Suncorp	Bank of Queensland	Adelaide Bank
Credit rating (Standard & Poor's long term rating)	AA-	A+	BBB+	A	BBB+	BBB+
Estimated cost of funding for banking operations	4.9-5.6%	5.2%	4.8%	5.3%	5.3%	5.7%
% of funding base represented by deposits	56-66%	54%	83%	42%	66%	54%

Source: Standard & Poor's and various company reports and filings

Suncorp's ability to raise efficiently priced wholesale funding offsets its proportionately lower deposits intake compared to other Australian banks.

Suncorp aims to fund future credit expansion through a mix of retail deposit growth and additional wholesale debt issuance. The bank will undertake further securitisation as needed to balance its funding book, with a retail to total funding target ratio in excess of 45%.

Capital Adequacy

The capital adequacy metrics and ratios for Suncorp over the past five years are set out below.

Suncorp – Banking Capital Adequacy ($ millions)

	Year ended 30 June				
	2002	**2003**	**2004**	**2005**	**2006**
Tier 1 capital	1,762	1,865	2,125	2,770	2,715
Tier 2 capital	884	910	917	898	1,427
Deductions from capital	(877)	(862)	(858)	(856)	(857)
Total capital base	**1,769**	**1,913**	**2,184**	**2,812**	**3,285**
Total assessed risk (risk weighted assets plus off balance sheet positions)	16,779	17,949	21,297	24,439	26,675
Required minimum capital base (9.5% of risk weighted assets)	1,594	1,705	2,023	2,322	2,534
Capital in excess of APRA minimum requirement	**175**	**208**	**161**	**490**	**751**
Key ratios					
Tier 1 as a % of total assessed risk	10.5%	10.4%	10.0%	11.3%	10.2%
Tier 2 as a % of total assessed risk	5.2%	5.1%	4.3%	3.7%	5.3%
Non qualifying assets as a % of total assessed risk	(5.2%)	(4.8%)	(4.0%)	(3.5%)	(3.2%)
Risk weighted capital adequacy ratio	**10.5%**	**10.7%**	**10.3%**	**11.5%**	**12.3%**
Adjusted common equity ratio	**3.9%**	**4.3%**	**4.8%**	**6.9%**	**6.1%**

Source: Suncorp

APRA provides a capital adequacy assessment framework for Australian banks based on the ratio of eligible capital (divided into Tier 1 capital and Tier 2 capital) to total risk weighted assets (including off balance sheet positions and a charge for market risk). Under APRA's guidelines, Tier 1 capital must constitute at least 50% of the bank's minimum required capital base, and Suncorp bank's risk weighted capital adequacy ratio must exceed 9.5%. Suncorp has comfortably exceeded these guidelines over the past five years (and since its formation in 1996). Suncorp's internal capital adequacy ratio target is 10-10.5%, which the bank has consistently met or exceeded.

Standard & Poor's ratings agency uses its own measure of capital, the adjusted common equity (ACE) ratio, which the Australian banks have begun to use as an alternative measurement of capital adequacy. The ACE ratio is calculated by reference to core shareholders' equity less goodwill, intangibles and investments in non-banking subsidiaries, divided by total risk weighted assets. Suncorp's ACE ratio has consistently exceeded its minimum target of 5%.

As Suncorp's asset base expands, the bank manages its capital adequacy levels through its mix of new funding. As an example, Suncorp expanded Tier 2 capital in its banking operations during 2006 by issuing an additional $520 million of subordinated notes ($275 million of this was utilised to redeem existing subordinated debt on the first issuer call date, thus reducing the bank's cost of regulatory capital).

APRA has advised Australian banks that it has moved to AIFRS based capital reporting from 1 July 2006. Under AIFRS certain provisions and assets will no longer qualify as eligible capital, resulting in lower reported capital adequacy ratios compared to previous AGAAP reporting. To illustrate this impact, the bank's risk weighted capital adequacy and ACE ratios for the year ended 30 June 2006, when calculated under AIFRS, reduce to 11.9% and 5.6% respectively. Consequently, Suncorp has revised its ACE target range for future periods to 4.5-5%.

Historical and Forecast Operating Performance

Suncorp's main source of income is the net interest margin that it generates from its lending portfolio. Net interest income is driven by volume growth in lending receivables and the interest differential the bank is able to capture in funding this growth. Suncorp also generates fee income on lending and deposit products, and other banking services.

The operating performance of Suncorp's banking division for the five years ended 30 June 2006 is set out below.

Suncorp Banking Financial Performance ($ millions)					
	Year ended 30 June				
	2002 AGAAP	2003 AGAAP	2004 AGAAP	2005 AIFRS	2006 AIFRS
Interest income	1,531	1,684	1,950	2,532	2,878
Interest expense	(981)	(1,092)	(1,294)	(1,746)	(2,030)
Net interest income	**550**	**592**	**656**	**786**	**848**
Net banking fees	111	139	154	129	129
Other operating revenue	15	16	23	19	20
Total income	**676**	**747**	**833**	**934**	**997**
Operating expenses	(343)	(380)	(414)	(452)	(460)
Banking contribution before impaired loan losses	**333**	**367**	**419**	**482**	**537**
Losses on loans	(40)	(49)	(48)	(28)	(31)
Banking contribution to group profit before tax	**293**	**318**	**371**	**454**	**506**
Key ratios					
Net interest margin (reported[22])	2.35%	2.32%	2.27%	2.33%	2.09%
Net interest income / total income	81.4%	79.3%	78.8%	84.2%	85.1%
Banking cost to income ratio	50.7%	50.9%	49.7%	48.4%	46.1%
Banking contribution to group profit before tax and goodwill	62.5%	52.9%	39.3%	37.7%	39.6%

Source: Suncorp

Accounting standard changes as a result of the introduction of AIFRS from 1 July 2005 have caused certain fee and expense classification differences between 2006 and prior years. In terms of Suncorp's banking results, the key impacts have been:

- under AIFRS, loan establishment fees and expenses are included in net interest income as opposed to banking fee income;
- securitised loans are now consolidated in reported receivables and funding balances, and their associated impact on interest receipts and expenses is including in net interest income; and
- preference share dividends are treated as interest expense.

A large component of the reduction in net interest margin in 2006 was attributable to the impact of AIFRS accounting changes. Of the observed 24 basis point reduction in net interest margin between 2005 and 2006, 17 basis points are attributable to AIFRS reclassification, while the remaining seven basis points in reduction resulted from operational and market factors, including changes in asset mix, funding mix and pricing during the financial year.

Ignoring AIFRS transitional factors, the effective margin contraction of seven basis points over the period was consistent with industry trends for Australian banks, and explains the differential between interest income growth and receivables growth. Margin compression was caused primarily by increasing competition, both in the bank's lending and deposit books, and a shift in funding mix towards more expensive wholesale capital. Net interest income has grown by on average 11.4% per annum over the five year period, which is roughly in line with Suncorp's receivables portfolio growth through this period of 14%.

In prior years, net fee income has contributed as much as 19% of total banking income. However, intense pricing competition across the banking market in recent years has eroded Suncorp's fee income. Transaction fees in particular have trended down considerably, as a result of a systemic shift towards low or zero transaction fee banking products. Lending fees have also been eroded as loan pricing competition intensifies. Net banking fees (adjusting for one off AIFRS classification changes) grew by $13 million over 2006, and comprised 12.9% of total banking income.

[22] Net interest margin for 2005 was restated by Suncorp in its 2006 annual accounts to 2.17%, in line with AIFRS accounting conventions.

The bank's operating expenses have grown over the past five years, although at a slower rate than banking income. This is evidenced through the reduction in the bank's cost to income ratio over the period. In context, other Australian regional banks have cost to income ratios of 50-66%, while the majors and St George have cost to income ratios of 44-54%. Staff costs are the bank's single largest operating expense, comprising approximately 62% of the total cost base. Competition for quality management and employees is expected to intensify in coming years given the collective growth plans of Australian banks. Despite this, Suncorp believes it will maintain and possibly improve its cost to income ratio in future years as scale improvements across the group result in greater efficiencies.

Losses on loans (previously called bad debt expenses) have reduced since 2002, both in absolute terms and as a proportion of total receivables. This is reflective of the strong credit quality and highly secured nature of Suncorp's lending portfolio. Property development lending is the highest source of loan losses. However, in this segment Suncorp has strict project exposure limits and only lends on a fully secured basis.

The relative contribution by Suncorp's banking business to group profit before tax reduced significantly in 2003, and again in 2004, as a result of improvements in the performance of Suncorp's insurance and wealth management operations. The bank's contribution has been relatively stable since 2004, at around 35-40% of group profit before tax.

Outlook

Trading in 2007 to date has been characterised by the same themes prevalent in 2006: intense competition in retail lending and for deposits, continued migration of retail deposits from traditional accounts to lower fee, higher interest products, significant competition in the SME segment, and strong broker presence across retail and business lines. Expectations are that margin compression across the banking sector will continue for the remainder of 2007, although Suncorp's net interest margin is expected to be more resilient to downward pressure given its proportionately lower exposure to the retail lending and deposit segments.

The recent 25 basis point increase in the cash rate by the Reserve Bank of Australia is expected to dampen credit formation in the housing segment and increase loan losses (although the impact on overall credit quality is expected to be marginal).

Overall, Suncorp expects its bank lending operations to match system growth rates over the forthcoming year, while deposit growth is expected to continue to outperform. Suncorp expects banking contribution before impaired loan losses to grow by 10% in 2007.

6.2 General Insurance

6.2.1 Overview

Suncorp's general insurance business ("Suncorp General Insurance") is Australia's fourth largest general insurer, with a national market share of approximately 11-12%. The major classes of business in which it operates are:

- short tail personal lines of insurance, including home, motor, boat and personal effects insurance throughout Australia;
- CTP insurance in Queensland and New South Wales;
- commercial lines of insurance for micro and small businesses, including commercial motor, commercial property, and public and product liability; and
- workers' compensation, including the management of publicly underwritten workers' compensation schemes in New South Wales and Victoria and the direct underwriting of workers' compensation risk, principally in Western Australia.

Suncorp aims to be either number one or two in the Queensland market for each of its products and to maintain a strong presence in the New South Wales and Victorian markets.

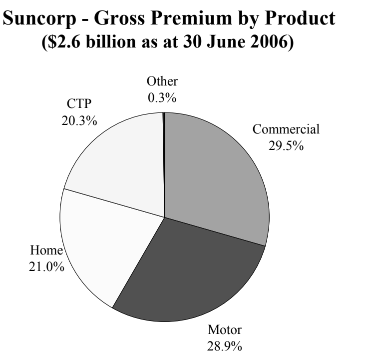
Suncorp's brand strategy is to use a limited number of core brands that appeal to the mass market and provide a number of products under those umbrella brands. The group operates under the Suncorp brand in Queensland, the RACT Insurance brand in Tasmania, and the GIO brand through the rest of Australia.

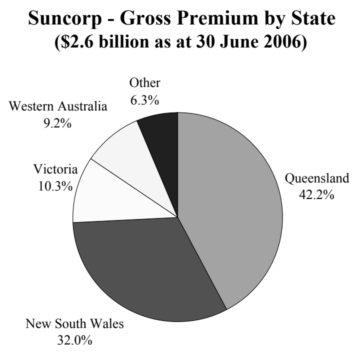
In July 2001 Suncorp acquired some of AMP's Australian general insurance interests, including GIO but excluding inwards reinsurance and other large corporate business. The acquisition substantially increased the group's annual premium income, diversified the business mix and doubled the number of general insurance customers.

As part of the GIO acquisition, Suncorp acquired 50% interests in RACQ Insurance Limited (a 50:50 joint venture with Royal Automobile Club of Queensland) and RAA Insurance Limited (a 50:50 joint venture with Royal Automobile Association of South Australia). These companies provide personal insurance (principally motor and home) in the Queensland and South Australian markets respectively. RACT Insurance, which was acquired in 2004, sells motor, home and boat insurance products.

Suncorp's general insurance products are distributed throughout Australia via a combination of direct and intermediated distribution channels. The direct channels include three call centres (in Toowoomba, Brisbane and Melbourne), GIO agencies, Suncorp tied agents in Queensland, the internet, as well as Suncorp bank branches and outlets and LJ Hooker offices. Suncorp also has an exclusive distribution arrangement with AMP to sell general insurance products, both personal and commercial lines, through the AMP branch network.

Suncorp's product mix is predominantly personal lines. Motor and home insurance represent almost half of Suncorp's gross premiums (49.9%) and CTP contributes a further 20.3%, with commercial contributing 29.5%. Suncorp operates nationally but almost 75% of its gross premium income originates from Queensland and New South Wales (42.2% and 32.0% respectively).





Source: Suncorp

In 2006 Suncorp provided personal insurance to over 3.8 million customers, covered over 1.4 million cars, 1.3 million homes and around 350,000 micro and small businesses. The division employs over 3,200 employees.

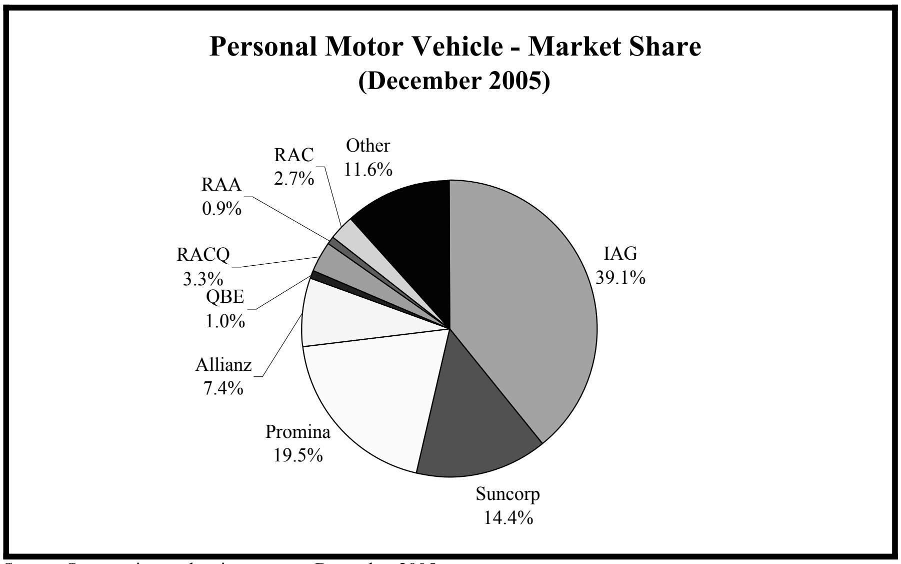
6.2.2 Operations

Motor Vehicle Insurance

The Suncorp motor vehicle insurance portfolio comprises comprehensive and third party property damage policies providing cover for private motor vehicles. The majority of Suncorp's motor policies are sold through its three call centres.

Product differentiation and pricing are key factors in gaining market share in the commoditised motor insurance market. Suncorp's recent activities include the launch of a new product that allows family discounts and a new GIO website for online fulfilment of sales.

Nationally, Suncorp has an estimated share of 14.4% of the motor vehicle insurance market, behind IAG (around 39%) and Promina (approximately 20%). The estimated market shares of the major insurers, as measured by premium, are displayed in the following chart:



Source: Suncorp internal estimates as at December 2005

The motor vehicle insurance market is highly competitive and characterised by:

- significant spend by competitors on advertising and price positioning;
- declining system growth in the number of vehicles sold;
- a shift by consumers from larger to smaller cars, which reduces the average premium per policy; and
- aggressive pricing by competitors, especially IAG.

Home Insurance

Suncorp offers a range of home insurance products providing cover for residential buildings, home contents and personal effects. Approximately 60% of the home insurance business is distributed via Suncorp's call centres. The ability to leverage off Suncorp's banking branches and the LJ Hooker offices provides Suncorp with a competitive advantage in the distribution of home insurance products: approximately 15% of home insurance is distributed via the branch network. Around 4% of the business is distributed via brokers, and the internet is a small but emerging distribution channel.

Suncorp recently released a "full replacement cover" building insurance product called the Safety-Net Option. Suncorp has recently implemented its pricing engine for Home product and is refining pricing and risk selection.

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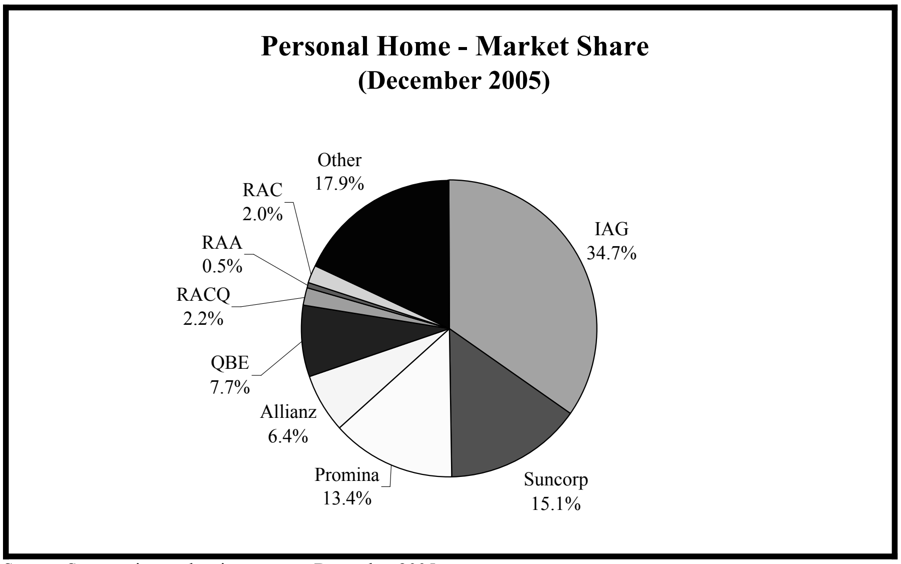
On a national basis, Suncorp has an estimated 15.1% share of the home insurance market:

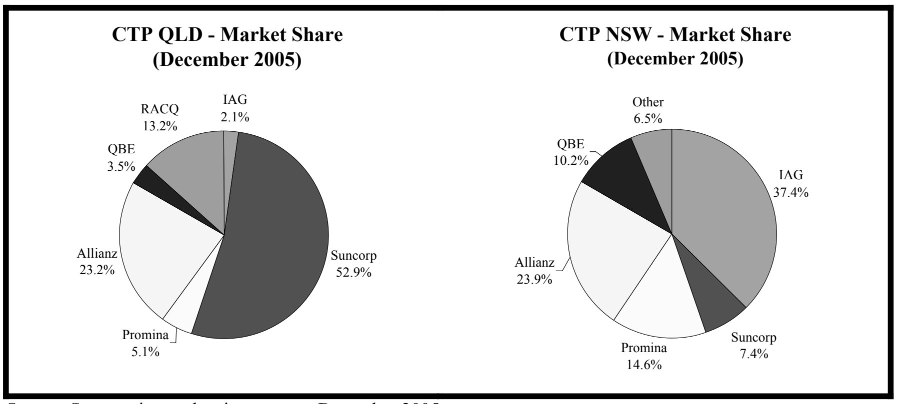


Source: Suncorp internal estimates as at December 2005

Compulsory Third Party Insurance

Suncorp underwrites CTP insurance in Queensland and New South Wales as a participant in statutory schemes. Suncorp is the largest participant in the Queensland CTP market. A significant proportion of new business is distributed through Suncorp's motor dealer channel, while renewal business is predominantly through the Queensland Transport vehicle registration process. Suncorp has greater CTP growth opportunities in New South Wales, where it has a relatively small CTP market share. In the New South Wales market Suncorp follows a strategy of targeting preferred risks by leveraging its knowledge of existing customers that use other Suncorp products.

Suncorp has a 52.9% share of the Queensland CTP market, reflecting the company's historical origins, and is the fifth largest participant in New South Wales (7.4% market share). Competition in both markets has been evidenced by unprecedented levels of CTP advertising, as competitors seek to grow their market shares.



Source: Suncorp internal estimates as at December 2005

Commercial Insurance

Suncorp's commercial business operates in all states of Australia. It underwrites and distributes insurance products principally, to micro, small and medium size business customers. A significant portion of commercial insurance business is sold on a direct basis, which Suncorp believes assists in reducing business volatility relative to broker-generated commercial business.

The direct distribution channel comprises a dedicated representative field force (Suncorp corporate agents and GIO staff), a call centre (inwards and outbound) in Melbourne, and AMP representatives. The Suncorp corporate agents distribute commercial insurance lines in Queensland while GIO staff cover the other states.

Suncorp's commercial customer base consists primarily of micro and small businesses that generate average annual premiums of less than $3,000. Typical customers include builders, plumbers, café owners and other small business owners. Brokers are generally reluctant to participate in this market segment due to the small size of the customers, low premium and modest commissions available.

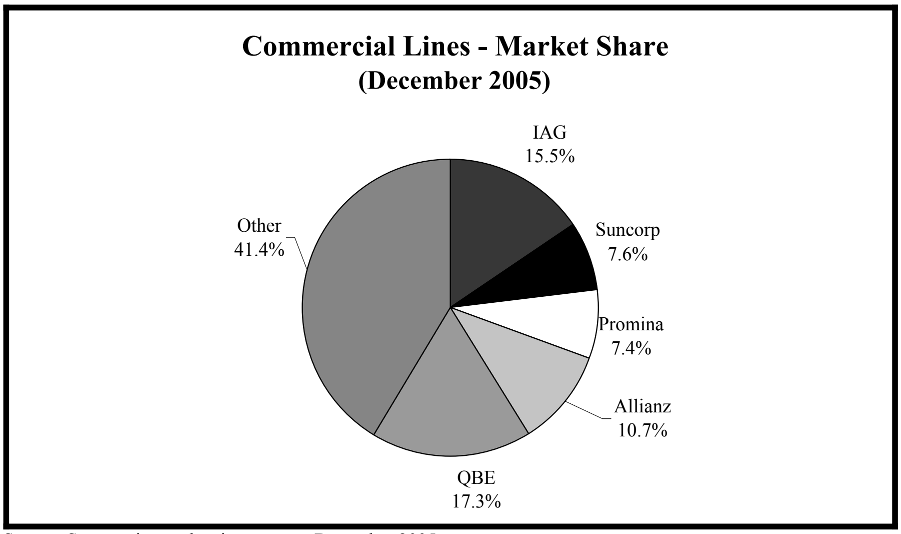
Key lines of insurance sold to these customers (commonly on a bundled basis) are liability, motor, and property. The remainder of the commercial business includes products to the not-for-profit sector and the construction and engineering industries. During the 2006 financial year Suncorp disposed of its corporate property and marine portfolios, both of which were subscale.

Suncorp's commercial insurance business also includes a workers' compensation business. Suncorp has over seventy years experience of providing insurance for workers' compensation.

The principal business consists of:

- management of publicly underwritten workers' compensation funds. Suncorp provides claims administration, processing and management services in relation to some of the workers' compensation funds underwritten by the New South Wales and Victorian State governments. It also provides similar services to the New South Wales Treasury Managed Funds. The performance of this business has been turned around after a complete restructuring of the business and the business is now profitable; and
- underwriting of direct employer liability in privatised workers' compensation jurisdictions in Western Australia, Australian Capital Territory and Tasmania. Western Australia is the largest and fastest growing (underpinned by strong growth in wages fuelled by a strong economy).

Suncorp's commercial insurance market share (including workers' compensation) is 7.6% of a relatively fragmented market:



Source: Suncorp internal estimates as at December 2005

6.2.3 Financial Performance

Suncorp General Insurance's financial performance for the five years ended 30 June 2006 is summarised below:

General Insurance – Earnings Performance ($ millions)

	Year ended 30 June					
	AGAAP			AIFRS		
	2002	2003	2004	2005	2006	CAGR[23]
Gross written premiums[24]	**1,948**	**2,262**	**2,430**	**2,542**	**2,611**	**8%**
Net earned premium	**1,797**	**2,012**	**2,184**	**2,420**	**2,456**	**8%**
Claims expense	(1,697)	(1,891)	(1,797)	(2,084)	(1,948)	
Reinsurance and other recoveries revenue	288	240	260	316	315	
Net incurred claims	**(1,409)**	**(1,651)**	**(1,537)**	**(1,768)**	**(1,633)**	**4%**
Acquisition costs	(215)	(231)	(267)	(308)	(351)	
Other underwriting expenses	(233)	(202)	(213)	(213)	(232)	
Total operating expenses	**(448)**	**(433)**	**(480)**	**(521)**	**(583)**	**5%**
Underwriting result	**(60)**	**(72)**	**167**	**131**	**240**	
Investment income – insurance funds	173	281	148	302	234	8%
Insurance trading result	**113**	**209**	**315**	**433**	**474**	**43%**
Managed schemes net contribution	6	7	20	25	26	
Joint venture income	5	9	19	28	25	
General insurance operational earnings	124	225	354	486	525	43%
Investment revenue – shareholder funds	0	27[25]	130	200	203	
Profit before tax and capital funding	**124**	**252**	**484**	**686**	**728**	**56%**
Capital funding[26]	(14)	(19)	(19)	(26)	(37)	
Profit before tax	**110**	**233**	**465**	**660**	**691**	**58%**
Insurance trading ratio[27]	*6.3%*	*10.4%*	*14.4%*	*17.9%*	*19.3%*	

Source: Suncorp

23 Compound annual growth rate over the five years from FY2002 to FY2006.

24 Excluding the Fire Service Levies.

25 Includes net profit on sale of properties of $16 million.

26 Represents interest expense on subordinated debt and preference shares allocated to the general insurance business.

27 Insurance trading ratio: the insurance trading result expressed as a percentage of net earned premium.

Suncorp's general insurance business produced record earnings in the year ended 30 June 2006. Profit before tax has increased over six fold since the 2002 financial year to $691 million, underpinned by strong growth in premiums, improved underlying profitability and a benign investment environment. The result for the 2006 financial year equates to a return on equity[28] of 24.3%, up from 23.2% in 2005.

The insurance trading result of $474 million represents an insurance trading ratio of 19.3%, a substantial improvement on the insurance trading ratios of 6.3% and 10.4% achieved in the 2002 and 2003 years respectively.

The 19.3% insurance trading ratio is also substantially higher than Suncorp's expected long term ratio of 11% to 14%. Management expects the insurance trading ratio to remain in the 16% to 19% range for the next two years, on the basis that significant reserve releases are expected to continue in the near term. These expected reserve releases are subject to major weather events or material changes in the underlying claims environment.

The personal insurance lines, which include motor vehicle, home and CTP, contribute the bulk of Suncorp's general insurance written premiums and profitability. The personal lines business reported an insurance trading result of $380 million for the 2006 financial year, up 13.8% on the prior year. The increased profitability reflected premium growth, claims cost benefits and significant reserve releases relating to prior accident year.

The commercial lines business reported essentially flat performance, with an insurance trading result for the 2006 financial year of $98 million, by comparison with $99 million for the previous year, principally due to soft market conditions, particularly in the commercial property portfolio.

Gross Written Premiums

The home, motor and commercial portfolios have been the strongest contributors to growth in gross written premiums in recent years. Growth in CTP premiums over the last four years has been minimal (and negative in the 2006 financial year) as the premiums benefits of tort reforms have been passed on to consumers in the form of lower premiums:

Gross Written Premium – by Product ($ millions)[29]

	AGAAP		AIFRS		CAGR[30]
	FY2003	**FY2004**	**FY2005**	**FY2006**	
Motor Vehicle	641	663	716	753	6%
Home	431	464	514	548	8%
Commercial	642	698	754	771	6%
CTP	519	580	540	530	1%
Other	29	25	18	9	nm
Total	**2,262**	**2,430**	**2,542**	**2,611**	**5%**

Source: Suncorp

Growth in all portfolios slowed in 2006, reflecting increasing competition and slowing growth in the value of insured assets, particularly for motor vehicles.

For the 2006 financial year, Suncorp's Western Australian business achieved the highest growth rate at 15.9% (albeit off a relatively low base), reflecting the strong underlying Western Australian economy. Queensland was the worst performing state with gross

28 Return on equity – general insurance: Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting outside equity interest and deducting the notional reallocation to reflect the general insurance business' calculated share of Suncorp group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances.

29 Excluding the Fire Service Levy (FSL).

30 Compound annual growth rate over the four years from FY2003 to FY2006.

written premiums declining by 1.5%, largely due to the decline in CTP. Excluding CTP, gross written premiums in the Queensland market grew 3.9% for the year to 30 June 2006.

Gross Written Premium – by State ($ millions)[31]

	FY2003	FY2004	FY2005	FY2006	% change YOY[32]
Queensland	1,002	1,087	1,119	1,102	(1.5%)
New South Wales	716	782	800	835	4.4%
Victoria	226	253	261	269	3.1%
Western Australia	166	174	208	241	15.9%
Other	152	134	154	164	6.5%
Total	**2,262**	**2,430**	**2,542**	**2,611**	**2.7%**

Source: Suncorp

Growth in gross written premiums is expected to remain subdued in view of:

- increased competition in the home and motor lines in Queensland as competitors attack Suncorp's strong position;
- an expected continued reduction in Queensland CTP rates due to the ongoing benefits of tort reform (although the rate of premium decline has slowed, gross earned premiums will still be affected); and
- vigorous competition in commercial lines, although the micro and small commercial insurance lines, which are written directly rather than through broker channels, may be less affected.

Underwriting Performance

The underwriting result has materially improved over the last five years, from a loss of $60 million in FY2002 to a record of $240 million in FY2006. The following table analyses underwriting performance over the last four years, before adjusting for the impact on claims provisions (and therefore claims costs) of changes in market interest rates:

General Insurance – Operating Costs Ratios ($ millions)[33]

	Year ended 30 June			
	AGAAP		AIFRS	
	2003	2004	2005	2006
Acquisition expense ratio	*11.5%*	*12.2%*	*12.7%*	*14.3%*
Other underwriting expense ratio	*10.0%*	*9.8%*	*8.8%*	*9.4%*
Total operating expenses ratio[34]	*21.5%*	*22.0%*	*21.5%*	*23.7%*
Loss ratio[35]	*76.8%*	*74.2%*	*70.7%*	*69.6%*
Combined operating ratio[36]	*98.3%*	*96.2%*	*92.2%*	*93.3%*

Source: Suncorp

Increases in the operating expense ratio in the 2006 financial year relate to the lower deferral of acquisition costs (including AIFRS liability adequacy adjustments), higher levies and charges and increased investment in marketing.

31 Excluding the Fire Service Levy.

32 Year on year (FY2005 to FY2006).

33 Before impact of discount rate movements.

34 Expense ratio: the percentage of the net premium that is used to pay all the costs of acquiring, writing and servicing business.

35 Loss ratio: net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of clams paid during the period adjusted for movements in the outstanding claims liability.

36 Combined operating ratio: the percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring, writing and servicing business

The underwriting performance has benefited from a strongly improved loss ratio which has consistently decreased over the last four years from 76.8% in the 2003 financial year to 69.6% in the 2006 financial year. This reduction has largely resulted from the continuing benefit of tort law reform on personal injury claims in recent years. Suncorp launched a project approximately 18 months ago to focus on reducing claims costs across motor vehicle, home and commercial insurance. The motor vehicle portfolio has benefited most from this program, with benefits forecast for the 2007 financial year and further cost reductions expected in the future.

During the 2006 financial year, however, the short tail classes performed relatively poorly, recording an underwriting loss of $15 million by comparison with an underwriting profit in the prior year of $54 million. This was largely attributable to storm activity: Cyclone Larry in the second half of the year had a cost of $80 million (net of reinsurance recoveries).

On the other hand, long tail classes recorded underwriting profits for the 2006 financial year of $179 million, by comparison with $135 million for the prior year. The favourable performance was driven by significant net releases of prior year profits from claims reserves. After taking into account various increases in provisions in the 2006 financial year (including to increase the estimated probability of adequacy for total claims reserves to 94%), the central estimate reserve release after strains was $204 million.[37]

The reserve release reflects, amongst other factors, favourable claims trends. The claims development table below indicates that the claims experience to date has been generally favourable compared with initial reserving estimates:

General Insurance – Change in Estimate of Ultimate Claim Costs ($ millions)

(Increase) / Reduction	Accident Year ended 30 June			
	2002 and prior	2003	2004	2005
One year later	34	22	(19)	95
Two years later	128	47	106	-
Three years later	198	79	-	-
Four years later	37	-	-	-
Cumulative reduction in estimate of ultimate claim costs	**397**	**148**	**87**	**95**

Source: Suncorp

In addition, growing confidence that the benefits of tort reform will persist, successful initiatives to increase claims efficiencies and lower claims costs, and little evidence of superimposed inflation on claims costs, have all underpinned the significant reserve release.

Suncorp has noted the following regarding the sustainability of reserve releases (at least in the short term):

- valuations adopted at June 2006 have only moved partially towards the most recent observed experience. To the extent that the current experience persists, future releases can be expected;
- based on recent experience, Suncorp expects superimposed inflation to be subdued for sometime and somewhat lower than the rates assumed in valuations, and hence expects some releases from reserves on this account;
- Suncorp's valuations are based on assumptions that, assuming a continuation of current experience, may turn out to be conservative. Consequently current year profits are deferred to the future when, if the actual experience is more favourable than the estimates, reserve releases would occur;

[37] Central estimate reserve release of $337 million less current accident period strain of $80 million and net risk margin strain on current period business of $53 million.

- Suncorp may move its current level of sufficiency closer to its target of 90% (from the current level of approximately 94%) once a long term trend is established and the volatility in claims data diminishes. The financial impact would be approximately $170 million; and
- Suncorp's risk margins currently allow for a conservative view of the potential diversification benefits. Allowing for more diversification benefit in setting these risk margins would result in further releases of reserves.

Investment Income

For the 2006 financial year, investment income from technical reserves increased significantly to $310 million (before the impact of discount rate movements), representing an increase of 27%. Higher yields, relative outperformance against benchmark returns and growth in the volume of technical reserves were the main contributors to this strong result. The technical reserves also include a small property portfolio which is subject to periodic valuations. In 2006 revaluations had a favourable impact of around $24 million. Investment income from shareholder funds was stable for 2006.

Other Items

The contribution from managed schemes has increased materially from $6 million in the 2002 financial year to $26 million for the 2006 financial year, reflecting a substantial turnaround as this business was re-engineered. Similarly, the material increase in income from Suncorp's joint venture investments reflects the significant turnaround in these businesses since their acquisition from AMP. The small decline in the joint venture contribution for 2006 was largely due to competitive industry conditions, the cost of Cyclone Larry and lower investment returns within the joint venture entities.

6.2.4 Capital Adequacy

As at 30 June 2006 the capital base of Suncorp's general insurance business (for the purpose of calculating capital adequacy) was $1,886 million. The minimal capital requirement was $1,052 million. This equates to a minimal capital requirement ratio of 1.79 times, which compares favourably with APRA's required 1.25 times.

6.3 Wealth Management

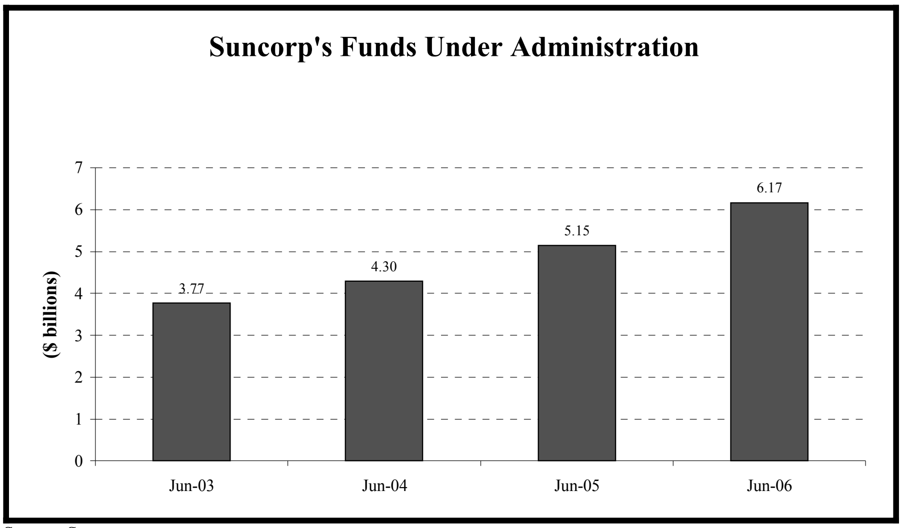
6.3.1 Overview

Suncorp's wealth management division ("Suncorp Wealth Management") provides life, super and retail investment products and operates a wholesale funds management business. The operations of Suncorp Wealth Management are carried out through Suncorp Life and Superannuation Limited ("Suncorp Life") and Suncorp Metway Investment Management Limited ("SMIML").

Through Suncorp Life, Suncorp Wealth Management provides a range of superannuation products (both personal and group), managed investment products (unit trusts and wrap services) and life insurance products (death, trauma and disability). The life risk products are generally of relatively lower value average sum insured and aimed at the mass market. Suncorp's super products are provided through a superannuation master trust Easy Super, whilst the non-superannuation investment product is a wrap product offering investors access to a wide range of investment options, including Suncorp managed funds.

Suncorp Life products are sold through a network of approximately 220 financial advisors and planners comprising both Suncorp employed and independent agents servicing approximately 160,000 customers. The financial advisors are principally located in Suncorp bank branches.

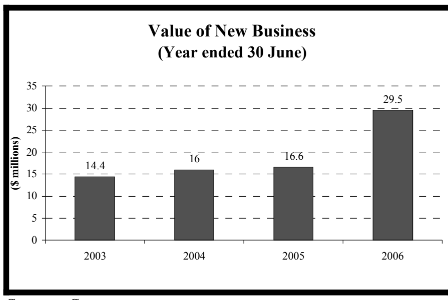
For the year ending 30 June 2006, funds under administration increased by 19.8% to \$6.2 billion at year end, and Suncorp's financial planners and advisors achieved increased sales, including a 44% increase in sales by corporate agents to small and medium business customers. This growth resulted from the introduction into bank branches of dedicated financial advisors who focus solely on meeting the risk needs of Suncorp customers, strong investment earnings, and product innovation. During the year, six new managed funds were introduced, including a capital guaranteed product aimed at the expanding pre-retiree and retiree segments. To improve its services for new customers, Suncorp introduced an inbound call centre and continued the development of the servicing platform employed by Suncorp's financial planners.

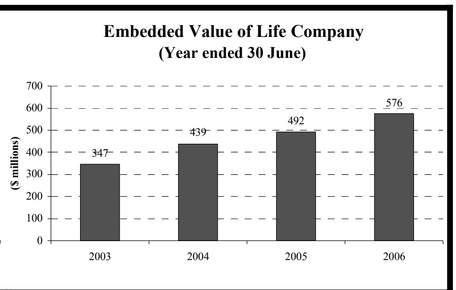


Source: Suncorp

In total, the present value of new business in Suncorp Life for the year to 30 June 2006 rose 78% to \$29.5 million, driven by increased volumes in higher margin products, improved retention levels and movement in the risk free discount rate for risk and annuity business under AIFRS. The embedded value of Suncorp Life rose by more than 15% for the year ended 30 June 2006 to \$576 million, a reflection of strong investment performance, good retention levels and increased future investment earnings assumptions.

Growth in the value of new business and embedded value over the last four years is illustrated in the following charts:

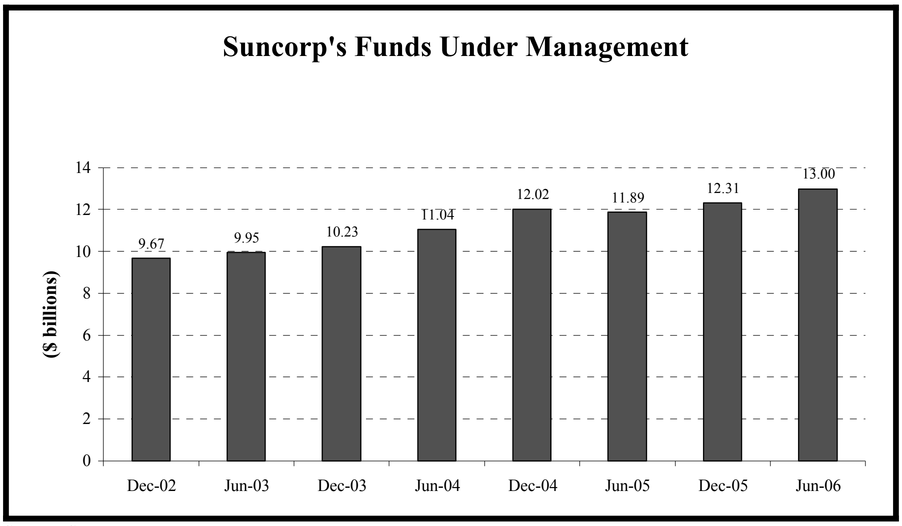




Source: Suncorp

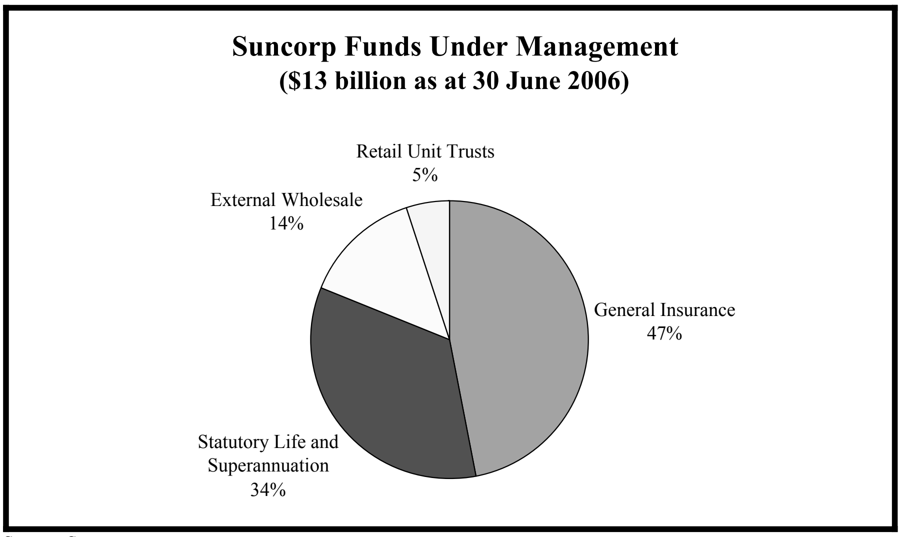
Note: The value of new business has been assessed as the present value of future profit margins for life risk insurance business and superannuation business (utilising the margin on services liability valuation method) and the embedded value of new business (at a risk discount rate of 11%) for the unit trusts and other non superannuation business. The Embedded Value of the Life Company is calculated at a 11% risk discount rate and allows for the value of imputation credits.

SMIML, a wholly owned subsidiary of Suncorp, is responsible for the wholesale investment management activities of Suncorp. At 30 June 2006, SMIML had $13 billion of funds under management, a 9.3% increase for the year. The growth in SMIML's funds under management is shown in the chart below:



Source: Suncorp

Internally, SMIML is a fund manager for Suncorp Life and Superannuation Limited, Suncorp Metway Insurance Limited and GIO General Limited, supporting Suncorp's investment activities in superannuation, investment funds, general insurance and life insurance. At 30 June 2006, SMIML managed approximately $5.2 billion for Suncorp Life, $6.1 billion for the general insurance business, and a further $1.7 billion of investment funds for external wholesale clients.



Source: Suncorp

SMIML's range of wholesale investment products and services are tailored to meet the needs of clients within defined risk parameters. Through SMIML, Suncorp services a range of clients including corporate superannuation funds, general insurance companies, institutions, master trusts and corporate investors. Products and services offered include individually managed portfolios, cash investments, unit trusts and a pooled superannuation trusts, covering investments in a range of domestic and international asset classes including cash, fixed interest, equities and listed property trusts via sector specific or diversified investment options.

SMIML delivered strong investment results for the year ended 30 June 2006, outperforming benchmarks for a number of its major investment portfolios.

Investment Performance		
	Year ended 30 June 2006	
	Benchmark (%)	Suncorp Results (%)
Australian cash	5.76	6.02
Australian fixed interest	3.41	3.91
Australian equities	23.93	29.54
Australian equities imputation	23.93	31.77
World equities	19.98	22.32
Listed property trust	18.05	18.63

Source: Suncorp

6.3.2 Financial Performance

The financial performance of Suncorp Wealth Management for the four years ended 30 June 2006 is summarised below. The years ended 30 June 2003 and 30 June 2004 are reported under AGAAP while financial years ended 30 June 2005 and 30 June 2006 are reported under AIFRS.

Wealth Management Financial Performance ($ millions)				
	Year ended 30 June			
	2003 AGAAP	2004 AGAAP	2005 AIFRS	2006 AIFRS
Life insurance premium revenue	86	104	113	136
Outwards reinsurance premium expense	(17)	(27)	(29)	(28)
Total premium revenue	**69**	**77**	**84**	**108**
Investment revenue	117	443	586	805
Other revenue	45	53	122	88
Total revenue	**231**	**573**	**792**	**1,001**
Claims expenses	(60)	(71)	(73)	(78)
Reinsurance recoveries revenue	16	17	22	20
Total claims expense	**44**	**54**	**(51)**	**(58)**
Other operating expenses	(102)	(117)	(149)	(151)
Increase in net policy liabilities	16	(222)	(378)	-
Increase in net insurance contract liabilities	-	-	-	(289)
Increase in net investment contract liabilities	-	-	-	(208)
Decrease/(increase) in unvested policy owner benefits	(49)	(29)	24	55
Non-banking interest expense	-	-	-	(197)
Total expenses	**(179)**	**(422)**	**(554)**	**(848)**
Contribution to profit from wealth management activities before tax	**52**	**151**	**238**	**153**
Profit attributable to outside equity interests	-	(44)	(82)	-
Income tax attributable to policy owners	(11)	(41)	(63)	(72)
Contribution to profit from wealth management activities before tax and excluding policy owners' interests	**41**	**66**	**93**	**81**

Source: Suncorp

Notes:
1. Amounts for financial years 2003 and 2004 were calculated in accordance with previous AGAAP. Amounts for financial years 2005 and 2006 have been calculated in accordance with AIFRS however transitional arrangements apply to the financial year ended 30 June 2005.
2. For financial years ended 30 June 2004 and 2005, the wealth management pre-tax result includes the impact of consolidating managed schemes (impact 2005: $82 million, 2004:$44 million)

The following table presents the underlying profit before tax (by excluding investment earnings and one-off items) for each of the Life Company and Funds Management business.

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Wealth Management Profit[1]			
	Year ended 30 June		
	2005 ($ millions)[2]	2006 ($ millions)	% change
Life Company	67	66	(1.5)
Funds management	31	15	(51.6)
Net profit before tax	**98**	**81**	**(17.3)**
Less investment earnings:			
- Life Company	(29)	(23)	(20.7)
- Funds Management	(6)	(6)	-
Total investment earnings	**(35)**	**(29)**	**(17.1)**
One-off items			
- Funds Management	(17)	2	(111.8)
Total	**(52)**	**(27)**	**(48.1)**
Underlying profit before tax			
- Life Company	38	43	13.2
- Funds Management	8	11	37.5
Total	**46**	**54**	**17.4**

Notes: 1. Excluding life insurance policy owners
2. Estimated unaudited AIFRS comparative.

For the year ended 30 June 2006, Suncorp Wealth Management's recorded profit before tax was $81 million, representing a 17.3% decrease on profit before tax of $98 million. However, underlying profit before tax (on the basis of historical comparatives restated for unaudited estimated AIFRS adjustments) rose from $46 million to $54 million.

Funds management contributed a pre-tax profit of $15 million in the year ended 30 June 2006, down from $31 million in the year to June 2005. Profit in the prior year included $17 million of one-off income resulting from the sale of management rights over one of SMIML's funds. Adjusted for this, profit from funds management increased 7% over the prior year, with underlying fee income and expenses relating to funds management activities consistent year on year.

Funds under management increased 9.3% to $13.0 billion at June 2006 and benefited from strong investment income. Despite positive inflows to the Life Company, overall outflows exceeded inflows for the year. Outflows were impacted by general insurance dividend payments to the parent company. External wholesale funds under management increased despite the withdrawal of a relatively large low margin cash mandate. Investment income was strong, contributing to the increase in funds under management.

Suncorp Life profits grew strongly at 13%, mainly as a result of higher planned profit, improved profit experience and increased fee revenue from the growth of funds under administration and management, offset by lower investment earnings and higher expenses due to change in valuation methodology for policy liabilities compared to the prior year. Sales of superannuation, allocated pension and investment products were strong, reflecting a sustained level of confidence in equity markets during the year. In total, new business sales increased 18.8% to $782 million for the year, principally as a result of changes to the tax legislation for superannuation (abolition of the superannuation surcharge) and the strong domestic equity markets. Consumer Credit Insurance ("CCI") sales increased by 80% following the launch of a new CCI home loan product and the group life business achieved a significant increase in in-force premiums.

6.3.3 Outlook

Suncorp expects to continue the growth of its funds under management and administration by leveraging off its banking and insurance customer bases. Increased competition will cause some margin pressure but continued sales momentum is expected to result in underlying profit growth (excluding investment returns on shareholder funds) of approximately 10%. The proposed changes to superannuation, due to take effect from 1 July 2007, provide Suncorp with both challenges and opportunities, and Suncorp Wealth Management will work to refine its product and service offerings to take full advantage of the new environment.

7 Valuation Summary

7.1 Valuation Summary

Grant Samuel has valued Promina in the range $6.7-7.6 billion which corresponds to a value of $6.46-7.33 per share. The valuation represents the estimated full underlying value of Promina assuming 100% of the company was available to be acquired and includes a premium for control. The valuation exceeds the price at which, based on current market conditions, Grant Samuel would expect Promina shares to trade on the ASX in the absence of the proposed Merger or other change of control transaction. The valuation is summarised below:

Promina - Valuation Summary ($ millions)		
	Value Range	
	Low	**High**
General Insurance	4,600	5,300
Financial Services	2,100	2,300
Total business value	**6,700**	**7,600**
Fully diluted shares on issue (millions)[38]	1,037	1,037
Value per share	**6.46**	**7.33**

Grant Samuel has valued Suncorp in the range $13.0-15.2 billion which corresponds to a value of $22.98-26.87 per share. The valuation represents the estimated full underlying value of Suncorp assuming 100% of the company was available to be acquired and includes a premium for control. The valuation exceeds the price at which, based on current market conditions, Grant Samuel would expect Suncorp shares to trade on the ASX in the absence of a takeover offer or other change of control proposal for Suncorp. The valuation is summarised below:

Suncorp - Valuation Summary ($ millions)		
	Value Range	
	Low	**High**
Banking	6,100	7,100
General Insurance	5,600	6,600
Wealth Management	1,100	1,300
Total business value	**12,800**	**15,000**
Other assets	200	200
Total assets	**13,000**	**15,200**
Fully diluted shares on issue (millions)[39]	565.7	565.7
Value per share	**22.98**	**26.87**

38 The number of shares on issue on a fully diluted basis assumes that all Conditional Entitlements are converted.

39 The number of shares on issue on a fully diluted basis assumes the exercise of approximately 84,000 exercisable share options.

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7.2 Methodology

7.2.1 Overview

Grant Samuel's valuation of both Promina and Suncorp has been estimated by aggregating the estimated market values of each of the company's operating businesses together with the realisable value other assets. Where applicable, the market values of the operating businesses have been estimated after deducting external borrowings as at 30 June 2006. The value of both operating business has been estimated on the basis of fair market values as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuation for both companies is appropriate for the acquisition of the company as a whole and, accordingly, incorporates a premium for control. The valuations are in excess of the level at which, under current market conditions, shares in Suncorp and Promina could be expected to trade on the sharemarket, as shares in a company normally trade at a discount to the underlying value of the company as a whole.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction, or the price at which offers have been made to acquire the business or comparable businesses. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Capitalisation of earnings is a most commonly used method for valuation of financial businesses. This methodology is most appropriate for financial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings measures including net profit after tax, EBITDA and EBIT. These are referred to respectively as price earnings multiples, EBITDA multiples and EBIT multiples. Price earnings ("PE") multiples are commonly used for the purpose of valuing banking and general insurance businesses, for which interest income is an integral part of the operations and earnings before interest is not meaningful. EBIT and EBITDA multiples are commonly used in valuing whole businesses for acquisition purposes where interest income and expense is not part of the underlying business. These measures are appropriate for certain of the wealth management businesses of Promina and Suncorp.

In determining a value for the Promina and Suncorp businesses, Grant Samuel has had regard to the PE multiples implied by the valuation range for the individual businesses and to the PE multiples implied by the valuation ranges for the companies as a whole, compared to the PE multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses. The recent and expected future financial performance of the general insurance businesses of Promina and Suncorp is affected by the release to profits of reserves relating to prior year business. As a result, reported profits are at best an imperfect indicator of the underlying profitability and value of these businesses. Accordingly, valuations of the Promina and Suncorp general insurance businesses based on capitalisation of earnings are subject to inherent uncertainty and the outcomes from the analysis need to be treated with care.

Discounting of projected cash flows has a strong theoretical basis. It is a commonly used method for valuation in a number of industries, including banking and finance. Discounted cash flow valuations involve calculating the net present value of expected future cash flows. This methodology is able to explicitly capture the effect of a change in business performance and significant changes in expected capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and the valuer generally places great reliance on medium to long term projections prepared by management. However, in the case of both Suncorp and Promina, Board approved longer term forecasts of financial performance are not available. Grant Samuel has prepared discounted cash flow models for the general insurance businesses of Suncorp and Promina, and for the banking business of Suncorp. The discounted cash flow models calculate the value of income available to be distributed to shareholders as dividends, after the retention of earnings to service the capital adequacy requirements of the businesses. The models incorporate assumptions that Grant Samuel believes to be reasonable. However, the models do not constitute forecasts or projections by Grant Samuel of the future performance of the relevant business. Grant Samuel provides no assurance or warranty that the future performance of the businesses will be consistent with the assumptions adopted in the models.

Moreover, given the inherent uncertainty regarding the future performance of Promina's and Suncorp's businesses, the models can only include explicit assumptions for the early years modelled. Subsequent years are effectively an extension of the early years' assumptions or incorporate assumptions regarding the likely trends affecting the businesses. In addition, the terminal or continuing value is a high proportion of value. Accordingly, the assessment of this terminal value becomes a critical determinant in the valuation (ie. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean that the results need to be treated with care. Notwithstanding these limitations, discounted cash flow valuations are commonly used in valuing banking and general insurance businesses and play an extremely useful role in providing additional information as cross-checks to values estimated by way of capitalisation of earnings, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

Valuations of life insurance businesses are commonly prepared by reference to actuarial valuation techniques. Embedded values (the value of policies already written and the capital supporting those policies) are estimated actuarially via a discounted cash flow approach. Similarly, the value of one year's new business or sales are estimated actuarially via a discounted cash flow based on assessments of the future cash flows expected to be generated by the new business written and the capital required to support that new business. The overall business value is estimated by adding to the embedded value a multiple of one year's new business or sales. Ernst & Young reviewed the estimates by Promina and Suncorp of the embedded value of their life businesses and the value of one year's new sales of those businesses. Grant Samuel had regard to the estimates of embedded value and one year's new sales in its valuation of the life businesses of Promina and Suncorp.

Grant Samuel reviewed the multiples of net assets and net tangible assets (NA multiples and NTA multiplies) implied by the valuations of Promina and Suncorp, and by the valuations of their individual businesses, as a further cross-check of the valuation conclusions. NA and NTA multiples are more meaningful in the insurance and banking sectors than for other businesses, because net assets of insurance and banking businesses are generally effectively represented by income generating assets and (for capital adequacy reasons) are correlated with the overall size of the businesses. NA and NTA multiples are accordingly an indicator of the productivity of a banking or insurance business relative to the shareholders' funds employed to support the business.

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business of Suncorp and Promina. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in the case of Suncorp and Promina.

7.2.2 Capitalisation Multiples

Selection of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (eg. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used by valuers is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

8 Valuation of Promina

8.1 Valuation Summary

Promina has been valued in the range $6.7-7.6 billion which corresponds to a value of $6.46-7.33 per share. The valuation represents the estimated full underlying value of Promina assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Promina shares to trade on the ASX in the absence of the proposed Merger or other change of control transaction.

The value for Promina is the aggregate of the estimated market value of Promina's operating businesses. The valuation is summarised below:

Promina - Valuation Summary ($ millions)		
	Value Range	
	Low	High
General Insurance	4,600	5,300
Financial Services	2,100	2,300
Total business value	**6,700**	**7,600**
Fully diluted shares on issue (millions)[40]	1,037	1,037
Value per share	**6.46**	**7.33**

The valuation takes into account total debt of $781 million, which has been allocated between the General Insurance business ($625 million) and the Financial Services business ($156 million).

The value attributed to the operating businesses of $6.7-7.6 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings, multiples of NTA, discounted cash flow analysis and actuarial estimates of embedded value for Promina's life business.

The earnings multiples and net tangible assets multiples implied by the valuation of Promina are summarised below:

Promina – Implied Valuation Parameters			
	Variable ($ million)	Low	High
Multiple of net profit after tax			
Year ended 31 December 2005 actual	492	13.4x	15.2x
Brokers' consensus forecast year ending 31 December 2006[41]	432	15.3x	17.4x
Multiple of NTA (at 30 June 2006)			
Geared	1,916	3.5x	4.0x
Ungeared	2,734	2.7x	3.1x

40 The number of shares on issue on a fully diluted basis assumes that all Conditional Entitlements are converted.

41 Calculation of broker consensus forecasts for Promina, Suncorp and certain key divisional results is presented in Appendix E.

The valuation reflects the particular attributes of Promina's businesses and takes into account the following:

- Promina has generated consistent growth in earnings, strong returns on capital and significant returns to shareholders since its listing in 2003;
- acquirers of Promina should be able to extract considerable value through merger synergies; and
- Promina's businesses in Australia and New Zealand are strategically attractive. In particular, Promina's Australian direct general insurance business, including the AAMI business, has been very successful in growing market share and profitability in recent years. Given the current industry structure in Australia, Promina's direct general insurance business in Australia is probably the last meaningful direct general insurance business available to be acquired in the Australian market place.

8.2 General Insurance

8.2.1 Overview

Grant Samuel has valued Promina General Insurance in the range $4,600-5,300 million. This value range includes a premium for control of the general insurance business. It includes the value of Promina's general insurance joint ventures and incorporates a deduction of $550 million[42] for debt securities that form part of the capital base of Promina General Insurance. The valuation is summarised as follows:

Promina General Insurance Business – Valuation Summary ($ millions)		
	Value Range	
	Low	**High**
General insurance business – gross value	5,100	5,800
Net borrowings	(550)	(550)
Total (rounded)	**4,600**	**5,300**

The valuation is based on both capitalisation of earnings and a discounted cash flow analysis. The valuation reflects the particular attributes of Promina's general insurance business and takes into account factors such as:

- Promina's General Insurance historical performance, market position and short to medium term growth outlook. Promina's short tail personal lines business has outperformed its competitors in recent years, achieving material growth in market shares in the key New South Wales and Victorian markets, whilst simultaneously growing its profitability. It appears reasonable to expect such outperformance to continue, at least in the short to medium term;
- the strength of the AAMI business model and brand name, which suggests that the AAMI business should be able to achieve superior returns on capital going forward;
- the synergy benefits that would be available to potential acquirers of Promina General Insurance (whilst recognising that the number of potential acquirers may be limited for competition regulation reasons); and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in general insurance and the earnings multiples implied by the share price of listed Australian general insurers.

[42] A further debt liability of $75 million in respect of securing repurchasing obligations has been netted off against investment assets.

8.2.2 Capitalisation of Earnings

Overview

The valuation multiples implied by the valuation of Promina General Insurance are summarised below.

Promina General Insurance – Implied Valuation Multiples	Variable ($ million)	Low	High
Multiple of GWP			
Year ended 31 December 2005 actual	3,288	1.5x	1.7x
Brokers' consensus forecast year ending 31 December 2006	3,515	1.4x	1.6x
Multiple of Insurance Trading Result			
Year ended 31 December 2005 actual	337	14.9x	17.1x
Brokers' consensus forecast year ending 31 December 2006	319	15.8x	18.0x
Multiple of NPAT			
Year ended 31 December 2005 actual	360	12.5x	14.4x
Brokers' consensus forecast year ending 31 December 2006[43]	320	14.0x	16.2x
Multiple of NTA			
NTA as at 31 December 2005 (geared)	914	5.0x	5.7x

Transaction Multiples

Appendix F sets out transaction multiples for a number of transactions involving Australian general insurance companies. The transaction multiples reflect the prices paid in change of control transactions for the relevant businesses. A more detailed description of these transactions is contained in Appendix F to this report. The transactions imply a wide range of multiples.

In broad terms, the transaction evidence indicates a broad range of historical and forecast NPAT multiples of 8-20 times and 7-24 times respectively.

Transaction prices reflect a variety of factors, including expected synergy benefits, the perceived strategic attractiveness of the target, and expected or actual competition for the asset. The overall economic environment also plays a major role. The general insurance industry made underwriting losses for the five years to 2002, relying on investment income to generate profits. Market consolidation since 2003 and a stronger insurance cycle have allowed the industry to become more rational in terms of pricing and to return to profitable underwriting. Accordingly, considerable caution needs to be exercised when comparing the multiples implied by the valuation of Promina General Insurance with historical transaction multiples.

Trading Multiples

Appendix F sets out trading multiples for a number of Australian and international general insurance companies. It should be noted that the value determined for Promina is appropriate for the acquisition of the company as a whole and, accordingly, incorporates a premium for control, whilst the trading multiples reflect the price at which non-controlling portfolio interests trade on a stock exchange and do not incorporate a premium for control. A more detailed discussion of the comparable companies is set out in Appendix F to this report. In broad terms, the trading multiples for Australian companies indicate historical and forecast NPAT multiples of 12-20 times and 14-15 times respectively. International general insurers trade at historical and forecast NPAT multiples of 12-19 times and 9-12 times respectively.

[43] Estimated using broker consensus forecast insurance trading result, adding company forecast on other insurance net revenue and investment income on shareholders funds, and adjusting for tax.

The following comments are made in relation to the comparable trading multiples:

- Australian general insurers generally trade on higher multiples of forecast earnings than their international peers. Comparisons with international peers need to be treated with caution as a result of the differing industry, market and regulatory environments, and differing inflation, tax and interest rate conditions reflected in share prices of offshore companies;
- IAG is reasonably comparable to Promina. IAG is the largest general insurer in Australia and also has a strong presence in New Zealand. IAG trades in line with both Promina and its Australian peer group;
- Suncorp is also reasonably comparable to Promina. Approximately 50% of Suncorp's operating earnings is derived from its general insurance business; and
- despite QBE being a pure general insurer, approximately 75% of its earnings are derived outside Australia and as a result QBE is not particularly comparable to Promina.

Analysis and Conclusions

The multiples implied by the valuation of Promina General Insurance in the range 12.6-14.6 times historical earnings and 14.2-16.4 times forecast earnings are broadly consistent with comparable Australian listed companies' trading multiples and the transaction multiples set out above.

In Grant Samuel's view the multiples are reasonable, having regard to the following:

- Promina's historical earnings for the general insurance division have grown strongly over the last few years. Recent weather-related events that have impacted the direct division were not as evident in the intermediated book of business and as a result strong earnings results have been maintained;
- Promina's suite of branded direct insurance products including AAMI, Australian Pensioners Insurance Agency and Just Car Insurance are expected to continue to generate strong growth over the next few years;
- there is a significant opportunity to continue to grow the AA Insurance business in New Zealand, in which Promina has a 68% interest. Leveraging off the strong member base of the AA and the AA brand will be the dominant drivers of growth;
- competitive conditions in the commercial book of business have been evident in both the Intermediated businesses in Australia and New Zealand and are expected to continue for the next few years;
- competition in the personal lines business appears to be intensifying, with major participants willing to accept lower pricing in an attempt to grow market share;
- Promina's reported earnings in recent financial years have benefited from reserve releases. It is expected that profitability will continue to be augmented by reserve releases in the short term, after which insurance trading margins may decline; and
- while significant synergies should be available to potential acquirers of Promina's general insurance business (such as Suncorp), competition regulation is likely to limit the number of potential buyers of the business and the price that could be achieved for it.

8.2.3 Discounted Cash Flow Analysis

Grant Samuel's valuation of Promina General Insurance has also had regard to the results of a discounted cash flow analysis.

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Grant Samuel has prepared a high level dividend discount model that estimates the value of Promina General Insurance on a standalone basis. The model does not incorporate the synergies or other merger benefits that might be available to an acquirer of Promina General Insurance.

The model calculates earnings for a ten year period, with projected dividends calculated having regard to the earnings retention requirements for capital adequacy purposes and reserve releases during the earlier years. The model calculates a terminal value at the end of the ten year explicit model period.

The model is based on detailed assumptions regarding the following key portfolios within Promina General Insurance's Australian and New Zealand businesses:

- AAMI Motor;
- AAMI CTP for Queensland and New South Wales;
- other direct short tail personal lines;
- intermediated commercial lines;
- intermediated commercial and personal lines in New Zealand; and
- the 68% interest in AA Insurance's short tail personal lines business in New Zealand.

The model values Promina General Insurance business on an ungeared basis. It does not take into account the $550 million of debt capital that forms part of the capital base of Promina General Insurance. This amount has been separately subtracted from the valuation. No separate value has been attributed to the net cash used as working capital within the business.

For each major portfolio, assumptions were adopted for the following valuation parameters:

- future expected growth based on underlying market growth;
- Promina's current market share and its ability to maintain or grow that market share over the forecast period;
- growth in premium revenues, reflective of structural and regulatory changes, competitive pressure, inflation and super inflation as well as any factors specific to that portfolio; and
- economic profitability.

In adopting the relevant valuation parameters, Grant Samuel had regard to longer term forecasts prepared by Promina management (which have not been formally adopted by Promina). In addition, the valuation parameters reflect Grant Samuel's judgemental assessments of the sustainability of current underlying profitability in the longer term, as well as the rates of return on capital that will be required by participants in the general insurance industry.

The valuation parameters adopted, and the associated calculations of future earnings and dividends, do not represent forecasts or projections by Grant Samuel and Grant Samuel does not provide any assurance or warranty that they will be achieved. The valuation parameters adopted, and the associated future earnings and dividends, are merely assumptions adopted for the purposes of the valuation.

Promina's general insurance models for both Australia and New Zealand incorporate the following assumptions:

- projected cash flows were discounted to a net present value based on nominal discount rates of 9.5 – 10.5%. These discount rates are consistent with the estimates of the weighted average cost of capital that would apply for an insurance underwriting business, assuming 100% equity funding and a cost of equity estimated on the basis of a beta of approximately 0.7 to 0.9 and a risk free rate of 5.5% for Australia (approximately the Australian 10 year government bond rate around November 2006) and 5.7% for New Zealand. The derivation of the discount rate range is set out in detail in Appendix G.
- the terminal value has been estimated on the basis of nominal growth in free cash flows in perpetuity of 5%. Given current inflation rates in the approximate range 2.5-3.0%, this implies low rates of growth in free cash flows in real terms;
- the financing structure for the business is expected to result in Promina General Insurance facing effective tax rates of 25% for both Australia and New Zealand until 2010. A tax rate of 25% was applied to both the Australian and New Zealand businesses until 2010. Thereafter, the model assumes tax rates of 30% for the Australian business and 33% for the New Zealand business;
- Promina General Insurance was assumed to maintain a minimum capital requirement ratio of 1.6 times, consistent with industry benchmarks. The capital released as a result of the reduction in the MCR ratio is paid out as a special dividend in 2006;
- income on technical reserves is earned at the risk free rate, while income on shareholder funds reflects an asset allocation of 60% fixed interest, 30% equity, 6% cash and short term deposits and 4% property;
- excess reserves of $180 million were assumed to be released over the first four years of the model beginning in 2006;
- significant growth is assumed across all portfolios in the short term, dropping to more moderate longer term growth rates; and
- profitability in terms of insurance trading margins is lower than historical levels due to declining reserve releases.

The outputs of the model are summarised below.

Promina General Insurance Business – DCF Cashflows (A$ millions)

	Period ending 31 December				
	2006	**2007**	**2008**	**2009**	**2016**
Gross written premiums	**3,431**	**3,682**	**3,962**	**4,284**	**6,248**
Insurance trading result[44]	396	289	310	354	383
Investment income on shareholder funds	94	78	82	86	114
Net profit before tax[45]	**490**	**367**	**392**	**440**	**497**
Tax	(119)	(89)	(95)	(107)	(141)
Net profit after tax	**371**	**278**	**297**	**333**	**356**
Dividend payment – current yr profit	371	202	206	288	257
Dividend payment – capital release	362	-	-	-	-
Total dividend payments	**733**	**202**	**206**	**288**	**257**

44 FY2006 to FY2009 include reserve releases totalling $180 million.

45 Excludes share of profit in the RACI joint venture, which has been valued separately.

For the first year the model pays out 100% of net profit after tax and pays a special dividend to distribute the excess capital released by reducing the MCR ratio to 1.6 times. Thereafter, the business moves towards a sustainable dividend payout ratio, reaching a dividend payout ratio of approximately 72% in the terminal year, with the remaining profitability retained to fund capital adequacy requirements.

The model is highly sensitive to assumptions regarding the long run profitability of the business (as expressed in terms of insurance trading result). Judgements regarding future profitability are subject to extreme uncertainty, because future profitability will reflect a complex interplay of factors such as industry structure, regulatory regime, competitive dynamics, investor return requirements, community expectations, political issues and other matters. Grant Samuel has assumed that, ultimately, competitive, regulatory and investor return requirements will tend to result in general insurance companies across the industry earning returns on capital that modestly exceed their costs of capital, with the extent of any "super return" for any individual market participant determined by its efficiency relative to its competitors.

The following table sets out the impact on calculated net present values (prior to adjusting for debt) of a range of variations in assumptions regarding long run profitability, together with the returns on capital implied by the long run profitability assumptions.

Promina General Insurance – NPV Outcomes[46] ($ millions)

Long run ITR	Long run return on equity	Discount rate 10.5%	Discount rate 9.5%
6%	14.4%	3,673	4,229
7%	16.3%	3,973	4,625
8%	18.0%	4,235	4,972

Calculated values are extremely sensitive to changes in assumptions regarding long run profitability. In Grant Samuel's view, long run insurance trading result ratios in the range 6-8%, and resultant long run returns on equity in the approximate range 14-18%, appear reasonable.

The terminal value represents a very large component of overall value, contributing (on the basis of a 9.5-10.5% discount rate) $1,737-2,311 million or approximately 46-53% of the total calculated net present value of the combined businesses. The terminal value represents multiples of 13.3-16.1 times trailing net profit after tax. In Grant Samuel's view these multiples are reasonable.

A change in the assumed rate of growth of dividends for the purpose of estimating the terminal value of the business (i.e. the value at the end of year 10) results in significant changes in value:

Promina General Insurance – Terminal Growth Rate Sensitivity[46] ($ millions)

Terminal Growth Rates	Discount rate 10.5%	Discount rate 9.5%
4%	3,790	4,178
5%	3,973	4,625
6%	4,382	5,305
7%	5,028	6,543

Caution must be exercised in assessing the results of the indicative DCF analysis, given the inherent uncertainty in relation to Promina's future cash flows and the extreme sensitivity of calculated values to small changes in key assumptions. However, in Grant Samuel's view, the DCF analysis provides general support for the valuation range for Promina's

46 The value set out in the table include values attributed to Promina's joint venture interests but excludes synergies.

General Insurance businesses on a standalone basis of $4,000-4,700 million. The value does not incorporate any value for the synergies that should be available to potential acquirers of the business.

8.2.4 Value of Synergy Benefits

Grant Samuel has attributed an overall value to Promina General Insurance (before deducting debt capital) of $5,100-5,800 million. This valuation range includes a premium for control. Grant Samuel's dividend discount analysis suggests a value for the business on a standalone basis of around $4,000-4,700 million. An in-market acquirer of the business should be able to achieve significant synergies. A significant portion of the value of these synergy benefits would be expected to be realised in a change of control transaction. The implicit control premium element (value attributable to synergy benefits) in Grant Samuel's valuation of Promina General Insurance is around $1,100 million.

In Grant Samuel's view a control premium of this order of magnitude is reasonable. It represents around 20% of the estimated standalone value. Suncorp has estimated that it should be able to realise net annual pre-tax synergy benefits of around $225 million through the acquisition of Promina. Grant Samuel's analysis suggests that approximately 60-70% (or $135-160 million) of these synergies would be attributable, directly or indirectly, to Promina's general insurance business. The limited number of potential acquirers of Promina in the Australian market place theoretically means that an acquirer would be under only limited pressure to pay away in the acquisition price a substantial proportion of expected synergy benefits. Competition regulation issues might further constrain the number of potential acquirers, reducing the pressure on purchasers to pay full value. However, transaction history suggests that target company shareholders are generally paid a significant proportion of total synergy benefits, especially when transactions can only be concluded on an agreed basis.

Given the current structure of the Australian general insurance industry (i.e. before the proposed Merger of Promina and Suncorp), there are few substantial rationalisation opportunities available. It is possible that competition regulatory issues would allow no more than one further significant rationalisation transaction. In this context, Promina General Insurance would be a highly attractive acquisition opportunity, particularly given the strength of its portfolio of businesses and brands. Having regard to the strategic benefits that might be delivered by an acquisition of Promina General Insurance, and the magnitude of the cost savings and other synergy benefits potentially available, Grant Samuel believes that the overall valuation range for Promina General Insurance of $5,100-5,800 million is reasonable.

8.3 Financial Services

8.3.1 Overview

Grant Samuel has valued Promina Financial Services in the range $2,100-2,300 million. The valuation represents the estimated full underlying value of Promina Financial Services and includes a premium for control. The valuation reflects the savings, synergies and other strategic benefits that may be available to potential acquirers of the business.

The financial services business of Promina was valued by aggregating the estimated market value of Promina's life risk and wealth management businesses. The valuation is summarised below:

Promina – Valuation Summary ($ millions)

	Value Range	
	Low	**High**
Life Risk	1,700	1,800
Wealth Management	600	700
External debt (Asteron New Zealand)	(156)	(156)
Total (rounded)	**$2,100**	**$2,300**

The valuation of Promina Financial Services implies the following multiples:

Promina Financial Services – Implied Valuation Multiples	Variable ($ million)	Low	High
Multiple of NPAT			
Year ended 31 December 2005	132	16.2x	17.8x
Brokers' consensus forecast year ended 31 December 2006[47]	133	16.1x	17.6x
Multiple of Embedded Value			
Embedded value as at 30 June 2006	1,445	1.5x	1.6x
Multiple of NTA			
NTA as at 30 June 2006	940	2.3x	2.5x

The valuation of Promina Financial Services is an overall judgement. It reflects the synergies that would be available to acquirers of the business and the substantial embedded value in the Asteron life risk business.

8.3.2 Life Risk

Grant Samuel has valued Promina's Asteron life risk business in the range $1,700 to $1,800 million. The valuation represents the full underlying value of the business and includes a premium for control, reflecting the savings, synergies and other strategic benefits that could be available to potential acquirers of the business.

The valuation implies the following valuation multiples:

Life Risk – Implied Valuation Multiples ($ millions)	Variable ($ million)	Low	High
Net profit after tax for the year to 31 December 2005	113	15.0x	15.9x
Embedded Value as at 30 June 2006	1,242	1.4x	1.5x

In Grant Samuel's view the implied multiples are reasonable, having regard to the following:

- Promina's estimate of the embedded value of the life risk business of approximately $1,242 million. Ernst & Young has reviewed this estimate and has advised that in its view it is not unreasonable for Grant Samuel to use this estimate of the embedded value;
- Promina's estimate of the value of one year's new business written by the life risk business of $30 million. Ernst & Young has reviewed this estimate and has advised that in its view it is not unreasonable for Grant Samuel to use this estimate of the value of one year's new business;
- the continued benefits expected to be achieved from Promina's back-office rationalisation programme;
- the opportunity for Asteron to leverage off Promina's joint venture with AA in New Zealand;
- the expected decline in earnings from shareholder funds due to the anticipated lower returns generated from Australian equities compared to the previous two years;

47 Estimated using brokers' consensus forecast for financial service division net profit before tax, adding brokers' consensus forecast for investment income on shareholders funds, and adjusting for tax.

- the prolonged, steady growth exhibited by the Australian life insurance market averaging 12% over the past five years;
- the synergy benefits that should be available to a range of potential acquirers of Promina Financial Services (including direct head office cost savings and some additional general synergies); and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in both life insurance and financial services, and the earnings multiples implied by the share prices of listed Australian companies with those activities. This evidence is set out in Appendix F.

8.3.3 Wealth Management

Grant Samuel has valued Promina's wealth management business in the range $600-$700 million. The valuation represents the full underlying value of the business and includes a premium for control, reflecting the savings, synergies and other strategic benefits that could be available to potential acquirers of the business.

The value range for Promina's wealth management business implies the following multiples:

Wealth Management – Implied Valuation Multiples

	Variable ($ million)	Low	High
Net profit after tax for year ended 30 June 2006[48]	23	26.1x	30.4x
Embedded value	203	3.0x	3.5x

In Grant Samuel's view the implied multiples are reasonable, having regard to the following:

- Promina's estimate of the embedded value of the wealth management business of $203 million. Ernst & Young has reviewed this estimate and advised that in its view it is not unreasonable for Grant Samuel to use this estimate of the embedded value;
- the strong growth achieved in recent years by the wealth management business, in the context of an industry characterised by strong funds flows and profitability;
- the significant improvement in the performance of Promina's wealth management business in the first six months of the 2006 financial year, and Promina's expectations of continued strong growth for 2007;
- the mix of businesses within the wealth management operations. New Zealand Guardian Trust, which contributes a significant proportion of the profitability of the business, may have more modest growth prospects than wealth management participants in the Australian market;
- the synergy benefits that should be available to a range of potential acquirers of Promina Financial Services (including direct head office cost savings and some additional general synergies); and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in both life insurance and financial services, and the earnings multiples implied by the share prices of listed Australian companies with those activities. This evidence is set out in Appendix F.

48 As a result of the growth in Promina's wealth management business, net profit after tax is represented by the 12 months to 30 June 2006 to generate a more meaningful calculation.

9 Valuation of Suncorp

9.1 Valuation Summary

Grant Samuel has valued Suncorp in the range $13.0-15.2 billion which corresponds to a value of $22.98-26.87 per share. The valuation represents the estimated full underlying value of Suncorp assuming 100% of the company was available to be acquired and includes a premium for control. The valuation exceeds the price at which, based on current market conditions, Grant Samuel would expect Suncorp shares to trade on the ASX in the absence of a takeover offer or other change of control proposal for Suncorp. The valuation is summarised below:

Suncorp – Valuation Summary ($ millions)

	Value Range	
	Low	**High**
Banking	6,100	7,100
General Insurance	5,600	6,600
Wealth Management	1,100	1,300
Total business value	**12,800**	**15,000**
Other assets	200	200
Total assets	**13,000**	**15,200**
Fully diluted shares on issue (millions)[49]	565.7	565.7
Value per share	**22.98**	**26.87**

The valuation takes into account $251 million of debt capital in Suncorp General Insurance.

The value attributed to the operating businesses of $13.0-15.2 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings, multiples of NTA, actuarial estimates of embedded value and discounted cash flow analysis.

For the purpose of its discounted cash flow analysis, Grant Samuel has prepared financial models that incorporate various assumptions regarding the future financial performance of Suncorp's businesses. The valuation parameters adopted, and the associated calculations of future earnings and dividends, do not represent forecasts or projections by Grant Samuel, and Grant Samuel does not provide any assurance or warranty that they will be achieved. The valuation parameters, and the associated future earnings and dividends, are merely assumptions adopted for the purposes of the valuation. The models' assumptions have been determined solely by Grant Samuel. The assumptions may differ from the assumptions and expectations of Suncorp management as to the future performance of Suncorp's businesses. Nothing in this report should be taken to imply that Grant Samuel's assumptions have been endorsed by Suncorp.

The earnings multiples and net tangible assets multiples implied by the valuation of Suncorp are summarised below:

Suncorp – Implied Valuation Parameters

	Variable ($ million)	Low	High
Multiple of net profit after tax			
Year ended 30 June 2006 actual	916	14.2x	16.6x
Brokers' consensus forecast year ending 30 June 2007	870	14.9x	17.5x
Multiple of NTA at 30 June 2006			
Geared	3,309	3.9x	4.6x

The valuation reflects the particular attributes of Suncorp's businesses and takes into account the following:

[49] The number of shares on issue on a fully diluted basis assumes the exercise of approximately 84,000 exercisable share options.

- since its creation in 1996 through the merger of Suncorp Insurance, QIDC and Metway Bank, Suncorp has become a substantial financial institution. Following its acquisition and integration of the GIO general insurance business from AMP in 2001, Suncorp is now Australia's fourth largest general insurer and sixth largest bank. Suncorp has generated strong growth in earnings and has outperformed the market in recent years;
- the Suncorp brand and Suncorp's market position are particularly strong in Queensland; and
- both Suncorp's banking business and its general insurance operations (if available to be acquired) would be attractive acquisitions, potentially offering significant synergies and strategic value to acquirers.

9.2 Banking

9.2.1 Summary

Grant Samuel has valued Suncorp's banking business in the range of $6,100-7,100 million. This value range includes a premium for control of the business, which includes an assessment of the potential synergy benefits and resultant incremental value that could be available to a third party that acquired the banking business. The valuation reflects evidence as to value derived from a variety of different approaches:

- a comparison of the multiples of historical and prospective earnings implied by the valuation with trading and transaction multiples for Australian banks;
- a comparison of the multiples of net tangible assets implied by the valuation with those implied by trading and transaction multiples for Australian banks;
- estimates of present values of future free cash flows from the banking business, based on a dividend discount model; and
- an analysis of potential net cost savings and other synergy benefits that could be available to potential acquirers of Suncorp's banking business.

The valuation of the banking business is an overall judgement based on a range of factors. It implies the following multiples of earnings and net tangible assets:

Suncorp Banking Business – Implied Valuation Multiples

	Variable ($ millions)	Low	High
Multiples of NPAT			
Year ended 30 June 2006 actual	354	17.2x	20.1x
Brokers' consensus forecast year ending 30 June 2007	388	15.7x	18.3x
Multiples of NTA			
NTA as at 30 June 2006	1,665	3.7x	4.3x

9.2.2 Market Evidence on Valuation Multiples

The multiples of listed Australian major and regional banks are summarised below:

Sharemarket Ratings of Listed Australian Banks					
Company	Market Capital-isation ($ millions)	PE Multiple			Geared NTA Multiple
		Historical	Forecast Year 1	Forecast Year 2	Historical
Major Australian Banks					
National Australia Bank	A$69,008.1	17.3x	15.0x	13.5x	2.9x
Commonwealth Bank	A$61,803.6	16.3x	14.4x	13.1x	4.7x
ANZ Banking Corporation	A$54,189.8	14.9x	13.6x	12.4x	3.2x
Westpac Banking Corp	A$45,811.9	15.0x	13.5x	12.4x	3.4x
Median		***15.7x***	***14.0x***	***12.7x***	***3.3x***
Simple average		***15.9x***	***14.1x***	***12.9x***	***3.5x***
Regional Australian Banks					
St George Bank Limited	A$18,222.8	17.2x	15.5x	14.1x	4.5x
Bendigo Bank Limited	A$2,184.6	18.7x	18.6x	16.4x	2.7x
Bank of Queensland Limited	A$1,727.3	20.0x	17.3x	15.0x	3.0x
Adelaide Bank Limited	A$1,602.2	16.1x	14.1x	12.5x	2.3x
Median		***18.0x***	***16.4x***	***14.5x***	***2.8x***
Simple average		***18.0x***	***16.4x***	***14.5x***	***3.1x***

The multiples reflect the prices at which non-controlling portfolio interests trade on the Australian Stock Exchange and do not incorporate a premium for control. Further detail on these companies is set out in Appendix F.

The regional banks (including St George) trade on higher multiples than the major banks. Reasons for this may include:

- the regional banks have experienced relatively higher lending portfolio growth rates over the past five years. The regional banks' lending portfolios are skewed towards residential lending, which has grown at higher rates than business lending over the period;
- the regional banks have experienced strong growth from business lending (in particular SME) in recent years. Although this growth has been insignificant in market share terms, it has made a significant impact on overall credit growth for the regionals given their relatively low starting points;
- the regional banks have benefited from the customer backlash against branch closures and lower service levels by the majors since the late 1990's. Although the majors have improved service levels, the service advantage still lies in favour of the regionals, as evidenced by their superior customer satisfaction ratings; and
- a market perception that there is a greater likelihood of consolidation in the regional banking sector than amongst the major banks.

The valuation multiples observed in acquisitions of banks and other lending institutions are summarised below:

Recent Transaction Evidence – Banks and Lending Institutions						
Date	Target	Acquirer	Equity Component of Consideration ($ millions)	PE Multiple Multiple		Geared NTA Multiple
				Historical	Forecast	Historical
Banks						
Oct 2003	National Bank of New Zealand	ANZ	A$4,915	11.2x	7.2x	2.7x
May 2003	Bank of Western Australia	HBOS	A$2,452	15.7x	14.2x	1.9x
Nov 1999	Trust Bank of Tasmania	Colonial Limited	A$149	18.2x	nc	1.1x
Apr 1997	Bank of Melbourne	Westpac	A$1,436	15.3x	14.8x	2.2x
Oct 1996	Advance Bank	St George	A$2,622	13.4x	nc	2.7x
May 1996	Metway Bank	Suncorp/QIDC	A$786	15.1x	14.5x	1.9x
Other lending institutions						
Sep 2006	Police & Nurses Credit Society Ltd	Home Building Society	A$243	20.0x	nc	2.1x
Aug 2006	Pioneer Permanent Building Society	Bank of Queensland	A$50	25.5x	23.5x	2.5x
Aug 2005	State West Credit Society	Home Building Society	A$234	32.9x	nc	4.1x
Sep 2001	NRMA Building Society	HSBC Bank Australia	A$139	nmc	nc	1.9x
Jun 2000	First Australian Building Society	Bendigo Bank Limited	A$144	15.5x	18.1x	1.3x
Mar 2000	Colonial Limited	CBA	A$10,196	22.2x	nc	2.0x
Mar 1999	IOOF Building Society	Bendigo Bank Limited	A$43	15.8x	nc	2.8x

The multiples vary widely. Multiples may be affected by issues such as quality and composition of loan portfolios, anticipated customer and portfolio attrition, non-banking income sources and synergies and cost savings available to the acquirer.

In addition, the lending and overall economic environment at the time of each transaction needs to be considered when interpreting the multiples. In this regard, the banking sector experienced a significant downturn during the early 1990's, and the subsequent recovery period from mid to late 1990's was marked by industry consolidation and the privatisation of several government owned banking operations. The transaction multiples from this period reflect, in part, the lower valuation levels prevalent in the banking sector during this time.

The multiples observed from the transactions involving non-bank lending institutions are generally higher than for the banks. This possibly reflects their greater reliance on retail lending and funding, and greater profitability relative to the banks. Given these operational differences, the non-bank transaction multiples are arguably less relevant than the bank transactions. On the other hand, the multiples suggest that institutions with traditional regional lending and deposit bases attract premium valuations in change of control transactions.

9.2.3 Analysis

Grant Samuel's valuation of Suncorp's banking business in the range $6,100-7,100 million implies the following multiples of earnings and net tangible assets:

Suncorp Banking Business – Implied Valuation Multiples			
	Variable ($ millions)	Low	High
Multiples of NPAT[50]			
Year ended 30 June 2006 actual	354	17.2x	20.1x
Brokers' consensus forecast year ended 30 June 2007	388	15.7x	18.3x
Multiples of NTA[51]			
NTA as at 30 June 2006	1,665	3.7x	4.3x

The implied earnings multiples are somewhat higher than the trading multiples observed for the major Australian banks and for Adelaide Bank, and are broadly comparable to the multiples observed for the other regional banks (including St George). The implied earnings multiples are higher than those observed in transactions involving bank acquisitions (with the exception of Colonial Limited's acquisition of the Trust Bank of Tasmania in 1999), but below those for acquisitions of non-bank lending institutions. The implied net tangible asset multiples are higher than those observed for all of the banks except Commonwealth Bank and St George.

In Grant Samuel's view the implied valuation multiples are reasonable, having regard to the market evidence and the following factors relating to Suncorp's banking business:

- Suncorp's banking business has shown substantial growth over the past five years. Whilst the industry has experienced increasing levels of competition across all banking lines, favourable economic conditions and strong levels of retail and business investment have created a close to optimal growth environment for Suncorp over this period;
- in the medium term the bank may face a more competitive and possibly less propitious environment, characterised by a shift in credit growth from housing to business, intensifying competition from domestic and overseas banks and continued pressure on margins and fee income. Suncorp will need to adapt to, and capture growth from, changing product and lending trends . In particular, it will need to continue to generate growth via the broker and indirect origination segments;
- the bank would be an attractive takeover target in the context of any industry consolidation activity in future years;
- Suncorp's business model has captured features of both the major and regional banks. Its receivables mix, interest margins and costs suggest that it is more comparable to St George and the major banks than to the regionals. On the other hand, Suncorp has retained a strong customer service focus and has a thriving regional branch network. Accordingly, Suncorp is arguably better positioned than its regional bank peers to weather the tightening credit, pricing and competitive environment that is affecting the Australian banking sector;
- initiatives undertaken in late 2006 to improve broker originated business have succeeded in lifting the bank's credit growth momentum going into 2007. Similarly, the improving rate of referrals coming through the bank's LJ Hooker franchise business is a positive;
- Suncorp does not appear to be compromising credit quality at the expense of pursuing receivables growth. The increase in impaired assets in 2006 related mainly to certain loans in the construction and development segment and the bank has low loan concentration levels and a highly secured portfolio;

50 Net profit after tax for 2006 is based on an assumed tax rate of 30%. Forecast NPAT for 2007 represents the median of consensus broker forecasts for net profit before tax for the banking business, adjusted for tax at 30%.

51 NTA as at 30 June 2006 of $1,665 million was calculated by deducting intangible assets of $82 million from the banking division net assets of $1,747 million.

- the bank's Queensland focus is a positive:
  - Queensland's housing and property development markets are showing signs of recovery; and
  - business lending growth in Queensland is expected to outstrip growth in other states in the short to medium term;
- Suncorp's strategy of increasing average loan size in business lending and greater participation in the structured corporate lending segment should support business lending growth for the bank. Offsetting this to some degree is the bank's lack of exposure to certain high value growth industries and lending segments; and
- Suncorp is an attractive takeover target for parties wishing to strengthen their position in the Queensland banking market. However, potential acquirers would need to overcome the legislative hurdles that require Suncorp's head office to remain in Queensland.

9.2.4 Dividend Discount Model

Grant Samuel has prepared a high level dividend discount model that provides a range of equity value estimates for the banking business. The model calculates the present value of future dividends, based on future distributable post-tax profits adjusted for the bank's earnings retention requirements for capital adequacy purposes.

The main features of the model are:

- the model runs from 1 July 2006 to 30 June 2016;
- the model includes year by year assumptions for 2007 to 2009, and thereafter is based on long term assumptions and trends for the remaining periods;
- the model incorporates separate growth rate assumptions for the bank's housing lending and business lending portfolios;
- net interest earnings are based on projected net interest margins for the bank;
- fee income is based on its projected percentage of total banking income;
- operating costs are based on projected cost to income ratios for the bank;
- the model assumes that capital adequacy levels are maintained in future years through a combination of retained earnings and eligible tier 1 capital issuance;
- loan loss expenses are based on an assumed level of impaired assets relative to total receivables, and the percentage of loan losses relative to impaired assets;
- the calculated future dividends are discounted to a present value using discount rates of 10-11%, representing an estimated cost of equity for the banking business. The derivation of this cost of equity range is set out in detail in Appendix G; and
- the model incorporates a terminal value based on calculated dividends for the year ending 30 June 2017 and incorporating a terminal growth rate of 5%.

The operating assumptions for the model were made having regard to forecasts for the three years ending 30 June 2009 prepared by Suncorp management. The board of Suncorp has not considered or approved these management estimates, and therefore they have not been disclosed in this report.

The valuation parameters adopted, and the associated calculations of future earnings and dividends, do not represent forecasts or projections by Grant Samuel, and Grant Samuel does not provide any assurance or warranty that they will be achieved. The valuation parameters, and the associated future earnings and dividends, are merely assumptions adopted for the purposes of the valuation. The model's assumptions have been determined solely by Grant Samuel. The assumptions may differ from the assumptions and expectations of Suncorp management as to the future performance of Suncorp's banking business. Nothing in this report should be taken to imply that Grant Samuel's assumptions have been endorsed by Suncorp.

The model's base case assumptions are summarised below:

Suncorp Banking Business – Dividend Discount Model Assumptions

	Period ended 30 June			Long Term
	2007	2008	2009	
Annual growth in housing lending	14%	10%	8%	7% to 8%
Annual growth in non-housing lending	16%	14%	12%	6% to 9%
Impaired assets/total receivables	50bps	60bps	60bps	70bps
Net interest margin	1.98%	1.89%	1.83%	1.75%
Fee income/total banking income	14.9%	14.5%	14.2%	13.8%
Cost to income ratio	45%	44%	43%	43%
Loan loss expense/impaired assets	20%	20%	20%	25-35%
Corporate tax rate	30%	30%	30%	30%
Assumed growth rate for terminal value	na	na	na	5%

The lending assets, earnings and dividends calculated by the model are summarised in the following table:

Suncorp Banking Business – Dividend Discount Model Outputs ($ millions)

	Period ended 30 June			
	2007	2008	2009	2016
Total lending assets (less impairment provision)	44,373	49,563	58,826	86,333
Net interest income	903	967	1,030	1,553
Fee income	158	164	170	248
Net profit before tax	547	585	608	858
Net profit after tax	383	410	426	600
Dividends	773	230	280	427

The value estimates for the banking division produced by the model are summarised below:

Suncorp Banking Business – Dividend Discount Model Analysis ($ millions)

	Discount Rate	
	11.0%	10.0%
Base case	5,059	5,998
Long term lending growth 50% lower	4,777	5,616
Long term lending growth 50% higher	5,303	6,333
Impaired assets to total receivables +10 bps	4,841	5,733
Impaired assets to total receivables -10 bps	5,276	6,263
Net interest margin -10 basis points	4,667	5,516
Net interest margin +10 basis points	5,450	6,480
Cost to income ratio + 2%	5,299	6,294
Cost to income ratio - 2%	4,818	5,702
Target capital adequacy ratio reduced to 9.5%	5,181	6,134

A significant component of the total present value calculated by the model is attributable to the terminal value. This value is highly dependent on the assumed growth rate of dividends in perpetuity. The base case assumes perpetual growth in dividends of 5%.

Grant Samuel has tested the sensitivity of the calculated value to changes in the terminal growth rate assumption:

Suncorp Banking Business – Dividend Discount Model Analysis ($ millions)		
	Discount Rate	
	11.0%	10.0%
3% terminal growth	4,361	4,955
4% terminal growth	4,660	5,390
5% terminal growth (base case)	5,059	5,998
6% terminal growth	5,617	6,910
7% terminal growth	6,454	8,431

The dividend discount model provides an indication of the stand-alone value for the core business but does not capture any potential cost reductions or synergies that may be available to an acquirer of the business.

Considerable caution needs to be exercised when interpreting the results of the dividend discount analysis. The future performance of the business will be subject to a variety of factors, including system credit growth, interest rates and margins, and credit quality issues, none of which is capable of prediction with any confidence. A relatively wide range of reasonably credible scenarios for the future performance of the business can be developed.

Notwithstanding these uncertainties, Grant Samuel believes that the values produced by the dividend discount model generally support a broad range of values for Suncorp's banking business of $5,000-6,000 million (before taking into account any potential cost reductions or synergies that may be available to an acquirer of the business).

9.2.5 Value of Synergy Benefits

Grant Samuel has attributed an overall value to Suncorp's banking business of $6,100-7,100 million. This valuation range includes a premium for control. Grant Samuel's dividend discount analysis suggests a value for the business on a standalone basis of around $5,000 to $6,000 million. An acquirer of Suncorp's banking business should be able to achieve significant synergies. A significant portion of the value of these synergy benefits would be expected to be realised in a change of control transaction. The implicit control premium element (value attributable to synergy benefits) in Grant Samuel's valuation of Suncorp's banking business is of the order of $1,100 million.
In Grant Samuel's view a control premium of this order of magnitude is reasonable. It represents around 20% of the estimated standalone value.

The history of Australian regional bank and building society acquisitions by larger banks indicates cost savings broadly in the range of 20-40% of the target company's cost base. In the case of Suncorp's banking business, the available cost savings are likely to be at the lower end of this range, reflecting the fact that the business already operates at cost to income ratios close to those of the major Australian banks. In addition, many of the cost efficiencies in the bank are the result of sharing administrative and technical services with the insurance and wealth management divisions. Consequently, these efficiencies might be lost if the bank was acquired on a stand-alone basis.

Grant Samuel has estimated an indicative value of $900-1,400 million for the potential synergy benefits that may be available to potential acquirers of Suncorp's banking business. This value has been calculated by capitalising the estimated synergy benefits, and deducting an estimate of the one-off implementation costs associated with achieving these synergies, as set out below:

Suncorp Banking Business – Value of Synergy Benefits		
Assumptions	**Low Value**	**High Value**
Synergies available - % of Suncorp banking pre-tax cost base	20%	25%
Multiple of capitalisation (post tax cost savings)	16x	18x
Implementation costs (% of annual cost savings achievable)	200%	200%
Calculation ($ millions)		
Annual cost savings available (FY2007 post-tax)	67	83
Capitalised value of synergies	1,066	1,499
Implementation costs	(134)	(166)
Net value of synergies	932	1,333
Grant Samuel's estimate of value of synergies	**900**	**1,400**

Note: The indicative estimates of synergies and synergy values set out above are Grant Samuel's estimates and should not be taken to reflect the views of Suncorp.

The cost savings represented above are an estimate only, and will not be available to every potential acquirer of Suncorp's banking business. The amount of cost savings accessed will be dependent on factors such as the acquirer's existing administrative infrastructure and support services, and the extent of any overlap in markets and products between the businesses. However this value range is considered a reasonable estimate of the general level of synergies inherent in the banking business. In Grant Samuel's view this synergy value estimate is consistent with the value attributable to synergy benefits in Grant Samuel's overall valuation of Suncorp's banking business in the range $6,100-7,100 million.

9.3 General Insurance

9.3.1 Overview

Grant Samuel has valued Suncorp General Insurance in the range $5,600–6,600 million. The valuation includes a premium for control of the general insurance business. It includes the value of Suncorp's managed insurance schemes business and its 50% interests in the RACQ and RAA joint ventures, and incorporates a deduction of $195 million for subordinated notes that form part of the capital structure of Suncorp General Insurance. The valuation is summarised as follows:

Suncorp General Insurance – Valuation Summary ($ millions)		
	Value Range	
	Low	**High**
General insurance business – gross value	5,800	6,800
Net borrowings	(195)	(195)
Total (rounded)	**5,600**	**6,600**

The valuation is based on both capitalisation of earnings and a discounted cash flow analysis. The valuation reflects the particular attributes of Suncorp's general insurance business and takes into account factors such as:

- Suncorp General Insurance's historical performance, market position and short to medium term growth outlook. Suncorp General Insurance has reported strong growth in earnings in recent years. Reported earnings have been bolstered by significant reserve releases. It appears that Suncorp remains conservatively provisioned, particularly for its long tail business, and there is the potential for further significant reserve releases, at least for the next four years;
- Suncorp's growth outlook. Growth in GWP for Suncorp's CTP business is expected to be flat in the short term, with the claims benefits from tort reform being passed on to customers via premium reductions;

- regulatory risk. In the longer term, Suncorp is exposed to the risk that returns from its CTP business will be compressed, given the regulated pricing basis for both the Queensland and New South Wales CTP schemes;
- the synergy benefits that would potentially be available to a range of potential acquirers of Suncorp General Insurance;
- the strategic attractiveness of Suncorp General Insurance to potential acquirers that currently have limited exposure to the fast growing Queensland market place; and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in general insurance and the earnings multiples implied by the share prices of listed Australian companies with those activities.

9.3.2 Capitalisation of Earnings

Overview

The multiples implied by the valuation of Suncorp General Insurance are summarised below:

Suncorp General Insurance – Implied Valuation Multiples

	Variable ($ millions)	Low	High
Multiple of GWP			
Year ended 30 June 2006 actual	2,610.6	2.2x	2.6x
Brokers' consensus forecast year ended 30 June 2007	2,632.0	2.2x	2.6x
Multiple of Insurance Trading Result			
Year ended 30 June 2006 actual	474.4	12.2x	14.3x
Brokers' consensus forecast year ended 30 June 2007	450.0	12.9x	15.1x
Multiple of NPAT			
Year ended 30 June 2006 actual[52]	495.3	11.2x	13.2x
Brokers' consensus forecast year ended 30 June 2007[53]	411.6	13.5x	15.9x
Multiple of NTA			
NTA as at 30 June 2006 (geared)	1,380.0	4.1x	4.8x

Transaction Multiples

Appendix F sets out transaction multiples for a number transactions involving Australian general insurance companies. The transaction multiples reflect the prices paid in change of control transactions for the relevant businesses. The transactions imply a wide range of multiples. In broad terms, the transaction evidence indicates historical NPAT multiples of 8-20 times and forecast NPAT multiples of 7-24[54] times.

Transaction prices reflect a variety of factors, including expected synergy benefits, the perceived strategic attractiveness of the target, and expected or actual competition for the asset. The overall economic environment also plays a major role. The general insurance industry made underwriting losses for the five years to 2002, relying on investment income to generate profits. Market consolidation since 2003, regulatory changes and an upturn in the insurance cycle have allowed the industry to return to underwriting profits. Accordingly, considerable caution needs to be exercised when comparing the multiples implied by the valuation of Suncorp General Insurance with historical transaction multiples.

52 Applying the company's effective tax rate of 28% to profit before tax of $691 million.

53 Applying a corporate tax rate of 30% to the consensus forecasts net profit before tax for the year ending 30 June 2007 of $588 million.

54 Less information is available for forecast transaction multiples than historical multiples.

Trading Multiples

Appendix F sets out trading multiples for a number of Australian and international general insurance companies. The multiples are based on sharemarket prices and do not include a premium for control. In broad terms, the trading multiples for Australian companies indicate historical NPAT multiples of 11.8-19.4 times and forecast NPAT multiples of 14.5-15.3 times. International general insurers trade at historical NPAT multiples of 12.1-19.4 times and forecast NPAT multiples of 8.7-12.2 times.

A number of factors should be considered when analysing the sharemarket data. In particular:

- the companies most comparable to Suncorp General Insurance in terms of business activities and market outlook are the Australian insurers, in particular IAG and Promina, with the former representing a pure general insurance player. Approximately 70% of Promina's profit is from general insurance;
- QBE, although a pure general insurance player, is less comparable as approximately 74% of its earnings are generated outside Australia and the vast majority of its portfolio consists of commercial lines. The relatively high multiple of 15.3 times forecast earnings on which it trades reflects its strong track record in growth through acquisitions and its well regarded risk management;
- Australian general insurance companies trade at significantly higher multiples than comparable international comparables. Offshore general insurance companies face different industry, market and regulatory environments, and operate in markets with different growth and inflationary expectations, interest rates and tax regimes. The lack of comparability is compounded by differences in accounting standards that result in Australian general insurance companies trading at much higher NTA multiples and reporting higher returns on equity. In addition to the accounting differences, the earnings multiples of international general insurance companies appear to have been compressed since 2001. The Australian general insurers have benefited from the recent tort reforms and have become, in aggregate, significantly more profitable.

Analysis and Conclusions

The multiples implied by the valuation of Suncorp General Insurance in the range 11.2-13.2 times historical NPAT and 13.5-15.9 times forecast NPAT are broadly consistent with comparable Australian listed companies' trading multiples and the transaction multiples set out above.

In Grant Samuel's view the multiples are reasonable, having regard to the specific features of Suncorp's general insurance business. In particular:

- Suncorp's historical earnings have improved substantially in recent years, culminating in a record profit in FY2006;
- Suncorp has a strong position in Queensland, which has the fastest population growth of all Australian states (an important underlying driver in the general insurance business);
- given its strong position in Queensland, Suncorp General Insurance could be strategically extremely attractive to potential acquirers with limited operations in the Queensland market;
- the strong Suncorp brand in Queensland allows the company to charge premium prices in certain insurance lines;
- Suncorp General Insurance enjoys a strong competitive position in respect of a number of its business lines; and

- Suncorp General Insurance is growing its market share in the underwritten workers' compensation insurance, although this represents a relatively small part of its overall business.

On the other hand:

- the recent reported earnings of Suncorp General Insurance have benefited materially from reserve releases. The results for the year ended 30 June 2006 include net reserve releases of $204 million[55], which are predominantly one-off in nature;
- Suncorp expects that in the short term the performance of Suncorp General Insurance will continue to benefit from substantial reserve releases (reflected in the company's guidance of 16%-19% insurance trading result margins), after which it expects performance to return to more normal levels of 11%-14% margins. Consequently, the brokers' consensus earnings forecasts for the next two years are distorted by the expected reserve releases and less representative of sustainable future profitability;
- Suncorp General Insurance has benefited materially from the impact of tort reforms on its compulsory third party insurance business in Queensland and New South Wales. However, competition has intensified as the benefits are passed on to consumers in the form of lower premiums. Despite top line growth pressures, the CTP business still enjoys strong margins but these may deteriorate as competition intensifies. Any reductions in premium rates by Suncorp to defend its strong position in Queensland are likely to flow through to its existing book. The CTP business line is important to Suncorp as it represents approximately 20% of its revenue;
- in addition to the top line growth pressures in CTP, other factors are likely to pose challenges to Suncorp General Insurance's continued growth in gross written premiums. These include vigorous competition in commercial lines (although Suncorp's directly distributed commercial business in the small market segment may be less susceptible to margin pressure) and increased competition in the personal lines business in Queensland as competitors attack Suncorp's strong position. Suncorp has been slowly losing market share in its core Queensland CTP business. Recent reforms of the New South Wales CTP scheme and increased competitive activity may reduce the profitability of Suncorp General Insurances' New South Wales CTP business; and
- while Suncorp is a powerful brand in Queensland, the GIO brand is far weaker in Victoria and New South Wales.

[55] Central estimate reserve release of $337 million less current accident period strain of $80 million and net risk margin strain on current period business of $53 million.

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9.3.3 Discounted Cash Flow Analysis

Grant Samuel's valuation of Suncorp General Insurance has also had regard to the results of a discounted cash flow analysis.

Grant Samuel has prepared a high level dividend discount model that estimates the value of Suncorp General Insurance on a standalone basis. The model does not incorporate the synergies or other merger benefits that might be available to an acquirer of Suncorp General Insurance.

The model calculates earnings for a ten year period, with projected dividends calculated having regard to the earnings retention requirements for capital adequacy purposes and reserve releases during the earlier years. The model calculates a terminal value at the end of the ten year explicit model period.

The model is based on detailed assumptions regarding the following key portfolios within Suncorp General Insurance:

- short tail personal lines (including motor and home for all States). Just over 40% of this portfolio consists of home insurance;
- CTP for Queensland and New South Wales;
- commercial (both short and long tail); and
- workers' compensation and other.

The model values the general insurance business on an ungeared basis. It does not take into account $251 million of debt ($195 million in subordinated notes and $56 million floating rate debt), which forms part of the capital base of Suncorp General Insurance. This amount has been separately subtracted from the valuation. No separate value has been attributed to the net cash used as working capital within the business.

For each major portfolio, assumptions were adopted for the following valuation parameters:

- future expected growth of that portfolio based on underlying market growth;
- Suncorp's current market share and its ability to maintain or grow that market share over the forecast period;
- growth in premium revenues, reflective of structural and regulatory changes, competitive pressure, inflation and super inflation as well as any factors specific to that portfolio; and
- economic profitability.

In adopting the relevant valuation parameters, Grant Samuel had regard to longer term forecasts prepared by Suncorp management (which have not been formally adopted by Suncorp). In addition, the valuation parameters that were adopted reflect Grant Samuel's judgemental assessments of the sustainability of current underlying profitability in the longer term, as well as of the rates of return on capital that will be required by participants in the general insurance industry.

The valuation parameters adopted, and the associated calculations of future earnings and dividends, do not represent forecasts or projections by Grant Samuel and Grant Samuel does not provide any assurance or warranty that they will be achieved. The valuation parameters adopted, and the associated future earnings and dividends, are merely assumptions adopted for the purposes of the valuation. The model's assumptions have been determined solely by Grant Samuel. The assumptions may differ from the assumptions and expectations of Suncorp management as to the future performance of Suncorp General Insurance. Nothing in this report should be taken to imply that Grant Samuel's assumptions have been endorsed by Suncorp.

The dividend discount model incorporates the following assumptions:

- future dividends were discounted to a net present value based on nominal discount rates of 9.5-10.5%. These discount rates are consistent with estimates of the weighted average cost of capital that would apply for an insurance underwriting business, assuming 100% equity funding and a cost of equity estimated on the basis of a beta of 0.7 to 0.9 and a risk free rate of 5.5% (approximating the Australian 10 year government bond rate around November 2006). The derivation of this cost of equity range is set out in detail in Appendix G;
- a terminal value was calculated on the basis of nominal growth in dividends in perpetuity of 5%. Given current inflation rates in the approximate range 2.5-3.0%, this implies low rates of growth in dividends in real terms;
- the corporate tax rate is 30% throughout the forecast period;
- MCR coverage ratio of 1.6 times is maintained which is consistent with industry benchmarks;
- income on technical reserves is assumed to be earned at the risk free rate, while income from investments representing shareholder funds is conservatively assumed to yield 250 basis points above the risk free rate, reflecting an investment portfolio with an asset allocation of 40% Australian equities, 10% international equities, 32.5% fixed interest, 12.5% cash and short term deposits and 5% property;
- reserve releases totalling $460 million are assumed to be taken to profit over the first four years;
- gross written premiums in the commercial and CTP portfolios decrease in the immediate short term, but increase in the longer term. This is consistent with an expected decline in premiums arising from tort reforms in the near term and a more competitive commercial environment over time. Growth in gross written premiums in short tail personal lines is expected to continue at recent rates in the short term and then more slowly over the longer term. Gross written premiums in the workers' compensation business are expected to show limited growth in the short term and then to grow at broadly the same rate as gross domestic product in the longer term; and
- profitability declines in the short term in both the commercial and workers' compensation portfolios. Profitability in the short tail personal portfolio increases slightly, reflecting Suncorp's recent claims initiatives and the ability to achieve greater cost efficiencies through economies of scale as this portfolio grows. CTP profitability remains stable in the short term (before reserve releases) but declines in the longer term, reflecting regulatory and competitive pressures.

The outputs of the model are summarised below:

Suncorp General Insurance Business – DCF Cashflows[56] ($ millions)						
	Period ended 30 June					2016
	2007	2008	2009	2010	2011	
Gross written premiums	**2,641**	**2,742**	**2,881**	**3,017**	**3,174**	**4,095**
Insurance trading result[57]	397	401	410	417	320	424
Investment income – shareholder funds	97	101	106	111	117	156
Net profit before tax	**494**	**502**	**516**	**528**	**437**	**580**
Tax (@ 30%)	(148)	(151)	(155)	(159)	(131)	(174)
Net profit after tax	**346**	**352**	**361**	**370**	**306**	**406**
Dividend payments – current year profits	346	328	319	329	220	293
Dividend payments – retained earnings[58]	236	-	-	-	-	-
Total return to shareholders	**581**	**328**	**319**	**329**	**220**	**293**

The model is highly sensitive to assumptions regarding the long run profitability of the business (as expressed in terms of insurance trading result). Judgements regarding future profitability are subject to extreme uncertainty, because future profitability will reflect a complex interplay of factors such as industry structure, regulatory regime, competitive dynamics, investor return requirements, community expectations, political issues and other matters. Grant Samuel has assumed that, ultimately, competitive, regulatory and investor return requirements will tend to result in general insurance companies across the industry earning returns on capital that modestly exceed their costs of capital, with the extent of any "super return" for any individual market participant determined by its efficiency relative to its competitors.

The following table sets out the impact on calculated net present values of a range of variations in assumptions regarding long run profitability, together with the returns on capital implied by the long run profitability assumptions. The values set out in the table include values attributed to Suncorp's insurance joint venture interests and its managed insurance scheme activities (but exclude any value attributable to synergies).

Suncorp General Insurance – NPV Outcomes ($ millions)			
Long Run ITR	Long Run ROE	Discount Rate	
		10.5%	9.5%
10.0%	13.7%	4,322	5,019
11.0%	14.6%	4,637	5,404
12.0%	15.6%	4,952	5,789

For long run insurance trading result margins of around 10-12%, the dividend discount model estimates a value for Suncorp's general insurance business in the approximate broad range $4,300-5,800 million.

Suncorp has indicated to the market that it believes that long run insurance trading result margins of 11-14% should be sustainable. These margins are greater than those assumed by Grant Samuel for the purpose of its analysis. The following table shows values calculated on the basis of Suncorp's long run assumptions, together with the returns on capital implied by those assumptions:

56 Does not include managed schemes and joint ventures, which have been valued separately. Also excludes interest expense from debt.

57 FY2007 to FY2010 include reserve releases totalling $460 million.

58 Reflects predominately the release of capital as the MCR ratio is assumed to reduce from 1.79 times to 1.60 times in FY2007.

Suncorp General Insurance – NPV Outcomes: Greater Long Term Profitability[59] ($ millions)			
Long run ITR	Long run ROE	Discount Rate	
		10.5%	9.5%
11.0%	14.6%	4,637	5,404
12.0%	15.6%	4,952	5,789
13.0%	16.6%	5,267	6,173
14.0%	17.6%	5,582	6,558

The terminal value represents a very large component of overall value, contributing (on the basis of a 9.5-10.5% discount rate) $2,063-2,761 million or approximately 50-56% of the total calculated net present value. The terminal value represents multiples of 13.0-15.9 times trailing net profit after tax. In Grant Samuel's view these multiples are reasonable.

A change in the assumed rate of growth of dividends for the purpose of estimating the terminal value of the business (i.e. the value at the end of year 10) results in significant changes in value:

Suncorp General Insurance – NPV Outcomes[60] ($ millions)		
Terminal Growth Rates	Discount Rate	
	10.5%	9.5%
4.0%	4,303	4,880
5.0%	4,637	5,404
6.0%	5,119	6,227
7.0%	5,877	7,707

Caution must be exercised in assessing the results of the indicative DCF analysis, given the inherent uncertainty in relation to Suncorp's future cash flows and the extreme sensitivity of calculated values to small changes in key assumptions. However, in Grant Samuel's view, the DCF analysis provides general support for a range of values for Suncorp's general insurance business on a standalone basis of $4,800-5,800 million. The top end of this range reflects a more positive assumption about long run profitability of the business, consistent with Suncorp's expectations of long run profitability. The range of values of $4,800-5,800 million does not incorporate any value for the synergies that should be available to potential acquirers of the business.

9.3.4 Value of Synergy Benefits

Grant Samuel has attributed an overall value to Suncorp General Insurance (before deducting debt capital) of $5,800-6,800 million. This valuation range includes a premium for control. Grant Samuel's dividend discount analysis suggests a value for the business on a standalone basis of around $4,800-5,800 million. An in-market acquirer of the business should be able to achieve significant synergies. A significant portion of the value of these synergy benefits would be expected to be realised in a change of control transaction. The implicit control premium element (value attributable to synergy benefits in Grant Samuel's valuation of Suncorp General Insurance) is around $1,000 million.

In Grant Samuel's view a control premium of this order of magnitude is reasonable. It represents around 16% of the estimated standalone value. Suncorp has estimated that it should be able to realise net annual synergy benefits of around $225 million through the acquisition of Promina. Grant Samuel's analysis suggests that approximately 60-70% (or $135-160 million of these synergies would be attributable, directly or indirectly, to Promina's general insurance business. Synergies of a similar order of magnitude should be

59 The values set out in the table include values attributed to Suncorp's insurance joint venture interests and its managed insurance scheme activities but excludes synergies.

60 The values set out in the table include values attributed to Suncorp's insurance joint venture interests and its managed insurance scheme activities but excludes synergies.

available to an in-market acquirer of Suncorp. The limited number of potential acquirers of Suncorp in the Australian market place theoretically means that an acquirer would be under only limited pressure to pay away in the acquisition price a substantial proportion of expected synergy benefits. However, transaction history suggests that target company shareholders are generally paid a significant proportion of total synergy benefits, especially when transactions can only be concluded on an agreed basis.

Given the current structure of the Australian general insurance industry (i.e. before the proposed Merger of Promina and Suncorp, there are few substantial rationalisation opportunities available. It is possible that competition regulatory issues would allow no more than one further significant rationalisation transaction. In this context, Suncorp General Insurance would be a highly attractive acquisition opportunity, particularly given its strength in the Queensland market place, where other major participants in the Australian general insurance market have more limited operations. Having regard to the strategic benefits that might be delivered by an acquisition of Suncorp General Insurance, and the magnitude of the cost savings and other synergy benefits potentially available, Grant Samuel believes that the overall valuation range for Suncorp General Insurance (before deducting debt capital) of $5,800-6,800 million is reasonable.

9.4 Wealth Management

9.4.1 Overview

Grant Samuel has valued Suncorp's wealth management business in the range $1,100-$1,300 million. The valuation represents the estimated full underlying value of Suncorp's wealth management business and includes a premium for control. The valuation reflects the savings, synergies and other strategic benefits that may be available to potential acquirers of the business.

The business was valued by aggregating the estimated market value of Suncorp's life risk and funds management businesses. The valuation is summarised below:

Suncorp Wealth Management – Valuation Summary ($ millions)

	Value Range	
	Low	**High**
Life Risk	850	1,000
Funds Management	250	300
Total Wealth Management Business	**1,100**	**1,300**

The value of Suncorp's wealth management business implies the following multiples:

Suncorp Wealth Management – Implied Valuation Multiples

	Variable ($ millions)	Low	High
Multiple of NPBT			
Year ended 30 June 2006	81	13.6x	16.1x
Broker's consensus forecast year ended 30 June 2007	86	12.8x	15.2x
Multiple of Embedded Value			
Embedded value as at 30 June 2006	576	1.9x	2.3x
Multiple of Net Assets			
Net Assets as at 30 June 2006	284	3.9x	4.6x

The valuation of Suncorp's wealth management business is an overall judgement. It reflects the synergies that would be available to acquirers of the business and the substantial embedded value in the life risk business.

9.4.2 Life Risk

Grant Samuel has valued Suncorp's life risk business in the range $850-$1,000 million. The valuation represents the full underlying value of the business and includes a premium for control, reflecting the savings, synergies and other strategic benefits that could be available to potential acquirers of the business.

The valuation implies the following valuation multiples:

Suncorp Life Risk – Implied Valuation Multiples			
	Variable ($ millions)	**Low**	**High**
Net profit before tax for the year to 30 June 2006	66	12.9x	15.2x
Embedded Value as at 30 June 2006	576	1.5x	1.7x

In Grant Samuel's view the implied multiples are reasonable, having regard to:

- Suncorp's estimate of the embedded value of the life risk business in the range of $529-$576 million. Ernst & Young has reviewed Suncorp's estimate of the embedded value of its life risk business and has concluded that it is not unreasonable for Grant Samuel to use a value within the range of values estimated by Suncorp;
- Suncorp's estimate of the value of one year's new business written by the life risk business. Ernst & Young has reviewed Suncorp's estimate of the value of one year's new business of $30 million and advised that the value should be adjusted for a cost of capital and consistent risk discount rate to be consistent with Suncorp's estimate of the embedded value of its life risk business. Grant Samuel has adopted an assumed value for one year's new business of around $20 million;
- the expected decline in earnings from shareholders funds due to the anticipated lower returns generated from the Australian equities market relative to the last two years;
- the steady growth exhibited by the Australian life insurance market in recent years, averaging 12% for the past five years;
- the synergy benefits that should be available to a range of potential acquirers of Suncorp's life risk business (including direct head office cost savings and some additional general synergies); and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in both life insurance and financial services, and the earnings multiples implied by the share prices of listed Australian companies with those activities. This evidence is set out in Appendix F.

9.4.3 Funds Management

Grant Samuel has valued Suncorp's funds management business in the range $250-300 million. The valuation represents the full underlying value of the business and includes a premium for control, reflecting the savings, synergies and other strategic benefits that could be available to potential acquirers of the business.

The value range for Suncorp's fund management business implies the following multiples:

Suncorp Funds Management – Implied Valuation Multiples			
	Variable ($ millions)	**Low**	**High**
Net profit before tax	15	16.7x	20.0x

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In Grant Samuel's view the implied multiples are reasonable, having regard to the following:

- the strong growth in Suncorp's funds management business over the past five years, in the context of an industry characterised by strong funds flows and profitability;
- the savings, synergies and other strategic benefits that may be available to potential acquirers of the businesses; and
- market evidence in terms of the earnings multiples implied by the acquisitions of other Australian companies with activities in both life insurance and financial services, and the earnings multiples implied by the share prices of listed Australian companies with those activities. This evidence is set out in Appendix F.

9.5 LJ Hooker and Other Assets and Liabilities

A value of approximately $200 million has been ascribed to the LJ Hooker real estate franchise business and other assets and liabilities. The value of LJ Hooker has been estimated with reference to capitalisation of earnings. Other assets and liabilities include surpluses in defined benefit schemes, a receivable relating to a property sale and cash from the assumed exercise of options.

10 Evaluation of the Suncorp Proposal

10.1 Summary

In Grant Samuel's view the Scheme is in the best interests of Promina shareholders.

Following the Merger, Suncorp will be a substantial, diversified financial services company. Based on current share market values, it will have a market capitalisation of around $18.5 billion. Suncorp's general insurance business will be Australia's second largest, with a number of strong brands, a diversified business mix and a strong presence in every state of Australia and in New Zealand. Suncorp's banking business is the sixth largest in Australia, with a focus on the rapidly growing Queensland market and growing operations in other states. The combined wealth management businesses of Promina and Suncorp will be a significant participant in the life insurance, wholesale funds management and wealth management sectors.

The terms of the Merger are favourable to Promina shareholders. Based on Grant Samuel's assessment of the relative values of Promina and Suncorp, the contribution of Promina shareholders to the Merger in terms of value will be approximately 31-32%. Allowing for the cash payment to Promina shareholders of $1.80 per share (totalling approximately $1.87 billion), Promina shareholders will be entitled to approximately 36-37% of the initial value of the merged Suncorp (before taking account of any merger synergies).

The Merger should create substantial value. Suncorp has estimated that it will realise annual merger synergies of approximately $225 million (pre-tax), 75% of which are expected to be achieved within the first two years. Suncorp has estimated that the integration costs will be around $355 million. The timing and cost of achieving these synergies is inevitably uncertain, and the quantum of synergies achieved may differ from current estimates. However, it is reasonable to rely on the Merger generating significant synergy value. Following the Merger, Suncorp intends to develop a business model based on multi-branded, differentiated financial services offerings delivered to a targeted customer base, and supported by integrated, low cost back office functions. This model has the potential to generate a range of strategic growth options for Suncorp. Promina shareholders will in aggregate hold approximately 30% of the shares in Suncorp following the Merger. They will have an opportunity to share in the value created by the Merger by continuing to hold shares in Suncorp.

Grant Samuel has valued Promina in the range $6.46-7.33 per share and has attributed a value of $7.10-7.20 to the Consideration. The value of the Consideration is towards the top end of Grant Samuel's valuation range. Accordingly, in Grant Samuel's view, the Consideration is clearly fair. The valuation of Promina incorporates a material component for the synergies that could be available to acquirers of Promina. On Grant Samuel's analysis, the value delivered to Promina shareholders through the Merger is such that Promina shareholders will capture much of the gains from the expected synergy benefits.

The disadvantages of the Merger for Promina shareholders are not significant. There are, inevitably, risks associated with the implementation of a merger of two large, complex companies. However, Suncorp has a good track record of successful merger and acquisition integrations. In any event, this is essentially a longer term issue, more relevant to the longer term investment decision for Promina shareholders as to whether they continue to hold Suncorp shares.

In Grant Samuel's view, the Merger terms are favourable to Promina shareholders. They will share disproportionately in the merged Suncorp and the value expected to be generated through the Merger. The Consideration is fair. Accordingly, Grant Samuel has concluded that the Scheme is in the best interests of Promina shareholders.

10.2 Approach

Given the relative sizes of Promina and Suncorp (Promina's market capitalisation immediately before the announcement of that Promina and Suncorp were in discussions was approximately $6.7 billion, while Suncorp's market capitalisation was approximately $12.6 billion), it is appropriate to evaluate the Suncorp Proposal both as a merger of the two companies, and as a takeover of Promina by Suncorp. Whilst control of Promina (at least at a board and management level) will pass to Suncorp (suggesting that takeover analysis is appropriate), there are factors that suggest a merger analysis is also relevant. In particular:

- Promina shareholders collectively will hold approximately 30% of the shares in the merged company immediately after implementation of the Scheme (subject to any adjustment to the equity consideration resulting from a pre-implementation equity raising by Suncorp);
- Promina shareholders will share in a material way in the merger synergies and other benefits expected to result from the merger; and
- the share register of the merged Suncorp will be relatively open, with no controlling shareholder. Promina shareholders will continue to have at least some possibility of realising a control premium for their investment through a future transaction involving the merged Suncorp.

Accordingly, in evaluating the Suncorp Proposal, Grant Samuel has:

- assessed the Suncorp Proposal as a merger transaction, by:
  - comparing the relative values contributed to the merged company by Promina and Suncorp shareholders with the relative interests they will hold in Suncorp;
  - evaluating the benefits expected to be realised as a result of the merger of the companies;
  - considering any disadvantages of the merger; and
  - assessing whether, overall, Promina shareholders will be better off if the Suncorp Proposal proceeds than if it does not; and
- assessed the Suncorp Proposal as a takeover transaction, by considering whether the consideration payable to Promina shareholders is fair and reasonable. The consideration will be fair if it reflects the assessed underlying value of Promina. The consideration will be reasonable if it is fair, or if there are factors that suggest Promina shareholders would be better off accepting the consideration even if it is not fair.

10.3 Overview of the Merged Suncorp/Promina

The Merger will result in the creation of a substantial, diversified financial services company. Based on current share market values, Suncorp will have a market capitalisation of around $18.5 billion, and will rank amongst the 20 largest companies by market capitalisation on the ASX. Suncorp's general insurance business will be Australia's second largest. The general insurance business will have a portfolio of strong brands and significant market positions in all states of Australia and in New Zealand, with a diversified mix of short and long tail personal lines of insurance and a commercial insurance business using both direct and intermediated distribution channels. Suncorp's banking business is the sixth largest in Australia, with a focus on the rapidly growing Queensland market and growing operations in other states. While the wealth management businesses of each of Suncorp and Promina are, arguably, sub-scale, the combined wealth management businesses will be a significant participant in the life insurance, wholesale funds management and wealth management sectors.

Following the Merger, Suncorp intends to develop a business model based on multi-branded, differentiated financial services offerings delivered by a variety of distribution channels to a targeted customer base, and supported by integrated, low cost back office functions. The business strategy will be focussed on carefully defining customer requirements and ensuring that Suncorp's various businesses are designed and managed so that their products and services deliver superior customer experiences and outcomes. The proposed business model and strategy broadly represent an integration of the current business models and strategies of Suncorp and Promina, and continue the focus of both companies on customer-led business propositions.

The merged group pro forma financial performance for the year ended 30 June 2006 is illustrated below. Merger adjustments have been adopted by the Suncorp Board and are based on information prepared by both Promina and Suncorp.

Merged Group – Pro forma Financial Performance ($ millions)				
	Year ended 30 June 2006			
	Suncorp	Promina	Adjustment	Merged
Banking				
Net interest income	848	-	-	848
Net fee and commission	129	-	-	129
Other income	20	-	-	20
Total income from banking	997	-	-	997
Operating expenses	(460)	-	-	(460)
Impairment losses on loans	(31)	-	-	(31)
Banking result from operating activities	**506**	**-**	**-**	**506**
General Insurance				
Net premium revenue	2,527	3,015	(24)[61]	5,518[62]
Net incurred claims	(1,633)	(1,965)	-	(3,598)
Underwriting expenses	(669)	(829)	(1)[61]	(1,499)
Reinsurance commission revenue	5	-	-	5
Underwriting result	230	221	(25)	426
Investment revenue on technical reserves	241	116	40[61,63]	397
Investment revenue on shareholder funds	232	167	(54)[61,63]	345
Share of net profit of joint ventures and associates	25	16	-	41
Fee for service and other income	124	24	-	148
Non banking interest expense	(16)	-	(30)[64]	(46)
Other expenses	(145)	(23)	-	(168)[62]
General insurance result from operating activities	**691**	**521**	**(69)**	**1,143**
Wealth Management				
Net premium revenue	108	329	-	437
Investment revenue	805	477	-	1,282
Other revenue	88	150	-	238
Net revenue	1,001	956	-	1,957
Net incurred claims	(58)	(149)	-	(207)
Other operating expenses	(151)	(356)	-	(507)
Increase in net policy liabilities	(497)	(240)	-	(737)
Decrease in unvested policy owner benefits	55	-	-	55
Non banking interest expense	(197)	-	(9)[64]	(206)
Wealth management result from operating activities	**153**	**211**	**(9)**	**355**
Other net expenses	(4)	(39)	39[64]	(4)
Profit before tax	1,346	693	(39)	2,000
Income tax expense	(430)	(198)	13[61]	(615)[65]
Outside shareholder interest	-	(3)	-	(3)
Profit for the year	**916**	**492**	**(26)**	**1,382**

Source: Promina Scheme Booklet

61 Adjustment removes the contribution of Vero Lenders Mortgage Insurance Limited which was sold by Promina in July 2006.

62 The Suncorp and Promina information is based on the statutory reporting requirements. No adjustment to the reported results has been made to the net fire service levy income and expenses or other statutory fees and charges.

63 Promina allocates mismatch investment income on insurance funds to investment revenue on shareholder funds. This adjustment reallocates mismatch investment income to investment revenue on insurance funds, to align with Suncorp's presentation.

64 Adjustment reallocates interest expense from other net expenses to the general insurance and wealth management results.

65 The Suncorp and Promina information is based on the statutory reporting requirements. No adjustment has been made for tax payable on behalf of life insurance policyholders. Income tax expense therefore includes tax payable on behalf of life insurance policyholders, mostly related to superannuation contributions and surcharge taxes.

10.4 Merger Analysis

10.4.1 Merger Benefits

The Merger should yield significant benefits. Suncorp has estimated that synergies available through the combination of the Promina and Suncorp businesses will generate a net increase in annual pre-tax earnings of $225 million[66]. Approximately 75% of these synergies are expected to be realised in the first two years. Suncorp has estimated that total business integration costs will be around $355 million.

There are inevitable uncertainties associated with the synergies to be achieved through the Merger, their timing and the implementation costs. To date, Suncorp has undertaken no more than a high level due diligence review of Promina. It will be able to estimate the likely synergies and associated costs with more confidence once it has completed a detailed review of Promina's businesses and developed a detailed integration plan. Even then, the realisation of synergies will be subject to integration risk and, at least in part, the competitive behaviour of other participants in the insurance sector. However, Suncorp has a track record of successfully managing the integration of its three predecessor businesses, and, more recently, the acquisition of the GIO general insurance business from AMP.

Within its expanded general insurance business, Suncorp intends to implement a business model of multi-branded lines of business supported by an integrated, low cost back office function. Successful execution of this model would provide Suncorp with the capabilities required to exploit a range of strategic growth options in other areas of the financial services industry and would ensure that Suncorp is well positioned for future growth.

There may be some opportunity for a market re-rating of the merged Suncorp. It will be significantly larger in terms of market capitalisation and its shares should have greater liquidity than shares in either Promina or Suncorp on a standalone basis, enhancing its appeal to institutional investors (although investors will no longer be able to access the pure insurance exposure currently provided by Promina).

10.4.2 Relative Contributions

Immediately following the Merger, Promina shareholders will in aggregate hold approximately 30% of the shares in Suncorp. In addition, they will receive $1.80 per Promina share (a total cash consideration of approximately $1.87 billion). The following table compares the relative contributions in terms of value to be made by Promina shareholders to the Merger with the share of total value of the merged group (including the cash component of the Consideration) to which Promina shareholders will be entitled. The contributions to the Merger are assessed in terms of market value and underlying value as estimated by Grant Samuel. The analysis does not take into account the incremental value expected to be generated by the Merger.

66 Grant Samuel has discussed with Suncorp management the synergies that Suncorp estimates should be available through the combination of the Promina and Suncorp businesses and has reviewed the basis on which the synergy estimates have been compiled. However, Grant Samuel has not verified or otherwise confirmed the estimate of annual synergies of $225 million and gives no undertaking or assurance that this synergy value will be achieved. Given that the estimate of $225 million has been prepared in advance of the preparation of a detailed integration plan for the two businesses, the estimate is subject to inherent uncertainty. The actual synergies ultimately realized may be greater or less than the estimate of $225 million.

Assessment of Relative Value Contributions and Value Shares								
	Underlying Value Analysis				Share Market Value Analysis			
	Low		High		1 Month VWAP		3 Month VWAP	
Value Contributions								
Promina	6,700	*32.1%*	7,600	31.1%	6,010	*30.9%*	5,880	*31.4%*
Suncorp	13,000	*62.2%*	15,200	63.9%	12,221	*62.9%*	11,669	*62.2%*
Capital raising	1,200	*5.7%*	1,200	5.0%	1,200	*6.2%*	1,200	*6.4%*
Total value contributed	20,900		24,000		19,431		18,749	
Less: Cash consideration to Promina shareholders	(1,867)		(1,867)		(1,867)		(1,867)	
Suncorp value after Merger	19,033		22,133		17,564		16,882	
Value Sharing								
PMN shareholders' share of SUN value	5,764		6,703		5,319		5,112	
Cash paid to PMN shareholders	1,867		1,867		1,867		1,867	
Total value received by PMN shareholders	7,630	*36.5%*	8,859	35.7%	7,185	*36.98 %*	6,979	*37.2%*

On the basis of share market values, Promina shareholders will contribute approximately 31% of the value contributed to the Merger, but will be entitled to 37% of the merged group value (including the cash component of the Consideration). On the basis of Grant Samuel's valuations, Promina shareholders will contribute approximately 31-32% of the value, but will be entitled to approximately 36-37% of the merged group value (including the cash component of the Consideration).

10.4.3 Conclusion

Having regard to their contributions in terms of value, Promina shareholders will hold a disproportionately large share in the merged company. They will enjoy a disproportionate share of the Merger benefits. The Merger terms are favourable to Promina shareholders.

10.5 Takeover Analysis

10.5.1 Value of the Consideration

Promina shareholders will receive 0.2618 Suncorp shares and $1.80 cash for every Promina share held. The value of the Consideration depends on the value attributed to a share in the merged Suncorp/Promina. For this purpose, the trading price of Suncorp shares immediately following the Merger is the relevant benchmark.

Shares in both Promina and Suncorp are followed by a number of analysts and are actively traded. Both companies have recently released results (Suncorp for the year ended 30 June 2006 and Promina for the six months to 30 June 2006) and there is no reason to believe that the market is not fully informed.

Ordinarily, it would be reasonable to expect that the Suncorp share price would reflect current market expectations for the prospects of the merged Promina and Suncorp businesses. However, since the announcement of the Merger, Promina shares have traded at a modest discount to the value implied by the Suncorp share price, suggesting some market uncertainty as to whether the Merger will be approved by the Australian Competition and Consumer Commission ("ACCC"). Consequently, it is not clear whether the Suncorp share price has also been affected by this uncertainty and, if so, how the Suncorp share price would react if the Merger did receive ACCC approval. The Suncorp share price fell immediately after the announcement of the Merger terms, apparently because market hopes for a third party bid for Suncorp appeared to dissipate, but potentially also because the Merger terms were viewed as favourable to Promina shareholders. This suggests a possibility that the Suncorp share price could fall modestly on confirmation that the Merger will be allowed to proceed.

Since the announcement of the Merger, Suncorp shares have traded in the range $20.16-20.97, with a corresponding range of values for the Consideration of $7.08-7.23. Based on the last closing price for Suncorp shares on 24 November 2006 of $20.60, immediately before the completion of this report, the Consideration had a value of $7.19. On the basis of recent trading, Grant Samuel has attributed a value of $7.10-7.20 to the Consideration.

The table below illustrates the earnings multiples for the merged Suncorp implied by a range of values for the Consideration of $7.10-7.20.

Merger Consideration – Implied Earnings Multiples		
	Low	**High**
Consideration value	$7.10	$7.20
Implied Suncorp share price	20.24	20.63
Number of Suncorp shares on issue post Merger (millions)	893.57	893.57
Suncorp market capitalisation post Merger ($ million)	18,090	18,434
Merged pro forma net profit after tax for year ended 30 June 2006 ($ million)	1,382	1,382
PE multiple	13.1x	13.3x

Source: Suncorp and Promina and Grant Samuel analysis

For the purpose of this analysis, Grant Samuel has estimated that the number of Suncorp shares on issue immediately after the Merger will be 893.57 million. This number includes the 565.6 million Suncorp shares currently on issue, 271.5 million new Suncorp shares issued to Promina shareholders as part of the consideration (at the rate of 0.2618 Suncorp shares for each Promina share) and 56.5 million shares issued under the Entitlements Issue (assuming $1.15 billion is raised through Suncorp's Entitlements Issue based on a market price for Suncorp shares of $20.36).

In Grant Samuel's views the PE multiples for the merged Suncorp implied by the value attributed to the Consideration of $7.10-7.20 are reasonable, having regard to the following:

- the multiples represent multiples of historic pro forma consolidated earnings of Suncorp and Promina for the year ended 30 June 2006;
- the pro forma consolidated earnings do not take into account any merger synergies, cost savings or other benefits; and
- whilst Suncorp has estimated that the annual merger synergies will be (on a net basis) around $225 million, these savings will only be achieved progressively, with 75% expected to be realised in the first two years following the Merger.

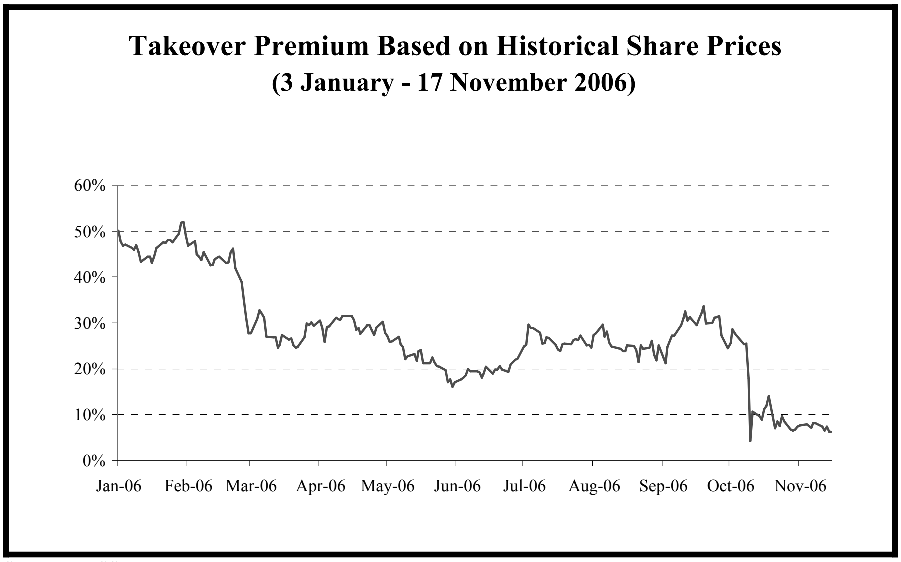
10.5.2 Conclusion

The Consideration provides an attractive premium to the pre-announcement Promina share price. The premium relative to Promina's share price for the days immediately preceding the Merger announcement is modest, reflecting a significant increase in the Promina share price (from $6.03 to $6.48) over the two days preceding the announcement.

Takeover Premium			
Measured Relative To	Promina Share Price	Bid Value	
		$7.10	$7.20
Closing share price - 11 October	$6.48	9.6%	11.1%
Closing share price - 10 October	$6.10	16.4%	18.0%
VWAP - one week (excludes 11 October)	$6.00	18.3%	20.0%
VWAP - one month (excludes 11 October)	$5.80	22.5%	24.2%
VWAP - three months (excludes 11 October)	$5.67	25.3%	27.1%

While the premium calculated by reference to Promina's volume weighted average share price for longer periods prior to the Merger announcement is more significant, it is still towards the lower end of the range of premiums commonly paid in major change of control transactions. Promina's share price may already have incorporated some expectation of a change of control transaction, as Promina has long been viewed as a takeover target in the context of a general insurance industry in which at least one more major rationalisation transaction was expected.

The following chart shows the takeover premium implied by the relative share prices of Suncorp and Promina since 1 January 2006. Since March 2006 the share price relativities have generally meant that the Merger terms would deliver a premium in the approximate range of 20-30% to Promina shareholders:

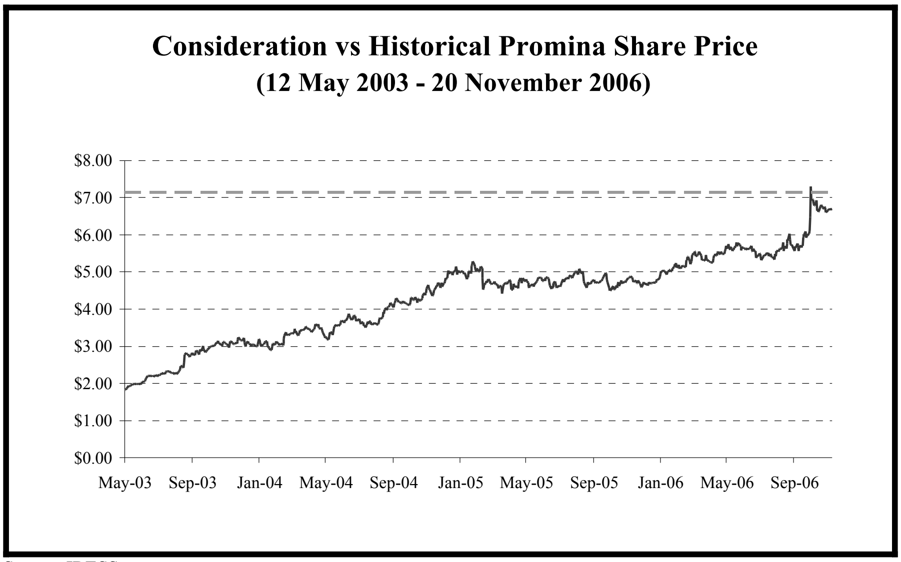


Source: IRESS

10.5.3 The Consideration is Fair and Reasonable

Grant Samuel has valued Promina in the range $6.46-7.33 per share. The value of the Consideration of $7.10-7.20 is towards the top end of the valuation range for Promina. Accordingly, the Consideration is fair.

Moreover, the value of the Consideration is well above the highest price at which Promina shares have traded since its listing (before the announcement of the Merger):



Source: IRESS

In Grant Samuel's view the Consideration offered to Promina shareholders is fair and reasonable.

10.6 Disadvantages and Risks

In Grant Samuel's view, the disadvantages of the Merger for Promina shareholders are not significant.

Suncorp and Promina are both large and complex companies. The integration of Suncorp and Promina will inevitably be challenging. In particular, while both companies have business models that focus on providing differentiated product offerings to targeted customer bases, there are some differences in the business philosophies and models of the two companies. Promina is essentially a collection of substantially independent businesses, each of which has full end-to-end, standalone business capabilities and is managed on an independent basis. By contrast, Suncorp seeks to extract cost efficiencies by providing shared services at a group level in relation to those business functions that can benefit from economies of scale or access to centrally provided specialist expertise. The business philosophy and model of Suncorp after the Merger will in some sense represent an integration of the Promina and Suncorp business approaches. It is likely that the success or otherwise of this integration process will only become apparent in the medium to longer term.

There will be brand overlap in some states between some of the Suncorp and Promina businesses, particularly in relation to general insurance. The integration process will require a balancing of the cost savings available through brand rationalisation against the customer migration risks. The merged general insurance business will be exposed to aggressive behaviour from competitors seeking to take advantage of any disruption caused by the integration process.

However, risks of this sort are characteristic of most mergers. Suncorp has a track record of successful merger and acquisition integration. Suncorp's origins are in the merger of Suncorp, QIDC and Metway Bank. Suncorp successfully integrated the personal lines insurance business that it acquired from AMP, extracting significant synergies.

Investors who hold Promina shares for their relatively pure exposure to the Australian and New Zealand insurance sector will find that sectoral exposure diluted by Suncorp's banking business. Promina's personal lines insurance business has grown more rapidly than Suncorp's in recent years and appears to have superior growth prospects. The Merger will mean that Promina shareholders' participation in this growth will be diluted. A major part of Suncorp's general insurance business consists of its Queensland and New South Wales CTP businesses, both of which are likely to enjoy lower growth rates in the short term. However, in Grant Samuel's view the differing growth prospects of Suncorp and Promina are reflected in the market values of the two companies and in the terms of the Merger.

Following the Merger, shareholders in Suncorp will continue to be exposed to the broader pressures currently facing the Australian general insurance sector, with all general insurers facing profitability pressure in what is a highly competitive market. Promina shareholders who continue to hold Suncorp shares will be exposed to additional uncertainty related to the regulatory risks facing Suncorp's large Queensland and NSW CTP businesses, the extent to which they can continue to maintain their current profitability, and the sustainability of the significant release reserves that have bolstered the profitability of Suncorp's general insurance business in recent years. On the other hand, Suncorp's banking operations will provide some diversification from the insurance risks to which Promina shareholders are currently exposed.

The risks and disadvantages of the Merger are generally of relevance to the medium term prospects for Suncorp after the Merger. They are more likely to be relevant to a decision as to whether to continue to hold shares in the merged Suncorp than to an assessment of whether to vote in favour of the Merger.

10.7 Alternatives

The alternative to the Merger for Promina shareholders is, essentially, to vote against the Merger, in the hope of realising greater value in the short to medium term through an alternative change of control transaction or by selling Promina shares at higher prices on the share market.

In Grant Samuel's view the prospects of realising superior value in the short to medium term through an alterative change of control transaction are remote. There are very few participants in the Australian market place that could realise the merger synergies potentially available to Suncorp, and alternative transactions could face significant competition regulation issues. In any event, although the terms of the Merger include break fee arrangements, these would not be a disincentive to a serious counter-bidder. Any party with an interest in making a higher offer for Promina will have ample time to do so before the Scheme meeting at which shareholders will vote on the Merger.

Promina shares were trading at levels around $6.00 immediately before the announcement that Promina and Suncorp were in merger discussions. Since then, they have generally traded in the approximate range $6.60-6.80, a discount to the value of the Consideration. In Grant Samuel's view, the Promina share price is likely to strengthen if the Merger receives ACCC approval. On the other hand, if the Merger does not proceed, it is likely (given current market conditions) that the Promina share price will fall back to levels around the pre-announcement share price. It is conceivable that in the medium term Promina shares could trade at prices that approach the value of the Consideration, but this is unlikely to occur within a timeframe that would compensate shareholders for the risks and time delays involved.

Accordingly, Grant Samuel believes that Promina shareholders will clearly be better off voting in favour of the Scheme.

10.8 Shareholder Decision

The decision of each shareholder as to whether to vote in favour of the Suncorp Proposal is a matter for individual shareholders based on each shareholder's views as to value and future market conditions, risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt, shareholders should consult an independent professional adviser.

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11 Qualifications, Declarations and Consents

11.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services and manages specialist funds. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since its inception in 1988, Grant Samuel and its related companies have prepared more than 360 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel, Stephen Cooper BCom(Hons) ACA CA(SA) ACMA, Dan Gerber BCom LLB F Fin, Melinda Snowden BEc Llb F Fin, Jacoline Bekker MBA MCom CA(SA), Alison Long BCom MAppFin CFA CA, Tina Fendl BCom CFA, Rory Burdon BCom (Hons) A Fin and Warwick Earl BCom LLB. Each has a significant number of years of experience in relevant corporate advisory matters. Each of the above persons is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

11.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Promina shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Promina and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

11.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Promina or Suncorp that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Suncorp Proposal.

Grant Samuel group executives hold parcels of less than 3000 shares in Suncorp and Promina.

Grant Samuel had no part in the formulation of the Merger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $1.95 million for the preparation of this report. This fee is not contingent on the outcome of the Suncorp Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993.

11.4 Declarations

Promina has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Promina has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Promina are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to Promina and its advisers and Suncorp and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. Following the circulation of the draft report to Promina, Promina provided further information to Grant Samuel regarding the effective tax rates faced by its general insurance business. Ernst & Young provided further advice to Grant Samuel regarding the insurance reserves of both Promina and Suncorp. Suncorp provided further information about its LJ Hooker business. As a result of this additional information and advice, Grant Samuel increased its valuation of Promina by $0.14-0.24 per share. Small changes to the valuations of the individual businesses of Suncorp were made. However, these did not have an effect on the overall valuation for Suncorp. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

11.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Promina. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

11.6 Other

The accompanying letter dated 24 November 2006 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
24 November 2006

Grant Samuel & Associates

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Appendix A

Overview of the Banking Sector

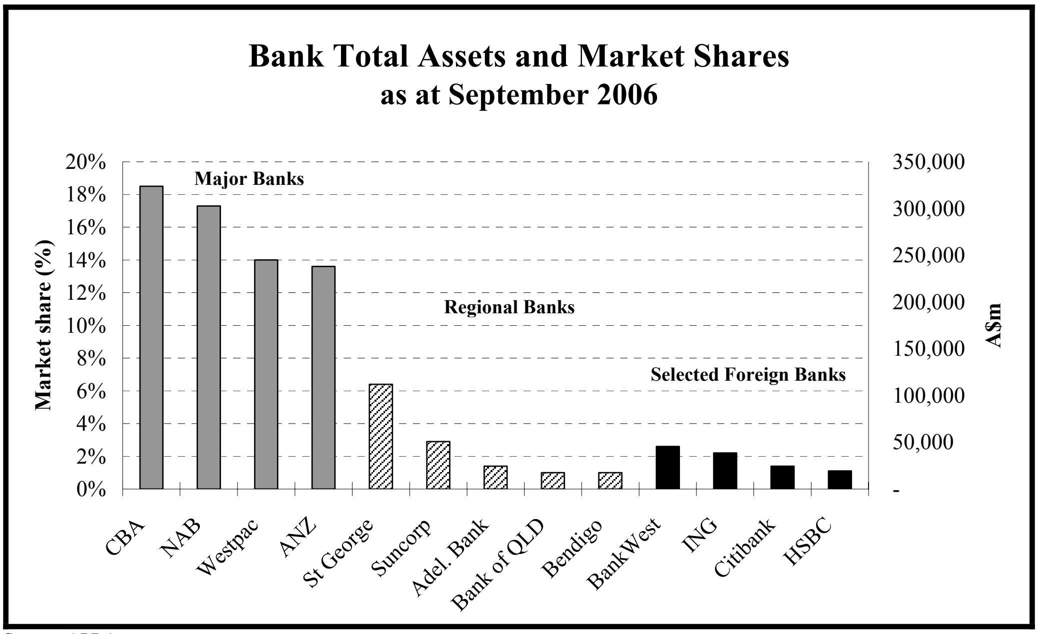
1 Overview of Participants and Market Structure

The principal participants in the Australian banking sector are Australia's four major commercial banks, a number of regional banks and branches of foreign banks.

Major Banks

The four major Australian banks (Australia and New Zealand Banking Group Limited ("ANZ"), Commonwealth Bank of Australia Limited ("CBA"), National Australia Bank Limited ("NAB") and Westpac Banking Corporation ("Westpac")), provide full banking services across Australia and collectively dominate the retail, business and institutional banking markets. Each of these banks operates an extensive nationwide branch network, is typically well represented in each geographic market and across industries in Australia and is well represented in the broker originated segment.

As at September 2006, the four major banks held approximately 63% of total Australian banking assets.



Source: APRA

Regional Banks

Australia's regional banks – St George Limited ("St George"), Suncorp, Bendigo Bank Limited ("Bendigo Bank"), Adelaide Bank Limited ("Adelaide Bank") and Bank of Queensland Limited ("BoQ") - differ from the four major banks in terms of their relatively smaller lending portfolios, greater focus on traditional residential mortgages and typically greater focus on servicing customers in a particular state or region in Australia[1]. This reflects their origins, most having been formed from state-based operations that were originally owned by state governments and/ or operated as building societies located in particular states. Due to its size and geographic spread, St George is now often considered the fifth major Australian bank, rather than a regional.

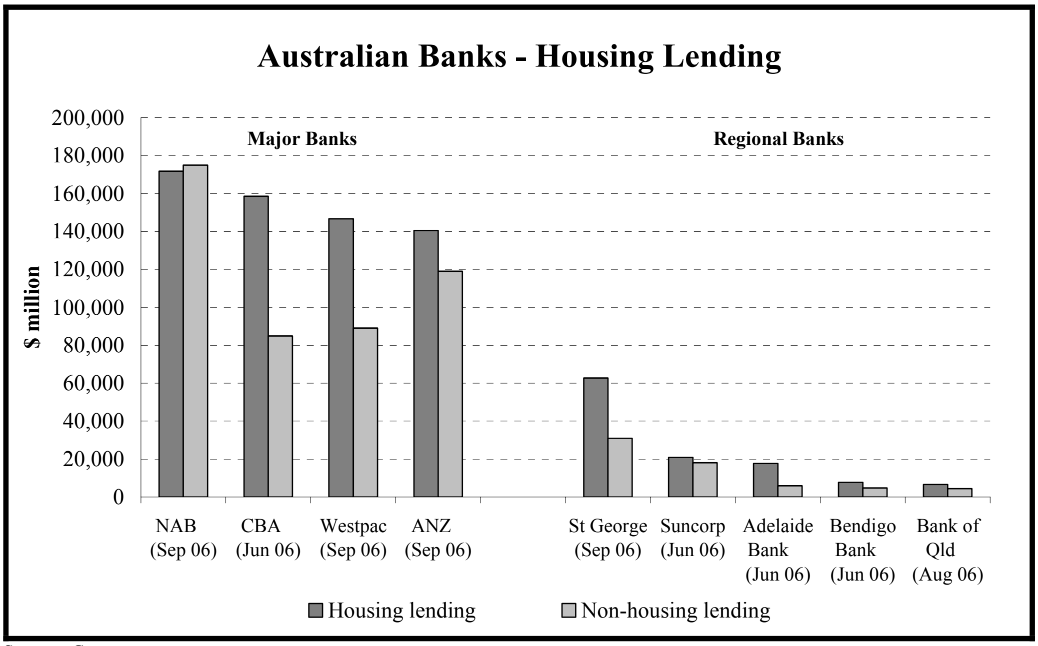
[1] Bank of Western Australia Limited ("BankWest"), was formerly a regional bank dominant in the state of Western Australia. However, BankWest was purchased by HBOS Plc (United Kingdom) in October 2003 and is now classified (in regulatory terms) as a locally incorporated foreign bank.

The regional banks compete predominantly in the retail and small to medium enterprise ("SME") segments of the markets. The regional banks themselves vary significantly in size and have a range of business models and strategies for growth. Most have used mortgage brokers to capture a share of housing credit growth over the past five years. In the consumer market, Suncorp and Adelaide Bank have committed to growing through the use of brokers and partnerships. BoQ and Bendigo Bank have grown through the rollout of owner managed franchise branches and community banks respectively.

In recent years regional banks have achieved solid growth. In part, this growth has been as a result of declining services levels and branch closures of the major banks as part of their cost rationalisation strategies. As they have reached greater saturation levels in their home markets, the regional banks have expanded their business banking operations, broadened the geographic base of their businesses and entered more competitive segments of the banking market, including recently the online savings deposit product market. At the same time, the regional banks have sought to maintain high customer satisfaction levels as a point of differentiation from their major bank competitors.

St George and Suncorp are significantly larger in terms of their lending portfolios than other regional banks. St George has a stronger focus on housing lending and wealth management activities than Suncorp. Bendigo Bank, Adelaide Bank and BoQ have strategies which target niche areas, are smaller by comparison and operate predominantly in the housing lending market. Suncorp's loan book, while considerably smaller than the four major banks, has a product mix of around 46% non-housing lending, making it similar to those of ANZ and NAB.

The relative lending portfolios of the major and regional banks in housing and non-housing lending is summarised below.



Source: Company reports

Foreign Banks and Other Participants

There are also a number of foreign-owned banks operating in Australia, primarily in specialist financing, corporate lending and advisory areas of the market. Few foreign banks have a retail branch presence in Australia. Citibank, HSBC Bank Australia and HBOS (BankWest) are the only foreign-owned banks with retail branch infrastructures. However, the retail presence of these banks is small compared with the major and regional banks and they make extensive use of indirect distribution using third-party channels and electronic and telephone banking.

Non-bank financial intermediaries such as building societies and credit unions compete largely in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Some

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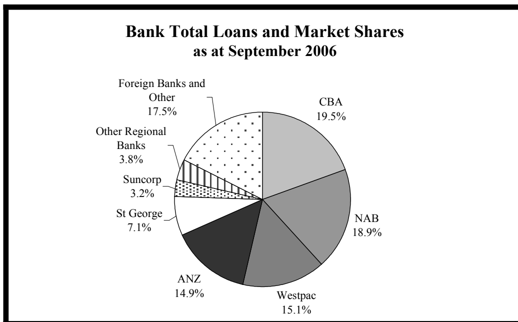
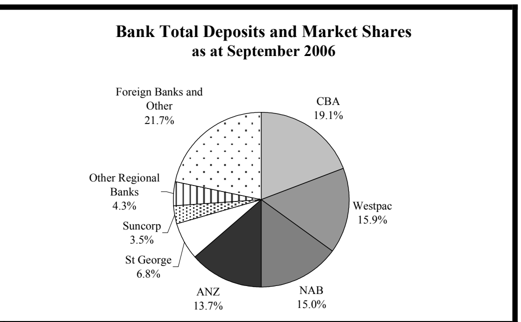
large building societies were granted banking authorizations under the Banking Act 1959. Building societies and credit unions represent less than 3% of system assets.

Market Positions

As shown in the charts below, the four major banks dominate both in terms of loans and deposits while the regional banks comprise the majority of the balance. Foreign banks have a significant position in the wholesale market (e.g. capital markets) in Australia where their global distribution networks are an advantage over domestic competitors. Over the last three years, foreign banks have significantly increased their share of total deposits to around 21% in 2006, on the back of growth in high yield online transaction accounts.

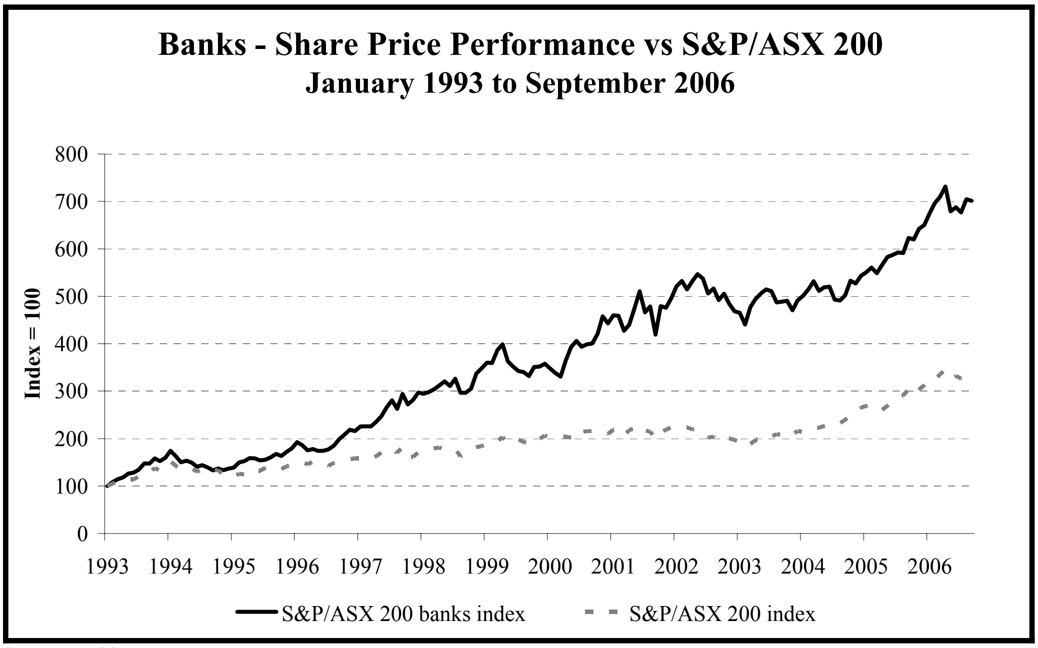




Source: APRA

2 Sharemarket Performance

The benign Australian economic environment since the early 1990's has supported the banking industry's position as one of the best performing sectors of the Australian economy. As a result the listed banking sector has significantly outperformed the broader share market as shown below.



Source: IRESS

The banking sector's strong performance since the mid-1990's has been driven by strong growth in lending volumes, particularly in housing. Credit growth, improving cost efficiencies and fee-based income have offset the impact of declining interest margins. Asset quality in the banking sector has been stable, reflecting positive economic conditions in Australia, a shift towards the lower risk home mortgage lending market and improved risk management and credit practices.

Share price growth of the regional banks has outperformed the major banks over the last four years, reflecting their strong earnings growth and the expectations for industry consolidation.

3 Loans and Advances

Australian bank lending is dominated by residential mortgages, which represent around 60% of gross loans and advances. Non-housing lending comprises business lending (27%)[2], credit cards (3%) and other consumer credit (10%). Business lending includes a significant proportion to the SME sector. A significant amount of corporate borrowing is from offshore markets and is therefore not represented in the total Australian lending breakup. Non-traditional forms of consumer credit such as margin lending is growing but still represent a very small portion of the total lending market.

Credit card lending continues to grow and is dominated by the major banks which represent over 80% of that market. Since 2002, however, credit unions, building societies and specialist credit card institutions have had an impact on this market. Reforms recently introduced by the RBA, which allow merchants to recover the costs of accepting credit cards, determine objective cost-based benchmarks for setting interchange fees and liberalize access to the schemes, are designed to further increase competition in the credit card market.

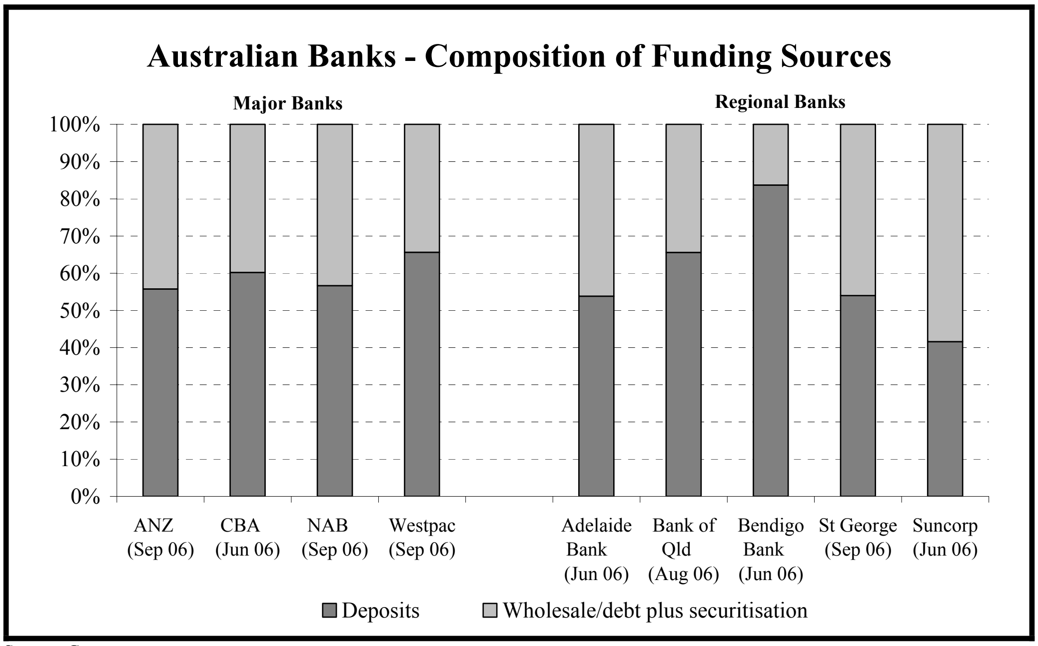
4 Funding

Participants in the banking market rely to varying degrees on three principal sources of funding: deposits, wholesale funding through the domestic and offshore capital markets and through the securitisation of receivables assets.

Historically, domestic banks have relied on deposits from customers to fund balance sheet growth. Several legislative and structural changes over the past 15 years have contributed to a highly competitive deposit market. These changes include the introduction of compulsory superannuation, which saw the growth of a large and innovative managed-funds industry, which has diverted savings away from traditional banking products. As a result, Australian banks have needed to rely on more expensive wholesale funding as the gap between deposit liabilities and lending assets has grown. A higher reliance on wholesale funding exacerbates the impact on the cost of funds of the differentials between the cash rate and 90 day bill rate, which can vary significantly.

The use of securitisation vehicles to transfer assets from the balance sheet to a separate entity that, in turn, issues debt securities to investors has been another funding strategy adopted, particularly among smaller institutions. While removing the loans from the bank's balance sheet for funding and capital adequacy purposes, the bank still receives fee income for loan servicing. However, the recent introduction of AIFRS has brought securitised assets back onto the balance sheets of the banks.

[2] Excludes lending to governments and financial corporations.



Source: Company reports

5 Competition and Market Trends

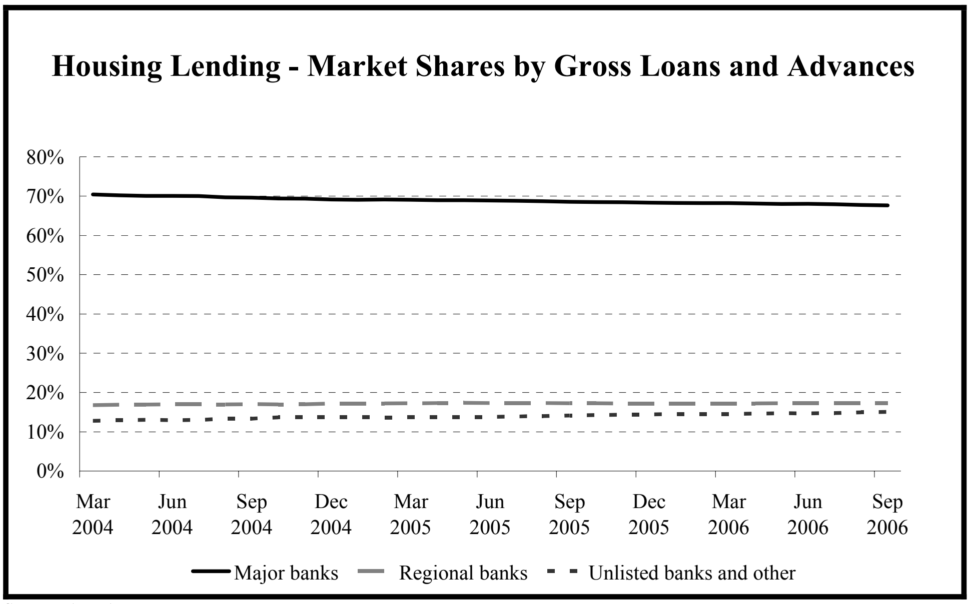
The Australian banking system is highly competitive across all segments of the lending and deposit markets, both among the banks and from other participants in niche areas. Overall, competition has driven down interest margins and put pressure on returns. Key trends impacting banks margins are discussed below.

5.1 Housing Lending and Mortgage Brokers

Competition in this market has intensified in the last five years, being driven by the entry of low-cost niche participants such as mortgage wholesalers/originators, and more recently, growth of the mortgage broker industry.

Broker originated loans now account for approximately 40% of all financing or refinancing transactions compared with around 29% in 2004. In addition, housing loans originated through brokers have experienced higher than system growth rates. Most major and regional banks (including Suncorp) have embraced the broker-originated channel in order to offset slower housing loan growth through traditional network channels. BoQ, in contrast, exited the mortgage broker channel in 2004.

The major banks as a group have been gradually losing market share in housing lending to the unlisted, foreign banks and to a lesser extent, the regional banks. Foreign banks and other new entrants that do not use brokers have successfully grown through aggressive pricing tactics. In the last 18 months, pricing pressure has continued with major banks offering and marketing increased discounts off the standard variable rates and lower margins on fixed rate loans.



Source: APRA

5.2 Business Lending

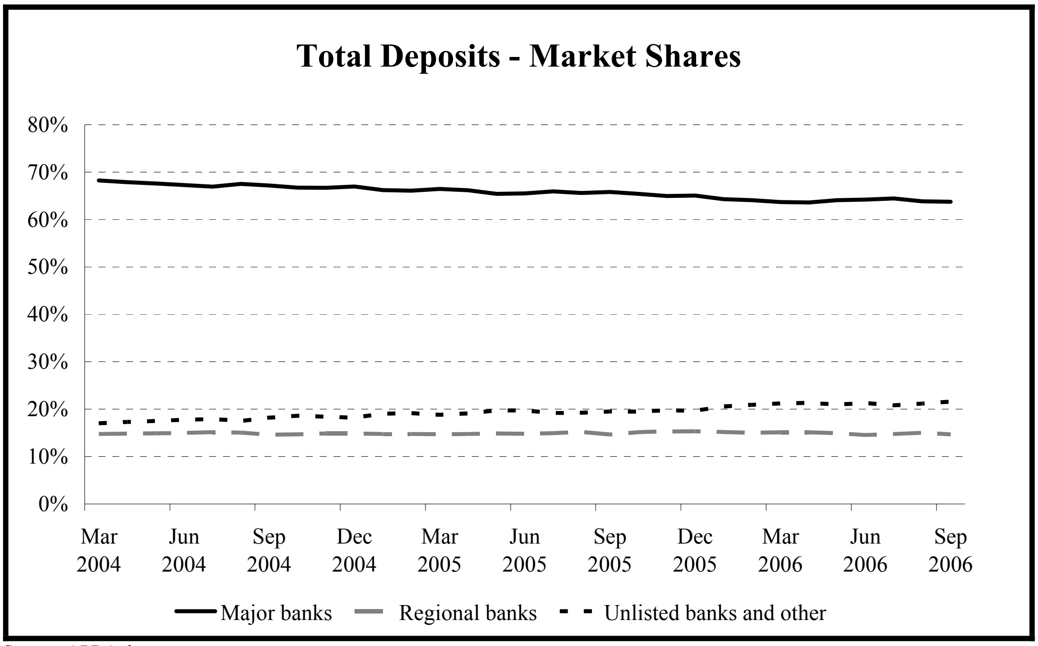
In the corporate lending segment, increased financial sophistication has resulted in larger corporates increasing accessing debt capital markets on a direct basis, with disintermediation leading to reduced growth for bank business lending. Competition in the business lending segment has also intensified amongst the major and regional Australian banks. In particular, the downturn in the property cycle has seen competition intensify in the broker introduced SME market, as lenders seek to compensate for slower mortgage lending. This has contributed to a level of margin attrition on these loans.

APRA data suggests that the majors' overall share of the business lending market over time has been relatively stable. However, business lending volume data is more volatile than housing lending data, due to the impact of larger institutional deals.

6 Retail Deposits

The retail deposit market in Australia is also highly competitive. The introduction of a number of high rate transaction accounts by offshore institutions including Citibank and HBOS, combined with ING's long standing online product, has created an even greater degree of competitive intensity in the last 18 months. These high yield online deposit accounts ("OSAs") have reduced the 'stickiness' of retail bank deposit accounts in favour of the higher yielding products. This migration into OSAs has further reduced banking interest margins, particularly as some banks have experienced a high degree of cannibalisation in their deposit bases.

Large foreign banks have increased their share of total deposits, from 17% in 2004 to around 21% in 2006, at the expense of market share losses from the major banks.



Source: APRA data

In response to this competition from foreign banks, most of the major Australian banks and more recently regional banks (including Suncorp), now offer OSA products in a bid to compete for cost-effective retail funding and maintain market share of deposits. As a result, in recent quarters some major banks have slowed or reversed deposit market share losses.

Market Share Analysis

Market share changes are not necessarily a useful measure of bank performance as there is an inherent trade off between risk and return. Bank strategies are generally targeted at growing profitably, rather than simple headline volume growth and market share gains. For example, from time to time some banks may deliberately not price products competitively in order to support margins but at the expense of long term growth.

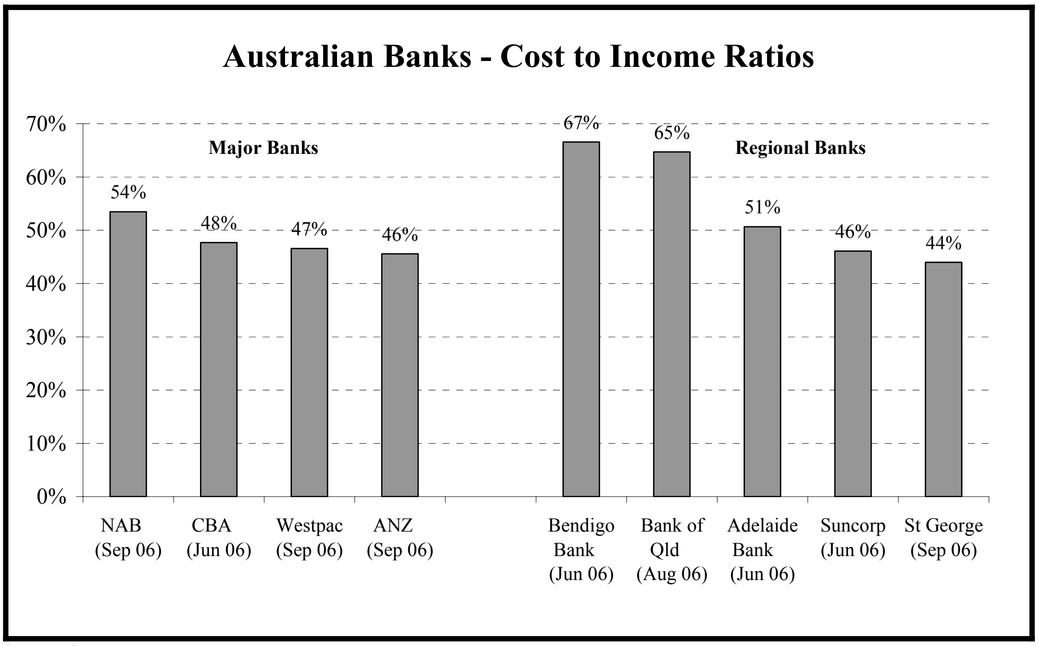
This is demonstrated in the various strategies of the major banks for pricing OSAs or term deposits, where banks will "harvest" some products by delaying or only partially passing on RBA interest rate rises through higher deposit rates. These strategies, if maintained may inhibit deposit growth. Conversely, aggressively priced products may result in rapid market share gains but may not be sustainable or profitable in the longer term. Similarly, some banks are focussed on reducing the riskiness of their portfolios and have tightened lending credit criteria, with a consequential effect on lending growth.

7 Other Trends

Some banks have implemented bancassurance strategies (generally through mergers and acquisitions of non-banking businesses) in order to leverage their strong customer base and branch networks by cross selling a broader range of financial products. The ability to offer of a full range of financial products (wealth management, general insurance and life insurance) to customers is seen to offer both protection of the banks' franchise and future growth opportunities, while income diversification reduces exposure to the competitive pricing and declining net interest margins in banking activities.

For example, it is now standard practice to offer bundled solutions such as home insurance with mortgages, car insurance with car loans and consumer credit insurance with personal loans in order to achieve discounts. This type of bundling has become increasingly important in the context of the slowing growth in residential mortgages.

In the face of declining interest margins, banks have also sought to improve cost efficiencies to maintain profitability. Significant cost rationalisation programs have focussed on the reconfiguration of branch networks and introduction of more cost-efficient channels for delivery and distribution of services such as ATMs, electronic funds transfer at point of sale and internet banking. As a result of these cost reductions, cost to income ratios across the sector have been steadily declining. The average cost to income ratio across the regional banks has historically been higher than that of the majors, reflecting their relatively smaller asset bases. However, as indicated in the chart below, Suncorp and St George (with larger asset bases) already operate at cost to income ratios comparable to the majors.



Source: Company reports

8 Credit Growth

Strong levels of credit growth have underpinned the earnings performance of the banking sector. Credit growth is closely linked to the strength of the Australian economy, including GDP growth. However, growth in credit has outpaced the growth in nominal GDP since 1994. Over this period, sustained growth in the Australian economy has been supported by favourable trading conditions and the maintenance of lower levels of inflation and interest rates since the peaks experienced in the early 1990's.

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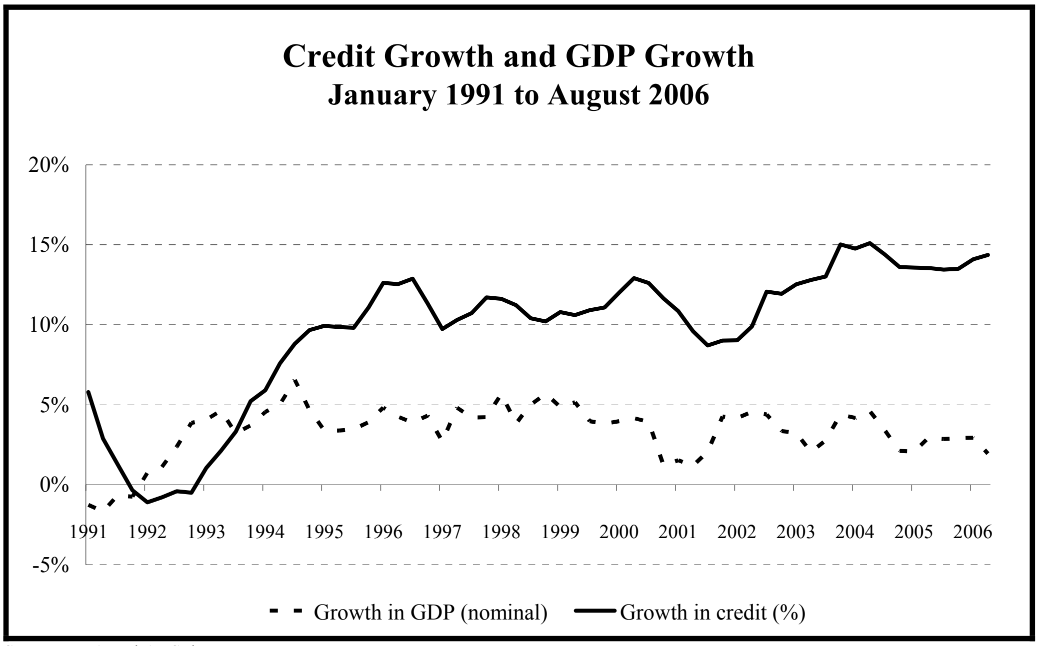
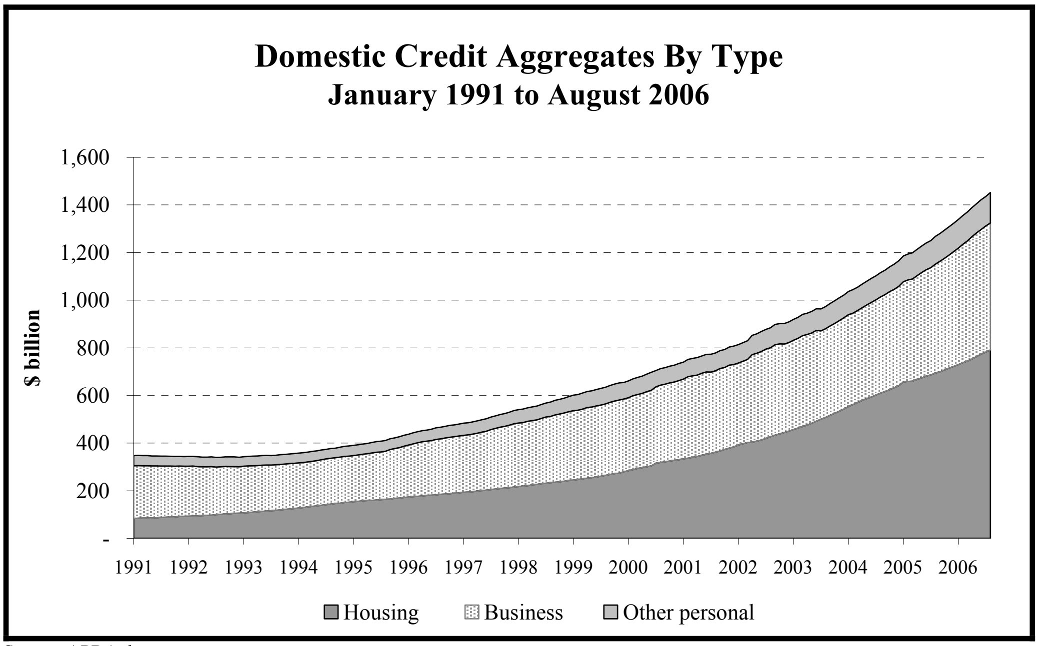
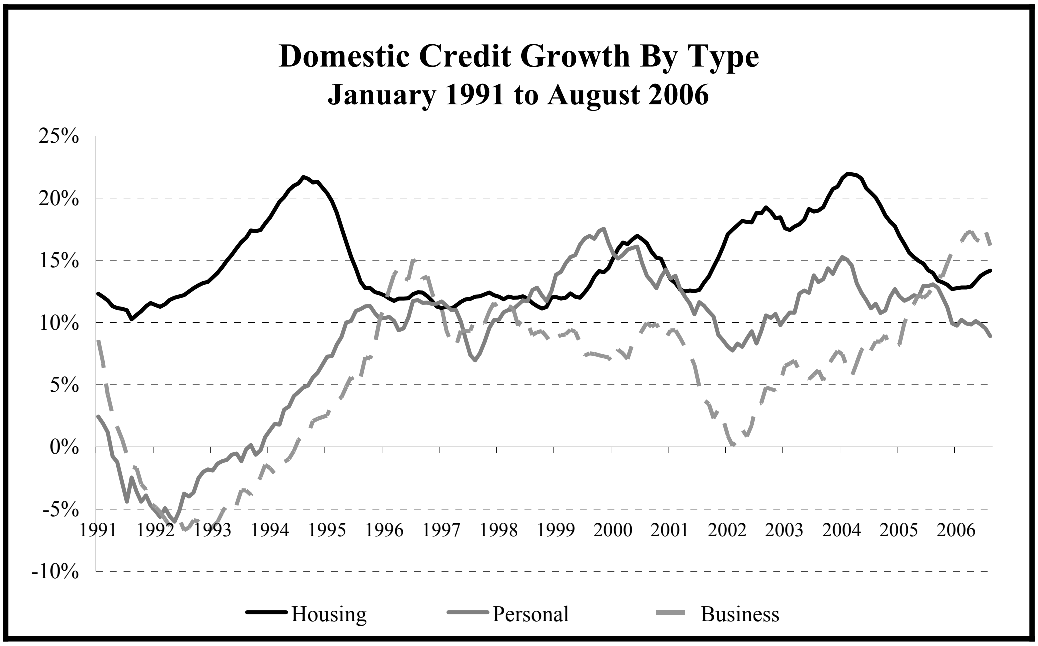


Source: RBA and ABS data

On the back of record growth in property prices and housing loans during 2002 and 2003, credit growth reached a peak of around 15% per annum in 2004. In early 2004, a slowdown in residential property markets marked the start of a gradual return in 2006 to longer term historical averages for housing credit growth of around 13% per annum.



Source: APRA data



Source: RBA

The expansion of home mortgage lending and consumer credit over the past 15 years has been supported by improving economic conditions leading to lower unemployment and positive consumer sentiment, together with lower interest rates which have improved the affordability of debt for households. In addition, the Australian government's first home buyer incentives have supported increasing home ownership. Household debt is now on average more than 160% of household disposable income in Australia, with interest repayments accounting for approximately 11% of total disposable income. This figure is at a 20-year high and has increased from about 7% in 2002.

Business lending is impacted by economic growth and business confidence. Growth in business lending generally lags business confidence. Over the longer term, business lending growth has generally been more subdued than housing growth, falling substantially below housing lending growth during 2001. However, more recently the economy has moved away from consumer driven growth toward business investment. This has been reflected in relative lending growth rates. Housing lending growth has been flat over 2006, personal lending growth has decreased and business lending growth has overtaken housing growth.

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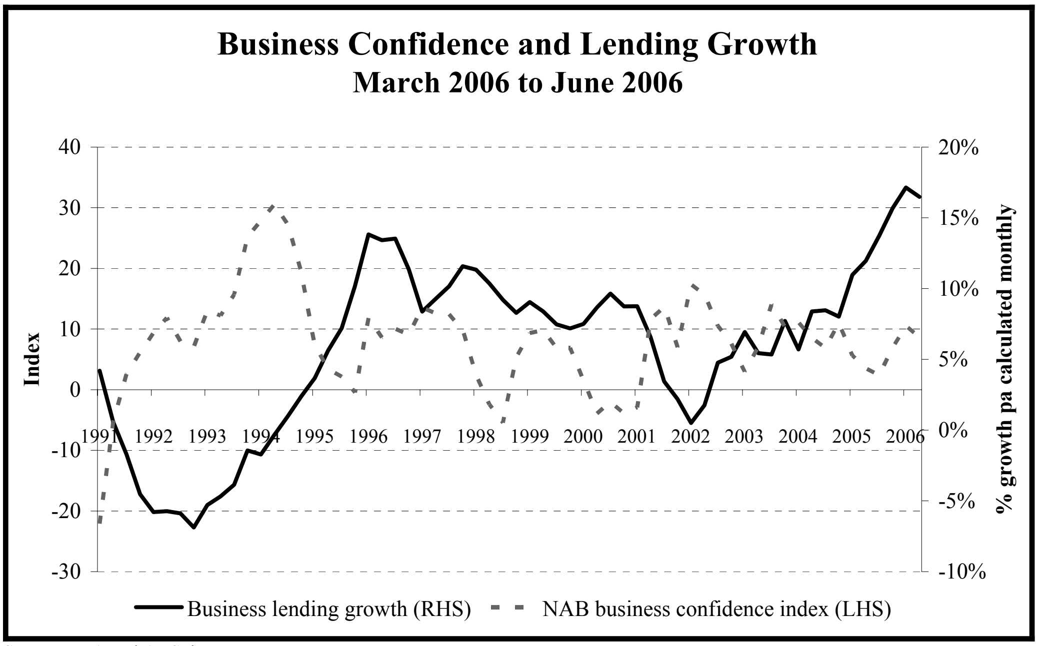
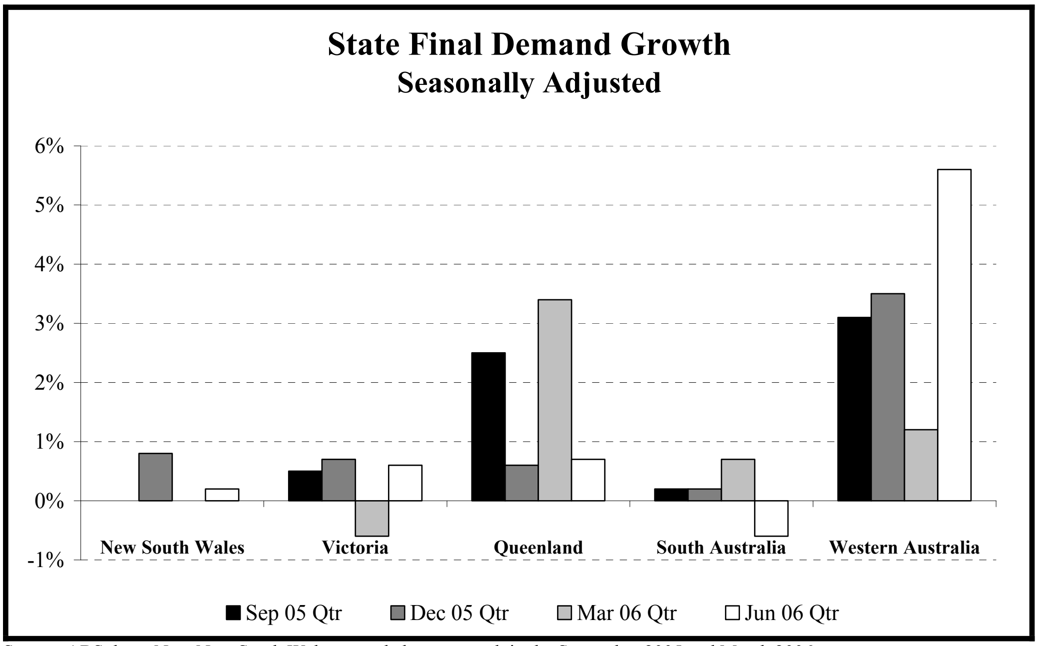


Source: RBA and ABS data

Interest rate increases to date have had a limited impact on credit formation and, while housing lending growth has moderated, it is still growing at rates close to historical averages. Business lending has been growing strongly, although it has slowed somewhat in recent months.

Led by the strength in the resources and construction industries, the Western Australian and Queensland economies have shown stronger growth than other states. This trend is expected to continue over the short to medium term.

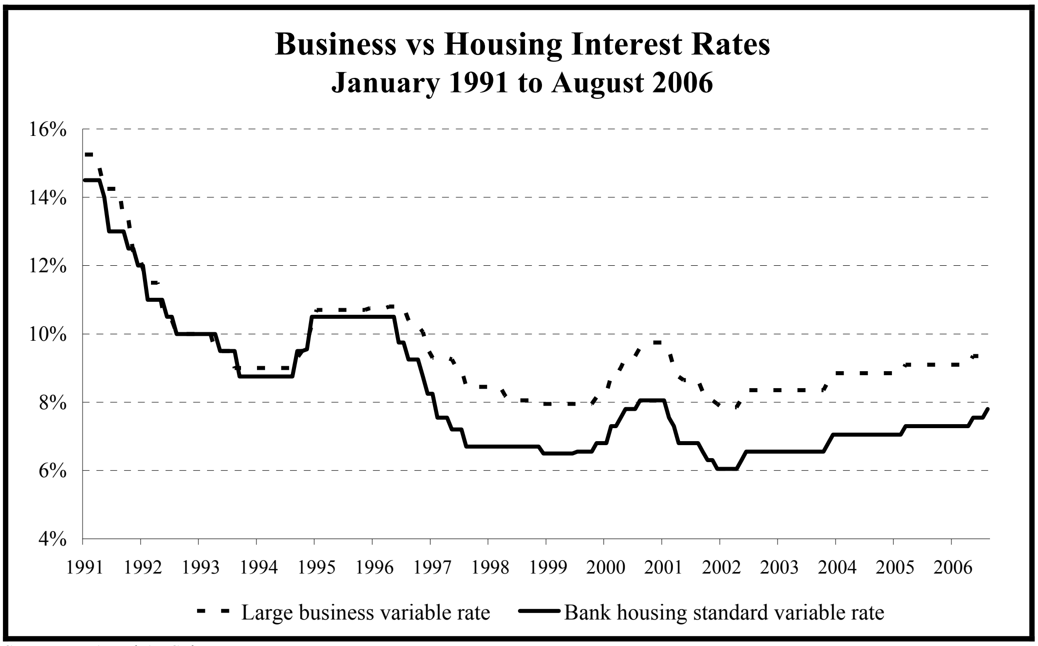


Source: ABS data. Note New South Wales recorded zero growth in the September 2005 and March 2006 quarters.

9 Interest Margins

The banking sector has experienced reduced net interest margins, reflecting the lower interest rate environment and increased competition from other financial institutions and low-cost niche entrants, particularly in housing lending.

The lower interest margins generated by the banks has also been impacted by the changing mix in loan portfolios over recent years, with an increasing proportion of housing loans (which attract lower margins) than business lending which typically attracts higher margins. However, as housing growth slows, this trend is showing signs of reversing. A number of the smaller banks have also reduced exposures to higher risk corporate accounts, which is reflected in lower interest margins but better asset quality. The margin differential between housing and business loan rates is illustrated in the chart below.



Source: RBA and ABS data

The increasing dependence on higher cost wholesale funding by Australian banks has also contributed to the continued margin attrition that has characterised the banking sector. As illustrated in the chart below, net interest margins for the major and regional banks have declined over the period from 2001 to June 2006. In 2006, margins have also been negatively affected by AIFRS impacts.

The regional banks have, in general, historically earned a lower average net interest margin than the major banks. This gap primarily reflects the regional banks' greater proportion of housing receivables and relatively higher funding costs. Regional banks have experienced a slower decline in net interest margin than the majors, resulting in a narrowing of the "gap". The regional banks have traditionally had a lower level of low interest deposit accounts compared to the majors so their margins have been less affected by competition for deposits.

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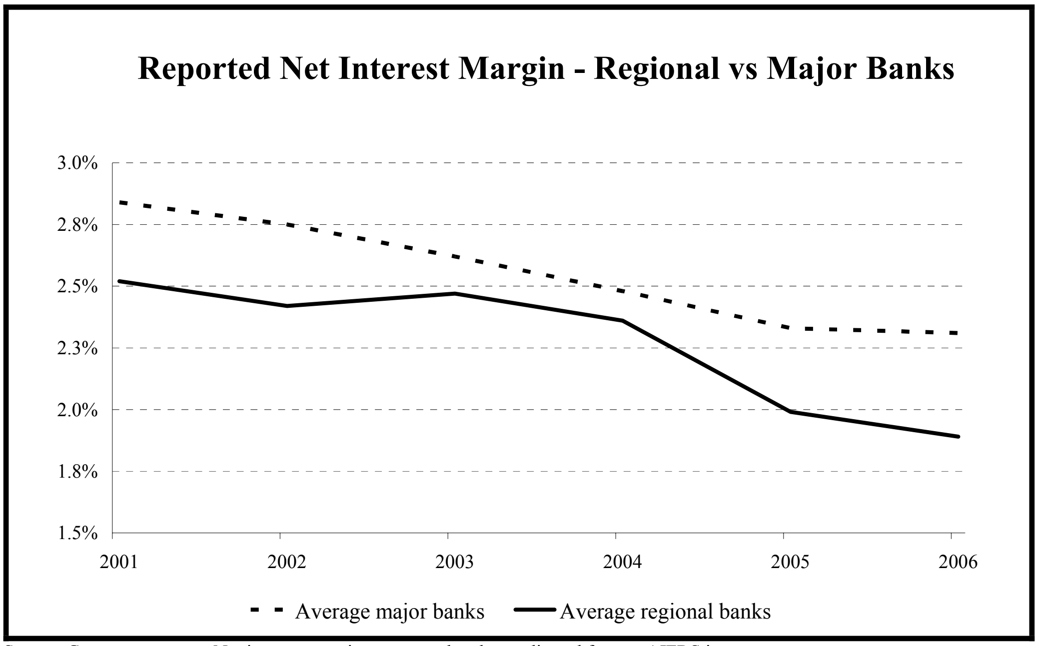

Source: Company reports. Net interest margin as reported and not adjusted for any AIFRS impacts.

As interest margins continue to be compressed, fee based income will become increasingly important. However, intensifying competition is also impacting on fee income, with some institutions waving introduction fees on housing loans.

10 Asset Quality

The prospect of an economic slowdown and continued high levels of household gearing have raised concerns for the exposure of the banks to credit risk generally, and in particular in housing lending. While levels of non performing loans have been rising since reaching historical lows in December 2004, current levels across the sector remain low relative to 30 year data. Bank reporting suggests that housing credit quality has deteriorated but corporate credit quality has improved.

At this stage the data does not indicate a widespread deterioration of credit quality, particularly as the fundamentals of the Australian economy remain positive, Reserve Bank of Australia ("RBA") oversight of the economy is strong and Australian corporates are less geared than 15 years ago.

11 Performance Outlook

The following factors are expected to shape the performance of the banking sector over the next 12 months:

- Key domestic economic drivers suggest slowing economic growth, although some indicators are mixed. Notwithstanding the resilience of consumer spending to past rate rises, the recent 25 basis point increase in the cash rate by the RBA in November 2006 is expected to further dampen credit formation (particularly in the housing segment) and potentially increase loan losses. However, growth is not expected to reach the lows experienced in the early 1990s and a significant downturn in mortgage growth is increasingly unlikely.

- Competition in the banking markets is expected to remain strong across all businesses, putting further pressure on margins. Regional banks are expected to face renewed competition from the major banks and foreign banks (particularly BankWest) in selected growth corridors of their regional markets. Regional banks are expected to continue to seek growth outside their traditional markets.

- The major banks, as well as Suncorp and St George are relatively well positioned to withstand a more competitive environment through their strong banking franchises and level of asset and income diversity from wealth management and insurance operations. Competitive pressures may also drive industry consolidation, potentially driven by a foreign entrant, as regional banks seek scale to maintain returns on equity.
- Asset quality remains strong across the sector. However, with increased competition there is a risk that banks (both regional and major) may be prepared to accept lower credit standards in order to maintain credit growth. There are some indications of a deterioration in credit quality in some banks but it is too early to tell if this will have a significant impact on earnings in future years.

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Appendix B

Overview of General Insurance Industry

1 Introduction

General insurance includes all forms of insurance other than life and health insurance. It can be divided into two broad categories: personal lines of insurance which are sold to individuals, and commercial lines of insurance which are sold to businesses and other commercial and non commercial operations.

Personal lines of insurance include coverage for households, motor vehicles, boats, caravans, personal effects and travel insurance. Commercial lines include coverage for business operations and facilities across a range of industries, coverage for employer's liability ("workers' compensation") and professional indemnity. There is an overlap in motor vehicles and property, with commercial lines also providing coverage in these sectors.

General insurance is sold through a range of distribution channels, but the two distinct types can be characterised as either "Direct" or Intermediated".

General insurance includes direct insurance (the direct acceptance of insurance risk from the end insured party or its authorised intermediary) and reinsurance which is effectively the transfer of risk away from the direct underwriter. Insurers purchase reinsurance cover ("outwards reinsurance") to reduce their underwriting risk exposure and volatility.

General insurance lines are commonly categorised as either "short tail" or "long tail" classes. Short tail classes of insurance provide coverage for risk where notice of a claim is received relatively quickly and claims are outstanding for a relatively short period of time (usually less than two years) before they are quantifiable and settled by the insurer. Long tail classes of insurance provide coverage for risks where a claim may not be notified for many years. It may take several years to quantify claims once notified, and the process may often involve legal proceedings to apportion liability and determine the size of claims.

General insurers establish provisions for future claims based on "central estimates" of the most likely cost of settling present and future claims incurred to the balance date including associated settlement expenses plus a risk margin. The risk margin is determined to allow for uncertainties or fluctuations in the liabilities. The end result is an estimated claims provision that has an assessed probability of ultimately proving to have been adequate.

Claims provisioning for long tail classes of insurance, such as workers' compensation and public liability insurance, is subject to more uncertainty due to the increased difficulty in using historical claims experience to predict future claims and because average claims costs may increase in an unpredictable fashion over the longer time periods involved. In contrast, in short tail classes of insurance the pattern of claims develops more quickly and claims provisions can generally be estimated with reasonable accuracy.

The earnings of general insurers are derived from three primary sources:

- the underwriting of insurance risk;
- investment income from assets matching technical reserves (principally provisions for claims and unearned premium); and
- investment income from assets representing shareholders' funds.

Underwriting performance is commonly assessed in terms of the claims (or loss) ratio and the expense ratio which measure insurance claims and underwriting expenses respectively as a percentage of net earned premium income. A combined ratio of 100% represents a break even underwriting performance. In addition to the inevitable uncertainty associated with insurance risk, an insurer's claims ratio is affected by its ability to qualify, quantify and price insurance risk and its degree of diversification. Underwriting expenses are affected by a range of factors, including the availability of economies of scale, access to sophisticated information and processing systems and the methods used to market and distribute products.

General insurers earn income from assets representing shareholder's funds and from assets matching technical reserves. Assets representing shareholders' funds generally include equity and property investments and other investments in growth asset classes. Investments held to match technical reserves (the insurer's estimated underwriting liabilities) are generally comprised of cash and fixed interest investments. Longer tailed businesses will generally generate more investment income as insurers can on average hold the funds from premiums for a longer period of time before payment of claims is made. Income from underwriting and income from the investments matching technical reserves jointly constitute the insurance trading result, the key indicator of profitability.

General insurers can also derive income from the management of statutory insurance funds including workers' compensation. Fee arrangements are typically based on cost recovery plus some margin. In addition, there is usually an incentive payment which is dependent on the insurer delivering an improved outcome to the client. By comparison with traditional underwriting activities, these risk management and advisory services do not require large amounts of capital.

The major external factors which influence the profitability of general insurers include:

- changes in interest rates in Australia and overseas. Movements in interest rates impact the value of both fixed interest and equity investments, resulting in a change in investment income. An increase in interest rates reduces the value of fixed interest and equity investments, resulting in a reduction in reported investment income. At the same time, an upward movement in interest rates has a compensating effect by reducing reported claims costs as a result of a reduction in the discounted present value of outstanding claims provisions;

- changes in market conditions that affect the value of investments or rates of return. Australian accounting standards require that both the investments supporting underwriting liabilities and investments supporting shareholders' funds be revalued to market value on an annual basis. Changes in the market value of these investments affect reported investment income;

- the incidence of major catastrophes, natural disasters or other events to which an insurer has significant exposure. Insurers commonly seek to limit their exposure to such events through reinsurance programs;

- changes in the competitive environment, through the entry of new participants, the rationalisation of participants, the introduction of new technology or for other reasons, which may impact premium rates and alter insurers' ability to secure a reasonable share of appropriate risk business;

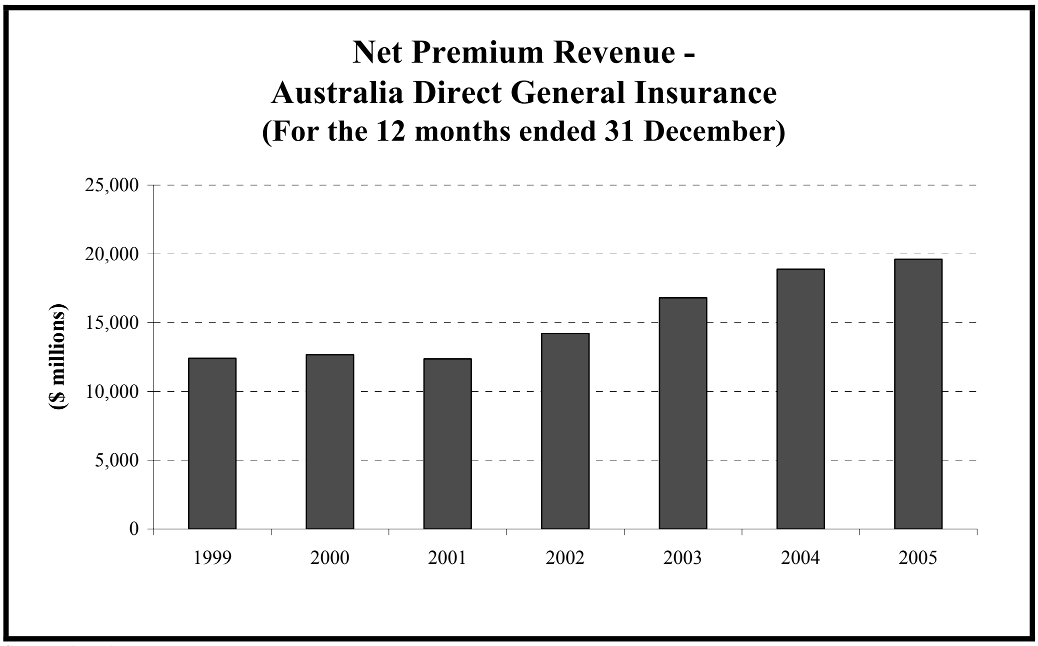
- changes in the judicial system and community expectations which may result in changes in claims costs in long tail lines such as workers' compensation and compulsory third party motor vehicle and personal injury insurance ("CTP"); and

- legislative changes which may affect the structure of insurance markets, premium pricing, expected rates of return and other factors.

Overall returns to shareholders are affected by the capital structure of general insurers. The gearing or leverage of general insurers can be considered in terms of business leverage (the ratio of premium income to net asset value) and balance sheet leverage (the ratio of claims provisions to net asset value). Increased leverage results in returns to shareholders being more sensitive to changes in underwriting profitability. Higher levels of balance sheet leverage, typically associated with long tail business, increase the exposure of shareholders' funds to the financial impact of unexpected variations in claims outcomes.

2 Australian General Insurance Industry

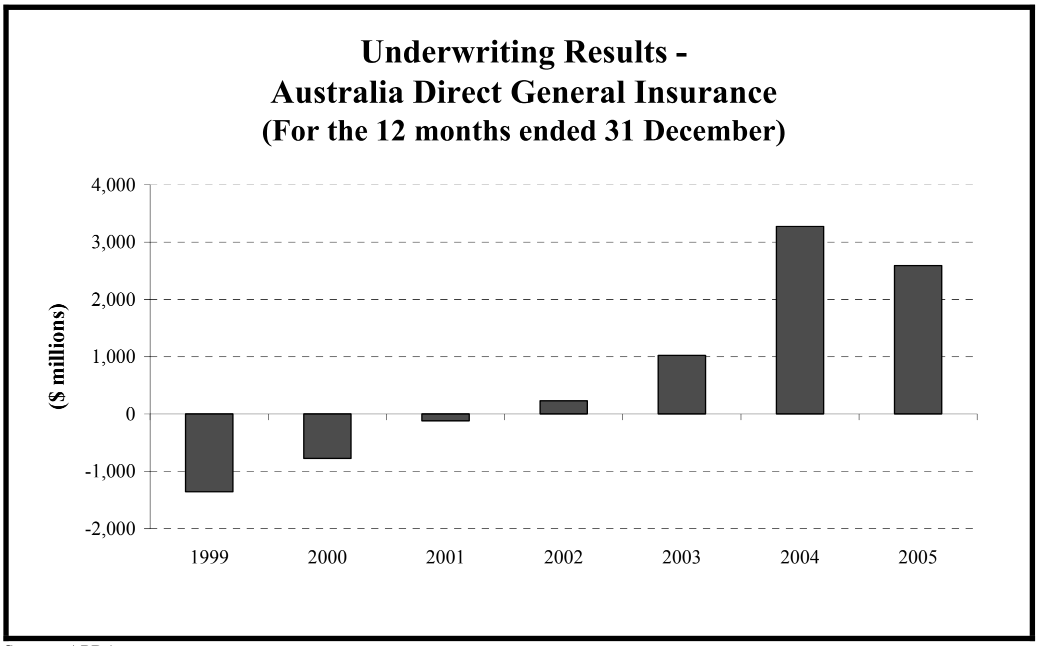
Gross premiums written by regulated general insurers operating in Australia for the year ended 31 December 2005 reached a new high of $23.0 billion dollars and $19.7 billion on a net premium basis (excluding inwards reinsurance), generating estimated profits after tax of $4.5 billion. This follows a steady period of growth since 2001:



Source: APRA

The industry was supported by $71.6 billion of assets and $49.7 billion of liabilities.

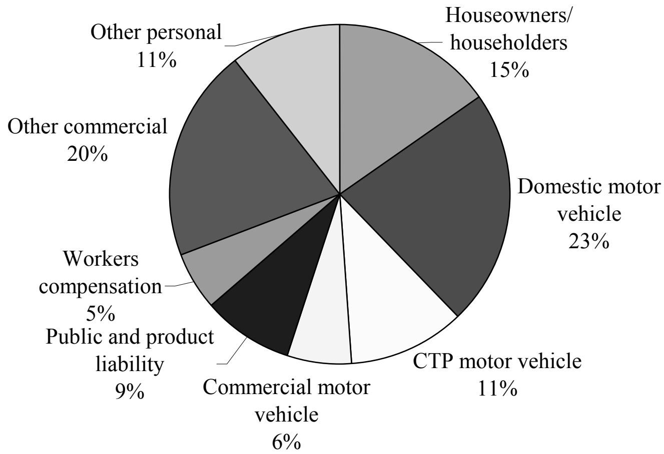
Premium growth has been driven by a number of factors, including the diminishing presence of not for profit insurers, privatisation of previously government monopolised business classes, general economic growth and asset value growth. The growth in premium income, increased sophistication around risk assessment and pricing, together with improved efficiency, have resulted in a dramatic turnaround in industry profitability:



Source: APRA

In the Australian general insurance industry, major lines of personal insurance include CTP, household insurance and domestic motor vehicle insurance (other than CTP). The major commercial lines of insurance include public and product liability insurance, commercial motor vehicles, corporate property, professional indemnity insurance and workers compensation. Personal lines of insurance represented 59%[1] of the general insurance market, as measured by gross premium income:

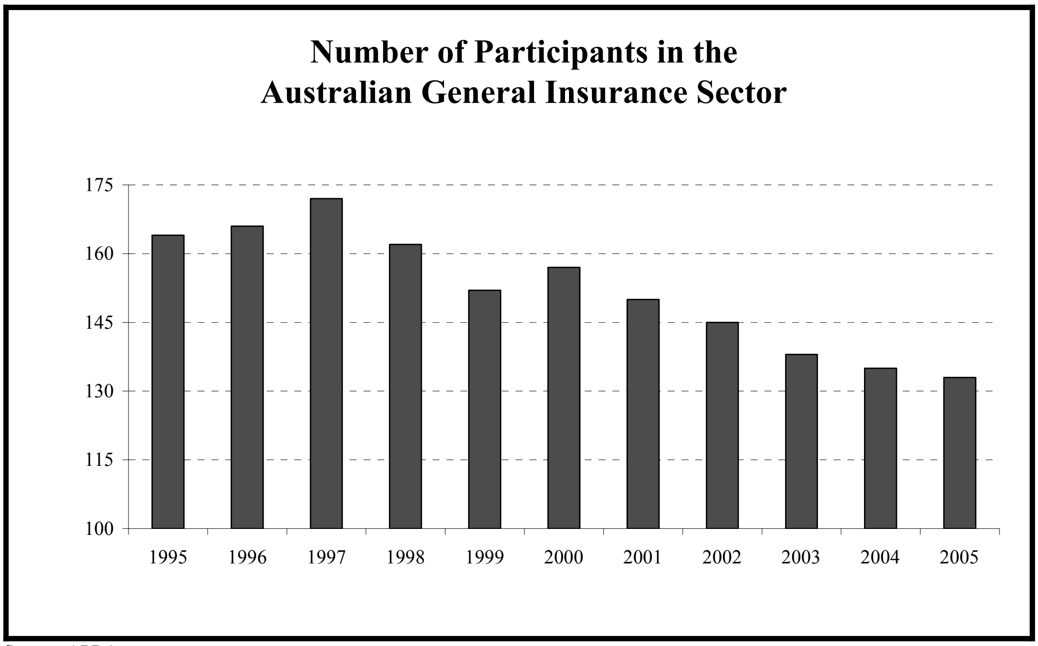
Australian Direct Insurance - Gross Written Premium Revenue by Business Class (12 months to December 2005)



Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

The Australian general insurance market was originally developed along state lines, with state based mutual and government owned insurers holding leading market positions in each of the states. During the 1990s almost all the State owned insurance businesses were privatised, and most of the mutually owned insurance businesses were demutualised or transferred to "for profit" owners. Subsequently, a period of rationalisation activity during the late 1990s and early 2000s resulted in a significant reduction in the number of participants in the Australian general insurance market:

[1] Personal insurance include houseowners/householders, domestic and CTP motor vehicles, travel, mortgage, consumer credit, other accident and an allocation of "other" insurance based on gross written premium contribution.



Source: APRA

By December 2005 there were 133 private sector insurers (of which 21 were reinsurers) competing in the mature general insurance market in Australia. However, the majority of these are small niche participants. The rationalisation activity around the turn of the millennium has resulted in the establishment of a limited number of major insurers with nationwide operations and significant market share that play a major role in the Australian general insurance market (particularly for mass market personal lines business), although niche insurers with differentiated business models or distinctive product offerings continue to provide strong competition to the major participants.

Most insurers operate on a national basis, applying a national distribution channel and marketing strategy (e.g. national toll free number, internet marketing and distribution) and/or have formed strategic alliances with banks, credit unions, motoring associations, retailers and other organisations in order to target particular customers on a national basis. For example, IAG (through its NRMA brand) has penetrated into Queensland without a dedicated branch network, via an arrangement with Australia Post. This arrangement enables NRMA customers to renew their policies at any Australia Post Branch in Queensland. Some insurers (principally those aligned with state based motoring clubs) continue to market on a single state basis.

Intermediaries also represent an important distribution channel, particularly for commercial lines. Industry consolidation has also been a feature of the intermediated market, and has resulted in an increasing tendency to operate nationally.

Market estimates indicate that the top five insurers control 70% of the general insurance market, based on net earned premium:

Leading Australian General Insurers – Year ended 31 December 2005[2]						
	National		Personal		Commercial	
Insurer	**Ranking**	**Market Share**	**Ranking**	**Market Share**	**Ranking**	**Market Share**
IAG	1	27%	1	38%	1	15%
Suncorp	2	12%	2	18%	4	8%
Promina	3	12%	3	16%	5	8%
QBE	4	10%	5	6%	2	15%
Allianz	5	9%	4	10%	3	9%
Zurich	6	4%				
Others	7	26%	6	12%	6	47%

IAG is the largest player in the national general insurance market, with over twice the market share of the second player. IAG operates under many brands including *NRMA Insurance, RACV, SGIO, SGIC, CGU* and *Swann Insurance* in Australia and *State Insurance* and *NZI* in New Zealand. Promina and Suncorp have similar market shares. Other major players include QBE, Allianz and Zurich all of which are global insurance groups. QBE is Australia's largest international insurance group and Allianz is part of one of the largest worldwide insurance groups. Allianz is also the largest workers' compensation provider (via underwriting and scheme claims management services) in Australia, providing cover for one in five Australian employees.

Major financial institutions and banks have continued to develop an involvement in the general insurance market with a number adopting a diversified financial services provider model or bancassurance approach (i.e. acting as underwriters rather than just distributors of products) to optimise use of their existing client base, distribution networks, back office functionality and capital base. While the banks have at present a relatively small share of the general insurance market they are able to offer competitive products due to their well developed branch network distribution channels, which also assist in negotiating attractive terms with insurance underwriters. ANZ claims that 61% of customers who take out an ANZ mortgage through proprietary channels, also take out ANZ/CGU home insurance.

The collapse of HIH in March 2001 had a positive effect on the profitability of the remaining participants in the Australian general insurance industry, who were able to grow market share while pricing new business on a basis which more accurately reflected the underlying risk. The collapse and subsequent significant increase in premium rates in many classes of business also focussed attention on the growth in the size of tort (personal damage) claims, which had previously been partially obscured by HIH's inadequate pricing. This resulted in the introduction of significant tort reforms during 2002-04, which have led to a reduction in the level and volatility of claims. The major liability reforms were:

- introduction of thresholds in relation to both general damages and loss of earnings. Potential claimants are now required to demonstrate they have suffered specified minimum levels of damage or incapacitation before they can initiate litigation. This has led to a reduction in the number of claims (around 80% of claims historically had been below $50,000) and a reduction in associated expenses;

- caps for general damages and loss of earnings claims. While few jurisdictions previously had caps on general damages, most now have caps in the range of $0.2-0.4 million and maximum limits of 3-4x average weekly earnings for loss of earnings claims, reducing the cost of minor to moderate injuries from the system and reducing the variability of claim awards; and

- judicial process changes, particularly the removal of claimants' access to a jury-based system.

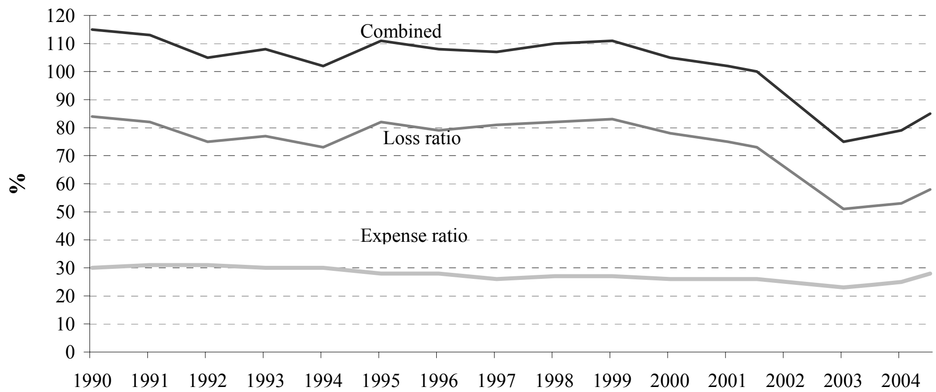
Claims costs have reduced as a consequence of these tort reforms, and these lower costs have been passed on to consumers and other insurers in the form of lower insurance premiums. However, premium reductions have lagged the reduction in claims costs, due to uncertainties in measuring the reduction, enabling insurers to achieve higher levels of profitability than those achieved in the past. Tort reform is one of a number of factors that has driven improved profitability.

2 Credit Suisse, Property and Casualty Insurance – Australia (July 2006). Total market shares may not add to 100% due to rounding.

Overall there was a softening in premium rates in the general insurance industry in 2005. Rate pressure was most pronounced in the commercial lines, for which rates declined by an average of 6-14%[3] over the year. The fall in rates was particularly evident in commercial property and liability classes of insurance and professional indemnity, in which there is excess capacity. The impact of premium pressure was greatest on corporate insurers (i.e. with premiums greater than $100,000). In personal lines of business, rates in CTP fell as insurers passed on the benefits of tort reform, while there were modest improvements in premium rates in other personal lines of insurance. It appears reasonable to expect that, in the short to medium term, high levels of competition will limit any material upward movement in premium rates.

The underwriting performance of listed Australian general insurers over the last fifteen years is illustrated in the following graph:

Loss and Expense Ratios
(Year ended 31 December)



Source: PricewaterhouseCoopers, Insurance Facts and Figures 2006

APRA data indicates that the combined ratio for 2005 was 87%, implying a relatively high level of profitability by historic standards. Given the increase in competition and the expected reductions in premium rates such levels of industry profitability are unlikely to be sustainable, with analysts forecasting that the combined ratio will deteriorate by 3% to 91% in 2006 and by a further 1% in 2007[3]. While this represents a material deterioration in forecast underwriting performance, at combined ratios of well below 100% the industry is expected to continue to deliver strong returns.

The strong performance of equity markets has rewarded general insurers, with investment income achieving annual growth rates of 40.4% over the past two years, more than compensating for the decline in underwriting performance over the same period:

[3] JP Morgan and Deloitte, 2005 General Insurance Industry Survey.

General Insurance (Direct and Reinsurance) - Key Statistics ($ millions)			
	Year ended 31 December ($ millions)		
	2003	**2004**	**2005**
Net premium revenue	19,987	20,358	21,316
Net incurred claims	11,977	12,334	12,991
Underwriting result	**3,069**	**3,141**	**2,894**
Investment income	2,248	4,028	4,431
Net profit/loss	**3,397**	**4,774**	**5,093**
Net loss ratio	*60%*	*61%*	*61%*
Total assets	77,091	78,736	81,536
Shareholders' equity	21,291	24,007	24,938
Return on assets	*4.6%*	*6.1%*	*6.4%*
Return on equity	*17.1%*	*21.1%*	*20.8%*
Solvency coverage	*2.14*	*2.19*	*2.44*

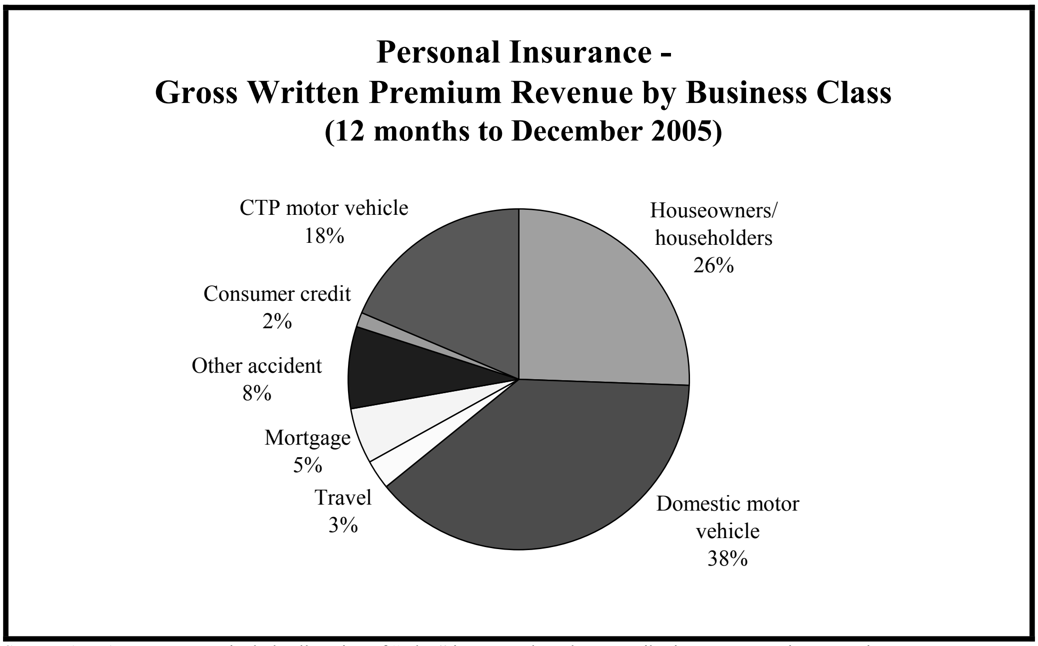
Source: APRA Statistics Half Yearly General Insurance Bulletin December 2005

Return on equity ("ROE") in 2005 continued to be high at 20.8%, by comparison with an average ROE of around 9% between 1992-2004. In this context, industry participants are incentivised to compete aggressively for new business with a focus on growing market share. There is still significant surplus capital in the industry, with the industry's capital coverage currently 2.44 times the minimum capital requirement (increasing from 2.14 times in 2004), reflecting the healthy levels of profit and benign investment market conditions over the past two years.

An overview of each of the major lines of general insurance is presented in the following sections.

3 Personal Insurance

In 2005 personal insurance generated approximately $13 billion in gross premium revenues, split into the following business classes:



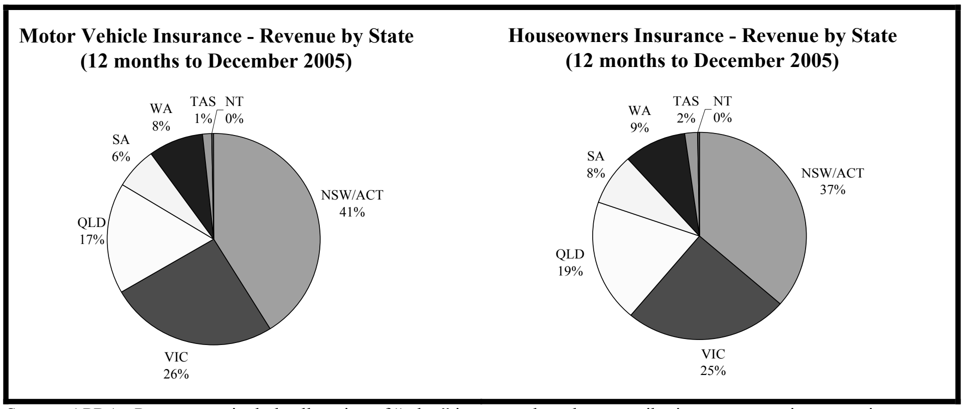
Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

The top five insurers hold a combined share of the market for personal insurance of approximately 88%.

3.1 Motor Vehicle (excluding CTP) and Household Insurance

Motor vehicle (excluding CTP) and household insurance are principally short tail classes of insurance. These two classes of insurance are the largest lines of personal insurance and accounted for a combined total 64% of personal insurance premium revenue for the 12 months ended 31 December 2005. Motor vehicle and household insurance is principally underwritten by the private sector and is generally distributed through direct channels.

The following charts set out gross premium revenue for motor vehicle (excluding CTP) and household insurance analysed on a state by state basis:



Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

Gross premium revenue from personal motor vehicle (excluding CTP) insurance was $5.1 billion in 2005 (representing 23% of the general insurance market). Motor vehicle insurance is the largest product across both personal and commercial lines. The key drivers for this business class include economic growth, motor vehicle sales and prices of motor vehicles. At a national level, IAG is the market leader with a market share of approximately 30%[4]. New South Wales is the single largest market for motor vehicle insurance, accounting for 42% of the market by premium revenue. IAG has a market share of over 50%, followed by Promina (22.1%) and Suncorp (13.3%). Victoria accounts for 26% of the personal motor vehicle insurance market, with Promina and IAG (through its joint venture with RACV) each controlling about a third of the market. Queensland accounts for 17% of the personal motor vehicle insurance market. Key participants are RACQ with a market share of 28.9%, Suncorp with 27.6% and Promina with 17.2%.

Gross premium revenue from household insurance was $3.4 billion in 2005 (representing 15% of the general insurance market). On a national level, IAG, Promina, Suncorp and Allianz are the major participants in this segment, with most home insurance sold though direct distribution channels. Key risks to which insurers are exposed in this business class include hailstorms, flooding and other natural disasters. For example, the 1999 Sydney hailstorms cost the industry almost $2 billion in total insurance payouts for all classes. Analysts estimate that IAG is the national market leader with a market share of about 35%[2]. New South Wales is the single largest market for home insurance. IAG is the leading insurer in this state with an estimated market share of 47.8%, followed by Suncorp (est 17.2%) and Promina (est. 15.3%). In Victoria, the second largest market, Promina has an estimated market share of 24.8%, followed closely by IAG (though its RACV joint venture) (est. 23.1%), IAG (est. 9.3%), Suncorp (est. 8.2%) and CBA (est. 7.9%). In Queensland, Suncorp is the market leader with an estimated 29.7%, followed by RACQ (est. 16.9%), Promina (est. 14.9%) and IAG (est. 13.1%).

[4] Credit Suisse, Property and Casualty Insurance – Australia (July 2006).

3.2 Compulsory Third Party

Australian law allows some parties injured in motor vehicle accidents to claim damages from the driver at fault or from a government scheme. All state governments require motorists to have insurance cover against the potential for such damages claims, through CTP. CTP insurance is regulated on a state basis. In particular, the state regimes regulate which insurers can participate in their markets and the price range within which CTP policies can be sold. Premium rates are approved by the relevant regulator in advance and rate changes are published regularly. In New South Wales, Queensland and Australian Capital Territory, CTP is underwritten by private sector insurers. In all other states and territories, CTP is underwritten by the respective state government.

The Queensland CTP scheme is governed by the Motor Accident Insurance Amendment Act 2000, supervised by the Queensland Government's Motor Accident Insurance Commission ("MAIC") and is currently underwritten by six private licensed insurers (Alliance, AAMI, NRMA, QBE, RACQ and Suncorp). Insurance companies are required to file their CTP rates with the MAIC every quarter, at least six weeks before the quarter begins. Floor and ceiling prices are established by the MAIC and rates filed must be within that range. The premiums paid by consumers will vary depending on which insurer they have selected and the premium period during which their vehicle registration renewals fall due. CTP premiums are structured according to the type and use of the vehicle (there are 23 vehicle classes).

Suncorp has an estimated market share of 51.5% of the Queensland CTP market, followed by Allianz (22.7%), RACQ (13.7%), AAMI (5.7%), QBE (3.8%) and IAG (2.7%)[5].

The NSW CTP scheme is governed by the Motor Accidents Compensation Act 1999, regulated by the Motor Accident Authority of NSW ("MAA"). The MAA specifies 32 vehicle classes and five geographic districts within which insurers must file their rates. A large number of rating factors are used by insurers operating in the NSW CTP scheme to determine a customer's risk profile. The combination of vehicle classes, geographic district and rating factors results in many thousands of different pricing segments. There are currently seven private insurers licensed to underwrite CTP policies in New South Wales (AAMI, Allianz, CIC Allianz, GIO, NRMA, QBE and Zurich).

Gross premium revenues from private sector CTP insurance was $2.4 billion in 2005 (representing 11% of the direct general insurance market). Downward pressure on CTP premium rates is expected to continue in New South Wales and Queensland as the reduction in claims costs from tort reforms is passed on to consumers by insurers.

NRMA (IAG) has an estimated market share of 36.4% of the New South Wales CTP market, followed by Allianz (16.1%), AAMI (14.7%), QBE (10.5%), GIO (Suncorp) (7.9%), CIC Allianz (7.7%) and Zurich (6.7%)[5].

IAG is currently the only CTP Underwriter in the ACT.

4 Commercial Insurance

In 2005 commercial insurance generated $9.1 billion in gross premium revenues, of which the liability and property classes accounted for the majority. The commercial market is significantly more fragmented than the personal lines business, with the top five insurers holding a combined market share of around 55%. Policies are generally written through brokers, utilising broker client placement facilities and electronic networks supported by the larger insurance offices such as AON, Marsh, Willis, OAMPS, Jardine and Austbrokers.

The relative sizes of the major lines of business written within the commercial sector are illustrated below:

[5] MAIC, average market share for the last four quarters ended 30 September 2006.

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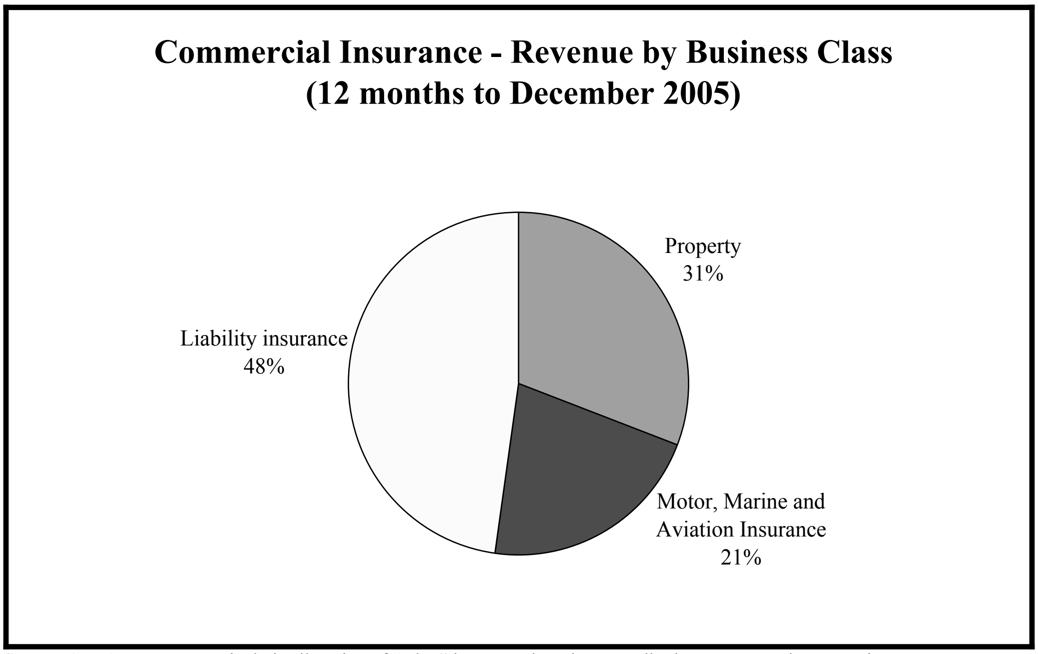
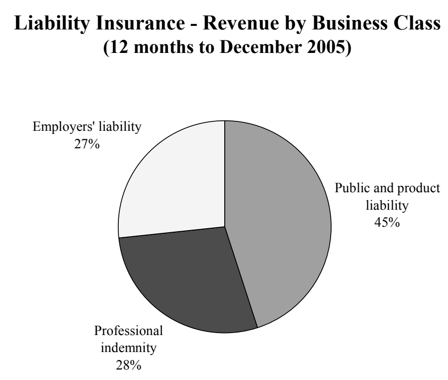
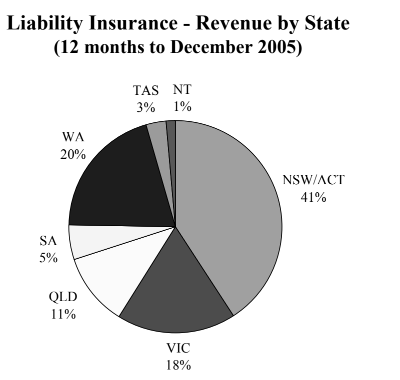


Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

4.1 Liability Insurance

Liability products include professional indemnity, public and product liability, employer's liability (or workers compensation), and are all long tail insurance products. Gross premium growth in these business classes has slowed significantly in the past 12 months reflecting market competition, driven by the entry into the market of foreign players, and lower premium rates. In 2005, gross written premiums for liability lines of business totalled lover $4.4 billion (representing 48% of the total commercial insurance sector). NSW/ACT is the largest market for liability lines:





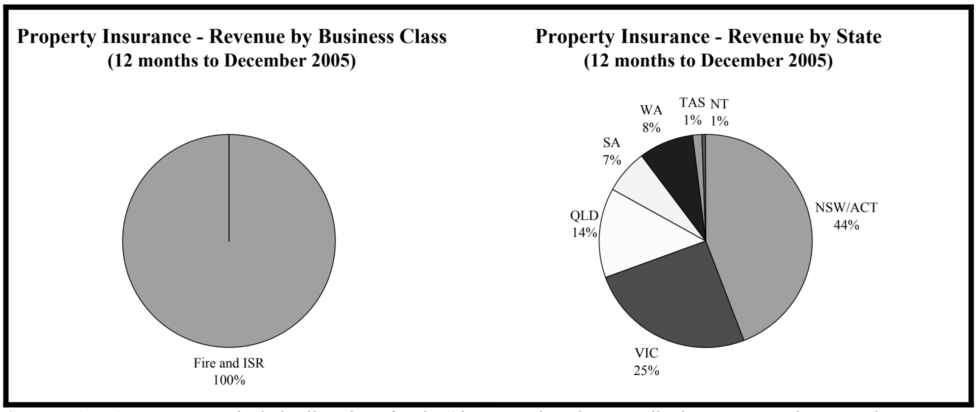
Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

Public and product liability and professional indemnity represent the largest business classes and in 2005 generated gross premium revenues of $2.0 billion and $1.2 billion respectively.

Employer's liability (workers compensation) is a compulsory form of insurance undertaken by employers to provide against work related injuries or illnesses suffered by their employees. Workers' compensation is regulated by state or territory authorities, and is underwritten by the relevant State or Territory administration in all States and Territories except Western Australian, Tasmania, ACT and Northern Territory. Australia's workers compensation market generated A$1.2 billion in gross premium revenues in 2005 (this includes gross premium revenues from both privatised states and State and Territory run schemes), representing 5% of all directly written general insurance business classes. Western Australia is the largest privately underwritten market with 49% of the workers compensation insurance market, followed by ACT representing 34%. QBE is the national market leader of the workers compensation market with a market share of 13.8%, followed closely by Suncorp (12.5%) and IAG (11.2%).[6]

4.2 Property Insurance

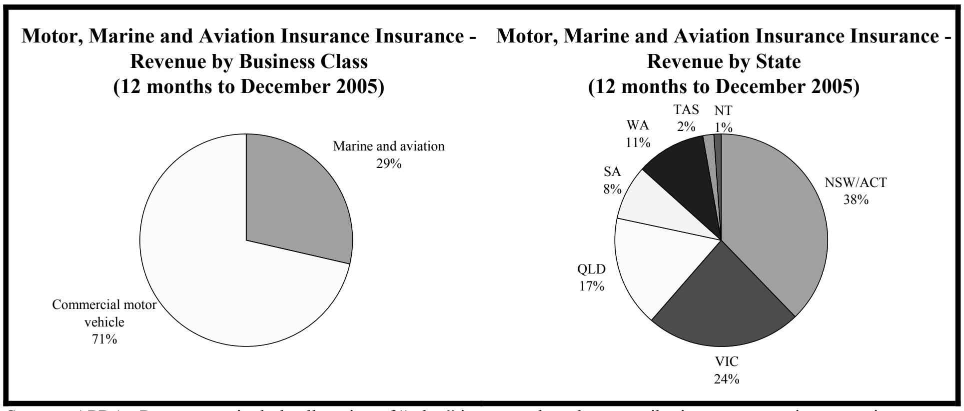
Property insurance comprises fire and industrial special risk ("ISR") as well as other insurance. In 2005, property insurance generated almost $2.8 billion in gross written premiums (representing 31% of commercial insurance). The eastern states account for the majority of this class of business, with New South Wales representing 44%. The following charts analyse property insurance premium revenue by state and by product line:



Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

4.3 Motor, Marine and Aviation Insurance

In 2005 the commercial motor, marine and aviation portfolio generated almost $2 billion in gross written premiums, representing approximately 21% of total commercial insurance premium revenues. The following charts analyse commercial motor, marine and aviation insurance premium revenue by product line and by state:



Source: APRA. Percentages include allocation of "other" insurance based on contribution to gross written premium.

The majority of motor, marine and aviation business is written within New South Wales (approximately 38% of total premium revenue). Victoria, the second largest state in terms of written premiums, generates approximately 24% of total premium revenue.

6 Credit Suisse, Property and Casualty Insurance – Australia (July 2006).

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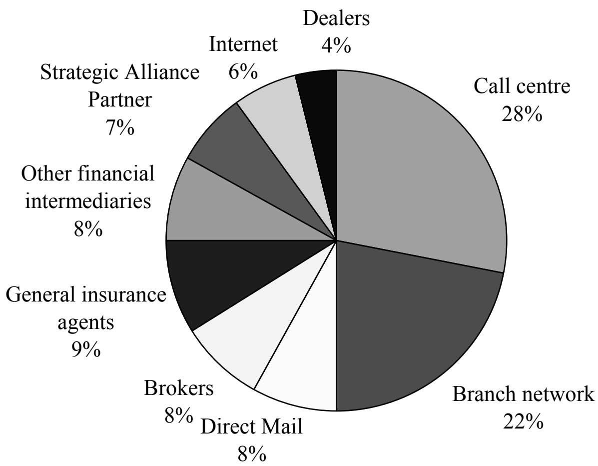
5 Intermediaries

Insurance products can be distributed directly by insurers, through strategic alliances or through intermediaries. Intermediaries include independent brokers, dealers and general insurance agents. As can be seen in the graph below, intermediaries are responsible for as much as 25-30% of premiums written in personal insurance.

Personal Lines Distribution
(12 months to December 2005)



Source: Deloitte and JP Morgan General Insurance Survey 2005

More than 90% of commercial classes of insurance are distributed through intermediaries. The ease with which insurance underwriters can gain access to, and withdraw from, broker based intermediaries is in part responsible for the insurance cycle in commercial lines, which tends to be more volatile than the cycle in personal lines.

6 Regulatory Environment

The activities of the general insurance industry are regulated by the Insurance Act 1973 ("the Act"). The principal objective of the Act is to protect policyholders of the insurance industry. The Act seeks to achieve this by regulating entry into the insurance industry and by imposing prudential guidelines for the operation of insurance businesses.

Australian Prudential Regulation Authority ("APRA") is responsible for the licensing of applicants wishing to enter the industry and the monitoring of compliance with prudential guidelines for general insurance operations. Prudential guidelines include minimum capital adequacy requirements and other solvency requirements. Supervision of insurance intermediaries is the responsibility of the Australian Securities and Investment Commission ("ASIC") under the Insurance (Agents and Brokers) Act.

In July 2002, a new framework was introduced for the prudential regulation of the general insurance industry by APRA. This framework, which is continuing to evolve, aims to achieve more consistent, rigorous and reliable valuation of insurance liabilities, impose more stringent capital adequacy requirements that better reflect the insurer's risk profile, and improve corporate governance.

The new capital adequacy standard requires that an insurer's capital base must exceed the greater of $5 million and the calculated minimum capital requirement. Tier 1[7] capital must constitute at least 50% of an insurer's capital base. Increased capital adequacy disclosures are also required. A new liability valuation standard was also introduced, whereby insurers must commission on an annual basis a report on the adequacy of outstanding claims reserves prepared by the insurer's Approved Actuary. Claims reserves must be determined at a level that provides a probability of sufficiency of 75%[8]. Another key change has been the clarification of what are "assets in Australia" for insurers. All insurers must maintain assets in Australia of a value that equals or exceeds the total amount of the insurer's liability in Australia.

Direct Offshore Foreign Insurers (DOFIs) (commercial and personal) operate under a less rigorous regulatory structure than domestic insurers, because they are not deemed to be carrying on insurance business in Australia for the purpose of the Insurance Act. The Australian Treasury estimated in 2005 that offshore insurers accounted for $460 million in gross written premium or 2.5% of the total Australian market.

7 Outlook

The short term outlook for the profitability of the general insurance industry is positive. However, industry revenues are expected to show only modest growth, with increases in the profitability of personal lines of insurance expected to be constrained by intense competition. Competitive pressure comes from various sources:

- limited brand / customer loyalty on the part of consumers, who tend to be price sensitive and willing to switch between insurers. "Price shopping" is facilitated by the increasing availability of on-line insurance price comparison tools. As a result, insurers have limited pricing power,;
- the increasing frequency of "white labelled" arrangements between underwriters and distributors, whereby third party distributors market products under their own brand name; and
- structural changes in the industry, effectively lowering the barriers to entry:
  - the increased use of the internet and other direct channels, and correspondingly reduced reliance on physical branch networks, for product distribution;
  - multi-product marketing initiatives, which allow banks and retailers (e.g. Coles) to leverage their existing distribution channels; and
  - increasing competition from offshore providers, foreign entrants and other financial service providers.

Over the medium to longer term competitive pressures may lead to further rationalisation among general insurers, more aggressive marketing (including national and multi branding), alternative/innovative product development (as more product lines become commoditised) and greater focus on differentiation through customer service. The industry is also likely to see:

- greater involvement by private insurers in underwriting workers compensation business in those states and territories in which workers compensation is currently underwritten in the public sector;
- greater participation by banks in the general insurance market. Recent examples of bank participation in the general insurance sector include CBA's greater focus on distribution of motor insurance products (currently underwritten by Allianz). Roy Morgan research indicates that CBA doubled its market share in motor insurance (excluding CTP) from 0.4% in June 2003 to 0.8% by June 2006;

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7 Tier 1 capital includes paid up ordinary shares, general reserves, retained earnings, current year after tax earnings less expected dividends, technical provisions in excess of those required by the liability valuation, non-cumulative irredeemable preference shares and other "innovative" capital instruments (issued by the insurer or through special purpose vehicles).

8 The probability that the central estimates plus the risk margin will adequately cover actual claims must exceed 75%.

- the implementation of more sophisticated risk management techniques designed to more appropriately manage the overall volatility of insurance company returns; and
- greater focus on process efficiencies, particularly in relation to back office and support functions. Re-engineering of front and back office functions is expected to include the increased use of technology (document imaging, electronic data processing and workflow tools) to drive down unit costs.

The trends in the Australian general insurance industry are consistent with developments in the general insurance industry in major markets internationally. One of the key challenges for the insurance industry will be to deal with the possible effects of climate change. Historically, industry exposures to large loss events were largely influenced by socio-economic factors, including population growth and concentration and increases in the value of assets located in areas prone to storm and flood risk. More recent events suggest an increase in the frequency of extreme events.

8 Overview of the New Zealand General Insurance Industry

Gross premiums written by private New Zealand general insurers for the year to 30 September 2005 totalled NZ$3.0 billion (equating to approximately 10% of the Australian general insurance market). The industry has grown at a compound annual growth rate of 11% over 2001-2005, with growth slowing in the past two years to around 5% per annum. Motor vehicle insurance is the largest line of business (36%), followed by domestic buildings and contents (21%). Twenty market participants write approximately 95% of New Zealand's general insurance business[9].

9 Insurance Council of New Zealand, "The Annual Insurance Industry Review 2005-06".

Appendix C

Overview of the Life Insurance Sector

1 Industry Overview

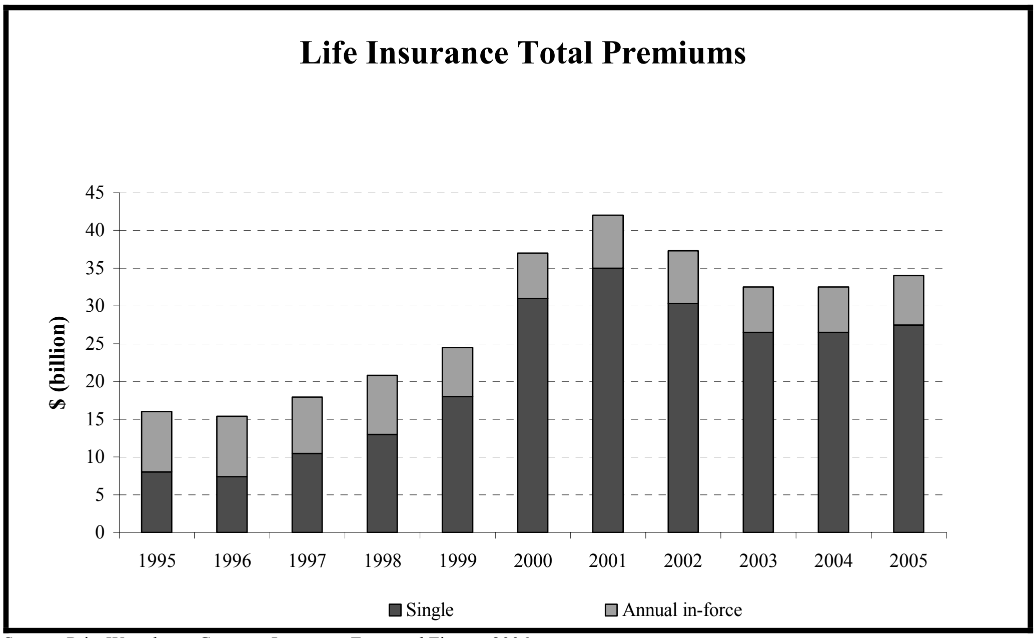
The life insurance industry has undergone an extended period of restructuring, characterised by changing industry participants, on-going product development and rationalisation, and continuing changes in the regulatory and taxation environment.

Until the mid 1980s, the Australian life insurance industry was dominated by four mutual companies (AMP Society, National Mutual, Colonial Mutual and City Mutual). Whole-of-life and life endowment policies were the dominant products offered by life insurance offices. Product distribution was principally through tied agents who distributed products of one life office only.

During the 1990's competition increased, with the entry of banks into the life insurance market, the impact of weaker economic conditions, and competition for savings from funds managers. This competition resulted in pressure on product pricing, higher costs as agent incentives were increased, and a reduction in reserves as high bonus levels were allocated to policyholders. New products were introduced with an increasing emphasis on the "unbundling" of products into their risk and savings components. The major mutual life offices were de-mutualised or acquired, and product distribution channels diversified.

Since the early 2000's, there has been a greater focus on profitability. The market is now relatively mature despite some recent product innovation. It is, in general, a commoditized market with customers sensitive to price and suppliers rationalizing products and consolidating to minimise costs.

As at 31 December 2005, there were 37 life insurance companies operating in Australia. They managed around $226.5 billion in assets (backing obligations to both Australian and overseas policyholders) and received $34 billion in premium income (regular in-force premiums plus new single premium business) for the year ended 31 December 2005.



Source: PriceWaterhouseCoopers, Insurance Facts and Figures 2006

Of the two broad types of life insurance products, regular (or annual) premium and single premium, single premium business now accounts for 79% of life insurance premiums, of which 97% relates to superannuation business. The decline in single premium business illustrated above is primarily due to the shift in savings from life-investment products towards non-life based products (eg. master trusts and wrap platforms).

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Superannuation business made up almost 89% of life insurance office assets (backing Australian policyholder liabilities) and accounted for 87% of premiums. Ordinary business of life insurance companies accounted for the remainder of premiums. Around 23% of all superannuation assets are held in life insurance policies.

The life insurance sector is relatively concentrated. The top three life insurance groups (CBA, National/MLC and AMP) accounted for approximately 40% of total industry assets backing Australian policyholder liabilities. They also accounted for 73% of new business premiums and 64% of total premiums received. The top ten life insurance groups represented 93% of total assets backing Australian policyholders, 94% of new premiums and 91% of total premiums.

Foreign owned life insurance companies accounted for 28% of total life office assets backing Australian policyholder liabilities. The foreign owned companies also accounted for 24% of new business premiums and 28% of total Australian business premiums. Bank owned life insurance companies accounted for 38% of total assets backing Australian policyholders, 39% of new business premiums and 38% of total Australian business premiums.

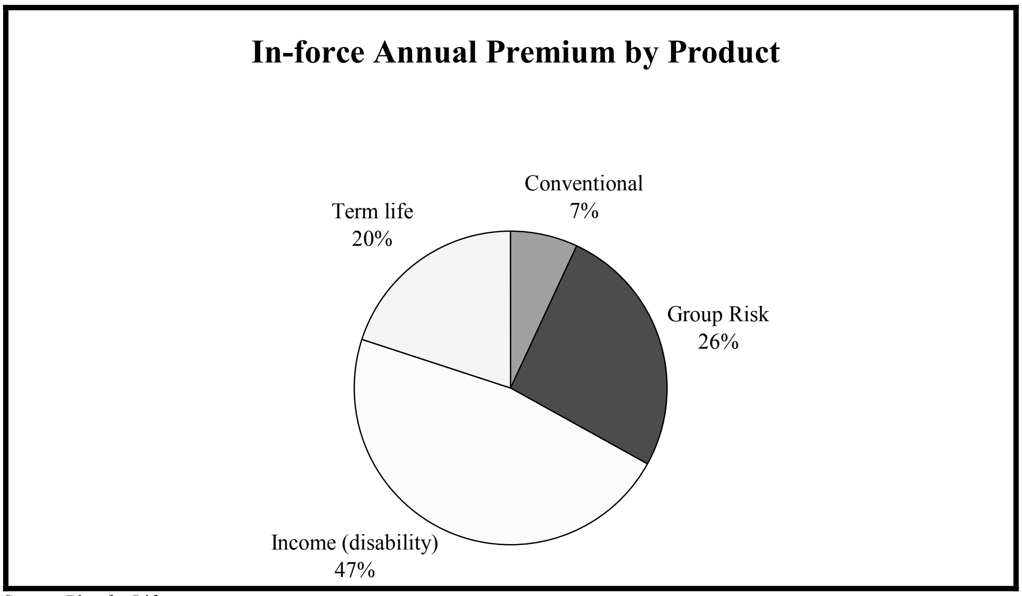
Australian Life Insurance Premiums for the year ended 31 December 2005

	Type	Premiums ($ billions)	Composition (%)
Superannuation	Single	26.1	76.7
	Annual	3.6	10.5
Ordinary	Single	0.8	2.2
	Annual	3.6	10.5
Total		**34.0**	**100.0**

2 **Life Risk Protection**

Life risk protection products offered by life insurance companies can be grouped into three product categories: term risk, income protection and group risk.

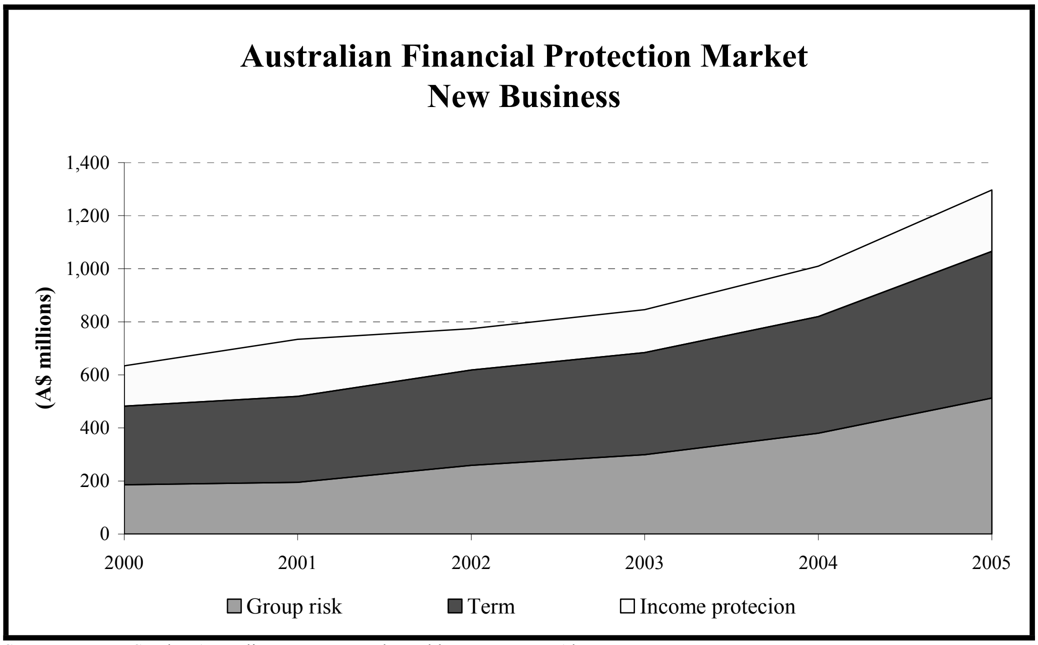
For the year ending 31 December 2005, total in-force premiums (premiums on business already in-force, excluding new business) for the Australian financial protection market were estimated at over $4.8 billion, growing at approximately 12%. As at 30 June 2006, in-force premiums were divided into the following areas:



Source: Plan for Life

Page 2

Total new business premiums were estimated at over $1.3 billion with total sales growing at greater than 10%. New sales comprised approximately 43% term risk, 18% individual income protection and 39% group risk. As illustrated below, the market has grown at around 8% per annum since 1990, with an average growth rate of 11.5% over the last 5 years.



Source: Morgan Stanley Australian Insurance and Wealth Management Almanac

3 Term products

Term products provide insurance cover against specified events (generally death, disability or similar events) for a specified period of time (normally a year). If the specified event occurs within the period a non-taxable lump sum is paid to a nominated beneficiary. Term products do not accumulate any cash value.

Term life is the most important of the term products in terms of annual premiums written. Term life insurance covers individuals in the event of death. The most popular term policy in Australia is a yearly renewable term product whereby the premium is charged each year taking into account age, sex and smoking status.

Total and permanent disablement ("TPD") products cover for the loss of use of limbs or clear medical evidence to support a conclusion that an insured will be unable to work for the remainder of his/her life in his/her occupation. TPD products can be separated according to the definition of occupation.

Trauma insurance is unrelated to the insured's ability to work and typically paid on the diagnosis of an agreed illness such as cancer, heart attack, stroke or permanent paralysis. The benefit is usually a percentage of the sum insured and is payable by way of a non-taxable lump sum benefit. There has been a growing trend away from TPD to trauma products.

In the year to 31 December 2005, total Australian in-force annual premium revenue for term products was $2.4 billion. Over the last five years, in-force annual premiums for term products have grown at approximately 12% per annum. In-force annual premiums are expected to maintain strong growth over the next ten years.

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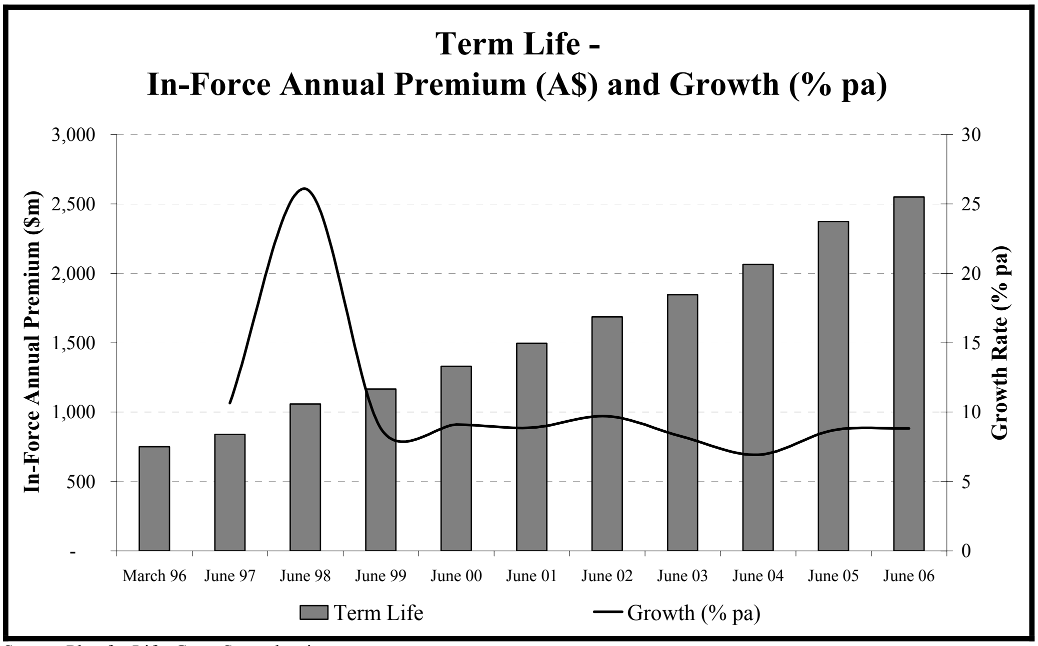
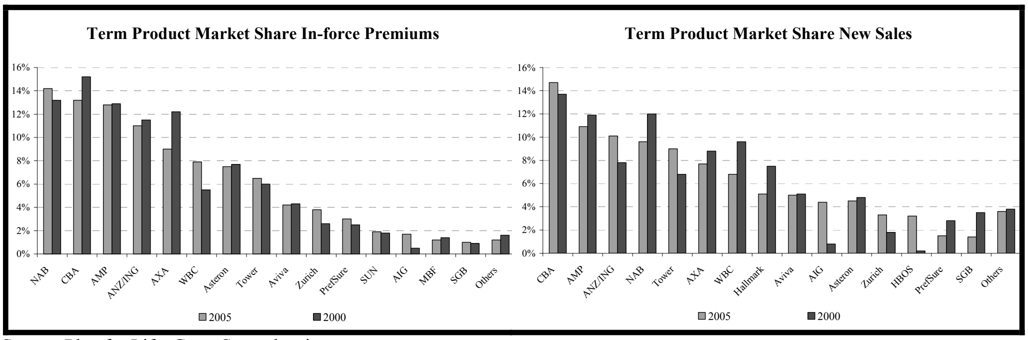


Source: Plan for Life, Grant Samuel estimate

In the year to 31 December 2005, total Australian new business premium revenue for term products was $553 million. Over the last five years new business sales have increased by approximately 10% per annum, and have seen a recent bounce in growth rates for high margin term products to around 16%.

National Australia Bank is the current leader in term products in Australia, whilst Westpac has shown the most significant increase in market share over the past five years.

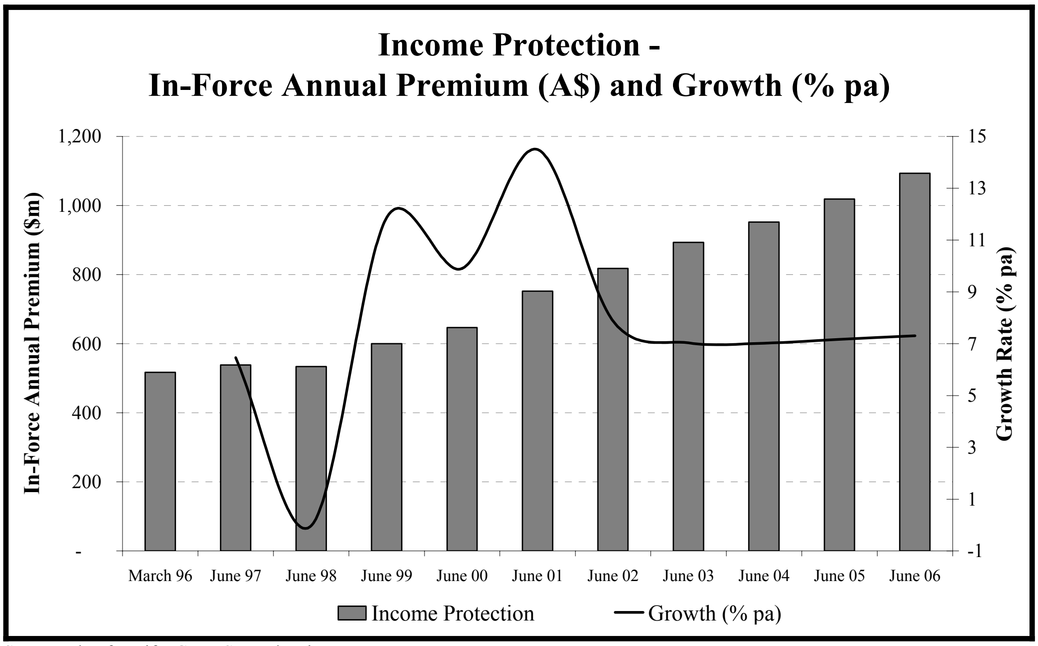


Source: Plan for Life, Grant Samuel estimate

4 Income protection

Income protection products are designed to cover loss of income should the insured be unable to work because of an accident or illness. The benefit is typically paid in the form of a regular payment, such as a taxable monthly payment to replace salary payments, for an agreed period that may be as short as two years or as long as the remainder of the insured's life. Income protection products are the most complex financial protection product as premiums vary according to benefit period, waiting period, age, sex, occupation, smoking habits and whether a "claims indexation benefit" is included.

In the year ended 31 December 2005, in-force Australian annual income protection premiums increased to $1.1 billion. Annual income protection in-force premiums have been the lowest growth risk product over the last five years, with an average growth rate slightly below 10% per annum.

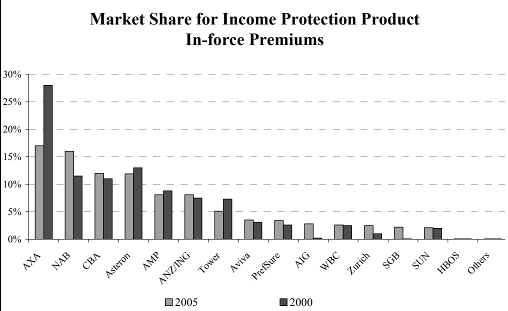


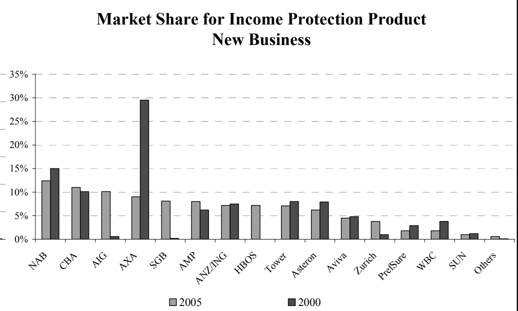
Source: Plan for Life, Grant Samuel estimate

Growth rates are expected to further decline over the next 10 years.

In the year to 31 December 2005, total new business sales for income protection products in Australia were $231 million. Growth in sales has risen dramatically to approximately 15% per annum, as the market readjusts after strong growth reductions in 2002 and 2003.

Although AXA remains the leader in the market for income protection products, its market share has significantly declined over the last five years as it has sought to shed loss making businesses.





Source: Plan for Life, Grant Samuel estimate

5 Group risk

Group risk includes group or wholesale products in terms of which multiple lives are underwritten under one policy. The principal group risk product is group life insurance (either including or excluding TPD) and salary continuance (effectively income protection). Group risk is normally provided in conjunction with employer sponsored superannuation plans.

In the year ended 31 December 2005, in-force Australian annual group risk premiums increased to $1.4 billion. Group risk in-force annual premiums have been the highest growth segment in the life risk market growing at around 15% per annum over the last five years.

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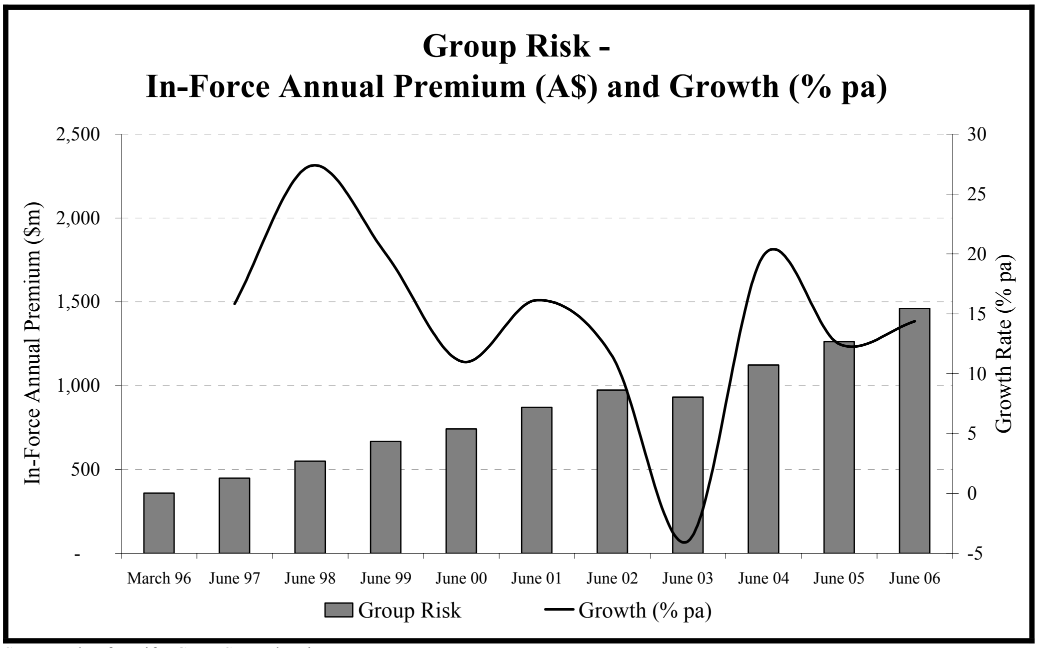
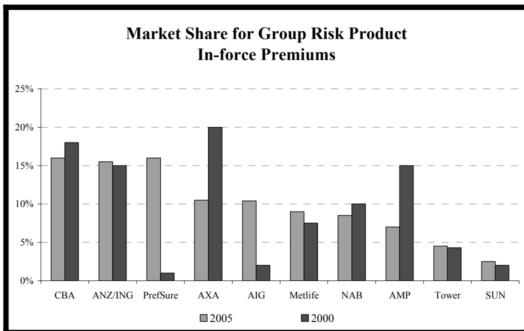


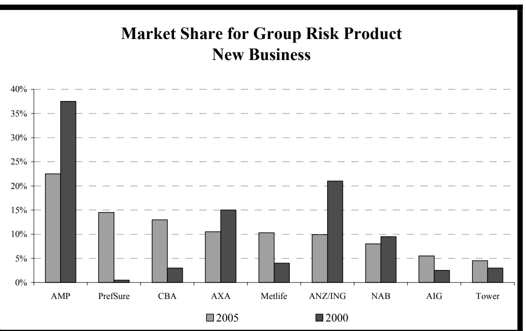
Source: Plan for Life, Grant Samuel estimate

In the year to 31 December 2005, total new business sales for group risk products in Australia were $513 million. Recently, growth in new business has declined to around 8% after a period of extraordinary growth of up to 20% since 2003.

Growth in the segment is expected to remain high over the next 10 years at approximately 11% per annum.

Colonial remains the market leader in group risk in Australia but its market share has declined over the last five years. Both AIG and Prefsure have increased their market share significantly.





Source: Plan for Life, Grant Samuel estimate
Note: Group risk market data includes re-insurance

6 Long Term Risk

Longer term risk (whole-of-life and endowment) products are more traditional life products. They generally have both an investment component and a risk component, accumulating a cash surrender value over time. Whole-of-life products provide life insurance cover for the full life of the insured (provided premiums are paid) rather than for a limited period. Endowment products are savings products that include life insurance. They typically provide a payout when the insured reaches a specified age, or pay an equivalent death benefit if the insured dies before the specified age. Policyholders generally participate in the life company's profitability through the crediting of bonuses ("with-profits" products), or may have exposure to investment performance ("unit-linked" products).

The Australian market for these longer term risk products is in decline. The increasing trend towards unbundled products has allowed consumers to purchase pure risk term products and address their savings/investment requirements through superannuation based products and other investment opportunities.

7 Industry Trends

The number of different term (including TPD and trauma) and income protection products available in the Australian market place increased each year from 1993 to 1997. Since then the number of products has decreased, with a reduction in the number of term and income protection products somewhat offset by an increase in the number of trauma products. The reduction in the total number of products available in the market over the last five years reflects rationalization and consolidation of both products and players in the industry.

The Financial Services Reform Act 2001 has also led to industry changes, particularly in relation to distribution. Insurance advisers are now required to be completely independent of the product provider, notwithstanding that most of the dealer groups for whom the advisers work continue to be owned by product manufacturers.

In-force annual premiums in the total financial protection market in Australia are expected to grow at approximately 9% per annum over the next decade. Growth is expected to be driven by the current underinsurance of most Australians. Many industry participants believe that Australians are significantly underinsured in both life insurance and income protection. Higher levels of personal debt are also expected to lead to increased demand for financial protection products.

The top 15 life insurance participants as at 31 December 2005 are shown below:

Top 15 Life Insurance Participants as at 31 December 2005

Rank	Company	Net policyholder liabilities ($ billions)	Market Share (%)
1	AMP	59.5	26.3
2	National Australia Financial Management	42.0	18.6
3	AXA Asia Pacific	23.7	10.5
4	Comminisure	22.5	10.0
5	ING Australia	20.7	9.2
6	Westpac Life	11.7	5.2
7	Norwich Union Life	4.2	1.9
8	Zurich Life	3.6	1.6
9	Suncorp Life	3.2	1.4
10	Promina	2.6	1.2
11	Metlife	2.4	1.1
12	Tower Australia	2.3	1.0
13	Challenger Life	2.3	1.0
14	Macquarie Life	2.1	0.9
15	MBF Life	1.2	0.5
	Total (top 15)	**204**	**90.3**
	Total market	**226**	**100.0**

Source: PriceWaterhouseCoopers Insurance facts and figures 2006

8 New Zealand Industry Overview

The New Zealand life insurance market has approximately NZ$1.2 billion premium in-force (around 25% of the size of the Australian industry) and has experienced premium growth of around 6% per annum over the last three years. The operating environment for the life insurance industry has been positive during the last 12 months, reflecting high employment levels and the strength of the New Zealand economy.

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Although New Zealand's life insurance product offering is basically the same as that in Australia, the life insurance market in New Zealand is more fragmented, with a number of international and local participants. In the absence of a compulsory superannuation savings scheme such as that in Australia, New Zealand life insurance companies have not benefited from significant growth in investment funds. The most common method of product distribution is through intermediated channels, principally through broking firms or individual advisers. The industry is lightly regulated compared to Australia, with a degree of self regulation.

As at 30 September 2006, New Zealand's top 15 life insurance participants by market share of in-force annual premiums were:

Top 15 New Zealand Life Insurance Participants

Rank	Company	In-force Annual Premium ($ millions)	Market Share (%)	Gross Annual New Business Premium ($ millions)	Market Share (%)
1	Sovereign Assurance	306.5	31.3	49.3	32.0
3	AMP	100.5	10.3	12.3	8.0
6	Asteron	100.1	10.2	9.7	6.3
7	AXA New Zealand	91.9	9.4	9.1	5.9
4	AIA	74.6	7.6	11.1	7.2
8	Westpac Investment Management	54.7	5.6	8.7	5.7
5	Fidelity	50.9	5.2	10.6	6.9
2	CIGNA Life	50.1	5.1	18.4	12.0
10	BNZ Life	42.5	4.3	6.2	4.1
12	Tower NZ	39.9	4.1	3.4	2.2
11	NBNZ Life	30.5	3.1	5.3	3.5
9	ING Life	19.7	2.0	7.0	4.6
13	ANZ Life	8.6	0.9	2.2	1.5
14	Medical Life	7.4	0.8	0.5	0.3
15	Hannover Life Re	-	-	-	-
	Total (top 15)	**977.8**	**100.0**	**148.8**	**100.0**

Source: ISI Quarterly product report

As with Australia, industry observers believe that there is a significant level of under insurance in New Zealand, providing good potential for growth as awareness of the benefits of life insurance increases. In 2004, New Zealand had premiums per capita of US$321 or 1.3% of total GDP, representing approximately 25% of the premium levels experienced in Australia.

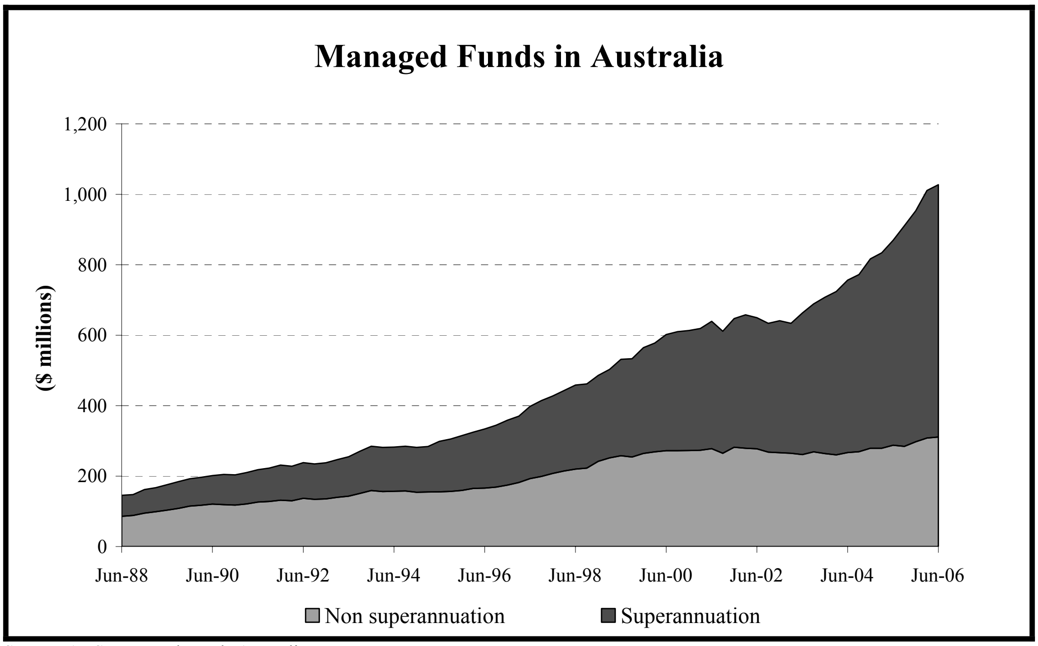
Appendix D

Overview of the Wealth Management Sector

1 Industry Overview

Wealth management institutions earn revenue from managing investment funds for individuals or institutions. Key services of wealth management institutions include investment advice and distribution, platform management, investment management and various trust services.

The wealth management industry in Australia has enjoyed significant growth over recent decades. Funds under management increased from $201 billion as at 30 June 1990 to more than $1.0 trillion as at 30 June 2006, making Australia the fourth largest country in the world by funds under management. The compound annual growth of the wealth management industry over the last decade has been in excess of 10%. Much of this growth has been driven by the government's mandated superannuation regime.



Source: ABS Managed Funds Australia

The table below illustrates the major fund categories and fund types in the wealth management industry:

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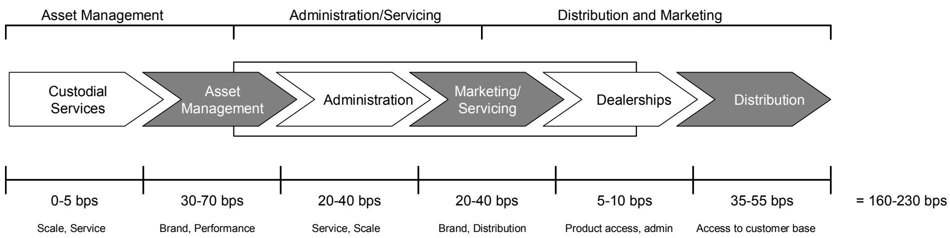
Total Managed Funds – Market Overview as at 30 June 2006		
Category	**Fund type**	**($ billions)**
Retail products	Personal super bonds and related trusts	24.7
	Master fund super and related trusts	186.6
	Approved deposit funds	0.2
	Deferred annuities	5.5
	Allocated annuities	7.1
	Master fund allocated pensions	48.4
	Immediate annuities	12.5
	Sub-total retail super	**285.0**
	Cash trusts	35.2
	Unit trusts (excluding cash trusts)	45.6
	Master fun discretionary investment	93.5
	Insurance bonds	4.3
	Friendly society bonds	3.8
	Sub total retail non-super	**182.4**
	Total retail	**467.4**
Regular premium funds	Life office regular premium super	21.5
	Life office regular premium ordinary savings	12.9
	Total regular premiums	**34.4**
Wholesale & other	Super: Industry funds	144.7
	Super: Public sector funds	149.7
	Super: excluded funds	204.2
	Sub total wholesale and other super	**498.6**
	Non-super: Friendly societies	3.1
	Non-super: Other unit trusts, common funds	130.2
	Sub total wholesale and other non-super	**133.3**
	Other wholesale	129.0
	Total wholesale	**760.9**
Total – Gross funds		**1,262.6**
	Less double counted funds	243.6
Total – Net funds		**1,019.1**

Source: Plan for Life actuaries and researchers, Australian retail and Wholesale Investments, June 2006

1.1 Industry landscape

Over the last decade, the Australian wealth management industry has undergone both significant growth and structural change. Most notably:

- the wealth management value chain has "deconstructed" into several identifiable components including asset management, asset administration (including platforms and wrap accounts), marketing and advice, as shown below;



Source: Credit Suisse

Note: Margin for each component illustrated above by the basis point split (BPS) estimate.

- the entry of banks into the market through the acquisition of various major wealth management institutions;
- growth of boutique asset managers to cater for an increasing trend towards specialist fund managers;
- the emergence of master trust and wrap platforms to offer customers greater choice and access to a greater range of fund managers; and
- enhanced regulation, which has made the Australian wealth management industry one of the most regulated wealth management industries in the world, affecting compliance, cost and fee structures.

1.2 Growth drivers

Growth in managed funds in Australia has been driven by:

- funds inflows, largely a result of the Federal Government's mandated superannuation scheme;
- the high investment returns achieved from Australian equities;
- growth in the size of the Australian workforce;
- the opportunity for retail investors to access cheaper wholesale investment products;
- greater financial literacy among Australians, which in turn has led to a desire to have choice, flexibility and diversification in investments;
- increasing investor interest in accessing offshore investments; and
- the growing compliance and regulatory burden, which has encouraged investors to outsource the investment management process to specialist investment managers.

The growth achieved over the last decade is expected to continue, with the Reserve Bank of Australia forecasting that funds under management will more than double to $2,350 billion by 2015, representing average annual compound growth of more than 10%.

1.3 Superannuation funds

Superannuation funds dominate the Australian wealth management industry, accounting for approximately 70% of funds under management.

In recent years, superannuation assets have grown rapidly. The value of superannuation fund assets placed with investment managers has grown at an average annual real rate of more than 13% over the 15 years to 30 June 2006. Further growth in superannuation assets is expected to continue, underpinned by government policies including:

- the superannuation guarantee levy, which requires minimum levels of superannuation contributions to be paid by employers on behalf of employees;
- incentives for individuals to increase voluntary contributions; and
- increased restrictions preventing members from withdrawing their superannuation prior to reaching retirement age.

The Commonwealth Government Superannuation Guarantee (Administration) Act 1992 requires employers to pay 9% of employees' wages to an approved superannuation fund. Contributions have grown as a result of population and wages growth. Superannuation contributions made during the 30 June 2006 quarter totalled $13.3 billion. Superannuation contributions for the financial year to 30 June 2006, were up $134.4 billion (compared to $92.2 billion for the previous year) to $716.4 billion, representing a 23.1% increase. Continued substantial growth in superannuation contributions is anticipated. An increasing awareness among Australians that current superannuation rates may not be sufficient to fund desired retirement lifestyles is leading both individuals and governments to focus on increasing the level of super contributions.

Despite increasing competitive pressures, revenue earned by fund managers and other superannuation industry participants is expected to grow strongly over the next five years.

1.4 Platform management and administration

Platforms, including master trusts, are portfolio administration services designed to ease the administrative burden associated with the management of diversified investment portfolios. Platforms typically allow retail investors to invest funds through a wide variety of funds managers across a range of asset classes, and incorporate sophisticated reporting facilities to allow investors and their advisers to monitor investment performance. They have become a major component of the wealth management industry as they provide administrative convenience and choice to retail investors. Investment inflows into platforms have rapidly overtaken traditional sources of funds inflow over the last few years. Platform funds are concentrated among the major industry participants, with the top ten platform providers holding approximately 85% of funds under administration.

Growth in platforms is expected to continue as a significant share of retail funds and an increasing number of corporate superannuation funds transfer into platform products. Many industry participants believe platforms will grow at rates in excess of the managed funds industry growth rate.

1.5 Financial Advice and Distribution

As an intermediary between retail investors and fund managers, financial advisers have a strong influence on the direction of funds into retail management products and services. The demand for professional financial advice is expected to increase as individuals take an increased responsibility for funding their retirement and the size of individual superannuation accounts reaches meaningful levels.

The development of the financial advice and financial planning industry has been influenced by a number of factors, including:

- the introduction of compulsory superannuation;
- growing levels of disposable income;
- the growing complexity of legislation regulating the superannuation, investment and retirement markets;
- growing interest and financial literacy among Australians, particularly in the sharemarket; and
- the increasing complexity of investment product offerings.

It is estimated there are more than 15,000 financial advisers in Australia. Of these, it is estimated that almost 90% work for organisations owned by domestic banks and life insurance companies. Recent industry acquisition activity has focussed on distribution, recognition that companies closest to the customer base have the greatest control over margin pressures.

Financial advisers are the principal users of platforms and are responsible for much of their strong growth. Most financial advice businesses use at least one platform. Service levels provided by platform operators are important to the success of financial planning businesses.

1.6 Investment management

Investment management in Australia is characterised by a small number of large investment managers owned by domestic banks and life insurance companies, as well as a growing number of small to medium sized boutique asset managers. In recent years investment management has moved toward specialist investment managers for each asset class, reflecting an expectation that sector specific investment managers will achieve superior performance.

Consistent with the shift towards specialist managers, multi-manager products have become an increasingly popular investment product. Through a single fund, multi-manager products offer investors the opportunity to diversify across a range of specialist fund managers as well as asset classes. These products allow access to investment managers not generally available to smaller investors.

The key advantage of the multi-manager approach to investment management is the lower risk of fund under-performance as a result of the fund employing a range of investment managers with complementary investment styles. Fund under-performance represents the major risk to the revenue of individual fund managers.

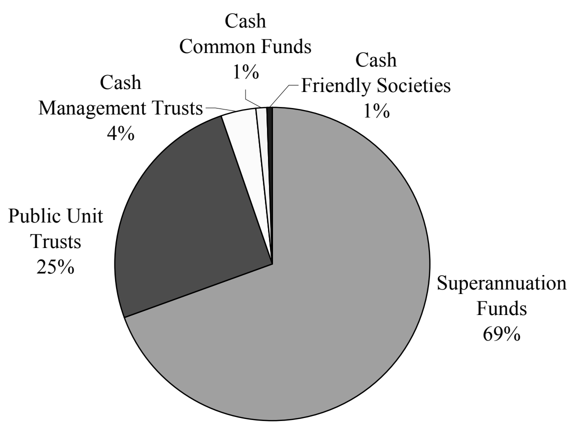
1.7 Funds management

At a general level, funds managers can be categorised into the following groups:

- life insurance companies;
- superannuation funds;
- public unit trusts;
- friendly societies;
- common funds; and
- cash management trusts.

The proportion of total Australian funds under management held by each of these fund manager groups (excluding life insurance companies) is shown below:

Allocation of Australia Funds Under Management



Source: RBA

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1.8 Industry Participants

Over the last few years, strong industry growth has resulted in a rise in the number of investment management operations in Australia.

Whilst the industry can be classified as one with medium barriers to entry, restrictions such as the costs of establishing a fund, employing competent staff, advertising and developing a strong brand, limit the rise in the number of industry participants. In addition, the existence of strong relationships with financial institutions in the wholesale markets is highly advantageous.

Retail funds under management in Australia grew by a record $11.6 billion ($5 billion above the previous record for the September 2000 quarter) to $475.5 billion for the quarter ending 30 June 2006.

As at 30 June 2006, the top 15 retail fund management entities in Australia held approximately 84% of the total retail funds under management, as set out below:

Retail Funds Under Management

Rank	Company	FUM ($ millions)	Market share (%)
1	CBA/CFS	64,151	13.5
2	NAB/MLC	58,829	12.4
3	AMP	53,084	11.2
4	ING/ANZ	45,097	9.5
5	Macquarie Group	33,310	7.0
6	Westpac/BT	30,288	6.4
7	AXA	22,606	4.8
8	Asgard/St George	21,534	4.5
9	Aviva Group	16,532	3.5
10	Mercer Investment Nominees	12,801	2.7
11	Perpetual Group	12,383	2.6
12	Australian Wealth Management	8,868	1.9
13	Challenger Financial Group	8.662	1.8
14	IOOF	7,678	1.6
15	STL Financial Services Group	4,460	0.9
	Total (Top 15)	**391,630**	**84.3**
	Total market	**475,468**	**100.0**

Source: Plan for Life, 30 June 2006

1.9 Regulatory environment

Growth in the financial services industry has been accompanied by greater legislative controls, particularly in recent years.

APRA

Australian superannuation funds are regulated by the Australian Prudential Regulation Authority (APRA). APRA Amendments to the Superannuation Industry (Supervision) Act 1993 (Cth) required certain superannuation trustees to obtain new licences to act as trustee and register their funds prior to 1 June 2006. The 're-licensing' process was introduced to improve the quality of prudential management of superannuation funds, and is likely to result in further consolidation of licensed superannuation trustees and the number of superannuation funds.

ASIC

The Australian Securities and Investments Commission (ASIC) regulates disclosure by wealth management participants, including the conduct of financial advisers in providing advice to the public. With few exceptions, all providers of financial services and products are required to hold an Australian Financial Services License (AFSL) which is issued by ASIC pursuant to the requirements of the Corporations Act 2001 (Cth).

1.10 Information technology

Information technology plays a significant role in the wealth management industry.

Information technology is vital for the operations of platforms. The functionality requirements of platforms continue to increase as advisers seek tools to enhance the analysis, reporting and administration of their clients' investments. Similarly, investors are seeking increased functionality. Competition in the key areas of reporting capability, integration with financial planning software, levels of customisation for advisers and individual investors, and levels of investment choice means platform providers must continually upgrade existing technology infrastructure.

The ongoing information technology requirements of the wealth management industry continue to place pressure on the profitability of participants that fail to carefully manage system development and maintenance costs.

1.11 Market outlook and trends

Australians are becoming increasingly aware of the need for long term financial planning and wealth creation. Together with an ageing population (most notably, the influx of baby boomers facing retirement), this awareness is expected to underpin growth in managed funds and future demand for financial advisory services, and increase the influence of advisers on the direction of investment funds flows. RBA has forecast significant growth of around 10%p.a. over the next 15 years, primarily driven by continued strong flows into pension funds.

The platform market is expected to continue its strong growth in the medium to long term. Key drivers of future growth in the platform market are likely to include:

- continued growth in compulsory superannuation contributions;
- the investment returns achieved from Australian equities;
- the administrative benefits and flexibility provided by platforms; and
- increasing demand for professional financial advice and the increasing preference of advisers for the use of platforms.

A small number of large institutions will most likely continue to dominate the platform market while the number of smaller providers is expected to contract. The minimum level of assets under administration required by platforms to generate a profitable return is expected to rise, as a result of increasing compliance costs, technology demands and competition amongst industry participants.

The rate of outsourcing of corporate superannuation funds managed by employers has increased substantially in recent years. Since June 2001, the number of corporate superannuation funds has halved. This trend is expected to continue, reflecting rising compliance costs and the increasing requirement for specialist expertise.

The regulatory environment has required industry participants to make significant investments in training, systems, compliance and product documentation. Compliance costs continue to increase, placing pressure on the profitability of smaller superannuation fund providers.

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1.12 Choice

The Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004 came into effect on 1 July 2005. This legislation provided employees with a choice in their provider of superannuation services for their future Superannuation Guarantee Contributions. The introduction of Choice has resulted in:

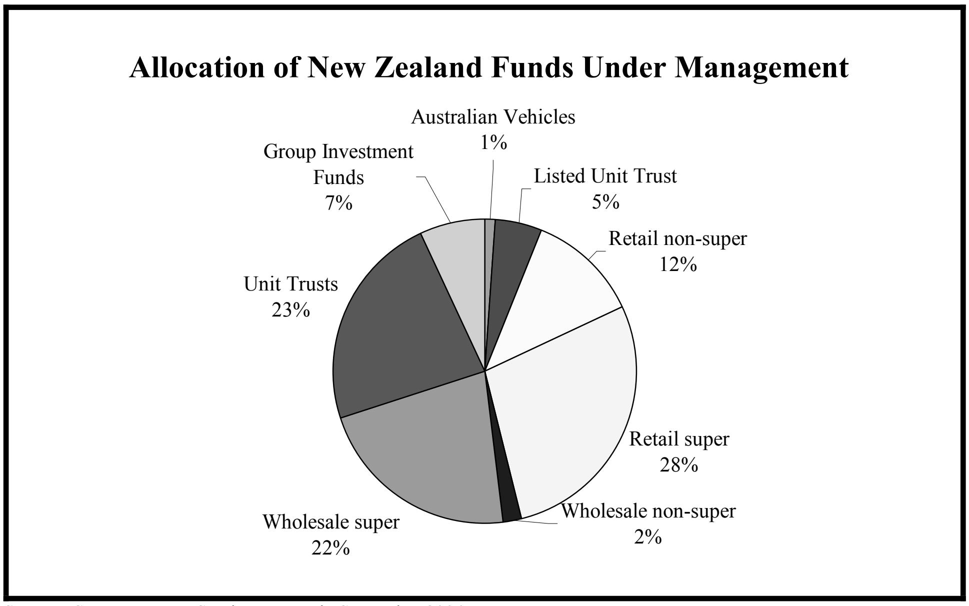
- an increase in the number of people seeking financial advice, in turn increasing the influence of financial advisers;
- increased interest and therefore financial literacy among Australians, which in turn has increased demand for choice, flexibility and diversification in investments; and
- a requirement for corporate superannuation funds to provide greater choice if they are to remain competitive. The associated additional complexity and cost to employers have accelerated the move towards the outsourcing of corporate superannuation funds.

2 New Zealand Wealth Management Industry

2.1 Overview

Total funds under management in the New Zealand managed funds sector exceeded NZ$52 billion at 31 March 2006, or around 5% of Australian funds under management. Retail investments represent approximately 50% of funds under management with the balance being represented by superannuation, charitable and life insurance funds. Strong investment returns, particularly from global equities, have been responsible for most of the growth in New Zealand funds under management. However, the managed funds industry will continue to be at a significant disadvantage to direct investments until the various tax issues surrounding collective savings and investment products are addressed through legislative reform, expected to take effect, in April 2007.

The proportion of New Zealand's funds under management split by product is shown below:



Source: ISI NZ, Morgan Stanley Research, September 2004

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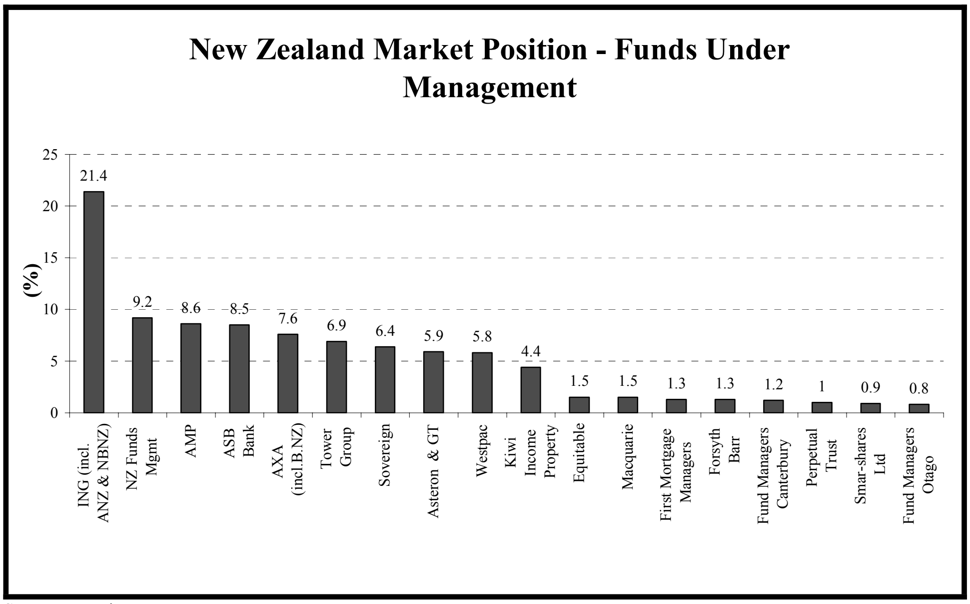
The dominant market participants of the New Zealand wealth management industry is illustrated below:



Source: Promina

Whilst the New Zealand wealth management industry shares some fundamentals with the Australian wealth management industry, there are some notable differences:

- relative to the Australian wealth management market, the New Zealand market is weighted more heavily toward individual life risk protection than superannuation;
- the New Zealand government has not introduced a compulsory superannuation regime to drive growth in retirement savings;
- barriers to entry into the market are not as significant as those in Australia as the market is not as highly regulated; and
- the absence of a forced superannuation regime means that growth in the New Zealand funds management industry is not forecast to be as strong as in Australia.

The government is making efforts to bridge the gap between individuals' savings and retirement expectations by introducing the KiwiSaver scheme. Essentially, KiwiSaver is a voluntary, work-based savings initiative to help New Zealanders with their long-term saving for retirement. It is a retail product, accessed through the employer that targets wholesale pricing. The scheme is due to commence on 1 July 2007. The New Zealand wealth management industry is generally supportive of KiwiSaver. However, many market participants believe that, in addition to high compliance costs, the voluntary nature of the scheme will reduce its effectiveness.

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Appendix E

Broker Consensus Forecasts

This appendix provides a summary of forecasts prepared by brokers that follow Promina and Suncorp in the Australia sharemarket. For each company, separate summaries are provided for:

- group net profit after tax; and
- divisional operating results.

1 Promina

1.1 Group Net Profit After Tax

Promina Group – Net Profit After Tax (before significant / abnormal items) ($ millions)			
Broker	**Date**	**31 December 2006 Forecast**	**31 December 2007 Forecast**
Broker 1	9 Nov 2006	455	472
Broker 2	23 Oct 2006	418	449
Broker 3	19 Oct 2006	466	459
Broker 4	13 Oct 2006	449	513
Broker 5	12 Oct 2006	440	494
Broker 6	12 Oct 2006	423	424
Broker 7	12 Oct 2006	418	450
Broker 8	12 Oct 2006	408	391
Minimum		*408*	*391*
Maximum		*466*	*513*
Median		***432***	***455***
Average		*435*	*457*

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Promina;
- the brokers presented are those who have published research on Promina following the preliminary announcement of the Suncorp Proposal on 12 October 2006;
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that all of the forecasts are presented on the following basis:
  - no allowance has been made for any synergy benefits or costs potentially arising from the proposed merger of Promina and Suncorp; and
  - net profit after tax has been prepared and presented excluding abnormal or one-off items and profits from discontinued operations but after dividends on reset preference shares net profits attributable to outside equity interests (i.e. represents profit attributable to ordinary shareholders only).

1.2 General Insurance Division

Gross Written Premiums

Promina General Insurance – Gross Written Premiums ($ millions)			
Broker	**Date**	**31 December 2006 Forecast**	**31 December 2007 Forecast**
Broker 1	9 Nov 2006	3,516	3,707
Broker 2	23 Oct 2006	3,482	3,662
Broker 3	19 Oct 2006	3,515	3,775
Broker 4	13 Oct 2006	3,550	3,812
Broker 5	12 Oct 2006	3,529	3,721
Broker 6	12 Oct 2006	3,497	3,601
Broker 7	12 Oct 2006	3,514	3,641
Broker 8	12 Oct 2006	3,514	3,650
Minimum		*3,482*	*3,601*
Maximum		*3,550*	*3,812*
Median		***3,515***	***3,685***
Average		*3,515*	*3,696*

Insurance Trading Result

Promina General Insurance – Insurance Trading Result ($ millions)			
Broker	**Date**	**31 December 2006 Forecast**	**31 December 2007 Forecast**
Broker 1	9 Nov 2006	320	330
Broker 2	23 Oct 2006	317	341
Broker 3	19 Oct 2006	315	372
Broker 4	13 Oct 2006	331	396
Broker 5	12 Oct 2006	322	377
Broker 6	12 Oct 2006	304	294
Broker 7	12 Oct 2006	320	343
Broker 8	12 Oct 2006	325	307
Minimum		*304*	*294*
Maximum		*331*	*396*
Median		***320***	***342***
Average		*319*	*345*

Net Profit Before Tax (excluding Investment Income on Shareholders Funds)

Promina General Insurance – Net Profit Before Tax (excluding investment income on shareholder funds) ($ millions)			
Broker	**Date**	**31 December 2006 Forecast**	**31 December 2007 Forecast**
Broker 1	9 Nov 2006	331	343
Broker 2	23 Oct 2006	328	354
Broker 3	19 Oct 2006	na	na
Broker 4	13 Oct 2006	344	413
Broker 5	12 Oct 2006	332	388
Broker 6	12 Oct 2006	315	310
Broker 7	12 Oct 2006	328	352
Broker 8	12 Oct 2006	336	320
Minimum		*315*	*310*
Maximum		*344*	*413*
Median		***331***	***352***
Average		*331*	*354*

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1.3 Financial Services Division

Financial Services Operating Profit (before tax)

Promina Financial Services –Operating Profit (excludes investment income on shareholder funds) ($ millions)			
Broker	**Date**	**31 December 2006 Forecast**	**31 December 2007 Forecast**
Broker 1	9 Nov 2006	131	172
Broker 2	23 Oct 2006	134	147
Broker 3	19 Oct 2006	98	74
Broker 4	13 Oct 2006	133	164
Broker 5	12 Oct 2006	117	130
Broker 6	12 Oct 2006	127	127
Broker 7	12 Oct 2006	128	144
Broker 8	12 Oct 2006	118	123
Minimum		*98*	*74*
Maximum		*134*	*172*
Median		***128***	***137***
Average		*123*	*135*

2 Suncorp

2.1 Group Net Profit After Tax

Set out below is a summary of forecasts of net profit after tax prepared by brokers that follow Suncorp in the Australian stockmarket:

Suncorp Group – Net Profit After Tax (before significant / abnormal items) ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	878	913
Broker 2	1 Nov 2006	970	900
Broker 3	13 Nov 2006	870	894
Broker 4	12 Oct 2006	874	944
Broker 5	23 Oct 2006	851	899
Broker 6	23 Oct 2006	874	912
Broker 7	23 Oct 2006	872	902
Broker 8	4 Sep 2006	841	857
Broker 9	13 Oct 2006	892	921
Broker 10	23 Oct 2006	865	911
Broker 11	23 Oct 2006	864	888
Minimum		*841*	*857*
Maximum		*892*	*944*
Median		***870***	***902***
Average		*868*	*903*

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Suncorp;
- the brokers presented are those who have published research on Suncorp either following the release of Suncorp's 2006 financial results on 1 September 2006 or after the preliminary announcement of the Suncorp Proposal on 12 October 2006;

- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that all of the forecasts are presented on the following basis:
  - no allowance has been made for any synergy benefits or costs potentially arising from the proposed merger of Suncorp and Promina; and
  - net profit after tax has been prepared and presented excluding abnormal or one-off items and profits from discontinued operations but after dividends on reset preference shares and net profits attributable to outside equity interests (i.e. represents profit attributable to ordinary shareholders only).

2.2 General Insurance Division

Gross Written Premiums

Suncorp General Insurance – Gross Written Premiums ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	na	na
Broker 2	1 Nov 2006	2,637	2,723
Broker 3	13 Nov 2006	2,629	2,674
Broker 4	12 Oct 2006	2,611	2,742
Broker 5	23 Oct 2006	na	na
Broker 6	23 Oct 2006	na	na
Broker 7	23 Oct 2006	na	na
Broker 8	4 Sep 2006	2,632	2,709
Broker 9	13 Oct 2006	na	na
Broker 10	23 Oct 2006	2,656	2,696
Broker 11	23 Oct 2006	na	na
Minimum		*2,611*	*2,674*
Maximum		*2,656*	*2,742*
Median		***2,632***	***2,709***
Average		*2,633*	*2,709*

Insurance Trading Result

Suncorp General Insurance – Insurance Trading Result ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	479	465
Broker 2	1 Nov 2006	432	420
Broker 3	13 Nov 2006	425	415
Broker 4	12 Oct 2006	430	451
Broker 5	23 Oct 2006	465	472
Broker 6	23 Oct 2006	449	425
Broker 7	23 Oct 2006	457	444
Broker 8	4 Sep 2006	442	425
Broker 9	13 Oct 2006	473	454
Broker 10	23 Oct 2006	450	458
Broker 11	23 Oct 2006	452	444
Minimum		*425*	*415*
Maximum		*479*	*472*
Median		***450***	***444***
Average		*450*	*443*

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Net Profit Before Tax (inclusive of managed scheme and joint venture income, investment income on shareholders funds, and after borrowing costs)

Suncorp General Insurance – Net Profit Before Tax ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	611	597
Broker 2	1 Nov 2006	622	624
Broker 3	13 Nov 2006	588	588
Broker 4	12 Oct 2006	549	577
Broker 5	23 Oct 2006	574	598
Broker 6	23 Oct 2006	594	599
Broker 7	23 Oct 2006	588	579
Broker 8	4 Sep 2006	552	538
Broker 9	13 Oct 2006	614	584
Broker 10	23 Oct 2006	578	596
Broker 11	23 Oct 2006	565	536
Minimum		*549*	*536*
Maximum		*622*	*624*
Median		***588***	***588***
Average		*585*	*583*

2.3 Banking Division

Net Profit Before Tax

Suncorp Banking – Net Profit Before Tax ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	559	614
Broker 2	1 Nov 2006	529	566
Broker 3	13 Nov 2006	540	569
Broker 4	12 Oct 2006	554	615
Broker 5	23 Oct 2006	545	576
Broker 6	23 Oct 2006	549	593
Broker 7	23 Oct 2006	558	598
Broker 8	4 Sep 2006	543	572
Broker 9	13 Oct 2006	560	622
Broker 10	23 Oct 2006	554	593
Broker 11	23 Oct 2006	556	609
Minimum		*529*	*566*
Maximum		*560*	*622*
Median		***554***	***593***
Average		*550*	*593*

2.4 Wealth Management Division

Net Profit Before Tax

Suncorp Wealth Management – Net Profit Before Tax ($ millions)			
Broker	**Date**	**30 June 2007 Forecast**	**30 June 2008 Forecast**
Broker 1	9 Nov 2006	84	93
Broker 2	13 Nov 2006	81	85
Broker 3	12 Oct 2006	97	106
Broker 4	23 Oct 2006	79	92
Broker 5	23 Oct 2006	88	93
Broker 6	23 Oct 2006	79	90
Broker 7	4 Sep 2006	88	94
Broker 8	13 Oct 2006	92	103
Broker 9	23 Oct 2006	79	85
Broker 10	23 Oct 2006	90	100
Minimum		*79*	*85*
Maximum		*97*	*106*
Median		***86***	***93***
Average		*86*	*94*

Note: One broker who covers Suncorp does not disclose specific forecasts for the wealth management division so has been excluded.

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Appendix F

Market Evidence

1 Banking

1.1 Valuation Evidence from Transactions

Set out below is a summary of transactions involving banking businesses in Australia over the last 10 years for which there is sufficient information to calculate meaningful valuation parameters. The transactions provide some evidence of prices that acquirers have been willing to pay for banking and building society businesses in recent years:

Recent Transaction Evidence – Banking

Date	Target	Acquirer	Equity Consideration[1] ($millions)	PE Multiple[2] (times) Historical	PE Multiple[2] (times) Forecast	Geared NTA Multiple[3] (times)
Banks						
Oct 03	National Bank of New Zealand	ANZ	4,915.0	11.2	7.2	2.7
May 03	Bank of Western Australia	HBOS	2,452.0	15.7	14.2	1.9
Mar 00	Colonial Limited	CBA	10,196.2	22.2	na	2.0
Nov 99	Trust Bank of Tasmania	Colonial	149.1	18.2	na	1.1
Apr 97	Bank of Melbourne	Westpac	1,435.6	15.3	14.8	2.2
Oct 96	Advance Bank	St George Bank	2,621.5	13.4	na	2.7
May 96	Metway Bank	Suncorp and QIDC	786.0	15.1	14.5	1.9
Other lending institutions						
Sep 06	Police & Nurses Credit Society	Home Building Society	243.0	20.0	na[4]	2.1
Aug 06	Pioneer Permanent Building Society	Bank of Queensland	549.6	25.5	23.5	2.5
Aug 05	State West Credit Society	Home Building Society	234.4	32.9	na	4.1
Sep 01	NRMA Building Society	HSBC Bank Australia	138.5	nmc[5]	na	1.9
Jun 00	First Australian Building Society	Bendigo Bank	144.4	15.5	18.1	1.3
Mar 99	IOOF Building Society	Bendigo Bank	42.8	15.8	na	2.8
Minimum				*11.2*	*7.2*	*1.1*
Maximum				*32.9*	*23.5*	*4.1*
Median				*15.7*	*14.7*	*2.1*

A summary of each transaction is set out below:

National Bank of New Zealand / ANZ

On 24 October 2003, ANZ announced an agreement to acquire the National Bank of New Zealand ("NBNZ") from Lloyds TSB Bank plc for a consideration of A$4.9 billion. NBNZ was one of New Zealand's leading banks with net loans and advances of NZ$35 billion, approximately 23% of industry lending. Operating cost synergies were estimated at A$110 million per annum within 3 years, primarily from savings in information technology, back office functions and head office integration.

Bank of Western Australia / HBOS

On 9 May 2003, the Bank of Western Australia ("BWA") announced a proposal from its 57% majority shareholder, HBOS, to acquire the balance of BWA's shares for $4.15 cash per share via

1 Implied equity value if 100% of the company or business had been acquired.

2 Represents equity consideration divided by net profit before goodwill amortisation and non-recurring items.

3 Represents equity consideration divided by net tangible assets (that is, shareholder funds less intangibles, as at the latest balance date).

4 na = not available

5 nmc = not a meaningful calculation

a Scheme of Arrangement. BWA is a full service bank based in Perth, Western Australia, with interstate offices in Adelaide, Brisbane, Melbourne and Sydney. The consideration was A$4.25 per share in cash.

Colonial / CBA

On 10 March 2000, Commonwealth Bank of Australia ("CBA") announced an agreement with Colonial Limited ("Colonial") to merge via a Scheme of Arrangement. Consideration was shares in CBA. Colonial was a life insurance, funds management and banking group with operations in Australia, New Zealand, the United Kingdom and throughout Asia. The merged entity would be a leading Australian financial services organisation, providing customers with Australia's largest distribution network. Substantial cost saving synergies were expected from the integration of CBA and Colonial.

Trust Bank of Tasmania / Colonial

On 16 November 1999, Colonial announced that it would acquire, through its wholly owned subsidiary State Bank of New South Wales Limited, the assets and liabilities of the Trust Bank of Tasmania ("Trust Bank") at net asset value of A$149.1 million. Trust Bank had operated in Tasmania for over 150 years, holding more than 30% of the Tasmanian retail deposit market and accounted for approximately 25% of outstanding loans in Tasmania.

Bank of Melbourne / Westpac

On 3 April 1997, Westpac announced an agreement to merge with the Bank of Melbourne under a Scheme of Arrangement. The offer valued Bank of Melbourne at $1,435 million, and took the form of either cash or a combination of cash and Westpac shares for Bank of Melbourne shares. The Bank of Melbourne was a regional bank in Victoria.

Advance Bank / St George Bank

On 14 October 1996, Advance Bank ("Advance") announced a proposal by St George Bank ("St George") to acquire all the ordinary shares in Advance by a Scheme of Arrangement. Under the proposed offer Advance shareholders would receive cash and St George shares with a total value of $7.30 for each Advance share. Prior to the merger Advance was the largest regional bank in New South Wales and South Australia. St George expected to achieve pre-tax cost savings of $140 million per annum within 30 months of completion of the transaction.

Metway Bank / Suncorp and QIDC

The directors of Metway Bank Limited ("Metway") and the Queensland Government signed a heads of agreement on 27 May 1996 to merge Metway with Suncorp Insurance & Finance and QIDC. The merger was proposed by the Queensland State Government to create a more competitive financial institution. Metway was Queensland's largest locally based bank with operations in New South Wales and Victoria. At the time of the merger Metway had approximately $7.1 billion in assets.

Police & Nurses Credit Society / Home Building Society

On 25 September 2006, Home Building Society ("Home") announced a $243 million cash offer to acquire Police & Nurses Credit Society ("PNCS"). Home also proposed an alternative scrip offer in terms of which PNCS Members would receive $215 million in Home shares for their Member shares. PNCS is the largest credit society in Western Australia. Home believes significant synergies would be captured through a merger of the two organisations. The Board of PNCS rejected Home's offer on the basis that the proposed offer undervalued PNCS. Home has stated that it remains committed to the proposed merger and is currently reviewing additional information provided by PNCS.

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Pioneer Permanent Building Society / Bank of Queensland

On 15 August 2006, Bank of Queensland announced an offer to acquire 100% of Pioneer Permanent Building Society ("PPB") for a consideration of $4.78 per share. The offer received unanimous support from the Directors of PPB, and completion is expected in late November 2006. PPB provides banking services in Central and North Queensland. The merger would create the largest banking presence of any bank in Central and North Queensland. Substantial synergies are expected in terms of reduced head office and funding costs.

StateWest Credit Society / Home Building Society

On 10 July 2006, Home announced the successful merger with StateWest Credit Society ("StateWest") via a Scheme of Arrangement, under which Home issued 15,112,779 shares. Home and StateWest were similar sized West Australian retail financial services organisations. Expected benefits from the merger included a larger branch network and customer base, a broader range of services, and cost reductions through rationalising systems, premises and suppliers.

NRMA Building Society / HSBC Bank Australia

In November 2001, HSBC Bank Australia Limited ("HSBC") acquired NRMA Building Society Limited ("NRMABS") from NRMA Insurance Group Limited for A$138 million in cash. NRMA had A$1.8 billion of residential mortgages, approximately A$1 billion in customer deposits, around 70,000 VISA credit card accounts and personal and car loan customers at the time of the acquisition.

First Australian Building Society / Bendigo Bank

On 5 June 2000, Bendigo Bank and First Australian Building Society ("FABS") jointly announced Bendigo Bank's proposal to acquire all of FABS' issued capital. It was a scrip offer based on 1 Bendigo Bank ordinary share for every 2 FABS ordinary shares. The merger was expected to bring significant synergies with no branch duplication.

IOOF Building Society / Bendigo Bank

On 3 March 1999, Bendigo Bank and IOOF announced that Bendigo Bank would acquire IOOF Building Society for $20 million cash plus 3.7 million ordinary shares in Bendigo Bank. The IOOF Group was a mutual organisation with approximately 300,000 members. Its core business was funds management and financial advisory services. IOOF and Bendigo Bank also agreed to form a 50/50 joint venture, in order to provide Bendigo Bank clients with funds management and advisory services.

1.2 Valuation Evidence from Sharemarket Prices

The valuation of Suncorp's banking business has been considered in the context of the sharemarket ratings of listed Australian regional and national banks. While none of these companies is precisely comparable to the banking operations of Suncorp, the sharemarket data provides some framework to assess the valuation of Suncorp's banking business.

In reviewing the following analysis it should be noted that the four large national banks ("the four pillars") are much larger than Suncorp's banking business and in each case include significant other trading activities including wealth management, insurance and life insurance and proportionately greater involvement in corporate lending, foreign exchange activities and offshore operations. The regional banks are also of varying size and each has a unique business profile and regional focus, as discussed in the description and review of each business below. For these reasons, caution should be used when inferring evidence as to the value of Suncorp's banking business from the trading multiples presented.

Sharemarket Ratings of Selected Listed Companies – Banking[6]								
Company	Market Capital-isation[7] ($ millions)	Price Earnings Multiple (times)			Dividend Yield[8] (%)			Geared NTA Multiple (times)
		Historical	Forecast Year 1	Forecast Year 2	Historical	Forecast Year 1	Forecast Year 2	Historical
National Banks								
NAB	69,008.1	17.3	15.0	13.5	4.3%	4.6%	5.1%	2.9
CBA	61,803.6	16.3	14.4	13.1	4.7%	5.2%	5.6%	4.7
ANZ	54,189.8	14.9	13.6	12.4	4.4%	4.8%	5.2%	3.2
Westpac	45,811.9	15.0	13.5	12.4	4.7%	5.1%	5.6%	3.4
Minimum		*14.9*	*13.5*	*12.4*	*4.3%*	*4.6%*	*5.1%*	*2.9*
Maximum		*17.3*	*15.0*	*13.5*	*4.7%*	*5.2%*	*5.6%*	*4.7*
Median		*15.7*	*14.0*	*12.7*	*4.5%*	*5.0%*	*5.4%*	*3.3*
Simple average		*15.9*	*14.1*	*12.9*	*4.5%*	*4.9%*	*5.4%*	*3.5*
Regional Banks								
St George Bank	18,222.8	17.2	15.5	14.1	4.5%	5.0%	5.5%	4.5
Bendigo Bank	2,184.6	18.7	18.6	16.4	3.6%	3.9%	4.3%	2.7
Bank of Queensland	1,727.3	20.0	17.3	15.0	3.5%	3.9%	4.4%	3.0
Adelaide Bank	1,602.2	16.1	14.1	12.5	4.2%	4.7%	5.1%	2.3
Minimum		*16.1*	*14.1*	*12.5*	*3.5%*	*3.9%*	*4.3%*	*2.3*
Maximum		*20.0*	*18.6*	*16.4*	*4.5%*	*5.0%*	*5.5%*	*4.5*
Median		*18.0*	*16.4*	*14.5*	*3.9%*	*4.3%*	*4.7%*	*2.8*
Simple average		*18.0*	*16.4*	*14.5*	*3.9%*	*4.4%*	*4.8%*	*3.1*

Source: Grant Samuel analysis[9]

The multiples shown above are based on sharemarket prices as at 10 November 2006 and do not reflect a premium for control. All of the companies have a 30 September year end with the exception of CBA, Bendigo Bank and Adelaide Bank, which have a 30 June year end, and Bank of Queensland, which has a 31 August year end.

A brief description of each company is set out below:

NAB

National Australia Bank Limited ("NAB") is a large banking and financial services organisation with principal operations in Australia, New Zealand, the United Kingdom and Asia. In recent years NAB has sold certain international operations (including businesses in the US and Ireland) to focus on the core Australasian and UK operations. The company provides a full range of banking services, from retail banking and consumer credit through to institutional lending, structured finance, and wealth management. Banking operations represent approximately 80% of net earnings. Principal banking brands are NAB in Australia and Bank of New Zealand in New Zealand. At 30 September 2006 NAB had total assets of $485 billion.

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6 The companies selected have a variety of year ends and therefore the data presented for each company is the most recent annual historical result plus the subsequent two forecast years.

7 Market capitalisation represents the market value of equity capital, which includes fully diluted ordinary share capital and, if applicable, preference or hybrid capital classified as equity for reporting purposes.

8 Represents full year ordinary dividend per share (excluding any special dividends) divided by current ordinary share price.

9 Grant Samuel analysis based on data obtained from IRESS, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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CBA

With total assets of approximately $369 billion, Commonwealth Bank of Australia Limited ("CBA") is one of Australia's largest integrated financial service providers. It is Australia's largest retail bank and the largest life insurer in Australia, New Zealand and Fiji. Operations include retail, business and institutional banking, general insurance, life insurance, superannuation, funds management, broking services and finance company activities. Banking operations represent approximately 80% of group revenue and net profit after tax.

ANZ

Australia and New Zealand Banking Group Limited ("ANZ") is one of Australia's largest banks and, following the acquisition of NBNZ in 2003, is the largest bank in New Zealand. Operations are also conducted in Asia (including recent expansions into China, Vietnam and Cambodia), the Pacific, UK/Europe and the US. Banking services include retail, rural, business, commercial and institutional banking, structured finance, wealth management and financial services. The group provides vehicle and equipment finance and rental through UDC and Esanda, has a 10% strategic shareholding in Vietnam's Sacombank (10%) and a 50% joint-venture interest in ING Australia. As at 30 September 2006 ANZ had total assets of $336 billion.

Westpac

Originally the Bank of New South Wales, Westpac is one of Australia's largest banks, with total assets of $300 billion and operations throughout Australia and New Zealand and offices in the Pacific and internationally. Between 1995 and 1997 Westpac acquired Challenge Bank (Western Australia), Trust Bank (New Zealand) and Bank of Melbourne (Victoria). The company comprises five business divisions, being Business & Consumer Banking, Wealth Management (through BT Financial Group), Westpac Institutional Bank, New Zealand Retail and Pacific Banking. Banking operations represent approximately 85% of group net profits, with wealth management representing around 10%.

St George Bank

St George Bank Limited ("St George Bank") is Australia's fifth largest bank with total assets as at 30 September 2006 of $107 billion. The bank provides a full range of banking services including retail, business and institutional banking, financial services and wealth management. Banking activities represent approximately 90% of group revenue and net profit. Although the company provides banking services throughout Australia, its loan portfolio is weighted towards New South Wales and South Australia. In August 2006, St George Bank announced the discontinuance of its New Zealand banking operation, Superbank, and the sale of the related residential loan portfolio to GE Money.

Bendigo Bank

Bendigo Bank Limited ("Bendigo Bank") is a Victoria based banking and financial services company operating throughout Australia. The company provides a range of financial services including retail and business banking, commercial finance, funds management, treasury and foreign exchange services, superannuation, financial advisory and trustee services. Its Community Bank subsidiary offers banking services through community established franchised branches. It also has 50% joint venture interests in Elders Rural Bank and Tasmanian Banking Services. Retail, business and community banking represent approximately 80% of group net profit. As at 30 June 2006, Bendigo Bank had total assets of $15 billion.

Bank of Queensland

Bank of Queensland provides banking services and products with a focus on the Queensland market. As at 31 August 2006, Bank of Queensland had total assets of approximately $16 billion. Bank of Queensland is currently progressing a proposal to acquire ASX-listed Pioneer Permanent

Building Society Limited. The consideration payable under the proposal is approximately $50 million.

Adelaide Bank

Adelaide Bank Limited ("Adelaide Bank") is a South Australia based bank engaged principally in the provision of retail banking services, mortgage, business and margin lending, savings and investment facilities and personal financial services. Activities and growth outside of South Australia are focused on the manufacture and wholesale distribution of home lending and retail deposit products. Approximately 95% of group profit is derived from banking activities, within which margin lending represents almost 20%. The bank is the second largest margin lender in Australia, following the acquisition of Goldman Sachs JBWere Equity Finance in April 2005. As at 30 June 2006, Adelaide Bank had total assets of approximately $26 billion.

2 General Insurance

The Australian general insurance market has experienced a significant amount of corporate activity over the last 10 years, with significant transaction activity taking place during a period of industry consolidation around 1998 and a number of transactions occurring in 2001 in the wake of the HIH collapse in March of that year. Analysis of these transactions produces a relatively wide spread of implied valuation multiples, which is a reflection of the following:

- whilst premium revenue is relatively predictable, the inherent exposure to large losses arising from weather events, disasters and occasional large scale re-estimation of provisions (such as asbestos related losses) can result in large movements in profits from year to year;
- a number of the transactions took place when the target company was distressed or experiencing losses, either because a sale (and recapitalisation) was necessary or reflecting opportunistic timing on the part of the acquirer;
- multiples of net tangible assets can vary significantly between transactions for fundamental valuation reasons (such as earnings quality, operational performance, scale, market exposure and outlook); and
- the combination of insurance businesses often provides opportunities for the achievement of significant cost synergies. On occasion the potential value of targeted synergy benefits can exceed the stand-alone value of the business acquired. Typical synergy benefits are available through the rationalisation of processing systems, claims handling, distribution networks, back office and head office costs and duplicated product lines. Significant changes in net earnings can result from the application of the acquirer's actuarial assumptions and provisioning policies to the business acquired.

Moreover, publicly available information regarding an insurance company's earnings and net assets is not always reflective of its underlying business, an assessment of which may require detailed actuarial review. Accordingly, the multiples below should be considered in the context of the commentary on each transaction and, in any case, caution should be exercised in inferring evidence from these transaction multiples as to the value of the insurance businesses of Promina and Suncorp.

2.1 Valuation Evidence from Transactions

Set out below is a summary of transactions since 1998 involving Australian companies with general insurance operations for which there is sufficient information to calculate meaningful valuation parameters. The transactions provide some evidence of prices that acquirers have been willing to pay for general insurance businesses in recent years:

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Recent Transaction Evidence – General Insurance

Date	Target	Acquirer	Equity Consideration (millions)	PE Multiple (times) Historical	PE Multiple (times) Forecast	Geared NTA Multiple (times)
Sep 06	OAMPS	Wesfarmers	700.3	16.3	15.4	9.0
May 06	Vero Lenders Mortgage Insurance	Glenworth Financial Mortgage Insurance	219.0	na	na	1.1
May 04	QBE Mercantile Mutual JV	QBE	765.0	11.8	10.9	2.0
Jun 03	Edward Lumley Holdings	Wesfarmers	359.1	9.8	8.9	2.2
Oct 02	CGU & NZI	IAG	1,925.0	20.2	nmc	2.2
Jun 01	CGU Lenders Mortgage Insurance	PMI	107.0	9.1	7.2	1.0
Jun 01	Fortis Australia	CGNU	329.4	9.3	na	1.6
Jun 01	GIO and AMP general insurance businesses	Suncorp	1,411.0	18.6	na	3.5
Mar 01	HIH workers compensation portfolio	NRMA*	130.0	8.1	na	nmc
Feb 01	State Insurance NZ	NRMA*	NZ$405.0	13.1	na	2.2
Aug 01	NRMA	Demutualisation and Listing	4,457.8	13.9	23.7	1.7
Sep 99	GIO (43%)	AMP	1,730.3	nmc	na	4.0
Oct 98	MMI (32% capital reduction)	Allianz	161.0	na	na	1.6
Sep 98	SGIO	NRMA*	440.1	nmc	18.3	3.4
Aug 98	GIO (57%)	AMP	3,325.0	nmc	nmc	2.6
Minimum				*8.1*	*7.2*	*1.0*
Maximum				*20.2*	*23.7*	*9.0*
Median				*12.4*	*13.1*	*2.2*

* NRMA Insurance Group changed its name to Insurance Australia Group ("IAG") in January 2002.

A summary of each transaction is set out below:

OAMPS / Wesfarmers

On 5 September 2006, Wesfarmers Limited ("Wesfarmers") announced its intention to make a full takeover offer for OAMPS Limited ("OAMPS") at $4.50 per share. The offer represented a 17% premium to the closing price of OAMPS the day before the offer announcement. OAMPS is the largest publicly owned insurance broker in Australia and a specialist underwriter of liability, motor, property, accident, health, product warranty and builder's warranty insurance. It is also engaged in the provision of financial services and the administration of its own commercial superannuation fund. The transaction provided the potential for Wesfarmers to achieve some cost synergies particularly in reinsurance arrangements, which may have influenced the multiple paid. The OAMPS balance sheet carried a relatively large proportion of intangible assets, resulting in an implied Price/NTA multiple well above comparable transactions in the sector.

Vero LMI / Glenworth Financial Mortgage Insurance

In May 2006, Promina announced the sale of its subsidiary, Vero Lenders Mortgage Insurance ("Vero LMI"), to Glenworth Financial Mortgage Insurance for consideration of $220 million ($219 million at settlement). Vero LMI was engaged in the provision of lenders mortgage insurance to mortgage lenders and issuers of mortgage backed investment securities. The operations of Vero LMI had been discontinued prior to the IPO of Promina in 2003. The insurance book had consequently been in run-off and was acquired at a slight premium to net tangible asset value.

QBE Mercantile Mutual / QBE

On 13 May 2004, QBE announced an agreement to acquire ING's 50% interest in the QBE Mercantile Mutual joint venture (an indirect commercial insurance underwriter) and ING's general insurance underwriting business for $740 million plus a further $25 million subject to targeted liability run-off. The transaction represented an historical gross written premium multiple of 1.1 times and a net earned premium multiple of 1.3 times. QBE expected to achieve pre-tax savings of approximately $40 million from the transaction, which also provided the potential to release surplus cash held in the acquired company's balance sheet (estimated to have been $150-200 million).

Edward Lumley Holdings / Wesfarmers

On 1 August 2003, Wesfarmers announced an agreement to acquire Edward Lumley Holdings, the parent company of Lumley Insurance Group Limited ("LIG"), a provider of general insurance, including associated finance and information technology services, in Australia and New Zealand. Final consideration paid was approximately $359 million. Wesfarmers expected the acquisition to be EPS accretive from the date of acquisition and also expected to achieve synergies in head office expenses, IT and some earnings uplift from lower utilisation of reinsurance.

CGU & NZI / IAG

In October 2002, IAG announced an agreement to acquire Aviva's Australian and New Zealand general insurance businesses, CGU and NZI, for $1,925 million (including transaction costs of $70 million). Both CGU and NZI had significant involvement in commercial insurance. The transaction constituted a gross written premium multiple of 0.9 times and net earned premium multiple of 1.1 times. It was regarded as fully priced on the basis of an historical P/E multiple of 21.8 times and a Price/NTA multiple of 2.2 times. However the price reflected, in part, targeted pre-tax synergy benefits of $160 million, which was in excess of the businesses' total prior year pre-tax profit. Synergies were primarily targeted from scale benefits and cost rationalisations from the combination of the respective commercial and private insurance portfolios of the merged group. A forecast P/E multiple is not meaningful due to forecast losses at the time.

CGU Lenders Mortgage Insurance / PMI

On 29 June 2001, Aviva plc announced the sale of its Australian and New Zealand lenders mortgage insurance business, CGU Lenders Mortgage Insurance Limited ("CGU LMI"), to The PMI Group Inc ("PMI") for consideration of £39 million (A$107 million). CGU LMI was the fourth-largest lenders mortgage insurance provider in Australia and the largest in New Zealand. The transaction constituted an historical gross written premium multiple of 2.7 times. Although no profit forecasts were provided, subsequently released accounts indicated that PMI achieved a 59% increase in underwriting profit, predominantly as a result of an actuarial review and changes to the premium earnings pattern and claims provisioning.

Fortis Australia / SGNU

On 14 June 2001, SGNU plc (since renamed Aviva) announced an agreement to acquire Fortis Australia Limited ("Fortis Australia") from the Fortis Group for £124 million (A$329 million at announcement). Fortis Australia was the tenth largest general insurer in Australia, primarily providing short tail personal and commercial lines, with the portfolio weighted towards motor insurance. The company also provided life insurance to a limited degree. SGNU expected to achieve synergy benefits from integration with its Australian insurance operations however no estimates were provided. Grant Samuel estimates the transaction represented a gross premium multiple of 1.1 times.

GIO and AMP General Insurance / Suncorp

In June 2001, Suncorp announced an agreement to acquire the Australian general insurance business of GIO and AMP, including AMP's 50% interests in insurance joint venture operations with the RACQ and RAA motoring associations. The acquired businesses produced annual gross written premiums of $1.2 billion (including home, motor, CTP, commercial and workers compensation insurance), making the combined group the second largest general insurer in Australia. As part of the deal, AMP entered into an agreement to exclusively distribute Suncorp general insurance products to its Australian customer base. Total consideration payable by Suncorp was approximately $1.4 billion plus approximately 15 million cash settled options. The options were exercisable in 3-5 years and had an exercise price of $16.38 (17% above the pre announcement share price). No value has been attributed to the options for the purposes of this transaction analysis although it is noted that they were eventually settled in September 2005 for $73 million in Suncorp shares. Suncorp expected to achieve annual synergies of $240 million from the transaction within two years (representing over 40% of the acquired businesses' cost base) primarily through IT systems integration, service support and product distribution efficiencies. The transaction implied multiples of gross written premium and net earned premium of 1.2 times and 1.5 times respectively. Earnings figures used in multiple calculations exclude earnings from joint ventures.

HIH Workers Compensation / NRMA

On 14 March 2001, NRMA announced an agreement to take on NRMA's Australian workers compensation portfolio. The acquired portfolio comprised certain HIH operating subsidiaries, the right to renew existing HIH policies as they come up and the contract to manage the existing workers compensation liabilities of HIH. The portfolio businesses also earned management fees for the management of government underwritten schemes. NRMA did not assume any of the existing insurance liabilities of HIH. Consideration of $130 million included $15 million conditional on the achievement of policy renewal targets. The price paid may have reflected, in part, the timing of the deal (which was announced the day before the provisional liquidation of HIH) and NRMA's view that earnings under NRMA ownership may be lower due to more conservative claims provisioning than HIH. A small amount of synergies were expected.

State Insurance / NRMA

On 8 February 2001, NRMA announced an agreement to acquire State Insurance Limited ("State Insurance") for NZ$405 million (A$325 million). State Insurance was New Zealand's largest general insurer (20% market share), providing 70% personal and 30% commercial insurance, predominantly motor, fire, earthquake and marine insurance. NRMA expected to achieve significant cost savings, mainly from changes to the distribution and claims network, as well as improved underwriting returns from the application of NRMA's rating processes.

NRMA Demutualisation and Listing

NRMA Insurance Limited was demutualised in July 2000 and was subsequently listed on the ASX on 8 August 2000 as NRMA. At the time of listing, NRMA was the largest general insurer in Australia (and was the largest provider of private motor vehicle, home and contents and CTP insurance), with gross written premiums of approximately $2.2 billion. NRMA predominantly provided personal insurance, but also provided general insurance and life insurance, investment and savings products. Multiples are based on the closing price on the first day of trading and therefore do not include a premium for control. The high multiple of forecast earnings was a reflection of the low profit forecast for the year to 30 June 2000, which was expected to be impacted by a significant underwriting loss.

GIO (43%) / AMP

On 24 September 1999, AMP and GIO announced an agreement to acquire the remaining 43% of GIO it did not already own via a scheme of arrangement. GIO was a major Australian general insurance and financial services company, providing motor, home, CTP, workers compensation and commercial insurance, international reinsurance, retail funds management and lending. For each GIO share held, GIO shareholders were offered an AMP Income Security with a face value of $2.75 plus a reinsurance note, paying two future cash instalments subject to adjustment for the future results of GIO's reinsurance business. The offer was below that originally offered by AMP in its partially successful 1998 takeover offer due to the subsequent announcement of large cyclone related reinsurance losses, which were the primary contributing factor to a net loss after tax of $743 million in the year ended 30 June 1999. Following a subsequent half-year reinsurance loss of $180 million, GIO was left with a large deficit in equity for regulatory purposes and needed an estimated $600-700 million to recapitalise. The low equity level resulted in a high implied price/NTA multiple of around 4.0 times. Adjustment to the calculation of this multiple for such a capital injection would provide a theoretical Price/NTA multiple of approximately 2.2 times.

MMI / Allianz

In October 1998, Manufacturers Mutual Insurance Limited ("MMI"), following shareholder approval, completed a selective capital reduction resulting in the cancellation of the 32% of issued shares not already owned by Alliance. At the time of the transaction, MMI was one of the largest workers compensation insurers in Australia and also provided general insurance, premium funding and financial services. Earnings multiples are not meaningful due to negative earnings at the time.

SGIO / NRMA

On 28 September 1998, NRMA announced its intention to make takeover offers for all of the shares in SGIO Insurance Limited ("SGIO") for cash consideration of $1.80 per share, topping an existing offer by Wesfarmers at $1.60 per share. The offer was subsequently increased to $2.10 and preserved SGIO shareholders' right to the previously declared dividend of 2.5 cents per share. The increased offer represented a 68% premium to SGIO's share price prior to speculation of the offer and constituted a multiple of 1.3 times net earned premiums. SGIO was a predominantly private insurer with annual gross written premiums of $325 million from the provision of motor, health, home, property, liability and workers compensation insurance.

GIO (57%) / AMP

On 25 August 1998, AMP announced its intention to make takeover offers for all of the issued shares in GIO Australia Holdings Limited ("GIO") for $4.75 cash per share or shares in AMP. On 9 December 1998, the offer was increased to $5.35 cash or an increased number of AMP shares. The directors of GIO recommended that shareholders reject the AMP offer and it closed in January 1999 with AMP holding 57% of GIO. The historical P/E multiple is not meaningful due to a net loss after tax in the year to 30 June 1998, however the offer represented a multiple of 15.0 times net profit after tax for the prior year ended 30 June 1997. At the time of transaction, GIO forecast a net profit of $175 million for the year ending 1999 (implying for forecast P/E multiple of the offer of 19.0 times). The eventual result for that year was a loss of $743 million as a result of large reinsurance losses.

2.2 Valuation Evidence from Sharemarket Prices

The valuations of the general insurance businesses of Promina and Suncorp have been considered in the context of the sharemarket ratings of listed Australian and international general insurance companies. While none of these companies is precisely comparable to the general insurance operations of either of Promina or Suncorp, the sharemarket data provides some framework to assess the valuations. Comparisons have been selected for analysis on the basis of their primary involvement in general insurance and a mix of private and general insurance.

The trading multiples presented below should be considered in the context of the insurance activities of the companies under review.

Sharemarket Ratings of Selected Listed Companies – General Insurance								
Company	Market Capital-isation (AUD millions)	Price Earnings Multiple (times)			Dividend Yield (%)			Geared NTA Multiple (times)
		Historical	Forecast Year 1	Forecast Year 2	Historical	Forecast Year 1	Forecast Year 2	Historical
Australia								
Promina	6,325.4	12.9	14.7	13.9	3.9%	4.1%	4.4%	3.3
Suncorp	12,643.5	13.8	14.5	14.0	4.3%	4.8%	5.1%	4.2
Insurance Australia Group	9,155.5	11.9	14.7	14.2	5.1%	5.4%	5.3%	4.7
QBE Insurance	21,302.9	19.4	15.3	14.2	2.7%	3.3%	3.6%	5.0
Minimum		11.9	14.5	13.9	2.7%	3.3%	3.6%	3.3
Maximum		19.4	15.3	14.2	5.1%	5.4%	5.3%	5.0
Median		13.4	14.7	14.1	4.1%	4.4%	4.7%	4.5
Simple average		14.5	14.8	14.1	4.0%	4.4%	4.6%	4.3
International								
St Paul Travelers (US)	49,914.1	18.0	9.4	9.8	1.7%	1.9%	2.1%	1.7
Assurances Generales (FRA)	37,323.3	14.2	12.0	11.5	3.2%	4.0%	4.1%	2.7
ACE (US)	25,285.7	19.4	8.7	8.6	1.6%	1.7%	1.9%	1.7
Progressive (US)	23,471.5	12.9	11.0	13.1	0.5%	0.1%	0.2%	2.6
Royal & Sun Alliance (UK)	11,524.5	12.1	11.2	11.3	3.2%	3.3%	3.4%	1.8
TrygVesta (DEN)	6,221.5	13.1	12.2	13.5	5.1%	6.1%	5.1%	3.9
Minimum		12.1	8.7	8.6	0.5%	0.1%	0.2%	1.7
Maximum		19.4	12.2	13.5	5.1%	6.1%	5.1%	3.9
Median		13.6	11.1	11.4	2.5%	2.6%	2.8%	2.2
Simple average		14.9	10.7	11.3	2.6%	2.9%	2.8%	2.4

Source: Grant Samuel analysis

The multiples shown above are based on sharemarket prices as at 17 November 2006, except for Promina and Suncorp which are based on closing share market prices on 10 October 2006, the day prior to market speculation regarding a proposal for Promina. The prices, and therefore multiples, do not reflect a premium for control.

IAG

Insurance Australia Group Limited ("IAG") is the largest general insurer in Australia and New Zealand, with most recent annual gross written premiums of over $6.4 billion. It is engaged in the provision of private and commercial insurance through the principal brands of NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance and NZI. The company also underwrites insurance provided by certain third party insurers. IAG is predominantly a retail insurer, with private insurance lines such as motor, home and CTP insurance representing approximately 70% of gross written premiums. In September 2006, IAG announced an agreement to acquire Hastings Insurance Services, a UK motor insurance broker, and Advantage Insurance Company, specialising in private motor insurance, for total consideration of approximately $350 million.

QBE Insurance

QBE Insurance Group Limited ("QBE") is one of Australia's largest general insurance providers and a significant provider of insurance and reinsurance internationally. In the year to 31 December 2005, QBE generated gross written premiums of approximately $9.4 billion principally from the business segments of Australia (26%), European general insurance (27%), European reinsurance (24%), the Americas (16%) and Asia-Pacific and Central Europe (7%). General insurance underwriting activities represented 71% of group revenue, with reinsurance revenues comprising the balance. The company provides an extensive range of commercial and private insurance lines.

Royal & Sun Alliance

Royal & Sun Alliance Insurance Group plc ("RSA") is a United Kingdom based general insurance group, with operations in the United Kingdom, Scandinavia, the US and Canada. Operations are weighted towards commercial insurance lines, representing approximately 55% of net written premiums. The group has recently undergone significant restructuring, discontinuing its life insurance business and exiting its businesses in non-core international markets. Results in the year to 31 December 2006 will be impacted by an expected £443 million pre-tax loss on the sale of its US business (currently in progress), partially offset by a £166 million after-tax gain on the divestment of the group's Japanese business and a one-off benefit from a change in pension scheme design.

TrygVesta AS

TrygVesta AS ("TrygVesta") provides general insurance within the Nordic region, focusing on the provision of direct general insurance. In the year to 31 December 2005, TyrgVesta generated gross earned premiums of 15.7 billion Danish Krone (DKK), comprising 70% private and commercial insurance and 30% corporate insurance. Through its insurance brands "Tyrg" and "Vesta", it is the largest general insurer in Denmark and the third largest in Norway. It also provides general insurance within Finland and Sweden and provides pension products in Denmark and Norway.

Assurances Generales

Assurances Generales De France ("Assurances Generales") is a diversified insurance business, providing property and casualty insurance, life and health insurance, asset management and banking services in France and selected countries internationally. Premium revenue comprises general insurance (40%), loan insurance (10%), health insurance (10%), life insurance (37%) and travel assistance and insurance (3%). In the year to 31 December 2006, premium revenue was approximately €16.8 billion. Assurances Generales is 58% owned by Allianz Group.

St Paul Travelers

St Paul Travelers Companies Inc ("St Paul Travelers") provides private and commercial insurance in the US and specialist insurance lines in the US, Canada and Ireland. Through its specialty division it provides specialised insurance, claims handling and risk management services. In the year to 31 December 2005, St Paul Travelers wrote gross premiums of US$23.7 billion, comprised of personal insurance (27%), commercial insurance (44%) and specialty insurance (29%).

ACE

ACE Limited ("ACE") is a Bermuda based company engaged in the provision of general insurance and reinsurance within the US and globally. In the year to 31 December 2005, ACE wrote gross premiums of US$16.8 billion, comprising general insurance within the US and internationally (87%), global reinsurance (10%) and financial services and life insurance (3%). The company was founded in 1985 by a consortium of 34 Fortune 500 companies to write hard-to-find excess liability coverage. Although the company provides a wide range of insurance, including to individuals, it remains predominantly focused on commercial insurance.

Progressive

The Progressive Corporation Inc ("Progressive") is a private general insurer operating in the US and Canada. In the year to 31 December 2006, Progressive generated insurance revenue of US$13.8 billion, of which approximately 90% was derived from the provision of private insurance and 10% from commercial insurance. It is one of the top five motor vehicle insurers in the US, with motor vehicle insurance representing over 90% of all insurance written.

3 Financial Services

The Australian financial services market has experienced considerable change since the introduction of compulsory superannuation. The industry structure and the activities of industry players have increasingly reflected a clear distinction between life risk products and wealth management/investment products, which have been a major beneficiary of the funds flowing into compulsory superannuation.

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Moreover, there has been a growing trend towards a "deconstruction" of the wealth management value chain, with industry participants choosing to be active in some or all of three major activities: asset management (wholesale and retail), asset administration (platforms and wraps) and advice based distribution. The prices paid in transactions involving financial services participants have varied significantly, depending (amongst other factors) upon the exposure of the relevant companies to the life risk sector versus the higher growth wealth management sector, or the parts of the wealth management value chain upon which the companies' activities were focussed.

3.1 Valuation Evidence from Transactions

Set out below is a summary of transactions involving financial service businesses in Australia over the last 10 years for which there is sufficient information to calculate meaningful valuation parameters. The transactions provide some evidence of prices that acquirers have been willing to pay for financial service businesses in recent years:

Recent Transaction Evidence – Wealth Management

Date	Target	Acquirer	Equity Consideration (millions)	PE Multiple (times)		Geared NTA Multiple (times)
				Historical	Forecast	
Oct 06	Perennial Investment Partners	IOOF	320.0	40.0	25.0	13.4
Jan 06	Select Managed Funds	Australian Wealth Management	375.4	26.8	16.8	10.1
Mar 05	HSBC Asset Management Australia	Challenger	21.9	7.1	na	na
Feb 05	Tower de-merger	AWM	250.0	16.3	15.1	7.6
Apr 04	Associated Planners Group Limited	Challenger	91.3	nmc	nmc	nmc
Jul 03	CPH Investments	Challenger International	681.3	4.3	nmc	nmc
Feb 03	Tyndall Investments (Aust) Limited	James Fielding Holdings	29.8	12.5	nmc	nmc
Oct 02	BT Financial Group	Westpac Banking Corporation	900.0	36.6	33.0	7.0
Minimum				***4.3***	***15.1***	***7.0***
Maximum				***40.0***	***33.0***	***13.4***
Median				***16.3***	***20.9***	***8.9***

A summary of each transaction is set out below:

Perennial Investment Partners / IOOF

In October 2006, IOOF announced it had acquired the outstanding 21.85% of equity in asset management business Perennial Investment Partners Limited that it did not already own. Perennial Investment Partners is a holding company specialising in the provision of funds management services to wholesale clients. The acquisition was based on an up front payment of $67.9 million to minority shareholders, which valued 100% of Perennial Investment Partners at $320 million. Perennial Investment Partners manages approximately $19.4 billion external wholesale and retail funds (for IOOF) which it invests in fixed interest, Australian equities and international equities. The minority shareholding in Perennial Investment Partners was held by company executives.

Select Managed Funds / Australian Wealth Management

In January 2006, Select Managed Funds Limited ("Select") and Australian Wealth Management Limited ("AWM") announced a proposal to merge by way of a scheme of arrangement. At the time of announcement, the proposed merged entity was to have a market capitalisation in excess of $840 million, with funds under management, administration and advice in excess of $22 billion. Select shareholder received seven AWM shares for every two Select shares held. Figures shown above are based on the closing price of Select shares ($5.35) on the day before the public announcement of the proposed merger on 19 January 2006. Notably, neither business has life risk operations.

HSBC Asset Management Australia / Challenger

In March 2005, HSBC agreed to sell its Australian asset management business, HSBC Asset Management (Australia) Limited to Challenger Financial Services Group Limited ("Challenger"), for a consideration of $21.9 million, representing an historical Price/Earnings multiple of approximately 7.1 times. At the time of acquisition HSBC Asset Management (Australia) Limited had funds under management of approximately $3.5 billion and provided a range of products and investment advice including unit trusts, wholesale funds, personal superannuation and allocated pensions.

Tower Demutualisation and Listing

In November 2004 Tower Limited ("Tower") announced its intention to separate its Australian Wealth Management business from its New Zealand and Australian insurance business. Tower transferred its Australian Wealth Management businesses into a new company, Australian Wealth Management Limited ("AWM"), for listing on the ASX, in exchange for approximately 120 million $1.00 shares and a cash payment of $130 million. AWM shares were transferred back to existing Tower shareholders. The demerger sought to create value by having each business focus on its expertise, namely, Tower on the insurance and investment businesses in New Zealand and Australia, and AWM on the Australian wealth management businesses.

Challenger / Associated Planners Group Limited

In April 2004, Challenger announced it had entered into a merger implementation agreement with Associated Planners Group Limited ("Associated Planners"). Associated Planners was a strong financial planning business with approximately 85 firms looking after more than 100,000 individual, business and corporate clients. Combined with Challenger's other financial services business, Garisson, Associated Planners increased Challenger's retail distribution network to approximately 450 planners with funds under advice exceeding $7.5 billion.

Challenger International Limited / Challenger

In April 2003, Challenger International Limited ("Challenger International") announced it had entered into a merger implementation agreement with CPH Management Limited, the responsible entity of CPH Investment Corp ("CPH"), to form the significant financial services group, Challenger Financial Services Group. Under the merger, CPH acquired all of Challenger International's shares at a ratio of 4.5 CPH units for each Challenger International share. Following the merger, Challenger operated three divisions: life, wholesale finance and wealth management.

Figures shown above are based on the closing price of Challenger International shares ($2.33) on the day before the public announcement of the proposed merger on 17 April 2003.

Tyndall / James Fielding Holdings

In February 2003, James Fielding Holdings announced its intention to acquire Tyndall Investment Management (Aust) Limited ("TIM"), the responsible entity for Tyndall Meridian Trust, for $29.8 million. TIM earned management, acquisition, development and project management fees from the assets held in Tyndall Meridian Trust. At the time of acquisition, TIM had $534 million in funds under management.

BT Financial Group / Westpac Banking Corporation

In August 2002, Westpac announced its intention to (partially) acquire BT Financial Group ("BT") from Principal Financial Group for $900 million. In addition to BT's significant Australian retail operations, the acquisition included BT's New Zealand funds management operations and BT's corporate superannuation business and platform. The acquisition made Westpac one of the country's largest retail funds managers and gave it significant master trust and wrap platform capabilities. Following the acquisition, Westpac had more than $30 billion of retail funds under management, and $11 billion in funds under administration. Westpac did not acquire BT's property trusts or direct property management services.

3.2 Valuation Evidence from Sharemarket Prices

The valuations of Suncorp and Promina's financial services businesses have been considered in the context of the sharemarket ratings of listed Australian financial service companies. While none of these companies is precisely comparable to the operations of Suncorp or Promina, the sharemarket data provides some framework to assess the valuation of business with operations in financial services.

Sharemarket Ratings of Selected Listed Companies – Wealth Management

Company	Market Capitalisation ($ millions)	Price Earnings Multiple (times)			Geared NTA Multiple (times)	Geared Net Asset Multiple (times)
		Historical	Forecast Year 1	Forecast Year 2		
AMP Limited	17,680	21.9	20.4	18.9	12.1	8.0
Australian Wealth Management Limited	1,506	62.0	25.8	20.9	17.4	2.0
AXA Asia Pacific Holdings	11,418	21.1	20.3	18.5	5.4	3.1
Challenger Financial Services Group Limited	1,836	14.1	12.2	11.5	na	1.1
Count Financial Limited	640	34.3	27.6	23.0	26.1	25.8
Hunter Hall International Limited	288	20.9	nc	nc	14.9	11.5
HFA Holdings Limited	404	35.6	18.0	13.3	na	48.2
IOOF Holdings Limited	601	25.8	19.5	16.7	5.6	3.2
Perpetual Limited	3,028	26.6	20.5	18.4	11.3	9.1
Treasury Group Limited	281	20.0	16.8	14.5	7.6	6.0
WHK	473	17.2	17.9	15.2	16.0	2.8
Minimum		*14.1*	*12.2*	*11.5*	*5.4*	*1.1*
Maximum		*62.0*	*27.6*	*23.0*	*26.1*	*48.2*
Median		*21.9*	*19.9*	*17.6*	*12.1*	*6.0*
Simple average		*27.2*	*19.9*	*17.1*	*12.9*	*11.0*

Source: Grant Samuel analysis

The multiples shown above are based on sharemarket prices as at 10 November 2006 and do not reflect a premium for control.

A brief description of each company is set out below:

AMP

AMP Limited is a large financial services company operating throughout Australia and New Zealand. Through its subsidiaries, AMP operates Australia's largest financial planning network, and has operations in both insurance and wealth management. AMP's insurance business offers residential, general and corporate insurance and operates an international reinsurance business. AMP also offers financial planning, retirement savings and income, risk and general insurance and certain banking products to both individual and corporate clients. AMP's wealth management operations have $84 billion in funds under management and offer equities, fixed income, property and private capital products and services.

Australian Wealth Management

Australian Wealth Management Limited ("AWM") is a wealth management business spun-off from Tower Limited providing a range of products and services for members of credit union partners and other clients. AWM, through its subsidiaries, provides wealth management and financial advisory services. The company's services include master trust and wrap platforms, financial planning and stockbroking businesses, brokerage and investment research and asset management. AWM also offers trustee services, superannuation and investment administration services. The financial information provided in the table is generated from 11 months operations of Select Managed Funds Limited and one month of AWM.

AXA Asia Pacific Holdings

AXA Asia Pacific Holdings Limited ("AXA") provides wealth management and life risk services to customers in Australia, New Zealand and Asia. AXA's life business provides life insurance, health insurance and other insurance products, as well as superannuation, income protection and financial planning services. Its wealth management operations provide savings and funds management services as well as various investment products, master trusts, and other financial products and services.

Challenger Financial Services Group

Challenger Financial Services Group Limited ("Challenger") was formed through the July 2003 merger of CPH Investment Corp and Challenger International and offers three core product groups: life, wholesale finance and wealth management. Challenger's wholesale finance division offers financial assistance for residential and commercial property and acts as mortgage originator and loan manager. Challenger's Life business focuses on retirement income products and funds management to provide lifetime annuities. Challenger's wealth management division offers investment products for both institutional and retail clients covering asset management, funds management, funds administration and financial planning.

Count Financial Limited

Count Financial Limited ("COU") offers tax, accounting and business, financial planning and advisory services as well as financial planning, personal insurance, superannuation and home and investment loans. COU also provides a range of administration systems including internet administration systems, website development and a virtual dealer network. Count consistently trades at a premium to its peer group, possibly reflecting its long history of 20-30% pa earnings growth.

Hunter Hall International Limited

Hunter Hall International Ltd ("HHL") operates an investment management business which manages the Value Growth Trust, Australian Value Trust and the Global Ethical Trust. HHL has an ethical investment policy, which excludes investing in stocks harmful to people, animals or the environment. Funds under management at 31 May 2005 were $727 million.

HFA Holdings Limited

HFA Holdings (HFA) is a fund management business established in 1998. As at March 2006, HFA had over $2 billion in funds under management. The business comprises four divisions comprising HFA Research and Investments, HFA Distribution, HFA Operations and HFA Special Project. HFA Products are listed on more than 25 master trusts and wrap accounts with over $85 billion in funds under administration. HFA offers services related to custody and administration, reporting, taxation, and compliance.

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IOOF Holdings Limited

IOOF Holdings Limited ("IFL") is a financial services company operating in Australia with three core businesses: funds management, corporate superannuation and asset management. IFL's funds management division offers a range of pooled investment vehicles including wholesale and retail unit trusts, and portfolio administration services to individuals through financial advisers. IFL had $22.4 billion in funds under management and administration as at 30 June 2005. IFL's asset management division offers a multi investment manager structure for its funds. IFL wholly owns dealer group Winchcombe Carsen, which has over 100 financial advisers throughout Australia.

Perpetual Limited

Perpetual Limited ("Perpetual") is a financial services company that has two primary activities, wealth management services and corporate trust services. Perpetual provides funds management, responsible entity services, trustee services executor services, financial planning, investment administration, superannuation, custody and registry services to individuals, families and institutional investors. The group also provides a range of corporate trust services to fund managers, superannuation trustees and capital market participants. As at 31 August 2005 Perpetual had $28.3 billion in funds under management.

Treasury Group Limited

Treasury Group Limited ("TRG") is an Australian investment and funds management company. TRG provides funds management services to institutions, retail and private clients. Through its subsidiaries TRG offers a range of wholesale funds, portfolio management services and investment products to both the wholesale and retail markets.

WHK

WHK Group Limited ("WHK") operates a network of approximately 100 financial advisers and has a distribution network of accountancy firms. WHK's financial service expertise includes wealth management, financial planning, superannuation advice and risk insurance, as well as finance broking advice and services. At June 2004, WHK had $4.5 billion in funds under advice. WHK's accounting services division includes accounting, taxation and audit, as well as estate planning, corporate advisory and business advisory services. This division is the company's major revenue and profit contributor. Notably, WHK trades at a discount to its peers reflecting the fact that approx 70% of its earnings are derived from accounting services rather than financial services.

Appendix G

Selection of Discount Rates

1 Overview

The following discount rates have been selected by Grant Samuel to apply to the forecast nominal after tax cash flows of the respective business segments of Promina and Suncorp:

Business Segment Discount Rates	
Business Segment	**Discount Rate**
Promina	
General insurance	9.5 – 10.5%
Suncorp	
General insurance	9.5 – 10.5%
Banking	10.0 – 11.0%

Selection of the appropriate discount rate to apply to the forecast cash flows of any business enterprise is fundamentally a matter of judgement. The valuation of an asset or business involves judgements about the discount rates that may be utilised by potential acquirers of that asset. There is a body of theory which can be used to support that judgement. However, a mechanistic application of formulae derived from that theory can obscure the reality that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, it is Grant Samuel's experience that many companies rely on less sophisticated approaches. Many businesses use relatively arbitrary "hurdle rates" which do not vary significantly from investment to investment or change significantly over time despite interest rate movements. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice even if they are not theoretically correct. Grant Samuel considers the rates adopted to be reasonable discount rates that acquirers would use irrespective of the outcome or shortcomings of applying any particular theoretical model.

The discount rates that Grant Samuel has adopted are reasonable relative to the rates derived from theoretical models. The discount rates represent an estimate of the cost of equity capital appropriate for these assets. This is the relevant rate to apply to geared after tax cash flows.

The cost of equity has principally been derived from application of the Capital Asset Pricing Model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice. However, while the theory underlying the CAPM is rigorous the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide. There is a tendency to regard the rates calculated using CAPM as inviolate. To do so is to misunderstand the limitations of the model.

For example:

- the CAPM theory is based on expectations but uses historical data as a proxy. The future is not necessarily the same as the past;
- the measurement of historical data such as risk premia and beta factors is subject to very high levels of statistical error. Measurements vary widely depending on factors such as source, time period and sampling frequency;
- the measurement of beta is often based on comparisons with other companies. None of these companies is likely to be directly comparable to the entity for which the discount rate is being calculated and may operate in widely varying markets;
- parameters such as the debt/equity ratio and risk premium are based on subjective judgements; and
- there is not unanimous agreement as to how the model should adjust for factors such as taxation. The CAPM was developed in the context of a "classical" tax system. Australia's system of dividend imputation has a significant impact on the measurement of net returns to investors.

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In this context, regulators such as the Australian Competition and Consumer Commission ("ACCC") and the various state regulatory bodies undertake extremely detailed analysis of discount rate calculations and each of the relevant variables. Grant Samuel has had regard to this analysis but in Grant Samuel's view it can give a misleading impression of the precision about what is, in reality, a relatively crude tool of unproven accuracy that gives, at best, a broad approximation of the cost of capital.

The following sections set out the basis for Grant Samuel's determination of the discount rates for the individual business segments of Promina and Suncorp and the factors which limit the accuracy and reliability of the estimates.

2 Definition and Limitations of the CAPM

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk free investments (such as government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks relating to a company or business may be divided into specific risks and systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets generally. While specific risks will result in actual returns varying from expected returns, it is assumed that diversified investors require no additional returns to compensate for specific risk, because the net effect of specific risks across a diversified portfolio will, on average, be zero. Portfolio investors can diversify away all specific risk.

However, investors cannot diversify away the systematic risk of a particular investment or business operation. Systematic risk is the risk that the return from an investment or business operation will vary with the market return in general. If the return on an investment was expected to be completely correlated with the return from the market in general, then the return required on the investment would be equal to the return required from the market in general (i.e. the risk free rate plus the market risk premium).

Systematic risk is affected by the following factors:

- financial leverage: additional debt will increase the impact of changes in returns on underlying assets and therefore increase systematic risk;
- cyclicality of revenue: projects and companies with cyclical revenues will generally be subject to greater systematic risk than those with non-cyclical revenues; and
- operating leverage: projects and companies with greater proportions of fixed costs in their cost structure will generally be subject to more systematic risk than those with lesser proportions of fixed costs.

CAPM postulates that the return required on an investment or asset can be estimated by applying to the market risk premium a measure of systematic risk described as the beta factor. The beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. An investment with a beta of more than one is riskier than the market and an investment with a beta of less than one is less risky. The discount rate appropriate for an investment which involves zero systematic risk would be equal to the risk free rate.

The formula for deriving the cost of equity using CAPM is as follows:

$$Re = Rf + Beta\ (Rm - Rf)$$

where:

Re	=	the cost of equity capital;
Rf	=	the risk free rate;
Beta	=	the beta factor;
Rm	=	the expected market return; and

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Rm - Rf = the market risk premium.

The beta for a company or business operation is normally estimated by observing the historical relationship between returns from the company or comparable companies and returns from the market in general. The market risk premium is estimated by reference to the actual long run premium earned on equity investments by comparison with the return on risk free investments.

The model, while simple, is based on a sophisticated and rigorous theoretical analysis. Nevertheless, application of the theory is not straightforward and the discount rate calculated should be treated as no more than a general guide. The reliability of any estimate derived from the model is limited. Some of the issues are discussed below:

- **Risk Free Rate**

  Theoretically, the risk free rate used should be an estimate of the risk free rate in each future period (i.e. the one year spot rate in that year if annual cash flows are used). There is no official "risk free" rate but rates on government securities are typically used as an acceptable substitute. More importantly, forecast rates for each future period are not readily available. In practice, the long term Commonwealth Government Bond rate is used as a substitute in Australia and medium to long term Treasury Bond rates are used in the United States. It should be recognised that the yield to maturity of a long term bond is only an average rate and where the yield curve is strongly positive (i.e. longer term rates are significantly above short term rates) the adoption of a single long term bond rate has the effect of reducing the net present value where the major positive cash flows are in the initial years. The long term bond rate is therefore only an approximation.

  The ten year bond rate is a widely used and accepted benchmark for the risk free rate. Where the forecast period exceeds ten years, an issue arises as to the appropriate bond to use. While longer term bond rates are available, the ten year bond market is the deepest long term bond market in Australia and is a widely used and recognised benchmark. There is a very limited market for bonds of more than ten years. In the United States, there are deeper markets for longer term bonds. The 30 year bond rate is a widely used benchmark. However, long term rates accentuate the distortions of the yield curve on cash flows in early years. In any event, a single long term bond rate matching the term of the cash flows is no more theoretically correct than using a ten year rate. More importantly, the ten year rate is the standard benchmark used in practice.

  Where cash flows are less than ten years in duration the opposite issue arises. An argument could be made that shorter term, and therefore lower, bond rates should be used in determining the discount rate for these assets. While Grant Samuel believes this is a legitimate argument, an adjustment may give a misleading impression of precision for the whole methodology. In any event, the impact on valuation would usually be trivial.

  In practice, Grant Samuel believes acquirers would use a common rate. The ten year bond rate can be regarded as an acceptable standard risk free rate for medium to long term cash flows, particularly given its wide use.

- **Market Risk Premium**

  The market risk premium *(Rm - Rf)* represents the "extra" return that investors require to invest in equity securities as a whole over risk free investments. This is an "ex-ante" concept. It is the expected premium and as such it is not an observable phenomenon. The historical premium is therefore used as a proxy measure. The premium earned historically by equity investments is calculated over a time period of many years, typically at least 30 years. This long time frame is used on the basis that short term numbers are highly volatile and that a long term average return would be a fair indication of what most investors would expect to earn in the future from an investment in equities with a 5-10 year time frame.

  In the United States it is generally believed that the premium is in the range of 5-6% but there are widely varying assessments (from 3% to 9%). Australian studies have been more limited but indicate that the long run average premium has been in the order of 6% using a geometric average (and is in the order of 8% using an arithmetic average) measured over more than 100 years of data[1]. Even an estimate based over a very long period such as 100 years is subject to significant statistical error. Given the volatility of equity market returns it is only possible to state that the "true" figure lies within a range of approximately 2-10% at a 95% confidence level (using the geometric average).

In addition, the market risk premium is not constant and changes over time. At various stages of the market cycle investors perceive that equities are more risky than at other times and will increase or decrease their expected premium. Indeed, there are arguments being put forward at the present time that the risk premium is now lower than it has been historically. This view is reflected in the recent update of the Officer Study[2] which indicates that (based on the addition of 17 years of data to 2004) the long term arithmetic average has declined to 7.17% from 7.94%.

In the absence of controls over capital flows, differences in taxation and other regulatory and institutional differences, it is reasonable to assume that the market risk premium should be approximately equal across markets which exhibit similar risk characteristics. Accordingly, it is reasonable to assume approximately equal market risk premiums for first world countries enjoying political economic stability, such as Australia, New Zealand, the United States, Japan, the United Kingdom and various western European countries.

- **Beta Factor**

  The beta factor is a measure of the expected covariance (i.e. volatility and correlation of returns) between the return on an investment and the return from the market as a whole. The expected beta factor cannot be observed. The conventional practice is to calculate an historical beta from past share price data and use it as a proxy for the future but it must be recognised that the expected beta is not necessarily the same as the historical beta. A company's relative risk does change over time.

  The appropriate beta is the beta of the company being acquired rather than the beta of the acquirer (which may be in a different business with different risks). Betas for the particular subject company may be utilised. However, it is also appropriate (and may be necessary if the investment is not listed) to utilise betas for comparable companies and sector averages (particularly as those may be more reliable).

  However, there are very significant measurement issues with betas which mean that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation. There is no "correct" beta.

- **Specific Risk**

  The discount rate is designed to be applied to "expected cash flows" which are effectively a weighted average of the likely scenarios. To the extent that a business is perceived as being particularly risky, this specific risk should be dealt with by adjusting the cash flow scenarios. This avoids the need to make arbitrary adjustments to the discount rate which can dramatically affect estimated values, particularly when the cash flows are of extended duration or much of the business value reflects future growth in cash flows. In addition, risk adjusting the cash flows requires a more disciplined analysis of the risks that the valuer is trying to reflect in the valuation.

  However, it is also common in practice to allow for certain classes of specific risk (particularly sovereign and other country specific risks) in a different way by adjusting the discount rate applied to forecast cash flows.

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[1] See, for example, R.R. Officer in Ball, R., Brown, P., Finn, F. J. & Officer, R. R., "Share Market and Portfolio Theory: Readings and Australian Evidence" (second edition), University of Queensland Press, 1989 ("Officer Study") which was based on data for the period 1883 to 1987 and therefore was undertaken prior to the introduction of dividend imputation in Australia.

[2] Gray, S. and Officer, R.R., "A Review of the Market Risk Premium and Commentary on Two Recent Papers: A Report prepared for the Energy Networks Association", August 2005.

3 Calculation of the Cost of Equity

3.1 Risk-Free Rate

Grant Samuel has adopted a risk free rate of 5.5% for the general insurance businesses of Promina and Suncorp. This is consistent with the current yield to maturity on ten year Australian Government bonds. Whilst the yield to maturity on ten year New Zealand Government bonds is around 5.7%, Grant Samuel has adopted a uniform rate of 5.5%, given that the impact of choosing a marginally higher rate reflecting the New Zealand risk free rate would be significantly less than the overall margin for error in estimating a CAPM based discount rate. The forecast period for the cash flow models exceed ten years. However, ten year bond rates are the accepted market benchmark and are typically used as a proxy for the long term risk free rate even where the forecast period exceeds ten years.

3.2 Market Risk Premium

A market risk premium of 6% has been assumed. Grant Samuel has consistently adopted a market risk premium of 6% and believes that, particularly in view of the general uncertainty, this continues to be a reasonable estimate. It is:

- not statistically significantly different to the premium suggested by the historical data;
- similar to that used by a wide variety of analysts and practitioners (typically in the range 5-7%); and
- the same as that adopted by most regulatory authorities in Australia.

Some research analysts and other valuers may use even lower premiums. Overall, Grant Samuel believes 6% to be a reasonable, if not conservative, estimate.

3.3 Beta Factors

Grant Samuel has adopted the following beta factors for the purposes of this report:

Equity Beta Factors

Business segment	Low	High
Promina		
General insurance	0.7	0.9
Suncorp		
General insurance	0.7	0.9
Banking	0.8	0.9

Grant Samuel has considered the beta factors for a wide range of companies in determining an appropriate beta for each business segment. The betas have been calculated on two bases, relative to the Australian Stock Exchange ("ASX") and relative to the Morgan Stanley Capital International Developed World Index ("MSCI"), an international equities market index that is widely used as a proxy for the global stockmarket as a whole.

A summary of betas for selected comparable listed companies for each main business segment is set out in the tables below:

- **General Insurance**

Equity Beta Factors for Selected Listed General Insurance Companies

Company	Market Capital-isation[3] (AUD millions)	Monthly Observations over 4 years			Weekly Observations over 2 years	
		AGSM[4]	Bloomberg[5]		Bloomberg	
			Local Index	MSCI	Local Index	MSCI
Australia						
Promina	6,325.4	0.52	0.79	0.81	0.92	0.82
Suncorp	12,644.3	0.92	0.94	0.83	0.83	0.60
QBE	21,302.9	0.72	0.77	0.72	1.02	0.80
IAG	9,155.5	0.68	0.73	0.74	1.09	0.78
International						
St Paul Travelers (US)	49,914.1		1.21	1.12	1.03	1.04
Assurances Generales (FRA)	37,323.3		1.29	1.60	0.83	1.00
ACE (US)	25,285.7		1.33	1.23	1.08	1.03
Progressive (US)	23,471.5		0.86	0.78	0.71	0.70
Royal & Sun Alliance (UK)	11,524.5		2.43	2.83	1.19	1.14
TrygVesta (DEN)	6,221.5		0.90	1.26	0.84	0.93

Source: AGSM, Bloomberg, IRESS

The evidence suggests a general beta range of 0.7 – 1.0 is appropriate. However, considerable caution is warranted in selecting a beta for the relevant businesses:

- Promina and Suncorp's own betas are insufficient evidence for a reliable overall assessment. In particular, it is inappropriate to apply the beta of a diversified company to each of its business operations as such an approach would fail to recognise the particular systematic risk of each business and the return that equity holders in the business would require. In any event, betas vary dramatically depending on the measurement basis. It is necessary therefore to consider the other comparable companies;
- all of the data is subject to significant statistical error; and
- in many cases there is a substantial difference between the beta measured by AGSM and the beta measured by using Bloomberg. There are also material variations depending on the index used.

In Grant Samuel's view, an analysis from first principles suggests that the beta for the general insurance businesses of Suncorp and Promina should be well below 1. The underwriting businesses should have a beta of close to zero, given that there should be limited correlation between the factors impacting on underwriting performance and overall returns on equity and other asset markets. Moreover, both companies support their underwriting businesses with shareholder funds invested in asset portfolios consisting primarily of debt securities and cash and near cash instruments, with only modest allocations to equities and other growth assets. The performance of these asset portfolios should show limited correlation to overall equity and other asset markets.

Grant Samuel has selected a range for beta of approximately 0.7 – 0.9 for the general insurance businesses of Promina and Suncorp.

3 Based on share prices as at 17 November 2006 except for Promina and Suncorp which are based on the share price as at 10 October 2006, the day prior to market speculation regarding the Suncorp Proposal.

4 The Australian beta factors calculated by the Australian Graduate School of Management ("AGSM") as at 30 June 2006 over a period of 48 months using ordinary least squares regression or the Scholes-Williams technique where the stock is thinly traded.

5 Grant Samuel understands that betas estimated by Bloomberg are not calculated strictly in conformity with accepted theoretical approaches to the estimation of betas (i.e. they are based on regressing total returns rather than the excess return over the risk free rate). However, in Grant Samuel's view the Bloomberg beta estimates can still provide a useful insight into the systematic risks associated with companies and industries. The figures used are the Bloomberg "adjusted" betas.

- **Banking**

Equity Beta Factors for Selected Listed Banking Companies						
Company	**Market Capital-isation (AUD millions)**	**Monthly Observations over 4 years**			**Weekly Observations over 2 years**	
			Bloomberg		**Bloomberg**	
		AGSM	**Local Index**	**MSCI**	**Local Index**	**MSCI**
Suncorp	12,644.3	0.92	0.94	0.83	0.83	0.60
CBA	61,803.6	0.74	0.84	0.65	0.77	0.73
ANZ	54,189.8	0.91	0.95	0.69	0.96	0.78
NAB	69,008.1	0.78	0.81	0.62	0.79	0.63
Westpac	45,811.9	0.85	0.87	0.68	0.90	0.81
St George	18,222.8	0.91	0.86	0.68	0.86	0.69
Bendigo Bank	2,184.6	0.48	0.75	0.54	0.90	0.90
Adelaide Bank	1,602.2	0.97	0.97	0.78	0.89	0.79
Bank of Queensland	1,727.3	0.76	0.79	0.79	0.86	0.56

Source: AGSM, Bloomberg, IRESS

- Grant Samuel has selected a range for beta of 0.8 – 0.9 for the banking business of Suncorp.

3.4 Cost of equity capital

Using the estimates set out above, the cost of equity capital for each of the business segments can be calculated as follows:

Cost of Equity Capital Calculations		
Business segment	**Low**	**High**
Formula	*Re = Rf + Beta (Rm-Rf)*	*Re = Rf + Beta (Rm-Rf)*
General insurance		
(Promina and Suncorp)	*= 5.5% + (0.7 x 6%)*	*= 5.5% + (0.9 x 6%)*
	= 9.7%	*= 10.9%*
	Range adopted:	
	9.5%	*10.5%*
Banking	*= 5.5% + (0.8 x 6%)*	*= 5.5% + (0.9 x 6%)*
	= 10.3%	*= 10.9%*
	Range adopted:	
	10.0%	*11.0%*

4 Dividend Imputation

The conventional CAPM formula set out above was formulated under a "classical" tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under a classical tax system, interest expense is deductible to a company but dividends are not. Investors are also taxed on dividends received. Accordingly, there is a benefit to equity investors from increased gearing.

Under Australia's dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added into any analysis of value.

GRANT SAMUEL

There is no generally accepted method of allowing for dividend imputation. In fact, there is considerable debate within the academic community as to the appropriate adjustment or even whether any adjustment is required at all. Some suggest that it is appropriate to discount pre tax cash flows, with an increase in the discount rate to "gross up" the market risk premium for the benefit of franking credits that are on average received by shareholders. On this basis, the discount rate might increase by approximately 2% but it would be applied to pre tax cash flows. However, not all of the necessary conditions for this approach exist in practice:

- not all shareholders can use franking credits. In particular, foreign investors gain no benefit from franking credits. If foreign investors are the marginal price setters in the Australian market there should be no adjustment for dividend imputation;

- not all franking credits are distributed to shareholders; and

- capital gains tax operates on a different basis to income tax. Investors with high marginal personal tax rates will prefer cash to be retained and returns to be generated by way of a capital gain.

Other have proposed a different approach involving an adjustment to the tax rate in the discount rate by a factor reflecting the effective use or value of franking credits. If the credits can be used, the tax rate is reduced towards zero. The proponents of this approach have in the past suggested a factor of up to 50% as representing the appropriate adjustment (gamma). Alternatively, the tax charge in the forecast cash flows can be decreased to incorporate the expected value of franking credits distributed.

There is undoubtedly merit in the proposition that dividend imputation affects value. Over time dividend imputation will become factored into the determination of discount rates by corporations and investors. In Grant Samuel's view, however, the evidence gathered to date as to the value the market attributes to franking credits is insufficient to rely on for valuation purposes. More importantly, Grant Samuel does not believe that such adjustments are widely used by acquirers of assets at present. While acquirers are undoubtedly attracted by franking credits there is no clear evidence that they will actually pay extra for them or build it into values based on long term cash flows. The studies that measure the value attributed to franking credits are based on the immediate value of franking credits distributed and do not address the risk and other issues associated with the ability to utilise them over the longer term. Accordingly it is Grant Samuel's opinion that it is not appropriate to make any such adjustments in the valuation methodology. This is a conservative approach.

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Appendix H

Independent Actuary's Report and Financial Services Guide
Part 1 – Independent Actuary's Report

24 November 2006

Mr Stephen Cooper
Director
Grant Samuel & Associates Pty Limited
Level 6
1 Collins Street
Melbourne VIC 3000

Dear Mr Cooper

1. Introduction

Suncorp Metway Limited ("Suncorp") has proposed to acquire Promina Group Limited ("Promina") through a Scheme of Arrangement ("the Merger").

The Directors of Promina have appointed Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an Independent Expert's Report with respect to the Merger. Grant Samuel has appointed Ernst & Young ABC Pty Limited ("Ernst & Young") to prepare this Independent Actuary's Report ("the Report"), which will be included in the Grant Samuel Independent Expert's Report in relation to the Merger.

2. Scope of Work

Grant Samuel has requested Ernst & Young to undertake the following work:

a) For general insurance, to review the adequacy of outstanding claim provisions of Suncorp and Promina as at 30 June 2006; and

b) For life insurance, to review the embedded value and the value of one year's new sales for of the Financial Services businesses of Suncorp and Promina as at 30 June 2006.

This Report has been prepared for inclusion in the Scheme Booklet as part of the Grant Samuel Independent Expert's Report. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than for which it was prepared.

Our scope was limited to a review of the available information and an assessment of the reasonableness of the outstanding claims liabilities for general insurance and the embedded value as well as the value of one year's new sales for life insurance.

3. Approach

3.1 General Insurance

The financial information relating to Suncorp and Promina set out in Sections 2 and 4 of the Scheme Booklet has been extracted from the audited Financial Statements of Suncorp and Promina. The provisions set aside to meet the outstanding claims liabilities are the responsibility of the Directors of Suncorp and Promina, who both receive advice from their respective Approved Actuary and other parties including management.

Ernst & Young has been provided with actuarial valuations of outstanding claims liabilities for Suncorp and Promina for all insurance classes and supporting information.

Ernst & Young has made inquiries of the respective management and Approved Actuaries and has performed procedures considered reasonable, including reviewing actuarial reports, business reports, and financial information as well as reviewing the approach, methodologies and assumptions used in the determination of liabilities. An independent valuation of the outstanding claims liabilities has not been performed. As such the review is restricted to forming a view as to the reasonableness of the provisions established.

For the purposes of this report, the general insurance business of Promina is collectively referred to as "Promina General Insurance". The general insurance business of Suncorp is collectively referred to as "Suncorp General Insurance".

3.2 Life Insurance

The embedded value and value of one year's new sales has been sourced from, for Suncorp, the Suncorp Metway Limited Announcement of Consolidated Financial Results for the Year Ended 30 June 2006 and for Promina, from the report entitled *Components of Economic Value the Financial Services Businesses of Promina Group Limited, 30 June 2006*.

Ernst & Young has made inquiries of the respective management and Appointed Actuaries and has performed procedures considered reasonable including reviewing actuarial reports, business reports, financial information, as well as supporting documents for key assumptions.

Ernst & Young has reviewed cashflows and calculations provided by the respective management by carrying out analytical procedures and making enquiries of management to ascertain whether or not the results produced appear reasonable, within material bounds. We have not independently reviewed the projection models used by management to produce those cashflows.

An independent determination of the embedded values has not been performed. As such the review is restricted to forming a view as to the reasonableness of the embedded value and the value of one year's new sales.

For the purposes of this report, the financial services business of Promina in Australia includes Asteron Limited, its subsidiaries, and Tyndall Investment Management Limited. In New Zealand, the financial services business of Promina includes primarily Asteron Life Limited, The New Zealand Guardian Trust Company Limited and Tyndall Investment Management New Zealand Limited. These are collectively referred to as "Promina Financial Services".

The financial services business of Suncorp includes Suncorp Life and Superannuation Limited and its subsidiaries, collectively referred to as "Suncorp Financial Services".

4. Results

4.1 General Insurance

The provisions for the outstanding claims liabilities, which include the net central estimate and the risk margin in the individual insurer Financial Statements as at 30 June 2006 are as follows:

Table 1 – General insurance provisions (A$ millions)

Company	Probability for Sufficiency[1]	Net Central Estimate[2]	Risk Margin[3]	Net outstanding claims provisions[4]
Suncorp General Insurance	94%	$2,934	$827	$3,761
Promina General Insurance	90%	$1,893	$369	$2,262

1. The probability of sufficiency is based on the statistical analysis that the net provisions will ultimately prove to have been adequate to meet the future cost of claims and associated claims expenses.
2. The central estimates represent the best estimate of the insurance liabilities and hence contain no deliberate bias towards over or under estimation. In statistical terms, the central estimate is the expected value or mean of a range of possible outcomes.
3. A risk margin is to allow for the inherent uncertainty in the estimates of future claims cost. It is an additional margin to increase the probability of sufficiency. The risk margin is determined by allowing for the uncertainty of the outstanding claims estimate for each class of business and the diversification between classes.
4. The net outstanding claims provisions include the net central estimate and the appropriate risk margin. This is estimated to a specific probability of sufficiency.

Source: Suncorp Annual Report 2006.
Source: Promina Half Year Financial Results 2006.

The provisions have been based on the approaches, methodologies and assumptions as set out in the individual insurer Financial Statements, in particular:

- Suncorp Annual Report 2006;
- Promina Annual Report 2005; and
- Promina Investor Report Half Year Results 2006.

Based on our review, nothing has come to our attention which causes us to believe the value of the provisions for the outstanding claims liabilities for either Suncorp General Insurance or Promina General Insurance is unreasonable.

4.2 Life Insurance

Nature of embedded value

The embedded value of a life insurance company is traditionally determined using a discounted cash flow approach comprising the present value of estimated future distributable profits after corporate tax, allowing for regulatory capital requirements, together with the present value of attaching imputation credits. The valuation components of the embedded value are:

- The adjusted net worth, which generally includes that part of the shareholder capital and retained earnings of the statutory funds not required to support regulatory capital adequacy requirements, plus the net assets of the shareholder's funds;
- The value of in force business existing at the valuation date which includes the profit which will emerge in future years as distributable earnings, and the value of prudential capital in the statutory funds (or equivalent) which will be released over the life of the business held. These are discounted at a risk adjusted discount rate. These cash flows have been derived by the companies using assumptions equivalent to those used in the determination of the policy liabilities as at 30 June 2006 as shown in the half yearly accounts, with the exception of mortality and lump sum morbidity claim rates which have been adjusted to reflect ongoing experience and economic assumptions for Promina Financial Services; and
- Present value of future imputation credits which would apply assuming maximum dividends are paid in the future. These future imputation credits are further discounted to 70% of their face value to allow for the fact that they are not marketable, in line with market practice.

The value of one year's sales represents the embedded value of one year's new sales and can be used as a base for estimating the value of future new business, that is, the value of a company's ability to sell profitable business in the future.

Risk Discount Rate

A discount rate represents the shareholder's risk adjusted, long term, before investor tax target rate of return on the investment in the company. The discount rates used in embedded values are generally based on an empirical pricing model known as the Capital Asset Pricing Model (CAPM).

The CAPM approach relates the discount rate to a margin above the risk free rate generally represented by the 10 year government bond rate. The margin above the risk free rate is the product of the equity risk premium in the market for financial services business and the relative risk of the particular company compared to the market, known as the beta.

Promina Financial Services has produced a range of values using two discount rate bases. The first basis ("market basis") uses a CAPM based risk discount rate using an equity risk premium of 4.5% and betas of 1.0 and 1.2 for life insurance and funds management respectively. The second basis ("entity specific basis") uses an entity specific discount rate based on the risk free rate plus a margin that endeavours to reflect management's view of the risks appropriate to Promina Financial

Services. The resulting risk discount rates used by Promina Financial Services for the valuations are as follows:

Table 2 – Promina Financial Services risk discount rates

	CAPM Basis	Entity Specific Basis
Life insurance – Australia	10.25%	8.50%
Funds management – Australia	11.25%	11.25%
Life insurance – New Zealand	10.50%	8.50%
Funds management – New Zealand	11.50%	11.50%

Suncorp Financial Services has provided embedded values based on three discount rates, that is, 11%, 12% and 13%. For comparison, as at 30 June 2006, the sum of the 10 year bond rate plus a 5.5% equity risk premium with a beta of 1 produces a rate of 11.25% pa.

Embedded values

For Promina Financial Services, the embedded value is shown using the market basis and the entity specific basis described above.

Table 3 – Life Insurance (A$ millions) Promina Financial Services embedded value

	Adjusted net worth	Value of distributable profits	Value of imputation credits	Embedded value
Market basis				
Australia	76	795	167	**1,038**
New Zealand	51	312	44	**407**
Total	**127**	**1,107**	**211**	**1,445**
Entity specific basis				
Australia	76	907	188	**1,171**
New Zealand	51	344	46	**441**
Total	**127**	**1,251**	**234**	**1,612**

For Suncorp Financial Services, the embedded value is shown below using the range of discount rates as presented by Suncorp Financial Services.

Table 4 – Life Insurance (A$ millions) Suncorp Financial Services embedded value

Risk discount rate	Adjusted net worth	Value of distributable profits	Value of imputation credits	Embedded value
11.0%	93	394	89	576
12.0%	93	374	84	551
13.0%	93	357	79	529

Following our review of the embedded values for both Promina Financial Services and Suncorp Financial Services, in our view it is not unreasonable for Grant Samuel to use a value within the ranges presented.

Value of one year's new sales

For Promina Financial Services, the value of one year's sales was determined on the same basis as the embedded value. The values provided by Promina Financial Services are as follows:

Table 5 – Life Insurance (A$ millions) Promina Financial Services value of one year's new sales

	Value of distributable profits	Value of imputation credits	Value of one year's sales
Market basis			
Australia	14	19	33
New Zealand	3	(6)	(3)
Total	**17**	**13**	**30**
Entity specific basis			
Australia	25	22	47
New Zealand	6	(6)	0
Total	**31**	**16**	**47**

Following our review of the value of one year's new sales for Promina Financial Services, in our view it is not unreasonable to use a value within the range presented.

For Suncorp Financial Services, the value provided for one year's new sales was on a different basis which is not consistent with the embedded value approach. The value of new sales is based on:

- The present value of future profit margins for insurance business using a discount rate which is not adjusted for risk. The discount rates used were between 4.8% and 10.9%;
- The present value of fees less expenses and tax for unit linked investment business; and
- The embedded value for Unit Trust business written outside the statutory funds.

This mixed approach does not consistently use a risk adjusted discount rate, does not take into account the cost of capital required to write future new sales, and does not take into account the value of future imputation credits nor allow for the value of future profits arising from group life insurance new and renewal premiums. Consequently it is higher than the value that would have been derived if it had been prepared on a basis consistent with the embedded value.

Table 6 – Life Insurance (A$ millions) Suncorp Financial Services value of one year's new sales

	Value of one year's sales
Total	30

While we consider that the value provided by Suncorp Financial Services is not unreasonable on the basis presented, the value should be adjusted for the cost of capital and consistent risk discount rate in order to be consistent with the embedded value of Suncorp Financial Services.

5. Reliances and Limitations

Our review was limited in scope as discussed in Section 2.

In undertaking this review, reliance has been place upon information supplied by Promina and Suncorp. In general, reliance was placed on but not limited to the information provided. We have used the information without independent verification. However, it was reviewed where possible for reasonableness and consistency.

The estimation of outstanding claims liabilities is inherently uncertain as it involves the estimation of future claim payments associated with claims that have been incurred before the balance date. These future claim payments are influenced by many factors some of which might be current at the balance date but may be unknown by the insurer at that time (for example claim facts about a claim incurred but not reported to the insurer at the balance date) and some may be influenced by future events that have not yet occurred (for example a landmark court case that impacts all future settlements). The estimates of outstanding claims liabilities derived by the Approved Actuaries are estimates in the sense that there is a degree of uncertainty as to the difference that will ultimately arise between those estimates and the final actual result of the experience. Deviations between actual and expected experience are normal and are to be expected.

The central estimate represents the best estimate of the outstanding claims liabilities. Under APRA's Prudential Standards, the central estimate is required to reflect the Approved Actuary's assessment of the mean of the range of possible outcomes.

As it is impossible to predict future claims outcomes with certainty, a value judgement has to be made as to the level of reserves that offers a reasonable assurance of sufficiency. Setting this level is the responsibility of the Directors of Suncorp and Promina respectively. It is usual for Directors to require more than the close to 50% probability of sufficiency that the central estimate provides. The additional probability of sufficiency is provided by the addition of a risk margin. However, even with the addition of a risk margin there is still a probability that the provision will prove to be inadequate. Provisions determined to have a 90% probability of sufficiency have, by definition, a 10% chance of proving to be insufficient.

Hence, while we are satisfied that the provisions for the outstanding claim liabilities are not unreasonable, there is no guarantee that they will prove to be adequate.

It is not possible to place a value on a business such as Promina Financial Services and Suncorp Financial Services with certainty. Our assessment of embedded value and value of new sales has been based on assumptions regarding future experience that are, in our opinion, reasonable. The embedded values and value of new sales of Promina Financial Services and Suncorp Financial Services will depend on actual future experience. Deviations of future experience from the assumptions used are normal and are to be expected.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young has evaluated the information provided to it by Promina and Suncorp as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Ernst & Young does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

Promina has provided an indemnity to Ernst & Young for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

6. Disclosures

Ernst & Young has previously provided valuation and other advice to Promina in relation to its financial services subsidiaries. Ernst & Young has also previously provided other advice to Promina in relation to its general insurance subsidiaries.

The remuneration of Ernst & Young is on the basis of normal professional fees and does not depend on the outcome of the Merger.

Our Financial Services Guide is attached to this Report. Our Report provides general advice as it does not consider the individual needs of investors.

Yours sincerely

D. M. Goodsall.

David Goodsall, FIAA
Director and Representative

WGard

Warrick Gard, FIAA
Director and Representative

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT ACTUARY'S REPORT

PART 2 – FINANCIAL SERVICES GUIDE

Issue date: 15 November 2006 (version 2)

1. Ernst & Young ABC Pty Limited

Ernst & Young ABC Pty Limited ("Ernst & Young ABC" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Actuary's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, foreign exchange, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

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5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young ABC is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, neither Ernst & Young ABC, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young ABC and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young ABC is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the Compliance Manager and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service or the Insurance Brokers Disputes Limited for general insurance product advice.

Contacting Ernst & Young ABC	**Contacting the Independent Dispute Resolution Schemes:**
Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Industry Complaints Service Limited PO Box 579 – Collins Street West Melbourne VIC 8007 Telephone: 1800 335 405 Insurance Brokers Disputes Limited Level 10 99 William Street Melbourne VIC 3000 Telephone 1800 064 169

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572

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Appendix 2
Accountant's Report

KPMG Transaction Services (Australia) Pty Limited
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The Directors
Suncorp-Metway Limited
Level 18
Suncorp Centre
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The Directors
Promina Group Limited
Level 15
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Chatswood NSW 2067

8 December 2006

Dear Directors

Accountant's Report

1. Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Suncorp-Metway Limited ("Suncorp") and Promina Group Limited ("Promina") to prepare this report for inclusion in the Scheme Booklet to be dated on or about 8 December 2006, and to be issued by Promina, in connection with the Suncorp merger with Promina.

This report covers certain historical and pro forma historical financial information to be disclosed in the Scheme Booklet.

Expressions defined in the Scheme Booklet have the same meaning in this report.

2. Financial information

Suncorp historical financial information

The historical financial information of Suncorp, as set out in section 2.6 of the Scheme Booklet, comprises the:

- income statements of Suncorp for the years ended 30 June 2006 and 30 June 2005;
- balance sheet of Suncorp as at 30 June 2006 and 30 June 2005; and
- selected notes thereto (together "Suncorp historical financial information").

The Suncorp historical financial information set out in section 2.6 of the Scheme Booklet has been extracted from the financial statements and investor reports of Suncorp for the years ended 30 June 2006 and 30 June 2005.

The financial statements of Suncorp for each of those years were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of Suncorp relating to those financial statements were unqualified.

The directors of Suncorp are responsible for the preparation and presentation of the Suncorp historical financial information.

The Suncorp historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

Promina historical financial information

The historical financial information of Promina, as set out in section 3.4 of the Scheme Booklet, comprises of:

- selected financial and operating data of Promina for the years ended 31 December 2005 and 31 December 2004 and the half years ended 30 June 2006, 31 December 2005 and 30 June 2005;

(together "Promina historical financial information").

The Promina historical financial information set out in section 3.4 of the Scheme Booklet has been extracted from the financial statements and investor reports of Promina for the years ended 31 December 2005 and 31 December 2004 and the half year ended 30 June 2006.

The financial statements of Promina for each of those years were audited by Promina's external auditor and the financial statements of Promina for the half year were reviewed by Promina's external auditor in accordance with Australian Auditing Standards. The audit and review opinions issued to the members of Promina relating to those financial statements were unqualified. KPMG is not Promina's external auditor.

The directors of Promina are responsible for the preparation and presentation of the Promina historical financial information.

The Promina historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

Merged Group pro forma historical financial information

The pro forma historical financial information of the Merged Group, as set out in section 4.12 of the Scheme Booklet, comprises the:

- unaudited pro forma balance sheet of the Merged Group as at 30 June 2006, adjusted to reflect the anticipated impact of:
  - Suncorp's merger with Promina; and
  - the effects of the proposed capital structure and other pro forma adjustments described in Section 4.12 of the Scheme Booklet (together "the Merger Adjustments")

  assuming the merger had occurred as at 30 June 2006, as set out in section 4.12 of the Scheme Booklet.

- unaudited pro forma income statement of the Merged Group for the 12 months ended 30 June 2006, adjusted to reflect the anticipated impacts of the Merger Adjustments assuming the merger had occurred as at 1 July 2005, as described in section 4.12 of the Scheme Booklet,

  together "Merged Group pro forma historical financial information".

This combined pro forma historical income statement and historical balance sheet of Suncorp and Promina ("Merged Group pro forma historical financial information") is presented to illustrate the financial performance of the Merged Group as though the merger occurred on 1 July 2005 and the financial position of the Merged Group as at 30 June 2006. The Merged Group pro forma historical financial information has applied provisional acquisition accounting in accordance with Australian Accounting Standards.

This pro forma historical financial information has been prepared by Suncorp management based on the terms of the Entitlements Issue and the Merger Implementation Agreement. Suncorp management has only had access to publicly available financial information of Promina and consequently has not had an opportunity to:

- determine that Promina's application of accounting policies is consistent with that of Suncorp and the Merged Group; or

- finalise the assessment of the fair values of the assets and liabilities of Promina, and therefore the merger has been accounted for using provisional acquisition accounting in accordance with AASB 3 Business Combinations.

As a consequence of not having access to Promina, KPMG Transactions Services has reported, in this report, on the compilation of the Merged Group pro forma historical financial information from various sources, but is not in a position to meet the auditing standards and therefore to report on the compliance of that pro forma historical financial information with the requirements of Australian Accounting Standards.

Responsibility for the preparation and presentation of the Merged Group pro forma historical financial information, including the determination of the Merger Adjustments, is set out in section 4 of the Scheme Booklet.

The Merged Group pro forma historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

3. Scope

3.1 Review on the accuracy of the extraction of Suncorp historical financial information

We have reviewed the accuracy of the extraction of Suncorp historical financial information in order to report whether anything has come to our attention which causes us to believe that the Suncorp historical financial information, as set out in section 2.6 of the Scheme Booklet, has not been accurately extracted from publicly available historical financial information of Suncorp.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical procedures we considered necessary.

Our review on the accuracy of the extraction of Suncorp historical financial information is substantially less in scope than an audit or review examination conducted in accordance with Australian Auditing Standards. A review on the accuracy of the extraction of information provides less assurance than an audit or a review examination. We have not performed an audit and we do not express an audit opinion on the extraction of the Suncorp historical financial information.

We do not express any opinion, or make any statement of negative assurance, as to whether the Suncorp historical financial information contained in the Scheme Booklet is presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and accounting policies adopted by Suncorp disclosed in the Scheme Booklet.

3.2 Review on the accuracy of the extraction of Promina historical financial information

We have reviewed the accuracy of the extraction of Promina historical financial information in order to report whether anything has come to our attention which causes us to believe that the Promina historical financial information, as set out in section 3.4 of the Scheme Booklet, has not been accurately extracted from publicly available historical financial information of Promina.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical procedures we considered necessary.

Our review on the accuracy of the extraction of the Promina historical financial information is substantially less in scope than an audit or review examination conducted in accordance with Australian Auditing Standards. A review on the accuracy of the extraction of information provides less assurance than an audit or a review examination. We have not performed an audit and we do not express an audit opinion on the extraction of the Promina historical financial information.

We do not express any opinion, or make any statement of negative assurance, as to whether the Promina historical financial information contained in the Scheme Booklet is presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and accounting policies adopted by Promina disclosed in the Scheme Booklet.

3.3 Review on the accuracy of the compilation of Merged Group pro forma historical financial information

We have reviewed the accuracy of the compilation of the Merged Group pro forma historical financial information in order to report whether anything has come to our attention which causes us to believe that the Merged Group pro forma historical financial information, as set out in section 4.12 of the Scheme Booklet, has not been properly compiled on the basis of the:

- Suncorp historical financial information and the Promina historical financial information; and
- Merger Adjustments (described in Section 4.12 of the Scheme Booklet)

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- considering work papers aggregating the Suncorp historical financial information, the Promina historical financial information, Merger Adjustments, and, where relevant, comparing the information to publicly available historical audited or reviewed financial information; and
- enquiry of directors, management and others.

Our review on the accuracy of the compilation of the Merged Group pro forma historical financial information is substantially less in scope than an audit or review examination conducted in accordance with Australian Auditing Standards. A review on the accuracy of the compilation of information provides less assurance than an audit or review examination. We have not performed an audit and we do not express an audit opinion on the compilation of Merged Group pro forma historical financial information.

Due to the inherent information limitations noted above, we do not express any opinion, or make any statement of negative assurance, as to whether the Merged Group pro forma historical financial information is presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Suncorp disclosed in the Scheme Booklet.

4. Review Statements

4.1 Review statement on the accuracy of the extraction of Suncorp historical financial information

Based on our review on the accuracy of the extraction of Suncorp historical financial information, which is not an audit, nothing has come to our attention which causes us to believe that the Suncorp historical financial information, as set out in section 2.6 of the Scheme Booklet, has not been accurately extracted from publicly available historical financial information.

4.2 Review statement on the accuracy of the extraction of Promina historical financial information

Based on our review on the accuracy of the extraction of Promina historical financial information, which is not an audit, nothing has come to our attention which causes us to believe that the Promina historical financial information, as set out in section 3.4 of the Scheme Booklet, has not been accurately extracted from publicly available historical financial information.

4.3 Review statement on the accuracy of the compilation of Merged Group pro forma historical financial information

Based on our review on the accuracy of the compilation of the Merged Group pro forma historical financial information, which is not an audit, nothing has come to our attention which causes us to believe that the Merged Group pro forma historical financial information, as set out in table 4.12 of the Scheme Booklet, has not been properly compiled on the basis of:

- the Suncorp historical financial information and the Promina historical financial information; and
- the Merger Adjustments (described in Section 4.12 of the Scheme Booklet)

5. Independence

KPMG Transaction Services does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Suncorp and from time to time, KPMG also provides Suncorp and Promina with certain other professional services for which normal professional fees are received.

6. Responsibility

KPMG Transaction Services has consented to the inclusion of this Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

7. General advice warning

This report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

Craig Mennie
Director

Appendix 3: Summary of Merger Implementation Agreement

Suncorp and Promina have entered into a merger implementation agreement dated 21 October 2006, as amended, setting out the terms and the parties' respective obligations in connection with the implementation of the Scheme.

A summary of the key terms of the Merger Implementation Agreement is set out below.

1.1 Glossary of terms used in the Merger Implementation Agreement

Defined terms used in this Appendix shall, unless otherwise defined below, have the same meaning as in section 9 (Glossary) of this Scheme Booklet. Additionally, in this Appendix:

CP Regulatory Approvals means the Regulatory Approvals described in paragraph (a) under the heading "Summary of Merger Implementation Agreement - Conditions Precedent" in this Appendix.

Disclosure Letter means a document in writing called the "Disclosure Letter" prepared solely for the purpose of Promina or Suncorp bringing to the other party's attention matters, circumstances or occurrences which will occur or are contemplated to occur and which was delivered to the other party before the signing of the Merger Implementation Agreement.

Disclosure Material means:

(a) in relation to Suncorp:

  (1) the information disclosed to Suncorp and its Representatives prior to the date of the Merger Implementation Agreement; and

  (2) Suncorp's Disclosure Letter to Promina;

(b) in relation to Promina:

  (1) the information disclosed to Suncorp and its Representatives prior to the date of the Merger Implementation Agreement; and

  (2) Promina's Disclosure Letter to Suncorp.

Exclusivity Period means the period from and including the date of the Merger Implementation Agreement to and including the earlier of the date the Merger Implementation Agreement is terminated in accordance with its terms or the Implementation Date.

Joint Venture means an incorporated joint venture contemplated by a Joint Venture Agreement.

Joint Venture Agreement means certain shareholder and joint venture agreements entered into between certain of Promina's Related Entities and third parties in relation to Joint Venture arrangements between the parties.

Joint Venture Document means any document between a Joint Venture Party or its Related Entities and any other Joint Venture Party or its Related Entities which is connected with, or incidental to, a Joint Venture.

Joint Venture Party means a party to a Joint Venture Agreement (other than Promina or a Related Entity of Promina).

Material Contract means any contract, arrangement or understanding to which Promina and/or any Related Entity of Promina is a party governing any joint venture arrangement with a third party that has an annual effect on the consolidated net profit after tax of Promina of $5 million or more.

Officer means, in relation to an entity, its directors and senior executives.

Promina Information means all information contained in the Scheme Booklet and all information provided by or on behalf of Promina to (a) the Independent Expert to enable the Independent Expert's Report included in or accompanying the Scheme Booklet to be prepared and completed (including any updates to such report) and (b) the Accountant to enable the Accountant's Report included in or accompanying the Scheme Booklet to be prepared and completed (including any updates to such report), but does not include the Suncorp Information or the Independent Expert's Report or the Accountant's Report.

Promina Material Adverse Change means matters, events or circumstances (including any Change in Law), whether occurring before or after the date of the Merger Implementation Agreement, other than:

(a) those required to be done or procured by Promina pursuant to the Merger Implementation Agreement; or

(b) a matter, event or circumstance which has been fairly disclosed by Promina to Suncorp in the Disclosure Material or fairly disclosed by Promina to ASX or NZX pursuant to its continuous disclosure obligations, in each case prior to the date of the Merger Implementation Agreement,

which has had or is reasonably likely to have:

(c) either individually or when aggregated with other matters, events or circumstances of a like kind, a recurring adverse financial effect of $50 million or more, excluding effects arising from:

(1) changes to investment value on general or life insurance shareholder funds and technical reserves pursuant to existing mandates; or

(2) any event which leads to claims made in the ordinary course of business on insurance policies issued by Promina or its Related Entities,

on the net profit after tax of Promina and its Related Entities in any financial year; or

(d) either individually or when aggregated with other matters, events or circumstances of a like kind, an adverse financial effect of $250 million or more on the value of the net assets of Promina and its Related Entities, as compared to the net assets of Promina and its Related Entities set out in Promina's consolidated balance sheet as at 30 June 2006.

Promina Prescribed Occurrence has the meaning set out in the heading "Prescribed Occurrences" below.

Promina Prospectus Information means such information regarding Promina and its Related Entities as:

(a) is reasonably required to update information provided by Promina in the Scheme Booklet (including financial information reasonably necessary to enable the preparation of pro forma financial statements) but excluding information disclosed to ASX or NZX by Promina; and

(b) any other information as Promina may, in its absolute discretion, provide to Suncorp, to enable the Prospectus to be prepared and completed.

Representative means, in relation to Promina and Suncorp:

(a) each of Promina's and Suncorp's Related Entities respectively; and

(b) each of the Officers, employees and Advisers of Promina and Suncorp respectively or of any of their respective Related Entities.

State Approval means a CP Regulatory Approval described in paragraphs (a)(4), (a)(5) and (a)(7) under the heading "Summary of Merger Implementation Agreement - Conditions Precedent" in this Appendix.

Suncorp Information means such information regarding Suncorp and its Related Entities and Suncorp Shares provided by or on behalf of Suncorp to (a) Promina or the Independent Expert to enable the Independent Expert's Report included in or accompanying the Scheme Booklet to be prepared and completed (including any updates to such report), (b) Promina or the Accountant to enable the Accountant's Report included in or accompanying the Scheme Booklet to be prepared and completed (including any updates to such report), (c) Promina to enable the applications for the CP Regulatory Approvals to be made, but does not include the Independent Expert's Report or the Accountant's Report and (d) Promina for inclusion in the Scheme Booklet, which is specifically identified as "Suncorp Information" in the Scheme Booklet.

Suncorp Material Adverse Change means matters, events or circumstances (including any Change in Law), whether occurring before or after the date of the Merger Implementation Agreement, other than:

(a) those required to be done or procured by Suncorp pursuant to the Merger Implementation Agreement; or

(b) a matter, event or circumstance which has been fairly disclosed by Suncorp to Promina in the Disclosure Material or fairly disclosed by Suncorp to ASX pursuant to its continuous disclosure obligations, in each case prior to the date of the Merger Implementation Agreement,

which has had or is reasonably likely to have:

(c) either individually or when aggregated with other matters, events or circumstances of a like kind, a recurring adverse financial effect of $90 million or more, excluding effects arising from:

(1) changes to investment value on general or life insurance shareholder funds and technical reserves pursuant to existing mandates; or

(2) any event which leads to claims made in the ordinary course of business on insurance policies issued by Suncorp or its Related Entities,

on the net profit after tax of Suncorp and its Related Entities in any financial year; or

(d) either individually or when aggregated with other matters, events or circumstances of a like kind, an adverse financial effect of $450 million or more on the value of the net assets of Suncorp and its Related Entities, as compared to the net assets of Suncorp and its Related Entities set out in Suncorp's audited consolidated balance sheet as at 30 June 2006.

Suncorp Prescribed Occurrence has the meaning set out under the heading "Prescribed Occurrences" below.

Third Party Proposal means, in relation to Promina or Suncorp, any expression of interest, proposal or offer in relation to a bid, scheme, joint venture, dual listed company structure, purchase of a main undertaking, share issue or other similar reorganisation by any person (other than the other party or any of its Related Entities) under which:

(a) a person (together with the person's Associates) may acquire a Relevant Interest in more than 10% of one or more classes of securities of that party;

(b) a person may acquire voting power (as defined in Chapter 6 of the Corporations Act) of more than 10% in that party;

(c) a person may acquire, directly or indirectly any interest (including legal, equitable or economic) in all or a material part of the business or assets (on a consolidated basis) of that party; or

(d) a person may otherwise merge or amalgamate with that party.

For the purposes of paragraph (c) above, the acquisition of an interest in a part of the business or assets (on a consolidated basis) of a party will be material if:

(a) the relevant business or businesses contribute 5% or more of the consolidated net profit after tax of that party; or

(b) the assets represent 5% or more of the total consolidated assets of that party.

Transaction means the acquisition by SIHL of all of the Scheme Shares through the implementation of the Scheme as contemplated in the Merger Implementation Agreement.

1.2 Summary of Merger Implementation Agreement

Conditions Precedent

The obligations of Suncorp and Promina to complete the Merger are subject to the Conditions Precedent. All of the Conditions Precedent (other than the Condition Precedent relating to Court approval of the Scheme) are required to be satisfied, or where applicable, waived, by 8.00 am on the Second Court Date.

(a) Suncorp or SIHL, as applicable, having obtained the following Regulatory Approvals to implement the Scheme:

(1) Suncorp receiving confirmation from the ACCC that the ACCC does not intend to oppose the acquisition of Promina Shares by SIHL for the Scheme;

(2) consent being given under the OIA to the acquisition of Promina Shares by SIHL for the Scheme;

(3) the approval of the Treasurer of the Commonwealth of Australia for the holding by SIHL and its Related Entities of a stake of 100% in Promina and its Related Entities under section 14 of the *Financial Sector (Shareholdings) Act 1998* (Cth);

(4) written confirmation from the relevant Minister that he or she will not revoke the approval of Vero Insurance Limited as an approved insurer under the *Workers' Compensation Act 1951* (ACT) or otherwise suspend such approval, or materially vary the conditions attaching to such approval as a result of the Scheme;

(5) written confirmation from the WorkCover Board of Tasmania that it will not revoke or suspend the licence of Vero Insurance Limited under the *Workers Rehabilitation and Compensation Act 1988* (Tas), or materially vary the conditions attaching to such licence as a result of the Scheme;

(6) written confirmation from the Motor Accidents Authority of New South Wales that it will not:

(A) suspend the licence of Australian Associated Motor Insurers Limited; or

(B) cancel such licence,

under the *Motor Accidents Compensation Act 1999* (NSW) as a result of the Scheme; and

(7) written confirmation from the Motor Accident Insurance Commission that it will not:

(A) withdraw or suspend the licence of the Australian Associated Motor Insurers Limited; or

(B) materially vary such licence

under the *Motor Accident Insurance Commission Act 1994* (Qld) as a result of the Scheme;

(b) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition being in effect at 8.00 am on the Second Court Date which prevents the consummation of any aspect of the Scheme;

(c) The Suncorp Shares to be issued pursuant to the Scheme are approved for official quotation by ASX by 8.00 am on the Second Court Date;

(d) The Court approving the Scheme under section 411(4)(b) of the Corporations Act; and

(e) Promina Shareholders approving the Scheme by the necessary majorities at the Scheme Meeting.

Reset Preference Shares

Suncorp will, no later than two Business Days after the Second Court Date, do either of the following (at Suncorp's discretion):

(f) offer to Reset Preference Share Holders a "residual Tier 1 instrument" as defined by APRA issued by Suncorp or a Related Entity of Suncorp in exchange for their Reset Preference Shares on terms and conditions to be decided by Suncorp acting reasonably; or

(g) make a cash offer for the Reset Preference Shares at $102.5641 per Reset Preference Shares (being the Face Value, as defined in the terms and conditions of the Reset Preference Shares, with an allowance for the 2.5% discount to the volume weighted average price that Reset Preference Share Holders would receive if the Reset Preference Shares were converted into ordinary shares), plus any accrued dividend.

Subject to Suncorp making the offer above, Promina must do all things reasonably requested by Suncorp in relation to the Reset Preference Shares and Promina must not exercise any material discretion given to it under the terms of the Reset Preference Shares without the prior written consent of Suncorp (which must not be unreasonably withheld). However, Promina shall be entitled to take any action in respect of the Reset Preference Shares that is consistent with the disclosure in section 7.3 (Redemption of Reset Preference Shares) of the Scheme Booklet.

Promina must use its best endeavours to procure APRA approval of a proposed redemption of the Reset Preference Shares. In the event that APRA approval is not obtained for the redemption of the Reset Preference Shares, Suncorp and Promina will consult as to the action that will be taken in relation to the Reset Preference Shares. Promina may decide not to give an Exchange Notice in those circumstances. If not, Promina will respond to any Exchange Notice given by a Reset Preference Share Holders as required by the terms of the Reset Preference Shares.

Conduct of business

Promina and Suncorp have agreed that, during the period from the date of the Merger Implementation Agreement to the Implementation Date, they will conduct (and cause each of their respective Related Entities to conduct) their respective business and operations in the ordinary and usual course consistent with the manner in which such businesses and operations have been conducted in the three years prior to the date of the Merger Implementation Agreement, use reasonable efforts to preserve intact their current business organisations, keep available the services of their current Officers and employees and preserve their respective relationships with Regulatory Authorities, rating agencies, customers, suppliers, licensors, licensees and others having business dealings with them.

However, Promina, Suncorp and their respective Related Entities are permitted to respond to prevailing market conditions or changes in the market or their business needs in a reasonable and prudent manner consistent with the manner in which such business and operations have responded in the past.

Prescribed Occurrences

Promina and Suncorp have agreed to ensure that in the case of Promina, no Promina Prescribed Occurrence occurs and in the case of Suncorp, no Suncorp Prescribed Occurrence occurs between the date of the Merger Implementation Agreement and 8.00 am on the Second Court Date.

In summary, a Promina Prescribed Occurrence means the occurrence of any of the following:

(a) the constitution of Promina being amended;

(b) Promina converting all or any of its shares into a larger or smaller number of shares;

(c) Promina or any Related Entity of Promina which is not a wholly-owned Subsidiary of Promina resolving to or reducing its share capital in any way;

(d) Promina or any Related Entity of Promina which is not a wholly-owned Subsidiary of Promina making or declaring any distribution whether by way of dividend or capital reduction or otherwise and whether in cash or in specie, except in accordance with the Merger Implementation Agreement;

(e) Promina resolving to or buying back any of its ordinary shares, including by:

(1) buying back any Promina Shares under the on-market buy-back announced on 28 April 2006;

(2) entering into any other buy-back agreement; or

(3) resolving to approve the terms of a buy-back agreement under the Corporations Act;

(f) Promina making an allotment or issue of, or granting an option to subscribe for, any ordinary shares or securities or financial products convertible at the option of the holder into, or having the economic characteristics of, ordinary shares, or agreeing to make such an allotment or issue or to grant such an option, other than pursuant to any of Promina's existing employee share plans and senior management performance share plan;

(g) the terms of any securities issued by Promina being amended;

(h) Promina or any Related Entity of Promina:

(1) acquiring, leasing or disposing of;

(2) agreeing to acquire, lease or dispose of; or

(3) offering, proposing or announcing a bid or tenders for,

any material business, assets (other than trading inventories and consumables in the ordinary and usual course of business) or entity.

For the purposes of this paragraph, a business, asset or entity of Promina or any Related Entity of Promina will be material if:

(1) the relevant business or entity contributes 5% or more of the consolidated net profit after tax of Promina; or

(2) the assets represent 5% or more of the total consolidated assets of Promina;

(i) Promina or any Related Entity of Promina creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a material part, of its business or property.

For the purposes of this paragraph, a business or property of Promina or any Related Entity of Promina will be material if:

(1) the relevant business contributes 5% or more of the consolidated net profit after tax of Promina; or

(2) the property represents 5% or more of the total consolidated assets of Promina;

(j) except to fund acquisitions which are not a Promina Prescribed Occurrence, Promina or any Related Entity of Promina incurring any indebtedness or issuing any indebtedness or debt securities by way of borrowings, loans or advances for amounts in aggregate in excess of $50 million other than:

(1) any indebtedness between:

(A) Promina and any of its Related Entities; or

(B) any Related Entities of Promina; and

(2) any debt securities issued by:

(A) Promina to any of its Related Entities;

(B) any Related Entity of Promina to Promina;

(C) any Related Entity of Promina to another Related Entity of Promina;

(k) Promina and/or any Related Entity of Promina making, in aggregate, capital expenditure in excess of $50 million (which does not include, for the avoidance of doubt, any amounts payable in connection with acquisitions or leases which would, if material, be covered by paragraph (h) above) on projects not commenced or approved prior to the date of the Merger Implementation Agreement;

(l) unless contemplated by the retention plan in relation to Promina directors, officers and employees or as specifically disclosed in the Scheme Booklet, or in the ordinary and usual course of business on the basis of principles consistent with past practice, Promina or any Related Entity of Promina:

(1) paying any bonus to, or increasing the compensation of, any Officer or employee of Promina or any Related Entity of Promina;

(2) granting to any Officer or employee of Promina or any Related Entity of Promina any increase in severance or termination pay or superannuation entitlements; or

(3) establishing, adopting, entering into or amending in any material respect (including by taking any action to accelerate any rights or benefits due under) any enterprise bargaining agreement, Australian workplace agreement, employee benefit plan or superannuation scheme of Promina or relating to the Officers or employees of Promina or any Related Entity of Promina;

(m) Promina resolving that it be wound up;

(n) a liquidator, provisional liquidator or administrator of Promina being appointed;

(o) the making of an order by a court for the winding up of Promina;

(p) Promina executing a deed of company arrangement;

(q) a receiver, or a receiver and manager, in relation to the whole, or a part, of the property of Promina being appointed; or

(r) Promina making any change in its accounting methods, principles or practices which would materially affect the reported consolidated assets, liabilities or results of operations of Promina, other than as required to comply with any changes to generally accepted accounting principles, standards, guidelines or practices in the jurisdiction of the relevant entity's incorporation.

For the purposes of this paragraph, the effect on the reported consolidated assets, liabilities or results of operations of Promina or any Related Entity of Promina will be material if:

(1) the change would result in an adverse financial effect of 5% or more of the consolidated net profit after tax of Promina; or

(2) the change would result in an adverse financial effect of 5% or more of the total consolidated assets of Promina.

In summary, a Suncorp Prescribed Occurrence means the occurrence of any of the following:

(a) the constitution of Suncorp being amended;

(b) Suncorp converting all or any of its shares into a smaller or larger number of shares;

(c) the terms of any ordinary shares or securities or financial products convertible at the option of the holder into ordinary securities or having the economic characteristics of ordinary shares, issued by Suncorp being amended;

(d) Suncorp or any Related Entity of Suncorp which is not a wholly-owned Subsidiary of Suncorp resolving to reduce its share capital in any way;

(e) Suncorp or any Related Entity of Suncorp which is not a wholly-owned Subsidiary of Suncorp making or declaring any distribution whether by way of dividend or capital reduction or otherwise and whether in cash or in specie, except in accordance with the Merger Implementation Agreement;

(f) Suncorp or any Related Entity of Suncorp:

(1) acquiring, leasing or disposing of;

(2) agreeing to acquire, lease or dispose of; or

(3) offering, proposing or announcing a bid or tenders for, any material business, assets or entity.

For the purposes of this paragraph, a business, asset or entity of Suncorp or any Related Entity of Suncorp will be material if:

(1) the relevant business or entity contributes 5% or more of the consolidated net profit after tax of Suncorp; or

(2) the assets represent 5% or more of the total consolidated assets of Suncorp;

(g) Suncorp or any Related Entity of Suncorp creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a material part, of its business or property.

For the purposes of this paragraph, a business or property of Suncorp or any Related Entity of Suncorp will be material if:

(1) the relevant business contributes 5% or more of the consolidated net profit after tax of Suncorp; or

(2) the property represents 5% or more of the total consolidated assets of Suncorp;

(h) except in the ordinary course of business (including to fund acquisitions which are not a Suncorp Prescribed Occurrence), Suncorp or any Related Entity of Suncorp incurring any indebtedness or issuing any indebtedness or debt securities by way of borrowings, loans or advances for amounts in aggregate in excess of $100 million;

(i) Suncorp or any Related Entity of Suncorp making, in aggregate, capital expenditure in excess of $100 million (which does not include, for the avoidance of doubt, any amounts payable in connection with acquisitions or leases which would, if material, be covered by paragraph (f) above) on projects not commenced or approved prior to the date of the Merger Implementation Agreement;

(j) Suncorp or any Related Entity of Suncorp making any change in its accounting methods, principles or practices, which would materially affect the reported consolidated assets, liabilities or results of operations of Suncorp, other than as required to comply with any changes to generally accepted accounting principles, standards, guidelines or practices in the jurisdiction of the relevant entity's incorporation.

For the purposes of this paragraph, the effect on the reported consolidated assets, liabilities or results of operations of Suncorp or any Related Entity of Suncorp will be material if:

(1) the change would result in an adverse financial effect of 5% or more of the consolidated net profit after tax of Suncorp; or

(2) the change would result in an adverse financial effect of 5% or more of the total consolidated assets of Suncorp;

(k) Suncorp resolving that it be wound up;

(l) a liquidator, provisional liquidator or administrator of Suncorp being appointed;

(m) the making of an order by a court for the winding up of Suncorp;

(n) Suncorp executing a deed of company arrangement;

(o) a receiver, or a receiver and manager, in relation to the whole or part of the property of Suncorp being appointed;

(p) Suncorp buying back any of its ordinary shares, including by:

(1) entering into a buy-back agreement; or

(2) resolving to approve the terms of a buy-back agreement under the Corporations Act; or

(q) Suncorp making an allotment or issue of, or granting an option to subscribe for, any ordinary shares or securities or financial products convertible at the option of the holder into, or having the economic characteristics of, ordinary shares, or agreeing to make such an allotment or issue or to grant such an option.

Representations and warranties

Promina and Suncorp have represented and warranted certain matters to the other in the Merger Implementation Agreement.

Promina has represented and warranted to Suncorp that:

(a) (**status**) it, and each of its Related Entities that is a body corporate, is a body corporate duly incorporated under the laws of its jurisdiction of incorporation or formation;

(b) (**power for business**) it, and each of its Related Entities, has the power to own its assets and to carry on its business as now conducted or contemplated;

(c) (**power for agreement**) it has the corporate power to enter into and perform or cause to be performed its obligations under the Merger Implementation Agreement and the Scheme and to carry out the transactions contemplated by the Merger Implementation Agreement and the Scheme;

(d) (**corporate authorisations**) it has taken or will take all necessary corporate action to authorise the entry into and performance of the Merger Implementation Agreement and the Scheme and to carry out the transactions contemplated by the Merger Implementation Agreement and the Scheme;

(e) (**agreement binding**) the Merger Implementation Agreement is a valid and binding obligation on Promina enforceable in accordance with its terms, subject to any necessary stamping;

(f) (**transactions permitted**) subject to obtaining all applicable Regulatory Approvals, the execution and performance by it of the Merger Implementation Agreement and the Scheme and each transaction contemplated by the Merger Implementation Agreement and the Scheme did not, do not and will not:

(1) violate in any material respect a provision of a law or treaty or a judgement, ruling, order or decree of a Regulatory Authority binding on it, or its constitution or any material document or agreement that is binding on it or its assets; or

(2) give to any person any rights of termination, material amendment, acceleration or cancellation of any Material Contract;

(g) (**disclosure to Suncorp**) it:

(1) is materially in compliance with its obligations under chapter 3 of ASX Listing Rules and the NZX listing rules and the information disclosed to ASX and NZX is true and correct in all material respects;

(2) it has disclosed to Suncorp details of each Material Contract; and

(3) is not aware of any information relating to Promina or any of its Related Entities or their respective businesses or operations that has or could reasonably be expected to give rise to a Promina Material Adverse Change that has not been disclosed to ASX, NZX or to Suncorp in the Promina Disclosure Material;

(h) (**provision of Promina Information**) the Promina Information included in the Scheme Booklet:

(1) will be included in good faith and on the understanding that SIHL, Suncorp and each of the Officers of Suncorp and SIHL will rely on that information for the purposes of considering and approving the Suncorp Information in the Scheme Booklet, and that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report for inclusion in the Scheme Booklet (as the case may be); and

(2) will comply in all material respects with the requirements of the Corporations Act, ASX Listing Rules and all relevant policy statements, practice notes and other guidelines and requirements of ASIC;

(i) (**Promina Information true**) the Promina Information included or incorporated by reference in the Scheme Booklet will not, as at the date of dispatch of the Scheme Booklet to the Promina Shareholders, contain any material statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements;

(j) (**update of Promina Information**) it will, as a continuing obligation, provide to Suncorp all such further or new information which may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meeting where that may be necessary to ensure that there would be no breach of paragraph (i) above as soon as practicable and in any event within two Business Days after the date upon which that information arose;

(k) (**provision of Promina Prospectus Information**) if a Prospectus is to be prepared, the Promina Prospectus Information:

(1) will be provided in good faith and on the understanding that Suncorp and each of the Officers of Suncorp will rely on that information for the purposes of preparing the Prospectus and undertaking the Equity Raising; and

(2) will comply in all material respects with the requirements of the Corporations Act and all relevant policy statements, practice notes and other guidelines and requirements of ASIC;

(l) (**Promina Prospectus Information true**) if a Prospectus is to be prepared, the Promina Prospectus Information included or incorporated by reference in the Prospectus in the form consented to by Promina will not, as at the date of lodgement of the Prospectus with ASIC, contain any material statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements, provided always that:

(1) so far as is practicable the Promina Prospectus Information shall be contained in a separate and distinct section of the Prospectus;

(2) the Promina Prospectus Information shall be clearly identified as such; and

(3) a statement shall be included in the Prospectus that Promina shall not be responsible for any information in the Prospectus other than the Promina Prospectus Information;

(m) (**update of Promina Prospectus Information**) if a Prospectus is to be prepared, it will, as a continuing obligation, provide to Suncorp all such further or new information which may arise after the Prospectus has been lodged with ASIC until the date of issue of the Suncorp Shares under the Equity Raising where that may be necessary to ensure that there would be no breach of paragraph (l) above , as soon as practicable and in any event within two Business Days after the date upon which that information arose; and

(n) (**securities**) its issued securities as at the date of the Merger Implementation Agreement are:

(1) 1,028,967,188 Promina Shares; and

(2) 3,000,000 Reset Preference Shares,

and neither it nor any of its Related Entities is under any obligation to issue any shares or securities convertible into shares to any person and, except as specified above, no option exists nor is Promina or any of its Related Entities subject to any actual or contingent obligation to issue or convert securities other than pursuant to the Reset Preference Shares;

(o) (**compliance with laws**) as far as Promina is aware, after making enquiries of its Officers, it and its Related Entities have complied in all material respects with all applicable laws and regulations which would, if breached, have a material adverse effect on:

(1) the financial position of Promina and its Related Entities as a whole; or

(2) the implementation of this Transaction; and

(p) (**Disclosure Material**) Promina has collated and prepared all of the Disclosure Material in good faith for the purposes of a high level due diligence exercise (but which exercise does not include due diligence on information of commercial or competitive sensitivity) and in this context, as far as Promina is aware, such Disclosure Material has been collated with all reasonable care and skill.

Suncorp has represented and warranted to Promina that:

(a) (**status of Suncorp**) it and each of its Related Entities that is a body corporate is a body corporate duly incorporated under the laws of its jurisdiction of incorporation or formation;

(b) (**status of SIHL**) SIHL is a body corporate duly incorporated under the laws of its jurisdiction of incorporation or formation and a wholly-owned Subsidiary of Suncorp;

(c) (**power for business**) it, and each of its Related Entities, has the power to own its assets and to carry on its business as now conducted or contemplated;

(d) (**power of Suncorp for agreement**) it has the corporate power to enter into and perform or cause to be performed its obligations under the Merger Implementation Agreement, the Scheme, the Deed Poll and the Underwriting Agreement and to carry out the transactions contemplated by the Merger Implementation Agreement, the Scheme, the Deed Poll and the Underwriting Agreement to be carried out by Suncorp;

(e) (**power of SIHL**) SIHL has the corporate power to enter into and perform or cause to be performed its obligations under the Scheme and the Deed Poll and to carry out the transactions contemplated by the Scheme and the Deed Poll;

(f) (**corporate authorisations for Suncorp**) it has taken or will take all necessary corporate action to authorise the entry into and performance of the Merger Implementation Agreement, the Scheme, the Deed Poll and the Underwriting Agreement and to carry out the transactions contemplated by the Merger Implementation Agreement, the Scheme, the Deed Poll and the Underwriting Agreement to be carried out by Suncorp;

(g) (**corporate authorisations for SIHL**) SIHL has taken or will take all necessary corporate action to authorise the entry into and performance of the Scheme and the Deed Poll and to carry out the transactions contemplated by the Scheme and the Deed Poll;

(h) (**agreement binding**) the Merger Implementation Agreement is a valid and binding obligation on Suncorp enforceable in accordance with its terms;

(i) (**transactions permitted by Suncorp**) the execution and performance by it of the Merger Implementation Agreement, the Scheme, the Deed Poll, the Underwriting Agreement and each transaction contemplated by the Merger Implementation Agreement, the Scheme, the Deed Poll and the Underwriting Agreement did not, do not and will not violate in any material respect a provision of a law or treaty or a judgment, ruling, order or decree of a Regulatory Authority binding on it, or its constitution or any material document or agreement that is binding on it or its assets;

(j) (**transactions permitted by SIHL**) the execution and performance by SIHL of the Scheme and the Deed Poll and each transaction contemplated by the Scheme and the Deed Poll did not, do not and will not violate in any material respect a provision of a law or treaty or a judgement, ruling, order or decree of a Regulatory Authority binding on it, or its constitution or any material document or agreement that is binding on it or its assets;

(k) (**disclosure to Promina**) it:

(1) has materially complied with its obligations under chapter 3 of ASX Listing Rules and the information disclosed to ASX is true and correct in all material respects;

(2) is not aware of any information relating to Suncorp or any of its Related Entities or their respective businesses or operations that has or could reasonably be expected to give rise to a Suncorp Material Adverse Change that has not been disclosed to ASX or to Promina in the Suncorp Disclosure Material;

(l) (**provision of Suncorp Information**) the Suncorp Information:

(1) will be provided in good faith and on the understanding that Promina and each of the Officers of Promina will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme, and that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report for inclusion in the Scheme Booklet (as the case may be); and

(2) will comply in all material respects with the requirements of the Corporations Act, ASX Listing Rules and all relevant policy statements, practice notes and other guidelines and requirements of ASIC;

(m) (**Suncorp Information true**) the Suncorp Information included or incorporated by reference in the Scheme Booklet in the form consented to by Suncorp will not, as at the date of dispatch of the Scheme Booklet to the Promina Shareholders, contain any material statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements and Suncorp will not be responsible for any other information in the Scheme Booklet;

(n) (**update of Suncorp Information**) it will, as a continuing obligation, provide to Promina all such further or new information which may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meeting where that may be necessary to ensure that there would be no breach of paragraph (m) above as soon as practicable and in any event within two Business Days after the date upon which that information arose;

(o) (**securities**) its issued securities as at the date of the Merger Implementation Agreement are:

(1) 565,622,921 Suncorp Shares;

(2) 1,698,008 fully paid floating rate capital notes of $100 each;

(3) 1,440,628 fully paid reset preference shares of $100 each;

(4) 2,000 fully paid non-participating shares; and

(5) 116,666 employee options,

and neither it nor any of its Related Entities is under any obligation to issue any shares or securities convertible into shares to any person and, except as specified above, no option exists nor is Suncorp or any of its Related Entities subject to any actual or contingent obligation to issue or convert securities; and

(p) (**compliance with laws**) as far as Suncorp is aware, after making enquiries of its Officers, it and its Related Entities have complied in all material respects with all applicable laws and regulations which would, if breached, have a material adverse effect on:

(1) the financial position of Suncorp and its Related Entities as a whole; or

(2) on the implementation of this Transaction; and

(q) (**Disclosure Material**) Suncorp has collated and prepared all of the Disclosure Material in good faith for the purposes of a high level due diligence exercise (but which exercise does not include diligence on information of commercial or competitive sensitivity) and in this context, as far as Suncorp is aware, such Disclosure Material has been collated with all reasonable care and skill.

Approach to Joint Venture Parties

Promina and Suncorp have agreed that they will as soon as practicable after the date of the Merger Implementation Agreement, jointly approach the Joint Venture Parties and use all reasonable endeavours to procure that each Joint Venture Party:

(a) agrees in writing with Promina (in a form reasonably acceptable to Suncorp):

(1) not to exercise any right they may have under a Joint Venture Agreement as a result of the Transaction to acquire an interest in a Joint Venture held by Promina or a Related Entity of Promina; and

(2) that any mechanism in a Joint Venture Agreement relating to rights on a change of control of Promina or a Related Entity not apply in the circumstances of this Transaction; and

(b) does not seek to renegotiate the terms of a Joint Venture Agreement or any Joint Venture Document as a condition of that Joint Venture Party's agreement not to exercise a right referred to in paragraph (a).

Additionally, Promina has agreed that:

(a) it will not amend, and will procure that no Related Entity will amend, any Joint Venture Agreement or Joint Venture Document if such amendment:

(1) would materially adversely affect:

(A) the financial position of Promina and its Related Entities, taken as a whole; or

(B) the implementation of the Transaction; and

(2) would not be made but for this Transaction; and

(b) if it becomes aware that a Joint Venture Party is approached by a third party or parties, it will, and will procure that any relevant Related Entity will, use its best endeavours to maintain the Joint Venture in full force and effect, including, where appropriate, enforcing the confidentiality rights conferred under the relevant Joint Venture Agreement or Joint Venture Document.

Suncorp must not, and must procure that Suncorp's Related Entities must not, do anything which is intended or calculated to entice a Joint Venture Party away from the relevant Joint Venture should the Transaction not be completed.

Board and management changes

Suncorp and Promina have agreed as follows in connection with the board and management of Suncorp and Promina:

(a) after the Implementation Date, the CEO of Suncorp and its Related Entities (including Promina and its Related Entities) will be the current Suncorp CEO;

(b) as soon as practicable after the Implementation Date, Promina will use its best endeavours to procure the appointment of the persons nominated in writing by Suncorp before the Implementation Date to the Promina Board and to ensure that all directors of Promina (except as notified by Suncorp in writing before the Implementation Date) resign;

(c) Suncorp will invite two current directors of Promina to join the Suncorp Board with effect on and from the Implementation Date;

(d) subject to paragraph (e) below, Suncorp will invite two other current directors of Promina to join the Suncorp Board;

(e) if the appointment of the latter two directors to the Suncorp Board would result in a breach of section 64(1)(b) of the Facilitation Act or clause 14.2 of the Suncorp constitution, the appointment of those directors shall be conditional upon:

(1) amendment of section 64(1)(b) of the Facilitation Act by the Queensland Parliament; and

(2) amendment of clause 14.2 of the Suncorp constitution, (as applicable);

(f) If required, Suncorp will approach the Queensland government and use all reasonable endeavours to procure its agreement to amend section 64(1)(b) of the Facilitation Act to enable the appointment of the Promina directors to the Suncorp Board and if required in order to permit the appointment of any of those directors, convene a meeting of its members to propose the amendment to its constitution as soon as possible after the later of:

(1) the amendment of the Facilitation Act; and

(2) the Implementation Date.

Integration Planning

Promina and Suncorp have agreed to establish an integration committee, comprising three nominees per party to cooperate regarding planning for the operation of the business of Suncorp and Promina after the Implementation Date.

The integration committee will meet at least fortnightly and at weekly intervals if either Suncorp or Promina requests.

Exclusivity

(a) During the Exclusivity Period, each of Suncorp and Promina and their respective Representatives must not, except with the prior consent of the other party:

(1) solicit, encourage or invite any enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for that party;

(2) initiate any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Third Party Proposal for that party; or

(3) communicate to any person an intention to do any of the things referred to in paragraphs (1) and (2) above.

(b) During the Exclusivity Period, a party (**Notifying Party**) must notify the other party immediately if it becomes aware of:

(1) any Third Party Proposal for the Notifying Party;

(2) any approach, enquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with, the Notifying Party or any of its Representatives with respect to, or that could reasonably be expected to lead to, any Third Party Proposal for the Notifying Party, whether unsolicited or otherwise;

(3) any request for information (or any attempt or intention on the part of any person to request information) relating to the Notifying Party or any of its Related Entities or any of their businesses or operations or any request for access to the books or records of the Notifying Party or any of its Related Entities, which the Notifying Party has reasonable grounds to suspect may relate to a current or future Third Party Proposal for the Notifying Party;

(4) any breach of this paragraph (b); and

(5) any provision by the Notifying Party or any of its Representatives of any information relating to the Notifying Party or any of its Related Entities or any of their businesses or operations to any person in connection with or for the purposes of a current or future Third Party Proposal for the Notifying Party.

A notice given under this paragraph (b) must be accompanied by all relevant details of the relevant event, including the identity of the person or persons taking any action referred to in paragraph (2) or (3) above, and the terms and conditions of any Third Party Proposal or any proposed Third Party Proposal (to the extent known).

(c) If either Suncorp or Promina receives a Third Party Proposal, that party must notify the other party in accordance with paragraph (b) above and may only enter into any legally binding agreement in relation to that Third Party Proposal or publicly recommend that Third Party Proposal if that party gives the other party not less than three Business Days to consider the Third Party Proposal and:

(1) in the case of a Third Party Proposal affecting Promina, the Promina Board, acting in good faith, determines after consultation with its financial advisers, that the Third Party Proposal is a superior proposal to the Suncorp proposal (taking into account all aspects of the Third Party Proposal and any Suncorp proposal before it) and after receiving legal advice from its external advisers, that the Promina Board is required to respond to the Third Party Proposal in order to comply with its fiduciary or statutory obligations; or

(2) in the case of a Third Party Proposal affecting Suncorp, the Suncorp Board, acting in good faith, determines after consultation with its financial advisers and external legal advisers, that (taking into account all aspects of the Third Party Proposal) the Suncorp Board is required to respond favourably to the Third Party Proposal in order to comply with its fiduciary or statutory obligations.

Payment of liquidated amount

(a) Promina must pay Suncorp $35 million if:

(1) a Third Party Proposal for Promina is announced or made prior to Court approving the Scheme under section 411(4)(b) of the Corporations Act and, within 12 months after the date of the Merger Implementation Agreement, the person announcing or making the Third Party Proposal and its Associates:

(A) gains a Relevant Interest in at least 50% of the Promina Shares;

(B) acquires, directly or indirectly (including by way of joint venture or dual listed company structure) an interest in material businesses or assets of Promina or any of its Related Entities, and for this purpose a the businesses or assets of Promina or any of its Related Entities will be material if:

(i) the relevant business or businesses contribute 5% or more of the consolidated net profit after tax of Promina; or

(ii) the relevant asset or assets represent 5% or more of the total consolidated assets of Promina; or

(C) merges or amalgamates with Promina; or

(2) without limiting Suncorp's rights under paragraph (1) above, any member of the Promina Board:

(A) fails to recommend or withdraws their recommendation:

(i) that the Scheme is in the interests of Promina and Promina Shareholders; and

(ii) that Promina Shareholders vote in favour of all resolutions to be proposed at the Scheme Meeting or approve the Scheme;

(B) makes a public statement that they no longer support the Scheme; or

(C) publicly recommends that a Third Party Proposal for Promina is in the interests of Promina or Promina Shareholders;

other than:

(D) in circumstances where Promina is entitled to terminate the Merger Implementation Agreement for the reasons set out in paragraphs (a)(1) or (2) under the heading "Termination" below; or

(E) because the Independent Expert concludes in the Independent Expert's Report (including any updates to such report) that the Scheme is not in the best interests of the Promina Shareholders (except because of a Third Party Proposal in relation to Promina);

(3) the Court fails to approve the terms of the Scheme for which the approval of the requisite Promina Shareholders has been obtained as a result of a material non-compliance by Promina with any of its obligations under the Merger Implementation Agreement; or

(4) Suncorp terminates the Merger Implementation Agreement in accordance with paragraph (a)(2) under the heading "Termination" below.

(b) No amount shall be payable by Promina if the Scheme becomes Effective, notwithstanding the occurrence of any event in paragraph (a). To the extent that the amount has already been paid and the Scheme becomes Effective, such amounts shall be immediately refunded to Promina.

(c) Suncorp must pay Promina $35 million if:

(1) the Court fails to approve the terms of the Scheme for which the approval of the requisite Promina Shareholders has been obtained as a result of a material non-compliance by Suncorp with any of its obligations under the Merger Implementation Agreement;

(2) Promina terminates the Merger Implementation Agreement in accordance with the provisions of paragraph (a)(2) under the heading "Termination" below; or

(3) Suncorp terminates the Merger Implementation Agreement under paragraph (b)(3) under the heading "Termination" below or the Scheme does not proceed because Suncorp has failed to raise sufficient equity capital to the extent required to satisfy its obligations to pay the cash component of the Scheme.

(d) Payment of the amounts referred to in paragraphs (a) and (c) is a non-exclusive remedy and will not affect any rights a party may have against the other party in the event of any breach of the Merger Implementation Agreement by the other party.

Termination

(a) Either Promina or Suncorp may terminate the Merger Implementation Agreement by notice to the other party if (other than as the result of a breach by the party seeking to terminate its obligations under the Merger Implementation Agreement):

(1) the date which the Scheme takes legal effect has not occurred on or before 30 June 2007 (or such later date as agreed between Suncorp and Promina);

(2) the other party is in material breach of its obligations under the Merger Implementation Agreement at any time before 8.00 am on the Second Court Date;

(3) at the Scheme Meeting (or any adjournment or postponement), the Scheme is not approved by the necessary majorities of the Promina Shareholders;

(4) any court or regulatory authority has issued any order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, or has refused to do anything necessary to permit the Scheme, and such order, decree, ruling or other action has become final and cannot be appealed; or

(5) any of the Conditions Precedent are not satisfied (or deemed to be satisfied) or waived before 8.00 am on the Second Court Hearing Date.

(b) Suncorp may terminate the Merger Implementation Agreement by notice to Promina if:

(1) any member of the Promina Board does any of the things set out in paragraph (a)(2) under the heading "Payment of liquidated amount" above prior to the Scheme Meeting;

(2) a Promina Material Adverse Change occurs prior to 8.00 am on the Second Court Date; or

(3) the Underwriter terminates the Underwriting Agreement and Suncorp:

(A) has used its best endeavours to raise alternative equity capital to the extent required to pay the cash component of the Scheme Consideration; and

(B) has been unable to raise sufficient equity capital to the extent required to satisfy its obligations to pay the cash component of the Scheme Consideration.

(c) Promina may terminate the Agreement by notice to Suncorp if a Suncorp Material Adverse Change occurs prior to 8.00 am on the Second Court Date.

Dividends

Until the Scheme is implemented:

(a) Suncorp must not without the prior consent of Promina pay a dividend on its ordinary shares of more than $0.55 per share; and

(b) Promina must not without the prior consent of Suncorp pay a dividend on its ordinary shares of more than $0.135 per share.

Appendix 4: Underwriting Agreement – preconditions and termination events

This Appendix 4 (Underwriting Agreement – preconditions and termination events) has been prepared by Suncorp and Suncorp has accepted responsibility for this Appendix. Promina and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

The following is a summary of the material preconditions and termination events set out in the Underwriting Agreement.

Preconditions to all Underwriter obligations

The obligations of the Underwriter under the Underwriting Agreement are conditional on, among other things, the following conditions being satisfied by the earlier of 10.00 am on the Business Day immediately preceding 12 March 2007, or such other date as the parties agree (**Scheduled Second Court Date**) and 31 May 2007 (or such later date as the Underwriter approves in its sole and absolute discretion):

(a) all Promina Shareholder approvals required by the Scheme and the Corporations Act are obtained;

(b) all required ASX waivers and ASIC modifications are granted and not withdrawn, revoked or varied;

(c) any and all regulatory approvals required by the Underwriter to perform its obligations under the Underwriting Agreement are granted and not withdrawn, revoked or varied; and

(d) all CP Regulatory Approvals and State Approvals (as defined in Appendix 3 (Summary of Merger Implementation Agreement)) are obtained or deemed to be obtained in accordance with the terms of the Underwriting Agreement.

Preconditions to Underwriter's subscription obligations

The obligations of the Underwriter to subscribe for Entitlements Issue shares under the Underwriting Agreement are conditional on, among other things, the following conditions:

(a) the satisfaction of each of the conditions described above in "Preconditions to all Underwriter obligations" within the relevant time limit;

(b) none of the approvals, waivers, modifications, confirmations or consents described in "Preconditions to all Underwriter obligations" above that have been granted are subsequently withdrawn, revoked or varied at any time prior to Court approval being granted;

(c) the completion before lodgement of the Prospectus of a due diligence programme to the satisfaction of the Underwriter;

(d) all opinions required by the Underwriter are delivered to the Underwriter before lodgement of the Prospectus;

(e) delivery of a certificate to the Underwriter certifying, amongst other things, that Suncorp:

  (1) has complied with its obligations under the Entitlements Issue;

  (2) is not in material default under the Underwriting Agreement;

  (3) the representations and warranties made by Suncorp are true and correct in all material respects; and

  (4) no termination event has occurred;

(f) after 8.00 am and before 10.00 am on the Scheduled Second Court Date, the lodgement of the Prospectus, the making of an announcement to ASX of the Entitlements Issue and the provision to ASX of an Appendix 3B;

(g) Court approval of the Scheme is obtained on the Scheduled Second Court Date or the Business Day immediately after;

(h) if Court approval is not obtained on the Scheduled Second Court Date (**Court Approval Delay**):

  (1) if required by the Underwriter, the lodgement of a replacement Prospectus, the making of an announcement to ASX of the Entitlements Issue and the provision to ASX of an Appendix 3B between 8.00 am and 10.00 am on the Business Day immediately following the Scheduled Second Court Date;

  (2) if the Underwriter requires a replacement Prospectus to be lodged, delivery to the Underwriter before lodgement of the replacement Prospectus, of the opinions required by the Underwriter;

  (3) if the Underwriter requires a replacement Prospectus to be lodged, delivery to the Underwriter before lodgement of the replacement Prospectus, of a confirmation by each member of the due diligence committee in respect of the replacement Prospectus.

If any of the foregoing preconditions are not satisfied by the relevant time (or such later time as the Underwriter may agree in writing), then the Underwriter may terminate all of its obligations under the Underwriting Agreement by notice in writing to Suncorp.

The Underwriter may also terminate all of its obligations under the Underwriting Agreement if Suncorp fails to issue the Entitlements Issue shares to the Underwriter and deliver the relevant holding statement in accordance with the Underwriting Agreement.

Termination events up to Scheduled Second Court Date

The Underwriter may terminate all of its obligations under the Underwriting Agreement if any of the following events occur at any time prior to 8.00 am on the Scheduled Second Court Date (or if there is a Court Approval Delay, 8.00 am on the next following Business Day):

(a) (**Scheme**):

(1) the Merger Implementation Agreement is terminated, rescinded, or altered or amended or breached in a material respect, or is found to be void or voidable;

(2) any condition contained in the Merger Implementation Agreement is not satisfied or is waived or varied;

(3) any Regulatory Approval that has been obtained is withdrawn, cancelled or revoked;

(4) any change is made to the Scheme Consideration;

(5) any material change is made to the Scheme or its conditions; or

(6) the Promina Shareholders do not approve the Scheme by 31 May 2007;

(b) *(**Adverse change**) any adverse change, or development involving a prospective adverse change, occurs in the assets, liabilities, financial or trading position, performance or operations, profitability or prospects of the Suncorp Group as a whole or the Promina Group as a whole from the position recently disclosed to ASX before the date of the Underwriting Agreement;

(c) *(**Prescribed Occurrence**) any Promina Prescribed Occurrence or Suncorp Prescribed Occurrence (as defined in Appendix 3 (Summary of Merger Implementation Agreement)) occurs;

(d) *(**Constitution**) the constitution of any member of the Suncorp Group is amended;

(e) *(**Failure to comply**) Suncorp fails to comply with its constitution, any statute, ASX Listing Rules or a requirement, order or request made by or on behalf of ASIC, ASX or any regulatory authority or any agreement entered into by it (subject to the grant of any waivers or exemptions);

(f) *(**Default**) Suncorp is in default of any terms of the Underwriting Agreement;

(g) (**Indictable offence**) a director of any member of the Suncorp Group is charged with an indictable offence relating to a financial or corporate matter;

(h) (**Change in business**) the Suncorp Group ceases to carry on a material part of its business or ceases to carry on a general banking business, general insurance or life insurance business or ceases to be an authorised deposit-taking institution or licensed to carry its general insurance business or life insurance business;

(i) *(**Change in laws**) there are any changes, or proposed changes, in the law, regulations or policy in Australia or the United States, or the taking of administrative action by ASIC, which is likely to prohibit or restrict or regulate the Entitlements Issue, capital issues or stock markets or adversely affects the tax treatment of shares, or is likely to reduce the level of applications under the Entitlements Issue;

(j) (**Withdrawal**) Suncorp withdraws the Prospectus after it is lodged with ASIC or withdraws the Entitlements Issue;

(k) *(**Timetable**) the timetable for the Entitlements Issue is delayed by more than five Business Days without prior approval of the Underwriter (acting reasonably);

(l) (**No quotation**):

(1) ASX advises Suncorp that official quotation of the Entitlements Issue shares or rights will not be granted;

(2) ASX having approved the grant of official quotation of the Entitlements Issue shares, withdraws or qualifies that approval;

(3) ASX removes Suncorp from the official list or Suncorp otherwise ceases to be admitted to the official list or its shares cease to be quoted on ASX; or

(4) ASX suspends trading in Suncorp's securities;

(m) (**No notification**) a statement in any certificate to be provided by Suncorp to the Underwriter is untrue or incorrect;

(n) (**Consent**) any person, other than the Underwriter, required to consent to the Prospectus refuses to give their consent prior to lodgement of the Prospectus with ASIC or withdraws their consent thereafter;

(o) *(**Information supplied and misrepresentations**) any information supplied by Suncorp to the Underwriter is false, misleading or deceptive or any warranty, representation or statement by Suncorp is false, misleading or deceptive when made; or

(p) *(**Withdrawals**) any ASX waiver, ASIC modification or Underwriter Approval is withdrawn, amended, qualified or made subject to additional conditions, or any condition is not satisfied.

* The events marked with an asterisk (*) can only give rise to a right to terminate where the event, individually or in aggregate with other events:

(a) has, or is likely to have, a material adverse effect on the success, outcome or settlement of the Entitlements Issue; or

(b) has resulted in, or is likely to result in, a reduction of net profit after tax (but excluding reductions arising from changes to investment value on general or life insurance shareholder funds and technical reserves pursuant to existing mandates) of:

(1) the Suncorp Group as a whole of $90 million or more; or

(2) the Promina Group as a whole which, when aggregated with any reductions referred to in paragraph (b)(1) above, equals or exceeds $140 million; or

(c) has resulted in, or is likely to result in, a reduction in the net assets of:

(1) the Suncorp Group as a whole of $450 million or more; or

(2) the Promina Group as a whole which, when aggregated with any reductions referred to in paragraph (c)(1), equals or exceeds $700 million; or

(d) leads, or is likely to lead, to a contravention by, or a liability for, the Underwriter under the Corporations Act or any other applicable law.

Appendix 5: Scheme of Arrangement

Promina Group Limited

The holders of fully paid ordinary shares in Promina (other than the holders of Excluded Shares, in respect of those Excluded Shares)

Scheme of arrangement pursuant to section 411 of the Corporations Act

Parties

Promina Group Limited ACN 000 746 092 of Level 15, 465 Victoria Avenue, Chatswood NSW 2067 (**Promina**)

The holders of fully paid ordinary shares in Promina (other than the holders of Excluded Shares, in respect of those Excluded Shares)

Agreed terms

1 Interpretation

1.1 Definitions

In this document:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited and where the context requires, includes the Australian Securities Exchange market operated by ASX Limited.

ASX Listing Rules means the official listing rules of ASX.

Business Day has the meaning given by the ASX Listing Rules.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Deed Poll means the deed poll dated 14 December 2006 executed by Suncorp and SIHL in favour of Scheme Shareholders.

Effective and **Effect** mean the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Exchange Number of Suncorp Shares has the meaning set out in the **schedule**.

Excluded Share means a Promina Share held by:

(a) Suncorp;

(b) SIHL;

(c) any other Subsidiary of Suncorp; or

(d) any person on behalf of, or for the benefit of, Suncorp, SIHL or any other Subsidiary of Suncorp,

but does not include a Promina Share held by such a person as custodian for, or on behalf of, or for the benefit of, Suncorp Metway Investment Management Limited in its capacity as:

(e) responsible entity of a managed investment scheme; or

(f) investment manager under an investment management agreement with a person who is not a Subsidiary of Suncorp.

Implementation Date means the second Business Day after the Record Date.

Ineligible Overseas Shareholder means a Scheme Shareholder whose address as shown in the Promina Register at the Record Date is in a jurisdiction other than Australia or its external territories, New Zealand or the United States except where Promina and Suncorp are reasonably satisfied that the issue of Suncorp Shares to the Scheme Shareholder is not prohibited, not unduly onerous and not unduly impracticable in that jurisdiction.

Merger Implementation Agreement means the merger implementation agreement dated 21 October 2006 between Suncorp and Promina, as amended.

New Zealand Scheme Shareholder means a shareholder with a New Zealand registered address in the Promina Register.

NZX means New Zealand Exchange Limited.

Promina Register means the register of members of Promina maintained pursuant to the Corporations Act.

Promina Share means a fully paid ordinary share in the capital of Promina.

Promina Shareholder means each person registered in the Promina Register as the holder of Promina Shares.

Record Date means 7.00pm on the third Business Day after the Effective Date or such other date as Suncorp and Promina agree in writing.

Registered Address means, in relation to a Promina Shareholder, the address shown in the Promina Register.

Sale Agents means Goldman Sachs JBWere Pty Ltd ACN 006 797 897 and Macquarie Securities (Australia) Limited ACN 002 832 126, who will be jointly appointed, or such other persons nominated by Promina after consultation with Suncorp to sell the Suncorp Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme.

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Consideration means the consideration to be provided to Scheme Shareholders for the transfer to SIHL of their Scheme Shares, ascertained in accordance with **clause 5**.

Scheme Meeting means the meeting to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.

Scheme Shareholders means each person registered in the Promina Register as the holder of Scheme Shares as at the Record Date.

Scheme Shares means the Promina Shares on issue on the Record Date other than the Excluded Shares.

Second Court Date means the first day on which the application made to the Court for an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.

SIHL means Suncorp Insurance Holdings Ltd ACN 123 023 334 of 36 Wickham Terrace, Brisbane Qld 4000, a wholly-owned Subsidiary of Suncorp.

Subsidiary means, in relation to a body corporate, any body corporate which is a subsidiary of the first mentioned body corporate within the meaning of section 46 of the Corporations Act.

Suncorp means Suncorp-Metway Limited ACN 010 831 722 of 36 Wickham Terrace, Brisbane Qld 4000.

Suncorp Share means a fully paid ordinary share in the capital of Suncorp.

United States means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

1.2 Construction

Unless expressed to the contrary, in this document:

(a) words in the singular include the plural and vice versa;

(b) any gender includes the other genders;

(c) if a word or phrase is defined its other grammatical forms have corresponding meanings;

(d) “includes” means includes without limitation;

(e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;

(f) a reference to:

  (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;

  (ii) a person includes the person’s legal personal representatives, successors, assigns and persons substituted by novation;

(iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced; and

(iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;

(g) a reference to "$" or "dollars" is a reference to Australian currency;

(h) a reference to any time is a reference to that time in Sydney, Australia; and

(i) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day.

1.3 Headings

Headings do not affect the interpretation of this document.

2 Preliminary

2.1 Promina

(a) Promina is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares.

(b) Promina has been admitted to the official list of ASX and NZX and Promina Shares have been granted official quotation on the stock markets conducted by ASX and NZX.

(c) As at 13 December 2006, 1,029,025,222 Promina Shares were on issue.

2.2 Suncorp

(a) Suncorp is a public company incorporated in Australia and registered in Queensland and is a company limited by shares.

(b) Suncorp has been admitted to the official list of ASX and Suncorp Shares have been granted official quotation on the stock market conducted by ASX.

(c) As at 13 December 2006, 565,706,921 Suncorp Shares were on issue.

2.3 SIHL

SIHL is a public company incorporated in Australia and registered in Queensland and is a company limited by shares. It is a wholly owned Subsidiary of Suncorp.

2.4 Summary of the Scheme

(a) Upon the Scheme taking Effect, but subject to **clauses 3.1**, **3.3** and **3.4**:

(i) all the Scheme Shares will be transferred to SIHL, and Promina will enter the name and address of SIHL in the Promina Register as the holder of the Scheme Shares;

(ii) each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares; and

(iii) the Scheme Consideration will be provided to Scheme Shareholders in accordance with the provisions of the Scheme.

(b) Suncorp has executed the Deed Poll in favour of the Scheme Shareholders pursuant to which it has covenanted to perform the obligations contemplated of it in accordance with the terms of the Scheme.

(c) SIHL has executed the Deed Poll in favour of the Scheme Shareholders pursuant to which it has covenanted to perform the obligations contemplated of it in accordance with the terms of the Scheme.

3 Conditions Precedent

3.1 Conditions

The Scheme is conditional on each of the following conditions precedent:

(a) all of the conditions set out in clause 3.1 of the Merger Implementation Agreement have been satisfied or waived in accordance with the terms of the Merger Implementation Agreement (or have been deemed to be satisfied under clause 3.2 of the Merger Implementation Agreement) prior to 8.00am on the Second Court Date;

(b) as at 8.00am on the Second Court Date, the Merger Implementation Agreement has not been terminated in accordance with its terms;

(c) the Scheme has been approved at the Scheme Meeting by the requisite majority of Promina Shareholders in accordance with section 411(4)(a) of the Corporations Act;

(d) the Court has approved the Scheme, with or without modification, pursuant to section 411(4)(b) of the Corporations Act; and

(e) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Suncorp and Promina have been satisfied.

The Scheme will be of no force or effect unless and until the conditions precedent in this **clause 3.1** are satisfied.

3.2 Certificate

At the hearing on the Second Court Date, Suncorp and Promina will each provide to the Court a certificate, or such other evidence as the Court requests, confirming whether or not all of the conditions set out in clause 3.1 of the Merger Implementation Agreement have been satisfied, or deemed to have been satisfied under clause 3.2 of the Merger Implementation Agreement, or waived in accordance with the terms of that agreement.

3.3 Termination of Merger Implementation Agreement

Without limiting rights under the Merger Implementation Agreement, in the event that the Merger Implementation Agreement is terminated in accordance with its terms before 8.00am on the Second Court Date, Promina, Suncorp and SIHL are each released from:

(a) any further obligation to take steps to implement the Scheme; and

(b) any liability with respect to the Scheme.

3.4 End dates

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before 30 June 2007, or such later date as Suncorp and Promina agree in writing.

4 Implementation of the Scheme

4.1 Lodgement

On or before 5.00 pm on the first Business Day following approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Promina must lodge with ASIC an office copy of the Court order under section 411(4)(b) approving the Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date, in consideration for and subject to:

(a) the payment of the cash component of the Scheme Consideration in the manner contemplated by **clause 5.2**; and

(b) the issue of the scrip component of the Scheme Consideration in the manner contemplated by **clause 5.3**,

all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to SIHL without the need for any further act by any Scheme Shareholder, by Promina effecting a valid transfer or transfers of the Scheme Shares to SIHL under section 1074D of the Corporations Act or, if this procedure is not available for any reason, by:

(c) Promina delivering to SIHL duly completed and executed share transfer forms (which may be a master transfer of all or part of the Scheme Shares) to transfer all of the Scheme Shares to SIHL;

(d) SIHL executing and delivering the share transfer forms to Promina; and

(e) as soon as practicable after the execution and delivery of the share transfer forms by SIHL, Promina entering the name and address of SIHL in the Promina Register as the holder of all of the Scheme Shares.

4.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to SIHL of each Scheme Share, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with **clauses 5.2** and **5.3**.

5 Scheme Consideration

5.1 Calculation of Scheme Consideration

The Scheme Consideration in respect of each Scheme Share comprises:

(a) subject to **clause 5.2(a)(i),** a cash amount of $1.80; plus

(b) subject to **clause 5.6**, the Exchange Number of Suncorp Shares,

provided that the number of Suncorp Shares included in the scrip component of the Scheme Consideration to which a Scheme Shareholder is entitled shall be rounded:

(c) unless **paragraph (d)** below applies, up or down to the nearest whole number of Suncorp Shares; or

(d) if either Promina or Suncorp reasonably believes that a Promina Shareholder has been a party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration then Promina and Suncorp reserve the right to round the entitlement of such holdings so as to provide only the number of Suncorp Shares that would have been received but for the splitting or division.

5.2 Payment of the cash component of the Scheme Consideration

(a) On the Business Day prior to the Implementation Date, Promina must procure that Suncorp deposits in cleared funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to:

(i) New Zealand Scheme Shareholders, converted into New Zealand currency at the spot exchange rate received by Suncorp on the Business Day prior to the Implementation Date, into a New Zealand dollar denominated trust account; and

(ii) all other Scheme Shareholders, into an Australian dollar denominated trust account,

in each case operated by Promina as trustee for those Scheme Shareholders, to be held on trust for those Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) shall be to Suncorp's account.

(b) On the Implementation Date and subject to Suncorp having complied with **clause 5.2(a)**, Promina must pay or must procure that Suncorp, as agent for Promina, pays or procures the payment of the cash component of the Scheme Consideration to each Scheme Shareholder:

(i) who is a New Zealand Scheme Shareholder, from the account referred to in **clause 5.2(a)(i)**; and

(ii) who is not a New Zealand Scheme Shareholder, from the account referred to in **clause 5.2(a)(ii)**.

(c) The obligations of Promina under **clause 5.2(b)** shall be satisfied by Promina taking the following actions or procuring that Suncorp, as agent for Promina, takes the following actions on the Implementation Date:

(i) dispatching, or procuring the dispatch of, a cheque to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or, in the case of joint holders, in accordance with the procedure set out in **clause 5.6**); or

(ii) making a deposit in an account with any ADI (as defined in the Banking Act 1959 (Cth)) in Australia (or, in the case of a New Zealand Scheme Shareholder, an account with an entity equivalent to an ADI in New Zealand) notified by the Scheme Shareholder at the Record Date (including any account notified by the Scheme Shareholder to Promina for the purposes of payment of dividends),

for the relevant amount, with that amount being denominated in New Zealand dollars or Australian dollars, as applicable.

(d) To the extent that there is a surplus in the amount held in either trust account, that surplus must be paid by Promina to Suncorp following the satisfaction of Promina's obligations under **clauses 5.2(c).**

5.3 Provision of the scrip component of the Scheme Consideration

(a) Subject to **clauses 5.1(c)** and **(d)** and **clause 5.6**, Promina shall procure that Suncorp issues to each Scheme Shareholder the number of Suncorp Shares which comprise the scrip component of the Scheme Consideration to which that Scheme Shareholder is entitled.

(b) The obligations of Promina under **clause 5.3(a)** shall be satisfied by Promina procuring that, on the Implementation Date, Suncorp:

(i) enters the name and Registered Address (as at the Record Date) of each Scheme Shareholder on the register of members of Suncorp as the holder of the Suncorp Shares issued to them under the Scheme; and

(ii) dispatches, or procures the dispatch of, an uncertificated holding statement representing the Suncorp Shares issued to them under the Scheme in the name of the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date).

(c) Each Scheme Shareholder to whom Suncorp Shares are to be issued under this Scheme agrees:

(i) to become a member of Suncorp for the purposes of section 231 of the Corporations Act;

(ii) to have their name and address entered in the Suncorp Register; and

(iii) to be bound by the constitution of Suncorp as in force from time to time in respect of the Suncorp Shares.

(d) Any binding instruction between a Scheme Shareholder and Promina relating to Scheme Shares (including, without limitation, any instructions relating to payment of dividends or to communications from Promina) will from the Implementation Date be deemed, by reason of the Scheme, to be a similarly binding instruction to and accepted by Suncorp in respect of Suncorp Shares issued to Scheme Shareholders until that instruction is revoked or amended in writing addressed to Suncorp at its share registry.

5.4 Status of Suncorp Shares

(a) The Suncorp Shares which form the scrip component of the Scheme Consideration must be:

(i) duly and validly issued;

(ii) fully paid; and

(iii) rank equally in all respects with all other Suncorp Shares.

(b) Suncorp must use its best endeavours to procure that the Suncorp Shares to be issued pursuant to the Scheme will be quoted on the stock market conducted by ASX:

(i) initially on a deferred settlement basis on and from the Business Day after the Effective Date (or, if Suncorp Shares are subject to a trading halt on that day, on and from the first Business Day after the trading halt has ended); and

(ii) on an ordinary settlement basis on and from the Business Day after the Implementation Date.

5.5 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders; and

(b) any uncertificated holding statements will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Promina Register at the Record Date.

5.6 Ineligible Overseas Shareholders

Suncorp will be under no obligation under the Scheme to issue, and will not issue, any Suncorp Shares to an Ineligible Overseas Shareholder, and instead:

(a) the Suncorp Shares which would otherwise be required to be issued to the Ineligible Overseas Shareholders under the Scheme will be issued to either or both of the Sale Agents (and/or to a nominee or nominees of the Sale Agents);

(b) Suncorp will procure that, as soon as reasonably practicable (and in any event not more than 10 Business Days after the Implementation Date), the Sale Agents, in consultation with Suncorp and Promina, sell or procure the sale on the stock market conducted by ASX of all of the Suncorp Shares issued to the Sale Agents (and/or their nominees) pursuant to **clause 5.6(a)** in such manner, at such price and on such other terms as the Sale Agents determine in good faith (and at the risk of the Ineligible Overseas Shareholder), and remit to Suncorp the proceeds of sale (after deduction of any applicable costs, taxes and charges) (the ***Proceeds***); and

(c) Suncorp will pay or procure the payment to each Ineligible Overseas Shareholder, in full satisfaction of Suncorp's obligation to that Ineligible Overseas Shareholder under the Scheme in respect of the scrip component of the Scheme Consideration, the amount "A" calculated in accordance with the following formula and rounded to the nearest cent:

$$A = (B/C) \times D$$

where:

B = the number of Suncorp Shares that would have been issued to that Ineligible Overseas Shareholder had it not been an Ineligible Overseas Shareholder;

C = the total number of Suncorp Shares which would otherwise have been issued to Ineligible Overseas Shareholders and which are issued to the Sale Agents (and/or their nominees); and

D = the Proceeds (as defined in **clause 5.6(b)** above).

(d) None of Promina, Suncorp or the Sale Agents gives any assurance as to the price that will be achieved for the sale of Suncorp Shares described above.

6 Dealings in Promina Shares

6.1 Dealings prior to Record Date

(a) For the purpose of establishing the persons who are Scheme Shareholders, dealings in Promina Shares will only be recognised if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Promina Register as the holder of the relevant Promina Shares by the Record Date; and

(ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Promina Register is kept by the Record Date.

(b) Promina will register registrable transfers or transmission applications of the kind referred to in **clause 6.1(a)(ii)** on or by the Record Date.

(c) Promina will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Promina Shares received after the Record Date (other than the transfers contemplated by **clause 4.2**).

6.2 Dealings after Record Date

(a) For the purpose of determining entitlements to the Scheme Consideration, Promina will, until the Scheme Consideration has been provided in accordance with the Scheme, maintain or procure the maintenance of the Promina Register in accordance with this **clause 6**, and the Promina Register in this form will solely determine entitlements to Scheme Consideration. Following provision of the Scheme Consideration and registration of the transfer(s) to SIHL contemplated by **clause 4.2**, each entry on the Promina Register on the Record Date relating to Scheme Shares held by Scheme Shareholders will cease to have any effect other than as evidence of an entitlement to Scheme Consideration. Suncorp must keep a record of those entries for at least a year after the Implementation Date.

(b) From the Record Date, all certificates and holding statements for Scheme Shares held by Scheme Shareholders existing on the Record Date will cease to have effect as documents of title in respect of those Scheme Shares, other than for the purpose of registering dealings in Promina Shares in accordance with **clause 6.1**.

6.3 Provision of information

(a) On or before 9.00am on the Business Day before the Implementation Date, Promina must give to Suncorp the name, Registered Address and registered holding of Scheme Shares of each Scheme Shareholder as shown in the Promina Register on the Record Date, such details to be provided in such form as Suncorp may reasonably require.

(b) Promina Shareholders agree that the information in clause 6.3(a) above may be disclosed to Suncorp, Suncorp's advisers, Promina's advisers and other service providers (including Suncorp's share registry) to the extent necessary to effect the Scheme.

7 General Scheme provisions

7.1 Scheme alterations and conditions

If the Court proposes to approve the Scheme subject to any alterations or conditions, Promina may, by its counsel or solicitors but subject to the prior approval of Suncorp, consent on behalf of all persons concerned (including, for the avoidance of doubt, all Promina Shareholders) to those alterations or conditions.

7.2 Covenants by Scheme Shareholders

Each Scheme Shareholder:

(a) agrees to the transfer of their Scheme Shares to SIHL, in accordance with the Scheme;

(b) consents to Promina doing all things and executing all deeds, instruments, transfers and other documents as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it; and

(c) without the need for any further act, irrevocably appoints Promina and each of the directors and officers of Promina, jointly and severally, as the Scheme Shareholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give effect to the Scheme and the transactions contemplated by it including, without limitation, the provision of a proper instrument of transfer of the Scheme Shareholder's Scheme Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all or part of the Scheme Shares).

7.3 Status of Scheme Shares

(a) Each Scheme Shareholder is deemed to have warranted to Suncorp and to SIHL that:

(i) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to SIHL under the Scheme will, on the date of the transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise; and

(ii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to SIHL under the Scheme.

(b) The Promina Shareholders (and not SIHL) shall be entitled to any dividends and other distributions declared or paid on the Promina Shares in accordance with the Merger Implementation Agreement prior to the Implementation Date.

(c) Upon Suncorp providing written confirmation to Promina of the provision of the Scheme Consideration in accordance with **clauses 5.2**, **5.3** and **5.6**, pending registration by Promina of the name and address of SIHL in the Promina Register as the holder of the Scheme Shares:

(i) SIHL will be beneficially entitled to the Scheme Shares transferred to it under the Scheme;

(ii) each Scheme Shareholder:

(A) is deemed to have irrevocably appointed SIHL as attorney and agent (and directed SIHL in such capacity) to appoint an officer or agent nominated by SIHL as their sole proxy and, where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative;

(B) must take all other actions in the capacity of a registered holder of Scheme Shares as SIHL reasonably directs; and

(C) must not attend or vote at any shareholders' meeting of Promina, or sign any resolution (whether in person, by proxy or by corporate representative) other than under this **clause 7.3(c)(ii)**.

7.4 Effect of Scheme

The Scheme binds Promina and all Promina Shareholders from time to time and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Promina.

7.5 Enforcement of Deed Poll

Promina undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Suncorp or SIHL on behalf of and as agent and attorney for the Scheme Shareholders.

8 Notices

8.1 General

Any notice, transfer, transmission application, direction or other communication referred to in the Scheme given or made to Promina under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

8.2 Communications by post

Subject to **clause 8.4**, where a communication is sent by post to Promina, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Promina's registered office or at the place where the Promina Register is kept.

8.3 Communications by fax

Subject to **clause 8.4**, where a communication is sent by fax it is given when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that the addressee received the fax in full at the time indicated on that report.

8.4 After hours communications

If a communication is given:

(a) after 5.00 pm in the place of receipt; or

(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

9 Further assurances

Promina will do all things and execute all deeds, instruments, transfers and other documents and do all acts and things (on its own behalf or on behalf of each Scheme Shareholder) as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.

10 Costs and stamp duty

Promina will pay the costs of the Scheme, except that Suncorp will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to SIHL.

11 Governing law and jurisdiction

(a) This document is governed by and is to be construed in accordance with the laws applicable in New South Wales.

(b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the Court and the courts of New South Wales and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

Schedule

Exchange Number of Suncorp Shares

Defined terms in this schedule shall have the meaning given to them in section 9 (Glossary) of the Scheme Booklet dated 14 December 2006 sent to Promina Shareholders.

$$\boxed{\textbf{Exchange Number of Suncorp Shares} = 0.2618 \times \textbf{Adjustment Factor}}$$

Where the Equity Raising is conducted through an Entitlements Issue, the **Adjustment Factor** is calculated according to the following formula (rounded to the nearest four decimal places) provided that the Adjustment Factor must not be less than 1:

$$\textbf{Adjustment Factor} = \frac{\textbf{Fair Value per Share Before Exercise of Entitlements}}{\textbf{Theoretical Ex-entitlements Value per Share}}$$

where:

Fair Value per Share Before Exercise of Entitlements means the volume weighted average sale price (rounded to the nearest full cent) of Suncorp Shares sold on ASX on the three Trading Days prior to lodgement of the Prospectus excluding any transaction defined in ASX Business Rules as 'special' crossings prior to the commencement of normal trading, crossings during the closing phase and after hours adjust phase nor any overseas trades or trades pursuant to the exercise of options over Suncorp Shares or any overnight crossings; and

Theoretical Ex-entitlements Value per Share is calculated according to the following formula (rounded to the nearest full cent):

$$\textbf{Theoretical Ex-entitlements Value per Share} = \frac{(\mathbf{A} \times \mathbf{B}) + \mathbf{C}}{\mathbf{D}}$$

where:

A is the Fair Value per Share Before Exercise of Entitlements

B is the number of Suncorp Shares on issue prior to the Entitlements Issue;

C is the total dollar amount received by Suncorp upon issue of Suncorp Shares under the Entitlements Issue;

D is the number of Suncorp Shares on issue prior to the Entitlements Issue plus the total number of Suncorp Shares issued under the Entitlements Issue.

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Appendix 6:
Deed Poll

Suncorp-Metway Limited

Suncorp Insurance Holdings Ltd

Deed Poll

Contents

Date: 14 December 2006

This Deed made by

Suncorp-Metway Limited ACN 010 831 722 of 36 Wickham Terrace, Brisbane Qld 4000 (**Suncorp**); and

Suncorp Insurance Holdings Ltd ACN 123 023 334 of 36 Wickham Terrace, Brisbane Qld 4000 (**SIHL**).

In favour of

Each Scheme Shareholder.

Recitals

A The directors of **Promina Group Limited** ACN 000 746 092 (**Promina**) consider that it is in the interests of Promina and the holders of fully paid ordinary shares in Promina (**Promina Shareholders**) that Promina Shareholders consider and, if they think fit, approve the Scheme. The directors of Promina have therefore resolved that Promina propose the Scheme.

B The effect of the Scheme will be that all Scheme Shares will be transferred to SIHL.

C Suncorp and Promina have entered into the Merger Implementation Agreement.

D Suncorp is the ultimate holding company of SIHL.

E Under the Merger Implementation Agreement, Suncorp agreed, subject to the satisfaction or waiver of certain conditions, to do all things necessary or desirable on its part to implement the Scheme, including providing the Scheme Consideration.

F Each of Suncorp and SIHL are entering into this document for the purpose of covenanting in favour of Scheme Shareholders to perform its obligations under the Scheme.

It is declared as follows:

1 Interpretation

1.1 Definitions

In this document:

(a) **Scheme** means the scheme of arrangement between Promina and the Promina Shareholders (other than the holders of Excluded Shares, in respect of those Excluded Shares); and

(b) words and phrases defined in the Scheme have the same meaning in this document unless the context requires otherwise.

1.2 Construction

Unless expressed to the contrary, in this document:

(a) words in the singular include the plural and vice versa;

(b) any gender includes the other genders;

(c) if a word or phrase is defined its other grammatical forms have corresponding meanings;

(d) "includes" means includes without limitation;

(e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;

(f) a reference to:

  (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;

  (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;

  (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced; and

  (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;

(g) a reference to "$" or "dollars" is a reference to Australian currency;

(h) a reference to any time is a reference to that time in Sydney, Australia; and

(i) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day.

1.3 Headings

Headings do not affect the interpretation of this document.

2 Nature of deed poll

Suncorp and SIHL each acknowledge that this document is a deed poll in favour of each Scheme Shareholder and may be relied on and enforced by any Scheme Shareholder in accordance with its terms, notwithstanding that that person is not a party to this document.

3 Conditions and termination

3.1 Conditions

The obligations of each of Suncorp and SIHL under **clause 4** are subject to the Scheme becoming Effective.

3.2 Termination

If:

(a) the Merger Implementation Agreement is terminated in accordance with its terms; or

(b) the Scheme does not become Effective on or before 30 June 2007, or such later date as Suncorp and Promina agree,

the obligations of Suncorp and SIHL under this document will automatically terminate and the terms of this document will be of no further force or effect.

3.3 Consequences of termination

If this document is terminated under **clause 3.2** then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

(a) Suncorp and SIHL are each released from their obligations to further perform this document except those obligations contained in **clause 12**; and

(b) Scheme Shareholders retain the rights they have against Suncorp and SIHL in respect of any breach of this document by either of them which occurred before termination of this document.

4 Scheme consideration

4.1 Payment of Scheme Consideration

Subject to **clause 3**, in consideration for the transfer to SIHL of all Scheme Shares in accordance with the Scheme, Suncorp will, in accordance with the provisions of the Scheme:

(a) provide to each Scheme Shareholder the cash component that is due to that Scheme Shareholder under the Scheme;

(b) subject to **clause 4.7** below, issue to each Scheme Shareholder such number of Suncorp Shares as are due to that Scheme Shareholder under the Scheme; and

(c) issue to either or both of the Sale Agents (and/or to the nominee or nominees of the Sale Agents) such number of Suncorp Shares as are attributable to Ineligible Overseas Shareholders under the Scheme.

4.2 Provision of cash component of the Scheme Consideration

The obligation of Suncorp to provide the cash component of the Scheme Consideration to Scheme Shareholders will be satisfied by Suncorp:

(a) on the Business Day prior to the Implementation Date, depositing in cleared funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to:

(i) New Zealand Scheme Shareholders, converted into New Zealand currency at the spot exchange rate received by Suncorp on the Business Day prior to the Implementation Date, into a New Zealand dollar denominated trust account; and

(ii) all other Scheme Shareholders, into an Australian dollar denominated trust account,

in each case operated by Promina as trustee for the Scheme Shareholders, to be held on trust for those Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) shall be to Suncorp's account; and

(b) where Suncorp is appointed as Promina's agent to pay the cash component of the Scheme Consideration:

(i) dispatching, or procuring the dispatch of, a cheque to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or, in the case of joint holders, in accordance with the procedure set out in **clause 4.6**); or

(ii) making, or procuring the making of, a deposit in an account with any ADI (as defined in the Banking Act 1959 (Cth)) in Australia (or, in the case of a New Zealand Scheme Shareholder, an account with an entity equivalent to an ADI in New Zealand) notified by the Scheme Shareholder at the Record Date (including any account notified by the Scheme Shareholder to Promina for the purposes of payment of dividends),

on the Implementation Date, for the relevant amount, with that amount being denominated in New Zealand dollars or Australian dollars, as applicable.

4.3 Provision of the scrip component of the Scheme Consideration

The obligations of Suncorp to issue the Suncorp Shares to Scheme Shareholders, subject to **clause 4.7** below, will be satisfied by Suncorp, on the Implementation Date:

(a) entering the name and Registered Address (as at the Record Date) of each Scheme Shareholder on the register of members of Suncorp as the holder of the Suncorp Shares (in each case rounded as required by the Scheme) issued to them under the Scheme; and

(b) dispatching, or procuring the dispatch of, an uncertificated holding statement representing the Suncorp Shares issued to them under the Scheme in the name of the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date).

4.4 Binding instructions

Any binding instruction between a Scheme Shareholder and Promina relating to Scheme Shares (including, without limitation, any instructions relating to payment of dividends or to communications from Promina) will from the Implementation Date be deemed, by reason of the Scheme, to be a similarly binding instruction to and accepted by Suncorp in respect of Suncorp Shares issued to Scheme Shareholders until that instruction is revoked or amended in writing addressed to Suncorp at its share registry.

4.5 Status of Suncorp Shares

The Suncorp Shares which are issued to Scheme Shareholders in accordance with the Scheme will be:

(a) duly and validly issued;

(b) fully paid; and

(c) rank equally in all respects with all other Suncorp Shares.

4.6 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders; and

(b) any uncertificated holding statements will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Promina Register at the Record Date.

4.7 Ineligible Overseas Shareholders

Pursuant to clause 5.6 of the Scheme, Suncorp will be under no obligation to issue, and will not issue, any Suncorp Shares to an Ineligible Overseas Shareholder, and instead:

(a) the Suncorp Shares which would otherwise be required to be issued to the Ineligible Overseas Shareholders under the Scheme will be issued to either or both of the Sale Agents (and/or to a nominee or nominees of the Sale Agents);

(b) Suncorp will procure that, as soon as reasonably practicable (and in any event not more than 10 Business Days after the Implementation Date), the Sale Agents, in consultation with Suncorp and Promina, sell or procure the sale on the stock market conducted by ASX of all of the Suncorp Shares issued to the Sale Agents (and/or their nominees) pursuant to clause 5.6(a) of the Scheme in such manner, at such price and on such other terms as the Sale Agents determine in good faith (and at the risk of the Ineligible Overseas Shareholder), and remit to Suncorp the proceeds of sale (after deduction of any applicable costs, taxes and charges) (the ***Proceeds***); and

(c) Suncorp will pay or procure the payment to each Ineligible Overseas Shareholder, in full satisfaction of Suncorp's obligation to that Ineligible Overseas Shareholder under the Scheme in respect of the scrip component of the Scheme Consideration, the amount "A" calculated in accordance with the following formula and rounded to the nearest cent:

$A = (B/C) \times D$

where:

B = the number of Suncorp Shares that would have been issued to that Ineligible Overseas Shareholder had it not been an Ineligible Overseas Shareholder;

C = the total number of Suncorp Shares which would otherwise have been issued to Ineligible Overseas Shareholders and which are issued to the Sale Agents (and/or their nominees); and

D = the Proceeds (as defined in **clause 4.7(b)** above).

(d) None of Promina, Suncorp or the Sale Agents gives any assurance as to the price that will be achieved for the sale of Suncorp Shares described above.

4.8 Deferred settlement trading of Suncorp Shares

Suncorp must use its best endeavours to procure that the Suncorp Shares to be issued pursuant to the Share Scheme will be quoted on the stock market conducted by ASX:

(a) initially on a deferred settlement basis on and from the Business Day after the Effective Date (or, if Suncorp Shares are subject to a trading halt on that day, on and from the first Business Day after the trading halt has ended); and

(b) on an ordinary settlement basis on and from the Business Day after the Implementation Date.

5 Representations and warranties

Suncorp and SIHL each represent and warrant that:

(a) it is a company validly existing under the laws of Australia;

(b) it has the corporate power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;

(c) it has taken all necessary corporate action to authorise the entry into this document and has taken or will take all necessary corporate action to authorise the performance of this document and to carry out the transactions contemplated by this document;

(d) this document is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping; and

(e) the Suncorp Shares to be issued pursuant to the Scheme will be duly and validly issued, fully paid and will rank equally in all respects with all other Suncorp Shares then on issue.

6 Continuing obligations

This document is irrevocable and remains in full force and effect until:

(a) Suncorp and SIHL have each completely performed its obligations under this document; or

(b) this document is terminated in accordance with **clause 3**,

whichever comes first.

7 Further assurances

Suncorp and SIHL will each do all things and execute all deeds, instruments, transfers or other documents and do all acts or things (on its own behalf or on behalf of each Scheme Shareholder) as may be necessary or desirable to give full effect to the provisions of this document and the transactions contemplated by it. Suncorp will also procure that SIHL performs its obligations under this document.

8 Notices

8.1 General

Any notice, demand, consent or other communication (**Notice**) given or made to Suncorp or SIHL under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

8.2 How to give a Notice

A Notice must be given by being:

(a) delivered by hand;

(b) sent to Suncorp or SIHL's current address for Notices by prepaid ordinary mail or, if the address is outside Australia, by pre-paid airmail; or

(c) sent by fax to Suncorp or SIHL's current fax number for Notices.

8.3 Particulars for delivery of Notices

The particulars for delivery of Notices to Suncorp are:

Address:	36 Wickham Terrace, Brisbane Queensland 4000
Fax:	(07) 3835 1001
Attention:	Company Secretary

The particulars for delivery of Notices to SIHL are:

Address:	36 Wickham Terrace, Brisbane Queensland 4000
Fax:	(07) 3835 1001
Attention:	Company Secretary

8.4 Communications by post

Subject to **clause 8.7**, where a communication is sent by post, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the address for delivery of Notices specified in **clause 8.3**.

8.5 Communications by fax

Subject to **clause 8.7**, where a communication is sent by fax it is given when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that party received the fax in full at the time indicated on that report.

8.6 Communications by delivery

Subject to **clause 8.7**, where a communication is delivered by hand at the address for delivery of Notices specified in **clause 8.3**, unless that delivery is made on a Business Day, or after 5.00pm on a Business Day, that communication will be deemed to be received at 9.00am on the next Business Day.

8.7 After hours communications

If a communication is given:

(a) after 5.00 pm in the place of receipt; or

(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt, it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

8.8 Process service

Any process or other document relating to litigation, administrative or arbitral proceedings relating to this document may be served by any method contemplated by this **clause 8** or in accordance with any applicable law.

9 No waiver

No failure to exercise, nor any delay in exercising, any right, power or remedy by Suncorp, SIHL or by a Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

10 Remedies cumulative

The rights, powers and remedies of Suncorp, SIHL and of each Scheme Shareholder under this document are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

11 Amendment

(a) Suncorp and SIHL may only amend or vary this document if the amendment or variation is:

(i) agreed to by Promina, which agreement Promina may give or withhold in its absolute discretion and without reference to or approval by any Scheme Shareholder; and

(ii) the Court indicates that the amendment would not of itself preclude approval of the Scheme.

(b) If such an amendment or variation is agreed, Suncorp and SIHL will enter into a further deed poll in favour of the Scheme Shareholder giving effect to such amendment or variation.

12 Stamp duty

All stamp duty (including fines, penalties and interest) that may be payable on or in connection with this document and any instrument executed under this document must be borne by Suncorp. Suncorp must indemnify each Scheme Shareholder on demand against any liability for that stamp duty.

13 Assignment

The rights and obligations of Suncorp, SIHL and of each Scheme Shareholder under this document are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior written consent of Suncorp and Promina.

14 Governing law and jurisdiction

(a) This document is governed by and is to be construed in accordance with the laws applicable in New South Wales.

(b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the Court and courts of New South Wales and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

Executed as a Deed Poll in Queensland.

Executed by **Suncorp-Metway Limited**	))	
....		....
~~Company Secretary~~/Director		Director
Chris Skilton		John Mulcahy
Name of ~~Company Secretary~~/Director (print)		Name of Director (print)

Executed by **Suncorp Insurance Holdings Ltd**	))	
....		....
~~Company Secretary~~/Director		Director
Chris Skilton		John Mulcahy
Name of ~~Company Secretary~~/Director (print)		Name of Director (print)

Appendix 7: Notice of Scheme Meeting

Notice of Court ordered Scheme Meeting of Promina Group Limited shareholders

By an order of the Federal Court of Australia (**Court**) pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Act**), a meeting of ordinary shareholders of Promina Group Limited ACN 000 746 092 (**Company**) will be held at City Recital Hall, Angel Place, 2-12 Angel Place, Sydney NSW 2000 on 5 March 2007 at 10.00 am (Sydney time).

1.1 Purpose of meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) to be made between the Company and the Company's fully paid ordinary shareholders, other than holders of Excluded Shares (in respect of those Excluded Shares) to effect the Merger of the Company and Suncorp-Metway Limited.

1.2 Resolution

The Scheme Meeting will be asked to consider and, if thought fit, to pass the following resolution:

"That pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement proposed to be entered into between Promina Group Limited and its fully paid ordinary shareholders (which is described in the booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Federal Court of Australia)."

1.3 Explanatory notes

Material accompanying this notice

This notice of meeting and the resolution should be read in conjunction with the booklet of which this notice forms part (**Scheme Booklet**). Terms used in this notice, unless otherwise defined, have the same meaning as set out in the Glossary in section 9 of the Scheme Booklet.

A copy of the Scheme of Arrangement is contained in Appendix 5 (Scheme of Arrangement) to this Scheme Booklet.

A proxy form also accompanies this notice (**Proxy Form**).

Voting

The directors of the Company recommend that you vote in favour of the resolution in the absence of a superior offer. They each intend to vote all ordinary shares in the Company held by them in favour of the resolution, in the absence of a superior offer.

Majority required

In accordance with section 411(4)(a) of the Act, for the Scheme of Arrangement to be Effective, the resolution must be passed by:

- a majority in number (i.e. more than 50%) of Promina Shareholders who vote at the Scheme Meeting (in person or by proxy); and
- at least 75% of the total number of the Promina Shares voted at the Scheme Meeting (in person or by proxy).

Court approval

In accordance with section 411(4)(b) of the Act, to become effective, the Scheme of Arrangement must be approved by an order of the Court. If the resolution set out in this notice is approved by the required majorities set out above and the conditions precedent set out in the Scheme of Arrangement are satisfied or waived, the Company will apply to the Court for the necessary orders to give effect to the Scheme of Arrangement.

Determination of entitlement to attend and vote

For the purposes of the Scheme Meeting, shares will be taken to be held by the persons who are registered as members as at 7.00 pm on 3 March 2007.

How to vote

If you are a Company member entitled to vote at the Scheme Meeting, you may vote by:

- attending the Scheme Meeting in person;
- appointing an attorney to vote on your behalf;
- appointing a proxy to attend on your behalf; or

- in the case of corporations, by appointing an authorised corporate representative to attend on its behalf.

Voting at the Scheme Meeting will occur by poll.

All persons attending the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence, so that either their shareholding may be checked against the Promina Share Register, their power of attorney or appointment as corporate representative (as the case may be) can be verified, if relevant, and their attendance noted.

Voting by attorney

An attorney need not be a member of the Company. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting. Where a Company member appoints an attorney, the Company requires written proof of the attorney's appointment (in the form of the original or certified copy of the power of attorney) to be lodged with or presented to the Company or to the share registry of the Company by no later than 10.00 am (Sydney time) on 3 March 2007.

Voting by proxy

If you are a member entitled to attend and vote at the Scheme Meeting, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes.

To be effective, the Proxy Form must be received no later than 10.00 am (Sydney time) on 3 March 2007 at one of the locations or numbers detailed on the Proxy Form.

Voting by corporate representative

A body corporate member may elect to appoint a representative rather than appoint a proxy, in accordance with section 250D of the Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the meeting.

By order of the Company board

Judith Howard
Company secretary

14 December 2006

Corporate Directory

Promina Group Limited

Registered Office
Promina Group Limited
Level 15
465 Victoria Avenue
Chatswood NSW 2067
Phone: (+612) 9978 9000
Fax: (+612) 9978 9807
Website: **www.promina.com.au** or
www.promina.co.nz

Promina Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Phone: 1800 554 554
Fax: (+612) 8235 8510

or

Level 2
159 Hurstmere Road
Takapuna, North Shore City
Auckland, New Zealand
Phone: 0800 541 102
Fax: (+649) 488 8787

Legal adviser

Freehills
MLC Centre
19-29 Martin Place
Sydney NSW 2000
Phone: (+612) 9225 5000
Fax: (+612) 9322 4000

Promina Shareholder Information Line

Australia (Toll Free): 1300 653 785
New Zealand (Toll Free): 0800 333 459
Outside Australia and New Zealand:
(+613) 9415 4603

Financial advisers

Goldman Sachs JBWere Pty Ltd
Level 42
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Phone: (+612) 9321 8777
Fax: (+612) 9321 8640

Macquarie Bank Limited
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No.1 Martin Place
Sydney NSW 2000
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promina

www.promina.com.au www.promina.co.nz