

# Announcement of Suncorp and Promina Merger

23 October 2006



# Agenda

- Introduction – John Story & Leo Tutt
- Strategic context – John Mulcahy
- The combined entity – John Mulcahy
- Benefits for Promina – Mike Wilkins
- Transaction details – Chris Skilton
- Conclusion - John Mulcahy

# John Story

## Chairman, Suncorp



# Leo Tutt

## Chairman, Promina

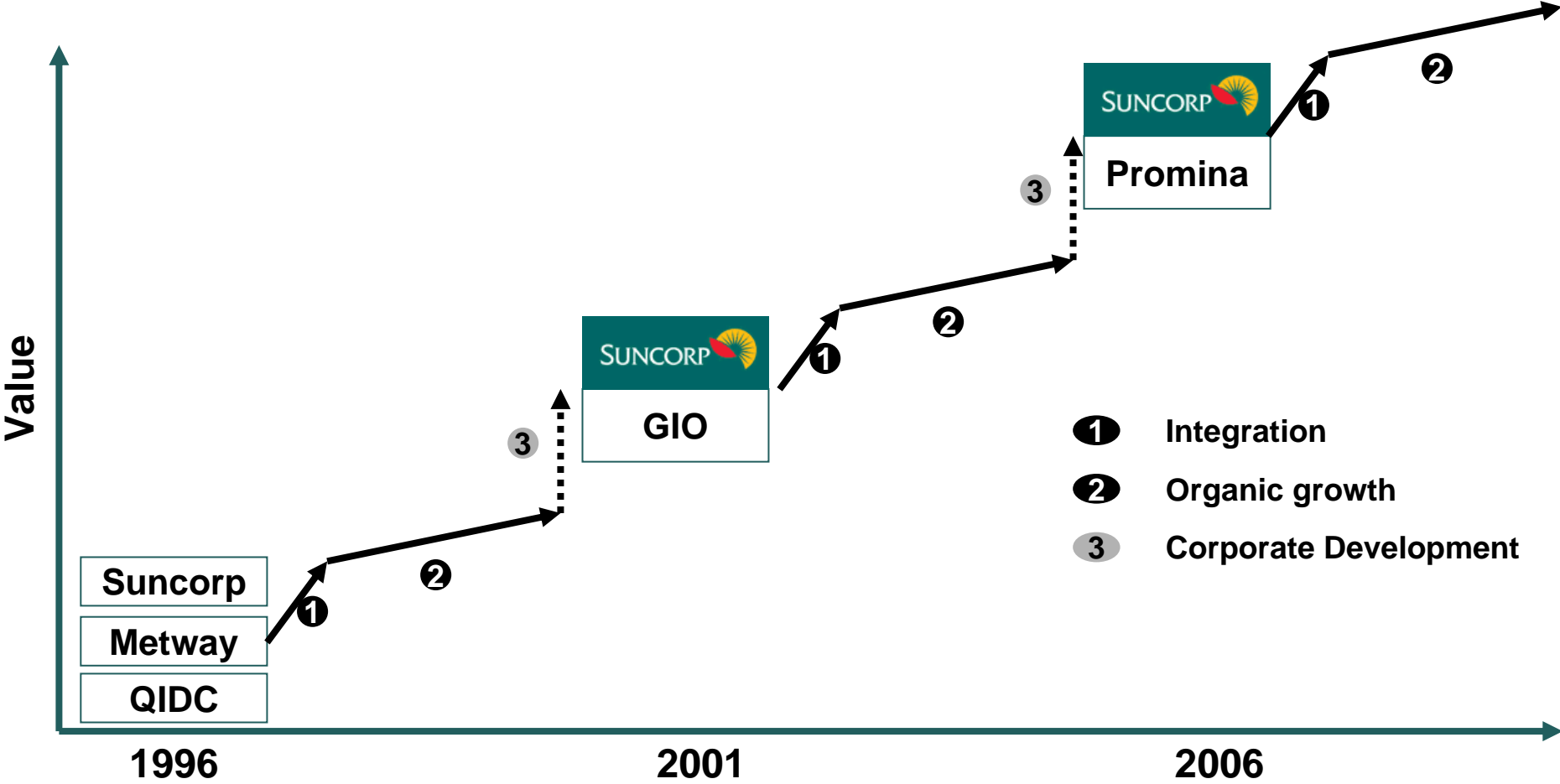
## Endorsement from Promina's Board & Management

- Promina's Board unanimously recommends the merger proposal, in the absence of a superior offer
- Merger creates compelling and sustainable shareholder benefits
- Commitment to creating a diversified financial services business, with superior product offerings and expanded distribution reach
- Promina Board undertaking process to put proposal before shareholders

# John Mulcahy

## CEO, Suncorp

# Strategic context





## Transaction summary

- Merger via scheme of arrangement
- Subject to Promina shareholder and regulatory approvals
- Key conditions in merger implementation agreement
  - Co-operation of the parties in completing the transaction;
  - Conditions precedent, including ACCC and Treasurer/APRA approval;
  - No prescribed occurrence, material adverse change, etc;
  - Break fee and non-solicitation provisions; and
  - The usual representations and warranties
- 0.2618 Suncorp shares\* plus \$1.80 cash per Promina share
- Transaction unanimously recommended by both boards

\*Subject to adjustment for dilutionary impact of any entitlements

# Guiding principles for business model development

## Create customer advantage

- Pursue a customer led strategy which:
  - Serves a diverse set of different, distinct client and customer segments
  - Delivers superior customer experiences and outcomes
  - Empowers end to end alignment to deliver desired stakeholder outcomes
- Operate as a multi segment financial services company
- Each segment will be served with a distinct master brand
- Each master brand will have a unique and distinct customer proposition
- Customers may experience multiple brands from across the group

## Deliver appropriate reward for risk

- Capital will be allocated to segment businesses and master brands in accordance with the economic opportunity

## Maximise the scale opportunity

- Activities not affecting the customer experience will be consolidated at the master brand or segment business or Group level as agreed
- Focus on maintaining low cost and constantly improving productivity
- Technical skills and common systems will be leveraged, where appropriate across the Group

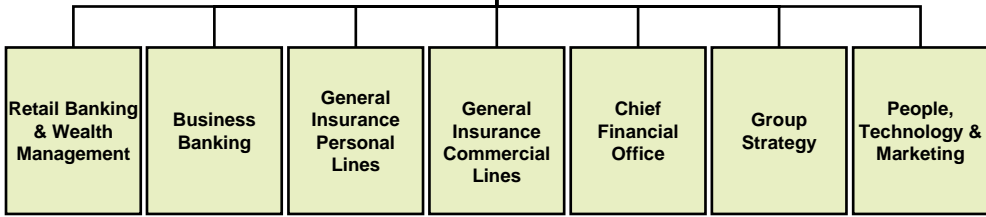
## Create a common vision and set of values for our people

- A collaborative culture and set of values will guide our people
- Accountability and authority will be devolved in accordance with a clearly defined Group-wide framework
- Accountability and authority will reside at the individual level

# Structure

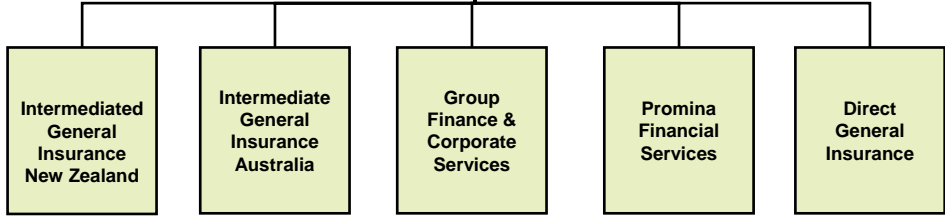
## Suncorp

CEO Suncorp  
(John Mulcahy)



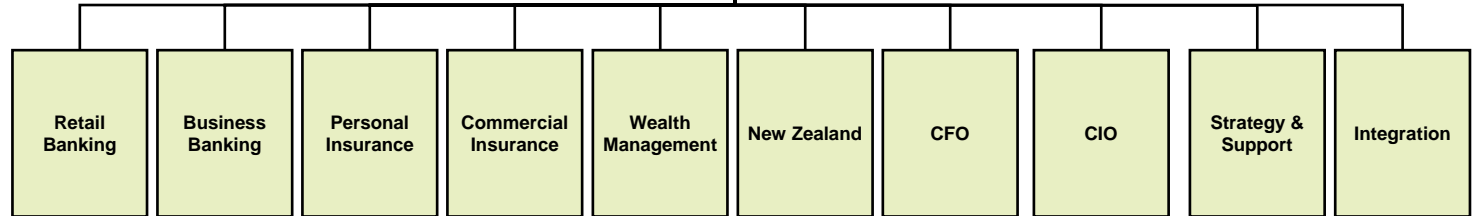
## Promina

CEO Promina Group  
(Michael Wilkins)



## The Merged Group

CEO  
(John Mulcahy)

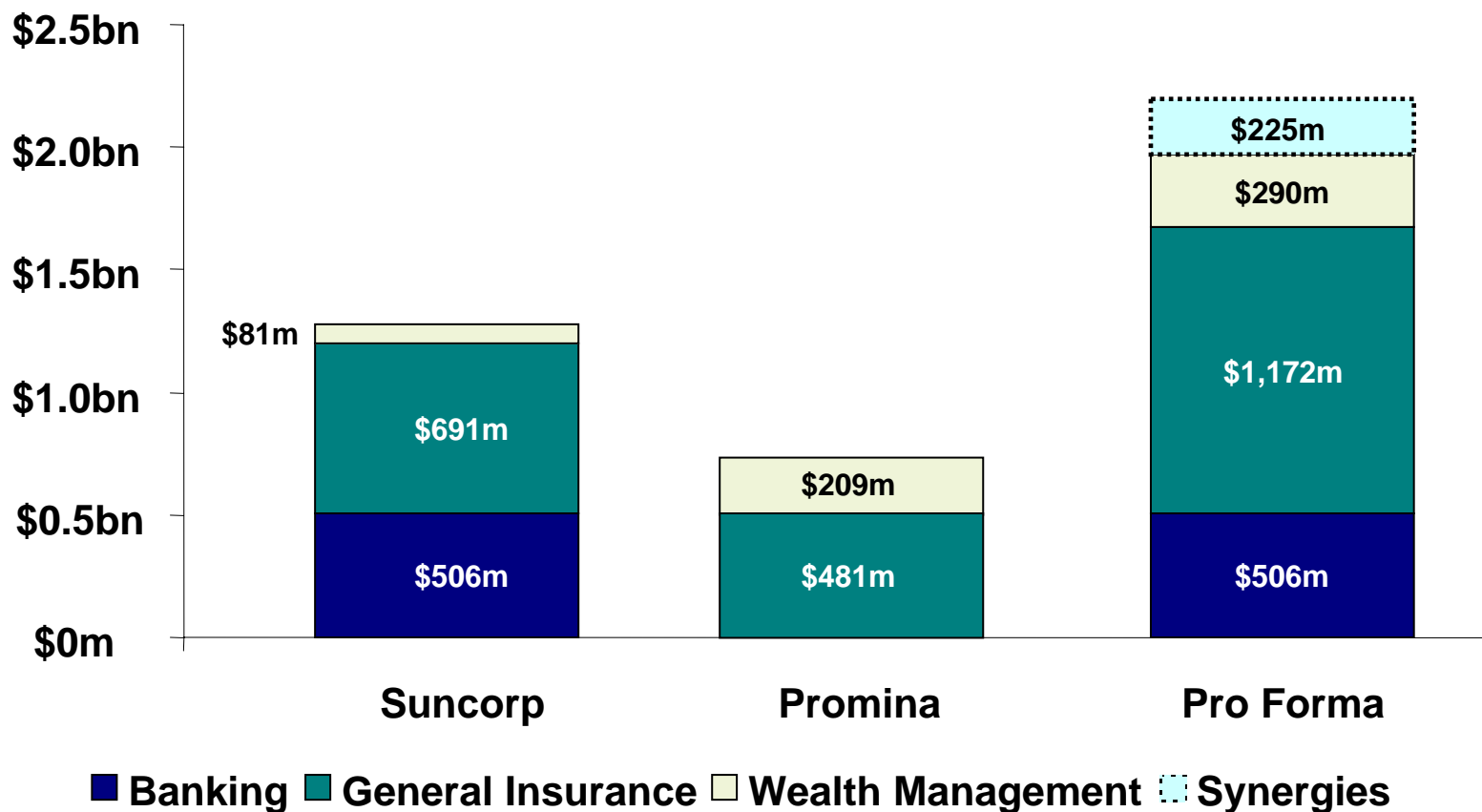


## The combined entity

- Over eight million customers
- Strong positions in each line of business
- Leading positions in Australia and New Zealand
- Pro forma market value of \$20bn
- Top 10 ASX 100 company
- Top 5 financial services provider in Australia and New Zealand

# Pro forma profit before tax of the enlarged group

Profit before tax, 12 months to June 2006



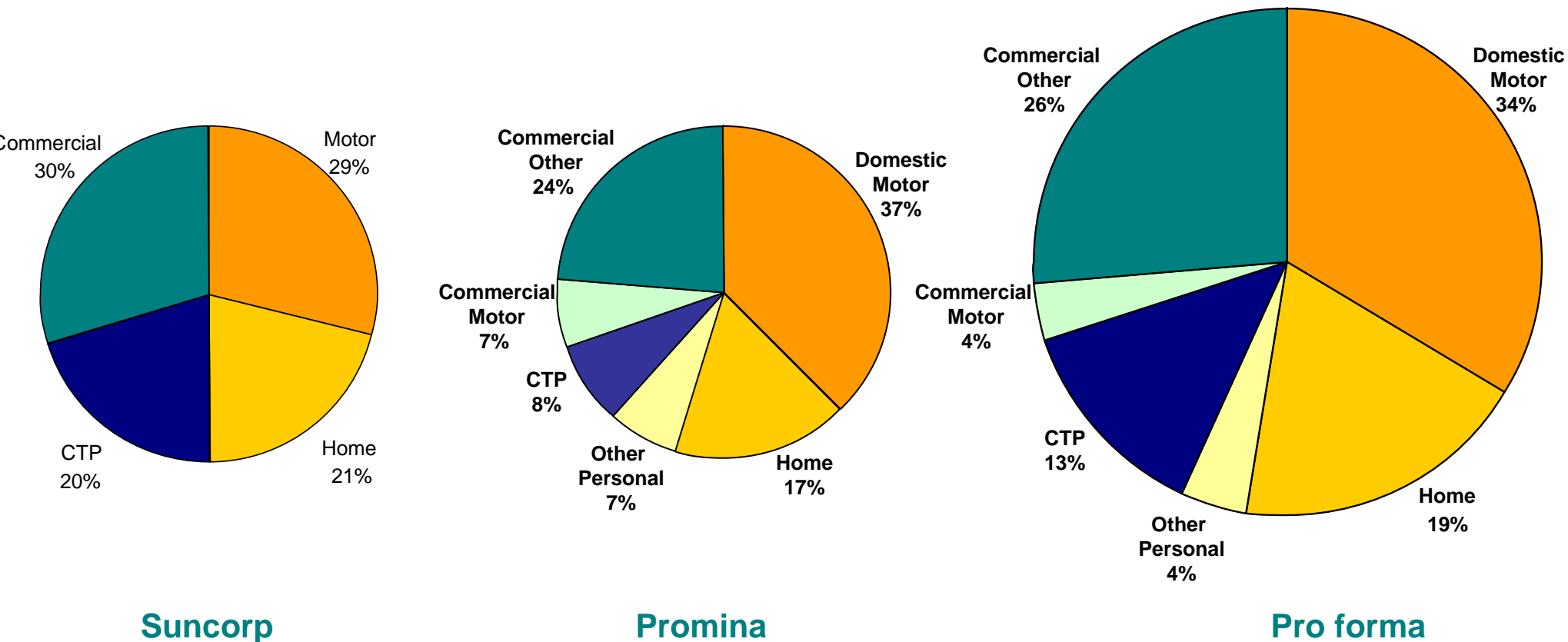
# A portfolio of market-leading brands

	Australia	NZ	Partners
Banking			
General insurance	           	     	   
Wealth management	    	  	

Note: RACQ, RAA, RAC and AA are joint ventures with the respective motor clubs in Australia and New Zealand. NTI is also a joint venture

# General Insurance – improved business mix



















## GWP by class of business



Source: company accounts, 12 months to 30 June 2006.

# GI - Complementary brands

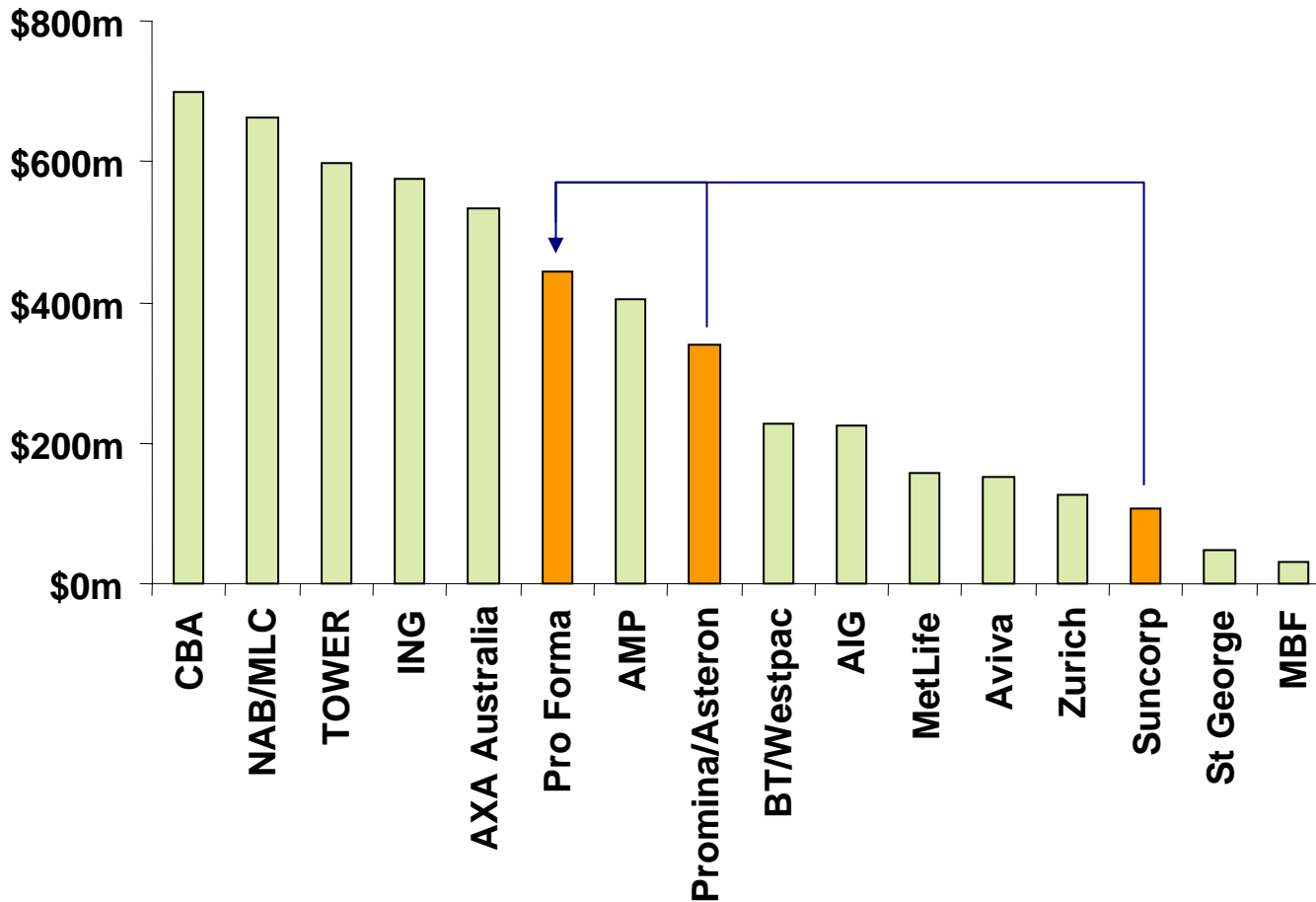
## Classes of business - Australia

		Personal insurance	Commercial insurance	Managed schemes
Distribution channels	Direct	<p>Mainstream   </p> <p>Specialist    </p>	<p>Mainstream </p>	<p></p>
	Intermediated	<p>Mainstream </p> <p>Specialist   </p>	<p>Mainstream </p>	
Partners	<p>Motor clubs   </p>	<p>Specialist </p>		



# Wealth management – experience, scale, distribution

Significantly enhanced scale (Total risk in-force annual premiums)



Complementary brands

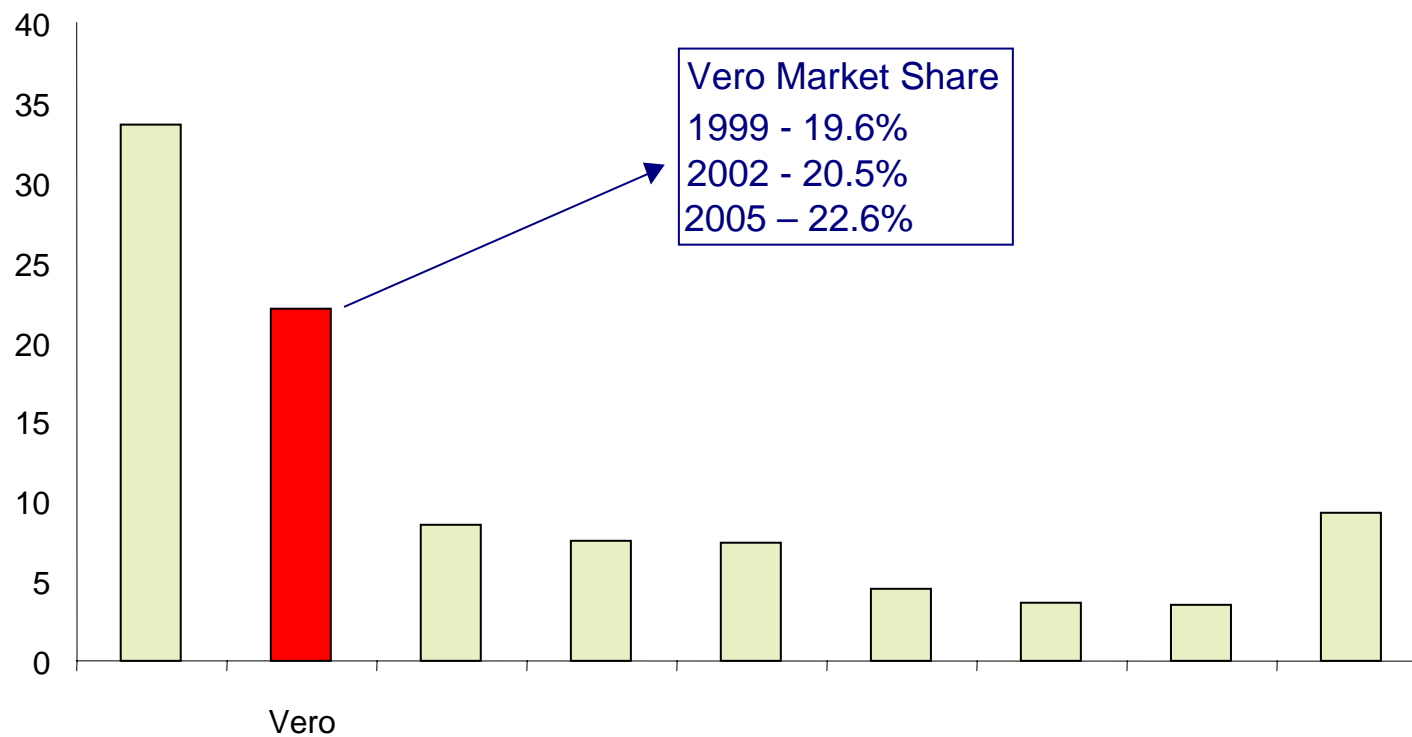


Source: Plan For Life. Year to 31<sup>st</sup> March 2006

# Growing market share in New Zealand

## New Zealand General Insurance Market Share

GWP - CY 2005, %



Source: Promina estimates and ICNZ statistics

## Banking – Improved profitability

- Increased scale and resulting cost reductions
- Remains an integral part of our business
- Distribution
- Relationships
- Continue to compete effectively

## Right opportunity - right time

- Careful, detailed, planned acquisition
- Clear alignment with Suncorp strategy
- Best business combination of all available strategic alternatives
- Business model preserves the best elements from each organisation
- Combined entity of \$20bn market value
- Brings together a powerful suite of brands
- Delivers benefits to stakeholders
- Three strong lines of business
- Organisational readiness

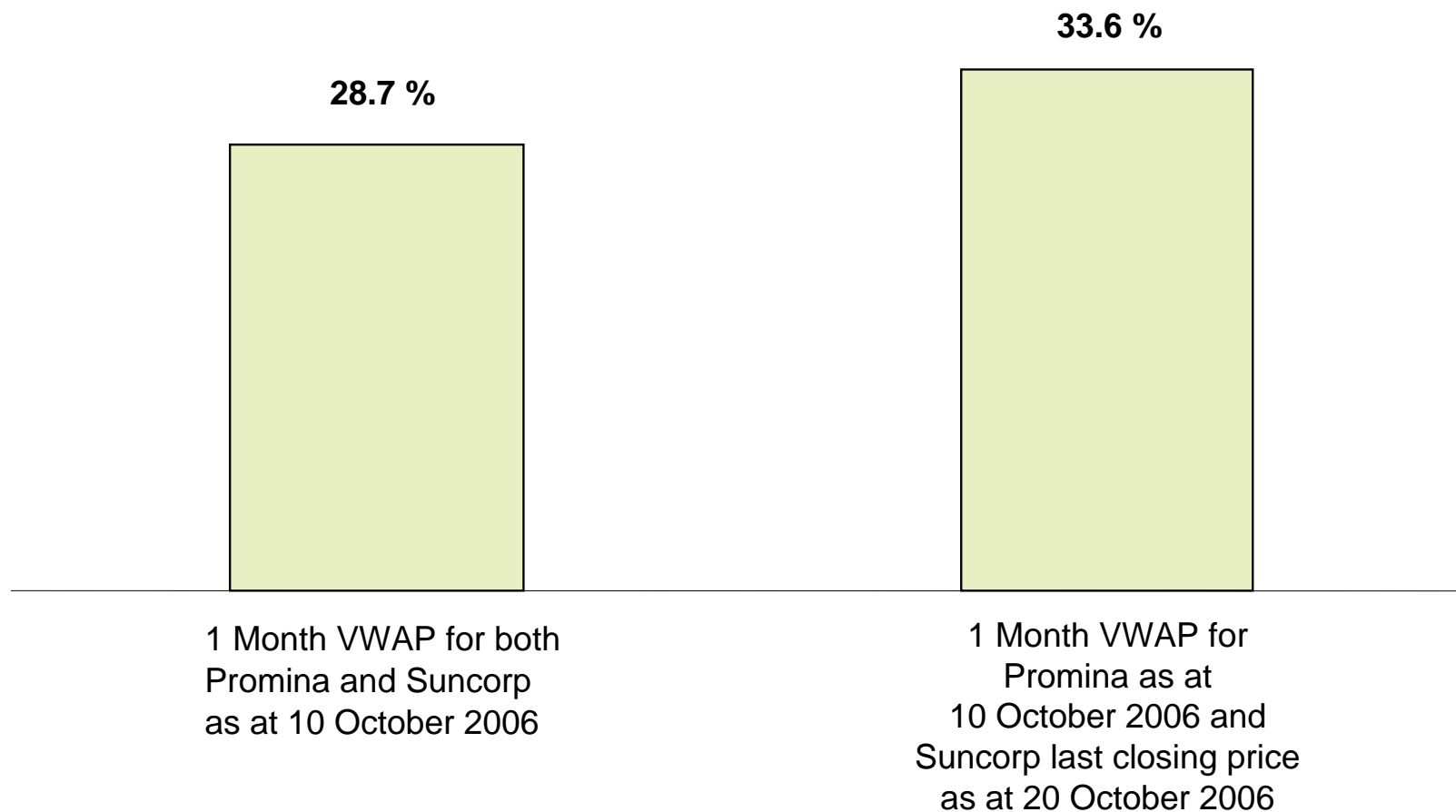
# **Mike Wilkins**

## **CEO, Promina**

## Benefits for Suncorp and Promina shareholders

- Vigorous and dynamic competitor in the Australian and New Zealand market place
- Potential for superior growth profile, harnessing:
  - The benefits of a differentiated customer service proposition in General Insurance
  - Scale benefits afforded by combined wealth management operation
  - Australia's 6th largest bank, underpinned by market leading position in high growth Queensland market
- Both companies have an enviable track record of creating long term sustainable shareholder value
- Strong cash flow and disciplined capital management have led to excellent shareholder returns for investors in both companies

## Premium for Promina shareholders is compelling



## Benefits for Suncorp and Promina customers

- Both companies share a common commitment to a customer led strategy serving distinct customer segments
- The combined group will continue to build on market leading brands across Australia and New Zealand
- All of the brands within the combined group have consistently delivered superior customer experiences
- Existing customers of both organisations will benefit from increased access to a wider range of market leading products and services



## Benefits for Suncorp and Promina employees

- New business model will be framed around a core group of values such as honesty, respect, trustworthiness, fairness
- A rewarding and attractive place to work
- Target continuing high level of employee engagement and commitment
- Retention strategy has been designed to ensure protection of significant intellectual capital, skills, experience and commitment
- Leverage the existing human capital to ensure passionate focus on the customer
- Agreed set of guiding principles to frame the business model development

# Chris Skilton

## CFO, Suncorp

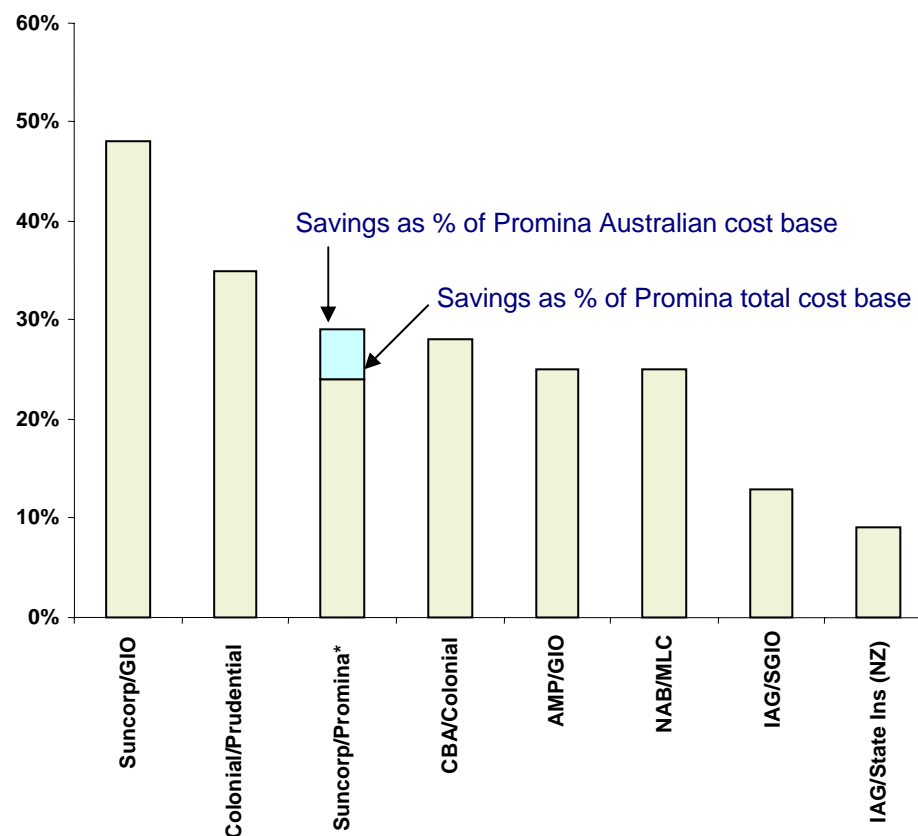
## Funding of cash component

- Cash component of approximately \$1.9bn is intended to be funded through use of excess capital together with a non-dilutionary pro-rata equity entitlements issue to Suncorp shareholders
- Pro rata equity entitlements issue to Suncorp shareholders
  - Fully underwritten
  - To occur immediately following Scheme meeting and receipt of regulatory approvals
- Suncorp is considering alternative equity raising arrangements to minimise the time period from the scheme meeting to scheme implementation
- Detailed review of post-transaction capital structure to commence immediately, including consultation with APRA and the rating agencies
- Suncorp's strong capital position to remain post transaction, with ratios maintained within target ranges
- Planned capital management initiative announced at full year results is now no longer applicable, given excess capital will be utilised in the acquisition funding

# Expected net cost savings of \$225m per annum

- Savings focused around:
  - head office and back office functions
  - information technology
  - business efficiency
  - reinsurance
- Based on detailed bottom-up analysis
- Confirmed by due diligence
- In line with relevant benchmarks
- 75% expected to be achieved within two years
- Expected implementation costs of circa \$395m

## Cost savings in line with relevant benchmarks



\*24% of total cost base or 29% of Australian cost base Source: Company accounts

# John Mulcahy

## CEO, Suncorp

# Transaction timeline



**OUR ASPIRATION:  
To be the leading customer  
focused financial services  
provider in Australia and New  
Zealand.**

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23 October 2006





## Important notice

The purpose of this Presentation is to provide general information about the proposed merger of Promina Group Limited (**Promina**) by Suncorp-Metway Limited (**Suncorp**). It is not a recommendation that any person makes any investment decision in relation to Suncorp, Promina or the combined group. This Presentation does not contain all information which would be material to the making of a decision in relation to Suncorp's proposed merger of Promina. Promina will lodge an Explanatory Memorandum for its proposed scheme of arrangement containing all information prescribed by the *Corporations Act*. Any shareholder or prospective shareholder should make its own assessment and determination as to the information contained in the Explanatory Memorandum prior to making any investment decision, and should not rely on the information in this Presentation for that purpose.

Further information about Suncorp, Promina and their respective businesses and operations are contained in their annual reports and other reports which can be accessed on their websites at [www.suncorp.com.au](http://www.suncorp.com.au) and [www.promina.com.au](http://www.promina.com.au). Suncorp and Promina do not undertake any obligation to revise the information in this Presentation to reflect any future events or circumstances.

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