

2 July 2021

Suncorp Group Update

Suncorp (ASX: SUN | ADR: SNMCY) today provided an update on the sale of its 50% interest in RACT Insurance, the placement of its FY22 reinsurance program and the Group's pay and leave entitlements review, announced in May 2020.

Sale of 50% interest in RACT Insurance

The Group has entered into a binding agreement to sell its 50% Joint Venture (JV) interest in RACT Insurance Pty Ltd (RACTI) to its JV partner, the Royal Automobile Club of Tasmania Ltd (RACT), consistent with the continued simplification of its portfolio.

The sale consideration of \$83.75 million will be in the form of upfront cash proceeds and reflects a P/E multiple of 18.1 times based on expected FY21 earnings. The pre-tax profit on sale is expected to be in the range of \$65 to \$70 million. The total capital release, including the profit on sale, is expected to be approximately \$50 million.

Suncorp Group CEO Steve Johnston said the transaction is in the best interests of customers, shareholders and the business.

"Suncorp and RACT have enjoyed a successful relationship in Tasmania since 2007. We have mutually agreed that now is the right time for RACT to take full control of the insurance entity. This is consistent with our focus on simplifying the Group and driving improvement in our core insurance and banking businesses.

"Tasmania remains an important market for Suncorp Group. We are now focused on driving growth in the region through our wholly owned brands. This includes our leading national mass market brand AAMI, as well as our more specialised brands Shannons and APIA." Mr Johnston said.

Completion of the transaction is subject to regulatory approval and expected to occur late in the 2021 calendar year. The profit on sale will be included as part of 'Other profit (loss) after tax' in the FY22 results.

FY22 Reinsurance Placement

Suncorp has successfully placed its FY22 reinsurance program. The structure of the main catastrophe program remains unchanged from FY21, with an upper limit of \$6.5 billion covering the Home, Motor and Commercial property portfolios across Australia and New Zealand. The Group's maximum event retention remains at \$250 million. In addition to the main catastrophe program, the structure of the Group's drop-down aggregate protection and Aggregate Excess of Loss (AXL) treaties are also unchanged from FY21.

Further detail regarding the structure and format of the program will be included in the FY21 Investor Pack.

The natural hazard allowance for FY22 is expected to be \$980 million. The cost of the FY22 reinsurance program and natural hazard allowance are in-line with the assumptions embedded within the Group's three-year plan.

Pay and Leave Entitlements review

Suncorp has completed all analysis as part of the comprehensive review into pay and leave entitlements in Australia. Remediation payments to any current and former employees identified by the review will commence from July 2021 and are expected to take a number of months.

The \$60 million provision which was reported in the Group's FY20 results will cover all project and remediation costs.

Suncorp self-reported the review to the Fair Work Ombudsman (FWO) in May 2020 and is cooperating with the FWO's investigation. The Group engaged external advisors to assist with the review which spanned multiple payroll systems over multiple years.

Authorised for lodgement with the ASX by the Suncorp Disclosure Committee.

ENDS

For more information contact:

Media	Pip Freebairn	+61 402 417 368 pip.freebairn@suncorp.com.au
Analysts / Investors	Andrew Dempster	+61 497 799 960 andrew.dempster@suncorp.com.au

Background on RACT Insurance

RACT Insurance Pty Ltd (RACTI) is a 50:50 Joint Venture (JV) between Suncorp and the Royal Automobile Club of Tasmania Ltd (RACT) for the provision of general insurance products (Home and Motor insurance) in Tasmania.

RACTI operates as an independent entity, with a standalone management team and issues policies in its own right (using the RACT brand). As at 31 March 2021, RACTI underwrote ~\$112.5 million of Home and Motor GWP. Prior to the sale, the RACTI contribution was reported in Suncorp's results in the "Managed schemes, joint ventures and other" line within Insurance (Australia).