

ASX/Media Release

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Australian Securities Exchange
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Sydney NSW 2000

ACQUISITION OF ST ANDREW'S INSURANCE & TRADING UPDATE

Freedom Insurance Group Limited (ASX:FIG) ("Freedom" or "Company") is pleased to advise that it has entered into an agreement for the acquisition of St Andrew's Insurance ("St Andrew's") from Bank of Queensland Limited (ASX:BOQ)¹.

Freedom Chief Executive Officer and Managing Director, Keith Cohen, said the acquisition of St Andrew's was a unique opportunity to expand manufacturing and distribution while establishing underwriting capability and accelerating diversification into a broader range of insurance products.

Mr Cohen noted that the transaction combines Freedom's expertise in product design and direct sales with St Andrew's leading position in corporate distribution and life insurance underwriting. Moreover, the complementary management teams provide strong resourcing for Freedom's life insurance growth strategy.

Key features of the transaction include:

- Acquisition of St Andrew's from Bank of Queensland for \$65 million
- High quality insurance specialist with strong position in Australian industry
- Reinsurance agreement to provide \$35 million of funding
- Balance funded through \$10 million of cash and \$20 million in new debt at competitive rates
- Experienced and complementary St Andrew's management team
- Conditional upon reinsurance agreement and regulatory approvals
- Completion expected second half of calendar 2018

Freedom's strategy has been to pursue growth by providing straightforward, affordable life insurance products to a broad range of Australians in the most convenient way possible.

"Since its launch in 2009, Freedom has seen strong organic growth and in the last 12-28 months we have sought to broaden our product range to include term life and mortgage protection. We

¹ In the form of a share sale agreement for St Andrew's Australia Services Pty Ltd ("SAAS"), and its two insurance subsidiaries, St Andrew's Insurance (Australia) Pty Ltd ("SAI") and St Andrew's Life Insurance Pty Ltd ("SALI") (collectively, St Andrew's Insurance).

have said that given a strong balance sheet we would consider the right acquisition if it accelerated our strategy and made sense for shareholders” said Mr Cohen.

“St Andrew’s meets our acquisition criteria as it brings significant new capability and management resources; accelerates our product diversification in loan protection and term life; and makes financial sense for shareholders. It would take years for us to replicate the St Andrew’s infrastructure.”

At 31 August 2017, St Andrew’s had an in-force book of \$70.0 million, more than 147,000 customers and 64 employees.

“We are acquiring valuable new platforms that will augment our strategy, including specialised life insurance underwriting and a well-established corporate distribution platform. These will provide greater flexibility and agility in product manufacturing and an additional distribution channel that together will allow us to capture more of the life insurance value chain” said Mr Cohen.

Freedom is acquiring substantial business infrastructure and opportunity for new business. Bank of Queensland has also agreed to a new exclusive three year distribution agreement for St Andrew’s Insurance products with the option for a two year extension. Mr Cohen said that Freedom was looking forward to working with Bank of Queensland and continuing to protect its customers, supported by its position as one of Australia’s most respected banks with a widely-recognised service culture.

Mr Cohen added that the reinsurance funding provided by a large global reinsurer allows Freedom to acquire a well-established business of scale in St Andrew’s. The reinsurer will receive a quota share reinsurance premium on the in-force book.

“St Andrew’s is a high quality business with great relationships and people that complement our business and augment our growth strategy. We look forward to welcoming the St Andrew’s team to Freedom. This transaction represents another major step in the Freedom story as we look to realise the tremendous opportunity we see in life insurance” said Mr Cohen.

The St Andrew’s acquisition is expected to close in the second half of calendar 2018 subject to finalisation of the reinsurance arrangement, regulatory approvals and other conditions precedent. The acquisition is expected to be neutral for Freedom earnings per share in year one and positive thereafter.

Outlook

Freedom provides the following update on operating performance:

- Sales recovered from the lead quality issues experienced in the first half of FY18 and are expected to be greater than \$63 million in FY18
- Lead quality and sales conversions remain within expectations
- On new products, Life sales in Q3 were more than sales in the entire first half of FY18, with reducing new business strain as efficiencies improve
- Loan Protection rollout has been on hold given the possible transaction
- FY18 EBITDA expected to be approximately \$16 million (excluding the \$3.3 million pre-tax profit on Noble Oak share sale), with lower than expected policy retention in Q3 offsetting improved sales performance
- Medium term outlook remains strong supported by sales growth and accelerating new product sales

Freedom's financial adviser is Aura Capital and legal adviser is Ashurst with actuarial, finance and tax advice provided by Deloitte.

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For more information, please contact:

Keith Cohen

CEO and Managing Director

Freedom Group Limited

investorrelations@freedominsurance.com.au

About Freedom Insurance

The Freedom Insurance Group is a 100% Australian owned insurance business established in 2009 that specialises in the development, distribution and administration of risk life insurance products. Freedom focuses on developing and distributing straightforward life insurance products that are simple to understand and convenient for customers.

With the exception of risk underwriting, Freedom is involved in all aspects of the life insurance value chain: product design & manufacture; marketing & lead generation; distribution; and policy administration. Freedom Insurance Group Ltd listed on the ASX in December 2016 with the code FIG.