Hastings Group Holdings plc
8 August 2018

Half year results presentation 2018

Agenda

Hastings

Key highlights

1 Profitable growth continues

- Adjusted operating profit up 22% to £105m, or 13% excluding the impact of prior year VAT refund and Q1 weather events
- Underwriting discipline maintained and continued policy count growth, up 6% to 2.7m
- PCW market growing, benefitting digital players

2 Strong cash generation and capital position

- Strong Group cash generation and Solvency II coverage ratio of 171%
- £250m fixed rate bond issued with investment grade credit rating
- Net debt leverage of 1.1x post 2017 final dividend
- An interim dividend of 4.5 pence per share, 10% increase on prior year

3 Focused investment for future growth

- Technology investment in Guidewire, digital, pricing and anti-fraud
- Our refreshed home proposition now live on selected PCWs
- Investment in vehicle technology through participation in Smart Mobility Living Lab

Delivering on our targets

	HY 2018	HY 2017
Calendar year loss ratio of 75-79%	73.8%	73.4%
Over 3m customers during 2019, but not at the expense of profitability	2.7m	2.5m
Net debt leverage multiple of around 1.0x during 2019	1.1x	1.7x
Dividend payout ratio of 50-60%	✔	✔

Continued growth throughout the cycle

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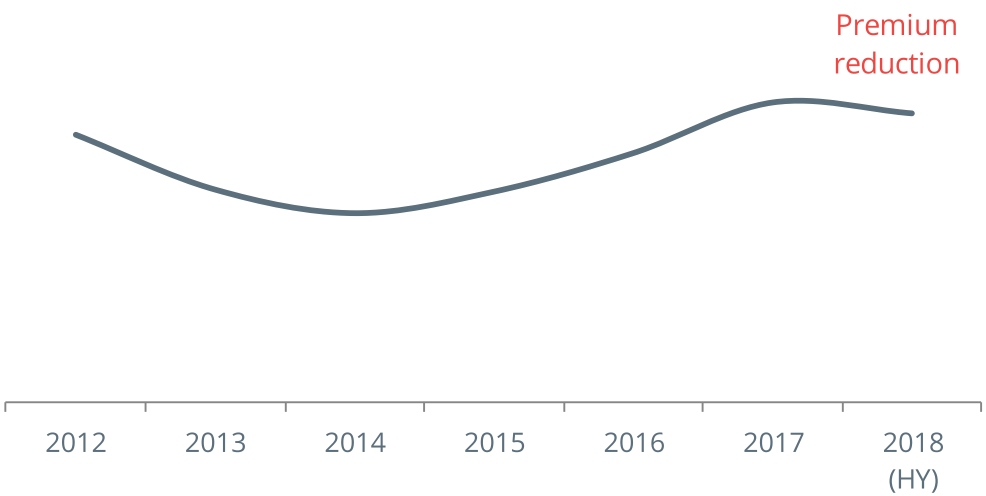
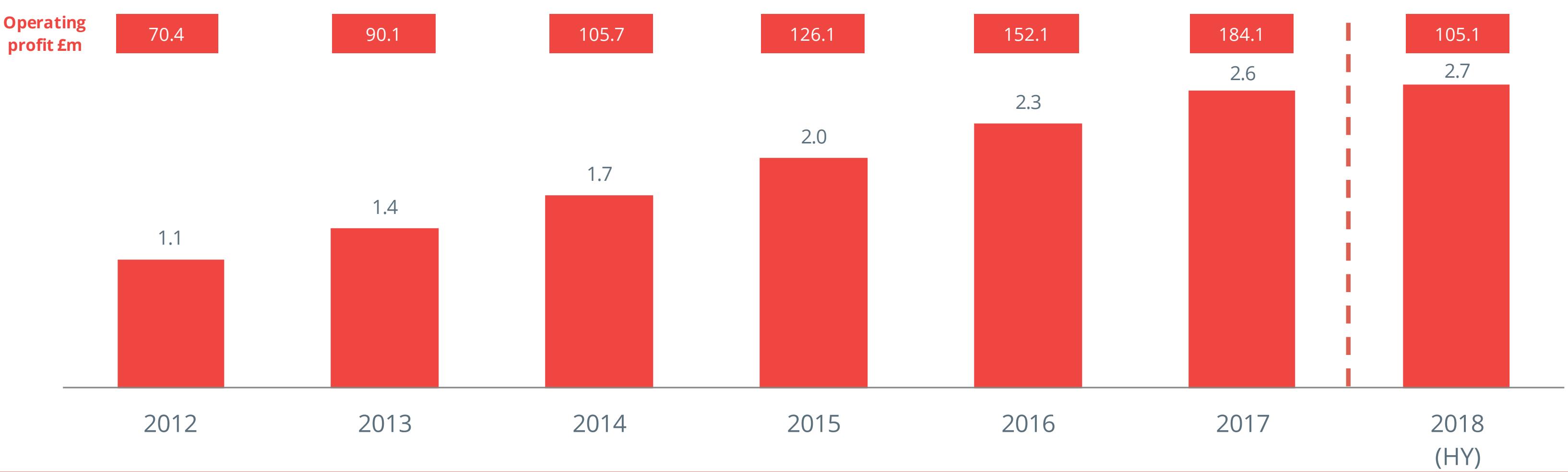
£ Market average written premiums, net of IPT (ABI)



Hastings Live Customer Policies (millions)



Market trends

Market premium reductions during H1 from 2017 highs

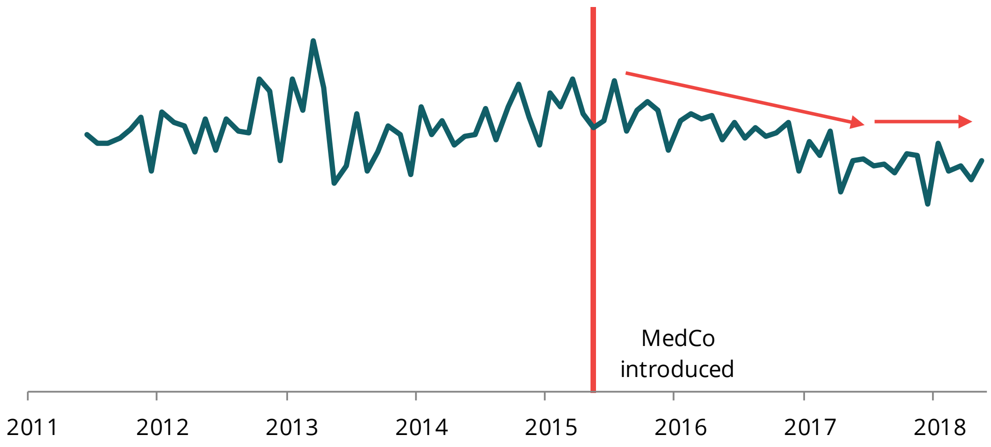
Driven by reduced claim frequencies, expected regulatory reform and competition

Hastings average written premiums ahead of H1 2017

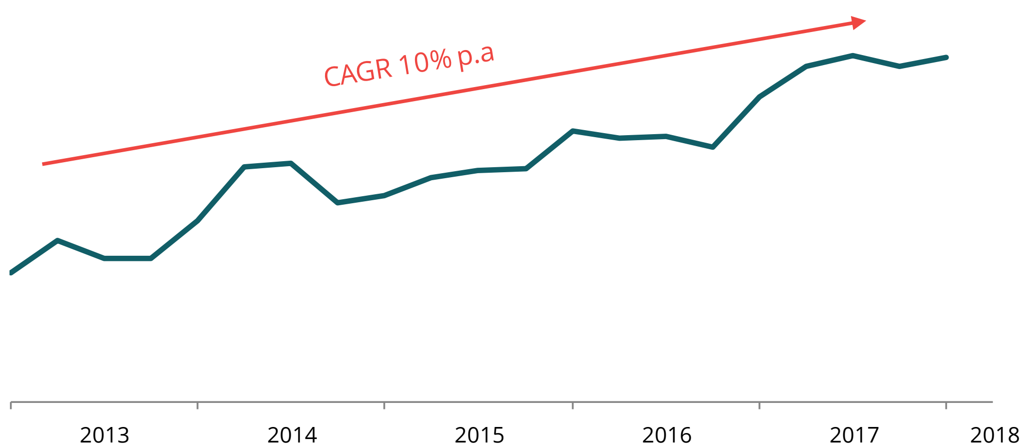
Business model remains well positioned to achieve all of our 2019 targets

Market claims trends

Small bodily injury frequency (MOJ portal claims)



Accidental damage severity (ABI)



Market trends

Frequency reductions have levelled off

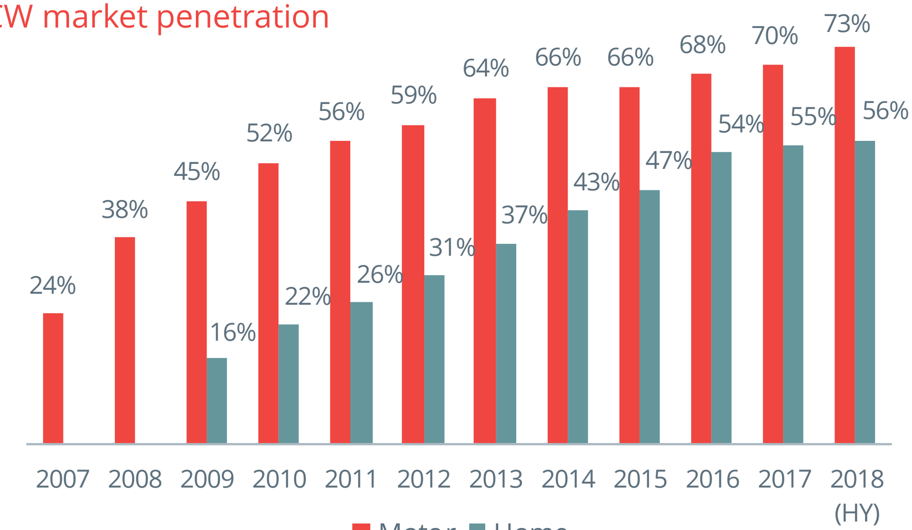
Increasing severities:

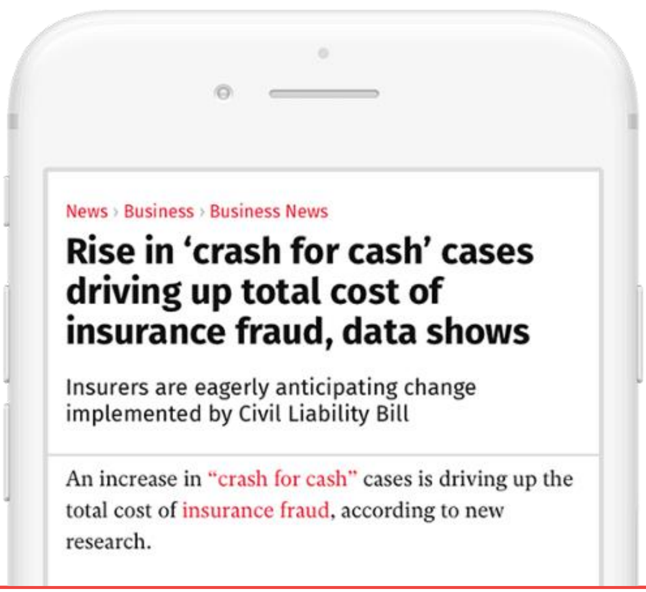
- Vehicle repairs more expensive
- Mid-range bodily injury

Expect claims inflation towards the upper end of 3-5% for 2018

Strength in our business model

PCW market penetration





News › Business › Business News

Rise in 'crash for cash' cases driving up total cost of insurance fraud, data shows

Insurers are eagerly anticipating change implemented by Civil Liability Bill

An increase in "crash for cash" cases is driving up the total cost of insurance fraud, according to new research.

Business model well positioned

Hastings share still small in the car and home markets

Favourable consumer switching dynamics

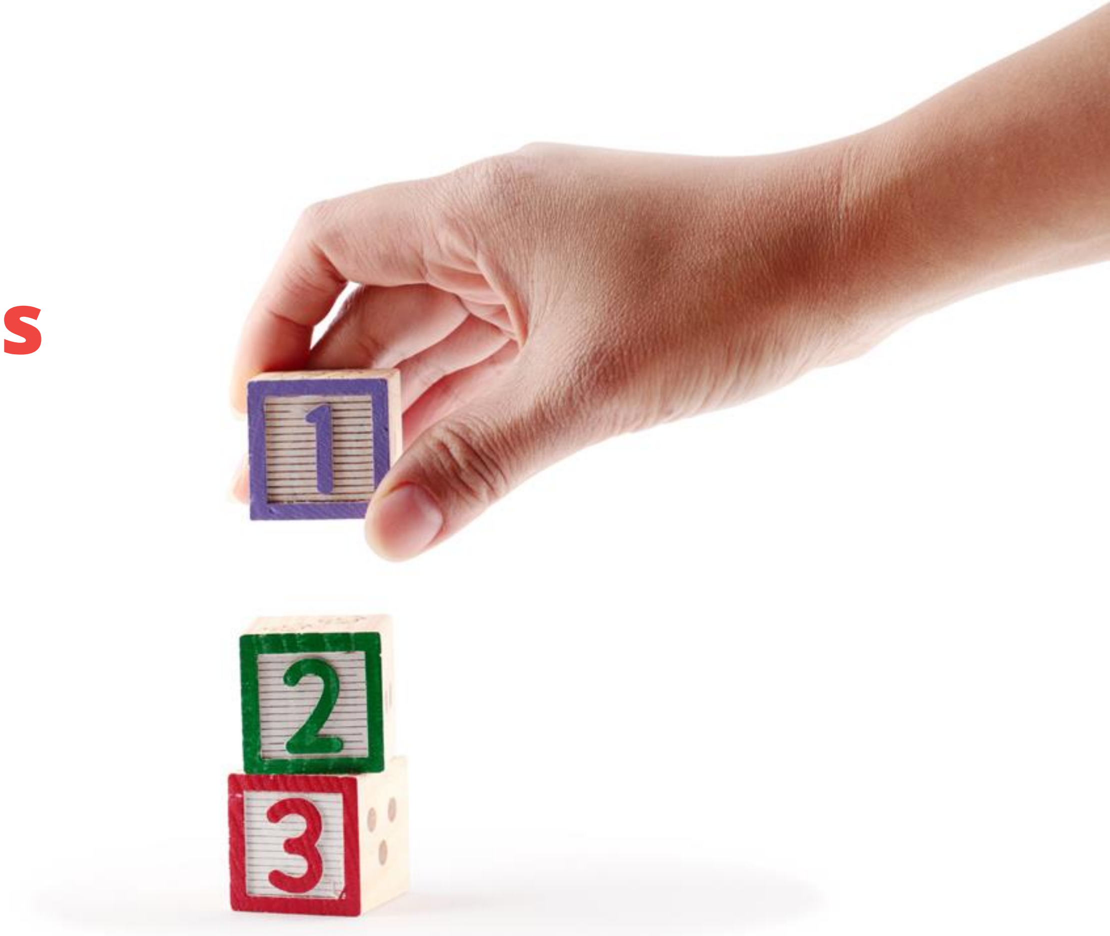
Continued growth in digital adoption and PCWs

Pricing sophistication, underwriting discipline and anti-fraud capability remain critical

Hastings technology programme is making good progress

Group financials

Richard Hoskins



Financial highlights

Gross written premiums: **£485.6m**	Gross written premiums up 5%, with premium inflation slowing
Adjusted operating profit: **£105.1m**	Adjusted operating profit increasing by 22%, or 13% excluding the impact of one off historic VAT refund of £14.6m and £7m of Q1 weather events
Calendar year loss ratio: **73.8%**	Calendar year loss ratio below the 75%-79% target range
Free cash generated: **£107.8m**	Strong free cash generation, supporting de-leveraging, continued investment in our business and healthy dividends
Net debt leverage multiple: **1.1x**	Reduced from 1.7x at HY 2017, achieving our 2019 target of around 1.0x
Solvency II coverage ratio: **171%**	Solvency II coverage ratio of 171%, above target range of 140%-160%

Group results

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£'m	HY 2018	HY 2017	
Net earned premiums	**219.2**	**195.1**	**12%**
Retail income	136.2	128.0	**6%**
Reinsurance and investment income	20.9	22.1	
Net revenue	**376.3**	**345.2**	**9%**
Net insurance claims	(161.8)	(143.3)	
Acquisition costs	(34.6)	(31.7)	**7%**
Other operating expenses	(89.4)	(83.7)	
VAT refund in respect of prior periods	14.6	-	
Adjusted operating profit	**105.1**	**86.5**	**22%**
Net income	**81.9**	**66.9**	**22%**
Profit after tax	**72.9**	**57.9**	**26%**
Adjusted EPS	**12.5p**	**10.2p**	**22%**

Profitable growth in 2018

Net earned premiums
Up 12% reflecting policy growth and higher average written premium earning through

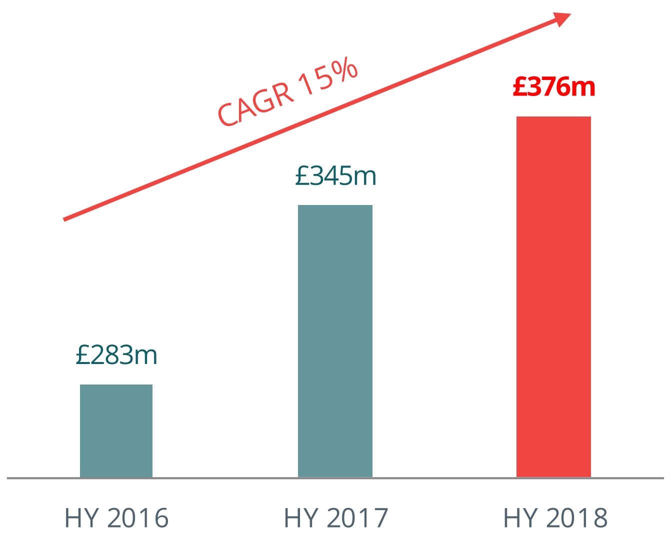
Retail income
Up 6% driven by increased policy count

Operating expenses
Increase due to growth in policy count and investment in the business, whilst maintaining expense discipline and delivering positive jaws

Adjusted operating profit
Profitable growth, up 22%, or 13% excluding the VAT refund related to prior periods and Q1 weather events

Profit after tax
Up 26% on prior year, reflecting strong operating performance

Net revenue



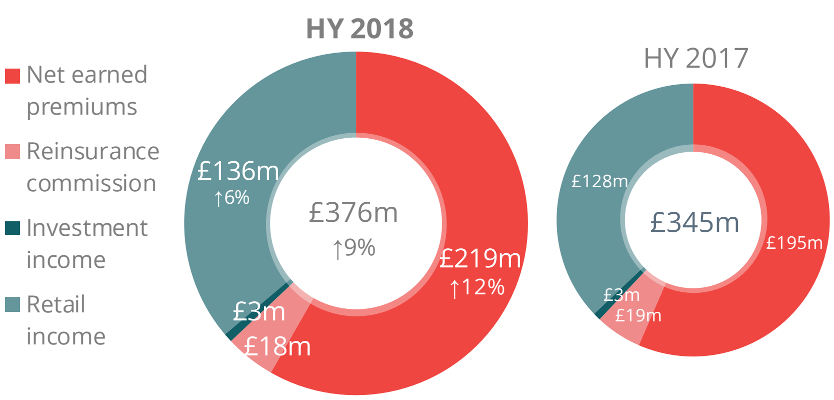
Continued net revenue growth

Net earned premium
Net earned premium growth driven by increased policy count and rate increases earning into 2018, with average motor earned premium up by 5%

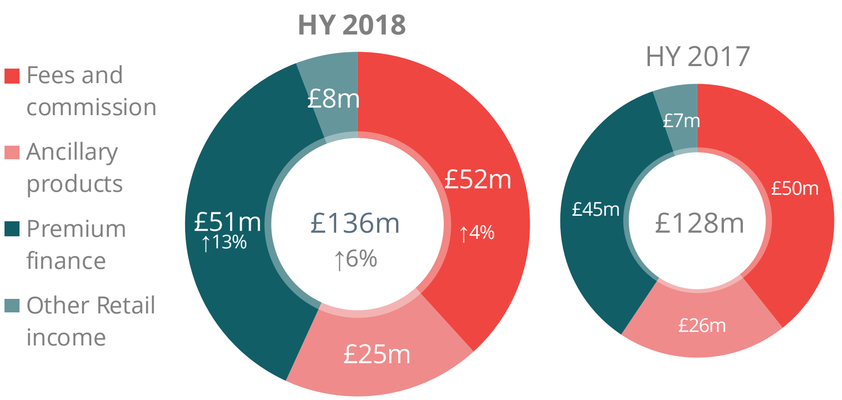
Retail revenue
Retail revenue growing in line with policy count

Average Retail income per policy broadly consistent with HY 2017

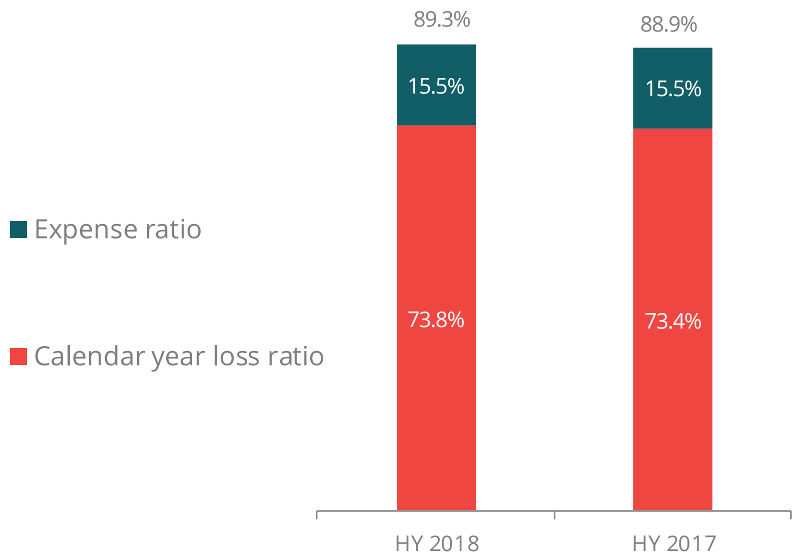
Net revenue breakdown



Retail revenue breakdown



Combined operating ratio



Calendar year loss ratio of 73.8%, below the target range

Accident year loss ratio
Accident year loss ratio increased to 75.2% (HY 2017: 74.1%), or 73.6% excluding the impact of Q1 weather

Expense ratio
Expense ratio in line with prior year

Inflation
Earned premium inflation of 5% and claims inflation of 5%, or 3% excluding the impact of Q1 weather

Written premium inflation of 2% is below claims inflation outlook

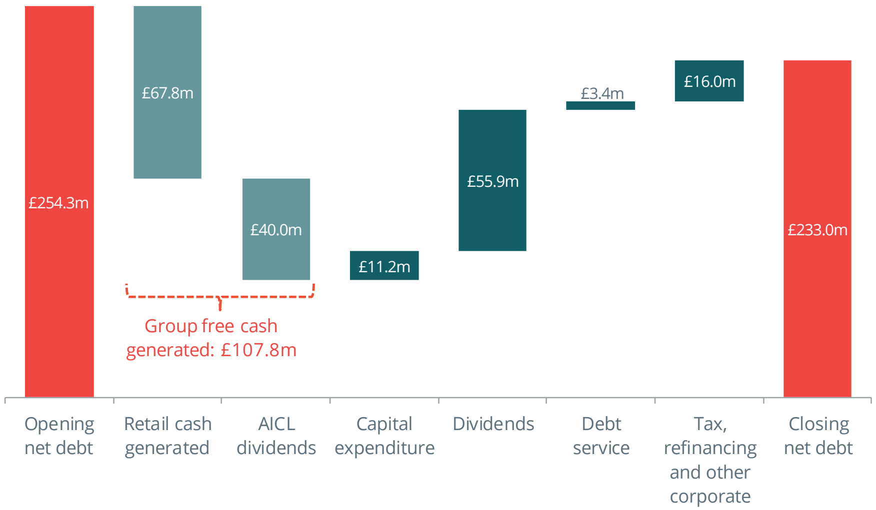
Calendar year loss ratio

	HY 2018	HY 2017
Accident year loss ratio (excl. weather)	73.6%	74.1%
Weather impact	1.6%	-
Accident year loss ratio	75.2%	74.1%
Prior year development	(1.4%)	(0.7%)
Calendar year loss ratio	73.8%	73.4%

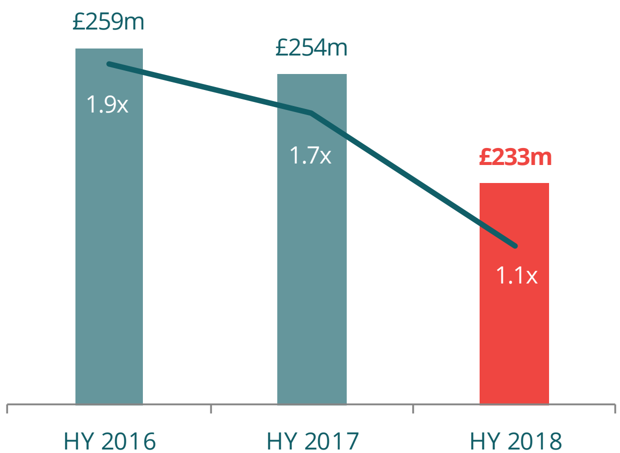
Premium & claims inflation

	HY 2018	HY 2017
Written premium inflation	2%	8%
Earned premium inflation	5%	7%
Claims inflation (incl. weather)	5%	5%
Claims inflation (excl. weather)	3%	5%

Group cash flow and leverage



Net debt and leverage multiple



Strong free cash generation enables delivery of leverage target

Debt facility
Issued £250m unsecured fixed rate investment grade bond, used to repay the revolving credit facility

Group cash
Strong Group cash generation of £107.8m (HY 17: £65.8m), supported by £40.0m Advantage dividend and £10.3m VAT refund

Capital expenditure
Capex of £11.2m primarily driven by implementation of Guidewire and digital programme

Dividend
8.5p per share final 2017 dividend paid

Debt servicing
Debt servicing of £3.4m, lower than prior year, due to reduced interest margin and gross debt

Net debt leverage multiple
Net debt leverage multiple of 1.1x, down from HY 2017 due to continued profit growth and cash generation

Advantage capital and solvency

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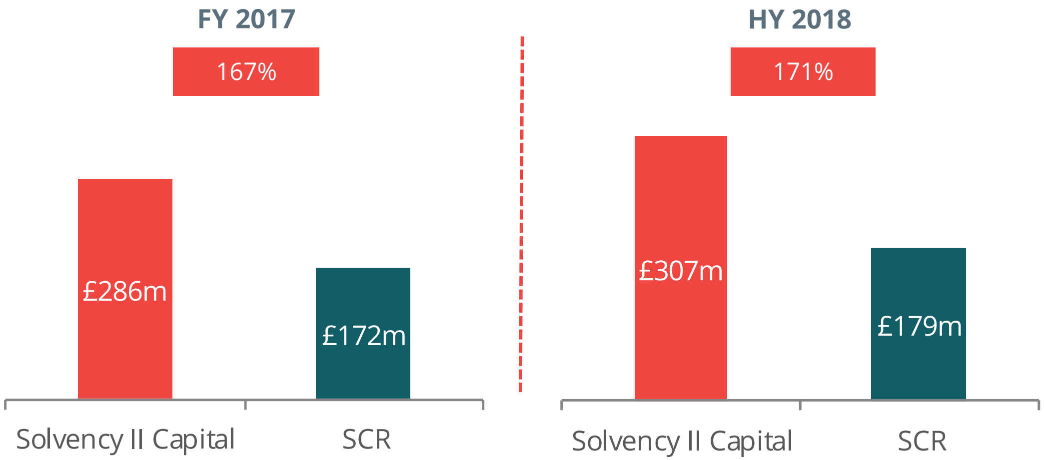
Solvency II coverage



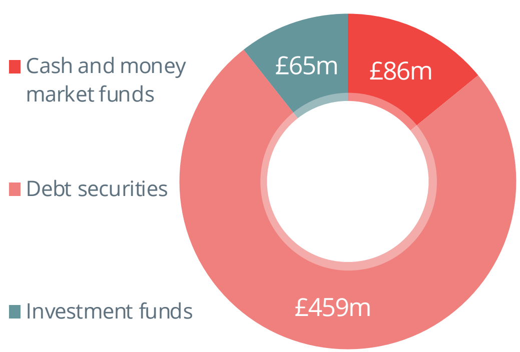
Strong Advantage capital position

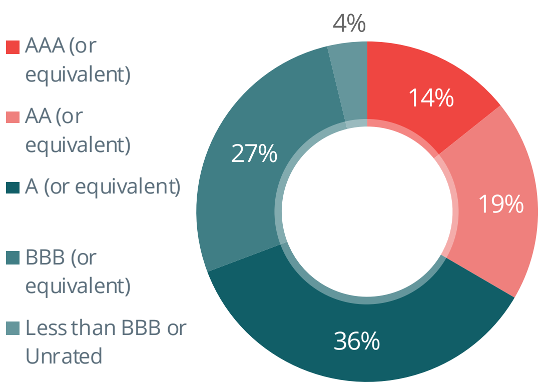
Solvency II
Solvency II coverage ratio of 171%, above target range of 140%-160%

All Solvency II Own Funds comprise Tier 1 capital

Investment portfolio
Strongly rated investment portfolio with overall A+ credit rating of debt securities, consistent with 2017

Advantage investment portfolio





Rating of non-cash investments

Looking ahead

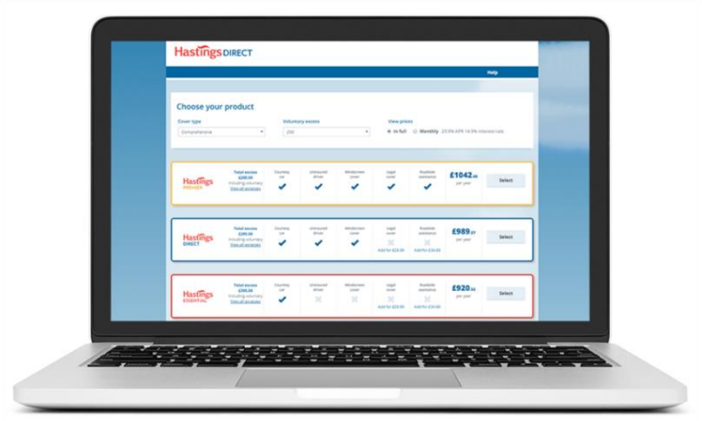
Toby van der Meer

Next generation core platforms

Hastings

Guidewire

- Home product live
- Car renewals underway



Analytics and anti-fraud

- New large scale data platform
- New anti-fraud platform underway
- Enhanced digital fraud prevention

APACHE hadoop

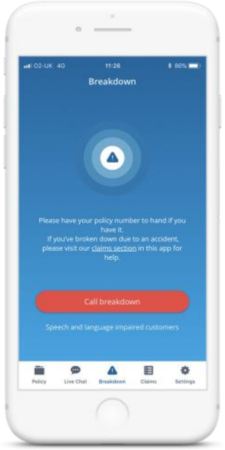
BAE SYSTEMS
INSPIRED WORK

iovation

Investing for the future

Digital

- New MyAccount functionality
- New mobile app
- Successful total loss pilot
- New live chat service



Vehicle technology

- Internal working group
- Partnership with Smart Mobility Living Lab

Summary

Hastings

1 Well positioned for ongoing growth

- 3m customer policies during 2019
- Substantial room for longer term profitable growth
- Supported by ongoing delivery of pricing, anti-fraud and digital initiatives
- Strong capital and dividend position

2 Immediate H2 focus

- Maintain underwriting discipline and claims cost management
- Grow in the areas where it is profitable to do so
- Continue to focus on delivery

Q&A

Appendix

Adjusted operating profit to profit after tax

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£'m	HY 2018	HY 2017
Adjusted operating profit	**105.1**	**86.5**
Operational amortisation and depreciation	(3.5)	(2.8)
Finance costs	(3.9)	(3.9)
Underlying profit before tax	**97.7**	**79.8**
Taxation expense	(15.8)	(12.9)
Net income	**81.9**	**66.9**
Non-operational amortisation and other fair value adjustments	(10.9)	(10.9)
Tax effect of the above adjusting items	1.9	1.9
Profit after tax	**72.9**	**57.9**

Segmental results

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Retail results

£'m	HY 2018	HY 2017
Retail policy income	167.4	172.0
Investment and other income	0.6	0.1
Net revenue	**168.0**	**172.1**
Salaries & other staff expenses	(43.7)	(40.0)
Acquisition costs	(31.2)	(34.9)
Other expenses	(36.4)	(35.4)
VAT refund in respect of prior years	14.6	-
Total expenses	**(96.7)**	**(110.2)**
Adjusted operating profit	**71.3**	**61.9**

Underwriting results

£'m	HY 2018	HY 2017
Net earned premium	242.8	210.8
Other revenue	17.8	19.1
Investment income	2.7	3.0
Net revenue	**263.3**	**232.9**
Net claims incurred	(161.8)	(143.3)
Other expenses	(69.2)	(63.4)
Total expenses	**(231.0)**	**(206.7)**
Adjusted operating profit	**32.3**	**26.2**

Segmental reconciliation

£'m, HY 2018	Underwriting	Retail	Corporate costs	Earn through discounts	Eliminate intercompany income	Other	Group
Net earned premiums	242.8	–	–	(21.8)	–	(1.8)	219.2
Other revenue	17.8	167.4	0.2	28.5	(63.6)	3.7	154.0
Investment and interest income	2.7	0.6	–	–	–	(0.2)	3.1
Net revenue	**263.3**	**168.0**	**0.2**	**6.7**	**(63.6)**	**1.7**	**376.3**
Net claims incurred	(161.8)	–	–	–	–	–	(161.8)
Operating expenses	(69.2)	(96.7)	(4.1)	–	63.6	(3.0)	(109.4)
Adjusted operating profit	**32.3**	**71.3**	**(3.9)**	**6.7**	**–**	**(1.3)**	**105.1**

Combined operating ratio

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£'m	HY 2018	HY 2017
Group net earned premiums	**219.2**	**195.1**
Current accident year claims costs	(164.9)	(144.7)
Accident year loss ratio (%)	**75.2%**	**74.1%**
Prior year development (%)	(1.4%)	(0.7%)
Calendar year loss ratio (%)	**73.8%**	**73.4%**
Net acquisition costs	(19.5)	(17.2)
Net underwriting expenses	(14.5)	(13.0)
Total expenses	**(34.0)**	**(30.2)**
Expense ratio (%)	**15.5%**	**15.5%**
Group combined ratio (%)	**89.3%**	**88.9%**
Group combined ratio excl. Q1 weather impact (%)	**87.7%**	**88.9%**

Group balance sheet

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£'m	HY 2018	HY 2017
Assets		
Goodwill	470.0	470.0
Intangible assets	82.4	89.5
Property and equipment	22.9	13.4
Deferred income tax asset	7.1	5.4
Reinsurance assets	1,199.6	952.1
Deferred acquisition costs	33.9	29.3
Prepayments	6.3	5.5
Insurance and other receivables	457.1	415.0
Financial assets at fair value	524.0	467.4
Cash and cash equivalents	150.0	166.2
Total assets	**2,953.3**	**2,613.8**
Liabilities		
Loans and borrowings	243.7	281.6
Insurance contract liabilities	1,791.8	1,485.1
Insurance and other payables	260.4	250.7
Deferred income tax liability	13.9	17.4
Current tax liabilities	17.3	9.9
Total liabilities	**2,327.1**	**2,044.7**
Total equity	**626.2**	**569.1**
Total equity and liabilities	**2,953.3**	**2,613.8**

Return on capital employed

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£'m	HY 2018	HY 2017
Advantage deployed capital[1]	277.4	234.7
Retail deployed capital[2]	44.5	35.1
Corporate free cash balance[3]	4.9	3.5
Capital employed	326.8	273.3
Net income	81.9	66.9
Return on capital employed	**50.1%**	**49.0%**

[1] Advantage deployed capital represents the average of Advantage Insurance Company Limited net assets during each period
[2] Retail deployed capital represents the average of Hastings Insurance Services Limited total capital resources, being total net tangible assets
[3] Corporate free cash balance represents the average cash held during the period in the Group's unregulated corporate entities

Motor reinsurance

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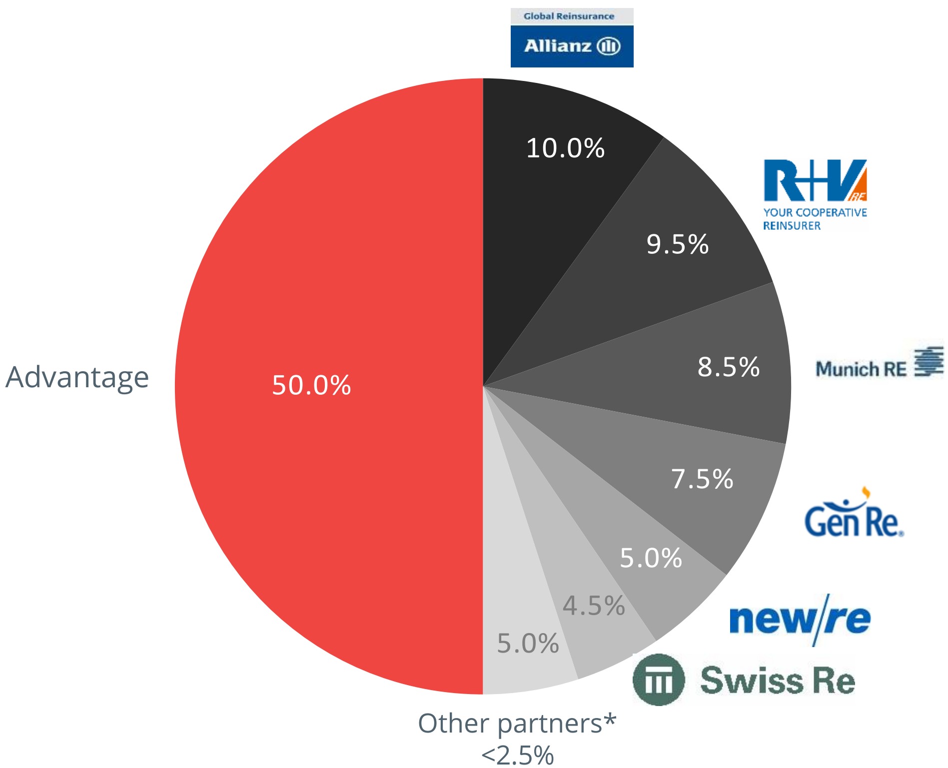
Quota share (QS) reinsurance programme (2018)



Excess of Loss (XoL) reinsurance programme (2018)

AICL 50% of first £1m	XoL Panel - All Costs over £1m per event
QS Panel 50% of first £1m	

* Axis, Chubb and DR Swiss

Capital efficient reinsurance programme

QS contracts

All contracts placed on a continuous basis

Reinsurer margins on 2018 programme maintained providing stability in overall cost of QS

Continued incremental reduction in risk transfer point on 2018 programme

Well diversified reinsurance panel, all rated A or above

XoL

Unlimited XoL cover on a traditional programme basis

Maintained at 2016 and 2017 levels fully covering losses exceeding £1m per event

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