Hastings Group Holdings plc
8 August 2019

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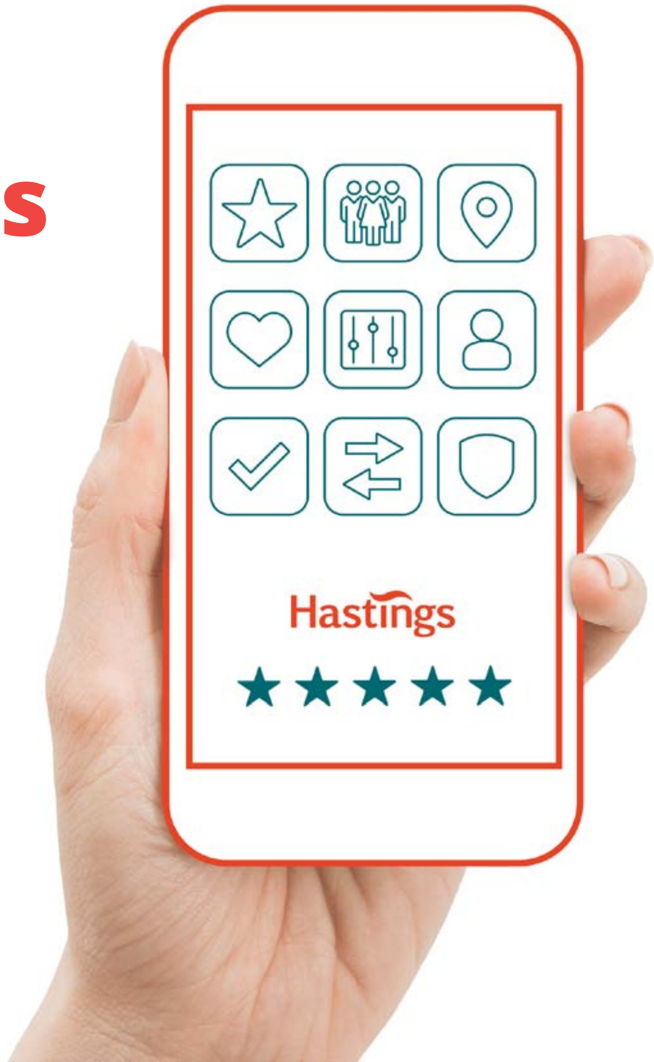
Half year results presentation



Agenda

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Key highlights

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H1 performance impacted by market conditions...

- H1 market prices still lower than 2018
- Claims inflation of 6–7%
- Adjusted operating profit, excluding Ogden impact, of £68.1m (£59.7m post-Ogden)
- Pre-Ogden loss ratio of 79.1% (81.1% post-Ogden)

...with some positive underlying dynamics...

- Market price increases in Q2
- Live policies of 2.8m, up 4% since the end of 2018 and GWP up 3%
- SCR coverage ratio of 160% and reducing net debt
- Strong group cash generation supporting a 4.5p interim dividend

....and strong progress on key initiatives

- New capabilities launched in pricing, anti-fraud and retention
- New claims partnerships live with Vizion Network and Autoglass BodyRepair
- Record levels of digital adoption
- Diversity, wellbeing and removal of single use plastic

H1 performance against our 2019 targets

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Calendar year loss ratio of 75-79%	79.1% pre-Ogden loss ratio for HY 2019
Over 3m customers during 2019, but not at the expense of profitability	2.8m customers at HY 2019
Net debt leverage multiple of around 1.0x	1.5x at HY 2019, with strong cash generation and reducing net debt
Dividend payout ratio of 65-75%	4.5p interim dividend

Market trends

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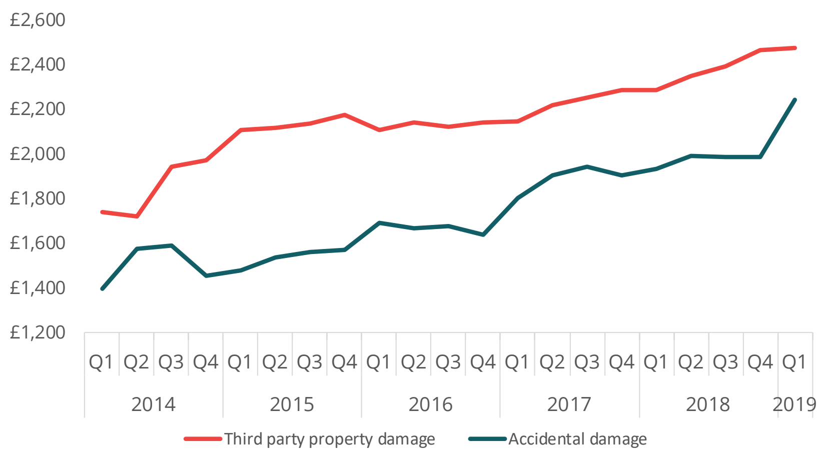
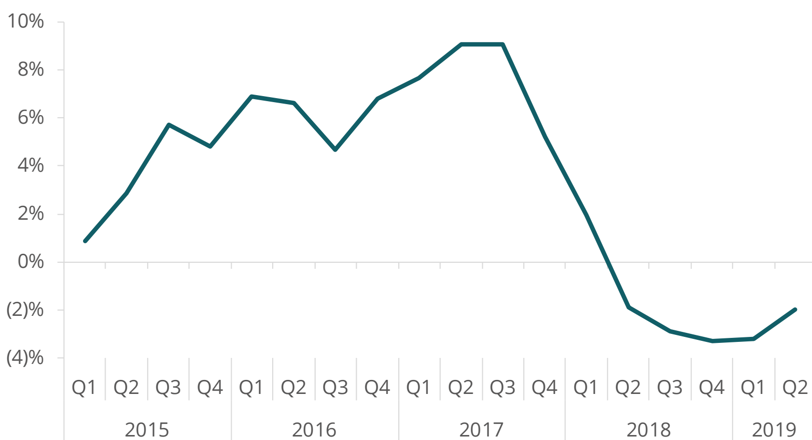
Market severities (ABI)



Market average written premium inflation, net of IPT (ABI)



Underlying claims inflation of 6-7%

Elevated claims inflation in the first half, driven in particular by:

- Increased third party credit hire costs
- Higher repair costs including continued inflation of paint, parts and labour

Improved market premium environment?

Market premium reductions throughout 2018, stabilising in the first half of 2019

Market price increases seen in Q2

Hastings average premiums up 3%

Policy growth largely resulting from delivery of retention initiatives

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Group financials

John Worth

Group results

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£'m	HY 2019	HY 2018	
Gross written premiums	**499.2**	**485.6**	**3%**
Net earned premiums	**215.6**	**219.2**	**(2)%**
Retail income	142.9	136.2	**5%**
Reinsurance and investment income	15.9	20.9	
Net revenue	**374.4**	**376.3**	**(1)%**
Net insurance claims	(170.6)	(161.8)	
Acquisition costs	(39.3)	(34.6)	**9%**
Other operating expenses	(96.4)	(89.4)	
Adjusted operating profit ***(before specific items)***	**68.1**	**90.5**	**(25)%**
VAT refund in respect of prior periods	-	14.6	
Ogden impact	(8.4)	-	
Adjusted operating profit	**59.7**	**105.1**	**(43)%**
Net income	**39.3**	**81.9**	**(52)%**
Profit after tax	**38.2**	**72.9**	**(48)%**
Adjusted EPS	**6.0p**	**12.5p**	**(52)%**

H1 profitability impacted by market conditions

Gross written premiums
Reflecting volume growth

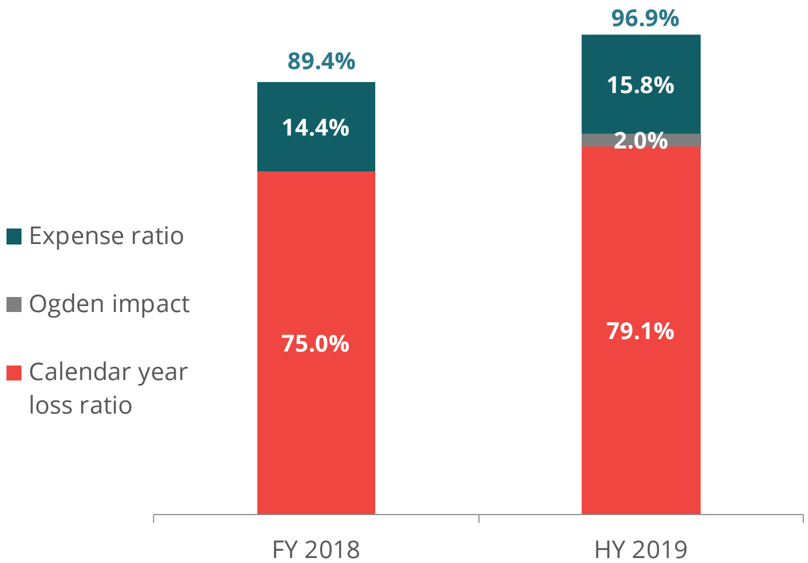
Net earned premiums
Earn through of written premiums and increased cost of reinsurance

Retail income
In line with policy growth

Operating expenses
Increased underwriting levies and regulatory costs, combined with strategic investment

Net income
Reflecting commencement of amortisation of the Guidewire broking platform

Combined operating ratio



Navigating combined operating ratio through the cycle

Accident year loss ratio
Accident year loss ratio increased to 79.6% (FY 2018: 76.1%), with claims inflation ahead of earned premium inflation

Expense ratio
Underwriting levies, acquisition costs and investment in claims management

Inflation
Earned premium deflation of 1% and claims inflation of 6-7%

Calendar year loss ratio	FY 2018	HY 2019
Accident year loss ratio	76.1%	79.6%
Prior year development	(1.1)%	(0.5)%
Calendar year loss ratio (pre-Ogden)	**75.0%**	**79.1%**
Ogden impact	-	2.0%
Calendar year loss ratio (post-Ogden)	**75.0%**	**81.1%**

Premium & claims inflation	FY 2018	HY 2019
Claims inflation (excluding weather)	**5%**	**6-7%**
Underlying written premium inflation	**1%**	**3%**
Impact of mix	*-*	*(6)%*
Reported written premium inflation / (deflation)	*1%*	*(3)%*
Reported earned premium inflation / (deflation)	**3%**	**(1)%**

Group free cash flow

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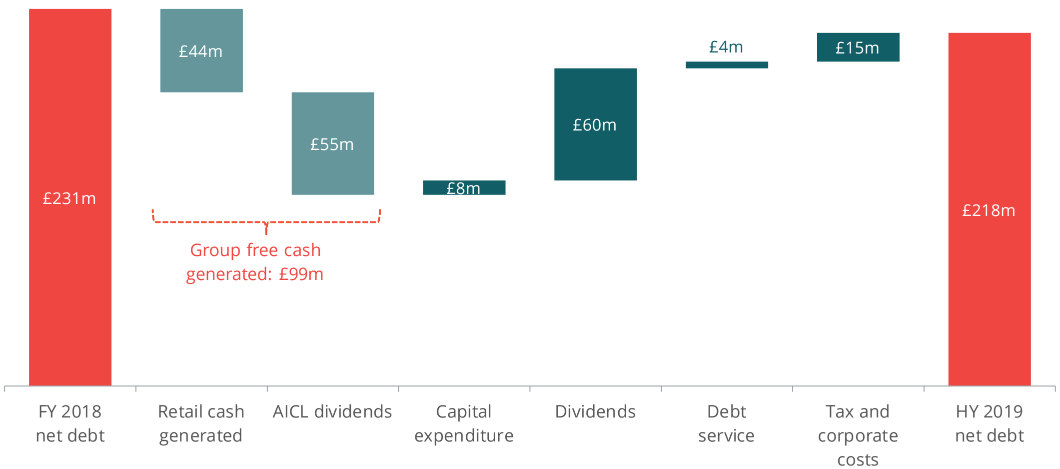
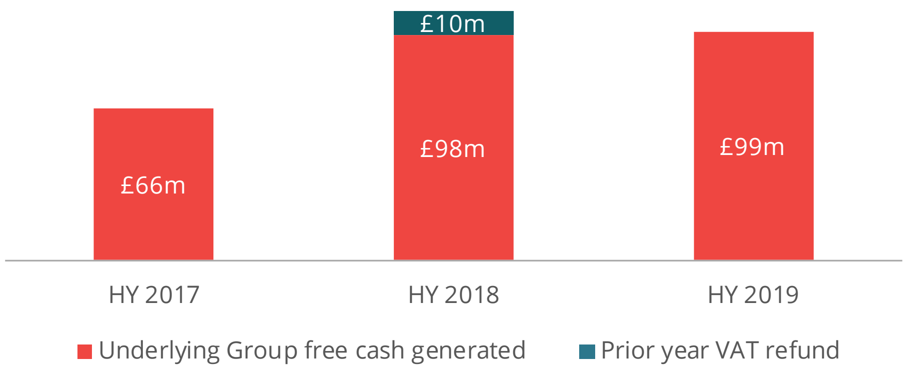
Net debt reduced



Positive cash generation



Highly cash generative

Debt facility
£250m unsecured fixed rate investment grade bond

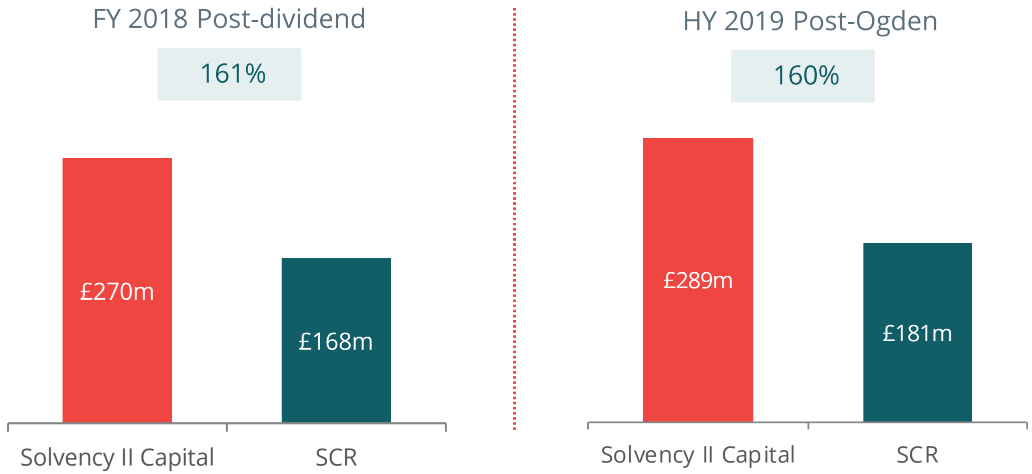
Group free cash
Strong Group cash generation of £99m, supported by £55m Advantage dividend

Capital expenditure
Capex of £8m primarily driven by investment in technology, including data, digital and Guidewire

Dividend
9.0p per share final 2018 dividend paid

Advantage capital and solvency

Solvency II coverage

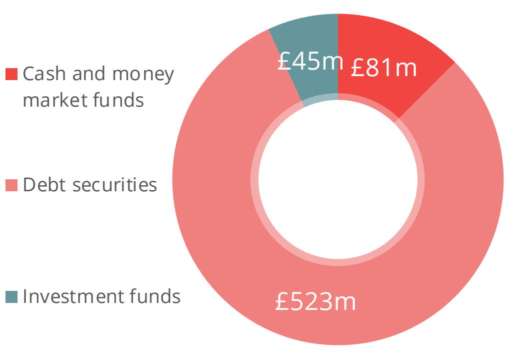


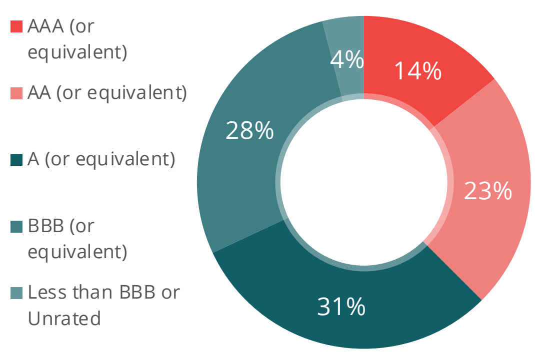
Strong Advantage capital position

Solvency II coverage ratio of 160% post-Ogden, with the pre-Ogden rate at c.168%

All Solvency II Own Funds comprise Tier 1 capital

Advantage investment portfolio





Rating of non-cash investments

Low risk investment portfolio

Strongly rated investment portfolio with overall A+ credit rating of debt securities, consistent with 2018

Upcoming external influences

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Whiplash reforms

- New portal expected to go live in April 2020
- Further information, including final tariffs, expected in October 2019
- Market uncertainty remains on claims costs benefits and premium dynamics
- We are not yet pricing in potential claims benefits and continue to monitor

FCA pricing practices

- FCA work ongoing
- Feedback statement issued in July with report on market study expected later in the year
- We are fully engaged and supportive of these reforms

Brexit

- No material impact expected
- Potential for claims inflation being monitored closely
- Limited impact expected on investment portfolio

Strategy progress

Toby van der Meer

Good progress delivering on our initiatives

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Large market with favourable PCW dynamics

Market leading pricing and anti-fraud	Customer retention	Home
Claims	Record levels of digital adoption	Vehicle technology

Underpinned by
Culture, Colleagues and ESG

Market leading pricing and anti-fraud

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Example of data enrichment on risk selection for new business

	Pre-enrichment	New data identifies new sub-segments, enhancing risk selection	Post-enrichment	
	Average		Higher risk segments	Lower risk segments
Average premium	**£380**		£390	£360
Claims frequency	**11.5%**		12.0%	10.0%
Segment size			⇩	⇧

Next generation anti-fraud platform now live, with new types of fraud already identified

Example A - Operation Yukon

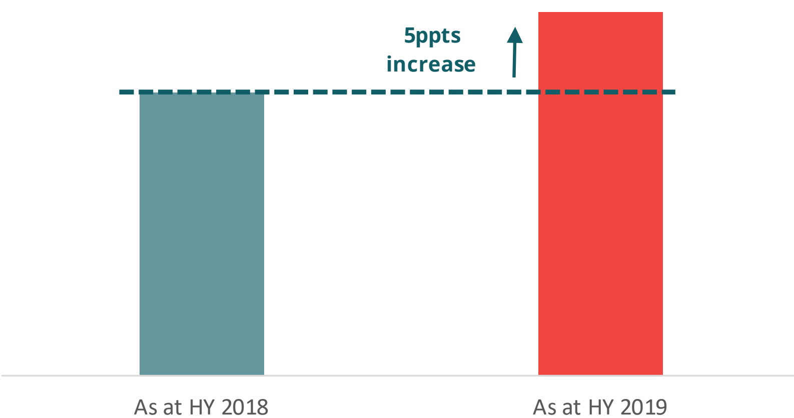
- Sophisticated accidental damage claims fraud ring identified
- 12 claims, with unusual fraud profiles and falsified policyholder details
- Links identified between proposed repairers, not part of our approved network

Example B - Operation Jupiter

- New ghost broking ring identified
- 25 policies linked by 49 declined quotes
- Affected policies all related to low-premium 125cc motorbikes, which have not historically been associated with application fraud

Customer retention

Retention improvements

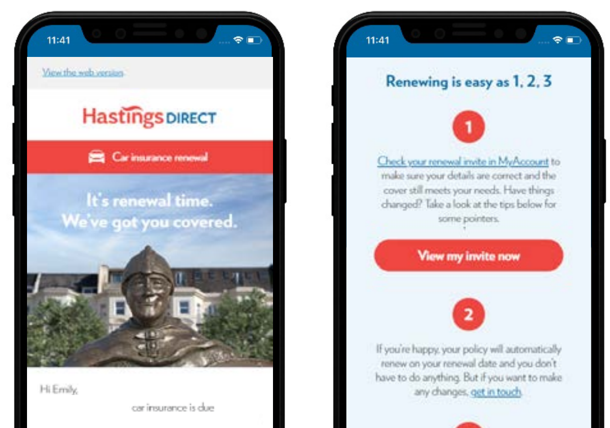


New and embedded retention capabilities

- Multiple new renewal pricing models tested over the last 12 months
- Custom built Guidewire loyalty tool, specifically designed for the PCW environment
- Enhanced colleague training and tools
- Changes in line with regulatory direction

Key retention initiatives

Enhanced colleague training and tools



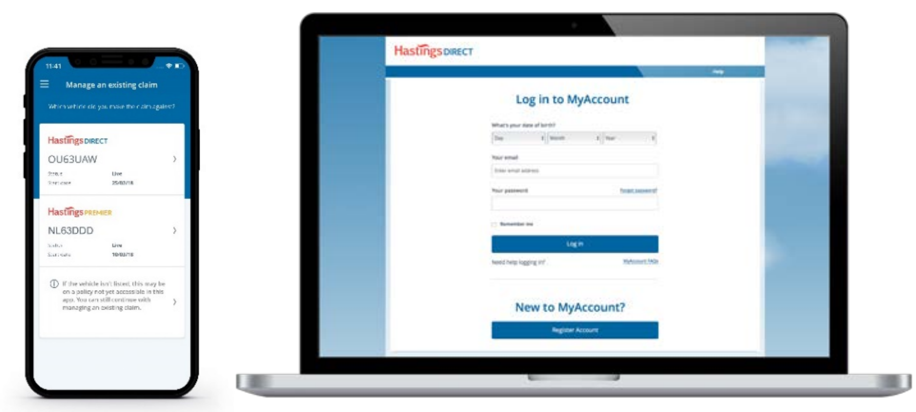
Improved pricing and customer communications

Record levels of digital adoption

Significant progress with MyAccount and mobile app

New functionality launched including:

- Improved user interface on MyAccount
- Optimised MyAccount renewal pages
- New in-app feedback tool



Digital KPIs

Online policy changes	149k
Mobile app downloads (as at 30th June)	317k
Mobile app iOS rating	4.7☆
Total loss claims settled digitally	57%
Reduction in customer service calls per policy	11%

New claims partnerships

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New repair partner	Status	Activity	Benefits
VIZION NETWORK WHEN QUALITY MATTERS	**Live**	Fault repair services	Increased utilisation of our approved repair network through: • Better geographical and manufacturer coverage • Over 700 garages now available (from 400) • Digitalised and streamlined customer proposition Increase in repair conversion vs. total losses
AUTOGLASS® BodyRepair	**Live**	Mobile / smart repair for small damage cases	Ability to repair more vehicles on a mobile basis providing: • Reduced indemnity cost • Greater customer convenience
enterprise	**Live Q4 2019**	Credit services for non-fault mobility and repair	• Improved commercials • Greater flexibility in credit hire approach • Significantly larger vehicle fleet • Improved customer service

Environmental, social and governance (ESG)

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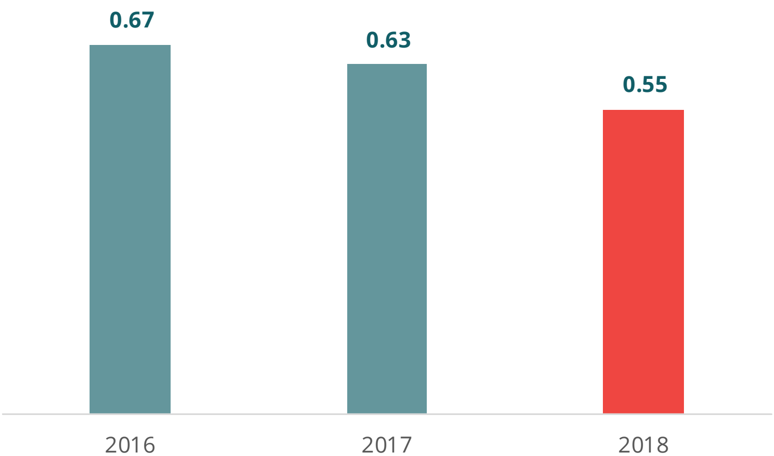
Environmental



CO_2e per full time colleague

Diversity and wellbeing

30% Club
GROWTH THROUGH DIVERSITY

women in data

time to change
let's end mental health discrimination

Summary

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1. Continue to successfully navigate market rate dynamics, claims trends and impact of regulatory reforms
2. Pricing discipline remains a priority
3. Good progress on initiatives

Q&A

Appendix

Net revenue

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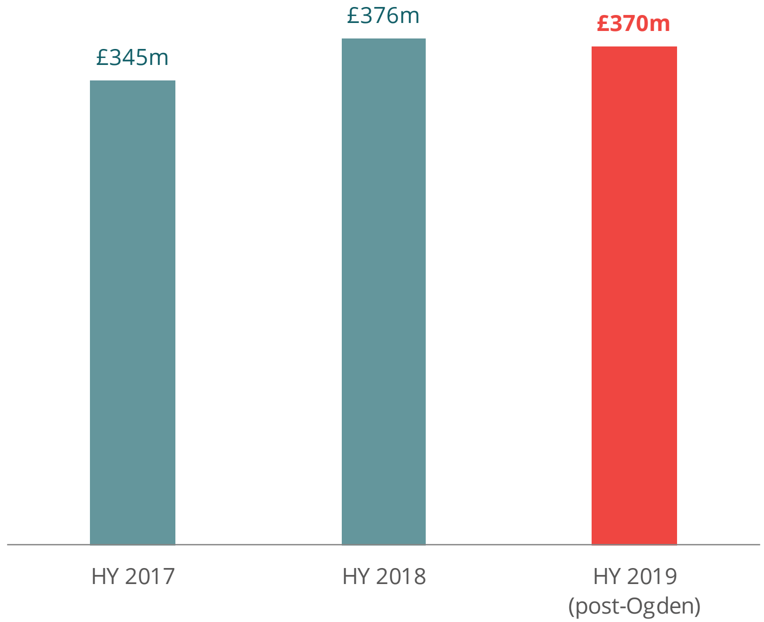


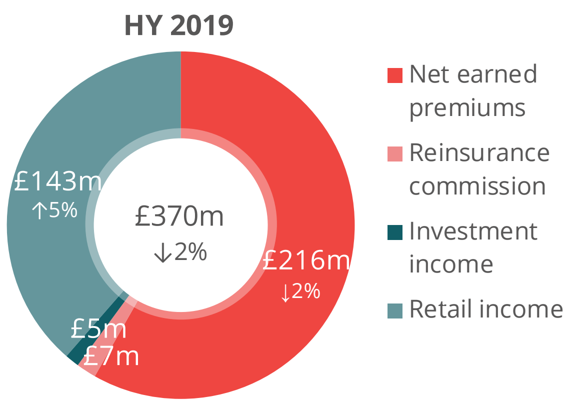
Net revenue stable

Net earned premiums
Reduction driven by 2018 written premium deflation and the increased cost of XoL reinsurance earning through, partially offset by increased policy count

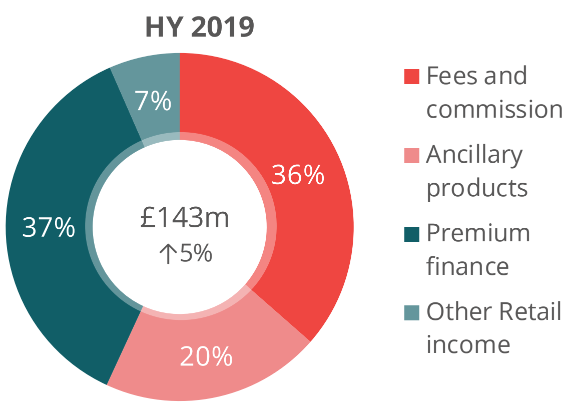
Retail revenue
Growing broadly in line with policy count

Diversified retail revenue streams

Net revenue breakdown (post-Ogden)



Retail revenue breakdown



Motor reinsurance

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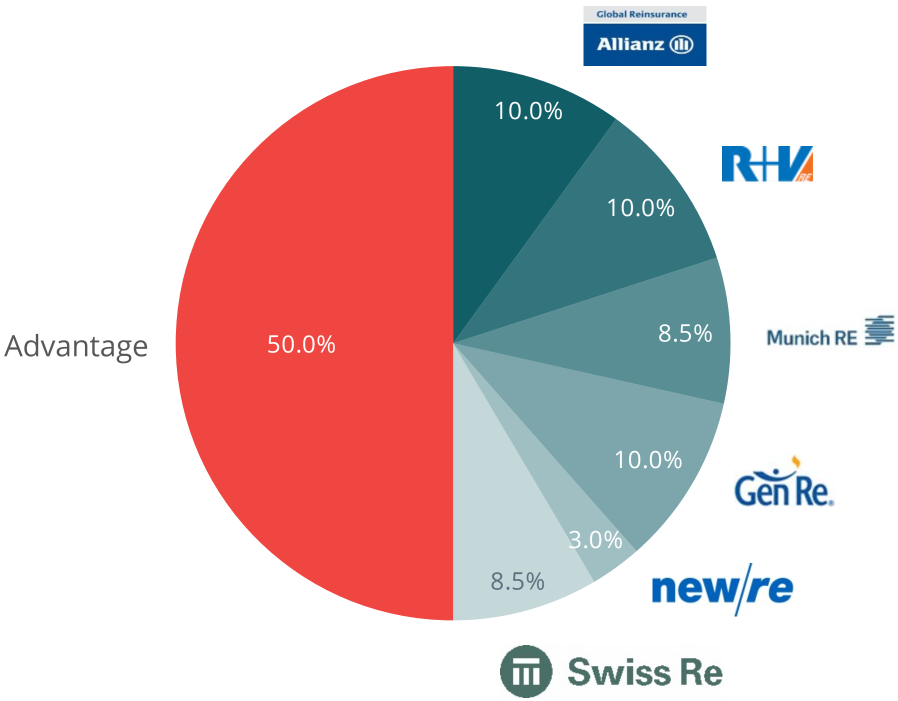
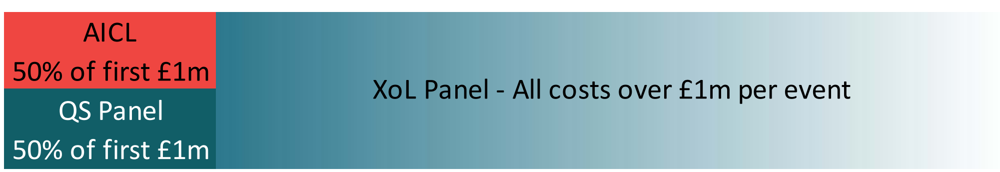
Quota share (QS) reinsurance programme (2019)



Excess of Loss (XoL) reinsurance programme (2019)



Capital efficient reinsurance programme

QS contracts
All contracts placed on a continuous basis

Reinsurer margins on 2019 programme broadly maintained providing stability in overall cost of QS

Continued incremental reduction in risk transfer point versus the 2018 programme

Well diversified, high quality reinsurance panel, all rated AA- or above

XoL
Unlimited XoL cover on a traditional programme basis

Maintained at historic levels, fully covering losses exceeding £1m per event

Adjusted operating profit to profit after tax

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£'m	HY 2019	HY 2018
Adjusted operating profit (pre-Ogden)	**68.1**	**105.1**
Ogden impact	(8.4)	0.0
Adjusted operating profit	**59.7**	**105.1**
Operational amortisation and depreciation	(7.5)	(3.5)
Finance costs	(4.8)	(3.9)
Underlying profit before tax	**47.4**	**97.7**
Underlying taxation expense	(8.1)	(15.8)
Net income	**39.3**	**81.9**
Non-operational amortisation and other fair value adjustments	(1.3)	(10.9)
Tax effect of the above adjusting items	0.2	1.9
Profit after tax	**38.2**	**72.9**

Group balance sheet

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£'m	HY 2019	HY 2018
Assets		
Goodwill	470.0	470.0
Intangible assets	81.6	82.4
Property and equipment	23.2	22.9
Deferred income tax asset	4.7	7.1
Reinsurance assets	1,350.0	1,199.6
Deferred acquisition costs	35.0	33.9
Prepayments	8.7	6.3
Insurance and other receivables	486.2	457.1
Financial assets at fair value	567.5	524.0
Cash and cash equivalents	150.9	150.0
Total assets	**3,177.8**	**2,953.3**
Liabilities		
Loans and borrowings	244.8	243.7
Insurance contract liabilities	1,985.6	1,791.8
Insurance and other payables	294.8	260.4
Deferred income tax liability	6.6	13.9
Current tax liabilities	8.5	17.3
Total liabilities	**2,540.3**	**2,327.1**
Total equity	**637.5**	**626.2**
Total equity and liabilities	**3,177.8**	**2,953.3**

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