Hastings Group Holdings plc
9 August 2017

Half Year Results Presentation 2017

Agenda

Key highlights

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1 Momentum of profitable growth continues

- Strong policy growth and premium increases
- Live customer policies up 15% to 2.5m
- Increasing profitability whilst maintaining underwriting discipline
- Delivering on our targets

2 Another strong set of results

- Gross written premiums up 28% to £462.0m
- Adjusted operating profit up 22% to £86.5m
- Underpinned by a strong financial position
- Solvency II capital ratio of 173%
- An interim dividend of 4.1p pence per share, 0.8p higher than prior year

3 Continued investment in the business

- Over 85% of claims now handled on Guidewire claims module
- Continued phased roll out of Guidewire broking and digital platforms

Delivering on our commitments

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	HY 2017	HY 2016
Calendar year loss ratio of 75-79%	73.4%	74.0%
Over 3m customers during 2019, but not at the expense of profitability	2.5m	2.2m
Net debt leverage multiple of around 1.0x during 2019	1.7x	1.9x
Dividend payout ratio of 50-60%	✓	✓

Continued profitable growth

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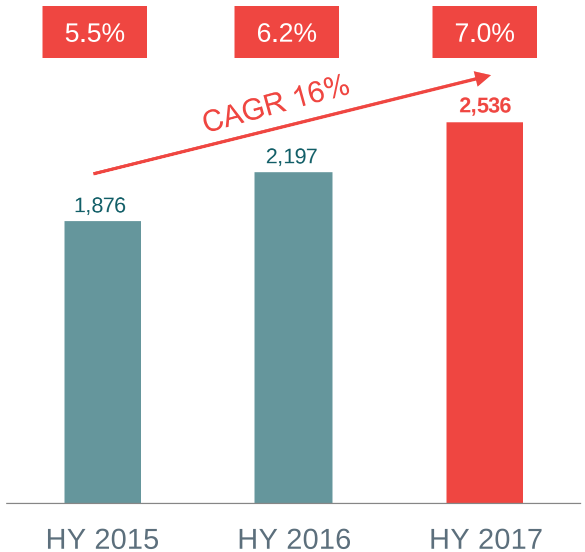
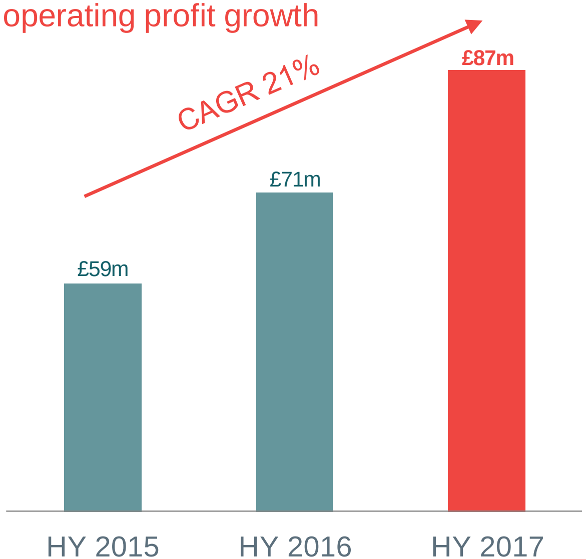
UK private car market share % / Total customer policies (000s)



Adjusted operating profit growth



Continued momentum in our core motor insurance book

Private car
Growing share of PCW motor new business sales and profitable maturing book

PCW penetration on motor increased to 69% (HY 2016: 67%)

Hastings UK private car market share increased to 7.0% (HY 2016: 6.2%)

Telematics
Continued investment in Telematics using insight gained to develop and test enhanced risk selection on our core motor book

Other products
Development progressing on our new Home proposition including Advantage joining the Home panel

Bike and Van market shares continue to increase to 8.4% (HY 2016 7.2%) and 3.9% (HY 2016 3.2%) respectively

Group financials

Richard Hoskins

Financial highlights

Gross written premiums: £462.0m	Gross written premiums up 28%
Adjusted operating profit: £86.5m	Adjusted operating profit increasing by 22%
Calendar year loss ratio: 73.4%	Calendar year loss ratio below the 75%-79% target range
Free cash generated: £65.8m	Strong free cash generation, supporting investment in our business and healthy dividends
Net debt leverage multiple: 1.7x	Reduced from 1.9x at HY 2016 as a result of continued profit growth and cash generation
Solvency II: 173%	Solvency II coverage ratio of 173% using the standard formula with USPs

Group results

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£m	HY 2017	HY 2016	
Gross written premiums	**462.0**	**360.6**	**28%**
Net earned premiums	**195.1**	**156.1**	**25%**
Retail income	128.0	112.0	
Reinsurance and investment income	22.1	14.6	
Net revenue	**345.2**	**282.7**	**22%**
Net insurance claims	(143.3)	(115.5)	
Acquisition costs	(31.7)	(25.2)	
Other operating expenses	(83.7)	(71.2)	
Adjusted operating profit	**86.5**	**70.8**	**22%**
Net income	**66.9**	**51.9**	**29%**
Profit after tax	**57.9**	**42.7**	**36%**
Adjusted EPS	**10.2p**	**7.9p**	**29%**

Strong results continue in 2017

Gross written premiums
28% GWP growth driven by premium increases and policy count

Net earned premiums
Growth of 25% reflecting written premium earning through

Retail income
Growth of 14% driven by higher policy count

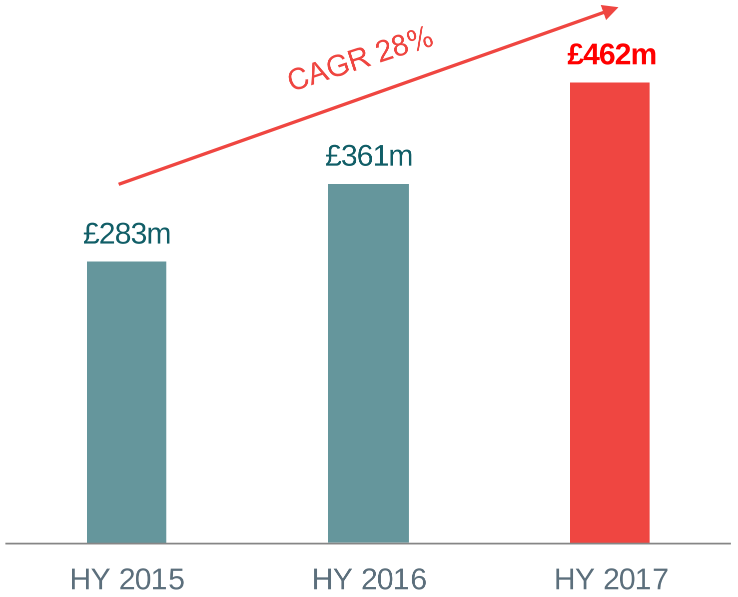
Operating expenses
Increase due to growth in policy count and investment in the business, but with positive jaws maintained

Adjusted operating profit
Continued profitable growth, up 22%

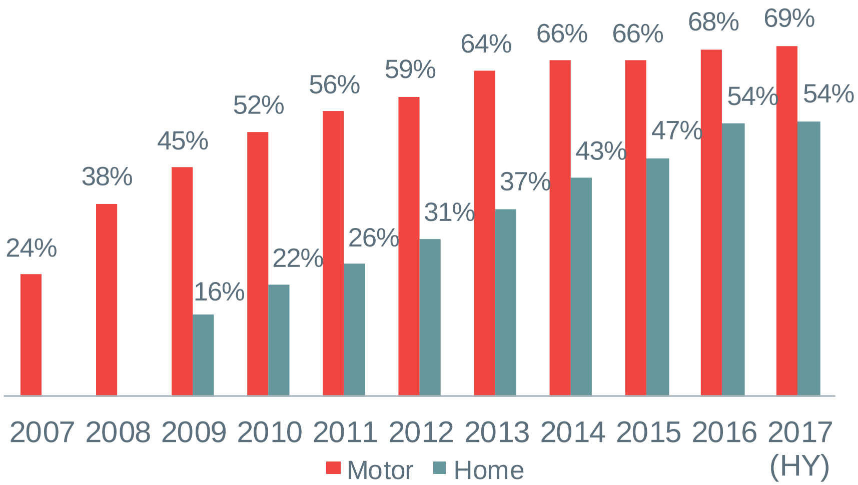
Net Income and adjusted EPS
Net income which is profit after tax adjusted for non-trading items up 29%, benefitting from lower finance costs

Profit after tax
Up 36% on prior year

Gross written premiums



UK market new business sales through PCWs



Premium increases continue

Gross written premiums
Growth in customer numbers, strong retention rates and continuing increases in average premium

Price comparison websites
PCW market penetration increased to 69% on motor

PCW market continues to grow with more customers shopping around

Hastings share of PCW new business sales has increased further over 2017

Private Car market share has grown to 7.0% (HY 2016: 6.2%)

Continued increases in PCW penetration in the Home market

Net revenue

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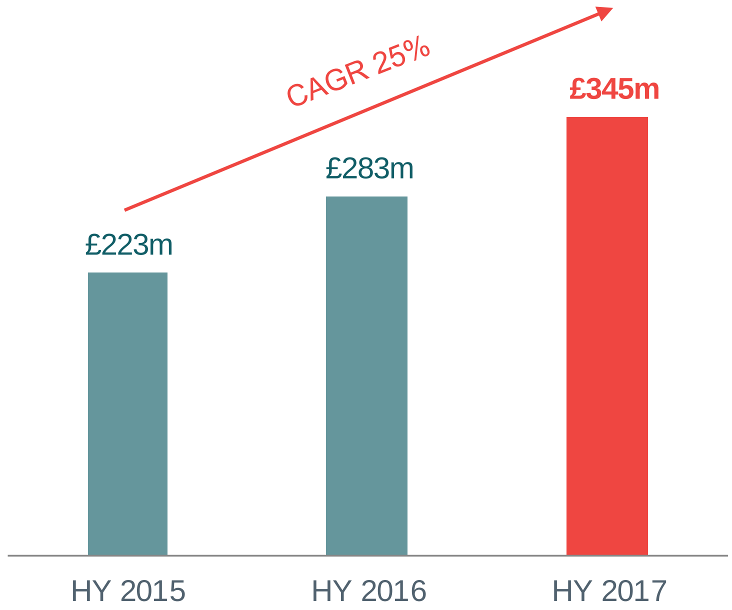


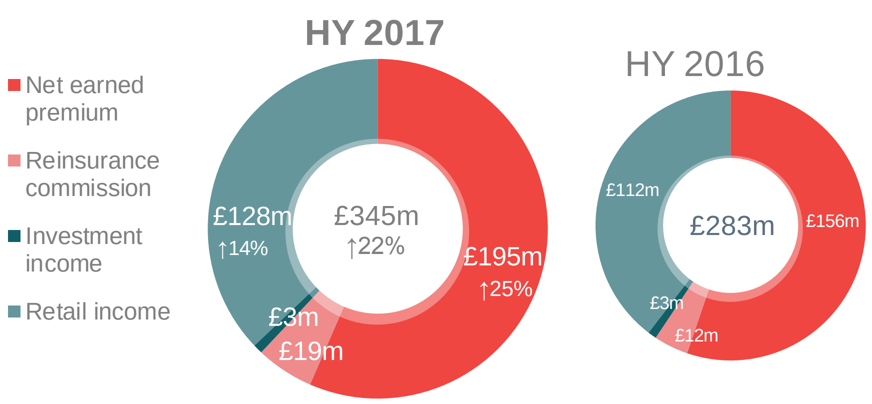
Strong net revenue growth

Net earned premiums
Net earned premiums growth driven by increased policy count and rate increases, with average motor earned premium up by 7%

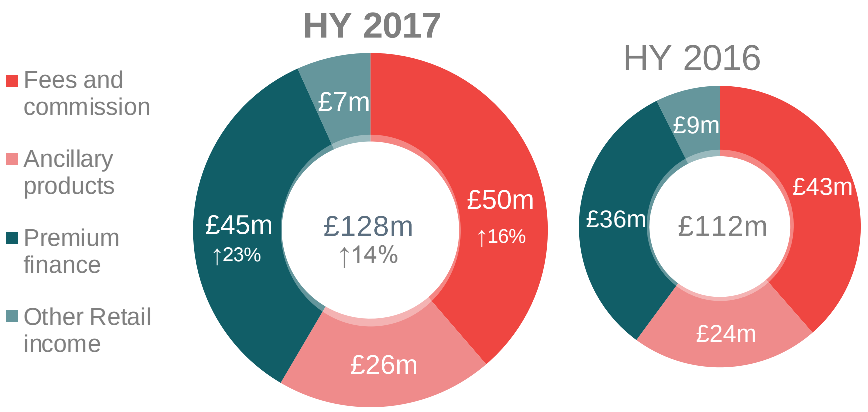
Retail revenue
Retail revenue growing due to new business and strong retention rates

Average Retail income per policy consistent with HY 2016

Net revenue breakdown

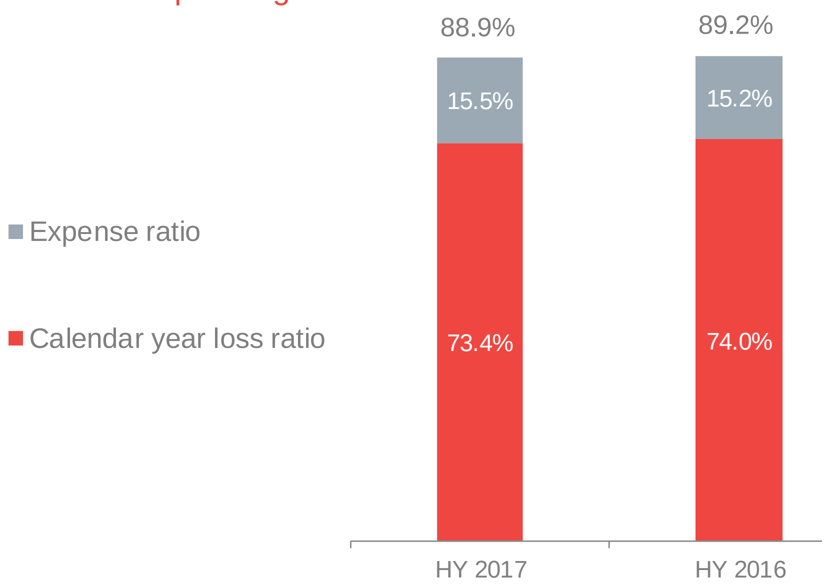


Retail revenue breakdown



Combined operating ratio

Combined operating ratio



Calendar year loss ratio of 73.4%, below the target range

Accident year loss ratio
Accident year loss ratio stable at 74.1% (HY 2016: 74.3%)

Prior year development
Prior year development positive and higher than 2016

Expense ratio
Expense ratio slightly up on prior year due to higher new business volumes

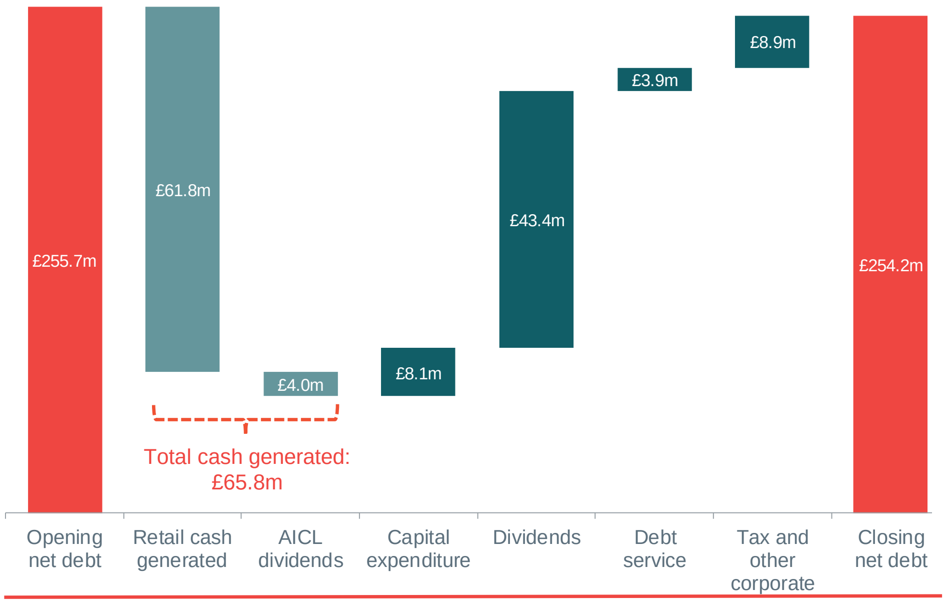
Calendar year loss ratio

	HY 2017	HY 2016
Accident year loss ratio	74.1%	74.3%
Prior year development	(0.7%)	(0.3%)
Calendar year loss ratio	73.4%	74.0%

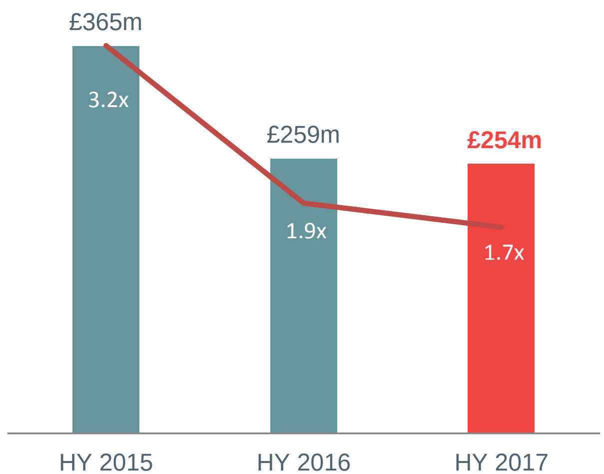
Premium & claims inflation

	HY 2017	HY 2016
Written premium inflation	8%	11%
Earned premium inflation	7%	11%
Claims inflation	5%	5%

Group cash flow and leverage



Net debt and leverage multiple



Increasing cash flow generation and continued deleveraging

Debt facility
Further improvements to the credit facility agreed during HY 2017, converting the facility to £310m revolving credit facility with lower interest margin

Retail cash
Strong Retail cash generation of £61.8m, up 26% on HY 2016

Capital expenditure
Capex of £8.1m primarily driven by the continued investment in Guidewire

Dividend
6.6p per share final 2016 dividend paid

Debt service
Debt servicing of £3.9m, down from £5.8m in HY 2016 due to lower interest margin and principal repayment

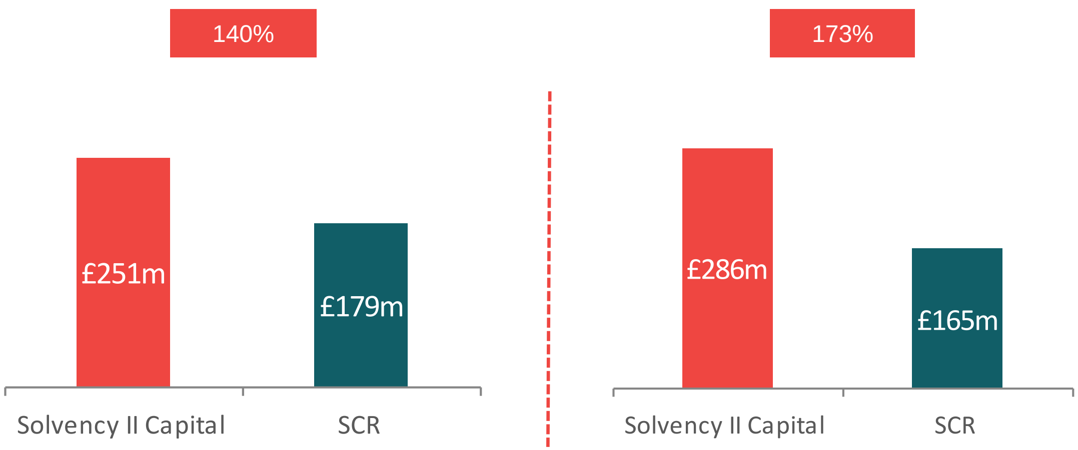
Net debt leverage multiple
Net debt leverage multiple of 1.7x, down from HY 2016 due to continued profit growth and cash generation

Advantage capital position

Solvency II coverage

FY 2016
Post-Ogden/dividend

HY 2017
Standard Formula with USPs



Strong Advantage capital position - now with USPs

Solvency II

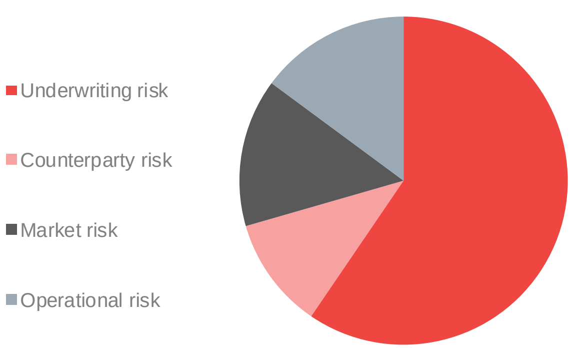
Solvency II coverage ratio of 173% on standard formula with USPs

All Solvency II Own Funds comprise Tier 1 capital

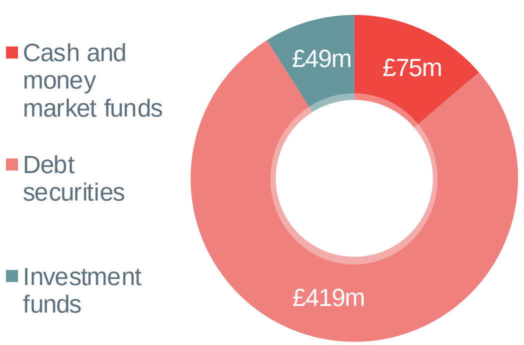
Investment portfolio

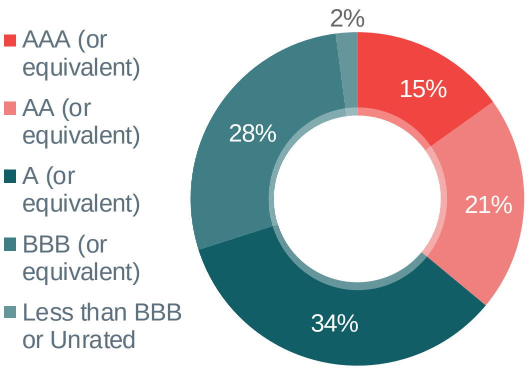
Strongly rated investment portfolio with overall credit rating A+, consistent with 2016

Split of capital requirement by risk type[1]



Advantage investment portfolio





[1]Excluding diversification benefit and loss absorbing capacity of deferred tax

Rating of non-cash and money market fund investment

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Summary and outlook

Gary Hoffman

Our focus for 2017

Our focus areas	Progress for HY
Maintain focus on profitable growth, with a target of 3m customer policies during 2019	Strong half year growth with operating profit increasing 22% and customer policies of 2.5m
Continued development of our Home proposition	Test and learn approach of our Home proposition continues
Maintaining our underwriting discipline, with a targeted calendar year loss ratio range of 75-79%	Strong underwriting discipline delivering a calendar year loss ratio of 73.4% which is below our target
Enhancing customer service and operational efficiency including the roll out of Guidewire	Continued phased roll out of Guidewire broking and digital platforms
Cash generation and de-leveraging, with a net debt leverage multiple of 1.0x during 2019	All targets remain on track to be delivered

Q&A

Appendix

Adjusted operating profit to profit after tax

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£m	HY 2017	HY 2016
Adjusted operating profit	**86.5**	**70.8**
Operational amortisation and depreciation	(2.8)	(2.9)
Finance costs	(3.9)	(5.2)
Underlying profit before tax	**79.8**	**62.7**
Taxation expense	(12.9)	(10.8)
Net income	**66.9**	**51.9**
Non-trading costs	-	(0.1)
Non-operational amortisation and other fair value adjustments[1]	(10.9)	(11.2)
Tax effect of the above adjusting items	1.9	2.1
Profit after tax	**57.9**	**42.7**

[1] Amortisation of fair value adjustments on intangible assets and unwind of claims reserves and recoveries

Segmental results

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Retail results

£'m	HY 2017	HY 2016
Retail policy income	172.0	142.2
Investment income	0.1	0.1
Total income	**172.1**	**142.3**
Salaries & other staff expenses	(40.0)	(33.1)
Acquisition costs	(34.9)	(27.9)
Other expenses	(35.4)	(29.1)
Total expenses	**(110.2)**	**(90.1)**
Adjusted operating profit	**61.9**	**52.2**

Underwriting results

£'m	HY 2017	HY 2016
Net earned premium	**210.8**	**167.6**
Other revenue	19.1	11.8
Investment income	3.0	2.8
Net claims incurred	(143.3)	(115.5)
Other expenses	(63.4)	(49.2)
Adjusted operating profit	**26.2**	**17.5**

Segmental reconciliation

£m, HY 2017	Underwriting	Retail	Corporate costs	Earn through discounts	Eliminate intercompany income	Other	Group
Net earned premiums	210.8	–	–	(15.7)	–	–	195.1
Other revenue	19.1	172.0	0.2	18.7	(59.4)	(3.6)	147.0
Investment and interest income	3.0	0.1	–	–	–	–	3.1
Net revenue	**232.9**	**172.1**	**0.2**	**3.0**	**(59.4)**	**(3.6)**	**345.2**
Net claims incurred	(143.3)	–	–	–	–	–	(143.3)
Operating expenses	(63.4)	(110.2)	(3.7)	–	59.4	2.6	(115.4)
Adjusted operating profit	**26.2**	**61.9**	**(3.5)**	**3.0**	**-**	**(1.0)**	**86.5**

Combined operating ratio

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£m	HY 2017	HY 2016
Group net earned premiums	**195.1**	**156.1**
Current accident year claims costs	(144.7)	(116.0)
Accident year loss ratio (%)	**74.1%**	**74.3%**
Prior year development (%)	(0.7%)	(0.3%)
Calendar year loss ratio (%)	**73.4%**	**74.0%**
Net acquisition costs	(17.2)	(13.0)
Net underwriting expenses	(13.0)	(10.7)
Total expenses	**(30.2)**	**(23.7)**
Expense ratio (%)	**15.5%**	**15.2%**
Group combined ratio (%)	**88.9%**	**89.2%**

Group balance sheet

£m	HY 2017	HY 2016
Assets		
Goodwill	470.0	470.0
Intangible assets	89.5	99.9
Property and equipment	13.4	13.0
Deferred income tax asset	5.4	4.0
Reinsurance assets	952.1	610.9
Deferred acquisition costs	29.3	22.7
Prepayments	5.5	14.3
Insurance and other receivables	415.0	312.9
Financial assets at fair value	467.4	359.9
Cash and cash equivalents	166.2	140.1
Total assets	**2,613.8**	**2,047.7**
Liabilities		
Loans and borrowings	281.6	286.1
Insurance contract liabilities	1,485.1	1,023.8
Insurance and other payables	250.7	172.9
Deferred income tax liability	17.4	19.7
Current tax liabilities	9.9	8.6
Total liabilities	**2,044.7**	**1,511.1**
Total equity	**569.1**	**536.6**
Total equity and liabilities	**2,613.8**	**2,047.7**

Return on capital employed

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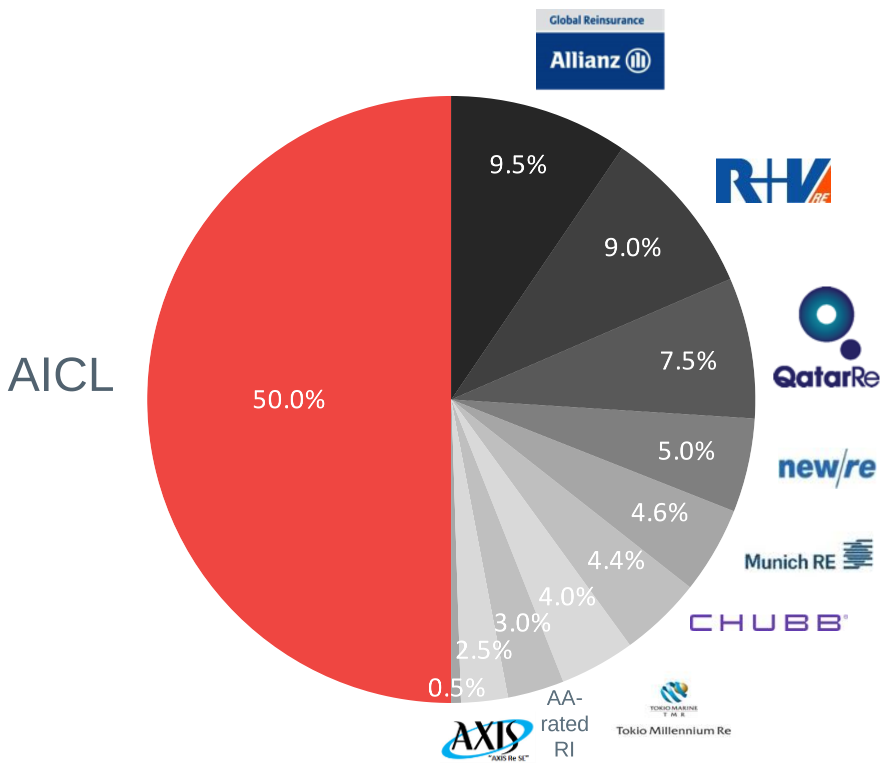
£m	HY 2017	HY 2016
Advantage deployed capital[1]	234.7	205.8
Retail deployed capital[2]	35.1	31.9
Corporate free cash balance[3]	3.5	7.2
Capital employed	273.3	244.9
Net income	66.9	51.9
Return on capital employed	**49.0%**	**42.4%**

[1] Advantage deployed capital represents the average of Advantage Insurance Company Limited's net assets during each period
[2] Retail deployed capital represents the average of Hastings Insurance Services Limited's 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

Quota share (QS) reinsurance programme (2017)



Excess of Loss (XoL) reinsurance programme (2017)

Capital efficient reinsurance programme

QS contracts

More than 75% by value on rolling multi-year deals

Further reduced reinsurer margins on 2017 programme, reducing overall cost of QS

Continued incremental reduction in risk transfer point on 2017 programme

Well diversified reinsurance panel, all rated A or above

XoL

Unlimited XoL cover on a traditional programme basis

Maintained at 2015 and 2016 levels covering losses exceeding £1m per event

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