Hastings Group Holdings plc
15 March 2016

Annual Results Presentation 2015

Agenda

Four key messages today

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1 We remain focused on what makes us different

- Agile approach to pricing
- Focus on digital distribution channels
- Distinct and complementary Underwriting and Retail businesses
- Focus on the 4Cs – Colleagues, Customers, Company and Community

2 We have delivered great results in 2015

- Customer policies up 19% to 2.0m
- Gross written premiums up 27% to £614.9m
- Group operating profit up 19% to £126.1m
- Underpinned by a strengthened financial position

3 We are investing consistently in the future

- Guidewire for claims delivered, broker to follow mid 2016
- Strong growth in our Home business
- Opened a new site in Leicester

4 We are delivering on our promises

- Delivering profitable growth
- A first dividend of 2.2 pence per share
- Secured longer term reinsurance agreements
- On track with our four targets committed at IPO

Key achievements in 2015

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- Awarded Consumer Moneyfacts 'Car Insurance Provider of the Year' for the third year running

- Third UK site opened in Leicester

- 100,000 Home customers

London Stock Exchange

- Hastings IPO and admission to trading on the London Stock Exchange
- Guidewire ClaimCenter went live

January – March	April – June	July – September	October – December

- Established Home co-insurance arrangement with AXA

- Mike Fairey appointed as Group Non-Executive Chairman

- Awarded UK Broker Awards 'Personal Lines Broker of the Year'

- 2 million customer milestone achieved

Delivering on our IPO commitments

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	2015
Calendar year loss ratio of 75% - 79%	75.4%
Over 2.5m customers by the end of 2017, but not at the expense of profitability	2.0m
Net debt leverage multiple of around 1.5x by the end of 2017	2.1x
Dividend pay out ratio of 50% - 60%	56.5%

Continued profitable growth

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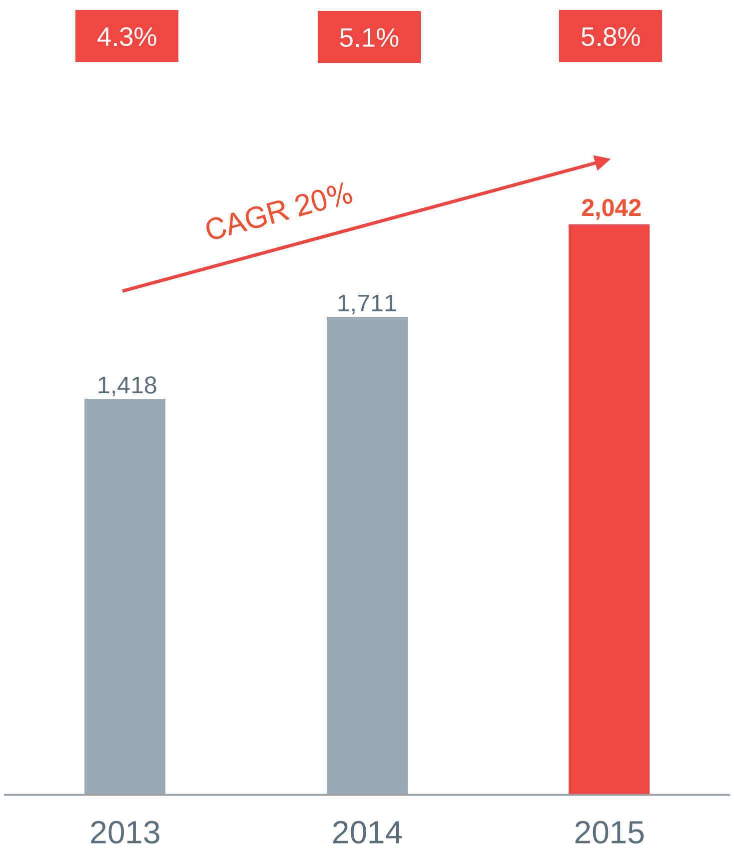
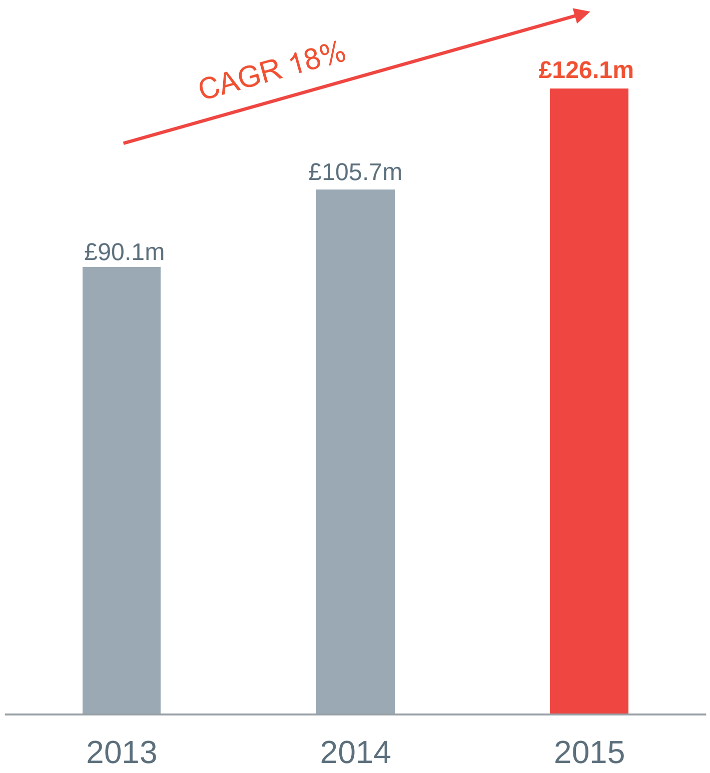
Market share[1]/Total customer policies (000s)



Group operating profit growth



[1]UK private car market share

Multiple levers for sustainable growth

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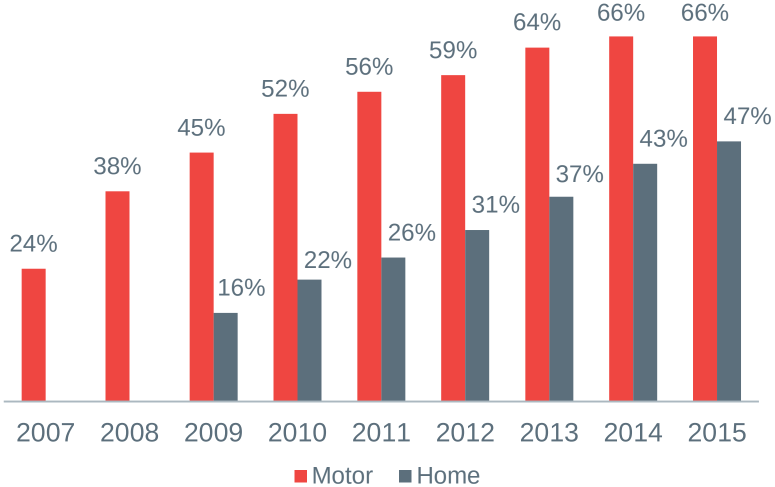
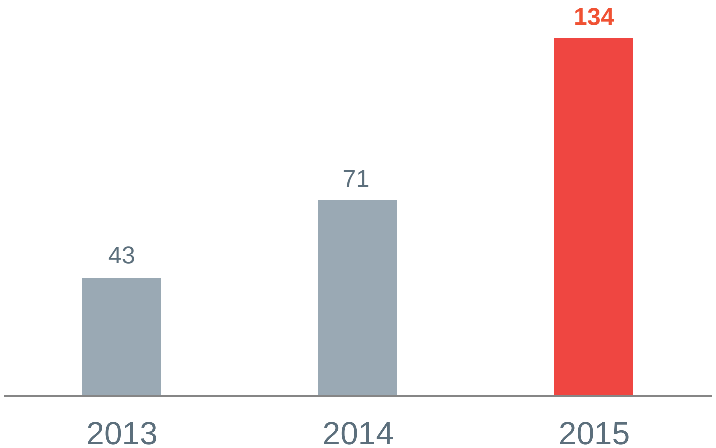
UK market new business sales through PCWs



Home customer policies (000s)



- Continued momentum from our c.11-12% share of PCW new business sales and a profitable maturing book
- Selective footprint expansion within our core market using test and learn approach
- Strategy to grow our Home book, benefitting from increased PCW penetration
- Motor capabilities transferable to Home
- First steps into underwriting Home, under a co-insurance arrangement with AXA
- Leicester opened Q2 2015, supporting future growth with over 400 high calibre colleagues
- Existing telematics proposition (c.30,000 policies) ready for scaling as market continues to develop
- Pricing benefits across the business from telematics data enrichment and fraud detection

Investment in Guidewire, Direct and Digital

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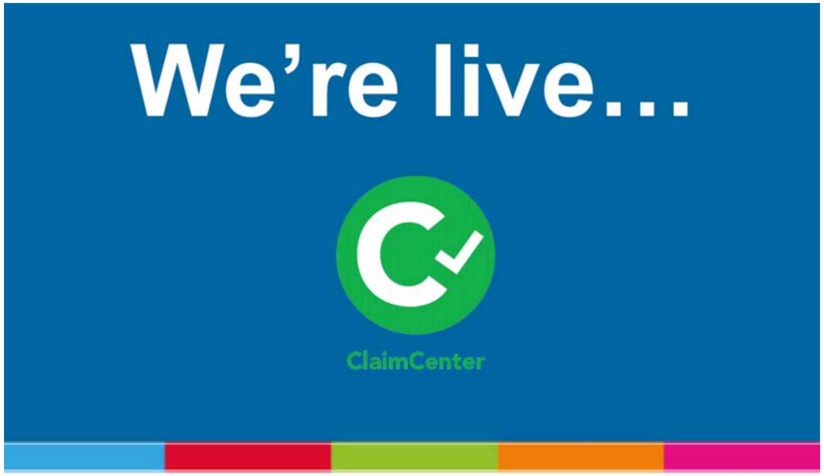
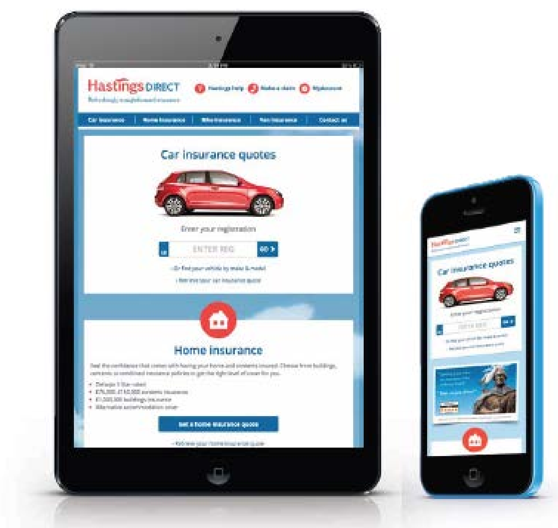


GUIDEWIRE



- Guidewire will provide an integrated, end to end platform across broking, claims and pricing
- Significant benefits to the customer experience:
  - multi-car offering (35% of UK households have >1 car)
  - improved quality of communications
  - 24x7 online self-service portal
- Claims module implemented with agility and fully operational
- Reduction in claims lifecycle through workflow and activity management
- Post Guidewire operating cost efficiencies anticipated from 2017
- Mobile optimised web journey and development of mobile apps
- Continued investment in building the Hastings Brand

Group financials

Richard Hoskins

Financial highlights

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Group operating profit: £126.1m	Strong, profitable growth with customer policies and Group operating profit increasing by 19%
Loss ratio: 75.4%	Calendar year loss ratio at low end of target range of 75% - 79%
Cash generated: £81.2m	Strong cash generation, supporting investment in our business, dividends and accelerated debt repayment
Net debt leverage multiple: 2.1x	Reduced from 3.6x due to operating profit growth, cash generated and IPO capital raised
Solvency II: 156%	Solvency II coverage ratio of 156% under the standard formula

Group results

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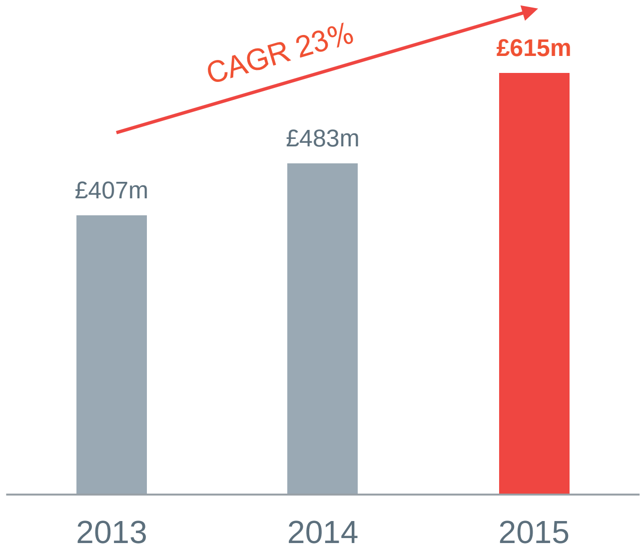
£m	2015	2014[1]
Gross written premiums	**614.9**	**483.4**
Net earned premiums	**255.9**	**202.5**
Retail income	191.2	160.1
Reinsurance and investment income	33.9	38.3
Net revenue	**481.0**	**400.9**
Net claims incurred	(192.9)	(152.4)
Acquisition costs	(44.3)	(37.9)
Other operating expenses	(117.7)	(104.9)
Total expenses	**(354.9)**	**(295.2)**
Group operating profit	**126.1**	**105.7**
Net income	**76.2**	**57.5**
Adjusted EPS (pence)[2]	**11.6**	**8.7**

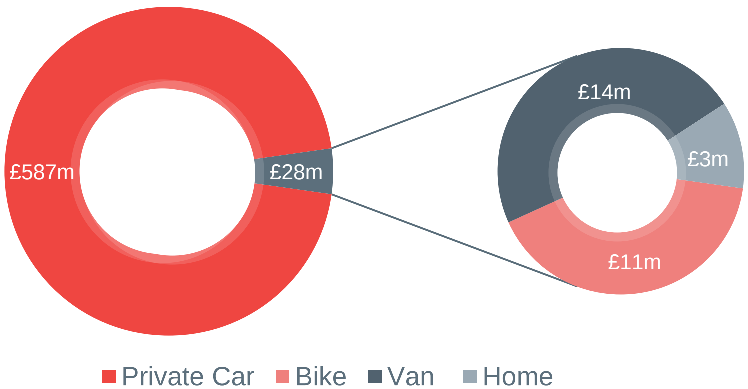
- Increasing policy count and rates driving top line growth, with GWP up 27%
- NEP growth of 26% reflecting written premium increases earning through
- Retail margins maintained, with revenue growing in line with policies
- Low non indemnity expense growth and expense ratio of 15.9% demonstrates operational leverage
- Net income and EPS up 33%, both benefiting from lower finance costs

[1] Underlying trading basis, which includes seven days of trading prior to acquisition
[2] Non IFRS EPS, based on shares in issue as at 31 December 2015

Gross written premiums growth

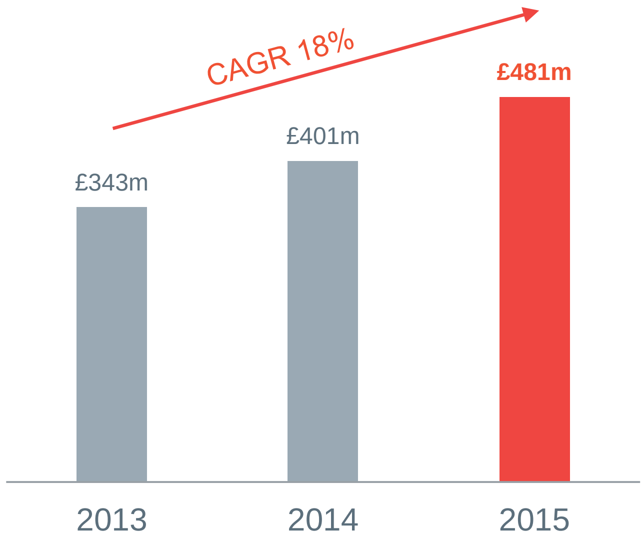


2015 premiums breakdown by product



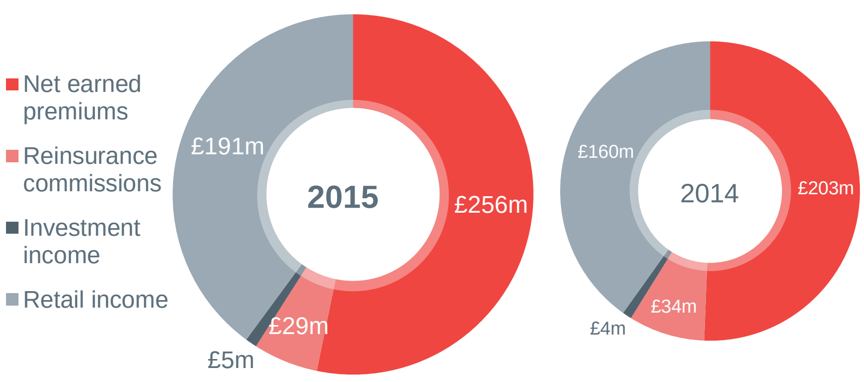
- Gross written premiums increased by 27% from 2014
- Attributable to:
  - Customer policy growth
  - Average written premium increases (9.6% full year)
- Our share of PCW new business sales in the 11-12% range (2014: 10%)
- Strong retention rates
- Private Car market share growth to 5.8% (2014: 5.1%)

Net revenue analysis

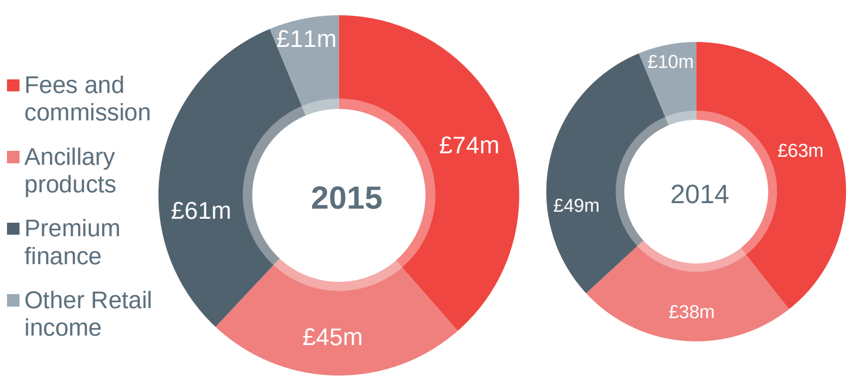


- Net revenue growth of 20% from 2014
- Net earned premiums growth of 26% driven by volume and rate increases
- Motor average earned premium increase of 3.5% for the full year, with growth rate accelerating in H2 2015
- Strong, stable and well diversified Retail revenue streams growing at 19%

Net revenue breakdown



Retail income breakdown



Loss ratio

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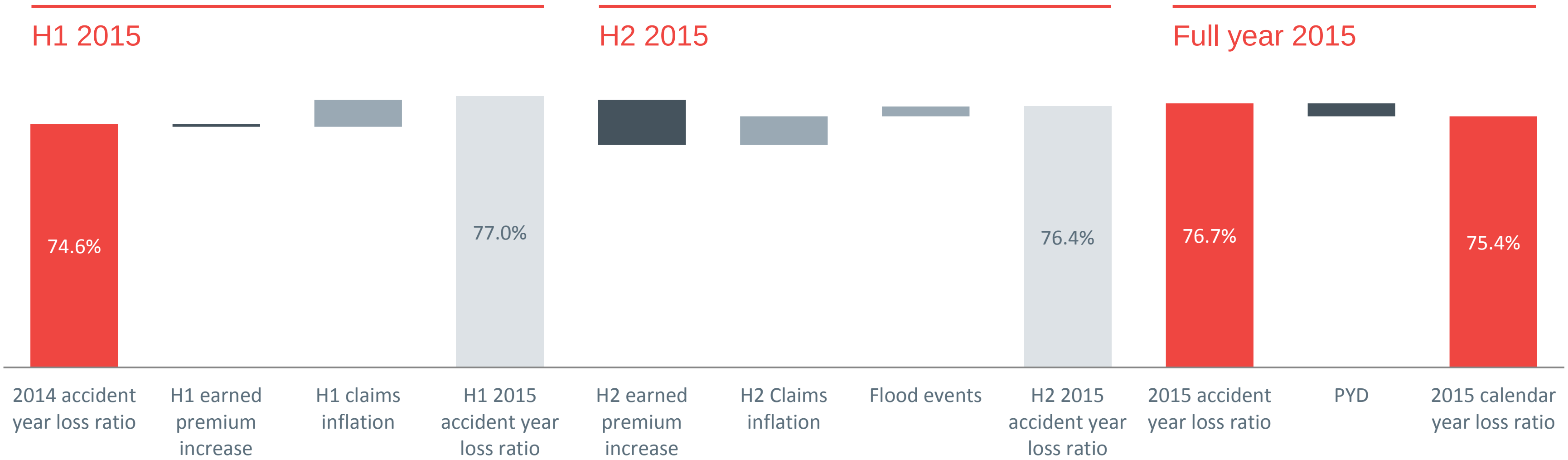
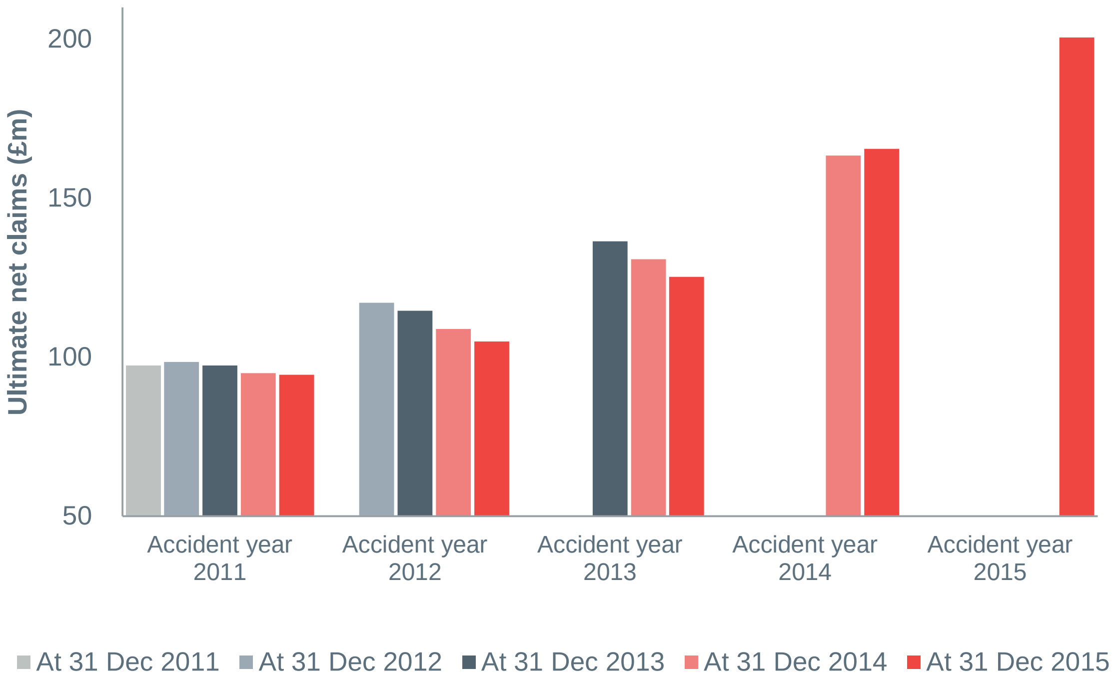


- Accident year loss ratio of 76.7% and calendar year loss ratio of 75.4% at the lower end of target range
- Increased damage frequency, with overall severity stable
- Full year average written premium increase of 9.6%, average earned premium increase of 3.5% and claims inflation (excluding floods) of 4.7%

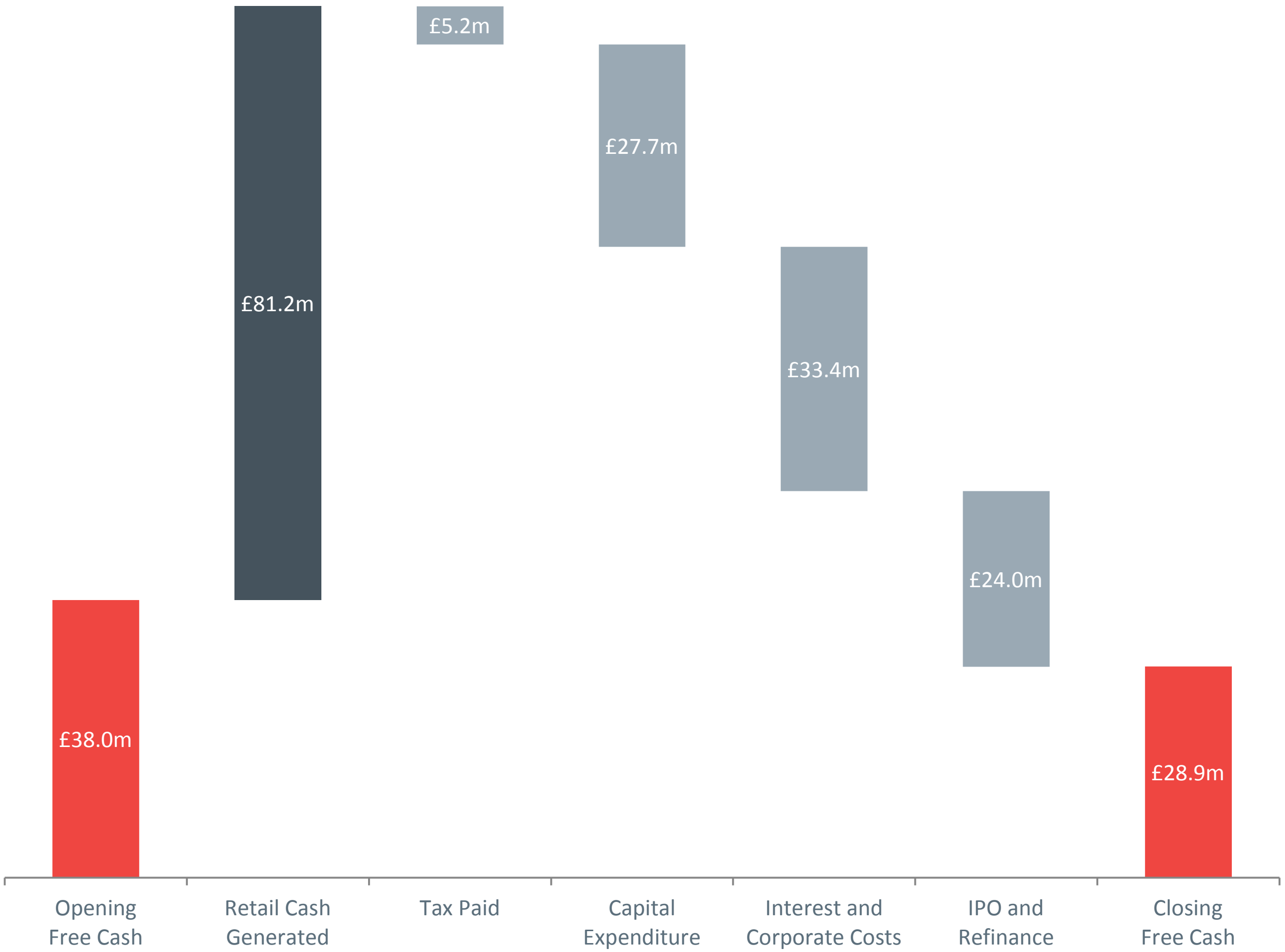
- Average earned premium increases accelerating in H2 2015
- Strong written premium increases to earn through
- Specific initiatives in place to mitigate claims inflation
- Positive prior year development in 2015

Claims development



- Consistent and prudent reserving approach
- Overall favourable development of ultimate loss ratios
- Low level of loss retention under our XoL arrangements reduces volatility
- Positive prior year development in calendar year 2015

Group cash flow generation



- Strong Retail cash generation up 28%, enabling investment in our business
- £24.0m one-off net impact of refinancing, capitalisation of AICL, IPO costs and IPO funds raised
- Enabling payment of a dividend of 2.2p per share and accelerated debt pay down
- Lower capex and financing outflows going forward, with c£5m to c£10m post Guidewire capex and annual interest cost of c.£10m

Deleveraging

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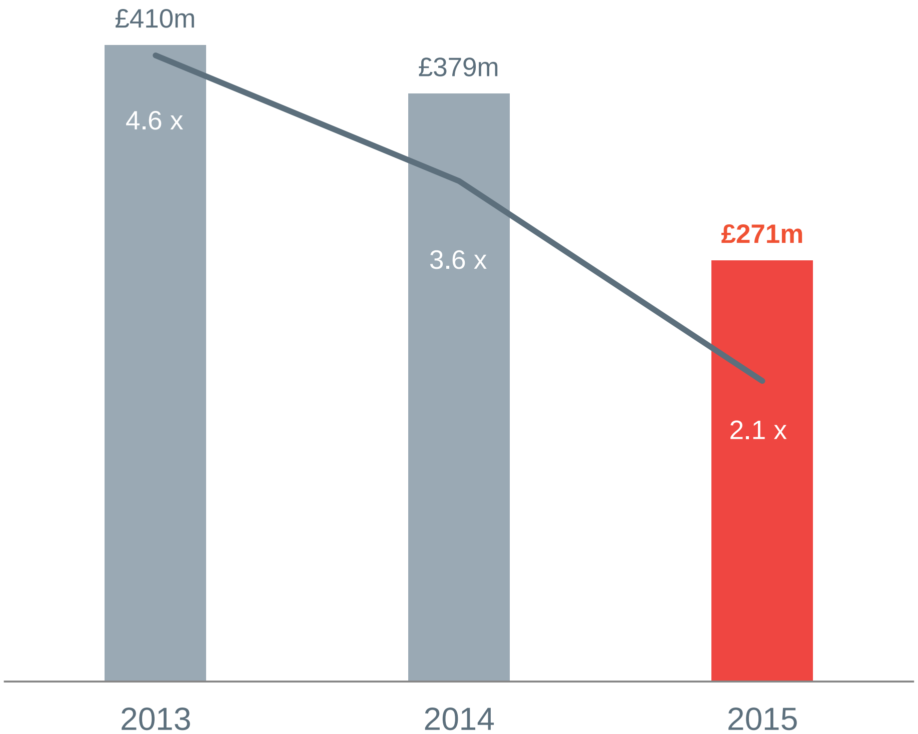
Net debt (£m) and leverage multiple (as at 31 December)



Group operating profit:

£90.1m	£105.7m	£126.1m

- Strong Group operating profit and cash generation driving reduced net debt leverage multiple
- New loan facility of £320m, with £300m drawn down at reduced interest expense of c.£10m giving a pro-forma interest coverage of c.12x
- The Group intends to repay £10m of its term loan early during H1 2016

Investment portfolio

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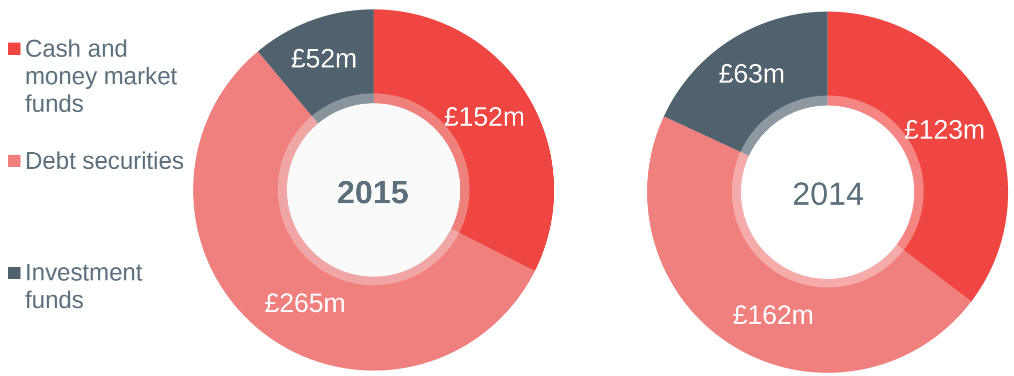
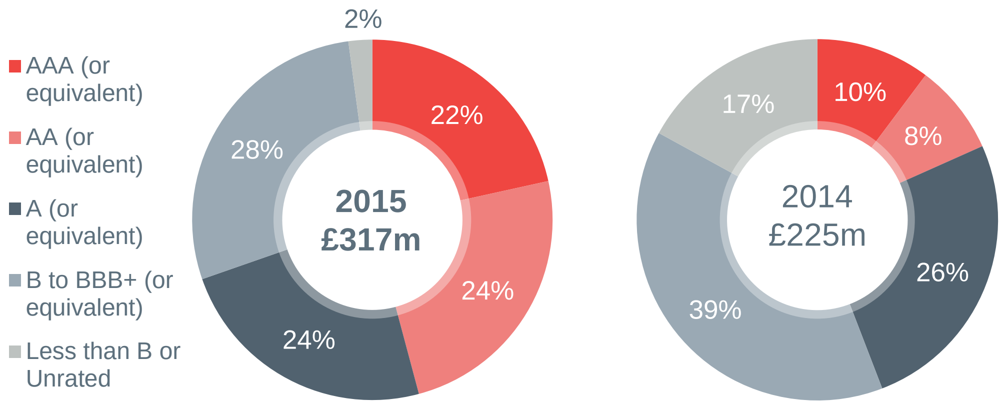
Portfolio mix



Non-cash and money market fund investment ratings for AICL investments



- Active management to improve weighted average credit rating in the portfolio from A- to A+
- IPO funds of £50m used to enhance the Solvency II position and invested in AA rated and above investments
- Investment credit mix improving with BBB and below ratings reduced from 56% to 30%
- Minimal impact on investment yield

Reinsurance

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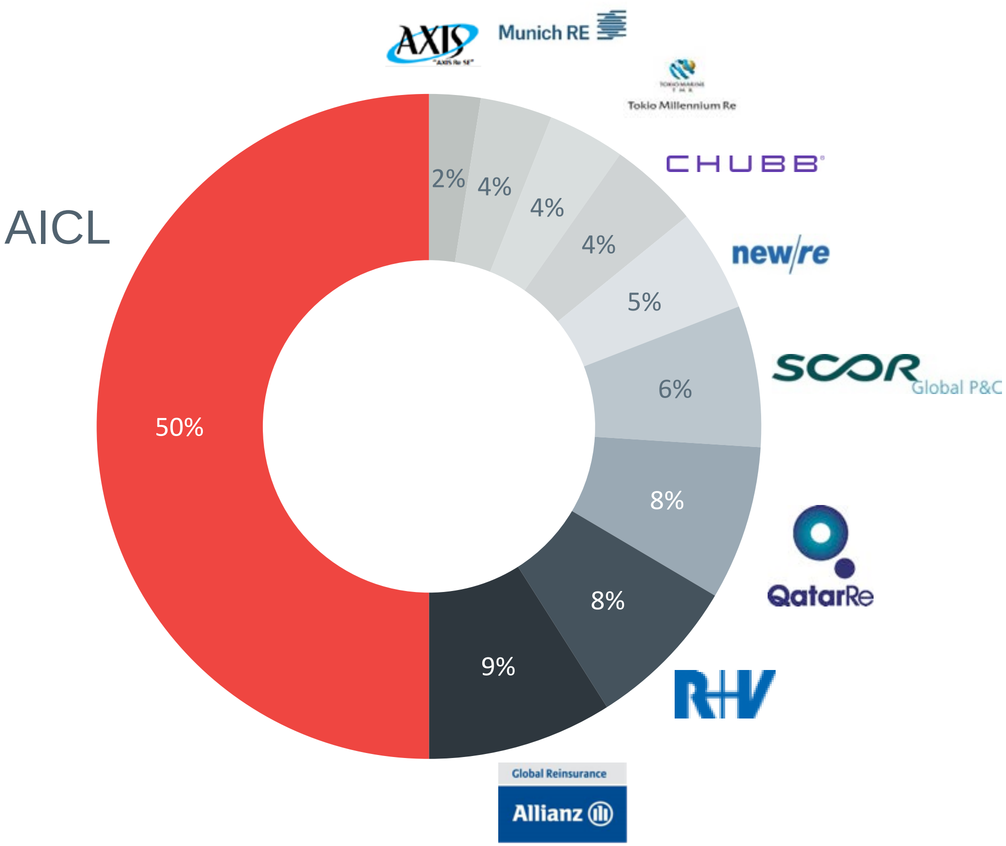
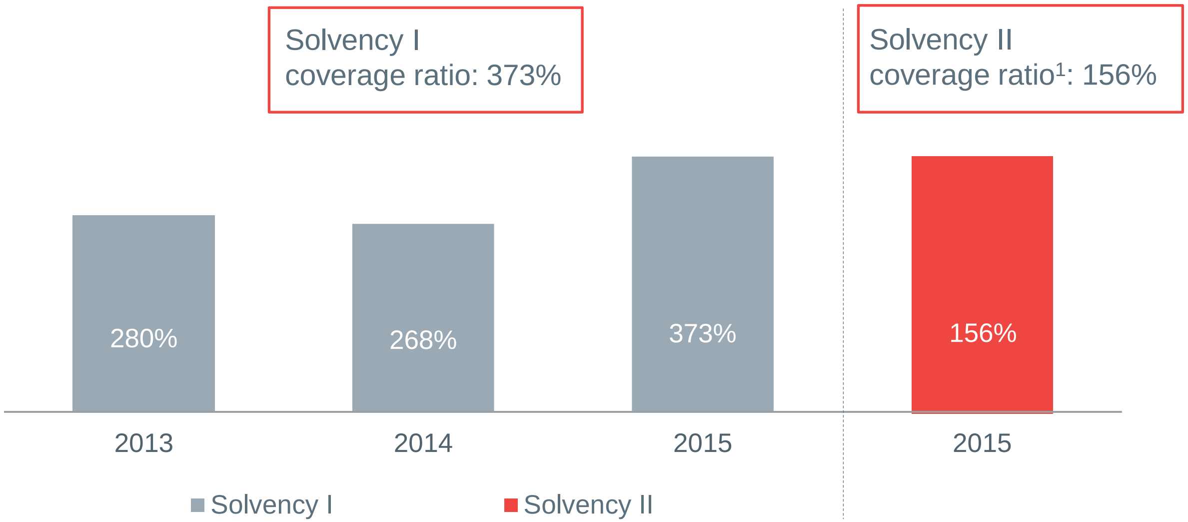
Quota share (QS) reinsurance programme (2016)



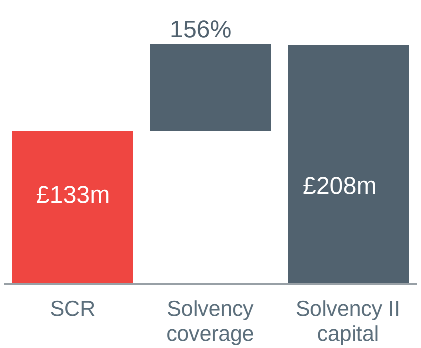
- 2016 Motor QS contracts have been placed on favourable terms, including:
  - Majority now on rolling multi-year deals, with approaching 50% by value on a minimum 2 year term
  - Reduced reinsurer margins on QS contracts
  - Improved risk transfer and loss protection
  - Well diversified reinsurance panel, all rated A or above
- Unlimited XoL cover on a traditional programme basis, maintained at 2015 levels covering losses exceeding £1m per event

AICL has a strong solvency position

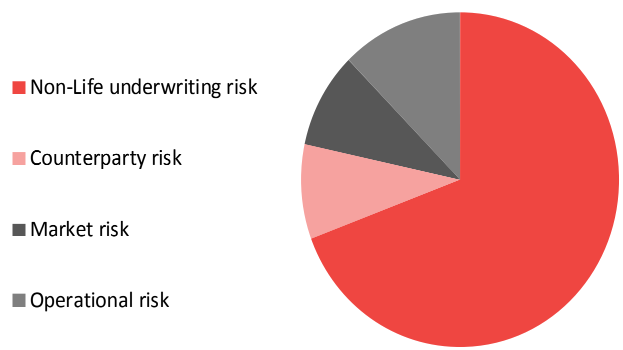


- Solvency II coverage ratio of 156% using a standard formula approach
- All own funds comprise Tier 1 capital, with no transitional measures required
- Solvency II coverage ratio is relatively insensitive to changes in assumptions

Solvency II coverage[1]



Split of capital requirement by risk type[2]



Sensitivities

Base solvency II coverage	**156%**
New business volumes up 10%	151%
Quota share down 10%	148%
2015 accident year loss ratio up 1%	151%
2015 accident year loss ratio up 3%	141%
Risk free rates up 1%	156%
Credit spread up 100 bps	153%

[1] As at 31 December 2015, unaudited

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

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Summary and outlook

Gary Hoffman

Our focus for 2016

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Continued focus on profitable growth
Benefiting from rate increases applied during 2015

Continued expansion of our Home and Telematics business

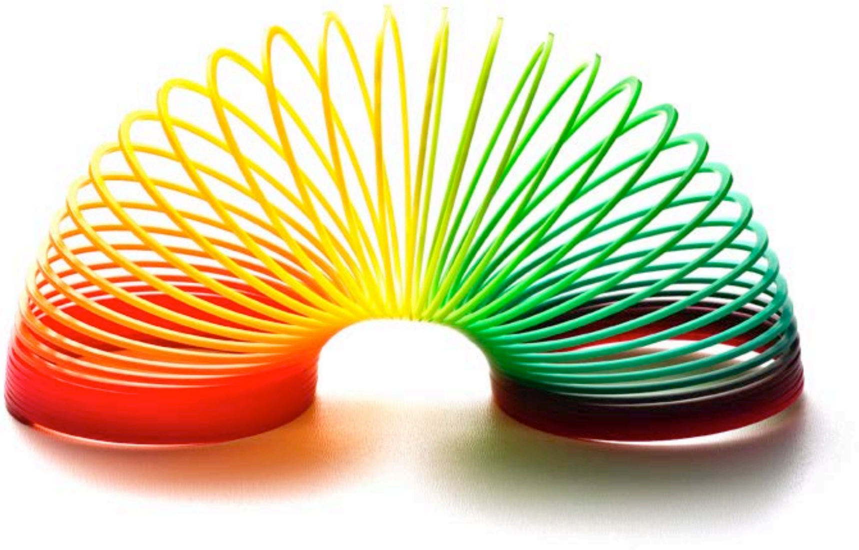
Maintaining our underwriting discipline and delivering on our loss ratio target

Enhancing customer service and operational efficiency including through the delivery of Guidewire

Continued focus on cash generation, de-leveraging and delivering on our IPO targets

Q&A

Appendix



Group operating profit to profit/(loss) after tax

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£m	2015	2014
Group operating profit	**126.1**	**105.7**
Operational amortisation and depreciation	(4.6)	(3.8)
Finance costs	(30.2)	(33.1)
Profit before tax[1]	**91.3**	**68.8**
Taxation expense	(15.1)	(11.3)
Net income	**76.2**	**57.5**
Non-trading costs[2]	(38.9)	(9.7)
Preference share dividends[3]	(23.7)	(33.7)
Non-operational amortisation and other fair value adjustments[4]	(23.7)	(26.8)
Tax effect of the above adjusting items	12.4	4.3
Profit/(loss) after tax	**2.3**	**(8.4)**

[1] Underlying trading basis
[2] 2015: IPO and refinancing costs (2014: Goldman Sachs investment and restructuring costs)
[3] The preference shares were all converted to equity during 2015
[4] 2015: amortisation of fair value adjustments on intangible assets and claims reserves and recoveries (2014: amortisation of fair value adjustments on intangible assets and claims reserves and recoveries and the removal of pre acquisition trading)

Segmental results

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Underwriting results

£m	2015	2014
Gross written premiums	**636.3**	**496.2**
Net earned premiums	**273.6**	**212.7**
Other revenue	29.0	34.9
Investment income	5.0	3.5
Net claims incurred	(192.9)	(152.6)
Other expenses	(76.8)	(61.1)
Underwriting operating profit	**37.9**	**37.4**

Retail results

£m	2015	2014
Retail income	243.4	205.2
Investment income	0.2	0.3
Total income	**243.6**	**205.5**
Acquisition costs	(48.4)	(39.6)
Salaries	(48.4)	(45.6)
Other expenses	(56.9)	(50.4)
Total expenses	**(153.7)**	**(135.6)**
Retail operating profit	**89.9**	**69.9**

Revenue reconciliation

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£m, 2015	Retail income	Discounts	Eliminate intercompany commission income	AICL reinsurance commissions	Other	Group other revenue
Fees and commission	125.4	21.4	(75.9)	–	2.6	73.5
Ancillary product income	45.3	(0.3)	–	–	–	45.0
Premium finance interest	61.3	–	–	–	–	61.3
Reinsurance commissions	–	–	–	28.6	–	28.6
Other income	11.4	–	–	–	–	11.4
Total	**243.4**	**21.1**	**(75.9)**	**28.6**	**2.6**	**219.8**

Combined operating ratio

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£m	2015	2014
Group net earned premiums	**255.9**	**202.5**
Adjustments for QS contracts	-	8.0
Adjusted Group net earned premiums	**255.9**	**210.5**
Claims costs (net of claims income)	(196.3)	(157.0)
Accident year loss ratio (%)	**76.7%**	**74.6%**
Prior year development (%)	1.3%	2.2%
Calendar year loss ratio (%)	**75.4%**	**72.4%**
Acquisition costs	(23.2)	(20.2)
Net underwriting expenses	(17.6)	(14.1)
Total expenses	**(40.8)**	**(34.3)**
Expense ratio (%)	**15.9%**	**16.3%**
Group combined ratio (%)	**91.3%**	**88.7%**

Reserve development

£m	Prior	2011	2012	2013	2014	2015	Total
At end of current period	641.1	96.4	107.5	129.5	171.4	209.5	1,355.4
One period earlier	640.9	96.9	111.4	135.1	169.3		1,153.6
Two periods earlier	637.8	99.4	117.2	140.7			995.1
Three periods earlier	642.3	100.4	119.7				862.4
Four periods earlier	644.4	99.4					743.8
Payments to date	(633.3)	(91.3)	(95.9)	(108.9)	(129.4)	(93.8)	(1,152.6)
Net outstanding claims liabilities	**7.8**	**5.1**	**11.6**	**20.6**	**42.0**	**115.7**	**202.8**

£m	2012	2013	2014	**2015**
Prior year development per statutory accounts	**1.1**	**7.9**	**10.8**	**7.6**
Risk margin 'recycled' into current accident year	(0.4)	(4.7)	(6.1)	(4.2)
Operating profit contribution from prior accident years	**0.7**	**3.2**	**4.7**	**3.4**

Group balance sheet

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£m	**2015**	2014
Assets		
Goodwill	470.0	470.0
Intangible assets	102.8	104.3
Property and equipment	13.7	10.1
Deferred income tax asset	3.4	5.6
Reinsurance assets	547.5	426.5
Deferred acquisition costs	19.9	15.7
Prepayments	2.2	1.2
Insurance and other receivables	261.6	212.6
Financial assets at fair value	316.5	224.9
Cash and cash equivalents	152.2	123.4
Total assets	**1,889.8**	**1,594.3**
Liabilities		
Preference shares	–	319.3
Loans and borrowings	295.7	403.6
Insurance contract liabilities	912.1	704.7
Insurance and other payables	155.9	146.9
Provisions	0.3	0.3
Deferred income tax liability	20.6	27.0
Current tax liabilities	2.0	6.4
Total liabilities	**1,386.6**	**1,608.2**
Equity		
Total equity	**503.2**	**(13.9)**

Return on capital employed

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£m	2015	2014
AICL deployed capital[1]	149.8	106.1
HISL deployed capital[2]	30.2	31.7
Corporate free cash balance[3]	15.9	10.4
Capital employed	195.9	148.2
Net income	76.2	57.5
Return on capital employed	**38.9%**	**38.8%**

[1] AICL deployed capital represents the average of AICL's net assets during each year
[2] HISL deployed capital represents the average of HISL's total capital resources as per FCA regulations during each year
[3] Corporate free cash balance represents the average cash held during the year in the Group's unregulated corporate entities

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