

Acquisition of Hastings

5 August 2020

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Majority acquisition of Hastings Group Holdings Plc (“Hastings”)

- Hastings is a retail P&C insurance provider in the UK with a focus on motor and home insurance
- Sampo plc (“Sampo”) partnering with Rand Merchant Investment Holdings Ltd (“RMI”), the largest shareholder in Hastings
 - Sampo and RMI to own 70% and 30% in Hastings, respectively¹
- Offer price of 250 pence per share², corresponding to €1.3bn for 70% of the diluted shares
- Offer unanimously recommended by Hastings’ board of directors
- Transaction subject to Hastings shareholder approval and regulatory approval; closing expected by year-end 2020
- Transaction to be financed by ~€1bn of hybrid Tier 2 capital with the residual coming from existing Sampo cash resources

¹ RMI currently owns 29.7% in Hastings having acquired the stake in 2017 for 248 pence per share

² Hastings shareholders will also be entitled to receive an interim dividend for the six-month period ended 30 June 2020 of 4.5 pence per share

Rationale and financial impact on Sampo

Strategic rationale



Further repositioning of the Sampo Group towards retail P&C insurance, a core area of expertise



Attractively positioned platform in a large, digitally focused market with meaningful growth potential



Upside potential in Hastings from leveraging If and Topdanmark experience in consistently improving underwriting performance



Opportunity to leverage Hastings' digital capabilities in other parts of Sampo Group



Limited execution risk due to partnership with existing shareholder and no integration risk

Financial impact

- Transaction benefits include:
 - Increased insurance risk retention expected to generate an attractive return on capital deployed
 - Expected loss ratio improvement from leveraging Sampo's expertise
 - Savings from removing costs related to public listing
- Accretive to EPS and RoE from first year
 - EPS accretion estimated to be in the mid-single digits (percentage)
- Pro-forma solvency II ratio remains robust at approximately 175%¹
- No expected change in credit ratings
- No change to Sampo Group dividend policy

¹ Estimated Solvency II position post €1bn Solvency II Tier 2 issuance

Attractive opportunity to expand retail P&C footprint

- **Strategic objective to expand in retail P&C**
- **Inorganic growth in Nordic region constrained by leading market positions and scarcity of targets**



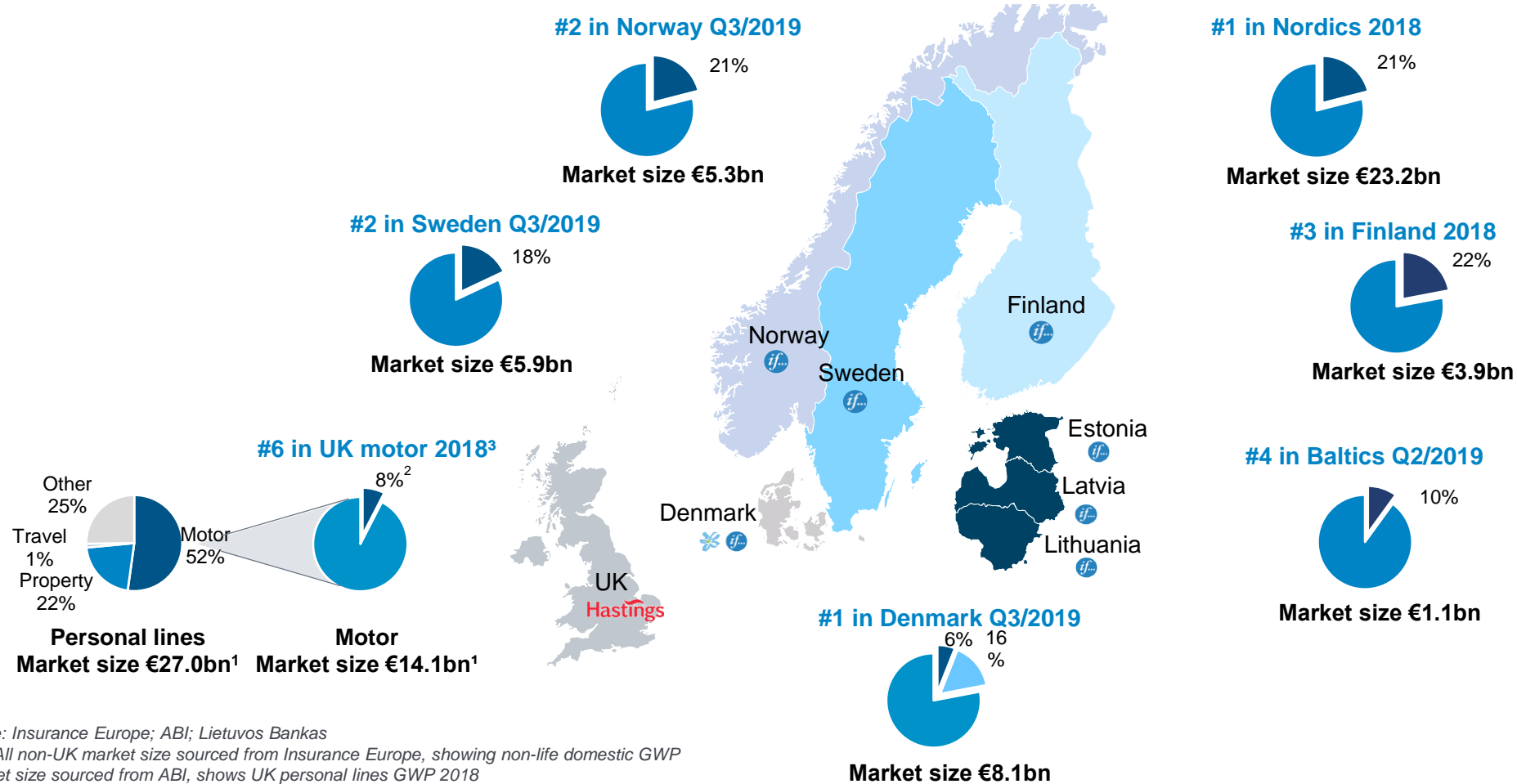
Why UK?

- ✓ One of the largest P&C markets in Europe
- ✓ One of the few markets with pure retail P&C players
- ✓ High degree of digitalisation
- ✓ Presence of highly profitable peers notwithstanding competitive dynamics
- ✓ Cultural, geographic and language proximity

Why Hastings?

- ✓ Pure play retail P&C insurer, positioned in the fast growing digital segment
- ✓ Strong market position in motor with an opportunity to grow both motor and home
- ✓ Best in class digital and data analytics capabilities
- ✓ Operational upside potential
- ✓ Low execution risk

Hastings adds a growth platform in one of Europe's largest P&C markets



Source: Insurance Europe; ABI; Lietuvos Bankas

Note: All non-UK market size sourced from Insurance Europe, showing non-life domestic GWP

¹ Market size sourced from ABI, shows UK personal lines GWP 2018

² Market share based on Hastings' share of the total UK private car stock, 2019

³ Market position sourced from EY, based on Motor GWP 2018

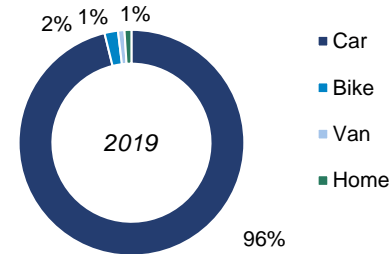
5 August 2020

Hastings is an agile, data and digitally focused retail P&C insurer

Business description

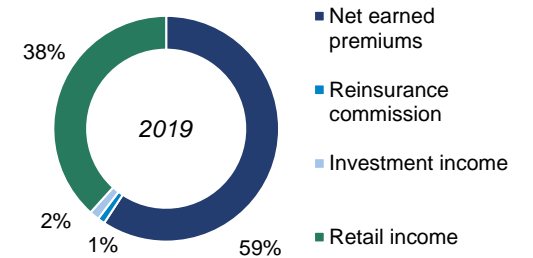
- Offers car, bike, van and home insurance products
- Optimised for digital distribution through price comparison websites
- Data driven risk selection is a key competitive advantage
- Limited exposure to legacy liabilities

GWP product split



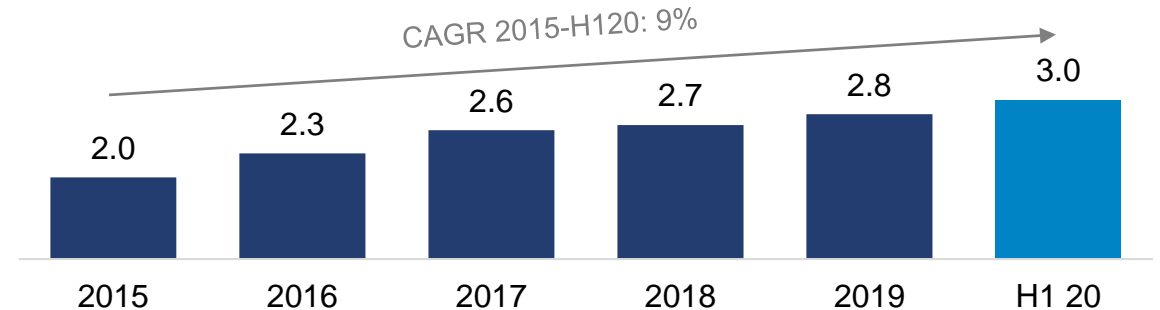
Motor focused

Net revenue breakdown



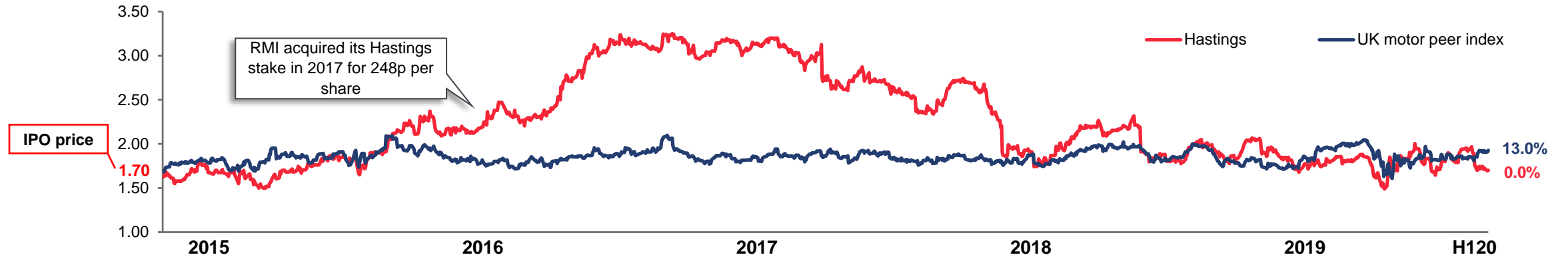
Diversified revenues

Live customer policies (m)



Hastings historical performance and share price development

Share price performance since Hastings' IPO¹ compared to UK motor peer index² (rebased to Hastings IPO price)



	2015	2016	2017	2018	2019	H120
Gross written premiums (£m)	615	769	931	958	962	1,030 <i>(Annualised)</i>
Combined operating ratio (%)	91%	91%	87%	89%	98%	92%
Loss ratio (%)	75%	78%	73%	75%	83%	76%
Net income (£m)	76	97	145	149	72	112 <i>(Annualised)</i>

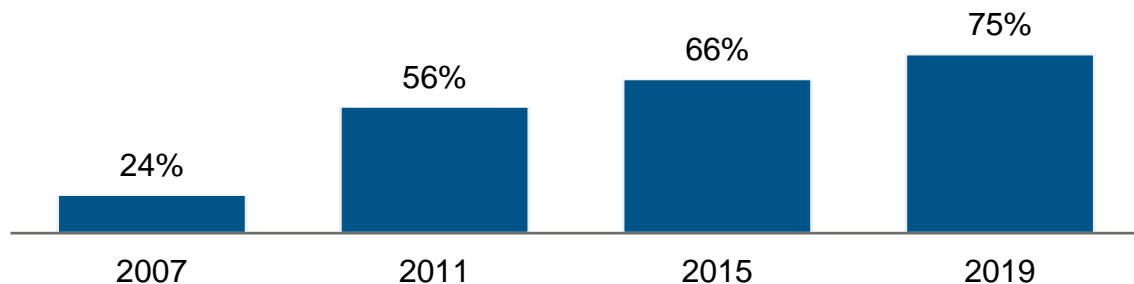
Source: FactSet as of 28 July 2020, being the last Business Day before Hastings announced it had received an approach that may or may not lead to an offer

¹ Hastings shares were listed on 15 October 2015

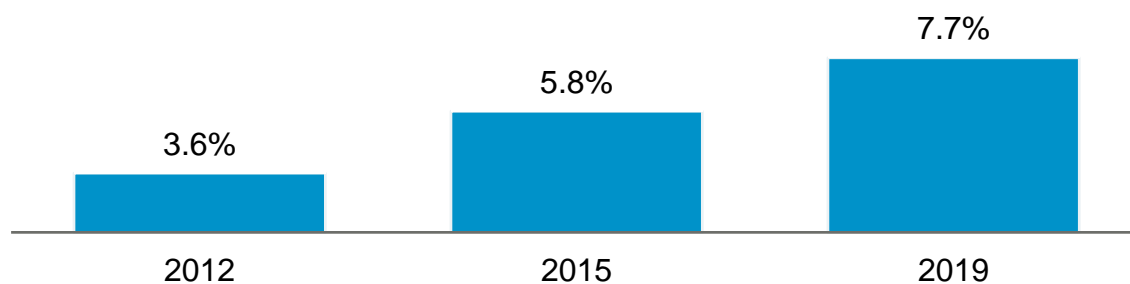
² UK motor peer index is weighted by market capitalisation and consists of Admiral, Direct Line Group and Sabre

Hastings brings leading digital capabilities to the Sampo Group

The UK is a highly digitally focused insurance market (% of PCW¹ motor insurance market penetration)



Hastings continues to expand market share through digital distribution (Hastings market share²)



Hastings' digital KPIs



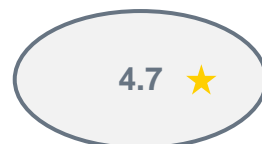
Digital policy changes in FY19³



Digital (PCW) distribution in FY19



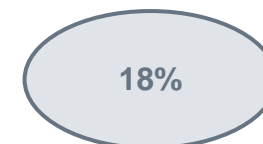
Mobile app downloads (at FY19)



Mobile app iOS rating



Digital NPS⁴



Reduction in average customer service calls per policy in FY18/19

¹ PCW: price comparison website

² Share of total car stock in UK

³ In 2019 38% of customers made policy adjustments online and via the app

⁴ NPS: net promoter score

Sampo brings excellence in retail P&C underwriting

Strong customer orientation

If retention rate

>90%

Diverse product range

GWP (Business area Private)

Personal risk 15%

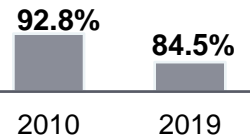
Property 30%



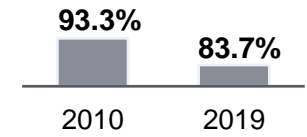
Motor 55%

Superior underwriting track record

If combined ratio development



Topdanmark combined ratio development



Significant claims management experience

Retail claims handled per annum

1.5m

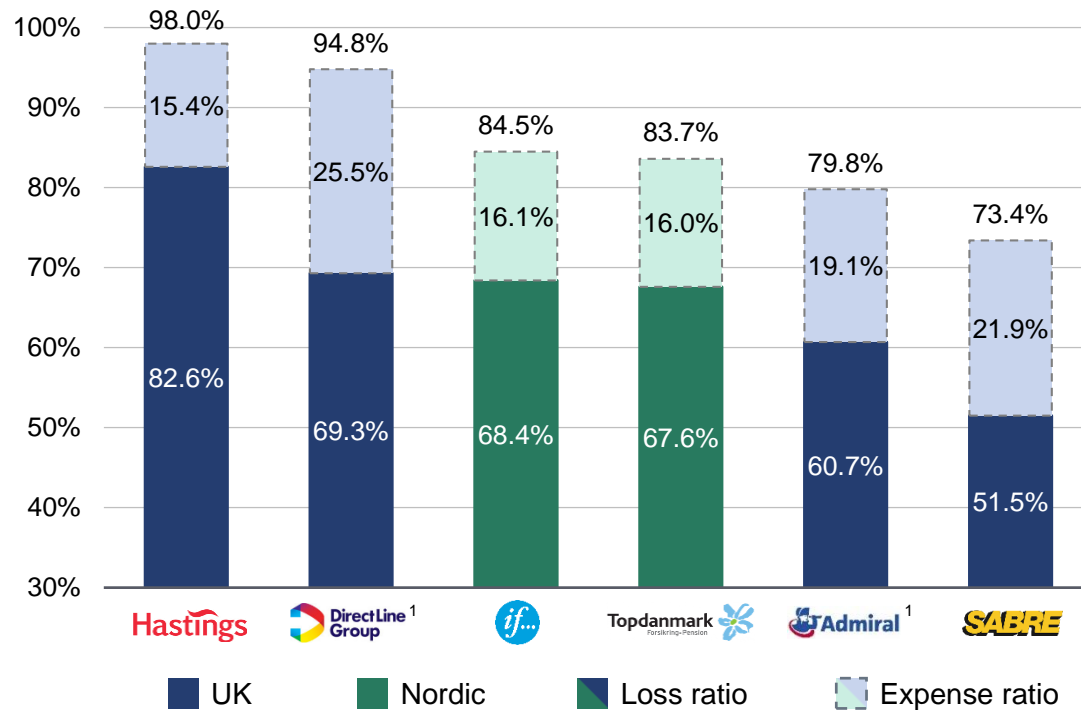
Experience with automotive partnerships

Market share in new car insurance sales in Sweden

70%

Sampo will leverage its expertise to drive further upside in Hastings

Selected UK and Nordic P&C players (2019) combined ratios



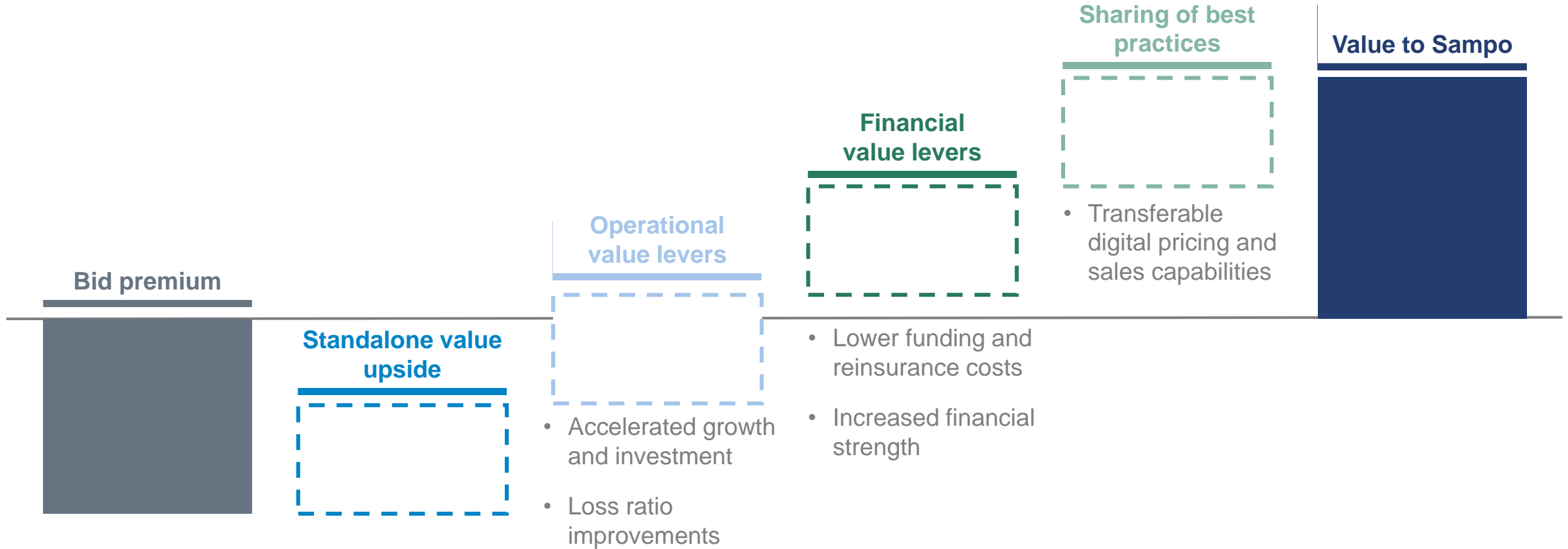
Select areas of upside potential

- Claims handling sophistication driving both lower claims costs and increased customer satisfaction
- Expansion into home insurance driving growth and diversification
- Higher customer retention/loyalty driving cost efficiency and premium growth
- Optimisation of reinsurance strategy driving higher earnings at attractive return on capital

Source: Company Filings

¹ Admiral and Direct Line combined ratio based on Motor segment

A strategic transaction with attractive financial upside



Scaling for illustrative purposes only

Appendix

Overview of partnership with RMI

Partnership highlights

- Comprehensive and long term partnership built on shared vision for the strategic direction of Hastings
- Governance arrangements reflect economic ownership
- RMI has option to acquire up to 10% stake (i.e. up to 40%) in Hastings within 18 months of completion¹
- 4 year lock in period for both parties

Hastings Board structure post acquisition



¹ At 250p per share with dividend accruing to Sampo up to option being exercised

² Including non controlling interest within OUTsurance

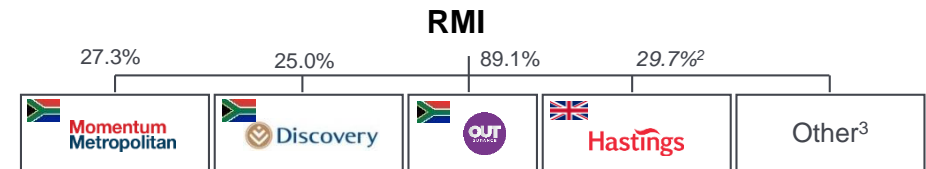
³ Other includes RMI Investment Managers, Alpha Code, Entersekt, Merchant Capital, Prodigy Finance, Luno, Guidepost

⁴ Board observer (role to be confirmed)

RMI Group structure

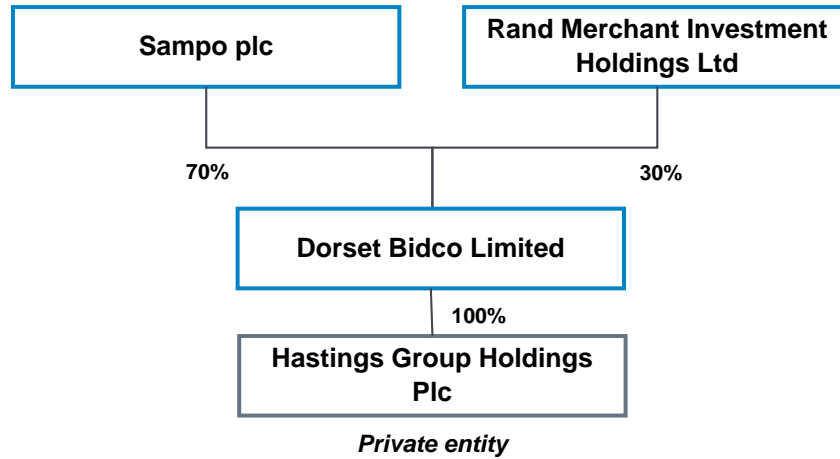
- RMI is a South African based investment holding company that invests in emerging and established financial services businesses
- The business invests in both listed and private companies primarily in South Africa but also abroad
- RMI fosters long-term partnerships that afford management teams the individuality to operate their businesses as owners
- Acquired stake in Hastings in 2017 for 248p per share

RMI Group structure



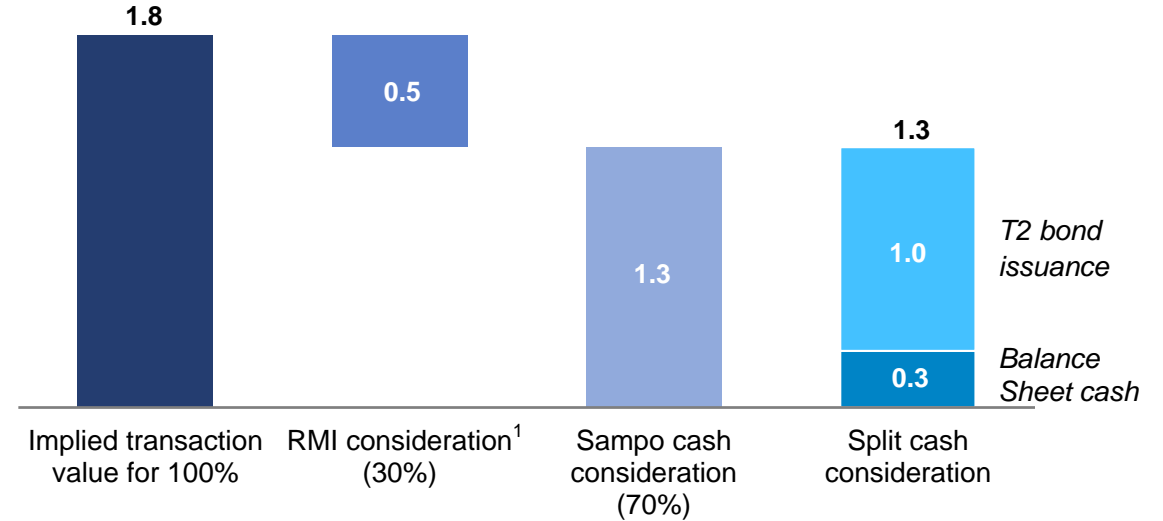
Transaction and funding structure

Transaction structure



- Transaction requires target shareholder approval and regulatory clearances
- Shareholder vote expected to be held by the end of September 2020
- Transaction expected to close by year-end

Transaction funding (€bn)



- €1bn 12 month bridge facility provided by J.P. Morgan and Nordea and the residual placed in escrow to satisfy the certain funds requirement
- Bridge facility expected to be taken out by €1bn hybrid Tier 2 bond led by J.P. Morgan and Nordea which is expected to be issued between announcement and closing

¹ RMI consideration made up of 29.7% rolled shareholding and 0.3% cash consideration

UK market overview

Hastings operates in a large market¹...



Total size of market	32m³	21m⁴
Current market price comparison website penetration	75%	59%
Hastings customer policies	2.5m	0.2m
Hastings market share² (%)	7.7%	1.0%

...with favourable dynamics, creating opportunities for focused, nimble players

- Consumer switching focus
- Ongoing price comparison websites growth
- Technological change, including digital pricing and claims
- Well-positioned for regulatory changes

¹ Figures as of FY2019

² Share of total car/home stock in UK

³ UK car market, i.e. total cars in UK

⁴ UK home market, i.e. total homes in UK