

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED BELOW) OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the listing particulars following this page (the “**Listing Particulars**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE LISTING PARTICULARS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS AND THE GUARANTEES (EACH AS DEFINED IN THE LISTING PARTICULARS) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE LISTING PARTICULARS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

In the United Kingdom, this electronic transmission and the Listing Particulars are addressed to and directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This electronic transmission and the Listing Particulars must not be acted on or relied on in the United Kingdom, by persons who are not relevant persons. Any investment or investment activity to which this electronic transmission and the Listing Particulars relate is available only to relevant persons in the United Kingdom and will be engaged in only with such persons.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) or; (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the

manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Confirmation of your Representation: You have been sent the attached Listing Particulars at your request and by accepting the e-mail and by accepting the Listing Particulars you shall be deemed to have represented to each of Hastings Group (Finance) Plc (the “**Issuer**”), Hastings Group Holdings plc, Hastings Group Limited, Advantage Global Holdings Limited, Hastings (Holdings) Limited, Hastings (UK) Limited, Hastings Insurance Services Limited (together, the “**Guarantors**”) and Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc (together, the “**Joint Lead Managers**”), that you have understood and agree to the terms set out herein, and you are not (or if you are acting for another person, such person is not) a retail investor and (i) that you are not (or, if you are acting for another person, such person is not) a U.S. person, (ii) if you are a person in the United Kingdom, you are a relevant person and/or a relevant person acting on behalf of relevant persons, (iii) that you are not (or, if you are acting on behalf of another person, such person is not) located in the United States of America, its territories or possessions, any State of the United States or the District of Columbia (where “**possessions**” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iv) that you consent (and if you are acting on behalf of another person, such person consents) to this delivery by electronic transmission.

You are reminded that this electronic transmission and the Listing Particulars have been delivered to you on the basis that you are a person into whose possession the Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Listing Particulars to any other person.

The Listing Particulars do not constitute, and may not be used in connection with, an offer or solicitation to subscribe for or purchase any Bonds by any person in any jurisdiction where offers or solicitations are not permitted by law. The distribution of the Listing Particulars and the offer or sale of the Bonds in certain jurisdictions is restricted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Listing Particulars have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or any Guarantor or any Joint Lead Manager, nor any person who controls any Joint Lead Manager nor any director, officer, employee, agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Listing Particulars distributed to you in electronic format herewith and the hard copy version available to you on request from the Joint Lead Managers.



HASTINGS GROUP (FINANCE) PLC

(incorporated under the laws of Jersey)

£250,000,000 3.000 per cent. Guaranteed Bonds due 2025

The issue price of the £250,000,000 3.000 per cent Guaranteed Bonds due 2025 (the “**Bonds**”) of Hastings Group (Finance) plc (the “**Issuer**”) is 99.157 per cent. of their principal amount. The Bonds will initially be fully, unconditionally and irrevocably guaranteed on a joint and several basis by Hastings Group Holdings plc (“**Hastings**”), Hastings Group Limited, Advantage Global Holdings Limited, Hastings (Holdings) Limited, Hastings (UK) Limited and Hastings Insurance Services Limited (each a “**Guarantor**”, and together the “**Guarantors**”) (subject to “*Terms and Conditions of the Bonds – Status and Guarantee*”).

Unless previously redeemed or cancelled, the Bonds will be redeemed at their principal amount on 24 May 2025 (the “**Maturity Date**”). Subject to certain conditions, the Bonds may be redeemed at the option of the Issuer in whole but not in part at any time after the Issue Date at the relevant redemption price described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer*”. Subject to certain conditions set out in “*Terms and Conditions of the Bonds – Redemption and Purchase*”, the Bonds may also be redeemed at any time upon the occurrence of certain changes affecting taxes in the taxing jurisdiction of the Issuer or the Guarantors. In addition, upon the occurrence of certain change of control events which result in a negative ratings action being taken by a relevant credit rating agency, each holder of Bonds (a “**Bondholder**”) shall have the option to require the Issuer to redeem or, at the Issuer’s option, purchase the Bonds of such Bondholder at 100 per cent. of the principal amount together with accrued interest. See further “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of Bondholders following a Change of Control*”.

The Bonds will bear interest from 24 May 2018 (the “**Issue Date**”) at the rate of 3.000 per cent. per annum payable semi-annually in arrear on 24 May and 24 November of each year, commencing on 24 November 2018. Payments on the Bonds will be made in pounds sterling without deduction for or on account of taxes imposed or levied by the taxing jurisdiction of the Issuer or (as the case may be) any Guarantor, to the extent described under “*Terms and Conditions of the Bonds - Taxation*”. The Guarantors will unconditionally and irrevocably guarantee, jointly and severally, the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds (the “**Guarantees**”).

This document (and all documents incorporated by reference herein) (the “**Listing Particulars**”) has been prepared for the purpose of providing disclosure information with regard to the Bonds which are to be admitted to the Official List of the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) and to trading on the Global Exchange Market which is the exchange regulated market of Euronext Dublin. Euronext Dublin’s Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, “**MiFID II**”). **These Listing Particulars constitute listing particulars for the purposes of listing on Euronext Dublin’s Official List and trading on its Global Exchange Market.** Application has been made to Euronext Dublin for the Bonds to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin. **Investors should note that Bonds to be admitted to Euronext Dublin’s Official List and to trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.**

These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a prospectus for the purposes of

Directive 2003/71/EC (as amended) (the “Prospectus Directive”). These Listing Particulars have been prepared solely with regard to the Bonds which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID II and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive.

The Bonds and the guarantees thereof have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and the Bonds are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Joint Lead Managers (as defined in “**Subscription and Sale**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

MiFID II professionals/ECPs-only/No PRIIPs KID – the manufacturers’ target market (MiFID II product governance) is eligible counterparties and professional clients only (each as defined in MiFID II) (all distribution channels). No Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) key information document (“**KID**”) has been prepared as the Bonds are not available to retail investors in the EEA.

The Bonds will be in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Bonds will initially be in the form of a temporary global Bond (the “**Temporary Global Bond**”), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A., Luxembourg (“**Clearstream, Luxembourg**”). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global Bond (the “**Permanent Global Bond**”), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 each and integral multiples of £1,000 in excess thereof, up to and including £199,000 and with interest coupons attached. See “*Summary of Provisions Relating to the Bonds in Global Form*”.

An investment in the Bonds involves risk. Prospective investors in the Bonds are recommended to read these Listing Particulars, including the section entitled “Risk Factors” carefully. Investors should reach their own investment decision about the Bonds only after consultation with their own financial and legal advisers about the risks associated with an investment in the Bonds and the suitability of investing in the Bonds in light of the particular characteristics and terms of the Bonds in light of each investor’s particular financial circumstances.

The Bonds will be rated BBB by Fitch Ratings Limited “**Fitch**”. Fitch is established in the European Union (the “**EU**”) and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). Fitch appears on the latest update of the list of registered credit rating agencies (as of 22 May 2018) on the European Securities and Markets Authority (the “**ESMA**”) website <http://www.esma.europa.eu>.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Lead Managers

BARCLAYS

HSBC

LLOYDS BANK

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IMPORTANT NOTICES

The Issuer and each of the Guarantors accepts responsibility for the information contained in these Listing Particulars and declares that, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars to the best of its knowledge is in accordance with the facts and contains no omission likely to affect the import of such information.

The information set out in “*Description of the Group*” below includes extracts from information and data, including industry and market data, released by publicly available third party sources in Europe and elsewhere. Where information in these Listing Particulars has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer and the Guarantors are aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where it is used.

These Listing Particulars are to be read in conjunction with all information which is incorporated by reference herein – see “*Information Incorporated by Reference*”.

A copy of these Listing Particulars has been delivered to the registrar of companies in Jersey (the “**Registrar**”) in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the Registrar has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission (the “**Commission**”) has given, and has not withdrawn, or will have given prior to the issue of the Bonds and not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. It must be distinctly understood that, in giving these consents, neither the Registrar nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of these Listing Particulars you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

The Issuer and each of the Guarantors has confirmed to the Joint Lead Managers that these Listing Particulars contain all information regarding the Issuer, the Guarantors and the Bonds which is (in the context of the issue of the Bonds) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in these Listing Particulars on the part of the Issuer or (as the case may be) any of the Guarantors are honestly held or made and are not misleading in any material respect; these Listing Particulars do not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor any of the Guarantors have authorised the making or provision of any representation or information regarding the Issuer, any of the Guarantors or the Bonds and the Guarantees other than as contained in these Listing Particulars or as approved for such purpose by the Issuer and the Guarantors. Any such representation or information should not be relied upon as having been authorised by the Issuer, any of the Guarantors, the Joint Lead Managers or HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”).

Neither the Joint Lead Managers, the Trustee nor any of their respective affiliates have authorised the whole or any part of these Listing Particulars and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in these Listing Particulars or any responsibility for any acts or omissions of the Issuer, any of the Guarantors or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Bonds. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or any of the Guarantors since the date of these Listing Particulars. Neither the Joint Lead Managers nor the Trustee accept any liability in relation to the information contained in these Listing

Particulars or any other information provided by the Issuer or any of the Guarantors in connection with the distribution of the Bonds. Neither these Listing Particulars nor any other information supplied in connection with the distribution of the Bonds is intended to constitute, and should not be considered as, a recommendation by any of the Issuer, any of the Guarantors, any member of the Group (as defined below), the Joint Lead Managers or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the distribution of the Bonds should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in these Listing Particulars and its purchase of Bonds should be based upon such investigation as it deems necessary. Neither the Joint Lead Managers nor the Trustee undertake to review the financial condition or affairs of the Issuer or any of the Guarantors during the life of the arrangements contemplated by these Listing Particulars or to advise any investor or potential investor in the Bonds of any information coming to their attention.

These Listing Particulars do not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

The distribution of these Listing Particulars and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Guarantors and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of these Listing Particulars and other offering material relating to the Bonds, see "*Subscription and Sale*".

Each potential investor in the Bonds should determine the suitability and appropriateness of such investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in these Listing Particulars;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Bonds and the Guarantees;
- (iv) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the potential investor's currency is not pounds sterling; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In particular, the Bonds and the Guarantees have not been and will not be registered under the Securities Act and the Bonds are subject to United States tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In these Listing Particulars, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "£", "**pounds sterling**" or "**Sterling**" are to the lawful currency of the United Kingdom, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**billions**" are to thousands of millions. In addition, references to the "**Group**" are to Hastings Group Holdings plc and its consolidated subsidiaries.

Certain figures included in these Listing Particulars have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or; (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

HSBC Bank plc will not regard any actual or prospective holders of Bonds (whether or not a recipient of these Listing Particulars) as its client in relation to the offering described in these Listing Particulars and will not be responsible to anyone other than the Issuer and the Guarantors for providing the protections afforded to its clients nor for providing the services in relation to the offering described in these Listing Particulars or any transaction or arrangement referred to herein or therein. Each of the other Joint Lead Managers reserves the right to determine whether or not any actual or prospective holders of Bonds described in these Listing Particulars are to be regarded as clients in relation to such offering at the relevant time of the offering.

Alternative Performance Measures

These Listing Particulars contain certain financial measures that are not defined or recognised under the International Financial Reporting Standards (“**IFRS**”), including adjusted operating profit, calendar year loss ratio and combined operating ratio (collectively, the “**APMs**”).

Hastings uses APMs as key performance indicators of its business. Hastings uses these indicators in its business operations, among other things, to evaluate the performance of its operations, to develop budgets and to measure Hastings' performance against those budgets. Hastings believes the APMs to be useful supplemental tools to assist in evaluating operating performance as it considers them to be a more accurate reflection of its underlying business performance and believes that these measures provide additional useful information for prospective investors on performance, enhance comparability with other companies from period to period and are consistent with how business performance is measured internally.

The APMs and related measures are not measurements of performance or liquidity under IFRS and should not be considered by investors in isolation or as a substitute for measures of earnings, or as an indicator of Hastings' operating performance or cash flows from operating activities as determined in accordance with IFRS. Hastings has presented these supplemental measures because they are used by Hastings in managing its business. In addition, Hastings believes that the APMs and related measures are commonly reported by comparable businesses and used by investors and analysts in comparing the performance of businesses. The APMs and related measures may not be comparable to similarly titled measures disclosed by comparable businesses, and investors should not consider these non IFRS measures in isolation, or as a substitute for, and the APMs should be read in conjunction with, the financial information presented in the Annual Financial Statements or the Interim Financial Statements, as applicable.

For definitions of the non-IFRS measures included in the APMs and a reconciliation to the IFRS measures reported in the Financial Statements, see *Alternative Performance Measures*”.

In connection with the issue of the Bonds, Lloyds Bank plc (the “Stabilising Manager”) (or persons acting on behalf of the Stabilising Manager) may over allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Group and the industries in which it operates together with all other information contained in these Listing Particulars, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in these Listing Particulars have the same meanings in this section.

Prospective investors should note that the risks relating to the Group, the industries in which it operates and the Bonds are the risks that Hastings believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Bonds. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer or the Guarantors, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Group and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in these Listing Particulars and their personal circumstances.

Factors that may affect the Group’s ability to fulfil its obligations under the Bonds and the Guarantees

Competition in the Group’s industry is intense and, if the Group is unable to compete effectively, its business may be materially adversely affected.

The Group faces significant competition from other insurers and insurance brokers in the insurance markets in which it operates (from established insurers and brokers as well as new entrants to the market). Such competitors currently offer, or may in the future offer, the same or similar products and services as the Group. The entry into, or the targeting of, the markets in which the Group operates, particularly the private car insurance market, by insurers with greater financial resources, better brand recognition, greater pricing flexibility or risk tolerance than the Group could adversely affect its ability to obtain new, or retain existing, customers, which could have a material adverse effect on the Group’s business, financial condition and results of operations and therefore on the Group’s ability to fulfil its obligations under the Bonds and the Guarantees.

If the Group is unable or is perceived to be unable to compete effectively in its core insurance markets, its competitive position may be adversely affected. In particular, competitive pressures may, among other things, compel the Group to reduce prices, which may adversely affect its operating margins, results of its retail business (“**Retail**”) conducted by Hastings Insurance Services Limited (“**HISL**”) and underwriting business (“**Underwriting**”) conducted by Advantage Insurance Company Limited (“**AICL**”), capital position and capital requirements, or reduce its market share, any of which could have a material adverse effect on Group’s business, financial condition and results of operations and therefore on the Group’s ability to fulfil its obligations under the Bonds and the Guarantees.

Moreover, the Group’s future growth prospects depend and are predicated on winning market share from larger and more-established competitors, many of which may have greater financial resources, longer track records of profitability, more valuable relationships with affinity partners or greater access to resources than the Group does.

Additionally, technological changes may present competitive risks. For example, advances in vehicle technology, such as electric and autonomous vehicles, and other innovations, such as usage-based methods of determining premiums, or technologies that facilitate ride or home sharing, can impact product design and pricing and could materially disrupt the demand for the Group’s products from current customers. Such changes could also materially impact the frequency or severity of losses, and the Group may not be able to respond effectively. In addition, the Group’s competitive position could

be impacted by its ability to deploy, in a cost effective manner, technology that collects and analyses a wide variety of data points, as well as technology that enriches externally and internally sourced data, so as to make underwriting, claims or other decisions, as well as from companies and competitors that have larger databases or are better able to collect these data points. If the Group is unable to adapt to changes in technology and the increased competitive risks they create, then it could have a material adverse effect on Group's business, financial condition and results of operations.

Whilst it is not part of its current core strategy, the Group may also seek to grow through strategic acquisitions from time to time. As with any such process, there would be no guarantee that the Group would be able to realise the benefits of any such acquisition and the integration process may expose the Group to a range of risks within and relating to the acquired business.

The Group's technical claims reserves may not adequately cover actual claims including settlement of periodical payment orders.

The Group maintains technical claims reserves to cover the estimated cost of future claims payments with respect to losses which have been incurred but have not been reported or fully settled.

The Group's technical claims reserves may prove to be inadequate to cover actual claims costs, particularly when the settlement of liabilities may not occur until well into the future, in particular for bodily injury claims. Other uncertainties under insurance contracts include:

- uncertainty whether an event has occurred which would give rise to a customer suffering an insured loss;
- uncertainty about the amount of insured loss suffered by a customer as a result of the event occurring;
- uncertainty over the timing of a settlement with a customer for a loss suffered; and
- uncertainty over the level of claims expenses to be incurred.

As a consequence of the uncertainty inherent in estimating and providing for insurance contract liabilities, sophisticated estimation techniques need to be applied in order to determine the appropriate provisions. The estimation of insurance contract liabilities involves the use of judgements and assumptions that are specific to the relevant insurance risks and the particular type of insurance risk covered. These estimates are based on actuarial and statistical projections and assumptions, including the time required to learn of and settle claims, of facts and circumstances known at a given time, as well as estimates of trends in claim severity. The estimates are also based on other variable factors, including changes in the legal and regulatory environment, results of litigation, changes in medical costs, the cost of repairs and replacement and general economic conditions. The Group's earnings depend significantly upon the extent to which the Group's actual claims experience is consistent with the projections and the assumptions it uses in setting claims reserves and subsequent premium levels. Changes in the trends or other variable factors, such as inflation and interest rates, used to produce these estimates could result in claims in excess of relevant claims provisions. Consequently, actual claims and related expenses paid may differ from estimates reflected in the claims provisions in the Group's financial statements.

The Group's technical claims reserves include the estimated cost of awards of periodical payment orders ("PPOs"), to settle certain bodily injury claims. In a PPO, annually indexed payments are made periodically over many years or even the lifetime of the injured party, giving rise to longer-tailed liabilities compared with lump sum settlements. The Group values PPO liabilities on a discounted cash flow basis with a net discount rate, currently 0% p.a. The Group's exposure to the cost of PPOs is substantially mitigated by its excess of loss cover at £1m per loss (indexed to inflation). As at 31 December 2017, the Group has settled six claims with a PPO and provides for the additional cost of potential PPO settlements using a "propensity" model, in line with industry practice.

In addition, large loss settlements on a lump sum basis are calculated with reference to the personal injury discount rate, or the 'Ogden rate'. Subject to successful enactment of the recently announced Civil Liability Bill, the Ogden rate will be subject to regular amendment through a revised

methodology which may require additional judgement over future PPO propensity and the ultimate cost of settling large losses.

To the extent that the Group's technical claims reserves may subsequently be estimated to be insufficient to cover the future cost of claims or administrative expenses, the Group may have to increase its claims reserves and incur a corresponding reduction in its net income in the period in which the deficiency is identified, and if, in the longer term, the shortfall becomes large enough and trading conditions are unfavourable, the Group may have insufficient capital to cover claims liabilities. Conversely, if the Group's technical claims reserves are excessive as a result of an over-estimation of risk, it may set premiums at levels which are too high and potentially may not be able to compete effectively, which may result in a loss of customers and premium income. If the Group charges premiums that are insufficient for the cover provided, it may suffer underwriting losses, leading to a reduction in earnings. Any increase in the technical claims reserves held or estimates or expectations of the uncertainty around those technical claims reserves could also lead to increased capital being required and increased uncertainty around the Group's current and future profitability. Any of these could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's underwriting performance may be affected if it fails to make an accurate assessment of the risks it assumes, including any failure to collect and analyse data, to develop, test and apply appropriate rating formulas, to promptly recognise and monitor claim trends, to identify and prevent fraud and/or to project severity and frequency of claims with accuracy.

The Group's results of operations and financial condition depend on its ability to underwrite and set rates and prices accurately. Rate adequacy is necessary to generate sufficient premiums to cover losses and underwriting expenses and to earn a profit on its own underwriting. If the Group fails to appropriately assess the risks that it assumes, it may fail to establish adequate premium rates, which could result in the Group experiencing losses from its underwriting activities. Such losses could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

In order to price its products accurately, the Group must collect and properly analyse a substantial volume of data; develop, test and apply appropriate rating formulas; promptly recognise and closely monitor trends; identify and prevent fraud; and project both severity and frequency of losses with reasonable accuracy.

The Group's ability to do these successfully and, as a result, price its products adequately, is subject to a number of risks and uncertainties, including:

- the availability of and ability to use sufficiently reliable data;
- correct analysis of available data;
- uncertainties inherent in estimates and assumptions generally;
- the selection and application of appropriate rating formulas or other pricing methodologies;
- unanticipated or inconsistent court decisions, legislation or regulatory action;
- changes in the Group's claims settlement practices, which can influence the amount paid on claims;
- estimation of ultimate claims costs;
- changes in frequency or severity of claims; and
- changes over time in consumer behaviour and habits.

Pricing of motor insurance is subject to a number of specific uncertainties, including:

- changing driving and other consumer patterns, which could adversely affect both frequency and severity of claims;
- unanticipated increases in the number and severity of bodily injury claims;
- changes in vehicle technology, such as driverless cars, the impact of which may be difficult to anticipate, especially when first introduced;
- increases in cost of provision of replacement cars due to use of credit hire arrangements; and
- unanticipated inflation in motor repair costs, motor parts prices and used motor prices, adversely affecting motor physical damage claim severity.

Pricing of home insurance is subject to a number of specific uncertainties, including:

- increases in the costs of repairs and building work;
- inflation in the value of home contents and goods; and
- unanticipated weather patterns and climatic conditions, as well as catastrophes.

Such risks may result in the Group's pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies, and may cause the Group to incorrectly estimate future increases in the frequency and severity of claims. As a result, the Group could underprice risks, which could negatively affect its loss ratio, or the Group could overprice risks, which could reduce its business volume and competitiveness.

The underwriting process is a matter of judgement involving important assumptions about matters that are inherently unpredictable and beyond the Group's control and for which historical experience and probability analysis may not provide sufficient guidance. Notwithstanding the risk mitigation and underwriting controls employed, one or more catastrophic or other loss events could result in claims that substantially exceed the Group's expectations, which may have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group is required to meet certain minimum capital and solvency requirements and to comply with a number of regulatory requirements relating to its operations.

Certain minimum regulatory capital requirements apply to both Retail and Underwriting, and Underwriting is required to report quarterly on its solvency levels. Underwriting is subject to capital requirements imposed by the Gibraltar regulator, the Gibraltar Financial Services Commission (the "GFSC") and Retail is subject to capital requirements imposed by the Financial Conduct Authority ("FCA"). Specifically, Underwriting must, pursuant to the GFSC's current regulatory regime, ensure that, at a minimum, it maintains available assets (i.e. "own funds") in excess of the Minimum Capital Requirement ("MCR") specified under EU directives. The EU Solvency II Directive (2009/138/EC), which took effect from 1 January 2016, introduced a capital adequacy regime in the EU affecting the financial strength of insurers and reinsurers within each Member State ("Solvency II"). Solvency II has codified and harmonised prudential regulation for insurers and reinsurers and applied more consistent risk-sensitive standards to capital requirements, covering areas such as regulatory capital, the valuation of assets and liabilities, calculating technical provisions and regulatory reporting.

Additionally, regulatory capital requirements are subject to change, and such changes may have a significant impact on the Group's business, financial condition and results of operations. The Group may also be subject to changes in its regulatory environment in the future, including in respect of its regulators and their interpretation of the Group's structure, which may change the level of capital the Group is required to hold. If the Group is unable to meet required minimum capital requirements, the Group's regulators may withdraw permission for it to continue operating its business.

The Group's capital position and its ability to meet the minimum capital requirements applicable to each of its regulated businesses can be adversely impacted by a number of factors, in particular, factors that erode the Group's capital resources and which could impact the quantum of risk to which it is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability or make the Group's profitability more volatile could impact its capital position, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The respective board of directors of HISL and AICL are ultimately responsible for managing their capital positions, including the responsibility of undertaking periodic reviews of their respective capital resources. As such, the boards of directors of HISL or AICL may decide to (and currently do) hold surplus above regulatory capital requirements. Additionally, the regulators could decide to increase the regulatory capital requirements of any of its regulated subsidiaries or impose additional requirements at the Group level.

If any of the Group's regulated subsidiaries are unable to meet their regulatory capital requirements, this could restrict their ability to continue to pay dividends and the Group may have to take additional measures to protect and, where necessary, reinstate the required capital and solvency position. Such measures might include redeploying existing capital from elsewhere in the Group, increasing prices, reducing the volume of, or types of business underwritten, increasing reinsurance coverage, divesting parts of its business, or other external capital market activities, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures are required to be undertaken quickly.

Where matters of public policy are concerned, the FCA may intervene directly to provide redress to customers. There have been several industry-wide issues in recent years in which the FCA has intervened directly, including the sale of payment protection insurance, which did not impact Hastings but significantly affected a number of banks and other financial services companies. The exercise of these powers could have a negative impact on perceptions of the Group's businesses or have a material adverse effect on its business.

Further, the Group may face increased compliance costs due to the need to set up additional compliance controls or the direct cost of such compliance because of changes to financial services legislation or regulation.

Britain's exit from the EU in March 2019 ("**Brexit**") may also result in changes to the UK and EU regulatory systems. The Retail and Underwriting elements of the Group are split between the UK and Gibraltar, respectively, and, subject to the outcome of the Brexit negotiations, the Group could face significant regulatory change as a result of Brexit. Such changes will depend on the agreements (or lack thereof) that the UK secures to retain access to EU markets, both on a transitional and long-term basis. For example, AICL is currently able to provide services into the UK and other EU member states from Gibraltar on a passporting basis and the Group may need to take mitigating action as a result of Brexit to ensure the continued operation of these cross-border activities in the same manner. These passporting rights may be limited or cancelled in the future. Gibraltar may be subject to heightened regulatory uncertainty in the context of Brexit, given its status as a British Overseas Territory recognised as part of the European Union requiring bespoke arrangements in terms of access to the UK and EU markets after Brexit.

The status of EU passporting rights for financial services firms authorised and regulated in Gibraltar after Britain's exit from the EU in March 2019 is currently unclear. On 8 March 2018, the UK Government made a statement guaranteeing Gibraltar financial services firms access to UK financial markets until 2020. Before the end of this transitional period, the UK Government agreed to work closely with the Government of Gibraltar to design a replacement framework to apply after 2020.

If the Group fails to comply with regulatory requirements, it may be subject to substantial fines or other sanctions that may have a material adverse effect on the Group's business, financial condition and results of operations or ultimately the Group may not be able to conduct its business.

Retail and Underwriting are subject to detailed and comprehensive government regulations and legislation in the United Kingdom and Gibraltar, respectively, and the Group's business is dependent upon compliance with those regulations as well as maintaining its ongoing relationship with the regulatory agencies. Historically, the Group's subsidiaries have complied with the applicable regulations and legislation and continue to maintain good relationships with their regulators; however the Group cannot guarantee that its subsidiaries will be able to comply with all aspects of the detailed and comprehensive regulations and legislation to which they are subject and/or continue to have productive relationships with these regulatory bodies in the future. The Group and its regulated subsidiaries must comply with regulatory requirements to maintain positive relationships with the regulatory authorities and to avoid regulatory action which may deteriorate those relationships and may have a material adverse impact on the Group's business, financial condition or results of operations. The Group's operations in Gibraltar may also expose it to local regulatory, legal, political or economic changes which could impact the results of operations or financial condition, and by which other peers exclusively based in the United Kingdom may not be impacted.

In addition, in order to conduct business in the jurisdictions in which it currently operates, the Group must obtain and maintain certain licences, permissions and authorisations (such as permission from the GFSC in the case of Underwriting, or the FCA, in the case of Retail, to conduct insurance activities in Gibraltar and the United Kingdom, respectively) and must comply with rules and regulations as determined by these jurisdictions. The FCA is continually updating and amending its regulations, including the changes to prohibit gender discrimination in pricing during 2012, the renewal price transparency requirements introduced in 2017 as well as the ongoing consultation into price differentials which may result in additional rules. Failure to comply with the regulations, applicable insurance laws and public approvals and policies may lead to legal or regulatory disciplinary action, the imposition of fines (including retrospective fines) or the revocation of licences, permissions or authorisations. Any failure could have a material adverse impact on the Group's continued conduct of business in that jurisdiction.

The Group maintains a forward-looking watching brief on current and forthcoming insurance and non-insurance legislation, regulations and policies, and the approach and attitude of insurance regulators to those laws and regulations that the Group recognises may change at any time in ways which could have a material adverse effect on the Group's business, financial condition or results of operations.

Regulatory and supervisory authorities are concerned primarily with financial stability and the protection of policyholders and certain other third-party claimants. The Group continues to observe the increasing regulatory attention to income generation, consumer issues and the overall fairness of insurance products, including as regards sales of ancillary products and pricing practices more generally, in particular the treatment of longstanding customers and the use of "Big Data" to assist risk segmentation.

In addition, insurance regulation in the UK and Gibraltar is largely based on the requirements of EU directives. Inconsistent application of directives by regulators in different Member States may place the Group's business at a competitive disadvantage to other European financial services groups. In addition, changes in the local regulatory regime in the UK and Gibraltar could affect the calculation of the Group's solvency position and other matters. There is a risk of differences in interpretation and a failure by financial services regulators to align regulatory approaches across Europe may result in an unequal competitive landscape, with potentially adverse effects on the Group's business, financial condition and results of operations. As noted above at "*Risk Factor - The Group is required to meet certain minimum capital and solvency requirements and to comply with a number of regulatory requirements relating to its operations.*" the current regulatory regime may be subject to change as a result of Brexit which could lead to further divergence.

Regulatory actions and developments will continually require the Group to assess its compliance measures and evaluate their impact on the Group's revenue and profitability, including in relation to new markets and new products the Group may offer in the future. Failure to adequately address these and future unforeseen changes in the legal and regulatory framework in which the Group operates may

have a materially adverse impact on the Group's business, financial condition or results of operations. Moreover, both Retail and Underwriting are highly sensitive to each other from a regulatory and operational concentration perspective and a disruption in one entity, due to changes in applicable laws or regulatory or other sanctions, could possibly disrupt the operation of the Group as a whole. If Underwriting was no longer able to provide capacity to Retail, or Retail was no longer able to provide services to Underwriting, for regulatory prohibition or other reasons, this could result in an adverse impact on the Group's business, financial condition or results of operations.

Reinsurance may not be available, affordable or adequate to protect the Group against losses, and reinsurers may dispute or default on their reinsurance obligations.

As part of the Group's overall risk mitigation and capital management strategy, the Group purchases quota share and non-proportional excess of loss reinsurance, to cover certain risks to which it is exposed. The Group's purchase of reinsurance reflects the insurance industry practice of reinsuring a portion of the risks the Group underwrites, in the case of its quota share reinsurance, and limiting its losses for certain significant loss incidents, in the case of its non-proportional excess of loss reinsurance. Market conditions beyond the Group's control determine the availability and cost of appropriate reinsurance and the receipt of future reinsurance recoveries as well as the financial strength of reinsurers. Like the insurance industry, the reinsurance industry has been and may continue to be cyclical and exposed to substantial market losses, which may adversely affect reinsurance pricing and availability, or its terms and conditions, or the ability of a reinsurer to fulfil its obligations towards the Group. Similarly, risk appetite among reinsurers may change, resulting in changes in price or willingness to reinsure certain risks in the future. Any of these occurrences and/or significant changes in reinsurance pricing may result in the Group being forced to incur additional expenses for reinsurance, underwriting less business, having to obtain sufficient reinsurance on less favourable terms or not being able to or choosing not to obtain reinsurance, thereby exposing the Group to increased retained risk and potentially an increase in loss ratio.

The Group purchases reinsurance under various third-party agreements generally on a yearly renewable basis. These reinsurance agreements are designed to transfer risk, support underwriting volumes, and moderate the effect of its losses. Under the terms of these reinsurance agreements and in return for the premium paid, the reinsurer agrees to reimburse the Group for a portion of the claim paid to a policyholder or third-party claimant, in the case of quota share reinsurance, or a portion of a claim in excess of a certain amount, in the case of non-proportional excess of loss reinsurance.

If the Group's reinsurance providers do not offer to renew their products and services, in whole or in part, for any reason, there is a risk that the Group may be unable to procure replacement cover for any reinsurance agreements at rates equivalent to those of the terminated cover and that the Group may be exposed to un-reinsured losses during any interim period between termination of the existing agreements and the start of any replacement cover.

Additionally, though the Group seeks to employ a conservative reinsurance strategy that diversifies its exposure to reinsurers and its mix of quota share and non-proportional excess of loss reinsurance coverage, the Group bears credit risk with respect to its reinsurers, and if any reinsurer fails to pay the Group, or fails to pay it on a timely basis, the Group could experience significant losses and therefore have a material adverse effect on its business financial condition and results of operations. Although reinsurance makes the reinsurer liable to the Group to the extent of the risk assumed by (that is, ceded to) the reinsurer, the Group is not relieved of its primary liability to its customers and policyholders. As a result, the Group bears risk with respect to its reinsurers. The Group cannot ensure that its reinsurers will pay reinsurance claims on a timely basis or at all. If reinsurers are unwilling or unable to pay the amounts due under reinsurance contracts, whether due to the reinsurer experiencing financial difficulties, a dispute over policy coverage between the Group and the reinsurer, or otherwise, the Group will incur unexpected losses and its cash flow will be adversely affected, which could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's ability to price risk effectively and accurately may be affected as a result of legal developments in the UK and EU.

Changes in government policy or legislation, or the regulatory interpretation or enforcement thereof (at a UK or EU level), in the insurance markets in which the Group operates may occur in the future or be applied retrospectively, and may adversely affect the Group's underlying profitability, product range, distribution channels and capital requirements. As noted above at "*Risk Factor - The Group is required to meet certain minimum capital and solvency requirements and to comply with a number of regulatory requirements relating to its operations.*" the current regulatory regime may be subject to change as a result of Brexit.

The Group's technical claims reserves are susceptible to potential retrospective changes in legislation and new court decisions. On 27 February 2017, the United Kingdom government announced its decision to move the Ogden rate (the discount rate used to calculate lump sum awards in bodily injury cases) to -0.75% from 2.5%, which resulted in reduction in adjusted operating profit of £20.0m and a decrease in profit after tax of £18.0m on the Group's results for the financial year ended 31 December 2016. Since the Ogden rate is used to calculate the present value of future costs or lost earnings in the cases of bodily injury or death, periods of sustained low interest rates or increased interest rate volatility could result in pressure from claimants to further reduce the Ogden rate to compensate for lower or uncertain expected returns, thereby increasing the present value of those future costs and the value of lump sum payments owed to settle claims. Fear of low or volatile returns on claims settlements caused by low or volatile interest rates could also encourage more claimants to pursue PPO awards for bodily injury claims instead of lump sum awards. A further decrease in the Ogden rate or an increase in the propensity of PPO claims awarded could increase the likelihood of a mismatch between the assumptions underlying the pricing of the Group's products and the actual claims and expenses experience.

The Group largely depends on price comparison websites ("PCWs") to generate the majority of new business. If the Group is unable to maintain terms with PCWs and to attract PCW visitors and convert them into customers in a cost-effective manner, its business, financial condition and results of operations may be adversely affected.

The Group's success depends on its ability to attract online consumers to solicit a quote from the Group and purchase its insurance products. The Group depends, in large part, on PCWs, search engines and other online sources as the distribution channels for its products. Of the Group's new policies sold in the year ended 31 December 2017, 90 per cent. were sold through various PCWs. While the Group has invested in its direct distribution capabilities to create a complementary channel to PCW distribution, it relies principally on PCWs as its primary distribution channel.

The Group is independent from each of the PCWs which it utilises, though some of these PCWs are owned by the Group's competitors, and PCWs control which insurance companies may quote prices on their sites. If one or more of the PCWs in which the Group participates prohibits the Group from quoting the Group's policies on its site, or enter the insurance broking market and start competing with the Group directly, the Group would lose an important channel for distributing its insurance products and attracting new customers, and its business, financial condition and results of operations could suffer. Additionally, more traditional insurers in the UK private motor market may make more substantive use of, or may compete more effectively on, PCWs, which could negatively impact the Group's ability to effectively utilise PCWs as a distribution channel. Moreover, to the extent the Group is unable to effectively place its quotes on PCWs, or to attract requests for quotes or convert such requests into new business, it could have a material adverse effect the Group's business, financial condition and results of operations.

The Group is also dependent on consumers continuing to use PCWs. Recently PCWs have been the focus of potentially adverse regulatory scrutiny (including, for example, in switching services). The Group is now subject to additional FCA requirements relating to the information it provides to customers and the way in which its services are described. To the extent consumers reduce their use of PCWs, as a result of this regulatory scrutiny or otherwise, this could also adversely impact the Group's results of operations.

Increases in or changes to fees for PCWs may adversely affect the Group's results of operations.

The PCWs which the Group utilises are independent from the Group, and as a result they are able to, and do, from time to time change the fees they charge the Group to sell the Group's insurance products on their website. Additionally, the Group does not have exclusivity agreements in place with these PCWs, and as a result they quote policies and offer products of other insurance companies as well, with no obligation to give priority to the Group's products and services. The successful distribution of the Group's insurance products therefore depends on their placement on PCWs, and the Group competes with other insurers and brokers to attract new business on these websites by improving the placement and presentation of the Group's offering on such websites. Failure to maintain relationships with PCWs, or an inability to respond to increases in the fees they charge the Group or changes to the fee structure the Group has could result in a loss of market share for the Group's policies or a reduction in the sale or profitability of its products, which could, in turn, have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's contractual arrangements with PCW providers can be terminated upon one to three months' notice and prices are typically renegotiated on an annual basis. Any change in the Group's arrangements with its PCW providers or a termination of such contracts by the PCW providers, with or without fault on the Group's part, would increase the acquisition costs for new and/or renewal business, which could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group relies on the proper functioning, implementation and upgrading of its information technology and communication systems, as well as its relationships with existing suppliers of these products.

The Group's business depends on the ability of its employees to process transactions and analyse data using secure information systems. The Group relies heavily on its operational processes and information technology and communication systems. The Group's capacity to generate business, effectively manage its risk profile and service its customers depends on storing, retrieving, processing, presenting and managing information. Retail and Underwriting use sophisticated software systems to help them assess risk, manage claims and support new and existing customers, whilst the Group's website represents a key customer interaction portal. If the Group does not make the correct technology choices or investments, including with respect to pricing and distribution channels, or if the Group's choices or investments are insufficiently prompt or cost-effective, it could adversely affect the Group's business, financial condition and results of operations. In addition, interruption or loss of the Group's computer and data processing capabilities, the failure of computer equipment or software systems, failure of the Group's website, telecommunications failure or other disruption, whether due to system failures, computer viruses, software errors, cyber-attacks, theft of or physical damage to IT hardware or otherwise, could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The successful implementation of the Group's business strategy depends, in part, on its success at renewing or entering into new contracts with suppliers of products and services on favourable terms, such as contracts with its key IT suppliers. The Group's ability to renew its existing contracts with suppliers of insurance products and services, or enter into new contractual relationships, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events which may be beyond the Group's control. The Group's inability to maintain its existing contracts and agreements with its suppliers of the various products and services which the Group relies upon or enter into new contracts on commercially favourable terms could lead to business interruption, reduced sales, lower margins or a loss of existing Retail customers and difficulties in attracting customers, which could have a material adverse effect on the Group business, financial condition and results of operations.

Climate change and other weather related events may increase the frequency and/or severity of claims.

Climate change may result in the Group's pricing being based on inadequate or inaccurate data or inappropriate assumptions, and may cause the Group to incorrectly estimate future increases in the frequency and severity of claims. As a result, the Group could underprice risks, which could negatively affect its loss ratio, or the Group could overprice risks, which could reduce its business volume and competitiveness. The Group's exposure to this risk is increased by the growth of its home insurance portfolio.

The impact of weather-related events and climatic conditions on the Group's business may also be affected by other external factors beyond its control. For example, on 4 April 2016, the UK Government and the Association of British Insurers launched a not-for-profit scheme, known as "Flood Re" that is aimed at ensuring flood insurance in flood risk areas remains affordable and available. Flood Re is a levy-based system to guarantee cover to high risk properties using a pool of capital from which to settle flood claims.

The Group is exposed to particular risks specific to motor insurance.

Motor insurance is the Group's largest product line by volume of live customer policies and gross written premium, and represents a core component of the Group's overall business going forward. While many of the risks inherent to the sale and administration of motor insurance are similar to all general insurance business lines, there remain several risks that are more relevant or even specific to this product. Those risks include, but are not limited to:

- frequency of severe bodily injury claims (including PPOs);
- significant competition among motor insurers, principally on the basis of price;
- increased bodily injury or third-party property damage claims, which could be caused by, among others, an increased propensity of third-parties to claim, increased size or severity of claims, and increased fraud associated with staged accidents, falsified claims or other fraudulent reporting;
- the time between underwriting policies and finalising the ultimate cost of those policies, which may cause technical reserves to fluctuate;
- enhancements in medical knowledge and techniques as well as the increasing use of rehabilitation, resulting in increased life expectancy for severely injured claimants, with expensive medical and rehabilitation regimes required for longer periods;
- uncertainty of the outcome or impact of potential regulatory or legislative changes as a result of either current investigations and initiatives or potential future initiatives, including, for example, any changes to regulatory restrictions relating to automatic renewal of insurance contracts;
- changes to distribution landscapes, as evidenced by the growth in penetration of PCWs;
- cyclical market patterns, including in relation to the economy, weather, competition and underwriting capacity in the insurance and reinsurance industries, some of which are unpredictable and are characterised by periods of significant competition in pricing and underwriting terms and conditions, followed by periods of lessened competition and increasing premium rates; and
- changes to vehicle technology (such as driverless cars, electric cars and key cloning), the proportion of used cars on the road, road building and road safety initiatives, road traffic offence enforcement or speed limits can have a positive or negative impact on the likelihood of accidents and the Group's ability to accurately determine the impact of any change.

The occurrence or persistence of any of these factors could have a material adverse effect on the Group's business, results of operations and financial position.

Like any other company in the insurance industry, there is a risk that the Group might not adapt (or respond in a timely manner) to new or emerging risks, which might severely impact the Group's business in the future. New or emerging risks are those risks that are not foreseen or are unknown or where the industry lacks experience in such risks. Any inability on behalf of the Group's management to identify and react to any existing or emerging trends may negatively impact the Group's financial condition and results of operations.

The Group may be subject to fraudulent insurance applications and claims, and other fraudulent activities.

The Group is vulnerable to internal and external fraud from a variety of sources such as employees, suppliers, intermediaries, customers and other third parties. This includes both policy (i.e. application related) fraud and claims fraud. Although the Group employs fraud detection processes to help monitor and combat fraud, including Insight, the Group's counter-fraud team, the Group is still at risk from customers who misrepresent or fail to provide full disclosure of the risks covered before such cover is purchased, from policyholders who file fraudulent or exaggerated claims and from a range of other fraud related exposures, such as the fraudulent use of Group-related confidential information. These risk include payment security risks.

Additionally, the Group is subject to risk from employees and staff members committing fraud in cases in which procedures designed to prevent fraudulent activities are not followed or are circumvented. This is particularly the case with data theft which is becoming more prevalent within the Financial Services industry. Furthermore, the techniques used to perpetrate fraud are constantly evolving which may make instances of fraud more difficult to detect. The occurrence or persistence of fraud in any aspect of the Group's business could damage the Group's reputation and brands, and could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's claims management processes may be inefficient, leading to additional claims-related expenses and possibly adverse inflation effects upon claims.

A key assumption used in the pricing of the Group's insurance products as well as the provisions for claims is the relative time and efficiency with which claims will be notified, processed and paid. Efficient and effective claims management depends, among other things, on well-trained personnel making accurate and timely decisions with respect to claims handling. Inefficiencies in managing and paying claims can lead to issues such as inappropriate indemnity decisions, inappropriate claims reserving and/or payment decisions, increased fraud and distorted management information for reserving and pricing, resulting in additional claims costs and claims handling-related expenses as well as increased risk that technical claims reserves and/or pricing models will be inappropriate. This risk increases as the time lag between claim and payment becomes longer. If the Group's claims management processes prove to be inefficient or ineffective or it otherwise suffers from costs or expenses above expected levels, the Group could be forced to refine its pricing models and/or increase prices, potentially resulting in a loss of business, and increase its technical claims reserves. Such additional costs or inflation effects could harm the Group's profitability, which could have an overall adverse effect on the Group's business, financial position and results of operations.

Results in the personal lines insurance industry are subject to volatility and uncertainty which may adversely affect the Group's ability to offer insurance broking and underwriting services.

In addition to considerations specific to motor insurance as discussed above, personal lines insurers more generally have historically experienced significant fluctuations in operating results due to competition, the frequency or severity of catastrophic events, levels of underwriting capacity, general social, legal or economic conditions and other factors. The supply of insurance capacity is related to prevailing prices, the level of insured losses and the level of industry profitability and capital surplus which, in turn, may fluctuate in response to changes in inflation rates, numbers of claims, the rates of return on investments being earned by the insurance industry, as well as other social, economic, legal and political changes. As a result, the insurance business has historically been cyclical, characterised by

periods of intense competition in relation to price often due to excessive underwriting capacity, as well as periods when shortages of capacity have seen increased premium rates that are more advantageous to underwriters. Increases in the supply of insurance (whether through an increase in the number of competitors, an increase in the capital available to insurers, or otherwise) could have adverse consequences for the Group, including fewer contracts underwritten, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for the Group, any of which could adversely affect the Group's business, financial condition and results of operations.

The Group collects and utilises third-party and/or non-public data from quote-seeking consumers, policyholders, claimants, business contacts, employees and other third parties, and the failure to adequately maintain and protect such information, or failure to comply with applicable data protection laws, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group collects and processes personal data (including name, address, age, bank, credit score and payment details and other personal data) from quote-seeking consumers, policyholders, third-party claimants, business contacts and employees as part of the operation of the Group's business, and therefore the Group must comply with data protection and privacy laws and industry standards in the UK and Gibraltar in respect of the handling and storage of such data. Those laws and standards impose certain requirements on the Group in respect of the collection, use, processing and storage of such personal information. For example, under UK and EU data protection laws and regulations, when collecting personal data, certain information must be provided to the individual whose data is being collected. This information includes the identity of the data controller, the purpose for which the data is being collected and any other relevant information relating to the processing. There is a risk that data the Group collects is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. Failure to operate effective data collection, handling and storage controls could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims. The implementation of the EU's General Data Protection Regulation has substantially increased the penalties surrounding data breaches, with potential fines that could total up to 4% of the Group's revenue for the most serious of breaches.

The Group also receives external, third-party data from PCWs, credit agencies and other third-party data providers, which it relies on for certain of its business activities including its counter-fraud and pricing capabilities. Any changes to the availability, storage and use of such data, including any increase in price and regulatory constraints on the gathering or use of such data could affect the Group's business, including its counter-fraud capabilities and price policies, as well as have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

In addition, the Group is exposed to the risk that the personal data it controls could be wrongfully accessed, distributed or used, whether by employees or other third-parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Group or any of the third-party service providers on which it relies fail to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Group could face liability under data protection laws. This could also result in damage to its brands and reputation as well as the loss of new or renewal business, any of which could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

Changes to the Group's customers' behaviour could reduce demand for its products.

The Group is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance products. For example, changes in lifestyle, technology, regulation, or taxation could significantly alter customers' actual or perceived need for insurance and the types of insurance sought. Changes in technology could also give rise to new types of entrants into the insurance and/or insurance sales markets, for example, pay-as-you-go motor insurance, or the development of new distribution channels requiring further adaptation of the Group's business and operations. Such changes could result in reduced demand for the Group's products and require the Group to invest significant energy,

resources and expenditure to change its product offering, build new risk and pricing models, modify and/or renew its operating and IT systems and/or retrain or hire new people. Changes to customer behaviour could also result in higher customer turnover leading to higher overall costs and/or lower or eliminated profit margins due to increased pricing pressure. Such changes could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group is also exposed to changes in the behaviour of customers in relation to the way that they purchase insurance. To the extent consumers reduce their use of PCWs in favour of direct sales of traditional brokers and the Group is unable to adapt to such a change, this could also adversely impact the Group's business, financial condition and results of operations.

The Group bears credit risk with respect to customers pursuant to its premium financing products and counterparty risk with respect to various third parties, including its reinsurance partners and other financial institutions.

The Group offers a premium financing option to its customers whereby the Group enables customers to pay for their insurance products in instalments over the policy period, instead of upfront, for which interest and finance charges are made. If a customer does not make instalment payments, the Group may be exposed to operating costs and reinsurance costs in respect of such policy until it is able to cancel that policy. As the Group does not use a third party to indemnify premium financing, it bears all the credit risk of customers opting to pay by instalment. Credit risk issues may have an adverse effect on the Group's business, financial condition and results of operations.

Any policy or regulatory changes relating to premium financing may have an adverse impact on the Group's business, financial condition and results of operations.

The Group faces credit risk exposure to various different counterparties, including in relation to amounts receivable from reinsurance partners, holdings of fixed income instruments and other assets within its investment portfolio, amounts held as cash, and amounts due from suppliers, distribution partners, PCWs, policyholders and from other relationships. Changes in the financial position of any of these counterparties could negatively impact the Group's financial condition, in particular where such payables are unsecured or where amounts recoverable under the terms of such relationships exceeds the quantum of any provisions the Group may hold against them. More generally, inter-dependency within financial institutions may mean that counterparty defaults may occur in rapid succession or in a related fashion. Any of these events, individually or collectively, could have an adverse effect on the Group's business, financial position and results of operations.

The failure of any of the loss limitations or exclusions within the Group's insurance policy wording or changes in other claim and coverage issues could have a material adverse effect on the Group's financial condition or results of operations.

Various provisions of the Group's insurance policies, such as loss limitations, exclusions from coverage or choice of jurisdiction, which have been negotiated to limit its risks, may not be enforceable in the manner the Group intends. The Group employs a variety of endorsements to its policies in an attempt to limit exposure to known risks. As industry practices and legal, social and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Group's business by either extending coverage beyond its underwriting intent or by increasing the size or number of claims. The effects of emerging claim and coverage issues can be extremely hard to predict and could harm the Group's business.

In addition, the Group designs its insurance policy language to manage its exposure to expanding theories of legal liability. Many of the policies the Group issues also include conditions requiring the prompt reporting of claims to the Group and its right to decline coverage in the event of a violation of that condition, as well as limitations restricting the period during which a policyholder may bring a breach of contract or other claim against it, which in many cases is shorter than the statutory limitation for such claims. While these exclusions and limitations reduce the loss exposure to the Group and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or that legislation could be enacted which modifies or bars the use of such endorsements and limitations in a way that would adversely affect the Group's loss experience, which

could have a material adverse effect on the Group's business, financial condition or results of operations. In some instances, these changes may not become apparent until sometime after the Group has issued insurance policies that are affected by the changes. As a result, the full extent of liability under the Group's insurance contracts may not be known for many years after a contract is issued.

The loss of the Group's senior management or a significant number of its sales personnel or other consumer-facing employees, or the inability to attract and retain qualified personnel could have a material adverse effect on the Group's business.

The success of the Group's business depends, to a substantial extent, on the ability and experience of members of its senior management and on having the requisite number of appropriately experienced and technically qualified personnel to in order to effectively manage its business operations. The loss of, or a delay in replacing, a number of the Group's senior management, qualified personnel or other customer-facing employees could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

Additionally, the Group relies on the continued attraction of senior management and other qualified personnel to its business, the headquarters of which are located in Bexhill-on-Sea, East Sussex. Failure to attract and retain highly skilled and qualified personnel across all levels of the organisation or to continue to successfully expand, train, manage and motivate the Group's employee base, could also have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

Maintaining favourable brand recognition and a strong reputation is essential to the Group's success, and failure to do so could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's "Hastings Direct" brand name and reputation enjoy a certain degree of familiarity and awareness in the UK, and the Group depends on the integrity of its brand and its reputation for quality of service. The Group believes favourable recognition of its brand is important to maintaining a key position in an industry where trust and confidence with customers are paramount. Nevertheless, factors affecting brand recognition and its reputation are often outside the Group's control, and its efforts to enhance its favourable brand recognition and reputation, such as making significant investments in cross channel marketing including a television campaign and increasing digital and social media interaction, may not have their desired effects. The Group is also exposed to possible brand and reputational damage from poor performance, in terms of customer service or product dissatisfaction, within its own operations or by its third party product and service partners. The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, the reputations and actions of the Group's business partners or one or more of its competitors, press speculation and negative publicity, among others, whether or not founded, could damage the Group's brand and reputation. In particular, the Group's reputation and brand could be adversely affected if any of the PCWs that the Group utilises fails to perform as expected or adversely changes their relationship with the Group. By virtue of the fact that the Group has a visible and recognised brand, it is particularly exposed to mistakes or misconduct, or allegations thereof, by its claims handlers and other employees, contractors or agents. A decline in favourable recognition of the Group's brand or its reputation could also impact its ability to attract or retain new customers, which may have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group may be exposed to fines, penalties, reputational damage and the potential loss or revocation of permissions or authorisations if it fails to adhere to regulatory requirements, including addressing customer complaints or identifying and eliminating potential mis-selling practices.

The FCA and GFSC each has authority to investigate the companies it regulates with respect to meeting relevant requirements and to take disciplinary action to prevent, unethical practices, unlicensed activity or fraud. If, for example, the FCA were to find that the Group has not responded appropriately to customer complaints, or if the Group fails to identify and eliminate potential mis-selling practices, the Group may be exposed to financial and reputational risk.

If disputes arise in relation to the way in which an insurance policy or product was sold or administered by the Group or in relation to the fair treatment of customers by the Group, they may, if not successfully resolved, be dealt with by the Financial Ombudsman Service or the Group's regulators. Future investigations could result in regulatory fines or penalties, and the Group may be required to improve its systems and controls or its business policies and practices, which could include making changes to sales processes, withdrawing products, or providing restitution to affected customers. Any of these events could have a material adverse effect on the Group's business, financial position and results of operations.

The Group is subject to inquiries and challenges of its tax position by the tax authorities in the jurisdictions in which it operates, and the Group's business, results of operations and financial condition may be adversely affected by legislative changes, including changes in taxation.

The Group's operations in the UK are subject to the laws of England and Wales and the taxation rules and decisions administered by HM Revenue & Customs ("HMRC"). In addition, AICL, as a Gibraltar registered business, is subject to the laws of Gibraltar in respect of its insurance business and taxation rules and decisions administered by the Commissioner of Income Tax in Gibraltar under the Gibraltar Income Tax Act. Changes in legislation, regulations or tax law and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational improvements or modifications, the conduct of reviews and audits or the cessation of certain business practices, product lines or income streams that could result in higher costs or restrict the Group's ability to operate its business and, as a result, have a material adverse effect on the Group's business, financial condition and results of operations.

A change in taxation rules, or a successful challenge by a tax authority of the Group's application of those rules could also have a material adverse effect on its business. The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities having taken consideration of any ongoing enquiries or reviews and based on guidance from professional firms. The Group is in discussion with HMRC regarding aspects of its business model—the allocation of certain elements of its profit between the Group's operating subsidiaries and whether any of the profits of Underwriting should be subject to UK tax. It is the Group's policy that the provision of services between Retail and Underwriting is on an arm's length basis and the resulting allocation of profits between Retail and Underwriting is intended to be fully compliant with UK tax laws. The Group has reviewed current and previous tax filings, and considered the nature of the ongoing discussion with HMRC, and does not consider it appropriate to provide for any additional tax due. However, a successful challenge by HMRC to alter the allocation of profits between the jurisdictions it operates in could have a material adverse effect on the Group's financial position and results of operations.

Insurance intermediary services are exempt from Value Added Tax ("VAT") under the EU and UK VAT exemption for insurance related services. There is no guarantee that HMRC will not in the future (including as part of any measures taken in relation to Brexit) reconsider their approach and policy to the scope of this VAT exemption in the UK and what can properly be classified as exempt insurance intermediary services and therefore determine that the Group underpays, or in the past has underpaid, VAT owed to HMRC and subsequently reclaim such VAT amounts from the Group. Any change to these taxation rules could have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's ability to attract and retain participation in its third-party insurance panel may adversely affect its results of operation.

The Group's success depends, in part, on the quality of services provided by, and its relationships with, third-party insurers who sit on its external insurer panel and underwrite certain of the Group's insurance policies. Additionally, certain of the Group's products, in particular its home insurance products, are predominately underwritten by its panel of insurers, with only limited capacity provided by Underwriting. The Group's insurer panel, which includes, for example, Allianz, Aviva, AXA, Covéa, and Sabre allows Retail to sell the Group's products to a broader range of customers. The loss of any of the key insurers who sit on the Group's panel could have an adverse effect on its business. The Group relies on its ability to attract and retain third-party insurers for the Group's insurer panel,

and its inability to do so could have an adverse effect on the Group's business, financial condition and results of operations.

The Group has market risk due to its investments in its portfolio

The Group's investment portfolio is made up of cash, corporate bonds, government bonds, fixed deposits, liquid absolute return funds and money market funds. The Group's investment returns are susceptible to changes in interest rates and credit spreads and are subject to a variety of risks, including risks related to general global economic conditions, geopolitical events, market volatility and interest rate fluctuations, liquidity risk, and credit risk. Changes in these factors can be very difficult to predict, and certain of the funds in which the Group has invested have recently experienced a high degree of volatility.

The value of the Group's investment portfolio will be affected by changes in interest rates, changes in the credit ratings of the issuers of the securities, and liquidity generally in the bond markets, which may affect returns on, and the market values of, UK and international fixed-income investments in the Group's investment portfolios. Generally, investment income may be reduced during sustained periods of lower interest rates as higher-yielding fixed-income securities are called, mature or are sold and the proceeds are reinvested at lower rates, even though prices of fixed-income securities tend to be higher and gains realised upon their sale tend to increase under such circumstances. During periods of rising interest rates, prices of fixed income securities tend to fall, and realised gains upon their sale are reduced or realised losses are increased, but reinvestments take place at a higher yield. When the credit rating of the issuer of the debt securities falls, or the credit spread with respect to the issuer increases, the value of the fixed income securities may also decline. This, or any of the other factors described above could have a material adverse effect on the performance of the Group's investment portfolio and therefore a material adverse effect on the Group's business, financial condition and results of operations, including its level of solvency capital.

The geographic concentration of the Group's business in the United Kingdom could leave it vulnerable to an economic downturn, or regulatory or political changes in the United Kingdom or Europe, and a downturn in the financial markets globally, as a result of these changes, Brexit or otherwise, could also adversely affect the Group

The Group derives all of its premiums and other revenue from consumers in the UK. As the Group markets and delivers its products exclusively to customers in the UK, its success is closely tied to general economic developments in the UK and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the UK economy and, in particular, higher unemployment, lower household income and lower consumer spending may have a direct negative impact on the spending patterns of the Group's customers, both in terms of the services they subscribe for and the amount of insurance and other products they purchase. However, this or any other negative economic developments in the UK could reduce consumer confidence, limit the demand for private car insurance or other of the Group's insurance products and make its customers less likely to purchase ancillary products, and thereby could negatively affect earnings and have a material adverse effect on the Group's results.

In addition, any deterioration in the UK economic and financial market conditions may:

- cause financial difficulties for the Group's suppliers and reinsurers, which may result in their failure to perform as planned;
- result in inefficiencies due to the Group's deteriorated ability to forecast developments in the markets in which it operates and failure to adjust its costs appropriately;
- cause reductions in the future valuations of the Group's investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to its historical or projected future results or any significant changes in its use of assets or its business strategy;

- result in increased or more volatile taxes, which could negatively impact the Group's effective tax rate, including the possibility of new tax regulations, interpretations of regulations that are stricter or increased effort by governmental bodies seeking to collect taxes more aggressively;
- result in increased customer requests for reduced pricing and reduced renewal rates;
- result in increased incidences of fraud among both customers and the Group's employees; and
- result in increased consumer indebtedness that results in policyholders not being able to fund insurance products purchased from the Group.

The UK's decision to leave the EU has created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply as the UK determines which EU-derived laws to replace or replicate in the event of a withdrawal. Depending on the terms of the withdrawal, the UK could lose access to the single EU market and the global trade deals negotiated by the EU on behalf of its members which could affect the attractiveness of the UK as a global investment centre and detrimentally impact growth in the UK. The decision to leave the EU may create volatility in the financial markets, which could have an impact on the fair value of the Group's investments.

The above-mentioned developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Such volatility in the financial markets could impact on the fair value of the Group's investments. If the UK and the EU are unable to negotiate acceptable withdrawal terms or if other EU Member States pursue withdrawal, barrier-free access between the UK and/or Gibraltar (where the Group's underwriting company is incorporated) and other EU Member States or among the European Economic Area overall could be diminished or eliminated. To the extent that such changes increase the costs or difficulties associated with operating in the UK and/or Gibraltar and the EU, they could adversely affect the Group's business, operating results, financial condition or prospects.

Litigation, disputes and regulatory investigations may adversely affect the Group's profitability and financial condition

The Group is, and may be in the future, subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance and other business operations. These legal actions, disputes and investigations may relate to aspects of the Group's businesses and operations that are specific to the Group, or that are common to companies that operate in its markets. Legal actions and disputes may arise under contracts, regulations (including tax) or from a course of conduct taken by the Group, and may be class actions. Although the Group believes that it has adequately provided in all material aspects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient. Given the large or indeterminate amounts of damages sometimes sought, other sanctions that might be applicable and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could, from time to time, have a material adverse effect on the Group's business, financial condition and results of operations and therefore on the Group's ability to fulfil its obligations under the Bonds and the Guarantees.

The Group's inability to successfully recover should it experience a disaster, cyber-attack or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

The Group is subject to losses from unpredictable events that may affect multiple covered risks, particularly widespread weather events in respect of its private motor and home insurance. In the UK, such events include both natural and man-made events, such as, but not limited to, windstorms, coastal inundation, floods, severe hail, severe winter weather, other weather-related events, earthquakes and other man-made disasters such as civil unrest and terrorism.

The extent of the Group's losses from such catastrophic events is a function of their frequency, the severity of each individual event and the reinsurance arrangements the Group has in place. The Group generally seeks to reduce its exposure to such events by utilising selective underwriting and pricing practices, purchasing appropriate non-proportional excess of loss reinsurance, managing reinsurer concentration risk and excluding certain events under policy terms and conditions. However, the Group's efforts to reduce its exposure, or appropriately price, or set appropriate underwriting terms for, its exposure may not be successful. In addition, government or industry schemes, such as those relating to flood control (including, for example, the "Flood re" agreement between the UK Government and the insurance industry), are subject to change which could result in pricing risk if the Group is unable to price its products appropriately or result in reputational risk if the Group is suddenly forced to change pricing or policy coverage.

The Group's cyber security measures, and the measures used by its third party service providers, may not detect or prevent all attempts to compromise its systems, which may jeopardise the security of the data the Group maintains or may disrupt the Group's systems. Failures of the Group's cyber security measures could result in unauthorised access to its systems, misappropriation of the Group's or its participants' data, deletion or modification of stored information or other interruption to the Group's business operations. As techniques used to obtain unauthorised access to or to sabotage systems change frequently, and may not be known until launched against the Group or its third party service providers, the Group may be unable to anticipate, or implement adequate measures to protect against these attacks.

In addition, any catastrophe that impacted the Group's offices in Bexhill or other sites could adversely affect the Group's business, financial condition and results of operations, and any disaster recovery or contingency plans the Group may have may not be sufficient to recover or continue the Group's operations following such an event or events.

Risks Relating to the Bonds

Risks relating to providing consolidated accounts only

The accounts of the Guarantors have been included in the consolidated accounts of the Group, which are incorporated by reference herein, and have not been presented separately herein. However, as the non-Guarantor subsidiaries represent more than 25 per cent. of the consolidated adjusted operating profit (earnings before interest payable, tax, depreciation and amortisation) and net assets of the Group, the consolidated financial statements of the Group may be of limited use in assessing the financial position of the Guarantors.

Certain of the Guarantors (including Hastings) are holding companies

If the Issuer or the Guarantors default on their obligations to make payments on or to repay the Bonds or to make payments under the relevant Guarantees, Bondholders will have unsecured claims for any outstanding amount against the Issuer under the Bonds and the Guarantors under the Guarantee. Bondholders will not have any direct claim for such outstanding amount against any subsidiary of the Guarantors.

The principal business of certain of the Guarantors (including Hastings) is that of holding shares in their subsidiaries (the "**Holding Company Guarantors**"). As holding companies, they conduct all their operations through their subsidiaries and are dependent on the financial performance of their subsidiaries and payments of dividends and intercompany payments (both advances and repayments) from these subsidiaries to meet their debt obligations, including their ability to fulfil their obligations under the Guarantee.

Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary and preferred shareholders (if any) of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to its direct or indirect shareholders upon its liquidation or winding up. The Holding Company Guarantors' subsidiaries may have other liabilities, including secured liabilities and contingent liabilities, which could be substantial. Since Bondholders are not creditors to these subsidiaries (to the extent they are not also Guarantors), their claims to the assets of such subsidiaries that generate the

Holding Company Guarantors' income (and consequently, their right to receive payments under the Terms and Conditions of the Bonds) are structurally subordinated to the creditors of these subsidiaries. In the event that members of the Group are unable to remit funds to the Holding Company Guarantors (or the other Guarantors), the Holding Company Guarantors' ability to fulfil their commitments to Bondholders to make payments under the Guarantee may be adversely affected.

The Issuer's ability to fulfil its obligations under the Bonds is dependent on the receipt of dividends from its (direct and indirect) subsidiaries

The Issuer is an indirect wholly owned subsidiary of Hastings and will use the net proceeds from the issuance of the Bonds for repayment of a part of its existing debt obligations. The Issuer relies upon the amounts it receives from its (direct and indirect) subsidiaries by way of dividend to meet its obligations to pay interest and other amounts payable in respect of the Bonds. The Issuer would, therefore, in the absence of other funding sources, have to rely on its subsidiaries' (both direct and indirect) capacity to generate sufficient dividends to meet such obligations.

In addition, the other members of the Group are separate and distinct legal entities and have no obligation, other than the Guarantors in relation to the Guarantees, contingent or otherwise, to pay any amounts due pursuant to the Bonds or to make any funds available for these purposes, whether by dividends, loans, distributions or other payments, and do not – apart from the Guarantors – guarantee the payment of interest on, or principal of, the Bonds.

The Bonds may be redeemed prior to maturity

In the event that the Issuer or any of the Guarantors would be obliged, as a result of a change in law, to increase the amounts payable in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the taxing jurisdiction of the Issuer or the Guarantors or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Bonds in accordance with the Conditions. In addition, the Conditions provide that the Bonds are redeemable at the Issuer's option in certain other circumstances. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Bonds in any of the circumstances mentioned above, there is a risk that the Bonds may be redeemed at times when the redemption proceeds are less than the current market value of the Bonds or when prevailing interest rates may be relatively low, in which latter case Bondholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

Condition 2 (Status and Guarantee) of the Bonds is intended to ensure that the Bonds and the Issuer's Principal Bank Facility rank pari passu with each other at all times

The Issuer entered into a £310,000,000 term loan and revolving facilities agreement with, *inter alios*, Barclays Bank PLC, HSBC Bank plc, Lloyds Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers on 27 April 2017. This agreement and any subsequent refinancing or replacement of it is referred to as the “**Principal Bank Facility**”. The Issuer intends to repay part of the amount outstanding under the Principal Bank Facility using the proceeds of the Bonds and to reduce the available commitments under the Principal Bank Facility to £110,000,000 shortly after the Issue Date.

The Conditions require that any guarantor under the Principal Bank Facility must also guarantee the Bonds.

Therefore (a) on the Issue Date, all guarantors under the Principal Bank Facility are also guarantors of the Bonds; (b) from the Issue Date onwards, if a member of the Group is added as a new guarantor to the Principal Bank Facility, Hastings must promptly inform the Trustee and add it as a guarantor of the Bonds; and (c) conversely, if in future a guarantor ceases to be a guarantor under the Principal Bank

Facility, Hastings can require (subject to certain Bondholder protections) that it ceases to be a guarantor of the Bonds.

Minimum Denomination

As the Bonds have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Bond in respect of such holding (should Definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that its holding amounts to the minimum denomination. Further, a Bondholder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bonds at, or in excess of, the minimum denomination such that its holding amounts to the minimum denomination.

The terms of the Bonds may be modified with the consent of specified majorities of the Bondholders at a duly convened meeting, and the Trustee may consent to certain modifications to the Bonds, or to the substitution of the Issuer, without the consent of the Bondholders

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The Trust Deed constituting the Bonds also provides that the Trustee may (except as set out in the Trust Deed), without the consent of Bondholders, agree to certain modifications of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or the Trust Deed or to the substitution of another company as principal debtor under the Bonds in place of the Issuer in the circumstances described in Condition 12 (*Meetings of Bondholders; Modification and Waiver; Substitution*) and the Trust Deed.

Credit Rating

The Bonds will be assigned a rating of BBB by Fitch and may in the future be rated by additional independent credit rating agencies (including on an unsolicited basis), although Hastings is under no obligation to ensure that the Bonds are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these risk factors and other factors that may affect the liquidity or market value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

If Hastings determines to no longer maintain one or more credit ratings, if any other independent credit rating agency decides to assign a rating to the Bonds, or if any credit rating agency withdraws, suspends or downgrades any credit ratings of Hastings or the Bonds, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of Hastings or the Bonds on “credit watch” status in contemplation of a downgrade, suspension or withdrawal), such event could adversely affect the liquidity or market value of the Bonds.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Changes in law may adversely affect the rights of Bondholders

Changes in law after the date hereof may affect the rights of Bondholders as well as the market value of the Bonds. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Bonds, which may have an adverse effect on an investment in the Bonds.

In addition, any change in law or regulation that triggers an increase in the amounts payable by the Issuer or a Guarantor in respect of any Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the taxing jurisdiction of the Issuer or the Guarantors or any political subdivision thereof or any authority therein or thereof having power to tax would entitle the Issuer, at its option (subject to certain conditions), to redeem the Bonds, in whole but not in part, as provided under “*Terms and Conditions of the Bonds—Redemption and Purchase*”.

No assurance can be given as to the impact of any possible judicial decision or change to English law, regulation or administrative practice after the date of issue of the Bonds.

Risks Relating to the Market

There is no active trading market for the Bonds.

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantors. Although applications have been made for the Bonds to be admitted to listing on the Official List of Euronext Dublin and to trading on its Global Exchange Market, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

Because the Global Bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantors

The Bonds will be represented by the Global Bonds except in certain limited circumstances described in the Permanent Global Bond. The Global Bonds will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive Definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by the Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantors will discharge their payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

Bondholders of beneficial interests in the Global Bonds will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to Sterling would decrease (1) the Investor’s Currency-equivalent yield on the Bonds, (2) the Investor’s Currency-equivalent value of the principal payable on the Bonds and (3) the Investor’s Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Bonds, which bear a fixed rate of interest, involves the risk that subsequent increases in market interest rates may adversely affect the market value of the Bonds.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, these Listing Particulars:

1. the audited consolidated financial statements (including the auditor's report thereon and notes thereto) of Hastings in respect of the year ended 31 December 2017 (set out on pages 100 to 149 of the 2017 annual report and accounts of Hastings Group Holdings plc); and
2. the audited consolidated financial statements (including the auditor's report thereon and notes thereto) of Hastings in respect of the year ended 31 December 2016 (set out on pages 86 to 136 of the 2016 annual report and accounts of Hastings Group Holdings plc);

each of which have been filed with Euronext Dublin. The consolidated financial statements set out above include both Guarantor subsidiaries and non-Guarantor subsidiaries. Such information shall be incorporated in, and form part of, these Listing Particulars, save that any statement contained in the information which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars.

Any information contained in any of the documents specified above which is not specifically incorporated by reference in these Listing Particulars is either not relevant for prospective investors in the Bonds or the relevant information is included elsewhere in these Listing Particulars. Any information or documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars. Copies of the documents specified above may be inspected (without charge) during usual business hours at the registered office of Hastings.

OVERVIEW

This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Bonds should be based on a consideration of the Listing Particulars as a whole, including the documents incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in these Listing Particulars have the same meanings in this overview.

Issuer:	Hastings Group (Finance) plc
Initial Guarantors:	Hastings Group Holdings plc (“ Hastings ”), Hastings Group Limited, Advantage Global Holdings Limited, Hastings (Holdings) Limited, Hastings (UK) Limited and Hastings Insurance Services Limited
Joint Lead Managers:	Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Principal Paying Agent:	HSBC Bank plc
Bonds:	£250,000,000 3.000 per cent. Guaranteed Bonds due 2025
Issue Price:	99.157 per cent. of the principal amount of the Bonds
Issue Date:	24 May 2018
Use of Proceeds:	The net proceeds of the issue of the Bonds will be used by the Issuer for repayment of a part of its existing debt obligations under its revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc (which will include the repayment of debt to one or more of the Joint Lead Managers) and for general corporate purposes.
Interest:	The Bonds will bear interest from (and including) the Issue Date at a rate of 3.000 per cent. per annum payable semi-annually in arrear on 24 May and 24 November in each year, commencing on 24 November 2018.
Status and Guarantee:	<p>The Bonds constitute direct, general and unconditional obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.</p> <p>The due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds will initially be unconditionally and (subject to the provisions of Condition 2(d) (<i>Release of Guarantors</i>)) irrevocably guaranteed on a joint and several basis by the initial Guarantors. Each such Guarantee will constitute the direct, general and unconditional obligations of the relevant Guarantor and shall at all times rank at least <i>pari passu</i> with all other</p>

present and future unsecured obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “*Initial Guarantors*” above. The circumstances in which the Guarantors may be released from their obligations in relation to the Guarantees, or in which additional companies may provide a guarantee of the Bonds, are set out in Conditions 2(c) (*Addition of Guarantors*) and 2(d) (*Release of Guarantors*).

Form and Denomination:

The Bonds will be issued in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, each with interest coupons attached.

The Bonds will initially be in the form of a Temporary Global Bond, without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denominations of £100,000 each and integral multiples of £1,000 in excess thereof, up to an including £199,000 and with interest coupons attached.

Maturity Date:

24 May 2025

Optional Redemption:

The Issuer or Hastings may, at its option and at any time, redeem or purchase, or Hastings may procure that any member of the Group shall purchase, all, but not some only, of the Bonds at a redemption price per Bond equal to (a) if the Optional Redemption Date (as defined in Condition 5(c) (*Redemption at the option of the Issuer*)) is on or after 24 February 2025, the principal amount of the Bond; or (b) otherwise, the higher of the principal amount of the Bond and an amount calculated by reference to the then yield of the 5.000 per cent. United Kingdom Treasury Stock due March 2025 plus a margin of 0.300 per cent., in all cases together with accrued interest, as described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer*”.

Change of Control Put Event:

Upon the occurrence of a Change of Control (as defined in Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*)) leading to certain contemporaneous negative ratings action being taken by any relevant credit rating agency or agencies, each Bondholder shall have the option to require the Issuer to redeem or, at the option of the Issuer, purchase the Bonds of such holder at a cash purchase price equal to 100 per cent. of the principal amount thereof plus

accrued interest, as described under “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Issuer*”.

- Tax Redemption:** In the event of certain tax changes, the Issuer may redeem the Bonds in whole, but not in part, at any time at an amount equal to their principal amount, together with accrued interest, as more fully provided in Condition 5 (*Redemption and Purchase – Redemption for tax reasons*).
- Negative Pledge:** The Bonds will have the benefit of a negative pledge as described in Condition 3 (*Negative Pledge*).
- Cross Default:** The Bonds will have the benefit of a cross default provision as described in Condition 8 (*Events of Default*).
- Rating:** The Bonds will be rated BBB by Fitch.
- Fitch is established in the EU and registered under the CRA Regulation. Fitch appears on the latest update of the list of registered credit rating agencies (as of 22 May 2018) on the ESMA website <http://www.esma.europa.eu>.
- Taxation:** All payments of principal and interest in respect of the Bonds and the Coupons made by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the taxing jurisdiction or jurisdiction of incorporation of the Issuer or (as the case may be) the Guarantors or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required (subject to certain customary exceptions). See further “*Terms and Conditions of the Bonds – Taxation*”.
- Governing Law:** The Bonds, the Trust Deed, the Agency Agreement and the Subscription Agreement and any non-contractual obligations arising out of or in connection with them will be governed by English law.
- Listing and Trading:** Application has been made for these Listing Particulars to be approved by Euronext Dublin and the Bonds to be admitted to Euronext Dublin's Official List and to trading on its Global Exchange Market.
- Clearing Systems:** Euroclear and Clearstream, Luxembourg.
- Selling Restrictions:** See “*Subscription and Sale*”.

**MiFID II Product
Governance / PRIIPs**

Eligible counterparties and professional clients only (all distribution channels). No PRIIPs KID. No sales to retail investors in the EEA.

Risk Factors:

Investing in the Bonds involves risks. See “*Risk Factors*”.

ISIN:

XS1815424202

Common Code:

181542420

FISN:

HASTINGS GROUP/3EUR NT 20250524 RES

CFI Code:

DYFXXB

**Issuer Legal Entity
Identifier (LEI)**

6354002VILB9PBA8GH72

TERMS AND CONDITIONS OF THE BONDS

The £250,000,000 3.000 per cent. Guaranteed Bonds due 2025 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Hastings Group (Finance) plc (the “**Issuer**”) are subject to, and have the benefit of, a trust deed dated 24 May 2018 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and Hastings Group Holdings plc (“**Hastings**”), Hastings Group Limited, Advantage Global Holdings Limited, Hastings (Holdings) Limited, Hastings (UK) Limited and Hastings Insurance Services Limited (the “**Guarantors**”, which expression shall include any member of the Group (as defined in Condition 2 (*Status and Guarantee*)) which becomes, and has not for the time being ceased to be, a Guarantor pursuant to the relevant provisions of Condition 2 (*Status and Guarantee*)) and HSBC Corporate Trustee Company (UK) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement dated 24 May 2018 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the initial Guarantors, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions and definitions. The holders of the Bonds (the “**Bondholders**”) and the holders of the related interest coupons (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Principal Paying Agent, being at the date hereof 8 Canada Square, Canary Wharf, London E14 5HQ, and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Title**

The Bonds are serially numbered and in bearer form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, with Coupons attached at the time of issue. Title to the Bonds and the Coupons will pass by delivery. The holder of any Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder, and the Issuer, each Guarantor, any Paying Agent and the Trustee shall not be required to obtain any proof thereof or as to the identity of such holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

2. **Status and Guarantee**

- (a) *Status of the Bonds*: The Bonds constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Bonds*: The initial Guarantors have in the Trust Deed, jointly and severally, unconditionally and (subject to the provisions of Condition 2(d) (*Release of Guarantors*)) irrevocably guaranteed the due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds and the Coupons, and each member of the Group which becomes a Guarantor pursuant to Condition 2(c) (*Addition of Guarantors*) will guarantee, jointly and severally, unconditionally and (subject to the provisions of Condition 2(d) (*Release of Guarantors*)) irrevocably, the due and punctual payment of all sums from time to time expressed to be payable by the Issuer in respect of the Bonds and the Coupons.

Each such guarantee (each a “**Guarantee of the Bonds**”) constitutes a direct, general and unconditional obligation of the relevant Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the relevant Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

- (c) *Addition of Guarantors:* If at any time after 24 May 2018 (the “**Issue Date**”), any member of the Group provides a guarantee in respect of the Principal Bank Facility (as defined below), Hastings covenants that it shall procure that such member of the Group shall, as soon as reasonably practicable but in any event no later than 15 business days after the date of giving its guarantee in respect of the Principal Bank Facility, provide a Guarantee in respect of the Bonds and the Coupons on the terms set out in the Trust Deed. Hastings shall provide written notice to the Trustee of the proposed accession of any member of the Group as a guarantor under the Principal Bank Facility. The Trust Deed provides that the Trustee shall agree to any such Guarantee being provided by any such further Guarantor, subject to such supplement to the Trust Deed as the Trustee may require and such other conditions as are set out in the Trust Deed (including the delivery to the Trustee of a legal opinion of independent counsel of recognised status as to the capacity of the relevant Group member to enter into such supplement and the validity and enforceability of such supplement (and such other matters as the Trustee may require)), but without the consent of the Bondholders or the Couponholders.
- (d) *Release of Guarantors:* A Guarantor which is no longer providing a guarantee in respect of the Principal Bank Facility shall be immediately, automatically and (subject always to Condition 2(c) (*Addition of Guarantors*) and the following provisions of this Condition 2(d) (*Release of Guarantors*)) irrevocably released and relieved of all of its obligations under the relevant Guarantee of the Bonds and all of its present and future obligations as a Guarantor under the Trust Deed, the Bonds and the Coupons, but without prejudice to any obligations or liabilities which may have accrued prior to such release, upon Hastings (acting on behalf of the Issuer) giving a certificate to the Trustee signed by two authorised signatories of Hastings to that effect. The Trustee shall be entitled to rely on such certificate without incurring any liability and without need for further investigation. Any such certificate must also contain the following certifications to the Trustee:
- (i) that no Event of Default or Potential Event of Default (as defined in the Trust Deed) is continuing, or is expected to result from the release of that Guarantor;
 - (ii) that no part of the financial indebtedness in respect of which that Guarantor is or was providing a guarantee in respect of the Principal Bank Facility is at that time due and payable but remains unpaid in circumstances where any obligation to make payment has arisen under the relevant guarantee in respect of the Principal Bank Facility; and
 - (iii) that such Guarantor is no longer providing (or will be ceasing to provide), in accordance with the terms of the Principal Bank Facility, any guarantee, indemnity, security, surety or other form of collateral or credit support arrangement in respect of the Principal Bank Facility.

If any Guarantor or any other member of the Group released from providing a Guarantee of the Bonds as described above subsequently provides a guarantee in respect of the Principal Bank Facility, the relevant member of the Group will, in accordance with the Trust Deed, be required again to provide a Guarantee of the Bonds as described in Condition 2(c) (*Addition of Guarantors*).

- (e) *Notice of Change of Guarantors:* Notice of any release or addition of a Guarantor at any time pursuant to the foregoing provisions of this Condition 2 (*Status and*

Guarantee) will be given by Hastings (acting on behalf of the Issuer) to the Bondholders in accordance with Condition 15 (*Notices*).

(f) *Trustee not obliged to monitor*: The Trustee shall not be obliged to monitor compliance by Hastings or any other member of the Group with Condition 2(c) (*Addition of Guarantors*) or 2(d) (*Release of Guarantors*) and shall have no liability to any person for not doing so. The Trustee shall be entitled to rely, without liability to any person, on a notice of Hastings (acting on behalf of the Issuer) provided under this Condition 2 (*Status and Guarantee*), and, until it receives any such notice, it shall assume that no other member of the Group has provided a guarantee in respect of the Principal Bank Facility.

(g) Definitions: In these Conditions:

“**Group**” means Hastings, any holding company (as defined in section 1159 of the Companies Act 2006, as amended) of Hastings and any of Hastings’ or such holding company’s consolidated Subsidiaries from time to time;

“**Principal Bank Facility**” means the £310,000,000 term loan and revolving facilities agreement dated 12 August 2015 as amended and restated on 27 April 2017 between *inter alios* Hastings and Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers, as amended and/or restated and/or replaced and/or refinanced from time to time or any facility (or facilities) which in turn refinances or replaces such facility as the primary working capital and standby facility (or facilities) of the Group, however many times (each, individually and/or collectively, the “Principal Bank Facility”); and

“**Subsidiary**” means a subsidiary within the meaning of section 1159 of the Companies Act 2006, as amended.

3. **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor any Guarantor shall, and Hastings shall procure that no other Principal Subsidiary will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders, save that the Issuer, any Guarantor or any Principal Subsidiary may create or have outstanding (without the obligation so to secure the Bonds), any Security Interest which secures any Relevant Indebtedness (or any Guarantee of any Relevant Indebtedness) which exists on any undertaking or asset of the Issuer, any Guarantor or any Principal Subsidiary which asset or undertaking or which Principal Subsidiary is acquired after the Issue Date, provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness provided that such refinancing does not result in the amount thereby secured being increased.

In these Conditions:

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Subsidiary**” means the Issuer, the Guarantors and each other Subsidiary of Hastings whose adjusted operating profit or gross assets account for 5 per cent. or more of the adjusted operating profit or consolidated gross assets of the Group.

For this purpose:

- (a) subject to paragraph (b) below:
 - (i) the contribution of a Subsidiary of Hastings will be determined from its financial statements which were consolidated into the latest audited consolidated financial statements of the Group; and
 - (ii) the financial condition of the Group will be determined from the latest audited consolidated financial statements of the Group;
- (b) if a Subsidiary of Hastings becomes a member of the Group after the date on which the latest audited consolidated financial statements of the Group were prepared:
 - (i) the contribution of the Subsidiary will be determined from its latest financial statements; and
 - (ii) the financial condition of the Group will be determined from the latest audited consolidated financial statements of the Group but adjusted to take into account any subsequent acquisition or disposal of a business or a company (including that Subsidiary);
- (c) the contribution of a Subsidiary will, if it has Subsidiaries, be determined from its consolidated financial statements;

- (d) if a Principal Subsidiary disposes of all or substantially all of its assets to another member of the Group, it will immediately cease to be a Principal Subsidiary and the other member of the Group (if it is not Hastings or already a Principal Subsidiary) will immediately become a Principal Subsidiary;
- (e) a Subsidiary of Hastings (if it is not already a Principal Subsidiary) will become a Principal Subsidiary on completion of any other intra-Group transfer or reorganisation if it would have been a Principal Subsidiary had the intra-Group transfer or reorganisation occurred on the date of the latest audited consolidated financial statements of the Group; and
- (f) except as specifically mentioned in paragraph (d) above, a member of the Group will remain a Principal Subsidiary until the next audited consolidated financial statements of the Group show otherwise under paragraph (a) above;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is intended by the issuer thereof to be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market); and

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. **Interest**

The Bonds bear interest from (and including) the Issue Date at the rate of 3.000 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in arrear on 24 May and 24 November in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be £1,500 in respect of each Bond of £100,000 denomination. If interest is required to be paid in respect of a Bond on any other date, or in respect of a Bond with any other denomination, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Bond divided by the Calculation Amount, where:

“**Calculation Amount**” means £1,000;

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) two; and

“**Regular Period**” means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 24 May 2025, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if, immediately before giving such notice, Hastings (acting on behalf of the Issuer) certifies to the Trustee that:
- (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 May 2018; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (ii) (A) a Guarantor has or (if a demand was made under any Guarantee of the Bonds) would become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 May 2018; and (B) such obligation cannot be avoided by the relevant Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee of the Bonds were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph (b), Hastings (acting on behalf of the Issuer) shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate signed by two authorised signatories of the Issuer stating that the circumstances referred to in (b)(i)(A) and (b)(i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two authorised signatories of the relevant Guarantor stating that the circumstances referred to in (b)(ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i)(A) and (i)(B) or (as the

case may be) (ii)(A) and (ii)(B) above, in which event they shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b) (*Redemption for tax reasons*).

(c) *Redemption at the option of the Issuer*: The Issuer or Hastings may, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem or purchase, or Hastings may procure that any member of the Group shall purchase, all but not some only of the Bonds for the time being outstanding at a redemption price per Bond equal to (a) if the Optional Redemption Date is on or after 24 February 2025, the principal amount of the Bond; or (b) otherwise, the higher of the following, in each case together with interest accrued to but excluding the Optional Redemption Date:

- (i) the principal amount of the Bond; and
- (ii) the principal amount of the Bond multiplied by the price (as reported in writing to Hastings and the Trustee by an independent financial adviser (the "**Financial Adviser**") appointed by Hastings at Hastings' expense expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their stated maturity) on the Determination Date is equal to the sum of (x) the Gross Redemption Yield at 11.00 a.m. (London time) on the Determination Date of the 5.000 per cent. United Kingdom Government Treasury Stock due March 2025 (or, where the Financial Adviser advises Hastings that, for reasons of illiquidity or otherwise, such bond is not appropriate for such purpose, such other government bond as such Financial Adviser may recommend) plus (y) a margin of 0.300 per cent.

Any notice of redemption given under this Condition 5(c) (*Redemption at the option of the Issuer*) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 5(b) (*Redemption for tax reasons*). No notice of redemption may be given under this Condition 5(c) (*Redemption at the option of the Issuer*) where the Optional Redemption Date would fall during a Change of Control Put Period (as defined in Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) below).

In these Conditions:

"**Determination Date**" means the date which is the second business day in London prior to the Optional Redemption Date; and

"**Gross Redemption Yield**" means a yield calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005) (as amended or supplemented from time to time).

(d) *Redemption at the option of Bondholders following a Change of Control*:

A "**Change of Control Put Event**" will be deemed to occur if:

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially the same as the pre-existing shareholders of Hastings becomes interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of Hastings or (B) shares in the capital of Hastings carrying more than 50 per cent. of the voting rights normally exercisable on a poll vote at a general meeting of Hastings (each such event being, a “**Change of Control**”); and
- (ii) on the date (the “**Relevant Announcement Date**”) that is the earlier of:
 - (x) the first public announcement of the occurrence of a relevant Change of Control, and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Bonds carry:
 - (A) an investment grade credit rating (Baa3 (from Moody's) / BBB- (from S&P or Fitch), or their respective equivalents, or better) (an “**Investment Grade Rating**”) from any Rating Agency at the invitation of Hastings (or, where there is no rating from any Rating Agency assigned at the invitation of Hastings, any Investment Grade Rating from any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded to a non investment grade credit rating (Ba1 (from Moody's) / BB+ (from S&P or Fitch) or their respective equivalents, or worse) (a “**Non Investment Grade Rating**”) or withdrawn and is not, within the Change of Control Period, subsequently upgraded or restored to an Investment Grade Rating by such Rating Agency; or
 - (B) a Non-Investment Grade Rating from any Rating Agency at the invitation of Hastings (or, where there is no rating from any Rating Agency assigned at the invitation of Hastings, any Non-Investment Grade Rating from any Rating Agency of its own volition) and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (from BB+ to BB being an example of a downgrade by one rating category) or withdrawn and is not, within the Change of Control Period, subsequently upgraded or restored to its earlier credit rating or better by such Rating Agency; or
 - (C) no credit rating and, within the Change of Control Period, (i) Hastings does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Bonds or of any other of its unsecured and unsubordinated debt; or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain a credit rating of at least an Investment Grade Rating by the end of the Change of Control Period (any of (A), (B) or (C) being a “**Negative Rating Event**”); and

provided that, if on the Relevant Announcement Date the Bonds carry a credit rating from more than one Rating Agency, at least one of which is an Investment Grade Rating, then only sub-paragraph (A) above will apply; and

- (iii) in making any decision to downgrade or withdraw a credit rating, or not to award an Investment Grade Rating (in the case of paragraphs (A) and (C) above) or a Non Investment Grade Rating (in the case of paragraph

(B) above), the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the relevant Change of Control.

If a Change of Control Put Event occurs, the holder of each Bond will have the option (a “**Change of Control Put Option**”) (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 5(b) (*Redemption for tax reasons*) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond on the date (the “**Change of Control Put Date**”) which is seven days after the expiration of the Change of Control Put Period (as defined below) at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Put Date.

Promptly upon, and in any event within 14 days after, Hastings becoming aware that a Change of Control Put Event has occurred, Hastings (acting on behalf of the Issuer) shall, give notice (a “**Change of Control Put Event Notice**”) to the Bondholders (and the Trustee) in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Bond must deposit such Bond with any Paying Agent at its Specified Office at any time during its normal business hours within 90 days after a Change of Control Put Event Notice is given (the “**Change of Control Put Period**”), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Specified Office of any Paying Agent (a “**Change of Control Put Notice**”). No Bond so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of Hastings (acting on behalf of the Issuer). Any such Bond should be delivered together with all Coupons appertaining thereto maturing after the Change of Control Put Date, failing which the relevant Paying Agent will require payment from or on behalf of the Bondholder of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed to the Bondholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 10 (*Replacement of Bonds and Coupons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Bond and Change of Control Put Notice are delivered will issue to the Bondholder concerned a non-transferable receipt in respect of the Bond so delivered. Payment in respect of any Bond so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Bonds on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 80 per cent. or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to this Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Bondholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Bonds at 100 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by Moody's, Fitch or S&P (each as defined below) are changed from those which are described in paragraph (ii) of the definition of “Change of Control Put Event” above, or if a rating is procured from a Substitute

Rating Agency (as defined below), Hastings shall determine the rating designations of Moody's and/or Fitch and/or S&P and/or such Substitute Rating Agency, as applicable, as are most equivalent to the prior rating designations of Moody's, Fitch and/or S&P, as the case may be, and this Condition 5(d) (*Redemption at the option of Bondholders following a Change of Control*) shall hence be construed accordingly.

The Trustee is under no obligation to ascertain or monitor whether a Change of Control Put Event or Change of Control or Negative Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control or Negative Rating Event has occurred, or to seek any confirmation relating to a decision of any Rating Agency pursuant to paragraph (iii) above and, until it shall have express written notice pursuant to the Trust Deed to the contrary, the Trustee shall be entitled to assume that no Change of Control Put Event or Change of Control or Negative Rating Event has occurred and shall have no liability to the Bondholders or any other person in respect thereof.

In these Conditions:

“Change of Control Period” means the period commencing on the Relevant Announcement Date and ending 90 days after the relevant Change of Control (both dates inclusive) (or such longer period for which the Bonds are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the first public announcement of such consideration);

“Rating Agency” means Moody's Investors Service, Limited (**“Moody's”**), Fitch Ratings Ltd. (**“Fitch”**) or Standard & Poor's Credit Market Services Europe Limited (**“S&P”**) or any of their respective successors or any other internationally recognised rating agency (a **“Substitute Rating Agency”**) substituted for any of them by Hastings from time to time; and

“Relevant Potential Change of Control Announcement” means any public announcement or statement by Hastings or any member of the Group, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where, within 180 days following the date of such announcement or statement, a Change of Control occurs.

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the option of Bondholders following a Change of Control*) above.
- (f) *Purchase:* The Issuer, the Guarantors or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (g) *Cancellation:* All Bonds so redeemed or purchased by the Issuer, the Guarantors or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

6. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bonds at the Specified Office of any Paying Agent outside the United States by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.
- (b) *Interest:* Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified

Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

- (c) *Payments subject to fiscal laws:* All payments in respect of principal and interest on the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any regulations or agreements thereunder, any official interpretations thereof or any law interpreting any intergovernmental agreement thereto. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons:* If a Bond is presented without all unmatured Coupons relating thereto, then:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void Coupons.

- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, “**business day**” means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a

sterling account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

7. **Taxation**

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the jurisdiction of incorporation of the Issuer or (as the case may be) the Guarantors or any political subdivision thereof or any authority therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax which the Issuer or (as the case may be) the Guarantors are or become subject in respect of payments made by it of principal and interest on the Bonds or Coupons (a “**Relevant Jurisdiction**”), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or (as the case may be) the Guarantors shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

- (a) the holder of which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such Bond or Coupon would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days (assuming, whether or not such is in fact the case, that day to have been a business day within the terms of paragraph 6(e)); or
- (c) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the Code, or is otherwise imposed pursuant to sections 1471 through 1474 of the Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or other law implementing an intergovernmental approach thereto.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

8. **Events of Default**

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal

amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject, in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*) below and, in relation only to a Principal Subsidiary or Guarantor (other than Hastings), paragraphs, (e) (*Security enforced*), (f) (*Insolvency, etc.*), (g) (*Winding up, etc.*) or (h) (*Analogous event*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Bondholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunding to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer or any Guarantor fails to pay any amount of principal in respect of the Bonds on the due date for payment provided that such failure to pay continues for more than seven days in the case of principal or 14 days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer or any Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy remains unremedied for 60 days after the Trustee has given written notice thereof to the Issuer and the relevant Guarantor; or
- (c) *Cross-default of Issuer, Guarantor or Principal Subsidiary*:
 - (i) any Indebtedness of the Issuer, any Guarantor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the relevant Guarantor or (as the case may be) the relevant Principal Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
 - (iii) the Issuer, any Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds £20,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount in excess of £20,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer, any Guarantor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part (in the case of the Issuer or any Guarantor) or substantially the whole (in the case of any Principal Subsidiary) (in the sole opinion of the Trustee) of the undertaking, assets and revenues of the Issuer, any Guarantor or any Principal Subsidiary; or
- (f) *Insolvency, etc.*: (i) the Issuer, any Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, any Guarantor or any Principal Subsidiary or the whole or any

substantial part (in the case of the Issuer or any Guarantor) or substantially the whole (in the case of any Principal Subsidiary) (in the sole opinion of the Trustee) of the undertaking, assets and revenues of the Issuer, any Guarantor or any Principal Subsidiary, (iii) the Issuer, any Guarantor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, any Guarantor or any Principal Subsidiary ceases or publicly announces its intention to cease to carry on all or substantially all (in the sole opinion of the Trustee) of its business or operations, except (in the case of (iv) only):

- (i) for the purpose of and in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders; or
 - (ii) in the case of a Principal Subsidiary only, whereby all or substantially all of the undertaking and assets of such Principal Subsidiary (including the shares in a Subsidiary) are transferred to or otherwise vested in Hastings and/or any one or more of its Subsidiaries; or
 - (iii) in the case of a Principal Subsidiary only, as a result of or in connection with a disposal on an arm's length basis of all or substantially all its undertaking or assets (including the disposal of shares in a Subsidiary); or
- (g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, any Guarantor or any Principal Subsidiary (otherwise than, in the case of any entity other than the Issuer or Hastings, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (h) *Analogous event:* any event occurs which has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) *Guarantee not in force:* any Guarantee of the Bonds (other than a Guarantee that is released pursuant to Condition 2(d) (*Release of Guarantors*)) is not (or is claimed by the relevant Guarantor not to be) in full force and effect.

9. **Prescription**

Claims for principal shall become void unless the relevant Bonds are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

10. **Replacement of Bonds and Coupons**

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

11. **Trustee and Paying Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders and the Trustee is entitled to refrain from acting unless indemnified and/ or secured and/or prefunded to its satisfaction. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantors and any entity relating to the Issuer or the Guarantors without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents act solely as agents of the Issuer, the Guarantors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer and the Guarantors reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer and the Guarantors shall at all times maintain a principal paying agent.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

12. **Meetings of Bondholders; Modification and Waiver; Substitution**

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend the terms of any Guarantee of the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Bondholders, who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed, holding not less than 75 per cent. in nominal amount of the Bonds outstanding, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Bondholders or the Couponholders, agree to any modification of these Conditions, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Bondholders or the Couponholders, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.
- (c) Any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).
- (d) *Substitution:* The Trust Deed contains provisions under which a Guarantor or any other company may, without the consent of the Bondholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds *provided that* certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the relevant Guarantor, a requirement that each Guarantee of the Bonds is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Bonds.

No Bondholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder or (as the case may be) Couponholder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

13. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Bondholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. **Further Issues**

The Issuer may from time to time, without the consent of the Bondholders or the Couponholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds. The Issuer may from time to time create and issue other series of bonds having the benefit of the Trust Deed.

15. **Notices**

Notices to the Bondholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general

circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders.

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Guarantors has in the Trust Deed (i) agreed for the benefit of the Trustee and the Bondholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.
- (c) *Process Agent:* Each of the Issuer, Hastings Group Limited and Advantage Global Holdings Limited agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Hastings Group Holdings plc at Conquest House, 32-24 Collington Avenue, Bexhill-on-Sea, United Kingdom TN39 3LW or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer or the relevant Guarantor may specify by notice to the Bondholders in accordance with Condition 15 (*Notices*). Nothing in this paragraph shall affect the right of any Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of the Temporary Global Bond which will be deposited on or around the Issue Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in new global note (“NGN”) form. On 13 June 2006 the European Central Bank (the “ECB”) announced that Bonds in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosystème”), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Bonds in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystème operations if the NGN form is used.

The Bonds are intended to be held in a manner which would allow Eurosystème eligibility - that is, in a manner which would allow the Bonds to be recognised as eligible collateral for Eurosystème monetary policy and intra-day credit operations by the Eurosystème either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystème eligibility criteria.

The Temporary Global Bond will be exchangeable in whole or in part for interests in the Permanent Global Bond not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Bond will become exchangeable in whole, but not in part, for Bonds in definitive form (“**Definitive Bonds**”) in the denominations of £100,000 and higher integral multiples of £1,000 in excess thereof up to and including £199,000 each at the request of the bearer of the Permanent Global Bond against presentation and surrender of the Permanent Global Bond to the Principal Paying Agent if either of the following events (each, an “**Exchange Event**”) occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs. No Definitive Bonds will be issued with a denomination above £199,000.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Temporary Global Bond and the Permanent Global Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Bond and the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Bond or (as the case may be) the Permanent Global Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Bond or (as the case may be) the Permanent Global Bond, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on business days: In the case of all payments made in respect of the Temporary Global Bond and the Permanent Global Bond “**business day**” means any day which is a day on which dealings in foreign currencies may be carried on in London.

Exercise of put option: In order to exercise the option contained in Condition 5(d) (*Redemption and Purchase – Redemption at the option of Bondholders following a Change of Control*) the bearer of the Permanent Global Bond must, within the period specified in the Conditions for the deposit of the relevant Bond and put notice, give notice of such exercise to the Principal Paying Agent in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, specifying the principal amount of Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 15 (*Notices*), while all the Bonds are represented by the Permanent Global Bond (or by the Permanent Global Bond and/or the Temporary Global Bond) and the Permanent Global Bond is (or the Permanent Global Bond and/or the Temporary Global Bond are) deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds will be used by the Issuer for repayment of a part of its existing debt obligations under its revolving credit facility with Lloyds Bank plc, Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc (which will include the repayment of debt to one or more of the Joint Lead Managers) and for general corporate purposes.

DESCRIPTION OF THE GROUP

Group overview

Hastings Group Holdings plc (“**Hastings**”) is the holding company of the Group, which is a growing, agile, digital general insurance provider operating principally in the UK motor market. The Group provides private car, bike, van and home personal insurance cover in the UK. In recent years, the Group has achieved growth within its chosen markets through a combination of heightened strategic focus, optimised digital distribution, superior data generation and utilisation, sophisticated risk selection and advanced fraud detection and claims management. As at 31 December 2017, the Group had a 7.3 per cent. share of the UK private car insurance market (Source: UK Department for Transport and Company data) and 2.64 million live customer policies up 13% from 2.35 million on 31 December 2016. The Group’s success in capturing market share has been combined with consistently strong underwriting performance and growing retail profitability, and as a result has translated into bottom line growth. Adjusted operating profit for the year ended 31 December 2017 was £184.1 million, up 39% from the year ended 31 December 2016: £132.1m (or up 21% from £152.1m before the impact of the Ogden rate change). The Group’s activities continue to be highly cash generative and net cash inflow from operating activities during the year ended 31 December 2017 was £221.7 million, up 29% from the year ended 31 December 2016, when it was £172.5 million.

The Group operates as an integrated, direct insurance provider with strategic coverage of the UK insurance value chain through two principal segments. The Retail business is responsible for end customer pricing, product design, distribution and the management of the underlying customer relationship. The Underwriting business engages in risk selection, underlying technical pricing, fraud management, reserving and claims handling. Retail is supported by, and benefits from, Underwriting’s approach to risk and reserving and a conservative and capital efficient reinsurance programme, as detailed further below. The Retail business also benefits from the Group’s third party panel insurance partners who can provide underwriting capacity where Underwriting declines to quote on a policy or is uncompetitive. The Group’s business model deliberately separates underlying product manufacturing from its distribution.

History

In 1997, HISL began trading as an insurance broker providing UK private car insurance and related products under the trade name Hastings Direct. The Group’s underwriting operating company, AICL, was founded in 2002 following HISL’s acquisition of People’s Choice insurance from Brit Insurance the same year. In September 2006, HISL and AICL were purchased by Insurance Australia Group. Led by the then-chief executives of HISL and AICL, the two businesses were acquired by Neil Utley, Edward Fitzmaurice, Keith Charlton, Richard Brewster and Narmali Utley, through a management buyout in February 2009 to continue to focus on the Group’s brands and build-up its UK private car and home insurance businesses. In April 2012, HISL and AICL were combined under a common holding company, Hastings Group Limited. HISL and AICL are authorised and regulated by the FCA and GFSC, respectively.

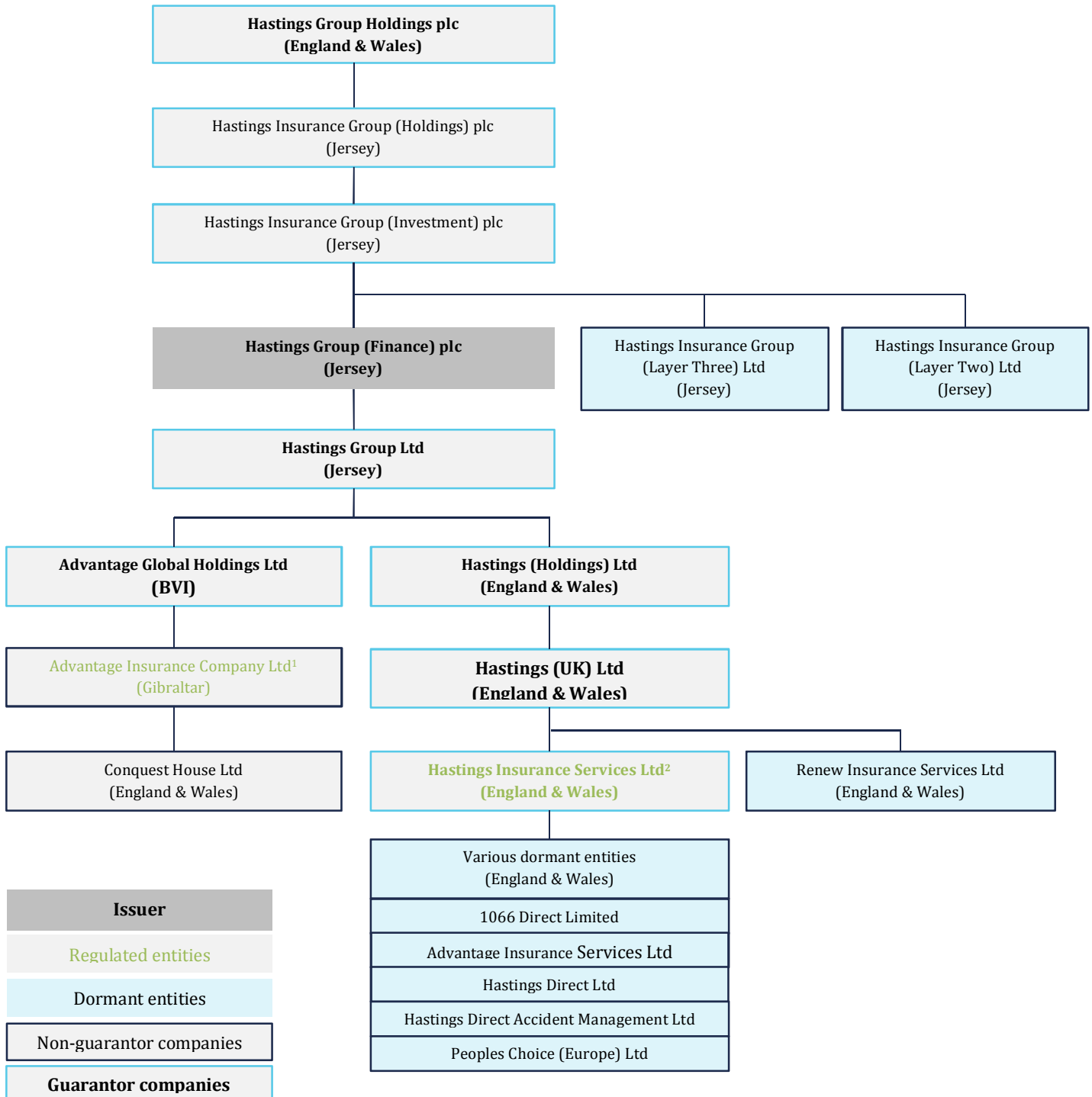
On 11 June 2015, Hastings was incorporated as Hastings Group 123 Limited with its registered office situated in England and Wales and renamed as Hastings Group Holdings Limited on 17 July 2015 and re-registered as a public company limited by shares and renamed as Hastings Group Holdings plc on 23 September 2015. Hastings operates under the Companies Act 2006, with company number 09635183. Hastings has been the holding company of the Group since 12 August 2015 following a series of transactions (collectively, the “**Reorganisation**”).

Ordinary shares in Hastings were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange’s Main Market on 12 October 2015. Hastings’ registered office address is Conquest House, 32-34 Collington Avenue, Bexhill-on-Sea, United Kingdom, TN39 3LW and the telephone number of Hastings’ registered office is 01424 738366.

With offices in Bexhill, Leicester, London and Gibraltar, the Group had over 3,100 employees at 31 December 2017.

Group Structure

Hastings is the holding company of all the operating businesses, subsidiaries and financing activities of the Group. Below is a structure chart of the Group:



1 Authorised and regulated by the Gibraltar Financial Services Commission
 2 Authorised and regulated by the Financial Conduct Authority
 *All shareholdings are 100%

Strengths

The Group possesses a number of competitive strengths that together have enabled, and can be expected to continue to enable, the successful implementation of its strategy within its chosen markets. These strengths include:

A differentiated, highly focused business model

The Group's business model has been designed to be suitable for the dynamic digital distribution segment of the UK motor insurance market. The Group operates across the insurance value chain through Retail and Underwriting. The Group maintains clear separation between these two businesses. The separation of distribution and underwriting, which means that AICL always receives the technical net rate that it quotes, allows Retail to maximise customer conversion and, in so doing, maximise Retail income, without negatively impacting Underwriting profitability. Hastings believes that this modern, lean and integrated nature of the Group's model is a significant competitive advantage.

A distribution model that is optimised for the way in which customers in the United Kingdom increasingly purchase general insurance

The Group's distribution model is optimised for the purchase of general insurance products through PCWs and through direct channels, both online and on mobile devices. PCWs have become the dominant feature of the private motor insurance distribution in the UK, accounting for a growing part of the market at 70 per cent. of new business sales for the year ended 31 December 2017 (Source: eBenchmarkers).

The Group believes its strength in the PCW market for motor vehicle insurance is readily transferable to the home insurance market, where the use of PCWs is steadily expanding.

An agile, data-driven Retail business

Motor insurance in the UK distinguishes itself from other forms of insurance in terms of data availability. The Group has embraced this, and in so doing, has evolved capabilities in data generation and utilisation that, Hastings believes, are difficult to replicate. The Group's digital orientated distribution approach means that it generates a significant amount of highly relevant data that it is able to use to refine and optimise its pricing strategies and decisions. This data is enriched with both traditional and non-traditional external customer data that the Group acquires from external data vendors and with the Group's own proprietary internally generated customer data, such as quotation frequency and intensity indicators. The Group combines the external and internal data that it generates with highly specialised employees who are empowered to drive the Group's sophisticated pricing capabilities. These capabilities and data inform the Group's proprietary pricing models which Hastings believes are differentiated in terms of their sophistication and their scale.

An Underwriting business built on a bedrock of sophisticated risk selection and fraud management, with optimal use of capital

The Group considers that it benefits from a highly sophisticated approach to risk selection and technical risk pricing. The selectivity of the Group's underwriting footprint has been maintained despite the business' growth through the sophisticated use of data and a focused approach to footprint adjustments. The data intensive, analytically driven nature of the Group's underwriting process combined with its ability to rapidly identify and react to emerging trends has resulted in the Group's ability to grow while producing consistently strong underwriting performance.

The Group believes its investment in technology to proactively monitor and report claims, strong focus on training, and initiatives to reduce fraud, together enable the Group to minimise costs of claims and the resultant impact on its customers. The Group believes the combined effect is to strengthen the performance and reduce the loss ratios of the Underwriting business, and to enable the Retail business to decrease the cost of its policies and thereby increase sales volumes.

A diversified and sustainable set of revenue sources

The Group's Retail revenue is primarily derived from (a) fees and commission generated through arranging new policies and administering existing ones, (b) premium finance interest, representing income earned on sales where customers pay premiums in monthly instalments instead of a one-off payment and (c) ancillary income, including from legal expenses insurance, breakdown cover, personal accident and substitute vehicle cover.

The Group's policy portfolio is diversified across many different individual customers living in different parts of the UK, and across the home insurance market, in addition to the motor insurance market.

The Group believes the combined effect of its diversified revenue base is that it is not over-dependent on any one source of revenue.

A track record of strong financial results, consistent customer growth and superior underwriting performance

Over the last few years, the aggregation of the Group's competitive advantages as described above have enabled the Group to grow both its top and bottom line. The business has grown the number of live customer policies to 2.64 million as at 31 December 2017 up 13% from 2.35 million on 31 December 2016. The Group has grown its share of the UK private car insurance market from 6.5 per cent. as at 31 December 2016 to 7.3 per cent. as at 31 December 2017, and had a market share of between 10 to 12 per cent. of all new business private motor insurance sales distributed on PCWs in the years ended 31 December 2017 and 31 December 2016. This growth in market share and top line revenue has been accompanied by growth in adjusted operating profit which, for the year ended 31 December 2017, was £184.1 million, up 39% for the year ended 31 December 2016: £132.1m (or up 21% from £152.1m before the impact of the Ogden rate change). This has been achieved through a strong Underwriting performance, with a combined operating ratio for the year ended 31 December 2017 of 87.0 per cent, an improvement of 4.3 per cent over the year ended 31 December 2016, when the combined operating ratio was 91.3 per cent.

The Group's growth has been cash generative enabling the Group to reduce its net debt leverage whilst continuing to invest in its technology and pay dividends in line with the Group's policy. Net cash inflow from operating activities during the year ended 31 December 2017 was £221.7 million, up 28.5 per cent on 31 December 2016, when it was £172.5 million. Of this cash inflow, £114.1 million was free cash generated from the Retail business, an increase of 16.3 per cent on 31 December 2016, when it was £98.1 million. This was partially offset by dividend payments, interest and loan repayments and capital expenditure, principally on the development of the Guidewire system, the Group's next generation claims and broker system. This cash generation combined with growth in adjusted operating profit has reduced the Group's net debt leverage multiple to 1.4x as at 31 December 2017, from 1.9x as at 31 December 2016.

A high quality and knowledgeable management team with significant strength-in-depth and diverse experience

The Group benefits from a high calibre senior management team with significant and diverse experience led by Tobias van der Meer, the Group CEO. Together, the senior management team has collectively 180 years of financial services experience, and has driven the transformation of the business and the financial performance seen over the past several years. The strength and experience of the Group's senior management team is complemented by substantial industry experience throughout all levels of management, and by the Group's lean structure and lack of legacy infrastructure. This approach means executives are able to implement decisions more rapidly and effectively than would otherwise be possible.

Strong counter-fraud capabilities

The Group has a strong counter-fraud capability, which to date has generated significant cost savings and which supports demand for participation by its insurer panel and reinsurance partners. The Group's counter-fraud operations team, Insight, operates as an integrated, comprehensive risk selection and loss

validation division. Insight includes a dedicated team that includes new business review agents, analysts, intelligence operatives, claims handlers, former police officers and field based investigators. A number of sophisticated identification and validation methodologies and databases are employed to help prevent potentially fraudulent activity at various points in the application, sale and claims process.

Strategy

Grow: The Group's straightforward business model coupled with its digitally focused distribution ensures that it is well positioned to benefit from increasing PCW penetration amongst customers, both in the motor insurance market, and increasingly in the home insurance market as well. Capitalising on this natural momentum is expected to drive sustainable, profitable growth in live customer policies ("LCP") whilst strong customer retention rates are expected to allow the business to benefit from a naturally maturing portfolio as it develops longstanding relationships with its customers, increasing margins on premiums received (as renewals do not attract an acquisition fee from PCWs).

Discipline: The Group has demonstrated its focus on prudent underwriting while growing the number of LCP. Combining the Group's dynamic footprint selection, extensive use of data, advanced pricing process and rigorous fraud detection systems is expected to support the Group's continuing growth whilst maintaining its calendar year loss ratio between, or just below, its target range of 75% and 79%.

Focus: The Group is principally focused on the private car insurance market, utilising its sophisticated risk selection through the PCW digital distribution model. As the business continues to grow, the focus remains on continuing to improve the cash efficiency of the business model, utilising both the highly cash generative Retail business and strategic use of reinsurance in Underwriting, to deliver ongoing deleveraging.

Agile: The Group's agile and digital business model means it is well placed to respond to changing market conditions driving a significant competitive advantage. The separate structure of the Retail and Underwriting businesses coupled with the innovative use of data and continuous market analysis allows the business to benefit from being able to rapidly adjust pricing presented to customers to support market share growth. Further, it enables the Group's Retail division to sell policies which are outside the Underwriting business' risk footprint.

Invest: The Group continues to invest in complementary digital and mobile channels to further support LCP growth. Applications are being developed for phone and tablet devices providing enhanced policy management functionality in order to improve the overall customer experience. Investment continues within the Group's infrastructure through the end to end implementation of Guidewire for both its Claims and Broking platforms.

Expand: The Group sees significant opportunities to increase LCP volumes and overall profitability by increasing its footprint within its core private car market with multi car and telematics two key areas of focus. In addition the Group expects to continue its expansion into the home insurance market where its business model is well placed to benefit from increased PCW penetration.

Whilst the Group focusses on its organic growth strategy, and does not actively seek acquisition targets, the Group is from time to time presented with opportunities, which in the ordinary course it will evaluate and, may, if sufficiently attractive, pursue.

The Group is committed to its 4Cs approach:

Colleagues – Ensuring that colleagues are engaged and that the Group actively promotes a culture where colleagues can contribute and thrive.

Customers - Differentiating the Group from its competitors through great value pricing and products and the way its customers buy insurance.

Company – Enabling the Group to grow profitably and sustainably.

Community - Taking an active part in serving the community, by being a good neighbour, nurturing home grown talent and being an ethical member of the financial services community.

Detail on operating segments

The Group's business is divided between Retail and Underwriting. For the financial year ended 31 December 2017, the segmental split of net revenues and adjusted operating profit was as set out in the table below.

	Underwriting	Retail	Corporate	Consolidation	Group
	(£'m)	(£'m)	(£'m)	adjustments	(£'m)
				(£'m)	
Net Revenue.....	492.6	335.4	0.3	(112.7)	715.6
Adjusted Operating Profit	71.4	115.0	(6.9)	4.6	184.1

For the financial year ended 31 December 2016, the segmental split of net revenues and adjusted operating profit was as set out in the table below.

	Underwriting	Retail	Corporate	Consolidation	Group
	(£'m)	(£'m)	(£'m)	adjustments	(£'m)
				(£'m)	
Net Revenue.....	383.4	288.7	-	(81.8)	590.3
Adjusted Operating Profit	30.3	101.2	(5.0)	5.6	132.1

Retail operates across a number of products, the largest of which being private car insurance, which are distributed through an extensive suite of brands, including Hastings Direct, Hastings Essential, Hastings Direct SmartMiles and Hastings Premier. Retail has full flexibility and responsibility for managing the relationships with the Group's customers, including policy sales, customer service and customer retention. Within Retail, the Group's quote delivery systems are designed for PCWs and direct distribution, with PCWs having in recent years become the most important distribution channel for customers seeking to purchase a new private car insurance policy. Retail's customer acquisition model is optimised in particular for PCW distribution, with the Group having a significant share of new business private motor insurance sales on PCWs, strong and balanced distribution across all the major PCWs, and superior customer retention rates. This is facilitated through Retail's advanced pricing capabilities, agile and highly responsive implementation, and data sophistication. The Group generates revenue in Retail primarily through fee and commission income, the provision of ancillary products, including, for example, breakdown insurance and substitute vehicle coverage, and the provision of premium financing, where customers choose to pay for their policies in monthly instalments instead of in one single, upfront payment, for an additional credit charge. In the year ended 31 December 2017, Retail generated revenue of £335.4 million (in the year ended 31 December 2016: £288.7 million) and Retail adjusted operating profit of £115.0 million (in the year ended 31 December 2016: £101.2 million). The Retail business continues to be highly cash generative and free cash generated by the Retail business of £114.1 million in the year ended 31 December 2017 was up 16% (31 December 2016: £98.1 million). This has been partially offset by dividend payments, interest and loan repayments and capital expenditure, principally on the development of the Guidewire Claims and Broker platform, which is currently in the process of a phased roll out. Guidewire is a state of the art, integrated end to end platform for claims, broking and billing, and that the Group has complemented with additional supporting software components to increase the ability of customers to self-serve through digital engagement.

The Underwriting business, which is based in Gibraltar and regulated by the GFSC, is responsible for the Group's risk selection, underlying technical policy pricing, fraud management, reserving and claims handling. Underwriting manages risk appetite through adopting a sophisticated data-driven approach to risk selection and risk pricing, optimised for the PCW marketplace, resulting in a high quality underwriting portfolio. Underwriting's primary goal is the delivery of consistent underwriting profitability. This is achieved through prudent, dynamic footprint selection (i.e., management of the

risks that Underwriting will accept) and where risks lie within the footprint, through a sophisticated determination of the technical net rate (the premium passed through to Retail). This sophisticated data-driven approach includes the consideration of both traditional underwriting data sources such as historic loss probability, customer and vehicular characteristics, overlaid with significant data enrichment (the Group's proprietary method of supplementing traditional broking and underwriting analysis with both external data sources and internally created data sets), and consideration of real-time behavioural data. Underwriting further manages the risks underwritten through claims cost control as well as through use of the Group's proprietary counter-fraud analysis both by increasing premiums through identification of manipulation at point of quote and sale as well as reducing claims costs through identification of fraud at point of claim. Additionally, fraudulent claims are sought to be prevented during the quote manipulation process by cancelling policies as appropriate. Like Retail, these processes are optimised for PCW distribution, with rapid execution capabilities and a culture of continuous improvement. Underwriting regularly monitors and assesses pricing accuracy and refines risk selection and pricing modelling. The Group generates income and profit in Underwriting principally through underwriting premiums and, to a lesser extent, through profit commission from its reinsurance partners and income generated on invested assets. In the year ended 31 December 2017, Underwriting generated gross written premiums of £930.8 million (in the year ended 31 December 2016: £769.0 million) and Underwriting adjusted operating profit of £71.4 million (in the year ended 31 December 2016: £30.3 million).

The bifurcation of technical net rate pricing from ultimate PCW quote delivery has, together with various of the Group's other capabilities, facilitated the Group's ability to grow whilst maintaining strong and consistent loss ratios. For the year ended 31 December 2017, the Group calendar year loss ratio was 73.0 per cent. and its combined operating ratio was 87.0 per cent., as compared to a calendar year loss ratio of 77.7 per cent. (or 73.7 per cent. before the impact of the Ogden rate change) and a combined operating ratio of 91.3 per cent. for the year ended 31 December 2016. The Group believes that Underwriting employs a prudent claims reserving policy, as demonstrated by its reserves being consistently above both the internal actuarial best estimate of its claims liabilities and that of the half yearly claims reserves reviews performed by an independent third-party actuary.

The Group's underwriting performance benefits from the purchase of non-proportional reinsurance, whereby all risk of loss on a single motor claim exceeding an inflation-adjusted £1.0 million is ceded to a high quality panel of reinsurers, which protects the Group from volatility relating to large losses as well as PPOs. The Group currently has only settled six claims as PPOs. Underwriting's capital efficiency is also enhanced by the Group's proportional reinsurance strategy, whereby the Group cedes 50 per cent. of underwritten premiums (net of brokerage commission) and attaching claims to its reinsurance partners. The Group typically receives cost contributions and profit commission from its reinsurance partners, resulting in strong returns on deployed capital (for the year ended 31 December 2017 the Group returned a return on capital employed of 49.2 per cent.). The Group's reinsurance partners have access to, and validate, the Group's underwriting, with demand for participation remaining strong throughout the programme.

Investment portfolio

Underwriting realises returns from the capital it is required to hold and the Group believes Underwriting holds a stable, low-risk portfolio of investments. The Group focusses on credit quality, a diversified portfolio and asset and liability matching, with the return being the output of managing to those components.

To the extent the Group experiences gains and losses in its investments, such gains and losses impact the results of Underwriting by providing the Group with more or less investment income. Changes in the valuation of the Group's investments also impact Underwriting's results, as the Group is required to regularly conduct valuations and write up or down the value of its assets under applicable accounting rules, with such changes in valuation flowing through the Group's consolidated statement of profit or loss and consolidated statement of comprehensive income. In order to ensure diversification of the investment portfolio and ensure compliance with regulatory capital requirements, the majority of the

Group's investments are in investment grade corporate bonds, cash and cash equivalents and absolute return funds.

Investment income from dividends received by AICL from investments in securities it holds and capital gains are not currently subject to taxation in Gibraltar.

Reinsurance

The results of AICL are impacted by the availability and pricing of reinsurance. AICL purchases two forms of reinsurance coverage: quota share reinsurance and non-proportional excess of loss reinsurance. Non-proportional excess of loss reinsurance comprises a panel of reinsurers who reinsure all risk of loss on a single motor claim exceeding an inflation-adjusted £1.0 million, with 50 per cent. of the first £1.0 million being met by quota share reinsurance.

AICL's quota share reinsurance increases its capacity to underwrite volume and reduces its capital requirements relative to the business it underwrites. Quota share reinsurance is provided under fixed and rolling annual contracts to maximise the Group's flexibility and pricing power. Quota share reinsurers may pay AICL reinsurance commissions on amounts they receive in excess of their expected margins based on net loss ratios. AICL has had strong demand from its existing and prospective quota share panel members, resulting in improved terms in the past year.

AICL has engaged 18 motor reinsurance partners, all of which all are rated AA or A by S&P or equivalent, for its reinsurance programme in 2018.

Risk Management

A risk management framework is used at Group level and within the regulated subsidiaries to ensure there is a consistent approach to risk management across the Group. Risk can be categorised in different ways, for example, strategic, business and emerging, but however categorised all functions within the Group have their responsibilities in managing risks.

Broadly, strategic risk is reviewed and challenged by the Board Risk Committee and those of the Group's regulated subsidiaries. These Committees receive timely, up to date reports on the material movement of risk, from the oversight functions, whether influenced by external or internal monitoring and audits or events, or by any material shift in Business Risk that is linked to the successful delivery of the Group's three year plan.

Business risk is overseen by Risk Committees at an operational level that comprise of Executive Directors and senior management. Departmental risk profiles (risks, controls, key risk indicators and internal or external events) are held centrally and regularly provided to the risk management function for independent review and challenge.

Emerging risks, by their very nature could be strategic or at a business level, and when identified are recorded, assessed and mitigated within the requirements of the Risk Management Framework.

A uniform approach of the Risk Management Frameworks assists in the direct link between risks in the trading entities and the Group. The standardised risk management methodology used is Identification, Measurement, Manage, Monitoring and Reporting. This process results in a cohesive and integrated approach, leverages the Risk Committees at subsidiary level and provides effective and consistent assessment of the Group's risks.

Internal control framework

The Group has an internal control framework based on a three lines of defence approach. The three lines are comprised of:

First Line: Business Operations:

- has ownership, responsibility and accountability for day to day risk identification, assessment and management activity;
- directly owns and operates risk mitigating policies and controls and remedial actions;
- ensures compliance with all regulatory obligations and internal policies; and
- provides management assurance by monitoring and reporting risk, control and compliance matters for governance oversight.

Second Line: Oversight Functions:

- establishes boundaries by proposing Group policies and frameworks for Board approval, and standards to align Group wide practices to defined strategy;
- facilitates guidance and direction on effective risk, control and compliance management practices to satisfy Group policies and standards as well as regulatory requirements; and
- applies Group wide best practice providing oversight, challenge, monitoring and assurance reporting directly to Board Committees.

Third Line: Independent Assurance:

- offers independent challenge and assurance by auditors, both internal and external, and external actuaries.
- provides independent challenge, objective assurance and consulting activities designed to add value and improve the Group's operations; and
- bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

All three lines of defence have specific tasks within the internal control framework and report via the Audit or Risk Committee and ultimately the Board. The role of these Committees is to monitor and provide opinions and recommendations on the effectiveness of the Group's internal controls and management of risk.

Employees

As at 31 December 2017, the Group employed 3,188 people. The Group invests in its colleagues and aims to provide them with an environment in which they feel included, valued, empowered and able to reach their full potential. Every colleague is expected to contribute to the success of the business. Accordingly, hard work and dedication of colleagues is recognised by linking remuneration to personal performance in a way which does not compromise the impact on customer outcomes; colleagues are not remunerated through sales incentives.

The Group is committed to developing the skills and careers of all colleagues and continually invest in our training and development programmes including: classroom and live academy training for customer serving colleagues who are regularly upskilled; Yourcareer portal providing information about internal career frameworks and the training and development colleagues need to help them develop their careers within the Group; apprenticeships and leadership programmes and development activities, designed to develop, engage and retain key leadership talent.

Pensions

The Group operates various defined contribution group personal pension schemes for employees employed in the United Kingdom and in Gibraltar to which the relevant employer makes matching contributions based on the employee's level of contributions. The Group does not operate any defined benefit pension schemes.

Litigation

On 19 January 2018, the First-tier Tribunal issued a judgment in favour of HISL, allowing HISL's claim for recovery of VAT on costs incurred by HISL in relation to insurance intermediary services

provided to AICL. The key question for the First-tier Tribunal was whether AICL had a UK presence; if HISL's services were provided to a UK establishment of AICL, the services would be exempt from VAT and HISL would be unable to recover VAT incurred on costs in relation to those services. However, the Tribunal concluded that AICL was established only in Gibraltar, and therefore the services provided by HISL to AICL were received outside the EU, meaning HISL could recover VAT on costs incurred by it in relation to those services. This has resulted in a refund of VAT already paid for periods up to 31 December 2015 of £10.3m, which has been received, and a further claim for refund of £4.3m for subsequent periods up to 31 December 2017. On 16 March 2018, HMRC formally sought permission to an appeal the decision of the First-tier Tribunal and if such decision is subsequently reversed, the amount of VAT refunded will become repayable. In addition, if the decision is reversed this could affect HISL's ability to recover VAT on costs it has incurred since 31 December 2017 or incurs in the future on the provision of insurance intermediary services to AICL. No amount recoverable was included in the Group financial statements as at 31 December 2017.

ALTERNATIVE PERFORMANCE MEASURES

The Group uses adjusted figures and underlying growth rates which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Adjusted figures and underlying growth rates are presented as additional performance measures used by management, as they provide relevant information in assessing the Group's performance, position and cash flows. The Group believes that these measures enable investors to more clearly track the core operational performance of the Group, by separating out items of income or expenditure relating to acquisitions, disposals and capital items, while providing investors with a clear basis for assessing the Group's ability to raise debt and invest in new business opportunities. The Group's management uses these financial measures, along with IFRS financial measures, in evaluating the operating performance of the Group as a whole and the individual business segments. Adjusted and underlying financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. The measures may not be directly comparable to similarly reported measures by other companies.

The alternative performance measures used are:

Adjusted operating profit: Adjusted operating profit is the Group's primary profit measure used to assess operating performance. It is defined as profit before taxation expense, finance costs, amortisation and depreciation, non-trading costs and the effects of accounting for business combinations. This is a non-IFRS measure, which is used by management as it includes the underlying trading results of the Group without the impact of Group reorganisations and business combinations.

Adjusted operating profit reconciles to reported profit after tax as follows:

	Year ended 31 December	
	2017	2016
	£m	£m
Profit after tax	126.7	78.4
Adjustments:		
Tax.....	22.3	15.9
Finance costs	8.1	10.2
Depreciation and Amortisation	27.0	27.6
Adjusted operating profit	184.1	132.1

Calendar year loss ratio: Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred divided by net earned premiums.

	Year ended 31 December	
	2017	2016
	£m	£m
Net claims incurred.....	299.5	260.1
Net Premium earned	410.1	334.8
Calendar year loss ratio	73.0%	77.7%

Net debt leverage multiple: The net debt leverage multiple measures the Group's net debt relative to its profit generation and therefore reflects the Group's cash generation, level of debt and growth in profitability. It is calculated as the Group's net debt divided by adjusted operating profit. Net debt is calculated as gross debt less Retail free cash and Corporate free cash, as at the end of the year.

	Year ended 31 December	
	2017	2016
	£m	£m
Term Loan and Revolving Credit Facility.....	272.0	286.6
Add back transaction costs	3.0	3.4
Gross debt	275.0	290.0
<i>Less Retail Cash</i>	(16.1)	(29.3)
<i>Less Corporate free cash</i>	(4.6)	(5.0)
Free Cash	(20.7)	(34.3)
Net Debt	254.3	255.7
Adjusted operating profit.....	184.1	132.1
Net debt leverage multiple	1.4x	1.9x

Free cash reconciliation: The following tables reconcile the Group's cash and cash equivalents per the Group's consolidated financial statements to the free cash. Free cash is considered the more appropriate measure for use within the net debt calculation as it is not subject to Solvency II or other regulatory restrictions and Retail cash generated is considered to be the most accurate representation of the cash inflows available for unrestricted use.

	Year ended 31 December	
	2017	2016
	£m	£m
Retail cash generated reconciliation		
Net (decrease)/increase in cash and cash equivalents.....	(13.4)	15.8
Adjust for: net increase in restricted cash	(0.2)	(10.4)
Net (decrease)/increase in free cash	(13.6)	5.4
<i>Add back</i>		
Retail and Corporate taxation paid.....	17.9	10.9
Capital expenditure	17.3	20.6
Dividends paid	70.3	36.1
Loan repayment	15.0	10.0
Interest, corporate and transaction costs	11.2	15.1
<i>Deduct</i>		
AICL dividend received	(4.0)	-
Retail cash generated	114.1	98.1

	Year ended 31 December	
	2017	2016
	£m	£m
Free cash reconciliation		
Total cash and cash equivalents	154.6	168.0
<i>Deduct restricted cash:</i>		
Underwriting cash and cash equivalents.....	90.5	93.8
HISL cash held as agent on behalf of AICL and third party insurers.....	38.9	35.7
HISL regulatory cash requirement	4.5	4.2
Restricted cash held in regulated entities or on behalf of third parties.....	133.9	133.7
Closing free cash	20.7	34.3

The HISL regulatory cash requirement is the amount of capital that is required to be held as cash and cash equivalents to meet FCA regulations under the Mortgage and Insurance Prudential Standard (MIPRU) 4 Capital Resources.

Combined operating ratio reconciliation: The combined operating ratio is the primary indicator used to measure overall performance of the Underwriting business and shows the amount of each premium spent on either indemnity costs (the loss ratio) or underwriting operating expenses (the expense ratio). The combined operating ratio is therefore a measure of underwriting profitability. A reconciliation of the Group's profit before tax to the net underwriting margin used to calculate the combined operating ratio and its two component measures, expense ratio and loss ratio, is shown on page 157 of the Hastings Group Holdings plc 2017 Annual Report and Accounts, and page 144 of the Hastings Group Holdings plc 2016 Annual Report and Accounts.

MANAGEMENT

The following table sets out details of each member of Hastings' Board of Directors, accompanied by the year of their appointment, the principal activities performed by them outside the Group and Hastings committees on which they sit.

Director	Since	Principal outside activities	Committees
Non-executive Chair			
Michael Edward Fairey	2015 ¹	Non-Executive Director of Energy Saving Trust Enterprises Limited and Bibby Financial Services	Nomination, Remuneration
Executive Directors			
Tobias Adriaan van der Meer (Chief Executive Officer)	2018	None	None
Richard Hoskins (Chief Financial Officer)	2015	Non-Executive Director of Aztec Group Ltd	None
Gary Andrew Hoffman	2015	Chairman and Non-Executive Director of Coventry Building Society Non-Executive Director of VISA Europe Limited. ² Chairman of the Football Foundation	None
Senior Independent Director			
Thomas Colraine	2015	Board member of Schroder & Co. Limited Chairman of Cambridge Topco Limited, the holding company for the Compre Group	Remuneration (Chair), Audit, Nomination
Non-Executive Directors			

¹Mike Fairey will step down as Chairman at the AGM on 24 May 2018 and will be replaced by Gary Hoffman, subject to shareholder approval at the forthcoming AGM.

² Gary Hoffman will step down as Chairman of Visa Europe Limited on 30 June 2018.

Director	Since	Principal outside activities	Committees
Hermanus Lambertus Bosman	2017	<p>CEO of Rand Merchant Investment Holdings Ltd</p> <p>Non-Executive Director of Discovery Ltd and OUTsurance Holdings Ltd</p> <p>Director of FirstRand Ltd and Merchant Capital Advisory Services (Pty) Ltd</p> <p>Board of Governors of the University of Johannesburg</p> <p>Chairman of Endeavor South Africa and Business and Arts South Africa</p>	None
Sumit Rajpal	2015	<p>Co-Head of the Global Corporate Private Equity and Head of Americas Corporate Private Equity (Merchant Banking Division) of Goldman Sachs</p> <p>Board member of K&N Engineering, Ipreo Parent Holdco LLC and ProSight Speciality Insurance</p>	None
Selina Shanti Sagayam	2017	<p>Head of UK Transactional Practice Development at Gibson, Dunn & Crutcher</p> <p>Advisory Board member of Diversity UK</p> <p>Chairman of NetworkForKnowledge</p> <p>Board member of the Corporate Finance Faculty of the ICAEW and Editorial Board of Lexis PSL Corporate</p> <p>Development Board member of In Their Lifetime (Christian Aid)</p>	None
Independent Non-Executive Director			
Alison Burns	2016	Non-Executive Director of Equiniti Group plc	Nomination, Risk, Remuneration
Ian Cormack	2015	<p>Non-Executive board member of JRP Group plc, Phoenix Group Holdings plc and National Angels Limited</p> <p>Chairman of Temporis Capital LLP and Maven Income & Growth VCT4 plc</p>	Audit, Nomination, Remuneration
Pierre Paul Joseph Leon Marie Ghislain Lefevre	2015	Supervisory Board member of Vivat NV (Netherlands)	Audit, Risk (Chair)

Director	Since	Principal outside activities	Committees
		Independent Non-Executive Director of Anbang Holding NV	
Teresa Robson-Capps	2016	Independent Non-Executive Director of Clydesdale Yorkshire Bank Group plc and Independent Non-Executive Director of Yorkshire Water Services Limited	Audit (Chair), Risk

The business address for the directors of Hastings (the “**Directors**”) is Conquest House, 32-34 Collington Avenue, Bexhill-on-Sea, TN39 3LW.

Save as set out above, there are no potential conflicts of interest between any duties owed by the directors to Hastings and their private interests or other duties.

Committees

As recommended by the United Kingdom Corporate Governance Code 2016, the board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee.

The Audit Committee assists the Board in discharging its responsibilities for the integrity and disclosure of the financial affairs of the Group. It ensures that Hastings complies with accounting policies and financial reporting obligations as well as monitoring the system of internal controls and the Group’s processes for internal and external audit.

The Nomination Committee assists the Board in the selection and appointment of Directors in line with Group requirements. It reviews the structure, size and composition of the Group Board and membership and Chairmanship of Committees. It also reviews succession planning at Board and Senior Executive management levels.

The Remuneration Committee assists the Board in, and has oversight of, the Group’s policy on remuneration and makes recommendations to the Board on the remuneration of Executive Directors and Senior Executive management in Hastings, HISL and AICL.

The Risk Committee provides oversight and advice to the Board on current and potential future risk exposures and risk strategy of the Group. It reviews the Group’s performance on risk appetite and oversees the effectiveness of the Group Risk Management Framework. It also ensures that responsibility for managing and monitoring risk in each of the regulated subsidiaries has been effectively delegated to the respective boards of directors.

PRINCIPAL SHAREHOLDERS

As at 21 May 2018 Hastings has been notified of the following interests of 3% or more of Hastings' total voting rights:

Name	Ordinary shares	Percentage of capital	Nature of holding
Main Street 1353 Proprietary Limited	196,508,074	29.9	Direct
Goldman Sachs Interests	76,372,246	11.6	Direct
Fidelity Management Research	37,719,098	5.7	Direct
Neil Utley	30,000,000	4.6	Direct

REGULATORY OVERVIEW

The Group is subject to detailed and comprehensive legislation and regulation in respect of its operations.

The Group's Retail business is general insurance intermediation, which is carried on principally by HISL in the United Kingdom and is regulated and authorised by the FCA. The Group's Underwriting business is carried on by AICL, which is incorporated in Gibraltar and licensed by the Gibraltar regulator, the GFSC, to underwrite motor and personal accident insurance.

Regulation of HISL

Permission to carry on regulated activities in the UK

Under the Financial Services and Markets Act 2000 ("FSMA"), no person may carry on or purport to carry on a regulated activity by way of business in the UK in respect of a specified investment or property unless they are an authorised or exempt person. A firm that is authorised by the FCA to carry on regulated activities becomes an authorised person for the purposes of Part 4A of FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include the mediation of general insurance.

Authorisation procedure

In approving a firm's application for authorisation, the FCA may delineate the scope of and include restrictions on the grant of permission as the FCA deems appropriate. In granting or varying the terms of a firm's permissions, the FCA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances. Once authorised, and in addition to continuing to meet the threshold conditions for authorisation, firms are obliged to comply with the FCA Handbook, which contains detailed rules covering, among other things, systems and controls and conduct of business requirements.

FCA Principles for Business

The FCA Handbook contains high-level standards for conducting financial services business in the UK, known as the Principles for Business. All firms are expected to comply with these standards, which cover the maintenance of adequate systems and controls, treating customers fairly, communicating with customers in a manner that is clear, fair and not misleading and being open and co-operative with the FCA.

FCA regulation of insurance intermediaries

Insurance intermediaries are authorised and regulated by the FCA. Insurance intermediaries must comply with certain conditions relating to capital and liquidity, corporate governance and risk management and controls, among others, although these conditions will vary dependent upon the nature of the regulated activities that the firm is authorised to conduct in the United Kingdom. Generally, lower prudential requirements apply for insurance intermediaries where (as is the case for HISL) firms do not hold client money.

Appointed representatives

HISL appoints firms from time to time to act as its appointed representatives ("ARs"). An AR is a firm or individual that can carry on certain regulated activities without being authorised, on the basis that another, authorised, firm or individual (its 'principal') has accepted responsibility for those activities. HISL is the principal for its ARs. HISL is responsible for anything done or omitted by an AR in carrying on the business for which it has accepted responsibility. ARs have been a particular focus of the FCA's conduct supervision of the UK general insurance market and the FCA produced a report on the findings of its thematic review on this topic in July 2016, followed by an update on the FCA's follow-up work to this review in June 2017. The key issues identified by the FCA were widespread failings in principals' oversight of their ARs, including not giving adequate consideration to the impact

of appointing ARs on their business and not undertaking adequate due diligence before appointing ARs. HISL currently has one historical AR, which is no longer active in relation to new business, and two further introducer ARs whose activities are passive.

FCA Conduct of Business Rules

The FCA's Conduct of Business Rules apply to every authorised firm carrying on regulated activities in the UK and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on regulated activities.

The scope and range of obligations imposed on an authorised firm under the Conduct of Business Rules vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest and report appropriately to its clients.

Prudential requirements

HISL, as an insurance intermediary, is regulated by the FCA for the purposes of prudential requirements. The FCA's prudential requirements for insurance intermediaries are largely set out in the Prudential sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries ("MIPRU"). MIPRU requires, among other things, that an insurance intermediary maintains professional indemnity insurance at a certain level and is at all times able to meet its liabilities as they fall due.

Under MIPRU, firms carrying out general insurance mediation activity are required to have professional indemnity insurance ("PII") in place to ensure they have adequate resources to protect themselves and their customers against losses arising from breaches of their duties under the regulatory system or civil law. The Insurance Distribution Directive (as to which, see below), also contains rules on PII, but, given that the FCA MIPRU rules are already stricter than the minimum EU requirements, the FCA's PII requirements will remain substantially the same following the implementation of the IDD. PII remains an area of focus for the FCA in respect of general insurance intermediaries and in December 2016 the FCA launched a thematic review to assess the extent to which general insurance intermediaries were compliant with the MIPRU PII requirements.

FCA supervision and enforcement

The FCA employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root cause of risk. The FCA has extensive powers to supervise and intervene in the affairs of an authorised firm under FSMA. For example, they can require firms to provide information or documents with respect to any matter or prepare and update a 'skilled persons' report under sections 166 and 166A of FSMA.

The FCA can also sanction persons who commit market abuse and can apply to the Court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the FCA has the power to prosecute criminal offences arising under FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of money laundering regulations.

The FCA may also vary or revoke a firm's permission to carry on regulated activities or of a Senior Manager's approved status (as to which, see below) for reasons including: (i) if it is desirable to protect the interests of consumers or potential consumers; (ii) if the firm has not engaged in regulated activity for 12 months; or (iii) if it is failing to meet the threshold conditions for authorisation. The FCA has further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FCA has made a decision to take enforcement action against an authorised firm or Approved Person (other than in the case of an application to the English Court for an injunction or restitution order), the person affected may refer the matter to the Upper Tribunal (Tax and Chancery Chamber). Breaches of certain FCA rules by an authorised firm may also

give a private person, who suffers loss as a result of the breach, a right of action against the authorised firm for damages.

The FCA, although not a creditor, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorised firm or have standing to be heard in the voluntary winding-up of an authorised firm.

Approved Persons/Senior Managers and Certification Regime

FSMA gives the FCA powers and responsibilities over individuals carrying on certain roles (“**controlled functions**”) for or on behalf of UK authorised firms. The FCA supervises the management of authorised firms through the Approved Persons and Senior Manager regimes.

Controlled functions are divided between ‘significant influence functions’ and ‘the customer dealing function’ and a person must have regulatory approval before they can perform any of them. All persons performing controlled functions in HISL (being the Group’s UK authorised firm) are approved persons. As such, they are subject to ongoing regulatory obligations for which they are personally accountable to the FCA and the FCA has wide-ranging powers under FSMA to act against any person who fails to satisfy these obligations or who ceases to be fit and proper.

The senior managers and certification regime (“**SM&CR**”) is a new regulatory framework introduced by the FCA and Prudential Regulation Authority that aims to: (i) make sure that designated types of firms and groups have a clear and effective governance structure; and (ii) to enhance the accountability and responsibility of individual Senior Managers. The SM&CR became fully effective in April 2016. Whilst the SM&CR does not currently apply to the Group, the FCA held a consultation on the proposed extension of the SM&CR to all FSMA-authorised firms which closed on 21 February 2018. A policy statement is expected to be published by the FCA in summer 2018.

Financial Ombudsman Service

Authorised firms must have appropriate complaints handling procedures in place. However, once these procedures have been exhausted, qualifying complainants may turn to the Financial Ombudsman Services (“**FOS**”), which is intended to provide quick, informal and cost effective dispute resolution of complaints made against authorised firms by individuals and small business customers. The FOS is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be appropriate and fair to remedy a complaint. In January 2018, the FCA consulted on its proposal to allow approximately 160,000 small and medium-sized enterprises to refer disputes to the FOS.

General Data Protection Regulation

The General Data Protection Regulation (the “**GDPR**”) comes into force on 25 May 2018, and the Group faces the same challenges with its implementation as are typically faced by the industry, such as data minimisation across legacy systems.

Regulation of AICL

Gibraltar

Financial services regulation and supervision in Gibraltar is vested in the Gibraltar Financial Services Commission (“**GFSC**”). The GFSC was established under the Financial Services Commission Act 2007 (the “**FSC Act**”) with the regulatory objectives of: (a) promoting market confidence; (b) reducing systematic risk; (c) promoting public awareness; (d) protecting the good reputation of Gibraltar; (e) protecting consumers; and (f) reducing financial crime.

The Group owns one authorised insurance underwriting company, AICL, which is incorporated in Gibraltar. The GFSC has wide powers to regulate insurance business, including the power to grant or revoke permission to conduct insurance business and to investigate compliance. Subject to certain exemptions (which do not apply to the Group), no person may carry on insurance business in Gibraltar unless authorised to do so by the GFSC pursuant to the Insurance Companies Ordinance of Gibraltar

1987 (as amended) (the “**Insurance Companies Ordinance**”). The GFSC, in deciding whether to grant authorisation, is required to determine whether the applicant satisfies the threshold conditions set out in the Insurance Companies Ordinance to be engaged in insurance business and, in particular, whether the applicant has and will continue to have appropriate resources, and that it is and will continue to be a fit and proper person having regard to the objectives of the GFSC (including in both cases whether those who manage the applicant’s affairs have adequate skills and experience and those affairs are conducted soundly and with probity). An authorisation to carry on insurance business may also be subject to such requirements as the GFSC considers appropriate.

In specific circumstances, the GFSC may vary or cancel an insurer’s authorisation to carry on a particular class or classes of business or insurance business generally. The circumstances in which the GFSC can vary or cancel an authorisation include a failure to meet the threshold conditions or where such action is desirable in order to protect the interests of consumers or potential consumers.

As a British Overseas Territory, Gibraltar joined the EU (previously the European Economic Area) with the UK in 1973 under Article 355(3) of the Treaty on the Functioning of the European Union (“**TFEU**”) which applies the TFEU, and subsequent EU legislation, to “European territories for whose external relations a Member State is responsible”. On this basis (and pursuant to the Financial Services and Markets Act 2000 (Gibraltar) Order 2001), the Group is also entitled to conduct insurance business in the UK by virtue of the passporting rights granted under the EU single market directives (in respect of AICL, specifically the Solvency II Directive), which allow insurers to exercise passport rights throughout EEA states. Therefore, although prudential regulation is the responsibility of the GFSC, the Group’s underwriting function is subject to conduct of business regulation by the FCA in relation to insurance business undertaken in the UK. The FCA has the power to intervene in the Group’s business to ensure compliance in this respect.

The status of EU passporting rights for financial services firms authorised and regulated in Gibraltar after Britain’s exit from the EU in March 2019 is currently unclear. On 8 March 2018, the UK Government made a statement guaranteeing Gibraltar financial services firms access to UK financial markets until 2020. Before the end of this transitional period, the UK Government agreed to work closely with the Government of Gibraltar to design a replacement framework to apply after 2020. However, it is unclear whether Gibraltar will be able to continue to access EU financial markets on a passporting basis after Brexit and this may depend on the outcome of any unilateral arrangements agreed in the context of Brexit between the UK and Spain. However, as noted above access to UK markets from Gibraltar should not be affected.

Solvency II

Solvency II provides a prudential framework for insurance companies and has applied since 1 January 2016. Solvency II has codified and harmonised EU prudential regulation for insurers and reinsurers and applied more consistent risk-sensitive standards to capital requirements. Like the Basel III reforms introduced in relation to banks in 2014, the new approach is based on the concept of three pillars: quantitative requirements (the amount of regulatory capital an insurer should hold), qualitative requirements on undertakings such as risk management as well as internal governance; and enhanced disclosure and transparency requirements.

Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of a minimum capital requirement (“**MCR**”) and a higher and more risk sensitive solvency capital requirement (“**SCR**”). The MCR is the minimum amount of capital the insurance company needs to cover its risks. Further information on the calculation of the MCR is provided in Article 129 of the Solvency II Directive. The SCR is a risk-responsive capital measure calibrated to ensure each insurer will be able to meet its obligations over the next 12 months with a probability of 99.5%. Further information on the calculation of the SCR is provided in Chapter VI, Section 4 of the Solvency II Directive;
- what regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;

- what regulatory capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm's entire operations;
- to what extent a firm's regulatory capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- considerably expanded reporting requirements covering: (i) matters to be reported privately to the firm's supervisor leading to a full supervisory review process; and (ii) matters to be published in a "Solvency and Financial Condition Report";
- rules providing for the SCR to be supplemented by a "regulatory capital add-on" in appropriate cases, the add-on to be imposed by the relevant supervisor;

The Solvency II Directive is transposed into Gibraltar legislation by the Financial Services (Insurance Companies) (Solvency II Directive) Act 2015. Regulators may continue to issue guidance and other interpretations of the applicable requirements under Solvency II, which could require further adjustments to the Group's capital requirements in the future.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

The Issuer

The Issuer is the financing subsidiary of the Group.

Full legal and commercial name	Hastings Group (Finance) plc (formerly Hastings Insurance Group (Finance) plc)
Shareholder of the Issuer	Hastings Insurance Group (Investment) plc
Registration number	113861
Date of incorporation	29 August 2013
Country of incorporation	Jersey
Place of registration of the Issuer	Jersey
Place of domicile	Jersey
The legislation under which the Issuer operates	Companies (Jersey) Law 1991
Legal form	RCP - Registered Public Company
Registered Office Address	47 Esplanade St Helier Jersey JE1 0BD
Date of financial year end	31 December
Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	Not applicable.
Principal business activities	Financing and holding company.
Directors of the Issuer	Principal outside activities
Tobias Adriaan van der Meer	None
Richard Hoskins	Non-Executive Director of Aztec Group Ltd

The business address of the directors is Conquest House, 32-34 Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW, United Kingdom. There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of the Issuer and their duties to the Issuer.

The authorised share capital of the Issuer is £2,775,244.75 divided into 277,524,475 ordinary shares of £0.01 each with 277,524,376 shares having been issued fully paid. The entire issued share capital of the

Issuer is legally and beneficially owned and controlled by Hastings Insurance Group (Investment) plc. The rights of a shareholder in the Issuer are contained in the Issuer's articles of association and will be managed by the directors in accordance with those articles and the provisions of Jersey law. The register of members of the Issuer is maintained at the registered office of the Issuer.

The secretary of the Issuer is Anthony Leppard, who is an Associate of the Institute of Chartered Secretaries and Administrators, and whose business address is Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW, United Kingdom.

Adjusted operating profit and net assets of the Issuer

Based on the consolidated financial statements of the Group:

- Adjusted operating profit of the Issuer represented minus £0.2 million, or 0 per cent. of consolidated Group adjusted operating profit for the financial year ended 31 December 2017; and
- net assets of the Issuer was £192.9 million, or 32 per cent. of consolidated Group net assets for the financial year ended 31 December 2017.

The Issuer's share of adjusted operating profit and net assets has been calculated from the consolidated financial statements of the Group with adjustments to allocate goodwill and remove investment in subsidiaries.

The Guarantors

A list of the Guarantors is set out below. Hastings is the parent company of the Group and all other Guarantors are (directly or indirectly) wholly-owned subsidiaries of Hastings.

None of the directors of the Guarantors has any potential conflict of interest between their duties to the Guarantors and their private interests or other duties.

Name of Guarantor	Jurisdiction of Incorporation	Registration number (or equivalent, if any)	Registered Address
Hastings Group Holdings plc	England & Wales	09635183	Conquest House 32-34 Collington Avenue Bexhill-on-Sea, TN39 3LW United Kingdom
Hastings Group Limited	Jersey	108490	47 Esplanade St Helier JE1 0BD Jersey
Advantage Global Holdings Limited	British Virgin Islands	1496894	C/O: Intertrust Fiduciary Services (BVI) Limited, Ritter House, Wickhams Ca II, Road Town, Tortola VG1110 British Virgin Islands
Hastings (Holdings) Limited	England & Wales	07162484	Conquest House 32-34 Collington Avenue Bexhill-on-Sea, TN39 3LW United Kingdom
Hastings (UK) Limited	England & Wales	06769523	Conquest House 32-34 Collington Avenue Bexhill-on-Sea, TN39

Hastings Insurance Services Limited	England & Wales	03116518	3LW United Kingdom Conquest House 32-34 Collington Avenue Bexhill-on-Sea, TN39 3LW United Kingdom
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Adjusted operating profit and net assets of the Guarantors

Based on the consolidated financial statements of the Group:

- combined adjusted operating profit of the Guarantors represented £112.9 million, or 61 per cent. of consolidated Group adjusted operating profit for the financial year ended 31 December 2017; and
- combined net assets of the Guarantors was £135.4 million, or 22 per cent. of consolidated Group net assets for the financial year ended 31 December 2017.

The Guarantors' share of adjusted operating profit and net assets has been calculated on an aggregated basis for the Guarantors with consolidation adjustments to allocate goodwill and remove duplication of investment in subsidiaries.

Details of each Guarantor which accounts for over 20% of either adjusted operating profit or net assets of the Group have been provided below.

Hastings Insurance Services Limited

Full legal and commercial name	Hastings Insurance Services Limited	
Registration number	03116518	
Date of incorporation	20 October 1995	
Place of domicile	United Kingdom	
Registered Address	Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW	
Date of financial year end	31 December	
Directors	Name	Principal outside activities
	(1) Susan Anne Amies-King	Chief Executive, Water Plus Limited
	(2) Peter William Blanc	Group CEO, Aston Scott and Lark Group Limited
		Director, British Insurance Brokers Association
	(3) Valerie Michelle Dias	Non-Executive Director, and chair of Audit Committee, Ipswich Building Society
		Trustee board member, and chair of Audit Committee, Chartered Management Institute
		Trustee board member Ufi Charitable Trust

	(4) Timothy John Money	None
	(5) Selina Shanti Sagayam	See above under “ <i>Description of the Group – Management</i> ”
	(6) Tobias van der Meer	None
Principal business activities	End customer pricing, fraud management, product design and distribution and management of the underlying customer relationships, including policy sales, customer service and customer retention.	
Any risks specific to Hastings Insurance Services Limited that could impact its guarantee	The risks noted above under “ <i>Risk Factors</i> ” which could impact the guarantee of Hastings Insurance Services Limited, will apply to the Guarantor. In particular, the risk factor of industry competition is relevant to Hastings Insurance Services Limited.	
Any encumbrances on the assets of Hastings Insurance Services Limited that could materially affect its ability to meet its obligations under its guarantee	Not applicable.	
Adjusted operating profit and Net Assets represented by Hastings Insurance Services Limited	£115.0 million adjusted operating profit or 62% of Group consolidated adjusted operating profit and £94.9 million or 15% of Group consolidated net assets.	

Non-Guarantor Subsidiaries

Adjusted operating profit and net assets of the non-Guarantor subsidiaries (excluding the Issuer)

Based on the consolidated financial statements of the Group:

- combined adjusted operating profit of the non-Guarantor subsidiaries of Hastings represented £71.4 million, or 39 per cent. of consolidated Group adjusted operating profit for the financial year ended 31 December 2017; and
- combined net assets of the non-Guarantor subsidiaries of Hastings was £284.6 million, or 46 per cent. of consolidated Group net assets for the financial year ended 31 December 2017.

The non-Guarantor subsidiaries’ share of adjusted operating profit and net assets has been calculated on an aggregated basis for the non-Guarantor subsidiaries with consolidation adjustments to allocate goodwill and remove duplication of investment in subsidiaries.

TAXATION

United Kingdom Taxation

The following is a general description of certain UK tax considerations relating to the Bonds based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. It relates to the position of persons who are the absolute beneficial owners of Bonds and some aspects do not apply to certain classes of taxpayer (such as dealers and Bondholders who are connected or associated with the Issuer for relevant tax purposes). Prospective Bondholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Bonds

The Bonds will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 (the “**Act**”) as long as they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Act. The Bonds will satisfy this requirement if they are officially listed and admitted to trading on the Global Exchange Market of Euronext Dublin. Accordingly, payments of interest on the Bonds may be made without withholding on account of UK income tax provided the Bonds remain so listed at the time of payment.

In all other cases an amount must be withheld on account of income tax at the basic rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to Bondholders who the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which brings into account the interest in computing its UK taxable profits, or fall within various categories enjoying a special status (including charities and pension funds), or are partnerships consisting of such persons (unless HM Revenue and Customs direct otherwise).

Interest on the Bonds constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Bondholder who is not resident for tax purposes in the UK unless that Bondholder carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the Bonds are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The provisions relating to additional payments referred to in Condition 7 of the Bonds would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Bond directly to UK income tax. However, exemptions from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

The reference to “interest” in this UK Taxation section means “interest” as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Bonds redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Bonds are issued at a discount. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Bonds or any related documentation.

Payments by Guarantors

Depending on the correct legal analysis of payments made by the Guarantors as a matter of UK tax law, it is possible that payments by the Guarantors would be subject to withholding on account of UK tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax is payable on issue of the Bonds or on a transfer of the Bonds by delivery.

Jersey Taxation

The following summary of the anticipated treatment of the Issuer and holders of Bonds (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this document and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice. Prospective investors in the Bonds should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Bonds under the laws of any jurisdiction in which they may be liable to taxation.

Taxation of the Issuer

The Issuer is not regarded as resident for tax purposes in Jersey. Therefore, the Issuer will not be liable to Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended) and payments in respect of the Bonds may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax. The holders of Bonds (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Bonds.

Stamp duty

In Jersey, no stamp duty is levied on the issue or transfer of the Bonds except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Bonds on the death of a holder of such Bonds where such Bonds are situated in Jersey. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situated in respect of a holder of Bonds domiciled in Jersey, or situated in Jersey in respect of a holder of Bonds domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate and such duty is capped at £100,000.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

British Virgin Islands Taxation

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by Advantage Global Holdings Limited pursuant to its Guarantee.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission's proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a “**participating Member State**”). However, Estonia has since ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Barclays Bank PLC, HSBC Bank plc and Lloyds Bank plc (together, the “**Joint Lead Managers**”) have, pursuant to a subscription agreement dated [22] May 2018 (the “**Subscription Agreement**”) and made between the Issuer, the Guarantors and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at the issue price of 99.157 per cent. of the principal amount of the Bonds. The Issuer (failing which, the Guarantors) have also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Bonds. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

United States of America

The Bonds and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II;
- (b) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Bonds.

General

Persons into whose hands these Listing Particulars come are required by the Issuer, the Guarantors and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish these Listing Particulars or any other offering material relating to the Bonds, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of Hastings dated 2 May 2018 and by a resolution of the Board of Directors of the Issuer dated 2 May 2018. The giving of the Guarantees of the Bonds has been authorised by a resolution of the Board of Directors of each of the Guarantors dated 2 May 2018 and for each Guarantor (other than Hastings) by a shareholder resolution dated 2 May 2018.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or any of the Guarantors is aware), which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the financial position or profitability of the Issuer, the Guarantors and/or the Group.

Significant/Material Change

3. Since 31 December 2017 there has been no material adverse change in the prospects of the Issuer, any Guarantor or the Group nor any significant change in the financial or trading position of the Issuer, any Guarantor or the Group.

Auditors

4. The consolidated financial statements of the Group have been audited without qualification for the years ended 31 December 2017 and 31 December 2016 by KPMG LLP, a member firm of the Institute of Chartered Accountants of England and Wales.

Documents on Display

5. For as long as the Bonds are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following documents may be inspected during normal business hours at the offices of Hastings at 32-34 Collington Avenue, Bexhill-on-Sea, TN39 3LW:
 - (a) the constitutive documents of the Issuer;
 - (b) the constitutive documents of each of the Guarantors;
 - (c) copies (subject to modification) of the Agency Agreement and the Trust Deed (which includes the Guarantees); and
 - (d) the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016.

Material Contracts

6. There are no material contracts entered into other than in the ordinary course of any of the Issuer's, the Guarantors' or a member of the Group's business, which could result in any of the Issuer, any Guarantor or a member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders in respect of the Bonds or any Guarantor's ability to meet its obligations in respect of the relevant Guarantee.

Yield

7. On the basis of the issue price of the Bonds of 99.157 per cent. of their principal amount, the yield in the Bonds is 3.135 per cent. on a semi-annual basis. This figure is calculated on the basis of the issue price and as at the date of these Listing Particulars, and is not an indication of future yield.

ISIN and Common Code

8. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1815424202, the Common Code is 181542420, the Financial Instrument Short Name (FISN) is HASTINGS GROUP/3EUR NT 20250524 RES and the Classification of Financial Instruments (CFI) Code is DYFXXB.

Irish Listing Agent

9. Arthur Cox is acting solely in its capacity as listing agent for the Issuer in relation to the Bonds and is not itself seeking admission of the Bonds to the Official List of Euronext Dublinor to trading on the Global Exchange Market.

Clearing Systems

10. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Joint Lead Managers transacting with the Issuer and the Guarantors

11. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantors and their respective affiliates in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Bonds, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantors and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors or their affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer or the Guarantors may routinely hedge their credit exposure to the Issuer and the Guarantors consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. Any such positions could adversely affect future trading prices of Bonds. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

HSBC Bank plc will not regard any actual or prospective holders of Bonds (whether or not a recipient of these Listing Particulars) as its client in relation to the offering described in these Listing Particulars and will not be responsible to anyone other than the Issuer and the Guarantors for providing the protections afforded to its clients nor for providing the services in relation to the offering described in these Listing Particulars or any transaction or arrangement referred to herein or therein. Each of the other Joint Lead Managers reserves the right to determine whether or not any actual or prospective holders of Bonds described in these Listing Particulars are to be regarded as clients in relation to such offering at the relevant time of the offering.

The Legal Entity Identifier

12. The Legal Entity Identifier (LEI) code of the Issuer is 6354002VILB9PBA8GH72.

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