Direct Line Group

2022 Half Year Results

2nd August 2022

Today's speakers

Penny James
CEO

Neil Manser
CFO

H1 2022 key messages

1. Unique combination of market factors including regulatory change, heightened inflation and macro-economic uncertainty
2. We’ve taken actions to get back on track and are now writing at our target margins based on latest claims estimates
3. Our diversified business model is working with Home, Commercial and Rescue performing in line with expectations
4. Our strategy is the right one and we’re making good progress
5. The earnings power of the Group remains strong and we are confident in the sustainability of our dividends for this year and beyond

Financial results

Neil Manser
CFO

H1 2022 financial summary

Operating profit	Combined operating ratio	Direct own brands portfolio	Operating expenses	Solvency and capital
£196m	96.5%	-1.5%	-£5m	7.6p Interim dividend 152% Solvency ratio post dividend

Direct Line Group

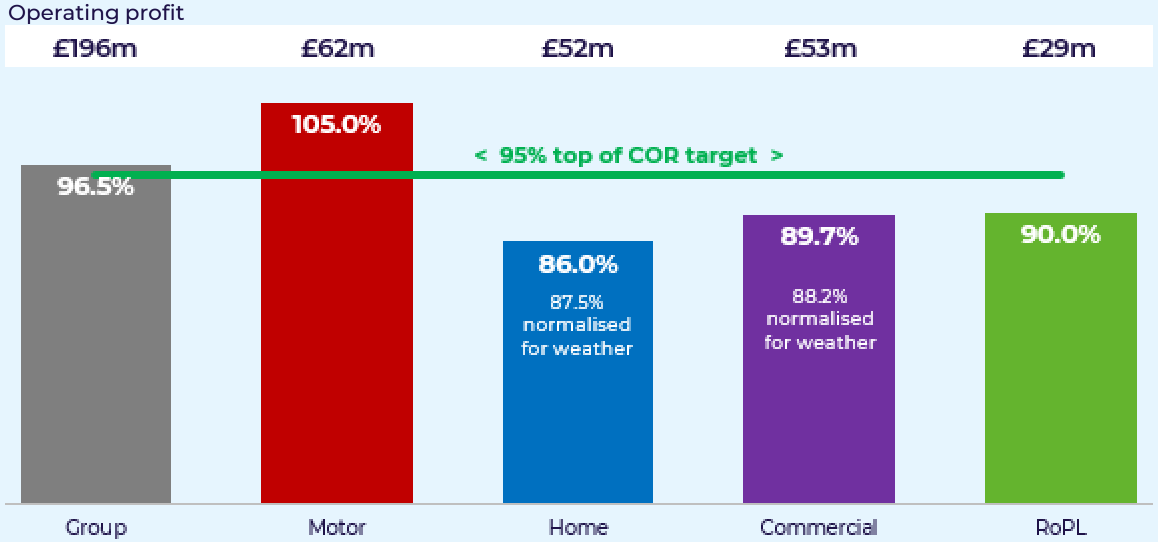
See notes on slide 28 and glossary of terms on slides 49 to 52

H1 2022 results summary: Results reflect heightened inflation in Motor

Financials £m	H1 2021	H1 2022	Change
Gross written premium (adjusted)	1,556.5	1,523.1	(2.1%)
Underwriting profit	**229.3**	**51.7**	**(77.5%)**
Instalment and other income	72.2	71.2	(1.4%)
Investment return	68.4	72.6	6.1%
Operating profit	**369.9**	**195.5**	**(47.1%)**
Restructuring and one-off costs	(91.5)	(4.0)	95.6%
Finance costs	(17.1)	(13.4)	21.6%
Profit before tax	**261.3**	**178.1**	**(31.8%)**
Profit after tax	**203.8**	**145.7**	**(28.5%)**
Key metrics	**H1 2021**	**H1 2022**	**Change**
Combined operating ratio (COR)	**84.2%**	**96.5%**	(12pts)
COR normalised for weather	**86.3%**	**96.5%**	(10pts)
Return on tangible equity (RoTE)[1]	**30.1%**	**17.8%**	(12pts)

Observations

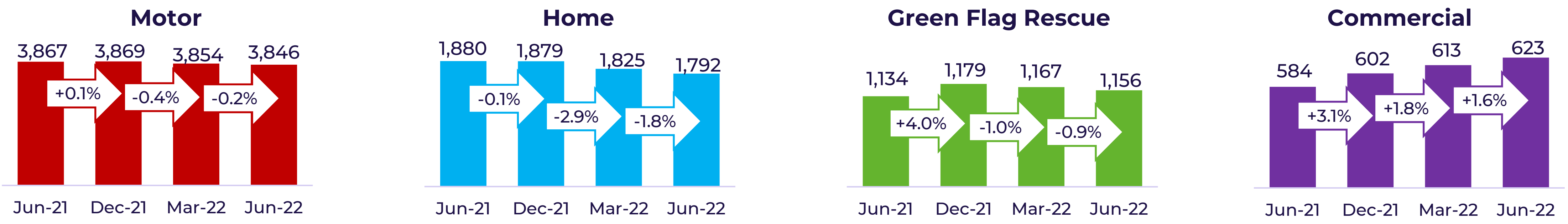
- Prior year comparatives include benefits from low Motor claims frequency due to Covid lockdowns
- Good result across Commercial, Home and Rescue partially offsetting lower Motor result, demonstrating the benefit of our diversified business model
- Reserve releases in line with expectations following conservative reserving for inflation at 2021 year-end
- RoTE was ahead of the Group's 15% target



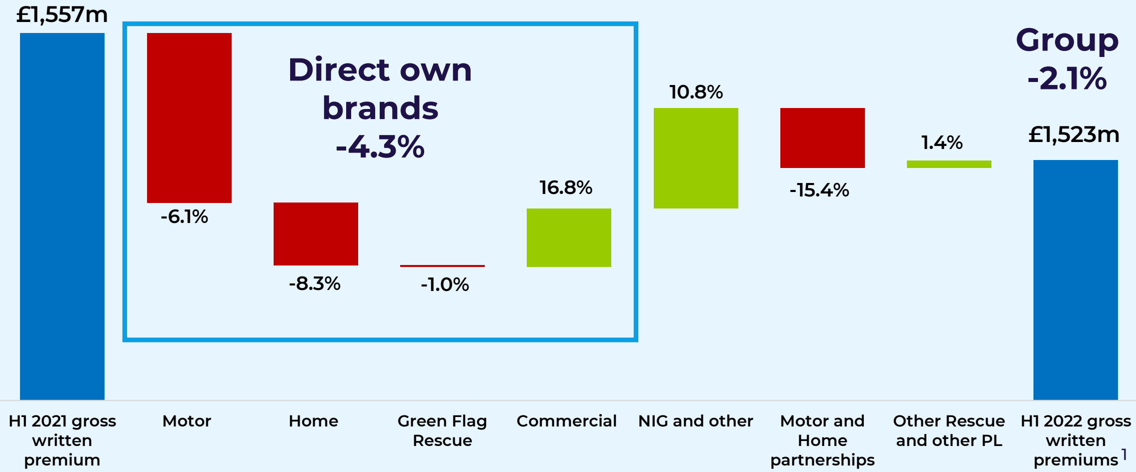
1. Annualised
See notes on slide 28 and glossary of terms on slides 49 to 52

In-force policies and premiums: Motor own brands policies broadly stable, strong growth in Commercial premiums

Direct own brands in-force policy progression (000's)



Adjusted gross written premiums[1]



Observations

- Direct own brands IFPs were 1.5% lower than 31 December 2021
- Group IFPs 9.2% lower following the removal of Travel from a partners' bank account proposition
- Motor IFPs broadly stable across Q2 despite market premiums having lagged claims inflation
- Home IFP and GWP performance reflects focus on preserving value as the market adjusts to the FCA PPR reforms
- Commercial continued to deliver strong premium growth in both direct and broker channels

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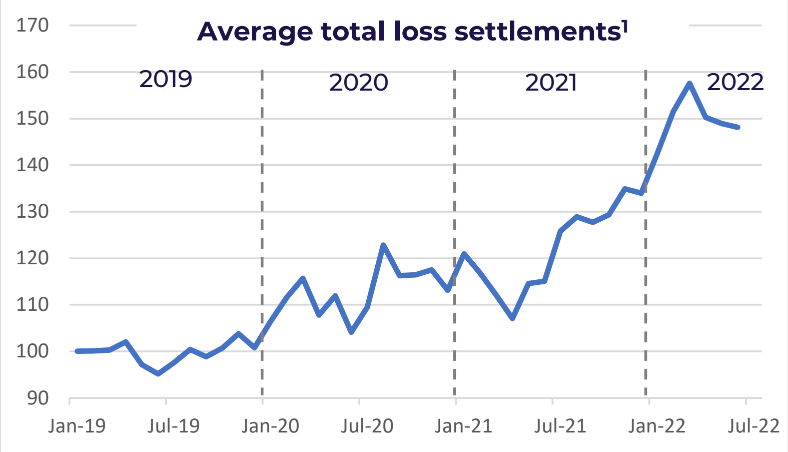
1. Adjusted for £1.8m of Green Flag service fees recognised as other income
2. Other Rescue and other personal lines includes Pet, Travel, Creditor and our mid-to high-net worth business, UK Select

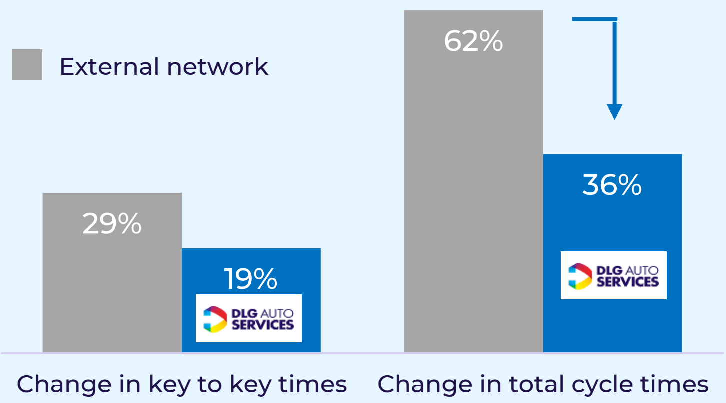
See notes on slide 28 and glossary of terms on slides 49 to 52

Motor claims: Market wide pressure on repairs, DLG Auto Services continues to outperform

1 Claims inflation has been ahead of our pricing assumption



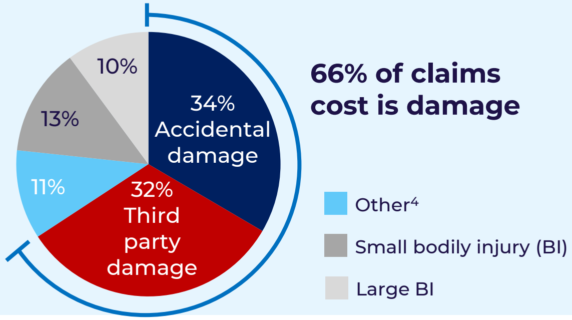
2 Our garages (DLG Auto Services) continue to outperform



Observations

- Inflation is market wide
- Settlement delays means evidence has been slow to emerge
- We still believe we are outperforming where we can control the claim, particularly within our Auto Services which handles around 50% of repairs

Net claims cost by peril[3]



3 Prudent assumptions underpin our latest view of severity inflation

We estimate claims inflation in 2022 of around 10%

We expect used car prices to remain elevated throughout H2, claims frequency to remain broadly flat and supply chain disruption to last into 2023

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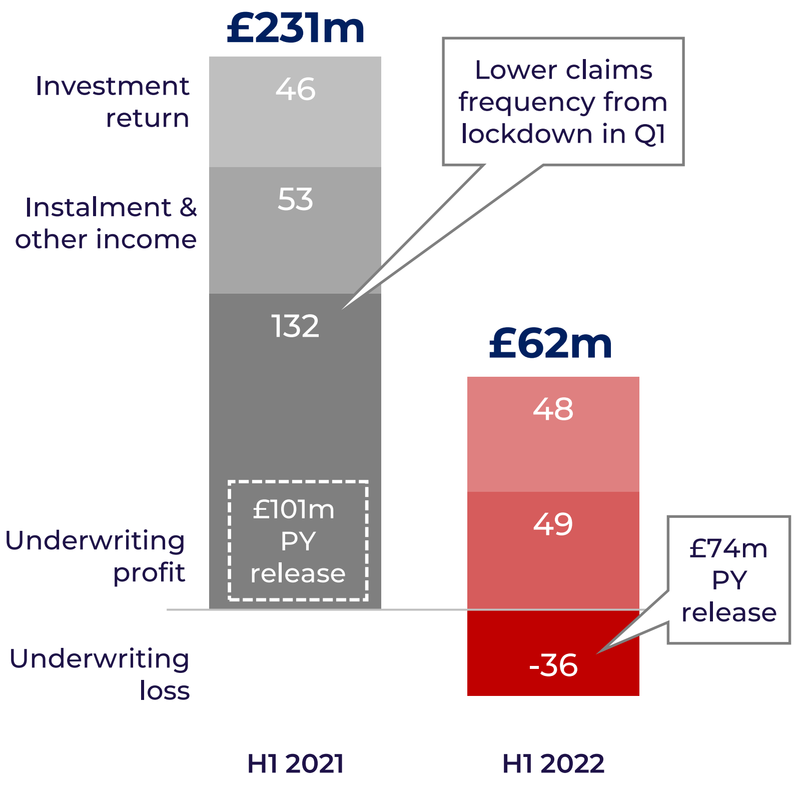
1. Average total loss settlements (excluding third party claims), indexed to Jan 2019
2. Average 'key to key' and total cycle times as at end of June 2022 versus 2021, DLG Auto Services and externally managed network (excludes third party managed claims)
3. Ultimate view of net claims costs as at the end of June 2022
4. Fire and theft and windscreen claims

Motor: Elevated claims inflation impacted H1 margins, target margins restored in July

Key metrics

	H1 '21	H1 '22
In-force policies 000's	3,975	3,944
Gross written premium £m	755.6	706.8
Current year loss ratio	**66.9%**	**86.4%**
Prior year ratio	(13.8%)	(10.4%)
Loss ratio	53.1%	76.0%
Commission ratio	3.1%	3.2%
Expense ratio	25.6%	25.8%
COR	**81.8%**	**105.0%**

Operating profit



Observations

- Gross written premium was 6.5% lower in H1 reflecting lower average premiums due to risk mix
- Direct own brand average premiums reduced by 4.2%
- Claims inflation ahead of pricing reflected in current year loss ratio of 86.4% in H1
- Returned to writing at our target margins in July[1] through pricing action and deployment of new pricing models
- £62m operating profit with a combined ratio of 105%

1. Based on latest view of claims inflation

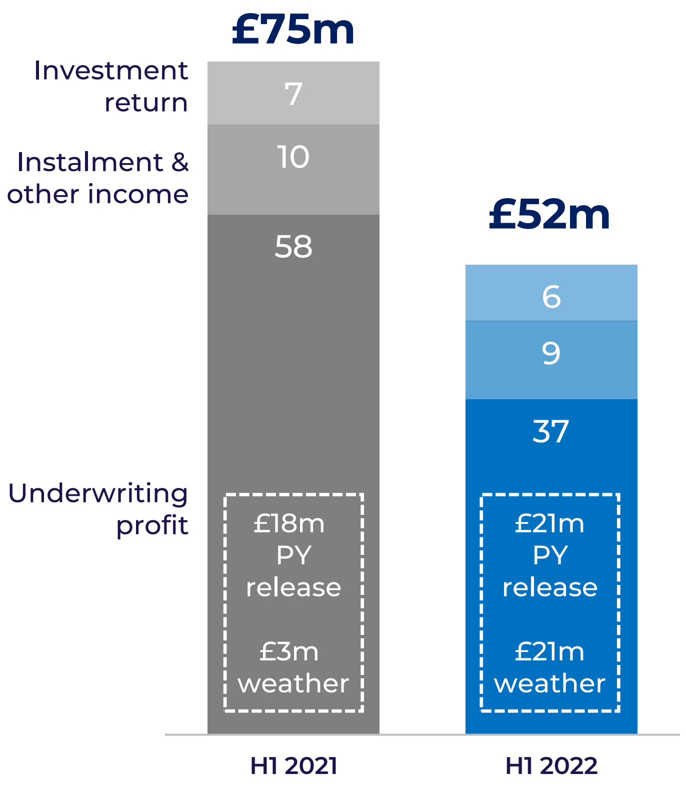
See notes on slide 28 and glossary of terms on slides 49 to 52

Home: Maintaining COR outlook

Key metrics

	H1 '21	H1 '22
In-force policies 000's	2,677	2,571
Gross written premium £m	278.3	250.4
Current year attritional loss ratio	**52.3%**	**57.0%**
Prior year ratio	(6.4%)	(7.8%)
Major weather events[1]	1.1%	7.9%
Loss ratio	47.0%	57.1%
Commission ratio	5.8%	5.7%
Expense ratio	26.2%	23.2%
COR	**79.0%**	**86.0%**
COR normalised for weather	**86.2%**	**87.5%**

Operating profit



Observations

- Trading strategy focused on preserving value
- Lower policy count and premiums generally in line with market reductions[2]
- Priced for elevated claims inflation, estimated to be around 8% in 2022
- Prior year releases higher in H1 alongside higher weather-related claims
- Operating profit of £52m and COR normalised for weather of 87.5%
- Full year COR normalised for weather, expected to be low 90s

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1. 2022 weather budget is £52m (2021: £49m)
2. Based on ABI Q1 data

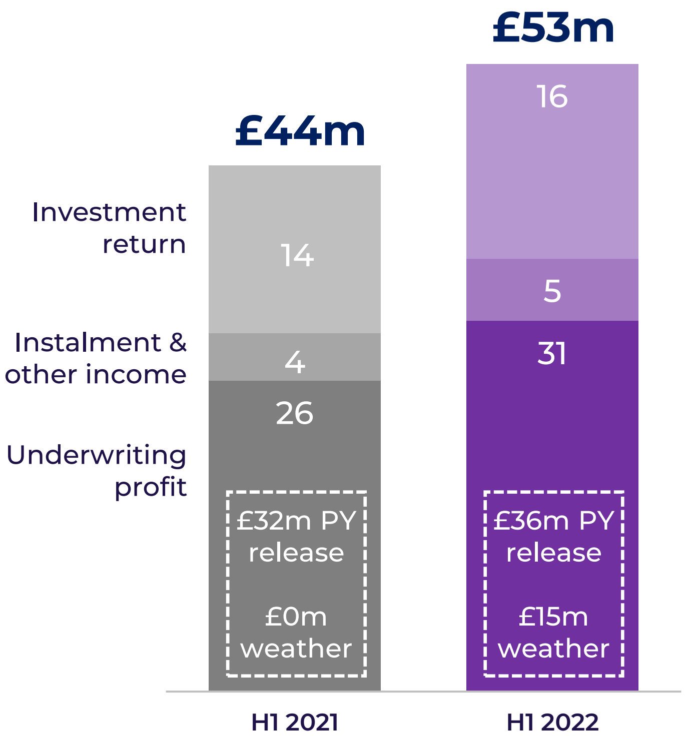
See notes on slide 28 and glossary of terms on slides 49 to 52

Commercial: Double-digit growth and expanded margins

Key metrics

	H1 '21	H1 '22
In-force policies 000's	850	884
Gross written premium £m	336.0	377.8
Current year attritional loss ratio	**61.1%**	**56.0%**
Prior year ratio	(12.1%)	(12.1%)
Major weather events	-	5.0%
Loss ratio	49.0%	48.9%
Commission ratio	19.8%	19.8%
Expense ratio	21.4%	21.0%
COR	**90.2%**	**89.7%**
COR normalised for weather	**c. 94%**	**c. 88%**

Operating profit



Observations

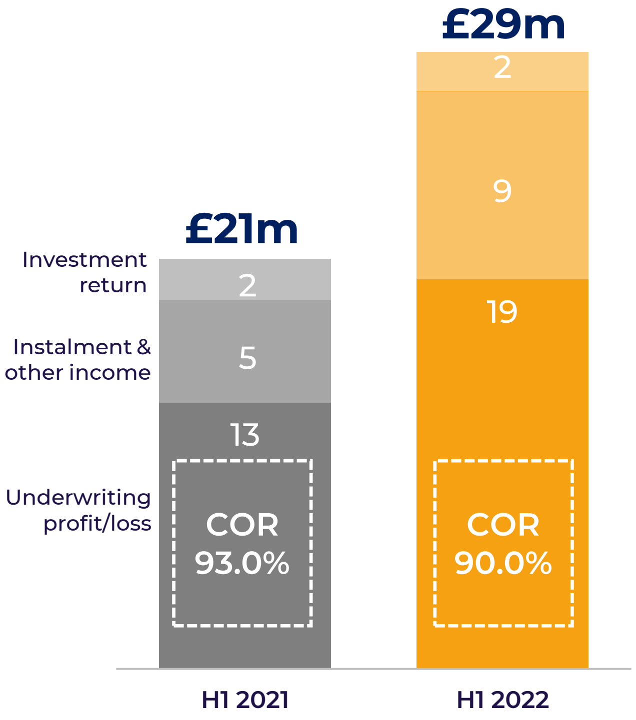
- Policy count and premium growth across both direct and broker channels
- Strong rate increases of around 9%, offsetting higher claims inflation of around 7%
- Current year loss ratio of 55.9% reflects supportive market conditions, transformation benefits and lower large losses than normal
- Prior year releases broadly stable and higher weather-related claims in H1
- Operating profit increased to £53m and COR normalised for weather of around 88%

1. 2022 weather budget is £21m (2021: £20m)

See notes on slide 28 and glossary of terms on slides 49 to 52

Rescue and other personal lines: Strong Rescue profit

Rescue and other personal lines



- This segment comprises Rescue, Pet, Travel, Creditor and UK Select, our mid-to high-net worth business
- Continued rebound in Travel market delivered premium growth and higher claims
- Majority of profit is Rescue

Of which, Rescue operating profit

- Operating profit broadly stable with lower frequency offset by fuel and other mix effects
- Green Flag expanded its range or products and services in H1 following the launch of its new policy system

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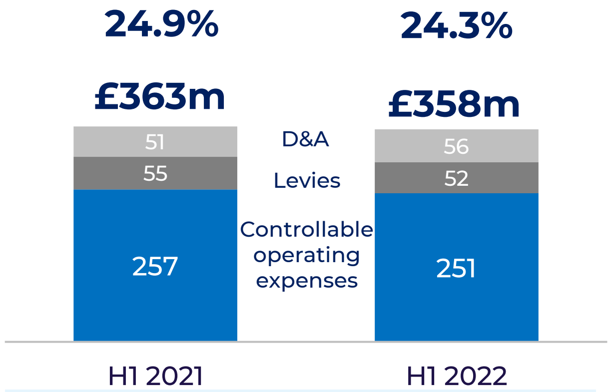
See notes on slide 28 and glossary of terms on slides 49 to 52

Cost transformation: Targeting absolute cost reductions in 2022 and 2023 despite inflationary backdrop

H1 2022 progress

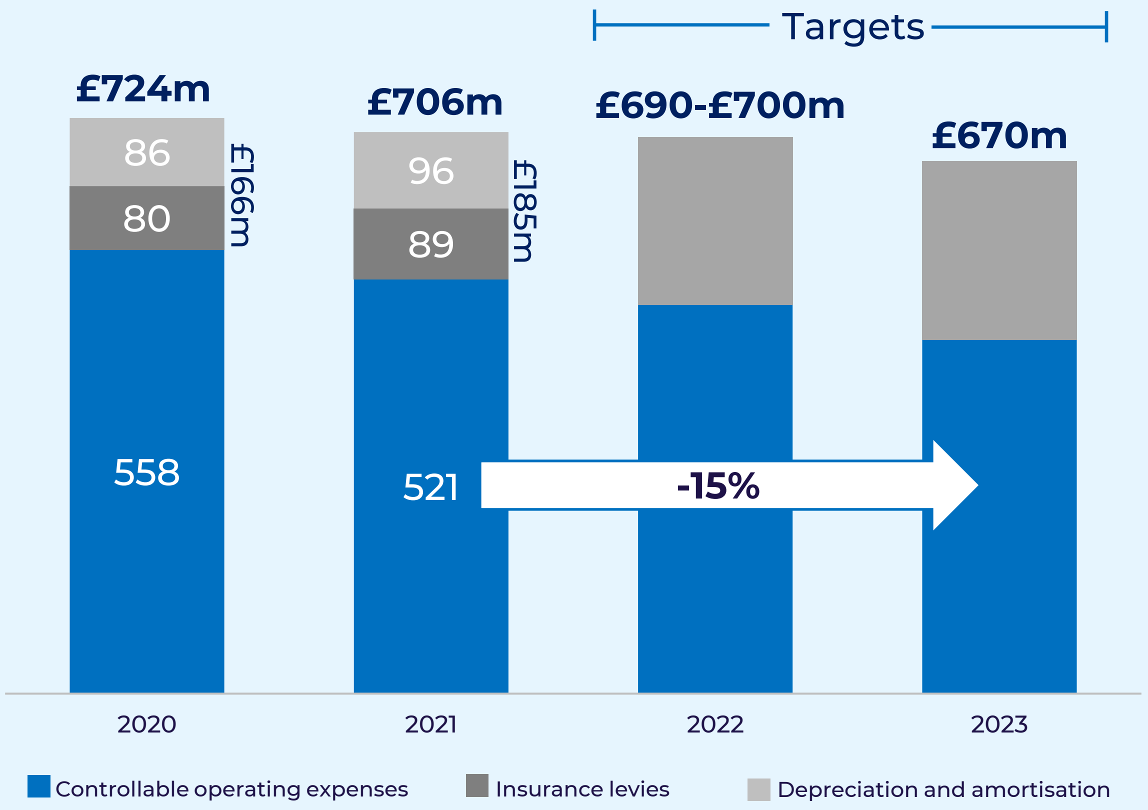


- H1 2022 operating expenses were £5m lower as cost transformation benefits continued to offset higher depreciation and amortisation charges
- Staff costs were 6% lower reflecting progress on digital transformation and automation

Cost transformation

- Increasing digital adoption rates across sales, service and claims
- Reducing technology run costs and cost of change
- Simplifying organisation design and further embed agile ways of working
- Reducing property footprint and running costs
- Driving further efficiencies in marketing

Targeting further cost reductions



See notes on slide 28 and glossary of terms on slides 49 to 52

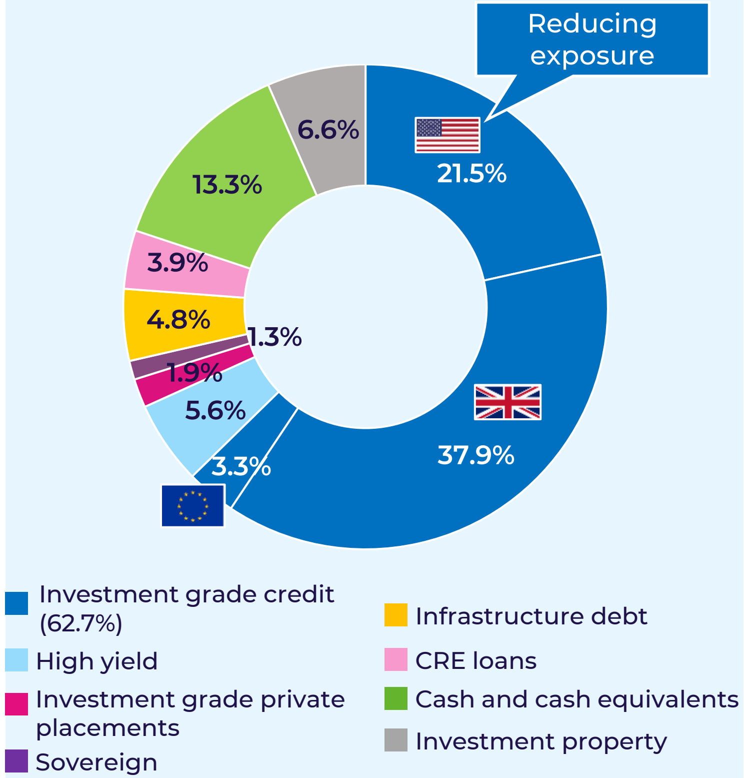
Investment return: Increasing yield expectation and taking actions to reduce credit exposure

Investment return and yields

£m	H1 2021	H1 2022
Investment income	58.9	58.9
Hedging to sterling floating rate	(7.3)	(4.4)
Net investment income	**51.6**	**54.5**
Net realised and unrealised gains/(losses)	16.8	18.1
Of which property fair value	*10.0*	*19.3*
Total investment return	**68.4**	**72.6**

Yields	H1 2021	H1 2022
Net investment income yield (annualised)	1.7%	**2.0%**
Net investment return yield (annualised)	2.3%	**2.6%**

Group holdings[1] £5,113m



Observations

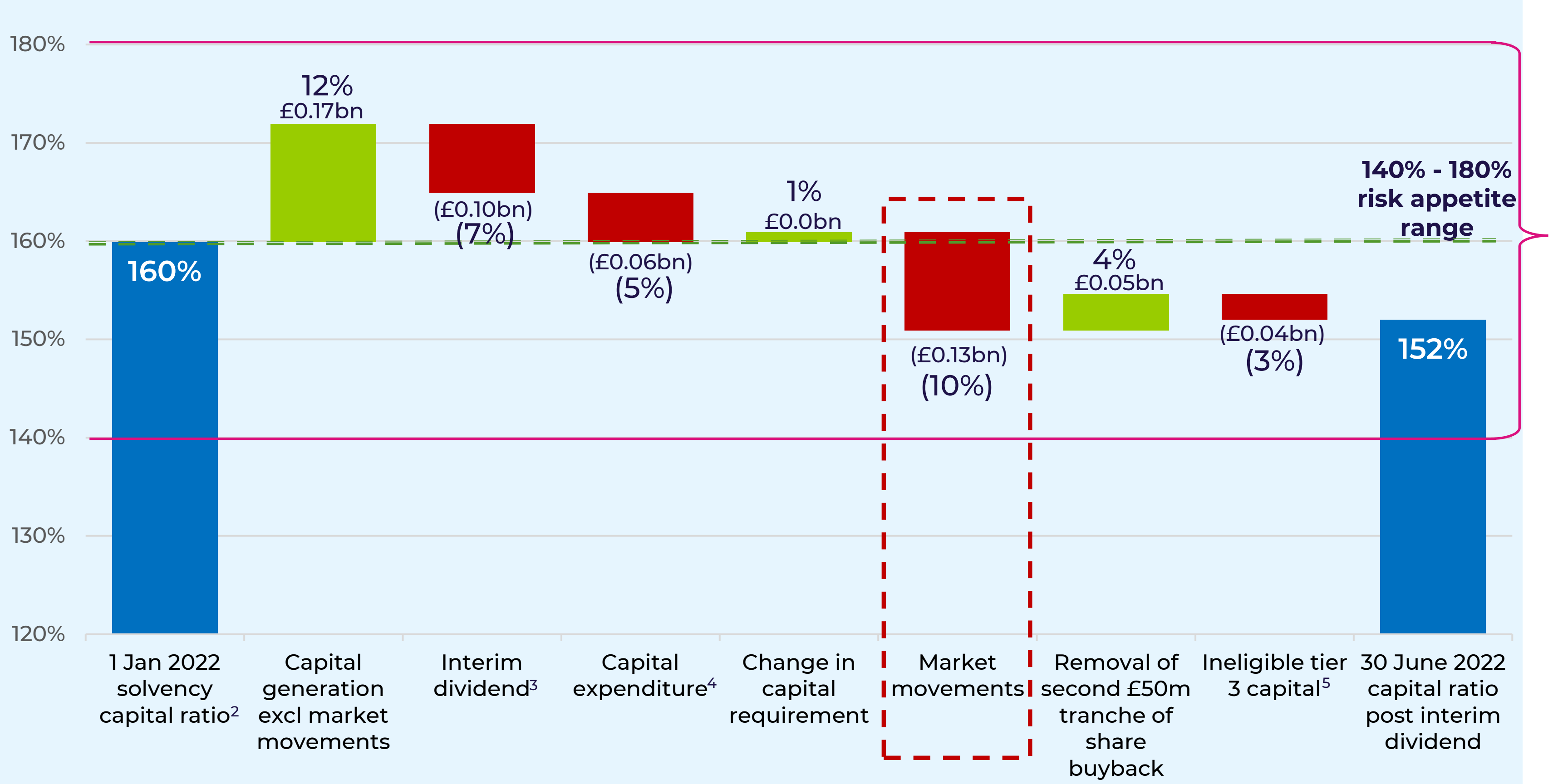
- Investment return increased to £72.6m due to higher income and higher valuations on property portfolio
- Available for sale reserve net of tax was an unrealised loss of £169.5m as at 30 June 2022 reflecting higher credit spreads and increased interest rates
- 3% of debt securities were rated ‘AAA’ and 55% rated ‘AA’ or ‘A’
- Average duration of debt securities was 2.3 years
- Reducing exposure to longer duration USD credit as part of capital actions. Expect losses of around £20 - £25m (already reflected in solvency ratio)
- Net investment income yield expected to be c. 1.7% in 2022, increasing to c. 2.2% in 2023

1. Excludes equity investment

See notes on slide 28 and glossary of terms on slides 49 to 52

Capital and balance sheet management: Trading and capital actions underpin dividend outlook

Solvency ratio walk[1]



Observations

- Solvency position reflects heightened macro-economic uncertainty
- Second tranche of share buyback announced at FY 2021 results will not be launched
- Interim dividend maintained at 7.6p
- Capital actions to increase resilience include:
  - Pricing actions including new model in Motor; target margins restored in July[6]
  - Reducing longer durations on USD credit portfolio
  - Continue to look at Motor reinsurance options

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1. Figures estimated and based on partial internal model (PIM) output as at 30 June 2022
2. 1 Jan 2022 solvency capital ratio after final regular dividend, £100m share buyback and excluding Tier 2 debt repayed in Q2 2022 and Tier 2 ineligible capital
3. Interim dividend due to be paid on 9 September 2022, ex dividend date 11 August 2022
4. Capital expenditure expected to be £120m in 2022 and 2023
5. As at 30 June 2022 ineligible Tier 3 capital arose as the amount of Tier 3 capital permitted under Solvency II is 15% of the Group's SCR
6. Based in latest claims estimates

See notes on slide 28 and glossary of terms on slides 49 to 52

Financial targets and outlook

	2022	2023	Medium term
Combined operating ratio[1]	96% - 98%	c. 95%	93% - 95%
Operating expenses	£690 - £700m	£670m	
Net investment income yield	c. 1.7%	c. 2.2%	
RoTE	At least 15% per annum over the long term		

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1. Normalised for weather. 2022 weather budget is £73m comprising £52m in Home and £21m in Commercial
See notes on slide 28 and glossary of terms on slides 49 to 52

Strategy

Penny James
CEO

A unique combination of factors in the first half

	Key trends	Market response
FCA pricing reforms in Home and Motor	• New business market has reduced by 15-20% • Market retention rates have increased • Complexity in market data with changes in new business and renewal pricing	• Pricing adjustment at start of year in line with expectations with new business premium increases in January • Increasingly segmented trading approaches across brands and customer cohorts
Elevated claims inflation	• Spike in second-hand car prices, hitting record levels • Supply chain disruption elongating repairs and increasing hire car costs • Delay in visibility of trends and third party costs coming through	• Market premium inflation not fully reflecting claims inflation in Motor or Home • Some rate coming through the Motor market in Q2, but not reflecting claims inflation
Macro-economic backdrop	• Customers increasingly concerned about cost of living crisis • Rising interest rates and widening credit spreads impacting mark to market	• Product diversification including digital only

Direct Line Group

Our priority has been to protect value, mitigate claims inflation where we can and focus on restoring margins

1 Focus on preserving value through FCA PPR implementation

- Protect back book value and long-term customer relationships
- Optimising across our brands on PCWs and building further products
- Increased retention across Home and Motor

2 Priced for claims inflation and mitigated where possible

- Increased prices in Motor ahead of the market
- Action taken to mitigate claims inflation where possible
- Focus on repair not replace, reducing parts per job by 10%
- Prioritise repairs through our own garage network

3 Continuing to build out tools and capabilities

- Deployment of new pricing capability including machine learning
- Driving customer adoption through digital channels
- Closed margin gap caused by inflation

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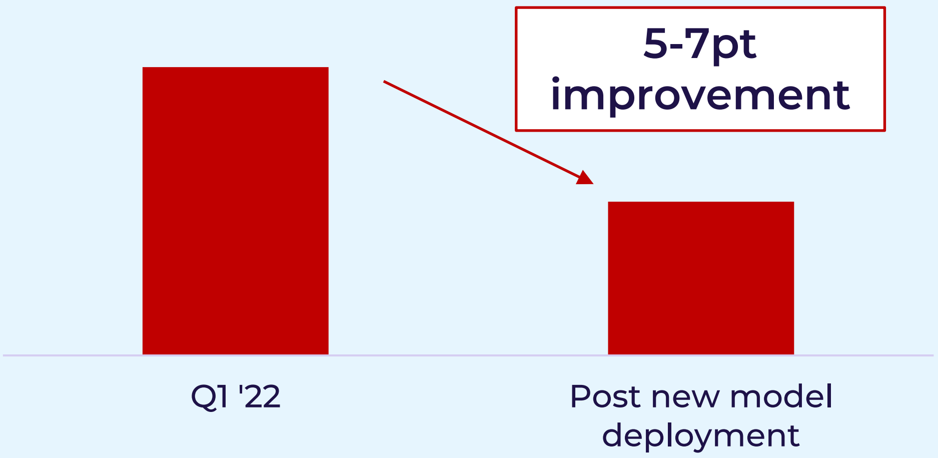
Motor: Pricing capability delivering significant step forward

Loss ratio improvement



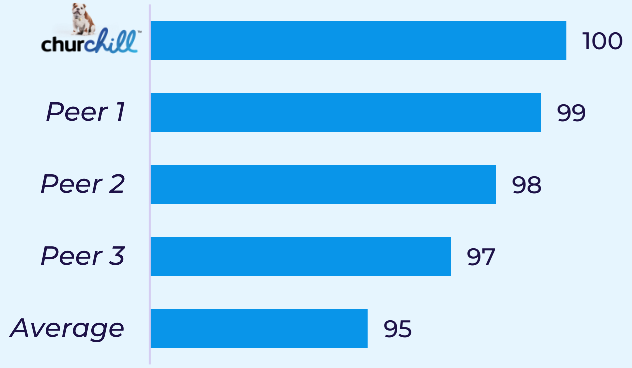
Since deploying new capability we've seen a 5-7 percentage point improvement in written loss ratios

Risk modelling capability improvement

- Introduction of machine learning capabilities and expanded data sets
- Initially deployed across PCW and direct channels
- Delivered a material improvement in margins based on claims projections
- Benefit invested into margin in current environment but should drive improved competitiveness when the market cycle turns
- More model updates scheduled for H2

Digital: Driving greater adoption of E2E digital customer journeys

Market leading digital capabilities[1]



- Churchill ranked leading insurance brand for digital service and claims
- Direct Line scored above market average

Driving adoption of end-to-end digital journeys to reduce costs and improve customer experience

In 2021 we focused on creating E2E digital customer journeys

Sales | Service | Claims

Deployed fully automated self-serve capability in Motor sales, service and renewals

100% online registration for Motor, Home, Travel, Pet and Commercial FNOL (First Notification of Loss)

Deployed new automation & AI technology to speed up vehicle damage assessment and settlement

In 2022 we are driving greater digital adoption

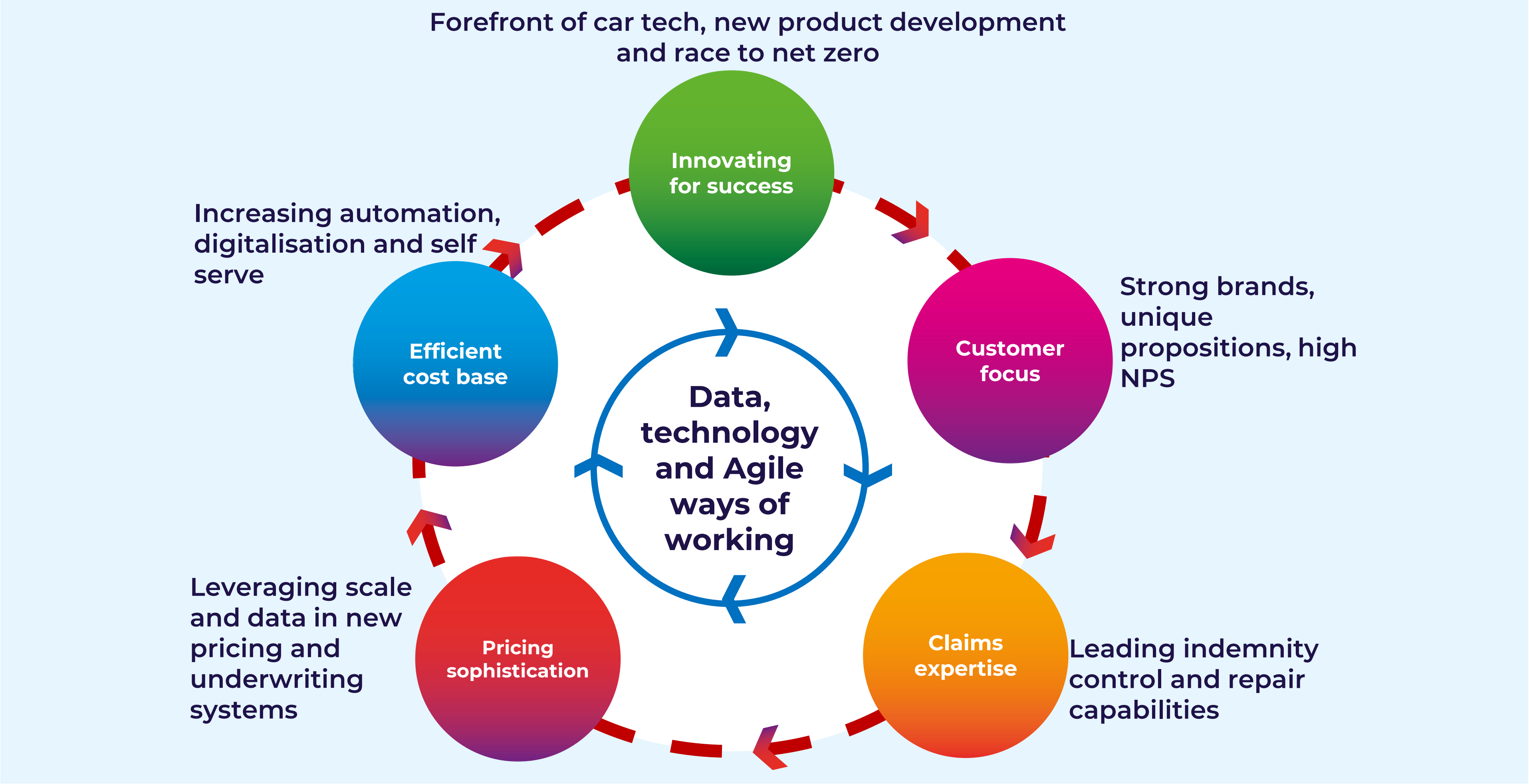
¼ of motor claims now notified digitally

+66% uplift in claims notified

More motor customers self-served than called us in Q2

1. H1 22 Lumivo Digital Benchmarking Survey

The right strategy to win in the new market



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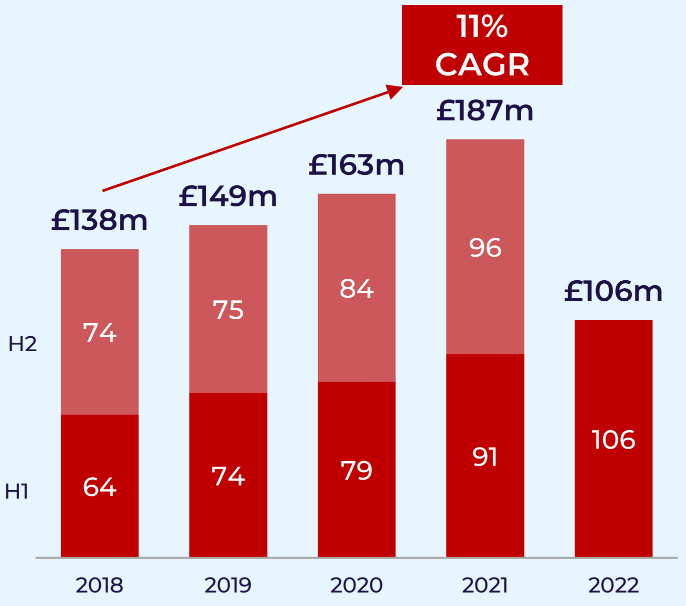
Commercial: Transformation driving strong top line and margin growth

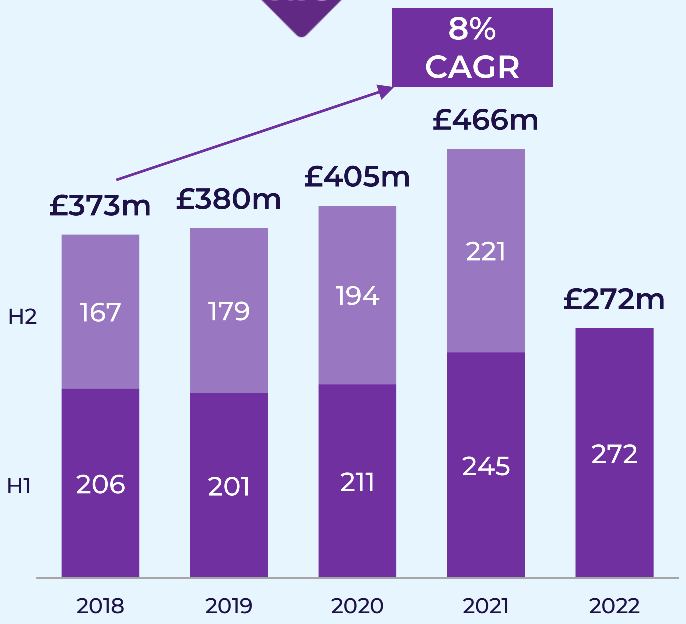
Growing in direct: DL4B and Churchill

Direct Own Brands gross written premium £m



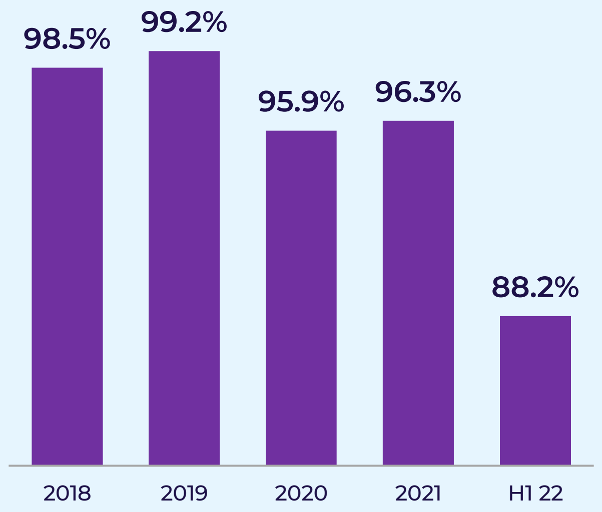
Growing the broker channel: NIG and other

NIG & Other gross written premium £m



Improved margins across Commercial

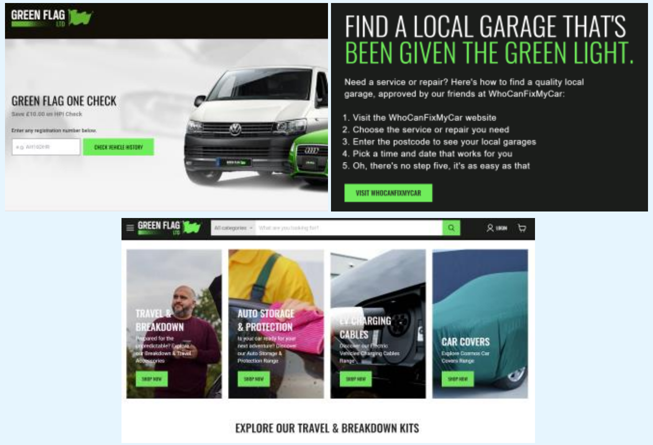
Commercial normalised COR[1]



1. Normalised for weather and Ogden

Rescue: High return business disrupting the breakdown market

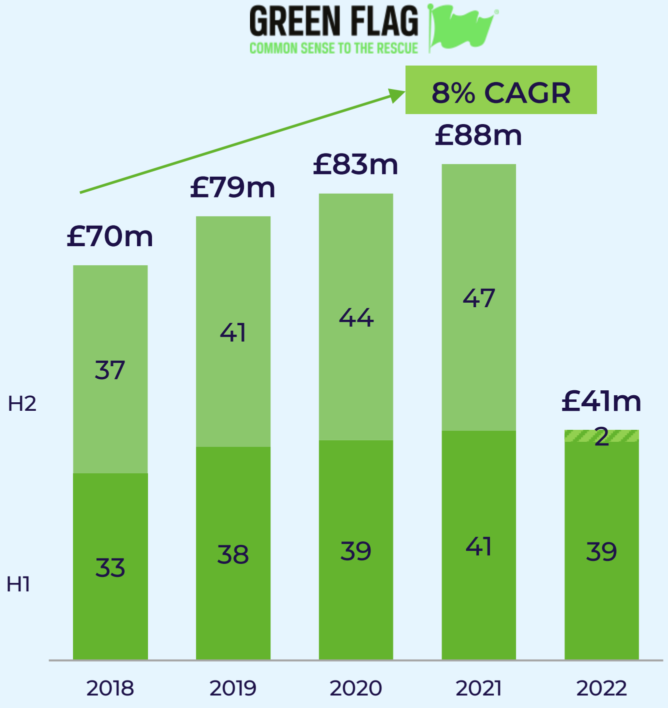
Offering services beyond traditional rescue



- Green Flag customer service ranked 2nd in services sector and 15th across all UK sectors[1]
- Launched Green Flag shop: travel, breakdown & pet accessories
- New motor products and services: service, maintenance & repair (SMR) self-serve site and OneCheck vehicle checker

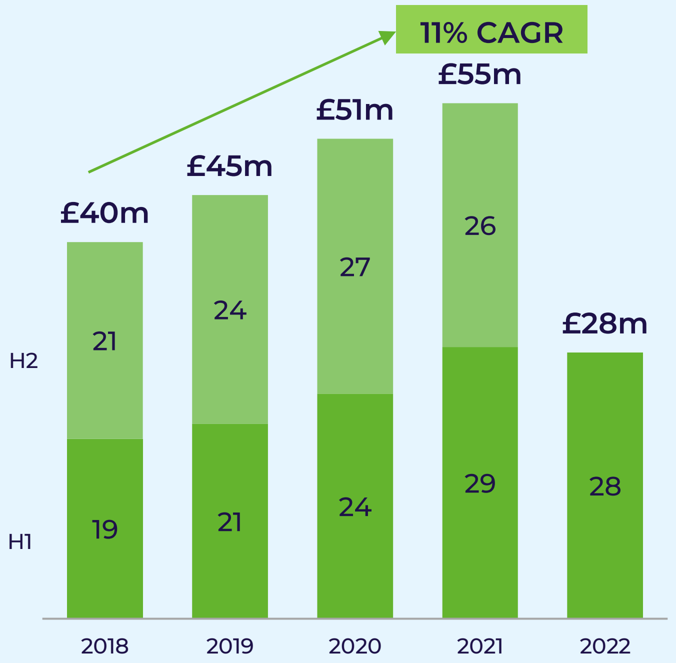
Challenger brand with strong growth rate

Green Flag gross written premium £m[2]



Contributing to improved Rescue margins

Rescue operating profit £m



1. Institute of Customer Service Customer Satisfaction Index
2. H1 2022 Green Flag premiums adjusted for £1.8m of Green Flag service fees recognised as other income

Partnerships: Prioritising high-growth high-return opportunities

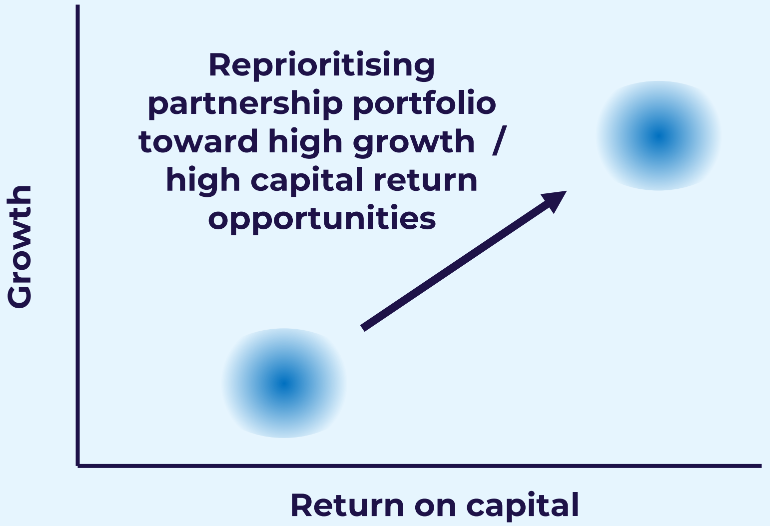
1. Leveraging capabilities to drive new partnership growth

Motability Operations | Ltd

2. Renewing high performing existing partnerships

NatWest Group

3. Reducing exposure to packaged bank accounts



H1 2022 key messages

1. Actions taken to restore margins in motor, fundamental earnings power of the Group remains strong

2. Confidence in the sustainability of our dividends

3. Our strategy remains the right one and we step forward with confidence

APPENDIX

Notes to financial disclosures

1. Direct own brands include in-force policies for Home and Motor under the Direct Line, Churchill, Darwin and Privilege brands, Rescue policies under the Green Flag brand and Commercial policies under the Direct Line for Business and Churchill brands.

2. The Group's dividend policy includes an expectation that generally one-third of the regular annual dividend will be paid in the third quarter as an interim dividend and two-thirds will be paid as a final dividend in the second quarter of the following year.

3. See glossary of terms on pages 49 to 52

Upcoming events

2-5 August	Half year results roadshow (London)
12-14 September	Half year results roadshow (US) (details tbc)
13 September	Barclays global financial services conference (NYC)
8 November	Third quarter trading update
8 November	Peel Hunt investor round table (London)
9 November	UBS European conference 2022 (London)

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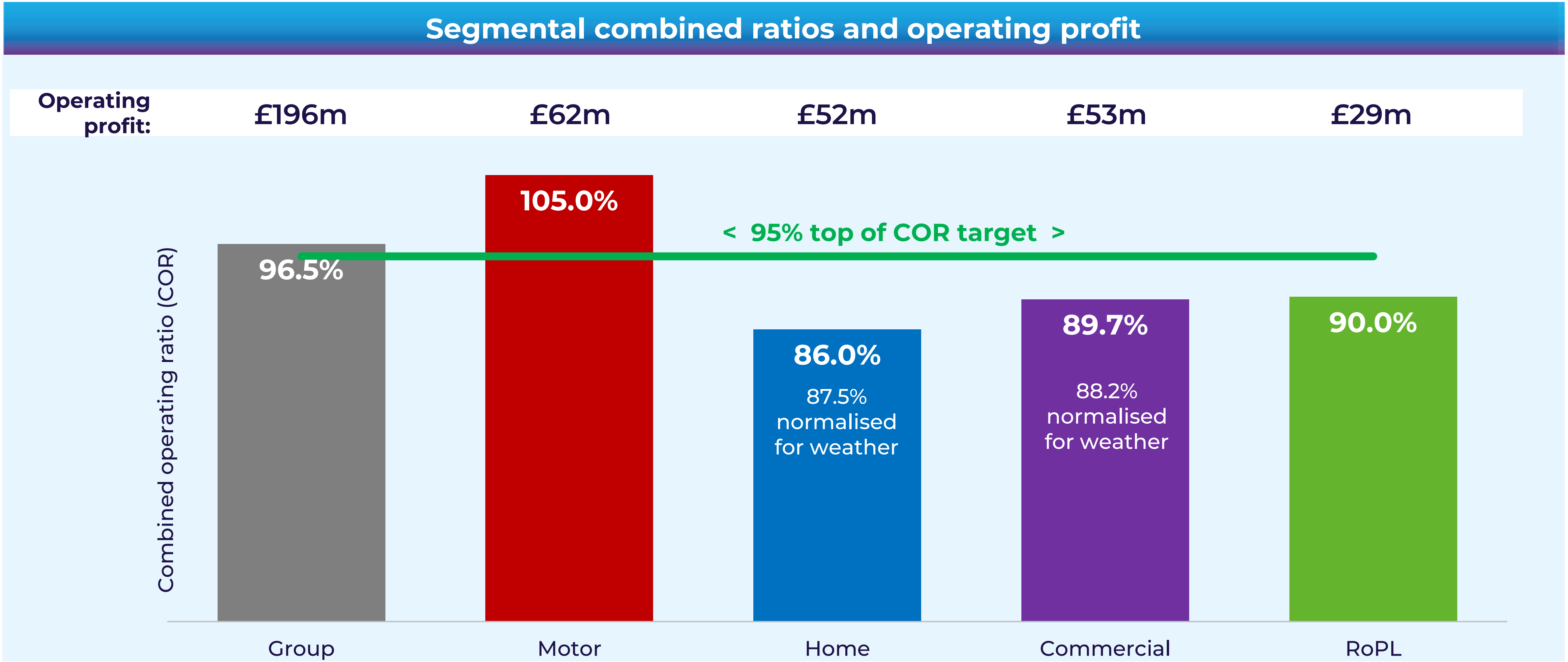
Combined operating ratios



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See notes on slide 29 and glossary of terms on slides 49 to 52

Motor

	H1 '21	H1 '22
In-force policies (000s)	**3,975**	**3,944**
Own brand in-force policies (000s)	3,867	3,846
Partnerships in-force policies (000s)	108	98
Gross written premium £m	**756**	**707**
Net earned premium £m	728	713
Loss ratio – current year	66.9%	86.4%
Loss ratio – prior years	(13.8)%	(10.4%)
Loss ratio	53.1%	76.0%
Commission ratio	3.1%	3.2%
Expense ratio	25.6%	25.8%
Combined operating ratio	**81.8%**	**105.0%**
Underwriting profit £m	**132**	**(36)**
Of which prior year releases £m	101	74
Instalment and other income £m	53	49
Investment return £m	46	48
Operating profit £m	**231**	**62**

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See notes on slide 28 and glossary of terms on slides 49 to 52

Home

	H1 '21	H1 '22
In-force policies (000s)	**2,677**	**2,571**
Own brand in-force policies (000s)	1,880	1,792
Partnerships in-force policies (000s)	797	779
Gross written premium £m	**278**	**250**
Net earned premium £m	274	268
Loss ratio – current year attritional	52.3%	57.0%
Loss ratio – prior years	(6.4%)	(7.8%)
Loss ratio – major weather events	1.1%	7.9%
Loss ratio	47.0%	57.1%
Commission ratio	5.8%	5.7%
Expense ratio	26.2%	23.2%
Combined operating ratio	**79.0%**	**86.0%**
COR Normalised for weather	**86.2%**	**87.5%**
Underwriting profit £m	**58**	**37**
Of which prior year releases £m	*18*	*21*
Instalment and other income £m	10	9
Investment return £m	7	6
Operating profit £m	**75**	**52**

Normal weather assumed to be £52m in 2022 (2021: £49m)

Rescue and other personal lines

Rescue and other personal lines	H1 '21	H1 '22
In-force policies (000s)	**6,969**	**5,832**
Rescue (000s)	3,346	3,391
Travel (000s)	3,424	2,253
Pet (000s)	141	133
Other personal lines (000s)	58	55
Gross written premium £m	**187**	**188**
Net earned premium £m	187	191
Loss ratio – current year	60.7%	69.6%
Loss ratio – prior years	(1.3%)	(8.7%)
Loss ratio	59.4%	60.9%
Commission ratio	8.2%	3.5%
Expense ratio	25.4%	25.6%
Combined operating ratio	**93.0%**	**90.0%**
Underwriting profit £m	**13**	**19**
Of which prior year releases £m	*2*	*17*
Operating profit £m	**21**	**29**

Rescue	H1 '21	H1 '22
In-force policies (000s)	3,346	3,391
Of which Green Flag (000s)	1,134	1,156
Gross written premium £m (adjusted)	**82**	**78**
Of which Green Flag £m	**41**	**41**
Operating profit £m	**29**	**28**

In 2022, Green Flag is developing its customer proposition. As a result, the amount new customers pay will be split between premium and a service fee

In H1 2022 the amount of service fees recognised as other income was £1.8m. This amount has been added to the gross written premium shown in these tables

Commercial

	H1 '21	H1 '22
In-force policies (000s)	**850**	**884**
Own brands (000s)	584	623
NIG and other (000s)	266	261
Gross written premium £m	**336**	**378**
Net earned premium £m	266	301
Loss ratio – current year attritional	61.1%	56.0%
Loss ratio – prior years	(12.1%)	(12.1%)
Loss ratio – major weather events	n/a	5.0%
Loss ratio	49.0%	48.9%
Commission ratio	19.8%	19.8%
Expense ratio	21.4%	21.0%
Combined operating ratio	**90.2%**	**89.7%**
COR Normalised for weather	**94.0%**	**88.2%**
Underwriting profit £m	**26**	**31**
Of which prior year releases £m	*32*	*36*
Instalment and other income £m	4	5
Investment return £m	14	16
Operating profit £m	**44**	**53**

Normal weather assumed to be £21m in 2022 (2021: £20m)

Direct Line Group

See notes on slide 28 and glossary of terms on slides 49 to 52

Instalment and other operating income

£m	H1 '21	H1' 22
Instalment income	**49**	**41**
Other operating income:		
Revenue from vehicle recovery and repair services	10	15
Vehicle replacement and referral income	5	7
Legal services income	4	3
Other income	4	6
Other operating income	**23**	**30**
Total instalment and other operating income	**72**	**71**

Direct Line Group

See notes on slide 28 and glossary of terms on slides 49 to 52

Reinsurance

Motor Excess of Loss (unlimited)

Accident year	Deductible £m
2022	5
2021	1[1]
2020	1
2019	1
2018	1[2]
2017	1
2016	1
2015	1
2014	1
2013	3
2012	3
2011	3
2010	10

- Cover renewed on 1 January 2022
- Retained £5m deductible (indexed) up to £10m
    - £37.5m aggregate deductible for layers above £10m
    - Whole layers placed 100%
- Cover is unlimited in size and has an unlimited amount of cover reinstatements
- Placed on an uncapitalised basis
- Placed with a panel of reinsurers, the majority of which are at least 'A' rated

Property catastrophe

Accident year	Limit £m	Deductible £m
2022/23	**1,350**	**150**
2021/22	1,150	150
2020/21	1,125	130
2019/20	c. 1,132	c. 132
2018/19	c. 1,205	c. 139
2017/18	c. 1,275	c. 150
2016/18	1,250	c. 150
2015/16	1,350	c. 150
2014/15	1,400	c. 150

- Cover renewed on 1 July 2022 for 12 months with limit increased to £1,350m
- Cover has one full reinstatement for all programme and one additional reinstatement up to £550m
- Placed with a panel of reinsurers who are all at least 'A-' rated

Direct Line Group

1. Partial placement on all layers up to £10m. 25% retained in layers <£10m and layers >£10m have an additional £37.5m aggregate deductible
2. Partial placement on lower layers. For 2018 90% of the first layer (£2m excess £1m) was placed with 10% retained

Balance sheet

Group balance sheet £m	Dec-19	Dec-20	Dec-21	Jun-22
Goodwill and other intangible assets	703	787	823	**832**
Financial investments and cash	5,914	6,194	5,906	**5,222**
Reinsurance assets	1,251	1,129	1,212	**1,205**
Other assets	1,566	1,512	1,368	**1,451**
Total Assets	**9,434**	**9,622**	**9,309**	**8,710**
Unearned premium reserve	1,506	1,497	1,501	**1,461**
Insurance liabilities	3,820	3,617	3,680	**3,619**
Other liabilities	1,118	1,462	1,231	**1,018**
Total Liabilities	**6,444**	**6,576**	**6,412**	**6,098**
Shareholders' equity	2,644	2,700	2,551	**2,265**
Tier 1 notes	346	346	346	**346**
Total Equity	**2,990**	**3,046**	**2,897**	**2,612**

See notes on slide 28 and glossary of terms on slides 49 to 52

Investment portfolio

As at 30 June 2022	U K Insurance target allocation	U K Insurance current holding	Total Group income yield[1]	Total Group interest rate duration (years)
Investment grade (incl private placements)	69.0%	66.5%	1.9%	2.3
High yield	6.0%	5.7%	4.9%	2.6
Credit	**75.0%**	**72.2%**	**2.2%**	**2.3**
Sovereign	3.0%	1.3%	1.3%	1.8
Total debt securities	**78.0%**	**73.5%**	**2.2%**	**2.3**
Infrastructure debt	4.0%	4.9%	2.3%	0.2
Commercial real estate loans	6.5%	4.0%	3.7%	0.1
Investment property	5.5%	6.8%	4.8%	-
Cash and cash equivalents	6.0%	10.8%	0.5%	-
Total	**100.0%**	**100.0%**	**2.1%**	**1.7**

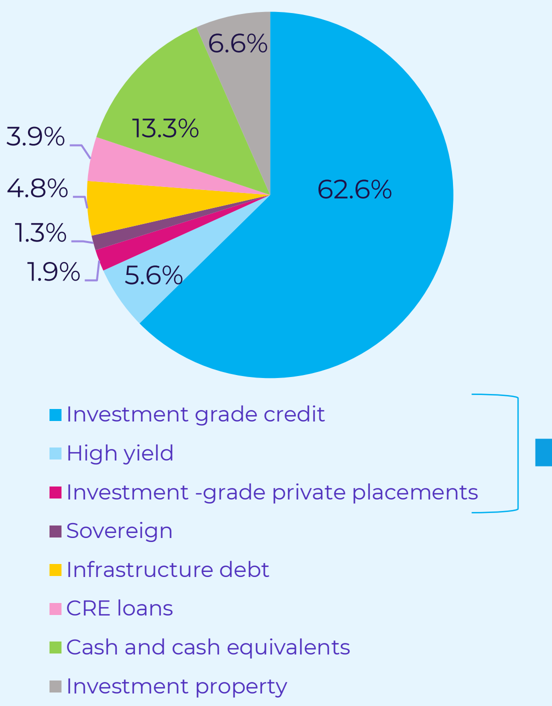
2.6% of total debt securities rated as ‘AAA’ and 55% rated as ‘AA’ or ‘A’

Direct Line Group

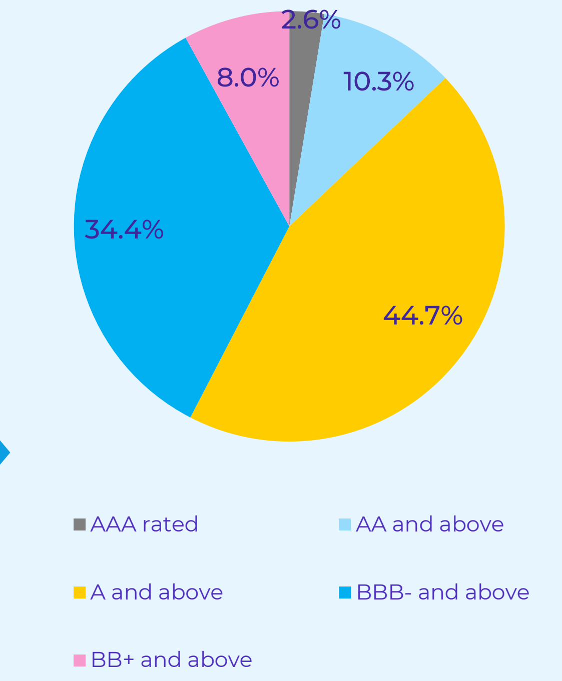
1. Gross investment income yield (annualised)
See notes on slide 28 and glossary of terms on slides 49 to 52

Investment portfolio

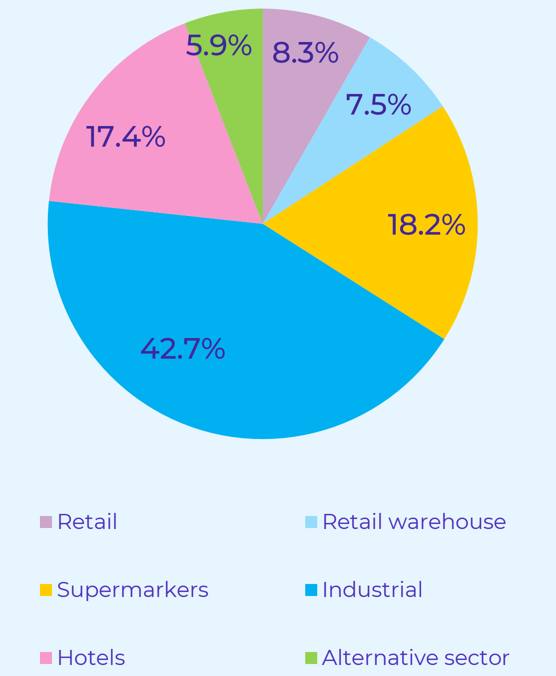
Group holdings[1] £5,113m



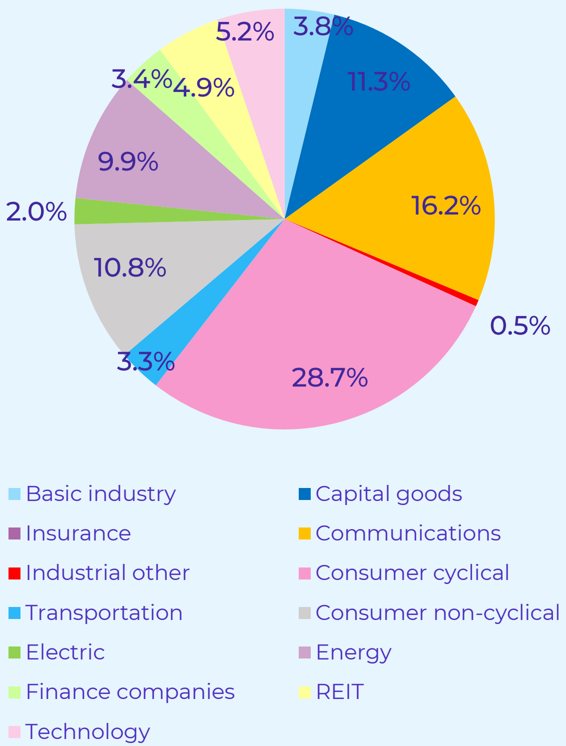
Debt securities credit quality



Property by sector[2] £336m



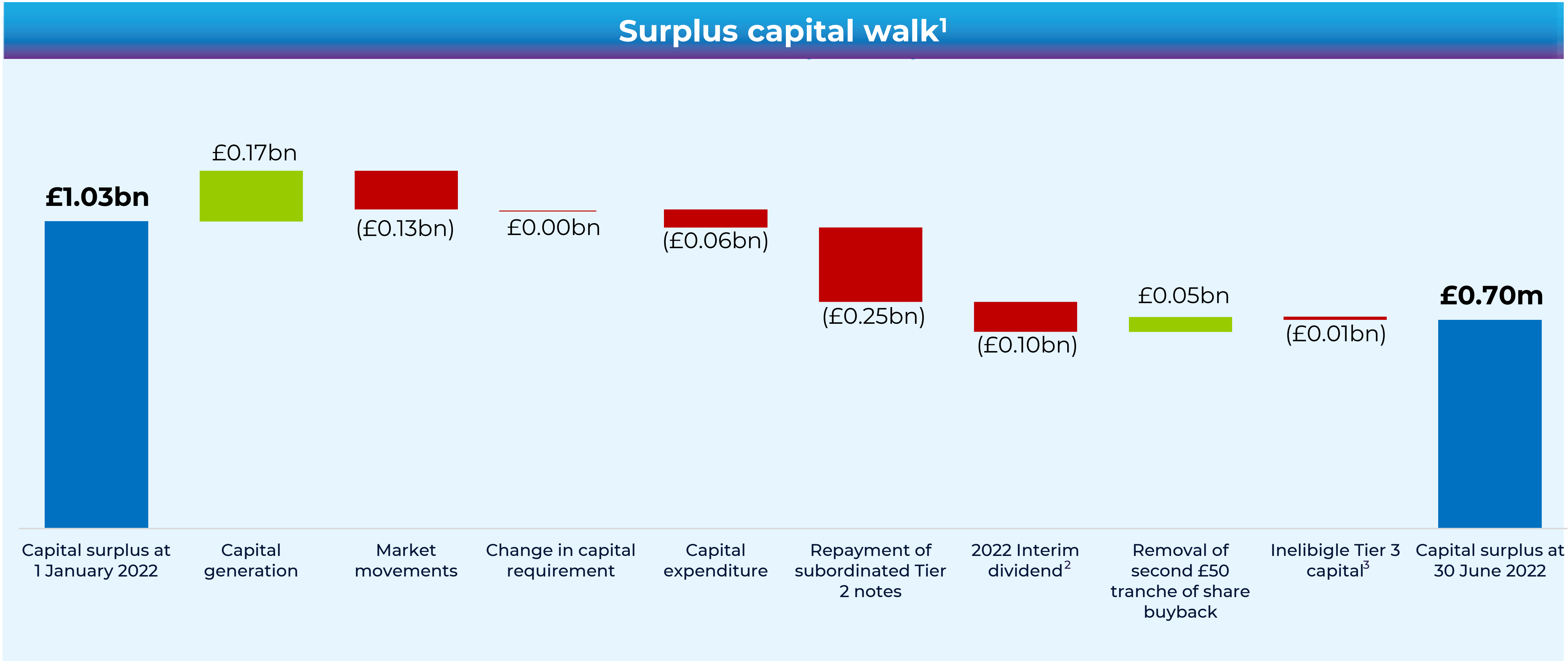
High yield by sector £284m



1. Excludes equity investment
2. Investment property by sector based on capital cost (excludes in-house properties owned by Direct Line Insurance Services)

See notes on slide 28 and glossary of terms on slides 49 to 52

Movement in surplus capital

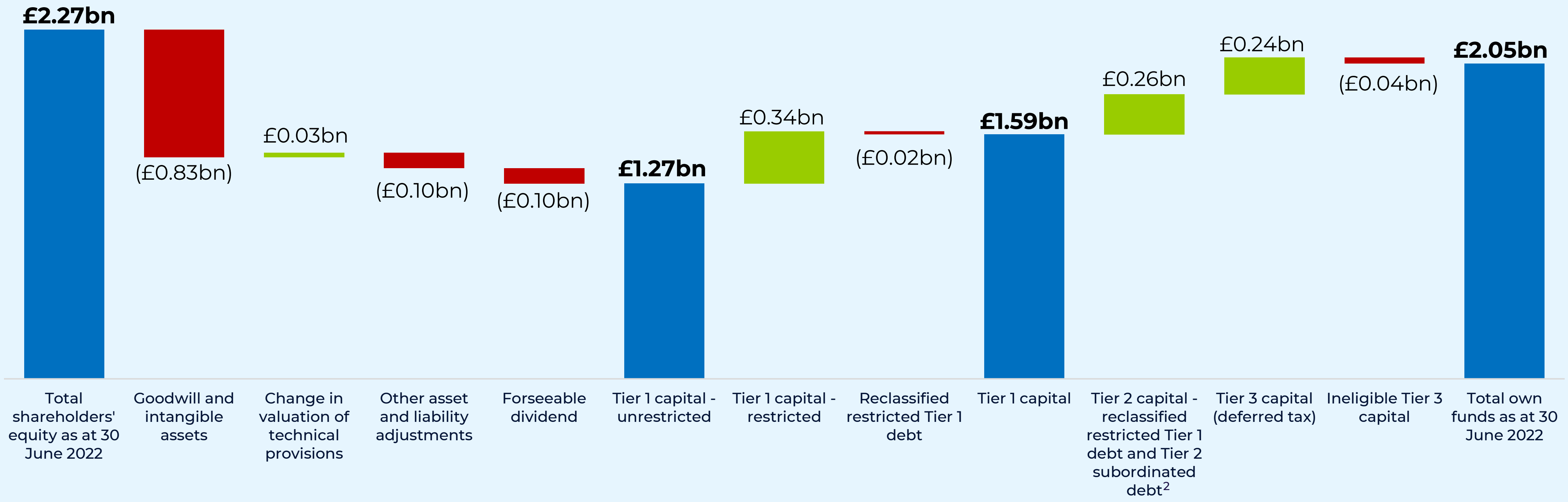


1. Figures estimated and based on partial internal model (PIM) output as at 30 June 2022
2. Foreseeable dividends included are adjusted to exclude the expected dividend waivers in relation to shares held by the employee share trusts, which are held to meet obligations arising on the various share option awards
3. As at 30 June 2022 the amount of ineligible Tier 3 capital arose as the amount of Tier 3 capital permitted under Solvency II is 15% of the Group's SCR

See notes on slide 28 and glossary of terms on slides 49 to 52

IFRS to Solvency II bridge

Reconciliation of IFRS shareholders' equity to solvency II own funds[1]

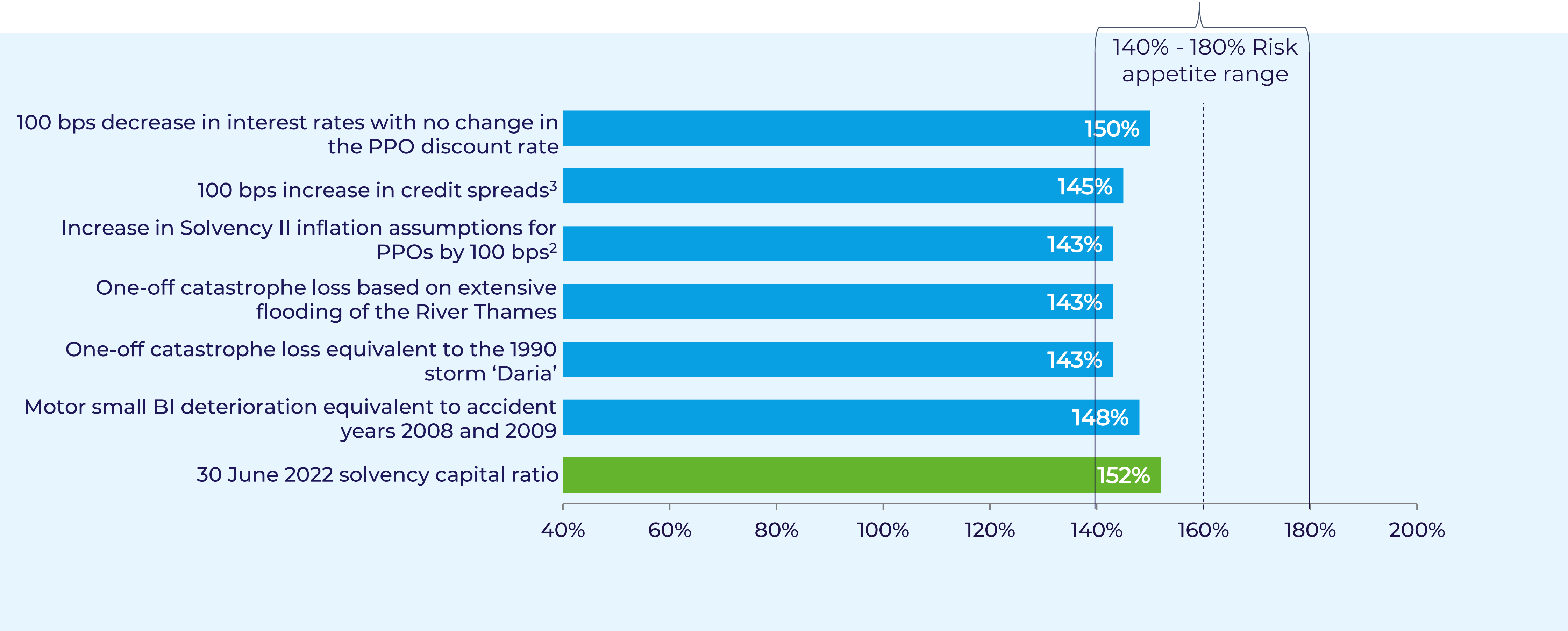


Direct Line Group

1. Figures estimated and based on partial internal model (PIM) output as at 30 June 2022
2. As at 30 June 2022 £22million (31 December 2021: £19million) of the Group's restricted Tier 1 capital was reclassified as Tier 2 due to Solvency II tiering restrictions
3. As at 30 June 2022 the amount of Tier 3 capital permitted under Solvency II is 15% of the Group's SCR which resulted in ineligible capital of £36 million

See notes on slide 28 and glossary of terms on slides 49 to 52

Solvency scenario and sensitivity analysis[1]

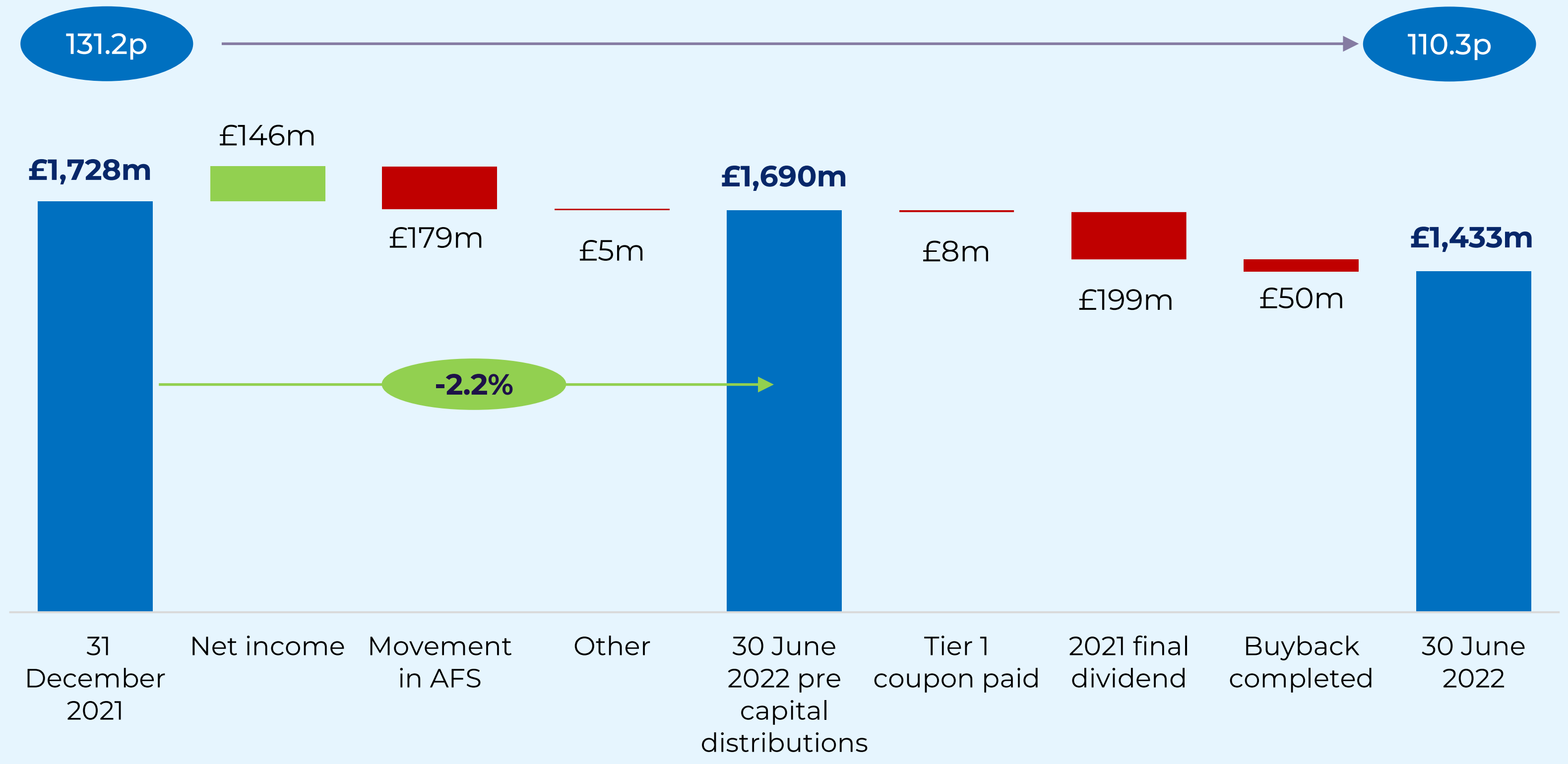


Direct Line Group

1. Sensitivities are calculated under the assumption full tax benefit can be realised
2. The PPO inflation assumption used is an actuarial judgement which is reviewed annually based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve
3. Only includes the impact on AFS assets (excludes illiquid assets such as infrastructure debt) and assumes no change to the SCR

Book value and TNAV

Movement in tangible net asset value



	31 Dec 2021	30 June 2022
Net asset value per share (pence)	193.6	174.4
Tangible net asset value per share (pence)	131.2	110.3

Total unrealised AFS reserves of £169.5m (net of tax) as at 30 June 2022

Direct Line Group

See notes on slide 28 and glossary of terms on slides 49 to 52

Return on tangible equity and earnings per share calculations

Return on tangible equity (RoTE)

	H1 2021 £m	H1 2022 £m
Profit before tax	261.3	178.1
Add back: Restructuring and one-off costs	91.5	4
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Adjusted profit before tax	**344.5**	**173.8**
Tax charge (using 2020 and 2021 UK standard tax rate of 19%)	(65.5)	(33.0)
Adjusted profit after tax	**279.0**	**140.8**
Opening shareholders tangible equity	1,912.9	1,727.7
Closing shareholders tangible equity	1,798.7	1,432.8
Average shareholders’ tangible equity	**1,855.8**	**1,580.3**
RoTE annualised	**30.1%**	**17.8%**

Basic earnings per share (EPS)

	H1 2021 £m	H1 2022 £m
Profit after tax	203.8	145.7
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Profit for the calculation of EPS	**195.5**	**137.4**
Weighted average number of shares (millions)	1,345.7	1,310.5
Basic earnings per share (pence)	**14.5**	**10.5**

H1 2022 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total Group
GWP	706.8	250.4	186.3	377.8	**1,521.3**
Net earned premium	713.2	267.6	190.5	300.7	**1,472.0**
Net insurance claims	(542.2)	(152.8)	(115.9)	(146.9)	**(957.8)**
Commission expenses	(23.1)	(15.3)	(6.7)	(59.4)	**(104.5)**
Operating expenses	(183.7)	(62.1)	(48.9)	(63.3)	**(358.0)**
Underwriting profit / (loss)	**(35.8)**	**37.4**	**19.0**	**31.1**	**51.7**
Investment return	48.1	6.3	1.9	16.3	**72.6**
Instalment and other operating income	49.2	8.7	8.1	5.2	**71.2**
Operating profit	**61.5**	**52.4**	**29.0**	**52.6**	**195.5**
Restructuring and one-off costs	-	-	-	-	**(4.0)**
Finance costs	-	-	-	-	**(13.4)**
Profit before tax	-	-	-	-	**178.1**
Tax	-	-	-	-	**(32.4)**
Profit after tax	-	-	-	-	**(145.7)**
Loss ratio – current year	86.4%	64.9%	69.6%	61.0%	**75.1%**
Loss ratio – prior year	(10.4%)	(7.8%)	(8.7%)	(12.1%)	**(10.0%)**
Commission ratio	3.2%	5.7%	3.5%	19.8%	**7.1%**
Expense ratio	25.8%	23.2%	25.6%	21.0%	**24.3%**
Combined operating ratio	**105.0%**	**86.0%**	**90.0%**	**89.7%**	**96.5%**
Combined operating ratio normalised for weather	**n/a**	**87.5%**	**n/a**	**88.2%**	**96.5%**

See notes on slide 28 and glossary of terms on slides 49 to 52

H1 2021 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total Group
GWP	755.6	278.3	186.5	336.1	**1,556.5**
Net earned premium	727.9	274.3	187.2	266.2	**1,455.6**
Net insurance claims	(386.6)	(128.9)	(111.2)	(130.4)	**(757.1)**
Commission expenses	(22.7)	(16.0)	(15.3)	(52.6)	**(106.6)**
Operating expenses	(186.2)	(71.7)	(47.6)	(57.1)	**(362.6)**
Underwriting profit / (loss)	**132.4**	**57.7**	**13.1**	**26.1**	**229.3**
Investment return	45.6	6.9	2.0	13.9	**68.4**
Instalment and other operating income	53.1	10.1	5.4	3.6	**72.2**
Operating profit	**231.1**	**74.7**	**20.5**	**43.6**	**369.9**
Restructuring and one-off costs	-	-	-	-	**(91.5)**
Finance costs	-	-	-	-	**(17.1)**
Profit before tax	**-**	**-**	**-**	**-**	**261.3**
Tax	-	-	-	-	**(57.5)**
Profit after tax	**-**	**-**	**-**	**-**	**203.8**
Loss ratio – current year	66.9%	53.4%	60.7%	61.1%	**62.5%**
Loss ratio – prior year	(13.8%)	(6.4%)	(1.3%)	(12.1%)	**(10.5%)**
Commission ratio	3.1%	5.8%	8.2%	19.8%	**7.3%**
Expense ratio	25.6%	26.2%	25.4%	21.4%	**24.9%**
Combined operating ratio	**81.8%**	**79.0%**	**93.0%**	**90.2%**	**84.2%**
Combined operating ratio normalised for weather	**n/a**	**86.2%**	**n/a**	**94.0%**	**86.3%**

See notes on slide 28 and glossary of terms on slides 49 to 52

2021 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total Group
GWP	1,560.8	577.8	380.0	653.0	**3,171.6**
Net earned premium	1,473.3	553.4	369.5	561.2	**2,957.4**
Net insurance claims	(947.0)	(280.4)	(185.3)	(306.0)	**(1,718.7)**
Commission expenses	(48.2)	(38.1)	(42.3)	(112.3)	**(240.9)**
Operating expenses	(366.4)	(124.9)	(93.5)	(121.5)	**(706.3)**
Underwriting profit / (loss)	111.7	110.0	48.4	21.4	**291.5**
Investment return	99.8	12.5	3.7	30.3	**146.3**
Instalment and other operating income	103.3	19.3	12.7	8.7	**144.0**
Operating profit	**314.8**	**141.8**	**64.8**	**60.4**	**581.8**
Restructuring and one-off costs	-	-	-	-	**(101.5)**
Finance costs	-	-	-	-	**(34.3)**
Profit before tax	**-**	**-**	**-**	**-**	**446.0**
Tax	-	-	-	-	**(102.3)**
Profit after tax	**-**	**-**	**-**	**-**	**343.7**
Loss ratio – current year	72.9%	59.0%	56.5%	65.4%	**66.8%**
Loss ratio – prior year	(8.6%)	(8.3%)	(6.4%)	(10.9%)	**(8.7%)**
Commission ratio	3.3%	6.9%	11.4%	20.0%	**8.1%**
Expense ratio	24.8%	22.5%	23.5%	21.7%	**23.9%**
Combined operating ratio	**92.4%**	**80.1%**	**86.9%**	**96.2%**	**90.1%**
Combined operating ratio normalised for weather	**n/a**	**85.2%**	**n/a**	**96.3%**	**91.1%**

Direct Line Group

See notes on slide 28 and glossary of terms on slides 49 to 52

2020 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total Group
GWP	1,616.9	577.9	417.8	567.8	**3,180.4**
Net earned premium	1,484.8	555.8	422.9	497.0	**2,960.5**
Net insurance claims	(888.1)	(309.1)	(261.1)	(255.3)	**(1,713.6)**
Commission expenses	(47.4)	(45.0)	(69.4)	(92.9)	**(254.7)**
Operating expenses	(367.1)	(130.0)	(100.9)	(126.4)	**(724.4)**
Underwriting profit / (loss)	182.2	71.7	(8.5)	22.4	**267.8**
Investment return	62.8	10.3	3.4	18.6	**95.1**
Instalment and other operating income	118.5	19.4	11.9	9.4	**159.2**
Operating profit	**363.5**	**101.4**	**6.8**	**50.4**	**522.1**
Restructuring and one-off costs	-	-	-	-	**(39.4)**
Finance costs	-	-	-	-	**(31.3)**
Profit before tax	**-**	**-**	**-**	**-**	**451.4**
Tax	-	-	-	-	**(84.2)**
Profit after tax	**-**	**-**	**-**	**-**	**367.2**
Loss ratio – current year	66.6%	57.5%	63.0%	62.8%	**63.8%**
Loss ratio – prior year	(6.8%)	(1.9%)	(1.3%)	(11.4%)	**(5.9%)**
Commission ratio	3.2%	8.1%	16.4%	18.7%	**8.6%**
Expense ratio	24.7%	23.4%	23.9%	25.4%	**24.5%**
Combined operating ratio	**87.7%**	**87.1%**	**102.0%**	**95.5%**	**91.0%**
Combined operating ratio normalised for weather	**n/a**	**90.3%**	**n/a**	**95.9%**	**91.7%**

Direct Line Group

See notes on slide 28 and glossary of terms on slides 49 to 52

Glossary of terms

Term	Definition
Actuarial best estimate (“ABE”)	The probability-weighted average of all future claims and cost scenarios. It is calculated using historical data, actuarial methods and judgement. A best estimate of reserves will therefore normally include no margin for optimism or, conversely, caution.
Adjusted Gross Written Premium	An amended gross written premium number that identifies the impact of a contractual change to Green Flag premium such that a portion of income that was previously included in gross written premium is now included in service fees.
Assets under management (“AUM”)	This represents all assets management or administered by or on behalf of the Group, including those assets managed by third parties.
Available-for-sale (“AFS”) Investment	Available-for-sale investments are non-derivative financial assets that designated as such, or are not classified as loans and receivables, held to maturity, or financial assets at fair value through profit or loss.
Average written premium	The total written premium at inception divided by the number of policies.
Capital	The funds invested in the Group, including funds invested by shareholders and Tier 1 notes. In addition, subordinated loan capital in the Group’s balance sheet is classified as Tier 2 capital for Solvency II purposes.
Claims frequency	The number of claims divided by the number of policies per year.
Combined operating ratio	The sum of the loss, commission and expense ratios. The ratio measures the amount of claims costs, commission and operating expenses, compared to net earned premium generated. A ratio of less than 100% indicates profitable underwriting. **Normalised combined operating ratio** adjusts loss and commission ratios for weather and changes to the Ogden discount rate.
Commission expenses	Payments to brokers, partners and price comparison websites for generating business.
Commission ratio	The ratio of commission expense divided by net earned premium.
Company	Direct Line Insurance Group plc.
Current-year attritional loss ratio	The loss ratio for the current accident year, excluding the movement of claims reserves relating to previous accident years and claims relating to major weather events.
Current-year combined operating ratio	This is calculated using the combined operating ratio less movement in prior-year reserves.

Glossary of terms

Term	Definition
Current-year operating profit	This is calculated by total operating profit less movement in prior-year reserves.
Direct own brands	Direct own brands include Home and Motor under the Direct Line, Churchill, Darwin and Privilege brands, Rescue under the Green Flag brand and Commercial under the Direct Line for Business and Churchill brands.
Earnings per share	The amount of the Group's profit after deduction of the Tier 1 coupon payments allocated to each Ordinary Share of the Company.
Expense ratio	The ratio of operating expenses divided by net earned premium.
Finance costs	The cost of servicing the Group's external borrowings and includes the interest on ROU assets.
Financial Conduct Authority ("FCA")	An independent body responsible for regulating the UK's financial services industry.
Financial leverage ratio	Tier 1 notes and financial debt (subordinated Tier 2 notes) as a percentage of total capital employed.
Gross written premium	The total premiums from contracts that were incepted during the period.
Group	Direct Line Insurance Group plc and its subsidiaries.
In-force policies	The number of policies on a given date that are active and against which the Group will pay, following a valid insurance claim.
Insurance liabilities	This comprises insurance claims reserves and claims handling provision, which the Group maintains to meet current and future claims.
International Accounting Standards Board ("IASB")	A not-for-profit public interest organisation that is overseen by a monitoring board of public authorities. It develops IFRS standards that aim to make worldwide markets transparent, accountable and efficient.
Investment income yield	The income earned from the investment portfolio, recognised through the income statement during the period (excluding unrealised and realised gains and losses, impairments and fair value adjustments) divided by the average assets under management ("**AUM**"). The average AUM derives from the period's opening and closing balances for the total Group.
Investment return	The investment return earned from the investment portfolio, including unrealised and realised gains and losses, impairments and fair value adjustments.

Glossary of terms

Term	Definition
Investment return yield	The return divided by the average AUM. The average AUM derives from the period's opening and closing balances.
Loss ratio	Net insurance claims divided by net earned premium.
Management's best estimate	These reserves are based on management's best estimate, which includes a prudence margin that exceeds the internal ABE.
Net asset value	The difference between the Group's total assets and total liabilities, calculated by subtracting total liabilities (including Tier 1 notes) from total assets.
Net earned premium	The element of gross earned premium less reinsurance premium ceded for the period where insurance cover has already been provided.
Net insurance claims	The cost of claims incurred in the period less any claims costs recovered under reinsurance contracts. It includes claims payments and movements in claims reserves.
Net investment income yield	This is calculated in the same way as investment income yield but includes the cost of hedging.
Ogden discount rate	The discount rate set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases.
Operating expenses	These are the expenses relating to business activities excluding restructuring and one-off costs.
Operating profit	The pre-tax profit that the Group's activities generate, including insurance and investment activity but excluding finance costs, restructuring and one-off costs.
Periodic payment order ("PPO")	These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle some large personal injury claims. They generally provide a lump-sum award plus inflation-linked annual payments to claimants who require long-term care.
Prudential Regulation Authority ("PRA")	The PRA is a part of the Bank of England. It is responsible for regulating and supervising insurers and financial institutions in the UK.
Reinsurance	Contractual arrangements where the Group transfers part or all of the accepted insurance risk to another insurer.

Glossary of terms

Term	Definition
Reserves	Funds that have been set aside to meet outstanding insurance claims and IBNR claims.
Restructuring costs	These are costs incurred in respect of the business activities where the Group has a constructive obligation to restructure its activities.
Return on equity	This is calculated by dividing the profit attributable to the owners of the Company after deduction of the Tier 1 coupon payments by average shareholders' equity for the period.
Return on tangible equity ("RoTE")	This is adjusted profit after tax divided by the Group's average shareholders' equity less goodwill and other intangible assets. Profit after tax is adjusted to exclude restructuring and one-off costs and to include the Tier 1 coupon payments dividend. It is stated after charging tax using the UK standard rate of 19%.
Solvency II	The capital adequacy regime for the European insurance industry, which became effective on 1 January 2016. It establishes capital requirements and risk management standards. It comprises three pillars: Pillar I, which sets out capital requirements for an insurer; Pillar II, which focuses on systems of governance; and Pillar III, which deals with disclosure requirements.
Solvency capital ratio	The ratio of Solvency II own funds to the solvency capital requirement.
Tangible equity	This shows the equity excluding Tier 1 notes and intangible assets (for comparability with companies who have not acquired businesses or capitalised intangible assets).
Tangible net assets per share	This shows the amount of tangible equity allocated to each ordinary share (for comparability with companies who have not acquired businesses or capitalised intangible assets).
Underwriting result profit / (loss)	The profit or loss from operational activities, excluding investment return and other operating income. It is calculated as net earned premium less net insurance claims and total expenses, excluding restructuring and other one-off costs.

Disclaimer

Forward-looking statements

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "ambition", "anticipates", "aspire", "believes", "continue", "could", "estimates", "expects", "guidance", "intends", "may", "mission", "outlook", "over the medium term", "plans", "predicts", "projects", "propositions", "seeks", "should", "strategy", "targets", "will" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in several places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things: the Group's results of operations, financial condition, prospects, growth, strategies, the industry in which the Group operates and the Group's approach to climate-related matters. Examples of forward-looking statements include financial targets which are contained in this document including with respect to; return on tangible equity, solvency capital ratio, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in expense ratio, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range; and targets, goals and plans relating to climate and the Group's approach and strategy in connection with climate-related risks and opportunities. By their nature, all forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond the Group's control and/or they rely on assumptions that may or may not transpire to be correct. Forward-looking statements are not guaranteeing future performance.

The Group's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to:

- United Kingdom **("UK")** domestic and global economic business conditions;
- the direct and indirect impacts and implications of the coronavirus Covid-19 pandemic on the economy, nationally and internationally, on the Group, its operations and prospects, and on the Group's customers and their behaviours and expectations;
- the Trade and Cooperation Agreement between the UK and the European Union **("EU")** regarding the terms, following the end of the Brexit transition period, of the trading relationships between the UK and the EU and its implementation, and any subsequent trading and other relationship arrangements between the UK and the EU and their implementation;
- the terms of trading and other relationships between the UK and other countries following Brexit;
- the impact of the FCA pricing practices report and any new rules and regulations arising as a result of that report and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads, including those created or exacerbated by the Russian invasion of Ukraine;
- the policies and actions and/or new principles, rules and/or regulations, of regulatory authorities and bodies, and of changes to, or changes to interpretations of, existing principles, rules and/or regulations (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rates or made in response to the Covid-19 pandemic and its impact on the economy and customers) and of changes to law and/or understandings of law and/or legal interpretation following the decisions and judgements of courts;
- the impact of competition, currency changes, inflation and deflation;
- the timing, impact and other uncertainties of future acquisitions, disposals, partnership arrangements, joint ventures or combinations within relevant industries; and
- the impact of tax and other legislation and other regulation and of regulator expectations, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards (including in any of the foregoing in connection with the Covid-19 pandemic) in the jurisdictions in which the Group and its affiliates operate.

In addition, even if the Group's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document reflect knowledge and information available as of the date of preparation of this document. The Group and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast.

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