2023 Interim Results

7 September 2023

Group update: Jon Greenwood, Acting CEO

H1 2023 key messages

1. **Transaction announced today will strengthen the Group strategically and financially:**
   - Opportunity to crystallise value of brokered commercial insurance business (‘NIG’)
   - Consolidates our strategic focus on personal and commercial retail customers
   - Delivers substantial improvement to solvency capital

2. **Motor written margins have improved**
   - We estimate we are now writing business in line with our 10% net insurance margin target

3. **Resilient trading across other segments in H1 2023**

1 Sale of brokered commercial insurance business

Strategic rationale

- Commercial broker has been part of Group since the acquisition of Churchill in 2003 and has always operated in a different part of the UK insurance market
- Its success is driven by its strong and extensive partnerships with brokers, delivering tailored insurance propositions for UK SME customers
- Since the IPO the Group has been focused on improving operational and financial performance
- Recent performance demonstrates the success of this strategy and with the turnaround complete, the Board believes that now is the right time to crystalise the value created
- We are retaining our strong position in direct small business Commercial lines
- Following the sale, the Group is fully focused on core direct to customer markets across Personal and Commercial Lines

Transaction details

- Initial cash consideration: £520m[1]
- Earn out: up to £30m
- Capital release: up to £270m[2]
- Initial solvency impact: c. 45 points
- Risk transfer date: 1 October 2023
- Qualifies as a Class 1 transaction and is subject to shareholder approval in early Q4 2023
- Consideration expected to be received in Q4 2023

1. Cash consideration payable five business days after the shareholders approve the transaction
2. Capital associated with the sale released upfront and over time

2 Motor: Actions taken to improve margins

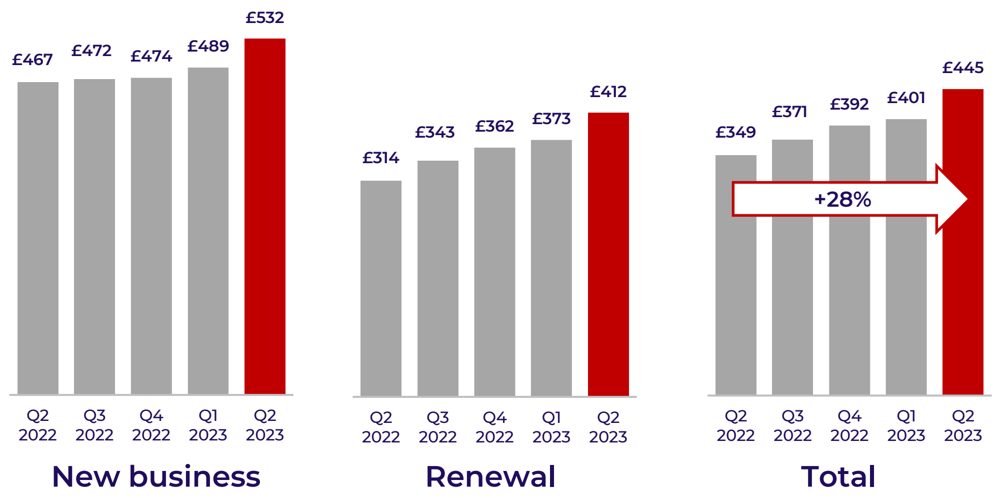
Pricing	37[1] points of rate increases applied in H1
Underwriting and claims	Targeted action on underwriting footprint, optimising renewal discounts, expanded own managed repair network
New products	Churchill Essentials, Direct Line Essentials to follow Darwin Platinum and Darwin Gold
Team	Strengthened capability and additional resource

1. Direct own brands excluding By Miles and Darwin
2. Direct own brands excluding By Miles

See notes on slide 31 and glossary of terms on slide 48

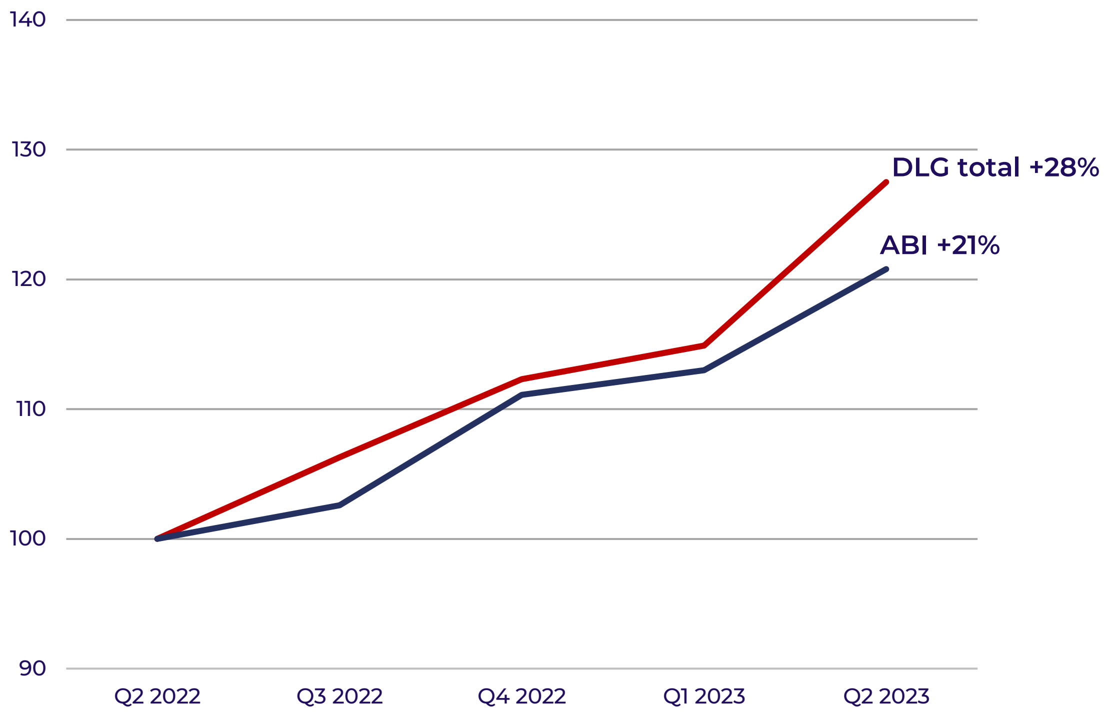
2 Motor pricing: Significant pricing action has improved written margins but will take time to earn through

Pricing action is reflected in higher average premiums[1]



- 37 points of targeted rate applied across the first half[2]
- Risk mix changes partially offset new business premium increases
- Gross written[3] premiums grew 8.0% in H1
- Further rating action taken in July and August

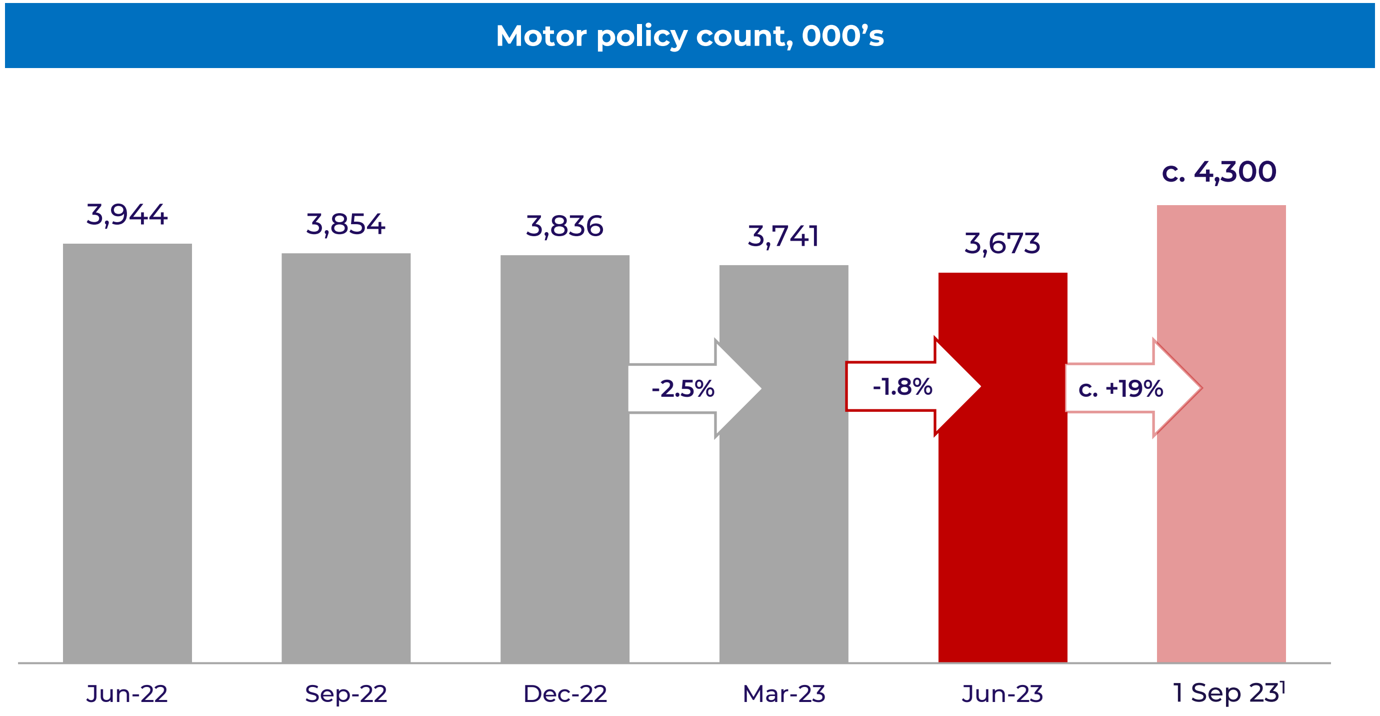
Our average premiums[1] increased ahead of the market[2]



1. Direct own brands excluding By Miles
2. Direct own brands excluding By Miles and Darwin
3. Direct own brands
4. ABI Motor premium tracker as at Q2 2023 indexed

See notes on slide 31 and glossary of terms on slide 48

2 Motor pricing: Margin focus reduced policy count, Motability delivers growth from September



- Reduction of 4% across H1, decline slowed as market rates increased
- Motability added almost 700 thousand new customers in September

1. Management estimate including Motability partnership

See notes on slide 31 and glossary of terms on slide 48

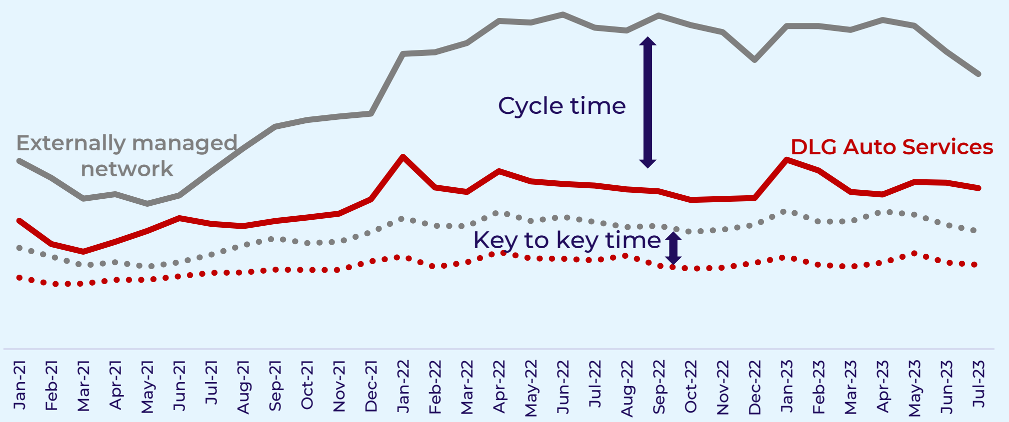
Motor claims: Still pressure in the system but trends stabilising; 2023 outlook unchanged

2

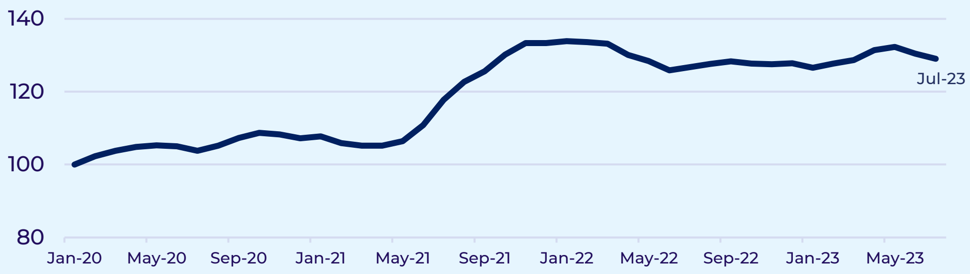
Claims actions

- Increasing % of DLGAS repairs; 23rd garage acquired in H1
- Increasing conversion into network to >85%
- Increasing 3rd party capture
- Increasing % repaired to reduce accidental damage costs
- Reducing cycle times by minimising parts delays
- Reducing credit hire days
- Laser focus on claims counter-fraud

Repair capacity has improved[1]



Second hand vehicle inflation has stabilised[2]



Inflation callouts

- **Repair costs:** Single biggest element is labour
- **Repair times:** Capacity has improved, reducing the level of total losses
- **Second hand vehicle costs:** Broadly stabilised
- **Frequency:** Stable as mix benefits offset increase in driver miles

2023 outlook:

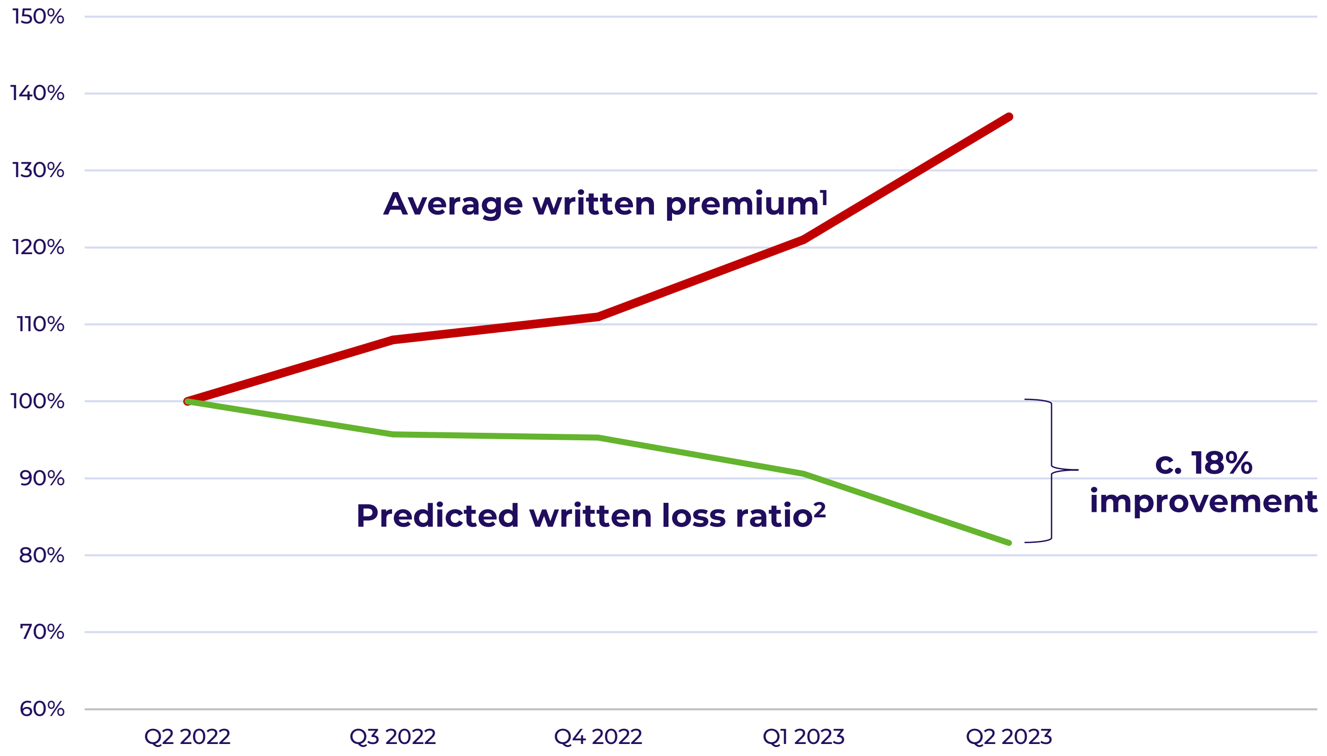
- **Full year still expected to be high single digits**

1. DLG Auto Services versus externally managed network (days)
2. ONS indexed to January 2020

See notes on slide 31 and glossary of terms on slide 48

2 Motor margins: Now underwriting at levels consistent with a 10% net insurance margin

Written loss ratios and average premium indexed



- +37% improvement in mix adjusted average written premium[3]
- Predicted written loss ratios improved by c. 18%
- Now writing in line with our 10% NIM ambition although this will take time to earn through

1. Motor own brands risk adjusted
2. Motor own brands predicted loss ratio
3. Motor own brands excluding By Miles and Darwin

See notes on slide 31 and glossary of terms on slide 48

3 Resilient trading across non motor segments in H1 2023

Motor	Home	Commercial		Rescue and other	
		NIG and other	Direct	Rescue	Other PL
£759m GWP	£253m GWP	£354m GWP	£119m GWP	£67m GWP	£64m GWP
3.6m+ customers	2.4m+ customers	293k customers	645k customers	2.0m+ customers	227k customers

Motor

Churchill Essentials product launched, planning to launch Direct Line Essentials

Almost 700k Motability customers from 1 September

Home

Trading for value, new platform due to launch in H2 – delivering step change in core capabilities

Commercial

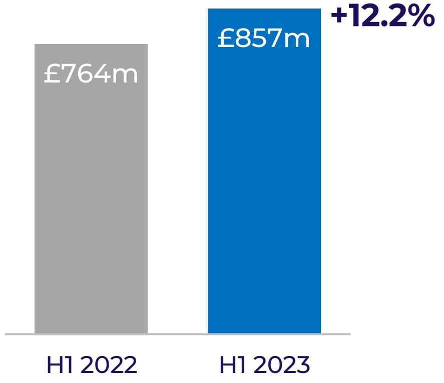
Commercial direct continues to deliver policy and premium growth at attractive margins

Rescue and other

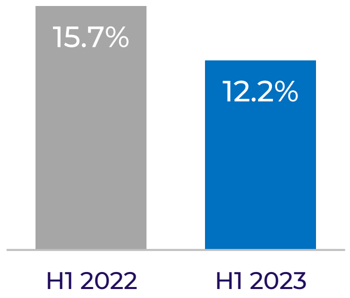
Segment delivers attractive returns with further opportunities in Green Flag and Pet

Group[2] excluding Motor

GWP



Net insurance margin



1. GWP – gross written premium and associated fees
2. Group excluding rescue and travel run-off partnerships

See notes on slide 31 and glossary of terms on slide 48

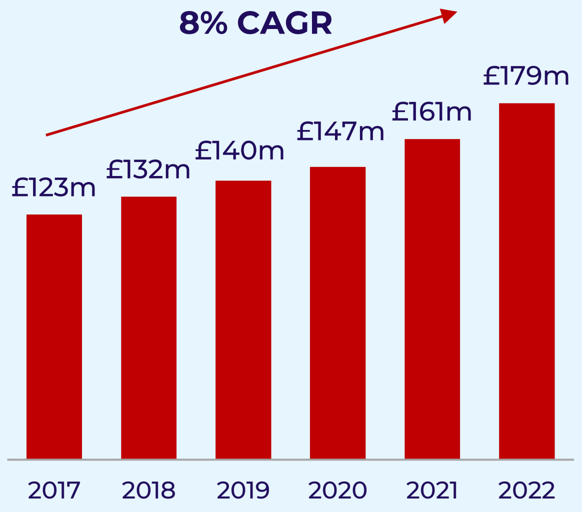
Retaining commercial direct: Natural synergies with personal lines

Direct Line for Business

Direct

- Landlord
- Van
- ‘SME’ – pick and choose covers for a range of segments:
  - Tradesperson
  - Retail
  - Office & professionals
  - Hospitality

GWP progression

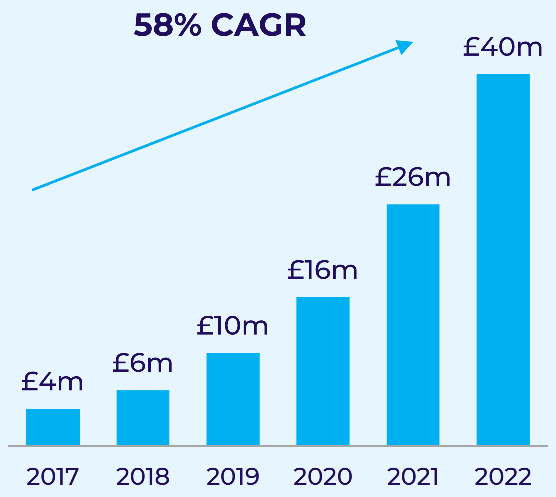


Churchill for Business

Direct & PCW

- Landlord
- Van
- Tradesperson

GWP progression



See notes on slide 31 and glossary of terms on slide 48

A fully focused retail personal and commercial SME insurer with fundamental strengths

Our mission is to be brilliant for customers every day

Our vision is to create a world where insurance is personal, inclusive and a force for good

Our purpose is to help people carry on with their lives, giving them peace of mind now and in the future

Strong brands

Multiple product lines

Direct (phone and website) and PCW

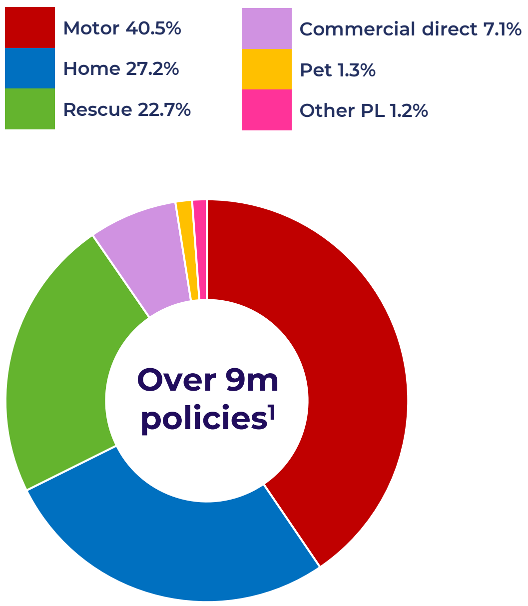
Churchill, Churchill essentials, Direct Line, Direct Line for business, Privilege, Darwin, GreenFlag (No Matter What), DLG Auto Services

Through well known partners

Motability Operations Ltd, DLG Partnerships, NatWest

Personal lines	Commercial SME
Motor	Van
Home	Landlord
Rescue	Tradesperson
Travel	Business
Pet	

Scale



1. In-force policies as at 30 June 2023 excluding recue and travel run-off partners and NIG and other

See notes on slide 31 and glossary of terms on slide 48

Financial results: Neil Manser, CFO

H1 2023 results reflect earn through of Motor and continued high claims inflation

Results summary

000's	30 Jun 23	31 Dec 22	Change
In-force policies[1]	**9,364**	9,674	(3.2%)
£m	H1 2023	H1 2022	Change
Gross written premium and associated fees[1]	**1,615**	1,471	9.8%
Insurance service result[1]	**(93)**	167	(260)
Operating (loss) / profit[1]	**(78)**	197	(275)
£m / %	H1 2023	H1 2022	Change
Loss before tax	**(76)**	(11)	(65)
(Loss) / profit after tax	**(52)**	5	(57)
Net insurance margin (NIM)[1]	**(6.4%)**	11.3%	(17.7pts)
NIM normalised for weather[1]	**(8.3%)**	11.2%	(19.5pts)
Operating return on tangible equity (RoTE)[2]	**(14.6%)**	18.9%	(33.5pts)
Solvency capital ratio as at 30 June / 31 Dec	**147%**	147%	-

Segmental operating (loss) / profit

£m	H1 2023	H2 2022	H1 2022
Motor	**(180)**	(132)	67
Home	**33**	(59)	60
RoPL	**28**	29	31
Commercial	**41**	21	39
Total[1]	**(78)**	(141)	197

- GWP grew 10%, supported by pricing actions to improve written margins in Motor and strong in Commercial
- Ongoing NIM was minus 6.4%, affected by the earn through of Motor policies written in 2022, continued high claims inflation and lower prior year reserve releases
- Ongoing NIM, excluding Motor was 12.2%
- Operating loss of £78m, due to £180m loss in Motor
- Solvency ratio of 147%

1. Ongoing operations (Group excluding run-off Rescue and Travel partnerships)
2. Annualised

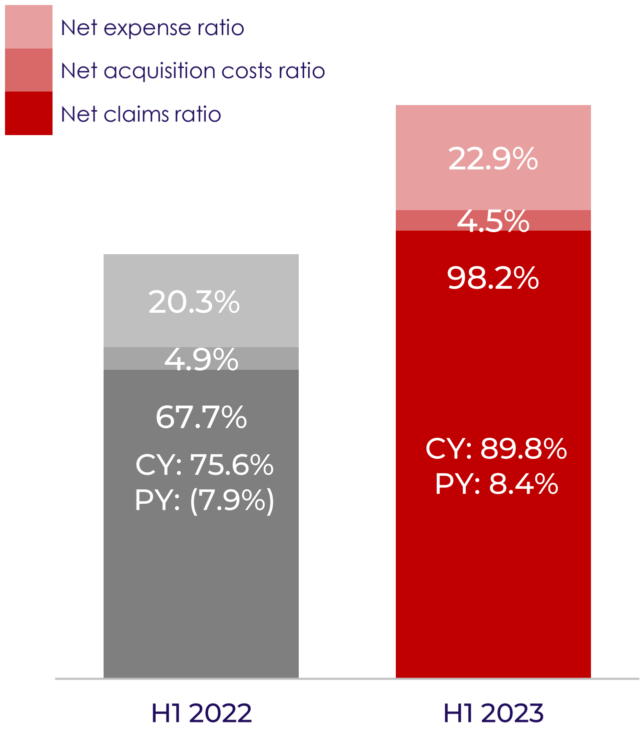
See notes on slide 31 and glossary of terms on slide 48

Motor: Result driven by lower premium business written in 2022 and early 2023 and higher than expected claims inflation

Metrics

000's	30 Jun 2023	31 Dec 2022	Change
In-force policies	**3,673**	3,836	(4.2%)
£m / %	H1 2023	H1 2022	Change
Gross written premium and associated fees	**759**	707	7.3%
Net insurance revenue	**715**	746	(4.2%)
Insurance service result	**(184)**	53	(237)
Of which prior year	***(60)***	*59*	*(119)*
Operating (loss) / profit	**(180)**	67	(247)
Net insurance margin (NIM)	**(25.6%)**	7.1%	(32.7pts)

Ratios



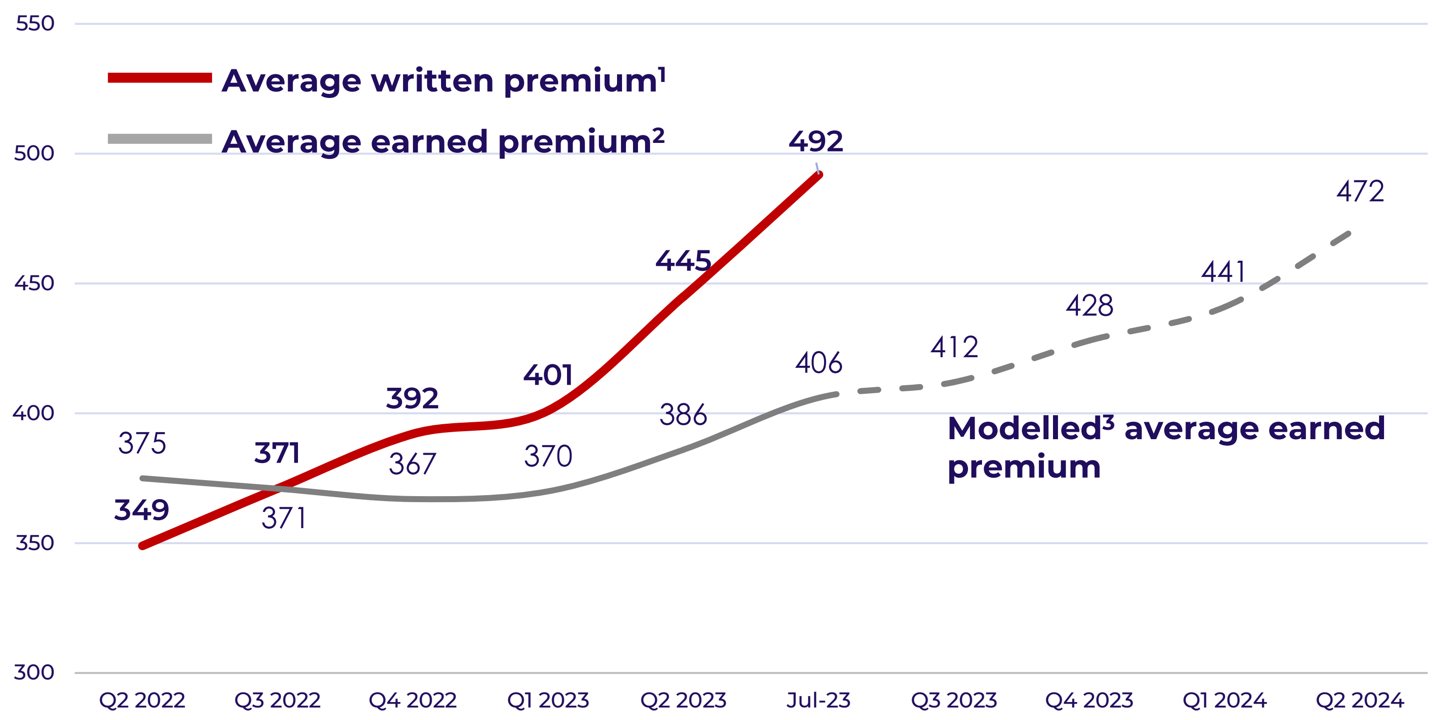
Callouts

- Earnings not representative of the profit of the business we are writing today
- GWP growth of 7%, driven by rate increases to support margin recovery
- Prior year reserve strengthening reflects damage inflation and increase in 2022 severity inflation
- NIM of minus 25.6%, (H2 2022: minus 16.9%)
- Operating loss does not reflect the level of profitability being achieved on written business
- H2 2023 outlook: Lower premium business will continue to earn through

See notes on slide 31 and glossary of terms on slide 48

Motor: Significant pricing action has been taken to improve written margins

Written vs earned average premium[1] £



- H2 2023 earned AVP is 11% above H1 2023
- H1 2024 earned AVP 19% above H1 2023

1. Direct own brands excluding By Miles
2. Earned AVP excludes premium adjustments and cancellations
3. Modelled view of future earned premium using business written premium up to the end of July 2023

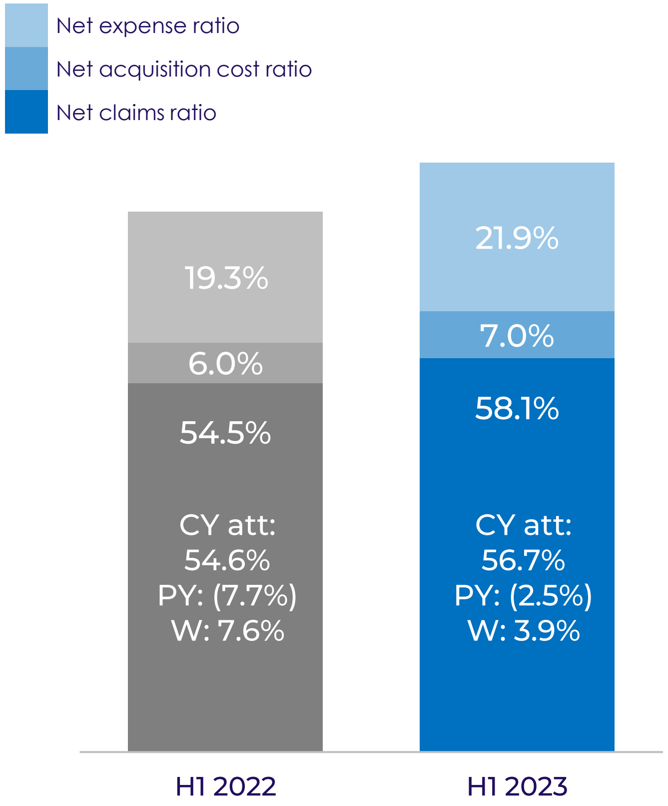
See notes on slide 31 and glossary of terms on slide 48

Home: Resilient trading, benign weather offset by lower prior year reserve releases

Metrics

000's	30 Jun 2023	31 Dec 2022	Change
In-force policies	**2,464**	2,501	(1.5%)
£m / %	H1 2023	H1 2022	Change
Gross written premium and associated fees	**253**	250	0.9%
Net insurance revenue	**248**	277	(10.5%)
Insurance service result	**32**	56	(24)
Of which prior year	***6***	*21*	*(15)*
Of which weather	***(10)***	*(21)*	*11*
Operating profit	**33**	60	(27)
Net insurance margin (NIM)	**13.0%**	20.2%	(7.2pts)
NIM normalised for weather	**6.0%**	18.7%	(12.7pts)

Ratios



Callouts

- IFPs fell 1.5% in H1 as growth in new business was offset by lower retention
- GWP grew 4% prior to PPR related remediation reflecting higher average premiums and focus on margins
- Underlying claims trends for 2023 remain in line with expectations
- Net claims ratio increased as benign weather was more than offset by lower prior year reserve releases
- H2 2023 outlook: Continue to prioritise margins over volume

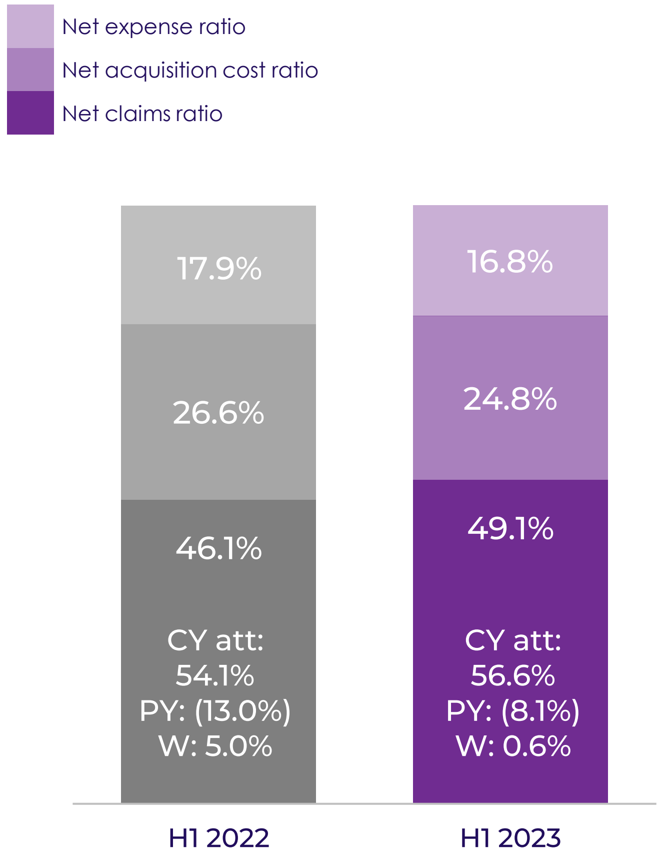
See notes on slide 31 and glossary of terms on slide 48

Commercial: Double-digit premium growth in both NIG and direct

Metrics

000's	30 Jun 2023	31 Dec 2022	Change
In-force policies	**938**	**913**	**2.7%**
Of which direct own brands	***645***	***636***	***1.4%***
£m / %	H1 2023	H1 2022	Change
Gross written premium and associated fees	**473**	**378**	**25.1%**
Of which direct own brands	***119***	***106***	***12.2%***
Net insurance revenue	**356**	**304**	**17.0%**
Insurance service result	**33**	**29**	**4**
Of which prior year	***29***	***40***	***(11)***
Of which weather	***(2)***	***(15)***	***13***
Operating profit	**41**	**39**	**2**
Net insurance margin (NIM)	**9.3%**	**9.4%**	**(0.1pts)**
NIM normalised for weather	**6.2%**	**10.8%**	**(4.6pts)**

Ratios



Callouts

- **Strong GWP growth in both direct own brands and NIG and other; increased premium rates and higher policy count**
- **Net claims ratio increased due to lower prior year releases**
- **H2 2023 outlook: Commercial market is expected to remain positive**

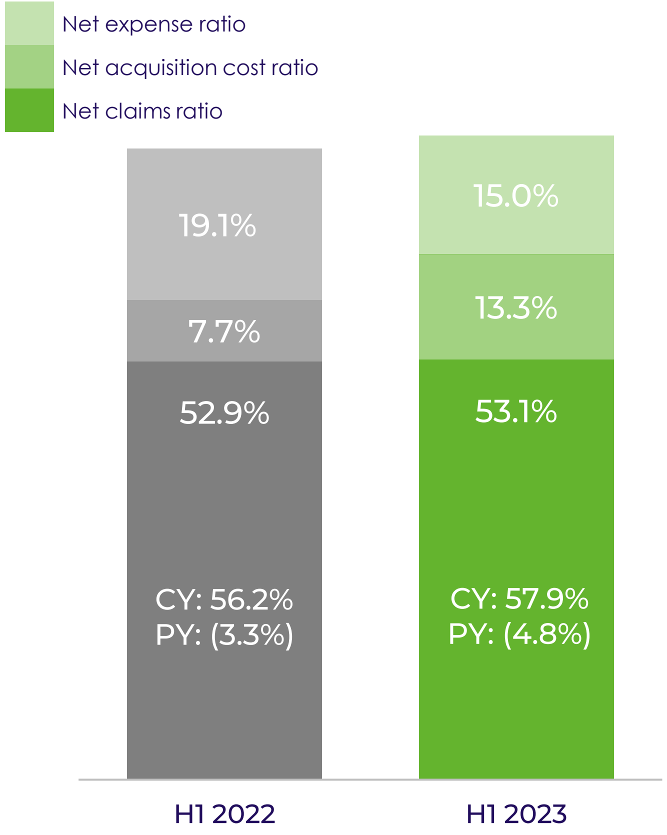
See notes on slide 31 and glossary of terms on slide 48

Rescue and other personal lines: Delivering attractive margins

Metrics

000's	30 Jun 2023	31 Dec 2022	Change
In-force policies	**2,289**	**2,424**	**(5.6%)**
£m / %	H1 2023	H1 2022	Change
Gross written premium and associated fees	**131**	**136**	**(3.3%)**
Net insurance revenue	**135**	**142**	**(4.9%)**
Insurance service result	**25**	**29**	**(4)**
Of which prior year	***7***	***5***	***2***
Operating profit	**28**	**31**	**(3)**
Of which Rescue	***24***	***33***	***(9)***
Net insurance margin (NIM)	**18.6%**	**20.3%**	**(1.7pts)**
Rescue NIM	**29.0%**	**39.4%**	**(10.4pts)**

Ratios



Callouts

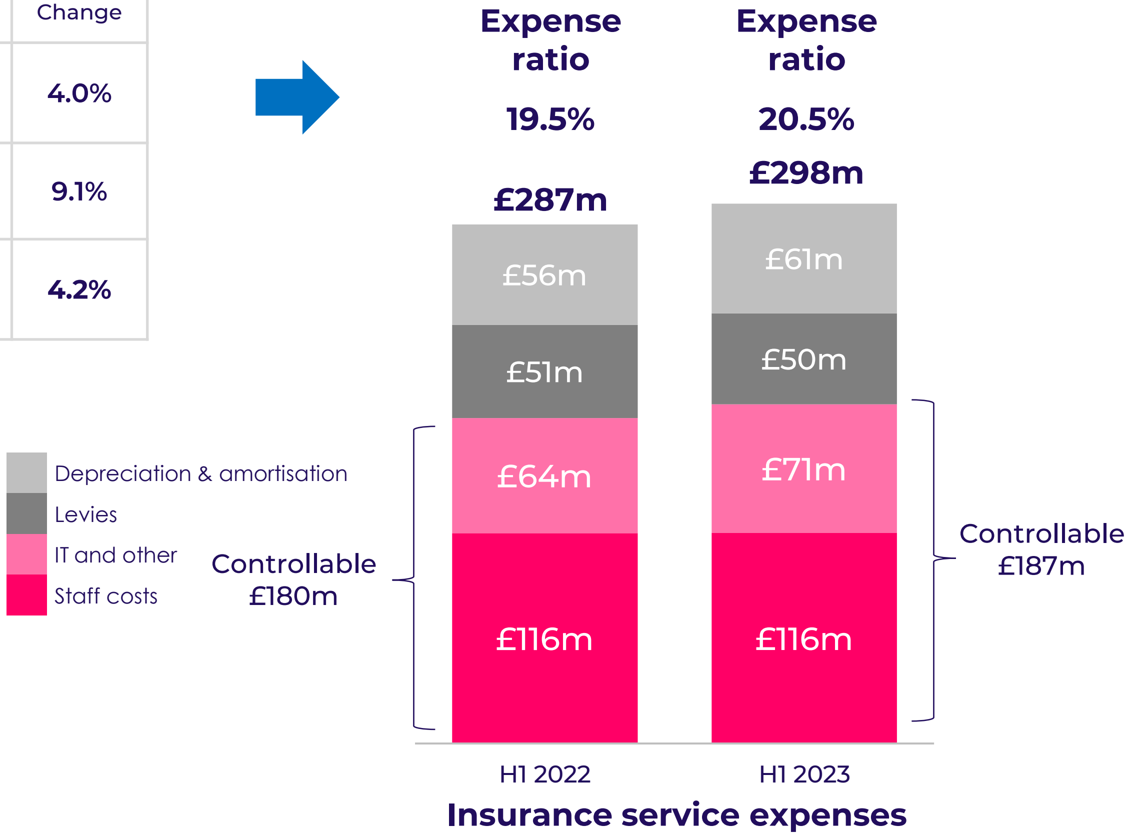
- **GWP reduced driven by lower Rescue and Pet volumes**
- **Rescue NIM of 29.0% remains attractive**
- **Pet profitability remained strong and accounts for the majority of other personal lines profit**
- **H2 2023 outlook: New Pet platform expected to be delivered later this year**

See notes on slide 31 and glossary of terms on slide 48

Operating expenses: Increase reflects inflation

Ongoing operating expenses before restructuring costs

£m	H1 2023	H1 2022	Change
Insurance service	298	287	4.0%
Other	13	12	9.1%
Total	**311**	**299**	**4.2%**

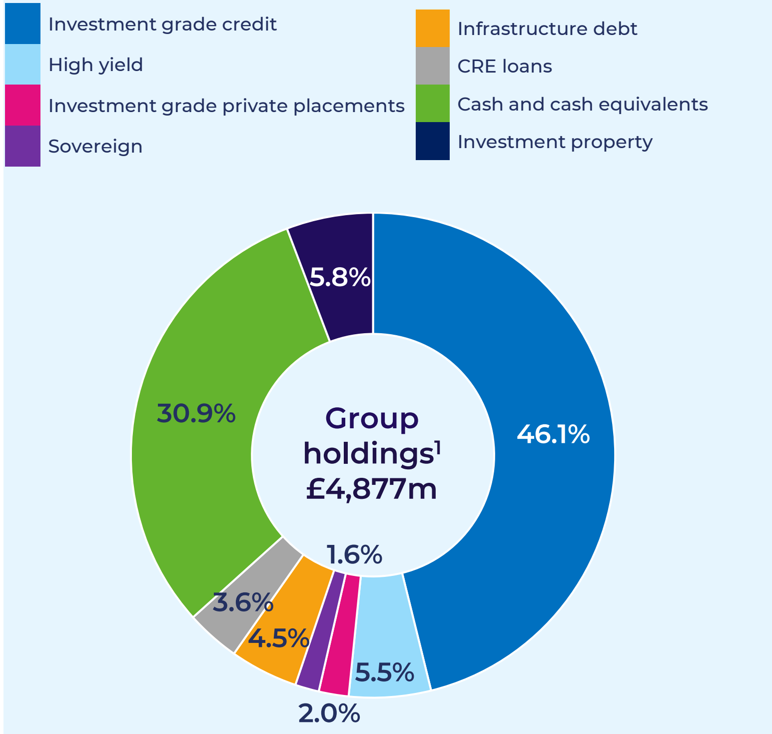


- Total operating expenses increased by 4.2% due to inflationary environment
- Insurance service operating expenses increased by 4.0%
- Staff costs were stable, reduction in headcount mitigated inflation
- Restructuring and one-off costs of £9m
- Outlook: Focused on driving cost efficiency, inflationary pressure remain

See notes on slide 31 and glossary of terms on slide 48

Investments: Higher yield reflects interest rate environment

AUM analysis



Financials

Group £m	H1 2023	H1 2022
Investment income	**85**	59
Investment fees	**(5)**	(5)
Net investment income[2]	**80**	54
Investment income yield	**3.2%**	2.0%
Net FV losses[2]	**(6)**	(225)
Of which financial assets held at FV	***(9)***	*(244)*
Investment property	***3***	*19*
Credit impairment losses	***0***	*0*
Net investment return[3]	**74**	(171)

Key callouts

- Net investment income increased by £26m due to interest rate increases, delivering an income yield of 3.2%
- Net FV losses reduced by £219m due to the non-repeat of significant market volatility in the first half of 2022
- Total investment income of £74m, £245m ahead of prior year
- Outlook: Investment income yield expected to be c. 3.4% - 3.5% in 2023

1. Excludes equity investment of £15.8m
2. Management view
3. Statutory view

See notes on slide 31 and glossary of terms on slide 48

Capital and balance sheet management: Further actions and tailwinds to increase balance sheet strength

1 Organic capital generation

Capital generation in non Motor lines offset by Motor

2 Mechanical tailwinds

- AFS pull to par
- Reduce ineligible capital
- Risk margin
- Tax carry-back

Realised in H1 2023: c. 3pts

Expected in H2 2023: c. 4pts - 7pts

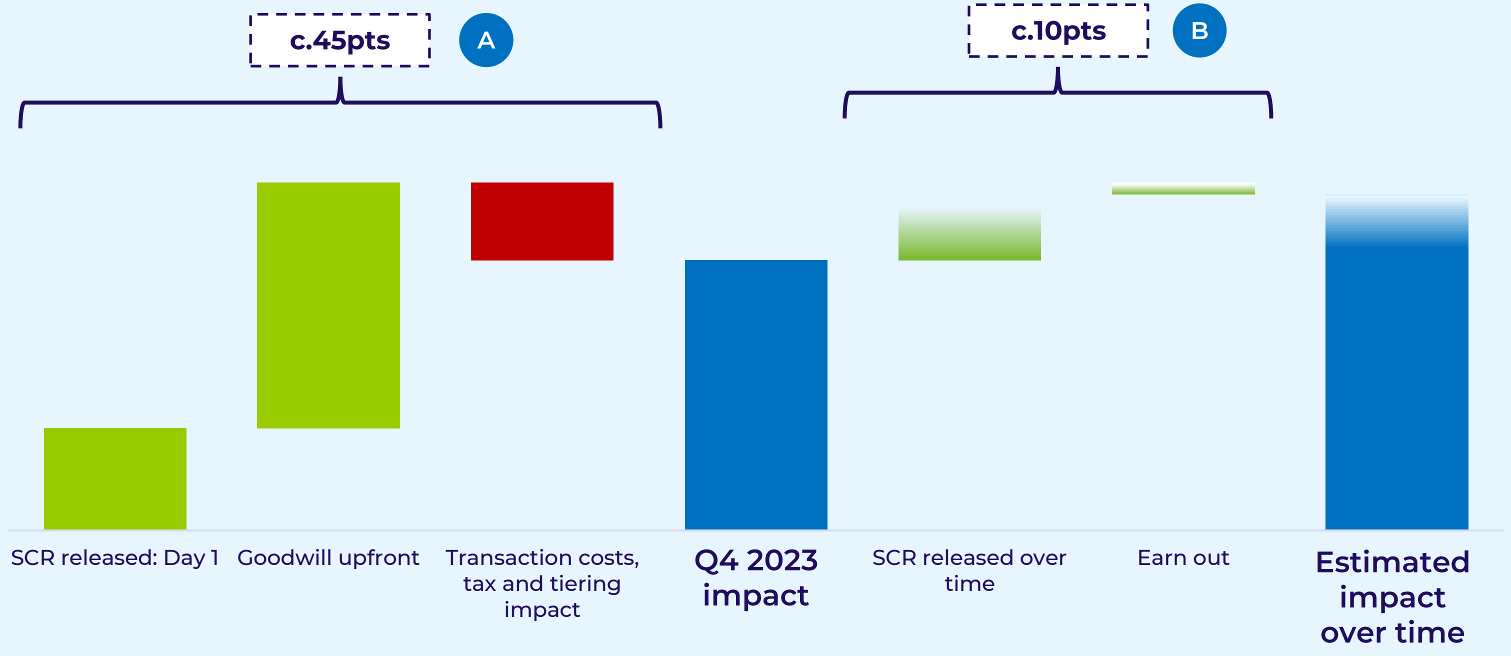
3 Self-help actions

- Motor margin restoration
- Exited partnerships
- Further asset de-risking
- Additional reinsurance options

See notes on slide 31 and glossary of terms on slide 48

Capital and balance sheet management: Proposed sale of NIG delivers substantial improvement to solvency capital

Solvency ratio uplift[1]



Key callouts

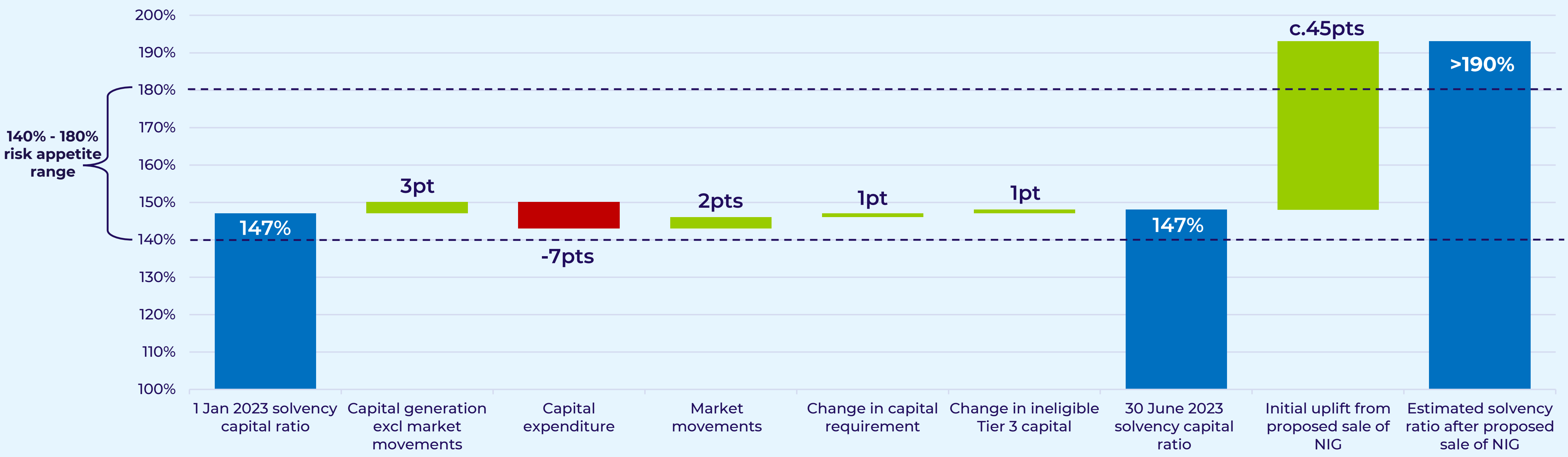
A Net consideration upfront and initial capital release provide a significant uplift to the Group's solvency ratio in Q4 2023

B Further benefit over time as reserves unwind and earn out is received

1. Transaction impacts / solvency uplifts are on a fully 'look through' basis, leaving aside any capital that would need to be held by the Group for the duration of the reinsurance structures put in place with RSA

Capital and balance sheet management: Solvency ratio of 147% increasing to >190% following sale of NIG

Solvency ratio walk[1]



1. Figures estimated and based on partial internal model (PIM) output as at 30 June 2023

See notes on slide 31 and glossary of terms on slide 48

Dividend outlook: Conditions for restart

1

Capital coverage restored to the upper end of the 140% - 180% target range

✓

+

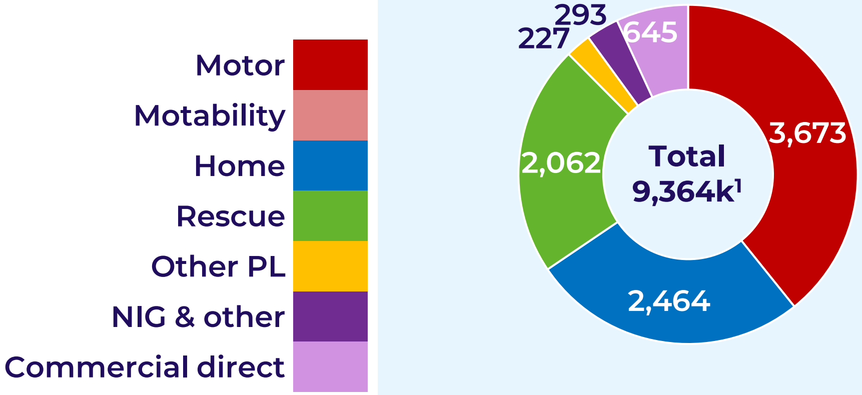
2

Return to organic capital generation in Motor

The Board will continue to assess performance in H2 2023

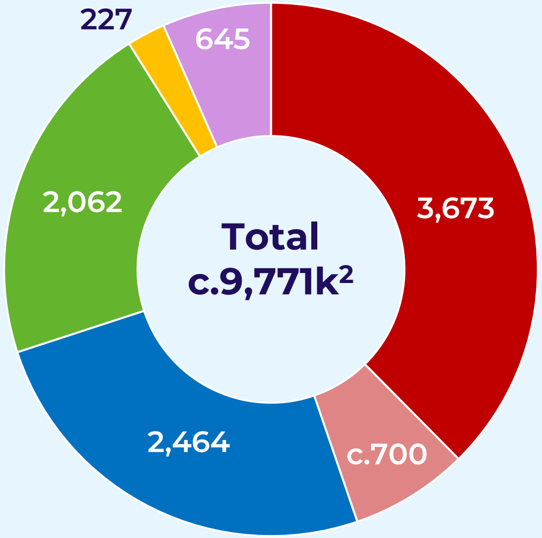
A fully focused retail personal and commercial SME insurer

H1 2023
In-force policies (000's)



FY 2022 GWP:
£3bn

Q3 2023 pro-forma
In-force policies (000's)



FY GWP pro-forma:
c.£3.1bn[3]

All businesses targeting a net insurance margin of at least 10%[4] over time

1. Group excluding rescue and travel run-off partnerships
2. Group in-force policies at 30 June 2023, excluding rescue and travel run-off partnerships and NIG and other, including Motability partnership
3. Group FY 2022 GWP, excluding rescue and travel run-off partnerships and NIG and other, including Motability partnership
4. Normalised for weather

See notes on slide 31 and glossary of terms on slide 48

Direct Line Group

Group update: Jon Greenwood, Acting CEO

Summary: Progress improving Group performance

1. Taken strategic action to rebuild capital
2. Taken decisive action to improve motor profitability
3. Fundamentally strong retail personal and commercial SME business, with strong brands multiple products

Thank you

Questions?

Appendix

Notes to financial disclosures

1. Ongoing operations – the Group has excluded a number of Rescue and other personal lines partnerships from its ongoing operations results. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, and which the Group has already indicated that it will not be seeking to renew. Relevant prior-year data has been restated accordingly.

2. Direct own brands include Motor in-force policies under the Direct Line, Churchill, Darwin, Privilege and By Miles brands, Home in-force policies under the Direct Line and Churchill brands and Commercial in-force policies under the Direct Line for Business and Churchill brands.

3. See slide 48 for a summary glossary. A full glossary of terms can be found on pages 60 to 62 of the Group's 2023 half year report[1]

1. Available at: https://www.directlinegroup.co.uk/en/investors/results-reports-and-events.html

Motor and Home results

Motor	H1 2023	H1 2022
In-force policies (000s)	**3,673**	**3,944**
Own brand in-force policies (000s)	3,607	3,846
Partnerships in-force policies (000s)	66	98
Gross written premium and associated fees £m	**759**	**707**
Net insurance revenue £m	715	746
Net insurance margin	**(25.6%)**	**7.1%**
Net insurance claims ratio – current year	89.8%	75.6%
Net insurance claims ratio – prior years	8.4%	(7.9%)
Net insurance claims ratio	98.2%	67.7%
Net acquisition costs ratio	4.5%	4.9%
Net expense ratio	22.9%	20.3%
Insurance service result £m	**(184)**	**53**
Of which prior year development £m	*(60)*	*59*
Net investment income £m	48	34
Unwind of discounting on claims £m	(35)	(10)
Other operating income and expenses £m	(9)	(11)
Operating (loss) / profit £m	**(180)**	**67**

Home	H1 2023	H1 2022
In-force policies (000s)	**2,464**	**2,571**
Own brand in-force policies (000s)	1,705	1,792
Partnerships in-force policies (000s)	759	779
Gross written premium and associated fees £m	**253**	**250**
Net insurance revenue £m	248	277
Net insurance margin	**13.0%**	**20.2%**
Net insurance margin normalised for weather	6.0%	18.7%
Net insurance claims ratio – current year	56.7%	54.6%
Net insurance claims ratio – prior years	(2.5%)	(7.7%)
Net insurance claims ratio – major weather events	3.9%	7.6%
Net insurance claims ratio	58.1%	54.5%
Net acquisition costs ratio	7.0%	6.0%
Net expense ratio	21.9%	19.3%
Insurance service result £m	**32**	**56**
Of which prior year development £m	*6*	*21*
Net investment income £m	9	7
Unwind of discounting on claims £m	(8)	(2)
Other operating income and expenses £m	(1)	(1)
Operating profit £m	**33**	**60**

Event weather assumed to be £54m in 2023

(2022: £52m)

See notes on slide 31 and glossary of terms on slide 48

Rescue and other personal lines results – ongoing operations

Rescue and other personal lines - ongoing operations	H1 2023	H1 2022
In-force policies (000s)	**2,289**	**2,512**
Rescue (000s)	2,062	2,264
Pet (000s)	121	133
Other personal lines (000s)	106	115
Gross written premium and associated fees £m	**131**	**136**
Net insurance revenue £m	135	142
Net insurance margin	**18.6%**	**20.3%**
Net insurance claims ratio – current year	57.9%	56.2%
Net insurance claims ratio – prior years	(4.8%)	(3.3%)
Net insurance claims ratio	53.1%	52.9%
Net acquisition costs ratio	13.3%	7.7%
Net expense ratio	15.0%	19.1%
Insurance service result £m	**25**	**29**
Of which prior year development £m	*7*	*5*
Net investment income £m	3	2
Unwind of discounting on claims £m	(1)	(1)
Other operating income and expenses £m	1	1
Operating profit £m	**28**	**31**

Rescue	H1 2023	H1 2022
In-force policies (000s)	**2,062**	**2,264**
Of which Green Flag (000s)	1,093	1,156
Gross written premium and associated fees £m	**67**	**70**
Of which Green Flag £m	41	41
Net insurance margin	**29.0%**	**39.4%**
Operating profit £m	**24**	**33**

Commercial result

Commercial	H1 2023	H1 2022
In-force policies (000s)	**938**	**884**
Own brand in-force policies (000s)	645	623
NIG and other (000s)	293	261
Gross written premium and associated fees £m	**473**	**378**
Net insurance revenue £m	356	304
Net insurance margin	**9.3%**	**9.4%**
Net insurance margin normalised for weather	6.2%	10.8%
Net insurance claims ratio – current year	56.6%	54.1%
Net insurance claims ratio – prior years	(8.1%)	(13.0%)
Net insurance claims ratio – major weather events	0.6%	5.0%
Net insurance claims ratio	49.1%	46.1%
Net acquisition costs ratio	24.8%	26.6%
Net expense ratio	16.8%	17.9%
Insurance service result £m	**33**	**29**
Of which prior year development £m	*29*	*40*
Net investment income £m	19	12
Unwind of discounting on claims £m	(12)	(3)
Other operating income and expenses £m	1	2
Operating profit £m	**41**	**39**

Event weather assumed to be £26m in 2023

(2022: £21m)

See notes on slide 31 and glossary of terms on slide 48

Run-off partnerships result

Run-off partnerships	H1 2023	H1 2022
In-force policies (000s)	**NR**	**NR**
Gross written premium and associated fees £m	**72**	**53**
Net insurance revenue £m	70	51
Net insurance margin	**NR**	**NR**
Net insurance claims ratio – current year	NR	NR
Net insurance claims ratio – prior years	NR	NR
Net insurance claims ratio	NR	NR
Net acquisition costs ratio	NR	NR
Net expense ratio	NR	NR
Insurance service result £m	**(16)**	**(2)**
Of which prior year development £m	*(8)*	*17*
Net investment income £m	1	0
Unwind of discounting on claims £m	(1)	(0)
Other operating income and expenses £m	(0)	(0)
Operating loss £m	**(16)**	**(2)**

- The Group has exited, or has initiated termination of three partnerships which will reduce its exposure to low margin packaged bank accounts so it may redeploy capital to higher return segments. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, where the Group has indicated to the partner that it will not be seeking to renew.

- The Group has excluded the results of these three run-off partnerships from its ongoing results and has restated all relevant comparatives across this review. Results relating to ongoing operations are clearly referenced. Note 4 (segmental analysis) to the Group's 2023 half year report has also been amended to reflect the change. The operating loss relating to run-off partnerships in H1 2023 was £16.1 million (H1 2022: £1.6 million)

Reinsurance arrangements

Quota share (whole account)

- **Cover Incepted on 1 January 2023 for 3 years**
- Cover applies on an individual accident year basis
- Structured quota share with a profit sharing mechanism
- Excludes Motability
- 10% cession with the benefit of all other existing reinsurance contracts
- Placed with 2 reinsurers who are both AA- rated
- Placed on a funds-withheld basis with notional investment income credit

Excess of loss (Motor)

Accident year	Deductible £m
2023	**5[1]**
2022	5[1]
2021	1[2]
2020	1
2019	1
2018	1[3]
2017	1
2016	1
2015	1
2014	1
2013	3
2012	3
2011	3
2010	10

- **Cover renewed on 1 January 2023**
- Retained £5m deductible (indexed) up to £10m
  - £37.5m aggregate deductible for layers above £10m
  - All 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 (Home & Commercial)

Accident year	Limit £m	Deductible £m
1/7 – 31/12 2023	**1,450**	**150**
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

- **Cover was extended on 1 July 2023 for 6 months**
- The limit was increased by £100m due to growth in the commercial account, inflation and capital benefits
- 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

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

Group consolidated balance sheet

Group balance sheet £m	30 Jun 2023	31 Dec 2022
Goodwill and other intangible assets	**839**	822
Reinsurance contract assets	**947**	1,050
Financial investments and cash	**4,675**	4,700
Other assets	**1,028**	945
Total Assets	**7,489**	**7,517**
Insurance contract liabilities	**4,670**	4,676
Other liabilities	**687**	649
Total Liabilities	**5,357**	**5,325**
Shareholders' equity	**1,785**	1,845
Tier 1 notes	**347**	347
Total Equity	**2,132**	**2,192**

See notes on slide 31 and glossary of terms on slide 48

Investment portfolio

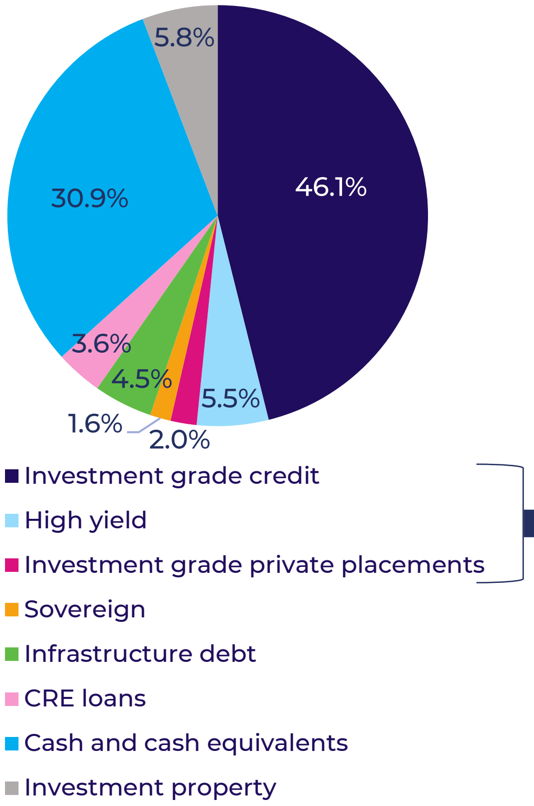
As at 30 June 2023	U K Insurance target allocation	U K Insurance current holding	Total Group Income yield[1]	Total Group interest rate duration (years)
Investment grade (incl private placements)	69.0%	49.6%	2.2%	2.5
High yield	6.0%	5.6%	5.8%	2.0
Total credit	**75.0%**	**55.2%**	**2.6%**	**2.4**
Sovereign	3.0%	1.6%	1.9%	0.9
Total debt securities	**78.0%**	**56.8%**	**2.5%**	**2.4**
Infrastructure debt	4.0%	4.7%	6.1%	0.1
Commercial real estate loans	6.5%	3.7%	6.8%	0.1
Investment property	5.5%	6.0%	5.7%	-
Cash and cash equivalents	6.0%	28.8%	4.2%	-
Total	**100.0%**	**100.0%**	**3.5%**	**1.4**

1. Gross investment income yield

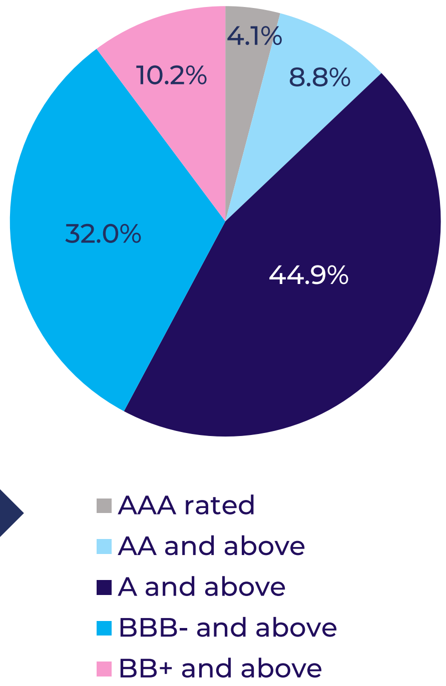
See notes on slide 31 and glossary of terms on slide 48

Investment portfolio analysis

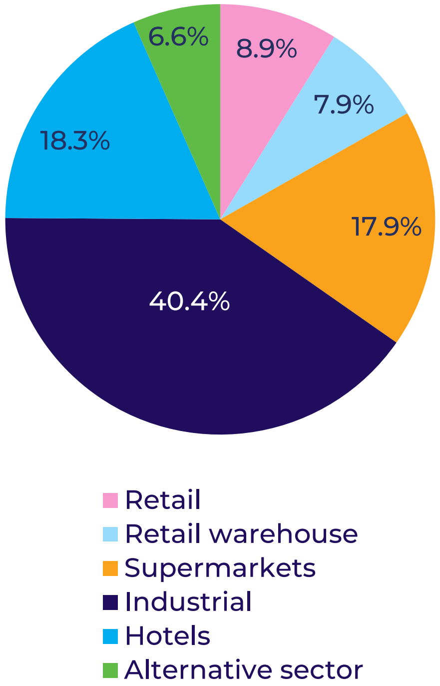
Group holdings[1] £4,877m



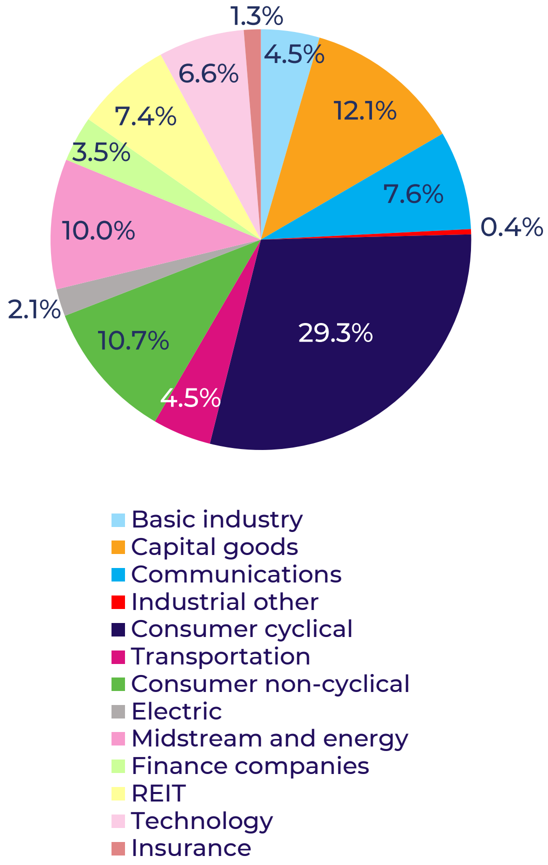
Debt securities credit quality



Property by sector[2] £282m



High yield by sector £267m

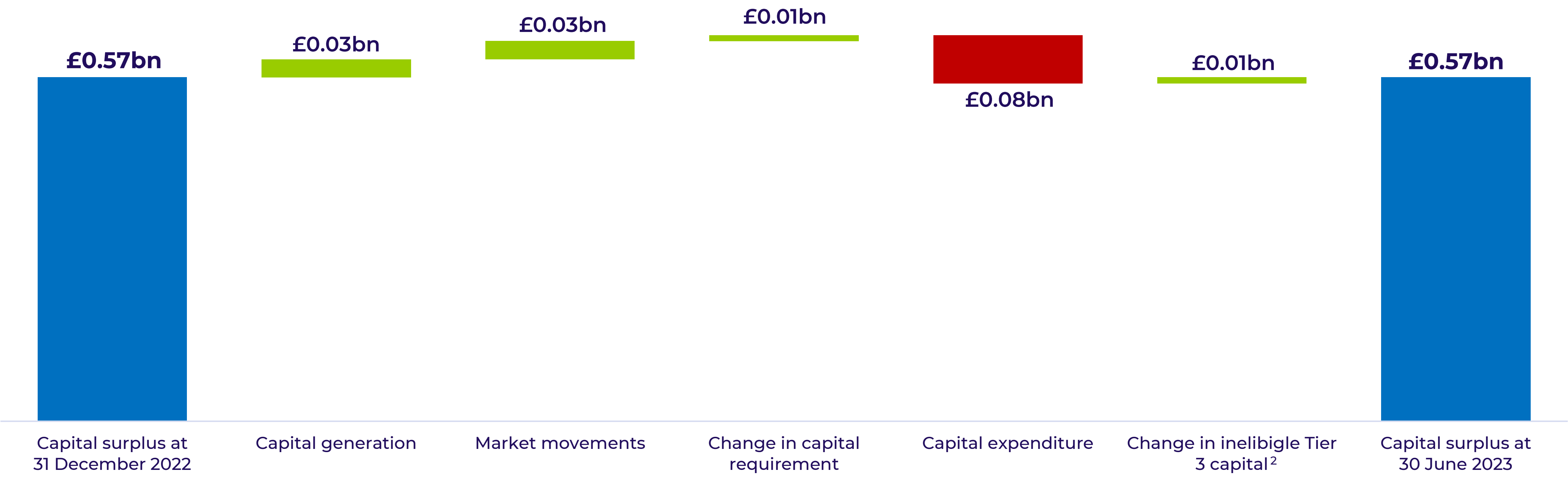


1. Excludes equity investment
2. Investment property by sector based on capital cost (excludes in-house properties owned by Direct Line Group Insurance Services)

See notes on slide 31 and glossary of terms on slide 48

Movement in surplus capital

Surplus capital walk[1]

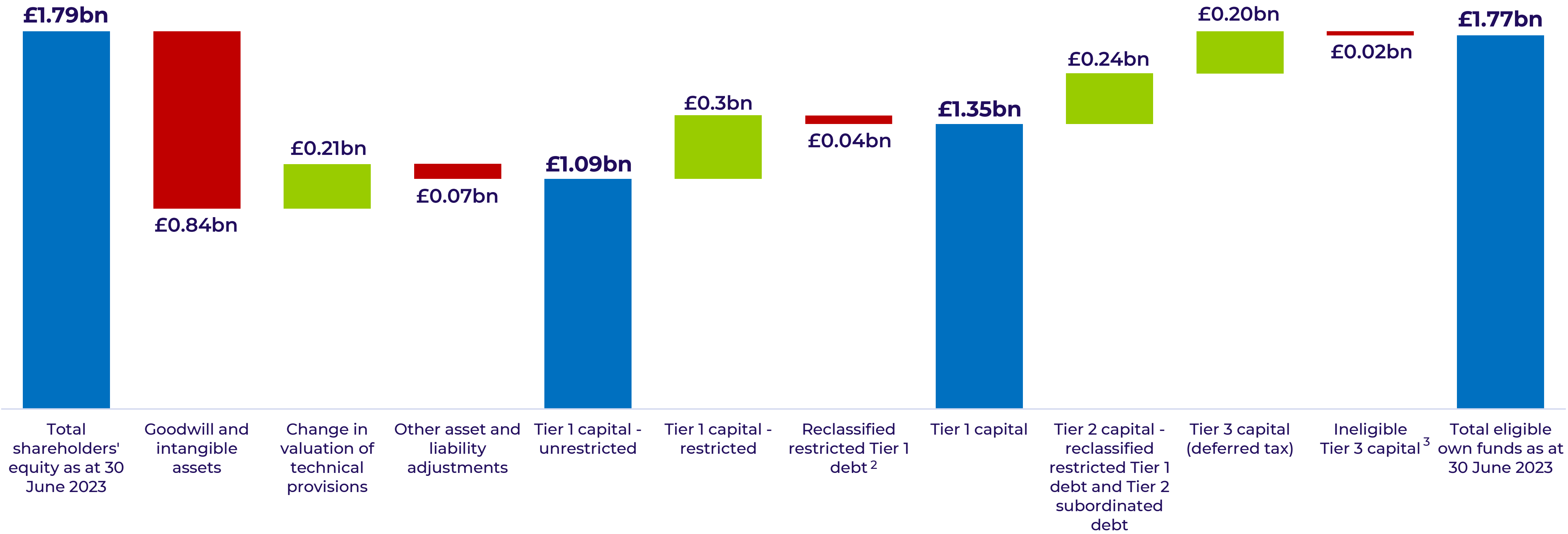


1. Figures estimated and based on partial internal model (PIM) output as at 30 June 2023
2. At 30 June 2023 ineligible Tier 3 capital arose as the amount of Tier 3 capital permitted under the Solvency II regulations is 15% of the Group's SCR. At 31 December 2022 ineligible Tier 3 capital arose as the amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR

See notes on slide 31 and glossary of terms on slide 48

IFRS to Solvency II bridge

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



2. As at 30 June 2023, £37 million (31 December 2022: £51 million) of the Group's restricted Tier 1 capital was reclassified as Tier 2 due to Solvency II tiering restrictions.
3. At 30 June 2023, the amount of Tier 2 capital permitted under the Solvency II regulations is 15% of the Group's SCR which resulted in ineligible capital of £24 million. At 31 December 2022, the amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR which resulted in ineligible capital of £33 million

See notes on slide 31 and glossary of terms on slide 48

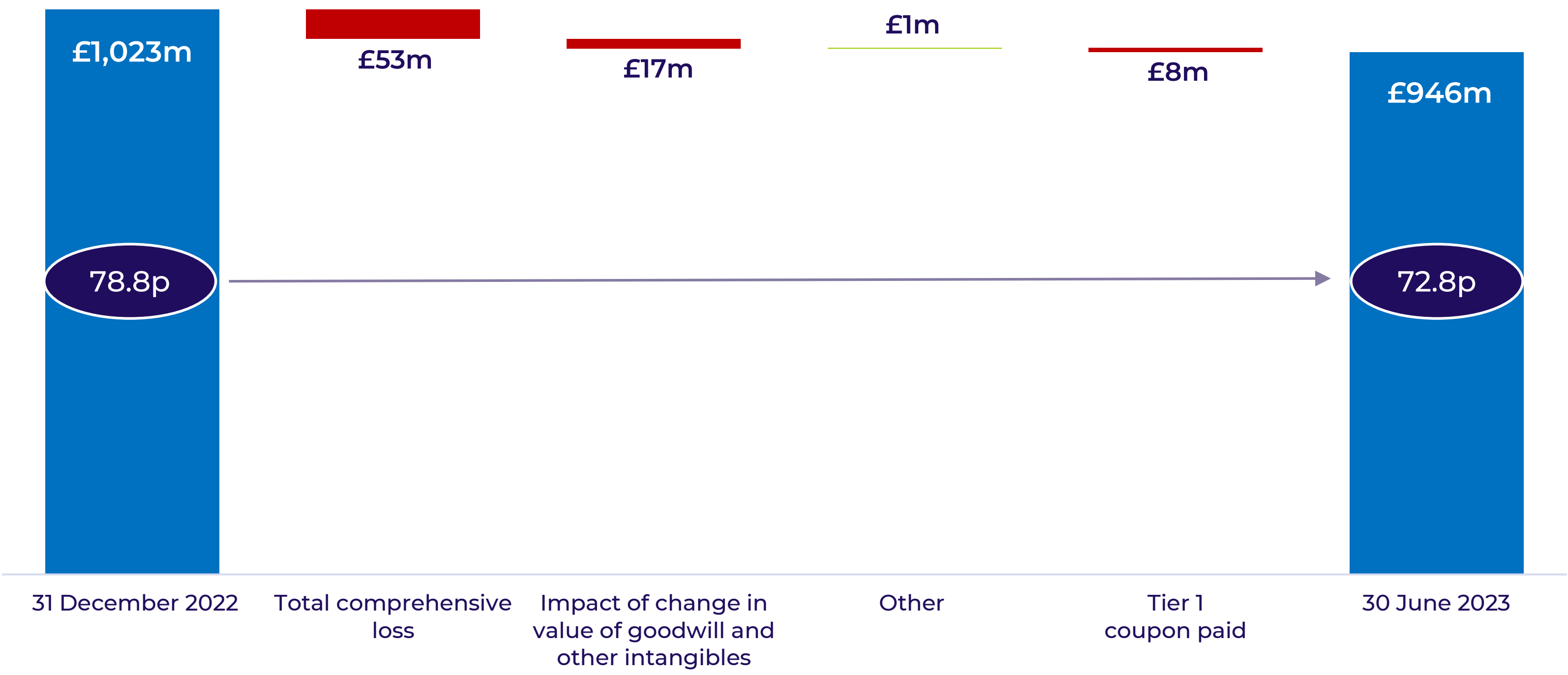
Solvency scenario and sensitivity analysis[1]

Solvency sensitivity: Impact on solvency capital ratio	
Deterioration of small bodily injury motor claims equivalent to accident years 2008 and 2009	(5pts)
One-off catastrophe loss equivalent to the 1990 storm 'Daria'	(10pts)
One-off catastrophe loss based on extensive flooding of the River Thames	(10pts)
Increase in Solvency II inflation assumptions for PPOs by 100 bps[2]	(9pts)
100 bps increase in credit spreads[3]	(5pts)
100 bps decrease in interest rates with no change in the PPO discount rate	(1pt)

1. Sensitivities are calculated under the assumption full tax benefits 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. Includes only the impact on assets held at FVTPL (excludes assets held at amortised costs) and assumes no change to the SCR

Book value and TNAV

Movement in tangible net asset value



	30 June 2023	31 Dec 2022
Net asset value per share (pence)	137.5	142.1
Tangible net asset value per share (pence)	72.8	78.8

See notes on slide 31 and glossary of terms on slide 48

Operating return on tangible equity and loss per share calculations

Operating RoTE

	H1 2023 £m	H1 2022 £m
Operating (loss) / profit – ongoing operations	(78.3)	197.0
Other finance costs	(7.2)	(13.4)
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Adjusted operating (loss) / profit before tax – ongoing operations	**(93.8)**	**175.3**
Tax credit / (charge) (2023 UK standard tax rate of 23.5%, 2022 UK standard tax rate of 19.0%)	22.0	(33.3)
Adjusted operating (loss) / profit after tax – ongoing operations	**(71.8)**	**142.0**
Opening shareholders tangible equity	1,023.1	1,628.1
Closing shareholders' tangible equity	945.8	1,371.1
Average shareholders' tangible equity	**984.5**	**1,499.6**
Operating RoTE annualised	**(14.6%)**	**18.9%**

Loss per share

	H1 2023 £m	H1 2022 £m
(Loss) / profit after tax	(51.9)	4.7
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Loss for the calculation of EPS	**(60.2)**	**(3.6)**
Weighted average number of shares (millions)	1,299.5	1,310.5
Loss per share (pence)	**(4.6)**	**(0.3)**

See notes on slide 31 and glossary of terms on slide 48

H1 2023 segmental results

Income statement (management view) £m	Motor	Home	RoPL	Commercial	Total ongoing operations	Run-off partnerships	Total Group
Gross written premium and associated fees	759	253	131	473	1,615	72	1,688
Instalment income	32	8	1	4	45	-	45
Movement in liability for remaining coverage	(46)	2	5	(89)	(128)	(1)	(130)
Insurance revenue	**745**	**262**	**137**	**388**	**1,532**	**71**	**1,603**
Expenses from reinsurance contracts held	(30)	(15)	(2)	(32)	(78)	(1)	(79)
Net insurance revenue	**715**	**248**	**135**	**356**	**1,454**	**70**	**1,524**
Incurred claims	(669)	(147)	(72)	(179)	(1,067)	(76)	(1,143)
Insurance claims (payable to) / recoverable from reinsurers	(33)	3	-	4	(26)	1	(25)
Net insurance claims	**(702)**	**(144)**	**(72)**	**(175)**	**(1,093)**	**(75)**	**(1,168)**
Of which prior-year reserves development	*(60)*	*6*	*7*	*29*	*(18)*	*(8)*	*(26)*
Acquisition costs	(33)	(17)	(18)	(88)	(156)	(0)	(156)
Operating expenses	(164)	(54)	(20)	(60)	(298)	(11)	(310)
Other directly attributable expenses	**(197)**	**(72)**	**(38)**	**(148)**	**(455)**	**(11)**	**(466)**
Insurance service result	**(184)**	**32**	**25**	**33**	**(93)**	**(16)**	**(109)**
Net investment income	48	9	3	19	79	1	80
Unwind of discounting of claims	(35)	(8)	(1)	(12)	(56)	(1)	(56)
Other operating income and expenses	(9)	(1)	1	1	(8)	(0)	(8)
Operating (loss) / profit	**(180)**	**33**	**28**	**41**	**(78)**	**(16)**	**(94)**
Net insurance margin	**(25.6%)**	**13.0%**	**18.6%**	**9.3%**	**(6.4%)**	**n/a**	**(7.2%)**
Net insurance margin normalised for weather	**n/a**	**6.0%**	**n/a**	**6.2%**	**(8.3%)**	**n/a**	**(9.1%)**
Net expense ratio	22.9%	21.9%	15.0%	16.8%	20.5%	n/a	20.3%
Net acquisition costs ratio	4.5%	7.0%	13.3%	24.8%	10.7%	n/a	10.3%
Net insurance claims ratio	**98.2%**	**58.1%**	**53.1%**	**49.1%**	**75.2%**	n/a	**76.6%**
– current-year attritional	*89.8%*	*56.7%*	*57.9%*	*56.6%*	*73.1%*	*n/a*	*74.1%*
– prior-year reserves development	*8.4%*	*(2.5%)*	*(4.8%)*	*(8.1%)*	*1.3%*	*n/a*	*1.7%*
– major weather events	*n/a*	*3.9%*	*n/a*	*0.6%*	*0.8%*	*n/a*	*0.8%*

See notes on slide 31 and glossary of terms on slide 48

H1 2022 segmental results

Income statement (management view) £m	Motor	Home	RoPL	Commercial	Total ongoing operations	Run-off partnerships	Total Group
Gross written premium and associated fees	707	250	136	378	1,471	53	1,523
Instalment income	33	9	1	4	47	-	47
Movement in liability for remaining coverage	51	30	7	(47)	41	(1)	40
Insurance revenue	**791**	**289**	**144**	**334**	**1,558**	**52**	**1,610**
Expenses from reinsurance contracts held	(45)	(13)	(1)	(30)	(89)	(0)	(89)
Net insurance revenue	**746**	**277**	**142**	**304**	**1,470**	**51**	**1,521**
Incurred claims	(544)	(151)	(75)	(140)	(910)	(39)	(949)
Insurance claims recoverable from / (payable to) reinsurers	39	0	(0)	(1)	39	0	39
Net insurance claims	**(505)**	**(151)**	**(75)**	**(140)**	**(871)**	**(39)**	**(910)**
Of which prior-year reserves development	*59*	*21*	*5*	*40*	*125*	*17*	*141*
Acquisition costs	(37)	(17)	(11)	(81)	(145)	(3)	(148)
Operating expenses	(152)	(53)	(27)	(55)	(287)	(11)	(298)
Other directly attributable expenses	**(188)**	**(70)**	**(38)**	**(136)**	**(432)**	**(14)**	**(446)**
Insurance service result	**53**	**56**	**29**	**29**	**167**	**(2)**	**165**
Net investment income	34	7	2	12	54	0	54
Unwind of discounting of claims	(10)	(2)	(1)	(3)	(15)	(0)	(15)
Other operating income and expenses	(11)	(1)	1	2	(8)	(0)	(9)
Operating profit / (loss)	**67**	**60**	**31**	**39**	**197**	**(2)**	**195**
Net insurance margin	**7.1%**	**20.2%**	**20.3%**	**9.4%**	**11.3%**	**n/a**	**10.9%**
Net insurance margin normalised for weather	**n/a**	**18.7%**	**n/a**	**10.8%**	**11.2%**	**n/a**	**11.0%**
Net expense ratio	20.3%	19.3%	19.1%	17.9%	19.5%	n/a	19.6%
Net acquisition costs ratio	4.9%	6.0%	7.7%	26.6%	9.9%	n/a	9.7%
Net insurance claims ratio	**67.7%**	**54.5%**	**52.9%**	**46.1%**	**59.3%**	**n/a**	**59.8%**
– current-year attritional	*75.6%*	*54.6%*	*56.2%*	*54.1%*	*65.3%*	*n/a*	*66.7%*
– prior-year reserves development	*(7.9%)*	*(7.7%)*	*(3.3%)*	*(13.0%)*	*(8.5%)*	*n/a*	*(9.3%)*
– major weather events	*n/a*	*7.6%*	*n/a*	*5.0%*	*2.5%*	*n/a*	*2.4%*

See notes on slide 31 and glossary of terms on slide 48

FY 2022 segmental results

Income statement (management view) £m	Motor	Home	RoPL	Commercial	Total ongoing operations	Run-off partnerships	Total Group
Gross written premium and associated fees	1,433	518	274	749	2,974	124	3,098
Instalment income	66	17	3	8	93	-	93
Movement in liability for remaining coverage	57	26	5	(49)	40	(2)	38
Insurance revenue	**1,555**	**561**	**282**	**708**	**3,106**	**123**	**3,229**
Expenses from reinsurance contracts held	(77)	(27)	(2)	(59)	(165)	(1)	(166)
Net insurance revenue	**1,478**	**534**	**280**	**649**	**2,941**	**122**	**3,063**
Incurred claims	(1,264)	(413)	(146)	(343)	(2,165)	(110)	(2,275)
Insurance claims recoverable from / (payable to) reinsurers	87	3	(1)	7	96	-	96
Net insurance claims	**(1,176)**	**(410)**	**(146)**	**(336)**	**(2,069)**	**(110)**	**(2,178)**
Of which prior-year reserves development	*4*	*17*	*5*	*48*	*74*	*24*	*98*
Acquisition costs	(82)	(33)	(22)	(158)	(295)	(2)	(298)
Operating expenses	(290)	(94)	(56)	(112)	(553)	(21)	(574)
Other directly attributable expenses	**(373)**	**(128)**	**(78)**	**(270)**	**(848)**	**(23)**	**(871)**
Insurance service result	**(71)**	**(4)**	**56**	**43**	**25**	**(11)**	**14**
Net investment income	73	14	4	25	115	1	115
Unwind of discounting of claims	(39)	(7)	(2)	(12)	(59)	(0)	(60)
Other operating income and expenses	(28)	(2)	3	4	(24)	(1)	(24)
Operating profit / (loss)	**(65)**	**1**	**60**	**60**	**57**	**(11)**	**46**
Net insurance margin	**(4.8%)**	**(0.8%)**	**19.8%**	**6.6%**	**0.9%**	**n/a**	**0.5%**
Net insurance margin normalised for weather	**n/a**	**11.0%**	**n/a**	**7.9%**	**3.4%**	**n/a**	**2.9%**
Net expense ratio	19.6%	17.7%	20.0%	17.3%	18.8%	n/a	18.7%
Net acquisition costs ratio	5.6%	6.3%	7.9%	24.3%	10.0%	n/a	9.7%
Net insurance claims ratio	**79.6%**	**76.8%**	**52.3%**	**51.8%**	**70.3%**	**n/a**	**71.1%**
– current-year attritional	*79.9%*	*57.7%*	*53.9%*	*54.5%*	*67.7%*	*n/a*	*69.4%*
– prior-year reserves development	*(0.3%)*	*(3.2%)*	*(1.6%)*	*(7.4%)*	*(2.5%)*	*n/a*	*(3.2%)*
– major weather events	*n/a*	*22.3%*	*n/a*	*4.7%*	*5.1%*	*n/a*	*4.9%*

See notes on slide 31 and glossary of terms on slide 48

Glossary of key terms

Term	Definition
Average written premium	The total written premium at inception divided by the number of policies
Gross written premium and associated fees	The total premiums from insurance contracts that were incepted during the period, including 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 fee income
Insurance service result	The sum of the net insurance contract revenues, net insurance contract claims, acquisition costs and operating expenses, compared to the net insurance contract revenues generated
Net insurance margin ("NIM")	The ratio of insurance service result divided by net insurance contract revenues. The normalised net insurance margin adjusts net insurance claims and acquisition costs for weather and changes to the Ogden discount rate, when relevant
Net acquisition ratio	The ratio of acquisition costs divided by net insurance contract revenue
Net expense ratio	The ratio of operating expenses divided by net insurance contract revenue
Net insurance claims ratio	The ratio of net insurance contract claims divided by net insurance contract revenue
Net insurance revenue	The total insurance contract revenue (consisting; premium written and associated fees, instalment income and movement in liability for remaining coverage) less expenses from reinsurance contracts held (consisting: reinsurance premium paid and movement in asset for remaining coverage)
Operating profit	The pre-tax profit that the Group's activities generate, including insurance and investment activity, but excluding FV gains/(losses), effect of change in yield curve, other finance costs and restructuring and one-off costs
Operating return on tangible equity	This is adjusted operating profit from ongoing operations divided by the Group's average shareholders' equity less goodwill and other intangible assets. Operating profit after tax is adjusted to include other finance costs and the Tier 1 coupon payments. It is stated after charging tax using the UK standard rate of 23.5% (2022: 19%)

Full glossary of terms can be found on pages 60 to 62 in the Group's 2023 half year report, available at: https://www.directlinegroup.co.uk/en/investors/results-reports-and-events.html

Disclaimer

Forward-looking statements disclaimer

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", "vision", "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 may appear in several places throughout this document and include statements regarding intentions, beliefs or current expectations, including of the Directors, concerning, among other things: the Group's results of operations, financial condition, prospects, growth, net insurance margin, 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 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 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's PPR regulations and Consumer Duty regulations 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 war in Ukraine following the Russian invasion;
– 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, 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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